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CRIF INDUSTRY WATCH

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Analysis and Studies

CRIF study: One in ten german companies face insolvency risk from energy crisis

The high energy costs, the existing problems in the supply chains and inflation are causing problems for many companies.

For the analysis, CRIF examined almost 3 million companies in Germany with regard to their creditworthiness and financial strength. This includes, among other things, information in the balance sheets, profit and loss accounts, sales figures, payment experiences or judicial negative features. According to the analysis, the number of financially weak companies increased by 15.6 percent in November 2022 compared to March 2022. Accordingly, 301,516 companies or 10 percent of companies in Germany currently have an increased risk of insolvency.

“The high energy costs, the existing problems in the supply chains and inflation are causing problems for many companies. In addition, there is a reluctance to spend among consumers, who have less money available due to high energy prices and inflation. The resulting loss of purchasing power also weighs on companies.” , comments CRIF Germany Managing Director Dr. Frank Schlein the current situation.

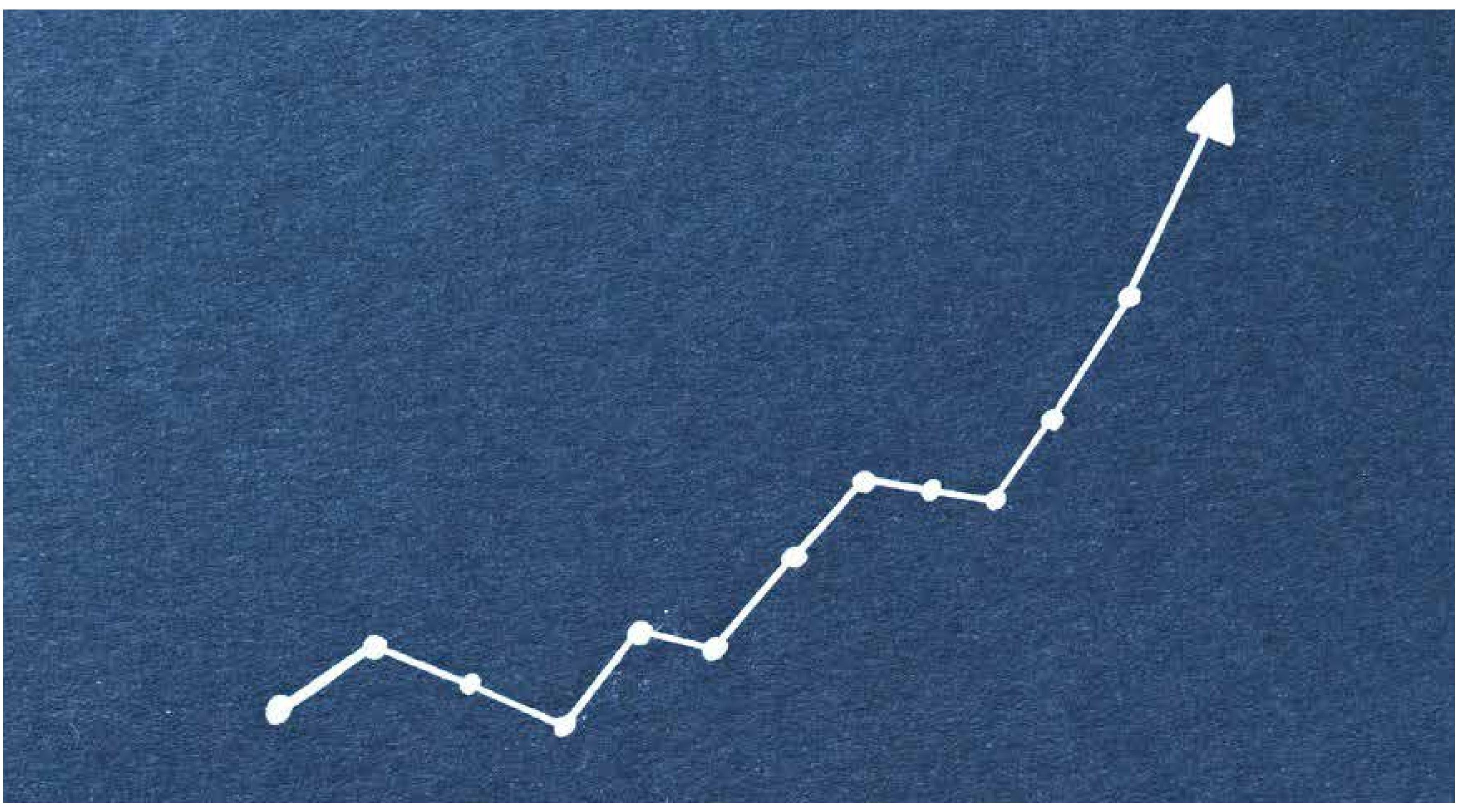
Energy-intensive sectors in particular are currently at risk of insolvency. In addition to the much-cited bakeries, this also includes the ceramics and glass industries, paper manufacturers and the transport and logistics industries. The skilled trades are also particularly at risk of insolvency due to the energy crisis. There are also companies from the catering trade, beverage production, hairdressing salons and gardeners and landscapers. In these sectors, there were already significant increases in corporate insolvencies in 2022.

“We are currently assuming 14,500 company insolvencies in 2022. That is an increase of 3.6 percent compared to the same period last year,” says Dr. slime The information service provider CRIF also expects more insolvencies in 2023. The forecast currently assumes 17,000 company insolvencies in 2023 – an increase of 17.2 percent compared to 2022.

Share of companies at risk of insolvency increases by 15.6 percent

A look at the regional distribution of companies with a high risk of non-payment or insolvency reveals major differences. In absolute figures, North Rhine-Westphalia (65,360), Bavaria (37,063), Baden-Württemberg (33,675) and Lower Saxony (26,278) top the statistics of the federal states with the most financially weak companies. In Bremen (2,998) and Saarland (3,002) there are comparatively few companies with an increased risk of non- payment.

In terms of company density, the highest risk of insolvency currently comes from companies in Saxony-Anhalt. Currently, 18.1 percent of the companies there are in financial difficulties and are therefore threatened with insolvency. But also in Berlin (14.8 percent), Saxony (14.5 percent) and Bremen (14.4 percent) significantly more companies are threatened with insolvency than the national average. In percentage terms, there is a lower risk from companies in Bavaria. Here, only 6.5 percent of the companies are considered to be financially weak.



The number of companies at risk of insolvency has increased in 15 federal states since March 2022. The strongest in Bremen with an increase of 41.4 percent. There were also significantly more companies at risk of insolvency in Berlin (up 30.3 percent), Thuringia (up 26.4 percent) and in Hamburg (up 23 percent).

More than 300,000 companies in Germany are currently having financial problems.

In practice, there are typical patterns of behavior that indicate a precarious situation for companies at an early stage, for example if poor payment behavior, changed ordering behavior or frequent changes in management, bank details or company name occur. However, indicators are also when payments are delayed due to unjustified complaints, verbal promises are broken or copies of invoices are frequently requested.

In addition, the affected companies can no longer afford new purchases and use outdated production facilities. Evidence of financial difficulties is also provided by the consumption of equity over the years or the repeated increase

For the analysis, CRIF evaluated a large amount of information on the financial situation of the company, which provides information about solvency. This includes, among other things, information in the balance sheets, profit and loss accounts, employee and sales figures or payment experiences. In addition, information on existing judicial negative features is included in the analysis. According to the current evaluation, 301,516 companies in Germany are considered to be financially weak in November 2022 (reference date: November 11, 2022). In other words, 10 percent of the more than 3 million companies examined by CRIF for the solvency study are overindebted and therefore at risk of insolvency. The affected companies have a current creditworthiness index in the range between 4.5 and 6.0

Import & Export Snapshot

Australia: An overview of the economy and of the business environment

Mining in Australia is a significant primary industry and contributor to the Australian economy.

Australia is one of the largest countries in the world, but at the same time it is home to only 0.3 percent of the global population. Since 1992, Australian economy has grown faster than any other major developed country and according to the IMF is set to become the world's 12th largest economy in 2023. The country has abundant natural resources and a sophisticated services sector backed by a highly educated workforce.

The COVID-19 pandemic had a considerable effect on the Australian economy and society. But Australia has shown great resilience, supported by significant government measures and ongoing demand for mining exports.

Mining in Australia is a significant primary industry and contributor to the Australian economy. Historically, mining has also encouraged immigration to Australia. Throughout Australia, many mines of different ores and minerals can be found. This contributes to huge growth for major industries in the country. Today, it remains one of the country's most prosperous sectors.

The industry is strongly export-oriented, with minimal processing onshore. The outlook for Australia's mineral exports continues to improve, as the world economy rebounds from the impact of the COVID-19 pandemic. Despite its export importance, the mining sector employs only a small proportion of the workforce – approximately 130,000 workers, representing only about 1.3% of the total labour force.

Australia is among the top five producers of most of the world's key mineral commodities: it's the world's leading producer of bauxite, alumina, rutile and tantalum; it's the second largest producer of uranium, lead, ilmenite, zircon and lithium; it's the third largest producer of iron ore, and zinc; it's the fourth largest producer of black coal, gold, manganese and nickel and the fifth largest producer of aluminium, brown coal, diamonds, silver and copper.

Additionally, Australia is the world's largest exporter of black coal, iron ore, alumina, lead and zinc and the second largest exporter of uranium. Much of the raw material mined in Australia is exported overseas to countries such as China for processing into refined product. Energy and minerals constitute two thirds of Australia's total exports to China, and more than half of Australia's iron ore exports are to China.

Agriculture employed 2.5% of the workforce in 2021 and contributed 2.1% to the GDP (World Bank, 2022). However, the agricultural sector, like the mining one, is very important for exports: Australia is a vast agricultural country and one of the world's main exporters of wool, meat, wheat and cotton. Agricultural activities occupy about half the land area of Australia. Australia is a pioneer in the development of drought-resistant crops, robust irrigation systems and technology that can predict yields and recommend optimal pastures and stocking density. The mix of Australian agricultural activity is determined by climate, water availability, soil type and proximity to markets. Livestock grazing is widespread, occurring in most areas of Australia, while cropping and horticulture are generally concentrated in areas relatively close to the coast.

Australia's industrialisation is fairly recent, a fact which explains the small scale of its manufacturing sector. Nevertheless, the sector is characterised by high productivity levels. The industrial sector employed 19% of the workforce in 2021 (World Bank, 2022) and contributed to just over a quarter of the GDP (25.5%). The manufacturing industry is built around the food industry, machinery and equipment, metal processing and metal goods, the chemical and petrochemical industries and building materials, wood, furniture and other manufacturing products.

The service sector contributes 66.3% of the GDP and employs 77.7% of the workforce.

The services sector occupies a dominant position in the Australian economy, contributing to 66.3% to the GDP and employing 77.7% of the workforce (World Bank, 2022). The biggest growth in this sector has been the rise of business and financial services (holding the world’s sixth largest pool of managed fund assets). Health care and social assistance have also given a fundamental contribution to growth. Travel services, such as education-related travel, recreational travel and business travel services have also been growing significantly until 2020.

The Indo-Pacific region is home to many of Australia’s major strategic and trading partners. Beyond its immediate region, the country enjoys strong economic, security, political, social and cultural ties with the United States and Canada, and continue to b uild strong and longstanding political, cultural, trade, investment, and people-to-people links with the United Kingdom and Europe.

Australia also has significant growing trade and investment interests in the Middle East, in Africa, Latin America and the Caribbean.
The near-term outlook for the terms of trade has been boosted by high global energy prices due to current situation in Ukraine and Russia.

Especially in this period it is important to assess business partners and get in-depth information on any potential and actual partner, but only local providers have the specific knowledge and tools to provide the most reliable and accurate information.

Product Analysis

Lighters: Import and export

Trade in lighters represents 0.011% of total world trade, making this product 742nd in the most traded products chart of 2020.

Since the discovering of fire in the Paleolithic Era, human beings have been trying to find a way to collect it and keep it at hand.
In 1805 a French chemist invented an early form of matches, which was perfected and made more secure in the next years until our days.
It was in 1823, however, that Johann Wolfgang Döbereiner invented the lighter. As a chemist, he mixed sulfuric acid, zinc, and hydrogen gas to make a not-yet-safe first design of a portable flame. Thanks to its success, the "Döbereiner's Lamp" was a starting point in the evolution of the lighter.

New versions of the lighter included flint lighters and disposable lighters. These last ones came out 1973 and became a trend thanks to their reliability, affordability, and safety features. Still used nowadays, they can come in different designs and colors. Finally, lighters are not only useful, but also personal: some people collect them and get attached to their personal ones.

Lighters users are located all around the world, and so are producers. Trade in lighters represents 0.011% of total world trade, making this product 742nd in the most traded products chart of 2020. In the same year, the top exporters were China ($787M), France ($257M), United States ($119M), Spain ($104M), and Germany ($66M). At the same time, lighters were mostly imported by United States ($272M), Germany ($105M), France ($64.4M), Indonesia ($58.9M), and Japan ($58M).

Between 2019 and 2020, the fastest declining exporters were Hong Kong (-$15.1M), Italy (-$13.6M), China (-$8.88M), Tunisia (-$7.09M), and France (-$6.02M), while the fastest growing importers were Nigeria ($9.89M), Slovakia ($9.06M), France ($9.04M), United States ($6.18M), and Bangladesh ($4.23M).

Article of the Month

Synesgy for corporates: How to comply with the regulatory framework

The European Commission's proposal extends the scope of NFRD requirements to include all large companies.

Compared to SMEs, under Directive 2014/95/EU, large companies have several more pieces of information to publish related to environmental and social matters, treatment of employees and respect for human rights, anti-corruption and bribery diversity on company boards (in terms of age, gender, educational and professional background).

NFRD aims to deliver a comprehensive corporate reporting framework with qualitative and quantitative information to facilitate the assessment of companies' sustainability impacts and risks.

Following a review of the NFRD consultation that closed in June 2020, the European Commission has issued a Corporate Sustainability Reporting Directive (CSRD) proposal on April 21st, 2021. The European Commission's proposal extends the scope of NFRD requirements to include all large companies, whether they are listed or not, without the previous 500-employee threshold. This change broadens the scope of entities from 11,600 to 49,000 and means that all large companies are publicly accountable for their impact on people and the environment.

In addition to the EU Directive 2014/95 (Non Financial Reporting Directive) and the Corporate Sustainability Reporting Directive (CSRD) the sustainable finance framework includes another important disclosure tool, that is the EU Taxonomy.

A new proposal for a Corporate Sustainability Reporting Directive

On 21 April 2021, the Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD) which would amend the existing reporting requirements of the NFRD, (Non-Financial Reporting Directive).

The proposal:

- extends the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises)
- requires the audit (assurance) of reported information
- introduces more detailed reporting requirements, and a requirement to report according to mandatory EU sustainability reporting standards
- requires companies to digitally 'tag' the reported information, so it is machine readable and feeds into the European single access point envisaged in the capital markets union action plan.

In addition, the Commission's proposal envisages the adoption of EU sustainability reporting standards. The draft standards will be developed by the European Financial Reporting Advisory Group (EFRAG) and will be tailored to EU policies, while building on and contributing to international standardisation initiatives.

The first set of standards have been adopted by October 2022 and includes the following statements:

The role of EU Taxonomy

The EU Taxonomy can be described as a green classification system that **translates EU climate and environmental goals into clear criteria** to create a common language around green activities for specific economic activities for investment purposes.

The **objectives set by the Eu Taxonomy** are:

1. The climate change mitigation
2. The climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. The pollution Prevention and control
6. The protection and restoration of biodiversity and ecosystems

The added value of the EU Taxonomy is that it can help **scale up investment in green projects** necessary to implement the European Green Deal.
Together with the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy will ensure that companies falling under the scope of the CSRD disclose their environmental performance information and their Taxonomy aligned economic activities.

This law applies from March 10th, 2021, and complements corporate disclosures by creating a comprehensive reporting framework for financial products and financial entities. Different investment strategies may entail investments in economic activities with different levels of environmental performance.

For this reason, the Sustainable Finance Disclosure Regulation (SFDR) distinguishes disclosure requirements for:

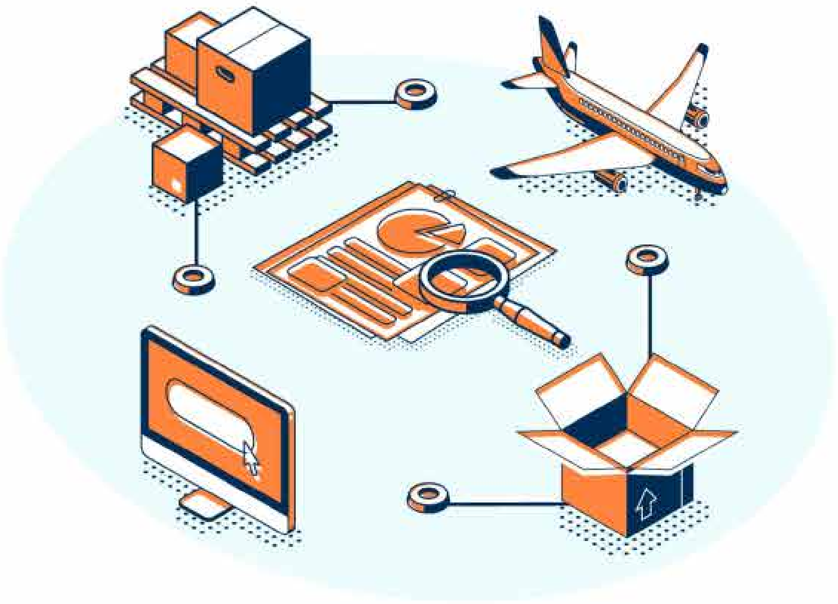
- Financial products that claim to have 'sustainable investment' as their objective (in environmental objectives) are often referred to as 'dark green' financial products).
- Financial products that claim to be promoting social or environmental characteristics (often referred to as 'light green' financial products).

Quick Infographic

Supplier evaluation with CRIF’s Business Information Report

CRIF
Together to the next level

Evaluate Your Vendors with CRIF’s Supply Chain Due Diligence Report



What is Supply Chain Due Diligence?

It accounts for the efforts taken to investigate a potential business partner and associated risks that can disrupt the supply chain of your company. The main and vital purpose of the process is to ensure that the portfolio of the top-notch suppliers is available at the disposal of the company.

Key Benefits of Supply Chain Due Diligence

Increase performance visibility: The simple process of measuring the performance of the suppliers can help improve the overall performance of the company.

Leverage the supply base: Plan a better and new range of products and services based on a good understanding of its suppliers' expertise, vital capabilities, and performance levels.

Diminish risk factors: Identify potential threats under credit lines, operations, possible bankruptcy, defaults and eliminate any corruption risks.

Align customer and supplier business practices: Ensure suppliers run their business operations in alignment with their customers sharing similar business ethics and work towards the continuous improvement of their operations.

Keep your third-party due diligence in check.
Get your Business Information Report from CRIF today!

About CRIF India

CRIF India is one of India's leading provider of Credit Information, Business Information, Analytics, Scoring, Credit Management and Decisions Solutions.

CRIF's Business Information Report, commonly known as the BIR Report, is a new way of thinking about data and information and how they are linked to each other. Available in 230 countries and territories, CRIF'S Business Information Report contains up to date information collected from various data sources. The report helps in determining a company's profitability, financial trends, and risk. It also provides an in-depth profile of a company, including financial information, legal cases, history of business, ownership details, operational information, and details on related firms and special events that occurred in the past involving company management. It's an industry standard for evaluating both new and existing credit relationships, especially medium-to-high risk accounts. Additionally, it supports a company's other efforts, like marketing and purchasing.

CRIF India's Business Information Offerings

How is CRIF different?

We brought in new Sets of Data Points,
First in the Industry at a TAT less than 48hrs.

Global Data Environment
200 million companies across 230 countries,
2 Million directors on these companies,
400+ data points covered

Unmatched expertise in analysis
Our vast experience gives us an eye for better assessment of information

Count on our TAT
Quality in expertise translates into efficiency in outcome

Quality checks
We've set processes to ensure reliable information is coming your way

Customized solutions for: Customer I Suppliers I Trade / Supply Chain solutions

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