

May 2018



Australia: a steep increase in DSO

Atradius Payment Practices Barometer



GDP
(millions euro)
€ 1,154,709.68

GDP growth rate
(2018 est.)
2.7 %

Export annual growth rate
(2018 est.)
4.5 %

Imports annual growth rate
(2018 est.)
2.7 %

Key figures

Sources: Oxford Economics, MIT OEC

export sectors

Top5

Mineral Products
Stone/Glass
Animal & Animal Products
Vegetable Products
Metals

export destinations

Top5

China
Japan
South Korea
USA
United Kingdom

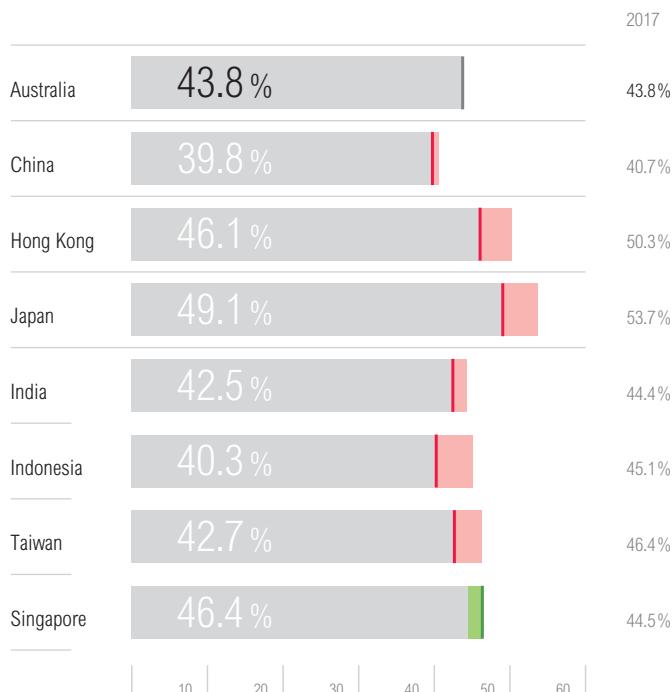
Respondents in Australia are trading on credit because this is the way businesses in their industries operate and so that they can expand their activities domestically and internationally. In 2018, respondents reported a steep increase in DSO and the need for more time to convert B2B invoices into cash. Bankruptcy and the inability to locate the customer are the most frequently mentioned reasons for writing off B2B receivables as uncollectable.

Expanding business by trading on credit terms

The average proportion of sales made on credit in Australia remained unchanged at 43.8%. Sales on credit terms occur significantly more often with domestic B2B customers than with B2B customers abroad (50.0% versus 37.5%).

Australian respondents said that they are granting trade credit to their domestic and foreign B2B customers because this is the usual business practice. Selling on credit is also seen as a way to ensure cash flow and expand businesses domestically and internationally.

Proportion of total B2B sales made on credit (avg. %)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – May 2018

» We trade on credit because that is the way the industry operates.«

Survey respondent · Construction sector

There was no consensus on the reason why Australian respondents would not offer trade credit to their domestic B2B customers. 17.4% of respondents mentioned that a lack of information on the customer's business or payment performance would determine this decision. In respect to foreign B2B customers, the most Australian respondents said that they would not grant credit terms if there's high currency risk (mentioned by 39.3%) and high economic or political risk in the customer's country (35.7%).

» We are granting trade credit to foreign B2B companies to expand internationally.«



A steep increase in DSO

Australia is once more the country with the second lowest percentage of respondents reporting late payments by their B2B customers (83.2%). The percentage of respondents reporting late payments from domestic B2B customers is almost as high as the percentage of respondents reporting late payments from foreign B2B customers.

Sharp decreases in the proportion of domestic and foreign past due B2B invoices brought the country's average down from 49.3% in 2017 to 43.5% this year. Unlike in other Asia Pacific countries surveyed, the proportion of foreign past due B2B invoices is significantly higher than that of domestic past due B2B invoices.

Respondents in Australia reported a steep increase in the average Days Sales Outstanding (DSO) figure in 2018. This stands at 34 days and is 12 days longer than in 2017. Asked about the coming 12 months, most respondents (66.3%) do not expect any changes in their company's DSO. Of those who foresee changes, 13.6% expect a slight decrease and 12.0% a slight increase.

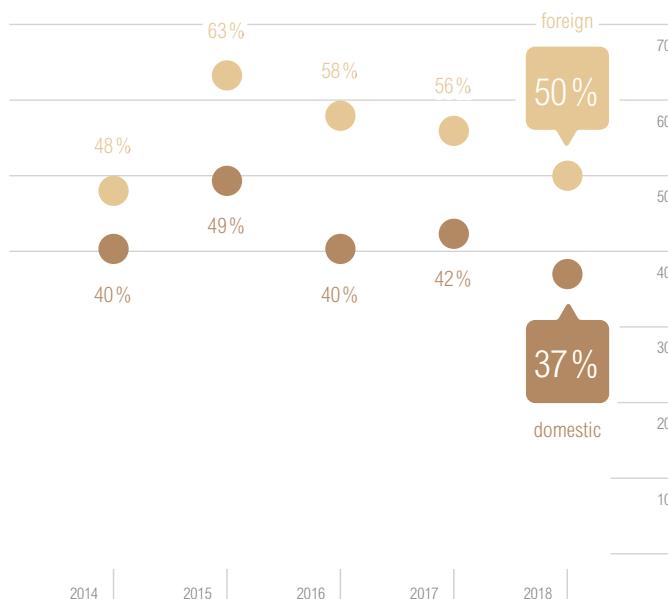
Increased payment terms for B2B customers in Australia

Historically, respondents in Australia are setting some of the shortest average payment terms in the region. In 2018, payment terms given to both domestic and foreign B2B customers have increased significantly. Domestic B2B customers are given, on average, 25 days to settle their invoices. This is five days longer than in 2017. Foreign B2B customers are given, on average, 28 days to fulfil their payment obligations – 11 days longer than in 2017.

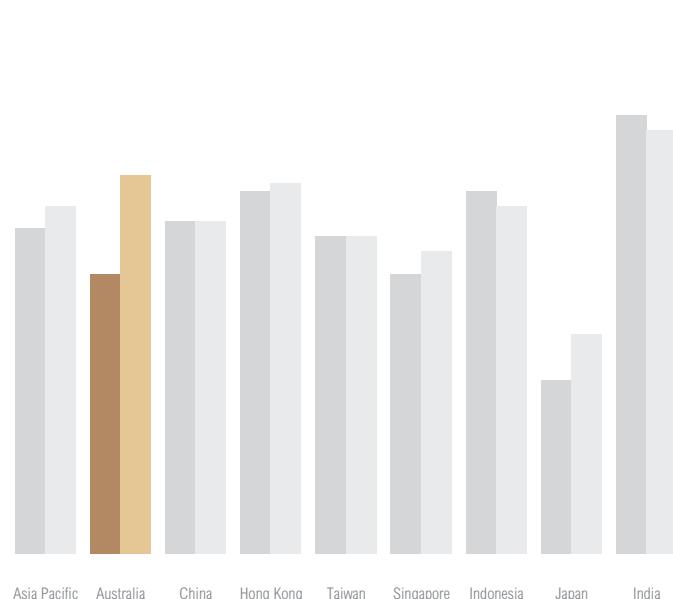
Asked whether they differentiate terms between domestic and foreign B2B customers, 50% of respondents in Australia stated that they are not likely to differentiate. Of the ones who mentioned a differentiation, 31% said that they are likely to give their domestic B2B customers shorter average payment terms and 18% that they are likely to give their foreign B2B customers less time to settle payments. The main reasons for differentiating payment terms in Australia are internal policies, industry practices and domestic payment terms dictated by law.

Past due B2B receivables in Australia

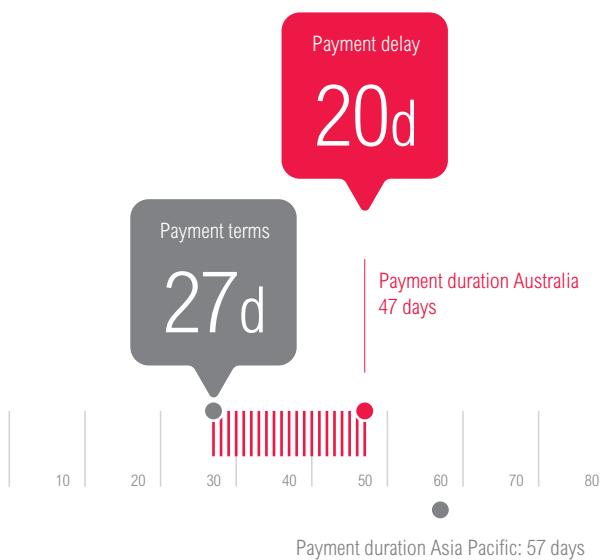
(avg. %)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – May 2018



Payment duration in Australia



d = average days

Sample: companies interviewed (active in domestic and foreign markets)

Source: Atradius Payment Practices Barometer – May 2018

In 2018, payment delays by B2B customers in Australia are shorter. Domestic B2B customers delayed payments, on average by 16 days – five days less than last year. Payment delays by foreign B2B customers decreased even more – by seven days – to 25 days, on average. Based on these changes and the ones mentioned in regards to payment terms, the payment duration in Australia increased to 47 days. This is two days longer than in 2017 but significantly below the regional average of 57 days.

Payment delays by B2B customers seem to occur mostly because of insufficient availability of funds and the buyers using outstanding invoices as a form of financing (stated by 41% of Australian respondents). Insufficient availability of funds was also the main reason for payment delays by foreign B2B customers (mentioned by 32.3% of respondents). Disputes over the quality of goods delivered and services provided was another frequently mentioned reason for foreign payment delays; this was cited by 30.7% of respondents.

Among the Asia Pacific countries surveyed, Australia had the highest percentage of respondents (48.7%) who stated that payment delays did not have a significant impact on their businesses. Of those who have experienced an impact, 16.0% said that they needed to take specific measures to correct cash flow and 15.0% that payment delays led to revenue loss.

Extensive use of e-invoicing but disagreement on its effect

Next to their peers in India, Australian respondents make extensive use of e-invoicing. 72.6% of respondents said that they are already invoicing their B2B customers electronically. This compares to 12.4% who are not using e-invoicing and 4.0% who have stopped invoicing electronically. 11% of respondents expressed their intention to migrate towards paperless invoicing in 2018.

Despite the extensive use of e-invoicing, there seems to be a difference in opinion whether it leads to quicker payments. 51.7% believe so and 46.1% said that e-invoicing did not have a noteworthy effect on payment duration. Only 2.1% of respondents reported that e-invoicing led to slower payments.



Despite their extensive use of e-invoicing, 46% of Australian respondents believe that this did not have a noteworthy effect on payment duration.



53.6% of Australian respondents do not expect turnover losses due to global protectionist measures

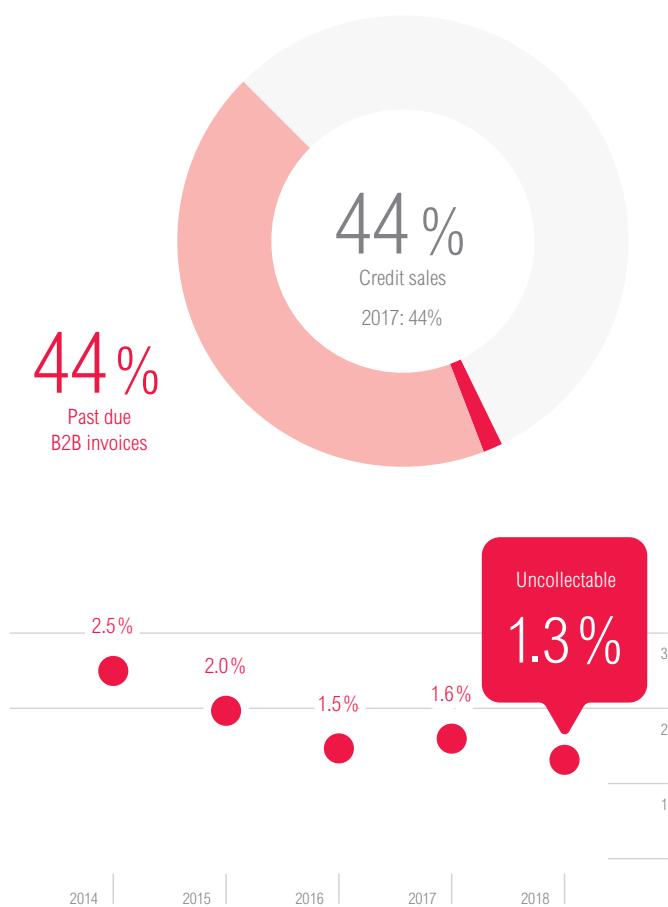
53.6% of respondents in Australia said that they do not expect the developments at global level to have an effect on their company's turnover in the coming 12 months. Among the Asia Pacific countries surveyed, Australia had the highest percentage of respondents stating this.

Of the respondents who believe that their companies might be affected, 18.5% mentioned that they expect a loss in turnover of up to 10% and 10.4% expect that the impact will likely range between 20% and 30%. In contrast, 6% of respondents in Australia – probably focusing primarily on domestic B2B sales – expect to be positively impacted by protectionism around the globe.



Uncollectable B2B receivables in Australia

(% of total value of B2B receivables)



Inability to locate the customer – a top reason for write-offs next to bankruptcy

After Japan, Australia remains the country with the lowest average proportion of uncollectable receivables in Asia Pacific. There was a small improvement in the percentage of the total value of uncollectable B2B receivables which declined from 1.6% in 2017 to 1.3% this year. Domestic B2B receivables were written off more often than foreign ones.

Uncollectable receivables originated most often from B2B customers in construction, consumer durables, business services and services. The customer going bankrupt or out of business was the main reason for write-offs in Australia (mentioned by 46.3% of respondents) and in Asia Pacific overall. The second most frequently reported reason for write-offs is the inability to locate the customer, stated by 31.7% of respondents in the country.

Consumer durables – a problematic sector in 2018

As mentioned previously, Australian respondents give their B2B customers 27 days, on average, to fulfil their payment obligations. B2B customers in construction materials and those in the paper sector are given longer payment terms (on average, 44 days and 34 days respectively). In contrast, B2B customers in the services sector are being asked to pay the fastest (on average, within 16 days).

Suppliers in Australia reported that B2B customers in consumer durables and those in the chemicals sector are some of the slowest payers. B2B customers in consumer durables, paid on average 28 days after the due date, while those in chemicals 12 days after the due date. The top reasons for payment delays in the consumer durables sector are insufficient availability of funds (reported by 46% of respondents), the complexity of the payment procedure and buyers using outstanding invoices as a form of financing (each reported by 32%). The main reasons for payment delays in the chemicals sector are disputes over the quality of goods delivered and services provided (cited by 60% of respondents) and buyers using outstanding invoices as a form of financing (50% of respondents).

Most respondents in Australia (54%) do not expect to see payment behaviour changes by their B2B customers in consumer durables and chemicals over the coming 12 months. Should changes occur, respondents in the country are optimistic that these would be for the better.



46% of Australian respondents said that the main reason for payment delays in the consumer durables sector is insufficient availability of funds.



Survey design for Asia Pacific

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the 'Atradius Payment Practices Barometer'. In this report focusing on Asia Pacific, which is part of the 2018 edition of the Atradius Payment Practices Barometer, companies from eight countries (Australia, China, Hong Kong, India, Indonesia, Japan, Singapore and Taiwan) have been surveyed.

Using a questionnaire, Conclusr Research conducted a net of 1,697 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

Survey scope

- Basic population: companies from eight countries (Australia, China, Hong Kong, India, Indonesia, Japan, Singapore and Taiwan) were monitored. The appropriate contacts for accounts receivable management were interviewed.
- Selection process – Internet survey: companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact and for quota control was conducted at the beginning of the interview.
- Sample: N=1,697 people were interviewed in total (approximately n=200 people per country). In each country a quota was maintained according to three classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q1 of 2018.

Sample overview – Total interviews = 1,697

Country	n	%
Australia	205	12.1
China	224	13.2
Hong Kong	210	12.4
India	212	12.5
Indonesia	213	12.6
Japan	212	12.5
Singapore	210	12.4
Taiwan	211	12.4

Industry	n	%
Manufacturing	661	38.9
Wholesale trade/ Retail trade / Distribution	499	29.4
Services	537	31.6

Business size	n	%
Micro enterprises	568	33.5
SME (Small/Medium enterprises)	824	48.6
Large enterprises	305	18.0

It may occur that the results are a percent more or less than 100%. This is the consequence of rounding off the results. Rather than adjusting the outcome so that it totalled 100%, we have chosen to leave the individual results as they were to allow for the most accurate representation possible.

Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Asia Pacific. This is part of the May 2018 Payment Practices Barometer of Atradius, available at www.atradius.com/publications

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