

# MAJOR INSOLVENCIES AS OF Q3-2019

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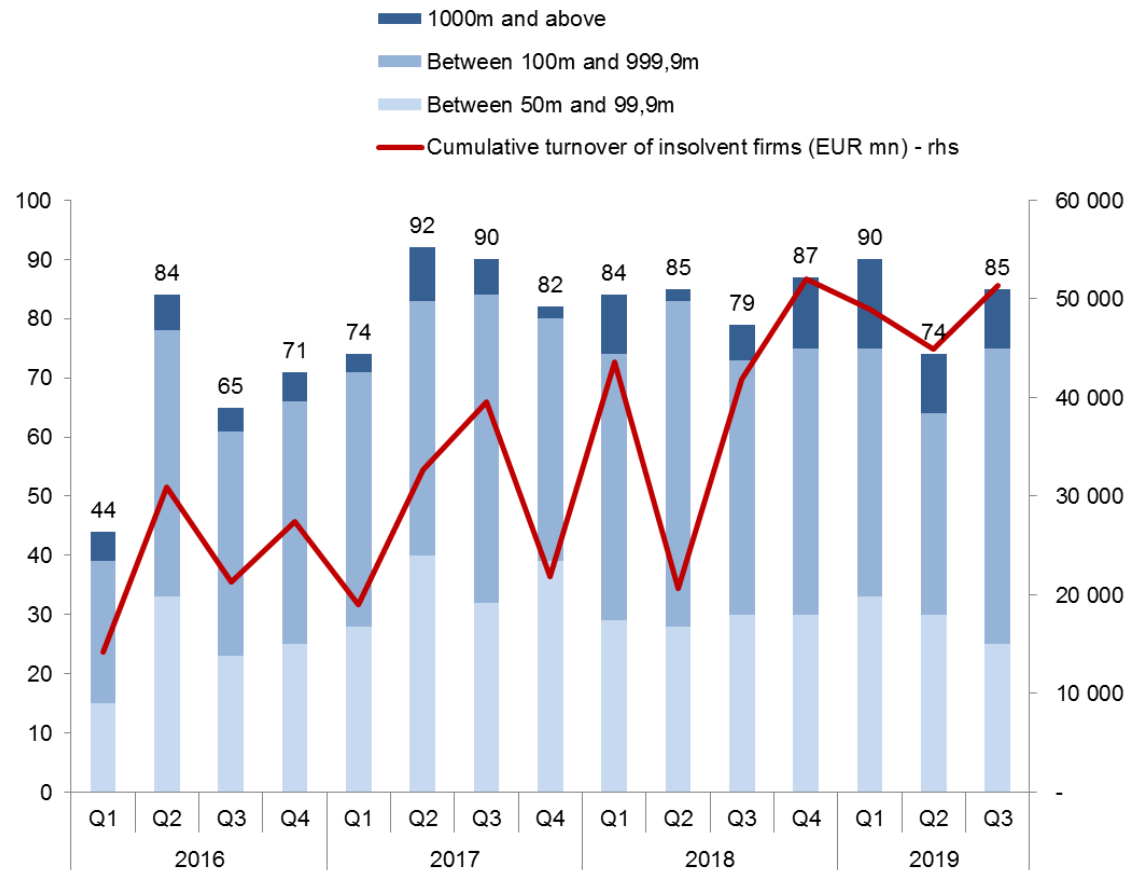
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# MAJOR INSOLVENCIES\* Q3-2019 KEY FINDINGS (1)

1. Focusing on firms with a turnover exceeding EUR50mn, our Q3 2019 monitoring points to quarterly rebound in major insolvencies leading to a **stable ytd number of major insolvencies** (249 i.e. +1 case compared to Q3 2018). Based on their financials, we calculate that these insolvent companies represented a higher combined turnover of EUR145.2bn (+37% or +EUR39.1bn vs 2018). This suggests a **worsening severity** of major insolvencies, which could have serious effects on providers along supply chains.
2. Regions posted uneven trends with **North America** experiencing an increase in major insolvencies (+23 cases compared to 2018 ytd figures), while **Asia** (-4 cases), **Western Europe** (-3) and **Central & Eastern Europe** (-14) recorded less. At the same time, **Western Europe** remained the main contributor to the global level of major insolvencies (104 cases compared to 64 for Asia and 51 for North America).
3. **Retail** (37 insolvencies), **Construction** (33) and **Services** (27) were the most affected sectors in terms of the number of insolvencies for this period. **Energy** (+9), along with **Metals** (+5) and **Services** (+5), posted the strongest rise in insolvencies, while Machinery & Equipment (-13) saw a noticeable decline compared to the same period of 2018.
4. Looking at the details, we find that as of Q3 the 2019 insolvency **hot spots** were Retail and Services in Western Europe; Construction in Asia and Energy and Retail in North America. These cases reflect a wide range of challenges (indebteness, input prices, overcapacity, digital disruption, cyclical exposure) and suggest more discrimination by risk managers.
5. Looking at the last four quarters together, we see a stable number of major insolvencies with 336 cases in total as of Q3 2019,. The data also show an increasing severity to EUR197.3bn in cumulative turnover (+EUR69.3bn i.e. +54% y/y). North America posted a significant increase (+25 cases compared to +1 for Asia, + 3 for Latin America, but -16 for Central & Eastern Europe and -5 for Western Europe). Yet, Western Europe registered the highest number of major insolvencies (139). **Construction** (52 insolvencies), **Retail** (49) and **Services** (37) were the most affected sectors in terms of number of insolvencies. Machinery/Equipment (-15) and Household equipment (-6) registered a noticeable decline, while Energy (+12) and Construction (+6) posted the strongest increase .

# MAJOR INSOLVENCIES\* Q3-2019 KEY FINDINGS (2)

Number of major insolvencies\* (by size of turnover in million of EUR)



(\*) Companies with a turnover exceeding EUR50m  
Source: Euler Hermes

Major insolvencies\* by sector and by region (number of insolvencies)

	YTD 2019 (Q3)					TOTAL	change vs 2018
	Africa Middle East and Latin America	Central & Eastern Europe	North America	Asia Pacific	Western Europe		
Transport equipment	-	1	-	-	1	2	-
Electronics	-	-	-	3	-	3	-
Commodities	-	1	-	3	-	4	1
Computers & Telecom	-	-	3	1	-	4	2
Machinery/Equipment	-	1	-	3	1	5	13
Pharmaceuticals	-	1	3	-	1	5	4
Paper	-	-	2	-	5	7	3
Automotive	-	2	-	-	7	9	1
Chemicals	-	-	1	7	1	9	3
Household equipment	-	-	1	3	6	10	3
Transportation	-	1	3	1	5	10	3
Textile	-	-	2	5	6	13	4
Metals	-	3	1	7	11	22	5
Agrifood	-	5	3	8	7	23	1
Services	1	2	2	5	16	26	5
Energy	1	3	16	2	5	27	9
Construction	-	5	2	14	12	33	8
Retail	-	3	12	2	20	37	2
<b>Total</b>	<b>2</b>	<b>28</b>	<b>51</b>	<b>64</b>	<b>104</b>	<b>249</b>	<b>1</b>
change vs 2018	-1	-14	23	-4	-3	1	

(\*) Companies with a turnover exceeding EUR50m  
Source: Euler Hermes

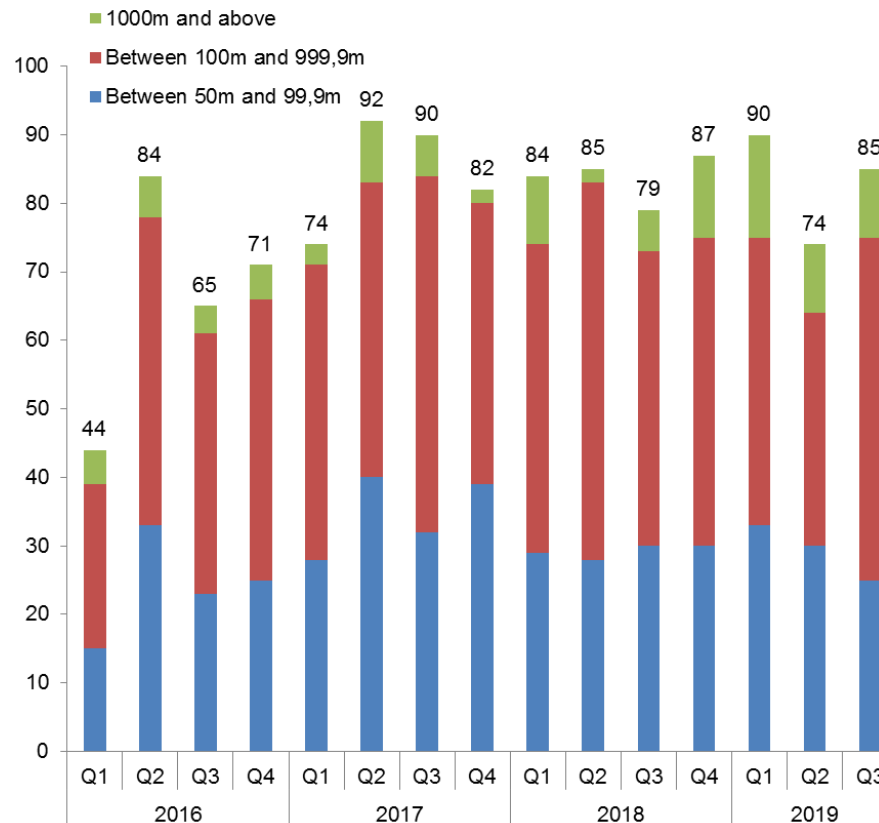
# FREQUENCY AND SEVERITY BOTH UP AGAIN IN Q3

At a global level, **Q3 2019** saw a rebound in the number of major insolvencies (85) compared to Q2 2019 (74) and to last year (79 cases in Q3 2018). The cumulative turnover of insolvent major companies totaled EUR51.3bn – posting a +23% increase compared to Q3 2018.

**As of Q3 2019 (ytd)**, the total number of insolvencies stands at 249 (+1 case) and the cumulative turnover was EUR145.2bn (+37% or +EUR39.1bn).

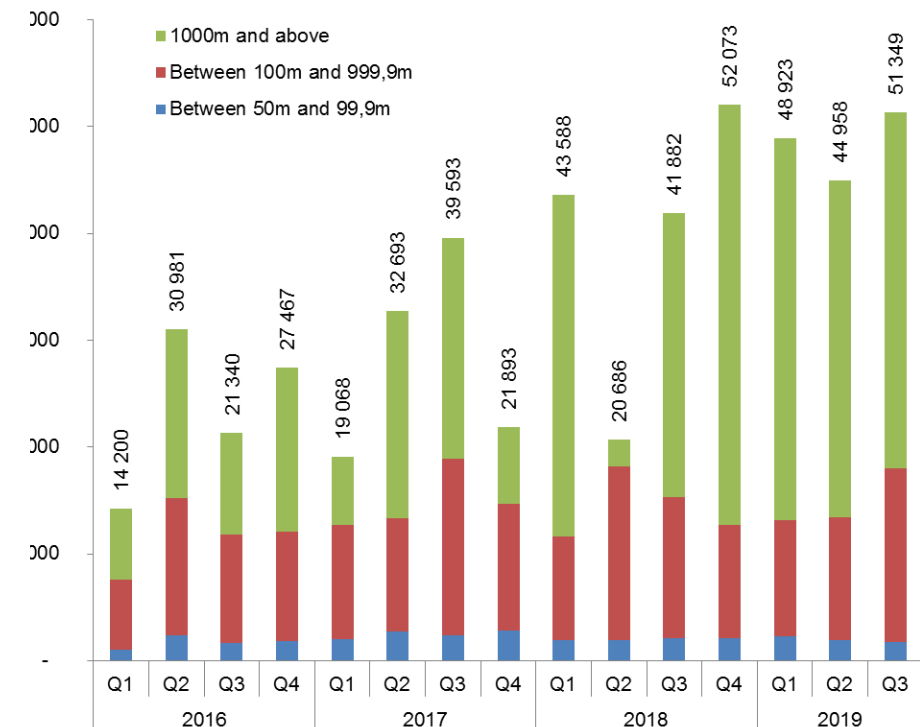
This increase in severity is notably the result of a growing number of failures of companies with turnovers exceeding EUR1bn (+15 to 33 cases for the ytd 2019 as of Q3) and to the insolvency of Thomas Cook (EUR11bn of TO).

**Number of major insolvencies\* (by size of turnover in EUR)**



(\* ) Companies with a turnover exceeding EUR50m  
Sources: Euler Hermes, Allianz Research

**Cumulative turnover of major insolvencies\* (by size of turnover in EUR million)**



(\* ) Companies with a turnover exceeding EUR50m  
Sources: Euler Hermes, Allianz Research

# FREQUENCY IN EUROPE, SEVERITY IN CHINA AND THE US

North America was the largest contributor to the global insolvency count as of Q3 2019:

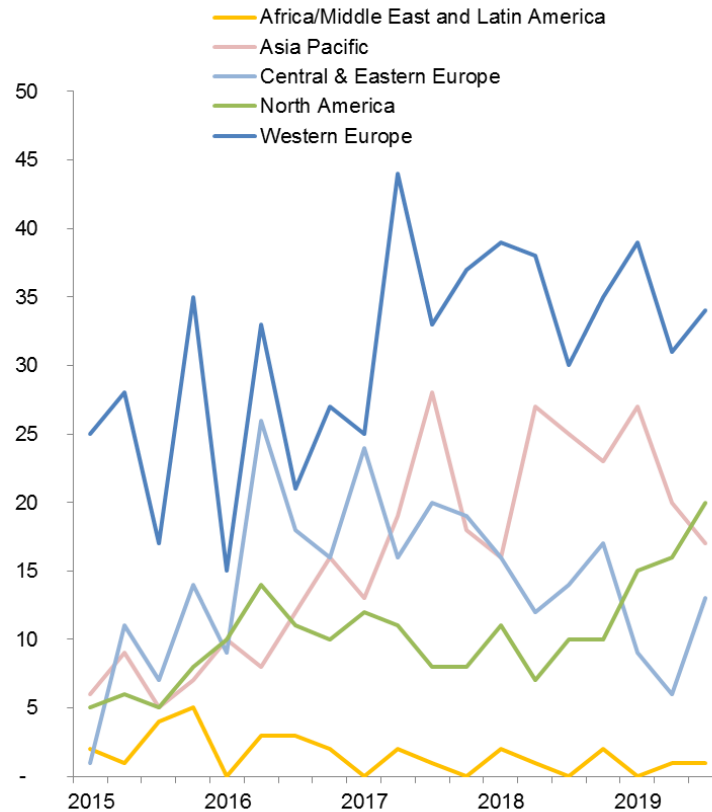
- **North America** posted +23 more insolvencies (compared to 2018), with a rebound (+20) in companies with turnovers between EUR100mn and EUR1bn;

- In **Asia** the decline (-4) hides a rebound for companies with large turnovers (above EUR1bn), notably in China;

- Both **Central & Eastern (-14)** and **Western (-3)** Europe saw a decline to respectively 28 and 104 cases, with no reduction in severity due to big tickets in the UK (Carillion in Q1 2018 and Thomas Cook in Q3 2019).

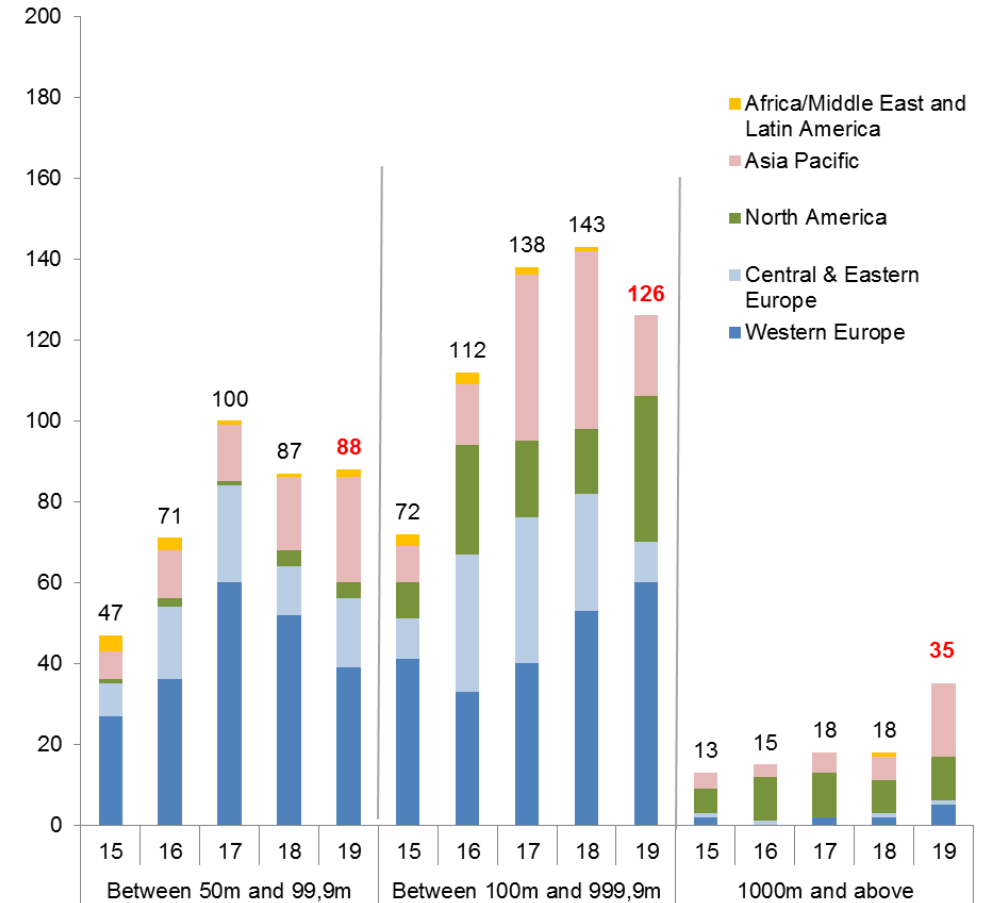
The U.S. remained a key contributor to the top insolvencies, but **China** became the main one, posting 9 out of the 20 largest insolvencies registered over Q1-Q3 2019 (6 for the US)

**Major insolvencies\* by quarter and by region**



(\* ) Companies with a turnover exceeding EUR50m  
Sources: Euler Hermes, Allianz Research

**Number of major insolvencies\* by region and by size of turnover EUR million**



Sources: Euler Hermes, Allianz Research



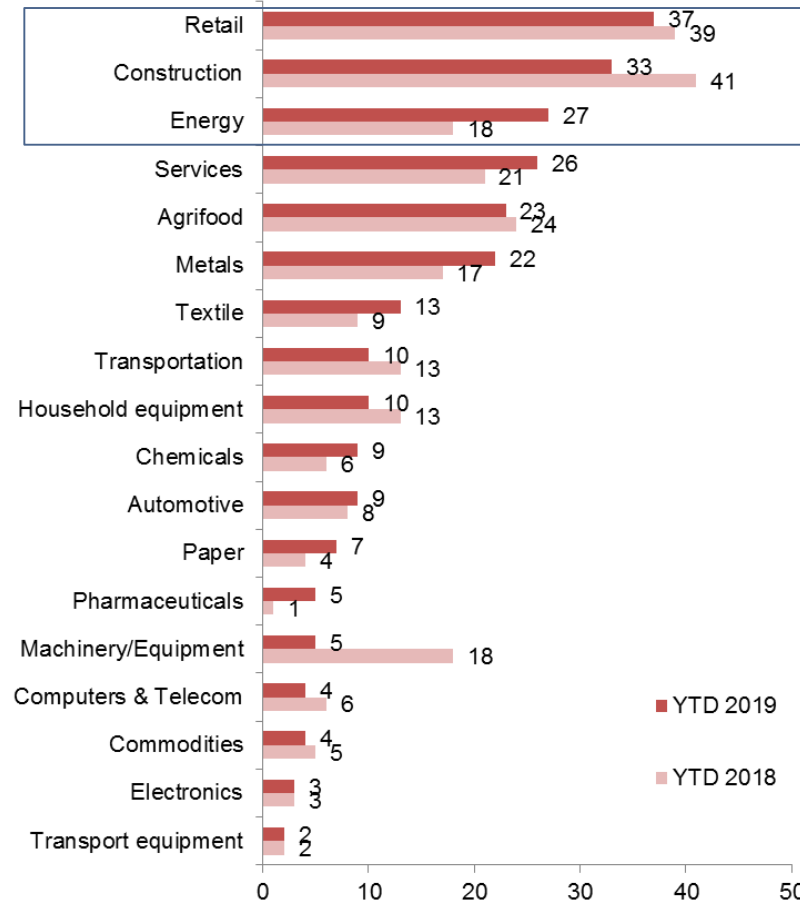
# RETAIL, CONSTRUCTION AND SERVICES MOST AFFECTED

As of Q3 2019, **Retail** (37 insolvencies ytd ), **Construction** (33) and **Services** (27) were the most affected sectors compared to same period of 2018 – despite a decline for both Retail (-2 cases) and Construction (-8).

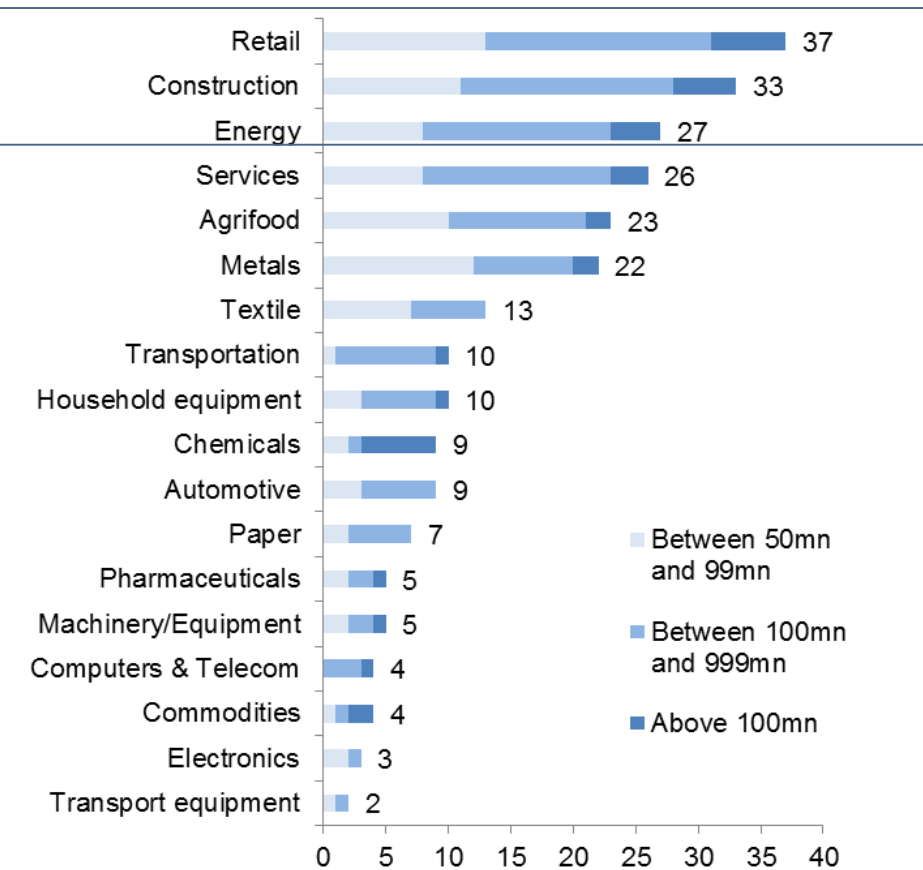
**Energy** (+9), along with **Metals** (+5) and **Services** (+5), posted the strongest rise in insolvencies. Conversely, **Machinery & Equipment** (-13), posted the strongest decline compared to the same period of 2018.

**Retail** stood out with the highest number of largest insolvencies, but the highest average size of insolvent companies in terms of turnover are seen in **Chemicals, Metals** and **Energy/Commodities**.

Major insolvencies\* by sector as of Q3



Major insolvencies\* by sector and size of turnover in EUR million (2019, ytd as of Q3)



(\* Companies with a turnover exceeding EUR50m  
Sources: Euler Hermes, Allianz Research

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Sources: Euler Hermes, Allianz Research

# HOT SPOTS: RETAIL AND SERVICES IN WESTERN EUROPE

Heat Map of major insolvencies\* by sector and by region (number of insolvencies)

As of Q3 2019, ytd figures pointed to :

**Hot spots in Western Europe:** Retail and Services,, plus Construction and Metals.

**Hot spots in Asia:** Construction ahead of Agrifood.

**Two persistent hot spots in North America:** Retail and Energy after a noticeable surge in Q3 (+9 cases y/y).

YTD-2019	Africa/Middle East and Latin America	Central & Eastern Europe	North America	Asia Pacific	Western Europe	TOTAL	Cumulative last 4Q	Africa/Middle East and Latin America	North America	Central & Eastern Europe	Asia Pacific	Western Europe	Total
	Agrifood	-	5	3	8			7	23	Transport equipment	-	-	
Automotive	-	2	-	-	7	9	Electronics	-	-	-	4	1	5
Chemicals	-	-	1	7	1	9	Pharmaceuticals	-	3	1	-	1	5
Commodities	-	1	-	3	-	4	Commodities	-	-	1	5	-	6
Computers & Telecom	-	-	3	1	-	4	Computers & Telecom	-	3	-	2	1	6
Construction	-	5	2	14	12	33	Machinery/Equipment	-	-	2	4	2	8
Electronics	-	-	-	3	-	3	Paper	-	2	-	-	6	8
Energy	1	3	16	2	5	27	Chemicals	-	1	-	8	2	11
Household equipment	-	-	1	3	6	10	Automotive	-	-	3	1	9	13
Machinery/Equipment	-	1	-	3	1	5	Textile	-	2	-	5	6	13
Metals	-	3	1	7	11	22	Household equipment	-	2	1	3	8	14
Transport equipment	-	1	-	-	1	2	Transportation	-	3	2	2	7	14
Pharmaceuticals	-	1	3	-	1	5	Metals	-	1	3	9	13	26
Paper	-	-	2	-	5	7	Agrifood	-	3	8	12	10	33
Retail	-	3	12	2	20	37	Energy	1	19	4	3	6	33
Services	1	2	2	5	16	26	Services	1	3	4	6	23	37
Textile	-	-	2	5	6	13	Retail	2	15	4	4	24	49
Transportation	-	1	3	1	5	10	Construction	-	4	11	19	18	52
<b>Total</b>	<b>2</b>	<b>28</b>	<b>51</b>	<b>64</b>	<b>104</b>	<b>249</b>	<b>Total</b>	<b>4</b>	<b>61</b>	<b>45</b>	<b>87</b>	<b>139</b>	<b>336</b>

(\* ) Companies with a turnover exceeding EUR50m  
Sources: Euler Hermes, Allianz Research

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