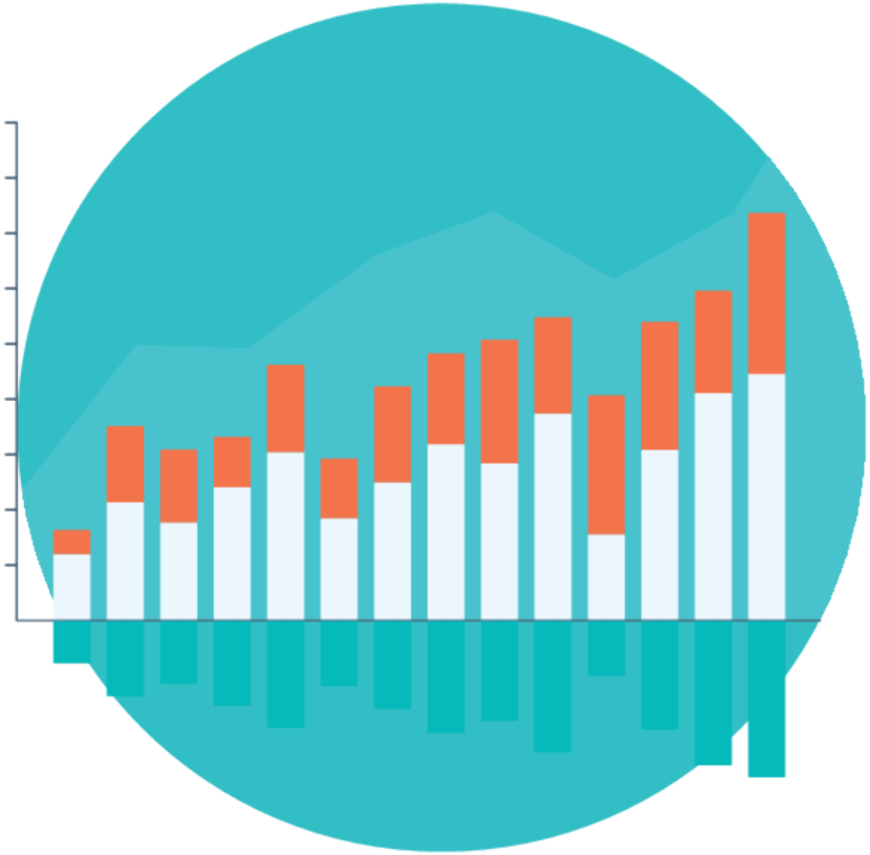


New Zealand Quarterly Insolvency Trends 2026 Q2

Performance Improvement & Restructuring | July 2026

Executive summary | 2026 Q2 at a glance

In this edition, we examine the hospitality sector pressures, phoenix company risks, Inland Revenue's new shareholder loan rules, and latest insolvency trends.

The Hospitality sector has faced growing pressures for several years with rising labour costs and subdued consumer spending continuing to compress margins. Labour costs have risen ~25% since 2020, while real consumer spending has continued to soften. Business deaths increased by 8.8% between 2019 and 2025, outpacing the 2.4% increase in business births, slowing the rate of growth of net new businesses opening.

Overdrawn shareholder loans are under increasing scrutiny, with new tax rules introduced to strengthen accountability and improve tax collections. The reforms are expected to improve repayment behaviour, although the impact on liquidation recoveries and settlement negotiations remains uncertain.

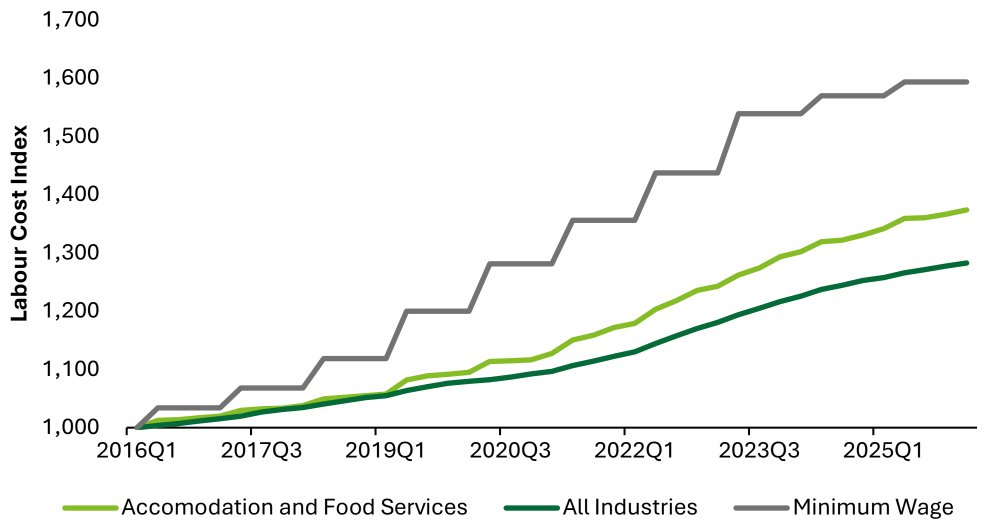
As insolvencies rise, regulators are increasing their focus on **potential phoenix activity** and director accountability.

Business failures remain above historical levels as tax debt, enforcement activity and ongoing cashflow pressures continue to impact companies. While insolvencies are increasing (3,449 insolvencies in the last 12 months), we note that this is a small proportion compared to the total number of companies (756,821 as at June 2026).

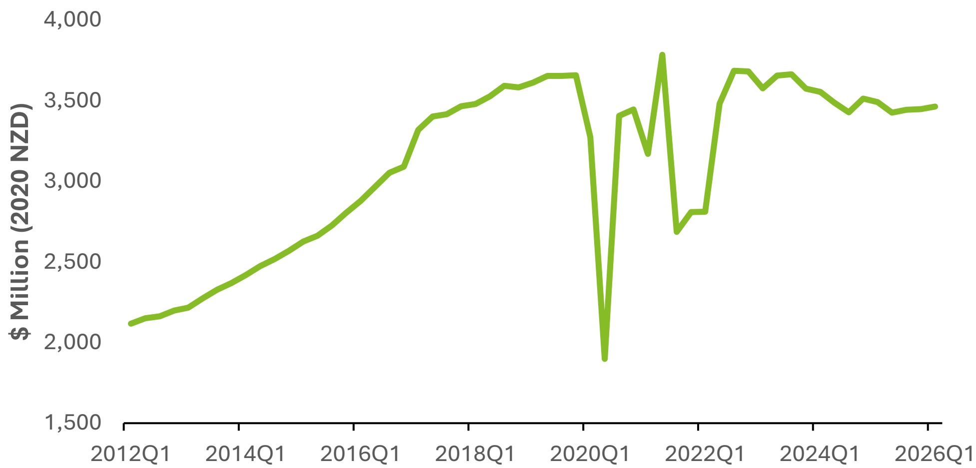
Hospitality sector | Margin pressures continue to intensify

Soft consumer spending and rising labour costs are compressing margins across the sector, limiting cashflow and increasing financial stress for hospitality operators.

Accommodation & Food Services Labour Cost Index (2016Q1 = 1000)



Real Hospitality Electronic Card Spending (Seasonally adjusted)



Since 2020, labour costs in Accommodation & Food Services have increased faster than the all-industries benchmark. The sector's Labour Cost Index increased from 1,095 in 2020 Q1 to 1,374 in 2026 Q1, growth of c.**25%**, compared with **19%** across all industries over the same period.

Minimum wage increases have likely been an important driver of this trend, given the relatively high exposure of the sector to lower-paid roles. The minimum wage rose by around **33%** from 2020 Q1 to 2026 Q1, outpacing both Accommodation & Food Services labour costs and the all-industries benchmark.

Despite a gradual economic recovery, inflation-adjusted spending in the hospitality sector remains below 2022 levels. Since the end of 2022, the real value of electronic card transactions in the hospitality sector has fallen by **6%**, suggesting consumers remain cautious with discretionary spending amid ongoing cost-living pressures and broader economic uncertainty.

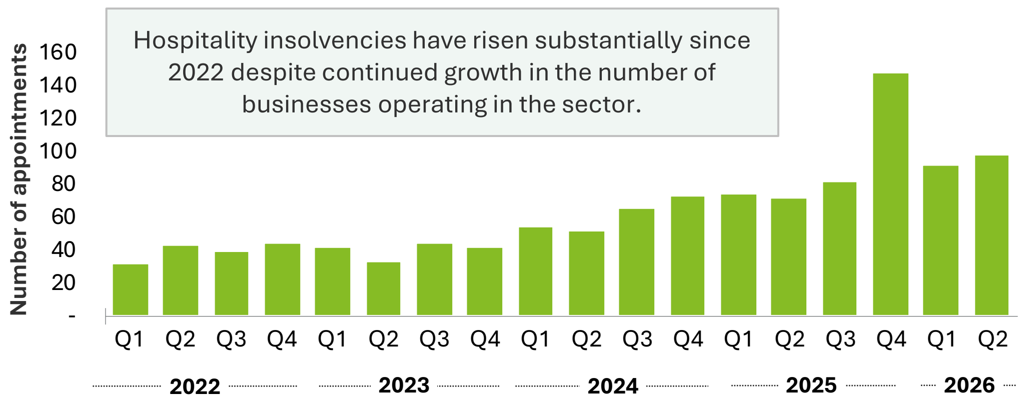
Although the decline has been relatively modest, many hospitality businesses operate on thin margins, meaning even small reductions in demand can have a significant impact on profitability and cashflow.

Source: StatsNZ, Deloitte Economics

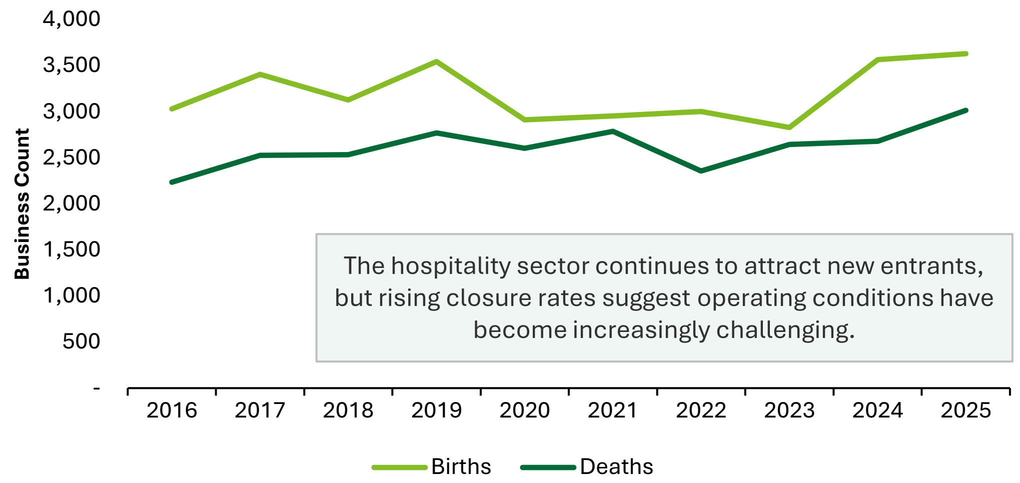
Hospitality sector | Insolvency pressures remain elevated despite growth

Hospitality accounted for 13% of all formal appointments in 2026Q2, making it the second most distressed sector after construction.

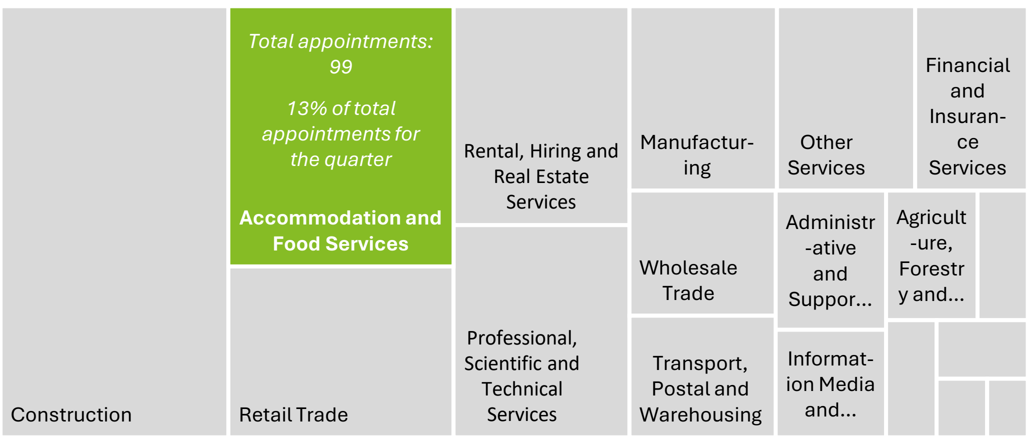
Sector drilldown (Accommodation & Food Services) | 2022 to 2026 (Quarterly)



Accommodation & Food Services Business Births and Deaths



Sector drilldown (Accommodation & Food Services) | 2026 Q2



Although the number of hospitality businesses has continued to grow, annual business deaths have increased faster than business births.

Between 2019 and 2025, annual business deaths increased by **8.8%**, while births only grew by **2.4%**.

As a result, the gap between births and deaths has narrowed. In 2019, there were **777 more births than deaths**, while in 2025 that gap fell to **615** businesses. This suggests that while the sector continues to expand, operating conditions have become increasingly challenging and business turnover is rising.

Source: Companies Office, StatsNZ, Deloitte Economics

Phoenix companies

Phoenix activity has become an increasing area of regulatory focus in New Zealand, particularly as insolvency levels have risen and reforms aimed at improving director accountability are being introduced.

What is a phoenix company?
Phoenix activity occurs when the business of an insolvent company continues through a new entity, often with the same owners, directors, assets or customers, while creditors are left behind in the failed company. The Companies Act 1993 includes rules that prohibit directors from using the same or a similar company name following the liquidation of an insolvent predecessor, unless an exception applies.

Is phoenix activity becoming more prevalent?
Ministry of Business, Innovation and Employment (**MBIE**) statistics show phoenixing complaints increased from 5 in FY2021 to 23 in FY2024. While complaint volumes remain relatively low, the increase may reflect growing awareness and reporting of phoenix activity. However, complaint statistics should be interpreted with caution, as not all instances of potential phoenix activity are likely to be identified or reported. The complaint data reflects reported concerns about phoenixing rather than the total incidence of phoenix activity occurring within the market.

Are rising insolvency volumes creating greater phoenix risk?
As insolvency volumes rise, regulators appear increasingly focused on whether failed businesses are re-emerging through successor entities without adequately addressing creditor claims. While there is currently limited data available on the prevalence of phoenix activity, rising insolvency levels have increased regulatory attention on related-party transactions, successor businesses and repeat business failures.

Director identifiers are being introduced largely because of phoenixing concerns
Recent reform proposals continue to target harmful phoenix activity, with the Government seeking to improve transparency, enforcement and creditor protection. A key proposal is the introduction of unique director identifiers, intended to make it easier for regulators and creditors to trace a director's involvement across multiple companies and identify repeat business failures.

Information sharing between Inland Revenue and Companies Office
The Companies Office and Inland Revenue now have mechanisms for information sharing where serious misconduct is suspected. This specifically includes potential breaches relating to phoenix companies.

Source: Companies Act 1993, Ministry of Business, Innovation and Employment

Shareholder current accounts

Outstanding shareholder current account balances have become an increasing focus for Inland Revenue. Recent legislative changes are intended to strengthen accountability, improve creditor outcomes, and discourage long-term use of company funds for personal purposes.

Why do shareholder current accounts matter?
Shareholder current accounts are common in closely held companies and record amounts owed either by the company to a shareholder, or by the shareholder to the company. In insolvency situations, overdrawn shareholder current accounts are often a significant company asset that liquidators seek to recover for the benefit of creditors.

Inland Revenue identified significant unpaid balances
Inland Revenue reported that almost 15% of companies removed from the Companies Register between April 2019 and early 2025 had outstanding shareholder debts. Collectively, these companies were owed more than $2 billion by shareholders at the time of removal.

Unpaid shareholder loans now create a tax consequence
From 4 December 2025, unpaid shareholder loans and overdrawn current accounts become taxable income to the shareholder six months after a company is removed from the register. Previously, drawings and shareholder loans were not generally taxable to the individual. The rule also extends to loans made to associates and close relatives of shareholders and directors.

Increasing focus on director and shareholder accountability
The reform reflects a wider regulatory trend toward improving corporate governance and discouraging situations where shareholders continue to benefit from company funds while creditors remain unpaid. The change is intended to encourage earlier repayment of shareholder debts and stronger financial discipline.

Implications for insolvency practitioners
While the reform may encourage repayment of shareholder debts, there is some uncertainty around how it may affect liquidation recoveries and settlement negotiations. Questions remain regarding the treatment of partially settled shareholder debts and whether some shareholders may prefer a future tax liability over immediate repayment.

Improved outcomes for creditors
We consider the change to be a constructive step towards encouraging the responsible management of shareholder loan accounts. If it leads to improved repayment behaviour, and fewer insolvencies, the overall effect is likely to be positive for creditors.

Source: Deloitte Tax, Inland Revenue consultation: Officials Issue Paper - 4 December 2025

Insolvency insights

Formal insolvency activity remains elevated despite improving economic conditions. Ongoing financial pressures, tax debt and Inland Revenue enforcement continue to contribute to business failures.

Monetary relief is being offset by renewed inflationary pressures

While lower interest rates have supported the recovery, the benefits have been tempered by renewed inflationary pressures and economic uncertainty. Many businesses remain financially stretched after several challenging years and may not have fully benefited from earlier rate reductions. As inflation concerns persist, insolvency risk is likely to remain elevated for highly leveraged and cashflow-constrained businesses.

Inland Revenue enforcement remains a key driver of insolvency activity

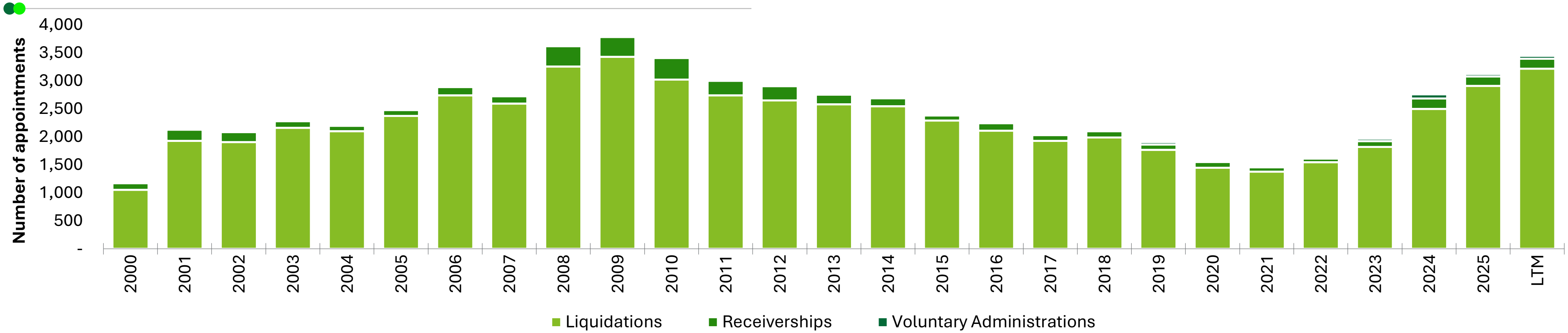
Inland Revenue continues to take a firmer approach to debt collection through increased use of automation, credit reporting and targeted enforcement actions. Businesses with significant tax arrears and limited engagement are increasingly being referred for stronger recovery measures. As a result, tax debt is expected to remain a significant contributor to formal insolvency appointments throughout 2026.

The post-COVID unwind of "zombie" companies continues

The elevated number of Court liquidations and Official Assignee appointments suggests that the post-COVID business clean-up remains ongoing. Many companies that survived through creditor support, deferred obligations or accumulated tax debts are now reaching the end of their viability. Increased enforcement activity is continuing to drive the exit of these businesses from the market, contributing to elevated insolvency levels.

* We note for completeness that the data used in our analysis does not capture entities other than companies, such as Limited Partnerships or Incorporated Societies.

Formal appointments | 2000 - 2025 annually & Last 12 months (LTM)

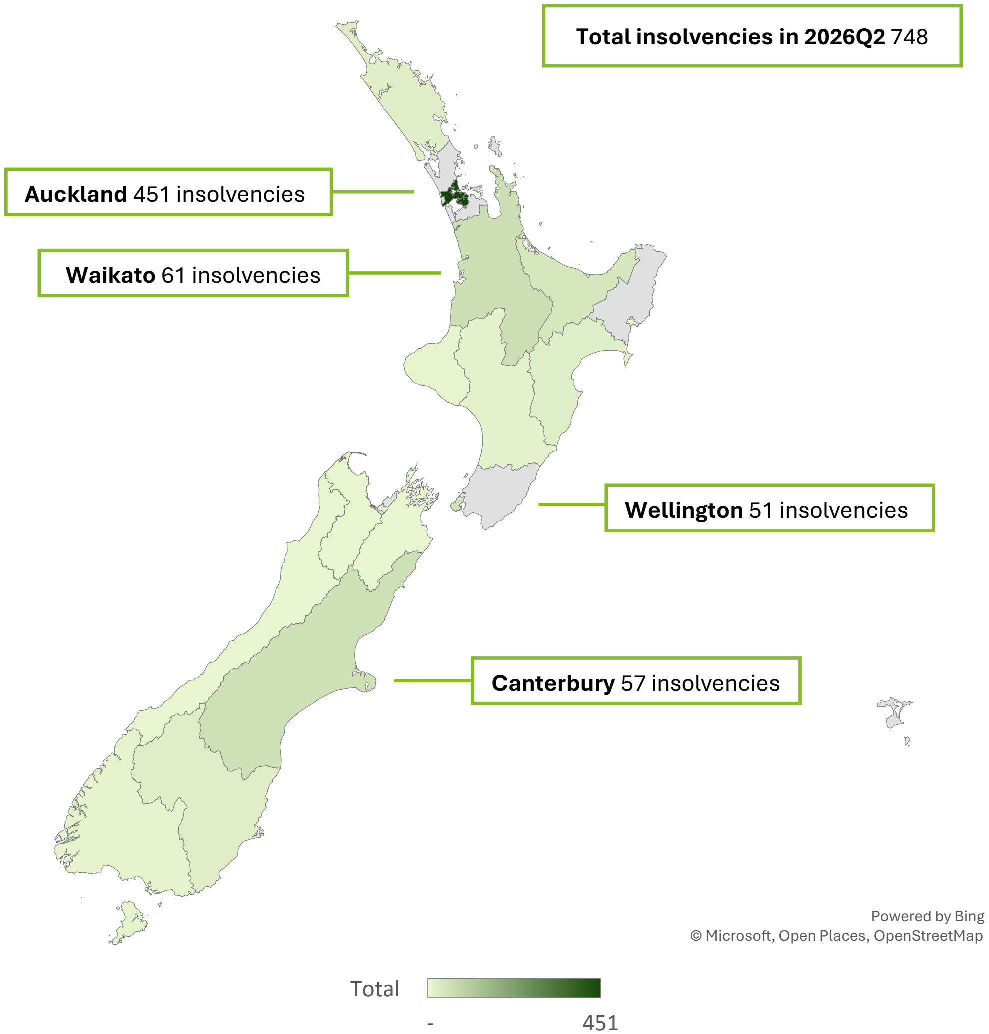


Source: Companies Office

Insolvency insights

Auckland, Waikato, Wellington and Canterbury were the top 4 regions in terms of total insolvency numbers, resulting in 82.9% of all insolvencies occurring in these four regions. Both the construction and hospitality sectors continued to show distress across all major regions.

Insolvency types by location | 2026 Q2



The **total number of insolvencies** across New Zealand in 2026 Q2 was 748. Of these, liquidations made up 94.9%.

Auckland had the greatest number of insolvencies (60.3%), followed by **Waikato** (8.2%), **Canterbury** (7.6%) and **Wellington** (6.8%).

Construction remained the most distressed sector across all four regions (22.2% of total insolvencies). Of the total insolvencies in each region, construction made up 23.5% in **Wellington**, 23.0% in **Waikato**, 22.8% in **Canterbury**, and 20.0% in **Auckland**.

Accommodation & Food Services also showed stress across the sector (13.2% of total insolvencies). Of the total insolvencies in each region, Accommodation & Food Services made up 14.0% in **Canterbury**, 13.7% in **Wellington**, 13.1% in **Waikato**, and 11.8% in **Auckland**.

Source: Companies Office