

Corporate insolvencies: March quarter 2014

Quarterly result

The third quarterly insolvency statistics published by ASIC for the 2013–14 financial year show a fall of 21.1% in companies entering external administration (EXAD). Appointments of 2,014 compare to 2,552 in the previous quarter which partially reflects the normal fall in activity during the Christmas/ New Year period. The March 2011 quarterly result was the last time that EXADs fell below 2,500 for the quarter.

The quarterly total was 19.6% lower than the 2013 March quarter (2,506); (see [Table 1](#) and [Charts 3](#) and [4](#)). The percentage of companies entering external administration for the quarter, relative to new incorporations, has fallen below 4% compared to the long term trend of 6% (see [Chart 4](#)).

Appointment type

External administration appointments fell across all types compared to the previous quarter with court liquidations (down 24.7%), creditor voluntary liquidations (down 20.4%), receiverships (down 17%) and voluntary administrations down (17.7%).

The fall in court liquidation appointments was driven by falls in the every region in Australia except ACT (up 6 appointments) and NT (up 1 appointment), New South Wales (down 23.5%), Victoria (down 28.4%), Queensland (down 31%), Western Australia (down 17.9%), South Australia (down 14.8%) and Tasmania (down 42.9%).

Falls in receivership appointments were driven by Victoria (down 13.6%) and Queensland (down 21.2%) while falls in New South Wales were not as large (down 3.4%).

The fall in director-initiated winding up appointments was the result of large falls in the two largest states New South Wales (down 24.4%), Victoria (down 22.4%) with Queensland falling lesser extent (down 6.1%).

The fall in the appointment of voluntary administrators was driven by falls in New South Wales (down 32.4%) and Queensland (down 31.1%) with Victoria falling to a lesser extent (down 11.5%).

Regional results

Appointments in the three largest states all fell compared to the December 2013 quarter; New South Wales (down 23.7%), Victoria (down 22.2%) and Queensland (down 20%). Falls also occurred in South Australia (down 14.1%), Western Australia (down 10.1%), Tasmania (down 55.6%) and ACT (down 4.4%). Northern Territory experienced an increase in appointments (up 2 appointments), (see [Table 2](#)).

Industry statistics

[Table 4](#) summarises the first three 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.

Tables and charts

Table 1— Companies entering into EXAD in March quarter 2014

Month	2013	2014	%
January	628	511	-18.6%
February	960	739	-23.0%
March	918	764	-16.8%
Total	2,506	2,014	-19.6%

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

State / territory	Mar Qtr 2013	Dec Qtr 2013	Mar Qtr 2014	%	% change Mar Qtr 2013	% change Dec Qtr 2013
NSW	934	956	729	36.2%	-21.9%	-23.7%
VIC	684	712	554	27.5%	-19.0%	-22.2%
QLD	502	530	424	21.1%	-15.5%	-20.0%
SA	128	99	85	4.2%	-33.6%	-14.1%
WA	177	178	160	7.9%	-9.6%	-10.1%
TAS	34	27	12	0.6%	-64.7%	-55.6%
NT	5	5	7	0.3%	40.0%	40.0%
ACT	42	45	43	2.1%	2.4%	-4.4%
Total	2,506	2,552	2,014	100.0%	-19.6%	-21.1%

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 March 2014*

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

Appointment type	Mar Qtr 2013	Dec Qtr 2013	Mar Qtr 2014	% change Mar Qtr 2013	% change Dec Qtr 2013
Court liquidations (1)	826	801	603	-27.0%	-24.7%
Creditors' voluntary liquidations	1,058	1,175	935	-11.6%	-20.4%
Receiverships (2)	273	288	239	-12.5%	-17.0%
Voluntary administrations	349	288	237	-32.1%	-17.7%
Total	2,506	2,552	2,014	-19.6%	-21.1%

(1) includes provisional liquidations

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

Table 4 —Analysis by industry type – quarter ended 31 March 2014

Top 10 Industries	Sep Qtr 2013	Dec Qtr 2013	Mar Qtr 2014	Total	%
Other (business & personal) services	859	855	645	2,359	31%
Construction	527	463	382	1,372	18%
Accommodation & food services	236	222	188	646	9%
Retail trade	225	203	156	584	8%
Transport, postal & warehousing	142	119	100	361	5%
Manufacturing	159	101	83	343	5%
Rental, hiring & real estate services	101	78	58	237	3%
Wholesale trade	71	47	53	171	2%
Agriculture, forestry & fishing	81	43	44	168	2%
Information media & telecommunications	75	59	32	166	2%
Other industries	338	285	207	830	11%
Unknown	134	77	66	277	4%
Total	2,948	2,552	2,014	7,514	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 EXAD by quarter and type of appointment

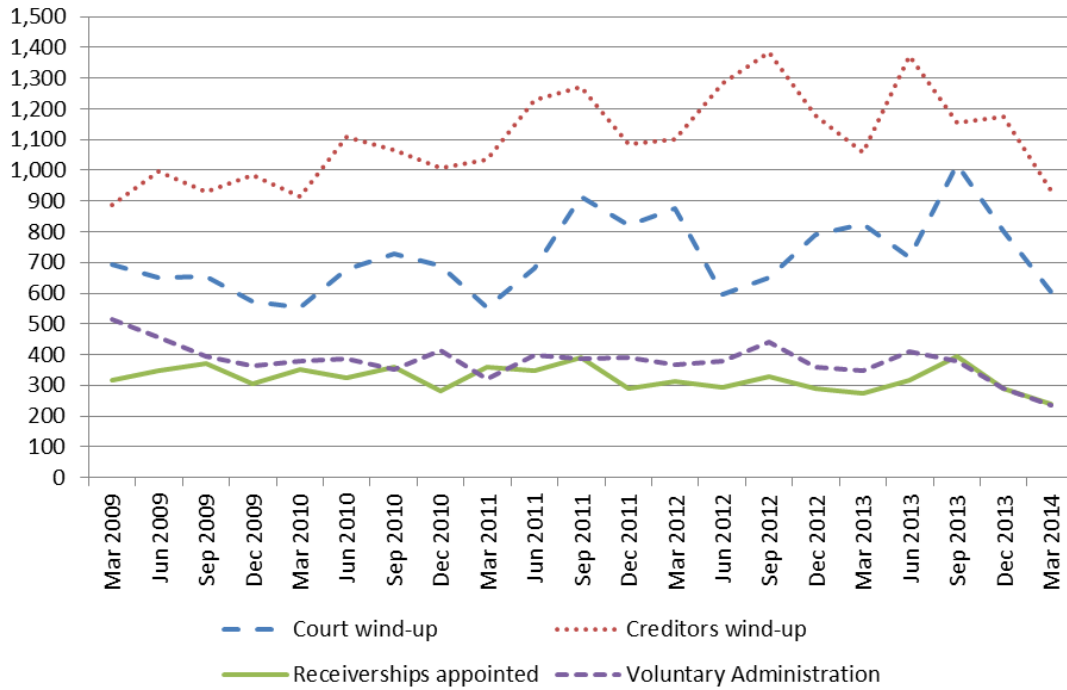


Chart 2 — Companies entering EXAD by quarter

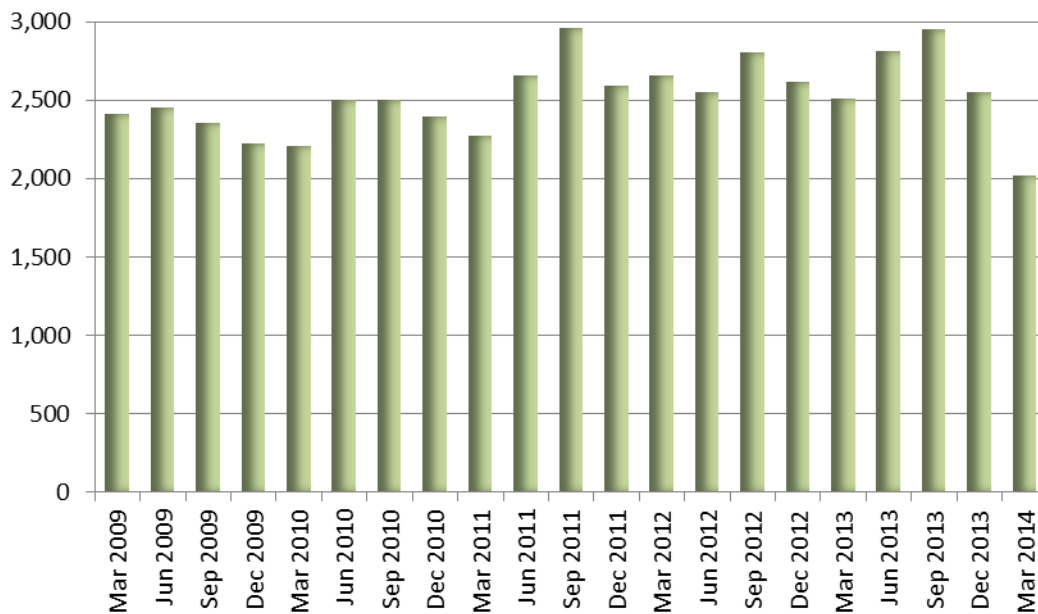


Chart 3 — Rate of new company registrations and rate of insolvencies (EXAD's) per month as a percentage of total companies incorporated:

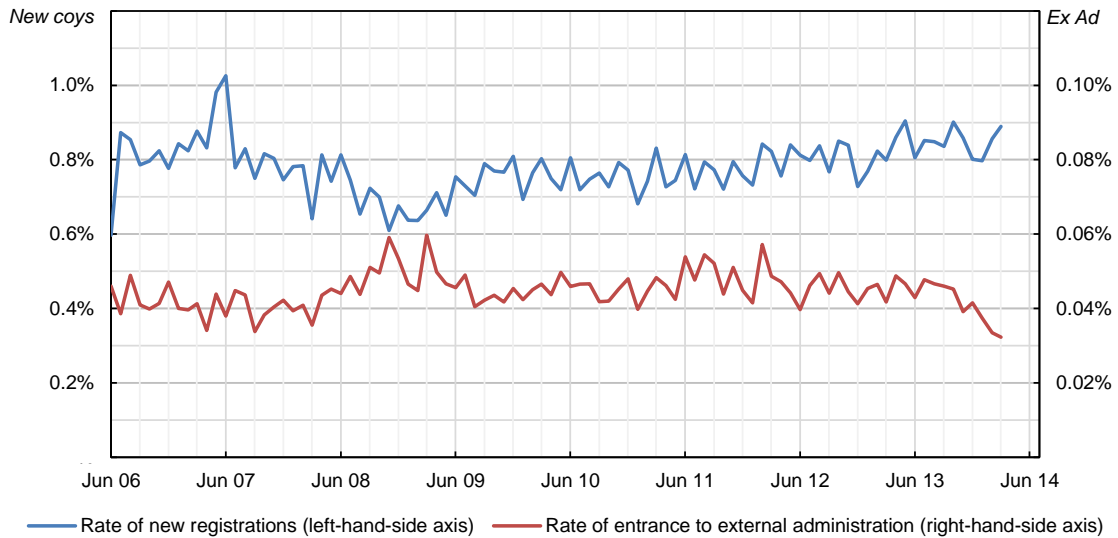
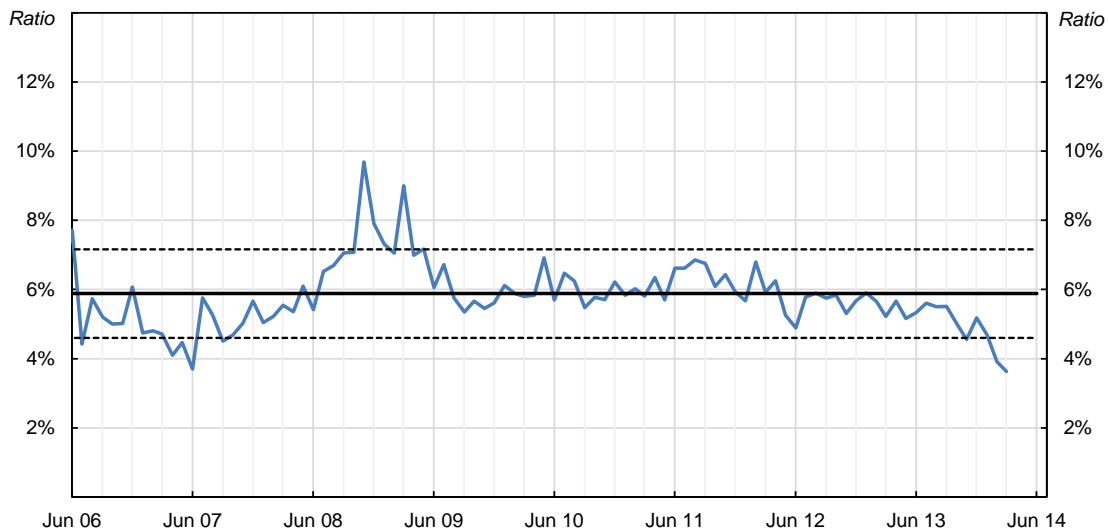


Chart 4 — Ratio of EXAD's to new business registrations:



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.