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IWH Bankruptcy Update: Number of Employees Affected by Bankruptcy Continues to Rise in Germany

In July, more than three times as many jobs were impacted by corporate bankruptcies in Germany in comparison to the monthly averages from early 2020. The July figure was also significantly higher in relation to the previous month. By contrast, the number of bankruptcies fell slightly. These are the main findings of the most recent IWH Bankruptcy Update published by the Halle Institute for Economic Research (IWH), which provides monthly reports on German bankruptcies.

According to the IWH Bankruptcy Update, the number of bankruptcies in Germany once again fell slightly in July, with 895 companies declaring bankruptcy last month, or 3% less than in June 2020 and 11% less than in July 2019. However, as in the previous month, the number of impacted workers rose significantly because of more large companies going bankrupt. The IWH analysis determined that, of the companies that filed for bankruptcy in July, the top 10% in terms of headcount employed a total of 23,600 people. This is more than three times as many as the average from the first months of the year, when the top 10% employed a total of 6,700 individuals. It also represents a 76% increase compared to June.

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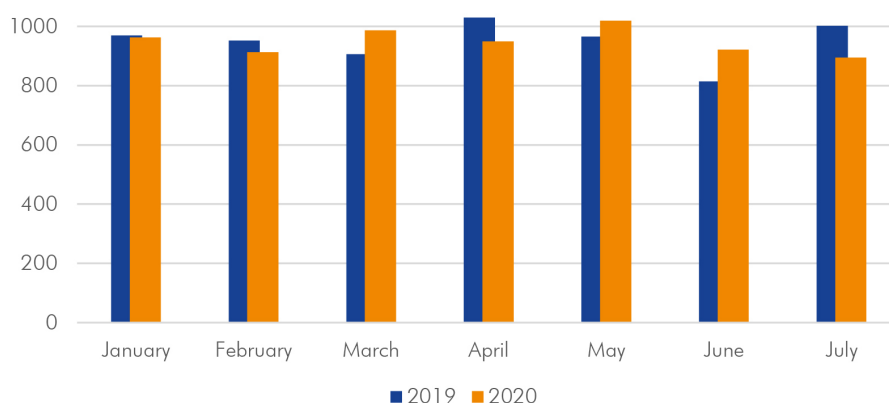
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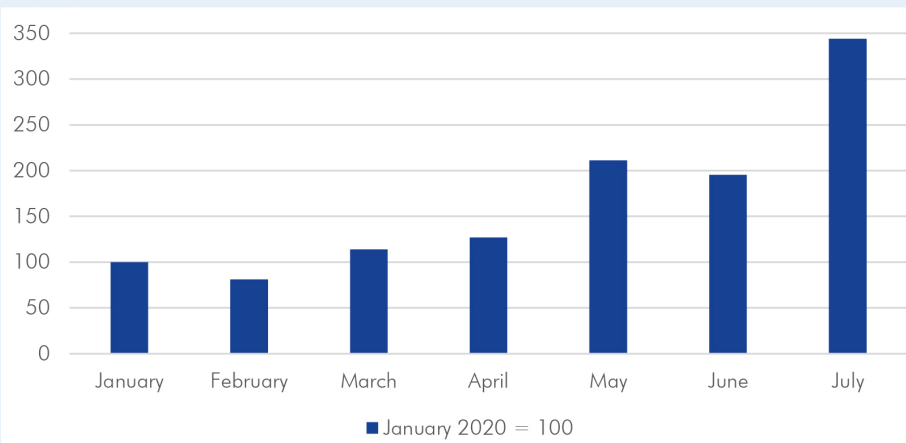
Figure 1
IWH Bankruptcy Update



Bankruptcies of German firms with entry in the commercial register.
Sources: Bankruptcy announcements of German courts; IWH presentation.

July's figures, which show fewer bankruptcies affecting larger numbers of people, are part of a trend that has gained steam over the past few months. "This is why the sheer number of bankruptcies is not a good economic indicator for mapping the consequences of the coronavirus crisis," explains Steffen Müller, head of the IWH Department of Structural Change and Productivity and the director of its Bankruptcy Research Unit. What is crucial is the number of jobs affected. Müller points out that when the law temporarily exempting some businesses from having to file for bankruptcy expires on September 30, the number of corporate insolvencies is likely to increase again.

Figure 2
Employment



Employment in the top 10 percent largest bankruptcies. Index January 2020 = 100. Bankruptcies of German firms with entry in the commercial register.

Sources: Bankruptcy announcements of German courts; IWH presentation.

The IWH Bankruptcy Update is a flash indicator – delivering fast, reliable information on insolvencies in Germany two months ahead of the comprehensive official statistics. It is based on public bankruptcy announcements of German courts combined with balance sheet information of the concerned companies. Because substantial delays can occur between bankruptcy filing and public disclosure, some of the current numbers reflect bankruptcies that happened several weeks or months ago. 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 the causes and consequences of corporate bankruptcy.

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](#).

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