

### **Atradius: Insolvencies rise for first time in 10 years**

Global insolvencies are rising for the first time in a decade with the greatest uptick seen in the UK, reports leading economists at trade credit insurer [Atradius](#).

The Insolvency Outlook report by Atradius forecasts business failure rates in developed markets will increase by 2.8% this year – the first rise since the global financial crisis. The rise is largely driven by the loss of momentum in the global economy with growth forecast to slow from 3.2% last year down to 2.6%.

Across Western Europe, business failures are forecast by Atradius to increase by 2.7% this year and 0.7% in 2020. Slowing economic growth, the escalation of the US-China trade war and looming uncertainty surrounding Brexit and Italian politics are the key drivers of the upswing. According to the Atradius Insolvency Outlook, published in August ahead of the Westminster travails, the UK faces the highest insolvency increase across all advanced markets, forecast to rise as much as 10% in 2019. The continuing Brexit uncertainty brings delay to any recovery of sterling, keeps inflation elevated and prolongs the drag on business investment. 2020 is forecast to be another difficult year with a 5% insolvency increase; based on a scenario where Article 50 is extended in October with a smooth transition. However, the prospects of a no-deal Brexit or further delay to Brexit followed by a general election are likely to put further upward pressure on failure rates.

Elsewhere in Europe, a 4% increase is forecast for Switzerland, Italy and Belgium. The record-high rate of business failures in Switzerland stems from the aftermath of the Eurozone debt crisis and the scrapping of the Swiss franc's ceiling against the euro. In Italy, the insolvency rise is the lagged effect from the mild recession in H2 2018 with future outlook subject to high political uncertainty. Meanwhile, weaker external demand is expected to weigh upon economic activity in France, with a 3% insolvency increase this year. Cooling growth and elevated uncertainty in Germany is expected to increase insolvencies by 1% this year with a 1% rise also forecast for the Netherlands.

Following a very strong decrease in H1, down nearly 29%, the insolvency outlook in Ireland no longer forecasts increase for 2019 although is likely to see a 2% rise next year; albeit the reality will be heavily influenced by the Brexit outcome. In Spain, after a 4% increase in 2018, insolvencies are forecast to decline 5% in 2019 with a decline of 6% also forecast for Portugal.

Across the Atlantic, a reversal in the downward trend of annual insolvencies is expected in the US with a forecast rise of 3% this year and 2% in 2020 on the back of trade policy uncertainty, higher tariffs on Chinese imports and increasing financial vulnerabilities. Following economic slowdown, Canada is forecast to see a 5% insolvency rise for 2019 and 2% rise for 2020. Finally, insolvencies in the Asia-Pacific region also face the first annual increase since 2009. In Japan, a 2% increase in insolvencies is forecast for both this year and next, while in Australia, insolvencies are also expected to increase 2% in 2019, but countered with a 3% decline forecast for 2020.

Stuart Ramsden, Head of Commercial for Atradius UK said: “The strain from a global economic slowdown, political uncertainty and trade tensions is evident, taking a toll on growth and contributing to the first global rise in insolvencies in a decade. However, businesses cannot be inhibited by this and if they want to achieve growth and must be prepared to face the challenges by protecting their business from any potential negative impact. A robust trade strategy is crucial with risks assessed and mitigated against in real time. Growth and opportunity are still there for the taking but only when hand-in-hand with caution and preparation. As a trade credit insurer, Atradius acts as a trade partner to business to identify both risk and opportunity and, should the worst happen, protect against non-payment.”

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