



NEW COST OF DOING BUSINESS, AND GROWTH

Is the cost of growth now beyond reach?

Regardless of whether inflation has peaked or will continue to climb, costs are higher and will not return to pre-pandemic levels.

According to the ABS, in June this year 46% of businesses reported increases in operating costs and 44% expect more increases in July, compared to 21% in June the previous year.

Given the pandemic had already forced nearly half of Australian businesses to pull resources from innovation activities to bolster core operations, the journey back to higher productivity and growth only gets more expensive.

Old problems need new solutions in construction

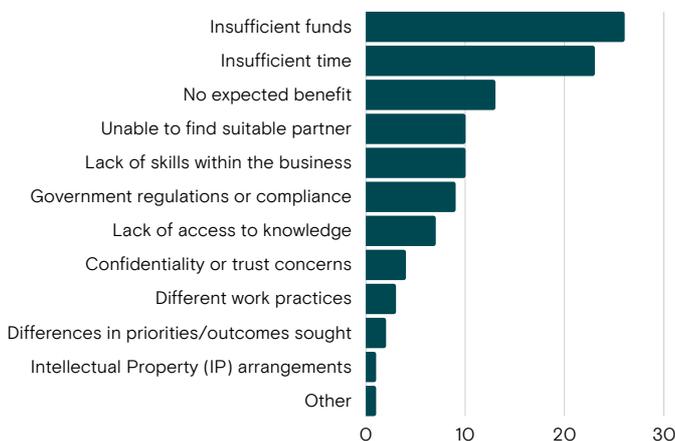
The construction industry continues to be heavily exposed to double digit inflation on materials and labour, well above headline inflation levels.

ANZ and NAB bosses both told the AFR Banking Summit in May that construction-based borrowers were the highest risk on their books.

“And we shouldn’t be terribly surprised: history shows us that in any sort of crisis or downturn, sadly construction and commercial property are two of the most prone to failure,”

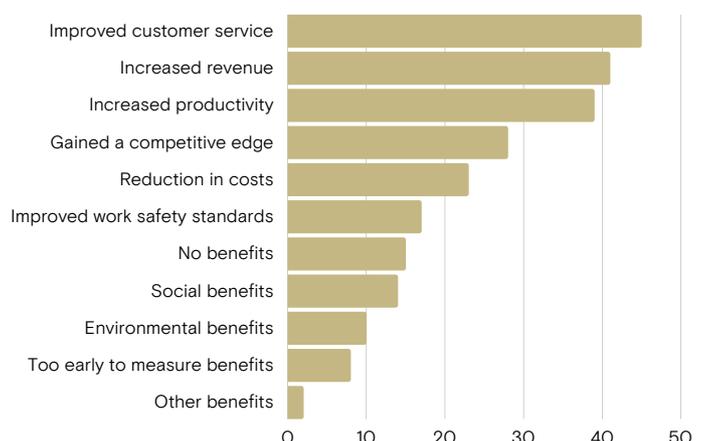
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Barriers to collaboration for innovation



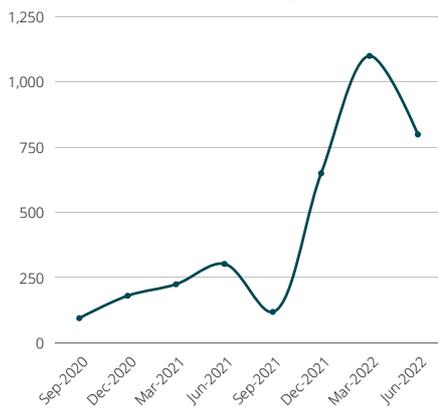
Source: ABS

Benefits of innovation



Construction

New subcontractor registrations



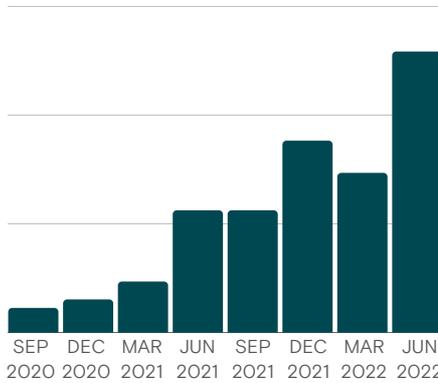
Shayne Elliott, chief executive at ANZ said. “So, I don’t know the answer to that, clearly there’s a lot of complexity.”

Since the NSW government shut down the construction sector for two weeks in July 2021, followed by Victoria in September, Earlytrade has seen significant demand from subcontractors as they look for alternative liquidity options.

supply chains to the wall.

While growth in new Supplier Registrations across industrial services marginally slowed (-9%), Early Payment Demand (+228%) increased three-fold YoY, with a 76% increase QoQ, coinciding with the gas market crisis. The higher Early Payment Demand correlates with steady growth in new registrations during the financial year to March (+21%).

Industrial services
Liquidity demand

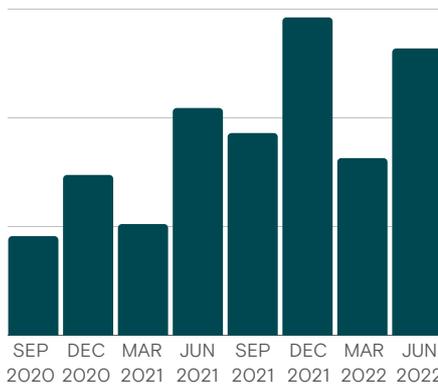


New Subcontractor Registrations on Earlytrade increased 232% YoY, and Early Payment Demand jumped 802%, ensuring eligible subcontractors had sufficient liquidity to operate as material and labour issues stalled the industry.

Multiple pressures on food & beverage supply chains

The food and beverage sector’s privileged position, closest to consumers’ wallets, puts the pressure of higher energy and fuel prices in an even starker light.

Food & beverage
Liquidity demand



In February 2022, this report foreshadowed the trend of construction insolvencies which led the sector to finish the financial year with the highest proportion of VAs in the ABS dataset, highlighting the need to revisit old problems with new solutions.

On top of back-to-back floods, this sector’s supply chain is also exposed to the Fair Work Commission’s 5.2% minimum wage rise, which will provide additional pressure on supply chains less able to meet orders.

Gas crisis casting long shadow over industrial supply chains

As fixed price gas contracts are renegotiated, commentators are expecting the new prices to take energy intensive manufacturers and suppliers in industrial

June marked the highest level of Early Payment Demand for the sector, increasing 65% YoY as suppliers brought forward payments as much published "just-in-case" procurement strategies continue to drive inventories every higher.



About Earlytrade

Earlytrade helps corporate buyers address their biggest challenges through their supply chains by creating a more valuable and more productive use of liquidity.

Earlytrade's verticalised liquidity marketplace solutions empower subcontractors and suppliers with on-demand payments, and give large buyers the tools to drive sustainability outcomes in their businesses and in their supply chains.

Now connecting nearly 100,000 suppliers with billions of dollars in on-demand liquidity, Earlytrade is the largest working capital marketplace in Asia Pacific.



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