

PwC Report: Insolvency and restructuring activity remained low across the Central and Eastern Europe, since the beginning of the pandemic, except Romania and Czech Republic

Insolvency and restructuring activity remained low across Central and Eastern Europe (CEE), since the beginning of the pandemic, except Romania, which has recorded an increase in the number of insolvencies, and Czech Republic, which saw an increasing trend in restructuring, according to PwC "Global Restructuring Trends" report.

"To date, both insolvency rates and pressure to restructure have generally been held in check by government intervention, with measures such as postponement of tax payments, loan guarantees, wage subsidies for workers put on furlough. However, governments will not provide support indefinitely and as soon as this is withdrawn, we expect insolvencies to grow. That's why, in order to have a higher chance of survival, companies must consider strategies to reconfigure plans and operations before the government withdraws its support. Some companies have already initiated restructuring plans as early as this last quarter of 2020 and this activity is expected to intensify in the first quarter of 2021", said **Dinu Bumbacea**, *Partner and Advisory Leader, PwC Romania*.

According to the report, insolvencies are expected to increase in Q4 2020 and into 2021 globally, especially for those companies that operate in heavily COVID-19-affected industries that may take much longer to recover, such as leisure, travel, hospitality, tourism, accommodation, non-food retail. The key industries which remain under pressure in the CEE region are automotive, retail, tourism and hospitality.

In the case of Romania, the number of insolvencies was increasing in 2020, according to the data of The National Trade Register Office. Thus, the number of insolvent entities rose from 1,392 in April this year to 4,606 in October. However, the number remains below the value recorded in the same month of last year.

Restructuring can play a key role in supporting business, reducing the number of potential insolvencies and keeping unemployment rates low. Currently, more than 40 million workers in 37 economies are on furlough and the forecasts are not very optimistic.

In the first phases of the novel coronavirus pandemic, businesses have mainly focused on preserving liquidity by drawing on the government support structures, as well as cost reduction and stabilisation of supply chains. From now on, companies need to focus also on dealing with the debts accumulated during lockdown, financial restructuring, consolidation or divestment of non-core assets.

In its third edition, the "Global Restructuring Trends" report examines how governments and companies have reacted to the economic impact of the COVID-19 pandemic and presents the challenges ahead in 37 economies around the world.