

| March Quarter Analysis 2019

New Zealand Late Payments





Christchurch
continues to be
the best region
at 6.3 days



Manufacturing
improves by 21%
to 7.4 days



Late payment times
are marginally
higher, reflecting
seasonal patterns



Prompt payment
times improve
by 3%

Late payments edge higher, but rise appears seasonal

Late payments followed the usual seasonal pattern, registering a rise to 6.4 days in the March quarter from 5.1 days in the December quarter 2018 - but remained lower than the 6.8 days recorded a year ago. One of the only standouts is the manufacturing sector, which improved its late payment record in March 2019 by 21% on the March 2018 quarter, falling to an average of 7.4 days. The agriculture sector continues to lead the way for lowest late payment times, however, with a March quarter average of 4.2 days, a 12% drop from a year earlier.

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 slower pace of growth in the New Zealand economy has not had a material impact on late payment times. The economy is still registering steady growth, and the unemployment rate is low. The fact that the Reserve Bank of New Zealand has held official interest rates at close to record lows, and has indicated that rates will remain low for some time, is important for business and household cash flows.”

Stephen Koukoulas
Illion Economic Adviser

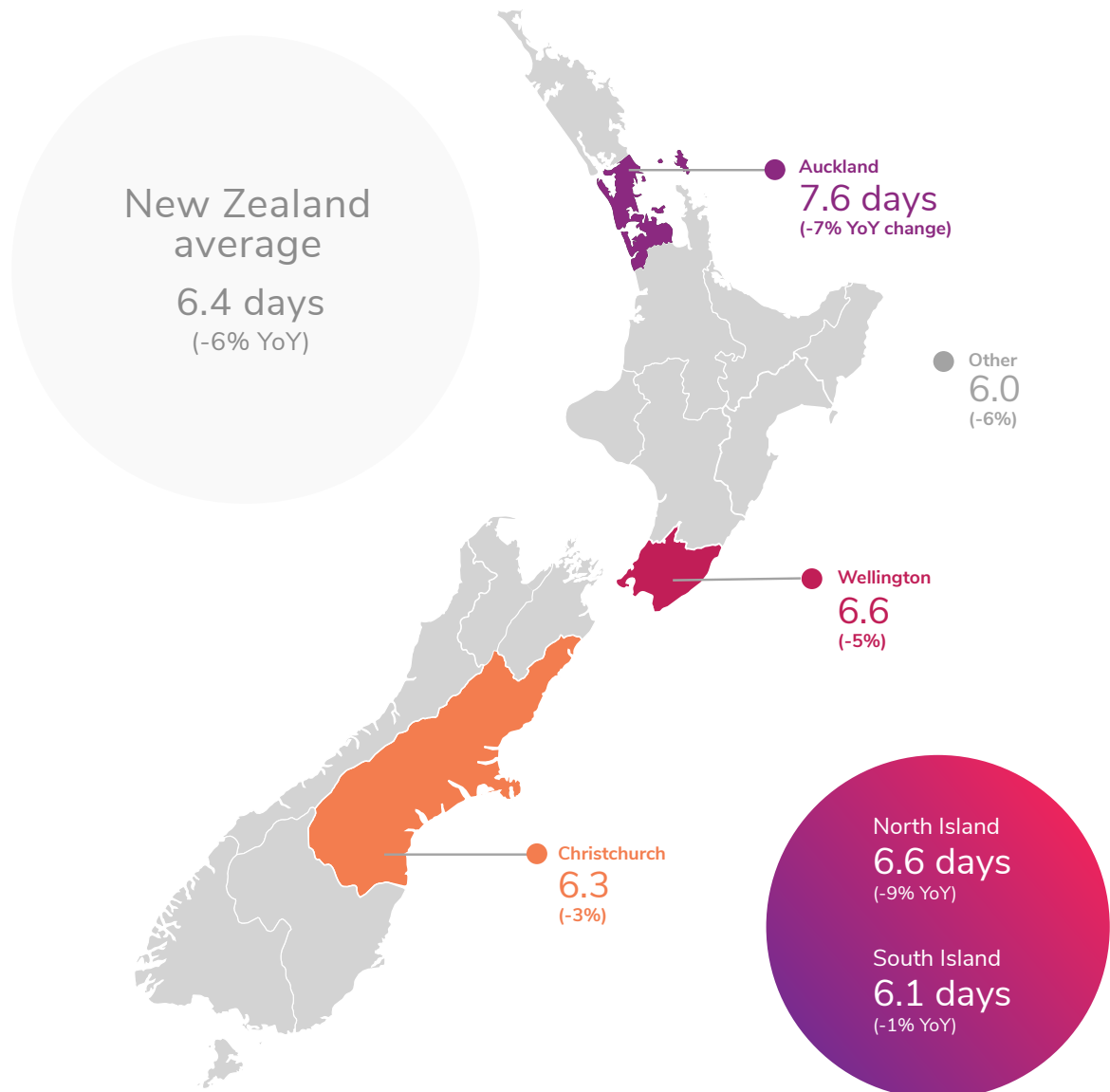
Late Payments – March Quarter 2019



Late Payments by Region

As noted in the December 2018 quarter, Christchurch has continued to record the lowest regional late payment average of 6.3 days, with a Year on Year drop of 3%. Wellington is just behind, with a drop of 5% over the same period, taking its average late payment to 6.6 days. The South Island remains ahead of North Island, with a 1% drop taking late payments to 6.1 days. The gap is closing though, with North Island recording a 9% drop and an average late payment of 6.6 days.

Late Payments by Region - March Quarter 2019



“The regional variation in late payments remains relatively low. Given the propensity of large firms (over 500 employees) to be slower payers than small and medium-sized businesses, Auckland has the highest late payments rate at 7.6 days.”

Stephen Koukoulas
Illion Economic Adviser

Late Payments by Sector

While late payments have risen in the past half year, they remain below the levels witnessed a year ago, and well below historical levels of two or more years earlier. Technological streamlining has made it easier and quicker for firms and even consumers to pay their bills promptly, although the business cycle is still very much alive. There is some risk that the New Zealand economy is slowing, which could see late payments edging up over the next few quarters.

“The overall decline in late payments compared with a year earlier masks some divergent trends on an industry basis. Sharp falls in late payments were registered in manufacturing, mining, construction and wholesale trade. Perhaps reflecting the slowing in consumer spending and the slump in housing, late payments rose in communications, finance, insurance and real estate and retail trade.”

Stephen Koukoulas
Illion Economic Adviser

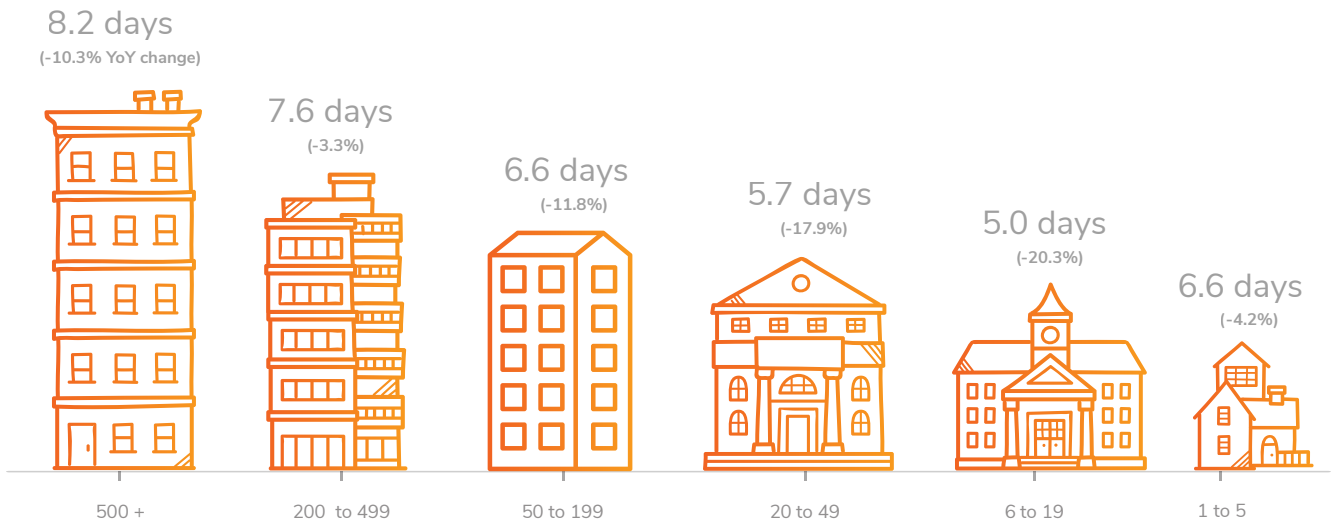
Late Payments by Sector - March Quarter 2019



Late Payments by Size

Late payment times across all businesses have fallen in recent months.

Late Payments by Company Size - March Quarter 2019



“ Compared with the same quarter a year ago, late payments have been edging lower across firms of all sizes. In terms of the quarterly data, one of the notable changes was the 40.9% jump in late payments in micro firms – those with just 1 to 5 employees. This appears to be linked to the more general slowing in housing, given that many micro business owners leverage the equity in their dwelling to access loans for their business. ”

Stephen Koukoulas
Illion Economic Adviser

Prompt payments

The number of firms paying their invoices promptly rose by more than 3% to 77.1% over the past year. With all but two sectors showing an increase in prompt payments, the broad themes of solid cash flows, aided by record low interest rates, are likely to have influenced the result.

Prompt payments - March Quarter 2018



“On an industry basis, the changes in prompt payments reflect many of the general themes evident in the macro economy over the past year. With the slump in housing, prompt payments fell in finance, insurance and real estate. Stretched levels of consumer spending resulted in the retail sector remaining flat. Prompt payments rose strongly in wholesale trade, transportation, forestry and construction, all areas of the economy that have generally been stronger.”

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 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