

## Press Release 1/2021

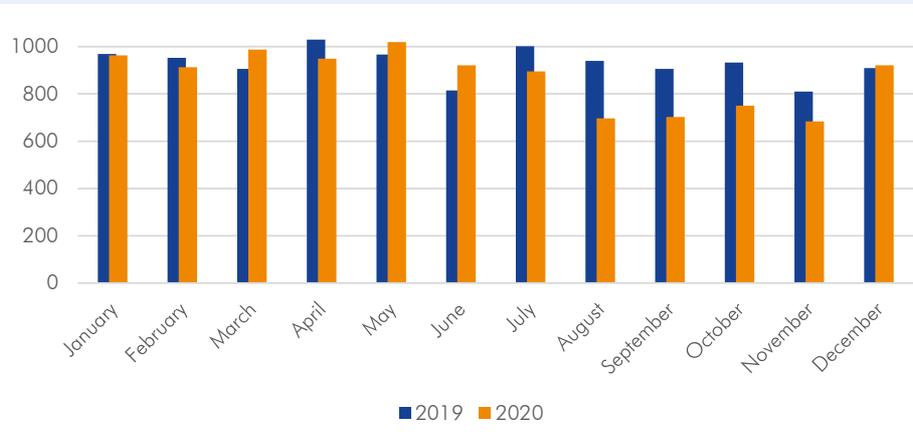
Halle (Saale), January 7, 2021

### IWH Bankruptcy Update: Bankruptcies Tick Upward in December

In December 2020 the number of corporate bankruptcies in Germany experienced a noticeable uptick reaching pre-COVID levels. According to the Halle Institute for Economic Research (IWH), which monitors corporate bankruptcies in Germany, similar bankruptcy figures can be expected for January and February of 2021.

Bankruptcy statistics trended higher in December of 2020, with 921 partnerships and corporations in Germany reported as bankrupt, according to the IWH Bankruptcy Update. The numbers were almost 30% above the rolling average of the preceding three months and as high as in December 2019.

**Figure 1**  
IWH Bankruptcy Update



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

However, despite rising bankruptcy numbers, comparatively few jobs were affected. Of the companies declared bankrupt in December, the largest 10% (in terms of headcount) employed a total of about 10,000 people.

As part of government measures to combat the pandemic, the requirement to file for bankruptcy was suspended in Germany during much of 2020, and many observers feared a massive bankruptcies wave after returning to regular filing obligations. In October 2020, the filing obligation was reinstated for insolvency, but will remain in effect for overindebtedness until the end of January 2021. As only a small

no press embargo

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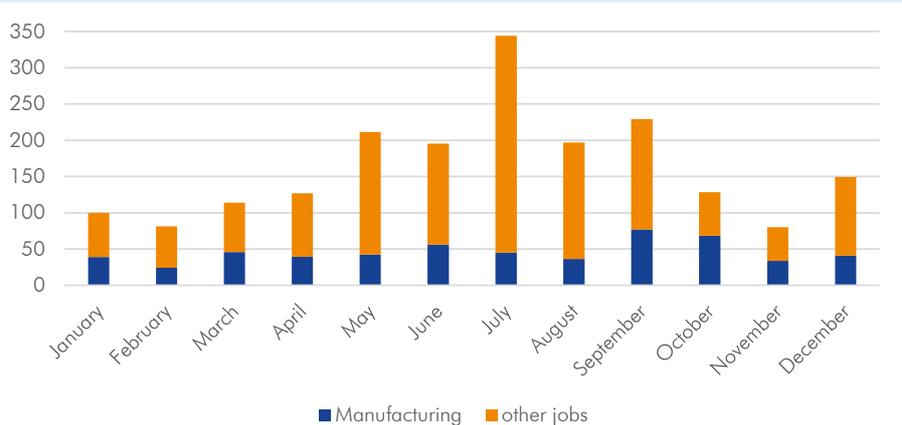
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percentage of bankruptcies are exclusively attributable to overindebtedness, rather than insolvency, the filing requirement has applied to the vast majority of cases since October 2020. As usually two months elapse between a company’s initial filing for bankruptcy and the announcement of proceedings by the courts – the latter being the base of bankruptcy statistics – the December uptick is a reflection of the reinstated filing obligation in October.

**Figure 2**  
Affected Employees

Index: January 2020 = 100



Employment in the largest 10% bankruptcies. Bankruptcies of German firms with entry in the commercial register.

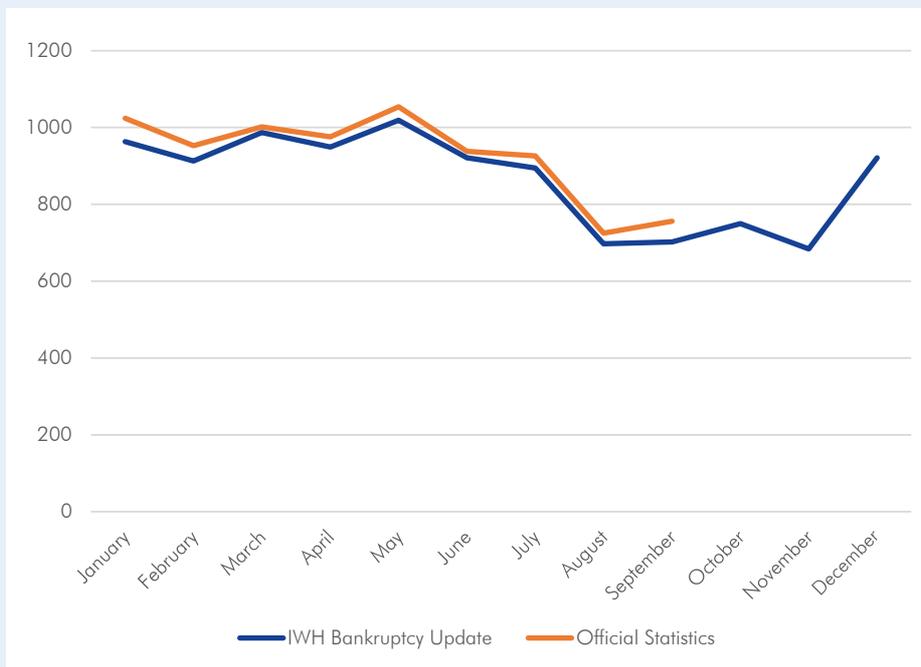
Sources: Bankruptcy announcements of German courts; IWH presentation.

The December figures reinforce IWH forecasts of recent months, Steffen Müller, head of the IWH Department of Structural Change and Productivity and the director of its Bankruptcy Research Unit, says. “The reinstatement of the filing obligation has only led to a moderate increase in bankruptcy statistics,” Müller notes. “The much-feared insolvency wave has failed to materialise.”

Müller expects bankruptcy statistics to trend sideways in the first two months of 2021. “Bankruptcy numbers will remain near the long-term average in January and February,” he says. “A wave of bankruptcies will not occur between now and February.”

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. The IWH Bankruptcy Research Unit is among Germany’s leading investigators of the causes and consequences of corporate bankruptcy.

**Figure 3**  
IWH Bankruptcy Update vs. Official Statistics  
2020; registered firms only



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

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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