



no.1
2009

Business insolvency
worldwide

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Insolvency Outlook



EULER HERMES

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Editorial

Sacrificial slaughter

This spring, the peak of the extraordinary crisis that the world economy is traversing may be behind us. However, we recognise from the outset that there is little cause to rejoice. For, down the road from that summit, stretching out ahead are long months of gloom, uncertainty and risk. Admittedly, we do not expect a repetition of the enormous 2.5% collapse in OECD GDP seen in the first quarter of this year: industrial destocking has occurred on a massive enough scale to suggest a stabilisation in output this summer in several sectors. Even so, world activity will continue to fall, and for certain sectors that are a bit to the rear of the train, such as capital goods, the contraction will probably even accelerate in these months. In truth, it seems increasingly difficult to use the word 'recovery' to describe the stabilisation we expect in 2010.

In this environment, we must witness a massive sacrifice of businesses everywhere across the globe, at least up to the end of 2009. And this is because, for numbers of businesses that have drawn heavily on available cash in order to outlast the shock of the last three quarters, it only needs a few more months of empty order books or failing sales to send them on their way to insolvency. And, on this point, we have seen a genuine change at work in recent months: whereas, in our last survey of global insolvencies, in autumn 2008, we could state that the two major sectors hit by the shock were finance and construction, today we now see the main part of business insolvencies in industrial sectors: automaking (Chrysler), chemicals (Lyondell in the United States), intermediate goods (Qimonda AG in Germany), and telecommunications (Nortel in Canada). Retailing, wholesaling and transport are also feeling the full brunt of the crisis. Alongside this, the average turnover per business insolvency has risen greatly.

In sum, the final balance of business insolvencies for 2008 proved even worse than we had anticipated, with the number of cases shooting up by 27% worldwide, by a third in Europe and by half in the United States. And in addition to this, and above all, the economic tides of 2009 will, practically everywhere on the planet, take the number of insolvencies to levels seen never before. We expect our Global Insolvency Index to rise by 35%. Certain countries, such as Spain, the United Kingdom, Ireland, the United States, and the Baltic countries as well, should see insolvencies rise for the second consecutive year by more than 40%. As for next year, there is little likelihood that the levels of business insolvencies will abate: they may stop rising, but the very light winds of recovery we anticipate will not save many more businesses in 2010 than they will in 2009. The economic gods will remain hungry for sacrifice for quite some time.

Expected change in insolvencies

<i>Annual change in %</i>	2009	2008
Netherlands	75%	1%
Hong Kong	71%	3%
Norway	66%	28%
Spain	58%	187%
UK	56%	31%
Ireland	55%	113%
Slovakia	55%	-27%
Latvia	50%	21%
USA	45%	54%
Lithuania	40%	53%
Denmark	40%	54%
Estonia	40%	112%
Singapore	37%	25%
Euro zone	35%	33%
Sweden	35%	9%
Global Insolvency Index	35%	27%
Finland	32%	14%
Italy	31%	45%
Portugal	30%	67%
Hungary	30%	15%
Czech Republic	28%	-3%
Poland	26%	-10%
France	25%	15%
South Korea	25%	19%
Germany	19%	0%
Belgium	18%	10%
Taiwan	18%	-23%
Switzerland	16%	-2%
Greece	15%	10%
Japan	15%	11%
Austria	15%	0%
Luxembourg	15%	-12%
Canada	10%	-2%
China	10%	5%
Brazil	-8%	-18%

Sources: national figures, Euler Hermes forecasts



Overview

A remarkable acceleration in business insolvencies

2008: a significant 27% increase in the Global Insolvency Index

The Euler Hermes Global Insolvency Index (GII), which reflects the change in business insolvencies across the globe (see 'Our Methodology' at the bottom of the page), rose sharply by 27% in 2008 (against our forecast of +25% in our last edition of Insolvency Outlook). The trend of acceleration in insolvencies began in 2007 (+4%), due to a growing number of countries already hit by an increase in business bankruptcies: the US (+44%), Japan (+6%), France (+6%), Spain (+3%), Portugal (+18%), Ireland (+3%) and Denmark (+21%). In 2008, the slowing in the world economy in H1 (in a difficult environment of exploding commodity prices), and then its abrupt and violent collapse in the second half of the year, brought a rapid deterioration in business finances, an acceleration in payment difficulties and, in the end, a surge in insolvencies, especially in the last quarter. But while the general course of events was nearly identical in all the major countries, with the notable exception of Germany, the scale of the movement took exceptional turns in a number of countries, such as Spain, where insolvencies rose by 187%, Portugal (+67%), Ireland (+113%), the UK (+31%), Italy (+45%, Denmark (+67%) and in the United States (+45%).

2009-2010 outlook: a record year for insolvencies in 2009

After a very depressed first quarter of 2009, in line with the terrible end of 2008, the major global recession taking shape for the whole of 2009 – the biggest seen since the end of the Second World War – is forcing businesses into a long and painful process of adjustment. As it continues and spreads progressively to most sectors of activity, the contraction in the economies of the developed countries – and the at best sharp deceleration in the emerging economies – threaten to prolong and accentuate the rise in insolvencies. This has already been confirmed over Q1 2009, with yr/yr increases in excess of 15% in France, Austria and Switzerland, 20% in Belgium, 30% in Portugal, 40% in the UK, and even worse situations yet, with a doubling of insolvencies in Ireland and Denmark, and even a tripling in Spain. With some countries moving towards new insolvency records, our Global Insolvency Index should rise very significantly in 2009, increasing by 35% on annual average. ■ ML

Some explanations...

In very many countries, there is a close correlation between the business cycle and insolvency figures. Generally, it takes GDP growth of 2% to 3% to stem the rise in insolvencies, and there is a very high elasticity of insolvencies to growth. A GDP growth reduction of 1 percentage point implies a 5% to 10% increase in insolvencies. In fact, the slowdown in growth posted in 2008, below the level generally needed to keep the number of insolvencies just stable, was accompanied by a fairly widespread, and upwards, trend reversal in the number of business insolvencies (see *opposite*, and the *country analyses on pages 6 through 50*). Over the long term, different countries have enjoyed very different average rates of growth, and this is reflected in diverging long-term insolvency trends. Thus, from 1991 to 2005, insolvencies fell by half in the US and the UK, but remained fairly steady in France and rose by a factor of 4.5 in Germany. Over the same period, growth averaged 3.3% in the US and 2.8% in the UK, compared to 1.9% in France and 1.3% in Germany.

Besides being affected by cyclical fluctuations, business insolvency figures can experience large variations due to changes in the provisions governing new business creations (because of the higher insolvency risk for start-ups) and, even more, due to changes in laws governing insolvency procedures. As in Slovakia in 2005, the change in US bankruptcy legislation in October 2005 triggered a wave of anticipatory insolvencies in that country followed by a sharp fall in insolvencies in the first quarter of 2006, resulting in marked volatility in the annual US figures for 2005, 2006 and 2007.

Our methodology

► **The concept of business insolvency varies from one country to another, making it hard to give international comparisons.** In the following pages, we show the definitions used in each country. The disparities between countries are for two main reasons. First, official insolvency procedures are not of equal importance everywhere. In some countries, amicable arrangements predominate (for example, in Spain and Italy), and the figures for company insolvencies are quite low, thus understating the real picture for business insolvencies. Second, in some cases, individual entrepreneurs are included in the figures for business insolvencies. In other cases, however, they are included in the figures for personal bankruptcies (for example, in the US), with no distinguishing between purely personal bankruptcies and sole trader bankruptcies. In the latter cases, the number of business insolvencies is significantly understated. Apart from this, for each country we use the definition of a business that is used in its insolvency demographics for calculating an insolvency rate (see *Statistical annex, p. 53*).

Thus, the number of businesses used for the US represents solely companies, and does not take account of individual entrepreneurs, estimated to total around 17 million. However, for most countries the number of businesses and the number of insolvencies include the figures for individual entrepreneurs. Note also that the number of businesses does not directly depend on the size of a country: Japan, for example, has more businesses than the US, although it has less than half its population and GDP.

► **To overcome the heterogeneous nature of national statistics and circumstances, we employ the change in insolvencies over time rather than their absolute numbers.** For each country, we have calculated an insolvency index, using a basis of 1997=100. We have then constructed our Global Insolvency Index (GII), which is the weighted sum of the national indices. Each country is weighted according to its share of the total GDP (at current exchange rates) of the countries included in our study, which accounts for more than 80% of world GDP at current exchange rates for 2007. ■

Global insolvency index

(Annual change)

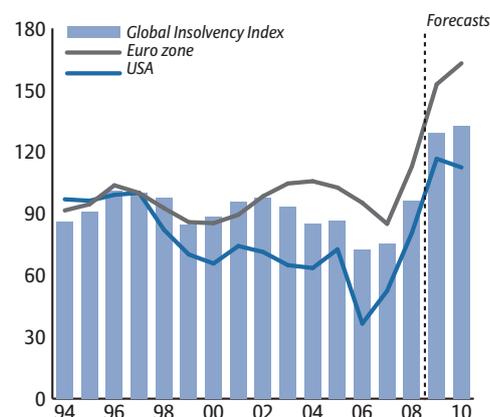
Index 100 = 1997	% of world GDP (*)	% of global insolvency index (*)	2007	2008	2009	2010
Global Insolvency Index	82.7	100.0	4%	27%	35%	3%
Western Europe Index	31.6	68.3	-11%	32%	39%	7%
Euro zone Index	23.4	38.2	-11%	33%	35%	7%
Asia Index (excl. Japan)	9.4	28.2	34%	-7%	16%	1%
Eastern Europe Index	1.7	11.4	-27%	36%	36%	1%

Sources: national figures, Euler Hermes calculations and forecasts, Index 100 = 1997, (*) GDP 2007 weighing at current exchange rates

Forecasts

Global Insolvency Index

index 100 = 1997



Sources: national figures, Euler Hermes forecasts

Statistics, by country

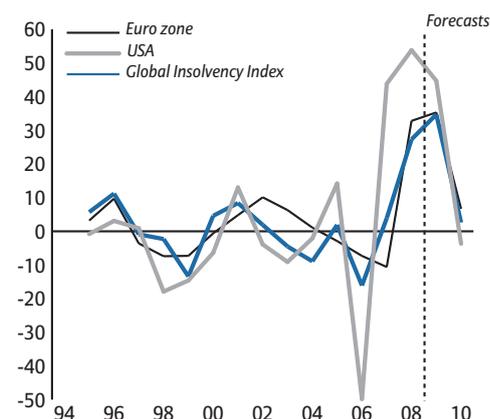
Index 100=1997	% of world GDP (*)	% of Global Insolvency Index (*)	2008		Forecasts	
			total	% change	2009	2010
United States	26.2	31.7	43,546	54%	45%	-4%
Canada	2.7	3.3	6,164	-2%	10%	5%
Japan	8.4	10.2	15,646	11%	15%	5%
Germany	6.4	7.7	29,291	0%	19%	11%
France	5.0	6.0	57,659	15%	25%	9%
Italy	4.0	4.9	8,800	45%	31%	15%
Spain	2.8	3.3	2,528	187%	58%	-3%
Netherlands	1.5	1.8	4,635	1%	75%	10%
Belgium	0.9	1.1	8,472	10%	18%	5%
Austria	0.7	0.9	6,315	0%	15%	7%
Portugal	0.4	0.5	3,344	67%	30%	20%
Finland	0.5	0.6	2,919	14%	32%	4%
Greece	0.6	0.7	563	10%	15%	11%
Luxembourg	0.1	0.1	583	-12%	15%	4%
Ireland	0.5	0.6	773	113%	55%	-8%
United Kingdom	5.2	6.3	29,994	31%	56%	11%
Denmark	0.6	0.7	3,709	54%	40%	-9%
Sweden	0.9	1.1	6,298	9%	35%	5%
Norway	0.8	0.9	3,637	28%	66%	-5%
Switzerland	0.8	1.0	4,221	-2%	16%	4%
Poland	0.8	1.0	430	-10%	26%	13%
Hungary	0.3	0.3	11,181	15%	30%	15%
Czech Republic	0.3	0.4	1,110	-3%	28%	5%
Slovakia	0.1	0.2	582	-27%	55%	-11%
Lithuania	0.1	0.1	928	53%	40%	-5%
Latvia	0.1	0.1	1,226	21%	50%	-10%
Estonia	0.0	0.0	429	112%	40%	-5%
Brazil	2.5	3.1	2,243	-18%	-8%	-10%
China	6.2	7.5	4,555	5%	10%	5%
Taiwan	0.7	0.9	805	-23%	18%	-5%
South Korea	1.8	2.2	2,735	19%	25%	-5%
Hong Kong	0.4	0.5	468	3%	71%	6%
Singapore	0.3	0.4	132	25%	37%	4%

Sources: national figures, Euler Hermes forecasts (*) GDP 2007 weighing at current exchange rates

Forecasts

Global Insolvency Index

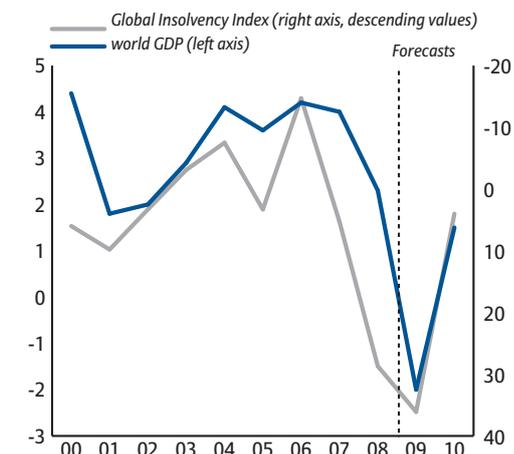
index 100 = 1997



Sources: national figures, Euler Hermes calculations and forecasts

Insolvency and world GDP

index 1997 = 100



Sources: national figures, Euler Hermes calculations and forecasts

United States

Bankruptcies at a 10-year high in 2008, only to be exceeded in 2009

2008: a record 54% increase

The financial crisis that followed the collapse of Lehman Brothers accelerated the deterioration in the US economy and spread to embrace all economic actors – financial institutions, businesses, households and all sectors. GDP growth for the full year 2008 was still positive, at 1.1%, but in Q4 2008 the US entered into technical recession, and the recession will continue in 2009. The disastrous impact of this socially and financially – losses in jobs, earned income, wealth, and tighter credit – have all increased insolvency risks on the part of both indebted households (with foreclosures and personal bankruptcies) and of businesses (with an increase in payment defaults). This includes listed companies, more than 100 of which have filed for protection under the bankruptcy laws. Company profits have continued to fall, dropping at an annual average of 15% in Q4 2008. US business bankruptcies, continuing the trend of 2007, when the number of cases rose by 44%, soared by 54% in 2008 to 43,546 cases, the highest figure since 1998.

Sector analysis

A total of 1,117,771 personal and company bankruptcies were declared by US courts (+31% on 2007). The bulk of these (96%) were personal bankruptcies, whose big rise stems from the worsened solvency of American households. Just 4% were business bankruptcies (43,546). For compa-

nies, the most commonly used procedure (nearly 70% of cases) was Chapter 7, or liquidation. Reorganisation under Chapter 11 accounted for 21% of cases. In 2008, the worst hit sectors were those involved in finance and real estate credit, with scores of businesses forced to cease trading or file for Chapter 11 protection, and notably the resounding collapse of Lehman Brothers. On the full year 2008, some 25 bank bankruptcies were posted, a figure that will be largely exceeded in 2009, given that the FDIC has recorded more than thirty bank insolvencies over the first four months of the year. In addition to finance, real estate and construction, other sectors such as distribution are suffering, due to the collapse in household consumption. In 2009, major industry groups are in their turn being struck by the crisis: paper group Smurfit-Stone, metals company International Aleris, chemical manufacturers Lyondell and Chemtura, telecoms manufacturer Nortel Networks Inc. (subsidiary of the Canadian telecoms group), and electronics manufacturer Spansion. In addition, the collapse of General Motors, which was placed under Chapter 11 protection in June 1, 2009, just after Chrysler (end of April) and Visteon (May) are symptomatic of the scale of the crisis facing the auto sector worldwide and the fraught situation of the American manufacturers, despite the government assistance being extended to them.

2009-2010 outlook: towards 63,000 cases

The recession will continue over part of the coming year, with GDP likely to contract by nearly 3%. The anticipated effects of government efforts (\$787 bn) to sustain activity and employment should help soften the impact of the crisis. Encouraging signs give room for hopes of an exit from recession at the end of 2009 and a gradual return towards positive growth in 2010. But 2009 will remain a difficult year for the US economy, with personal bankruptcies likely rise further to potentially nearly 1.4 million cases, while business bankruptcies should increase by 45% to nearly 63,000 cases, dropping to around 60,000 in 2010. ■ MCS

Business bankruptcies by Chapter, 2008

	Number	Change (*)	Share
Chapter 7	30,035	60%	69%
Chapter 11	9,272	62%	21%
Chapter 12	345	-8%	1%
Chapter 13	3,815	12%	9%
Total	43,546	54%	100%

Source: Administrative Office of the US Courts
(*): Jan-Dec '07 to Jan-Dec '08

Regulation:

The bankruptcy laws of the United States are set forth in the Bankruptcy Code (1978, Title 11, United States Code) and the Federal Rules of Bankruptcy Procedure. There are several different procedural routes to take, but those known as Chapter 7 and Chapter 11 are most commonly utilised by private businesses.

► **Chapter 7 – Liquidation:** This provides for company liquidation. It is often utilised in the event that a Chapter 11 reorganisation fails.

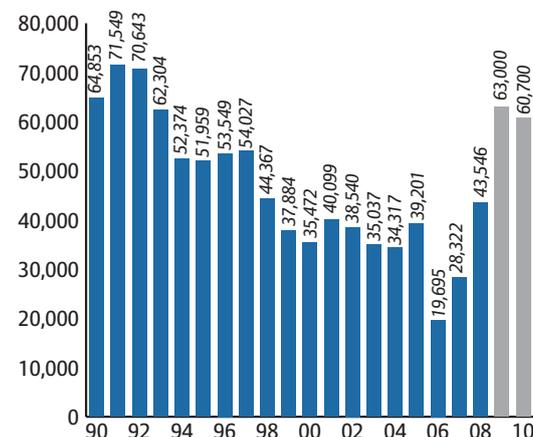
► **Chapter 11 – Reorganisation:** The main objective here is to attempt to turn the business around and thus avoid liquidation. Companies may voluntarily file for Chapter 11 protection and need not establish that they have stopped making payments to creditors or that they are insolvent. Under this procedure, company/debtors are often able to negotiate more favourable terms with creditors. A Chapter 11 Bankruptcy may also be launched by the creditors, in which case the company/debtor has the right to argue before the bankruptcy court that it should not be placed in Chapter 11. Under both forms of Chapter 11,

the directors retain control, and the company is protected from the collection efforts of the creditors, via an automatic stay, whereby all attempts to collect debts are suspended. The company, now known as the "debtor in possession," retains possession of its assets and continues to run the business but is under the supervision of the judge. Apart from certain exceptions, the company/debtor usually is not placed under the supervision of a court-appointed administrator.

► In April 2005, the US Congress adopted the **Bankruptcy Abuse Prevention and Consumer Protection Act, effective October 2005, which made several changes to the Bankruptcy Code.** The new law places greater limitations on debtors and attempts to make it harder to cancel debt. Businesses under Chapter 11 protection will have a maximum of 18 months to present a plan for reorganisation and debt rescheduling. After this period, the creditors may present their own plan and submit it to the court. In addition, limitations are imposed on extraordinary payments in the form of retention bonuses, severance pay, and certain other payments. ■

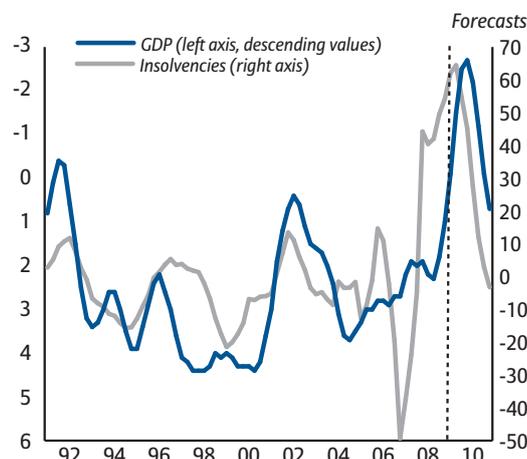
GDP and Insolvencies in the United States

Insolvencies
number



Sources: Administrative Office of the US Courts, Euler Hermes forecasts

Insolvencies and GDP
Annual change, in %



Source: Administrative Office of the US Courts

Number of insolvencies

number	2006	2007	2008
Q1	4,179	6,444	8,863
Q2	4,915	6,844	9,925
Q3	5,435	7,471	12,300
Q4	5,166	7,563	12,458

Source: Administrative Office of the US Courts
(series reconstituted using annual data)

DEFINITION and sources of statistics

Businesses:

The US Census Board counted a total of 22.6 million American businesses in 2001, of which there were 5.7 million firms with payrolls, and 16.9 million (or 75%) with no employees. Each year, an average of 587,000 companies with payrolls are created, generating more than 3.25 million jobs, and 528,000 companies cease trading, with job losses of 3.22 million.

Insolvencies:

The Administrative Office of the US Courts publishes figures for business and non-business insolvencies each quarter, giving cumulative figures over twelve months, as quarterly figures are often revised. We use only the figures for business bankruptcies, for which the Office provides a breakdown by type of procedure and by state. The annual series gives figures for all procedures (Chapters 7, 11, 12 and 13).

Major insolvencies

Company	Turnover (millions of euros) *	Activity	Date of insolvency	Number of employees
2008				
Washington Mutual Inc.	7,025	Financial intermediation	09/2008	49,500
SemGroup LP	6,899	Extraction of crude petroleum and natural gas	07/2008	1,600
Lehman Brothers Holdings Inc	2,269	Financial intermediation	09/2008	28,600
IndyMac Bancorp Inc	641	Financial intermediation	07/2008	9,900
Fremont General Corporation	382	Financial intermediation	06/2008	3,500
2009 (end of March)				
Lyondell Chemical Company	20,400	Chemicals	01/2009	7,300
Smurfit Stone Container	5,100	Manuf. of paper and paper products	01/2009	22,700
Aleris International Inc	4,080	Manuf. of basic precious and non-ferrous metals	02/2009	8,800
Chemtura Corp	2,414	Chemicals	03/2009	4,700
General Growth Properties	2,312	Real estate activities	04/2009	3,500

(* at 1 euro = USD 1.25 (2008 yearly average), USD 1.47 (2009), list as of end of March without insolvencies of Chrysler (April), Visteon (May) and General Motors (June)
Source: Euler Hermes

Canada

Trend reversal in 2009

2008: -2%

Hit by the world economic crisis and by the crisis in the US housing and auto markets, the fall in Canadian exports accentuated in Q4 2008, impacting negatively on activity across all sectors. The Canadian economy, with GDP growth down from 2.7% in 2007 to 0.5% in 2008, entered into recession. After having suffered from the appreciation in the Canadian dollar against the US dollar up to mid-2008, Canadian businesses face falling orders and are cutting investment. The net profits of industrial companies fell clearly in Q4 (-29% against Q3), yet business insolvencies continued to fall (-2%). Admittedly, the reduction in insolvencies is below the 7% drop posted in 2007 and the 10% drop of 2006, but the number of insolvencies, at 6,164, remains the lowest posted in the present series.

Sector analysis

In the face of the fall in output in industry and automotive construction, and with the fall in exports to the US, business insolvencies rose by 7% in industry and by 8% in transport. These two sectors, which accounted for nearly a quarter of the national total in 2008, along with the financial intermediation sector, departed from the downtrend in insolvencies seen in the other sectors of the economy. By region, insolvencies rose by 6% in Quebec, but fell by the same figure in Ontario. Together, these two provinces account for three-quarters of the total number of insolvencies.

2009-2010 outlook: a noticeable rise

Impetus from domestic demand is absent in 2009. In Q1 2009, the employment market posted its first contraction (-1.2%) for 20 years, and the reduction in household incomes is impacting on consumption expenditure. Investment, for its part, will fall significantly, given the increase in under-utilised capacities and the fall in business profits. Despite federal government support to the economy (CAD 64bn over 2009-2010) and despite the Bank of Canada cutting rates to 0.5%, GDP should shrink by more than 2% in 2009, with any return to positive growth in 2010 dependent on the condition of the economy in the US, which accounts for two-thirds of Canadian exports. The decline in activity and the erosion in profits will weaken businesses and increase insolvency risk, leading to a 10% increase in the number of cases in 2009 and more than 7,000 cases in 2010. ■ MCS

Insolvencies by sector 2008

	Number	Change (*)	Share of total
Agriculture & related services	277	-5.8%	4.5%
Industry	657	6.8%	10.7%
Construction	1,073	-1.6%	17.4%
Transport & communications	754	7.9%	12.2%
Commerce	1,133	-6.2%	18.4%
Financial intermediaries	102	17.2%	1.7%
Real estate	132	-16.5%	2.1%
Business services	403	-8.0%	6.5%
Consumer services	110	-0.9%	1.8%
Hotels & restaurants	739	0.8%	12.0%
Other sectors & services	784	-8.6%	12.7%
Total	6,164	-2.0%	100%

(*) Jan-Dec '07 to Jan-Dec '08

Source: Office of the Superintendent of Bankruptcy

Regulation:

Both the **Bankruptcy and Insolvency Act (BIA)** and the **Companies' Creditors Arrangement Act (CCAA)** are amended by Chapter 47 of the Statutes of Canada, 2005, and Chapter 36 of the Statutes of Canada, 2007 (c.47 and c.36 respectively). The legislative amendments are broad ranging and significant and are intended to achieve the following main goals:

► **To encourage restructuring of viable businesses as an alternative to bankruptcy.** In this regard, the CCAA will be significantly modified to provide increased predictability and consistency while preserving its flexibility.

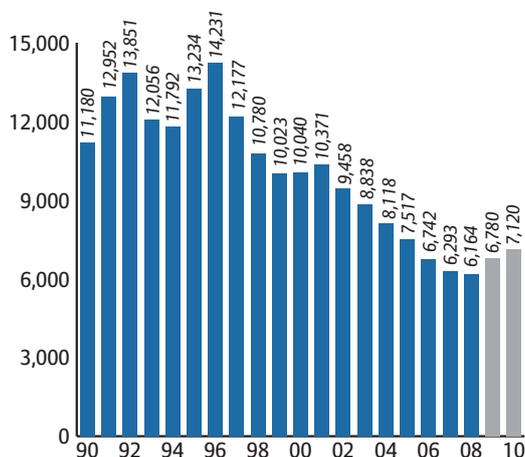
► **To improve the protection for workers in bankruptcy.** The amendments also create the legislative framework for the Wage Earner Protection Program (WEPP), which will ensure that workers receive compensation for their claims.

► **To make the insolvency system fairer and to reduce the potential for abuse.** Inequities in the treatment of personal bankruptcies will be addressed and the scope for abuse will be curbed, while respecting the fundamental objective of providing a fresh start to the honest, but unfortunate, debtor. ■

GDP and insolvencies in Canada

Insolvencies

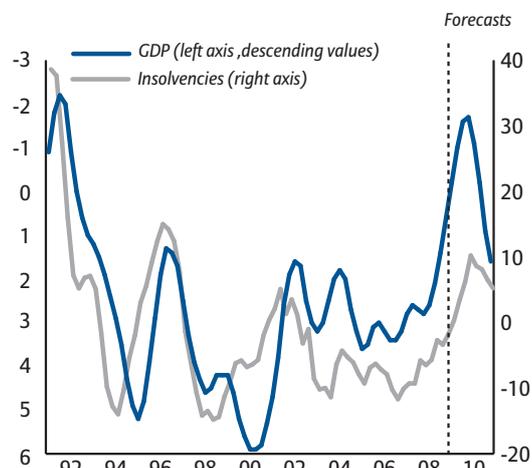
Number of cases



Sources: Office of the Superintendent of Bankruptcy, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: Office of the Superintendent of Bankruptcy, Euler Hermes forecasts

Number of insolvencies

Month	2007	2008	2009
January	530	525	448
February	599	569	475
March	615	565	507
April	542	592	
May	532	554	
June	530	465	
July	487	456	
August	501	469	
September	449	489	
October	513	496	
November	527	506	
December	467	478	

Source: Office of the Superintendent of Bankruptcy

DEFINITION and sources of statistics

Businesses:

According to the company register of Statistics Canada, there were 2.25 million companies in Canada in 2005. Of these, 47% were with payrolls and 53% undetermined. This latter category includes entities with or without company status that are not registered for salary withholding tax with the Canadian revenue authorities. Their workforce may comprise contract workers, family members or their owners.

Insolvencies:

The National Statistics Agency has recorded company and individual bankruptcies for ten years, with a breakdown of company bankruptcies by province and type of activity. It also provides figures for the major urban centres, which allows us to get details on every metropolitan region and all the agglomerations monitored. The statistics on major urban centres include data on the subdivisions of Vancouver, Montreal, Toronto and Hamilton. Our series excludes personal bankruptcies.

Major insolvencies

Company	Turnover (millions of euros) *	Activity	Date of insolvency	Number of employees
2008				
Quebecor World Inc	782	Publishing, printing and reprod. of recorded media	01/2008	na
InterTan Canada (Circuit City)	472	Retailing	02/2008	na
Bentley Leathers Inc	136	Retailing	03/2008	na
Athletes World Limited	129	Retailing	11/2007	na
2009				
Nortel	7,934	Telecoms	01/2009	na
Abitibi Bowater	2,951	Forestry, logging and related service activities	04/2009	na
Raymor Industries	na	Research and development	04/2009	na

(*) at 1 euro = USD 1.55 (2008), USD 1.58 (2009)

Source: Euler Hermes

Japan

A new acceleration in insolvencies

2008: +11%

In 2008, business insolvencies in Japan rose for the third consecutive year. The trend began in 2007 (+6%, after +2% in 2006) due to more lacklustre domestic demand and worsening operating conditions. It then strengthened up to mid-2008 (+6.9% yr/yr in H1) and abruptly accelerated in H2 (+15.2%) in the face of the sharp deterioration in the economic and financial climate. The fall in exports, triggered by the world crisis and accentuated by the appreciation in the yen, was accompanied by a sharp contraction in output and investment, which spread from the major exporting groups to all businesses at large. Overall, after a calamitous last quarter, and after several years of significant growth (+13% on average from 2003 to 2007), Japanese profits fell by a spectacular 28% on the year. The rise in business insolvencies amplified to a 2008 total of more than 15,600 bankruptcies (+11%). More than 60% of cases were in the regions of Kanto and Kinki, with increases of more than 20% in Hokkaido, Hokuriku and Chugoku. This also brought a heavy increase in the value of the liabilities involved, which totalled JPY 7.7bn (+34%), or an average of more than JPY 490m (+21%) per case, not counting liabilities from the collapse of Lehman Brothers and insurer Yamamoto Life.

Sector analysis

Apart from primary industries, retailing was the only major sector to have escaped an increase in bankruptcies, whose insolvency levels nonetheless remained close to those posted in 2007 after three years of increase. All other sectors saw an increase in bankruptcy filings. This was only slightly more moderate than in 2007 for wholesaling (+8.4%, after 9.3% in 2007) and in services (+7.3%, after 8.6%), with these two sectors accounting for 19% of all insolvencies against just 14% of the business population. By contrast, the rise in insolvencies marked an abrupt trend reversal in real estate, where the number of cases shot up by 24%, after falling for six years running by a total of 14%. For all other sectors, the year marked a further acceleration in insolvencies after an already worsened 2007. The increase was close to the national average for construction, which however remained the major sector affected by insolvencies, accounting for nearly 30% of the total, and in manufacturing industry, the major victim of the contraction in world demand. The figures rose much more markedly in two sectors emblematic of the crisis and the collapse in trade: transport/communications (+33%) and finance (51%).

2009-2010 outlook: still rising sharply

Very much affected by the global recession, Japan offers no prospects of any short-term exit from recession. Much to the contrary, the difficulties seen at the end of 2008 and continuing in Q1 2009 threaten to accentuate the severity of the crisis and rule out prospects for an improvement on the insolvency front, with the number of cases in Q1 up by 13.5% over one year. At best, the many stimulus plans will allow growth to stabilise in 2010, after severe recession in 2009, given that it generally requires GDP growth of better than 2% for the number of insolvencies to fall in Japan. New highs look likely, with around 18,000 bankruptcies in 2009 (+15%) and 18,900 cases (+5%) in 2010. ■ ML

Insolvencies by sector 2008

	Number	Change (*)	Share of total
Agriculture & primary industries	87	-3.3%	0.6%
Manuf. industry	2,341	15.8%	15.0%
Construction	4,467	11.2%	28.6%
Wholesaling	2,226	8.4%	14.2%
Retailing	1,842	0.2%	11.8%
Transport & communications	1,090	32.8%	7.0%
Finance	107	50.7%	0.7%
Real estate	575	24.2%	3.7%
Other services & others	2,911	7.3%	18.6%
Total	15,646	11.0%	100%

(*) Jan-Dec '07 to Jan-Dec '08
Source: TSR

Regulation:

► **Liquidation proceedings are covered in the Hasan-ho or Bankruptcy Act** (Law No. 75, 2004) and **Company Act** (Law No. 86, 2005). Rehabilitation proceedings are stipulated in the Corporate Reorganization Act (Law No. 154, 2002) and Civil Rehabilitation Act (Law No. 225, 1999). The Company Act became effective in May 2006, replacing all the chapters concerning businesses in the Commercial Code (Law No. 48, 1899). In general, a business is deemed to be insolvent when it files for one of the above-mentioned proceedings.

► **Hasan-ho or Bankruptcy Act:** the most standard liquidation law. Under the supervision of the court, the trustee collects the property of the debtor and sells it and distributes the proceeds to the creditors. Both debtor and creditor can file for this proceeding.

► **Special liquidation under the Company Act:** the court takes an active role in a company already under some kind of a liquidation process. This is mainly used by companies

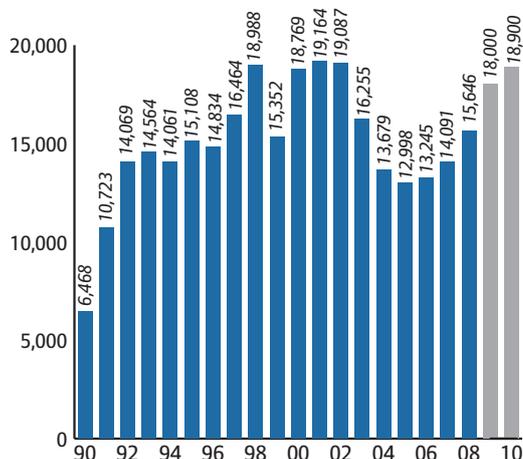
that are winding up their subsidiaries.

► **Corporate Reorganization Act:** this is specially reserved to turnaround Kabushiki Kaisha (public limited companies). Under the supervision of the court, the trustee will run the company. This can be filed either by the debtor or a creditor (the latter needs to hold receivables equivalent to at least 10% of the capital) or shareholder (who needs to hold more than 10% of the shares issued). Lien and priority interests will be frozen during the reorganization period.

► **Civil Rehabilitation Act:** this is another option aiming to turn around a business. Any type of business regardless of its size, and even an individual, can file for this. Both debtor and creditor can file, but shareholders cannot. In most cases, the existing management stays to run the business. Lien and priority interests can be exercised during the rehabilitation period. ■

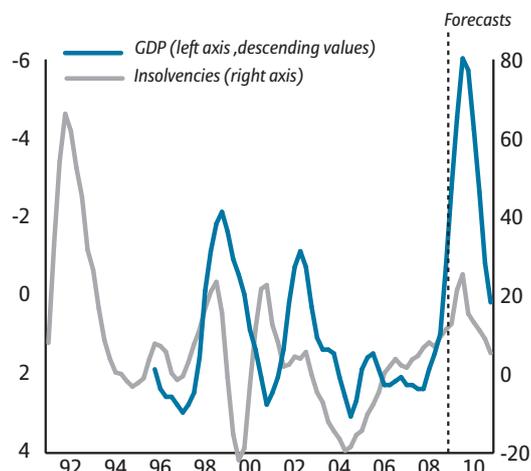
GDP and insolvencies in Japan

Insolvencies
Number of cases



Sources: TSR, Euler Hermes forecasts

Insolvencies and GDP
Annual change, in %



Sources: TSR, Euler Hermes forecasts

Number of insolvencies

Month	2007	2008	2009
January	1,091	1,174	1,360
February	1,102	1,194	1,318
March	1,247	1,347	1,537
April	1,121	1,215	1,329
May	1,310	1,290	
June	1,185	1,324	
July	1,215	1,372	
August	1,203	1,254	
September	1,047	1,408	
October	1,260	1,429	
November	1,213	1,277	
December	1,097	1,362	

Source: TSR

Definition and sources of statistics

Businesses:

The Ministry of Internal Affairs and Communications counted 5.7 million privately owned establishments in 2006 (including 2.7 million individual proprietorships and 3 million corporations) including a total of 1.5 million actively trading businesses. More than 70% of these employ fewer than 10 persons. Around 50% have share capital totalling below 10 million yen, and 44% are under 10 years old. Around 10% have share capital in excess of 50 million yen or employ more than 30 persons.

Insolvencies:

Tokyo Shoko Research (TSR) compiles monthly figures for the totality of business failures. The series that we employ covers businesses with liabilities in excess of 10 million yen that are subject to court-ordered reorganisation plans or liquidations (via the Corporate Reorganisation Law, Civil Rehabilitation Law, Corporate Arrangement under Commercial Law, or Bankruptcy Act), or else subject to private procedures (the suspension of bank transactions or amicable arrangements).

Major insolvencies

Company	Liabilities (millions of euros)*	Activity	Date of insolvency	Number of employees
2008				
Lehman Brothers Japan Inc.	25,800	Financial intermediation	09/2008	1,309
Lehman Brothers Holdings Japan Inc.	3,879	Financial intermediation	09/2008	na
Lehman Brothers Commercial Mortgage K.K.	2,891	Financial intermediation	09/2008	na
Sunrise Finance Co.	2,736	Financial intermediation	09/2008	na
Yamato Life Insurance Co.	2,026	Insurance and pension funding, excl. compulsory social security	10/2008	1,011
2009 (end of February)				
SFCG CO., Ltd	2,542	Financial intermediation	02/2009	92
The Japan General Estate Co.,Ltd	1,485	Real estate activities	02/2009	362
Creed Corporation	590	Business activities	01/2009	192
Spansion Japan K.K.	557	Real estate activities	02/2009	1,300
Eisen Fudosan K.K.	436	Real estate activities	01/2009	102

Source: Euler Hermes
(*) at 1 euro = JPY 133

Germany

On the brink of an insolvency flood tide

2008 trend: moderate trend reversal

Germany is caught up in the deepest economic contraction ever recorded in the postwar period. The very intricate and comprehensive international links which German exporters have built up over recent years, and which generated high above-average growth rates in the boom phase of the global economy, are now inexorably producing a downturn of comparable dimension. The intensity and speed of the downturn is unparalleled, and no end is yet in sight. The unexpectedly sharp dip in growth in the second half-year resulted in a reversal of the downward trend in corporate insolvencies in 2008 – albeit only a moderate one: following the clear downward trend in business insolvencies over the last three years, with a drop of 14.6% to 29,160 cases in 2007, the development has increasingly flattened out to reach 29,291 cases at the end of 2008, 0.4% more than in 2007. Financial losses increased more steeply by 21.9% and totaled 22.1 billion euros in 2008, which means that 0.75 million euros in liabilities per company were recorded. However, it should be noticed that comparing these figures with the previous year's results still exhibits limited significance, due to the persistent statistical problems concerning the results of the state of North Rhine-Westphalia for the year 2007 and the start of 2008.

Sector analysis

Insolvencies are a typical late indicator for the state of the economy. It therefore comes as no surprise that the extent of the severe recession in Germany has, all in all,

not yet appeared in the official insolvency statistics, although a noticeable rise is already apparent in some segments. In the manufacturing sector, which was hit by the full impact of the recession in the second half of 2008, insolvencies even were down by 4.0% in 2008 on average, thus still reflecting previous dynamics. The construction sector, significantly less affected by the crisis, recorded a 5.5% reduction as well. Insolvencies of trading companies were up by 1.1%, indicating the persistent weakness in the underlying consumer sentiment. Lastly, in the whole service sector the number of failures increased by 2.9%. However, some individual lines of businesses saw sharply rising figures, e.g., some postal and courier activities, other service business segments and retail trade via mail order houses or via the internet. Geographically, figures were down in nine German states and up in seven ones, dropping for example by 11.4% in Brandenburg and 11.3% in Bavaria, while rising by 10.8% in North Rhine-Westphalia and 8.4% in Hamburg. About 121,700 employees were affected by insolvency proceedings, compared to 125,000 employees one year ago.

2009-2010 outlook: new all-time high insolvency figures in the offing

Corporate failures in the coming quarters are set to surge powerfully. According to our estimates, the German economy is facing the most massive tidal wave of insolvencies in economic history. The number of companies affected is likely to climb by a hefty 19.5% in 2009 to some

35,000, and a further 11% on top of that in 2010, then reaching 38,900 insolvencies just under the all-time insolvency high of 39,320 cases registered in 2003. This is a clear reaction to the dramatic collapse of German economic growth in the wake of the crisis in the international financial markets and the global economy, with real GDP expected to shrink in 2009 and in 2010, despite the comprehensive stimulus packages and measures taken by the state to shore up the financial and business systems. If there were to be an even steeper fall in economic growth, the effects on the insolvency front could turn out to be even worse than those postulated here. ■ RG

Insolvencies by sector 2008

	Number	Change (*)	Share of total
Manuf. industry	2,201	-4.0%	7.5%
Construction	5,306	-5.5%	18.1%
Commerce	6,126	1.1%	20.9%
Transport & communications	2,823	-1.8%	9.6%
Hotels & restaurants	3,191	0.2%	10.9%
Real estate	1,042	-8.1%	3.6%
Finance & business services	5,835	13.8%	19.9%
Other services	2,536	-5.0%	8.7%
Others	231	15.5%	0.8%
Total	29,291	0.4%	100%

(*) Jan-Dec '07 to Jan-Dec '08
Source: Destatis

Regulation:

► **Reforms to the new Insolvency Code** (Insolvenzordnung, or InsO) in place since January 1, 1999 came into force on December 1, 2001. Initial provisions of the Code had in practice led to problems, especially in the case of bankrupt small companies and self-employed persons who came under personal insolvency procedures. One important reform is that such small businesses will no longer be subject to the procedure for personal bankruptcy, but will once again go through the standard insolvency procedure set out for companies. Exceptions to this rule will only be made under special circumstances. On first view, this reform would appear to lead to a statistical shift towards a greater number of insolvencies. In fact, however, it has not had a significant effect on the published figures for corporate insolvencies, since the Federal Statistical Office has since 1999 already adjusted the figures to reflect this change.

► The reforms to the Insolvency Code have had, however, a **substantial impact on official**

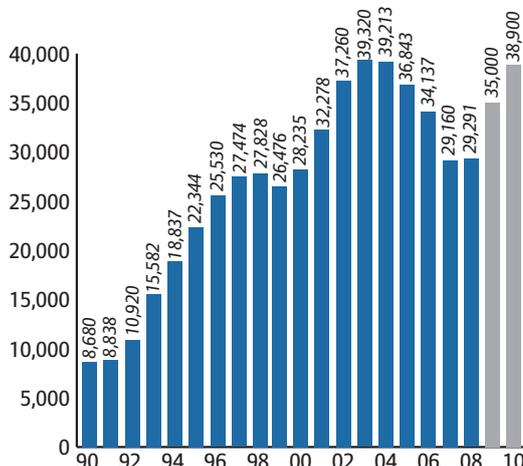
insolvency statistics, especially on the number of private insolvencies registered. What plays a significant role here is the fact that a debtor can now file for insolvency proceedings on the basis of "mitigating circumstances" (i.e., the registration threshold has been lowered by a considerable margin). The latter has led to substantially more insolvency proceedings as from the beginning of 2002 than would have been the case under the former legal provisions.

► Besides this, however, the statistical registration of corporate insolvencies has been **affected by new legal rules, which particularly make it difficult to define the line of demarcation between insolvencies of private individuals and those of small traders and self-employed persons**. It is also necessary to take into account the fact that the mitigating conditions referred to above not only affect private insolvencies, but also those of small traders. From the start of 2002, this makes it difficult to make comparisons of small traders and the self-employed with those of previous years. ■

GDP and insolvencies in Germany

Insolvencies

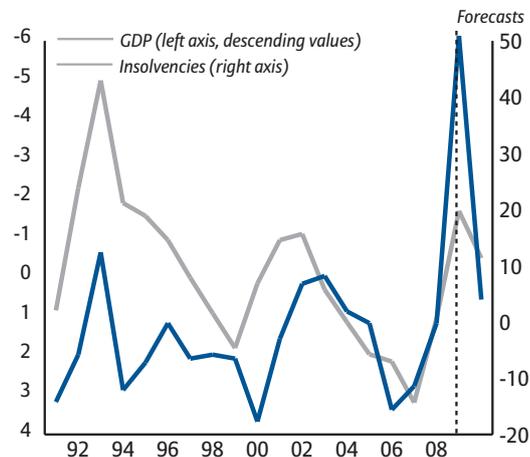
Number of cases



Sources: DeStatis, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: DeStatis, Euler Hermes forecasts

Number of insolvencies

Month	2007	2008	2009
January	2,204	2,454	2,444
February	2,249	2,378	2,394
March	2,580	2,315	
April	2,224	2,781	
May	2,507	2,317	
June	2,448	2,405	
July	2,361	2,760	
August	2,447	2,333	
September	2,285	2,479	
October	2,732	2,457	
November	2,715	2,375	
December	2,408	2,237	

Source: DeStatis

DEFINITION and sources of statistics

Businesses:

The Federal Statistical Office (DeStatis), in its Statistical Yearbook 2008, counted nearly 3,467,000 entities subject to taxation for 2005, according to a tally that included every entity subject to tax and/or contributions and excluding primary sectors (A and B in the EU's NACE economic activity classification codes). Among these, nearly 60,000 have more than 50 employees (or 2% of businesses) and 168,950 have turnovers of at least EUR 2 million (or 5%).

Insolvencies:

DeStatis tallies all court-ordered bankruptcies for the country, including those of individual persons, who accounted for more than 60% of the total in 2006-2007. Our series covers all business insolvencies, i.e., those of small businesses, public limited companies and private companies; it excludes individual insolvencies, a category that includes the self-employed (who were previously included in the series) and natural persons.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2008				
Hertie GmbH	680	Retailing	07/2008	4,100
Maxdata AG	470	Manuf. of office, accounting and computing machinery	06/2008	950
Sinn-Leffers GmbH	450	Textiles/Clothes (retailing)	08/2008	4,100
TMD Friction	340	Manuf. of parts and accessories for motor vehicles and their engines	12/2008	4,500
Knaus Tabbert Group GmbH	329	Caravans & campmobiles	10/2008	1,500
2009				
Qimonda AG	7,010	Manuf. of tubes and other electronic components	01/2009	1,500
Edscha AG	1,108	Manuf. of parts and accessories for motor vehicles and their engines	02/2009	6,800
Plastal GmbH	850	Manuf. of parts and accessories for motor vehicles and their engines	03/2009	2,200
DWW Woolworth Deutschland GmbH & Co KG	750	Retailing	04/2009	11,000
Wilhelm Karmann GmbH	500	Manuf. of parts and accessories for motor vehicles and their engines	04/2009	3,500

Source: Euler Hermes

United Kingdom

Spectacular acceleration in insolvencies

2008: +31%

Over successive quarters the British economy has sunk into a severe recession, hit by the full brunt of the collapse of the in the real estate market and the worsening of the crisis in finance and banking, each of these being major sectors of the economy and employment. The deterioration in business health fully reflects the scale of the downturn, which saw GDP fall by 0.7% in Q3 2008 and then by 1.5% in Q4. Overall, business insolvencies in England and Wales rose by more than 30% over 2008, sharply accelerating in H2 (+54% yr/yr) to a total of close to 30,000 cases, a new 10-year record. Sole proprietorship bankruptcies rose by 16%, but the rise of company insolvencies was even greater – especially over the end of the year – at 38%. Company insolvencies totalled more than 21,800 cases in 2008, an increase of 6,000 in the space of a year, during which business profits, as measured by national accounts, fell by a 25-year record of 10.5%. The most commonly used liquidation procedures rose by a significant 24% to 15,535 cases, and restructuring procedures shot up by a massive 92%, particularly administration procedures (4,820 cases in 2008).

Sector analysis

Although only partially available for 2007, and published after three months' delay for certain procedures, sectoral insolvency figures confirm the severity of the recession and its spread throughout the

whole of the economy. In 2008, no sector avoided an acceleration in insolvencies over the final quarters of the year, including those generally most safely positioned (primary industries, energy). In the end, it was the real estate sector that posted the biggest increase in insolvencies, making the services sector overall one of the most heavily hit in the economy, alongside construction. These two sectors accounted for nearly 40% of insolvencies. Retailing (with insolvencies up by 29%) and the hotel/restaurant sector (+35%) were hit by flagging consumption, while wholesaling was affected by the fall in foreign trade. Manufacturing industry, hit by a significant fall in output (-2.6% in 2008), posted more than 2,450 insolvencies in 2008, despite now representing less than 8% of the business population.

2009-2010 outlook: more than 45,000 insolvencies a year

The economic outlook remains very gloomy, with indicators published in Q1 2009 pointing to a prolonged deterioration in the economy, resulting from factors including the employment market, household wealth, the fall in exports (despite the depreciation in the pound) and finance conditions, etc. The many fiscal and monetary measures taken will act only to ease the recession expected over 2009, with too slow a recovery in 2010 for growth to reach the level needed to reverse the trend in insolvencies or even stabilise the number

of cases. In 2009, the number of insolvencies should reach 45,000 cases (+56%), the largest number since 1992, with a further 11% increase in 2010, despite an improvement in the latter part of the year. ■ ML

Insolvencies by sector 2008

	Number (*)	Change (**)	Share of total
Agriculture & primary industries	293	11.9%	1%
Manufacturing	2,467	17.5%	8%
Electricity, gas and water supply	161	2.7%	1%
Construction	5,269	31.9%	17%
Wholesaling & retailing	4,569	26.6%	15%
Hotels and restaurants	2,214	35.5%	7%
Transport, storage & communications	2,254	28.2%	7%
Financial intermediation	519	53.4%	2%
Real estate, rentals & business activities	6,555	78.7%	22%
Others	6,031	22.8%	20%
Total	30,332	35.7%	100%

(* England and Wales only

(*) Jan-Dec '07 to Jan-Dec '08 - (**) Sep '07- Mar '08 to Apr-Dec '08
(First available sectoral data: Q3-2007)

Source: DTI

Regulation:

Insolvency legislation falls under the Insolvency Acts of 1986 and 2000, and the Enterprise Act of 2002. The Enterprise Act introduced more emphasis on rescuing businesses. There are four main types of company insolvency:

- ▶ **Administration:** the main aim of this procedure is to rescue or restructure the company, in order to achieve a better outcome for creditors than might be achieved by liquidation. The Administrator is court-appointed and has a duty to act on behalf of all creditors.
- ▶ **Administrative receivership:** an Administrative Receiver is appointed by the holder of a floating charge and acts on behalf of the charge holder, rather than all creditors. This procedure can only be used for floating charges invoked prior to September 15, 2003 when the Enterprise Act was introduced. Exceptionally, some more complex financial transactions, such as those relating to public service companies, still allow for administrative receiverships in all cases.
- ▶ **Company voluntary arrangement:** this is the only procedure that allows a debtor to retain legal control over the company, under the supervision of an Insolvency Practitioner.

This is a collective procedure between the company and its creditors, which generally requires that part of the debts are relinquished in order to allow the company to continue operations. Agreement on the part of the creditors is required.

- ▶ **Liquidation:** this procedure is most commonly used when a company cannot be rescued. The company ceases trading and its assets are realised. The liquidator can be appointed by the company, its shareholders or creditors. The liquidator acts on behalf of all creditors and has powers of investigation extending to the conduct of the directors of the business.

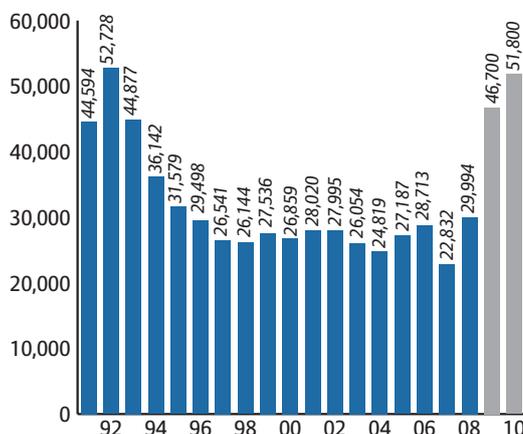
Other cases of insolvency

- ▶ **Bankruptcy:** this applies to individuals who are insolvent. An individual can avoid bankruptcy by entering into an individual voluntary arrangement with his or her creditors, which involves a proposal to repay the debts. In the absence of an individual voluntary arrangement, the courts have the power to declare bankruptcy at the request of the individual or his creditors. All the bankrupt person's assets then fall under the control of a trustee (the Official Receiver or an Insolvency Practitioner). ■

GDP and insolvencies in United Kingdom

Insolvencies

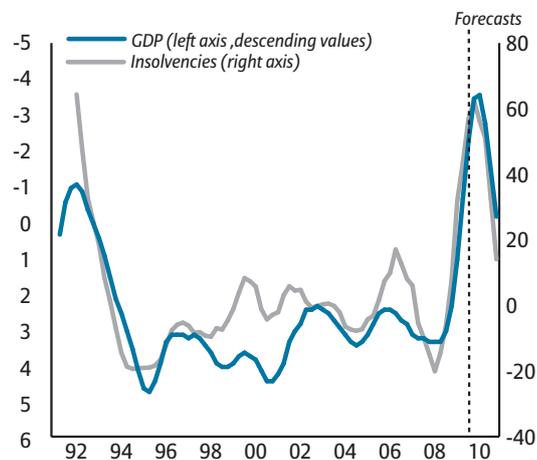
Number of cases



Sources: DTI, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: DTI, Euler Hermes forecasts

Number of insolvencies

	2007	2008	2009
Companies*			
Q1	4,142	4,420	6,893
Q2	3,955	4,935	
Q3	3,990	5,503	
Q4	3,687	6,953	
Self employed*			
Q1	1,981	1,915	2,448 e
Q2	1,767	1,828	
Q3	1,660	2,115	
Q4	1,650	2,325	

(* England and Wales only)

Source: DTI

DEFINITION and sources of statistics

Businesses:

National Statistics gives estimates of a total of 4.7 million private sector businesses in the UK at the start of 2007 (up 25% on 2000) all sectors, organisation types and legal forms combined. Among these, according to the Inter Departmental Business Register (IDBR), around 2 million were registered for VAT in 2008 in England and Wales, which is compulsory for any business with a turnover in excess of a certain threshold (set at £67,000).

Insolvencies:

Figures on business insolvencies are gathered by the Insolvency Service, which publishes quarterly data covering insolvencies of all types for the entire UK. Our series takes in all company insolvencies (liquidations and restructuring procedures) and self-employed bankruptcies for England and Wales. It excludes the figures for Scotland and Northern Ireland, where legal procedures are different.

NB: In previous issues of Insolvency Outlook, we based our figures on the total number of business liquidations (without other corporate insolvencies) and individual bankruptcies (without being able to distinguish among the latter between individual entrepreneurs or strictly private individuals). Because of this, the figures cited from December 2008 onwards are not directly comparable with those we published previously.

Major insolvencies

Company	Turnover (millions of euros)*	Activity	Date of insolvency	Number of employees
2008				
Woolworths Group plc	4,338	Retailing	11/2008	29,312
Future Communications UK Ltd	4,097	Computer and related activities	03/2008	35
Innovative Global Business group Ltd	2,259	Business services	03/2008	130
Wagon plc	1,043	Manuf. of bodies (coachwork) for motor vehicles; Manuf. of trailers and semi-trailers	12/2008	5,702
MFI Retail Ltd	840	Retailing	10/2008	3,167
2009				
Camden Group Services Ltd	1,330	Other land transport	02/2009	731
Nortel Networks UK Ltd	1,042	Telecommunications	01/2009	2,242
Waterford Wedgwood uk plc	605	Adult and other education	01/2009	6,929
Rubicon Retail Ltd	590	Retailing	03/2009	1,000
Visteon UK Ltd	402	Manuf. of parts and accessories for motor vehicles and their engines	03/2009	1,914

(* at 1 euro = GBP 1.461)

Source: Euler Hermes

France

More than 70,000 insolvencies in 2009

2008: +15%

The deterioration in the economic and financial environment in 2008 brought French GDP growth down to just a seventh its previous year level, taking it to just 0.3%, after 2.3% in 2007. After revisions in quarterly accounts, France entered into technical recession in the fourth quarter. Businesses were quickly and increasingly troubled by reduced activity and cash flows, and the contraction in industrial company margins amplified in Q4 with the abrupt fall in output. In the tighter credit environment, the 6% increase in insolvencies seen in 2007 gave way to a 15% rise in 2008, the biggest increase since 1991. Nearly 57,7000 procedures were decided by the commercial courts, two-thirds resulting in liquidation, one-third in court-ordered reorganisation, and 1% in the application of the safeguard procedure. The increase in insolvencies spread to all businesses regardless of size, although there was a significant increase on the part of businesses with more than 100 employees, increasing the impact in terms of jobs, with nearly 218,800 employees directly affected.

Sector analysis

The deterioration in business solvency widened to affect all regions and all sectors over the course of 2008. As in 2007, construction and real estate contributed largely to the general increase in bankruptcy filings in 2008, with these two sectors together accounting for 30% of insol-

vencies and 25% of jobs nationwide. Industry posted a 4% increase in insolvencies, putting an end to four years of falling numbers of cases. The crisis in the auto industry impacted on auto component manufacturers and on subcontractors in metalwork and in plastics, with sizeable insolvencies (e.g., Wagon Automotive, Eurostyle France, Ranger France) bearing witness to the difficulties of the sector. Insolvencies rose by 23% in the transport sector, which, after already having been hit by the rise in diesel fuel prices, now faces lower carriage volumes. Lastly, insolvency increases of 23% in retailing and 26% in the hotel/restaurant sector reflect a manifest slowdown in household consumption.

2009-2010: +25%

For France, as for most countries, economic forecasts are constantly being revised downwards, and we expect French GDP to fall by at least 2% in 2009. No real improvement is expected before the end of the year, with measures being taken to revive the economy and support businesses needing time to produce their effects. The number of court procedures increased by 17% over the first four months of 2009 against the same period in 2008. Many weakened businesses will have difficulties in surviving this period of recession, and we expect the number of insolvencies to increase by 25% in 2009, taking the total to above 73,000 cases, above the record 68,800 peak posted in the

last recession in 1993, when GDP fell by 0.8%. On the regulatory front, the modifications to the Safeguard law (Ordonnance of 18 December 2008) came into force on 15 February 2009, and the new provisions extend access to the procedures to a greater number of businesses. ■ MCS

Insolvencies by sector 2008

	Number	Change (*)	Share of total
Industry	4,838	3.7%	8.4%
Construction	15,262	21.4%	26.5%
Commerce	13,204	13.9%	22.9%
Transport	1,763	22.5%	3.1%
Real estate activities	1,989	47.9%	3.4%
Business services	8,361	10.5%	14.5%
Other service activities	2,865	18.4%	5.0%
Hotels and restaurants	6,561	26.2%	11.4%
Others	2,822	-12.2%	4.9%
Total	57,665	15.3%	100%

(*) Jan-Dec '07 to Jan-Dec '08
Source: Euler Hermes SFAC, series restricted to companies at date of publication of BODACC

Regulation:

► France's new Business Safeguard Act (*Loi de Sauvegarde des Entreprises*) of July 26, 2005 entered into force on January 1, 2006 and was modified by the Ordonnance of December 18, 2008, which came into force on February 15, 2009. The aim is to foster the prevention of and handling of company difficulties when they first appear, and to ease and widen access to the procedure to a greater number of businesses.

► **Prevention procedures: ad hoc mediation (*mandat ad hoc*) and conciliation (*conciliation*)**, reserved for any company experiencing difficulties of a nature to compromise continued operations, but not having been in cessation of payments for more than 45 days.

► **Judicial procedures:**

• **The safeguard procedure (*sauvegarde*)** or judicial restructuring without cessation of payments, for any company that demonstrates problems liable to force it to cease payments. For companies with turnover of more than 20 million euros or 150 employees, it establishes two committees of creditors, one for credit institutions and another for sup-

plier creditors, and a plan is drawn up for restructuring following an observation period of a maximum of six months, renewable one time only. The debtor can request the safeguard procedure be converted to judicial reorganisation if he thinks that adoption of a safeguard plan is not possible.

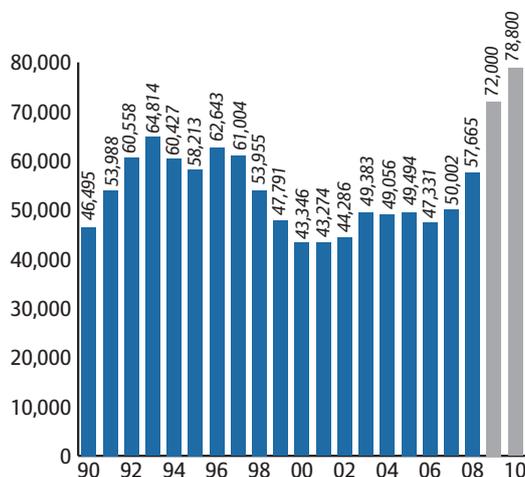
• **Judicial reorganisation (*redressement judiciaire*)** is open to any company in cessation of payments (unable to meet its current liabilities with its available funds) for a (renewable) period of six months. The procedure leads to a plan for restructuring the business and setting up committees (as under the safeguard procedure).

• **Judicial liquidation (*liquidation judiciaire*)** is applicable to debtors that have ceased payments and are unable to continue running the business. **Simplified liquidation (*liquidation simplifiée*)** is a new procedure for businesses with less than six employees in the six months prior to the judgement, turnover of less than 750,000 euros and no real estate holdings. ■

GDP and insolvencies in France

Insolvencies

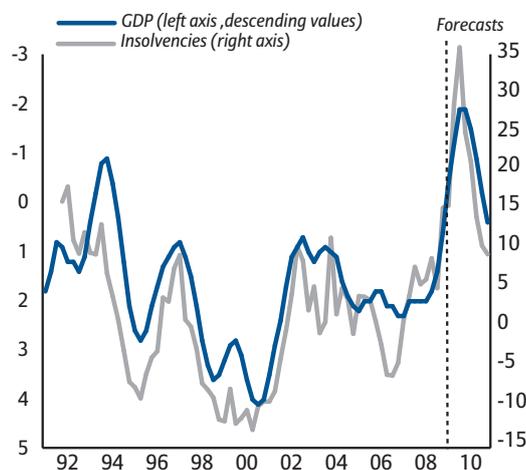
Number of cases



Source: Euler Hermes SFAC

Insolvencies and GDP

Annual change, in %



Sources: INSEE, Euler Hermes SFAC forecasts

Number of insolvencies*

Month	2007	2008	2009
January	4,213	3,581	3,912
February	4,164	4,161	6,098
March	4,196	6,686	6,703
April	3,623	4,552	5,471
May	3,375	4,757	
June	5,365	4,716	
July	5,066	4,918	
August	4,568	3,172	
September	2,167	3,475	
October	4,421	6,239	
November	3,071	4,955	
December	5,773	6,453	

* series at date of publication by BODACC
Source: Euler Hermes SFAC

DEFINITION and sources of statistics

Businesses:

as of January 1, 2007, the number of legal entities listed by INSEE in its Siren system totalled 5.6 million, including 2.9 million businesses with commercial activities in 'Industry, Commerce and Services' (ICS), but excluding around 660,000 businesses in agriculture, fishing and forestry and around 550,000 businesses in financial sectors. Of these 2.9 million businesses, 59.6% have no employees and 34% have 1 to 9 persons on their payrolls.

Insolvencies:

Euler Hermes SFAC has based its series of insolvency figures on bankruptcy court judgements in France. The series uses the number of insolvency cases of all types opened by the courts as of the date of publication of the official journal *Bodacc*, which publishes announcements of these and is used to obtain breakdown figures by major sector and by region. A second series identifies the biggest insolvencies, for entities with turnover in excess of 15 million euros.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2008				
Groupe Lero	1,078	Sale, maintenance and repair of motor vehicles and motorcycles; retailing sale of automotive fuel	06/2008	ns
Groupe Cauval	650	Manuf. of furniture	09/2008	3,040
Groupe Wagon (Oxford Automotive)	594	Manuf. of parts and accessories for motor vehicles and their engines	12/2008	598
Groupe Camif	442	Retailing	10/2008	400
Ares	412	Computer and related activities	07/2008	1,887
2009				
Groupe Rodriguez	431	Building and repairing of ships and boats	04/2009	111
Euro Distribution Alimentaire	252	Wholesaling	03/2009	735
Selective Beauty	207	Wholesaling	03/2009	138
Groupe Rencast	166	Casting of metals	03/2009	na
Groupe Setforge	120	Manuf. of basic precious and non-ferrous metals	01/2009	584

Source: Euler Hermes SFAC

Italy

Recession brings an increase in insolvencies

2008: a clear rise in insolvencies

The Italian economy persistently weakened throughout 2008 and contracted sharply (-2.1%) in Q4, resulting in GDP falling by 1% for the whole of the year. Italy is mired in recession, its fourth in a decade, with GDP likely to drop by nearly 4% this year in light of the continued economic deterioration seen in Q1 2009 (-2.4% on a quarterly basis). As indicated by the collapse in economic indicators and confidence levels, the fall in external demand and the fall in domestic demand – with a significant drop in consumption and in business investment – have driven down industrial output and weighed on the financial health of Italian businesses. Their difficulties bring longer payment delays in industry and construction, and an increase in payment defaults. Thus, after the sharp fall in insolvencies of 2007 (to 6,062 *fallimenti*, against an average of more than 11,000 over the period 2000-2006, according to the latest official figures from ISTAT), the number of insolvencies began to rise in 2008, by at least 45% (the average of figures from various sources). Note that bankruptcy law changes considerably reduced, on the basis of financial criteria, the number of businesses liable to come under liquidation from 2006 onwards. Thus, comparing the number of insolvencies with the figures from previous years is a difficult exercise, given that very small businesses are

no longer susceptible to the *fallimento* procedure.

Sector analysis

According to the latest published figures from ISTAT (2007), the breakdown in *fallimento* procedures, by major sector, shows retail/wholesale commerce in the lead with nearly a third of all cases, followed by industry (26%) and construction (17%). Regionally, there is a strong concentration of cases in the north of Italy (47%), followed by the Mezzogiorno (30%), and then the centre (23%). Of the 6,000 *fallimento* procedures pronounced, 40% were on the part of businesses older than 10 years, and 16% on the part of those less than five years old.

2009-2010 outlook: back to 13,000 bankruptcies

With economic forecasts revised considerably downwards for 2009, the government's leeway for cushioning the shock of the recession (in terms of assistance to households and SMEs) is limited, given the deterioration in public finances and Italy's high level of debt (105% of GDP). The continuation of the recession, probably up into Q3 2009, is likely to give way to only fragile and slow recovery during 2010, and this will weaken many businesses, notably in capital goods and consumer goods manufacturing. We expect the number of business insolvencies to rise by

a further 30% in 2009 and another 15% in 2010, taking the total number of bankruptcies back up towards 13,000 in 2010.

■ MCS

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Agriculture & related services	39	-39.1%	0.6%
Industry	1,582	-34.7%	26.1%
Construction	1,059	-31.7%	17.5%
Commerce & services	2,979	-45.9%	49.1%
Restaurants	313	-62.6%	5.2%
Services	1,002	-45.7%	16.5%
Transport & communications	335	-31.9%	5.5%
Financial intermediaries	68	-55.3%	1.1%
Total	6,062	-40.5%	100.0%

source: ISTAT
* change 2006 to 2007

Regulation:

The reform of bankruptcy law, which started in 2005 (by law no. 80/2005 and law no. 5/2006) has been completed by Legislative Decree no. 169/2007 (the "Decree").

The Decree introduced a new requirement for the entrepreneurs who cannot be subject to bankruptcy, in addition to the existing requirements. In fact the entrepreneur is not subject to bankruptcy if he does not exceed, in the three fiscal years preceding the filing of the bankruptcy request, both the threshold of EUR 300,000 for investments and EUR 200,000 for income and he has debts for a total amount lower than EUR 500,000. If all such requirements are met, the entrepreneur cannot be subject to bankruptcy.

The burden of proving that the above-mentioned requirements are met is to the charge of the entrepreneur, and not of the creditors.

► The centre-right government in August 2008 also approved a draft law to amend the Marzano law – an equivalent to the US Chapter 11 – used in cases of financial crisis at major companies. Dubbed the 'Alitalia decree', because it was clearly tailored to help the national carrier, the measure allowed the airline to be declared bankrupt and granted its government-appointed administrator, Augusto Fantozzi, the powers to spin off and sell the car-

rier's profitable flight operations debt-free and to sell or liquidate the remaining assets to help pay for Alitalia's over one-billion-euro debt.

The changes were originally part of a rescue plan for Alitalia drawn up for the government by Intesa Sanpaolo, Italy's second biggest bank.

The so-called Phoenix Plan was then used as the basis for an offer for Alitalia's flight operations presented by Compagnia Aerea Italiana (CAI), a consortium of Italian investors, which included Intesa, created with the government's active encouragement.

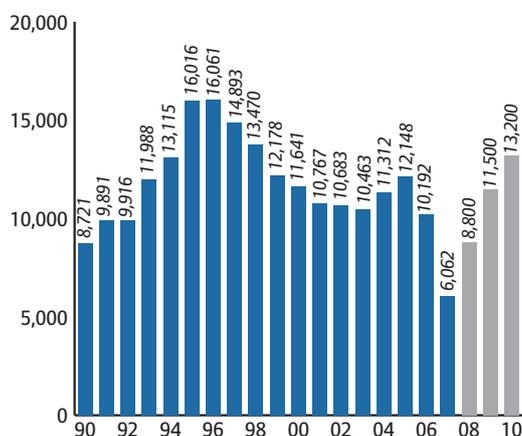
Under the revised bankruptcy regulations, antitrust laws can be bypassed if this is in the "general interest" and should a monopoly be created, as would be the case if Alitalia's Milan-Rome routes are merged with those of CAI partner Air One as planned, antitrust authorities can only take action after June 30, 2009.

► The Marzano law was passed in 2003 to deal with the collapse of Parmalat, the dairy group that was industrially sound but went bankrupt amid fraud and a mountain of debt. The European Commission is examining the new legislation to see whether it constitutes unfair state aid for the new Alitalia. ■

GDP and insolvencies in Italy

Insolvencies

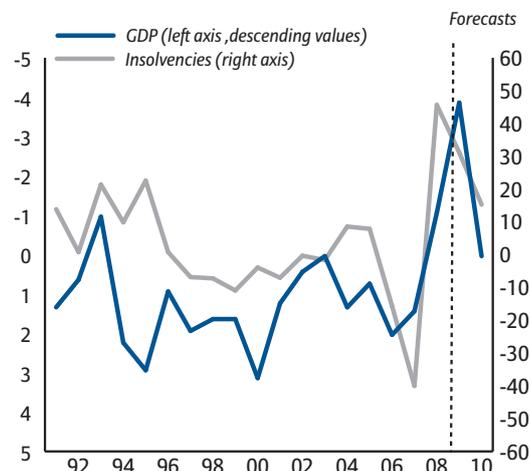
Number of cases



Sources: ISTAT, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: ISTAT, Euler Hermes forecasts

Number of insolvencies

	Annual figures	Change
1996	16,061	0.3%
1997	14,893	-7.3%
1998	13,740	-7.7%
1999	12,178	-11.4%
2000	11,641	-4.4%
2001	10,767	-7.5%
2002	10,683	-0.8%
2003	10,463	-2.1%
2004	11,312	8.1%
2005	12,148	7.4%
2006	10,192	-16.1%
2007	6,062	-40.5%

Source: ISTAT

DEFINITION and sources of statistics

Businesses:

Movimprese estimates some 5.093 million businesses active in Italy, of which 3.4 million are individually owned. Some 95% of Italian businesses are micro-businesses, i.e., those with less than 10 employees. In 2005, ISTAT counts 4.373 million businesses (95% with less than 10 employees) active in industry, commerce and services (excluding agriculture, public services and associations).

Insolvencies:

ISTAT only publishes annual business bankruptcy figures, and with two years' delay. The average duration of a procedure is seven years before judgement is pronounced. For its part, Movimprese gives quarterly figures for *fallimento* procedures underway by sector and by region.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2008				
Alitalia - Linee Aeree Italiane Societa' Per Azioni	4,147	Air transport	08/2008	9,880
Alitalia Servizi S.P.A.	652	Manuf. of transport equipment	09/2008	8,300
Kartogroup Societa' A Responsabilita' Limitata	419	Manuf. of paper and paper products	09/2008	800
Alitalia Express	246	Air transport	09/2008	737
Gruppo Car S.P.A.	193	Sales, maintenance and repair of motor vehicles and motorcycles; retailing sale of automotive fuel	10/2008	10
2009 (March)				
Ittierre - SOocieta' Per Azioni	443	Manuf. of wearing apparel; dressing and dyeing of fur	02/2009	824
Maia Due S.P.A.	288	Wholesaling	01/2009	600
Plus IT - Societa' Per Azioni	121	Manuf. of wearing apparel; dressing and dyeing of fur	02/2009	87
C.P.L. Imperial 2 S.P.A.	119	Wholesaling	02/2009	310
Lineapiu' - S.P.A.	87	Financial intermediation	02/2009	450

Source: Euler Hermes

Spain

Recession and an abrupt acceleration in bankruptcies

2008: a three-fold increase in bankruptcies

The heady years of the Spanish economy came to an end in 2008: GDP growth fell back towards 1% (1.2% for the full year), with the contraction worsening in Q1 2009 (to an annualised -7.1%). Spain is mired in a recession that threatens to continue into 2010. Boxed into a corner by its past excesses – in housing and debt – the Spanish economy suffers more greatly from the collapse in domestic demand and the global crisis. In every sector – whether dependent on household consumption, construction, investment or export – activity is down, while wage costs have continued to rise (by 3.9% in 2008). The Bank of Spain estimates that profits of non-financial businesses fell by 24% in Q4 2008, against an increase of 12% in Q4 2007. Payment defaults have multiplied, and the number of insolvencies has increased three-fold (to 2,528) in a year, accelerating in Q4 2008, during which Spanish courts pronounced 960 bankruptcy rulings, more than the 880 pronounced for the full year 2007! Even with this figure of 2,500 insolvencies, the use of *concurso* procedures seems still limited in respect of the total active business population of 3.4 million, with little use by very small businesses.

Sector analysis

The deterioration in business solvency is affecting all sectors. Not surprisingly, the crisis in construction and real estate has brought an explosion in insolvencies in these two sectors, which together account

for 44% of the total number of cases, with the number up nearly four-fold in construction and nearly six-fold in services and real estate. Industry has not been spared, with the number of judgements pronounced nearly doubled. Close to 45% of insolvencies were on the part of businesses employing less than 10 persons; 13% were in businesses with more than 50 employees. More than two-thirds of cases were pronounced in the five regions that are also host to two-thirds of Spanish businesses: Catalonia (24% of insolvencies), Valencia (15%), Andalusia (14%), Madrid (12%) and the Basque Country (6%). The most spectacular increase in 2008 was in Andalusia, where the number of procedures quadrupled in a year.

2009-2010 outlook: nearly 4,000 insolvencies

The collapse in all the indicators of activity and every measure of business confidence regarding domestic or export markets, plus the sharp upturn in unemployment, all point to a longer and deeper economic crisis than anticipated. This has led to a sharp downward revision in the economic forecasts. Despite successive stimulus plans by the government (totalling more than 3% of GDP), and despite intervention by the Bank of Spain in the rescue of an insolvent regional savings bank, Spanish GDP could drop by more than 3% in 2009 and remain negative in 2010. Given the fall in activity that will persist for several quarters, given the deterioration in business profits, and in light of the

trend seen in Q1 of this year, we can expect further increases in payment defaults and insolvencies, which should rise by nearly 60% for the whole of 2009. ■ MCS

Insolvencies by sector 2008

	Number	Change (*)	Share of total
Agriculture & related services	32	52%	1%
Industry	576	123%	23%
Construction	632	283%	25%
Commerce	377	139%	15%
Hotels & restaurants	48	140%	2%
Transport & communications	92	229%	4%
Business services & real estate	490	463%	19%
Others	281	67%	11%
Total	2,528	187%	100%

(*) Jan-Dec '07 to Jan-Dec '08

Source: INE

Regulation:

The law regarding insolvencies and bankruptcies, the Ley Concursal of July 9, 2003, came into force in September 2004, with important consequences for businesses. The principal improvements of the law are the following:

- ▶ Creation of **new courts specialised in commercial law** and reduction in the delays for lodging the claim. As a consequence of this, the insolvency process will take less time.
- ▶ Definition of two **different kinds of concurso** (insolvency): *Culpable* (culpable) or *voluntario* (voluntary) with different consequences for the managers of the business.
- ▶ Implementation of **new proceedings of insolvency**. If a company has debts for three months with the tax or social security authorities, it will be considered insolvent and it shall voluntarily apply for insolvency.

▶ Toughening of the rules related to liability on the part of the managers of the company.

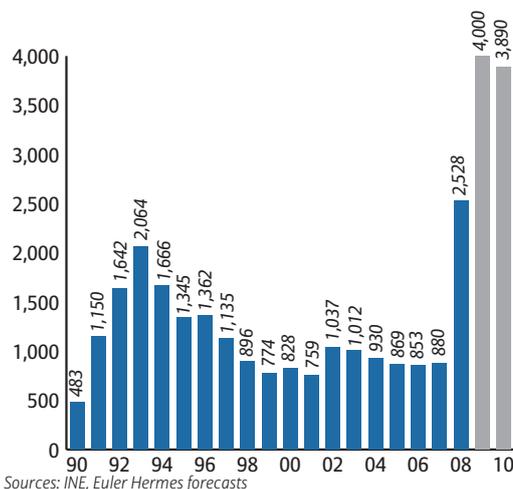
The aim of the new law is to supersede the former regulation and to implement a new process that will allow businesses to cooperate with their creditors in order to survive a period of cash crisis. Nevertheless, the new law tries also to protect the interests of the creditors, toughening the rules on managerial liability and forcing the businesses to voluntarily apply for insolvency before their financial situation becomes too serious.

Modifications have been recently introduced to encourage agreements with creditors prior to a declaration of insolvency, in order to speed up official procedures and reduce their costs, and to accelerate the process of liquidation when a business is not viable. ■

GDP and insolvencies in Spain

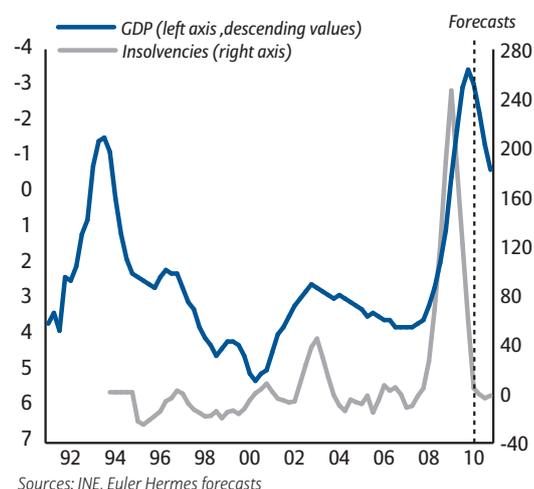
Insolvencies

Number of cases



Insolvencies and GDP

Annual change, in %



Number of insolvencies

Quarter	2007	2008	2009
Q1	218	359	1,358
Q2	212	542	
Q3	190	667	
Q4	260	960	

Sources: INE

DEFINITION and sources of statistics

Businesses:

Spain's Instituto Nacional de Estadística (INE) annually publishes a census conducted by the Directorio Central de Empresas (DIRCE). On January 1, 2008, there were 3.4 million active businesses (excluding agriculture), of which 94% had fewer than 10 employees and 51% no employees. This list is based on figures from different administrative sources, including company tax records and Spanish social security authorities.

Insolvencies:

Since the fourth quarter of 2004, INE has been publishing a new series of quarterly business insolvency figures, with a breakdown by sector, by region, by business legal status and by size.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2008				
Martinsa-Fadesa Group	1,028	Real estate activities	07/2008	1,186
Prometheus Group	446	Wholesaling	10/2008	678
Seop Obras y Proyectos SL	434	Construction	04/2008	974
Urazca Group	250	Construction	06/2008	850
Labaro Grupo Inmobiliario SA	150	Real estate activities	04/2008	170
2009				
Atlantis Servicios Inmobiliarios SL	332	Real estate activities	01/2009	ns
Castellón Sociedad Anónima	141	Manuf. of parts and accessories for motor vehicles and their engines	03/2009	689
Sistemasdorzal SL	129	Manuf. of structural metal products, tanks, reservoirs and steam generators	02/2009	18
Construcciones Edisan SA	114	Construction	01/2009	365
Lte International Airways SA	108	Scheduled air transport	01/2009	254

Source: Euler Hermes

Netherlands

Sharply accelerating since autumn 2008

2008: a deceptive near-stabilisation

After falling significantly for two years – with the number of cases dropping cumulatively by 32% over 2006 and 2007 to their lowest point since 2002 – a total of 4,635 business insolvencies were posted in 2008, an increase of just 0.7%. But the annual figure is not the whole story. First, it masks a conspicuous difference between insolvencies on the part of individual entrepreneurs (down significantly for the second year running, by 21%, and representing less than 18% of the total number of insolvencies), and insolvencies on the part of other businesses, which were up by a significant 7%. Moreover, this annual figure chiefly reflects the good performance of the Dutch economy up to spring 2008, which allowed the fall in bankruptcies to continue for a number of months. In Q2, however, a trend reversal set in, more or less in phase with the deterioration in the world economy, which impacted especially on the Dutch economy, highly exposed to and dependent on world trade and the dynamism of its nearby trade partners. Over successive quarters, while GDP fell increasingly – by 0.1% in Q2 and then 0.5% in Q3 and 1.2% in Q4 – business insolvencies correspondingly rose at increasing rates – by 2% in Q2, 7% in Q3, and finally 20% in Q4. December saw the number of cases shoot up by a record 53%.

Sector analysis

The only two sectors to show a fall in insolvencies for 2008 were industry (-8%) and the hotel/restaurant sector (-22%), accounting respectively for 5% and 6% of the business population. Over the course of the year, however, there was a clear trend reversal, with insolvencies rising in H2 against H1 by 28% in industry and 3% in the hotel/restaurant sector. This acceleration in H2 was seen in all sectors, and notably in business services (+22%) and retail/wholesale distribution (+24%), in the end leading to an increase in the insolvency figures. The biggest increase was in the transport/communications component (+15%), more directly affected by the sharp braking in foreign trade. But the most insolvency-ridden sector remained finance/business services, which accounted for nearly 32% of bankruptcies against less than 23% of the business population.

2009-2010 outlook: heading for 8,000 insolvencies in 2009

Highly exposed to the world economy and thus sensitive to world demand, Dutch GDP should contract even more sharply in 2009 given that domestic demand offers barely any potential for acceleration in investment or household expenditure. After growing by 3.4% in 2006-2007, GDP could fall by at least -4% in 2009, given a

record fall in Q1, with 2010 likely to post only low quarterly gains, despite recovery plans. This environment threatens to exacerbate competitive pressures on businesses, given that the business population has risen strongly since 2003, with a net creation of more than 100,000 new businesses. Business insolvencies should continue to rise significantly, posting new record highs from 2009 (+75%). ■ ML

Insolvencies by sector 2008

	Number	Change (*)	Share of total
Agriculture	88	4.8%	1.9%
Industry	426	-8.0%	9.2%
Construction	628	2.1%	13.5%
Commerce	1,211	4.2%	26.1%
Hotels & restaurants	233	-21.8%	5.0%
Transport & communications	276	15.0%	6.0%
Finance & business services	1,477	2.1%	31.9%
Others	296	0.7%	6.4%
Total	4,635	0.7%	100%

(*) Jan-Dec '07 to Jan-Dec '08

Source: CBS

Regulation:

► The Dutch bankruptcy code has not changed fundamentally over more than 110 years of its existence. Recently, however, legal experts presented a draft for an entirely new code to the Ministry of Justice. Whether this code will become the law and whether this will happen within the near future is not certain yet.

The main goal behind many of the proposals is improving the ability to successfully restructure companies that experience financial difficulties.

The current suspension of payment proceedings (*sursance van betaling*) seems to be inefficient as a restructuring tool. Often restructurings now take place outside the *sursance van betaling* with the help of the bank. Only in cases where the bank is not willing to cooperate will the company opt for the formal procedures, which are then likely not to be successful.

In the new code it would be up to the trustee (and not the debtor) to decide whether the company should be liquidated or whether there is a chance of restructuring the company after insolvency proceedings have already been opened. It will no longer be possible for the company to opt for either the bankruptcy proceedings or suspension of payment pro-

ceedings. Hopefully this will encourage the management of companies who are experiencing or anticipating financial difficulties to open insolvency proceedings at an early stage when there are still reasonable prospects of a turnaround.

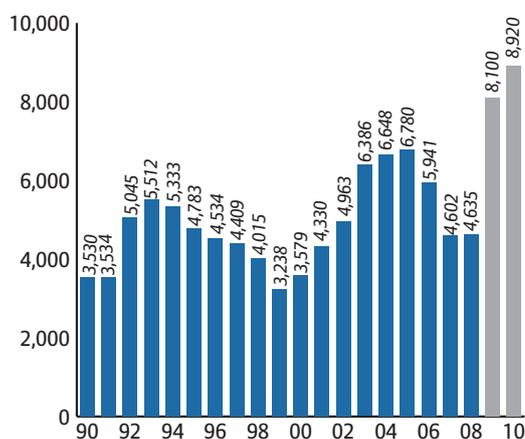
Another change would be the following: under current law a provision terminating a contract upon the counterparty's insolvency is valid and enforceable under Dutch law. Under the new code, it is proposed, it will no longer be possible to terminate certain specific contracts upon a counterparty insolvency during a cooling-off period on the grounds that the insolvent party has not performed its pre-insolvency payment obligations under the contract.

Finally the new code would make it easier to realise a composition plan outside of formal insolvency proceedings.

GDP and insolvencies in Netherlands

Insolvencies

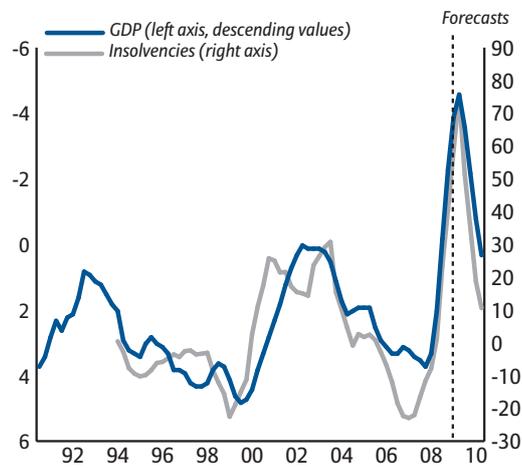
Number of cases



Sources: CBS, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: CBS, Euler Hermes forecasts

Number of insolvencies

Month	2007	2008	2009
January	472	383	567
February	343	349	604
March	349	317	761
April	364	404	
May	432	285	
June	331	378	
July	378	382	
August	400	349	
September	401	415	
October	442	406	
November	378	489	
December	312	478	

Source: CBS

DEFINITION and sources of statistics

Businesses:

The Centraal Bureau voor de Statistiek (CBS) puts the number businesses in the Netherlands as of January 1, 2008, all sectors included, at 800,000. Of these, 50% were in services, more than 20% in retailing and wholesaling, nearly 15% in agriculture, more than 10% in construction and 5% in industry. Around 85% have more than 5 employees, while fewer than 2% have more than 50 employees.

Insolvencies:

The CBS registers all bankruptcies ruled on by the bankruptcy courts, including personal bankruptcies, which account for 25% of the total. Our series takes in business failures for all sectors of activity, and includes companies, 'single-owner companies' and partnerships. These account for 75% of bankruptcies. We exclude personal bankruptcies, which account for 25% of the total.

Major insolvencies

Company	Activity	Date of insolvency	Number of employees
2008			
Vipack	Transport and communications	10/2008	nd
Kin Installatie techn	Construction	10/2008	165
Diolen Industrial	Fibres	07/2008	587
Van Diemen BV	Construction	06/2008	80
Nak denhelder	Construction	04/2008	35
Smits gevelbouw	Construction	04/2008	45
Media Motion	wholesaling	02/2008	1
Rabelink aann bedr	Construction	01/2008	36
2009			
Vlasco Bouw	Construction	02/2009	110
Hoogevest Bouw	Construction	02/2008	300

Source: Euler Hermes

Belgium

Sharply rising: heading towards 10,000 bankruptcies in 2009

2008: +10%

With 8,472 bankruptcies recorded, the year 2008 posted the highest figures since 1990 both in the number of cases and in the percentage increase (10.4%) over the previous year. The rate of GDP growth slowed steadily during the year, ending at 1%, against 2.6% in 2007. Belgium has not escaped the crisis: businesses are faced not only with falling domestic demand and a collapse in exports (mainly to euro zone countries) but also with the tighter credit conditions resulting from the financial crisis. Their financial problems have been exacerbated, bringing increases in payment delays and in defaults. The collapse in activity and in business confidence is accompanied by a strong increase in the number of bankruptcies, which at the end of March 2009 were up by 17.5% on a 12-month basis, and by 28% against Q1 2008. Parallel with the increase in insolvencies, for the first time in several years we are seeing a contraction in the number of new businesses (-5% in 2008 to 68,500). On the employment front, the 8,472 bankruptcies pronounced by the bankruptcy courts in 2008 had a heavy impact, bringing job losses of more than 20,000, up 33% against 2007.

Sector analysis

The fall in activity has spread through the entire economy, and every sector has seen an increase in insolvencies. The biggest increases (>10%) have been in transport, retail/wholesale distribution, the hotel/restaurant sector and construction, which together account for 88% of the total number of cases in Belgium. There has been a significant increase in insolvencies in the Brussels region (20%). The number of cases rose by 8% in the Flemish-speaking parts of the country (50% of the total number of cases), and by 8.5% in Wallonia (28% of all cases).

2009-2010 outlook

As is expected in the recession-hit euro zone, the slowdown in activity in Belgium will be even more pronounced in 2009, at least in H1, bringing a -3% fall in GDP over the full year. The new law of January 31, 2009 on the continuity of businesses, soon to come into force, will offer insolvent businesses other options besides bankruptcy and should help them to reorganise and continue operating. Despite announced measures to improve business cash flows (a postponement of VAT payments), the scale of the economic

recession and the figures posted for Q1 2009 foreshadow a further increase in business insolvencies (by more than 15%), which would take the number of cases to above 10,000 for the full year. The slight improvement hoped for in 2010 (including GDP growth of 0.4%) should nonetheless prove insufficient to reverse the trend in bankruptcies, which should continue to rise (by 4%). ■ MCS

Insolvencies by sector 2008

	Number	Change (*)	Share of total
Agriculture, hunting and forestry	137	3.0%	1.6%
Industry	487	7.5%	5.7%
Construction	1,171	11.2%	13.8%
Commerce	2,440	11.0%	28.8%
Hotels & restaurants	1,568	10.6%	18.5%
Transport & communication	2,278	14.0%	26.9%
Others	391	-7.8%	4.6%
Total	8,472	10.3%	100%

(*) Jan-Dec '07 to Jan-Dec '08
Source: INS

Regulation:

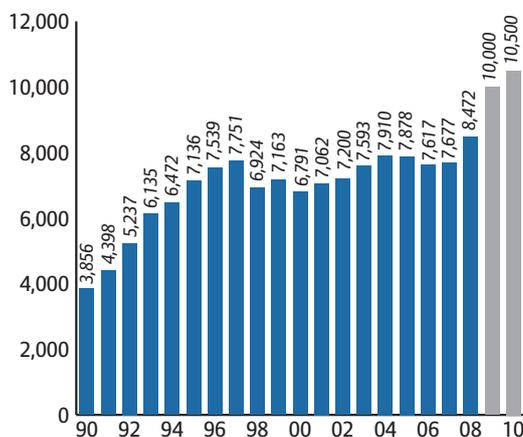
► **Faillite (bankruptcy)**: this applies to 'any business that has consistently ceased payment and whose credit is weak'. It is defined in the Act of August 8, 1997 (effective from January 1, 1998), which cancels and replaces the Act of April 18, 1851, and establishes a procedure for the liquidation of a company. Bankruptcies are pronounced by the commercial court with jurisdiction for the business, largely based on the statement of the trader to the court registry (in the month when payments ceased) or on the basis of statements from one or more creditors or from the public prosecutor. Bankruptcies can be carried out via a 'short procedure' (once the minutes of the debtor's verification have been finalised) if the bankruptcy is not contested or if the asset value is not material. Alternatively, the bankruptcy may be via a 'long procedure' if the bankruptcy is liable to prejudice the rights of the bankrupt party or his creditors. The process must be completed within three years fol-

lowing the court's pronouncement of bankruptcy, or with a court decision on any 'reason to excuse' the bankrupt party, which could cancel all existing liabilities from the bankruptcy. ► The Act of July 17, 1997 relating to *concordat judiciaire* (legal arrangement), however, is now superseded by the Act of January 31, 2009. This is intended to avoid bankrupting an insolvent business, to protect it from its creditors (with a suspension of payments), and to allow businesses that so request to remain in operation. The debtor needs to specify if it wishes to reach agreement with all of its creditors or with its major creditors, or for the transfer of all or part of the business. The court protects the debtor from its creditors over an 'observation period' running for a maximum of six months (renewable), during which time a reorganisation plan must be agreed by the majority of creditors and approved by the court (with a view to a final suspension), which can last up to five years. ■

GDP and insolvencies in Belgium

Insolvencies

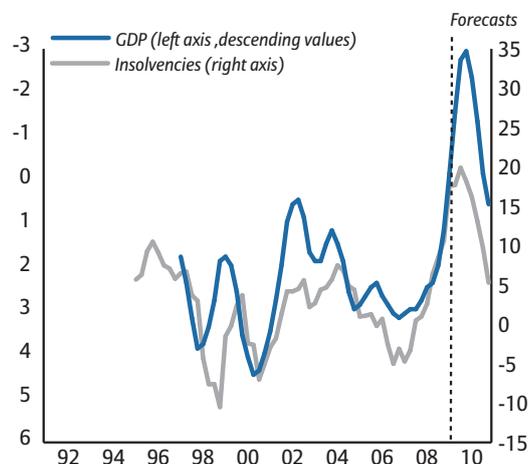
Number of cases



Sources: INS, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: INS, Euler Hermes forecasts

Number of insolvencies

Month	2007	2008	2009
January	642	682	776
February	643	616	789
March	718	716	1,007
April	654	715	
May	632	628	
June	731	916	
July	392	530	
August	344	357	
September	792	917	
October	851	829	
November	649	708	
December	629	858	

Source: INS

DEFINITION and sources of statistics

Businesses:

The Institut National de la Statistique (INS), via Ecodata, the database of the Ministry of Economic Affairs and the INS, counted 722,191 companies registered for VAT in 2006, including independents and excluding non-profit companies. Of this figure, 95% employed less than 10 persons.

Insolvencies:

INS publishes figures each month on declared business bankruptcies. These figures are broken down by major sector, by the party's legal status (bankruptcies of individual entrepreneurs, cooperatives, public limited companies and private limited companies), and by region.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2008				
Era-Data	122	Retailing (computers)	06/2008	ns
Ralos	116	Manufacture of carpet	08/2008	245
Spin-Group	67	Textiles	10/2008	423
Cloetens	55	Manuf. of office, accounting and computing machinery	03/2008	nse
Aci Technologies	42	Manuf. of office, accounting and computing machinery	09/2008	ns
2009 (end of March)				
Alumet-Motornet	61	Recycling of metal waste and scrap	01/2009	57
Sinomet Recycling	44	Recycling of metal waste and scrap	03/2009	ns
Rachbros Diamond Co	36	Cut diamonds	03/2009	ns
B.D.S. Group	25	Automotive	01/2009	36
Laan & Zonen	24	Manuf. of tobacco products	02/2009	39

Source: Euler Hermes

Sweden

An accelerating rise in insolvencies

2008: +9%

The Swedish economy suffered an abrupt halt to expansion from Q1 2008, before sinking more seriously into recession in the second half of year, the final months in particular bringing collapse in its domestic market and in external demand, as well as the start of noticeable stock adjustments. In this difficult context, epitomised by the scale of the fall in GDP (-0.5% on annual average, after -2.4% over Q4), operating profits for the year (as stated in national accounts) were down on annual average by an even greater figure of 5% (after -12% over Q4). Not surprisingly, business bankruptcies have returned to an uptrend, after dropping for four consecutive years to a low point in 2007. In the end, nearly 6,300 companies were forced to file for bankruptcy in 2008, out of a total business population of around 966,000 entities, the bulk of them being SMEs. Out of Sweden's 21 counties, just four (accounting for only for 7% of the total number of insolvencies), managed to avoid a rise in the number of cases. In terms of business legal structures, individually owned businesses proved resilient, with insolvencies continuing to drop (-13%). The biggest increase in insolvencies (+16%) was on the part of limited companies, which accounted for more than 75% of bankruptcies. The biggest employers generally posted the biggest increase in insolvencies.

Sector analysis

Given the intensity of the crisis, every major sector posted an increase in insolvencies on annual average, apart from real estate. The scale of the increase was not uniform, however. Bankruptcies rose by less than the average in wholesaling and finance. But the increase was more noticeable in retailing, for the second year in a row, and in construction and services: these three were also the hardest hit sectors of the economy, accounting for around half of cases nationally. Nonetheless, the biggest increases in the number of insolvencies were in the hotel/restaurant sector (with an 18% increase in the number of cases) and in the transport/communications component (+38%): these two sectors respectively account for just 3% and 4% of the total business population, but their increased insolvencies were felt the sharpest. In most sectors, this acceleration in insolvencies intensified in H2 2008, notably in manufacturing industry (+43% against H1) and in the auto sector (+28%).

2009-2010 outlook: insolvencies still rising, especially in 2009 (+35%)

The prolonged deterioration in economic indicators over the first months of this year suggests no improvement in terms of the economy or insolvencies before 2010. Much to the contrary, the continued worsening in indicators (e.g., in respect of

industrial output, order books, utilisation rates, etc.) should further narrow the investment outlook and increase the pressures on businesses to make adjustments, including on the employment front. The outlook for successive quarterly falls in GDP up to the end of the year (totalling -4% for the year), followed by an only modest recovery in 2010, threatens seriously to bring a surge in insolvencies for several months running, especially given the massive 20% increase in the business population seen between 2002 and 2008. In this context, the number of bankruptcies could reach 8,500 in 2009. ■ *ML*

Insolvencies by sector 2008

	Number	Change (*)	Share of total
Agriculture & primary industries	99	16.5%	1.6%
Manuf. industry	457	15.1%	7.3%
Construction	820	12.6%	13.0%
Automotive	258	9.8%	4.1%
Wholesaling	516	7.3%	8.2%
Retailing	750	12.1%	11.9%
Hotels & restaurants	439	18.3%	7.0%
Transport & communications	314	38.9%	5.0%
Finance	38	5.6%	0.6%
Real estate	169	0.0%	2.7%
Other services	1,462	14.9%	23.2%
Others	976	-13.1%	15.5%
Total	6,298	8.7%	100%

(*) Jan-Dec '07 to Jan-Dec '08

Source: SCB

Regulation:

► **Konkurs** is the term used for bankruptcy. A business may be declared bankrupt due to insolvency if it cannot meet its liabilities to creditors. The company is not insolvent if its funds and assets are sufficient to repay the creditors.

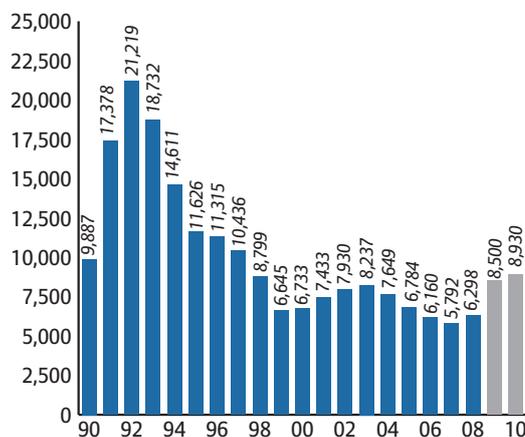
► **Företagsrekonstruktion** is the term for public business reorganisation. The procedure is set out by law and influenced by US Chapter 11. The procedure is started by a petition to court for reorganisation of the business, made by either the debtor or a creditor. An administrator (*rekonstruktör*) is appointed to examine the debtor's financial situation. The reorganisation always includes a proposal. If all creditors do not accept this proposal, the debtor may apply to the court, requesting that public composition proceedings begin. Legal arrangement (*offentligt accord*) can first be decided under a public business reorganisation procedure.

► **Underhandsackord** is an agreement between creditors and the debtor to avoid bankruptcy and continue the business in difficulty as a going concern. It can be established by an agreement between both parties regarding the amount of liabilities due to creditors. To avoid bankruptcy, the dividend to creditors has to be at least 25%.

► **The intention of the new bankruptcy legislation in Sweden**, with full effect from 1 January 2005, was to increase dividends in bankruptcies for unsecured creditors. One additional motive was to improve conditions prior to successful reconstructions in Sweden. Some critical voices have been raised however, regarding the unwanted side effects of the 'credit crunch' directed to small and medium sized companies. The credit crunch consists basically of goods financing (leasing and factoring) being offered instead of current account financing and of wider use of guarantees, when banks are dealing with smaller companies. ■

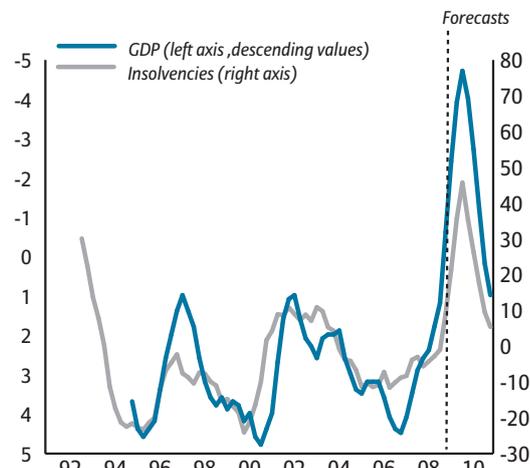
GDP and insolvencies in Sweden

Insolvencies
Number of cases



Sources: SCB, Euler Hermes forecasts

Insolvencies and GDP
Annual change, in %



Sources: SCB, Euler Hermes forecasts

Number of insolvencies

Month	2007	2008	2009
January	523	569	646
February	422	459	697
March	549	457	826
April	483	535	745
May	542	512	
June	477	477	
July	400	411	
August	405	404	
September	400	469	
October	575	656	
November	539	717	
December	477	632	

Source: SCB

DEFINITION and sources of statistics

Businesses:

Statistics Sweden (*Statistiska Centralbyrån – SCB*) counted 966,000 businesses active in 2008, covering all sectors of the economy included in European nomenclature categories A to Q, including 26% in business services, 22% in agriculture, 13% in wholesale/retail commerce, 8% in construction and 6% in manufacturing industry. Of these, 870,000 had fewer than 5 employees and 3,350 had fewer than 10 employees.

Insolvencies:

Statistics Sweden gathers figures each month for insolvencies of all types, by region, by legal status, by type of activity and by number of employees. The series we use covers the totality of business insolvencies (for companies and individual entrepreneurs). It excludes bankruptcies of strictly private persons, which generally account for 5% of total bankruptcies

N.B.: Previously, our published figures were based on the total number of business insolvencies and individual insolvencies, regardless of whether the latter were on the part of individual entrepreneurs or strictly private individuals, given that these were not distinguished from one another. Hence, our published figures since November 2005 are not directly comparable with those in earlier editions of Insolvency Outlook.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2008				
Elmo Leather AB	57	Dressing and dyeing of fur; Manuf. of articles of fur	12/2008	307
Kellve Bulkteknik AB	39	Manuf. of general purpose machinery	11/2008	125
NYA Segerström & Svensson Eskilstuna AB	35	Manuf. of parts and accessories for motor vehicles and their engines	12/2008	230
Shoppingsajterna Svenska AB	30	Computer and related activities	11/2008	45
Emtunga Offshore AB	22	Construction	12/2008	217
2009				
Motorcentrum Gjestvang AB	77	Sale of motor vehicles	04/2009	194
Skandinaska Metmo AB	55	Wholesaling	01/2009	9
Nordic Airways AB	38	Air transport	01/2009	104
Aircall AB	27	Wholesaling of machinery, equipment and supplies	04/2009	275
Saltöhem AB	21	Construction	04/2009	3

(*) at 1 euro = SEK 10.52

Source: Euler Hermes

Switzerland

Nearing the summit

2008: a deceptive fall in insolvencies

Business insolvencies for 2008 were down by a deceptive 2.2%. The reduction in total cases (for the fourth year running) essentially reflects the continued good state of the Swiss economy up to mid-2008. This, despite a slowing in H1, was accompanied by a continued drop in the number of bankruptcies up to the end of spring (down by 11% yr/yr for the year to the end of June), even as the business population continued to grow (by a net 10% since 2005, thanks to a noticeable increase in new business creation). But a break came in H2 2008, with the number of insolvencies up by 10% against H1, and with a particular increase in Q4, with figures up by 22% on Q3, in step with the worsening deterioration in the domestic and international climate and with the continuation of the financial crisis, which acted to strengthen the Swiss franc against the euro and further disadvantage exports. Every canton but Zurich saw a rise of insolvencies in H2. The increase was a modest 4% in Western Switzerland (accounting for nearly 30% of insolvencies), more noticeable in the canton of Bern and in Northwestern Switzerland (9%), and significant in the three regions of Central Switzerland (+17%). Eastern Switzerland (+22%) and the canton of Ticino (+35%).

Sector analysis

Construction was the only major sector to post rising bankruptcies for the full year

2008, accounting still for more than 20% of the total number of insolvencies, against just 12% of the business population. The number of cases rose in every segment of the construction industry: construction itself, exterior surfacing, architectural and engineering firms, electrical contractors and real estate. The three other major economic sectors failed to escape the national trend, with a further and more moderated fall in the number of cases in H1, followed by a significant rise in H2. Thus industry posted an H2 increase of 9.4% against H1 (with paper/publishing and electronic goods especially affected), while retail/wholesale distribution saw a 6.4% rise (despite 2008 posting a decline in the number of cases, by a strong 7.4%, for the fourth year running). Services were hit hardest, with H2 insolvencies up by 13.9% against H1, accounting for 42% of the total number of cases in the country, with many cases in the hotel/restaurant segment, accounting for 37% of insolvencies in services.

2009-2010 outlook: a record increase

After an end of 2008 in marked slowdown and start of 2009 in clear contraction, the Swiss economy seems unlikely to see recovery before H2 2009. For 2009 overall, it is heading towards a contraction of close to 2%, after its 1.6% increase in 2008. In this, it is being hurt by the continued crisis in its trade partners, by the problems in the financial sector (a major part of the economy) and by a prolonged weak-

ening domestically, with the deterioration in its employment market. The upturn in insolvencies triggered in H2 2008, later confirmed over the early months of 2009, has good chances of extending up to the end of the year (+16%, exceeding the rate of increase seen in the previous downturns) and into a large part of 2010 (+4%). Switzerland would then post record high insolvency levels of more than 5,000 bankruptcies in 2010. ■ ML

Insolvencies by sector 2008

	Number	Change (*)	Share of total
Construction	1,017	12.3%	24.1%
Industry	379	-3.6%	9.0%
Services	1,788	-6.4%	42.4%
Retailing/wholesaling	941	-7.4%	22.3%
Others	96	9.1%	2.3%
Total	4,221	-2.2%	100%

(*) Jan-Dec '07 to Jan-Dec '08

Source: FOSC, Creditreform

Regulation:

► **Swiss bankruptcy legislation is based on the Federal Law of April 11, 1889 on the pursuit of debts and bankruptcies (LP)**, revised in part in 1994. The legislative changes, notably concerning composition proceedings, came into force on January 1, 1997.

The law applies to all individual or company debtors, i.e., natural or legal persons involved in business and listed on the Register of Commerce. The law provides for several distinct procedures: the Concordat drafted in 1994 for companies; amicable settlement of debts for the reorganisation of the financial position of private persons; and special rules applying, for instance, to insurance companies, banks and others. Creditors must submit a requisition form to the cantonal Office des Poursuites calling to begin proceedings in pursuit of a debtor. The Office sends the debtor an order to pay within 20 days before proceedings for seizure or bankruptcy. Should payment fail to be made, the Office drafts a non-compliance document, and the bankruptcy judge declares bankruptcy. This judge-

ment is sent to the Office des Poursuites, which administers the bankruptcy and proceeds with the liquidation.

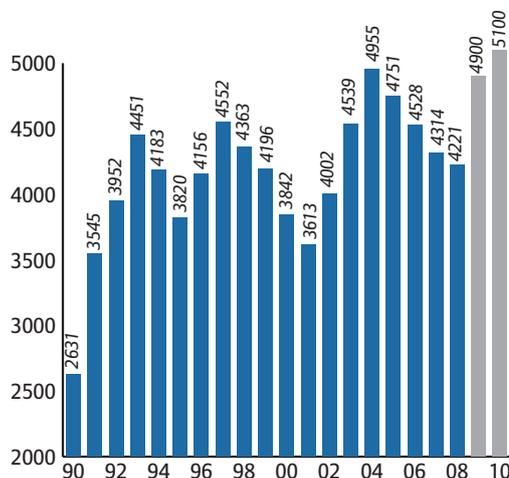
► **The Concordat offers debtors a breathing space.** It is granted to them on request, without prior consultation with creditors. Debtors gain protection against proceedings or bankruptcy for a period of up to 12 months, and even 24 months in complicated cases. The debtor can declare itself insolvent and request the judge to grant protection against proceedings, and after examination the judge delivers a decision either to reorganise the business or else conduct an orderly liquidation. In the event of judicial reorganisation, a qualified majority of creditors must give their consent. The judge appoints a commissioner to assist the debtor in reaching agreement with the creditors. The director of the business in cessation of payments remains in place, under the control of a commissioner. He may not, however, dispose of assets or conduct financial transactions.

► **Liquidation:** liquidation and the division of assets consist of realising the assets of the bankrupt entity and distributing the proceeds to creditors according to the nature and scale of what they are owed. ■

GDP and insolvencies in Switzerland

Insolvencies

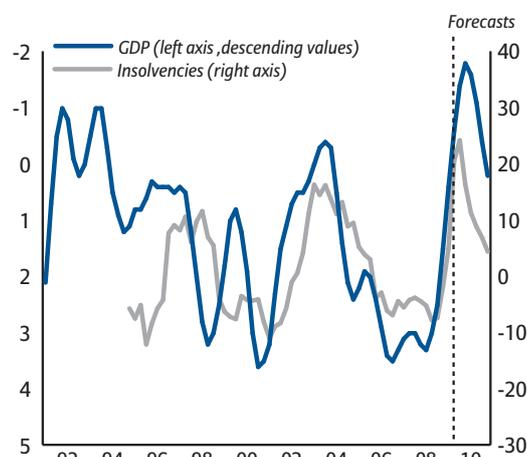
Number of cases



Sources: OFS, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: OFS, Euler Hermes forecasts

Number of insolvencies

Month	2007	2008	2009
January	368	310	387
February	340	372	408
March	422	349	428
April	370	348	410
May	354	332	
June	398	298	
July	347	397	
August	318	273	
September	357	326	
October	366	499	
November	384	405	
December	290	312	

Source: OFS

Definition and sources of statistics

Businesses

The Office Fédéral de la Statistique (OFS) counted nearly 299,000 businesses (excluding non-profit businesses) active in Switzerland in 2005, with around a quarter in the secondary sector and the remaining three-quarters in the tertiary sector. One-person businesses accounted for more than 50% of the total, public limited companies 28%, and private limited companies 15%. Nearly 88% of businesses employ less than 10 persons. According to net annual business creation figures from Creditreform, the business population should total more than 335,000 entities.

Insolvencies:

The OFS publishes figures on declared company and personal bankruptcies (sole traders not listed on the Register of Commerce are included in the latter category). In our series, we use only data on the business bankruptcies published in the Feuille Officielle Suisse du Commerce (FOSC), which covers nearly half of all insolvencies and which are periodically reported by Creditreform in a more detailed manner by sector, by region or by legal form.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2008				
Dr. Amann AG	57	Real estate activities	05/2008	12
GROB Aerospace AG	50	Transport-related activities	11/2008	400
Stewo AG	19	Paper and board	12/2008	123
Automates et Jeux Proms SA	18	Electronic equipment rental	07/2008	140
vR Systems AG	14	Transport systems	12/2008	59
2009				
IMC Metall AG	82	Metals wholesaling	04/2009	25
ASC African Safari Club AG	66	Transport, travel agencies	04/2009	40
ComBase (Switzerland) AG	15	Logistics, telecoms	03/2009	120
Dangel & Co AG	13	Construction	03/2009	90
Helog Heliswiss AG	7	Transport-related activities	03/2009	40

(*) at 1 euro = CHF 1.59

Source: Euler Hermes

Norway

Massive increases in insolvencies

2008: +28%

After falling for four consecutive years, bankruptcies rose very significantly in 2008. The change in trend was confirmed over the course of months, especially in H2 (+23% on H1), a period traditionally marked by a 'seasonal' fall in bankruptcies (by 11% on average since 1990). Norwegian businesses resisted, but only with difficulty, initially to the progressive slowing of their domestic economy and the increasing pressures on operating conditions, and then and especially to the impact of the worsening world economic and financial crisis in second half of year. In the end, insolvencies rose by 27.8% for the full year, out of a total business population of some 330,000 private companies. The acceleration in insolvencies affected all the country's large regions, although it remained more limited (at less than +10%) in the counties of Oslo and Akershus, which account for nearly 30% of business population. The increase in insolvencies was less due to sole traders, for whom the number of cases rose by only 6%, than to insolvencies among other business types (+41%), the latter accounting for 70% of the total number of cases. Generally, the rate of growth in the number of insolvencies rose in line with business size, in terms of turnover or manpower. Overall, more than 10,000 employees were affected by business insolvencies across the board, an increase of 65% against 6,200 in 2007. Businesses bankruptcies in 2008 represented a cumulative turnover NOK 14.6bn, more than double the NOK 7.1bn figure of 2007.

Sector analysis

Every major sector contributed in 2008 to the national trend of rising insolvencies. This was true, firstly, for the four sectors that saw the number of cases rise in 2007, with a more moderate increase (+31%, after +60% in 2007) in the post-telecommunications component, but with stronger increases in construction, the hardest hit sector in the country, which also posted one of the highest rates of insolvency, as well as in finance and in business services, the latter sector accounting for around a third of the business population. This was also true for sectors more at the core of the productive apparatus: primary and extractive industries, manufacturing and automobiles. Equally affected were sectors directly involved in national and international trading, such as transport and wholesaling, as were sectors more dependent on domestic demand, weakened since 2008, such as retailing and the hotel/restaurant sector, both of which accounted for nearly 23% of bankruptcies, against just 12% of the business population.

2009-2010 outlook: towards record insolvencies

Still rising massively in Q1 2009 (+88% against Q1 2008), business insolvencies threaten to reach record levels for the full year. The prospects of an economic upturn remain limited for the short and medium term, while aggressive monetary and budget policy will not prevent GDP for Mainland Norway contracting in 2008, before activity, notably in hydrocarbons

and primary products, begins to benefit from an improvement in the global economy. In the meantime, the pressures on operating conditions and business financing should see the annual volume of bankruptcy filings in Norway rise to more than 6,000 (+66%) in 2008, especially in the wake of the strong pace of business creation (by a net 22%) between 2002 and 2008, which should bring its share of mortality among young businesses. ■ ML

Insolvencies by sector 2008

	Number	Change (*)	Share of total
Agriculture, forestry & fisheries	56	1.8%	1.5%
Extractive industries	12	300.0%	0.3%
Manuf. industry	235	46.9%	6.5%
Water & Gas	5	400.0%	0.1%
Construction	809	34.8%	22.2%
Automotive	130	31.3%	3.6%
Wholesaling	235	19.9%	6.5%
Retailing	535	16.1%	14.7%
Hotels & restaurants	279	24.6%	7.7%
Transport	230	17.3%	6.3%
Post & telecoms	63	31.3%	1.7%
Finance	35	105.9%	1.0%
Others business services	756	35.5%	20.8%
Others	257	13.2%	7.1%
Total	3,637	27.8%	100%

(*) Jan-Dec '07 to Jan-Dec '08

Source: SSB

Regulation:

Business insolvency covers several terms:

► **Betalingsstans:** this is a suspension of payments to avoid bankruptcy while protecting creditors. During the payment suspension period, the debtor company attempts to find ways to continue as a going concern and is protected from all legal actions from its creditors. A date is fixed to separate transactions and important decisions prior to the payment suspension. If the business cannot continue as a going concern, the payment suspension date is established as the date when the bankruptcy takes effect. During the payment suspension, creditors have no influence on the procedure.

► **Konkurs:** this is the term used for bankruptcy. A business may be declared bankrupt due to insolvency if it cannot meet its liabilities to creditors. The company is not insolvent if the funds and assets are sufficient to repay its creditors. The business can be declared bankrupt by the creditors or by the business itself (*oppbud*).

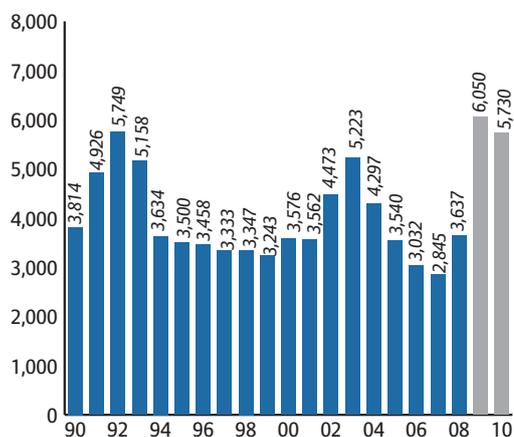
► **Tvangsoppløsning:** This is the term for liquidation ordered by the court in the event that the business cannot meet its formal obligations.

► **Akkord:** This is a legal arrangement (*tvangsakkord*) or agreement between the creditors and the debtor (*frivillig akkord*) to avoid bankruptcy and continue the insolvent business as a going concern. It requires the written agreement of both parties on the amount of liabilities due to creditors. A deadline is established, and the arrangement takes effect for all creditors, who are treated equally. To avoid bankruptcy, the return to the creditors has to be at least 25%. ■

GDP and insolvencies in Norway

Insolvencies

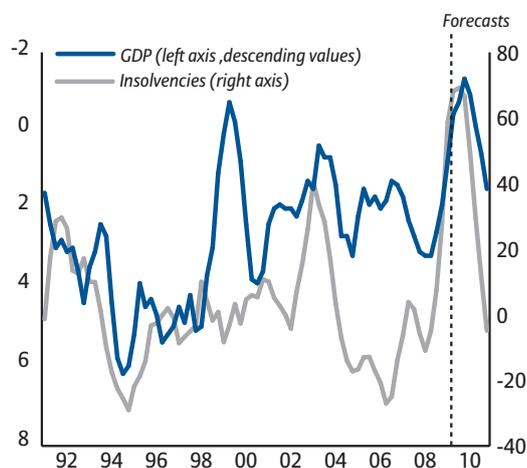
Number of cases



Sources: SSB, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: SSB, Euler Hermes forecasts

Number of insolvencies

Month	2007	2008	2009
January	271	277	415
February	256	262	473
March	354	214	530
April	202	307	
May	260	281	
June	229	287	
July	155	264	
August	198	230	
September	230	340	
October	285	410	
November	228	345	
December	177	420	

Source: SSB

DEFINITION and sources of statistics

Businesses:

Statistics Norway (*Statistisk Sentralbyrå – SSB*) counted around 330,000 businesses active as of the start of 2009, excluding public entities and the primary industries (totalling around 80,000 units) of agriculture, forestry and fisheries. Of those counted, 44% were private limited companies and 45% sole proprietorships. Nearly 62% are small structures where the director is the sole employee, but the number of businesses with more than ten employees has risen since 2002 by 9% to more than 25,000.

Insolvencies:

SSB publishes figures on bankruptcies of all types occurring each month, by region, type of activity, turnover and number of employees, drawn from the Register of Bankruptcies in Bronnoysund and the Value Added Tax Registration List. Our series covers all business bankruptcies (of all legal structures) and personal bankruptcies (on the part of individual entrepreneurs and private persons, which are not distinguished).

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2008				
Fuglesang & Olesen AS	31	Building of complete constructions or parts thereof; civil engineering	01/2008	135
Friomar AS	29	Fishing, operation of fish hatcheries and fish farms;	02/2008	6
Oslo Nord Retail AS	29	Retailing sale of automotive fuel	04/2008	73
Romerike Stasjonsdrift AS	24	Retailing sale of automotive fuel	04/2008	58
Fotovideo Norge AS	21	Retailing	02/2008	0
Coast Air AS	20	Scheduled air transport	01/2008	95
Helios Distribusjon AS	13	Wholesaling of agricultural raw materials, live animals, food, beverages and tobacco	04/2008	27
Domic AS	10	Building of complete constructions or parts thereof; civil engineering	02/2008	109
World Travellers AS	10	Sporting and other recreational activities	01/2008	18
Nordbook AS	9	Printing and service activities related to printing	02/2008	78

(* at 1 euro = NOK 7.874

Source: Euler Hermes

Austria

A clear increase in insolvencies since autumn 2008

2008: stabilised at a high level

The total number of Austrian insolvencies was nearly unchanged for the year 2008, rising by some 20 bankruptcy filings to 6,315 cases, an increase of just 0.3%. This figure nonetheless results from erratic patterns during the course of the year, with bankruptcies either falling or rising depending on the quarter. Moreover, the annual figure masks a clear overall trend change occurring in spring 2008. After falling for two years, insolvencies posted yr/yr increases of 3% in Q3 and 8% in Q4, in step with the exhaustion of the national and international economy that worsened into the end of the year. GDP growth slowed in Q4 and fell by half (to 1.6%) over the full year. In this environment, the hotel/restaurant sector (15% of total bankruptcies) and transport (3%) posted steady insolvency figures, while the number of cases fell in chemicals/pharmaceuticals, IT, textiles, printing/publishing, mechanical engineering, metals and others. But the number of insolvencies was already in net increase in two major sectors: construction (+6%) and business services (+7%), with rises also in certain others including food, automobiles and communications. The increases were a significant factor in the second notable trend: the increase in insolvency liabilities, which rose overall by 25% to €3bn.

2009-2010 outlook: new record highs

Despite sound fundamentals, the Austrian economy will not avoid pronounced contraction in 2009, with GDP dropping by at least 2%, hit by the combined loss of steam in both domestic and export demand. This fall in activity, weakening businesses and forcing them to many adjustments in both employment and investment, should only reinforce the trend of rising insolvencies. With the rate of increase already at 9% at the end of March, the rise in bankruptcies should increase to 15% over the year 2009, slowing thereafter in 2010, when gradual improvement in economic growth will still be insufficient to reverse the trend. ■ ML

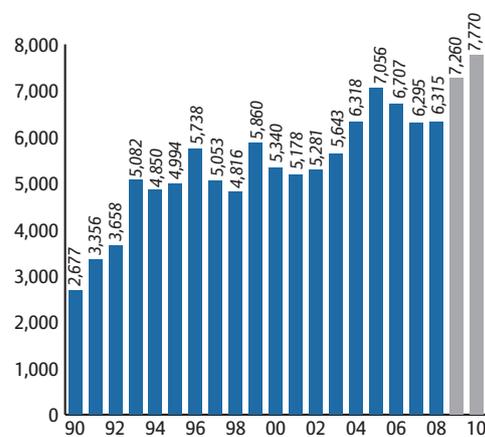
Major insolvencies

Companies	Turnover (millions of euros)
2008	
Eybl Austria GmbH	294
Battenfeld Kunststoffmaschinenbau GmbH	100
AST Baugesellschaft mbH	95
Mautner Markhof Aktiengesellschaft	4
2009	
Holzindustrie Theresia Haeupl GmbH	71
Romberger GmbH (Fertighäuser)	36
Holzhausen Gruppe	17
Envirgy Environment Energy Engineering and Construction GmbH	4

Source: Euler Hermes

Insolvencies

Number of cases



Sources: KSV, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

Statistik Austria counted 289,600 businesses in 2006, (excluding education, health and social services). Business services accounted for 29% of the total, ahead of retailing and wholesaling (28%), the hotel-restaurant sector (16%), industry (10%), construction (9%) and transport (4%). Nearly 87% have fewer than 10 employees. Some 2% have more than 50 employees, but account for more than 60% of the cumulative turnover of all Austrian businesses, estimated at EUR 567bn for 2006.

Insolvencies:

Our series uses data from Kreditschutzverband 1870 (KSV), which gives quarterly figures for the totality of business bankruptcies pronounced, by sector and by region.

Regulation:

Austrian law distinguishes between composition proceedings under its Composition Law (*Ausgleichsordnung*, or AO) and winding-up under the Bankruptcy Law (*Konkordanzordnung*, or KO).

► Opening of winding-up proceedings presupposes that the debtor is insolvent.

Insolvency is in particular to be assumed when the debtor has ceased payments. It is not a precondition for insolvency that creditors are pressing for payment. A situation in which the debtor has satisfied his payment obligations towards individual creditors in whole or in part, or is still able to do so, is not sufficient grounds in itself for the assumption that he is solvent (§ 66, KO). Winding-up proceedings can also be opened on trading companies in which there is no personally liable partner who is a natural person, as well as in respect of the assets of legal entities and bankruptcy proceedings in respect of a deceased's estate in the case of overindebtedness (technical insolvency = excess of liabilities over assets) (§ 67, KO). If the preconditions for opening of winding-up proceedings or threatening imminent insolvency are present, the debtor can apply for the opening of composition proceedings instead (§1, AO).

► The goal of the winding-up proceedings is first of all to satisfy the claims of all creditors equally. Depending on the assets available, each creditor would receive a dividend in the same percentage of the amounts owed to him. Wherever possible, the attempt is made to avoid the break-up of companies that have a chance of restructuring their finances and to give the debtor the chance to get back on his feet again financially. This is the goal when the procedure known as compulsory composition (*Zwangsvergleichsverfahren*) takes place within winding-up proceedings. The compulsory composition procedure leads to the discharge of the debtor from his residual debt if and when he pays at least 20% of his debts within 2 years.

► A bill for the reform of insolvency law is anticipated for autumn 2009. The general aim will be to extend the range of options for corporate restructuring in Austria. A restructuring procedure with a minimum share of 30%, in which the debtor may be granted the right to self-administration, shall remove the composition proceedings under composition law. The legislative procedure will however take at least until spring 2010. ■

Greece

Continued rise in insolvencies

2008: +10%

Greece posted GDP growth of 2.9% for 2008, but the full-year figure is not the whole story. In fact, the slowdown in Greek economic growth accelerated in the fourth quarter, dropping to an annualised rate of 1.2%, under the impact of the contraction in domestic demand and the worsening in the economies of the country's main trading partners. The slowdown in activity and the social tensions in Greece have highlighted its public finance imbalances, its delayed reforms (in tax, employment and pensions) and its poor business competitiveness. Against the backdrop of economic slowdown and tightening credit conditions, we estimate that the number of business insolvencies rose by 10% in 2008.

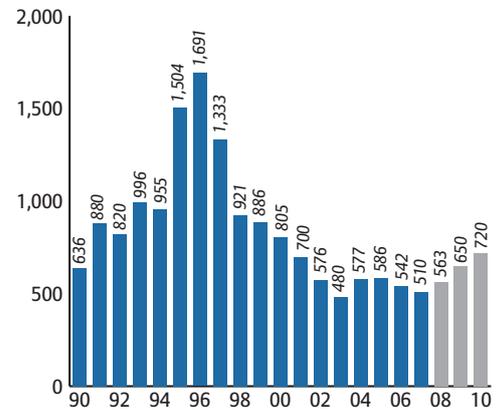
2009-2010 outlook: +15%

The Greek economy should brake sharply in 2009 or even contract, due to the slowdown in household lending and the job losses that will impact on consumer spending, and given the contraction in two key sectors that account for nearly 70% of GDP: tourism and maritime transport, both hit hard by the crisis and the drop in world trade. Slight improvement will come only in 2010, with GDP growth of 0.5%, depending on the revival in world trade. The only support will come from infrastructure works financed by European Union funds, given that public debt, at 95% of GDP, leaves no room for any overall stimulus measures. There are only

some short-term measures (totalling around €1.5bn) targeting individuals in need and certain troubled sectors (autos, hotels and exporters). Faced with falling sales, the financial health of many businesses threatens to worsen, bring a further 15% increase in insolvencies in 2009 and an 11% increase in 2010. MCS

Insolvencies

Number of cases



Sources: National Statistical Service of Greece, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

By the latest estimates, 795,556 businesses were registered with the National Statistical Service in 2005.

Insolvencies:

Our serie draws on business insolvencies' figures from Tiresias database.

Regulation:

► The bankruptcy procedure in Greece has been reformed by the Law No. 3588/2007, in force since 16/09/2007. This Law, having taken into consideration the relevant procedures of the German, French and Spanish Law, abolishes the previous bankruptcy Law, as well as the legal framework of restructuring and winding-up of companies, determined by Law 1892/90 (Art. 44, 45, 46, 46a and 46b), and introduces faster and more flexible procedures.

The main principles of the new Law are the following:

- **First priority is to give the debtor the opportunity to restructure its business and avoid being declared bankrupt.** The Law encourages the adoption of the "Re-organisation Plan" of the enterprise, in order to keep it in operation. The "Re-organisation plan" can be filed before the Court by the debtor or the trustee in a brief time limit, it is evaluated by the Court and its acceptance or rejection is decided by the creditors.
- **In case the attempt to re-organise the enterprise fails, the bankruptcy procedure**

is faster and there are control mechanisms securing the immediate liquidation of the bankruptcy property as well as its distribution to the creditors. The Law settles the immediate beginning of the liquidation after the end of the verification of the claims, as well as the fast hearing of all the bankruptcy cases.

► The liquidation procedure of the assets is more transparent and there is a new organ in the bankruptcy procedure, the "committee of creditors", consists of three members, each member elected from one category of creditors. This organ follows the bankruptcy procedure, assists the trustee in his work and secures the control of the procedure for the entity of the creditors.

► The institution of "reconciliation procedure" is introduced. The aim of this procedure is to reach a settlement between the debtor and its creditors concerning all the debts, and avoid the business being declared bankrupt. .

► **A simpler and faster bankruptcy procedure is introduced regarding the "small bankruptcies"** (=concerning cases, when the total value of the debtor's assets does not exceed the amount of EUR 100,000 , providing there is no real estate). M

Denmark

Record upon record insolvencies

2008: +54%

Denmark saw its second consecutive year of soaring bankruptcy figures, with an increase of 54.5% in 2008, taking the total rise in insolvencies since the low point of 2007 to 86%. A sharp increase had been expected, because the gradual slowing of the economy – from its state of near-overheating – was accompanied by both pressures on business operating conditions (in wage and raw material input price increase) and by lower profits. The near-paralysis in international finance after the summer and then the collapse in the world economic situation from the autumn only accentuated the difficulties of businesses. Insolvencies shot up dramatically in H2, rising by 57% against H1, with unprecedented insolvencies in the last quarter of the year, at nearly 2.5 times the historical average. In the end, the number of bankruptcies was well above the previous 1993 record, totalling more than 3,700 cases for the full year, out of a business population of around 298,000 active entities. This explosion in bankruptcies spared no part of the country: neither Hovedstaden (+33%), which includes the capital Copenhagen, whose businesses account for more than 40% of the cumulative turnover of all Danish businesses and continue to account for more than 40% of bankruptcies, nor the other parts of Denmark, where insolvencies rose by 78% on average.

Sector analysis

All major sectors were hit by a surge in bankruptcies in 2008, including the only two to have escaped this in 2007: agriculture (+30%) and, to a far greater extent, transport (+93%). In industry, the sector that had seen the biggest increase (+35%) in insolvencies in 2007, the rise was a more moderate 22%. But the increase in insolvencies accelerated in all other sectors, at rates generally ranging between +30% and +50% (in wholesaling, retailing, the hotel/restaurant sector, IT-communications and, lastly, the services sector, a pillar of the national economy, accounting for 40% of the business population and for more than 50% of employment. Two sectors, however, especially stood out in this: construction, which was the hardest hit and accounted for 19.5% of the total number of insolvencies, and real estate, which posted the biggest rise in insolvencies, with nearly a three-fold increase over the year, both of these sector victims of the big reversal in the local property market.

2009-2010 outlook: no improvement before 2010

The macroeconomic outlook is even poorer than the assessment for 2008, which saw GDP fall for three calendar quarters. The beginnings of stabilisation in activity in H2 2009, after a start to the year as difficult as the end of 2008 (in terms of output, order books, unemploy-

ment and on other fronts) threatens to end with 2009 posting the biggest recession of the post-war era, with GDP dropping by around 3%, following its 1.3% fall in 2008. An improvement is likely in 2010, but at a rate of expansion below the economy's potential – not enough to bring any massive fall in the number of business bankruptcies.

■ *ML*

Insolvencies by sector 2008

	Number	Change (*)	Share of total
Agriculture	35	29.6%	0.9%
Industry	236	21.6%	6.4%
Construction	722	64.5%	19.5%
Autos & components	99	80.0%	2.7%
Wholesaling	325	34.3%	8.8%
Retailing	327	46.6%	8.8%
Hotels & restaurants	209	38.4%	5.6%
Transport	187	92.8%	5.0%
Information & communications	157	37.7%	4.2%
Financial, insurance & real estate	257	100.8%	6.9%
Other business services	409	42.0%	11.0%
Others	746	68.4%	20.1%
Total	3,709	54.5%	100%

(*) Jan-Dec '07 to Jan-Dec '08

Source: DST

Regulation:

There are three procedures relating to bankruptcy:

► **Betalingsstandsning**: this is a suspension of payments to avoid bankruptcy while protecting creditors. During the payment suspension period, the debtor company attempts to find ways to continue as a going concern and is protected from all legal actions from its creditors. A date is fixed to separate transactions and important decisions prior to the payment suspension. If the business cannot continue as a going concern, the payment suspension date is established as the date when the bankruptcy takes effect. During the payment suspension, creditors have no influence on the procedure.

► **Akkord**: this is an arrangement or agreement between the creditors and the debtor to avoid bankruptcy and continue the insolvent business as a going concern. It is effected via

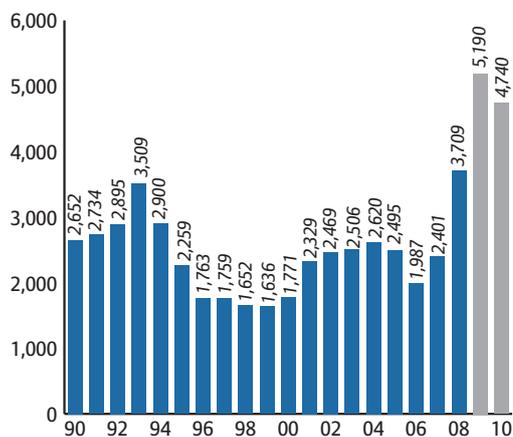
an agreement signed by both sides regarding the amount of liabilities due to creditors. A deadline is established, and the arrangement takes effect for all creditors, who are treated equally.

► **Konkurs**: this is bankruptcy under the Danish Bankruptcy Act (*Konkursloven*). It may be declared by the debtor company or by a creditor. The procedure results in the liquidation of the debtor business. An administrator is appointed by the creditor and takes control of the company, with a view to selling the assets at the highest possible price and paying the funds raised to creditors in their order of priority according to Danish bankruptcy law. ■

GDP and insolvencies in Denmark

Insolvencies

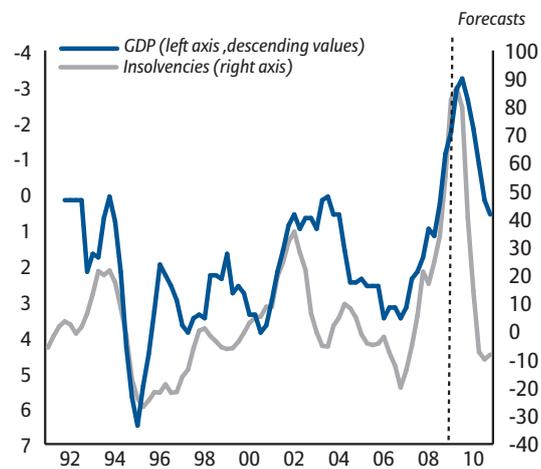
Number of cases



Sources: DST, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: DST, Euler Hermes forecasts

Number of insolvencies

Month	2007	2008	2009
January	180	240	443
February	186	213	468
March	246	205	491
April	147	253	456
May	187	275	
June	210	256	
July	166	278	
August	152	230	
September	192	334	
October	228	391	
November	288	490	
December	219	544	

Source: DST

DEFINITION and sources of statistics

Businesses:

Companies: The general figures published by Danmarks Statistik (DST) showed nearly 298,000 companies active in 2006. This figure includes business entities of every legal status, of which around 60% are individually owned businesses, and covers every sector of activity (including 46,000 entities in agriculture, fisheries and the primary extraction sector). Around 90% employ fewer than 10 persons. More than 4,300 businesses employ more than 50 persons, accounting for more than 50% of the cumulative turnover of all Danish businesses.

Insolvencies:

Our series draws on figures from DST. Each month, in the Danish Official Gazette, the DST lists the totality of declared business bankruptcies by activity and region for the whole of Denmark (excluding the Faeroe Islands and Greenland).

Major insolvencies

Company	Turnover (millions of euros)	Activity	Number of employees
2008			
Sterling Airlines A/S	523	Air transport	1,600
Merlin A/S	107	Retailing	388
Santech Micro Group Denmark A/S	105	Wholesaling	0
Stones Invest A/S	93	Business services	0
Ibb Byg A/S	85	Construction	72
2009			
Atlas Shipping A/S	424	Sea and coastal water transport	15
Selskabet af 1. September 2008	165	Monetary intermediation	600
Danish Meat Company A/S	85	Agriculture, hunting and forestry	175
Bluestar Telecom ApS	77	Wholesaling	0
Totempo Biler A/S	64	Sale of motor vehicles	550

(*) at 1 euro = DDK 7.46
Source: Euler Hermes

Finland

Acceleration in insolvencies confirmed

2008: +18%

Business insolvencies very quickly resumed an uptrend in 2008. They had only stabilised between 2005 and 2007, at a floor level floor of 2,500 cases a year, despite a favourable environment marked by clear expansion in the economy (+4% annual GDP growth) and an acceleration in profits (+25% over the three years). The sharp braking in the economy from the first half of 2008 and then its entry into recession in H2 were soon to impact on a growing number of businesses, especially given the significant increase in the business population since 2002. Indeed, the number of business reorganisations increased by 47% over H2, and bankruptcy procedures of rose by 8%, after a particularly disastrous end of the year, with falling sales worldwide and especially to European markets. In the end, the annual volume of business insolvencies totalled 2,919 cases in 2008, the highest figure since 2004, out of a business population of around 309,000 entities. Bankruptcies, accounting for 90% of the insolvency total, rose by 12% for individual entrepreneurs but by a larger figure of 17% for companies, these latter accounting for the bulk of both bankruptcies (80% of the total) and of the total number of SMEs and large businesses. In the end, nearly 11,700 employees were affected by these bankruptcies in 2008, compared with 9,230 in 2007 (+26%).

Sector analysis

The national uptrend in insolvency extended to every major sector of the economy in 2008, putting an end to several years of contrasting insolvency performances across the different sectors. A strong upturn in the number of cases came in the four sectors that had remained resilient in 2007: wholesale and retail commerce (+8%), transport/communications (+12%) and services (+12% and a major component of the business population). The fourth of these was industry (+23%), which accounts for more than a quarter of employment in the country and around 40% of the cumulative turnover of all Finnish businesses (against 31% for wholesaling and retailing, 10% each for transport/communications and for services, and 7% for construction). For the other major sectors, the rise in insolvencies confirmed a trend begun before 2008. It was the second consecutive year of increase (but at a more modest rate) for the hotel/restaurant sector, and the second for the agricultural sector (at a still high rate). And it was the third year of increasing insolvencies for the construction sector, which, after a difficult year in residential real estate in particular, now accounts for more than 20% of the total number of insolvencies, despite accounting for just 10% of employment and less than 13% of the business population.

2009-2010 outlook:

two more years of rising insolvencies

While the strong contraction in activity at the end of 2008 and start of 2009 has already brought an acceleration in insolvencies over the early months of 2009 (+25% for the cumulative 12 months to the end of March), the outlook for a still difficult second quarter and a second half-year threatens prolonged difficulties for businesses. The aggravated drop in domestic demand and the lack of any real recovery in foreign trade before 2010 should result in a sharp contraction in Finnish GDP, which has already gone from growth of 4.2% in 2007 to below 0.9% in 2008. In this context, insolvencies are likely to increase at a greater rate in 2009 than last year, increasing by at least 30% to 3,800 cases this year and to probably 4,000 in 2010. ■ ML

Insolvencies by sector 2008

	Number	Change	Share
		(*)	of total
Agriculture & related services	56	40.0%	1.9%
Industry	358	23.0%	12.3%
Construction	606	9.2%	20.8%
Commerce	523	8.1%	17.9%
Hotels and restaurants	195	4.8%	6.7%
Transport - communications	240	11.6%	8.2%
Other sectors & services	621	11.5%	21.3%
Others	320	37.9%	11.0%
Total	2,919	14.0%	100%

(*) Jan-Dec '07 to Jan-Dec '08

Source: Statistics Finland

Regulation:

► **Konkurssi:** this is bankruptcy, which is regulated by Bankruptcy Act (120/2004). A company can be declared bankrupt if it is unable to meet its financial commitments to its creditors. The procedure is initiated at the request of either the creditor or the debtor. It ends with the liquidation of the debtor's business and the sale of its assets at the best price. The proceeds of this sale are then paid over to the creditors in their order of priority.

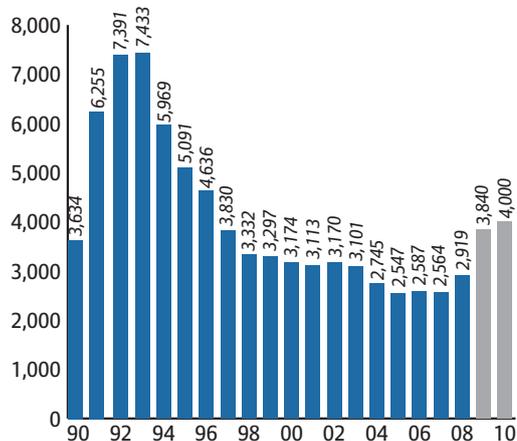
► **Yrityssaneeraus:** this is judicial reorganisation and is regulated by Restructuring of Enterprises Act (47/1993) The procedure begins with an application to the court on the part of

either a creditor or debtor. The court appoints an administrator, who is responsible for examining the debtor's financial situation and causes of its insolvency. During this process, the debtor only retains limited possession of its assets. The administrator proposes a reorganisation programme for the creditors. The programme consists of prolonged payment periods and, almost without exceptions, major abatement of unprivileged debts. The court approves this programme if a sufficient part of creditors has accepted it. ■

GDP and insolvencies in Finland

Insolvencies

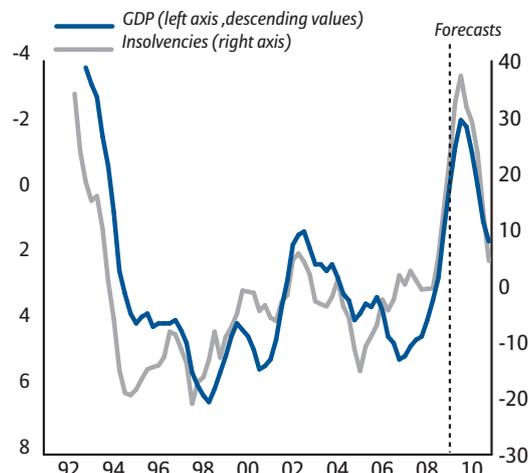
Number of cases



Sources: Statistics Finland, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: Statistics Finland, Euler Hermes forecasts

Number of insolvencies

Quarter	2007	2008	2009
Bankruptcies			
Q1	642	667	887
Q2	552	590	
Q3	527	546	
Q4	537	512	
Debt restructuring			
Q1	91	64	132
Q2	81	59	
Q3	69	76	
Q4	65	105	

Source: Statistics Finland

DEFINITION and sources of statistics

Businesses:

Statistics Finland's Register of Enterprises and Establishments counted more than 308,900 businesses in 2007, employing nearly 1.5 million persons, in all sectors of activities and all legal forms, including 57,000 entities in the primary sector. Of the total, fewer than 3,000 (or around 1%) employed more than 50 persons, but these accounted for more than 70% of the turnover of Finnish businesses, estimated to total almost €375bn in 2007.

Insolvencies:

Statistics Finland takes a monthly census of all business insolvencies, with monthly figures for business bankruptcies and quarterly figures for reorganisation procedures (by sector of activity, by turnover and by number of employees). The series we use comprises all declared business bankruptcies (including sole trader bankruptcies, which account for a fifth of the total) and business reorganisation procedures. It excludes personal bankruptcies.

NB: Previously, the figures given in Insolvency Outlook were based on the total for business bankruptcies and excluded reorganisation procedures. Because of this, the figures published from November 2008 are not directly comparable with those in previous publications.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2008				
Kuitu Finland Oy	93	Manuf. of man-made fibres	12/2008	250-499
Stromsdal Oyj	56	Manuf. of paper and paper products	12/2008	100-249
Finlayson Forssa Oy	27	Manuf. of textiles	11/2008	100-249
Superseacat Oy	20	Sea and coastal water transport	10/2008	20-49
Glassrobots Oy	16	Research and development	10/2008	20-49
2009				
Incap Furniture Oy	77	Manuf. of furniture	02/2009	250-499
Koti-Idea Oy	26	Retailing	02/2009	100-249
Hermann's Project Design Oy	20	Construction	01/2009	50-99
Jutron Oy	17	Construction	02/2009	20-49
Kuljetus ja maansiirto Viita Oy	17	Manuf. of television and radio transmitters and apparatus for line telephony	01/2009	100-249

Source: Euler Hermes

Portugal

Record insolvency

2008: +74%

The world economic crisis put an end to two years of recovery in the Portuguese economy. With the collapse of external (and principally EU) demand in Q4 2008, exports have fallen, contributing negatively to GDP growth, which dropped from 1.9% in 2007 to 0% for the full year 2008. The weakening in domestic demand will amplify in 2009 due to the scale of household debt and to job cuts announced by businesses suffering sharp deterioration in their activity and order books. At the same time, finance conditions in the private sector have hardened, and the impact of the crisis on Portugal's economic fabric has brought a sharp increase in non-payments and business insolvencies. The year 2008 marked a new record, with insolvencies up by 74% to nearly 3,500 cases. The deterioration in construction and in industry has been clear, also accompanied by some large-scale insolvencies such as those seen at the end of 2008 and early 2009 (Quimonda in electronics and Aerosoles in footwear).

2009-2010 outlook: no improvement

The crisis forced the government to establish a recovery plan and to revise its 2009 budget, adding supplementary expenditure and tax cuts (totalling 1.3% of GDP). This will increase the public deficit to nearly 4% of GDP. But the scale of the worsening in economic indicators and in business and consumer confidence levels sug-

gests that Portugal in 2009 will experience a recession now estimated by the Bank of Portugal at -3.5%, on a far greater scale than the -0.8% recession of 2003. Because of the gloomy outlook for the economy and employment, and with no real improvement coming before 2011, we can expect a further increase in payment defaults and business bankruptcies, with the latter rising by 30% this year and by another 20% in 2010, potentially rising rapidly to more than 5,000 cases next year.

■ MCS

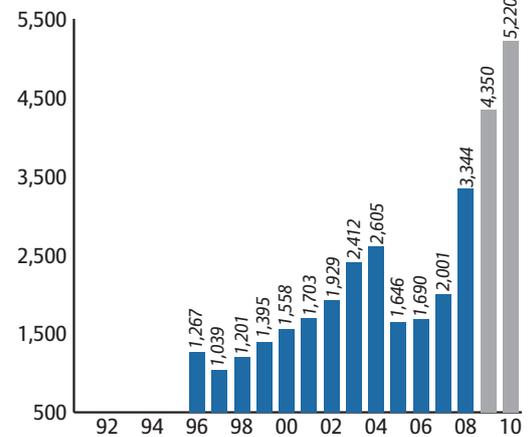
Insolvencies by sector 2008

	Number	Share of total
Agriculture & related services	31	1%
Industry	1,019	30%
Construction	609	18%
Hotels & restaurants	108	3%
Transport – communications	190	6%
Wholesaling	631	19%
Retailing	412	12%
Business services	280	8%
Others and real estate	64	2%
Total	3,344	100%

(*) Jan-Dec'07 to Jan-Dec '08
Source: Mopal-D&B

Insolvencies

Number of cases



Sources: Instituto Informador Comercial, D&B,
Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

In 2007, Portugal's Instituto Nacional de Estatística (INE) counted 1.1 million businesses in the country, of which nearly three quarters were sole proprietorships. Of the total, the largest number are in retail/wholesale distribution (27%), business services and real estate (21%), and construction (11%).

Insolvencies:

In the absence of official insolvency data, various figures are communicated by agencies such as the Portuguese Instituto Informador Comercial (IIC) and Dun & Bradstreet (D&B). Our series uses data from IIC through 2004, and thereafter figures from Mopal-D&B.

Regulation:

► Portugal's new Insolvency Code was published on March 18, 2004 (decree law 53/2004), replacing the 1993 code of special procedures and of business recovery and bankruptcies. The 2004 law was applied gradually over 2005 and 2006, becoming 'fully operational' in 2007. The major change introduced was in replacing the provisional judgement (which led to some months or even years before a final judgement was made) by an immediate judgement declaring insolvency (*falência*). For companies in default of payment, this could bring an increase in the number of insolvencies.

► There is now a single procedure for restructuring or liquidating an insolvent business, namely the insolvency request. Under this procedure, the court-appointed administrator is the sole person competent to declare insolvency, replacing the court-appointed manager and the liquidator. His decision to so pronounce is assessed beforehand by the judge, who will pronounce on the determination of insolvency of the business. Also, once the judgement has been pronounced on the declaration of insolvency, the decision to

restructure or judicially liquidate the business will go to the creditors' commission (although this is optional in so-called simple cases) as well as to the creditors' assembly, at which the business's employees are represented.

► In cases of fraudulent insolvency, the penalties can be as high as 6 years' imprisonment. If the business is judged to be completely insolvent, the process can be terminated with the pronouncement of a declaration of insolvency.

In the opposite case, the pronouncement of a declaration of insolvency allows the creditors' assembly to meet within a period ranging from 45 to 75 days following the judgement. They can thus choose whether to restructure or liquidate the business. Their decision is based on the report drafted by the court-appointed administrator including an inventory of the business's assets, the provisional list of creditors and a report on the business's economic situation ■

Poland

An increase of business insolvencies in 2009

2008: -10%

After two years of strong growth of more than 6% in 2006 and 2007 (6.7%), the Polish economy braked in 2008 in the face of the slowdown in the world economy and more particularly that in the European Union in H2. In the end, Poland posted GDP growth of 4.8% for the full year, but the acceleration of the slowdown in activity and in industrial output at the end of 2008 and start of 2009 was stronger than expected. Although Poland appears to be one of Eastern Europe's most resilient countries in the world economic crisis, the country has seen significant foreign capital flight and severe attacks on its currency, which has fallen by a massive 45% since mid-2008. This has considerably increased foreign exchange risk and the costs of refinancing both external debt (40% of which is held by non-residents) and foreign currency-denominated business and bank debt. Overall, businesses benefited from a buoyant environment up to H1 2008, which explains why, for the full year, the number of insolvencies recorded was still down (-10%) at 430 cases, more than two-thirds of which were in industry. The number of cases is relatively low when set against the country's business population of more than 3.5m entities, but this is due to the fact that legal costs dissuade most small businesses facing insolvency from filing for bankruptcy with the courts.

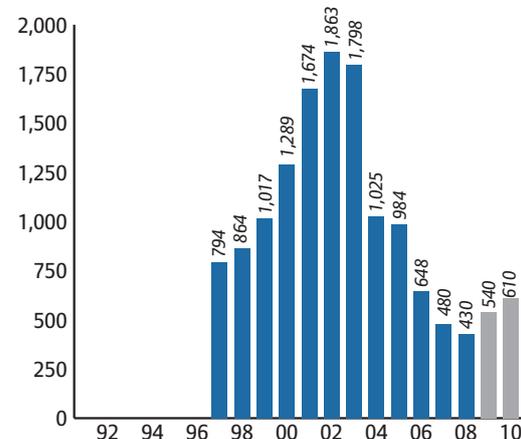
2009-2010 outlook: +25%

Poland will barely escape recession in 2009. Domestic demand, although resilient, should weaken under the impact of rising unemployment and slowing credit, while both investment and exports will contract. Since the April 2009 request to the IMF for a Flexible Credit Line of \$20.5bn, aimed at strengthening emerging economies with sound fundamentals, the zloty has relatively steadied. Even so, with the halt in foreign capital inflows, private sector access to finance is increasingly difficult and payment defaults are increasing. Insolvencies thus already rose by 11%yr/yr in Q1 2009. Most of these were on the part of businesses located in the regions of Warsaw and Silesia and involved in exports. The slowdown in the economy and the financial difficulties should lead to a deterioration in business solvency in 2009, bringing a 25% increase in bankruptcies to around 550 cases. ▣

MCS

Insolvencies

Number of cases



Sources: Ministry of Justice, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

The Central Statistics Office counted 3,6 million businesses in 2005, including 2,8 million individual entrepreneurs.

Insolvencies:

Our series covers insolvencies since 1997 and is based on the number of judgements published in the Ministry of Justice official journal, *Monitor Sadowy i Gospodarczy*.

Regulation:

► On October 1, 2003, Poland's **new Bankruptcy and Corporate Recovery law** came into force. Under the new law, the subjects of a bankruptcy and/or debt composition can be sole traders as well as other businesses. It is still the case, however, that state-owned businesses and public bodies, hospitals and universities cannot be declared bankrupt. A request for a declaration of insolvency can be made by the debtor or one of its creditors. This can be done in the event of non-payment of a debt when due or when the liabilities due exceed the value of a debtor's assets.

► Bankruptcy: **the new law sets out two possibilities:** declaring bankruptcy with liquidation of the debtor's assets, and bankruptcy with the option of debt settlement. Protected creditors have the right to receive the proceeds from the sales of secured or mortgaged assets, less disposal costs. The request for bankruptcy will be withdrawn by the court in the following cases: overdue payments of the debtor are not older than three months and the amount of the liabilities does not exceed 10% of the balance sheet sum, or if the debtor's assets are not sufficient to cover the cost of the bankruptcy procedure.

► **The law also contains provisions for the rehabilitation of a debtor.** The rehabilitation procedure is only available to entrepreneurs threatened with bankruptcy, whose economic and financial situation could rapidly lead to default of payment. A restructuring plan must be drawn up and confirmed by the court, allowing for settlement to the creditors.

► **On March 31, 2009, new regulations concerning Bankruptcy proceedings on natural persons came into force.** The new provisions provide the contingency of lodging a bankruptcy petition by individual debtor. The bankruptcy shall not be declared in case when the debtor's insolvency did not arise of extraordinary and uninfluenced circumstances. In particular, the court shall withdraw the debtor's motion if the debtor either incurred an obligation while he was insolvent or the employment notice was denounced on the debtor's fault or acceptance. The bankruptcy petition may be lodged once in ten year's period. In case of one of the estate in bankruptcy's assets is a real estate, after its sale, the debtor receives an amount equal to the average residential rent for 12 months. Furthermore the bankrupt is obliged to repay the remaining receivables in installments within 5 following years at the latest. ▣

Czech Republic

Trend reversal

2008: a slowdown in the fall in bankruptcies

The Czech economy slowed noticeably in 2008, as GDP growth fell from better than 6% from 2005 to 2007 to a 2008 figure of 3.2%. Highly dependent on exports (notably to the European Union), which account for 80% of GDP, growth fell by three-quarters in Q4 2008, dropping to an annualised rate of 0.2%. Industrial output, largely specialised in auto construction and electrical and mechanical components fell sharply, feeling the full brunt of the automobile crisis and the fall in European demand. The reduced outlook for production and foreign investment, along with the depreciation in the Czech currency and the rise in unemployment, all helped to weaken domestic demand. On the insolvency front, after dropping by 10% in 2007 to 1,148 cases, things more or less stabilised in 2008, with a 3% drop to 1,100 cases.

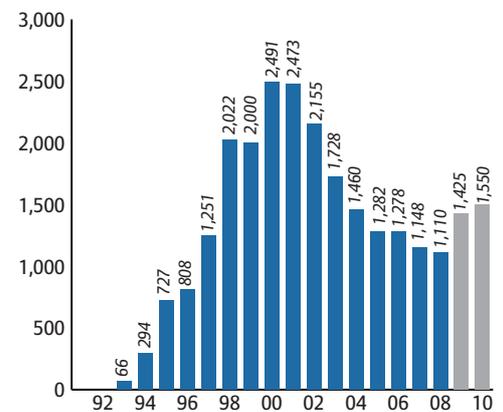
2009-2010 outlook: increased risks

The Czech economy, one of the most resilient in the European Union, should enter into recession in 2009, with GDP shrinking by at least 2%, mostly due to contracting exports, 85% of which go to the country's European trading partners. Fiscal measures to support the economy and employment should help ease the weakening in domestic demand, but a return to slightly positive growth will come only in 2010, and this will be contingent on

improvement in the European economy. The deterioration in the economy at large and in credit will weigh on businesses' financial health, increasing insolvency risk. A significant increase in bankruptcies (by more than 25%) could bring the number of cases to more than 1,400 by the end of 2009 and to 1,500 in 2010. ■ MCS

Insolvencies

Number of cases



Sources: Ministry of Justice, Euler Hermes forecasts

Major insolvencies

Companies	Turnover (millions of euros)
2008	
Spektrum CZ, a.s.	96
Olšanské papírny, a.s.	65
Porcela Plus, a.s.	70
Slezan Frýdek - Místek a. s.	60
Slovmlýn, s.r.o.	56
2009 (March)	
Bohemia Crystalex Trading, a.s.	177
Moravia Energo, a.s.	125
Sklárny Kavalier, a.s.	69
Crystalex, a.s.	58
Schoeller Litvínov, k.s.	56

Source: Euler Hermes

DEFINITION and sources of statistics

Businesses:

The Czech Statistical Office counted 952,900 SMEs in 2005 in the private sector (excluding financial services and consumer services) of which 95% employed fewer than 10 persons.

Insolvencies:

The number of insolvencies is drawn from the Insolvency Register maintained by the Ministry of Justice.

Regulation:

The Czech Republic's new Insolvency Act (Act No. 182/2006 Coll. on bankruptcies and settlements) came into force on January 1, 2007. From that time it was updated 3 times by the Acts No. 108/2007 Coll, 296/2007 Coll and 362/2007 Coll. It strengthens the position of creditors, limits the incentives for prolonged bankruptcy procedures and offers viable businesses the possibility of continuing in operation. The new law contains a number of innovations. It aims at satisfying creditors more quickly, strengthening their rights and favouring the continuation of the debtor's businesses. The law sets out new procedures.

► **The procedure for a business 'threatened with bankruptcy'**: here, the conditions under which it is possible to launch a bankruptcy procedure are defined, even in the case where the bankruptcy is only looming.

► **Moratorium**: this is similar to the already-existing procedure for placing a debtor under protection.

► **'Minor bankruptcy'**: this is a new introduction, which can only be ordered if the debtor is a natural person and not an artificial person or if the debtor's turnover for the last financial year does not exceed CZK 2 million and if, in addition, there are no more than 50 creditors. The advantage here is in providing a considerably simplified procedure.

► **The new law creates an Insolvency Register as the public register kept with the Ministry of Justice.** The law sets out new methods for dealing with insolvencies: reorganisation, partial payment of debts, and other special modalities. The court is only called upon to intervene in cases where the above methods have been ruled out. During the reorganisation period, the debtor may of course continue its commercial activity, but only in conformity with the reorganisation plan. The procedure for partial debt settlement only applies to individuals, and the debtor undertakes to pay part of his debt to the creditor (set at a minimum of 30%, unless the creditor agrees otherwise), and the balance of the debt is cancelled. New improvements came in force on January 1, 2008 with the electronic registration and publication of dossiers. ■

Hungary

Ten years of rising bankruptcies

2008: +15%

In the world financial crisis, Hungary was one of the first countries to be hit by the drop in foreign investor interest, shaken by the country's external vulnerability stemming from its foreign debt and its current account deficit. On the brink of payment default, Hungary appealed in October to international financial institutions – the IMF, World Bank and European Commission – who extended it a global loan of €20bn, equivalent to 18% of its GDP. In return, the government committed to implementing an austerity budget. The economic situation rapidly deteriorated, the forint depreciated despite central bank intervention, and growth collapsed in Q4, due to contraction in domestic demand (hit by higher taxes and interest rates) and due to the slowdown in exports. Overall, GDP growth for the full year 2008 dropped to 0.6%. The economic and financial crisis provoked the fall of the ruling government in March 2009. Given the scale of foreign currency-denominated debt, businesses remained highly exposed to exchange rate risk, and in this context of sharp economic slowdown, the increase in insolvencies (both bankruptcies and restructurings) accelerated to 15% in 2008.

2009-2010 outlook: strong recession and acceleration in bankruptcies

In office since 14 April 2009, Hungary's new government is committed to an austerity programme aimed at a drastic restoration of public finances. Household consumption and business investment will feel the full brunt of the new auster-

ity measures and the slowdown in lending, while exports will be affected by the slowdown in Europe. Hungary has entered into its most severe recession for 15 years, with GDP set to contract by 6% in 2009, followed by further 0.5% negative growth in 2010. The outlook should prove even worse in the event of an exchange rate crisis, which would impact on the private sector, with half of its debt denominated in foreign currencies. The impact of the credit crisis will be durable, and given the austerity measures and the contraction in activity, households' financial situation will deteriorate, leading to a further 30% increase in insolvencies. ■ MCS

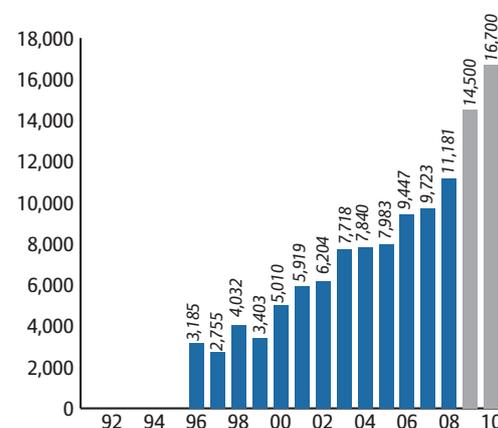
Major insolvencies

Companies	Turnover (millions of euros)*
2008	
Interfruct Kft	159
Maszer Zrt	27
Rátaker Kft	18
Szobi Szörp Zrt.	16
Maszer-Energo Zrt	15
2009 (March)	
Számítógépház Kft	33
K-BOX Kft	32
Piszkei Papír Rt.	31
Grafika Press Nyomdaipari Zrt.	19
Elekthermax	7

(*): At 1.00 euro = 250 forints
Source: Euler Hermes

Insolvencies

Number of cases



Source: Euler Hermes

DEFINITION and sources of statistics

Businesses:

Hungary's Central Statistical Office (Központi Statisztikai Hivatal) counted 1,2 million businesses (including 670,000 sole proprietorships) as of December 31, 2006, of which 55% were in the private commercial (i.e., excluding non-profit) sector, judging from the average ratio observed over 2000-2004.

Insolvencies:

The annual number of business insolvencies, which includes bankruptcy and liquidation procedures (99.7% of cases), is estimated by Euler Hermes.

Regulation:

► **Liquidation procedures** (under Act no. XLIX of 1991) can be initiated in three ways: when the outstanding debt is acknowledged and not disputed by the debtor; when the debt is not recovered within 60 days after due date; or in case of unsuccessful distraint proceedings.

After the court declares the insolvency of the debtor, a liquidator is named by the court as the head of the debtor company. Creditors' claims must be submitted to the liquidator within 40 days of the publication of the liquidation.

► **Rehabilitation procedure** (under Act no. XLIX of 1991): if the debtor manages to get

the agreement of most of the creditors in accordance with law, the debtor can have a 90-day moratorium with relief from obligation of payments. This period can be extended by another 60 days. During the period of this moratorium, the debtor has to reach an agreement with all his creditors on debt recovery terms. If the debtor cannot get the agreement of creditors or does not adhere to the agreed conditions, then the rehabilitation process turns into a liquidation process.

► **Payment ruling** (1952, Law no. III, Sections 313-323).

Changes in effect from July 1, 2006 – payment notice can be sent right after the due date:

- in case the debtor acknowledges its debt, or does not answer the notice: liquidation procedure can be initiated. ■

Slovakia

Heavily affected by the crisis in the auto sector

2008: -27%

After exceptional GDP growth of 10.4% in 2007, the Slovakian economy slowed sharply in Q4 2008, hit by an abrupt 7.8% fall in exports, limiting GDP growth for the full year 2008 to 6.4%. Highly dependent on auto exports to the euro zone (principally to Germany), industrial output began to collapse in the autumn with the auto sector crisis and collapse in European sales. The weakening of the industry in Slovakia impacts on the employment market and is spreading to the rest of the economy. Consumption is weakening and, with the fall in foreign investment and a major 11.2% contraction in GDP in Q1, Slovakia will inescapably go into recession in 2009. Nonetheless, the country seems less affected by the world financial crisis than the EU's other new member states, as its entry into the euro zone on January 1, 2009 shields it from speculative attacks on its currency. High levels of activity in the first three quarters of 2008 helped the country to post a further fall in the total number of insolvencies for the year overall, at just 582 cases (-27%).

2009-2010 outlook:

a net increase in insolvency

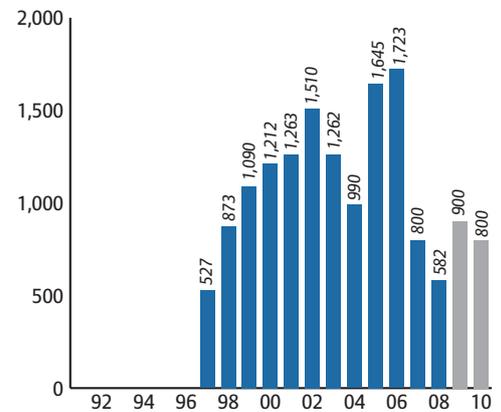
The outlook has worsened with the simultaneous contraction in both external and domestic demand, taking GDP down by more than 2% in 2009 before a modest 1.5% recovery in 2010. The effects of the crisis in

terms of lower output, and the effects of tighter credit on business financing are all beginning to be felt. Payment delays are lengthening in a worrying fashion, and we expect the number of insolvencies to rise by 55%, towards 900 cases for 2009 overall.

■ MCS

Insolvencies

Number of cases



Sources: Ministry of Justice, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

The Statistical Office of the Slovakia counted 527,486 businesses in 2006, of which 74% were sole traders and 26% companies.

Insolvencies:

Slovakia's Ministry of Justice is responsible for recording the number of insolvencies, which are broken down by type of procedure.

Regulation:

► The new law, the Act on Bankruptcy and Restructuring (based on the Czechoslovak Federal Republic's Bankruptcy and Composition Act of 1991) came into force on January 1, 2006. Its aim is to make the entire process more effective. But in practice it brings complications for creditors. After the new law came into effect, the number of bankruptcies has dramatically decreased. This was the result of not of fewer insolvencies but of the inability of creditors to force debtors into bankruptcy.

The Act distinguishes two possible treatments of insolvency:

Bankruptcy (the sale of all the assets of the company and its liquidation)

Bankruptcy can be declared by the debtor or by creditors, which is rare and more complicated. There must be 2 creditors with written debt agreements signed by debtor and approved by a notary or with written approval from the court. As a result, bankruptcy is usually declared by debtors. The law is also very weak on the debtor's obligations, and debtors are very rarely prosecuted for breaking these agreements.

Restructuring (the debtor proposes a settlement to the creditors; the court decides to approve or reject it; the business continues to operate and satisfies its creditors according to a restructuring plan)

The new act is more favourable to creditors. It does not mean, however, that the debtor goes without any protection. It encourages entrepreneurs to choose to restructure the business rather than liquidate it through a bankruptcy proceeding. But still we see only around 10 restructurings yearly.

This act is accompanied by a law concerning the bankruptcy trustees. This sets out the exact rules applicable to trustees, who are now chosen by lot from a list of trustees. Before, the court was responsible for this choice. Also, trustees are required to pass an examination. Under the new legislation, bankruptcy also applies to natural persons. This reflects the current situation, in which ease of access to personal loans has brought an explosion in the levels of personal debt. ■

Lithuania

Recession and record insolvencies

2008: +53%

After a decade of accelerated economic growth, Lithuania, like its Baltic neighbours Latvia and Estonia, rapidly fell into unprecedented recession since regaining independence in 1990. The economy, after full overheating between 2003 and 2007 – marked by soaring debt, inflation and current deficits – failed to withstand the shock of the global economic and financial crisis that magnified the reversal. While GDP growth remained positive on annual average in 2008, at 3%, after 8.9% in 2007, the annualised rate fell from +7% in Q4 2007 to -2.2% in Q4 2008, followed by -12.7% for the first quarter of 2009. The low levels at which confidence indicators remained at the start of this year offer barely any hope of a rapid recovery in domestic demand. In this environment, the number of business bankruptcies posted a record 53% rise in Q1 2009, after an especially difficult final quarter of 2008. Construction, transport, furniture manufacture and new technologies were the sectors hit worst by the crisis.

2009-2010 outlook: no improvement before 2010

All the forecasts from the government and various national and international agencies point towards a major recession in 2009, with GDP dropping by around 10% if not more, and likely to last into 2010. This is all the more so given that the new government in office since the end of 2008 has adopted an austerity budget and refused to call on IMF help, determined to

prove its ability to manage its increasing budgetary difficulties, with no possibility of help from the financial markets. The government is focusing its efforts on cutting expenditure and on some targeted assistance measures (e.g., export supports, credit for small businesses), but their expected impact (and still sketchy implementation times) will not prevent the recession being prolonged and hence driving up insolvencies significantly, by a further 40%, in 2009. ■ ML

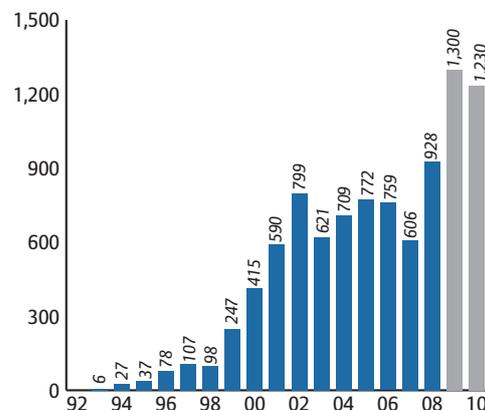
Insolvencies by sector 2008

	Number	Share of total
Agriculture	30	3.2%
Industry	217	23.4%
Construction	162	17.5%
Commerce	269	29.0%
Hotels & restaurants	38	4.1%
Transport & communication	77	8.3%
Real estate & business services	86	9.3%
Other sectors & services	49	5.3%
Total	928	100.0%

(*) Jan-Dec '07 to Jan-Dec '08
Source: Department of Enterprise Bankruptcy Management

Insolvencies

Number of cases



Sources: DEBM, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

The Department of Statistics recorded a business population of nearly 63,600 active business entities in 2008 (of which more than 30% were individual entrepreneurs), an increase of more than 8,700 businesses (+16%) since 2004.

Insolvencies:

The series we employ uses data from the Department of Enterprise Bankruptcy Management (DEBM), which since 2001 has on a quarterly basis published detailed information on business bankruptcies in Lithuania.

Regulation:

In the Lithuania there are two distinct procedures for legal insolvency: bankruptcy and reorganization.

► **Bankruptcy proceedings** are covered in Enterprise Bankruptcy Law (No. IX-216, 20 March 2001). It applies to all enterprises, public companies, banks and credit unions registered in Lithuania. There are three distinct procedures for legal insolvency – bankruptcy, simplified bankruptcy process, extrajudicial bankruptcy process.

1- The request for declaring a company *bankrupt* can be issued by creditor, owner, or the head of the enterprise administration. After the procedure of repaying of the debts is ended, the enterprise is liquidated.

2- The *simplified bankruptcy procedure* is useful if the debtor assets are not sufficient to cover the legal costs also the bankruptcy procedure costs. The process may not last longer than one year from the effective date of the order to apply the simplified bankruptcy process. During the simplified bankruptcy process, the bankruptcy procedure of liquidation shall be applied.

tion shall be applied.

3- The *extrajudicial bankruptcy procedure* may be applied out of court, provided that no action has been brought in court in which claims, including claims connected with employment relationship, have been entered against the enterprise, also if no execution is levied on the enterprise under the writs of execution issued by the courts or other institutions. This procedure is applied without court permission and without court assistance. The creditors' meeting has full and sole rights to administer all bankruptcy procedure strictly according to the bankruptcy law.

► **Reorganization procedures** are stipulated in the Law on Restructuring of Enterprises (No. IX-218, 20 March 2001). The restructuring procedures can be used for operating companies which may have financial difficulties and want to avoid bankruptcy. Such companies may decide to start a reorganisation procedure that leads to debt settlement with all creditors. The settlement is confirmed by the court but decided by creditors and the debtor. ■

China

Upsurge in insolvencies, moderate increase in official bankruptcies

2008: +5% for officially recorded bankruptcies alone

After several years of frantic growth, the Chinese economy slowed sharply in 2008, with growth in the end dropping by 4 percentage points, from 13% in 2007 to 9% in 2008. The easing in growth, initially orchestrated by the authorities in order to limit the risks of overheating and to rebalance growth more in the direction of private consumption, gradually assumed much greater scale than expected. In the first instance, this was due to the push in inflation in H1 and then due to restrictions in movement and activity during the Olympic Games. Then and principally – especially in Q4 – this was due to the abrupt contraction in world trade, and the drying up of liquidity and foreign direct investment. Falling exports, the major engine of Chinese growth and down by 18% between their September peak and December, brought a fall in industrial output and weighed heavily on private sector profits. In this environment, company closures multiplied, especially in sectors most highly dependent on exports, such as toys, textiles, clothing and footwear. Most often these were carried out suddenly, to the detriment of employees and suppliers, such as in the 673 cases recorded in Dongguan, (Guangdong Province) alone, representing an increase of 25% over one year, affecting some 113,000 employees. But the number of

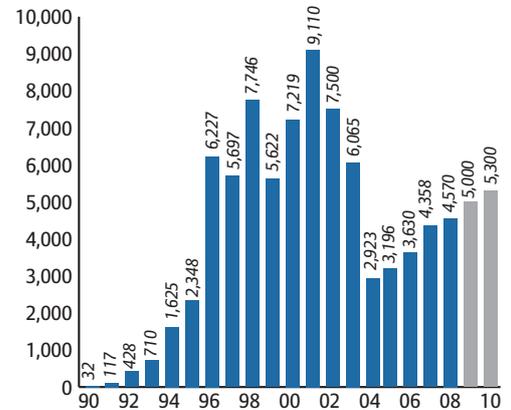
businesses using official procedures to manage insolvency is still low, generally involving big name businesses or those that are state-owned.

2009-2010 outlook: +5% to +10%

The prolonged difficulties of the developed countries rules out hopes for a speedy recovery being provided by external demand. However, the vast recovery programme announced in November 2008 totals CNY 4tn over two years – equivalent to 13% of GDP, or USD 586 bn – including funding already established for reconstruction after the Sichuan earthquake. In addition, the monetary authorities have been playing an active role, already passed on by the banks in excess of the government's target of CNY 5tn in loans. These factors should prevent a crash landing from threatening the political and social stability of this land of more than 1.3 billion inhabitants. Despite the rise in unemployment, positive signs in first half of the year suggest that measures to revive domestic demand are starting to bear fruit, and this could help raise GDP by more than 6.5% on average for 2009, with a slight acceleration to 7.8% in 2010. Business bankruptcies should continue to rise in line with growing interest in and understanding of the new regulatory system and the development of the business framework. ■ ML

Insolvencies

Number of cases



Sources: China Court, Euler Hermes estimates and forecasts

DEFINITION and sources of statistics

Businesses:

According to the First National Economic Census published at the end of 2005, China has more than 39 million individually owned businesses (85% of these in the tertiary sector) and more than 5.2 million 'legal person units'. Among the latter, there are 3.3 million companies, of which something under 440,000 are owned publicly (either state-owned enterprises or collectives) and more than 2.8 million whose capital is held by private Chinese or foreign owners.

Insolvencies:

Official figures, published by China Court or the National Bureau of Statistics, are not published regularly or in their entirety. Our series is constructed using these official figures and estimates and crosschecking official figures taken from the media and various economic and legal works covering insolvencies in China.

Regulation:

Up to the end of May 2007, China's bankruptcy praxis was based on a number of elements: the 1986 Law of the People's Republic of China on Enterprise Bankruptcy (LEB) applicable only to state-owned enterprise (SOEs); the amended 19th chapter of the Code of Civil Procedure: Debt Repayment Order in Legal Entity Bankruptcy; and a number of judicial interpretations by the Supreme People's Court and a series of measures and other regulations implemented by the State Council.

► From June 1, 2007, this is replaced by new bankruptcy legislation closer to international standards, adopted on August 27, 2006 by the Standing Committee of the National People's Congress (NPC), after 12 years of debate.

This text, which comprises 12 sections and 136 articles, is a unified code applicable to every type of enterprise – public or private, Chinese or foreign owned, including financial institutions.

► The new law provides three possible methods of dealing with insolvency: (1) Bankruptcy – the sale of all the business's assets and liquidation in order to repay creditors; (2) Reorganisation – the creditors or the investors (representing a majority shareholding) of the company may petition the court to request the restructuring of the debtor's business; (3) Arrangement – debtors and creditors may come to an agreement on the settlement of debts.

► The law gives preference to creditor repayment over payment of laid-off employees, and sets out this order of preference of the various creditors: (1) preferential creditors; (2) expenditure related to the insolvency procedure; administration fees and sales costs; (3) debts incurred on the behalf of creditors in common; (4) unpaid employee wages and social security payments; (5) tax debts; (6) ordinary debts to non-preferential creditors. The new law made an exception for around 2,000 SOEs announcing bankruptcy before June 2007, allowing them to enter the policy-arranged bankruptcy procedure (where they can be closed down with the aid of government bailouts and could pay laid-off workers first). ■

South Korea

Increased business insolvencies

2008: +19%

After dropping for four consecutive years in an environment of solid economic expansion that saw GDP rise by an average of 5% between 2004 and 2007, the number of businesses in South Korea driven to insolvency began to rise in 2008, increasing by 19.2%. The reversal began in the spring, both in the wake of soaring prices for commodities, on which Korea is highly dependent and a large importer, and with the beginning of a braking in world demand. The downturn accelerated in H2, and especially in the last quarter, when GDP fell by a massive 5.1% against Q3, the worst fall since 1998. The economy revealed itself to be highly vulnerable both to the world financial crisis and to the world economic crisis. On the financial front, the shrinkage in global credit contributed to a significant drop in private consumption (-4.6% over the fourth quarter) and in investment (-6.5%). As for the world economic crisis, the fall of exports (-8.9%), despite strong depreciation of the won (-35% against the dollar over 2008), saw manufacturing output fall by 11.9% in Q4. In this more difficult environment, business insolvencies rose by more than 60% over the last three months of the year, leading every major sector to post significant increases in insolvencies for the year. The worst hit sector was services, with the number of cases up by 22%, accounting for 42% of the total number of insolvencies, with the number of cases up by 14% in manufacturing industry, 15% in construction, and 58% in other sectors. In terms of business size, the hardest hit were SMEs, which in Korea account for more than 85% of employment, 50% of output and more than 30% of the country's exports. But

Korea's massive chaebols – Samsung and LG in electronics, Hynix in electronics, Hyundai in automobiles and shipbuilding, and Posco in steel – also suffered heavy drops in activity and falling profits.

2009-2010 outlook: no fall in insolvencies before 2010

Despite stabilisation from Q4 2008 to the first quarter of 2009, the South Korean economy, the 12th biggest in the world, should not avoid contraction over the full year. Admittedly, numerous measures have already been taken. On the monetary front, bank liquidities have been assisted by cuts totalling 325 basis points since last autumn. On the budget front, government stimulus measures total the equivalent of 6% of GDP. In addition, there are sectoral supports, including assistance for Korea's world-leading shipbuilding industry, for which the medium-term outlook has darkened abruptly. But all these measures should only soften the shock resulting from the downturn in external demand and the fragile state of domestic demand, although later supporting growth in the medium term. In the short term, however, the contraction in activity and the adjustments that will ensue should see a further 25% increase in insolvencies in 2009. **ML**

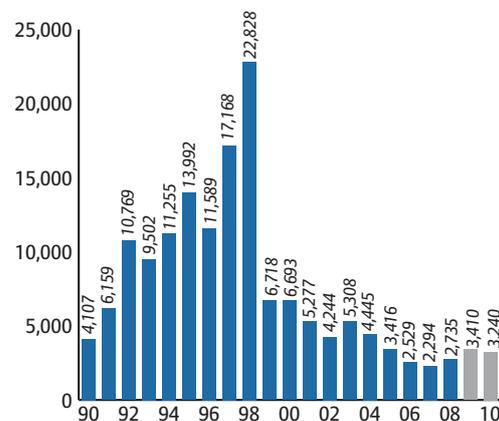
Major insolvencies 2008-2009

Companies	Turnover (millions of euros)*
Ssangyong Motor Co Ltd	1,426
Taesan LCD Co., Ltd	447
Shinsung Engineering & Construction Co Ltd	267
Wooyoung Co., Ltd	207

(* At 1.00 euro = 1750 KRW
Source: Euler Hermes

Insolvencies

Number of cases



Sources: Bank of Korea, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

The Korea National Statistical Office counted 3,290,000 registered companies in 2007 (against just over 3,000,000 in 2000) in the business population, including a number of large conglomerates (chaebols) but for the most part SMEs, of which some 300,000 are in the manufacturing sector.

Insolvencies:

Our series uses figures from the Bank of Korea, which since 1990 has carried out a monthly count of the number of insolvent businesses ('dishonoured companies').

Regulation:

The South Korean insolvency system has three types of proceedings under different acts:

- **The Bankruptcy Act (Pa-san)** covers the liquidation and distribution of assets of a company whose entire debts exceed its total assets. This is analogous to a proceeding under Chapter 7 of the US Bankruptcy Code.
- **Corporate reorganisation (Hoe-Sa-Jeong-Ri)** is analogous to a proceeding under the Chapter 11 of the US Bankruptcy Code and permits the reorganisation of the insolvent

company. This proceeding can be requested by the debtor, the creditor or the shareholders. This proceeding is accepted by the court if the company's actualised value exceeds the asset's liquidation value. This Act disqualifies large companies with bank debt in excess of KRW 250 billion from applying for composition.

- **The composition procedure (Hwa-we)**, for SMEs, is a simplified version of corporate reorganisation. This proceeding can be requested only by the debtor, who will plan the reorganisation and the rescheduling of his debts. **■**

Taiwan

A temporary lull in officially recorded bankruptcies

2008: a clear drop in bankruptcy filings

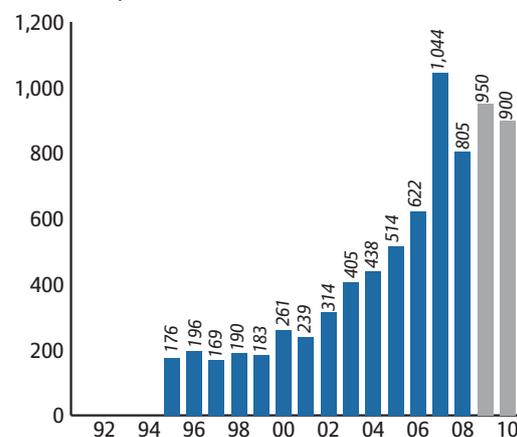
After six years of continuous growth in a buoyant economic and financial environment, with GDP growth averaging an annual 5.2% between 2002 and 2007, bankruptcy procedures officially tallied by the Taiwanese authorities and published monthly in the Judicial Yuan of the Republic of China fell noticeably in 2008, dropping by 23%, especially during the second half of the year. The reversal in the economy however came abruptly in H2, in close correlation with the collapse in demand in its major trading partners. The entry into recession of the developed countries – the US, Europe and Japan – and the sharp slowing in neighbouring Asian economies (foremost, that of China, where many Taiwanese businesses have either offshored or subcontracted all or part of their production, notably in electronics) have brought a plunge in exports. As exports account for nearly 70% of GDP, this was accompanied by a massive fall in industrial output, which dropped by 30% in December, as well as significant adjustment on the employment market and a fall in investment, which in turn accentuated the decline in domestic demand. In the end, GDP growth fell from an average of +5.7% in 2007 to -1% yr/yr in the third quarter of 2008 and to -8.4% in Q4, with a sharp downturn in services (-3%) and a collapse (-21%) in industry.

2009-2010 outlook: rising insolvencies

Bolstered by the budgetary and financial room for manoeuvre restored over recent times, the political and monetary authorities have not spared their efforts, launching numerous measures to reassure the markets and sustain the economy. The major monetary easing and the sizeable recovery plan (TWD 500bn or nearly 4% of GDP) will ease the shock of the crisis, but they will not rapidly compensate for the difficulties generated by the scale of the economy's contraction. GDP could shrink by 6% for the full year 2009, before the beginnings of recovery in 2010 and 1.8% growth, but this does not prefigure an improvement in terms of payment difficulties and business solvency for several quarters to come. ■ ML

Insolvencies

Number of cases



Sources: Judicial Yuan of the Republic of China, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

The Directorate-General of Budget, Accounts and Statistics counted 1,179,100 'businesses units' at the end of December 2006, including approximately 50% in commerce, 11% in manufacturing industry, 11% in services (excluding transport-communications and finance), and 7% in construction. But the number of registered companies stood at 626,300 at the end of 2007.

Insolvencies:

Our series uses figures from the Judicial Yuan of the Republic of China, which annually publishes the number of 'petitions presented', i.e., companies having themselves requested or having been the object of a request for a procedure. Depending on the year, from 6% to 22% of these result in a judgement by the District Court.

Regulation:

The liquidation of public limited companies is governed by the Company Act, under Section 12, Liquidation (Article 322- 356).

► **Sub-section 1 – Ordinary Liquidation:** in the case of liquidation of a company, the directors shall become its liquidators. If there are assets to be distributed after the completion of liquidation, the court may, upon application of interested persons, appoint a liquidator to redistribute such assets.

► **Sub-section 2 – Special Liquidation:** where circumstances exist that apparently impede the execution of liquidation, the court may, upon the application of any creditor or liquidator or shareholder or trustee, order the company to institute a process of special liquidation.

The same shall apply where there is suspicion that the liabilities of the business exceed its assets; but in such a case, only the liquidators may file an application. If, in cases where an order for the institution of a process of special liquidation has been made, there is no prospect of reaching a settlement agreement, the court shall by virtue of the powers vested in it make an adjudication of bankruptcy in accordance with the Bankruptcy Law. The same shall apply where there is no prospect of a settlement agreement being duly executed. ■

Hong Kong

Hard hit by the world crisis

2008: +3%

Business liquidations overall rose slightly (+29%) over the full year 2008. But H2 proved especially difficult for businesses, with a clear increase in the number facing extreme difficulties, judging by the 32% rise in liquidations from H1 to H2. The international financial crisis that was triggered in the autumn by the bankruptcy of Lehman Brothers in the US, and the rapid worsening in world economic conditions, severely affected the economy of Hong Kong, quickly ending four consecutive years of falling numbers of business liquidations, which had come down by two-thirds from their record levels of 2002-2003. Occupying a vital role in this part of Asia thanks to its stock exchange, port facilities and logistical infrastructure, and its tourism, Hong Kong saw all the pillars of its economy highly affected, especially its commercial and logistics activities (accounting for 27% of GDP and nearly 25% of employment), tourism and all its related sectors (5.5% of GDP and nearly 16% of employment), and financial services (16% of GDP). Re-exports, which constitute the bulk of exports in the wake of massive offshoring of production to mainland China, fell very significantly, in particular for textiles, clothing, telecoms equipment and IT equipment, at rates often exceeding 20% to 30%. In the end, and despite posting positive annual average growth of 2.5% in 2008 (after +6.4% in 2007), the economy entered into severe recession. GDP fell successively from one quarter to the next: by a moderate 1% in Q2

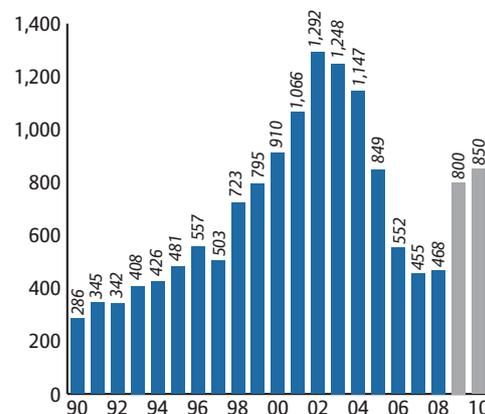
and 0.8% in Q3, worsening in Q4 with a 1.9% fall, followed by a massive 4.3% quarterly fall in Q1 2009, a bigger drop than any posted in the midst of the Asian financial crisis of 1997-1998.

2009-2010 outlook

The omens for household and business solvency are bad. External demand shows no signs of strong recovery in the short term, while domestic demand is durably weakened on the consumer front by higher unemployment and a negative wealth effect and on the business front by worsened credit. Payment defaults and business bankruptcies will continue to mount with the contraction in activity. GDP could fall by 5% over the full year 2009, giving way to a slight improvement in 2010 (+1.8%) thanks to the relative resilience of the Chinese economy and the large recovery programme in place totalling HKD 100bn, the equivalent of 6% of GDP. ■ ML

Insolvencies

Number of cases



Sources: Official Receiver's Office & Companies Registry, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

The Companies Registry counted nearly 817,900 businesses at the end of December 2008 (against less than 555,000 in 2003), the total of Local Companies on Register (655,000), Local Companies Incorporated (100,800), and Overseas Companies (8,100). More than 60% of entities are in retail and wholesale commerce, followed by business services (including finance, insurance and real estate) at 19%, and consumer services at 12%.

Insolvencies:

Our series uses data from the Official Receiver's Office, which has published monthly figures since 1989 for the number of compulsory winding-up orders made.

Regulation:

The aim of the Companies Ordinance and Companies (Winding-up) Rules (Chapter 32) is to create a **legal framework for the reorganisation of an insolvent company** prior to any eventual liquidation.

The law provides for two stages: the petition in bankruptcy and the actual liquidation.

► The business can voluntarily file for winding-up and declare itself bankrupt in the event of financial difficulties. Its creditors may also petition to the court and force the business to do so in similar circumstances.

► Court-ordered restructuring is implemented after a voluntary petition in bankruptcy or one ordered by the court. The aim here is to reorganise the business and find a solution avoiding liquidation. The petition in bankruptcy takes effect at the point when the business or its creditors complete an official 'winding-up petition' form.

► If the bankruptcy petition is ordered by the court, then the Official Receiver is considered the administrator of the liquidation. However, the Receiver can appoint another person to act in his place in managing the assets and liabilities of the insolvent company.

■

Singapore

A major downturn is stoking business bankruptcies

2008: +25%

After dropping for five consecutive years to a low in 2007, business liquidations rose significantly (+25%) in Singapore in 2008, notably in the last quarter of the year. This is directly due to the continuation of the severe reversal in the economic situation of the city-state. Admittedly, domestic demand was showing signs of moderating. But the violent and unexpected contraction in international demand in the second half of year, and up to the start of 2009, very seriously accentuated the scale of the reversal. This is because the economy is very narrowly dependent on world growth and trade: first, via its role as a logistics and financial platform for Southeast Asia, second, via its specialisation in electronics and high value added products sensitive to the economic climate (pharmaceutical, chemical and biomedical products), and third, but to a lesser degree, because of its tourist sector activity. GDP growth, although positive on annual average (+1.1% in 2008, after +7.8% in 2007) thus fell rapidly from an annualised +6.7% in Q4 2007 to -4.2% in Q4 2008, and then to -11.5% for Q1 2009. The downturn is widespread across all sectors apart from construction, creating an increasingly difficult economic context for a growing number of the country's 246,000 businesses.

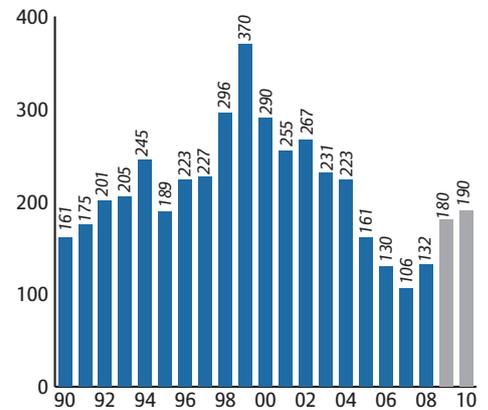
2009-2010 outlook: still very difficult

While Singapore's economic fundamentals remain sound, with low levels of risk from many angles (political, external

finance, exchange rates, etc.), the immediate environment for businesses is unlikely to improve before 2010. The country is heading for its worst recession since gaining independence in 1965, with even government forecasts, revised downwards in mid-April, saying that GDP likely to fall by 7.5%. This should manifest itself in a rising number of business insolvencies and a noticeable increase in business liquidations. In the meantime, the government has already decided to adopt a plan of large-scale support, which should significantly increase the public deficit, expected to be the equivalent of 6% of GDP in 2009. ■ ML

Insolvencies

Number of cases



Sources: Insolvency and Public Trustee's Office, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

Figures published in the Yearbook of Statistics Singapore show nearly 245,600 active businesses at the start of 2009, after a sharp increase in 2006-2008, with a greater number of companies (60%) than individually owned businesses (40%), of which 35% were in retail wholesale distribution, 14% in business services, 11% in the finance/real estate component, more than 8% in the category of industry overall, but less than 8% in manufacturing industry.

Insolvencies:

The Ministry of Justice, via the Insolvency and Public Trustee's Office, gives annual figures for the number of businesses subject to a company winding-up, and the number of companies that have filed petitions for winding-up. Our series covers declared windings-up only, which historically account for 74% of the total.

Regulation:

► **The closing of a business can arise out of a petition in bankruptcy or a forced liquidation.** These two procedures mainly involve the creditors and shareholders, who appoint a liquidator, who must evaluate the assets of the business. The actions of the liquidator are governed by Singapore's Companies Act.

► **Voluntary winding-up: a business can be voluntarily wound up by its members or its creditors.** A member's voluntary winding-up is only possible if the business's assets allow it to pay its debts in full within 12 months of the commencement of the winding-up proceedings. The creditors' voluntary winding-up is possible if the business is unable to meet its debts. In both cases, those initiating the procedure need to sign a resolution

declaring the petition in bankruptcy, and they need to appoint an independent liquidator.

► **Compulsory winding-up:** under Section 253 of the Companies Act (Chapter 50), the business itself, creditors, shareholders, liquidator (or a court-appointed manager or the Ministry of Justice) may present a petition for winding-up to the High Court (the liquidation dates from this point). The Singapore High Court will rule that a business is insolvent if its total liabilities exceed its total assets. Section 254(1) of the Companies Act states the conditions under which the court may wind up a business. Section 254(2) sets out the specific situations where a business shall be deemed to be unable to pay its debts. ■

Brazil

Fewer bankruptcies as businesses opt for Chapter 11-style treatment

2008: -18%

Brazil showed resilience in H1 2008, with GDP growth at an annualised 6%, but did not escape the impact of the financial crisis, which abruptly trimmed growth in the last quarter of the year by 3.6 percentage points from the previous quarter. Despite this, GDP was still up by 5.1% for the full year. But the combined effects of tighter credit, capital flight, a weakened currency and the fall in commodity prices were very rapidly felt, to the extent that a recession in 2009, even if a small one, seems likely. The downtrend in insolvencies continued in 2008 for the fifth year running, with the number of bankruptcy filings (*fallencias requeridas*) dropping for the year by 18% to 2,243. However, the fall in bankruptcies observed for several years is mainly due to an increasingly frequent recourse by insolvent companies to the Chapter 11-style procedure established in 2005. This procedure, which is not accounted for in the series we employ, gives such businesses protection from creditors for a period of six months, during which they can negotiate a restructuring plan.

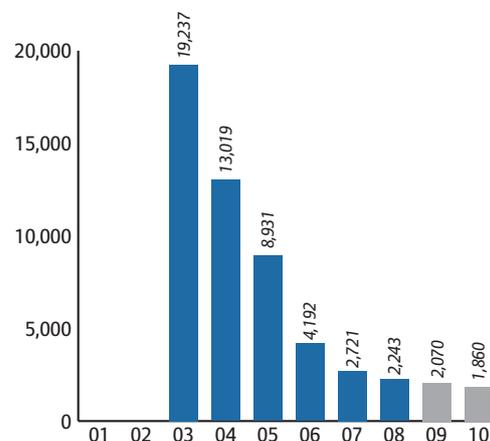
2009-2010 outlook: around 2,000 cases

Domestic demand seems to have stood up reasonably well in Q1 2009, with the central bank's easing of monetary policy, with lower lead interest rates, and government stimulus measures likely to limit the slow-down to 1 percentage point in 2009. Brazil should continue to enjoy positive GDP growth in 2010, at 1.3%, clearly below its

true potential. The financial situation of businesses has deteriorated in many sectors, due to tighter credit, lower demand and the depreciation of the Brazilian real. The fall in insolvencies should moderate in 2009, with the number of cases dropping by 8% to around 2,000 cases, while the number of businesses filing for Chapter 11-style protection should continue to rise. ■ MCS

Insolvencies

Number of cases



Sources: Equifax, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

The central Brazilian business registry counted 5.7 million businesses active in 2006 (92% with fewer than 5 employees) of which 48% were in retail and wholesale distribution, 20% in business services and 10% in industry.

Insolvencies

The company ISI Securities/Serasa publishes figures for court procedures in Brazil. This new series takes into account, from 2003, only bankruptcy procedures (*fallencias requeridas*), to the exclusion of all other insolvency procedures. Before 2003, the series we used was provided by Equifax.

NB: up into 2002, the figures published in Insolvency Outlook were based on the figures for fallencias decretada. Because of this fact, figures we publish from May 2009 onwards are not directly comparable with those in previous issues.

Regulation:

- ▶ On February 9, 2005, Brazilian president Luiz Inacio Lula da Silva signed **new bankruptcy legislation** (Law no. 111.101/05), replacing the legislation of 1945. The new law facilitates the court-ordered or out-of-court rescue of businesses, giving priority to creditors and thus facilitating repayment to banks.
- ▶ **Out-of-court restructuring requires court approval to have effect.** The debtor has to call a meeting of its creditors to negotiate a restructuring plan. The plan will then be approved by the court and by creditors representing a minimum of 60% of the business's debts.
- ▶ In the case of court-ordered restructuring, **the debtor has to present a restructuring plan** to the court, to be submitted to a committee of its creditors, with the judge acting

as the principal intermediary. The plan may be approved, amended or rejected by the committee at the meeting. In the event the restructuring plan is rejected, the debtor must declare bankruptcy. If the business is placed in bankruptcy, the law creates a new hierarchy of creditors, giving priority to financial establishments ahead of employees (labour claims are limited to the amount of 150 minimum monthly salaries), and ahead of federal tax claims.

- ▶ Importantly, **the new law gives better protection to creditors, while also improving the process of the sale of assets.** As already mentioned, the new law took effect in June 2005, and since then, the number of bankruptcy filings has dropped steadily. ■

Major insolvencies worldwide

in 2008-2009

Chronological table (descending order) of the biggest known insolvencies in 2008 and mentioned in this publication for the following countries: USA, Canada, Japan, Germany, France, Italy, Spain, Netherlands, Belgium, Austria, Switzerland, Finland, United Kingdom, Sweden, Denmark, Norway, Poland, Czech Republic, Hungary and South Korea.

(*) Liabilities

Date	Country	Company	Last known turnover in millions of euros	Activity
04/2009	Canada	Abitibi Bowater	2,951	Forestry, logging and related service activities
04/2009	USA	General Growth Properties	2,312	Real estate activities
04/2009	Germany	DWVW Woolworth Deutschland GmbH & Co KG	750	Retailing
04/2009	Germany	Wilhelm Karmann GmbH	500	Manuf. of parts and accessories for motor vehicles and their engines
04/2009	France	Groupe Rodriguez	431	Building and repairing of ships and boats
04/2009	Sweden	Motorcentrum Gjestvang AB	77	Sale of motor vehicles
04/2009	Sweden	Aircall AB	27	Wholesaling of machinery, equipment and supplies
04/2009	Sweden	Saltoh�em AB	21	Construction
04/2009	Canada	Raymor Industries	2	Research and development
03/2009	USA	Chemtura Corp	2,414	Chemicals
03/2009	Germany	Plastal GmbH	850	Manuf. of parts and accessories for motor vehicles and their engines
03/2009	UK	Rubicon Retail Ltd	590	Retailing
03/2009	UK	Visteon UK Ltd	402	Manuf. of parts and accessories for motor vehicles and their engines
03/2009	France	Euro Distribution Alimentaire	252	Wholesaling
03/2009	France	Selective Beauty	207	Wholesaling
03/2009	France	Groupe Rencast	166	Casting of metals
03/2009	Spain	Castell�n Sociedad An�nima	141	Manuf. of parts and accessories for motor vehicles and their engines
03/2009	Czech Republic	Moravia Energo, a.s.	125	Prod., collection and distribution of electricity
03/2009	Austria	Holzindustrie Theresia Haeupl GmbH	71	Forestry, logging and related service activities
03/2009	Poland	Krosnienkie Huty Szkl� Krosno S A	66	Manuf. of glass and glass products
03/2009	Belgium	Sinomet Recycling	44	Recycling of metal waste and scrap
03/2009	Poland	Kuznia Polska S A	44	Manuf. of other fabricated metal products; metal working service activities
03/2009	Poland	Fabryka Elektrofil Trow Elwo S A	42	Manuf. of electricity distribution and control apparatus
03/2009	Belgium	Rashbros Diamond Co	36	Cut diamonds
03/2009	Poland	Hsw Zaklad Zespolow Mechanicznych SP Z O O	34	Manuf. of general purpose machinery
03/2009	Hungary	K-Box Kft	32	Consumer Electronics
03/2009	Hungary	Piszkei Papir Rt.	31	Manuf. of paper and paper products
03/2009	Hungary	Grafika Press Nyomdaipari Zrt.	19	Publishing, printing and reProd. of recorded media
03/2009	Hungary	Grafika Press Nyomdaipari Zrt.	19	Publishing, printing and reProd. of recorded media
03/2009	Austria	Holzhausen Gruppe	17	Printing and service activities related to printing
02/2009	Netherlands	Vlasco Bouw	na	Construction
02/2008	Netherlands	Hoogevest Bouw	na	Construction
02/2009	USA	Aleris International Inc	4,080	Manuf. of basic precious and non-ferrous metals
02/2009	Japan (*)	SFCG Co., Ltd.	2,542	Financial intermediation
02/2009	Japan (*)	The Japan General Estate Co.,LTD	1,485	Real estate activities
02/2009	South Korea	Ssangyong Motor Co Ltd	1,426	Manuf. of motor vehicles
02/2009	UK	Camden Group Services Ltd	1,330	Other land transport
02/2009	Germany	Edscha AG	1,108	Manuf. of parts and accessories for motor vehicles and their engines
02/2009	Japan (*)	Spansion Japan K.K.	557	Real estate activities
02/2009	Italy	Ittiere - Societa' Per Azioni	443	Manuf. of wearing apparel; dressing and dyeing of fur
02/2009	Spain	Sistemasforzasl	129	Manuf. of structural metal products, tanks, reservoirs and steam generators
02/2009	Italy	Plus IT - Societa' Per Azioni	121	Manuf. of wearing apparel; dressing and dyeing of fur
02/2009	Finland	Incap Furniture Oy	77	Manuf. of furniture
02/2009	Poland	Zaklad Wlokien Cemicnych stilon S A	51	Manuf. of textiles
02/2009	Austria	Romberger GmbH (Fertigh�user)	36	Construction
02/2009	Hungary	Sz�mit�g�ph�z Kft	33	Wholesaling (computers)
02/2009	Finland	Koti-Idea Oy	26	Retailing
02/2009	Belgium	Laan & Zonen	24	Manuf. of tobacco products
02/2009	Finland	Jutron Oy	17	Construction
02/2009	Austria	Envirgy Environment Energy Engineering and Construction GmbH	4	Business activities
01/2009	USA	Lyondell Chemical Company	20,400	Chemicals
01/2009	Canada	Nortel	7,934	Telecom
01/2009	Germany	Qimonda AG	7,010	Manuf. of tubes and other electronic components
01/2009	UK	Nortel Networks UK Ltd	1,042	Telecommunications
01/2009	UK	Waterford Wedgwood uk plc	605	Adult and other education
01/2009	Japan (*)	Eisen Fudosan K.K.	436	Real estate activities
01/2009	Spain	Atlantis Servicios Inmobiliarios Sociedad Limitada	332	Real estate activities
01/2009	Italy	Maia Dues.P.A.	288	Wholesaling
01/2009	Czech Republic	Bohemia Crystalex Trading, a.s.	177	Wholesaling of non-agricultural intermediate products, waste and scrap
01/2009	France	groupe SETFORGE	120	Manuf. of basic precious and non-ferrous metals
01/2009	Spain	ConstruccionesEdisanSA	114	Construction
01/2009	Spain	LtelInternationalAirwaysSociedadAn�nima	108	Scheduled air transport
01/2009	Czech Republic	Skl�rny Kavalier, a.s.	69	Manuf. of glass and glass products
01/2009	Belgium	Alumet-Motormet	61	Recycling of metal waste and scrap
01/2009	Czech Republic	Crystalex, a.s.	58	Manuf. of glass and glass products
01/2009	Czech Republic	Schoeller Litv�nov, k.s.	56	Spinning, weaving and finishing of textiles
01/2009	Sweden	Skandinaska Metmo AB	55	Wholesaling
01/2009	Sweden	Nordic Airways AB	38	Air transport
01/2009	Belgium	B.D.S. Group	25	Automotive
01/2009	Finland	Hermann's Project Design Oy	20	Construction
01/2009	Finland	Kuljetus ja maansiirto Viita Oy	17	Manuf. of television and radio transmitters and apparatus for line telephony and line telegraphy
2009	Denmark	Atlas Shipping A/S	424	Sea and coastal water transport
2009	Denmark	Selskabet af 1. September 2008	165	Monetary intermediation
2009	Denmark	Danish Meat Company A/S	85	Agriculture, hunting and forestry
2009	Denmark	Bluestar Telecom ApS	77	Wholesaling
2009	Denmark	Totempo Biler A/S	64	Sale of motor vehicles
12/2008	UK	Wagon plc	1,043	Manuf. of bodies (coachwork) for motor vehicles; Manuf. of trailers and semi-trailers
12/2008	France	Groupe Wagon (Oxford automotive)	594	Manuf. of parts and accessories for motor vehicles and their engines
12/2008	Germany	TMD Friction	340	Manuf. of parts and accessories for motor vehicles and their engines

Sources: National figures, Euler Hermes forecasts

Date	Country	Company	Last known turnover in millions of euros	Activity
12/2008	Austria	Eybl Austria GmbH	294	Manufacturing
12/2008	Finland	Kuitu Finland Oy	93	Manuf. of man-made fibres
12/2008	Czech Republic	Olišanské papírny, a.s.	65	Manuf. of paper and paper products
12/2008	Czech Republic	Slezan Frýdek - Místek a. s.	60	Manuf. of knitted and crocheted fabrics and articles
12/2008	Sweden	Elmo Leather AB	57	Dressing and dyeing of fur; Manuf. of articles of fur
12/2008	Finland	Stromsdal Oyj	56	Manuf. of paper and paper products
12/2008	Sweden	NYA Segerström & Svensson Eskilstuna AB	35	Manuf. of parts and accessories for motor vehicles and their engines
12/2008	Sweden	Emtunga Offshore AB	22	Construction
12/2008	Switzerland	Stewo AG	19	Paper and board
12/2008	Switzerland	vR Systems AG	14	Transport systems
12/2008	Austria	Mautner Markhof Aktiengesellschaft	4	Services
11/2008	UK	Woolworths group plc	4,338	Retailing
11/2008	South Korea	Shinsung Engineering & Construction Co Ltd	267	Construction
11/2008	Switzerland	GROB Aerospace AG	50	Transport related activities
11/2008	Sweden	Kellve Bulkteknik AB	39	Manuf. of general purpose machinery
11/2008	Sweden	Shoppingsajterna Svenska AB	30	Computer and related activities
11/2008	Finland	Finlayson Forssa Oy	27	Manuf. of textiles
10/2008	Netherlands	Vipack	na	Transports and communication
10/2008	Netherlands	Kin Installatie techn	na	Construction
10/2008	Japan (*)	Yamato Life Insurance Co.	2,026	Insurance and pension funding, except compulsory social security
10/2008	UK	MFI Retail Ltd	840	Retailing
10/2008	Spain	Prometheus Group	446	Wholesaling
10/2008	France	GROUPE CAMIF	442	Retailing
10/2008	Germany	Knaus Tabbert Group GmbH	329	Caravans & campmobiles
10/2008	Italy	Gruppo Car S.P.A.	193	Sale, maintenance and repair of motor vehicles and motorcycles; retailing sale of automotive fuel
10/2008	Czech Republic	Porcela Plus, a.s.	70	Manuf. of glass and glass products
10/2008	Belgium	Spin-Group	67	Textiles
10/2008	Poland	Adriana SA	48	Furniture Prod.
10/2008	Finland	Superseacat Oy	20	Sea and coastal water transport
10/2008	Finland	Glassrobots Oy	16	Research and development
09/2008	Japan (*)	Lehman Brothers Japan Inc.	25,800	Financial intermediation
09/2008	USA	Washington Mutual Inc.	7,025	Financial intermediation
09/2008	Japan (*)	Lehman Brothers Holdings Japan Inc	3,879	Financial intermediation
09/2008	Japan (*)	Lehman Brothers Commercial Mortgage K.K.	2,891	Financial intermediation
09/2008	Japan (*)	Sunrise Finance Co.	2,736	Financial intermediation
09/2008	USA	Lehman Brothers Holdings Inc	2,269	Financial intermediation
09/2008	Italy	Alitalia Servizi S.P.A.	652	Manuf. of transport equipment
09/2008	France	Groupe Cauval	650	Manuf. of furniture
09/2008	South Korea	Taesun Lcd Co., Ltd	447	Manuf. of radio, television and communication equipment and apparatus
09/2008	Italy	Kartogroup Sarl	419	Manuf. of paper and paper products
09/2008	Italy	Alitalia Express	246	Air transport
09/2008	Belgium	Aci Technologies	42	Manuf. of office, accounting and computing machinery
08/2008	Italy	Alitalia - Linee aereeitaliane Societa per Azioni	4,147	Air transport
08/2008	Germany	Sinn-Leffers GmbH	450	Textiles/Clothes (retailing)
08/2008	Belgium	Ralos	116	Manufacture of carpet
08/2008	Czech Republic	Spektrum CZ, a.s.	96	Wholesaling
08/2008	Poland	Prp SP Zoo	68	Transport
07/2008	Netherlands	Diolen Industrial	na	Fibers
07/2008	USA	SemGroup LP	6,899	Extraction of crude petroleum and natural gas
07/2008	Spain	Martinsa-Fadesa Group	1,028	Real estate activities
07/2008	Germany	Hertie GmbH	680	Retailing
07/2008	USA	IndyMac Bancorp Inc	641	Financial intermediation
07/2008	France	ARES	412	Computer and related activities
07/2008	Switzerland	Automates et Jeux Proms SA	18	Location d'appareils électroniques
06/2008	Netherlands	Van Diemen BV	na	Construction
06/2008	France	Groupe Lero	1,078	Sale, maintenance and repair of motor vehicles and motorcycles; retailing sale of automotive fuel
06/2008	Germany	Maxdata AG	470	Manuf. of office, accounting and computing machinery
06/2008	USA	Fremont General Corporation	382	Financial intermediation
06/2008	Spain	Urazca Group	250	Construction
06/2008	Hungary	Interfruct Kft	159	Grocery retailing
06/2008	Belgium	Era-Data	122	Retailing (computers)
05/2008	Switzerland	Dr. Amann AG	57	Real estate activities
04/2008	Netherlands	Nak denhelder	na	Construction
04/2008	Netherlands	smits gevelbouw	na	Construction
04/2008	Spain	Seop Obras Y Proyectos SL	434	Construction
04/2008	Spain	Labaro Grupo Inmobiliario SA	150	Real estate activities
04/2008	Czech Republic	Slovmljn, s.r.o.	56	Manuf. of food products and beverages
04/2008	Poland	Warszawska Wytwornia Wodek Koneser	36	Food products
04/2008	Norway	Oslo Nord Retail AS	29	Retailing sale of automotive fuel
04/2008	Norway	Romerike Stasjonsdrift AS	24	Retailing sale of automotive fuel
04/2008	Norway	Helios Distribusjon AS	13	Wholesaling of agricultural raw materials, live animals, food, beverages and tobacco
03/2008	UK	Future Communications uk ltd	4,097	Computer and related activities
03/2008	UK	Innovative Global Business group Ltd	2,259	Business services
03/2008	Canada	Bentley Leathers Inc	136	Retailing
03/2008	Belgium	CLOETENS	55	Manuf. of office, accounting and computing machinery
03/2008	Poland	Wytwornia Fonograficzna Gm Records Marek Grela	35	Publishing, printing and reProd. of recorded media
03/2008	Hungary	Szobi Szörp Zrt.	16	Manuf. of other food products
02/2008	Netherlands	Media Motion	na	Wholesaling
02/2008	Canada	InterTan Canada (Circuit City)	472	Retailing
02/2008	South Korea	Wooyoung Co., Ltd	207	Manuf. of radio, television and communication equipment and apparatus
02/2008	Poland	Zaklady Miesne Polmeat SP Z oo	30	Food products

Sources: National figures, Euler Hermes forecasts

Major insolvencies worldwide

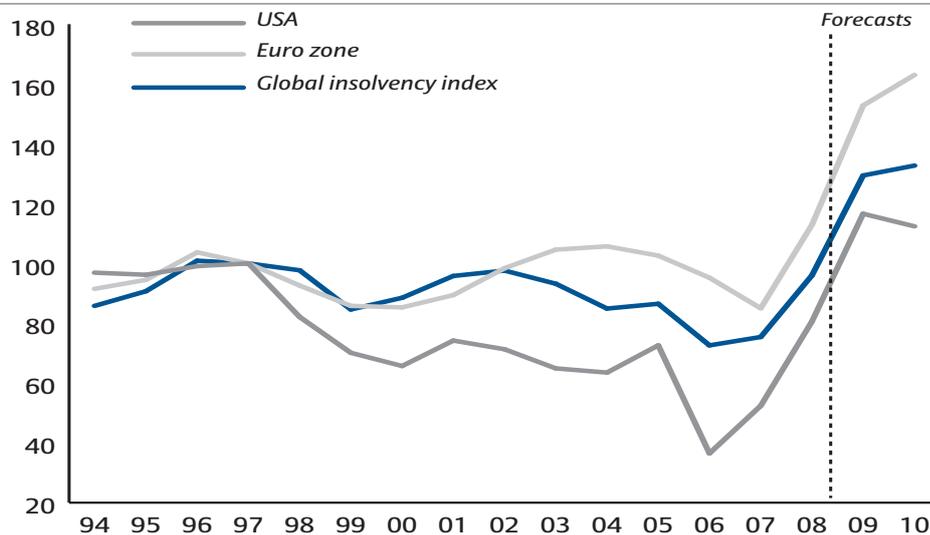
Global insolvency index

Forecasts

Index 1997 = 100	Weighting	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	100.0%	88	96	98	93	85	87	73	75	96	129	133
USA	31.7%	66	74	71	65	64	73	36	52	81	117	112
Canada	3.3%	82	85	78	73	67	62	55	52	51	56	58
Japan	10.2%	114	116	116	99	83	79	80	86	95	109	115
Germany	7.7%	103	117	136	143	143	134	124	106	107	127	142
France	6.0%	71	71	73	81	80	81	78	82	95	118	129
Italy	4.9%	78	72	72	70	76	82	68	41	59	77	89
Spain	3.3%	73	67	91	89	82	77	75	78	223	352	343
Netherlands	1.8%	81	98	113	145	151	154	135	104	105	184	202
Belgium	1.1%	88	91	93	98	102	102	98	99	109	129	135
Austria	0.9%	106	102	105	112	125	140	133	125	125	144	154
Portugal	0.5%	150	164	186	232	251	158	163	193	322	419	502
Finland	0.6%	83	81	83	81	72	67	68	67	76	100	104
Greece	0.7%	60	53	43	36	43	44	41	38	42	49	54
Luxembourg	0.1%	140	177	161	154	157	160	147	156	138	158	165
Ireland	0.6%	74	96	85	75	71	69	70	72	153	238	218
UK	6.3%	101	106	105	98	94	102	108	86	113	176	195
Denmark	0.7%	101	132	140	142	149	142	113	136	211	295	269
Sweden	1.1%	65	71	76	79	73	65	59	56	60	81	86
Norway	0.9%	107	107	134	157	129	106	91	85	109	182	172
Switzerland	1.0%	84	79	88	100	109	104	99	95	93	108	112
Poland	1.0%	162	211	235	226	129	124	82	60	54	68	77
Hungary	0.3%	125	148	155	193	196	200	236	243	280	363	418
Czech Republic	0.4%	199	198	172	138	117	102	102	92	89	114	120
Slovak Republic	0.2%	230	240	287	239	188	312	327	152	110	171	152
Lithuania	0.1%	388	551	747	580	663	721	709	566	867	1,215	1,150
Latvia	0.1%	152	169	199	291	226	144	165	191	232	348	314
Estonia	0.0%	2,664	2,336	3,882	4,173	3,964	3,809	3,200	1,836	3,900	5,455	5,182
Brazil	3.1%	64	61	79	59	40	27	13	8	7	6	6
China	7.5%	127	160	132	106	51	56	64	76	80	88	92
Taiwan	0.9%	154	141	186	240	259	304	368	618	476	562	533
South Korea	2.2%	39	31	25	31	26	20	15	13	16	20	19
Hong Kong	0.5%	114	133	162	156	143	106	69	57	59	100	106
Singapore	0.4%	128	112	118	102	98	71	57	47	58	80	83

Global insolvency index

index 100=1997



Sources: National figures, Euler Hermes forecasts

Insolvency rate, 2008 (*) *insolvencies divided by the number of businesses*

	Insolvency rate*	Number of businesses (last known figures)	Number of insolvencies 2008	Sources	Frequency
USA	0.7%	5,885,784	43,546	Administrative Office of US Courts	Quarterly
Canada	0.3%	2,259,900	6,164	Bureau du Surintendant des Faillites	Monthly
Japan	1.0%	1,515,835	15,646	Tokyo Shoko Research (TSR)	Monthly
Germany	0.8%	3,467,125	29,291	DeStatis	Monthly
France	2.0%	2,925,124	57,659	Euler Hermes SFAC	Monthly
Italy	0.2%	4,373,398	8,800	ISTAT (up to 2007)	Annual
Spain	0.1%	3,422,239	2,528	INE (Instituto Nacional de Estadística)	Quarterly
Netherlands	0.6%	800,000	4,635	Centraal Bureau voor de Statistiek (CBS)	Monthly
Belgium	1.2%	722,191	8,472	INS (Institut national de la Statistique)	Annual
Austria	2.2%	289,635	6,315	Kreditschutzverband 1870 (KSV)	Quarterly
Portugal	0.3%	1,100,000	3,344	Instituto Informador Comercial, then from Dun & Bradstreet since 2005	Monthly
Finland	0.9%	308,917	2,919	Finland Statistics	Monthly
Greece	0.1%	795,550	563	Office National de la Statistique (EYSE). Euler Hermes	Annual
Luxembourg	2.2%	26,621	583	Service Central de Législation (Mémorial)	Monthly
Ireland	0.4%	180,891	773	Department of Enterprise, Trade and Employment	Annual
UK	0.9%	3,230,746	29,994	The Insolvency Service	Quarterly
Denmark	1.3%	293,885	3,709	Danmarks Statistik (DST)	Monthly
Sweden	0.7%	965,987	6,298	Statistiska Centralbyran (SCB)	Monthly
Norway	1.1%	330,311	3,637	Statistik Sentralbyra (SSB)	Monthly
Switzerland	1.3%	335,000	4,221	Feuille Officielle Suisse du Commerce (FOSC)	Monthly
Poland	0.0%	3,615,621	430	Ministère de la Justice	Monthly
Hungary	1.6%	700,000	11,181	Euler Hermes	Quarterly
Czech Republic	0.1%	952,889	1,110	Ministry of Justice - Register of Bankrupts	Annual
Slovak Republic	0.1%	527,486	582	Ministère de la Justice	Annual
Lithuania	1.5%	63,562	928	Department of Enterprise Bankruptcy Management - DEBM	Quarterly
Latvia	1.8%	66,810	1,226	Department of Enterprise Bankruptcy Management	Quarterly
Estonia	0.7%	62,088	429	Department of Enterprise Bankruptcy Management	Quarterly
Brazil	0.0%	5,726,926	2,243	ISI Securities/SERASA	Monthly
China	0.1%	3,250,000	4,555	China Court. National Bureau of Statistics	Annual
Taiwan	0.1%	626,300	805	Judicial Yuan of the Republic of China	Monthly
South Korea	0.1%	3,289,661	2,735	Central Bank of Korea	Monthly
Hong Kong	0.1%	817,998	468	Official Receiver's Office	Monthly
Singapore	0.1%	245,596	132	Insolvency and public Trustee's Office	Monthly

(*) The insolvency rate is based on the number of insolvencies in 2008 and the last known figures for the number of businesses (see sidebar entries for each country).

Sources: national sources, Euler Hermes SFAC forecasts

Methodological note

► The insolvency rate is the number of insolvencies divided by the number of businesses. This in theory facilitates comparisons between countries. Those countries with a greater number of businesses than others risk having more insolvencies than others. However, everything else being equal, they should have the same insolvency rate. In practice, the insolvency rate shows great variation between countries. For the countries included in our study, it averages 0.8%. The rate is very nearly zero in some Mediterranean countries (such

as Spain, Portugal and Greece), but can be twice the average in countries such as France, Switzerland, Luxembourg and Austria.

► The insolvency rate is an indicator of officially recorded insolvencies. It does not necessarily reflect the level of effective insolvencies, since in a number of countries insolvencies are managed through out-of-court arrangements (see 'Our methodology', page 4). ▢

Business insolvencies worldwide

National statistics

Number of insolvencies



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
USA	35,472	40,099	38,540	35,037	34,317	39,201	19,695	28,322	43,546	63,000	60,700
Canada	10,040	10,371	9,458	8,838	8,118	7,517	6,742	6,293	6,164	6,780	7,120
Japan	18,769	19,164	19,087	16,255	13,679	12,998	13,245	14,091	15,646	18,000	18,900
Germany	28,235	32,278	37,260	39,320	39,213	36,843	34,137	29,160	29,291	35,000	38,900
France	43,345	43,274	44,286	49,383	49,056	49,494	47,330	50,002	57,659	72,000	78,800
Italy	11,641	10,767	10,683	10,463	11,312	12,148	10,192	6,062	8,800	11,500	13,200
Spain	828	759	1,037	1,012	930	869	853	880	2,528	4,000	3,890
Netherlands	3,579	4,330	4,963	6,386	6,648	6,780	5,941	4,602	4,635	8,100	8,920
Belgium	6,791	7,062	7,200	7,593	7,910	7,878	7,617	7,677	8,472	10,000	10,500
Austria	5,340	5,178	5,281	5,643	6,318	7,056	6,707	6,295	6,315	7,260	7,770
Portugal	1,558	1,703	1,929	2,412	2,605	1,646	1,690	2,001	3,344	4,350	5,220
Finland	3,174	3,113	3,170	3,101	2,745	2,547	2,587	2,564	2,919	3,840	4,000
Greece	805	700	576	480	577	586	542	510	563	650	720
Luxembourg	593	750	681	653	665	675	621	659	583	670	700
Ireland	373	483	428	377	361	349	354	363	773	1,200	1,100
UK	26,859	28,020	27,995	26,054	24,819	27,187	28,713	22,832	29,994	46,700	51,800
Denmark	1,771	2,329	2,469	2,506	2,620	2,495	1,987	2,401	3,709	5,190	4,740
Sweden	6,733	7,433	7,930	8,237	7,649	6,784	6,160	5,792	6,298	8,500	8,930
Norway	3,576	3,562	4,473	5,223	4,297	3,540	3,032	2,845	3,637	6,050	5,730
Switzerland	3,842	3,613	4,002	4,539	4,955	4,751	4,528	4,314	4,221	4,900	5,100
Poland	1,289	1,674	1,863	1,798	1,025	984	648	480	430	540	610
Hungary	5,010	5,919	6,204	7,718	7,840	7,983	9,447	9,723	11,181	14,500	16,700
Czech Republic	2,491	2,473	2,155	1,728	1,460	1,282	1,278	1,148	1,110	1,425	1,500
Slovak Republic	1,212	1,263	1,510	1,262	990	1,645	1,723	800	582	900	800
Lithuania	415	590	799	621	709	772	759	606	928	1,300	1,230
Latvia	804	891	1,052	1,534	1,193	758	872	1,010	1,226	1,840	1,660
Estonia	293	257	427	459	436	419	352	202	429	600	570
Brazil	20,999	19,956	25,707	19,237	13,019	8,931	4,192	2,721	2,243	2,070	1,860
China	7,219	9,110	7,500	6,065	2,923	3,196	3,630	4,358	4,555	5,010	5,260
Taiwan	261	239	314	405	438	514	622	1,044	805	950	900
South Korea	6,693	5,277	4,244	5,308	4,445	3,416	2,529	2,294	2,735	3,410	3,240
Hong Kong	910	1,066	1,292	1,248	1,147	849	552	455	468	800	850
Singapore	290	255	267	231	223	161	130	106	132	181	189

Sources: national figures, Euler Hermes forecasts

Annual change in insolvencies

Forecasts

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
USA	-6%	13%	-4%	-9%	-2%	14%	-50%	44%	54%	45%	-4%
Canada	0%	3%	-9%	-7%	-8%	-7%	-10%	-7%	-2%	10%	5%
Japan	22%	2%	0%	-15%	-16%	-5%	2%	6%	11%	15%	5%
Germany	7%	14%	15%	6%	0%	-6%	-7%	-15%	0%	19%	11%
France	-9%	0%	2%	12%	-1%	1%	-4%	6%	15%	30%	10%
Italy	-4%	-8%	-1%	-2%	8%	7%	-16%	-41%	45%	31%	15%
Spain	7%	-8%	37%	-2%	-8%	-7%	-2%	3%	187%	58%	-3%
Netherlands	11%	21%	15%	29%	4%	2%	-12%	-23%	1%	75%	10%
Belgium	-5%	4%	2%	5%	4%	0%	-3%	1%	10%	18%	5%
Austria	-9%	-3%	2%	7%	12%	12%	-5%	-6%	0%	15%	7%
Portugal	12%	9%	13%	25%	8%	-37%	3%	18%	67%	30%	20%
Finland	-4%	-2%	2%	-2%	-11%	-7%	2%	-1%	14%	32%	4%
Greece	-9%	-13%	-18%	-17%	20%	2%	-8%	-6%	10%	15%	11%
Luxembourg	7%	26%	-9%	-4%	2%	2%	-8%	6%	-12%	15%	4%
Ireland	-31%	29%	-11%	-12%	-4%	-3%	1%	3%	113%	55%	-8%
UK	-2%	4%	0%	-7%	-5%	10%	6%	-20%	31%	56%	11%
Denmark	8%	32%	6%	1%	5%	-5%	-20%	21%	54%	40%	-9%
Sweden	1%	10%	7%	4%	-7%	-11%	-9%	-6%	9%	35%	5%
Norway	10%	0%	26%	17%	-18%	-18%	-14%	-6%	28%	66%	-5%
Switzerland	-8%	-6%	11%	13%	9%	-4%	-5%	-5%	-2%	16%	4%
Poland	27%	30%	11%	-3%	-43%	-4%	-34%	-26%	-10%	26%	13%
Hungary	47%	18%	5%	24%	2%	2%	18%	3%	15%	30%	15%
Czech Republic	25%	-1%	-13%	-20%	-16%	-12%	0%	-10%	-3%	28%	5%
Slovak Republic	11%	4%	20%	-16%	-22%	66%	5%	-54%	-27%	55%	-11%
Lithuania	68%	42%	35%	-22%	14%	9%	-2%	-20%	53%	40%	-5%
Latvia	36%	11%	18%	46%	-22%	-36%	15%	16%	21%	50%	-10%
Estonia	212%	-12%	66%	7%	-5%	-4%	-16%	-43%	112%	40%	-5%
Brazil	-27%	-5%	29%	-25%	-32%	-31%	-53%	-35%	-18%	-8%	-10%
China	28%	26%	-18%	-19%	-52%	9%	14%	20%	5%	10%	5%
Taiwan	43%	-8%	31%	29%	8%	17%	21%	68%	-23%	18%	-5%
South Korea	0%	-21%	-20%	25%	-16%	-23%	-26%	-9%	19%	25%	-5%
Hong Kong	14%	17%	21%	-3%	-8%	-26%	-35%	-18%	3%	71%	6%
Singapore	-22%	-12%	5%	-13%	-3%	-28%	-19%	-18%	25%	37%	4%

Sources : national figures, Euler Hermes forecasts



Contributions

This issue was prepared with the collaboration of the following entities within the Euler Hermes group:

Country	Entity	Contributors
USA	Euler Hermes ACI Inc	Dan North
Canada	Euler Hermes ACI Inc	Paul Flanagan, Luis Montoya
Japan	Euler Hermes Kreditversicherungs-AG Japan Branch	Yutaka Tanaka
Germany	Euler Hermes Kreditversicherungs-AG	Dr. Romeo Grill
France	Euler Hermes SFAC SA	Karine Berger, Marie-Christine Schmitt
Italy	Euler Hermes SIAC S.p.A.	Andrea Pignagnoli
Spain	Euler Hermes Crédito Compania de Seguros y Reaseguros S.A.	Jose Maria Cadenas, Belen Diaz
Netherlands	Euler Hermes Kredietverzekering NV	Walter Toemen, Ans Wellens
Belgium	Euler Hermes Credit Insurance Belgium S.A. (N.V.)	Paul Becue, Marc Petre
Austria	Prisma Kreditversicherungs-AG	Karin Radauer
Portugal	COSEC	Cyrille Charbonnel
Finland	Euler Hermes Luottovakuutus	Tiina Björkqvist
Greece	Euler Hermes Emporiki SA	Katerina Panagiotou
United Kingdom	Euler Hermes Kreditförsäkring Norden AB	Nigel Wyatt, Lamia Choukair
Danemark	Euler Hermes Kreditforikring	Sumit Singh Dhaliwal
Sweden	Euler Hermes Kreditversicherungs-AG, Zweigniederlassung Zürich	Anders Björkman
Norway	Euler Hermes Towarzystwo Ubezpieczeniowe SA	John Justad
Switzerland	Euler Hermes Magyar Hitelbiztosító Rt	Daniel Diegelmann
Poland	Euler Hermes CESCOB Pojist'ovna AS	Katarzyna Kowalczyk, Robert Dunaj
Hungary	Euler Hermes Servis, s.r.o.	Gabriella Budinszky
Czech Republic	Euler Hermes CESCOB, uverova pojst'ovna, a.s.	Petr Kunzmann
Slovakia	Euler Hermes Servis, s.r.o.	Eva Budzakova
Lihtuania	Euler Hermes Kreditversicherungs-AG	Vilius Sketrys
Latvia	Euler Hermes Kreditversicherungs-AG	Vilius Sketrys
Estonia	Euler Hermes Kreditversicherungs-AG	Vilius Sketrys
Brazil	Euler Hermes Seguros de Credito SA	Marcelo Oliveira
China	Euler Hermes Kreditversicherungs-Tianjin Representative Office	Edwin Gao
Taiwan	Allianz President General Insurance Co., Ltd	William Chan, Tommy Wong
South Korea	Euler Hermes Credit Underwriters HK Ltd-Liaison Office	William Chan, Lena Lee
Hong Kong	Euler Hermes Kreditversicherungs-AG Hong Kong Branch	William Chan, Jeff Ng
Singapore	Euler Hermes Kreditversicherungs-AG Singapour Branch	Danny Lee

With the collaboration of Euler Hermes Country Risk Unit for economic forecasts, Brazil and Eastern and Central Europe: David Atkinson, Andrew Atkinson et Manfred Stamer.

Euler Hermes implantations Europe and Mediterranean Basin

► Austria

Prisma Kreditversicherungs-AG
Himmelpfortgasse 29
1010 Vienna
Tel.: +43(0) 5 01 02-0

► Belgium

Euler Hermes Credit Insurance Belgium S.A. (N.V.)
Rue Montoyer, 15
1 000 Brussels
Tel.: +32 2 289 3111

► Czech Republic

Euler Hermes Cescob uverova pojist'ovna, A.S.
Molákova 576/11
186 00 Prague 8
Tel.: +420 266 109 511

► Denmark

Euler Hermes Kreditforsikring Norden AB
Amerika Plads 19
2100 Copenhagen E
Tel.: +45 88 33 3388

► Estonia

Euler Hermes
Kreditversicherungs AG
Eesti Filiaal
Prita tee 20, T-Building,
10127 Tallinn
Tel.: +372 602 8100

► Finland

Euler Hermes Luottovakuutus
Itälähdenkatu 18 A
00210 Helsinki
Tel.: +358 10 8 50 8500

► France

Euler Hermes SFAC
1, rue Euler
75008 Paris
Tel.: +33 1 4070 5050

► Germany

Euler Hermes Kreditversicherungs-AG
Friedensallee 254
22763 Hamburg
Tel.: +49 40 8834 0

Federal Export Credit Guarantees

Friedensallee 254
22763 Hamburg
Tel.: +49 40 8834 9192

► Greece

Euler Hermes Emporiki SA
109-111 Messogion Ave.
Politia Business Center
Building B
115 26 Athens
Tel.: +30 210 69 00 000

► Hungary

Euler Hermes Magyar Hitelbiztosító Zrt.
Kiscelli u. 104
1037 Budapest
Tel.: +36 1 453 9000

► Ireland

Euler Hermes Ireland
The Arch
Blackrock Business Park
Carysfort Avenue
Blackrock Co Dublin
Tel.: +353 1 200 0400

► Israel

ICIC,
2, Shenkar street
68010 Tel Aviv
Tel.: +97 23 796 2444

► Italy

Euler Hermes SIAC S.p.A.
Via Raffaello Matarazzo, 19
00139 Rome
Tel.: +39 06 87001

► Latvia

Euler Hermes Services Kreditversicherungs AG
Latvija Filiale
Cesu iela 31/8
LV 1012 Riga
Tel.: +371 67 895 677

► Lithuania

Euler Hermes Kreditversicherungs-AG,
Lietuvos Filialas
Konstitucijos ave 7 20th floor
09308 Vilnius
Tel.: +370 5 211 3366

► Morocco

Euler Hermes Acmar
37, bd Abdelattif Ben Kaddour
20100 Casablanca
Tel.: +212 22 39 84 12/14/17

► The Netherlands

Euler Hermes Kredietverzekering NV
NV Interpolis
Kredietverzekeringen
Pettelaarpark 20
5216 PD's-Hertogenbosch
Tel.: +31 73 688 9999

Euler Hermes Interborg NV

Atlas Office Center
Hoogoorddreef 5 Postbus 12473
1100 AL Amsterdam Z.O.
Tel.: +31 20 6 96 39 41

► Norway

Euler Hermes
Kredittforsikring Norden AB
Holbergsgate 21 P.O. Box 6875 St. Olavs Plass
0130 Oslo
Tel.: +47 23 25 60 00

► Poland

Euler Hermes Towarzystwo
Ubezpieczen S.A.
ul. Domaniewska 50 B
02-672 Warsaw
Tel.: +48 22 385 46 84

► Portugal

COSEC - Companhia de Seguro de Créditos, S.A.
Av. da República, nº 58
1069-057 Lisbon
Tel.: +351 21 791 3700

► Romania

Euler Hermes Servicii Financiare S.R.L.
Str. Petru Maior, nr.6,
011264, Sector 1, Bucharest
Tel.: +40 21 302 03 00

► Russia

Euler Hermes Kreditversicherungs-AG
Representative Office
Ozerkovskaya nab.30
Moscow, 115 184
Tel.: +7 495 649 80 08

► Slovakia

Euler Hermes Servis, s.r.o.
Plynárenská 1
82109 Bratislava
Tel.: +421 2 582 80 911

► Spain

Euler Hermes Crédito, Sucursal en Espan de Euler
Hermes SFAC-SA
Paseo de la Castellana, 95
Planta 14
Edificio Torre Europa
28046 Madrid
Tel.: +34 91 417 77 67

► Sweden

Euler Hermes Kreditförsäkring Norden AB
Klara Norra Kyrkogata 29
P.O. Box 729
10134 Stockholm
Tel.: +46 8 555 136 00

► Switzerland

Euler Hermes Kreditversicherungs-AG,
Tödtstrasse 65
8002 Zürich
Tel.: +41 44 283 65 65

► Turkey

Euler Hermes
Risk Yonetimi ve Danismanlik
Hizletleri Limited Sirkefi
Iz Plaza Giz, Ayazaga Yolu
No.9, Kat 14 Maslak
34398 Istanbul
Tel.: +90 212 290 76 10

► United Kingdom

Euler Hermes UK plc
1 Canada Square
Londres E14 5DX
Tel.: +44 20 7512 9333

Euler Hermes Guarantee plc

Surety House
Lyons Crescent
Tonbridge, Kent TN9 1EN
Tel.: +44 17 327703 11

Euler Hermes implantations North and South America

► Argentina

Euler Hermes Argentina SA
San Martin 550
C1104AAL Buenos Aires
Tel.: +54 11 4320 7177

► Brazil

Euler Hermes Seguros de Créditos SA
Alameda Santos,
2335 cjs 51/52
Cerqueira César
01419 002
Sao Paulo
Tel.: +55 11 3065 2260

► Canada

Euler Hermes Canada
C.I.B.C. Tower
1155 René-Lévesque West
Blvd., Suite 1702 327
Montréal Québec H3B
Tel.: +1 514 876 9656

► Colombia

Euler Hermes Colombia
Carrera 13A No. 29-24
Torre Colseguros
Piso 8
ala Sur Bogota
Tel.: +57 1 560 0600

► Mexico

Euler Hermes Seguro de Crédito S.A.
Blvd. Manuel Avila Camacho
#164, 8° piso
Col. Lomas de Barrilaco
Deleg. Miguel Hidalgo
Mexico DF CP 11010
Tel.: +52 55 5201 7900

► United States

Euler Hermes ACI
800 Red Brook Boulevard
Owings Mills, MD 21117
Tel.: +1410 753 0753

Euler Hermes implantations Asia Oceania

► Bahrain

Bahrain Kuwait Insurance Company
P.O. Box 10 166
Diplomatic Area
Manama
Tel.: +973 17 542 222

► China

Euler Hermes Information Consulting (Shanghai) Co.,
Ltd. in Shanghai, PRC
Room F, 8 floor
Mirae Asset Tower
166, Lujiazui Ring Road,
Pudong New Area
Shanghai, 200 120
Tel.: +86 21 5012 2220-108

► Hong Kong

Euler Hermes Credit Underwriters (HK) Ltd
Suites 403-11, 4/F
Cityplaza 4
12 Taikoo Wan Road
Island East
Hong-Kong
Tel.: +852 2867 0061

► India

Bajaj Allianz General Insurance Co. Ltd
101, 102 & 103 Timmy
Arcade, 1st Floor
Makawana Road
Marol, Andheri (E)
Mumbai 400 059
Tel.: +91 22 6525 100-03

► Indonesia

PT Asuransi Allianz Utama Indonesia
Summitmas II, Building, 9th floor
Jl. Jenderal Sudirman Kav 61-62
Jakarta 12190 I
Tel.: +62 21 252 2470 ext 6100

► Japan

Euler Hermes Kreditversicherungs-AG
Japan Branch Office
Kyobashi Nisshoku Bldg. 7F
8-7 Kyobashi, 1-chome,
Chuo-Ku
Tokyo 104 0031
Tel.: +81 3 3538 5403

► Kuwait

Kuwait Qatar Insurance Company
P.O. Box 25 137
Al-Mirab-al-Shuhada Street
Plot # (10) Part 9 4th Floor
13112 Safat
Tel.: +965 2 960-131

► Malaysia

See Singapore

► Australia

Euler Hermes Trade Credit Underwriting Agents Pty Ltd
Level 16, 2 Market Street
Sydney, NSW 2000
Tel.: +61 2 8258 5108

► New Zealand

Euler Hermes Trade Credit Limited
Level 1, 152 Fanshawe Street
Auckland 1010
Tel.: +649 354 2991

► Oman

See United Arab Emirates

► Philippines

See Singapore

► Qatar

Qatar Insurance Company
P.O. Box 666
Doha
Tel.: +974 4962 402

► Saudi Arabia

Allianz Saudi Fransi Co.
P.O. Box 354
Junction of Olaya St. & Tahlia St
Centria Building, 5th Floor
11481 Olaya District
Riyadh
Tel.: +966 1 217 6910 to 6915

► Singapore

Euler Hermes Kreditversicherungs AG
Singapore Branch Office
3 Temasek Avenue
03-02 Centennial Tower
Singapore 039190
Tel.: +65 6297 8802

► South Korea

Euler Hermes Credit Underwriters (HK) LTD.
Korea Liaison Office
Rm 1411, 14/F, Sayong
Platinum Bldg.
156, Cheokseon-dong
Chongro-ku
Seoul 110-052
Tel.: +82 2 733 8813

► Thailand

Allianz CP General Insurance CO Ltd.
323 United Center Building
30th Floor
Silom Road Bangrak,
Bangkok 10500 Thailand
Tel.: +66 2638 9000

► Taiwan

See Hong Kong

► Vietnam

See Singapore

► United Arab Emirates

Euler Hermes
c/o Alliance Insurance (PCS)
Warba Center 4th Floor
Office 405
PO Box 183957
Dubai
Tel.: +971 4 266 3083

www.eulerhermes.com

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1, rue Euler 75008 Paris – Tel.: + 33 (0) 1 40 70 53 77

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