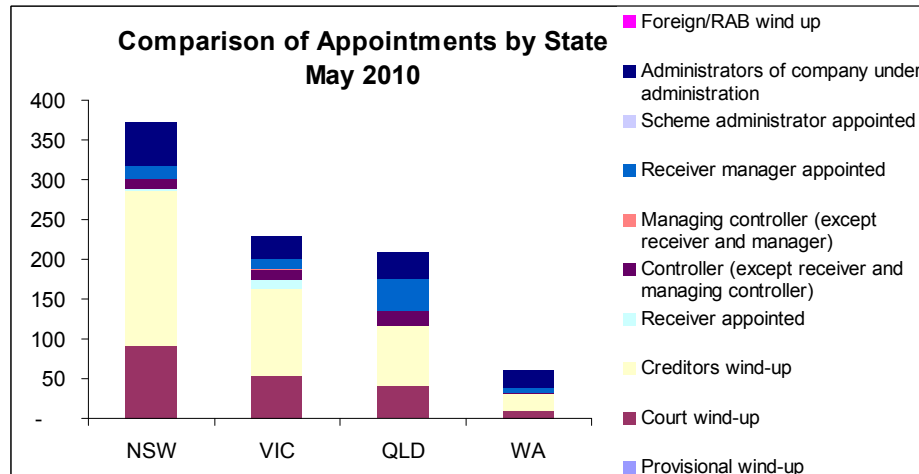


# Insolvency Insights – May 2010

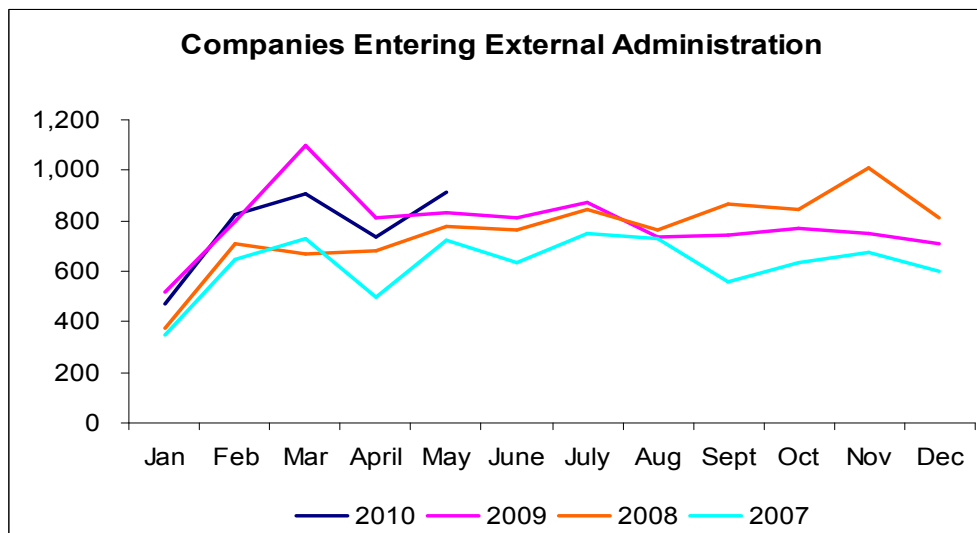
Taylor Woodings' analysis of ASIC's external administration appointments statistics



TAYLOR WOODINGS



Source: ASIC



Source: ASIC

## The Figures

*What these latest figures suggest*

- May 2010 are higher than 2009 figures. Although 2009 was widely believed to be the peak for insolvencies, the figures may suggest otherwise.
- External administration appointments increased by over 10% from May last year which is the third highest monthly figure recorded in the last 6 years. This is symptomatic of the fragility of Australia's economic recovery.
- A high proportion of court and creditor wind-ups may suggest an increase in ATO activity including director penalty notices and garnishee notices
- NSW continues to lead the country in terms of failures, in keeping with their relatively poor current economic situation. NSW has the lowest economic growth and the second highest rate of unemployment in the country.
- Low voluntary administration appointments is evidence of minimal restructuring.
- Western Australia continues to benefit from the rebound in commodity prices and demand with significantly lower activity.

## Economic Influences

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

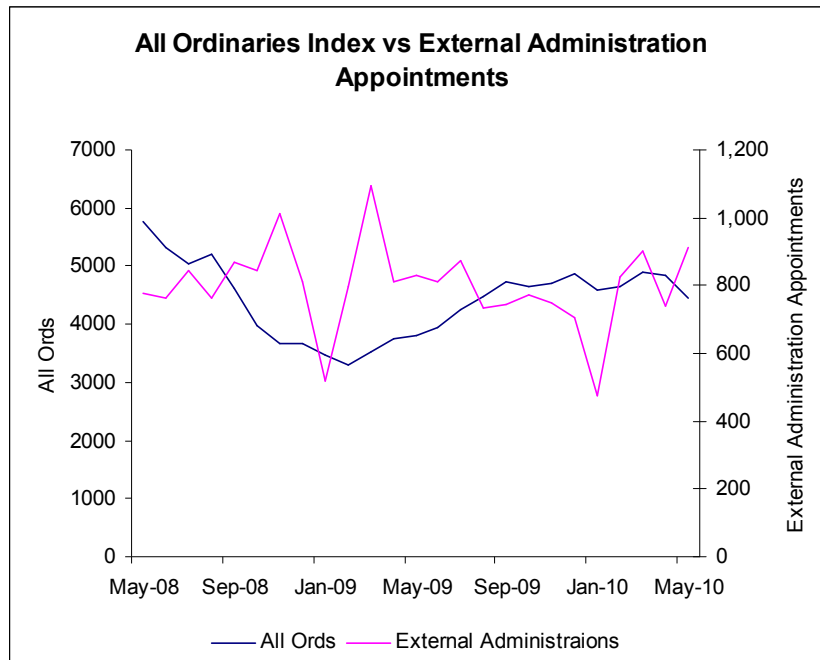
- In the past 12 months the RBA has raised interest rates six times - putting significant pressure on the SME market.
- Instability in Europe has created ongoing uncertainty.
- The volatility of the Australian dollar against the US dollar places significant pressure on businesses who rely on US dollar supplies.
- The lingering global sovereign debt issue, and its effect on the availability of finance, is raising concerns of a domino effect on global demand and therefore any sustained recovery in Australia.

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TAYLOR WOODINGS



Source: ASIC and ASX

## Comparison with Other Economic Indicators

*A look at an indicator of insolvency appointments*

- Persuasive inferences can be drawn from the performance of the All Ordinaries when predicting future external administration appointments.
- Over the last two years, the All Ordinaries Index has demonstrated an inverse relationship with insolvency appointments.
- Although there is some seasonal variation in the figures, broadly speaking when the All Ordinaries is rising, External Appointments are falling.
- The All Ordinaries Index continued to decrease by almost 3% in June/July 2010 which would suggest we may continue to see a high level of external administration appointments in June 2010.

## Outlook

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

- Australia has continued to be resilient against the global instability with continued growth and a reduced unemployment rate.
- However, pressures continue to mount on the SME sector:
  - Consumers are tightening their belts and increasing savings
  - Rising interest rates and the European debt crisis will make obtaining finance increasingly difficult
  - Increased uncertainty locally due to a decrease in building approvals and slowed manufacturing activity;
  - Continued ATO pressure on the SME market
- Restricted ability to access finance due to global competition for sovereign funds
- Further increases in Administration appointments may simply be the last of those businesses struggling to survive post GFC, or that trading conditions are actually worse than believed.

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