

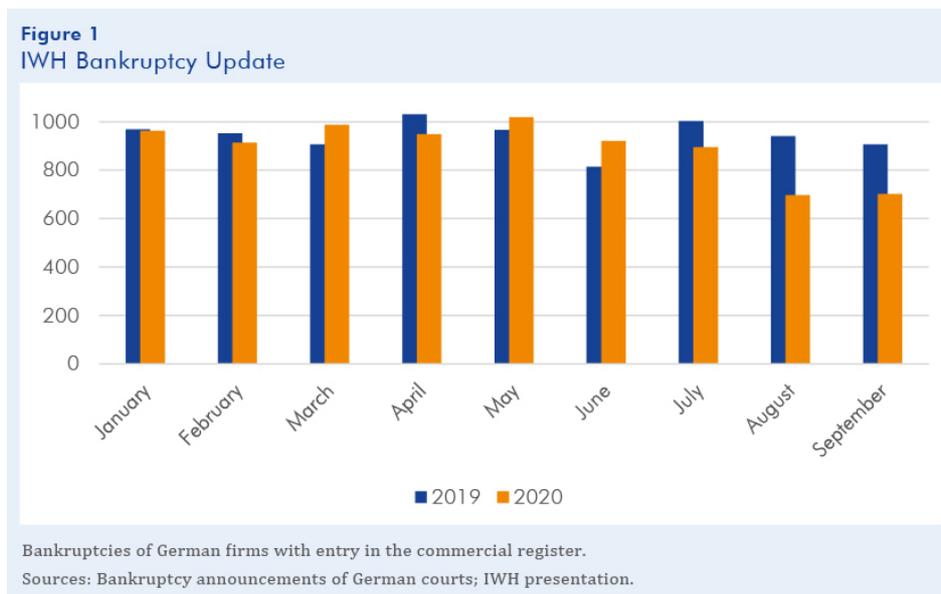
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IWH Bankruptcy Update: Bankruptcies Stabilise at a Low Level; Number of Affected Jobs Remains High

The number of companies declaring bankruptcy in Germany was very low in September, and no significant increase is expected in the coming months. By contrast, the number of jobs impacted by corporate bankruptcies remained elevated in September; monthly layoff figures have increased significantly since the beginning of the year. These are the key findings of the IWH Bankruptcy Update, a monthly monitor of insolvency statistics published by the Halle Institute for Economic Research (IWH).

The number of corporate bankruptcies stabilised at a low level in September 2020. According to the IWH Bankruptcy Update, 702 companies declared bankruptcy last month, a year-over-year decline of approximately 25% (see Figure 1). Nevertheless, job losses attributable to bankruptcy have remained high, primarily due to the size of the companies going bankrupt. In September, the largest 10% of companies declaring bankruptcy (in terms of headcount) employed a total of nearly 16,000 people. The equivalent figure in January was 6,700.



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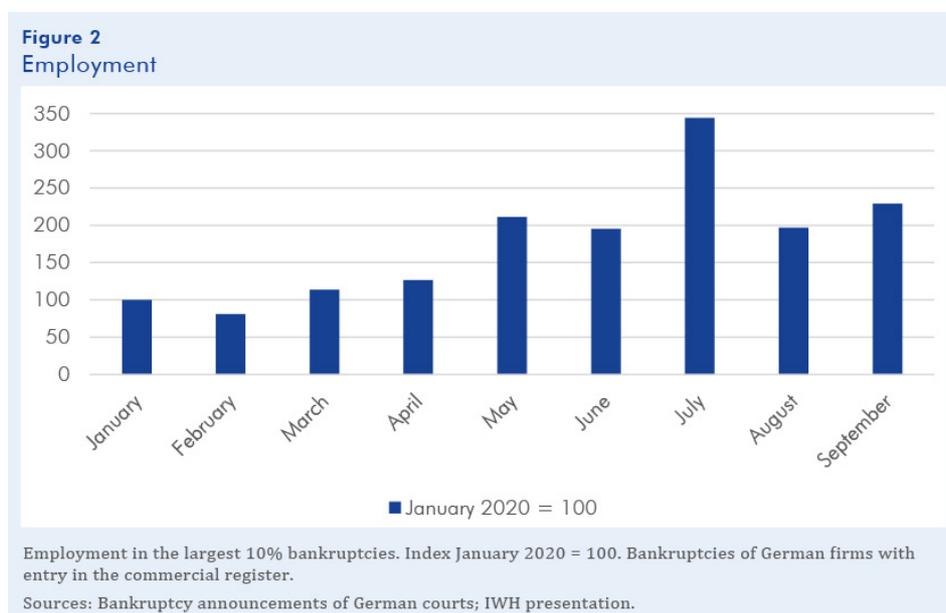
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“Bankruptcy filings have presumably been depressed by government stimulus measures in combination with the temporary suspension of the requirement to report bankruptcy,” says Steffen Müller, head of the IWH Department of Structural Change and Productivity and the director of its Bankruptcy Research Unit. Although the partial reinstatement of the obligation to file for bankruptcy on 1 October could lead to an increase in filings, Müller does not believe a wave of bankruptcies is in the offing this year, as other economic stimulus measures – such as the extension of the government’s short-time work programme – have given many companies additional breathing room. Müller also notes that changes in bankruptcy code are anticipated in the coming months, making many companies hesitant to file this year.

According to Müller, if the economy continues to gain strength, a wave of bankruptcies in 2021 is unlikely, even given the full reinstatement of the filing obligation. “Instead, we may see a gradual rise over a longer time period,” Müller says.



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. Due to its longstanding expertise, e.g. visible in the publications of the IWH Bankruptcy Research Unit, the Institute belongs to 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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