

Euler Hermes: Losses due to insolvencies up significantly in Germany

- Losses due to insolvencies in Germany increased significantly despite a fall in the number of cases: in the 12 months to August 2016, they were 48% higher than in the same period the previous year
- More of Germany's economically important companies are sliding into bankruptcy
- Insolvencies trend set to continue in 2017; number of bankruptcies to remain flat

HAMBURG - 5 DECEMBER 2016 – Losses due to insolvencies in Germany have recently risen significantly – despite a further fall in the bankruptcy figures in 2016 (-4%) to an all-time low of 22,200,. According to a recent study by Euler Hermes, the worldwide leader in trade credit insurance, this trend of growing losses is set to continue. In 2017 Euler Hermes expects the number of bankruptcies in Germany will remain flat but losses will continue to rise. Global insolvencies also confirm this trend towards higher losses.

In the 12 months to August 2016, losses from insolvencies were 48% up vs same period of the previous year

"At the end of last year we originally expected the number of insolvencies in Germany to remain flat in 2016," said Ron van het Hof, CEO of Euler Hermes in Germany, Austria and Switzerland. "While the number of bankruptcies continued to fall this year, our prediction that risks would increase proved to be correct. Losses from corporate insolvencies shot up in 2016. In the 12 months to August 2016, they totaled 26 billion euros, 48% higher than 12 months previously. That is an average loss of 1.2 million per insolvency."

Trend of large insolvencies set to continue – number of cases will also remain flat in 2017

"It is mainly the large, more economically important companies that are sliding into bankruptcy," explains Van het Hof. "There is no end to this trend in sight, but at the same time we expect the number of cases to remain flat in 2017."

The increase in the size of losses incurred due to bankruptcy in Germany in 2016 has been disproportionate, particularly in the science and technology (professional services), manufacturing, trade, construction, financial and transportation industries. The risk for individual companies is correspondingly high in these sectors.

Beware the domino effect at home and abroad

"Too big to fail doesn't apply anymore," said Van het Hof. "This is true both in Germany and abroad, where a growing number of economically important companies are also going bankrupt. This means significantly higher losses there too. At the same time global bankruptcy figures are already rising. This is bad news for exporters. The domino effect of this trend on suppliers and partners can easily jeopardize stable companies and, in the worst case scenario, draw them into a downward spiral."

Insolvencies in Germany 2016: Bankruptcy on the rise in Saxony, Schleswig-Holstein and Bremen

The figures are falling in nearly every federal state. The drop is highest in Thüringen (-24%), Hamburg and Rheinland-Pfalz (-15% each). Bucking the trend, Saxony (+8%), Bremen (+6%) and Schleswig-Holstein (+5%) recorded an increase in the number of insolvencies (September 2015 to August 2016 compared to the same period in the previous year). By far, the highest number of bankruptcies was recorded in North Rhine Westphalia, Bavaria and Baden-Württemberg.

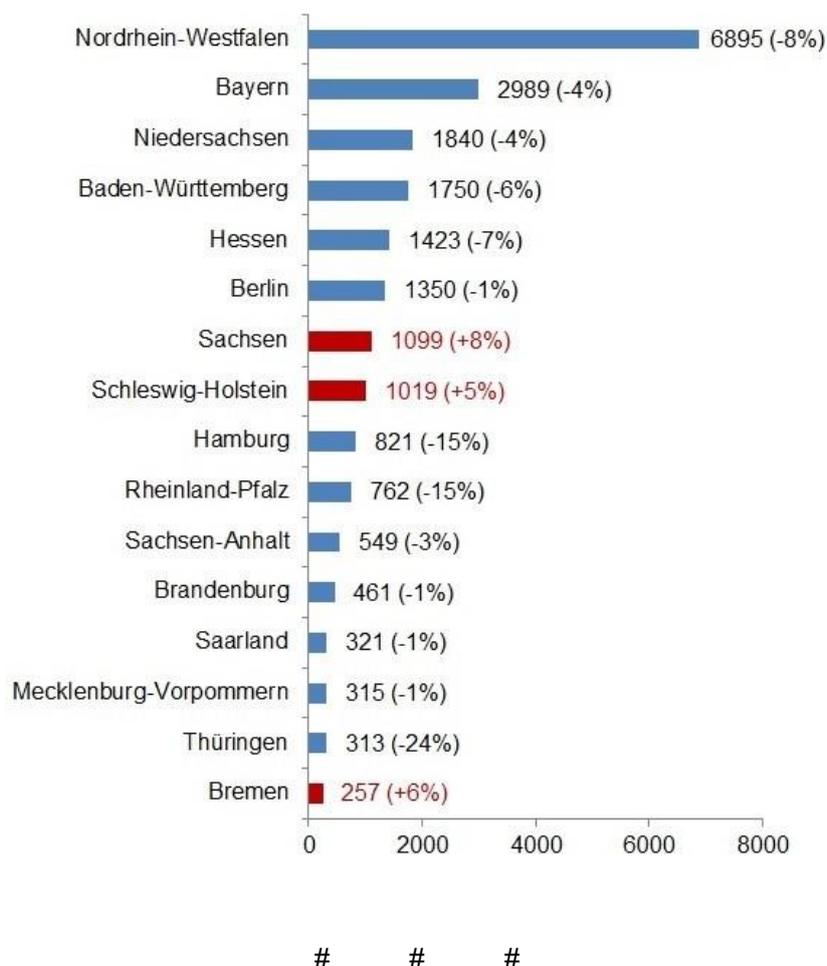
In terms of insolvency rates, i.e. the number of insolvencies per 10,000 companies, Bremen, North Rhine Westphalia, Saarland, Berlin and Hamburg were well above the national average.

In industry terms, the insolvency rate is disproportionately high in the financial services sector, the transportation industry, hotels and restaurants, administrative services, the construction industry and manufacturing, although the number of cases declined almost everywhere.



However, looking at the sub-sectors in the production sector, pharmaceutical manufacturers ran counter to the trend, with bankruptcies up 43%. Germany also saw a rise in bankruptcies in the education, energy and agricultural sectors.

Graph: Trend in company insolvencies in Germany up to August 2016 vs. same period in previous year (12 months) by federal state (number of cases). Source: Euler Hermes



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