Australian Late Payments

Late payment times down 25% in FY2018

Late payments hit record low in 12 months to June

The average late payment time for an Australian business fell to a record 11.0 days during FY2018, according to illion's latest analysis. The June quarter average represents a 24.9 per cent annual drop, down from 14.6 days in the prior corresponding period. The percentage of businesses paying their bills on time was 70 percent.

"A strong cash position in the business sector has seen late payment times fall 25 per cent through FY2018 to be at a record low 11 days. A solid pace of economic growth, low interest rates and low wage costs are giving firms ample cash reserves to pay their accounts in a timely manner."

Stephen Koukoulas
illion Economic Adviser

"Late payment times resumed their long-term downward trajectory in FY2018, having increased during the preceding 18 months. A healthy cash flow is important to all companies, but even more so for small business, so an improvement in late payments across sectors and regions is a positive sign for the Australian economy."

Simon Bligh
illion CEO

Tasmania fastest region at 8.5 days

Retail worst sector at 14.5 days

Late payment times down 25% in FY2018

Prompt payments hits 70%

Late payments fell throughout FY2018

Australian businesses continue to reduce the time taken to settle outstanding bills, with illion's latest analysis revealing the average late payment time for an Australian business has fallen to 11.0 days. The June quarter average represents a 24.9 per cent annual drop, down from 14.6 days in 2017.
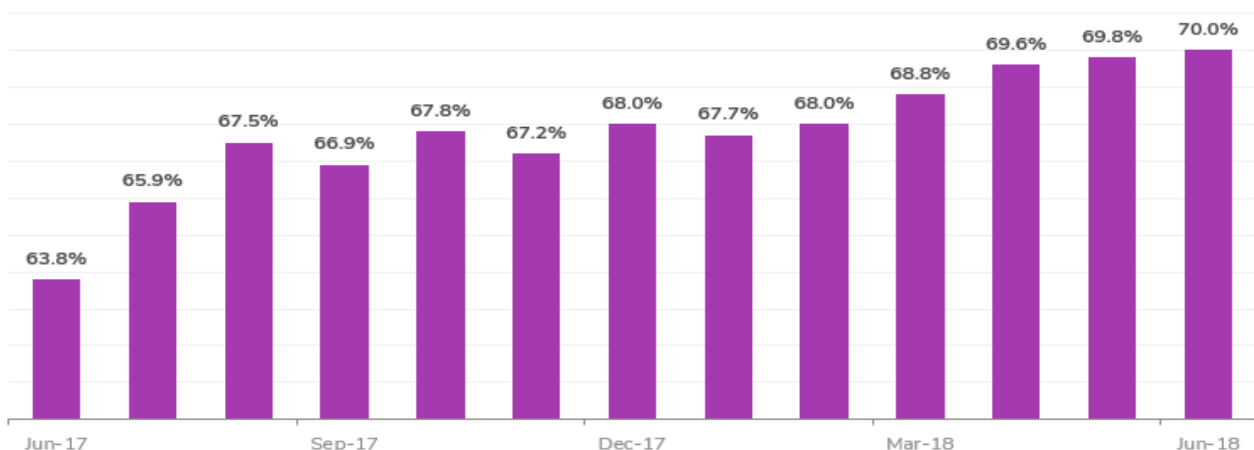
Late Payment times down 25% in FY2018

June 2017: 14.6 DAYS

June 2018: 11.0 DAYS

> **Record low interest rates and low wages growth are leaving most businesses cash rich, even if the average level of firms selling prices remains contained. It is noteworthy that the decline in late payments in recent years reflects broadly the decline in interest rates over those years.**

Stephen Koukoulas
illion Economic Adviser

Prompt Payments 12 months to June 2018

63.8%   65.9%   67.5%   66.9%   67.8%   67.2%   68.0%   67.7%   68.0%   68.8%   69.6%   69.8%   70.0%

Jun-17   Sep-17   Dec-17   Mar-18   Jun-18
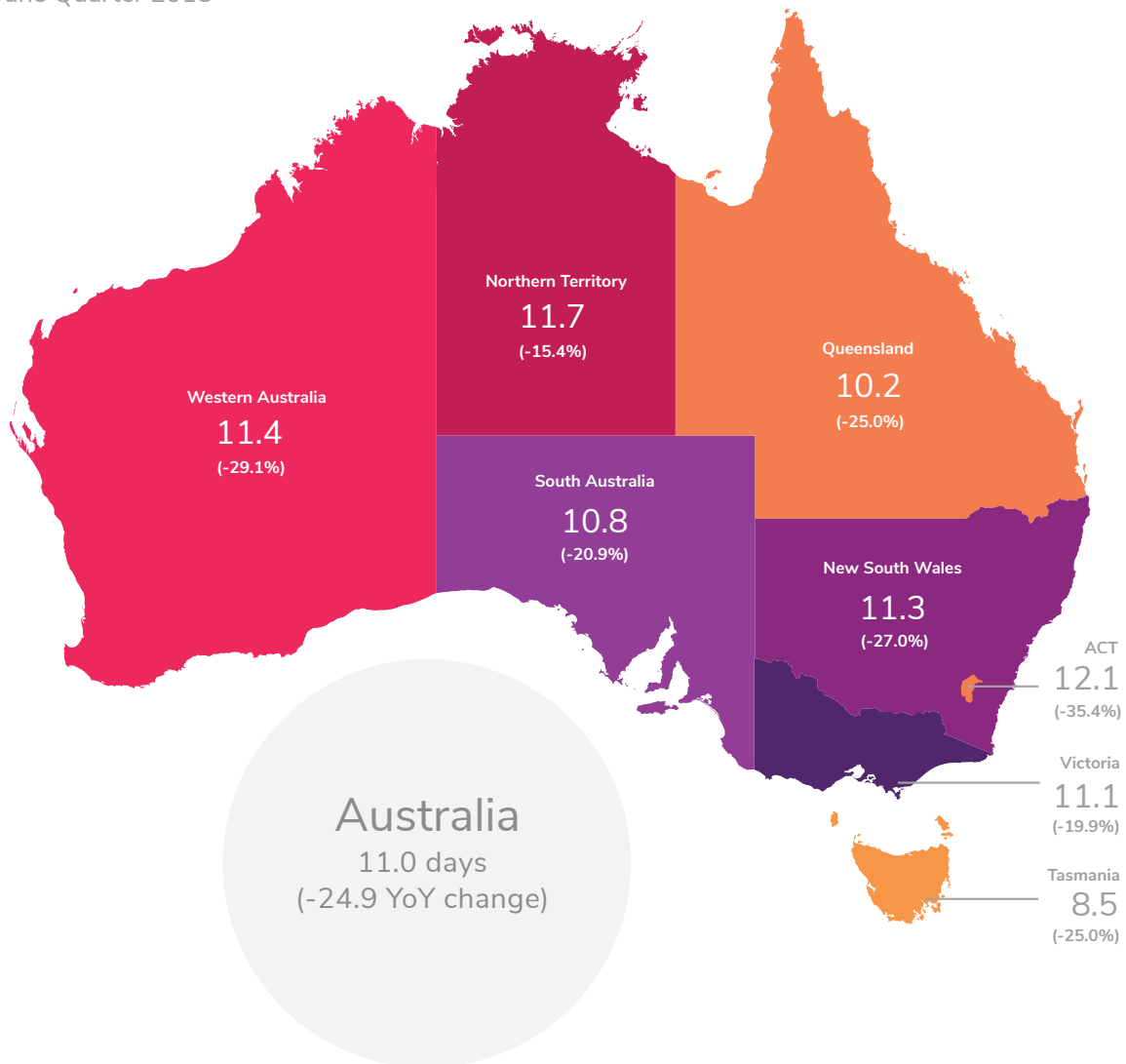
Late Payments by Region

Tasmania is comfortably the quickest region for paying overdue invoices, with an average time of 8.5 days. The ACT remains the slowest-paying region, although it made a significant dent during the year, cutting its late payment average by 35.4 per cent to 12.1 days.

" **By region, there was remarkably small variance between the states and territories in terms of late payment times. With a large government sector, late payment times were highest in the ACT while the sharp lift in economic activity in Tasmania over the past two years has seen late payment times drop to just 8.5 days, which is the lowest in Australia.** "

Stephen Koukoulas
illion Economic Adviser

Late Payments by Region
June Quarter 2018

Northern Territory
11.7
(-15.4%)

Queensland
10.2
(-25.0%)

Western Australia
11.4
(-29.1%)

South Australia
10.8
(-20.9%)

New South Wales
11.3
(-27.0%)

ACT
12.1
(-35.4%)

Victoria
11.1
(-19.9%)

Tasmania
8.5
(-25.0%)

Australia
11.0 days
(-24.9 YoY change)

Late Payments by Sector

Late payment times fell across all sectors in FY2018, with construction and communications industries standing out among major industries for significant reductions of 26.2 per cent and 28 per cent respectively. Businesses operating in the forestry sector reduced late payments by a remarkable 49 per cent. Retailers continue to struggle, recording the lowest decline and retaining their position as having the slowest late payment time.

Late Payment times by Sector: June 2018
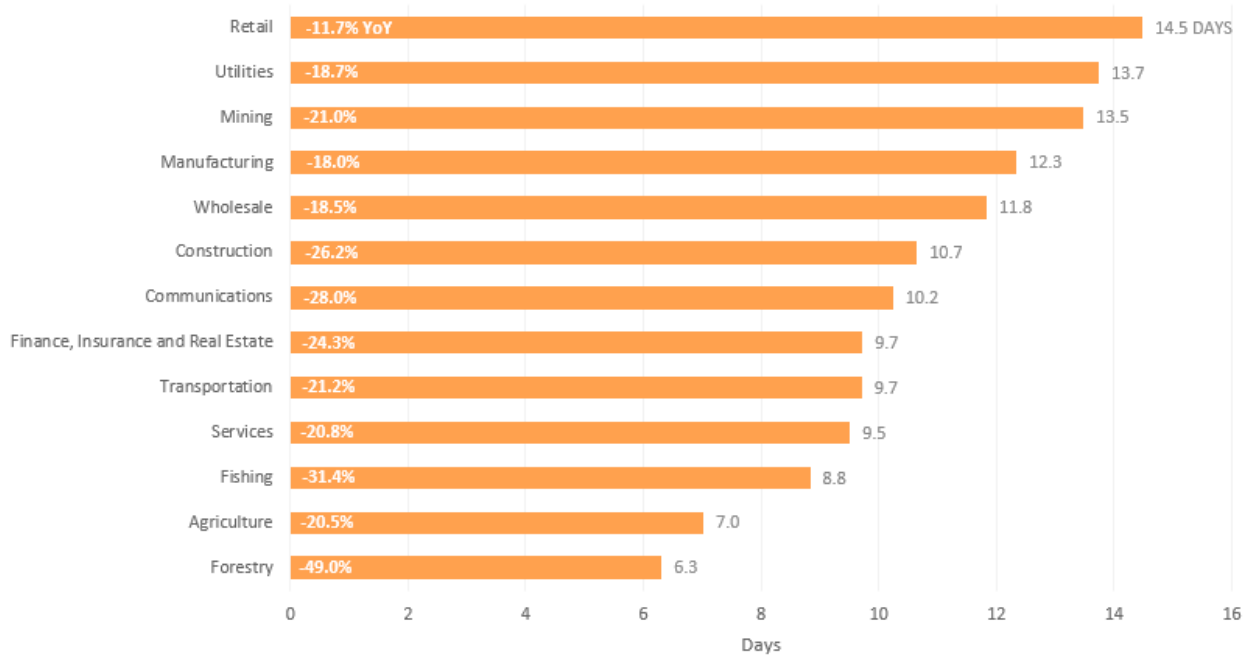
> **Heavy price discounting and new entrants to the Australian economy continue to pressure the retail sector, which at 14.5 days has the longest late payment average. Large falls in late payments were recorded in finance, insurance and real estate, and construction, two areas that remain buoyant even though there are signs the housing market started to soften in the first half of 2018.**

Stephen Koukoulas
illion Economic Adviser

Our methodology

Late Payments analyses trade information from illion's Commercial Bureau, the largest database of business-to-business payment information in Australia, capturing more than one million entities. Monthly trade transaction files are collated and advanced analytics is used to provide a summary of how late entities pay for goods and services after payment is due. Late Payments provides a quarterly report with a breakdown according to sector, size, age and location of entities.

Business-to-business payment information reveals how an organisation is paying its existing obligations. It is a highly predictive data set and a critical element in credit risk scores and business failures forecasting. The predictive nature of trade data combined with its monthly availability enables businesses to properly assess credit risk with real time information.

To learn more about how your business can participate in and benefit from illion's trade data program, get in touch with us via the details below.

Have a question? Contact us today.

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