



Road to Resilience: Insights From The 2024 Annual Turnaround Survey

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The Australian economy is experiencing a complex period characterized by high interest rates, elevated insolvency rates and a strong stock market. Interest rates have surged to their highest level in 12 years, driven by persistent inflation, while insolvencies are at their peak in two decades.

To better understand these conflicting signals, the Turnaround Management Association of Australia (TMA) and Alvarez & Marsal (A&M) conducted a survey of stakeholders from various sectors, including lenders, advisors and business leaders. This survey sought to gather insights into the current market conditions and the specific challenges faced by industries such as construction, renewable energy, private healthcare, retail and mining.

A Murky Market Outlook

To provide context to the survey responses and A&M's experts views, here is a quick snapshot of the current macroeconomic backdrop:

Consumer Inflation

Everything is pricier post-Covid. CPI at 3.8% in June has receded from the December 2022 peak of 7.8% but remains significantly higher than the average inflation of 1.7% for the six years before the pandemic

Wage Inflation

Hiring costs remain close to a decade-high of 4.2% reached last December. In June, annual wage inflation stood at 4.1%, nearly double the six-year pre-Covid average

Interest Rates

The cost of interest payments has risen sharply, consuming cash and impacting borrowers' ability to refinance or sell. It is also harder and more expensive to raise finance and sell a business. As of August 2024, the Reserve Bank of Australia (RBA)'s cash rate of 4.35% is the highest in 12 years, up from a low of 0.1% in April 2022

Unemployment Rates

Filling vacant roles has become more challenging and costly. The unemployment rate in July was 4.2%, slightly above the all-time low of 3.5% reached in late 2022, yet still well below the pre-Covid average of over 5%

Key Insights

1. **Input inflation, wage inflation and interest rates were the clear leaders in the**



greatest challenges facing businesses over the next 12 months, across all sectors. However, in a sign of uncertainty, there was no consensus on the direction these will take from here.

- 2. 37% of the respondents expect a recession within 12 months, with another 16% predicting it within 24 months.** If a recession occurs, 77% anticipate growth in the market for operational turnarounds, 85% expect an increase in financial restructuring, and 87% foresee expansion in the insolvency market.
- 3. Participants ranked construction, engineering and infrastructure as the industry most likely to be under extreme stress in the next 12 months (24%),** followed by travel, hospitality and leisure (18%) and retail, consumer goods and services (17%).
- 4. Most participants believe that organisations should focus on cash management (63%) and cost reduction (57%) to address market challenges.** Respondents also think businesses should enact debt restructurings and change management, but they see companies keeping these at a much lower priority at the moment.
- 5. Whilst turnaround directors aren't routinely seen as being a solution for companies,** 40% of survey participants expect them to be used much more in the next 12 months.
- 6. Around 30% of respondents indicated that safe harbour is delivering better outcomes for stakeholders** and they expect to see more situations where this protection is used.
- 7. Providers of finance to distressed situations are most likely to be specialist credit funds and private credit funds** given their ability to use their experience and risk tolerance to deliver value, whilst also generating appropriate returns for that risk.

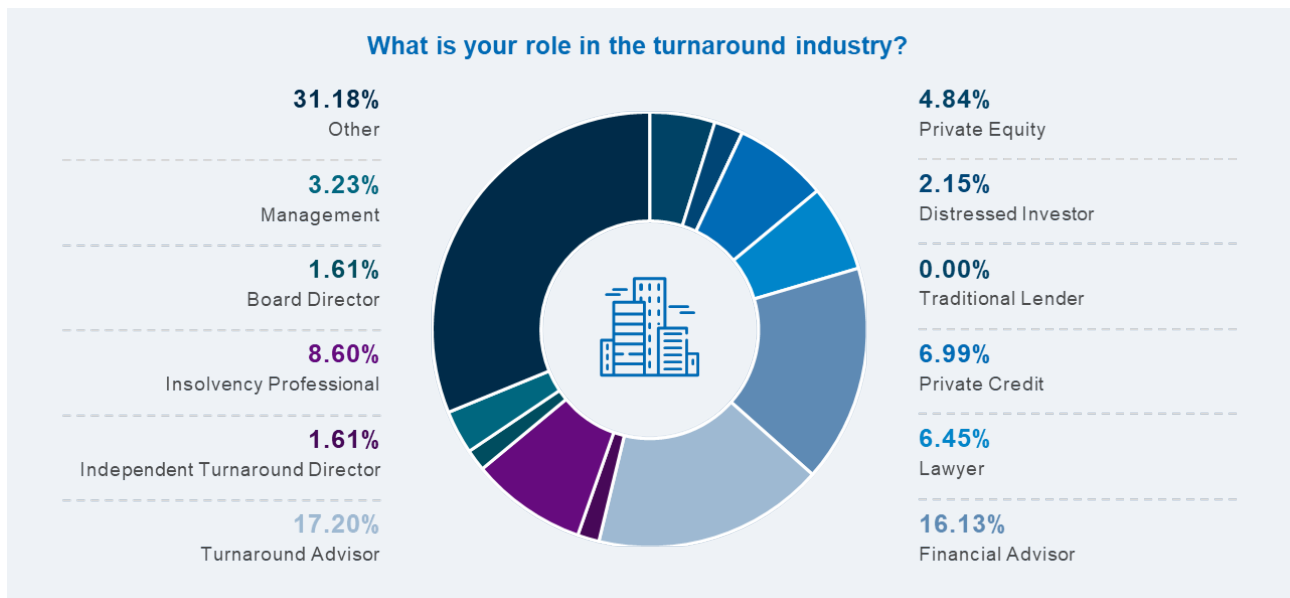


Road to Resilience: Insights From The 2024 Annual Turnaround Survey

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Annual Turnaround Survey

A&M, in conjunction with the Turnaround Management Association, surveyed professionals in the turnaround, restructuring and insolvency space in Australia to gather their views on the industry's outlook.



How A&M Can Help

Leading companies, investors and public organisations turn to Alvarez & Marsal (A&M) to drive significant results with practical approaches that work versus theoretical approaches that don't.

A&M partners with clients to address their operational, financial and regulatory



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challenges, transactional needs and to make an impact.

In an interconnected and unpredictable world where Australasian companies face disruption, financial challenges, shifting regulation, and evolving workforce and customer demands, A&M is uniquely positioned to support its clients in navigating these challenges. We act as an agent of change and as a trusted partner to enable our clients to deliver during transitional and transformational times.

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