COFACE PUBLICATIONS

# CEE INSOLVENCIES

Insights for navigating risks in a shifting economy

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# CHALLENGING BUSINESS CONDITIONS DESPITE A REBOUND

## Insolvency trends in Central and Eastern Europe

In 2024, the majority of Central and Eastern European (CEE) countries experienced an increase in the number of business insolvencies. Even though the total number fell from its peak in 2023, the statistics are dragged down by the domestic regulatory specificities in a single country: Hungary.

These business dynamics occurred despite the generally improving macroeconomic conditions in the region.

### A rebound in growth, but not in business stability

Following a complicated year in 2023, when the region was on the brink of stagnation, the growth rate has rebounded in virtually all CEE countries.

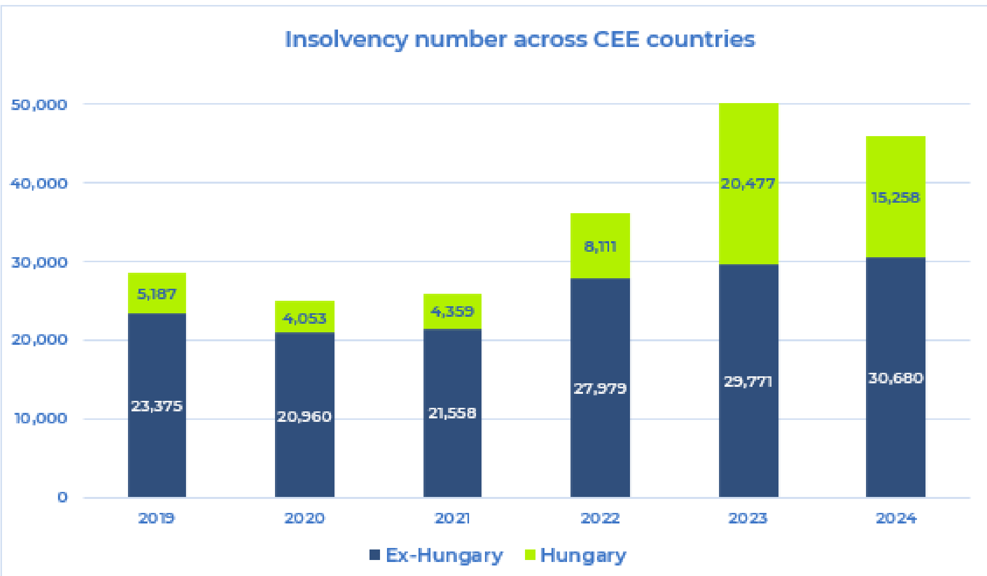
This has happened amid a substantial fall in the inflation rate and a gradual normalization of commodity prices. However, just as the global economy is coming out of the energy crisis, we are faced with further challenges to international trade, due to the unprecedent escalation of the trade war.

2024 was a year of cautious recovery, as the region sought to rebound from the challenges of 2023. Growth resumed, inflation eased, and structural shifts began to take shape, though progress was uneven from country to country. The year was defined by a mix of domestic policy adjustments, external economic pressures, and geopolitical uncertainties.

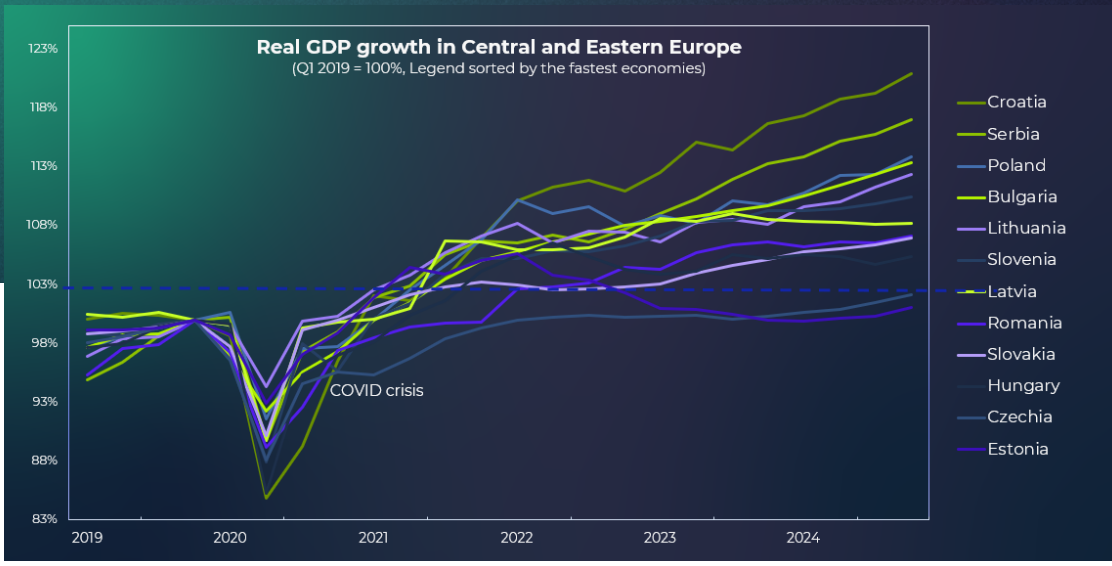
### Consumption and investment drive the recovery

Real GDP growth in the region averaged 2.6% in 2024, up from 0.8% in 2023. Private consumption was a key driver of this recovery, supported by declining inflation and rising real wages in countries such as Poland, Hungary, and Romania.

Households regained purchasing power, boosting retail sales and domestic demand. Investment activity also improved, spurred by EU funding for infrastructure and green energy projects. Interest rate cuts in some countries further encouraged private sector investment.




*Source: Coface*




*Source: Eurostat Data*

However, weak external demand from major trading partners such as Germany limited export growth, making net exports only a minor contribution to the economic growth.

Economic performance varied across the region. Poland and Croatia were among the stronger performers, with growth rates of 2.9% and 3.8% respectively, their economies driven by robust consumer spending and effective use of EU funds.

The Czech Republic saw a modest rebound of 1%, constrained by tighter fiscal policies and a deeper integration into troubled German supply chain.

## Inflation and wage pressures remain uneven

Inflation remained a central concern, but moderated significantly compared to the previous year. The regional average inflation rate fell to 4.6% in 2024 from 11.2% in 2023, thanks to lower energy prices and improved supply chain conditions.

However, inflation levels varied widely across the region. The Czech Republic achieved one of the lowest rates at 2.7%, while Romania faced higher inflation at 6.5%. Hungary also struggled with elevated price levels despite some progress in curbing inflationary pressures.

Central banks responded differently to these inflation dynamics. In the Czech Republic, interest rate cuts were implemented to stimulate economic activity amid easing inflationary risks.

Conversely, Romania, Poland and Hungary maintained tighter monetary policies due to persistent inflation concerns.

A potential wage-price spiral remained a risk for many CEE economies as nominal wage growth exceeded 10% in some countries like Hungary and Poland, threatening to undermine efforts to stabilize prices.

## Fiscal changes and strategic spending

Fiscal policy played a critical role in shaping economic outcomes during the year. Public deficits decreased slightly to an average of 4.5% of GDP in 2024 from 4.9% in 2023, but challenges persisted for many governments.

Rising interest payments posed significant burdens on high-debt countries such as Hungary, where debt servicing costs consumed an increasing share of government revenue. For Hungary, delays in accessing EU funds due to rule-of-law disputes further constrained public investment.

Despite these challenges, strategic spending on defense and energy transition projects accelerated across the region. Poland allocated an impressive 4% of its GDP to military modernization efforts in response to heightened geopolitical tensions near its borders. At the same time, governments prioritized investments in renewable energy infrastructure to meet EU climate targets and reduce dependence on fossil fuels.

# CHALLENGING BUSINESS CONDITIONS DESPITE A REBOUND

## The Hungarian and Polish legal effects on insolvency counts

The total number of corporate insolvency proceedings in CEE countries covered by our analysis decreased from 50,248 in 2023 to 45,938 in 2024, a decline of around 9%. The bulk of the change is due to the decrease in insolvencies of Hungarian companies, which fell by 5,219 from 20,477 to 15,258. This considerable drop reflects a normalization of insolvency dynamics after a surge due to the halting of cancellation proceedings in 2022.

Similarly, in the case of Poland, the increase is a result of the introduction of dedicated procedures implemented to support companies suffering from liquidity difficulties as a result of the pandemic.

Initially meant to be temporary measures, these provisions were ultimately incorporated into Polish law on a permanent basis. Nowadays, restructuring proceedings are frequently utilized, even though avoiding insolvency remains challenging in many cases.

## Countries with rising insolvencies

Apart from Poland, several other countries also saw an increase in their insolvency statistics.

The Baltic States of Latvia (24.6%) and Estonia (10.2%) experienced a significant increase in insolvencies, while Lithuania had virtually the same number as the previous year. This reflects a struggle with the competitiveness of the Baltic States, which have seen substantially higher inflation rates than other eurozone countries, thereby losing their cost-competitiveness with respect to other eurozone member states.

At the same time, the nearby Nordic countries have seen a nominal depreciation against the euro, making regional trade more competitive for the Baltic States. Relatively better insolvency dynamics in Lithuania also reflect more supportive macroeconomic conditions, with GDP growth outperforming the northern economies.

**“The total number of corporate insolvency proveedings in CEE countries covered by our analysis decreased from 50,248 in 2023 to 43,938 in 2024,” says Mateusz Dadej, Regional Economist Central & Eastern Europe Region.**

We also saw an increase in Croatia, the Czech Republic, Romania, and Slovenia, with the latter experiencing the highest increase in insolvencies.

To some extent the macroeconomic environment in Slovenia was less favorable, with weak private consumption due to the change to the health insurance contribution system, whereby private insurance has been replaced with an additional mandatory contribution, lowering households’ disposable income.

## Countries with improving trends: Bulgaria, Slovakia, Serbia

On the other hand, several other countries, including Bulgaria, Slovakia, and Serbia, have seen a decrease in the number of insolvencies.

# CHALLENGING BUSINESS CONDITIONS DESPITE A REBOUND


*Source: Coface*

These countries also outperformed the rest of the region in terms of growth rates. It is worth mentioning that nominal insolvency figures were diverse across the CEE region, as they were affected not only by their economic situations, but also by how insolvency is defined across the specific countries (with amendments to insolvency laws, or more widespread use of insolvency proceedings).

## The real picture: 2024 insolvency rates across the region

Significant variation in insolvency rates can be observed across the countries, measured as the proportion of insolvency proceedings relative to the total number of active companies.

While insolvencies have risen considerably overall, Estonia has the lowest insolvency rate of just 0.1%, followed closely by Bulgaria and Slovakia.

Conversely, insolvency rates reached as high as 6.18% in Serbia and 3.02% in Hungary, despite both nations experiencing a decline in the absolute number of insolvencies.

## Legal definitions and company structures may distort comparability in data

These rates are inherently influenced by the broader economic environment, but regulatory nuances also play a significant role.

For instance, countries where insolvency proceedings are more commonly utilized tend to exhibit substantially higher insolvency rates compared to others in the region.

# CHALLENGING BUSINESS CONDITIONS DESPITE A REBOUND

Additionally, in countries where certain entrepreneurial legal forms serve as substitutes for traditional employment contracts, the number of active companies may be artificially inflated, thereby increasing the denominator of the insolvency rate.

## Impact on key industries

The transport, manufacturing, and construction sectors were significantly affected by the macroeconomic environment in 2024 due to several common challenges that created a difficult operating landscape.

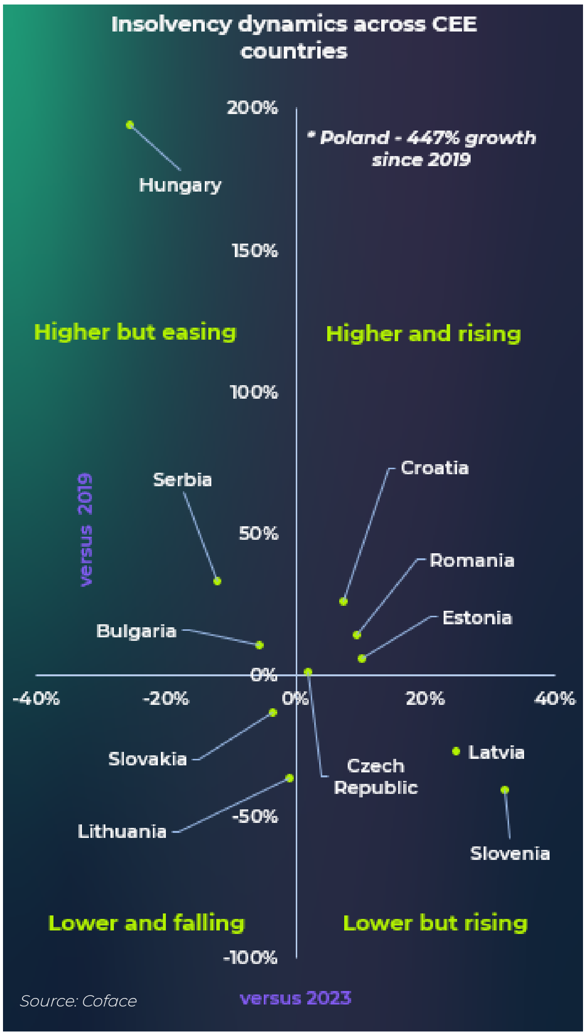
These industries, which are deeply interconnected and sensitive to broader economic trends, have seen a higher dynamic in insolvencies than average among the CEE economies.

### Transport sector

In the transport sector, declining industrial demand played a central role in its struggles, especially in Poland, Lithuania, and Hungary. Core industries such as steel, chemicals, and construction, which rely heavily on freight services, experienced stagnation or contraction in their output.

This led to a reduction in transport volumes, particularly for road transport in Europe, which saw a notable decline of 2.5% over the year. Road freight operators also faced mounting cost pressures from rising energy prices, tolls, wages, and regulatory changes such as CO2-related truck tolls.

As a consequence of these increasing costs, weak business demand and a fall in industrial production, the freight rates have seen a significant decline.The ongoing war in Ukraine and instability in the Middle East




created uncertainty and volatility in trade flows. Additionally, structural issues such as persistent driver shortages and overcapacity in ocean freight—partly due to an influx of new ships—placed further strain on the sector. External demand was an additional headwind, as the transport sector is key in facilitating international trade.

### Manufacturing sector

The manufacturing sector was similarly battered by economic uncertainty and rising

costs. Virtually all the CEE economies have experienced a higher-than-average increase in insolvencies, at least for some of the industry segments. High interest rates and inflation have dampened consumer spending and business investment, resulting in weaker demand for manufactured goods.

Many manufacturers reported falling orders and rising inventories as the Purchasing Managers' Index (PMI) remained in contraction territory throughout much of the year. Labor shortages continued to be a significant challenge for manufacturers, with many struggling to recruit skilled workers to meet production needs.

Supply chain disruptions caused by geopolitical tensions also drove up raw material costs and forced companies to reassess their sourcing strategies. Even as inflation showed signs of easing by late 2024, input costs remained elevated, putting additional pressure on profit margins. For small manufacturers in particular, regulatory compliance costs doubled labor expenses per worker, further compounding their difficulties.

## Construction sector

The construction sector, especially in Croatia, Serbia, and Slovakia, faced its own set of challenges stemming from reduced investment and declining demand. High interest rates made borrowing prohibitively expensive for developers and investors, leading to a slowdown in new construction projects.

This was particularly evident in residential construction, where demand for housing fell sharply due to rising mortgage rates and economic uncertainty.

Weak economic growth across Europe further reduced demand for construction materials and services, which had ripple effects on related industries such as transport. Geopolitical risks also played a role in undermining investor confidence, with global instability creating hesitancy around large-scale infrastructure projects.

## 1 region, 3 sectors, same challenges

Across all three sectors - transport, manufacturing, and construction - geopolitical tensions were a recurring theme that disrupted supply chains and trade flows. Inflationary pressures added another layer of difficulty as energy prices remained high despite some moderation in overall inflation rates.

While some industries attempted to adapt through technological innovation or digital transformation (as seen in pockets of smart manufacturing), these efforts were not enough to offset the broader macroeconomic headwinds.

# CHALLENGING BUSINESS CONDITIONS DESPITE A REBOUND

## Optimistic outlook, tempered by uncertainty

### Investment-driven recovery ahead

Investment will become a cornerstone of economic activity among the CEE economies, with its momentum supported significantly by EU-funded projects. Delayed reimbursements will led to an elevated absorption period, with 2025-2026 expected to experience a concentrated boost in project implementations and related economic benefits.

Consumer spending continues to demonstrate resilience, providing support for economic growth. With last year's increase in household purchasing power, some of that spending is likely to carry over into the current year, reflecting households' tendency to smooth consumption over time. However, this scenario faces significant risks, as uncertainty caused by trade wars may weaken consumer confidence and lead to delays in major purchases.

### Profitability set to improve, but financing remains tight

On the corporate front, a decline in nominal wages is anticipated to bring some relief, improving turnover profitability across many countries. This development could set the stage for renewed business stability and a gradual recovery in profitability margins. Meanwhile, monetary easing is beginning to show its initial effects in select economies, signaling potential relief in financial conditions. Still, current interest rate levels are restrictive enough to hinder a meaningful rebound in private investments, leaving a gap in comprehensive recovery efforts.

### Trade war risks keep uncertainty high

Lingering uncertainties in international trade, with President Trump's decisions dominating the scene, are clouding the near-term outlook.

A multitude of scenarios involving trade war escalations paint an unclear picture. One possibility is Donald Trump internalizing the stock market fiasco and revoking the tariffs. In doing so, however, the only consequence for the global economy would be further uncertainty and a loss in economic confidence.

Alternatively, a more pessimistic scenario exists in which the USA maintains, or even imposes stricter tariffs, while the EU implements its anti-coercion instrument for the first time, hitting the transatlantic trade in services.

> **"Investment will become a cornerstone of economic activity among the CEE economies, with its momentum supported significantly by EU-funded projects."**

This would cause unprecedent economic consequences, given the speed and scale of the introduced tariffs.

### Is the CEE Region heading towards stabilization?

That being said, Coface expects insolvencies in CEE to decrease in 2025, albeit continuing to rise in the majority of the region's economies.

Normalization of insolvency proceedings in Hungary will outweigh the increase in the rest of the region as seen in the previous year.

# COMMENTARIES FROM COUNTRY EXPERTS

## Croatia

### 7.3% Insolvency Dynamics

The total number of all pending bankruptcy proceedings in Croatia increased by 7.34% compared to the previous year. Of this total number of bankruptcies, 91.3% were initiated and immediately closed due to a lack of assets (92.9% in 2023).

The **reasons for bankruptcy** proceedings have not changed compared to previous years. The main reasons are bank accounts being blocked for more than 60 days in a row and a high level of indebtedness. Considering that tourism constitutes nearly one-fifth of Croatia's GDP, the country remains highly vulnerable to external impacts that could lead to a decline in demand.

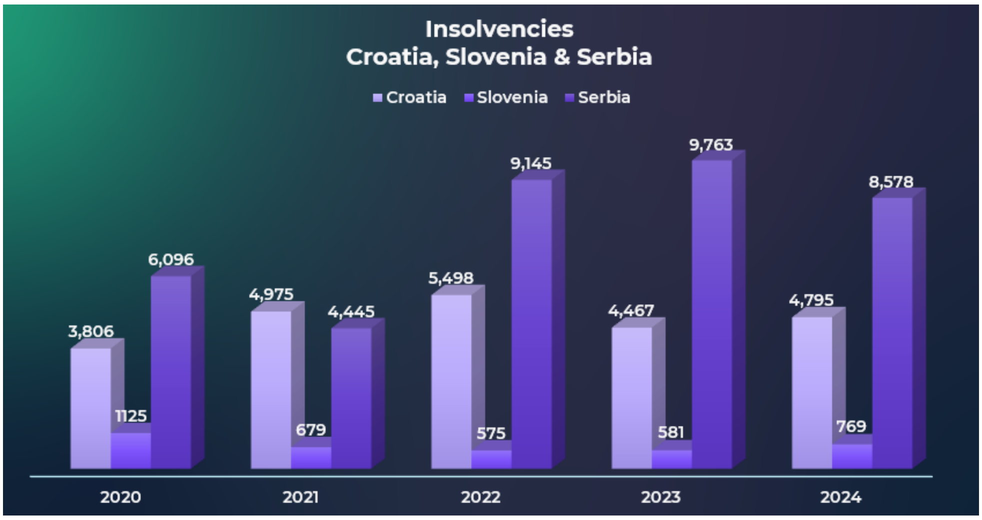
Additionally, **industries** such as retail, construction, and manufacturing are also affected by these impacts.

The **biggest number of bankruptcies** were initiated in the Coface sectors of Construction (32.9%), Business and personal services (18.1%), Motor vehicles, motorcycles, other vehicles, and transport (10.24%), Non-specialized trade (9.43%), as well as Agriculture, meat, agro food, and wines (7.01%).

**Sanja FETT**
Classical Information
Coface Adriatics

**Sectors with the lowest number of initiated bankruptcies** were Miscellaneous (0.54%), Metals and financial services (0.81%), Mechanics and precision (1.35%), as well as Mineral products, chemicals, petroleum, plastics, pharmaceuticals, and glass (2.43%).

The **biggest bankruptcy** proceedings in 2024 by company turnover were initiated for **VARTEKS varaždinska tekstilna industrija d.d. u stečaju,** which operates in the Textiles, leather, and clothing sector.




*Source: Coface*

# COMMENTARIES FROM COUNTRY EXPERTS

## Slovenia

### 32.4% Insolvency Dynamics

On an annual basis, the total number of all insolvency proceedings initiated in 2024 is **significantly higher** than in 2023 (32%). In 2024, a total of 769 business entities faced insolvency proceedings (compared to 581 in 2023, 575 in 2022, and 679 in 2021), of which 2 companies applied for a compulsory settlement, 2 for compulsory liquidation, and 765 companies faced bankruptcy.

Of the total number of insolvency proceedings initiated during 2024, **the biggest shares** were accounted for by companies in the Construction sector (29.26%) and Business and personal services (22.63%), while the smallest shares were in the Financial sector (0.91%).

**The biggest bankruptcy proceedings in 2024 by company turnover** were initiated for the company **MARIBORSKA LIVARNA MARIBOR d.d.** – in bankruptcy, operating in the Metals sector. The second biggest was the judicial composition initiated for the company SPORTINA Bled d.o.o., which operates in the Textiles, leather, and clothing sector.

The increase in bankruptcies occurred due to global economic challenges, including geopolitical tensions, a slow economic recovery, and tighter financial conditions. Lack of liquidity, rising financing costs, and limited access to loans are likely to remain a problem for many sectors in the near future.

## Serbia

### -12.1% Insolvency Dynamics

The total number of insolvencies in Serbia decreased for 12.14%. The main reason was the smaller number of judicial composition proceedings compared with the previous year. The **main reasons** for initiating bankruptcy proceedings and/or forced liquidation remain the same: bank accounts suspended for more than 60 days (continiously), impending inslovencies, failure to act in accordance with the adopted reorganization plan, and if the reorganization plan was executed in a fraudulent or illegal manner.

The **biggest bankruptcy** proceedings in 2024 by company turnover were initiated for the company **ARI FRUCT DOO LUČANI - U STEČAJU**, which operates in the Coface sector of Agriculture, meat, agro food, and wines. The average duration of active, suspended, and closed bankruptcy proceedings is still more than 3 years. There are still no changes at the top of the list for duration of bankruptcy – the record holders are the former giant, the construction company Rad and its related entity GP Rad International, where bankruptcy proceedings have been ongoing for more than 23 years.

## Bulgaria

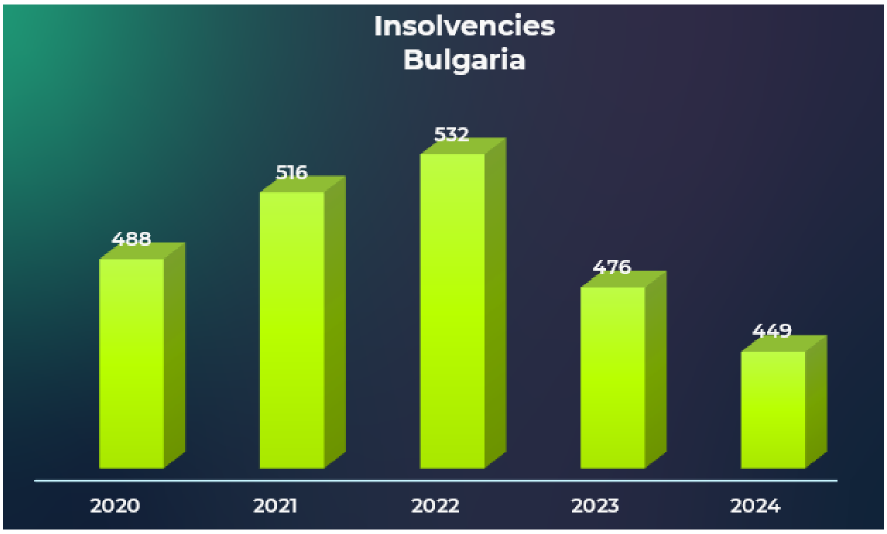
### -5.7% Insolvency Dynamics

For the second year in a row, we saw the number of insolvencies in Bulgaria decrease slightly by 5.67% on a year-on-year basis compared to 2023.

**Plamen DIMITROV**
Country Manager
Coface Bulgaria

The data, however, is often nuanced and a seemingly positive overview of the business conditions in 2024

# COMMENTARIES FROM COUNTRY EXPERTS




*Source: Coface*

cannot be taken at face value. That being said, the **insolvency trends in Bulgaria remained stable**. A number of contradictory factors resulted in a somewhat moderate improvement in corporate sector conditions, all of them offsetting each other. GDP growth of 2.8% in 2024 is an improvement on the 1.9% in 2023.

On the other hand, **net exports declined** throughout 2024. As we know, Germany is one of the main export markets for Bulgaria, with the former weighing on net exports and sectors highly exposed to trade, such as plastic & rubber (one of the sectors with the highest insolvency rates), the chemical industry, and the manufacture of fabricated metal products.

We also observed double-digit growth in real wages, primarily driven by the approximately 19% increase in the minimum wage. This, in combination with rising operating costs for firms, resulted in their profit margins being squeezed.

Moreover, **strong household consumption, driven by an increase in real wages, improved the situation in consumer-driven sectors**, such as textiles and leisure activities (one of the sectors with the lowest insolvency rates).

## Czech Republic & Slovakia

For both countries, 2024 was a year of **stabilization and uncertainty**. Small growth in the Czech economy of about 1% was driven mainly by growing customer spending. Industrial production declined, as did construction.

**Martin PROCHÁZKA**
Risk Underwriting
Coface CZ & SK

# COMMENTARIES FROM COUNTRY EXPERTS

## 1.9% Insolvency Dynamics. Czech Rep.

Despite the difficult environment, Czech companies showed a high level of stability. The total number of insolvencies grew by only about 1.86% to 1,094 cases, which is a smaller increase than the previous year.

Even if the **decline in industrial production,** the number of **insolvencies in the manufacturing sector remained the same** as the previous year – 173 cases. The largest contributor to insolvencies is traditionally the construction sector, responsible for 179 cases, 15 fewer than the previous year.

**The largest increase in insolvency cases was recorded in the retail sector.** The share of total insolvencies grew from 10.89% in 2023 to 13.16% in 2024; in absolute numbers, this was 144 cases.

Customer spending is increasingly concentrated on big market players, while small businesses are unable to compete.

Now ranked among the **top 5 most problematic sectors** are so-called investment companies, which represent 7.5% of all insolvency cases. Bonds with high interest rates unfortunately attract retail investors without experience.

Many of the cases in this category are the subject of criminal investigation. Premiot Group and Future Farming are two well known cases.

**The largest insolvency last year was the steel producer Liberty Ostrava.** The company suffered from highly opaque management and group financing. Primary production of steel will probably never return.

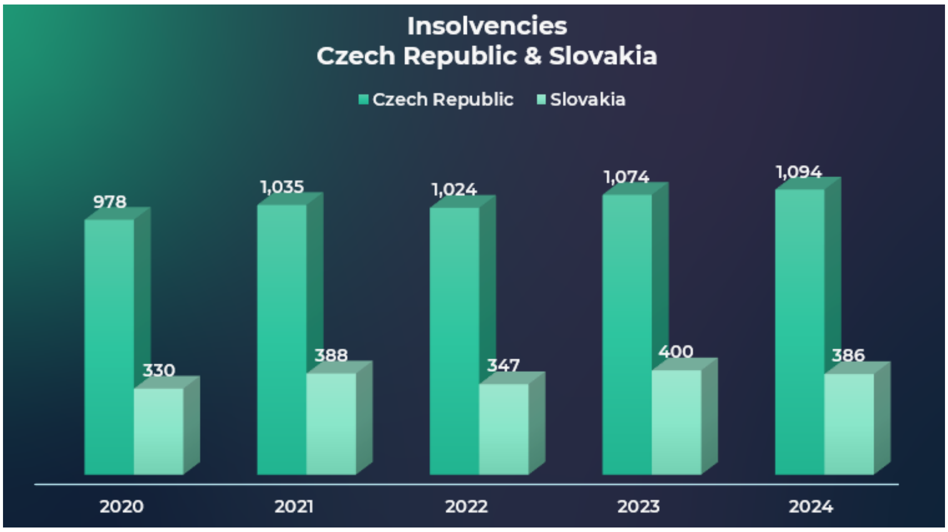
Liberty was among the first companies to use the moratorium to prevent insolvency, but at least 10 of 18 cases ended in classic insolvency proceedings.

## -3.5% Insolvency Dynamics. Slovakia

The Slovak economy grew by about 2%. In Q4 2024, insolvencies decreased by 3.5% to 386 cases.

The construction sector in Slovakia is in a worse condition than in the Czech Republic. **The biggest insolvency case in Slovakia is in the machinery sector**. Major cases included Trens, Hastra and Pharmos.

For 2025, insolvencies may rise in Czech Republic and decline slightly in Slovakia. Both economies remain vulnerable to unpredictable U.S. trade policy.




*Source: Coface*

# COMMENTARIES FROM COUNTRY EXPERTS

## Hungary

### -25.5% Insolvency Dynamics

**Henrietta KISS**
Enhanced Information
Coface Hungary

In 2024, the number of liquidation proceedings decreased by 25,5%, with 15,258 cases initiated in Hungary compared to 20,477 in the previous year. Although there was a slight increase in two sectors (mining and quarrying, and public administration and defence), their significance remains negligible in relation to the total number of cases.

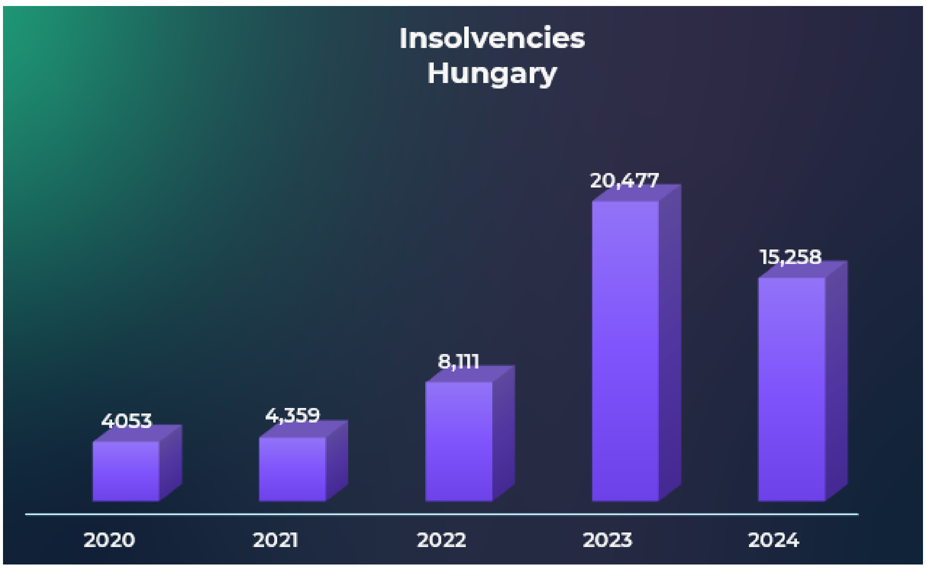
Similar to previous years, **the wholesale and retail trade and construction sectors continue to record the highest number of cases**. However, when comparing these figures to the number of actively operating companies, we get a somewhat more nuanced picture.

Construction leads with nearly 53 out of 1,000 active companies filing for bankruptcy, followed by the administrative and support service activities, and wholesale and retail trade with over 30 cases per 1,000. Transportation and storage is not far behind with a 2.8% ratio.

In 2024, **one of the largest insolvency cases was Duna Furnace Dunai Vasmű Kft.**, a major player in the country's metals industry.

It highlights ongoing challenges in heavy industry, including high energy costs, outdated infrastructure and weaker export demand. The **least affected sectors** are human health and social work activities, followed by education. In both, fewer than 10 companies per 1,000 faced proceedings. In absolute numbers, some sectors had fewer than 50 cases, so even 1-2 filings can impact their ranking.

The outlook for 2025 remains uncertain due to inflation, interest rates, geopolitical tensions, and lack of domestic investment.




*Source: Coface*

# COMMENTARIES FROM COUNTRY EXPERTS

## Baltics

Corporate insolvencies rose across the Baltics, with the sharpest increase in Latvia and the smallest in Estonia and Lithuania. This upward trend reflects broader regional pressures, as the Baltic States experienced geopolitical shocks and disrupted supply chains. The increase in **non-payers is a challenge,** especially for firms with high significant financial obligations and long payment deadlines.

**Gabrielė DIDŽIARIEKYTĖ**
Business Information
Coface Baltics

### -1.0% Insolvency Dynamics. Lithuania

In Lithuania, the number of proceedings remained similar to 2023. Most insolvency cases (79.6%) were among private limited liability companies. The sectors most affected were construction (22.4%), wholesale and retail trade (21.8%), and transport and storage (11.7%). **Šiaurės centras, UAB (transportation & storage) is the biggest case,** reflecting sector strain from logistics cost pressures and weak demand.

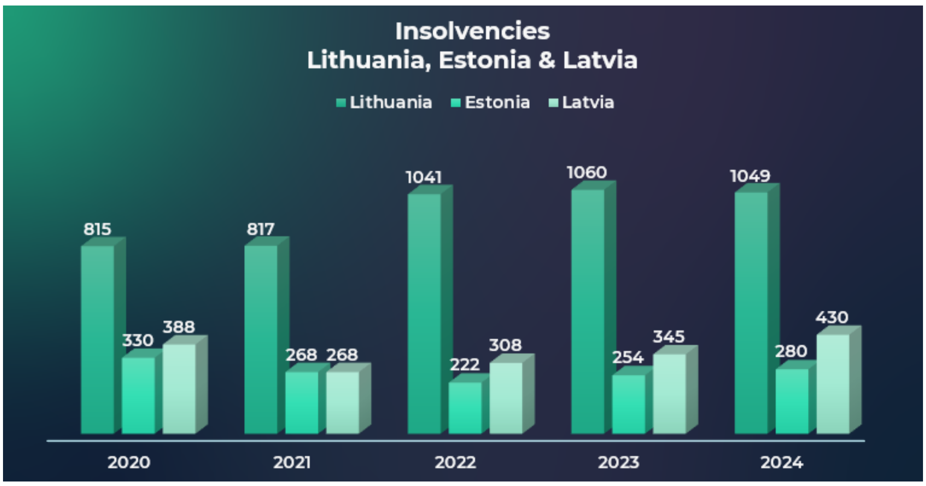
### 10.2% Insolvency Dynamics. Estonia

In Estonia, insolvencies rose by 10.24%, with 280 legal entity cases declared, the biggest one being **led by Eaha Nordic Construction OÜ in the manufacturing sector** which faced difficulties fromeconomic downturns and export market loses. Bankruptcies increased most in construction (17.14%) and manufacturing (16.43%).

Many proceedings were initiated but terminated before bankruptcy was declared.

### 24.6% Insolvency Dynamics. Latvia

Latvia saw a continued rise in insolvencies. In 2024, the rate reached 24.64%. The worst-hit sectors were wholesale and retail trade (22.30%), construction (16.72%), and manufacturing (13.59%). Rising costs, declining purchasing power, and structural economic challenges are key factors. **The largest insolvency case - prof.lv SIA (motor vehicle repair),** underlined the vulnerability of services to reduced consumer spending and rising default.




*Source: Coface*

# INSOLVENCIES IN ROMANIA

## Macro-economic overview & national insolvency trends

In 2024, the global economy was affected by the two military conflicts:

The war in Ukraine and the HAMAS attack on Israel, together with geopolitical factors (e.g., the trade war between the USA and China), which also affected the European Union economy, led to an increase in the number of insolvencies.

Germany, the largest economy in the European Union and our main trading partner, recorded a decline in GDP by 0.2% in 2024, after a contraction of 0.3% in 2023.

The evolution of the Romanian economy followed the same trend in 2024, a year in which economic growth was 0.9%, following 2.1% in 2023 and 4.1% in 2022. In particular, GDP growth was driven by private consumption, but also by net taxes, especially in the second half of the year.

This weaker than expected economic performance partly contributed to the fiscal deficit, which reached 8.65% of GDP, well above the 5% target.

Furthermore, the trade deficit worsened from EUR 29bn in 2023 to EUR 33bn in 2024, a 15.3% increase and a trade deficit of 9.5% of GDP.

Amid the slowdown in demand, inflation continued its downward trend, but remained at a high level of 5.1% in December 2024, the highest level in the European Union. In this context, according to the data published by the Romanian National Trade Register Office (NTRO), 7,274 insolvencies were initiated last year, compared to 6,650 insolvencies in 2023.

Compared to 2023, an increase of approximately 75% in insolvencies among companies with a turnover of over 5 million was observed.

## Impact and profile of insolvent companies

In the last 3 years, we have observed an annual increase of 23% in the number of insolvencies among companies with a turnover of between EUR 0.5 million and EUR 5 million, and of 35% in the case of companies with a turnover of more than EUR 5 million. These significant insolvencies have a very high impact on our economy, considering that, for example, the 79 companies that had a turnover of over EUR 5 million in 2023 recorded a total turnover in the above-mentioned period of approximately EUR 1.24 billion, meaning that they accounted for more than 54% of the turnover of all companies that entered into insolvency proceedings during 2024.

**Tiberiu CHESOI**
Head of Claims
Coface Romania

It is worth mentioning that according to the information published on the Romanian Court Portal, 96 composition with creditors proceedings were initiated in 2024, compared to 61 proceedings in 2023 and 21 proceedings in 2022. Among the companies that entered into Composition with creditors proceedings in 2024, 14 companies subsequently entered into insolvency proceedings.

| Month | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| January | 500 | 463 | 316 | 422 | 436 | 509 |
| February | 486 | 393 | 471 | 540 | 551 | 611 |
| March | 523 | 464 | 623 | 648 | 657 | 683 |
| April | 560 | 72 | 598 | 561 | 555 | 723 |
| May | 567 | 244 | 512 | 637 | 606 | 565 |
| June | 560 | 724 | 556 | 609 | 596 | 593 |
| July | 537 | 819 | 462 | 515 | 317 | 525 |
| August | 245 | 397 | 310 | 350 | 257 | 448 |
| September | 456 | 453 | 459 | 485 | 603 | 462 |
| October | 736 | 577 | 560 | 620 | 800 | 777 |
| November | 660 | 538 | 576 | 635 | 703 | 621 |
| December | 694 | 550 | 701 | 627 | 569 | 757 |
| TOTAL | 6,524 | 5,694 | 6,144 | 6,649 | 6,650 | 7,274 |
| Dynamics | | -13% | 8% | 8% | 0% | 9.38% |
| Semester1 | 3,196 | 2,360 | 3,076 | 3,417 | 3,401 | 3,684 |
| Semester 2 | 3,328 | 3,334 | 3,068 | 3,232 | 3,249 | 3,590 |
| Dynamics S1 | | -26% | 30% | 11% | 0% | 8% |
| Dynamics S2 | | 0% | -8% | 5% | 1% | 10% |

*Monthly evolution of insolvencies in Romania*
*Source: National Trade Register*

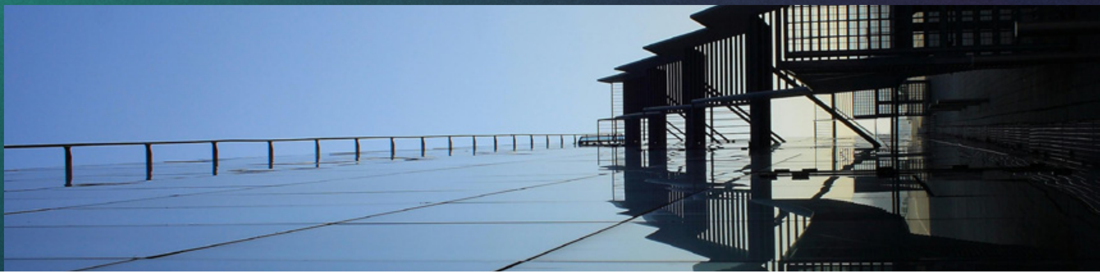
Moreover, the uncleared payment instruments registered by the National Payments Incidents Bureau increased during 2024, compared to 2023, in both number and uncleared amount, by 17% and 30% respectively. Fortunately, the levels recorded in 2024 are below the levels we had before the pandemic.

Before analyzing the distribution by sector of companies that entered into insolvency proceedings, it is necessary to analyze the distribution of active companies by sector, especially those that are economically active (turnover above RON 0).

Thus, out of the 1.26 million legally active companies, approximately 690,000 companies recorded a turnover above RON 0, based on the financial statements at the end of 2023.

Of these, companies operating in the first 7 sectors of activity (ranked in descending order by the number of companies) represent approximately 77% of the total of 690,000 economically active companies, according to the graph below:


*Top 7 sectors in Romania- Financal statements 2023*
*Source: National Trade Register*



## Sectorial distribution of insolvencies

Regarding the distribution of insolvencies initiated in 2024 by sector, there are no notable changes in the ranking of the sectors, according to the table below.

Despite the fact that wholesale and retail trade, repair of motor vehicles and motorcycles grew by 2.1% in 2024, being a major contributor to GDP growth, representing 20.7% of GDP, it is also the sector with the highest number of insolvencies (26% of total insolvencies). The first explanation would be that this is also the sector with the highest number of active companies (25%). On the other hand, this sector of activity was strongly affected by the minimum wage increase, higher costs for with energy and transportation, and the increase in duties and taxes, due to the low sectoral margins.

Construction activity is the second sector in terms of number of open insolvencies with 21% of total new open insolvencies in 2024 which is almost double the percentage of active companies from this sector (11%).

The Construction sector, which represents 7.5% of GDP, had a mixed evolution in 2024 - Residential -22.1% yoy, Non-residential -8% yoy, and Infrastructure +2% yoy, and we expect it to remain a vulnerable sector given the economic challenges presented above.

The 3 main macroeconomic vulnerabilities in 2025 are the fiscal deficit, which reached 8.6% of GDP in 2024, the high inflation rate, and last but not the least the geopolitical factor.

Hence, in 2025, we expect additional pressures on economic activity through the high cost of financing, the decrease in consumption, and the business environment facing a new set of taxes and duties starting in 2025. This will certainly lead to an increase in payment delays and to an increase in large-scale insolvencies.

**“Despite the fact that wholesale and retail trade grew by 2.1% in 2024, being a major contributor to GDP growth (20% of GDP), it is also the sector with the highest number of insolvencies (26%)”**

| Sector | Insolvencies 2024 | Insolvencies 2024 | Insolvencies 2023 | Insolvencies 2023 | Companies with turnover > 0 | Insolvencies per 1k companies with turnover > 0 |
|---|---|---|---|---|---|---|
| **Wholesale & retail trade (motor)** | 1,927 | 26% | 1,811 | 27% | 175,682 | 11 |
| **Construction** | 1,510 | 21% | 1,330 | 20% | 77,111 | 20 |
| **Manufacturing** | 860 | 12% | 806 | 12% | 56,113 | 15 |
| **Transportation & storage** | 758 | 10% | 708 | 11% | 63,815 | 12 |
| **Accommodation & food service** | 575 | 8% | 499 | 8% | 31,959 | 18 |
| **Scientific & technical activities** | 341 | 5% | 305 | 5% | 83,306 | 4 |
| **Agriculture forestry & fishing** | 281 | 4% | 267 | 4% | 21,291 | 13 |
| **Administrative & support service** | 285 | 4% | 260 | 4% | 29,869 | 10 |
| **Information & communication** | 154 | 2% | 156 | 2% | 41,135 | 4 |
| **Other service activities** | 122 | 2% | 112 | 2% | 21,190 | 6 |
| **Arts entertainment & recreation** | 114 | 2% | 89 | 1% | 13,342 | 9 |
| **Real estate activities** | 97 | 1% | 111 | 2% | 22,492 | 4 |
| **Water supply sewerage waste management** | 71 | 1% | 66 | 1% | 2,862 | 25 |
| **Education** | 57 | 1% | 49 | 1% | 11,257 | 5 |
| **Human health & social work activities** | 44 | 1% | 30 | 0% | 27,489 | 2 |
| **Financial & insurance activities** | 35 | 0% | 16 | 0% | 8,734 | 4 |
| **Electricity gas steam & AC supply** | 18 | 0% | 18 | 0% | 1,416 | 13 |
| **Mining & quarrying** | 24 | 0% | 16 | 0% | 1,175 | 20 |
| **Public administration and defence** | 1 | 0% | 1 | 0% | 173 | 6 |
| **Total** | **7,274** | **100%** | **6,650** | **100%** | **690,411** | **11** |

*Distribution of insolvencies by sector in Romania for past 2 years*
*Source: National Trade Register*

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# INSOLVENCIES IN POLAND

## Insolvency trends amid stronger growth

The number of corporate insolvencies in Poland increased by 19% in 2024. Although the growing number of insolvencies was also recorded in previous years, the data for the last year is a breakthrough.

For the first time since 2019, the annual increase in insolvencies slowed to below 20%. This is undoubtedly due to Poland's higher economic growth.

Coface estimates that Poland's real GDP growth reached 2.8% in 2024, which was a much faster pace than the meager 0.1% recorded in the difficult economic year 2023. At that time, high inflation caused household consumption to decline for the first time since the pandemic of 2020. In turn, the past year has already seen consumption return to the role of driving force behind the Polish economy.

This was supported not only by lower inflation, but also by improving sentiment confirmed by rising consumer confidence indicators. Wages continued to grow nominally at a double-digit rate, and the unemployment rate remained at historically low levels.

## Labor market and external risks still weigh on businesses

However, the situation on the labor market was not assessed so favorably by companies. They had to deal with staff shortages for another year, and the dynamic growth of wages contributed to rising costs while reducing profitability, which was a significant challenge given the high cost of energy and high levels of competition. As a result, margins remained under pressure, especially since consumers remained price-sensitive despite a higher propensity to increase spending.

Companies have started out in 2025 in a similar economic environment.

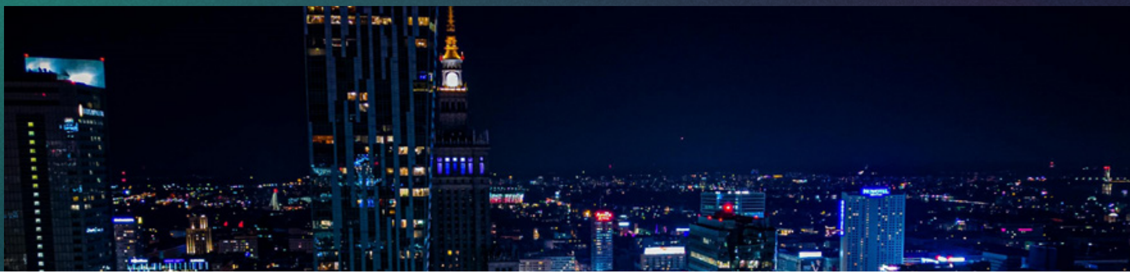
The situation on the labor market remains favorable for consumers and it is their spending that will continue to drive economic growth in Poland.

**Mateusz DADEJ**
Regional Economist
Coface CEE

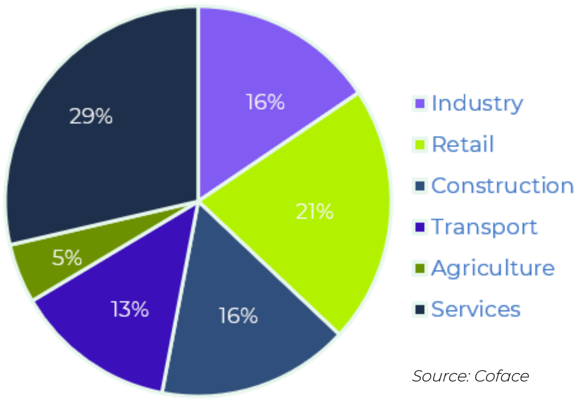
Companies will feel some relief – employee wages will no longer grow at a double-digit rate, but the forecast increase of 7% this year means that labor costs will still have a significant share in operating costs. Lowering interest rates would support the economy, but inflation should not be expected to fall to the inflation target this year, especially in the first half. It is possible, however, that a slowdown in price growth will convince the NBP Monetary Policy Council to lower the cost of borrowing this year.

The situation on foreign markets remains a significant threat to our economy.

Poland's main trading partner, Germany, which accounts for 27% of our goods exports, continues to experience an economic recession.



**Insolvency structure by sector in Poland**



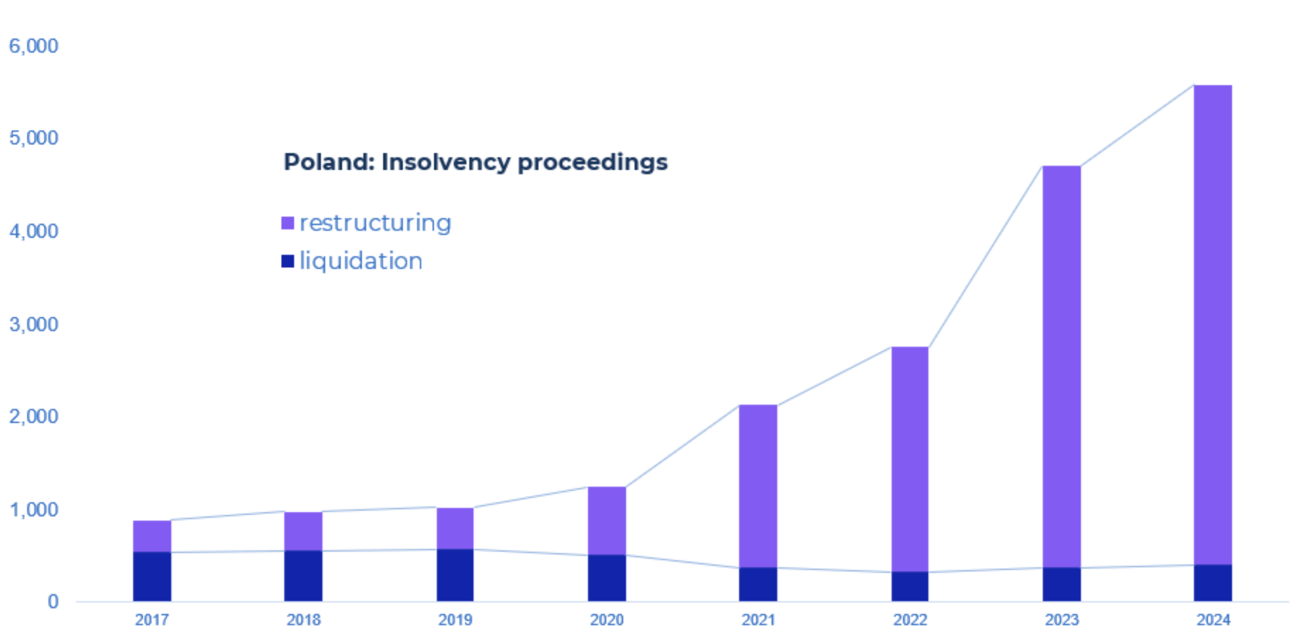

*Source: Coface*

Local industry is in particularly bad shape. This is a key challenge for Polish exporters due to trade links with German industry, which is experiencing not only structural problems but also lower demand in major foreign markets, which is of significant importance for an economy based on an export model. In addition, the protectionist measures of US President Donald Trump will probably also be aimed at Germany, due to the US trade deficit with that country.

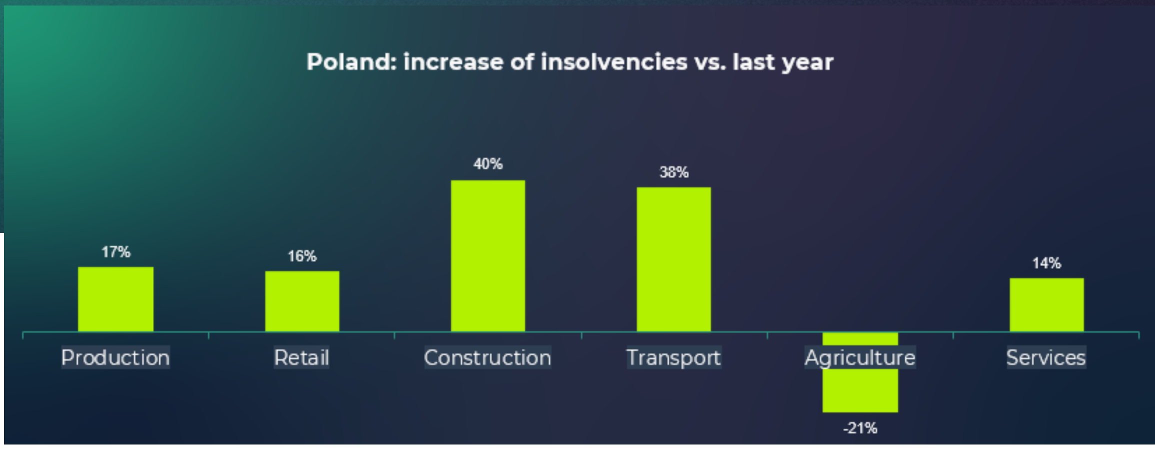
Higher tariffs on exports from Europe to the US will not have a significant direct impact on Poland because the US has a relatively low share in the structure of our country's goods exports of -3.3%.

## Construction sector under pressure despite investment potential

Coface's forecast assumes that Poland's economic growth this year will amount to 3.5%, which will further accelerate the economic recovery that began in 2024.




*Source: Coface*




*Source: Coface*

However, the challenges listed above will cause some companies to face a difficult liquidity situation in business and force them to resort to the forms of insolvency provided for in the law.

In 2024, we noted a further increase in the number of restructurings, which accounted for as much as 93% of all proceedings. This gives hope for the return of these companies to effective business activity.

Unfortunately, not all of them will end in success, and the increase in corporate bankruptcies, as the final form of insolvency, already recorded in 2024, will continue.

Investments in fixed assets will make a large contribution to Poland's economic growth, at a level similar to private consumption. Subsidies and preferential loans under the KPO, increased absorption of funds from the new EU budget or the expected higher investment propensity of enterprises will contribute to the high activity of the construction sector, including the implementation of infrastructure investments.

We are facing a kind of construction boom that will hopefully arrest the high increase in insolvencies in this sector. In 2024, construction ingloriously beat production in the number of companies declared insolvent.

Let's just hope that the high demand for construction work and materials, and even deeper staff shortages, do not have similar negative consequences as happened during the increased investment activity related to the European Football Championship Euro 2012, which Poland organized together with Ukraine.

At that time, unprofitable contracts and significant increases in the prices of construction materials caused the insolvency of many construction companies.

**"Investments in fixed assets will make a large contribution in Poland's economic growth, at a level similar to private consumption.**

**Subsidies and preferential loans under the KPO, increased absorbtion of funds from the new EU budget or the expected higher investment propensity of enterprises will contribute to the high activity of the construction sector," says Mateusz Dadej.**

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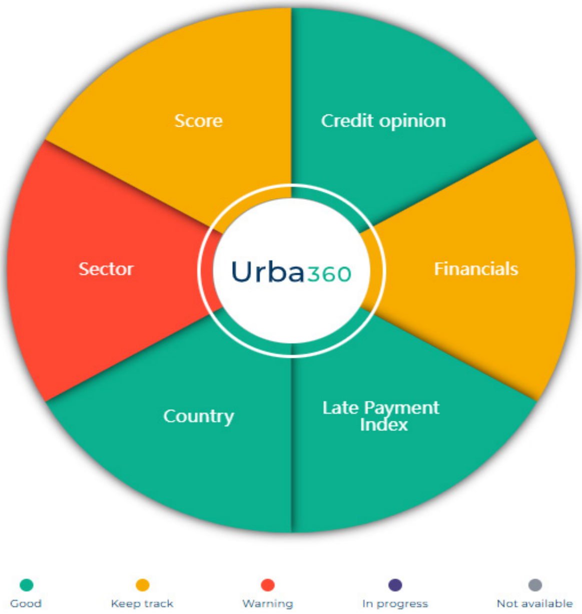
# How can data help predict and prevent insolvencies?

Insolvent companies are leaving a significant mark on economies worldwide, and few are able to avoid the ripple effects of unpaid receivables. In 2024, 45,938 companies across CEE region entered into insolvency proceedings. Among these, **163 companies reported a turnover higher than 5 million EUR in the previous fiscal year** - highlighting the serious financial weight of these business failures.

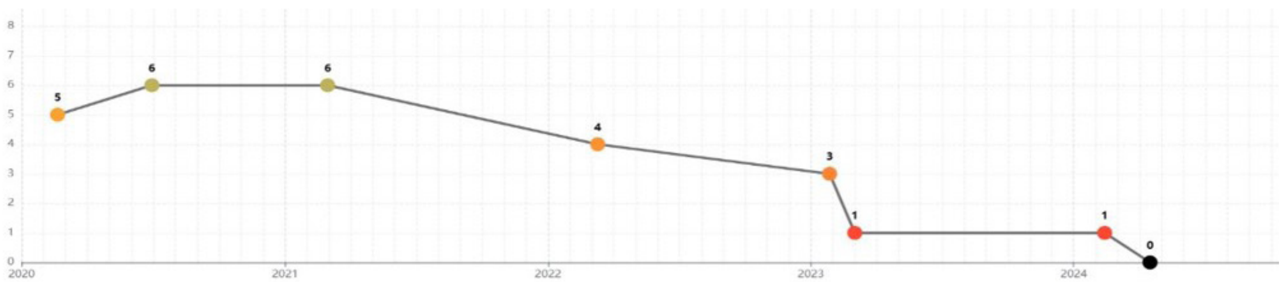
A closer examination of these entities tracked over a **24-12 month period before insolvency**, reveals the powerful insights drawn from URBA 360, Coface's business information platform.

These findings offer clear signals on how data can be leveraged to monitor risk, support credit decisions, and strenghten resilience.




## Preventing and anticipating risk

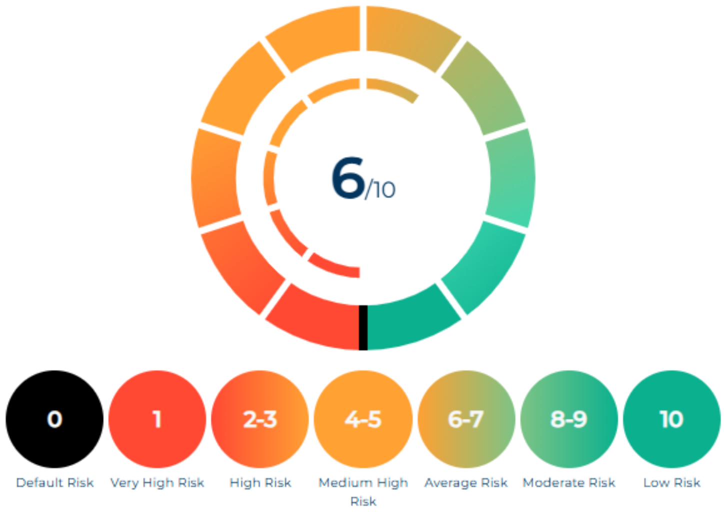
**An average Coface Score of 4.2 in December 2022, followed by even lower, Score of 3.5 in December 2023.** Since the Coface Score assesses the likelihood of a company fulfilling its financial commitments over a 12-month span, the drop to 3.5 by end of 2023 reflects strong anticipation capacity.




As confirmed by the insolvency trends, corporate deterioration intensified, with most countries seeing a rise in the number of insolvent firms year-on-year.

# How can data help predict and prevent insolvencies?

SCORE




**By the end of 2023, 50% of these companies already been flagged as high or very high risk, while 40% were rated medium-high/high risk.**

These insights validate the scoring model's reliability in identifying financial distress ahead of time.

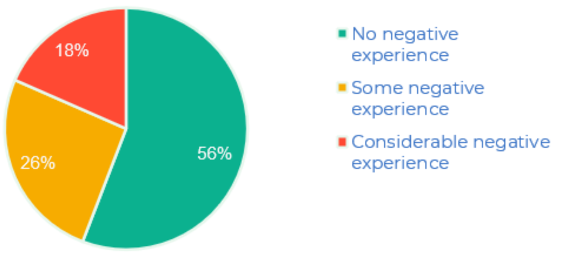
**Nonetheless, in 10% of the cases, insolvency occured without warning,** highlighting the need for consistent and active portfolio monitoring to catch less visible risks.

## Supporting decision making

**Our Score helped alert users to 25% of these insolvency cases as early as December 2022.** This early visibility proved especially vital in sectors hit hardest by the challenging macro-economic context. Manufacturing companies - often embebbed in complex supply chains - visible struggled with creditor relations, as reflected in their insolvency spike.

**The Late Payment Index - linked to negative experiences with debt collection - was present in 44% of the analyzed companies.** Late payment index were a persistent issue for the transport sector, which reported delayed receivables more frequently than others. Unsurprisingly, this sector recorded a significantly higher insolvency rate than the rest, confirming our LPI as an additional early warning indicator.

**Companies with late payment index (LPI)**




*No negative payment experience recorded by Coface in the past 60 months.*

*Coface has experienced some history of unpaid invoices by the company during the past 60 months, that have since been paid, or cleared. Or the outstanding invoices are not considered to be significant in terms of the amount relative to the turnover of the company during that period.*

*Coface acknowledges the company is having payment difficulties and has been experiencing some history of unpaid invoices of significant importance over the last 60 months that have not been settled at date.*

*Out of 163 companies, 42 companies (26%) experienced some negative experience and 30 companies (18%) a considerable negative experience*

# How can data help predict and prevent insolvencies?

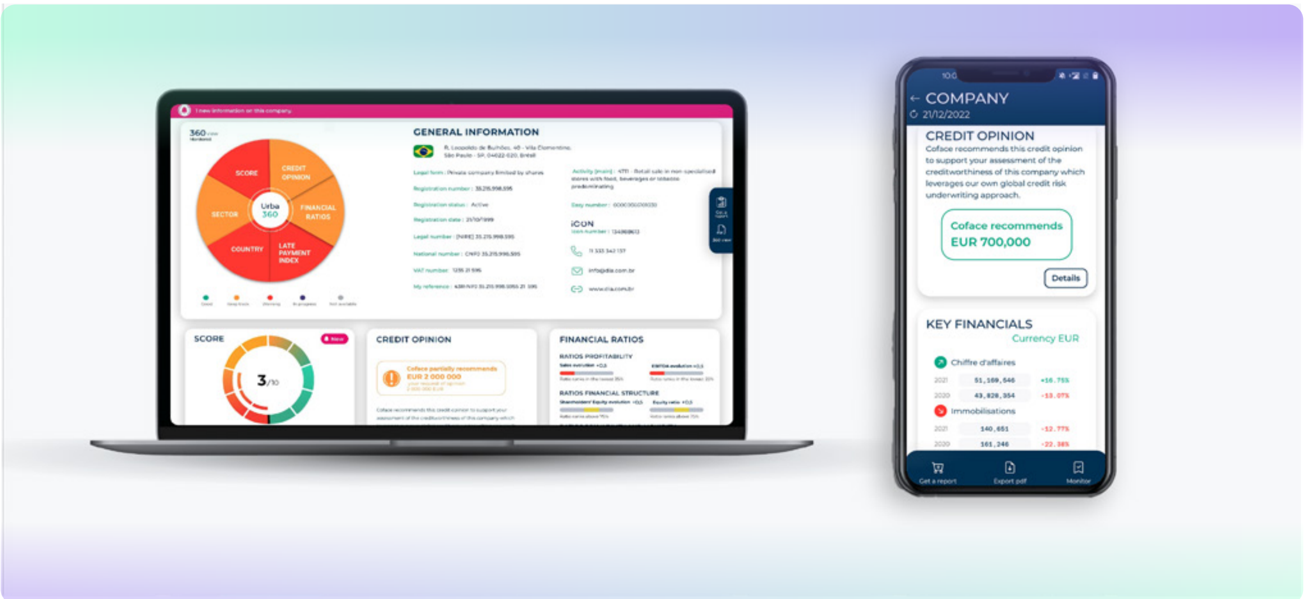
## Seizing new opportunities

While these findings reflect significant risk exposure, they also underscore the value of having predictive insights at hand.

Businesses that actively monitored financial signals through URBA 360 were better equipped to adjust credit lines, renegociate terms, or shift partnerships before risks materialized - ultimately gaining a strategic edge in an uncertain environment.

Whether you're managing credit exposure, protecting supply chains, or supporting clients in challenging sectors, real time- business information can be a powerful tool.

**Matei Mihailescu**
Business Information Director
Coface CEE




The insights in this study highlight a crucial reality: insolvencies don't happen overnight. Most companies that failed in 2024 showed early warning signs - visible through Coface's URBA 360 scoring, payment behavior tracking, and predictive analytics.

## For more information, visit our website

**www.business-information.coface.com**

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COFACE PUBLICATIONS

# CEE INSOLVENCIES:
## Insights for navigating risks in a shifting economy

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