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## **Insolvency shock in 2009**

**In 2009 the deep recession should result in an increase in corporate insolvencies of almost 20 percent to 35,000. Next year the number of bankruptcies is set to grow at a much slower pace although the survival of nearly 39,000 companies should be at risk.**

The increase of insolvencies caused by the global recession will proceed this year also in Germany. In their current forecast the experts at Euler Hermes Kreditversicherungs-AG 2009 project growth of 19.5 percent to 35,000 corporate insolvencies and a further increase of 11.1 percent to 38,900 in 2010. According to an estimate by the Hamburg-based credit insurer, the total of bad debts is likely to rise by almost 36 percent to EUR 30 billion and then by 10 percent, to EUR 33 billion, in the following year.

### **Sectors: industry worst affected**

Of the main sectors in Germany, in 2009 industry is being particularly hard hit by the wave of bankruptcies with the number of insolvencies climbing to 45.4 percent, following a decrease of 4 percent in 2008. In 2009 the retail and service sectors will record increases in insolvencies of 12.6 percent (up 1.1 percent in 2008) and 22.5 percent (up 2.9 percent in 2008). The construction sector is doing quite well this year with significantly below-average growth of just 7.4 percent following a drop of 5.5 percent in 2008, when it put in the best performance among the principal sectors.

### **Supplier credits still very important**

The total amount of supplier credits came to some EUR 335 billion last year, marking a further increase. These make a greater contribution to corporate financing than short-term bank loans, which came to around EUR 295 billion in 2008. This is also a consequence of the worsened financing terms offered by banks. "Good financial communication and efficient accounts receivable management are more important than ever now", says Dr. Gerd-Uwe Baden, CEO of Euler Hermes Kreditversicherungs-AG.

### Trading partners also hit by insolvencies

Exporting companies are also threatened by defaults as Germany's most important trading partners are also facing a drastic increase in insolvencies. For instance, the experts at Euler Hermes project an increase of 24.9 percent in France this year and 9.4 percent in 2010. According to an Euler Hermes projection, the number of bankruptcies is set to increase significantly in the United Kingdom too, (up 55.7 percent in 2009), the Netherlands (up 74.8 percent in 2009) and Italy (up 30.7 percent in 2009), to be followed by slightly more moderate growth rates next year. For Western Europe as a whole an increase of 32.3 percent is projected for this year with a moderate rise of 8.7 percent in 2010.

In the view of the experts, the outlook for North America is different with a rise of 44.7 percent projected for this year, but a decrease of 3.7 percent as early as 2010. Some European countries (e.g. Spain, Denmark, Norway) might record a slight drop in insolvency figures in 2010 following the previous wave of bankruptcies.

Further information can be obtained under [www.eulerhermes.de](http://www.eulerhermes.de) under the heading Press or under <http://aktuell.eulerhermes.de>

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