

## Aussie companies continue to pay late

### *Big business and public companies the worst payers*

Australia's late payment problem continues with the latest figures in Dun & Bradstreet's (D&B's) quarterly *Trade Payments Analysis* revealing that on average companies are paying their bills more than three weeks past the due date.

The average payment period across all sectors in the September quarter was 51.6 days.

Big businesses (500+ employees) and public companies are the worst offenders, averaging 56.1 and 55.5 days respectively to pay their debts in the September quarter.

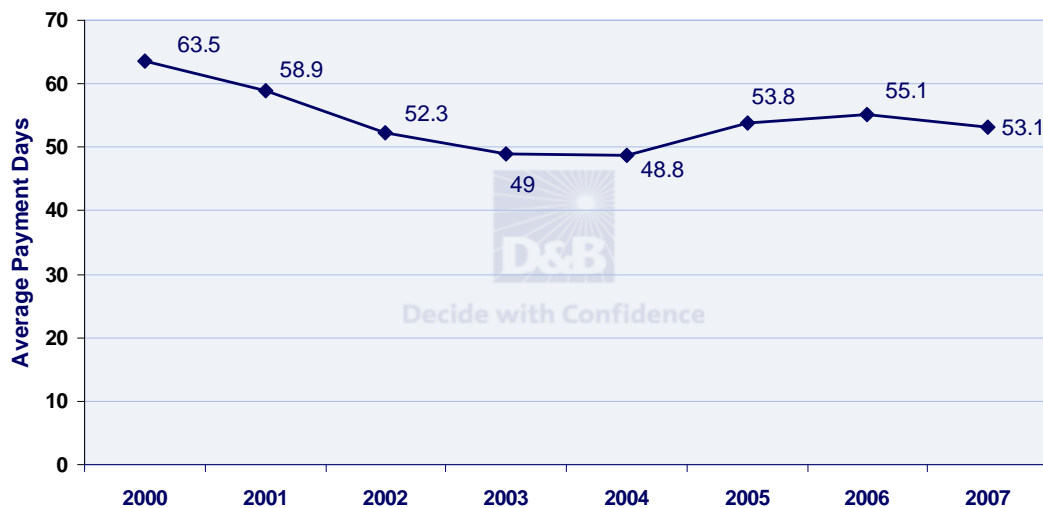


Figure 1.1: Yearly trade payments average 2000-2007

According to Christine Christian, Dun & Bradstreet's CEO, the latest trade payment figures demonstrate that businesses have a tendency to relax debtor management processes when economic conditions are strong.

"Despite recent turmoil in the US housing market and the flow on effects to global financial markets, the Australian economy is in good shape" said Ms Christian.

"These strong conditions have resulted in some businesses relaxing their debt and cash flow management.

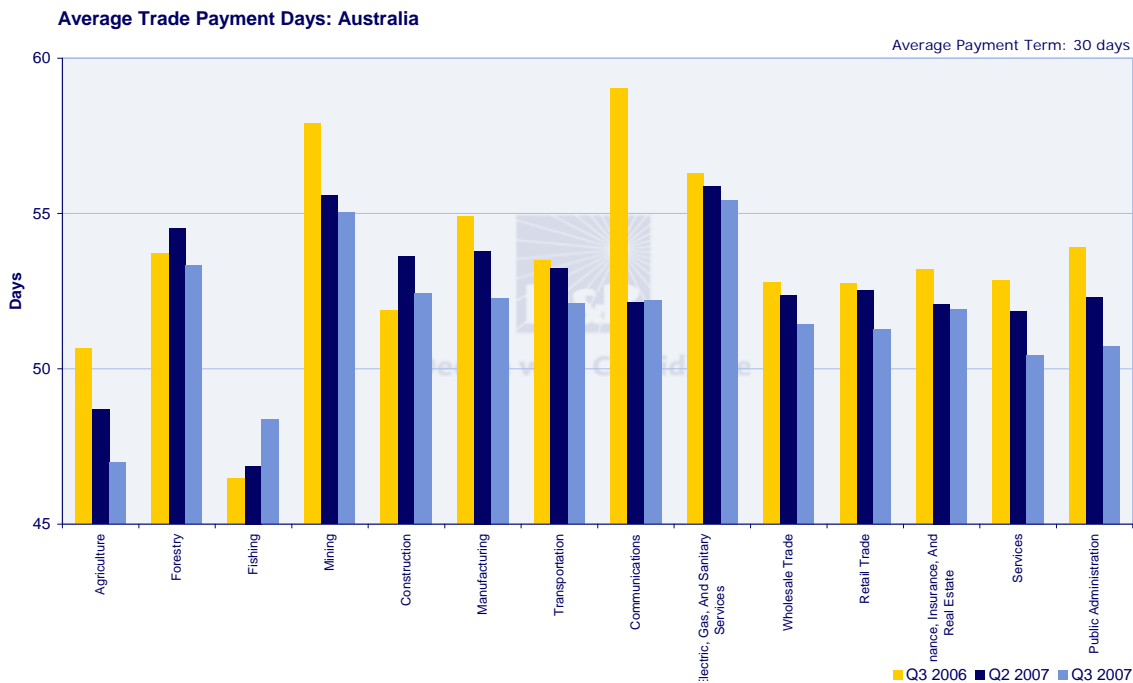
"However there is potential for unexpected events to impact cash flow very quickly. Executives need to pay attention to debtor management and cash flow processes to ensure their business remains strong."



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Sector breakdowns show that despite improvements of 0.8 and 0.4 days on the corresponding quarter in 2006 and quarter two of 2007, the Electricity, Gas and Sanitary Services sector is currently the slowest to pay. The sector averaged 55.4 days to pay accounts in the September quarter.

Agriculture is the quickest to pay, averaging 47.0 days to settle accounts in the September quarter. The sector has improved by 3.7 days since the September quarter of 2006 and 1.7 days since the June quarter of 2007.



**Figure 1.2: Average trade payment days by sector**

All sectors except Fishing and Construction improved payment terms as compared to the previous quarter and corresponding quarter in 2006.

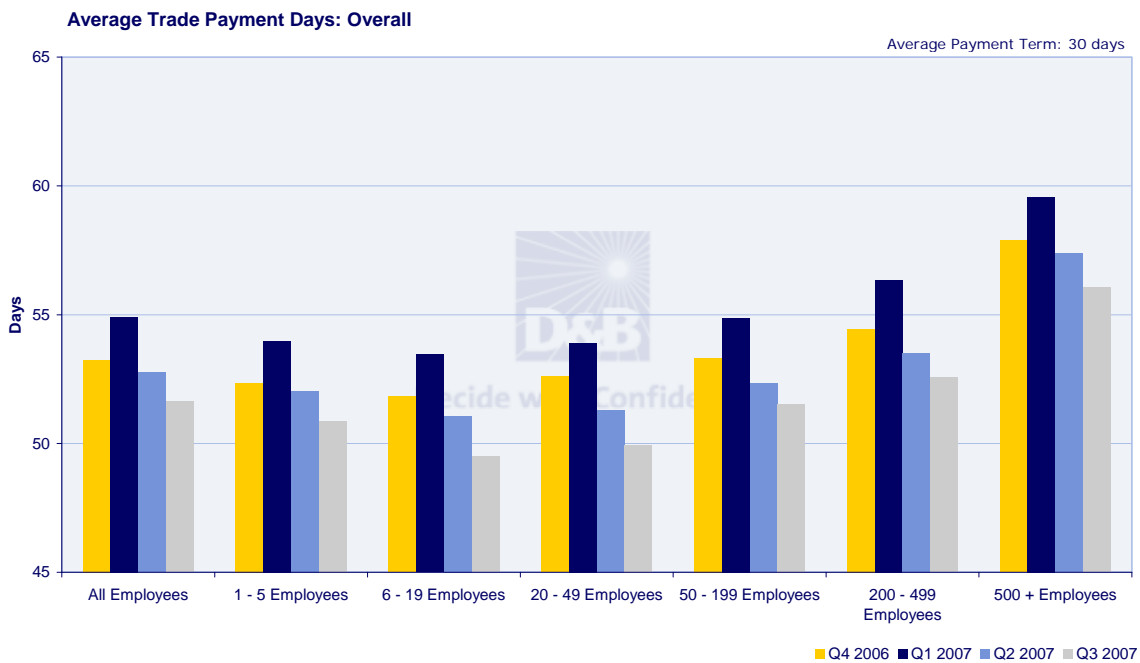
Breakdowns by employee size show that big business (500+ employees) are the worst payers, averaging 56.1 days to settle accounts in the September quarter, some 3.5 days slower than the next worst payers, businesses with 200-499 employees.

Businesses with 6-19 employees were the best payers at 49.5 days, just ahead of those with 20-49 employees at 49.9 days. Both categories have improved payment terms since the previous quarter with the 6-19 category taking 1.6 days off the time it takes to settle accounts and the 20-49 category improving by 1.4 days.



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**Figure 1.3: Average trade payment days by employee numbers**

Public companies take four days longer than private companies to settle accounts, with the averages for the September quarter at 55.5 and 51.5 days respectively. However public companies have improved their payment periods more substantially than private companies since the September 2006 quarter, slicing 3.5 days off the time taken to settle accounts. Private companies improved by 1.7 days over the same period.

State-based analysis reveals that NSW businesses continue to be the worst payers. Despite an improvement of 2.0 days since the September quarter of 2006, NSW took more than three weeks above the standard term to settle its accounts in the September 2007 quarter.

Tasmania at 47.8 days maintained its position as the quickest paying state.

Western Australia and the Northern Territory both increased the time taken to pay accounts as compared to the September quarter of 2006. All other states and territories improved terms.

D&B's Global Risk Reports show that Australia is not alone in its payment problems but it is the second worst payer in the Asia-Pacific region.

India is the worst paying nation with 55.3% of payments made at 30 days or more past terms in the June quarter of 2007. Despite being some 13% better than India, Australia was the second worst paying country in the region.

"Within the Asia-Pacific region, Australia ranks second behind India in terms of the worst payers," said Ms Christian.

"Australia pays close to half of its payments in a severely delinquent manner, with some 42.3 per cent of accounts settled at 30 days or more past the due date."

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Country	% of payments made 30 days + past due
Australia	42.3
Bangladesh	39.9
China	26.4
Hong Kong	29.6
India	55.3
Indonesia	38.3
Japan	16.1
Korea (South)	20.4
Malaysia	42.1
New Zealand	41.4
Pakistan	40.0
Philippines	40.0
Singapore	32.3
Sri Lanka	35.3
Taiwan	21.6
Thailand	28.3
Vietnam	28.0

**Figure 1.4: % of payments made 30 days + past due**

According to Ms Christian, businesses need to ensure that they have a solid debt management policy in place, particularly with a potential interest rate rise expected before the end of 2007.

“A rate rise before the end of this year will likely add pressure to cash flow and could result in a further a blow out in debtor days and an increase in bad debts,” said Ms Christian.

“Business owners and managers need to understand that the longer a payment remains outstanding the higher the likelihood that it won’t be paid at all. Executives need to make accounts receivable a key business focus.”

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## Media Notes

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