

Australia: companies anxious amid cascade of troubles

Payment Practices Barometer

Australia

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High levels of unpaid debt prompt stronger credit controls among Australian businesses as they battle it out for survival in a competitive market.

Introduction

Several major concerns for the future are spelled out by the results of the Atradius Payment Practices Barometer Survey for Australia in what is a period of severe economic flux. These include the prospect of rising global oil prices and inflation, along with uncertainty about the ongoing pandemic. Fears about geopolitical conflicts and the way supply chain disruption might affect global trade also feature. Companies polled in Australia have significant worries about a negative impact on profits over the coming months and into the coming year.

The Atradius Payment Practices Barometer provides us with the valuable opportunity to hear directly from businesses how they are coping with changed trading and economic circumstances caused by the above mentioned factors. The survey questionnaire was completed by businesses in Australia during Q1 2022.

Key takeaways from the report

Concern over unpaid trade debt, despite stronger credit control

- Unpaid trade debt in the Australian market remains high, 42% of B2B invoices overdue and 6% written off. Many companies, mainly SMEs, saw signs of deteriorating cash flow from a marked lengthening of Days Sales Outstanding (DSO). External financing was often used to cover temporary liquidity shortages, at high interest costs.

- The increased prevalence of more liberal credit policies, in response to competitive market pressures, prompted Australian businesses to strengthen their internal credit control. They complemented in-house retention and management of customer credit risk with a range of trade finance solutions. Nearly 30% of the companies polled chose credit insurance .

Downside risks cloud positive outlook

- There are several major future concerns for companies polled in Australia — these include higher global oil prices, inflation, uncertainty about the continuing pandemic, geopolitical conflicts, and supply chain disruptions affecting global trade. Businesses are significantly worried about a negative impact on profits .
- Despite this, most companies have a positive outlook and expect some improvement in B2B payment practices during the next 12 months. Trusting customers to make payments may encourage sales expansion and build loyalty. However, this might also lengthen DSO and have a negative effect on liquidity levels

Key survey findings for Australia

- B2B credit sales trend upward, focus on customer retention.
- Payment terms for customers stabilise, but criteria are changing.
- B2B trade debt remains high, putting pressure on cash flow.
- Admin headaches and customer dispute spark payment default.
- Stronger credit control key to curbing trade debt management costs.
- DSO expected to worsen, some tough challenges ahead.

Interested in finding out more?

For a complete overview of both payment practices, trade credit risk trend and and business outlook in Australia in the local agri-food, construction, construction materials and steel/metals industries please download the complete report.

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