

## National Insolvency Statistics Update: Slovakia

**Despite the implementation of the Preventive Restructuring Directive, the number of restructuring proceedings has not increased significantly, but on the other hand the number of insolvency proceedings has.** This is the conclusion of a summary of the latest statistics on restructuring and insolvency proceedings in Slovakia, as reported by **Dávid Oršula from bnt attorneys in CEE.**



Preventive restructuring was introduced by the new Act No. 111/2022 Coll. on the resolution of imminent bankruptcy. With effect from 17 July 2022, the deadline for transposition of the Preventive Restructuring Directive, the Act complements the insolvency legislation of the Slovak Republic.

The aim of the Act is to provide for the resolution of the situation of an entrepreneur threatened by bankruptcy due to imminent insolvency in a preventive procedure, which is an effective tool for early resolution of the debtor's situation in order to continue its activities and maintain its viability and, in particular, to prevent bankruptcy and subsequent insolvency.

Given external factors such as the COVID-19 pandemic, the war in Ukraine and record high inflation, it is difficult to assess the actual impact of the new law on insolvency proceedings in Slovakia. Nevertheless, we can conclude from the latest statistics that there has been a significant increase in the number of insolvencies.

Insolvency courts declared the assets of 277 legal entities bankrupt in 2022. This is the highest number since 2015, but comparable to the number of insolvencies in the pre-pandemic period. The value of identified assets of legal entities that finally went insolvent jumped to EUR 690 million last year. This is about two and a half times more than in 2021. The identified net turnover of bankrupt legal entities that went insolvent last year was more than EUR 429 million. This is about 2 % of the known turnover of non-financial corporations in 2021.

The increase in the number of bankrupt companies in the last two years is not only related to the downturn in 2020 caused by the granting of short-term temporary protection, but also to the amendment of the insolvency legislation. As of 1 January 2021, the insolvency rules changed for companies with assets and liabilities of up to EUR 1 million. The number of so-called small insolvencies rose to 68 in 2021, a quarter of all insolvencies. In 2022, there were already almost 100 companies that ended up in small insolvency, which is more than a third of all insolvencies.

Years ago, insolvency courts were approving dozens of restructurings a year, but this led to abuses. So that at the end of 2016, the government amended the insolvency law to tighten its conditions, and the number of restructurings fell sharply in the following years. In 2019, they reached an all-time low (only 13 restructurings). However, the last three years have seen a

gradual recovery. Last year, the courts approved 26 restructurings, almost three-quarters of them in the first half of the year.

The latest statistics from the summer of 2023 signal a high workload for the insolvency courts. In August 2023, Slovak insolvency courts opened as many as 71 insolvency proceedings and declared the assets of 44 bankrupts bankrupt, the highest number in both cases since at least January 2018. Almost two-fifths of the insolvencies are so-called small insolvencies. At the same time, judges approved two restructurings.

To sum up, while the statistics show an increase in insolvency proceedings over the past year, this increase seems to be primarily a sign of a certain normalisation of the number of insolvency proceedings after the COVID-19 pandemic. We must also mention that the number of insolvency proceedings is still much higher than the number of restructuring proceedings.

*Further statistics from Slovakia and other jurisdictions can be found on our website [here](#).*

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