

January 2024
Communique

Welcome to our first newsletter for 2024 filled with predictions for the year ahead and a profile of our new supervisor.

We take this opportunity to wish all our friends a Happy and Prosperous New Year for 2024.

2024 PROPERTY MARKET



With national house prices rising by more than 8 per cent last year despite constant increases in the cash rate, it is time to ponder on what will happen in 2024. The strong demand from migrants is expected to support further price increases albeit at a lower rate. The NSW State Government is attempting to ease the housing strain by introducing reforms to override council planning powers in low and medium-density areas.

Most economists are predicting a slowing in the growth rate to between 1 to 5 per cent citing borrowing capacity as the major constraint on buyers and a slowdown in house price growth in December 2023. However, a lack of housing supply across all Australian major cities will continue to provide support for a modest increase in housing prices.

Economists predict a fall in the official cash rate by the Reserve Bank of Australia by September 2024 which may ignite house price growth in the final quarter of the calendar year.

Recently acquired offices and development sites will continue to feel the costs of finance, construction, maintenance and insurance which have all increased post-pandemic times. Add to this the new regulation and legislation red tape and this property sector will be in for the hard grind with some owners being unable to survive leading to receivers being appointed.

WHAT IS IN STORE FOR THE AUSTRALIAN ECONOMY IN 2024?



As burgeoning tax receipts fill the Australian Government's coffers, the treasurer is reluctant to hand out relief to householders who are suffering from a cost of living crisis for fear that any handout would be inflationary. The good news is that the increased tax receipts have gone straight to the bottom line which has resulted in a slashing of the budget deficit to little over \$1 billion this year. The Prime Minister is looking for ideas on easing the cost of living crisis and one such idea is to halve import taxes. This would have the added benefit of reducing prices and inflation which would keep consumers and the RBA happy.

The challenges for the Australian economy continue to be low growth and high inflation.

The share market has had a slow start coming off almost record highs in December 2023 following a weak start on Wall Street. A healthy job market both here and abroad will delay any decisions on reducing interest rates.

Retailers discounted heavily in the lead-up to Christmas and the Boxing Day sales with consumers purchasing online and at stores. It remains to be seen whether discounting is sustainable in the first half of the year. Consumption is falling on a per capita basis.

Macquarie Bank's chief economist, Ric Deverell has given the Australian economy a 50/50 chance of moving into a recession as population growth slows and the monetary cycle remains tight. Stage 3 tax cuts are coming into effect in the next six months which will add to inflationary pressures in 2024. According to treasury, wages are growing at their fastest pace in 15 years. Finally, unemployment is tipped to rise to 4.4 per cent by 2025.

INSOLVENCY PREDICTIONS FOR 2024



Small Business Restructuring will continue to gain popularity during 2024. High borrowing costs, a tight labour market, an aggressive tax office and reduced consumer spending will be some of the factors that will tip companies into insolvency.

Construction companies will continue to be one of the hardest hit in 2024 as increased costs of finance and building materials, government regulations and red tape continue to eat into profits. Supply chain impacts including the Panama Canal conflict will further affect the construction industry.

In the 2023 financial year, there were 7,942 insolvencies where companies entered into external administration or a controller was appointed. In the first half of the 2024 financial year, 4,293 businesses have already collapsed and with the ATO ramping up its court action this quarter, 2024 may outperform 2023 for insolvencies. More than two-thirds of the ATO's collectible debt of \$50b is owed by small businesses which will take advantage of the small business restructure regime.

Accommodation, food services including restaurants and cafes and retail services will be some of the worst hit by the fall in consumer spending.

INTRODUCING OUR NEW STAFF



Julian Lam is our newest staff member to join our Helm Advisory team as a Supervisor. Having worked with a variety of assignments since 2017, he enjoys the challenges and satisfaction that a career in insolvency brings. He brings with him expert case administration experience and staff management. When he is not working, he is somewhat of a foodie, liking to explore new varieties of food. Julian is also an avid movie buff and likes to catch up with the latest flicks.

We can help you now

If you have clients who are experiencing difficulty in paying their debts and/or need to restructure their business, please contact me.



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