

Press Release 7/2020

Halle (Saale), 7 May 2020

Launch of IWH Bankruptcy Update: Number of corporate bankruptcies in Germany constant despite Corona crisis

Despite the Corona outbreak, the number of corporate bankruptcies in Germany so far remains at 2019 levels. This is according to the new IWH Bankruptcy Update provided by the Halle Institute for Economic Research (IWH) on a monthly basis and much earlier than official statistics.

Do we see a surge in bankruptcies in Germany? Although expected by many observers, this horror scenario so far did not materialise. According to the first issue of the IWH Bankruptcy Update, 1,936 companies filed for bankruptcy in March and April 2020, which mirrors exactly the corresponding 2019 numbers. Excluding very small firms employing no or very few employees, the Update focusses on a group of legal forms of companies typically covering about 90% of all employees affected by employer bankruptcy.

Considerably faster than the official statistics, the new IWH Bankruptcy Update issued by the Halle Institute for Economic Research (IWH) provides a monthly update on corporate bankruptcy. Results only marginally deviate from official statistics, the latter drawing a comprehensive picture of the situation with a two months delay. The IWH Bankruptcy Update therefore is a reliable flash indicator for corporate bankruptcy in Germany. It is generated by analysing the public bankruptcy announcements of German courts. Due to its longstanding expertise, e.g. visible in the publications of the IWH Bankruptcy Research Unit, the Institute belongs to Germany's leading investigators of causes and consequences of corporate bankruptcy.

Steffen Mueller, head of the IWH Department for Structural Change and Productivity and the IWH Bankruptcy Research Unit, thinks that a widespread bankruptcy wave is still possible: "Many German firms are able to buffer a few tough weeks of low demand and, on top of that, rescue measures undertaken by the German government likely postponed the looming bankruptcy surge." Aside emergency help e.g. in terms of extended credit lines and the comprehensive German short-term work scheme, which already helped the economy to cope with the 2009 financial crises, a change of the bankruptcy law is likely contributing to the currently rather moderate bankruptcy numbers. The legal change, which was a reaction to the Corona outbreak and became effective at the end of March 2020, under certain circumstances relaxes firms' obligation to file for bankruptcy although they might actually be insolvent. Hence, a delayed surge in bankruptcy is possible after this legal exemption expires on September 30, 2020. However, the law already entails the possibility to extend the exemption if needed.

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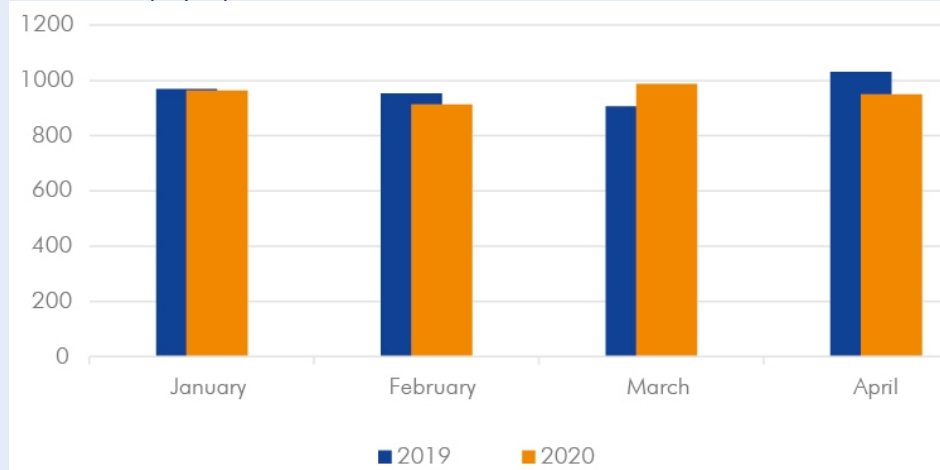
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The president of the Halle Institute, Reint Gropp, appreciates the monthly IWH Bankruptcy Update as new tool for policy advice: “Equipped with the new indicator, we will be able to draw a better and more up to date picture of the currently very unstable economic situation and provide guidance for the tough decisions policy makers face these days.”

Figure

IWH Bankruptcy Update



Bankruptcies of German firms with entry in the commercial register.

Sources: Bankruptcy announcements of German courts.; IWH presentation.

More about the IWH Bankruptcy Research Unit:

<https://www.iwh-halle.de/en/research/data-and-analysis/iwh-bankruptcy-research/>

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The IWH [list of experts](#) provides an overview of IWH research topics and the researchers and scientists in these areas. The relevant experts for the topics listed there can be reached for questions as usual through the IWH [Press Office](#).

The Halle Institute for Economic Research (IWH) – Member of the Leibniz Association was founded in 1992. With its four research departments – Macroeconomics; Financial Markets; Structural Change; Laws, Regulations and Factor Markets –, IWH conducts economic research and provides economic policy recommendations, which are founded on evidence-based research. With the IWH’s guiding theme

“From Transition to European Integration”, the institute’s research concentrates on the determinants of economic growth processes with a focus on efficient capital allocation in a national and European context. Particular areas of interest for the institute are macroeconomic dynamics and stability, microeconomic innovation processes, productivity and labour markets, the dynamics of structural adjustment processes, financial stability and growth and the role of financial markets for the real economy.

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