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PANORAMA

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INSOLVENCIES IN CENTRAL AND EASTERN EUROPE

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Challenging macroeconomic conditions have been a determining factor in companies' business activities in recent years. These challenges included weak growth in domestic demand, due to difficult situations in the labour market and the reluctance of companies to make investments in fixed assets. On the external side, companies have suffered from the contraction of their main export destination, the Eurozone, while Russia's recently deteriorated economic performance, along with its officially imposed embargo, led to significantly lower trade volumes. Companies in the CEE region have started to actively search and tap into other

external markets, although full substitution was not possible.

2014 brought better conditions for the business activities of companies in the CEE, thanks to a rebound in domestic demand (especially household consumption in most CEE economies), as well as improved Eurozone prospects. These improvements were also confirmed on the microeconomic side. The CEE's regional average for company insolvencies dropped by 0.5%, although insolvency dynamics vary between CEE economies. A strong rise in insolvencies was recorded in Slovenia and Hungary, whereas Serbia and Romania enjoyed a much lower number of bankruptcies than in the previous year. These fluctuations in insolvencies

are determined not only by different economic conditions in particular countries, but also by their differing insolvency law regulations.

As the macroeconomic environment impacts the business performance of companies with some delay, we expect that insolvencies will further decline in the course of this year. With stronger signs of a Eurozone recovery and the ongoing improvement in domestic demand in many CEE economies, Coface forecasts that insolvencies will fall by 6% in 2015, compared to the level recorded last year. Nevertheless, detailed economic conditions will affect the results recorded in specific countries.

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