



Global Business Failure Report

Global Business Failures—Insights

- Business failures have dropped globally, but remain elevated compared with pre-crisis levels.
- Failures decreased particularly strongly in Q4 2010 in emerging economies such as South Africa, Brazil, Poland and Singapore.
- The Nordic Region was the only region to record an increase in insolvencies in Q4.
- There is a rising risk that the global economic slowdown will lead to a reversal of the recent downward trend in insolvency levels towards the end of 2011.
- **Rising insolvency levels:** Austria, Australia, Hungary, Switzerland, Taiwan, UK.
- **Falling insolvency levels:** Brazil, Canada, France, Germany, Poland, South Africa, US.

Recent Developments: Business Failure Levels Elevated but Falling

Since peaking in Q4 2009, the level of global business failures, as measured by D&B's Global Insolvency Index, has fallen quite steadily (a slight increase in Q2 2010 was quickly reversed in Q3). The Global Insolvency Index fell to 95.7 in Q4 2010 (from 102.2 a year earlier). This development indicates that the global economic recovery has led to a significant drop in insolvency levels. However, the index remains well above the levels seen before the global financial crisis; in Q4 2007, the index had stood at just 92.1.

Our regional data show that the level of global insolvencies fell by 6.4% year on year (y/y) in Q4 2010, with sharper drops in emerging economies (22.3%) than in advanced ones (4.3%). All regions except the Nordic Region saw decreases in insolvencies in Q4 2010; however, in 2010 as a whole the Nordic countries were still among the top-performers in terms of reducing insolvency levels. Eastern Europe was the region with the sharpest fall in business failures in Q4, followed by North America, Emerging Asia, and Euroland. At a country level, the strongest declines in business failure levels were in South Africa, Brazil, Poland and Singapore, while there were sharp increases in China (largely due to a change in bankruptcy law), Australia and Switzerland.

Outlook: Economic Slowdown in 2011 Increases Insolvency Risk

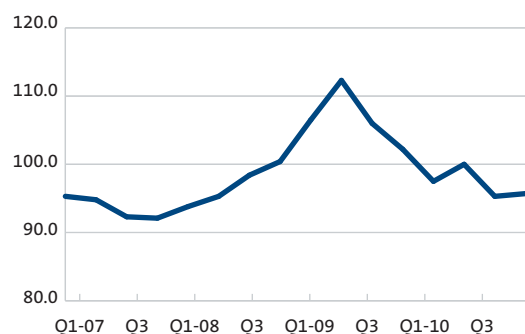
The global economy continued to recover in early 2011, suggesting that insolvency levels were still declining in Q1 2011 as corporate profitability and payments performance improved further. However, indicators such as the Global Purchasing Managers' Index (PMI) suggest growth will slow in the next few months: in April, the Services PMI fell to its lowest level in over 16 months. Downside risks to the global recovery remain strong, including: high oil and food prices; the debt crisis in Europe that threatens the stability of the region's banking sector; supply chain disruptions after the tsunami in Japan; and rising interest rates (and possible policy errors) as governments respond to stronger inflationary pressures while maintaining the recovery. Hence, there is a rising risk that the economic slowdown will lead to an easing of the downward trend in insolvency levels towards the end of 2011, compounded by the lagged effect of the Great East Japan Earthquake. Countries with heightened insolvency risk include Australia, Belgium, Iceland, Portugal, Switzerland, Taiwan and the UK.

IMPACT:
risk of non-payment
as a result of
insolvency is still
elevated

IMPACT:
insolvencies are
falling particularly
sharply in Eastern
Europe

IMPACT:
higher insolvency
risk could endanger
the recovery in
corporate profits
in 2011

**D&B Global Insolvency Index
(Q2 2010=100)**



Global Insolvency Data for Q4 2010

	D&B Global Insolvency Index	Year on year change (%)	
		Q4	Q1-Q4
World	95.7	-6.4	-9.0
Advanced economies	97.1	-4.3	-7.1
North America	94.1	-6.2	-3.1
Euroland	98.7	-5.0	-1.6
Nordic Region	98.0	0.7	-13.9
Emerging economies (ex. China)	86.4	-22.3	-15.0
Emerging Asia (ex. China)	95.6	-5.6	13.1
Eastern Europe	92.3	-11.4	-1.9

Note: See Glossary and Methodology on page 7 for an explanation of the D&B Global Insolvency Index used in the chart and for a definition of the regions used in the table.
Sources: National Statistics Offices, D&B

		Economic Outlook	
		Below Average	Above Average
Insolvency Index	Above Average	Sharply Rising Insolvency Risk Australia, Belgium, Iceland, Portugal, Switzerland, Taiwan, UK Recommendations Monitor vigorously Increase prices to cover risk	Falling Insolvency Risk Austria, Denmark, Hungary, Ireland, Italy, Latvia, Sweden, U.S. Recommendations Expect improving payments performance Offer discount for prompt payments
	Below Average	Rising Insolvency Risk Brazil, Japan, Netherlands, Poland, Singapore, South Africa, Spain Recommendations Expect deteriorating payments performance Charge interest on late payments	Sharply Falling Insolvency Risk Canada, Finland, France, Germany, Hong Kong, New Zealand, Norway Recommendations Pushing for more sales in country Strengthen relationship with existing clients

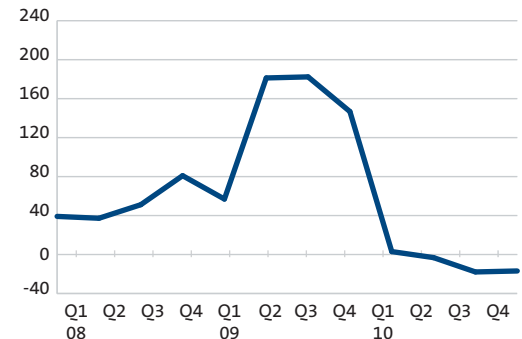
This Insolvency Risk Outlook matrix shows the level of insolvency risk for the countries covered in this report, categorized by D&B's economic outlook for each country (horizontal axis) and the change in each country's insolvency index (vertical axis). For example, the 'Rising Insolvency Risk' category lists countries that combine a lower level of insolvencies compared with the other countries (according to our latest data) with a weaker economic outlook (compared with historical standards).

Sectoral Developments in Advanced Countries

Key Sector: Manufacturing

- the rebound in the manufacturing sector has been a key driver of the global economic recovery;
- on a global level, the number of business failures in the sector fell by 16.9% year on year (y/y) in Q4 and by 10.5% in 2010 as a whole;
- by comparison, the number of failures had risen by 146.7% y/y in Q4 2009;
- the sector's performance remained relatively robust in early 2011, further lowering insolvency risk.

Business Failures in the Manufacturing Sector (y/y change, %)



Developments in Other Sectors

- the remaining sectors (except 'other services') also saw a decline in insolvencies in Q4, albeit less sharply than the manufacturing industry;
- particularly strong decreases were recorded in the telecommunications and transportation, wholesale, and natural resources sectors;
- the service-sector recovery has weakened as 2011 has progressed, indicating that insolvency risk may increase again in this sector.

Business Failures by Sector

	Share of Total	Y/Y Change (%)	
		Q4	Q1-Q4
Construction	17.1	-6.8	2.5
Financial Services & Insurance	2.7	-5.3	2.2
Manufacturing	8.9	-16.9	-10.5
Natural Resources	2.4	-10.3	7.0
Real Estate	2.2	-6.1	-8.4
Retail	11.5	-9.9	-6.3
Other Services	45.0	4.4	13.4
Telecommunications & Transportation	5.2	-14.3	-0.8
Wholesale	4.9	-11.8	-6.2
Total	100.0	-6.4	-9.0

United States

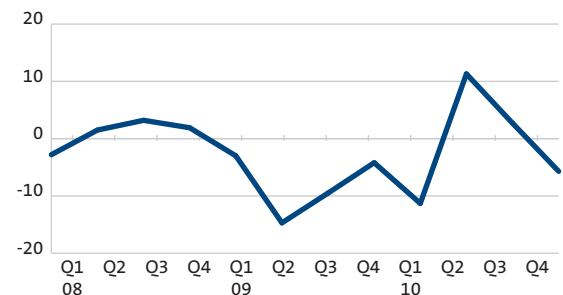
Latest Developments

- the number of business failures decreased by 5.7% year on year (y/y) in Q4, down from a 2.7% increase in Q3;
- the improvement reflects the ongoing economic recovery;
- the manufacturing sector again saw the largest annual drop in bankruptcies in Q4, followed by the retail trade and transportation sectors;
- the construction, transportation and business services sectors have the highest failure rates of all sectors.

Outlook:

- a further downward trend in the number of business failures is likely (in light of ongoing economic recovery and an improvement in credit conditions);
- the services sectors are set to benefit from the emerging strength of domestic demand.

Change in Business Failures (y/y, %)



Business Failures by Sector in Q4 2010

	Share of Total	Y/Y Change (%) Q4	Q1-Q4
Business Services	26.4	6.9	41.1
Construction	14.5	-8.3	1.5
Retail	11.7	-12.9	-5.2
Real Estate	4.9	-6.5	-0.4
Transportation	4.4	-11.6	-2.3
Natural Resources	3.8	-3.9	-17.1
Manufacturing	3.7	-27.0	8.1
Others	30.7	-6.8	-11.5
Total	100.0	-5.7	2.5

United Kingdom

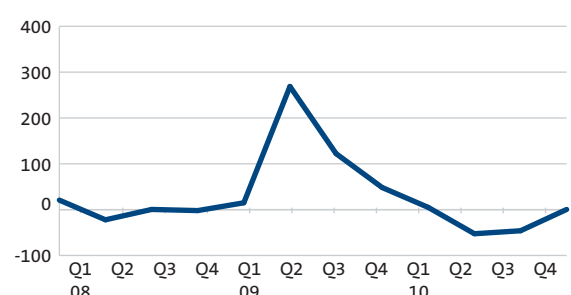
Latest Developments

- in 2010, the number of business failures rose 0.4% y/y in Q4, after having fallen in both Q2 and Q3;
- the rise reflects the economy's slowdown in Q4 and ongoing fragility amid high unemployment, tight credit conditions and a weak housing market;
- finance, insurance and real estate companies saw the largest annual rise in bankruptcies in Q4, followed by the retail trade and personal services sectors;
- by contrast, insolvencies fell further in the food and drink, construction and transport sectors.

Outlook:

- a further upward trend in the number of business failures is likely (in light of weakness in domestic demand, e.g. a further downturn in house prices);
- the services sectors will feel the full impact of the government's budget cuts in coming quarters.

Change in Business Failures (y/y, %)



Business Failures by Sector in Q4 2010

	Share of Total	Y/Y Change (%) Q4	Q1-Q4
Business Services	26.7	3.0	-35.9
Finance, Insurance & Real Estate	9.2	62.8	-23.3
Retail Trade	7.2	27.5	-8.6
Construction	5.6	-3.9	-11.9
Personal Services	5.0	8.3	-16.6
Transport, Communications & Utilities	3.0	-2.6	-50.5
Food and Drink	2.4	-21.7	-30.8
Others	40.8	-10.8	-36.5
Total	100.0	0.4	-32.7

Spain

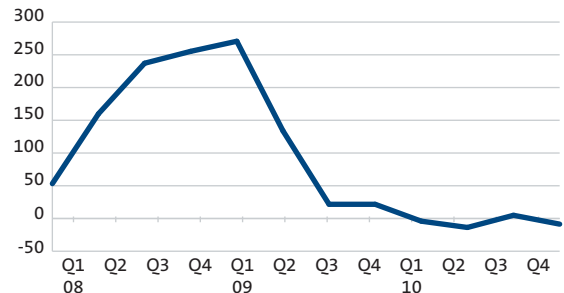
Latest Developments

- the number of business failures dropped by 8.6% y/y in Q4, down from an increase of 4.9% in Q3;
- the improvement reflects the slow economic recovery after a deep recession;
- among the key sectors, the construction sector again saw the largest annual drop in bankruptcies in Q4, while wholesale also showed a positive performance;
- by contrast, financial intermediation, real estate and hospitality continued to struggle.

Outlook:

- the trend in the number of business failures is not clear, as the economy continues to struggle and financial conditions remain poor;
- amid high unemployment, the outlook for sectors linked to mass consumption will remain bleak.

Change in Business Failures (y/y, %)



Business Failures by Sector in Q4 2010

	Share of Total	Y/Y Change (%) Q4	Q1-Q4
Construction	31.5	-17.4	-10.0
Industry and Energy	20.7	-16.3	-20.7
Wholesale Trade	14.9	-10.4	-10.3
Transport and Storage	4.8	10.9	23.0
Hotel and Catering	4.0	47.1	6.4
Finance, Insurance & Real Estate	3.4	26.5	52.9
Agriculture and Fishing	0.9	-31.3	18.5
Others	19.8	5.0	6.5
Total	100.0	-8.6	-6.4

Australia

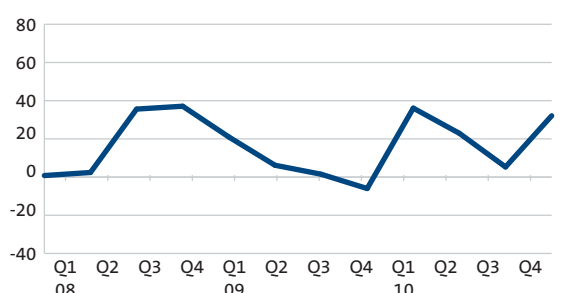
Latest Developments

- the number of business failures rose 32.1% year on year (y/y) in Q4, up from a 5.3% increase in Q3;
- the rise in insolvencies did not reflect the general positive economic trend;
- D&B business failure data may have reflected knock-on effects of the 2008–09 global financial crisis on domestic non-mining sector firms.

Outlook:

- we expect lagged bankruptcies from the slowdown in 2009 to continue but tail off gradually;
- generally, the mining sector is expanding, and this should reduce bankruptcies in associated services sectors.
- we expect to see effects from the flooding in Queensland in late Q2 onwards, but the state typically only accounts for 7% of bankruptcies.

Change in Business Failures (y/y, %)



Business Failures by Sector in Q4 2010

	Share of Total	Y/Y Change (%) Q4	Q1-Q4
Finance, Insurance & Real Estate	14.6	24.5	39.8
Services	13.3	42.9	47.2
Construction	8.2	32.7	22.5
Manufacturing	6.4	65.7	21.0
Retail Trade	5.5	60.9	29.8
Wholesale Trade	4.4	44.6	12.8
Transport, Communications & Utilities	2.3	34.0	34.4
Others	45.2	24.2	13.1
Total	100.0	32.1	22.8

Japan

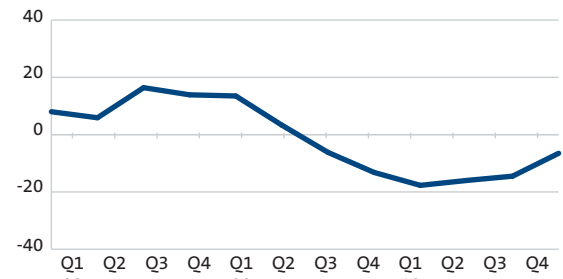
Latest Developments

- the number of business failures dropped by 6.5% y/y in Q4, down from 14.5% in Q3;
- the improvement reflected the economic recovery in 2010 after the shock of 2009, with credit conditions and payments performance improving;
- the wholesale trade sector saw the largest y/y drop in bankruptcies in Q4, followed by manufacturing, information/communication and transportation.

Outlook:

- the outlook has changed since the Great East Japan Earthquake in March;
- profits at large corporations with significant exposure to supply chain disruption will fall sharply in 2011;
- smaller suppliers will suffer and we expect business failures to rise with a lag from Q3 onwards into 2012.

Change in Business Failures (y/y, %)



Business Failures by Sector in Q4 2010

	Share of Total	Y/Y Change (%) Q4	Q1-Q4
Construction	26.3	-7.5	-13.8
Services	21.9	4.9	-5.7
Manufacturing	15.5	-10.2	-20.0
Wholesale Trade	13.1	-12.0	-20.5
Retail Trade	11.6	-5.4	-10.5
Information & Communication	3.9	-9.2	-3.8
Transportation	3.5	-7.9	-16.2
Others	4.1	-19.3	-21.0
Total	100.0	-8.6	-13.9

South Africa

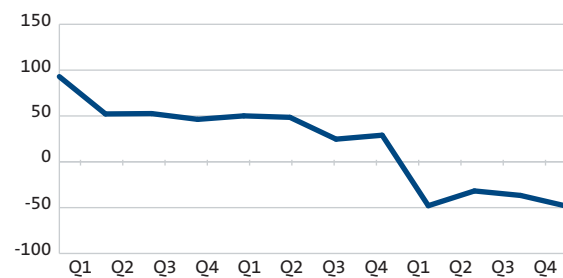
Latest Developments

- the number of business failures fell further in Q4 2010 (by 48.4% y/y, compared with 36.7% in Q3);
- the improvement reflects positive spillover effects arising from the buoyant mining sector, and easier credit conditions;
- the transportation and communications sector saw the largest y/y drop in bankruptcies in Q4, followed by the financial services and retail trade sectors;
- by contrast, manufacturing and wholesale trade continued to exhibit signs of distress.

Outlook:

- amid ongoing economic recovery, a further downtrend in the number of business failures is likely, although this will be limited by rising input costs;
- however, gold mining is set to benefit from strong external demand due to ongoing global uncertainty.

Change in Business Failures (y/y, %)



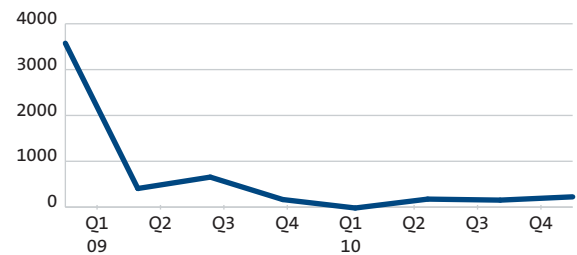
Business Failures by Sector in Q4 2010

	Share of Total	Y/Y Change (%) Q4	Q1-Q4
Services	29.2	-33.3	-21.1
Others	28.4	-48.1	-27.6
Retail Trade	17.8	-59.6	-38.0
Finance, Insurance & Real Estate	9.0	-62.2	-45.3
Manufacturing	8.5	-23.8	-28.8
Construction	3.2	-53.8	-29.6
Wholesale Trade	2.7	-33.3	-15.5
Transport, Communications & Utilities	1.3	-75.0	-19.2
Total	100.0	-48.4	-23.8

China

- the number of business failures rose 224.1% year on year (y/y) in Q4, up from 152.4% in Q3;
- this reflected the migration of businesses from earlier informal methods of business cessation to court- and bankruptcy-law mediated processes;
- end-of year seasonal effects may also be responsible.

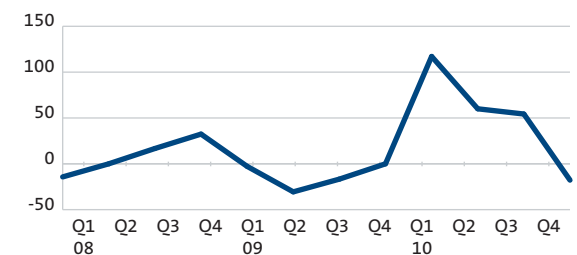
Change in Business Failures (y/y, %)



Singapore

- the number of business failures fell 17.8% y/y in Q4, compared to a 54.3% y/y rise in Q3;
- Singapore has a mature bankruptcy reporting regime and the drop reflected the peak in business failures in late 2009 and early 2010;
- given a strong economic outlook, we expect the Q1 2011 y/y figure to record another sharp fall.

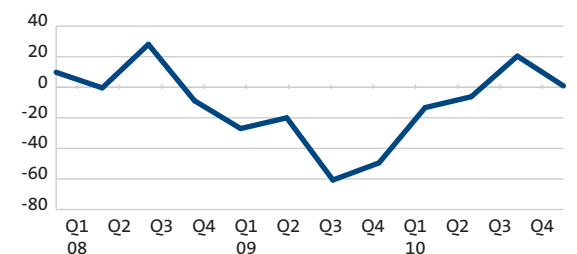
Change in Business Failures (y/y, %)



Taiwan

- the number of business failures fell significantly in Q4, dropping by 0.9% y/y compared with 20.4% in Q3;
- the improvement reflects strong domestic and export demand, with credit conditions and companies' payments performance improving markedly;
- a more pronounced downward trend in the number of business failures is unlikely, given supply chain disruptions caused by Japan's recent earthquake.

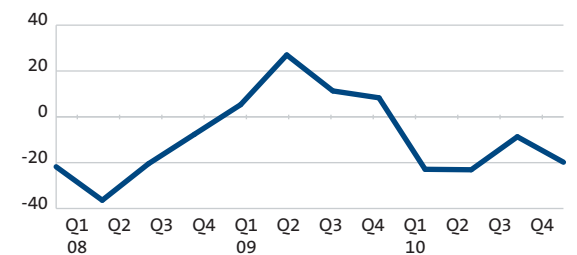
Change in Business Failures (y/y, %)



Brazil

- the number of business failures dropped by 19.8% y/y in Q4, after falling 8.7% in Q3;
- the improvement reflects the robust economic recovery, with credit conditions and companies' payments performance seeing a notable improvement;
- a further downward trend in the number of business failures is likely.

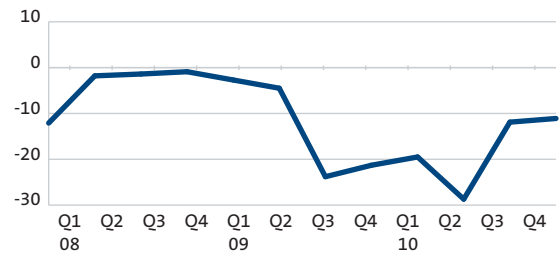
Change in Business Failures (y/y, %)



Canada

- the number of business failures dropped by 11.1% y/y in Q4, a moderation from Q3's 11.9% contraction;
- the y/y fall in business failures reflects the robust economic recovery, with credit conditions having improved;
- a further downward trend in the number of business failures appears likely.

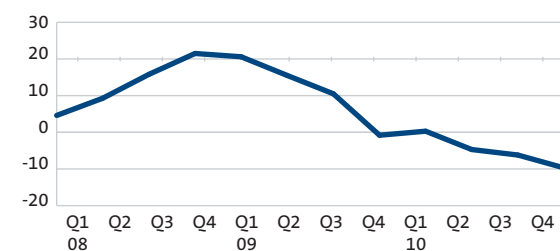
Change in Business Failures (y/y, %)



France

- the number of business failures dropped by 9.7% y/y in Q4, compared with 6.2% in Q3;
- the improvement reflects the robust economic recovery, with credit conditions and companies' payments performance improving markedly;
- the number of business failures is likely to see a further downward trend.

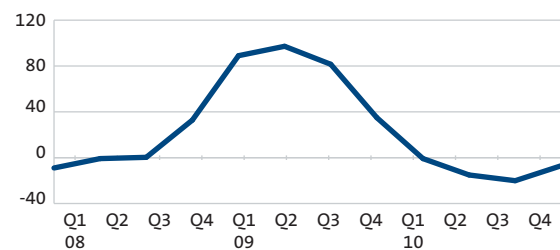
Change in Business Failures (y/y, %)



Netherlands

- the number of business failures dropped by 7.0% y/y in Q4 after a 20.1% fall in Q3;
- the further decline in business failures reflects the ongoing economic recovery, with companies' payments performance improving markedly;
- we expect further sharp drops in bankruptcies as domestic demand strengthens.

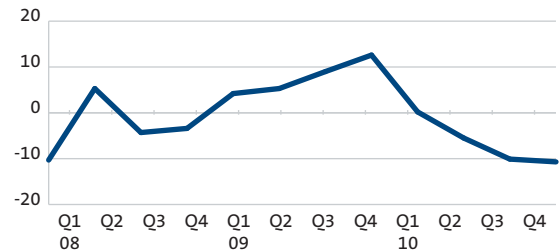
Change in Business Failures (y/y, %)



Germany

- the number of business failures dropped by 10.7% y/y in Q4, compared with 10.1% in Q3;
- the improvement reflects the robust economic recovery, with credit conditions and companies' payments performance improving notably;
- a further downward trend is likely as the economy continues to grow rapidly.

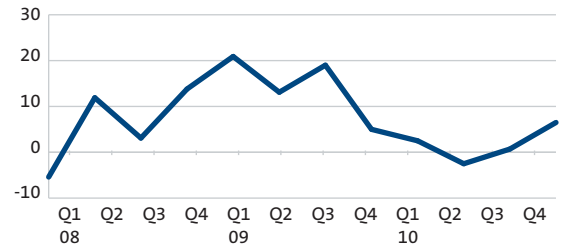
Change in Business Failures (y/y, %)



Austria

- the number of business failures increased by 6.5% y/y in Q4, up from 0.7% in Q3;
- the deterioration reflects the tougher lending terms of Austrian banks and the sluggish development in the construction sector;
- a further increase in the number of business failures is unlikely because of the expected general economic upturn.

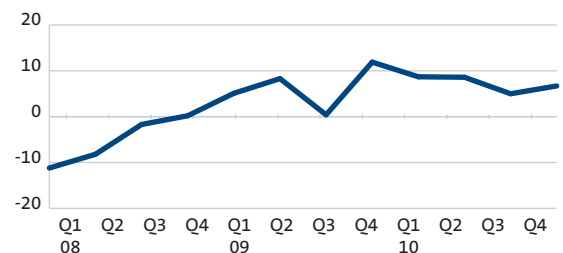
Change in Business Failures (y/y, %)



Switzerland

- the number of business failures increased by 6.7% year on year in Q4, up from 5.0% in Q3;
- the increase in Q4 reflects the weakening of the new orders inflows and weak private consumption;
- a further upward trend in the number of business failures is likely because of higher refinancing costs and the strength of the Swiss franc.

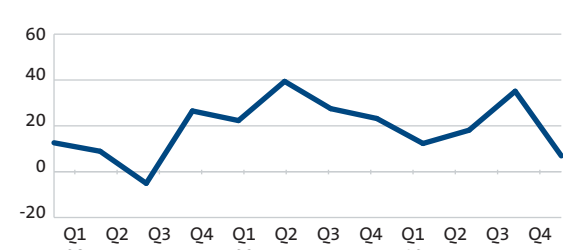
Change in Business Failures (y/y, %)



Hungary

- the number of business failures increased by 6.9% y/y in Q4, down from 35.1% in Q3;
- the improvement (compared with Q3) reflects the good performance of the country's export-orientated manufacturing sector;
- however, any further improvement in the number of business failures is unlikely, given tax increases and a weakening of export demand.

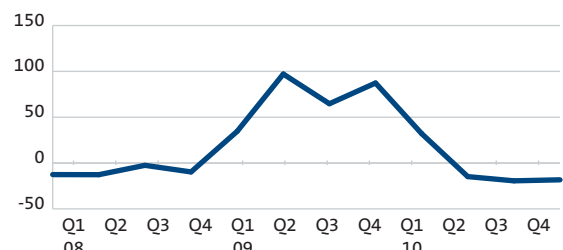
Change in Business Failures (y/y, %)



Poland

- the number of business failures dropped by 18.3% y/y in Q4 (a trend visible since Q1 2010);
- the improvement reflects the country's robust economic growth, with business opportunities and companies' payments performance improving markedly;
- a further downward trend in the number of business failures is likely in the short term.

Change in Business Failures (y/y, %)



Macroeconomic Context

The table below summarizes the Insolvency Index (Q2 2010 = 100), the year-on-year change in the number of business failures, and the real GDP growth forecast (2011-15 average) for a selected list of countries; it also indicates the trend for each country's risk rating (▲ = 'improving', ■ = 'stable', and ▼ = 'deteriorating'). The countries shaded in grey are covered in more detail in the preceding pages.

Country	Insolvency Index Q4 2010	year-on-year change in Q4 2010	Real GDP Growth Average 2011-15	Risk Rating Trend
Australia	102.8	32.1	2.6	■
Austria	104.4	6.5	2.1	■
Belgium	96.2	-3.7	2.0	■
Brazil	85.4	-19.8	4.3	■
Canada	96.3	-11.1	2.4	■
China	353.0	224.1	8.3	▼
Denmark	89.0	4.4	3.0	■
Finland	104.7	-5.7	2.9	■
France	98.3	-9.7	1.8	■
Germany	89.8	-10.7	2.5	▲
Hong Kong	81.9	-32.2	3.4	■
Hungary	93.3	6.9	2.4	▼
Iceland	114.2	10.8	1.9	■
Ireland	94.5	13.9	2.9	▼
Italy	110.8	8.6	1.2	■
Japan	99.3	-6.5	0.5	▼
Latvia	119.2	26.8	4.2	■
Netherlands	97.5	-7.0	1.7	■
New Zealand	95.5	-6.2	3.0	■
Norway	83.5	-12.5	2.9	■
Poland	90.2	-18.3	4.7	■
Portugal	101.3	0.4	0.3	▼
Singapore	92.5	-17.8	4.0	■
South Africa	75.6	-48.4	4.0	■
Spain	101.8	-8.6	1.6	■
Sweden	111.8	12.4	3.8	■
Switzerland	108.8	6.7	2.4	■
Taiwan	97.0	0.9	4.6	■
United Kingdom	103.5	0.4	1.4	■
U.S.A	93.9	-5.7	2.0	▼

Glossary of Terms

D&B Global Insolvency Index: A proprietary D&B Country Risk Services index that assesses the performance of business failures globally (more details available below). The terms 'bankruptcy', 'business failure' and 'insolvency' are used interchangeably in this report.

Nordic Region: Denmark, Finland, Iceland, Norway and Sweden

North America: United States of America and Canada

Eastern Europe: Latvia, Hungary and Poland

Emerging Asia (excl. China): Taiwan and Singapore

Methodology

The D&B Global Insolvency Index is a D&B Country Risk Services product calculated as the weighted average of the insolvency index for each country based on the information available. The Global Insolvency Index aggregates the indices for 29 countries organized in seven regions covering around 72% of global GDP. The country's GDP (nominal terms) in US dollars provides the weighting for each national insolvency index. The Global Insolvency Index benchmark value is 100 for Q2 2010. An increase in the index implies more negative events concerning insolvencies, while a decrease represents a positive development. More information is available upon request.

Sources

This report has been compiled with the kind support of the following D&B offices and partners:

Australia

Dun & Bradstreet
(Australia) Pty Ltd
Tel: +61 3 9828 3333
Email: clientservices@dnb.com.au

Germany

D&B Deutschland GmbH
Tel: +49 (0) 6151.1375.777
Email: kundenservice@dnbgermany.de

Poland

Dun and Bradstreet
Poland Sp. z o.o.
Tel: +48 22 533 24 00
Email: info@dnb.com.pl

Austria

Dun & Bradstreet Information
Services GmbH
Tel: +43 1 58861 155
Email: office@dnb.at

Hungary

Dun & Bradstreet Hungary Ltd.
Tel: +36 1 347 6700
Email: info@dnbhungary.hu

Portugal

Informa D&B
Tel: +351 213 500 300
Email: informadb@informadb.pt

Belgium

Dun & Bradstreet Belgium NV/SA
Tel: +32 2 481 83 00
Email: customerservicebl@dnb.com

Ireland

D&B
Tel: +44 (0)1628 492000
Email: ukenquiries@dnb.com

Slovenia

Bonitetna hiša i, d.o.o.,
Tel: +386 1 234 29 40
Email: imojstri@idoo.si

China

Huaxia D&B China
Tel: +86 (0) 21 2321 3636
Email: enquiry@huaxiadnb.com

Italy

CRIBIS D&B
Tel: 800-82 10 58
Email: CustomerService@cribisdnb.com

South Africa

TransUnion Credit Bureau (Pty) Ltd
Tel: +27 11 214 6000

D&B EMC

Tel: +44 1628 492430
Email: emc@dnb.com

Japan

Tokyo Shoko Research Ltd.
Tel: +81-3-6910-3140
Email: cs.div@tsr-net.co.jp

Switzerland

D&B Schweiz AG
Tel: +41 (0)44 735 61 11
Email: info@dnb.ch

France

Altares-D&B
Tel: +33 1 41 37 50 00
Email: service.clients@altares.fr

Netherlands

D&B Nederland
Tel: +3110 710 9560
Email: customerservicen@dnb.com

UK

D&B UK Ltd.
Tel: +44 (0)1628 492000
Email: ukenquiries@dnb.com

U.S.

D&B
Tel: 1-800-234-3867
Email: crcintl@dnb.com

D&B Country Risk Services

At D&B Country Risk Services we have a team of economists dedicated to analysing the risks of doing business across the world (we currently cover 132 countries). We monitor each of these countries on a daily basis and produce both shorter analytical pieces (Country RiskLine Reports; at least one per country per month for most countries), as well as more detailed 50-page Country Reports. For further details please contact Country Risk Services on **1.800.234.3867** or email **CountryRisk@dnb.com**.

Additional Resources

The information contained in this publication was correct at the time of going to press. For the most up-to-date information on any country covered here, refer to D&B's monthly International Risk & Payment Review. For comprehensive, in-depth coverage, refer to the relevant country's Full Country Report.

Credits: This paper was produced by D&B Country Risk Services, and contains contributions by Tom Christie, Warwick Knowles, Martin Koehring, Markus Kuger, Isaac Leung, Ian Manns, Gaimin Nonyane, Andres Tacsir and Kasia Zatorska.

While the editors endeavour to ensure the accuracy of all information and data contained in this D&B Country Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.