

Corporate insolvencies: December quarter 2013

Quarterly result

The second quarterly insolvency statistics published by ASIC for the 2013–14 financial year show a fall of 13.4% in companies entering external administration (EXAD) with appointments of 2,552 compared to the previous quarter's 2,948 which partially reflects the expected fall for the Christmas new year period. The quarterly total was 2.5% lower than the 2012 December quarter (2,618); (see [Table 1](#) and [Charts 3](#) and [4](#)). The percentage of companies entering external administration for the quarter, relative to new incorporations, was at 4.9% compared to the long term trend of 6% (see [Chart 4](#)).

Appointment Type

Creditor initiated appointments fell from the previous quarter with court liquidations down 21.3% and receiverships down 26.9%, while director-initiated appointments were mixed with creditor voluntary liquidations marginally up (1.6%), and voluntary administrations down (24%).

The fall in court liquidation appointments was driven by falls in the every region in Australia except ACT and Tasmania, (which were both stable), New South Wales (down 28.9%), Victoria (down 15.2%), Queensland (down 10.3%), Western Australia (down 15.2%), South Australia (down 47.1%) and Northern Territory (down 60%). Falls in Victoria (down 56.6%)¹ and New South Wales (down 24.4%) underpinned the decline in receivership appointments.

The marginal rise in director initiated winding up appointments was the result of stable number of appointments in the two largest states New South Wales (up 1%), Victoria (down 1.2%) with Queensland falling marginally (down 3.9%). Only Western Australia (up 25.9%) and South Australia (up 28.6%) appear to have had material movements for the quarter.

Again, falls in Victoria (down 29.3%) and New South Wales (down 31.2%) underpinned the decline in the appointment of voluntary administrators.

Regional results

Appointments in the three largest states all fell compared to the September 2013 quarter; New South Wales (down 16%), Victoria (down 18.9%)² and Queensland (down 5.9%). Falls also occurred in South Australia (down 11.6%), Northern Territory (down 61.5%) and ACT (down 6.3%). Appointments in Western Australia were stable (up 0.6%) while only Tasmania experienced an increase in appointments, Tasmania (up 42.1%) (see [Table 2](#)).

Industry statistics

[Table 4](#) summarises the first two quarters statistics released by ASIC about the industries in which companies entering external administration operate or formerly operated. This information provides the market with a better understanding of the industries impacted by external administration.

¹ Note that there were 42 Managing Controller (except Receiver and Managers) appointments during the September quarter. Quarterly appointments of this type of role have not exceeded 4 per quarter since statistics were published in 1999. A review disclosed that this was caused by a private group appointment (40 appointments) in Victoria of a person (not being a registered liquidator).

² Ibid

Tables and charts

Table 1— Companies entering into EXAD in December quarter 2013

Month	2012	2013	%
October	991	947	-4.4%
November	897	830	-7.5%
December	730	775	6.2%
Total	2,618	2,552	-2.5%

Table 2— Companies entering into EXAD by region (quarterly change)

State / territory	Dec Qtr 2012	Sept Qtr 2013	Dec Qtr 2013	%	% change Dec Qtr 2012	% change Sept Qtr 2013
NSW	977	1,138	956	37.5%	-2.1%	-16.0%
VIC	729	879	713	27.9%	-2.2%	-18.9%
QLD	567	562	529	20.7%	-6.7%	-5.9%
SA	84	112	99	3.9%	17.9%	-11.6%
WA	192	177	178	7.0%	-7.3%	0.6%
TAS	22	19	27	1.1%	22.7%	42.1%
NT	7	13	5	0.2%	-28.6%	-61.5%
ACT	40	48	45	1.8%	12.5%	-6.3%
Total	2,618	2,948	2,552	100.0%	-2.5%	-13.4%

NB: ASIC notes that percentage changes in smaller regions can be unduly influenced by a relatively small number of appointments.

Table 3 —Analysis by appointment type – quarter ended 31 December 2013*

* *excludes: scheme administrator and foreign/RAB wind-ups; and members voluntary liquidation appointments as these relate to solvent entities*

Appointment type	Dec Qtr 2012	Sep Qtr 2013	Dec Qtr 2013	% change Dec Qtr 2012	% change Sep Qtr 2013
Court liquidations (1)	789	1,018	801	1.5%	-21.3%
Creditors' voluntary liquidations	1,179	1,157	1,175	-0.3%	1.6%
Receiverships (2)	290	394	288	-0.7%	-26.9%
Voluntary administrations	360	379	288	-20.0%	-24.0%
Total	2,618	2,948	2,552	-2.5%	-13.4%

(1) includes provisional liquidations

(2) includes receivers, receivers and managers, controllers and managing controllers

Table 4 —Analysis by industry type – quarter ended 31 December 2013

Top 10 Industries	Sep Qtr 2013	Dec Qtr 2013	Total	%
Other (business & personal) services	859	855	1,714	31%
Construction	527	463	990	18%
Accommodation & food services	236	222	458	8%
Retail trade	225	203	428	8%
Manufacturing	159	101	260	5%
Transport, postal & warehousing	142	119	261	5%
Rental, hiring & real estate services	101	78	179	3%
Agriculture, forestry & fishing	81	43	124	2%
Information media & telecommunications	75	59	134	2%
Wholesale trade	71	47	118	2%
Other industries	134	77	211	4%
Unknown	338	285	623	11%
Total	2,948	2,552	5,500	100%

NB: Industry classification information aligns with the 2006 Australian and New Zealand Standard Industrial Classification (ANZSIC) divisions. Due to ASIC's regulatory role in the financial and insurance services industry, this industry classification is divided into six sub-categories.

"Unknown" predominantly relates to controller appointments by secured lenders where the appointee lodged a Form 504 and failed to lodge a Form 505, (being the document that captures the industry details).

Chart 1— Companies entering into EXAD by quarter and type of appointment

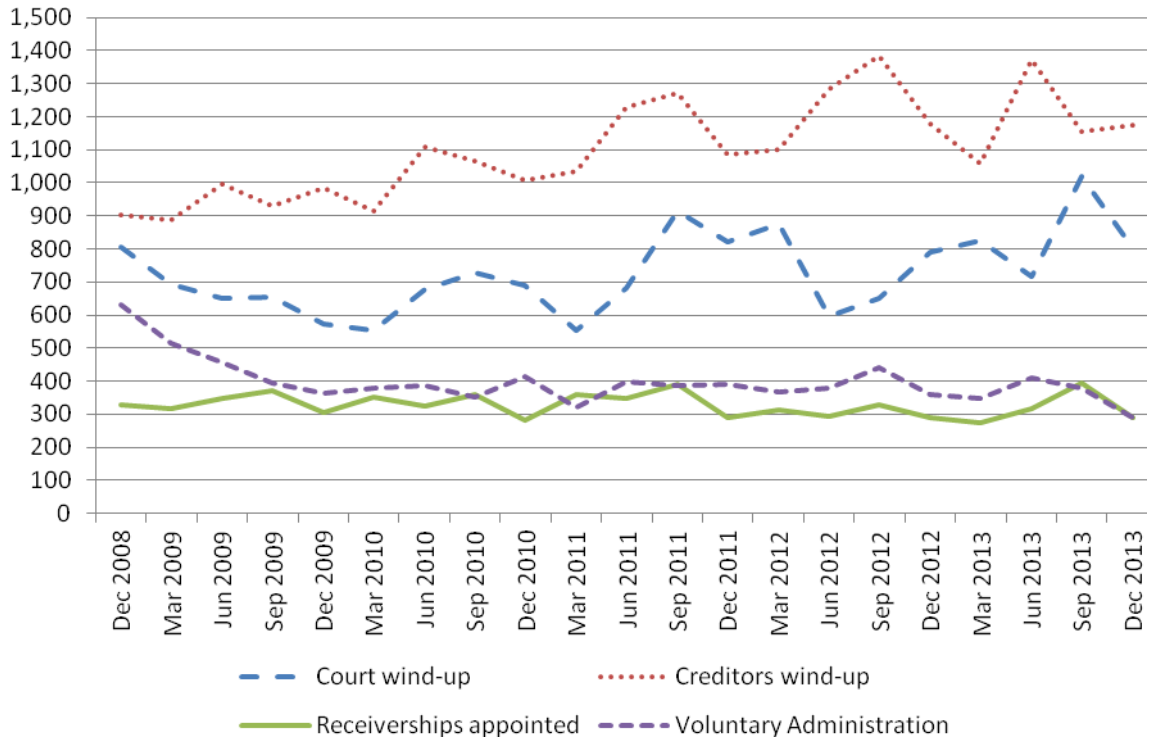


Chart 2 — Companies entering EXAD by quarter

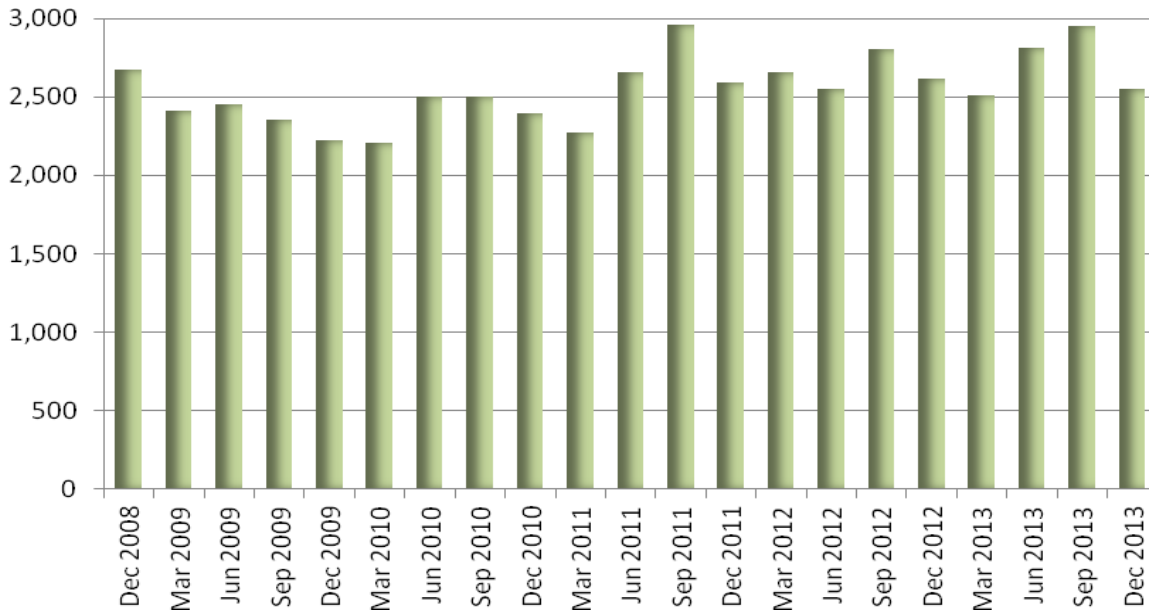


Chart 3 — Rate of new company registrations and rate of insolvencies (EXAD's) per month as a percentage of total companies incorporated:

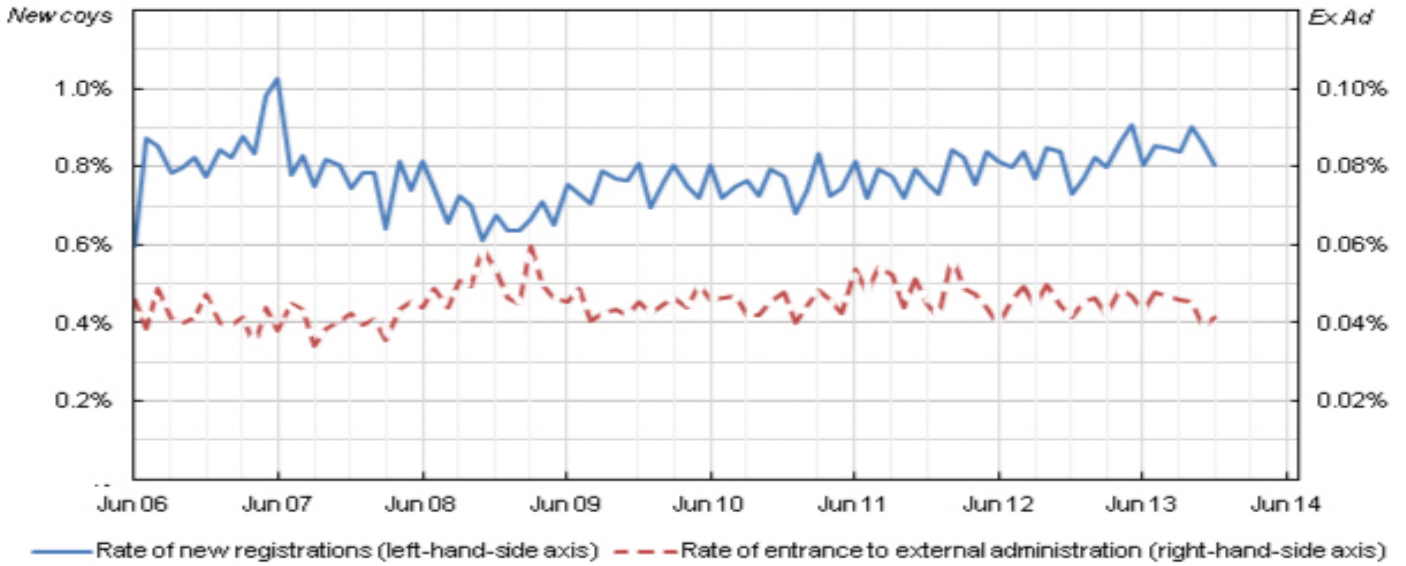


Chart 4 — Ratio of EXAD's to new business registrations:



NB: Note that ASIC has a minor concern that the number of new business registrations may be biased upwards as a result of an increase in recent years in the registration of SMSFs. We are currently generating a statistical series which removes SMSF company registrations from the new business registrations data.

The number of SMSF companies entering EXAD is very small, within the natural variation of the series. Accordingly, we do not plan to revise the EXAD series. However, we will monitor the number of future SMSF EXADs in case there is a material increase.

Background

ASIC publishes monthly insolvency statistics (Series 1 and 2) detailing the number and type of corporate insolvency appointments. External administrators are obliged by law to notify ASIC of their appointments. This information is recorded on the public register. Prior to 1 July 2013, ASIC did not obtain and record industry type from the notice of appointment lodged with ASIC following an external administrator's appointment.