Australian working capital trends

KPMG Deal Advisory

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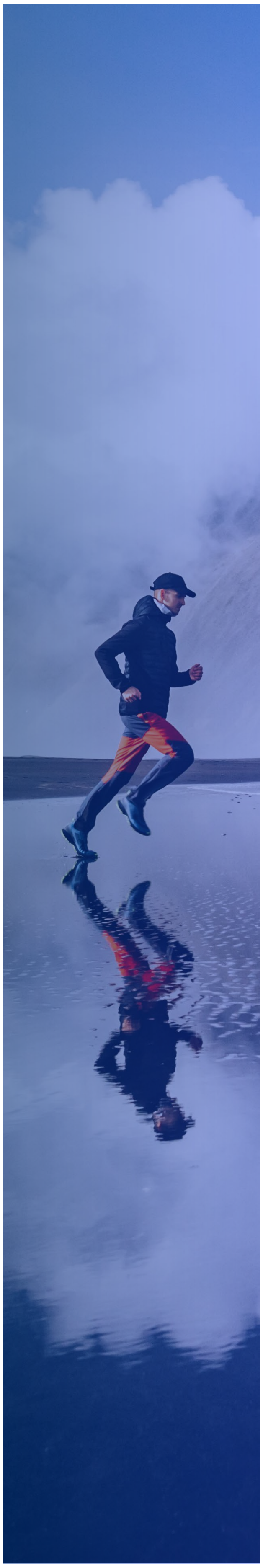
Australian businesses are entering 2026 in an environment of sustained economic uncertainty.

FY25 Median CCC ▼
62 days

FY25 Median DSO ▼
46 days

FY25 Median DIO ▼
68 days

FY25 Median DPO ▲
52 days



Overview

Inflationary pressures, higher interest rates and softer growth conditions will make cash flow resilience for Australian businesses increasingly important in 2026.

Our analysis of 500+ Australian public companies shows that the national **Cash Conversion Cycle (CCC) deteriorated** materially **between FY21 and FY24**, largely due to rising inventory levels, before **improving to 62 days in FY25**. While **receivables** performance has **remained broadly stable** over the five-year period, data indicates that **many businesses are carrying structurally higher inventory levels** and, to a lesser extent, **extending payment times to suppliers**.

Significant differences in working capital efficiency persists across sectors and company sizes. Sectors such as Automobiles & Components, Information Technology and Health Care continue to report materially longer median cash cycles, while small and medium-sized businesses face comparatively longer cash cycles than larger peers.

With economic conditions expected to remain challenging in 2026, a **sustained and disciplined focus on working capital** performance provides a practical opportunity to **release cash, reduce debt** and **create self-funding capacity** to support strategic priorities.

Note*: Working capital metrics throughout this document are calculated as: DSO (Days Sales Outstanding) = (Avg. Trade Receivables/Revenue)*365; DIO (Days Inventory Outstanding) = (Avg. Inventory/COGS)*365; DPO (Days Payable Outstanding) = (Avg. Trade Creditors/COGS)*365; CCC (Cash Conversion Cycle) = DSO + DIO – DPO.*

Economic context

The economic outlook for 2026 will continue to test the cash flow and working capital resilience of even the best Australian businesses. Ongoing global economic uncertainty and continually evolving geopolitical dynamics are creating a complex domestic environment marked by rising unemployment, persistent inflation, reduced public sector spending and the potential for further interest rate increases.

While some easing of monetary policy in 2025 provided short-term relief, the RBA's decision to increase rates in February 2026 abruptly signaled a change in direction. In addition, subdued private sector activity and slower growth have continued to dampen business confidence. Current market expectations suggest that more interest rate increases remain a possibility in 2026, reinforcing the importance of actively managing working capital performance to support liquidity and balance sheet resilience.

Working capital insights

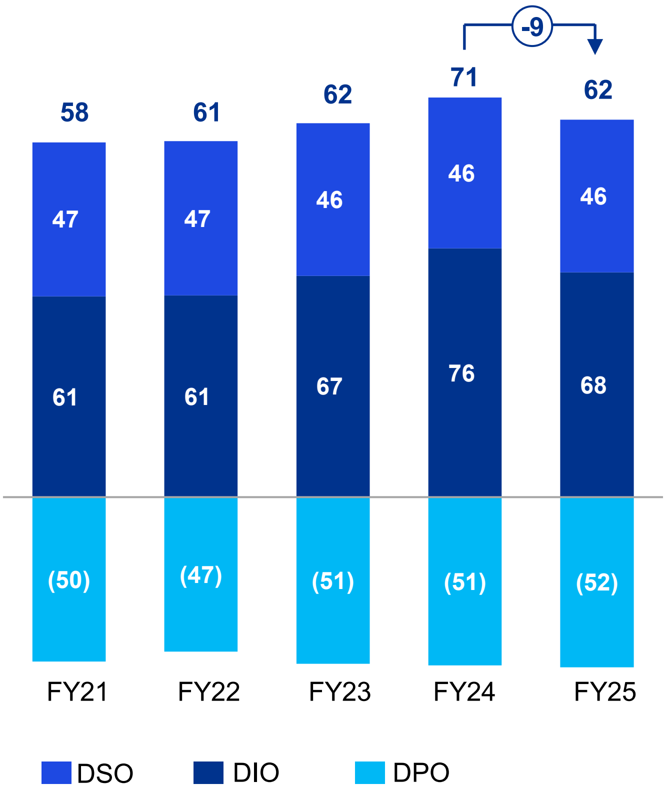
Our analysis of working capital performance across 500 Australian public companies between FY21 and FY25 shows that the median CCC increased from 58 days in FY21 to a peak of 71 days in FY24, before improving to 62 days in FY25.

Cash conversion cycle trends

The deterioration in CCC between FY21 and FY24 was driven primarily by sustained increases in inventory levels. Days Inventory Outstanding (DIO) rose materially from a low of 61 days in FY22/23 to a peak of 76 days in FY24. Notably, this increase occurred well after the supply chain disruptions experienced during the COVID-19 period, suggesting more structural challenges to inventory management practices.

Days Sales Outstanding (DSO) remained relatively stable at approximately 46/47 days across the five-year period, only marginally better than post-COVID highs. Over the same period, Days Payable Outstanding (DPO) increased modestly from 47 days in FY22 to 52 days in FY25, indicating that companies are taking longer to pay suppliers. This trend contrasts with broader Government policy objectives to accelerate supplier payments, particularly for small businesses under the Payment Times Reporting Act 2020.

Median CCC, days – FY21 to FY25



Source: Capital IQ; KPMG analysis.

Working capital insights (cont.)

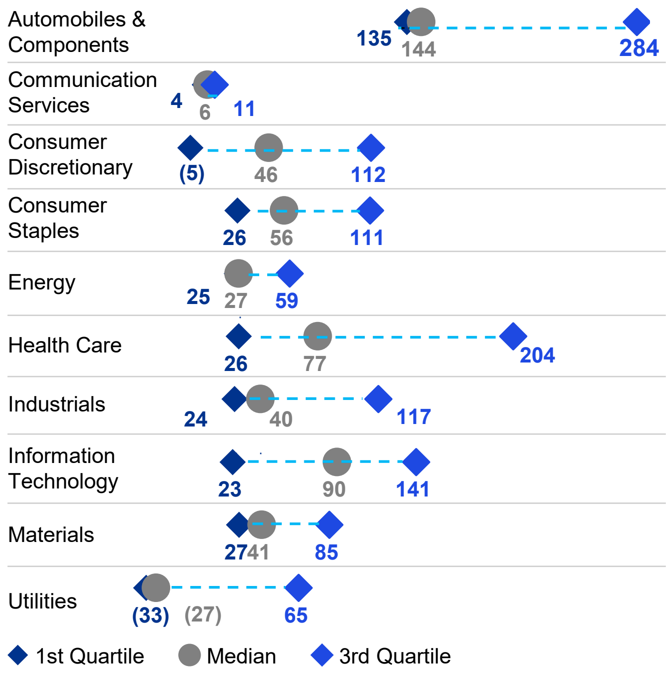
Insights by sector

In FY25, median CCC performance varied significantly by sector.

Automobiles & Components reported the longest median CCC at 144 days, followed by Information Technology at 90 days and Health Care at 77 days.

The wide dispersion between first and third quartiles in sectors such as Health Care (26 to 204 days), Automobiles & Components (135 to 284 days) and Consumer Discretionary (-5 to 112 days) highlights substantial differences in business models, operating practices and working capital disciplines within each sector. This variation underscores the potential for targeted, sector-specific improvement initiatives.

CCC in FY25 by sector, days

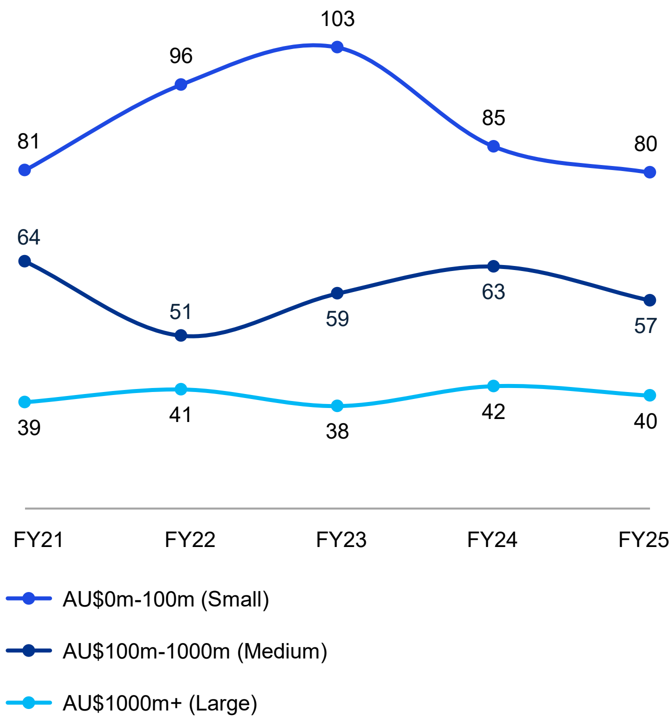


Insights by size

Company size continues to influence working capital performance. In FY25, small companies (revenue < AU$100m) recorded the highest CCC at 80 days, although this reflects an improvement from a peak of 103 days in FY23. Medium-sized companies (revenue between AU$100m and AU$1bn) achieved a reasonable improvement, reducing CCC from 63 to 57 days between FY24 and FY25. Large companies (revenue > AU$1bn) further improved CCC from 42 to 40 days.

Over the full period analysed, working capital performance for large and medium companies remained relatively more stable, while small-sized organisations demonstrated the greatest overall improvement. This suggests that scale alone does not determine working capital efficiency, and that focused management attention can deliver meaningful results.

CCC by size group, days



Source: Capital IQ; KPMG analysis.

> Working capital remains vital, and maintaining a consistent focus is essential. Cash released from working capital can be used to reduce debt, lower the cost of capital and fund strategic investments — particularly in periods of economic uncertainty.

How KPMG can help...

KPMG works with organisations to strengthen cash flow resilience and improve working capital performance in a practical, sustainable way. Our approach combines analytical insight with hands-on support to help clients translate opportunity into measurable outcomes.

Our services include:

01 Working capital diagnostics

Providing rapid, data-driven insight into performance gaps and potential sources of cash.

02 Implementation support

Helping to design and embed practical changes across order-to-cash, procure-to-pay and inventory management processes.

03 Cash flow culture and forecasting

Including reporting, KPIs, training and the development of reliable short- and medium-term cash flow forecasts.

To explore how KPMG can help you on your cash and working capital improvement journey, contact our Working Capital Advisory team today for a no-obligation and confidential discussion.

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