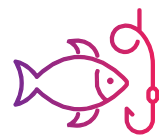# New Zealand Late Payments

Prompt payment times up 2.6% from last year

Forestry up 41.5% to 8 days

Late payment times down 1% from the same time last year, but up 4.2% from last quarter

Fishing down 38% to 5.8 days

Late payments remain near record lows despite seasonal rise

Late payment times for the June 2019 quarter are still at record lows, notwithstanding a small seasonal rise from the previous quarter. On a quarterly basis, payment times increased 4.2% from the March quarter, but fell 1% compared with the same time last year. The fishing and mining sectors performed particularly well on an annual basis, with late payments falling by 38% and 30.3% respectively. However, the agriculture, forestry and public administration sectors all saw at least double digit increases in late payment times.

Note: Late payments usually follow a seasonal pattern of rising in the March quarter, falling in the June and September quarter and rising again in the December quarter.

" **The recent fluctuations in late payments largely reflect seasonal variations, although macroeconomic influences continue to have some impact. The lower level of late payments over the past five years or so reflects a structural change, with businesses increasingly adopting new technologies and systems such as internet banking and direct debits, which have resulted in bills being paid faster. The recent stability in payment times reflects conflicting news in the economy – with business cash flows boosted by low interest rates, but hampered by the slowing economy.** "

Stephen Koukoulas
illion Economic Adviser

Late Payments – June Quarter 2019

" **Small businesses are the engine room of the New Zealand economy, but are often at the mercy of the largest companies, who average being 9.2 days late with their payments, almost twice as long as much smaller organisations. Compared with Australia, where businesses took more than 10 days to pay overdue invoices, these are much better results, but it's still not right that the majority of Kiwi firms and their cash-flows are dependent on when other businesses get around to paying them.** "
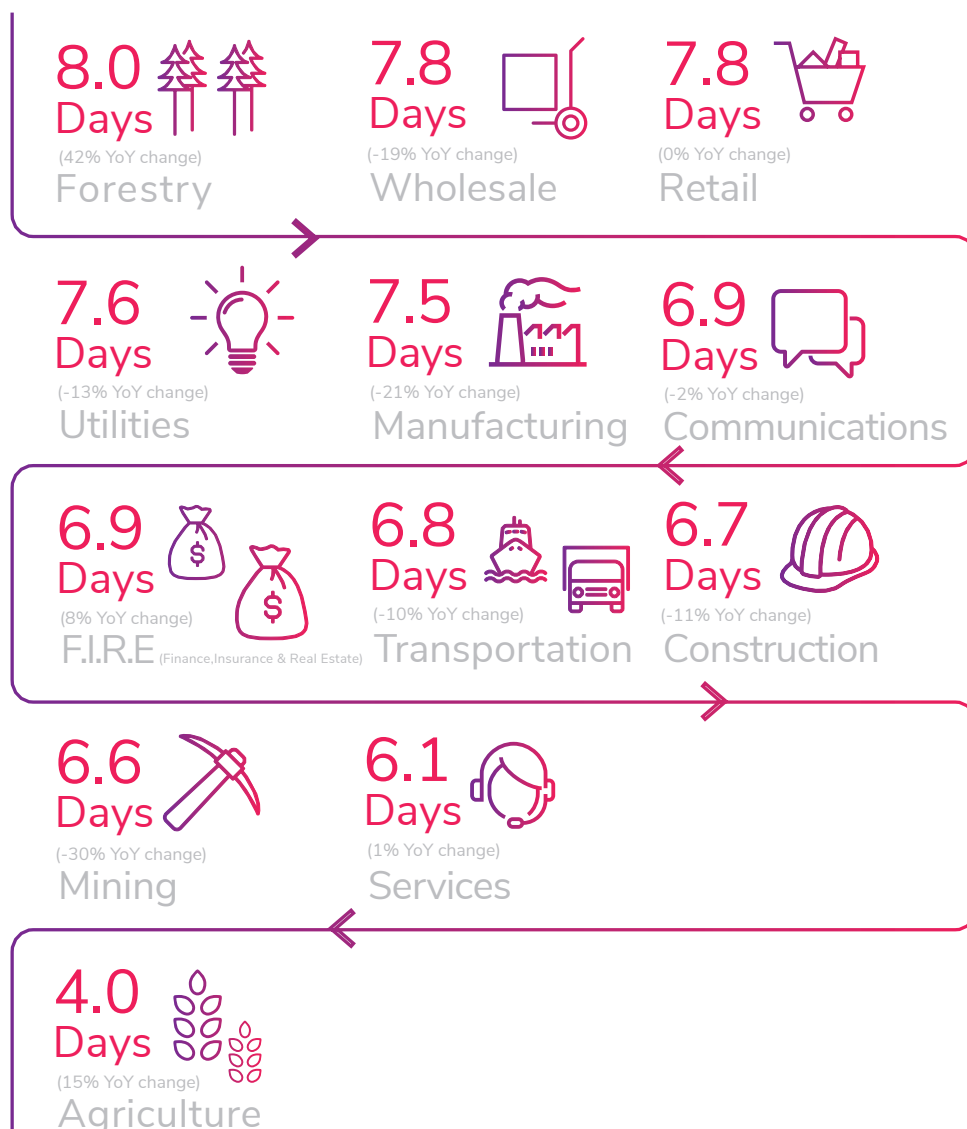
Simon Bligh, illion CEO

Late payments by sector

The fishing sector recorded the biggest improvement, with late payments falling 25.5% from the previous quarter and plummeting 38% on a year-on-year basis. The mining, manufacturing and wholesale sectors also recorded improvements to their payment times. However, late payments for forestry businesses jumped more than 40% from last year and slightly over 10% from the previous quarter, while the agriculture and public administration sectors also recorded significant year-on-year increases.

> **With interest rates set to remain near historical lows over the medium term, low readings for late payments are likely to remain the norm for the foreseeable future. The increased late payment times in forestry, public administration and agriculture are likely due to the fact that these sectors are not significantly influenced by interest rate changes. The sectors most responsive to interest rate changes – particularly finance and retail – reported relatively stable late payment times.**

Stephen Koukoulas
illion Economic Adviser

Late Payments by Sector - June Quarter 2019

8.0 Days (42% YoY change)
Forestry

7.8 Days (-19% YoY change)
Wholesale

7.8 Days (0% YoY change)
Retail

7.6 Days (-13% YoY change)
Utilities

7.5 Days (-21% YoY change)
Manufacturing

6.9 Days (-2% YoY change)
Communications

6.9 Days (8% YoY change)
F.I.R.E (Finance,Insurance & Real Estate)

6.8 Days (-10% YoY change)
Transportation

6.7 Days (-11% YoY change)
Construction

6.6 Days (-30% YoY change)
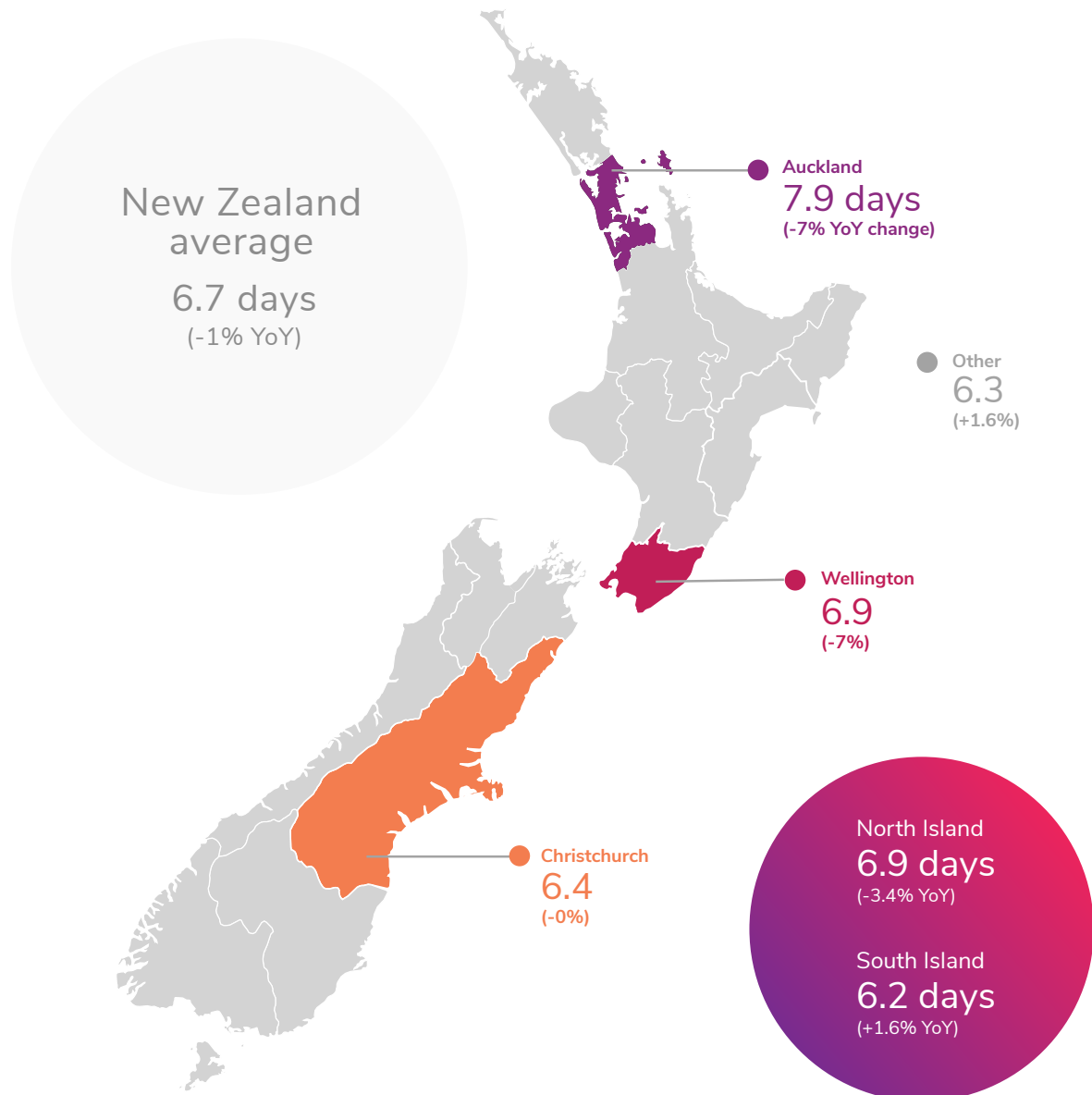Mining

6.1 Days (1% YoY change)
Services

4.0 Days (15% YoY change)
Agriculture

Late payments by region

Businesses in both Auckland and Wellington saw a 6.8% year-on-year reduction in late payment times, although quarterly figures increased by 4% and 4.9% respectively, in line with seasonal trends. While late payment times for Christchurch-based businesses saw no annual change, the city recorded the lowest regional late payment average of 6.4 days. Although the North Island recorded higher average late payments than the South Island, the gap is closing, with North reporting a 3.4% annual decline against South's 1.6% increase.

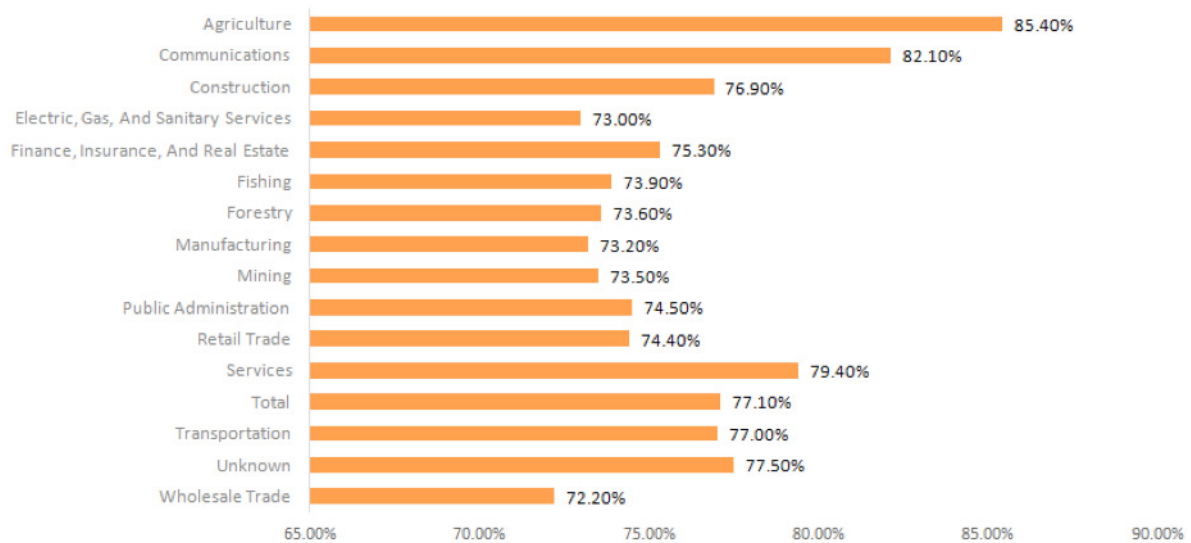Late Payments by Region - June Quarter 2019

New Zealand
average
6.7 days
(-1% YoY)

Auckland
7.9 days
(-7% YoY change)

Other
6.3
(+1.6%)

Wellington
6.9
(-7%)

Christchurch
6.4
(-0%)

North Island
6.9 days
(-3.4% YoY)

South Island
6.2 days
(+1.6% YoY)

"
The regional variation in late payments saw above-average declines in late payments in Auckland and Wellington, cities that have a dominance of medium to large firms. In smaller cities and regional centres, late payments tended to be either broadly flat or slightly higher."

Stephen Koukoulas
illion Economic Adviser

Prompt payments

There was an increase in firms paying their invoices promptly, with 2.6% more companies settling their payments according to terms over the past year, bringing the total up from 74.5% to 77.1%.
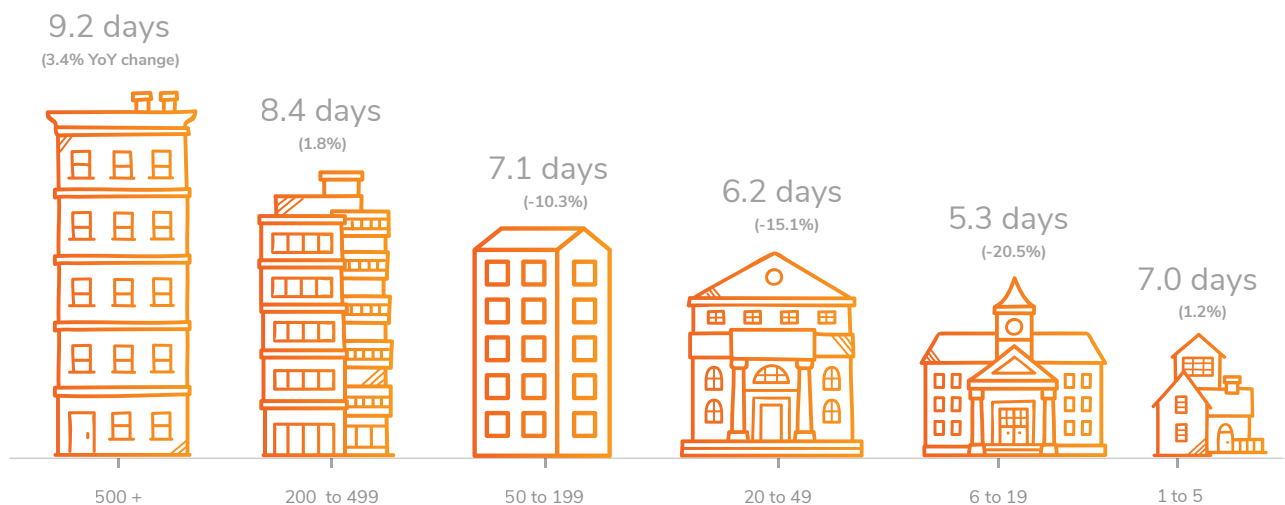
Prompt payments - March Quarter 2018

Category	Value
Agriculture	85.40%
Communications	82.10%
Construction	76.90%
Electric, Gas, And Sanitary Services	73.00%
Finance, Insurance, And Real Estate	75.30%
Fishing	73.90%
Forestry	73.60%
Manufacturing	73.20%
Mining	73.50%
Public Administration	74.50%
Retail Trade	74.40%
Services	79.40%
Total	77.10%
Transportation	77.00%
Unknown	77.50%
Wholesale Trade	72.20%

" **High prompt payments are an indication of a healthy cash flow in the business sector. Sharp improvements in prompt payments were evident in fishing, wholesale trade, communications and transport. There was a fall in prompt payments in finance, insurance and real estate, a trend that reflects thebroader weakness in the housing market.** "

Stephen Koukoulas
illion Economic Adviser

Late payments by size

Payment times increased for both micro businesses with less than 5 employees and large businesses with over 500 staff. However, late payments for mid-sized businesses fell significantly. Compared to the previous quarter, late payment times increased across the board, particularly for larger businesses.

Late Payments by Company Size - March Quarter 2019

9.2 days
(3.4% YoY change)

8.4 days
(1.8%)

7.1 days
(-10.3%)

6.2 days
(-15.1%)

5.3 days
(-20.5%)

7.0 days
(1.2%)

| 500 + | 200 to 499 | 50 to 199 | 20 to 49 | 6 to 19 | 1 to 5 |

> **Late payment times rose for micro businesses (1 to 5 employees) but remain the lowest based on the size of firm. Payment times for large businesses (500 and more employees) also rose, but the figure for medium size businesses fell sharply.** "

Stephen Koukoulas
illion Economic Adviser

Our methodology

Late Payments analyses trade information from illion's Commercial Bureau, the largest database of business-to-business payment information in New Zealand and Australia. Monthly trade transaction files are collated and advanced analytics is used to provide a summary of how late entities pay for goods and services after payment is due. Late Payments provides a quarterly report with a breakdown according to sector, size, age and location of entities.

Business-to-business payment information reveals how an organisation is paying its existing obligations. It is a highly predictive data set and a critical element in credit risk scores and business failures forecasting. The predictive nature of trade data combined with its monthly availability enables businesses to properly assess credit risk with real time information.

Trusted Insights. Responsible Decisions.

To learn more about how your business can participate in and benefit from illion's trade data program, get in touch with us via the details below.

Have a question? Contact us today.

publicrelations@illion.com.au