CORPORATE INSOLVENCIES IN EUROPE

2023

Creditreform INTERNATIONAL

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1.1 Introduction

Poor economic situation in Europe

Economic development in Europe lost significant momentum in 2023. According to estimates by the EU Commission, the economic area recorded only minimal growth and a weak economic situation overall. In order to counteract the high inflation, the European Central Bank (ECB) raised interest rates in several steps (interest rate turnaround). This restrictive monetary policy dampened demand and investment. Despite a slowdown over the course of the year, inflation remained well above the ECB's target in most countries. From a global perspective, there was also little economic stimulus, as important trading partners of the European economy also experienced a slowdown. Geopolitical tensions such as the conflict in the Middle East also increased uncertainty in the economy.

This report provides information on the state of corporate stability in Europe with regard to insolvencies and the risk of insolvency. For medium-sized export companies in particular, which do not have their own production or sales bases in other European countries, it is crucial to know what economic risks exist for their business partners over the border.

1.2 Western European development in 2023

In the countries of Western Europe, defined here as the EU-14 states plus Norway, Switzerland and Great Britain, the rise in insolvencies also continued in 2023. Compared to 2022 (140,168 cases), the number of corporate insolvencies rose by around 21 percent in 2023. This trend had already become apparent in the previous year, when the number of insolvencies increased by around 24 percent. In total, almost 170,000 corporate insolvencies were registered in the course of 2023. The last time figures reached a comparable level was in 2015.

Tab. 1: Corporate insolvencies in Western Europe

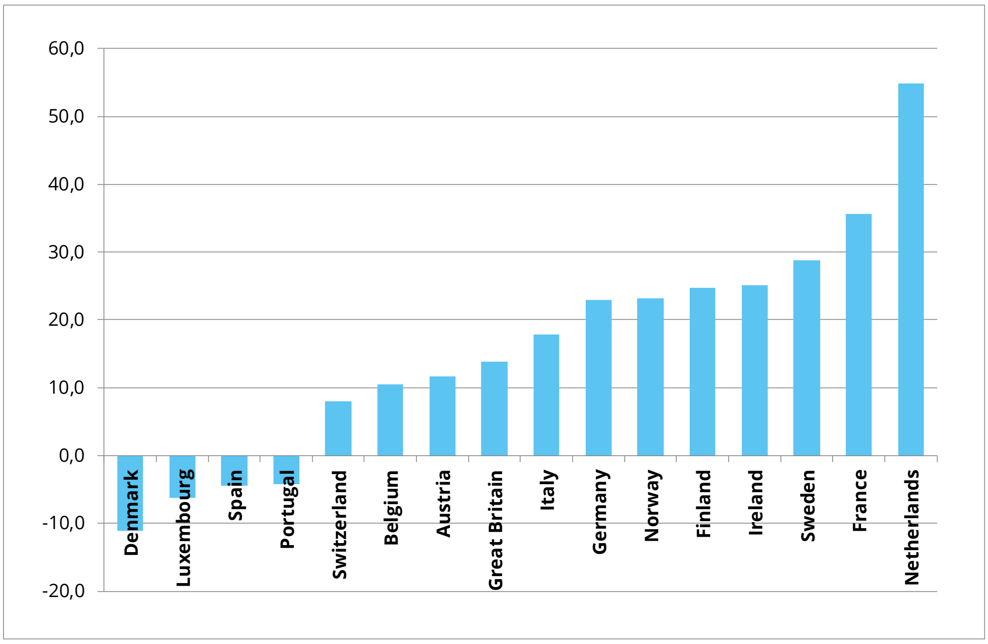
■	2023	2022	2021	2020	2019	Change in 2022/23 in percent
Belgium	10,243	9,265	6,533	7,203	10,598	+ 10.6
Denmark	6,948	7,818	8,339	5,614	8,474	- 11.1
Germany	18,020	14,660	14,130	16,040	18,830	+ 22.9
Finland	3,314	2,656	2,473	2,135	2,597	+ 24.8
France	55,996	41,284	27,470	31,036	51,201	+ 35.6
Greece 1)	1,412	46	108	102	107	+ 2.969.6
Great Britain	26,391	23,192	14,820	13,298	18,256	+ 13.8
Ireland	663	530	401	575	568	+ 25.1
Italy	8,477	7,190	9,017	7,650	11,161	+ 17.9
Luxembourg	944	1,006	1,199	1,199	1,263	- 6.2
Netherlands 2)	2,871	1,854	1,536	2,703	3,209	+ 54.9
Norway 2)	3,745	3,040	2,688	4,100	5,013	+ 23.2
Austria	5,490	4,913	3,076	3,106	5,235	+ 11.7
Portugal	3,706	3,869	4,770	5,000	5,071	- 4.2
Sweden	9,397	7,299	6,901	7,695	7,776	+ 28.7
Switzerland 3)	7,335	6,791	5,127	4,893	6,009	+ 8.0
Spain 2)	4,544	4,755	4,098	4,097	4,464	- 4.4
Total	**169,496**	**140,168**	**112,686**	**116,446**	**159,832**	**+ 20.9**

1) Increase is due to new legal regulations. It can also be assumed that numerous companies are closing without filing for insolvency.
2) Excluding natural persons as sole proprietorships
3) Excluding bankruptcies due to organisational deficiencies

Since the low point of insolvency activity during the coronavirus pandemic in 2021 (112,686 insolvencies), the number of cases has once again increased significantly. At that time, insolvencies were declining for various reasons. For example, most governments had introduced numerous aid measures for the economy to mitigate the consequences of the pandemic. The effects of the pandemic, such as lockdowns, were not fully reflected in the insolvency figures.

The pre-corona level has now been exceeded. For example, the average number of insolvencies in Western Europe between 2017 and 2019 stood at around 162,000. The current increase in the number of cases is mainly due to the poor economic situation in Europe. In addition, the previous crises (energy cost increases, inflation, coronavirus) are likely to have had a negative impact on corporate stability. The earnings situation and corporate financing have been significantly impaired in certain cases. The rise in insolvencies over the past two years reflects this development.

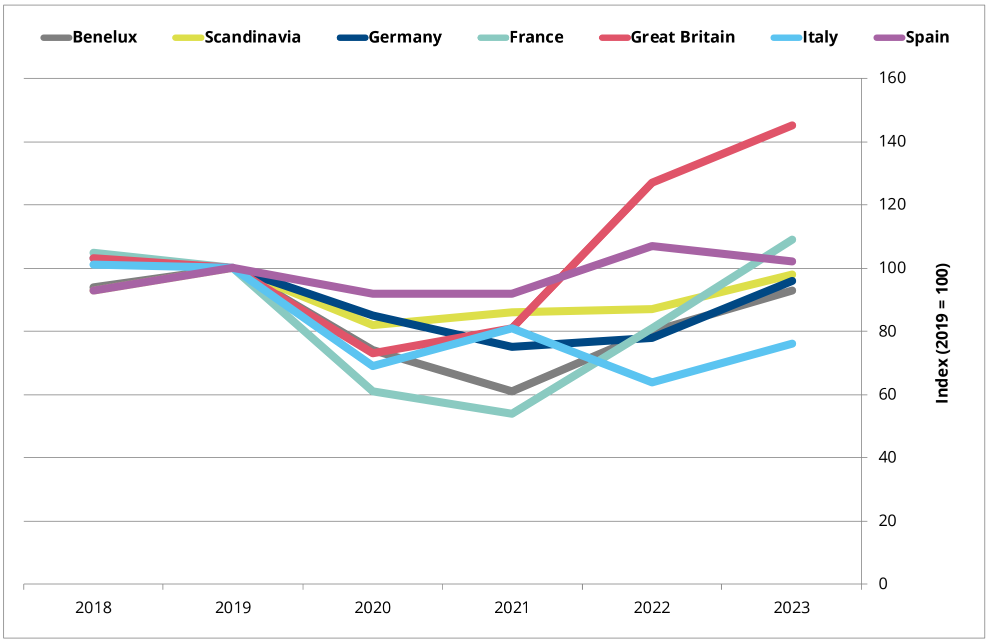
Fig. 1: Corporate insolvency trends in Western Europe 2022/23



Changes in percent (excluding Greece); source: Creditreform

Insolvency figures rose in the majority of the Western European countries analysed (see Fig. 1). The largest increases were recorded in the Netherlands (up 54.9 percent) and France (up 35.6 percent). In Sweden, Ireland, Finland, Norway and Germany, the figures rose by more than 20 percent. On the other hand, the number of cases fell in four countries: Denmark, Luxembourg, Spain and Portugal.

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

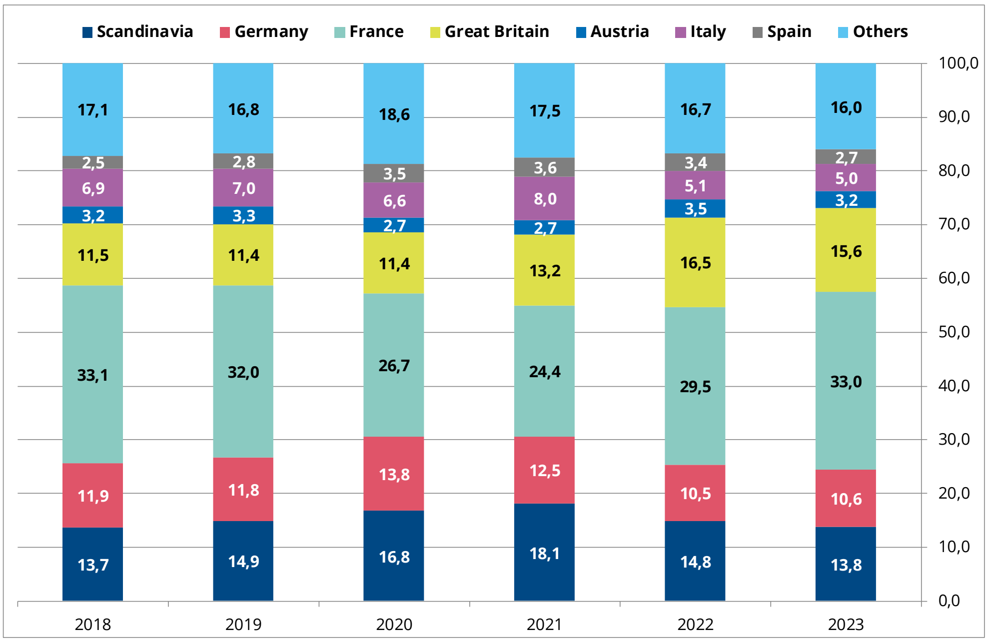


Figures in index points; source: Creditreform

France at the forefront of the insolvency scene

With a share of 33 percent, the insolvency trend in Western Europe in 2023 was dominated by France. Great Britain also continues to play a significant role with a recent share of 15.6 percent. This is followed by the Scandinavian countries, whose share has recently declined (2023: 13.8 percent; 2022: 14.8 percent), while Germany's share remained almost unchanged. Compared to the situation in 2018/2019, the UK is becoming increasingly important for insolvency activity in Western Europe (see Fig. 3), while Germany and Italy's share has tended to decline. The other countries (including the Benelux countries and Switzerland), which together account for around one sixth of insolvencies in Western Europe, also have a lower share of insolvency activity than before the coronavirus pandemic.

Fig. 3: Distribution of corporate insolvencies in Western Europe



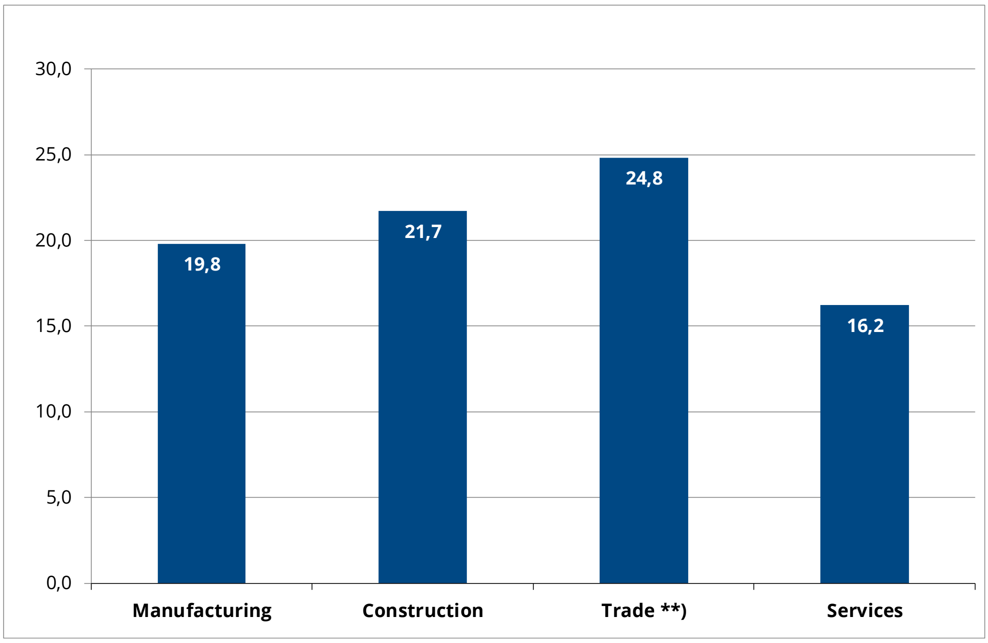
Figures in percent; source: Creditreform

1.3 Insolvencies by Economic Sector

Insolvency figures rose by double digits in all main economic sectors. The increase in trade (including the hospitality industry) was particularly significant with a year-on-year rise of 24.8 percent, following a striking increase of almost 30 percent in 2022. This is likely due to poor consumer sentiment as a result of inflation. Consumption was down. In the service sector, the number of insolvencies rose less sharply than in the other economic sectors (up 16.2 percent). The increase has thus slowed somewhat (2022: plus 22.6 percent). By contrast, the insolvency trend in manufacturing accelerated. This time, the number of cases rose more sharply than in the previous year (plus 19.8 percent).

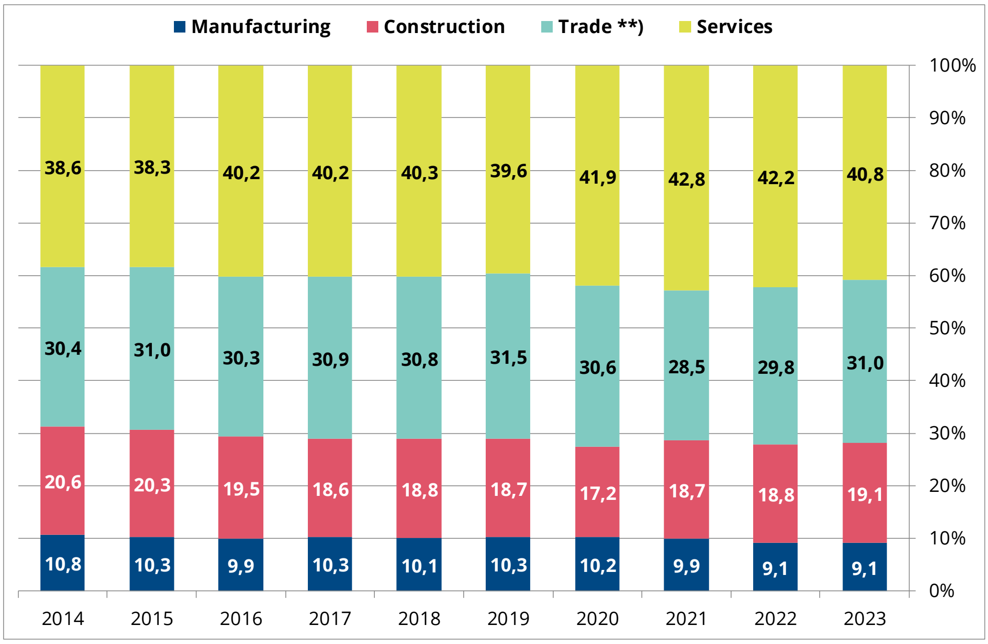
Double-digit increase in all economic sectors

Fig. 4: Changes in the main economic sectors in Western Europe 2022/23*)



Changes in percent; *) excluding Greece**) incl. hospitality industry; source: Creditreform

Fig. 5: Share of the main economic sectors in insolvency activity in Western Europe 2014 to 2023 *)

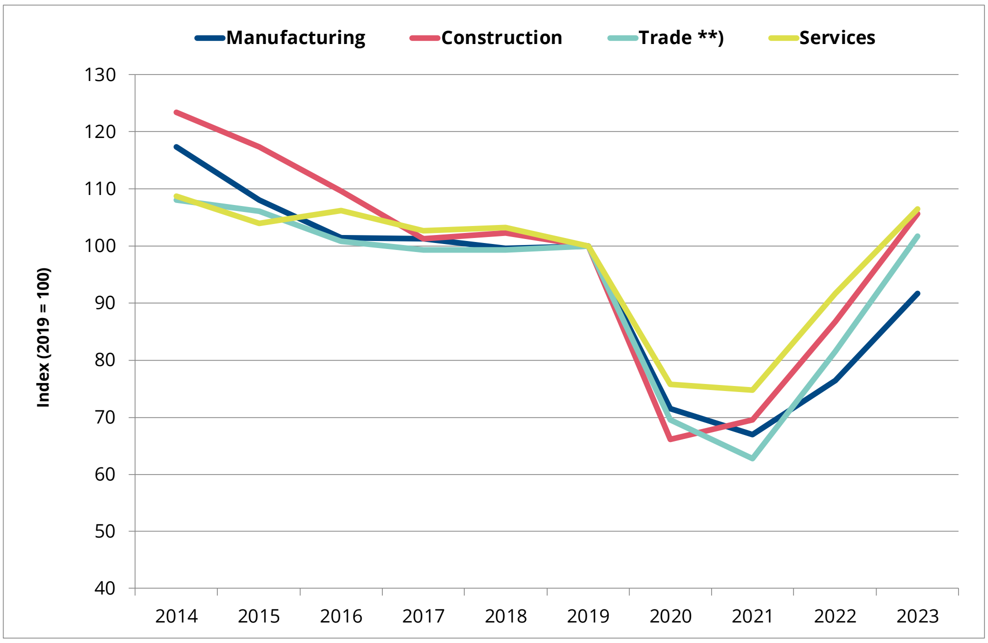


Figures in percent; *) excluding Greece; **) incl. hospitality industry
Source: Creditreform

Construction industry: highest level since 2016

Proportionally, most insolvencies were in the services sector (40.8 percent). However, this figure was lower than in the previous year (2022: 42.2 percent). In contrast, the trade sector's share of insolvencies increased from 29.8 to 31.0 percent. In manufacturing (9.1 percent), the share remained unchanged. There was a slight increase in the construction sector (19.1 percent). After years of decline, the construction sector's share increased again and reached its highest level since 2016. In contrast, a decline was observed in manufacturing over the long term (see Fig. 5).

Fig. 6: Development of insolvencies in the main economic sectors 2014 to 2023 *)



Figures in index points; *) excluding Greece; **) including the hospitality industry

The trend reversal in insolvencies has continued in all economic sectors (see Fig. 6). In construction, trade and services, the last pre-corona level (2019) has now been exceeded. Only in manufacturing are the figures still just below this reference year. During the COVID-19 crisis, insolvency figures plummeted as a result of exceptional circumstances.

1.4 Overview of Countries

In the following, we take a look at insolvency trends in the individual Western European countries.

Belgium
In Belgium, the number of corporate insolvencies rose by 10.6 percent to a total of 10,243 cases. The increase thus continued, but slowed in comparison to the previous year, when insolvencies had risen by almost 42 percent. The construction industry saw an above-average increase, while trade continued to account for the majority of insolvencies at 39.8 percent. The construction industry accounted for 21.8 percent.

Denmark
In Denmark, the decline in insolvencies from the previous year continued. The number of insolvencies fell by 11.1 percent - following a decline of 6.2 percent in the previous year. A total of 6,948 corporate insolvencies were registered here. The number of insolvencies is therefore roughly at the same level as in 2018. 50.5 percent of insolvencies were in the service sector. Contrary to the trend, insolvency figures in the construction industry increased slightly, while they fell significantly in the services sector.

Germany
In Germany, the number of corporate insolvencies rose by 22.9 percent in 2023. This figure is slightly above the average for Western European countries. Over the course of the year, 18,020 cases were registered (previous year: 14,660). This means that the insolvency figures are still slightly below the last pre-coronavirus year (2019). The number of cases rose at double-digit rates in all sectors of the economy. The service sector once again dominated insolvency activity with a share of 57.4 percent.

Finland
Finland recorded a significant increase in insolvency figures of 24.8 percent. The previous two years had already seen an increase (in 2022: plus 7.4 percent;

2021: plus 15.8 percent). At 3,314 cases, the number of corporate insolvencies was at its highest level since 2009. Evidently, the current economic crisis has led to more insolvencies, similar to the financial crisis at that time. All economic sectors were affected, with the construction and trade sectors recording an increase in the number of cases. Overall, the construction sector now accounted for 23.6 percent of all insolvencies, while trade accounted for 26.9 percent.

France

France likewise experienced a significant increase in the level of insolvencies in 2023. The number of corporate insolvencies was up 35.6 percent on the previous year. There had already been a massive increase of around 50 percent. The number of annual cases now totals almost 56,000, returning to pre-coronavirus levels and roughly the same as in 2017. Construction recorded an increase, topped only by trade at 35.5 percent, the highest number of insolvencies. The construction sector's share rose to 21.0 percent.

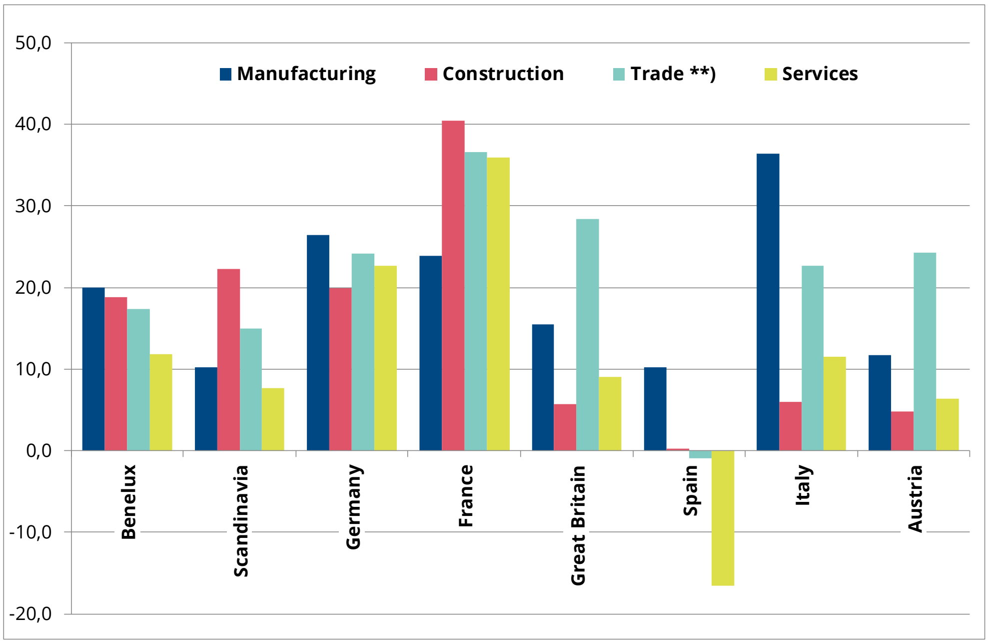
Greece

According to the Bank of Greece, the number of insolvencies applied for in 2023 increased significantly due to new legal regulations for companies and private individuals. The annual number of cases rose significantly to 1,412 (previous year: 46). Furthermore, it can be assumed that numerous companies are closing without filing for insolvency.

Great Britain

In Great Britain, the number of corporate insolvencies reached a multi-year high. Following an increase of 13.8 percent compared to the previous year, 26,391 cases were registered. The figures had already risen by a good 56 percent in 2022. Inflation, high interest rates and weak consumer spending pushed Great Britain’s economy into recession over the course of 2023. The number of insolvencies is growing in all sectors of the economy. The recent increase was particularly strong in the trade sector. However, the service sector continues to account for the majority of insolvencies (42.7 percent), followed by trade at 30.8 percent.

Fig. 7: Changes in the main economic sectors by country or region 2022/23



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

Republic of Ireland

In the Republic of Ireland, 663 corporate insolvencies were registered in 2023. This represents a noticeable increase of around 25 percent compared to the previous year's 530 cases. This is the second consecutive increase and the number of insolvencies has returned to the level of 2018. The most recent increases in insolvency figures were in the construction and trade sectors. The service sector dominates insolvency activity in Ireland with a share of 52.7 percent.

Italy

In Italy, the number of corporate insolvencies rose by 17.9 percent. Following the decline in the previous year, there was therefore an increase again. Over the course of 2023, the number of cases totalled 8,477. However, this means that overall insolvency activity remains lower than before the coronavirus crisis. It is possible that many market exits (especially of very small businesses) are now not taking place via regular insolvency proceedings. Insolvency figures have recently risen in manufacturing and trade (including hospitality). Trade accounts for 33.3 percent of insolvencies in Italy, while manufacturing accounted for 20.4 percent.

Luxemburg

In Luxembourg, the number of insolvencies remained below the 1,000 mark, which had last been seen in 2017. A total of 944 insolvencies were registered - a decrease of 6.2 percent compared to the previous year. The service sector dominated with a share of 63.9 percent. There was a significant increase in the number of cases in the construction industry.

Tab. 2: Insolvencies by main economic sector 2022/23 in selected countries and regions

■	2023				2022			
	Manufac-turing	**Con-struction**	**Trade *)**	**Services **)**	**Manufac-turing**	**Con-struction**	**Trade *)**	**Services **)**
Belgium	5.5	21.8	39.8	33.0	5.5	21.1	39.3	34.1
Denmark	6.0	18.5	25.0	50.5	5.5	16.2	23.9	54.3
Germany	7.4	16.0	19.1	57.4	7.2	16.4	18.9	57.5
Finland	9.9	23.6	26.9	39.6	11.4	21.3	26.6	40.7
France	9.3	21.0	35.5	34.2	10.2	20.3	35.3	34.2
Great Britain	9.2	17.4	30.8	42.7	9.1	18.8	27.4	44.7
Ireland	6.0	13.4	27.9	52.7	5.5	10.4	22.3	61.8
Italy	20.4	17.1	33.3	29.3	17.7	19.1	32.1	31.1
Luxembourg	1.0	16.4	18.8	63.9	1.4	11.4	19.4	67.8
Netherlands	9.8	11.3	29.3	49.6	10.1	11.2	26.8	51.9
Norway	6.2	27.0	32.7	34.1	6.2	27.4	31.4	35.0
Austria	4.0	15.4	32.8	47.8	4.0	16.4	29.5	50.2
Portugal	23.0	16.0	21.0	40.0	21.0	16.0	22.0	41.0
Sweden	5.1	18.4	28.6	47.9	5.5	17.4	29.7	47.5
Switzerland	5.6	21.1	24.6	48.6	5.5	20.6	25.1	48.8
Spain	16.7	16.8	35.9	30.6	14.5	16.0	34.6	35.0
Total	**9.1**	**19.1**	**31.0**	**40.8**	**9.1**	**18.8**	**29.8**	**42.2**

Figures in percent; *) incl. hospitality industry; **) possibly missing sector data were counted as services

Netherlands
In the Netherlands, the number of corporate insolvencies rose by almost 55 percent. At 2,871 cases, not only was the previous year's figure significantly exceeded, but the number of insolvencies is also back in the pre-corona range. All economic sectors recorded a sharp increase in the number of cases, with the trade sector standing out in particular. With a 29.3 percent share, trade now accounts for a high volume of insolvencies. Nevertheless, the service sector continues to dominate events with a share of almost 50 percent.

Norway
In Norway, insolvency figures rose more sharply than the European average. At 3,745 cases, the previous year's level (3,040 cases) was exceeded by a good 23 percent. Despite the recent increase, the number of corporate insolvencies remained below the pre-corona level. Insolvency figures rose by double digits in all economic sectors. Trade (including the hospitality industry) accounts for 32.7 percent of the insolvency volume, while the service sector accounts for 34.1 percent.

Austria
In 2023, following an increase of 11.7 percent, a total of 5,490 corporate insolvencies were registered in Austria - the highest level there since 2016. The phase of low insolvency figures during the pandemic has thus come to an end. The figures recently rose at an above-average rate in the trade sector (including the hospitality industry). Companies from this sector accounted for 32.8 percent of all insolvencies. The service sector accounts for 47.8 percent of insolvencies.

Portugal
In Portugal, insolvency figures remained slightly below the previous year's level (minus 4.2 percent), continuing the decline of previous years. At 3,706 cases, the lowest level since 2008 was reached. The service sector accounted for 40.0 percent of insolvencies, while trade accounted for 21.0 percent. Contrary to

the trend, manufacturing recorded a slight increase in the number of cases.

Sweden

In Sweden, there was a significant increase in corporate insolvencies of 28.7 percent. This increase was stronger than in the previous year (plus 5.8 percent). A total of 9,397 cases were registered over the course of the year - the highest level in the last 15 years. There was a significant increase in the number of cases in the construction industry. The construction sector's share of the national insolvency total thus reached 18.4 percent, although the service sector continues to dominate with a share of 47.9 percent.

Switzerland

In Switzerland, corporate insolvencies rose for the third year in a row. The number of cases increased by 8.0 percent and a total of 7,335 corporate insolvencies were reported. This significantly exceeded the pre-corona level. There was an increase in the construction and manufacturing sectors in particular. Nevertheless, the service sector continues to account for the highest proportion of insolvencies (48.6 percent), followed by trade with 24.6 percent.

Spain

Spain suffered 4,544 corporate insolvencies, which represents a slight decrease of 4.4 percent compared to 2022. The increase from the previous year did not continue and the current figure is at the same level as in 2019. However, insolvencies in the manufacturing sector have recently increased.

Tab. 3: Insolvency ratios in Western Europe in 2023

■	Insolvencies per 10,000 companies
Belgium	147
Denmark	294
Germany	60
Finland	108
France	132
Greece	17
Great Britain	102
Ireland	25
Italy	23
Luxembourg	266
Netherlands	22
Norway	127
Austria	130
Portugal	39
Sweden	118
Switzerland	182
Spain	15
Western Europe	**74**

Sources: Eurostat, Federal Statistical Office, own calculations

With the restriction of different insolvency laws in the countries of Western Europe and the comparability of statistics on the number of companies, the breakdown of insolvency ratios shows clear differences in the relative insolvency impact. Regulated insolvency proceedings are only one way of exiting the market. In some cases, such as in Southern Europe, insolvency proceedings are not the typical route. Indeed, the opposite is true: closures and other liquidations are generally chosen and distort the Europe-wide comparison of insolvency rates.

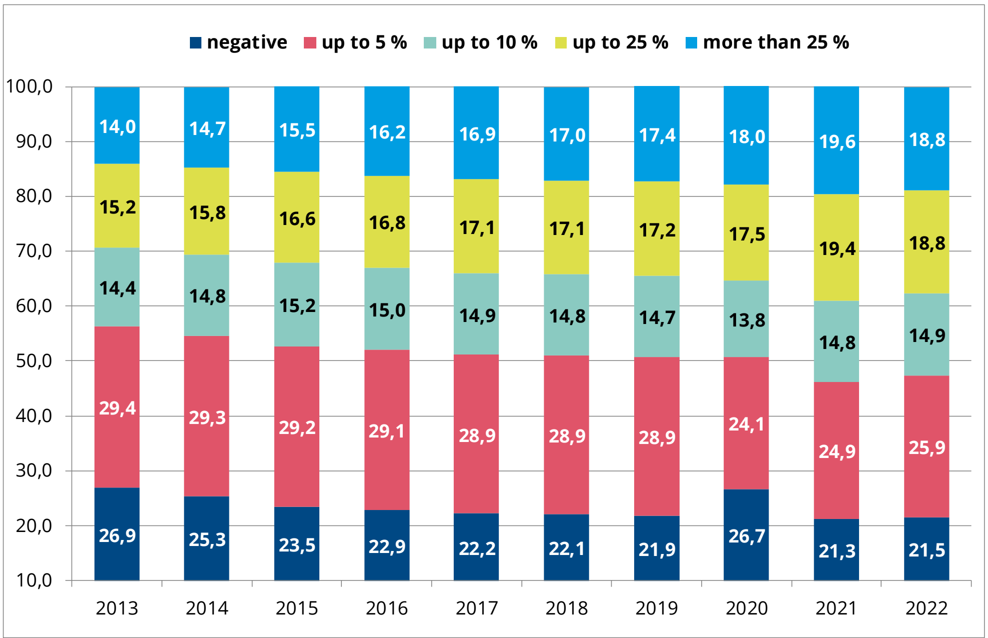
2 Financing and liquidity situation of European companies

2.1 EBIT margin - Revenues and Earnings

EBIT under pressure – recovery fizzles out

By analysing the annual financial statements of 3.29 million Western European companies, the earnings situation and its changes over time can be examined. On this basis, conclusions can be drawn about possible insolvency risks. The following analyses and results are based on the data from the annual financial statements.

Fig. 8: EBIT margin of Western European companies



Data in percent; Source: Creditreform

After many companies recorded poor earnings in the coronavirus year 2020, with 26.7 percent of them reporting negative EBIT, 2021 saw a rebound. However, this positive effect appears to have evaporated in 2022. Once again, more companies reported a negative or very low profit margin. Accordingly, 21.5 percent of companies made losses, while more than one in four (25.9 percent) had a margin of 5 percent or less. A very high profit margin of more than 25 percent was achieved by 18.8 percent (previous year: 19.6 percent). This is a remarkably high figure compared to the last 10 years (see Fig. 8). It shows that the fundamental trend towards financially stable and healthy companies continued in 2022. However, the recession in 2023, which is not yet reflected in the available data, is likely to have subjected the earnings situation to a further stress test.

Tab. 4: EBIT margin in 2022 in selected economic sectors

■	Construction	Trade*)
negative	17.9 (18.4)	22.9 (22.5)
up to 5 %	28.4 (28.1)	36.9 (34.5)
up to 10 %	18.2 (17.6)	17.1 (17.3)
up to 25 %	21.7 (21.4)	15.8 (17.5)
higher than 25 %	13.8 (14.5)	7.3 (8.2)

Data in percent; ( ) = 2021; *) incl. hospitality; Source: Creditreform

The persistently difficult economic situation in the retail sector is clearly reflected in EBIT margins. In 2022, 22.9 percent of companies had a negative profit margin, while the proportion of companies with a margin of 5 percent or less rose to 36.9 percent. Only 7.3 percent of companies in this sector were able to achieve a very high profit margin of more than 25 percent.

In the construction industry, 17.9 percent of companies reported losses in 2022 (previous year: 18.4 percent). At the same time, fewer companies recorded a high EBIT margin (13.8 percent) than in the previous year (14.5 percent). Nevertheless, the earnings situation in the construction industry remained largely stable.

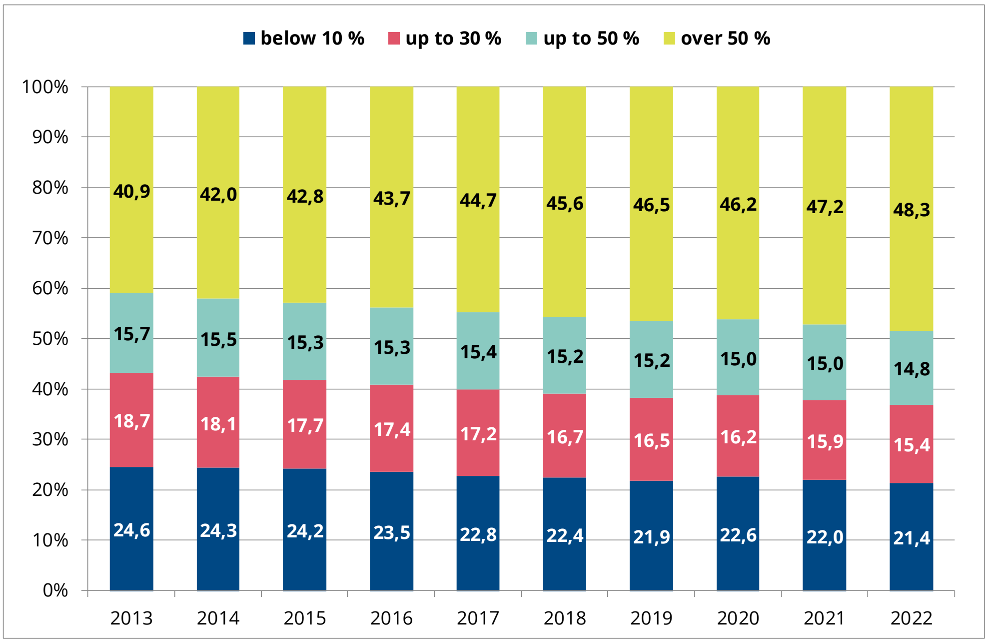
2.2 Equity

Increased Equity

The equity ratios of Western European companies have continued to recover. The rise in the cost of loans, which made borrowed capital less attractive, is likely to have contributed to this. The proportion of companies with a high equity ratio of over 50 percent increased to 48.3 percent (previous year: 47.2 percent). This means that more companies are considered to have a high equity ratio than has been the case for more than 10 years.

In addition, 21.4 percent of companies recorded a very low equity ratio of less than 10 percent. In the previous year, this figure was 22.0 percent. From a longer-term perspective, the proportion of poorly capitalised companies also decreased (see Fig. 9). Compared to 2013 (24.6 percent), significantly fewer companies had a weak equity ratio in 2022.

Fig. 9: Equity Ratios in Western Europe



Data in percent; Source: Creditreform

Equity ratios improved noticeably in manufacturing. In 2022, a high equity ratio of over 50 percent was reported by 42.3 percent of companies. This share has grown by 9.7 percentage points since 2011. Just under a fifth of companies (19.1 percent) are considered to have a low equity ratio (previous year: 19.8 percent).

Tab. 5a: Equity ratios for Western European companies in the manufacturing sector

■	2022	2021	2020	2019	2018
under 10 %	19.1	19.8	20.2	20.1	20.8
up to 30 %	19.3	19.8	19.9	20.5	20.9
up to 50 %	19.3	19.2	19.1	19.0	19.1
higher than 50 %	42.3	41.2	40.8	40.5	39.2

Data in percent; Source: Creditreform Database and Own Calculations

In the construction industry, the proportion of equity-rich companies has also increased further. 38.6 percent of companies (previous year: 37.3 percent) had an equity ratio of more than 50 percent in 2022. In addition, fewer companies than in the previous year had an equity ratio of less than 10 percent. The proportion of these companies with a low equity ratio was most recently 23.2 percent, compared to 24.4 percent in the previous year. In a longer-term analysis since 2011, this proportion has actually fallen by 6.4 percentage points, while the proportion of equity-strong companies has risen by 10.1 points in this period.

Tab. 5b: Equity ratios for Western European companies in the construction sector

■	2022	2021	2020	2019	2018
under 10 %	23.2	24.4	24.9	23.8	24.6
up to 30 %	19.6	19.9	20.0	19.9	20.4
up to 50 %	18.6	18.4	18.4	18.6	18.7
higher than 50 %	38.6	37.3	36.7	37.7	36.3

Data in percent; Source: Creditreform Database and Own Calculations

Improvements in equity were also recorded in the trade sector. The proportion of companies with strong equity increased to 38.2 percent. Here, 24.4 percent of companies are considered to be equity-poor. This means that every fourth company has an equity ratio below the 10 percent mark. This means that fewer companies are affected than in previous years.

Tab. 5c: Equity ratios for Western European companies in trade (incl. hospitality)

■	2022	2021	2020	2019	2018
under 10 %	24.4	24.9	26.4	25.5	26.3
up to 30 %	19.7	20.3	20.8	21.2	21.5
up to 50 %	17.7	17.8	17.6	17.5	17.5
higher than 50 %	38.2	37.0	35.2	35.8	34.8

Data in percent; Source: Creditreform Database and Own Calculations

Companies in the service sector also show a positive trend in terms of equity. The proportion of companies with a very good equity base (equity ratio of over 50 percent) has risen to 52.4 percent, while the proportion of companies with a weak equity base has recently fallen from 21.5 to 21.0 percent. This means that significantly fewer service providers have a weak equity base than a few years ago. By comparison, this figure was 23.5 percent in 2011.

Tab. 5d: Equity ratios for Western European companies in the service sector

■	2022	2021	2020	2019	2018
under 10 %	21.0	21.5	21.4	21.0	21.3
up to 30 %	13.4	13.8	14.1	14.3	14.6
up to 50 %	13.2	13.4	13.6	13.8	14.0
higher than 50 %	52.4	51.4	50.9	50.8	50.1

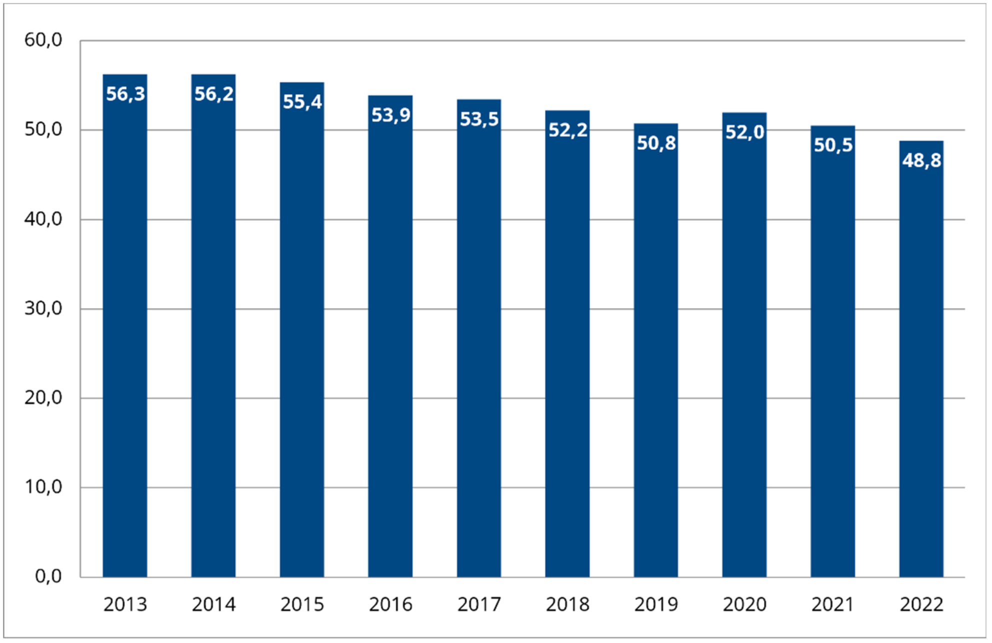
Data in percent; Source: Creditreform Database and Own Calculations

2.3 Days Sales Outstanding

The average days sales outstanding in Western Europe decreased further. After 50.5 days in the previous year, this days sales outstanding fell to 48.8 days in 2022. This means that the payment term is at its lowest level for over 10 years (see Fig. 10), which means that the time it takes for suppliers and service providers to receive payment for their goods or services has shortened.

Days sales outstanding less than 50 days for the first time

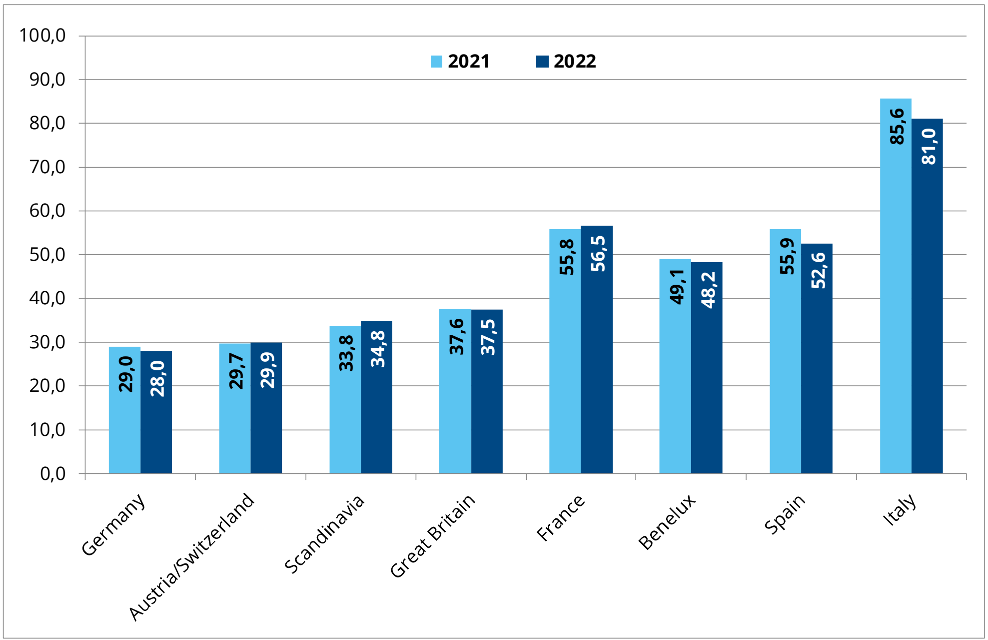
Fig. 10: Days sales outstanding in Western Europe (in days)



Figures = average values; Duration: at least 1 day; Source: Creditreform

In the countries of Western Europe, the terms of receivables developed differently. Significant declines were recorded in Italy and Spain. Days sales outstanding also fell in the Benelux countries and in Germany. In other countries, however, there was an increase in the days sales outstanding - for example in France. This means that this key figure is now significantly higher there than it was 10 years ago. The terms have also recently increased in Scandinavia. Italy remains the negative leader in terms of days sales outstanding, where it takes an average of 81 days for invoices to be paid. Nevertheless, the waiting times for creditors have eased considerably in recent years, as the days outstanding in Italy were still around 105 days 10 years ago.

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



Figures = average values; Duration: at least 1 day; Source: Creditreform

2.4 Payment terms

Suppliers and service providers have recently shortened their payment terms. The average payment term in Western Europe has fallen to 25.0 days. By comparison, the payment term in 2021 was 26.2 days. Significant differences can still be observed in the individual countries. For example, the payment term increased slightly in the Benelux countries and in Germany. In Italy, there was even a significant increase to an average of 62.0 days. In Spain, Portugal and the UK, on the other hand, payment terms were restricted, meaning that suppliers had to adhere to shorter payment terms.

Payment terms reduced

Tab. 6: Payment terms in days for Western Europe companies

■	2022	2021
Scandinavia	14.7	14.8
Germany	15.1	14.8
Austria/Switzerland	17.6	17.6
Great Britain	18.0	18.4
Portugal	25.5	27.6
Spain	25.6	27.6
Benelux	27.4	27.1
France	27.5	27.4
Italy	62.0	59.3

Figures = average values; Duration: at least 1 day; Source: Creditreform

■ 3 Corporate insolvencies in Central and Eastern Europe

Uneven Development in Eastern Europe

Insolvency figures also rose in Eastern Europe, although the increase of around 8 percent is largely due to an increase in liquidations in Hungary (up 14.6 percent). In contrast, the number of cases fell in six of the twelve countries analysed. These ranged from minus 22.3 percent in Croatia to minus 3.7 percent in Bulgaria. In Romania, the number of insolvencies remained virtually unchanged. Apart from Hungary, Estonia, Serbia, Slovakia and the Czech Republic recorded a percentage increase. In total, almost 65,000 corporate insolvencies were registered in Eastern Europe - compared to just over 60,000 cases in the previous year.

The following is an overview of current insolvency trends in the individual countries.

In **Bulgaria**, 818 corporate insolvencies were recorded in the course of 2023. This means that the number of cases fell again and remained well below the previous high from 2020. The majority of insolvencies were in the trade, tourism and hospitality sectors, affecting an estimated 7,000 employees.

Although the number of cases in **Estonia** remained low at 141 insolvencies in 2023, there was a significant percentage increase of 43.9 percent compared to the previous year. The trend thus appears to have reversed after the figures had fallen in 2021 and 2022. Catch-up effects from the coronavirus years, the deterioration in the economic situation and weak trade with neighbouring countries have contributed to this increase.

Tab. 7: Corporate insolvencies in Central and Eastern Europe

■	2023	2022	2021	2020	2019	Change 2022/23 in percent
Bulgaria	818	849	525	1,327	996	- 3.7
Estonia	141	98	107	155	148	+ 43.9
Croatia 1)	4,351	5,602	4,975	4,113	5,981	- 22.3
Latvia	242	307	242	375	560	- 21.2
Lithuania	959	1,103	738	822	2,574	- 13.1
Poland	261	288	410	580	645	- 9.4
Romania	6,650	6,649	6,113	5,564	6,384	0.0
Serbia	1,603	1,458	1,748	1,828	2,075	+ 9.9
Slovakia	332	279	265	167	249	+ 19.0
Slovenia	872	938	1,016	1,125	1,294	- 7.0
Czech Republic 2)	1,012	992	1,220	1,091	926	+ 2.0
Hungary 3)	47,625	41,564	21,736	19,771	10,977	+ 14.6
Total	**64,866**	**60,127**	**39,095**	**36,918**	**32,809**	**+ 7.9**

1) Proceedings opened per year
2) Insolvency applications without self-employed persons
3) Insolvency and liquidation proceedings

In **Croatia**, the number of insolvencies fell by more than 22 percent within a year. A total of 4,351 insolvency applications were registered here. Most of those affected underwent simplified proceedings due to a lack of assets. At almost 40 percent, most insolvencies were in the retail and hospitality sectors (see Table 8)

In **Latvia**, 242 corporate insolvencies were recorded in 2023 - a decrease of around 21 percent compared to the previous year. Despite the deterioration in economic conditions, this has not yet had an impact on the number of insolvencies. The figures remained below the pre-corona level in 2023. Insolvency figures in the trade sector in particular have fallen, while the share of the service sector has increased to around a third (see Table 8).

In **Lithuania**, the number of corporate insolvencies fell by 13.1 percent to 959 cases. The fact that the social security system initiated fewer insolvency proceedings as a creditor is likely to have contributed to this. The increase from the previous year did not initially continue and the insolvency situation eased again somewhat. The volume of insolvencies is still lower than before the coronavirus pandemic. The majority of insolvencies occurred in the trade (including hospitality) and service sectors (see Table 8). Around 5,500 employees were affected.

In **Poland**, the number of corporate insolvencies fell by 9.4 percent. Fewer applications had already been registered in the previous year (2022). There were 261 corporate insolvencies in 2023. This means that the figures are still significantly lower than before the coronavirus pandemic. The number of jobs affected also decreased - an estimated 11,000 employees lost their jobs. Almost 30 percent of insolvency applications this time came from the manufacturing sector, while the share of trade has also risen to 27.2 percent (see Table 8).

Romania's insolvency rate remained stable in 2023, with around 6,500 cases registered in total. However, more insolvencies were recorded among small companies in particular. The economic sectors most affected were once again trade (including hospitality) with a share of 33.3 percent and the service sector with 26.8 percent.

Tab. 8: Insolvencies by main economic sector 2022/23 in selected countries and regions

■	2023				2022			
	Manufac-turing	Con-struction	Trade *)	Services **)	Manufac-turing	Con-struction	Trade *)	Services **)
Croatia	11.9	17.1	39.7	31.4	11.8	15.5	39.3	33.4
Latvia	16.5	14.9	35.1	33.5	16.6	15.9	37.8	29.6
Lithuania	12.4	20.9	34.5	32.2	11.2	20.6	35.0	33.3
Poland	29.9	13.4	27.2	29.5	26.3	18.1	23.8	31.6
Romania	17.5	22.4	33.3	26.8	19.6	21.3	34.5	24.6
Czech Republic	25.2	10.1	44.7	20.1	24.9	10.1	44.9	20.2
Hungary	7.3	21.3	33.3	38.1	8.1	18.0	29.4	44.5

Data in percent; *) incl. hospitality; **) Possibly missing industry information was counted as services

In 2023, 1,603 new insolvency cases were recorded in **Serbia**, which corresponds to an increase of around 10 percent compared to the previous year. In view of a renewed increase in the number of over-indebted companies and blocked accounts, this trend could continue in the future and lead to further increases in insolvency figures.

Insolvencies in **Slovakia** rose by 19 percent in 2023, with 332 cases registered (in 2022: 279 cases). The insolvency volume is therefore higher than before the coronavirus period, which is likely due to the current deterioration in the economic situation in Eastern Europe.

In 2023, a total of 872 corporate insolvencies were recorded in **Slovenia**, which corresponds to a decrease of 7.0 percent and indicates that insolvency activity is continuing to weaken. The figures had already fallen in the previous year (2022).

The number of insolvencies in the **Czech Republic** rose slightly by 2.0 percent. However, the 1,012 corporate insolvencies failed to match the high from 2021 (1,220 cases). Trade (including hospitality) accounts for the largest share of insolvencies at around 45 percent.

More than 47,600 liquidations were recorded in Hungary, which corresponds to an increase of 14.6 per cent. There was a particularly sharp rise in cases in the trade sector (including hospitality), where around a third of all liquidations took place.

■ 4 Insolvencies in Turkey

More business closures in Turkey

In Turkey, almost 27,000 company liquidations due to insolvency were reported for 2023, which represents a significant increase compared to the previous year (24,303 insolvencies). This was the fourth increase in a row - the figures have risen continuously since 2019.

Turkey's economic development was held back by high inflation and a weak currency. Nevertheless, the economy grew in 2023, which was largely due to a series of social policy measures taken by the government to boost consumption. The central bank also kept interest rates low for a long time. Only in the course of 2023 did it change course to combat high inflation. The rise in insolvencies and company liquidations illustrates the fragility of this economic policy.

Tab. 9: Corporate insolvencies in Turkey

■	2023	2022	2021	2020	2019	Change 2022/23 in percent
Turkey	26,952	24,303	17,184	15,949	14,050	+ 10.9

In the construction industry, insolvency figures were almost the same as in the previous year, meaning that this sector's share of insolvency activity recently fell slightly to 12.4 per cent. By contrast, insolvency figures in the trade and services sectors have risen significantly. Trade accounted for 42.7 per cent of all insolvencies in 2023 and the service sector 27.2 per cent. More insolvencies were also recorded in manufacturing, although the proportion of insolvencies did not change. It is important to note that the figures recorded in this analysis include the total number of dissolved companies. Self-employed or sole traders were not included.

Tab. 10: Insolvencies by main economic sector in Turkey 2022/23

■	Manufacturing	Construction	Trade *)	Services **)
2023	17.7	12.4	42.7	27.2
2022	17.7	13.8	42.2	26.3
2023	4,770	3,349	11,507	7,326
2022	4,293	3,360	10,255	6,395

Data in percent and in absolute terms; *) incl. hospitality
**) Possibly missing industry information was counted as services

■ 5 Insolvencies in the USA

The United States recorded a significant increase in corporate insolvencies in 2023. With 25,627 insolvency cases, the previous year's figure of 21,479 cases was exceeded by a good 19 per cent. This was the first increase in insolvency figures in the USA since 2019. However, the insolvency figures are still significantly lower than before the Covid pandemic.

Bankruptcies on the rise due to interest rate turnaround

The Fed's interest rate hikes and a general tightening of credit conditions put a strain on many companies that were already heavily indebted. These developments led to a trend reversal in insolvency proceedings. The number of proceedings under the creditor protection article 11 of the US insolvency law even rose by around 72 per cent.

Tab. 11: Corporate insolvencies in the USA

■	2023	2022	2021	2020	2019	Change 2022/23 in percent
USA	25,627	21,479	22,339	32,517	38,944	+ 19.3

■ 6 Summary

2023 was a challenging year for Europe's economies. The economic area had to contend with weak growth. Global economic stimuli largely failed to materialise, while increasing geopolitical tensions heightened uncertainty. The central bank (ECB) curbed inflation by raising interest rates, but also consumption and investment.

Insolvencies in Western Europe thus continued to rise in 2023. The number of corporate insolvencies increased by around 21 per cent compared to the previous year to just under 170,000 cases. The situation has now levelled off and is now above the pre-coronavirus level. In 2023, insolvencies in Western Europe exceeded the figures from 2017 to 2019. This is mainly due to the poor economic situation - exacerbated by previous crises such as energy cost increases, inflation and Covid-19. Many companies were economically impaired, which increased the pressure to file for insolvency.

Insolvency figures rose in most Western European countries - particularly sharply in the Netherlands (up 54.9 per cent) and France (up 35.6 per cent). They also rose by more than 20 per cent in Sweden, Ireland, Finland, Norway and Germany. On the other hand, there were declines in Denmark, Luxembourg, Spain and Portugal.

The insolvency trend in Western Europe was dominated by France (33.0 per cent) and the UK (15.6 per cent). The Scandinavian countries' share of insolvency business fell slightly, while Germany's share remained stable. Compared to 2018/19, the UK became more significant, while Germany's and Italy's shares shrank.

Insolvency figures rose at double-digit rates in all main economic sectors. The increase was particularly strong in the trade sector (plus 24.8 per cent) and more moderate in the service sector (plus 16.2 per cent). In manufacturing, the insolvency trend accelerated and growth was higher than in the previous year. Nevertheless, the figures in manufacturing are still just below 2019.

Regarding the financial situation of companies: After a slight recovery in the profit situation in 2021, the positive trend appears to be over once more. In 2022, an increasing number of companies recorded losses or very low profit margins (47.4 per cent; previous year: 46.2 per cent). At the same time, 18.8 per cent of companies had a very high profit margin of over 25 per cent.

By contrast, the equity ratios of Western European companies increased in 2022. The proportion of companies with an equity ratio of over 50 per cent rose to 48.3 per cent, while the proportion of companies with a very low equity ratio of less than 10 per cent fell to 21.4 per cent. Compared to 2013, there are now significantly fewer companies with a low equity ratio. This is also due to the rising cost of borrowed capital.

The average days sales outstanding in Western Europe has decreased. It fell from 50.5 days in the previous year to 48.8 days in 2022, reaching its lowest level in 10 years. For suppliers and service providers, this means that the time it takes to pay for their services or goods has shortened.

Insolvency figures also rose in Eastern Europe, with Hungary largely responsible for the increase of around 8 per cent. The number of cases fell in six of the twelve countries analysed. Croatia (minus 22.3 per cent) and Latvia (minus 21.2 per cent) recorded the largest declines. In addition to Hungary, Estonia, Slovakia, Serbia and the Czech Republic also recorded an increase. In total, almost 65,000 corporate insolvencies were registered in Eastern Europe - compared to just over 60,000 cases in the previous year.

In 2023, the United States recorded a significant increase in corporate insolvencies (plus 19.3 per cent) with 25,627 cases (previous year: 21,479).

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