

Corporate insolvencies: June quarter 2013

Quarterly result

Official insolvency data published by ASIC for the final quarter of the 2012–13 financial year show a rise of 12.3% in companies entering external administration (EXAD) appointments compared to the previous quarter with the overall number of EXAD appointments increasing (2,815). The quarterly total was also higher than the 2012 June quarter (2,552); (see [Table 1](#) and [Charts 3](#) and [4](#)).

The three largest states of NSW, Victoria and Queensland comprised about 86.6% of all EXADs for the quarter.

Annual statistics

Data for the 2012/13 financial year show EXAD appointments stable (down 0.1%) compared to the 2011/12 financial year, a five year trend analysis is provided (see [Table 2](#) and [Charts 3](#) and [4](#)).

New company incorporations relative to EXADs

New company registrations and companies entering external administration, measured as a percentage of the total number of registered companies, provides a good relative measure of companies entering into EXAD by removing the impact of the growth in the overall number of companies.

The number of companies entering into EXAD on a monthly basis tend to fall in a range of between 0.04% and 0.05% of total registered companies (see [Chart 3](#)) and trend at around 6% of new company incorporations per month except for the period around the latter part of 2008, early 2009, reflecting the impact of the GFC (see [Chart 4](#)).

Please note that we seasonally adjusted the figures underlying [Charts 3](#) and [4](#) to:

- remove a noticeable spike in new incorporations in the month of June which appears to be driven by financial year end considerations; and,
- account for the decline in EXADs in December and January when Courts close and when a large percentage of the workforce typically takes annual leave.

Appointment Type

Save for court liquidations, (down 13.3%), all EXAD appointment types increased from the previous quarter; director-initiated creditor voluntary liquidations (up 29.8%), receiverships (up 16.1%) and voluntary administrations (up 17.2%).

The increase in director initiated winding up appointments was driven by rises in all states and territories with the three largest states Victoria (up 39.1%), New South Wales (up 29.2%) and Queensland (up 21.6%).

The increase in receivership appointments was driven by rises in Western Australia (up 112.5% from 16 to 34 companies entering EXAD), Victoria (up 39%) and Queensland (up 16.3%) while appointments in New South Wales (down 13.2%) and South Australia (down 30%) fell.

The increase in voluntary administration appointments was driven by New South Wales (up 77.8%) while Queensland (down 31.3%). Appointments in Victoria remained unchanged.

The decline in court liquidation appointments was driven by falls in every region in Australia except Northern Territory (up 66.7%). Of note were Victoria (down 24.5%), Western Australia (down 32.8%) and, more moderate falls in New South Wales (down 4.5%) and Queensland (down 2.8%).

Regional results

Appointments in the three largest states all increased compared to the March 2013 quarter; New South Wales (up 20.1%), Victoria (up 14.2%) and Queensland (up 6.8%). Increases also occurred in Northern Territory (up 240% from 5 to 17 companies entering EXAD) and ACT (up 9.5%) while all other states experienced a fall in appointments; South Australia (down 11.7%), Tasmania (down 17.6%) and Western Australia (down 2.8%) (see [Table 3](#)).

Industry statistics

2013/14 statistics will include information about the industries in which companies entering external administration operate or formerly operated. This information will provide the market with a better understanding of the industries impacted by external administration.

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. Our July 2014 statistics, released in early September, will include the new industry classification information.

Tables and charts

Table 1— Companies entering into EXAD in June quarter 2013

Month	2012	2013	%
April	869	941	8.3%
May	884	974	10.2%
June	799	900	12.6%
Total	2,552	2,815	10.3%

Table 2— Companies entering into EXAD - five year trend (by financial year)

Year	Number	% change	Registered companies at end of financial year	EXADs as % of registered companies
2008/09	10,005	26.5%	1,700,891	0.59%
2009/10	9,281	-7.2%	1,768,526	0.52%
2010/11	9,829	5.9%	1,839,772	0.53%
2011/12	10,757	9.4%	1,921,545	0.56%
2012/13	10,746	-0.1%	2,012,241	0.53%

Table 3— Companies entering into EXAD by region (quarterly change)

State / territory	Jun Qtr 2012	Mar Qtr 2013	Jun Qtr 2013	%	% change Jun Qtr 2012	% change Mar Qtr 2013
NSW	1,007	934	1,122	39.9%	11.4%	20.1%
VIC	724	684	781	27.7%	7.9%	14.2%
QLD	528	502	536	19.0%	1.5%	6.8%
SA	88	128	113	4.0%	28.4%	-11.7%
WA	141	177	172	6.1%	22.0%	-2.8%
TAS	19	34	28	1.0%	47.4%	-17.6%
NT	7	5	17	0.6%	142.9%	240.0%
ACT	38	42	46	1.6%	21.1%	9.5%
Total	2,552	2,506	2,815	100.0%	10.3%	12.3%

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

Table 4 — Analysis by appointment type – quarter ended 30 June 2013*

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

Appointment type	Jun Qtr 2012	Mar Qtr 2013	Jun Qtr 2013	% change Jun Qtr 2012	% change Mar Qtr 2013
Court liquidations (1)	595	826	716	20.3%	-13.3%
Creditors' voluntary liquidations	1,284	1,058	1,373	6.9%	29.8%
Receiverships (2)	292	273	317	8.6%	16.1%
Voluntary administrations	377	349	409	8.5%	17.2%
Total	2,548	2,506	2,815	10.5%	12.3%

(1) includes provisional liquidations

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

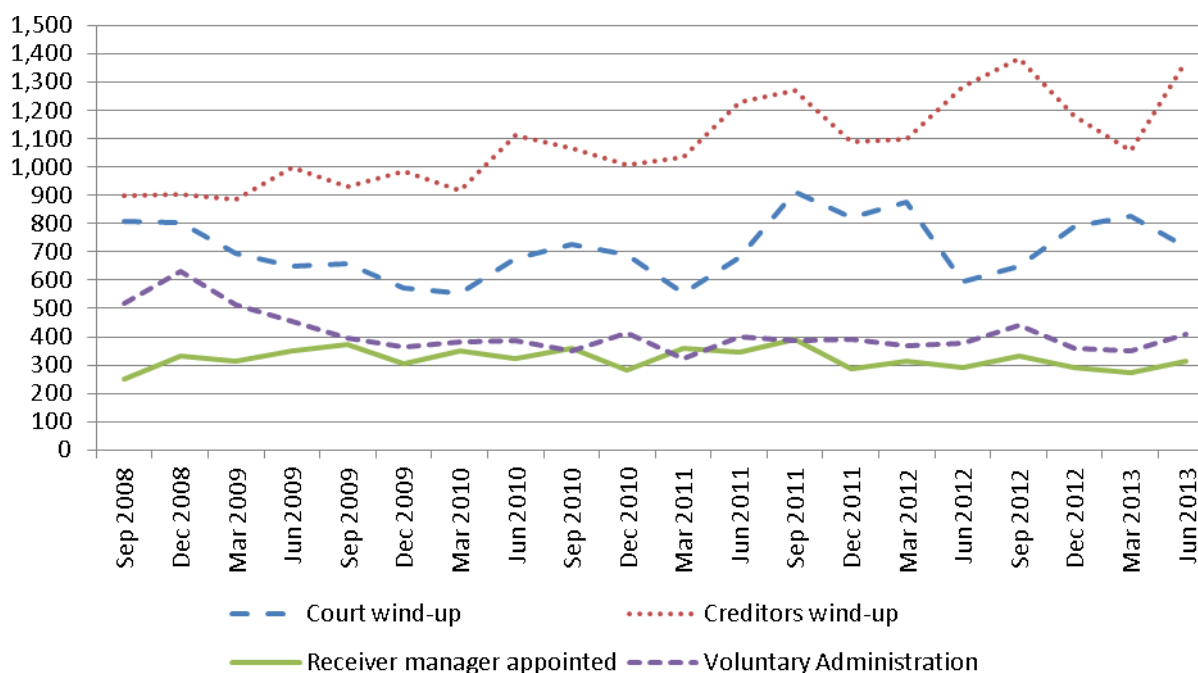
Chart 1— Companies entering into EXAD by quarter and type of appointment

Chart 2 — Companies entering EXAD by quarter

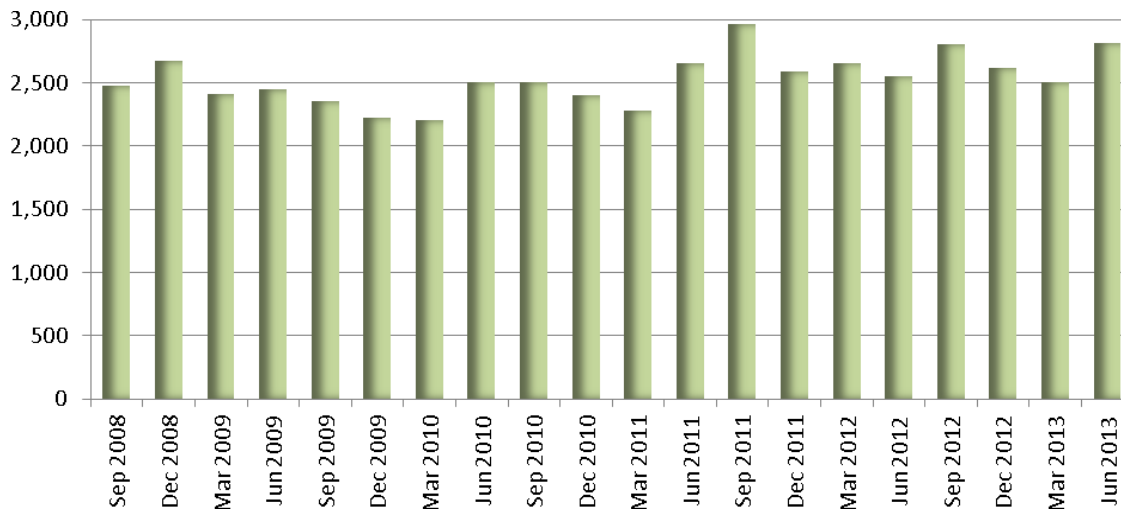


Chart 3 — Rate of new company registrations and rate of insolvencies (EXAD's) per month as a percentage of total companies incorporated:

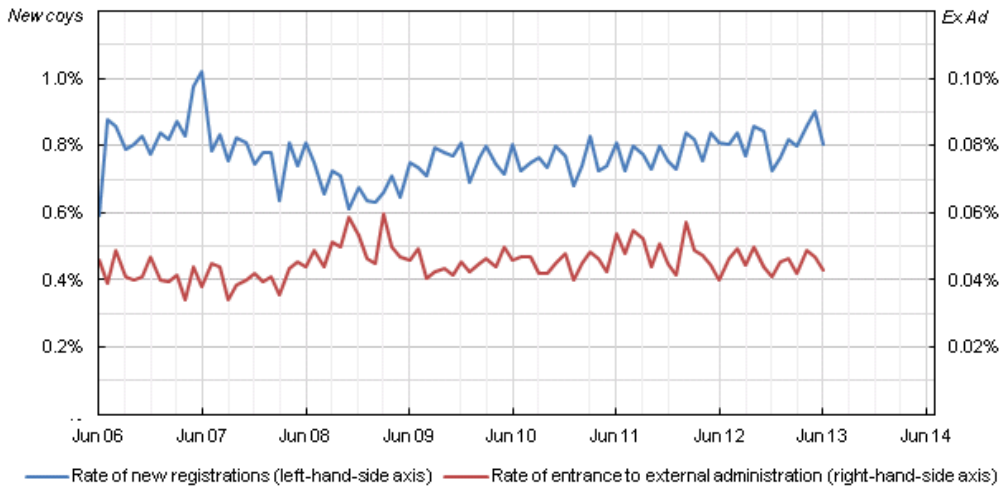
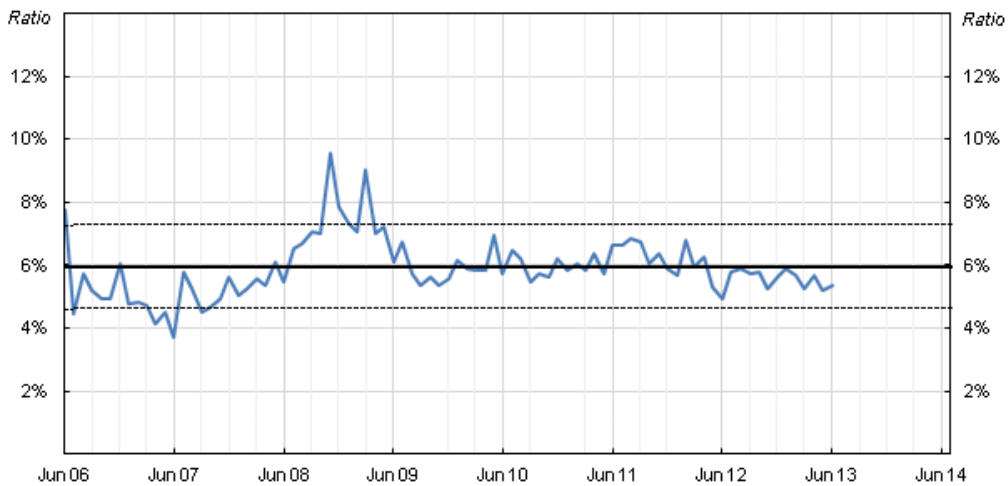


Chart 4 — Ratio of EXAD's to new business registrations:



Please 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.