

Corporate Insolvencies during 1st Half of 2010

Number of corporate bankruptcies rises by 4.5 percent – forecast for the whole year tends to be quite moderate

During the first half-year 2010 17,178 companies filed for bankruptcy. This means that the number of insolvency cases in comparison with the same period of the previous year (16,441) has risen by 4.48 percent. However, the insolvency statistics for the current year look like being more moderate than originally feared: In its current survey for 2010, the Hamburg financial information agency BÜRGE L reckons with a slight rise by three to four percent and forecasts up to 35,000 cases. “Nevertheless even more companies are having to instigate insolvency proceedings than at the time of the financial crisis. An economic balance has not yet been reached,” BÜRGE L’s Managing Director, Dr. Norbert Sellin, emphasises.

Heading the list of corporate insolvencies during the first half-year in respect of the federal states is North Rhine-Westphalia (3,305 cases) when regarding the absolute figures. The following positions are occupied by Bavaria with 2,258 bankruptcies, Baden-Württemberg (1,863) and Lower Saxony (1,781).

If one presents the statistics in relation to the company density in each of the federal states, then the least number of corporate insolvencies is apparent in Hamburg with 29 cases per 10,000 companies. Also in Bavaria (38), Baden-Württemberg, the Saarland and Thuringia (40 cases each), the numbers of cases are comparatively low. These states lie below the federal average of 46 insolvencies per 10,000 companies.

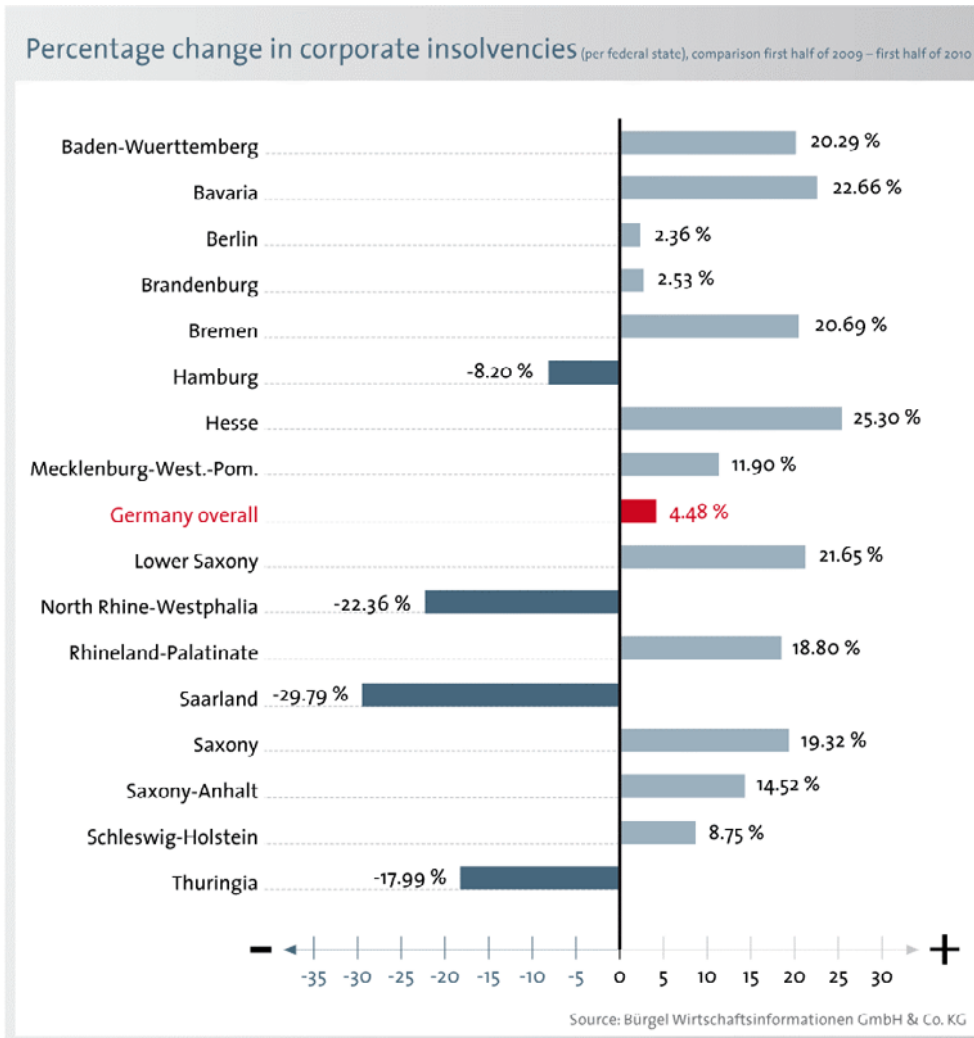
Insolvency proceedings per federal state (per 10,000 companies), first half of 2010



The worst results are recorded – by far – in Bremen with 80 insolvencies per 10,000 companies. But the survey has also come up with increased figures in Saxony-Anhalt (67 cases per 10,000 companies), Schleswig-Holstein (62) and in Berlin (59).

The strongest increase in insolvency figures by 25.3 percent to 1,316 cases was recorded during the first half-year 2010 in Hesse. But also in Bavaria (plus 22.66 percent; 1st half-year 2010: 2,258) and Lower Saxony (plus 21.65 percent; 1st half-year 2010: 1,781) the numbers of bankruptcies are on the increase. In the meantime the insolvency statistics are showing a downward trend in the Saarland with

minus 29.79 percent – likewise in North Rhine-Westphalia (minus 22.36 percent), Thuringia (minus 17.99 percent) and Hamburg (minus 8.20 percent).



The worst hit by corporate insolvencies during the first half-year are 6,977 commercial enterprises. This corresponds to a share of 41 percent of all corporate insolvencies registered during the survey period. 35 percent of all bankruptcies affect the legal form GmbH. Here 5,982 companies applied for creditor protection during the survey period. With regard to the age of the companies concerned, it is particularly companies that have only been active on the market for one to two years, that have had to noticeably shed their feathers – with a share of 18 percent of the insolvency figures. On the other hand the companies that came off the most lightly were those who have already been in existence for more than 50 years.

Even if the number of cases is lower than expected and the underlying economic conditions have turned out to be quite favourable – keyword: strong increase in exports (Federal Statistical Office) and a forecast economic growth of 1.4 percent (IWF) – the effects of the development during the first half-year for the German economy should not be underestimated. The four main reasons for the continued large numbers of corporate insolvencies are, firstly, the absence of new or rather the cancellation or postponement of already placed orders. In the second instance, domino effects cause insolvent companies to drag other companies along with them into bankruptcy.

Thirdly, the restrictive bank lending policy is jointly responsible for the insolvency trend at a continued high level. Fourthly, many companies have also made internal errors: in their management, through lack of controlling and the poor structural adjustment as well as outdated technologies.

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