

Press Release 7/2021

Halle (Saale), March 4, 2021

IWH Bankruptcy Update: German Bankruptcy Rates Remain Low in February

Bankruptcies statistics trended sideways at a low level in February 2021. Furthermore, the Halle Institute for Economic Research (IWH) does not anticipate higher bankruptcy rates in the coming months, despite Germany's prolonged lockdown. These are the key findings of the IWH Bankruptcy Update, which provides monthly statistics on corporate bankruptcies in Germany.

After ticking upward in December 2020, the number of companies filing for bankruptcy declined in January 2021, and then trended sideways in February. According to the IWH Bankruptcy Update, 715 companies reported bankruptcy last month. This is equivalent to month-over-month growth of 4%. Compared to the February 2020 figure, the number of bankruptcies was 21% lower.

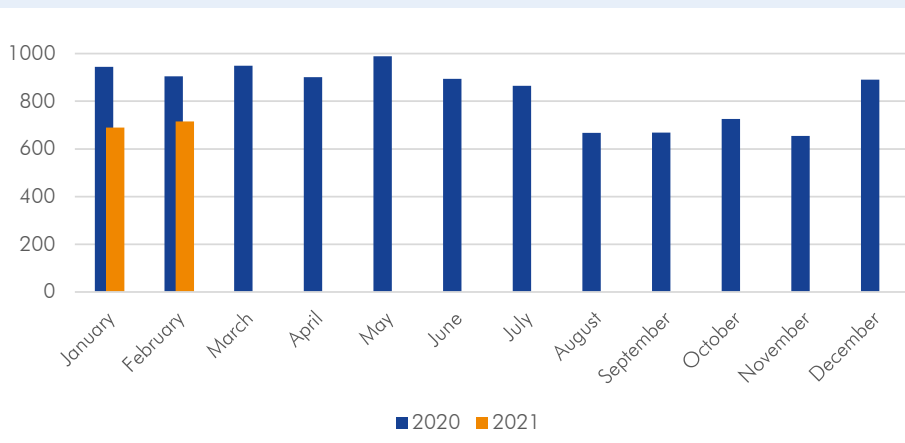
no press embargo

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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.

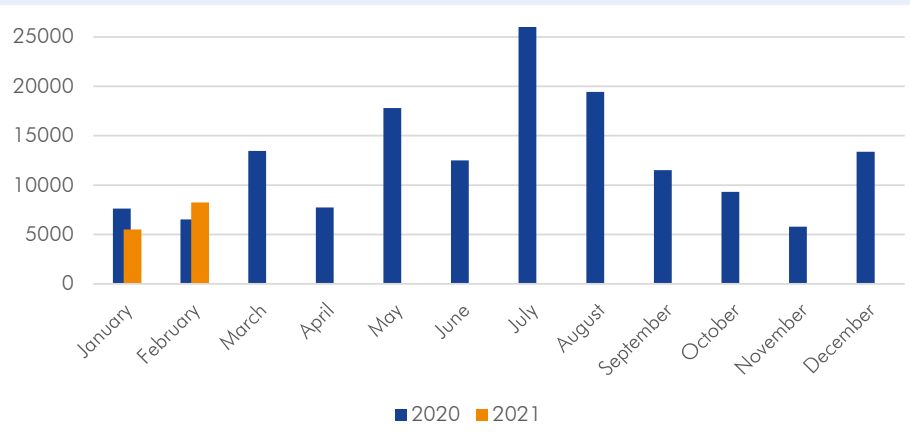
The largest 10% of companies (in terms of headcount) declaring bankruptcy in February employed a total of 8,250 people, according to IWH analysis. This means that 50% more jobs were affected by bankruptcy in February than in January 2021, and 26% more jobs were affected than in February of 2020. By contrast, the number of jobs impacted in the summer months of 2020 was many times higher.

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Figure 2
Affected Employees

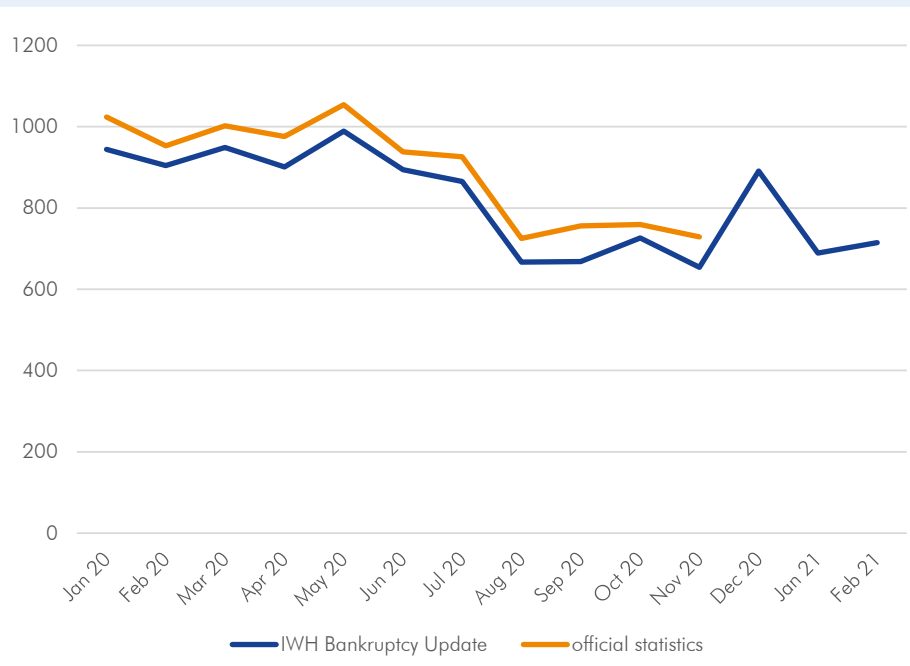


Employment in the largest 10% bankruptcies. Bankruptcies of German firms with entry in the commercial register.

Sources: Bankruptcy announcements of German courts; IWH presentation.

Steffen Müller, IWH’s head of the Department of Structural Change and Productivity and the head of bankruptcy research at IWH, explains Germany’s continued low bankruptcy rates by pointing to the extensive government assistance provided to the private sector, the partial suspension of the obligation to file for bankruptcy, and the fact that many firms entered the crisis healthy. “While the endurance of companies in particularly hard-hit sectors can be questioned, we have yet to witness a dramatic rise in bankruptcy statistics, as predicted by some business surveys,” Müller says. “Leading indicators also fail to show higher bankruptcy rates in the coming months.”

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.

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.

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.

The Leibniz Association connects 96 independent research institutions that range from the natural, engineering and environmental sciences via economics, spatial and social sciences to the humanities. Leibniz institutes address issues of social, economic and ecological relevance. They conduct knowledge-driven and applied basic research, maintain scientific infrastructure and provide research-based services. For further information, see <http://www.leibniz-gemeinschaft.de/en/home/>.