Global insolvency year in review 2024

March 2025

Global insolvency year in review

The year 2024 was marked by unprecedented challenges and opportunities for the global insolvency landscape, as the world continued to grapple with the high interest rates, persistent inflation, the acceleration of digital transformation, the softening of consumer confidence and its impact on retailers and those who sell big ticket items, and the emergence of new geopolitical and regulatory risks. The global PwC insolvency team, drawing on their extensive experience and insights from across our network of over 140 countries, has prepared this year in review article to highlight the key trends, developments and best practices that shaped the insolvency sector in 2024, and to offer some perspectives on the outlook and implications for 2025 and beyond.

The article is structured around four main themes that reflect the diverse and dynamic nature of the global insolvency environment:

Resilience and recovery:
How did different regions and sectors cope with the aftermath of the pandemic, the withdrawal of government support measures, and the sustained shifting consumer and investor preferences? What were the main drivers and indicators of insolvency activity and performance, and how did they vary across jurisdictions and industries? How did insolvency practitioners and stakeholders adapt to the changing market conditions and leverage the opportunities for restructuring, refinancing and innovation?

Digitalisation and disruption:
How did the rapid adoption of new technologies and business models affect the insolvency sector, both as a source of risk and opportunity? What were the main challenges and benefits of digitalising the insolvency processes and practices, and what were the best practices and lessons learned? How did insolvency practitioners and stakeholders deal with the emerging issues of cyber security, data protection, intellectual property and digital assets?

Softening consumer confidence:
How did the decline in consumer confidence drive insolvency activity particularly for retailers and those who sell big ticket items? What were the main trends and developments in consumer behaviour, and how did they impact insolvency activity and performance?

Geopolitics and regulation:
How did the shifting geopolitical and regulatory landscape affect the business confidence, opportunities and performance? What were the main trends and developments in the cross-border insolvency cooperation and coordination, and what were the challenges and opportunities? How did insolvency practitioners and stakeholders navigate the complex and evolving legal and regulatory environments, and what were the best practices and examples?

The article aims to provide a comprehensive and comparative overview of what has been driving insolvency activity across many of the key markets in 2024, as well as to identify the key issues and implications for the future. We hope that this article with insights from PwC's practitioners on the insolvency front line will serve as a valuable resource and reference for insolvency practitioners, stakeholders, policymakers and researchers, and that it will provoke greater awareness and understanding of what has been happening across the globe. We welcome your feedback and comments, and we look forward to continuing to support you in your insolvency matters in 2025 and beyond.

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01 North America

Canada

The State of Corporate Insolvency in Canada (2024): A Year in Review

Canada's economic landscape in 2024 was characterized by increasing inflationary pressures, higher (but recently declining) interest rates and increasingly cautious consumer and business sentiment. The economic uncertainty had notable impacts across industries, leading to an uptick in financial distress and insolvency filings throughout the year. In 2024, a total of 4,933 formal corporate insolvency filings across the country were recorded, which represented a 30% increase compared to 2023. For the purpose of this article, our analysis focused on the most significant 270 insolvency filings throughout the country. Ontario had the highest number of such 'significant' filings in 2024 with 136 filings noted. Alberta followed with 43 filings, British Columbia with 39, and Québec with 30.

Trends in 2024

Throughout the year, several key trends emerged in the Canadian insolvency space, highlighting the evolving strategies of stakeholders:

Creditor-driven proceedings:

One of the most prominent trends was the shift towards creditor-driven insolvency proceedings. Lenders increasingly took control of the process, opting for creditor-driven processes with Court officers being appointed with enhanced powers over debtors' operations and assets. Creditors also used insolvency tools typically used by borrower companies, as opposed to seeking the appointment of receivers, especially in complex situations where maintaining the debtor's operations was advantageous.

Fraud and misrepresentation:

There was an increasing trend of fraud and borrower 'bad behaviour' reported in 2024. Ponzi schemes, falsification of borrowing base certificates and financial statement misrepresentations were among the most common occurrences of misrepresentation. While these activities were noted across industries, the real estate sector has a particularly high share of such issues being noted.

Increasing use of Reverse Vesting Order ('RVO') transaction:

There was an increasing trend of RVO transactions in 2024. A RVO transaction is where a company transfers unwanted assets and liabilities to a separate entity while retaining valuable assets within the original company structure. This approach has been particularly advantageous in maximizing recovery for creditors by avoiding certain tax liabilities and is often used when the transfer of certain contracts or operating (or regulatory) permits requires third party consent. By leaving the 'good' assets and contracts intact in the formerly insolvent entity, challenges associated with their transfer are mitigated. However, courts are now scrutinizing these transactions more rigorously to ensure they align with the objectives of insolvency legislation and do not merely serve as a convenient tool for purchasers.

Key Sectors Under Pressure

While insolvency volumes increased across the board, there are some specific sectors that have experienced more significant pressure in 2024:

Real Estate and Construction

The real estate and construction sectors in Canada have been under significant strain in the first half of 2024, particularly commercial real estate, although condominium development is also under intense pressure. The primary cause of real estate distress relates to lack of demand (less than 100% return-to-work is driving commercial property rents down), inflation with respect to input costs (labour and materials) and higher interest rates.

The real estate industry was one of the most impacted sectors, with 73 of the 270 most significant insolvency filings reported in 2024.

The high-rise condominium segment was notably affected, with pre-sales of new condominiums reaching a 30-year low. With borrowing costs higher than in recent years, developers and construction companies are struggling to finance new projects with the weak pre-sale environment. This, combined with rising material costs and labour shortages, placed significant pressure on construction.

On the other spectrum, investor demand was diminished due to lower expectations of price appreciation, increased mortgage costs, taxes, condominium fees, and softening rent. The combination of rising construction costs and decreasing demand rendered many projects financially unviable. Declining land values added further distress in the market, as developers willing to sell projects were unable to garner interests from potential buyers.

Examples of filings in real estate and construction:

Ashcroft Homes Group: The In December 2024, Ashcroft Homes Group, a prominent player in Ottawa's residential development scene, found itself in financial difficulty. The group, which had been grappling with liquidity issues due to rising interest rates and declining occupancy rates, owed $194 million to various lenders. Initially, Ashcroft sought Court protection, but the Court later decided that receivership was more appropriate. The decision came after the majority of lenders lost confidence in the group's ability to manage its debts, leading to the appointment of a common receiver to oversee a sale of the portfolio of assets.

Groupe Huot Inc.: Groupe Huot Inc., a diversified Quebec-based company with interests ranging from real estate to medical transportation, faced a similar fate. On April 29, 2024, the company was placed into bankruptcy following a liquidity crisis exacerbated by rising interest rates. Despite efforts to restructure, including a significant property sale valued at over $415 million, Groupe Huot could not de-lever quickly enought and became insolvent. The company owed over $206 million to various creditors upon its insolvency.

Sperling GP Ltd., Sperling Limited Partnership, and 1112849 B.C. Ltd.: These British Columbia-based real estate companies, involved in a large industrial property development, were placed under Court protection on November 28, 2024. Disputes between controlling partners led to project standstills and failure to repay a $200+ million loan. The insolvency proceedings are being used to pursue a Sales and Investment Solicitation Process ('SISP') to resolve the financial impasse.

Cannabis

The cannabis industry was one of the most impacted sectors, with 22 of the 270 most significant insolvency filings reported in 2024. This highlighted the continued struggle for cannabis companies to remain financially viable in Canada.

The cannabis sector has been grappling with issues such as market saturation and management challenges.

Some well-capitalized players have managed to capitalize on the struggles of their competitors by acquiring unique assets at very low prices, but many companies with average assets have struggled to attract interest, making any restructuring attempts difficult to implement.

Examples of filings in cannabis:

MedMen Enterprises Inc.: MedMen Enterprises Inc., a Vancouver-based cannabis company with extensive operations in the US, filed for bankruptcy on April 24, listing $561.5 million in liabilities. Once valued at $3 billion, the company struggled over the past year, leading to the resignation of its CEO and executive chairman in January. MedMen closed several California stores and discounted inventory, and on April 23, its subsidiary MM CAN USA, Inc. was placed into receivership in California to liquidate assets. The decision to shut down operations was driven by the company's inability to pay its debts and anticipated creditor actions.

Atlas Global Brands: Atlas Global Brands obtained Court protection on June 20, 2024. Atlas is a group of Ontario-based cannabis companies which sell medical cannabis internationally and a small amount of cannabis for the adult recreational market in Canada. The companies faced liquidity issues as a result of cease-trade order from its securities regulator, due to Atlas' failure to file disclosure documents, enforcement steps taken by Canada's federal tax collection and enforcement authority and demands received from certain lenders.

2675970 Ontario Inc. et al. (Tokyo Smoke): Tokyo Smoke, a group of cannabis companies operating 61 stores directly and franchising 29 more across Canada, obtained Court protection on August 27, 2024. The companies faced insolvency due to changes in licensing regimes, market saturation, price pressures, and increased operating costs. Tokyo Smoke recorded a net loss of $29.3 million last fiscal year and had $91.1 million in secured debt. Under insolvency proceedings, the company restructured its operations by closing underperforming stores, renegotiating leases and selling operations under a company run SISP.

Transportation, distribution and logistics

The Canadian transportation and logistics sector faced considerable challenges in 2024, primarily driven by economic pressures of rising interest rates and tightening credit markets.

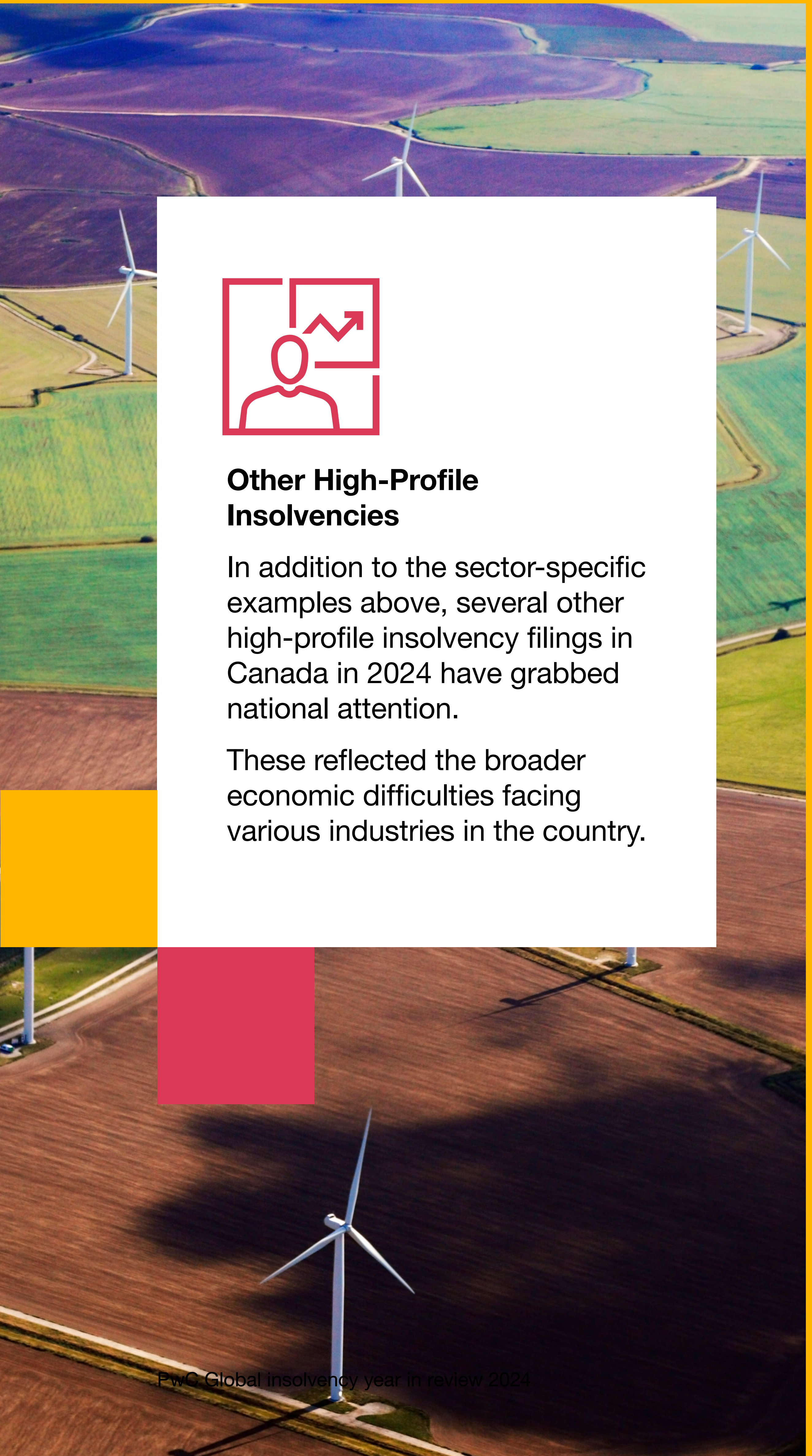
The sector experienced 26 of the 270 most significant insolvency filings reported throughout the year, which highlighted the industry's vulnerability to these economic conditions.

Examples of filings in Transportation, Distribution & Logistics sector in 2024:

Pride Group Holdings Inc. et al.: MedMen Pride Group Holdings Inc., a major cross-border trucking and logistics conglomerate based in Mississauga, Ontario, sought Court protection on March 27, 2024, listing $1.6 billion in liabilities. The Pride Group is one of the largest trucking carriers in Canada, operating from more than fifty leased and owned facilities across Canada and the US and controlling more than 20,000 trucks. The company faced financial difficulties due to rising interest rates and diesel costs and declining spot freight rates, which led to a simultaneous reduction in pricing and increase in costs. By December 2023, lenders had cut off funding, impacting liquidity. In January 2024, the company ceased payments leading to lender demands and a $100 million claim against its executives by Mitsubishi HC Capital, which precipitated the Company seeking Court protection.

Lynx Air Holdings Corporation and 1263343 Alberta Inc. dba Lynx Air: Lynx Air, a discount airline based in Calgary, Alberta, filed for Court protection on February 22, 2024. The airline faced significant challenges, including rising jet fuel prices, decreased passenger demand post-COVID, and the grounding of its Boeing 737-8-200 fleet. These issues had delayed its inaugural flight until April 2022 and left the company insolvent. Enforcement actions by critical service suppliers had further strained operations.

The Lion Electric Company and its subsidiaries: Lion Electric Company obtained Court protection on December 18, 2024, listing approximately $500 million in consolidated debt. As a manufacturer of zero-emission vehicles, including all-electric school buses, Lion Electric faced significant financial challenges. The company employed around 300 employees after laying off 400 and pausing production at its Illinois plant. The insolvency proceedings followed the maturity of a loan agreement and the expiry of covenant relief under a revolving credit agreement with several lenders. To fund operations, Lion Electric relied on long-term debt financing and equity injections but struggled with decreased demand, inconsistent governmental subsidies and EV market volatility. The insolvency proceedings are being used to implement a SISP, with recognition under Chapter 15 of the US Bankruptcy Code.



Other High-Profile Insolvencies

In addition to the sector-specific examples above, several other high-profile insolvency filings in Canada in 2024 have grabbed national attention.

These reflected the broader economic difficulties facing various industries in the country.

Chesswood Group Limited et al.: Chesswood Group Limited, an Ontario-based financial services company, obtained Court protection on October 29, 2024, with debts of ~$200 million. The company has been struggling with poor financial performance due to rising costs and portfolio write-downs. An audit revealed a significant borrowing base deficiency, leading to multiple waivers from lenders. Despite completing several sales, the Company was unable to sell a large part of its business, prompting the need for Court protection to restructure and stabilize its operations.

Sandvine Corporation et al.: Sandvine Corporation, a network optimization company headquartered in Waterloo, Ontario, sought Court protection on November 7, 2024. Operating in over 50 countries, Sandvine was severely impacted by its designation on the US Department of Commerce's 'Entity List', restricting access to critical technology. The company exited over 30 countries, representing 45% of its 2023 revenue. Despite a reorganization that reduced debt by US$92 million, Sandvine remained overleveraged. The insolvency proceedings are being used to implement a debt-to-equity conversion and secure US$125 million in new financing to stabilize the business.

Long Run Exploration Ltd. and Calgary Sinoenergy Investment Corp.: Long Run Exploration Ltd., an Alberta-based oil and gas company, and its parent Calgary Sinoenergy Investment Corp., obtained Court protection on July 4, 2024. The company listed $1.4 billion in liabilities, including significant environmental obligations. Financial difficulties arose after the maturity of certain facilities in December 2023, which were not repaid. The insolvency proceedings were implemented to address the company's substantial debts and environmental liabilities and to ensure a path to financial stability. Early in 2025, Long Run's debtor-led insolvency process failed and Long Run was placed into receivership.

The Teal Jones Group: The Teal Jones Group, a British Columbia-based lumber company, sought Court protection on April 25, 2024. Operating since 1946, the company faced liquidity issues due to falling lumber prices, inflation, and rising interest rates. Unable to meet certain financial milestones imposed by its lenders, the company turned to Court-supervised insolvency proceedings to explore refinancing and restructuring solutions with the aim of stabilizing its operations and securing its future.

Victoria Gold Corp.: Victoria Gold Corp., a mining company that owned and operated the Eagle Gold Mine in the Yukon Territory, was placed in receivership on August 14, 2024, following an application by the Yukon Government. On June 24, there had been a major heap leach pad failure, causing the loss of 4 million tons of ore, approximately ½ of which escaped containment and was released into the environment. There was an extreme risk of harm to the environment as a result of the release of many harmful chemicals during and after this failure event, including cyanide.

The Yukon Government had lost confidence in the company's management to appropriately respond to the failure event due to the company's failure to fully comply with the Yukon Government's directions in the wake of the event and its failure to demonstrate that it had sufficient cash on hand to pay for the necessary remediation, which was estimated to be between $100-150 million.

Conclusion

While the real estate, cannabis and transportation sectors have seen the most pronounced challenges, no industry was immune to the broader economic pressures throughout the country in 2024.

There have been some signs of stabilization, as the Bank of Canada implemented a series of rate cuts in the second half of 2024, continuing into 2025, in order to provide much needed relief to borrowers. However, significant developments in the insolvency industry will likely lie ahead with tariffs and international trade wars on the horizon, which will be of particular relevance to Canada, given its proximity to the United States and the importance of the USA to Canada's economy (77% of Canada's exports go the USA). Sectors such as automotive, agriculture, forestry, steel and aluminium are anticipated to experience considerable shifts and an uptick in distress, turnaround, and insolvency activities. Insolvency professionals in Canada are preparing for another year of heightened activity and complex restructurings within the country.

01 North America

USA

Overview of Chapter 7 and Chapter 11 filings in the United States in 2024

In 2024, the U.S. bankruptcy landscape evolved under economic uncertainty, inflation, supply chain disruptions, and interest rate hikes. Chapter 7 and Chapter 11 bankruptcy filings reflect the economy's health, sector challenges, and corporate strategies to navigate financial distress. This overview explores trends in Chapter 7 and Chapter 11 filings, the sectors under pressure, and high-profile corporate failures during the year.

Increase in Chapter 11 filings: reorganization amid economic uncertainty

Chapter 11 filings saw a notable increase in 2024, with commercial filings rising 20% to 7,879 from 6,583 the previous year. The primary driver was the challenging macroeconomic environment, including rising interest rates, supply chain issues, labor shortages, and shifts in consumer behavior. Despite these challenges, many companies filed for Chapter 11 to restructure their debt rather than liquidate.

Decline in Chapter 7 filings: Struggles for small businesses

Chapter 7 filings did not increase as dramatically, but small and mid-sized businesses in retail, hospitality, and real estate were more likely to file for Chapter 7 in 20245. Large corporations rarely filed for Chapter 7, preferring Chapter 11 for a chance to continue operations and reduce liabilities.

Sectors under most pressure in 2024

Several key sectors experienced increased bankruptcy filings in 2024:

Consumer retail

Both brick-and-mortar and online retailers struggled due to inflation and shifting consumer spending habits. Notable bankruptcies included Big Lots, The Container Store Group Inc., and Party City.

Industrials and energy

Green energy companies, particularly in solar energy, faced significant challenges. Notable bankruptcies included Lumio Holdings, iSun Inc., and SunPower Corporation.

Healthcare and biotech

Smaller biotech firms and pharmaceutical companies faced regulatory delays, high R&D costs, and competition11. Notable bankruptcies included Gritstone Bio Inc., Biora Therapeutics, and Eiger BioPharmaceuticals Inc.

Real estate and commercial property

The sector faced immense pressure due to rising interest rates and decreased demand for office space.

Hospitality and leisure:

Hotels and leisure companies faced mixed recovery, with some filing for bankruptcy due to inflationary pressures and labor shortages14. Notable bankruptcies included Red Lobster, TGI Fridays, and Buca di Beppo.

High-profile corporate bankruptcy filings in 2024

Several high-profile corporate bankruptcies occurred in 2024, including:

01 **Spirit Airlines**

02 **Northvolt AB**

03 **Big Lots**

04 **Party City**

05 **Red Lobster**

Conclusion: A complex bankruptcy landscape in 2024

In 2024, Chapter 7 and Chapter 11 filings in the U.S. reflected broader corporate distress amid an evolving economic landscape, characterized by high interest rates, inflationary pressures, labor shortages, and supply chain issues.

02

LATAM

Latin America

- Brazil

02 LATAM (Latin America)

Brazil

Corporate insolvency in Brazil in 2024: An overview

Brazil's corporate insolvency landscape in 2024 has been shaped by a combination of macroeconomic pressures, sector-specific crises, and a legislative framework that has undergone significant evolution in recent years, marked by a historic high of requests for judicial recovery—an increase of 61.8% compared to 2023. The volume of corporate insolvencies has increased, driven by both external factors, such as global economic volatility and inflationary pressures, and internal factors, such as high debt levels, increases in the interest rates and changing consumer habits. This overview provides an analysis of the key trends and sectors under pressure.

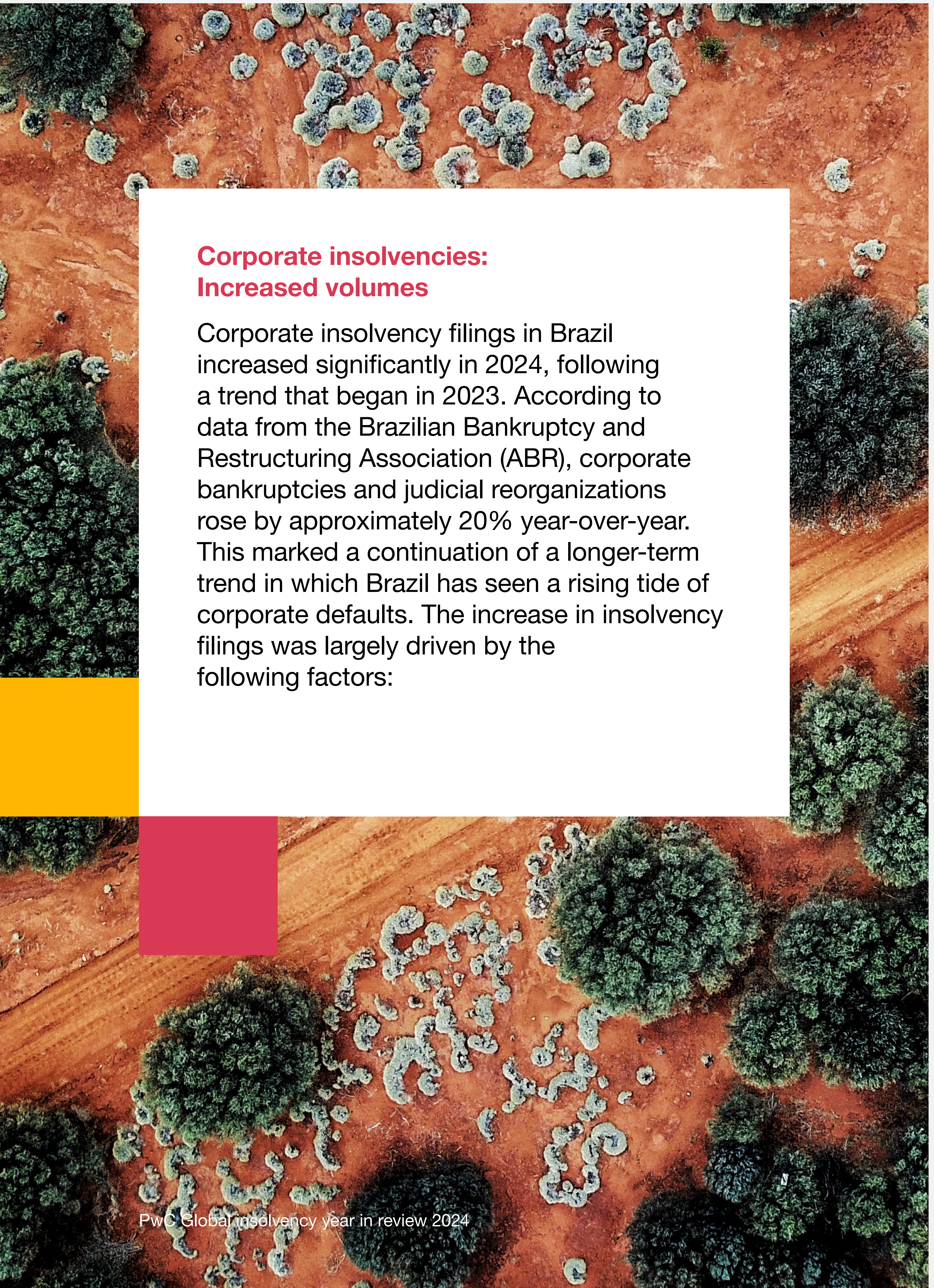
Economic context: A challenging year

Brazil's economy in 2024 has faced a series of challenges that have impacted corporate stability. The country entered the year with persistent inflationary pressures, which were exacerbated by the high cost of raw materials, a depreciating currency and rising interest rates. The Brazilian Central Bank continued its efforts to bring inflation down, maintaining high interest rates that directly impacted corporate financing costs. The cost of debt for Brazilian companies remained high, pushing many into liquidity crises.

Inflation official rate reached almost 4.8% in 2024, above the upper threshold of 4.5% of the tolerance range established by the Brazilian Central Bank. With the Central Bank's tight monetary policy aimed at curbing inflation, interest rates remained at elevated levels throughout the year. This environment increased borrowing costs for businesses, particularly affecting small and medium-sized enterprises (SMEs) that rely heavily on credit lines to sustain operations and fund growth.

Additionally, the global economic environment also added to the strain. As major trading partners, such as China and the United States, faced their own economic slowdowns, demand for Brazilian exports—particularly in agriculture and mining—suffered. These external factors, and weakened investor confidence made access to credit more expensive and difficult for Brazilian businesses.

Despite these challenges, the Brazilian government made efforts to stabilize the economy. A heated job market has been a particular factor increasing the domestic demand. In 2024, the unemployment rate followed a downward trend and reached 6.2%, the lowest level of the series, started in 2012. Structural reforms were introduced to tackle inefficiencies, improve fiscal policy, and promote investment, but many of these reforms were seen as insufficient to counterbalance the deeper structural issues facing the corporate sector.



Corporate insolvencies: Increased volumes

Corporate insolvency filings in Brazil increased significantly in 2024, following a trend that began in 2023. According to data from the Brazilian Bankruptcy and Restructuring Association (ABR), corporate bankruptcies and judicial reorganizations rose by approximately 20% year-over-year. This marked a continuation of a longer-term trend in which Brazil has seen a rising tide of corporate defaults. The increase in insolvency filings was largely driven by the following factors:

High debt levels

Brazilian companies have faced significant challenges in managing their debt loads, particularly in the wake of a high-interest-rate environment. Companies in both traditional industries and emerging sectors struggled to meet their obligations. The high cost of debt, combined with sluggish growth, created an unsustainable environment for many companies, especially those that were already burdened with pre-existing financial challenges.

Inflation and operational costs

Inflation remained a major concern, especially in sectors reliant on imported goods or raw materials. The Brazilian real's depreciation exacerbated the situation, making foreign-sourced components more expensive. This was particularly evident in the manufacturing and retail sectors.

Currency volatility and trade impact

The depreciation of the Brazilian currency added another layer of complexity, especially for companies with obligations in foreign currencies or those relying on imported goods. On the other hand, the depreciation of the Brazilian currency has enhanced the competitiveness of Brazilian exports on the global market. This has opened up avenues for growth in key sectors such as agriculture, mining, and manufacturing, allowing Brazil to capitalize on its rich natural resources and robust production capacity.

Technological disruption

The rise of digital transformation and technological innovation in certain sectors, such as retail, banking, and transportation, forced many companies to rethink their business models. While some firms managed to adapt, others failed to keep pace with technological changes, leading to insolvencies.

Sectoral challenges

Certain industries were more affected than others. Sectors such as retail, construction, energy, and agriculture were under particular pressure, both due to the aforementioned macroeconomic factors and sector-specific issues.

Sectors under pressure

01 Retail and e-commerce

The retail sector experienced significant challenges due to reduced consumer spending power driven by inflationary pressures. Retailers had to navigate increased operational costs and supply chain disruptions, forcing many to innovate with e-commerce solutions and streamline operations to maintain profitability. The shift towards digital transformation has accelerated in the retail sector, leading to significant growth in e-commerce. Retailers are leveraging technology to enhance the customer experience, personalizing offerings and optimizing supply chain logistics. This digital shift opens up new market opportunities and customer engagement strategies.

02 Construction and real estate

Brazil’s construction and real estate sectors have been in decline since the COVID-19 pandemic, and the pressure on these industries intensified in 2024. The construction sector faced headwinds from rising material costs and interest rates, which increased project financing costs. Sector participants were compelled to optimize resource management and explore new technologies for sustainability and efficiency. The push for sustainable and eco-friendly building practices is creating opportunities within the construction sector. Innovations in green building materials and energy-efficient designs are positioning Brazil as a leader in sustainable construction.

03 Energy

Rising global energy prices and supply chain issues affected energy producers. Additionally, Brazil’s push towards renewable energy has led to a shift in investment and production strategies. Sector participants were compelled to optimize resource management and explore new technologies for sustainability and efficiency. Although, Brazil continues to make increase in renewable energy, particularly in wind and solar power. The country is well-positioned to expand its clean energy capacity, attracting investment and job creation. Government incentives and international partnerships are supporting this transition, enhancing energy security and reducing carbon emissions.

04 Agriculture and agribusiness

Agriculture has traditionally been one of Brazils most important sectors, but 2024 saw some agribusiness companies facing significant pressure. This was due to a combination of factors: droughts and unpredictable weather patterns, inflation, rising input costs, and labour issues. Large agribusinesses, especially in the soy and beef sectors, have been struggling to meet debt obligations as international demand softened in key markets. Technological advancements in precision agriculture and sustainable farming practices are improving productivity and environmental sustainability in the agricultural sector. Efforts to diversify crops and innovate in agro-tech are opening new markets and increasing competitiveness.

Conclusion

In 2024, Brazil's corporate insolvency landscape was marked by significant challenges and rising volumes of bankruptcy filings. Driven by high debt, inflation, macroeconomic volatility, and sectoral disruptions, many businesses found themselves unable to navigate the financial pressures they faced. The retail, construction, energy, and agribusiness sectors were among the hardest hit.

The agricultural sector remains a pillar of strength, with Brazil continuing to be a leading global supplier of commodities such as soybeans, coffee, and beef. Innovations in sustainable farming practices and technology adoption are likely to boost productivity and address environmental concerns, further solidifying Brazil's position in international markets. Also on the energy side, Brazil's commitment to renewable energy, particularly in hydroelectric, ethanol, wind, and solar power, positions the country as a leader in sustainability. Across all sectors, there is a growing emphasis on technological innovation and digital solutions, with Brazilian startups and tech companies playing a critical role. The rise of fintech, healthtech, and agrotech industries illustrates Brazil's capability to harness technology to solve local problems and create scalable solutions.

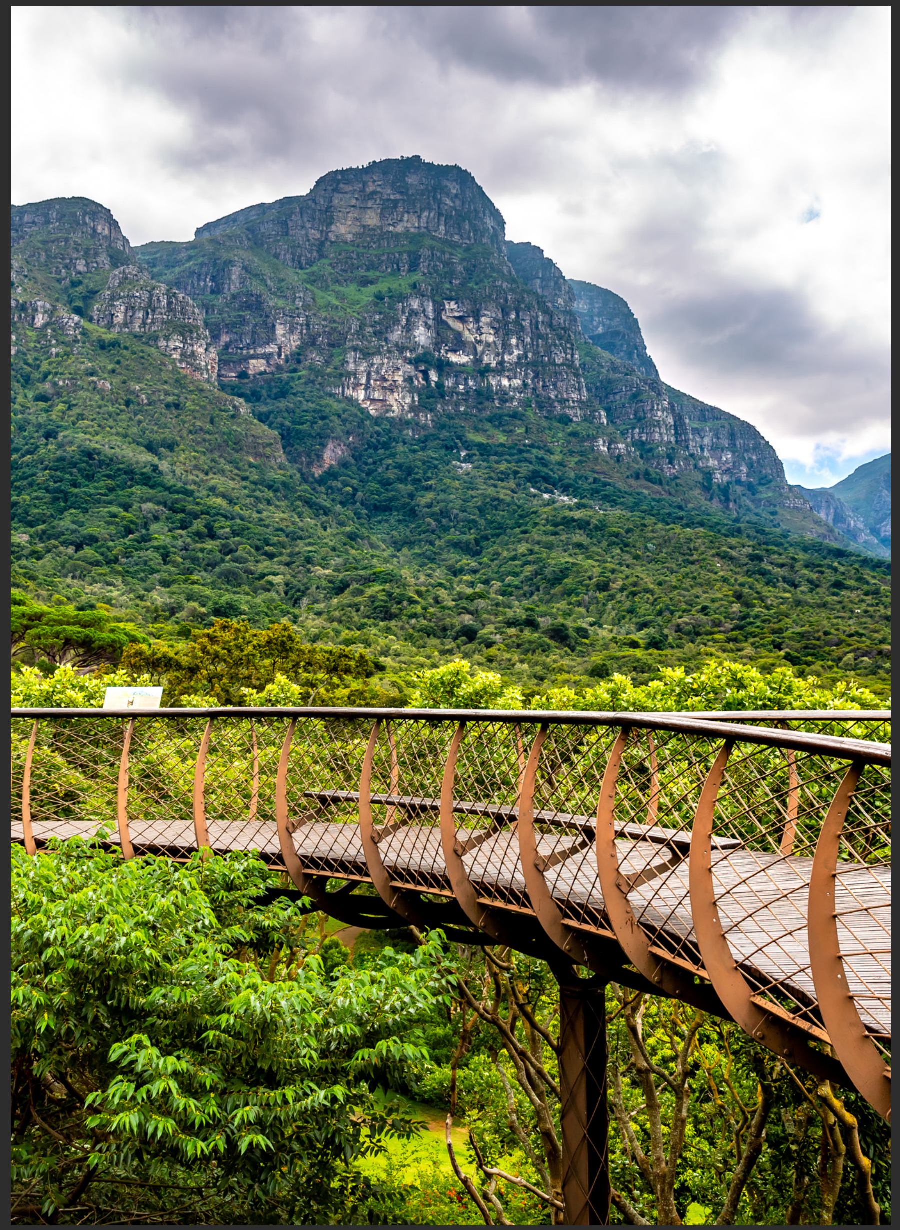
Despite short-term economic volatility, Brazil's expanding middle class represents a significant long-term opportunity for consumer-driven growth. As income levels rise, demand for goods and services in areas such as healthcare, education, and technology are expected to increase, providing new business opportunities.

Many Brazilian companies have accelerated their digital transformation efforts, adopting new technologies and business models to improve efficiency and meet changing consumer demands. This shift is expected to yield long-term benefits, positioning businesses to be more agile and resilient, and fostering a vibrant tech startup ecosystem that contributes to economic dynamism.

Ongoing reforms aimed at improving fiscal responsibility and public sector efficiency can create a more stable and predictable business environment. These reforms may lead to enhanced investor confidence and attract foreign direct investment, fostering economic recovery and growth.

03

EMEA



Europe

- Czech Republic
- France
- Italy
- Netherlands
- Spain
- UK

Middle East

- UAE – Middle East

Africa

- Ghana – Africa
- Kenya – Africa
- South Africa – Africa

3a EMEA

Europe

Czech Republic

Corporate Insolvency volumes in the Czech Republic in 2024: An overview

Introduction

Corporate insolvency is an important economic indicator, reflecting the financial health of businesses within a given country. In the Czech Republic, like many European nations, insolvency volumes in 2024 have been influenced by a combination of global economic conditions, local economic challenges, and sector-specific issues. The Czech economy, which has traditionally been characterized by its strong industrial base, export-oriented industries, and highly developed financial sector, faced significant disruptions in 2024.

Economic context in 2024:

The Czech economy in 2024 exhibited a mix of recovery and persistent challenges, shaped by various key factors:

01

Macroeconomic performance

a. GDP growth was projected at 1.1%, primarily driven by household consumption and a positive external trade balance (mfcr.cz).

b. Inflation rates stabilized at around 2%, aligning with the Czech National Bank's (CNB) target, aided by strategic monetary policy measures such as interest rate adjustments (cnb.cz).

02

Monetary and fiscal policy

a. The CNB implemented interest rate cuts, supporting credit affordability for businesses while maintaining financial stability.

b. Government fiscal policies aimed at economic recovery included investments in infrastructure and targeted support for struggling industries (mfcr.cz).

03

Labor market

a. Unemployment remained historically low at 2.6%, yet persistent labor shortages exerted upward pressure on wages, contributing to increased operational costs for businesses (mfcr.cz).

04

Energy prices

a. The Czech National Bank (CNB) reported a gradual decline in electricity and gas prices throughout 2024, contributing to a slowdown in overall inflation. However, energy-intensive industries remained vulnerable to price volatility, particularly in late 2024, when European gas markets experienced renewed supply pressures due to colder weather and increased demand for liquefied natural gas (cnb.cz).

05

Other challenges

a. Trade relations with key EU partners were impacted by slowing economic growth in Germany and disruptions in global supply chains.

b. Extreme weather events, including severe floods in mid-2024, caused an estimated $10 billion in damages across Central Europe, prompting the Czech government to allocate $1.34 billion for reconstruction (reuters.com).

Insolvency volumes and trends in 2024

Corporate insolvencies in the Czech Republic fluctuated in 2024, with peaks mid-year followed bya decline in the last quarter. July saw the highest filings (114 insolvency petitions, 72 bankruptcies), while December recorded fewer cases (77 petitions, 53 bankruptcies). Most affected were companies operating for 5–10 years with fewer than 10 employees.

Reorganizations remained rare, with most businesses unable to restructure and opting for liquidation instead. Even larger firms like Barrandov Televizní Studio a.s. and KOVOSVIT MAS Machine Tools, a.s. faced financial difficulties.

The majority of bankrupt companies had weak financial foundations, with most having a capital base under 1 million CZK, making them highly vulnerable to economic fluctuations.

Sectors undermost pressure

Several sectors were disproportionately affected by the economic challenges in 2024. These industries faced unique pressures that either exacerbated existing vulnerabilities or exposed new risks. The following sectors experienced the most significant strain:

01

Manufacturing and heavy industry

The manufacturing sector, which is a cornerstone of the Czech economy, saw the highest levels of insolvencies in 2024. This was particularly true for companies in heavy industry, including metallurgy, automotive parts production, and machinery. These industries are typically energy-intensive, and the continued volatility in energy prices in 2024 hit them particularly hard.

- **Automotive Industry:** The automotive sector, one of the largest industries in the Czech Republic, was affected by a combination of supply chain disruptions, rising material costs (especially for metals and semiconductors), and declining consumer demand due to inflationary pressures. The Czech automotive industry, which supplies major car manufacturers like Škoda Auto, Hyundai, and Toyota, saw some suppliers and subcontractors struggle with liquidity and rising debt levels. This contributed to a higher incidence of insolvencies within the sector.
- **Metallurgy and Steel Production:** With energy costs remaining high, the Czech Republic's metallurgy sector, which is heavily reliant on gas and electricity for smelting and manufacturing, faced considerable financial distress. Steel producers and manufacturers of metal products had to contend with both rising input costs and diminishing demand from key export markets, further deepening financial woes.

02

Retail and consumer goods

The retail sector also saw an uptick in insolvencies in 2024. This was primarily driven by:

- **Inflation impact:** Inflationary pressures, especially on energy, logistics, and raw materials, led to increased operational costs. Many retail businesses were unable to pass these costs onto consumers due to reduced purchasing power and increasing competition from e-commerce giants.
- **Consumer behaviour shifts:** After the pandemic, Czech consumers exhibited changing purchasing behaviours, with more focus on value-for-money goods. Traditional brick-and-mortar retailers, especially those in non-essential goods, faced declining sales. Companies that were slow to adapt to e-commerce or digitization were particularly vulnerable to insolvency.
- **Notable examples:** Some well-known Czech retail chains, especially in the mid-market segment, found it difficult to sustain profitability. Fashion retailers, department stores, and home goods chains were particularly affected by these trends.

03

Hospitality and tourism

The hospitality and tourism sectors, although benefiting from a rebound in tourism post-COVID, were under severe pressure due to labor shortages, high operational costs, and inflation. Many companies in this sector are highly leveraged and struggle with cyclical revenue patterns. As international travel began to stabilize, rising costs—particularly for fuel and accommodation—squeezed profit margins. Smaller hotel chains, event organizers, and tour operators faced liquidity crises and many failed to recover their pre-pandemic business models.

04

Construction and real estate

The construction sector in the Czech Republic, which had seen significant growth in the years leading up to 2024, was particularly hit by inflation in construction materials and labor shortages. High interest rates made real estate development and investment more expensive, while the Czech National Bank’s tightening policy slowed demand for residential and commercial properties.

- **Project delays and financing issues:** Several mid-sized construction companies went bankrupt in 2024 due to the inability to access affordable financing or delays in large-scale projects. High-profile projects were put on hold, and many construction firms were unable to honor their financial obligations, leading to insolvencies.

05

Technology and startups

While the tech and startup sector has been one of the most dynamic parts of the Czech economy in recent years, 2024 saw an uptick in insolvencies, particularly in the venture-backed segment. The tightening of global venture capital, alongside high inflation and interest rates, led to a cash crunch for many startups, especially in the software, fintech, and e-commerce spaces.

- **Risky ventures and overvaluation:** Many startups that had been overvalued during the boom years of 2021-2023 faced harsh realities in 2024. Venture capital funding dried up, and many businesses that had relied on external financing to grow rapidly were unable to sustain themselves without further investment.

High-profile corporate failures: Several notable corporate failures occurred in the Czech Republic in 2024. Below are some of the most high-profile insolvencies:

Liberty Ostrava a.s. (Steel Manufacturing):

Liberty Ostrava, a major steel producer, faced severe financial difficulties leading to insolvency proceedings. The company accumulated overdue debts and initiated a judicial reorganization in mid-2024. Factors contributing to its financial distress included high operational costs and uncertainties related to carbon emission allocations.Bankruptcy was declared in December 2024.

Tameh Czech (Energy Supplier):

Tameh Czech, an energy supplier formerly serving Liberty Ostrava, faced financial difficulties due to unpaid debts from its client. Declared insolvent in December 2023, Tameh initially pursued reorganization. However, after unsuccessful attempts to find a suitable investor, the company requested a transition to bankruptcy in mid-2024.

Batist Medical (Medical Supplies Manufacturer):

Batist Medical, a supplier and manufacturer of medical materials based in Náchod, encountered financial instability attributed to fraud in Asian business transactions and rising operational costs. The company entered insolvency proceedings in January 2024, with creditors filing claims totaling CZK 1.04 billion against Batist Medical and CZK 376 million against its production arm. The estate was sold as an going concern in bankruptcy proceeding.

Conclusion

In 2024, corporate insolvency volumes in the Czech Republic fluctuated throughout the year, with peaks mid-year and a decline in the last quarter. The manufacturing, retail, and services sectors were among the most affected, with several corporate failures, including Liberty Ostrava, Tameh Czech and Batist Medical. While some firms attempted restructuring, the majority of insolvencies resulted in liquidation, particularly among smaller businesses with low capital reserves.

While inflation stabilized at around 2% and interest rate cuts improved credit affordability, high operational costs, labor shortages, and supply chain disruptions continued to challenge businesses. Energy prices declined for most of the year but remained volatile, particularly for energy-intensive industries in late 2024. Looking ahead, businesses must focus on financial resilience, cost management, and supply chain adaptation, while policymakers work to stabilize the economic environment and support vulnerable industries.

3a EMEA

Europe

France

Overview

Corporate insolvency volumes in France are a key indicator of the country's economic health, reflecting broader economic dynamics. In 2024, several macroeconomic factors heavily influenced corporate insolvencies, including inflationary pressures, rising energy costs, geopolitical instability, and changes in consumer behavior. Certain sectors were more susceptible to financial strain due to shifting market conditions, regulatory changes, and technological disruptions. This overview delves into the trends in corporate insolvencies in France during 2024, identifies the sectors under the most pressure, and highlights some of the most notable corporate failures during this period.

Key Drivers of Corporate Insolvencies in France in 2024

01

Macroeconomic environment

In 2024, the French economy faced significant challenges. The post-pandemic recovery period was marked by high inflation, exacerbated by energy price fluctuations, particularly natural gas and electricity costs, as well as a substantial amount of State-guaranteed loans still to be reimbursed by companies. This was compounded by slower growth in consumer demand, especially in discretionary sectors, as households adjusted to higher living costs. Additionally, global supply chain disruptions continued to affect businesses, especially those reliant on raw materials or components from outside the European Union.

02

Energy crisis and its impact

The energy crisis, which began in 2021, continued to affect businesses in France in 2024. The rising cost of energy, particularly in the manufacturing, transportation, and hospitality sectors, contributed significantly to the financial distress of many firms. For some businesses, the energy costs were unsustainable, forcing them to shut down or reduce operations. Small and medium-sized enterprises (SMEs) were particularly vulnerable, given their limited financial buffers compared to larger corporations.

03

Changes in consumer behavior

In the wake of the COVID-19 pandemic, consumer behavior in France evolved, with a stronger shift toward online shopping, eco-conscious consumption, and a preference for local products. Traditional brick-and-mortar retail businesses, especially in fashion and department stores, found themselves under pressure as they struggled to adjust to these changes. The decline in foot traffic, along with the rise in e-commerce, led to the insolvency of several prominent retailers.

04

Geopolitical instability

The war in Ukraine, ongoing trade tensions between major economies, and global uncertainty over the post-COVID recovery led to volatility in international markets. French businesses with exposure to international trade, especially in sectors such as technology, automotive, and raw materials, were significantly impacted. Sanctions against Russia, in particular, disrupted supply chains and led to a rise in costs for energy and raw materials, further straining businesses that relied on these imports.

05

Rising interest rates

The European Central Bank (ECB) raised interest rates in response to inflationary pressures throughout 2024. This had a direct effect on corporate borrowing costs in France, particularly for businesses with significant debt. The higher cost of financing added pressure to firms already struggling with rising operational costs, leading to an uptick in insolvencies.

06

Regulatory and legislative changes

The French government introduced several new regulatory measures in 2024, which, while aimed at addressing long-term economic challenges, also added complexity and cost for certain businesses. These included stricter environmental regulations, changes to labor laws, and an overhaul of tax incentives for certain industries. Firms in sectors such as construction and automotive, which faced challenges meeting new environmental standards, were particularly affected.

Sectors under most pressure in 2024

01 Retail and consumer foods

The retail sector in France was among the hardest-hit industries in 2024. Many well-established brands and retailers faced bankruptcy or severe financial restructuring. The ongoing shift to online shopping, which had accelerated during the COVID-19 pandemic, continued to outpace the recovery of traditional brick-and-mortar stores. Retailers who had not fully embraced e-commerce and digital transformation found themselves unable to compete effectively. Additionally, the sector was further stressed by inflationary pressures on both supply costs and consumer spending power.

Example

01. A French department store chain faced mounting challenges in 2024 due to the decline in physical retail traffic and increased competition from online platforms. While still solvent as of 2024, the company's financial restructuring process was widely scrutinized.

01. After years of restructuring, a French sporting goods retailer, went into bankruptcy in 2024, unable to overcome its competitive disadvantages in a market dominated by larger chains and online retailers.

02 Hospitality and tourism

The hospitality sector, which had suffered greatly during the pandemic, was still struggling to return to pre-crisis profitability in 2024. Rising energy costs, labor shortages, and changes in consumer travel patterns kept many businesses under pressure. While tourism to France remained strong in 2024, the recovery was uneven, and many small hotels, restaurants, and leisure businesses continued to face financial distress.

Example

02. A large hotel chain was forced to close a significant number of underperforming properties in 2024 due to a combination of high energy prices and low consumer demand for expensive travel options.

02. A smaller hotel chain catering to mid-range tourists was going bankrupt in early 2024 after being unable to cope with rising operating costs and a lack of guests.

03 Manufacturing and automotive

The manufacturing and automotive sectors in France also saw significant stress in 2024. These sectors, which rely heavily on both global supply chains and local production, faced challenges from rising raw material prices, especially steel and semiconductors. Additionally, the automotive industry continued to adjust to the shift toward electric vehicles (EVs), which required substantial investment in new technologies and production lines.

Example

03. While not technically bankrupt, the French arm of an automotive company underwent significant restructuring in 2024 after failing to meet its sales targets due to competition from new EV entrants and the high cost of transitioning its product line to meet regulatory demands.

03. Another automotive company already struggling with the transition to electric vehicles, faced further turmoil in 2024, leading to the closure of several plants in France. This move impacted both the company's workforce and the supplier network.

Sectors under most pressure in 2024 (continued)

04 Construction and real estate

The construction and real estate sectors experienced significant turmoil in 2024, exacerbated by rising raw material costs and labor shortages. These sectors were under pressure due to the tightening of financing conditions, as well as growing demand for environmentally sustainable buildings, which placed additional financial strain on companies that had not adapted to new standards.

Example

04. A construction company faced a significant restructuring in 2024 due to cost overruns on large projects and delays caused by supply chain issues.

04. A real estate developer went into receivership in mid-2024 after its exposure to a declining nursing home market and ongoing delays in developments.

05 Tech and startups

The technology sector, particularly startups and scaleups, was heavily impacted by the tightening of venture capital funding. As global interest rates rose and investor sentiment soured, French startups in sectors such as artificial intelligence (AI), fintech, and SaaS struggled to secure funding. This led to a wave of insolvencies, especially among smaller companies that had been relying on external funding to fuel growth.

Example

05. Although not insolvent, the French health-tech unicorn faced financial challenges in 2024, including significant layoffs and restructuring as a result of a slowdown in funding for tech companies in the wake of tightening market conditions.

05. An autonomous vehicle startup, which had been struggling with cash flow issues, filed for bankruptcy in late 2024 after failing to secure additional investment amid a broader contraction in the tech sector.

High-profile corporate failures in France in 2024

Several high-profile corporate failures and bankruptcies shook the French economy in 2024. These failures underscored the vulnerability of various sectors to the combined impact of inflation, global economic instability, and changing consumer behaviors.

01 **Go Sport:** The French sporting goods retailer filed for bankruptcy in 2024 after years of financial struggles, exacerbated by the rise of online retailers and the company's failure to adapt to changing consumer preferences. Despite numerous attempts at restructuring, Go Sport's inability to modernize its business model in the face of rising costs and shifting demand led to its downfall.

02 **Le Petit Palais Hotels:** This mid-range hotel chain catering primarily to tourists from within France and nearby European countries collapsed in 2024. A combination of rising operating costs, labor shortages, and a weak post-pandemic travel market led to the business filing for bankruptcy.

03 **Navya:** A French leader in autonomous vehicle technology, Navya filed for insolvency in late 2024 after struggling to find additional capital to continue its operations. The downturn in the tech sector, coupled with unmet product development goals, led to the company's downfall.

04 **Reside Etudes Senior:** A real estate development company, Reside Etudes Senior went bankrupt in mid-2024 after being hit by a combination of poor market conditions, rising construction costs, and a slowdown in demand for nursing home space.

Conclusion

The corporate insolvency landscape in France in 2024 was shaped by a combination of ongoing macroeconomic challenges, shifting market dynamics, and sector-specific pressures. While the French economy showed signs of recovery, many sectors struggled to adapt to new realities, leading to a rise in corporate insolvencies. Sectors like retail, manufacturing, hospitality, and construction were most under pressure, while some high-profile corporate failures highlighted the extent of these challenges.

3a EMEA

Europe

Italy

Corporate insolvency volumes in Italy in 2024: An overview

The year 2024 has seen significant developments in the corporate insolvency landscape in Italy. This overview delves into the key trends, sector-specific pressures, and high-profile corporate failures that have shaped Italy's business environment during the year. Corporate insolvencies, in particular, have been influenced by a mixture of global economic challenges, domestic structural issues, and sector-specific crises. In the first part, we will explore the broader trends in corporate insolvencies across the country, followed by a detailed analysis of sectors under the most pressure. Finally, we will list and examine some of the high-profile corporate failures that have attracted national and international attention.

01 Overview of corporate insolvency volumes in 2024

Italy, like many European countries, has faced a turbulent economic environment in 2024, with corporate insolvency volumes reflecting these pressures. According to data from the Italian insolvency register and various economic reports, the first three quarters of 2024 saw a notable increase in the number of insolvencies when compared to the previous year. The total number of corporate bankruptcies and financial failures reached approximately 15,000 by the third quarter, marking a sharp rise of 12-15% from 2023 levels.

Several factors have contributed to this rise:

Inflationary pressures and rising energy costs: Following the pandemic recovery period, Italy faced ongoing inflationary pressures, particularly in energy costs. These costs were exacerbated by the lingering effects of the Russian-Ukraine conflict, which drove up prices for both energy and raw materials. Many small to medium-sized enterprises (SMEs), which are a significant part of Italy's economy, were particularly vulnerable to these rising operational costs.

Interest rates: The European Central Bank (ECB) raised interest rates to combat inflation, making borrowing more expensive for Italian businesses. While these rate hikes aimed to control inflation, they placed additional pressure on businesses already struggling with high operational costs and supply chain disruptions.

Debt burden: Many companies, particularly in the hospitality, retail, and manufacturing sectors, had taken on significant debt during the COVID-19 pandemic. The service support measures, while providing short-term relief, left businesses with large liabilities that became increasingly difficult to manage as economic conditions tightened.

Global supply chain disruptions: Ongoing global supply chain issues, such as delays and shortages of raw materials, continued to impact many Italian manufacturers, who struggled with both production delays and rising input costs.

Bankruptcy reforms: The implementation of Italy's new bankruptcy law reforms, effective from 2020, was intended to simplify insolvency procedures and encourage businesses to enter restructuring programs early. While this has had a positive long-term impact, the process has also led to a higher number of businesses formally entering insolvency procedures as they sought to close their operations in a more structured way.

02 Sectors under most pressure in 2024

In 2024, certain sectors in Italy were hit particularly hard by a combination of rising costs, changing consumer behavior, and ongoing global disruptions. These sectors have been disproportionately affected by corporate insolvencies.

2.1 Manufacturing

Italy's manufacturing sector, long a backbone of its economy, experienced heightened distress in 2024. Key drivers of this included:

- **Rising energy costs:** Italy's manufacturing industries, particularly energy-intensive sectors like steel, ceramics, and automotive production, faced sharp increases in electricity and gas prices. These higher input costs made it difficult for manufacturers to maintain profit margins, especially when consumer demand stagnated or grew slower than expected.
- **Supply chain shortages:** The continuing effects of the global semiconductor shortage and supply chain disruptions in raw materials led to production slowdowns. Many manufacturers were forced to reduce output or delay orders, further weakening their financial standing.
- **Labor shortages:** The sector also saw significant labor shortages, exacerbated by demographic challenges and migration restrictions. As a result, some factories struggled to operate at full capacity.

2.2 Retail

The retail sector in Italy, especially small and medium-sized businesses (SMBs), has been under significant pressure due to a number of factors:

- **Declining consumer confidence:** Rising inflation and a high cost of living led to a decline in consumer spending, especially in discretionary sectors such as fashion, luxury goods, and electronics. While Italy's rich fashion industry, home to brands such as Gucci, Prada, and Ferrari, has remained resilient, smaller retailers in non-luxury sectors faced closures at a worrying pace.
- **E-Commerce shift:** The post-pandemic shift to e-commerce continued to disrupt brick-and-mortar retailers, particularly small family-owned stores that were slow to adopt online sales strategies. The combination of higher costs and the rise of e-commerce giants like Amazon squeezed margins for these businesses, forcing many into insolvency.
- **Tourism-dependent retail:** Italy's tourism industry, though recovering post-pandemic, remained vulnerable to shifts in global travel patterns. Retailers in major tourist cities like Rome, Florence, and Venice saw a decline in foreign visitors, affecting their ability to generate revenue and maintain profitability.

2.3 Hospitality and tourism

The hospitality sector, particularly in urban and tourist-heavy regions, was also significantly impacted in 2024. Factors contributing to the pressure on the hospitality sector included:

- **Rising operating costs:** The tourism sector, while recovering from the COVID-19 pandemic, still faced a series of headwinds in 2024. Rising labor and energy costs, along with ongoing supply chain disruptions, meant that many hotels and restaurants struggled to maintain profitability. Inflationary pressures also led to a decline in disposable income for domestic and international tourists, reducing spending on accommodations and dining.
- **Tourism shifts:** While the overall number of tourists visiting Italy remained strong, the shift in travel patterns (with more short-term, budget-friendly trips and longer periods between visits) put pressure on the sector. Small and mid-sized establishments, including family-run hotels and bed-and-breakfasts, found it especially difficult to adapt.
- **Government support phasing out:** The Italian government's pandemic-related support measures had been crucial for keeping many businesses afloat, but as these were phased out in 2024, businesses found themselves exposed to market volatility without the same level of financial cushioning.

2.4 Transportation and logistics

The transportation and logistics sector, an integral part of Italy's economy, saw insolvency rates rise in 2024 due to the following challenges:

- **Fuel price volatility:** Logistics and transportation companies are heavily impacted by fluctuations in fuel prices, and 2024 saw continued volatility due to the aftermath of geopolitical tensions and supply chain disruptions. This volatility squeezed profit margins for companies that operate on thin margins, such as small freight operators.
- **Disruption in global trade:** While global trade volumes recovered, Italy's location as a Mediterranean gateway meant that it was still facing disruptions in freight transport, including port congestion and logistical bottlenecks. This hindered companies' ability to meet customer demands and sustain profitability.

2.5 Banking and financial services

Despite Italy's strong banking system, 2024 saw a handful of notable failures and stress within the financial services sector. Rising interest rates and an increasing number of non-performing loans (NPLs) put pressure on smaller regional banks. Some financial institutions, especially in the south of Italy, faced insolvency or were forced to merge in order to stay afloat.

03 High-profile corporate failures in Italy in 2024

Several high-profile corporate failures in Italy in 2024 garnered national and international attention. These included both longstanding household names and newer startups that were unable to navigate the increasingly difficult economic environment.

3.1 Alitalia (Air Italy)

Though **Alitalia** had already been in a state of financial instability for years, the final collapse of its successor, **Air Italy**, in early 2024 was a key event in the aviation sector. Despite efforts to reorganize and attract new investors, Air Italy succumbed to mounting debts, high fuel prices, and the collapse of international travel demand in certain markets. This marked the final end to Italy's once-proud national carrier.

3.3 Pittarosso

Pittarosso faced a severe liquidity crisis caused by its overseas expansion, which did not yield the expected returns, and the negative effects of the COVID-19 pandemic, which reduced consumer spending in the retail sector. In 2022, the company initiated a debt restructuring process through a composition with creditors to ensure its business continuity. During this process, turnaround actions were implemented, allowing the company to reorganize and return to profitability, thus avoiding bankruptcy and preserving jobs and business operations. The composition with creditors was approved in June 2024.

3.2 La Perla

La Perla, a luxury lingerie brand, has faced significant financial difficulties due to complex management and increasing market competition. Despite attempts to relaunch under the ownership of private equity fund Neo Investment Partners since 2018, the company has been unable to overcome its financial challenges. In 2024, after accumulating debts and facing a liquidity crisis, La Perla entered extraordinary administration to restructure its debt and restore financial stability. The goal of the extraordinary administration is to ensure the brand's operational continuity, preserve jobs, and optimize business operations, while exploring options for a full restructuring of the company.

3.4 PSC Group

The **PSC Group** faced financial difficulties due to legal disputes with Qatar, poor performance of some investments, and the economic impact of the COVID-19 pandemic. In 2020, the company entered into composition with creditors procedure, which were homologated in 2024. Meanwhile, Nextalia acquired the PSC Group, initiating a restructuring process that helped preserve around 1,800 employees. The goal of the acquisition was to ensure the long-term stability and value of the company.

04 Conclusion

Corporate insolvency volumes in Italy increased significantly in 2024, driven by a combination of rising energy costs, supply chain disruptions, high inflation, and the tightening of monetary policy by the European Central Bank. Sectors such as manufacturing, retail, hospitality, and logistics were hit particularly hard, with companies struggling to adapt to new economic realities and consumer behaviors. High-profile corporate failures, such as those of Air Italy, underscored the challenges facing Italian businesses. These insolvencies highlight the need for ongoing reforms in Italy's corporate and bankruptcy systems to support businesses through periods of economic stress and uncertainty.

3a EMEA

Europe

Netherlands

01 Introduction

In 2024, corporate insolvencies in the Netherlands have been influenced by a range of factors, including the ongoing aftereffects of the corona pandemic, rising energy costs, persistent inflation, high financing costs and geopolitical tensions.

This overview delves into the key trends and factors influencing corporate insolvency volumes in the Netherlands in 2024, identifies the sectors under the most pressure, and highlights some high-profile corporate insolvencies that have made headlines.

We recently gathered data on the Dutch insolvency market through a survey (De Bijzonder Beheer Barometer, Dec-24) completed by an expert panel of 100 industry professionals (the 'expert panel')[1]. Some of the findings are included in this article.

7. PwC, December 2024, Bijzonder Beheer Barometer

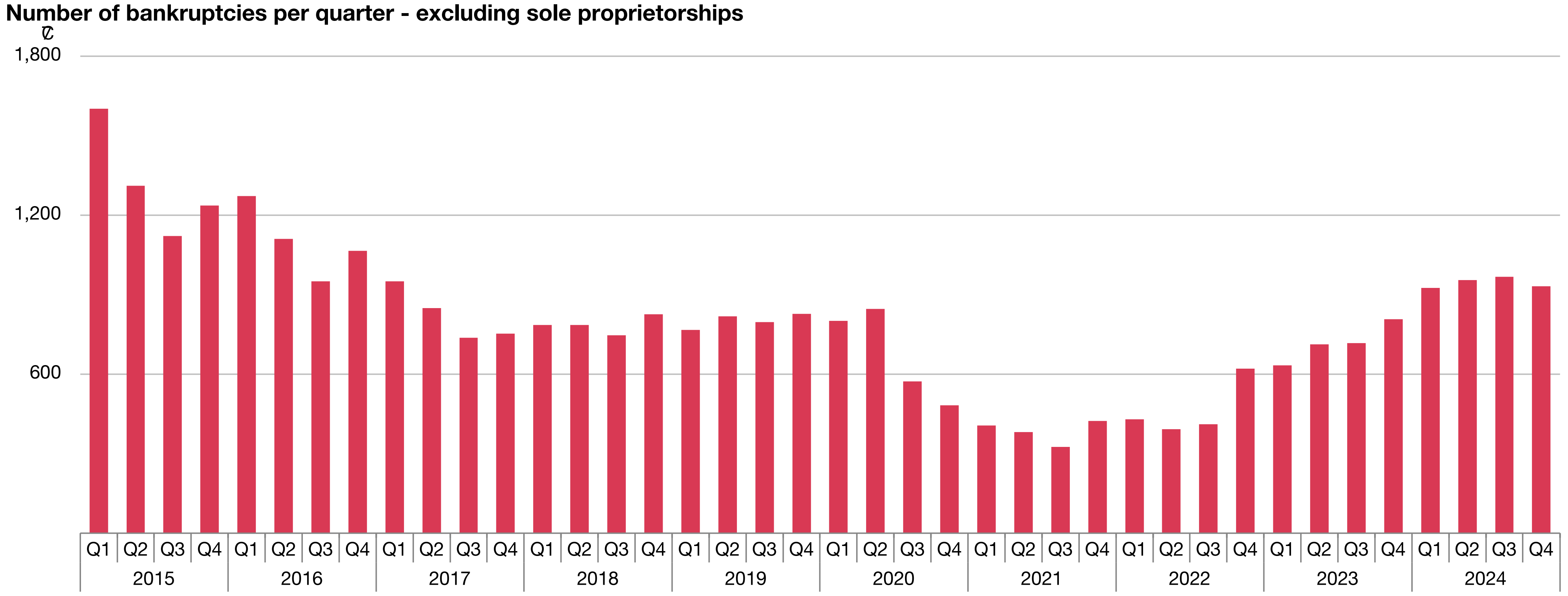
8. Rabobank, september 2024, 12.500 bedrijven behoed voor faillissement door coronasteun

1. Corporate Insolvency Volumes in the Netherlands in 2024

In 2024, corporate insolvency volumes in the Netherlands saw a notable increase compared to previous years.

Figures from CBS (Statistics Netherlands) show that the number of bankruptcies has been rising quarter on quarter since Q2 2022. This follows a period of an historically low number of bankruptcies, partly due to the support measures during the corona pandemic. It is estimated that approximately 12,500 bankruptcies have been prevented by the corona support measures in the Netherlands.[2]

Number of bankruptcies per quarter - excluding sole proprietorships



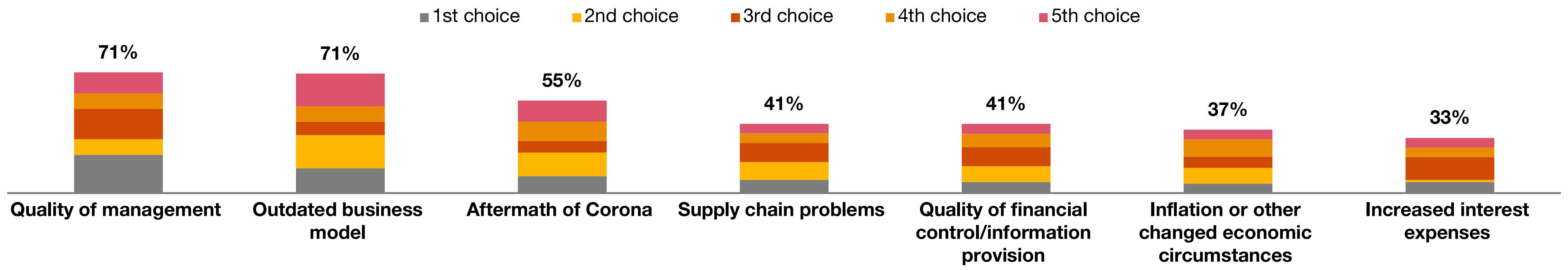
Source : IBBI Quarterly Newsletter July to September 2024 Edition.

The expert panel flags a number of root causes as most important for the inflow of insolvencies in the past period:

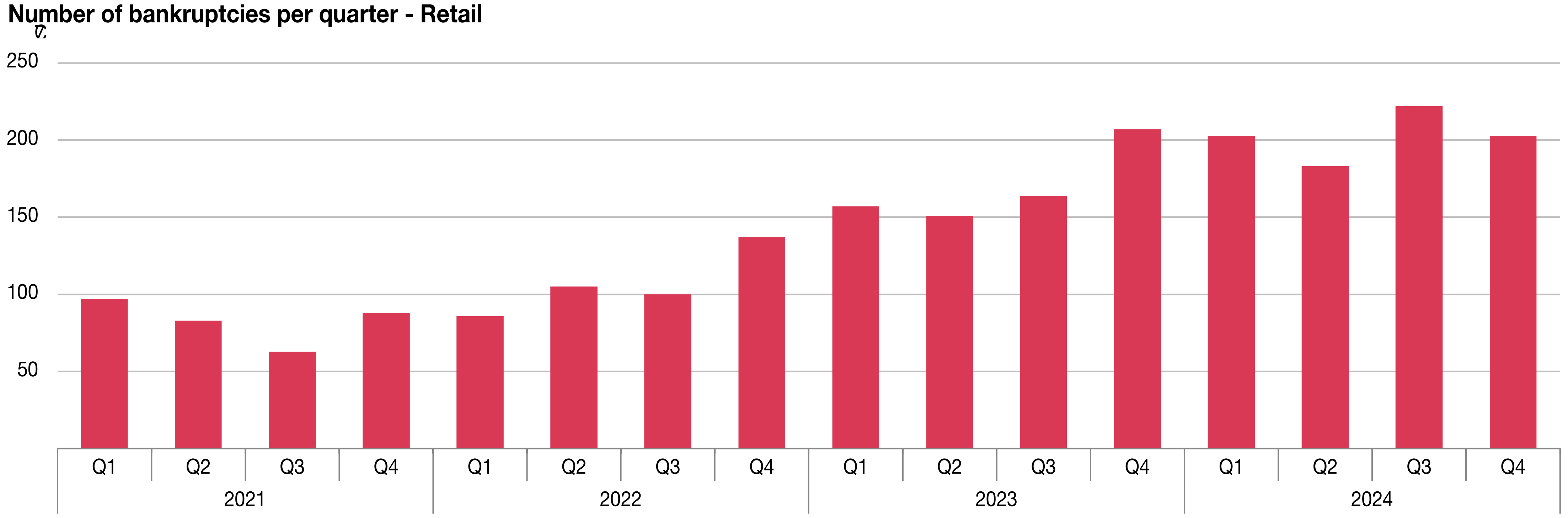
In the aftermath of corona, many companies still have to repay corona tax debt (in total €7.3bn). Corona tax debt impacts the restructuring options of especially the larger companies, as the tax authorities have strict requirements for agreeing with a restructuring (e.g. in principle all creditors have to be affected, including trade creditors, and any remaining amount has to be repaid in 12 months).

The quality of management and **an outdated business model** were identified as the two main reasons for the increase of insolvencies in the past period. This aligns with the constantly changing environment companies operate in.

Furthermore, **supply chain issues** as a result of the Ukrainian and/or Gaza war played an important role in the increase of insolvencies in the Netherlands.



Source : PwC, December 2024, Bijzonder Beheer Barometer (Add. The graph illustrates the proportion of the expert panel who identified the root cause as one of their top five choices)



Source : CBS, January 2025, Bankruptcies - Retail; Key figures

02 Sectors under pressure

2.1. Retail and Consumer Goods

Our expert panel expects that the retail and wholesale sector in particular will face the most problems in the coming period. Many indicators are already on red for the retail and wholesale sectors. This aligns with the trend for the number of insolvencies observed by the CBS in the retail and wholesale sector. We see that consumers remain focused on saving money, after a period of strong inflation, and they experience decreased purchasing power. In addition, consumer confidence has been at an all-time low since 2023, which could play a significant role in the ongoing challenges. The Dutch Chamber of Commerce has also seen a significant decline in business confidence in the retail and wholesale sector in Q2-Q4 2024.

The shift towards e-commerce that accelerated during the pandemic continues to affect brick-and-mortar retailers. In addition, many businesses in the sector struggled to cope with inflation, which eroded consumers' purchasing power. Several retailers, especially those in non-essential goods, found it challenging to maintain profitability

2.2. Energy-Intensive Industries

Energy-intensive industries, including manufacturing, chemicals, and construction, have been particularly hard-hit by rising energy prices. The war in Ukraine and Gaza and subsequent disruptions to global energy markets meant that energy prices surged in early 2024. Many Dutch manufacturers, particularly those in the metal, chemical, and industrial sectors, struggled to absorb the higher energy costs.

For example, companies in the heavy manufacturing sector that relied on high levels of natural gas or electricity faced immediate difficulties as their input costs soared. In some cases, these businesses were unable to pass on the costs to consumers due to declining demand or strong competition from international suppliers in low-cost regions.

2.3. Construction and Real Estate

The construction and real estate sectors were also under pressure in 2024. Despite a relatively stable housing market, many construction companies struggled with higher costs for raw materials, labor shortages and the significant impact of the discussion around reducing nitrogen for environmental reasons in the Netherlands.

Projects that had been started prior to the surge in material costs found themselves unprofitable, leading to an increase in insolvencies in the construction space since 2023 with a peak of insolvencies in the first three quarters of 2024, as observed by the Dutch CBS. Furthermore, real estate developers faced significant difficulties in financing new projects, as rising interest rates made it more expensive to borrow money. The slow recovery in commercial real estate, especially in city centres, further weighed on the sector.

Lastly, since the Dutch Council of State's (Raad van State) ruling in May 2019, which required construction projects to demonstrate no additional nitrogen emissions in certain areas, the sector has faced delays and restrictions, resulting in the prevention of homes being built. This has increased pressure on the market, exacerbated housing shortages and affected overall project timelines.

2.4. Hospitality and Leisure

The hospitality sector in the Netherlands, which includes restaurants, bars, hotels, and event venues, faced a difficult year in 2024. While many businesses had recovered from the immediate impacts of the corona pandemic, the sector still faced significant challenges. Inflation and rising energy costs had a particular impact on small-to-medium-sized businesses, which lacked the economies of scale to absorb the increased expenses.

Moreover, the labor shortage and increased labor costs in the hospitality industry, a trend that had emerged post-pandemic, continued to affect businesses in 2024. Staffing issues, combined with shifting consumer preferences towards more affordable or home-based leisure activities, placed additional pressure on hospitality operators.

03 High-Profile Corporate Insolvencies in the Netherlands in 2024

The surge in corporate insolvencies in 2024 included several high-profile corporate insolvencies that garnered significant media attention. These companies were often emblematic of the sectors most affected by the broader economic trends.

3.1 Blokker (2024)

Blokker, a big, iconic chain in the Dutch retail sector, declared bankruptcy in Q4 2024 after years of declining sales and mounting debts. Once a dominant player in home goods, the chain struggled to compete with discount stores like Action and online giants such as Bol. Their significant corona tax debt in combination with failed attempts to adapt to the rapidly changing retail landscape forced them into insolvency.

3.2 Stella Fietsen (2024)

Stella Fietsen was a leading manufacturer of electric bikes in the Netherlands. The company rose to prominence with affordable e-bikes but faced increasing competition from newer brands. Issues in the wider bike sector, such as the demand spike caused by the corona pandemic, supply chain issues, significant inventory build-ups due to this demand spike and supply chain issues, and the subsequent fall in demand led to market oversupply, ultimately forced the business into insolvency.

3.3 Co-Med (2024)

Co-Med, a prominent general practitioner (GP) chain in the Netherlands, was declared bankrupt in July 2024, leaving approximately 50,000 patients without a primary care provider. The bankruptcy followed the termination of contracts by major health insurers due to concerns over the quality of care provided. Inspections revealed issues such as poor phone accessibility, lack of on-call doctors for emergencies, and insufficient patient information. Despite attempts to address these problems, Co-Med was unable to recover, leading to the closure of its 13 practices nationwide.

3.4 Koolen Industries Solar (2024)

Many SMEs related to solar panels experienced a lot of financial difficulties in the past year. This was driven by changes in regulation in the Dutch market that resulted in a huge decline in consumer demand. Koolen Industries Solar was one of the companies that went insolvent. It was part of the larger Koolen Industries, which invests in clean energy technologies and provides turn-key solutions.

3.5 Rodeo Software (2024)

This SaaS company was active in project management software in the creative sector and seemed like a company that experienced a lot of growth. However several professional investors lost a lot of money on their investment, as the company went bankrupt after alleged fraud.

04 The Outlook for Corporate Insolvency in the Netherlands

Our expert panel expects a continuation of increase in the number of insolvencies in the coming period. The movement seems to indicate a normalisation of the number of bankruptcies to pre-corona levels. However, they expect that the root causes of insolvencies will shift:

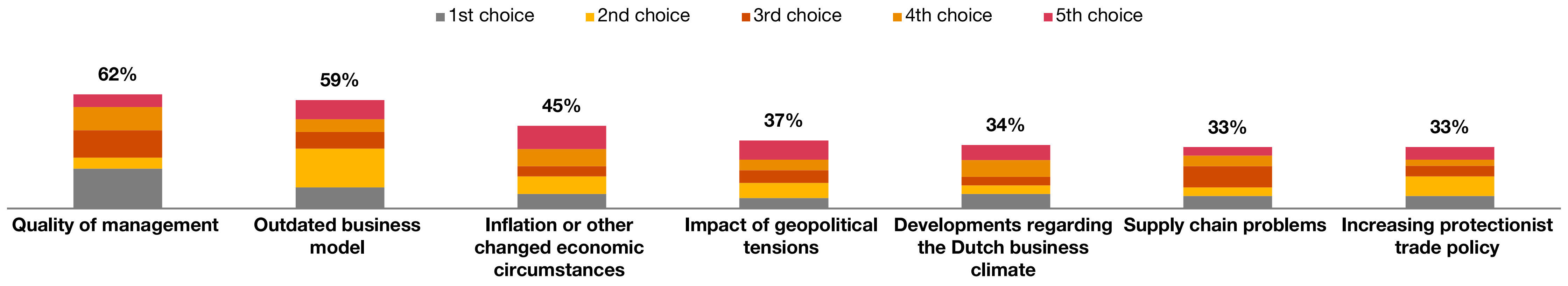
The aftermath of corona is expected to become a less significant root cause of insolvencies, as more of the debt accumulated during the crisis is gradually paid off. As businesses recover and adapt to post-pandemic conditions, government support measures phase out, and economic activity stabilizes, the lingering financial strain from the pandemic will diminish, reducing its impact on insolvency rates.

The quality of management and an outdated business model are expected to remain the top two reasons for the increase of insolvencies in the Netherlands. This observation highlights the critical need for businesses to adapt to evolving market conditions, invest in innovation, and strengthen leadership capabilities to ensure long-term sustainability and competitiveness.

Furthermore, inflation and geopolitical tensions are expected to become more important root causes. Geopolitical tensions cause increased volatility and uncertainty leading to supply chain disruptions, fluctuating commodity prices, and shifting trade policies. Meanwhile, persistent inflation raises operational costs, reduces consumer purchasing power, and squeezes profit margins, making it more challenging for businesses to remain financially stable.

Also technological developments, such as AI and cyber security risks, are expected to become a more important root cause. As businesses struggle to keep pace with rapid digital transformation, those that fail to integrate AI effectively or neglect cybersecurity measures may face heightened operational vulnerabilities, competitive disadvantages, and potential financial losses, ultimately increasing their risk of insolvency.

It must be noted that with the corona support for companies, the process of 'creative destruction' has been delayed, as shown by the historically low number of bankruptcies. Normalization of the number of bankruptcies leads to more necessary business dynamics that can actually help to reduce low-productive business activities so that freed-up production resources can be used for high-productive activities. The continuing increase in insolvencies in the Netherlands might not be all undesirable.



Source : PwC, December 2024, Bijzonder Beheer Barometer (Add. The graph illustrates the proportion of the expert panel who identified the root cause as one of their top five choices)

Conclusion

In conclusion, the corporate insolvency landscape in the Netherlands in 2024 is characterized by a steady increase in the number of companies in financial distress, driven by high inflation, economic uncertainty, geopolitical tensions and the obligatory repayment of corona support. This led to insolvencies of iconic names like Blokker and Stella.

Looking ahead, our expert panel expects that the normalization of bankruptcy levels to pre-pandemic levels will continue, with many businesses facing ongoing challenges in financing, high operation costs, and consumer demand volatility. However, our expert panel foresees that the root causes for the increase in insolvencies will shift. Inflation, geopolitical tension, technological developments and mainly the people aspect of businesses (quality of management and an outdated business model) will drive insolvencies in the coming period in the Netherlands. Companies must focus on management quality and adaptability to navigate these turbulent times successfully.

3a EMEA

Europe

Spain

Overview of corporate insolvency volumes in Spain in 2024

Introduction

Corporate insolvencies in Spain have been a significant focus in recent years, especially in the wake of the economic turmoil caused by the COVID-19 pandemic, global inflationary pressures, supply chain disruptions, and ongoing geopolitical instability. While insolvencies were expected to increase post-pandemic, 2024 has seen notable shifts in the volume and profile of corporate insolvencies. This overview provides a detailed look at the trends in corporate insolvencies in Spain throughout 2024, highlighting sectors under the most strain and listing high-profile corporate failures.

General trends in corporate insolvency volumes

In 2024, there was a moderate increase in corporate insolvencies compared to 2023, with a rise of 22% in the number of companies filing for insolvency protection. This increase is primarily driven by ongoing challenges such as inflation, rising interest rates, and increased energy costs, which have continued to affect businesses across various sectors. According to data from Informa D&B, 9,015 corporate insolvencies were filed in 2024.

Economic pressures and corporate distress

Several key factors have driven the rise in insolvency filings, including:

01 **Inflation and rising costs:** High inflation rates have significantly increased operating costs, particularly in energy, raw materials, and labor. Companies, especially small and medium-sized enterprises (SMEs), have faced challenges in covering these additional costs.

02 **Interest rates:** The European Central Bank's (ECB) aggressive interest rate hikes to combat inflation have resulted in higher borrowing costs for Spanish companies. Businesses with significant debt burdens have been particularly hard-hit, as servicing these debts has become more expensive.

03 **Supply chain issues:** Ongoing global supply chain disruptions, exacerbated by factors like the war in Ukraine and China's fluctuating trade policies, have created bottlenecks and increased production costs for Spanish businesses.

04 **Geopolitical instability:** The war in Ukraine and its ripple effects on global commodity prices have placed additional pressure on certain sectors, particularly those reliant on energy, agriculture, and raw materials.

Government support measures

In response to the economic distress, the Spanish government has continued to provide support measures. The Official Credit Institute operates several support programs for businesses needing financing to continue their operations or address working capital needs. However, by 2024, these measures have been scaled back, leading to an increase in insolvency filings as businesses that were previously shielded from market forces begin to fail.

Pre-insolvency and insolvency procedures

In 2024, many companies opted for pre-insolvency procedures as a first step before formal insolvency proceedings. The pre-insolvency process provides companies with a chance to reach an agreement on a restructuring plan without immediately resorting to court intervention. If the negotiations fail or if the restructuring is not feasible, companies may then proceed to formal insolvency procedures, which offer two options: a creditors' agreement or liquidation.

Sectors under pressure

Retail and fashion: The retail sector, particularly fashion and apparel, has faced immense pressure in 2024 due to persistent inflation and shifts in consumer behavior. Spanish retailers have had to adapt to changing spending patterns, with customers becoming more price-sensitive and prioritizing essential goods over discretionary ones. Additionally, supply chain disruptions and the rise of e-commerce have placed significant strain on traditional brick-and-mortar businesses.

Example

One notable example is the insolvency of Crocea Mors, S.L. (Mary Paz), a women's footwear and accessories company. After failing to reach an agreement with its creditors to refinance its debt, the company filed for insolvency in February 2024 and is now in the liquidation phase, with the possibility of selling its production unit.

Real estate and construction: The real estate and construction sectors have also faced substantial challenges. Rising construction costs, especially for raw materials and labor, have significantly impacted profit margins. Additionally, the cooling housing market in 2024, following several years of strong growth, has resulted in slower sales and reduced investment in new developments. Several real estate developers have filed for insolvency after struggling with overleveraged positions and a sharp decline in property values.

Example

Compañia de Phalsbourg, S.L., the Spanish subsidiary of the French group Compagnie de Phalsbourg, specializing in real estate investment, development, and management, filed for voluntary insolvency due to its inability to reach an agreement with its creditors. The company's insolvency was declared in December 2024.

Energy and utilities: Energy prices, though somewhat stabilized, remain high compared to historical standards, particularly in the aftermath of the energy crisis triggered by the war in Ukraine. Spain's energy sector has experienced significant strain, especially among smaller companies unable to hedge against price fluctuations. While major firms like Iberdrola and Endesa have weathered the storm, smaller utilities and renewable energy start-ups have struggled with insolvency due to cash flow challenges, insufficient capital, and mounting debt.

Sectors Under Pressure (continued)

Tourism and hospitality: Spain's tourism sector, a cornerstone of its economy, experienced a swift recovery after the pandemic. However, 2024 has brought new challenges. Rising travel costs, inflation, and shifting global tourism trends have placed significant pressure on businesses. While large hotel chains have managed to withstand these difficulties, many smaller and mid-sized hotels and travel agencies have been forced to file for insolvency.

Example

Meeting Point Hotel Management (Canaries), S.L.U., a hotel group with a strong presence in the Canary Islands, filed for pre-insolvency proceedings in October 2024 with the aim of negotiating a refinancing agreement of approximately 100 million euros with its creditors. The company has requested an extension of the negotiations.

Technology and start-ups: The technology sector, particularly start-ups, experienced an influx of funding after the pandemic boom but has since been affected by tighter credit conditions, higher interest rates, and a slowdown in global venture capital funding. Spain's startup ecosystem, though still growing, faced significant setbacks in 2024, as many struggled to secure additional rounds of financing or adapt to the rising cost of capital.

Example

My Poppins, S.L., a start-up known for its platform that connects users with cleaning professionals, filed for bankruptcy without assets in March 2024. The company's liabilities amounted to 1.1 million euros.

Agriculture and food production: The agricultural sector in Spain has faced considerable challenges due to extreme weather patterns caused by climate change, including droughts and floods. These events, combined with rising input costs for fertilizers and fuel, have significantly reduced the profitability of many small and medium-sized agricultural businesses.

Example

SAT nº 97 BLANCASOL, a company specializing in the wholesale trade of fruits and vegetables, filed for insolvency proceedings in March 2024. This insolvency proceeding constitutes one of the largest bankruptcy cases in Spain during that month.

High-profile corporate bankruptcies in 2024

Several high-profile corporate bankruptcies have captured attention in Spain in 2024, highlighting the vulnerability of businesses, even in traditionally strong sectors:

01 Crocea Mors, S.L. (Mary Paz): As mentioned earlier, Crocea Mors, S.L., commonly known as Mary Paz, filed for insolvency in February 2024 after failing to reach an agreement with its creditors to refinance its debt. Weak sales were identified as the primary cause of the company's insolvency.

02 Compañia de Phalsbourg, S.L.: The Spanish subsidiary of the French group Compagnie de Phalsbourg, specializing in real estate investment, development, and management, filed for voluntary insolvency due to its inability to reach an agreement with its creditors. The company's insolvency was declared in December 2024.

03 Meeting Point Hotel Management (Canaries), S.L.U.: This hotel group with a strong presence in the Canary Islands filed for pre-insolvency proceedings in October 2024 with the aim of negotiating a refinancing agreement of approximately 100 million euros with its creditors. The company has requested an extension of the negotiations.

04 My Poppins, S.L.: This start-up, known for its platform that connects users with cleaning professionals, filed for bankruptcy without assets in March 2024. The company's liabilities amounted to 1.1 million euros.

05 SAT nº 97 BLANCASOL: This company, specializing in the wholesale trade of fruits and vegetables, filed for insolvency proceedings in March 2024. This insolvency proceeding constitutes one of the largest bankruptcy cases in Spain during that month.

Conclusion

The increase in corporate insolvencies in Spain in 2024 reflects a challenging economic landscape shaped by inflation, rising interest rates, energy crises, and supply chain disruptions. While large corporations have managed to withstand these challenges, smaller companies, particularly in the retail, agriculture, and construction sectors, have come under increasing pressure. Notable insolvencies, such as those previously mentioned, highlight the vulnerability of businesses in a rapidly evolving global economy.

3a EMEA

Europe

UK

In 2024, corporate insolvency volumes in England experienced a modest decline compared to the previous year. According to the Insolvency Service, there were 23,878 registered company insolvencies in England and Wales in 2024, representing a 5% decrease from the 25,163 cases recorded in 2023. Our analysis reveals that over 97% of companies that entered an insolvency process in the UK had annual turnover of £1m or less.

Company Voluntary Liquidations continue to be the most utilised of the insolvency tools accounting for over 75% of all insolvencies. There was a 10% increase in administrations rising from 1,567 in 2023 to 1,738 in 2024 potentially indicating that more medium to larger corporates are now experiencing financial and liquidity issues.

Despite the overall decline, certain sectors remained under significant financial pressure:

01

Construction:

The construction industry faced substantial challenges. Our analysis indicates in excess of 3,700 companies associated with the construction sector and its related supply chain failed in 2024.

02

Retail:

The retail sector continued to struggle due to shifting consumer behaviours and economic pressures. In 2024, over 3,000 businesses that were involved in retail went into an insolvency process.

03

Hospitality and Leisure:

Businesses in this sector were significantly impacted, with an excess of 2,500 in companies in this sector failing in 2024.

High-Profile Corporate Failures

Several notable corporate failures occurred in 2024:

01 **ISG Ltd:** The construction giant collapsed in September 2024, marking the largest insolvency in the sector since Carillion's downfall in 2018. The administration affected approximately 2,200 employees and disrupted numerous public and private sector projects.

02 **Homebase:** The DIY retail chain filed for administration in November 2024 after years of financial struggles. The collapse impacted around 130 stores across the UK.

03 **Carpetright:** The flooring retailer entered administration in July 2024 following a cyber attack that derailed its turnaround efforts. The company operated 273 shops and employed 1,800 staff before its collapse.

04 **The Body Shop:** The cosmetics retailer filed for administration in February 2024, leading to the closure of 75 out of its 198 UK stores. A rescue deal was later secured, preserving 113 shops.

05 **Harland & Wolff:** The historic shipbuilder, known for constructing the Titanic, appointed administrators in September 2024 to wind up its insolvent holding company. The company faced financial difficulties, leading to job losses and the sale of its shipyards to the Spanish conglomerate Navantia.

Contributing Factors

Several factors contributed to the financial distress experienced by companies in 2024:

Economic Pressures:

Persistent economic challenges, including high operational costs (energy, payroll, property costs) and weak consumer confidence, has strained businesses across various sectors.

Shareholder fatigue:

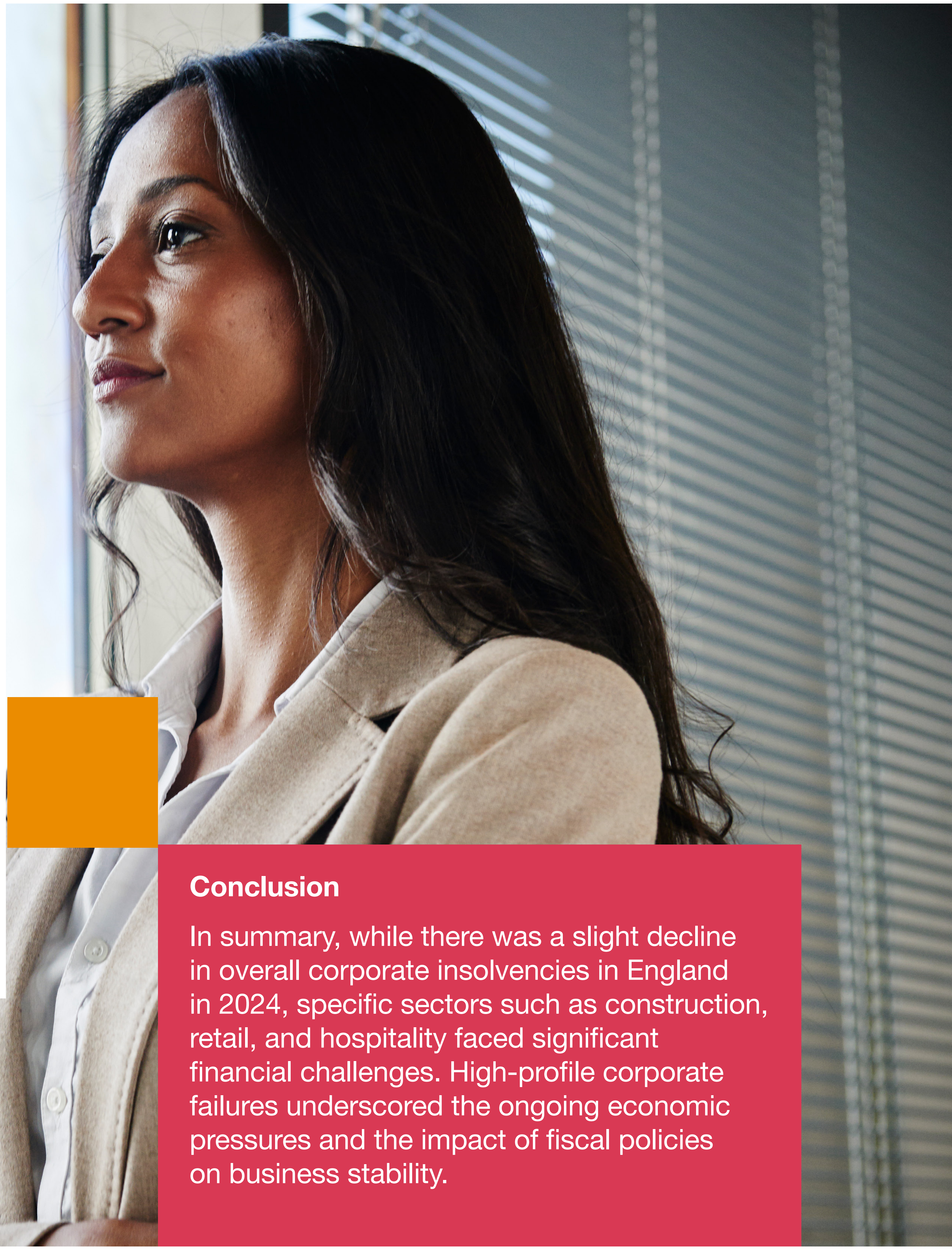
Some of the larger insolvencies in the UK in 2024 were private equity backed or the subsidiaries of overseas parents where the shareholders and other financiers had lost patience with the underlying business model and the scale of issues being faced. This was particularly the case for some of the more material start up businesses where the underlying concept was not fully formed.

Tax and Wage Increases:

The autumn budget introduced tax increases, including an increase in employers' national insurance contributions, to fund public services. These measures added financial burdens to companies, particularly those with large workforces and has led to some redundancies or slowing of recruitment which has added to some of the uncertainty consumers have experienced.

High Borrowing Costs:

Sustained high interest rates throughout the year has meant that borrowing costs for businesses have remained high which reduces the cash available for other operating activities.



Conclusion

In summary, while there was a slight decline in overall corporate insolvencies in England in 2024, specific sectors such as construction, retail, and hospitality faced significant financial challenges. High-profile corporate failures underscored the ongoing economic pressures and the impact of fiscal policies on business stability.

3b EMEA

Middle East

UAE

Corporate insolvencies in the United Arab Emirates: Trends and developments in 2024

Introduction

In recent years, Gulf Cooperation Council (GCC) countries have made significant strides in reforming their insolvency frameworks. These initiatives aim to align with international standards by providing debtors and creditors with greater flexibility, establishing specialized courts to streamline proceedings, and reducing the stigma historically associated with bankruptcy.

In line with these regional trends, the insolvency regime in the United Arab Emirates (UAE) has undergone a significant transformation. The introduction of a new federal bankruptcy law in 2024 has reshaped the country's financial restructuring and bankruptcy framework. This has been further reinforced by the successful completion of landmark in-court restructurings, which have set important legal and procedural precedents.

This overview explores the major drivers of corporate insolvencies in the UAE in 2024, examines the impact of regulatory changes, and highlights high-profile cases that are shaping the country's insolvency landscape.

Key drivers and developments of corporate insolvency in 2024

Macroeconomic challenges and sectoral pressures

The UAE economy demonstrated resilience in 2024 despite several global challenges. A GDP growth of 4% overall and 5.2% for non-hydrocarbon sectors was supported by increased oil revenues, a robust tourism recovery, real estate expansion, and government-led diversification strategies.

However, economic headwinds persisted throughout the year. Inflationary pressures, persistently high interest rates (with the 3-month EIBOR nearing 4.5% by year-end), geopolitical tensions, and volatility in oil markets placed significant strain on certain industries.

These challenges exacerbated liquidity constraints for companies burdened with substantial debt or heavily reliant on external financing, undermining their ability to meet debt obligations. The increased cost of capital particularly affected sectors characterized by high operating costs and capital-intensive projects.

A Transformative insolvency regime

The UAE has recently implemented a significant transformation to its financial restructuring and bankruptcy framework through the enactment of Federal Decree-Law No. (51) of 2023 ("New Law"), on 1 May 2024, replacing the 2016 law ("Old Law").

Key features of the new law include:

01 Introduction of a specialized Bankruptcy Court and Unit to oversee and determine bankruptcy-related matters.

02 Removal of the requirement for a majority in number of creditors to approve the relevant proposal. Creditor approval can now be obtained with the consent of two-thirds (by value) of the debts represented at the meeting.

03 Introduction of a more user-friendly court-supervised 'debtor-led' restructuring mechanism under the "preventative settlement" process.

04 Significant revisions to the accountability of board members, managers, and liquidators in bankruptcy scenarios.

These changes are expected to provide clearer, more protective frameworks for creditors, fostering a more secure investment environment.

Key offshore jurisdictions in the UAE

The UAE has two special sub-sets of "financial" free zones, the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM), where onshore civil and commercial laws do not apply.

The DIFC and ADGM Insolvency Laws incorporate the UNCITRAL Model Law on Cross-Border Insolvency, which has significantly streamlined the insolvency process for international firms with entities incorporated in these jurisdictions.

Increasing activity from alternative funds

The recent legal reforms in the insolvency frameworks across the region have attracted alternative funds, eager to acquire bank debt or inject new capital into distressed businesses.

The successful restructurings in 2024 of Emirates Hospital Group and JBF RAK Group have set important precedents, garnering further interest from international hedge funds.

Activation of non-performing loans (NPLs) Market

Regulatory measures aimed at improving transparency and provisioning have spurred NPL sales by UAE banks to investors.

This surge in NPL activity reflects growing investor confidence in the UAE's insolvency framework.

Key in-court restructurings completed in the UAE in 2024

In 2024, the UAE witnessed several high-profile corporate restructuring processes in the healthcare, construction and manufacturing sectors.

01 Healthcare company: Significant reduction of debt, new governance structure, and additional financing.

02 Construction company: First significant debt-for-equity transaction under the UAE's onshore bankruptcy law.

03 Manufacturing company: Successful in-court restructuring process with a 90% write-off of creditor claims.

Key Trends in the UAE Insolvency Landscape

01 Contingency planning: Lenders are adopting a more proactive approach by engaging early in contingency planning for distressed debtors.

02 Development of insolvency expertise: International and local law firms are establishing dedicated teams focused on financial restructuring and bankruptcy.

03 Increasing number of filings: Market feedback indicates an increase in bankruptcy filings.

04 Increasing alternative financing solutions: The presence of alternative funders in the UAE's rescue financing landscape is increasing.

Conclusion

The UAE's insolvency landscape in 2024 reflects a balance of macroeconomic challenges, regulatory reforms, and evolving market dynamics. The introduction of a new onshore bankruptcy law, proactive lender strategies, increased involvement of alternative funds, and increased complexity and sophistication of restructuring proposals have set the stage for a more robust insolvency framework. As the UAE continues to adapt, these developments will play a crucial role in fostering resilience and enabling businesses to navigate future challenges effectively

3c EMEA

Africa

Ghana

Market Overview

In 2024, corporate insolvencies in Ghana were largely driven by a combination of economic challenges and sector-specific pressures. The nation's economic growth decelerated, with Real Gross Domestic Product (GDP) growth slowing from 5.1% in 2021 to 3.8% in 2022, and further down to 2.9% in 2023. The International Monetary Fund (IMF) projected a real GDP growth rate of 3.1% for 2024, indicating a slow recovery.

The economic downturn was exacerbated by several factors:

01 **Debt restructuring:** In January 2023, Ghana restructured its government bonds to secure a $3 billion IMF bailout, leading to lower yields and longer maturities. The effects of the domestic debt exchange program continued to impact investors and businesses in 2024, resulting in liquidity challenges and increased financial strain.

02 **Currency depreciation and inflation:** The Ghanaian economy experienced high levels of inflation averaging 23.8% in 2024, coupled with significant exchange rate volatility. These economic factors resulted in increased operational costs for businesses reliant on imports, further straining financial stability.

03 **Energy challenges:** The demand for electricity surpassed the generation capacity, leading to rationing of the available power supply in Ghana. This resulted in power cuts to households and businesses, increasing the cost of operations for businesses.

Certain sectors were particularly affected:

01 **Financial services:** The banking sector grappled with increased non-performing loans (NPLs), reflecting the struggles of businesses under challenging macroeconomic conditions and high-interest rates. The finalisation and enactment of subsidiary legislation for the Corporate Insolvency and Restructuring Act, 2020 (Act 1015), are expected to address these issues.

02 **Manufacturing and retail:** Companies in these sectors faced operational disruptions due to energy supply challenges and increased production costs. The persistent power outages, known locally as "dumsor," led to equipment damage and reduced productivity, exacerbating financial difficulties.

03 **Mining and energy:** The mining sector encountered legal and financial challenges, exemplified by Cassius Mining's $443 million claim against the Ghanaian government over contract disputes. Such issues underscored the sector's vulnerability to regulatory and economic pressures.

Conclusion

During 2024, the country saw the benefit of legislation introduced in 2024, allowing companies in distress additional options such as restructuring and administration.

During 2024 corporate insolvencies were a multifaceted issue, stemming from economic downturns, sector-specific challenges, and external factors. The government's efforts to address these challenges in past years, through legislative reforms (Corporate Insolvency and Restructuring Act 2020) and economic interventions continue to stabilise the business environment and foster future growth.

3c EMEA

Africa

Kenya

Overview of corporate insolvency volumes in Kenya in 2024

Introduction

According to statistics from the Official Receiver's office, the number of corporate insolvency cases slightly decreased in the year, with 52 cases reported as of November 2024. Whilst this is an improvement from the 65 cases filed in 2023, the figures remain elevated compared to pre-COVID levels. We are also aware of numerous distressed corporates that have not yet considered formal insolvency avenues for restructuring hence the official numbers may not be a complete indicator of distress trends.

Over recent years, Kenya's economy—one ofthe largest in Sub-Saharan Africa—has faced significant pressures mainly because of currency volatility, a heavy sovereign debt burden, geopolitical instability and heightened political activity.

However, exchange rate pressures have since eased with the Kenya Shilling stabilizing amidst easing monetary policy in major global economies and reduced concerns about sovereign default after the successful refinancing of the Eurobond. According to the CBK, overall inflation is steady at 3.0% as at January 2025 (a marginal increase from 3.0% in December 2024) and is expected to remain below the Central Bank of Kenya's ('CBK') target range.

Despite these developments, credit growth to the private sector remains sluggish, hindered by the crowding-out effect of significant government borrowing in the domestic market and high credit risk, which has kept interest rates elevated even after recent cuts in the Central Bank's Base Rate.

Additionally, increased taxation amidst the country's ongoing debt crisis and fiscal consolidation efforts have further worsened the challenges businesses face, particularly in terms of liquidity, profitability, and operational efficiency.

This overview examines the trends in corporate insolvency volumes in Kenya in 2024, focusing on sectors under the most pressure, and provides insight into several high-profile corporate failures.

Corporate Insolvency trends in Kenya in 2024

01

Macro-economic trends

According to the Kenya National Bureau of Statistics ('KNBS'), Kenya's economy grew by 4.0% in Q3'24, a slowdown from the 6% growth recorded in Q3'23. This deceleration is mainly attributedto a broad decline across most economic sectors.

Expectedly, total domestic credit grew by a modest 2.9% year-on-year as of October 2024, primarily driven by a 10% increase in net government borrowing.

In contrast, commercial lending to the private sector contracted by 1.4% in December 2024 compared to the previous year, reflecting the impact of higher interest ratesand exchange rate valuation effects on foreign currency denominated loans.

Several factors have contributed to the overall economic slowdown during the year and the resultant elevated number of corporate insolvency cases, key among them being:

Currency depreciation: The Kenyan shilling experienced a notable depreciation against major currencies in early 2024, with the exchange rate contributing substantially to price inflation. This led to higher costs for importing raw materials and servicing foreign-denominated debt, which further squeezed margins for businesses that heavily rely on imports.

Rising interest rates: In response to rising exchange rate pressures, the CBK implemented an increase in its base rates, which led to higher borrowing costs for businesses. This placed additional strain on companies already carrying substantial debt and resulting in an uptick in loan defaults. As reported by CBK data, gross non-performing loans (NPLs) stood at 16.7% as of Sept'24 compared to 15.0% in the same period in the previous year.

Fiscal consolidation: The government's fiscal consolidation efforts, particularly through increased taxation and statutory deductions, significantly impacted business profitability due to higher operational costs. There is also a significant backlog of pending bills from government to local businesses putting pressure on their cashflows and finance costs. These factors combined to create a challenging environment for many companies, particularly small and medium-sized enterprises (SMEs), which struggled to absorb the additional costs without passing them on to consumers or cutting back on investments.

02

Sectors under pressure

According to data from KNBS, whilst certain sectors such as agriculture expanded considerably as at Q3'24, certain sectors encountered acute challenges, with the following experiencing the sharpest contractions in terms of real GDP:

Construction and real estate: The construction sector experienced a 2% contraction, against a 4% growth in Q3'23, primarily as a result of the government rationalising spending and scaling back on major infrastructure projects. This has led to a decrease in revenues from public service contracts, a key revenue source for the sector. Additionally, credit extended to construction enterprises also dropped by 13.6% as at Sept'24 compared to Sept'23.

Wholesale and retail trade: For the first half of the year, currency devaluation substantially drove price inflation and when combined with higher taxes led to a reduction in consumers' disposable income. Retailers, particularly those in the middle and lower tiers, also faced growing competition from the informal markets that typically offer relatively lower prices. The combination ofthe increased cost of living and diminished disposable income led consumers cutting back on non-essential purchases.

- **Recent case – Copia Global:** The B2C e-commerce platform, entered administration in May 2024 after failed efforts to secure funding for its operations. Subsequently, both the company and its subsidiary, Copia Kenya, were placed into liquidation in June 2024.

Transport and logistics: The Transportation and Storage sector improved slightly, holding steady at 5.2% growth in Q3'24, compared to 5.1% in Q1'23. Growth in the sector was particularly constrained due to exchange rate fluctuations during the year that led to volatile fuel prices and reduced margins.

- **Recent case: Multiple Hauliers (E.A) Ltd.** –The High court appointed the official receiver as administrator from Sept- Dec 2024 to facilitate a transaction aimed at restructuring and stabilising the business through an equity injection.
- **Recent case: Sendy Group**-The technology-based logistics start-up was placed under administration after defaulting on its debt obligations.

Financial Services: The banking and financial services sector, despite being well-regulated, faced its own set of problems. The increasing default rate in loan repayment, particularly from small and medium enterprises (SMEs), compounded by interest rate hikes, led to higher non-performing loans (NPLs) in the sector. Data from the Insurance Regulatory Authority also shows that various insurers held capital below the minimum statutory requirements.

- **Recent case: Blue shield insurance**: In June 2024, High Court ordered the liquidation of the insurer following a petition by the Insurance Regulatory Authority (IRA).
- **Recent case: Resolution insurance:** The IRA placed the insurer under Statutory Management and appointed the Policyholders Compensation Fund (PCF) as the Statutory Manager in 2022 and subsequently placed in liquidation by the High court in January 2024.

Manufacturing: The manufacturing sector achieved a real GDP growth of 2.3% in Q3'24, slightly lower than the 2.8% growth recorded in the same period of 2023. The sector's growth was therefore constrained by declines e.g. in the cement production and other sectors like motor vehicle assembly industries. Cement production fell 12.1%, driven by contraction of the construction sector. Similarly, motor vehicle assembly experienced a decline of 0.4%.

- **Recent case: Mobius Motors**: Mobius Motors Kenya Ltd entered into Creditors' Voluntary Liquidation on 5 August 2024, after it faced financial constraints that have seen it struggle to pay creditors and employees.
- **Recent case: Kansai Paints:** The paint distributor announced a members' voluntary liquidation in May 2024 following difficulties in meeting its obligations.

03

Impact of Insolvency on the Kenyan Economy

The increase in corporate insolvencies in 2024 has had broader implications for Kenya's economy. These include:

Job Losses: As companies fail, there is a direct impact on employment. Given that many of the above sectors are labour-intensive, the rise in insolvencies directly impacts livelihoods across the country.

Loss of Investor Confidence: Elevated levels of corporate insolvencies has eroded investor confidence, especially in sectors seen as unstable or underperforming. According to BMI, Foreign Direct Investment (FDI) in Kenya has been relatively low, considering the size of the economy and compared to regional benchmarks. Kenya is ranked fifth overall in FDI stock out of 11 Eastern African markets. Data from the United Nations Conference on Trade and Development reveals that FDI inflows to Kenya dropped by 5.3% in 2023, compared to the previous year.

Government Intervention: The Kenyan government has frequently intervened to restructure or bail out struggling state-owned enterprises (SOEs). However, the financial burden of rescuing these failing businesses is steadily increasing, which could further strain the country's fiscal position. To address the fiscal leakage, the government in January 2025 approved the restructuring of various SOEs through a combination of various mergers, disposals and dissolutions. It remains uncertain whether these interventions will effectively stabilize the performance of SOEs in the long term or contribute to sustained economic growth.

Conclusion

The corporate insolvency landscape in Kenya during 2024 presented a picture of slow recovery amidst several economic challenges. Whilst the decline in insolvency cases compared to COVID numbers is a positive indicator, the overall number of corporate failures remains concerning, especially when compared to pre-COVID levels. Additionally, as highlighted earlier, official statistics may not be a complete indicator of current trends, given the reluctance by most businesses to consider formal restructuring avenues.

In 2024, the economic slowdown, increased operational costs, rising interest rates and taxes, exacerbated financial strain, leading to higher NPL levels. However, the Kenyan economy is projected to recover in 2025, with the CBK forecasting a real GDP growth of 5.4%. This growth is expected to be driven by the resilience of key service sectors such as agriculture, and a rebound in credit growth to the private sector.

Looking ahead, the Kenyan government faces a delicate balancing act. While fiscal consolidation and interventions to support failing companies are necessary, they must be carefully managed to avoid deepening the country's fiscal challenges. In this context, the key to sustainable recovery will be the adoption of effective business resilience strategies, as well as fostering a conducive business environment for both local and international investment.

3c EMEA

Africa

South Africa

Overview of Corporate Insolvency in South Africa in 2024

Introduction

The South African economy has faced ongoing challenges, including rising inflation, energy crises, high unemployment, regional political uncertainty, and global economic uncertainty, all of which have impacted businesses across multiple industries. In this overview, we explore key corporate insolvency trends, dynamics affecting corporate South Africa, the sectors under the most pressure, and some of the high-profile business rescue proceedings and liquidations during the year.

Corporate insolvency trends in 2024

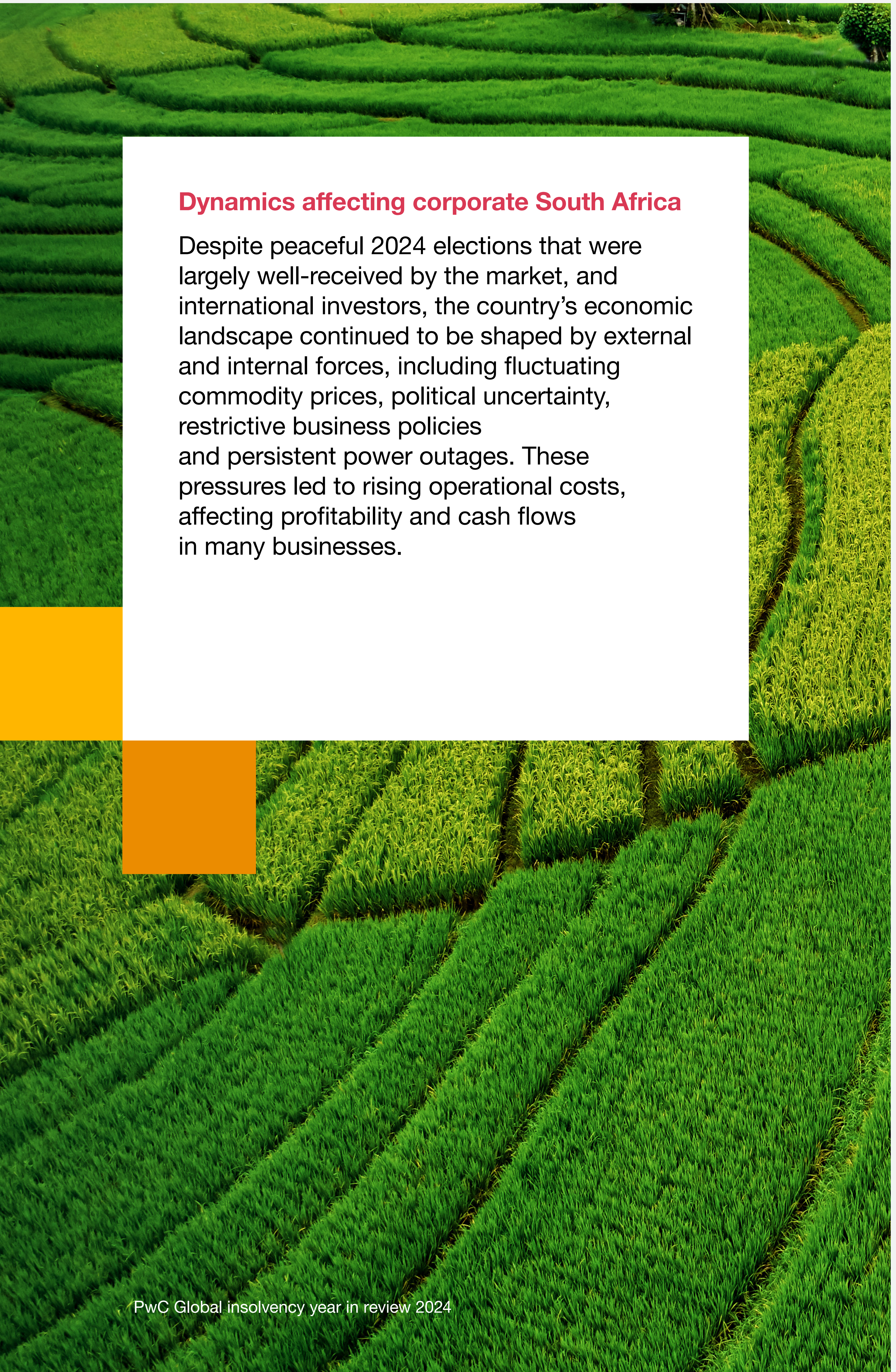
South Africa has two primary legislated alternatives to informal/ consensual restructuring processes when a business is financially distressed, being namely business rescue or liquidation. The aim of business rescue is to restructure the affairs of a company in such a way that either maximises the likelihood of the company continuing in existence on a solvent basis or results in a better return for the creditors of the company than would ordinarily result from the liquidation of the company.

As per Statistics South Africa, for the 11-month period ended November 2024, corporate liquidations in South Africa saw a marginal drop from the same period in 2023 of 3.9% (1,520 to 1,461). Although this is positive news, this decrease is off an already high base which is further exacerbated by business rescue remaining an underutilised mechanism. The latest business rescue data available from the Companies and Intellectual Property Commission ('CIPC') (August 2024) showed 230 companies entering business rescue versus 1,020 companies filing for liquidation in the same 8-month period.

The gap between the two legislated mechanisms may be because of the stigma associated with business rescue as being 'just another step' towards liquidation, in combination with other factors, such as a lack of understanding of available mechanisms by the market, limiting the number of eligible companies being placed into such a process.

Nevertheless steps are being undertaken by numerous stakeholders including the South African Restructuring and Insolvency Practitioners Association ('SARIPA'); the CIPC (who administers/monitors business rescue proceedings in South Africa), government and others, to educate the market around business rescue, understand how to detect company distress earlier, enforce reckless trading legislation more vigorously, and hold business rescue practitioners to the highest possible professional and ethical standards – all with the aim of driving increased positive business rescue outcomes, thereby preserving value and livelihoods in the process.

Notwithstanding the above, it is important to note that there continues to be a clear shift in the South African market to more consensual restructuring options being pursued, including the deployment of operational restructuring and rapid turnaround teams, financial advisory support and embedding of chief restructuring offices/ officers on a case-by-case basis. This is a positive development as this signals earlier engagement with appropriate advisors/ committees to manage company distress before options are limited, noting that consensual restructuring options are almost always more beneficial than formal options.



Dynamics affecting corporate South Africa

Despite peaceful 2024 elections that were largely well-received by the market, and international investors, the country's economic landscape continued to be shaped by external and internal forces, including fluctuating commodity prices, political uncertainty, restrictive business policies and persistent power outages. These pressures led to rising operational costs, affecting profitability and cash flows in many businesses.

Some of the underlying factors driving corporate stress included:

Rising costs

Higher energy and fuel costs, due to global inflationary trends and domestic power shortages, pushed many businesses to the brink. The frequent load-shedding disrupted operations across a range of industries, from manufacturing to retail.

Global economic downturn

The global economy has been struggling with inflation, interest rate hikes, and supply chain disruptions. These international pressures had a ripple effect on South African businesses, particularly exporters and industries reliant on imports.

Increased debt

Many South African companies, particularly those in the retail and hospitality sectors, increased their debt loads during the post-pandemic recovery period, often taking on more debt to weather temporary cash flow shortages. However, the rising interest rates have made it harder to service this debt, leading to defaults and insolvencies.

Weak consumer spending

With South Africa experiencing high unemployment rates and sluggish economic growth, domestic demand remained weak. This hurt sectors such as retail, hospitality, and automotive manufacturing, leading to declining revenues and, in some cases, business closures.

Sectors under pressure

Several sectors in South Africa were under immense pressure in 2024, contributing to a significant portion of the country's corporate insolvencies. These sectors faced unique challenges that made it harder for businesses to stay afloat, and many saw higher-than-usual liquidation rates.

01

Retail sector

The retail sector in South Africa has been among the hardest-hit by both global and domestic economic conditions. Retail businesses, particularly those reliant on discretionary consumer spending, faced declining revenues due to inflation, high fuel prices, and weak consumer confidence. Many retailers struggled with high debt levels and have been forced to close stores or enter into business rescue.

Key pressures in retail:

High inflation: Consumers reduced spending on non-essential goods due to rising costs of basic necessities, such as food and energy.

E-commerce disruption: Online retail giants, both local and international, further squeezed traditional brick-and-mortar stores. Retailers that failed to pivot successfullyto online platforms continued to find it difficult to remain competitive.

Weak consumer confidence: The high unemployment rate in South Africa and financial pressures meant that many consumers were more cautious about spending, particularly on luxury goods.

Several mid-sized retail chains filed for business rescue or liquidation in 2024, and larger retailers had to close underperforming stores.

02

Manufacturing and industrial sectors

Manufacturing was another sector that faced considerable pressures in 2024. South African manufacturers, particularly in the automotive and heavy industrial sectors, faced higher energy costs and logistical challenges, coupled with poor domestic demand.

Key pressures in manufacturing:

Energy crisis: The ongoing load-shedding, with regular power outages and the rising cost of electricity, disrupted manufacturing operations, particularly for energy-intensive industries like steel production, cement, and automotive manufacturing.

Global supply chain disruptions: Many South African manufacturers depend on raw materials and intermediate goods imported from abroad. Global supply chain issues, coupled with high shipping costs, further strained their ability to operate efficiently.

Lack of investment: The absence of significant investment in local manufacturing, especially in high-tech or renewable energy-based industries, stifled growth, leaving many companies struggling to modernise and compete globally.

Some notable automotive and heavy industries faced closure or liquidation due to these challenges.

03

Hospitality and tourism

The hospitality and tourism industry in South Africa continued to be severely impacted by economic downturns, rising energy costs, and fluctuating international travel demand in 2024. While South Africa saw some recovery in international tourism, the broader economic conditions meant that domestic tourism and local hospitality businesses continued to face financial strain

Key pressures in hospitality:

Rising costs: Energy costs and transportation expenses pushed operational costs up, making it difficult for many hotels, lodges, and restaurants to maintain profitability.

Inflation and unemployment: Many South Africans have had to tighten their belts, and non-essential travel has taken a backseat. High unemployment has reduced the disposable income of potential customers, further impacting revenue for local businesses.

International competition: International destinations offering competitive pricing ate somewhat into South Africa's market share of international tourists.

A number of mid-sized hotel chains and tourist-oriented companies went into liquidation or into business rescue in 2024, and a significant portion of smaller businesses closed or downsized.

04

Agriculture and agribusiness

The agriculture sector, despite being a significant contributor to the South African economy, experienced volatility in 2024 due to unpredictable weather patterns, rising costs of inputs, and decreasing export competitiveness.

Key pressures in agriculture:

Climate change: Droughts, floods, and erratic weather patterns have created unpredictable conditions for many agricultural producers, particularly in provinces like the Eastern Cape and Western Cape. This led to crop failures and reduced harvests.

Rising input costs: Fertilizer, fuel, and labor costs have escalated, placing immense pressure on margins. Many smaller agricultural businesses were unable to absorb these additional costs

Competition from imports: Imports, particularly from neighbouring countries and international suppliers, undercut local pricing, further squeezing South African agribusinesses.

Several large agricultural firms in South Africa have undergone restructuring processes in response to these ongoing challenges.

High-profile business rescue proceedings and liquidations in 2024

Some high-profile business rescue proceedings in 2024 have drawn attention to the broader issues facing the South African economy with mixed results. These have been widely covered in the media, and have had significant repercussions on employment, shareholder value, and the overall business climate.

West Pack lifestyle – business rescue

The business rescue affected several companies within the group, including West Pack Lifestyle, West Pack Lifestyle Distribution Centre, West Pack Franchise, Petzone, Petzone Franchise, Café Estreito, Café Estreito Franchise, and Beija Flor Investments.

The group's accelerated growth strategy led to cash constraints due to the high capital cost of opening stores and increased investment in inventory, impacting its ability to repay debt. These cash constraints were further exacerbated by working capital challenges, preventing the company from buying the right products to fix its product mix. The overall economic environment in South Africa, characterized by low growth and load shedding also impacted the business negatively.

Its business rescue plan envisioned a corporate finance process aimed at either selling or refinancing the business. Towards the end of 2024, the business was successfully sold to a private buyer, saving over 1,100 jobs, 30 corporate stores and 40 franchise stores.

AutoZone holdings – business rescue

AutoZone, the largest privately owned automotive parts retailer and wholesaler in South Africa, entered into business rescue in 2024 after its performance did not meet expectations.

One of the main factors leading to AutoZone's financial distress were significant debt obligations that were introduced following a private equity transaction that was concluded in 2014. Unfortunately, these debt obligations were not able to be serviced adequately due to a challenging economic environment, paired with the impact of the Covid-19 pandemic, large riots in July 2021, and increased inflation and interest rates.

However, the business rescue was successfully concluded with JSE-listed investment group Metair announcing that it would acquire AutoZone late in 2024.

Cross trainer – business rescue into liquidation

Sports retailer, The Cross Trainer, entered into business rescue proceedings as a result of steep rental escalations and increased operational costs paired with a drop in consumer spending rendering the business unable to service its debt.

A R80 million offer to take control of the company was put forward by a consortium called Connecting Creativity, which was met with an overwhelming negative response by its creditors. As a result, the company filed for liquidation towards the end of 2024.

Drip Footwear, Ellies and Hohm energy – business rescue into liquidation

The business rescue proceedings for the retailer, Drip Footwear, solar energy company Hohm Energy and electronics group, Ellies, unfortunately failed and ended with these companies filing for liquidation in 2024.

Conclusion

Although there are positive signs that overall corporate liquidations may be slowing, businesses in South Africa still face a combination of external and internal economic pressures. Key sectors, such as retail, manufacturing, agriculture, hospitality, and tourism, will remain particularly vulnerable to rising costs, weak consumer demand, and global economic challenges.

Management teams/boards will need to be proactive in the management of company affairs to ensure that, at the earliest sign of distress, appropriate actions are taken early, starting with consensual restructuring options before moving to more formal mechanisms.

04

ASIA PACIFIC

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04 ASIA PACIFIC

Australia

In 2024, Australia experienced a significant surge in corporate insolvencies, reaching levels unseen in over a decade. This increase was driven by a combination of economic challenges, sector-specific pressures, and notable corporate failures.

Overall insolvency trends

According to data from the Australian Securities and Investments Commission ('ASIC'), 18,245 companies entered external administration in 2024, marking a record high and reflecting a 31.4% increase compared to the previous year. This figure accounts for companies entering external administration or having a controller appointed for the first time.

Sectors under pressure

Several industries in Australia faced heightened risks of insolvency, as highlighted by data for the financial year to date (as of 2 February 2025).

Construction

The construction industry has been particularly hard-hit, accounting for 24.3% of company failures. Contributing factors include rising material costs, labour shortages, and project delays. Notably, 1,999 construction companies have become insolvent in the 2024-25 financial year to date.

Accommodation and food services

This sector has represented 17.3% of insolvencies, with 1,420 companies entering external administration since February 2024. Challenges include increased operational costs and reduced consumer spending due to economic uncertainties.

Administrative and support services

This sector has experienced a 37.1% increase in insolvencies in FY25 compared to the prior period. Technological advancements and artificial intelligence automation have reduced the demand for traditional administrative roles, prompting a shift in workforce dynamics.

Retail

The retail sector also faced significant challenges, with several brands collapsing due to rising costs and changing consumer behaviours.

High-profile corporate failures: The year witnessed several notable corporate collapses and high profile public restructurings:

Rex Airlines:

In July 2024, Rex Airlines entered voluntary administration, ceasing all bookings for domestic jet service routes to capital cities. The collapse was attributed to financial difficulties exacerbated by the COVID-19 pandemic and increased competition in the aviation sector.

Beston Global Food Company:

In September 2024, Beston Global Food Company announced its entry into voluntary administration. The company faced significant financial challenges due to fluctuating dairy prices and increased competition in the global food market. Despite efforts to streamline operations and focus on core products, the lingering impacts of the COVID-19 pandemic on supply chains and export markets proved too difficult to overcome.

Mosaic brands:

In October 2024, Mosaic Brands—home to well-known labels such as Noni B, Rockmans, BeMe, W. Lane, Crossroads, Rivers, Katies, Autograph, and Millers—announced its entry into voluntary administration. The decision came as a result of significant challenges, including a downturn in consumer spending and a rapid shift towards online shopping. Despite strategic efforts to enhance their e-commerce capabilities and shutter underperforming physical locations, the company faced insurmountable financial pressures and fierce competition within the retail sector.

Godfreys:

In January 2024, a well-known retailer specialising in vacuum cleaners and cleaning products, entered voluntary administration. The company had been facing declining sales due to increased competition from online retailers and changing consumer preferences. Additionally, Godfreys struggled with a number of loss-making stores that significantly impacted its financial health. Despite efforts to modernise product offerings and enhance the digital shopping experience, these challenges proved too substantial to overcome, ultimately forcing the company into administration.

Contributing factors

Several factors contributed to the rise in corporate insolvencies:

01 **Economic Pressures:** High operational costs, including wages, energy, and raw materials, squeezed profit margins across various industries.

02 **Consumer Behaviour:** Reduced consumer spending due to economic uncertainties led to decreased revenues for many businesses, particularly in retail and hospitality.

03 **Regulatory Actions:** The Australian Taxation Office intensified its debt recovery efforts, taking 80,050 strong recovery actions in FY24 compared to 25,744 actions in FY23. This aggressive approach contributed to the surge in insolvencies.

Outlook

The outlook for 2025 remains cautious, with ongoing economic challenges and potential interest rate adjustments playing crucial roles in shaping the trajectory of corporate insolvencies. While some sectors may experience stabilisation, businesses are advised to engage in proactive financial management and seek professional advice to navigate the uncertain landscape.

The forthcoming Australian election is poised to significantly influence the insolvency outlook for 2025, particularly concerning corporate insolvencies and business confidence. Changes in fiscal policies, including taxation and government spending, are likely to directly impact business viability and insolvency rates.

In a recent move, the Reserve Bank of Australia cut the cash rate by a quarter-point—the first reduction since November 2020. This decision suggests further rate cuts could create favourable economic conditions for businesses to prosper.

Moreover, the use of private credit in Australia is set to rise, driven by ongoing constraints on bank lending and a search for higher yields in a low-interest-rate environment (assuming they continue to drop). As traditional banks face regulatory pressures, private credit providers are stepping in to offer more flexible and tailored financing solutions. These offerings are particularly attractive to businesses seeking growth capital.

Overall, the combination of potential policy shifts, interest rate changes, and the growing private credit market will be key factors determining the insolvency landscape in 2025.

04 ASIA PACIFIC

India

Navigating the Indian Insolvency Market in 2024: Trends, Challenges, and Opportunities

01 Introduction

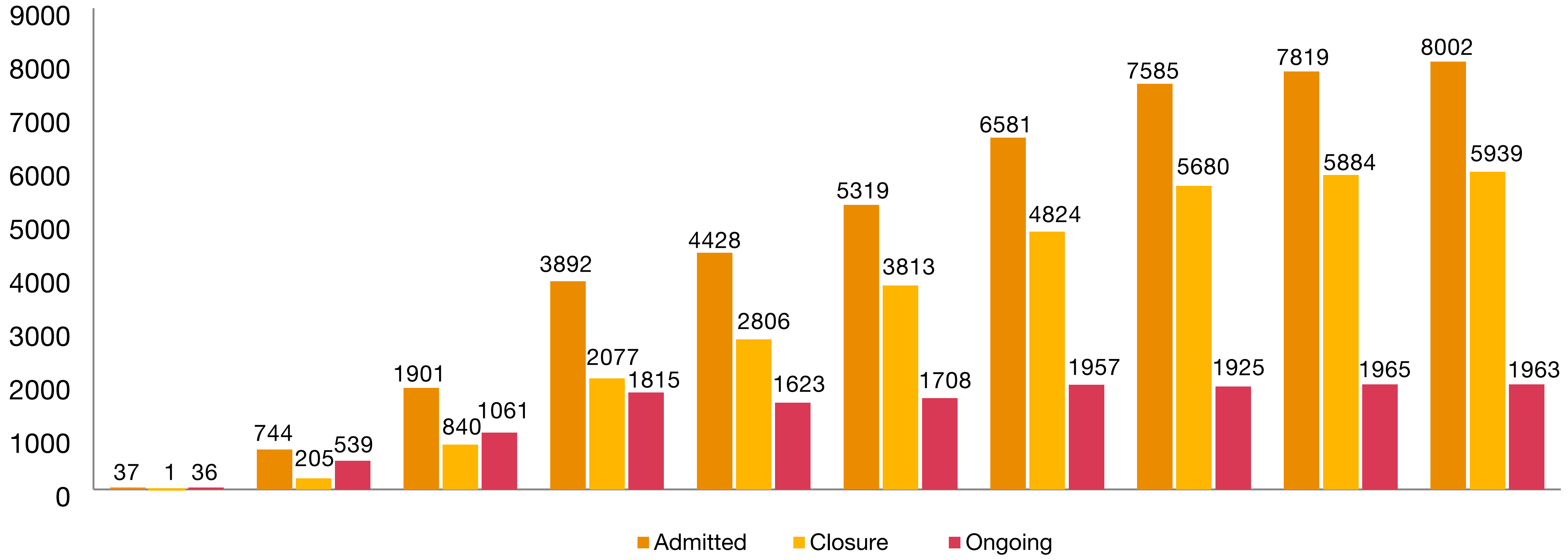
As we reflect on 2024, the Insolvency and Bankruptcy Code ('**Code**') continues to be a cornerstone in India's financial landscape, playing a pivotal role in shaping the distressed credit market. Over the past year, the Code has demonstrated its resilience and adaptability, addressing complex insolvency cases with increasing efficiency and reinforcing investor confidence. The Code's ongoing enhancements and amendments have facilitated quicker resolutions, mitigated financial risks, and attracted foreign investments, thereby significantly impacting the Indian market. By streamlining the insolvency process and promoting a culture of accountability, the Code has not only bolstered the business ecosystem but also contributed to the broader economic stability in a year marked by global economic uncertainties.

The Code has played a crucial role in reducing the gross NPAs of scheduled commercial banks from 11.2% in March 2018 to 2.8% in March 2024. By facilitating the resolution of 8,002 cases through various means and encouraging debt repayment, the IBC has significantly contributed to the financial health of India's banking sector. This framework has enabled financial creditors to effectively manage stressed assets, achieving a notable average realization of 30.09% of admitted claims.

02 Current market overview

The provisions relating to Corporate Insolvency Resolution Process ('**CIRP**') came into force on 1 December 2016. The details of CIRP cases admitted and closed, as at the end of September 2024 are given in below table:

Review of Corporate Insolvency Resolution Process (March 2017 to September 2024)

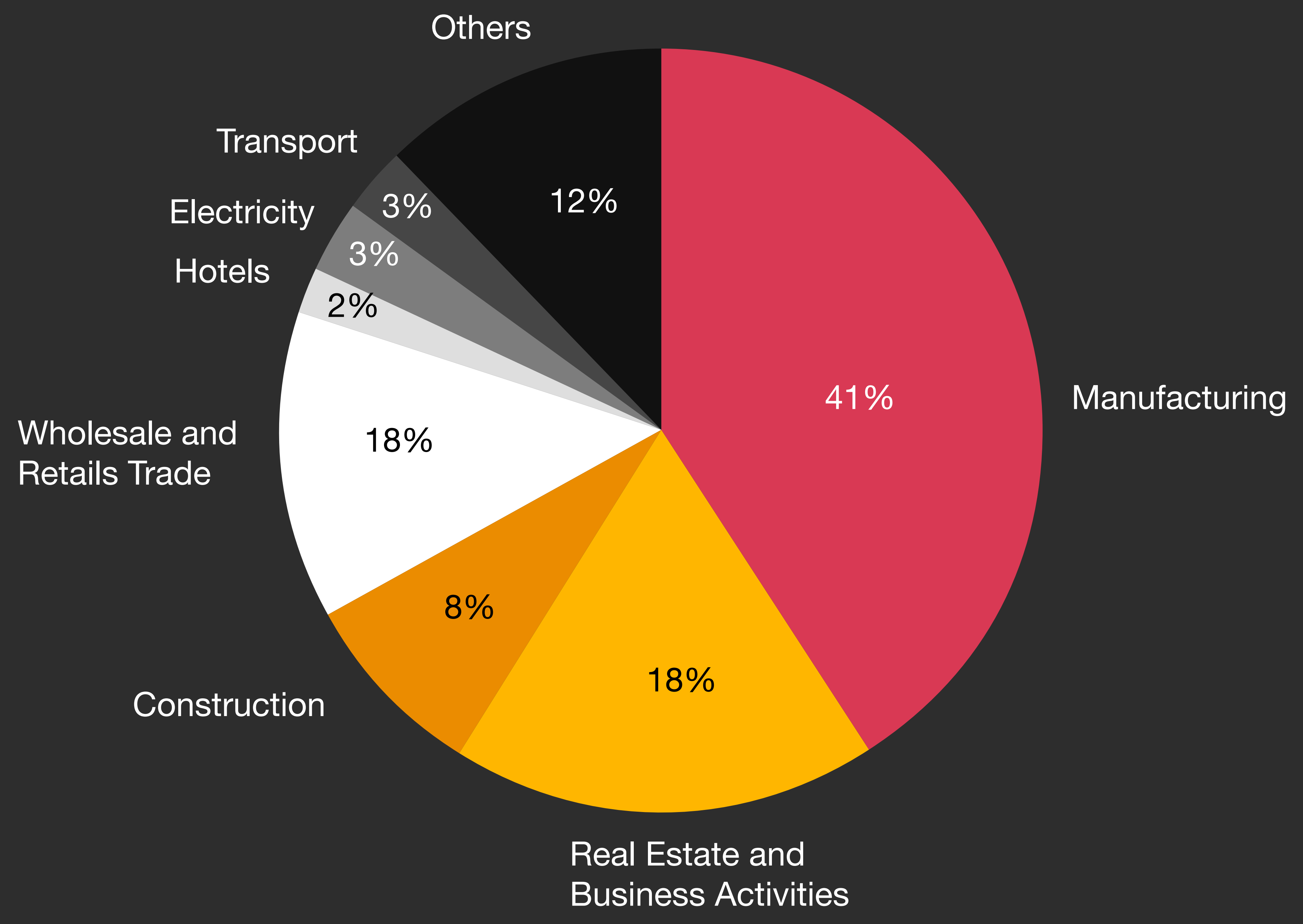


Source : IBBI's Quarterly Newsletter July to September 2024 Edition.

2.1. Sectoral distribution of CIRPs : Resolution Plans

Till September 2024, the creditors have realised ~USD 41 Bn under the resolution plans, as against the total claims of the creditor's worth ~USD 132 Bn indicating a significant recovery, indicating a recovery of around 31%. It's important to note that this realization does not account for CIRP costs or potential future recoveries from various sources (such as recovery from ongoing litigations including avoidance transactions, recovery from guarantor), suggesting that the actual recovery could be higher in the future.

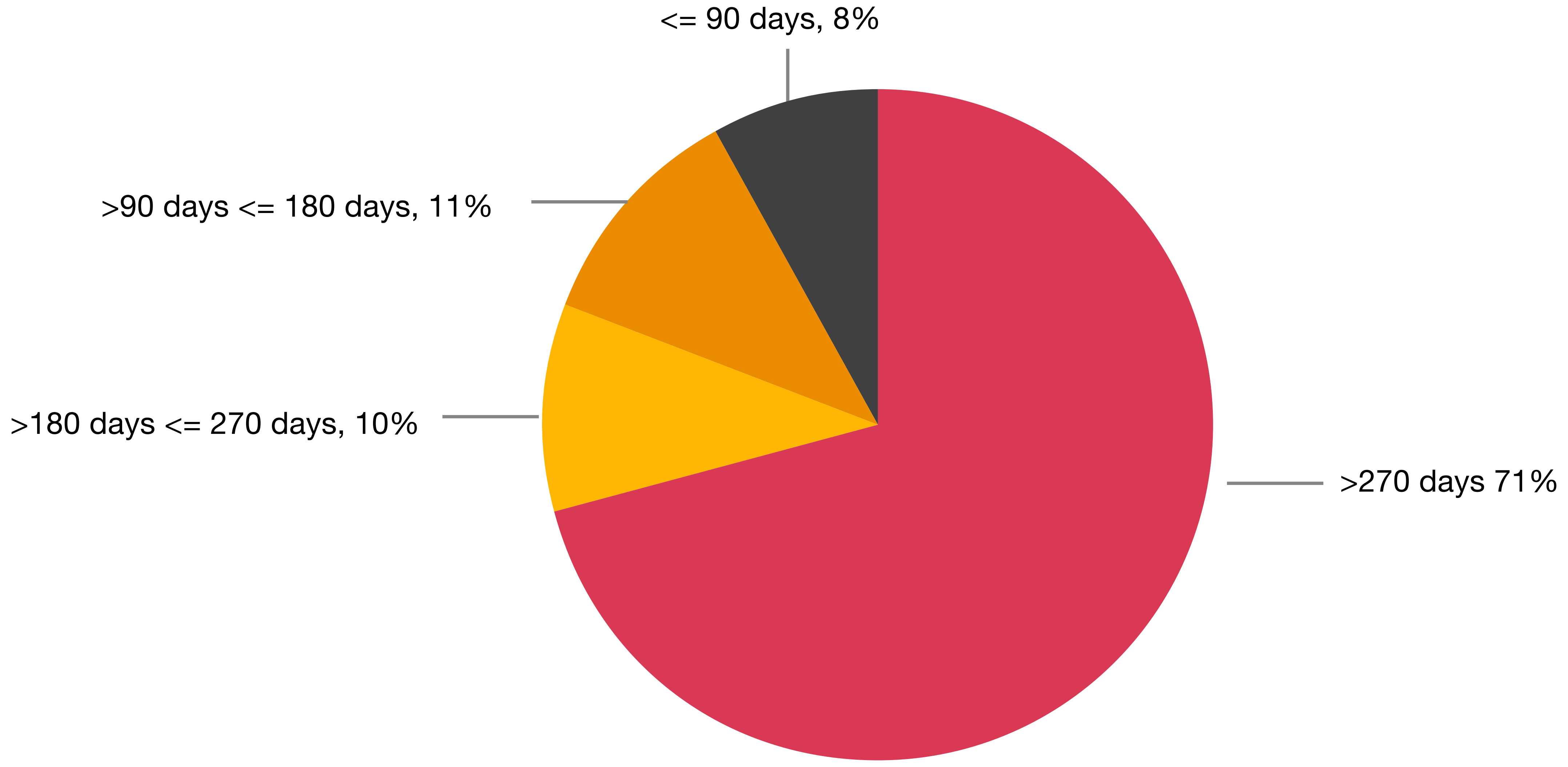
Sectoral distribution of CIRPS: Commencement of liquidation



Source : IBBI Quarterly Newsletter July to September 2024 Edition

2.2. Timeline of Ongoing CIRPs

The status of ongoing CIRPs as of September 2024 in terms of time taken is presented in below figure:



Source : IBBI's Quarterly Newsletter July to September 2024 Edition

2.3. Large cases (Admitted claims > USD 115 Mn)

Of the 1068 Corporate Debtors rescued under the Code as on September 30,2024, 164 had admitted claims of more than USD 115 Mn. The realisable value of the assets available with these 164 Corporate Debtors, when they entered the CIRP, was only USD 21,940 Mn, though they owed USD 115,127 Mn to the creditors.

The realization rate for claimants under resolution plans in IBC cases is 167.43% in comparison to liquidation value, emphasis the effectiveness of the IBC framework in preserving and enhancing asset value beyond what would be achieved through liquidation. The higher recovery rate boosts confidence among stakeholders, encouraging creditors and investors to support resolution processes. It also incentivizes active participation from potential resolution applicants, knowing the framework supports maximum value recovery. Overall, this statistic underscores the success of the IBC in aligning with international practices and enhancing economic stability by efficiently reallocating distressed assets. Details of large cases as on September 30, 2024:

(Amounts in USD Mn)

CIRP cases (Admitted claims > USD 115 Mn)		As on Sept 30, 2024
Resolution Plans approved	No of cases	164
	Admitted claims	115,127
	Liquidation value	21,940
	Realisable value	36,721
	Realisable value as % of admitted claims	31%
	Realisable value as % of Liquidation value	167%

Source: IBBI's Quarterly Newsletter July to September 2024 Edition

03 Regulatory framework

The Insolvency and Bankruptcy Board of India (‘**IBBI**’) has been proactive in rolling out amendments to the Code and its regulations, astutely responding to the evolving market sentiments and demands. Recognizing the dynamic nature of the economic landscape and the complexities involved in insolvency proceedings, the IBBI has continuously refined the regulatory framework to enhance its effectiveness and efficiency. These amendments have been instrumental in addressing procedural bottlenecks, clarifying ambiguities, and incorporating global best practices to align with international standards. By actively engaging with stakeholders, including insolvency professionals, creditors, and legal experts, the IBBI ensures that the regulatory environment remains robust and responsive to emerging challenges.
The significant amendments implemented by the IBBI in 2024 are outlined below:

i. 12 February 2024 – IBBI amends Liquidation Regulations to bring out[1] –

- The amendment empowered the Stakeholder Consultation Committee (‘SCC’) with a greater role and responsibility in the liquidation process, fostering more active participation and decision-making to ensure their interests are better represented and aligned with market conditions.
- Submission of Compromise or Arrangement by Liquidator on recommendations by the SCC within 30 days from the liquidation commencement date, if recommended by the Committee of Creditors during the CIRP, and to ensure prompt action, aligns with stakeholders interests, and enhances process efficiency and predictability.
- **Excluding assets from the liquidation estate if a real estate allottee has taken possession, protecting homebuyers** and ensures their rights are safeguarded during the liquidation process.
- If an auction fails to meet the reserve price, subsequent auctions may lower it by up to 10% each time, or by up to 25% if initially set with SCC advice under Regulation 35(1). These amendments shall allow the liquidator to adjust reserve prices, potentially expediting asset sales and maximizing recovery by aligning prices closer to market conditions. This can enhance stakeholder confidence and streamline the liquidation process.

1. IBBI (Liquidation Process) (Amendment) Regulations, 2024

ii. 15 February 2024 – IBBI amends CIRP Regulations to bring out[4] –

- Regulation 4D – Mandating that the interim or resolution professionals operate a dedicated bank account for each real estate project, aligning with Real Estate Regulatory Authority’s (‘**RERA**’) framework for project-specific accountability and financial tracking.
- Regulation 36(2) (ka) – The fair value estimate can be included in the information memorandum, but if the Committee of Creditors (‘**CoC**’) opts to exclude it, the reasons must be documented.
- The RP, with the approval of the CoC, may invite separate resolution plans for each real estate project after due examination.
- Regulations 38 – If the CoC decides a Monitoring Committee (‘**MC**’) is needed for the resolution plan’s implementation, it can establish the MC with the Resolution Professional (‘**RP**’) or appoint another professional or individual. The inclusion of the RP in the MC enhances oversight and accountability, ensuring cost-efficient and timely execution of resolution plans while boosting stakeholder confidence. This alignment with global best practices supports effective plan implementation.
- The RP must continue their duties under the CIRP until the adjudicating authority decides on the extension application.

2. IBBI (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2024

iii. 24 September 2024 – IBBI amends CIRP Regulations to bring out[5] –

- Proviso to Regulation 16A (1) – Selection of an insolvency professional to serve as an authorized representative for a financial creditor within a class, as indicated in his/her Form CA, will not be considered if the Form CA is submitted beyond the deadline specified in the public announcement.
- Proviso to Regulation 16A (2) – An insolvency professional chosen to represent financial creditors within a class will act as the interim representative until the Adjudicating Authority approves the appointment of the authorized representative. This interim representative will have all the rights and duties of an authorized representative and can attend all committee of creditors meetings.
- These regulatory updates reflect IBBI’s commitment to evolving the insolvency framework in response to practical challenges being faced by the Insolvency Professionals, thereby contributing to a more robust and creditor-friendly environment.

3. IBBI (Insolvency Resolution Process for Corporate Persons) (Second Amendment) Regulations, 2024

04 Insolvency in key indian industries

India's economic landscape is characterized by its diverse and dynamic industries, each contributing to the nation's growth in unique ways. However, as these industries navigate the complexities of modern markets, they also face significant financial challenges that can lead to insolvency.

i. Real Estate Sector

In recent years, the real estate sector has seen a noticeable increase in insolvency cases. This trend is largely driven by factors such as financial instability, budget overruns, and delays in project completion.

What makes the real estate industry different from other industries under insolvency?

Although the Code primarily focuses on restructuring companies to fulfil their debt responsibilities, real estate insolvency cases often also aim to secure timely possession for homebuyers, who are treated as Financial Creditors under the Code. This poses specific challenges faced in resolving insolvencies within the real estate sector, especially concerning the interests of homebuyers.

As per the quarterly newsletter of IBBI issued for July – September 2024, the real estate sector is **2nd Most Affected Industry** with 22% of accounts out of the total insolvencies.

Key developments pertaining to select high-profile insolvencies in the Real Estate Sector in 2024 –

- Jaypee Infratech: The resolution plan for Jaypee Infratech Ltd, was approved, which has provided relief to over 20,000 home buyers.
- SARE Gurugram: This company's insolvency has resulted in recoveries of more than 60% of the claims admitted.
- Supertech Limited: Few of the projects of the company are undergoing CIRP currently.
- Jaiprakash Associates Limited (JAL): The Uttar Pradesh-based company entered insolvency proceedings after ICICI Bank filed an application. JAL is involved in various business sectors, including real estate (one of its major segments), construction, cement, hospitality, and power.

4. IBBI Quarterly Newsletter July to September 2024 Edition
5. IBBI Quarterly Newsletter July to September 2024 Edition

ii. Manufacturing Sector

Insolvency cases within India's manufacturing sector present valuable insights into the economic challenges faced by this vital contributor to GDP, employment, and exports. The sector faces rising financial distress due to high debt levels, fluctuating demand, intense competition, and operational inefficiencies. According to data from the IBBI, as of September 2024[6], approximately 37% of corporate insolvency cases processed by the National Company Law Tribunal ('**NCLT**') pertained to the manufacturing sector.

Dominance of the Manufacturing Sector in CIRPs
Manufacturing businesses generally incur high fixed costs due to substantial investments in machinery and equipment, often financed through debt. This heavy reliance on debt increases insolvency risks, especially if cash flow problems arise or debt obligations cannot be met. Additionally, the manufacturing sector is highly sensitive to economic cycles, with demand and profitability typically falling during downturns.

Accounting for most resolutions – The manufacturing sector, which represents approximately 37% of the CIRPs initiated by the NCLT in volume terms, has also demonstrated a notable capacity for resolution. It accounts for roughly 47% of the resolved cases[7] in volume terms,. This indicates that while the sector is highly susceptible to financial distress, it also possesses significant potential for recovery and turnaround.

High Profile insolvencies in the Manufacturing Sector include –

- **Bhushan Power and Steel –** This insolvency case, initiated in 2017, underscored the challenges in India's steel industry due to high debt and inefficiencies. JSW Steel successfully acquired the corporate debtor for USD 2,234 Mn.
- **Essar Steels –** ArcelorMittal's USD 4,850 Mn acquisition of Essar Steel, exemplified the Code's capacity for significant restructuring in the steel sector despite extended legal and stakeholder challenges.
- **Alok Industries –** Reliance Industries and JM Financial in 2019 jointly acquired the textile company for USD 583 Mn, highlighting the potential for turning around distressed assets in the textile sector despite initial challenges.

iii. Healthcare Sector

The healthcare sector in India plays a significant role in the economy, with public expenditure on healthcare rising from 1.6% of GDP in FY 2021 to 2.1% in FY 2023. India is a key player in medical tourism and the pharmaceutical industry, ranked tenth globally for medical tourism and third in medicine production by volume. Despite this, owing to factors such as technological gaps and high debt levels, several healthcare sector companies faced financial distress and insolvency. The year 2024 saw the successful conclusion of the corporate insolvency resolution process ('CIRP') of various entities in this industry, particularly hospital chains. Driven by the robust demand outlook and growth potential, many of these were acquired by strategic buyers at good valuations. This has resulted in significant realizations for creditors,

High Profile insolvencies in the Healthcare Sector include –

- **Jaypee Healthcare:** Max Healthcare successfully acquired Jaypee Healthcare Limited (JHL), which manages hospitals in Noida, Bulandshahr, and Anoopshahr. As part of the settlement process, financial creditors were able to recover approximately 100% of their claims.
- **Karkinos Healthcare Ltd :** Reliance Strategic Business Ventures Ltd, a subsidiary of Reliance Industries Ltd, successfully acquired Karkinos Healthcare Ltd for USD 2.69 Mn. Karkinos is currently working on the development of a 150-bed multispecialty cancer hospital in Imphal, Manipur.
- **Orchid Pharma Limited:** Dhanuka Laboratories, a pharmaceutical company, successfully acquired Chennai-based Orchid Pharma Ltd. As part of the resolution process, financial creditors were able to recover approximately 30% of their claims.

iv. Ed-Tech Sector

The Indian ed-tech sector, exemplified by Byju's, is currently navigating a landscape of increased competition and changing demand dynamics following the pandemic. Byju's defaulted on a sponsorship fee to the BCCI, leading to insolvency proceedings initiated by the NCLT in June 2024. A settlement with the BCCI was later approved by the NCLAT, however, it was further challenged in the Supreme Court, which overturned the NCLAT's decision, highlighting the necessity of considering all stakeholders' interests. This reflects broader issues in the sector, including evolving regulations and investor pressures.

6. https://www.expresshealthcare.in/news/from-crisis-to-catalyst-harnessing-insolvency-for-revolutionary-innovation-in-healthcare/440573/

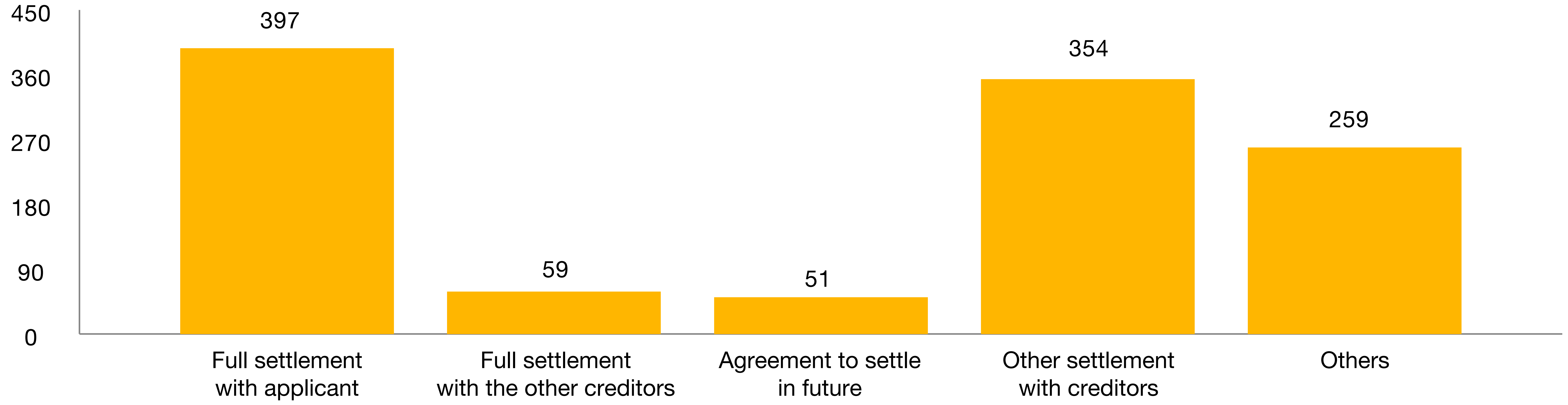
05 Out-of-Court Settlement and other ensuing practices (Data till 30th September 2024)

Out-of-court settlements under the Code are emerging as a popular alternative to formal insolvency proceedings due to their flexibility, cost-effectiveness, confidentiality, and speed. These settlements allow creditors and debtors to negotiate terms proactively, helping to prevent value erosion and address specific financial needs. Common strategies include debt restructuring, asset sales, equity infusions, and settlement agreements. However, challenges such as building consensus among creditors, the absence of a formal legal framework, and potential enforceability issues can complicate these agreements. Despite these hurdles, out-of-court settlements are gaining traction for their private and less adversarial nature, offering a pragmatic approach to financial distress resolution.

Till September 2024, a total of 1,120 CIRPs have been withdrawn under section 12A of the Code. The reasons for withdrawal and distribution of claims in these CIRPs are presented in figure above.

Source: CIRP-related statistics have been taken from IBBI Quarterly Newsletter, July to September 2024.

Almost three fourth of these CIRPs had claims of less than USD 1.15 Mn.



Source : IBBI Quarterly Newsletter July to September 2024 Edition

In view of the above, IBBI has also proposed an option for operational creditors to engage in mediation before filing insolvency applications under Section 9 of the Code. This mediation process, facilitated by a mediator as per the Mediation Act, 2023, aims to resolve disputes amicably. If mediation fails, the mediator will prepare a non-settlement report, which will be attached to the application for initiating the CIRP before the Adjudicating Authority (‘**AA**’). This proposal is intended to reduce the burden on the AA and expedite the admission process.

Conclusion

Coming in from 2024, the Indian insolvency market stands at a pivotal point, showcasing both advancements and ongoing challenges within the nation’s economic framework. The Code has significantly reshaped how financial distress is managed across sectors such as manufacturing and healthcare, facilitating notable resolutions and highlighting the potential for recovery in distressed assets. While significant progress has been made, the market still encounters opportunities for improvement, such as simplifying regulatory processes and enhancing operational efficiency, along with the need for strategic financial oversight. The COVID-19 pandemic has presented insights into industry challenges, highlighting the importance of building resilience to adapt to economic fluctuations. Emerging challenges in sectors like ed-tech and healthcare stress the importance of tailoring insolvency strategies to specific industry dynamics. For sustained effectiveness of the insolvency framework, India must improve resolution efficiency, safeguard stakeholder interests, and create an environment supportive of business recovery and growth. By tackling these challenges and building on recent experiences, the Indian insolvency market can continue to advance, contributing to a more robust and resilient economic future.

04 ASIA PACIFIC

Malaysia

Corporate Insolvency Volumes in Malaysia in 2024: Overview

In 2024, Malaysia experienced a notable uptick in corporate insolvencies, driven by a mix of macroeconomic pressures, industry-specific challenges, and the lingering effects of the COVID-19 pandemic. While insolvencies are an inevitable part of a market economy, the trends in 2024 suggest that various factors such as global economic conditions, local economic policies, and industry-specific hurdles have exacerbated financial strain for many companies.

This overview will examine the key factors contributing to corporate insolvency in Malaysia in 2024 and in recent years, the sectors facing the most pressure, and a few high-profile cases that have garnered attention.

Macroeconomic Factors Driving Insolvencies

The year 2024 began with Malaysia navigating through a period of economic uncertainty. While the country's GDP growth rate remained positive, it faced several headwinds that had direct impact on business environment:

Global Inflation and Supply Chain Disruptions: The lingering effects of the global inflationary environment, particularly in commodity prices, continued to put pressure on Malaysian companies. Firms in sectors like manufacturing, construction, and retail were particularly vulnerable to the increasing cost of raw materials, labour shortages, and hike in minimum wages.

Interest Rate Hikes: The Malaysian central bank, Bank Negara Malaysia, alongside other central banks globally, maintained a relatively tight monetary stance in 2024 to curb inflation. The higher interest rates significantly increased borrowing costs for businesses, especially those in capital-intensive industries or those that were already stretched by previous debt obligations.

Post-Pandemic Aftershocks: Many businesses that had been surviving on government aid during the pandemic found themselves in deeper financial distress once those subsidies ended. Despite the economy reopening, certain sectors, particularly those dependent on consumer discretionary spending and retail, have struggled to regain their pre-pandemic levels of profitability.

An Uptick in Corporate Insolvency Cases in Malaysia in 2024

Throughout 2024, corporate insolvency volumes surged in Malaysia, driven by these aforementioned challenges. According to data from Malaysia's Insolvency Department, corporate insolvencies up to November 2024 saw a rise of over 10% compared to the same period in 2023. These statistics represent a wide spectrum of businesses, from small- and medium-sized enterprises (SMEs) to large corporations. Most affected sectors include construction, retail and consumer goods, manufacturing.

The types of insolvencies observed in Malaysia ranged from **voluntary liquidations** initiated by companies themselves, to **court-ordered liquidations** where creditors sought to recover debts. **Restructuring and debt reorganization procedures** also increased as companies sought to avoid full liquidation and instead attempted to salvage their operations through financial restructuring or by seeking mergers and acquisitions.

Industries facing the most pressure

While insolvencies were widespread, certain sectors were disproportionately impacted due to their exposure to specific economic pressures:

01

Oil and Gas: The oil and gas sector, traditionally a cornerstone of Malaysia's economy, has experienced a challenging year. Despite high global oil prices, many service providers in the industry are still grappling with the lingering effects of the COVID-19 pandemic. Delays in project timelines and cost overruns have significantly impacted these companies. Moreover, lenders have become more hesitant to extend financing to the sector, making it difficult for smaller players to secure new projects and exacerbating their financial strains as debt maturities loom.

In recent years, the sector has witnessed several high-profile cases, including the liquidation of **Serba Dinamik** and the ongoing restructuring of **Sapura Energy Berhad** through a scheme of arrangement. Both companies are global oil and gas service providers whose financial difficulties have been significantly exacerbated by project delays and cost overruns due to the COVID-19 pandemic, in addition to looming debt maturities.

02

Construction and real estate: The construction and real estate sectors were among the hardest hit. The ongoing challenges in the property market, including oversupply in some segments and falling demand in others, led to liquidity crises for some property developers and contractors. Rising labour and material costs, coupled with delayed projects due to supply chain disruptions and labour shortages, further burdened companies.

A recent example is **Pestech**, which fell into severe financial distress post-COVID-19. The Group has recently proposed a scheme of arrangement to restructure and compromise a significant portion of its debts.

03

Retail and consumer goods: The retail sector continued to experience significant pressures due to intense competition from the online retailers coupled with dampened consumer spending power due to inflationary pressures. Companies heavily reliant on imported goods were also burdened by currency depreciation and logistics cost hikes.

Around the end of 2020, **MBO Cinemas**, one of Malaysia's larger cinema operators, faced liquidation following cash flow problems exacerbated by the government-imposed movement control order to curb the spread of COVID-19. Eventually, the Group was dissolved, with its key businesses sold by the liquidator. Similarly, around mid-2021, **Topshop** ceased its operations in Malaysia.

04

Manufacturing: Malaysia's manufacturing sector, which had been central to its economic growth in previous decades, faced increasing operational costs due to global inflationary trends, supply chain disruptions, and geopolitical tensions, particularly the US-China trade war. Smaller manufacturing firms, especially in the electronics and textiles industries, were squeezed out of the market, unable to compete with larger multinational corporations.

In 2024, two notable cases are **Sarawak Cable and KNM**, both of which are currently undergoing restructuring efforts.

05

Tourism and Hospitality: The hospitality and tourism sector, which was devastated by the COVID-19 pandemic, was slow to recover in 2024. With global travel restrictions largely lifted, tourism numbers did not rebound as quickly as expected. The slower recovery is attributed to inflationary pressures and broader global economic concerns, which have dampened consumer confidence and spending on travel.

The airline industry faced significant challenges, prompting two of Malaysia's largest carriers to undergo restructuring in 2020/2021. The gradual resurgence in travel and tourism has aided in the recovery and stabilisation of both airlines. Additionally, numerous hotels were forced to close during and after the pandemic due to the slower than expected recovery, resulting to cash flow insolvency for many establishments.

Conclusion

Corporate insolvency volumes in Malaysia in 2024 reveal a landscape of increasing distress among businesses, especially those in the oil and gas, construction, retail, and manufacturing sectors. The combination of external macroeconomic pressures—such as global inflation, higher interest rates, and supply chain disruptions—with internal challenges like poor cash flow management, aggressive debt accumulation, and market saturation, have led to the rise in insolvency filings.

High-profile corporate failures, including those mentioned above underscore the difficulty of navigating a complex economic environment marked by both global and domestic uncertainties.

For businesses in Malaysia, the key takeaway for the future is the importance of agility and robust financial planning. With external economic conditions unlikely to stabilise in the short term, companies across sectors will need to navigate increasingly volatile conditions to avoid the spectre of insolvency.

In response, Malaysia remains proactive in refining its corporate rescue mechanisms. Recent advancements, such as the introduction of super priority rescue financing, pre-packaged schemes of arrangement, and cross-class cram downs, became effective on 1 April 2024. Furthermore, Malaysia has announced plans to adopt the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Cross-Border Insolvency in 2025, further aligning its legal framework with international standards.

04 ASIA PACIFIC

New Zealand

Overview of New Zealand Insolvency in 2024: Trends, Sectors, and High-Profile Failures

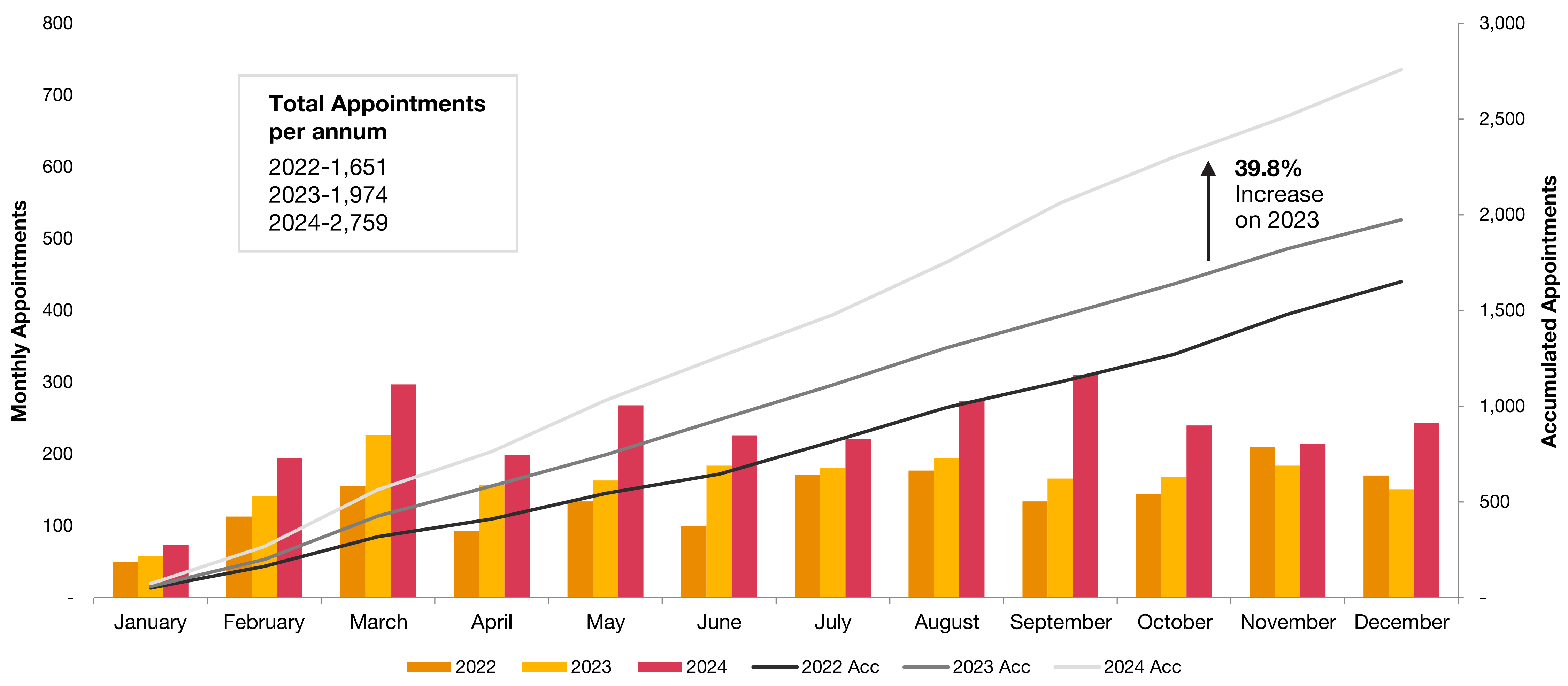
Corporate Insolvency Trends in 2024:

In 2024, New Zealand's corporate insolvency landscape has seen a noticeable uptick in the number of insolvency proceedings since a range of Covid support initiatives were introduced in 2020. The increase in corporate failures can be attributed to a combination of persistent inflationary pressures, high interest rates, low consumer and business sentiment resulting in decreased spending, as well as a slowdown in global trade. These factors have placed financial pressure on companies across multiple sectors, particularly those with high operational costs, those that are highly leveraged or those relying on global supply chains. As a result, more New Zealand companies went into an insolvency process in the final quarter of 2024 than any three-month period since the global financial crisis (however, they have not reached the highest number of appointments during the GFC as yet).

Volume of Insolvency Appointments

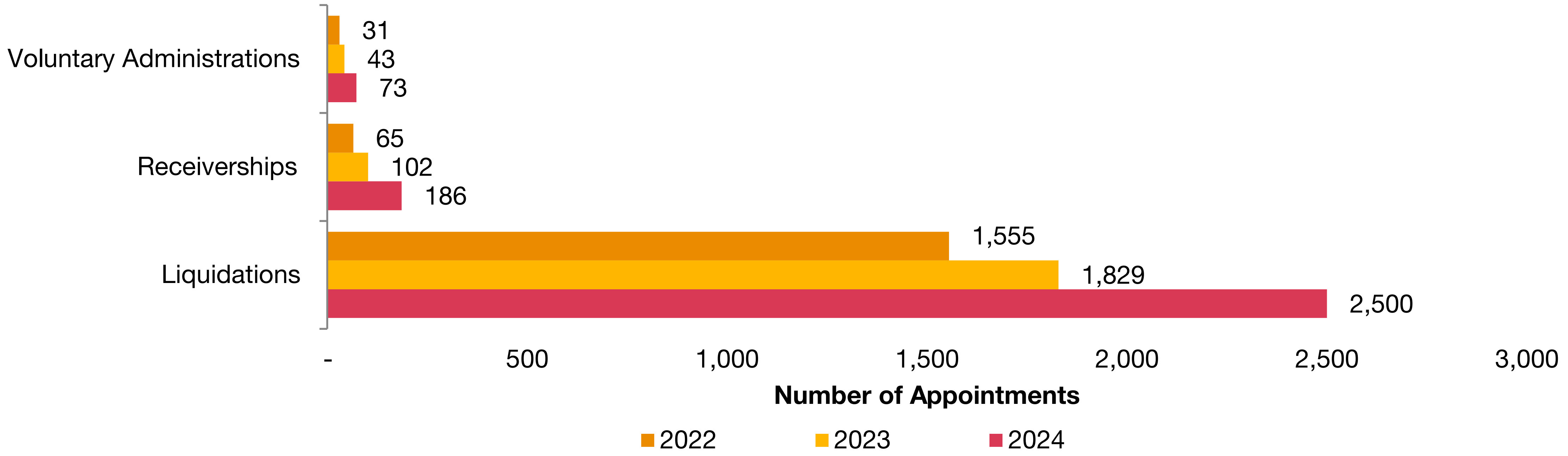
Insolvency filings in New Zealand in 2024 have been characterized by a marked increase compared to the previous year. As of December 2024, the New Zealand Companies office insolvency statistics show that 2,759 companies have been placed into liquidation, receivership or voluntary administration, up from 1,974 in 2023. This represents a 39.8% increase in the number of appointments year-on-year. Whilst the data does not consider the individual size of any of the appointments, we have highlighted a number of high-profile cases on pages 4 and 5.

Appointment Statistics – 2022 to 2024



Type of Appointments

Mix of Appointments per annum



Overall, liquidation remains the most common insolvency process utilised within New Zealand, with a 36.6% year-on-year increase to the close of 2024. However, the statistics also reflect an increase in the number of voluntary administrations, with 73 recorded in 2024 an uplift from 43 in 2023. Voluntary administration remains underutilised and is viewed as an expensive and more onerous process within the market.

Economic pressures and factors contributing to insolvencies

During 2024 the New Zealand economy entered recession with a 1.1% drop in Gross Domestic Product (GDP) in Q2 and a 1% drop in Q3. This recession has been keenly felt within the economy (as reflected by increasing insolvency appointments) and is underpinned by a number of factors.

01 Inflation

Inflation, particularly in energy prices, insurance costs, commodity prices, fertilisers, food and building products, has impacted a wide range of industries and consumers. Rising input costs have made it difficult for companies to maintain profitability, with many struggling to pass on these costs to consumers due to competitive market pressures. While inflation levels have eased from 2023 peaks, many businesses in the manufacturing, retail, and construction sectors have been particularly hard hit, and there remains a 'cost of living crisis' in New Zealand.

02 Interest rates

The Reserve Bank of New Zealand raised the Official Cash Rate (OCR) during the course of 2022 and 2023 in an attempt to relieve inflationary pressures, which in turn resulted in relatively high interest rates. The OCR then reduced during 2024 from 5.50% to 4.25% as inflationary pressure reduced. Whilst this is a positive for borrowers there will be a time lag before this benefit is felt within the economy, particularly for those who are highly leveraged. The impact of high interest rates on New Zealand business is twofold, it results in higher costs of capital, and it puts downward pressure on consumer spending, both of which have adversely impacted business confidence.

03

Government austerity measures

The current coalition Government began its term in November 2023 and has begun enacting policies which would see public sector agencies reducing costs by up to 7.5% from 2023 levels unless specifically exempt. These cost reductions have been implemented during 2024, primarily through headcount reduction, with a mix of redundancies, natural attrition and the end of recruitment for open roles utilised. Many of these job losses are in the capital city, Wellington, which has seen a material impact on the local economy through loss of residents and jobs. Unemployment rates are expected by many economists to increase in the short-term.

04

Decreased consumer spending

In New Zealand, consumer and business confidence remained low during 2024. This has resulted in reduced consumer spending, particularly in discretionary sectors including hospitality, travel, and entertainment. Many businesses in these sectors have struggled to maintain revenues during the year. There are some signs of improved business and consumer confidence in November and December, however, it may be too early to tell if this increase has been driven by the higher spending typically associated with the Christmas holiday period or if it is indicative of a sustained improvement in consumer spending habits moving into 2025.

05

Inland Revenue Department approach

Post Covid, many businesses took advantage of payment arrangements for unpaid taxes. The Inland Revenue Department in New Zealand is now taking a well publicised more proactive approach to pursuing overdue tax debt, which in turn has resulted in an increase in the number of company liquidations.

Industry specific commentary

Some sectors have experienced more significant levels of distress compared to others, and insolvency filings have disproportionately impacted certain industries.

01 Property and Construction

The property and construction sector has been under considerable pressure, driven by a combination of rising input costs, supply chain delays, and historically high interest rates. While demand for housing has remained relatively strong, the soaring cost of raw materials has resulted in a slowing pipeline of work. This is compounded for firms that have historically relied on government contracts as public sector spend on infrastructure projects has slowed or faced further scrutiny. Further, increased interest rates and low consumer confidence have contributed to a material reduction in property prices since a post covid peak in 2022.

Many of these businesses typically have weak balance sheets and often operate on thin margins, ultimately lacking the robustness to tolerate extended periods of reduced demand.

02 Hospitality and Retail

Many small and mid-sized businesses, especially in the hospitality industry, have struggled to recover post-pandemic, facing rising input costs and declining foot traffic compounded by decreased discretionary spend by consumers. The Restaurant Association's '2nd Quarter 2024' report stated that 76% of surveyed members reported worse or significantly worse profitability compared to the same period in 2023.

Retail businesses are experiencing similar problems to the hospitality sector, with a number of high-profile closures of multi-site retailers over 2024. The sector is facing increasing labour costs, decreased discretionary spend by consumers (especially 'big ticket' items) and supply chain delays forcing businesses to hold higher levels of inventory.

03 Primary

Agriculture and farming have long been a pillar of New Zealand's economy. The sector has faced significant pressures in 2024 as a result of rising input costs, environmental challenges and legislation, market volatility (especially softening demand from China and other export markets), and surplus processing capacity. These pressures have been particularly acute within some sub-sectors, such as horticulture, apiculture and the red meat sector, and as a result they have been more vulnerable to insolvency. Other sub-sectors, most notably dairy, have shown greater resilience and have been buoyed by a low New Zealand dollar.

High-profile corporate failures in 2024

Several high-profile corporate failures have captured the attention of the New Zealand public and business community in 2024. These failures highlight the broader economic pressures impacting businesses and the challenging operating environment.

01 Du Val Group:

The Du Val Group is a residential property developer based in Auckland. The NZ Regulator, the Financial Markets Authority, took action against the Du Val Group with an application to the High Court to appoint Interim Receivers and the issuance of asset preservation orders. The application was granted with Receivers from PwC appointed on 2 August 2024.

These entities (and further entities within the Group) were then placed into Statutory Management on 23 August 2024 under New Zealand's Corporations (Investigation and Management) Act 1989 (CIMA). This is a rarely used mechanism that confers expansive powers on statutory managers, with the intention that they have sufficient powers to manage and reconstruct the affairs of the relevant entities with limited interference. This is done with the view of preserving the interests of members and creditors of the corporation and the public whilst limiting any further financial deterioration of the entities' financial affairs.

At the date of appointment the Du Val Group had various property developments underway. These ranged in size from a 180 unit estate to smaller townhouse development sites as well as bare land. In total 70 entities are currently under statutory management and 7 in Receivership. The estimated amount due to creditors and investors on appointment is estimated to be $237m. The realisation of assets and investigation into the affairs of the Du Val Group is ongoing.

02 SolarZero:

SolarZero, which pioneered New Zealand's first large-scale solar subscription service and services c. 15,000 customers, was placed into liquidation on 26 November 2024 by shareholder resolution.

Without further funding from the primary shareholder, US private equity giant BlackRock, a combination of unsustainable operating losses, and liquidity constraints led to the company's insolvency. The liquidation remains ongoing.

03 Laybuy

In the finance sector, the Laybuy Group, a global (and previously ASX listed) buy-now-pay-later platform, was heavily impacted by reduced consumer spending, higher credit losses and increased financing costs resulted in liquidity issues which culminated in the appointment of Receivers over three of the groups entities: Laybuy Group Holdings Limited, Laybuy Holdings Limited, and Laybuy Australia Pty Limited. The UK based entities and certain other entities within the Group are not in receivership.

04 ASIA PACIFIC

Singapore

Overview of Corporate Insolvency Volumes in Singapore in 2024

In 2024, Singapore experienced a shift in its corporate insolvency landscape, with an increase in the number of business cessation for Singapore registered businesses. Whilst there is business cessation due to corporate failures, and some new restructuring cases during the year, a portion of the ceased entities were due to corporate restructuring amidst regulatory changes (e.g. regulations impacting family offices and the Global Minimum Tax regulations) as well as end of life of investment vehicles.

The corporate insolvency sector remains active, with some new cases in the year. Notably, legacy cases which are still facing ongoing investigations and legal or criminal proceedings and multi-year workouts and insolvencies are continuing to drive the corporate insolvency activities.

While the country's regulatory and economic environment remained robust in 2024, several sectors faced increasing pressure, driven by macroeconomic challenges (including commodity prices), geopolitical instability impacting supply change, and domestic economic factors (particularly inflation costs).

Drivers for the corporate insolvency include unsustainable business models, disruption by substitute players or a failure to adapt to changing consumer trends. As a financial centre, Singapore has its share of Singapore-based holding companies with significant operations outside of Singapore as well as onshore lending to offshore companies. Some of the business failures which occur offshore, particularly in China, have adversely impacted some Singapore corporates, leading to some insolvency cases locally.

In this overview, we will explore key trends in corporate insolvencies in Singapore, highlight sectors under the most pressure, and list some of the high-profile corporate failures.

Economic and Market Context in 2024

Singapore's economy, after a period of post-pandemic recovery, faced several challenges in 2024, including comparatively higher interest rates, inflationary pressures, and the ongoing uncertainty caused by geopolitical tensions. The global slowdown affected demand across various industries, particularly those reliant on exports, while domestic market conditions also contributed to an uptick in corporate insolvencies.

Corporate Insolvency Trends in Singapore

Increase in Corporate Insolvencies

In 2024, Singapore witnessed an increase in corporate insolvencies compared to previous years. According to data from the Accounting and Corporate Regulatory Authority ('ACRA') the number of businesses that ceased increased by approximately 7%from 2023 to 2024. This rise came as some businesses struggled to cope with rising costs, interest rates, and disruptions in global supply chains, particularly for small and medium-sized enterprises ('SMEs') vulnerable to these pressures. While the government provided temporary relief during the pandemic, these were phased out by 2023. Governmental support is increasingly directed instead of being broad-based, and weak businesses cannot expect to rely on governmental support to help keep operations going.

A combination of rising operational costs, tighter liquidity, and growing debt burdens led many companies, particularly small and medium-sized enterprises ('SMEs'), to struggle financially. A range of factors played into the surge of insolvencies, including:

Increased debt burden and high borrowing costs: 2024 saw a sustained level of relatively high interest rates. Aside from some sectors that rebounded post-Covid, many businesses have not returned to pre-Covid profitability and have increased reliance on debt.

Inflation and supply chain disruptions: Inflationary pressures and ongoing disruptions in supply chains also put significant strain on businesses, particularly in manufacturing and retail sectors. These industries faced higher costs for raw materials and transportation, eroding profit margins and increasing the likelihood of insolvencies.

Weakening global demand: A slowdown in demand for exports, particularly from major trading partners like China and the US, contributed to reduced revenues for companies involved in international trade, which further strained their financial health.

Fraud can also be a significant catalyst for insolvency. The immediate financial damage, combined with the legal consequences, loss of trust, and inability to secure further capital, often leaves businesses with no recourse but to file for liquidation.

In 2024, Singapore is still experiencing the spillover of its largest money laundering case involving illicit funds from foreign sources, which garnered international attention due to the scale and scope of the operation. The case involving S$3 billion of assets saw an initial 10 foreign nationals jailed in 2024. These individuals have been linked to at least 35 companies, out of which 6 have been struck off. Investigations are still ongoing for another 17 people in relation to the case.

Government Measures and the Resilience of Singapore's Insolvency Framework

Singapore's regulatory framework for corporate insolvency remained one of the most well-developed in the region, offering multiple avenues for companies facing financial distress to either restructure or liquidate. The introduction of the Insolvency, Restructuring, and Dissolution Act ('IRDA') in 2020, which streamlined and modernized the insolvency process, helped provide businesses with more flexibility in dealing with financial challenge. The IRDA continued to evolve in 2024 to provide better tools for businesses to restructure and recover, with a focus on allowing businesses more time and flexibility to restructure their debt.

The government also aims to make the restructuring process more efficient, with an emphasis on keeping viable businesses afloat. In 2024, government agencies, such as the Monetary Authority of Singapore ('MAS'), continued to offer support measures such as temporary relief from legal actions, debt moratoriums, and the provision of advisory services for companies undergoing restructuring. This support helped alleviate some of the immediate pressures faced by distressed businesses, though it did not prevent the inevitable wave of insolvencies as certain sectors continued to grapple with the fallout of global economic conditions.

Singapore remains at the forefront of the global fight against money laundering, continuing to evolve its regulatory framework to address new risks and challenges, especially in the realms of digital assets, trade finance, and real estate. The Singaporean government has been proactive in strengthening its laws, increasing enforcement actions, and cooperating internationally to maintain the integrity of its financial system.

Sectors Under Pressure

While corporate insolvency volumes were up across the board in Singapore, certain sectors were particularly hard hit. These sectors had been facing longstanding challenges even before the global economic slowdown, but in 2024, these issues were further exacerbated by broader macroeconomic pressures.

01

Real Estate and Construction

The real estate and construction sectors saw some insolvencies in Singapore in 2024. A number of construction companies, particularly small and medium-sized firms, found themselves in financial distress due to the combination of rising material costs, labour shortages, and delayed projects. While Singapore's construction industry had seen a recovery post-pandemic, the demand for new developments began to soften, especially in the face of rising interest rates which led to a cooling in the real estate market.

Several prominent construction firms entered insolvency proceedings in 2024 due to the collapse of their project pipelines and mounting debts. Companies in this sector were also impacted by regulatory changes and the government's focus on sustainability and green building practices, which required significant investments in technology and innovation.

02

Retail and Consumer Goods

The retail and consumer goods sector faced increasing pressures, with many businesses unable to cope with both the post-pandemic market dynamics and the rise of e-commerce. Traditional brick-and-mortar retailers, particularly those in the fashion and luxury goods segment, saw a decline in foot traffic, compounded by high rental and labour costs.

Consumer-facing companies, which had initially benefited from a pandemic-driven surge in demand, were now contending with shifting consumer behaviours and a more cautious spending environment. The rise of online retail platforms continued to pose a challenge, forcing many companies to pivot toward e-commerce solutions, but not all were able to make the transition effectively.

Several high-profile retail brands, particularly those with an international presence, filed for insolvency or entered restructuring negotiations in 2024, citing operational inefficiencies, supply chain problems, and weakened demand.

03

Hospitality and Tourism

The hospitality and tourism sectors, though having experienced a strong recovery from the pandemic in the previous years, also saw increased insolvency filings in 2024. The global travel industry continued to face headwinds from higher fuel prices, labour shortages, and the effects of inflation on travel costs.

Although Singapore's status as a leading tourism and business destination helped buffer some of the impacts, hospitality firms, especially those that had overleveraged during the boom period in 2021 and 2022, struggled to maintain profitability. Many hotels, resorts, and event management companies that had borrowed heavily for expansion during the pandemic recovery period found themselves unable to meet debt obligations in 2024, leading to a higher number of insolvencies.

04

Tech Startups and Venture-Backed Firms

The tech sector, particularly startups and venture-backed firms, faced a challenging year in 2024. The tightening of venture capital funding, following a global shift toward more conservative investment strategies, led to liquidity issues for many startups. Companies that had expanded rapidly during the post-pandemic investment boom were now struggling to maintain their burn rates in an environment where investor capital was harder to come by.

Tech firms in areas like fintech, artificial intelligence, and e-commerce faced increasing competition and pressure to demonstrate profitability, rather than continuing to focus on growth at all costs. Several high-profile tech startups in Singapore were forced into insolvency proceedings or restructuring efforts, particularly as investors sought more conservative, low-risk opportunities.

Selected Corporate Failures in 2024

Certain corporate failures made headlines in Singapore in 2024, further highlighting the pressures felt across various industries.

01 FJ Benjamin Holdings

FJ Benjamin, a retailer known for its fashion and luxury brands in Singapore and Southeast Asia, struggled significantly in 2024 due to the continued pressure from e-commerce giants, rising retail rents, and a shift in consumer preferences towards more sustainable, online, and personalised shopping experiences.

In the first quarter of 2024, FJ Benjamin entered a formal debt restructuring process after being unable to meet debt obligations to its suppliers and creditors. The company closed several of its underperforming stores and tried to refocus on its e-commerce operations, though the long-term viability remained uncertain.

02 Qoo10 Singapore

Qoo10 Singapore, an online marketplace, faced significant financial challenges in 2024, leading to its winding-up in November 2024. The Singapore High Court ordered the Company's liquidation after Korea Culture Promotion (KCP) sought to wind up Qoo10 over nearly 76 billion won (S$72.4 million) in unpaid debt. This followed reports of delayed payments to vendors and disruptions in deliveries by its logistics subsidiary, Qxpress.

Conclusion

Corporate insolvencies in Singapore increased in 2024, with several sectors – such as real estate, retail, hospitality, and technology – bearing the brunt of the economic slowdown. While the country's regulatory framework remained strong, providing companies with multiple avenues for restructuring or liquidation, the macroeconomic environment and sector-specific challenges led to the collapse of numerous businesses. The year 2024 thus served as a reminder of the vulnerabilities inherent in the corporate sector, particularly when faced with external economic pressures and internal financial mismanagement. As we move into 2025, businesses will need to remain agile, leveraging innovation and strategic planning to navigate the challenges of an increasingly volatile global economy.

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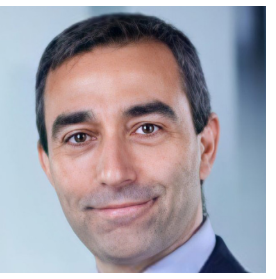

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