

| June Quarter Analysis 2019

Australian Late Payments





Payment times
deteriorate 26% in
agriculture sector



Payment times in
ACT improve 24%



Payment times
improve evenly
across all business
sizes



Total payment times
achieve another
historic low

Payment times deteriorate 26 per cent in agriculture sector

The financial distress suffered by the Australian agriculture sector over the past year has been confirmed by a 26% rise in payment times. This is a reflection of the severely adverse conditions faced by drought-blighted farmers in rural areas.

This runs counter to plummeting late payment times in almost every other sector. After several quarters of downward momentum, late payments reached a new record low of just 10 days in the June quarter, despite economic conditions remaining subdued.

As the table below shows, as recently as 2011, late payments averaged 20 days. The current fall in payment times mirrors a steep decline recorded around 2014.

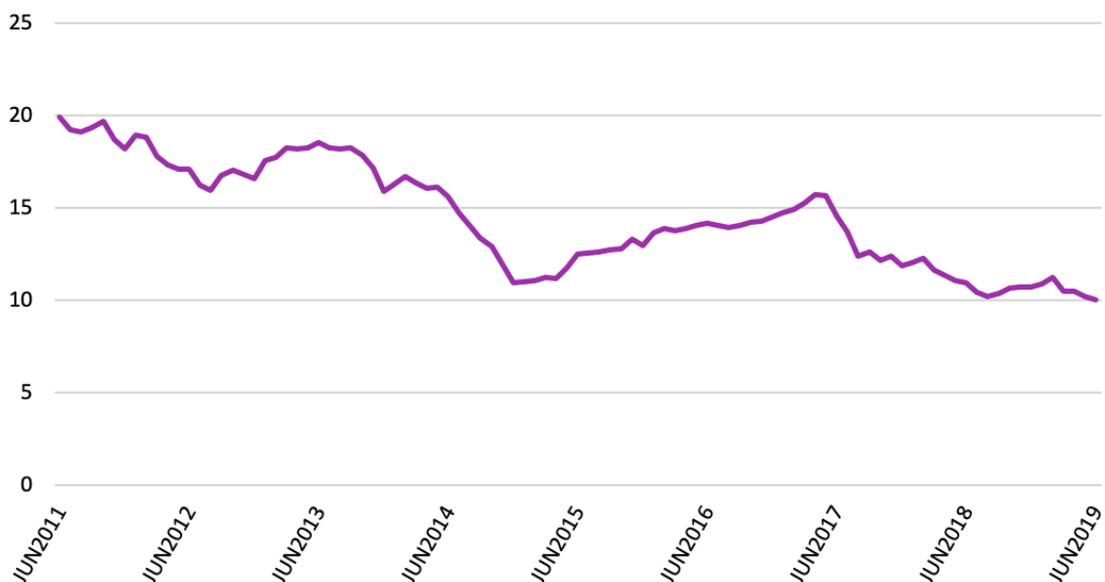
“Payment methods, linked to technological changes in the banking sector, are influencing the time firms take to pay their bills. The increased use of direct debit, for example, rather than posting cheques, is likely to have had a significant effect on late payments over the past few years.”

Stephen Koukoulas
illion Economic Adviser

“While an improvement in late payment times across the board is encouraging, our analysis clearly confirms the difficult conditions facing Australian farmers, particularly in the face of the ongoing drought.”

Simon Bligh
illion CEO

Late Payments - June quarter 2019



Late payments by sector

Looking at the data by industry, payment times were broadly down both on the previous year and the previous quarter. Only three sectors recorded higher payment times than the previous year, though one of these, agriculture, saw a rise of 26 per cent. The other two sectors that saw rises were communications and fishing, both around 7 per cent. The most noteworthy falls in payment times were for electricity, gas and sanitary services, public administration and retail trade.

Late Payments by Sector - June Quarter 2019



“Late payments fell sharply in electricity, gas and sanitary services, where prices are falling. The efforts of the Commonwealth and State governments to streamline payments to suppliers appear to have produced a 15.6 per cent fall in late payments in the public sector.”

Stephen Koukoulas
Illion Economic Adviser

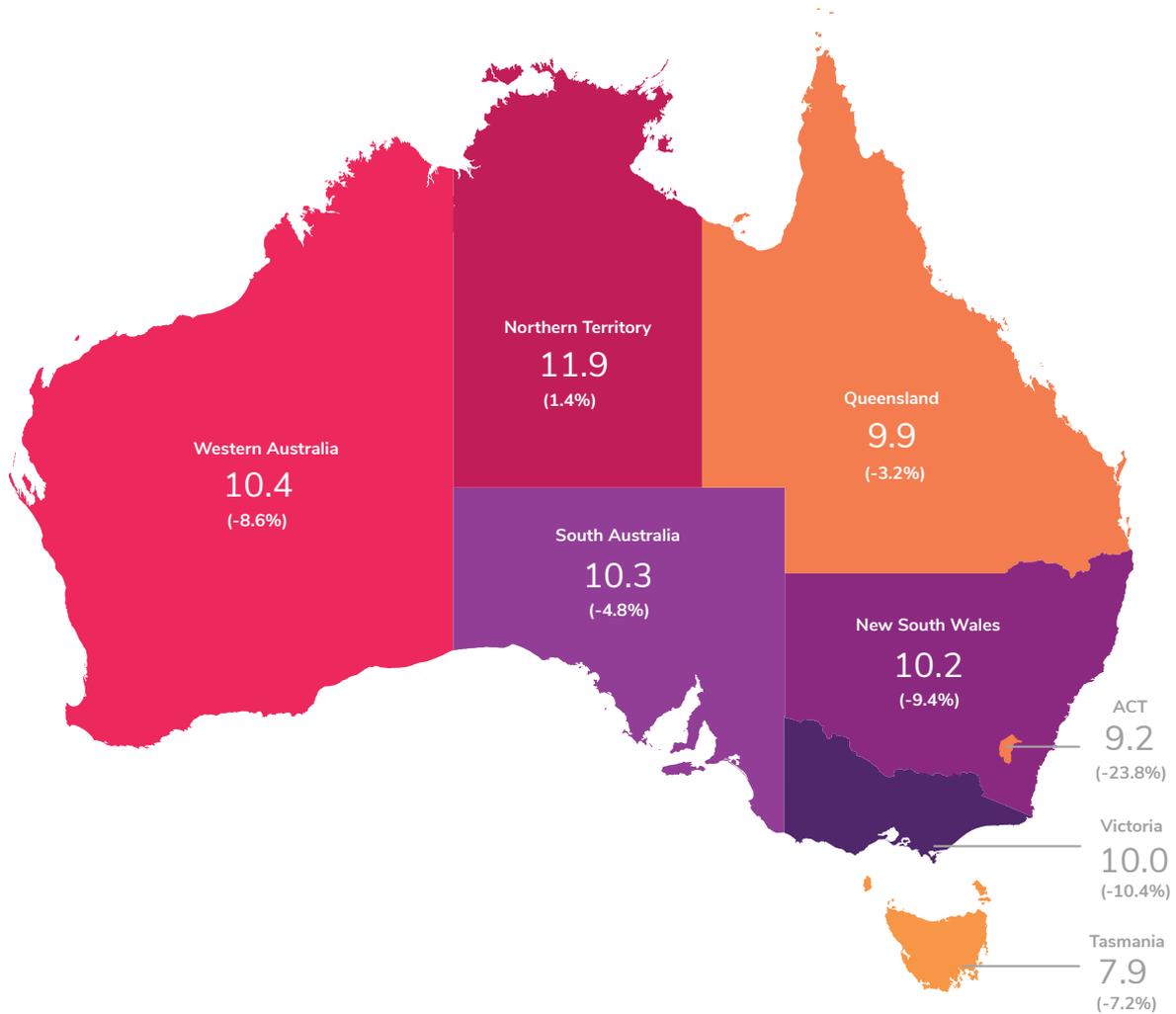
Late payments by state

Late payments were down in most states compared both to the previous year and the previous quarter, with New South Wales, Victoria and in particular the ACT doing especially well in the June quarter. The only territory to see payment times increase was the Northern Territory, which is linked to the end of the mining investment boom.

“The sharp fall in late payments in the ACT (down 24 per cent) reflects the drop in late payments in the public sector, which also influenced improvements in both New South Wales and Victoria.”

Stephen Koukoulas
Illion Economic Adviser

Late Payments by State
June Quarter 2019



Prompt payments

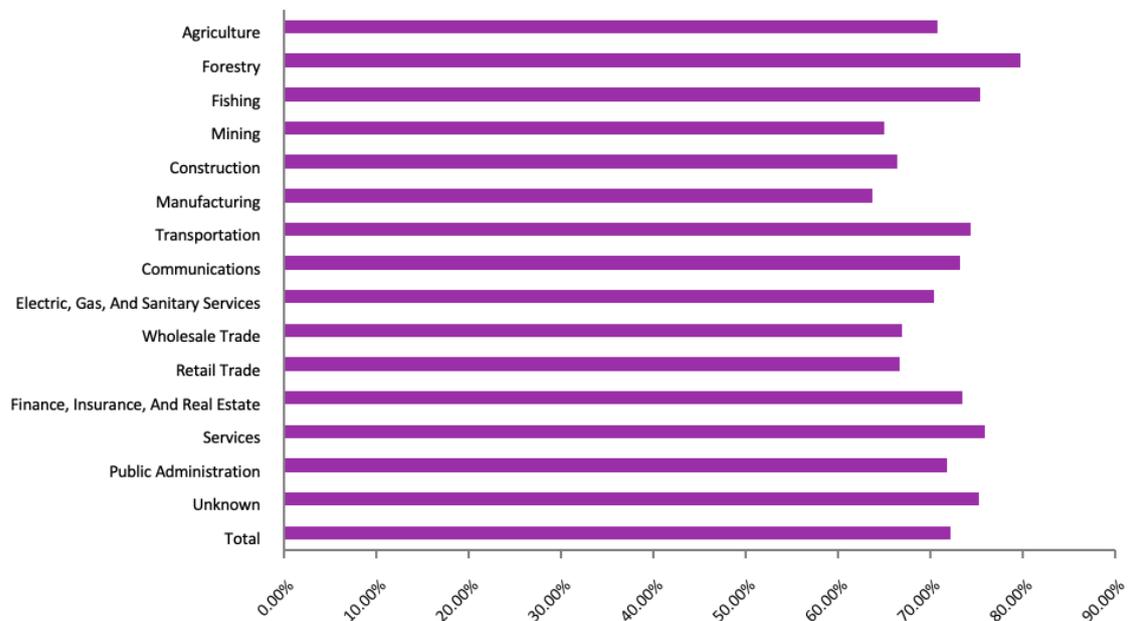
In the June quarter, 72 per cent of invoices were paid 'promptly', with the forestry sector, services and fishing leading the way. In these sectors, over three-quarters of invoices were paid promptly. Sectors with historically long payment times such as retail and construction remained low, while the adverse effects of the drought brought agriculture down below the average.

“ Reflecting broader macroeconomic trends, prompt payments in the weak sectors of retail and construction were at just 66 per cent. Over the past year, overall activity in the retail sector has been weak and this is likely to have had a negative effect on prompt payment times.

As found in illion’s Special Report into the construction sector (June 2019), payment times have been impacted more recently by the slump in residential construction, and this has seen prompt payment rates remain low. The only sectors that were weaker were mining and manufacturing, both of which are dominated by large firms which have historically had low levels of prompt payments.”

Stephen Koukoulas
illion Economic Adviser

Prompt payments by Sector - June Quarter 2019



Late payments by size

The broader fall in late payments was spread evenly across most firm sizes, with the top three decreases in payment times coming from the median, largest and smallest categories measured. Medium-sized firms saw late payments drop 12 per cent over the past year, while big business saw a 9.5 per cent fall and a similar decline (9 per cent) was noted for micro businesses.

Late Payments by Company Size - June Quarter 2019



“The fact that the falls were spread across most firm sizes suggests companies are seeing the effects of improved cash flow and low interest rates. The fall in large business payment times can be linked to pressure from the government to cut payment times from its providers and the increasing automation of payments via online banking facilities.”

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 New Zealand and Australia. 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.

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