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Global Insolvency Outlook: Reality check

Executive summary

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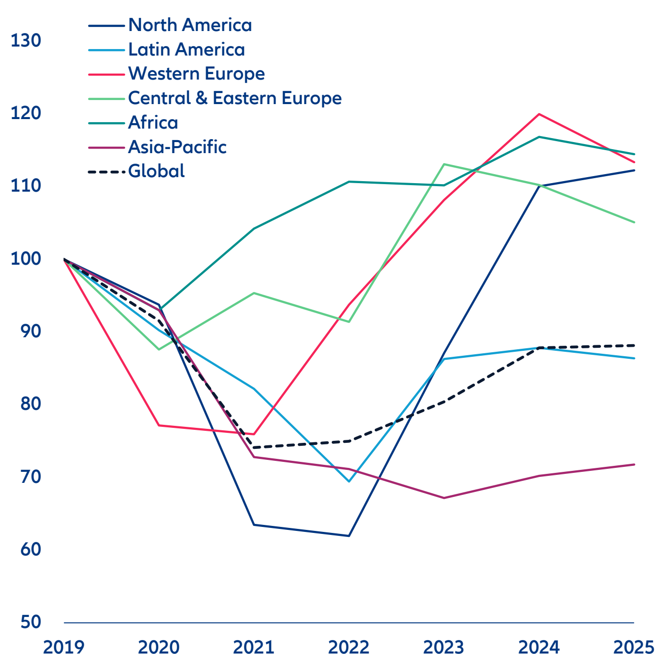
- **As expected, 2023 recorded a high-speed and broad-based rebound in business insolvencies and 2024 started with insolvencies above pre-pandemic levels in most advanced economies.** The number of business insolvencies rebounded in three out of four countries in 2023, with most recording a double-digit increase. Globally, the average increase in business insolvencies accelerated from +23% in 2022 to +29% in 2023, the fastest momentum since 2009 (+33%). The exceptions were mainly in emerging markets, notably the BRICS, but they account for a noticeable share of global GDP (30%) and thus our global insolvency index (38%), lowering the annual increase of our headline indicator. Overall, our global insolvency index increased by +7% y/y for the full year 2023, from +1% in 2022. Western Europe remained a key contributor to the global rise despite a slower rebound (+15% y/y), with a stable momentum at the Eurozone level (+14%). North America also boosted the global rebound, with the US recording a major surge (+47% y/y), while the prolonged low number in China offset the increase in insolvencies observed in most other Asian countries (Japan, South Korea, Australia, Hong Kong, New Zealand).
- **Looking ahead, we expect another acceleration in global business insolvencies in 2024 (+9% y/y), before a stabilization at a high level in 2025.** Four out of five countries will see business insolvencies increasing in 2024 (+12% y/y on average), with the largest increases likely in the US (+28% y/y), Spain (+28%) and the Netherlands (+31%). The broad-based rise would push two out of three countries above their pre-pandemic number of insolvencies in 2024 (2016-2019 average), up from half in 2023. In 2025, however, we expect a stabilization of our Global Insolvency Index, with a majority of countries posting a trend reversal (-9% y/y in simple average for the countries concerned). European countries in particular would see the largest decreases, most often from a strong bounce-back over 2021-2024 and/or from a historic high.
- We identify five main challenges that will make 2024 a year of reality checks for firms and the economy, in particular in Europe:
  - **Reality check #1: A profitability squeeze is looming.** Before benefiting from the global recovery in sight for 2025, firms will have to manage the deceleration in global demand. In particular, the US, the Eurozone and emerging markets, including China, will face below-trend GDP growth that will increase the pressure on profitability at a time of still-high operating costs, with little relief from energy prices, continuing wage growth and lingering supply-chain pressures (e.g. Red Sea, Panama canal). As of mid-February, analysts have revised down their estimates for earnings per share (EPS) for the full year 2024 by -0.7pp globally, with similar revisions for Europe (-0.7pp) and the US (-0.8pp).
  - **Reality check #2: Uncertainty is on the rise, from geopolitics to rising non-payment risk.** After a series of shocks in recent years, the packed election calendar in 2024 will add to economic uncertainty as countries that account for 60% of global GDP head to the polls. This context will add a layer of complexity and risk to business operations by making it harder for firms to make accurate forecasts and business plans, and creating volatility in input costs, such as for raw materials, and FX, making it difficult for firms to effectively manage their supply chains and budgeting processes. Moreover, regulation is also on the rise, which may force firms to make costly additional efforts to comply. Our non-payment risk score reveals that firms are getting more and more concerned by non-payment.

- **Reality check #3: Financing and liquidity conditions are still tight.** Firms will continue to face costly financing, maintaining concerns over their capability to absorb the costs of borrowing and mitigate the pressure on overall profitability. At the same time, the limited availability of financing will put the most exposed sectors and firms at risk, while the number of fragile firms remains noticeable in the UK (15%), France (14%), Italy (9%) and Germany (7%).

- **Reality check #4: New businesses will face their first real resilience test.** The post-pandemic acceleration in business creation is likely to push up the 'natural' rise in business insolvencies in 2024. In Europe, for example, new business registration proved to be +14% higher in 2021-2023, compared to 2016-2019. For those firms, this will be the first 'true' test of resilience, especially in the countries that saw the most new businesses created, notably France (+47%), the Netherlands (+28%) and Belgium (+14%). In terms of sectors, the information/communication (+32%), transportation/storage (+28%) and real estate/B2B services (+24%) are the ones to watch.

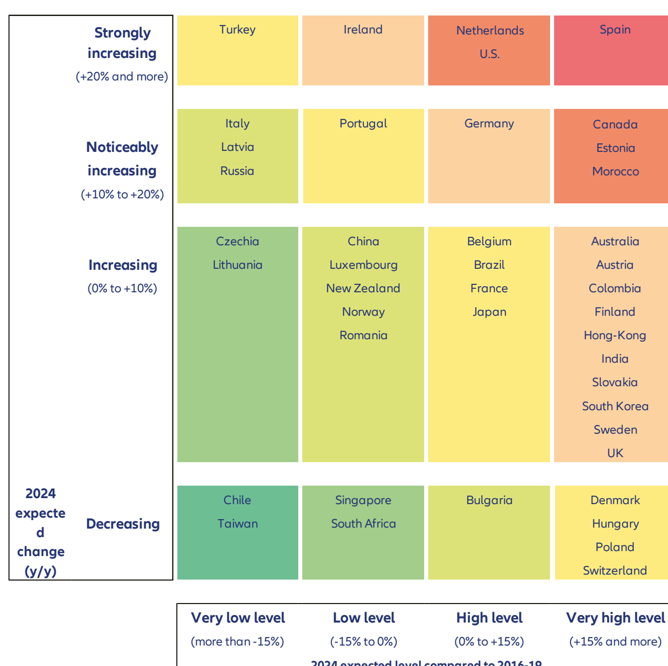
- **Reality check #5: Some sectors pose higher risks to jobs and the economy, with construction and real estate catching up with hospitality, transportation and wholesale/retail.** The sectors and firms most exposed to the risks of weaker-for-longer demand and prolonged high financing costs are those that rely on discretionary spending (manufacturing and retail of non-essential goods, hotels, restaurants, tourism and other leisure activities) and labor-intensive ones (construction, road transportation, hotels, restaurants, health care, specific business services). Construction and real estate, which already experienced noticeable jumps in Europe and Asia in 2023, will boost national numbers of business insolvencies due to the cyclical downturn and for business demographic reasons. The continuation of the most recent pace would mean over 16,000 firms going bust in France, over 7,000 in the UK, close to 4,000 in Germany and 2,000 in Italy.

Figure 01: Global and regional insolvency indices, yearly level, basis 100 in 2019



Source: Allianz Research

Figure 02: Insolvency heat map



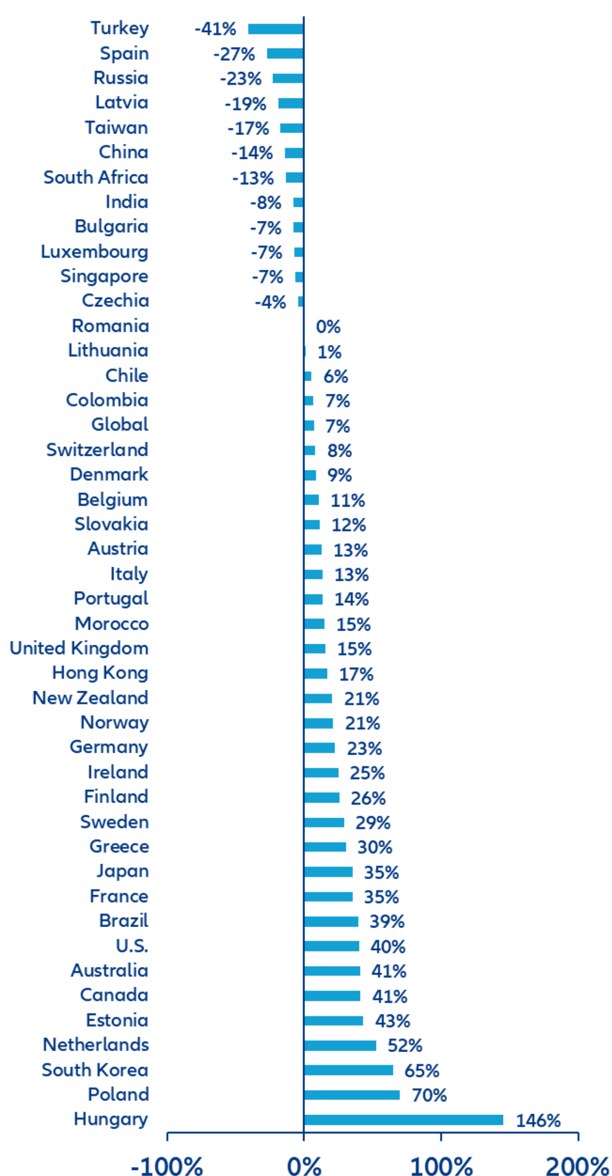
Source: Allianz Research

The normalization is complete in most advanced economies

As expected, 2023 recorded a high-speed and broad-based rebound in business insolvencies. The latest available data[1] show that the number of business insolvencies rebounded in three out of four countries in 2023 (accounting for 55% of global GDP), with most recording a sharp increase. Data from Q4 show that the upside trend accelerated at the end of the year in most countries, with significant jumps in the Americas (+54% y/y and +35% y/y in North America and Latin America, respectively) and in Asia (+67% in South Korea, +47% in Australia and +35% in Japan). De facto, 26 countries registered a double-digit rebound for the full-year 2023, with 11 of them experiencing a more than +30% surge in insolvencies (the US, Canada and Brazil in the Americas; the Netherlands and France in Western Europe; Poland and Hungary in Eastern Europe and South Korea, Australia and Japan in Asia). Globally, the average increase in business insolvencies accelerated from +23% in 2022 to +29% in 2023, the fastest momentum since 2009 (+33%). This rebound was largely expected since the numbers of insolvencies observed in 2020 and 2022 were artificially lowered by the massive state support offered to firms, first during the Covid-19 crisis and then following the shockwaves from the war in Ukraine, in particular on energy prices in Europe. This state support allowed firms to avoid declaring bankruptcy. A quick comparison with 2016-2019 levels shows that, between 2020 and 2022, support measures spared the equivalent of three-quarters of insolvencies in countries such as the US, Germany, Austria, Norway, Portugal and New Zealand, and the equivalent of one year of insolvencies usually reported in Australia, the Netherlands, France, Ireland and Italy. In this context, a 'normalization' was expected in 2023 amid weaker global demand, prolonged pressure on profitability due to higher input and financing costs – impacting mainly small and medium enterprises (SMEs) – and the ending of support measures in certain countries adding an additional constraint, for example via the repayment of state-guaranteed loans.

1. Full-year outcome available as of mid-February, with lagging figures mainly for Germany and India
2. See our previous insolvency report – Global Insolvency Outlook 2023-25: From maul to ruck?

Figure 03: 2023 business insolvencies, annual changes in %

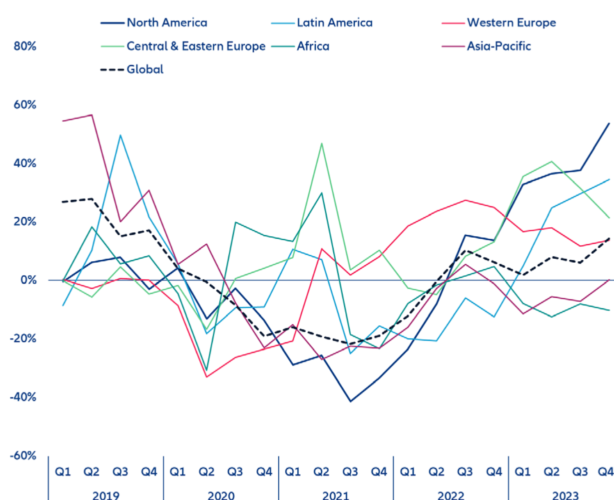


Source: Allianz Research

The BRICS were the main exceptions, as well as Spain. The few exceptions to the global rebound in business insolvencies mostly found in emerging markets, including Brazil, Russia, China, South Africa and Turkey, as well as a few countries in Central Europe (Bulgaria, Czechia and Latvia) and Asia (Singapore, Taïwan). India is also likely to be part of this list, though final numbers for 2023 are not available as yet. In these countries, the decrease in annual business insolvencies ranged from -7% y/y (Singapore) to -41% y/y (Turkey), with an average decline of -16% y/y. Overall, they account for a noticeable share of global GDP (30%) and thus our Global Insolvency Index[3] (38%), contributing to noticeably lower the annual increase of our headline indicator, even when excluding the special case of Spain where the strikes by court workers in the first part of the year created a backlog and temporarily lowered the number of cases. Excluding Spain, the increase in insolvencies in the Eurozone would have reached +19% in 2023 instead of +14% as per our regional index.

Overall, our global insolvency index increased by +7% y/y for the full year 2023, from +1% in 2022. This represents a slightly higher outcome compared to our previous expectations (+6% as of October), though the figures are not fully comparable due to changes in the reference year for national indices[4] and changes in 2023 GDP. For the second consecutive year, with two additional countries on the upside, Western Europe remained a key contributor to the global rise. Nevertheless, the rebound slowed down to +15% y/y, which was expected after the strong bounce-back initiated in 2022 (+23%). Overall, the Eurozone recorded stable momentum (+14%). North America took the lead in 2023, with the US recording a major rebound (+47% y/y) and Canada prolonging the upside trend that started in 2022 (from +35% to +27%). Conversely, and for the fourth year in a row, the Asia region contributed to lower our headline indicator despite the prolonged increase insolvencies observed in most countries (Japan, South Korea, Australia, Hong Kong, New Zealand). This is the result of China's relative importance, accounting for 32% of the regional index. Excluding China, Asia would have posted a +5% y/y increase instead of the -6% decline as per our regional index.

Figure 04: Global and regional indices, quarterly



Source: Allianz Research

3. Covering 44 countries that account for 85% of global GDP 2023, see statistical appendix
4. We switched from the year 2000 to the year 2015 the reference for the GDP-based computation of our insolvency indices, which automatically added +1pp to our expectations for 2023 (from +6% with the previous reference year to +7%), and reduced by -2pp our forecast for 2024 (from +10% to +8%)

Europe – Business insolvencies above pre-pandemic levels in two out of five sectors in 2023

Looking at the eight main economic sectors of our sample of 23 countries, we observed a broad-based rise in insolvencies across European sectors, with 66% (i.e. 121 out of the 184 sectors) recording an increase over the full year 2023 compared to 2022. This followed another dynamic last quarter (with more than 100 sectors posting another y/y rise). Overall, all sectors posted a rise in at least two-thirds of European countries in construction, transportation and storage, information and communication. Yet, construction and transportation & storage stand out with a strong catch-up above pre-pandemic levels in several countries (10 and 11, respectively), along with accommodation & food services (10). Western European countries recorded the largest numbers of sectors already above pre-pandemic levels of business insolvencies (2016-2019 average), notably the UK, France, Spain, Sweden and Denmark, and to a lesser extent Belgium.

Figure 05: FY 2023 number of insolvencies, y/y change in % and comparison with 2016-19 average level, selected countries

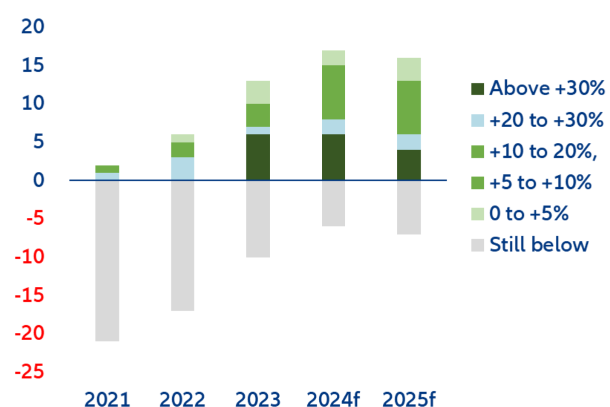
	Industry	Construction	Trade	Transport & storage	Accommod. & food service activities	Information & communic.	Finance, insurance, real estate, B2B activities	Education, human health & social work activities	ALL SECTORS
Belgium	10	14	4	12	23	-6	9	6	11
Bulgaria	-36	-1	-16	-22	-26	-14	-16	-46	-17
Denmark	-5	1	-9	-9	-2	-20	-18	-17	-11
France	31	40	31	30	45	45	37	33	37
Germany	20	13	24	0	32	44	21	27	21
Italy	17	-2	5	11	8	18	4	17	7
Latvia	-26	-26	-22	-70	-18	25	10	50	-20
Lithuania	15	-8	15	-20	-24	-16	4	21	-1
Luxembourg	-33	37	-8	0	-9	-21	5	-35	0
Netherlands	64	41	59	74	99	62	47	34	54
Norway	18	22	23	16	36	28	13	31	23
Poland	17	-2	25	-39	100	18	18	50	16
Portugal	48	27	13	11	-1	26	17	9	21
Spain	-7	-13	6	12	2	-23	-11	-6	-4
Sweden	21	37	25	26	24	41	27	32	29
UK	14	4	20	11	37	9	6	10	14

(*) non-seasonally adjusted numbers; underlined figures indicate a higher level compared to 2016-2019 average

Sources: Destatis, ONS, SCB, Eurostat, Allianz Research

Most advanced economies started 2024 with insolvencies already above pre-pandemic levels. At the end of 2023, the normalization in business insolvencies was completed in most advanced economies when comparing to pre-pandemic levels (2016-2019 average). This is especially the case in Western Europe, with Austria, Belgium and France. Spain was the first to reach pre-pandemic levels back in 2021, followed by the UK, Switzerland, Sweden, Denmark and Finland in 2022. In 2023, Canada, Japan and Australia also returned to their pre-pandemic levels of business insolvencies, catching up with South Korea. In countries such as Canada, the UK, Switzerland, Sweden and Finland, insolvencies are already exceeding pre-pandemic levels by more than 30% (see Figure 6). The three noticeable exceptions are the US, Germany and Italy, but the latter two are expected to follow suit in 2024.

Figure 06: Gap with 2016-2019 average level in business insolvencies in %, by year and number of advanced economies of Europe, America and Asia

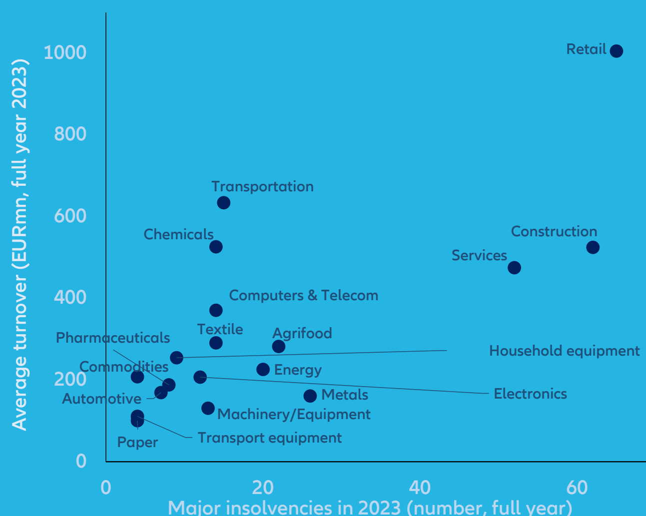


Source: Allianz Research

Major insolvencies: One case per day globally since end-2022

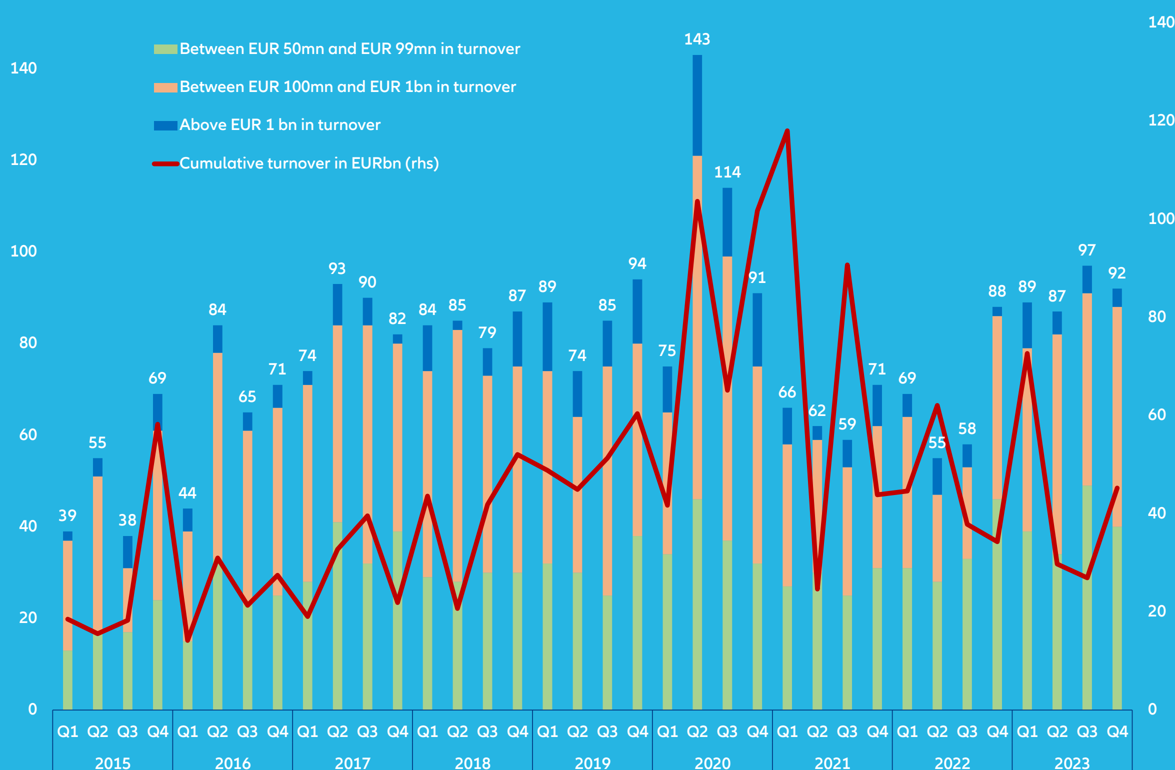
Retail in Western Europe, construction in Asia and services in the US saw the biggest increases in major insolvencies. In Q4 2023, the number of insolvencies of large companies reached another high (92), slightly above the pre-pandemic average (+7 cases compared to the 2017-2019 average). Overall, 2023 ended with a significant rebound in the annual number of major insolvencies to 365 cases from 270 in 2022 (+95 cases i.e. +35%). However, the combined turnover of insolvent major companies remained almost stable, dropping by -2% annually in 2023 to EUR175bn from EUR179bn, while the average turnover decreased by -28% annually to EUR478mn – i.e. slightly above the 2015-2019 average (EUR463mn). For reference, the average turnover in 2020 and 2021 was boosted by a few top cases such as HNA and Evergrande in China. With 195 cases over the year, Western Europe led the global count, ahead of Asia-Pacific (67) and North America (66). But the US replaced China on the podium with the highest number of major insolvencies, accounting for 10 out of the top 20 insolvencies in 2023 (compared to five for China and three for Western Europe). The top three sectors contributing to the global count were in Western Europe: retail (39 cases), construction (32) and services (28). Meanwhile, Asia stands out with a large number of cases in construction (22) and metals (12), while the US posted an almost similar number of large cases in services (16) and retail (15). For the full year 2023, retail stands out with the largest severity in terms of turnover (EUR1bn on average), ahead of transportation (EUR634mn), chemicals (EUR527mn) and construction (EUR525mn).

Figure 07: Major insolvencies by sector, number of cases (x axis) and average turnover (y axis, EURmn), 2023 figures



Source: Allianz Research

Figure 08: Major insolvencies, quarterly number, by size of turnover



Source: Allianz Research

5. Firms with an annual turnover exceeding EUR50mn, based on the reporting of Allianz Trade business units.

2024-2025: Reality check ahead

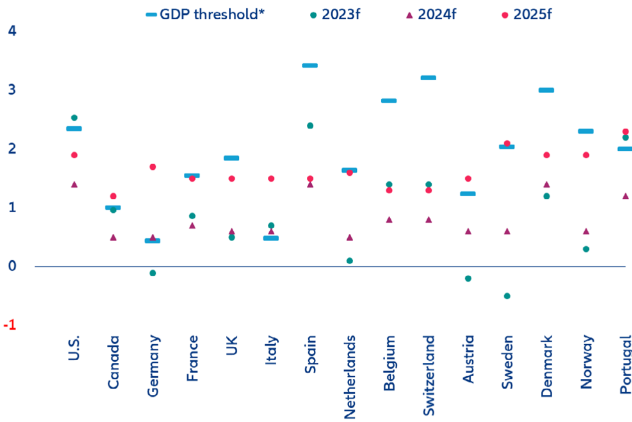
While we do not expect a repeat of the tsunami of insolvencies seen after the 2008 financial crisis, advanced economies will face a noticeable catch-up in 2024. In 2008 and 2009, business insolvencies skyrocketed by +17% and 19% y/y, respectively. But for 2024, our central scenario[6] suggests a +9% y/y increase in business insolvencies, with most regions and four out of five countries seeing rising numbers and the largest increases notably in the US (+28% y/y), Spain (+28%) and the Netherlands (+31%). This broad-based rise would push two out of three countries above their pre-pandemic number of insolvencies in 2024 (2016-2019 average), from half of them in 2023. In 2025, we expect a somewhat stabilization of our Global Insolvency Index, with a majority of countries posting a trend reversal (-9% y/y in simple average for the countries concerned). European countries would see the largest declines, most often from a strong bounce-back over 2021-2024 and/or from a historic high.

We identify five challenges ahead for companies:

Reality check #1: A profitability squeeze is looming. Before benefiting from the global recovery in sight for 2025, firms will have to manage the deceleration in global demand that may affect them directly or indirectly. In several countries, the level of activity is unlikely to reach the minimum required to at least stabilize the number of insolvencies, with below-trend GDP growth in particular in the US (+1.4% in 2024), the Eurozone (+0.8%) and emerging markets, including China (+4.6%). Based on long-term sensitivities (see Figure 9), the Eurozone and the US would both need +0.7pp in additional GDP growth on average in 2024-2025 to stabilize their numbers of insolvencies, with both only gradually reducing the GDP gap compared to 2023. Weaker-for-longer demand is likely to result in increased competition, leading to reduced pricing power and declines in revenue growth, increasing the pressure on profitability at a time of still-high operating costs, with little relief from energy prices and recovering labor costs. The recent earnings seasons have already shown that even listed firms, despite their comparative advantage (notably in pricing power), have started to feel the pinch from waning demand and still-high production costs, as well as lingering supply-chain pressures (e.g. Red Sea, Panama canal). This is notably the case for consumer durables, pharmaceuticals, paper, chemicals and metals. The latest market expectations also confirm the margin squeeze ahead: As of mid-February, analysts have revised down their estimates for earnings per share (EPS) for the full year 2024 by -0.7pp globally, with similar revisions for Europe (-0.7pp) and the US (-0.8pp, see Figure 10).

6. See our report – Global Economic Outlook 2023-2025: Looking back, looking forward.

Figure 09: Level of GDP stabilizing insolvencies vs 2023-25 GDP forecasts, US and selected European countries

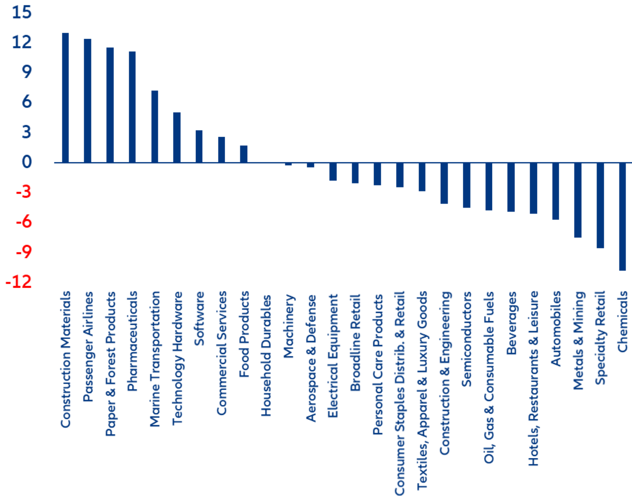


(*) GDP threshold: GDP growth momentum required to stabilize the number of insolvencies prior to the pandemic

Source: Allianz Research

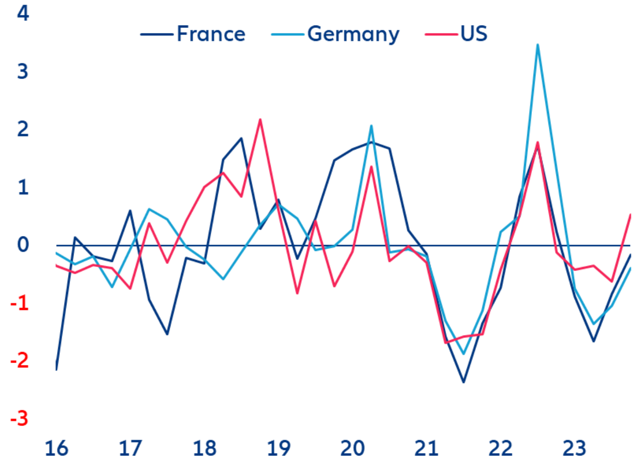
Reality check #2: Uncertainty is on the rise, from geopolitics to rising non-payment risk. After a series of shocks in recent years, the packed election calendar in 2024 will add to economic uncertainty as countries that account for 60% of global GDP head to the polls. This context will add a layer of complexity and risk to business operations by making it harder for firms to make accurate forecasts and business plans, and creating volatility in input costs, such as for raw materials, and FX, making it difficult for firms to effectively manage their supply chains and budgeting processes. Moreover, regulation is also on the rise, which may force firms to make costly additional efforts to comply. Our non-payment risk score[7] reveals that firms are getting more and more concerned by non-payment.

Figure 10: Europe: EPS analysts' revisions, today versus three-months change (%)



Sources: Bloomberg, Allianz Research

Figure 11: Allianz Trade non-payment risk score, selected countries

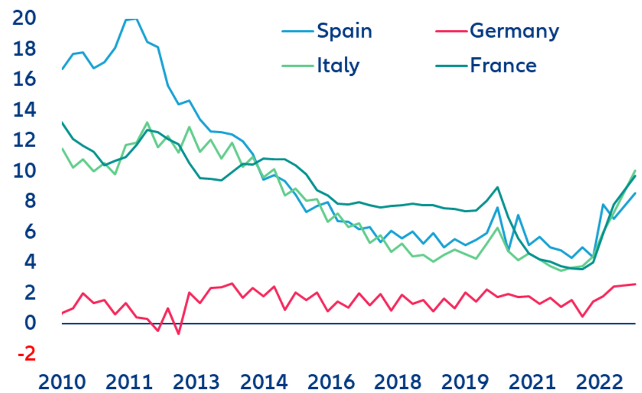


Source: Allianz Research

7. Our internal non-payment risk score is based on proprietary data on credit exposure.

Reality check #3: Financing and liquidity conditions are still tight. Central banks may pivot earlier than previously expected, thanks to the accelerating pace of disinflation , but interest rates are unlikely to decrease significantly in the short run. Moreover, we still expect to see more lagging effects of past decisions in monetary policies. In this context, firms will continue to face costly financing, maintaining concerns on their capability to absorb the costs of borrowing and mitigate the pressure on overall profitability, while the limited availability of financing will put the most exposed sectors and firms at risk. In 2023, net interest payments of non-financial firms already rebounded significantly in Europe in proportion to their gross operating surplus (see Figure 12), reaching their highest levels in years in Italy (10%), France (9.7%), Spain (8.6%) and Germany (2.6%). At the same time, in Europe, cash hoardings held by non-financial firms (NFC) confirmed its negative trend reversal in 2023 but net cash positions dropped faster than economic activity, as indicated by our cash-burning index (see Figure 13). This suggests an even larger cash depletion for smaller firms since cash remains highly concentrated among the largest firms and within specific sectors (tech, consumer discretionary). Overall, SMEs at risk may have noticeably increased in 2023. Our previous evaluation already indicated over 500,000 fragile SMEs in the four largest European economies (the UK (15%), France (14%), Italy (9%) and Germany (7%)), despite a slight improvement from 2021 (19%, 15%, 11% and 8%, respectively). The sectors and firms that are most exposed are those with higher financing needs due to cyclical reasons (rise in operating costs, overstocking), structural factors (longer production cycle/higher working capital requirement) or structural changes – such as the recent switch of inventory-management to expensive 'just-in-case' strategies amid both geopolitical uncertainties and supply-chain disruptions (near/friend shoring). At the global level, two out of three sectors still recorded higher WCR at the start of Q4 2023 compared to last year, with global WCR standing at a record high of 82 days, more than +3 days above the pre-pandemic level. Our watch list also includes (i) firms that rely heavily on mortgages and loans on the demand side, such as real estate and durable goods; (ii) firms whose business models rely heavily on debt financing, notably low-rated and highly leveraged industries; (iii) firms that will have to roll out their debt by 2025 – note that 80% of small and mid-cap corporate debt will mature by 2028 and (iv) firms suffering from the indirect impact of foreign exchange depreciation against the USD (emerging markets, commodity importers and large US importers).

Figure 12: Net interest payments, Q3 2023, in % of gross operating surplus, selected countries



Sources: Banque de France, Allianz

Figure 13: WCR by global sectors, Q3 2023 level (y-axis) and y/y change, in number of days of turnover (listed firms)

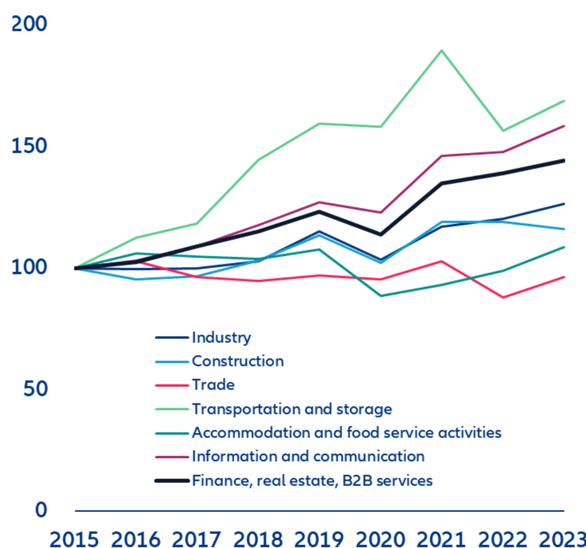
Source: Allianz Research

8. See our What to watch 26 January 2024
9. Cash hoardings held by non-financial firms (NFC) remain high in absolute terms at EUR3.5tn in the Eurozone as of December 2023 and USD2.6tn in the US as of September 2023, as well as in comparison with pre-pandemic levels (+37% and +45% compared to January 2020, respectively).
10. Cash-burning index: Difference in tempo between the change in activity (using nominal GDP as proxy) and the change in net cash position (the latter being measured by the difference between NFC deposits and NFC new loans (up to EUR1mn)). A negative figure indicates a cash-burning period while a positive figure indicates a period of cash accumulation.
11. Firms at risk of default in the coming four years, methodology based on profitability [EBIT/(Net financial debt + Equity)] and interest coverage (EBIT/interest expense); see our report "Three indicators can reveal SME insolvency risk up to four years in advance" for details on indicators and the respective thresholds for each country.

Reality check #4: New businesses will face their first real resilience test. Startups and younger firms often face a higher risk of financial difficulties and insolvency compared to their more established counterparts, which can weather economic downturns better. In this context, the post-pandemic acceleration in business creation is likely to push up the 'natural' rise in business insolvencies in 2024. In Europe, for example, new business registration proved to be +14% higher in 2021-2023, compared to 2016-2019. For those firms, 2024 will be the first 'true' test of resilience, especially in the countries that saw the most new businesses created, notably France (+47%), the Netherlands (+28%) and Belgium (+14%). In terms of sectors, the information/communication (+32%), transportation/storage (+28%) and real estate/B2B services (+24%) are the ones to watch.

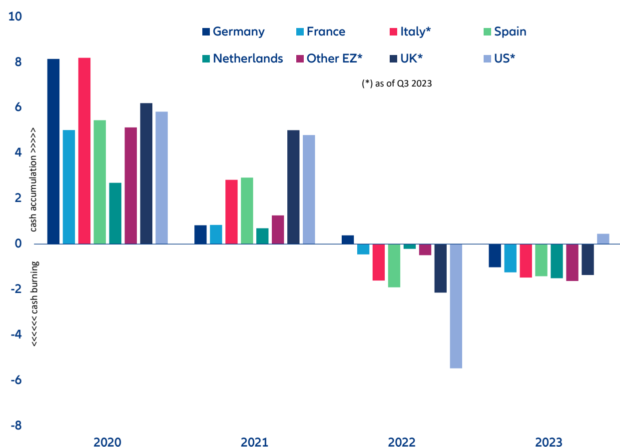
Reality check #5: Some sectors pose higher risks to jobs and the economy, with construction and real estate catching up with hospitality, transportation and wholesale/retail. The sectors and firms most exposed to the risks of weaker-for-longer demand and prolonged high financing costs are those that rely on discretionary spending (manufacturing and retail of non-essential goods, hotels, restaurants, tourism and other leisure activities) and labor-intensive ones (construction, road transportation, hotels, restaurants, health care, specific business services). Construction and real estate already recorded noticeable jumps in the last quarter of 2023, especially in France (+47% y/y), the Netherlands (+58%), Sweden (+36%), Norway (+23%) and Belgium (+18%) in Europe, as well as Japan (+42%) and Australia (+42%). In 2024, these sectors will boost national numbers of business insolvencies due to the cyclical downturn and because of the relatively higher number of firms and share of SMEs . The continuation of the most recent pace would mean over 16,000 firms going bust in France, over 7,000 in the UK, close to 4,000 in Germany and 2,000 in Italy.

Figure 15: Business creation in Europe, by sector, annual number, basis 100 in 2019



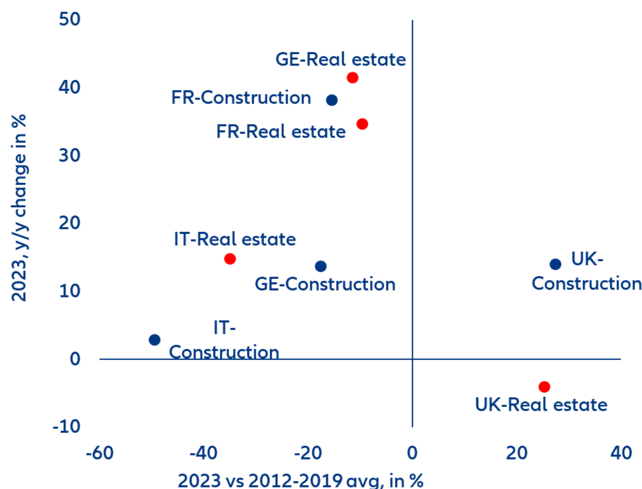
Source: Allianz Research

Figure 14: Cash-burning index, selected countries



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

Figure 16: Insolvencies in construction and real estate, Germany (DE), France (FR), Italy (IT) and the UK



Sources: DeStatis, INSEE, CCCM, ONS, Allianz Research

12. See our report Global construction outlook: Liquidity cracks.

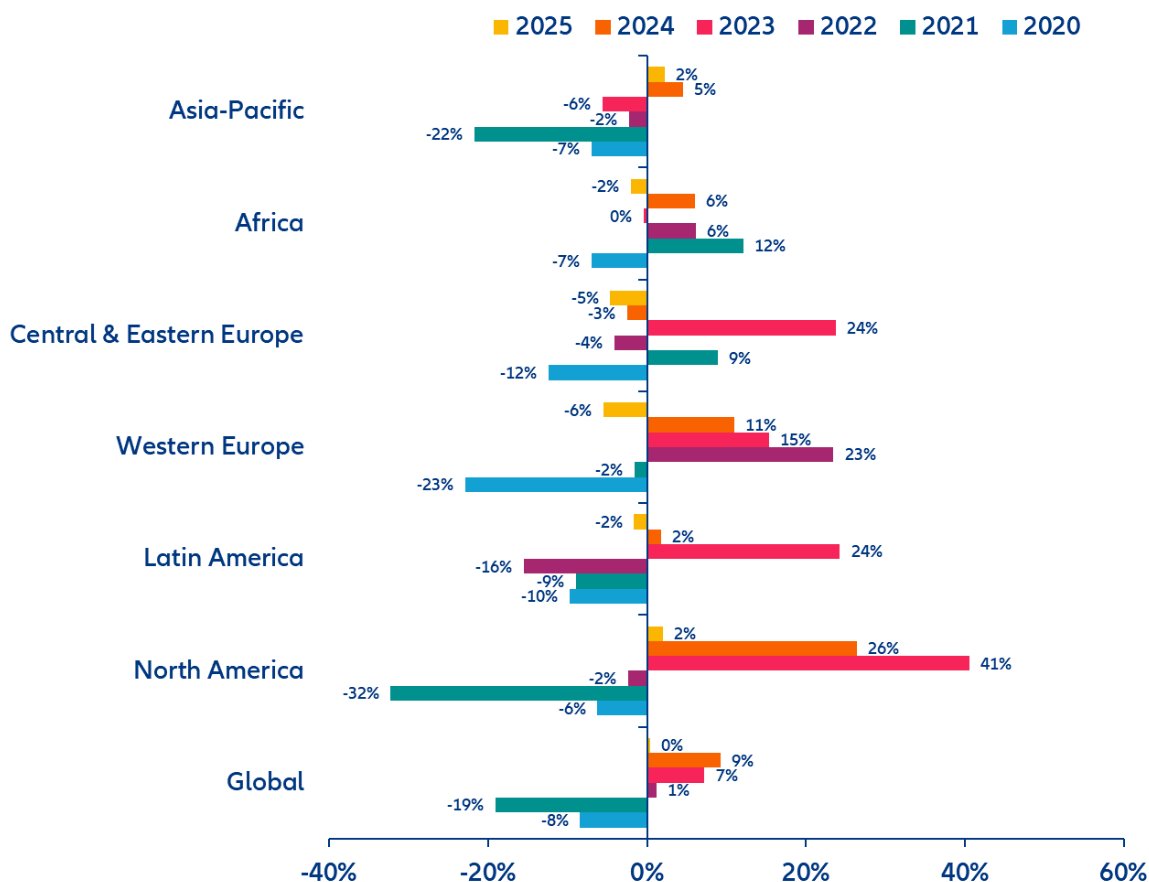
13. Historically, construction has often been the largest contributor to national insolvency numbers, accounting for around 20% of the total number of cases over the last 10 years (17% in Germany, 19% in the UK, 20% in Italy and 22% in France), ahead of trade (17%, 14%, 24% and 21%, respectively) and accommodation/food services (10%, 12%, 7% and 12%, respectively).

Regional outlooks

In **Western Europe**, we expect a prolonged increase in business insolvencies in 2024 (+11% y/y) for the third consecutive year (+23% in 2022 and +15% in 2023), followed by a decline in 2025 (-6%), with a similar pattern for the Eurozone (+14% and -6% respectively). Despite mixed dynamics across countries, the region is already recording 8% more insolvencies than in 2019. The additional increases expected in all countries in 2024, with Denmark and Switzerland as exceptions, should push the region 20% above, with the UK, Ireland and Spain at the forefront (43%,43% and 38% above, respectively). De facto, most countries would record another noticeable increase compared to 2023, albeit a softer one, including the core markets of Germany, France and the UK, as indicated by our insolvency-regime change model[14] and our non-payment risk score based on operational data of Allianz Trade[15] . The Netherlands (+31% y/y), Spain (+28%), Ireland (+22%) and Italy (+19%) should face the largest increases. 2025 should see a broad-based but moderate decrease in insolvencies across countries (-6% for the regional index) as the economic outlook improves.

In **Germany**, business insolvencies are set to keep on rising in 2024 (+13 y/y). The upside trend reversal started in 2023 from a (very) low level, with a lag compared to most other European countries. But it accelerated strongly over 2023 (+23%), in particular in the second part of the year (+25% y/y in H2), with hospitality (9% of the total), trade (16%), construction (17%) and B2B services (21%) as key contributors to the national count – on top of several well-known companies. In 2024, the prolonged weakness of the economy, which will barely exit recessionary mode, and the structural challenges linked to Germany's wider economic model in a context of tighter financing conditions will push more businesses into financial distress. In 2024, we expect business insolvencies to exceed the 2019 level of insolvencies (15,481 cases), reaching around 20,260 cases (+13% y/y i.e. +1,600 cases), before reaching a somewhat stable level in 2025 (19,860 cases) on the back of the expected rebound of the German economy.

Figure 17: Global and regional insolvencies indices, yearly change in %



Source: Allianz Research

Business insolvencies in **France** already ended 2023 on a strong note, with (i) a still-higher momentum in the last quarter (+37% y/y, compared to +25% in Q3 and +35% in Q2); (ii) almost 56,700 cases, i.e. above pre-pandemic levels (+10% above 2019 and +3% above the 2016-2019 average) and (iii) seven sectors well above historical levels, namely transportation/warehousing (20% above the 2010-2019 average), information/communication (18%), retail of automotive (16%), hospitality/restaurants (14%). Real estate and construction are also catching up, in sync with the cyclical downturn of residential investment. In 2024, we expect France to exceed the symbolic threshold of 60,000 cases after another noticeable increase (+7% y/y i.e. +4,000 cases), given the sluggishness of the economic recovery and prolonged constraints on the financing side, as well as less leniency in repayments of social security contributions and the Covid-related state-guaranteed loans (PGE). Insolvencies would remain at a high level in 2025 (55,000+) despite the positive impact expected from the economic recovery.

After ending 2023 with a 50-quarter high in business insolvencies (7,620 cases in Q4), the UK is on track for a continued increase in 2024 (+10% y/y) to a 15-year record, with 31,000 cases for the full year. After a succession of challenges (Brexit-related issues, Covid-19, earlier monetary tightening and rapid and sticky inflation), we expect domestic firms to continue to struggle as the economic outlook for 2024 remains weak, with GDP growth set to only gradually exit the recession zone. This will especially be the case in the top three sectors that contributed to the insolvency rebound (construction, trade, hotels/restaurants (18% of the total number of cases, 15% and 15%, respectively)). We expect insolvencies to remain high in 2025 as well (29,000 cases) as the economic and financing outlook will only moderately improve.

In **Italy**, business insolvencies should see the end of the roller coaster ride of the past years, with alternating strong rebounds (2020, 2022) and drops (2019, 2021). The upward trend reversal that gradually gained traction in 2023, with quarterly numbers of insolvencies accelerating from +4% y/y in Q1 to +31% y/y in Q4, has spread across all sectors – with a significant contribution from trade (accounting for 23% of the full-year outcome), manufacturing trade (17%), construction (16%) and hospitality (10%). We expect the prolonged weakness of the economy to increase the pressure on fragile firms that are already facing higher costs, higher interest rates and lower funding availability. Business insolvencies should continue catching up in 2024 and 2025, but the new negotiated settlement process, which is an 'out-of-court' proceeding, is gaining momentum and limiting the official number of insolvencies. In this context, we do not expect a return to the pre-pandemic level of business insolvencies despite a continuous rebound in 2024 (+19% to 9,190 cases) and 2025 (+4% to 9,550) – as per the figures resulting from the new legal context created by the 'Codice della crisi e dell'insolvenza'.

In Benelux, Belgium and the Netherlands are both set to record another increase in business insolvencies in 2024 (+6% y/y and +31%%, respectively). **Belgium** already faced a major bounce-back in the past two years (+42% and +11% in 2022 and 2023, respectively), almost closing the gap with its 2019 level – the second-highest number from a historical perspective – with all sectors on a continuous rise in 2024 (except information/communication). Transportation/storage and construction stand out, with insolvencies already well above their pre-pandemic average levels of insolvencies (+43% and +43%, respectively). In the **Netherlands**, however, the 'normalization' process materialized later, mainly in 2023. But the prolonged weak economic and financing outlook expected for 2024 will lead to another substantial increase in insolvencies (+31% y/y), due in particular to firms high exposure to the (international) economic cycle. We expect a return to above 2016-2019 levels but not the wave recorded on the back of the great financial crisis (7,900 cases on annual average over 2009-14).

Spain has so far continued to stand out as the exception compared to European peers in terms of business insolvencies: in 2020, by posting a tiny decrease; in 2021 by already recording a surge above pre-pandemic insolvency levels (+27% above 2016-2019 average) and in 2023, by seeing a noticeable drop (-27% y/y), thanks to the stronger resilience of the economy – on top of the strikes of workers at the Courts in Q1. The latter, now terminated, led to artificially low levels of insolvencies for several weeks, creating a backlog that took time to fully absorb, and a basis effect for a 'mechanical' rebound in Q1 2024. For the full-year 2024, we expect the moderation in economic momentum, with softer exports of goods and non-travel services, and the prolonged pass-through of monetary tightening to support a punctual rebound in business insolvencies (+28% y/y to 5,750 cases) before a decline in 2025 (-11% to 5,130 cases).

For **Central and Eastern Europe**, our regional index is displaying a moderate downside for 2024 and 2025 (-3% and -5%, respectively), but this would largely result from the specific cases of Poland and Hungary. In both countries, the official numbers of business insolvencies are expected to post a noticeable drop after having been boosted by proceedings relating to firms with nil/limited turnover and dormant companies (Hungary) or, and among other reasons, by changes in the insolvency framework that made restructuring procedures easier and faster (Poland).

After four consecutive years of increases to a record high of 4,467 cases in 2024 (+70% y/y), we expect business to 'normalize' from the specific factors in **Poland**, with more influence from the economic fundamentals. Yet, and despite a better orientation, we expect economic growth to remain below pre-pandemic trend, while structural weakness will remain, notably for SMEs. This will result in only a slightly lower number of insolvencies: around 4,000 cases in 2024 (-10%) and 3,450 cases in 2025 (-14%).

14. Our insolvency regime-change models are classification models that uses thousands of decade-long macro-financial data series in order to forecast the range of future insolvencies within one of four "buckets" (i.e., "decrease by more than 10%", "decrease by up to 10%","increase by up to 10%", "increase by over 10%"). Features selection and estimation of our models have been done independently for each country, using expanding windows and performances were assessed through their accuracy scores. For each of our countries, accuracy in forecasting the six-month ahead insolvency growth range stands above 70% (i.e., on an average year, the models predict correctly at least eight months)

15. Our internal non-payment risk score is based on proprietary data on credit exposure.

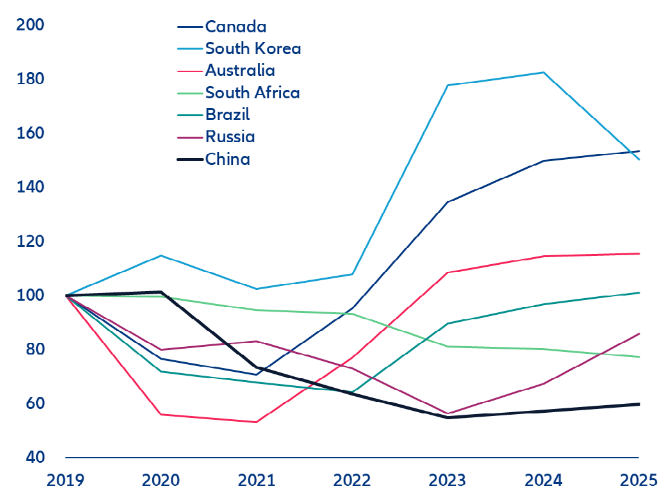
The other countries in the region should still see more insolvencies in 2024, notably **Turkey** (+20% y/y), where economic growth is expected to slow down to half of the 2010-2019 average[16], and **Russia** (+19%), where insolvencies have already started to catch up in 2023 (from less than 1,400 cases in Q1 to more than 2,300 in Q4), a sign of the government's reduced (financial) abilities and (political) willingness to support businesses compared to when the war in Ukraine began.

In **Asia**, we expect most countries to face a moderate increase in insolvencies in 2024, including China which is the major contributor to our regional index (66% of the total). This is the result of the sluggish growth outlook, with subdued global and regional demand, and prolonged worries in construction activity and real estate investments. However, 2025 should bring about decreases in some countries, notably New Zealand (+1% expected for 2024 and -3% in 2025), Hong Kong (+5% and -8% respectively), Singapore (+0% and -5% respectively) and South Korea (+3% and 18% respectively). At the regional level, this would translate into a +5% y/y increase in 2024, from -6% in 2023, followed by +2% in 2025, implying that Asia would not be back to 2019 levels in insolvencies by 2025.

China[17] has so far proved to be successful in maintaining a declining trend in insolvencies, with less than 6,500 cases in 2023, i.e. 45% below the record levels of 2019-2020. However, we expect the weaker economic outlook, with real GDP heading towards lower trend growth and financing issues, to lead to a moderate rebound in business insolvencies (+4% and +4% in 2024 and 2025, respectively), above pre-pandemic numbers (i.e. 6,700+ in 2024 compared to 4,700 cases on annual average over 2000-18). Worries would remain more on domestic activities, notably consumer-oriented sectors, construction and real estate, while export-oriented firms should continue to benefit from China's strong position in the global supply chain. In **Hong Kong,** the post-Covid normalization of the economy failed to lower the number of insolvencies until 2023 despite the boost from private consumption. For 2024, and after three years of increases (+28% in 2021, +1% in 2022 and +6% in 2023), we expect the economic slowdown and the prolonged pressure on the property market to maintain a high level of insolvencies (+5%), before a trend reversal in 2025 (-8%) in light of a stronger recovery after interest rates decline.

North America should keep on leading the global rebound in business insolvencies in 2024 and 2025, with the US recording another noticeable rise (+28% in 2024 and +2% in 2025, from +40% in 2023) and Canada prolonging the upside trend that began in 2022 (+11% and +2% from +41%, respectively). For the **US**, this will mean a return to 24,000+ insolvencies per year, slightly above the 2016-2020 average (22,700) but still a low level from a historical perspective (34,000 for the 2000-2020 average, 41,000 for the 1990-2020 average). The upside trend mainly reflects a normalization after an atypical period which combined the massive transformation of the USD953bn in government-guaranteed loans of the Paycheck Protection Program (PPP) into subsidies, with a strong post-Covid recovery in profits. In other words, US firms have accumulated buffers and build solid balance sheets that should continue to shield against the negative effects from tighter credit conditions and the soft landing of the economy. However, SMEs, which often have smaller cash reserves, thinner margins and fewer options for raising capital, should contribute more noticeably.

Figure 19: 2024-2025 expected number of insolvencies, selected economies, basis 100: year 2019

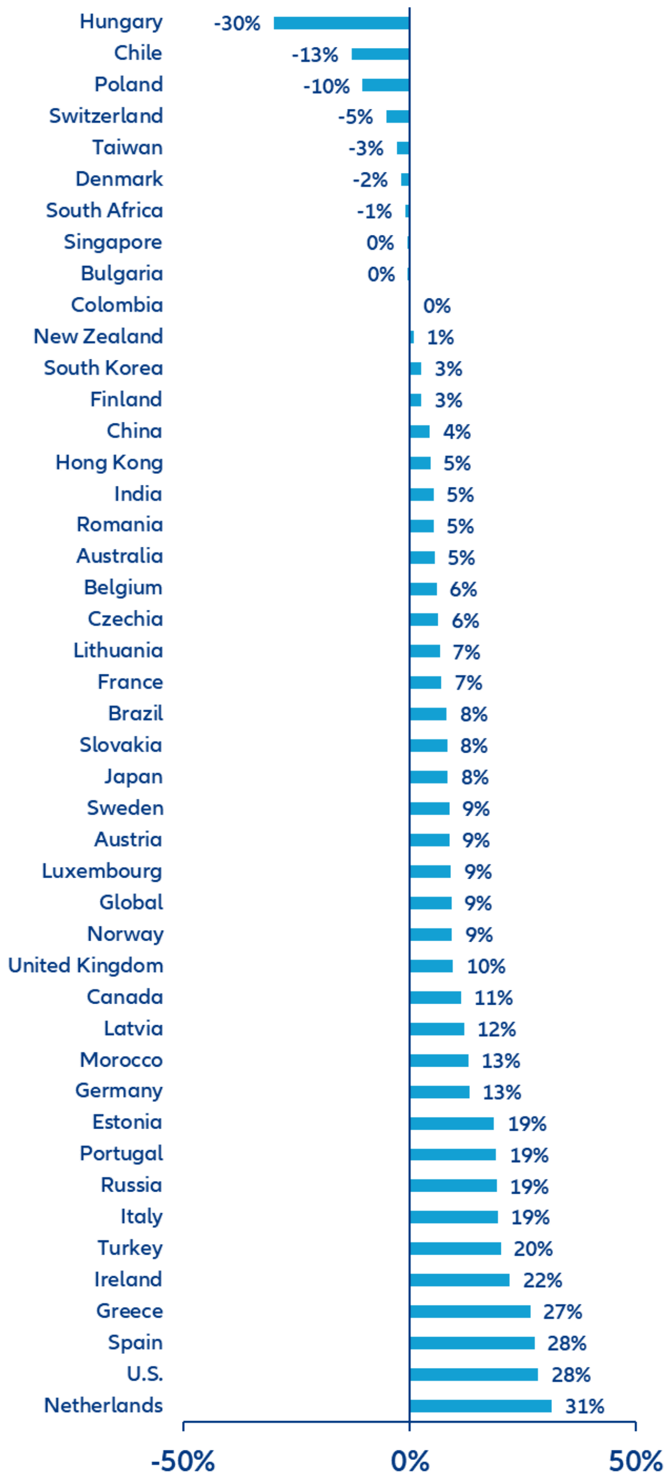


Source: Allianz Research

16. See our report: What to Watch Fbruary, 16, 2024

17. See our report China: keeping the dragon awake

Figure 18: 2024 expected number of insolvencies, annual changes in %

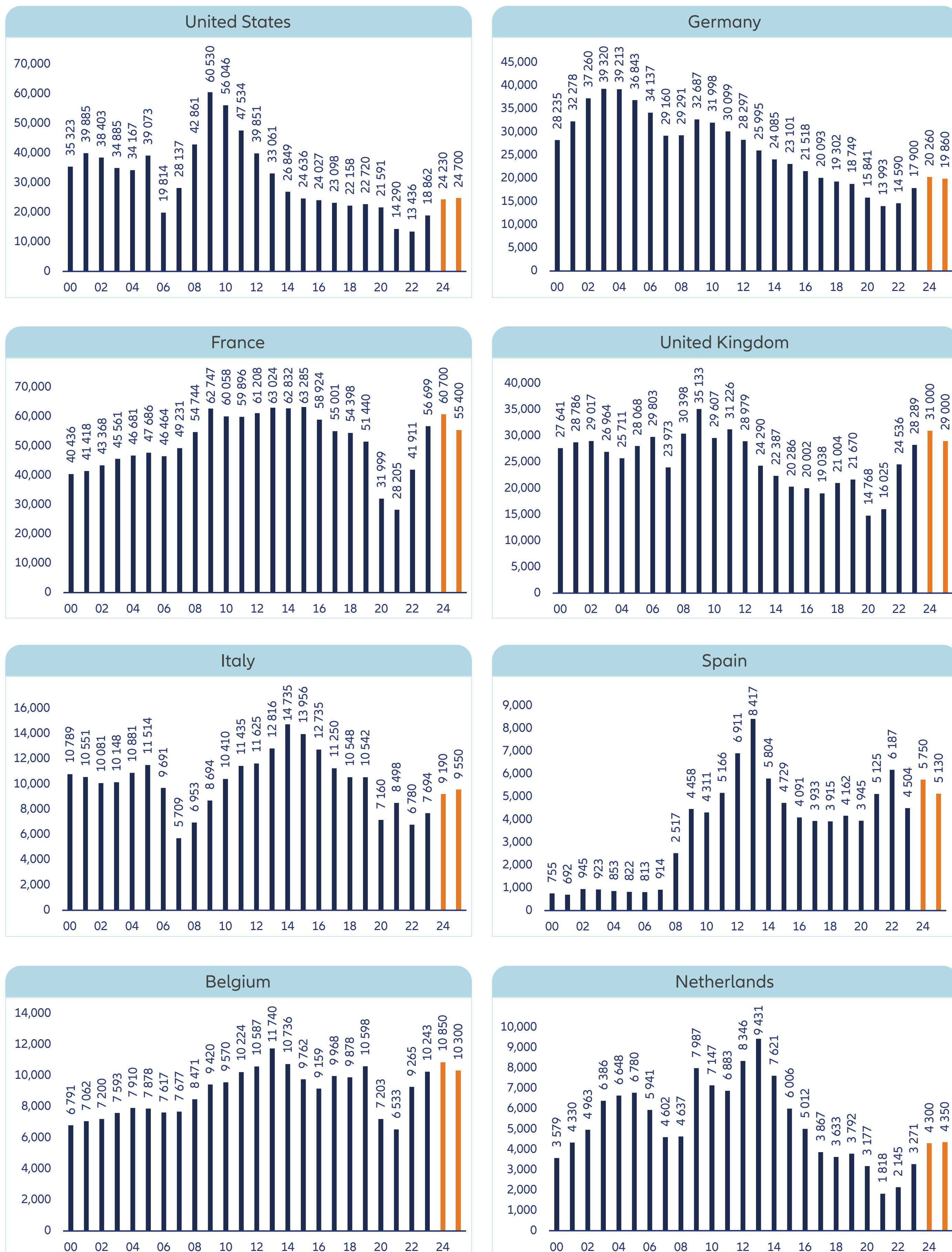


Source: Allianz Research

For **Canada**, however, the number of insolvencies is likely to hit a 15-year record high at 4,100+ cases, i.e. significantly above (+40%) the 2000-2023 average (3,000 cases), with another large set of cases in construction and B2C-related sectors (retail, hotels and restaurants). These sectors were already key contributors to the 2023 rebound (with 14%, 13% and 16% of the total number of insolvencies, respectively). With overall GDP growth at less than +1%, (very) small and medium firms are expected to struggle the most, especially those created in the last decade whose business models relied on a much lower cost of credit/financing.

Finally, in **Latin America,** we expect business insolvencies in **Brazil** to continue the upside trend posted in 2023 (+39% y/y), which gradually gained traction from +13% y/y in Q1 to +81% in Q4. The lagged effects of tight monetary policy are expected to halve GDP growth in 2024 compared to 2023. This should push insolvencies to the 2019 level by 2024 (+8% y/y to 2,800 cases), though they will remain contained in 2025 (+4% to 2,920).

Figure 20: 2024-25 expected number of insolvencies, selected advanced economies



Statistical appendix

	% of World GDP **	% of Global Index	Business insolvencies level					Business insolvencies growth					Comparison with 2019 level			
			2021	2022	2023	2024f	2025f	2021	2022	2023	2024f	2025f	2022	2023	2024f	2025f
GLOBAL INDEX *	85	100	119	120	129	141	141	-19%	1%	7%	9%	0%	-25%	-20%	-12%	-12%
North America Index *	26	30	58	57	80	101	103	-32%	-2%	41%	26%	2%	-38%	-13%	10%	12%
U.S.	24	28	14,290	13,436	18,862	24,230	24,700	-34%	-6%	40%	28%	2%	-41%	-17%	7%	9%
Canada	2	3	1,942	2,621	3,702	4,120	4,220	-8%	35%	41%	11%	2%	-5%	35%	50%	54%
Latin America Index *	2	3	140	119	147	150	148	-9%	-16%	24%	2%	-2%	-31%	-14%	-12%	-14%
Brazil	2	2	1,962	1,857	2,588	2,800	2,920	-6%	-5%	39%	8%	4%	-36%	-10%	-3%	1%
Colombia	0	0	1,506	1,088	1,148	1,000	900	-20%	-28%	6%	-13%	-10%	-36%	-33%	-41%	-47%
Chile	0	0	1,193	1,219	1,300	1,300	1,100	-8%	2%	7%	0%	-15%	-4%	2%	2%	-14%
Europe Index *	23	29	68	75	88	94	89	0%	11%	17%	7%	-5%	-10%	6%	12%	7%
EU27+UK+Norway Index *	19	25	74	91	113	121	113	3%	22%	24%	7%	-7%	1%	26%	34%	25%
EU27 Index *	16	20	73	85	108	115	107	3%	16%	27%	6%	-7%	-1%	25%	33%	24%
Euro zone Index *	13	17	61	70	80	91	87	-4%	14%	14%	14%	-4%	-15%	-3%	11%	6%
Western Europe Index *	18	24	68	84	96	107	101	-2%	23%	15%	11%	-6%	-6%	8%	20%	13%
Germany	4	4	13,993	14,590	17,900	20,260	19,860	-12%	4%	23%	13%	-2%	-22%	-5%	8%	6%
United Kingdom	3	4	16,025	24,536	28,289	31,000	29,000	9%	53%	15%	10%	-6%	13%	31%	43%	34%
France	3	3	28,205	41,911	56,699	60,700	55,400	-12%	49%	35%	7%	-9%	-19%	10%	18%	8%
Italy	2	2	8,498	6,780	7,694	9,190	9,550	19%	-20%	13%	19%	4%	-36%	-27%	-13%	-9%
Spain	1	2	5,125	6,187	4,504	5,750	5,130	30%	21%	-27%	28%	-11%	49%	8%	38%	23%
Netherlands	1	1	1,818	2,145	3,271	4,300	4,350	-43%	18%	52%	31%	1%	-43%	-14%	13%	15%
Switzerland	1	1	5,127	6,791	7,335	6,950	6,150	5%	32%	8%	-5%	-12%	13%	22%	16%	2%
Sweden	1	1	6,792	7,189	9,291	10,100	9,500	-10%	6%	29%	9%	-6%	-6%	22%	32%	24%
Belgium	1	1	6,533	9,265	10,243	10,850	10,300	-9%	42%	11%	6%	-5%	-13%	-3%	2%	-3%
Ireland	1	1	401	530	663	810	760	-30%	32%	25%	22%	-6%	-7%	17%	43%	34%
Norway	0	1	3,326	3,576	4,342	4,750	4,580	-19%	8%	21%	9%	-4%	-29%	-13%	-5%	-8%
Austria	0	1	3,034	4,775	5,380	5,850	5,500	0%	57%	13%	9%	-6%	-5%	7%	17%	10%
Denmark	0	0	2,175	2,834	3,078	3,020	2,800	-2%	30%	9%	-2%	-7%	9%	19%	17%	8%
Finland	0	0	2,804	2,993	3,763	3,860	3,460	13%	7%	26%	3%	-10%	0%	26%	29%	16%
Portugal	0	0	2,195	1,928	2,191	2,610	2,880	-12%	-12%	14%	19%	10%	-25%	-14%	2%	13%
Greece	0	0	53	23	30	38	40	-7%	-57%	30%	27%	5%	-63%	-52%	-40%	-37%
Luxembourg	0	0	1,159	1,006	935	1,020	980	-1%	-13%	-7%	9%	-4%	-19%	-24%	-17%	-21%
Central & Eastern Europe Index *	5	5	128	123	152	148	141	9%	-4%	24%	-3%	-5%	-9%	13%	10%	5%
Russia	2	2	10,306	9,047	7,000	8,350	10,650	4%	-12%	-23%	19%	28%	-27%	-44%	-33%	-14%
Turkey	1	1	2,299	1,573	932	1,120	1,050	-20%	-32%	-41%	20%	-6%	-59%	-76%	-71%	-73%
Poland	1	1	2,187	2,625	4,467	4,000	3,450	69%	20%	70%	-10%	-14%	169%	357%	309%	253%
Romania	0	0	6,144	6,649	6,650	7,000	7,000	8%	8%	0%	5%	0%	2%	2%	7%	7%
Czechia	0	0	7,077	5,860	5,602	5,950	5,600	-11%	-17%	-4%	6%	-6%	-31%	-34%	-30%	-34%
Hungary	0	0	5,119	8,450	20,751	14,500	8,700	19%	65%	146%	-30%	-40%	61%	294%	176%	65%
Slovakia	0	0	1,692	1,812	2,023	2,190	2,297	-10%	7%	12%	8%	5%	-26%	-17%	-11%	-6%
Bulgaria	0	0	545	548	507	505	490	3%	1%	-7%	0%	-3%	9%	1%	0%	-3%
Lithuania	0	0	738	1,041	1,050	1,120	950	-6%	41%	1%	7%	-15%	-35%	-35%	-30%	-41%
Latvia	0	0	241	308	250	280	260	-36%	28%	-19%	12%	-7%	-45%	-55%	-50%	-53%
Estonia	0	0	105	97	139	165	150	-28%	-8%	43%	19%	-9%	-33%	-4%	14%	3%
Africa Index *	1	1	118	126	125	133	130	12%	6%	0%	6%	-2%	11%	10%	17%	14%
South Africa	0	0	1,932	1,907	1,657	1,640	1,580	-5%	-1%	-13%	-1%	-4%	-7%	-19%	-20%	-23%
Morocco	0	0	10,552	12,397	14,245	16,100	16,000	59%	17%	15%	13%	-1%	46%	68%	90%	89%
Asia-Pacific Index *	32	37	197	193	182	190	194	-22%	-2%	-6%	5%	2%	-29%	-33%	-30%	-28%
China	20	24	8,689	7,528	6,481	6,770	7,070	-28%	-13%	-14%	4%	4%	-36%	-45%	-43%	-40%
Japan	4	5	6,030	6,428	8,690	9,420	9,600	-22%	7%	35%	8%	2%	-23%	4%	12%	14%
India	4	4	812	1,238	1,140	1,200	1,250	10%	52%	-8%	5%	4%	-36%	-41%	-38%	-35%
South Korea	2	2	955	1,004	1,657	1,700	1,400	-11%	5%	65%	3%	-18%	8%	78%	83%	50%
Australia	2	2	3,406	4,940	6,959	7,340	7,400	-5%	45%	41%	5%	1%	-23%	9%	15%	16%
Taiwan	1	1	204	211	175	170	170	2%	3%	-17%	-3%	0%	3%	-15%	-17%	-17%
Singapore	0	0	191	215	201	200	190	-5%	13%	-7%	0%	-5%	-25%	-30%	-30%	-34%
Hong Kong	0	0	299	303	354	370	340	28%	1%	17%	5%	-8%	24%	45%	52%	39%
New Zealand	0	0	1,475	1,644	1,984	2,000	1,950	-7%	11%	21%	1%	-3%	-14%	4%	5%	2%

(*) Index 100: 2015

(**) GDP 2023 weighing at current exchange rates

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

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