

Business Bankruptcies Continue to Decline

by Joel R. Glucksman on August 13, 2013

Americans have been inundated as of late with news relating to several high-profile business bankruptcies, suggesting that more companies are continuing to struggle as the economy makes its slow recovery. Despite the heavy coverage, a new report indicates that the number of companies seeking bankruptcy protection is actually falling.

New Generation Research, a unit of Bankruptcydata.com, reports that corporate bankruptcy filings are down 30 percent so far in 2013, compared to where they were at this point in 2012. The latest research suggests that the downward trend of business bankruptcy proceedings that has taken hold over the last four years may continue into the future as the economy strengthens. The findings reveal that bankruptcy filings in the second quarter of 2013 declined 35 percent from where they stood during the same period in 2012.

The study cites several reasons for the improved condition of U.S. businesses, which include consistently low interest rates and tighter credit and lending standards to reduce the level of risk posed to the economy. In addition, small businesses may be taking a more cautious approach toward spending and investing more in strengthening their operations. Consumer confidence, which continues to fluctuate mildly, has also climbed to higher levels than those posted in 2012, a scenario that has sparked greater levels of consumer spending. The latter currently accounts for 70 percent of the economy.

The breakdown of the study's findings reveal that California tops the list of states with the highest number of quarterly filings as well as yearly filings. Approximately 12.91 percent of companies sought protection during the second quarter of 2013 in California. Delaware followed with 11.67 percent of companies filing for bankruptcy, while Florida came in third at 8.71 percent.

Although some of the nation's largest companies - such as Hostess, American Airlines, and Kodak, to name a few - sought bankruptcy protection, many have emerged from proceedings in a strong position.