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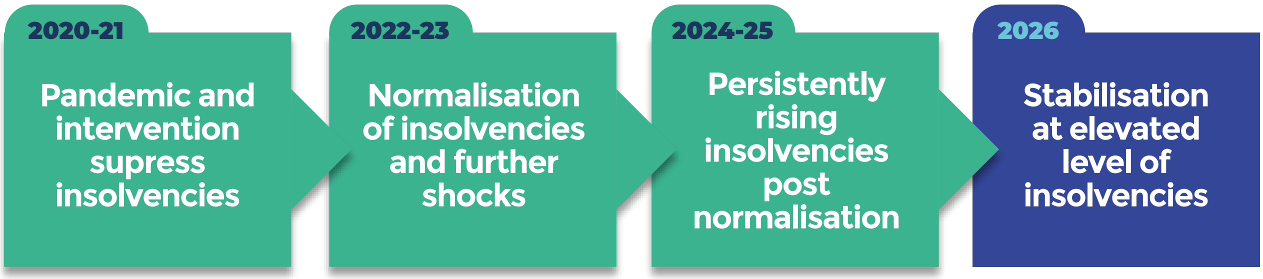
Corporate insolvencies expected to remain stubbornly high in 2026, after climbing further in 2025

EXECUTIVE SUMMARY

Corporate insolvencies across advanced economies have risen sharply since the withdrawal of pandemic-era support, driven by high debt servicing costs, weak demand, and sector-specific pressures. While government intervention initially suppressed insolvency rates, normalisation and subsequent economic shocks – such as post-pandemic supply chains disruptions, the energy crisis, the inflation surge, the rise in interest rates, and the rise in tariffs – have exposed underlying vulnerabilities.

Insolvencies rose across most advanced economies in 2025, driven primarily by weak economic conditions. In some countries – particularly Italy and the United States – figures were also shaped by ongoing legislative changes. Sectoral strains were particularly pronounced in real estate, manufacturing (especially automotive and energy-intensive industries such as chemicals), and financial services. Elevated indebtedness and persistently high financing costs remain especially challenging in sectors such as construction and are expected to continue pushing firms into insolvency.

This publication sets out our baseline scenario for the corporate insolvency development in 2026, which anticipates a continued rise in insolvencies, albeit at a more moderate pace. This reflects a stabilisation at high levels following several years of rapid increases. The forecast is supported by some positive drivers such as some easing in financial conditions, including lower interest rates and gradually less stringent credit conditions. However, these positive factors are offset by weak economic performance across most countries covered and by still elevated uncertainty. Furthermore, alternative scenarios – such as a slower than expected easing in corporate lending rates or adverse policy shifts – could materially worsen the outlook.



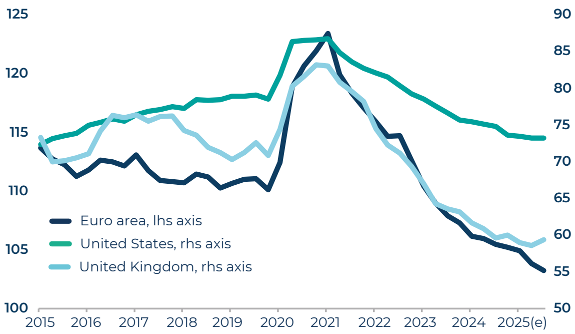
Corporate Insolvencies: where are we?

The pandemic and government intervention

The COVID-19 pandemic, and the varied governmental responses to it – ranging from lockdowns to other forms of intervention – caused significant disruption to the broader economy, corporate operations, and the labour market. Governments introduced substantial support measures, primarily in the form of cash transfers, furlough schemes, loans, and adjustments to insolvency frameworks.

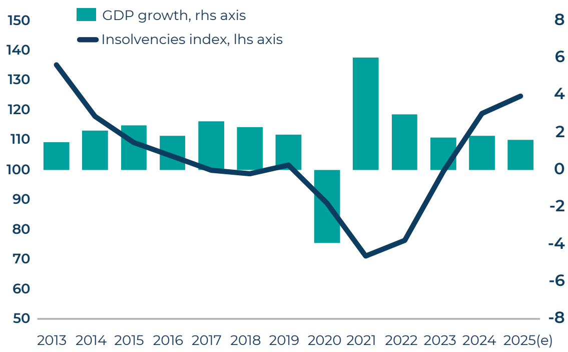
These interventions contributed to a relatively low number of insolvencies across most advanced economies. Combined with historically low interest rates – driven by central banks cutting policy rates – these measures helped sustain purchasing power and corporate liquidity. The latter dynamic is illustrated in **Chart 1**, which shows a rise in corporate debt that enabled many firms to survive, and in some cases thrive, despite the challenging environment. As a result, the sharp drop in economic activity in 2020 was accompanied by a counterintuitive decline in corporate insolvencies, which continued through the end of 2021 **(Chart 2)**.

Chart 1 - Non-financial corporations' debt as a share of GDP *(% as a share of GDP)*



Sources: IIF, Coface

Chart 2 - Advanced Economies Insolvencies Index and GDP growth *(Index [2017-19 average = 100], Change in %)*



Sources: National Sources, IMF, Macrobond, Coface

Normalisation and further shocks

Following this period of intervention came a phase of normalisation. During this phase, insolvency proceedings returned to standard practice, support schemes were phased out, and companies began repaying loans accumulated during the pandemic. This transition had two key implications:

First, some companies had taken on substantial debt during and after the pandemic. As support measures ended and repayments became due, many were unable to meet their obligations and opted for or were forced into restructuring or liquidation. From 2022 onwards, the rise was particularly striking. In 2022, it rose by around 50% in France and UK, and it rose by around 40% in Australia and Canada. In 2023, it rose by 22% in Germany, 35% in Japan, and 40% in the United States.

Second, creditors – both private and public – resumed filing winding-up petitions. In several countries, this led to a backlog as courts reopened and adjusted to the post-pandemic reality. Deferred tax liabilities, including VAT or employer social security contributions, meant that authorities often played a central role in driving insolvency filings during this period. To put this into perspective: in France, URSSAF – the main body responsible for collecting and distributing social security contributions – is estimated to initiate between 30% and 40% of winding-up petitions. In the UK, HMRC – tax, payments and customs authority – filed nearly 65% of such petitions in the second half of 2023, a sharp increase from 34% a year earlier when its enforcement powers were more restricted.

Once again, the relationship between economic activity and corporate insolvencies became opaque, as much of the increase in insolvencies was driven by the unwinding of earlier support measures rather than underlying economic weakness.

As government support measures were phased out and economies began to normalise, several key economic shocks emerged. Inflation surged, driven partly by strong post-pandemic demand and disrupted supply chains. This was compounded by a sharp rise in energy prices following Russia's invasion of Ukraine in 2022 and the subsequent sanctions imposed by Western countries.

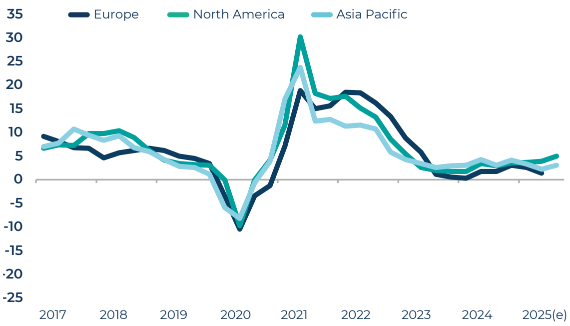
This combined price shock led to a significant increase in inflation, prompting central banks to raise policy rates to levels not seen in decades. The result was a cost-of-living crisis for consumers and a further cost shock for businesses, particularly as labour costs rose in response to higher wage demands. The rise in corporate borrowing costs has had the greatest impact in economies where variable or short-term fixed-rate debt is more prevalent, compared to those where firms typically rely on long-term fixed-rate debt instruments. In the United States, for example, fixed rates are more common in bank lending, and bond financing is more commonly used. As a result, the deterioration in interest coverage ratios has been more pronounced in Europe than in the United States.

With these pressures mounting, the previously disrupted relationship between economic activity and corporate insolvencies began to reassert itself. Selective consumer behaviour, slowing economic activity, and shrinking profit margins started to contribute to a rise in insolvencies.

Persistent insolvency pressures in 2024 and 2025

Economic stagnation characterised much of 2024 and 2025 across advanced economies. Domestic demand remained subdued, while persistent cost pressures – especially from labour – continued to weigh on corporate profitability. The median sales growth of listed non-financial corporations was between 3-4 percentage points lower than the pre-pandemic average, especially in Europe where several countries even experienced negative growth in some quarters **(see Chart 3)**.

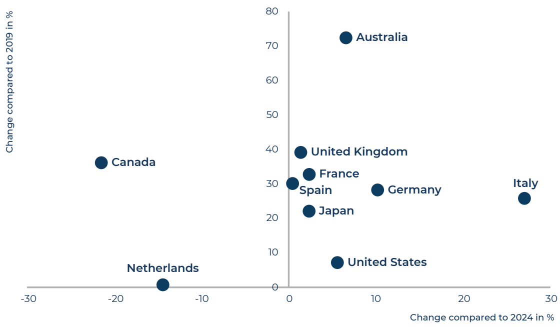
Chart 3 - Sales growth of listed non-financial corporations *(Median sales growth in %)*



Sources: FactSet, Coface

This environment contributed to a broad-based increase in corporate insolvencies across most advanced economies in 2024 and 2025 **(see Chart 4).** For several countries, including France and Germany in Europe, as well as Australia and Japan, 2025 marked the fourth consecutive year of rising numbers of insolvencies. To underscore the magnitude of the rapid increasing trend in recent few years, insolvencies rose at double-digit rates in every country below except the United Kingdom in 2024.

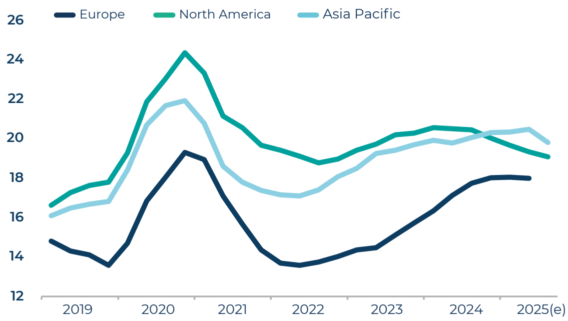
Chart 4 - Change in corporate Insolvencies compared to 2025 (e) *(Change in %)*



Sources: National Sources, Macrobond, Coface

As shown in **Chart 5**, many companies across regions continue to face elevated debt burdens and challenging debt-servicing conditions, compounded by weak recent demand. Corporate benchmark yields remain high in most advanced economies compared with their levels over the past fifteen years. Although slightly lower than a year earlier, yields in early 2026 were still very elevated in both the United Kingdom and the United States – above 5% and 4.25% respectively – and had risen further in Germany to around 3.5%. This is a marked increase from their trough in early 2021, when yields in these markets were close to 1%.

Chart 5 - Share of potentially distressed[1] listed companies *(Share in %)*



Sources: FactSet, Coface

For SMEs, the European Central Bank's reductions in policy rates will provide some relief. However, in the United Kingdom and the United States – where monetary easing has been less pronounced – the average lending rates for short-term SME loans remained high in late 2025, at around 6.5% and 8.0% respectively. In Japan – where monetary rates are at the highest levels since mid-1990s – the long-term prime lending rate stood at 2.6% in early 2026 and is expected to remain elevated after breaking above 2% in January 2025, following more than a decade below that threshold.

Regional differences

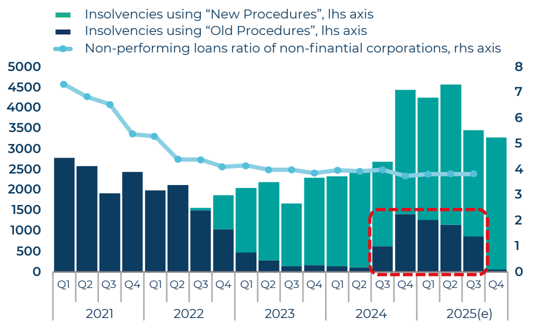
European countries experienced a continued increase in insolvencies in 2025 of around 6% year-on-year, marking a clear slowdown after three consecutive years of double-digit growth. Several major economies – including France, Spain and the United Kingdom – recorded steady single-digit increases. In contrast, insolvencies continued to rise more sharply in Germany (+11% yoy) and Italy (+31% yoy), although the latter remains strongly affected by recent insolvency-law reforms and an apparent backlog in case processing **(see Box 1)**. The Netherlands was the principal exception: insolvencies fell significantly, returning to pre-pandemic levels following a pronounced surge in 2024. Excluding the Netherlands, most large European economies still recorded insolvency levels between 25% and 41% above those seen before the pandemic.

BOX 1 - Reforms in Italy and Spain

Both Italy and Spain undertook significant reforms of their insolvency legislation following the pandemic, with new frameworks coming into force in 2022. These reforms were implemented as part of the transposition of European Directive 2019/1023, which promotes preventive measures, including early restructuring mechanisms.

This legislative shift partly explains the increase in insolvency cases in Spain during the second half of 2022 – particularly among micro-enterprises – rather than indicating a broader deterioration in economic conditions. A similar rise in non-performing corporate loans was not evident, highlighting that this increase was driven by reform rather than economic deterioration. In Italy, the reform has similarly complicated the interpretation of insolvency data from 2022 onwards. Recent figures include a resurgence of filings under "old procedures" which may not reflect underlying financial distress*. For instance, non-performing corporate loans at banks have not shown signs of deterioration in Italy that the overall insolvency figures suggest, even among SMEs. In any case, we observe a clear shift away from traditional insolvency proceedings in favour of the new one, which allows for early restructuring agreements without court involvement.

Chart A - Insolvencies split by type of procedure and non-performing corporate loans in Italy *(Number of insolvencies, Share in %)*



Sources: National Sources, IMF, Macrobond, Coface

*There is not clear explanation behind the recent rise in insolvencies using 'old procedures' in spite of various contact with local relevant entities in Italy.

1 - Definition: share with a ICR ratio below 2 and a net debt ratio above 3

Developments have been more mixed in Canada and the United States. Canada experienced a rapid resurgence in insolvencies between 2021 and 2024, with corporate failures rising 74% compared with 2019. The decline in 2025 (-22% yoy) is therefore less surprising, despite weaker domestic economic conditions and strained trade relations with the United States. Even so, insolvencies remain around 35% higher than in 2019. The United States, meanwhile, continued to experience suppressed insolvencies for longer and only returned to pre-pandemic levels in 2024. A further increase of around 6% in 2025 has pushed insolvencies marginally above their 2019 level, driven by the economic slowdown, policy uncertainty and the lingering effects of changes to Subchapter V and Chapter 13 eligibility.

The Asia-Pacific region recorded the largest relative increase in insolvencies in both 2024 and 2025. Across the major developed economies, insolvencies rose by around 20% yoy in 2024, followed by a further increase of roughly 7% yoy in 2025. Japan, the region's largest advanced economy, has seen a sustained rise in insolvencies in recent years, though the pace eased to around +2% yoy in 2025. Insolvency levels now stand about 20% higher than in 2019, reflecting both softer economic momentum and recent (and pending) reforms aimed at earlier intervention and out-of-court restructuring. Australia has also experienced one of the most pronounced rises in insolvencies – alongside Canada – with an additional increase of around 7% yoy in 2025. The surge remains concentrated among smaller firms and continues to be influenced by the exceptionally low number of insolvencies recorded between 2020 and 2023, when levels were 36% below 2019 – significantly lower than in most comparable countries.

Sectoral divergence: some industries are under greater strain

While many of the broader trends discussed earlier cut across industries, certain sectors experienced much more acute pressures in 2024 and 2025 due to specific, sector-level vulnerabilities.

In 2024 and 2025, among the European sectors most adversely affected were **real estate** and **financial services**, where firms struggled with a high-interest rate environment, declining asset values, and the need to accept larger haircuts when selling assets. A reduction in transaction volumes – particularly in the real estate market – led to mounting pressure, resulting in a wave of insolvencies. Germany serves as a notable example, where the commercial real estate sector has been struggling in recent years. Outside Europe, real estate insolvencies also continued to rise in Australia and Japan, while construction-sector insolvencies, though easing in 2025, remain on an upward trend. In the United States, corporate insolvencies among larger companies[2] continued to rise within real estate while easing somewhat among financial services companies.

European manufacturing has also faced sustained challenges as energy costs rose in 2022 and have stayed elevated which has eroded competitiveness and, in some cases, making operations unprofitable. Additional regulatory burdens – particularly around emissions, and in the absence of a carbon border adjustment mechanism – have further strained margins. These factors contributed to a sharp rise in insolvencies in sectors such as **textiles and clothing, metals, and chemicals**, the latter of which has recorded the highest rise in insolvencies relative to pre-pandemic levels. Similar patterns have emerged in the United States, with a large uptick – twice as high as the overall increase – in corporate insolvencies among larger companies in the industrials sector, especially as some are struggling with higher cost and ongoing supply chain disruptions.

The European **chemical** sector has been struggling with a combination of low demand due to the industrial slowdown and high natural gas prices, especially compared to American competitors, meaning that capacity utilisation has been around 75% since the beginning of 2023, almost 7.5 percentage points below its pre-pandemic level and the lowest since 2010 – just after the Great Financial Crisis – and a few months during the lockdowns. Weak activity is supported by the current assessments of their order books. With margins coming down in the European chemicals sector – down almost 3 percentage points since its peak in late 2021, and below its pre-pandemic level – and their high debt servicing costs, it should not be a surprise that the share of potentially distressed companies – defined as the share of listed companies with a ICR ratio (to EBITDA) below 2 and a net debt ratio (to EBITDA) above 3 within the sector – are up almost fourfold compared to before the rise in natural gas prices.

Even traditionally resilient sectors such as **pharmaceuticals** and **ICT** have not been immune. Both of the sectors experienced a slight boom and bust cycle during the pandemic with an increased demand for both medicine (like vaccines) and IT services (like streaming), followed by a normalisation as the world reopened. The following combination of economic slowdown and rising labour costs has meant that consumers and companies have been more cautious in their spending and this has impacted specific sub-segments. This includes media, computer programming, and information services within ICT, and research and development firms within pharmaceuticals. Both several IT and biotechnology research companies had previously heavily relied on low interest rates given their limited or unproven cash flow. The emergence and wider adoption of generative AI may also be a smaller factor in the rise of insolvencies, mostly within the computer programming sector.

Beyond Europe, several commodity- and trade-exposed sectors have been under pressure. In Australia, **transportation** recorded the largest increase in insolvencies, driven by rising operating and financial costs. In Japan, the second-largest increase after real estate occurred in **agriculture, forestry, fishing and mining**, reflecting volatile global commodity prices, US tariffs, and heightened trade turmoil. Canada experienced similar difficulties, with significant increases in **utilities, mining & hydrocarbon extraction**, as well as agriculture, forestry, fishing & hunting. Mining and utilities also saw sharper rises in Australia.

Retail insolvencies have risen in both Australia and Japan: margin compression has been particularly clear for Australian retailers, while in Japan the increase comes from a historically low base. In the United States, there are still a significant number of insolvencies within the consumer discretionary sector among larger companies, where performance continues to depend heavily on consumer sentiment.

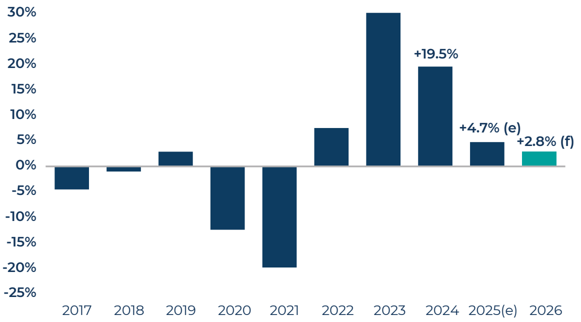
2 - Larger companies are defined as public companies or private firms with publicly traded debt, where either assets or liabilities at the time of bankruptcy filing are at least USD 2 million. For other private companies, the threshold is USD 10 million in assets or liabilities.

Insolvency Outlook for 2026 and Risk Environment

Insolvency Forecast: after a deceleration in 2025, a gradual stabilisation is now expected during 2026

Corporate insolvencies are still expected to rise in most covered countries in 2026 **(see Chart 6)**, with some notable exceptions such as Spain. However, the projected global increase of 2.8% represents not only a marked slowdown compared with recent years but also a stabilisation, as the rise only slightly exceeds the expected increase in business creation. This implies that, in most countries, the insolvency ratio – the number of insolvencies relative to the total number of companies – is likely to remain broadly unchanged.

Chart 6 - Corporate insolvencies development and forecast in advanced economies *(Annual change in %)*



Sources: National Sources, Coface

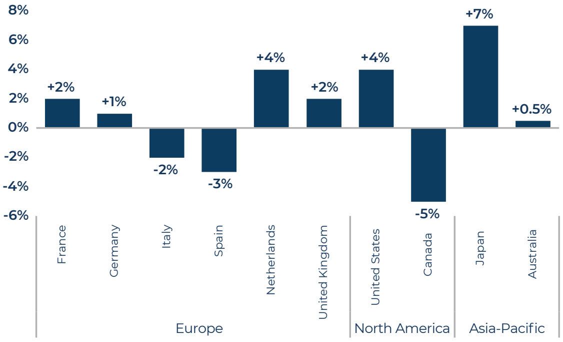
Germany, Europe's largest economy, is forecast to record only a modest 1% yoy increase in corporate insolvencies. The gradual impact of fiscal stimulus – including tax credits and deductions for investment, measures supporting lower energy costs, a stepwise reduction in corporate tax rates, and higher public investment – should help stabilise the corporate environment even if activity remains subdued. **France** is also expected to see a further 2% yoy rise in insolvencies in 2026, broadly in line with business creation. With debt-servicing costs easing, the underlying insolvency risk should therefore remain broadly unchanged despite economic growth remaining below potential. **The United Kingdom** is expected to experience a similar 2% yoy rise, supported by lower policy rates that should alleviate some financial cost pressures, although higher business taxation and elevated labour costs will continue to weigh on firms, especially SMEs.

Italy is forecast to see a slight decline[3] (-2% yoy) in corporate insolvencies following sharp increases in both 2024 and 2025. However, this reduction is largely driven by a shrinking business population given the country's demographic trends. **Spain** stands out as the main outlier in Europe, with insolvencies expected to fall by 3% yoy owing to its strong economic performance and lower corporate interest costs compared with 2025. The **Netherlands**, following a significant drop in 2025, is projected to see a 4% yoy rise in insolvencies as the economy continues to regain momentum. Importantly, unlike many larger European economies, the Netherlands is expected to return to a roughly pre-pandemic insolvency ratio by 2026.

In **Australia**, insolvencies are expected to stabilise (+0.5% yoy) after rapid increases in recent years. Lower interest rates should support a more favourable corporate environment, and although economic growth remains subdued, underlying insolvency risk is expected to ease somewhat – albeit remaining well above pre-pandemic levels. **Japan** is forecast to record a 7% yoy rise in insolvencies in 2026, driven by continued uncertainty and still-rising debt-servicing costs. If the government introduces suggested pro-business policy measures, they may cushion some of these pressures but are unlikely to fully offset them.

Canada finally saw an end to the rapid rise in insolvencies recorded between 2021 and 2024, when the insolvency ratio rose to more than one-third above pre-pandemic levels. Despite ongoing uncertainty, the downward trend is expected to continue in 2026, with a projected 5% yoy decline supported by a more benign interest environment and reduced uncertainty compared with 2025. In the **United States**, corporate insolvencies have remained comparatively low and are expected to increase further – by around 4% yoy – in 2026. With the economy expected to grow close to trend and further easing by the Federal Reserve likely to reduce debt-servicing costs, this mild rise reflects residual cost pressures in some sectors, particularly where tariffs continue to weigh on input costs and labour shortage constrain companies, like construction.

Chart 7 - Corporate insolvencies development and forecast by country *(Annual change in %)*



Sources: National Sources, Macrobond, Coface

BOX 2 - Sectorial vulnerability to high debt servicing costs

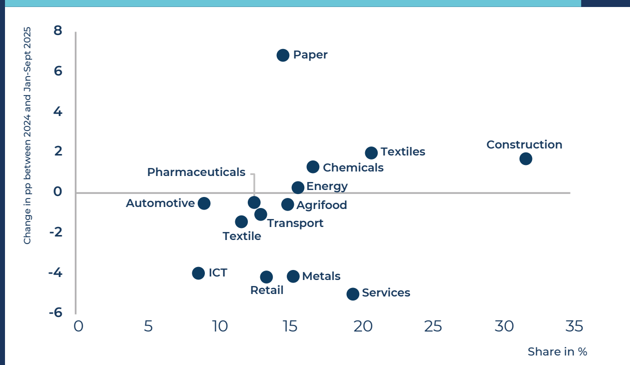
Although high indebtedness and elevated debt-servicing costs remain a broad constraint for companies, the degree of vulnerability varies significantly across sectors. This is clear when examining European industries, as shown in the chart below. Firms in construction, services, textiles, metals and chemicals have both high debt relative to earnings (EBITDA) and low interest coverage ratios (ICRs), indicating limited capacity to meet interest obligations.

While insolvencies increased across many European sectors in 2025, the proportion of financially distressed firms – defined as those with an ICR below 2 and a net-debt-to-EBITDA ratio above 3 – suggests that underlying fragilities persist, leaving room for further insolvency growth.

As illustrated in the chart, the construction, chemicals and textiles sectors are characterised by both a high share of financially distressed firms and a further increase in this proportion. This points to the potential for additional insolvency pressures in the period ahead. By contrast, sectors such as metals and retail still display a relatively high share of financially distressed firms but appear – from a debt servicing perspective – to have passed their peak levels of stress. The ICT sector shows both a comparatively low share of distressed firms and a reduction over the past year, indicating a more benign outlook – this also happens after a few years of rising insolvencies within the sector.

However, it is important to note that the analysis reflects only larger listed companies and does not capture other potential shocks – such as weak demand, either domestically or via exports, or renewed cost pressures including rising wages or energy prices – which could materially affect sectoral resilience such as the impact of sectorial tariffs within the metals sector clear negatively affecting the sector, in parts explaining the rising insolvencies in 2025. Similarly, the European automotive industry faces both tariff pressures and intensifying global competition. Although dominated by large, financially robust manufacturers, the sector also includes numerous more vulnerable subcontractors and dealerships that are not represented in the data below which explains why the sector too saw a larger increase in insolvencies in 2025.

Chart B - Sectorial heat map for debt distress in Europe *(Share in % and change in pp from 2024 to Jan-Sep 2025)*



Sources: FactSet, Coface

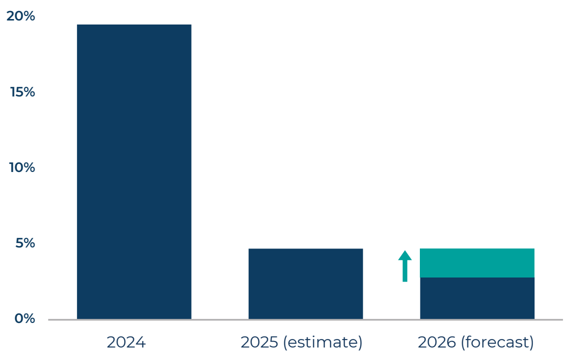
3 - Due to some volatility around the reporting of insolvencies, the headline figure might come down more due to an end of the reporting of insolvencies as part of the old proceedings as explained in Box 1.

One of the principal drivers of the recent rise in corporate insolvencies has been the sharp increase in debt-servicing costs. This has affected businesses of all sizes – from small firms depending on variable-rate credit facilities to large corporates carrying long-dated, fixed-rate debt.

Against this backdrop, any easing in policy rates and corporate credit spreads is expected to play an important role in the projected moderation of insolvencies across several of the countries discussed in 2026. As illustrated in **Chart 8**, a comparatively higher interest-rate environment of just 25 basis points – whether due to weaker monetary easing or an actual rate increase, depending on the country – would push corporate insolvencies in advanced economies to grow by around 4.7% yoy in 2026. This would be broadly similar to the 2025 outcome and no longer represent a stabilisation in 2026 as in our main scenario. While this scenario appears less likely within the Eurozone, a further rate hike by the Bank of Japan or a more limited easing by the Federal Reserve and the Bank of England than currently anticipated in the main scenario remains a plausible risk.

The main scenario underpinning our insolvency forecast is characterised by subdued economic growth, a gradual easing of interest rates, and modest improvements in corporate credit conditions in most countries in 2026. However, this outlook is subject to several downside risks. These include not only the possibility of less aggressive reductions in policy rates or higher risk premia for corporate lending, but also the potential for a worsening in the trade war (including potential foreign exchange interventions), which could deteriorate the business environment and restrict access to credit at a time when firms are most in need of it. While the central scenario anticipates a stabilisation in 2026, the balance of risks points towards a more adverse outcome. In particular, a scenario involving a renewed rise in insolvencies in 2026 appears more plausible than one involving a significant improvement on that front.

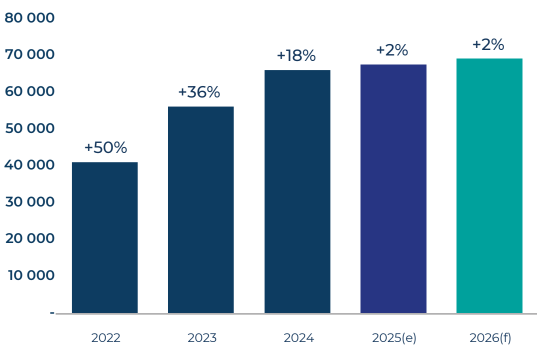
Chart 8 - Difference in insolvency forecast in alternative scenario with higher corporate lending rates
(Annual change in %)



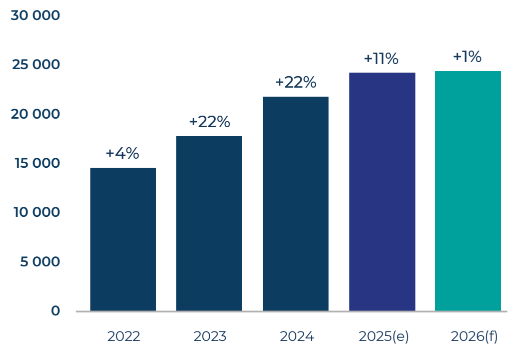
Sources: National Sources, Coface

Charts by Country

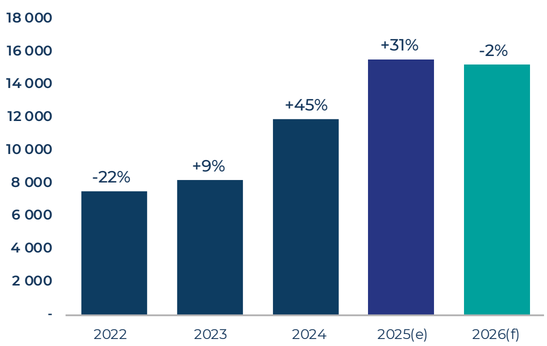
France



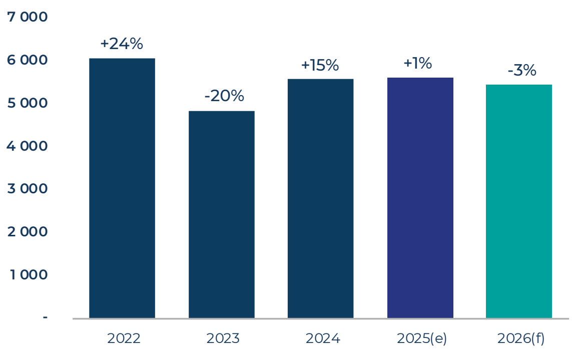
Germany



Italy

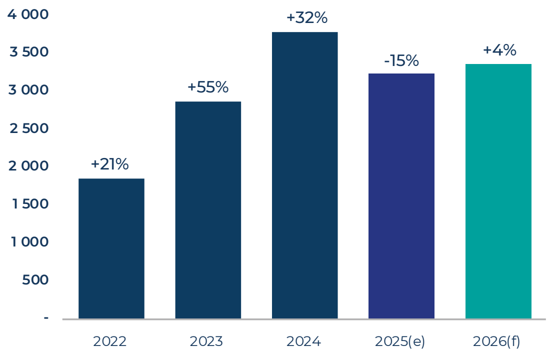


Spain

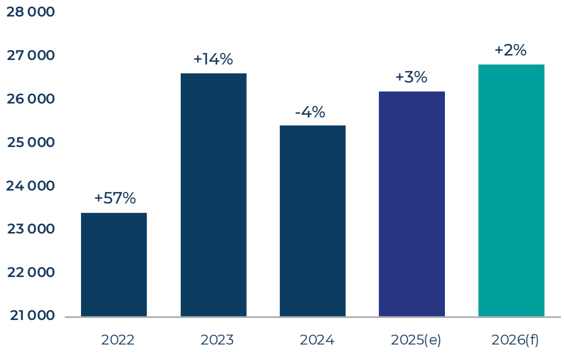


Note: Blue is estimate and green is forecast.
Source: National sources, Coface

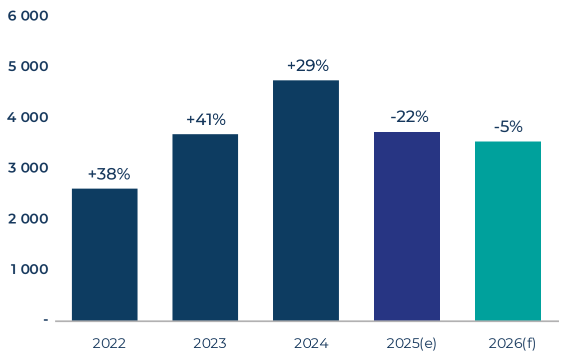
Netherlands



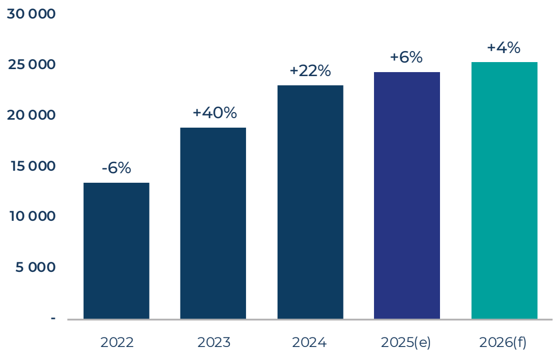
United Kingdom



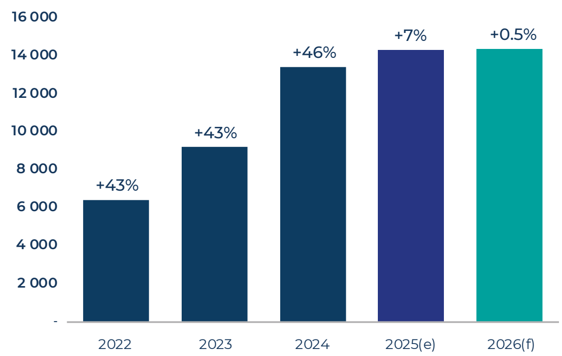
Canada



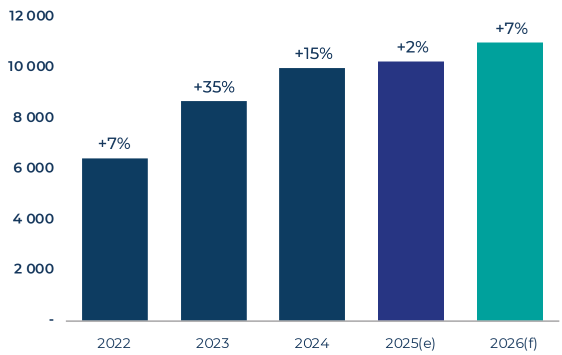
United States



Australia



Japan



Note: Blue is estimate and green is forecast.
Source: National sources, Coface

Note: The insolvency forecast for Coface is derived from econometric models that incorporate a range of key determinants impacting insolvency trends. These include, but are not limited to, macroeconomic indicators, company-specific dynamics, and historical patterns of business failures. While the model provides a structured and quantitative foundation for projecting future insolvencies, the final forecast is ultimately informed by the professional judgement of the responsible economist.

This judgement may encompass qualitative considerations that fall outside the scope of the model, such as anticipated policy or regulatory reforms, administrative backlogs, changes in legal processes, or other contextual factors that could materially affect the number of insolvencies in a given year. As a result, the forecast should be interpreted as an informed estimate rather than a definitive prediction, and it may be subject to revision as new information becomes available.

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FOR TRADE