

CHART OF THE WEEK

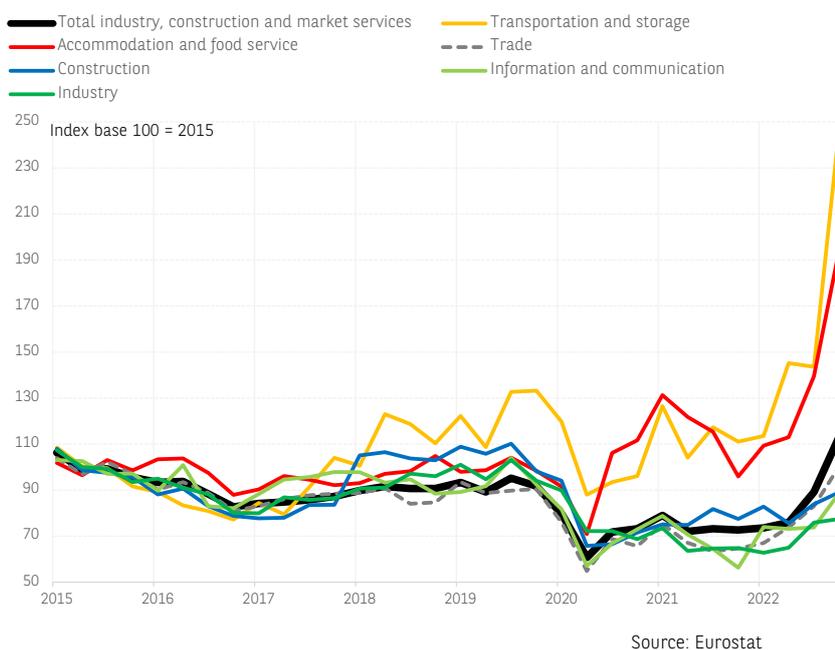


22 February 2023

EUROPEAN UNION: SECTORAL VARIATIONS IN BUSINESS BANKRUPTCIES

Thomas Humblot

European Union: Sectorial breakdown of bankruptcies



Business bankruptcies in the European Union increased significantly in the fourth quarter 2022 (+26.7% q/q), reaching their highest level since 2015 (+13.1% compared to this reference year), according to figures published by Eurostat on Friday 17 February. Nevertheless, for 2022 as a whole, the number of bankruptcies remained 12% below that of 2015.

The overall dynamics conceal large sectoral differences. Thus, in the fourth quarter of 2022, the industrial sector and, to a lesser extent, the information and communication sector, as well as the construction sector, still had bankruptcy levels below those prevailing in 2015 (respectively -22.5%, -11.3% and -10.9%). Other sectors, in contrast, had significantly higher levels, such as accommodation and food service activities (+94.5%) and, above all, transportation and storage (+147.3%). Besides, wholesale and retail trade was close to 2015 levels (+0.3%).

Sectoral differences are the result of specific factors such as the delayed effects of containment, the end of public support measures in several countries, and the rise in energy prices which is hitting the transportation sector more heavily.

For the time being, data from the European Banking Authority, published up to the third quarter 2022, show a very slight increase in the proportion of outstanding loans classified as underperforming, or in stage 2 within the meaning of IFRS 9 (9.5% in September 2022 compared to 8.7% in March 2022). In contrast, the share of outstanding loans classified as non-performing, or in stage 3 under IFRS 9, was lower (2.1% in September 2022 compared to 2.6% in March 2022). The impact of the recrudescence of business bankruptcies on banks' cost of risk should be limited, at least in part, thanks to the substantial provisions built up (stage 2) in early 2022.

thomas.humblot@bnpparibas.com

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Head office: 16 boulevard des Italiens - 75009 Paris France / Phone : +33 (0) 1.42.98.12.34
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