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IWH Bankruptcy Update: Bankruptcy Statistics Only See Slight Uptick, Despite Reinstatement of Filing Obligation

The number of German companies declaring bankruptcy trended somewhat higher in October, but total bankruptcy figures remain low. While the Halle Institute for Economic Research (IWH) anticipates a further rise in bankruptcy statistics over the final two months of the year, we do not expect a wave of bankruptcies this year.

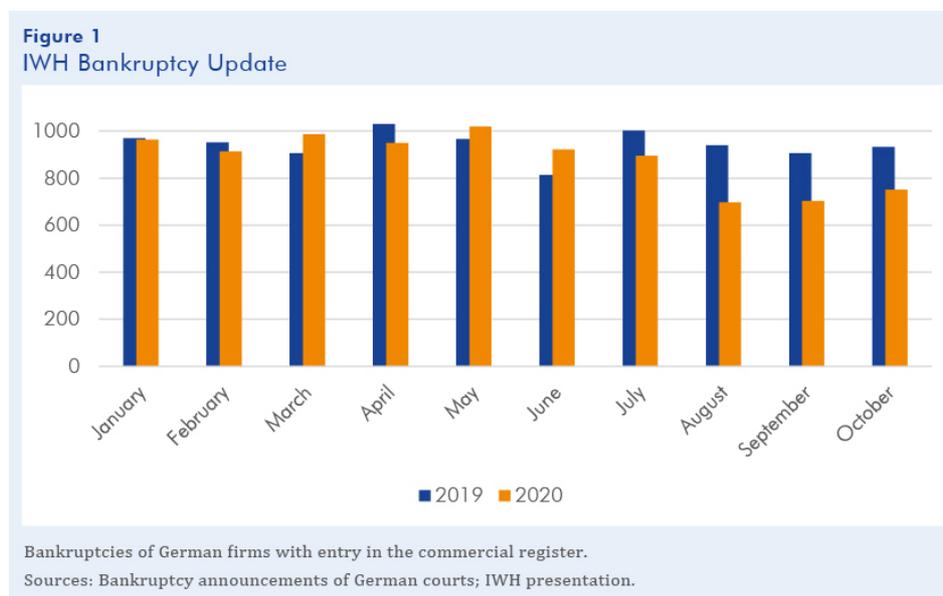
Bankruptcy figures increased slightly in October from August and September, yet remain low. According to the IWH Bankruptcy Update, 750 companies were reported by the courts as bankrupt last month. During the same month last year, the number of companies declared bankrupt was approximately 25% higher. The total number of jobs impacted in October 2020 was also lower in relation to prior months. The largest 10% of companies declaring bankruptcy in August employed a total of 9,000 individuals, according to IWH research. In all other months since May, this figure has been above 13,000.

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



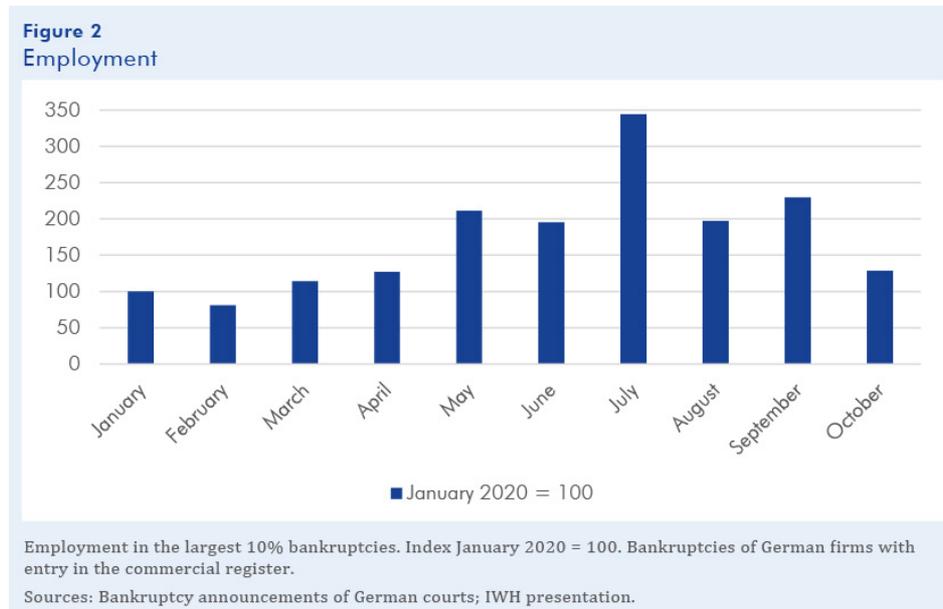
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At the end of September, the obligation to file for bankruptcy was reinstated for the vast majority of insolvent firms. Steffen Müller, IWH's head of Insolvency Research Unit, notes: "The reinstatement of the filing obligation has only led to a moderate increase in bankruptcy declarations. A wave of bankruptcies has failed to materialise."

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IWH outlook for the coming months remain unchanged, despite the German government's recent decision to implement a partial lockdown. According to Müller, a moderate increase in bankruptcy statistics is likely, but this should be viewed as a "return to normalcy, rather than a bankruptcy wave." Various factors will prevent a surge in bankruptcy figures, including government assistance and a "wait and see" attitude among companies, given announced changes to bankruptcy law, Müller explains.



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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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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