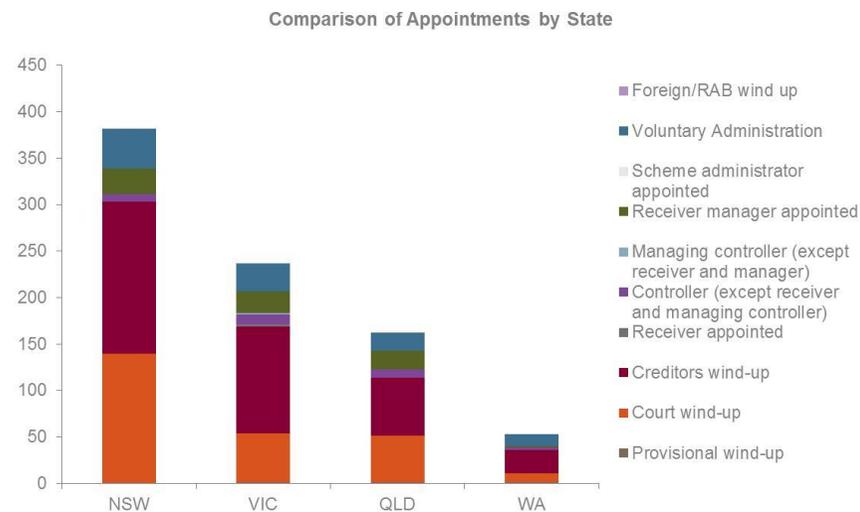
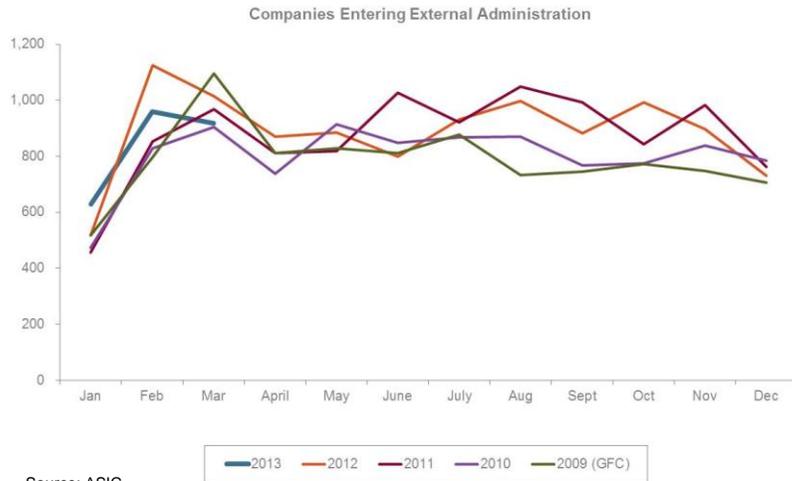


# INSOLVENCY INSIGHTS – March 2013

Analysis of ASIC's Latest External Administration Appointments Statistics from the Corporate Finance/Restructuring Practice of FTI Consulting  
23 May 2013



## The Figures

### What these latest figures suggest

- After a large jump in insolvencies against prior month records for February 2013, March saw a 4.6% decline in external administrations to 918 companies for the month.
- With a cumulative 2,506 companies entering administration so far for 2013, the year is slightly behind the total at March for 2012 (2,655) but well ahead of the same time for 2008 to 2011.
- Nationally, Court wind ups are down 36.8% on February, reflecting anecdotal evidence seen by FTI Consulting that a number of wind ups were launched by the Australian Taxation Office in the December / January period.
- Receivers and Managers Appointments increased 40.0% mainly due to a 75.0% increase in New South Wales. A closer look at this suggests this is due to a pharmacy group of companies entering Receivership.
- State by State the numbers were mixed, with South Australia and New South Wales up month on month by 36.4% and 5.0% respectively. A reduction was seen on February in Victoria (16.5%), Queensland (16.0%) and WA (24.5%).

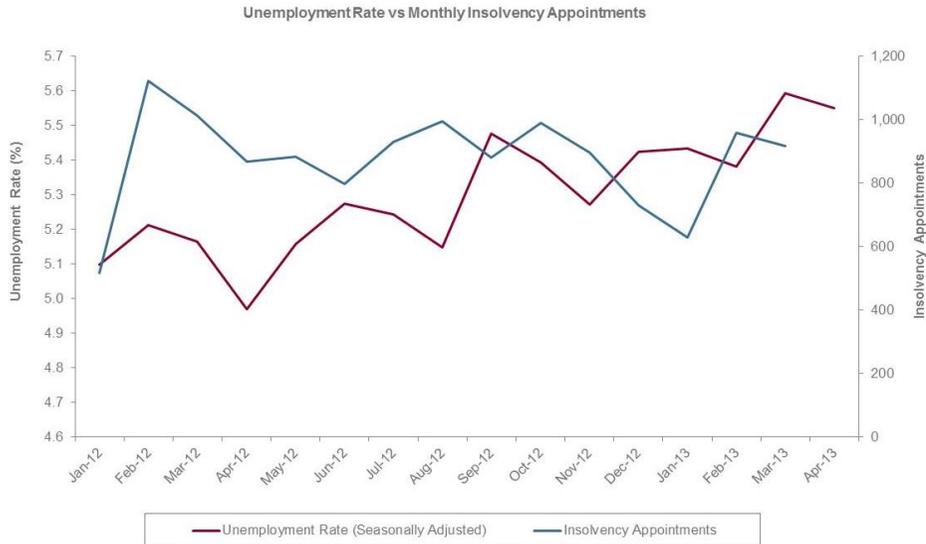
## Economic Influences

### What's happening in the broader market with particular attention to macro influences on insolvency?

- New home sales continued a modest recovery, with HIA's New Home Sales Report showing an increase of 4.2%.
- Westpac – Melbourne Institute Consumer sentiment index peaked at 110.5 in March representing a level not seen since 2010.
- Business confidence lifted marginally in March 2013, however business conditions deteriorated.
- According to Australian Industry Group/Commonwealth Bank of Australia's ("AIG/CBA") Performance of Manufacturing Index, manufacturing activity continued to decline and has been in contraction since February 2012.
- In fact, according to the AIG/CBA's performance indices manufacturing, services and construction activity are all in contraction, however, services were edging towards positive territory.

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Source: ABS, ASIC

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## Special Focus

- Unemployment continues the long rising trend of the last 12 months with the trend increasing to 5.5% from the 5.1% low.
- The increase in unemployment matches a prediction made by FTI Consulting in July 2012, that peak in insolvencies would flow through to an increased unemployment rate.
- Although the mining sector is not a large overall employer in Australia, early signs of the mining investment boom drawing to a close can be seen in the dramatic rise in the unemployment rate in Western Australia (rising from 3.9% in March 2012 to 4.7% in March 2013, or a 20.5% rise).

## Outlook

### *What we predict for the future and what inferences we can draw*

- With the December 2012 cash rate cut bolstered with a further 25 basis point cut in May 2013, the economic scene is set for a battle between presumably rising consumer confidence on the one hand, fuelled by successive rate cuts, versus the rising unemployment rate.
- The multi-year mining sector boom now seems if not yet quite past its peak, certainly far closer to the end than the beginning. The recent dramatic fall seen in the Australian dollar may well yet save those companies in production from serious calamity, as they work to address the malignant “boom time” increase in costs affecting the sector. However the future is not bright for those not directly producing, or in firms offering support services to miners.
- As a result, insolvencies in the mining services sector can be expected to rise in the coming year.
- The challenge is now for the rest of the economy to pick up the slack, with the falling Australian dollar likely to spur a revival in many sectors of the economy from manufacturing to retail, as domestic production regains competitiveness against imports and overseas offerings.

### About FTI Consulting, Inc.

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. More information can be found at [www.fticonsulting.com](http://www.fticonsulting.com).