

Worsening trade credit conditions

LATE PAYMENTS IN AUSTRALIA

Dun & Bradstreet 1st Quarter Analysis 2017

Late Payments increased during the early stages of 2017, rising to their highest level since Q3 2014 and consolidating a trend of late payment times gradually moving higher. On average, 59.8 percent of Australian businesses pay their bills on time, while 9.5% pay in excess of 60 days beyond invoice terms.

“Late payment times have continued to increase, this suggests that some of the weakness evident in the economy early in 2017 has impacted the time it takes firms to pay their bills. Low interest rates are likely to have had a positive effect in reducing payment times, but this is likely to have been offset by less robust trading conditions in the economy more generally.”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

15.3
days late

Average late payment time
for an Australian business

Late Payment times in WA up

37%
from Q1 2016

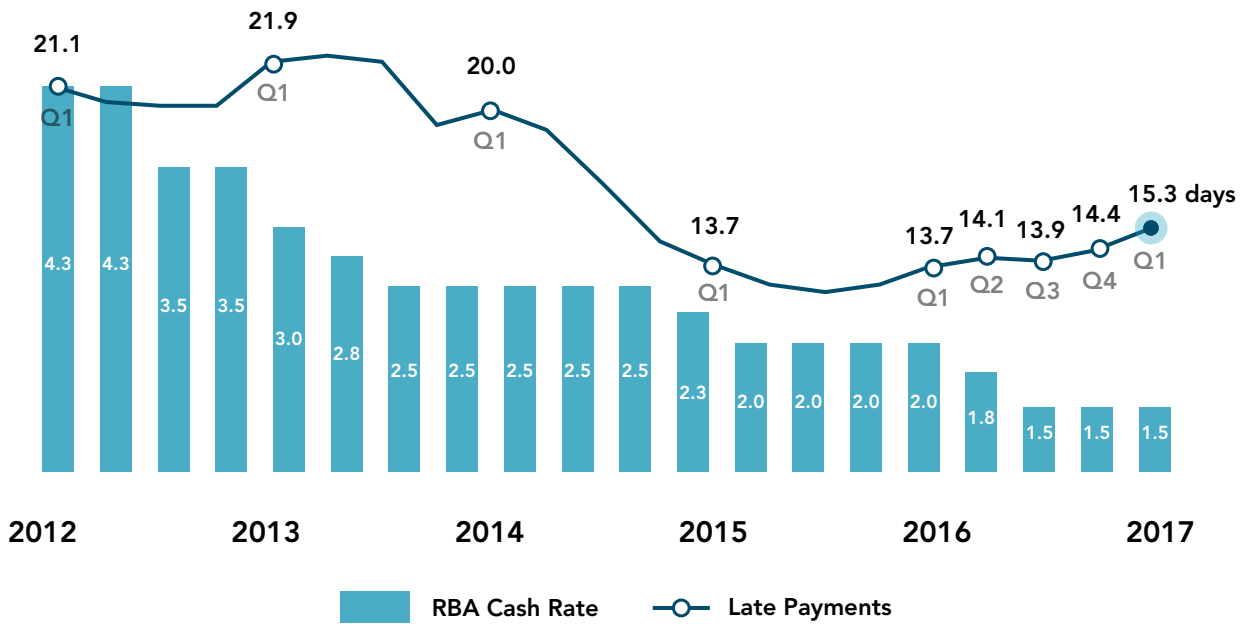
The Mining sector was the
slowest to pay averaging

18.3
days late

Average Late Payment time
for Large businesses rise to

19.4
days late

Average late payment times continue to climb despite historically low interest rate



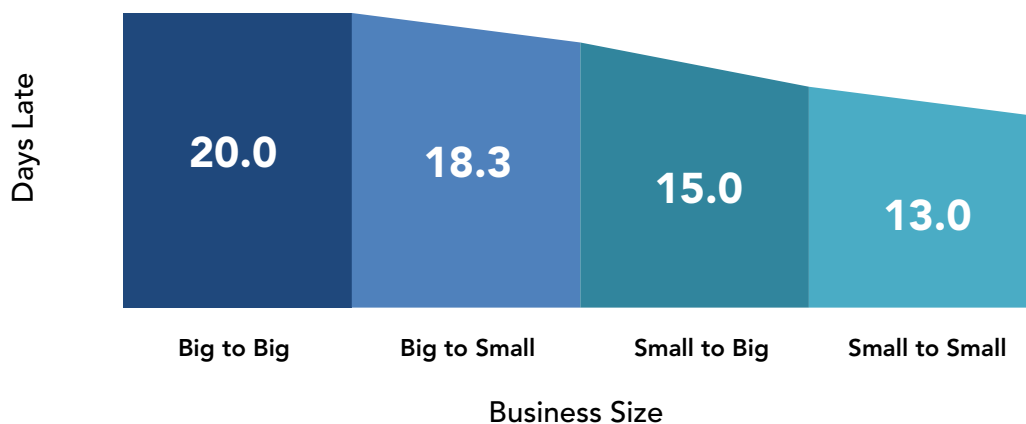
“The rise in late payment times is not yet a concern for the economy, but if there is any further deterioration it will emerge as a further issue that will impact on the deliberations of the Reserve Bank of Australia and could lead to lower interest rates. The rise in late payments is consistent with the recent softening in the D&B business expectations data.”
 Stephen Koukoulas, Dun & Bradstreet Economic Adviser

Big firms set the pace

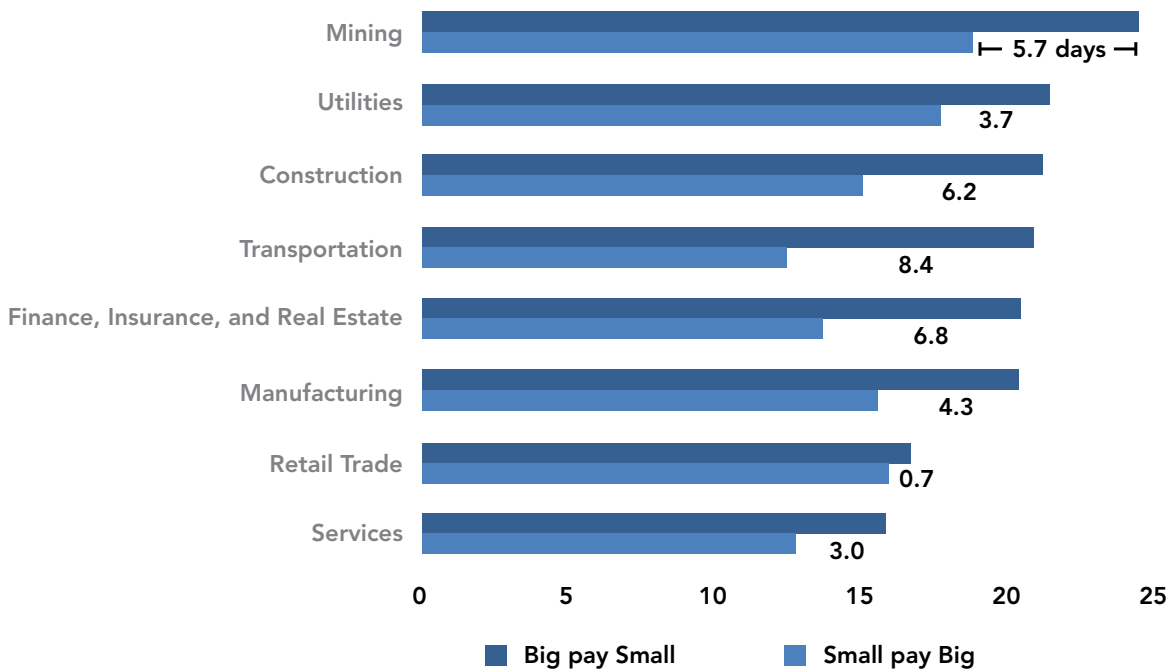
Following the Small Business Ombudsman Inquiry into Payment Times and Practices, we decided to dig deeper and analyse how different-sized businesses pay one another.

Big to small payment times showed a clear pattern of larger firms paying smaller firms at a delayed rate; big companies paid other big companies even later. This pattern is evident across all regions and suggests an entrenched payment culture in the larger companies.

Late Payments by company size: Q1 2017



Larger companies continue to pay later than smaller businesses



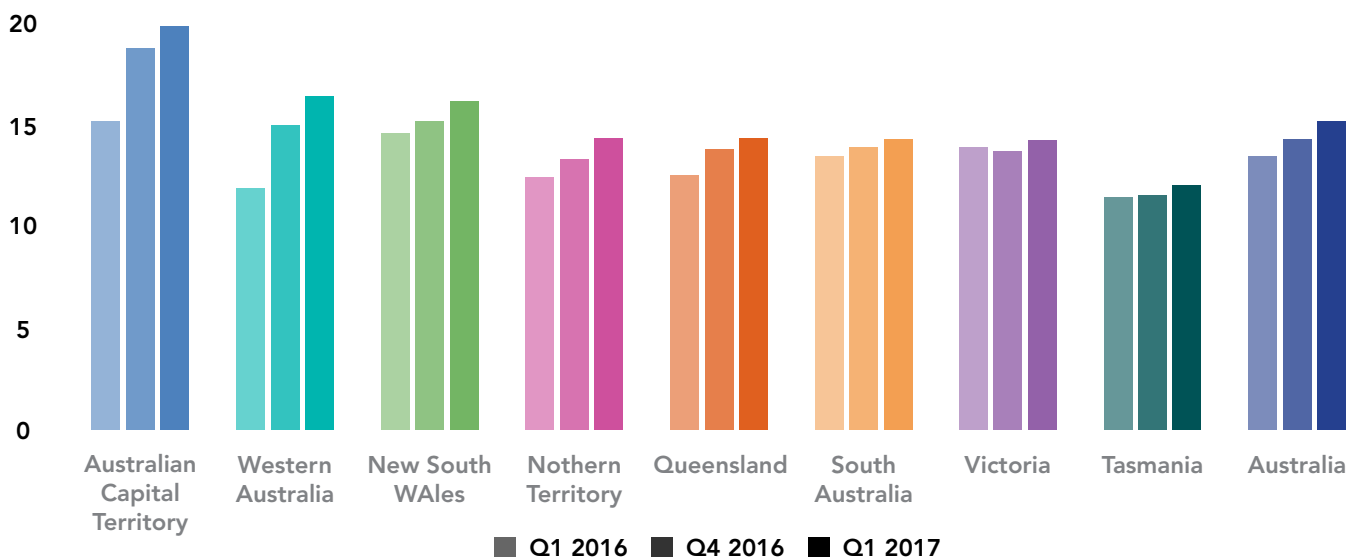
“ There is an established trend that larger firms (over 500 employees) are the slowest to pay invoices while smaller firms are the fastest. That said, the overall trend showing a moderate increase in late payments over the past year has been evident across firms of all sizes, with marked variation across industries. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

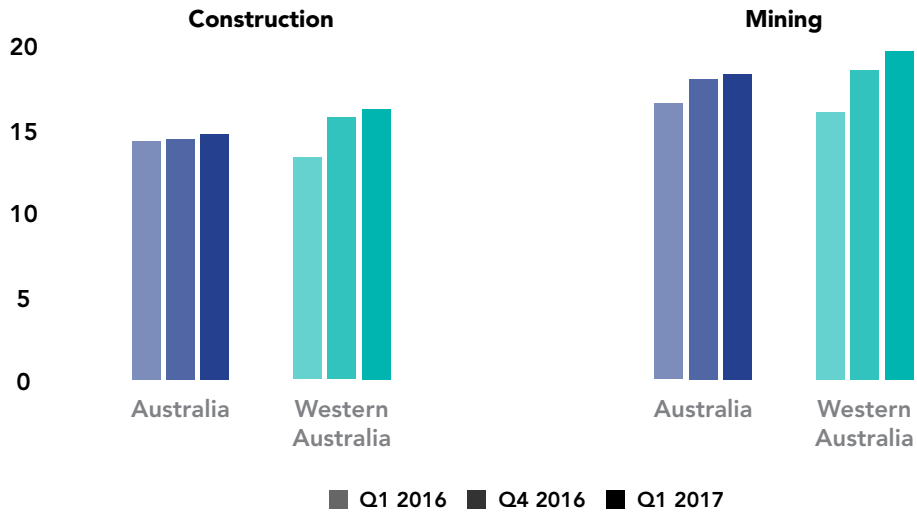
WA leads national trend

Late Payment times rose nationwide with Western Australia recording the largest annual increase of 37 percent (9.2 percent quarter-on-quarter). This compares to the national annual increase of 11.9 percent. By contrast, during Q1 2016 Western Australia had the second-lowest late payment time nationally.

Payment times increased across all states and territories in Q1 2017



Late Payments for Mining & Construction outpace national trend

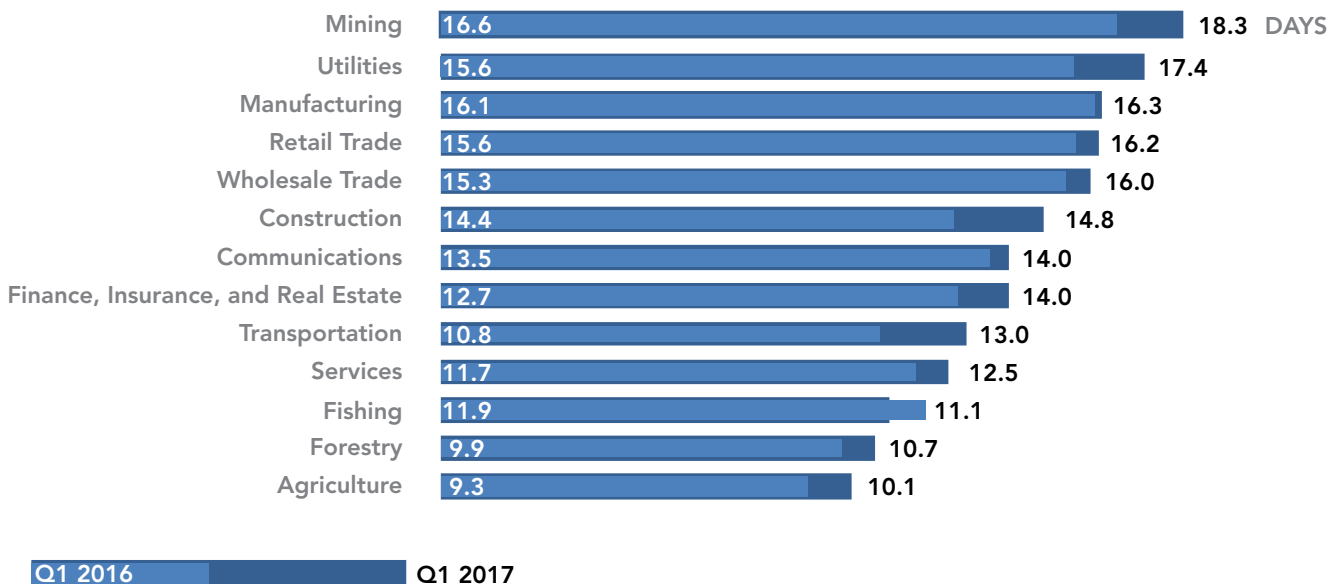


“The general economic weakness in WA is reflected by a marked rise in late payments, particularly for the Mining and Construction industries. That said, late payments have risen in all states in Q1 2017 compared with the same quarter in 2016.”
 Stephen Koukoulas, Dun & Bradstreet Economic Adviser

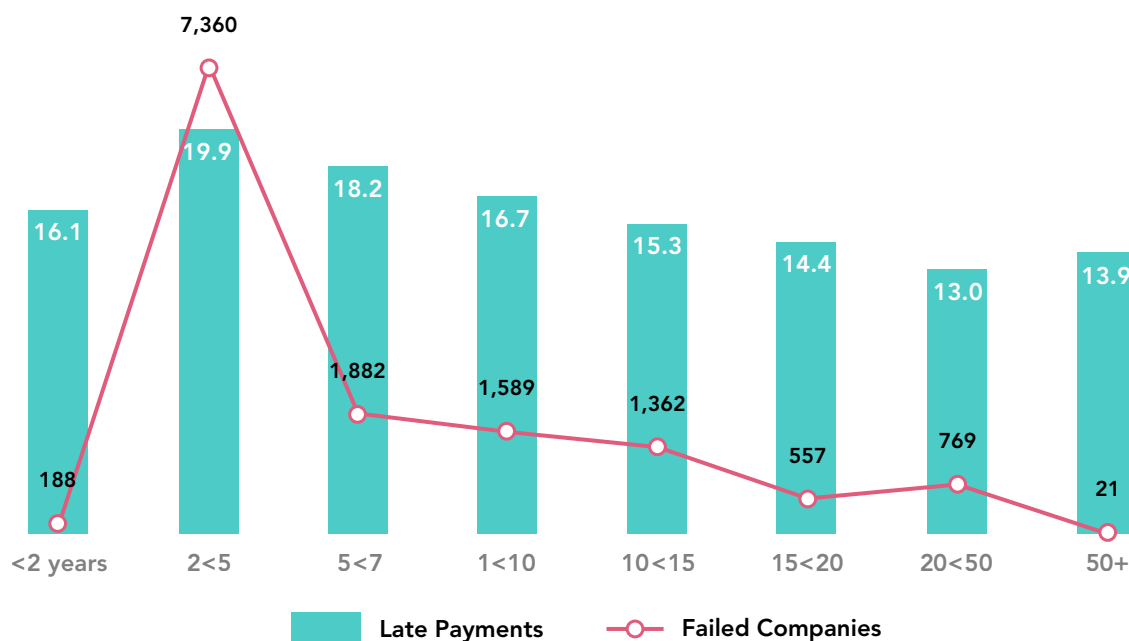
Knock on effects

Transportation recorded the biggest increase in late payment times, rising 19.6 percent when compared to the same period last year. Mining remains the worst offending industry for late payment times. Retail is a sector to watch as it is increasingly showing signs of distress in the face of weak wage growth and subsequent consumer confidence. This is likely to be compounded by a once in a lifetime shift in habits as shoppers seek bargains online rather than during high street sales.

Late payment times by sector



Late payment times in line with failure rate by company age - Q1 2017



“ In the Mining and Utilities sectors, there has been a noticeable increase in late payment times. These two sectors also have the longest late payment times. These trends reflect the general weakness in the economy. These less favourable conditions for household finances are also feeding into some concerns within the retail sector. It is also noteworthy that there is a solid correlation between late payment times, the age of the business and the number of business failures. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

About Late Payments

Late Payments analyses trade information from Dun & Bradstreet’s Commercial Bureau, the largest database of business-to-business payment information - capturing 778,000 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.

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