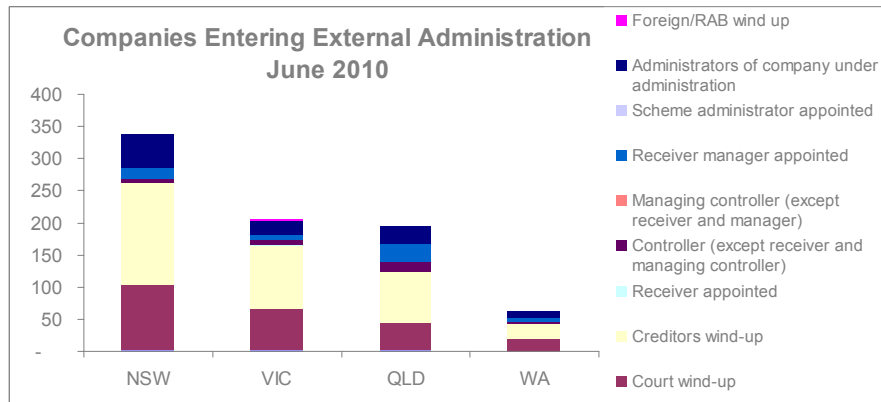
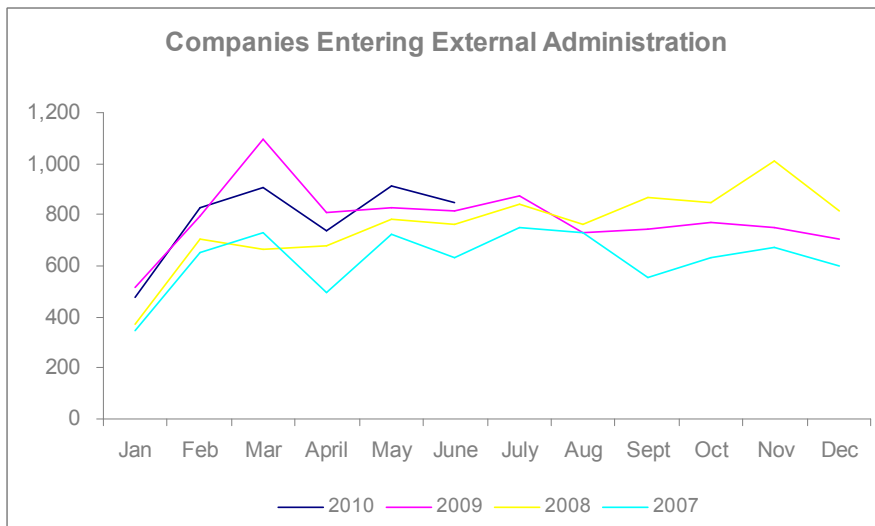


# Insolvency Insights – June 2010

Taylor Woodings' analysis of ASIC's latest external administration appointments statistics



Source: ASIC



Source: ASIC

## The Figures

*What these latest figures suggest*

- Latest statistics are at a 10 year high for the month of June indicating the fragile state of the global recovery and its impact on Australian businesses.
- Insolvencies for both May and June 2010 are up on the corresponding months in 2009 despite expectations that insolvencies would peak in 2009.
- The June figures are down slightly from May, however appointments for both months are at 10 year highs.
- NSW has again had more insolvencies than any other state however, WA has experienced their highest number of insolvencies for the 2010 calendar year showing Australia's economic woes are not confined to NSW.

## Economic Influences

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

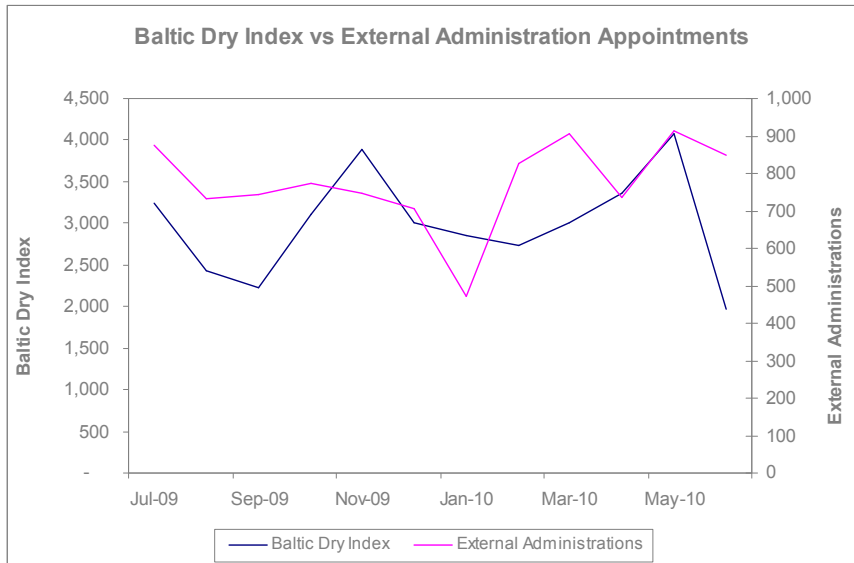
- The Australian economy remains sluggish with the RBA expecting growth to be 'close to trend' for the coming year.
- For the third straight month, the RBA has held the Official Cash Rate at 4.5% following a June Quarter CPI rate of 3.1%, further flat retail figures and falling building activity.
- Liquidity remains tight restraining credit markets and placing SMEs in particular under sustained pressure.
- Globally, the RBA expects that growth for the coming year will be 'about trend' while noting the outlook remains 'somewhat uncertain'.

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TAYLOR WOODINGS



Source: ASIC and The Baltic Exchange

## For more information

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## Comparative Analysis

*Comparing the statistics with an economic indicator*

- The London-based Baltic Exchange's Baltic Dry Index (BDI) tracks the daily global shipping prices of various dry bulk cargoes. The BDI essentially measures demand versus supply of dry bulk carriers.
- The BDI is considered to be an accurate economic indicator providing an effective barometer of future worldwide trade.
- There appears to be an inverse relationship with a lag between the BDI and external administration appointments.
- Currently, the BDI is extremely volatile with a significant fall in the BDI in May and June pointing towards the possibility of a second global economic slowdown.

## Outlook

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

- Overall, Australia has remained resilient against the global instability to date with unemployment falling and GDP growing.
- However, various economic indicators show Australian businesses, particularly SMEs, face ongoing financial pressures which they may not be able to continue to withstand.
- As government borrowing worldwide continues to soak up liquidity and economic fundamentals fail to dramatically improve, we expect these historically high levels of insolvencies to continue for at least another year.
- The recent decline in the BDI would tend to indicate that there will be a sharp spike in appointments in July and August. However, this spike could be delayed until September or October due to the impact of the Federal election on decision making in the wider business community.
- Subject to the effect of the Federal election, next month's ASIC statistics will be an important indicator of the future direction of the Australian economy and the impact of the global economy which, in the words of Ben Bernanke, currently remains "unusually uncertain."