

Press Release 5/2021

Halle (Saale), February 4, 2021

IWH Bankruptcy Update: Wave of bankruptcies in retail and hospitality has yet to materialise as downward trend in statistics continues

The number of reported bankruptcies in Germany fell in January 2021. Furthermore, bankruptcy statistics are anticipated to stay at a low level in coming months, according to the Halle Institute for Economic Research (IWH), which provides monthly statistics on corporate bankruptcies in Germany with its IWH Bankruptcy Update.

After a noticeable increase in December, the number of corporate bankruptcies in Germany trended downward in January 2021. According to data from the most recent IWH Bankruptcy Update, 689 companies filed for bankruptcy in the first month of the year. This was 23% below the December 2020 figures but slightly above the average of the previous three months. One reason for the unexpected decline in January could be renewed filing requirement exemptions for certain companies.

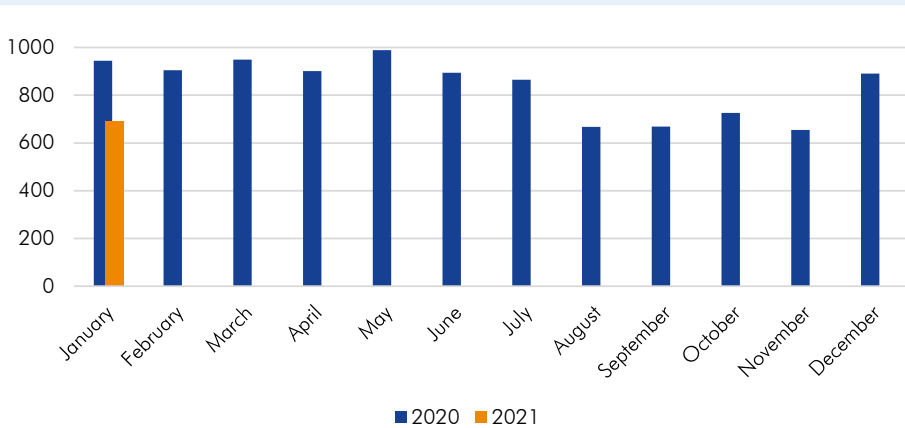
[no press embargo](#)

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Governmental Departments:
Federal Ministry for Economic Affairs and Energy (BMWi), Federal Ministry of Finance (BMF), Federal Ministry of Justice and Consumer Protection (BMJV), Federal Chancellery

Figure 1
IWH Bankruptcy Update



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

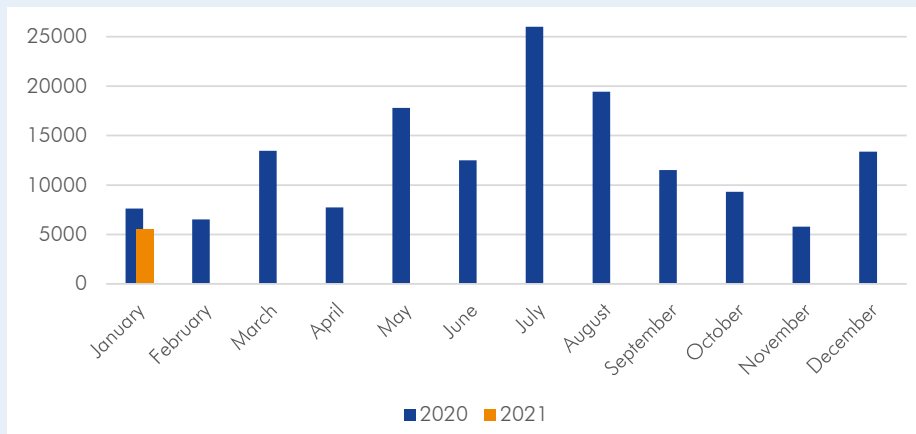
As in previous months, bankruptcies affected relatively few jobs. According to IWH research, the largest 10% of companies declaring bankruptcy in January employ a total of 5,500 people, which is below any other month in 2020. The 10% largest companies make up the vast majority of all job losses due to insolvency. (For a detailed description, see [IWH Policy Note 2/2021](#).)

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Figure 2
Affected Employees



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

Sources: Bankruptcy announcements of German courts; IWH presentation.

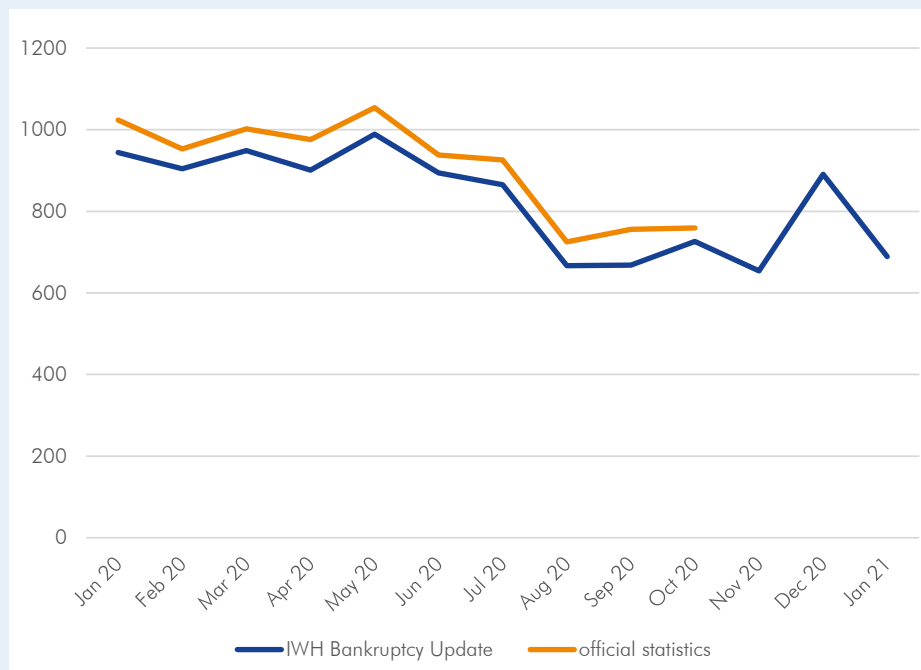
Steffen Müller, IWH's head of the Department of Structural Change and Productivity and the director of Bankruptcy Research, attributes the low insolvency numbers to a mixture of state aid measures, exemptions to the filing requirement, and a wait-and-see attitude on the part of companies. "Many companies entered the crisis with healthy levels of liquidity," he explains. "This allows them to hold out until the post-crisis recovery." (For a detailed description, see [IWH Policy Note 2/2021](#).)

The obligation to file for bankruptcy was recently suspended until April for companies eligible for "November and December aid" from the federal government. This is likely to dampen the bankruptcy trend through spring. "An analysis of our leading indicators suggests that a wave of insolvencies in the coming months is unlikely," Müller said.

In particular, leading indicators predict no near-term increase in bankruptcies in retail and hospitality, sectors that have been hit hard by the lockdown. According to IWH, this is a sign of the effectiveness of federal aid in November and December and of companies' making use of the filing requirement exemptions. In October, after the filing exemption was temporarily rescinded, companies in these sectors saw a disproportionately high number of bankruptcies. This suggests that the number of insolvencies in retail and hospitality could increase once the filing obligation is reinstated.

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. The IWH Bankruptcy Research Unit is among Germany's leading investigators of the causes and consequences of corporate bankruptcy.

Figure 3
IWH Bankruptcy Update vs. Official Statistics
Registered firms only



Bankruptcies of German firms with entry in the commercial register.

Sources: Official statistics; bankruptcy announcements of German courts; IWH presentation.

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/>.

Publication (in German): Müller, Steffen: Insolvenzen in der Corona-Krise. IWH Policy Note 2/2021, Halle (Saale) 2021.

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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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