

CRIF GMBH STUDY: GERMANY, INSOLVENCY RISK INCREASE IN GASTRONOMY COMPANIES



Due to various crises, a reduced VAT rate of seven percent currently applies to food in the catering industry - but only until the end of this year. Food in restaurants is to be taxed at 19% again from the beginning of 2024. This could lead to more insolvencies in the catering industry. According to an analysis by information service provider CRIF, 15,069 restaurants, pubs, snack bars and cafés in Germany are currently (as of 17 November 2023) at risk of insolvency. This corresponds to 12.6% of the businesses analysed. In January 2020 - before the coronavirus pandemic - the number of catering businesses at risk of insolvency was 12,662 or 10.7%.

Regional differences

A look at the regional figures shows that the risk of insolvency is highest for companies in the catering sector in Berlin. There, 16.5% or 1,369 of catering businesses are considered at risk of insolvency. This is followed by Bremen (16.2 % of restaurateurs at risk of insolvency; 144), North Rhine-Westphalia (14.6 %; 3,199), Saxony-Anhalt (14 %; 560) and Hamburg (13.3 %; 412). The lowest risk of insolvency is currently faced by companies in the catering sector in Bavaria (10.5 %; 1,956) and Rhineland-Palatinate (10.5 %; 693) as well as in Mecklenburg-Western Pomerania (10.6 %; 331).

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"Even after the end of the coronavirus pandemic, the catering industry is still facing numerous problems. These include rising inflation, higher energy and labour costs and the growing trend of working from home. This is leading to fewer opportunities for lunch breaks and fewer visits to restaurants or cafés. The increase in VAT will further exacerbate the situation, especially for catering businesses that are already struggling financially," explains CRIF Germany Managing Director Dr Frank Schlein.

Since the beginning of 2022, the creditworthiness index has steadily improved as a meaningful measure of financial stability in the catering industry. In January 2022, the average creditworthiness index of all catering companies was 3.02. By August 2023, it had improved to 2.80 and continued its positive trend in November 2023 with a value of 2.79. This continuous improvement reflects the general upward trend in financial stability across the entire industry.

"There is a clear dichotomy in the catering industry. Companies that are in a stable financial situation have further strengthened their resilience. On the other hand, catering businesses that were already struggling with problems are increasingly facing the risk of insolvency."

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Increase in catering businesses at risk of insolvency in all federal states

On average, there was an increase of 6 % in the number of catering establishments at risk of insolvency compared to August 2023. The most significant increase of 11.4 % was recorded in Mecklenburg-Western Pomerania, followed by Baden-Württemberg and Thuringia with an increase of 9.6 %. In contrast, the increase in Bremen was lower at 2.1 % and in Schleswig-Holstein at 2.6 %.

CRIF is currently forecasting 1,600 insolvencies in the food service industry in 2023, 36.5 % more than in 2022. "Insolvencies in the food service industry will continue to rise in the coming year," says Dr Schlein.

About the analysis

For the analysis, CRIF analysed information on the financial situation of almost 120,000 catering companies, which provides information on their solvency. This includes information in balance sheets, profit and loss accounts, employee and turnover figures and payment histories. Negative court features such as dunning procedures, debt collection monitoring or general entries in the debtor register were also included. Insolvencies and companies that have already disappeared from the market are not included in the current 15,069 companies at risk of insolvency.