

# Corporate insolvencies sink to a new low - Bremen is insolvency leader



The number of corporate insolvencies in Germany fell again in 2018. A total of 19,552 companies filed for insolvency last year. This represents a decrease of 3.6 percent (2017: 20,276) compared with the same period last year.



As a result of the ninth consecutive decline, corporate insolvencies in 2018 fell to a new low since the introduction of the new Insolvency Code (1999). Compared with 2003, the highest year of insolvency to date, when 39,320 companies went bankrupt, the number of insolvencies in 2018 was more than halved.

"In 2018, companies benefited above all from the domestic economy and from high private consumer spending," CRIFBÜRGEL Managing Director Ingrid Riehl comments on the current figures.

"The trend reversal will be initiated in 2019 and we expect an increase in corporate insolvencies," adds Riehl. The reasons for the forecast first increase since 2009 are manifold. The economy will continue to cool down due to increasing political uncertainties, such as the trade disputes emanating from the USA and the quarrels over Brexit. It is precisely because of the more difficult foreign trade conditions that export-oriented companies will increasingly face problems in 2019. "Companies will face various challenges in 2019," says Riehl. In addition, the current low interest rates are keeping companies on the market that would not be competitive under normal conditions. "The Damocles sword of a possible interest rate turnaround hovers over these so-called zombie companies," explains the CRIFBÜRGEL Managing Director.

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The losses caused by corporate insolvencies totaled almost 22 billion euros in 2018. On average in 2018, this resulted in bad debt losses for creditors of almost 1.1 million euros per insolvency.

Bremen had the highest insolvency density in 2018. Statistically, 105 out of 10,000 companies had to file for insolvency. According to an analysis by CRIFBÜRGEL, the national average is 59 insolvencies per 10,000 companies. In addition to Bremen, the federal states of Berlin (89), North Rhine-Westphalia (85), Saarland (78), Saxony-Anhalt (74), Schleswig-Holstein and Hamburg (68 each) ranked above this figure. The lowest number of corporate insolvencies occurred in 2018 with 41 corporate insolvencies per 10,000 companies in Bavaria.

In Saarland, company bankruptcies rose the most with a plus of 11.9 percent. Bremen (plus 9.8 percent), Thuringia (plus 3.6 percent) and Mecklenburg-Western Pomerania (plus 2.4 percent) also reported more insolvencies than in 2017. In Schleswig-Holstein (minus 11.7 percent), Saxony (minus 10.3 percent) and Hamburg (minus 9.3 percent), on the other hand, significantly fewer companies had to file for insolvency than a year ago.

In terms of legal forms, the highest insolvency risk in 2018 came from the entrepreneurial company (limited liability). The insolvency density among the UGs was 200 bankruptcies per 10,000 companies and thus significantly higher than among the stock corporations (99) and the GmbHs (90).

Even though the media focus in 2018 was on major insolvencies such as Kettler, Solarworld, the Paracelsus clinics or Germania, the insolvency situation in Germany is dominated by small companies. 16,032 or 82 per cent of the insolvent companies had no more than five employees. The share of insolvencies continues to decline as the number of employees rises. 7.6 percent of insolvent companies had between 6 and 10 employees. For companies with 51 or more employees, the share of insolvencies is only 2.7 percent.

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13.7 percent of insolvent companies fail in the first two years after their foundation. However, the number of cases in the younger age group is declining sharply (minus 11.2 percent). The younger companies are currently benefiting from favourable framework and financing conditions. The study also shows that over 57 percent of insolvent companies have been active in the market for less than 10 years.

With 85 company insolvencies per 10,000 companies, logistics is at the forefront of the analysis of the main sectors. But the insolvency ratio is also above average in the construction and service sectors (79 each). With 9,023 cases, service companies have the highest absolute share of insolvencies in Germany. The lowest insolvency density is found in the energy sector with 18 bankruptcies per 10,000 companies.

A further breakdown of the sectors shows that detective agencies are at the top of the insolvency ranking with 442 insolvencies per 10,000 companies. Next are companies from the postal, courier and express services sectors with 415 insolvencies per 10,000 companies and catering companies (375).