

Press Release 14/2021

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IWH Bankruptcy Update: Still No Bankruptcy Wave in Sight; Number of Impacted Jobs Reaches New Low

In May the number of corporate bankruptcies once again fell significantly. A jump in June is also unlikely, according to early indicators assessed by IWH. The number of jobs impacted by bankruptcy has fallen to the lowest level witnessed since the Corona outbreak. The IWH Bankruptcy Report, published by the Halle Institute for Economic Research (IWH), provides a monthly update on German bankruptcy statistics.

After declining in April, the **number of corporate bankruptcies** fell even further in May. According to data gathered by IWH, only 682 firms filed for bankruptcy last month. The bankruptcy rate thus dropped 11% between April and May. Furthermore, in comparison to May of last year, the bankruptcy rate was more than 30% lower (see figure 1).

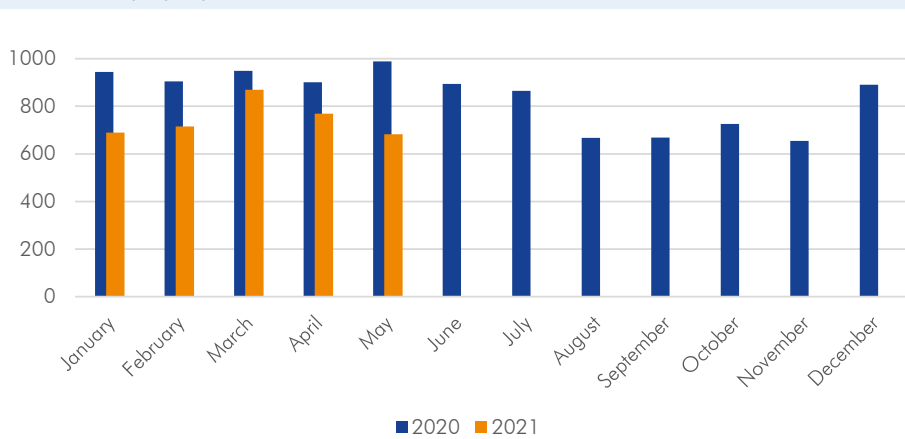
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Federal Ministry for Economic Affairs and Energy (BMWi), Federal Ministry of Finance (BMF), Federal Ministry of Justice and Consumer Protection (BMJV), Federal Chancellery

Figure 1
IWH Bankruptcy Update



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

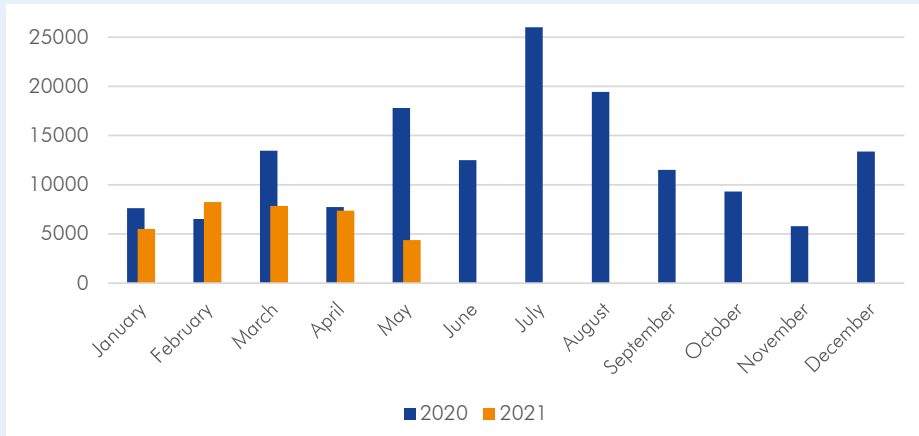
According to IWH analysis, the largest 10% of firms (in terms of headcount) filing for bankruptcy in May had just under 4,400 employees in total. This means that the **number of jobs impacted by bankruptcy** is not only significantly below that of previous months, but also 75% below that of May 2020 (see figure 2).

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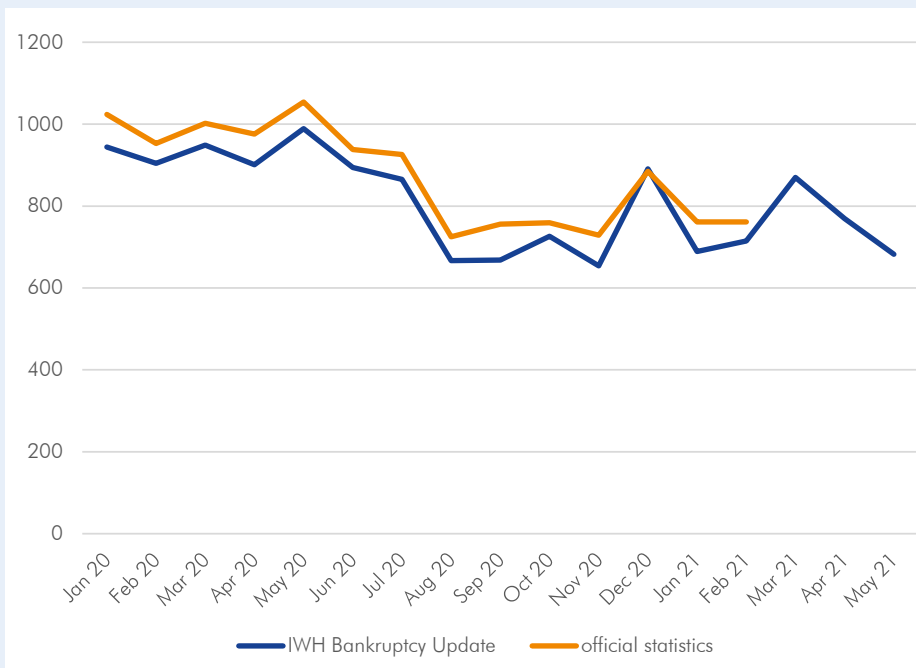
Figure 2
Affected Employees



Employment in the largest 10% bankruptcies. Bankruptcies of German firms with entry in the commercial register.
Sources: Bankruptcy announcements of German courts; IWH presentation.

“The **wave of bankruptcies predicted** by many observers has so far failed to materialise, as correctly predicted by IWH,” says Steffen Müller, the head of Department Structural Change and Productivity and the director of Bankruptcy Research at IWH. “Furthermore, we do not expect a wave to occur in the near future.” According to Müller, most firms entered the pandemic in good health and still have functioning business models.

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 further lifting of lockdown measures will particularly benefit hard-hit businesses, including many retailers, hotels, and restaurants. Given the recovery anticipated in these industries as well as the government support measures that are still in place, the number of corporate bankruptcies is not expected to jump, Müller explains.

Looking beyond registered firms – which are generally larger and thus more important to the macroeconomy – starting in February there was a sharp uptick in the number of **bankruptcies among microbusinesses and the self-employed**. However, this trend lost steam in April and trended sideways in May.

The IWH Bankruptcy Update is a flash indicator, delivering fast, reliable information on insolvencies of firms with entry in the commercial register 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 firms. Deviations from official statistics are small (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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