

Court-ordered liquidations soar in Dec qtr
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By Rebecca Le May

PERTH, Feb 12 AAP - The number of court-ordered company liquidations soared by 25 per cent nationally during the December quarter but more than doubled in Western Australia, which has been hit hard by the slump in world commodity prices.

A report by insolvency practitioners SV Partners found court-ordered liquidations rose by 24.5 per cent nationwide in the December quarter and rose by 123 per cent in Western Australia, albeit from a low base.

Queensland was the worst faring of the most populous states, with company failures jumping 27.71 per cent.

SV Partners NSW-based director Tim Heesh said the statistics showed that the full effect of the economic slowdown was being felt by businesses before Christmas.

Unsurprisingly, the boom and bust state of WA, with its heavy focus on extractive industries, had suffered from slumped global resources demand, while NSW had seen its large financial services sector contract in line with the worldwide credit crunch, Mr Heesh said.

"The pain had flowed on to companies supporting these industries as well as retailers and importers," he said.

Mr Heesh said the number of court-ordered liquidations was expected to surge again in coming months as the global financial crisis deepens.

Businesses in Victoria, Queensland and New South Wales accounted for 92 per cent of all court-ordered liquidations in the three months to December 31.

NSW alone comprised 58 per cent of all such liquidations.

Mr Heesh said business failure and distress was likely to worsen before it improved and there would be no significant sign of economic recovery until next financial year.

"January and February figures, once available, are expected to support the growing trend," he said.

"The headlines for 2009 will continue to revolve around losses and writeoffs rather than growth and profit.

"Even with the stimulus packages, it is difficult to see how the level of serious financial distress is not going to significantly increase.

"We need to expect that the corporate landscape will change over the next 12 to 18 months and that a more conservative approach to the way we do business is going to be a reality of life."

Banks had tightened lending criteria, so more of their clients would become marginal, he said.

It was accordingly crucial for companies to ensure they could achieve debt refinancing and adequate working capital, Mr Heesh said.

This might mean they have to entertain all options for staying afloat, including joint

ventures and being taken over, which they may have previously resisted.

Mr Heesh said that while few sectors had not displayed signs of distress, the Australian economy was showing some resilience to the worldwide market meltdown compared to other nations.

"It certainly doesn't seem that it's as bad as the European, UK and US experience has been," he said.

"Having said that, we now are the tail on the dog and we're going to wait and find out what goes on over there."

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