

## THE BIG FREEZE

### INSOLVENCY STATISTICS

JULY 2020

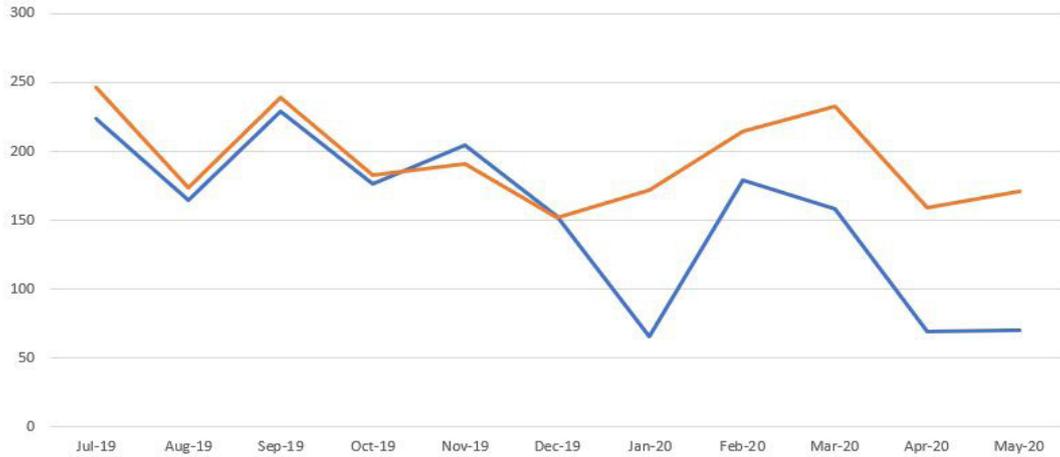
Figures released by the Australian Securities and Investments Commission reflect significant reductions in a number of categories of insolvency appointments in April and May this year, to the equivalent period last year.

Obviously the period under review coincides with the lockdowns associated with the COVID-19 health response and the stated aim of the government to place effected businesses into hibernation for the duration of the health response associated with the COVID-19 outbreak.

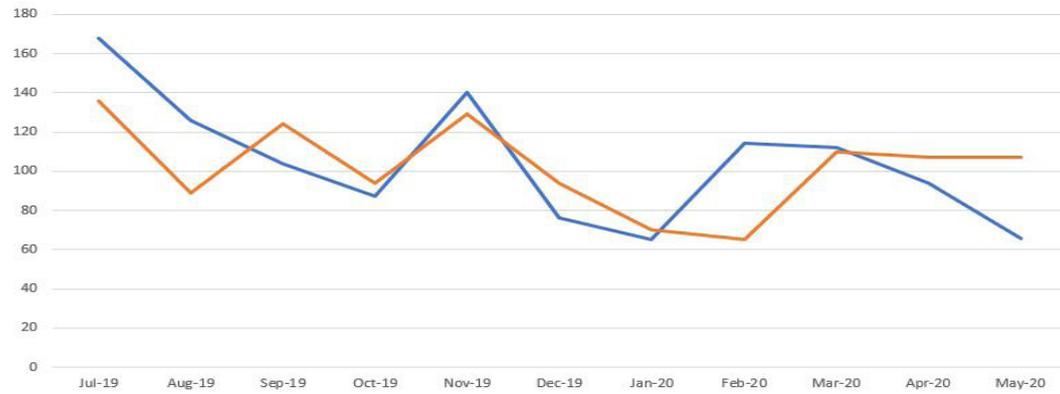
#### AUSTRALIA - All



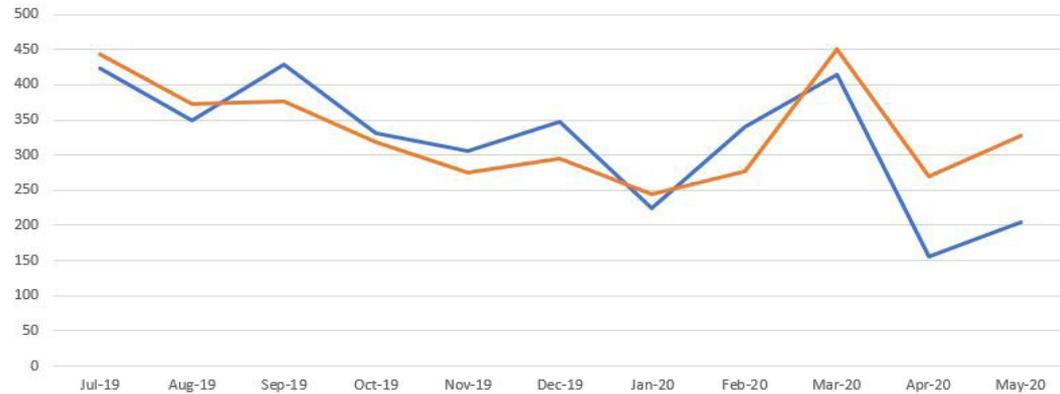
### AUSTRALIA - Court Wind-Up



### AUSTRALIA - Administration



### AUSTRALIA - Creditors Wind-Up



### AUSTRALIA - Receiverships



Total numbers of appointments were down approximately 40% in both months.

Court liquidations were down 57% in April and 60% in May.

Voluntary administrations were down 13% in April and 39% in May, noting the figures for April would have been distorted by the Virgin collapse.

Creditor Voluntary windings up were down 37% compared to the equivalent period last year.

Interestingly there was a slight increase in receivership appointments during May with 20% more appointments than in the equivalent period last year.

Some of the measures the government introduced include:

- » Temporary Increase in statutory demand amount to \$20,000 and temporary increase in the time for compliance to six months.
- » The introduction of the Jobkeeper subsidy and extension of Jobseeker subsidy;
- » The mandatory code of conduct for landlords and tenants;
- » In addition the ATO has reduced its enforcement activities and banks have been encouraged to offer temporary hardship relief by way of temporary deferral of interest payments.

It was quite clear that the government by way of introduction of these measures was attempting to prevent a wave of business insolvencies.

However the inescapable conclusion to be drawn from the figures is that a significant number of businesses which would have failed in the ordinary course have been protected by the various support measures and temporary changes to the law introduced in response to the COVID-19 outbreak.

A number of businesses have not had the

'canary in the coalmine' of an expired statutory demand, an ATO DPN or a pending winding up application. The only alarm bell some businesses would have had is running out of cash.

There was a school of thought that this period would have been an ideal time to restructure debt.

It is clear that directors of distressed businesses and their advisers did not utilise this period to restructure debt and have adopted a wait and see approach to the duration of the health response and attendant support measures.

A number of commentators continue to predict a wave of insolvencies when the government support and stimulus packages are withdrawn.

Rather than running around like chicken little saying the sky is falling, some factors which militate against such a doomsday scenario include:

- » A low interest rate environment means debt finance (and indeed equity finance) is available to those with sufficient equity to support it – this is not a credit crunch like the GFC.
- » Significant components of the Australian economy such as mining, construction, the public sector and agriculture continued operations during the lockdown period;
- » There has been differing health responses/ outcomes in some of our trade competitors which may lead to opportunities in export markets;
- » Such predictions overlook the resilience of the small business sector;

Having said that it is likely the insolvency figures following the removal of the various support packages will be distorted by the failure of those businesses which would have failed notwithstanding the advent of the COVID-19 crisis

# HALL CHADWICK

Should you wish to discuss your insolvency queries  
please contact your local office to find out how we can help.

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