



Key trends for B2B payments and cash flow

Australia

Sharp downward trend in payment terms
and selling on credit





About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times.

However, the survey also has a strong focus on the challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

The results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for Australia.

The survey was conducted between the end of Q1 and mid Q2 2023, and findings should therefore be viewed with this in mind.



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B2B payment trends and cash flow

Sharp downward trend in payment terms and selling on credit

An increasingly risk-averse approach to trading on credit was evident among companies polled in Australia. Sales transacted on credit with B2B customers declined sharply and now average 41% of all B2B sales compared to 57% last year. High inflation and geopolitical tensions probably explain the markedly stronger perception of payment default risk, which also prompted a far more stringent payments policy. Payment terms granted to B2B customers now average 23 days from invoicing, two weeks shorter than a year ago. The agri-food sector offered the tightest terms due to a combination of factors such as soaring interest rates, high energy costs, supply chain disruptions and major floods in Australia.

Another factor in the volatile market conditions faced by Australian businesses was exchange rate fluctuations that impacted on exports and may explain why many more companies across all sectors suffered cashflow issues. Our survey found an average 12% increase in overdue invoices during the past year, and 47% of the total value of B2B sales on credit now currently remains unpaid at the due date. Companies polled said temporary liquidity shortfalls and invoice disputes were two reasons for late payments, while the agri-food sector cited insolvency problems. This was reflected in bad debts now affecting 7% of all B2B invoice sales, up from 6% last year.

Businesses responded to these worrying cashflow issues with a range of measures. 53% of companies surveyed in Australia told us they spent extra time and resources on chasing overdue invoices amid setting up stronger credit control procedures. Almost as many companies delayed payments to their own suppliers, particularly in the agri-food sector. 75% of businesses polled said they bridged cashflow shortages by resorting to bank loans, while many in the agri-food sector requested trade credit as a source of short-term finance. These actions had a positive impact on Days-Sales-Outstanding (DSO), with 55% of companies saying they were able to contain large swings of DSO.

The measures taken to protect businesses against the risk of B2B customer payment delays or defaults were mostly taken within the framework of in-house retention and management of customer credit risk. 87% of companies polled in Australia said they took this approach, which involves setting aside cash to cover B2B payment defaults. However, some businesses in the agri-food sector told us they were considering outsourcing management of customer credit risk to a credit insurer. They said this would have the benefit of freeing up working capital otherwise sitting idle in the business. Letters of credit were also popular as a method of guaranteeing international B2B transactions, especially in the steel-metals sector.

Key figures and charts on the following pages

Key survey findings

- A significant decrease in sales transacted on credit during the past year was found among companies polled in Australia. They now stand at an average of 41% of all B2B sales, down from 57%. The sharp fall was most likely caused by an increased risk of payment default due to persistent inflation and geopolitical tensions.
- The risk-averse approach of Australian businesses was also evident in shorter payment terms offered to B2B customers. These terms now average 23 days from invoicing, compared to 37 days last year. The most stringent terms were found in the agri-food sector, which was hit by inflation, flooding events and soaring interest rates.
- Our survey found a 12% increase in overdue invoices during the year, and these now affect 47% of the total value of B2B sales on credit among Australian companies. Insolvency issues were a particular cause of late payments in the agri-food sector, which was reflected by bad debts rising to 7% of all B2B invoiced sales, up from 6%.
- Businesses polled in Australia responded with a range of measures. 53% of companies spent extra time and resources on chasing unpaid invoices, and almost as many delayed payments to suppliers. 75% of businesses said they bridged cashflow issues with bank loans, although some in the agri-food sector looked to trade credit.
- These actions had a positive effect on Days-Sales-Outstanding (DSO) during the past 12 months. 55% of companies polled in Australia said they helped to contain large swings of DSO.
- In-house retention and management of customer credit risk was the preferred option of 87% of companies polled across Australia. Some appetite for a strategic approach involving credit insurance was found in the agri-food sector, while letters of credit were used to cover B2B export transactions.

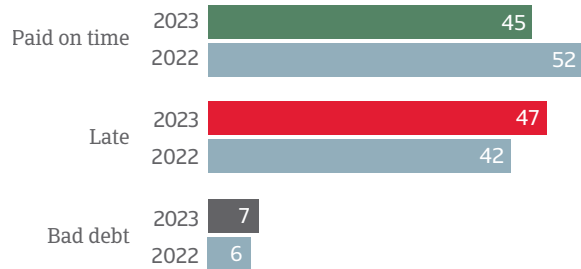




Australia

Australia

% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)

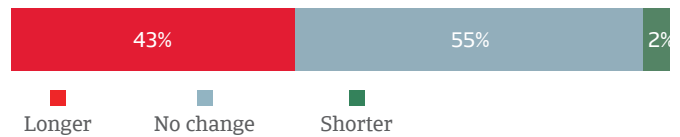


Sample: all survey respondents

Source: Atradius Payment Practices Barometer Australia – 2023

Australia

% of respondents reporting changes in payment duration* over the past 12 months



*average amount of time to get paid from B2B customers

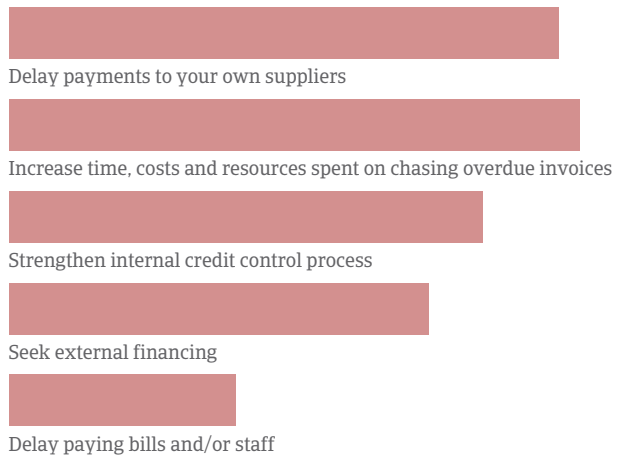
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Australia – 2023

Australia

Measures put in place to minimise cash flow problems due to payment default of B2B customers

(% of respondents - multiple response question)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer Australia – 2023

Survey question

What are the main sources of financing that your company used during the past 12 months?

- 74% Bank loans
- 55% Trade credit
- 27% Equity capital
- 26% Debt securities issued

*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer Australia – 2023

Looking ahead

Inflation anxiety among widespread range of concerns

The chief concern looking ahead for companies polled in Australia is the threat to business growth posed by persistently high inflation. This was expressed across all sectors, but particularly by the steel-metals sector, which has been affected by supply chain disruptions and geopolitical tensions. Another worry is that this could be exacerbated by further energy price shocks. Our survey found that Australian businesses also have widespread anxiety about a potential continuation of the global economic downturn, which would impact on domestic demand. This was again most keenly felt among companies in the steel-metals sector.

Anxiety about the impact of exchange rate fluctuations was another key concern reported by companies polled in Australia, who told us it could have a negative impact on their international competitiveness. Worry was also expressed that soaring interest rates could trigger a further deterioration of the risk of late or non-payment by B2B customers in trading on credit. This is a particular concern of the agri-food sector, which is also agitated about the impact of climate change risks following last year's huge floods in Australia that caused significant supply disruptions and a sharp rise in prices for consumers.

Despite this wide range of worries, a degree of optimism for the year ahead was also evident in our survey. 84% of companies polled in Australia said they expect a gradual recovery of demand and therefore sales during the coming months, while 78% of businesses told us they anticipate improvement in profit margins. The exception here is the steel-metals sector, which expects to face continuing strong headwinds. 49% of companies said they believe Days-Sales-Outstanding (DSO) will be unchanged in the year ahead, but 48% told us they expect DSO to improve, particularly in the construction sector. Only 3% of businesses anticipate a deterioration.

54% of companies polled in Australia told us they will continue with in-house retention and management of customer credit risk during the coming 12 months. This involves setting aside cash funds to cover potential payment default losses, although a downside to this approach is the inability to cope with a heavy hit that could jeopardise business survival. Many companies in the agri-food sector told us they will consider the alternative of a more strategic approach to customer credit risk management in the year ahead, taking up credit insurance. They said a benefit of this would be freeing up working capital for use in business operations as they try to protect profitability.

Key figures and charts on the following pages

Key survey findings

- Persistently high inflation remains the number one concern of companies polled in Australia amid worry that it could be exacerbated by energy price shocks, supply chain disruptions and geopolitical tensions. This is particularly expressed in the steel-metals sector, which is also anxious about a continued gloomy global economic outlook.
- Exchange rate fluctuations that could harm the international competitiveness of Australian businesses is another widespread concern, along with soaring interest rates that could deteriorate the risk of late payments and trigger cashflow issues. The agri-food sector cited a particular worry about climate change risks.
- Our survey nevertheless found a generally positive mood about the prospects for demand in the year ahead. 84% of companies polled in Australia said they expect a gradual recovery of demand and therefore sales if there is an easing of inflation.
- Optimism was also expressed concerning the outlook for profit margins during the coming 12 months. 78% of businesses polled in Australia told us they anticipate an increase in profit margins, although the steel-metals sector was an exception.
- A more mixed verdict was reported on the prospects for Days-Sales-Outstanding (DSO). 49% of companies polled in Australia expect no change, particularly in the agri-food sector, while 48% anticipate improvement of DSO, notably in the construction sector.
- In-house retention and management of customer credit risk will be the preferred option during the coming months for 54% of companies polled in Eastern Europe. Businesses in the agri-food sector told us they were considering to a more strategic approach involving the use of credit insurance.





Australia

Australia

Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

(% of respondents)

Sales



Profit margins



■ Improve
 ■ No change
 ■ Deteriorate

Sample: all survey respondents
 Source: Atradius Payment Practices Barometer Australia - 2023



Australia

Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



■ Improve
 ■ No change
 ■ Deteriorate

Sample: all survey respondents
 Source: Atradius Payment Practices Barometer Australia - 2023

Australia

Looking ahead to the next 12 months: top 3 concerns expressed by businesses polled

(% of respondents - multiple response question)



Inflation



Ongoing global economy downturn*



Interest rates volatility

* Due to the interplay among higher energy and commodity prices, persistent inflation and ongoing geopolitical tensions

Sample: all survey respondents
 Source: Atradius Payment Practices Barometer Australia - 2023

Survey question

How do you expect your average DSO to change over the next 12 months?

(% of respondents)

48% Improve
49% No change
3% Deteriorate

Sample: all survey respondents
 Source: Atradius Payment Practices Barometer Australia - 2023

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Australia are the focus of this report, which forms part of the 2023 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 213 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Australia were surveyed, and the appropriate contacts for accounts receivable management were interviewed.
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** 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=213 people were interviewed in total. A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: The survey was conducted between the end of Q1 and mid Q2 2023.

Sample overview – Total interviews = 213

Business sector	Interviews	%
Manufacturing	132	62
Wholesale trade	36	17
Retail trade/Distribution	23	11
Services	22	10
TOTAL	213	100

Business size	Interviews	%
SME: Small enterprises	40	19
SME: Medium enterprises	67	32
Medium Large enterprises	71	33
Large enterprises	35	16
TOTAL	213	100

Agri/Food	75	35
Construction	70	33
Steel/Metals	68	32
TOTAL	213	100

This is part of the 2023 Payment Practices Barometer of Atradius, available at www.atradius.com/publications

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Please visit the Atradius website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

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To find out more about B2B receivables collection practices in **Australia and worldwide**, please visit atradiuscollections.com.

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