

Press Release 24/2020

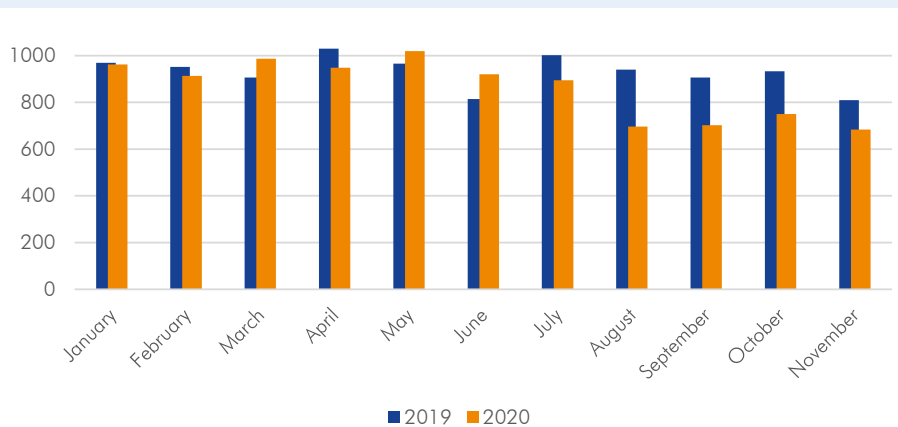
Halle (Saale), December 3, 2020

IWH Bankruptcy Update: Fewer Large Companies Declare Bankruptcy

Following a spike in bankruptcy of large companies, statistics on impacted employees are declining again. The total number of bankruptcies also remains at a low level. Published by the Halle Institute for Economic Research (IWH), the IWH Bankruptcy Update provides monthly statistics on corporate bankruptcies in Germany.

In November, the total number of corporate bankruptcies continued to remain at a low level. A total of 684 companies declared bankruptcy last month. This is 84% of the bankruptcies registered in November of 2019 (see figure 1). The number of jobs impacted by bankruptcy has also declined further since the summer months. Of the companies declaring bankruptcy in November, the largest 10% (in terms of headcount) employed a total of 5,500 people. This was the lowest total recorded thus far this year.

Figure 1
IWH Bankruptcy Update



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

New in this report is a breakdown of the largest 10% of companies by economic sector. One key takeaway is that the high number of endangered jobs in the summer was predominantly attributable to bankruptcies outside manufacturing. In turn, the most recent decline in affected jobs has also been driven primarily by fewer service sector jobs affected rather than a decline in manufacturing (see figure 2).

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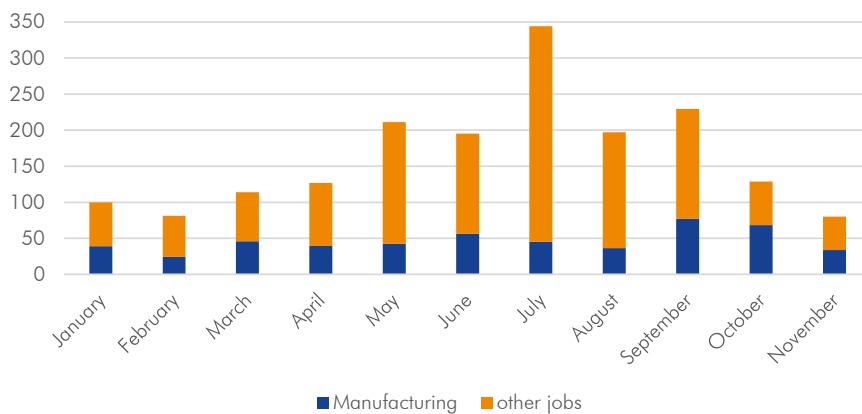
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Figure 2
Affected Employees

Index: January 2020 = 100



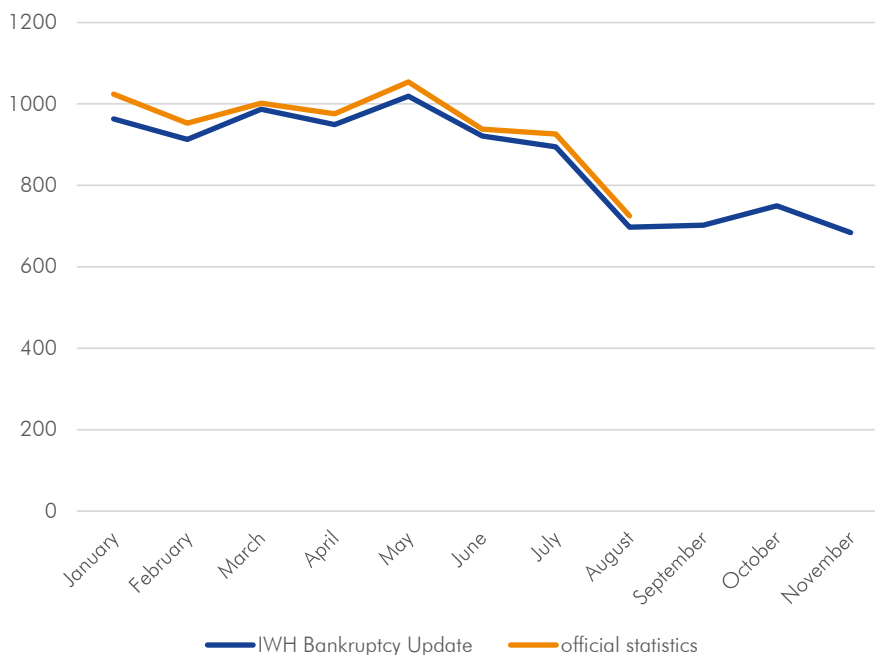
Employment in the largest 10% bankruptcies. Bankruptcies of German firms with entry in the commercial register.

Sources: Bankruptcy announcements of German courts; IWH presentation.

Furthermore, by looking just at the low bankruptcy count during the summer, the public has often overlooked the high number of jobs shed at that time, says Steffen Müller, head of the IWH Department of Structural Change and Productivity and the director of its Bankruptcy Research Unit. “Looking at job losses since the beginning of the pandemic, bankruptcy activity was at its lowest in autumn, especially in the service sector,” Müller explains. However, according to Müller, just a few large bankruptcies could quickly reverse this trend.

Figure 3
IWH Bankruptcy Update vs. Official Statistics

2020; registered firms only



Bankruptcies of German firms with entry in the commercial register.

Sources: Official statistics; 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 a bankruptcy filing and public disclosure, some of the current numbers reflect bankruptcies that happened several weeks or months ago (see figure 3). The IWH Bankruptcy Research Unit is among Germany's leading investigators of the causes and consequences of corporate bankruptcy.

For more on the IWH Bankruptcy Research Unit and the methodology underlying it, please visit <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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