
Northern Ireland Individual & Corporate Insolvencies

Q4 2012 Update

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Richard Ramsey

Chief Economist Northern Ireland

richard.ramsey@ulsterbankcm.com

N. Ireland Personal & Corporate Insolvencies Summary

- ❑ In Q4 2012, 756 individuals were declared insolvent in Northern Ireland (NI). This represented a fall of 10.4% q/q and a decrease of 3.9% on the same quarter in 2011. In 2012 there were 3,190 personal insolvencies within NI. This represents an increase of 12.4% relative to 2011 and a record **annual** high (*but below the 4 quarter high to Q3 2012 of 3,221*).
- ❑ In 2012, the number of personal insolvencies in NI was more than double (+113%) that which prevailed prior to the start of the credit crunch (Q3 2007). This compares with an increase of 30% for Scotland with the number of insolvencies in England & Wales in 2012 almost 2% **below** its pre-credit crunch level. Meanwhile, NI's personal insolvencies have increased more than five-fold since 1998.
- ❑ Despite the sharper rises in NI's insolvency figures, the incidence of personal insolvency remains lower in NI than in England & Wales. Individual insolvencies per capita (> 18 years) are 23.3 per 10,000 of adult population relative to 24.7 for England & Wales.
- ❑ Looking ahead, the debt overhang & more intense squeeze on NI's household finances will see a further closing (& reversal) in NI's insolvency rate gap with England & Wales. Since 2007 NI's personal insolvency rate has more than doubled whereas the equivalent rate for England & Wales is lower than it was in 2007.
- ❑ In the 21 quarters since the credit crunch began in Q3 2007 there have been 12,267 personal insolvencies and 1,641 corporate insolvencies in NI. This compares with 6,509 personal insolvencies and 704 corporate insolvencies in the 21 quarter period preceding the start of the credit crunch.
- ❑ In Q4 2012, there were 86 company liquidations in NI. This represented a decrease of 9.5% q/q but a rise of 11.7% on the Q4 2011 figure. For 2012 as a whole, there were 411 corporate insolvencies (*a record high*) and a year-on-year increase of 19.1%. Whilst NI's corporate insolvencies have increased by more than 6 times the % increase in England & Wales, NI's corporate insolvency rate (0.6%) is still below that of England & Wales (0.7%).

Summary Table: NI Personal & Corporate Insolvencies

Northern Ireland Corporate & Personal Insolvencies

	Individuals				Companies		
	Total	Bankruptcy Orders	Individual Voluntary Arrangements	Debt Relief Orders	Total	Compulsory Liquidations	Creditors Voluntary Liquidations
2007	1,338	898	440	...	164	122	42
2008	1,638	1,079	559	...	209	158	51
2009	1,958	1,236	722	...	247	164	83
2010	2,323	1,321	1,002	...	382	250	132
2011	2,839	1,615	1,112	112	345	209	136
2012	3,190	1,453	1,231	506	411	253	158
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2012 Q4 Q/Q % Change	-10.4%	16.9%	-28.8%	-18.8%	-9.5%	-20.0%	8.6%
2012 Q4 Y/Y % Change	-3.9%	-12.9%	-5.7%	50.0%	11.7%	0.0%	31.0%
Last 4 quarters Y/Y % Change	12.4%	-10.0%	10.7%	351.8%	19.1%	21.1%	16.2%
% rise since credit crunch began*	112.5%	55.1%	118.3%	...	181.5%	138.7%	295.0%

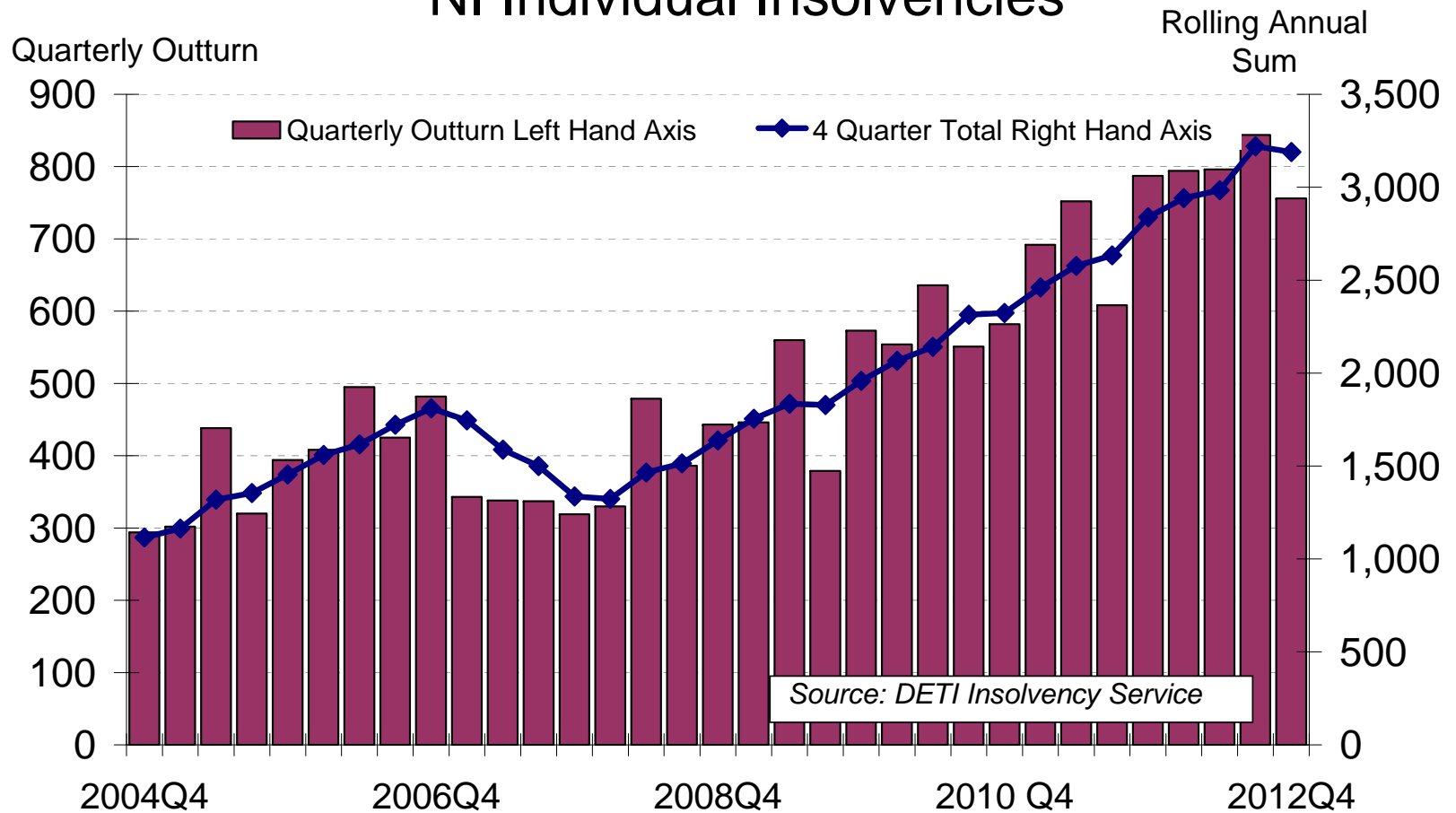
Source: DETI Insolvency Service, * Relative to 4 quarters up to Q3 2007

Personal or Individual Insolvencies

*Includes: Bankruptcy Orders, Debt Relief
Orders (DROs) and Individual Voluntary
Arrangements (IVAs)*

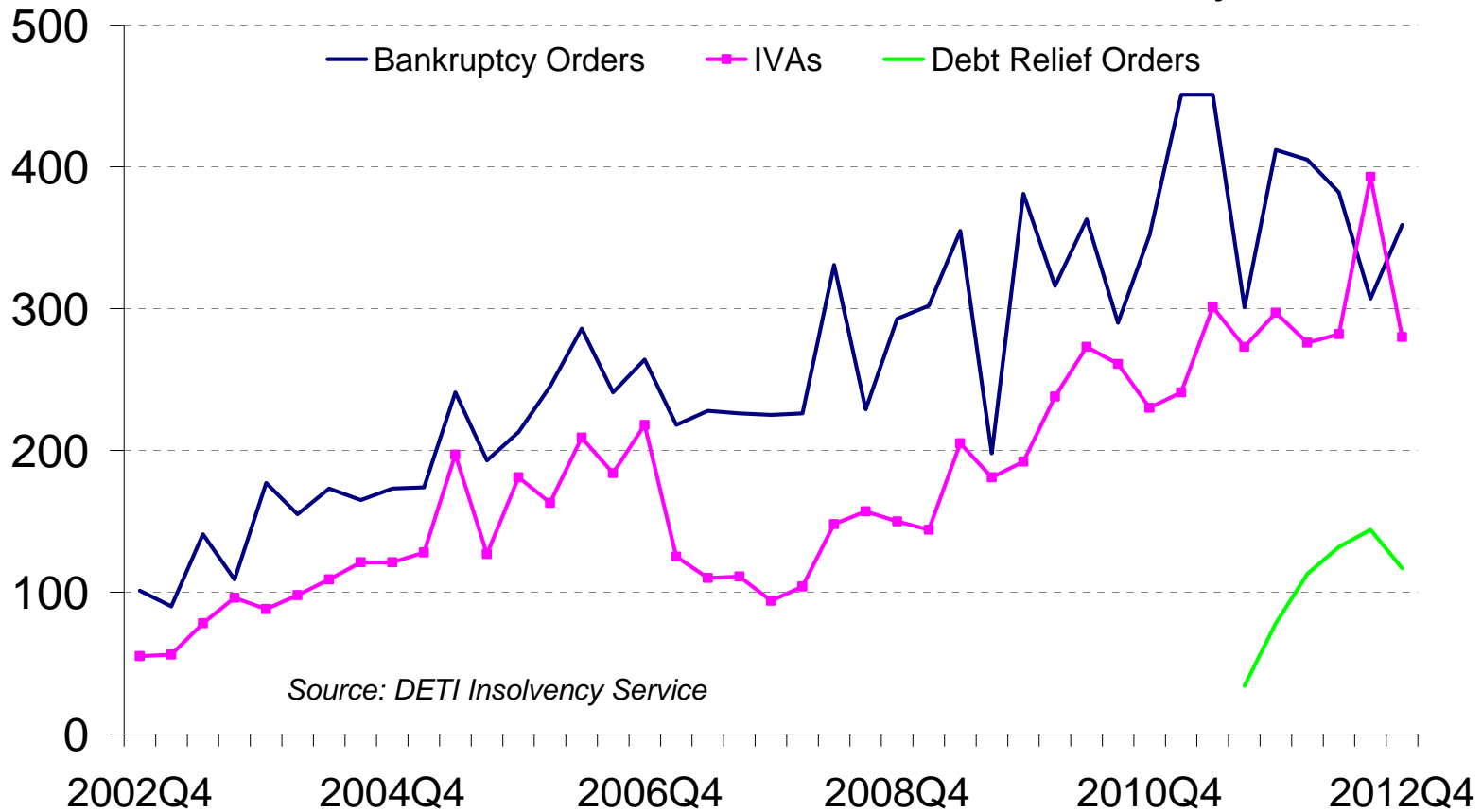
756 individuals became insolvent in Q4 2012 bringing the total in 2012 to 3,190

NI Individual Insolvencies



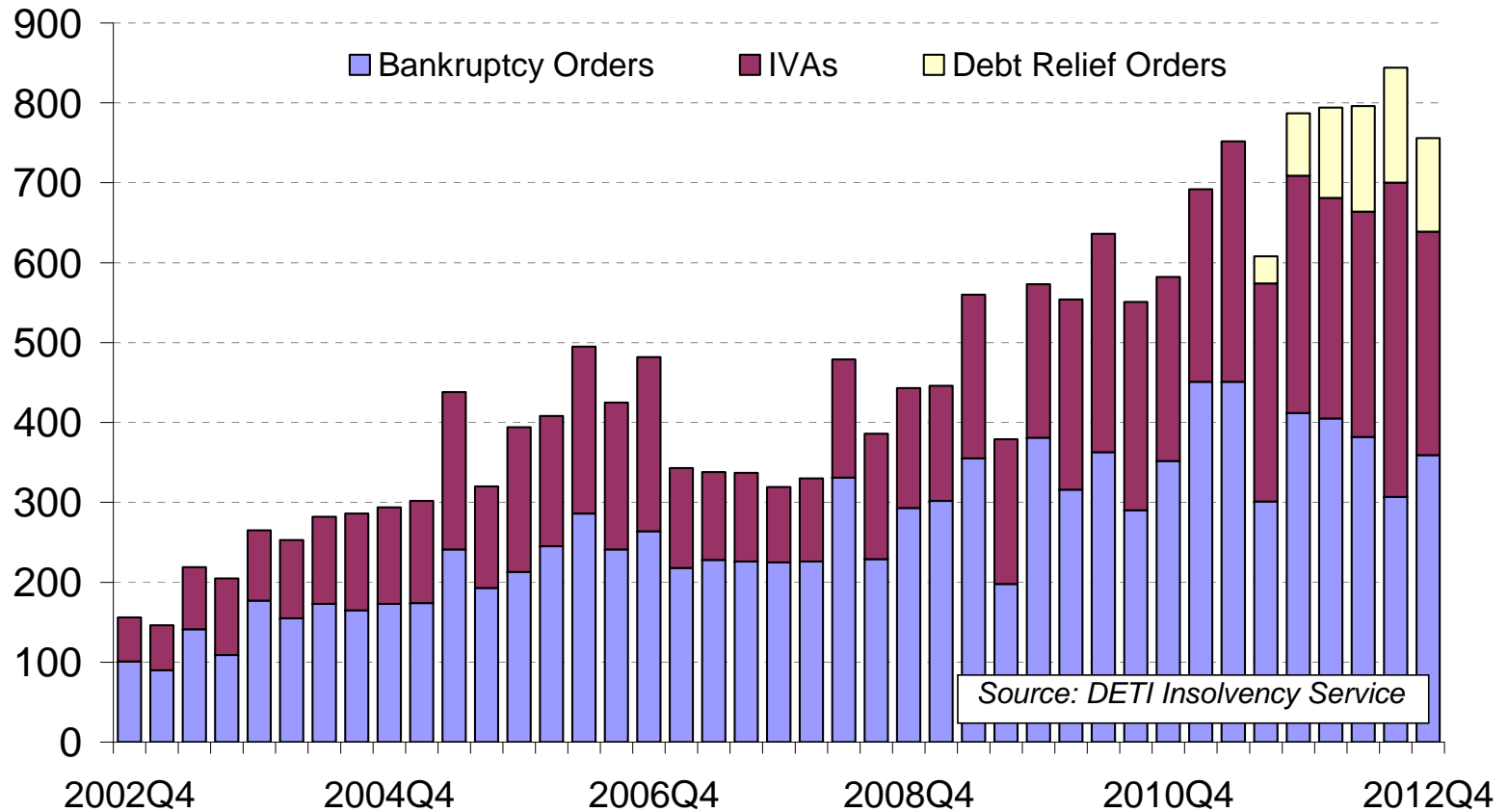
Bankruptcy Orders experience a 17% q/q rise in Q4 whilst IVAs post a steep fall (-29%)

NI Personal Insolvencies - Quarterly

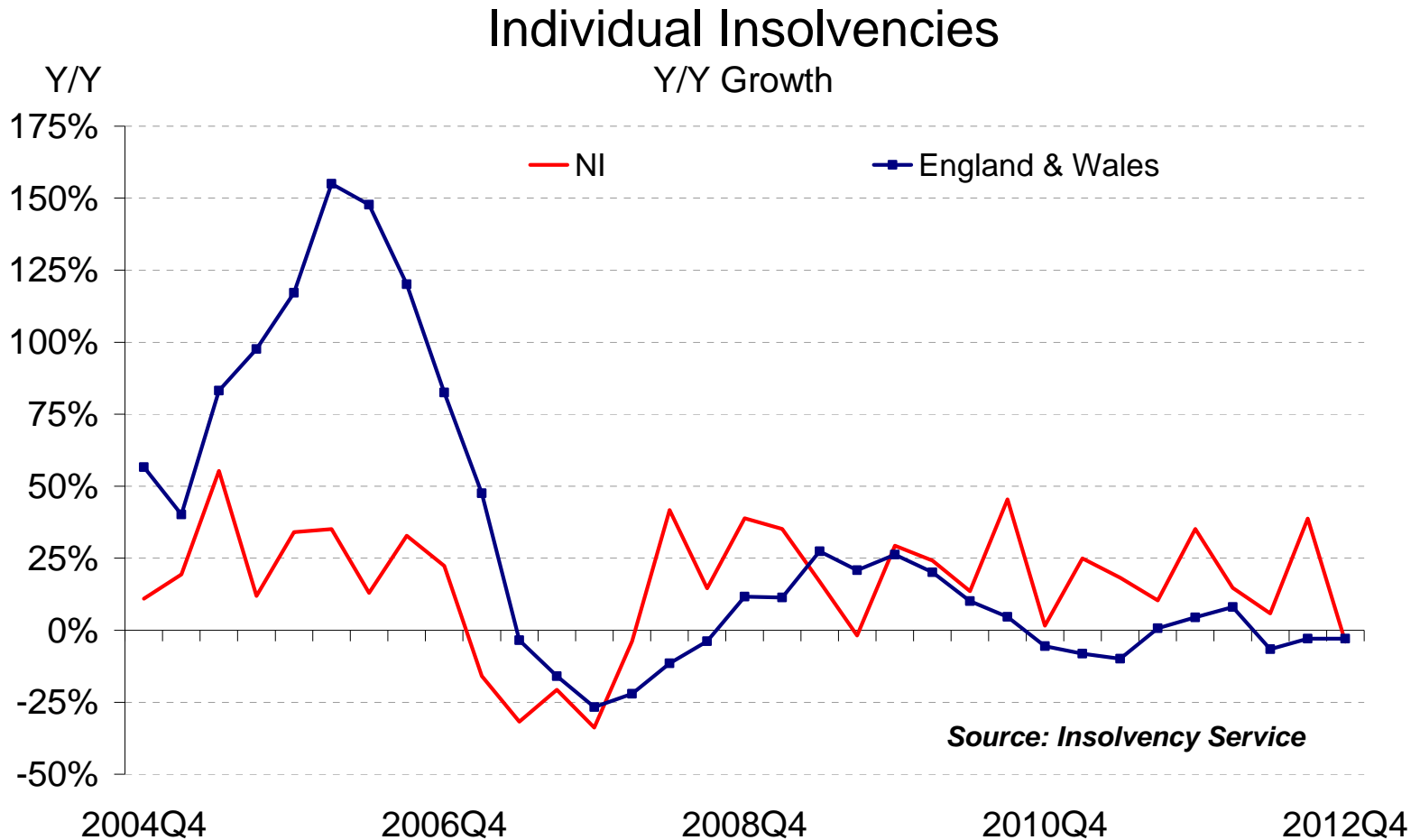


Bankruptcy Orders are still the most common form of insolvency & account for 46% of insolvencies

NI Personal Insolvencies



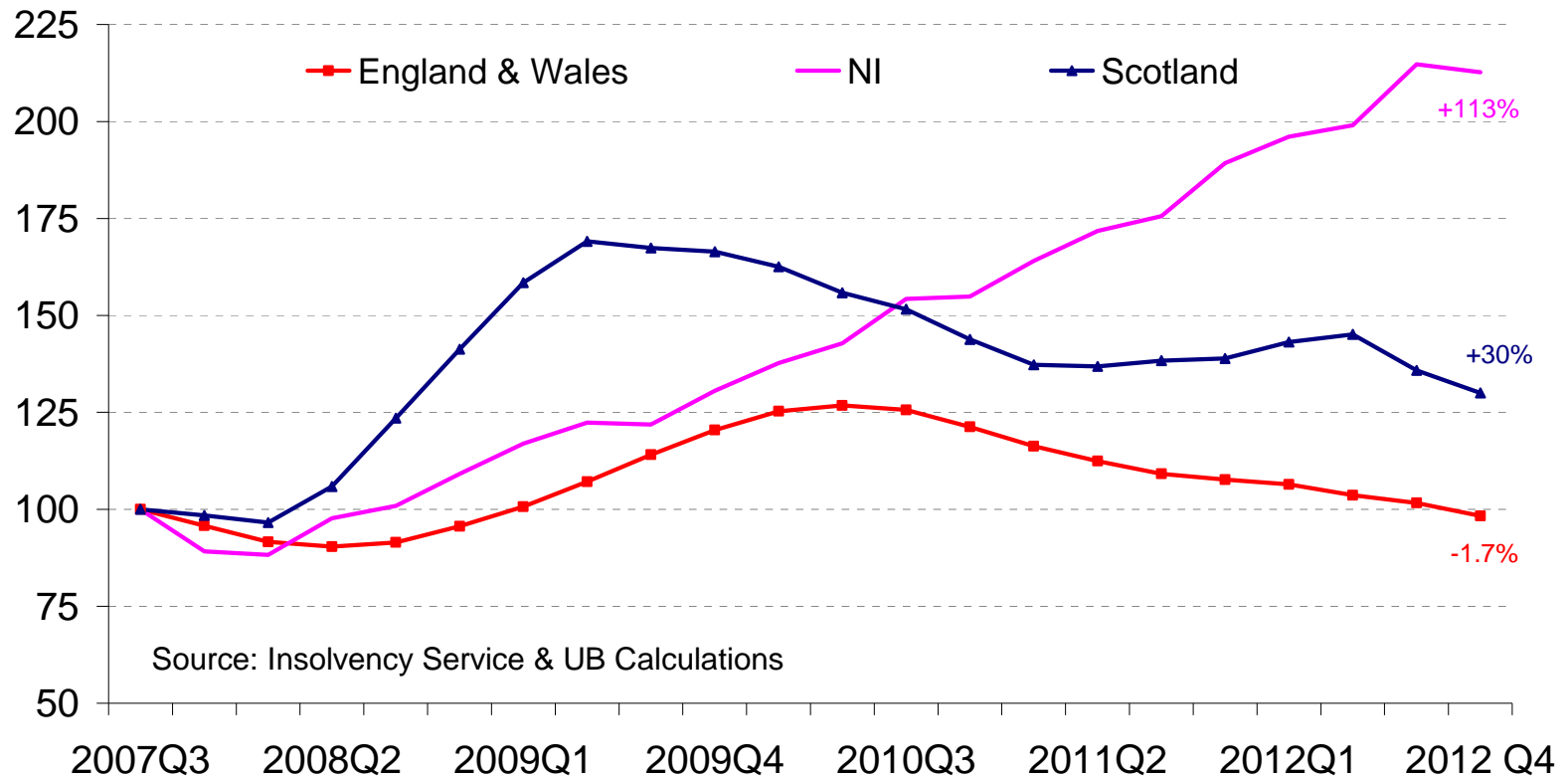
NI's personal insolvencies have been rising (from a lower base) at a faster rate during the downturn than England & Wales



NI's personal insolvencies have more than doubled in 5 yrs whereas England & Wales are back below 2007 levels

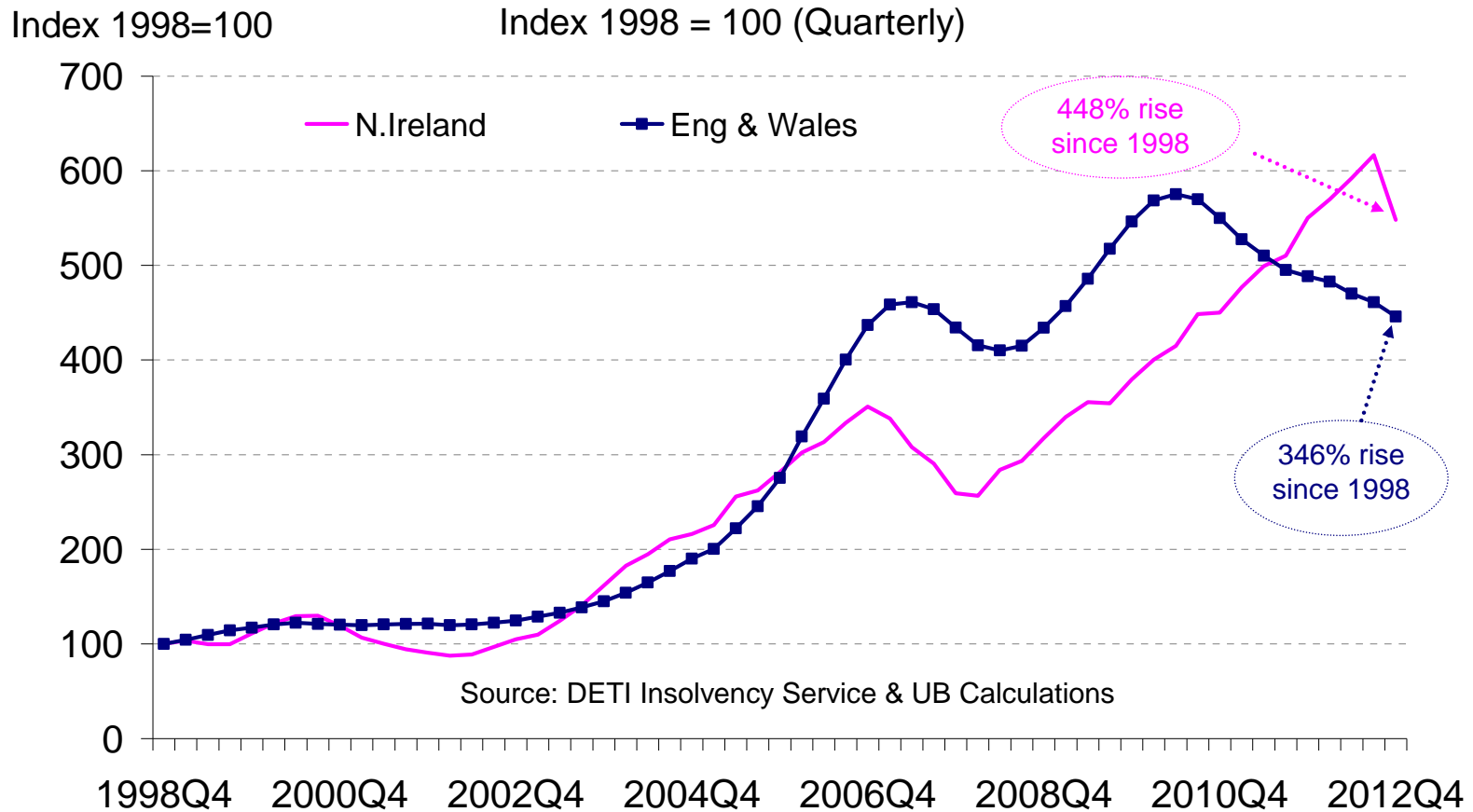
Growth in Personal Insolvencies since the Credit Crunch Began

Index 4 Qtrs to Q3
2007 = 100

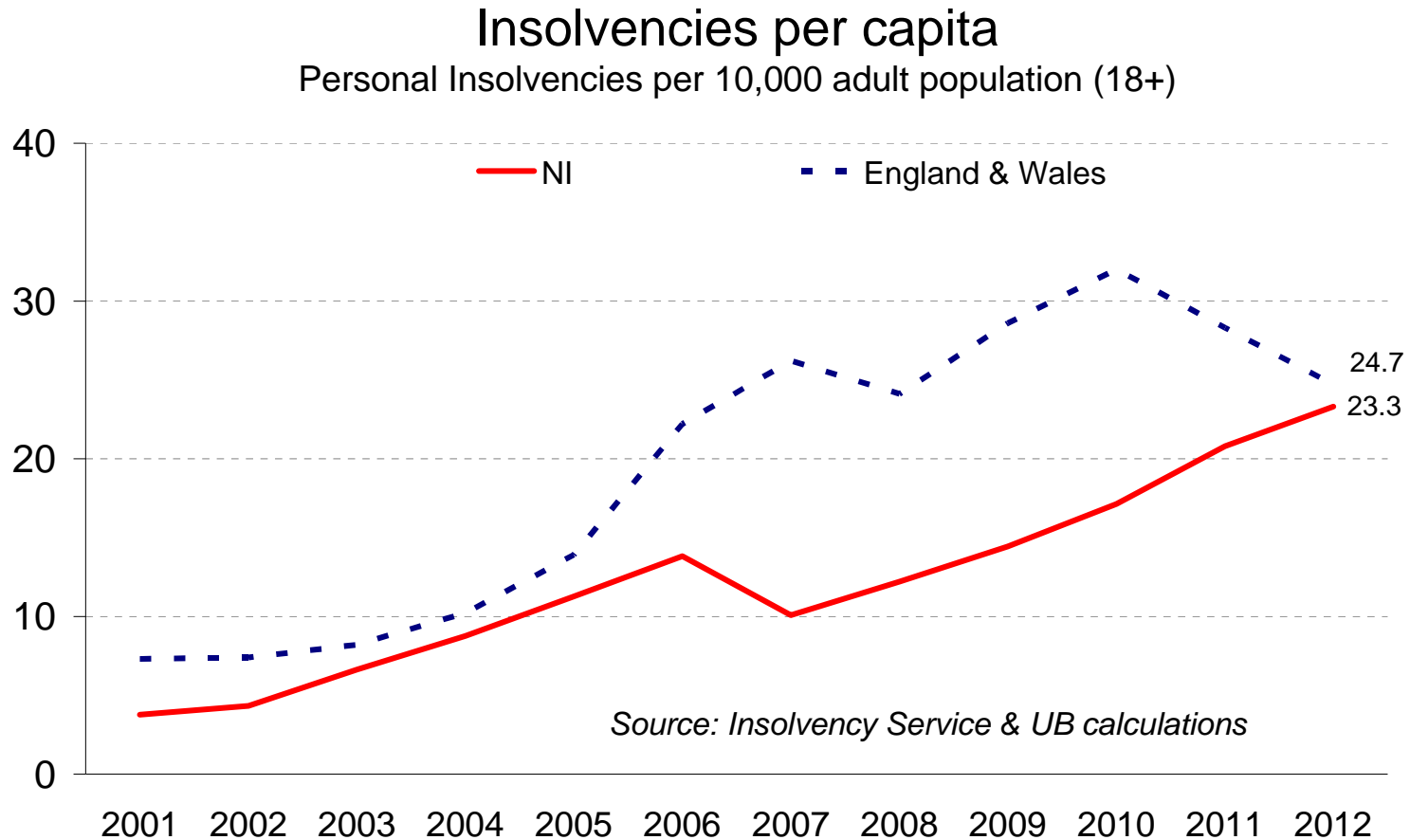


NI's personal insolvencies in Q4 2012 were 4.5 times greater than the corresponding quarter back in 1998

Growth in Personal Insolvencies since 1998



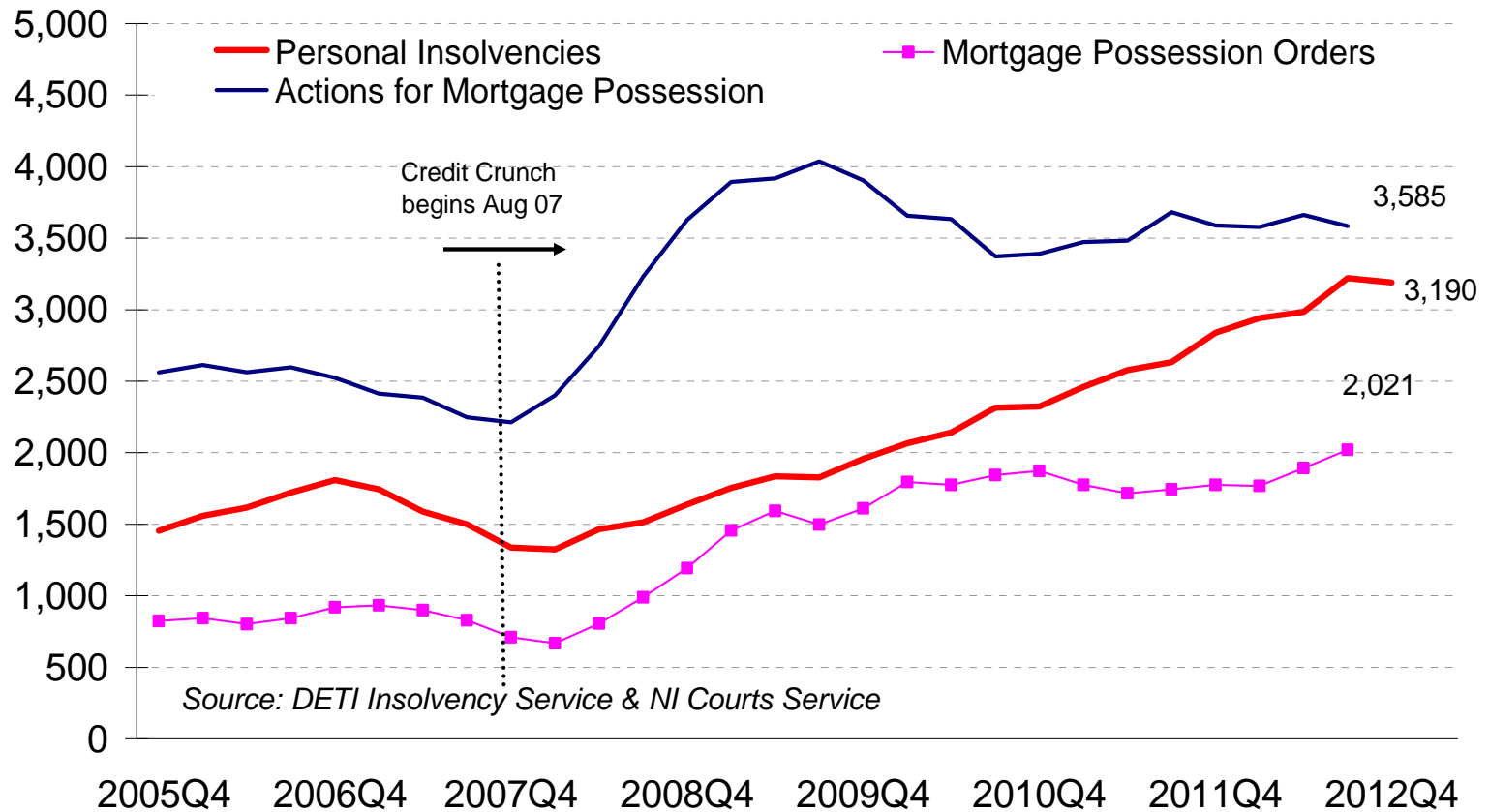
N.Ireland's personal insolvency rate remains below that of England & Wales but has been converging with it



Rise in personal insolvencies is one sign of consumer stress

NI Consumer Stress

Rolling 4 Quarter Total

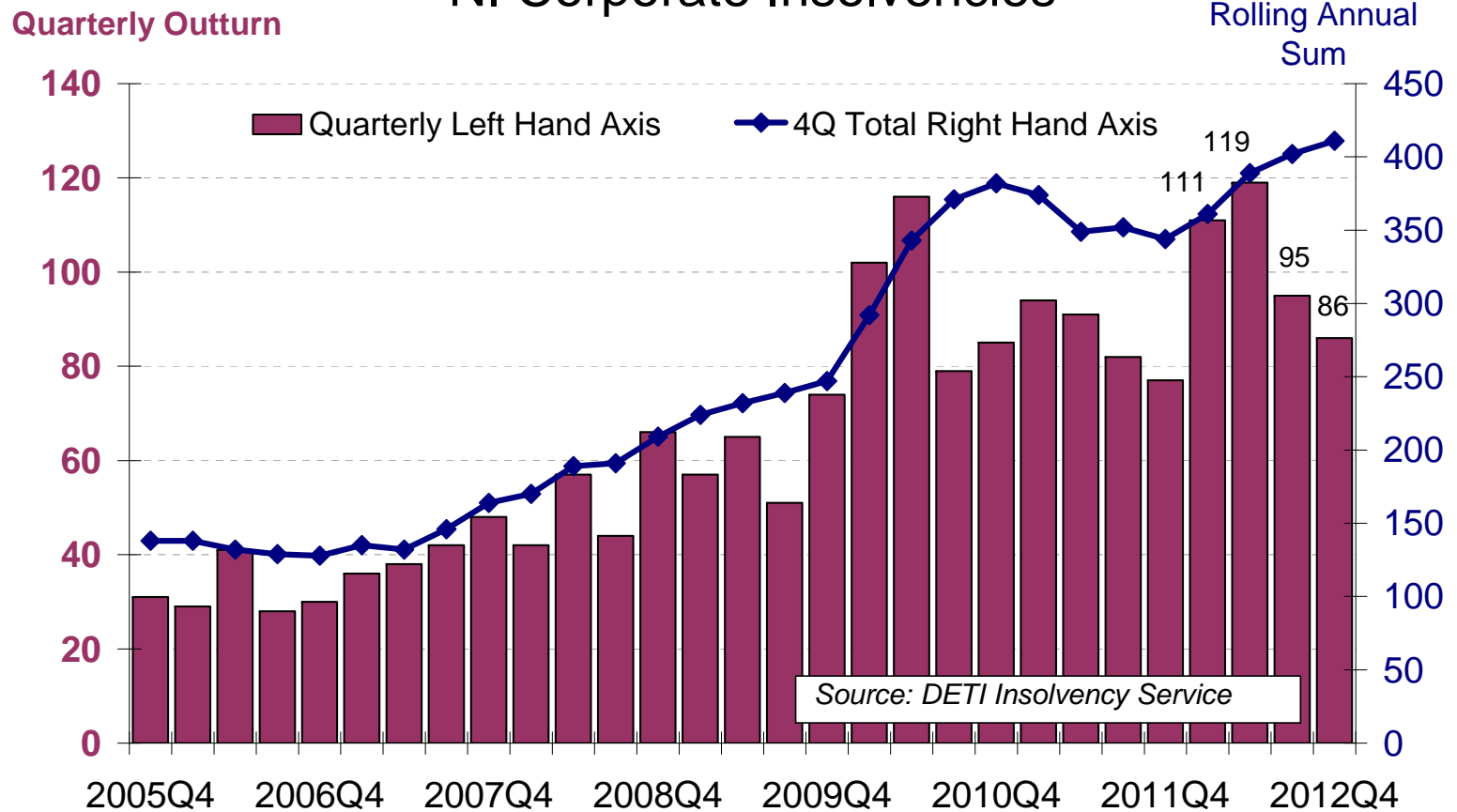


Corporate Insolvencies

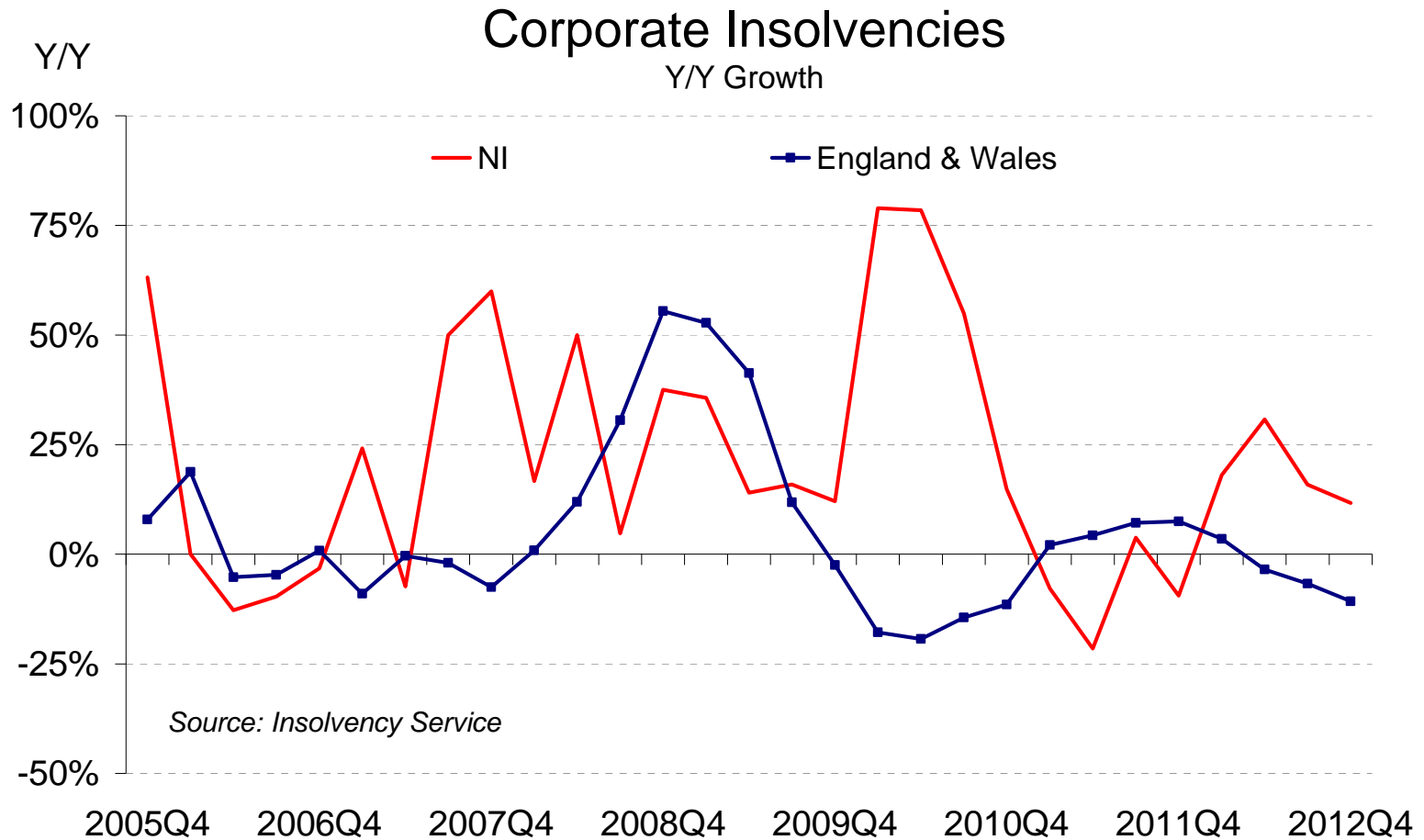
*Includes: Compulsory Liquidations and
Creditors' Voluntary Liquidations*

86 local firms became insolvent in Q4, a 9.5% drop below the Q3 figure, but annual figure hits a fresh record high (411)

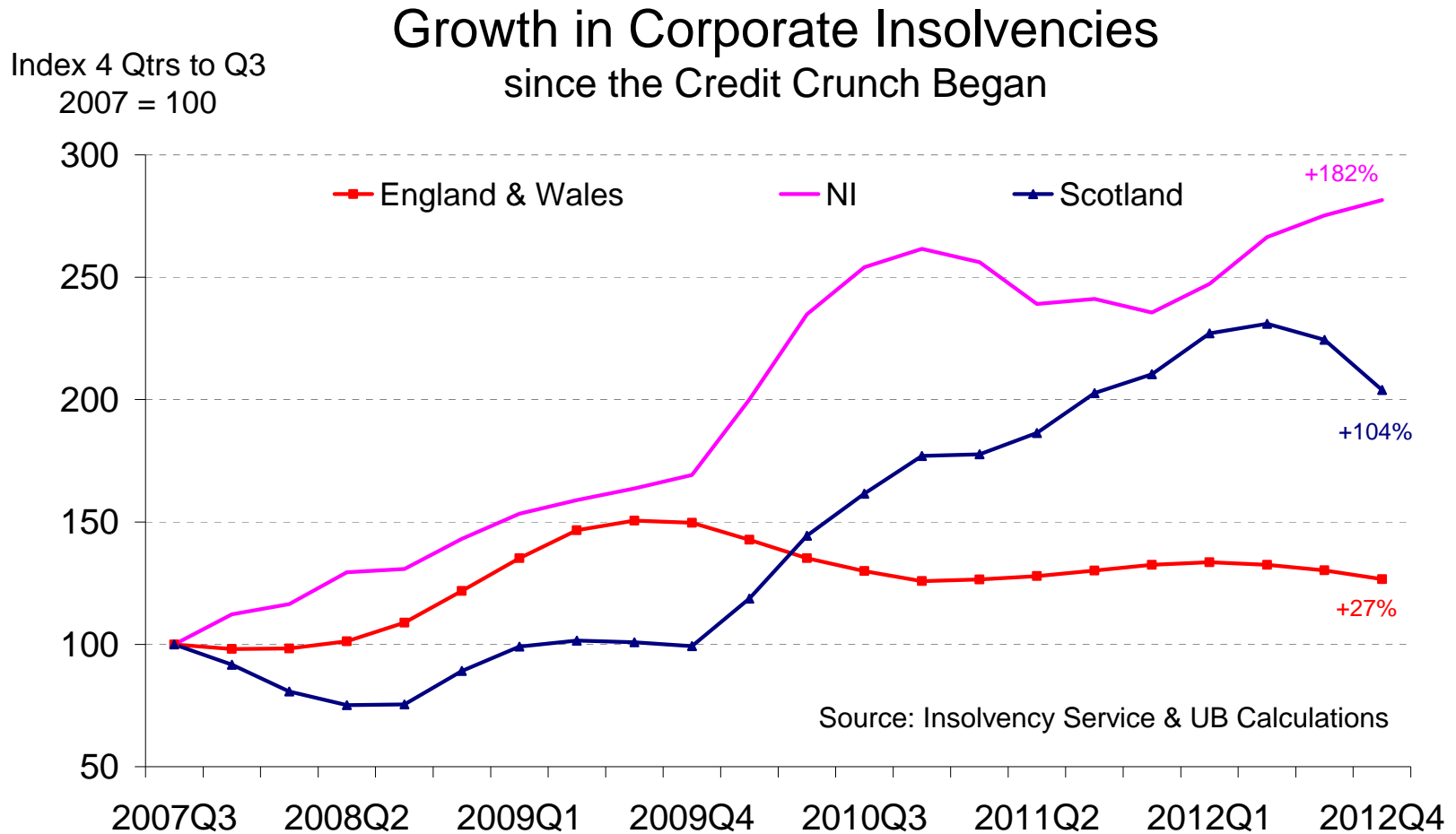
NI Corporate Insolvencies



N.Ireland's annual growth rate in corporate insolvencies has tended to be much higher than in England & Wales



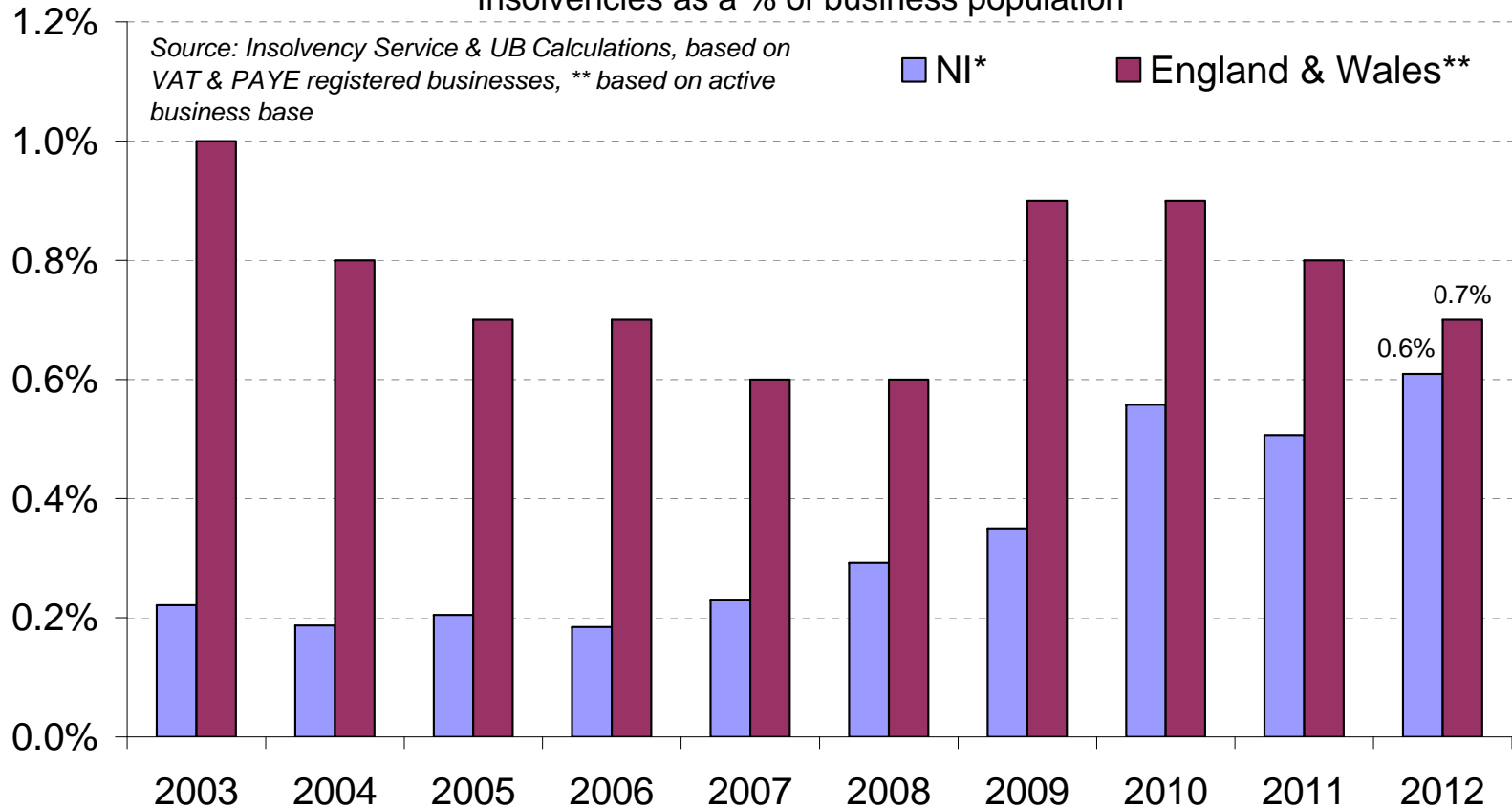
NI corporate insolvencies have risen by over six times the rate in England & Wales since the credit crunch began



But NI's corporate insolvency ratio remains below that of England & Wales though it is converging

Corporate Insolvency Ratio

Insolvencies as a % of business population



Detailed Table: NI Personal & Corporate Insolvencies

Northern Ireland Corporate & Personal Insolvencies							
	Individuals				Companies		
	Total	Bankruptcy Orders	Individual Voluntary Arrangements	Debt Relief Orders	Total	Compulsory Liquidations	Creditors Voluntary Liquidations
2005	1,454	821	633	...	138	85	53
2006	1,809	1,035	774	...	128	78	50
2007	1,338	898	440	...	164	122	42
2008	1,638	1,079	559	...	209	158	51
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2011	2,839	1,615	1,112	112	345	209	136
2012	3,190	1,453	1,231	506	411	253	158
2007 Q1	343	218	125	...	36	29	7
Q2	338	228	110	...	38	29	9
Q3	338	227	111	...	42	28	14
Q4	319	225	94	...	48	36	12
2008 Q1	330	226	104	...	42	37	5
Q2	479	331	148	...	57	42	15
Q3	386	229	157	...	44	27	17
Q4	443	293	150	...	66	52	14
2009 Q1	446	302	144	...	57	34	23
Q2	560	355	205	...	65	46	19
Q3	379	198	181	...	51	27	24
Q4	573	381	192	...	74	57	17
2010 Q1	554	316	238	...	102	49	53
Q2	636	363	273	...	116	92	24
Q3	551	290	261	...	79	55	24
Q4	582	352	230	...	85	54	31
2011 Q1	692	451	241	...	94	61	33
Q2	752	451	301	...	91	56	35
Q3	608	301	273	34	82	43	39
Q4	787	412	297	78	77	48	29
2012 Q1	794	405	276	113	111	72	39
Q2	796	382	282	132	119	73	46
Q3	844	307	393	144	95	60	35
Q4	756	359	280	117	86	48	38
Latest Quarter Q/Q % Change	-10.4%	16.9%	-28.8%	-18.8%	-9.5%	-20.0%	8.6%
Latest Quarter Y/Y % Change	-3.9%	-12.9%	-5.7%	50.0%	11.7%	0.0%	31.0%
Last 4 quarters Y/Y % Change	12.4%	-10.0%	10.7%	351.8%	19.1%	21.1%	16.2%
% rise since credit crunch began*	112.5%	55.1%	118.3%	...	181.5%	138.7%	295.0%

Source: DETI Insolvency Service, * Relative to 4 quarters up to Q3 2007

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Individual insolvencies hit a record high for 2012

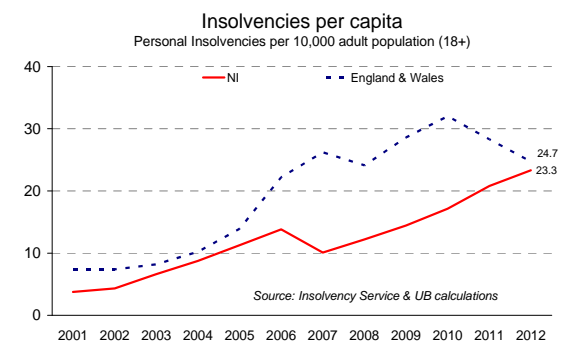
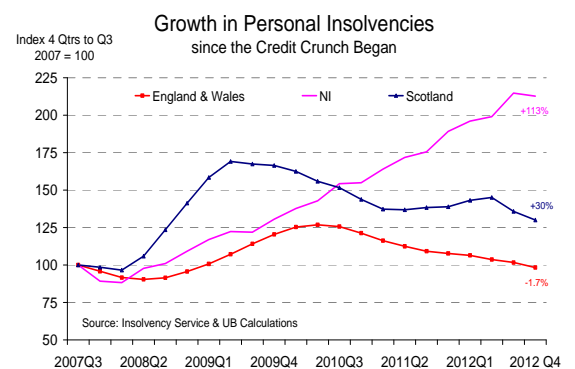
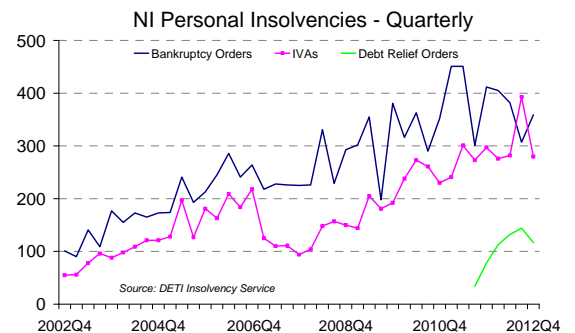
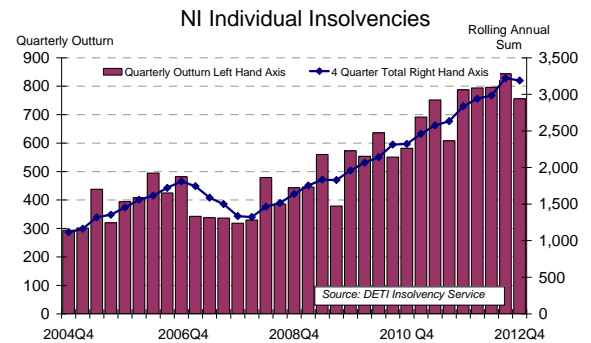
The Q4 2012 personal and corporate insolvency figures for Northern Ireland were released on 1 February 2013. Signs of financial strain remain evident amongst NI households. Following a rise in unemployment of 42,000 (+177%) since early 2008, coupled with household debt, personal insolvencies in NI have hit a record high of 3,190 in 2012. In the latest quarter, 756 individuals were either declared bankrupt (*or chose bankruptcy*), or entered into either an *Individual Voluntary Arrangement (IVA)* or a *Debt Relief Order (DRO)*. The latter came into effect on 30 June 2011 as an alternative route into personal insolvency. The Q4 outturn represented a fall of 10.4% relative to Q3 2012 and was 3.9% below the Q4 2011 outturn. Furthermore, the year-on-year decline in Q4 2012 represented the first annual decline since Q3 2009. This suggests that the rise in NI's personal insolvencies may be levelling-off, at least for now. Nevertheless, the latest four quarter outturn (2012) is more than double (+113%) the four quarter period that pre-dates the credit crunch. In the 21 quarters since the credit crunch began in Q3 2007 there have been 12,267 personal insolvencies in NI. This compares with 6,509 personal insolvencies in the 21 quarter period preceding the start of the credit crunch.

Individual insolvencies continue on a downward trend in Great Britain

Whilst personal insolvencies are still on the rise in NI, on an annual basis, the corresponding level in England & Wales (E&W) appears to have peaked in 2010 and has generally been following a downward trend since. Meanwhile Scotland's insolvency peak occurred one year earlier in 2009. Looking at the most recent figures for Q4 2012, it is noted that personal insolvencies in E&W decreased by almost 10% q/q and were 13% below the corresponding quarter in 2011. Since the Q1 2010 peak, personal insolvencies have fallen by 29%. Meanwhile, the total number of insolvencies in 2012 is now almost 2% **below** its pre-credit crunch level (*Q4 2006 to Q3 2007*). Scotland's personal insolvencies in Q4 2012 were 17.5% lower than Q4 2011. Insolvencies in Scotland remain 30% above their pre-credit crunch level.

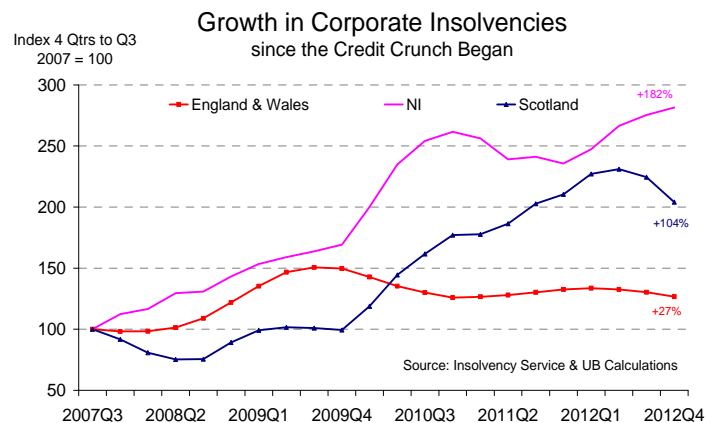
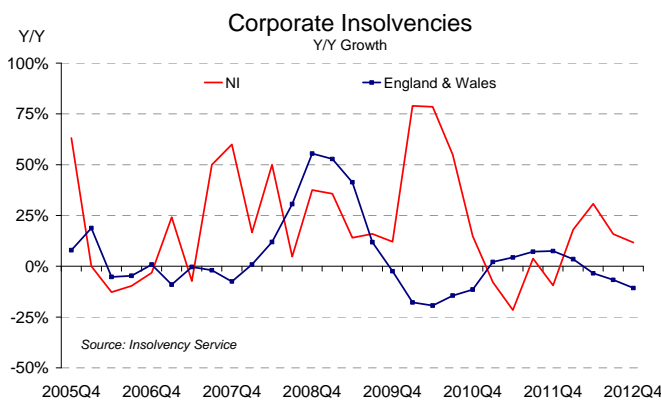
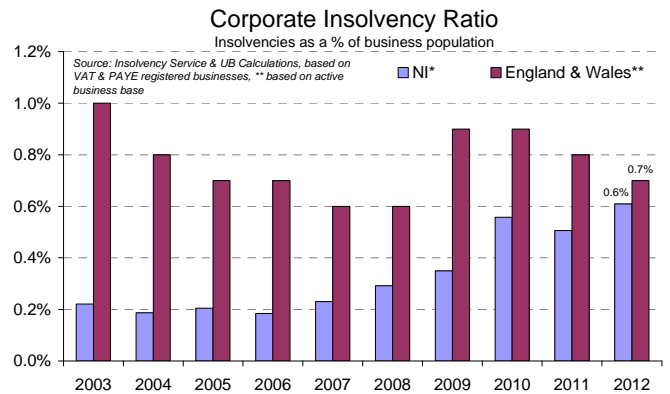
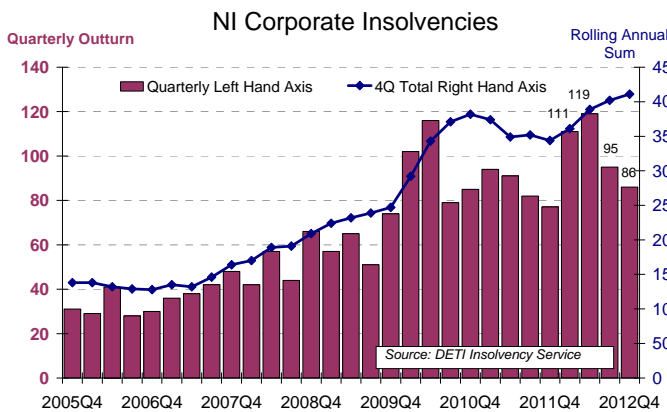
NI individual insolvency rate gap with England & Wales is closing

Despite the sharper rises in NI's insolvency figures, **the incidence of personal insolvency remains lower in NI than in E&W**. Individual insolvencies per capita (> 18 years) are 23.3 per 10,000 of adult population relative to 24.7 for E&W. Despite this current favourable position, the debt overhang and more intense squeeze on local household finances should see a further closing (*and reversal*) in the NI and E&W insolvency rate gap in the years ahead. It is noted that since 2007 NI's personal insolvency rate has more than doubled whereas the equivalent rate for E&W is lower than it was in 2007 (26.2).



Northern Ireland corporate insolvencies push higher to new record high (annual)

In Q4 2012 there were 86 company liquidations (or corporate insolvencies) in NI, which represents a quarterly fall of 9.5%. Despite this quarterly decrease, the Q4 outturn is still 11.7% higher relative to the corresponding quarter in 2011. During the last 4 quarters (2012), the total number of corporate insolvencies stood at 411. This is 182% above the level that prevailed before the credit crunch began (146) and is above the previous 4 quarter high of 382 in 2010. Meanwhile, corporate insolvencies in England & Wales posted a 3.3% quarterly decline in Q4 2012 and were 10.7% below the same quarter in 2011. Corporate insolvencies peaked in 2009 for England & Wales with the 2012 (four quarter) outturn over 15% below this recent high. Furthermore, corporate insolvencies within England and Wales are just 27% above the levels that prevailed prior to the credit crunch. It is noted that Scotland has also experienced a surge in corporate insolvencies that is much steeper than in England & Wales. However, corporate insolvencies in Scotland now appear to be following a downward trend. In Q4 2012, the number of corporate insolvencies was 42% lower relative to the corresponding quarter in 2011. Clearly, Northern Ireland's corporates appear to be exhibiting more signs of financial distress than their counterparts in Great Britain. One key factor behind this is the direct and indirect exposure to the severe property downturn. However, it should be noted that NI's corporate insolvency rate (0.6%), which is corporate insolvencies expressed as a proportion of the business base, remains below that of England & Wales (0.7%) & Scotland (0.85%). Therefore an important factor behind NI's surge in insolvencies is due to the fact that insolvencies are coming off a rather low base. Since the credit crunch began in 2007 Q3, 1,641 firms in Northern Ireland have been declared insolvent.



A summary table of insolvency data is highlighted overleaf. For further information check out the weblinks below:

<http://www.insolvencydirect.bis.gov.uk/otherinformation/statistics/201302/index.htm>

<http://www.insolvencydirect.bis.gov.uk/otherinformation/statistics/201302/table6.pdf>

<http://www.insolvencydirect.bis.gov.uk/otherinformation/statistics/201302/alltables.xls>

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Richard Ramsey
 Chief Economist Northern Ireland
 12th February 2013

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