

Corporate insolvencies: September quarter 2013

Quarterly result

The first quarterly insolvency statistics published by ASIC for the 2013–14 financial year show a rise of 4.75% in companies entering external administration (EXAD) with appointments of 2,948 compared to the previous quarter's 2,815. The quarterly total was 5% higher than the 2012 September quarter (2,807); (see [Table 1](#) and [Charts 3](#) and [4](#)). The percentage of companies entering external administration for the quarter, relative to new incorporations, was at 5.6% compared to the long term trend of 6% (see [Chart 4](#)).

Appointment Type

Creditor initiated appointments increased from the previous quarter with court liquidations up 42.2% and receiverships up 24.3%, while director-initiated appointments were down with creditor voluntary liquidations down 15.7%, and voluntary administrations down 7.3%.

The increase in court liquidation appointments was driven by rises in the every region in Australia except Northern Territory which was stable, (Victoria (up 68.8%), Queensland (up 40.6%), New South Wales (up 29.2%), and Western Australia (up 53.5%) South Australia (up 45.7%), Tasmania (up 40%) and ACT (up 18.2%)).

Rises in Victoria (up 42.1%),¹ New South Wales (up 32.2%), Queensland (up 12.9%) and South Australia (up 35.7%) underpinned the increase in receivership appointments.

The decrease in director initiated winding up appointments was driven by falls in all regions except the Northern Territory and ACT, (The three largest states showed: New South Wales (down 8.4%), Victoria (down 21.0%) and Queensland (down 21.2%)).

The decrease in voluntary administration appointments was driven by New South Wales (down 24.5%), Western Australia (down 25%) and South Australia (down 36.4%) while Queensland (up 28.3%) and Victoria (up 35.2%) experienced increased appointments.

Regional results

Appointments in the three largest states all increased compared to the March 2013 quarter; New South Wales (up 1.4%), Victoria (up 12.5%)² and Queensland (up 4.9%). Increases also occurred in Western Australia (up 2.9%) and ACT (up 4.3%) while all other states experienced a fall in appointments; South Australia (down 0.9%), Tasmania (down 32.1%) and Northern Territory (down 23.5%) (see [Table 2](#)).

Industry statistics

[Table 4](#) summarises the first quarterly 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 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 September quarter 2013

Month	2012	2013	%
July	930	1,005	8.1%
August	996	986	-1.0%
September	881	957	8.6%
Total	2,807	2,948	5.0%

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

State / territory	Sep Qtr 2012	Jun Qtr 2013	Sep Qtr 2013	%	% change Sep Qtr 2012	% change Jun Qtr 2013
NSW	1,119	1,122	1,138	38.6%	1.7%	1.4%
VIC	741	781	879	29.8%	18.6%	12.5%
QLD	580	536	562	19.1%	-3.1%	4.9%
SA	113	113	112	3.8%	-0.9%	-0.9%
WA	171	172	177	6.0%	3.5%	2.9%
TAS	39	28	19	0.6%	-51.3%	-32.1%
NT	11	17	13	0.4%	18.2%	-23.5%
ACT	33	46	48	1.6%	45.5%	4.3%
Total	2,807	2,815	2,948	100.0%	5.0%	4.7%

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 30 September 2013*

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

Appointment type	Sep Qtr 2012	Jun Qtr 2013	Sep Qtr 2013	% change Sep Qtr 2012	% change Jun Qtr 2013
Court liquidations (1)	650	716	1,018	56.6%	42.2%
Creditors' voluntary liquidations	1,385	1,373	1,158	-16.5%	-15.7%
Receiverships (2)	330	317	393	19.4%	24.3%
Voluntary administrations	442	409	379	-14.3%	-7.3%
Total	2,807	2,815	2,948	5.0%	4.7%

(1) includes provisional liquidations

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

Table 4 – Analysis by industry type – quarter ended 30 September 2013

Top 10 Industries	Jul 2013	Aug 2013	Sep 2013	Total	%
Other (business & personal) services	262	314	274	850	28.8
Construction	183	169	169	521	17.7
Accommodation & food services	80	78	77	235	8.0
Retail trade	75	80	65	220	7.5
Manufacturing	64	39	53	156	5.3
Transport, postal & warehousing	50	43	47	140	4.7
Rental, hiring & real estate services	39	36	25	100	3.4
Agriculture, forestry & fishing	30	22	28	80	2.7
Information media & telecommunications	28	27	20	75	2.5
Wholesale trade	19	29	23	71	2.4
Other industries	126	101	106	333	11.3
Unknown	49	48	70	167	5.7
Total	1,005	986	957	2,948	100.0

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

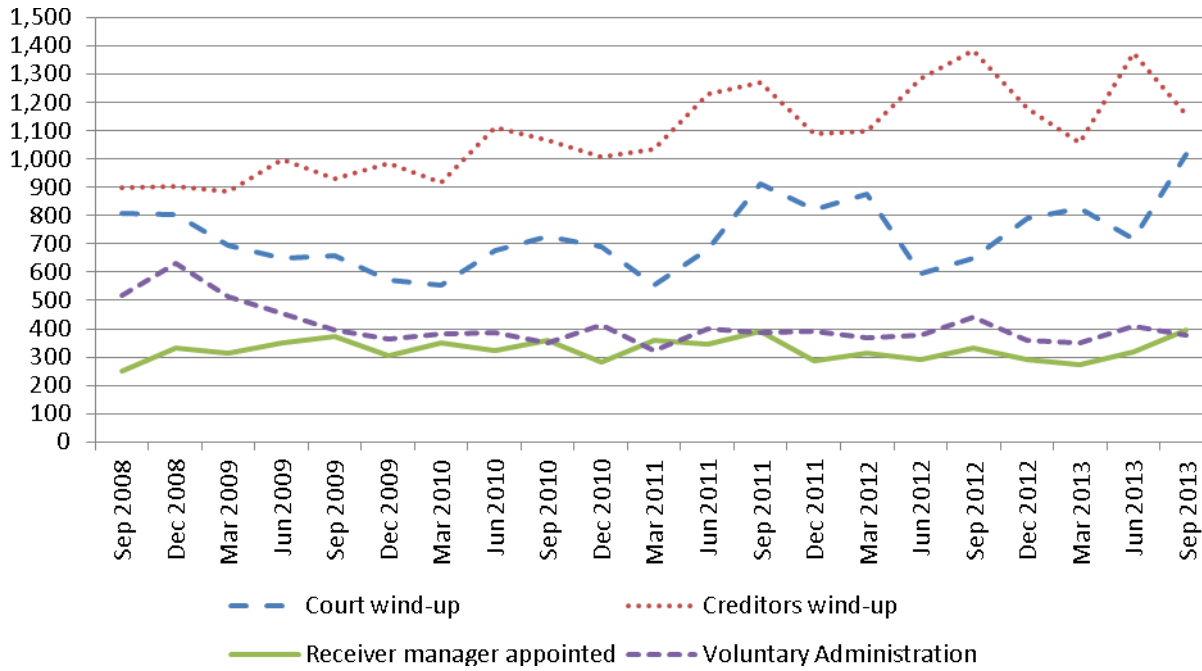


Chart 2 - Companies entering EXAD by quarter

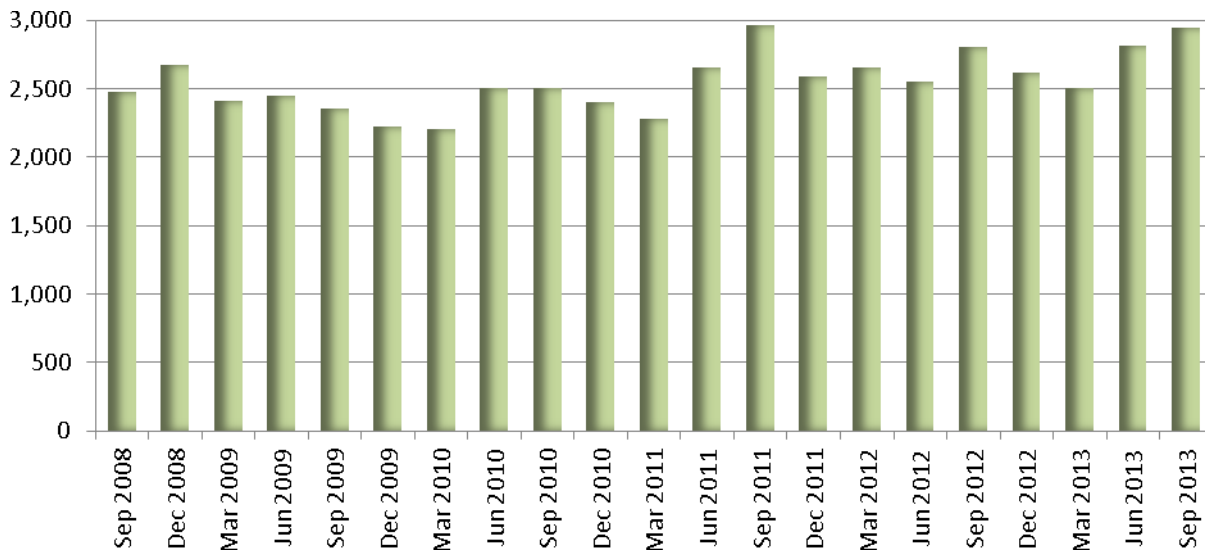


Chart 3 – Rate of new company registrations and rate of insolvencies (EXAD's) per month as a percentage of total companies incorporated:

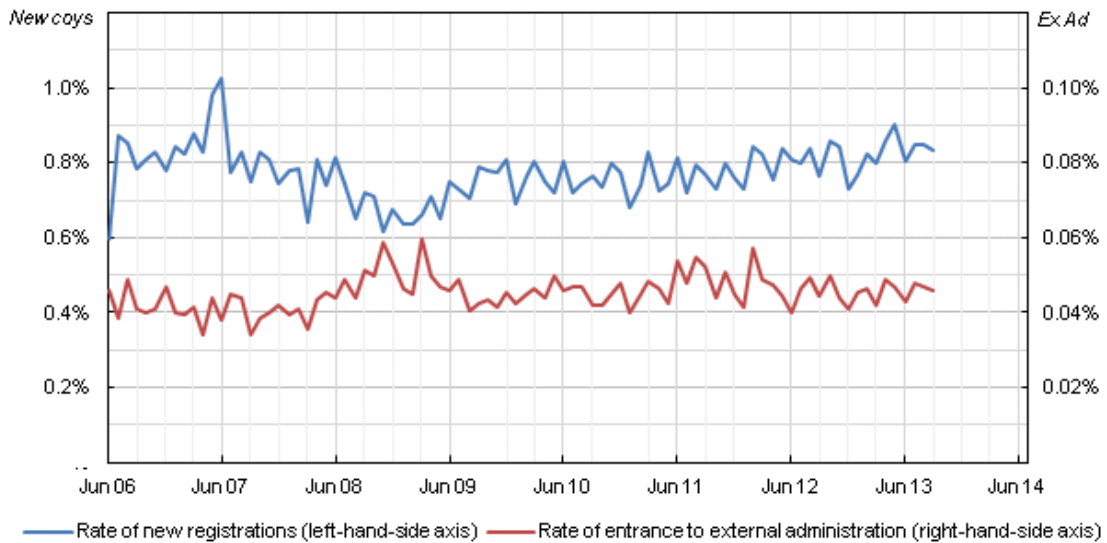
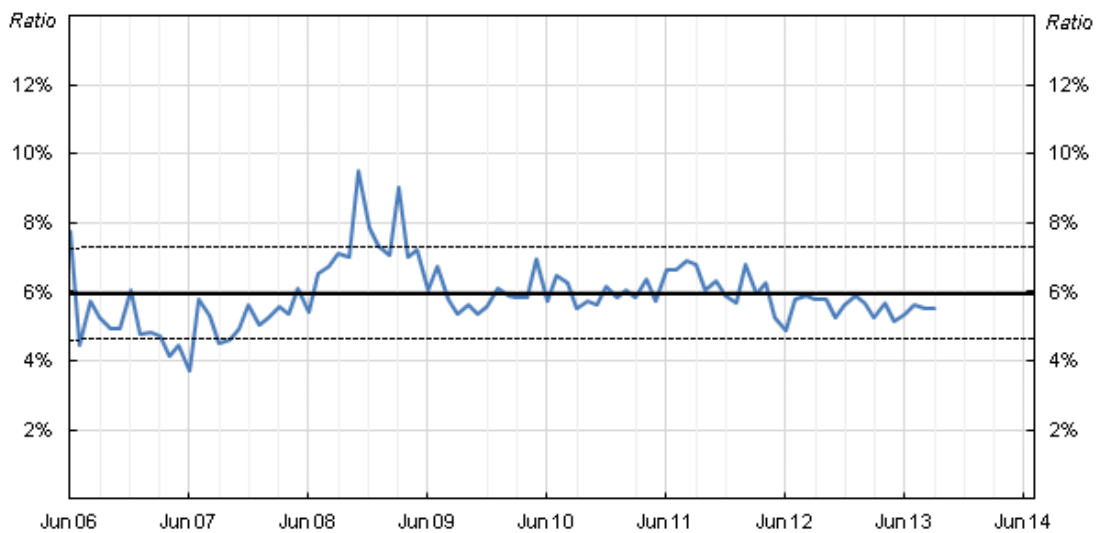


Chart 4 – Ratio of EXAD's to new business registrations:



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.