



Summer 2008

no.1 Business insolvency
worldwide

Simultaneous economic shocks and rising insolvencies
worldwide

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Insolvency Outlook



EULER HERMES

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Editorial

Globalisation put to the test

Expected change in insolvencies*Annual change in %*

	2008	2007
Spain	90%	3%
Czech Republic	50%	-10%
USA	35%	44%
Ireland	31%	-3%
Hungary	20%	3%
Global Insolvency Index	15%	6%
Euro zone	12%	-12%
UK	10%	-19%
Taiwan	10%	68%
China	10%	20%
Canada	10%	-7%
Denmark	10%	21%
Italy	10%	-50%
France	10%	6%
Japan	9%	6%
Turkey	8%	5%
Greece	6%	-6%
Belgium	6%	1%
Hong Kong	5%	-18%
Norway	5%	-6%
Finland	5%	-1%
Singapore	5%	-18%
Sweden	5%	-6%
Portugal	3%	12%
Luxembourg	3%	10%
South Korea	2%	-9%
Austria	-2%	-6%
Germany	-3%	-15%
Switzerland	-4%	-5%
Netherlands	-5%	-23%
Brazil	-12%	-31%
Poland	-17%	-26%
Slovakia	-30%	-54%

Sources: national figures, Euler Hermes forecasts (2008)

The process known as globalisation is now undergoing its first genuine test, and perhaps even its first crisis. We are no longer in the same world that we knew seven years ago, at the time of the last slowdown in the American economy: the phenomenal expansion in economic exchanges, the even more disproportionate increase in financial trading, the rise of the euro and the arrival of China and India on the world scene are so many factors reshuffling the cards of the normal crisis mechanisms. Because of this, attempting a comparison between the current economic slowdown and those that went before will not work. In the so-called 'globalised' economy, the shocks we are experiencing are bound to be of a new kind. Why has everyone's attention been focused for several months on the financial crisis, on the manner of its spread and the suitable monetary policy responses? The answer, of course, is because of the suddenness and scale of the subprime crisis, and of the systemic risk that it has engendered; but, undoubtedly, it is also because the fact of seeing local governments in Scandinavia being hit by a property bubble thanks to globalised securitisation mechanisms gives us first hand experience of what globalisation means today, and the singular difficulty of mounting a suitable response to a shock capable of instantaneous, worldwide repercussions. Our study of the growth in business insolvencies across the world in 2007 and early 2008 is further proof of this phenomenon: the real-economy problems have immediately gripped real-economy businesses across the entire globe. The rapid spread of the economic slowdown to most economies is demonstrated by our Global Insolvency Index (GII), which shows a 6% increase in insolvencies last year, a trend that we expect to accentuate to a 15% increase in 2008. The trend change in the US last year was abrupt, with a 44% rise in insolvencies, and we expect the number of cases to grow by a further 35% this year; those sectors directly or indirectly involved in the real estate market and real estate lending are, of course, on the front line. What is even more astonishing is the nearly simultaneous rise in insolvencies fairly everywhere across the world: a synchronous increase in Spain (an expected +90% in 2008) or in Ireland (+39% in 2008) or, with a slight delay) in the UK, in France, or in Italy (an expected +10% in 2008). All these countries, hit more or less sharply by collapse in their real estate sectors, find themselves jointly weakened by the rise in insolvencies. So far, only the German economy has escaped this development, but this does not mean that it will be protected against it in the second half of 2008: the darkening situation in all of its trading partners should rapidly stem its external surplus, the sole driver of German growth. On top of the financial crisis and the global economic slowdown, there is a third test that globalisation faces, namely, the oil shock that has been unleashed since 2005 and of which we are barely beginning to get the true measure. The gains in wealth and growth from globalisation, up to then brought about by competition in production and thus the deflation that this has brought about, are undoubtedly at the very root of the current oil shock – which is precisely what is relaunching global inflation. The year 2008 will tell us if, in undergoing this three-fold test, globalisation acts as a beneficial shock absorber or, to the contrary, constitutes an uncontrolled amplifier of major economic shocks.

Karine Berger

Business insolvency worldwide

Euler Hermes Insolvency Index

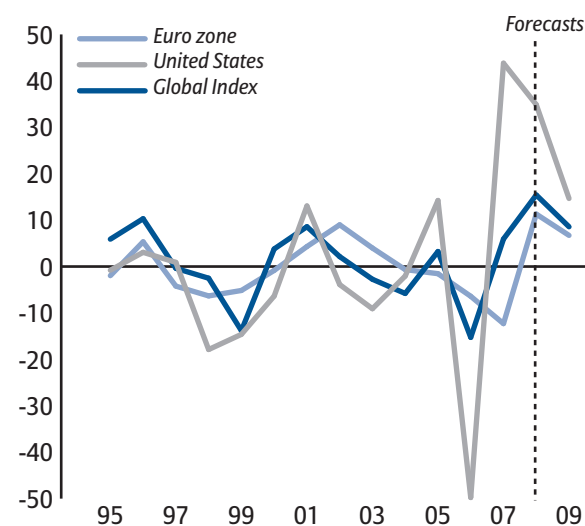
Global Insolvency Index

Index 100 = 1997	Weight	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Global Insolvency Index	100.0%	84	87	95	97	94	89	91	77	82	95	103
Western Europe	36.5%	89	88	92	100	104	103	102	95	84	93	99
USA	33.7%	70	66	74	71	65	64	73	36	52	71	81
Canada	3.3%	82	82	85	78	73	67	62	55	52	57	60
Japan	11.1%	93	114	116	116	99	83	79	80	86	94	97
Germany	7.4%	96	103	117	137	143	143	134	124	106	103	107
France	5.7%	78	71	71	73	81	80	81	78	82	90	95
Italy	4.7%	82	78	72	72	70	76	82	68	34	38	41
Spain	3.1%	68	73	67	91	89	82	77	75	78	147	169
Netherlands	1.7%	73	81	98	113	145	151	154	135	104	99	102
Belgium	1.0%	92	88	91	93	98	102	102	98	99	105	105
Austria	0.8%	116	106	102	105	112	125	140	133	125	123	125
Portugal	0.5%	134	150	164	186	232	251	168	177	198	227	249
Finland	0.5%	84	81	78	82	81	71	66	67	66	69	73
Greece	0.8%	66	60	53	43	36	44	44	41	38	41	43
Luxembourg	0.1%	139	139	180	164	157	159	164	149	163	168	173
Ireland	0.6%	108	74	96	85	75	71	70	70	68	89	93
UK	6.1%	105	102	104	105	98	91	99	101	82	90	97
Denmark	0.5%	93	101	132	140	142	149	142	113	136	150	162
Sweden	1.0%	64	65	71	76	79	73	65	59	56	58	61
Norway	0.9%	97	107	107	134	157	129	106	91	85	90	105
Switzerland	1.0%	92	84	79	88	100	109	104	99	95	91	93
Poland	0.8%	128	162	211	235	226	129	124	82	60	50	63
Hungary	0.3%	85	125	148	155	193	196	200	236	243	293	320
Czech Republic	0.3%	160	199	198	172	138	117	102	102	92	137	141
Slovakia	0.1%	207	230	240	287	239	188	312	327	152	106	95
Turkey	0.9%	148	199	260	386	570	807	936	998	1,049	1,133	1,223
Brazil	2.4%	88	64	61	79	69	53	31	10	7	6	5
China	6.7%	99	127	160	132	106	51	56	64	76	84	93
Taiwan	0.9%	108	154	141	186	240	259	304	368	618	680	710
South Korea	2.3%	39	39	31	25	31	26	20	15	13	14	14
Hong Kong	0.5%	99	114	133	162	156	143	106	69	57	60	63
Singapore	0.3%	163	128	112	118	102	98	71	57	47	49	52

— forecasts
Sources: national figures, Euler Hermes forecasts

Global Insolvency Index

Yearly change in index



Sources: national figures, Euler Hermes forecasts

Global Insolvency Index

To overcome the heterogeneous nature of national statistics and circumstances, we employ the change in insolvencies over time rather than their absolute numbers. For each country, we have calculated an insolvency index, using a basis of 1997=100. We have then constructed our Global Insolvency Index (GII), which is the weighted sum of the national indices. Each country is weighted according to its share of the total GDP (at current exchange rates) of the countries included in our study, representing 85% of world GDP.

After a sharp 9% rise in 2001, the Global Insolvency Index fell by 3% in 2003 and by 6% in 2004, with the acceleration in world growth. The GII rose slightly (+3%) in 2005, followed by a sharp drop (-15%) in 2007, due essentially to the change in US insolvency legislation; excluding the US, it continued to fall in 2005 (-1%) and in 2006 (-2%). In 2007, the Index again saw a noticeable increase (+6%), reflecting an increase in insolvencies in a growing number of countries (the US, Japan, France, Spain and others). This trend should

Insolvency rate, 2007 (*) *insolvencies divided by the number of businesses*

	Insolvency rate	Number	Sources	Frequency	Number of businesses (latest known figure)
USA	0.5%	28,322	Administrative Office of US Courts	Quarterly	5,885,784
Canada	0.3%	6,293	Bureau du surintendant des faillites	Monthly	2,259,900
Japan	0.9%	14,091	Tokyo Shoko Research (TSR)	Monthly	1,515,965
Germany	0.9%	29,160	DeStatis	Monthly	3,426,612
France	1.9%	50,009	Euler Hermes SFAC	Monthly	2,651,194
Italy	0.1%	5,061	ISTAT through 2005 (annual series)	Annual	4,373,398
Spain	0.0%	880	INE (Instituto nacional de Estadística)	Quarterly	3,336,657
Netherlands	0.6%	4,602	Centraal Bureau voor de Statistiek (CBS)	Monthly	746,365
Belgium	1.1%	7,677	INS (Institut national de la Statistique)	Annual	710,252
Austria	2.3%	6,295	Kreditschutzverband 1870 (KSV)	Quarterly	279,678
Portugal	0.2%	2,061	Instituto Informador Comercial	Monthly	1,221,555
Finland	0.9%	2,258	Finland Statistics	Monthly	250,378
Greece	0.1%	510	Office national de la Statistique (EYSE), Euler Hermes	Annual	795,550
Luxembourg	2.7%	681	Service Central de Législation (Mémorial)	Monthly	25,300
Ireland	0.5%	344	Euler Hermes	Annual	66,300
UK	0.9%	19,484	Department of Trade and Industry (DTI)	Quarterly	2,234,210
Denmark	0.8%	2,401	Danmarks Statistik (DST)	Monthly	293,885
Sweden	0.6%	5,791	Statistiska Centralbyran (SCB)	Monthly	945,801
Norway	0.9%	2,845	Statistik Sentralbyra (SSB)	Monthly	326,108
Switzerland	1.4%	4,314	Feuille Officielle Suisse du Commerce (FOSC)	Monthly	298,720
Poland	0.0%	480	Ministère de la Justice	Annual	3,615,621
Hungary	1.4%	9,730	Euler Hermes	Quarterly	700,000
Czech Republic	0.1%	1,148	Ministry of Justice - Register of Bankrupts	Annual	952,889
Slovakia	0.2%	800	Ministère de la Justice	Annual	527,486
Brazil	0.0%	2,332	Equifax	Monthly	5,668,003
China	0.1%	4,358	China Court. National Bureau of Statistics	Annual	3,250,000
Taiwan	0.2%	1,044	Judicial Yuan of the Republic of China	Monthly	626,300
South Korea	0.1%	2,294	Central Bank of Korea	Monthly	3,251,058
Hong Kong	0.1%	455	Official Receiver's Office	Monthly	763,880
Singapore	0.1%	106	Insolvency and Public Trustee's Office	Monthly	206,783

(*) The insolvency rate is based on the number of insolvencies in 2007 and the last known figures for the number of businesses (see sidebar entries for each country).

Sources: national sources

accentuate and spread to other countries, resulting in a further increase in the Index in 2008 (+15%) and in 2009 (+9%).

Insolvency rate

The insolvency rate is the number of insolvencies divided by the number of businesses. This facilitates comparisons between countries. Those countries with a greater number of businesses than others risk having more insolvencies than others. However, everything else being equal, they should have the same insolvency rate. In reality, the insolvency rate shows great variation between countries. For the countries included in our study, it averages 0.65%. The rate is very nearly zero in some Mediterranean countries (such as Spain, Portugal and Greece), but can be twice the average in countries such as France, Switzerland and Austria. The insolvency rate is an indicator of officially recorded insolvencies. It does not necessarily reflect the level of effective insolvencies, since in a number of countries insolvencies are usually managed through out-of-court arrangements.

Total number of insolvencies

The number of businesses does not directly depend on the size of a country. Japan, for example, has more businesses than the US, although it has less than half its population and GDP. In fact, the distinction between individual entrepreneurs and very small businesses varies greatly from one country to another. As far as possible, for each country we use the definition of a business that is used in its insolvency demographics. Thus, the number of businesses used for the US represents solely companies, and does not take account of individual entrepreneurs, estimated to total around 17 million. However, for most countries the number of businesses and the number of insolvencies include the figures for individual entrepreneurs. ■ ML

Business insolvencies worldwide

National statistics

Number of insolvencies

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
USA	37,884	35,472	40,099	38,540	35,037	34,317	39,201	19,695	28,322	38,200	43,800
Canada	10,023	10,040	10,371	9,458	8,838	8,118	7,517	6,742	6,293	6,920	7,260
Japan	15,352	18,769	19,164	19,087	16,255	13,679	12,998	13,245	14,091	15,400	16,000
Germany	26,476	28,235	32,278	37,579	39,320	39,213	36,843	34,137	29,160	28,400	29,300
France	47,791	43,349	43,273	44,286	49,383	49,056	49,494	47,333	50,014	55,000	57,900
Italy	12,178	11,641	10,767	10,683	10,463	11,312	12,253	10,122	5,100	5,600	6,100
Spain	774	828	759	1,037	1,012	930	869	853	880	1,670	1,920
Netherlands	3,238	3,579	4,330	4,963	6,386	6,648	6,780	5,941	4,602	4,360	4,480
Belgium	7,163	6,791	7,062	7,200	7,593	7,910	7,878	7,617	7,677	8,100	8,150
Austria	5,860	5,340	5,178	5,281	5,643	6,318	7,056	6,707	6,295	6,200	6,300
Portugal	1,395	1,558	1,703	1,929	2,412	2,605	1,747	1,834	2,061	2,360	2,590
Finland	2,879	2,790	2,674	2,807	2,769	2,428	2,278	2,285	2,258	2,370	2,490
Greece	886	805	700	576	480	580	590	540	510	540	570
Luxembourg	581	581	750	682	655	665	682	621	681	700	720
Ireland	543	373	483	428	377	361	355	354	344	450	470
UK	25,003	24,269	24,811	25,160	23,324	21,756	23,732	24,031	19,484	21,500	23,200
Denmark	1,636	1,770	2,329	2,469	2,506	2,620	2,495	1,987	2,401	2,640	2,850
Sweden	6,643	6,733	7,433	7,930	8,237	7,649	6,784	6,160	5,791	6,060	6,370
Norway	3,243	3,576	3,562	4,473	5,223	4,297	3,540	3,032	2,845	3,000	3,500
Switzerland	4,196	3,842	3,613	4,002	4,539	4,955	4,751	4,528	4,314	4,140	4,220
Poland	1,017	1,289	1,674	1,863	1,798	1,025	984	648	480	400	500
Hungary	3,403	5,010	5,919	6,204	7,718	7,840	7,983	9,447	9,730	11,700	12,800
Czech Republic	2,000	2,491	2,473	2,155	1,728	1,460	1,282	1,278	1,148	1,720	1,770
Slovakia	1,090	1,212	1,263	1,510	1,262	990	1,645	1,723	800	560	500
Turkey	1,408	1,887	2,464	3,667	5,410	7,660	8,886	9,471	9,954	10,750	11,610
Brazil	28,879	20,999	19,956	25,707	22,493	17,318	10,026	3,374	2,332	1,890	1,790
China	5,622	7,219	9,110	7,500	6,065	2,923	3,196	3,630	4,358	4,800	5,300
Taiwan	183	261	239	314	405	438	514	622	1,044	1,150	1,200
South Korea	6,718	6,693	5,277	4,244	5,308	4,445	3,416	2,529	2,294	2,350	2,360
Hong Kong	795	910	1,066	1,292	1,248	1,147	849	552	455	480	500
Singapore	370	290	255	267	231	223	161	130	106	111	117

Forecasts

Sources: national figures, Euler Hermes forecasts

Business insolvency

The concept of business insolvency varies from one country to another, making it hard to give international comparisons. In the following pages, we show the definitions used in each country. The disparities between countries are for two main reasons. First, official insolvency procedures are not of equal importance everywhere. In some countries, amicable arrangements predominate (for example, in Spain and Italy), and the figures for company insolvencies are quite low, thus understating the real picture for business insolvencies. Second, in some cases, individual entrepreneurs are included in the figures for business insolvencies. In other cases, however, they are included in the figures for personal bankruptcies (for example, in the US), with no distinguishing

between purely personal bankruptcies and sole trader bankruptcies. In the latter cases, the number of business insolvencies is significantly understated.

Annual change in insolvencies

In very many countries, there is a close correlation between the business cycle and insolvency figures. Generally, it takes GDP growth of 2% to 3% to stem the rise in insolvencies, and there is a very high elasticity of insolvencies to growth. A GDP growth reduction of 1 percentage point implies a 5% to 10% increase in insolvencies. Beyond cyclical fluctuations, different countries have for a long period enjoyed very different average rates of growth, and this is reflected in diverging long-term insolvency trends.

Annual change in insolvencies

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
USA	-15%	-6%	13%	-4%	-9%	-2%	14%	-50%	44%	35%	15%
Canada	-7%	0%	3%	-9%	-7%	-8%	-7%	-10%	-7%	10%	5%
Japan	-19%	22%	2%	0%	-15%	-16%	-5%	2%	6%	9%	4%
Germany	-5%	7%	14%	16%	5%	0%	-6%	-7%	-15%	-3%	3%
France	-11%	-9%	0%	2%	12%	-1%	1%	-4%	6%	10%	5%
Italy	-11%	-4%	-8%	-1%	-2%	8%	8%	-17%	-50%	10%	9%
Spain	-14%	7%	-8%	37%	-2%	-8%	-7%	-2%	3%	90%	15%
Netherlands	-19%	11%	21%	15%	29%	4%	2%	-12%	-23%	-5%	3%
Belgium	3%	-5%	4%	2%	5%	4%	0%	-3%	1%	6%	1%
Austria	22%	-9%	-3%	2%	7%	12%	12%	-5%	-6%	-2%	2%
Portugal	16%	12%	9%	13%	25%	8%	-33%	5%	12%	15%	10%
Finland	-2%	-3%	-4%	5%	-1%	-12%	-6%	0%	-1%	5%	5%
Greece	-4%	-9%	-13%	-18%	-17%	21%	2%	-8%	-6%	6%	6%
Luxembourg	46%	0%	29%	-9%	-4%	2%	3%	-9%	10%	3%	3%
Ireland	-11%	-31%	29%	-11%	-12%	-4%	-2%	0%	-3%	31%	4%
UK	6%	-3%	2%	1%	-7%	-7%	9%	1%	-19%	10%	8%
Denmark	-1%	8%	32%	6%	1%	5%	-5%	-20%	21%	10%	8%
Sweden	-25%	1%	10%	7%	4%	-7%	-11%	-9%	-6%	5%	5%
Norway	-3%	10%	0%	26%	17%	-18%	-18%	-14%	-6%	5%	17%
Switzerland	-4%	-8%	-6%	11%	13%	9%	-4%	-5%	-5%	-4%	2%
Poland	18%	27%	30%	11%	-3%	-43%	-4%	-34%	-26%	-17%	25%
Hungary	-16%	47%	18%	5%	24%	2%	2%	18%	3%	20%	9%
Czech Republic	-1%	25%	-1%	-13%	-20%	-16%	-12%	0%	-10%	50%	3%
Slovakia	25%	11%	4%	20%	-16%	-22%	66%	5%	-54%	-30%	-11%
Turkey	-11%	34%	31%	49%	48%	42%	16%	7%	5%	8%	8%
Brazil	-17%	-27%	-5%	29%	-13%	-23%	-42%	-66%	-31%	-19%	-5%
China	-27%	28%	26%	-18%	-19%	-52%	9%	14%	20%	10%	10%
Taiwan	-4%	43%	-8%	31%	29%	8%	17%	21%	68%	10%	4%
South Korea	-71%	0%	-21%	-20%	25%	-16%	-23%	-26%	-9%	2%	0%
Hong Kong	-1%	14%	17%	21%	-3%	-8%	-26%	-35%	-18%	5%	4%
Singapore	25%	-22%	-12%	5%	-13%	-3%	-28%	-19%	-18%	5%	5%

Forecasts

Sources: national figures, Euler Hermes forecasts

From 1991 to 2005, insolvencies fell by half in the US and the UK, but remained fairly steady in France and rose by a factor of 4.5 in Germany. Over the same period, growth averaged 3.3% in the US and 2.8% in the UK, compared to 1.9% in France and 1.3% in Germany. Besides being affected by cyclical fluctuations, business insolvency figures can experience large variations due to changes in the legal provisions governing insolvency procedures. Slovakia thus saw a very massive 67% increase in insolvencies in 2005, in anticipation of new, less debtor-friendly legislation coming into force in 2006. Similarly, in the US, the change in legislation in October 2005 triggered a wave of anticipatory insolvencies, followed by a sharp fall in insolvencies in the first quarter of 2006. These quarterly variations have led to marked volatility in the annual US figures for 2005, 2006 and 2007. ■ ML

United States

A sudden jump in insolvencies

2007: +44%


The crisis in the US real estate market, amplified by the subprime crisis, has sharply slowed the American economy. All indicators show a clear slowing in growth, which should at best reach 1% in 2008, after 2.2% in 2007. The risks of recession are still present: a fall in real estate sales and in housing construction, slowing retail sales, weakening industrial output, and job losses. Such are the factors that are eroding the confidence of both consumers and businesses. The sharp rise in home repossessions and mortgage defaults bears witness to the worsening in household solvency, which was accompanied by a 39% rise in personal bankruptcies in 2007 against 2006. Businesses are suffering financially because of the surge in energy prices and tightening credit conditions, all the while with activity contracting. Business profits were down by 3.5% in Q3 and 8.5% in Q4 of last year, bringing a 3% fall for the whole year, after a 12% increase in 2006. In this economic and financial environment, it is no surprise that business insolvencies began to rise (+44%) in 2007, after dropping in 2006, with the number even accelerating in H2/07 against H1. We should remember, however, that the bankruptcy figures for 2005 (+14%) and 2006 (-50%) had been heavily skewed by the change in US bankruptcy law. Even so, with 28,322 business bankruptcies in 2007, we are still below the annual average number of business bankruptcies (37,800) recorded over the past ten years.

Sector analysis

Of the total 850,912 personal and business bankruptcies declared by US courts in 2007 (+38% against 2006), some 96.7% were personal bankruptcies and 3.3% were on the part of businesses. Among the latter, Chapter 7 procedures (liquidations), which account for two-thirds of procedures, rose by a sharp 57%, well more than the number that benefited from reorganisation under Chapter 11 (+21%). In 2007, the sectors linked directly or indirectly to real estate and to subprime loans were in the front line, with dozens of companies forced to close their doors or file for Chapter 11. Among these were New Century Financial, American Home Mortgage Investment Corp, Transland Financial Services Inc, Sentinel Management, First Magnus Financial, Atlanta HomeBanc, Net Bank, Delta Financial Corporation...the list could well get longer this year. Other sectors also are facing a worsening in activity and/or an increase in production costs, and one may fear an increase in payment difficulties and bankruptcies in the construction, air transport and distribution sectors.

2008-2009 outlook: rising

It seems likely that the slowdown in the economy will translate into a drop in GDP for Q2/08, with the sizeable budget measures (the redistribution of USD 170bn) and the successive rate cuts by the Fed at best allowing an improvement at the end of the year. GDP growth should gradually regain some vigour and tend towards 2% in

2009. Even so, the economic and financial environment will continue to erode business solvency in 2008. Already in the first quarter, on a cumulative 12-month basis to the end of March, the number of cases had risen to 30,741, or 40% more than in March 2007. This revival in the number of bankruptcies should continue over the coming quarters, with a 35% increase in the number of judgements in 2008 and a 15% increase in 2009, when some 43,000 businesses will be affected.  MCS

Business bankruptcies by Chapter, 2007

	Number	Change (*)	Share
Chapter 7	18,640	57%	66%
Chapter 11	5,735	21%	20%
Chapter 12	364	3%	1%
Chapter 13	3,351	22%	12%
Total	28,322	38%	100%

Source: Administrative Office of US Courts
(*): Jan-Dec '06 to Jan-Dec '07


Regulation:

The bankruptcy laws of the United States are set forth in the Bankruptcy Code (1978, Title 11, United States Code) and the Federal Rules of Bankruptcy Procedure. There are several different procedural routes to take, but those known as Chapter 7 and Chapter 11 are most commonly utilised by private businesses.

► **Chapter 7 – Liquidation:** This provides for company liquidation. It is often utilised in the event that a Chapter 11 reorganisation fails.

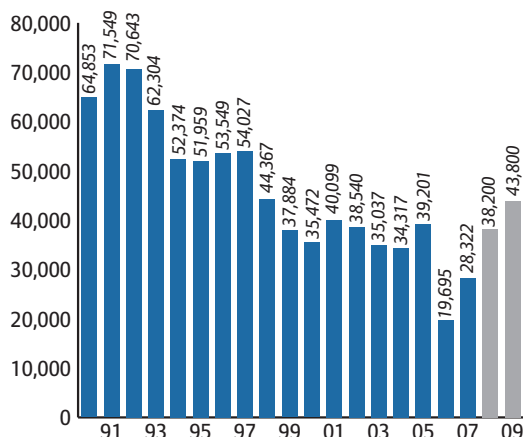
► **Chapter 11 – Reorganisation:** The main objective here is to attempt to turn the business around and thus avoid liquidation. Companies may voluntarily file for Chapter 11 protection and need not establish that they have stopped making payments to creditors or that they are insolvent. Under this procedure, company/debtors are often able to negotiate more favourable terms with creditors. A Chapter 11 Bankruptcy may also be launched by the creditors, in which case the company/debtor has the right to argue before the bankruptcy court that it should not be placed in Chapter 11. Under both forms of Chapter 11,

the directors retain control, and the company is protected from the collection efforts of the creditors, via an automatic stay, whereby all attempts to collect debts are suspended. The company, now known as the "debtor in possession," retains possession of its assets and continues to run the business but is under the supervision of the judge. Apart from certain exceptions, the company/debtor usually is not placed under the supervision of a court-appointed administrator.

► In April 2005, the US Congress adopted the Bankruptcy Abuse Prevention and Consumer Protection Act, effective October 2005, which made several changes to the Bankruptcy Code. The new law places greater limitations on debtors and attempts to make it harder to cancel debt. Businesses under Chapter 11 protection will have a maximum of 18 months to present a plan for reorganisation and debt rescheduling. After this period, the creditors may present their own plan and submit it to the court. In addition, limitations are imposed on extraordinary payments in the form of retention bonuses, severance pay, and certain other payments. 

GDP and Insolvencies in the United States

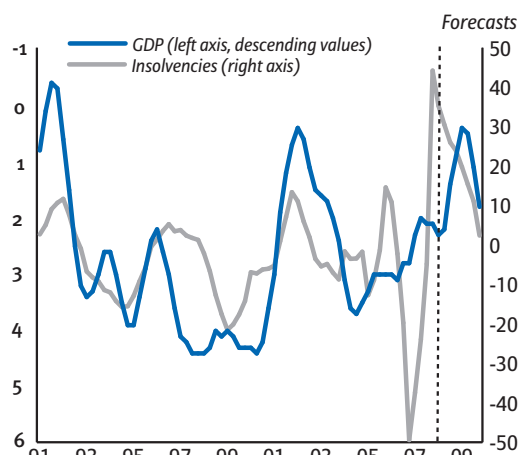
Number of insolvencies



Sources: Administrative Office of the Us Courts, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: Administrative Office of the Us Courts, Euler Hermes forecasts

Number of insolvencies

Number	2006	2007	2008
Q1	4,179	6,444	8,863
Q2	4,915	6,844	
Q3	5,435	7,471	
Q4	5,166	7,563	

Source: Administrative Office of the U.S. Courts (series reconstituted using annual data)

DEFINITION and sources of statistics

Businesses:

The US Census Board counted a total of 22.6 million American businesses in 2001, of which there were 5.7 million firms with payrolls, and 16.9 million (or 75%) with no employees. Each year, an average of 587,000 companies with payrolls are created, generating more than 3.25 million jobs, and 528,000 companies cease trading, with job losses of 3.22 million.

Insolvencies:

The Administrative Office of Courts publishes figures for business and non-business insolvencies each quarter, giving cumulative figures over twelve months, as quarterly figures are often revised. We use only the figures for business bankruptcies, for which the Office provides a breakdown by type of procedure and by state. The annual series gives figures for all procedures (Chapters 7, 11, 12 and 13).

Major insolvencies

Company	Turnover (millions of euros) *	Activity	Date of insolvency	Number of employees
2007				
Movie Gallery Inc.	1,727	Non-specialised retailing trade in stores	10/2007	41,400
New Century Financial Corporation	1,196	Real estate activities	04/2007	7,200
American Home Mortgage Investment Corp	903	Real estate activities	08/2007	7,409
Remy International Inc.	835	Automotive	10/2007	7,971
Bally Total Fitness Holding Corp	720	Sporting and other recreational activities	07/2007	19,200
2008 (May)				
Sirva Inc.	2,584	Other services	02/2008	4,630
Linens 'n Things, Inc	1,819	Non-specialised retailing trade in stores	05/2008	17,500
Tousa Inc.	1,675	Construction	01/2008	2,123
Buffets Holdings Inc.	903	Hotels and restaurants	01/2008	38,000
Wellman Inc.	738	Manuf. of rubber and plastics products	01/2008	1,840

(*) at 1 euro = USD 1.47 (2007), USD 1.51 (2008)

Source: Euler Hermes

Canada

Change in trend

2007: -7%

The Canadian economy grew by 2.7% in 2007, sustained by high revenues helped by higher commodity (oil, gas and raw material) prices, and by the high level of employment. Strong domestic demand and the high level of the Canadian dollar against the US dollar brought a flood of imports, accelerating the strong reduction in the trade surplus and deterioration in the current account. Canadian businesses proved resilient, despite growing problems in manufacturing industry, hit by the rise in the Canadian currency and by a slowing in exports to the US, the country's biggest customer. For the sixth year running, insolvencies posted a further drop, falling by 6.7% in 2007 (-10% in 2006), but recent month figures point to a change in trend.

Sector analysis

In the two big provinces that account for nearly two-thirds of business insolvencies – Ontario and Quebec – the picture was not the same. In the former, the number of cases continued to drop (-3%), while in Quebec, which accounted for 32% of the total number of cases in the country, the figure increased by 11%. In 2007, a number of sectors enjoyed a fall in the number of cases, such as construction and services. Industry, for its part, had already showing signs of deterioration, which threat-

ens to worsen over coming quarters, as shown by figures for Q1 2008. Industrial capacity utilisation rates have fallen and the production outlook is becoming cloudier. Forest products, carpentry and building materials have been especially hit by the US real estate crisis, as has the automobile industry.

2008-2009 outlook: rebound

Canadian growth should slow to around 1.5% this year before returning towards 2% in 2009, although this will depend on the cycle in the US. Given the uncertain international environment, the government will inject CAD 21bn in 2008 to stimulate the Canadian economy, improve long-term competitiveness and sustain sectors in difficulty. Household consumption will remain dynamic, buoyed by the employment market. But the financial state of many businesses risks worsening, and a change of trend in insolvencies could occur, with bankruptcies rising by around 10% in 2008 and by 5% in 2009. 

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Agriculture & related services	294	-17.6%	4.7%
Industry	615	1.7%	9.8%
Construction	1,091	-5.3%	17.3%
Transport & communication	699	-9.9%	11.1%
Commerce	1,208	-7.7%	19.2%
Financial intermediaries	87	8.7%	1.4%
Real estate	158	6.0%	2.5%
Business services	438	-6.4%	7.0%
Consumer services	111	-17.2%	1.8%
Hotels & restaurants	733	-4.2%	11.6%
Other sectors & services	859	-9.4%	13.6%
Total	6,293	-6.7%	100%

(*) Jan-Dec '06 to Jan-Dec '07


Source: Office of the superintendent of bankruptcy

Regulation:

Both the Bankruptcy and Insolvency Act (BIA) and the Companies' Creditors Arrangement Act (CCAA) are amended by Chapter 47 of the Statutes of Canada, 2005, and Chapter 36 of the Statutes of Canada, 2007 (c.47 and c.36 respectively). The legislative amendments are broad ranging and significant and are intended to achieve the following main goals:

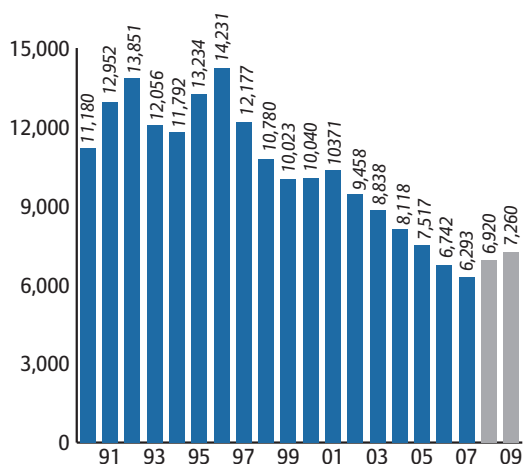
- ▶ To encourage restructuring of viable businesses as an alternative to bankruptcy. In this regard, the CCAA will be significantly modified to provide increased predictability and consistency while preserving its flexibility.

- ▶ To improve the protection for workers in bankruptcy. The amendments also create the legislative framework for the Wage Earner Protection Program (WEPP), which will ensure that workers receive compensation for their claims.

- ▶ To make the insolvency system fairer and to reduce the potential for abuse. Inequities in the treatment of personal bankruptcies will be addressed and the scope for abuse will be curbed, while respecting the fundamental objective of providing a fresh start to the honest, but unfortunate, debtor. 

GDP and insolvencies in Canada

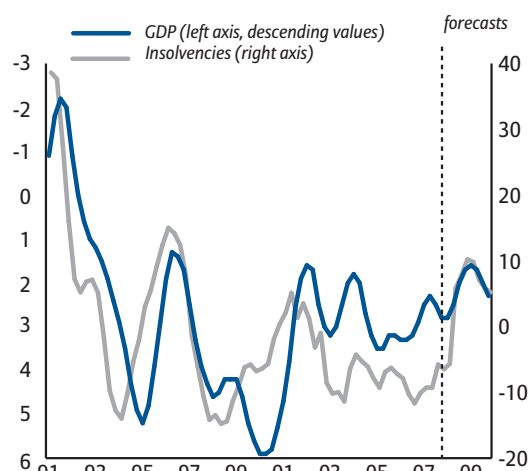
Number of insolvencies



Sources: Office of the Superintendent of Bankruptcy, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: Office of the Superintendent of Bankruptcy, Euler Hermes forecasts

Number of insolvencies

Number	2006	2007	2008
January	624	530	525
February	589	599	569
March	678	615	565
April	553	542	592
May	637	532	
June	611	530	
July	445	487	
August	467	501	
September	501	449	
October	588	513	
November	544	527	
December	505	467	

Source: Office of the Superintendent of Bankruptcy

DEFINITION and sources of statistics

Businesses:

According to the company register of Statistics Canada, there were 2.25 million companies in Canada in 2005. Of these, 47% were with payrolls and 53% undetermined. This latter category includes entities with or without company status that are not registered for salary withholding tax with the Canadian revenue authorities. Their workforce may comprise contract workers, family members or their owners.

Insolvencies:

The National Statistics Agency has recorded company and individual bankruptcies for ten years, with a breakdown of company bankruptcies by province and type of activity. It also provides figures for the major urban centres, which allows us to get details on every metropolitan region and all the agglomerations monitored. The statistics on major urban centres include data on the subdivisions of Vancouver, Montreal, Toronto and Hamilton. Our series excludes personal bankruptcies.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2007 (mid-November)				
Genfast Manufacturing Co	55	Manuf. of fabricated metal products, except machinery and equipment	04/2007	200
Daymonex Limited	29	Manuf. of fabricated metal products, except machinery and equipment	01/2007	200
Pega Precision Inc	15	Manuf. of fabricated metal products, except machinery and equipment	01/2007	60
Groupe Historia International Inc	11	Retailing	11/2007	24
Mckinnon Micro Distribution	10	Wholesaling of office machinery and equipment	02/2007	23
9036-7046 Quebec Inc	7	Transport	01/2007	50
Jason Furniture Inc.	2	Retailing	09/2007	75
Amcan Consolidated Technologies Corp	N/A	Manuf. of fabricated metal products, except machinery and equipment	11/2007	170

Source: Euler Hermes

Japan

Another acceleration in insolvencies

2007: +6%

The 2006 rise in the number of business insolvencies, which came after three years over which the numbers had dropped by a cumulative 32%, was more than confirmed in 2007. Persistent weakness in domestic demand continued to harm the performance of Japan's SMEs, especially in rural areas, at a time when the operating environment worsened in terms of input costs, financing and selling prices. The weakening in world demand slowed growth for the country's largest companies, more oriented to exports. Overall, growth in Japanese profits fell sharply over H2, and growth in the number of business failures rose to 6.4% for the full year, to nearly 14,100 petitions in bankruptcy. None of the country's nine major regions were spared, although nearly 62% of bankruptcies were concentrated in Kanto and Kinki. Moreover, this was accompanied by a clear 10% rise in the total liabilities involved, as well as a 4% increase in their average amount to more than JPY 400m, with several insolvencies of even greater scale than in 2006.

Sector analysis

Real estate was the only major sector that escaped an increase in the number of bankruptcies over 2007, although it did post a near-stabilisation in the number of cases after five years of falling figures.

Every other sector saw an increased number of petitions in bankruptcy. For manufacturing industry, this represented a clear change in trend (+8.9% after five years on the decline), all the more important given that the sector constitutes 18% of Japan's business population. The increase in insolvencies also confirmed the deterioration begun in 2005 in retailing and in 2006 in other sectors. The acceleration in insolvencies was greater in transport-communications and wholesaling (+9.3%) than in construction (+4.2%), but the short-term outlook for this latter sector, which accounts for nearly 20% of the business population, has partially worsened since summer 2007. Stricter regulations on earthquake resistance have lengthened the time needed to secure building permits, and there was an extremely sharp fall in construction investment in H2 2007.

2008-2009 outlook: still rising

The probable slowing in the economy, with GDP growth continuing to remain below 2% in both 2008 and 2009, should coincide with a further significant rise in the number of bankruptcies. The uptrend was already confirmed in the first five months of 2008 (+6% on a 12-month cumulative basis), fuelled by increased insolvencies in manufacturing industry and construction. This should result in

the highest figures since 2003, with around 15,400 bankruptcies for the full year 2008 (+9%) and 16,000 in 2009 (+4%).

■ *ML*

Insolvency by sector 2007

	Number	Change (*)	Share of total
Agriculture & primary industries	90	5.9%	0.6%
Manuf. industry	2,022	8.9%	14.3%
Construction	4,018	4.2%	28.5%
Wholesaling	2,054	9.3%	14.6%
Retailing	1,839	3.1%	13.1%
Transport & communications	821	9.3%	5.8%
Finance	71	1.4%	0.5%
Real estate	463	-0.4%	3.3%
Other services & Others	2,713	8.6%	19.3%
Total	14,091	6.4%	100%

(*) Jan-Dec '06 to Jan-Dec '07

Source: TSR

Regulation:

► **Liquidation proceedings** are covered in the *Hasan-ho* or Bankruptcy Act (Law No.75, 2004) and Company Act (Law No. 86, 2005). Rehabilitation proceedings are stipulated in the Corporate Reorganization Act (Law No. 154, 2002) and Civil Rehabilitation Act (Law No. 225, 1999). The Company Act became effective in May 2006, replacing all the chapters concerning businesses in the Commercial Code (Law No. 48, 1899). In general, a business is deemed to be insolvent when it files for one of the above-mentioned proceedings.

► **Hasan-ho or Bankruptcy Act:** the most standard liquidation law. Under the supervision of the court, the trustee collects the property of the debtor and sells it and distributes the proceeds to the creditors. Both debtor and creditor can file for this proceeding.

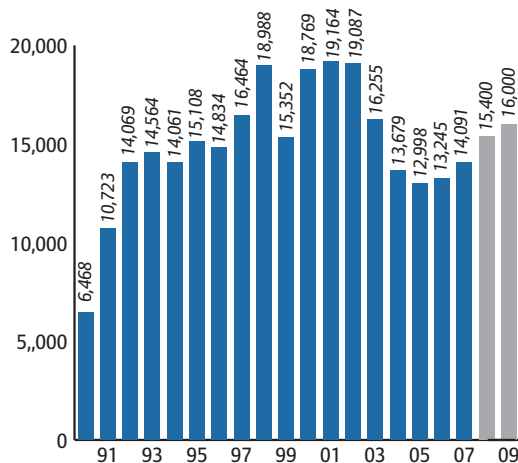
► **Special liquidation under the Company Act:** the court takes an active role in a company already under some kind of a liquidation process. This is mainly used by companies that are winding up their subsidiaries.

► **Corporate Reorganization Act:** this is specially reserved to turnaround Kabushiki Kaisha (public limited companies). Under the supervision of the court, the trustee will run the company. This can be filed either by the debtor or a creditor (the latter needs to hold receivables equivalent to at least 10% of the capital) or shareholder (who needs to hold more than 10% of the shares issued). Lien and priority interests will be frozen during the reorganization period.

► **Civil Rehabilitation Act:** this is another option aiming to turn around a business. Any type of business regardless of its size, and even an individual, can file for this. Both debtor and creditor can file, but shareholders cannot. In most cases, the existing management stays to run the business. Lien and priority interests can be exercised during the rehabilitation period. ■

GDP and insolvencies in Japan

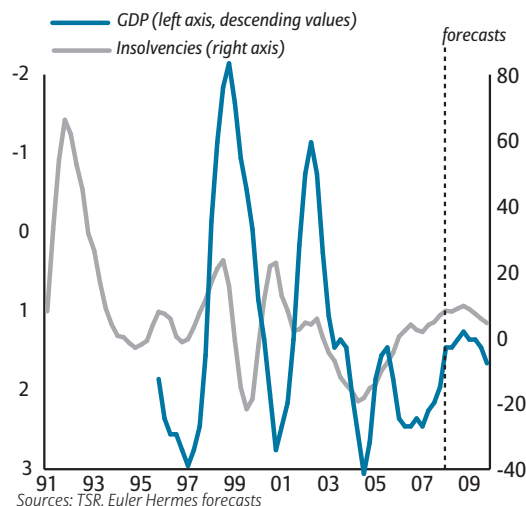
Number of insolvencies



Sources: TSR, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: TSR, Euler Hermes forecasts

Number of insolvencies

Number	2006	2007	2008
January	1,049	1,091	1,174
February	1,044	1,102	1,194
March	1,255	1,247	1,347
April	1,087	1,121	1,215
May	1,083	1,310	1,290
June	1,111	1,185	
July	1,051	1,215	
August	1,169	1,203	
September	1,030	1,047	
October	1,166	1,260	
November	1,091	1,213	
December	1,109	1,097	

Source: TSR

Definition and sources of statistics

Businesses:

The Ministry of Internal Affairs and Communications counted 5.7 million privately owned establishments in 2006 (including 2.7 million individual proprietorships and 3 million corporations) including a total of 1.5 million actively trading businesses. More than 70% of these employ fewer than 10 persons. Around 50% have share capital totalling below 10 million yen, and 44% are under 10 years old. Around 10% have share capital in excess of 50 million yen or employ more than 30 persons.

Insolvencies:

Tokyo Shoko Research (TSR) compiles monthly figures for the totality of business failures. The series that we employ covers businesses with liabilities in excess of 10 million yen that are subject to court-ordered reorganisation plans or liquidations (via the Corporate Reorganisation Law, Civil Rehabilitation Law, Corporate Arrangement under Commercial Law, or Bankruptcy Act), or else subject to private procedures (the suspension of bank transactions or amicable arrangements).

Major insolvencies

Company	Liabilities (millions of euros)*	Activity	Date of insolvency	Number of employees
2007				
K.K. FRE	1,410	Real estate activities	01/2007	1
Shikomu K.K.	677	Inland water transport	04/2007	3
K.K. L & G	543	Computer and related activities	11/2007	60
SSC K.K.	486	Real estate activities	03/2007	N.A.
Credia Co., Ltd.	467	Financial intermediation	09/2007	415
2008 (end of April)				
Roppongi Kaihatsu K.K.	827	Real estate activities	01/2008	N.A.
K.K. Higashi Chiba Country Club	314	Sporting and other recreational activities	01/2008	20
K.K. Hatoyama Reiku	213	Sporting and other recreational activities	01/2008	20
Sogo Taxi K.K.	149	Financial intermediation	03/2008	N.A.
K.K. Guraunzu	143	Sporting and other recreational activities	03/2008	N.A.

Source: Euler Hermes
 (*) at 1 euro = JPY 162

Germany

A record fall in 2007

2007 trend: - 15%

The robust cyclical upturn in the German economy, thanks primarily to lively export business and investment activity and despite a number of economic strains, has brought a strong improvement in the business insolvency trend. Following a drop of 7.3% in 2006, the downward trend accelerated by -14.6% to reach 29,160 cases in 2007. This was the lowest level in the number of cases for seven years and the largest decline ever registered since German unification. This result is taking into account the revision of the insolvency statistics recently published by the Federal Statistical Office, which led to a substantial upward revision of the former result for full year 2006 from 30,357 (which is no longer valid) to 34,137 cases now. Financial losses declined even more steeply by 18.6% and totalled 18.1 billion euros in 2007, which means that 0.62 million euros in liabilities per company were recorded, after 0.65 million euros the year before. As regards insolvencies by legal form, 15,125 bankruptcies (share 51.9%) of small and medium-sized enterprises were registered, down by 11.9% year-on-year, reversing the rising trend of preceding years. On the other hand, insolvencies of partnerships and limited liability companies showed a 17.3% fall to reach 14,035 cases (share 48.1%). About 125,000 employees were affected by insolvency proceedings, compared to 127,000 employees one year ago.

Sector analysis

The improved business cycle was accompanied by a fall in insolvencies across all major sectors. The manufacturing sector benefited significantly from domestic and foreign demand, with insolvencies down by 23.6%. Construction companies saw a 17.2% reduction. However, this sector still continued to be at comparatively high relative risk. Trading companies recorded 13.9% less cases, while in the service sector the number of failures declined by 12.2%. About 51% of the total number came in the service sector, followed by trade (21%), construction (18%) and industry (8%). Nonetheless, despite the clear overall downtrend, some individual business segments saw sharply rising figures, notably some food trade segments, computer related services, medical specialist practices and drugstores. Geographically, figures were down in nearly all German states, dropping for example by 34.1% in Thuringia, 27.1% in Mecklenburg-Western Pomerania and 24.8% in Saxony-Anhalt. In contrast, both Saarland and Berlin experienced a 1.0% and 3.4% increase.

2008-2009 outlook: trend reversal in 2009

Given our projection of a marked slowdown of the world economy, which however is subject to significant uncertainty, real growth in Germany should slow in 2008 and more considerably in 2009. Surprisingly, the German economy

proved to be very strong in the first quarter of 2008, with real GDP growing by 1.5% q-o-q, surpassing all previous expectations. Under these contradictory signs, we expect the downward insolvency trend to continue for the time being, but to decelerate noticeably in the course of the year. All in all, we predict some 28,400 insolvencies in the whole of 2008, representing a further fall of 2.6% on average. In 2009, a reversal of the trend should occur, with figures climbing up by 3.2% to return to approximately 29,300 cases. ■ RG

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Agriculture, forestry & fisheries	468	-12.8%	1.6%
Extractive industries	12	-42.9%	0.0%
Manuf. industry	2,420	-23.6%	8.3%
Energy	21	-16.0%	0.1%
Construction	5,319	-17.2%	18.2%
Commerce	6,148	-13.9%	21.1%
Hotels & restaurants	3,185	-7.7%	10.9%
Transport & communications	1,971	-19.5%	6.8%
Finance	436	-21.3%	1.5%
Real estate & business services	6,632	-12.1%	22.7%
Education	225	-2.6%	0.8%
Health	685	0.7%	2.3%
Consumer services & others	1,638	-14.6%	5.6%
Total	29,160	-14.6%	100%

(*) Jan-Dec '06 to Jan-Dec '07

Source: Destatis

Regulation:

► Reforms to the new Insolvency Code (*Insolvenzordnung*, or InsO) in place since January 1, 1999 came into force on December 1, 2001. Initial provisions of the Code had in practice led to problems, especially in the case of bankrupt small companies and self-employed persons who came under personal insolvency procedures. One important reform is that such small businesses will no longer be subject to the procedure for personal bankruptcy, but will once again go through the standard insolvency procedure set out for companies. Exceptions to this rule will only be made under special circumstances. On first view, this reform would appear to lead to a statistical shift towards a greater number of insolvencies. In fact, however, it has not had a significant effect on the published figures for corporate insolvencies, since the Federal Statistical Office has since 1999 already adjusted the figures to reflect this change.

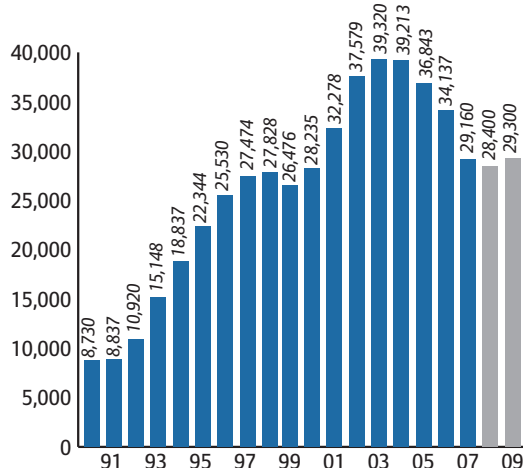
► The reforms to the Insolvency Code have had, however, a substantial impact on official insolvency statistics, especially on the number of private insolvencies registered. What

plays a significant role here is the fact that a debtor can now file for insolvency proceedings on the basis of "mitigating circumstances" (i.e., the registration threshold has been lowered by a considerable margin). The latter has led to substantially more insolvency proceedings as from the beginning of 2002 than would have been the case under the former legal provisions.

► Besides this, however, the statistical registration of corporate insolvencies has been affected by new legal rules, which particularly make it difficult to define the line of demarcation between insolvencies of private individuals and those of small traders and self-employed persons. It is also necessary to take into account the fact that the mitigating conditions referred to above not only affect private insolvencies, but also those of small traders. From the start of 2002, this makes it difficult to make comparisons of small traders and the self-employed with those of previous years. ■

GDP and insolvencies in Germany

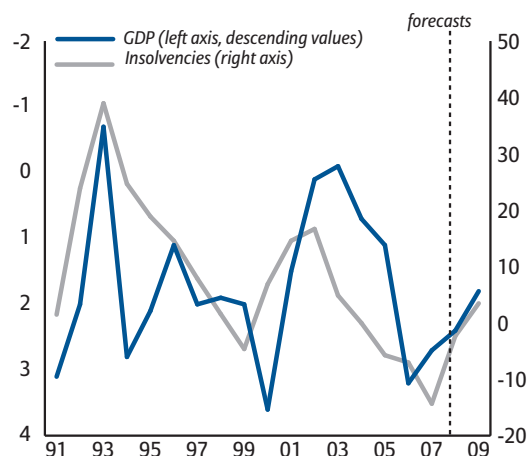
Number of insolvencies



Sources: DeStatis, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: DeStatis, Euler Hermes forecasts

Number of insolvencies

Number	2006	2007	2008
January	2,786	2,204	2,454
February	2,954	2,249	2,378
March	3,341	2,580	2,315
April	2,808	2,224	
May	3,089	2,507	
June	2,676	2,448	
July	2,669	2,361	
August	2,788	2,447	
September	2,760	2,285	
October	2,717	2,732	
November	2,764	2,715	
December	2,785	2,408	

Source: DeStatis

DEFINITION and sources of statistics

Businesses:

The Federal Statistical Office (DeStatis) counted nearly 3,430,000 entities subject to taxation for 2006, according to a tally that included every entity subject to tax and/or contributions and excluding primary sectors (A and B in the EU's NACE economic activity classification codes). Among these, nearly 61,000 have more than 50 employees (or 2% of businesses) and 162,500 have turnovers of at least EUR 2 million (or 5%).

Insolvencies:

DeStatis tallies all court-ordered bankruptcies for the country, including those of individual persons, who accounted for more than 60% of the total in 2006. Our series covers all business insolvencies, i.e., those of small businesses, public limited companies and private companies; it excludes individual insolvencies, a category that includes the self-employed (who were previously included in the series) and natural persons.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2007				
Schieder Möbelwerke GmbH	880	Manuf. of furniture	06/2007	11,000
ISE Industries und ISE Innomotive Systems Europe	450	Manuf. of parts and accessories for motor vehicles and their engines	01/2007	2,800
Wiemer & Trachte	320	Building of complete constructions or parts thereof; civil engineering	04/2007	1,200
Astroh Küchen GmbH & Co. KG	170	Manuf. of furniture	11/2007	750
BBS Kraftfahrzeugtechnik AG	141	Manuf. of parts and accessories for motor vehicles and their engines	02/2007	700
2008 (end of April)				
Ricö Internationale Transporte und Logistik GmbH	280	Supporting and auxiliary transport activities; activities of travel agencies	03/2008	350
Donges Stahlbau GmbH	100	Manuf. of structural metal products, tanks, reservoirs and steam generators	03/2008	350
Lucia AG	50	Dressing and dyeing of fur; manuf. of articles of fur	03/2008	300
Eika Wachswerke Fulda GmbH	35	Manuf. of basic chemicals	01/2008	160
Hirsch AG	30	Dressing and dyeing of fur; manuf. of articles of fur	01/2008	170
Lauser GmbH & Co. KG	26	Manuf. of furniture	03/2008	130

Source: Euler Hermes

France

A sharp acceleration in insolvencies

2007: +6%

The French economy has begun to slow, with growth dropping from 2.4% in 2006 to 2.1% in 2007, and the rebound in Q1/08 will probably not be confirmed, given the deterioration in cyclical indicators and in consumer and business confidence findings. The slowdown in activity should continue and limit expansion to 1.7% in 2008, due to loss of impetus in household consumption and the reversal of the real estate market, the two drivers up to now of French economic growth. The weak growth or fall in activity, the rise in interest rates and in prices for energy, commodities and foodstuffs, and the firming in the euro are affecting a growing number of sectors. Business margins are being eroded, while, at the same time, credit conditions are becoming tighter and payment periods will shorten (under the planned Loi de modernisation de l'économie). These are so many factors that threaten to increase the burden of payment difficulties for many businesses in weakened circumstances and accelerate the rise in insolvencies. Thus, after falling by 4% in 2006, business insolvencies began to rise in 2007, by 5.7%. The number of court procedures rose to over 50,000, of which some two-thirds resulted the courts ordering their liquidation, one-third in court-ordered reorganisation, and 1% in the safeguard procedure.

Sector analysis

The rise in insolvencies, seen across nearly all regions in France, spread in 2007 to all sectors apart from transport, which for its part showed a clear 15% drop in the number of cases. But, for several months, insolvencies have clearly reversed in this sector, rising by 3% to the end of April 2008, hit by the full impact of the rise in oil prices. The increase in bankruptcy filings was by far most marked in construction (+20%) and in real estate (+13%), a trend accelerating over the initial months of 2008. Construction, in which activity has been flagging since the end of 2007, is home to very small businesses and recent start-ups, and accounts for a quarter of all insolvencies. By comparison, industry is proving fairly resilient, with a 5% fall in the number of pronouncements. Nonetheless, the general trend in industry does mask difficulties on the part of businesses that are significant in terms of turnover and jobs, in that half of the large-scale insolvencies (of firms with turnover in excess of EUR 15m) were in industry (notably in intermediate goods and the agrofood sector). Lastly, signalling the loss of impetus in household consumption, insolvencies in the retail and the hotel-restaurant sectors continue to mount.

2008-2009 outlook: rising insolvencies

The slowdown in the world economy, and pressures from prices and from credit conditions will weigh on both external

demand and on French domestic demand. The weakening in household consumption and housing investment will result in a reduced contribution to GDP growth, which will stay below 2% in 2008 and 2009. Any improvement in activity seems delayed to sometime in 2009, a situation that risks – given the hardening in lending conditions – increasing payment difficulties and accelerating the number of insolvencies. In view both of the trend of early 2008, with a 14% increase in insolvency rulings to the end of May, and of the impact of new business creation over recent years, we can expect the number of insolvencies to increase by at least 10% for 2008 and by 5% in 2009. ■

MCS

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Industry	4.667	-5.0%	9.3%
Construction	12.573	20.0%	25.1%
Commerce	11.594	3.0%	23.2%
Transport	1.438	-15.0%	2.9%
Real estate activities	1.343	13.0%	2.7%
Business services	6.718	5.0%	13.4%
Other service activities	2.417	0.0%	4.8%
Hotels and restaurants	5.199	11.0%	10.4%
Others	4.065	-5.0%	8.1%
Total	50.014	6.0%	100%

(*) Jan-Dec '06 to Jan-Dec '07

Source: Euler Hermes SFAC, series restricted to companies at date of publication of BODACC

Regulation:

► France's new Business Safeguard Act (la loi de sauvegarde des entreprises) of July 26, 2005 entered into force on January 1, 2006. It aims to foster the prevention of and handling of company difficulties when they first appear. The law makes changes to previous procedures as well as introducing new ones, such as the Safeguard procedure.

► **Prevention procedures:** ad hoc mediation (*mandat ad hoc*) and conciliation (*conciliation*), reserved for any company experiencing difficulties of a nature to compromise continued operations, but not having been in cessation of payments for more than 45 days.

► **Judicial procedures:**

• **The safeguard procedure (*sauvegarde*)** or judicial restructuring without cessation of payments, for any company that demonstrates problems liable to force it to cease payments. For companies with turnover of more than 20 million euros or 150 employees, it establishes two committees of creditors, one for financial institutions and another for trade

creditors, and a plan is drawn up for restructuring following an observation period of a maximum of six months, renewable one time only.

• **Judicial reorganisation (*redressement judiciaire*)** is open to any company in cessation of payments (unable to meet its current liabilities with its available funds) for a (renewable) period of six months. The procedure leads to a plan for restructuring the business and setting up committees (as under the safeguard procedure).

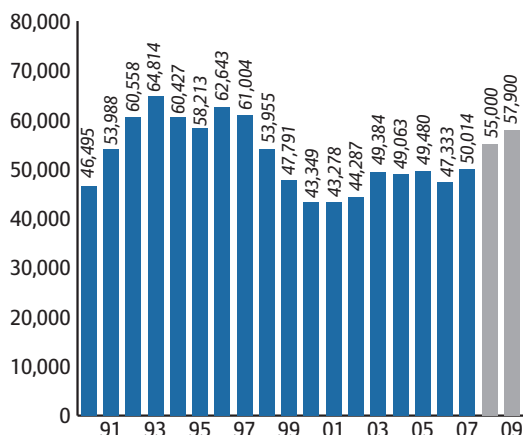
• **Judicial liquidation (*liquidation judiciaire*)** is applicable to debtors that have ceased payments and are unable to continue running the business.

• **Simplified liquidation (*liquidation simplifiée*)** is a new procedure for businesses with less than six employees in the six months prior to the judgement, turnover of less than 750,000 euros and no real estate holdings.

► A modification in France's Business Safeguard Act is under study, with the aim of extending the safeguard procedure to a greater number of companies. ■

GDP and insolvencies in France

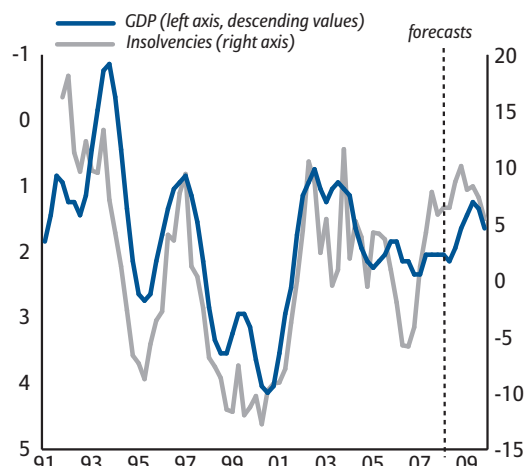
Number of insolvencies



Source: Euler Hermes SFAC

Insolvencies and GDP

Annual change, in %



Sources: INSEE, Euler Hermes SFAC forecasts

Number of insolvencies

Number*	2006	2007	2008
January	3,441	4,213	3,598
February	3,013	4,163	4,166
March	4,627	4,196	6,696
April	4,293	3,622	4,581
May	3,988	3,375	4,796
June	3,780	5,367	
July	4,296	5,066	
August	3,978	4,568	
September	1,964	2,167	
October	4,902	4,421	
November	4,506	3,072	
December	4,543	5,779	

* series at date of publication by BODACC

Source: Euler Hermes SFAC

DEFINITION and sources of statistics

Businesses:

as of January 1, 2006, the number of legal entities listed by INSEE in its Siren system totalled 3.6 million, including 2.651 million businesses with commercial activities in 'Industry, Commerce and Services' (ICS), but excluding around 660,000 businesses in agriculture, fishing and forestry and around 550,000 businesses in financial sectors. Of these 2.6 million businesses, half have no employees and 2.2 million have 0 to 9 persons on their payrolls.

Insolvencies:

Euler Hermes SFAC has based its series of insolvency figures on bankruptcy court judgements in France. The series, which has just been revised, uses the number of insolvency cases of all types opened by the courts as of the date of publication of the official journal *Bodacc*, which publishes announcements of these and is used to obtain breakdown figures by major sector and by region. A second series identifies the biggest insolvencies, for entities with turnover in excess of 15 million euros.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2007				
Groupe LERO	1 078	Sale, maintenance and repair of motor vehicles and motorcycles	02/2007	56
SARL M.S Entreprise Ltd	983	Wholesaling (computers)	07/2007	ns
Groupe Toury	301	Manuf. of food products and beverages	04/2007	80
Groupe Smoby	285	Manufacture of toys	03/2007	556
Heuliez	270	Automotive suppliers	10/2007	1,626
2008 (April)				
I.F.L.	2 548	Adult and other education	01/2008	ns
Groupe Matussièrre et Forest SA	280	Manuf. of paper and paper products	04/2008	275
Mediatech	133	Wholesaling trade and commission trade, except of motor vehicles & motorcycles	02/2008	4
Galaxy Informtique	56	Computer and related activities	02/2008	20
Klarius SAS	51	Automotive suppliers	03/2008	ns

Source: Euler Hermes SFAC

Italy

Insolvency is increasing in 2008

2007

GDP growth for the full year 2007 was just 1.5%, and the outlook has become even gloomier, with growth forecasts revised downwards to around 0.5% for 2008, due to the worsening in the international environment and the slowdown in domestic demand. The sharp fall in the number of insolvencies, estimated at 50% for 2007 to nearly 5,000 *fallimenti*, against an average of more than 11,000 over the period 2000-2005 (official ISTAT figures stop at 2005) does not reflect the real situation and is entirely due to the change in Italian bankruptcy law, which considerably reduced the number of businesses liable to go into liquidation (on the basis of financial criteria). Comparing the number of insolvencies with previous years is made all the more difficult in that barely over a year after the new legislation came into force in 2007, further modifications were made in October 2007 regarding financial criteria, which could in 2008 lead to an increase in the number of businesses liable to a procedure. But more worrying still and more revealing of the difficulties being experienced by Italian businesses is the deterioration in payment delays, according to the indicator created by Euler Hermes SIAC in collaboration with Bocconi University. Thus, after having improved from 2004 to 2006, the indicator showed a clear turnaround in 2007: pay-

ment delays lengthened to an average of 82 days, foreshadowing a trend reversal in business insolvencies.

Sector analysis

Data published by Movimprese (Chambers of Commerce), which give quarterly tallies of the number of businesses subject to a procedure (*fallimento*, *liquidazione*, or *concordato*), show a contraction in the numbers by around 5,000 businesses between 2006 and 2007, which corresponds to the estimated fall in the number of insolvencies between 2006 and 2007 (dropping from 10,000 to 5,000). Despite these figures, the reality is very different, with an increase in the pressures in a number of sectors besides construction and industry (with more than 20% of businesses subject to procedures in the latter), such as agrofoods, capital goods, textiles and clothing and leather goods.

2008-2009 outlook

The slowdown in activity in 2008 to below 1% GDP growth, the tightening in credit conditions and the clear deterioration in payments seen for more than a year are a good number negative of factors and signs for the Italian business climate, and they will contribute to a clear increase in insolvencies. Industrial confidence has fallen outright since mid-2007, dropping

to its lowest point since the end of 2005. The slowdown in activity has also spread to services, and the falloff in the real estate market is impacting on construction activity. Paradoxically, a survey of the major bankruptcy courts that was published in the press showed a 7.2% fall in the number of requests for procedures, a 1.6% fall in the number of bankruptcy cases opened in Q1/08, on a yr/yr basis, and a 22% increase in the use of the *concordato preventivo*. But, given the payment delays noted and the impact of the modification of the new bankruptcy law, we can expect the number of insolvencies to increase by around 10% both in 2008 and in 2009.

■ MCS

Insolvencies by sector 2007**

	Number	Change (*)	Share of total
Agriculture & related services	2,642	-1.4%	1.1%
Industry	52,291	-2.9%	21.3%
Commerce	76,832	-2.4%	31.3%
Construction	28,605	-0.6%	11.6%
Transport & communication	7,815	-0.3%	3.2%
Business services	19,232	-1.0%	7.8%
Hotels and restaurants	11,572	-3.4%	4.7%
Financial intermediaries	2,610	-2.2%	1.1%
Other sectors & services	44,244	-1.5%	18.0%
Total	245,843	-2.0%	100.0%

**Companies with one of the following processes in progress : compulsory liquidation, compulsory administrative liquidation courts, arrangements with creditors.

(*) Jan-Dec '06 to Jan-Dec '07

Source: Movimprese

Regulation:

On October 16, 2007, just over a year after the entry into force of most of its new insolvency provisions, the Italian government enacted Legislative Decree No.169, providing for further amendments to the Italian insolvency regime.

► **Compulsory liquidation:** the 2006 bankruptcy law was very flexible, inasmuch as SMEs did not fall within the imposed criteria. Thus, an entrepreneur could organise his own activities through a multitude of small businesses in order to avoid potential bankruptcy proceedings. The new criteria have added a debt level of EUR 500,000 to the traditional criteria concerning investments and revenues (the total value of a business's assets and investments must exceed a threshold of EUR 300,000 and its average gross annual turnover during the previous three fiscal years must be higher than EUR 200,000. In order to avoid bankruptcy, all these criteria must be met and the debtor must furnish proof of this. These two new criteria resulted in a drop in the number of bankruptcy procedures underway in 2007.

The liquidation procedure is no longer subject to a ruling by the delegated judge but must be evaluated by a creditors committee. The judge must in any event authorise any sales disposals, verifying their compliance with the procedure. Once liquidation has been completed, all restrictions on the assets of the debtor are automatically lifted, as well as any legal restrictions on the debtor. It is for this reason that the bankruptcy register has been abolished.

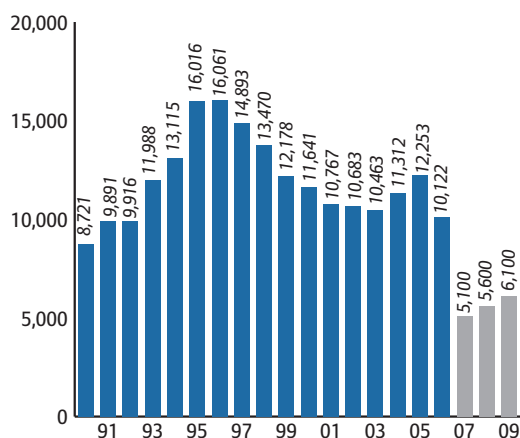
► **Arrangements with creditors:** Last reform modified arrangements with creditors and the debt restructuring agreement (certified by an expert and subject to approval by the insolvency court and a minimum of 60% of the creditors), for the purpose of restructuring indebtedness. These procedures benefit from protection from clawback risk.

The insolvent company, once the debt restructuring agreement has been filed with the insolvency court and published in the register of companies, will now benefit from an automatic stay of any enforcement proceedings against the company's assets for a period of 60 days.

It is now possible for the arrangement with creditors to envisage only partial payment of secured creditors, provided that such proposed payment is not less than the amount, as certified by an expert's report, that the secured creditor would have realised in the event of foreclosure and realisation of the secured asset. The creditors committee is no longer restricted to having only a purely consultative status. The new law also reduces the civil and criminal responsibilities of its components. Previously, these responsibilities were equivalent to the very strict standards in force for statutory auditors. As a result, it was often difficult under the prior regime to form a representative creditor committee. Indeed, some leading banking groups indicated to Bankruptcy Courts their general unwillingness to place representatives on those committees.

GDP and insolvencies in Italy

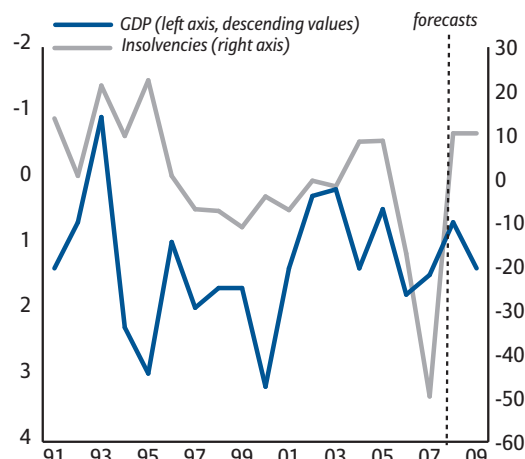
Number of insolvencies



Sources: ISTAT, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: ISTAT, Euler Hermes forecasts

Number of insolvencies

	Annual figures	Change
1995	16,016	
1996	16,061	0.3%
1997	14,893	-7.3%
1998	13,740	-7.7%
1999	12,178	-11.4%
2000	11,641	-4.4%
2001	10,767	-7.5%
2002	10,683	-0.8%
2003	10,463	-2.1%
2004	11,312	8.1%
2005	12,253	8.3%
2006	10,122	-17.4%

Source: ISTAT

DEFINITION and sources of statistics

Businesses:

Movimprese estimates some 5.093 million businesses active in Italy, of which 3.4 million are individually owned. Some 95% of Italian businesses are micro-businesses, i.e., those with less than 10 employees. ISTAT counts 4.277 million businesses (95% with less than 10 employees) active in industry, commerce and services (excluding agriculture, public services and associations).

Insolvencies:

ISTAT only publishes annual business bankruptcy figures, and with two years' delay. The average duration of a procedure is seven years before judgement is pronounced. For its part, Movimprese gives quarterly figures for *fallimento* procedures underway by sector and by region.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2007				
Wega	250	Wholesaling	03/2007	4
Agostini Cedis S.P.A. - in liquidazione - in concordato	119	Wholesaling of other food, including fish, crustaceans and molluscs	09/2007	55
Tre Emmpe Pi - S.P.A.	90	Wholesaling	03/2007	100
General Buyer S.R.L o piu' bre	88	Finance	02/2007	25
C.A.F. Cooperativa Autocisernistifossano				
Societa' Cooperativa	87	Transport	10/2007	9
2008 (April)				
Medi Max Electronics	116	Wholesaling	03/2008	2
Alpi Eagles S.P.A.	106	Transport	03/2008	n.d.
Manifattura di Legnano Societa' Perazioni in liquidazione	90	Spinning, weaving and finishing of textiles	02/2008	919
O.M.B. Brescia - S.P.A. in liquidazione	47	Manuf. of other transport equipment	04/2008	200
Home S.R.L. in liquidazione	40	Furniture Prod.	03/2008	60

Source: Euler Hermes

Spain

Rising risks

2007: +3%

While GDP grew by a further 3.8% in 2007, the outlook is becoming gloomier with the collapse in the real estate market, with consequences spreading through the entire economy. The rise in inflation, coupled with the increase in debt payments, impacts both on household consumption and on business competitiveness. The government has lowered its growth forecast to 2.3% for 2008 and 2009, and has announced an economic support plan totalling EUR 10bn (around 1% of GDP). Given the easing in domestic demand and in export orders, businesses will correspondingly have to adapt their operations. As for insolvencies, the figures are particularly low and should be read with caution: most actual situations are resolved amicably. But 2007 has already marked a change in trend. Officially recorded business insolvencies totalled 880, up 3.2% on 2006, following four consecutive years in which the number of cases fell. Also, the rise in bankruptcies in Q1/08, by 65% yr/yr, is a worrying development, with a clear deterioration in the construction sector (+118%), especially in the regions of Valencia and Andalusia, hit by the collapse in the leisure property market. The official number of business insolvencies published by INE is still low compared to Spain's active business population of 3.3 million, because the *concurso* procedures (both *voluntario* and *necesario*) are little utilised, businesses still preferring to reach amicable settlements or to cease trading, in order to avoid the legal costs involved in court procedures.

Sector analysis

A look at the judgments pronounced in 2007 shows a 15% rise in insolvencies in construction and a 6% increase in business services (the latter including real estate services), a trend that threatens to worsen in 2008, given the serious downturn in the Spanish property market, adding to the list of insolvencies among property developers. Industry, plus wholesale and retail distribution, which respectively account for 29% and 18% of bankruptcy filings, are still showing falling numbers of cases, but the biggest reductions have come in the transport and hotel sectors. Three-quarters of business insolvencies were on the part of businesses with turnover below EUR 5m, but nearly half of bankruptcies involved companies with more than 10 employees, tending to confirm the observation that only businesses of a certain size use the procedures, given the legal costs. There has been a sharp (+38%) jump in insolvencies of businesses with more than 100 employees. Two-thirds of procedures were pronounced in the five regions that are home to two-thirds of the country's businesses: Catalonia (21% of cases), Madrid (11%), Valencia (17%), the Basque Country (11%), and Andalusia (9%). The increase in insolvencies is particularly notable in the regions of Valencia (+31%) and Andalusia (+9%).

2008-2009 outlook: strong rebound

The less promising business outlook in industry and the impact of the real estate crisis on the economy have cut into Spanish business confidence. The braking in domestic demand and in exports to the euro zone will limit GDP growth to around 2%. We can therefore expect the number of insolvencies to double in 2008 (with a further 15% increase in 2009), taking the total of officially recorded cases to 1,650 this year, a figure very obviously too low to significantly reflect the true state of health of Spanish businesses. ■ MCS

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Agriculture & related services	21	90.9%	2.4%
Industry	258	-3.7%	29.3%
Construction	165	15.4%	18.8%
Commerce	158	-4.8%	18.0%
Hotels & restaurants	20	-28.6%	2.3%
Transport & communication	28	-30.0%	3.2%
Business services	87	6.1%	9.9%
Others	143	41.2%	16.3%
Total	880	3.2%	100.0%

(*) Jan-Dec '06 to Jan-Dec '07

Source: INE

Regulation:

A new law regarding insolvencies and bankruptcies, the Ley Concursal of July 9, 2003, came into force in September 2004, with important consequences for businesses. The principal improvements of the law are the following:

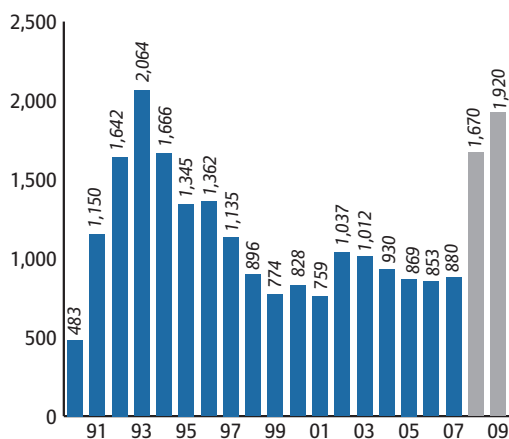
- ▶ Creation of new courts specialised in commercial law and reduction in the delays for lodging the claim. As a consequence of this, the insolvency process will take less time.
- ▶ Definition of two different kinds of concurso (insolvency): *Culpable* (blameable) or *voluntario* (voluntary) with different consequences for the managers of the business.
- ▶ Implementation of new proceedings of insolvency. If a company has debts for three months with the tax or social security authorities, it will be considered insolvent and it shall voluntarily apply for insolvency.

▶ Toughening of the rules related to liability on the part of the managers of the company.

The aim of the new law is to supersede the former regulation and to implement a new process that will allow businesses to cooperate with their creditors in order to survive a period of cash crisis. Nevertheless, the new law tries also to protect the interests of the creditors, toughening the rules on managerial liability and forcing the businesses to voluntarily apply for insolvency before their financial situation becomes too serious. ■

GDP and insolvencies in Spain

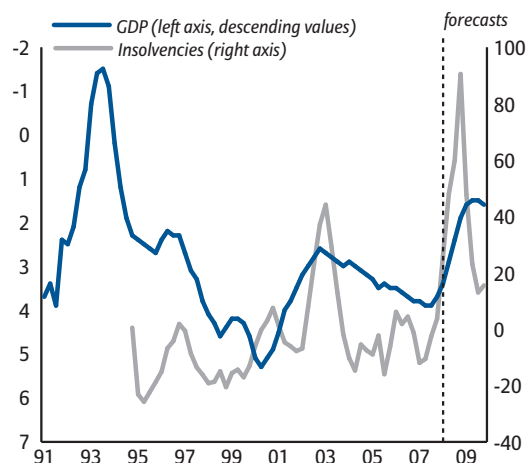
Number of insolvencies



Sources: INE, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: INE, Euler Hermes forecasts

Number of insolvencies

Number	2006	2007	2008
Q1	257	218	359
Q2	218	212	
Q3	162	190	
Q4	216	260	

Source: INE

DEFINITION and sources of statistics

Businesses:

Spain's Instituto Nacional de Estadística (INE) annually publishes a census conducted by the Directorio Central de Empresas (DIRCE). On January 1, 2007, there were 3.3 million active businesses (excluding agriculture), of which 94% had fewer than 10 employees and 51% no employees. This list is based on figures from different administrative sources, including company tax records and Spanish social security authorities.

Insolvencies:

Since the fourth quarter of 2004, INE has been publishing a new series of quarterly business insolvency figures, with a breakdown by sector, by region, by business legal status and by size.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2007				
Primayor Foods SL	413	Wholesaling of agricultural raw materials, live animals, food, beverages and tobacco	05/2007	918
Vitelcom mobile technology S.A	312	Manuf. of television and radio receivers, sound or video recording or reproducing apparatus, and associated goods	05/2007	331
Delphi Automotive Systems España SL	259	Manuf. of parts and accessories for motor vehicles and their engines	05/2007	1854
Incoporc, Sociedad Agraria de Transformación 1516	106	Wholesaling of agricultural raw materials, live animals, food, beverages and tobacco	07/2007	4
Mgr grupo informático SL	96	Wholesaling	04/2007	24
2008 (April)				
Aurgi SL	80	Sale of motor vehicle parts and accessories	01/2008	848
Codilma Comercial Distribuidora de Llemana, S.A	51	Agriculture, hunting and forestry	03/2008	82
Aurgi SL	43	Construction	03/2008	135
Codilma Comercial Distribuidora de Llemana, S.A	32	Construction	03/2008	206
Jale Construcciones, Sociedad Anónima Unipersonal	30	Post and telecommunications	02/2008	59

Source: Euler Hermes

Netherlands

The fewest insolvencies since 2002

2007: -22.5%

In 2007, the Netherlands overall confirmed the restoration in economic growth seen since 2006, with real GDP growth of 3.5% for the whole year 2007 (following +3% in 2006 and only +1% on average between 2001 and 2005). The country also confirmed the downtrend in business bankruptcies: 4,600 businesses filed for bankruptcy in 2007, out of a total active business population of 746,000 entities (including 93,000 in primary industries), against more than 5,900 cases in 2006. After two years of a strong fall in insolvencies (by a cumulative 32%), business insolvency in the Netherlands thus returned more or less to the average seen during the difficult period of 2000-2004, which had been accompanied by an 86% explosion in bankruptcies. A large part of the 2007 improvement was, even so, due to the sharp fall in single-owner company bankruptcies (-41%). Insolvencies of other types of companies, which now amount to more than three-quarters of total bankruptcies, in fact continued to fall at a rate (-15.1%) close to that seen in 2007 (-16.8%), with an annual total just a little over the historical average of the series since 1993, but also 30% over the average seen before the last strong cyclical downturn.

Sector analysis

Every major branch of the economy contributed to the national trend of falling insolvency in 2007, with a far more signif-

icant drop in the figures for single-owner companies than for other types of companies. The hotel-restaurant branch and agriculture, the only two sectors still showing a rise in insolvencies in 2006, also joined the others, even recording the most significant declines of 2007, at -45% and -40% respectively. The downtrend slowed only in manufacturing industry, admittedly after already four years in which the number of insolvencies had dropped by a cumulative 42% since 2003. By contrast, the fall in insolvencies again accelerated in every other major sector. Such was the case in transport-communications and in wholesaling, two sectors that most directly profited from growth in foreign trade, and in retailing, thanks to the revival in household consumption. The picture was similar in construction (-19.5%) and especially in the finance/business services component (-20%), although this sector did account for very nearly 32% of bankruptcies against less than 23% of the business population.

2008-2009 outlook: heading for 4,500 bankruptcies in 2009

The Netherlands' economy should experience a noticeable slowing by 2008-2009, due to its strong dependence on world trade, and particular on trade with Germany, and also due to the weak potential for further acceleration in private demand. GDP growth has strong chances

of slowing to 2.5% for the whole year 2008 and to below 2% in 2009, and therefore from the second half of 2008 dropping below the growth rate for equilibrium in the number of insolvencies. After an already more moderate fall in the number of cases over the first four months (-14% for the cumulative 12 months to the end of April), business bankruptcies should end 2008 with a more modest fall (-5%) than in 2006 and 2007, at around 4,400 bankruptcy filings, before starting to rise over 2009. **ML**

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Agriculture	84	-40.4%	1.8%
Industry	464	-8.1%	10.1%
Construction	617	-19.5%	13.4%
Commerce	1,165	-18.0%	25.3%
Hotels & restaurants	299	-44.6%	6.5%
Transport & communication	240	-39.4%	5.2%
Finance & business services	1,450	-20.3%	31.5%
Others	283	-19.6%	6.1%
Total	4,602	-22.5%	100%

(*) Jan-Dec '06 to Jan-Dec '07

Source: CBS

Regulation:

► Company insolvency falls under the Act dated September 30, 1893 (*faillissementswet*), which is inextricably linked to the work of the famed legal Professor Molengraaf. This law took effect in September 1896.

Applicable to all individual businesses and legal entities, it consists of two chapters: bankruptcy (*faillissement*) and court-ordered moratorium (*surseance van betaling*) for the suspension of payments. Both these procedures take place after the Commercial Chamber of the Civil Court (notified either by the debtor, one or more creditors, or by public authorities) has established that the debtor has ceased payments (the debtor being 'apparently unable to meet its liabilities').

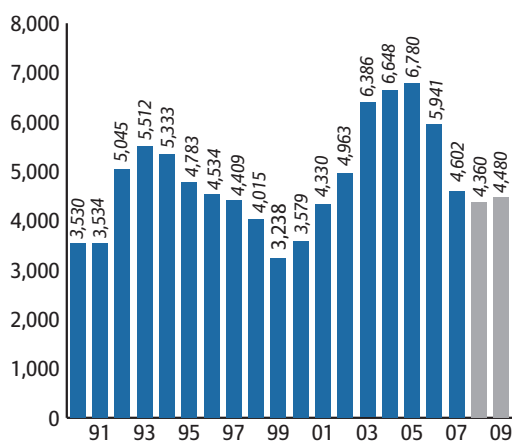
► The procedure is designed above all to enable recovery of businesses in temporary financial difficulty via a recovery plan. The plan must be approved by the court and offered to

the creditors, who may accept it (with the agreement of 2/3 of the creditors representing 3/4 of total liabilities) or reject it. However, the procedure results in the liquidation of 'unrecoverable' businesses (those with liabilities too high, a poor chance of survival, etc.). Experience has shown that more than 95% of Dutch businesses under legal moratorium end up in liquidation.

► This law was last amended on September 1, 1998, when a new title was added – concerning the 'Debt Rescheduling of Natural Persons' (*WetSchuldsanering Natuurlijke Personen*). This law is also applicable to sole traders. It provides a three-year moratorium during which the debtor has to put in as many assets as possible in order to pay outstanding debts. This law can be also be applied to sole trader insolvencies. The aim of this law, of course, is to increase the number of individuals who avoid bankruptcy. **ML**

GDP and insolvencies in Netherlands

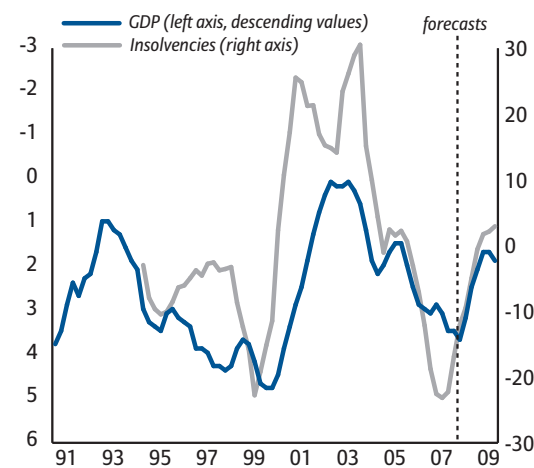
Number of insolvencies



Sources: CBS, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: CBS, Euler Hermes forecasts

Number of insolvencies

Number	2006	2007	2008
January	583	472	383
February	558	343	349
March	553	349	317
April	512	364	404
May	522	432	
June	471	331	
July	462	378	
August	515	400	
September	445	401	
October	455	442	
November	457	378	
December	408	312	

Source : CBS

DEFINITION and sources of statistics

Businesses:

The Centraal Bureau voor de Statistiek (CBS) puts the number businesses in the Netherlands as of January 1, 2006, all sectors included, at 746,400. Of these, 48% were in services, 22% in retailing and wholesaling, 13% in agriculture, 11% in construction and 6% in industry. Around 85% have more than 5 employees, while fewer than 2% have more than 50 employees.

Insolvencies :

The CBS registers all bankruptcies ruled on by the bankruptcy courts, including personal bankruptcies, which account for 25% of the total. Our series takes in business failures for all sectors of activity, and includes companies, 'single-owner companies' and partnerships. These account for 75% of bankruptcies. We exclude personal bankruptcies, which account for 25% of the total.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2007 (end of October)				
Nijssen Bouw B.V.	26	Construction	03/2007	88
K.Damen Schipyards B.V.	17	Building and repairing of ships and boats	03/2007	55
Kloosterman B.V.	11	Manuf. of structural metal products, tanks, reservoirs and steam generators	01/2007	69
Draad Wegenbouw B.V.	n/a	Construction	03/2007	70
Boers Aannemings Bedrijf	n/a	Construction	05/2007	170
Kip Caravans BV	n/a	Caravans	11/2007	82
Wet & Dry Techniek	n/a	Manufacturing	03/2007	31
Lundia Nederland BV	n/a	Furniture (trade)	05/2007	111
Boeters Glastuinprojecten	n/a	Greenhouses	11/2007	15
Installatiebedrijf Middelburg BV	n/a	Commerce	09/2007	74
H'its International BV	n/a	Commerce	07/2007	14

Source : Euler Hermes

Belgium

Towards 8,000 insolvencies

2007: + 1%

The economic outlook for 2008 has further deteriorated. The less promising international environment for exports (86% of GDP), four-fifths of which go to the European Union, will bring a more marked slowing in GDP growth, which will drop a point from the 2.7% figure of 2007. While businesses have remained financially healthy overall, with still comfortable results, there was a slight (0.8%) rise in insolvencies in 2007 to 7,678 cases, putting an end to two years of falling figures. The majority of these were on the part of small businesses. Only in nine cases did they involve businesses with more than 100 employees (against six in 2006). Some 15,200 employees were affected, with nearly half of these in the Flanders region.

Sector analysis

By sector, construction was the most sharply affected by the rise in insolvencies (+7.7%) in 2007, and this tendency should continue given the downturn in the real estate sector and the fall in the number of building permits. The rise in insolvencies was less marked in transport and communications, while industry, retail and wholesale distribution, and the hotel-restaurant sector all fared better and saw

the number of cases fall. By region, Flanders saw insolvencies rise by 1.8%, contributing to the reversal of trend, inasmuch as it accounts for half of the country's insolvencies. In Wallonia and the Brussels region, the number of cases only rose by less than 1%, or by 0.8% and 0.6% respectively.

2008-2009 outlook: rising

Given the trend for the first four months of 2008 (+3% against the first four months of 2007), and with GDP growth below 2%, we can expect a further increase in the number of insolvencies in Belgium this year, by around 5%, with probably a 1% increase in 2009, which would yield a total of more than 8,000 bankruptcy judgments. Future insolvencies will probably involve recent business start-ups, the number of which rose by a further 11% in 2007. Given the fragility of these new creations, a good number of them risk not surviving their initial difficulties. ■ MCS

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Agriculture, hunting and forestry	133	9.9%	1.7%
Industry	452	-9.4%	5.9%
Construction	1.053	7.7%	13.7%
Commerce	2.193	-1.7%	28.6%
Hotels & restaurants	1.417	-4.3%	18.5%
Transport & communication	1.984	4.4%	25.8%
Others	445	9.1%	5.8%
Total	7.677	0.8%	100%

(*) Jan-Dec '06 to Jan-Dec '07

Source: INS

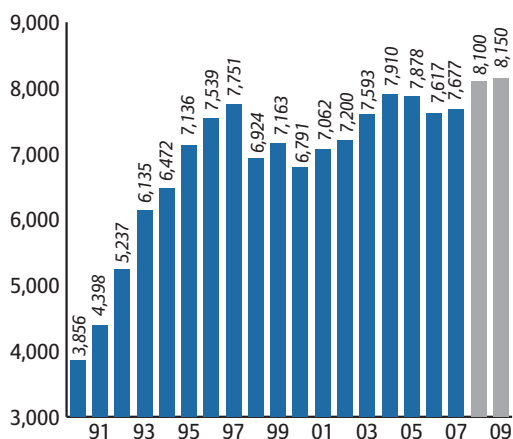
Regulation:

► **Faillite (bankruptcy):** this applies to 'any business that has consistently ceased payment and whose credit is weak'. It is defined in the Act of August 8, 1997 (effective from January 1, 1998), which cancels and replaces the Act of April 18, 1851, and establishes a procedure for the liquidation of a company. Bankruptcies are pronounced by the commercial court with jurisdiction for the business, largely based on the statement of the trader to the court registry (in the month when payments ceased) or on the basis of statements from one or more creditors or from the public prosecutor. Bankruptcies can be carried out via a 'short procedure' (once the minutes of the debtor's verification have been finalised) if the bankruptcy is not contested or if the asset value is not material. Alternatively, the bankruptcy may be via a 'long procedure' if the bankruptcy is liable to prejudice the rights of the bankrupt party or his creditors. The process must be completed within three years following the court's pronouncement of bankruptcy, or with a court decision on any 'reason to excuse' the bankrupt party, which could cancel all existing liabilities from the bankruptcy.

► The Act of July 17, 1997 relating to *concordat judiciaire* (legal arrangement), however, is intended to avoid bankrupting a trader acting in good faith who 'temporarily cannot meet his liabilities and whose business is threatened by difficulties liable to lead to a suspension of payments within a more or less short period of time'. The request for a legal arrangement comes either from the debtor or from the authorities following *examens d'office*, i.e., commercial enquiries, undertaken by the commercial courts on all debtors incurring difficulties identified from certain information including that collected every quarter from the national social security or finance authorities. The court decides either on the rejection of the request without recourse, on immediate bankruptcy, or on a legal arrangement. The latter gives legal protection to the debtor from his creditors for an observation period of a maximum of six months (unless the court extends this period) and gives the right to a temporary suspension. During this time, a recovery plan must be approved by a majority of creditors and the court, with a view to a final suspension, which can last up to 24 or 36 months. ■

GDP and insolvencies in Belgium

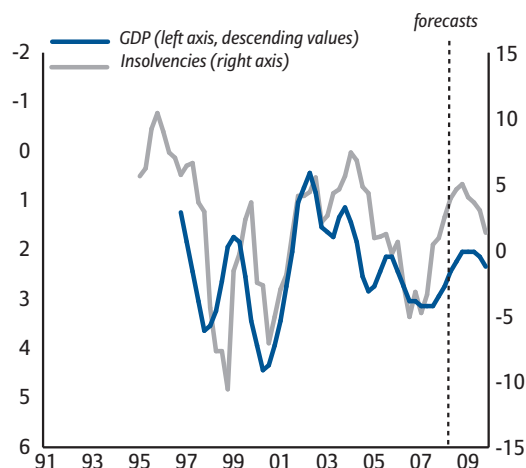
Number of insolvencies



Sources: INS, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: INS, Euler Hermes forecasts

Number of insolvencies

Number	2006	2007	2008
January	740	642	682
February	690	643	616
March	683	718	716
April	594	654	715
May	729	632	641
June	732	731	
July	386	392	
August	330	344	
September	707	792	
October	716	851	
November	657	649	
December	653	629	

Source: INS

DEFINITION and sources of statistics

Businesses:

The Institut National de la Statistique (INS), via Ecodata, the database of the Ministry of Economic Affairs and the INS, counted 710,252 companies registered for VAT in 2005, including independents and excluding non-profit companies. Of this figure, 95% employed less than 10 persons.

Insolvencies:

INS publishes figures each month on declared business bankruptcies. These figures are broken down by major sector, by the party's legal status (bankruptcies of individual entrepreneurs, cooperatives, public limited companies and private limited companies), and by region.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2007				
Hermes Trading Co	78	Transport	05/2007	ns
De Boever's Brandstoffen	58	Petrol (gasoline) stations	05/2007	ns
Château Caravans	54	Manuf. of other transport equipment	11/2007	240
Nelca	45	Textiles	03/2007	231
Dejaeghere-Spinning Mills	31	Textiles	03/2007	195
Metaalconstructies Willems	28	Manuf. of fabricated metal products, except machinery and equipment	01/2007	215
2008 (April)				
Cloetens	55	Electronics	03/2008	ns
Ferryways	29	Other service activities	02/2008	ns
R. en F. Folding Boxes	26	Packaging	01/2008	86
Kingtrade	10	Electronics wholesaling	02/2008	ns

Source: Euler Hermes

Austria

Insolvencies fell in 2007, but to a still high level

2007: -6.1%

In 2007, Austria confirmed the fall in bankruptcies begun in 2006, helped notably by a clear improvement in H2 (-10% against H1). Businesses benefited from the prolonged good state of the economy, which, fuelled by both domestic demand and exports, saw a new acceleration in GDP growth (to 3.3%) and enabled businesses to maintain profit growth at above 6.5%, against 6.9% in 2006. Nearly 6,300 businesses with total liabilities of EUR 2.4bn went bankrupt over the whole of the year, down from 6,700 businesses and EUR 2.6bn in 2006. Despite this improvement, insolvency remains high for Austrian businesses, both in terms of the total business population and in terms of the historical numbers (with an annual average of fewer than 6,000 bankruptcies since the start of the decade). The most heavily hit sectors remained construction, the hotel-restaurant sector, and business services, with around 1,000 cases each despite a nearly average fall in insolvencies. By contrast, three sectors posted a sharp upturn in bankruptcy filings: agriculture (+7%), chemicals-pharmaceuticals (+16%) and textiles-leather (+18%), but these only accounted for 5% of bankruptcies.

2008-2009 outlook: towards a rise in insolvencies in 2009

With still solid GDP growth in Q1/08 (at +0.8%), which was accompanied by a new fall in bankruptcies (-4% against Q4/07), the Austrian economy should gradually lose some of its steam. Major confidence indicators – for industry, services and households alike – continued to worsen into May, strengthening the hypothesis of a sharp slowing in growth. This should gradually turn the insolvency curve, which should begin to rise from mid-2008, to an annual total of 6,300 cases in 2009, (+2%, against -2% in 2008). ■ ML

Major insolvencies

2007

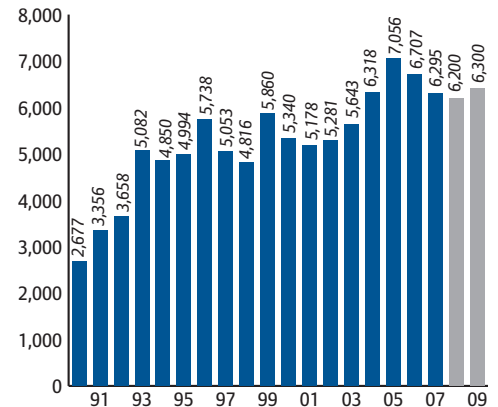
"GAK", Graz	Motion picture, radio television and other entertainment activities
Panda Firmengruppe	Construction
Epsilon	Real estate
Innovation Privatstiftung & Technology Privatstiftung	Business services
Sochor Group GmbH	Publishing

2008

AST Baugesellschaft mbH	Construction
Battenfeld Kunststoffmaschinen Ges.m.b.H.	Manuf. of plastic products
Der Bleibergerhof GmbH & Co. KG	Hotels & restaurants
Farben und Lacke Ludwig Christ & Co.	Manuf of basic chemicals
Erzeugungsges. und Handelsges.m.b.H.in	chemicals
VILLI Glas GmbH	Manuf. of glass and glass products

Source: Euler Hermes

Number of insolvencies



Sources: KSV, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

Statistik Austria counted 279,700 businesses in 2005, (excluding education, health and social services). Business services accounted for 28% of the total, ahead of retailing and wholesaling (28%), the hotel-restaurant sector (16%), industry (10%) and construction (9%). Nearly 87% have fewer than 10 employees. Some 2% have more than 50 employees, but account for more than 60% of the cumulative turnover of all Austrian businesses, estimated at EUR 515bn for 2005.

Insolvencies:

Our series uses data from Kreditschutzverband 1870 (KSV), which gives quarterly figures for the totality of business bankruptcies pronounced, by sector and by region.

Regulation:

Austrian law distinguishes between composition proceedings under its Composition Law (Ausgleichsordnung, or AO) and winding-up under the Bankruptcy Law (Konkursordnung, or KO).

► Opening of winding-up proceedings presupposes that the debtor is insolvent. Insolvency is in particular to be assumed when the debtor has ceased payments. It is not a precondition for insolvency that creditors are pressing for payment. A situation in which the debtor has satisfied his payment obligations towards individual creditors in whole or in part, or is still able to do so, is not sufficient grounds in itself for the assumption that he is solvent (§ 66, KO). Winding-up proceedings can also be opened on trading companies in which there is no personally liable partner who is a natural person, as well as in respect of the assets of legal entities and bankruptcy proceedings in respect of a deceased's estate in the case of overindebtedness (technical insolvency = excess of liabilities over assets) (§ 67, KO).

If the preconditions for opening of winding-up proceedings or threatening imminent insolvency are present, the debtor can apply for the opening of composition proceedings instead (§1, AO).

► The goal of the winding-up proceedings is first of all to satisfy the claims of all creditors equally. Depending on the assets available, each creditor would receive a dividend in the same percentage of the amounts owed to him. Wherever possible, the attempt is made to avoid the break-up of companies that have a chance of restructuring their finances and to give the debtor the chance to get back on his feet again financially. This is the goal when the procedure known as compulsory composition (*Zwangsvergleichsverfahren*) takes place within winding-up proceedings. The compulsory composition procedure leads to the discharge of the debtor from his residual debt if and when he pays at least 20% of his debts within 2 years. ■

Greece

A probable increase in insolvencies in 2008

2007: -6%

Greek economic growth remained at 4% in 2007, the rate seen for five years and well above the euro zone average. The economy owes its dynamism to household demand (consumption and housing), supported by strong growth in wages, jobs and by the expansion in credit, as well as to private investors who are gradually taking over the reins from public investment. Businesses have benefited, under fiscal and structural reforms aimed at supporting entrepreneurship, from cuts in corporate taxes and aids to investment. In this favourable climate for business, the number of business insolvencies (510 cases) fell by 6% in 2007 for the second year running. Nearly three-quarters of insolvencies are on the part of companies located in the economic centres of Athens (50%) and Central Macedonia (20%).

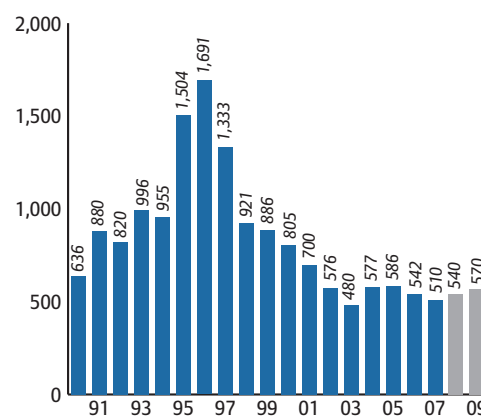
2008-2009 outlook: rebound

Given the international financial crisis and the slowing in the world economy, GDP growth in Greece should slow to around 3% in 2008 and 2009. The rise in inflation and slower credit growth should moderate household demand, although this will still be the main pillar of growth. The economic and financial environment will be less favourable to business, and higher commodity prices and wage

increases will handicap processing industries and erode the competitiveness of Greek companies. The insolvency trend could reverse, with a 6% increase in the number of cases in 2008 and in 2009.

■ MCS

Number of insolvencies



Sources : National Statistical Service of Greece, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

By the latest estimates, 795,556 businesses were registered with the National Statistical Service in 2005

Insolvencies:

Available official data on business insolvencies end in 2003. From 2004 onwards, the figures are Euler Hermes estimates based on various sources (Icap).

Regulation:

► The bankruptcy procedure in Greece has been reformed by the Law No. 3588/2007, in force since 16/09/2007. This Law, having taken into consideration the relevant procedures of the German, French and Spanish Law, abolishes the previous bankruptcy Law, as well as the legal framework of restructuring and winding-up of companies, determined by Law 1892/90 (Art. 44, 45, 46, 46a and 46b), and introduces faster and more flexible procedures.

The main principles of the new Law are the following:

- First priority is to give the debtor the opportunity to restructure its business and avoid being declared bankrupt. The Law encourages the adoption of the "Re-organisation Plan" of the enterprise, in order to keep it in operation. The "Re-organisation plan" can be filed before the Court by the debtor or the trustee in a brief time limit, it is evaluated by the Court and its acceptance or rejection is decided by the creditors.
- In case the attempt to re-organise the enterprise fails, the bankruptcy procedure is faster and there are control mechanisms securing the immediate liquidation of the ban-

krupcy property as well as its distribution to the creditors. The Law settles the immediate beginning of the liquidation after the end of the verification of the claims, as well as the fast hearing of all the bankruptcy cases.

- The liquidation procedure of the assets is more transparent and there is a new organ in the bankruptcy procedure, the "committee of creditors", consists of three members, each member elected from one category of creditors. This organ follows the bankruptcy procedure, assists the trustee in his work and secures the control of the procedure for the entity of the creditors.

► The institution of "reconciliation procedure" is introduced. The aim of this procedure is to reach a settlement between the debtor and its creditors concerning all the debts, and avoid the business being declared bankrupt. .

- A simpler and faster bankruptcy procedure is introduced regarding the "small bankruptcies" (=concerning cases, when the total value of the debtor's assets does not exceed the amount of EUR 100,000 , providing there is no real estate). □

Finland

Near stabilisation in insolvencies in 2007

2007: -1%

Finland again saw nearly no change in business insolvency levels in 2007. The macroeconomic environment remained buoyant. Annual GDP growth, despite a slight slowing in H2, was well over 4% for the second consecutive year, with clear signs of overheating in a number of sectors (construction, the metallurgical industry, etc). Business profits hit new highs, after two years of strong growth (+8.7% in 2006 and +9.3% in 2007). In this context, 2,258 businesses were forced nonetheless to file for bankruptcy over the year, out of a total business population – still growing since 2006 – of more than 250,000 entities. The volume of bankruptcies thus remained close to the record lows seen since 2005, the slight fall (-1.2%) posted in 2007 following a minimal 0.3% increase in 2006. This overall near-stability nonetheless masks a less favourable picture for sole proprietorships than for other company types. These latter, for the most part limited companies that make up the bulk of the SMEs and large enterprises, have more directly benefited from the economy's growth and seen insolvencies fall by 2%. But sole proprietorships, to the contrary, have posted their first increase in insolvencies, by 2%, after more than ten years in which the number of cases fell.

Sector analysis

Across different sectors, the insolvency picture varied as much in 2007 as it did in

2006, the overall figure only partly reflecting the difficulties in Finland's important forest products and paper sector. Construction, which accounted for more than 20% of insolvencies against less than 12% of the business population, despite the many major urban and infrastructure projects underway, was the only sector in which insolvencies increased for the second year running. There was a sharp upturn in insolvencies in two sectors that were still spared in 2006: the hotel-restaurant sector and primary industries. Three large sectors saw insolvencies continue to fall, but at a more modest rate than in 2006: industry, transport-communications, and retail and wholesale distribution. The latter sector, accounting for nearly one in five bankruptcies, also accounts for more than 30% of the cumulative turnover of all Finnish businesses (against 40% for industry, 9% for construction and 8% for transport-communications). Lastly, services, a major component of the business population and of bankruptcies, was the only sector to enjoy a favourable trend change in 2007, with the number of insolvencies reversing downwards.

2008-2009 outlook: +5%

The expected slowdown in activity, with GDP growth falling to below 3% from 2008, should bring a noticeable increase in

business insolvency. This is all the more the case in that downward pressures on margins, related to wage increases, material costs and financing conditions, already began to degrade business finances from the last quarter of 2007, with a significant change in the number of insolvencies (+28% in the first four months of 2008 against the last four months of 2007). In this environment, the number of bankruptcy filings could increase by 5% in 2008 and 2009, to nearly 2,400 and 2,500 cases respectively. ■ ML

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Agriculture & related services	33	37.5%	1.5%
Industry	247	-3.1%	10.9%
Construction	491	7.0%	21.7%
Commerce	422	-2.1%	18.7%
Hotels and restaurants	159	9.7%	7.0%
Transport & communication	185	-5.1%	8.2%
Other sectors & services	721	-3.3%	31.9%
Total	2,258	-1.2%	100%

(*) Jan-Dec '06 to Jan-Dec '07

Source: Statistics Finland

Regulation:

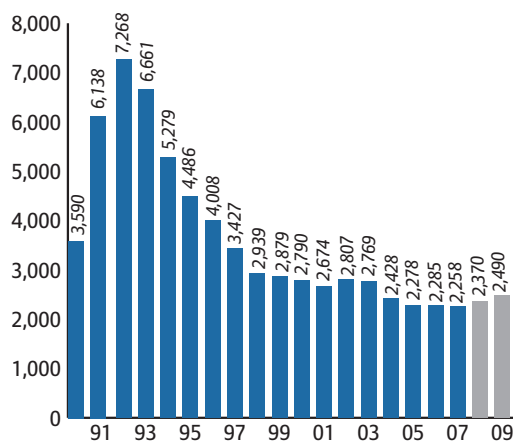
► New bankruptcy legislation, replacing the former law of 1868, was introduced on September 1, 2004. This, however, is simply a codification of the praxis of recent years. In practice, this introduces very few changes to current procedures or to the positions of debtors and creditors.

► **Konkurssi**: this is bankruptcy. A company can be declared bankrupt if it is unable to meet its financial commitments to its creditors. The procedure is initiated at the request of either the creditor or the debtor. It ends with the liquidation of the debtor's business and the sale of its assets at the best price. The proceeds of this sale are then paid over to the creditors in their order of priority.

► **Yrityssaneeraus**: this is judicial reorganisation and is established in legislation. It begins with a request to the court on the part of either a creditor or debtor. The court appoints an administrator, who is responsible for examining the debtor's financial situation and causes of its insolvency. During this process, the debtor only retains limited possession of its assets. The administrator proposes a reorganisation and recovery plan for the creditors. The court then approves this plan if accepted by a sufficient majority of creditors. ■

GDP and insolvencies in Finland

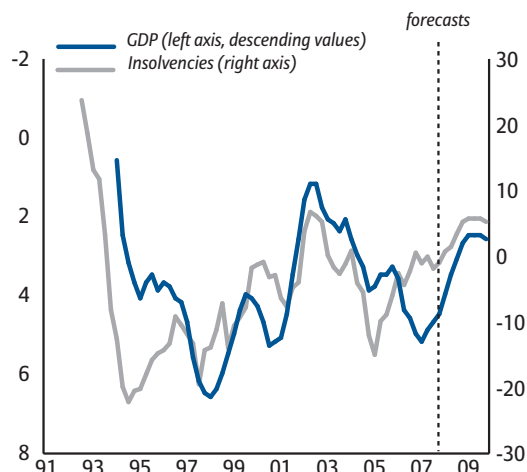
Number of insolvencies



Sources: Statistics Finland, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: Statistics Finland, Euler Hermes forecasts

Number of insolvencies

Number	2005	2006	2007
January	226	232	256
February	215	197	237
March	219	213	170
April	180	166	223
May	204	193	
June	178	193	
July	131	116	
August	213	230	
September	205	181	
October	184	196	
November	201	194	
December	129	147	

Source : Statistics Finland

DEFINITION and sources of statistics

Businesses:

Statistics Finland's Register of Enterprises and Establishments counted 250,400 businesses in 2006, in all sectors of activities and all legal forms. Of the total, fewer than 3,000 (or around 1%) employed more than 50 persons, but these accounted for more than 70% of the turnover of Finnish businesses, estimated to total almost EUR348bn in 2006.

Insolvencies:

Statistics Finland takes a monthly census of all declared bankruptcies, by sector of activity, by turnover and by number of employees. The series we use comprises all business bankruptcies, including sole trader bankruptcies, which account for a fifth of the total. It excludes personal bankruptcies.

Major insolvencies

Company	Turnover (millions of euros)	Activity	Date of insolvency	Number of employees
2007				
Länsi-Liha Oy	11	Manufacturing	06/2007	47
LL-Auto Oy	9	Commerce	09/2007	5
Pierre Cavallo Oy	9	Commerce	05/2007	37
Suomen Farmiliha Oy Ab	9	Commerce	05/2007	3
Bulldog Group Oy	8	Commerce	05/2007	24
2008 (end of April)				
K. Harjunpää Oy	14	Commerce	03/2008	41
Free Record Shop Ky	12	Commerce	01/2008	105
Uusi Kivipaino Oy	12	Manufacturing	01/2008	61
Monnelin Oy	10	Commerce	01/2008	28
EVO-Rakennus Oy	8	Construction	01/2008	35

Source: Euler Hermes

Portugal

A sharp rise in insolvencies

2007: +12%

Portuguese economic recovery was confirmed in 2007, taking GDP growth to 1.9%, after 1.3% in 2007, fuelled both by domestic demand and by exports. Credit growth contributed largely to the acceleration in household demand (consumption and housing investment) and to the recovery of business investment after a long period of decline. Exports also contributed to improvement in activity, but the slowdown in Spain, which accounts for half of Portugal's exports, had already slowed the pace of export growth. In terms of insolvency, 2007 was marked by a clear rise in bankruptcies. In the absence of official figures on bankruptcies in the country, different bodies publish their own figures, with wide variations, but all show an increase in 2007. According to figures from the Instituto Informador Comercial (IIC), business bankruptcies rose to over 2,000 cases, up 12% on 2006. This increase came in the second half of the year and can in part be attributed to the change in bankruptcy law that introduced an immediate judgement declaring insolvency (*falência*), replacing the provisional judgement that was followed by months or even years before a definitive judgement was handed down.

Sector analysis

In 2007, the rise in insolvencies affected nearly every sector of the economy, with

the exception of services. In industry, which accounts for a third of all bankruptcies, there was a limited (+3%) increase in business insolvencies, but the rise was clearly much greater in construction (+17%). The worst hit sectors were retailing (+54%) and wholesaling (+26%), activities that accounted for 40% of total business insolvencies in 2007. The consolidation in distribution underway for several years with the expansion of supermarket chains, superstores and shopping centres has hit a good number of traditional traders and intermediaries. Of the 2,061 insolvencies recorded, 61% were among businesses in the three economic centres of Porto (30%), Lisbon (17%) and Braga (14%).

2008-2009 outlook: increase

The outlook is less promising: growth should slow under the impact of slowdown in the euro zone, continued budget austerity in order to cut the public deficit, and tighter credit conditions that will weigh on the borrowing capacity of households and businesses. Moreover, Portugal's business competitiveness remains fragile, and, despite the investment efforts made, the productivity gains have been small, especially in the textile and transformation sectors. With the slowing of GDP growth to 1.5% in 2008 and a slow recovery in 2009 to around 1.8%, the strengthening of competition and the fall

in export sales, we expect a strong increase in payment defaults and business insolvencies, of the order of 15% in 2008 and 10% in 2009. ■ MCS

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Agriculture & related services	24	84.6%	1.2%
Industry	708	2.8%	34.4%
Construction	293	16.7%	14.2%
Hotels & restaurants	51	-8.9%	2.5%
Transport & communication	97	11.5%	4.7%
Wholesaling	370	26.3%	18.0%
retailing	260	53.8%	12.6%
Business services	208	-6.3%	10.1%
Others	50	-7.4%	2.4%
Total	2,061	12.4%	100.0%

(*) Jan-Dec '06 to Jan-Dec '07

Source: Instituto Informador Comercial

Regulation:

► Portugal's new Insolvency Code was published on March 18, 2004 (decree law 53/2004), replacing the 1993 code of special procedures and of business recovery and bankruptcies. The 2004 law was applied gradually over 2005 and 2006, becoming 'fully operational' in 2007. The major change introduced was in replacing the provisional judgement (which led to some months or even years before a final judgement was made) by an immediate judgement declaring insolvency (*falência*). For companies in default of payment, this could bring an increase in the number of insolvencies.

► There is now a single procedure for restructuring or liquidating an insolvent business, namely the insolvency request. Under this procedure, the court-appointed administrator is the sole person competent to declare insolvency, replacing the court-appointed manager and the liquidator. His decision to so pronounce is assessed beforehand by the judge, who will pronounce on the determination of insolvency of the business. Also, once the judgement has been pronounced on the declaration of insolvency, the decision to restruc-

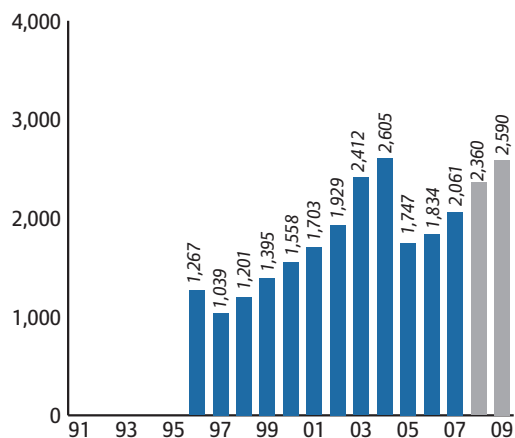
ture or judicially liquidate the business will go to the creditors' commission (although this is optional in so-called simple cases) as well as to the creditors' assembly, at which the business's employees are represented.

► In cases of fraudulent insolvency, the penalties can be as high as 6 years' imprisonment. If the business is judged to be completely insolvent, the process can be terminated with the pronouncement of a declaration of insolvency.

In the opposite case, the pronouncement of a declaration of insolvency allows the creditors' assembly to meet within a period ranging from 45 to 75 days following the judgement. They can thus choose whether to restructure or liquidate the business. Their decision is based on the report drafted by the court-appointed administrator including an inventory of the business's assets, the provisional list of creditors and a report on the business's economic situation ■

GDP and insolvencies in Portugal

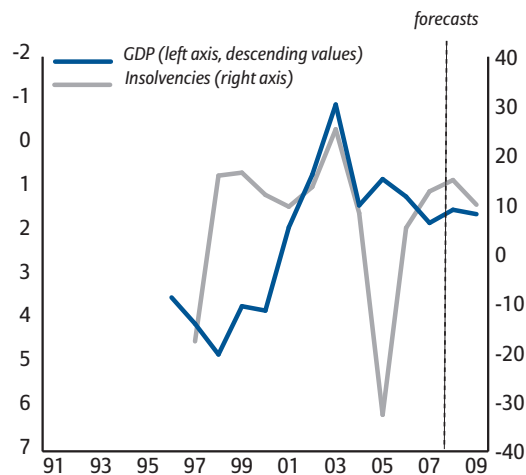
Number of insolvencies



Sources: Instituto informador Comercial, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: Instituto informador Comercial, Euler Hermes forecasts

Number of insolvencies

Number	2005	2006	2007
Q1	490	512	415
Q2	546	472	436
Q3	366	416	535
Q4	345	434	675

Source: Instituto Informador Comercial

DEFINITION and sources of statistics

Businesses:

In 2004, IAPMEI (*Instituto de Apoio às Pequenas e Médias Empresas e ao Investimento*) counted 1,221,555 businesses, of which nearly 75% were sole traders. Excluding the latter, there are 363,412 companies in Portugal.

Insolvencies:

In the absence of official insolvency data, various figures are communicated by agencies such as the Portuguese *Instituto Informador Comercial* (IIC), D&B or MOPE. Our series uses data from IIC, which publishes the number of restructuring and bankruptcy procedures on a monthly basis, with breakdowns by region and by sector.

United Kingdom

A clear increase in sight

2007: -19%

The prolonged dynamism of the British economy was accompanied by a greater fall in insolvencies than expected, especially in Q2 and Q3 of 2007. Overall, nearly 19,500 business insolvencies were recorded for the whole year for England and Wales, against more than 24,000 in 2006. This 18.9% drop was due above all to a very significant 35% drop in insolvencies on the part of the self-employed, who the year before had seen the highest number of insolvencies since 1998 and who have been subject to a change in statistical treatment from Q4/06. Company insolvencies accounted for nearly 65% of total business insolvencies in 2007, against 55% in 2006. These fell by a smaller degree (-5.4%) on an annual basis, with a trend change in H2 (+2.4% against H1), a period during which growth in business profits also weakened. In the end, more than 12,400 companies filed for insolvency, out of a total active company population for England and Wales of around 2.25 million.

Sector analysis

Sectoral data, now being adapted by the authorities to the international SIC 2003 standard, are not yet available for the recent period. The latest published data stop at Q3/06. They show, however, that the sectoral breakdown of bankruptcies reflects the make-up of the British econ-

omy overall, and this is true for manufacturing industry (which accounts for around 9% of the business population and 9% of insolvencies) and more widely for business services. Retail and wholesale distribution shows a lower insolvency rate than the average, but did see some major insolvencies in 2007. By contrast, the construction sector often shows a proportionally higher insolvency rate.

2008-2009 outlook: an increase in insolvencies

Insolvency figures for Q1/08 confirmed the dual trend seen in H2/07: a rise in company insolvencies and a gradual easing in the fall in bankruptcies among the self-employed. The slowing in GDP growth expected by 2009, which was confirmed in Q1/08, should consolidate this trend, especially in that it will affect the two main drivers of the British economy: services and construction. After hitting the lowest point in the history of the series, insolvencies should rise by 10% to an annual figure of 21,000 in 2008 and to more than 23,000 in 2009, against an average of 23,800 for the last ten years. ■ ML

Insolvencies by sector 2006 (*)

	Number (**)	Change (***)	Share of total
Agriculture & horticulture	205	-17.0%	1%
Industry	2.118	-4.0%	9%
Construction	3.966	9.9%	16%
Transport & communication	2.096	8.5%	8%
Wholesaling	886	6.7%	4%
Retailing	2.138	9.9%	9%
Services	6.622	2.2%	27%
Others	6.856	15.9%	28%
Total	24.887	7.4%	100%

(*) Last available sectoral data: September 2006

(**) Companies + self employed, data not seasonally adjusted

(***) Oct '05 to Sep '06 / Oct '04 to Sep '05

Source: DTI

Regulation:

Insolvency legislation falls under the Insolvency Acts of 1986 and 2000, and the Enterprise Act of 2002. The Enterprise Act introduced more emphasis on rescuing businesses. There are four main types of company insolvency:

► **Administration:** the main aim of this procedure is to rescue or restructure the company, in order to achieve a better outcome for creditors than might be achieved by liquidation. The Administrator is court-appointed and has a duty to act on behalf of all creditors.

► **Administrative receivership:** an Administrative Receiver is appointed by the holder of a floating charge and acts on behalf of the charge holder, rather than all creditors. This procedure can only be used for floating charges invoked prior to September 15, 2003 when the Enterprise Act was introduced. Exceptionally, some more complex financial transactions, such as those relating to public service companies, still allow for administrative receiverships in all cases.

► **Company voluntary arrangement:** this is the only procedure that allows a debtor to

retain legal control over the company, under the supervision of an Insolvency Practitioner. This is a collective procedure between the company and its creditors, which generally requires that part of the debts are relinquished in order to allow the company to continue operations. Agreement on the part of the creditors is required.

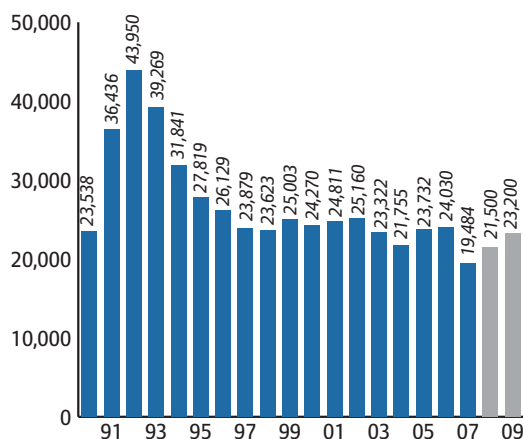
► **Liquidation:** this procedure is most commonly used when a company cannot be rescued. The company ceases trading and its assets are realised. The liquidator can be appointed by the company, its shareholders or creditors. The liquidator acts on behalf of all creditors and has powers of investigation extending to the conduct of the directors of the business.

Other cases of insolvency

► **Bankruptcy:** this applies to individuals who are insolvent. An individual can avoid bankruptcy by entering into an individual voluntary arrangement with his or her creditors, which involves a proposal to repay the debts. In the absence of an individual voluntary arrangement, the courts have the power to declare bankruptcy at the request of the individual or his creditors. All the bankrupt person's assets then fall under the control of a trustee (the Official Receiver or an Insolvency Practitioner). ■

GDP and insolvencies in United Kingdom

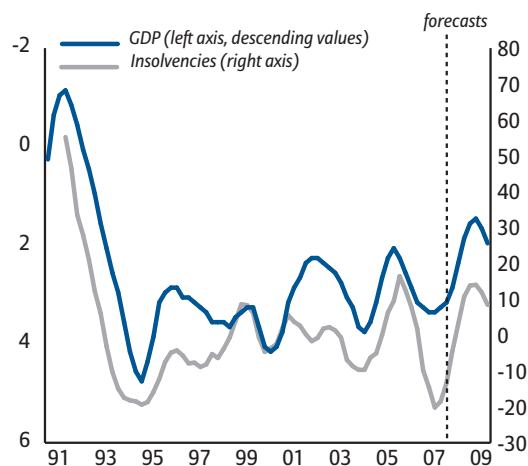
Number of insolvencies



Sources: DTI, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: DTI, Euler Hermes forecasts

Number of insolvencies

Number	2006	2007	2008
Companies*			
Q1	3,501	3,087	3,210
Q2	3,198	3,051	
Q3	3,241	3,142	
Q4	3,196	3,146	
Self employed*			
Q1	3,150	1,981	1,737
Q2	2,898	1,767	
Q3	2,990	1,660	
Q4	1,856	1,650	

(* Seasonally adjusted data, England and Wales only
Source: DTI

DEFINITION and sources of statistics

Businesses:

National Statistics gives estimates of a total of 4.3 million private sector businesses in the UK at the start of 2005, all sectors, organisation types and legal structures combined. Among these, according to the Inter Departmental Business Register (IDBR), less than 2 million were registered for VAT in 2006 in England and Wales, which is compulsory for any business with a turnover in excess of a certain threshold (set at £64,000 for 2007).

Insolvencies:

Figures on business insolvencies are gathered by the Insolvency Service, which publishes quarterly data covering insolvencies of all types for the entire UK. Our series takes in all company insolvencies and self-employed bankruptcies for England and Wales. It excludes the figures for Scotland and Northern Ireland, where legal procedures are different.

NB: In previous issues of Insolvency Outlook, we based our figures on the total number of business and individual insolvencies, without being able to distinguish among the latter between individual entrepreneurs or strictly private individuals. Because of this, the figures cited from May 2005 onwards are not directly comparable with those we published previously.

Major insolvencies

Company	Turnover (millions of euros)*	Activity	Date of insolvency	Number of employees
2007				
Betonsports Plc	1,059	Other community, social and personal service activities	05/2007	1,811
Dixon Motor Holdings Limited	885	Sale, maintenance and repair of motorcycles and related parts and accessories	07/2007	2,391
Wildtower Limited	656	Restaurants, bars and canteens	06/2007	n/a
Metronet Rail BCV Limited	500	London Underground rail network infrastructure maintenance/upgrade	07/2007	2,158
Computer Component Marketing Plc	484	Wholesaling of household goods	07/2007	14
2008 (end of April)				
Merchant Holdco Ltd	600	Financial intermediation	02/2008	n/a
Resource Partners Group Ltd	594	Financial intermediation	02/2008	49
Whitehouse Group Holdings Ltd	540	Sale of motor vehicles	03/2008	740P
Laurel Pub Company Ltd	524	Restaurants, bars and canteens	04/2008	4,049
Erinaceous Group plc	333	Real estate activities with own or leased property	04/2008	3,215

(* at 1 euro = GBP 0.684
Source: Euler Hermes

Sweden

The rise in insolvencies has already begun

2007: -6%

The trend of falling business insolvencies that began in mid-2003 persisted throughout 2007, although losing some of its intensity along the way. The economy slowed, with real GDP growth dropping from 4.5% in 2006 to 2.8% in 2007. Growth in operating profits, calculated from national accounts, also slowed over the quarters. In the end, nearly 5,800 businesses were forced to file for bankruptcy in 2007, out of a business population of nearly 920,000 entities, for the most part SMEs. This represented another new low since 1989 and an annual 6% fall in the number of cases, after -11% in 2005 and -9% in 2006. But this overall trend already hides some exceptions. Eight of the country's 21 regions posted an increase in insolvencies (against five regions in 2006). For their part, insolvencies on the part of individual entrepreneurs also rose, after dropping for three years, and accounted for nearly 15% of the total number of cases. The fall in bankruptcies on the part of limited companies, which accounted for 70% of the total, also clearly moderated, dropping by just 6.6%, after falling by 11% in 2006.

Sector analysis

Unlike in 2006, when only three major sectors departed significantly from the average trend (with a net fall in insolvencies in transport-communications and a near-stabilisation in the auto sector and in primary industries), the overall result for 2007 is the result of more widely differing outcomes in the various sectors. Three sectors posted better insolvency figures than in 2006: primary industries, wholesaling and the auto sector, the latter sustained by a dynamic domestic market, with more than 330,000 registrations a year. Two other sectors underwent a clear change in trend, with an increase in bankruptcies: real estate, and retailing, the latter accounting for nearly 12% of bankruptcies. All the other sectors saw a slowing drop in the number of bankruptcies, with a serious braking in the case of two of these sectors: construction and services.

2008-2009 outlook: increasing by around 5%

An easing in world demand and a braking in domestic demand, under the combined impact of monetary tightening and a rise

in inflation, should temper the pace of expansion in the economy. GDP growth should fall back to below 2.5% from this year, a rate in Sweden that is generally just enough to stabilise the insolvency figures. This is all the more likely because the risks from cost pressures (wages, energy, credit, etc.) have intensified. After rising over the first five months of 2008 by 1%, business insolvencies should again rise above 6,000 cases a year from third quarter, finishing the year on an increase of the order of 5%, which should be repeated in 2009. ■ ML

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Agriculture & primary industries	85	-24.1%	1.5%
Manuf. industry	397	-8.9%	6.9%
Construction	728	-1.0%	12.6%
Automotive	235	-13.9%	4.1%
Wholesaling	481	-11.4%	8.3%
Retailing	669	2.6%	11.6%
Hotels & restaurants	371	-2.6%	6.4%
Transport & communications	226	-15.4%	3.9%
Finance	36	-12.2%	0.6%
Real estate	169	1.2%	2.9%
Other services	1,272	-10.2%	22.0%
Others	1,122	-1.2%	19.4%
Total	5,791	-6.0%	100%

(*) Jan-Dec '06 to Jan-Dec '07
Source: SCB

Regulation:

► *Konkurs* is the term used for bankruptcy. A business may be declared bankrupt due to insolvency if it cannot meet its liabilities to creditors. The company is not insolvent if its funds and assets are sufficient to repay the creditors.

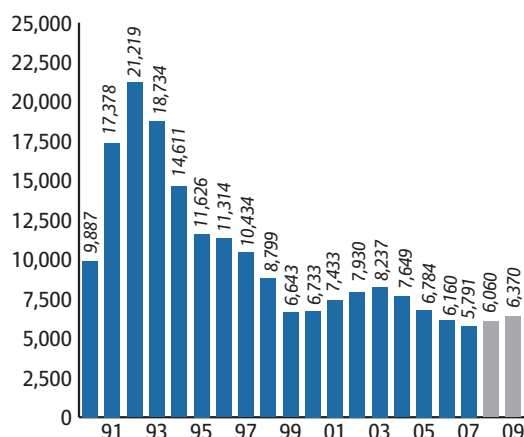
► *Företagsrekonstruktion* is the term for public business reorganisation. The procedure is set out by law and influenced by US Chapter 11. The procedure is started by a petition to court for reorganisation of the business, made by either the debtor or a creditor. An administrator (*rekonstruktör*) is appointed to examine the debtor's financial situation. The reorganisation always includes a proposal. If all creditors not do accept this proposal, the debtor may apply to the court, requesting that public composition proceedings begin. Legal arrangement (*offentligt accord*) can first be decided under a public business reorganisation procedure.

► *Underhandsackord* is an agreement between creditors and the debtor to avoid bankruptcy and continue the business in difficulty as a going concern. It can be established by an agreement between both parties regarding the amount of liabilities due to creditors. To avoid bankruptcy, the dividend to creditors has to be at least 25%.

► The intention of the new bankruptcy legislation in Sweden, with full effect from 1 January 2005, was to increase dividends in bankruptcies for unsecured creditors. One additional motive was to improve conditions prior to successful reconstructions in Sweden. Some critical voices have been raised however, regarding the unwanted side effects of the 'credit crunch' directed to small and medium sized companies. The credit crunch consists basically of goods financing (leasing and factoring) being offered instead of current account financing and of wider use of guarantees, when banks are dealing with smaller companies. ■

GDP and insolvencies in Sweden

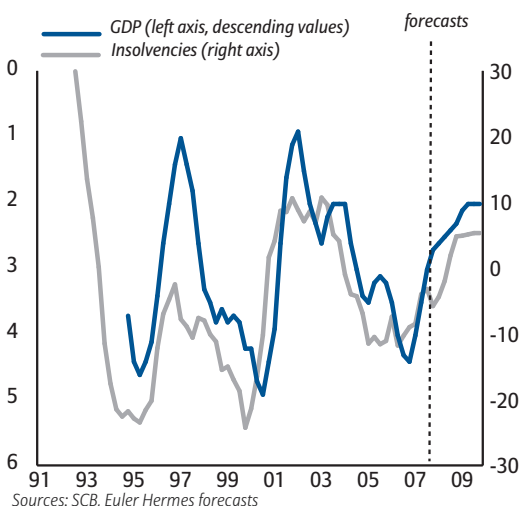
Number of insolvencies



Sources: SCB, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: SCB, Euler Hermes forecasts

Number of insolvencies

Number	2006	2007	2008
January	493	523	569
February	518	422	459
March	581	549	457
April	492	483	535
May	557	542	512
June	516	477	
July	402	400	
August	389	405	
September	444	400	
October	619	574	
November	632	539	
December	517	477	

Source: SCB

DEFINITION and sources of statistics

Businesses:

Statistics Sweden (Statistiska Centralbyrån – SCB) counted 945,800 businesses active in 2007, covering all sectors of the economy included in European nomenclature categories A to Q, including 26% in business services, 22% in agriculture, 13% in wholesale/retail commerce, 8% in construction and 6% in manufacturing industry. Of these, 870,000 had fewer than 5 employees and 3,350 had fewer than 10 employees.

Insolvencies:

Statistics Sweden gathers figures each month for insolvencies of all types, by region, by legal status, by type of activity and by number of employees. The series we use covers the totality of business insolvencies (for companies and individual entrepreneurs). It excludes bankruptcies of strictly private persons, which generally account for 5% of total bankruptcies

N.B.: Previously, our published figures were based on the total number of business insolvencies and individual insolvencies, regardless of whether the latter were on the part of individual entrepreneurs or strictly private individuals, given that these were not distinguished from one another. Hence, our published figures since November 2005 are not directly comparable with those in earlier editions of Insolvency Outlook.

Major insolvencies

Company	Turnover (millions of euros)*	Activity	Date of insolvency	Number of employees
2007				
D Jensen Trading AB	235	Wholesaling	10/2007	1
Fly Me Sweden AB	43	Scheduled air transport	03/2007	0
Astoria Cinemas AB	25	Motion picture and other entertainment activities	07/2007	0
Scanmining AB	17	Other mining and quarrying	12/2007	3
Peges i Färila AB	12	Manuf. of television and radio transmitters and apparatus for line telephony and line telegraphy	10/2007	64
Akab Of Sweden AB	11	Manuf. of special purpose machinery	06/2007	0
2008 (end of April)				
Rökvagn AB	12	Manuf. of food products and beverages	02/2008	0
Wedholms Assembly AB	11	Manuf. of general purpose machinery	03/2008	0
Swedish Plastic Center AB	11	Manuf. of plastics products	01/2008	0
Kvalitetsstyckarna Varbergskött AB	10	Manuf. of food products and beverages	03/2008	19

(*) at 1 euro = SEK 9.28

Source: Euler Hermes

Denmark

A rise in bankruptcies

2007: +21%

After dropping significantly by a cumulative 24% for two years over 2005-2006, in the wake of strong growth in economic activity, business bankruptcies started to rise in 2007. The economy experienced a noticeable slowdown in GDP growth, dropping to below 2% per annum, and a particular slowing in exports. Costs borne by businesses increased, with higher wages, commodity prices and interest rates. In the end, annual growth in business profits was close to nil, after rising by 6% yearly in 2005 and 2006. Nearly 2,400 Danish businesses had to post bankruptcy filings, out of an active business population of around 294,00 entities, against fewer than 2,000 filings in 2006. This represents an increase of more than 20%, marking a return to above the average insolvency level of the past 20 years. More than half of these bankruptcies remain concentrated in Denmark's smallest region by area: Hovedstaden, which includes Copenhagen, and whose businesses account for more than 40% of the total cumulative turnover of Danish businesses.

Sector analysis

Agriculture and the transport-communications component were the only two major sectors to post a further fall in bankruptcies in 2007. Every other sector recorded an increase. The trend change was least marked in consumer services and wholesaling. It was more noticeable

in retailing and in the hotel-restaurant sector, which together account for nearly 15% of the business population and in which the number of bankruptcies rose by more than 15%. Even harder hit were business services (+22%), construction (+28%) and, lastly, manufacturing industry (+35%), the latter, it is true, having seen the number of bankruptcies halve between 2003 and 2006. These three last sectors, which accounted for more than 47% of bankruptcies for the year, are, however, the heavyweights of the national economy, accounting for 42% of the business population, 36% of employed workers and just under 40% of the total cumulative turnover of Danish businesses.

2008-2009: further increases in sight

The slowdown in the economy begun in 2007 should prolong itself, with GDP growing by below its potential throughout several quarters and at well below 2% per annum, the rate that generally allows the number of insolvencies to stabilise in Denmark. In this environment, the uptrend in bankruptcies, which has already continued and even accentuated over the first five months of 2008, has every chance of continuing in 2009. The rise in bankruptcies could reach 10% for the full year 2008 and a further 8% in 2009, which would result in some of the highest annual volumes of insolvency on record. ■ *ML*

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Agriculture	35	-30.0%	1.5%
Industry	206	35.5%	8.6%
Construction	438	28.1%	18.2%
Wholesaling	245	9.9%	10.2%
Retailing	215	19.4%	9.0%
Hotels & restaurants	151	17.1%	6.3%
Transport & communications	110	-11.3%	4.6%
Finance & business services	493	21.7%	20.5%
Consumer services	105	6.1%	4.4%
Others	403	42.4%	16.8%
Total	2,401	20.8%	100%

(*) Jan-Dec '06 to Jan-Dec 07

Source: DST

Regulation:

There are three procedures relating to bankruptcy:

► *Betalingsstandsning*: this is a suspension of payments to avoid bankruptcy while protecting creditors. During the payment suspension period, the debtor company attempts to find ways to continue as a going concern and is protected from all legal actions from its creditors. A date is fixed to separate transactions and important decisions prior to the payment suspension. If the business cannot continue as a going concern, the payment suspension date is established as the date when the bankruptcy takes effect. During the payment suspension, creditors have no influence on the procedure.

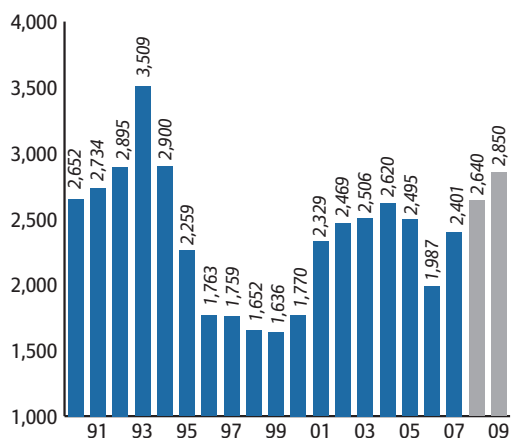
► *Akkord*: this is an arrangement or agreement between the creditors and the debtor to avoid bankruptcy and continue the insolvent business as a going concern. It is effected via

an agreement signed by both sides regarding the amount of liabilities due to creditors. A deadline is established, and the arrangement takes effect for all creditors, who are treated equally.

► *Konkurs*: this is bankruptcy under the Danish Bankruptcy Act (*Konkursloven*). It may be declared by the debtor company or by a creditor. The procedure results in the liquidation of the debtor business. An administrator is appointed by the creditor and takes control of the company, with a view to selling the assets at the highest possible price and paying the funds raised to creditors in their order of priority according to Danish bankruptcy law. ■

GDP and insolvencies in Denmark

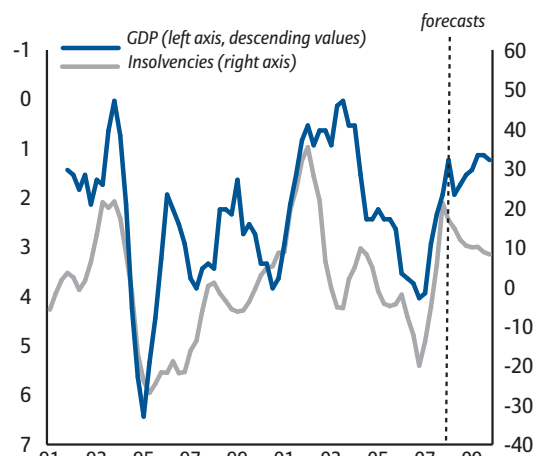
Number of insolvencies



Sources: DST, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: DST, Euler Hermes forecasts

Number of insolvencies

Number	2006	2007	2008
January	139	180	240
February	148	186	213
March	212	246	205
April	177	147	253
May	144	187	275
June	159	210	
July	140	166	
August	118	152	
September	155	192	
October	163	228	
November	215	288	
December	217	219	

Source: DST

DEFINITION and sources of statistics

Businesses:

The Statistical Yearbook from Danmarks Statistik (DST) showed nearly 294,000 businesses active in 2005. This figure covers businesses of every legal status (of which around 60% are sole traders) and covers every sector of activity (of which nearly 46,600 are in agriculture, fisheries and the primary extraction sector). Around 90% employ fewer than 10 persons, but 70% of employees work in one of the 4,300 businesses that employ more than 50 persons.

Insolvencies:

Our series draws on figures from DST. Each month, in the Danish Official Gazette, the DST lists the totality of declared business bankruptcies by activity and region for the whole of Denmark (excluding the Faeroe Islands and Greenland).

Major insolvencies

Company	Turnover (millions of euros)*	Activity	Number of employees
2007			
Holmsø Huset A/S	83	Construction	250
Selskabet af 21. September 2006 A/S	71	Wholesaling	4
Afviklingselskabet af 22.05.06 A/S	67	Real estate	n/a
Afviklingselskabet C af 19.Maj 2006 A/S	56	n/a	178
Benq Denmark ApS	54	Wholesaling of machinery, equipment and supplies	150
2008 (end of April)			
Santech Micro Group Denmark A/S	105	Wholesaling of machinery, equipment and supplies	45
Primefield Trading ApS	47	Retailing trade not in stores	2
Az Huse A/S	43	Building of complete constructions or parts thereof; civil engineering	150
Dansk Kvalitets Rengøring A/S	36	Business services	110
Ceg A/S	24	Construction	60

(* at 1 euro = DDK 0.134

Source: Euler Hermes

Norway

A new low in 2007

2007: -6%

Norway posted its fourth consecutive year of falling business insolvencies in 2007. In a macroeconomic climate that remains very favourable, with GDP growth revised upwards to 3.7% for the whole year and averaging 2.9% since 2003, the rise in bankruptcies seen – as every year – in H1 (+5%) was again more than compensated by the sharp 20% drop in H2. In the end, the number of insolvencies was down by 6.2% over the year, bring a cumulative 46% drop since the record peak of 2003. Even so, more than 2,800 businesses filed for bankruptcy in 2007 out of a total of 320,000 private businesses. The national trend also masks some exceptions. Insolvencies among businesses with the least turnover stabilised, but the figures rose among subsidiaries of foreign firms and among companies with more than 25 employees. Nearly half the country's regions posted at least a 3% increase in insolvencies, including the regions of Oslo and Akenshus, which accounted for 35% of insolvencies but less than 30% of the business population. Overall, these bankruptcies represented a cumulative turnover of NOK 7.1 bn, slightly down on the NOK 7.2bn figure of 2006, but showed a 4.7% increase in the average turnover per bankruptcy.

Sector analysis

Unlike in 2005 and 2006, in 2007 not every major sector took part in the national trend of less insolvency. The downturn in the numbers increased in primary and extractive industries, in the hotel-restaurant sector, in transport and in wholesal-

ing. But the downtrend slowed in manufacturing industry, retailing and the auto sector. These three sectors accounted for a quarter of bankruptcies, against 21% of the business population. Conversely, four sectors posted an increase in bankruptcies, among them the finance sector and post-telecommunications. It was also the case in construction, although with a more moderate 0.5% increase; nonetheless, construction remained in absolute terms the most heavily affected by insolvencies, and showed one of the highest relative insolvency rates, along with the hotel-restaurant sector. Lastly, it was also the case in business services, which accounts for nearly a third of Norwegian businesses, after a new acceleration in the number of bankruptcies in the last two quarters of 2007.

2007-2008 outlook: a noticeable increase

After five years of strong expansion, Norway seems to have hit the top of the cycle in 2007. Despite support from the hydrocarbons sector, growth should slow noticeably by 2009, in the wake of the monetary tightening begun in mid-2005 and the slowing in world trade. After hitting a 20-year low in 2007, the number of business bankruptcies should begin to rise, especially given that pressures on operating costs (wages) and on financing (credit) threaten to persist, and given that the rebound in new business creations (+33% between 2003 and 2006) should translate into insolvencies among recent start-ups. Norway could then see a 4% increase to a volume of 3,000 bankruptcy

filings this year and approach 3,500 bankruptcies (+17%) in 2009, still some way below the 3,800 average of the past ten years. ■ ML

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Agriculture, forestry & fisheries	55	-31.3%	1.9%
Extractive industries	3	-50.0%	0.1%
Manuf. industry	160	-7.5%	5.6%
Water & Gas	1	0.0%	0.0%
Construction	600	0.5%	21.1%
Automotive	99	-7.5%	3.5%
Wholesaling	196	-22.5%	6.9%
Retailing	461	-4.9%	16.2%
Hotels & restaurants	224	-20.6%	7.9%
Transport	196	-14.0%	6.9%
Post & telecoms	48	60.0%	1.7%
Finance	17	54.5%	0.6%
Others business services	558	4.5%	19.6%
Others	227	-7.3%	8.0%
Total	2,845	-6.2%	100%

(*) Jan-Dec '06 to Jan-Dec '07

Source: SSB

Regulation:

Business insolvency covers several terms:

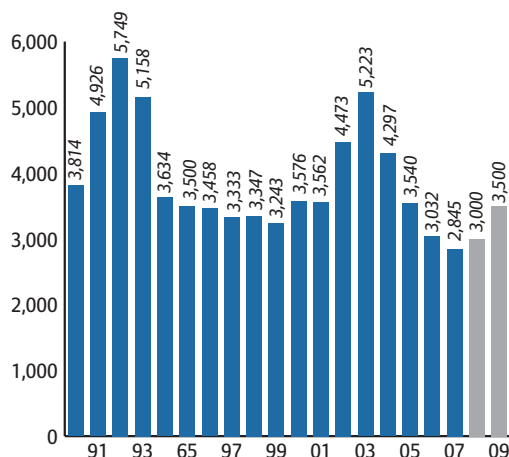
- ▶ *Betalingsstans*: this is a suspension of payments to avoid bankruptcy while protecting creditors. During the payment suspension period, the debtor company attempts to find ways to continue as a going concern and is protected from all legal actions from its creditors. A date is fixed to separate transactions and important decisions prior to the payment suspension. If the business cannot continue as a going concern, the payment suspension date is established as the date when the bankruptcy takes effect. During the payment suspension, creditors have no influence on the procedure.
- ▶ *Konkurs*: this is the term used for bankruptcy. A business may be declared bankrupt due to insolvency if it cannot meet its liabilities to creditors. The company is not insolvent if the funds and assets are sufficient to repay its creditors. The business can be declared bankrupt by the creditors or by the business itself (*oppbud*).

▶ *Tvangsoppløsning*: This is the term for liquidation ordered by the court in the event that the business cannot meet its formal obligations.

▶ *Akkord*: This is a legal arrangement (*tvangsakkord*) or agreement between the creditors and the debtor (*frivillig akkord*) to avoid bankruptcy and continue the insolvent business as a going concern. It requires the written agreement of both parties on the amount of liabilities due to creditors. A deadline is established, and the arrangement takes effect for all creditors, who are treated equally. To avoid bankruptcy, the return to the creditors has to be at least 25%.

GDP and insolvencies in Norway

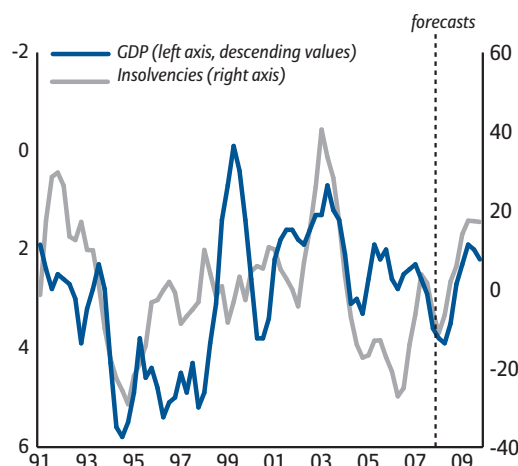
Number of insolvencies



Sources: SSB, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: SSB, Euler Hermes forecasts

Number of insolvencies

Number	2006	2007	2008
January	252	271	277
February	283	256	262
March	310	354	214
April	212	202	307
May	230	260	281
June	247	229	
July	210	155	
August	238	198	
September	262	230	
October	300	285	
November	282	228	
December	206	177	

Source: SSB

DEFINITION and sources of statistics

Businesses:

Statistics Norway (*Statistisk Sentralbyrå – SSB*) counted around 326,000 businesses active as of January 1, 2007, excluding public entities and the primary industries (totalling around 80,000 units) of agriculture, forestry and fisheries. Of those counted, 43% were private limited companies and 46% sole proprietorships. Nearly 62% are small structures where the director is the sole employee, but the number of businesses with more than ten employees has risen since 2002 by 9% to more than 25,000.

Insolvencies:

SSB publishes figures on bankruptcies of all types occurring each month, by region, type of activity, turnover and number of employees, drawn from the Register of Bankruptcies in Bronnoysund and the Value Added Tax Registration List. Our series covers all business bankruptcies (of all legal structures) and personal bankruptcies (on the part of individual entrepreneurs and private persons, which are not distinguished).

Major insolvencies

Company	Turnover (millions of euros)*	Activity	Date of insolvency	Number of employees
2007				
Terra Securities ASA	49	Monetary intermediation	11/2007	78
Børset & Bjerkset AS	33	Building completion	09/2007	64
Trønderkylling AS	20	Farming of animals	04/2007	29
PA Marketing AS	15	Retailing sale of automotive fuel	03/2007	64
Vatvedt Mek Verksted AS	14	Building of complete constructions or parts thereof; civil engineering	06/2007	58
2008 (end of April)				
Fuglesang & Olesen AS	31	Building of complete constructions or parts thereof; civil engineering	01/2008	135
Friomar AS	29	Fishing, operation of fish hatcheries and fish farms; service activities incidental to fishing	02/2008	6
Oslo Nord Retail AS	29	Retailing sale of automotive fuel	04/2008	73
Romerike Stasjonsdrift AS	24	Retailing sale of automotive fuel	04/2008	58
Fotovideo Norge AS	21	Retailing	02/2008	0

(* at 1 euro = NOK 7.874
Source: Euler Hermes

Switzerland

Insolvencies continue to decrease

2007: -5%

Prolonged expansion in the Swiss economy, with GDP growth still buoyant over the quarters to finish at 3.1% for the whole year (after +3.2% in 2006), helped to consolidate the downtrend in business bankruptcies begun in 2005. Insolvencies fell by 4.7% for the second year running in 2007, taking the total number of cases down to 4,314, while in parallel, the active business population very probably continued to increase, given available figures on business creation and mortality. The business population is now likely to be in excess of 300,000 entities, to a large majority in the tertiary sector and made up of small businesses. This overall improvement in insolvency does hide a number of exceptions and disparities, notably on a regional basis. The fall in bankruptcies was strongest in the regions of Zurich (-6.2%) and Western Switzerland (-9.2%), which nonetheless remain those with the highest number of insolvencies and account for 45% of bankruptcies. The regions of Berne and Tessin saw the opposite development, with the number of insolvencies up by 2.7% and 1.5% respectively.

Sector Analysis

Unlike in 2006, no major sector departed from the general trend. The fall in the number of bankruptcies was, however, only minimal in services (-0.9% excluding retail and wholesale trading), which continues to show the highest level of insolvencies. Construction again accounted for more than 20% of the total number of bankruptcies, although making up only 12% of the business population. Insolvencies fell for the fourth consecutive year in industry, marking a cumulative 28% drop since the end of 2003, helping the sector to post the lowest rate of insolvency. But the biggest fall in the number of insolvencies was in retail and wholesale distribution, which more directly benefited from strong domestic demand and foreign trade, posting a nearly 10% drop in bankruptcies for the whole year, after -8% in 2005 and -3% in 2006.

2008-2009 outlook: a rise in insolvencies in 2009

Despite resilient domestic demand, especially in private consumption, the economy is unlikely to remain unaffected by the worsening in the world business cycle.

The slowing in foreign trade should contribute to a slowing in activity that will steadily moderate the downtrend in business bankruptcies, and the acceleration in new business creation of recent years is likely to bring its share of bankruptcies of recent start-ups. This will be more visible, however, in the 2009 insolvency figures, expected to rise by 2% on annual average. The low number of insolvencies still seen over the first months of 2008 has in fact automatically lowered our forecast for the average reduction in insolvencies for 2008 to -4%, i.e., around 4,150 cases, or the average level seen since 1990. **ML**

Insolvencies by sector 2007

	Number	Change (*)	Share of total
Construction	906	-4.0%	21.0%
Industry	393	-5.1%	9.1%
Services	1,911	0.9%	44.3%
Commerce	1,016	-9.9%	23.6%
Others	88	-22.1%	2.0%
Total	4,314	-4.7%	100%

(*) Jan-Dec '06 to Jan-Dec '07

Source: FOSC, Creditreform

Regulation:

► Swiss bankruptcy legislation is based on the Federal Law of April 11, 1889 on the pursuit of debts and bankruptcies (LP), revised in part in 1994. The legislative changes, notably concerning composition proceedings, came into force on January 1, 1997.

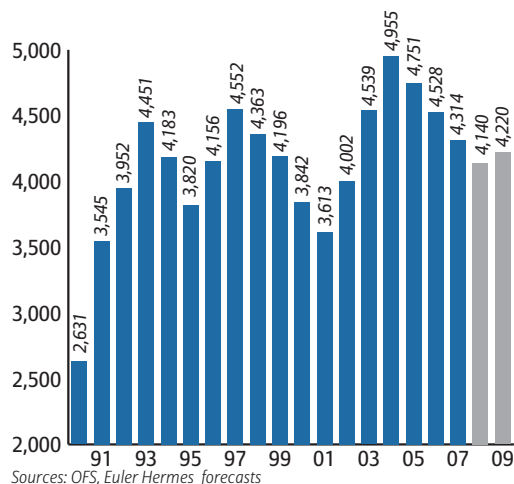
The law applies to all individual or company debtors, i.e., natural or legal persons involved in business and listed on the Register of Commerce. The law provides for several distinct procedures: the Concordat drafted in 1994 for companies; amicable settlement of debts for the reorganisation of the financial position of private persons; and special rules applying, for instance, to insurance companies, banks and others. Creditors must submit a requisition form to the cantonal Office des Poursuites calling to begin proceedings in pursuit of a debtor. The Office sends the debtor an order to pay within 20 days before proceedings for seizure or bankruptcy. Should payment fail to be made, the Office drafts a non-compliance document, and the bankruptcy judge declares bankruptcy. This judgement is sent to the Office des Poursuites, which administers the bankruptcy and proceeds with the liquidation.

► The Concordat offers debtors a breathing space. It is granted to them on request, without prior consultation with creditors. Debtors gain protection against proceedings or bankruptcy for a period of up to 12 months, and even 24 months in complicated cases. The debtor can declare itself insolvent and request the judge to grant protection against proceedings, and after examination the judge delivers a decision either to reorganise the business or else conduct an orderly liquidation. In the event of judicial reorganisation, a qualified majority of creditors must give their consent. The judge appoints a commissioner to assist the debtor in reaching agreement with the creditors. The director of the business in cessation of payments remains in place, under the control of a commissioner. He may not, however, dispose of assets or conduct financial transactions.

► Liquidation: liquidation and the division of assets consist of realising the assets of the bankrupt entity and distributing the proceeds to creditors according to the nature and scale of what they are owed. **ML**

GDP and insolvencies in Switzerland

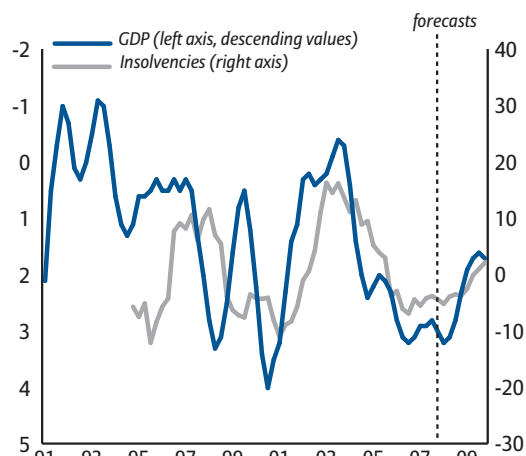
Number of insolvencies



Sources: OFS, Euler Hermes forecasts

Insolvencies and GDP

Annual change, in %



Sources: OFS, Euler Hermes forecasts

Number of insolvencies

Number	2006	2007	2008
January	396	368	310
February	338	340	372
March	465	422	349
April	343	370	348
May	355	354	332
June	455	398	
July	395	347	
August	267	318	
September	407	357	
October	348	366	
November	430	384	
December	329	290	

Source: OFS

DEFINITION and sources of statistics

Businesses:

The Office Fédéral de la Statistique (OFS) counted nearly 299,000 businesses (excluding non-profit businesses) active in Switzerland in 2005, with around a quarter in the secondary sector and the remaining three-quarters in the tertiary sector. One-person businesses accounted for more than 50% of the total, public limited companies 28%, and private limited companies 15%. Nearly 88% of businesses employ less than 10 persons. Around 63,000 businesses operate in the tertiary sector.

Insolvencies:

The OFS publishes figures on declared company and personal bankruptcies (sole traders not listed on the Register of Commerce are included in the latter category). In our series, we use only data on the business bankruptcies published in the Feuille Officielle Suisse du Commerce (FOSC), which covers nearly half of all insolvencies and which are periodically reported by Creditreform in a more detailed manner by sector, by region or by legal form.

Major insolvencies

Company	Turnover (millions of euros)*	Activity	Date of insolvency	Number of employees
2007				
WTN Group AG	150	Telecommunications	04/2007	9
MMG Martigny Sàrl	45	Construction	03/2007	72
Gerber Fleischprodukte AG	16	Manuf. of other food products	06/2007	26
Involvo Holding AG	9	Insurance and pension funding, except compulsory social security	08/2007	0
Sultan Reisen AG	9	Prod., collection and distribution of electricity	03/2007	14
Optelma Production AG	7	Hotels; camping sites and other provision of short-stay accommodation	12/2007	60
Otto Zimmermann AG	7	Other service activities	06/2007	35
Hematec Holding AG	5	Insurance and pension funding, except compulsory social security	08/2007	15
C.S.T. Impresa Costruzioni SA	5	Building completion	01/2007	70
HTH Schweiz AG	4	Building completion	12/2007	5
Somm.com AG	4	Other service activities	12/2007	10

(*) at 1 euro = CHF 1.67

Source: Euler Hermes

Poland

A further fall in judgements in 2007

2007: -26%

Polish growth rose to above 6% in 2006 and 2007, fuelled by acceleration in investment and strong private consumption, as well as by exports, even though net exports had a negative impact on growth. The improvement in the employment market and the growth in consumer credit largely supported growth in household consumption. Inflationary pressures necessitated intervention by the central bank, which stepped in and raised rates. Overall, businesses benefited from a buoyant environment, and insolvencies fell for the fifth year running, dropping to below 500 pronouncements. Legal costs put off the majority of small insolvent companies from applying for a court procedure, which explains the low number of bankruptcies in relation to the country's business population of more than 3.6 million.

2008-2009 outlook

Despite a less favourable financial and external environment, Polish growth should prove resilient in 2008. The easing in foreign demand will put a brake on exports, and the appreciation of the zloty will slow economic expansion. Nonetheless, increases in real wages will allow private consumption to continue to grow, and the increase in EU funding will sustain investment. Poland is the leading beneficiary of EU aid for the period 2007-2013, to the tune of EUR 67.3bn. Still vig-

orous domestic demand should limit the easing in growth, to around 4% in 2008 and 4.5% in 2009. The strong growth in household borrowing, by more than 20% in 2007, did raise some concerns, but this credit growth does not seem to threaten the solid fundamentals of the Polish economy. The level of activity suggests that there should be a further fall in insolvencies in 2008, to around 400 cases, but the increases in production costs and interest rates risk bringing a gradual deterioration in business solvency in 2009, with a likely upturn in bankruptcies towards 500 cases. ■ MS/MCS

Regulation:

► On October 1, 2003, Poland's new Bankruptcy and Corporate Recovery law came into force. Under the new law, the subjects of a bankruptcy and/or debt composition can be sole traders as well as other businesses. It is still the case, however, that state-owned businesses and public bodies, hospitals and universities cannot be declared bankrupt. A request for a declaration of insolvency can be made by the debtor or one of its creditors. This can be done in the event of non-payment of a debt when due or when the liabilities due exceed the value of a debtor's assets.

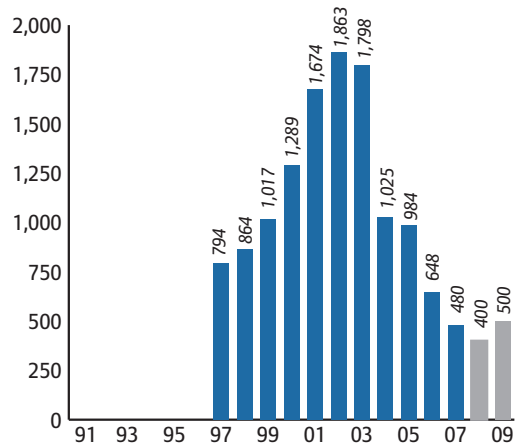
► Bankruptcy: the new law sets out two possibilities: declaring bankruptcy with liquidation of the debtor's assets, and bankruptcy with the option of debt settlement. Protected

creditors have the right to receive the proceeds from the sales of secured or mortgaged assets, less disposal costs. The request for bankruptcy will be withdrawn by the court in the following cases: overdue payments of the debtor are not older than three months and the amount of the liabilities does not exceed 10% of the balance sheet sum, or if the debtor's assets are not sufficient to cover the cost of the bankruptcy procedure.

► The law also contains provisions for the rehabilitation of a debtor. The rehabilitation procedure is only available to entrepreneurs threatened with bankruptcy, whose economic and financial situation could rapidly lead to default of payment. A restructuring plan must be drawn up and confirmed by the court, allowing for settlement to the creditors. ■

GDP and insolvencies in Poland

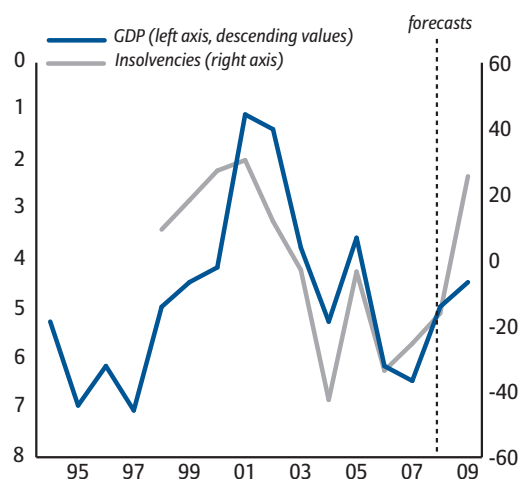
Number of insolvencies



Source: Euler Hermes

Insolvencies and GDP

Annual change, in %



Source: Euler Hermes

DEFINITION and sources of statistics

Businesses:

The Central Statistics Office counted 3,615,621 businesses in 2005, including 2,776,459 individual entrepreneurs.

Insolvencies:

Our series covers insolvencies since 1997 and is based on the number of judgements published in the Ministry of Justice official journal, Monitor Sadowy i Gospodarczy.

Major insolvencies

Company	Turnover (millions of euros)*	Activity	Date of insolvency	Number of employees
2007				
International Investment Trade Service SP Z O O	147	Business services	07/2007	300
Mazur Comfort SP Z O O	48	Furniture Prod.	07/2007	1,390
MB Meble Barczewo SP Z O O	37	Furniture Prod.	05/2007	529
Onyks Poznań SP Z O O	28	Wholesaling of non-agricultural intermediate products, waste and scrap	09/2007	120
PL Tibermec SP Z O O	27	Manuf. of parts and accessories for motor vehicles and their engines	05/2007	128
2008 (April)				
Warszawska Wytwornia Wodek Koneser	47	Food products	04/2008	130
Wytwornia Fonograficzna GM Records Marek Grela	46	Publishing, printing and reproduction of recorded media	03/2008	251
Zakłady Miesne Polmeat SP Z O O	39	Food products	02/2008	418
Solmar SP Z O O	26	Food products	03/2008	360
Zakłady Samochodowe Jelcz S A	23	Manuf. of parts and accessories for motor vehicles and their engines	01/2008	591

(*) at 1 euro = PLN 3.42
Source: Euler Hermes

Czech Republic

A new Insolvency Register from 2008

2007: -10%

The Czech economy saw sustained growth in 2007, above the average recorded since the recession of the 1990s. Its remarkable 2007 performance, with GDP growth of 6.5%, on the heels of 6.4% in 2006, was due to strong domestic demand, the major driver of growth. Household demand was nonetheless accompanied in 2007 by a strong and disquieting rise in household borrowing, and in mortgage loans. The impact on the economy of the financial turbulence of summer 2007 was, however, limited, but the central bank pursued its restrictive monetary policy and raised rates on four occasions. Economic expansion brought many new jobs and sent production capacities to record levels, assisting a further drop in the number of insolvencies, by 10%, for the seventh year running. The number of bankruptcies recorded in the Insolvency Register fell to 1,148. Changes to insolvency law, however, sharply upset registrations, rendering it difficult to make comparisons with previous years.

2008-2009 outlook: rebound

Domestic demand will remain dynamic in 2008, but the rise in interest rates and tightening of credit should lead to an adjustment in the growth of lending to households. Exports will feel the impact of the slowing in world trade and in sales to the EU. Growth should thus slow to around 4.5% in 2008, before rising gradually in 2009 to 4.7%. The country will con-

tinue to benefit from the new factories being built by major international groups, such as the opening of a Hyundai plant that will increase automobile production and ancillary services in the country. Bankruptcies are now to be recorded in a new Insolvency Register, as of January 1, 2008, covering a greater number of procedures than previously. We can thus expect a larger number of bankruptcies to be registered, and a return to the level of 2003, with nearly 1,720 cases in 2008 and 1,770 in 2009. ■ *MS/MCS*

Major insolvencies

2007

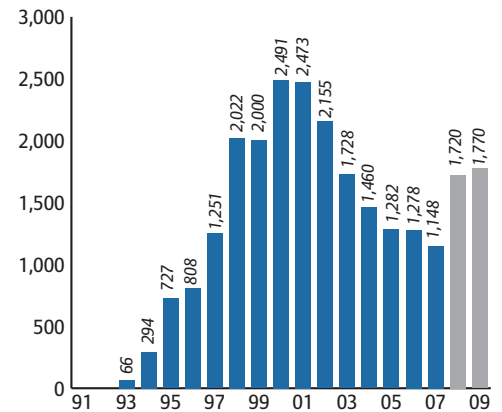
Tiba, a.s.	Spinning, weaving and finishing of textiles
Adex Agro, a.s.	Manuf. of food products and beverages
Stavební podnik	Construction
Klatovy, a.s.	
Prosporné - Delta, s.r.o.	Advertising
Čechský Masokombinát, a.s.	Manuf. of food products and beverages

2008 (end of April)

Hanácký masokombinát	Manuf. of food products and beverages
Olomouc, a.s.	
DB left, s.r.o.	Wholesaling
Elis Praha elektroinženýrské služby, s. r. o.	Manuf. of other electrical equipment
Prima Oil, s.r.o.	Retailing sale of automotive fuel

Source: Euler Hermes

Number of insolvencies



Sources: Ministry of Justice, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

The Czech Statistical Office counted 952,900 SMEs in 2005 in the private sector (excluding financial services and consumer services) of which 95% employed fewer than 10 persons.

Insolvencies:

The number of insolvencies is drawn from the Insolvency Register maintained by the Ministry of Justice.

Regulation:

The Czech Republic's new Insolvency Act (Act No. 182/2006 Coll. on bankruptcies and settlements) came into force on January 1, 2007. From that time it was updated 3 times by the Acts No. 108/2007 Coll, 296/2007 Coll and 362/2007 Coll. It strengthens the position of creditors, limits the incentives for prolonged bankruptcy procedures and offers viable businesses the possibility of continuing in operation. The new law contains a number of innovations. It aims at satisfying creditors more quickly, strengthening their rights and favouring the continuation of the debtor's businesses. The law sets out new procedures.

► **The procedure for a business 'threatened with bankruptcy':** here, the conditions under which it is possible to launch a bankruptcy procedure are defined, even in the case where the bankruptcy is only looming.

► **Moratorium:** this is similar to the already-existing procedure for placing a debtor under protection.

► **'Minor bankruptcy':** this is a new introduction, which can only be ordered if the debtor is a natural person and not an artificial person or if the debtor's turnover for the last financial year does not exceed CZK 2 million and if, in addition, there are no more than 50 creditors. The advantage here is in providing a considerably simplified procedure.

The new law creates an Insolvency Register as the public register kept with the Ministry of Justice. The law sets out new methods for dealing with insolvencies: reorganisation, partial payment of debts, and other special modalities. The court is only called upon to intervene in cases where the above methods have been ruled out. During the reorganisation period, the debtor may of course continue its commercial activity, but only in conformity with the reorganisation plan. The procedure for partial debt settlement only applies to individuals, and the debtor undertakes to pay part of his debt to the creditor (set at a minimum of 30%, unless the creditor agrees otherwise), and the balance of the debt is cancelled. New improvements came in force on January 1, 2008 with the electronic registration and publication of dossiers. ■

Hungary

Monetary and budget austerity

2007: +3%

The budget austerity plan in place since summer 2006, aimed at cutting public deficits, has had considerable impact on the economy. GDP growth has slowed sharply, dropping from 3.9% in 2006 to 1.3% in 2007, the lowest figure for ten years. Household consumption has fallen, under the combined impact of a hike in VAT, increases in regulated prices, and higher energy prices, considerably trimming real incomes (-1.5%). Moreover, conditions in the employment market have worsened, bringing a rise in unemployment. Strong export growth helped to produce a trade surplus of around EUR 1bn and also helped to ease the slowing in domestic demand, but an acceleration in net capital exports increased external debt, which stood at nearly EUR 100bn at the end of 2007, equivalent to 91% of GDP. The Hungarian forint, which since February 26 of this year was no longer within a target range of fluctuation against the euro, has strengthened against the latter, but remains vulnerable given Hungary's twin deficits. Given the large amount of credit denominated in foreign currencies, businesses remain highly exposed to exchange rate risk. In the current environment of a sharp slowing in the economy, insolvencies (liquidations and restructurings) continued increasing, rising by 3% in 2007.

2008-2009 outlook: insolvencies continuing to rise

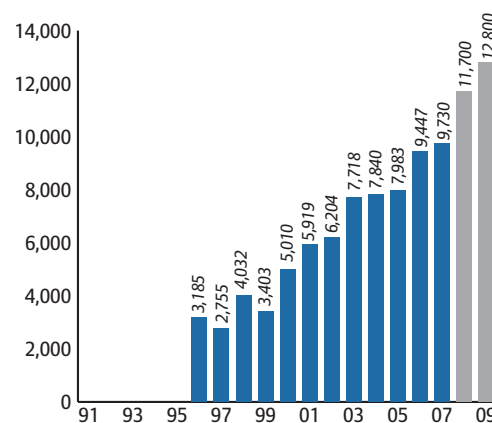
Despite the results of Hungary's three referenda last March, the government will continue with its policy of restoring public finances in order to take the public deficit to below 3% in 2009. While new rises in mandatory contributions do not seem to be on the agenda, domestic demand will remain weak, given successive rate hikes by central bank since March 31 (the latest, of May 26, taking rates to 8.5%) in order to combat inflation. Activity remained weak in Q1, but should gradually pick up, allowing GDP growth to return to a rate of 1.8% in 2008 and 2.5% in 2009. Increased costs – for credit and for commodities – and weakened activity will bring a sharp increase in insolvencies, rising by around 20% in 2008. MS/MCS

Major insolvencies

Company	Turnover millions of euros
2007	
Viadom Építőipari Zrt.	74
Rynart Transport Kft.	65
Bábolna Takarmányipari Kft.	41
Balusztrád Zrt.	33
Mélyépítő Budapest Kft.	25
2008 (April)	
Maszer Zrt	27
Rátaker Kft	18
Szobi Szörp Zrt.	16
Maszer-Energo Zrt	15
"VORTEX 2000" Építőipari Kft.	5

Source: Euler Hermes

Number of insolvencies



Source: Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

Hungary's Central Statistical Office (Központi Statisztikai Hivatal) counted 1,276,076 businesses (including 670,000 sole proprietorships) as of December 31, 2006, of which 55% were in the private commercial (i.e., excluding non-profit) sector, judging from the average ratio observed over 2000-2004.

Insolvencies:

The annual number of business insolvencies, which includes bankruptcy and liquidation procedures (99.7% of cases), is estimated by Euler Hermes.

Regulation:

► Liquidation procedures (under Act no. XLIX of 1991) can be initiated in three ways: when the outstanding debt is acknowledged and not disputed by the debtor; when the debt is not recovered within 60 days after due date; or in case of unsuccessful distraint proceedings.

After the court declares the insolvency of the debtor, a liquidator is named by the court as the head of the debtor company. Creditors' claims must be submitted to the liquidator within 40 days of the publication of the liquidation.

► Rehabilitation procedure (under Act no. XLIX of 1991): if the debtor manages to get the agreement of most of the creditors in accordance with law, the debtor can have a 90-day moratorium with relief from obligation of payments. This period can be extended by another 60 days. During the period of this moratorium, the debtor has to reach an agree-

ment with all his creditors on debt recovery terms. If the debtor cannot get the agreement of creditors or does not adhere to the agreed conditions, then the rehabilitation process turns into a liquidation process.

► Payment ruling (1952, Law no. III, Sections 313-323).

Changes in effect from July 1, 2006 – payment notice can be sent right after the due date:

- in case the debtor acknowledges its debt, or does not answer the notice: liquidation procedure can be initiated,
- in case the debtor disputes its debt: legal action can be initiated.

Slovakia

A further fall in insolvency

2007: -54%

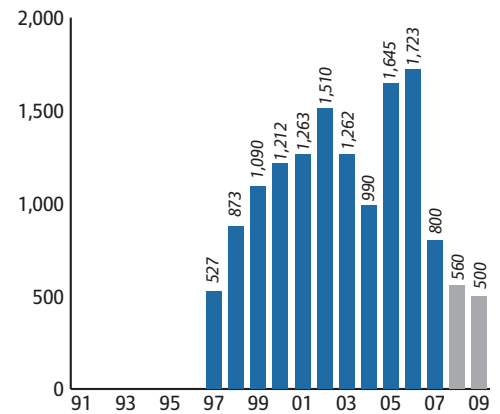
The economic boom of recent years was more than confirmed in 2007, with record double-digit growth of 10.4%. This performance results from dynamic household demand and from investment, related to the growth in automobile construction, a key sector in the nation's economy, and from the positive contribution from exports. Fears of overheating eased, since consumption is not the sole driver of growth; inflation remained under control into September (when rising food and energy prices began to bite), growth in private sector credit is below that in neighbouring countries, and the current account balance fell, settling at around 4.3% of GDP in 2007. The central bank, which has maintained the monetary status quo since April 2007, should leave rates close to those of the ECB, with a view to adopting the euro in January 2009. This favourable context is accompanied by a further fall in business insolvency, which also is due to change in bankruptcy law – creditors still hesitate before pursuing defaulting businesses in the courts. In 2007, of the 800 petitions lodged with the courts, only 28% were approved for restructuring, and in most cases the procedures were halted due to lack of assets.

2008-2009 outlook: still falling

The economy should return to more sustainable levels of growth in 2008 and 2009, with rising inflation likely to slow household consumption, and as slowing external demand weighs on auto and capital goods exports. GDP growth should drop back to close to 6% in 2008 and 2009. Despite the slowing in activity, the trend of falling insolvency (-30%) should continue, inasmuch as businesses are not yet familiar with the new procedures. The number of bankruptcies should drop to around 500 cases by the end of 2009.

■ MS/MCS

Number of insolvencies



Sources: Ministry of Justice, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

The Statistical Office of the Slovakia counted 527,486 businesses in 2006, of which 74% were sole traders and 26% companies.

Insolvencies:

Slovakia's Ministry of Justice is responsible for recording the number of insolvencies, which are broken down by type of procedure.

Regulation:

► The new law, the Act on Bankruptcy and Restructuring (based on the Czechoslovak Federal Republic's Bankruptcy and Composition Act of 1991) came into force on January 1, 2006. Its aim is to make the entire process more effective, and the Act distinguishes two possible treatments of insolvency:

1. Bankruptcy (the sale of all the assets of the company and its liquidation), and
2. Restructuring (the debtor proposes a settlement to the creditors; the court decides to approve or reject it; the business continues to operate and satisfies its creditors according to a restructuring plan.

► The new act is more favourable to creditors. It does not mean, however, that the debtor goes without any protection. It encourages entrepreneurs to choose to restructure the business rather than liquidate it through a bankruptcy proceeding. It also should speed up

the whole process, which should not take longer than 18 months. Specific deadlines are set out, during which the court must decide on the bankruptcy petition, on the deadlines for the statement of debts, and on the deadlines for contesting these. After this, the stated debts may no longer be contested except by the bankruptcy trustee and not, as before, by any creditor.

► This act is accompanied by a law concerning the bankruptcy trustees. This sets out the exact rules applicable to trustees, who are now chosen by lot from a list of trustees. Before, the court was responsible for this choice. Also, trustees are required to pass an examination. Under the new legislation, bankruptcy also applies to natural persons. This reflects the current situation, in which ease of access to personal loans has brought an explosion in the levels of personal debt. ■

Brazil

Insolvency still falling

2007: -31%

Sustained by the growth in household consumption and in investment, the Brazilian economy grew by 5.4% in 2007. Despite the crisis on world financial markets, the Brazilian real firmed, rising by more than 30% in real effective terms over the past three years, which weighed on export growth. The surge in imports to meet strong domestic demand also contributed to a worsening in the trade balance, and, for the first time since 2002, the current account balance ended in a deficit. The good level of activity was accompanied, for the fifth consecutive year, by a further fall in insolvency in 2007, with recorded bankruptcies down by 31% to 2,332 cases, just a tenth what they were in 2003.

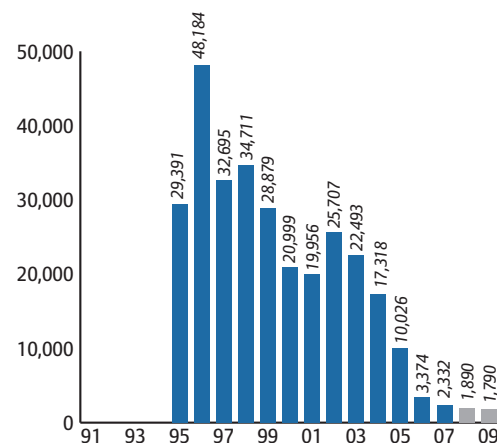
2008-2009 outlook: falling

Overall, Brazil should prove more resilient than it did during previous slowdowns in the US, but the weakening of world demand and the hardening in financial conditions will act to slow Brazilian growth to 4% in 2008 and 3.7% in 2009, or one notch below the government growth target of 5%. The negative growth impulse from foreign trade will increase in 2008 and 2009, with the easing in exports and sustained growth in imports, with both

household demand and business investment likely to remain sustained. The trend seen over the initial months of 2008 in business insolvency remains downwards and suggests that the number of cases will fall by a further 20% in 2008 and by 5% in 2009, to below 2,000 bankruptcies.

■ DA/MCS

Number of insolvencies



Sources: Equifax, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

The central Brazilian business registry counted 5.67 million businesses active in 2005, of which 48% were in retail and wholesale distribution, 21% in services and 9% in industry.

Insolvencies:

The company Equifax publishes monthly figures on the number of business bankruptcies in Brazil.

Regulation:

- ▶ On February 9, 2005, Brazilian president Luiz Inacio Lula da Silva signed new bankruptcy legislation (Law no. 111.101/05), replacing the legislation of 1945. The new law facilitates the court-ordered or out-of-court rescue of businesses, giving priority to creditors and thus facilitating repayment to banks.
- ▶ Out-of-court restructuring requires court approval to have effect. The debtor has to call a meeting of its creditors to negotiate a restructuring plan. The plan will then be approved by the court and by creditors representing a minimum of 60% of the business's debts.
- ▶ In the case of court-ordered restructuring, the debtor has to present a restructuring plan to the court, to be submitted to a committee of its creditors, with the judge acting as

the principal intermediary. The plan may be approved, amended or rejected by the committee at the meeting. In the event the restructuring plan is rejected, the debtor must declare bankruptcy. If the business is placed in bankruptcy, the law creates a new hierarchy of creditors, giving priority to financial establishments ahead of employees (labour claims are limited to the amount of 150 minimum monthly salaries), and ahead of federal tax claims.

- ▶ Importantly, the new law gives better protection to creditors, while also improving the process of the sale of assets. As already mentioned, the new law took effect in June 2005, and since then, the number of bankruptcy filings has dropped steadily. ■

China

Increasing risks

2007: +20%

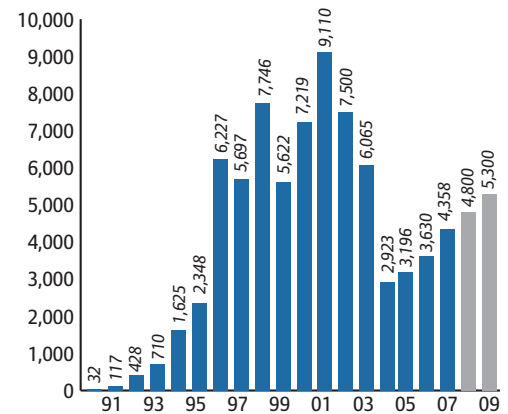
China's economy continued growing at a frenetic pace in 2007. Government measures to rebalance the economy, in particular its monetary tightening via interest rates and reserve requirements, failed to brake either productive investment, foreign trade, or the growth in private consumption. GDP growth exceeded 10% for the fifth year running, at 11.9% after upward revisions. Chinese growth thus accounted for a fourth of world growth in 2007 and helped the country post the world's second biggest trade surplus (USD 261bn) after Germany, as well as foreign exchange reserves of USD 2tn. These exceptional performances were also accompanied by an improvement in the business climate, without, however, constituting guarantees of profitability, of solvency or of businesses making payments on time. At a time when banks' bad debts appear to have risen to nearly CNY 1.8tn, nearly 4,400 businesses were officially declared bankrupt over the year, a small figure given the size of the Chinese economy, but one that nonetheless represents a more than expected 20% increase, with China's new insolvency legislation, widened to cover all legal business forms, only having come into force in June.

2008-2009 outlook: further increases

China should see its growth drop to below 10% a year from 2008. Its economy has not yet reached the critical mass enabling it to be immune from a slowdown in foreign trade, in particular with the United States.

Other braking factors should also play a role, such as the appreciation in the yuan, imported commodity prices and the increase in food prices. But the authorities, looking for balanced growth and concerned about political and social stability, will not take the risk of a more marked braking and have already taken measures to stimulate activity. Still, business insolvencies should continue to rise, with the increasing understanding and use of the new insolvency regulations, and with the development of the commercial law framework (e.g., the competition legislation effect from mid-2008). We expect the number of business insolvencies to increase by 10% on annual average, the rate observed over the first four months of 2008. ■ DA/ML

Number of insolvencies



Source: China Court, Euler Hermes estimates and forecasts

DEFINITION and sources of statistics

Businesses:

According to the First National Economic Census published at the end of 2005, China has more than 39 million individually owned businesses (85% of these in the tertiary sector) and more than 5.2 million 'legal person units'. Among the latter, there are 3.3 million companies, of which something under 440,000 are owned publicly (either state-owned enterprises or collectives) and more than 2.8 million whose capital is held by private Chinese or foreign owners.

Insolvencies:

Official figures, published by China Court or the National Bureau of Statistics, are not published regularly or in their entirety. Our series is constructed using these official figures and estimates and crosschecking official figures taken from the media and various economic and legal works covering insolvencies in China.

Regulation:

Up to the end of May 2007, China's bankruptcy praxis was based on a number of elements: the 1986 Law of the People's Republic of China on Enterprise Bankruptcy (LEB) applicable only to state-owned enterprise (SOEs); the amended 19th chapter of the Code of Civil Procedure: Debt Repayment Order in Legal Entity Bankruptcy; and a number of judicial interpretations by the Supreme People's Court and a series of measures and other regulations implemented by the State Council.

► From June 1, 2007, this is replaced by new bankruptcy legislation closer to international standards, adopted on August 27, 2006 by the Standing Committee of the National People's Congress (NPC), after 12 years of debate.

This text, which comprises 12 sections and 136 articles, is a unified code applicable to every type of enterprise – public or private, Chinese or foreign owned, including financial institutions.

► The new law provides three possible methods of dealing with insolvency: (1) Bank-

ruptcy – the sale of all the business's assets and liquidation in order to repay creditors; (2) Reorganisation – the creditors or the investors (representing a majority shareholding) of the company may petition the court to request the restructuring of the debtor's business; (3) Arrangement – debtors and creditors may come to an agreement on the settlement of debts.

► The law gives preference to creditor repayment over payment of laid-off employees, and sets out this order of preference of the various creditors: (1) preferential creditors; (2) expenditure related to the insolvency procedure; administration fees and sales costs; (3) debts incurred on the behalf of creditors in common; (4) unpaid employee wages and social security payments; (5) tax debts; (6) ordinary debts to non-preferential creditors. The new law made an exception for around 2,000 SOEs announcing bankruptcy before June 2007, allowing them to enter the policy-arranged bankruptcy procedure (where they can be closed down with the aid of government bailouts and could pay laid-off workers first).

South Korea

An increase in dishonoured companies is already taking shape

2007: -9%

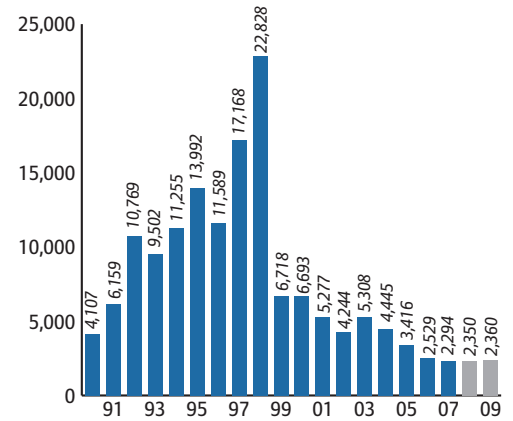
South Korea continued its phase of solid expansion in 2007. GDP growth came in at +5%, nearly the same as in 2006, thanks to support from all the components of GDP, including, in a moderated fashion, construction (after two years of decline). Exports remained solid despite the appreciation in the won (against the dollar) up into October 2007. Manufacturing output rose by 7%, despite growing competition and pressures on costs (from wages, commodity prices, etc.). In this environment, the number of insolvent businesses again fell, but by a more modest rate (-9%) than in previous years. This moderation was seen overall in services (-6%) and in manufacturing industry (-15%), which together accounted for 75% of insolvencies. But it was more sharply felt in construction (-2% after -23% in 2006), a sector in which neither SMEs nor a few of the largest firms were spared.

2008-2009 outlook: less promising

Mirroring its more measured first quarter performance, the South Korean economy will not avoid a slowdown in 2008. The slowdown in foreign trade, despite the country's good sectoral positioning (in particular, in shipbuilding and electronic products), should be accompanied by slowing domestic demand, braked by the surge in inflation and increased concerns on the part of households, most of which are highly indebted at variable rates of interest. The ambitious reform pro-

gramme of the new President, Lee Myung Bak, which includes tax cuts, privatisations and major projects, will possibly support growth in the medium term. But before that, GDP is likely to slow to around 4% per annum in 2008, accompanied by a rise in business insolvencies. ■ MS/ML

Number of insolvencies



Sources: Bank of Korea, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

The Korea National Statistical Office counted 3,252,000 registered companies in 2005 (against just over 3,000,000 in 2000) in its business population, including a number of large conglomerates (chaebols) but for the most part SMEs, of which some 300,000 are in the manufacturing sector.

Insolvencies :

Our series uses figures from the Bank of Korea, which since 1990 has carried out a monthly count of the number of insolvent businesses ('dishonoured companies').

Regulation:

The South Korean insolvency system has three types of proceedings under different acts:

- ▶ The Bankruptcy Act (*Pa-san*) covers the liquidation and distribution of assets of a company whose entire debts exceed its total assets. This is analogous to a proceeding under Chapter 7 of the US Bankruptcy Code.
- ▶ Corporate reorganisation (*Hoe-Sa-Jeong-Ri*) is analogous to a proceeding under the Chapter 11 of the US Bankruptcy Code and permits the reorganisation of the insolvent

company. This proceeding can be requested by the debtor, the creditor or the shareholders. This proceeding is accepted by the court if the company's actualised value exceeds the asset's liquidation value. This Act disqualifies large companies with bank debt in excess of KRW 250 billion from applying for composition.

- ▶ The composition procedure (*Hwa-we*), for SMEs, is a simplified version of corporate reorganisation. This proceeding can be requested only by the debtor, who will plan the reorganisation and the rescheduling of his debts. ■

Taiwan

An upturn in bankruptcy filings

2007: +68%

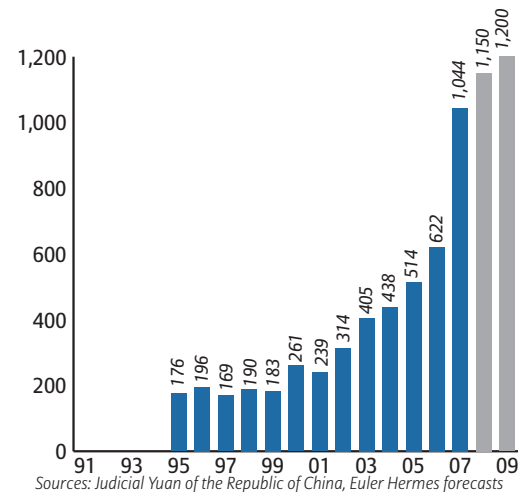
The Taiwanese economy saw further acceleration in growth in 2007, with real GDP up by 5.7%, after +4.1% in 2005 and -4.7% in 2006. Part of this performance is due to private domestic demand, which benefited from an acceleration in investment and consumption, buoyed by a drop in the unemployment rate to 3.9% (against a workforce of around 13.5 million) and by a mid-year increase in the minimum wage. But it was once again exports that drove the economy, accounting for nearly two-thirds of GDP growth, drawing support from both strong domestic demand from destination markets, especially in Asia, and from offshoring or subcontracting of manpower-intensive and low value added production (to China, foremost, and also to Vietnam). Industrial output continued to grow strongly, by 7.8% in 2007 (against +3.8% in 2005 and +4.7% in 2006). In this context, the number of businesses that became insolvent increased nonetheless. The number of bankruptcy 'petitions presented' rose by 68% to more than 1,000 cases, a doubling since 2005, some of which can be explained by a squeeze on margins resulting from higher import prices (notably for commodities and energy) or in wholesale prices, versus the far more moderate increase in export and in consumer prices.

2008-2009 outlook:

a more moderate increase

The foreign trade sector is unlikely to avoid slowdown in 2008. Growth in trade with nearby emerging Asian countries should continue, especially if the new President in office since May 2008, Ma Ying-Jeou, manages to ease tensions with China and foster 'pragmatic' trade. But this will not compensate before 2009 for the slowdown expected from this year in US and European demand, including demand addressed to the key driving sectors – electronic products and components, optical equipment and precision instruments. This easing in the major drivers of growth threatens to also bring a new increase in petitions presented, which could rise by as much as 10% in 2008 and by 4% in 2009. DA/ML

Number of insolvencies



DEFINITION and sources of statistics

Businesses:

The Directorate-General of Budget, Accounts and Statistics counted 1,179,100 'businesses units' at the end of December 2006, including approximately 50% in commerce, 11% in manufacturing industry, 11% in services (excluding transport-communications and finance), and 7% in construction. But the number of registered companies stood at 626,300 at the end of 2007.

Insolvencies:

Our series uses figures from the Judicial Yuan of the Republic of China, which annually publishes the number of 'petitions presented', i.e., companies having themselves requested or having been the object of a request for a procedure. Depending on the year, from 6% to 22% of these result in a judgement by the District Court.

Regulation:

The liquidation of public limited companies is governed by the Company Act, under Section 12, Liquidation (Article 322- 356).

► **Sub-section 1 – Ordinary Liquidation:** in the case of liquidation of a company, the directors shall become its liquidators. If there are assets to be distributed after the completion of liquidation, the court may, upon application of interested persons, appoint a liquidator to redistribute such assets.

► **Sub-section 2 – Special Liquidation:** where circumstances exist that apparently impede the execution of liquidation, the court may, upon the application of any creditor or liquidator or shareholder or trustee, order the company to institute a process of special liquidation. The same shall apply where there is suspicion that the liabilities of the business exceed its assets; but in such a case, only the liquidators may file an application. If, in cases where an order for the institution of a process of special liquidation has been made, there is no prospect of reaching a settlement agreement, the court shall by virtue of the powers vested in it make an adjudication of bankruptcy in accordance with the Bankruptcy Law. The same shall apply where there is no prospect of a settlement agreement being duly executed. □

or shareholder or trustee, order the company to institute a process of special liquidation. The same shall apply where there is suspicion that the liabilities of the business exceed its assets; but in such a case, only the liquidators may file an application. If, in cases where an order for the institution of a process of special liquidation has been made, there is no prospect of reaching a settlement agreement, the court shall by virtue of the powers vested in it make an adjudication of bankruptcy in accordance with the Bankruptcy Law. The same shall apply where there is no prospect of a settlement agreement being duly executed. □

Hong Kong

Continued fall in insolvencies

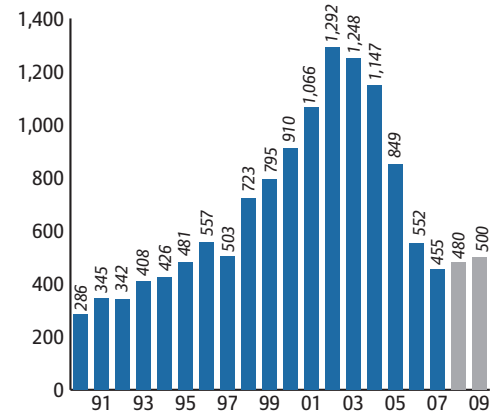
2007: -18%

Hong Kong posted another solid macro-economic performance in 2007, in part thanks to its major sectors of activity – retail & wholesale distribution/logistics (accounting for 27% of GDP), financial services (16%), business services (10%), and tourism (3%). Real GDP growth has admittedly slowed, for the third year running, from its 2004 peak of +8.6%, but still totalled +6.3% for the whole year. Domestic demand remained dynamic, fuelled by private consumption, which for its part was sustained by continued improvement in the jobs market (taking the unemployment rate to below 4% at the end of 2007), and by continued control over inflation. This was accompanied, however, by an increase in imports, which correspondingly cut the net growth impulse from foreign trade, as exports (95% of which are re-exports), weakened only barely, but are the equivalent of around 200% of GDP (goods and services combined). This expansion in activity, in a favourable cost environment, was accompanied by a further 18% fall in business insolvencies, to an annual volume of 445 cases, the lowest figure since 1995.

2008-2009 outlook: a change in trend

Economic growth should slow more sharply than in 2007, in the wake of a slow-down in foreign trade, notably in goods exports to the US and to a lesser degree to mainland China, two countries that account for more than 60% of Hong Kong's exports (ahead of the EU, at 14% and Japan, at 5%). Despite support from generous fiscal measures, GDP growth could drop to below 4% by 2009. This could hurt an increased number of businesses and reverse the downtrend in insolvencies, leading to around a 5% increase in the number of insolvencies in 2008 and in 2009. ■ MS/ML

Number of insolvencies



Sources: Official Receiver's Office, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

The Companies Registry counted 763,900 businesses at the end of December 2007 (against 682,000 in 2006 and 630,000 in 2005), the total of Local Companies on Register (655,000), Local Companies Incorporated (100,800), and Overseas Companies (8,100). More than 60% of entities are in retail and wholesale commerce, followed by business services (including finance, insurance and real estate) at 19%, and consumer services at 12%.

Insolvencies :

Our series uses data from the Official Receiver's Office, which has published monthly figures since 1989 for the number of compulsory winding-up orders made.

Regulation:

The aim of the Companies Ordinance and Companies (Winding-up) Rules (Chapter 32) is to create a legal framework for the reorganisation of an insolvent company prior to any eventual liquidation.

The law provides for two stages: the petition in bankruptcy and the actual liquidation.

► The business can voluntarily file for winding-up and declare itself bankrupt in the event of financial difficulties. Its creditors may also petition to the court and force the business to do so in similar circumstances.

► Court-ordered restructuring is implemented after a voluntary petition in bankruptcy or one ordered by the court. The aim here is to reorganise the business and find a solution avoiding liquidation. The petition in bankruptcy takes effect at the point when the business or its creditors complete an official 'winding-up petition' form.

► If the bankruptcy petition is ordered by the court, then the Official Receiver is considered the administrator of the liquidation. However, the Receiver can appoint another person to act in his place in managing the assets and liabilities of the insolvent company.

■

Singapore

A new low in business liquidations

2007: -19%

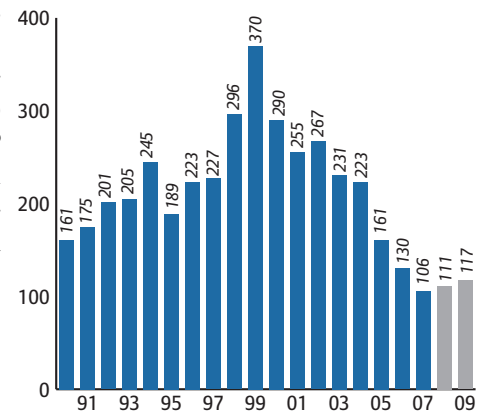
Singapore's economy put on its fourth robust performance running in 2007, as real GDP grew by 7.7% over the year, slightly down on 8.2% in 2006. Domestic demand remained solid, thanks in particular to construction investment. The slowdown in foreign trade was moderate, despite the appreciation in the Singapore dollar, thanks to strong export demand enjoyed by the chemical/petrochemical, biotechnology, logistics and financial services sectors. This performance was accompanied by new records in the current account balance and in foreign reserves, which, alongside growing tensions in the employment market, even stoked fears of an overheating. But the economic environment remained favourable for businesses, of which just over 100 went into liquidation in 2007, for a new record low, against 130 in 2006.

2008-2009 outlook: insolvencies to increase

The immediate business environment is expected to worsen. Slowdown in the world economy, alongside the policy of gradual appreciation in the Singapore dollar, should impact all the more on the

country's international trade flows, given Singapore's confirmed role as a platform for commerce and financial services for East and Southeast Asia. At the same time, inflationary pressures from commodities and foodstuffs should slow private consumption and investments while also feeding wage pressures. Despite this, GDP should grow by close to 4.5% this year and in 2009, but the number of business insolvencies should increase noticeably, with an expected rise of around 5% in business liquidations. MS/ML

Number of insolvencies



Sources: Insolvency and Public Trustee's Office, Euler Hermes forecasts

DEFINITION and sources of statistics

Businesses:

Figures published in the Yearbook of Statistics Singapore show 206,800 businesses active at the end of 2006, with a growing number of companies (122,000) and a decreasing number of individually owned business (84,700), of which 35% were in commerce, 14% in business services, 11% in the finance/real estate component, and more than 8% in industry overall (incl. energy, agrofoods and construction) but less than 8% in manufacturing industry.

Insolvencies:

The Ministry of Justice, via the Insolvency and Public Trustee's Office, gives annual figures for the number of businesses subject to a company winding-up, and the number of companies that have filed petitions for winding-up. Our series covers declared windings-up only, which historically account for 74% of the total.

Regulation:

► The closing of a business can arise out of a petition in bankruptcy or a forced liquidation. These two procedures mainly involve the creditors and shareholders, who appoint a liquidator, who must evaluate the assets of the business. The actions of the liquidator are governed by Singapore's Companies Act.

► Voluntary winding-up: a business can be voluntarily wound up by its members or its creditors. A member's voluntary winding-up is only possible if the business's assets allow it to pay its debts in full within 12 months of the commencement of the winding-up proceedings. The creditors' voluntary winding-up is possible if the business is unable to meet its debts. In both cases, those initiating the procedure need to sign a resolution declaring the petition in bankruptcy, and they need to appoint an independent liquidator.

► Compulsory winding-up: under Section 253 of the Companies Act (Chapter 50), the business itself, creditors, shareholders, liquidator (or a court-appointed manager or the Ministry of Justice) may present a petition for winding-up to the High Court (the liquidation dates from this point). The Singapore High Court will rule that a business is insolvent if its total liabilities exceed its total assets. Section 254(1) of the Companies Act states the conditions under which the court may wind up a business. Section 254(2) sets out the specific situations where a business shall be deemed to be unable to pay its debts. □



GDP growth World growth

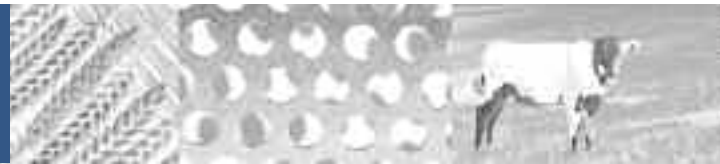
GDP growth	Weighting (%)**	2006	2007	2008	2009
World	100.0	4.2%	3.9%	2.9%	2.9%
USA	28.6	2.9%	2.2%	1.1%	1.4%
Canada	2.8	3.1%	2.7%	1.4%	2.0%
Japan	9.4	2.4%	2.0%	1.7%	1.4%
Euro zone	22.9	2.9%	2.6%	1.8%	1.4%
Germany	6.3	3.1%	2.6%	2.3%	1.5%
France	4.9	2.4%	2.1%	1.8%	1.4%
Italy	4.0	1.8%	1.5%	0.5%	0.9%
Spain	2.7	3.9%	3.8%	1.8%	1.6%
Netherlands	1.5	3.0%	3.5%	2.5%	1.9%
Belgium	0.9	2.9%	2.8%	1.7%	1.8%
Austria	0.7	3.1%	3.3%	2.4%	2.1%
Finland	0.5	4.8%	4.3%	2.6%	2.3%
Greece	0.7	4.2%	4.0%	3.2%	3.1%
Ireland	0.5	5.7%	5.2%	1.5%	3.2%
Portugal	0.4	1.3%	1.9%	1.3%	1.6%
UK	5.2	2.9%	3.0%	1.7%	1.6%
Sweden	0.8	4.5%	2.9%	2.1%	2.1%
Denmark	0.4	3.9%	1.8%	1.3%	1.1%
Norway	0.7	2.5%	3.7%	2.8%	2.3%
Switzerland	0.8	3.2%	3.1%	2.2%	1.6%
Central and Eastern Europe	5.8	7.3%	7.0%	5.6%	5.0%
Russia	1.9	7.4%	8.1%	7.0%	6.0%
Asia (excluding Japan)	14.5	9.2%	9.2%	7.6%	7.4%
China	5.7	11.6%	11.9%	9.7%	8.8%
India	1.5	9.7%	9.0%	8.0%	7.5%
Latin America	6.1	5.5%	5.5%	4.1%	3.6%
Brazil	2.1	3.7%	5.1%	4.6%	3.7%
Middle East and Africa	2.1	6.0%	5.9%	6.1%	5.7%

Sources : Datastream, Euler Hermes SFAC forecasts

** 2006 GDP weighting at current exchange rates

forecasts

Summary of economic forecasts



GDP, inflation (change over the period, in %), unemployment rate (in % of labour force)
Sources: Datastream, Euler Hermes SFAC forecasts

forecasts

Country		2006	2007	2008	2009
USA	GDP	2.9	2.2	1.1	1.4
	Inflation	3.1	3.1	4.0	2.8
	Unemployment rate	4.6	4.6	5.5	5.7
	General government balance (% of GDP)	-2.6	-3.0	-3.5	-3.5
	Public debt (% of GDP)	49	49	51	52
	Current account (% of GDP)	-6.2	-5.3	-4.9	-4.4
Canada	GDP	3.1	2.7	1.4	2.0
	Inflation	1.7	2.4	1.8	2.1
	Unemployment rate	6.3	6.0	6.0	6.0
	General government balance (% of GDP)	1.0	1.0	0.8	0.5
	Public debt (% of GDP)	68	64	61	58
	Current account (% of GDP)	1.4	0.9	0.7	0.1
Brazil	GDP	3.7	5.1	4.6	3.7
	Inflation	3.1	4.2	4.4	4.0
	Unemployment rate	10.0	9.3	9.3	9.4
	General government balance (% of GDP)	-3.0	-2.3	-2.6	-2.7
	Public debt (% of GDP)	46	45	44	43
	Current account (% of GDP)	1.2	0.3	-0.9	-1.2
Japan	GDP	2.4	2.0	1.7	1.4
	Inflation	0.2	0.0	1.0	0.7
	Unemployment rate	4.1	3.9	3.9	3.6
	General government balance (% of GDP)	-2.9	-3.4	-3.6	-3.7
	Public debt (% of GDP)	162	163	164	165
	Current account (% of GDP)	3.9	4.8	3.2	2.8
China	GDP	11.6	11.9	9.7	8.8
	Inflation	1.5	4.8	6.2	3.3
	Unemployment rate	9.5	9.5	9.4	9.3
	General government balance (% of GDP)	-0.5	-0.6	-0.9	-1.2
	Public debt (% of GDP)	21	19	17	15
	Current account (% of GDP)	9.5	11.5	10.5	9.5
India	GDP	9.7	9.0	8.0	7.5
	Inflation	4.7	4.8	5.2	4.5
	Unemployment rate	7.6	7.3	7.0	8.0
	General government balance (% of GDP)	-6.0	-5.5	-6.1	-6.6
	Public debt (% of GDP)	64	61	63	60
	Current account (% of GDP)	-1.0	-1.3	-1.5	-1.7
Euro zone	GDP	2.9	2.6	1.8	1.4
	Inflation	2.1	2.3	3.4	2.5
	Unemployment rate	8.2	7.4	7.1	7.0
	General government balance (% of GDP)	-1.6	-0.7	-0.9	-1.0
	Public debt (% of GDP)	69	66	65	64
	Current account (% of GDP)	-0.2	0.2	0.1	-0.2
Germany	GDP	3.1	2.6	2.3	1.5
	Inflation	1.4	2.4	2.8	2.3
	Unemployment rate	10.3	8.7	7.7	7.4
	General government balance (% of GDP)	-1.6	0.0	0.1	0.2
	Public debt (% of GDP)	68	65	60	57
	Current account (% of GDP)	6.1	7.6	7.2	6.7
France	GDP	2.4	2.1	1.8	1.4
	Inflation	1.6	1.5	3.4	1.9
	Unemployment rate	8.9	8.2	7.9	7.9
	General government balance (% of GDP)	-2.4	-2.7	-2.8	-3.0
	Public debt (% of GDP)	64	63	63	63
	Current account (% of GDP)	-0.7	-1.2	-1.4	-1.6
Italy	GDP	1.9	1.4	0.5	0.9
	Inflation	2.0	1.7	3.5	2.9
	Unemployment rate	6.8	6.1	6.3	6.5
	General government balance (% of GDP)	-3.4	-1.9	-2.4	-2.0
	Public debt (% of GDP)	107	104	104	103
	Current account (% of GDP)	-2.6	-2.4	-2.8	-2.8
Spain	GDP	3.9	3.8	1.8	1.6
	Inflation	3.5	2.8	4.4	3.5
	Unemployment rate	8.5	8.3	9.4	9.6
	General government balance (% of GDP)	1.8	2.2	0.8	0.2
	Public debt (% of GDP)	40	36	34	33
	Current account (% of GDP)	-8.9	-10.1	-9.3	-8.9



GDP, inflation (change over the period, in %), unemployment rate (in % of labour force)

Sources: Datastream, Euler Hermes SFAC forecasts forecasts

Country		2006	2007	2008	2009
Netherlands	GDP	3.0	3.5	2.5	1.9
	Inflation	1.4	1.7	2.9	2.5
	Unemployment rate	5.6	4.6	4.3	4.6
	General government balance (% of GDP)	0.5	0.4	0.3	0.2
	Public debt (% of GDP)	48	45	43	42
	Current account (% of GDP)	8.3	6.6	6.7	6.5
Belgium	GDP	2.9	2.8	1.7	1.8
	Inflation	1.8	1.8	4.4	2.0
	Unemployment rate	9.6	8.9	8.4	7.9
	General government balance (% of GDP)	0.3	-0.2	-0.5	-0.2
	Public debt (% of GDP)	88	85	83	81
	Current account (% of GDP)	2.7	0.7	1.0	1.0
Finland	GDP	4.8	4.3	2.6	2.3
	Inflation	1.6	2.5	3.9	2.2
	Unemployment rate	7.7	6.9	6.1	6.0
	General government balance (% of GDP)	4.1	5.3	3.9	3.6
	Public debt (% of GDP)	39	35	33	32
	Current account (% of GDP)	4.5	4.1	4.0	3.8
Greece	GDP	4.2	4.0	3.2	3.1
	Inflation	3.1	3.0	3.6	2.8
	Unemployment rate	8.9	8.4	8.7	9.3
	General government balance (% of GDP)	-2.5	-2.7	-2.5	-2.3
	Public debt (% of GDP)	105	100	98	96
	Current account (% of GDP)	-11.1	-14.1	-14.1	-13.0
Portugal	GDP	1.3	1.9	1.3	1.6
	Inflation	3.3	2.4	3.3	2.6
	Unemployment rate	7.7	8.0	7.7	7.6
	General government balance (% of GDP)	-3.9	-2.6	-2.5	-2.3
	Public debt (% of GDP)	66	66	65	64
	Current account (% of GDP)	-10.1	-9.8	-10.2	-10.0
UK	GDP	2.9	3.0	1.7	1.6
	Inflation	2.4	2.3	3.2	2.3
	Unemployment rate	5.4	5.3	5.4	5.7
	General government balance (% of GDP)	-2.2	-2.7	-2.8	-2.9
	Public debt (% of GDP)	43	44	45	46
	Current account (% of GDP)	-3.9	-4.2	-3.6	-3.5
Sweden	GDP	4.5	2.9	2.1	2.1
	Inflation	1.4	2.3	3.3	2.2
	Unemployment rate	7.0	6.1	5.9	6.1
	General government balance (% of GDP)	2.2	3.4	2.6	2.3
	Public debt (% of GDP)	46	41	37	34
	Current account (% of GDP)	8.6	8.6	7.9	8.3
Denmark	GDP	3.9	1.8	1.3	1.1
	Inflation	1.9	1.7	3.3	2.0
	Unemployment rate	3.8	2.7	2.1	2.4
	General government balance (% of GDP)	4.6	4.4	3.7	2.9
	Public debt (% of GDP)	30	26	22	19
	Current account (% of GDP)	2.9	1.2	-1.8	-1.5
Norway	GDP	2.5	3.7	2.8	2.3
	Inflation	2.3	0.7	3.4	2.2
	Unemployment rate	3.4	2.5	2.5	2.7
	General government balance (% of GDP)	18.5	17.4	16.9	16.2
	Public debt (% of GDP)	55	52	49	45
	Current account (% of GDP)	17.2	15.4	17.9	17.3
Switzerland	GDP	3.2	3.1	2.2	1.6
	Inflation	1.0	0.9	2.5	1.2
	Unemployment rate	3.0	2.4	2.2	2.4
	General government balance (% of GDP)	0.5	0.2	0.2	0.1
	Public debt (% of GDP)	26	25	24	23
	Current account (% of GDP)	15.3	16.9	16.8	16.3
Russia	GDP	7.4	8.1	7.0	6.0
	Inflation	9.7	9.1	11.0	8.2
	Unemployment rate	7.1	6.3	5.8	5.6
	General government balance (% of GDP)	8.4	5.4	2.8	1.0
	Public debt (% of GDP)	9	6	5	4
	Current account (% of GDP)	9.7	5.9	3.8	2.3

Major insolvencies worldwide

in 2007-2008

From the 5 biggest business insolvencies in 2007 and 2008 in selected countries: USA, Canada, Japan, Germany, France, Italy, Spain, Netherlands, Belgium, Finland, United Kingdom, Sweden, Denmark, Norway, Switzerland and Poland. (*) Liabilities

Date	Country	Company	Last known turnover in million of euros	Activity
05/2008	USA	Linens n Things	1,819	Non-specialised retailing trade in storesL
04/2008	UK	Laurel Pub Company Ltd	524	Restaurants, bars and canteens
04/2008	UK	Erinaceous Group plc	333	Real estate activities with own or leased propertyorest
04/2008	France	Groupe Matussiere et Forest SA	280	Manuf. of paper and paper products
04/2008	Poland	Warszawska Wytownia Wodek Koneser	47	Food products
04/2008	Italy	O.M.B. Brescia - S.P.A. in liquidazione	47	Manuf. of other transport equipment
04/2008	Norway	Oslo Nord Retail AS	29	Retailing sale of automotive fuel
04/2008	Norway	Romerike Stasjonsdrift AS	24	Retailing sale of automotive fuel
03/2008	UK	Whitehouse group holdings Ltd	540	Sale of motor vehicles
03/2008	Germany	Ricò Internationale Transporte und Logistik GmbH	280	Supporting and auxiliary transport activities; activities of travel agencies
03/2008	Japan (*)	Sogo Taxi K.K.	149	Financial intermediation
03/2008	Japan (*)	K.K. Guraunzu	143	Sporting and other recreational activities
03/2008	Italy	Medi Max Electronics	116	Wholesaling
03/2008	Italy	Alpi Eagles S.P.A.	106	Transport
03/2008	Germany	Donges Stahlbau GmbH	100	Manuf. of structural metal products, tanks, reservoirs and steam generators
03/2008	Belgium	Cloetens	55	Electronics
03/2008	Spain	Codilma Comercial Distribuidora de Lleman, S.A	51	Agriculture, hunting and forestry
03/2008	France	Klarius SAS	51	Automotive suppliers
03/2008	Germany	Lucia AG	50	Dressing and dyeing of fur; manuf. of articles of fur
03/2008	Poland	Wytownia Fonograficzna Gm Records Marek Grela	46	Publishing, printing and reprod. of recorded media
03/2008	Spain	Aurgi SL	43	Construction
03/2008	Italy	Home S.R.L. in liquidazione	40	Furniture prod.
03/2008	Spain	Codilma Comercial Distribuidora de Lleman, S.A	32	Construction
03/2008	Germany	Lauser GmbH & Co. KG	26	Manuf. of furniture
03/2008	Poland	Solmar SP Z O O	26	Food products
03/2008	Finland	K. Harjunpää Oy	14	Wholesaling and retailing trade; repair of motor vehicles, motorcycles & personal & household goods
03/2008	Sweden	Wedholms Assembly AB	11	Manuf. of general purpose machinery
03/2008	Sweden	Kvalitetsstyckarna Varbergskött AB	10	Manuf. of food products and beverages
02/2008	USA	Sirva Inc.	2,584	Other services
02/2008	UK	Merchant Holdco Ltd	600	Financial intermediation
02/2008	UK	Resource partners group Ltd	594	Financial intermediation
02/2008	France	Mediatech	133	Wholesaling trade and commission trade, except of motor vehicles and motorcycles
02/2008	Italy	Manifattura di Legnano Societa' Per Azioni in liquidazione	90	Spinning, weaving and finishing of textiles
02/2008	France	Galaxy Informatique	56	Computer and related activities
02/2008	Poland	Zaklady Miesne Polmeat SP Z O O	39	Food products
02/2008	Spain	Jale Construcciones, Sociedad Anónima Unipersonal	30	Post and telecommunications
02/2008	Norway	Friomar AS	29	Fishing, operation of fish hatcheries and fish farms; service activities incidental to fishing
02/2008	Belgium	Ferryways	29	Other service activities
02/2008	Norway	Fotovideo Norge AS	21	Retailing
02/2008	Sweden	Rökvagn AB	12	Manuf. of food products and beverages
02/2008	Belgium	Kingtrade	10	Electronics wholesaling
01/2008	France	I.F.L.	2,548	Adult and other education
01/2008	USA	Tousa Inc.	1,675	Construction
01/2008	USA	Buffets Holdings Inc.	903	Hotels and restaurants
01/2008	Japan (*)	Roppongi Kaihatsu K.K.	827	Real estate activities
01/2008	USA	Wellman Inc.	738	Manuf. of rubber and plastics products
01/2008	Japan (*)	K.K. Higashi Chiba Country Club	314	Sporting and other recreational activities
01/2008	Japan (*)	K.K. Hatoyama Reiku	213	Sporting and other recreational activities
01/2008	Spain	Aurgi SL	80	Sale of motor vehicle parts and accessories
01/2008	Austria (*)	AST Baugesellschaft mbH	41	Construction
01/2008	Germany	Eika Wachswerke Fulda GmbH	35	Manuf. of basic chemicals
01/2008	Norway	Fuglesang & Olesen AS	31	Building of complete constructions or parts thereof; civil engineering
01/2008	Germany	Hirsch AG	30	Dressing and dyeing of fur; manuf. of articles of fur
01/2008	Austria (*)	Battenfeld Kunststoffmaschinen Ges.m.b.H.	30	Manuf. of plastics products
01/2008	Belgium	R. EN F. Folding Boxes	26	Packaging
01/2008	Poland	Zaklady Samochoadowe Jelcz S A	23	Manuf. of parts and accessories for motor vehicles and their engines
01/2008	Austria (*)	Der Bleibergerhof GmbH & Co. KG	22	Hotels and restaurants
01/2008	Austria (*)	Farben und Lacke Ludwig Christ & Co. Erzeugungs- und Handelsges.m.b.H in	19	Manuf. of basic chemicals
01/2008	Austria (*)	Villi Glas GmbH	16	Manuf. of glass and glass products
01/2008	Finland	Free Record Shop Ky	12	Wholesaling & retailing trade; repair of motor vehicles, motorcycles & personal & household goods
01/2008	Finland	Uusi Kivipaino Oy	12	Manufacturing
01/2008	Sweden	Swedish Plastic Center AB	11	Manuf. of plastics products
01/2008	Finland	Monnellin Oy	10	Wholesaling & retailing trade; repair of motor vehicles, motorcycles & personal & household goods
01/2008	Finland	EVO-Rakennus Oy	8	Construction
2008	Denmark	Santech Micro Group Denmark A/S	105	Wholesaling of machinery, equipment and supplies
2008	Denmark	Primefield Trading ApS	47	Retailing trade not in stores
2008	Denmark	Az Huse A/S	43	Building of complete constructions or parts thereof; civil engineering
2008	Denmark	Dansk Kvalitets Rengoring A/S	36	Business services
2008	Denmark	Ceg A/S	24	Construction
12/2007	Sweden	Scanmining AB	17	Other mining and quarrying
12/2007	Switzerland	Otelma Production AG	7	Hotels; camping sites and other provision of short-stay accommodation
12/2007	Switzerland	HTH Schweiz AG	4	Building completion
11/2007	Japan (*)	K.K. L & G	543	Computer and related activities
11/2007	Germany	Astroh Küchen GmbH & Co. KG	170	Manuf. of furniture
11/2007	Belgium	Chateau Caravans	54	Manuf. of other transport equipment
11/2007	Norway	Terra Securities ASA	49	Monetary intermediation
11/2007	Austria (*)	Sochor Group GmbH	27	Publishing
11/2007	Canada	Groupe Historia International Inc	11	Retailing
11/2007	Canada	Amcan Consolidated Technologies Corp	N/A	Manuf. of fabricated metal products, except machinery and equipment
11/2007	Netherlands	Kip Caravans BV	n/a	Caravans
11/2007	Netherlands	Boeters Gastuinprojecten	n/a	Greenhouses

Source: Euler Hermes

Date	Country	Company	Lastly known turnover in million of euros	Activity
10/2007	USA	Movie Gallery Inc.	1,727	Non-specialised retailing trade in stores
10/2007	USA	Remy International Inc.	835	Automotive
10/2007	France	Heuliez	270	Automotive suppliers
10/2007	Sweden	D Jensen Trading AB	235	Wholesaling
10/2007	Italy	C.A.F. Cooperativa Autocisternstifossano Societa' Cooperativa	87	Transport
10/2007	Sweden	Peges i Färila AB	12	Manuf. of television and radio transmitters and apparatus for line telephony and line telegraphy
09/2007	Japan (*)	Credia Co., Ltd.	467	Financial intermediation
09/2007	Italy	Agostini Cedis S.P.A. - in liquidazione - in concordato	119	Wholesaling of other food, including fish, crustaceans and molluscs
09/2007	Norway	Børset & Bjerkset AS	33	Building completion
09/2007	Poland	Onyks Poznan SP Z O O	28	Wholesaling of non-agricultural intermediate products, waste and scrap
09/2007	Finland	LL-Auto Oy	9	Wholesaling and retailing trade; repair of motor vehicles, motorcycles & personal & household goods
09/2007	Canada	Jason Furniture Inc.	2	Retailing
09/2007	Netherlands	Installatiebedrijf Middelburg BV	n/a	Commerce
08/2007	USA	American Home Mortgage Investment Corp	903	Real estate activities
08/2007	Switzerland	Involvo Holding AG	9	Insurance and pension funding, except compulsory social security
08/2007	Switzerland	Hematec Holding AG	5	Insurance and pension funding, except compulsory social security
07/2007	France	SARL M.S Entrepriise LTD	983	Wholesaling (computers)
07/2007	UK	Dixon Motor Holdings Limited	885	Sale, maintenance and repair of motorcycles and related parts and accessories
07/2007	USA	Bally Total Fitness Holding Corp	720	Sporting and other recreational activities
07/2007	UK	Metronet Rail BCV Limited	500	Transport via railways
07/2007	UK	Computer Component Marketing Plc	484	Wholesaling of household goods
07/2007	Poland	International Investment Trade Service SP Z O O	147	Business services
07/2007	Spain	Incoporc, Sociedad Agraria de Transformación 1516	106	Wholesaling of agricultural raw materials, live animals, food, beverages and tobacco
07/2007	Poland	Mazur Comfort SP Z O O	48	Furniture prod.
07/2007	Sweden	Astoria Cinemas AB	25	Motion picture and other entertainment activities
06/2007	Germany	Schieder Möbelwerke GmbH	880	Manuf. of furniture
06/2007	UK	Wildtower Limited	656	Restaurants, bars and canteens
06/2007	Switzerland	Gerber Fleischprodukte AG	16	Manuf. of other food products
06/2007	Norway	Vatvedt Mek Verksted AS	14	Building of complete constructions or parts thereof; civil engineering
06/2007	Sweden	Akab Of Sweden AB	11	Manuf. of special purpose machinery
06/2007	Finland	Länsi-Liha Oy	11	Manufacturing
06/2007	Switzerland	Otto Zimmermann AG	7	Other service activities
05/2007	UK	Betonsports Plc	1,059	Other community, social and personal service activities
05/2007	Spain	Primayor Foods SL	413	Wholesaling of agricultural raw materials, live animals, food, beverages and tobacco
05/2007	Spain	Vitelcom mobile technology S.A	312	Manuf. of television & radio receivers, sound or video recording
05/2007	Spain	Delphi Automotive Systems España SL	259	Manuf. of parts and accessories for motor vehicles and their engines
05/2007	Belgium	Hermes Trading CO	78	Transport
05/2007	Belgium	De BoeverS Brandstoffen	58	Gas station
05/2007	Poland	MB Meble Barczewo SP Z O O	37	Furniture prod.
05/2007	Poland	PL Tibermec Z O O	27	Manuf. of parts and accessories for motor vehicles and their engines
05/2007	Finland	Pierre Cavallo Oy	9	Wholesaling & retailing trade; repair of motor vehicles, motorcycles & personal and household goods
05/2007	Finland	Suomen Farmiliha Oy Ab	9	Wholesaling & retailing trade; repair of motor vehicles, motorcycles & personal & household goods
05/2007	Finland	Bulldog Group Oy	8	Wholesaling & retailing trade; repair of motor vehicles, motorcycles & personal & household goods
05/2007	Netherlands	Boers Aannemings bedrijf	n/a	Construction
05/2007	Netherlands	Lundia Nederland BV	n/a	Furniture (trade)
04/2007	USA	New Century Financial Corporation	1,196	Real estate activities
04/2007	Japan (*)	Shikomu K.K.	677	Inland water transport
04/2007	Germany	Wiemer & Trachte	320	Building of complete constructions or parts thereof; civil engineering
04/2007	France	groupe TOURY	301	Manuf. of food products and beverages
04/2007	Switzerland	WTN Group AG	150	Telecommunications
04/2007	Spain	Mgr grupo informático SL	96	Wholesaling
04/2007	Canada	Genfast Manufacturing Co	55	Manuf. of fabricated metal products, except machinery and equipment
04/2007	Austria (*)	Epsilon	47	Real estate
04/2007	Norway	Trønderkylling AS	20	Farming of animals
03/2007	Japan (*)	SSC K.K.	486	Real estate activities
03/2007	France	Groupe Smoby	285	Manufacture of toys
03/2007	Italy	Wega	250	Wholesaling
03/2007	Italy	Tre Emme PI - S.P.A.	90	Wholesaling
03/2007	Switzerland	MMG Martigny Sàrl	45	Construction
03/2007	Belgium	Nelca	45	Textiles
03/2007	Sweden	Fly Me Sweden AB	43	Scheduled air transport
03/2007	Belgium	Dejaeghere Spinning Mills	31	Textiles
03/2007	Netherlands	Nijssen Bouw B.V.	26	Construction
03/2007	Netherlands	K.Damen Schipyards B.V.	17	Building and repairing of ships and boats
03/2007	Norway	PA Marketing AS	15	Retailing sale of automotive fuel
03/2007	Switzerland	Sultan Reisen AG	9	Prod., collection and distribution of electricity
03/2007	Netherlands	Draad Wegenbouw B.V.	n/a	Construction
03/2007	Netherlands	Wet & Dry Technik	n/a	Manufacturing
02/2007	France	Groupe Lero	1,078	Sale, maintenance and repair of motor vehicles and motorcycles; retailing sale of automotive fuel
02/2007	Germany	BBS Kraftfahrzeugtechnik AG	141	Manuf. of parts and accessories for motor vehicles and their engines
02/2007	Italy	General Buyer Societa' a Responsabilita' Limitata O Piu' Bre	88	Finance
02/2007	Canada	Mckinnon Micro Distribution	10	Wholesaling of office machinery and equipment
01/2007	Japan (*)	K.K. Fre	1,410	Real estate activities
01/2007	Germany	ISE Industries und ISE Innomotive Systems Europe	450	Manuf. of parts and accessories for motor vehicles and their engines
01/2007	Austria (*)	Innovation Privatstiftung & Technology Privatstiftung	80	Business services
01/2007	Austria	"GAK", Graz	70	Motion picture, radio, television and other entertainment activities
01/2007	Canada	Daymonex Limited	29	Manuf. of fabricated metal products, except machinery and equipment
01/2007	Belgium	Metaalconstructies Willems	28	Manuf. of fabricated metal products, except machinery and equipment
01/2007	Canada	Pega Precision Inc	15	Manuf. of fabricated metal products, except machinery and equipment
01/2007	Netherlands	Kloosterman B.V.	11	Manuf. of structural metal products, tanks, reservoirs and steam generators
01/2007	Canada	9036-7046 Quebec Inc	7	Transport



Contributions

This issue was prepared with the collaboration of the following entities within the Euler Hermes group:

Country	Entity	Contributors	
USA	Euler Hermes ACI Inc	Dan North	
Canada	Euler Hermes ACI Inc	Paul Flanagan	
Japan	Euler Hermes Kreditversicherungs-AG Japan Branch	Yutaka Tanaka	
Germany	Euler Hermes Kreditversicherungs-AG	Dr. Romeo Grill	
France	Euler Hermes SFAC SA	Marie-Christine Schmitt	
Italy	Euler Hermes SIAC S.p.A.	Andrea Pignagnoli	
Spain	Euler Hermes Crédito Compania de Seguros y Reaseguros S.A.	Jose Maria Cadenas	Belen Diaz
Netherlands	Euler Hermes Kredietverzekering NV	Walter Toemen	
Belgium	Euler Hermes Credit Insurance Belgium S.A. (N.V.)	Paul Becue	Marc Petre
Austria	Prisma Kreditversicherungs-AG	Karin Radauer	
Portugal	COSEC	Cyrille Charbonnel	
Finland	Euler Hermes Luottovakuutus	Timo Nisumaa	
Greece	Euler Hermes Emporiki SA	Stéphane Rutili	Katerina Panagiotou
United Kingdom	Euler Hermes UK plc	Nigel Wyatt	
Denmark	Euler Hermes Kreditforsikring	Sumit Singh Dhaliwal	
Sweden	Euler Hermes Kreditförsäkring Norden AB	Anders Björkman	
Norway	Euler Hermes Kredittforikring	Terje Knudsen	
Switzerland	Euler Hermes Kreditversicherungs-AG, Zweigniederlassung Zürich	Daniel Diegelmann	
Poland	Euler Hermes Towarzystwo Ubezpieczeniowe SA	Robert Dunaj	Grzegorz Blachnio
Hungary	Euler Hermes Magyar Hitelbiztosító Rt	Gabiella Budinszky	
Czech Republic	Euler Hermes CESCOB Pojist'ovna AS	Petr Kunzmann	
Slovakia	Euler Hermes Servis, s.r.o.	Karel Tkac	
Turkey	Euler Hermes Risk Yonetimive Danifmanlik Hizmetleri Ltd Sti	David Santos	
Brazil	Euler Hermes Seguros de Credito SA	Paulo Augusto Reis	
China	Euler Hermes Kreditversicherungs-Tianjin Representative Office	Edwin Gao	
Taiwan	Allianz President General Insurance Co., Ltd	William Chan	Derek Ma
South Korea	Euler Hermes Credit Underwriters HK Ltd-Liaison Office	William Chan	Lena Lee
Hong Kong	Euler Hermes Kreditversicherungs-AG Hong Kong Branch	William Chan	Carmen Leung
Singapore	Euler Hermes Kreditversicherungs-AG Singapore Branch	Mei Yean Lim	

With the collaboration of Euler Hermes Country Risk Unit for economic forecasts, Brazil and Eastern and Central Europe

Euler Hermes implantations Europe and Mediterranean Basin

► Austria

Prisma Kreditversicherungs-AG
Himmelfortgasse 29
1010 Vienne
Tel: +43(0) 5 01 02 0

► Belgium

Euler Hermes Credit Insurance
Belgium S.A. (N.V.)
Rue Montoyer, 15
1 000 Bruxelles
Tel: +32 2 289 31 11

► Czech Republic

Euler Hermes Cescob, pojt'ovna, A.S.
Molákova 576/11
186 00 Prague 8
Tel: +420 266 109 511

► Denmark

Euler Hermes Kreditforsikring
Amerika Plads 19
2100 Copenhagen E
Tel: +45 88 33 33 88

► Estonia

Euler Hermes Estonia
Pirita tee 20,
T-Building,
10127 Tallinn
Tel: +372 667 93 50

► Finland

Euler Hermes Luottovakuutus
Itälähdenkatu 18 A
00210 Helsinki
Tél. : +3 58 10 8 50 85 00

► France

Euler Hermes SFACS.A.
1, rue Euler
75008 Paris
Tel: +33 1 40 70 50 54

► Germany

Euler Hermes Kreditversicherungs-AG
Friedensallee 254
22763 Hambourg
Tel: +49 40 88 34-0

Federal Export Credit Guarantees

Friedensallee 254
22763 Hambourg
Tel : +49 40 88 34 91 92

► Greece

Euler Hermes Emporiki SA
109-111 Messogion Ave.
Politia Business Center
Building B
115 26 Athènes
Tel: +30 210 69 00 000

► Hungary

Euler Hermes Magyar Hitelbiztosító Rt.
KisCELLI u. 104
1037 Budapest
Tel: +36 1 453 9000

► Ireland

Euler Hermes Ireland
3rd Floor, Mespil Court
39A, Mespil Road
Dublin 4
Tel:+353 1 660 1667

► Italy

Euler Hermes SIAC S.p.A.
Via Raffaello Matarazzo, 19
00139 Rome
Tel: +39 06 87001

► Latvia

Euler Hermes Services Latvija SIA
Cesus 31/8, LV 1012
1010 Riga
Tel: +371 7 686 054

► Lithuania

Euler Hermes Kreditversicherungs-AG,
Lietuvos Filialas
Konstitucijos ave 7
09308 Vilnius
Tel: +370 5 211 3366

► Morocco

Euler Hermes Acmar
37, bd Abdelatif Ben Kaddour
20100 Casablanca
Tel: +212 22 79 03 30

► Netherlands

Euler Hermes Kredietverzekering NV
Pettelaarpark 20
5216 PD's-Hertogenbosch
Tel: +31 73 688 99 99
Euler Hermes Interborg NV
Atlas Office Center Hoogoorddreef 5
Hoogoorddreef 5
Postbus 12473
1100 AL Amsterdam Z.O.
Tel: + 31 20 6 96 39 41

► Norway

Euler Hermes Kredittforsikring
Holbergsgate 21
P.O. Box 6875 St. Olavs Plass
0130 Oslo
Tel: +47 23 25 60 00

► Poland

Euler Hermes
Towarzystwo Ubezpieczen S.A.
ul. Domaniewska 50 B
02-672 Varsovie
Tel: +48 22 385 4684

► Portugal

COSEC
Companhia de Seguro de Créditos, S.A.
Av. da República, nº 58
1069-057 Lisbonne
Tel: + 351 21 791 37 00

► Romania

Euler Hermes Servicii Financiare S.R.L.
Str. Maltopol, nr.9
Sektor 1
011047 Bucarest
Tel: +4420 266 109 511

► Russia

Euler Hermes Kreditversicherungs-AG
Representative Office
c/O JSC ROSNO
Ozerkovskaja nab.30
Moscou, 115 184
Tel: +7 95 956 2105-4570

► Slovakia

Euler Hermes Servis, s.r.o.
Plynárenská 1
82109 Bratislava
Tel: +421 2 582 80 911

Euler Hermes implantations America

► Spain

Euler Hermes Crédito Compañía de Seguros
y Reaseguros, S.A.

Paseo de la Castellana, n° 95, Planta 14
Edificio Torre Europa
28046 Madrid
Bu +34 91 417 77 67

► Sweden

Euler Hermes Kreditförsäkring
Norden AB

Klara Norra Kyrkogata 29
P.O. Box 729
10134 Stockholm
Tel: +46 8 55 51 36 00

► Switzerland

Euler Hermes Kreditversicherungs-AG,
Zweigniederlassung Zürich

Tödistrasse 65
8200 Zürich
Tel: +41 44 283 65 65

► United Kingdom

Euler Hermes UK plc

1 Canada Square
Londres E14 5DX
Tel: +44 20 7860 9333

Euler Hermes Guarantee plc

Surety House
Lyons Crescent
Tonbridge
Kent TN9 1EN
Tel: +44 17 32 77 03 11

► Argentina

Euler Hermes Argentina

San Martin 550
c1104AAL
Ciudad Autonoma e Buenos Aires
Tel: +54 11 4320 7177

► Brazil

Euler Hermes Seguros de Crédito S.A.

Alameda Santos, 2335 conj 51
Cerqueira César 01419-002
São Paulo SP Brasil
Tel: +55 11 30 65 22 60

► Canada

Euler Hermes Canada

La Tour C.I.B.C.
1155 Boulevard René-Lévesque Ouest
Bureau 1702
Montréal Québec H3B 3Z7
Tel: +514 876 9656

► Mexico

Euler Hermes Seguro de Crédito S.A.

Blvd. Manuel Avila Camacho #164, 8° piso
Col. Lomas de Barrilaco
Deleg. Miguel Hidalgo
Mexico DF CP 11010
Tel: +52 55 5201 7900

► United States

Euler Hermes ACI Inc.

800 Red Brook Boulevard
Owings Mills, MD 21117
Tel: +1 410 753 0753

Euler Hermes implantations Asia

► Australia

Euler Hermes Trade Credit UNDERWRITING
Agents Pty Ltd

Level 11, 2 Market Street
Sydney, NSW 2000
Tel: +61 2 8258 5108

► China

Euler Hermes Kreditversicherungs-AG
Tianjin Representative Office

Room 2505A, Jin Mao Tower
88 Century Boulevard, Pudong
Shanghai, 200120
Tel: +86 21 5040 4750

► Hong Kong

Euler Hermes Kreditversicherungs-AG
Hong Kong Branch

Euler Hermes Credit Underwriters HK Ltd
11/F Great Eagle Centre,
23 Harbour Road
Wanchai, Hong Kong
Tel: +852 2867 0061

► Japan

Euler Hermes Kreditversicherungs-AG
Japan Branch

Kyobashi Nisshoku Bldg. 7th floor
8-7 Kyobashi, 1-chome, Chuo-Ku
Tokyo 104 0031
Tel: +81 3 35 38 5403

► New Zealand

Euler Hermes Trade Credit Ltd

Lvl 13, Tower Centre,
45 Queen Street,
Auckland 1001
Tel: +649 375 7280

► Singapore

Euler Hermes Kreditversicherungs-AG,
Singapore Branch

3 Temasek Avenue
08-01 Centennial Tower
Singapour 039190
Tel: +65 6297 8802

► South Korea

Euler Hermes Credit Underwriters HK Ltd.
Liaison Office

Rm 1411, 14/F, Ssayong Platinum Bldg,
156, Cheokseon-dong,
Chongro-ku, Seoul 110 052,
Tel: +82 2 733 8813

► United Arab Emirates

Euler Hermes Credit Insurance
c/o Alliance Insurance Co

Warba Centre, Office 402
Dubai
Tel: +8971 4 266 3083

www.eulerhermes.com

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1, rue Euler 75008 Paris – Tel.: + 33 (0) 1 40 70 53 77

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