



BWA Insolvency's quarterly update on business health and insolvencies in New Zealand Q1 2023

The latest data in our Quarterly Market Report reveals a year-on-year increase in insolvencies in New Zealand, mirroring trends seen around the world.

The fallout from the COVID-19 pandemic remains the major contributor to the ongoing rise in insolvencies. Government stimulus measures have been a double-edged sword – helping businesses stay afloat during and after the pandemic but causing detrimental long-term effects – particularly for companies with fixed costs that can't be scaled down to match decreased demand.

Only by taking a proactive approach can businesses hope to navigate the choppy waters ahead and emerge stronger in the post-pandemic world.

In the insolvency industry, we often find ourselves in a position to perform the post-mortem on a failed business. We also have the opportunity to work with those who pull themselves back from the brink. Businesses that operate with sound financial management, the ability to adapt to changing market conditions and a willingness to seek expert help as soon as financial hardship is felt are often the ones who make it.

Compared to the previous quarter, total insolvencies in New Zealand were down by 22%. However, the year-on-year data shows an increase of 28%, with the food and beverage and construction industries seeing some of the highest yearly increases (58% and 53% respectively).



Taming the recession

How Voluntary Administration can soften the blow

The Reserve Bank has recently issued directives aimed at reducing consumer discretionary spending, which is likely to impact revenue for many businesses. Companies that scaled up to meet high demand during the pandemic may face difficulties in this new environment. To survive, businesses will have to modify their goals. For those businesses that find themselves facing a crisis, restructuring and scaling using the Voluntary Administration model can produce excellent results and potentially avoid the finality of liquidation. Find out more about how Voluntary Administration can lead to better outcomes, particularly as recession looms.

<https://bwainsolvency.co.nz/taming-the-recession/>

How does Voluntary Administration bring back business viability

Visit our website to read the full story –



<https://bwainsolvency.co.nz/voluntary-administration-bring-back-business-viability>

Insolvencies in NZ to end March 2023

Quarterly Trends

INSOLVENCIES	Q1 2022	Q1 2023
LIQUIDATION	274	312
RECEIVERSHIP	1	38
VOLUNTARY ADMINISTRATION	2	5
TOTAL	277	355

↑ 28%

Comparing insolvency data for Q1 2023 against Q4 2022, we see a 22% quarterly decrease in insolvencies throughout New Zealand. However, this drop in quarterly figures more reflects the time of year insolvencies occur than a trend.

Year-on-year comparison data reveals a 28% rise in insolvencies and a more accurate representation of business failures in New Zealand. This comprises 312 liquidations, 38 receiverships, and 5 voluntary administrations recorded in the first quarter of this year.

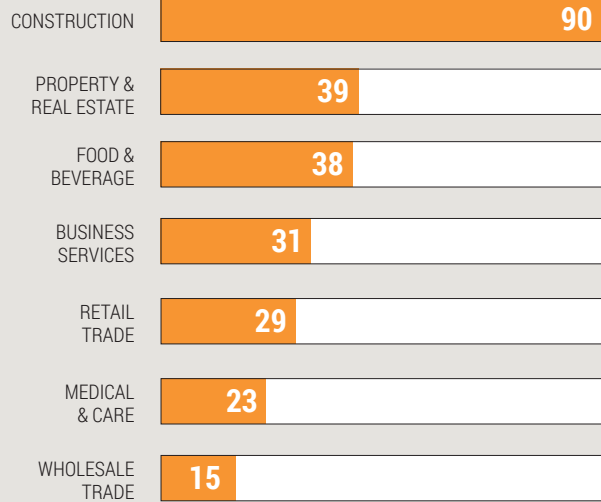
The year-on-year rise in insolvencies can be attributed to companies that were struggling pre-Covid and failed to attend to their business fundamentals during the pandemic's flush times. With anti-inflationary measures and skilled staff shortages continuing to pose challenges, it is expected that the trend of increasing insolvencies will continue.



What's been happening?

It is no surprise that the construction industry has seen one of the highest increases in insolvencies this quarter. The issue to consider is whether this is an over-representation or simply a reflection of the size of New Zealand's construction industry compared to other sectors. Regardless, it is inevitable that there will be an increase in insolvencies from this sector as the impact of price increases and reduced demand start to bite.

As has been shown in the past, the construction and property and real estate industries have dominated the insolvent circumstances this quarter. Business services have been surpassed by insolvencies within the food and beverage industry.



Industry Spotlight: Construction

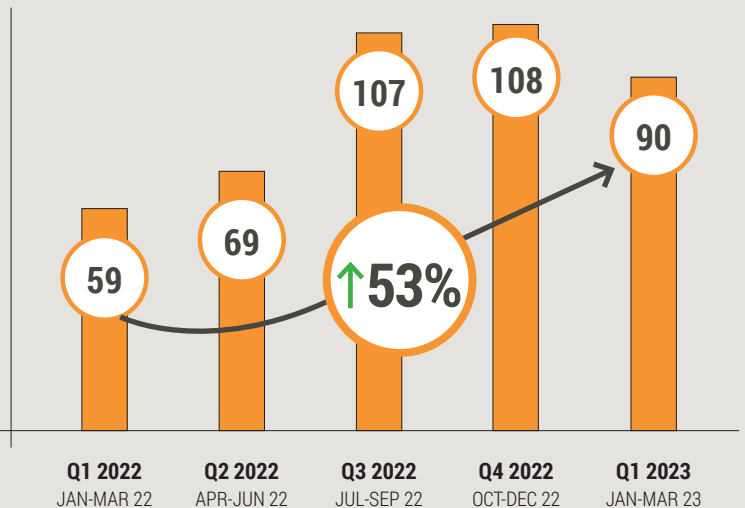
Construction is the talk of the day.



The industry operates on very narrow margins, and it does not take much to see gross profit vaporise when prices go up and delays increase holding costs. Add to this a decrease in new builds and we can expect to see price competition surface as businesses strive to keep work ahead of their fixed costs and operating overheads. This is a debilitating mix, and it will play out with many companies unable to withstand the economic pressures.

Strategic restructuring is the key to weathering this storm.

CONSTRUCTION INSOLVENCIES (BY QUARTER)



Construction insolvencies have risen by 53% compared to the first quarter of 2022. Businesses in this sector continue to feel the pressure of price increases and reduced demand.

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.

