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## Press Information

# Corporate Insolvencies in Europe, Year 2022

## An Increase in Insolvencies

Inflation, energy shortages and other macroeconomic problems have significantly increased the number of corporate insolvencies in Europe. In 2022, there were 139,973 corporate insolvencies registered in Western Europe (EU-14, UK, Switzerland and Norway). This represented an increase of 24.2 per cent (2021: 112,686 cases). In Eastern Europe, the number of corporate insolvencies increased by 53.5 percent. These are the findings of a study by Creditreform Economic Research, Neuss.

The report states that European companies have had to shoulder numerous burdens in the past year. These include the massive price increases for energy and raw materials, for example, as well as the significantly higher financing costs due to the interest rate turnaround. The

economy also weakened noticeably over the course of 2022

"The end of the Corona pandemic was the beginning of a brief economic upswing in Europe before it was stifled again by the war in Ukraine. The ensuing energy crisis hit the economy virtually unprepared and with full force. Many ailing companies were no longer able to withstand the multiple burdens," says Patrik-Ludwig Hantzsch, Head of Creditreform Economic Research in Neuss, summarising the development of the year 2022.

"The increase in insolvency figures in Europe in 2022 followed two years of extremely low figures. As such, the insolvency trend can also be described as a normalisation and a necessary development. Under the special conditions of the pandemic period, the danger of zombie companies grew," says Gerhard Weinhofer, Managing Director at Creditreform Austria. The rising insolvency figures of the last twelve months partly reflected the effects of a backlog. Nonetheless, the pre-Corona level of corporate insolvencies in Western Europe has yet to be reached again.

In Western Europe, insolvency figures rose in the majority of the countries considered. Austria (plus 59.7 percent) recorded a significant rise, followed by Great Britain (plus 55.9 percent), France (plus 50.0 percent) and Belgium (plus 41.7 percent). The number of corporate insolvencies also increased in Switzerland, Ireland, the

Netherlands, Spain, Norway, Finland, Sweden and Germany. A decrease in the number of cases has been reported in Denmark, Luxembourg, Portugal, Italy and Greece

"The turnaround in insolvency figures has begun. But the end of the line has probably not yet been reached. The pressure remains high, so that rising numbers can be expected in the coming months," Hantzsch emphasises.

### **Significantly more bankruptcies in trade**

Insolvency figures increased in all main economic sectors. A significant increase was recorded in trade (incl. hotels and restaurants) with a plus of 34.5 percent, followed by construction with a plus of 24.7 percent. The number of cases in the service sector rose by almost 20 percent and in manufacturing by 13.1 percent.

"The noticeable increase in insolvencies, especially in the trade sector, is probably due to the consequences of the difficult Corona period. In addition, consumer restraint as a result of record inflation is having a particularly severe impact on this sector of the economy," explains insolvency expert Weinhofer. However, the energy crisis has affected all sectors of the economy and led to the dynamisation of insolvency activity in 2022.

### **Insolvency wave in Eastern Europe**

In Eastern Europe, the rise in insolvency figures has continued. Seven of the twelve countries surveyed recorded more cases in 2022. The increase was particularly

marked in Hungary, Bulgaria and Lithuania. A total of 60,010 corporate insolvencies were registered in Eastern Europe. The previous year's level (2021: 39,095 cases) has been clearly exceeded. In Turkey, too, insolvency figures rose significantly to 24,303 cases (plus 41.4 percent).

### **Balance sheets: Are we out of the Corona slump?**

"The balance sheet ratios show a slight economic recovery of companies in Western Europe after the deterioration in the first Corona year," explains Hantzsch. Significantly fewer companies would show a negative profit margin. Thus, 21.3 percent of the companies still recorded a negative EBIT in 2021 (previous year: 26.7 percent). One fifth of the companies (19.6 percent) achieved a very high profit margin of more than 25 percent. Equity ratios have also recovered somewhat. The share of companies with a high equity ratio of more than 50 percent increased by one percentage point to 47.2 percent. The share of companies with a very low equity ratio, on the other hand, decreased to 22.0 percent.

"Despite the improved results again, the corporate balance sheets still reflect the negative effects of the Corona period. Weak corporate stability is a vulnerable point for the next crisis," Hantzsch continues. Reducing days sales outstanding (DSO) would provide suppliers and service providers with liquidity more quickly again.

(ca. 5.100 Zeichen)

Neuss, 11 May 2023