

Insolvency Forecasts

Atradius Economic Research – August 2015

Summary

- The insolvency outlook for 2015 has weakened. Total insolvencies are forecast to fall only 7% compared to the previously forecast 10%. This is due to poorer insolvency developments than originally expected in a large number of countries.
- Despite the modest improvement, insolvency levels in the eurozone are still 75% higher in 2015 than in 2007, and will remain 67% higher in 2016.

Eurozone: less improvement than expected

Insolvency conditions are improving in the eurozone, on the back of higher economic growth and better credit conditions. The insolvency outlook for 2015 is not as optimistic as it was in the May 2015 Economic Outlook the positive development in many markets has been revised downward, indicating that the business environment is still difficult. For instance, the previous quarter's forecast for Belgium was -11% in 2015, but as a result of declining consumer confidence and consumption, a more modest -4% change in insolvencies is forecast.

In the previous quarter, it appeared that strengthening economic recoveries would finally start making it easier for French and Greek businesses to operate – French

Insolvency matrix 2015

Improving	Austria, Finland, Germany, Japan, Netherlands, New Zealand, Sweden, United States	United Kingdom	Belgium, Ireland, Italy, Spain
	Stable	Australia	Luxembourg, Portugal
	Deteriorating	Norway, Switzerland	Canada, Denmark, France, Greece
	Low	Average	High

Source: Atradius Economic Research

insolvencies were forecast to fall 2% and for the first time since 2007, Greek insolvencies were expected to remain unchanged. Despite a strong economic performance in the first quarter in France, the number of insolvencies has actually risen so far in 2015. In Greece, the escalation of its debt crisis has increased uncertainty particularly regarding the terms of the bailout programme, again debilitating the business environment. The number of business bankruptcies is forecast to increase 9% in 2015 and a further 6% in 2016.

Obstacles remain across other advanced markets

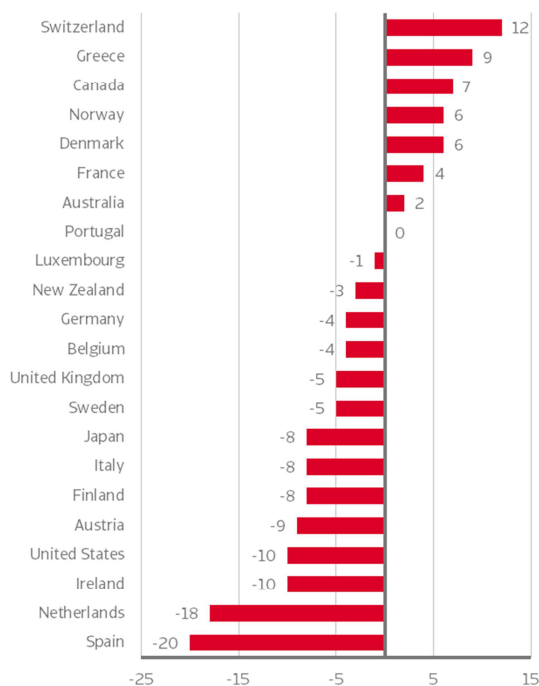
Less positive forecasts can also be seen outside the eurozone, most notably in Switzerland and Australia. Swiss businesses have been hit by a surge in the Swiss franc, stemming from the removal of the currency’s cap against the euro, which has made the country’s exports more expensive. Business failures are expected to rise 12%, 12 percentage points higher than second quarter estimates. Australia, whose economy is largely intertwined with that of Asia and also dependent on commodity exports, is now forecast to see insolvencies rise by 2%, compared to a previous forecast of a 9% decrease.

Low commodity prices are the driver of rising business failures in Canada and Norway this year and next. Canada, the fourth-largest oil exporter in the world, has entered a recession in the first half of 2015, particularly suffering from a drop in investment in the energy sector. Norway,

whose economy is suffering because of its many companies in the oil and gas sector, is cutting back investment plans and putting existing developments on hold. The business environments in both countries may see gradual improvement on the back of rising oil prices in 2016, but are expected to still worsen slightly in 2015: -1% in Canada and -4% in Norway.

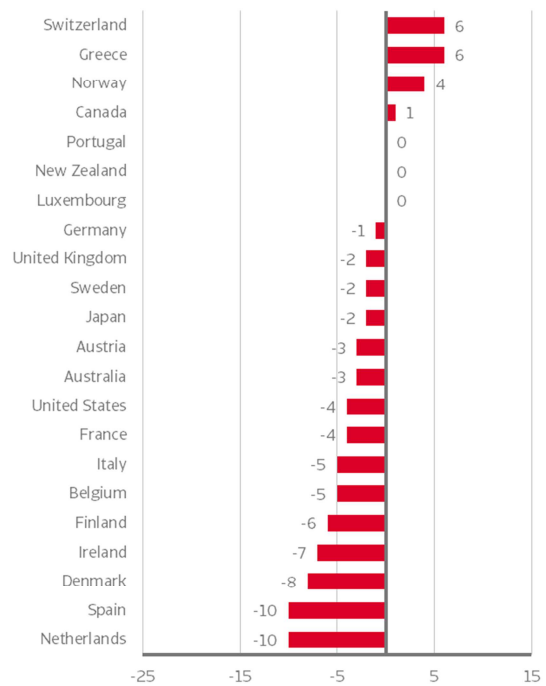
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Insolvencies 2015
(% change year ago)



Source: Atradius Economic Research

Insolvencies 2016
(% change year ago)



Source: Atradius Economic Research

Insolvency growth (% per annum)

	2007	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
Australia	-4	18	3	-1	5	1	4	-22	2	-3
Austria	-6	0	9	-8	-8	3	-10	-1	-9	-3
Belgium	1	10	11	2	7	4	11	-9	-4	-5
Canada	-7	-2	-12	-20	-11	-12	-2	-2	7	1
Denmark	21	54	54	13	-15	0	-10	-20	6	-8
Finland	-1	16	25	-13	3	0	11	-11	-8	-6
France	7	8	14	-5	-1	3	2	0	4	-4
Germany	-15	0	12	-2	-6	-6	-8	-7	-4	-1
Greece	0	30	40	30	33	30	10	3	9	6
Ireland	19	100	50	10	7	3	-19	-15	-10	-7
Italy	-35	18	29	21	8	14	16	10	-8	-5
Japan	6	11	-1	-14	-4	-5	-11	-10	-8	-2
Luxembourg	5	-13	17	33	5	8	2	-20	-1	0
Netherlands	-23	1	73	-10	-1	21	10	-19	-18	-10
New Zealand	-5	-35	45	-6	-12	-8	-13	-7	-3	0
Norway	-6	28	38	-12	-2	-12	20	-5	6	4
Portugal	-12	54	36	16	18	42	8	-9	0	0
Spain	10	100	50	-2	14	38	13	-30	-20	-10
Sweden	-5	7	20	-4	-4	7	5	-7	-5	-2
Switzerland	-5	-2	24	20	7	3	-5	-7	12	6
United Kingdom	-5	24	23	-16	5	-4	-7	-6	-5	-2
United States	2	52	41	-7	-15	-16	-17	-19	-10	-4

Source: National bureaus, Atradius Economic Research

f=forecast

Insolvency level, index

	2007	2008	2009	2010	2011	2012	2013	2014	2015f	2016f
Australia	100	118	121	120	126	127	133	104	106	103
Austria	100	100	110	101	93	96	87	86	78	76
Belgium	100	110	123	125	133	138	153	140	134	128
Canada	100	98	86	69	62	54	54	52	56	57
Denmark	100	154	238	269	228	227	204	163	173	159
Finland	100	116	145	127	131	131	145	129	119	112
France	100	108	123	118	116	119	122	122	127	122
Germany	100	100	112	110	103	97	89	83	79	79
Greece	100	130	182	237	315	409	450	463	505	536
Ireland	100	200	300	330	354	365	296	252	227	211
Italy	100	118	151	183	197	223	259	285	263	249
Japan	100	111	110	95	90	86	77	69	64	62
Luxembourg	100	87	102	135	141	152	155	124	122	122
Netherlands	100	101	175	158	156	189	207	167	137	123
New Zealand	100	65	94	89	78	72	63	58	57	57
Norway	100	128	176	156	153	134	161	152	161	168
Portugal	100	154	210	242	286	405	438	398	398	398
Spain	100	200	300	293	335	463	523	366	293	263
Sweden	100	107	128	123	117	126	133	123	117	115
Switzerland	100	98	121	145	154	159	150	140	156	166
United Kingdom	100	124	153	128	135	129	120	112	106	104
United States	100	152	215	199	169	142	117	95	86	82

Source: National bureaus, Atradius Economic Research

f=forecast, index 2007 = 100

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