

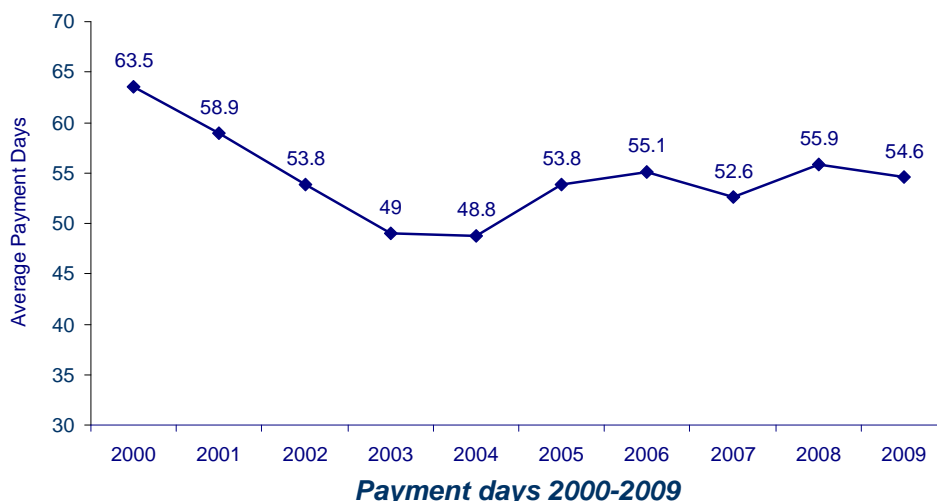
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Cash flow to come under pressure as business payments rise

December quarter deterioration reverses improvements made in Q3

Australian firms face the prospect of renewed cash flow pressures in the months ahead, according to the latest business-to-business trade payments figures released today by credit reporting agency Dun & Bradstreet.

The findings – which examine the more than nine million current accounts receivable records contained on the D&B database – reveal that a deterioration in payment terms (2.1 days) in the December 2009 quarter has taken terms to 53.9 days and largely reversed the gains made in the September quarter 2009. A further deterioration of the size recorded in the December 2009 quarter could put payment days back near the levels experienced during the height of the global crisis. In addition, D&B's analysis shows that over the past three years, payment terms have increased in quarter-on-quarter terms in the March quarter, indicating that further increases could be on the horizon.



Christine Christian, D&B's CEO, says access to cash is absolutely critical to Australia's economic recovery.

"The outlook for Australia in 2010 is promising," said Ms Christian.

"Businesses have begun to upgrade investment plans and confidence levels bode well for domestic demand in 2010. However, liquidity and access to cash are absolutely critical in an upturn. Consequently, the decline in payment terms and expected further deterioration are cause for concern.

"If payment terms continue to deteriorate in the months ahead firms may find themselves battling the cash flow pressures that impacted business growth and stability during the height of the credit crisis."

Business size

Firms of all sizes experienced a deterioration in payment terms as compared to the September quarter 2009 however, smaller firms (1-5 employees) demonstrated the most significant decline in payment days. An increase of 2.7 days took average payments for small firms to 53.2 days in the December quarter. Meanwhile, payment terms for firms with 6-19 employees increased by 2.1 days to 51.4 days.

Yet despite this decline in payment terms, smaller firms continue to be quicker to settle their accounts than their larger counterparts. Those with 500+ employees averaged 56.8 days to settle accounts in the December quarter – marking their 13th consecutive quarter as the slowest paying group. Meanwhile medium sized firms (50-199 employees) were the quickest to pay at 49.2 days, making them the only group to record terms below 50 days.

Industry

The finance, insurance and real estate sector was the quickest to pay in the December 2009 quarter and the only industry to record payment terms that were below 50 days (49.5 days). This sector showed significant improvement across 2009, with terms eight days quicker in the December quarter than the previous year. However, payments did deteriorate by 1.2 days as compared to the September quarter 2009.

The electric, gas and sanitary services sector continued to be the slowest to pay, a position it has held for the past 12 months however, it was the only sector to record an improvement in terms (0.2 days) as compared to the September quarter. The electric, gas and sanitary services sector averaged 58.7 days to settle accounts. Meanwhile, the forestry sector recorded the most significant deterioration (rising by four days) in payment terms as compared to the previous quarter, while the fishing and agriculture sectors followed adding 3.9 and 3.3 days to average terms in the December quarter.

Public | Private

Public companies continue to be slower to pay than their private counterparts however, the gap between the two has narrowed following a deterioration in terms of 2.2 days for private firms. Public companies averaged 56.2 days to settle accounts in the December quarter (up by one day on the previous quarter), while private firms took 53.9 days to settle accounts.

State

Firms based in New South Wales (NSW) and the Australian Capital Territory (ACT) recorded the worst payment terms in the December 2009 quarter, both at 54.8 days. This followed a decline in terms of 1.6 and 2.8 days respectively for each state. The Northern Territory and South Australia followed closely behind at 54.3 and 54.1 days. West Australian (WA) based firms were the quickest to pay despite a deterioration in terms (2.8 days) as compared to the previous quarter. Firms based in the west averaged 52.2 days to settle accounts in the December quarter.

Although payment terms deteriorated (on a quarter-on-quarter basis) in all states, Tasmanian based firms recorded the most significant increase in average payment days. Firms based in Tasmania added 3.3 days to their payment terms, while those based in the ACT, Northern Territory and Western Australia all added 2.8 days.

International payment data

Within the Asia-Pacific region Australia is the fourth worst payer behind Singapore, Malaysia and Fiji. Australia paid 33.9 percent of its accounts at 30 days or more past terms in the September quarter 2009, while Singapore, Malaysia and Fiji paid 35.3 percent, 40.3 percent and 34.3 percent of payments respectively well past terms. Meanwhile, Korea was bumped out of its position as the quickest paying country by Japan.

Across the region an average of 26.4 percent of payments were made at 30+ days past terms, with nine countries paying in excess of 30 percent of their bills delinquent.

“Australian executives need to ensure they have a strong cash position by taking prompt action to collect their bills,” said Ms Christian.

“This will allow firms to free up funds for business investment and to pay down debt or rely less on borrowed funds.

“If executives take their eye off the ball and allow their vigilant focus to waver, the economic recovery will falter.”

Country	Q3 2009
Afghanistan	12.7
Australia	33.2
Bangladesh	25.5
Cambodia	31.4
China	31.0
Fiji	34.3
Hong Kong	22.3
India	29.1
Indonesia	30.8
Japan	15.8
Korea (South)	17.0
Malaysia	40.0
Myanmar	21.3
Nepal	27.8
New Zealand	25.3
Pakistan	31.7
Papua New Guinea	23.5
Philippines	31.2
Singapore	34.6
Sri Lanka	22.7
Taiwan	19.2
Thailand	26.1
Vietnam	27.0

% of payments made at 30+ days past terms

About D&B's Trade Payments Analysis: D&B's trade payments analysis utilises the accounts receivable records of Australian firms. The D&B database contains more than nine million current trade references, which are analysed and segmented by location, business size, structure and sector. The analysis is not based on survey data.

Media Notes

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