Press Release

Insolvencies expected to rise in the UK and China in 2018

- Business insolvencies increased by +1% worldwide in 2017 and are forecasted to decrease by -1% in 2018.
- In 2018, China (+10%), the UK (+8%), Morocco (+8%), Romania (+7%), and Poland (+5%) will experience the strongest increases in bankruptcies overall.
- Large insolvencies (companies above EUR50mn in turnover) increased by +21% in 2017 and affect domestic sectors such as services, retail, agrifood and construction the most. This could trigger a domino effect for suppliers.

PARIS – 5th MARCH – In its annual Global Insolvencies Index, Euler Hermes forecasts insolvencies in 43 countries worldwide. While the downward trend in business insolvencies paused in 2017 (+1%) due to a rebound in Asia and emerging markets such as Russia and Brazil, insolvencies are set to decrease globally by -1% in 2018. Yet in one out of two countries, the number of bankruptcies remains higher than in 2007.

China: Fifth consecutive year of turbulences and strongest insolvency increase in 2018
In 2018, the number of business failures will continue to rise in China (+10%) for the fifth consecutive year – after a significant pick-up in 2017 (+35%). The country is ranked as experiencing the highest increase in the number of insolvencies worldwide. Bankruptcies are expected to rise in the all Asia as the region suffers from the deceleration in China.

The UK: first-round effects of Brexit
As Brexit looms ahead, importers and consumers have been affected by raising input costs and a weaker pound. Euler Hermes forecasts an increase in insolvencies by +8% in the UK in 2018. The country is an exception in Western Europe where most countries should experience either a decrease or stabilization in the number of insolvencies thanks to the economic recovery and supportive monetary conditions.

Digital disruption is having its toll on key economic sectors
Despite the rebound in growth and trade, more and more domestic sectors are exposed to large businessfailures. In 2017, large insolvencies increased by +21% with notable increases in services, retail, agrifood and construction. Competition and digital disruption help explain this trend and subsequent risks for suppliers.

"*All in all, insolvencies are stabilizing worldwide after seven years of decreases. This confirms the return of credit risk with the economic recovery. In 2018, companies in Asia, Latin America, Eastern Europe and the UK should be closely monitored. In addition, large bankruptcies are increasing fast as disruption in industries such as services and retail leaves no one unscathed. Mind the domino effect!",* said **Ludovic Subran, Chief economist at Euler Hermes.**

Find out more about the Global Insolvencies Index on Euler Hermes' website.

Euler Hermes Group
Jean-Baptiste Mounier +33 (0)1 84 11 51 14
jean-baptiste.mounier@eulerhermes.com

Footprint Consultants
Cécile Jacquet +33 (0)1 80 48 14 80
cjacquet@footprintconsultants.fr
Quentin Giudicelli +33 (0)1 80 48 14 80
qgiudicelli@footprintconsultants.fr

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