



Welcome to BWA's new quarterly update on insolvencies and business health in New Zealand.

The insolvency industry has seen significant change because of Covid. While it was anticipated that the sky would fall in, the opposite occurred. Billions of dollars pumped into the economy preserved businesses not otherwise capable of staying afloat. Government strategies have successfully saved lives and employment – but the by-product has been a distortion in the economy because no exchange of value has been required for the government hand outs. The market was buoyed by government-backed funding contributions. However, these contributions required no exchange of value.

The pandemic has shaken the world of commerce. It has caused a level of disruption that exists beyond the actions of business owners or human intervention. It is unlikely the ways of business will ever be the same again.

The handouts have now stopped, and survival is back in the hands of the business owner. It will take time for the consequences to wash through the economy, but there are signs that those companies that are unable to exist by their own resources face a stark future.

The data in our first Quarterly Market Report paints a telling picture of the state of insolvencies in New Zealand. Q3 2022 has seen a 48% rise in formal appointments from the previous quarter, and we expect this trend to increase across the next three quarters as stiff headwinds overwhelm weakened companies. Read on for more.



What's been happening at IRD? Has IRD's Covid-related leniency reached its limit?

We were expecting to be busy when Covid hit, but the predicted economic carnage didn't materialise. New Zealand's economy not only survived - it flourished. By 2021, GDP had grown by 5%, a result largely attributed to the Government's wage subsidy policy.

However, the Government's short-term 'free money' policies created a false economy but at some point the piper needs to be paid - the clearest sign of this is the increase in IRD-issued Statutory Demands.

Read the full article here -

<https://bwainsolvency.co.nz/ird-statutory-demands/>



What to expect if you're served a statutory demand



Visit our website to read the full story –

<https://bwainsolvency.co.nz/what-to-expect-statutory-demands/>

Insolvencies in NZ July - September 2022

Quarterly Trends

LIQUIDATIONS

RECEIVERSHIPS

VOLUNTARY ADMINISTRATIONS

384

24

8

APR - JUN 269

APR - JUN 7

APR - JUN 5

↑ 115 43%

↑ 17 243%

↑ 3 60%

As the end of Covid hand-outs and changing economic conditions are beginning to be felt across all industries, insolvencies are on the rise.

- While the previous quarter (Q2 2022) has trended much like previous (Covid-affected) years, this quarter has seen a 48% rise in formal appointments.
- The most significant increase has been receiverships which jumped from seven appointments to 24. Many of these receiverships are from secured creditors who provided high-risk tier funding to companies - that funding only served to delay an inevitable outcome.
- Analysis shows that the increase in liquidations is largely business owners recognising that the life of the company is at an end and that liquidation is the only action available to them. Appointments include companies that are solvent as well as those that are not functioning or have no potential to survive.



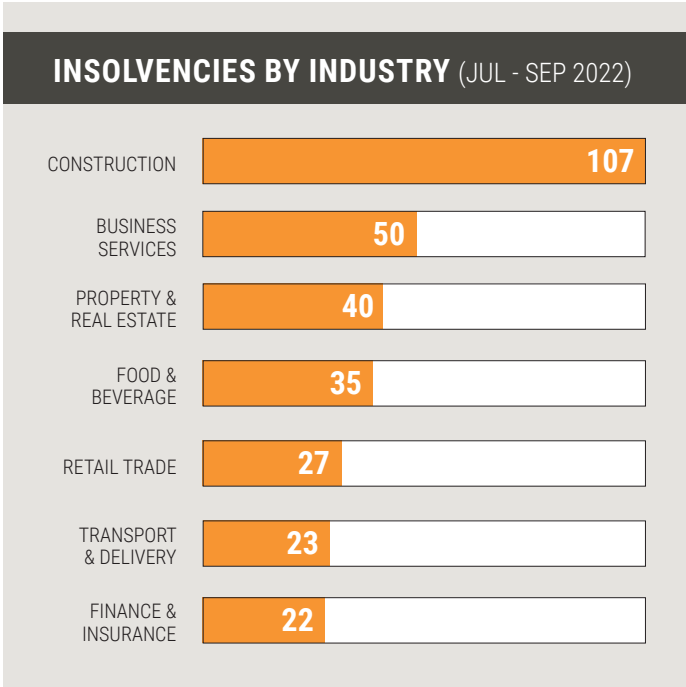
What's been happening?

Twenty-three companies within this industry have become formally insolvent, mostly from within the Auckland area.

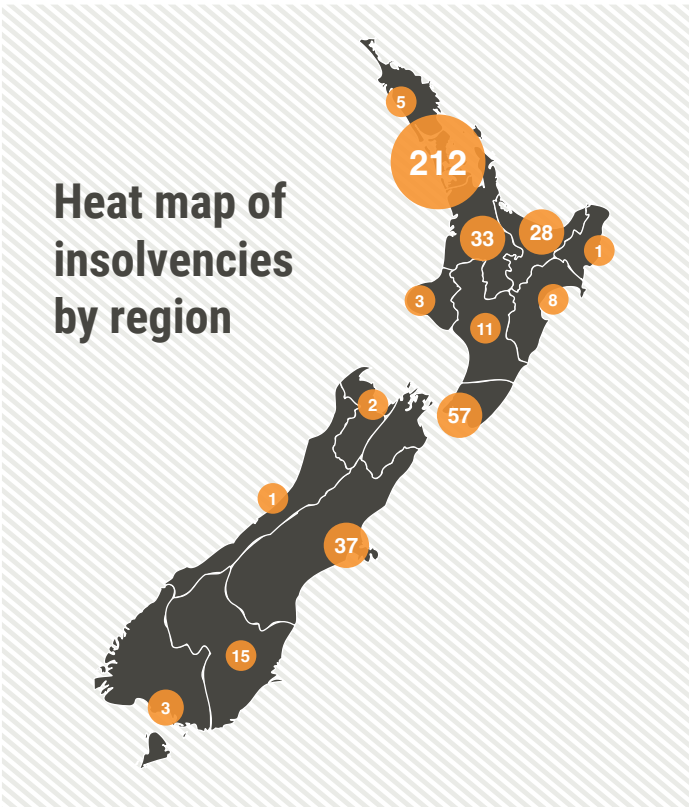
This quarter we have seen insolvencies increase by 50% within the Construction industry and double for Business Services. However, the biggest shift this quarter is from the Transport and Delivery industry. There has been a 229% increase in insolvencies from last quarter (7 in Q2 and 23 in Q3).

The significant issue for the construction industry is the difficulty in obtaining supplies and the increased cost when they become available. Standdown time and project disruption all add to a friction cost that erodes very narrow margins that cannot be passed on.

While fuel costs to the Transport and Delivery Industry can be passed on, the difficulty and increased costs relating for labour shortages and debt servicing cannot. This industry is capital-intensive and is characterised by high debt-to-equity ratios. As a result, it is vulnerable to shifts in interest rates and sensitive to increased costs around its drivers.



Regional Update



REGIONAL SPOTLIGHT

What's been happening?

Auckland, Waikato and Bay of Plenty account for 65% of all insolvencies this quarter.

Auckland records 51% of all appointments within New Zealand, followed by Wellington at 14% and Canterbury at 9%. As expected, the extent of appointments simply follows the concentration of business activity. There is a tendency for low activity in smaller towns based on the sensitivity that exists around public opinion on business failure. The deference existing in smaller communities is not likely to change.

NEED EXPERT INSOLVENCY OR BUSINESS RECALIBRATION ADVICE?

BWA Insolvency can help

TALK TO US TODAY.

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Why BWA?

WHY OUR CLIENTS CHOOSE TO WORK WITH US.



We take the time to really understand your business.

We want businesses to survive. We use our comprehensive knowledge of Voluntary Administration to produce the best possible outcome for everyone.

We're approachable, caring and down-to-earth. That is what our clients say they like about us.

We work with businesses of all shapes and sizes, anywhere in NZ.

