

Mining insolvencies on the rise

The mining sector is recording more insolvencies than any other industry sector. The sector, which for years propped up the Australian economy, has been under pressure for some time.

Data from the Australian Securities and Investments Commission (ASIC) shows the number of mining insolvencies rose 122 per cent in the quarter to June 2016 compared with June 2015; 129 mining organisations entered into external administration in the June 2016 quarter, compared with 58 in June 2015.

Agriculture, fishing and forestry was the only other sector in ASIC's list of top 10 industries to record an increase in the number of insolvencies over the same period – up 37 per cent.

The biggest reduction was in the information media and telecommunications sector, down 39 per cent, while transport, postal and warehousing fell 27 per cent.

TOP 10 INDUSTRIES	JUN QTR 2015	MAR QTR 2016	JUN QTR 2016	% CHANGE JUN QTR 2015	% CHANGE MAR QTR 2016
Other (business & personal) services	984	755	761	-22.7%	0.8%
Construction	470	369	376	-20.0%	1.9%
Accommodation & food services	256	196	228	-10.9%	16.3%
Retail trade	214	159	162	-24.3%	1.9%
Mining	58	51	129	122.4%	152.9%
Transport, postal & warehousing	155	93	114	-26.5%	22.6%
Manufacturing	117	98	106	-9.4%	8.2%
Agriculture, forestry & fishing	38	27	52	36.8%	92.6%
Rental, hiring & real estate services	52	44	45	-13.5%	66.7%
Information media & telecommunications	69	30	42	-39.1%	40.0%
Other Industries	265	250	233	-12.1%	-6.8%



TOP 10 INDUSTRIES	JUN QTR 2015	MAR QTR 2016	JUN QTR 2016	% CHANGE JUN QTR 2015	% CHANGE MAR QTR 2016
Unknown	56	34	35	-37.5%	2.9%
TOTAL	2,734	2,106	2,283	-16.5%	8.4%

NB: Industry classification information aligns with the 2006 Australian and New Zealand Standard Industrial Classification (ANZSIC) divisions. Due to ASIC's regulatory role in the financial and insurance services industry, this industry classification is divided into six subcategories. "Unknown" primarily relates to controller appointments by secured lenders where the appointee lodged a Form 504 and failed to lodge a Form 505, (being the document that captures the industry details).

Jirsch Sutherland Managing Partner **Sule Arnautovic** says the mining sector has been under significant pressure for some time because of drops in commodity prices, an oversupply of resources and a decrease in demand.

However, he adds that it was encouraging to see the number of insolvencies fall in so many other sectors. "This is largely due to relevant sector intricacies, lower interest rates, increasing value of property (which largely underpins borrowing capacity), and general market confidence," he says.

In the year to June 2016, the number of companies entering into external administration (EXADs) rose 7.3 per cent. While the number of companies entering into external administration was up over the year, it was encouraging to note that in the last quarter of 2016, the number was down 16.5 per cent on the same period in 2015.

The ASIC statistics also show that court liquidations and creditors' voluntary liquidations fell nationally compared to the June 2015 quarter (down 26.8 per cent and 20.5 per cent respectively). Other appointment types rose: receiverships up 2 per cent and voluntary administration appointments up 12.5 per cent.

Meanwhile, another emerging trend is for directors and their accountants to seek expert help and advice earlier and this approach is helping businesses avoid serious issues further down the track.

"Rather than let issues become too advanced, there's a growing focus on identifying any potential problems early on and developing a strategy to mitigate or circumvent them," says Arnautovic.