

THE WEIL EUROPEAN DISTRESS INDEX

MARCH 2026

EXECUTIVE SUMMARY



Macro view

The latest Weil European Distress Index (WEDI) shows that corporate distress across Europe remains above the long run average but has fallen modestly on the previous quarter.

Overall levels of corporate distress have remained high over the last three years with distress continuing to be driven by liquidity, investment and profitability. However, this masks an uneven and fragmented environment across markets and sectors.

- Germany remains the most distressed market with levels rising mildly on the previous quarter. The main driver of distress continues to emerge from issues surrounding liquidity, followed by pressure on profitability and investment.
- Levels of distress among French corporates lag close behind Germany, and France remains the second most distressed market. However, overall levels have worsened against the previous year and are significantly worse than 2024.
- The UK holds its place as the third most distressed market, with distress drivers remaining more uneven. Investment, liquidity and profitability are all contributing to high levels of distress, but risk is also contributing to a greater extent than other markets.
- The geopolitical environment has become more unstable, with the war in Iran causing volatility across oil prices, supply chains and international financial markets.
- However, it is important to note the latest IMF forecasts and the data collection period for this edition of WEDI preceded these developments, which are therefore not accounted for in this report.

Weil European Distress Index Movements

Index value in February 2026	QoQ trend	YoY trend
+2.6	 Distress falling from +2.9 in Nov 25	 Distress rising from +2.5 in Feb 25



What's striking here is not just that distress remains elevated, but where we are in the cycle. Businesses are entering a period of renewed volatility already under pressure, which leaves far less room to absorb further shocks. The key risk is pace. If energy prices remain elevated and confidence continues to weaken, we could see stress build more quickly than in previous cycles.

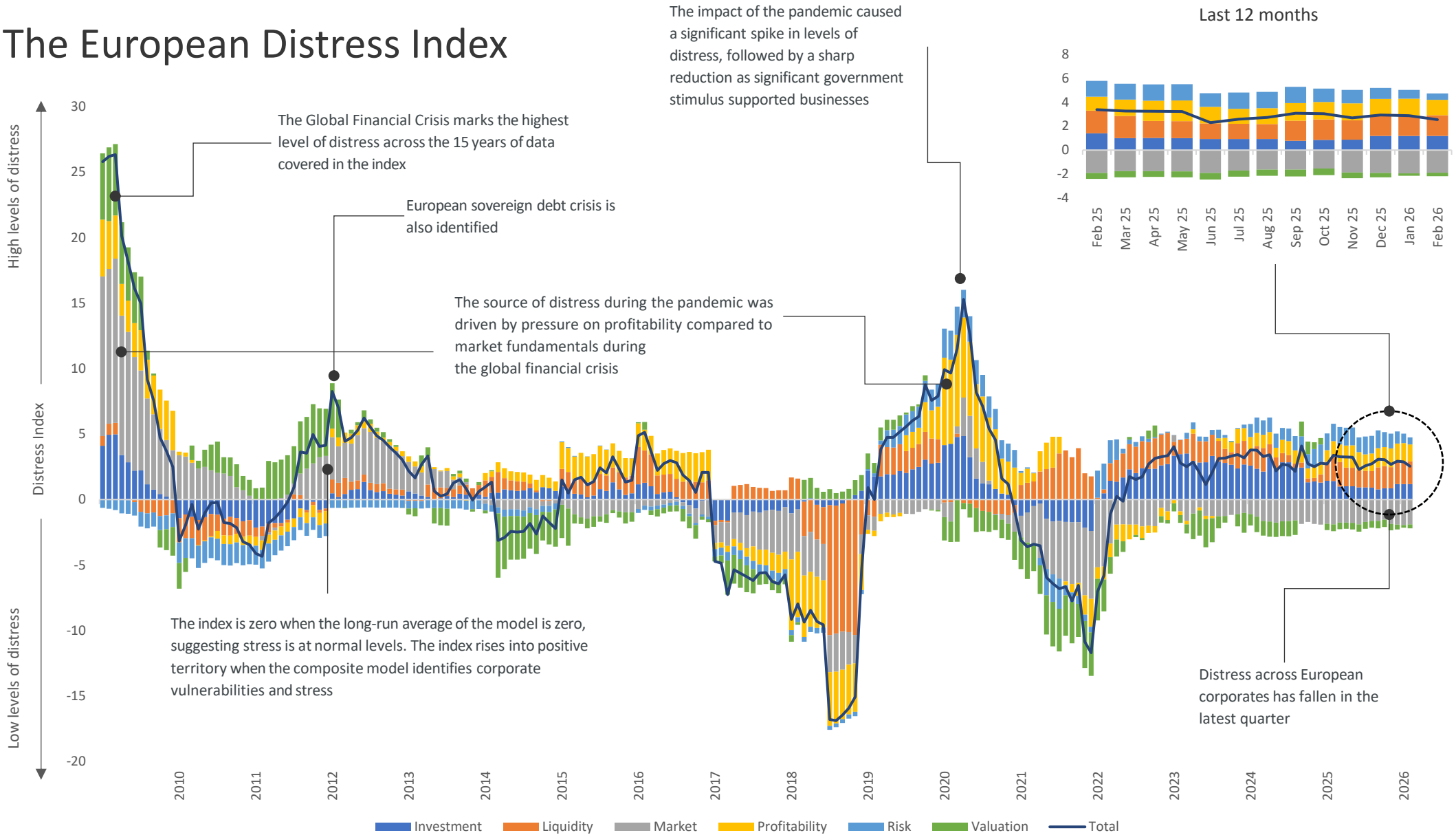


Andrew Wilkinson
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Sector view

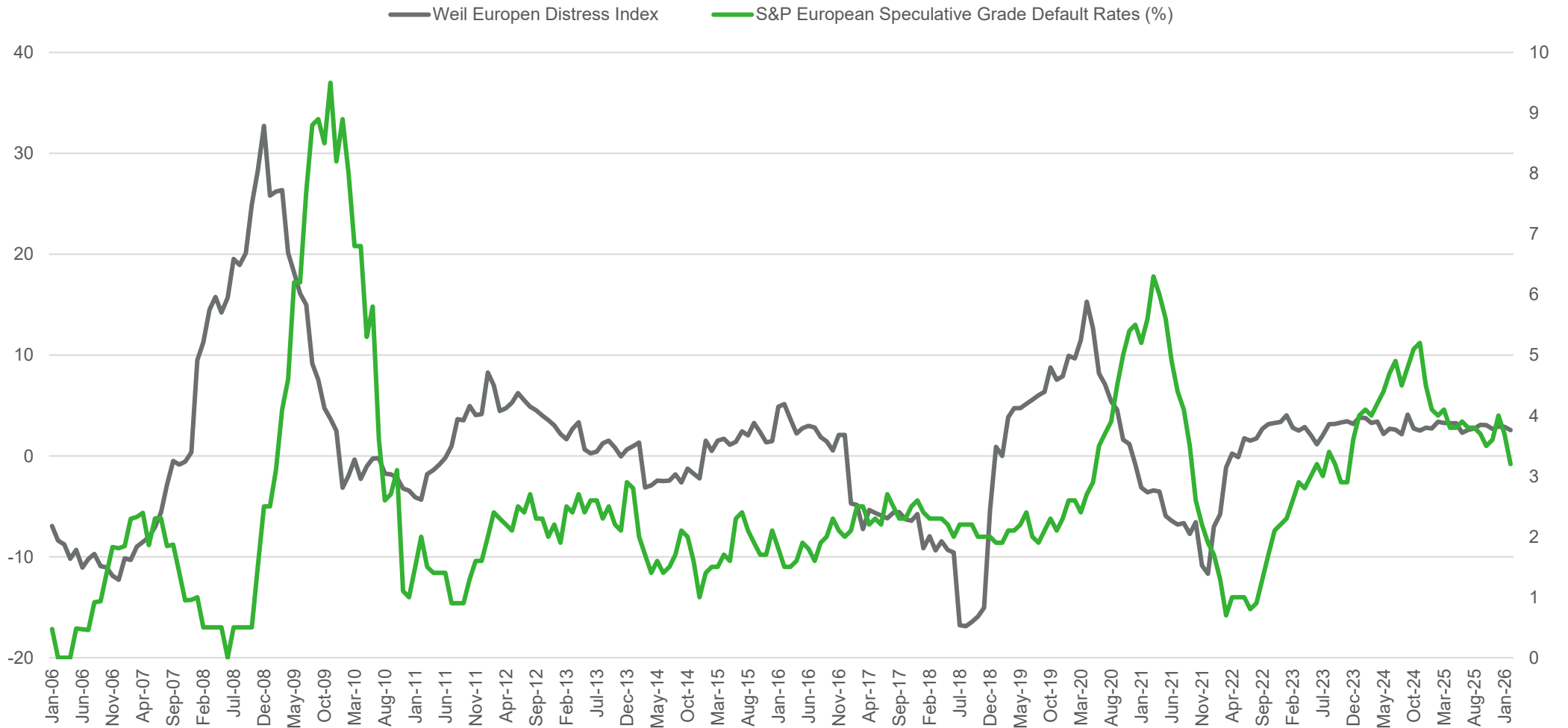
- Key sectors such as Retail and Consumer Goods, Industrials, and Infrastructure, Utilities and Power report the highest levels of distress, all sitting above the long-term average.
- Retail and Consumer Goods continues to remain above all other sectors as the most distressed industry group. Levels of distress have fallen marginally on the previous quarter but remain significantly higher than this time last year.
- Industrials remains the second most distressed sector, driven by weak investment conditions and ongoing liquidity strain. Distress has risen slightly on the previous quarter but has moderated compared with the previous year.
- Infrastructure, Utilities and Power has climbed in distress to become the third most distressed sector and is now above the long-run average.

The European Distress Index



The Weil European Distress Index vs Default Rates

- In the two most major recent crises, the Global Financial Crisis and Covid pandemic, we have observed that the WEDI peaks in advance of the S&P European Speculative Grade Default Rate.
- The WEDI tracks the deterioration in financial markets conditions and company performance which occurs in advance of a default wave to provide an early warning indicator.



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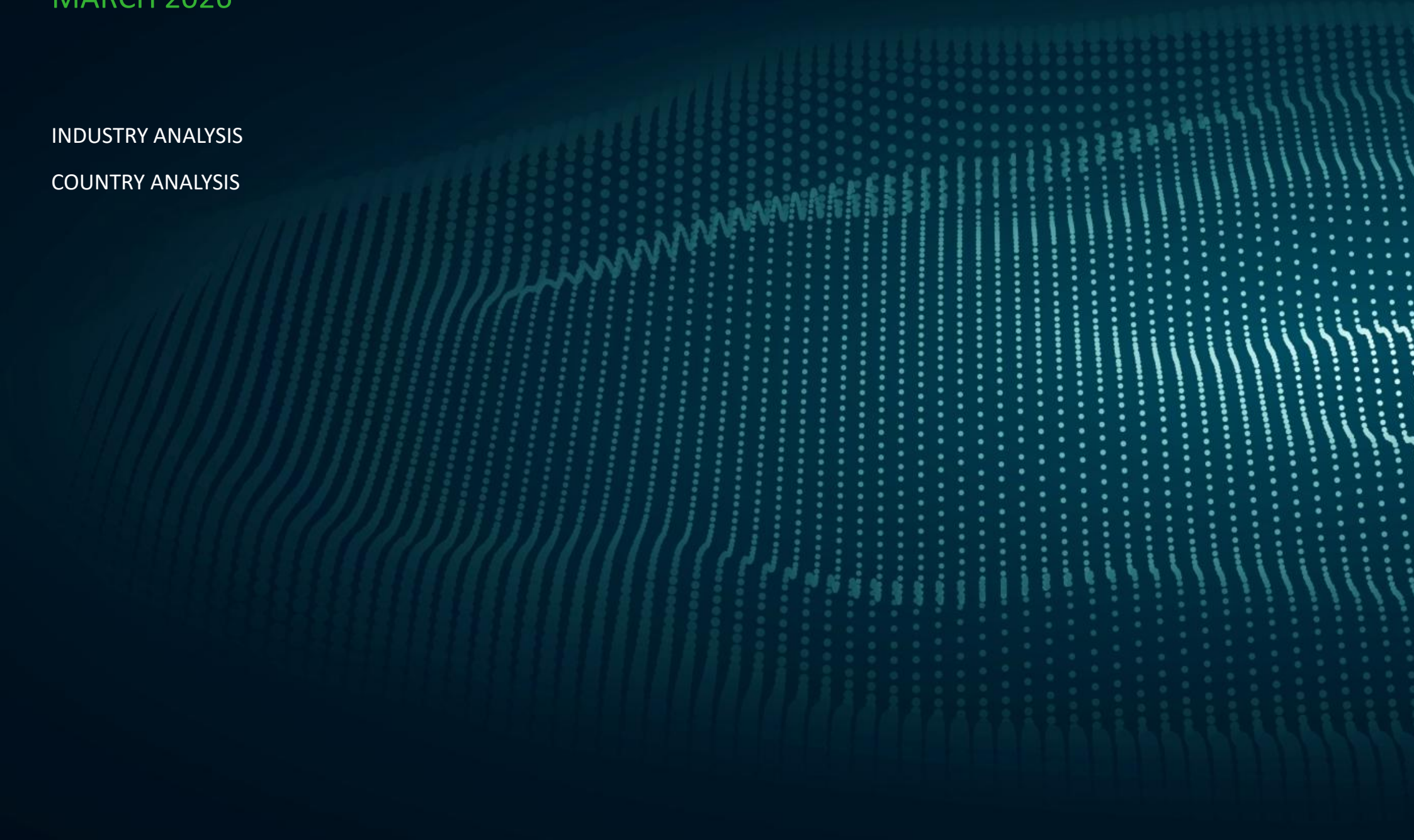
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THE WEIL EUROPEAN DISTRESS INDEX

MARCH 2026

INDUSTRY ANALYSIS

COUNTRY ANALYSIS



Distress Index February 2026

Most distressed

Least distressed



Retail and Consumer Goods



Industrials



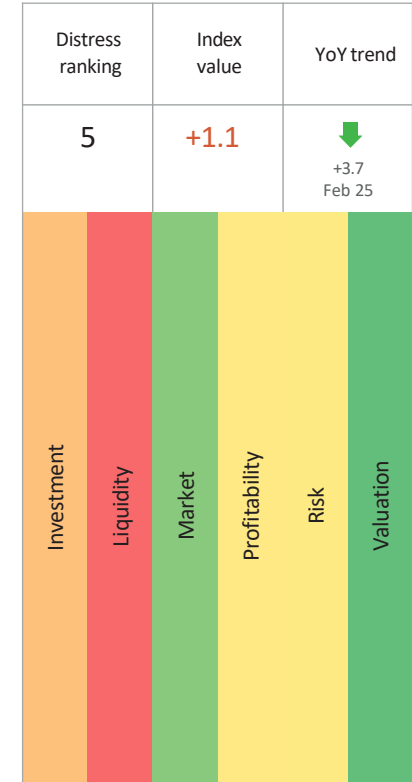
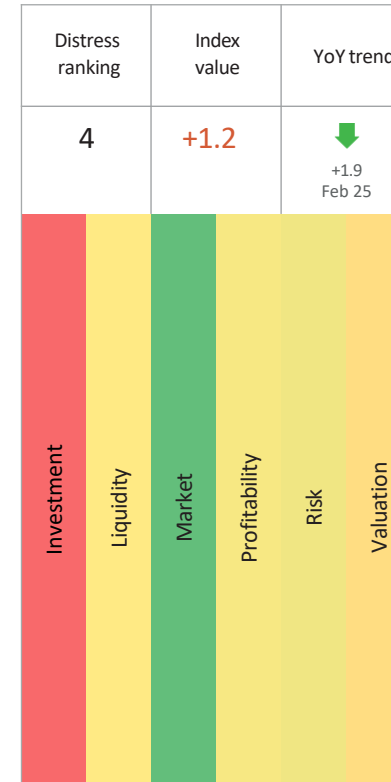
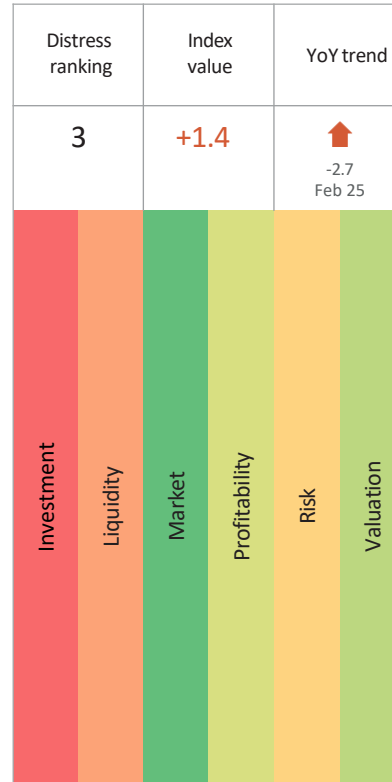
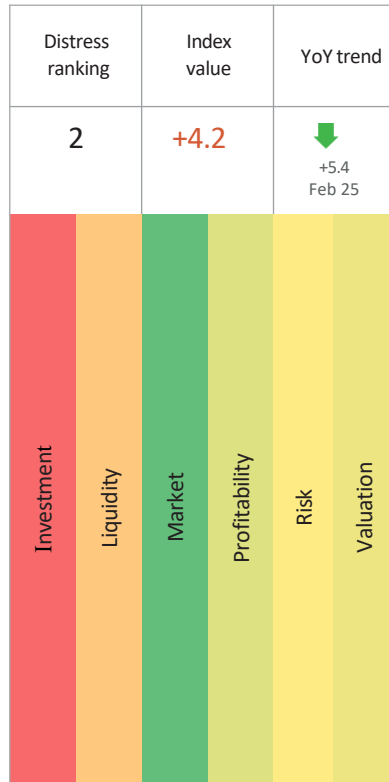
Infrastructure, Utilities and Power



Healthcare



Real Estate



Key: Distress levels rising Distress levels remain unchanged Distress levels falling

Distress Index February 2026


Most distressed

Least distressed




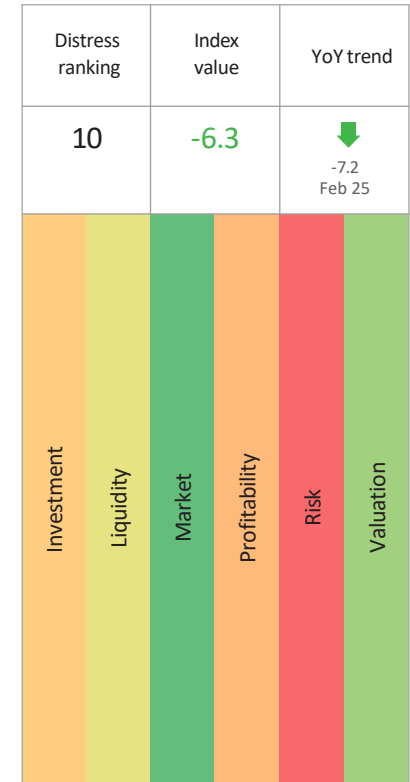
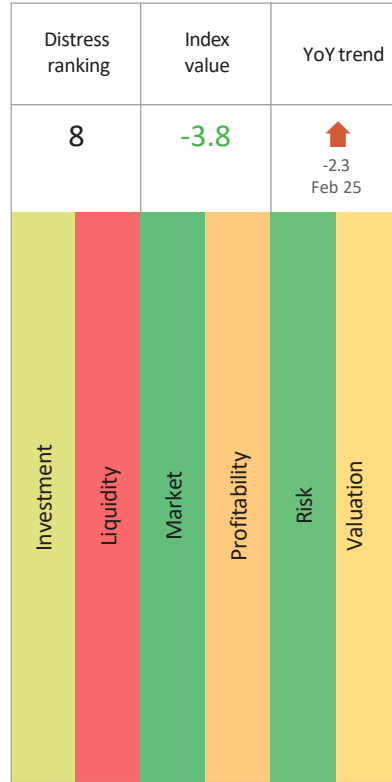
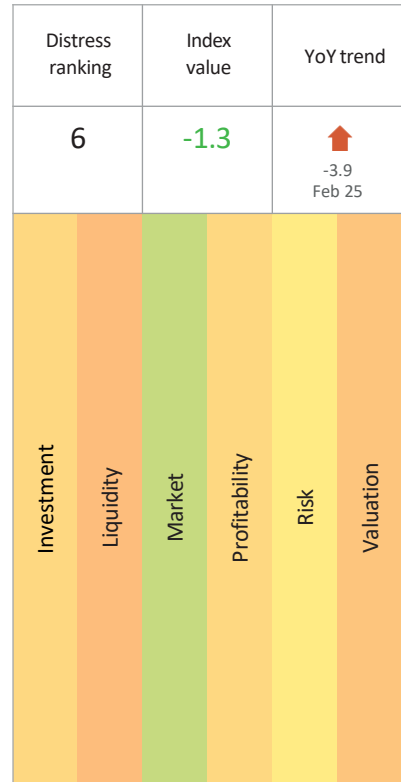

Technology, Media and Telecoms




Financial Services


Travel, Leisure and Hospitality


Oil and Gas


Commodities and Natural Resources

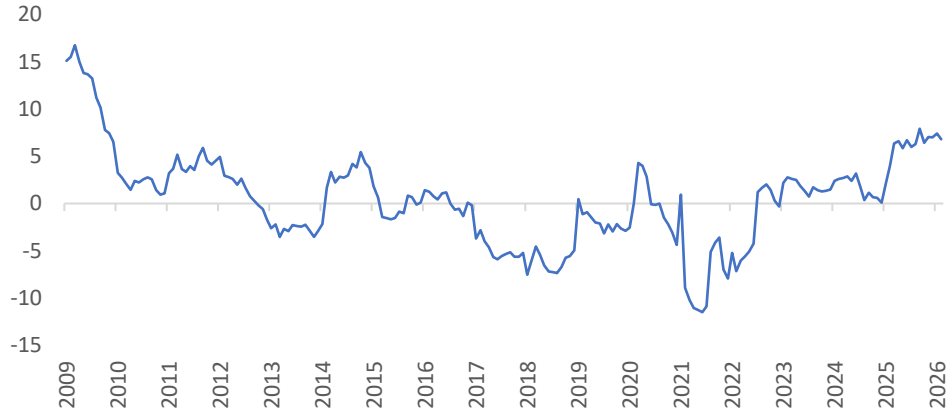


Key:  Distress levels rising  Distress levels remain unchanged  Distress levels falling

INDUSTRY ANALYSIS

Retail and Consumer Goods

The Retail and Consumer Goods sector remains the most distressed, although levels have moderated slightly on the previous quarter. The main area of distress is being driven by profitability, with firms continuing to grapple with rising operating costs, particularly wages, against a backdrop of softer consumer demand, rising international competition and more considered spending patterns.



Infrastructure, Utilities and Power

Infrastructure, Utilities and Power is now the third most distressed sector, with distress rising above the long-run average to its highest level since the pandemic. Higher debt servicing costs, delayed project pipelines and constrained public funding are limiting access to capital and weighing on investor appetite.



Industrials

The Industrials sector is the second most distressed, with pressures rising compared with the previous quarter, but remaining lower than the previous year. Ongoing weakness in global economic growth, fragile business confidence and a volatile geopolitical environment have held back investment in this industry. The recent conflict in Iran and the impact on surrounding areas are likely to dampen business confidence further in these regions.



Healthcare

The Healthcare sector is the fourth most distressed, although conditions have continued to improve both quarter-on-quarter and year-on-year. Weaker investment metrics point to a cautious industry stance, with firms remaining focused on protecting margins rather than pursuing expansion amid high operating costs and tighter public funding.



Real Estate

Real Estate is the fifth most distressed sector, but distress levels have continued to ease. Conditions have improved both on the previous quarter and compared with the same time last year, supported by firmer market fundamentals and stronger valuations, although a more uncertain interest rate outlook could weigh on expectations in the months ahead.



Financial Services

Distress levels in Financial Services remain below long-run averages and have eased further over both the quarter and the year, reinforcing the view that sector conditions remain comparatively stable. While there has been softer movement at the margin, stress remains subdued overall, with the sector continuing to benefit from resilient fundamentals and strong balance sheet positions.



Technology, Media and Telecoms

Distress in the Technology, Media and Telecoms sector remains below its long-run average, reflecting continued resilience across key fundamentals. However, levels of distress are higher than in the previous quarter and on the previous year. Slight pressure could build as growth expectations soften and funding conditions remain selective across different subsectors.



Travel, Leisure and Hospitality

Distress across Travel, Leisure and Hospitality remains below the long-run average, although it has edged higher on the previous quarter while remaining lower than a year ago. The sector continues to present a mixed picture, with travel performing relatively strongly, while leisure and hospitality are facing greater pressure from rising operating costs, higher labour costs and squeezed margins.

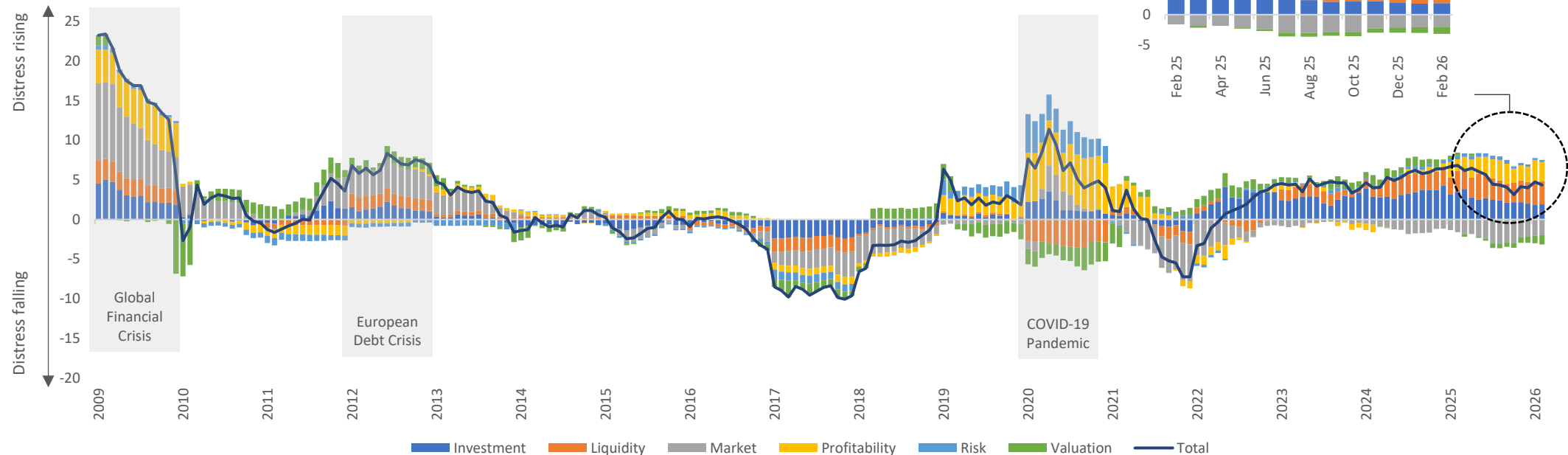


Germany

- Corporate distress in Germany remains the most elevated among the major European markets covered by the index, despite some improvement since the latter half of 2024. German businesses remain under pressure, with distress remaining well above the long-run average.
- Insolvencies in October 2025 rose by 4.8% on the previous year, reaching 2,108 according to data released by the German Chamber of Commerce. However, preliminary figures for December 2025 show a worsening of conditions with corporate insolvencies rising 15.2%, year-on-year, their highest levels for around 11 years.
- Soft investment, constrained liquidity, weakening profitability and fading market confidence continue to shape a difficult financial backdrop for businesses.
- However, there are tentative signs of improvement. Germany's economy grew by 0.3% in the fourth quarter of 2025, in line with preliminary estimates and a notable improvement on the flat performance seen in the previous quarter.

Distress Ranking	Index value in February 2026	QoQ Trend	YoY Trend
1	+4.4	▲ Distress rising from +4.2 in Nov 25	▼ Distress falling from +6.8 in Feb 25

- It was the strongest quarterly expansion since the first quarter of 2025, helped by easing inflation and lower borrowing costs, which supported domestic demand.
- Looking ahead, conditions remain challenging but do show signs of improvement. The latest IMF forecasts (published in Jan 2026) expect GDP growth of 1.1% in 2026, followed by 1.5% in 2027.
- The PMI moved back into growth territory for the first time in more than 3.5 years, driven largely by stronger gains in output and new orders, alongside slower declines in employment and purchasing activity.
- At the same time, cost pressures intensified, with input price inflation rising to its highest level in over three years.
- With the recent high in oil prices and ongoing instability in the Middle East, further volatility can be expected.

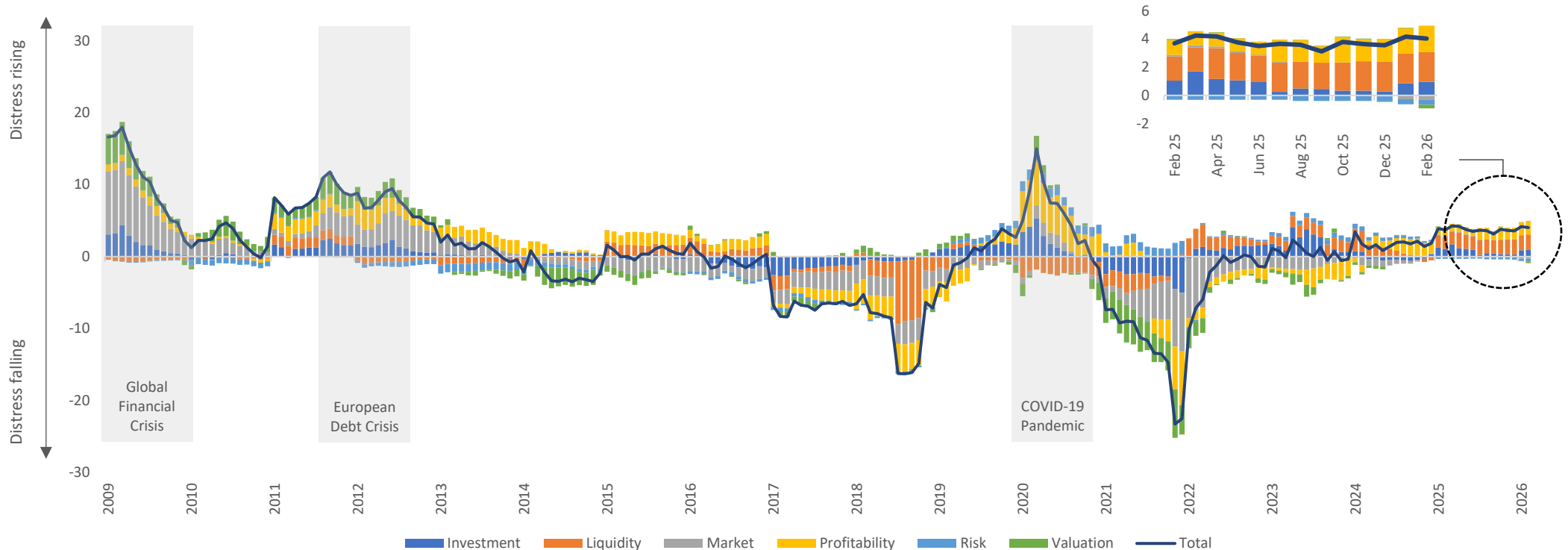


France

Distress Ranking	Index value in February 2026	QoQ Trend	YoY Trend
2	+4.0	↑ Distress rising from +3.6 in Nov 25	↑ Distress rising from +3.7 in Feb 25

- Corporate distress in France has risen again this quarter, and it remains the second most distressed market in the index.
- The sharpest pressures continue to come from liquidity and profitability, as firms contend with rising costs, weak demand, and a lack of clarity around future investment conditions.
- France’s economy expanded by 0.2% quarter-on-quarter in Q4 2025, easing from 0.5% in Q3. This marked the softest quarterly growth in three quarters, as government consumption moderated and gross fixed capital formation slowed, weighed down by manufactured products and construction.
- The unemployment rate climbed to 7.9% in Q4 2025, above expectations and at the highest level since Q3 2021, as the number of unemployed increased to 2.5 million.

- While consumer confidence remained under the long-term average, households showed improvements in perceptions about their personal financial situation, their ability to save and expectations about future living standards.
- This optimism supported stronger growth in retail sales, with month-on-month growth in sales the best for over 4 years (Banque de France), with the exception of December 2025 which reported the strongest growth.
- However, the latest forecasts from the IMF strike a cautious tone with GDP growth of just 1.0% expected in 2026, followed by 1.2% in 2027.
- Against this backdrop, distress in France is likely to remain elevated, with pressure on investment, liquidity and profitability expected to persist through the year.

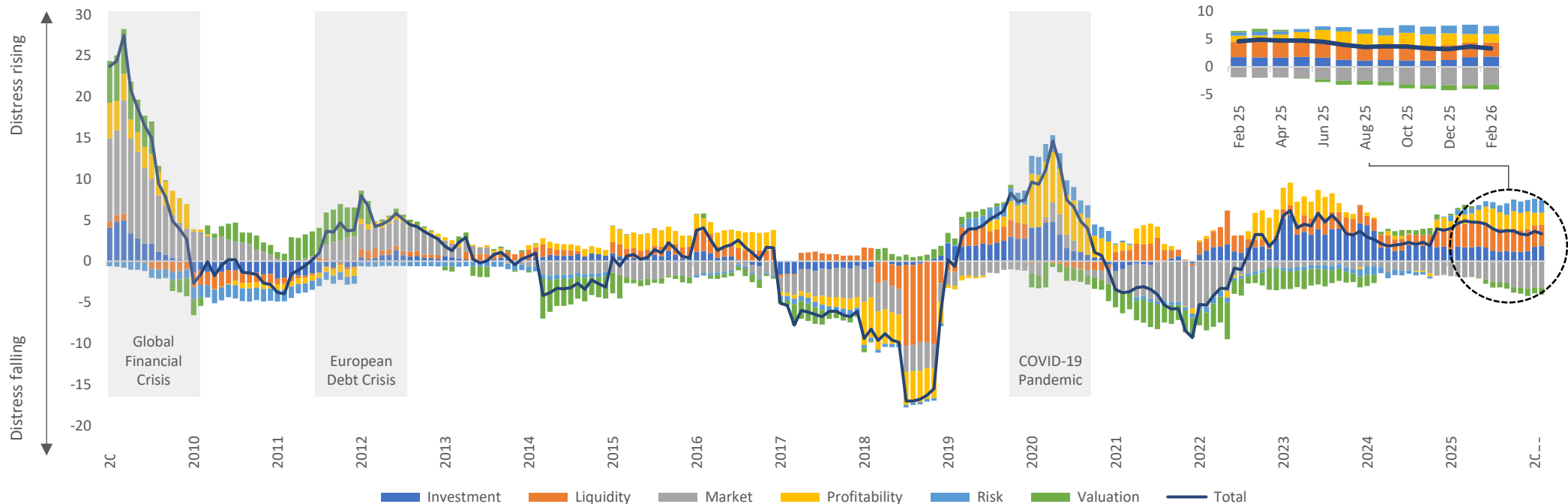


United Kingdom

Distress Ranking	Index value in February 2026	QoQ Trend	YoY Trend
3	+3.3	Distress stable from +3.3 in Nov 25	Distress falling from +4.6 in Feb 25

- Corporate distress in the UK remains elevated, holding broadly steady on the previous quarter but improving compared with a year earlier. The UK continues to rank as the third most distressed market in the WEDI, with pressure concentrated in liquidity, profitability and risk.
- GDP was flat in January 2026, down from growth of 0.1% in December, indicating continued fragility in the economy and ongoing uncertainty around the impact of the Autumn Budget. This was significantly lower than expectations of 0.2% growth.
- The UK unemployment rate rose to 5.2% in the three months to December 2025, above expectations. Unemployment is now the highest since February 2021. ONS analysis suggested that the fall in employment activities was the largest negative contribution from a single industry to monthly GDP.

- For many businesses, margins remain under intense pressure. April's rise in National Insurance thresholds and increases in National Living Wage will continue to squeeze profit margins for many businesses.
- Looking ahead, any hopes of an ease in monetary policy have been tempered by the Iran war and the impact on oil prices. With the Iran conflict casting a shadow over the outlook, further headwinds are likely to weigh on UK growth.
- Rapidly rising energy prices risk squeezing real household incomes, curbing spending and investment, while heightened uncertainty may also lead businesses to delay hiring and dampen confidence more broadly.
- Against this backdrop, corporate distress in the UK is expected to remain elevated, with pressure likely to be most intense for firms with limited pricing power, restricted access to capital, or significant exposure to consumer demand.

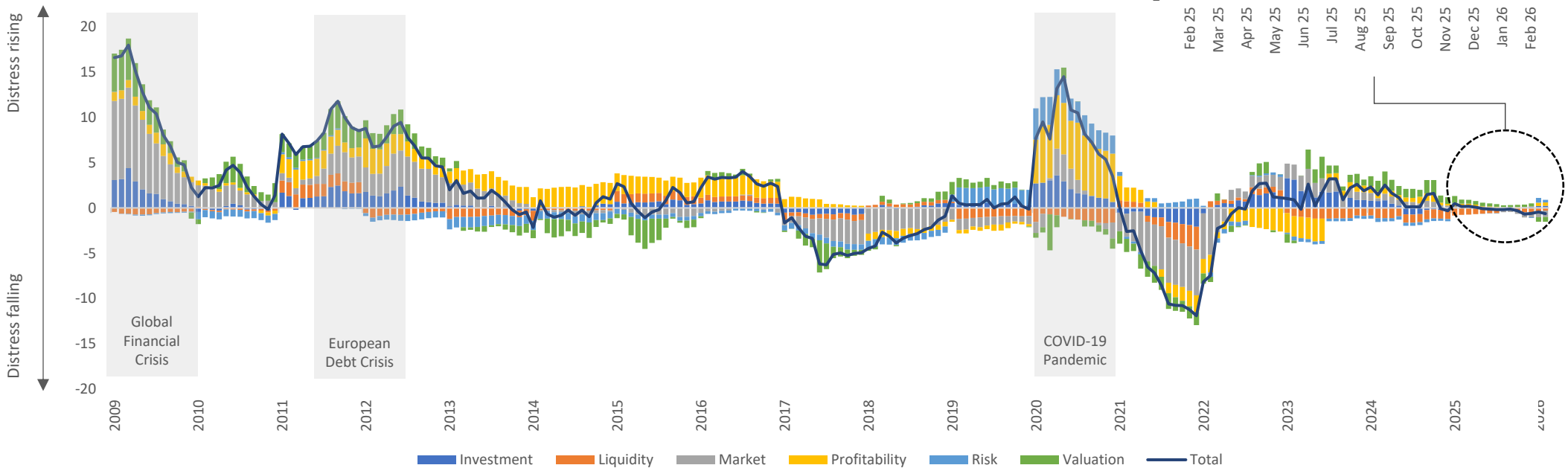


Spain and Italy

Distress Ranking	Index value in February 2026	QoQ Trend	YoY Trend
4	-0.6	↑ Distress rising from -0.7 in Nov 25	↓ Distress falling from -0.2 in Feb 25

- Levels of corporate distress in Italy and Spain remain the lowest across the WEDI countries. Although distress remains below the long-run average, it has eased over the latest quarter.
- However, this market continues to be a story of two halves, with the Spanish economy outperforming Italy considerably.
- Spain's economy grew by a strong 0.8% quarter-on-quarter in the final three months of 2025, marking its fastest pace of growth in a year and accelerating from 0.6% in the previous quarter - the result beat market expectations (INE).
- Meanwhile, Italy's GDP rose by 0.3% quarter-on-quarter in the final three months of 2025. Household consumption and government spending both edged higher, but net trade weighed on growth as imports increased by 1.0% and exports fell by 1.2%, highlighting the continued disruption to external demand.

- The IMF expects GDP growth of 2.3% for Spain in 2026, easing to 1.9% in 2027. For Italy, growth is forecast at 0.7% in 2026 and 0.7% the following year.
- Although economic growth in Spain is expected to remain highest for major European economies, geo-political volatility continues to cast uncertainty across all regions.



Methodology

How do we define ‘distress’?

The Weil European Distress Index (WEDI) provides a measure of the level of corporate distress by aggregating company fundamentals and financial market indicators across key European countries.

Corporate distress can be defined as uncertainty about the fundamental value of financial assets, volatility and increase in perceived risk. It also refers to the disruption of the normal functioning of company financial performance, including their ability to fulfil their debt requirements.

The definition is purposefully broad as corporate distress can manifest in different ways, and no two stress events are identical for each company.

Although stress events differ in composition, there are several common characteristics of corporate distress ranging from pressure on liquidity, reduced profitability, rising insolvency risk, falling valuations and reduced return on investment. These company indicators are also set against a backdrop of market conditions that can also indicate levels of distress (e.g. business confidence, rising volatility and rising levels of perceived market risk).

Methodology

The WEDI is a univariate time series that distils information embedded in more than 16 indicators into a summary measure of corporate distress. It can then be decomposed into five markets (Total Europe*, UK, Germany, Spain-Italy, and France) and 10 industry groups:

- Retail and Consumer Goods
- Travel, Leisure and Hospitality
- Industrials
- Healthcare
- Technology, Media and Telecoms
- Financial Services
- Oil and Gas
- Infrastructure, Utilities and Power
- Commodities and Natural Resources
- Real Estate

* Total Europe includes UK, France, Germany, Spain, Italy, The Netherlands, Republic of Ireland, Belgium, Norway and Portugal

The WEDI is constructed using data from over 3,750 listed European companies and a range of financial market indicators. 16 indicators have been used to construct the WEDI which reflect one or more symptoms of corporate distress based on comprehensive academic and desk-based research.

The WEDI uses a Dynamic Factor Model – a statistical approach that captures the variability across the 16 indicators in a single composite index using key company fundamentals going back to 2005 and incorporates over five million data points. Overall expected to rise by 0.9% this year and 1.7% in 2025.

METRIC	DEFINITION
Liquidity	Contains measures of liquidity such as the current ratio, quick ratio and operating cashflow metrics which are used to determine a company’s ability to pay off current debt obligations without needing to raise external capital.
Profitability	Contains measures such as return on equity, net profit margins and return on assets to assess the business’s ability to generate earnings relative to its revenue, operating costs, balance sheet and shareholders’ equity over time.
Risk	Contains measures such as debt to equity ratio and interest cover to assess a company’s capital structure and current risk levels, often in terms of debt levels and risk of default or bankruptcy.
Valuation	Contains measures such as price to earnings, price to book value and enterprise value to EBITDA multiples, used to assess the relative valuation of a company over time.
Investment	Contains measures such as dividend per share and dividend yield used to assess the potential attractiveness of a business as an investment opportunity.
Financial markets	Contains measures such as index market capitalisation, market volatility, risk, credit default swaps and business confidence which are used to track levels of distress across broader financial markets in key European markets.