CRIF STUDY: 2022, DECLINE IN PRIVATE INSOLVENCIES IN GERMANY DUE TO BASE EFFECT

- Highlights
  - Comparison with 2019 shows a high level of insolvencies
  - An increasing number of older German citizens are affected by private insolvency
  - Forecast for 2023: 100,000 private insolvencies in Germany

Private insolvencies fell in Germany in 2022. There were a total of 96,231 private insolvencies last year. This corresponds to a decrease of 11.7 percent compared with the same period of the previous year (2021: 109,031). These are the key findings from the latest CRIF "Debt Barometer 2022".

The strong increase in insolvencies in 2021 (plus 93.6 percent on an annual basis) has thus currently reversed. The significant increase in private insolvencies in 2021 is mainly due to the fact that many private individuals held back their insolvency applications in 2020. These individuals wanted to benefit from the legislative reform that shortened the residual debt discharge procedure from six to three years. As a result, they did not file their petitions until 2021. This change in the law came into force at the beginning of 2021 and enables those affected to become debt-free more quickly and facilitate their economic re-entry.

This special feature has led to a particularly sharp rise in personal insolvencies in 2021. The baseline figure for 2021 (109,031 personal insolvencies) is correspondingly high, and the percentage change for 2022 is distorted at minus 11.7 percent.

It is interesting to compare the insolvencies to the year 2019 - i.e. before the law reform and before Corona. This shows the current high level of private insolvencies. According to this, private insolvencies increased by 10.8 percent in 2022 (2019: 86,838).

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Supply bottlenecks, the energy crisis, and persistently high inflation are omnipresent. The sharp rise in energy prices in particular, but also other commodity and food prices, have led to an inflationary increase in consumer prices. The financial situation of many private individuals in Germany remains strained due to steadily rising rent and energy prices. As a result, people in Germany will have less money in their pockets to meet their obligations such as loan payments, rent, or financing. In the long run, less income leads first to over-indebtedness and then possibly to private insolvency.

"The economy in Germany continues to be in crisis mode. As costs continue to rise, a wave of debt is possible in Germany. If costs rise sharply, it will be difficult for people who have already been living at the subsistence level. Especially for financial and income-poor households, the financial situation will come to a head - also because financial reserves have been depleted by losses in the Corona pandemic. Economic crises affect consumers with a certain time lag. Since insolvency statistics mainly reflect the past, the consequences due to increased costs will impact insolvency figures, especially from 2023. It is positive that many German citizens are motivated to save due to economic uncertainty or fears about the future," comments CRIF Germany Managing Director Dr. Frank Schlein on the current situation.

The information service provider CRIF expects up to 100,000 private insolvencies in Germany again in 2023.

Persons, who announce a private insolvency, must be thereby by no means highly indebted. The majority of those affected have total debts of just under €10,000. The average debt is currently less than €18,000.

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Private insolvencies by federal state: Most private insolvencies in Bremen, Lower Saxony and Hamburg

Nationwide, there was an average of 116 private insolvencies per 100,000 inhabitants in 2022. Germany's northern states record more private insolvencies compared with the southern states. Bremen tops the list with 188 insolvency cases per 100,000 inhabitants, followed by Hamburg with 167 and Lower Saxony with 154. The states of Schleswig-Holstein (141), Mecklenburg-Western Pomerania (139), and North Rhine-Westphalia and Saarland (132 each) are also well above the national average.

The lowest numbers of private insolvencies were recorded in Bavaria (74 cases per 100,000 inhabitants), Baden-Württemberg (83), and Thuringia (97). In absolute terms, the states of North Rhine-Westphalia (23,684), Lower Saxony (12,333), and Bavaria (9,773) lead the insolvency statistics.

Percentage changes: Fewer private insolvencies in all 16 German states

Bremen recorded the biggest change in private insolvencies, with a drop of 23.4 percent, followed by Mecklenburg-Western Pomerania with 18 percent fewer insolvencies and Saarland with a drop of 17.5 percent.

Baden-Württemberg showed a decline of 15.7 percent, while Lower Saxony recorded a drop of 14.3 percent and Bavaria 13.9 percent. Schleswig-Holstein and North Rhine-Westphalia each also saw double-digit declines in private insolvencies of 13.3 percent and 13.1 percent respectively. Hesse had the smallest year-on-year change, with a decline of 2.1 percent.

A different picture emerges when the current figures are compared with 2019 - i.e. before the law reform and before Corona. In this comparison, private insolvencies nationwide increased by 10.8 percent. The most significant increase in the comparison of 2019 and 2022 was in Hamburg, with a rise of 23.2 percent. Significant increases were also recorded in Hesse (up 22.3 percent), Baden-Württemberg (up 18.6 percent), Bremen (up 17.8 percent) and Saxony (up 16.2 percent).

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Private insolvencies by age: increase in the 61 and older age group

A total of 14,907 people aged 61 and over filed for private insolvency in 2022. Compared with the same period last year, this is an increase of 1 percent. However, the number of cases increased by 57.3 percent among older federal citizens compared to 2019.

"For many seniors, income or pensions are no longer sufficient - they have to file for private insolvency," says Dr. Frank Schlein. The number of seniors who are dependent on basic security because their pensions are not enough is also rising steadily. In a year-on-year comparison from September 2021 to September 2022, the number increased by 12 percent. "Due to continued high inflation and the energy crisis, we expect insolvency figures to continue to rise in the 61 and older age group in 2023," Schlein said.

Compared with the same period last year, insolvency figures in the other age groups have fallen - most sharply among 21- to 30-year-olds, with a drop of 17.1 percent.

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