

“Number of bankruptcies” in Japan, declining for six consecutive years

The “number of bankruptcies” can be found by the “Nationwide enterprise bankruptcy research” released by Tokyo Shoko Research, Ltd. (TSR) every month. It contains the “number of bankruptcies” and total liabilities classified by regions, industries and capital size etc. The statistics of “bankruptcy research” announced by the Small and Medium Enterprise Agency is based on the data provided by TSR.

Point 1

The “number of bankruptcies”, historically low level in 24 years Deferred repayment accepted by banks and increase in public works as a part of economic stimulus packages helped the decline

- The 2014 “Nationwide enterprise bankruptcy number” (bankruptcies with total liabilities not less than JPY10million) announced by TSR on January13th declined by10.3% y-o-y for six consecutive years to 9,731, below 10,000 for the first time in 24 years since 1990. According to the TSR research, this resulted from banks’ relaxed attitude for rescheduling of debts of mid-small companies and growth in public works for economic stimulus package to mitigate negative impact of the consumption tax hike.
- The total insolvent liabilities declined 32.6% y-o-y to JPY1.875trillion, falling to below JPY2trillion level for the first time in 24 years. The number of large sized bankruptcies (defined as those with not less than JPY10billion liabilities) also sharply dropped to only 7 cases from 21 cases in the previous year.

Point 2

Bankruptcies declined widely across regions and industries despite marginal increase caused by “JPY depreciation” and “Labour shortage”

- By regions, the “number of bankruptcies” declined in 8 regions out of 9 except for Shikoku, and by industries, it declined in 7 industries out of 10. By size of enterprises, enterprises with capital not less than JPY100million and with under JPY100million both declined by 3% and 10% y-o-y respectively. And it is remarkable that no listed company saw bankruptcy during the year for the first time in 24 years. The number of bankruptcies declined widely across regions and industries in 2014.
- Reflecting recent JPY depreciation and labour shortage, the number of bankruptcy resulted from the “JPY depreciation” doubled to 282 and that from the “labour shortage” jumped by 38 y-o-y to 301, which are just small numbers in the total landscape though.

“Bankruptcy Research”

Year	Number of Bankruptcies		Total Liabilities	
	Cases	Change y-o-y	Amount	Change y-o-y
2010	13,321	-13.9%	7,161	3.3%
2011	12,734	-4.4%	3,593	-49.8%
2012	12,124	-4.8%	3,835	6.7%
2013	10,855	-10.4%	2,782	-27.4%
2014	9,731	-10.4%	1,874	-32.6%

(Note) 1. Data from 2010 to 2014.

2. Enterprise with total liabilities of not less than JPY10million
3. Unit for amount of total liabilities is JPY1billion.

(Source) SMAM, based on the Small and Medium Enterprise Agency data.

Favorable situation is expected to continue on corporate earnings growth, and consumption recovery caused by wage increase

■ Favourable financing environment is likely to continue

The Bank of Japan (BOJ) is boosting the economy by unprecedented monetary easing and bank lending promoting measures. At the Monetary Policy Meeting (20-21 January), the BOJ decided to extend the period of “facilities to promote bank lending” for reinforcing growth fundamentals by one year and to increase the facilities size from JPY7trillion to JPY10trillion. Financing environment is likely to continue favorable for Japanese companies.

■ Accelerating favorable cycle spurred by upbeat corporate earnings

The corporate earnings are expected to grow and the upbeat business environment such as six consecutive years decline in the “number of bankruptcy” is likely to continue. This year, large corporations are moving forward to raise employee's salary, and the tax credit by the 2015 tax reform for the company that raises wages led by favorable business performance would motivate to increase its employee's salary. Such a favorable cycle can be expected as growing corporate profit leads to increase wages and accelerates to boost consumption.

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