BWA INSOLVENCY

Quarterly Market Report - Q4 2024

Insolvencies reach nine-year high

A surge in business failures in 2024 has resulted in annual insolvency numbers reaching a nine-year high. Not since 2015 has New Zealand witnessed such a rate of business distress. Liquidations continue to take up the bulk of insolvencies and have more than doubled from their 2021 low of 1,244 to reach 2,545 cases in 2024. Receiverships and voluntary administrations (VA) have also increased, recording 195 and 72 cases, respectively. In the past nine years, the rate of VAs has more than doubled and is nearly five times its lowest point in 2019.

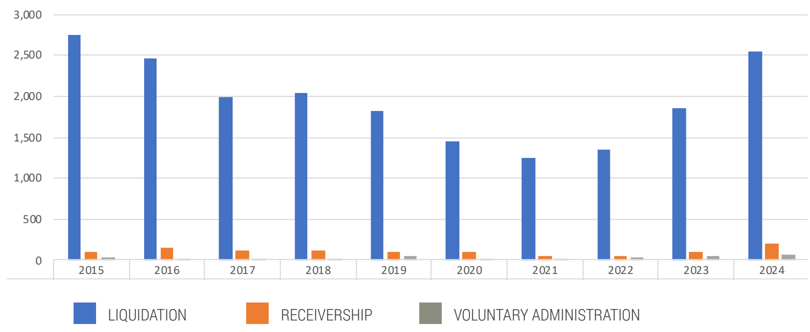
It does seem that voluntary administration is having its time in the sun, and I expect this trend to accelerate as practitioners increasingly turn to VA when a business has the potential to remain viable. As high-profile cases like Ruapehu Alpine Lifts, Ezibuy, and Cannasouth demonstrate, voluntary administration is emerging as a preferred pathway for businesses seeking revival.

The final quarter of 2024 brought a slight dip in insolvencies - a familiar pattern as retail and hospitality businesses chase crucial Christmas revenue. Yet the broader picture remains stark: year-on-year quarterly insolvencies have risen by 39%. Looking ahead, Q1 typically reveals the fallout from businesses whose festive trading fell short of expectations. While Q4 2024 saw liquidations ease by 9% from the previous quarter and drops in receiverships (52%) and voluntary administration (67%), the year-on-year comparison tells a different story. Compared to Q4 of 2023, liquidations have jumped by 41%, receiverships by 85%, while voluntary administrations showed a 40% decline.

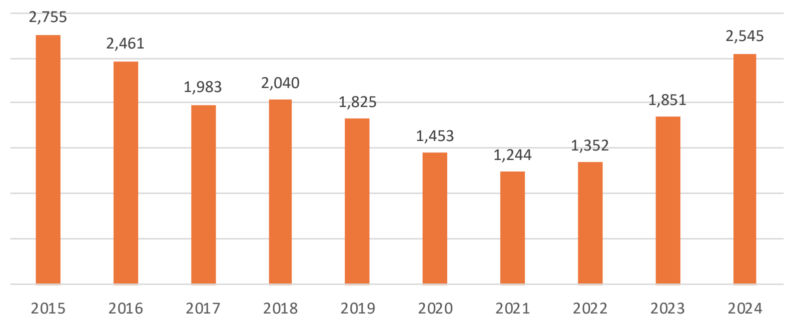
Annual Data

The nine years from 2015 to 2024 paint a telling picture of New Zealand's insolvency landscape, revealing liquidations as the dominant force. Insolvencies reached a peak of 2,755 cases in 2015, then fell to their lowest rate of 1,244 in 2021 before rebounding sharply to 2,545 in 2024. While receiverships maintained a steady course - punctuated by notable spikes in 2016 and 2024 - it's the evolution of voluntary administrations that tells the most intriguing story. Though historically the least utilised option, voluntary administrations made a decisive move in 2024, climbing to a record-breaking 72 cases.

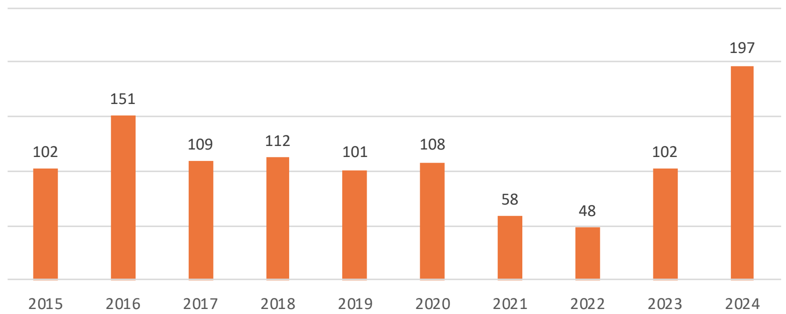
TOTAL INSOLVENCIES IN NEW ZEALAND 2015 - 2024



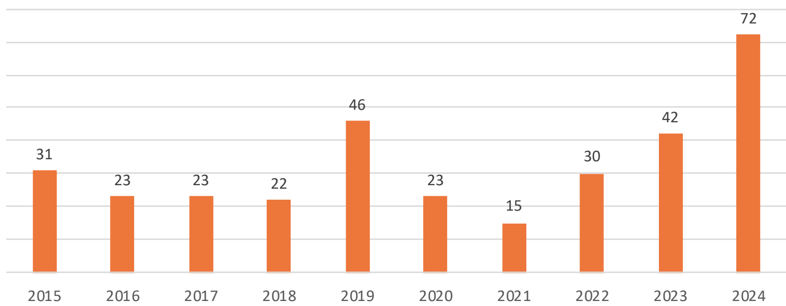
LIQUIDATIONS BY YEARS 2015 - 2024



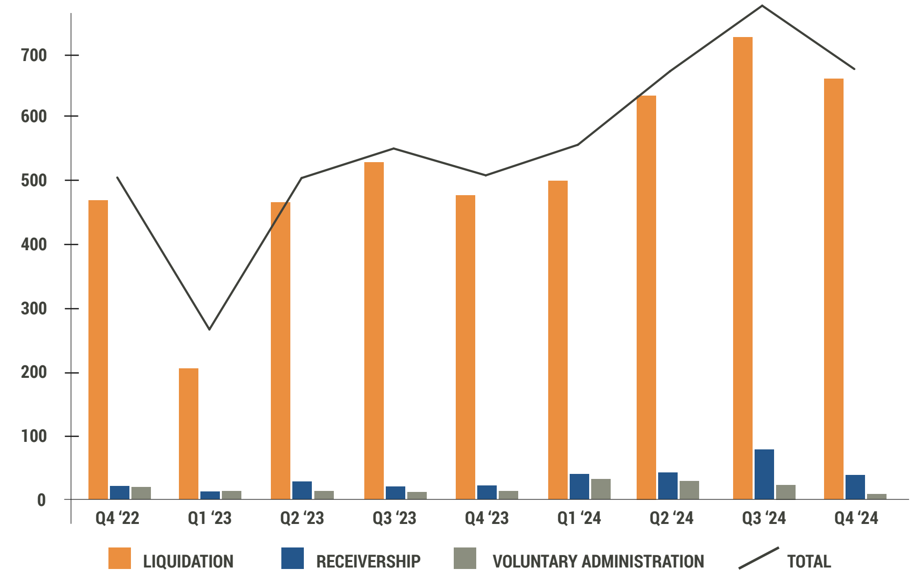
RECEIVERSHIPS BY YEARS 2015 - 2024



VOLUNTARY ADMINISTRATIONS BY YEARS 2015 - 2024



QUARTERLY TRENDS / INSOLVENCIES BY QUARTER



Creditor Compromise: Is it the right move for your business?

Creditor Compromise is a potential lifeline when insolvency looms, allowing a company to restructure its financial obligations, regain stability, and maintain creditor relationships. Read our latest article to find out more about the Creditor Compromise process and when a company would choose to adopt it.

Read the full article here.

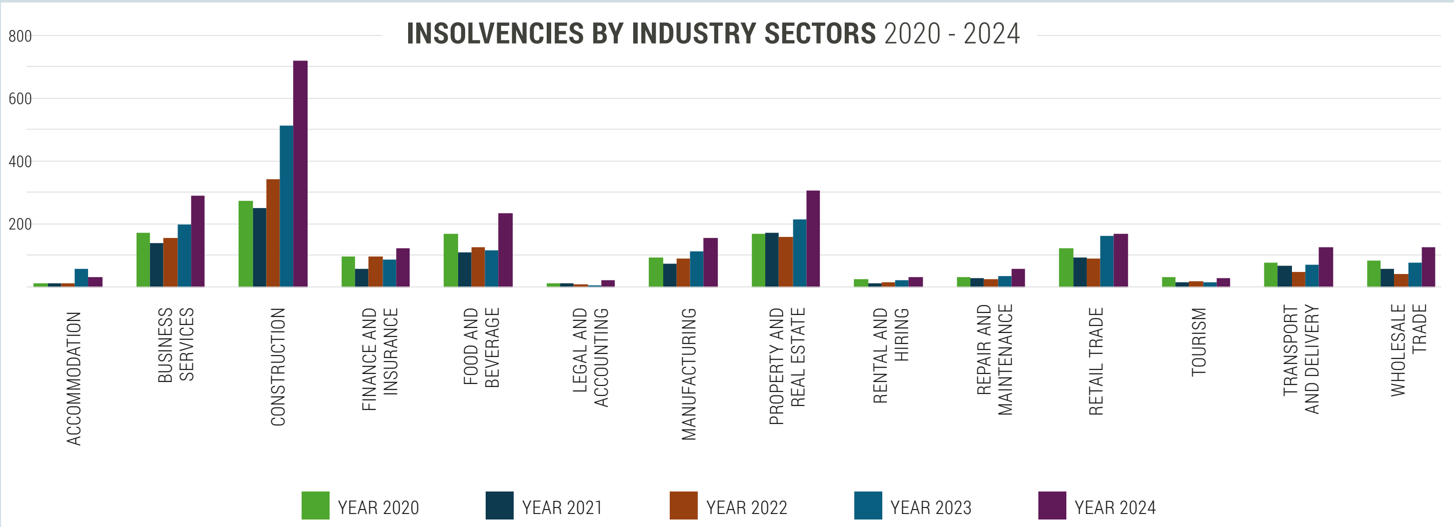
INDUSTRY SPOTLIGHT / ANNUAL RESULTS

Construction

Insolvencies in the construction industry rose significantly from 273 in 2020 to 717 in 2024, exceeding all recorded data of the past decade. This sector is facing the brunt of bad circumstances. Developers who purchased land at peak prices in 2021 now struggle to build profitably, squeezed between rising supply costs and a cooling housing market. The developers unfortunately take down with them smaller contractors who are left with unpaid invoices, creating a domino effect of business failures. While the housing market has shown signs of recovery since its May 2023 low, it remains far from the 2021 peak. The construction industry likely still has some shaky ground to work on until meaningful recovery takes hold.

In General

For many, 2024 marked a bad year, with business failure across most industries. Many businesses never recovered from the change in consumer spending habits that COVID-19 brought, particularly the shift towards online shopping. Those who have not adapted and changed their business models to reflect this new world have seen their business fail. Coupled with recession fears and an overall increase in interest rates, it is clear that business ownership is a risky game. Those who have previously been able to rest on their laurels while the market is up have faced the cold, hard reality that determination alone cannot guarantee survival when markets are down.



NEED EXPERT INSOLVENCY OR BUSINESS RECALIBRATION ADVICE?

BWA Insolvency can help.

TALK TO US TODAY.

bryan@bwainsolvency.co.nz
www.bwainsolvency.co.nz