

# Corporate insolvencies: June quarter 2014

## Quarterly result

The final quarterly insolvency statistics published by ASIC for the 2013–14 financial year, show a rise of 14.6% in companies entering external administration (EXAD). Appointments totalled 2,308 compared to 2,014 in the previous quarter.

The quarterly total was 18% lower than the 2013 June quarter (2,815); (see [Table 1](#) and [Charts 3](#) and [4](#)). The percentage of companies entering EXAD for the quarter, relative to new incorporations, is currently about 4% compared to the long term trend of 6% (see [Chart 4](#)).

## Annual statistics

Data for the 2013/14 financial year show EXAD appointments fell (down 8.6%) compared to the 2012/13 financial year. A five year trend analysis is provided (see [Table 5](#)).

## Appointment Type

Court liquidations aside, EXAD appointments rose across all types of appointment compared to the previous quarter; creditor voluntary liquidations (up 24.2%), receiverships (up 15.9%) and voluntary administrations up (27.8%). Court liquidations fell 6.1%.

The fall in court liquidation appointments was driven by falls in New South Wales (down 11.6%), Victoria (down 7.3%), Western Australia (down 4.3%), ACT (down 57.9%) and Tasmania (down 1 appointment or 50%). Queensland (up 0.8%), South Australia (up 60.9%) and NT (up 1 appointment or 33%<sup>1</sup>) moderated the overall fall in appointments.

Increased receivership appointments were driven by material increases in New South Wales (up 40.4%) and Queensland (up 25.6%). Victoria saw a more moderate rise (up 8.8%). Falls in Western Australia (down 53.1%) and South Australia (down 21.4%) moderated the overall increase in receivership appointments.

The rise in director initiated winding up appointments largely reflects material rises in the two largest states of New South Wales (up 26.9%), and Victoria (up 30.1%). Queensland saw a more moderate rise (up 9.2%).

The rise in voluntary administrator appointments was driven by increases in New South Wales (up 43.8%), Victoria (up 23.4%) and Queensland (up 19%).

## Regional results

Appointments rose in all regions compared to the March 2014 quarter except for the ACT (down 4.7%). Rises were, New South Wales (up 17.8%), Victoria (up 15.9%), Queensland (up 11.1%), South Australia (up 14.1%), Western Australia (up 0.6%), Tasmania (up 100% or 12 appointments) and the Northern Territory (up 85.7% or 6 appointments) (see [Table 2](#)).

---

<sup>1</sup> ASIC notes that percentage changes in smaller regions can be unduly influenced by a relatively small number of appointments

## Industry statistics

[Table 4](#) summarises the statistics released by ASIC for the 2013/14 financial year by 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 June quarter 2014**

| Month        | 2013         | 2014         | %             |
|--------------|--------------|--------------|---------------|
| April        | 941          | 686          | -27.1%        |
| May          | 974          | 811          | -16.7%        |
| June         | 900          | 811          | -9.9%         |
| <b>Total</b> | <b>2,815</b> | <b>2,308</b> | <b>-18.0%</b> |

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

| State / territory | Jun Qtr 2013 | Mar Qtr 2014 | Jun Qtr 2014 | %             | % change Jun Qtr 2013 | % change Mar Qtr 2014 |
|-------------------|--------------|--------------|--------------|---------------|-----------------------|-----------------------|
| NSW               | 1,122        | 729          | 859          | 37.2%         | -23.4%                | 17.8%                 |
| VIC               | 781          | 554          | 642          | 27.8%         | -17.8%                | 15.9%                 |
| QLD               | 536          | 424          | 471          | 20.4%         | -12.1%                | 11.1%                 |
| SA                | 113          | 85           | 97           | 4.2%          | -14.2%                | 14.1%                 |
| WA                | 172          | 160          | 161          | 7.0%          | -6.4%                 | 0.6%                  |
| TAS               | 28           | 12           | 24           | 1.0%          | -14.3%                | 100.0%                |
| NT                | 17           | 7            | 13           | 0.6%          | -23.5%                | 85.7%                 |
| ACT               | 46           | 43           | 41           | 1.8%          | -10.9%                | -4.7%                 |
| <b>Total</b>      | <b>2,815</b> | <b>2,014</b> | <b>2,308</b> | <b>100.0%</b> | <b>-18.0%</b>         | <b>14.6%</b>          |

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 June 2014\***

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

| Appointment type                  | Jun Qtr 2013 | Mar Qtr 2014 | Jun Qtr 2014 | % change Jun Qtr 2013 | % change Mar Qtr 2014 |
|-----------------------------------|--------------|--------------|--------------|-----------------------|-----------------------|
| Court liquidations (1)            | 716          | 603          | 566          | -20.9%                | -6.1%                 |
| Creditors' voluntary liquidations | 1,373        | 935          | 1,161        | -15.4%                | 24.2%                 |
| Receiverships (2)                 | 317          | 239          | 277          | -12.6%                | 15.9%                 |
| Voluntary administrations         | 409          | 237          | 303          | -25.9%                | 27.8%                 |
| <b>Total</b>                      | <b>2,815</b> | <b>2,014</b> | <b>2,307</b> | <b>-18.0%</b>         | <b>14.5%</b>          |

(1) includes provisional liquidations

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

**Table 4 —Analysis by industry type – quarter ended 30 June 2014**

| Top 10 Industries                      | 9 month period to 31 Mar 2014 | Jun Qtr 2014 | Total        | %              |
|--|-------------------------------|--------------|--------------|----------------|
| Other (business & personal) services   | 2,363                         | 760          | 3,123        | 31.8%          |
| Construction                           | 1,378                         | 422          | 1,800        | 18.3%          |
| Accommodation & food services          | 647                           | 172          | 819          | 8.3%           |
| Retail trade                           | 584                           | 181          | 765          | 7.8%           |
| Transport, postal & warehousing        | 361                           | 117          | 478          | 4.9%           |
| Manufacturing                          | 343                           | 129          | 472          | 4.8%           |
| Rental, hiring & real estate services  | 237                           | 81           | 318          | 3.2%           |
| Information media & telecommunications | 166                           | 56           | 222          | 2.3%           |
| Wholesale trade                        | 172                           | 49           | 221          | 2.3%           |
| Agriculture, forestry & fishing        | 169                           | 49           | 218          | 2.2%           |
| Other industries                       | 830                           | 231          | 1,061        | 10.8%          |
| Unknown                                | 264                           | 61           | 325          | 3.30%          |
| <b>Total</b>                           | <b>7,514</b>                  | <b>2,308</b> | <b>9,822</b> | <b>100.00%</b> |

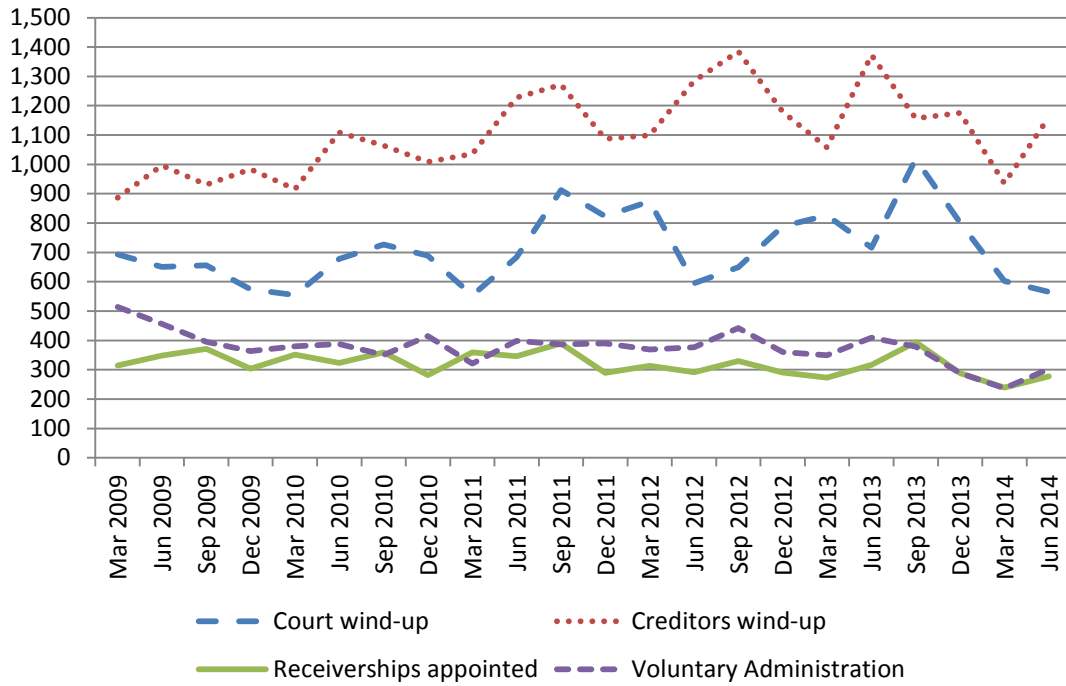
NB: Industry classification information aligns with the 2006 Australian and New Zealand Standard Industrial Classification (ANZSIC) divisions. Due to ASIC's regulatory role in the financial and insurance services industry, this industry classification is divided into six sub-categories.

"Unknown" primarily 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).

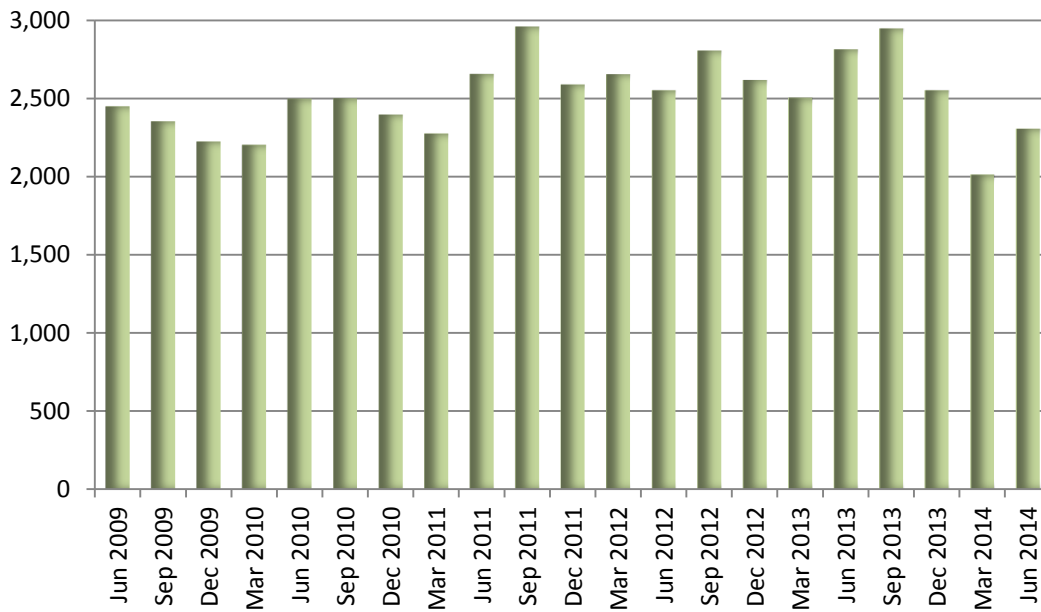
**Table 5— Companies entering into EXAD – five year trend (by financial year)**

| Year    | Number | % change |
|---------|--------|----------|
| 2009/10 | 9,281  | -7.2%    |
| 2010/11 | 9,829  | 5.9%     |
| 2011/12 | 10,757 | 9.4%     |
| 2012/13 | 10,746 | -0.1%    |
| 2013/14 | 9,822  | -8.6%    |

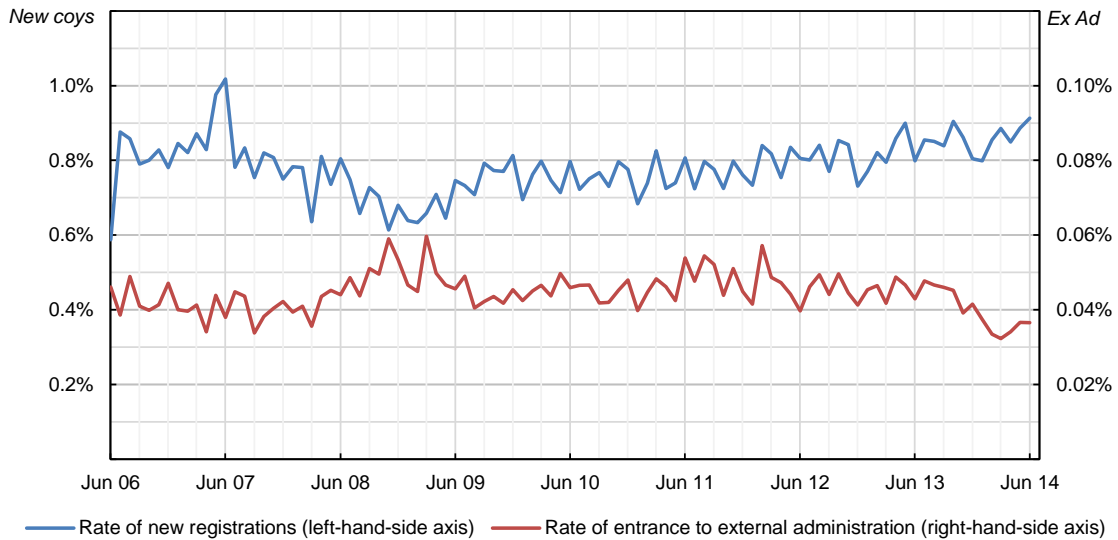
**Chart 1— Companies entering into EXAD by quarter and type of appointment**



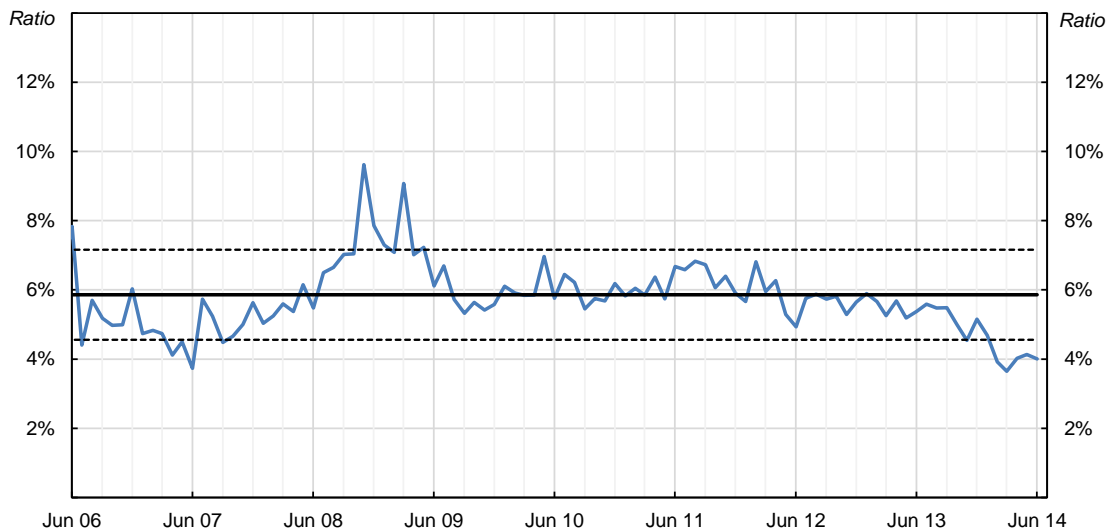
**Chart 2 — Companies entering EXAD by quarter**



**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 SMSF companies. We are currently generating a statistical series which removes SMSF company registrations from the new business registrations data.

Currently, the number of SMSF companies entering EXAD is very small. Accordingly, at this stage, we do not plan to revise the EXAD series.

## 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. From 1 July 2013, following an ASIC change to the Form 505 – Notice of Appointment, ASIC commenced recording and reporting industry type from the notice of appointment lodged with ASIC following an external administrator's appointment.