



## BIG JUMP IN COMPANY LIQUIDATIONS IN JANUARY; MILD INCREASE IN GROWTH OF INSOLVENCIES IN DECEMBER

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### **BOTTOMLINE:**

- *Y-o-y growth in the number of insolvencies increased in December, to 15.2%, from -3.9% in November. This might be seen to indicate a distinct deterioration in the financial conditions of individuals. However, the 15.2% growth in insolvencies is not exceptional in relation to growth in insolvencies in earlier months prior to November. November's negative growth appears to be an outlier. Furthermore, if one compares December's 15.2% growth rate with the 21.4% average growth for the 4th qtr and growth rates of 99.2% and 79.9% in the second and third quarters, one recognises that December's figure was unremarkable. Even though interest rates may have risen substantially over the preceding 2 1/2 years and anecdotal evidence suggests that many individuals are struggling to keep up with interest payments on debts, the incidence of insolvencies has remained relatively subdued by historical standards. It will be interesting to see whether in coming months, in the face of deteriorating economic conditions and job losses, this figure will accelerate.*
  - *In the case of company liquidations, however, January was marked by a distinct upward trend. Growth in compulsory company liquidations shot up to 125.0%, admittedly off a very low base figure for December, reflected in a heavenly negative growth rate in December, of -87.5%. The 125.0% January growth rate also compares with negative growth of -40.5% for the whole of 2008.*
  - *Growth in voluntary liquidations slowed to 21.5% in January from 90.8% in December, but this figure was also substantially higher than the -14.2% growth recorded in the whole of 2008.*
  - *The more ominous increases were in respect of liquidations of close corporations. Growth in compulsory such liquidations rose to 71.4% in January, from 0.0% in December and an average of 27.3% in 2008. Growth in voluntary liquidations of close corporations likewise shot up to 130.8% in January, from 51.3% in December and an average of 38.8% in 2008.*
  - *In all cases, the pickup in growth of liquidations was in part related to the very low base figures against which comparisons are being made. Accordingly, one should not be unduly alarmed by these trends. Nonetheless, they highlight the fact that conditions are probably beginning to deteriorate in the business sector. Even though corporate profitability was still quite good last year, it is probably beginning to take strain under the weight of reduced demand and still relatively high interest rates. At the same time, the figures by themselves, in the absence of other economic indicators, have not deteriorated anywhere near to an extent yet to justify panic in such a way as to compel the Reserve Bank to rush another interest rate cut soon.*
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## Total Number Of Liquidations According To Industry

Industry	2008 Total			2009 Y-T-D		
	Compulsory	Voluntary	Total	Compulsory	Voluntary	Total
Agriculture, hunting, forestry and fishing	6	32	38	1	2	3
Mining and quarrying	4	66	70	0	0	0
Manufacturing	26	176	202	5	18	23
Electricity, gas and water	2	12	14	0	2	2
Construction	19	152	171	2	12	14
Wholesale and retail trade, catering and accommodation	96	892	988	22	69	91
Transport, storage and communication	9	117	126	3	6	9
Financing, insurance, real estate and business services	87	1341	1428	19	94	113
Community, social and personal services	27	236	263	2	13	15
<b>Total</b>	<b>276</b>	<b>3024</b>	<b>3300</b>	<b>54</b>	<b>216</b>	<b>270</b>

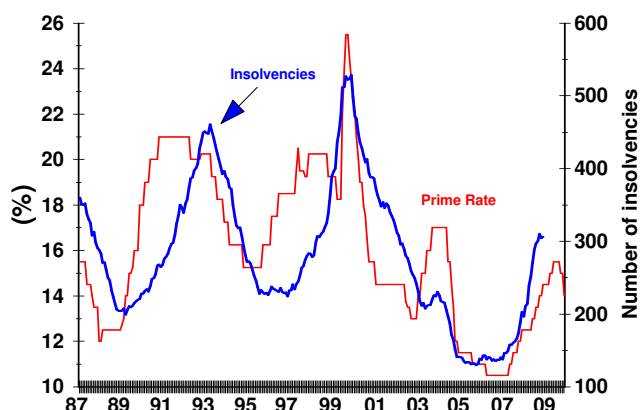
## Liquidations and Insolvencies

### Year-on-Year Growth Figures (%)

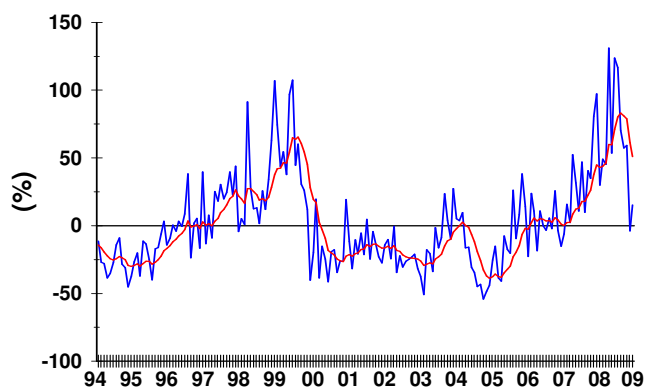
	2007	2008	2008 1st Qtr	2008 2nd Qtr	2008 3rd Qtr	2008 4th Qtr	Oct 08	Nov 08	Dec 08	Jan 09
<b>Insolvencies</b>	<b>33.0</b>	<b>58.3</b>	<b>44.0</b>	<b>99.2</b>	<b>79.9</b>	<b>21.4</b>	59.4	-3.9	15.2	<i>na</i>
<b>Compulsory Liquidations of Companies</b>	-6.0	-40.5	153.8	29.2	-89.2	9.8	30.8	42.9	-87.5	125.0
<b>Voluntary Liquidations of Companies</b>	24.0	-14.2	-5.7	-26.1	-34.6	29.3	-12.1	16.1	90.8	21.5
<b>Compulsory Liquidations of Close Corporations</b>	-22.9	27.3	100.0	13.3	6.7	0.0	7.7	-16.7	0.0	71.4
<b>Voluntary Liquidations of Close Corporations</b>	-12.0	38.8	17.9	55.9	32.1	52.2	72.4	31.9	51.3	130.8

figures revised

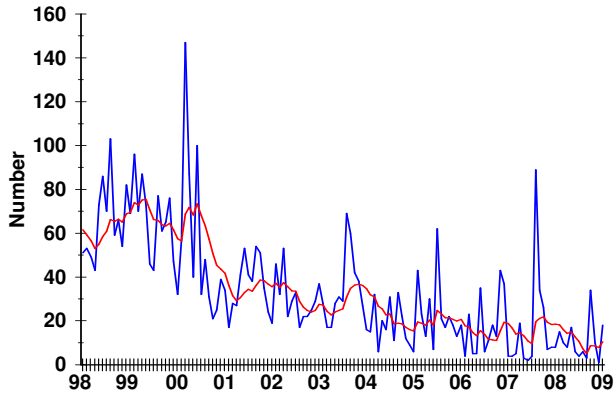
Number of Insolvencies vs  
Prime Overdraft Rate Lagged 12 Months



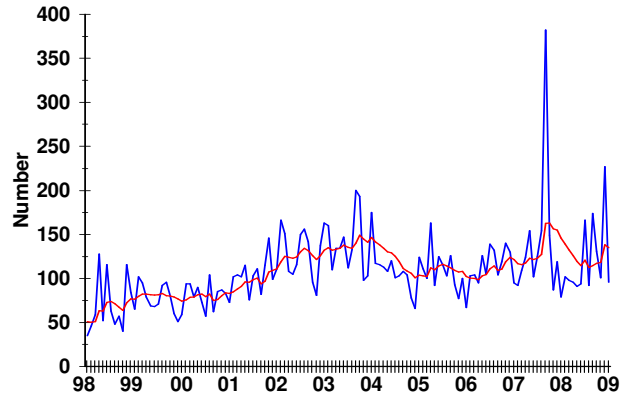
Growth in the Number of Insolvencies



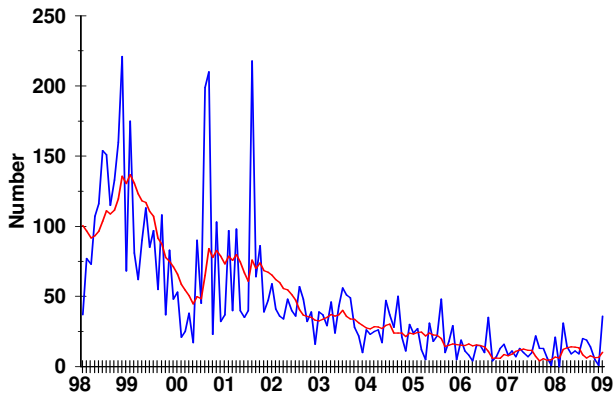
**Number of Compulsory Liquidations of Companies**



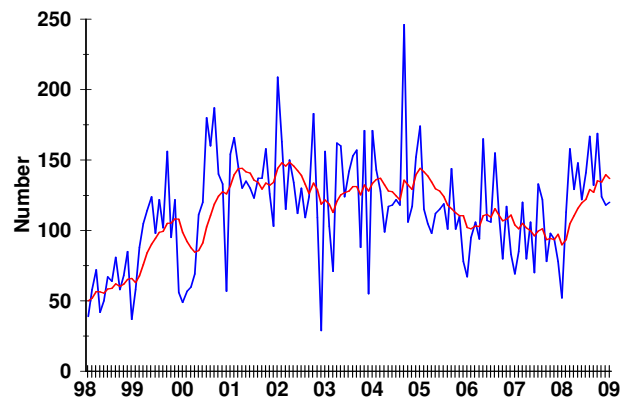
**Number of Voluntary Liquidations of Companies**



**Number of Compulsory Liquidations of Close Corporations**



**Number of Voluntary Liquidations of Close Corporations**



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