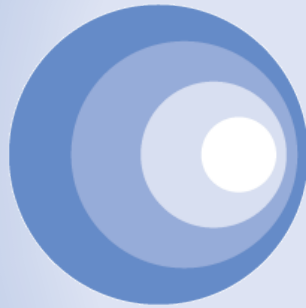


COVID 19  
Insolvency Tsunami in 2021?  
What business owners should look out for!



**Jones Partners**

Insolvency & Business Recovery

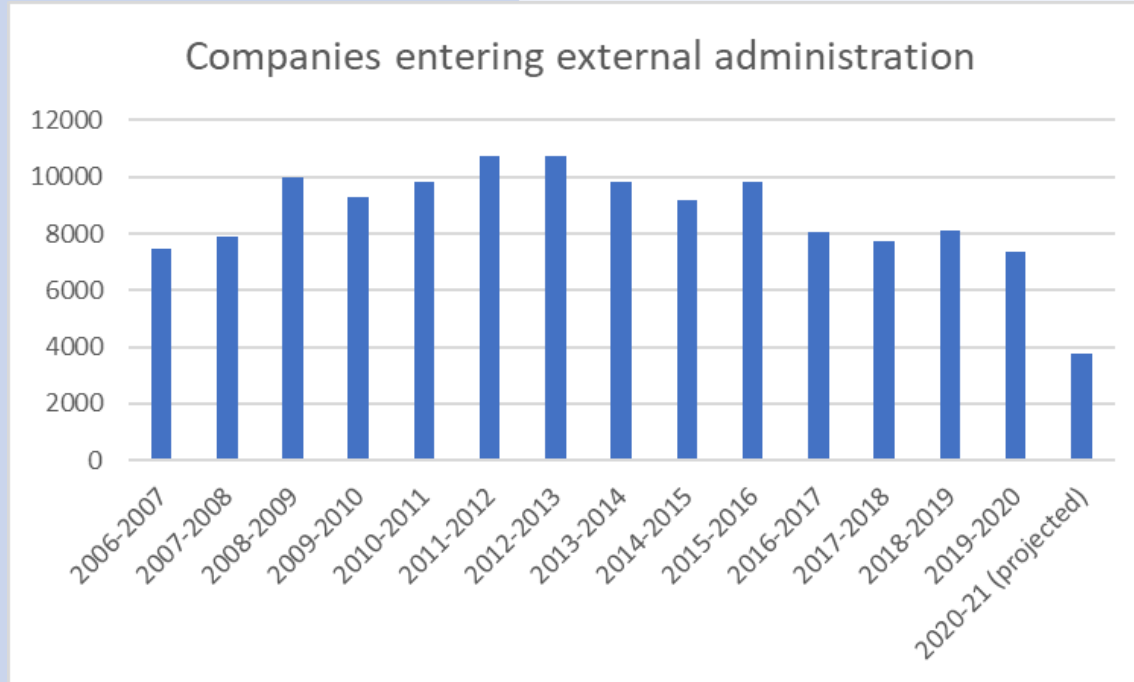
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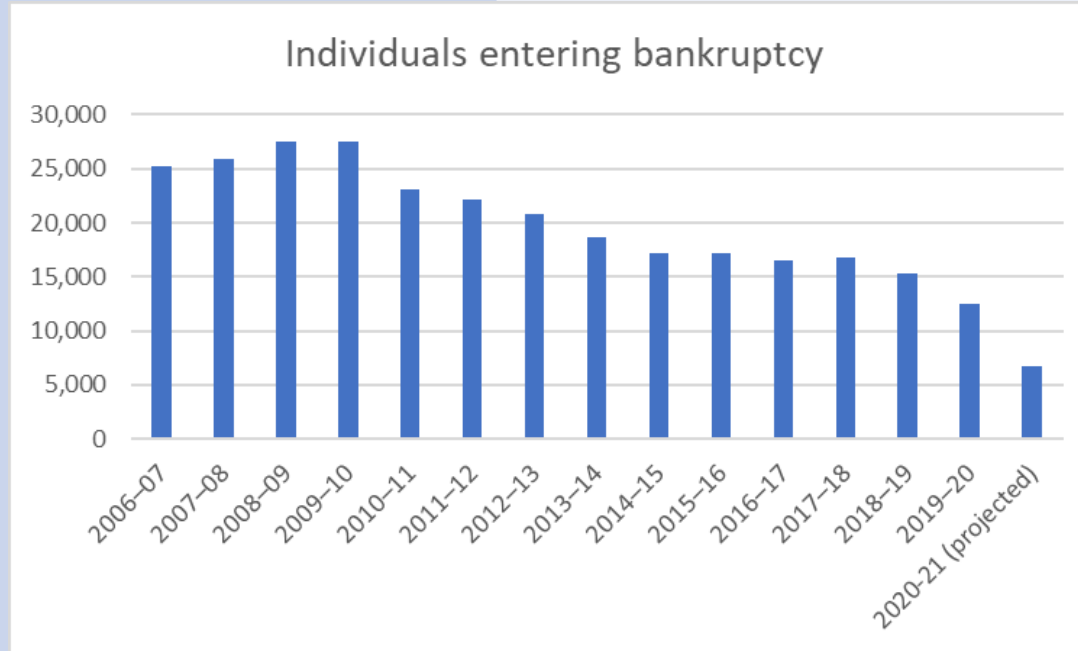
# Insolvency Tsunami in 2021?

- Myth or reality!
- Certain participants “willing it too happen” whilst ignoring some key facts – self-interest prevailing 😞
- Government responses / measures to COVID 19
  - ✚ Fiscal
  - ✚ Monetary
  - ✚ Other
- Responses have been unprecedented to this “black swan” pandemic event
- The level of response is constantly being adjusted almost on a “whatever it takes attitude” – the kitchen sink still hasn’t been used

# Statistics, Damn Statistics!



# Statistics, Damn Statistics!



# Insolvency Tsunami in 2021?

- **Key Facts At a Glance:**

- **Fiscal stimulus**

- Initial response provided \$299Billion in overall support
- Further response as part of the FY20-21 budget bringing the overall support measures to \$507Billion
- Above measures consist of:
  - JobKeeper Payments
  - Cashflow Boost
  - Coronavirus Supplement
  - JobMaker Plan

- **Monetary stimulus**

- RBA reduced the cash rate twice in March 2020 (2 \* 0.25%) to 0.25% and then again in November to 0.10%
- RBA targeting a 3 year Australian Govt Bond Yield of around 0.1%
- \$100Billion Government Bond Purchase Program announced
- Providing a Term Funding Facility for the Banking System
- Importantly also said "will maintain flexibility to respond to circumstances as they evolve"

# Insolvency Tsunami in 2021?

- ✦ **Unlikely**
- ✦ **Likely to be an increased level of activity as temporary measures end, but likely to come in waves.**
- ✦ These waves will be impacted by factors like:
  - Recovery stance of the ATO
  - Recovery stance of landlords
  - Recovery stance of financial institutions
  - Recovery stance by major trade suppliers and the like
- ✦ To date there have been winners and losers – this will continue until more news about control of COVID 19 and / or vaccine
- ✦ Geopolitical risks remain heightened and may throw a curve ball and impact certain industries
- ✦ Watch the unemployment rate carefully
- ✦ How much spending has been brought forward and spent locally? – will there be a vacuum when pre-COVID 19 conditions are restored.
- ✦ What if the monetary policies in play be many Western economies does not work as intended?

# What business owners should look out for so they don't get caught out by financially distressed businesses

- Consider major trading customers and suppliers and impact if one or more went into external administration
- If necessary review contracts and registration / benefit of security interests on PPSR (if not already being done)
- Regular communication with major customers and suppliers is critical
- Carefully monitor terms of trade and deteriorating alignment between customer receipts / supplier payments
- What about customer collection processes and unfair preference payments?
- Temporary measures regarding debt recovery coming to an end – 31 December 2020
- Have you considered any scenario modelling on cash flow? What other changes might then need to be considered?



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## Insolvency & Business Recovery

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