



MEDIA RELEASE

Big business continues poor record of on-time payments

30 August 2019: illion's quarterly Late Payments report for New Zealand has revealed businesses across the country are maintaining record low late payment times – all except big business.

illion's latest data for the June 2019 quarter shows 23 per cent of businesses in New Zealand were late in paying their invoices, with these averaging 6.7 days. This represents a 4.2 per cent increase from the previous quarter, in line with seasonal fluctuations, but a 1 per cent decline compared with the same time last year.

The biggest increases in late payments came from large businesses – in particular, companies with more than 500 employees reported a year-on-year jump of nearly 12 per cent to 9.2 days, the worst on record since April 2018. In contrast, small and medium businesses all reported a decline in late payments, although there was a small increase from micro-businesses.

illion CEO Simon Bligh said the data showed a significantly higher proportion of larger businesses were taking a tardy approach to paying their bills.

“One of the things we observe globally is that the closer you are to the equator, the slower you pay your bills. Whilst the gap is closing, we still see North Island pay slower than South Island, and we see Christchurch faster than Wellington and Wellington faster than Auckland.

“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,” he said.

illion Economic Adviser Stephen Koukoulas said the general decline in late payments across all business sectors reflected an increasing adoption of new payment technologies.

“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.”



Forestry businesses were the slowest to pay their invoices, with an average of 8 days – up 41.5 per cent compared with the same period last year. In contrast, agriculture businesses were the faster payers, averaging 4 days, while the fishing sector showed the biggest improvement, with late payment days decreasing by 38 per cent year-on-year.

“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,” Mr. Koukoulas said.

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About illion’s Late Payments Reports

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.