



Insolvency forecasts

September 2014

Atradius Insolvency Forecasts

Atradius Economic Research

September 2014

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Executive summary

The insolvency environment is improving across advanced markets in 2014. This is in line with the general improvement in economic conditions compared to 2013. The number of insolvencies in many markets, however, remains relatively high.

Overall improvement

- In 2014, insolvencies are forecast to improve in 14 of the 22 markets that Atradius tracks. Only three markets are forecast to experience an increase in insolvencies. But for nine markets the level of insolvencies is forecast to remain high, while for six markets it is forecast to be low.
- In 2014 insolvencies are forecast to decline in all major regions. North America is forecast to experience the largest decrease, 11%, followed by a 9% drop in the advanced Asia-Pacific markets. Insolvencies are projected to decrease 5% in Western Europe, despite the continued weak economic conditions.

Western Europe

- A decrease in insolvencies is forecast for most Western European countries. The biggest improvements are forecast for Spain (-17%), Denmark (-15%) and the Netherlands (-10%). Insolvencies are forecast to increase in Italy by 6% and by 5% in Greece.
- As a result, the number of insolvencies in Portugal, Spain and Greece over 2014 is forecast to remain four times the 2007 number. Only in Germany and Austria is the number of insolvencies expected to be lower than in 2007.

North America and Asia-Pacific

- All countries in North America and the advanced Asia-Pacific markets are forecast to experience a fall in insolvencies, except Canada where it is forecast to remain stable. Insolvencies are forecast to fall 11% in the United States, 10% in Australia and 8% in Japan.
- This implies that the number of insolvencies in the United States over 2014 will be 5% above the number in 2007. In Canada it implies that the insolvency number will be almost 50% lower than in 2007. New Zealand and Japan are also experiencing low insolvency conditions with, respectively, 40% and almost 30% lower levels.

Modest forecast revisions

- More than half of the 2014 forecasts remain unchanged since the previous forecast published in our May 2014 Economic Outlook. The largest positive corrections took place for Spain, Australia and Japan. There was only one large negative correction: for Ireland, where the forecast changed from a 15% decline in insolvencies to a 6% decline.

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1 Insolvency forecast overview

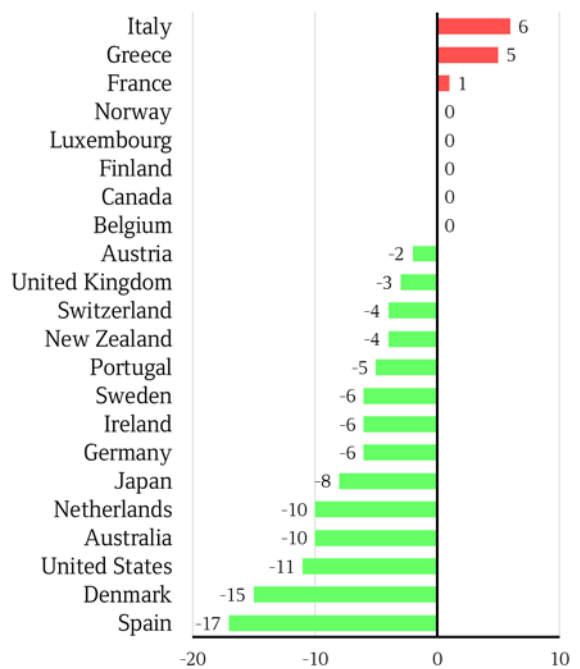
Insolvencies decrease in most markets

In general, the insolvency environment is improving across advanced markets. This is in line with the improving economic conditions in most markets compared to last year. The insolvency forecasts are also, on average, more positive than the previous forecast provided in our May 2014 Economic Outlook.

Insolvency matrix

However, despite the improving insolvency conditions, the number of insolvencies remains high in many countries. As a result of the weak economic conditions over the past six years in many markets, insolvencies have reached historical levels. It will be a gradual path back to the low levels of insolvencies seen in countries before the onset of the financial crisis in 2007. The insolvency matrix shows that deterioration continues only in Greece and Italy, while both are already in a high

Chart 1.1 Change in insolvencies 2014
(Insolvency growth expressed in %)



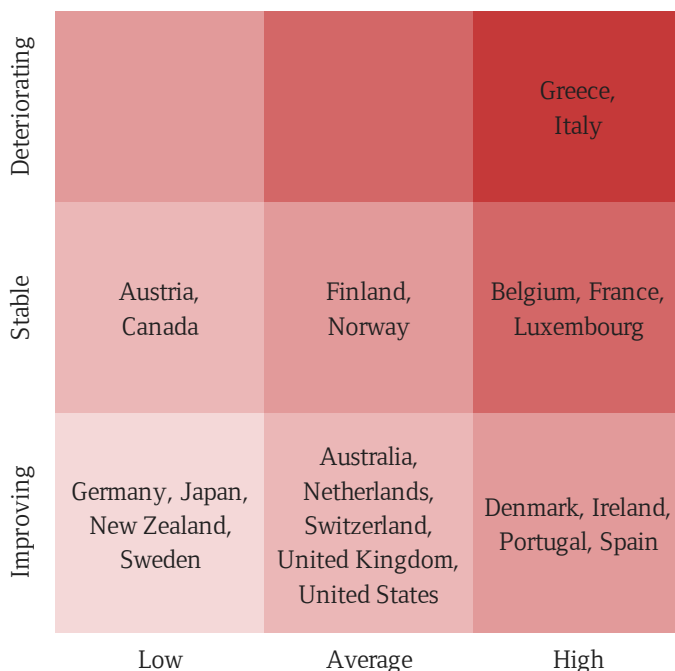
Source: Atradius Economic Research

insolvency environment. But there are also a number of very strong markets. Germany, Japan, New Zealand, Sweden and Switzerland are all experiencing a drop in insolvencies from an already relatively low level. In total, the insolvency environment is low in six out of 22 markets, average in seven markets and high in nine markets.

Insolvencies fall in 2014

The number of insolvencies is falling in most countries. Conditions are improving most rapidly in Spain (-17%), Denmark (-15%) and the United States (-11%). Overall, insolvency conditions are forecast to improve in 14 of the 22 markets that Atradius tracks. While deterioration is projected in only three markets, Italy is forecast to see an increase of 6%, the largest increase in insolvencies, followed by a 5% increase in Greece.

Figure 1.1 Insolvency matrix 2014

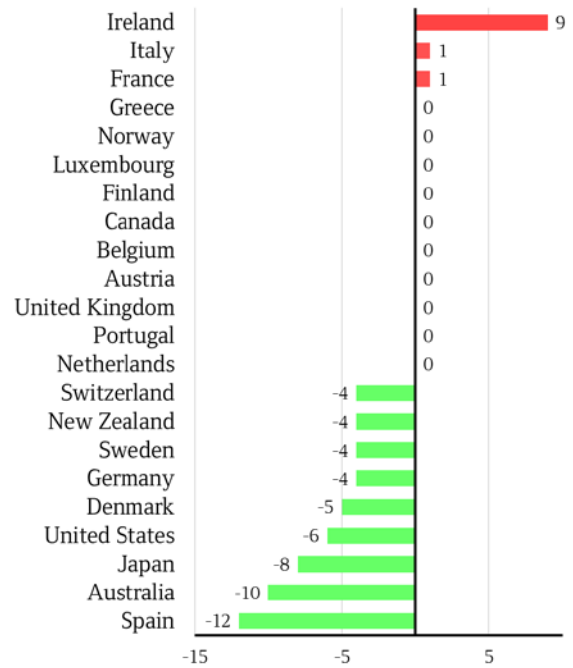


Source: Atradius Economic Research

2014 forecast brightens

Compared to the previous forecast, the outlook has improved for most markets. Despite the stable economic outlook over the past six months for most countries, there was a stronger than expected drop in insolvencies for many markets over the early months of 2014. This has led to a revision of the previous forecasts presented in our May 2014 Economic Outlook. The strongest improvement can be seen in Spain, where the forecast improves from a 5% drop in insolvencies to a 17% fall. Australia, Japan and the United States are also forecast to experience a better insolvency environment than previously forecast. Only Ireland, Italy and France have seen a downward revision of their forecast. In Ireland the projection went from -15% to -6% as a result of less benign insolvency figures than previously expected over the first part of the year. In Ireland the forecast went from 5% to 6% increase and in France from no change to 1% increase.

Chart 1.2 Change in 2014 forecast
(Difference May and September)



Source: Atradius Economic Research

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2 Regional aggregates

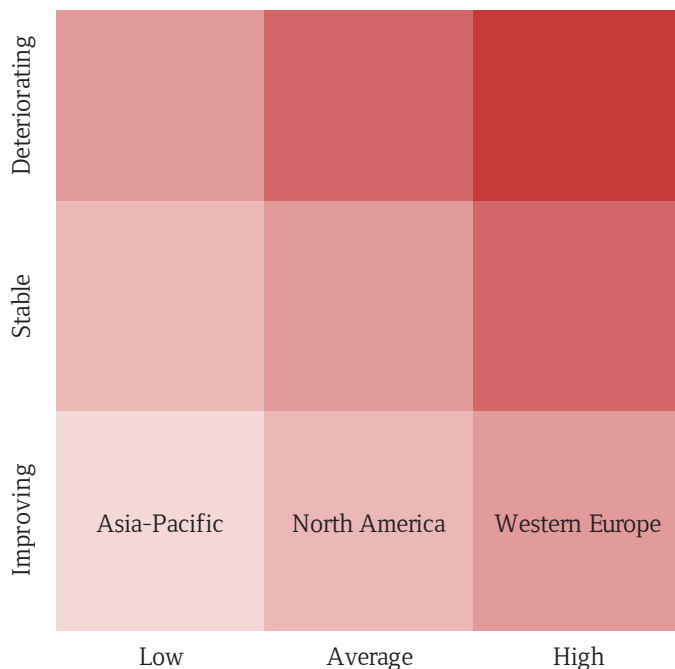
Insolvencies fall across all regions

There is a clear uniform improvement in the insolvency environment across Western Europe, North America and the advanced markets of Asia-Pacific. However, in Western Europe the number of insolvencies remain relatively high. For all three regions the forecasts have improved slightly compared to the previous forecast in the May 2014 Economic Outlook.

Insolvency matrix

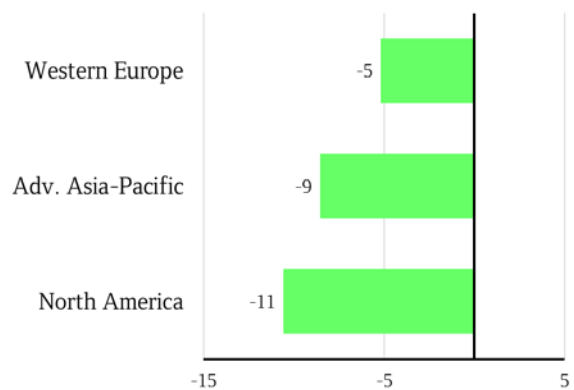
All three regions are placed at the bottom row of the insolvency matrix, indicating improvement. The situation is most benign in the advanced markets of Asia-Pacific as insolvencies are falling in an already low insolvency environment. North America shows an average insolvency environment, despite its steady decline in insolvencies over the past five years. Conditions in Western Europe are difficult, but improving. The number of insolvencies is relatively high in the region.

Figure 2.1 Insolvency matrix 2014 Regional aggregates



Source: Atradius Economic Research

Chart 2.1 Change in insolvencies 2014
 (Insolvency growth expressed in %)



Source: Atradius Economic Research

Falling insolvencies in 2014

There is clear improvement in insolvency rates in 2014. The strongest improvement is forecast in North America with insolvencies falling by 11%, in line with improving economic conditions. In the advanced market of Asia-Pacific insolvencies are forecast to drop 9% by year-end 2014. The improvement in Western Europe is more modest at 5%, reflecting the still weak economic recovery in the Eurozone.

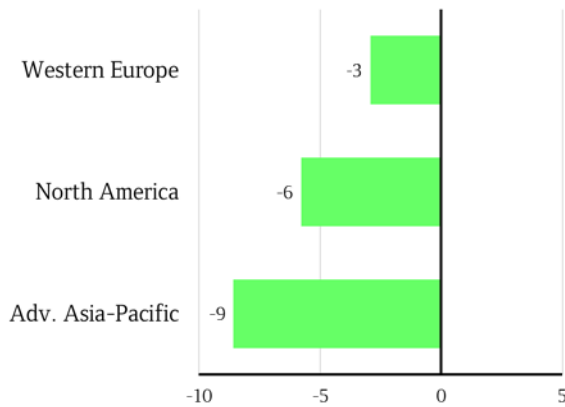
Forecasts revised upwards

These forecasts are more positive than those previously published. For the advanced markets of Asia-Pacific, the forecast improved from no change in the number of insolvencies to a drop of 9%. This is the result of better than expected economic conditions and a decline in insolvencies in the first part of the year. Moreover, the forecast for North America was revised significantly: changing from an improvement of 5% forecast in May to an 11% improvement today. The change in forecast for Western Europe is more modest, moving from insolvencies falling by 2% to 5%.

Large difference between insolvency counts

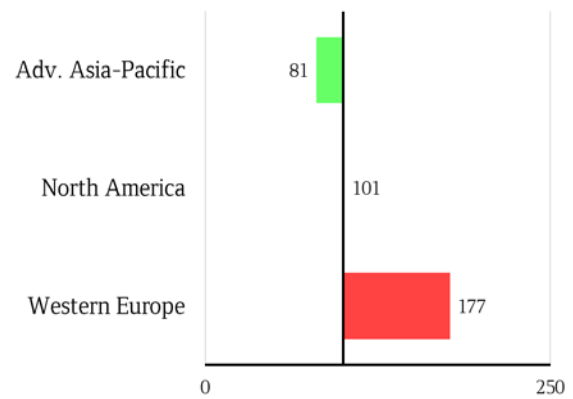
The number of insolvencies at the end of 2014 compared to 2007 is forecast to remain almost twice as high in Western Europe. This reflects the poor

Chart 2.2 Change in 2014 forecast
 (Difference May and September)



Source: Atradius Economic Research

Chart 2.3 Insolvency level since 2007
 (End of 2014 compared to 2007)



Source: Atradius Economic Research

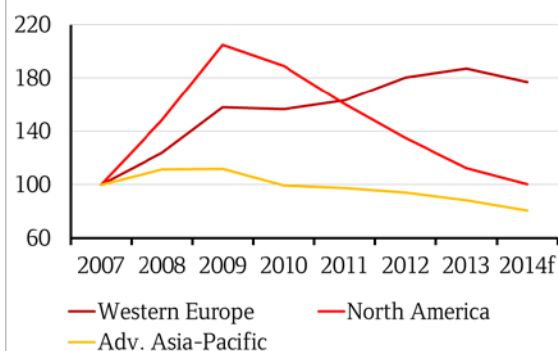
economic conditions since the start of the 2008 crisis. At the end of the year the number of insolvencies in North America will be more or less back to the level of 2007. In terms of insolvency count, North America has completely recovered from the crisis. 2014 insolvencies in the advanced markets of Asia-Pacific are forecast to drop to almost 20% lower than 2007 insolvencies.

Different trend across regions

The number of insolvencies increased in the three regions over 2007-2009, but trends diverged in the subsequent years. North America experienced the biggest increase in insolvencies between 2007 and 2009, rising by more than 200%. But insolvencies started to fall in 2010, and have been falling since

then. On average, insolvencies fell by almost 14% per year between 2010 and 2013. The 11% drop forecast for this year will bring the insolvency number back to the level of 2007. Western Europe experienced an increase in insolvencies of almost 150% up to 2009. Insolvencies have remained high since then, rising further from 2011 to 2013. The forecast for 2014 of 5% lower insolvencies is the first significant improvement since 2007. The advanced markets of Asia-Pacific experienced a modest 12% increase in insolvencies before turning to a steady decline. Insolvencies fell on average by almost 6% per year between 2010 and 2013.

Chart 2.4 Insolvency level evolution
 (Index, 2007 = 100)



Source: Atradius Economic Research

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3 Western Europe

Falling insolvencies, for most markets

Insolvencies are falling in most of Western Europe, despite the sometimes still weak economic conditions. In most countries, however, the number of insolvencies also remains relatively high. The forecasts are unchanged for most countries from our May 2014 Economic Outlook, with a few significant exceptions.

Insolvency matrix

The Western European markets are spread out over the insolvency matrix, reflecting large differences in economic development over the past years. Most countries are still in a high insolvency environment as a result of the economic crisis in 2009 and the following years of weak economic growth. All Eurozone periphery countries face a relatively high number of insolvencies. In Greece and Italy the number is forecast to increase even further, due to their continued weak economic recovery, while in Ireland, Portugal and Spain insolvencies are coming down. At the other end of the spectrum are

Chart 3.3 Insolvency level since 2007
 (End of 2014 compared to 2007)

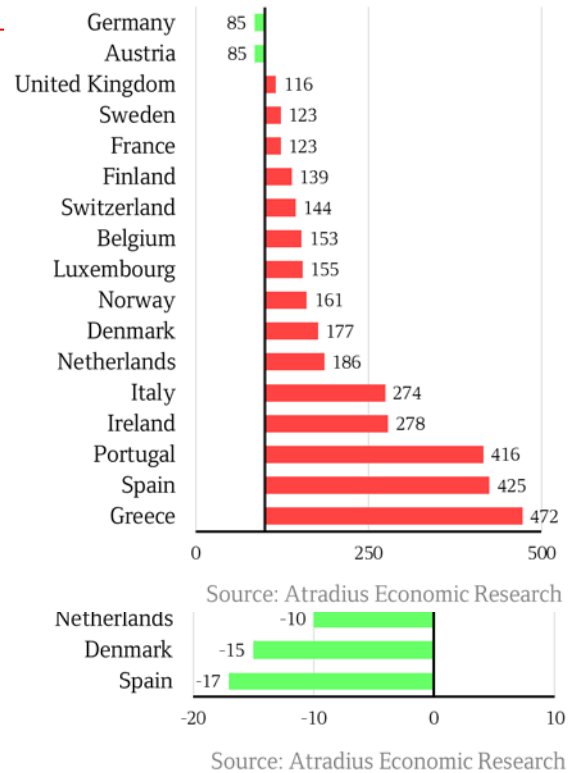
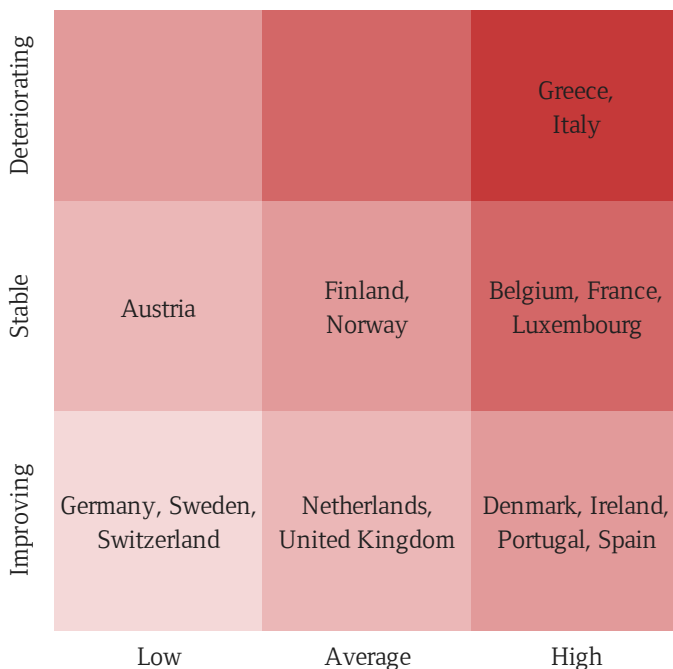


Figure 3.1 Insolvency matrix 2014 Western Europe



Source: Atradius Economic Research

Germany, Sweden and Switzerland, where insolvencies are relatively low and falling.

Falling insolvencies in 2014

Insolvencies are coming down in most Western European markets. Spain, Denmark and the Netherlands are all forecast to see the number of insolvencies fall by 10% or more. Portugal, Sweden, Ireland and Germany are also projected to see significant improvement in their insolvency environment in 2014. France is forecast to see a small increase in insolvencies, of 1%. More severe is the situation in Greece, where insolvencies are forecast to rise 5%, and Italy, where they are expected to increase 6%.

Forecasts remain largely stable

Compared to our previously published insolvency forecast figures in May 2014, there have been few changes. For most Western European markets the forecast has remained exactly the same as that presented in May. For Ireland and Spain, however, significant revisions have taken place. In Ireland the forecast has fallen from a 15% decrease to a 6%

decrease, due to a much weaker than expected decline in insolvencies over the early months of this year. In Spain, on the other hand, insolvencies during the first part of the year have been falling much more rapidly than expected. The Spanish forecast has been revised from a decline of 5% to a 17% decline. Other notable revisions are a stronger than expected drop in insolvencies in Denmark, Germany, Sweden and Switzerland.

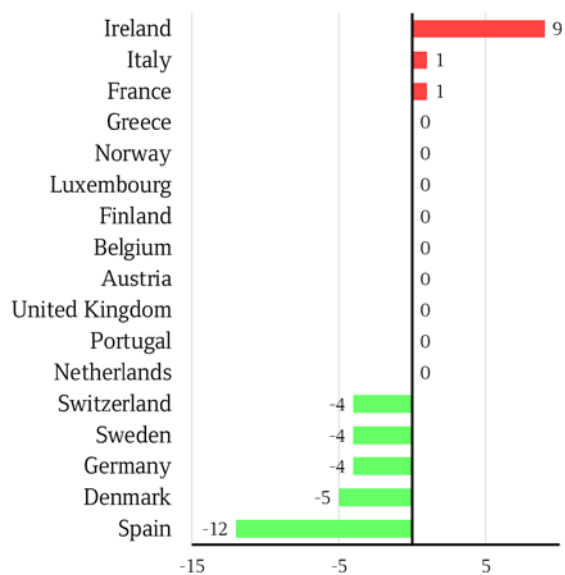
The differences in the level of insolvencies is the result of large differences in the trend over the past years. Insolvencies showed a steady increase in Spain, Portugal, Italy, Greece and Belgium since 2007. Other markets such as Germany, Austria and the United Kingdom experienced an improvement in their insolvency environment from 2010 onwards. Sweden, Norway, Finland, France and the Netherlands also saw conditions improve in 2010, but deteriorating again in subsequent years.

Number of insolvencies remains high

Current insolvency levels remain very high compared to the levels seen before the onset of the Eurozone crisis. Weak economic growth has pushed insolvency numbers up for many years in a number of countries. The Eurozone periphery was hit hardest. Insolvency numbers in Greece are forecast to be 4.7 times higher in 2014 than in 2007. Spain and Portugal also show insolvency numbers four times the 2007 levels. Given the large increase, it will take many years for these countries to return to their pre-crisis insolvency rates. Only in Germany and Austria are the current insolvency levels below the 2007 levels, reflecting their relatively benign economic conditions over the past years.

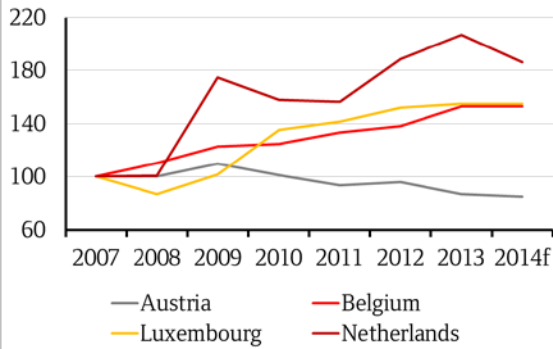
Large differences in trends

Chart 3.2 Change in 2014 forecast
 (Difference May and September)



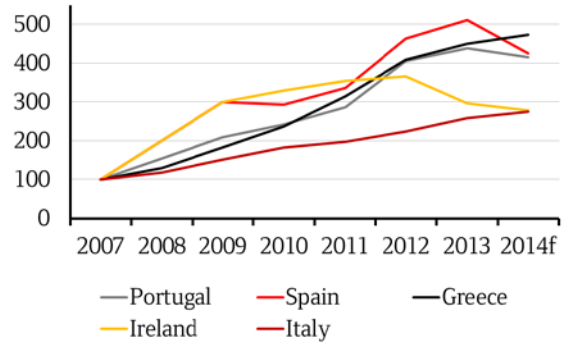
Source: Atradius Economic Research

Chart 3.4 Insolvency level evolution
 (Index, 2007 = 100)



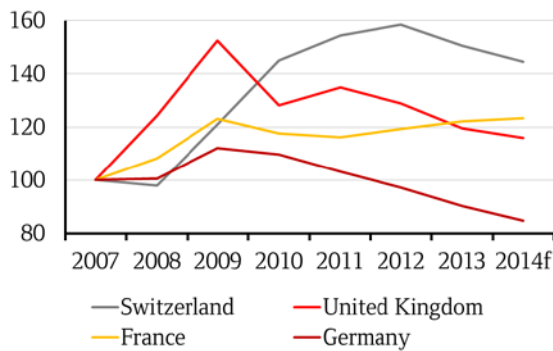
Source: Atradius Economic Research

Chart 3.5 Insolvency level evolution
 (Index, 2007 = 100)



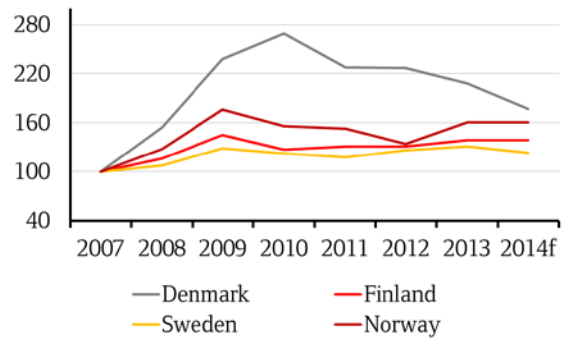
Source: Atradius Economic Research

Chart 3.6 Insolvency level evolution
 (Index, 2007 = 100)



Source: Atradius Economic Research

Chart 3.7 Insolvency level evolution
 (Index, 2007 = 100)



Source: Atradius Economic Research

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4 North America and Asia-Pacific

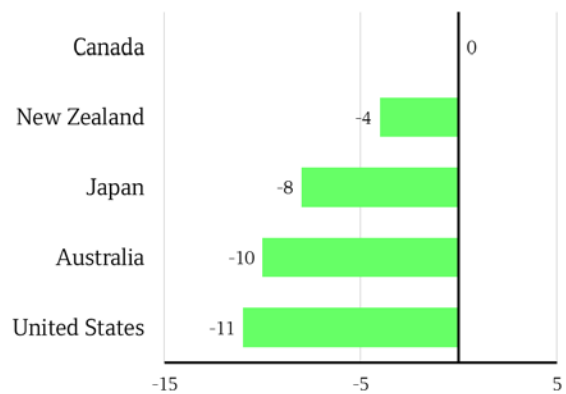
Improving insolvency environment

There is clear improvement in the insolvency environment in Japan, New Zealand, Australia, and United States, while conditions are stable in Canada. However, the number of insolvencies remains high in Australia and, albeit more modestly, in the United States. Forecasts have improved for all countries except Canada since the publication of our previous forecasts in the May 2014 Economic Outlook.

Insolvency matrix

All five markets are placed in the bottom left of the insolvency matrix, generally indicating stable or benign insolvency conditions. Japan and New Zealand have the best insolvency environments with improvement forecast in the already relatively low number of insolvencies. Conditions are stable in Canada, but the insolvency level is also low. In the United States and Australia the insolvency environment is average, but conditions are improving.

Chart 4.1 Change in insolvencies 2014
(Insolvency growth expressed in %)



Source: Atradius Economic Research

Falling insolvencies in 2014

Insolvencies are forecast to fall in all markets, except Canada. The strongest improvement is forecast to take place in the United States with insolvencies falling 11%. A 10% drop is forecast in Australia and an 8% reduction in Japan. Insolvencies are forecast to fall 4% in New Zealand, and remain stable in Canada.

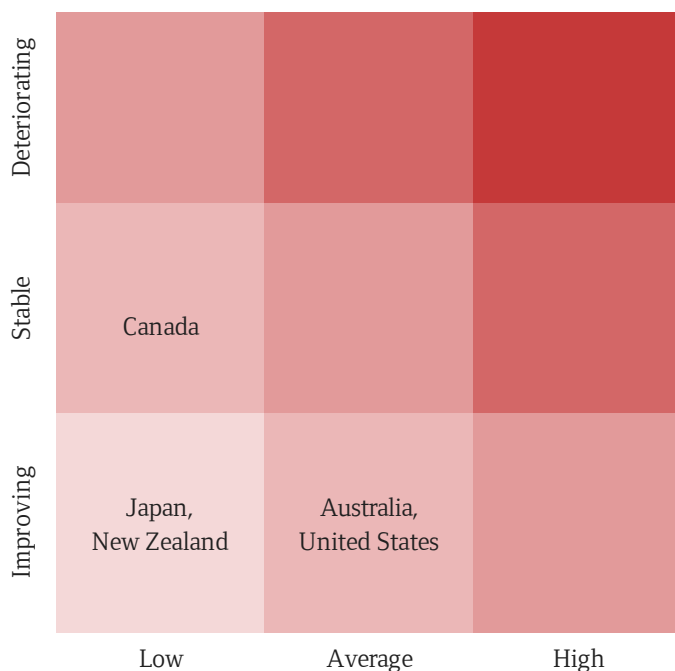
Positive revision of forecasts

All forecasts have been revised upwards, except for Canada, since the previous forecast publication in the May 2014 Economic Outlook. The revision was largest for Australia: from no change to a 10% fall in insolvencies. The forecast for Japan also moved from no change to an 8% decrease and the New Zealand forecast from no change to a 4% improvement. The May forecast for the United States was a 5% drop and has now changed to an 11% fall in insolvencies. The forecast for Canada remains stable at 0%.

Low level of insolvencies compared to 2007

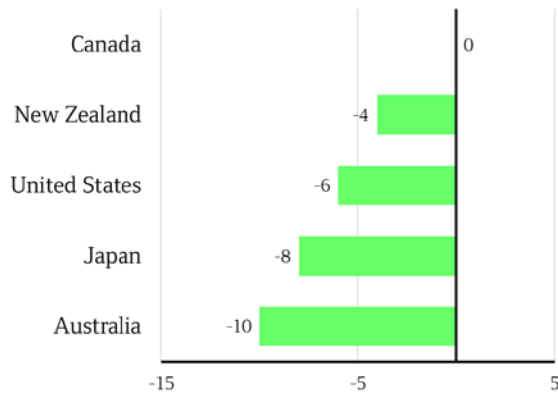
In Canada, New Zealand and Japan the number of insolvencies in 2014 is forecast to be well below the number of insolvencies in 2007. In Canada the level is almost 50% lower. In New Zealand and Japan the level is forecast to be, respectively, 40% and 30%

Figure 4.1 Insolvency matrix 2014 N. America & Asia-Pacific



Source: Atradius Economic Research

Chart 4.2 Change in 2014 forecast
(Difference May and September)



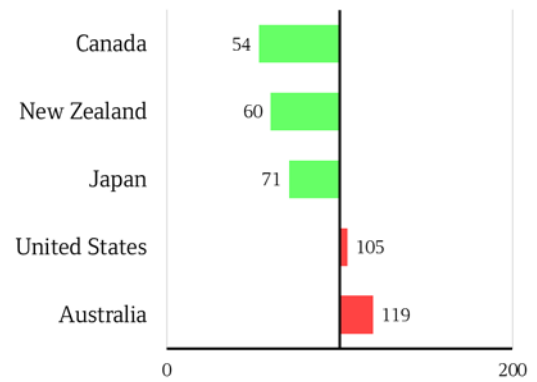
Source: Atradius Economic Research

lower for 2014 than in 2007. In the United States the level is forecast to be close to its 2007 level, but still 5% higher. In Australia the level is forecast to be 19% higher.

Positive insolvency trends

All five markets show a steady drop in insolvencies since 2010, except Australia, where insolvencies crept back up from 2011 to 2013, albeit slowly: rising at 3.5% on average per year. Canada and New Zealand did not experience an increase in insolvencies over 2007-2009 as did the other markets. Instead insolvencies fell over that period. The United States experienced the most rapid increase in insolvencies from 2007 to 2009, rising by almost 120%. But the number of insolvencies

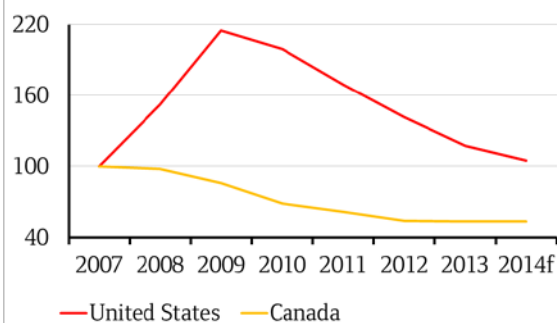
Chart 4.3 Insolvency level since 2007
(End of 2014 compared to 2007)



Source: Atradius Economic Research

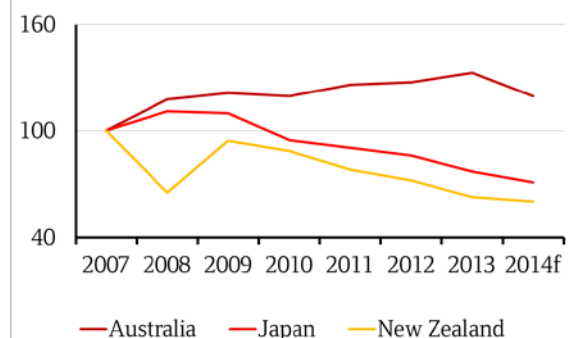
has fallen by almost 14% per year on average since then. In Japan, insolvencies increased 11% in 2008 but stabilised in 2009. On average, insolvencies in Japan fell by more than 8% per year between 2010 and 2013.

Chart 4.4 Insolvency level evolution
(Index, 2007 = 100)



Source: Atradius Economic Research

Chart 4.5 Insolvency level evolution
(Index, 2007 = 100)



Source: Atradius Economic Research

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Appendix: Tables

Table A1 Insolvency growth (% per annum)

	2007	2008	2009	2010	2011	2012	2013	2014f
Australia	-4	18	3	-1	5	1	4	-10
Austria	-6	0	9	-8	-8	3	-10	-2
Belgium	1	10	11	2	7	4	11	0
Canada	-7	-2	-12	-20	-11	-12	-2	0
Denmark	21	54	54	13	-15	0	-9	-15
Finland	-1	16	25	-13	3	0	6	0
France	7	8	14	-5	-1	3	2	1
Germany	-15	0	12	-2	-6	-6	-7	-6
Greece	0	30	40	30	33	30	10	5
Ireland	19	100	50	10	7	3	-19	-6
Italy	-35	18	29	21	8	14	16	6
Japan	6	11	-1	-14	-4	-5	-11	-8
Luxembourg	5	-13	17	33	5	8	2	0
Netherlands	-23	1	73	-10	-1	21	10	-10
New Zealand	-5	-35	45	-6	-12	-8	-13	-4
Norway	-6	28	38	-12	-2	-12	20	0
Portugal	-12	54	36	16	18	42	8	-5
Spain	10	100	50	-2	14	38	10	-17
Sweden	-5	7	20	-4	-4	7	4	-6
Switzerland	-5	-2	24	20	7	3	-5	-4
United Kingdom	-5	24	23	-16	5	-4	-7	-3
United States	2	52	41	-7	-15	-16	-17	-11
<i>regions</i>								
Western Europe	-8	24	28	-1	4	11	3	-5
North America	1	48	38	-8	-15	-16	-16	-11
Adv. Asia-Pacific	4	12	0	-11	-2	-3	-6	-9

Source: National bureaus, Atradius Economic Research
f=forecast

Table A2 Insolvency level, index

	2007	2008	2009	2010	2011	2012	2013	2014f
Australia	100	118	121	120	126	127	133	119
Austria	100	100	110	101	93	96	87	85
Belgium	100	110	123	125	133	138	153	153
Canada	100	98	86	69	62	54	54	54
Denmark	100	154	238	269	228	227	208	177
Finland	100	116	145	127	131	131	139	139
France	100	108	123	118	116	119	122	123
Germany	100	100	112	110	103	97	90	85
Greece	100	130	182	237	315	409	450	472
Ireland	100	200	300	330	354	365	296	278
Italy	100	118	151	183	197	223	259	274
Japan	100	111	110	95	90	86	77	71
Luxembourg	100	87	102	135	141	152	155	155
Netherlands	100	101	175	158	156	189	207	186
New Zealand	100	65	94	89	78	72	63	60
Norway	100	128	176	156	153	134	161	161
Portugal	100	154	210	242	286	405	438	416
Spain	100	200	300	293	335	463	512	425
Sweden	100	107	128	123	117	126	131	123
Switzerland	100	98	121	145	154	159	150	144
United Kingdom	100	124	153	128	135	129	119	116
United States	100	152	215	199	169	142	117	105
<i>regions</i>								
Western Europe	100	124	158	157	163	181	187	177
North America	100	148	205	189	160	135	112	101
Adv. Asia-Pacific	100	112	112	99	97	94	88	81

Source: National bureaus, Atradius Economic Research
 f=forecast, index 2007 = 100

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