



Business Insolvencies: No rest for the leveraged

2023-2024 outlook as of April 2023

For any question please contact:

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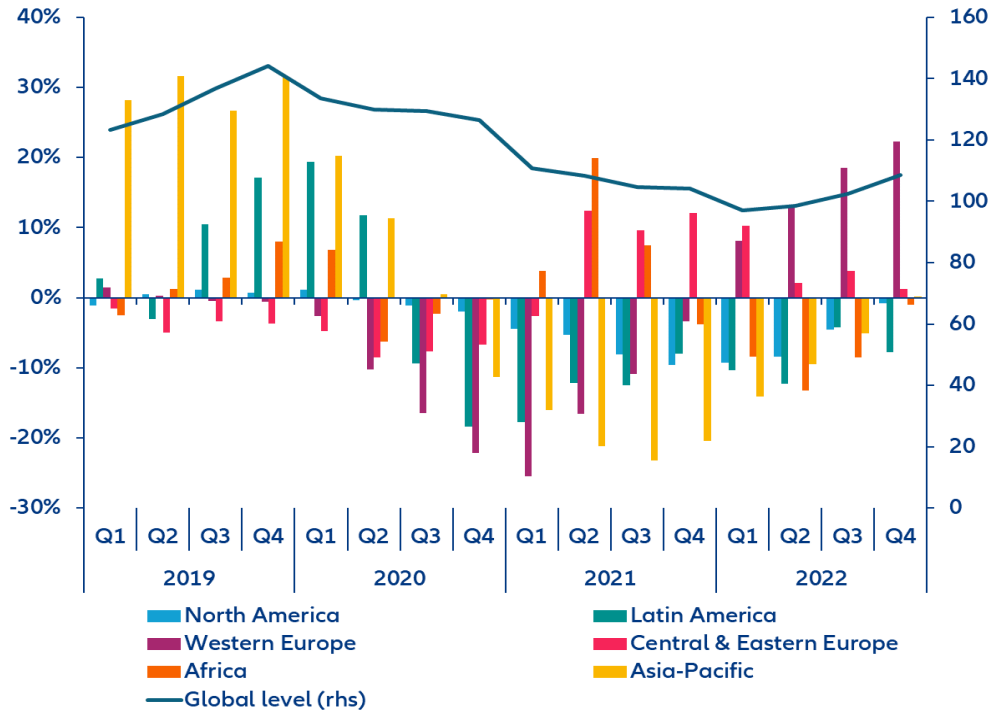
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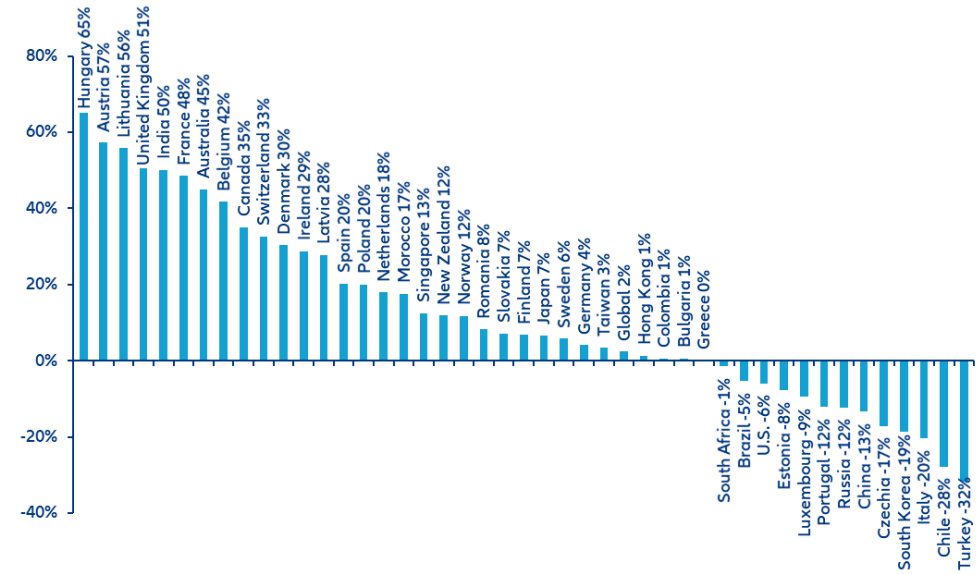
3 out of 4 countries recorded a rise in 2022, a doubling compared with 2021

Global (level) and regional (y/y change) insolvency indices, quarterly



Sources: National sources, Allianz Research

2022 business insolvencies, by country, annual change in %



Sources: National sources, Allianz Research

The bounce back in insolvencies is spreading across countries

Latest figures* available as of end-March in America and Western Europe

Country	Latest point	y/y change in %			
		1 month	3 months	6 months	12 months
U.S.	2022 Q4	-	11%	12%	-6%
Canada	02-23	18%	28%	32%	35%
Brazil	02-23	-3%	-1%	-4%	-4%
Chile	02-23	1%	-2%	-10%	-23%
Colombia	2022 Q3	-	17%	-2%	-12%
Germany	12-22	20%	19%	14%	4%
United Kingdom	02-23	16%	19%	22%	43%
France	02-23	37%	43%	49%	51%
Italy	02-23	-4%	-8%	-15%	-17%
Spain	02-23	-56%	-14%	27%	14%
Netherlands	02-23	53%	68%	51%	30%
Switzerland	12-22	27%	26%	26%	33%
Sweden	02-23	19%	32%	29%	12%
Belgium	02-23	13%	16%	24%	36%
Ireland	2022 Q4	-	12%	13%	29%
Norway	02-23	32%	32%	22%	17%
Austria	2022 Q4	-	6%	25%	57%
Denmark	02-23	58%	44%	43%	46%
Finland	02-23	56%	35%	24%	16%
Portugal	02-23	11%	2%	-2%	-8%
Greece	2021	-	-	-	-7%
Luxembourg	12-22	12%	27%	2%	-9%

Latest figures* available as of end-March in Central and Eastern Europe, Asia and Africa

Country	Latest point	y/y change in %			
		1 month	3 months	6 months	12 months
Russia	12-22	-48%	-37%	-28%	-12%
Poland	02-23	127%	174%	89%	42%
Romania	02-23	2%	-3%	3%	6%
Czechia	2022 Q4	-	-19%	-21%	-17%
Hungary	02-23	151%	163%	181%	89%
Slovakia	02-23	-14%	-6%	-6%	1%
Bulgaria	02-23	18%	-5%	-10%	-4%
Lithuania	2022 Q4	-	-3%	14%	41%
Latvia	02-23	-41%	3%	6%	27%
Estonia	02-23	83%	40%	14%	-3%
China	02-23	-13%	-22%	-10%	-12%
Japan	02-23	26%	24%	19%	11%
India	2022 Q4	-	28%	29%	50%
South Korea	02-23	-8%	38%	7%	-15%
Australia	02-23	95%	55%	59%	49%
Taiwan	02-23	22%	2%	-3%	6%
Singapore	02-23	-38%	-34%	-28%	3%
Hong Kong	02-23	-17%	-22%	1%	-1%
New Zealand	02-23	19%	44%	46%	15%
South Africa	02-23	1%	0%	1%	-2%

(*) not seasonally adjusted
Sources: National sources, Allianz Research

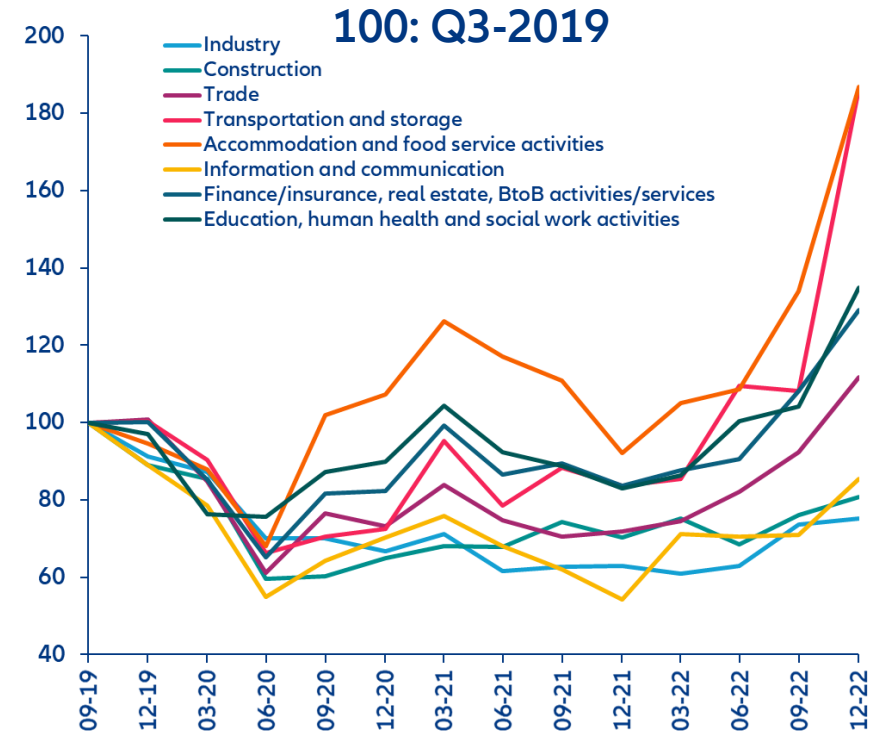
(*) not seasonally adjusted
Sources: National sources, Allianz Research

The bounce back in insolvencies is spreading across sectors

Europe: Business bankruptcies by sector, 2022, y/y change in % (selected countries)

	Industry, construction and market services	Industry	Construction	Trade	Transportation & storage	Accommodation & food service activities	Information & communication	Finance/insurance, real estate, BtoB activities & services	Education, human health and social work activities
Belgium	42	50	38	44	36	54	45	27	56
Bulgaria	14	47	16	10	23	54	20	16	19
Denmark	-6	0	6	4	-5	2	-10	-15	-6
Estonia	-8	62	-6	-38	-50	-64	-33	30	0
France	51	65	38	55	48	106	40	30	60
Germany	4	11	12	5	9	-11	4	5	-4
Hungary	85	84	104	88	63	60	121	66	104
Italy	-20	-22	-19	-22	-16	-11	-25	-23	-23
Latvia	20	23	46	11	93	34	-27	-11	33
Lithuania	41	8	73	28	19	117	108	33	0
Luxembourg	-8	0	-2	-18	6	68	-24	-20	-5
Netherlands	18	40	8	29	4	21	0	9	55
Norway	13	22	6	24	-10	36	10	6	23
Poland	-7	-6	22	-19	10	-54	89	-10	-29
Portugal	-18	-21	-5	-20	6	-27	-28	-12	-28
Romania	-57	-66	-43	-61	-46	-48	-59	-62	-57
Slovakia	-26	-15	-37	-15	-33	-27	0	-26	-5
Slovenia	-8	-33	3	-13	38	-28	15	-8	3
Spain	64	37	74	82	109	45	34	67	43
UK	49	52	49	69	27	62	39	37	43

Europe: Business bankruptcies by sector, seasonally adjusted quarterly levels, basis 100: Q3-2019

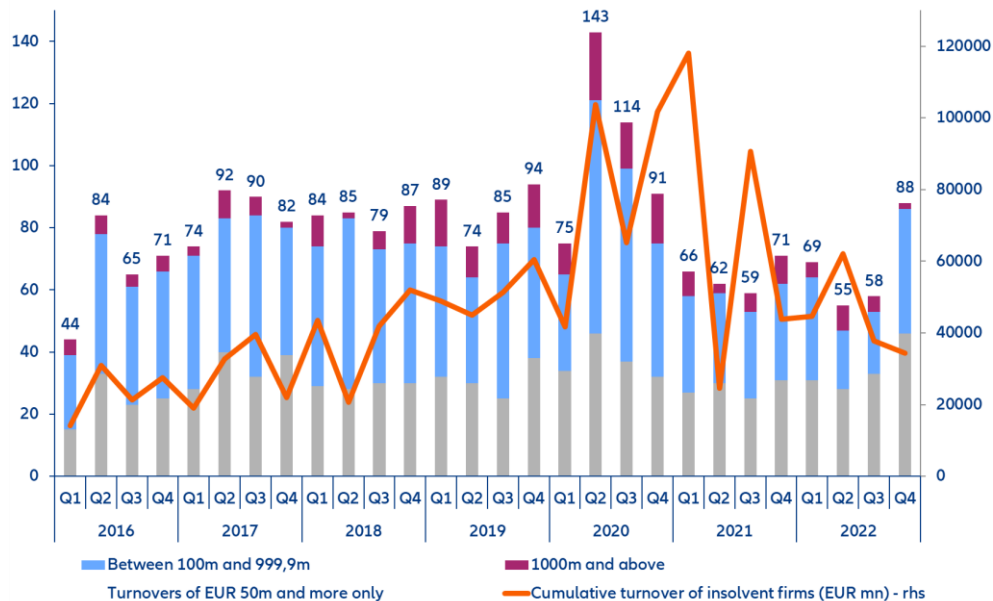


(*) Firms with an annual turnover exceeding EUR50mn
Source: Allianz Trade business units

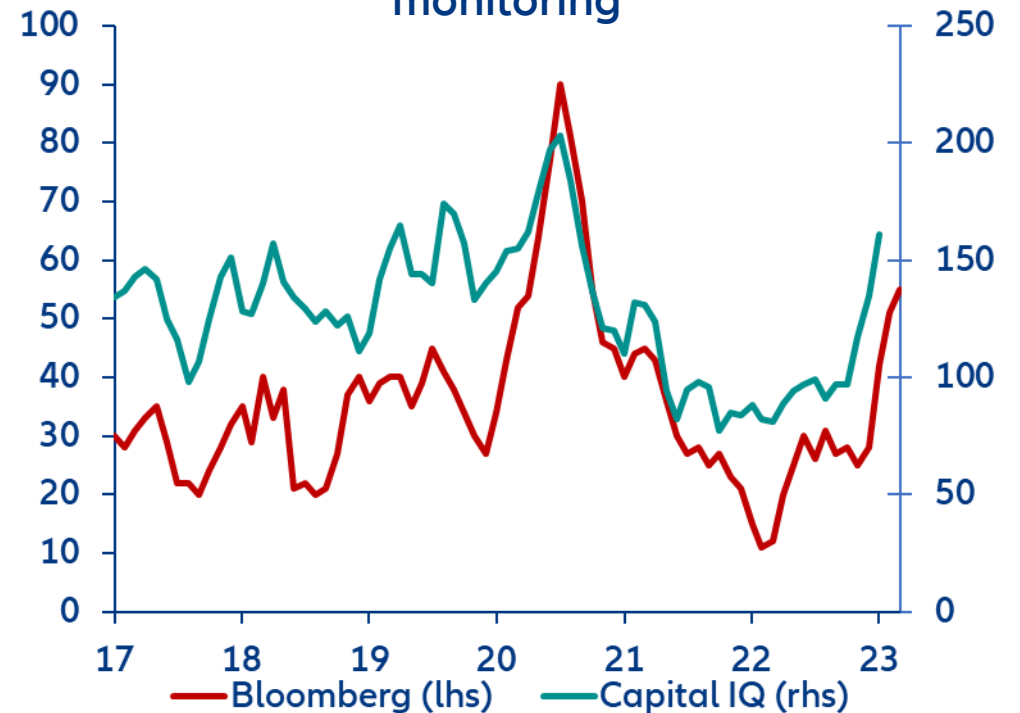
Sources: National sources, Eurostat, Allianz Research

The bounce back in insolvencies is spreading to large firms

Major* insolvencies, global number, quarterly by size of turnover



US: Insolvencies of large firms*, monthly monitoring

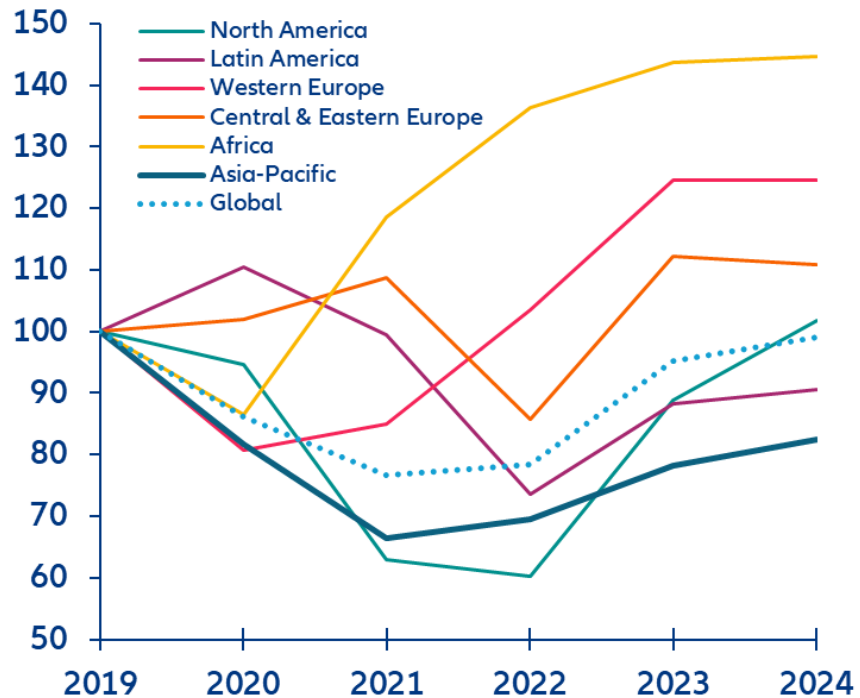


(*) Firms with an annual turnover exceeding EUR50mn
Source: Allianz Trade business units

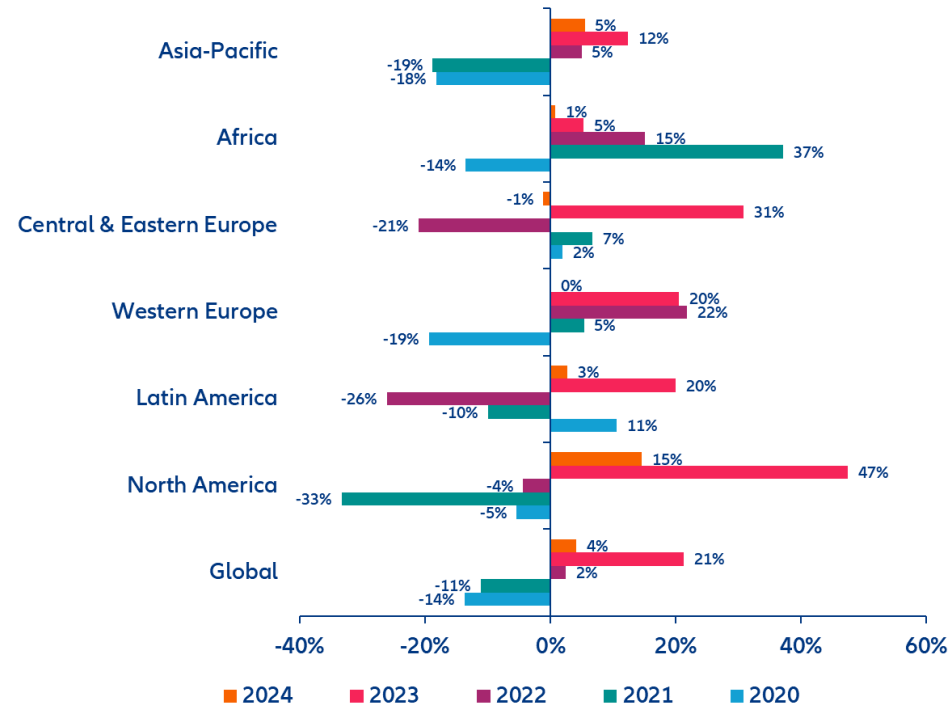
(*) Bloomberg: Firms with more than USD50mn in liabilities at the time of the bankruptcy filing; Capital IQ: Firms with public debt where either assets or liabilities at the time of the bankruptcy filing are greater than or equal to \$2 million, or private companies where either assets or liabilities at the time of the bankruptcy filing are greater than or equal to \$10 million
Sources: Bloomberg, Capital IQ, Allianz Research

A broad-based acceleration in 2023 (+21%) and to a lesser extent 2024 (+4%)

Global and regional insolvency indices, yearly level, basis 100 in 2019



Global and regional insolvency indices, yearly change in %

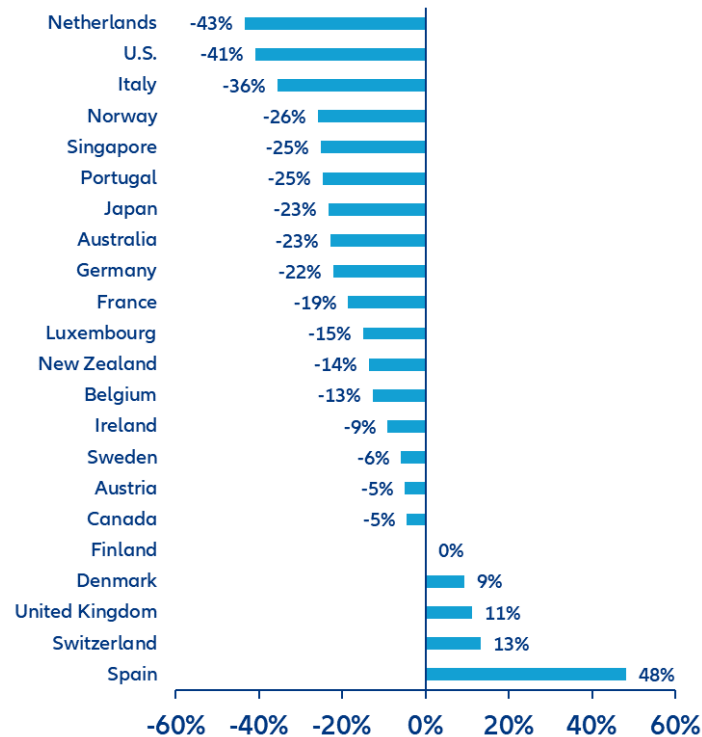


Sources: National sources, Allianz Research

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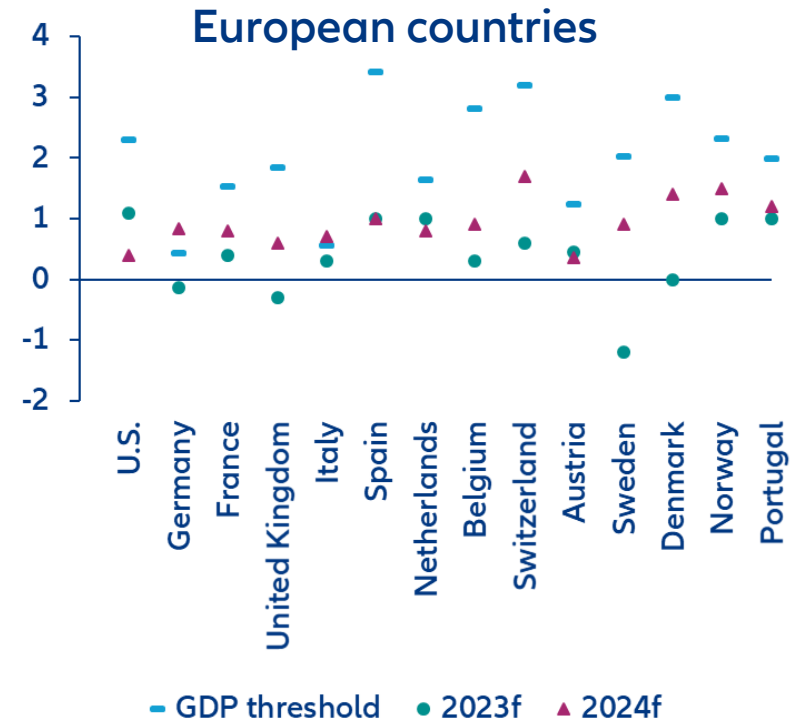
The 'normalization' is not finished, growth prospects are too low for longer

2022 business insolvencies, compared to 2019 level, selected AEs



Sources: National sources, Allianz Research

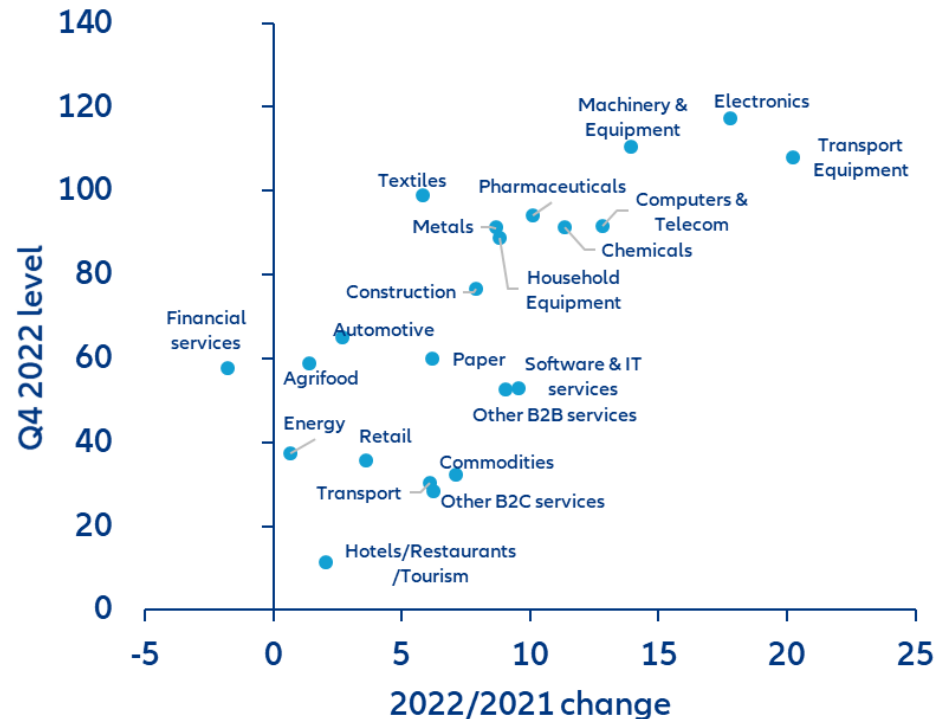
Level of GDP stabilizing insolvencies versus 2023-2024 GDP forecasts, US and selected European countries



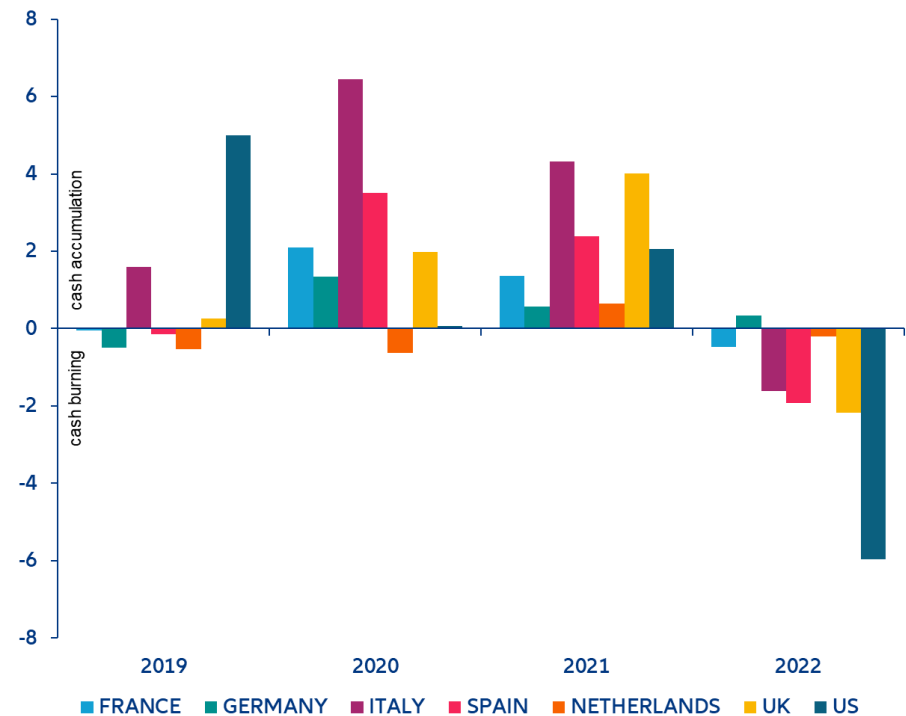
Source: Allianz Research

Prolonged pressure on profitability and larger financing issues

2022 WCR, by global sectors, listed firms in number of days of turnover



Cash-burning index, selected countries

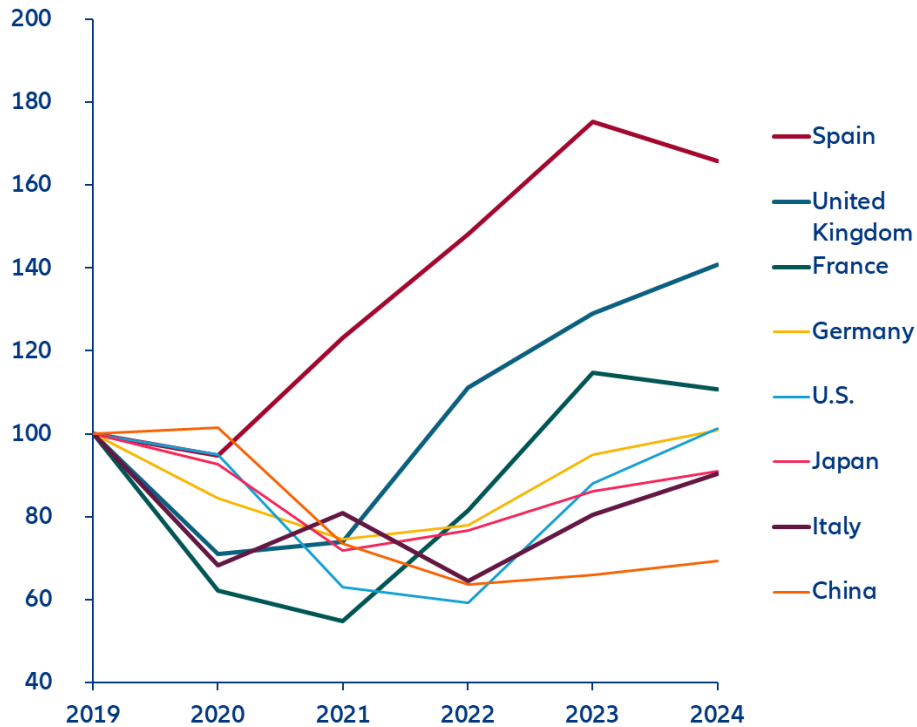


Sources: Refinitiv, Allianz Research

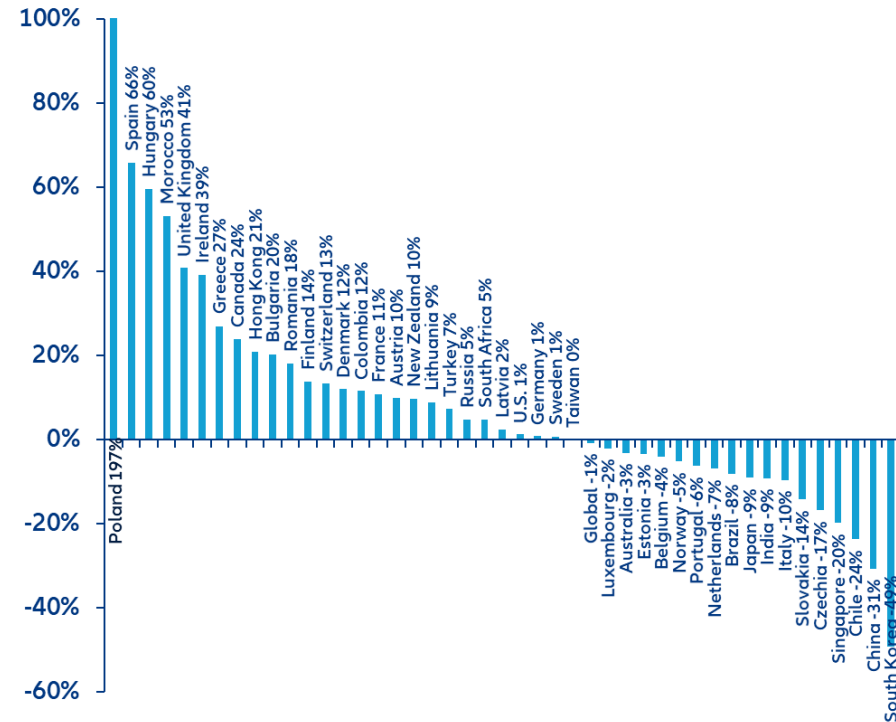
Sources: Bloomberg, Refinitiv, ECB, BoE, FRED, Allianz Research

Half of the countries (3 out of 5) above their pre-pandemic level in 2023 (2024)

2023-2024 expect number of insolvencies, selected countries, basis 100: 2019



2024 expected number of insolvencies compared to 2019, by country, in %



Sources: National sources, Allianz Research

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What if there was another major financial crisis? (1)

1. Decrease in turnover

- As a financial crisis will eventually lead to a decline in economic activity, many NFCs will see demand for goods and services decline

2. Difficulty to access credit...

- A credit-crunch, typical symptom of most financial crisis, would cut-off many firms from access to credit

3. ...coupled with regulatory changes for banks

- Financial conditions could also get more tight as we can expect a financial crisis to be followed by stricter regulations on banks

4. Currency volatility

- Firms involved in cross-border transactions could suffer from large currency fluctuations

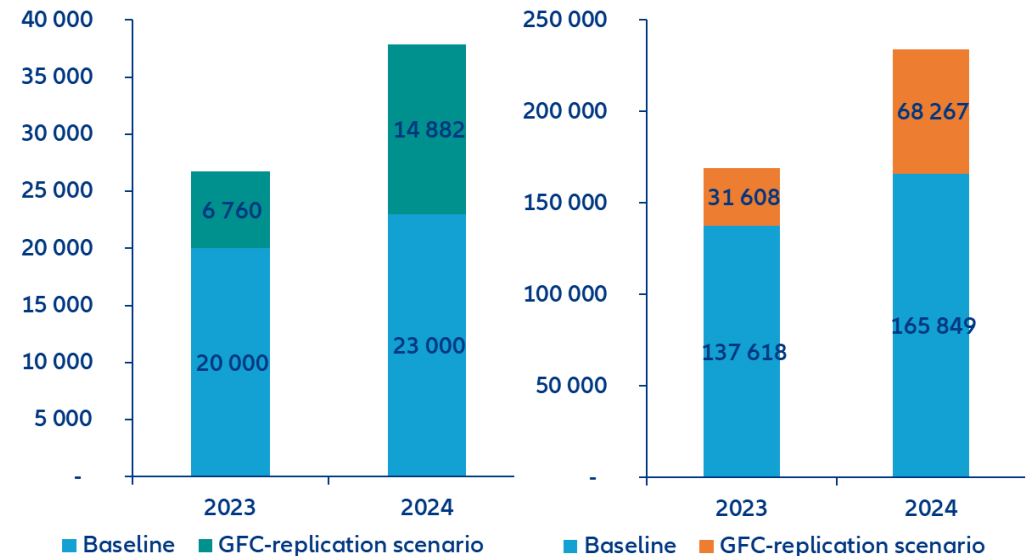
5. Supply chain disruption

- Suppliers and customers facing financial issues will eventually disrupt supply chains, compounding pressure on the corporate sector

Baseline vs GFC-replication* scenario, in number of business insolvencies

US forecasts: +50pp in 2023, +30pp in 2024 >> 21,600 additional insolvencies

Western Europe: +25pp in 2023, +20pp in 2024 >> 99,900 additional insolvencies

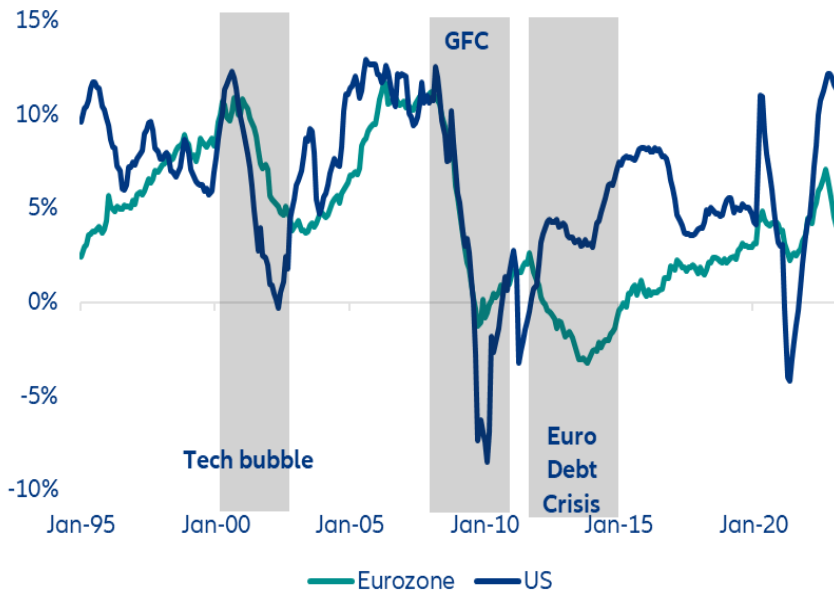


(* based on the difference between the final outcome in insolvencies for 2008-2009 and the forecasts for the same period done prior to the GFC (mid 2007)

Source: Allianz Research

What if there was another major financial crisis? (2)

Credit to the private sector (y-o-y%)



Baseline vs credit-crunch scenarii, in number of business insolvencies

