

Late Payments

Australia

September Quarter Analysis 2020



Key Insights

Late payments deteriorate 1.6% over last quarter, and 20.7% year-on-year



Retailers, manufacturers and wholesalers post double-digit increases in late payment times



Victoria reports a surprisingly mild rise in late payments; Tasmania posts worst annual increase



Smaller firms are starting to fall behind on bills in recent months



Overview



Australian businesses are struggling to pay their bills in a timely manner as the COVID-19 pandemic ravages the economy. Data from the latest quarter is showing sharp increases in late payment times, reversing nearly a decade of improvement.

Late payment times for the September 2020 quarter – sourced from illion’s Trade Exchange Program – averaged 11.0 days and showed a startling increase of more than 20% compared with the same time last year. Despite a wave of government stimulus efforts, few Australian businesses have escaped the pandemic unscathed, with companies of all sizes, across every region and industry sector reporting sharp increases in late payment times.

On a quarterly basis, while average late payment days worsened by only 1.6% in September 2020, this is still a stark contrast with the same period last year, which saw a 9.4% improvement.

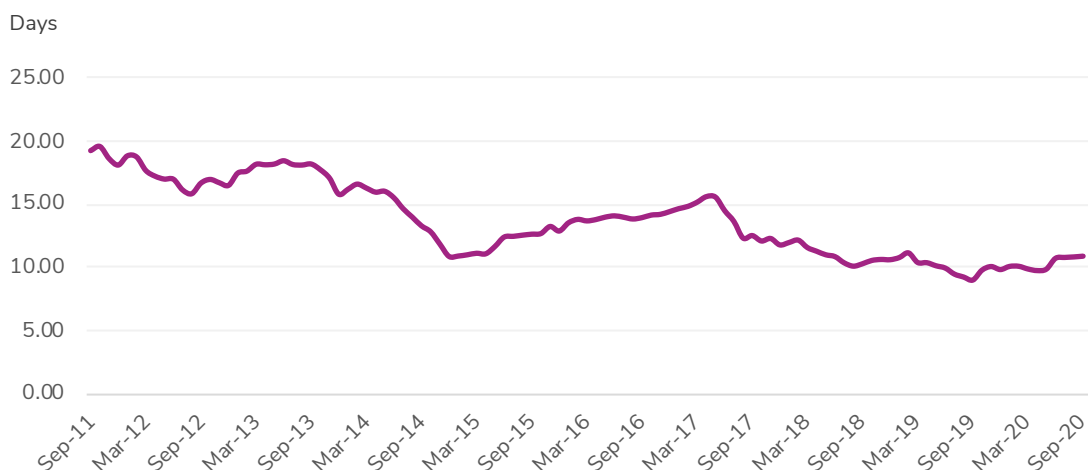
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Australian businesses have been hit hard by the COVID-19 pandemic. This is becoming increasingly apparent as they begin to fall behind with their bills. As we head into the holiday trading period – a time when we typically expect to see more invoices being paid late anyway, we are likely to see a sharp rise in delinquencies, especially as government stimulus efforts run out.

Simon Bligh, illion CEO

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Late Payments - September Quarter 2011 to September Quarter 2020



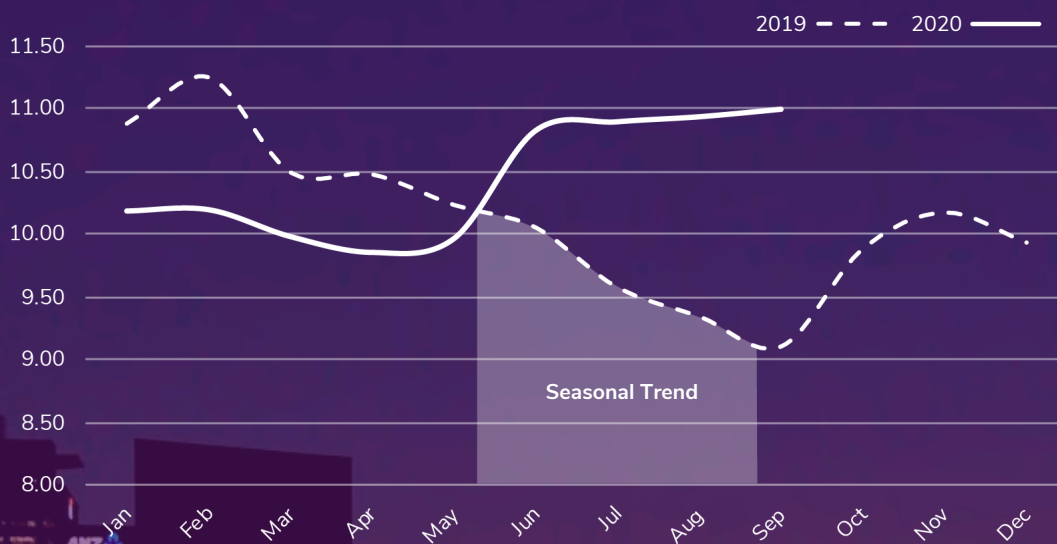
Businesses Face Grim Holiday Season

Historically, businesses have tended to pay their bills on time during the June and September quarters, before we see payment times worsening over the December and March quarters. COVID-19 has changed all this, however, and during 2020 the trend reversed.

While late payment rates generally stalled over the early part of the year, the figure suddenly jumped during the middle of the year as businesses began to fall behind on their bills at an alarming rate.

If this trend continues into the December quarter – a period when we typically expect to see an increase in late payment times – we could potentially see a sharp uptick in late bills and even outright delinquencies. This is particularly alarming given the gradual end to government stimulus packages during late 2020 and early 2021, which will cut off vital cashflow sources for businesses.

Late Payments – 2019 vs 2020



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Australian businesses face a grim holiday season ahead as more businesses fail to pay their bills on time. The end result could be a tidal wave of business failures and job losses in early 2021.

Simon Bligh, illion CEO

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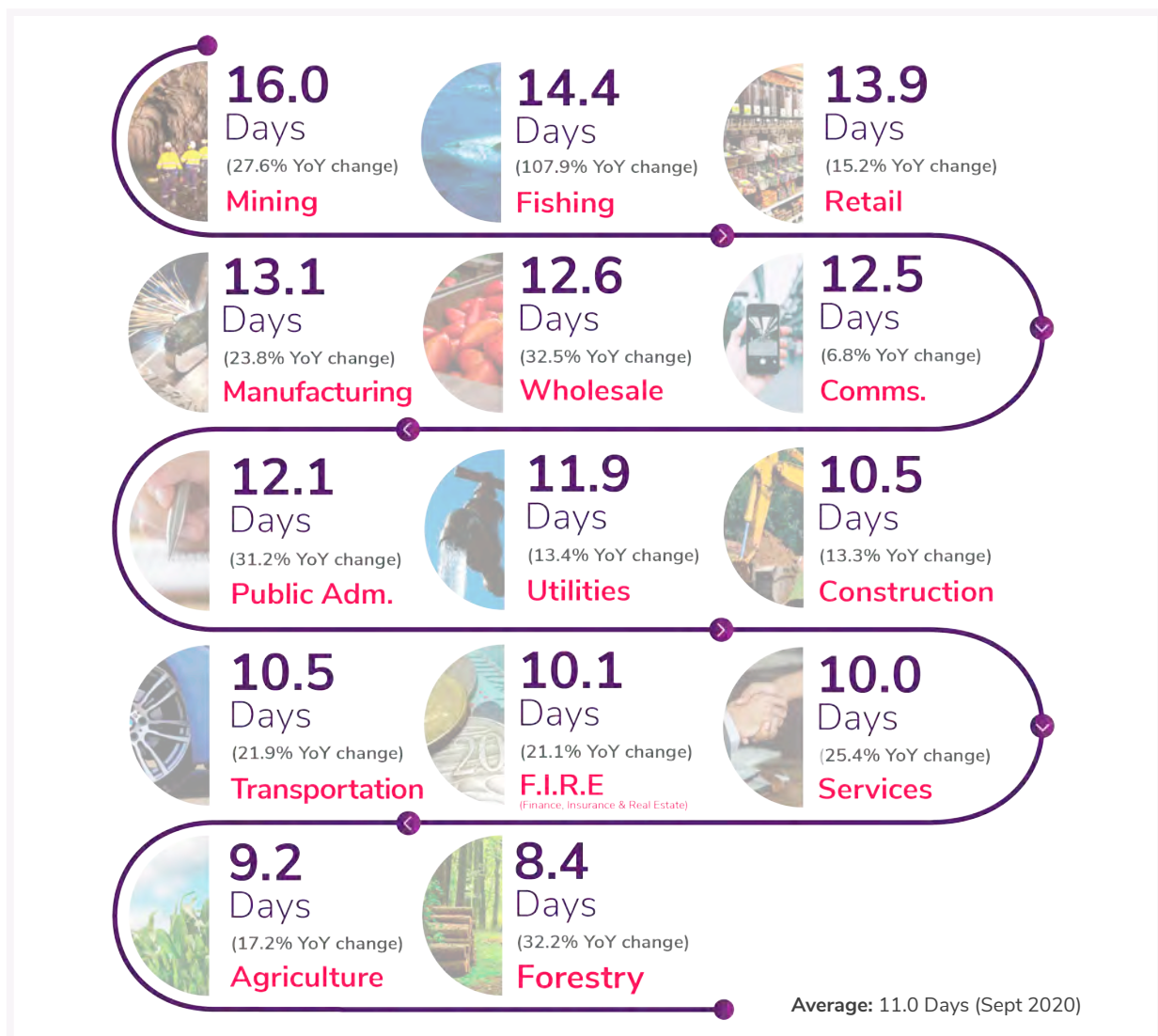
By Sector

Businesses Hit by Supply Chain Disruptions, Cautious Consumers

Not a single industry has been spared by COVID-19, with businesses across every sector reporting an annual increase in average late payment days, as well as unseasonal quarterly increases. In particular, manufacturers, wholesalers and retailers recorded deteriorating payment times, as the pandemic cripples global supply chains, while consumers hang on to their wallets in the face of significant economic uncertainty.

Even the construction sector, which reported fairly positive news during the earlier parts of the year, has seen payment times worsening by nearly 2% from the last quarter, and more than 13% on a year-on-year basis.

Late Payments by Sector - September Quarter 2020



By State

Victoria Hangs on Despite Prolonged Lockdown

Every state and territory in Australia has recorded double-digit increases in late payment times over the past 12-months.

Surprisingly, Victoria reported the second-lowest deterioration of all states, with late payments worsening by 18%, despite being hardest-hit by COVID. However, the state did record an unseasonal 1.7% increase in late payments on a QoQ basis, slightly higher than the national average of 1.6%.

New South Wales, representing about a third of Australia's economy, saw late payments increase 20.7%, putting it roughly in line with the national average. Tasmania fared the worst, with late payments deteriorating to 10 days, up 36% compared with record lows just 12 months ago.

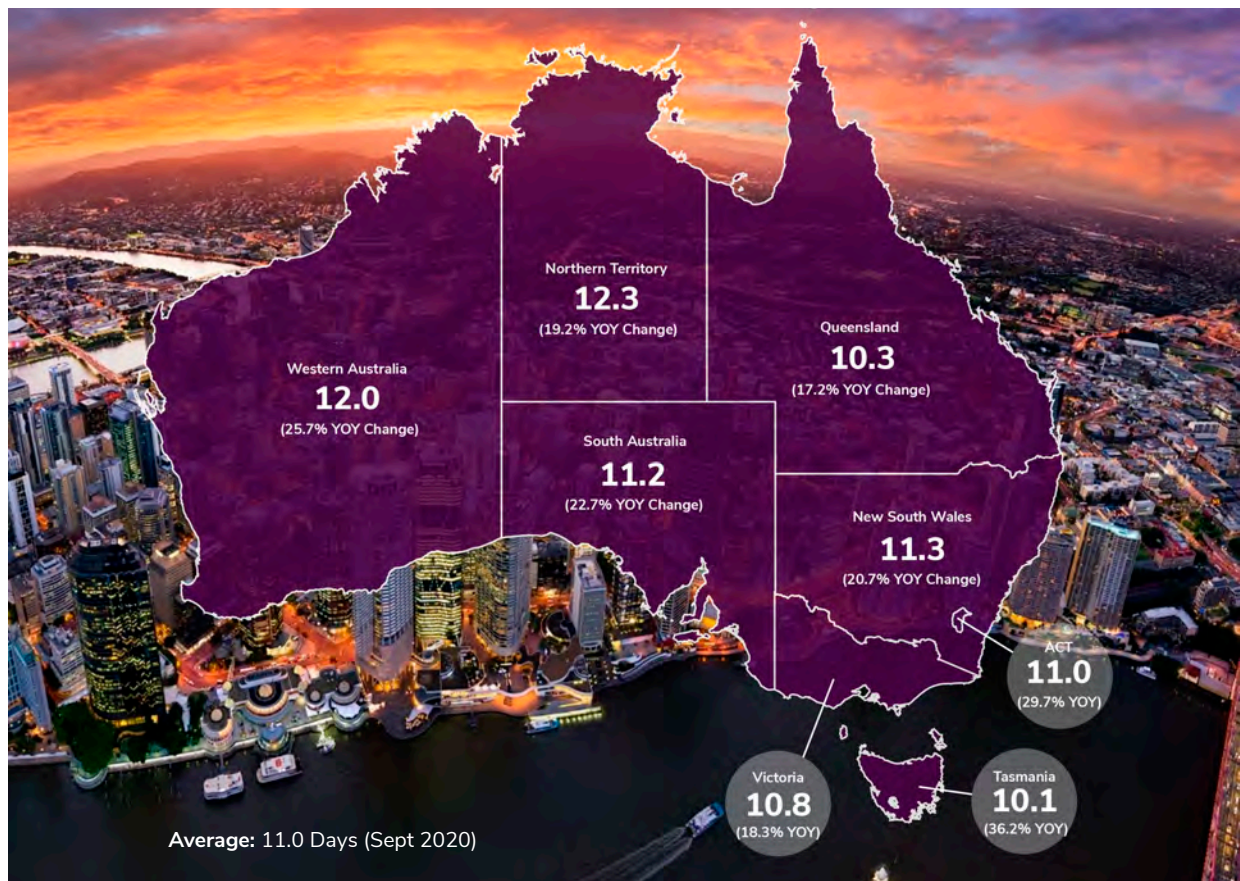
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Victoria has fared better than most other states in Australia, despite having the harshest lockdown and the highest number of COVID cases. While this is surprising, it may be due to the state's large manufacturing base being propped up by generous government stimulus measures. Once this begins to run dry in early 2021, we could be facing an early economic Winter.

Simon Bligh, illion CEO

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Late Payments by State - September Quarter 2020



By Size

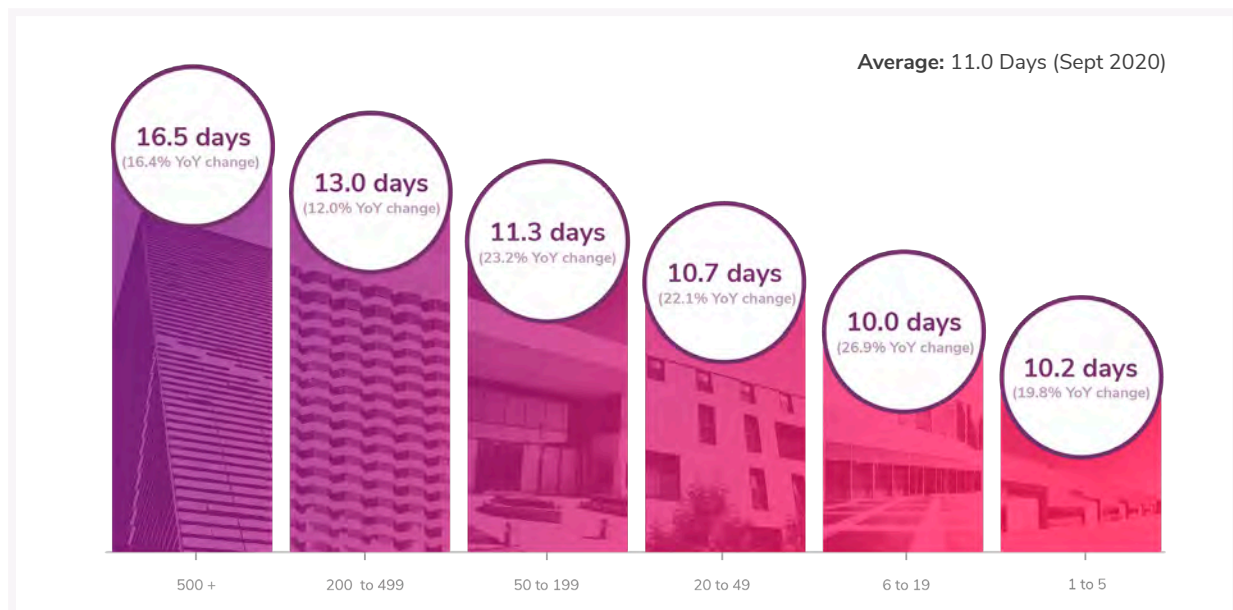


Smaller Businesses Failing to Pay on Time

Despite big business still being the worst offenders with late payments, smaller firms are now finding it increasingly hard to pay their bills on time. Over the past 12-months, on average, companies with less than 200 employees saw late payment days worsening by 23%, compared with a national average of 21%. In contrast, their bigger counterparts only saw a deterioration of 14%.

On a quarterly basis, microbusinesses with 5 or less employees suffered the most, with a 2.6% deterioration in late payment times. In contrast, big businesses with more than 500 staff actually recorded a 2% QoQ improvement in late payments.

Late Payments by Business Size - September Quarter 2020



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While in absolute numbers, we have seen larger businesses taking longer to pay their bills compared with their smaller counterparts, the gap has narrowed significantly, particularly for medium-sized businesses. With less funds on hand to pay their invoices, these firms could be facing a tough end to 2020

Simon Bligh, illion CEO

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Prompt Payments

The prompt payment rate in September 2020 sank to 71%, compared with 75% for the same time last year. With the exception of the agricultural sector, businesses across every other sector were slower paying their invoices before the due date.

In September 2020, manufacturing and mining companies were the least likely to pay their bills on time, with a prompt payment rate of only 63%, while retailers came in a close third at 65%.

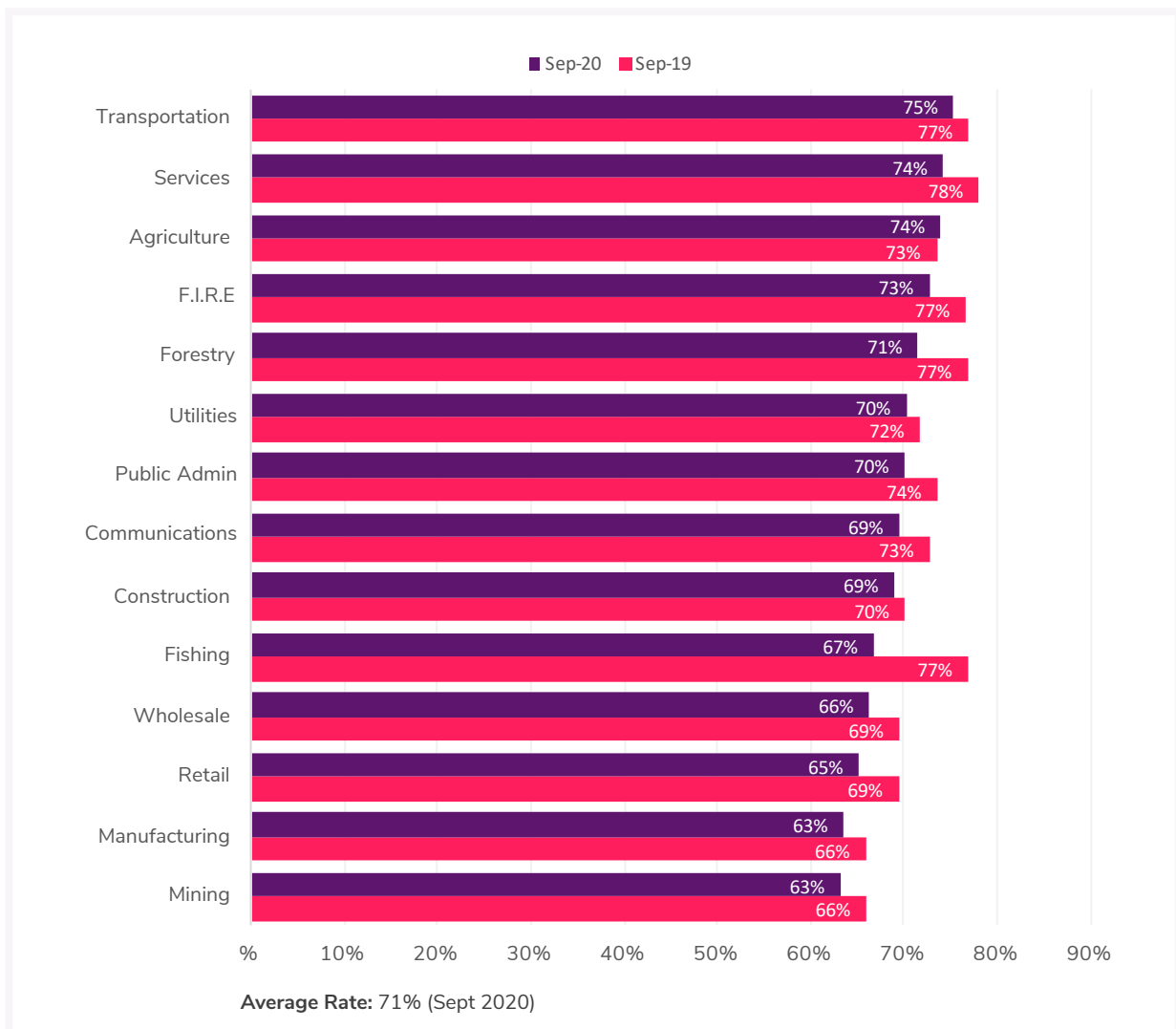
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Prompt payment figures are an indicator of how many invoices are being paid before the due date. If this figure falls by only a few more percentage points, it will mean more than a third of business invoices in Australia are not being paid on time.

Simon Bligh, illion CEO

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Prompt Payments by Sector - September Quarter 2020



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 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.

Trusted Insights. Responsible Decisions.

Have a question?
Contact us today.

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