

# Insolvency Forecasts

Atradius Economic Research – March 2015

## Summary

- Eurozone insolvencies remain 70% higher than in 2007.
- The business climate remains difficult especially in Spain, Italy, Portugal and Greece.

### Eurozone: improving but challenging

Economic conditions in the Eurozone remain challenging and insolvencies, in many countries, high. Consumers are cautious with spending and investment is generally low. And while financing conditions have started to ease recently, banks maintain very strict lending standards making it difficult for companies to roll-over loans or expand business. The modest economic recovery in 2014 and 2015 has only limited impact on the historically high level of insolvencies in the Eurozone. The number of business failures in 2015 is forecast to remain 70% higher than in 2007. The 7% fall in insolvencies forecast for this year highlights the expectations of little to no improvement (5% or less) for more than half of the countries reviewed.

Eurozone periphery countries such as Portugal, Spain and Italy in particular face a difficult insolvency environment in 2015, with business failures anticipated to be almost three

Insolvency matrix 2015

Deteriorating		Norway	
Stable	Austria, Canada, Switzerland,		France, Greece, Italy
Improving	Finland, Germany, Japan, Netherlands, New Zealand, Sweden, United States	Australia, United Kingdom	Belgium, Denmark, Ireland, Luxembourg, Portugal, Spain
	Low	Average	High

Source: Atradius Economic Research

times higher than in 2007. With its economy struggling to climb out of recession, last year Italy saw a further 10% increase in insolvencies. Insolvencies in Spain and Portugal are forecast to fall by 20% and 11% in 2015 respectively, but it will be a long way back to normal pre-crisis levels. Excess capacity, or slack in the economy, continues to pose a challenge to companies. The business climate will therefore remain difficult.

The uncertainty surrounding the Eurozone outlook is also significant as deflation may get more entrenched undermining the weak economic recovery. Expansionary monetary policy by the European central bank may also prove ineffective in stimulating the real economy. At the same time economic growth is held back by high household and corporate indebtedness.

**Most other markets are faring better**

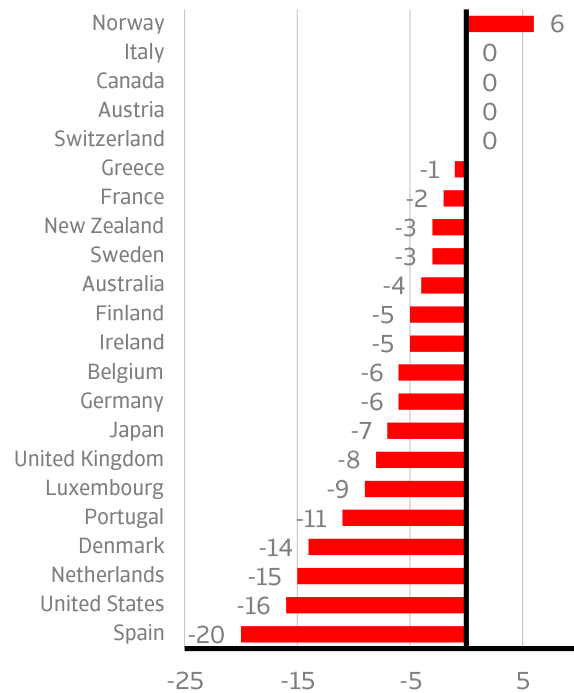
The solid economic recovery in the United States is forecast to result in a further 16% drop in the number of insolvencies in 2015. This would be the sixth consecutive year of lower bankruptcies. As a result the number of insolvencies is forecast to be 20% lower this year than in 2007. US companies are expected to continue to benefit from low financing costs as the Federal Reserve will be cautious in raising interest rates later this year with inflation being low and the value of the dollar rising. But exporting companies may be impacted by the more expensive dollar and see their profit levels fall.

Other advanced markets Japan, New Zealand and Australia are expected to see falling insolvencies this year as well. In Western Europe, most non-Eurozone countries can expect falling insolvencies, most notably Denmark (-14%) and the United Kingdom (-8%).

Only Norway is forecast to see business failures rise, by 6%, in 2015 as the economy, and many of its core companies, suffer from the lower global oil price. Even if oil prices recover this year, many companies in the industry have already cut back investment plans and put existing developments on hold. The total number of insolvencies in Norway is forecast to be 61% higher in 2015 than in 2007.

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**Insolvencies in 2015**  
(% change year ago)



Source: Atradius Economic

**Insolvency growth (% per annum)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015f
Australia	-4	18	3	-1	5	1	4	-18	-4
Austria	-6	0	9	-8	-8	3	-10	1	0
Belgium	1	10	11	2	7	4	11	-9	-6
Canada	-7	-2	-12	-20	-11	-12	-2	0	0
Denmark	21	54	54	13	-15	0	-9	-20	-14
Finland	-1	16	25	-13	3	0	6	-10	-5
France	7	8	14	-5	-1	3	2	2	-2
Germany	-15	0	12	-2	-6	-6	-7	-8	-6
Greece	0	30	40	30	33	30	10	3	-1
Ireland	19	100	50	10	7	3	-19	-15	-5
Italy	-35	18	29	21	8	14	16	10	0
Japan	6	11	-1	-14	-4	-5	-11	-10	-7
Luxembourg	5	-13	17	33	5	8	2	-2	-9
Netherlands	-23	1	73	-10	-1	21	10	-19	-15
New Zealand	-5	-35	45	-6	-12	-8	-13	-7	-3
Norway	-6	28	38	-12	-2	-12	20	-5	6
Portugal	-12	54	36	16	18	42	8	-9	-11
Spain	10	100	50	-2	14	38	10	-30	-20
Sweden	-5	7	20	-4	-4	7	4	-7	-3
Switzerland	-5	-2	24	20	7	3	-5	-7	0
United Kingdom	-5	24	23	-16	5	-4	-7	-6	-8
United States	2	52	41	-7	-15	-16	-17	-19	-16

Source: National bureaus, Atradius Economic Research

f=forecast

**Insolvency level, index**

	2007	2008	2009	2010	2011	2012	2013	2014	2015f
Australia	100	118	121	120	126	127	133	108	104
Austria	100	100	110	101	93	96	87	87	87
Belgium	100	110	123	125	133	138	153	140	132
Canada	100	98	86	69	62	54	54	53	53
Denmark	100	154	238	269	228	227	208	166	143
Finland	100	116	145	127	131	131	139	125	119
France	100	108	123	118	116	119	122	125	122
Germany	100	100	112	110	103	97	90	83	78
Greece	100	130	182	237	315	409	450	463	459
Ireland	100	200	300	330	354	365	296	252	240
Italy	100	118	151	183	197	223	259	285	285
Japan	100	111	110	95	90	86	77	69	64
Luxembourg	100	87	102	135	141	152	155	152	138
Netherlands	100	101	175	158	156	189	207	167	142
New Zealand	100	65	94	89	78	72	63	58	56
Norway	100	128	176	156	153	134	161	152	161
Portugal	100	154	210	242	286	405	438	398	354
Spain	100	200	300	293	335	463	512	358	286
Sweden	100	107	128	123	117	126	131	121	118
Switzerland	100	98	121	145	154	159	150	140	140
United Kingdom	100	124	153	128	135	129	119	112	103
United States	100	152	215	199	169	142	117	95	80

Source: National bureaus, Atradius Economic Research

f=forecast, index 2007 = 100

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Atradius Credit Insurance N.V.  
David Ricardostraat 1 · 1066 JS  
P.O. Box 8982 · 1006 JD  
Amsterdam  
The Netherlands  
Telephone: +31 20 553 9111  
Fax: +31 20 553 2811

[www.atradius.com](http://www.atradius.com)