GLOBAL OUTLOOK WORSENS IN WAKE OF BREXIT, REPORTS ATRADIUS

A new report by trade credit insurer Atradius reveals that the Brexit referendum has been a catalyst for negativity across global economies.

The Insolvency Forecast economic research report reveals that there will be no overall improvement in insolvency levels in advanced markets in 2016 or 2017, the weakest performance since 2009.

The overall outlook for insolvencies has worsened through 2016 in line with downward revisions to GDP forecasts. Atradius warns that Brexit is likely to weigh on confidence in many advanced markets and has created financial market volatility. Global demand is predicted to remain subdued, as low commodity prices negatively affect economic growth in emerging markets. Looking forward to 2017, Atradius anticipates insolvency levels to show little or no improvement, both a cause and effect of a weakening business cycle.

In the UK, the vote to leave the EU has sparked a downward revision of GDP forecasts, which has led to a worsening of bankruptcy projections in a number of advanced markets. Insolvencies in the UK are projected to rise by 2% in 2016 and by 3% in 2017. In the Eurozone, Atradius forecasts only very modest insolvency improvements this year – with underlying insolvencies remaining at high levels. In 2017, despite an improvement, most countries will face higher levels of corporate bankruptcies compared to 2007.

Simon Rockett, Senior Risk Manager for Atradius, which has business intelligence on 200 million companies worldwide, said: "Brexit is already impacting confidence in the UK with PMI* contracting to a level not seen since April 2009. Confidence is likely to also be affected in a number of other Eurozone countries, particularly those with high exposure to the UK, for example we are already seeing an upward revision of insolvency forecasts for Ireland and Netherlands. The Brexit fallout is likely to extend further across European markets with countries struggling indirectly with the economic slowdowns."

Across advanced markets, the report found:

- Commodity-rich countries like **Australia** and **Norway** will continue to face headwinds following the decline in commodity prices. Bankruptcies for 2016 are forecast to increase by 8% in Australia and 2% in Norway.

- **Greece** is expected to face a 6% increase in business failures in 2016 followed by a further moderate rise next year.
- The **United States** is projected to see a 3% rise in insolvencies in 2016; a disruption of the downward trend visible since 2011.
- Insolvencies are also predicted to rise year on year in 2016 in **Finland, Switzerland, Denmark, Canada, New Zealand, Austria, Sweden** and **Luxembourg.**
- **The Netherlands** has faced economic difficulty in the wake of the 2009 recession, but is going through a period of catch-up growth mainly driven by higher domestic demand. Insolvency levels are forecast to fall by 6%. The improvement will slow down next year with a decline of just 4%
- **Ireland** has seen a strong improvement in insolvencies until this year, but this is expected to face stagnation in 2017.
- **Portugal** and **Italy** are expected to see a 2% decline in insolvencies this year. However, this slight improvement is from levels more than twice (Italy) or even four times (Portugal) as high as before the crisis. Vulnerabilities to external developments will put the brakes on improvements in 2017 in both economies.
- **Spain** is the best performer of the Eurozone with a 10% fall in bankruptcies anticipated in 2016. Spain is showing robust growth, though the economy is recovering from a very low level.

Mr Rockett continued: “Doing business both at home and overseas is inherently fraught with risk. A decline in confidence and the increasing uncertainty in the economy has a knock-on impact on the trading landscape. However, keeping trade links open is key to stimulating the economy. To achieve this, businesses must employ a robust risk management strategy in order to protect themselves from potential insolvencies and the subsequent risk of non-payment in what has become a more fragile economic climate.”

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* Purchasing Managers Index – an indicator of the economic health of the manufacturing sector

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