

Earlytrade Supply Chain Scorecard FY23 March Quarter

Making the profitless boom profitable

Earlytrade's Supply Chain Scorecard tracks 1.9 million B2B invoices representing more than \$13 billion of trade between 90,000 suppliers, subcontractors and some of Australia's largest corporate buyers.

Focus on construction

Early Payments – Construction

+12% QoQ



Represents number of payments accelerated by subcontractors

Early Payment Ratio

+14% QoQ



Represents proportion of invoices accelerated by subcontractors

Total Claims Processed

-4% QoQ



Represents the number of approved claims available for early payment

Building Approvals

-17% QoQ



Represents total building approvals in Australia

Early payment demand increases 12% despite construction slowdown during March quarter

- Total approved claims available for early payment fell by 4% during the March quarter, aligned with slowing construction activity
- Early payment requests from construction subcontractors increased by 12% during the quarter, defying seasonal cyclicality
- The proportion of claims being brought forward by subcontractors increased by 14%
- Inflationary pressures are abating, with the RLB Tender Price Index moderating to 4% for 2023

Earlytrade data suggests that the "perfect storm" of persistent labour shortages, supply chain pressures and interest rate rises caused a further slowdown in Australia's construction industry during the March quarter of 2023.

CONSTRUCTION ACTIVITY SLOWS

Following a reduction of 0.4% in Construction Work Done during the December quarter, Earlytrade's proprietary data showed a subsequent 4% reduction in construction claims during the March quarter of 2023.

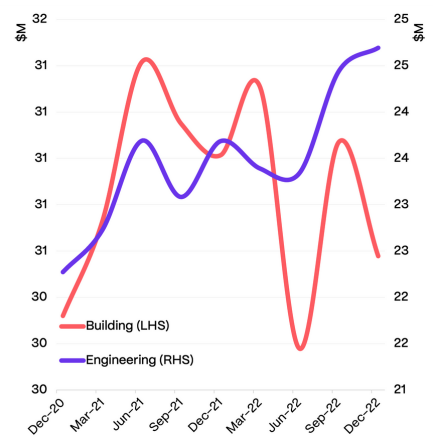
This real-time indicator typically represents a reliable proxy for official ABS data which is reported with a two month lag, suggesting that another reduction in construction activity can be expected in the release scheduled for 31st May.

As state governments continue to fast track a number of mega-projects in their quest for an infrastructure-led pandemic recovery, there is a clear dichotomy emerging between building and engineering construction (right). For 2022, building activity reduced by 0.9% whilst engineering construction increased by 2.7% versus 2021.

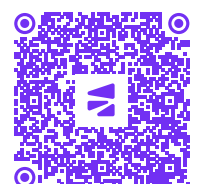
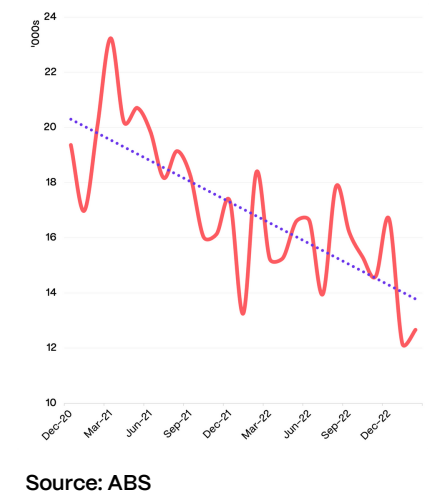
BUILDING APPROVALS DOWN 17%

Naturally, this is compounded by a deterioration in building demand following the RBA's aggressive monetary policy tightening and HomeBuilder subsidies offered in 2021. Unsurprisingly, the latest data shows a cumulative 17% reduction in Building Approvals during January and February 2023 versus the comparable months in the previous quarter (right).

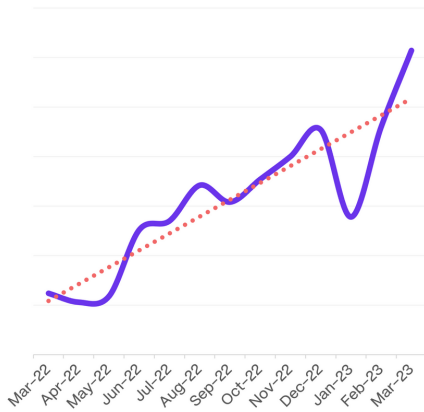
CONSTRUCTION ACTIVITY (SEASONALLY ADJUSTED)



BUILDING APPROVALS



**EARLY PAYMENT DEMAND
(SUBCONTRACTORS)**



Source: Earlytrade

**RLB TENDER PRICE ANNUAL %
CHANGE (MAR'23)**

	2022	2023	2024	2025
Adelaide	12.5	5.0	3.7	3.0
Brisbane	10.5	5.1	5.1	5.1
Melbourne	8.0	5.0	3.5	3.5
Perth	9.4	5.6	4.4	3.6
Sydney	6.9	4.0	3.5	3.5

Source: RLB

With major infrastructure projects placing pressure on the availability and cost of both materials and labour, this reduction in future activity may, ironically, be a positive for Australia’s construction industry after being stretched to its limit during recent years.

Any additional capacity should enable head contractors to clear the backlog of projects created during the pandemic and, hopefully, work collaboratively to ensure they turn the ongoing “profitless boom” into a profitable one.

EARLY PAYMENTS INCREASE AGAIN

Despite the slowdown in construction activity, Earlytrade saw a 12% increase in demand for early payment from subcontractors (left) during the March quarter. Combined with the 4% reduction in available claims, this drove a 14% increase in the proportion of claims being paid early, highlighting the ongoing desire for flexible liquidity options.

Anecdotally, subcontractors continue to value early payment opportunities as a viable means of taking on new work, ensuring availability of materials and, ultimately, minimising project delays.

INFLATIONARY PRESSURES ABATE

With capacity issues potentially easing, there appears to be further good news for the construction industry as inflationary pressures within the supply chain continue to abate.

As mentioned in the previous release, steel prices fell 5% during the December quarter and, after a brief move higher, have now settled back at November 2020 levels.

Indeed, the latest Rider Levett Bucknall Tender Price forecast shows clear signs of moderation as “two of the highest profile escalation drivers,” supply chain and material costs, appear to be stabilising.

The table (above, left) shows that construction escalation peaked in 2022 and is now expected to moderate in each of Australia’s major cities over the next 3 years.



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About Earlytrade

Earlytrade is the fastest growing technology company currently in the construction sector. Earlytrade helps head contractors address the biggest challenges in their supply chains by creating a more valuable and productive use of liquidity.

Earlytrade clients have saved over \$40m using Earlytrade's early settlement marketplace that empowers subcontractors and suppliers with on-demand payments.

Earlytrade has helped over 90,000 subcontractors get paid \$1.5 billion early, and is the the only dynamic discounting solution built specifically for Australia's construction industry.

