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WORLDWIDE NETWORK

REPORT

2021 Global Bankruptcy Report

Dun & Bradstreet
Worldwide Network

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Introduction

Sabine Leferink
General Manager
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Welcome to the latest edition of the Dun & Bradstreet Global Bankruptcy Report, covering bankruptcy data from 2018 to 2021. This report is compiled for you by the members of the Dun & Bradstreet Worldwide Network (WWN).

Since 2005, the WWN has offered customers across the world access to the largest global database, with consistent global views on risk and opportunity assessment, whilst maintaining the local granularity available in each market.

The Dun & Bradstreet Worldwide Network exists of 16 members and collects business information from over 245 countries. We work together to help clients improve business performance through data & insights.

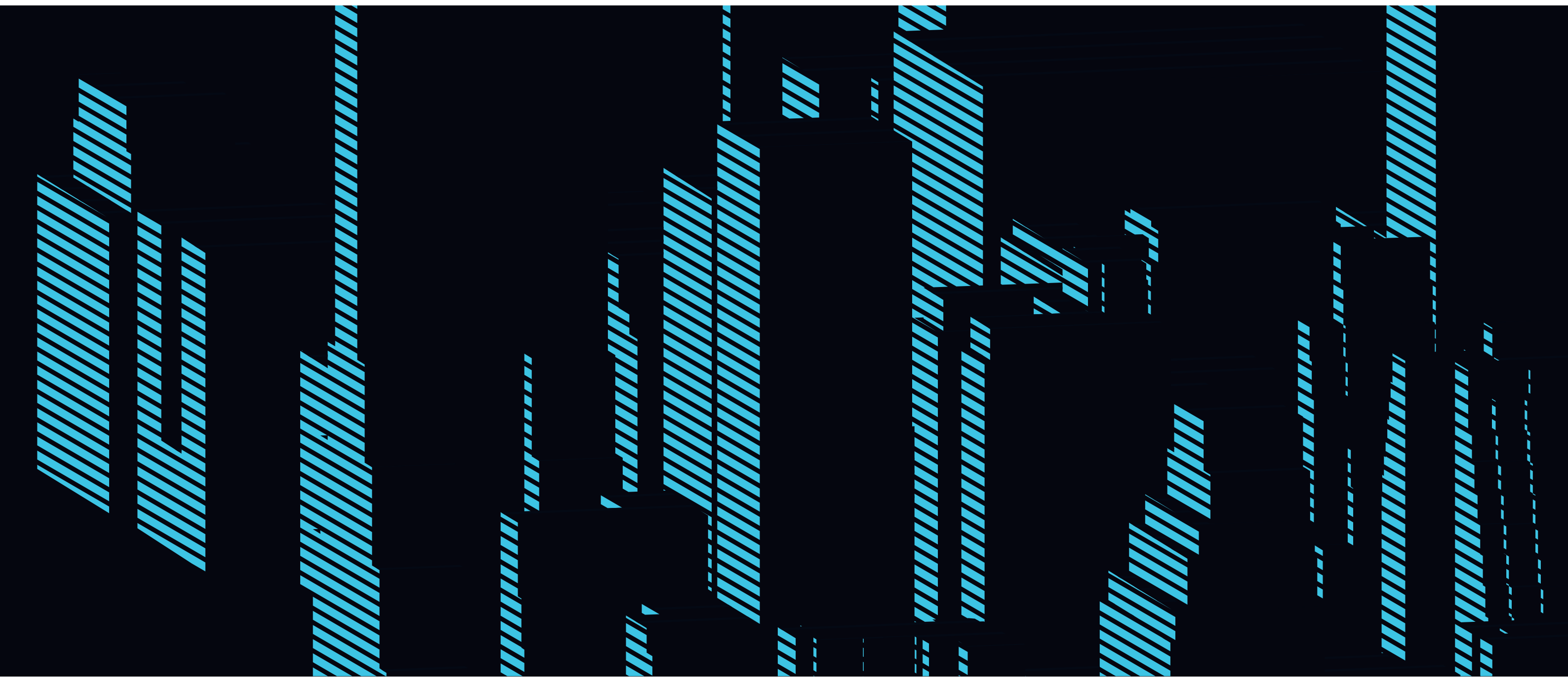
This Global Bankruptcy Report this year covers bankruptcy data from 43 markets. I would like to extend a special thanks to the following members who contributed with their local bankruptcy data, to allow the creation of this report:

Altares, CIAL Dun & Bradstreet, CRIF, D&B Hong Kong, D&B India, D&B Indonesia, D&B SAME, D&B Singapore, D&B Taiwan, Dun & Bradstreet US/Canada, Dun & Bradstreet UK, Dun & Bradstreet Europe, Huaxia D&B China, Illion, Informa, Interfax, NICE D&B, and TSR.

The data compiled has been analysed and edited by Dun & Bradstreet's Country Insight team of experienced economists.

We hope you enjoy this edition.

Sabine Leferink



Preface

Julian Prower
Chief Operating Officer
Dun & Bradstreet International

For more than 180 years, Dun & Bradstreet has had the privilege of providing clients with accessible and actionable data and insights to help them turn uncertainty into confidence, risk into opportunity and potential into prosperity. While it has been almost two years since the outbreak of the Covid-19 (Coronavirus) pandemic, market conditions continue to remain volatile for most business sectors. Though business failures were lower in 2020 and 2021 compared to 2018 and 2019, contrary to the widely held expectation that the real-economy freeze created by the pandemic would result in an avalanche of bankruptcies, there are a few dark clouds on the horizon. Businesses that relied on government support packages (equivalent to 18% of global GDP), a flood of cheap liquidity in the capital markets (net increase of US$22.1 trillion in global debt securities between Q1 2020 and Q2 2021), and creditors' willingness to extend their liquidity runway in the hope of outrunning the pandemic, will have to embrace a new economic reality.

Such businesses will have to outperform their pre-pandemic growth rates to be able to attain their pre-pandemic capital structures. If profits do not materialise, the probable increase in debt servicing costs, fueled by inflationary pressures, will either result in increased business failures, or will force businesses to borrow additional funds to stay afloat, trapping them in a vicious cycle. Using the pandemic to justify poor performance may be tougher this time around, as markets may be less forgiving. As the tide turns, many businesses, especially those that have taken on additional debt and have not made operational transformation or strategic realignments for the post-pandemic era, may find themselves in the midst of a very real existential crisis in 2022. Industries could see an asymmetric impact given the threat of the emergence of new variants of the virus, the absence of additional support packages and rising geo-political uncertainty. Industries such as travel, leisure, hospitality, and retail trade, which are yet to fully recover from the pandemic, could be particularly hard hit. These challenges are compounded by the Russia-Ukraine crisis, given that there are 14,745 Tier 1 and 7.6 million Tier 2 supplier relationships with Russian entities globally. The ramifications of the Russia-Ukraine crisis are significant and could derail the nascent global economic recovery.

As a result, businesses must quickly recognise that the new economic reality necessitates a more proactive approach to credit risk mitigation. Getting back to the basics with the 5Cs of credit management – Capacity, Capital, Character, Collateral, and Conditions – is vital during these volatile times. By working with trusted analytics experts, businesses have access to highly dynamic data that can be used to answer questions such as: What is the business' financial capacity to pay its invoices? What is the business' present capital structure and how has it changed over time? Does the business have a track record of repaying its suppliers on time? Is there sufficient collateral that can be liquidated in the case of bankruptcy, and how favourable are the industry and economic conditions for the business' growth plans? In addition to monitoring credit data, businesses also need to consider supply chain data to have a comprehensive view of their upstream and downstream risks. Having visibility into the credit risk across the entire global portfolio can help inform treatment strategies and prioritise collections.

Thousands of credit professionals rely on Dun & Bradstreet to identify the hidden risk in their portfolio, anticipate and forecast cash flows during uncertain times, and access their pipeline risks. I hope this report serves as a valuable source of information and aids you in making data-driven decisions to minimize credit risks and maximise opportunities to fuel growth for your own business. I look forward to your comments and feedback. Please do not hesitate to contact us should you have additional questions. Our team is here, ready to help.

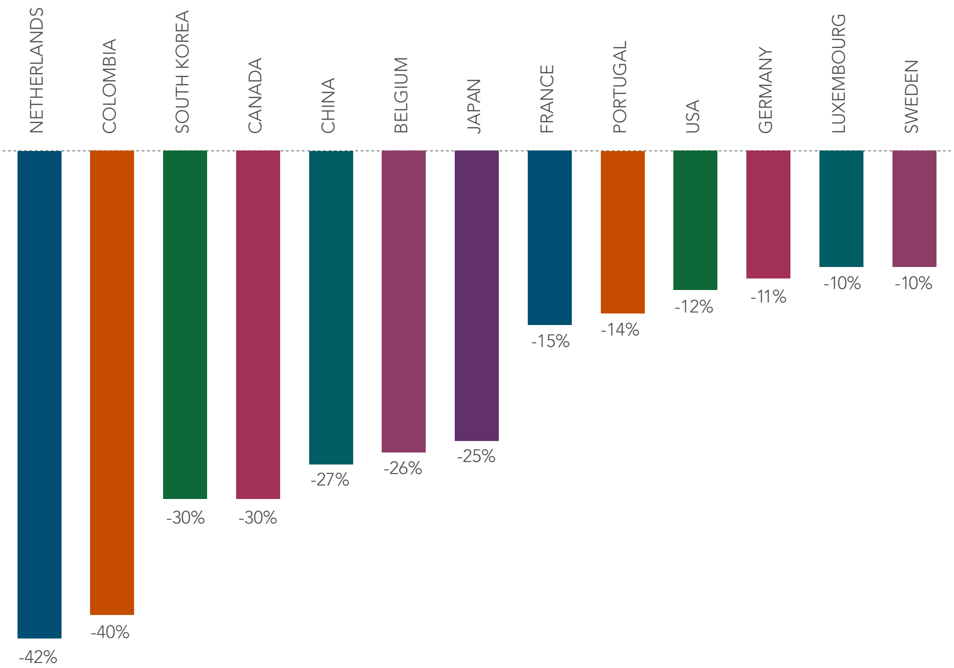
Overall Commentary

Dr. Arun Singh
Global Chief Economist
Dun & Bradstreet

CURRENT BUSINESS FAILURE RATES AT ARTIFICIALLY LOW LEVELS

Nearly half of all 43 economies monitored by Dun & Bradstreet and its Worldwide Network saw a decrease in business failures during 2021. In some countries, business failures reached their lowest level in a decade. Much like 2020, when business disruption rose to unprecedented levels, Covid-19 dominated the narrative in 2021. Sporadic increases in cases across many countries prompted mandatory shutdowns and continued to wreak havoc on businesses. Data from the Dun & Bradstreet Commerce Disruption Tracker shows that the percentage of businesses disrupted globally increased by 4 percentage points in the first half of 2021 compared to the second half of 2020. As a result, the precipitous fall in business failures may appear counterintuitive. But there are several factors that have helped thousands of businesses keep their heads above water.

Economies Reporting Large Decrease In Bankruptcies During 2021 (y-o-y)



Source: Dun & Bradstreet World Wide Network

WHAT LED TO AN EXPANSION OF THE BUSINESS RUNWAY?

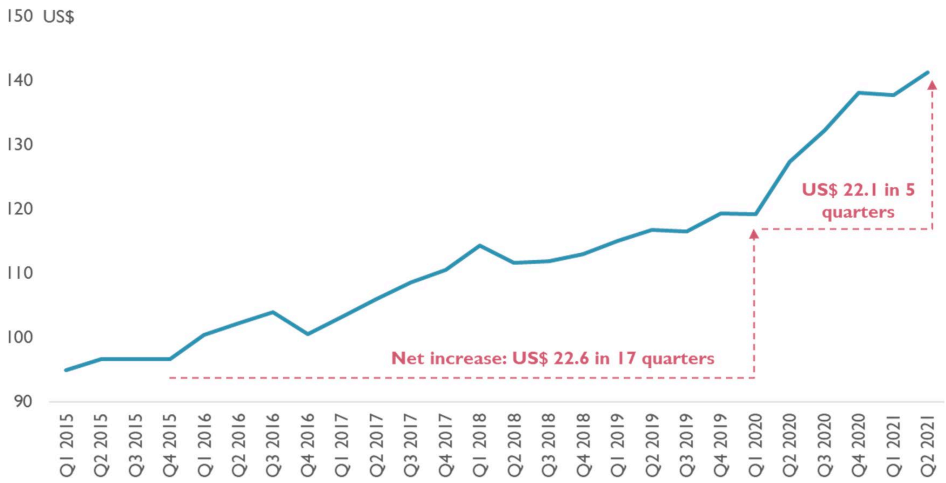
Undoubtedly, one of the biggest factors that helped many firms stay afloat was the massive support packages provided by governments across the world. While many of the measures were announced in 2020, they were also extended beyond this period. Cumulative fiscal measures in response to the Covid-19 pandemic account for 18% of the global Gross Domestic Product (GDP), according to data from the IMF.

Much of this stems from advanced economies, which on average have provided fiscal support to the tune of 28.4% of their GDP. By comparison, stimulus packages provided by these economies in response to the Global Financial Crisis of 2008 were worth just 2.6% of their GDP.

Access to low-cost liquidity has been a defining characteristic of the capital markets during the pandemic. The outstanding amount of total debt securities - which includes the amount borrowed in the domestic and international market, raised by non-financial corporations - stood at USD19.05 trillion as of June 2021, according to data from the Bank for International Settlements (BIS). This represents a 15.8% increase from March 2020, compared to a 6.2% average annual increase over the preceding five years. This has served as a lifeline for many firms that were on the brink of bankruptcy.

Fiscal support provided by advanced economies during the pandemic was 28.4% of their GDP, compared to 2.6% during the Global Financial Crisis of 2008.

Global Debt Securities – Amount outstanding (estimated), in USD trn

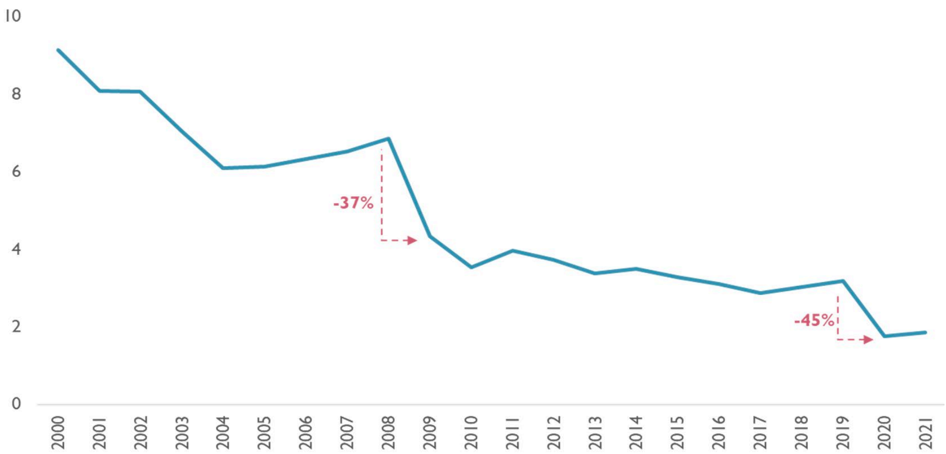


Source: Bank for International Settlements, Dun & Bradstreet Research

Central banks across the world have been equally swift in easing monetary conditions to help businesses survive the pandemic. 32 of the 35 countries for which data is available have reduced their policy interest rates in response to the pandemic. These economies have, on average, reduced their policy rate by 123 basis points, according to data from the BIS. A basis point is equal to one one-hundredth of a percentage point. This is a significant decrease given that the average policy rate of these 32 economies stood at 2.01% during March 2020. The remaining three countries – Switzerland, Japan and Sweden – already had either negative or zero interest rates.

Policy rates have, on average, declined by 123 basis points in 32 countries.

Average Policy Rates (%)



Source: Bank for International Settlements, Dun & Bradstreet Research

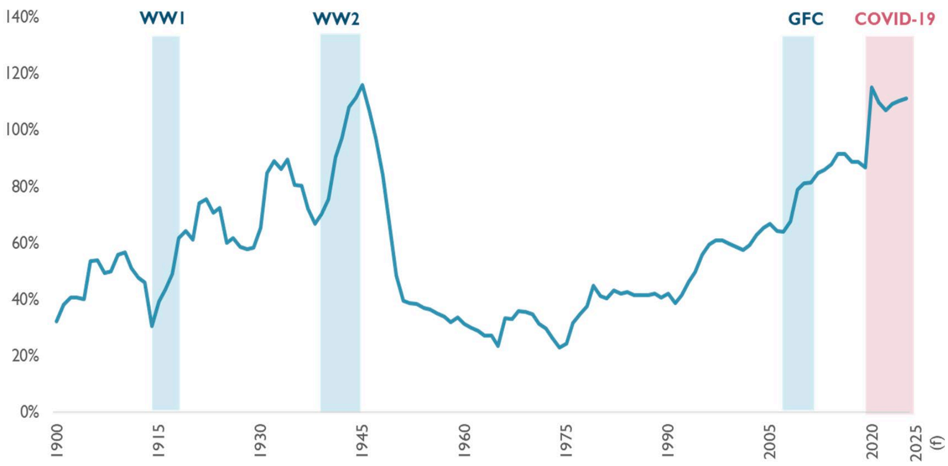
Another equally important factor that has resulted in a lower level of bankruptcies is the forbearance of creditors. In some economies, changes were made to the bankruptcy laws to provide businesses more breathing space and to avoid hostile takeovers by predatory firms. Such changes included an increase in the threshold amount above which a creditor could take action against a late-paying debtor, and the period within which the debt had to be repaid. Economies that suspended the mandatory obligation to declare bankruptcy include: India until March 2021; Germany until April 2021; and Spain until June 2022. These factors have played a role in supressing business failure rates.

Many countries suspended the mandatory obligation to declare bankruptcy.

WILL 2022 BE THE YEAR OF FINANCIAL RECKONING?

It appears that as fiscal and monetary policy supports are withdrawn and lenders become strict we would see a spike in businesses failures during 2022. While bankruptcies may not rise sharply across many economies, there will be more pockets of distress surfacing, particularly during the second half of 2022. Fiscal packages are unlikely to be extended beyond 2021, given public debt has reached proportions comparable to those seen in the aftermath of the Second World War.

Public Debt (% of GDP) – Advanced Economies



Note: WW – World War, GFC – Global Financial Crisis/ The Great Recession. Data represents median public debt of a sample of 9 G-20 economies

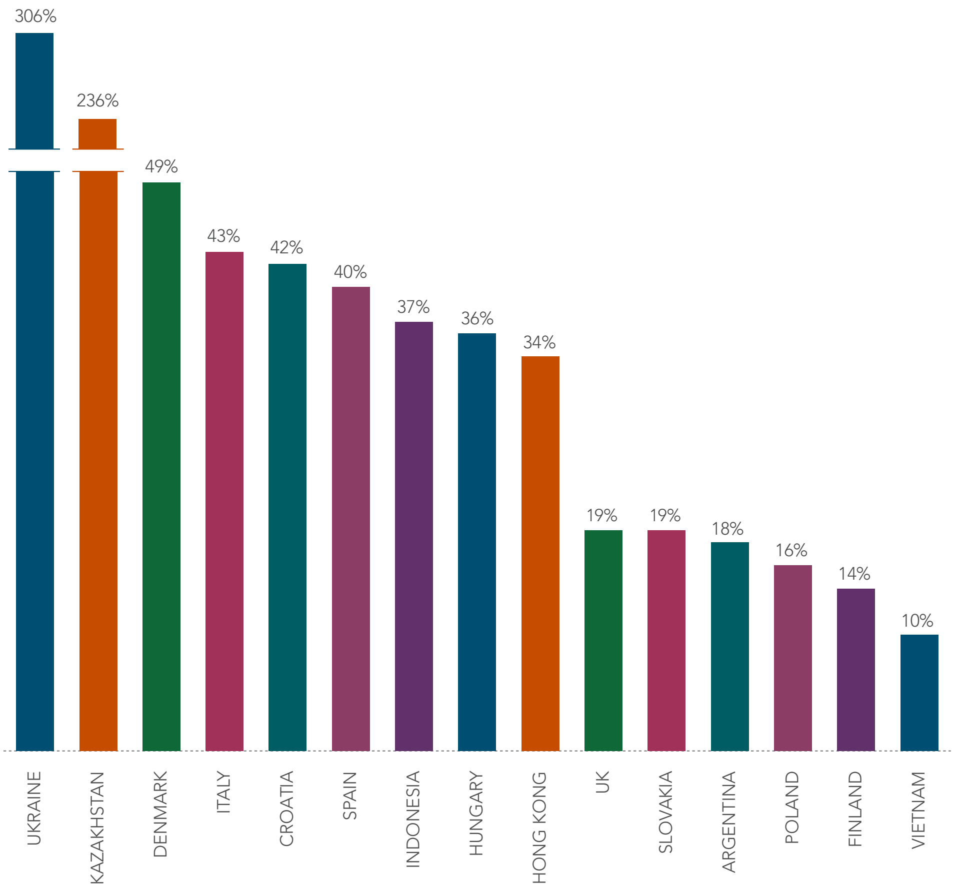
Source: Historical Public Debt Database, World Economic Outlook, IMF, Dun & Bradstreet Research

Driven by several factors of varying importance, inflation is turning out to be persistent and broad based than previously anticipated trainsient and narrow based (select commodities). As central banks scramble to ward off inflationary pressures by raising interest rates, the cost of servicing debt will increase for firms. Subsequently, the capital markets may also be less forgiving this time around. Data from the BIS shows that 16 out of 36 economies have already seen an increase in their policy rates during the second half of 2021.

16 out of 36 economies have already seen an increase in their policy rates during the second half of 2021.

The emergence of new variants of the virus, such as omicron, would further stress the already-fragile global supply chain, adding to inflationary pressures, and disrupt businesses by prolonging their recovery. In addition, comprehensive financial and trade sanctions imposed on Russia following its invasion of Ukraine threaten to exacerbate business bankruptcies in many countries, particularly in Europe, due to their high reliance on Russia for energy. A prolonged escalation of the crisis will also hurt businesses that are vulnerable to commodity shocks and increase bankruptcy risks. This warrants a more active approach to credit risk management. In the absence of additional support measures, this could be the spark that starts a chain reaction of bankruptcies and undermines creditors' confidence.

Economies Reporting Large Increases In Bankruptcies During 2021 (y-o-y)

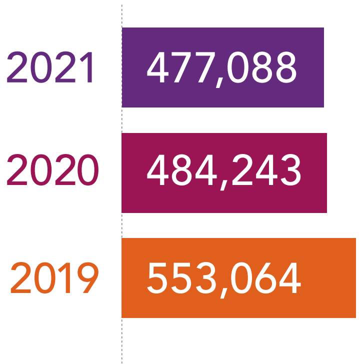


Source: Dun & Bradstreet World Wide Network

Key Takeaways

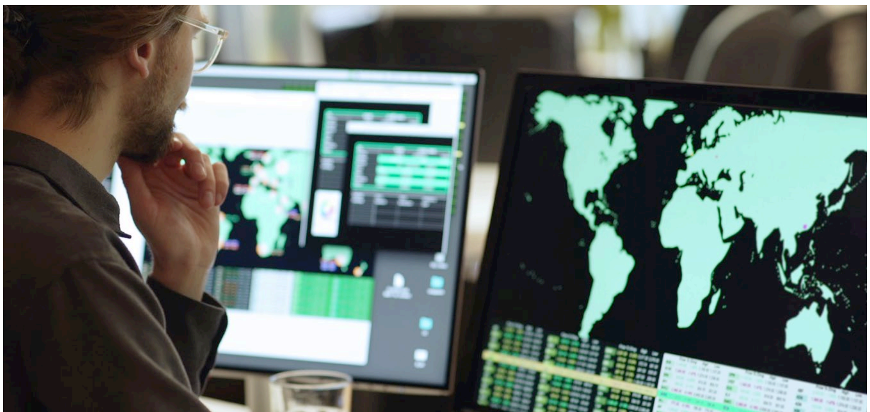
- Failures, as defined by Dun & Bradstreet and its Worldwide Network Partners, declined in nearly one out of every two economies monitored in 2021 compared to 2020, despite supply chain disruptions and continued pandemic-induced demand shocks.
- The flood of liquidity from debt markets, massive fiscal packages, loose monetary policy, and creditor's forbearance have suppressed bankruptcy rates in 2021.
- Governments have concentrated their efforts on Medium, Small and Micro Enterprises, owing to the sector's vulnerability and critical role in creating employment opportunities.
- Out of 43 monitored economies, only Poland & Vietnam reported the highest ever bankruptcies in 2021.
- Most Asian economies witnessed lower bankruptcies in 2020 and 2021 than in 2019.
- Expiry of fiscal packages for businesses, end of moratoriums on loan repayments and monetary tightening are key risks to business viability in 2022.
- Continued threat of the emergence of new variants of the virus coupled with persisting supply-chain disruptions acts as a headwind, prolonging business recovery.
- Given these challenges, there could be increasingly more pockets of distress surfacing at least during the second half of 2022.
- Insolvencies alone cannot reflect credit and supply chain risks accurately as a source of business intelligence during the pandemic, making actionable firm level insights and monitoring more crucial.

GLOBAL BUSINESS FAILURES



63%

Hong Kong, Taiwan Region and Vietnam account for 63% of global business failures in 2021.



Business failures in France, Germany, Japan, Portugal, and South Korea have declined consistently year-on-year since 2013.

Business Failures and Context

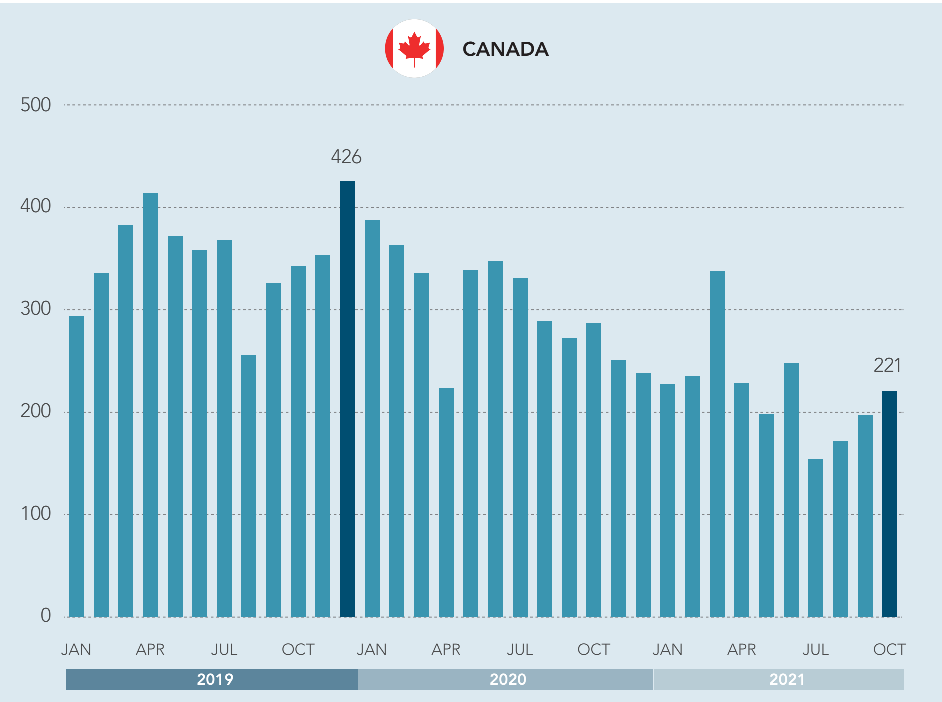
BUSINESS FAILURES AND CONTEXT IN CANADA

The number of business bankruptcies between January and October 2021 dropped by 30.2% compared to the corresponding period in 2020. With the data likely to also show declines for November and December, 2021 is expected to be the second consecutive year of falling cessation rates.

Commercial bankruptcies dropped 19% year-on-year for all of 2020, and were down 8% between January and October 2021. The Bank of Canada's 150 basis point (bps) rate reduction since March 2020 to 0.25%, combined with the government's extensive pandemic relief response - which included liquidity support through tax deferrals and targeted programmes such as the Highly Affected Sectors Credit Availability Program (HASCAP) that runs through to end-March 2022 - boosted overall business viability.

Looking ahead, while measures such as the extension of the repayment deadline to end-2023 for the federal government's Canada Emergency Business Account (CEBA) loan will provide continued assistance to small businesses, this segment remains vulnerable to failure given the near-term prospect of rising financing costs. The Bank of Canada's abrupt end to quantitative easing in October 2021 laid the groundwork for monetary tightening to tame surging price pressures, and while in January 2022 the central bank held its policy rate at the pandemic-low of 0.25%, it signalled that a hike could be announced in the coming months, with inflation hitting a 30-year high of 4.8% in December.

Though moderating, the Canadian economy's growth in 2022 will be supported by strong private spending as pandemic restrictions are eased with omicron's retreat, a unemployment rate at or near pre-pandemic levels, one of the world's highest vaccination rates, and record-high household savings estimated at CAD38bn in Q2 2021.



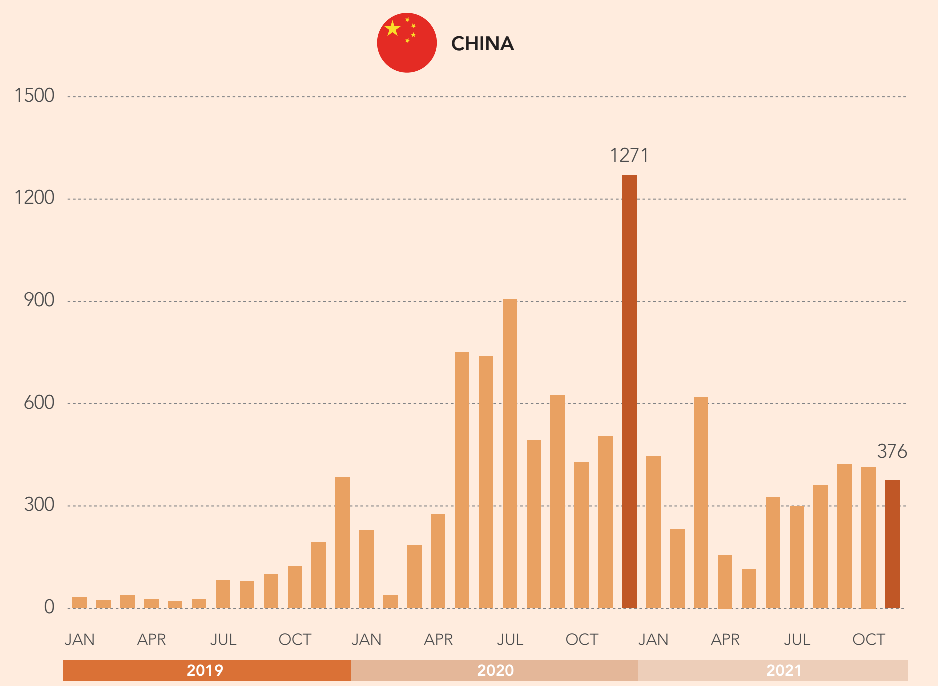
Source: Dun & Bradstreet – Canada

Federal and provincial measures will continue to provide support for businesses, particularly small and medium size enterprises, and those in high-contact sectors. However, monetary tightening is a key risk to viability as the central bank closely monitors surging inflation.

BUSINESS FAILURES AND CONTEXT IN CHINA

Bankruptcy law in China was updated in 2007. Through 2007-2015, the number of cases filed and settled under the law remained low, and even declined. Starting in 2015, the authorities' focus on containing leverage and an increased reliance on a market-led solution resulted in an increase in the use of this law. This was marked by the Supreme People's Court of China setting up an online platform to publicly disclose progress on bankruptcy proceedings, the use of over 100 specialised bankruptcy courts or judicial teams, and the establishment of 14 bankruptcy tribunals in various provinces. Most recently, China also piloted personal bankruptcy regulations, delivering its first verdict under that regulation in 2021.

Data from Dun & Bradstreet's Worldwide Network alliance member, Huaxia Dun & Bradstreet, shows that between January and November of 2021, the number of business insolvencies in China decreased by 27% compared to the same 11-month period in 2020. The number of insolvencies over the past three years peaked in Q4 2020. This data trend mirrors the onset of the pandemic-related relief measures, and the economic and regulatory conditions in China. Relief measures, which started rolling out in Q1 2020, included loan moratoriums, eased NPA classification, loan rollovers, and guidelines by the top court in the handling of insolvency cases. Entering Q4 2020, as it became clear that China would be the first major economy to emerge from the pandemic without a contraction, authorities returned their attention to managing excessive leverage in the economy. The real estate sector was the worst affected, especially after the issuance of the "three red lines" in August 2020. Notably, while bankruptcies between Q4 2020 and 2021 have declined, as the authorities have again adopted policy and regulatory easing, the high-profile nature of certain bankruptcy cases (e.g. HNA) and distressed debt (e.g. Evergrande) mean caution is still warranted, as the risk of failures and contagion – while managed – remains intact.



Source: Huaxia Dun & Bradstreet China: Websites of Chinese Courts

Chinese policy is focused on orchestrating an orderly deleveraging in the economy. An increased use of bankruptcy law and the lurking stress in the property sector in China means bankruptcies could rise again in H2 2022.

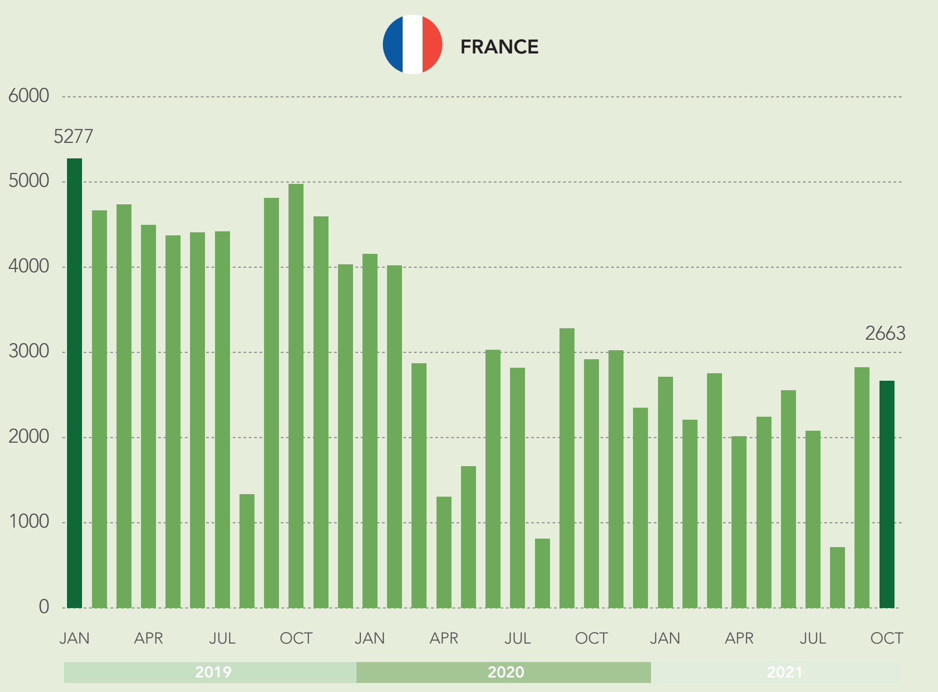
BUSINESS FAILURES AND CONTEXT IN FRANCE

The number of commercial bankruptcies fell by 12% year-on-year in 2021 at 28,371 compared to 2020. There has been consistent improvement over the last eight years in the reduction of business failures, which has reached its lowest level since 1986. The government support schemes introduced in the spring of 2020 (Solidarity Fund, government-guaranteed loans, exemption or deferral of contributions and part of operations) were extended in 2021 to protect many companies from bankruptcy.

These numbers vouch for the efficient state aid throughout 2021, coupled with one of the fastest recoveries among the EU nations. The buoyant business confidence was somewhat dampened by the infrequent aid programmes, high - and rising - input material prices, especially for natural gas and electricity, extended periods of supply chain disruptions, and enormous cost pressures on firms. Business failures were more pronounced in the construction sector, which led to a relatively-higher number of failures overall in the fourth quarter of 2021.

The number of protection measures (intended for companies in difficulty that are not yet in arrears) also decreased by 12.5% in 2021, with just 729 judgements. The special provision introduced in 2020 to support firms in potential default in exceptional cases was used by only 2.6% of the firms.

While bankruptcy proceedings fell in 2021 among firms of all sizes, small and medium-sized enterprises with 20 to 49 employees had significant reductions in protection measures and payment adjustments in 2021. Due to supporting business conditions, the number of jobs threatened by business failures has fallen below the 100,000 target by 2021 to reach 95,000 compared to 133,000 in 2020 and almost 174,000 in 2019.



Source: Altares : ALTARES PROPRIETARY

The strong government support for businesses and relaxation in disclosures have helped firms weather the storm for the time being. The reduction in bankruptcies is also supported by the overall recovery in French businesses. The key challenges, however, are rising input costs, supply disruptions, alarmingly high omicron cases, and a political uncertainty due to impending elections in April 2022.

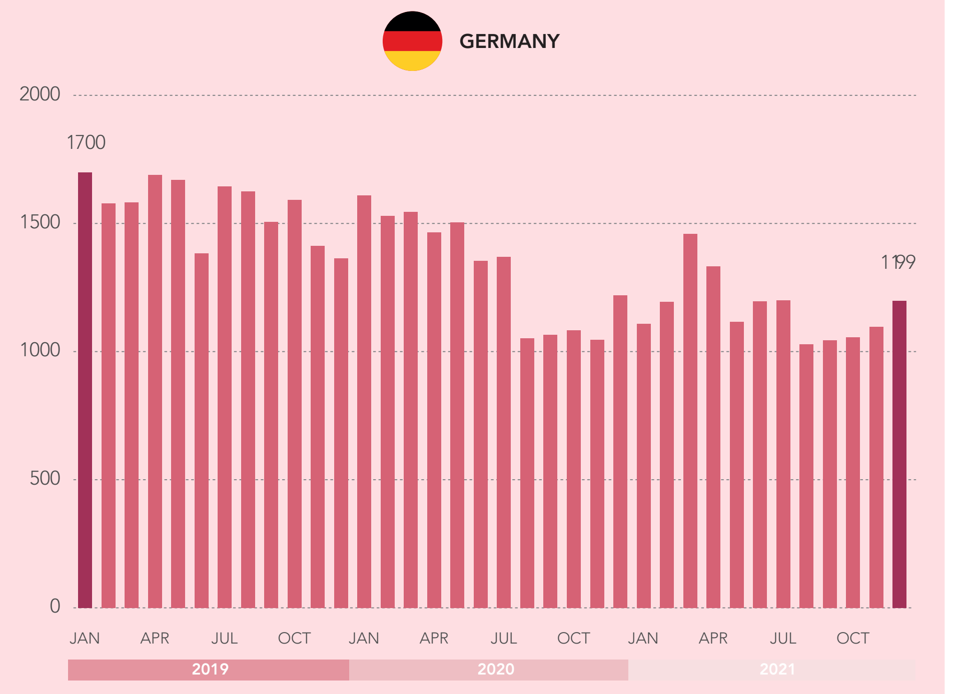
The ten regions with a reduction in bankruptcies were Occitanie (-15.9%), Grand Est (-14.5%), Île-de-France (-9.1%), Provence-Alpes-Côte d 'Azur (-6.9%), Brittany, (-21.8%), New Aquitaine (-11.6%), Corsica (-31. 1%), Normandy (-26.9%), Auvergne-Rhône-Alpes (-12.4%) and Burgundy-Franche-Comté (-17.3%). In the remaining three regions, Pays-de-la-Loire, Hauts-de-France and Center-Val de Loire, bankruptcies increased by more than or equal to 10%.

With the onset of omicron and the subsequent mobility restrictions in Q4 2021 and in Q1 2022, it appears that there could be heightened uncertainty among firms, more pronounced in sectors like retail and construction. The government has responded swiftly with measures like the extension of fixed-cost assistance, the extension of the solidarity fund, the phasing-out of the PGE refund until 10 years (compared to six), deferral until the end of 2022 of a repayment scheduled for spring 2023. This new support campaign should make it possible to overcome the omicron wave, and consequently limit bankruptcy in the coming months.

However, the Russian invasion of Ukraine and subsequent financial and trade sanctions could also add to the growing bankruptcies of firms, particularly those that have high exposure to either Russian commodities or Russian entities. Bankruptcies could also get worse because the eurozone is likely to slow down, and may even go into recession, as a result of the conflict in Ukraine.

BUSINESS FAILURES AND CONTEXT IN GERMANY

Germany has a good payments record: data from Dun & Bradstreet's Worldwide Network alliance member, Informa, shows that firms paid their bills 6.6 days late on average in Q1-Q4 2021, remaining essentially stable with respect to 2020. According to data from Destatis (the national statistics office), business failures dropped by 13.8% year-on-year in Q1-Q3, again very much in line with the pattern observed over Q1-Q3 2020. Compared with October 2019, the number of business insolvencies was 33.7% lower in October 2021.



Source: D&B Europe (Germany : Federal Statistics Office)

Germany was hit particularly hard by the pandemic towards the end of 2021, leading the government to extend economic support for firms and incomes beyond that which had previously been planned, artificially postponing the normalisation of business dynamism. Payment delays and bankruptcies are expected to rise in 2022, albeit from a low base, given the damage inflicted to cashflows in certain sectors.

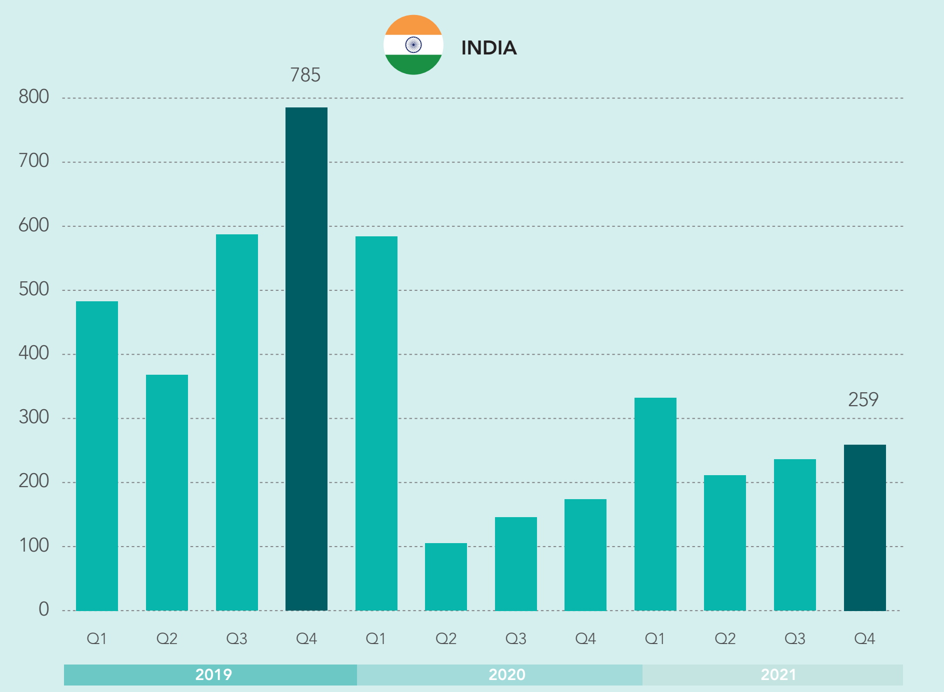
However, actual bankruptcies were suppressed in 2020 and 2021 by the suspension of the requirement to file for insolvency within three weeks of failing to meet an obligation and by income and debt relief measures, some of which are still in place in early 2022. The data also shows stark differences between sectors, with the wholesale and retail trade sectors, and professional services and food services, accounting for the largest contributions to the falls. Especially in energy-intensive sectors, the Russian invasion of Ukraine is likely to leave German businesses severely exposed to higher prices for inputs as well as to supply chain disruptions, resulting in higher insolvency risk.

The pandemic hit Germany strongly towards the end of 2021, leading the government to extend economic support for firms and incomes beyond that which had previously been planned, artificially postponing the normalisation of business dynamism. Payment delays and bankruptcies are expected to rise in 2022, albeit from a low base, given the damage inflicted to cashflows in certain sectors.

BUSINESS FAILURES AND CONTEXT IN INDIA

In the run up to the pandemic, the Indian corporate sector was already showing signs of stress. The gross non-performing assets (GNPA) ratio in the banking sector remained high: 9.1% in March 2019 and 8.2% in March 2020, and the central bank projected it to increase to 11.5% for 2020-21 amidst the pandemic. Growth had plunged to an 11-year low at 3.7% during the fiscal year April 2019 to March 2020, which further accentuated asset quality concerns and risk aversion by banks. India witnessed a surge in bankruptcy cases in 2019, an increase by 93% in a year-on-year basis, the highest since 2016 when the Insolvency and bankruptcy code framework (IBC) was implemented.

Bankruptcies in 2020 and 2021 were comparable to the pre-pandemic year of 2018, despite a 6.6% decline in GDP growth during April 2020 to March 2021. Several factors helped Indian business to stay afloat during this period. Measures were announced to provide: a relaxation of repayment pressures, asset classification standstill, restructuring of loans, credit guarantees, and an improving access to working capital by mitigating the burden of debt servicing, to prevent the transmission of financial stress to the real economy and ensuring the continuity of viable businesses.



Source: NCLT

According to the central bank, debtors accounting for 40% of outstanding bank loans, availed the benefits of moratorium as on 31 August 2020. While 77.5% of MSMEs availed moratorium which constituted 69.3% of the total exposure of the financial sector to these players, in the corporate sector, 31.3% of companies availed the facility – which was 34.2% of the sector's total loans from the banking sector.

The fiscal and monetary measures not only supported businesses, but also led to under-reporting of the bankruptcy cases. Suspension of the initiation of the corporate insolvency process under the Insolvency and Bankruptcy Code for one year from March 2020 and increasing the minimum threshold from INR 100,000 to INR10 million, to help medium, small and micro enterprises (MSMEs), also contributed to the steep fall in cases of insolvency. Cases fell by 55% in 2020 from the previous year, and increased only by 3% in 2021. MSMEs, which largely bore the brunt of the pandemic, remained relatively insulated from the corporate insolvency resolution process. Furthermore, in April 2021, a pre-packaged insolvency resolution process for MSMEs was introduced. With a completion timeframe of 120 days from the commencement date, this process sought to ensure quicker and more cost-effective outcomes for all the stakeholders.

Apart from the regulatory forbearance policies and the government's fiscal measures, low debt financing by Indian corporates compared to their global counterparts also contributed to faster recovery and lower default rates. In 2021-22, capital markets were an important source for raising funds for business revival. The money raised by IPOs during April-November 2021 has been the highest amount in the last decade. Sales performance of the large companies further improved with the gradual opening of the economy. Data drawn from the central bank shows that the sales growth of a selected sample of listed non-government non-financial companies gathered pace and grew by 25.3% in Q3 2021-22 (Sep to Dec 2021) compared to 4% during the same quarter a year ago.

While the relaxation of the IBC during the pandemic played a major role, the continued resolution process under the IBC has also led to the decline in the number of insolvency cases during 2020-21. As of September 2021, out of 4,708 cases admitted to the Corporate Insolvency Resolution Process, nearly 65% have been closed - either by resolution, withdrawal or liquidation. In value terms, around 74% of distressed assets have been rescued.

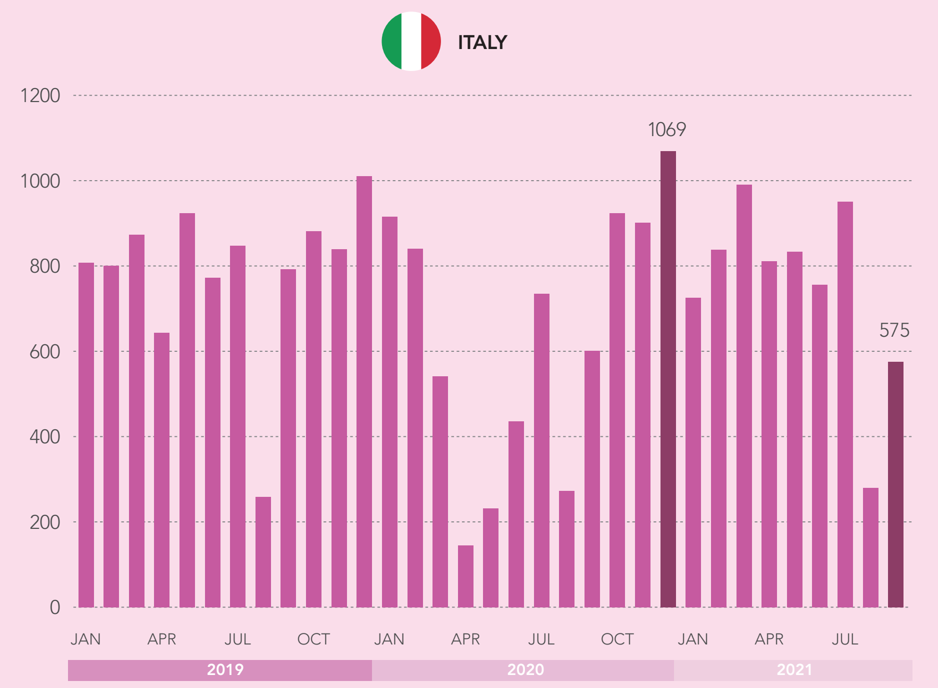
Looking ahead bankruptcy cases are expected to increase, albeit moderately, as regulatory measures are withdrawn and the profitability of businesses comes under pressure from rising raw material costs, an expected increase in interest rates, volatility in the rupee, supply chain disruption, and continued uncertainty from COVID-19 variants. Besides, the economic uncertainty from the Russia-Ukraine conflict would keep investors' sentiment subdued. While an increase in bank lending, record high valuations and recovering consumer demand would lend some support to businesses, there could be pockets of financial distress which would need close monitoring by tapping into various forms of alternative data and analytical insights.

In the run up to the pandemic, the Indian corporate sector was already showing signs of stress. Apart from the regulatory forbearance policies and fiscal measures, the healthy recovery of the corporate sector has helped Indian businesses to stay afloat and recover from the pandemic. Looking ahead, bankruptcy cases are expected to increase, albeit moderately, as support measures are withdrawn and the profitability of businesses comes under pressure. There may be pockets of financial distress which would necessitate close monitoring by tapping into various forms of alternative data and analytical insights.

BUSINESS FAILURES AND CONTEXT IN ITALY

Between January 2021 and September 2021, the number of business liquidations in Italy increased by 43% against the same 12-month period in 2020. Overall, 575 companies were liquidated according to our proprietary data. This sharp increase is observed despite the fact that some of the income support and debt relief measures introduced at the outset of the pandemic have not yet been wound down, and are currently still fully in place.

Looking ahead, the full reversal of Covid-related measures in 2022 might occur simultaeously with the withdrawal of government support measures for firms and workers. While the higher vaccination rate in Italy will also play a major in determining insolvency risk in 2022, the Russian-Ukraine crisis poses new challenges to businesses, which might result in higher-than-expected solvency risk. While it is difficult to predict the net effect of all these factors, on balance, we see an increase in insolvency risk in 2022. Note that 2022 is also a crucial year for the rolling out of the Italian National Recovery and Resilience Plan, which will lead the EU to disburse EUR68.9bn in grants and EUR122.6bn in loans under the Recovery and Resilience Facility.



Source: Cribis D&B Srl

Italian insolvencies have seen a sharp increase in 2021. Multiple factors will determine the country risk credit in 2022, such as the relaxation of Covid restrictions and Covid-related support measures, as well as the level of vaccine protection in the country and the roll out of the National Recovery and Resilience Plan. On balance, we see an increase in insolvency risk in the first half of 2022, which is however likely to decrease towards the end of the year.

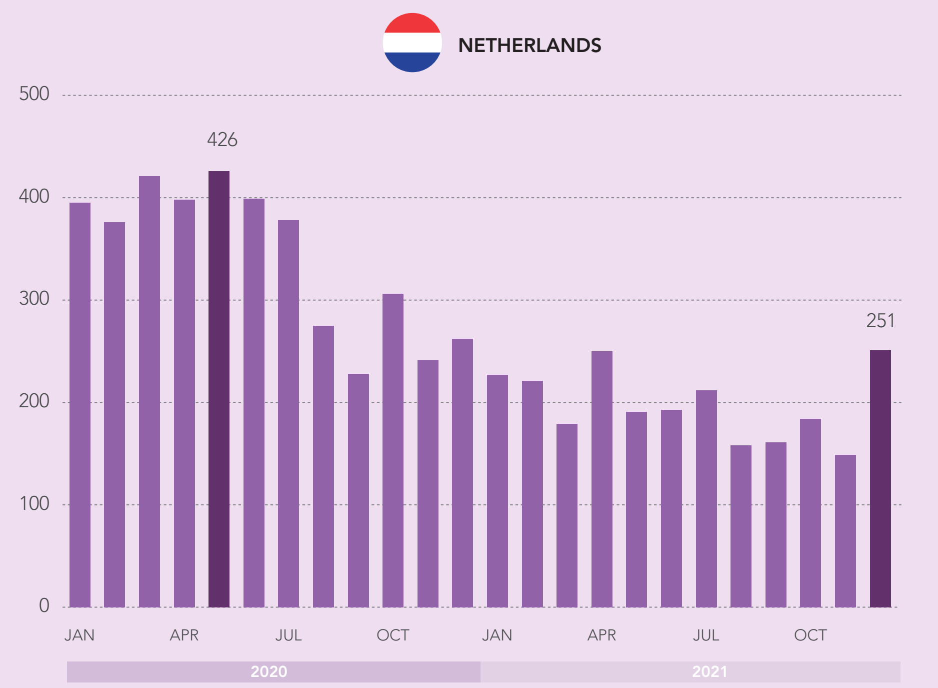
BUSINESS FAILURES AND CONTEXT IN NETHERLANDS

After the initial outbreak of Covid and the stringent restrictions to contain it, the number of bankruptcies in the Netherlands peaked at 426 firms in May 2020, according to Dun & Bradstreet proprietary data on bankruptcy filings.

Since then, there has been a significant fall in the number of liquidations, reaching its trough at 149 in November 2021. Including December's data, a total of 2,376 firms went bankrupt in 2021, the lowest on our records and a decline of 42% from the previous year.

Several European countries, such as Italy, Belgium and Spain, have seen an increase in bankruptcies over the same period. The Netherlands has bucked the trend, likely due to the government's extensive support measures. The Temporary Emergency Bridging Measure for Sustained Employment (Tijdelijke Noodmaatregel Overbrugging voor Werkbehoud, NOW) scheme, first introduced in the spring of 2020 to support struggling firms and entrepreneurs, was in effect until October 2021, which greatly benefitted businesses.

Our findings are consonant with bankruptcy data compiled by the Dutch Central Bureau of Statistics. A sectoral breakdown of the official data shows that the highest number of bankruptcies recorded over the past two years are in trade, construction, and specialist business services. Financial services with ties to Russia and tourism will also come under increased duress.



Source: D&B Netherlands

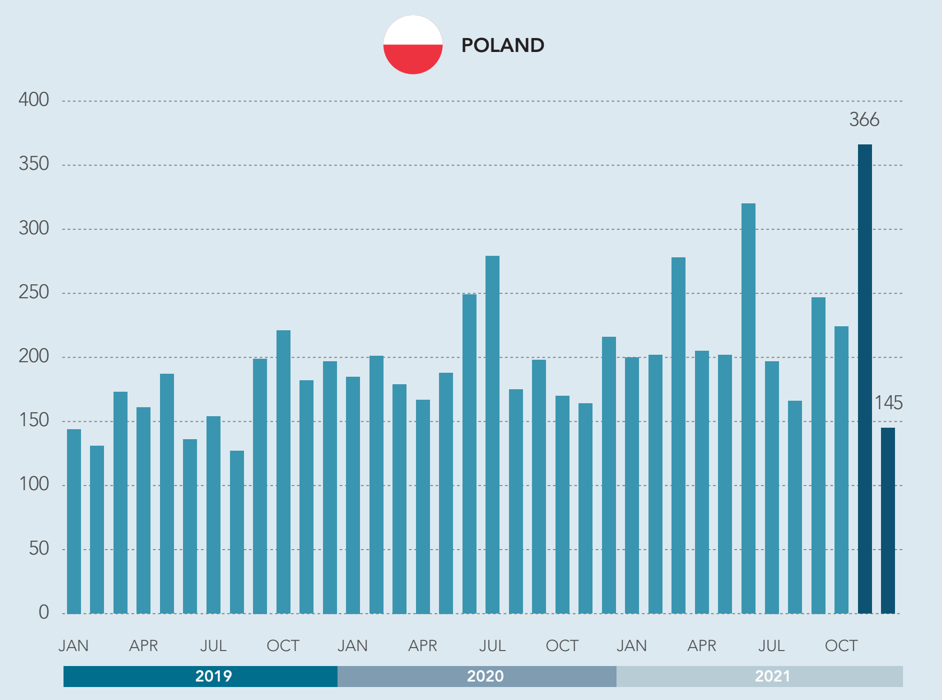
On balance, Netherlands has fared better than some its European counterparts, but we anticipate a rise in non-payments in the first quarter of 2022. The Central Planning Bureau (CPB) has warned that ongoing support has been successful in keeping bankruptcies low but there is risk of a sharp uptick now these measures have been withdrawn.

BUSINESS FAILURES AND CONTEXT IN POLAND

The count of business failures in Poland has been increasing, reflected in 2021 numbers which have increased by 16% to 2,752. It appears that the number of new bankruptcies and restructuring procedures will continue to grow as a result of the depletion of funds from direct public aid for businesses, along with an increase in the tax burden of economic activity. Tax increases for businesses are part of the new government programme, the so-called 'Polish order'. As a result the number of bankruptcies and restructuring are expected to grow, albeit over a period of time.

To limit the economic and social effects of Covid-19, businesses received financial aid from the state budget, which was aimed at maintaining jobs and preventing a wave of bankruptcies. The restructuring laws have been amended to make it easier for debtors in financial difficulties to complete the restructuring process quickly. The huge financial support provided by the government to counter the economic effect of Covid-19 has helped to restrict the number of bankruptcies. However, some entities will not regain their financial balance and go bankrupt once fiscal aids are withdrawn.

Poland has high energy dependence on Russia and the Russia-Ukraine crisis could drive bankruptcies of firms closely linked to Russian entities, or those that have exposure to the commodities as input material. A recessionary pressure in Europe as an after-effect of the Russia-Ukraine war would also heighten bankruptcy risks.



Source: D&B Europe (Poland)

Despite the strong intervention by the government and relaxed restructuring laws, bankruptcies in Poland have increased and look as if they will rise further in 2022. The change in consumer preferences, rising input costs, supply disruptions, high omicron cases, and geo-political tensions with Russia and the EU are the key reasons for higher bankruptcy numbers.

BUSINESS FAILURES AND CONTEXT IN RUSSIA

Bankruptcies in Russia declined by 5% during Jan-Nov 2021 to 6,537 compared to the same period in 2020. As a support measure to protect firms during the pandemic, the Russian government announced a moratorium on the initiation of bankruptcy proceedings from April 2020 for companies in the most affected industries – this was in effect until January 2021.

Bankruptcy filings in Russia will shoot up in 2022 due to economic fallout of the coronavirus, a new simplified procedure and higher awareness of bankruptcy as an option for the seriously indebted. The Russian government has introduced a six-month moratorium on initiating bankruptcy proceedings for some categories of debtors as part of its limited package of measures to support the economy through the coronavirus crisis.

The Russian invasion of Ukraine has significantly deteriorated the business landscape in Russia. With comprehensive sanctions imposed against much of the Russian economy, the bankruptcy risk in Russia has increased sharply. We are likely to witness a significantly higher number of Russian businesses succumbing to the double whammy of sanctions as well as huge trade disruptions, leading to low demand coupled with an increasingly onerous business environment.

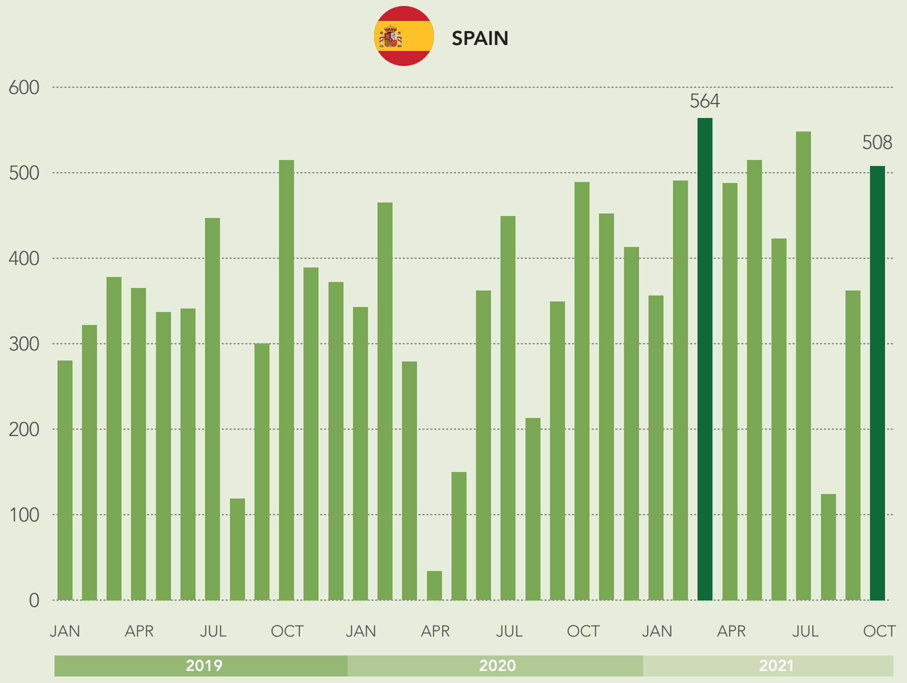
Source: Interfax – Dun & Bradstreet

There has been a modest reduction in corporate bankruptcies in Russia due to the government's new relaxed bankruptcy laws and the general buoyancy of business activities. However, a tense environment, combined with EU and US sanctions, higher interest rates, less availability of funding along with high omicron cases could result in rising bankruptcies in 2022.

BUSINESS FAILURES AND CONTEXT IN SPAIN

Data from Dun & Bradstreet's Worldwide Network alliance member, Informa, shows that between January and October of 2021, the number of business liquidations in Spain increased by 40% against the same 10-month period in 2020. According to a private study, the hospitality sector accounted for the largest contribution to the rise. The acceleration is skewed because of outsized increases for the months of March to May 2020 when lockdowns during the initial phase of the pandemic prevented normal functioning of courts and bankruptcy procedures. Moreover, the government suspended the obligation to declare bankruptcy in March 2020, and later extended the moratorium until June 2022 to avoid an avalanche of business failures.

These measures have recently come under some criticism, as the extension is hiding 'zombie' companies which should have been liquidated under normal circumstances. Indeed, we have seen a gradual deterioration in our Delinquency Risk Predictor for Spanish companies since August 2021, which predicts the likelihood that a company will pay in a severely delinquent manner or seek legal relief over the next 12 months. The Spanish government recently proposed a pre-restructuring process to try to tackle insolvency at an early stage and meet a major condition to obtain European Union recovery funds. Among sectors, tourism will remain under stress as arrivals from Russia, who were the second largest spenders in 2020, stop entirely.



Source: Informa – Spain

The sharp rise in bankruptcies in Spain, despite favourable macroprudential policies, is a cause for concern. Spanish companies have been among the most active in Europe in applying for state-backed credit and liquidity lines during the pandemic. Once fiscal support is removed and the moratorium on bankruptcy lifted, there is a heightened risk of payment delays and insolvencies in the second half of 2022.

BUSINESS FAILURES AND CONTEXT IN SWITZERLAND

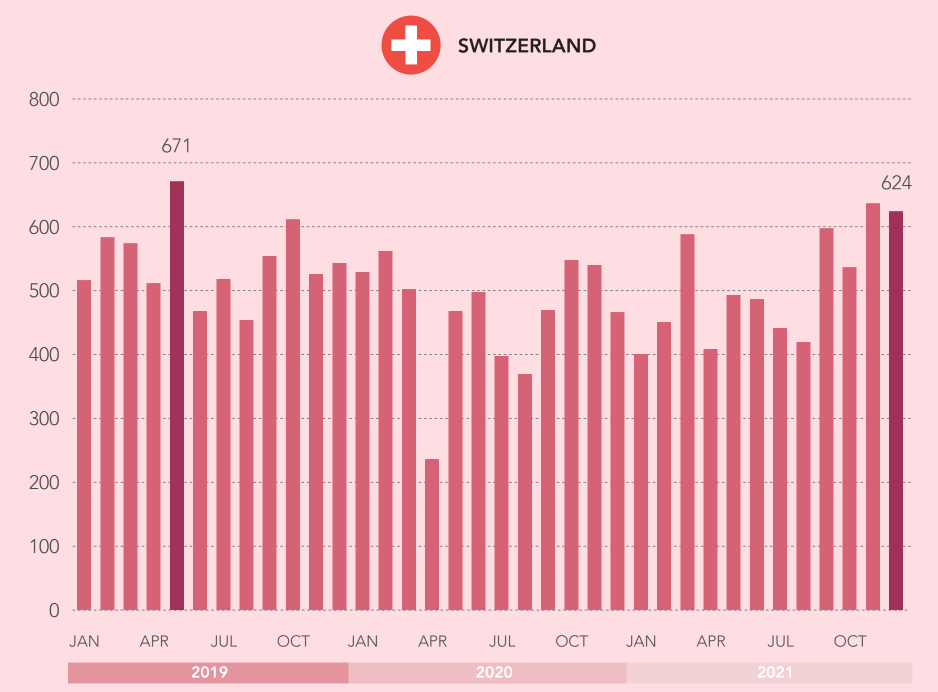
Corporate bankruptcies in Switzerland have increased to 6,082 in 2021, a rise of 9% compared to 2020. However, the number of insolvency closures has remained relatively low during this period on account of the federal government's support, such as financial state aid measures to a total value of CHF42 billion, government-backed bridge loans, and a modified insolvency regime.

Facilitated credit and the introduction of partial unemployment have also enabled many companies to remain in business and avoid liquidation proceedings.

The geographical distribution of insolvency proceedings is not uniform. The Mittelland and Eastern Switzerland recorded the highest increases, of 18% and 15% respectively. In sharp contrast, the South West saw a 5% decrease in liquidations. The biggest fall was in Ticino (-17%).

The financial position of Swiss companies has worsened due to an increase in debt or a drop in liquidity and a decline in earnings. With the end of the financial state measures in early 2022, the Swiss economy may face a rise in the number of bankruptcies and insolvencies. As state support measures come to an end in 2022, there is a high risk that delayed bankruptcies from 2020 and 2021 start to materialise in 2022.

The Russian-Ukraine crisis has significantly increased the bankruptcy risks in Switzerland. Swiss businesses have high exposure to Russia, especially in banking and financial services, commodity trading, and the chemical and phermaceutical industries. Firms in these sectors, especially small and mid-sized firms, with limited financial muscle to react to the changing dynamics would be the ones more prone to failure.



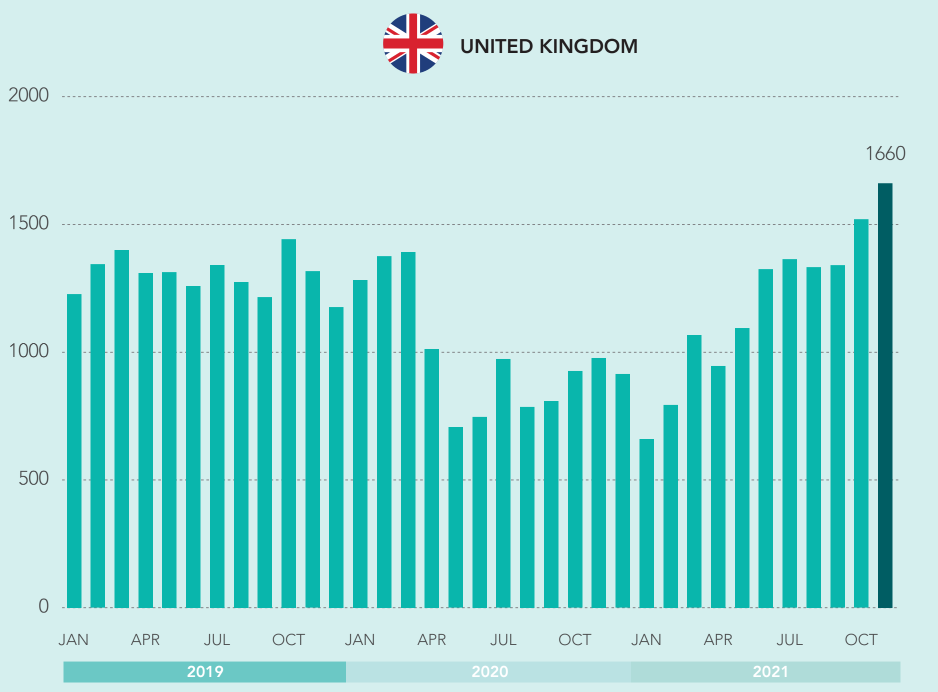
Source: D&B Europe (Switzerland)

While the federal government's support mechanism helped Swiss companies delay bankruptcies in many cases, with the removal of these measures in 2022, there is a high risk of increased bankruptcies in 2022; this is also reflected in a higher number of companies filing for bankruptcy in Q4 2021.

BUSINESS FAILURES AND CONTEXT IN UK

Between January and November 2021, the number of business liquidations in the UK increased by 19% against the same 11-month period in 2020. Overall, 13,098 firms were liquidated according to our proprietary data. Sectoral full-year data shows that all 14 sectors included in our detailed UK analysis reported a year-on-year increase in entities going out of business in 2021. The span ranges from a 22.8% increase in consumer manufacturing, to a 90.9% spike in public administration (albeit from a significantly low base). The sharp increase is likely due to a mix of factors, some of which may have artificially masked the impact of the pandemic on credit risk in 2020. Firstly, several government support measures have gradually been phased out over the course of 2021, including the generous Coronavirus Job Retention Scheme, which was in place between March 2020 and September 2021. Secondly, with Covid restrictions becoming less stringent, courts will, at least partly, have processed the backlog of bankruptcy-related files.

Looking ahead, the full reversal of Covid-related restrictions, the end of the government support for firms and workers, and the high vaccination rate in the UK, will all play a major role in determining insolvency risk in 2022. Although the UK is less directly exposed to trade with Russia and less reliant on Russia for energy supplies than other major continental economies, higher prices and volatility in commodity markets will be major risks for businesses and are likely to increase solvency risk in 2022.



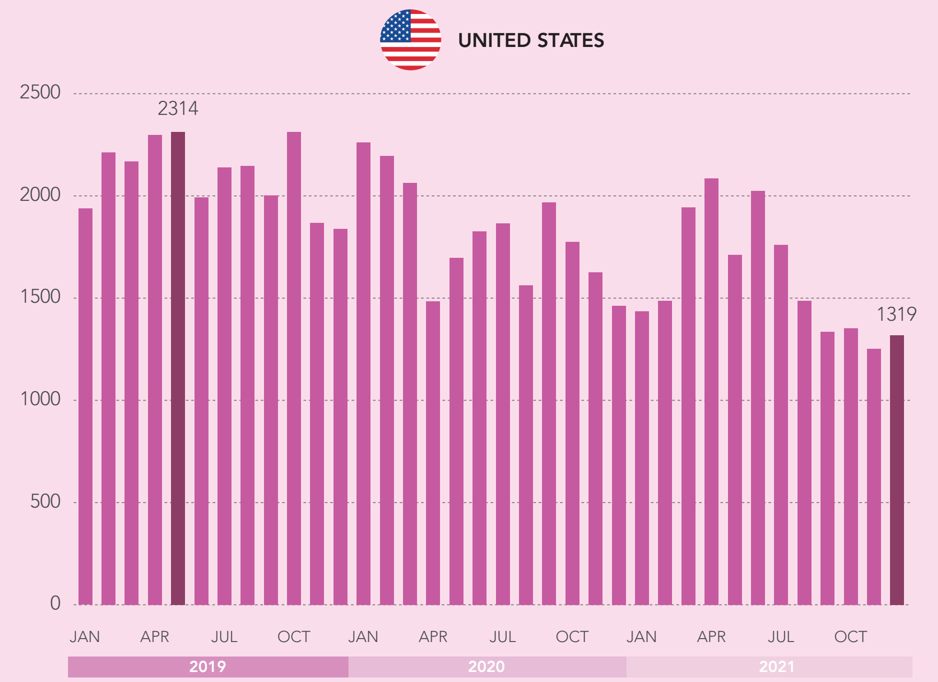
Source: Dun & Bradstreet – United Kingdom

Looking ahead, the full reversal of Covid-related measures, the end of the government support for firms and workers, and the large number of vaccinated in the UK, will all play a major role in determining insolvency risk in 2022. On balance, we forecast an increase in insolvency risk in the first half of 2022, which is however likely to decrease during the second half of the year.

BUSINESS FAILURES AND CONTEXT IN U.S.

In 2021 the number of commercial bankruptcies fell by 11.9% year-on-year as 19,196 businesses closed, compared to a 14% year-on-year drop in cessations in 2020, due to extensive fiscal relief packages, including the Paycheck Protection Program (PPP) that ended in May 2021, and the Small Business Administration's Economic Injury Disaster Loans (EIDL) which concluded in December 2021. While total bankruptcies for the services sector rose by 9.9% year-on-year with 14,061 businesses closing in 2021, all other sectors recorded year-on-year declines in business closures, with retail trade down by nearly 51% year-on-year. At the state level a mixed picture emerged, with the largest states - California, New York, Florida, and Texas, which were the top four recipients of PPP and EIDL loans – recording year-on-year drops in business cessation rates in 2021, while Alabama, Louisiana, and Nevada had markedly higher rates of bankruptcies compared to 2020.

Looking ahead, the deterioration in small businesses' payment performance in December 2021 may be an early signal of an uptick in closures in this segment, especially given the anticipated start of monetary tightening by the US Fed. In March 2022 the FOMC will initiate the first of several policy interest rate hikes expected for 2022. Dun & Bradstreet's Small Business Health Index (SBHI) which measures payment patterns, failure rates and credit use, dropped 0.2 percentage points in December to a 14-month low, with a deterioration in credit card delinquencies and business failures underpinning the decline. Relatedly, the U.S. economy will grow at a slower pace in 2022 as monetary tightening, high inflation and the ongoing pandemic weigh on business and consumer sentiment for the rest of the year.



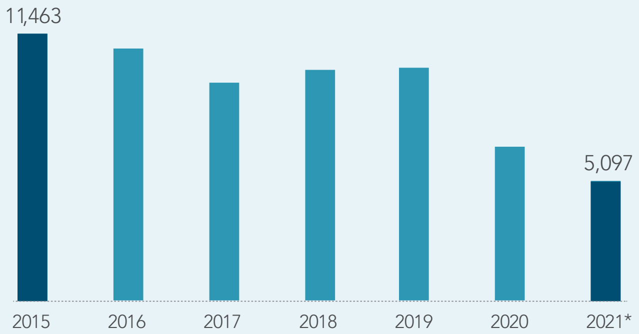
Source: Dun & Bradstreet – United States

The FOMC's hawkish stance in 2021, high inflation, and the absence of massive fiscal pandemic-relief programmes are key threats to business viability, particularly for small and mid-sized enterprises.

Charts

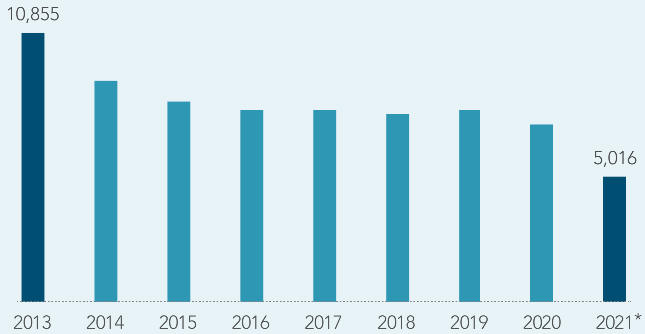
ASIA/OCEANIA

AUSTRALIA



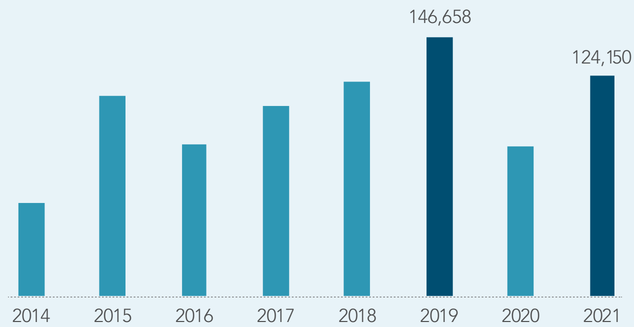
Source: Australian Securities and Investments Commission
*Data up to Oct

JAPAN



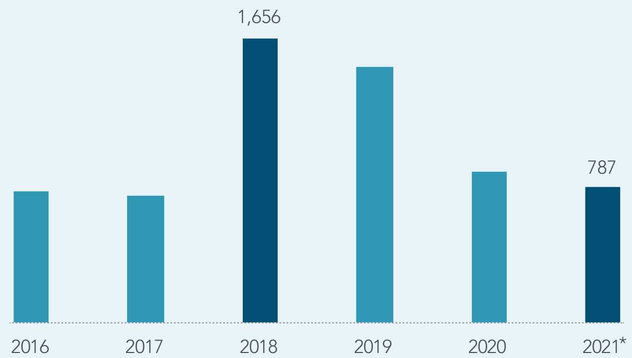
Source: Tokyo Shoko Research
*Data up to Oct

HONG KONG



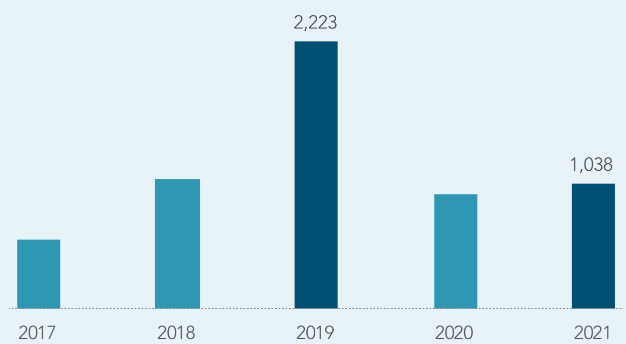
Source: Dun & Bradstreet – Hong Kong

SINGAPORE



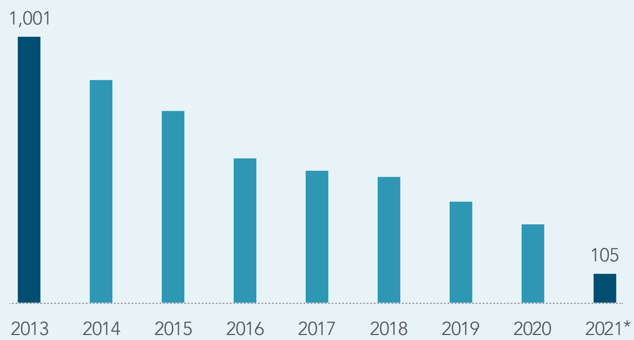
Source: Dun & Bradstreet Singapore
*Data up to Oct

INDIA



Source: NCLT

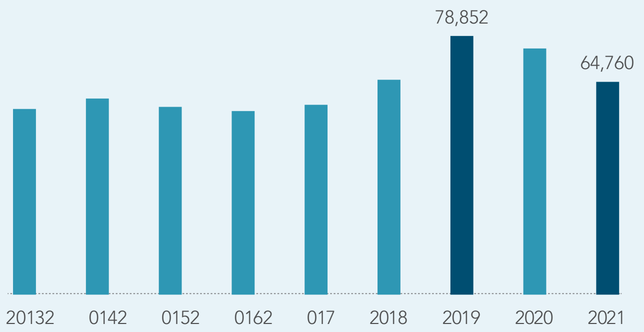
SOUTH KOREA



Source: NICE D&B
*Data up to Aug

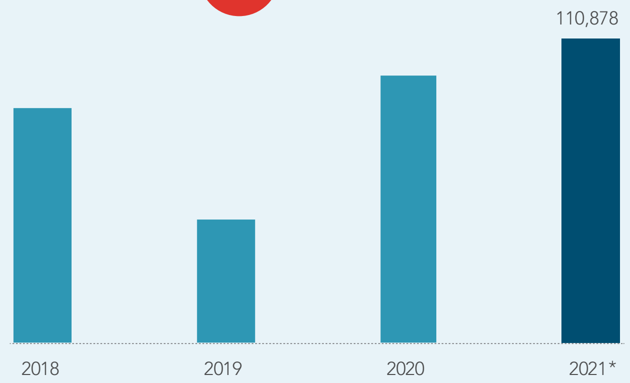
ASIA/OCEANIA

TAIWAN REGION



Source: D&B Taiwan (Ministry of Economic Affairs, R.O.C.)

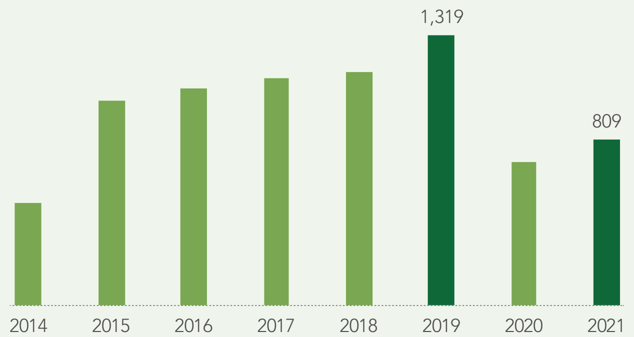
VIETNAM



Source: Dun & Bradstreet – Vietnam : General Statistics Office of Vietnam
*Data up to Nov

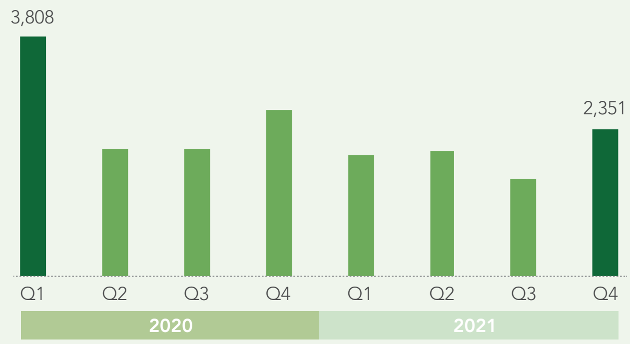
EUROPE

AUSTRIA



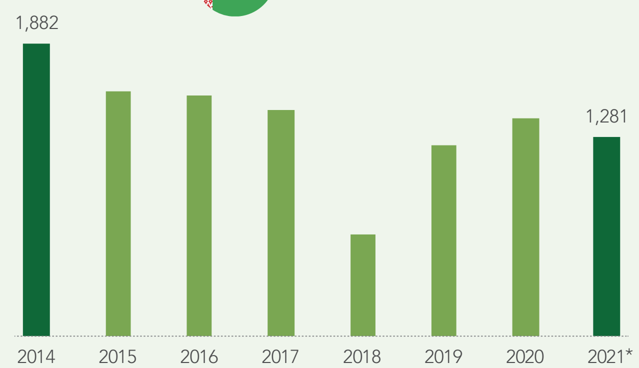
Source: D&B Europe (Austria)

BELGIUM



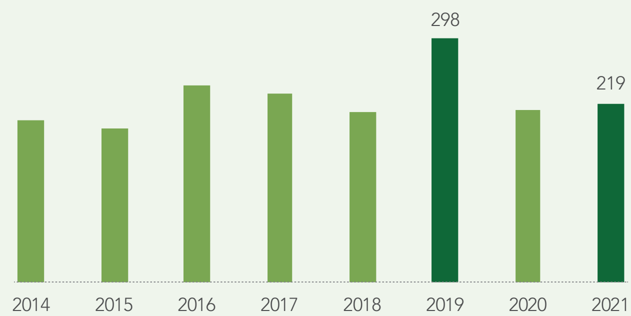
Source: Altares

BELARUS



Source: Interfax – Dun & Bradstreet : Ministry of Economy of the Republic of Belarus
*Data up to Sept

BOSNIA

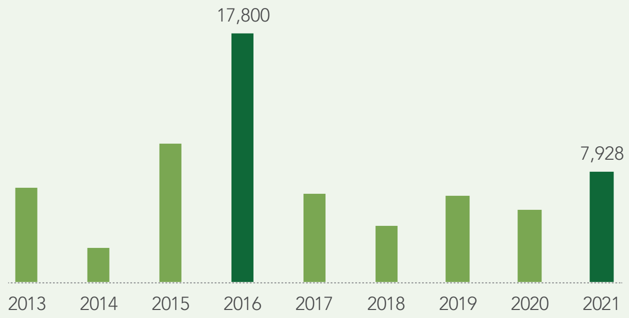


Source: D&B Europe (Southern Market : Bosnia)

Charts

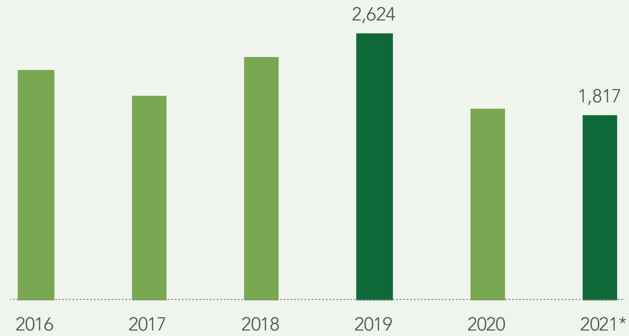
EUROPE

CROATIA



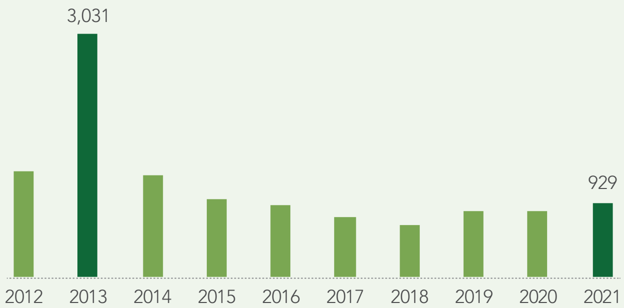
Source: D&B Europe (Southern Market : Croatia)

FINLAND



Source: D&B Europe (Finland : Statistics Finland)
*Data up to Q3

CZECH REPUBLIC

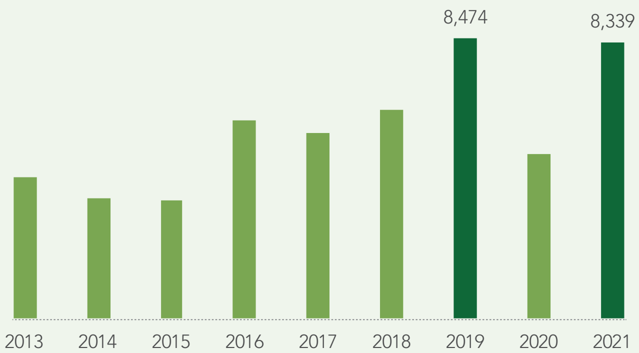


Source: D&B Europe (Czech Rep)

FRANCE

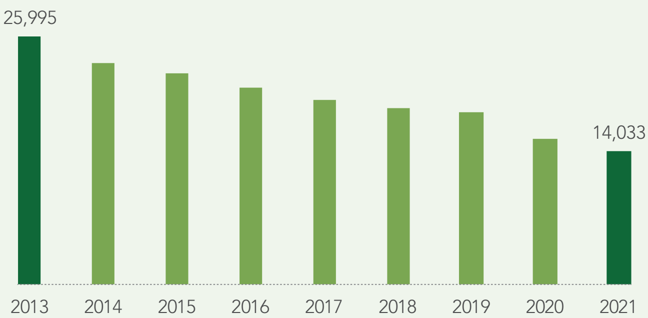
Source: Altares : ALTARES PROPRIETARY
*Data up to Oct

DENMARK



Source: D&B Europe (Denmark)

GERMANY

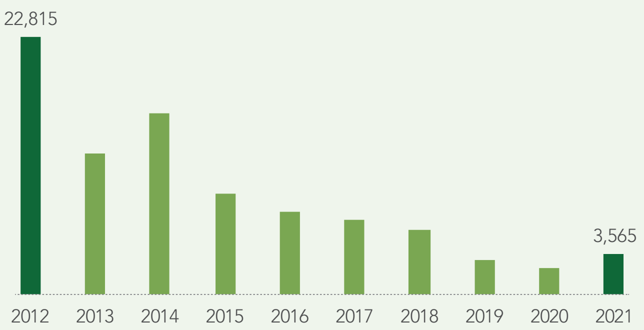


Source: D&B Europe (Germany : Federal Statistics Office)

Charts

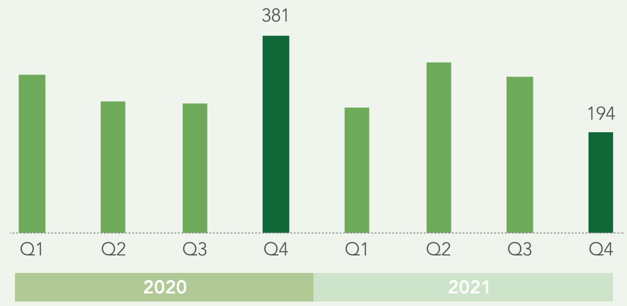
EUROPE

HUNGARY



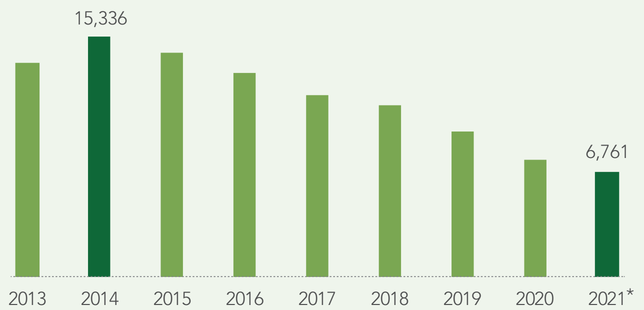
Source: D&B Europe (Hungary)

LUXEMBOURG



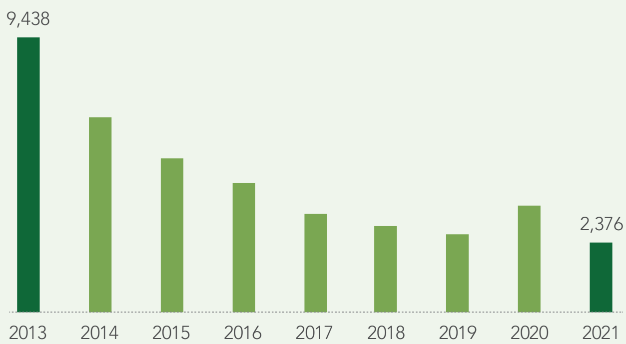
Source: Altares

ITALY



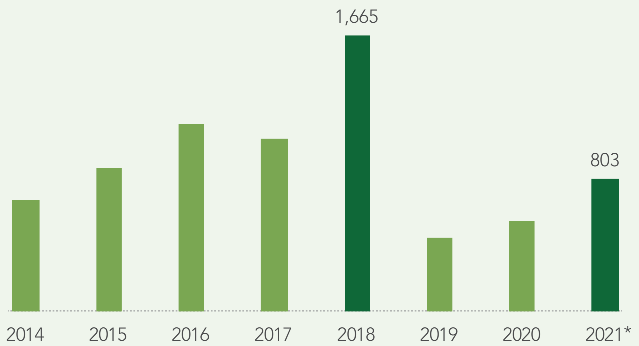
Source: Cribis D&B Srl
*Data up to Sept

NETHERLANDS



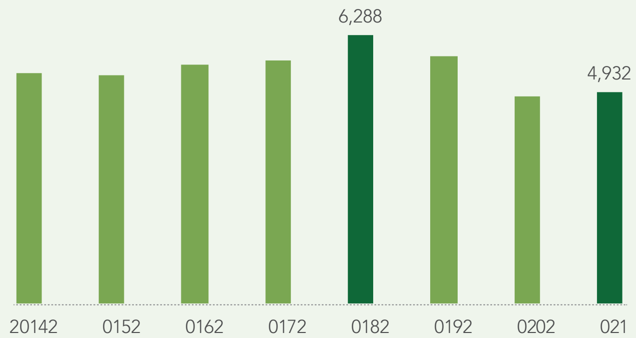
Source: D&B Netherlands

KAZAKHSTAN



Source: Interfax – Dun & Bradstreet
*Data up to Sept

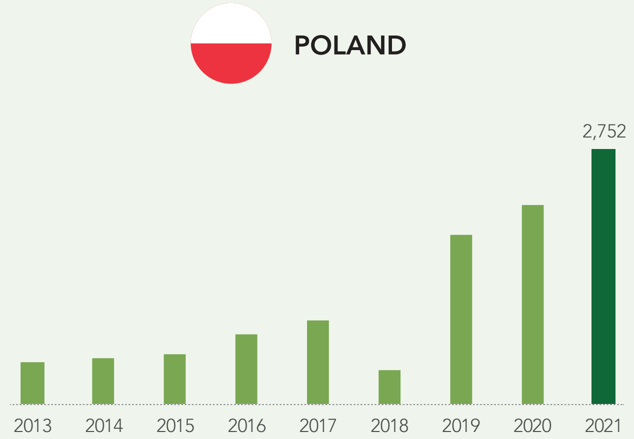
NORWAY



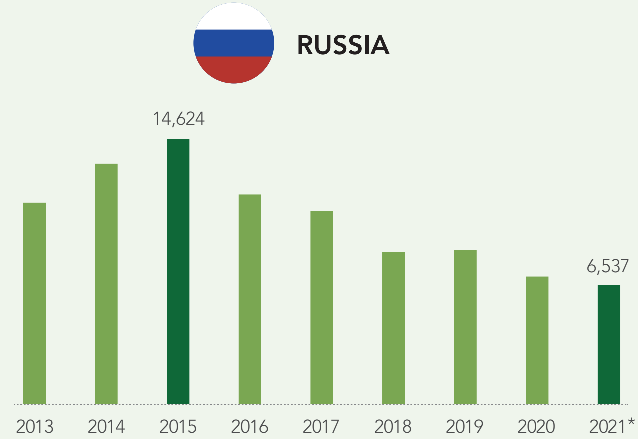
Source: D&B Europe (Norway)

Charts

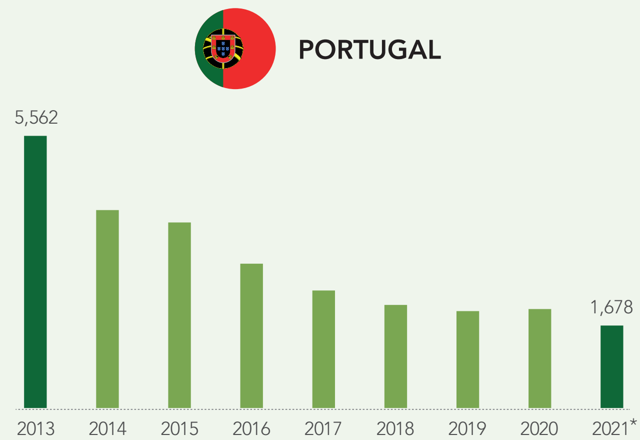
EUROPE



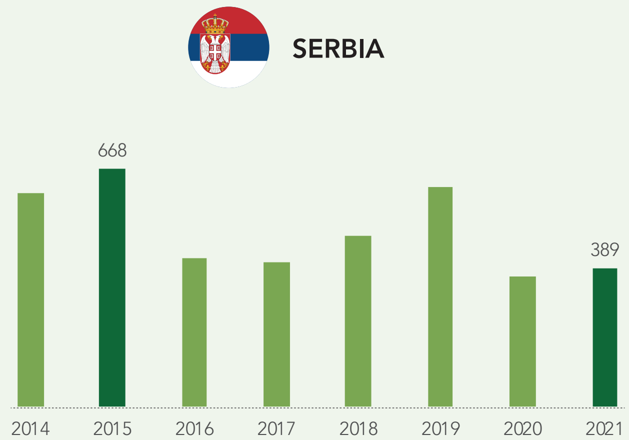
Source: D&B Europe (Poland)



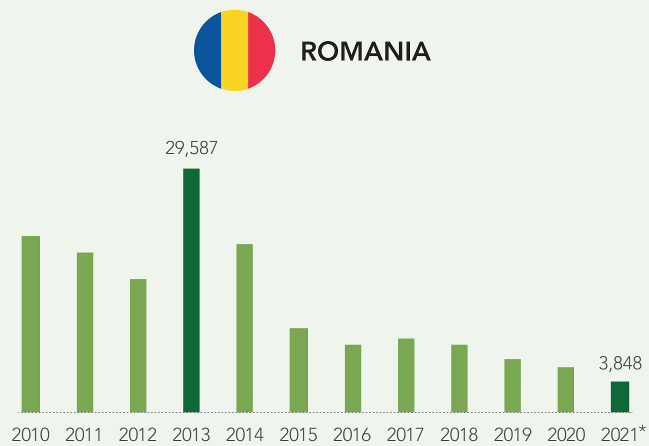
Source: Interfax – Dun & Bradstreet
*Data up to Nov



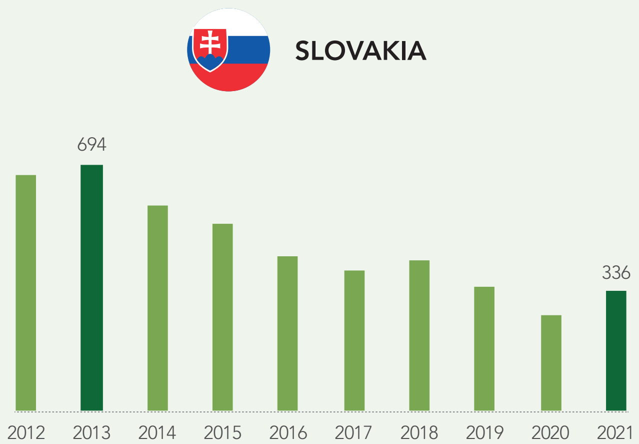
Source: Informa – Portugal
*Data up to Oct



Source: D&B Europe (Southern Market : Serbia)



Source: I CAP – Romania
*Data up to Q3

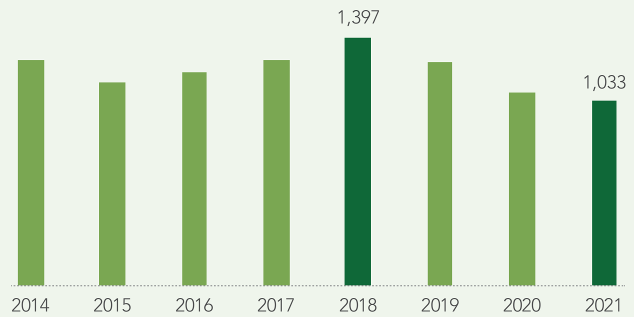


Source: D&B Europe (Slovakia)

Charts

EUROPE

SLOVENIA

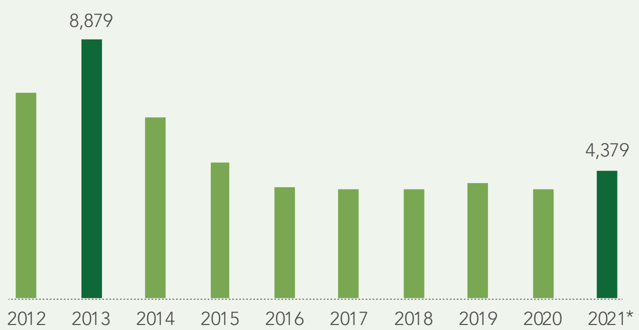


Source: D&B Europe (Southern Market : Slovenia)

SWITZERLAND

Source: D&B Europe (Switzerland)

SPAIN

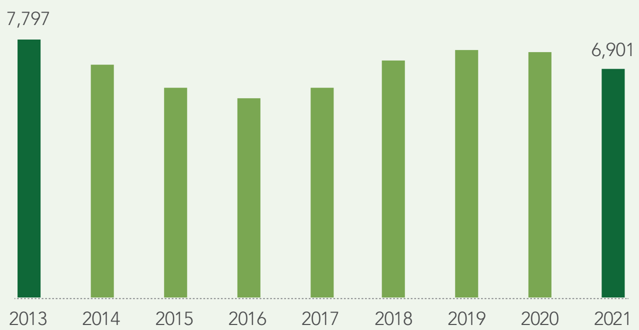


Source: Informa – Spain
*Data up to Oct

TURKEY

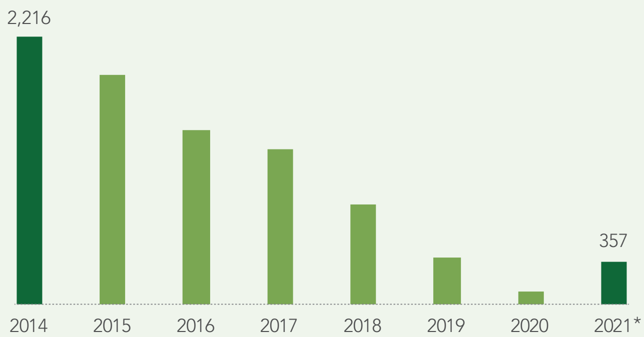
Source: TOBB/CRIF Turkey (D&B Turkey)
*Data up to Oct

SWEDEN



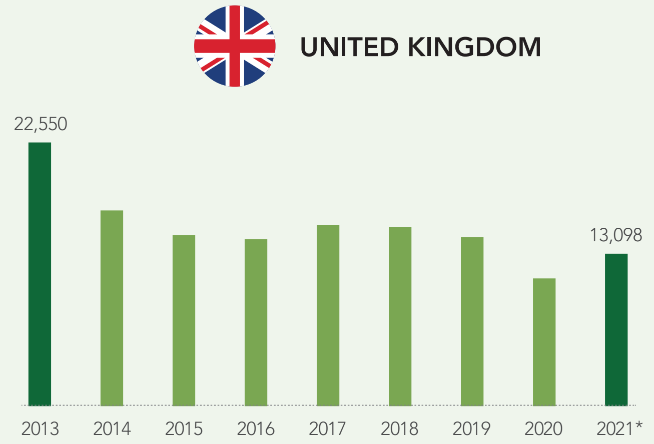
Source: D&B Europe (Sweden: Statistics Sweden)

UKRAINE



Source: Interfax – Dun & Bradstreet
*Data up to Nov

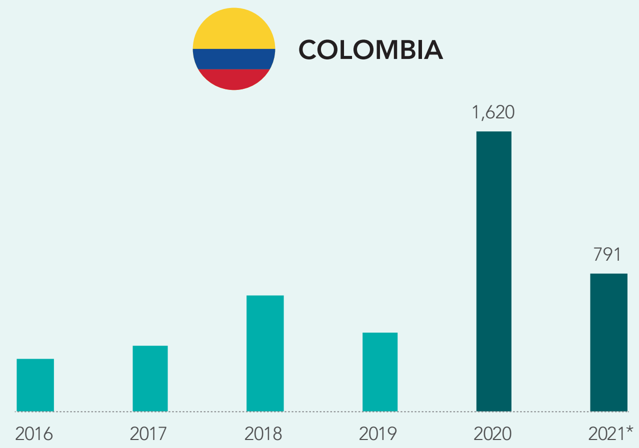
EUROPE



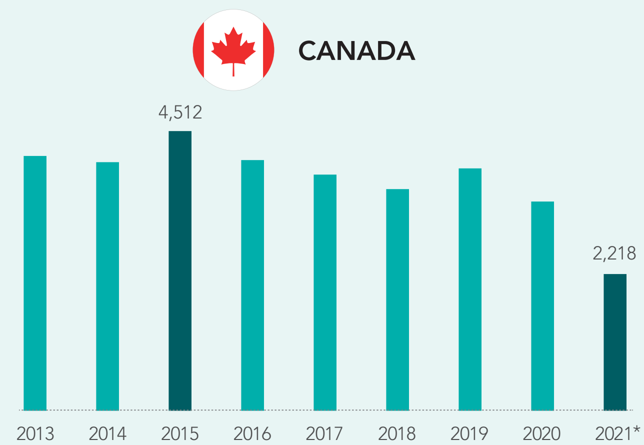
Source: Dun & Bradstreet – United Kingdom
*Data up to Nov

AMERICAS

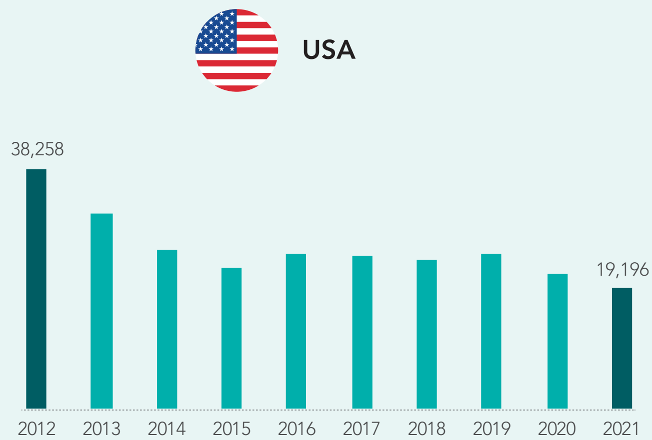
Source: Cial D&B : Argentina's Official Bulletin



Source: Informa
*Data up to Nov



Source: Dun & Bradstreet – Canada
*Data up to Oct



Dun & Bradstreet – United States

Dun & Bradstreet's data comes from the Data Cloud, which delivers the world's most comprehensive business data and insights to improve performance. The Data Cloud provides unparalleled depth and breadth of business information - it is comprised of over 450 million business records, and each record contains thousands of attributes, including firmographic data and trade payment data.

ASSESS MACRO AND MICRO LEVEL RISKS

- Monitoring country, sector and counter-party risks will help businesses create better strategic plans to limit payment delinquency, guide cash-flow management decisions, and strengthen supply chain resilience.

- Dun & Bradstreet's Finance Analytics and Risk Analytics solutions help automate some risk decisions, as well as accelerate supplier due diligence and help with compliance screening.

MAXIMISE PROFITABILITY WITH DATA, INSIGHTS AND AUTOMATION

- Dun & Bradstreet's Finance and Risk solutions can help businesses to use rich, actionable data to drive growth while improving efficiency, agility and decision-making capability.

- Dun & Bradstreet's coronavirus resources can help businesses identify the pandemic's changing effects on locations, industries, and supplier and customer networks to improve cash-flow management and plan for post-pandemic profitability.

AN INTEGRATED GLOBAL PERSPECTIVE

- A global view enables mitigation of emerging cross-border risks, and the ability to grasp growth opportunities, wherever they are, in a timely way.

- Dun & Bradstreet's Country Insight Reports provide forecasts and business recommendations for 132 economies, allowing businesses to monitor and respond to economic, commercial and political risks in the markets in which they operate.

Please contact your Dun & Bradstreet account manager today to learn how to manage your risk profile properly and plan for sustainable success.

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About Dun & Bradstreet

Dun & Bradstreet, a leading global provider of B2B data, insights and AI-driven platforms, helps organizations around the world grow and thrive. Dun & Bradstreet's Data Cloud fuels solutions and delivers insights that empower customers to grow revenue, increase margins, manage risk, and help stay compliant – even in changing times. Since 1841, companies of every size have relied on Dun & Bradstreet. Dun & Bradstreet is publicly traded on the New York Stock Exchange (NYSE: DNB). Twitter: @DunBradstreet

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