

## ADMINISTRATIONS MAINTAIN STEADY STATE

Low Interest Rates and Housing Price Boom Continue to Keep Insolvencies at Bay

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FTI Consulting’s latest analysis of the ASIC insolvency statistics for March and April 2017, notes the number of companies entering external administration maintained a steady state.

In March 2017 there were 745 companies entering external administration markedly up from 576 the previous month, but levelling out for the month of April 2017 to 590.

April’s levels were well down year-on-year, with 793 appointments recorded in April 2016, whilst March levels were also down compared to 841 in March 2016.

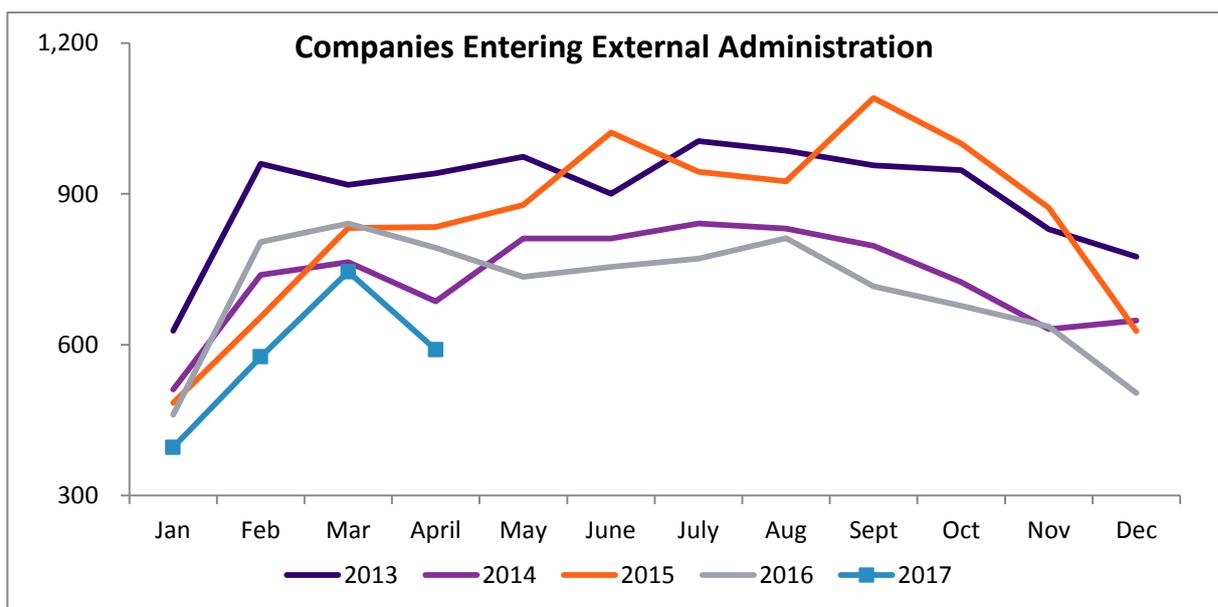
There have been 2,307 external administration appointments for the first four months of 2017, compared with 2,899 in the first four months of 2016.

Quentin Olde, Senior Managing Director in the Corporate Finance & Restructuring segment at FTI Consulting said the level of corporate failures in 2017 was at its lowest level in four years and continued to decline. “It is likely the ongoing low interest rate environment and the buffer created by the housing price boom on the East Coast has ensured small business has maintained sufficient liquidity to avoid insolvency events,” Mr Olde said.

“This is supported by the decline in statistics in all states except WA where property prices have fallen with median housing prices falling to 2013 levels.

“As housing prices increase small business owners are afforded access to further credit via redraw facilities or refinance of the family home, and this, coupled with low interest rates and positive sentiment, results in investment in small business and lower failure rates,” he added.

He also noted that the lower and steadier AUD has allowed exporters to continue to capitalise on improved sales volumes and margins however, the impact of the lower dollar would continue to challenge importers and retailers.



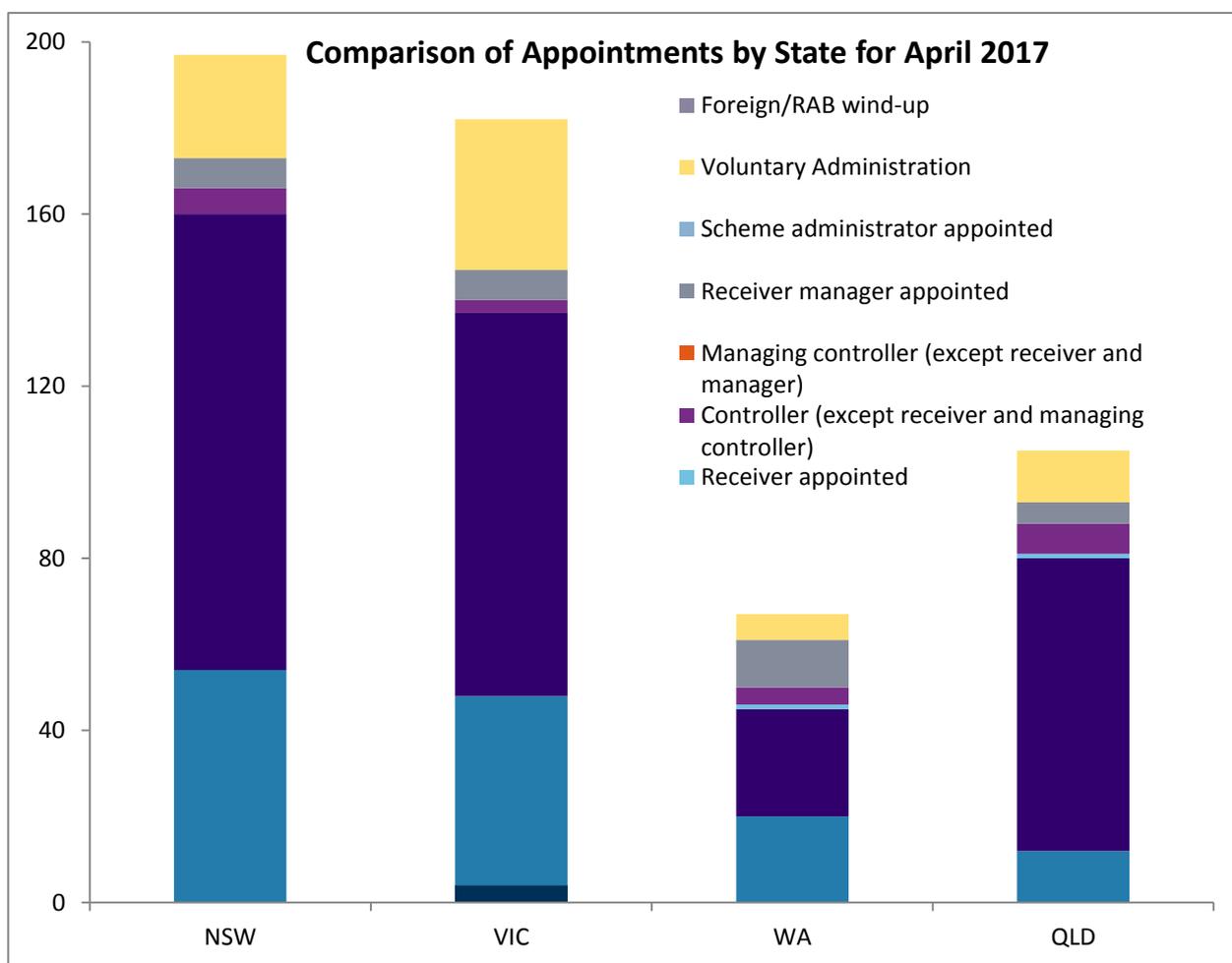
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“Whilst statistics remain lower, there are undoubtedly head winds in some sectors including retailers in personal and consumer products, apparel and household goods including furniture and technology, and any change to consumer sentiment or an upward movement in interest rates could have an impact on the second half of the year.”

New South Wales retained its top spot amongst the states for insolvencies, rising to 288 external administration appointments for March but dropping to 197 for April 2017, against 204 for February. Appointments in Victoria rose to 176 in March and further to 182 in April, from 156 in February. Appointments rose to 158 in March in Queensland before levelling off to similar levels of February at 105 in April (104 February). All other states dropped slightly with the exception of Western Australia rising to 67 in April after a jump in March to 74, after recording 57 in February.

On appointment types, creditor wind-ups were up to 357 in March and down to 310 in April 2017, which was still up from 268 in February. Voluntary administrations were markedly up to 142 in March but fell further to 79 in April compared to 95 in February. Court wind-ups were also up to 195 in March then fell back to 143 in April compared to 168 in February.



The analysis and comments follow a review of the ASIC Insolvency Statistics for March and April 2017.

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