

US: Insolvencies rise above pre-pandemic levels for the first time

Coface

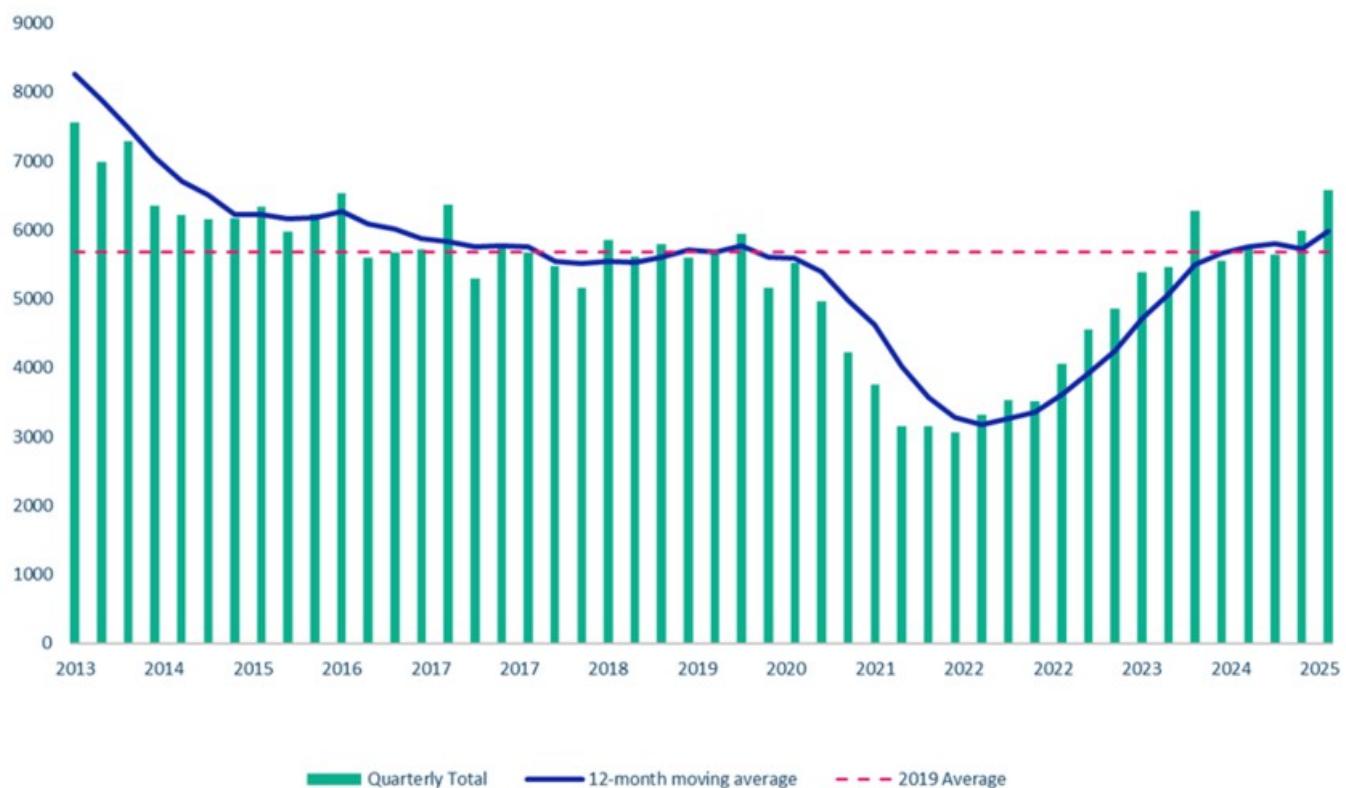
US business failures have reached a historic milestone: for the first time since the pandemic began, they have consistently exceeded 2019 levels. Marcos Carias, our economist for North America, provides insights into this trend and its implications for the coming months.

Key Takeaways

- U.S. business bankruptcies reached 6,574 in Q3 2025, the highest since Q2 2014 and **15% above the 2019 average**, marking two consecutive quarters above pre-pandemic levels.
- At this stage, rising insolvencies likely reflect supply and demand pressures that were **already building up before the trade war**, such as higher refinancing and labor costs, as well as sector-specific trends such as retail digitalization or declining reimbursement rates in healthcare.
- We're likely to remain at this sort of level as the tariff pressures pile up.

The total number of business bankruptcies in the United States reached 6,574 in Q3, the highest figure since Q2 2014 and 15% above the 2019 average. This marks the first time the bankruptcy figure has been above 2019 levels for two quarters in a row and puts the YTD level at 5.25% above 2024. Back in July, S&P global had reported that, among large companies¹, H1 bankruptcies had reached their largest level since 2010, and 2025 is **shaping up to be the year where corporate defaults in the U.S. go noticeably above pre-pandemic levels for the first time**.

United States: Business Bankruptcies



[Data for graph in .xls format](#)

As in other industrialized economies, the immediate post-pandemic era was characterized by **a large insolvency gap – a prolonged period of remarkably low levels of business bankruptcies**. However, after closing the gap, insolvencies in other advanced economies continued rising well into 2024 and 2025. In the U.S., by contrast, bankruptcies had stabilized roughly at pre-pandemic levels going into spring 2025.

The divergence in the insolvency curves mirrored the contrasted macroeconomic fortunes on both sides of the Atlantic.

Consume first, ask questions later: Both U.S. and European **households accumulated massive excess savings during the lockdowns**, but Americans were much more prone to spend these savings on consumer goods and services afterwards. This is illustrated by the divergent trajectories of household savings rates. As such, they boosted the revenues of firms to a greater extent.

Thanks to a combination of more widespread technology adoption and more flexible labor markets, **productivity growth in the U.S. has been much stronger than in Europe**. This allowed real wages to catch up to inflation without excessively undermining corporate margins. Furthermore, the U.S. avoided the permanent energy competitiveness shock caused by the Ukraine War. Though both regions experienced a permanent increase in production costs, U.S. firms have been better positioned to assimilate it.

What's driving the surge?

Diagnosing the drivers of bankruptcies with precision is difficult in the absence of sectoral detail for the Federal Courts data; but the breakdown of the S&P Global sample of large bankruptcies can provide some insight. While most bankruptcies involve smaller, non-listed firms, trouble at the top end of the spectrum usually signals that smaller players in the same sector are struggling even more. 71% of the large insolvencies registered in H1 2025 are concentrated in three sectors:

- **Retail:** With the progressive slowdown in real wages, consumers have been adjusting their consumption habits at the margin. There's been a notable wave of bankruptcies in the casual restaurant segment, with consumers turning to food at home or lower cost alternatives. Business models disproportionately reliant on physical stores have also continued suffering the structural pressure of the shift towards online retail.
- **Industrials:** Though there's been a strong rebound in industrial production in 2025, the manufacturing sector underwent a significant recession in 2022 and 2023. Even now, production is still 1% under its March 2022 peak and 3% under the April 2018 peak. Strategic sectors like semiconductors and pharmaceuticals are indeed seeing expansion thanks to abundant public policy support, but overall the U.S. manufacturing base keeps shedding capacity.
- **Healthcare:** After experiencing stellar growth in the 2010s, the healthcare industry has been hit by particularly acute labor shortages and rising labor costs². At the same time, there have been reimbursement rate cuts for Medicaid/Medicare. The 2022 "No Surprises Act" eliminated balance billing for out-of-network emergency care, cutting a major source of high-margin revenue. Inflation and rising deductibles pushed patients to delay or skip care.

Expect insolvencies to remain high for at least a couple of quarters

Now that the U.S. has entered insolvency overshoot territory, the big question is how long it will stay there. We appear to be reaching a point where demand is no longer solid enough to fully absorb the growth of production costs, as reflected in inflation rising less than expected even in the presence of tariffs. Corporate insolvencies react to economic activity with a lag; the uptick is likely the consequence of cost pressures built-up gradually, higher input and financial costs meeting with gradually slowing demand. **Rate cuts should eventually start taking some pressure off refinancing costs, but this won't hit the real economy until mid-2026**. Going forward, we should also increasingly start to see the effects of tariffs in firm's bottom lines.

As we've argued, the data suggests that **U.S. firms have been absorbing the lion's share of tariff costs**. Regarding the future evolution of tariffs, there is, as always, an unavoidable degree of uncertainty related to the Trump administration's unpredictable behavior. Our working assumption is that the overall tariff rate will oscillate around the 15% mark. It's therefore reasonable to **expect that insolvencies will remain higher than during the pre-pandemic period**; with some room for improvement as we head into the back half of 2026.

Could IEEPA tariff refunds bring insolvencies back down?

If the Supreme Court declares IEEPA tariffs unlawful, the U.S. importers that paid them would be entitled to refunds, which should in principle come as a windfall for tariff-affected firms. However, we expect that the Trump administration will make claiming those refunds bureaucratically burdensome, meaning we don't know how fully and how quickly this liquidity would flow back into the private sector. Furthermore, the White House has made clear its intentions to, in time, replicate struck down IEEPA tariffs through alternative legal authorities. Though it is a situation worth monitoring, **there are too many uncertainties here to count on IEEPA tariff refunds to act as a liquidity windfall in the short run**.

No time to read the article? Marcos sums it up for you

¹ Defined as public companies or private companies with public debt with a minimum of \$2 million in assets or liabilities at the time of filing, in addition to private companies with at least \$10 million in assets or liabilities.

² Since Q2 2022, real wages in the healthcare industry have risen 5.8%, vs 3.5% in the private sector overall.