

# OVER 19% OF ALL EXTERNAL ADMINISTRATIONS ARE FROM THE CONSTRUCTION INDUSTRY

The news is not all bad however as August appointments level out and insolvencies continue their year on year decline

10 OCTOBER 2017

FTI Consulting's analysis of the latest ASIC insolvency statistics for the month of August 2017 shows that even though the number of companies entering external administration increased slightly compared with July, the number of appointments has broadly plateaued during August.

In August, 741 companies entered external administration, a marginal increase from 719 in July 2017. August levels are down year-on-year with 812 appointments recorded in August 2016. In addition, the total number of insolvencies recorded in August 2017 is the lowest August total since 2009.

Insolvencies nationally continue to track along a downward trajectory. A total of 7,908 companies entered administration for the 12 months to August 2017, a 17% reduction compared with the prior period (12 months to August 2016) where the equivalent number of insolvencies was 9,562.

However, when looking into the prominence of industry groups in the statistics, we identified the construction industry has seen a general increase in appointments throughout 2017, and has accounted for over 19% of total appointments in the 12 months to August 2017. In fact, the August 2017 figure reflects the second highest level of construction industry related external administrations since March 2016.

James Rogers, Managing Director and Real Estate advisor in the Corporate Finance and Restructuring segment at FTI Consulting, said:

"The construction industry continues to face challenges and has been one of the hardest hit industries over the last 12 months. Over this period, there have been a number of widely reported building company collapses, together with much scrutiny and market commentary surrounding construction industry performance and exposure, in particular with respect to the residential apartment development market."

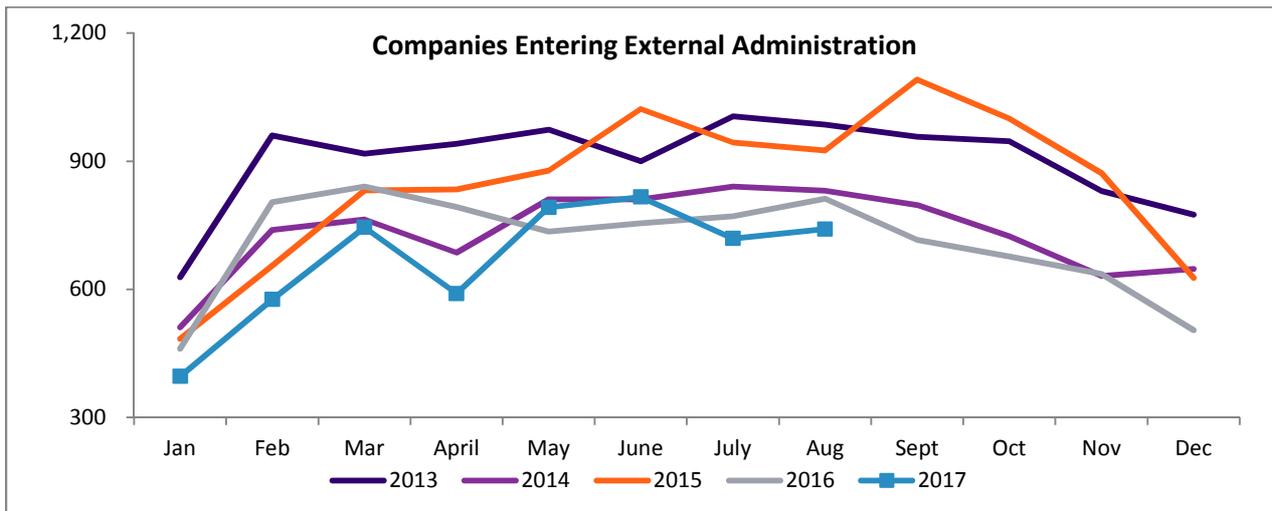
He also noted that market pressures such as regulatory changes, continued tightening of financing requirements, concerns over affordability and the demand for residential property have the potential to further aggravate the situation, in particular in markets experiencing historically high supply levels.

"We anticipate continued scrutiny and further challenges for the industry for some time to come," Mr Rogers added.

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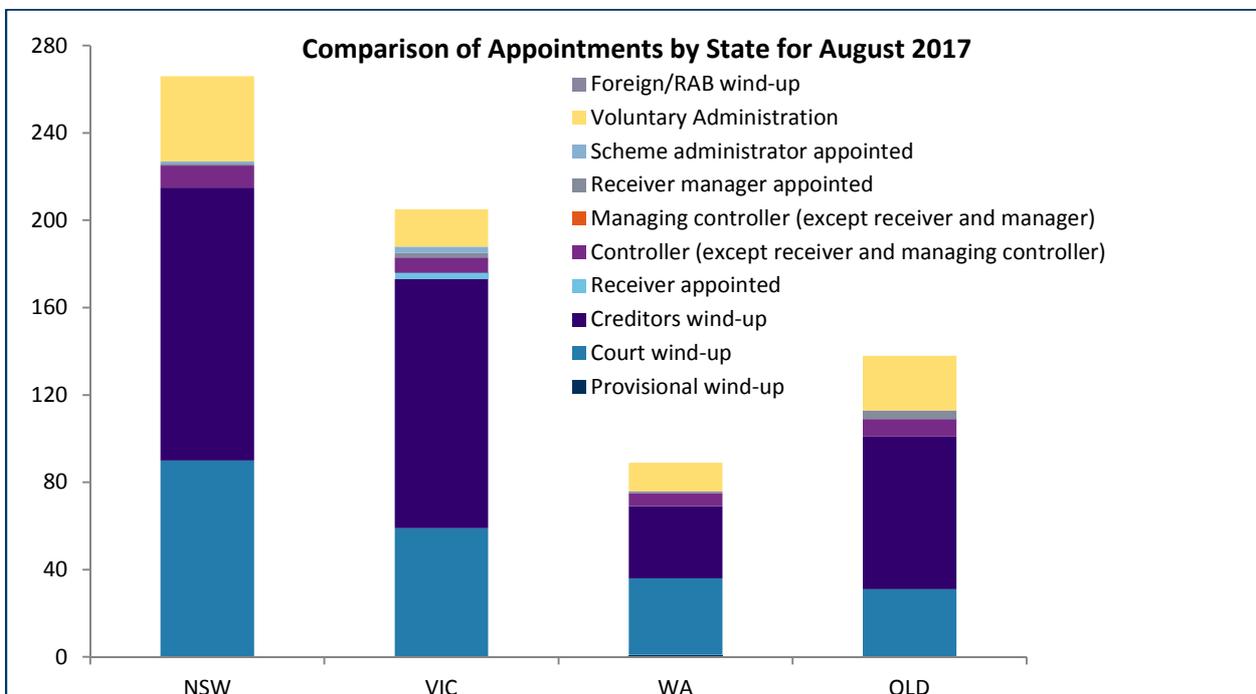
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On a state-by-state basis, the most notable increase in companies entering external administrations in August was in New South Wales where 266 insolvencies were recorded, up from 229 appointments in July 2017. This surge is a result of court led wind-ups almost doubling when comparing July (48) to August (90) figures. South Australia, Western Australia and Queensland saw a decrease in insolvencies with appointments reducing from 38 to 20 in South Australia, 95 to 89 in Western Australia and 141 to 138 in Queensland. The numbers increased in Victoria (from 199 to 205), Tasmania (from 2 to 3) and Northern Territory (from 1 to 6), and the ACT remained steady (at 14) for the month.

On appointment types, creditor wind-ups saw the most activity with 361 recorded in August, again consistent with the July total of 370. Meanwhile, voluntary administrations decreased slightly to 105 in August compared to 119 in July. Court wind-ups saw an increase to 225 in August from 192 in July.



The analysis and comments follow a review of the ASIC Insolvency Statistics August 2017

**For more information please contact:**

James Rogers | +61 7 3225 4949 | james.rogers@fticonsulting.com

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