



Solvency Accountants

Newsletter – no. 6/2016

As the year draws to a close we wish to thank all those who we have worked with this year and those who have provided feedback on our newsletters.

How Australian industries rank for corporate insolvencies

In recent years, the Australian Securities and Investments Commission (“ASIC”) has collected data from insolvency practitioners regarding the type of industry that companies placed into external administration belonged to. Perhaps unsurprisingly given the number of companies operating within it and its high potential exposure to a reverse multiplier effect, the construction industry had the second highest number of corporate external administrations (based on figures compiled between July 2013 and June 2016).

In 2014/15, the construction industry’s share of Australia’s gross domestic product (“GDP”) was 7.7%, whereas it contributed to 17% of Australia’s corporate external administrations.

The industry with the highest number of external administrations was the rather generically titled ‘Other (business and personal services)’. We consider that there is potential cross-over between that industry and other industries which may partly account for this. For instance, a mortgage broker and a book-keeper both fit that generic industry description, but perhaps would be better described as belonging to the ‘Finance – other’ and ‘Administrative and support services’ industries respectively.

Collectively, the top two industries accounted for 52% of the 28,847 external administrations during July 2013 and June 2016.

Of interest is how the remaining industries fared. Here is a breakdown of how the balance of external administrations were allocated amongst the remaining industries:

Accommodation and food services	18%
Retail trade	16%
Transport, postal and warehousing	10.5%
Manufacturing	9%
Real estate and rental services	6%
Unknown	5%
Mining	5%

IT and communications	4%
Agriculture, forestry and fishing	4%
Wholesale trade	4%
Electricity, gas, water and waste services	4%
Professional, scientific and technical services	3%
Arts and recreation services	2%
Finance – other	2%
Education and training	2%
Health care and social assistance	2%
Administrative and support services	1.5%
Finance – management investment schemes	1%
Public administration and safety	0.5%
Finance – creditor provider	0.25%
Finance – superannuation	0.25%
Finance – deposit taking institutions	0%^

^ actual 0.01%

Hospitality, retail, transport and manufacturing all top the list, while reassuringly deposit taking institutions experienced the least number of external administrations.

The dubiously titled 'Unknown' industry possibly includes companies with either nefarious activities or may represent those court liquidations with the most recalcitrant of directors who refused to provide information about their company's activities (or perhaps both).

New website

SM Solvency Accountants has a new website with useful, plain language information on personal and corporate insolvency processes, and professional biographies of our staff. Check out www.smsolvency.com.au

Further information

Brendan Nixon, Senior Director, phone 07 3308 4910, b.nixon@smsolvency.com.au

Leon Lee, Senior Director, phone 07 3308 4903, l.lee@smsolvency.com.au