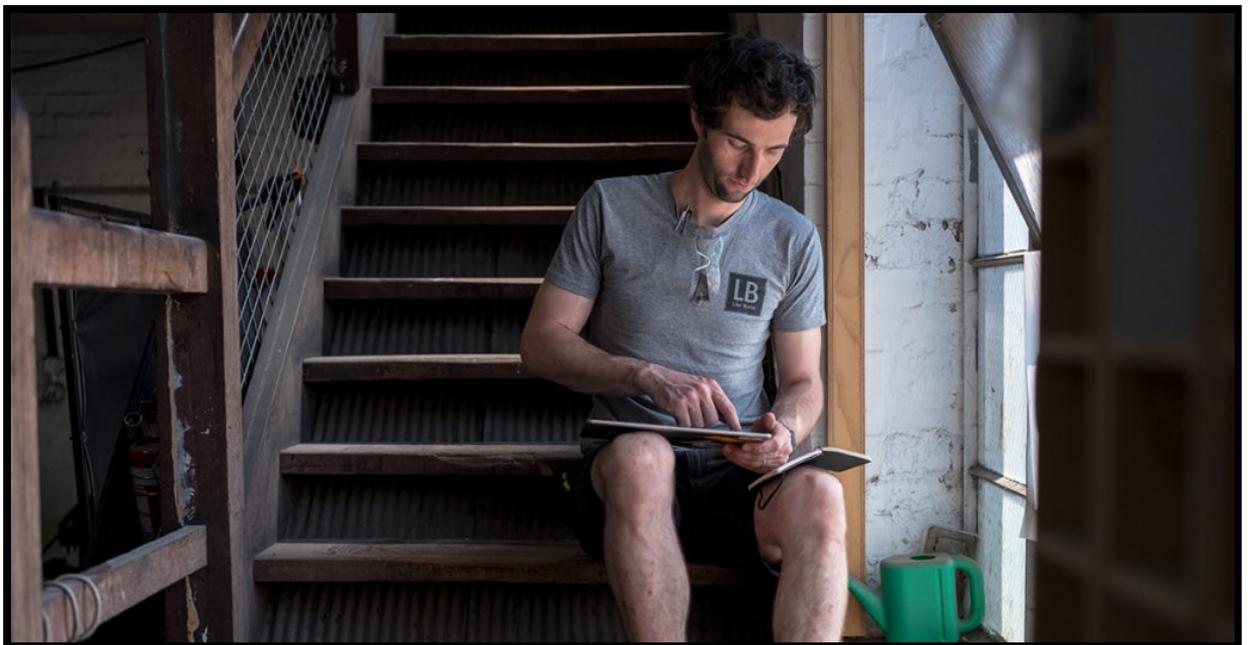




Monthly commentary Demian McLean

Cash flow & payment times worsen as mid-year approaches



The newest Xero Small Business Insights are in, and as we head into the end of the Australian financial year, they're a must-read. The stats suggest that tighter cash flow and later invoice payments may be in store as we hit mid-2018.

Cash flow tightens

Looking at April, the most recent month available, Xero's aggregated and anonymised data shows 52 percent of businesses were cash-flow positive. That's down about three percentage points from the month prior. From 36 months of SBI data, we can see that cash flow tends to move in cycles, tightening after the end of each financial quarter.

This may be partly because of BAS payments due to the tax office every three months, says James Solomons, co-founder of accounting firm [Aptus Accounting & Advisory](#) in suburban Sydney.

Cash flow

52.02 %

of Australian small businesses were **cash flow positive** in April

▼ -3.00 p.p. ▼ -2.97 p.p.

Month on month Year on year

Hiring people

-0.92 %

change in the number of Australian small business employees from March 2018 to April 2018

▲ 0.66 p.p.

Year on year

Getting paid



“The month after the end of a quarter is usually a big spending month for small businesses,” says Solomons, whose firm won Innovator of the Year at the annual [Australian Accounting Awards](#) this month. “Owners can expect to see a large cash outflow in April as they pay superannuation, PAYG and GST for the quarter ending in March.”

Businesses can get an extension to pay GST & PAYG as late as May 25, but a tax agent has apply for it on their behalf — one reason savvy businesses engage an accountant, who can help smooth cash flow. As the end of the financial year approaches in June, some businesses will also spend more to maximise tax deductions.

The industry with the healthiest April cash flow was accommodation and food services: 58 percent of these businesses had more money coming in the door than leaving. That was followed by education and training, with 55 percent cash-flow positive.

Construction, an industry that has adopted Xero at a [faster pace](#) than most, was in line with the national average at 52 percent with positive cash flow. At the bottom end, the sectors doing it toughest were agriculture, forestry and fishing (44 percent of businesses cash-flow positive) and mining (45 percent).

A look back at three years of data shows it’s not unusual for small businesses in the agricultural and mining sector to be cash flow negative for much of the year. What can make the last quarter of the year especially tough is that customers can be slower with payments as tax time approaches.

Payment takes longer

So what did happen with payment times in April? On the national level, they worsened. Small business invoices with 30-day terms waited an average 36.3 days to be paid – in effect, six days late. That’s up from 34.8 days in March. While the higher figure is unwelcome, it’s not unusual for payment times to vary by roughly a day between March and April.

The two sectors that enjoyed the shortest payment times were healthcare and social assistance, and retail. Each of these were actually paid early, with small retailers paid in an average 29.6 days on a 30-day invoice and and healthcare and social assistance paid in an astonishing 17.2 days. The reason for this standout figure in healthcare may be tied to on-the-spot HICAPS and gap payments. It deserves further investigation in any case.

The breakdown in payment times by states showed Tasmania and the ACT small businesses get paid fastest, for reasons we’ve explored in an earlier

36.28

days on average for Australian small-business invoices with 30-day terms to be paid in April

▲ 1.46 % ▲ 1.24 %
Month on month Year on year

Trading overseas

-6.17

change in the total dollar value of imports and exports for Australian small businesses from March 2018 to April 2018

▼ -7.36 p.p.
Year on year



[SBI article](#). Here's how long the average business waited for a 30-day invoice to be paid:

- ACT 30.6 days
- New South Wales 37.7 days
- Northern Territory 32.5 days
- Queensland 33.9 days
- South Australia 36.3 days
- Tasmania 32.2 days
- Victoria 37.1 days
- Western Australia 33.7 days

Employment and overseas trading decline

The April data from Small Business Insights also provides a snapshot of employment and overseas trading. Small employers slowed hiring by 0.9 percent month on month, with casual workers making up the largest part of that decline; their headcount fell 1.2 percent. Full-time and part-time staff numbers fell 0.8 percent and 0.6 percent, respectively.

The decline in small business headcount matches the trend seen in the past three years, and if the pattern holds, we should see an uptick in hiring across all three worker categories in May and June.

The 0.9 percent decline in small business hiring for compares with a 2.5 percent rise in employment at businesses of all sizes, based on ABS original data for the month ending in mid-April.

Overseas trading, as measured by foreign exchange transactions recorded on the Xero platform, fell 6.2 percent month on month in April. Imports were responsible for the drop, declining 14 percent – the biggest slide in a year – and outweighing a 1.2 percent gain in exports.

Stay tuned for further updates on the state of the small business economy when we update Small Business Insights in early July!