



11 April 2023

**04**  
The rebound is  
picking up speed

**08**  
From profitability to  
financing shock

**14**  
What if there is another  
major financial gap?

Allianz Research

# No rest for the leveraged

Insolvency report

# Executive Summary



Maxime Lemerle  
Lead Analyst for Insolvency Research  
[maxime.lemerle@allianz-trade.com](mailto:maxime.lemerle@allianz-trade.com)



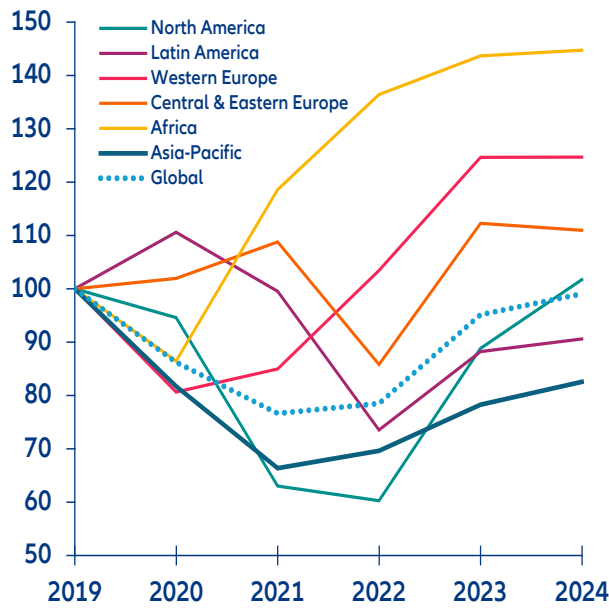
Maria Latorre  
B2B Sector Advisor  
[maria.latorre@allianz-trade.com](mailto:maria.latorre@allianz-trade.com)



Ano Kuhanathan  
Head of Corporate Research  
[ano.kuhanathan@allianz-trade.com](mailto:ano.kuhanathan@allianz-trade.com)

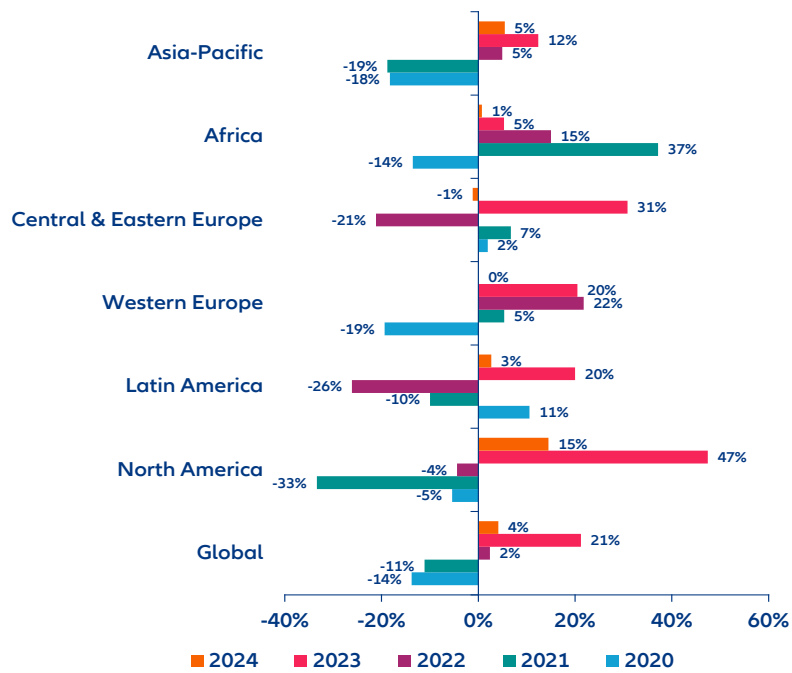
- **The rebound in business insolvencies is picking up speed: Our Global Insolvency Index is set to jump by +21% in 2023 and +4% in 2024.** Half of the countries we analyzed are likely to exceed their pre-pandemic levels of insolvencies in 2023, and three out of five in 2024. In Europe, we expect insolvencies to reach 59,000 cases in France in 2023 (+41% y/y), 28,500 cases in the UK (+16%), 17,800 cases in Germany (+22%) and 8,900 cases in Italy (+24%). In the US, we expect an increase of +49% in 2023 as a result of tighter credit conditions and the sharp slowdown, which will mean a return to 20,000+ insolvencies per year. China should see a moderate increase in insolvencies (+4%) as the construction sector is still ailing.
- **Lower growth in 2023 and 2024 will have its toll.** We calculate that the Eurozone and the US would need 1.3pp and 1.5pp of additional GDP growth on average in 2023-2024 to stabilize the number of insolvencies. The current middle through environment is the main reason behind our forecast. Watch out for domino effects: The number of insolvencies for firms with more than EUR50mn in revenue is now slightly above pre-pandemic levels (construction, retail and services most affected).
- **Beyond demand, prolonged pressure on profitability, weaker cash buffers and tighter-for-longer financial conditions are testing the resilience of the most fragile companies.** This includes those with the least pricing power (e.g. specialized retail such as textiles, household appliances, and some services including restaurants); those exposed the most to a higher wage bill such as retail, transportation and construction; and those most exposed to rising interest repayment costs (construction, durable goods). Cash is king but credit management practices have deteriorated according to latest working capital requirements data.
- **Credit is crunching.** According to our estimates, a financial crisis as that seen during the 2008 financial crisis would mean 21,600 additional insolvencies in the US over 2023 and 2024, and 99,900 in Western Europe. Even without a major financial crisis, a credit crunch of the magnitude seen in the early 2000s during the tech bubble burst would lead to 12,900 and 95,300 additional insolvencies over 2023 and 2024, respectively. And in case of a credit freeze that would stop new loans (bring credit growth down to 0), insolvencies would increase by an additional 10,700 cases in the US and 46,300 cases in Europe.

**Figure 1:** Global and regional insolvency indices, yearly level, basis 100 in 2019



Source: Allianz Research

**Figure 2:** Global and regional insolvencies indices, yearly change in %



Source: Allianz Research



# The rebound is picking up speed

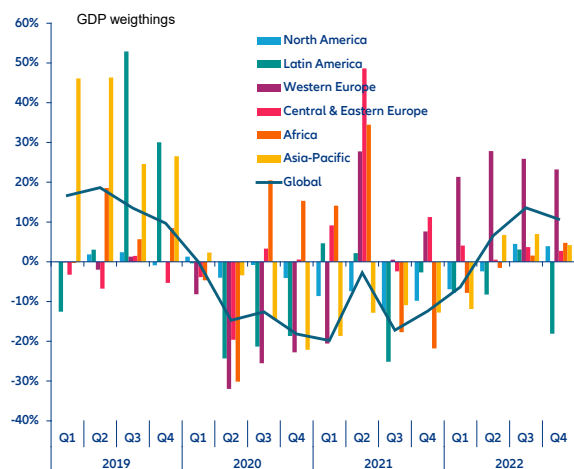
As expected, the rebound in business insolvencies is intensifying for a growing number of countries. After two years of decline globally during the pandemic years (-14% and -11% in 2020 and 2021, respectively), our Global Insolvency Index<sup>1</sup> bounced back quarter after quarter in 2022, with the trend reversal exceeding double-digits in Q3 (+14% y/y) and Q4 (+11% y/y) – see Figure 3. For the full year, business insolvencies rose by +9% (adjusted to +2% when considering the change in source for Turkey<sup>2</sup>). This rebound was largely expected<sup>3</sup>, given the ending of support measures related to the pandemic and the shockwaves from the war in Ukraine, as well as the prolonged lockdowns in China, which affected supply chains and input prices

<sup>1</sup> Covering 44 countries that account for 85% of global GDP 2022, see statistical appendix.

<sup>2</sup> Our new source for Turkey gives an accurate monitoring of insolvencies based on the Turkish Trade Registry Gazette by computing bankruptcies and composition agreements instead of liquidations/closing of companies.

<sup>3</sup> See our previous: [Global Insolvency Report](#)

**Figure 3:** Global and regional insolvency index, quarterly change, y/y in %



Source: Allianz Research

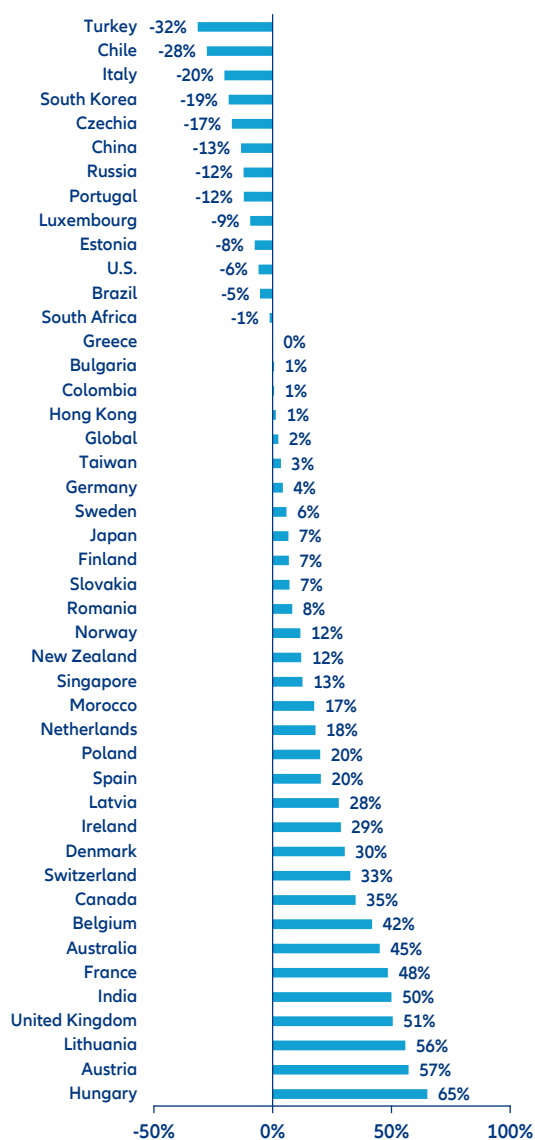
## Three out of four countries we analyze posted a rebound in insolvencies for the full year 2022.

This outcome – see Figure 4 – represents a doubling compared to 2021.

In 2022, Western Europe saw noticeable double-digit rises in Austria (+57% y/y), the UK (+51%) and France (+48%) – all three among the countries that recorded the largest drop in insolvencies in 2020/2021. Seven other countries saw insolvencies rising by more than +10% annually: Belgium, Denmark, Ireland, the Netherlands, Norway, Spain and Switzerland. In Central and Eastern Europe, the rebound was led by Hungary (+67%), Lithuania (+56%) and Poland (+20%). In Asia, it was led by India (+50%) and Australia

(+45%), while in the Americas, the rebound reached +35% in Canada. However, in each region, at least one country recorded another decrease in insolvencies, notably China (-13% y/y) and South Korea (-19%) in Asia, the US (-6%) and Brazil (-28%) in the Americas, Italy (-20%) and Portugal (-12%) in Western Europe and Czechia (-17%) and Russia (-12%) in Central and Eastern Europe.

Figure 4: 2022 business insolvencies, annual change in %



Source: Allianz Research

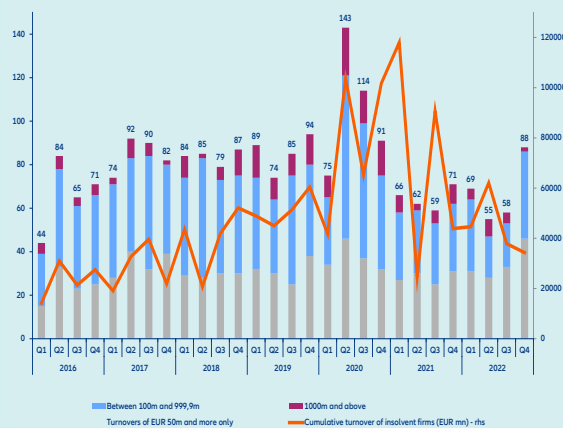
## Box: Major insolvencies continue to increase

The overall number of insolvencies mostly represents the situation of Small and Medium Enterprises<sup>4</sup>. However, we now see more evidence of the uptick in insolvencies spreading to large firms. Given their long list of suppliers, this implies a larger risk of domino effects.

At the global level, the number of major<sup>5</sup> insolvencies reached 88 cases in Q4 2022 (see Figure 5), slightly above pre-pandemic levels. Three sectors contributed the most to the global count for both Q4 and the full year 2022: construction (19 cases in Q4 and 64 for the full year), retail (14 and 33 cases, respectively) and services (10 and 30 cases, respectively).

Recent data point to the same direction for early 2023. In France, business insolvencies of firms with turnover exceeding EUR15mn (+41% for the last 12 months as of February 2023) is gradually closing the gap with the momentum of insolvencies of all other firms (+51%). In the US, (see Figure 6), the rebound is clear when looking at Capital IQ and Bloomberg monitoring<sup>6</sup>: the former records 183 bankruptcy filings in the first quarter of 2023 (i.e. more than the double compared to Q1 2022) after 117 cases in Q4 2022 (+38% y/y) and 211 cases in H2 2022 (+15% y/y); the latter indicates the strongest start of the year since 2009 in Q1 with 55 cases (compared to 12 in Q1 2021 and less than 30 in the previous two quarters).

**Figure 5:** Major insolvencies, global number, quarterly by size of turnover



**Figure 6:** Insolvencies of large firms in the US, 3m rolling, in number



Source: Allianz Research

Sources: Bloomberg, Capital IQ, Allianz Research

<sup>4</sup> For business demographic fundamentals i.e. the limited share of major firms.

<sup>5</sup> Firms with an annual turnover exceeding EUR50mn, based on the reporting of Allianz Trade business units

<sup>6</sup> 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 USD2mn, or private companies where either assets or liabilities at the time of the bankruptcy filing are greater than or equal to USD10mn.

**Western Europe is (so far) the largest contributor to the global rebound in insolvencies, boosted by the catch-up in transport and storage, trade, accommodation and food services activities and B2C services.** For the full year 2022, Western Europe contributed three times more than Asia to the global rise in insolvencies due to its share in our headline indicator (38% and 24%, respectively) and the changes in regional insolvency index (+22% and +5%). It is worth noticing that this recovery is spreading across sectors despite its heterogeneity. Looking at the full year 2022 (see Table 1), after a sharp catch-up in the last quarter, business bankruptcies increased in at least

five out of the eight large sectors representing the overall economy for most European countries – compared to two to three sectors in H1 2022. In Belgium, France, Spain and the UK, the rebound is visible in all sectors, while in the Netherlands and Norway it affected seven sectors and in Germany six. Construction and transportation/storage are the two sectors most concerned in terms of number of countries, ahead of manufacturing. Yet, on average, the largest increases in insolvencies at the EU level are seen in transportation/storage (+44% y/y), trade (+20%), accommodation and food services activities (+20%) and B2C services (+17%) – with construction (+6%) and manufacturing (+5%) lagging.

**Table 1: Business insolvencies – 2023 figures available as of end-March in America/Western Europe (left) and Central and Eastern Europe/Asia/Africa (right)**

Country	Latest point	y/y change in %				Country	Latest point	y/y change in %			
		1 month	3 months	6 months	12 months			1 month	3 months	6 months	12 months
U.S.	2022 Q4	-	11%	12%	-6%	Russia	12-22	-48%	-37%	-28%	-12%
Canada	02-23	18%	28%	32%	35%	Poland	02-23	127%	174%	89%	42%
Brazil	02-23	-3%	-1%	-4%	-4%	Romania	02-23	2%	-3%	3%	6%
Chile	02-23	1%	-2%	-10%	-23%	Czechia	2022 Q4	-	-19%	-21%	-17%
Colombia	2022 Q3	-	17%	-2%	-12%	Hungary	02-23	151%	163%	181%	89%
Germany	12-22	20%	19%	14%	4%	Slovakia	02-23	-14%	-6%	-6%	1%
United Kingdom	02-23	16%	19%	22%	43%	Bulgaria	02-23	18%	-5%	-10%	-4%
France	02-23	37%	43%	49%	51%	Lithuania	2022 Q4	-	-3%	14%	41%
Italy	02-23	-4%	-8%	-15%	-17%	Latvia	02-23	-41%	3%	6%	27%
Spain	02-23	-56%	-14%	27%	14%	Estonia	02-23	83%	40%	14%	-3%
Netherlands	02-23	53%	68%	51%	30%	China	02-23	-13%	-22%	-10%	-12%
Switzerland	12-22	27%	26%	26%	33%	Japan	02-23	26%	24%	19%	11%
Sweden	02-23	19%	32%	29%	12%	India	2022 Q4	-	28%	29%	50%
Belgium	02-23	13%	16%	24%	36%	South Korea	02-23	-8%	38%	7%	-15%
Ireland	2022 Q4	-	12%	13%	29%	Australia	02-23	95%	55%	59%	49%
Norway	02-23	32%	32%	22%	17%	Taiwan	02-23	22%	2%	-3%	6%
Austria	2023 Q1	-	22%	13%	39%	Singapore	02-23	-38%	-34%	-28%	3%
Denmark	02-23	58%	44%	43%	46%	Hong Kong	02-23	-17%	-22%	1%	-1%
Finland	02-23	56%	35%	24%	16%	New Zealand	02-23	19%	44%	46%	15%
Portugal	02-23	11%	2%	-2%	-8%	South Africa	02-23	1%	0%	1%	-2%
Greece	2021	-	-	-	-7%						
Luxembourg	12-22	12%	27%	2%	-9%						

Sources: National sources, Allianz Research. Data for Spain are not representative due to strikes limiting the official opening of proceedings.

**The first available data for January and February 2023 confirm that the rising trend is set to continue.** In Q4 2022, the rebound in insolvencies was still on track for three out of four countries (compared to one out of two countries in the first half of 2022). Importantly, the US (+12% and +11% in Q3 and Q4) and Germany (+8% and +19%, respectively) joined the club, leaving Latin America as the only region not posting an upside trend in the last quarter of 2022. Data from January and February (see Table 2) show another set of countries seeing an acceleration in insolvencies,

notably the Netherlands, the Nordics and the Baltics in Europe, and Japan and Australia in Asia. In this context, the number of markets with a prolonged low level of insolvencies is mechanically reducing, now limited to China, Brazil and Italy, as well as the special case of Russia<sup>7</sup> where the 'war economy' has so far succeeded in offsetting the ending of the insolvency moratorium.

<sup>7</sup> See our previous report on Russia: [Russia](#)

**Table 2: Business bankruptcies by sector, 2022, y/y change in % (selected countries)**

	Industry, construction and market services	y/y change in %								
		Industry	Construction	Trade	Transportation & storage	Accommodation & food service activities	Information & communication	Finance/insurance, real estate, BtoB activities & services	Education, 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	

Sources: National sources, Eurostat, Allianz Research



# From profitability to financing shock

**The spillover of financial stability concerns has increased corporate risks and will contribute to the broad-based acceleration in business insolvencies in 2023.** Fears of recession have abated and supply-chain issues have eased<sup>8</sup>. But companies are still facing extended pressure on the profitability side amid tighter-for-longer financial conditions<sup>9</sup>, given the turmoil in the US and European banking sector. Overall, the balance of risks has slightly deteriorated.

**The ‘normalization’ is not complete yet, especially in Europe.** Covid-19 related support measures have been largely phased out but in several countries firms remain engaged in a multi-year reimbursement process for specific measures such as KfW loans in Germany and the ‘Prêts Garantis par l’Etat’ (aka ‘PGE’) in France. In addition, they have to face the gradual ending of additional support measures implemented in the wake of the war in Ukraine, in particular regarding energy prices. Elsewhere, as governments tighten spending, we expect

a return to normal business conditions. This will put those companies that were already fragile before the pandemic and energy shock further at risk, alongside those that have not been able to adapt their business models to the structural changes created or intensified by the successive crises (“zombie firms”).

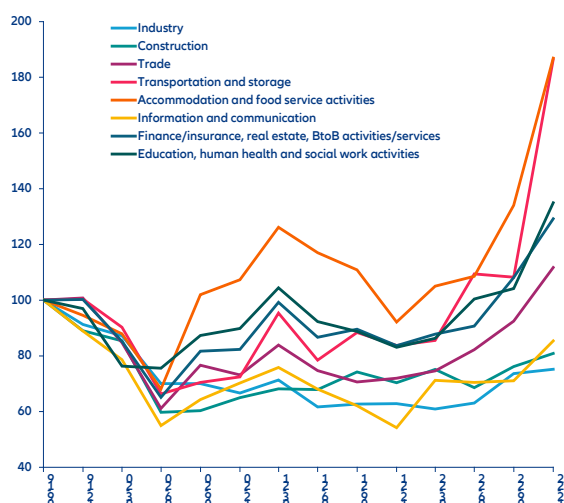
De facto, one out of three countries still did not return to their pre-pandemic levels of insolvencies in 2022. Western Europe stands out with two out of three countries lagging, notably the Netherlands (with FY 200-43% below 2019), Italy (-36%), Germany (-22%), France (-19%) and Belgium (-13%). Overall, we counted a rebound in insolvencies in slightly less than 60% of the industries in Europe, with a return to pre-pandemic levels for only 22% of them in annual terms, mainly in accommodation/food services, transport/storage and B2C services. Conversely, this means a noticeable potential for normalization in the remaining sectors.

<sup>8</sup> See our report [Everything everywhere all at once](#)

<sup>9</sup> See our report [US: Credit crunch in the making?](#)



**Figure 7: Business bankruptcies by sector, EU index, seasonally adjusted, quarterly levels**



Sources: National sources, Eurostat, Allianz Research

## Demand is likely to remain well below the minimum required to at least stabilize the number of insolvencies.

We expect global growth to slow in 2023 (+2.2%) and recover modestly in 2024 (+2.3%). The US will not be able to avoid a recession at the end of 2022, while the Eurozone growth is expected to see a shallow recovery in 2024 (+0.9%) after a subdued expansion in 2023 (+0.3%). In most cases, the outlook for GDP momentum for 2023 and 2024 is below the levels required to lead a decrease in insolvencies (see Figure 8).

Based on those long-term sensitivities, we calculate that the Eurozone and the US would need 1.3pp and 1.5pp in additional GDP growth on average in 2023-2024 to stabilize the number of insolvencies. This GDP gap will be smaller in 2023 than in 2024 for the US (1.2pp and 1.9, respectively). Conversely, the Eurozone will see a larger gap in 2023 than in 2024 (1.6pp and 1.0pp, respectively), with a noticeable dispersion across countries, particularly in 2023 (from 0.6pp for Germany and 1.1p for France to more than 2.0pp for the UK, Spain and the Nordics).

## Prolonged pressure on profitability and larger financing issues will weaken (cash) buffers and test the resilience of the most fragile.

The latest earning season (Q4 2022) confirmed the deterioration of the performance of listed companies, with revenues growing on average by +4.0% y/y and earnings per share (EPS) declining by -5.0% y/y, compared

**Figure 8: Level of GDP stabilizing insolvencies versus 2023-2024 GDP forecasts, US and selected European countries**



(\*) GDP threshold: GDP growth momentum required to stabilize the number of insolvencies prior to the pandemic

Source: Allianz Research

to +15% and +13% in Q1, respectively – with several sectors clearly underperforming at a global level, notably metals/mining and chemicals. We expect elevated inputs costs to persist, along with a prolonged recovery in wages and the long-lasting effects of rising interest rates<sup>11</sup>.

This combination of factors will mechanically increase corporate risks at a time when weakening global demand reduces firms' ability to pass on price increases to customers, unlike in 2022. To add to this, the increase in working capital requirements recorded in 2022 (see Figure 9), notably in machinery and transport equipment, is here to stay<sup>12</sup>.

High cash balances provided a significant buffer, with the cash hoardings of non-financials well above pandemic levels in the Eurozone (EUR3,427bn as of February 2023 i.e. +33% compared to January 2020) and in the US (USD2,070bn as of end-2022 i.e. +19% compared to January 2020). However, our cash-burning index turned negative since the first half of 2022 for the US and most European countries (see Figure 10), suggesting that this buffer is being depleted. Moreover, not all sectors benefited from high cash holdings.

<sup>11</sup> In our previous report we estimated that (i) an additional interest rate increase of 200bps could dent margins by -1.5pp in the US, -2.2pps in the UK and -3pps in the Eurozone, with Italy, Spain and France most affected, and (ii) an increase of the wage bill by 4-5% could cost -0.5pp to -1pp of margins in Europe

<sup>12</sup> See our previous report [Mind the gap: The USD30trn global liquidity gap is here to stay](#)

All in all, we expect the most fragile sectors and firms will be hit the hardest, including:

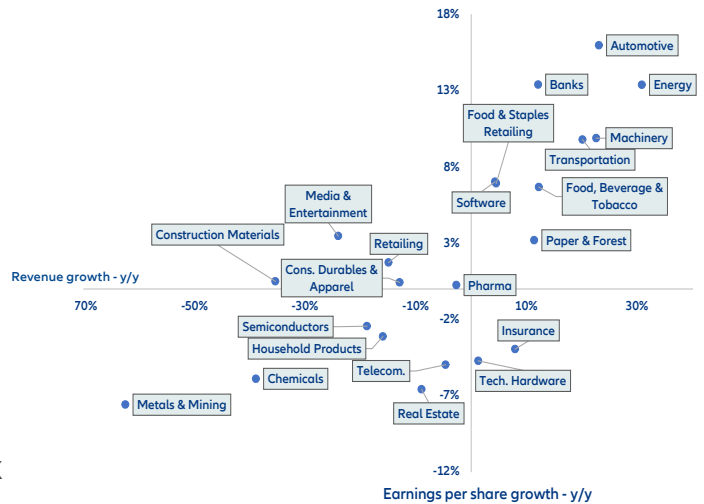
- Those most exposed to the global slowdown (i.e. the cyclicals), in particular those benefiting less from China’s earlier-than-expected reopening.
- Those most exposed to the recovery in wages i.e. labor-intensive sectors, in particular in a solid/resilient labor market.
- Those most exposed to rising interest rates: on one hand, the lower-rated and highly leveraged (direct impact) and those highly dependent on issuance in credit (housing, durable goods); on the other, most EMs, commodity importers and large US importers (indirect impact from FX depreciation).

**Overall, we expect a sharp acceleration in business insolvencies globally in 2023 (+21% y/y) before another – though more limited – rise in 2024 (+4%). This escalation would push half of the countries above their pre-pandemic number of insolvencies in 2023, and three out of five in 2024** (Figure 13). In 2023, the acceleration would be broad-based, with all countries to contribute to the upside and the largest increases in France (+41%), the US (+49%) and the Netherlands (+52%). 2024 would see a first set of countries with insolvencies close to stabilizing or already declining, most often after a strong bounce-back over 2021-2023 and/or from a historic high. Yet, we expect the majority of countries (three out of four) to continue to see surging insolvencies (increases between +2% and 10% for half of them).

In **Western Europe**, we expect insolvencies to post a relatively strong increase in 2023 (+20%), for the third consecutive year (+5% in 2020 and +22% in 2021), and to stabilize in 2024 (+0%). Despite mixed dynamics, the region already crossed its pre-pandemic level in 2022 (by +3%) and will see additional increases in all countries in 2023. In 2024, the region is set to record 25% more insolvencies than in 2019.

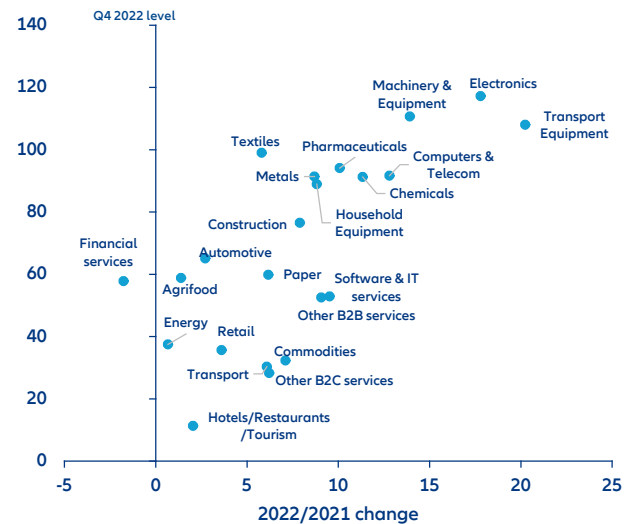
In **Germany** the upside trend reversal in insolvencies started (much) later than in most other European countries, partly thanks to massive state support. The gradual deterioration of the economic and financial outlook set the stage for a noticeable cross-sector increase in Q4 2022 (+19% y/y). While early 2023 alternative figures are pointing to the upside, we expect the rebound in insolvencies to gain traction with the weaker business environment and the tighter financial context, reaching +22% in 2023 (i.e. +3,210 firms to 17,800 cases) and +6% in 2024 (i.e. +1,100 firms to 18,900). As a result, we expect German to reach the 2019 level of insolvencies before the end of 2023.

Figure 9: Q4 2022 earnings season: Revenue and EPS growth



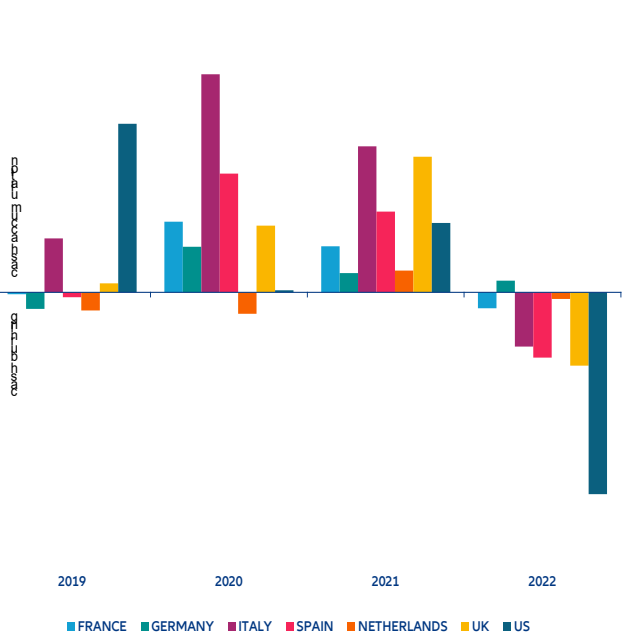
Sources: Refinitiv, Allianz Research

Figure 10: 2022 WCR, by global sectors, listed firms in number of days of turnover



Sources: Refinitiv, Allianz Research

Figure 11: Cash-burning index, selected countries



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

**France** is on track for another strong jump in insolvencies in 2023 (+41%), the continuation of the normalization that began in 2022 (+48%), amid a deterioration of the balance of risks, notably regarding (re)financing issues. Sectors that have been lagging in the normalization – notably construction which is historically the major contributor to the total count – are expected to support the dynamic so far boosted by hotels/restaurants, manufacturing and trade. We expect insolvencies to reach 59,000 cases in France in 2023 (i.e. +17,100 cases), before a limited decrease in 2024 (-2,000), though insolvencies will still be 11% higher than the 2019 level.

In **Italy**, business insolvencies should start to catch up in 2023 (+23% i.e. + 1,790 cases) and 2024 (+10% i.e. +1,100 cases) due to the weaker economic environment and the new legal context created by the Codice della crisi e dell'insolvenza (namely the composizione negoziata della crisi). Yet, a return to the pre-pandemic level is not expected by 2024 since local experts record a greater inclination to use out-of-court proceedings to reach agreements with debtors. Moreover, the rebound is taking place from the low level reached in 2022 (7,164 cases – the lowest annual count since 2008) as the post-lockdown recovery and the various state support measures successfully contained the number of insolvencies in all sectors (from -9% y/y for agriculture and hotels/restaurants to more than -20% in the majority of sectors).

The **UK** faces a high risk of a prolonged upside trend in 2023 (+16% i.e. +3,930 cases) and 2024 (+9% i.e. +2,600). Domestic firms have had to deal with a fragile context amid a sharp growth deceleration, earlier monetary tightening and rapid inflation – in addition to specific Brexit-related issues. As a result, insolvencies quickly bounced back in the UK with the phasing-out of support measures (+4% in 2021 and +51% in 2022) across all sectors from +27% y/y in 2022 for transportation/storage to +69% for trade). We expect business insolvencies to continue to exceed the pre-pandemic level, gradually closing the gap with 2011 highs by 2024 (to 31,100 cases), albeit still below the 2009 records.

In **Central and Eastern Europe and Africa/Middle East**, we expect business insolvencies to be noticeably above their pre-pandemic regional levels as soon as 2023 (+13% and +44%, respectively). We should see additional increases in 2023 in particular in Turkey (+50%), the Baltics (+41% in average) and to a lesser extent in Poland (+18%),

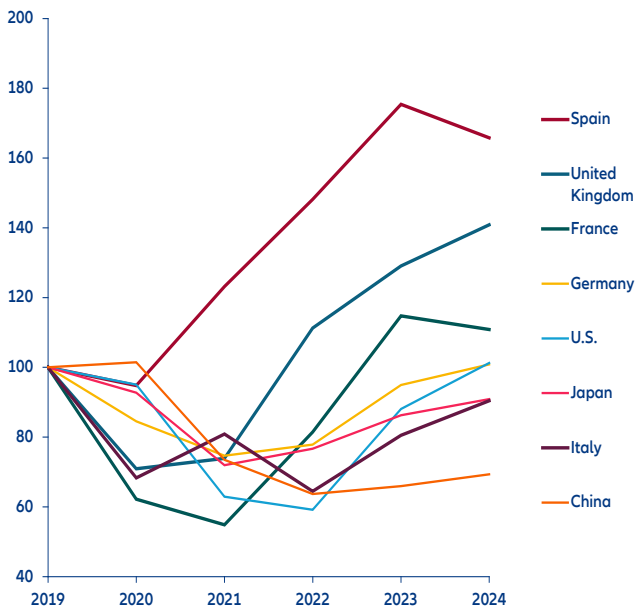
with a more limited increase in South Africa (+7%) and Morocco (+5%). In Russia, as the government still has the financial means to maintain support for firms, we expect a prolonged low number of business insolvencies in 2023, potentially close to the low posted in 2022 (i.e. 9,500 cases). However, insolvencies are at risk of seeing a catch-up with the end of the government's (financial) abilities and (political) willingness to support businesses.

In **Asia**, China succeeded in keeping the official number of business insolvencies under control in 2022 (-13% y/y to 7,530 cases) despite a challenging year with multiple lockdowns and a large number of major failures. However, business insolvencies should see a moderate increase (+4% in 2023 and +5% in 2024) as the reopening has not erased all risks, notably in the real estate and construction sectors.

The other countries in the region should see more insolvencies due to the downside factors affecting the region (e.g. elevated interest rates and inflation), notably Australia (+15% in 2023 after +45% in 2022), Japan (+12% in 2023 after +7% in 2022) and India (+36% in 2023 after +50% in 2022 due to the catch-up from the long suspension of courts). Overall, Asia and Latin America will be the only two regions not back to 2019 levels in insolvencies by 2024, despite seeing an increase in 2023 (+12% and +20%, respectively) and in 2024 (+5% and +3%, respectively).

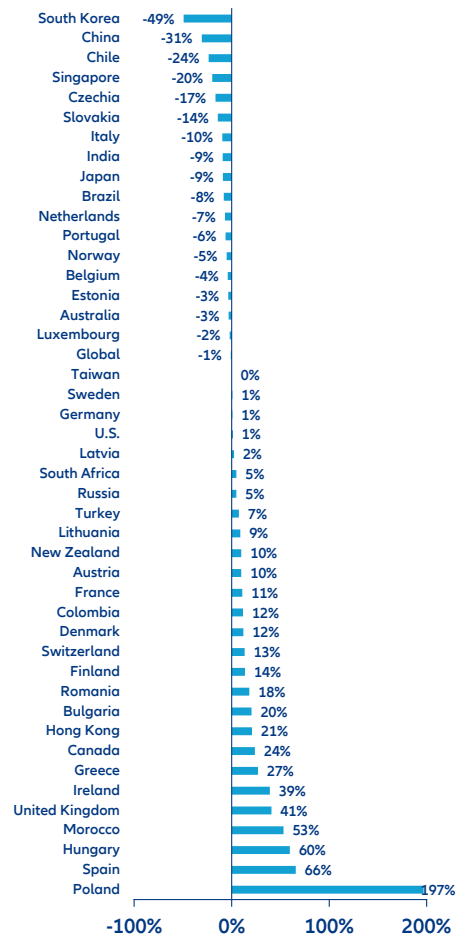
In the **US**, we expect business insolvencies to increase by +49% in 2023 and +15% in 2024 as a result of tighter credit conditions and the sharp slowdown. At this stage, this will mean a return to 20,000+ insolvencies per year in 2023 and 23,000+ in 2024. This still represents the 2016-2020 average and a low level from a historical perspective, the legacy of buffers accumulated since the pandemic, helped by the recovery in profits and the Paycheck Protection Program (PPP), which saw government-guaranteed loans massively transformed into subsidies. However, the recovery would need to be revised up significantly in case of a deeper recession, or extra challenges in the housing or credit markets.

**Figure 12:** 2023-2024 expected number of insolvencies, selected countries, basis 100: 2019

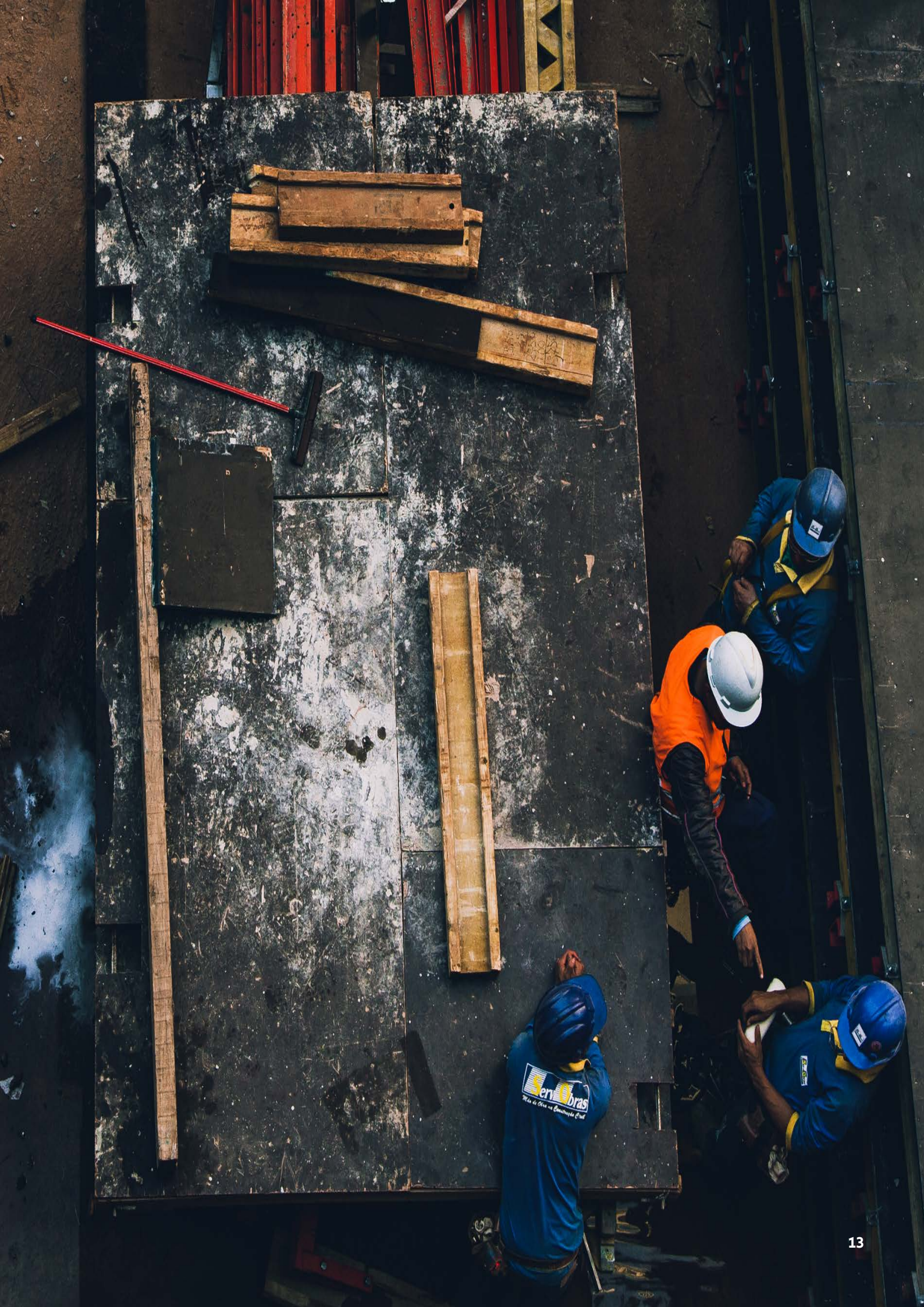


Source: Allianz Research

**Figure 13:** 2024 expected number of insolvencies compared to 2019, by country, in %



Source: Allianz Research





# What if there is another major financial crisis?

The recent banking turmoil has been a stark reminder of 2008-9 when the financial crisis acted as a massive catalyst for insolvencies. There are five major factors that can put a company in trouble as summarized in Figure 14.

**Figure 14:** 5 factors putting a company in trouble

#### 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, the typical symptom of most financial crises, would cut off many firms from access to credit.

#### 3. ...coupled with regulatory changes for banks

- Financial conditions could also tighten following stricter regulation on banks.

#### 4. Currency volatility

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

#### 5. Supply-chain disruptions

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

Source: Allianz Research

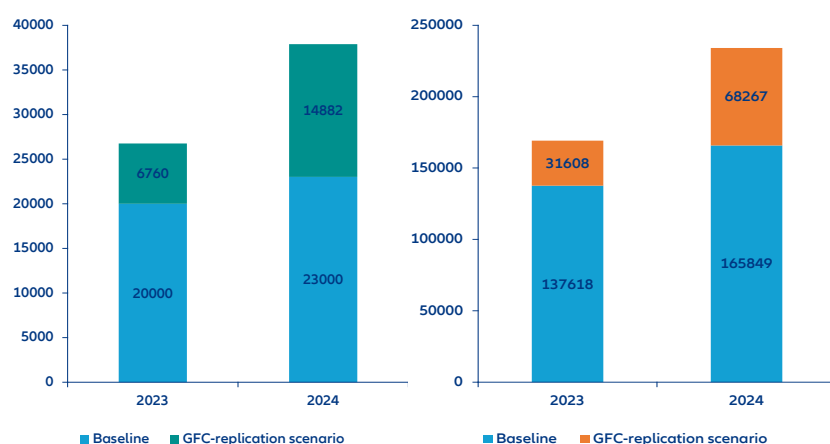
Clues from the Global Financial Crisis (GFC) indicate that smaller-sized firms with high leverage and low diversification are the most vulnerable. During the GFC, global insolvencies increased quite sharply (+42% between 2007 and 2009, according to the IMF). The largest increases occurred in advanced economies (i.e. the US, the UK and Spain), with firms in financial services and construction most impacted. We should also underline that the GFC had a particularly severe impact on SMEs, which are particularly vulnerable to large economic downturns for a number of reasons: (i) they are less diversified in terms of products and clients (i.e. most rely on a handful of products sold to a limited number of clients to generate their revenues). (ii) They have weaker financial structures (i.e. lower equity, lower credit rating etc.). (iii) They are highly dependent on credit while having fewer financing options (mostly through banks). (iv) Because they are already small, they cannot downsize or run at lower capacity.

A replication of the GFC shock, 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), would boost our insolvencies forecast by an additional +50pps and +30pps in the US in 2023 and 2024, respectively, and by +25pps and +20pps in Western Europe. In terms of the number of insolvencies, this would mean 21,600 additional cases in the US over 2023 and 2024, and 99,900 in Western Europe.

During the GFC, the growth in credit to the private sector dropped suddenly from over +10% y/y in mid-2008 to -9% early 2010 in the US, and from +10% to -1% in the Eurozone (declines of -19pps and -11pps, respectively). However, a credit crunch can occur even without a full-blown financial crisis. For instance, during the tech bubble burst of the early 2000s, credit growth declined by -12pps in the US and -8pps in the Eurozone. And during the Eurozone debt crisis, the region experienced a -6pps decline in loans to the private sector.

If we were to witness a credit crunch of the magnitude seen in the early 2000s, insolvencies forecast would increase by +31pps in the US and +22pps in Western Europe in 2023, and by +16pps and +18pps in 2024, respectively. This would mean 12,900 additional cases in the US over 2023 and 2024, and 95,300 in Western Europe. In case of a credit "freeze" that would stop new loans (bring credit growth down to 0), insolvencies would increase by an additional 10,700 cases in the US and 46,300 cases in Europe over 2023 and 2024.

**Figure 15:** Baseline vs GFC-replication scenario, in number of business insolvencies, US (left) and Western Europe (right)



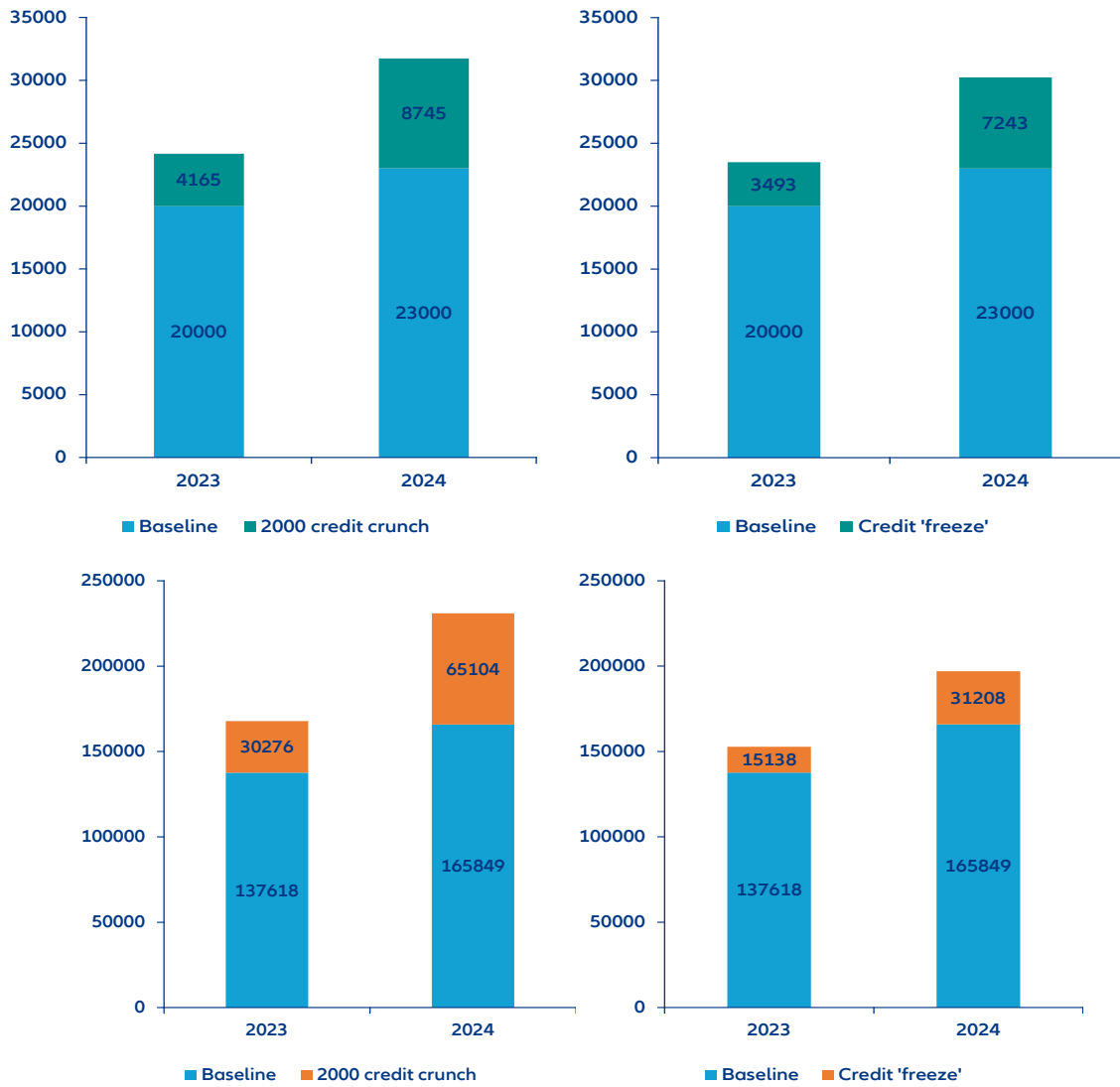
Source: Allianz Research

**Figure 16:** Credit to the private sector (y/y%)



Sources: Refinitiv, Allianz Research

**Figure 17:** Baseline vs credit crunch scenario, in number of business insolvencies, US (top) and Western Europe (bottom)



Source: Allianz Research



## STATISTICAL APPENDIX

	% of World GDP **	% of Global Index	Business insolvencies level					Business insolvencies growth					Comparison with level	
			2020	2021	2022	2023f	2024f	2020	2021	2022	2023f	2024f	2022	2023f
<b>GLOBAL INDEX *</b>	<b>85</b>	<b>100</b>	<b>108</b>	<b>96</b>	<b>98</b>	<b>119</b>	<b>124</b>	<b>-14%</b>	<b>-11%</b>	<b>2%</b>	<b>21%</b>	<b>4%</b>	<b>-22%</b>	<b>-5%</b>
<b>North America Index *</b>	<b>26</b>	<b>30</b>	<b>58</b>	<b>39</b>	<b>37</b>	<b>55</b>	<b>63</b>	<b>-5%</b>	<b>-33%</b>	<b>-4%</b>	<b>47%</b>	<b>15%</b>	<b>-40%</b>	<b>-11%</b>
U.S.	24	28	21,591	14,290	13,436	20,000	23,000	-5%	-34%	-6%	49%	15%	-41%	-12%
Canada	2	2	2,108	1,942	2,621	3,250	3,400	-23%	-8%	35%	24%	5%	-5%	18%
<b>Latin America Index *</b>	<b>2</b>	<b>3</b>	<b>235</b>	<b>212</b>	<b>156</b>	<b>188</b>	<b>193</b>	<b>11%</b>	<b>-10%</b>	<b>-26%</b>	<b>20%</b>	<b>3%</b>	<b>-26%</b>	<b>-12%</b>
Brazil	2	2	2,078	1,962	1,857	2,400	2,650	-28%	-6%	-5%	29%	10%	-36%	-17%
Colombia	0	0	1,885	1,506	1,088	1,300	1,300	11%	-20%	-28%	19%	0%	-36%	-24%
Chile	0	0	1,292	1,193	1,200	1,380	1,420	2%	-8%	1%	15%	3%	-6%	8%
<b>Europe Index *</b>	<b>23</b>	<b>29</b>	<b>123</b>	<b>130</b>	<b>139</b>	<b>172</b>	<b>170</b>	<b>-13%</b>	<b>6%</b>	<b>7%</b>	<b>24%</b>	<b>-1%</b>	<b>-2%</b>	<b>22%</b>
<b>EU27+UK+Norway Index *</b>	<b>19</b>	<b>25</b>	<b>112</b>	<b>119</b>	<b>143</b>	<b>173</b>	<b>174</b>	<b>-18%</b>	<b>6%</b>	<b>20%</b>	<b>21%</b>	<b>0%</b>	<b>5%</b>	<b>26%</b>
<b>EU27 Index *</b>	<b>16</b>	<b>20</b>	<b>122</b>	<b>131</b>	<b>155</b>	<b>188</b>	<b>187</b>	<b>-17%</b>	<b>8%</b>	<b>18%</b>	<b>21%</b>	<b>-1%</b>	<b>5%</b>	<b>27%</b>
<b>Euro zone Index *</b>	<b>13</b>	<b>17</b>	<b>121</b>	<b>129</b>	<b>154</b>	<b>189</b>	<b>188</b>	<b>-20%</b>	<b>7%</b>	<b>19%</b>	<b>23%</b>	<b>-1%</b>	<b>3%</b>	<b>26%</b>
<b>Western Europe Index *</b>	<b>18</b>	<b>24</b>	<b>111</b>	<b>117</b>	<b>142</b>	<b>171</b>	<b>171</b>	<b>-19%</b>	<b>5%</b>	<b>22%</b>	<b>20%</b>	<b>0%</b>	<b>3%</b>	<b>25%</b>
Germany	4	5	15,840	13,993	14,590	17,800	18,900	-16%	-12%	4%	22%	6%	-22%	-5%
United Kingdom	3	4	15,658	16,315	24,565	28,500	31,100	-29%	4%	51%	16%	9%	11%	29%
France	3	4	31,997	28,203	41,879	59,000	57,000	-38%	-12%	48%	41%	-3%	-19%	15%
Italy	2	3	7,590	8,991	7,164	8,900	9,800	-32%	18%	-20%	24%	10%	-36%	-20%
Spain	1	2	3,945	5,125	6,166	7,300	6,900	-5%	30%	20%	18%	-5%	48%	75%
Netherlands	1	1	3,177	1,818	2,145	3,270	3,530	-16%	-43%	18%	52%	8%	-43%	-14%
Switzerland	1	1	4,887	5,123	6,796	7,100	6,800	-19%	5%	33%	4%	-4%	13%	18%
Sweden	1	1	7,585	6,792	7,189	8,010	7,700	-1%	-10%	6%	11%	-4%	-6%	5%
Belgium	1	1	7,203	6,533	9,265	9,850	10,170	-32%	-9%	42%	6%	3%	-13%	-7%
Ireland	1	1	575	401	516	670	790	1%	-30%	29%	30%	18%	-9%	18%
Norway	0	1	4,101	3,325	3,713	4,330	4,750	-18%	-19%	12%	17%	10%	-26%	-14%
Austria	0	1	3,034	3,034	4,770	5,310	5,510	-40%	0%	57%	11%	4%	-5%	6%
Denmark	0	0	2,221	2,175	2,834	3,210	2,900	-14%	-2%	30%	13%	-10%	9%	24%
Finland	0	0	2,471	2,804	2,995	3,250	3,400	-17%	13%	7%	9%	5%	0%	9%
Portugal	0	0	2,464	2,195	1,928	2,300	2,400	-4%	-11%	-12%	19%	4%	-25%	-10%
Greece	0	0	57	53	53	65	80	-10%	-7%	0%	23%	23%	-16%	3%
Luxembourg	0	0	1,174	1,160	1,050	1,150	1,210	-5%	-1%	-9%	10%	5%	-15%	-7%
<b>Central &amp; Eastern Europe Index *</b>	<b>5</b>	<b>5</b>	<b>222</b>	<b>236</b>	<b>186</b>	<b>244</b>	<b>241</b>	<b>2%</b>	<b>7%</b>	<b>-21%</b>	<b>31%</b>	<b>-1%</b>	<b>-14%</b>	<b>12%</b>
Russia	2	2	9,930	10,317	9,055	9,500	13,000	-20%	4%	-12%	5%	37%	-27%	-23%
Turkey	1	1	2,155	2,299	1,573	2,360	2,125	9%	7%	-32%	50%	-10%	-21%	19%
Poland	1	1	1,293	2,187	2,625	3,100	2,900	32%	69%	20%	18%	-6%	169%	217%
Romania	0	0	5,694	6,144	6,649	7,300	7,700	-13%	8%	8%	10%	5%	2%	12%
Czechia	0	0	7,918	7,028	5,822	6,300	7,100	-7%	-11%	-17%	8%	13%	-32%	-26%
Hungary	0	0	4,316	5,119	8,450	9,600	8,400	-18%	19%	65%	14%	-13%	61%	82%
Slovakia	0	0	1,889	1,692	1,812	2,000	2,100	-23%	-10%	7%	10%	5%	-26%	-18%
Bulgaria	0	0	531	545	548	575	605	6%	3%	1%	5%	5%	9%	14%
Lithuania	0	0	787	738	1,150	1,600	1,750	-51%	-6%	56%	39%	9%	-28%	0%
Latvia	0	0	374	241	308	490	570	-33%	-36%	28%	59%	16%	-45%	-12%
Estonia	0	0	145	105	97	120	140	0%	-28%	-8%	24%	17%	-33%	-17%
<b>Africa Index *</b>	<b>1</b>	<b>1</b>	<b>141</b>	<b>193</b>	<b>222</b>	<b>234</b>	<b>235</b>	<b>-14%</b>	<b>37%</b>	<b>15%</b>	<b>5%</b>	<b>1%</b>	<b>36%</b>	<b>44%</b>
South Africa	0	1	2,035	1,932	1,907	2,050	2,140	0%	-5%	-1%	7%	4%	-7%	0%
Morocco	0	0	6,620	10,552	12,397	13,000	13,000	-22%	59%	17%	5%	0%	46%	53%
<b>Asia-Pacific Index *</b>	<b>32</b>	<b>37</b>	<b>123</b>	<b>100</b>	<b>104</b>	<b>117</b>	<b>124</b>	<b>-18%</b>	<b>-19%</b>	<b>5%</b>	<b>12%</b>	<b>5%</b>	<b>-30%</b>	<b>-22%</b>
China	18	21	11,997	8,689	7,528	7,800	8,200	1%	-28%	-13%	4%	5%	-36%	-34%
Japan	5	6	7,773	6,030	6,428	7,230	7,620	-7%	-22%	7%	12%	5%	-23%	-14%
India	3	4	736	808	1,212	1,650	1,750	-62%	10%	50%	36%	6%	-37%	-14%
South Korea	2	2	292	183	149	190	210	-29%	-37%	-19%	28%	11%	-64%	-54%
Australia	2	2	3,582	3,406	4,940	5,700	6,200	-44%	-5%	45%	15%	9%	-23%	-11%
Taiwan	1	1	200	204	211	225	205	-2%	2%	3%	7%	-9%	3%	10%
Singapore	0	0	200	191	215	225	230	-30%	-5%	13%	5%	2%	-25%	-22%
Hong Kong	0	0	234	299	303	305	295	-4%	28%	1%	1%	-3%	24%	25%
New Zealand	0	0	1,581	1,476	1,653	1,900	2,100	-17%	-7%	12%	15%	11%	-14%	-1%
<b>Global with absolute number of firms</b>	<b>85</b>	<b>100</b>	<b>75</b>	<b>71</b>	<b>82</b>	<b>100</b>	<b>104</b>	<b>-21%</b>	<b>-7%</b>	<b>17%</b>	<b>21%</b>	<b>4%</b>	<b>-14%</b>	<b>4%</b>

(\*) Index 100: 2000 (\*\*) GDP 2022 weighting at current exchange rates (\*\*\*) weighing at 2015 number of active firms per country (OECD and national source figures)

Sources : national figures, Allianz Research (f:forecasts)



# Our team

**Chief Economist  
Allianz SE**



Ludovic Subran  
[ludovic.subran@allianz.com](mailto:ludovic.subran@allianz.com)

**Head of  
Economic Research  
Allianz Trade**



Ana Boata  
[ana.boata@allianz-trade.com](mailto:ana.boata@allianz-trade.com)

**Head of Macro and  
Capital Markets Research  
Allianz SE**



Andreas Jobst  
[andreas.jobst@allianz.com](mailto:andreas.jobst@allianz.com)

**Head of Insurance, Wealth  
and Trends Research  
Allianz SE**



Arne Holzhausen  
[arne.holzhausen@allianz.com](mailto:arne.holzhausen@allianz.com)

---

**Macroeconomic Research**



Maxime Darmet  
Senior Economist for US and France  
[maxime.darmet@allianz-trade.com](mailto:maxime.darmet@allianz-trade.com)



Roberta Fortes  
Senior Economist for Ibero-Latin America  
[roberta.fortes@allianz-trade.com](mailto:roberta.fortes@allianz-trade.com)



Jasmin Gröschl  
Senior Economist for Europe  
[jasmin.groeschl@allianz.com](mailto:jasmin.groeschl@allianz.com)



Françoise Huang  
Senior Economist for Asia Pacific  
[francoise.huang@allianz-trade.com](mailto:francoise.huang@allianz-trade.com)



Maddalena Martini  
Economist for Italy & Greece  
[maddalena.martini@allianz.com](mailto:maddalena.martini@allianz.com)



Luca Moneta  
Senior Economist for Africa and Middle East  
[luca.moneta@allianz-trade.com](mailto:luca.moneta@allianz-trade.com)



Manfred Stamer  
Senior Economist for Middle East and  
Emerging Europe  
[manfred.stamer@allianz-trade.com](mailto:manfred.stamer@allianz-trade.com)

---

**Corporate Research**



Ano Kuhanathan  
Head of Corporate Research  
[ano.kuhanathan@allianz-trade.com](mailto:ano.kuhanathan@allianz-trade.com)



Aurélien Duthoit  
Senior Sector Advisor  
[aurelien.duthoit@allianz-trade.com](mailto:aurelien.duthoit@allianz-trade.com)



Maria Latorre  
B2B Sector Advisor  
[maria.latorre@allianz-trade.com](mailto:maria.latorre@allianz-trade.com)



Maxime Lemerle  
Lead Analyst for Insolvency Research  
[maxime.lemerle@allianz-trade.com](mailto:maxime.lemerle@allianz-trade.com)

---

**Capital Markets Research**



Eric Barthalon  
Head of Capital Markets Research  
[eric.barthalon@allianz.com](mailto:eric.barthalon@allianz.com)



Jordi Basco-Carrera  
Lead Investment Strategist  
[jordi.basco\\_carrera@allianz.com](mailto:jordi.basco_carrera@allianz.com)



Pablo Espinosa Uriel  
Capital Market Research Analyst  
[pablo.espinosa-urriel@allianz.com](mailto:pablo.espinosa-urriel@allianz.com)

---

**Insurance, Wealth and Trends Research**



Michaela Grimm  
Senior Expert demographics  
[michaela.grimm@allianz.com](mailto:michaela.grimm@allianz.com)



Patricia Pelayo-Romero  
Expert Insurance  
[patricia.pelayo-romero@allianz.com](mailto:patricia.pelayo-romero@allianz.com)



Kathrin Stoffel  
Expert Wealth  
[kathrin.stoffel@allianz.com](mailto:kathrin.stoffel@allianz.com)



Markus Zimmer  
Senior Expert ESG  
[markus.zimmer@allianz.com](mailto:markus.zimmer@allianz.com)

# Recent Publications

- 06/04/2023 | [US: Credit crunch in the making?](#)
- 05/04/2023 | [The green industrial revolution – Investment pathways to decarbonize the industrial sector in Europe](#)
- 29/03/2023 | [Everything everywhere all at once](#)
- 24/03/2023 | [Swiss shotgun wedding – What’s next?](#)
- 23/03/2023 | [Centrifugal emerging markets](#)
- 16/03/2023 | [Mind the gap: the USD30trn global liquidity gap is here to stay](#)
- 10/03/2023 | [Inside corporate earnings](#)
- 08/03/2023 | [Easy come, easy go](#)
- 03/03/2023 | [#IWD: Employ and pay them more!](#)
- 28/02/2023 | [The new risk frontier in finance: biodiversity loss](#)
- 23/02/2023 | [Russia’s war economy](#)
- 21/02/2023 | [The “five Ds” of structurally higher inflation](#)
- 17/02/2023 | [The silver lining for global trade](#)
- 14/02/2023 | [Rates, not roses](#)
- 09/02/2023 | [Monetary policy in Central and Eastern Europe ahead of the curve?](#)
- 07/02/2023 | [A Faustian bargain: Europe’s answers to the US IRA](#)
- 02/02/2023 | [Falling off a savings cliff?](#)
- 31/01/2023 | [Do we need more inflation to get more corporate investment?](#)
- 27/01/2023 | [Consumption: What’s \(wealth\) got to do with it?](#)
- 24/01/2023 | [No, the energy shock in Europe does not mean de-industrialization](#)
- 27/01/2023 | [Consumption: What’s \(wealth\) got to do with it?](#)
- 24/01/2023 | [No, the energy shock in Europe does not mean de-industrialization](#)
- 20/01/2023 | [Eurozone: quantitative tightening and sovereign debt servicing cost](#)
- 17/01/2023 | [Allianz Risk Barometer 2023](#)
- 13/01/2023 | [Pension reform in France: Bonjour tristesse](#)
- 10/01/2023 | [Wealth without pensions in Asia](#)
- 15/12/2022 | [Economic Outlook 23-24: Keep calm and carry on](#)
- 09/12/2022 | [The economics of war, \(and its aftermath\)](#)
- 08/12/2022 | [Eurozone: Old lessons for a new world](#)
- 01/12/2022 | [House of cards? Perspectives on European housing](#)
- 30/11/2022 | [ESG – from confusion to action](#)
- 24/11/2022 | [Europe: How big will the interest rate shock be in 2023?](#)
- 23/11/2022 | [Black Friday for consumers, bleak Friday for retailers?](#)
- 18/11/2022 | [Financial globalization: moving towards a polarized system?](#)
- 15/11/2022 | [Africa’s journey to net zero: USD7trn just for energy](#)
- 10/11/2022 | [Fixed income is back](#)
- 09/11/2022 | [US midterms: Republicans are back, \(fiscal\) policy impasses too](#)
- 04/11/2022 | [EU fiscal rules – quo vadis?](#)
- 03/11/2022 | [Picking up contagion in equity and commodity markets](#)

Discover all our publications on our websites: [Allianz Research](#) and [Allianz Trade Economic Research](#)

### **Director of Publications**

Ludovic Subran, Chief Economist  
Allianz Research  
Phone +49 89 3800 7859

### **Allianz Group Economic Research**

[https://www.allianz.com/en/economic\\_research](https://www.allianz.com/en/economic_research)  
<http://www.allianz-trade.com/economic-research>  
Königinstraße 28 | 80802 Munich | Germany  
[allianz.research@allianz.com](mailto:allianz.research@allianz.com)

 @allianz

 allianz

### **Allianz Trade Economic Research**

<http://www.allianz-trade.com/economic-research>  
1 Place des Saisons | 92048 Paris-La-Défense Cedex | France  
[research@allianz-trade.com](mailto:research@allianz-trade.com)

 @allianz-trade

 allianz-trade

### **About Allianz Research**

Allianz Research encompasses Allianz Group Economic Research and the Economic Research department of Allianz Trade.

### **Forward looking statements**

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors

### **No duty to update**

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law. may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

Allianz Trade is the trademark used to designate a range of services provided by Euler Hermes