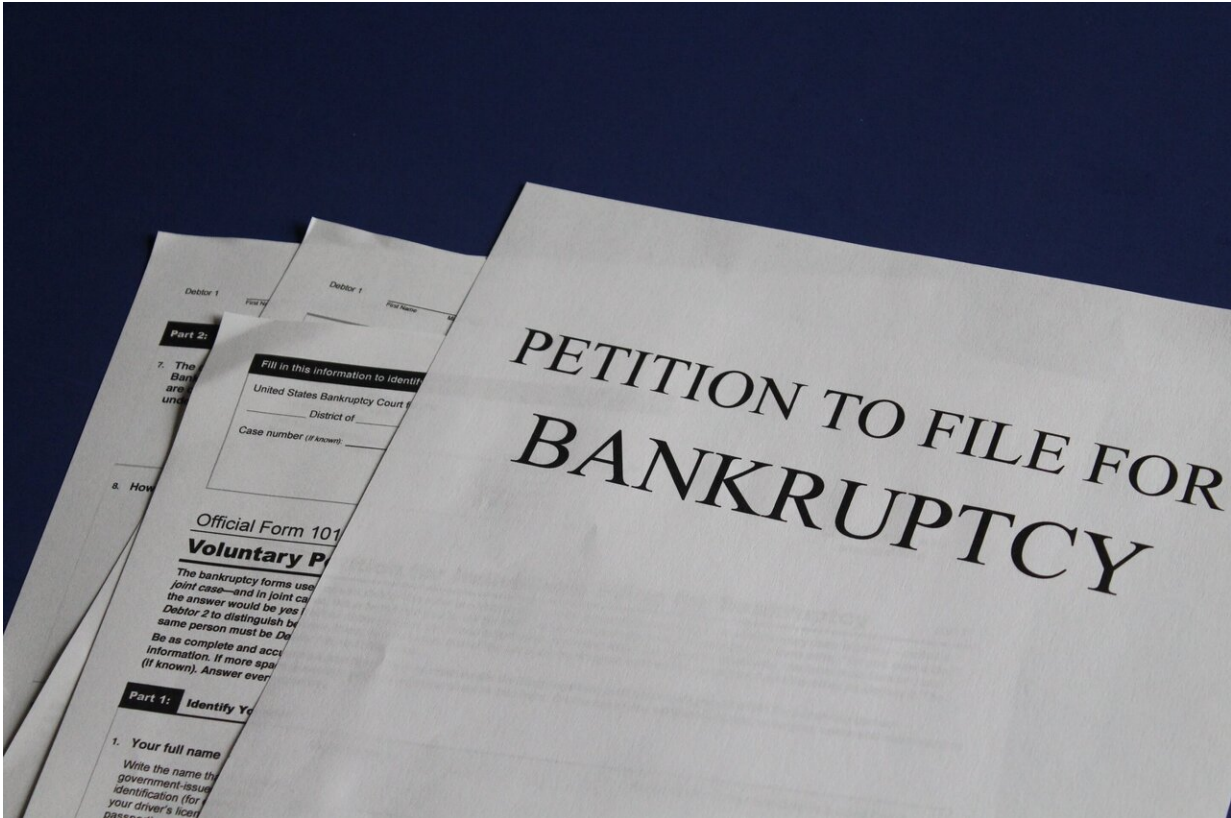


World facing bankruptcy time bomb: study

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Governments around the world are scrambling to save companies battered by coronavirus lockdowns but the world is nevertheless facing a massive surge in bankruptcies by a third, a study conducted by a trade insurance firm said Monday.

"COVID-19 is creating an insolvency time bomb," said the report by Euler Hermes, predicting a 35-percent cumulative jump in the number of companies that go bust between 2019 and 2021.

The firm, which provides insurance for trade deals, said this would be a record for its global insolvency index—and that about half of the countries worldwide would be setting new highs since the 2009 [financial crisis](#).

The biggest increase among the world's economic powerhouses will be in the United States, with a 57 percent jump in insolvencies in 2021 compared to 2019, before the coronavirus struck.

Bankruptcies are expected to soar by 45 percent in Brazil, 43 percent in Britain, and 41 percent in Spain.

China is forecast to see a 20 percent surge in bankruptcies.

In the United States, "the rapid spread of the virus is amplifying the trough in activity and generating a liquidity crisis for a larger set of companies", said the report.

"We do not expect the U-shaped recovery in the US to be sufficient to offset all the legacies of the [crisis](#) on financial metrics, nor to prevent the rise in insolvencies from continuing into 2021," it added.

The insolvencies are disruptive as other firms are left unpaid or forced to scramble to find new, often more expensive suppliers.

"The larger the company filing for [bankruptcy](#), the higher the risk of a domino effect," said the report.

Euler Hermes also warned of two scenarios in which bankruptcies could

jump even higher.

A premature withdrawal of supportive economic and policy measures could push the rise in insolvencies to 40-45 percent.

"And if the global economic recovery takes longer than expected, the surge" in insolvencies could rise to as high as 85 to 95 percent, it added.

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