

6. Insolvency risk

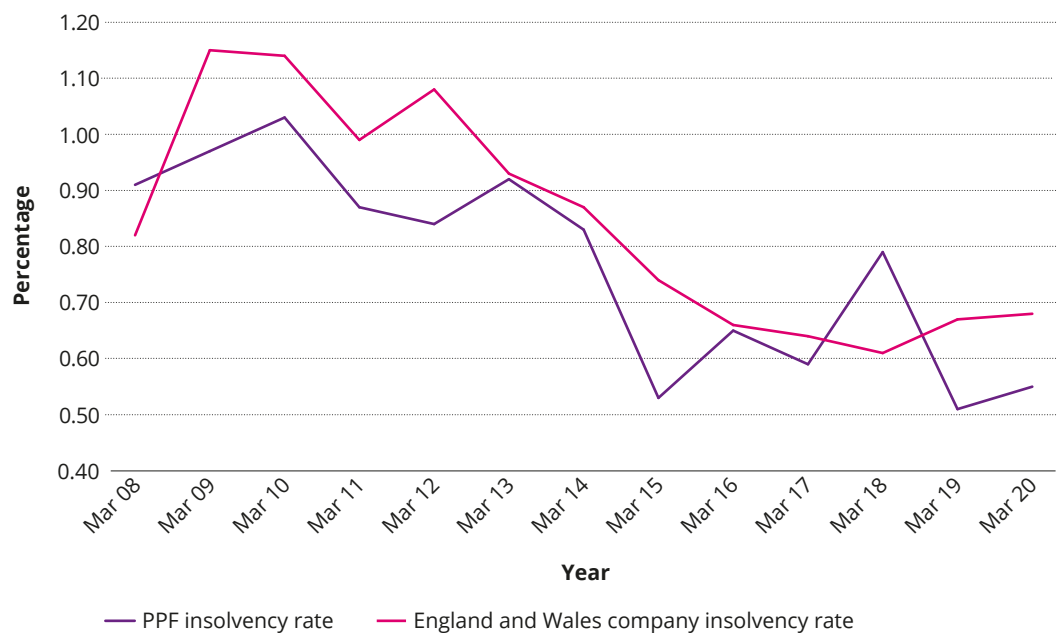
Summary

- This chapter shows the annual insolvency rate for employers in the PPF universe and companies in England and Wales. It also shows the number of England and Wales company insolvencies compared with the rate of UK real GDP growth. Finally it shows a proxy for insolvency risk over the next year, for different scheme sizes.
- The average insolvency rate in the PPF universe has increased by 0.04 percentage points to 0.55 per cent at 31 March 2020.
- Similarly, the average annual insolvency rate of companies in England and Wales increased by around 0.01 per cent at 31 March 2020. This was caused by an increase of around 4 per cent in the number of annual England and Wales company insolvencies.
- UK real GDP growth was -1.7 per cent in Q1 2020, down from 2.0 per cent in Q1 2019.
- In aggregate, larger schemes tend to have a lower insolvency risk than those with fewer members.

Figure 6.1 | Annual insolvency rates*

The PPF annual insolvency rate has increased over the last year by around 0.05 percentage points to 0.55 per cent. The England and Wales company insolvency rate remained at about the same level as last year at 0.7 per cent.

Source: PPF, Office for National Statistics (ONS)



* The England and Wales company insolvency rate has been calculated based on the 2.5 million companies in England and Wales that are VAT/PAYE registered with HMRC. Insolvencies in England and Wales account for around 93 per cent of UK insolvencies. In comparison, there are around 14,500 companies in the PPF universe, or around 13,000 if companies that participate in multiple schemes are only counted once.

6. Insolvency risk continued

Figure 6.2 | England and Wales underlying company insolvencies (seasonally adjusted)

The number of insolvencies in England and Wales increased by 4 per cent in the year to 31 March 2020. UK real GDP fell by 3.7 percentage points over the same period.

Source: ONS and the UK Insolvency Service

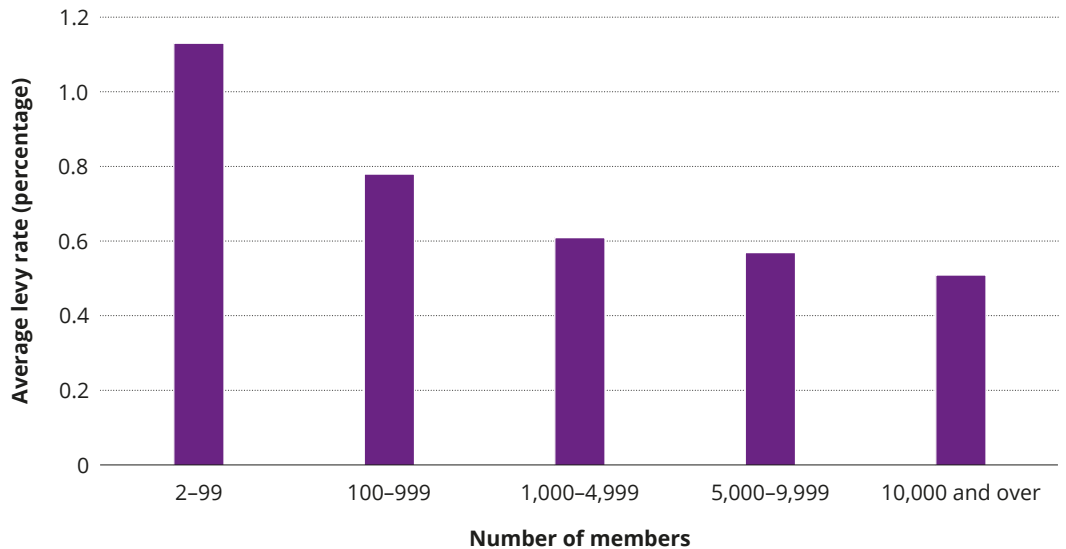
Note: as the ONS and UK Insolvency Service revise their methodology and receive new data, the figures for previous time periods may be updated.



Figure 6.3 | Average levy rates of sponsoring companies by scheme membership size as at 31 March 2020*

Schemes with the fewest members tend to have sponsors with higher insolvency probabilities.

Source: PPF



* Schemes' risk-based levy rates, as used in calculating the PPF levy, have been used as a proxy for the insolvency probabilities.