

Business Bankruptcies Declined 22 Percent Over Course of 2012

by Joel R. Glucksman on October 12, 2012

There has been a wealth of publicity surrounding high-profile business bankruptcies, such as American Airlines, Hostess, and Houghton Mifflin Harcourt, leading many individuals to believe that bankruptcy is on the rise. However, the latest report from the American Bankruptcy Institute reveals that filings are actually falling among the nation's businesses as the economy slowly improves.

Data reveals that corporate petitions for protection under bankruptcy law declined 22 percent during the first nine months of 2012 from where they stood one year ago. Between January and September of this year, companies filed 44,750 bankruptcy requests, compared with 57,613 filings during the same period in 2011. Chapter 11 bankruptcy petitions, specifically, dropped 11 percent to 5,889.

ABI executive director Samuel Gerdano cites low interest rates as a central reason for the drop in filings. Lowered borrowing costs and budgeting strategies that take the new economic realities into consideration may have helped many companies shave unnecessary costs and shield their bottom lines from market volatility.

"We remain on pace for the lowest total bankruptcies since before the financial crisis in 2008," Gerdano said, according to Bloomberg.

Although commercial bankruptcy filings have fallen, many analysts are unable to reach a consensus on how companies will fare in the future. While some are exploring avenues to keep costs low, falling revenue, disputes over pensions and labor contracts and competition with new technology have been cited as common reasons many businesses are struggling to stay afloat. Despite the number of highly publicized filings, many companies that sought protection were able to restructure under Chapter 11 and emerge from protection within a short period of time.