CORPORATE INSOLVENCIES IN EUROPE

2019

Creditreform
Wirtschaftsforschung

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1 Insolvencies in Western Europe in 2019 – Facts and figures

1.1 Introduction

Low economic dynamism

In wide parts of Europe, the economy performed only weakly in 2019, with momentum faltering noticeably. In particular, export business and foreign trade were impacted by increasing trade conflicts (especially involving the USA) but also by the long lack of clarity regarding Brexit. The domestic economy, on the other hand, remained largely stable, as did the labour market. All in all, though, the downward risks predominated. Moreover, the merely weak level of development, without any real drivers, is likely to have made the national economies of Europe more susceptible to external shocks like the Corona pandemic.

This survey examines the stability of business enterprises in Europe with regard to insolvency and the threat that insolvency represents. Especially for small and medium-sized exporters with no manufacturing or sales bases of their own in other parts of the continent, it is crucial to be aware of the risks involved in conducting business beyond national borders.

1.2 Developments in Western Europe in 2019

Corporate insolvency total at 10-year low

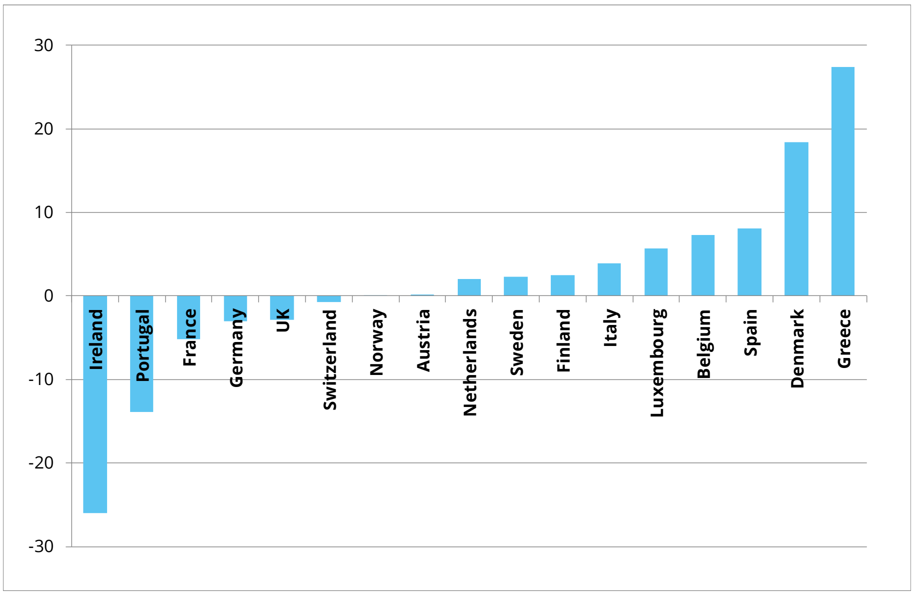
In Western Europe, which in the context of this survey comprises the EU-15 states plus Norway and Switzerland, corporate insolvencies declined slightly in 2019 by 1.0 percent on 2018 (minus 1,665 cases). In fact, at 163,548 the total number in 2019 as a whole represented a 10-year low, the lowest level since 2008 (155,581). The figure in 2018 had been 165,213.

Tab. 1: Corporate insolvencies in Western Europe

■	2019	2018	2017	2016	2015	Change 2018/19 in percent
Austria	5,235	5,224	5,318	5,534	5,422	+ 0.2
Belgium	10,598	9,878	9,968	9,170	9,762	+ 7.3
Denmark	8,474	7,155	6,383	6,674	4,029	+ 18.4
Finland	2,597	2,534	2,160	2,408	2,574	+ 2.5
France	51,086	53,887	54,515	57,953	61,429	- 5.2
Germany	18,830	19,410	20,140	21,560	23,180	- 3.0
Greece	107	84	123	108	189	+ 27.4
Ireland	568	767	874	1,032	1,049	- 25.9
Italy	14,228	13,695	14,108	15,057	16,015	+ 3.9
Luxembourg	1,263	1,195	935	983	873	+ 5.7
Netherlands	3,209	3,145	3,291	4,399	5,271	+ 2.0
Norway	5,013	5,010	4,557	4,544	4,462	+ 0.1
Portugal	5,071	5,888	6,284	7,195	7,288	- 13.9
Spain	4,464	4,131	4,261	4,297	5,097	+ 8.1
Sweden	7,776	7,599	6,714	6,019	6,433	+ 2.3
Switzerland	6,827	6,878	6,684	6,504	6,098	- 0.7
UK	18,202	18,733	18,483	17,976	15,983	- 2.8
Total	**163,548**	**165,213**	**164,798**	**171,413**	**175,154**	**- 1.0**

In six of the Western European countries surveyed, insolvency figures were down. These included large economies such as France (minus 5.2 percent), Germany (minus 3.0 percent) and the United Kingdom (minus 2.8 percent). However, the biggest year-on-year decline in 2018/2019 was in Ireland (minus 25.9 percent), followed by Portugal (minus 13.9 percent). Contrary to the Europe-wide trend, the insolvency figures in Greece, Denmark, Spain and Belgium, among others, increased noticeably.

Fig. 1: Development of corporate insolvencies in Western Europe 2018/19

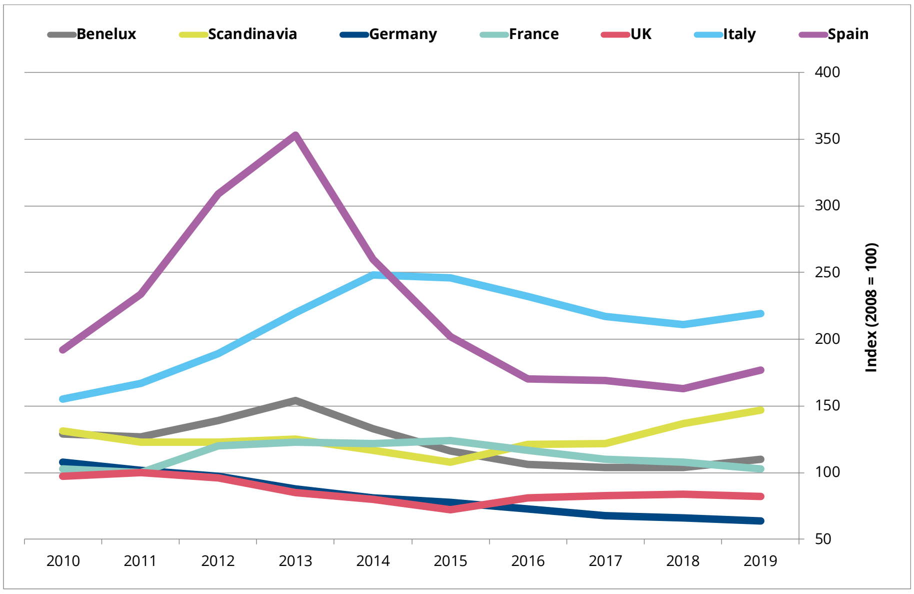


Changes in percent; Source: Creditreform

Two-way split in insolvency development in Europe

The recovery on the insolvency front in the wake of the financial crisis continued, but not in all parts of Europe (see Fig. 2). Insolvency totals in Germany and the UK, for instance, were back below the 2008 pre-crisis level, while France was also moving in that direction. Elsewhere in Western Europe, on the other hand, insolvencies increased again after several years of declining figures – as in Italy and Spain. Totals in these countries are still significantly higher than before the financial crisis of 2008/2009. The upward trend in Scandinavia was confirmed.

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

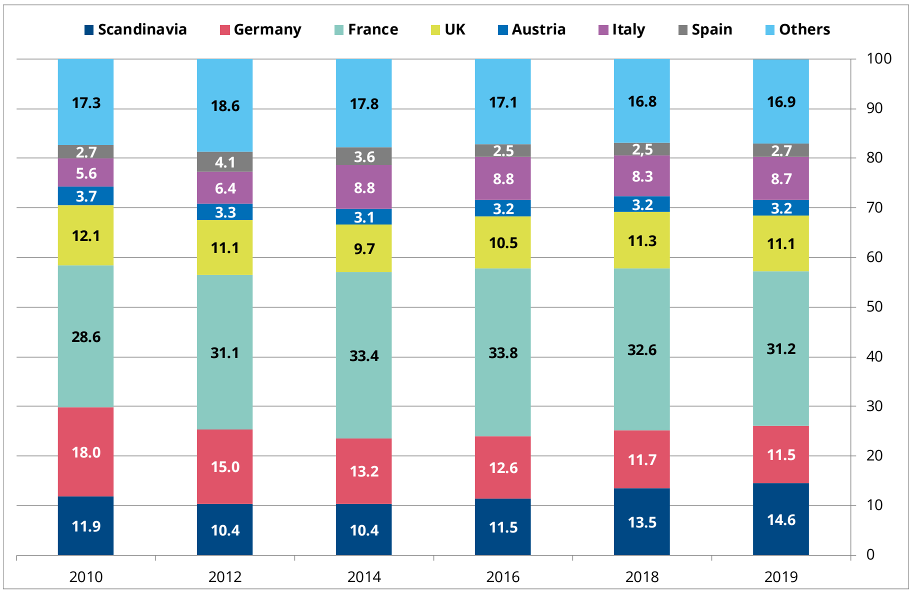


Figures in index points; Source: Creditreform

Recovery in Southern Europe fails to continue

The further rise in insolvency figures in Scandinavia meant that the share of these countries in total insolvencies in Western Europe increased to 14.6 percent. Compared with 2014 (10.4 percent), that is a considerable expansion. Germany's share of the total (11.5 percent) declined slightly, but in recent years the decease had been even more marked. France, with a downward trend, accounts for just under one third (31.2 percent), the United Kingdom for 1.1 percent.

Fig. 3: Distribution of corporate insolvencies in Western Europe



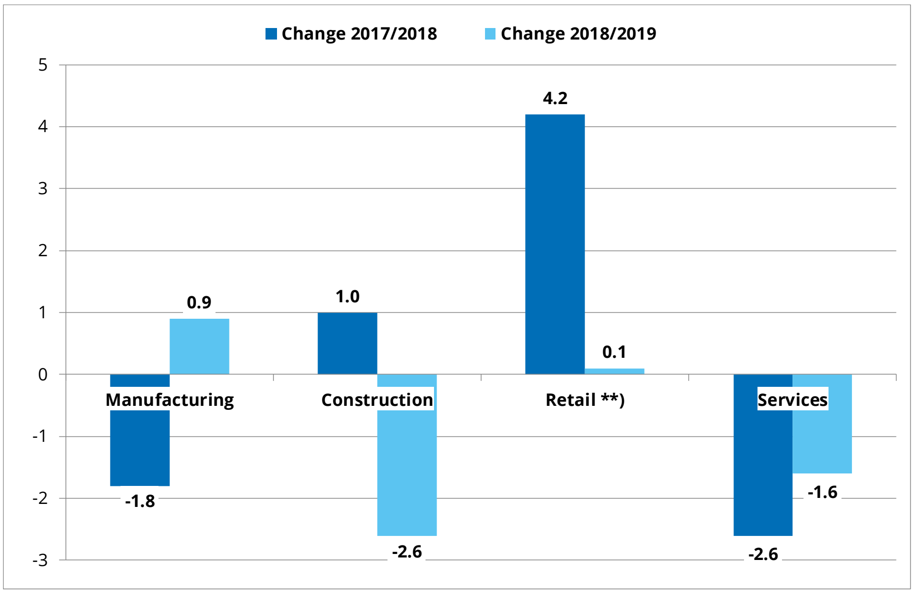
Figures in percent; Source: Creditreform

1.3 Insolvencies according to economic sectors

Insolvency volume in retail sector higher

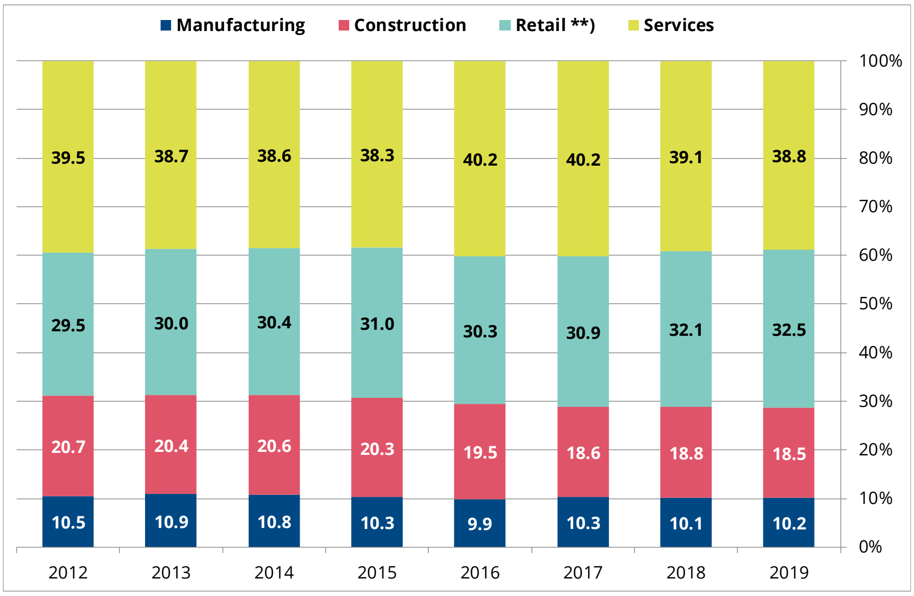
Even though the number of corporate insolvencies in Western Europe fell slightly overall year-on-year, the manufacturing sector in particular registered an increase. In the service sector (minus 1.6 percent), on the other hand, the number of insolvencies continued to fall. In the construction sector (minus 2.6 percent), too, insolvency figures were down.

Fig. 4: Changes in the key economic sectors in Western Europe 2017/2018 and 2018/2019 *)



Changes in percent; *) without Ireland or Greece; **) incl. hospitality business; Source: Creditreform

Fig. 5: Contribution of the key economic sectors to insolvency in Western Europe 2012 to 2019 *)



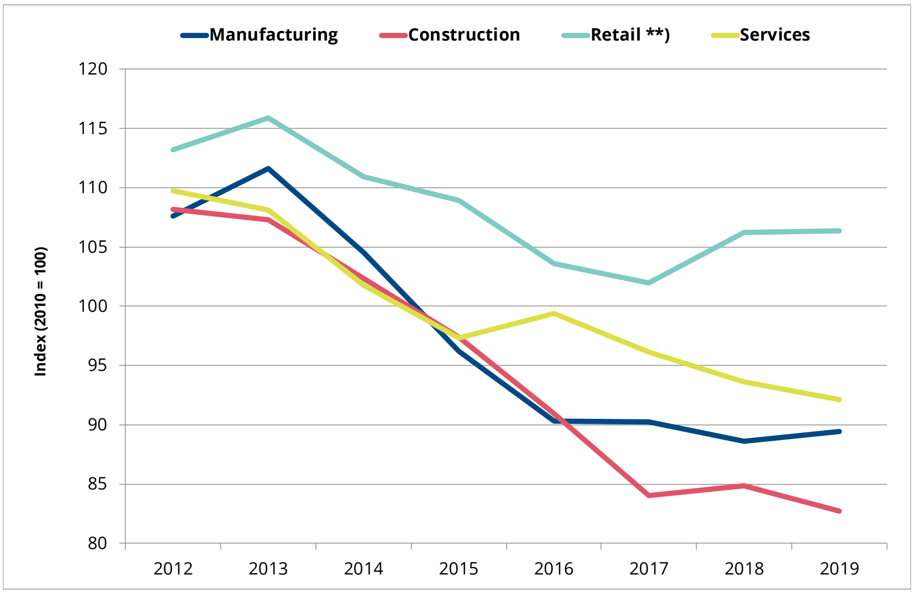
Figures in percent; *) without Ireland or Greece; **) incl. hospitality business Source: Creditreform

The service sector, the largest economic sector in Western Europe in terms of numbers, accounts for the largest share of insolvency activity. In 2019, its share was 38.8 percent (prior year: 39.1 percent). In recent years, the share has fallen slightly. At 10.2

percent, the share of the manufacturing sector remained virtually unchanged. In 2019, the construction industry accounted for 18.5 percent (2018: 18.8 percent). The improvement on the insolvency front in this sector is clearly visible: in the years 2012 to 2015, its share was still around two percentage points higher than at present. Just under one third of all insolvencies (32.5 percent) were in the retail sector (including the hospitality trade) – a slight increase on the previous year. In the long term, too, the retail sector is again proving to be more susceptible to insolvency In contrast, the insolvency volume in Western Europe's construction industry has fallen considerably from the peak levels of the past (cf. Fig. 6).

Retailers more prone to insolvency?

Fig. 6: Development of insolvencies in the key economic sectors 2012 to 2019 *)



Figures in index points; *) without Ireland or Greece; **) incl. hospitality business

1.4 Survey of individual countries

The following section looks at the development of the insolvency situation in the individual Western European countries.

Austria

The economic situation in Austria cooled down noticeably in 2019. Economic growth is likely to have been only half as high as in the previous year. The number of corporate insolvencies stagnated (5,235 cases) after two years of declining volumes. Just under half of all insolvencies in Austria are in the service sector, which recorded an increase in the number of cases.

Belgium

In 2019, the number of insolvencies rose comparatively sharply (plus 7.3 percent). Altogether, 10,598 insolvency cases were registered. The biggest contributors to the insolvency volume in Belgium were the retail and hospitality sector, which accounted for almost half of the overall number in 2019. Compared with the previous year, the relative incidence also increased. Economic growth in Belgium was, at most, around the European average.

Denmark

Denmark was one of the countries with a marked rise in insolvency figures. In 2019, the total came to 8,474, a year-on-year increase of 18.4 percent and also a historic high for this country in the north of Europe. The number of insolvencies rose in all the main sectors of the economy. About half of the insolvency volume in Denmark was in the service sector. However, the manufacturing sector registered comparatively few insolvencies.

Finland

In Finland, too, economic development weakened slightly in 2019. The number of corporate insolvencies rose slightly, by 2.5 percent to 2,597 cases. The year before, though, the increase had been much stronger. Only in the retail sector are insolvencies likely to have fallen slightly. The construction sector accounted for some 20 percent of all insolvencies. This percentage was up on the previous year. The manufacturing sector also registered a slight rise in insolvencies.

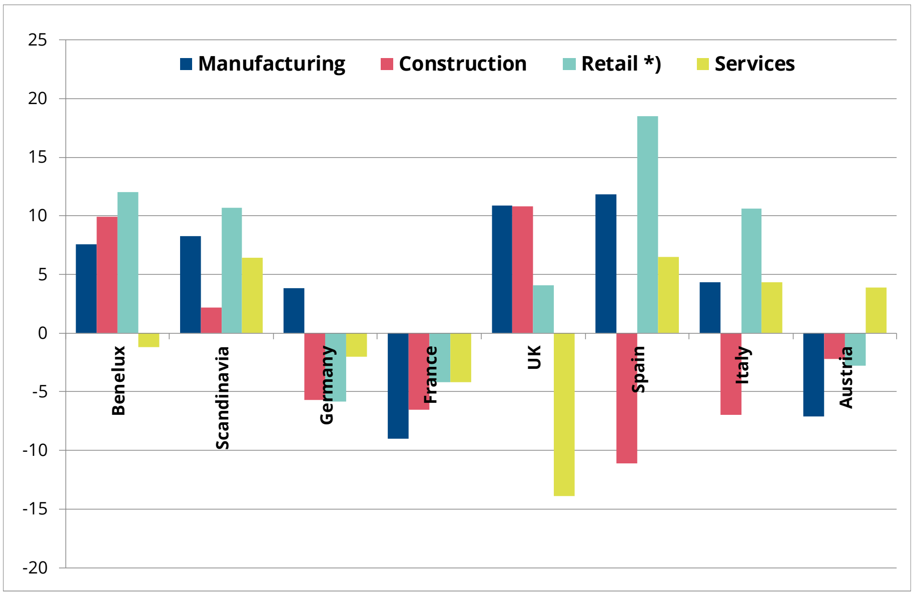
France

In a stable economic situation, the number of insolvencies in France fell by 5.2 percent in 2019, to a total of 51,086, the lowest level since 2010/2011. The volume fell noticeably in all the main sectors of the economy. Just under a tenth of the total involved manufacturing. But the bulk (about 40 percent) came in the retail sector.

Germany

With a total of just under 19,000 corporate insolvencies, Germany's success story continued: this was the lowest figure for 20 years. However, the reduction has already slowed noticeably. In 2019, the economy developed much more weakly than in previous years. Exports and industry in particular impacted on the economic situation and the number of insolvencies in the manufacturing sector rose again for the first time.

Fig. 7: Changes in the key economic sectors according to countries/regions 2018/2019



Changes in percent; *) incl. hospitality business; Source: Creditreform

Ireland

In 2019, Ireland was again the top economic performer in Europe. At around five percent, economic growth is once more likely to have been above average. Accordingly, the number of corporate insolvencies fell notably (minus 25.9 percent). The last time the volume increased was back in 2011/2012. Ireland's total in 2019 was 568 - the lowest level since

2007. The service sector accounted for the largest number of cases, with 44 percent of the overall volume.

Italy

Economic development in Italy stagnated in 2019, so there was no momentum for a reduction in insolvency figures. Instead, after four years of declining totals, there was a 3.9 percent rise to 14,228 cases. Only in the construction sector was insolvency activity likely to have eased in 2019. In the retail sector, on the other hand, there was a marked increase. This sector now accounts for about a third of the total number of insolvencies.

Luxembourg

Despite the good economic situation in the last two years, the number of corporate insolvencies rose in 2019 (plus 5.7 percent). In fact, at 1,263, it reached a historic high. Almost all insolvency activity was in the service sector.

Netherlands

In 2019 there were 3,209 corporate insolvencies in the Netherlands. Compared with the previous year, the number of cases increased slightly (plus 2.0 percent). This followed five years in succession with declining figures. In 2019, economic development had slowed down noticeably. Retail and the service sector in particular recorded increases in the volume of insolvencies.

Norway

In Norway, insolvency figures remained virtually unchanged in 2019, with 5,013 cases. In a longer-term comparison, however, this was again a high figure. Insolvency numbers rose in the retail sector in particular, while the other sectors of the economy recorded fewer cases than before. Overall, the retail sector accounted for the bulk of insolvency activity in Norway, generating around 36 percent of the total.

Tab. 2: Insolvencies according to economic sectors in selected countries/regions 2018/19

■	Manufacturing		Construction		Retail *)		Services **)	
	2019	2018	2019	2018	2019	2018	2019	2018
Austria	4.0	4.3	16.2	16.6	32.5	33.5	47.3	45.6
Benelux	5.6	5.5	15.8	15.3	41.1	38.9	37.6	40.4
France	9.5	9.9	21.8	22.1	39.4	39.0	29.3	29.0
Germany	7.5	7.0	14.3	14.7	20.9	21.5	57.4	56.8
Italy	24.6	24.5	17.8	19.9	32.9	30.9	24.7	24.6
Scandinavia	7.0	6.8	17.9	18.7	30.6	29.6	44.5	44.8
Spain	14.9	14.4	12.5	15.2	31.7	28.9	40.9	41.5
Switzerland	6.5	6.4	20.6	21.1	19.5	18.8	53.4	53.7
UK	10.5	9.2	19.5	17.1	27.2	25.4	42.8	48.3
W. Europe	**10.2**	**10.0**	**18.5**	**18.8**	**32.4**	**32.1**	**38.9**	**39.1**

Figures in percent; *) incl. hospitality business; **) when sectoral information was lacking, the relevant figures were included under services

Portugal

After Ireland, Portugal was the country with the second-highest decline in insolvency figures in 2019 (minus 13.9 percent). A total of 5,071 corporate insolvencies were registered. The last time such a "low" figure was noted was in 2009/2010. Manufacturing accounted for around one quarter of the Portuguese total, a higher proportion than in other European countries.

Spain

With 4,464 corporate insolvencies, Spain recorded a marked increase over the previous year (plus 8.1 percent). This was the first rise in the total since 2012/2013. The economic situation in the country was not as rosy as it had been when insolvency figures were easing, a trend that now seems to be over. With the exception of the booming construction sector, all the main sectors of the economy saw insolvency figures climbing, with retail, including hotels and restaurants, particularly affected. This sector now accounts for just under one-third of total insolvencies.

Sweden

Sweden was one of the countries reporting a rise in the insolvency volume. In 2019, the economy deteriorated noticeably. 7,776 companies went bankrupt, a year-on-year increase of 2.3 percent. The negative trend of the previous year thus continued. The last decline in the number of insolvencies in this Scandinavian country was in 2015/2016. The total is now again as high as in 2012 and 2013. The volume grew in all the main economic sectors, especially in manufacturing. Altogether, around 23,000 employees were affected.

Switzerland

After four years of increases, the number of insolvencies in Switzerland fell for the first time - but only slightly (minus 0.7 percent): 6,827 cases were registered in 2019. The retail sector posted a higher total, while the insolvency situation in the construction sector continued to ease. Retail now accounts for just under one fifth of all insolvencies.

United Kingdom

The UK’s total of 18,202 corporate insolvencies was 2.8 percent below the prior-year figure. This represented the first decline in this field since 2014/2015, However, compared with the highs reached in the aftermath of the financial crisis of 2008/2009, the number of cases has dropped significantly in line with the economic recovery. In 2019, the number of insolvencies fell in the service sector in particular, while the other sectors of the economy actually recorded higher volumes.

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.

Tab. 3: Insolvency ratios in Western Europe in 2019

■	Insolvencies per 10.000 companies
Austria	90
Belgium	161
Denmark	325
Finland	73
France	125
Germany	58
Ireland	31
Italy	32
Luxembourg	363
Netherlands	23
Norway	136
Portugal	50
Spain	13
Sweden	106
Switzerland	201
UK	74
Total	**68**

Source: Eurostat, own calculations

■ 2 Financial situation and liquidity of European companies

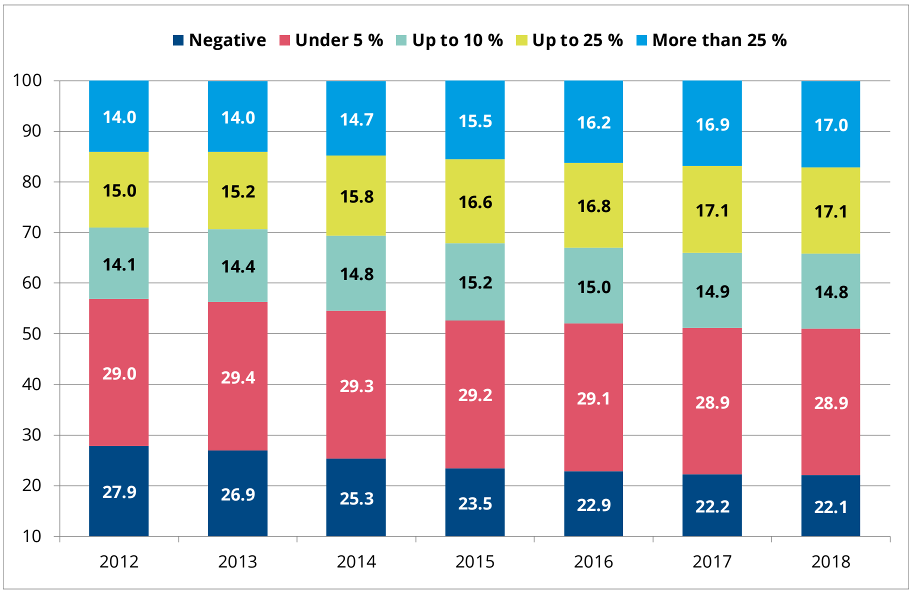
2.1 EBIT margin – Revenues and earnings

Based on the disclosed balance-sheets of around 3.05 million Western European companies, the earnings situation of business firms and the way that this changes over time enable conclusions to be drawn on possible insolvency risks. The following evaluations and findings are based on balance sheet data for 2018.

Further rise in profit margins

Corporate stability in Western Europe has continued to improve – but only modestly. The ongoing good economic situation went on impacting positively on key balance sheet figures such as the profit margin (earnings as a percentage of sales), which on average improved further. 17.0 percent of firms (prior year: 16.9 percent) achieved a high profit margin of over 25 percent. 17.1 percent of companies reported a profit margin between 10 and 25 percent. In the period under review, 22.1 percent of companies (previous year: 22.2 percent) registered a negative profit margin. The positive development is particularly evident in the longer period since 2012: the proportion of companies with negative margins is now 5.8 percentage points lower and the proportion with a good profit margin of over 25 percent is 3.0 percentage points higher.

Fig. 8: EBIT margins among Western European companies



Figures in percent; Source: Creditreform

The development in the different economic sectors is as follows: The construction industry is still on the upswing, with profit margins in 2018 showing an improvement. Almost one in five construction firms (19.0 percent) achieved a profit margin of between 10 and 25 percent, while 13.0 percent posted an even better margin, and only 19.7 percent (previous year: 20.2 percent) had a negative profit margin, i.e. a loss.

In the retail sector (including the hospitality trade), the proportion of companies with a negative profit margin (24.0 percent) remained higher than in the construction sector but was still lower than before. The retail sector is traditionally low-margin, with profit margins of more than 25 percent tending to be the exception (5.7 per cent of companies in 2018).

Tab. 4: EBIT margin (in %) in selected economic sectors in 2018

■	Construction	Retail *)
negative	19.7 (20.2)	24.0 (24.2)
below 5 %	30.8 (30.6)	41.0 (41.0)
below 10 %	17.6 (17.6)	16.2 (16.2)
below 25 %	19.0 (18.7)	13.1 (13.0)
more than 25 %	13.0 (13.0)	5.7 (5.6)

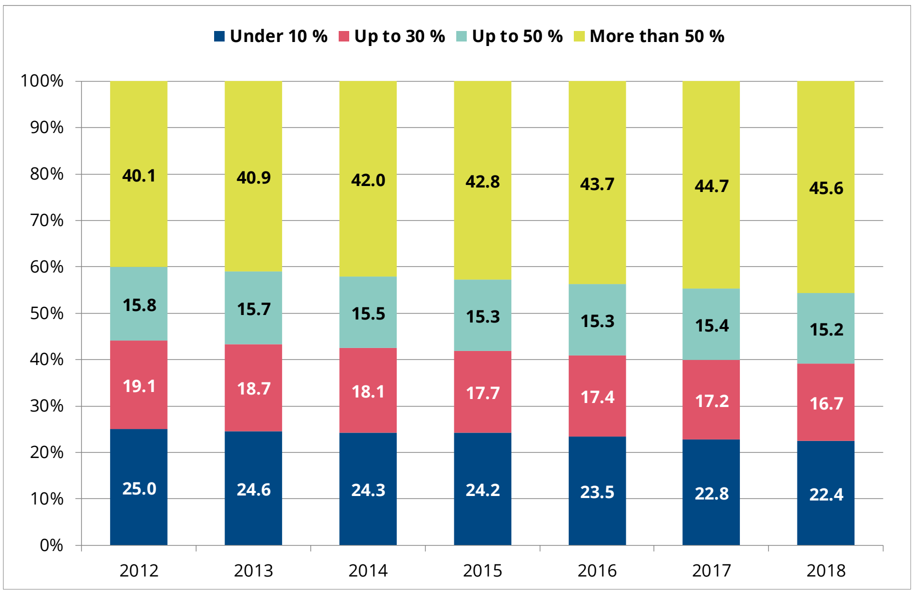
Figures in percent; ( ) = 2017; *) incl. hospitality business
Source: Creditreform

2.2 Equity ratios

The equity ratios of Western European companies also continued to develop positively. Almost half of the companies surveyed (45.6 percent) had an equity ratio of more than 50 percent. That represented a year-on-year rise of 0.9 percentage points. The improvement was even more evident in a comparison with 2012 (plus 5.5 percentage points). A low equity ratio of under 10 percent was posted for 22.4 percent of the companies surveyed (prior year: 22.8 percent). Here, too, the development since 2012 reveals considerably greater stability in respect of equity ratios (cf. Fig. 9).

Balance sheet figures show positive development

Fig. 9: Equity ratios in Western Europe



Figures in percent; Source: Creditreform

The equity situation has improved in all the main economic sectors. In manufacturing, for instance 39.2 percent of companies had a high equity ratio of over 50 percent – that was a significantly higher proportion than in 2014 (35.6 percent).

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

■	2018	2017	2016	2015	2014
below 10 %	20.8	21.4	22.3	23.0	23.5
up to 30 %	20.9	21.3	21.5	21.7	22.0
up to 50 %	19.1	19.1	18.9	18.8	18.9
over 50 %	39.2	38.2	37.3	36.5	35.6

Figures in percent; Source: Creditreform database, own calculations

The construction industry, which used to have low equity capital, has been able to use the good economic situation of recent years to improve its equity ratios. Now, just under a quarter of the companies (24.6 percent) have an equity ratio of less than 10 percent. Four years ago (2014) this share was still 27.8 percent.

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

■	2018	2017	2016	2015	2014
below 10 %	24.6	25.4	26.7	27.5	27.8
up to 30 %	20.4	21.0	21.3	21.0	21.9
up to 50 %	18.7	18.7	18.4	17.9	18.3
more than 50 %	36.3	34.9	33.7	33.6	32.0

Figures in percent; Source: Creditreform database, own calculations

The proportion of firms with weak equity capital (ratio below 10 percent) also declined in the field of retail. However, at 26.3 percent, it is still the highest of all economic sectors. A good third of the companies in the retail sector (34.8 percent) are now equity-strong (equity ratio of over 50 percent).

Tab. 5c: Equity ratios of Western European retail companies (incl. hospitality business)

■	2018	2017	2016	2015	2014
below 10 %	26.3	26.8	27.8	28.3	28.7
up to 30 %	21.5	22.0	22.1	22.3	22.7
up to 50 %	17.5	17.7	17.4	17.5	17.5
more than 50 %	34.8	33.5	32.6	32.0	31.1

Figures in percent; Source: Creditreform database, own calculations

The service sector has the highest proportion of reporting companies with strong equity capital. One service-provider in every two has an equity ratio of over 50 percent. Since 2014 this proportion has risen by almost four percentage points.

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

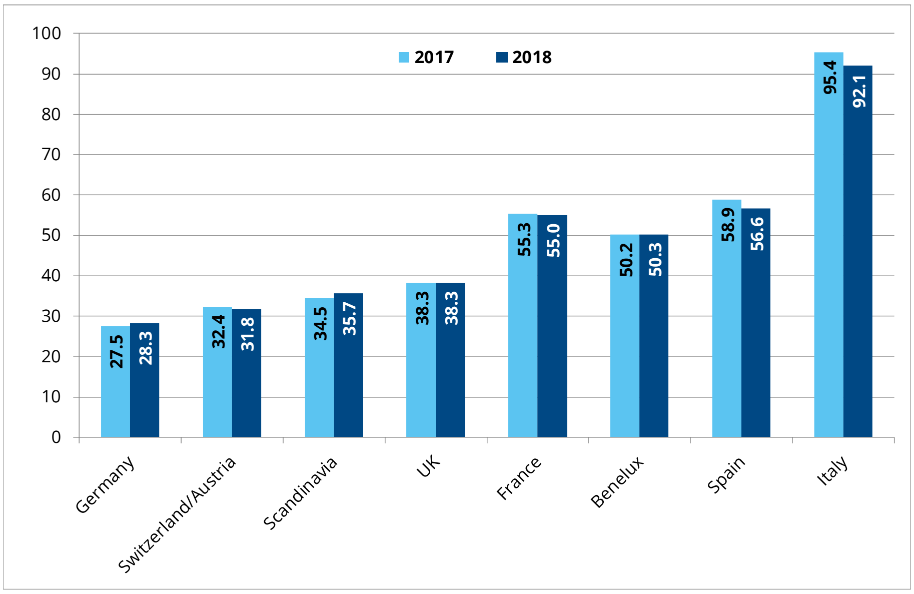
■	2018	2017	2016	2015	2014
below 10 %	21.3	21.7	22.4	23.1	23.0
up to 30 %	14.6	15.1	15.4	15.7	16.1
up to 50 %	14.0	14.2	14.3	14.3	14.6
more than 50 %	50.1	49.0	47.9	46.9	46.3

Figures in percent; Source: Creditreform database, own calculations

2.3 Collection periods

The average days sales outstanding in Western Europe (2018) decreased to 52.2 days (previous year: 53.5 days). For suppliers and service-providers, this means that receivables are realized more quickly and the risk of bad debts is lower.

Fig. 10: Collection periods in Europe (in days)



Figures = median values; collection period: min. 1 day
Source: Creditreform

Contrary to the trend, however, the days sales outstanding in Scandinavia and in Germany have lengthened. In Italy and Spain, creditors are receiving their money noticeably faster than was the case some years back, but the collection period remains above average – in Italy, for instance, it was 92.1 days in 2018.

3 Corporate insolvencies in Central and Eastern Europe

Fewer insolvencies in Eastern Europe

The countries of Central and Eastern Europe registered a decline in insolvencies in 2019, with a total of 48,648 cases. That corresponds to a fall of 4.5 percent on the year before (50,934). Two countries (North Macedonia, Slovakia) reported an increase in their totals, while the change in Croatia was only marginal. In contrast, Estonia and Romania posted much lower figures compared with the previous year. No data was available on the development in Hungary.

Tab. 6: Corporate insolvencies in Central and Eastern Europe

■	2019	2018	2017	2016	2015	Change 2018/19 in percent
Bulgaria	996	1,112	859	871	1,083	- 10.4
Croatia *)	11,909	11,881	10,744	18,811	19,543	+ 0.2
Czech Rep. **)	926	1,039	1,803	2,438	3,004	- 10.9
Estonia	148	273	343	335	376	- 45.8
Latvia	560	591	587	731	802	- 5.2
Lithuania	1,890	2,219	2,865	2,560	2,012	- 14.8
N. Macedonia	1,233	916	142	182	n.s.	+ 34.6
Poland	627	646	618	616	770	- 2.9
Romania	6,524	8,304	8,256	8,053	10,269	- 21.4
Serbia	2,075	2,080	2,113	2,104	2,072	- 0.2
Slovakia	249	230	370	692	715	+ 8.3
Slovenia	1,435	1,497	1,316	1,376	1,154	- 4.1
Ukraine	20,076	20,146	19,975	19,853	13,696	- 0.3
Total	**48,648**	**50,934**	**49,991**	**58,622**	**55,496**	**- 4.5**

*) just new proceedings; since 2015 new insolvency legislation, so comparability limited; **) insolvency applications, since 2013 some bankruptcies by self-employed persons count as private insolvencies

Based on the data from selected countries, the insolvency situation in Eastern Europe can be depicted against the background of the economic structure. This reveals that the bulk of insolvencies in 2019 were in the retail sector, including hotels and restaurants (42.4 percent of all cases). Compared with the previous year, however, the sector's share has decreased. 17.1 percent of all insolvencies in Eastern Europe were in manufacturing, and just under a sixth in construction. These proportions were slightly higher than the year before.

Tab. 7: Contribution of the key economic sectors to insolvency in Central and Eastern Europe *)

■	
Manufacturing	17.1 (16.0)
Construction	16.1 (15.4)
Retail **)	42.4 (44.1)
Services	24.4 (24.5)

*) Calculations on the basis of selected CEE countries (Czech Republic, (Latvia, Lithuania, Poland, Romania and Turkey); in (): prior-year figures; **) including hospitality business

Here is an overview of recent developments on the insolvency scene in individual CEE countries.

Bulgaria

Just under 1,000 companies became insolvent in the course of 2019. That was a decline of a good 10 percent on the previous year. The bulk of insolvencies in Bulgaria traditionally relate to the service sector.

Croatia

In 2019, 11,909 companies were insolvent in Croatia, with close to 6,000 receiving an insolvency notification in the course of the year. So the total number of cases remained at about the same level as the previous year (11,881), but was lower overall than in 2015/2016. Following the introduction of a new insolvency law, the number of cases had soared. In 2019, however, fewer new proceedings were filed than in previous years.

Czech Republic

The total of 926 corporate insolvencies in 2019 represents a year-on-year decline of 10.9 percent and thus a further improvement on this front. The annual number of cases is now only a third of what it was five years ago. 44.4 percent of all corporate insolvencies in the Czech Republic involved the retail sector.

Estonia

The number of corporate insolvencies in this Baltic country fell significantly (minus 45.8 percent). The total came to 148.

Latvia

The number of insolvencies in Latvia fell by 5.2 percent. A total of 560 firms filed for insolvency (prior year: 591). This confirmed the positive trend of previous years. The number of cases continues to fall as the economy recovers. As late as 2015 there were still over 800 insolvencies a year. The retail sector dominates insolvency statistics in Latvia, accounting for about 45 percent of all cases. The construction industry's share has now risen to just over 16 percent.

Tab. 8: Insolvencies according to economic sectors in selected countries/regions 2018/19

■	Manufacturing		Construction		Retail *)		Services **)	
	2019	2018	2019	2018	2019	2018	2019	2018
Czech Rep.	11.8	14.9	10.7	14.4	44.4	38.9	33.1	31.8
Latvia	18.0	17.4	16.3	14.0	44.6	41.6	21.1	27.1
Lithuania	11.5	10.5	15.2	14.6	44.2	47.0	29.0	27.9
Poland	23.0	24.8	15.6	15.9	29.5	27.2	31.9	32.0
Romania	19.2	18.3	15.2	16.8	49.7	48.8	15.9	16.0
Turkey	17.0	17.7	17.0	16.8	41.3	40.1	24.7	25.4

Figures in percent; *) incl. hospitality business; **) when sectoral information was lacking, the relevant figures were included under services

Lithuania

The number of insolvencies also continued to fall in Lithuania (minus 14.8 percent). In 2019, 1,890 companies filed for bankruptcy, the lowest level for five years. In Lithuania, too, the retail sector accounted for the biggest share of insolvencies, with 44 percent of the total. In 2019, the service sector was responsible for 29 percent. Most of the companies affected were very small – in all, they employed around 3,200 people.

(North) Macedonia

Contrary to the trend in Central and Eastern Europe, Macedonia recorded an increase in corporate insolvencies in 2019 (plus 34.6 percent), with a total of 1,233. This continued the strong increase registered the previous year. Part of the increase was due to inactive companies being declared insolvent.

Poland

The insolvency situation in Poland has been comparatively stable in recent years. In 2019, the number of cases declined by 2.9 percent to a total of 627. However, the proportion of insolvencies generated by the retail sector increased: it accounted for 29.5 percent of the total number. In all, the companies becoming insolvent employed some 21,000 people.

Romania

Romania reported a sharp decline in insolvency figures (minus 21.4 percent) to a total of 6,524 cases. That means that the insolvency situation has continued to ease. Compared with 2015, the number of cases has almost halved. In Romania, the retail sector (including the hospitality trade) is traditionally prone to insolvency and in 2019 it accounted for almost half of all registered cases (49.7 percent). Against the background of the overall decline, this was a higher share of the total insolvency volume than before.

Serbia

In Serbia, insolvency figures remained almost unchanged from the previous year (2019: 2,075; 2018: 2,080). Retail and the hotel and catering trade are economic sectors with a relatively high susceptibility to insolvency.

Slovakia

The insolvency total in Slovakia rose by 8.3 percent (249 cases). Despite this latest increase, though, the number of cases remained well below the previous highs (e.g. 715 in 2015). So the longer-term trend in this respect is positive, with one factor being the improvement in the country's economic situation.

Slovenia

Slovenia, perched between Italy, Austria and the Balkans, recorded 1,435 insolvencies in 2019. That was a slight decline of just over four percent compared with 2018 (1,497). A comparison over the last few years, though, actually reveals a slight upward tendency. The small national economy is operating successfully and exhibits a positive balance sheet, something which cannot be achieved without turbulence in the field of corporate start-ups and closures.

Ukraine

20,076 companies in Ukraine must be designated as insolvent. This corresponds largely to the previous year's level. Due to the ongoing tense economic situation, no noticeable improvement in the insolvency volume had been expected.

Tab. 9: Corporate insolvencies in Turkey

■	2019	2018	2017	2016	2015	Change 2018/19 in percent
Turkey	14,050	13,593	14,700	11,038	13,701	+ 3.4

Turkey

There was a slight increase in corporate insolvencies in Turkey in 2019 (plus 3.4 percent). The total came to 14,050. Although this is below the peak figure (2017: 14,700 cases), it is still higher than in other years. The bulk of insolvency activity is in the retail and hospitality sector (41 percent of all cases). The service sector accounts for 25 percent.

■ 4 Insolvencies in the USA

In the United States, the number of corporate insolvencies rose by 2.4 percent in 2019, to a total of 38,944. The year before, the volume had fallen slightly. The increase in 2019 took the number of cases to its highest annual level since 2013. The number of filings for protection from creditors under Chapter 11 of the US Bankruptcy Code remained more or less unchanged. In 2019, the GDP growth rate failed to match the almost three percent of the year before and is likely to have been around 2.5 percent. Growth was again driven by private consumption with unemployment remaining low.

Tab. 10: Corporate insolvencies in the USA

■	2019	2018	2017	2016	2015	Change 2018/19 in percent
USA	38,944	38,032	38,062	37,997	29,897	+ 2.4

■ 5 Summary

In 2019 there were 163,548 corporate insolvencies in Western Europe (EU-15 plus Norway and Switzerland). That was slightly down on the prior-year figure (165,213; minus 1.0 percent) and represented the lowest level for ten years. However, only six of the 17 countries surveyed actually recorded a decline in insolvency activity – but these included major economies like France, the United Kingdom and Germany. The biggest fall in the insolvency volume was in Ireland (minus 25.9 percent). In contrast, there was a marked rise in the number of cases in Denmark, Greece, Spain and Belgium, among others.

Germany accounts for 11.5 percent of the insolvent companies in Western Europe, 11.1 percent of the insolvent companies came from the UK, and around one seventh (14.6 percent) from the Scandinavian countries, which was a higher proportion than before. France accounted for 31.2 percent, or almost a third of all registered corporate insolvencies in Western Europe.

A look at the development in the main economic sectors shows that the insolvency figures were down year-on-year (2018/2019) in the construction industry (minus 2.6 percent) and in the service sector (minus 1.6 percent). In contrast, insolvency numbers rose again for the first time in the manufacturing sector (plus 0.9 percent), which experienced a weak economic situation. Retail (including the hospitality trade) also recorded an increase, although at 0.1 percent this was significantly lower than in the previous year.

The noticeable improvement in stability in the Western European construction sector is also evident in the longer term: its contribution to the total number of corporate insolvencies in 2019 was 18.5 percent, as against 20.7 percent in 2012. Just under a third of all insolvencies in Western Europe (32.5 percent) in 2019 were in the field of retail, as against 29.5 percent in 2012. This means that this sector's susceptibility to insolvency has increased.

The balance-sheet analysis of some three million Western European companies shows a further improvement in the key corporate stability figures in line with the good economic situation of recent years and confirms the positive trend in in the volume of corporate insolvencies. On average, company profit margins increased, while fewer firms than for several years reported balance-sheet losses. Equity ratios also improved again: only 22.4 percent of the companies surveyed can be described as equity-weak. In 2012, this proportion had been 25.0 percent.

The number of corporate insolvencies also declined in the countries of Central and Eastern Europe. In 2019, the total in those countries for which relevant data was available came to 48,648. The only increases were in Slovakia and North Macedonia, and in Croatia (where the rise was just marginal). By contrast, there were sharp falls in the Baltic states and Romania, among others. Most of the insolvency activity in Eastern Europe is in the retail sector (including the hotel and restaurant business). This sector accounted for 42.4 percent of all insolvencies in 2019. Manufacturing generated 17.1 percent of the total, while the construction industry was responsible for just under a sixth.

In Turkey, the insolvency volume rose again in 2019 to a total of 14,050 cases (up 3.4 percent). In the USA, too, the number of corporate insolvencies increased (plus 2.4 percent). The 38,944 cases in 2019 represented the highest annual figure since 2013.

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