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Euler Hermes: Insolvencies on the rise worldwide

The financial and economic crisis is leaving companies in distress all over the world. Insolvencies are rising almost simultaneously everywhere.

The number of corporate insolvencies is rising dramatically worldwide as a consequence of the crisis in the international financial markets and the fundamental changes in the economic environment. The current insolvency projections by the experts at Euler Hermes indicate that their calculated "Global Insolvency Index" will rise 25.1 percent this year and another 25.4 percent in 2009. "The recession has the economy in its grip all over the world," says Clemens von Weichs, CEO of the worldwide leader in credit insurance.

In the USA, the trend already turned around drastically last year, with a 44 percent leap in corporate insolvencies. The Euler Hermes experts project yet another massive increase of nearly 45 percent for 2008, and as much as 50 percent next year, for an ultimate total of nearly 62,000 companies going under. Thus far the situation has had a particularly severe impact on industries directly related to the real estate market or real estate financing.

The downturn in Japan will be less severe, with increases of 12.0 percent this year and 7.9 percent next year.

A significant rise in Europe

A rapid worsening of the insolvency trend is also obvious in Europe.

Western Europe will see a total of about 169,000 insolvencies this year (a 13.5 percent increase). The expected figure for next year is a bit more than 197,000 (up 16.7 percent).

Traditionally, the highest rates of corporate insolvencies have been in France, where the figure is expected to rise 12 percent both this year and next, to a total of about 62,700.

The bad debt risk is rising substantially for German companies too as business insolvencies are expected to rise 12 percent in 2009, to 33,800.

The increase in the UK will be substantially sharper, with 24.7 percent more bankruptcies this year and 34.2 percent more next year, for a total of 38,200. The expected increases in Italy are expected to be 10.0 percent in 2008 and 12.1 percent in 2009. For the Netherlands, the Euler Hermes experts expect only a 10 percent increase this year, but a surge to 38.3 percent in 2009.

Some Eastern European countries are also facing critical changes. Bankruptcies will rise 20 percent next year in Hungary, to about 14,000, and 15 percent in the Czech Republic, to more than 1,500.

Euler Hermes is the worldwide leader in credit insurance and one of the leaders in the areas of bonding, guarantees and collections. With 6,000 employees in over 50 countries, Euler Hermes offers a complete range of services for the management of B-to-B trade receivables and **posted a consolidated turnover of €2.1 billion in 2007.**

Euler Hermes has developed a credit intelligence network that enables it to analyse the financial stability of 40 million businesses across the globe. The group protects worldwide business transactions totalling €800 billion.

Euler Hermes, subsidiary of AGF and a member of the Allianz group, is listed on Euronext Paris. The group and its principal credit insurance subsidiaries are rated AA- by Standard & Poor's.

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