BWA INSOLVENCY

Quarterly Market Report - Q2 2024

As anticipated, insolvencies in New Zealand rose again last quarter. What was not anticipated, however, was the scale of the increase.

With 700 insolvencies reported in Q2 2024, we have just experienced the highest number of business failures in a single quarter since 2016.

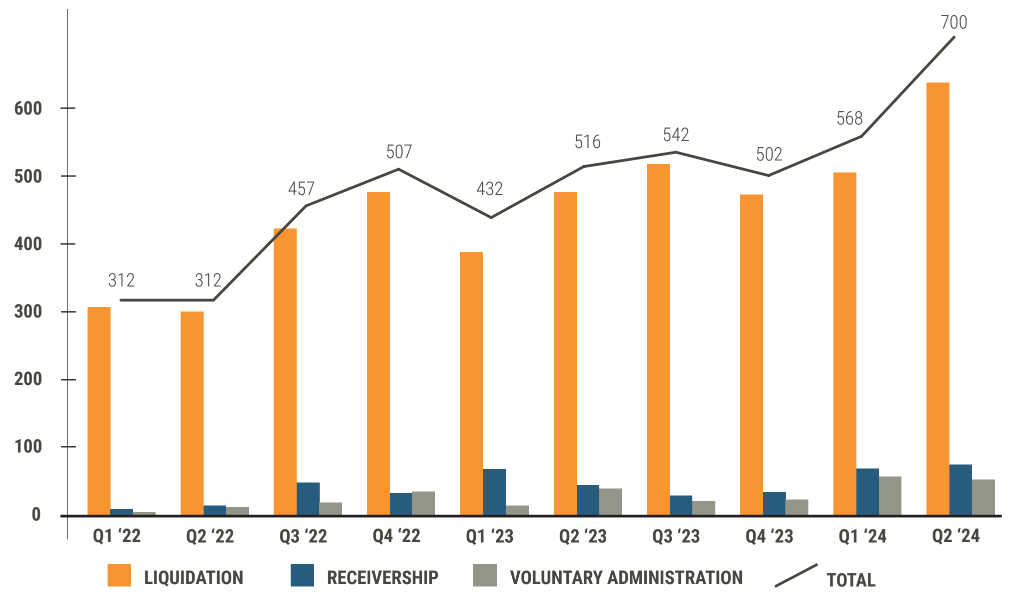
Global and domestic market fluctuations create a complex landscape for business in New Zealand. Many factors, both positive and negative, impact business cash flow, making it difficult to pinpoint the exact causes—or predict recovery.

With the recent cut to the OCR, there is a notion that better times are ahead. Stable governance in the US has the potential to influence the Ukraine conflict and, in turn, reduce the cost of imported goods and services.
However, there is much in the pipeline that needs to work its way through, and it is doubtful that better cash flows will come soon enough to correct current insolvencies.

Although signs are positive, there is still room for caution. We expect insolvencies to remain above average for the next six to nine months.

In Q2 2024, insolvencies surged 23% from 568 last quarter to 700, and were up 36% from 516 in Q2 2023. The largest increase was in liquidations, up by 131 since Q1 2024, while receiverships and voluntary administrations

INSOLVENCIES BY QUARTER



LIQUIDATIONS

YEARLY COMPARISON
Q2 2023 – Q2 2024

35%		
	Q2 2023	472
	Q2 2024	635
	+ / -	**+ 163**

RECEIVERSHIPS

YEARLY COMPARISON
Q2 2023 – Q2 2024

62%		
	Q2 2023	26
	Q2 2024	42
	+ / -	**+ 16**

VOLUNTARY ADMINISTRATION

YEARLY COMPARISON
Q2 2023 – Q2 2024

35%		
	Q2 2023	17
	Q2 2024	23
	+ / -	**+ 6**

The short-term outlook

Can we expect good news with spring around the corner and potential Christmas spending to follow? While many suppliers may be anticipating this, it is more likely that a conservative approach will persist, with many consumers feeling they are not out of the woods yet.

Notably, the labour market has softened as we see more job seekers than positions available. This is the afterglow from liquidations, and the job displacements also bring empty pay packets. Demand will suffer as a result—empty cafés and a worldwide abundance of wine are evidence of moderated spending.

There is light at the end of the tunnel, and the pace of recovery will quicken as consumers spend less but produce more. As this trend continues, interest rates will decrease, allowing more revenue to flow through the economy.

INSOLVENCIES BY INDUSTRY
YEAR-ON-YEAR

INDUSTRY	Q2 2023	Q2 2024	+ / -
FOOD & BEVERAGE	27	50	85%
TRANSPORT & DELIVERY	23	38	65%
PROPERTY & REAL ESTATE	62	93	50%
MANUFACTURING	32	42	31%
CONSTRUCTION	133	162	22%
RETAIL	39	36	-8%
FINANCE & INSURANCE	28	22	-21%

QUARTERLY TRENDS

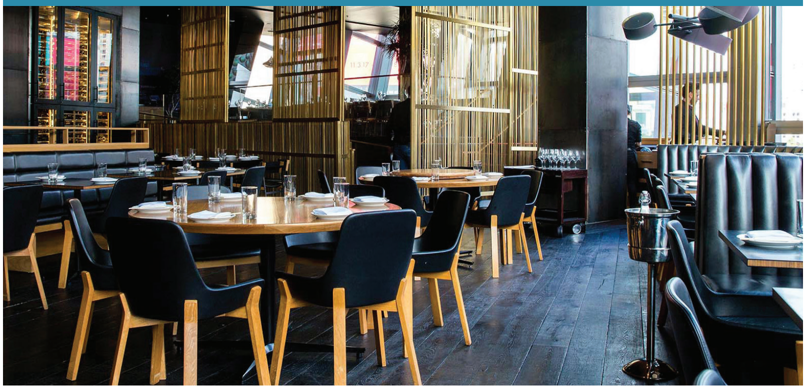
Receiverships have seen a 62% increase year-on-year, up 16 to 42 in Q2.

This could signify creditors taking a harder stance on outstanding debt. With the economy as a whole doing it tough, there is less risk appetite for exposed debt, so secured creditors are not as willing to sit on their hands and wait when they see the writing on the wall that a debtor is in trouble.

Voluntary administrations (VAs) have decreased slightly this quarter, down to 23 from 25.

However, the overall trend of a growing uptake of Voluntary Administration is reflected in the year-on-year data which shows a 35% increase in VAs, up from 17 to 23. At BWA Insolvency, we continue to field a steady stream of inquiry from business owners looking to explore alternatives to liquidation.

INDUSTRY SPOTLIGHT
FOOD & BEVERAGE

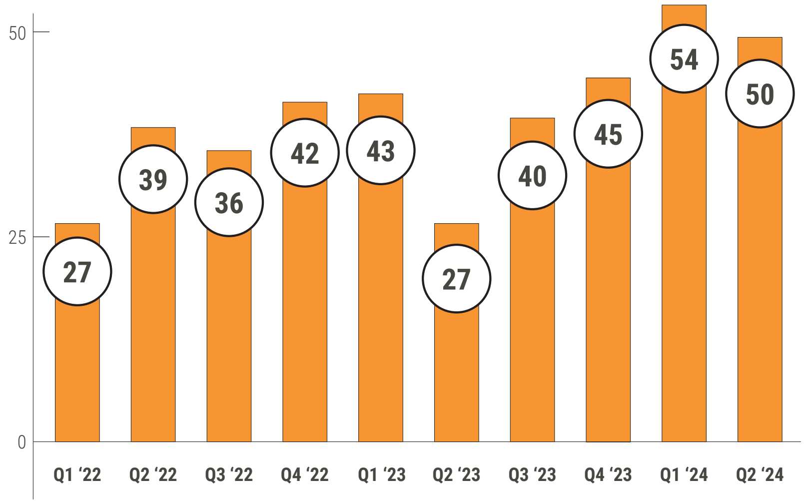


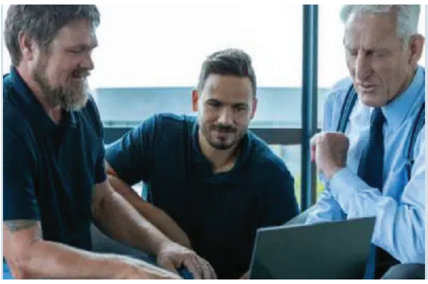
The Food & Beverage sector has seen an 85% increase in insolvencies this quarter compared to Q2 2023, rising from 27 to 50.

Tough times in the industry have been in the news of late following high-profile insolvencies such as the liquidation of Auckland's SPQR and Chapel Bar & Bistro being placed into receivership.

While the Reserve Bank has just cut the OCR—the first time since March 2020 — an improvement in this industry is unlikely until early next year. Households are still feeling the effects of mortgages fixed at high rates, so household spending will remain tight until further interest rate reductions.

FOOD & BEVERAGE BY QUARTER





Liquidation or Restructure?

Making the right choice for your business.

How do you know when to pursue restructuring options or take the path of liquidation during financial turmoil? Expert guidance on evaluating business viability can help you make the best choice for your company's future.

Read the full article here.

NEED EXPERT INSOLVENCY OR BUSINESS RECALIBRATION ADVICE?

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The information in this document is collated from our own internal investigations. This activity builds upon the core statistical information made available by the Registrar of Companies. The objective of this report is to provide colour to past events and to predict a reasoned outlook.