

## PRESS RELEASE

### COFACE STUDY: INSOLVENCIES IN ROMANIA REPORTED THE SAME LEVEL IN 2023 AS IN THE PREVIOUS YEAR

**Insolvencies of companies with revenues over 0.5 million EUR,  
increased by 29% compared to 2022**

**Bucharest, February 21<sup>st</sup> 2024** – The latest Coface Romania study shows that 6,650 new insolvency procedures were opened in 2023 compared to 6,649 in 2022. The refused payment instruments increased both in value (+37%) and in number (+17%) compared to 2022, but below the levels recorded in 2019. The construction sector reports the highest number of insolvencies, respectively 1,446.

#### **The economic context – 2023, a year of contrasts**

The evolution of Romania's economy was marked by lights and shadows during 2023, with a slowdown based on moderation in consumption. Last year, retail sales increased by just 2.2%, below the previous year's average of 6.2%. Paradoxically, consumption decelerated significantly below the level of the previous year, although wage dynamics exceeded the average price growth.

In the context of demand ease and the reduction of cost pressures in the segment of hydrocarbons, energy, grains and construction materials, inflation continued its downward trend to 6.61% at the end of 2023, significantly below the level registered at the beginning of the year (15% ) or the maximum from the fall of the previous year (16.8% in November 2022).

The main macroeconomic vulnerability in 2023 was the perpetuation of double deficits, the fiscal deficit in 2023 reaching 89.9 billion lei, respectively 5.68% of GDP, below the initial target of 4.4%. At the same time, the public debt exceeded the threshold of 50% of GDP in 2023.

*"The year 2023 can be defined as a year of stability for the business environment, without significant increases in the number of insolvencies. Even if we have avoided a recession, after a deceleration of the real growth to around 2% compared to 4.1% in 2022, one of the largest increase in the region, the economic context remains relatively complicated. Large fiscal and trade deficits can generate risks and vulnerabilities for the population and the business environment. Thus, we expect a moderate increase in the number of insolvencies in 2024 caused mainly by the decrease in consumption and the high cost of financing. We monitor the macro and micro economic developments to be able to support companies step by step with solutions adapted to market dynamics",* declared Alina Popa, Country Manager Coface Romania.

#### **The evolution of insolvent companies - the "podium" remains unchanged**

The top 3 sectors according to the number of insolvent companies remains the same as in 2022: construction (1,446), retail trade (825) and wholesale and distribution (815) and retain a concentration of approximately 46% of the total number of insolvencies registered in 2023. This evolution is justified by the fact that these 3 sectors account for approximately 39% of all companies in Romania.

Of these, the largest increase in the number of companies entering insolvency proceedings was reported in the construction sector (+6% vs. 2022), which holds the largest share of the total number of insolvencies (22%).

Of the total number of insolvent companies in 2023, those established before 2016 represent approximately 54%, decreasing from approximately 60% in 2022. Last year, 460 companies with revenues over EUR 0.5 million became insolvent, up by 29% compared to 2022 and 4% compared to 2019. From these, only 45 companies had a turnover above EUR 5 million, which indicates a lower financial and social impact in the economy.

Also, last year 61 preventive concordat procedures were opened, compared to 21 procedures in 2022. A number of 8 companies from these registered a turnover of over EUR 5 million in 2022 and had 1,229 employees.

According to the data provided by the National Bank of Romania through their publication by CIP, in 2023 33,790 payment instruments were refused to payment on the amount of 2,135 million lei. Although we see an increase in both the value refused (37%) and the number of incidents (17%) compared to 2022, the values recorded in 2023 are below the ones in 2019: -33% in refused value and -27% as number of incidents.

*"We see that in the last 5 years the number of insolvencies has remained relatively constant, and in the last 2 years the half-yearly dynamics is approximately equal to 0%, which shows a stability of the Romanian entrepreneurial environment. However, at the microeconomic level, a series of challenges are emerging for 2024, such as the decrease in consumption, the high cost of financing, and the new set of fees and taxes that came into force starting this year, which will put constant pressure on the economic activity. This could lead to the extension of payment terms to suppliers, increasing the insolvency risk of vulnerable companies",* added Tiberiu Chesoi, Head of Claims Department Coface Romania.

## **Insolvencies territorial distribution**

At the territorial level, 6 counties alongside Bucharest account for 51% of the total number of opened insolvencies in 2023, up 2 pp compared to 2022. The capital leads the ranking with 1,289 insolvencies up by 19% compared to 2022, followed by Bihor, Cluj, Timiș, Constanța, Iași, Ilfov. Companies from these counties have approximately 46% of the total number of employees of companies that entered insolvency in 2023. From the total number of companies that submitted their financial statements for 2022, an average number of 26,751 employees was reported by insolvent companies, out of which the 6 counties above + Bucharest hold 12,314 of employees.

The same counties and Bucharest have a share of 48% of the total number of registrations and 41% of the total number of deregistrations. Most companies were registered (31,091) and radiated (11,820) in Bucharest.

## **Overview of the local business environment**

A total of 147,026 legal entities were registered in 2023, of which 96,839 were LLCs, down from 2022, when 152,809 companies were registered. Regarding the number of deregistered companies, the trend is favorable, with 71,241 deregistrations recorded last year, down 3.4% compared to 2022 and 43% compared to 2019 (101,601). Analyzing the sectoral distribution of companies registered in 2023, we observe a high correlation with the structure of already existing companies. Basically, most companies are established in the sectors that have the most active companies, which reflects a preference of the population for certain types of activities.

*In the present study, the newly opened insolvencies were considered based on the data published by ONRC (National Trade Registry Office). The analysis of the financial indicators for the considered companies was based exclusively on the financial statements submitted to the MFP during the analyzed period, based on the data processed by Coface.*

Study conducted in January 2024.

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