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ALLIANZ RESEARCH

CALM BEFORE THE STORM: COVID-19 AND THE BUSINESS INSOLVENCY TIME BOMB

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EULER HERMES

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EXECUTIVE SUMMARY

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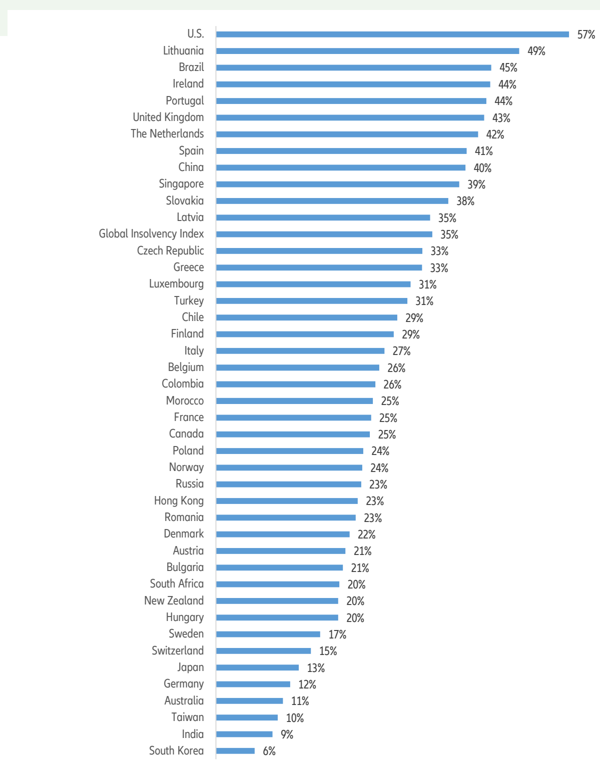
- **Covid-19 is creating an insolvency time bomb**. Even as economies emerge from lockdowns, we expect the bulk of insolvencies is still to come, largely between the end of 2020 and H1 2021, as a result of uneven initial conditions, as well as differing re-opening strategies and emergency policy measures, particularly regarding when insolvencies are filed. Our global insolvency index is likely to hit a record high of **+35% by 2021**, cumulated over a two-year period, with half of the countries recording a new high since the 2009 financial crisis.
- **Where are the hotspots?** The top increases will be recorded in the U.S. (+57% by 2021, compared to 2019), Brazil (+45%), China (+20%) and core European countries such as the UK (+43%), Spain (+41%), Italy (+27%), Belgium (+26%) and France (+25%). We expect two out of three countries to post a stronger rise in insolvencies in 2020 than in 2021 – notably the U.S., Brazil, China, Spain and Italy – but one out of three would record an acceleration in 2021 – notably India, the UK, France and to a lesser extent Germany.
- **A premature withdrawal of supportive policy measures could make things worse, increasing the surge in insolvencies by +5pp to +10pp.** And if the global economy takes longer than expected to recover from the Covid-19 shock, the rise in insolvencies could increase by as much as +50pp to +60pp. However, while further support for companies will limit insolvencies in the short-term, it could also prop up zombie companies, raising the risks of more insolvencies in the medium and long term.

Figure 1: Changes in insolvencies by 2021 (2021 level compared to 2019 level in %)



Sources: National Statistics, Solunion, Euler Hermes, Allianz Research

Photo by Kathy Harp on Unsplash

+35%

Forecast for increase in global insolvencies by 2021, cumulated over a two-year period.

GLOBAL BUSINESS INSOLVENCIES ARE SET TO INCREASE BY +35% BY 2021

Before the Covid-19 crisis struck, we were already expecting global business insolvencies to rise for the fourth consecutive year in 2020[1], the result of a moderate pace of economic growth and the lagging effects of trade disputes, political uncertainties and social tensions, as well as a prolonged discrepancy between manufacturing and services sectors. Then Covid-19 hit the global economy like a meteorite: This sudden shock of historic proportions will have lasting effects, worsening the business insolvency outlook all the way through the first half of 2021.

The suddenness of the shock is critical for the companies that were already the most fragile prior to the crisis, notably in the sectors the hardest hit[2] (transportation, automotive, non-essential retail, hotels and restaurants), while the historical scale of the shock has made all other companies fragile, with more resilience only seen in few specific sectors such as pharmaceuticals or IT services. At the same time, emerging from lockdowns is adding more pressure on companies' liquidity, since the restart of activity comes with an increase in working capital requirement.

However, we identify three factors that will result in a delayed transmission of the Covid-19 shock into insolvencies, causing the bulk to be recorded between the end of 2020 and H1 2021:

- **The impact of lockdown measures on business courts, especially the less digitally advanced ones**: This created lags and delays in official registrations of insolvencies, and a noticeable statistical basis effect in countries with limited capacities to absorb backlogs.
- **The long list of emergency government interventions to prevent a liquidity crisis for corporates**: tax deferrals, state loans and guarantees, wage subsidies and debt moratoriums.
- **The temporary changes in insolvency regimes designed to give time and flexibility to companies before they resort to filing for bankruptcy**, such as the suspension of the obligation to file for bankruptcy under certain conditions, the extension of deadlines, a moratorium to prevent certain creditor actions against a company, the raising of the threshold limit of unpaid debt to initiate a bankruptcy and winding up application etc. European countries have been particularly reactive with temporary changes in core countries such as Germany, France and the UK, but also smaller markets. However, none of these temporary changes in insolvency frameworks have the same end date.

The impact of these three factors is evident in the short term: Figure 2 shows that many countries recorded significant monthly decreases in insolvencies over the March to May period, pushing the year-to-date figures down to double-digit drops in several large economies (Canada, Brazil, Australia, South Korea, France), with the U.S. and China as key exceptions. As a result, our Global Insolvency Index[3] is set to record a -4% decline in H1 2020 compared to H2 2019, with a noticeable drop in Western Europe (-15% y/y in H1), followed by Central and Eastern Europe (-7%) and Latin America.

Figure 2: Business insolvencies – latest figures for 2020

	Last point	y/y	ytd
U.S.	Q1	4%	4%
Canada	May	-36%	-30%
Brazil	June	28%	-16%
Russia	May	-54%	-15%
Turkey	April	-1%	4%
Romania	April	-87%	-33%
Latvia	May	-49%	-39%
China	May	22%	10%
Japan	May	-55%	-1%
India	Q1	1%	1%
Australia	April	-42%	-18%
South Korea	May	-53%	-31%
Singapore	April	-84%	51%

	Last point	y/y	ytd
Germany	April	-13%	-6%
France	May	-62%	-36%
United Kingdom	March	-11%	-11%
The Netherlands	May	6%	2%
Switzerland	May	-23%	-16%
Sweden	May	2%	14%
Belgium	May	-72%	-30%
Austria	Q1	-9%	-9%
Denmark	May	-9%	-8%
Finland	Q1	14%	14%
Portugal	May	-12%	-2%
Ireland	Q1	-18%	-18%
Luxembourg	May	-45%	-32%

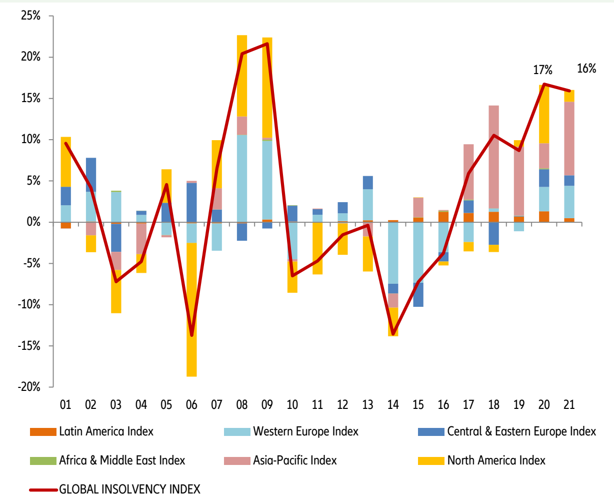
Sources: National sources, Allianz Research

[1] See our previous report Global Insolvency Outlook 2020: A softer but broader-based rise in corporate insolvencies
[2] See our previous report No stone unturned: How Covid-19 is disrupting every industry and our Q2 2020 Sector Risk Map.
[3] Covering 44 countries that account for 83% of global GDP, see appendix.

However, we expect the gradual ending and phasing out of these temporary factors to lead to a trend reversal that would gain traction particularly in Q4 in Europe. We expect our Global Insolvency Index to rebound by +35% in H2 2020 and reach a new high in H1 2021 (+6%). Overall, amid a constrained global economic recovery[4], we anticipate a +35% surge in business insolvencies by the end of 2021, representing a +16% y/y CAGR over the two-year period, similar to the intensity recorded on average during the previous financial crisis (+16% y/y CAGR from 2007 to 2009).

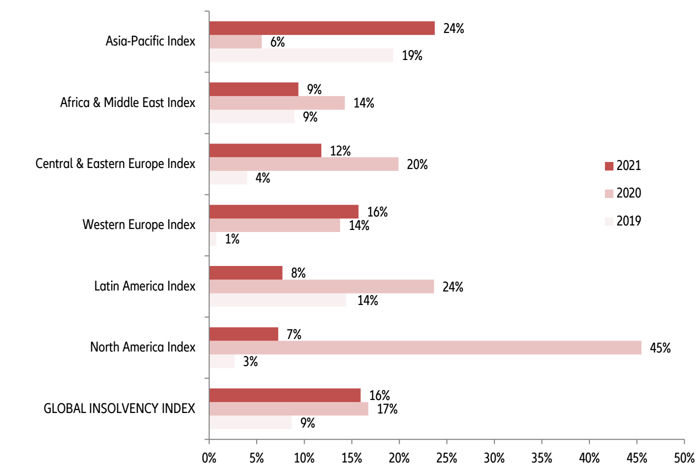
Unlike in the 2007-2009 financial crisis, however, this time all regions and economies are likely to post double-digit increases in insolvencies by 2021. The largest increase will be recorded in North America (+56% by the end of 2021), with the bulk of the rise in 2020 (+45%). In the other regions, the rise in insolvencies by 2021 will exceed +30% and remain slightly below the global average, with Asia at +31%, Western Europe at +32%, Latin America at +33% and Central and Eastern Europe at +34%.

Figure 3: Euler Hermes insolvency indices by region – contribution to the yearly change in Global Insolvency Index



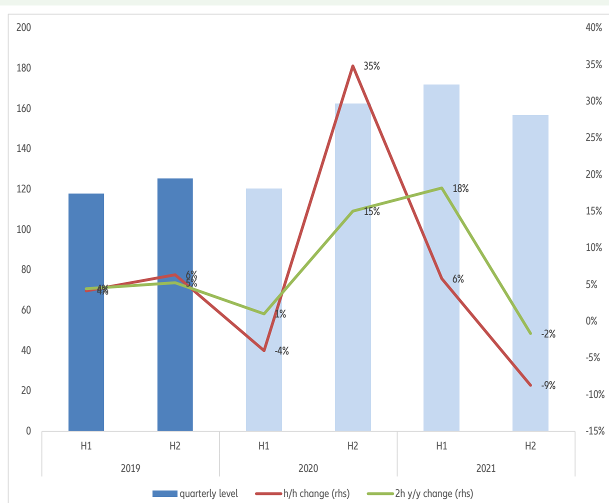
Sources: National Statistics, Solunion, Euler Hermes, Allianz Research

Figure 4: Euler Hermes Global Insolvency Index and regional indices (yearly change in %)



Sources: National Statistics, Solunion, Euler Hermes, Allianz Research

Figure 5: EH Global Insolvency Index by time period (level and change in %)



Sources: National sources, Allianz Research

[4] See our report: [Coping with Covid-19 in differing ways]

THE U.S. TO DRIVE THE RISE IN 2020, BEFORE EUROPE (AND INDIA) IN 2021

We identify two clusters of countries, those that will see a stronger rise in insolvencies in 2020, and those that will see a delayed surge in 2021. Most APAC countries are in the first group (China, Japan, South Korea, Taiwan, Hong Kong and New Zealand, with India as key exception) mainly because they were the first to be impacted by the Covid-19 outbreak. The earlier economic recovery of the region will help limit the rise in insolvencies for 2020, but the stricter and/or longer lockdown measures will also cap the recovery and keep companies under pressure up to 2021, when the region will see another rise in insolvencies. China tops the list, with an expected +40% more insolvencies by the end of 2021, compared to 2019. It is followed by Singapore (+39%), Hong Kong (+23%), Japan (+13%) and Australia (+11%).

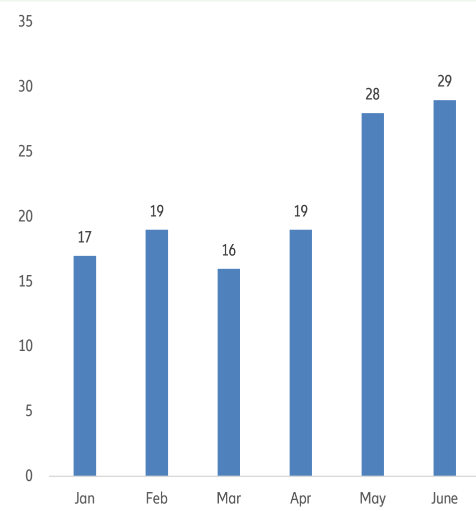
The U.S. is also in the first category, but will see the largest spike: +47% y/y in 2020. The rapid spread of the virus is amplifying the trough in activity and generating a liquidity crisis for a larger set of companies, while the main policy measure – the Coronavirus Aid, Relief, and Economic Security Act (aka the CARES act) – is targeting SMEs and not the largest companies under financial stress. We do not expect the U-shaped recovery in the U.S. to be sufficient to offset all the legacies of the crisis on financial metrics, nor to prevent the rise in insolvencies from continuing into 2021. The U.S. would register a +57% rebound in insolvencies by 2021, with 35,700 cases annually – the highest since 2012.

Box - Top insolvencies are increasing the risk of a domino effect

The insolvencies of major companies are adding pressure along supply chains. They not only put at risk clients by potentially disrupting their supplying, forcing them to urgently find (costly) alternatives, they also put their own suppliers at financial risk by not paying them - and forcing them to undertake long and expensive legal procedures. The larger the company filing for bankruptcy, the higher the risk of a domino effect.

The U.S. is particularly exposed to this risk, and also a good indicator for the rest of the world of the intensity of the risk. For the first half of 2020, overall business insolvencies across all chapters are expected to post a rebound and confirm the jump in chapter 11 filings recorded by Epiq AAER (+26% y/y) to the other chapters (chapter 7, 12 and 13). However, we have already seen a significant increase in top cases. Listed companies are far from immune: Bloomberg recorded 52 bankruptcies in Q1 and 76 cases in Q2, i.e. a total of 128 companies, representing a provisional amount of USD160bn in assets (and USD150bn in liabilities). According to our proprietary data, insolvencies among companies with over USD50mn of turnover have more than doubled from H1 2019 to H1 2020 (66 cases), including several emblematic names in Q2 (Hertz, Latam Airlines, Frontier Communication, Intelsat, J.C. Penney, Neiman Marcus, McDermott Intl).

Figure 6: EH Bankruptcies of listed companies in the U.S. in 2020 (number of cases, by month)



Sources: Bloomberg, Euler Hermes, Allianz Research

Half of the European countries also belong to this category, for one or several of the following factors: they have been less impacted by lockdowns of business courts (the Nordics in particular), they have not implemented major temporary changes in insolvency frameworks (Sweden, Ireland) or the rise in insolvencies will occur from a low/stable level of insolvencies in 2019 (Italy, Portugal). De facto, Italy, Spain and Portugal have all enacted temporary changes in insolvency laws, but we expect (i) not all companies to use this opportunity and (ii) a rebound right after the end of these adjustments. Italy would post a +18% rebound in 2020, from a -2% decline in 2019, and Spain a +20% surge after +6% in 2019. Both countries will see a continued rise in insolvencies in 2021 (+8% and +17%, respectively), pushing their annual number of insolvencies up to 2014-2015 levels (to 14,000 and 5,850 cases, respectively).

The remaining countries, or one out of three, should record a delayed acceleration in business insolvencies, with a stronger rise seen in 2021 than in 2020. This is in particular the case for India, due to the major effects of lockdowns on business courts activity (with the suspension of judicial functioning) and some changes in insolvency laws playing up to the end of 2020 or even untill further notice. In this context, insolvencies will decline in 2020 (-52%) before registering a massive bounce back in 2021 (+128%) to potentially more than 2,000 cases – a record since the implementation of the new insolvency law in 2018.

For France, the UK and to a lesser extent Germany, which also come under the second category, this is directly the result of adjustments in bankruptcy regimes. In the UK, the main points of the Corporate Insolvency and Governance bill applied up to end of June, but various other government schemes run to the end of December. Germany and France both decided to suspend the obligation to file for bankruptcy until 30 September and technically speaking 10 October, respectively (more precisely up to three months after the end of the period of sanitary urgency). Insolvencies are expected to gain traction with the end of the suspension rule in Q4 2020 and H1 2021 and the lack of recovery momentum.

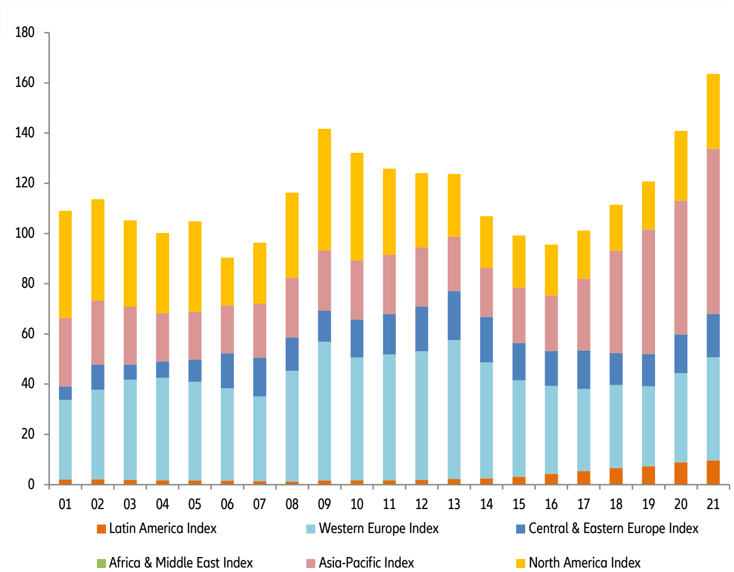
In the UK, where companies already took a hit on their activity and margins prior to the crisis due to Brexit, and where the length and strictness of the lockdown have been stronger, insolvencies would rebound again by +43% by 2021 to 31,500 annual cases – less than the 2009 level. In France, we expect massive insolvencies in Q4 2020 and H1 2020, also due to the gradual easing of supportive measures: the final outcome would be a +25% increase by 2021 to a record high level (64,300 cases in 2021). Extrapolating the commercial debt at risk from additional bankruptcies, the economic cost of additional bankruptcies in 2020 could be as much as EUR4.2bn, and EUR5.7bn in 2021. In total, over 2020-21, Covid19 would mean EUR10bn liabilities to the economy or 0.4 GDP points. Germany will show more resilience, notably thanks to stronger initial conditions, a shorter and less strict lockdown and the earlier opening of the economy, on top of a larger fiscal stimulus. However, we expect insolvencies to rebound from their historical low level reached at the end of 2019, with +12% by the end of 2021.

A NEW RECORD IN 2021 AT A GLOBAL LEVEL (AND FOR ONE OUT OF TWO COUNTRIES)

The global result is that our Global Insolvency Index will reach the level last seen in 2009 in 2020, before hitting a new record in 2021, with half of the countries registering a new high since the financial crisis. The latter are located in Europe (i.e. France, Italy, Spain, Belgium, Nordics) but also in Emerging Markets (i.e. China, Brazil, Russia, Turkey). The key exceptions would be the U.S., Japan and Germany.

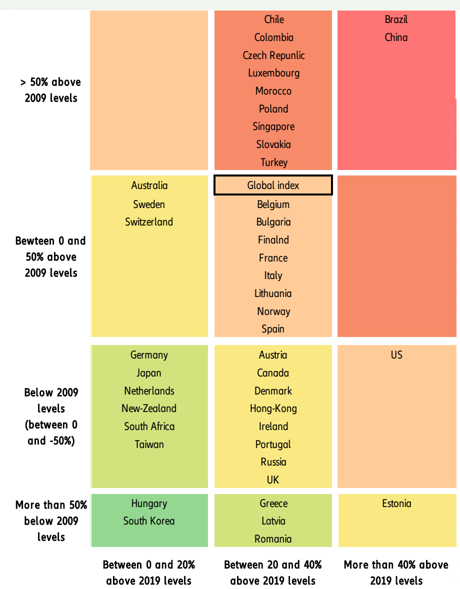
However, policymakers now have to manage a delicate balance: A premature withdrawal of supportive measures could increase the rise in insolvencies by +5pp to 10pp. And if the global economic recovery takes longer than expected, the surge could be +50pp to 60pp stronger. While adding or prolonging existing support to companies could limit insolvencies in the short term, it could also prop up zombie companies, raising the risks of more insolvencies in the medium and long term.

Figure 7: EH indices by region Global Insolvency Index and regional indices (yearly change in %)



Sources: National Statistics, Solunion, Euler Hermes, Allianz Research

Figure 8: Euler Hermes Insolvency Heat Map 2021



Sources: National Statistics, Solunion, Euler Hermes, Allianz Research

STATISTICAL APPENDIX

Table 1: Business insolvencies level

	% of World GDP (**)	% of Global Index	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020f	2021f
GLOBAL INSOLVENCY INDEX *	*86,4*	*100*	**97**	**117**	**142**	**133**	**126**	**124**	**124**	**107**	**99**	**96**	**101**	**112**	**122**	**142**	**165**
North America Index *	*26,8*	*31,1*	78	116	161	147	124	105	87	72	67	65	62	60	62	90	96
U.S.	*24,8*	*28,7*	28 137	42 861	60 530	56 046	47 534	39 851	33 061	26 849	24 636	24 027	23 098	22 158	22 720	33 300	35 700
Canada	*2,0*	*2,3*	6 293	6 164	5 420	4 072	3 643	3 236	3 187	3 116	3 089	2 884	2 700	2 677	2 746	3 150	3 430
Latin America Index *	*3,1*	*3,6*	39	32	41	37	35	40	46	54	85	119	140	192	220	272	293
Brazil	*2,4*	*2,8*	1 694	1 240	1 551	1 308	1 189	1 495	1 680	1 734	2 164	2 705	2 737	2 751	2 887	3 800	4 173
Colombia	*0,4*	*0,4*	132	133	250	323	318	294	357	576	754	785	814	1 243	1 272	1 500	1 600
Chile	*0,3*	*0,4*	143	150	171	131	133	127	141	163	401	757	1 050	1 386	1 701	2 050	2 200
Western Europe Index *	*21,5*	*24,9*	99	131	174	167	174	191	204	169	151	141	133	133	134	152	176
Euro zone Index *	*15,7*	*18,2*	102	136	188	184	193	220	240	197	177	159	149	146	147	169	194
Germany	*4,6*	*5,3*	29 160	29 291	32 687	31 998	30 099	28 297	25 995	24 085	23 101	21 525	20 093	19 302	18 749	19 500	21 000
France	*3,3*	*3,8*	49 219	54 733	62 730	60 043	59 887	61 195	63 004	62 814	63 270	58 906	54 989	54 386	51 396	53 600	64 300
United Kingdom	*3,5*	*4,1*	23 728	30 398	35 133	29 607	31 196	28 967	24 958	22 600	19 824	19 825	19 285	21 161	21 971	23 704	31 506
Italy	*2,5*	*2,9*	6 160	7 502	9 381	11 232	12 153	12 543	14 128	15 685	14 729	13 472	12 023	11 227	11 000	13 000	14 000
Spain	*1,6*	*1,9*	952	2 634	4 567	4 388	5 166	6 911	8 417	5 804	4 729	4 091	3 933	3 915	4 162	5 000	5 850
The Netherlands	*1,0*	*1,2*	4 602	4 637	7 987	7 147	6 883	8 346	9 431	7 621	6 006	5 012	3 867	3 633	3 792	4 900	5 400
Switzerland	*0,9*	*1,0*	4 314	3 892	4 067	4 658	4 697	4 513	4 570	4 240	4 519	4 648	4 766	4 952	4 923	5 200	5 680
Sweden	*0,7*	*0,8*	5 791	6 298	7 638	7 274	6 958	7 471	7 701	7 154	6 426	6 019	6 394	7 223	7 358	8 200	8 600
Norway	*0,5*	*0,6*	2 845	3 637	5 013	4 435	4 355	3 814	4 564	4 803	4 462	4 544	4 557	5 010	5 013	5 600	6 200
Belgium	*0,6*	*0,7*	7 677	8 472	9 421	9 579	10 224	10 587	11 740	10 736	9 762	9 170	9 968	9 878	10 598	11 000	13 400
Austria	*0,5*	*0,6*	6 295	6 315	6 902	6 376	5 869	6 041	5 459	5 423	5 150	5 226	5 079	4 980	5 018	5 520	6 070
Denmark	*0,4*	*0,5*	2 401	3 709	3 337	3 225	2 521	2 614	2 232	1 753	2 011	2 364	2 270	2 434	2 590	3 000	3 150
Finland	*0,3*	*0,4*	2 560	2 916	3 803	3 400	3 449	3 476	3 702	3 497	3 068	2 848	2 595	2 954	2 990	3 550	3 850
Greece	*0,3*	*0,3*	524	342	368	380	474	455	437	335	206	111	114	82	75	80	100
Portugal	*0,3*	*0,3*	2 001	2 907	3 815	4 091	4 523	6 275	5 659	4 553	4 714	3 616	3 099	2 694	2 560	3 340	3 680
Ireland	*0,4*	*0,5*	363	773	1 406	1 525	1 638	1 684	1 365	1 164	1 049	1 032	874	767	568	660	820
Luxembourg	*0,1*	*0,1*	623	583	698	918	988	1 066	1 086	876	902	1 021	1 020	1 356	1 445	1 700	1 900
Central & Eastern Europe Index *	*4,5*	*5,2*	243	186	209	238	239	262	280	279	280	269	280	235	244	293	328
Russia	*1,7*	*2,0*	35 787	17 754	13 465	11 194	10 235	10 325	8 983	9 407	10 086	10 467	11 513	10 282	11 741	13 800	14 500
Turkey	*1,1*	*1,3*	9 954	9 578	10 395	13 442	14 991	16 063	17 400	15 822	13 701	12 328	14 701	13 593	14 050	17 200	18 400
Poland	*0,6*	*0,7*	480	420	673	691	730	941	926	822	747	805	900	988	977	1 100	1 210
Czech Republic	*0,3*	*0,3*	759	777	1 508	1 739	2 590	3 843	6 052	9 101	9 077	8 040	7 202	6 140	8 620	9 300	11 500
Romania	*0,2*	*0,3*	14 104	14 483	18 421	21 692	19 651	26 807	29 587	20 696	10 269	8 371	9 103	8 304	6 524	6 800	8 000
Hungary	*0,2*	*0,2*	9 619	10 886	14 504	17 434	19 811	22 376	13 420	17 327	9 545	7 528	6 579	5 692	5 176	5 850	6 200
Slovakia	*0,1*	*0,1*	598	435	586	782	728	714	798	700	622	495	876	1 959	2 447	2 994	3 367
Bulgaria	*0,1*	*0,1*	467	545	520	556	641	647	815	631	525	440	435	476	506	520	610
Lithuania	*0,1*	*0,1*	606	957	1 844	1 637	1 273	1 401	1 553	1 686	1 986	2 737	2 974	2 091	1 610	1 500	2 400
Latvia	*0,0*	*0,0*	1 010	1 620	2 578	2 535	812	870	806	947	797	726	584	593	557	660	750
Estonia	*0,0*	*0,0*	202	423	1 055	1 029	623	495	459	428	376	335	343	273	148	260	330
Africa & Middle East Index *	*0,5*	*0,6*	86	99	117	116	110	100	105	110	120	145	148	149	162	185	202
South Africa	*0,4*	*0,5*	3 151	3 300	4 133	3 992	3 559	2 716	2 374	2 064	1 962	1 934	1 868	1 845	2 042	2 280	2 450
Morocco	*0,1*	*0,2*	1 729	2 339	2 451	2 760	3 080	3 709	4 373	5 010	5 783	7 161	8 020	7 944	8 439	9 620	10 583
Asia-Pacific Index *	*29,9*	*34,6*	89	94	87	80	77	73	68	61	65	64	82	116	138	146	181
China	*14,9*	*17,2*	4 358	4 555	4 448	3 715	3 037	2 650	2 555	2 613	3 237	3 602	6 257	10 600	11 826	14 300	16 600
Japan	*6,5*	*7,6*	14 091	15 646	15 480	13 321	12 734	12 124	10 855	9 731	8 812	8 446	8 405	8 235	8 383	9 050	9 506
India	*1,7*	*1,9*	-	-	-	-	-	-	-	-	-	-	800	963	1 878	900	2 050
Australia	*1,7*	*1,9*	4 705	6 124	6 370	6 750	7 596	7 859	8 124	6 625	8 079	6 559	6 120	6 317	6 405	6 750	7 100
South Korea	*2,0*	*2,3*	2 294	2 735	1 998	1 570	1 359	1 228	1 001	841	720	555	494	469	414	470	440
Taiwan	*0,7*	*0,8*	1 044	805	341	268	256	254	209	132	162	203	227	217	200	230	220
Singapore	*0,4*	*0,5*	106	132	135	142	113	151	126	161	189	187	168	207	287	330	400
Hong Kong	*0,4*	*0,5*	455	468	573	438	333	312	274	271	305	325	296	255	244	290	300
New Zealand	*0,2*	*0,3*	2 733	3 651	3 807	3 448	3 045	2 930	2 796	2 730	2 461	2 282	2 068	2 133	1 920	2 180	2 300

(*) Euler Hermes Global (or Regional) Insolvency Index is the weighted sum of national indices, each country being weighted by the share of its GDP within the countries used in the sample (44 countries representing 86.4% of global GDP in 2019). National indices are based upon national sources or Euler Hermes internal data on insolvencies, using a base of 100 in year 2000. Forecasts are reviewed each quarter, with the agreement of EH business units.

(*) GDP 2019 weighing at current exchange rates

Sources: National Statistics, Euler Hermes, Allianz Research (e: estimate; f: forecast) - Data are available on the website app MindYourReceivables and on our OpenData platform.

Table 2: Business insolvencies growth

	% of World GDP (**)	*% of Global Index*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020f	2021f	2021 vs 2019
GLOBAL INSOLVENCY INDEX *	*86,4*	*100*	6%	20%	22%	-7%	-5%	-2%	0%	-14%	-7%	-4%	6%	11%	9%	17%	16%	35%
North America Index *	*26,8*	*31,1*	37%	48%	39%	-9%	-15%	-16%	-16%	-18%	-7%	-2%	-4%	-4%	3%	45%	7%	56%
U.S.	*24,8*	*28,7*	42%	52%	41%	-7%	-15%	-16%	-17%	-19%	-8%	-2%	-4%	-4%	3%	47%	7%	57%
Canada	*2,0*	*2,3*	-7%	-2%	-12%	-25%	-11%	-11%	-2%	-2%	-1%	-7%	-6%	-1%	3%	15%	9%	25%
Latin America Index *	*3,1*	*3,6*	-18%	-19%	29%	-11%	-6%	15%	15%	19%	56%	41%	17%	38%	14%	24%	8%	33%
Brazil	*2,4*	*2,8*	-21%	-27%	25%	-16%	-9%	26%	12%	3%	25%	25%	1%	1%	5%	32%	10%	45%
Colombia	*0,4*	*0,4*	-32%	1%	88%	29%	-2%	-8%	21%	61%	31%	4%	4%	53%	2%	18%	7%	26%
Chile	*0,3*	*0,4*	8%	5%	14%	-23%	2%	-5%	11%	16%	146%	89%	39%	32%	23%	21%	7%	29%
Western Europe Index *	*21,5*	*24,9*	-10%	32%	33%	-4%	4%	10%	7%	-17%	-10%	-7%	-5%	0%	1%	14%	16%	32%
Euro zone Index *	*15,7*	*18,2*	-10%	34%	38%	-2%	5%	14%	9%	-18%	-10%	-10%	-7%	-2%	0%	15%	15%	32%
Germany	*4,6*	*5,3*	-15%	0%	12%	-2%	-6%	-6%	-8%	-7%	-4%	-7%	-7%	-4%	-3%	4%	8%	12%
France	*3,3*	*3,8*	6%	11%	15%	-4%	0%	2%	3%	0%	1%	-7%	-7%	-1%	-5%	4%	20%	25%
United Kingdom	*3,5*	*4,1*	-20%	28%	16%	-16%	5%	-7%	-14%	-9%	-12%	0%	-3%	10%	4%	8%	33%	43%
Italy	*2,5*	*2,9*	-41%	22%	25%	20%	8%	3%	13%	11%	-6%	-9%	-11%	-7%	-2%	18%	8%	27%
Spain	*1,6*	*1,9*	13%	177%	73%	-4%	18%	34%	22%	-31%	-19%	-13%	-4%	0%	6%	20%	17%	41%
The Netherlands	*1,0*	*1,2*	-23%	1%	72%	-11%	-4%	21%	13%	-19%	-21%	-17%	-23%	-6%	4%	29%	10%	42%
Switzerland	*0,9*	*1,0*	-5%	-10%	4%	15%	1%	-4%	1%	-7%	7%	3%	3%	4%	-1%	6%	9%	15%
Sweden	*0,7*	*0,8*	-6%	9%	21%	-5%	-4%	7%	3%	-7%	-10%	-6%	6%	13%	2%	11%	5%	17%
Norway	*0,5*	*0,6*	-6%	28%	38%	-12%	-2%	-12%	20%	5%	-7%	2%	0%	10%	0%	12%	11%	24%
Belgium	*0,6*	*0,7*	1%	10%	11%	2%	7%	4%	11%	-9%	-9%	-6%	9%	-1%	7%	4%	22%	26%
Austria	*0,5*	*0,6*	-6%	0%	9%	-8%	-8%	3%	-10%	-1%	-5%	1%	-3%	-2%	1%	10%	10%	21%
Denmark	*0,4*	*0,5*	21%	54%	-10%	-3%	-22%	4%	-15%	-21%	15%	18%	-4%	7%	6%	16%	5%	22%
Finland	*0,3*	*0,4*	-1%	14%	30%	-11%	1%	1%	7%	-6%	-12%	-7%	-9%	14%	1%	19%	8%	29%
Greece	*0,3*	*0,3*	-2%	-35%	8%	3%	25%	-4%	-4%	-23%	-39%	-46%	3%	-28%	-9%	7%	25%	33%
Portugal	*0,3*	*0,3*	18%	45%	31%	7%	11%	39%	-10%	-20%	4%	-23%	-14%	-13%	-5%	30%	10%	44%
Ireland	*0,4*	*0,5*	3%	113%	82%	8%	7%	3%	-19%	-15%	-10%	-2%	-15%	-12%	-26%	16%	24%	44%
Luxembourg	*0,1*	*0,1*	0%	-6%	20%	32%	8%	8%	2%	-19%	3%	13%	0%	33%	7%	18%	12%	31%
Central & Eastern Europe Index *	*4,5*	*5,2*	-4%	-24%	12%	14%	0%	9%	7%	0%	0%	-4%	4%	-16%	4%	20%	12%	34%
Russia	*1,7*	*2,0*	-9%	-50%	-24%	-17%	-9%	1%	-13%	5%	7%	4%	10%	-11%	14%	18%	5%	23%
Turkey	*1,1*	*1,3*	5%	-4%	9%	29%	12%	7%	8%	-9%	-13%	-10%	19%	-8%	3%	22%	7%	31%
Poland	*0,6*	*0,7*	-26%	-13%	60%	3%	6%	29%	-2%	-11%	-9%	8%	12%	10%	-1%	13%	10%	24%
Czech Republic	*0,3*	*0,3*	-10%	2%	94%	15%	49%	48%	57%	50%	0%	-11%	-10%	-15%	40%	8%	24%	33%
Romania	*0,2*	*0,3*	0%	3%	27%	18%	-9%	36%	10%	-30%	-50%	-18%	9%	-9%	-21%	4%	18%	23%
Hungary	*0,2*	*0,2*	6%	13%	33%	20%	14%	13%	-40%	29%	-45%	-21%	-13%	-13%	-9%	13%	6%	20%
Slovakia	*0,1*	*0,1*	-54%	-27%	35%	33%	-7%	-2%	12%	-12%	-11%	-20%	77%	124%	25%	22%	12%	38%
Bulgaria	*0,1*	*0,1*	31%	17%	-5%	7%	15%	1%	26%	-23%	-17%	-16%	-1%	9%	6%	3%	17%	21%
Lithuania	*0,1*	*0,1*	-20%	58%	93%	-11%	-22%	10%	11%	9%	18%	38%	9%	-30%	-23%	-7%	60%	49%
Latvia	*0,0*	*0,0*	16%	60%	59%	-2%	-68%	7%	-7%	17%	-16%	-9%	-20%	2%	-6%	18%	14%	35%
Estonia	*0,0*	*0,0*	-43%	109%	149%	-2%	-39%	-21%	-7%	-7%	-12%	-11%	2%	-20%	-46%	76%	27%	123%
Africa & Middle East Index *	*0,5*	*0,6*	3%	14%	18%	-1%	-5%	-9%	6%	5%	9%	21%	2%	0%	9%	14%	9%	25%
South Africa	*0,4*	*0,5*	4%	5%	25%	-3%	-11%	-24%	-13%	-13%	-5%	-1%	-3%	-1%	11%	12%	7%	20%
Morocco	*0,1*	*0,2*	0%	35%	5%	13%	12%	20%	18%	15%	15%	24%	12%	-1%	6%	14%	10%	25%
Asia-Pacific Index *	*29,9*	*34,6*	11%	6%	-8%	-8%	-4%	-5%	-6%	-11%	7%	-1%	28%	41%	19%	6%	24%	31%
China	*14,9*	*17,2*	20%	5%	-2%	-16%	-18%	-13%	-4%	2%	24%	11%	74%	69%	12%	21%	16%	40%
Japan	*6,5*	*7,6*	6%	11%	-1%	-14%	-4%	-5%	-10%	-10%	-9%	-4%	0%	-2%	2%	8%	5%	13%
India	*4,6*	*5,3*	-	-	-	-	-	-	-	-	-	-	-	-	95%	-52%	128%	9%
Australia	*1,7*	*1,9*	0%	30%	4%	6%	13%	3%	3%	-18%	22%	-19%	-7%	3%	1%	5%	5%	11%
South Korea	*2,0*	*2,3*	-9%	19%	-27%	-21%	-13%	-10%	-18%	-16%	-14%	-23%	-11%	-5%	-12%	14%	-6%	6%
Taiwan	*0,7*	*0,8*	68%	-23%	-58%	-21%	-4%	-1%	-18%	-37%	23%	25%	12%	-4%	-8%	15%	-4%	10%
Singapore	*0,4*	*0,5*	-18%	25%	2%	5%	-20%	34%	-17%	28%	17%	-1%	-10%	23%	39%	15%	21%	39%
Hong Kong	*0,4*	*0,5*	-18%	3%	22%	-24%	-24%	-6%	-12%	-1%	13%	7%	-9%	-14%	-4%	19%	3%	23%
New Zealand	*0,2*	*0,3*	-6%	34%	4%	-9%	-12%	-4%	-5%	-2%	-10%	-7%	-9%	3%	-10%	14%	6%	20%

(*) Euler Hermes Global (or Regional) Insolvency Index is the weighted sum of national indices, each country being weighted by the share of its GDP within the countries used in the sample (44 countries representing 86.4% of global GDP in 2019). National indices are based upon national sources or Euler Hermes internal data on insolvencies, using a base of 100 in year 2000. Forecasts are reviewed each quarter, with the agreement of EH business units.

(*) GDP 2019 weighing at current exchange rates

Sources: National Statistics, Euler Hermes, Allianz Research (e: estimate; f: forecast) - Data are available on the website app MindYourReceivables and on our OpenData platform.

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