

| March Quarter Analysis 2019

Australian Late Payments



Lowest level for March quarter payments on record

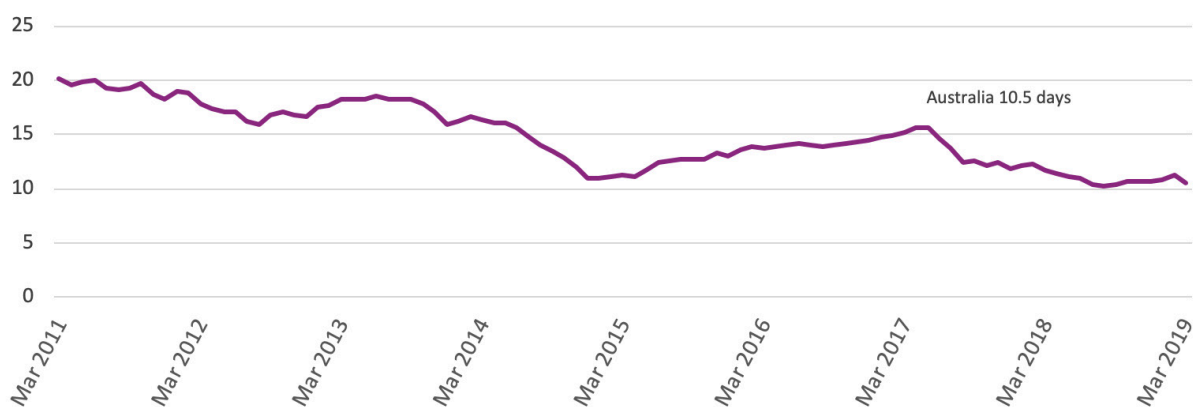
Late payments remain low by historical standards, falling to 10.5 days in March 2019, compared with 11.7 days a year ago. This is the lowest level for March late payments on record. While the current level of late payments remains near historical lows, this is vulnerable to a further slowdown in the economy. There are signs that the economy is cooling, both in the official data and in the latest illion Business Expectations Survey, which showed a decline in the outlook for business activity.

Note there is some seasonality in the late payments series which means the best guide to trends is looking at changes over a year.

“ The low interest rate climate is currently aiding corporate cash flows, which is a critical element that is contributing to lower levels of late payments. Business costs are also being contained, with labour costs being held back in line with weak wages growth. These lower costs are feeding into improved profits and lower late payments. ”

Stephen Koukoulas
illion Economic Adviser

Late Payments - March quarter 2019





March late payments
lowest on record



Forestry sector has
highest level of
prompt payments



Public administration
improves on late payments



Overall, smaller
firms continue to
pay more promptly

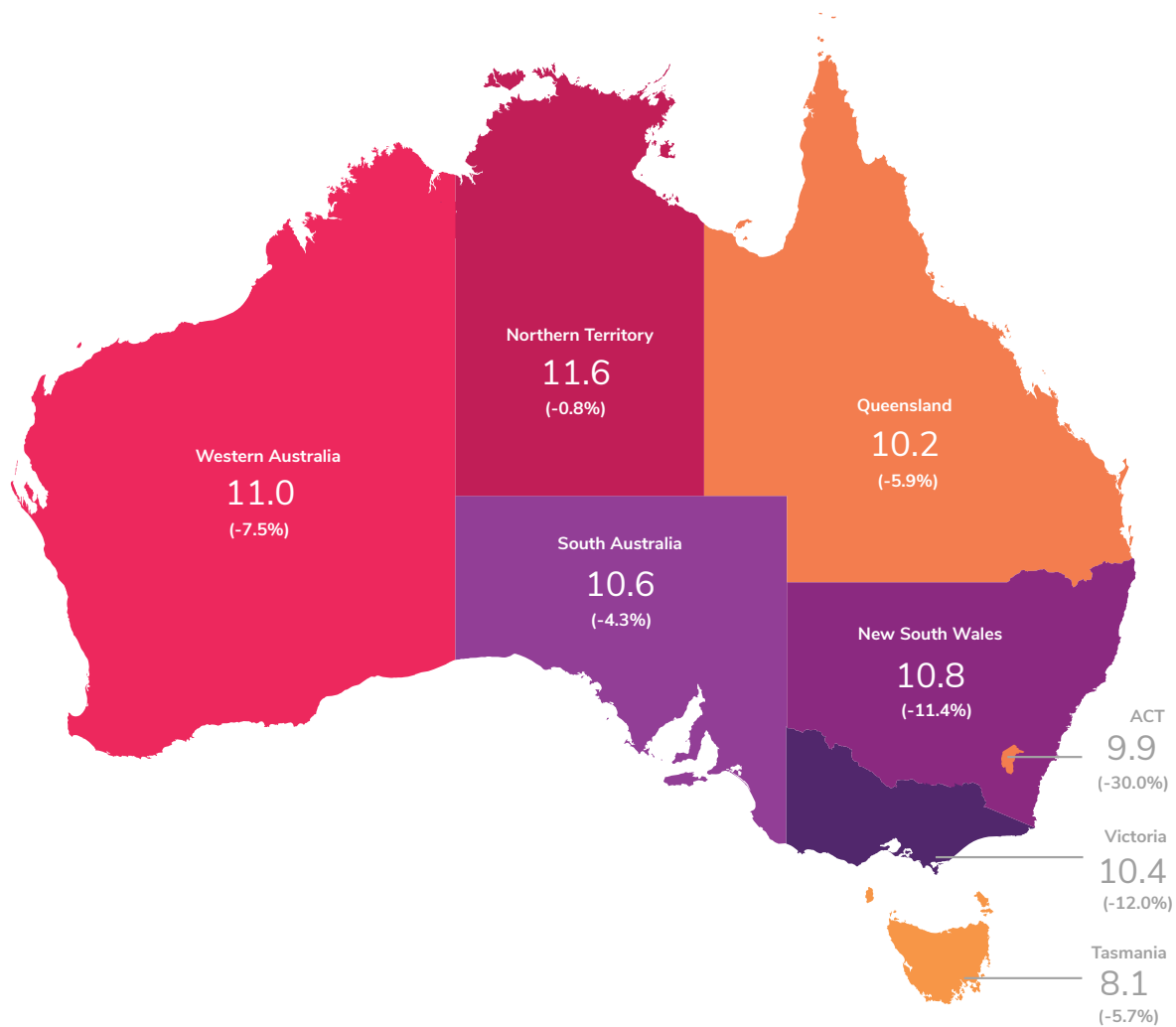
Late Payments by State

Reflecting the relative strength on the economies of Tasmania and the Australian Capital Territory, these jurisdictions had the lowest late payment days in March 2019. The fall in the ACT is driven in large part by the decline in payment times in public administration. The economic slump in Western Australia and the Northern Territory, linked to the end of the mining investment boom, saw these areas record the highest level of late payments.

“ Technological advances in banking are also playing a part in lowering late payments, although it is difficult to calculate the exact impact of these changes. Banking over the internet means near instant payment times, as opposed to the former practice of writing cheques, having them posted and then taken to the bank and deposited. ”

Stephen Koukoulas
Illion Economic Adviser

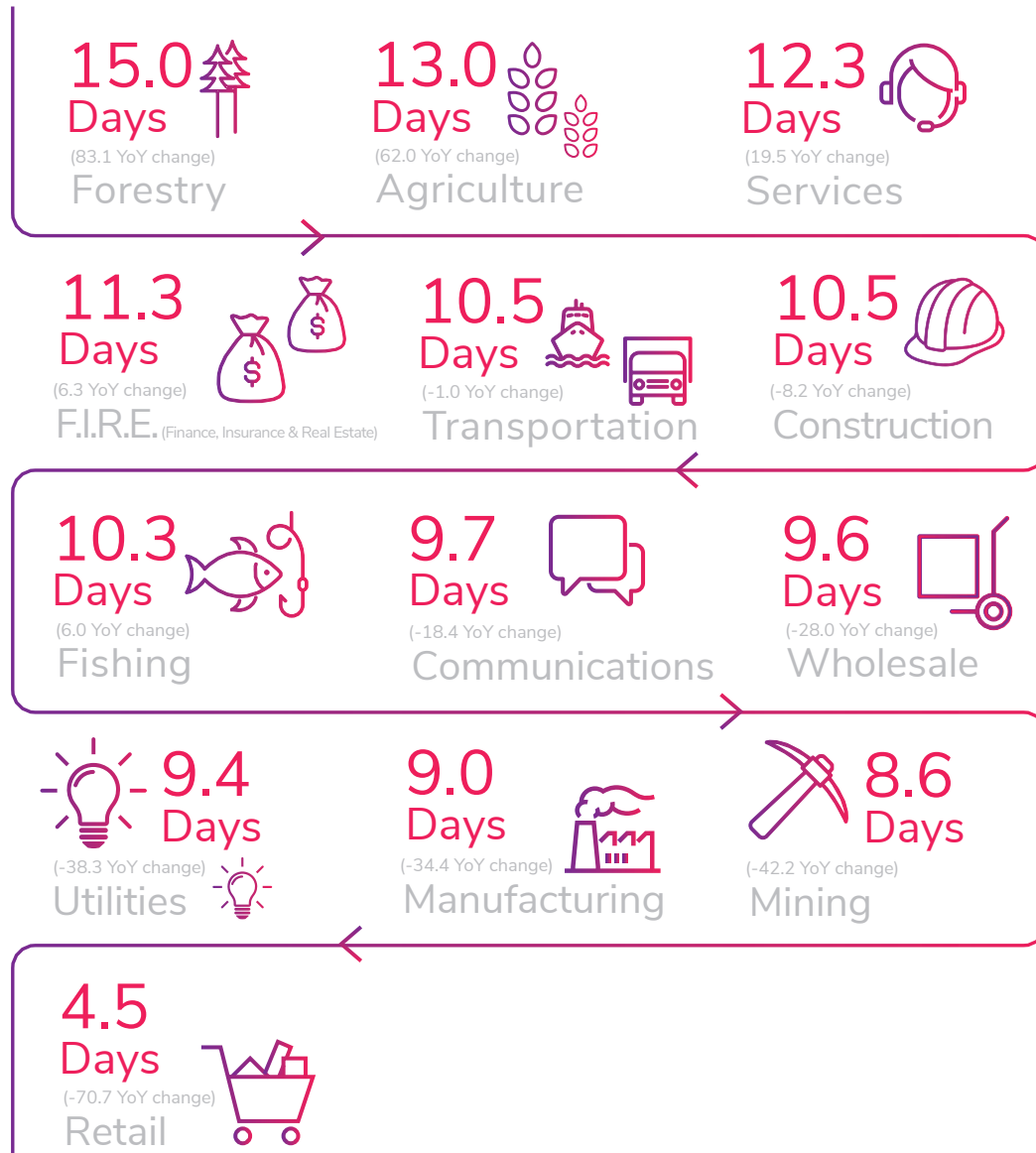
Late Payments by State
March Quarter 2019



Late payments by Sector

On an industry basis, the annual decline in late payments was broad-based, with only two sectors registering higher late payments. There were sizable falls in late payments in public administration, electricity, gas/sanitary services and mining. The severe drought across much of Australia has seen late payments in agriculture rise however, and there was a also a small rise in the fishing sector.

Late Payments by Sector - March Quarter 2019



“ It is encouraging to see the decline in public administration payments, which has been notoriously slow in paying invoices. This is likely to reflect a government initiative to streamline payment processes. ”

Stephen Koukoulas
Illion Economic Adviser

Late Payments by Size

Over the year, late payments fell across businesses of all sizes. It remains the case that larger firms are the slowest payers, while smaller firms tend to pay more promptly. The trend to lower late payments seen over the past year was evident in firms of all sizes.

Late Payments by Company Size -March Quarter 2019



“ The low interest rate climate is currently aiding corporate cash flows, which is a critical element contributing to lower levels of late payments. Business costs are also being contained, with labour costs being held back in line with weak wages growth. These lower costs are feeding into improved profits and lower late payments. ”

Stephen Koukoulas
Illion Economic Adviser

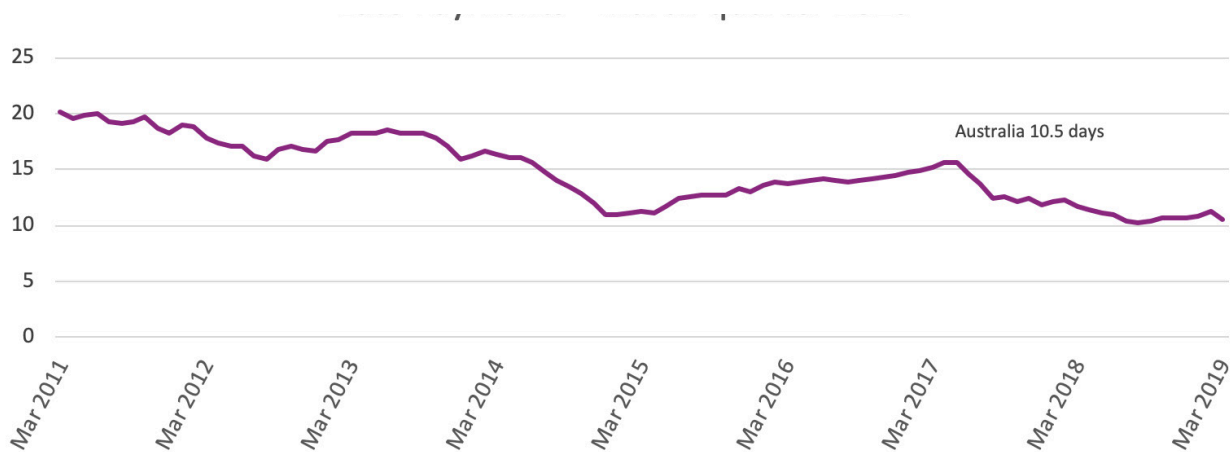
Prompt Payments

It remains noteworthy that only 71.4 per cent of firms pay their invoices promptly, that is, within the terms set. The forestry sector has the highest level of prompt payments, at 83.4 per cent. The services sector has a strong level of prompt payments at 75.2 per cent, while a high level of prompt payments is also evident in communications and transport.

“ Reflecting the general weakness in consumer spending, the retail sector had the lowest level of prompt payments, at just 64.4%. It is a similar picture for manufacturing and mining, which have also experienced an extended period of weak activity, with these sectors showing below average late payments. ”

Stephen Koukoulas
Illion Economic Adviser

Prompt payments by Sector - March Quarter 2019



Our methodology

Late Payments analyses trade information from illion's Commercial Bureau, the largest database of business-to-business payment information in New Zealand and Australia. Monthly trade transaction files are collated and advanced analytics 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.

Trusted Insights. Responsible Decisions.

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.

publicrelations@illion.com.au