

The factors that determine who gets paid on time

# LATE PAYMENTS IN AUSTRALIA

*Dun & Bradstreet 2nd Quarter Analysis 2017*

Concerted efforts by the Small Business Ombudsman Kate Carnell and the Business Council of Australia to tackle Australia's late payment culture may be gaining traction but the country's leading companies have far more to do.

Late Payments fell during the second quarter of 2017 by 4.6%, while prompt payments rose sharply. On average, 63.8 percent of Australian businesses paid their bills on time, reflecting a step change in how credit risk portfolios are being managed with varying results across the country.

“ The clear pickup in economic conditions during the June quarter was confirmed in the late payments data, which edged lower to partly reverse the moderate uptrend that had been evident in the prior 18 months. The fall in late payments indicates that the cash flow of the business sector remains favourable and it fits with the more positive tone in business conditions indicated in the D&B Business Expectations survey. ”

**Stephen Koukoulas, Dun & Bradstreet Economic Adviser**

**14.6**  
**days late**

Average late payment time  
for an Australian business

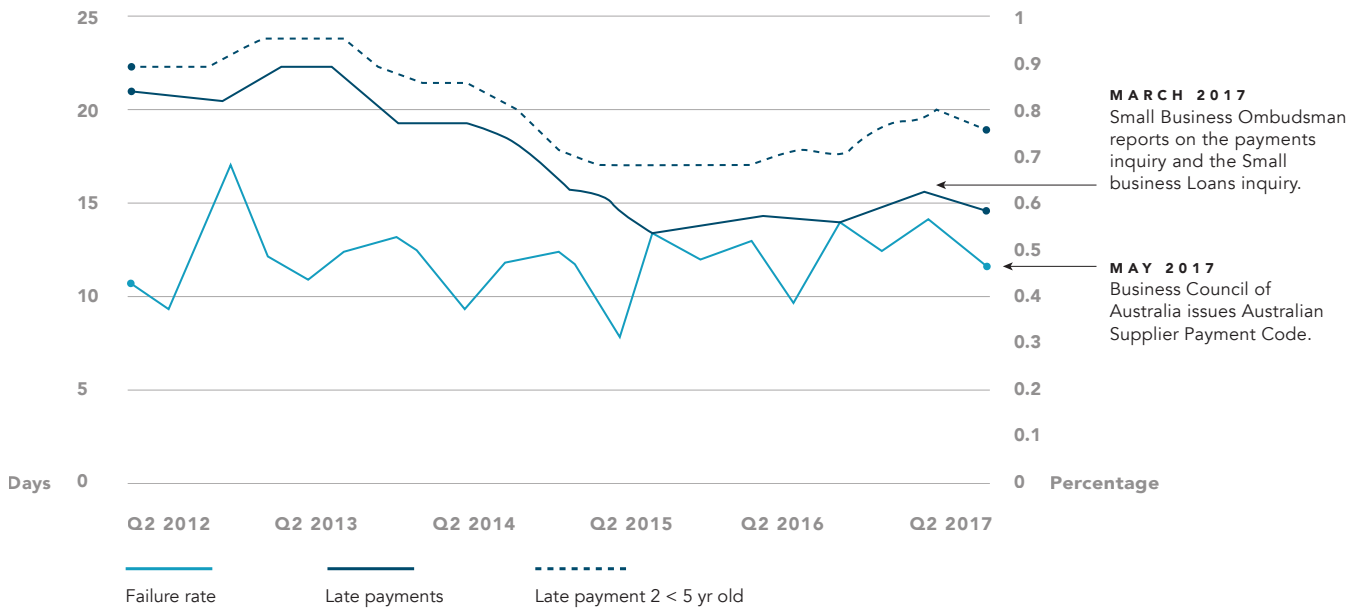
**9.3%**  
**of businesses**

paid in excess of 60 days  
beyond terms

**Only 12% of  
ASX companies  
pay on time**

**Companies aged  
2 to 5 years are  
most at risk from  
late payments  
and failures**

**Businesses in the '2<5 years old' bracket are at higher risk of late payments and failures**



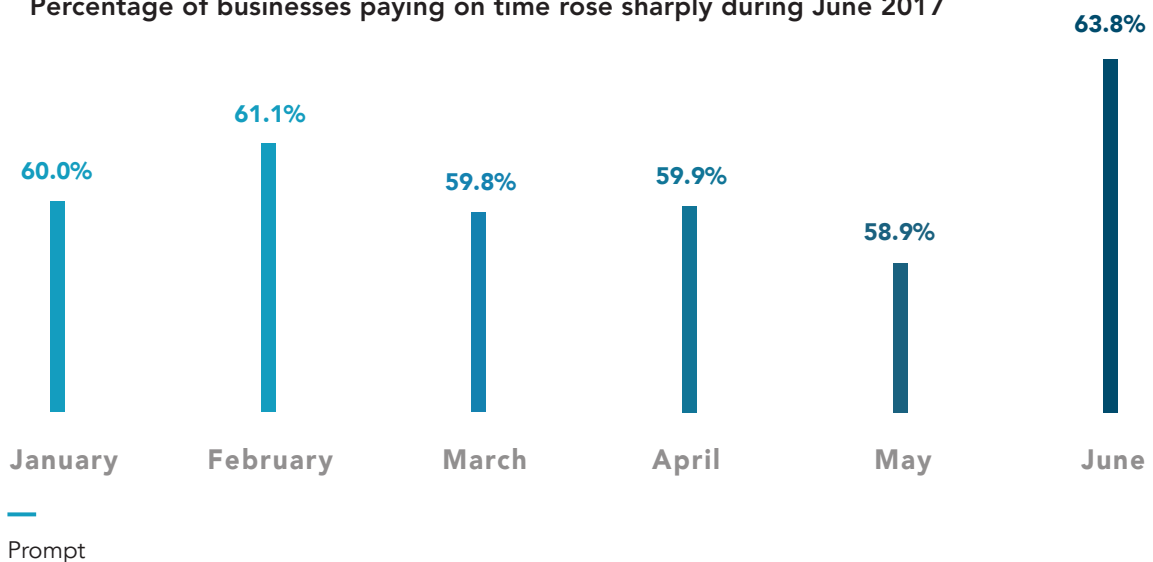
“ It is interesting to note that once firms have moved from start-up to becoming established, with 2 to 5 years of operations, late payments are on average above the average for all businesses. This is a well established trend even though the broad trends in late payments, higher and lower, are similar across all businesses. It suggests that 2 to 5 year old firms are more vulnerable to cash flow constraints from higher late payments, which appears to have some impact on the trend in business failure rates. ”

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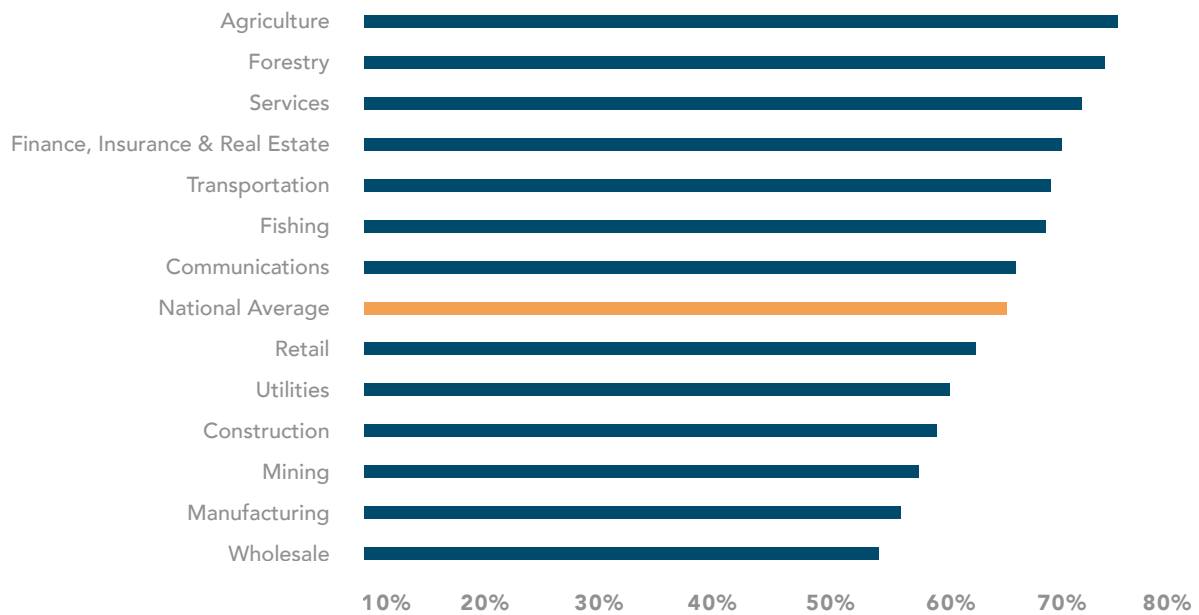
# The good payer index

More businesses paid their bills on time at the tail end of the second quarter, with almost two thirds of businesses choosing to settle invoices promptly, compared to the year-to-date average of 60.6%. Wholesalers and Manufacturers struggled to pay almost half of their bills, however, which is concerning given the economic role these sectors are expected to play as residential housing construction levels subside.

Percentage of businesses paying on time rose sharply during June 2017



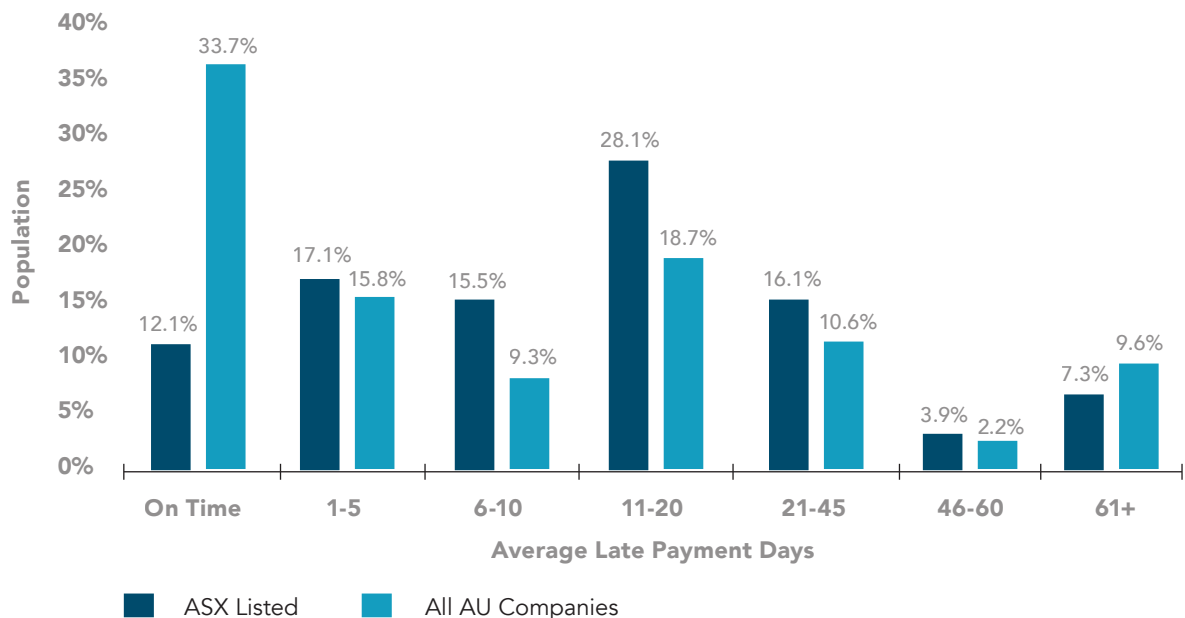
## Sector breakdown: % of invoices paid on time Q2 2017



The latest analysis of our trade bureau revealed a sharp difference in the payment habits of ASX-listed entities when compared to non-listed businesses. We looked at trade data from the first six months of the year and found that, on average, publicly listed companies were less likely to pay bills on time by a wide margin.

This may reflect the market size and power of ASX companies, which tend to be larger than privately owned firms. Just 12 percent of ASX listed companies pay on time compared with almost 34 per cent of non-ASX listed companies.

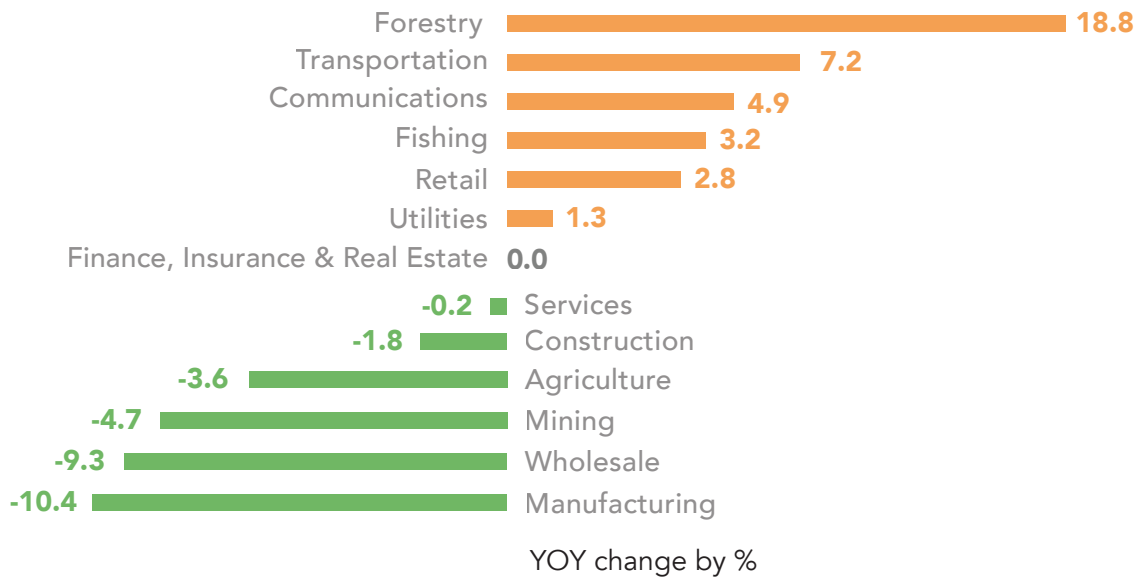
## ASX vs the Rest: 1H 2017



“ The fall in late payments occurred when prompt payments (businesses paying on time) jumping sharply from around 59 per cent in May to 64 per cent in June. There was also an end of financial year effect encouraging to firms to pay on time. This is also a reflection of improved economic conditions into the June quarter. ”

**Stephen Koukoulas, Dun & Bradstreet Economic Adviser**

### Year-on-year increase/decrease in Late Payment time by sector



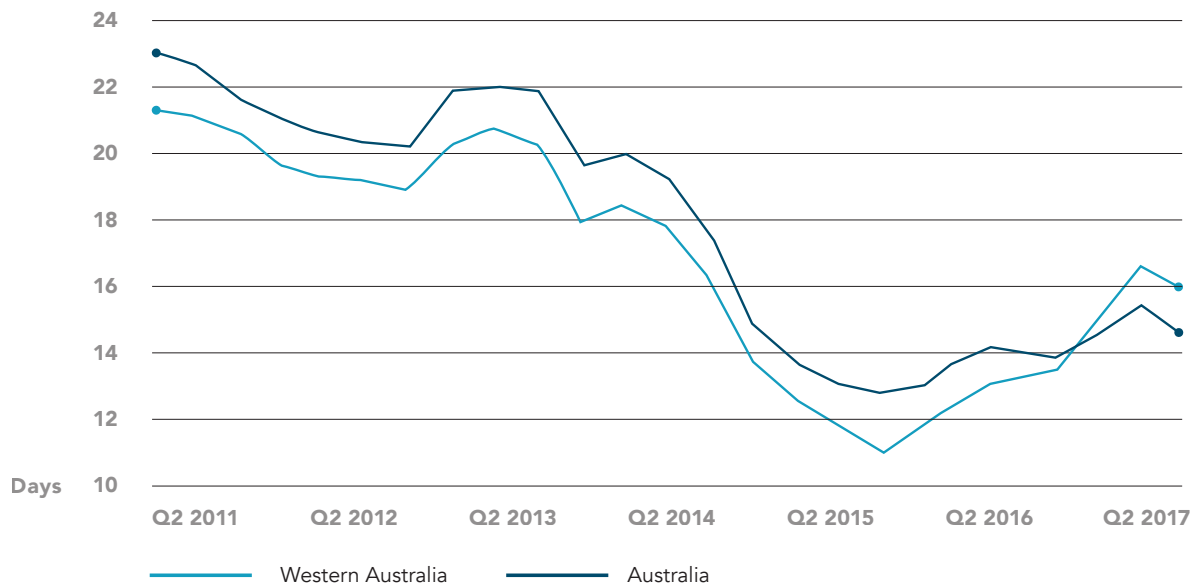
“ Improving economic conditions in manufacturing, mining, agriculture and construction drove a decline in late payments in those sectors. A more competitive level for the Australian dollar exchange rate and strong growth in construction has underpinned the better news in these areas. There was a widening in late payment times in the areas of the economy where trading conditions have been problematic, particularly in retail and utilities. The substantial rise in utility prices has been and is likely to remain a significant issue impact payment times over the next few quarters. ”

**Stephen Koukoulas, Dun & Bradstreet Economic Adviser**

## Trading conditions

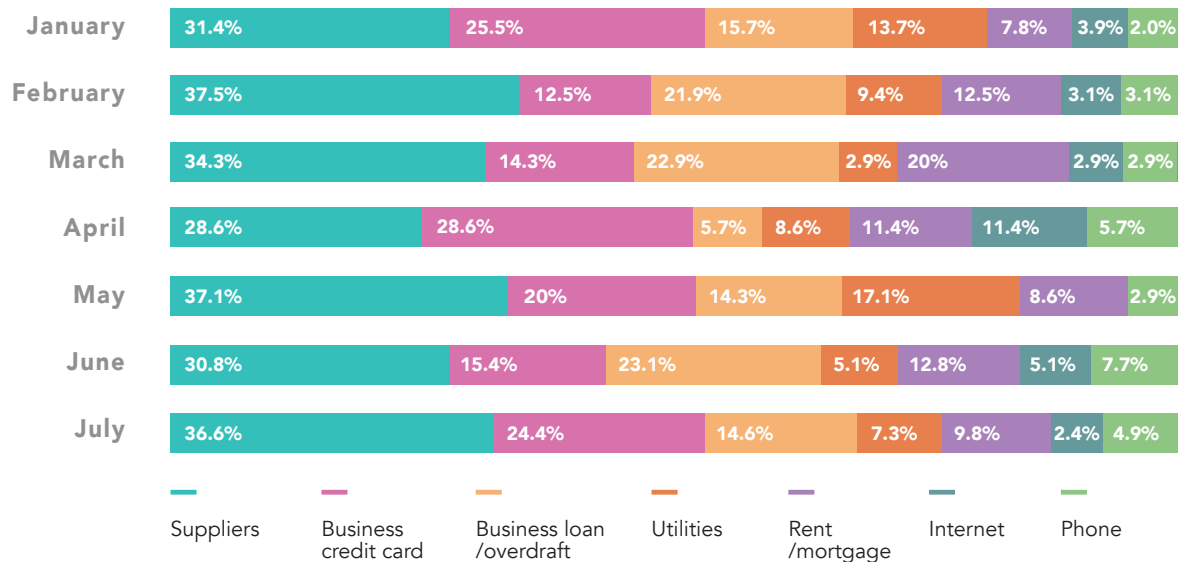
Regional differences are often lost in the broader national landscape. The Western Australian and, to a lesser extent Queensland economies are both grappling with the transition away from resources and subsequent construction booms. This is evident in Western Australian average late payment diverging from the long run average.

WA payment times break out above historic trend



Western Australia’s average late payment times have remained above the national average since the final quarter of 2016, with just two of thirteen sectors in the region reporting late payment times below the Australian average in the latest quarter. This trend was flagged in the latest Business Expectations analysis, which revealed businesses in Western Australia were far more likely to pay suppliers late compared to other operating costs.

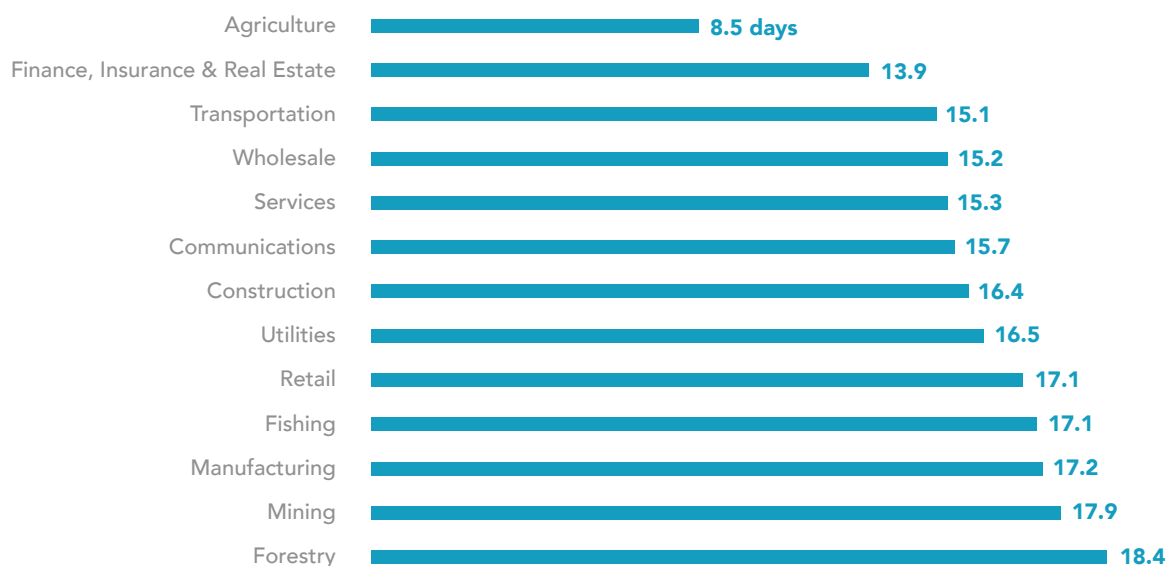
Western Australia: If you find yourself unable to pay all of your bills on time this year, which of the following would you choose to pay late/miss?



“ The general economic weakness in WA is showing up in a marked rise in late payments. The fact that over the past few years, there has been a doubling in the unemployment rate, record low wages growth and a slump in mining investment in WA is the catalyst for the deterioration in late payments since 2015. ”

**Stephen Koukoulas, Dun & Bradstreet Economic Adviser**

### Western Australia by sector: Q2 2017



Q2 2017

# About Late Payments

Late Payments analyses trade information from Dun & Bradstreet's Commercial Bureau, the largest database of business-to-business payment information - capturing 820,000 entities - in 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. Previously released as Trade Payments Analysis, Late Payments now 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.

## Contact details

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