

Late Payments

September Quarter Analysis 2019

Australia



Highlights

An hourglass with sand falling from the top bulb to the bottom bulb, symbolizing the passage of time.

Payment times continue to fall past historic lows

A close-up of a hand holding a pen over a stack of documents, representing administrative work.

Public administration reforms pay dividends

A wide shot of a dry, cracked landscape under a cloudy sky, with a wooden fence post in the foreground, illustrating the impact of drought.

Drought and trade tensions still impacting some industries

A hand holding a credit card over a payment terminal, representing digital transactions.

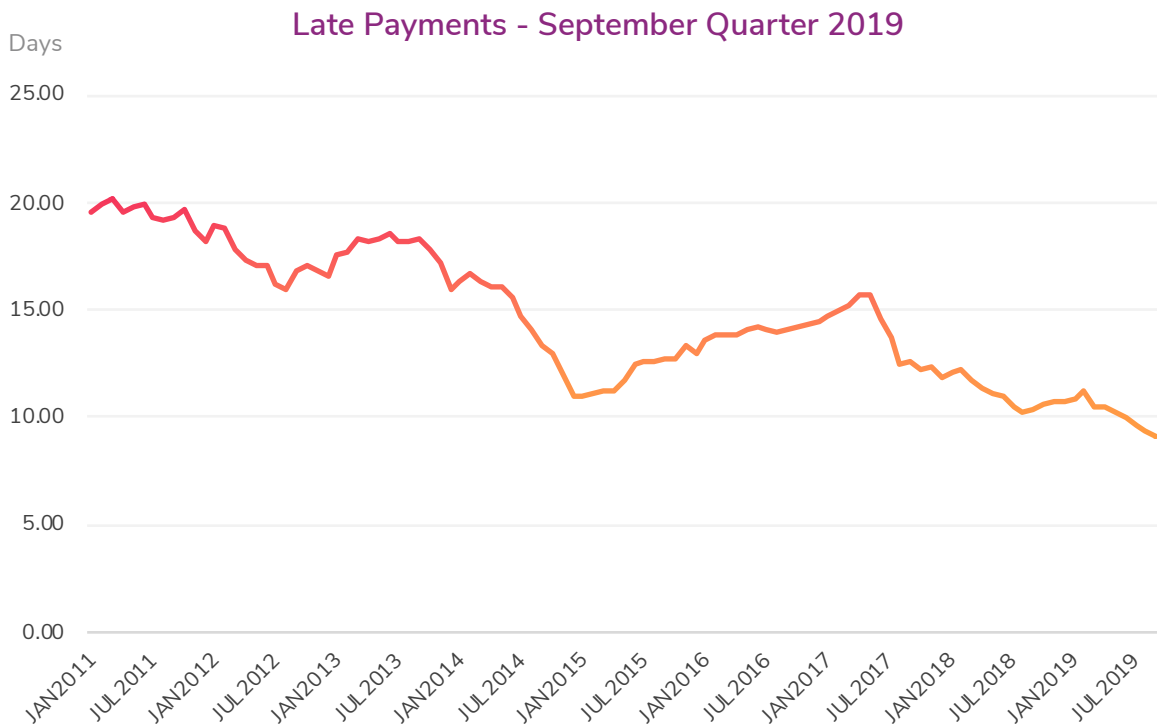
Micro business payment times improve substantially

Late payment times fall to a record low

Late payment times have fallen further through the September quarter, hitting a record low for a third consecutive quarter and bringing payment times below 10 days for the first time on record. Broad improvements in payment times across most sectors and all states drove this strong result, which flies in the face of otherwise subdued economic growth. One of the most interesting points in the data is an unexpected 20% improvement in payment times for micro businesses, setting them leagues ahead of any other size category. Another is the effect of reforms in the public administration sector, which has improved its payment times and boosted the performance of the ACT significantly.

“Late payment times fell to a new low of just 9.1 days in the September quarter 2019 as record low interest rates boosted the cash flow position of most businesses. While the pace of economic growth has been subdued through the course of 2019, businesses were able to further reduce the time late payments were made.”

Stephen Koukoulas - illion Senior Economist



“Payment times from Australian businesses are continuing to fall despite our economy being in the slow lane. This can be attributed at least in part to technological advancements for payment systems and the impact of industry-specific changes such as the recent public administration reforms.”

Simon Bligh illion CEO

Late payments by sector

Most industries saw reduced payment times both year on year and quarter on quarter, with only four sectors reporting higher payment times than this time last year.

There were sharp falls in late payments in fishing, electricity, gas and sanitary services, public administration, retail trade and construction. For public administration, this continues a welcome trend which has emerged out of government commitments to speeding up its payments processes. Historically, public administration had some of the highest late payment times and with the recent reforms, its payment times are now moving steadily closer to the average.

For the retail sector and utilities, the timing of income tax cuts and lower mortgage interest rates may have fed into improved trading conditions for those sectors.

Late Payments by Sector - September Quarter 2019

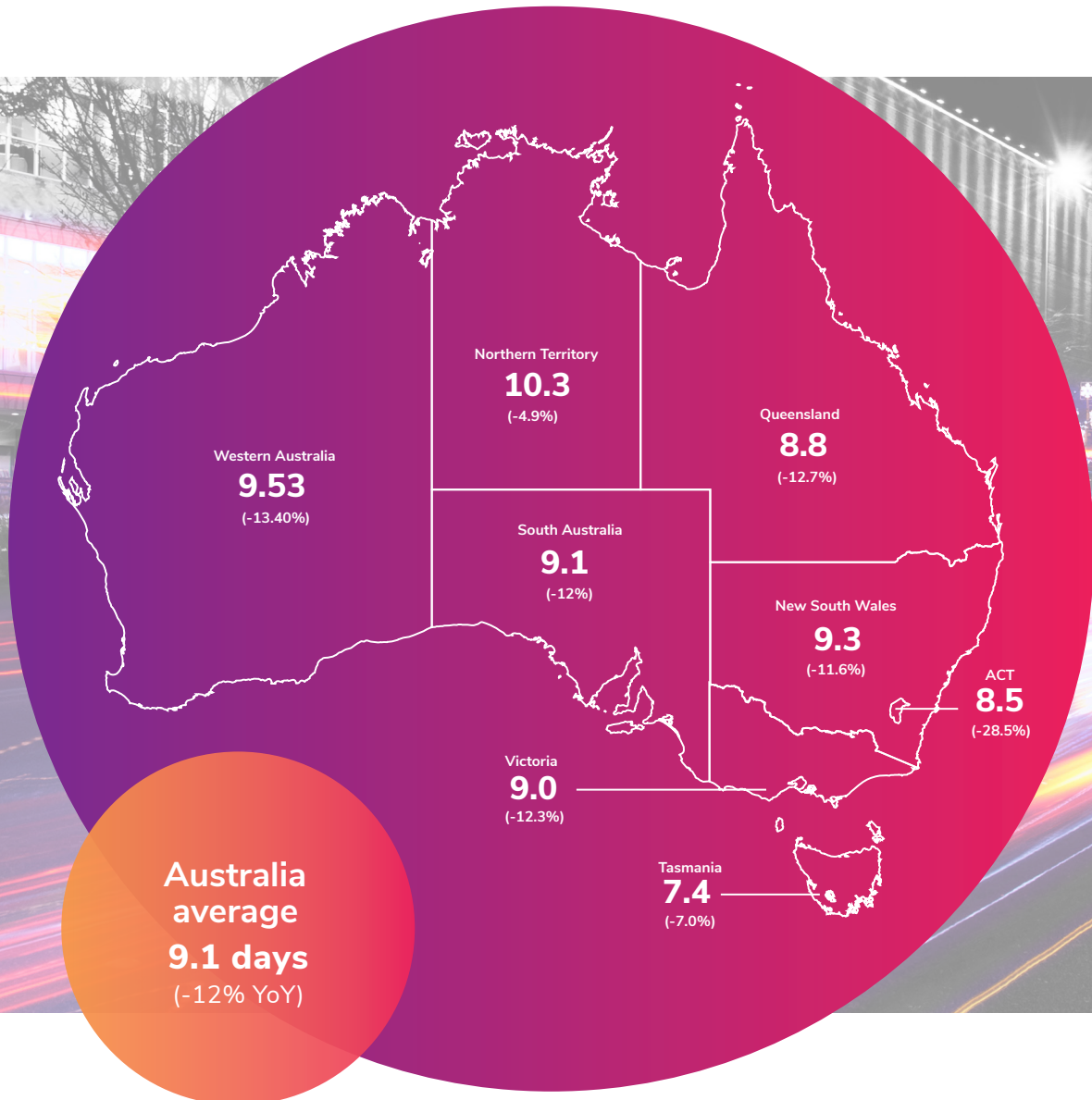


“ There were four sectors that bucked the trend of reduced payment times over the past year: communications, forestry, agriculture and mining. The severe drought gripping much of Australia is likely to have impacted agriculture and forestry, while the rise in mining was relatively small and may have been impacted by global trade tensions which has disrupted trade flows. ”

Late payments by region

The aforementioned improvements in the public administration sector have fed into the ACT's late payment figures, which saw the biggest year on year improvement out of all states and territories, the second lowest current payment times of all areas save for Tasmania.

Late Payments by Region - September Quarter 2019



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The ACT registered the largest decline in late payments over the past year in a reflection of the fall in public administration payment times. The falls in most other states were quite uniform, down by between 11.6 and 13.4 per cent, which suggests there were structural rather than area specific issues. The Northern Territory has the highest late payments and has the smallest improvement over the past year, reflecting a deep and protracted downturn in its economy.

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Stephen Koukoulas - illion Senior Economist

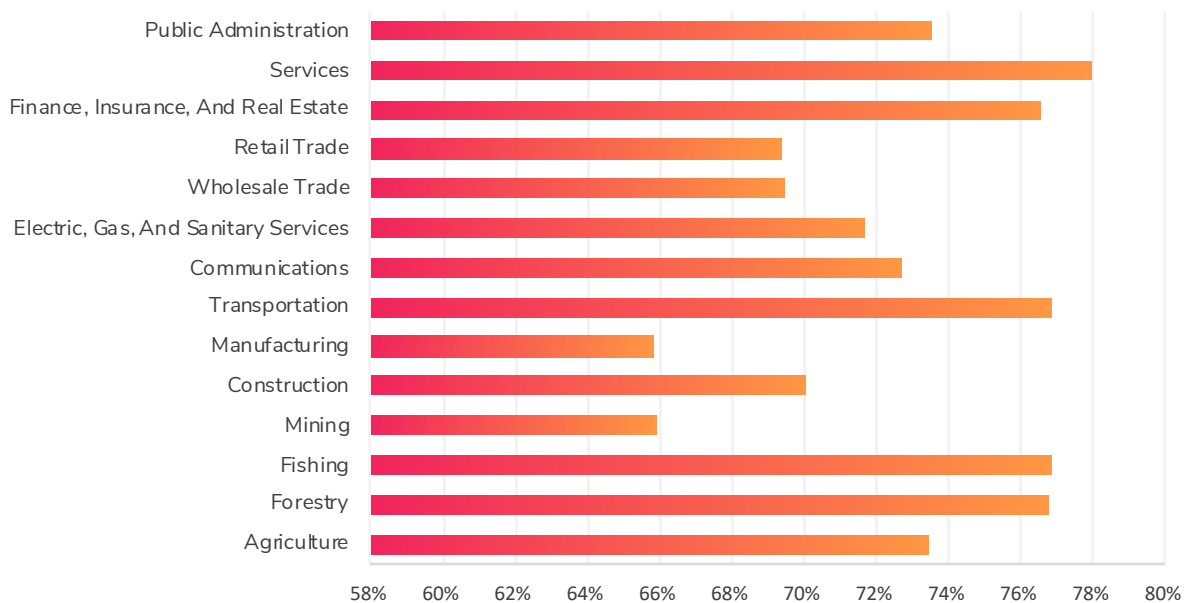
Prompt payments

The past quarter saw 75 per cent of payments being made promptly, though there was a wide divergence by industry, clearly following the trends set out in individual industries' late payment times. The services sector had the highest level of prompt payments at 78 per cent, while mining and manufacturing came in on the low end of the spectrum with just 66 per cent.

“ The proportion of firms paying their invoices rose strongly in the September quarter to 3 per cent above the period a year earlier. The only two industry sectors to register a fall in prompt payments were, unsurprisingly, agriculture and communications. It appears that the rise in prompt payments is being driven, in part, by changes in payments systems, which have seen internet banking and direct debit rapidly replacing cheques and other more cumbersome methods of paying invoices. ”

Stephen Koukoulas - illion Senior Economist

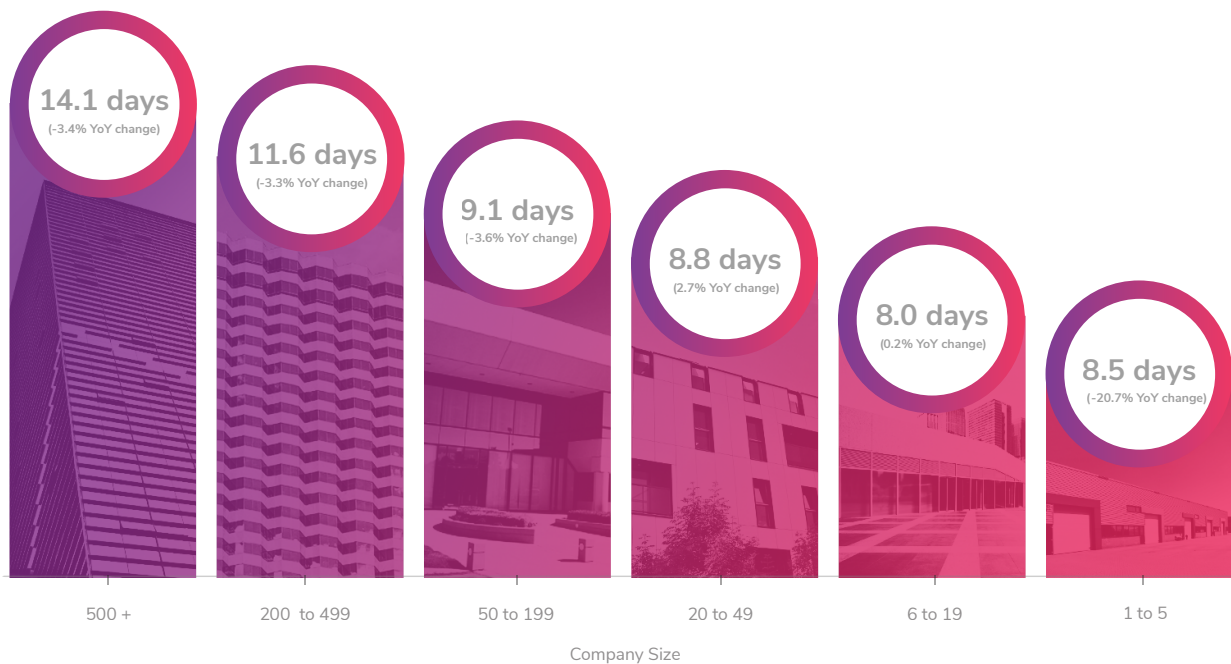
Prompt payments by Sector - September Quarter 2019



Late payments by size

Late payment times for firms with 6 to 19 and 20 to 49 employees climbed higher for the year while all larger businesses (over 50 employees) registered moderate falls of around 3.5 per cent in late payment times. This was broadly in line with the results by sector and the impact of the public administration improvements. The real surprise was an improvement of more than 20 per cent for micro-sized businesses.

Late Payments by Company Size - September Quarter 2019



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There was an extraordinary 20.7 per cent decline in late payment times in micro businesses – those with 1 to 5 employees. The income tax cuts and interest rate cuts are likely to have had a marked impact on payment times, and a slight pick-up in retail spending may also have contributed.

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Stephen Koukoulas - illion Senior Economist

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.

Recently illion has launched a new trade portal where our clients can share debtor payment information and in return gain access to highly predictive Late Payment Risk Scores. This is a complimentary free-of-charge service that helps our customers improve collections and productivity. In order to join illion's Trade Exchange Program, please contact us via the details below.

Have a question?
Contact us today.

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