

July 2022
Communique

Welcome to the new financial year and our July newsletter which considers the possibility of Australia entering into a recession and also announces our first conference in Bali.

OUR FIRST HA-ASSIST CONFERENCE IN BALI



Yes, Bali is warmer... come join us July 27, 28, 29

Over three years ago we identified some future challengers for SME insolvency firms in finding trained insolvency staff when the employment market was contracting for SME professional service firms in Australia.

We created a new business to initially support our Sydney office called HA-Assist located in Tangerang, a suburb of Jakarta which is close to the international airport.

Now, not only does HA-Assist provide trained staff for Helm but HA-Assist has expanded to support a number of firms across Australia. We now have 25 personnel in our four-story modern office, all IT connected to service Australia.

So what about Bali? On the 26th to 28th July 2022, HA-Assist are holding a conference in a five-star resort, Hotel Nikko Bali Benoa Beach. We have invited fellow SME client accounting firms to meet our Indonesian Jakarta based staff.

There will be two mornings of short and sharp presentation sessions covering a range of current issues and business commerce topics, including governance, legal processes and insurance risk, just to name a few.

Join us for social organised events in the afternoons or explore the island yourself..

The HA-Assist conference is open to all our friends of Helm and fellow IP colleagues.

Chase the warmth in July and join us in Bali. For further information, please contact Michael Chin at michael@ha-assist.id.

Bali Brochure

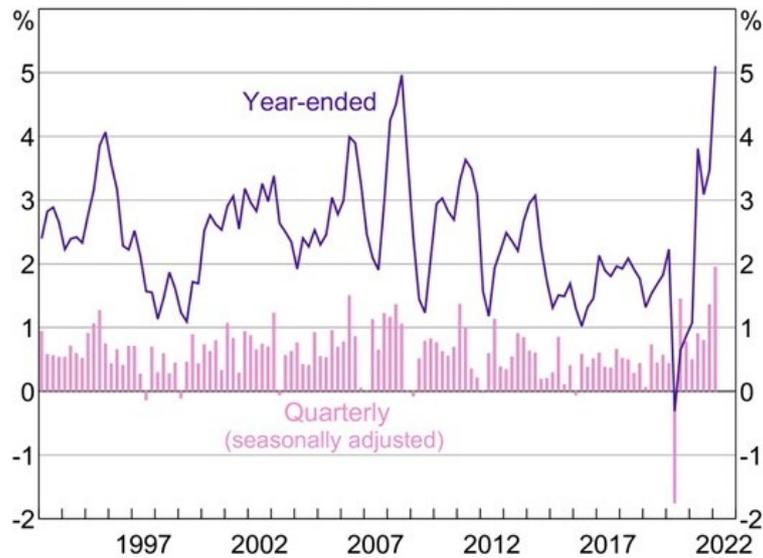
ARE WE ENTERING INTO A RECESSION?



We are living in very different times to any period in recent memory as we emerge from a pandemic, floods in the East Coast of Australia and war in Ukraine. The war in Ukraine has affected oil and gas prices around the world together with agricultural products and fresh produce. Supply

issues have emerged from China as a result of its zero tolerance policy for the pandemic and lockdowns of major cities such as Shanghai.

Consumer Price Inflation*



* Excludes interest charges prior to the September quarter 1998; adjusted for the tax changes of 1999–2000.

Sources: ABS; RBA

After many years under control by the central banks, inflation has raised its ugly head and the central banks are reacting quickly with sharp interest rate increases to bring it back under control. The question is whether the central banks are able to negotiate a soft landing using the blunt tool of interest rates or does the world enter into a recession? How far will the central banks need to increase rates? The Federal Reserve has indicated that a monthly rate increase of 50 basis points will be on the menu to arrest inflation with an expectation that interest rates will increase to 4%. The RBA may have to follow this lead.

As a result of inflation, consumers are being hit in the back pocket and with full employment in Australia, wage earners are in the box seat to demand wage increases. This of course leads to wage inflation which together with price inflation is the perfect recipe for a recession.

RBA Index of Commodity Prices

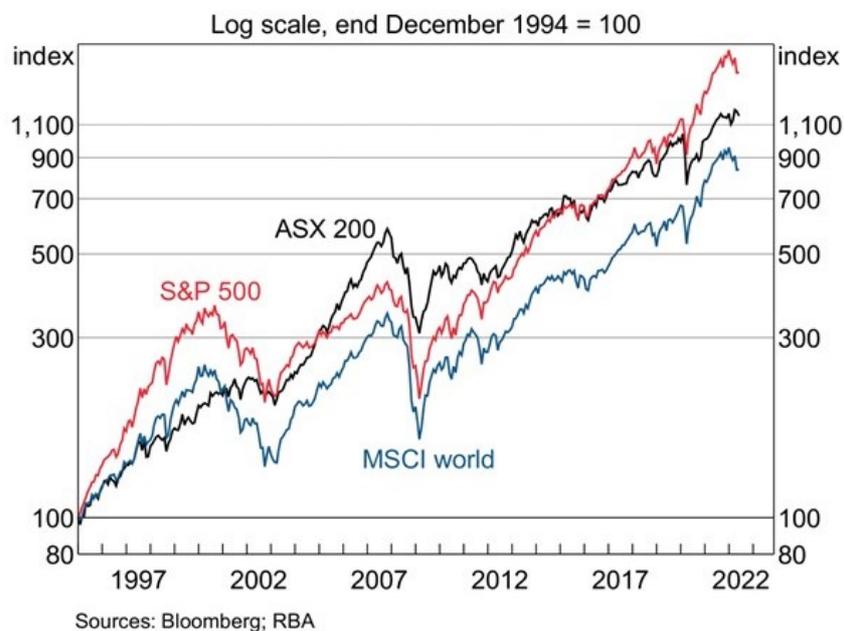
SDR, 2020/21 average = 100, log scale



Source: RBA

However, Australia is in an enviable position with strong commodity prices and record savings during the pandemic. Our record real estate prices will fall as the cost of borrowing rises with each successive interest rate hike. The issues for Australia is how the recent house owner copes with the increases in their mortgage repayments and how businesses cope with increases in their loans and overdrafts. Ultimately the interest rates will bite harder and consumer confidence will drop leading to a drop in demand for discretionary products. Perhaps only have one coffee a day and skip the avocado toast for morning tea? Unfortunately, some will suffer a lot harder with defaults on housing loans and business loans becoming more common. The banks' delinquencies will inevitably rise on the back of successive interest rate hikes.

Share Price Accumulation Indices



Equity markets are a good indicator of market sentiment and we are seeing a lot of volatility in both the US and Australia. Global liquidity is destined to shrink as the central banks tighten money supply. The share market will be abandoned as returns decrease in favour of increasing bond yields. Equity valuations are likely to come under pressure. Are we heading for a bear market in 2022?

However, desperation should not set in as typically recessions only last an average of 10 months. Much of the recovery depends on the end of the Ukraine war and the improvement in productivity from China. China may be able to assist us from entering into recession should they enter a growth phase and require our commodities.

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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