

Medium-Sized Enterprises

Annual observed recovery rate trends

June 2023

First COVID Year Recoveries now visible

2023 Outlook

The global outlook is once again uncertain amid financial sector turmoil, high inflation, ongoing effects of Russia's invasion of Ukraine, and three years of COVID. This report includes for the first time defaulted loans from 2020, the year the pandemic began. However, there is considerable ambiguity about the final outcome with only 60% of the defaults finalized and the remainder subject to future turbulence.

Corporate Defaults in the Global Credit Data Loss Database

Bank internal Loss and Recovery Data has been collected from 50+ global banks since 2000. Historical observed Recovery Rates and Time to Peak Recovery are shown here by common risk drivers: Collateral and Seniority, Region and Industry. GCD members receive granular data including country level and granular industry groups for deeper analysis.

Drivers of Loss

Seniority and Collateral are observed as affecting recoveries. Secured recovery is higher than unsecured, particularly where a strong (primary) collateral is held. GCD has its strongest database in Europe and North America, which register similar figures. Latin America shows relatively low recoveries.

Note on Terms Used (see [Appendix](#) for more details)

Observed Recovery Rate refers to the historically observed nominal average recovery cash flows divided by outstanding at default. It is based on resolved loans for years 2000-2019.

Time to Peak Recovery is calculated as the center point of recovered cash flow.

Primary Collateral is Cash, Marketable Securities, Ships, Airplanes, Real Estate and Other Objects. **Secondary Collateral** is all other collaterals.

		85,845	80%	1.3
		Number of Facilities	Observed Recovery Rate	Time to Peak Recovery
		Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery
Secured	Primary	34,926	84%	1.4
	Secondary	27,384	77%	1.3
	Total	62,310	81%	1.4
Unsecured	Senior	20,489	80%	1.1
	Subordinated	445	55%	2.1
	Other	2,601	83%	1.9
Total		23,535	80%	1.3
Africa & Middle East		1,279	82%	1.6
Asia & Oceania		3,667	79%	0.8
Europe		52,218	81%	1.4
Latin America		1,933	68%	1.8
North America		26,741	81%	1.2
Unknown		7	57%	0.7
Agriculture		4,508	86%	1.1
Communications		1,439	78%	1.5
Construction		8,950	80%	1.4
Hotels and Restaurants		3,234	79%	1.5
Manufacturing		17,010	81%	1.1
Mining		742	81%	1.1
Real Estate		10,074	84%	1.5
Social/Health Services		3,823	76%	1.7
Other Services		11,238	79%	1.3
Transportation		3,310	81%	1.1
Utilities		554	82%	1.2
Wholesale/Retail Trade		15,736	79%	1.2
Other		5,227	81%	2.0

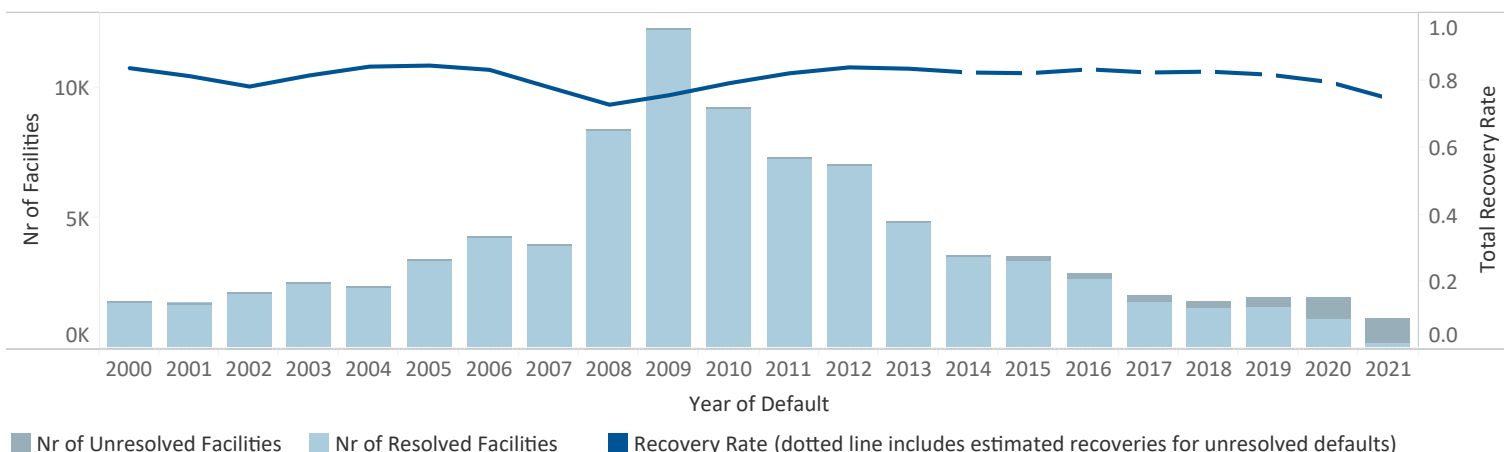
Recoveries and Losses in COVID and other Crisis Times

This report shows historical observed recovery rates. For recent years the increasing portion of yet to be resolved cases adds uncertainty to the outcome. By applying the GCD methodology for calculating losses for the portion of unresolved defaults the total recovery rate for 2020 is estimated to be 80% (83% for resolved loans) which is close to the long-term average despite the significant challenges posed by the COVID pandemic. This could be attributed to the governments' stimulus packages and financial institutions' loan forbearance programs.

As it takes up to 5 years or even longer for a defaulted loan to resolve, the 40% of unresolved loans will be exposed to future events which will impact their final outcome.

	Total Recovery Rate	Observed Recovery Rate	Time to Peak Recovery
COVID 2020	80%	83%	0.5
GFC 2008-2009	74%	74%	1.7
Other Years	82%	82%	1.2

Total Recovery Rate includes estimated values for unresolved defaults while Observed Recovery Rate is based on resolved defaults only. See [GCD LGD for Unresolved Defaults Methodology](#) for more details.



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Bank Defaults in the Global Credit Data Loss Database

Bank internal Loss and Recovery Data has been collected from 50+ global banks since 2000. Historical observed Recovery Rates and Time to Peak Recovery are shown here by common risk drivers: Collateral and Seniority, Region and Industry. GCD members receive granular data including country level and granular bank types for deeper analysis.

Drivers of Loss

Seniority and Collateral are observed as affecting recoveries. Secured recovery is higher than unsecured, particularly where a strong (primary) collateral is held. GCD has its strongest database in Europe. Africa & Middle East shows relatively low recovery rates.

Note on Terms Used (see [Appendix](#) for more details)

Observed Recovery Rate refers to the historically observed nominal average recovery cash flows divided by outstanding at default. It is based on resolved loans for years 2000-2019.

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56,507

Number of Facilities

67%

Observed Recovery Rate

1.4

Time to Peak Recovery

		Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery
Secured	Primary	10,614	78%	1.3
	Secondary	19,878	65%	1.4
	Total	30,492	69%	1.3
Unsecured	Senior	15,442	63%	0.9
	Subordinated	85	59%	2.2
	Other	10,488	66%	2.0
	Total	26,015	64%	1.4

Africa & Middle East	2,534	58%	1.0
Asia & Oceania	2,981	86%	0.5
Europe	41,017	67%	1.5
Latin America	827	64%	1.3
North America	9,147	61%	1.2
Unknown	1	0%	

Agriculture	1,267	75%	1.1
Communications	1,168	63%	1.3
Construction	6,284	67%	1.2
Hotels and Restaurants	2,557	66%	1.3
Manufacturing	8,567	70%	1.1
Mining	275	70%	1.0
Other	5,293	67%	2.5
Other Services	10,829	64%	1.3
Real Estate	2,742	75%	1.3
Social/Health Services	1,376	71%	1.9
Transportation	3,411	68%	1.2
Utilities	300	67%	1.1
Wholesale/Retail Trade	12,438	64%	1.2

Recoveries and Losses in Crisis Times

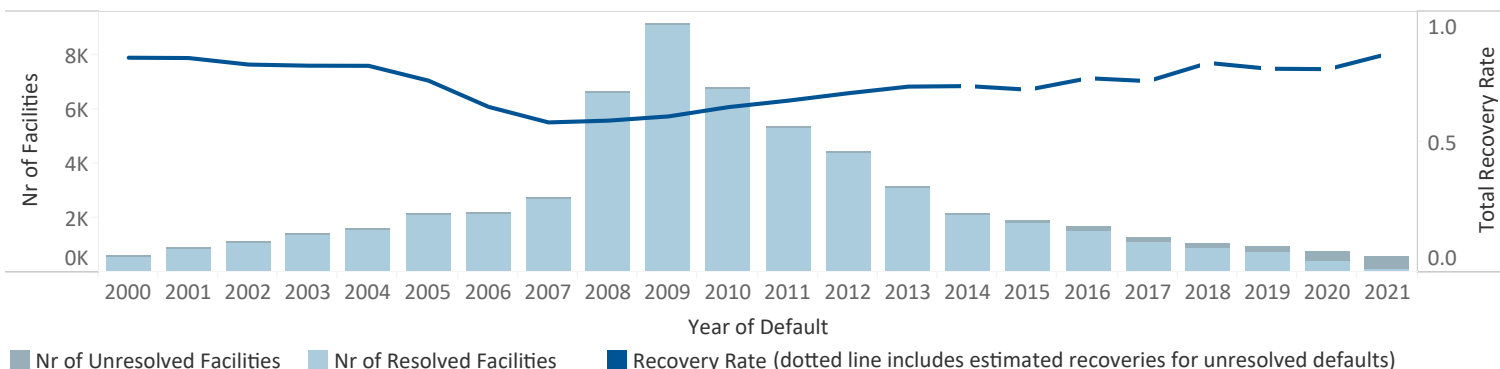
This report shows historical observed recovery rates. For recent years the increasing portion of yet to be resolved cases adds uncertainty to the outcome. By applying the GCD methodology for calculating losses for the portion of unresolved defaults the total recovery rate for 2020 is estimated to be 78% (80% for resolved loans) which is close to the long-term average despite the significant challenges posed by the COVID pandemic. This could be attributed to the the governments' stimulus packages and financial institutions' loan forbearance programs.

As it takes up to 5 years or even longer for a defaulted loan to resolve, the 40% of unresolved loans will be exposed to future events which will impact their final outcome.

	Total Recovery Rate	Observed Recovery Rate	Time to Peak Recovery
COVID 2020	78%	80%	0.5
GFC 2008-2009	59%	59%	1.7
Other Years	70%	70%	1.2

Total Recovery Rate includes estimated values for unresolved defaults while Observed Recovery Rate is based on resolved defaults only. See [GCD LGD for Unresolved Defaults Methodology](#) for more details.

Recovery Rates by Year of Default



Global Credit Data maintains the world's highest quality, most exhaustive member-bank contributed data source for credit risk.



More from Global Credit Data

This report draws on verified information collected from 50+ global or regional banks over 20 years and covers over 300,000 defaulted facilities in total.

[Explore our other reports.](#) They provide an instant insight into observed Recovery Rates and other key benchmarks for various exposure classes, industry sectors and collateral types:

Corporates, Banks and Financial Institutions, Sovereigns, Real Estate Finance, Shipping Finance, Aircraft Finance.

To meet the standards set by global regulations like BCBS239, GCD has established a robust framework to continuously measure, monitor and improve [data quality](#).

About

At GCD, our mission since 2004 has been to empower banks and the financial industry with a deep understanding of credit risk through a unique data source. As a non-profit organisation owned by 50+ member banks, we collect valuable data directly from banks' books.

GCD's activities revolve around pooling credit loss data, particularly from low default portfolios. Beyond data pooling we foster knowledge exchange, facilitate research and information sharing services, creating a dynamic environment for insights and collaboration.

Join our community to access exclusive data insights gain market understanding, and benchmark your performance against industry peers.

www.globalcreditdata.org

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