

Late Payments

Australia

March Quarter Analysis 2021



Key Insights

Australian late payment days continue to deteriorate despite improving economic conditions



Big businesses continue to be the slowest payers



Tasmania, the Northern Territory and the ACT worst affected over the past 12 months



Forestry industry experiences a sudden slide



Overview



The majority of Australian businesses continue to pay their bills promptly, not letting them become overdue.

Despite a year of COVID-19 interruptions and an ongoing economic downturn, 71% of payers were settling their bills promptly in the March quarter, down from 72% in December last year, and 73% twelve months ago.

The remaining 29% of businesses pay their bills late, while an average of all businesses is 11.2 days late, a 2% drop since December average of 10.9 days. Put in context, before the pandemic impacted the economy a year ago, late payment days had been falling steadily over the decade, averaging just under 10 days.

Though we are seeing signs of local and global conditions improving as restrictions are rolled back and vaccines distributed, with new job listings hitting a 12-year high¹, the number of businesses still struggling to pay their bills hints at the parallel economy lurking beneath one sustained by JobKeeper and other stimulus measures that have kept businesses ticking through 2020.

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With the government now actively rolling back economic support, the worst may be yet to come for the almost one-third of organisations falling behind.

Simon Bligh, illion CEO

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Late Payments - March Quarter 2011 to March Quarter 2021



¹ <https://www.afr.com/policy/economy/what-australians-are-spending-their-money-on-as-lockdown-eases-20200603-p54z0w>

By Sector



There has been very little change in the fastest and slowest paying industries over the last quarter, and even the last year, save for Australia's Forestry industry, which experienced a sudden, harsh 15% deterioration in late payment times during the quarter.

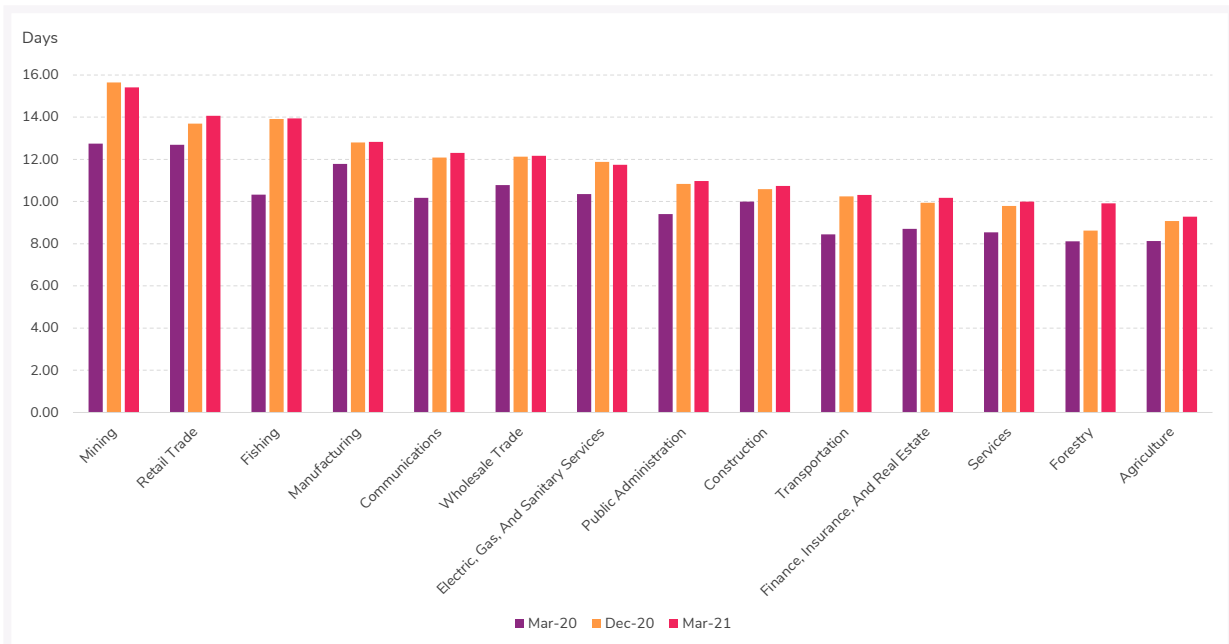
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One year ago, the COVID-19 pandemic was emerging as a threat to what was at the time a robust and thriving economy. Comparing where we are now to where we were then, we are beginning to understand which industries have been able to weather the storm...and which are floundering.

Simon Bligh, illion CEO

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Late Payments by Sectors - Quarter Comparision



Fishing firms are paying bills 35% later now than they were a year ago. Australia is a major exporter of seafood, but the pandemic revealed a lack of flexibility in its supply chains and changed customer behaviour in key ways, including reduced restaurant spending and the stockpiling of products like canned tuna, impacting growth and gross value production.²

The Transport industry was stung by lockdowns and a shift to remote working, and saw its payment times deteriorate by 22%. In addition to a sharp short-term increase in tardiness, the Forestry industry is also paying bills more than 20% later than it did a year ago.

² <https://www.agriculture.gov.au/abares/research-topics/fisheries/fisheries-economics/fisheries-forecasts#covid19-will-lower-fisheries-and-aquaculture-gvp-growth-in-the-medium-term>

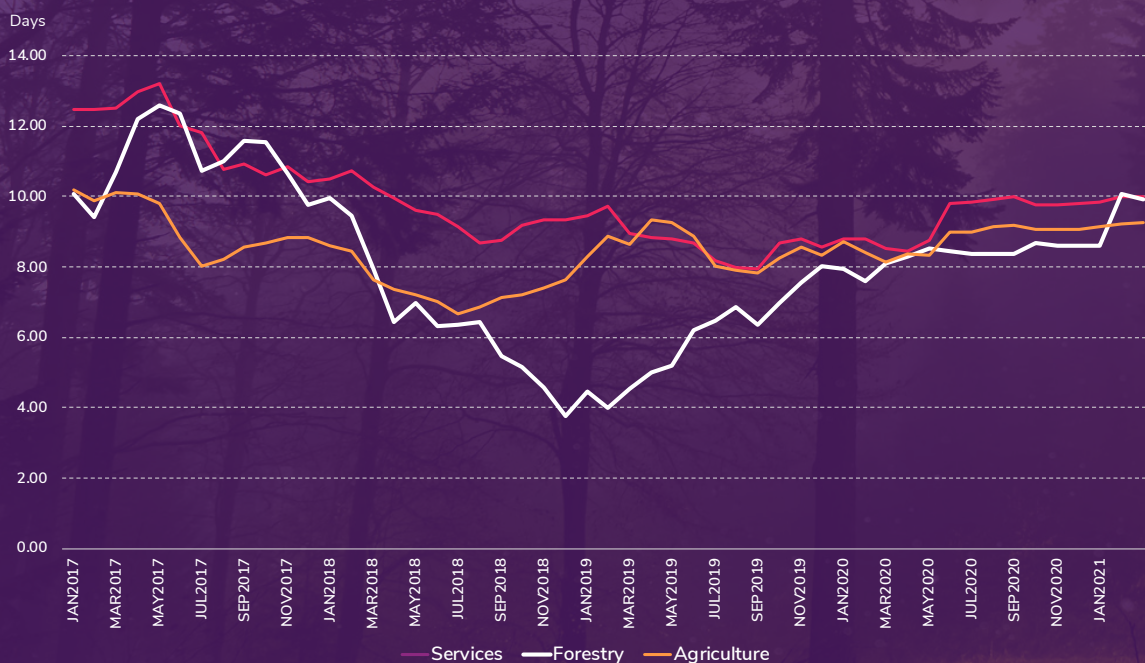
Forestry Not Out Of The Woods

The quarterly payment issues for Forestry were driven by companies in Queensland, which more than doubled their late payment times (107%), and those in Western Australia, which were paying later by more than 80%.

Part of the reason may be that both Queensland and Western Australia suffered new COVID waves early in the year and were forced to endure snap lockdowns in January, a month before late payment times spiked in February. However, no other industry operating in either state has been as harshly affected.

For most of the pandemic, Forestry has been relatively stable thanks to panic buying driving record demand for products like toilet paper, tissues, and medical and sanitary products, and most of its operations being classified as essential³. The sector has historically been a quick payer, and was the fastest overall for all but one month since April 2018. The unexpected deterioration has seen its payment record overtaken by the Agriculture industry in March, with Services also nipping at its heels.

Forestry, Agriculture and Services - Five Years



³ <https://nationalindustryinsights.aisc.net.au/industries/forest-and-wood-products>

By State



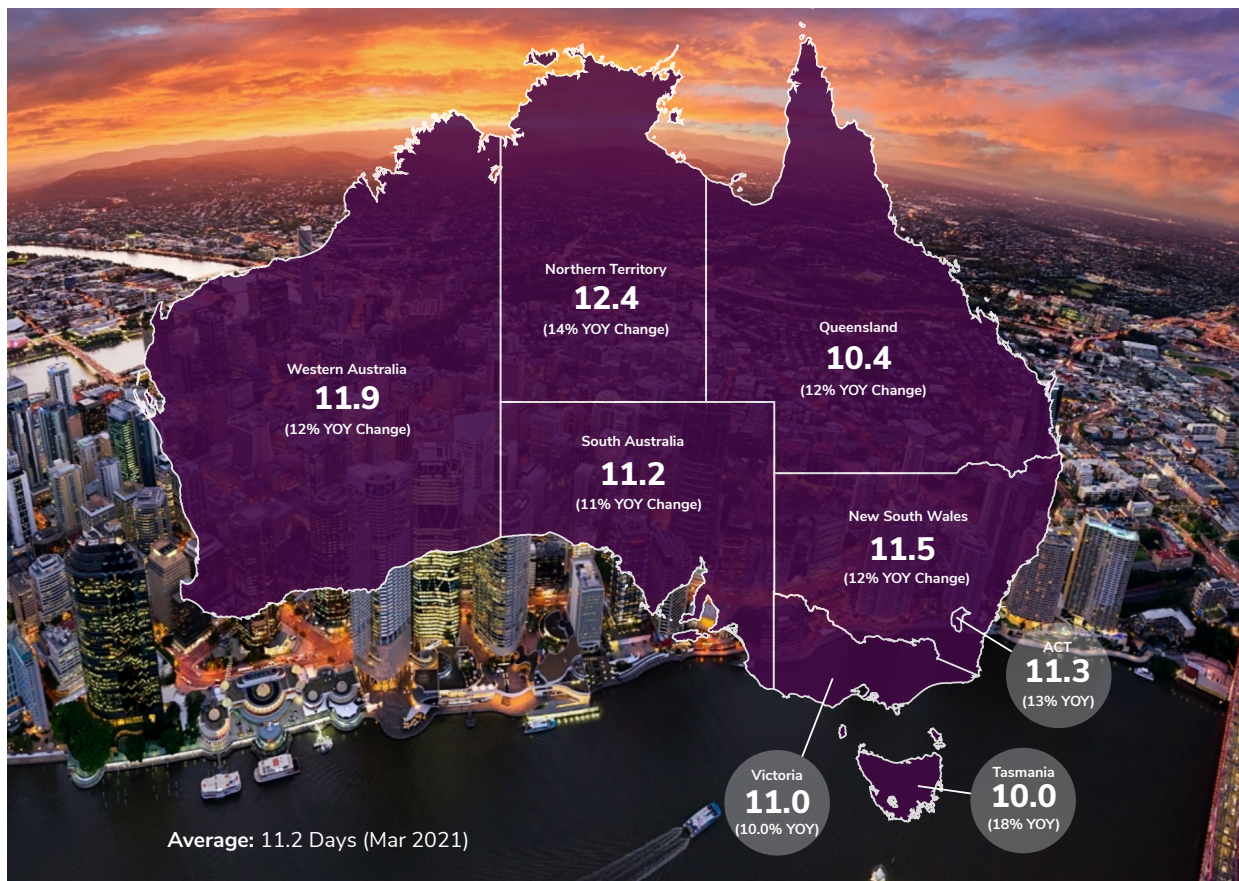
The March quarter's 2% average increase in late payment times was contributed to evenly by all states and territories, even accounting for Queensland and Western Australia's January lockdowns.

Throughout a year of pandemic upheaval, Tasmania, the Northern Territory and the ACT were the worst-affected areas of the country for late payment times. The east-coast urban centres of Victoria, New South Wales and Queensland, which experienced the harshest lockdowns, actually saw the smallest change compared to a year ago.

This may be because these areas have high concentrations of white-collar businesses, which are more easily able to pivot to remote working models and continue adding value during lockdowns, while areas dominated by hands-on work had to adapt to harsh social distancing measures.

Tasmania's slowest paying industries were Forestry and Fishing. The Northern Territory's were Fishing and Utilities. In the ACT, Transport and communications left billers waiting the longest.

Late Payments by State - March Quarter 2021



Who Pays Whom, When?

Big pays late, but small pays first

Bigger businesses flex their muscles and pay later than small ones, no matter who they're paying, but large and small businesses prioritise smaller businesses when making payments - consistent with the previous quarter's findings.

In an interesting twist, despite being the industry showing the worst deterioration compared to its previous position, Forestry is still one of the promptest payers overall, no matter who they are paying.

Late Payments by Business Size Comparison - March Quarter 2021

	Industry	Payment times
Small-small	Manufacturing (worst payer)	11.32
	Total	10.02
	Forestry (best payer)	3.78
Small-big	Retail (worst payer)	14.75
	Total	13.18
	Forestry (best payer)	4.70
Big-small	Fishing (worst payer)	16.76
	Total	13.27
	Public Administration (best payer)	9.46
Big-big	Construction (worst payer)	19.52
	Total	15.16
	Forestry (best payer)	0.00

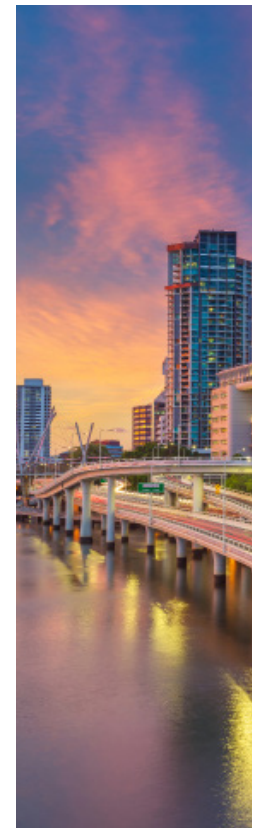
By Size & Age

Although micro-size businesses (those with five or fewer employees) remain among the fastest payers overall, they saw payment times deteriorate by 4% during the March quarter. All other business size categories saw marginal improvements in payment times ranging from less than 1% to as high as 2%.

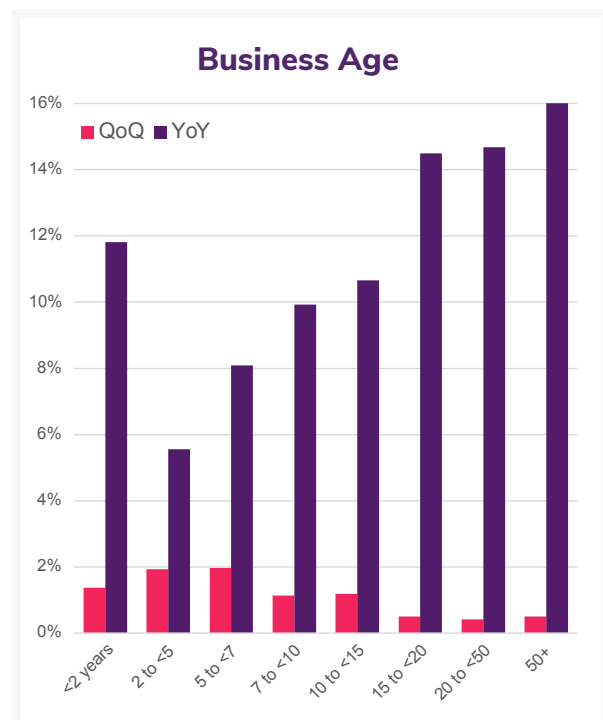
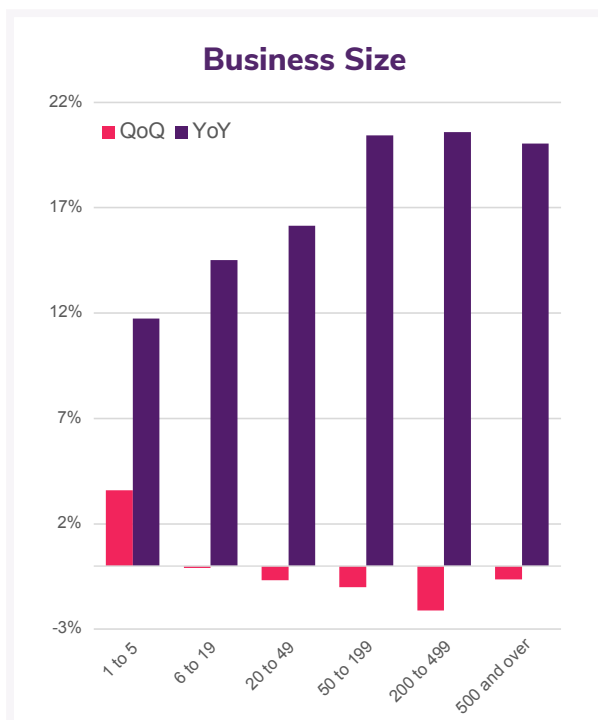
Applying a yearly lens, the trends are almost reversed. All categories are paying slower than they were, but small businesses saw the least deterioration, while large firms slid much further from where they started before the pandemic.

The spread was more even among business age categories, with all groups seeing their late payment times rise marginally through the quarter. The longest payment times, around 14 days, come from businesses between two and seven years old, a trend which has previously been identified by illion's Trade Late Payments research as a 'danger period' for new businesses.

However, this category also weathered the pandemic best. Its year-on-year deterioration stayed below 10%, while older and fledgling businesses all saw double digit percentage increases in late payment days.



Percentage Change in Late Payment Days



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.

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Have a question?
Contact us today.

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