

| 3rd Quarter Analysis 2017

Australian Late Payments



Payment culture changing

Late Payments down in Q3

Late payment times for Australian business are falling, according to the latest analysis by illion. The average late payment time for an Australian business was 12.6 days during the September quarter, down 9.1 percent from 13.9 days during the prior corresponding period. In addition to reducing the length of time for overdue bills, more businesses are settling their invoices on time, indicating a broad shift in payment behaviour.

“ In line with the pickup in business expectations and a more positive tone in other parts of the business sector, the sharp fall in late payments reflects better economic conditions and a clear improvement in cash flows. Business cash flows have also been boosted by higher profits, as seen in illion’s latest Business Expectations survey, which means firms are able to make their payments to suppliers in a timelier manner. ”

Stephen Koukoulas
illion Economic Adviser

“ Payment behaviour is a crucial sign of business health. If a company’s annual report is like the yearly medical check-up, then payment data is like Fitbit data, helping us track the health of business in real time. Timely payments are critical to small businesses running on slim margins, reducing the risk of job cuts and business failures. ”

Simon Bligh
illion CEO



Late payments
at lowest level in
five years



Total debt
outstanding:
\$27.9 billion



Large firms reduce late
payment time to lowest
level since 2014

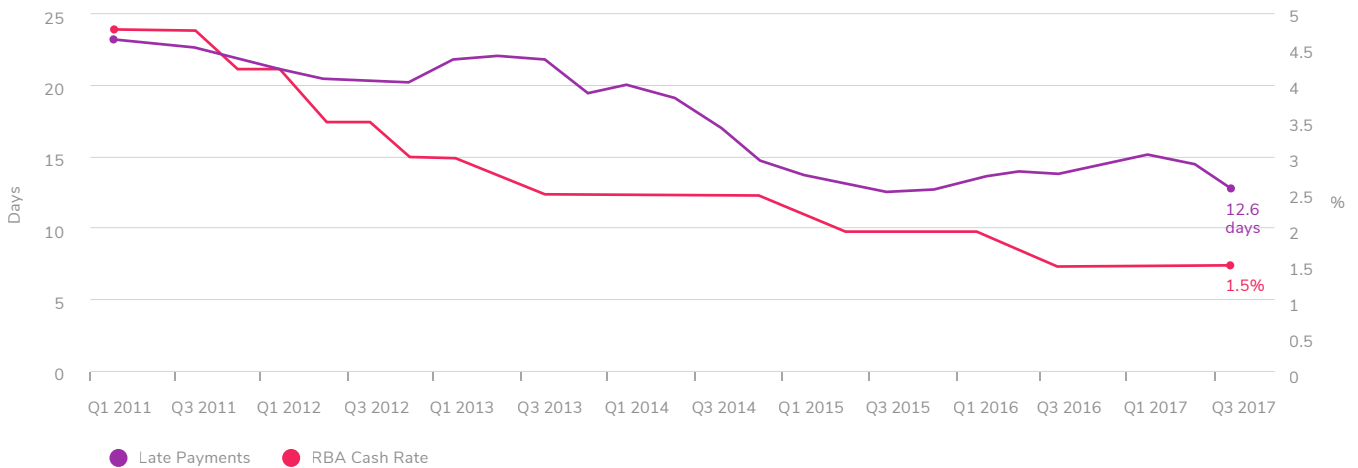


ACT lags behind
the rest

Message getting through

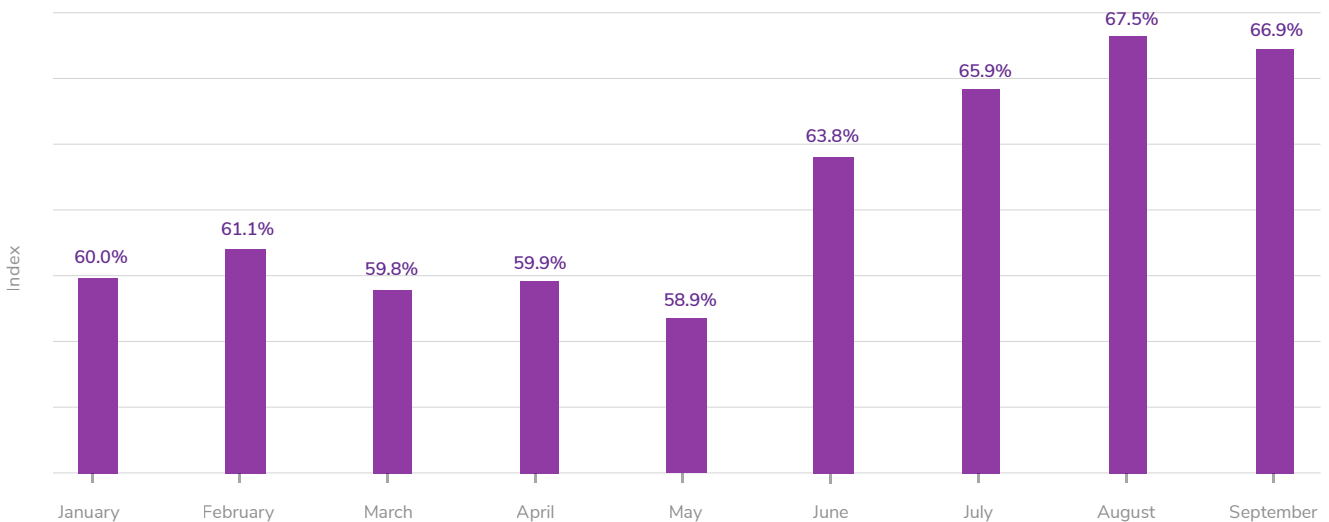
Late Payments has been a hot topic this year, with the Small Business Ombudsman releasing the results of its inquiry into payment behaviour in March, the Business Council of Australia issuing its Australian Supplier Payment Code in May, and the Prime Minister unveiling major reforms to payment practices on government tenders in November. Combined with the current low interest rate environment, businesses have less incentive to sit on cash reserves for prolonged periods.

Q3 2017 Late Payment times lowest in more than 6 years



Since the middle of 2017, the trend has been one of businesses being paid faster across all sectors and locations. Total outstanding debt to the end of September stood at \$27.9 billion, with 66.9 percent of bills being paid according to invoice terms. Compared to the beginning of the year, that represents an additional \$6.1 billion of capital being injected back into the supply chain faster. The knock on effect of these funds flowing through the economy is difficult to overstate. The swifter payments will in turn generate economic activity in the form of wages paid, additional invoices settled and inventory ordered.

Average percentage of Prompt Payments has increased since mid-2017



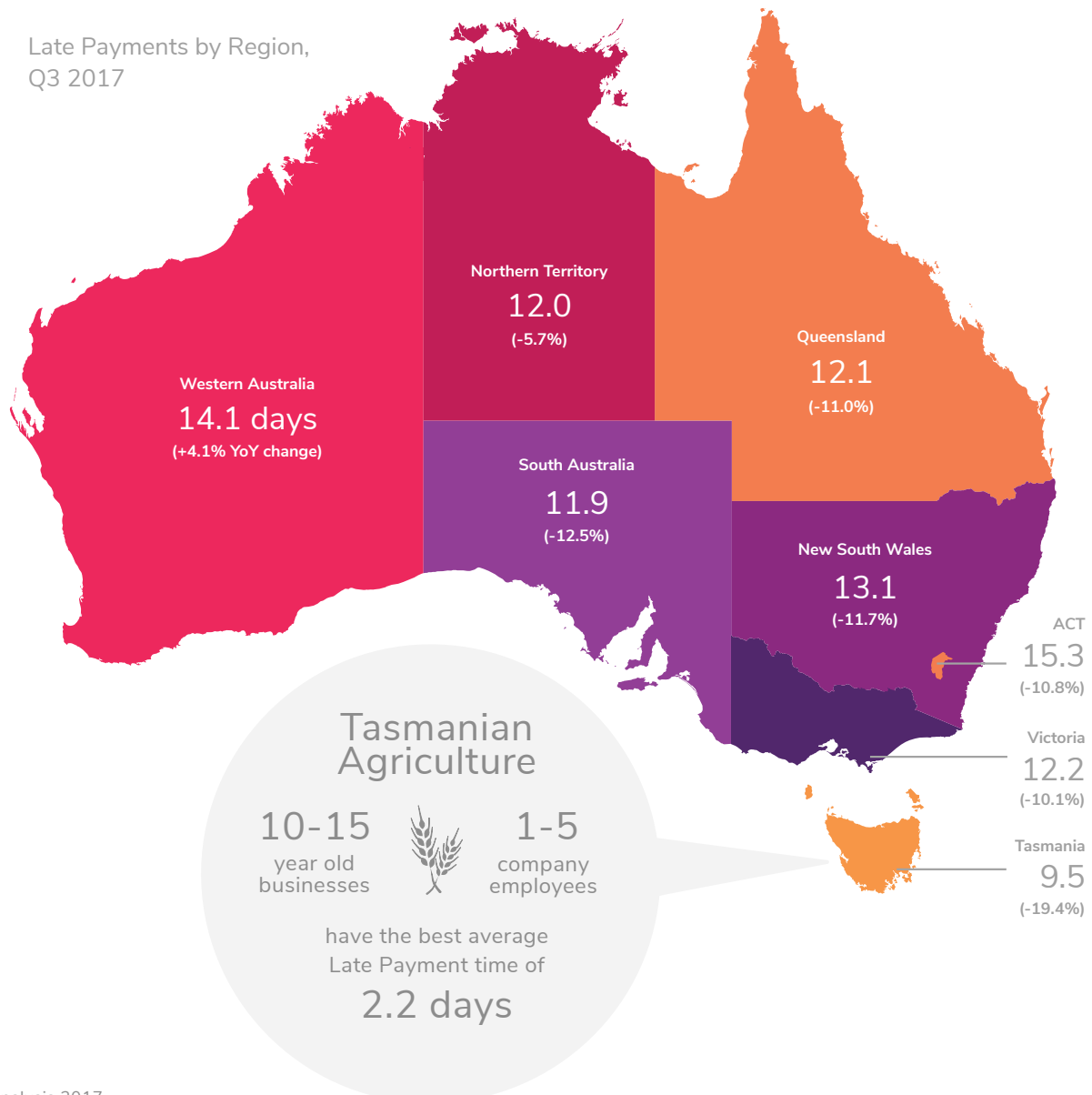
Late Payments by Region

The national and regional view reveals a trend of late payment times falling. Western Australia was the only region to record a year-on-year rise in Late Payments in Q3, with a 4.1 percent increase to 14.1 days, compared to 13.6 days in the September quarter 2016. The ACT, consistently the worst performer for the past three years, notched up an 18 percent decrease between Q2 and Q3 to 15.4 days. Standout performer Tasmania is the only region to reach single digits, with an average late payment time of 9.5 days.

“ It was no surprise to see late payments rise in the economically challenged Western Australian economy, which was the only state to see deterioration in late payment times over the past year. Tasmania, which has registered a stunning lift in economic performance over the past year, saw a sharp 19.4 percent drop in late payments. The ongoing high level of late payments in the ACT is linked to the structure of its economy, where the government sector, which is a large part of the ACT economy, is historically slower than other sectors to pay suppliers. ”

Stephen Koukoulas
Illion Economic Adviser

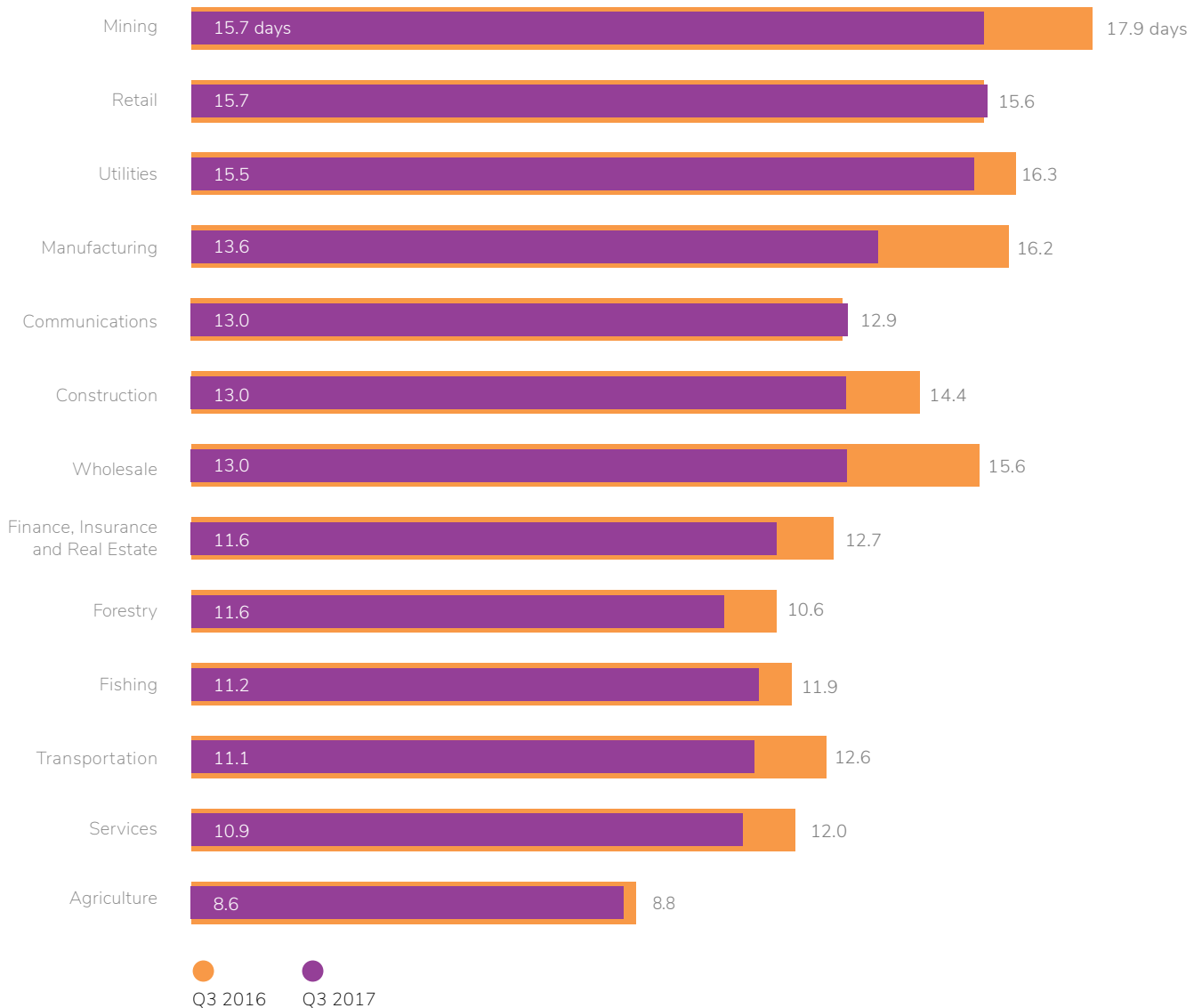
Late Payments by Region,
Q3 2017



Late Payments by Sector

Retailers continue to struggle, recording the joint slowest average late payment time of 15.7 days, alongside Mining. At the other end of the scale, Wholesalers have undergone a dramatic shift, with the average late payment dropping 17 percent in 12 months to 13 days. In terms of paying bills on time, Services led the way among the major industries, with an average of 71.4 percent of bills paid promptly. This aligns with illion's November Business Expectations Survey, which revealed a buoyant Services industry.

Late Payment times by Sector - Q3 2017



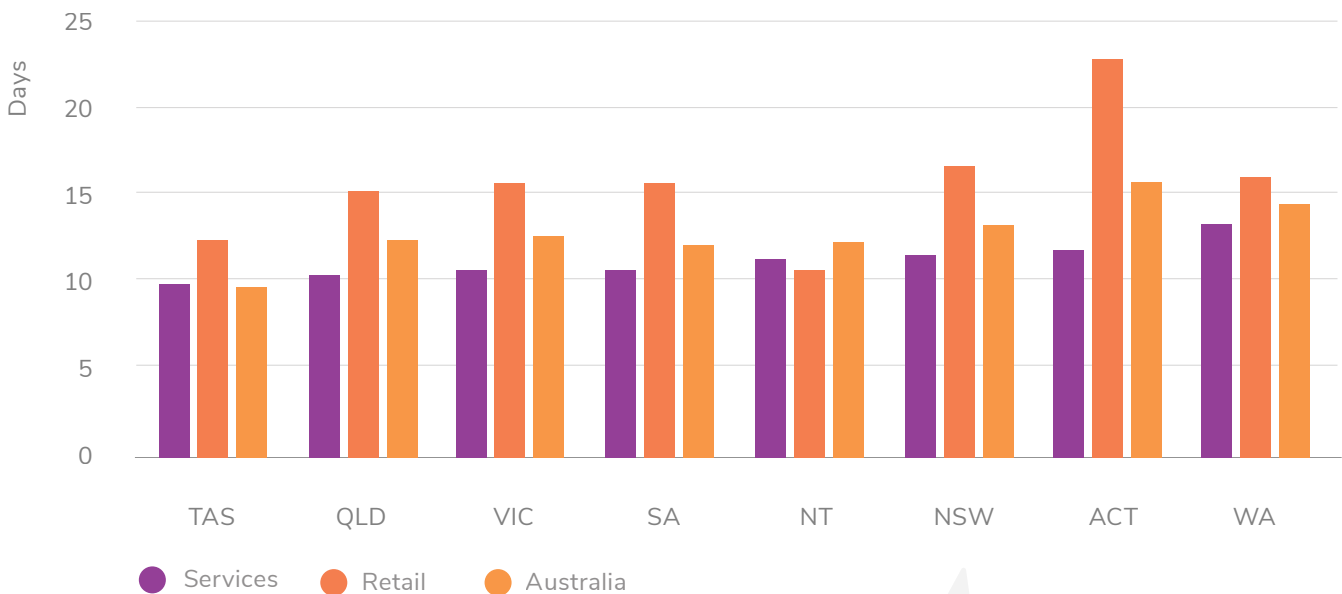
Late Payments by Sector

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It was noteworthy that late payments fell across all industries, except the Retail sector, which had been one of the weak spots in the economy. It is important to note that the industry data are not weighted, with some of the largest sectors in the economy having the longest late payment times and the smaller sectors, most notably agriculture, fishing and forestry, being among those sectors with the lowest late payment times. ”

Stephen Koukoulas
illion Economic Adviser

Services and Retail - Q3 2017



29.8 days

The highest average late payment bracket was for **Finance, Insurance and Real Estate** businesses between 10 - 15 years old, based in **New South Wales** with more than 500 employees.

Late Payments by Size

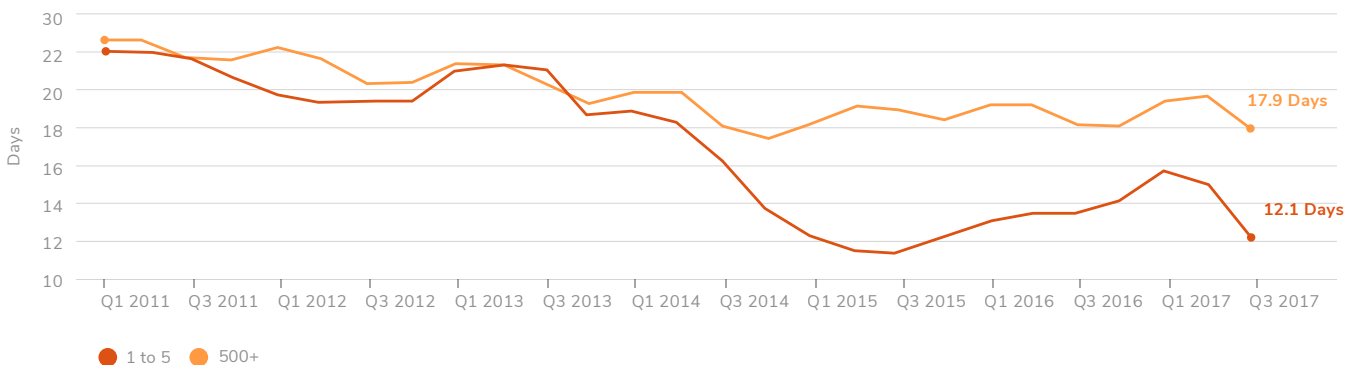
While large firms (those with more than 500 employees) remain well above the average for late payment time, they have reduced the time taken to settle overdue bills to the lowest level since the fourth quarter of 2014. At 17.9 days, however, they're still more than four days behind the second-worst category.

In terms of the most recent trend, the smallest businesses recorded the largest reduction in late payment time between the second and third quarters. During this period, entities with between one and five employees reduced the average late payment days from 14.9 to 12.1, a drop of 18.8%.

Late Payments by Size - Q3 2017



Small to Large Comparison: Q1 2011 - Q3 2017



Our methodology

Late Payments analyses trade information from illion's Commercial Bureau, the largest database of business-to-business payment information in Australia, capturing more than one million entities. 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.

Have a question?
Contact us today.

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