

| September Quarter Analysis 2018

Australian Late Payments



Late Payments at historic low

Late payments hit record low in 12 months to June

Australian businesses are paying overdue bills in the fastest time on record, according to illion's analysis for the September quarter 2018. The average time taken to settle a late payment now stands at the historic low of 10.4 days, down 17.7 per cent on the prior corresponding quarter. Disparities remain, however, with a gap of 6.7 days between the large and small businesses.

“Late payments are an indicator of the financial health of the business sector, with low payments times associated with sound conditions. The most recent data, which shows late payments times falling to a record low, confirms strong cash flows in the business sector. A mix of low interest rates and well contained cost increases are encouraging firms to pay their bills in a speedy fashion.”

Stephen Koukoulas
illion Economic Adviser

“Over past few years the Small Business and Family Enterprise Ombudsman, under Kate Carnell's leadership, has driven a concerted effort to raise late payments as a key issue impacting small businesses across Australia. It appears to be paying off, as payment times have consistently decreased across all industries and sectors. We're still seeing wide variance across industries and regions, but that's to be expected as late payments remains one of the most accurate predictors of economic stress and risk of business failure.”

Simon Bligh
illion CEO



Late payment times
lowest on record



ACT records annual
drop of 23.1%



Retail worst sector
at 13.5 days



Prompt payments
rise to 72%

Late payment times continue to fall

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 10.4 days. The September quarter average represents a 17.7 per cent year-on-year decrease, down from 12.6 days in September 2017.

Late payment times at lowest level on record



“With the economy expanding at a decent pace and profitability in strong shape, many businesses are in a strong cash position. It is a favourable mix of news that has seen late payments decline. Assisting the move to lower late payments has been the remarkable structural change in the payments system, encouraged by technological evolution where invoices and reminders can be automated, and direct debits made rather than posting cheques.”

Stephen Koukoulas
illion Economic Adviser

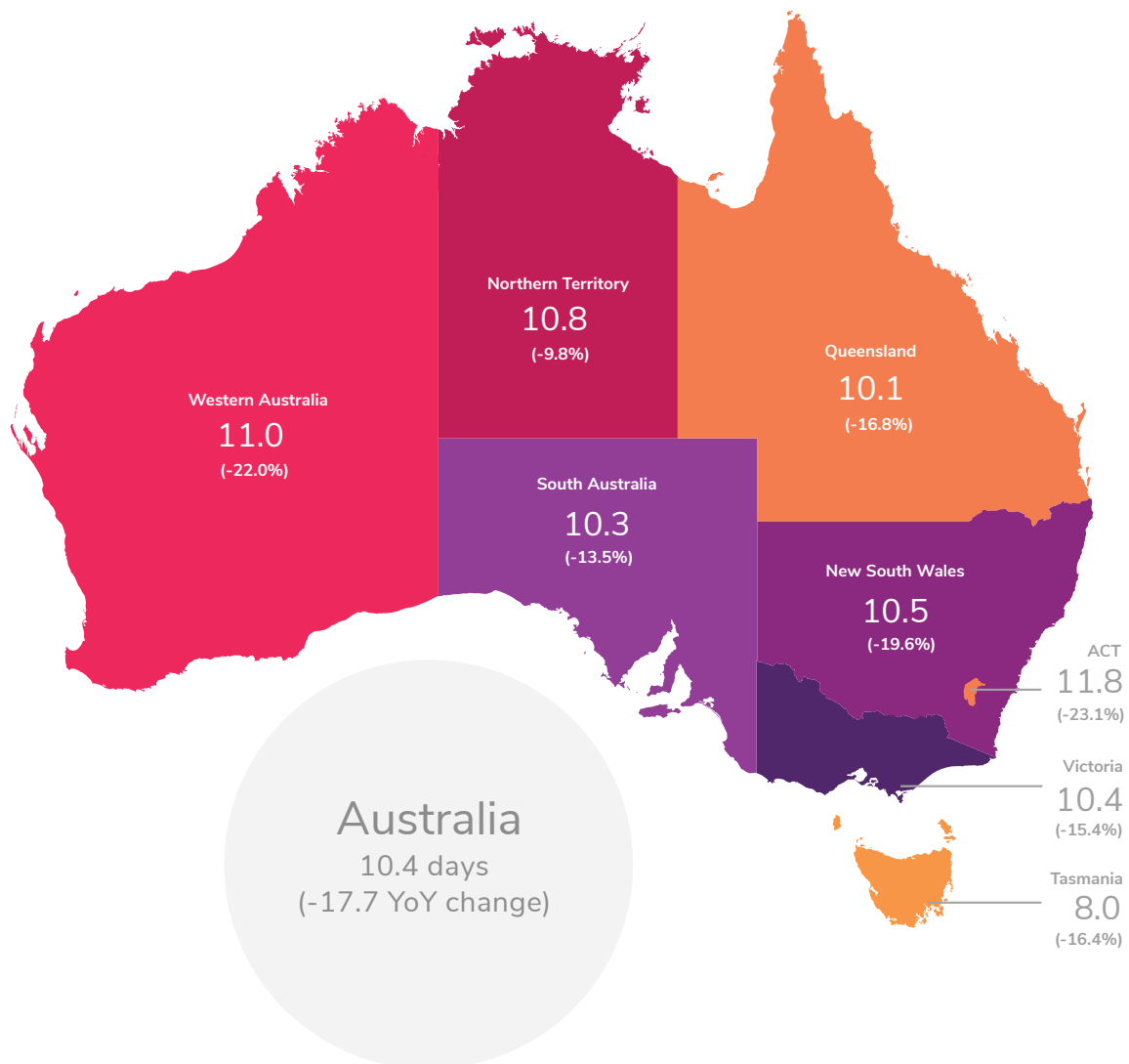
Late Payments by Region

The ACT remains cemented as the worst late payment region. The national capital did reduce times by the largest year-on-year percentage, however, with its September quarter average falling 23.1 per cent to 11.8 days, compared to 15.4 days in September 2017. Tasmania, the fastest region at 8.0 days, has now seen its average time drop by 62.6 per cent over the past five years.

“ While the ACT continues to have the highest level of late payments, government policies aimed at speeding up bill payment has seen it record the largest fall in late payment times over the past year. This is welcome news. Tasmania has registered the lowest late payments which, no doubt reflects the remarkable turnaround in its economic fortunes over the past two years. The state has recorded strong economic growth, a sharp lift in business activity and significantly lower unemployment. ”

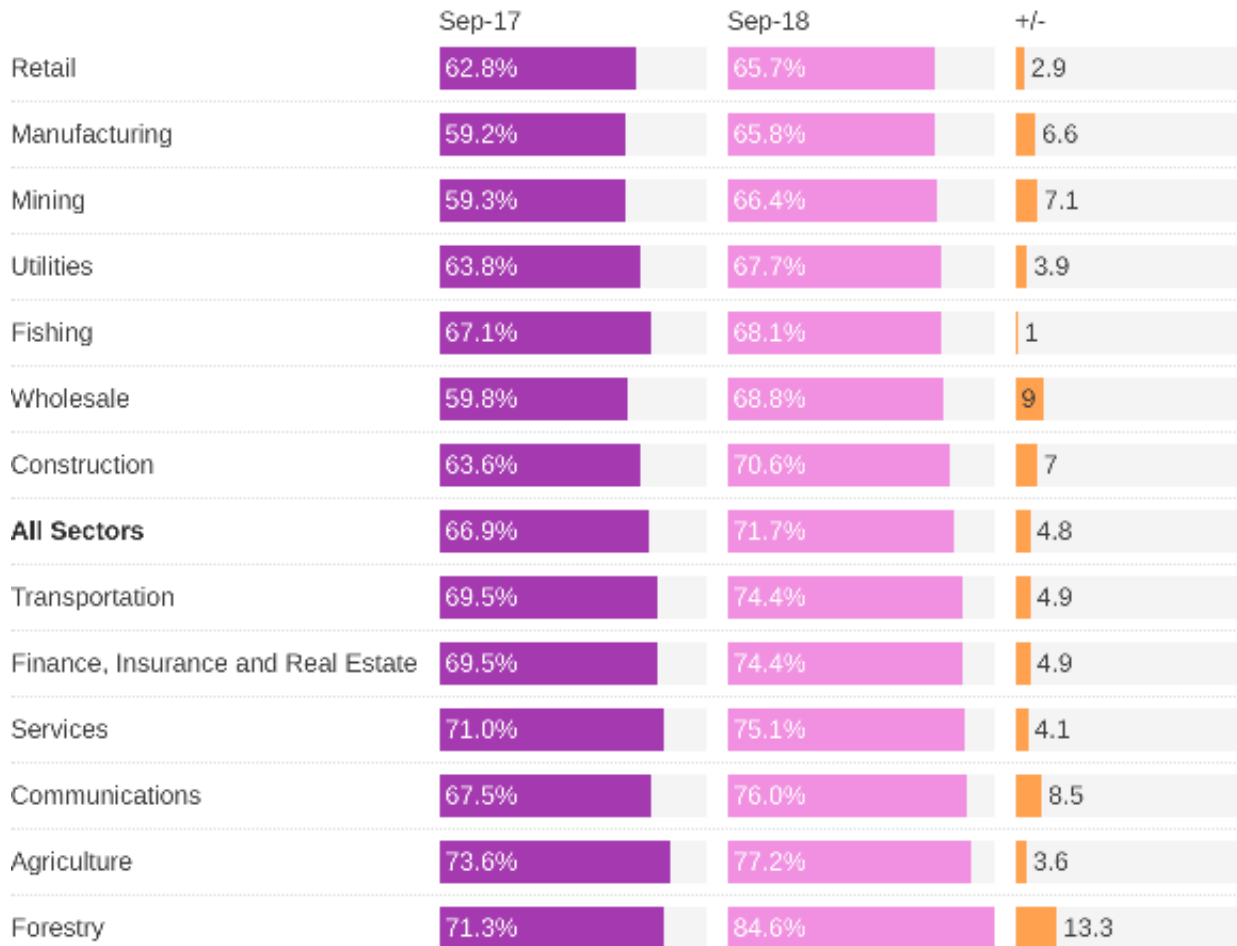
Late Payments by Region
September Quarter 2018

Stephen Koukoulas
Illion Economic Adviser



Prompt Payments

Reflecting the quarter's record low late payment average, the percentage of businesses paying their bills on time reached a new high of 71.7 per cent (September 2017: 66.9 per cent). This represents a significant injection of capital entering the economy faster.



'Prompt Payments' represents the percentage of invoices paid on time

“ The favourable economic conditions in the September quarter saw prompt payments rise 4.8 percentage points. There was an improvement in all industries, with the forestry, wholesale and communication sectors registering the largest increases. In absolute terms, the industries with the highest level of prompt payments are forestry, agriculture, communications and services. The severe drought across large parts of Australia appears not to have had a material impact on prompt payment times in agriculture, where they actually rose over the past year. ”

Stephen Koukoulas
Illion Economic Adviser

Late Payments by Sector

In line with our recent Business Failures analysis, retailers continue to struggle, recording the worst late payment time among all industries at 13.5 days. Despite lagging other sectors, retail businesses still saw late payments decrease by 14 per cent year-on-year. Companies operating in the utilities sector weren't far behind at 13.3 days, while the forestry sector was fastest at 5.5 days. Retailers have had the worst late payment average for every quarter so far in 2018.

Late Payment times by Sector: September 2018



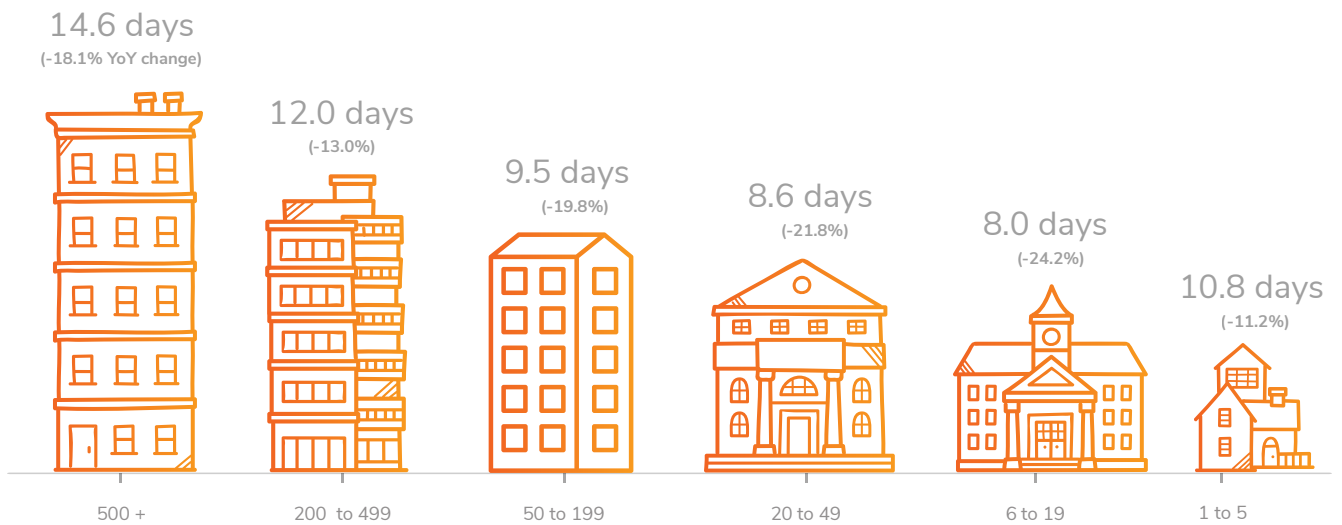
“ In the context of weak wages growth, high levels of household debt and signs of weakness in housing, late payment times remain highest in the consumer sensitive retail and utilities sectors. These trends are likely to remain in the near term. Late payment times for mining have fallen sharply over the past year as the sector has registered a strong lift in activity on the back of buoyant commodity prices. ”

Stephen Koukoulas
Illion Economic Adviser

Late Payments by Size

The difference between the best and worst late payment times, according to business size, remains indicative of the power imbalance highlighted by the Small Business and Family Enterprise Ombudsman. The largest businesses remain well behind Australia's smaller entities. At its most extreme this amounts to a difference of 6.7 days, with the average for companies with more than 500 employees currently at 14.6 days, while businesses with between 6 and 19 employees average 8 days.

Late Payments by Company Size - September Quarter 2018



“ There has been little change in the trend which shows that late payments tend to be higher in large firms. It is noteworthy that late payments rose in micro firms (1 to 5 employees), possibly a reflection of weakness in the small business sector, which is linked to the decline in house prices and the availability of credit. ”

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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