

## Bankruptcies

### Key facts

- Bankruptcies in most countries have been trending downwards in recent years, with rates in Canada, Japan, the United States and South Africa significantly below pre-crisis levels.
- Post-crisis bankruptcies increased significantly in Italy but the most recent data indicate that a corner may have been turned.

### Relevance

To analyse the impacts of economic cycles on new firm creation and also on failures, policy makers and analysts need up-to-date data. The short-term indicators presented in this section respond to this need.

### Definitions

The OECD *Timely Indicators of Entrepreneurship Database* uses data based on national definitions only. When possible, adjustments are made to better align to the Eurostat-OECD *Manual on Business Demography Statistics* standard definitions (for example by removing agriculture, excluding public companies and inactive companies).

Bankruptcy is used as an approximation for the enterprise deaths measure recorded elsewhere in this publication, and is based on the legal and institutional frameworks in place. A key difference in this regard with the enterprise death measure is that a “bankrupt” firm may continue to operate.

Sources for Bankruptcies used in the *Timely Indicators of Entrepreneurship Database* are described in Table A.2, Annex A.

The trend-cycle reflects the combined long-term (trend) and medium-to-long-term (cycle) movements in the original series (see <http://stats.oecd.org/glossary/detail.asp?ID=6693>).

### Comparability

Data on bankruptcies are affected by national legislation.

The concept of enterprise “failure” reflected in the data on bankruptcies differs across countries due to differences in bankruptcy laws. In some countries a declaration of bankruptcy means that the enterprise must stop trading immediately. In other countries, enterprises can declare themselves as bankrupt but are able to continue trading with receivers in operational control. In addition, some bankrupt firms may eventually recover, a possibility excluded in the enterprise death concept. The proportion of bankruptcy procedures that end up in actual liquidations of the companies, and not in reorganisations, varies across countries depending on the bankruptcy code. Finally, firms close for different reasons, and not all do so through bankruptcy procedures.

Because of the comparability issues described, international comparisons of bankruptcy data from the *Timely Indicators of Entrepreneurship Database* should focus on changes in levels rather than levels per se.

### Source

OECD *Timely Indicators of Entrepreneurship (TIE) Database*.

### Further reading

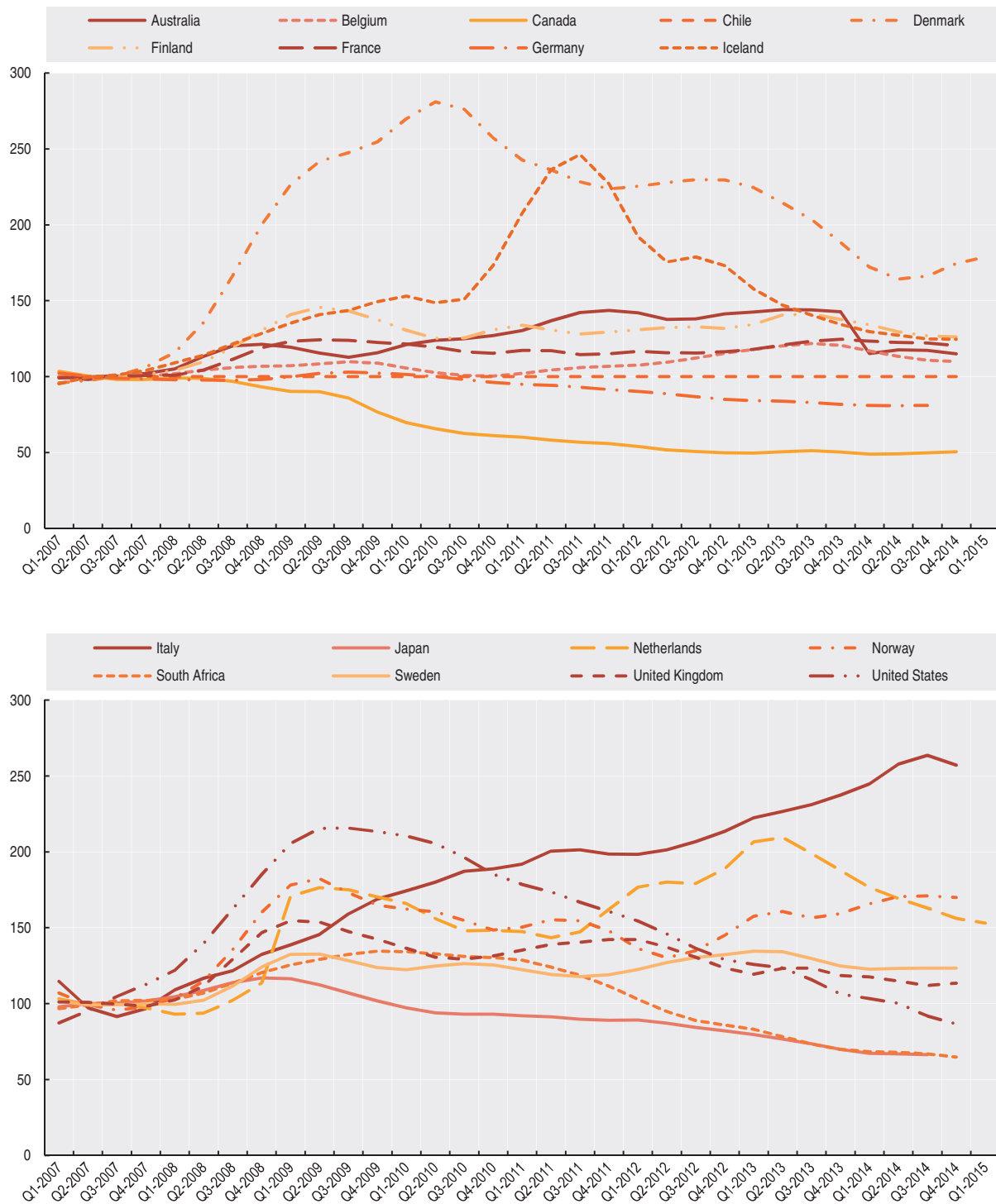

Eurostat (2010), Estimation of recent business demography data, DOC.06/EN/EUROSTAT/G2/BD/JUN10.

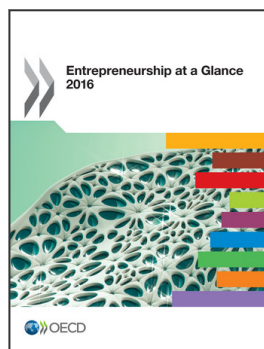
OECD (2010), “Measuring Entrepreneurship”, OECD Statistics Brief, No. 15, <http://www.oecd.org/std/46413155.pdf>.

UN (2008), International Standard Industrial Classification of All Economic Activities (ISIC), Revision 4, 2008, United Nations, New York, <http://unstats.un.org/unsd/cr/registry/isic-4.asp>.

Figure 1.2. **Bankruptcies, selected countries**

Trend-cycle, 2007 = 100

StatLink  <http://dx.doi.org/10.1787/888933230397>



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