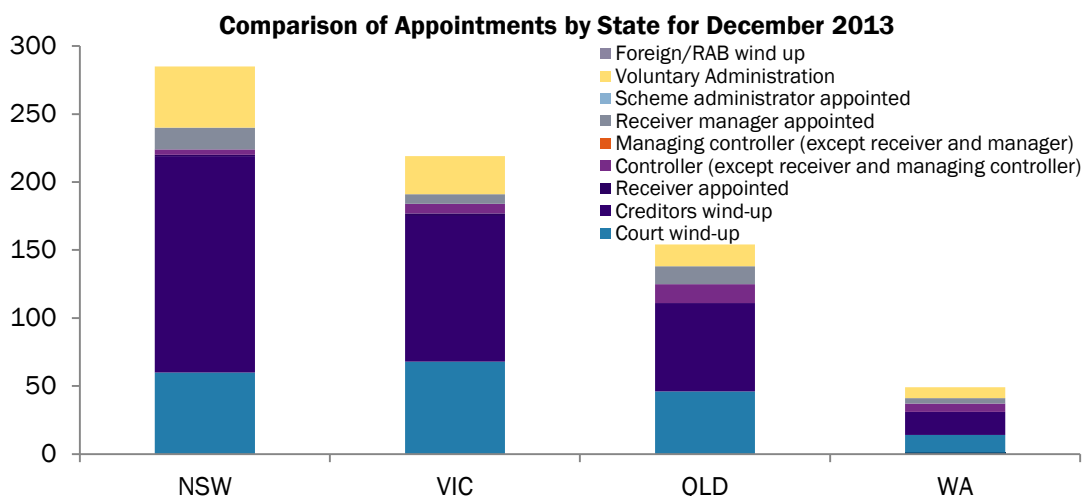
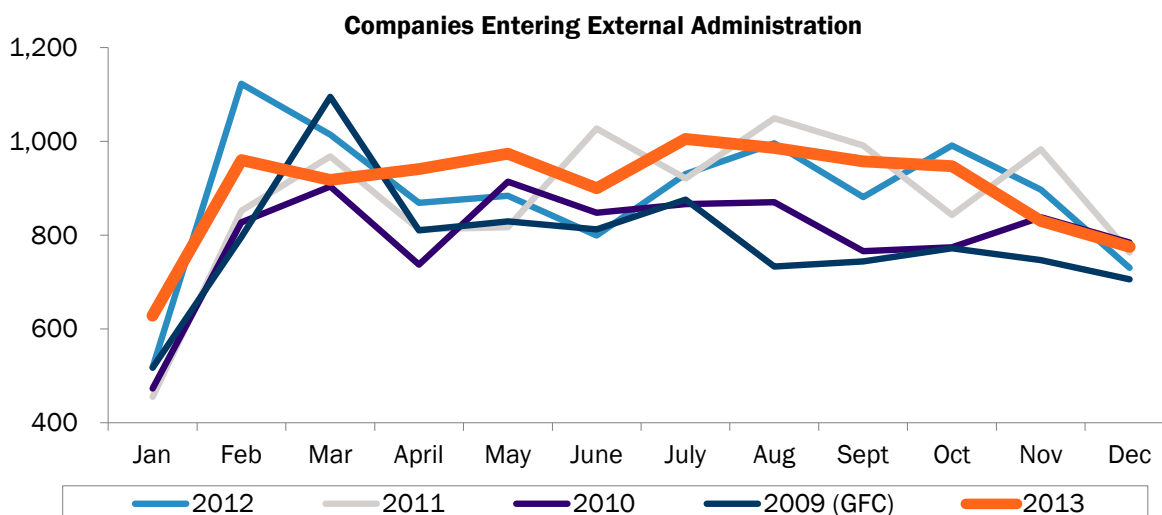


The Figures

What the latest figures suggest

- The ASIC figures showed 775 companies entered external administration in Australia during December 2013, the highest result for the month of December since 2010.
- A total of 10,821 companies entered external administration in 2013, a record for a year since data was first made available in 1999.
- All states and territories recorded an increase in external administration in 2013, except Queensland (down 7.3%). Among the six states, the largest increases were in South Australia (up 14.7%) and Victoria (up 7.2%).
- An analysis of the most common types of external administration in 2013 showed there were 447 more Court Wind-ups than in 2012 and 135 more Controllers (except receiver or managing controller) appointed. Meanwhile, there were 184 fewer Creditors Wind Ups than in 2012 and 123 fewer Voluntary Administrations.



About FTI Consulting

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 centers 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.

Economic Influences

The broader market and its potential impacts on insolvency levels:

- Economic indicators for December saw ongoing positive indicators regarding sentiment, which has benefited from record low interest rates. NAB's business survey showed business confidence remained positive in December, while the Westpac-Melbourne Institute survey of Consumer Sentiment – although falling more than 5 points – was also positive at 103.3.
- Construction also expanded in December 2013, although at a weaker rate than November, with the Australian Industry Group's (AIG's) Performance of Construction Index at 50.8 points, slightly above the 50 points that separate expansion from contraction.
- Australian Bureau of Statistics (ABS) figures for Building Approvals showed the number of dwellings approved rose 1.5% in December 2013, in trend terms, marking a 14 month rise. ABS figures also showed Motor Vehicle Sales grew 0.2% in the month.
- However, other indicators in December were weaker. Job advertisements were lower, according to the ANZ, falling 0.7% in December 2013 following a 0.8% fall in November. Furthermore, ABS data showed wages grew 0.7% in the December quarter, the lowest since records began in 1997.

Special Focus: Distressed Debt and Mining

- Mining in Australia is undergoing an industry-wide turnaround in response to pressure from swings in commodity prices, lower demand from developing countries, and the impact of the Australian dollar.
- The core emphasis of companies' restructuring operations has been on reducing costs, and in many instances these efforts have been successful.
- The Australian mining industry now finds itself at a crossroads, with the 'construction and exploration phase' easing and a stronger focus on the 'production phase' after a decade of new mine development and existing mine expansion.
- FTI Consulting Senior Managing Director Andrew Bantock said:

"Amid the continuing environment of low commodity prices, the high Australian dollar, and the relative poor availability of equity, further restructuring efforts will be aimed at revamping the balance sheet to reduce debt levels.

Miners will also look to provide additional funding during the current subdued environment in anticipation of a recovery of the fundamentals.

"To a small extent, hedge funds and distressed debt funds have influenced some of these corporate restructuring efforts. These funds are still assessing the mining sector as a viable investment space. Some specialist funds, however, are getting involved and offering dilutive equity-styled funding to restructure debt and provide additional funding.

- **A detailed joint FTI Consulting and Clifford Chance report on this special focus, *Australia Mining Sector: Digging for Distressed Assets*, can be downloaded [here](#).**

Outlook

The broader market and its potential impacts on insolvency levels:

- There has been evidence of a deterioration in the economy, particularly in regards to lagging economic indicators.
- This includes unemployment, which grew from 5.8% in December to 6.0% in January, according to ABS data. The ANZ's job advertisement series showed a 0.3% fall in advertisements following a 0.7% decline in December.
- There has also been an ongoing downward trend in consumer sentiment since December, although it remains slightly positive – the Westpac-Melbourne Institute's Consumer Sentiment Index was 103.3 points in January 2014 and slipped to 100.2 points in February. Conversely, NAB's business survey showed that business confidence remains strong, adding a further 2 points in January to stand at +8.
- The manufacturing, services, and construction industries also declined in January, according to data by the AIG.
- However, the Reserve Bank of Australia has indicated it does not intend to respond with cutting interest rates further, rather opting for a period of stability in keeping rates at record lows.
- FTI Consulting expects to see further consolidation in the mining industry in 2014, as will the current round of divestments to private investors as mining companies trim to raise efficiency and stay afloat.
- We are also seeing continued stress in the mining services space with ongoing cost cutting and rationalisation campaigns by the major mining houses.
- A potential fall in market confidence due to significant closures affecting the automotive manufacturing industry and major corporate collapses such as Forge Group, and its subsequent downstream effects, may adversely impact insolvency rates this year.

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