

# Late Payments

Australia

*June Quarter Analysis 2021*

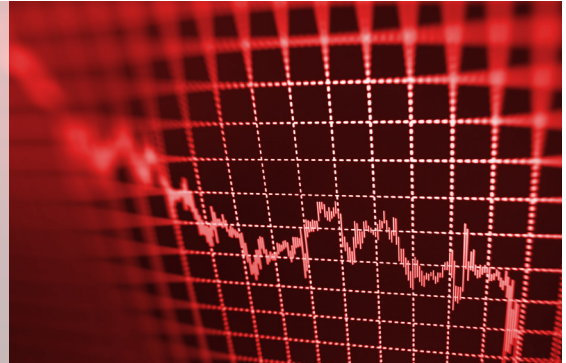




# Key Insights

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**Late payment times worsen slightly over past 12 months**



**Construction sector continues to struggle**



**Victorian firms resilient despite short-term pain**



**Smaller, younger businesses bear brunt of pandemic woes**



# Overview



## June quarter report shows Australian economy remains hesitant as payment times steadily worsen.

Australian businesses continue to delay paying their bills on time, as the effects of the COVID-19 pandemic linger. Data from the latest quarter is showing a general worsening in late payment times, after almost a decade of improvements, which peaked in 2019, just before the pandemic.

Late payment times for the June 2021 quarter – sourced from illion's Trade Exchange Program – averaged 11.2 days, a deterioration of 0.4% from last quarter and 3.7% compared with the same time last year.

During the June quarter, 71% of businesses paid their bills on time. Most late payers were able to settle their accounts within less than two months, with only about 5% paying more than 60 days late.

While these figures are not particularly alarming, they nonetheless reflect a gradual worsening since the beginning of the COVID-19 pandemic. When compared with the March 2020 quarter, the late payment days average has worsened by 12.4%.

## Late Payment Times - 2011 to 2021



These figures reflect a general malaise across the economy, as Australian businesses and employees struggle to make ends meet in a pandemic-impacted world. While the end of JobKeeper and other government stimulus packages did not result in economic catastrophe – the ABS concluded that there had been no “clear aggregate impact from the end of JobKeeper”<sup>1</sup>– there have been concerns that this does not take underemployment into account, or job seekers completely dropping out of the picture rather than finding new jobs<sup>2</sup>.

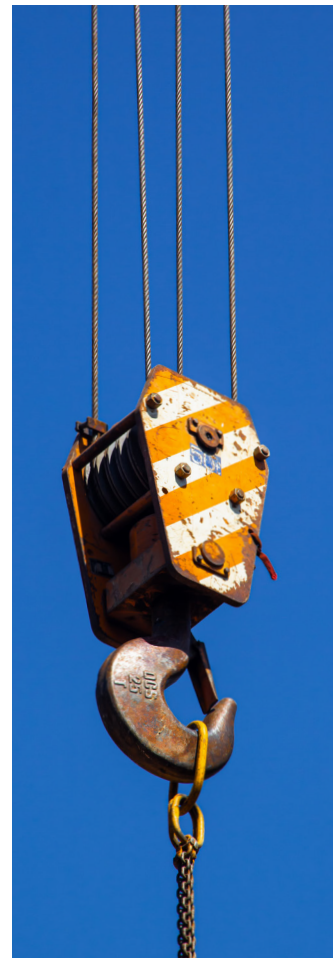
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“Despite some level of recovery following the worst of the pandemic, businesses are still struggling to improve their payment times. In particular, it is concerning to see the construction sector experiencing such a long period of malaise.

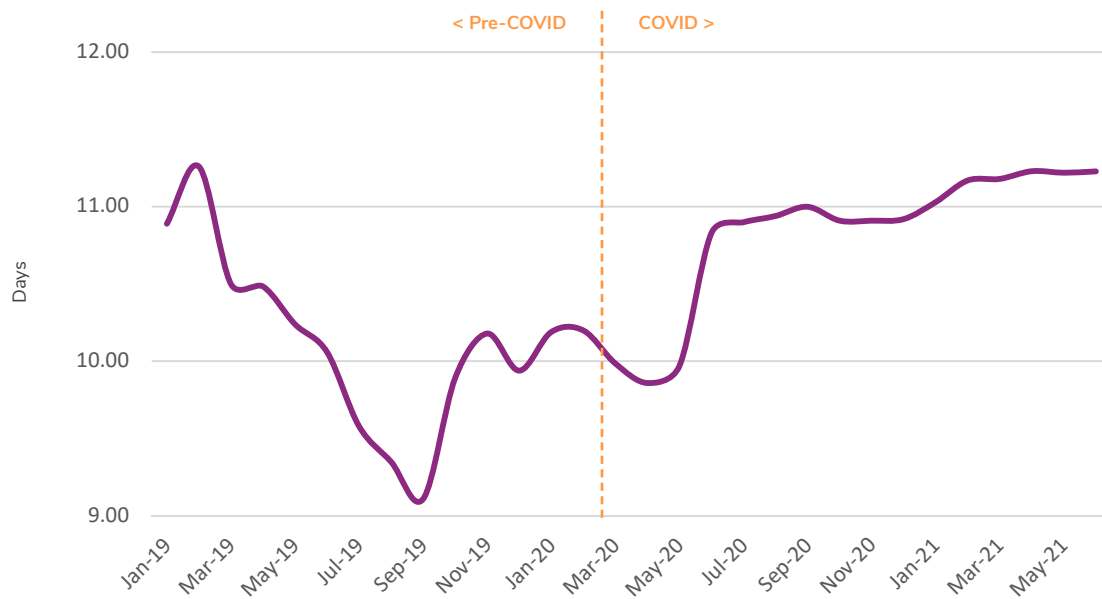
“However, upcoming infrastructure projects – such as Victoria’s Big Build and the Federal Government’s \$1.5 billion infrastructure stimulus package – could pave the foundations for growth over the next few years.”

Simon Bligh, illion CEO

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## Late Payment Days Since 2019 - All Industries



<sup>1</sup> <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>

<sup>2</sup> <https://www.abc.net.au/news/2021-06-16/end-of-jobkeeper-may-have-cost-100000-jobs-unemployment/100216132>

# Construction firms falling behind on their bills

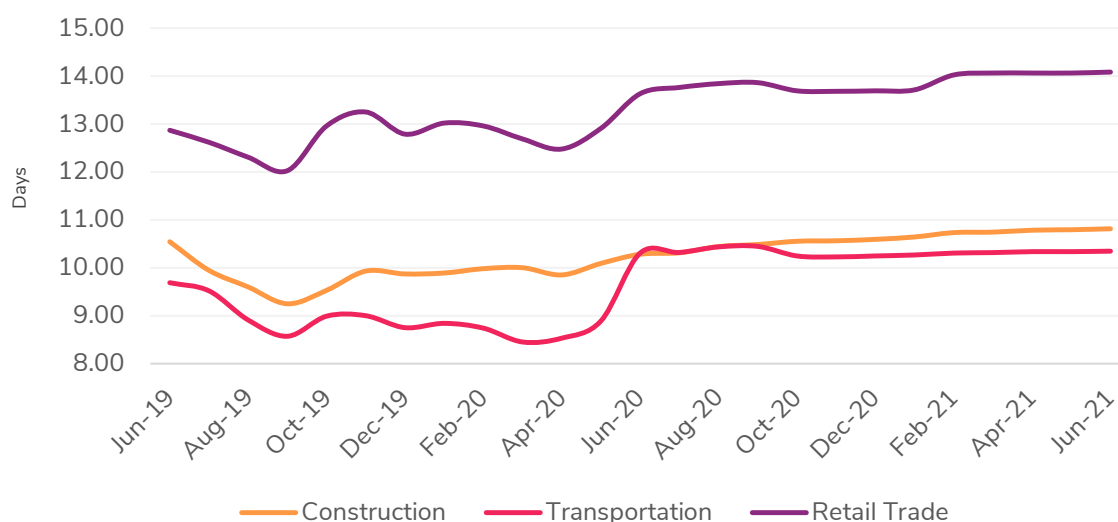
During the June 2021 quarter, the construction sector posted a 5.2% year-on-year deterioration in late payment times to 10.8 days – a figure not seen in over three years. The sector has suffered from a non stop month-on-month deterioration in payment times since April 2020. During the pandemic, construction firms faced mixed conditions, with public sector building projects boosted by government stimulus<sup>3</sup>, but material shortages and economic uncertainty causing pain to other parts of the industry.

Retailers also experienced a similar malaise over the year, with late payment days deteriorating 0.1% from the March quarter and 3.3% from last year. The figure is worse when compared with the pre-pandemic days of the March 2020 quarter, with payment times deteriorating by

nearly 11% since then. While government stimulus and cashed-up consumers have largely prevented any large-scale disasters, the industry still faces numerous challenges over the remainder of the year, including patron restrictions, the threat of future lockdowns, and the end of financial support programs.

Meanwhile, the transportation sector experienced only a mild worsening in payment times over the last quarter and past year. However, when looking back further to include the entire 18 months of the COVID-induced downturn, the damage to payment times becomes much more apparent, with an alarming 22.5% deterioration. This is likely, in no small part, due to a significant decrease in mobility experienced by the broader populace.

## Late Payment Times 2019 - 2021



<sup>3</sup> <https://www.masterbuilders.com.au/Resources/Industry-Forecasts>

# Victoria experiences short-term pain, but remains resilient

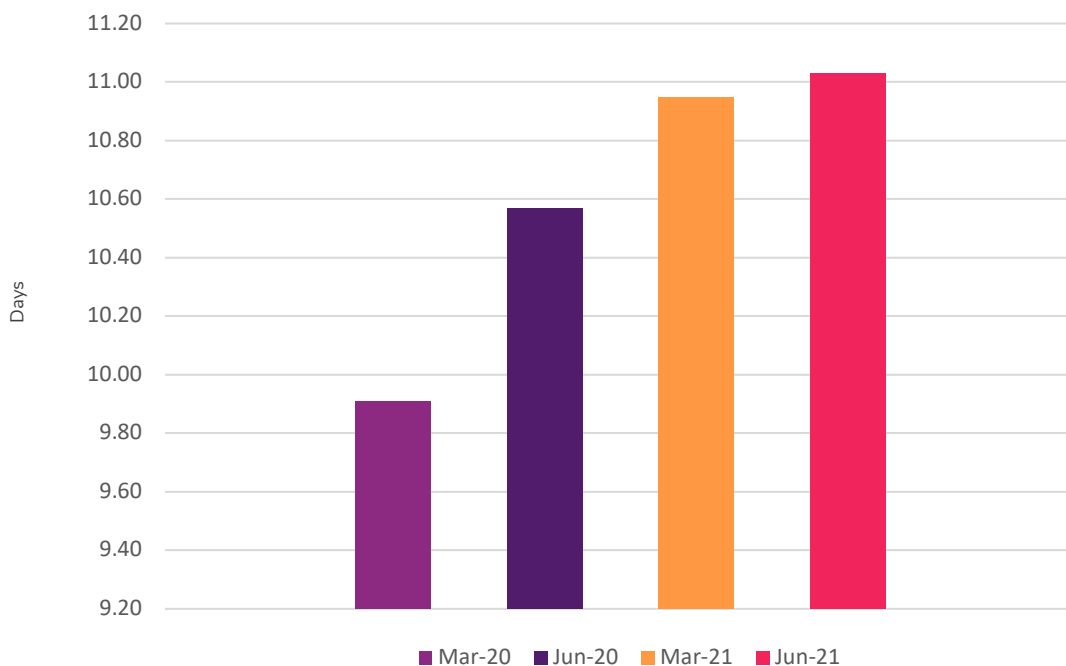


While Victorian businesses have been hit hard by multiple COVID-19 outbreaks and subsequent lockdowns, they have nonetheless remained resilient over the course of the COVID-19 pandemic.

Businesses in the state reported a 0.7% worsening in quarterly late payment times from last quarter and 4.4% when compared with June 2020. This represents a much more severe deterioration compared with the national average of only 0.4% (QoQ) and 3.7% (YoY).

However, when the lens is cast across the entire pandemic period, the picture is slightly more optimistic. Victoria reported a deterioration of only 11.3% in late payments between March 2020 and June 2021, marginally better than the national average of 12.4%.

## Late Payment Times - Victoria





# Pandemic hits micro-businesses hard

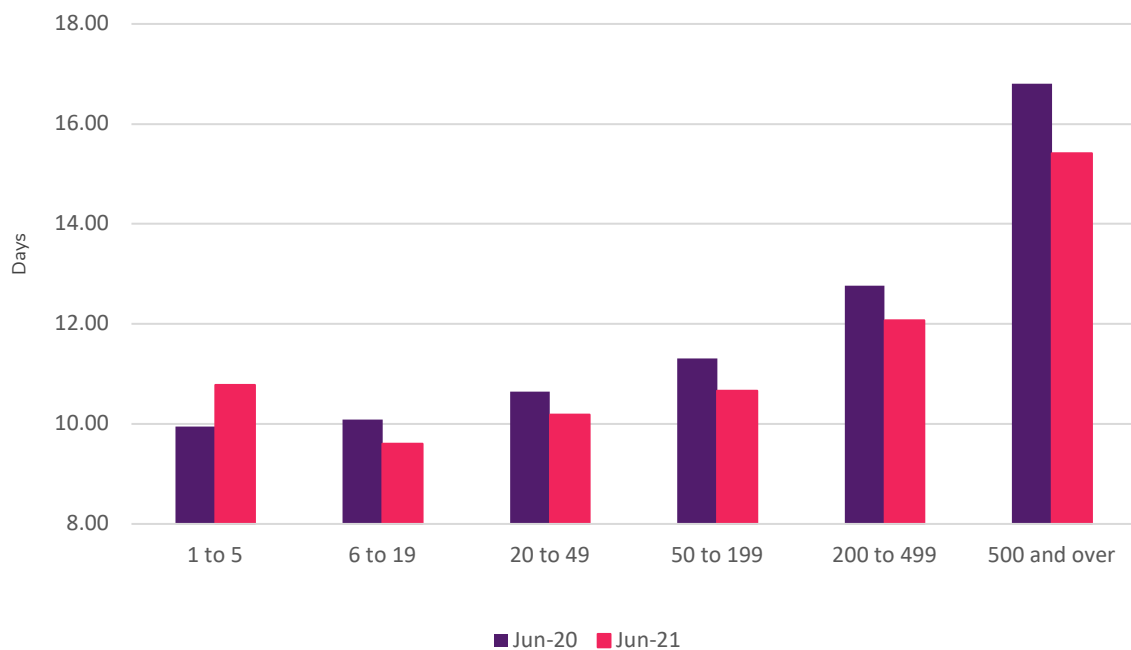
The smallest companies (5 or less employees) have suffered heavily over the past 12 months, with an 8.3% deterioration in late payment times compared with the same time last year, more than twice as bad than the 3.7% national average for all businesses.

In contrast, businesses across every other size category reported improvements in late payment times, particularly large companies (more than 500 staff), which recorded an 8.3% improvement from last year.

Despite these changes, bigger businesses continue to pay their bills later than their smaller counterparts, a trend that has continued for more than five years.



## Late Payments Times - YoY Changes



# Younger businesses struggle with post-pandemic recovery

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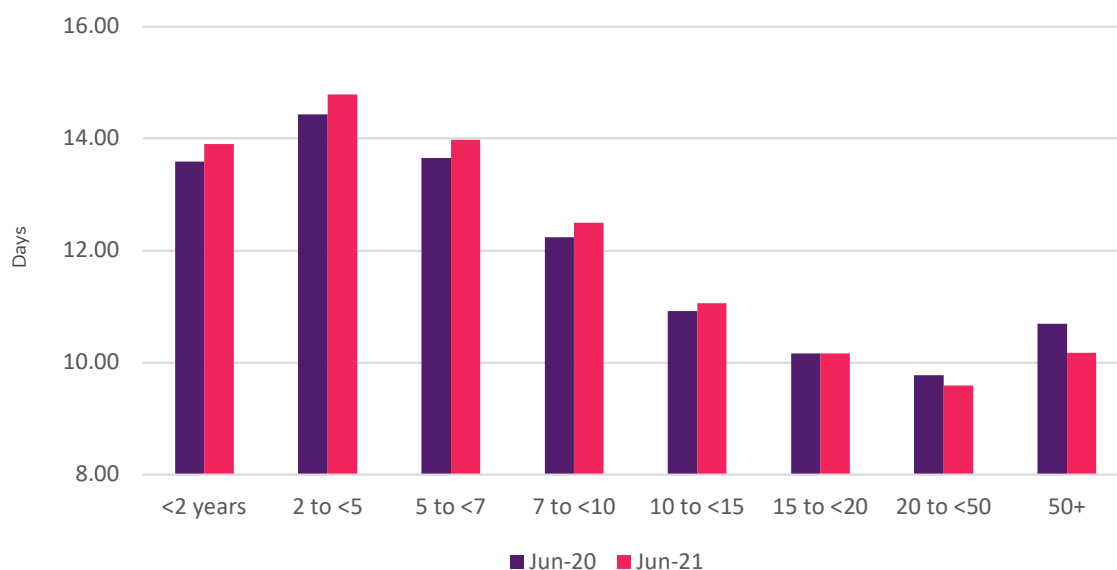
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Overall, older businesses are more likely to pay on time compared with their smaller counterparts. Firms in operation for 15 years or more took an average of 10 days to pay late bills. In contrast, companies in existence for less than 15 years recorded an average of 13-days.



## Percentage Change in Late Payment Days



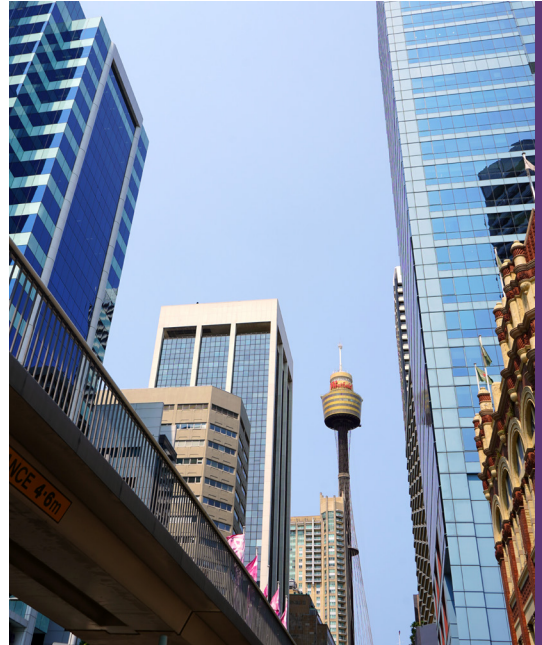


# Small businesses more likely to be paid on time

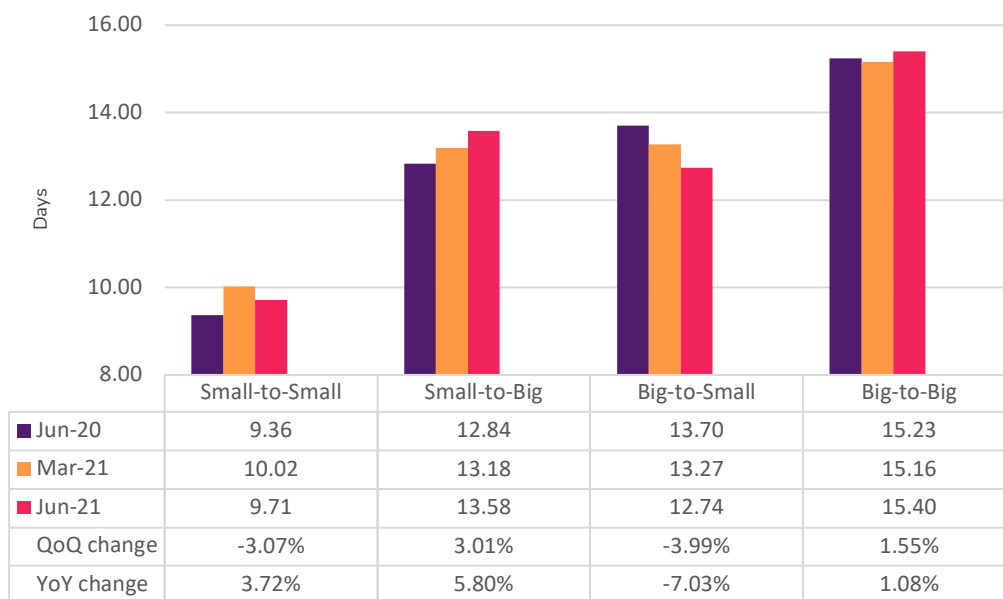
During the past 12 months, the most noticeable change was a 7% improvement in late payments made by big to small businesses. All other size categories saw a worsening in payment times.

On a quarterly basis, late payments made to smaller businesses tended to show a stronger improvement, compared with payments to big business, regardless of who pays.

Overall, late payment times to small businesses have improved slightly, with small-to-small payments showing a 3.1% improvement and big-to-small improving 4%. In contrast, payments to big businesses actually worsened, regardless of who paid.



## Who's Paying Whom, When?



# 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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