



Global Insolvency: 2025 Reflections and 2026 Projections

China



China

China – Insolvency Year in Review 2025

Insolvency volumes

By December 2025, 1,366 cases were active in the courts, with 1,127 being bankruptcy cases and 124 in reorganisation. Compared to December 2024, fewer cases were processed, indicating a more efficient judicial system leading to a net reduction of cases in the process.

Sector trends

Deflationary pressures impacted various sectors. Property developers and construction businesses faced challenges due to the ongoing real estate slowdown, resulting in tighter liquidity and project delays. Manufacturing, especially in electronics, machinery, and automotive supply chains, also struggled with reduced domestic demand, global trade tensions, and market competitiveness.

The automotive sector anticipates a tough 2026, with sales partly reliant on government subsidies. Although the Central Government is boosting

domestic consumption, new energy vehicles, including plug-in hybrids and electric vehicles, already account for about 60% of new sales in China, suggesting limited growth potential.

Export-focused companies faced challenges from weaker international markets and changing tariff dynamics, affecting smaller suppliers with limited capital. Retail and consumer sectors adapted to changing spending habits, with online commerce showing resilience. Despite these hurdles, high-tech and renewable energy industries thrived, supported by long-term policy commitments.

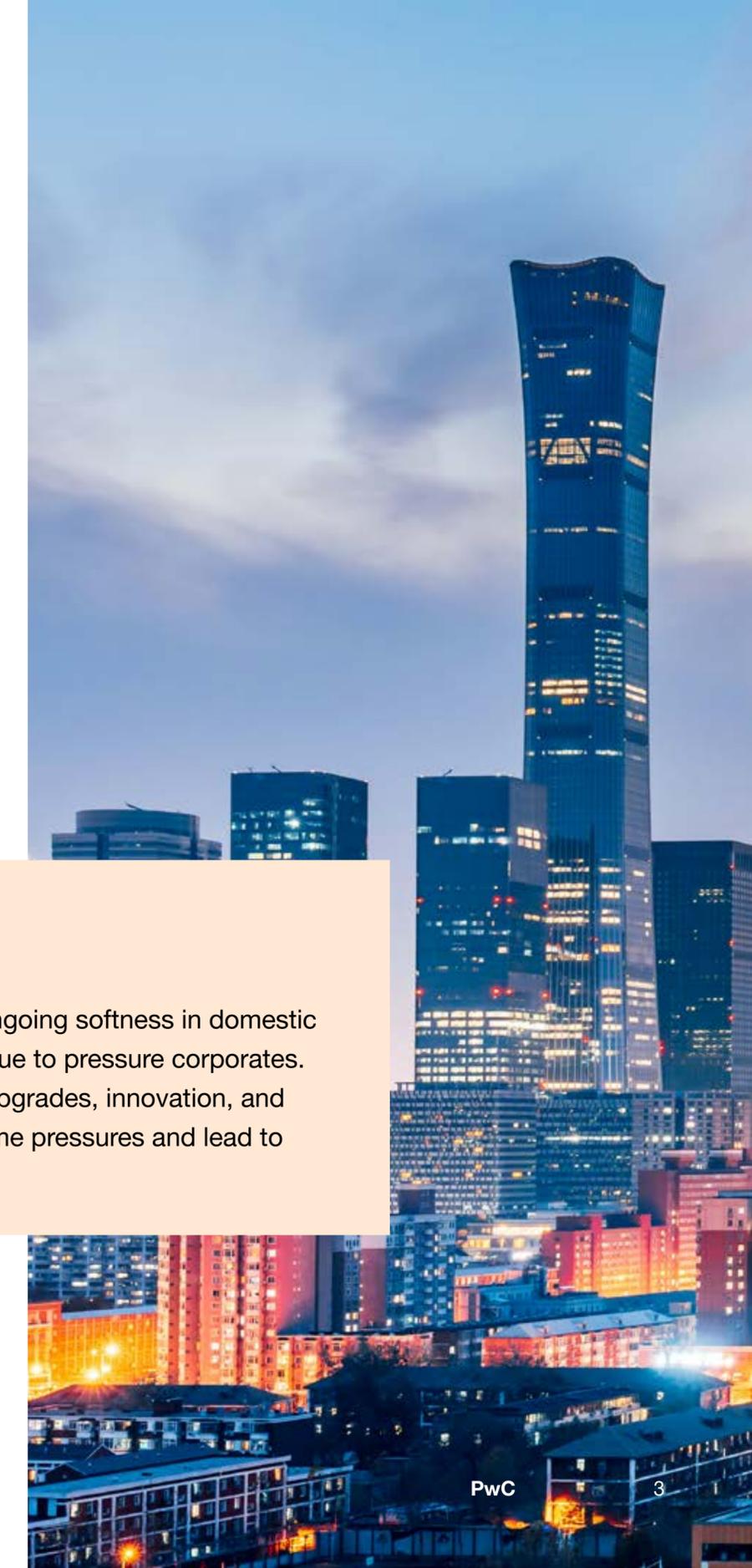
Legislative changes

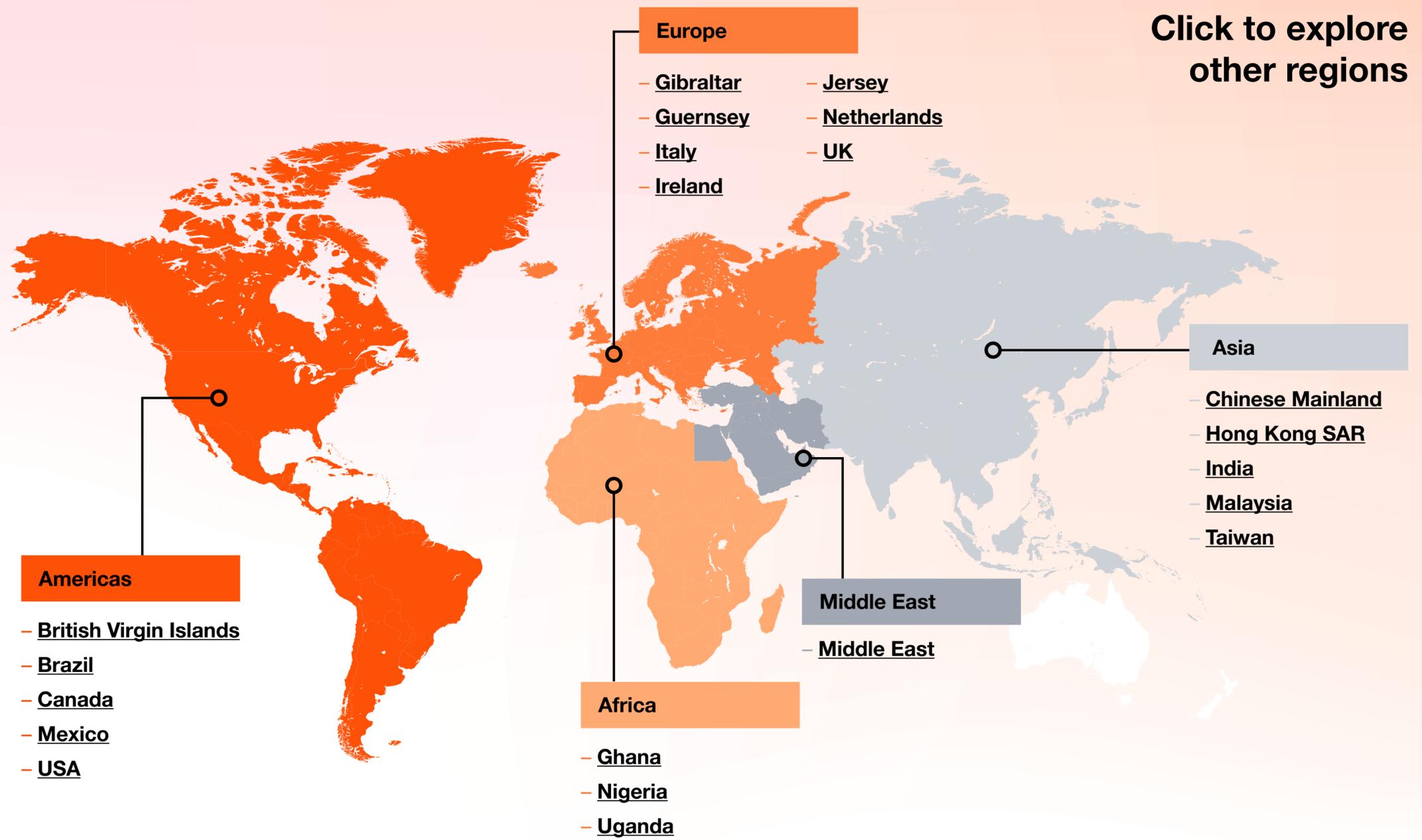
In 2025, China continued to enhance its bankruptcy and restructuring framework, focusing on transparency and efficiency in court-supervised proceedings. The reform consultation for the existing Bankruptcy Law began in late 2025. The new legislation aims to bridge out-of-court workouts and in-court restructurings.

It proposes that debtors and stakeholders, with adequate disclosure, can reach an out-of-court restructuring agreement and submit it to the court with the restructuring application. For the first time, the draft outlines the solicitation process and the rights and obligations of restructuring investors. Public solicitation is standard, with non-public processes allowed with creditor approval in special cases. These changes create a more predictable environment for both domestic and international creditors.

Projections for 2026

Insolvencies are expected to increase in 2026. Ongoing softness in domestic activity, particularly in real estate, will likely continue to pressure corporates. However, policy measures supporting industrial upgrades, innovation, and capital market development should help ease some pressures and lead to more orderly restructuring outcomes.





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