


Late Payments

December Quarter Analysis 2019

Australia



Highlights



Late payment
times down 7.3%
year-on-year



Large businesses
show big
improvements
in late payment
times



Retail late
payments down
15.2% to 12.8
days



Construction and
mining sectors
see increased late
payment days

December quarter late payments at all-time low

Overview

Late payment times through the December 2019 quarter – sourced from illion's Trade Exchange Program – averaged 9.9 days, an increase of 9.1% from the previous quarter, but down 7.3% compared with the December quarter last year. This was the lowest late repayments average for a December quarter, and represents the first time Australian businesses have gone below the ten-day mark during the holiday season.

Note: Late payments usually follow a seasonal pattern of rising in the March quarter, falling in the June and September quarter and rising again in the December quarter.

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Australian businesses were in a strong financial position over the December 2019 quarter, with the low level of late payments likely driven by three big factors: further interest rate reductions throughout 2019; a streamlining in payments due to policy changes from state and federal governments; and a further move to direct debit and electronic payments, which tends to result in a higher rate of prompt payments compared with the traditional chequing system.

Stephen Koukoulas - illion Senior Economist

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Late Payments - December Quarter 2019



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Australian businesses recorded a solid improvement in payment times during the last quarter, marking their best ever December quarter. This wraps up a remarkable year over 2019, with late payment times dropping below 10 days for the first time in more than a decade, despite challenging economic conditions in both Australia and across the world. There remains, however, some uncertainty across the manufacturing and construction sectors, both of which saw a small increase in late payment times during the quarter.

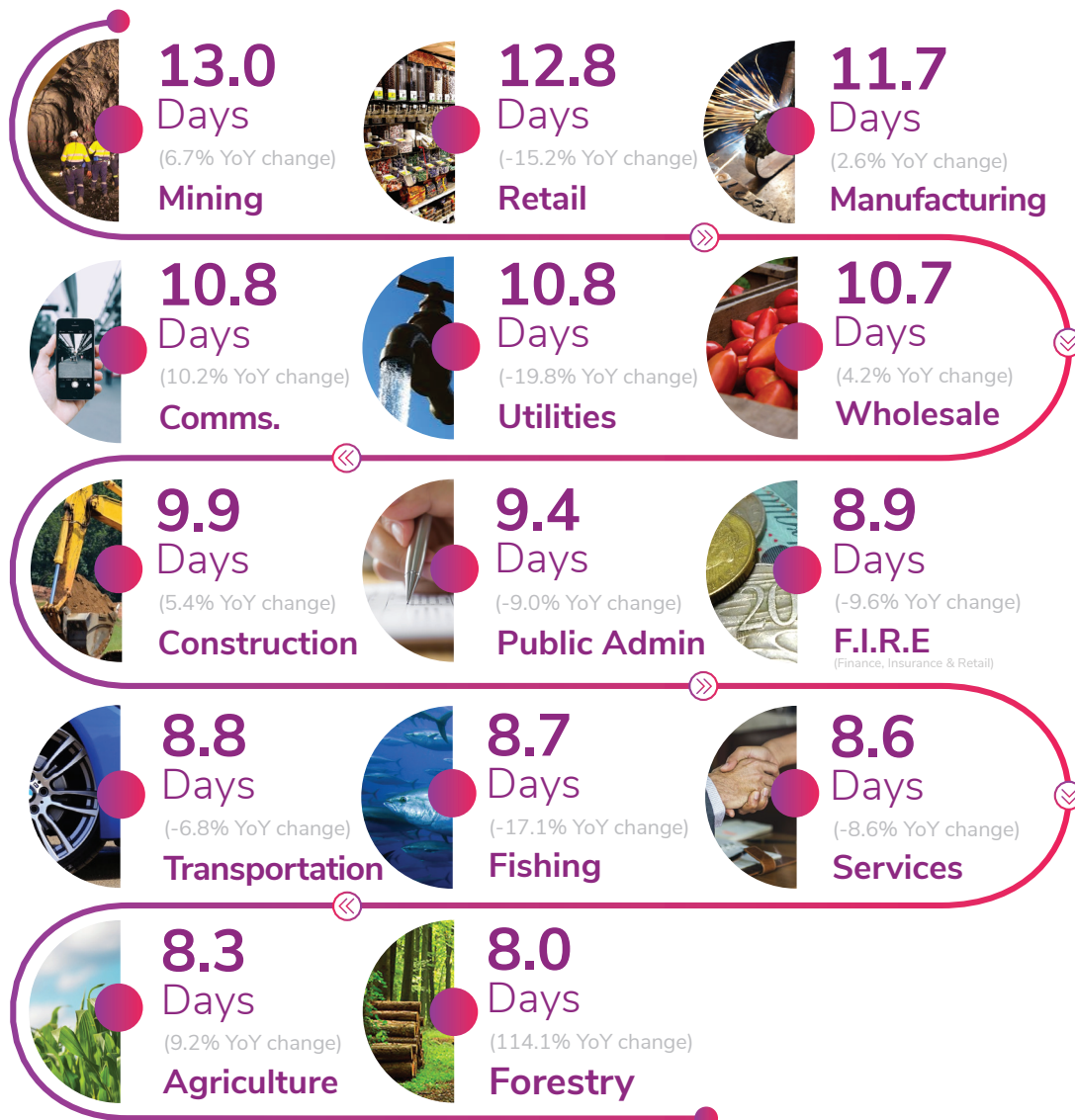
Simon Bligh - illion CEO

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Late payments by sector

Retailers were particularly prompt in paying their bills over the 2019 holiday season, with the sector reporting a 15.2% decline in late payment days over the December quarter compared with the same period last year. The utilities and fishing sectors also recorded strong improvements, with declines of 19.8% and 17.2% respectively. In contrast, the construction sector reported a 5.5% year-on-year jump in late payment days, while manufacturers saw a 2.6% increase.

Late Payments by Sector - December Quarter 2019



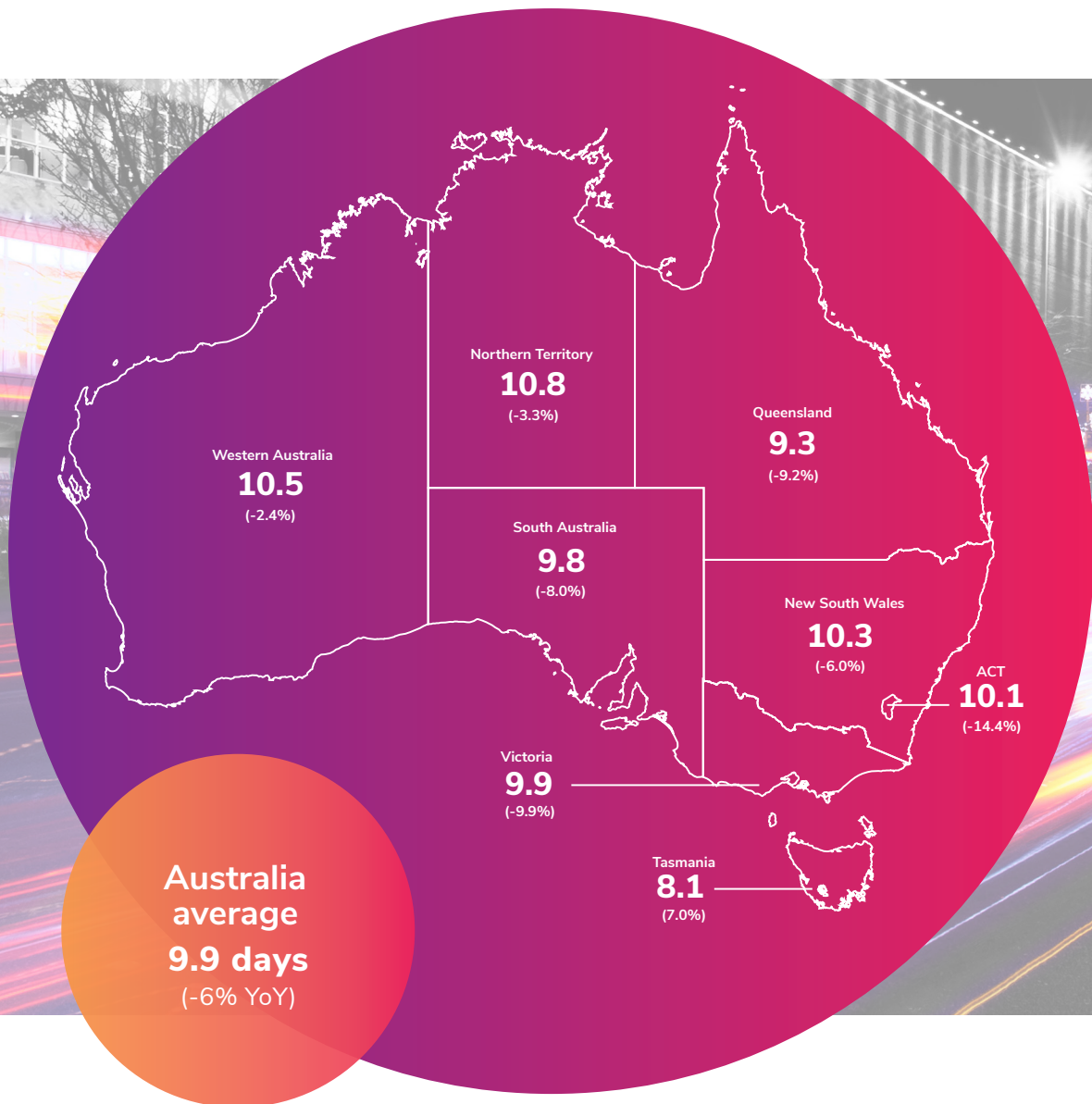
There was a divergent performance in late payment times on an industry basis. The retail sector's 15.2% decline in late payment days reflects an uptick in consumer spending into the holiday season. In contrast, the construction sector's poor performance was likely driven by the continuing slump in new residential construction activity, as well as sluggish performance in non-dwelling investment.

Stephen Koukoulas - illion Senior Economist

Late payments by region

The ACT recorded the strongest year-on-year decline in late payment days over the December quarter (14.4%) of any state or territory, although it also had the strongest increase (18.8%) on a quarterly basis. Meanwhile, Victoria and Queensland also recorded notable annual declines (9.9% and 9.2% respectively). The only state to record an annual increase in late payment days was Tasmania (7.1%).

Late Payments by Region - December Quarter 2019

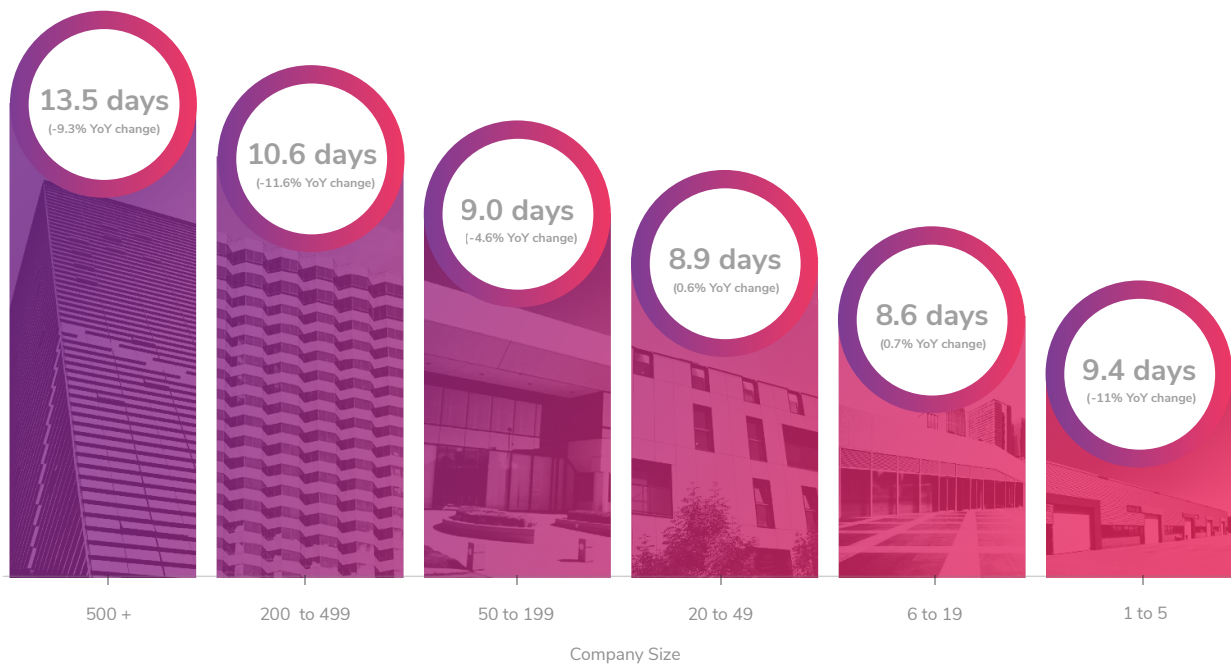


The strong performance from the ACT can be attributed to recent government policy changes to fast track payments to suppliers; the state also had one of the strongest economies in the country, with unemployment below 3.5% and annual state demand growth above 3%. Similar improvements were also recorded in Victoria and Queensland, two states which had registered solid economic performance during 2019. The surprise increase in Tasmania's late payment days, despite a sharp improvement in economic performance over the past few years, may be linked to its housing market boom, which has likely resulted in increased consumer and housing debt.

Late payments by size

During the December 2019 quarter, larger businesses were particularly diligent about reducing payment times, with those employing between 200 and 499 staff reporting an 11.6% reduction, while those employing more than 500 staff recorded a 9.3% reduction. However, on closer examination, most of the benefits seem to be flowing towards big businesses – while late payments to large businesses declined across the board, small businesses saw a general increase in late payment times.

Late Payments by Company Size - December Quarter 2019



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A curious aspect of the late payments data was a divergent trend between small and big business. Late payments to big business from both small and big businesses declined, while late payments to small business from both small and big business rose. We cannot be sure why this occurred, other than to note the possibility of stricter payment conditions from big business in general.

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Stephen Koukoulas - illion Senior Economist

Prompt payments

Prompt payment rates over the December 2019 quarter improved slightly compared with the year-earlier period, with the total figure moving from 71% to 73%. In line with their reductions in late payment days, the retail and utilities sector both recorded sizeable increases in prompt payment rates (which totalled 67% and 70% respectively). The construction and manufacturing sectors both reported slight annual declines in their prompt payment rates (71% to 69% & 65% to 64% respectively). Manufacturing is now the sector with the lowest prompt payment rates.

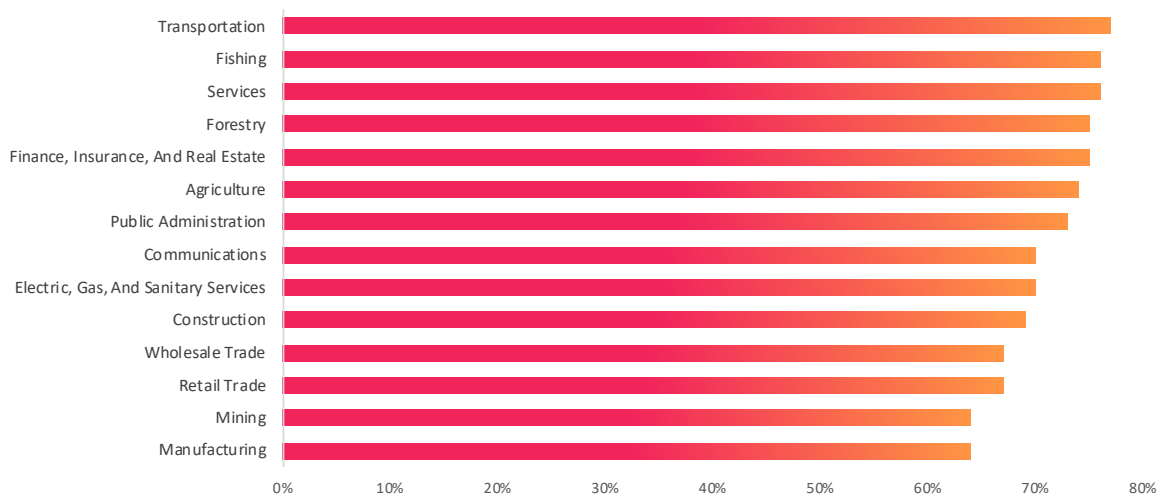
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In line with the decline of late payments, the number of firms paying invoices promptly rose to a fresh high in the December quarter 2019. There was a sharp increase in prompt payments in the retail sector, reflecting improved trading conditions in the December quarter, while strong 'Black Friday' sales in late November and the RBA's interest rate cuts in the second half of 2019 were also potential factors. Meanwhile, the construction sector, which has been hit by weak dwelling investment activity, is likely to remain weak until there is a material lift in investment activity.

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Stephen Koukoulas - illion Senior Economist

Prompt payments by Sector - December Quarter 2019



Our methodology

Late Payments analyses trade information from illion's Commercial Bureau, the largest database of business-to-business payment information in Australia and New Zealand. 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.

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.

Trusted Insights. Responsible Decisions.

Have a question?
Contact us today.

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