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IWH Bankruptcy Update: Bankruptcies Hit New Low; New Outlook Feature

The number of companies reporting bankruptcy in Germany sank to a new low in August. Associated job losses also declined noticeably, following marked increases in prior months. Published by the Halle Institute for Economic Research, the IWH Bankruptcy Update provides monthly statistics on corporate bankruptcies in Germany. Starting this month, the update will also feature a two-month outlook.

In August, the number of corporate bankruptcies once again experienced a strong decline. Excluding very small firms being not listed in the business register, a total of 697 companies declared bankruptcy last month. This was a 22% decline in relation to July 2020 and 26% decline in relation to August last year. In contradistinction to prior months, the number of jobs losses associated with these bankruptcies also declined considerably. Of the companies declaring bankruptcy in August, the largest 10% (in terms of headcount) employed a total of 13,500 people. The corresponding figure in July 2020 was 23,600. By contrast, the largest 10% of companies in January 2020 employed just 6,700 people.

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Federal Ministry for Economic Affairs and Energy (BMWi), Federal Ministry of Finance (BMF), Federal Ministry of Justice and Consumer Protection (BMJV), Federal Chancellery

Figure 1
IWH Bankruptcy Update



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

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To produce an outlook for coming months, IWH researchers will primarily draw on bankruptcy filing data. When a company files for bankruptcy, it usually takes two to three months for the courts to announce the start of bankruptcy proceedings. Only then does the bankruptcy appear in official statistics. “In October, the government’s

partial reinstatement of a company’s obligation to file for bankruptcy upon insolvency will lead to a moderate increase in bankruptcy filings,” says Steffen Müller, head of the IWH Department of Structural Change and Productivity and the director of its Bankruptcy Research Unit. However, the suspension of the requirement to file for bankruptcy due to overindebtedness will remain in place. Furthermore, companies can still take advantage of various forms of government assistance. Accordingly, IWH researchers do not anticipate a dramatic increase in the number of new bankruptcy filings this autumn. Based on bankruptcy filings up to the end of the August, Müller also expects the number of proceedings announced by the courts to remain stable at a low level over the coming two months.

Figure 2
Employment



Employment in the top 10% largest bankruptcies. Index January 2020 = 100. Bankruptcies of German firms with entry in the commercial register.

Sources: Bankruptcy announcements of German courts; IWH presentation.

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. 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.

More about the IWH Bankruptcy Research Unit:

<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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