

Market Commentary

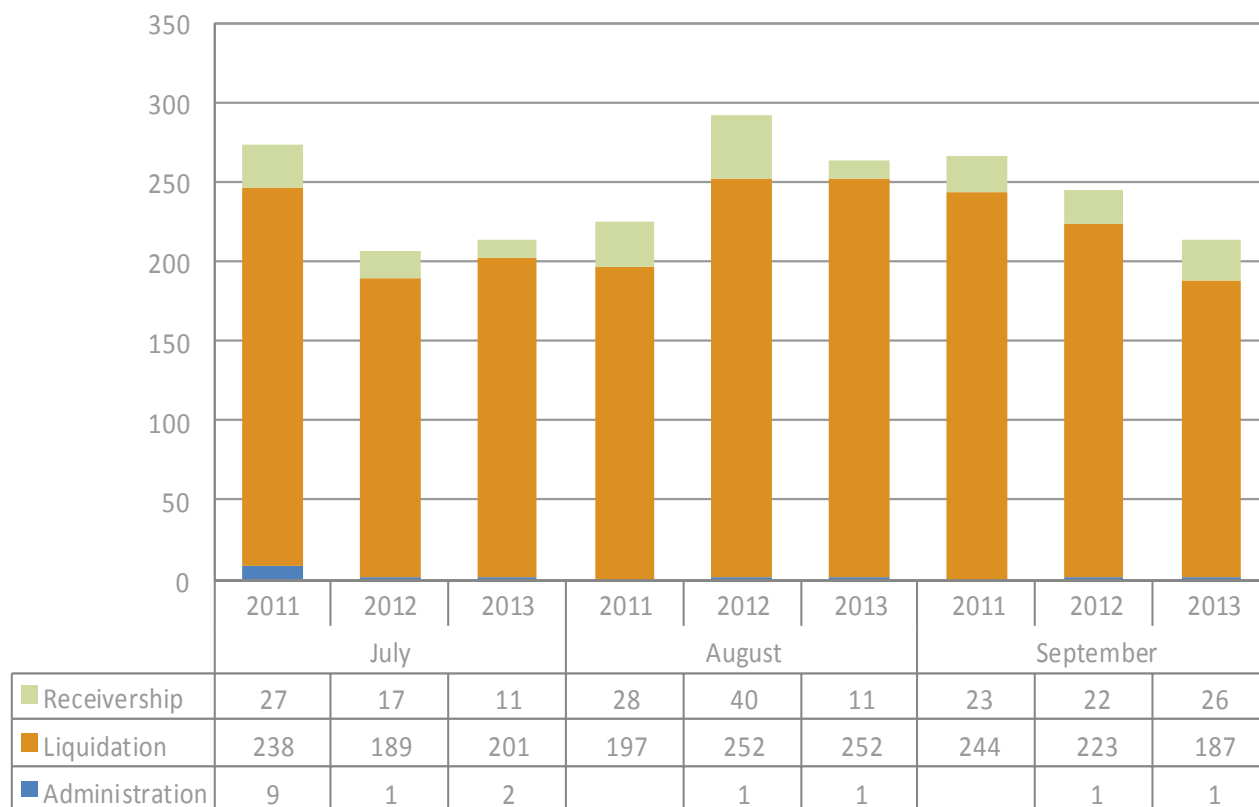
When considering the recent Reserve Bank rule changes, most prudent investors would see little logic in taking a property loan in excess of 80% of the value of the investment. Property values change and banks can get nervous. Loans of 100% or more of the property value used to be on offer in years past. Thankfully banks have moved on from that insanity and have been regulating their lending fairly well on their own. So, are the new Reserve Bank rules having an impact?

The press would suggest yes but it appears the building sector and, importantly, Barfoot & Thomson in their September data seem to think the new LVR's (Loan-to-Value Ratios) have had little effect on both demand and house prices. Harcourt's seem to disagree stating sale prices were "average". Only time will tell if the LVR scheme will have any significant impact on rising house prices.

The kiwi dollar took a leap on Wheeler's LVR comments and then dipped back down again. What impact the US Federal shut down will have is anybody's guess.

In the dairy sector, Fonterra's problems seem to be continuing as they negotiate with Danone over the recent contamination scare. It was interesting to see some of the smaller co-ops outperform Fonterra. It certainly has been a testing year for the dairy industry.

July, August & September Quarterly Comparison of Insolvency Appointments 2011, 2012 & 2013



New Zealand Insolvency Statistics

3rd Quarter 2013

Gerry Rea Partners Analysis of the External Insolvency Appointments in NZ

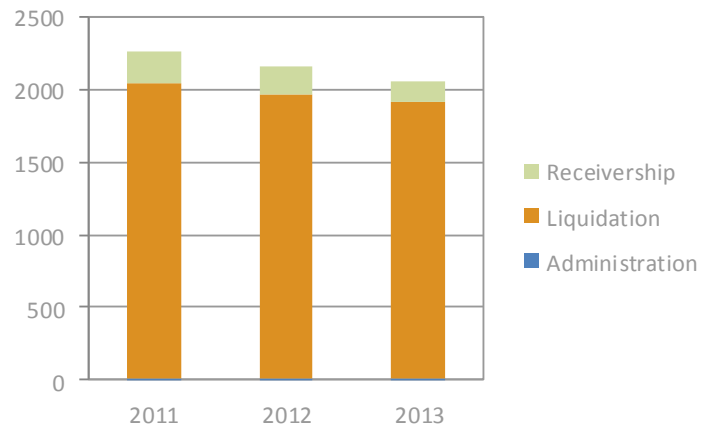


What the figures are showing?

- There were 214 appointments in September 2013. 26 receivership appointments, 1 administration and 187 liquidations were recorded.
- Total insolvency appointments in the year to date were 2,062. This is down on previous years. Liquidations accounted for 1,911 of those appointments.
- Interestingly, applications made to the High Court to liquidate companies totalled 1,018 for the year to date compared with 994 for the same period in 2012 and 1,125 for 2011.

Year to Date Comparison of Insolvency

Appointments 2011, 2012 & 2013



Are Insolvencies on a Downward Trend?

It certainly looks that way but we are not convinced this shows that the economy is buoyant. Far from it. It appears that insolvencies are falling back to the levels seen prior to the spike seen during the height of the GFC.

Liquidations in August were consistent with 2012 and surpassed the volume seen back in 2011 but, as can be seen, September saw a drop. Insolvency enquiries continue to rise. We also note that there are a significant number of new insolvency practitioners in the market some of whom have been dragged before the Court for inappropriate activities.

One increasing trend is that Chartered Accountancy practices seem to be carrying out solvent liquidations for their clients rather than passing them on to an insolvency specialist. There are many pitfalls for those untrained in insolvency. We would always recommend seeking competent professional advice if you have any concerns.

For More Information

Gerry Rea Partners is an independent Chartered Accounting firm which provides its clients with specialist services in Liquidation and Receiverships, Corporate Recovery, Advisory and Transaction Services, and Forensic Accounting. For more information about us and what we do, please call, email or simply visit our website;

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(Kindly note that the above summaries are based on advertisements in the New Zealand Gazette and are summarised by publication date and not appointment date. The Gazette published on the 1st of November has been included in the above analysis as October data.)

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