CORPORATE INSOLVENCIES IN EUROPE

2021

Creditreform
INTERNATIONAL

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■ 1 Insolvencies in Western Europe in 2021 – Facts & Figures

1.1 Introduction

Corona pandemic dictates the underlying conditions

The Corona pandemic and its aftermath continued to influence the macroeconomic fundamentals in Europe significantly in 2021 as well. Although the economy recovered since the severe crash in 2020, the crisis left a deficit in economic performance that has yet to been recouped. Not only that – the business stability of companies remains stricken, at least in some sectors of the economy. Developments in the insolvency figures do not yet reflect this reality – also because political decisions and a zero interest rate policy have partly prevented this. The decisions are understandable against the background of the immense and rapid crisis developments, especially in the previous year, as they were intended to forestall an economic chain reaction. But increasing concern is arising about so-called zombie companies – companies that are only viable under the current market conditions but would be unable to survive changes (such as a rise in interest rates). It is a fact that the Corona crisis has permanently shaken up the business models of many sectors – for example, trade – and that the pace of structural change is likely to accelerate.

This survey takes a look at corporate stability in Europe with regard to insolvencies and the risk of insolvency. Especially for medium-sized export companies that do not have their own manufacturing or sales bases in other European countries, it is crucial to understand the economic risks associated with their business partners on the other side of the border.

1.2 Developments in Western Europe in 2021

Corporate insolvencies decline 5 percent

Just over 110,000 corporate insolvencies were registered in Western Europe (EU-14 states, United Kingdom, Norway and Switzerland) in 2021. This represents a decline of around 5 percent in the number of corporate insolvencies compared to the previous year (2020: 116,446 cases). The assistance programmes initiated in the first Corona year to shore up the economy and mitigate the consequences of the pandemic were mostly extended or modified beyond the turn of 2020/2021. This enabled a potential negative chain reaction caused by payment defaults and liquidity problems to once again be avoided. The economic consequences of the Corona pandemic are not therefore entirely reflected in the insolvency situation.

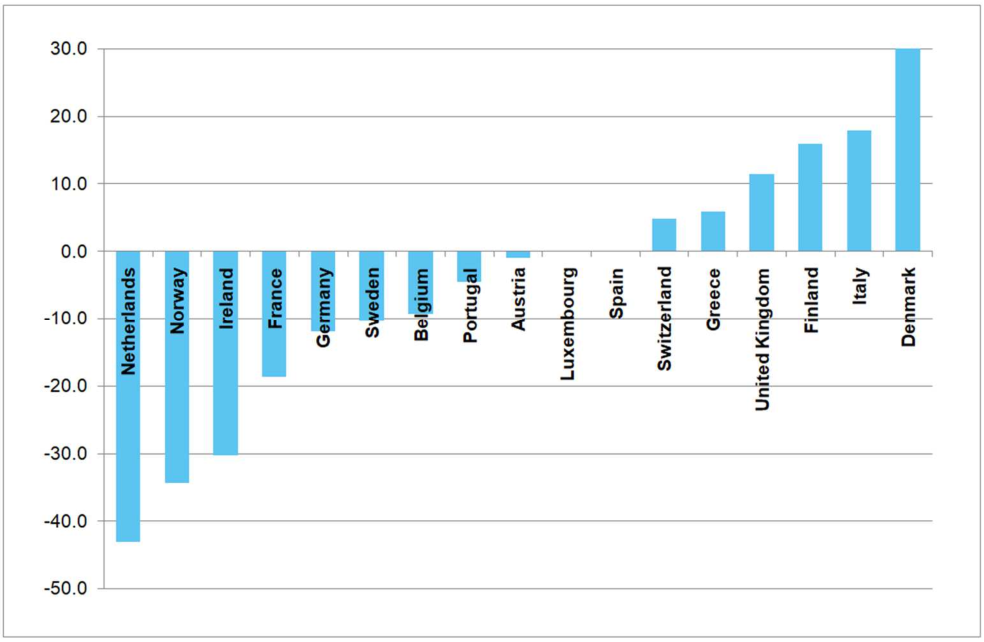
Tab. 1: Corporate insolvencies in Western Europe

■	2021	2020	2019	2018	2017	Change 2020/21 in percent
Austria	3,076	3,106	5,235	5,224	5,318	-1.0
Belgium	6,533	7,203	10,598	9,878	9,968	-9.3
Denmark	8,339	5,614	8,474	7,155	6,383	+48.5
Finland	2,473	2,135	2,597	2,534	2,160	+15.8
France	25,235	31,036	51,201	53,887	54,515	-18.7
Germany	14,130	16,040	18,830	19,410	20,140	-11.9
Greece	108	102	107	84	123	+5.9
Ireland	401	575	568	767	874	-30.3
Italy	9,017	7,650	11,161	11,259	12,081	+17.9
Luxembourg	1,199	1,199	1,263	1,195	935	0.0
Netherlands	1,536	2,703	3,209	3,145	3,291	-43.2
Norway	2,688	4,100	5,013	5,010	4,557	-34.4
Portugal	4,770	5,000	5,071	5,888	6,284	-4.6
Spain	4,098	4,097	4,464	4,131	4,261	0.0
Sweden	6,901	7,695	7,776	7,599	6,714	-10.3
Switzerland	5,127	4,893	6,009	6,878	6,684	+4.8
United Kingdom	14,820	13,298	18,256	18,733	18,483	+11.4
Total	**110,451**	**116,446**	**159,832**	**162,777**	**162,771**	**-5.1**

The number of corporate insolvencies had already fallen significantly in the previous year (2020) (minus 27.1 percent). Assuming that 2019 was the last year of "normal" insolvency activity, it would appear that – despite many a business crisis – numerous companies are still able to avoid taking the path to insolvency. The annual number of cases for 2021 is now around 30 percent below the "normal" average for the years 2017-2019, giving rise to a so-called insolvency gap of at least 50,000 units in absolute figures. These are companies that would have become insolvent under the "traditional" economic fundamentals of earlier years. The missing insolvencies can only be explained by special effects. The partial dilution of illiquidity as an insolvency criterion enabled inflicted companies initially to survive, and in some cases helped them avoid the consequences of a corporate crisis. It remains to be seen when and how quickly a possible wave of (catch-up) insolvencies will occur.

Special effects of the pandemic? Insolvencies 30 percent lower than pre-corona levels

Fig. 1: Development of corporate insolvencies in Western Europe 2020/21



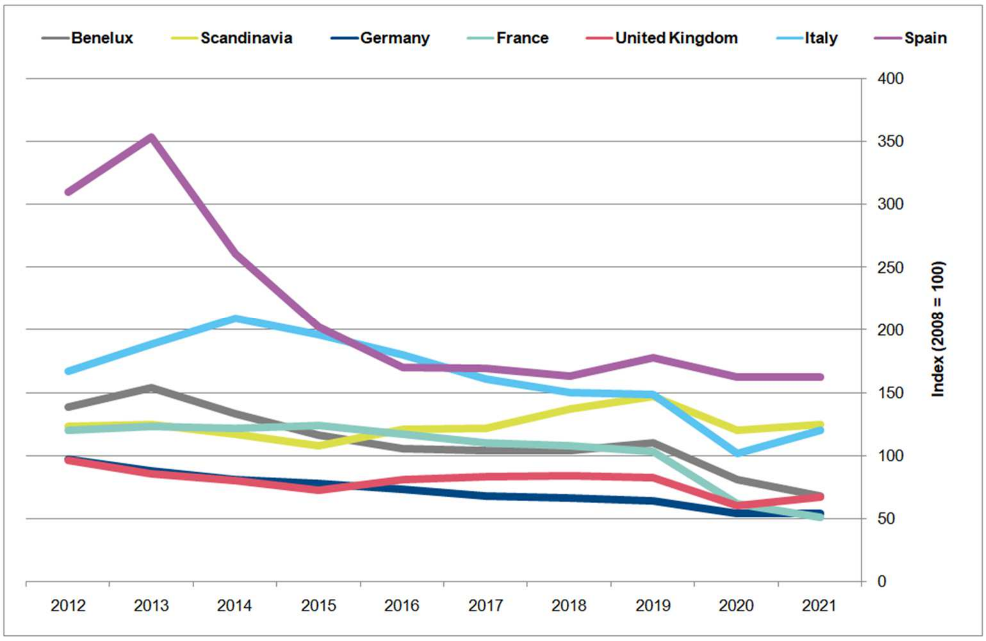
Changes in percent; Source: Creditreform

Changes in the numbers of insolvencies varied in the countries under review. Switzerland, Greece, the United Kingdom, Finland, Italy and Denmark all recorded an increase in the number of insolvencies (see Fig. 1). Particularly prominent here is the marked increase in Denmark (plus 48.5 percent). A further decline in the number of cases was registered in the Netherlands, Norway, Ireland, France, Germany, Sweden, Belgium and Portugal. The sharpest decrease was in the Netherlands at 43.2 percent. Austria, Luxembourg and Spain saw little change in the 2020/2021 annual comparison.

Trends emerging in different directions

The apparent calm in insolvency activity is reflected in the longer-term trend. In many regions, insolvency levels are well below the reference value of 2008 (= 100) which was chosen for this analysis (see Fig. 2). This is the case in Germany, the United Kingdom, France and the Benelux countries. Corporate insolvencies remained above the 2008 levels in Spain, Scandinavia and Italy. Nevertheless, a clear trend reversal has become evident for the United Kingdom, Scandinavia and Italy.

Fig. 2: Development of corporate insolvencies in selected countries and regions

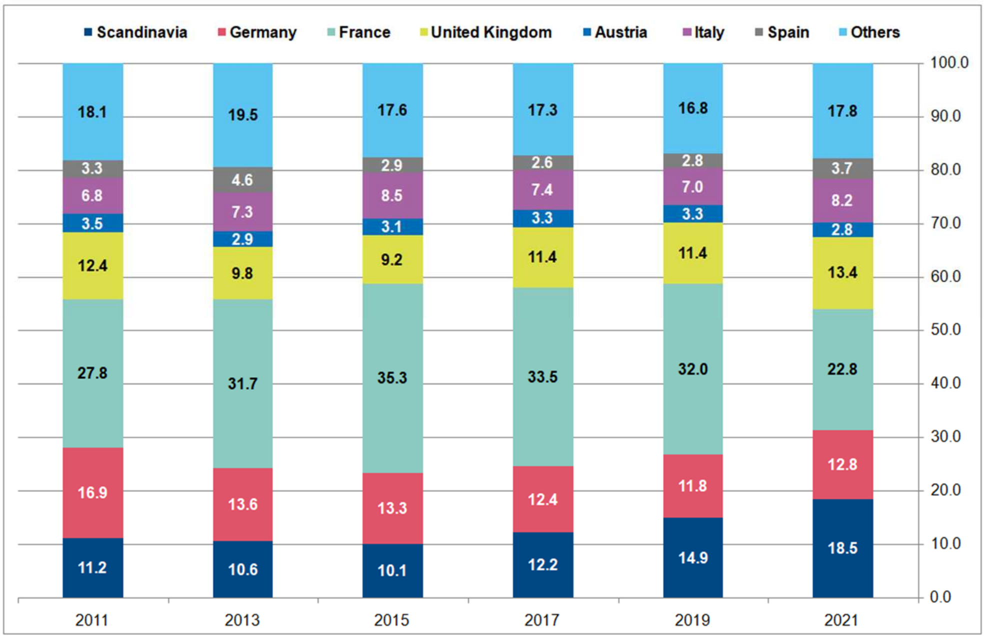


Figures in index points; Source: Creditreform

France's significance for insolvency activity declines

Insolvencies in Western European are increasingly being determined by Scandinavia whose share of insolvency activity has risen to 18.5 percent. This compares with just 11.2 percent in 2011. The United Kingdom also has a higher share than in previous years. Germany's share was most recently 12.8 percent; as such, every eighth corporate insolvency in Western Europe involved a German company. Ten years ago, however, this share was much higher (16.9 percent). The sharp decline in France's insolvencies has reduced its significance for the Europe-wide insolvency statistics. The remaining countries, such as the Benelux states and Switzerland, currently account for a combined share of 17.8 percent.

Fig. 3: Distribution of corporate insolvencies in Western Europe

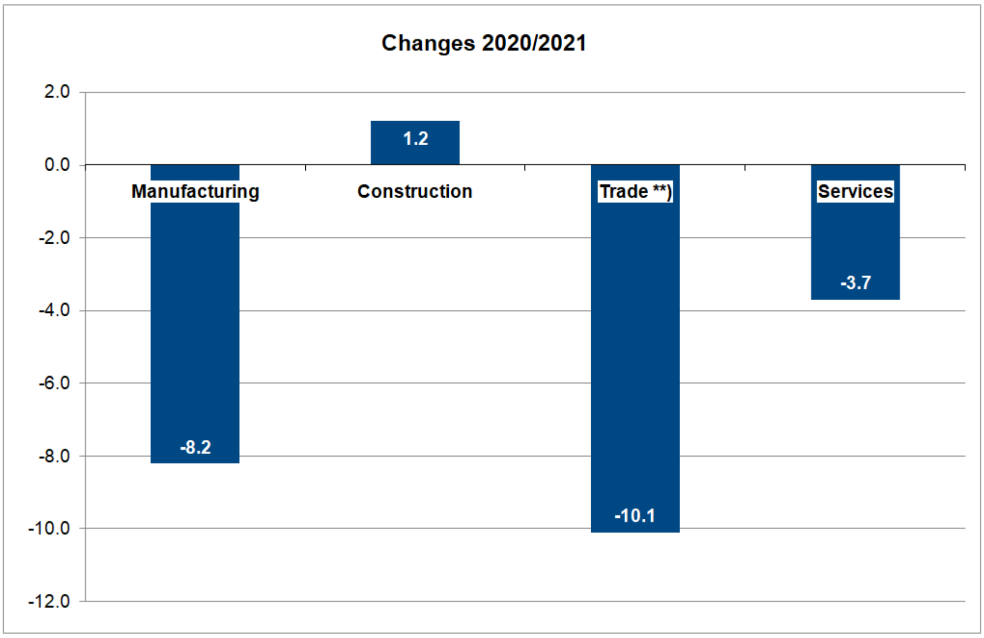


Figures in percent; Source: Creditreform

1.3 Insolvencies by Economic Sector

A significant decline in the number of insolvencies can be seen in manufacturing (minus 8.5 percent) and trade (minus 10.1 percent). The construction industry, by contrast, saw a slight increase of 1.2 percent. In the service sector, insolvencies fell by just under 4 per cent. A year earlier, all four main economic sectors were still enjoying double-digit percentage declines.

Fig. 4: Changes in the main economic sectors in in Western Europe 2020/21 *)

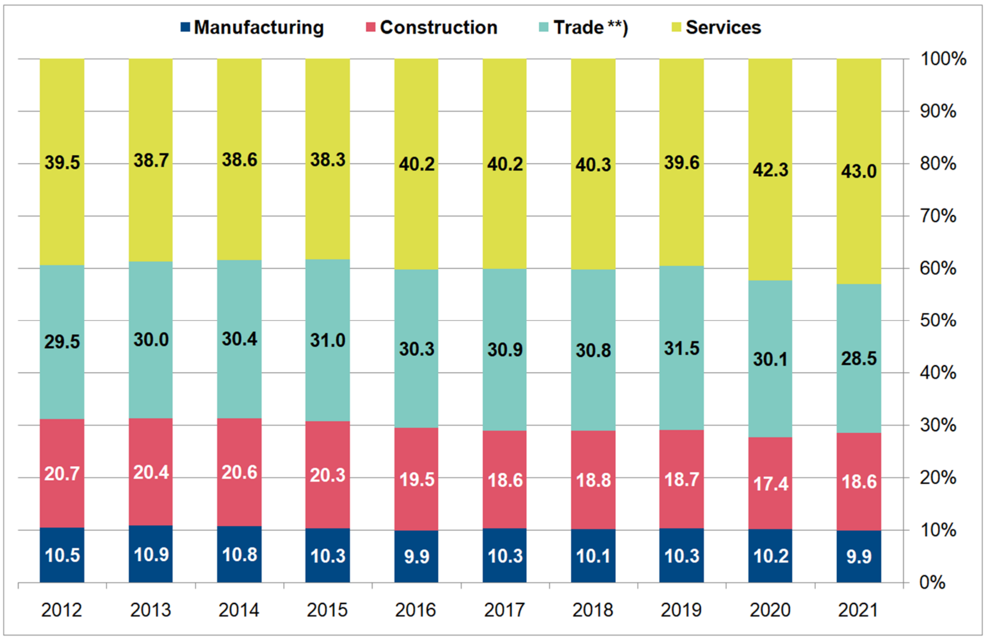


Changes in percent; *) Excluding Greece; **) Including hospitality
Source: Creditreform

Significantly fewer insolvencies in trade

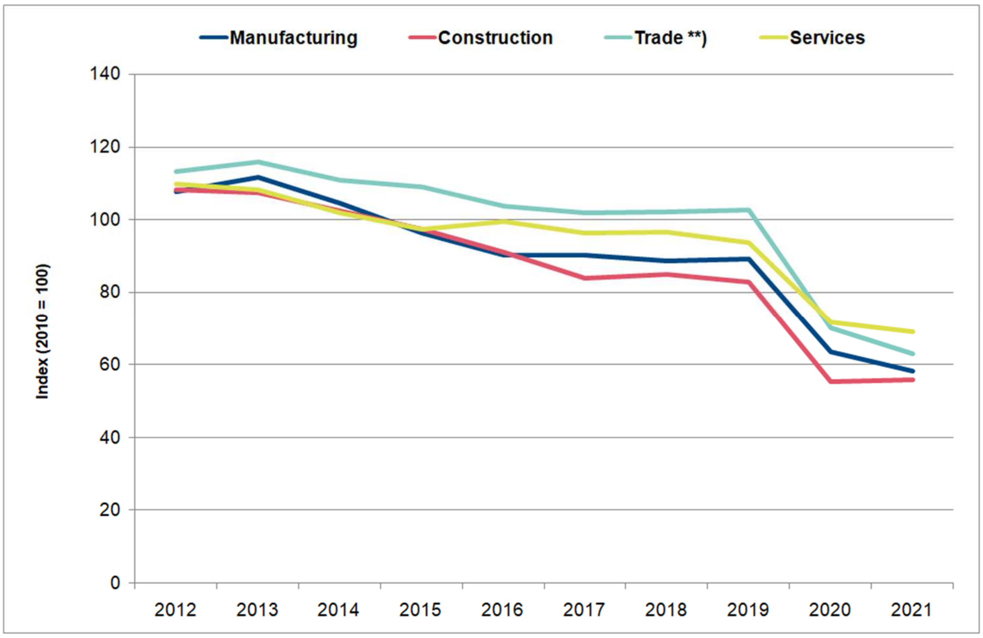
The highest number of insolvencies in absolute figures occurred in the service sector (47,500). As such, this sector's share of insolvencies in Western Europe rose to 43.0 percent (2020: 42.3 percent). The trade sector's share of insolvencies, however, has fallen (from 30.1 to 28.5 percent). A total of 31,500 companies from this sector had to file for insolvency in the course of 2021. The manufacturing sector's share declined marginally, from 10.2 to 9.8 percent. With 10,900 insolvencies, it is the smallest economic sector in terms of numbers. In absolute figures, the construction industry suffered around 20,500 insolvencies. This took the construction industry back up to 18.6 percent after a slight easing of the situation in 2020 (see Fig. 5).

Fig. 5: Share of insolvencies in Western Europe by main economic sector 2012 to 2021 *)



Figures in percent; *) Excluding Greece; **) Including hospitality
Source: Creditreform

Fig. 6: Development of insolvencies by main economic sector 2012 to 2021 *)



Figures in index points; *) Excluding Greece; **) Including hospitality
Source: Creditreform

The longer-term trend shows an easing of the insolvency situation in all four main economic sectors. The numbers have declined noticeably compared to the base year 2010 (= 100). Particularly in the two

Corona years 2020 and 2021, the downward trend – which had virtually come to a standstill beforehand – accelerated. Nevertheless, the latest development is likely to reflect the special effects of combating the pandemic once more. The increased share of the service sector, which was comparatively hard hit by the crisis, is a first indication that the consequences of Corona are manifesting themselves in the insolvency activity.

1.4 Survey of Individual Countries

The following section describes insolvency developments in the individual countries of Western Europe.

Austria

In Austria, the number of new insolvency cases remained almost unchanged from the previous year at 3,076 (minus 1.0 percent). The number of insolvencies declined, however, in the manufacturing and trade (including hospitality) sectors, while the construction industry recorded a slight increase. Almost half of all insolvencies (46.2 percent) occurred in the service sector, 29.1 percent in trade, and just under 20 percent in construction. Austria, too, continues to experience an insolvency gap, since the figures remain well below pre-Corona levels, despite partially adverse economic conditions. However, since late autumn 2021 and now also in Q1 2022, catch-up effects can be seen, indicating that a return to pre-crisis levels will occur already in 2022.

Belgium

The corporate insolvency situation in Belgium continued to ease. 6,533 companies filed for insolvency in 2021. Compared to the previous year (7,203 cases), this is a decrease of 9.3 percent. The last time the registered number of insolvencies rose was in 2019. The majority of insolvencies were in the trade sector (including hospitality) with a 37.5 percent share, followed by the service sector at 35.6 percent. While the proportion of service-sector insolvencies rose, the share of insolvencies in trade fell. The construction sector's share of insolvencies rose also.

Denmark

The number of insolvencies in Denmark rose sharply. Within a year, the number of cases rose 48.5 percent to a total of 8,339. This follows a significant decline a year earlier. As such, the annual insolvency level has returned to the pre-Corona range. The largest share of insolvencies is attributed to the service sector at 58.4 percent, followed by trade at 21.7 percent.

Finland

Finland was one of the countries in Europe that recorded a rising number of insolvencies in 2021. The number of insolvencies rose 15.8 percent to 2,473 cases. In 2020, the number of cases was still falling due to the Corona aid measures for supporting businesses. Given that the 2016 to 2019 average was around 2,400 corporate insolvencies per year, it is fair to assume that "normal" insolvency activity prevails once more. Increases were recorded in all sectors of the economy in 2021. The service sector now accounts for 38.9 percent of all insolvencies, followed by trade (25.9 percent). A sharp percentage increase in the construction sector was conspicuous.

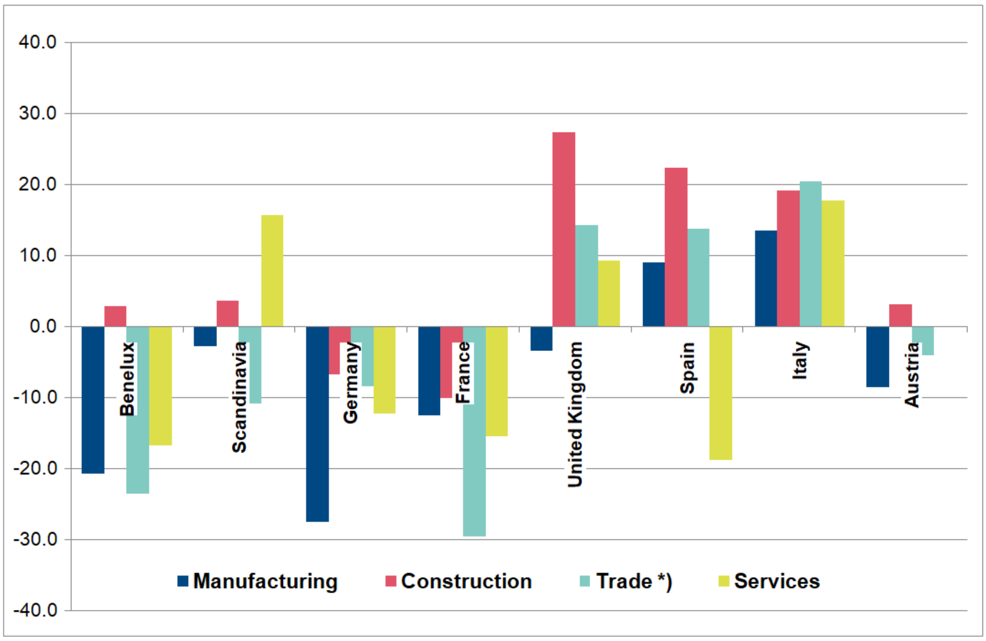
France

In 2021, the number of insolvencies in France remained below the previous year's level. Economic activity was again dominated by state aid for ailing companies. The number of insolvencies thus totalled just 25,235 cases. This represents a year-on-year decline of 18.7 percent. Striking is France's low level of insolvencies compared with the pre-Corona period, with the figures now only half as high. Insolvencies were universally lower across the economic sectors, but especially in trade (including hospitality). The service sector accounts for the largest share of insolvency activity at 36.6 percent.

Germany

Around 14,130 corporate insolvencies were filed in Germany in 2021. This is around 11.9 percent fewer than in the previous year. As such, the downward trend in the number of insolvencies accelerated in the Corona years 2020 and 2021. Special effects, such as a suspension of the duty to file for insolvency, and aid funding to mitigate the pandemic's impact on the economy, were responsible for this. In Germany, too, the service sector accounts for the largest share of insolvency activity, at almost 58 percent. Most recently, however, the number of insolvencies has been declining in all four main economic sectors – most sharply in manufacturing.

Fig. 7: Changes in the main economic sectors by country / region 2020/21



Changes in percent; *) Including hospitality; Source: Creditreform

Ireland

401 corporate insolvencies were registered in Ireland in 2021, down from 575 cases in the previous year. This was a significant decline. The sharpest decline was seen in the trade sector, while the construction industry bucked the trend with a slight rise. The service sector accounts for 59 percent of insolvencies in Ireland, the manufacturing sector for just 7 percent.

Italy

Italy suffered a sharp economic downturn during the Corona pandemic. Government aid measures staved off a greater impact. The economy has meanwhile recovered somewhat, but the after-effects of the crisis are still to be felt. The number of insolvencies last year was higher than in the previous year (2021: 9,017 cases; 2020: 7,650 cases). The annual number of insolvencies was even higher before the Corona crisis, so it is too early to talk of a return to normality for Italy's insolvency situation. At almost one-third, trade (including hospitality) accounts for the largest share of insolvency activity, followed by the service sector. All four main economic sectors have recently experienced a sharp rise in insolvencies.

Luxembourg

In Luxembourg, the number of insolvencies in 2021 remained at the same level as in 2020. The 1,199 registered cases correspond exactly the previous year's number. In contrast to other European countries, a corona effect is not apparent in the development of Luxembourg's insolvency figures. At almost 70 percent, the service sector again accounted for the largest share of insolvency activity. Recently, however, a downward trend was beginning to emerge here.

Netherlands

The number of insolvencies in the Netherlands was sharply lower than in the previous year (minus 43.2 percent). A total of just 1,536 corporate insolvencies were recorded here, compared to 2,703 cases a year earlier. With this, the annual number of corporate insolvencies is once more significantly lower than before the outbreak of the Corona pandemic. Trade was significantly less affected than in the previous year, accounting for 25.1 percent of the national insolvency total (2020: 30.2 percent).

Tab. 2: Insolvencies by main economic sectors 2020/21 in selected countries and regions

■	2021				2020			
	Manufac-turing	Construc-tion	Trade *)	Services **)	Manufac-turing	Construc-tion	Trade *)	Services **)
Austria	4.8	19.9	29.1	46.2	5.2	19.1	30.0	45.7
Belgium	5.4	21.6	37.5	35.6	5.1	18.4	41.7	34.8
Denmark	5.6	14.3	21.7	58.4	7.6	17.4	25.4	49.6
Finland	12.9	22.3	25.9	38.9	12.0	19.5	28.4	40.0
France	10.5	21.9	31.0	36.6	9.7	19.7	35.6	35.0
Germany	6.5	14.6	21.0	57.9	7.9	13.8	20.2	58.1
Ireland	7.0	17.0	17.0	59.0	6.0	11.0	36.0	47.0
Italy	23.7	17.8	32.5	26.0	24.6	17.6	31.8	26.0
Luxembourg	0.6	9.3	20.4	69.7	0.9	7.7	17.9	73.5
Netherlands	8.1	12.8	25.1	53.9	8.6	9.4	30.2	51.9
Norway	6.0	29.3	27.8	36.9	5.7	23.6	35.0	35.7
Portugal	18.9	11.2	37.6	32.3	24.0	14.0	24.0	38.0
Spain	14.4	14.7	35.5	35.4	13.2	12.0	31.2	43.6
Sweden	5.6	17.9	27.5	49.0	5.9	16.5	29.3	48.3
Switzerland	6.1	24.6	24.5	44.9	6.8	25.5	25.7	42.1
United Kingdom	9.3	18.5	27.7	44.5	10.8	16.3	27.2	45.7
Total	9.9	18.6	28.5	43.0	10.2	17.4	30.1	42.3

Figures in percent; *) Including hospitality; **) Where sectoral information was unavailable, the relevant figures were included under Services.

Norway

In Norway the number of insolvencies fell 34.4 percent. With 2,688 insolvencies, the lowest value in almost 15 years was reached in 2021. This development is probably in part due to a more favourable economic environment. Norway's economy already grew by a good 3 percent in 2021, which is stronger than in other European countries. Insolvencies in the trade sector (including hospitality) fell sharply, but the other sectors of the economy also showed significant declines.

Portugal

The number of insolvencies receded slightly in Portugal from 5,000 to 4,770. The number of cases fell below 5,000 per year for the first time since 2009. The country has, however, seen a recent increase in insolvencies in the trade sector.

Spain
In Spain, the number of corporate insolvencies remained virtually unchanged. 4,098 new cases were filed in 2021, compared to 4,097 insolvencies a year earlier. As such, the number of insolvencies remained at a level similar to that before the Corona crisis, despite the adverse economic conditions in Spain, especially in 2020. While significant economic growth is expected again in 2021, a large gap still remains.

Sweden
In Sweden, the number of insolvencies fell 10.3 percent, more sharply than the Western European average. 6,901 cases were registered in 2021, compared to 7,695 the year before. In contrast to many other Western European countries, a Corona effect was not apparent in Sweden's insolvency statistics last year. This time, all sectors experienced declines which were particularly notable in trade and manufacturing.

Switzerland
The number of corporate insolvencies also increased in Switzerland by almost 5 percent – after a fall of 18.6 percent the previous year. 5,127 corporate insolvencies were reported in 2021 – compared to 4,893 in the previous year. The deterioration is attributed to an increase in the service sector. Overall, this sector now accounts for 44.9 percent of insolvencies, followed by construction and trade, each with around a quarter.

United Kingdom
In the United Kingdom, the number of corporate insolvencies rose 11.4 percent to 14,820. Nevertheless, the number of insolvencies in the United Kingdom still remains well below those of the pre-Corona years when, in 2019, for example, over 18,000 insolvencies were filed. At any rate, the previous year's recession and adverse economic conditions in many sectors now seem to be reflected in the insolvency figures. Most recently, insolvencies rose sharply in the construction industry.

Tab. 3: Insolvency ratios in Western Europe in 2021

■	Insolvencies per 10,000 companies
Denmark	353
Luxembourg	338
Switzerland	127
Belgium	93
Norway	91
Sweden	87
Finland	81
Austria	73
France	59
United Kingdom	57
Portugal	51
Germany	43
Italy	24
Ireland	15
Spain	13
Netherlands	12
Total	**47**

Source: Eurostat, German Federal Statistics Office, own calculations

Even allowing for differences in insolvency laws in the countries of Western Europe and in statistics on the aggregate number of companies, the ranking of insolvency ratios shows clear variations in relative insolvency incidence. In this context, it should be noted that regulated insolvency proceedings are only one way to exit the market. In some cases, as in Southern Europe for example, insolvency proceedings are not the typical way to do this. On the contrary: closures and other liquidations are generally chosen; this distorts the Europe-wide comparison of insolvency ratios.

■ 2 Financing Situation and Liquidity of European Companies

2.1 EBIT Margin – Revenues and Earnings

Based on the 2020 financial statements of 3.16 million Western European companies, the earnings situation and the way that this changes over time can be analysed, and conclusions can be drawn on possible insolvency risks. The following evaluations and findings are based on balance sheet data.

Corona-induced collapse in earnings

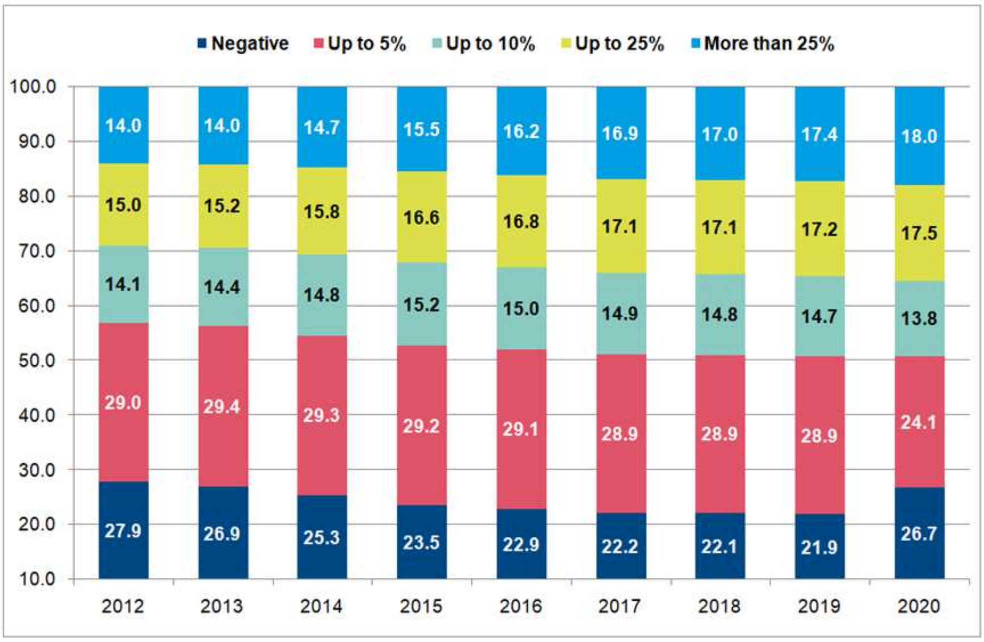
After years of steady improvement in corporate stability in Western Europe in the run-up to the Corona pandemic, the pandemic year 2020 saw significant impacts on key balance sheet figures.

Although 18.0 percent of companies achieved a very high profit margin (earnings as a percentage of revenue) of more than 25 per cent (2019: 17.4 per cent), 26.7 percent of companies also reported a negative profit margin in the period under review. This is a significantly higher proportion than in the pre-Corona year 2019 (21.9 per cent). Over the longer period since 2012, the last time similar levels were reached was in 2012 (27.9 per cent) and 2013 (26.9 per cent). In terms of company earnings, Corona would thus appear to have largely wiped out the past years' successes.

More than one company in four is in the red

Unlike a few years ago, clear disparities in the earnings situation have also emerged. More companies achieved very high or good earnings than in the year directly preceding Corona, 2019. The share of companies with an EBIT margin of between 10 and 25 percent (17.5 percent of the companies) is slightly higher than the previous year's value. The companies with a margin of over 25 percent also increased, despite Corona.

Fig. 8: EBIT margins among Western European companies



Figures in percent Source: Creditreform

Tab. 4: EBIT margin in 2020 in selected economic sectors

■	Construction	Trade *)
Negative	22.3 (19.3)	31.6 (23.4)
Up to 5%	27.8 (30.6)	32.8 (41.0)
Up to 10%	16.9 (17.6)	15.4 (16.2)
Up to 25%	19.8 (19.2)	13.7 (13.1)
Over 25%	13.2 (13.4)	6.4 (6.1)

Figures in percent; ( ) = 2019; *) Including hospitality
Source: Creditreform

The disparity in profit margins in the Corona year 2020 is reflected in the construction and trade sectors. This is manifesting itself in an increasing proportion of companies with a negative profit margin. Levels have meanwhile reached 22.3 percent of companies in the construction industry (previous year: 19.3 percent), and 31.6 percent in trade (previous year: 23.4 percent). This confirms fears that the trade sector could suffer a slump in profits due to the immense impact of the Corona pandemic.

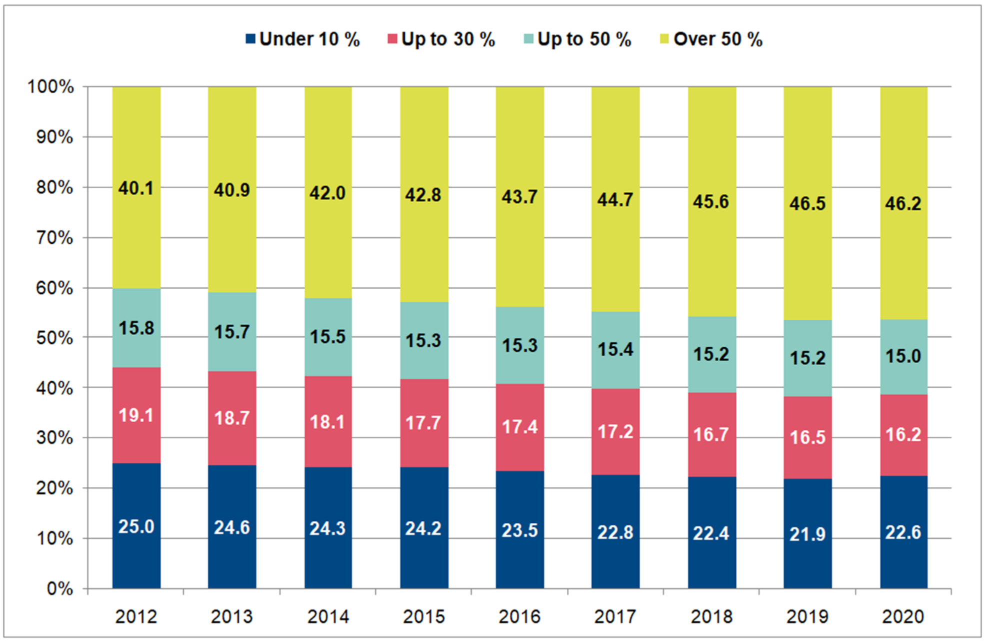
At the same time, 19.8 percent of construction companies achieved a profit margin between 10 and 25 percent and 13.2 percent of companies a profit margin of over 25 percent. The trade sector continued to have only very few companies (6.4 percent) with high profit margins of over 25 percent. This share has nevertheless risen recently, even during the crisis. This development inevitably brings to mind the competition between point-of-sale and online trade.

2.2 Equity Capital

Equity capital under pressure from Corona

The equity ratios of Western European companies suffered the first negative effects in the first Corona year, 2020. The share of companies with an equity ratio of more than 50 percent declined slightly from 46.5 to 46.2 percent. The majority of Western European companies, however, had entered the Corona crisis in a strong position. At the same time, the share of companies with a low equity ratio of less than 10 percent increased: 22.6 percent of the companies are now considered to be poorly capitalised – the year before it was 21.9 percent. In the longer-term view since 2012, however, the share of poorly capitalised companies has decreased (minus 2.4 percentage points).

Fig. 9: Equity ratios in Western Europe



Figures in percent Source: Creditreform

The equity capital situation in the manufacturing sector was positive in 2020 as well. According to the balance sheet data, 40.8 percent of the companies had a high equity ratio exceeding 50 percent (previous year: 40.5 percent). 20.2 percent of the companies were found to have low equity – a slight increase compared to a year earlier.

Tab. 5a: Equity ratios of Western European manufacturing companies

■	2020	2019	2018	2017	2016
Under 10%	20.2	20.1	20.8	21.4	22.3
Up to 30%	19.9	20.5	20.9	21.3	21.5
Up to 50%	19.1	19.0	19.1	19.1	18.9
Over 50%	40.8	40.5	39.2	38.2	37.3

Figures in percent; Source: Creditreform database and own calculations

The share of companies with low equity rose much more sharply in the construction industry. A quarter of the companies (24.9 percent) have an equity ratio of less than 10 percent here. A year ago, this share was still 23.8 percent. Some of the companies apparently had to accept cuts in equity capital. 36.7 percent of the companies surveyed had an equity ratio of more than 50 percent. This share decreased 1.0 percentage points.

Tab. 5b: Equity ratios of Western European construction companies

■	2020	2019	2018	2017	2016
Under 10%	24.9	23.8	24.6	25.4	26.7
Up to 30%	20.0	19.9	20.4	21.0	21.3
Up to 50%	18.4	18.6	18.7	18.7	18.4
Over 50%	36.7	37.7	36.3	34.9	33.7

Figures in percent; Source: Creditreform database and own calculations

In the trade sector, the share of companies with low equity increased recently due to the crisis. 26.4 percent of the companies had an equity ratio below 10 percent (previous year: 25.5 percent). 35.2 percent of the companies in the trade sector can be said to be equity-strong. The equity ratios of these companies exceed the 50 percent mark. In the previous year, this share was somewhat higher (35.8 percent).

Tab. 5c: Equity ratios of Western European trade companies (including hospitality)

■	2020	2019	2018	2017	2016
Under 10%	26.4	25.5	26.3	26.8	27.8
Up to 30%	20.8	21.2	21.5	22.0	22.1
Up to 50%	17.6	17.5	17.5	17.7	17.4
Over 50%	35.2	35.8	34.8	33.5	32.6

Figures in percent; Source: Creditreform database and own calculations

The service sector companies that disclose their balance sheets, however, have so far shown hardly any signs of a crisis in their equity capitalisation. The share of equity-strong companies remains high here at 50.9 percent (previous year: 50.8 percent). 21.4 percent of service providers have equity ratios of less than 10 percent. This share increased slightly (plus 0.4 percentage points), but is still below the 2016 and 2017 values.

Tab. 5d: Equity ratios of Western European service companies

■	2020	2019	2018	2017	2016
Under 10%	21.4	21.0	21.3	21.7	22.4
Up to 30%	14.1	14.3	14.6	15.1	15.4
Up to 50%	13.6	13.8	14.0	14.2	14.3
Over 50%	50.9	50.8	50.1	49.0	47.9

Figures in percent; Source: Creditreform database and own calculations

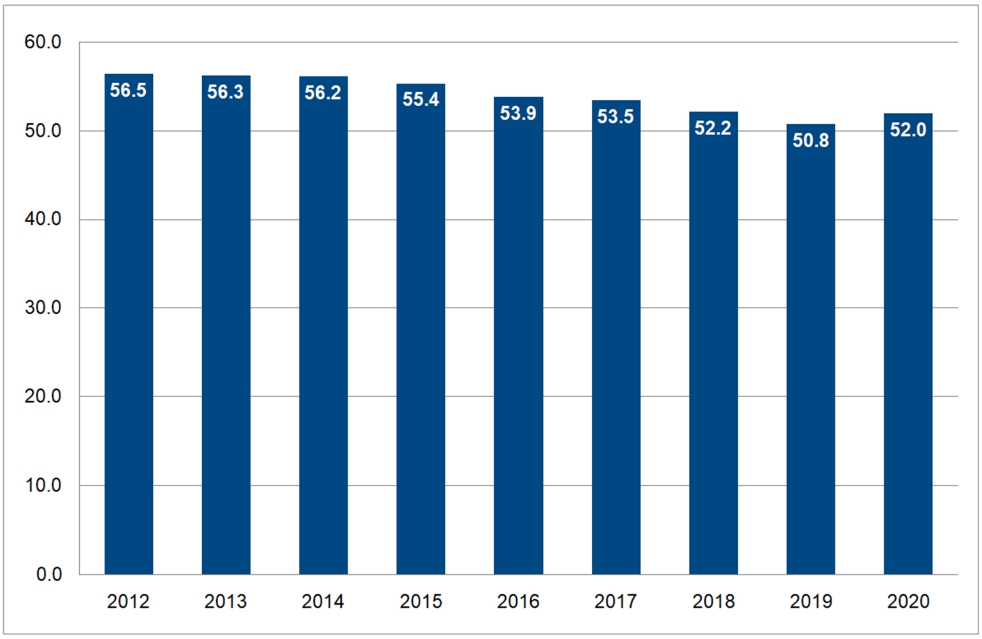
2.3 Days Sales Outstanding (DSO)

Increase in days sales outstanding

The average days sales outstanding in Western Europe has increased significantly to 52.0 days (value for 2020). In the previous year, the average days sales outstanding was 50.8 days. This means that suppliers and service providers had to wait longer for their money and tended to have more receivables on their books. With this, the multiyear downward trend would appear to have been reversed during the Corona crisis. However, the days sales outstanding continue to be lower than in the years 2012 to 2018.

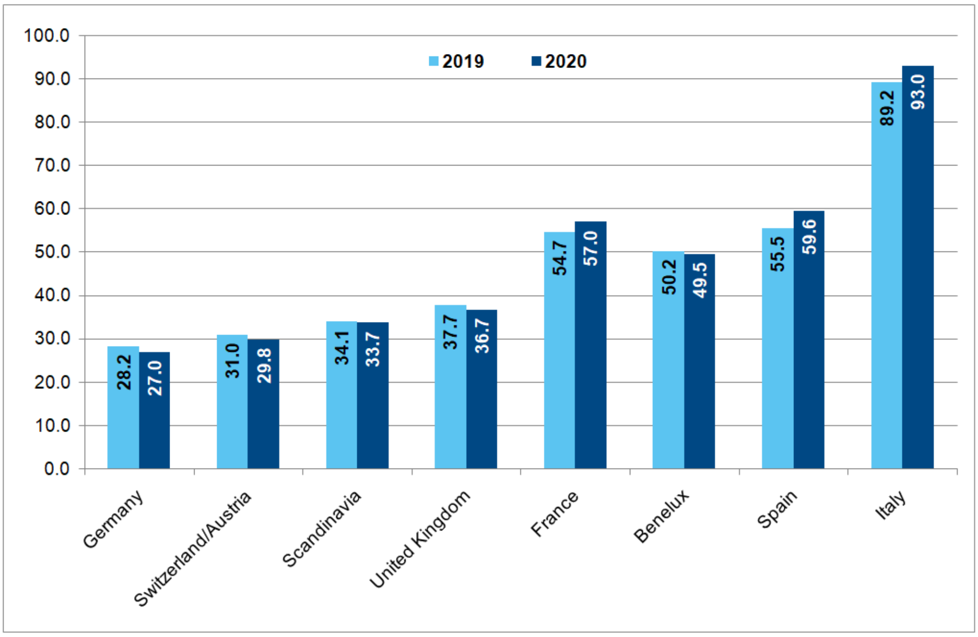
This trend is not however evident in all the regions under observation. In Germany, Switzerland, Austria, Scandinavia, the United Kingdom and in the Benelux countries, the DSOs decreased slightly. In Italy, Spain and France, on the other hand, the duration of outstanding accounts increased significantly, with service providers in Italy, for example, meanwhile having to wait up to three months and more to receive payment.

Fig. 10: Days sales outstanding in Western Europe (in days)



Figures = median values; DSO: minimum 1 day; Source: Creditreform

Fig. 11: Days sales outstanding in Europe (in days)



Figures = median values; DSO: minimum 1 day; Source: Creditreform

■ 3 Corporate Insolvencies in Central and Eastern Europe

Eastern Europe: Insolvency trend reverses

As in Western Europe, the number of insolvencies in Eastern Europe did not exhibit a uniform trend. Five countries (Croatia, Romania, Slovakia, the Czech Republic and Hungary) recorded increases, with the percentage increase in insolvencies in Slovakia (plus 58.7 percent) being particularly striking. In the other countries, the number of insolvencies fell – in Bulgaria, for example, by more than half (minus 60.4 percent). Overall, the development of the insolvency figures in some regions of Eastern Europe remain under the influence of the anti-pandemic measures. Consequently, it is likely that government support measures in the affected sectors continue to distort insolvency activity. Nevertheless, insolvency incidence is picking up. A good 39,000 corporate insolvencies were registered in total in Eastern Europe (2020: 36,918). This represents a 5.9 percent increase.

Tab. 6: Corporate insolvencies in Central & Eastern Europe [1]

■	2021	2020	2019	2018	2017	Change 2020/21 in percent
Bulgaria	525	1,327	996	1,112	859	-60.4
Croatia [2]	4,975	4,113	5,981	9,207	9,928	+21.0
Czech Republic [3]	1,220	1,091	926	1,039	1,803	+11.8
Estonia	107	155	148	273	343	-31.0
Hungary [4]	21,736	19,771	10,977	3,705	n. a.	+9.9
Latvia	242	375	560	591	587	-35.5
Lithuania	738	822	2,574	2,219	2,865	-10.2
Poland	410	580	645	646	618	-29.3
Romania	6,113	5,564	6,384	8,304	8,256	+9.9
Serbia	1,748	1,828	2,075	2,080	2,113	-4.4
Slovakia	265	167	249	230	370	+58.7
Slovenia	1,016	1,125	1,294	1,497	1,316	-9.7
Total	**39,095**	**36,918**	**32,809**	**30,903**	**29,058**	**+5.9**

[1] Information not currently available for Ukraine.
[2] Proceedings opened per year
[3] Insolvency applications excluding self-employed persons
[4] Insolvency and liquidation proceedings

The following section contains an overview of current insolvency developments in the individual countries of Central and Eastern Europe.

In **Bulgaria**, the number of insolvencies remained at a low level in 2021. Particularly in the sectors heavily affected by the corona pandemic, such as the service sector, companies received state support to cushion the impact of the pandemic. Consequently, the number of insolvency cases, at 525, is significantly lower than the previous year's level.

In **Croatia**, the number of insolvencies rose by 21 percent compared to the previous year. Almost 5,000 companies filed for insolvency in the course of 2021. Most of the applications originated from the trade sector (including hospitality) with a share of 47.8 percent. The share of cases from the construction industry rose year on year to 13.1 percent, from 10.8 percent a year earlier.

In the **Czech Republic**, the number of insolvencies rose significantly (plus 11.8 percent). 1,220 corporate insolvencies were registered here. An increase was already recorded in 2020. A large proportion of the insolvencies in 2021 (around 50 percent) came from the trade sector (including hospitality). The share rose compared to the previous year (plus 3.7 percentage points). This development is probably attributable to the impact of the pandemic, as insolvency volumes were significantly higher in the trade sector than before Corona.

In **Estonia**, the number of insolvencies also fell. 107 companies had to file for insolvency here in the course of 2021 (2020: 155). This is also a relatively low figure compared with the longer-term trend. Apparently, the companies also took few risks. An insolvency gap is nevertheless feared which could lead to catch-up effects in the coming year.

In **Hungary**, the trade and service sectors account for the majority of insolvency activity, the joint share of these two sectors being around 74 percent. Almost 22,000 liquidation proceedings were counted in 2021. This is an increase of around 10 percent compared to the previous year.

In **Latvia**, the number of corporate insolvencies in 2021 was the lowest for many years. At 242 cases, the level was significantly beneath that of the previous year (minus 35.5 percent). The decline is even more marked when compared with pre-Corona levels. From 2017 to 2019, for example, an average of almost 600 cases per year was registered. The majority of cases in 2021, which increased both in absolute terms and proportionally, came from the manufacturing sector. At the same time, this development shows a comparatively small number of new cases in trade and services in 2021. This probably indicates that insolvencies in the industries affected by Corona were “staved off” – for example by state aid. A regulation in place until September 2021 prevented insolvency applications, for example by tax authorities or other creditors, if the debtor got into difficulties due to Corona.

Lithuania also recorded a decline in the number of insolvencies in 2021 (minus 10.2 percent), following a massive decline in the insolvency figures in the previous year. The insolvency situation in Lithuania thus continues to be influenced by special measures to combat the impact of the Corona pandemic. Tax relief was one of the measures offered to affected companies. Insolvency figures are expected to start rising again as the measures are phased out.

Tab. 7: Insolvencies by main economic sector in selected countries and regions 2020/21

■	2021				2020			
	Manufac-turing	**Construc-tion**	**Trade *)**	**Services **)**	**Manufac-turing**	**Construc-tion**	**Trade *)**	**Services **)**
Croatia	9.3	13.1	47.8	29.7	10.1	10.8	48.8	30.3
Czech Republic	9.1	10.3	49.6	31.0	9.2	11.0	45.9	33.9
Hungary	9.1	16.7	35.9	38.2	9.8	14.2	37.0	39.0
Latvia	70.7	6.2	13.6	9.5	9.1	14.7	36.3	40.0
Lithuania	13.8	17.5	42.1	26.6	15.9	19.5	41.7	22.9
Poland	23.7	13.4	29.8	33.2	26.2	13.7	31.4	28.6
Romania	18.5	18.8	47.2	15.5	20.1	14.6	48.3	17.1

Figures in percent; *) Including hospitality; **) Where sectoral information was unavailable, the relevant figures were included under Services.

In **Poland**, the number of corporate insolvencies remained significantly below the previous year's level. In 2021, 410 new applications were registered nationwide – a 29.3 percent decline compared to the previous year. Even then, the figures were lower than in pre-Corona times. Overall, a total of around 10,000 jobs are at risk here. In the previous year, the figure was twice as high. Hardly any major insolvencies occurred in which large numbers of employees were affected. A third of the insolvency applications in Poland came from the service sector (33.2 percent) – up 4.6 percentage points compared to the previous year. The share of the trade sector, on the other hand, decreased from 31.4 to 29.8 percent.

The number of insolvencies in **Romania** rose around 10 percent in 2021. A total of 6,113 cases were registered here. This figure is not far from the pre-Corona level (2019: 6,384 cases). As such, the economic impact of the Corona pandemic is likely to have had a negative influence on the insolvency statistics. The majority of insolvencies in Romania came from the trade sector (47.2 percent of cases). The proportion has, however, fallen compared to a year earlier (minus 1.1 percentage points), while the construction industry was more severely affected (plus 4.2 percentage points).

With 1,748 corporate insolvencies, **Serbia** recorded a slight decline of 4.4 percent. This figure represents the number of active insolvency proceedings at the end of 2021.

The number of insolvencies in **Slovakia** increased sharply (plus 58.7 percent). This has returned the country to its pre-Corona levels (2019: 249; 2018: 230). In absolute terms, the numbers remain low, but many self-employed people are also likely to choose private insolvency proceedings. These proceedings again reached an order of magnitude of more than 10,000 per year.

The number of insolvencies in **Slovenia** fell by almost 10 percent. A total of 1,016 corporate insolvencies were registered in 2021 (2020: 1,125). Due to the Corona state aid, the insolvency figures are probably once again not entirely realistic here.

■ 4 Insolvencies in Turkey

Turkey: Insolvencies continue to rise

17,184 corporate insolvencies were registered in Turkey in 2021. This is a 7.7 percent increase in the number of insolvencies compared to the previous year (15,949 insolvencies). The increase is probably due at least in part to the Corona situation, but also to the challenging economic situation. In the year prior, the obligation to file for insolvency was temporarily suspended, so that catch-up effects also played a role in 2021. Turkey's insolvency figures only include companies. Self-employed persons and sole proprietorships are not included.

The trade sector (including hospitality) was the predominant economic sector, accounting for 35.6 percent of all insolvencies. A further 30.9 percent of all insolvencies came from service sector, 15.3 percent from construction and 18.2 percent from manufacturing. The share of the trade sector decreased slightly compared to the previous year (2020: 36.3 percent), while the share of the service sector increased slightly (2020: 30.1 percent).

Tab. 8: Corporate insolvencies in Turkey

■	2021	2020	2019	2018	2017	Change 2020/21 in percent
Turkey	17,184	15,949	14,050	13,593	14,700	+7.7

Tab. 9: Insolvencies in the main economic sectors 2020/21 in Turkey

■	2021				2020			
	Manufacturing	Construction	Trade *)	Services **)	Manufacturing	Construction	Trade *)	Services **)
Turkey	18.2	15.3	35.6	30.9	18.4	15.2	36.3	30.1

Figures in percent; *) Including hospitality; **) Where sectoral information was unavailable, the relevant figures were included under Services.

■ 5 Insolvencies in the USA

In the United States, the number of corporate insolvencies has fallen to its lowest level in almost three decades. A total of 22,339 corporate insolvencies were recorded here in the calendar year 2021. This is a 31.3 percent decline compared to a year earlier (2020: 32,517 cases). The numbers last rose slightly in 2019. The main reason for the decline was the state aid programmes to cushion the impact of the pandemic on the economy. The number of filings for protection from creditors under Chapter 11 of the US Bankruptcy Code fell sharply by almost 50 percent. As a share of all corporate insolvencies, these have now fallen to one sixth, down from one quarter in the previous year.

Tab. 10: Corporate insolvencies in the USA

■	2021	2020	2019	2018	2017	Change 2020/21 in percent
USA	22,339	32,517	38,944	38,032	38,062	-31.3

6 Summary

The European economy was in an exceptional situation in 2021 as well. On the one hand, lockdowns hampered entrepreneurial activity in many sectors and led to falling revenues. On the other hand, governments supported the economy and consumers with numerous aid packages to cushion the impact. Overall, developments in the number of insolvencies were strongly influenced by the political measures to combat the Corona pandemic. In the countries of Western Europe, 110,451 corporate insolvencies were registered in the course of the year. This represented a 5.1 percent decline compared to the previous year (2020: 116,446). Even then, however, the insolvency figures were already being influenced by the Corona pandemic and had fallen significantly due to government intervention. The number of corporate insolvencies is now around 50,000 lower than for the year immediately prior to the Corona crisis (2019: 159,832). This is causing increasing concern about so-called zombie companies that are only viable under the current market and financing conditions but would be unable to survive changes such as a rise in interest rates.

Even if the insolvency figures do not entirely reflect the economic impact of the Corona crisis, the number of insolvencies is already rising in Switzerland, Greece, the United Kingdom, Finland, Italy and Denmark. In many countries, however, insolvencies have continued to fall – for example in the Netherlands, Germany and France. Whether and when a possible (catch-up) wave of insolvencies will materialise is currently open.

It is noticeable that the Scandinavian countries' share of European insolvencies has recently risen further. This region now accounts for 18.5 percent of all registered insolvency cases. Ten years ago it was only 11.2 percent. France's share has recently declined significantly. In terms of economic sector, marked declines were seen in trade (minus 10.1 percent) and manufacturing (minus 8.5 percent). This contrasts with the number of insolvencies in the construction industry, which was slightly higher than in the previous year (plus 1.2 percent). The number of insolvencies in the services sector fell by just under four percent. Despite the obvious impact of the crisis on the retail and hospitality sectors during the Corona period, this is not reflected in the insolvency activity. Rather, this economic sector's share of all insolvencies is currently 28.5 percent, significantly lower than before the Corona crisis (2019: 31.5 percent). This paradoxical development can only be explained by the special effects of the anti-pandemic measures. It can thus be assumed that insolvencies have been "staved off" in the last two years, especially in the trade and hospitality sectors, but that they will possibly come to a head again in the coming years.

The balance sheet figures of Western European companies are nevertheless already exhibiting the negative effects of the Corona crisis. This is borne out by an evaluation of the balance sheet figures of more than three million companies from the first crisis year 2020. The share of companies with negative profit margins (i.e. that generated losses) increased significantly to 26.7 percent (2019: 21.9 percent). These companies in particular are likely to be potential insolvency candidates of the coming years. At the same time, more companies (18.0 percent) reported very high profit margins than in the previous year. This would suggest that new business models in the crisis and structural changes also led to higher company profits.

The crisis also left its mark on equity ratios. Although many larger companies that disclose their balance sheets (46.2 percent) still have a high equity ratio of more than 50 percent, 22.6 percent of the companies surveyed are considered to be equity-weak (less than 10 percent equity ratio). In the year before the crisis, this share was still 21.9 percent – it has therefore recently increased slightly.

The days sales outstanding has increased in Western Europe. Suppliers and service providers have to wait longer on average until their invoices are paid (2020: 52.0 days; 2019: 50.8 days). The fluctuations within Western European countries continue to be large and have also increased recently. In 2020, the average days sales outstanding increased in Italy and Spain, for example, while it decreased in Germany and the United Kingdom.

In contrast to the trend in Western Europe, the number of insolvencies increased in the countries of Central and Eastern Europe. In the second Corona year 2021, a good 39,000 corporate insolvencies were recorded in the twelve countries under review. This is a 5.9 percent increase compared to the previous year (2020). Croatia, Romania, Slovakia, the Czech Republic and Hungary recorded rising numbers of insolvencies. In contrast, the number of cases in Bulgaria, Poland and the Baltic States fell sharply. In Eastern Europe, the trade sector continues to dominate insolvency activity. In Croatia, Lithuania, Romania and the Czech Republic, for example, this sector accounts for well over 40 percent of all insolvencies.

In Turkey, the rising number of insolvencies continued in 2021 (plus 7.7 percent), taking the figure to around 17,200.

In the USA, on the other hand, the number of corporate insolvencies has fallen to its lowest level in almost three decades. A total of 22,339 corporate insolvencies were recorded here in the calendar year

2021. This is a 31.3 percent decline compared to a year earlier (2020: 32,517 cases).

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