

Paris, June 14, 2011

**Despite a moderate decline in 2011-2012, number of corporate insolvencies to remain above pre-crisis levels**

An analysis by credit insurer Euler Hermes

*After record rises in the preceding two years, Euler Hermes' Global Insolvencies Index dropped back by 5% in 2010. The downward trend in corporate insolvencies continues in 2011 but at a moderate pace and with marked differences from one country to another. Corporate insolvencies are expected to remain above their pre-crisis levels until at least 2012.*

**Asia and America leading the improvement in corporate insolvency levels in 2010**

Euler Hermes' Global Insolvencies Index, which tracks worldwide trends in corporate failures, dropped by a significant 5% in 2010 after having soared by 64% between 2007 and 2009. *"The present trend reflects the improved financial situations of many businesses following substantial adjustments made by the businesses themselves to cope with the crisis,"* says Wilfried Verstraete, Chairman of Euler Hermes' Group Management Board. *"It also reflects some public support measures that are still in place, such as car scrapping schemes and tax relief, but above all it reflects the general upturn in the world economy."* After contracting by 2% in 2009, world GDP rebounded by more than 4% in 2010, driven by two main factors: restocking and a recovery in international trade, which grew by 15% in volume terms in 2010 after having fallen by 13% in 2009.

Against this background, corporate insolvencies declined in more than half of the countries in Euler Hermes' sample. The two regions that have been driving the global economic recovery – Asia-Pacific and America – recorded the sharpest improvement, with corporate insolvencies down by respectively 12% and 8%, after two years of strong increases.

For Europe, 2010 was on the whole less positive. Business failures continued to rise in Southern Europe (Greece, Italy and Portugal). Spain was the exception with a 5% fall in corporate insolvencies, but this followed a five-fold increase over the previous three years. There were improvements in Eastern Europe (Hungary, Poland, Czech Republic, Russia and Slovakia) and in some other countries such as Belgium, Denmark, Ireland, Luxembourg and Switzerland. The improvement was slight, a 2% decrease, in France and Germany. Although the improvement was more marked in Finland, Norway, the Netherlands and the United Kingdom, it did not offset the very strong rise in insolvencies over the preceding years.

**Corporate insolvencies expected to remain at high levels in 2011-2012**

According to Karine Berger, Head of Market Management and Strategic Marketing, and Chief Economist at Euler Hermes, *"the ongoing recovery in the world economy is likely to keep corporate insolvencies on a downward trend in all regions out to 2012."* However, this improvement could be curtailed by several factors, particularly in industrialised countries where many companies have recovered only part of their former leeway:

- Slower pace of world economic growth – expected to drop to around 3% in 2011 and 2012 – and, more particularly, the sluggish momentum of the European countries as a whole;
- Rising production costs (raw materials, payroll costs, etc.); and
- Monetary tightening, with a significant loss of competitiveness linked to exchange rates for some countries.

Given the above, the fall in the global insolvencies index is likely to be moderate in 2011 (-7%) and 2012 (-5%), with exceptions linked to specific economic conditions (Greece and Portugal) or exceptional events (Japan). *"Overall, the fall in the global index from 2010-2012 will not be large enough to offset the record increases of 2008 and 2009. In other words, corporate insolvency levels in 2012 will still be higher than in 2007 in many countries,"* says Wilfried Verstraete.

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## Appendix

### 1. Global Insolvency Index by Country

Base 100 : 2000	% of World GDP (*)	Weight	2005	2006	2007	2008	2009	2010	2011	2012
Global Insolvency Index	86.10	100.0%	4%	-5%	-9%	28%	28%	-5%	-7%	-5%
<b>Country</b>										
Australia	1.74	2.0%	10%	6%	-3%	21%	4%	2%	4%	-4%
Austria	0.72	0.8%	12%	-5%	-6%	0%	9%	-8%	-3%	-2%
Belgium	0.87	1.0%	0%	-3%	1%	10%	11%	2%	-5%	-4%
Brazil	2.71	3.2%	-31%	-54%	-33%	-15%	19%	-21%	0%	3%
Canada	2.58	3.0%	-7%	-10%	-7%	-2%	-12%	-25%	-2%	2%
China	7.45	8.7%	9%	14%	20%	5%	-2%	-16%	-20%	-10%
Czech Republic	0.37	0.4%	-12%	0%	-10%	-3%	34%	13%	11%	-5%
Denmark	0.59	0.7%	-5%	-20%	21%	54%	54%	13%	-12%	-7%
Estonia	0.04	0.0%	-4%	-16%	-43%	109%	149%	-2%	-8%	-9%
Finland	0.47	0.5%	-7%	2%	-1%	14%	30%	-11%	0%	-5%
France	4.94	5.7%	1%	-4%	6%	15%	12%	-2%	-5%	-3%
Germany	6.30	7.3%	-6%	-7%	-15%	0%	12%	-2%	-9%	-6%
Greece	0.62	0.7%	2%	-8%	-6%	10%	15%	25%	20%	-2%
Hong Kong	0.37	0.4%	-26%	-35%	-18%	3%	22%	-24%	-4%	-1%
Hungary	0.27	0.3%	2%	18%	3%	21%	24%	21%	-24%	-6%
Ireland	0.46	0.5%	-3%	1%	3%	113%	82%	11%	-2%	-5%
Italy	3.98	4.6%	9%	-16%	-40%	19%	29%	21%	2%	-3%
Japan	8.45	9.8%	-5%	2%	6%	11%	-1%	-14%	5%	3%
Korea (South)	1.60	1.9%	-23%	-26%	-9%	19%	-27%	-21%	-10%	4%
Latvia	0.06	0.1%	-36%	15%	16%	28%	67%	20%	-30%	-8%
Lithuania	0.08	0.1%	9%	-2%	-20%	58%	93%	-12%	-14%	-7%
Luxembourg	0.12	0.1%	2%	-8%	6%	-13%	21%	32%	13%	-5%
Netherlands	1.51	1.8%	2%	-12%	-23%	1%	73%	-10%	-4%	-7%
Norway	0.78	0.9%	-18%	-14%	-6%	28%	38%	-12%	-5%	-7%
Poland	0.91	1.1%	-4%	-34%	-26%	-10%	57%	3%	-10%	-6%
Portugal	0.42	0.5%	-37%	3%	18%	47%	29%	8%	10%	6%
Russia	2.89	3.4%	49%	447%	-75%	-28%	11%	3%	-1%	-3%
Singapore	0.31	0.4%	-27%	-20%	-18%	25%	2%	5%	-8%	0%
Slovak Republic	0.16	0.2%	66%	5%	-54%	-27%	35%	13%	-21%	-3%
Spain	2.78	3.2%	25%	-1%	13%	180%	79%	-5%	-4%	-5%
Sweden	0.83	1.0%	-11%	-9%	-6%	9%	21%	-5%	-7%	-4%
Switzerland	0.85	1.0%	-4%	-5%	-5%	-2%	24%	20%	-3%	-5%
Taiwan	0.67	0.8%	17%	21%	68%	-23%	-58%	-21%	-5%	-4%
UK	4.61	5.3%	10%	6%	-20%	31%	17%	-17%	-12%	-5%
United States	24.57	28.5%	14%	-50%	44%	54%	40%	-7%	-13%	-8%

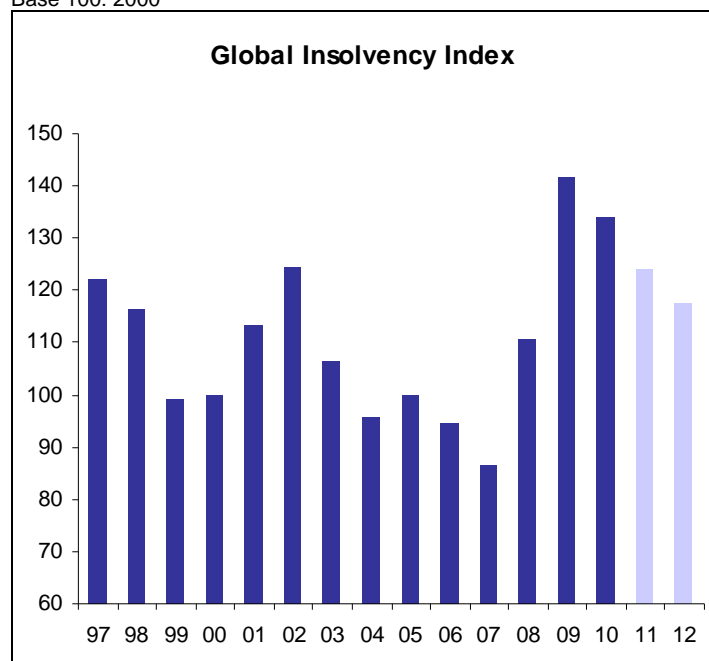
Sources : national figures, Euler Hermes forecasts

### 2. Global Insolvency Index by Geographical Region

Base 100: 2000	% of World GDP	Weight	2005	2006	2007	2008	2009	2010	2011	2012
Global Insolvency Index	86.10	100.0%	4%	-5%	-9%	28%	28%	-5%	-7%	-5%
Americas Index	29.86	34.7%	8%	-48%	34%	48%	37%	-8%	-13%	-7%
Asia-Pacific Index	20.61	23.9%	0%	4%	13%	6%	-8%	-12%	-3%	-2%
Northern Europe Index	15.02	17.4%	6%	69%	-46%	11%	33%	-4%	-7%	-5%
Mediterranean countries & Africa Index	7.80	9.1%	9%	-9%	-13%	107%	65%	0%	-2%	-4%
Eurozone Index	23.18	26.9%	1%	-7%	-9%	36%	40%	-1%	-4%	-4%

### 3. Global Insolvency Index Evolution 1997-2012

Base 100: 2000



#### Methodology

The concept of corporate insolvency is different from one country to another, which makes international comparison difficult. To overcome the heterogeneous nature of national statistics and circumstances, we monitor the change in insolvencies over time rather than their absolute numbers. For each country, we have calculated an insolvency index, using a basis of 2000=100. We then constructed our Global Insolvency Index (GII), which is the weighted sum of the national indices. Each country is weighted according to its share of total aggregate GDP (at current exchange rates) of the 35 countries included in our survey, which represents more than 85% of world GDP at current exchange rates for 2010.

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