

Late Payments

New Zealand

December Quarter Analysis 2020



Key Insights

Kiwi firms taking 10% longer to pay than 12 months ago



Large businesses the biggest losers, no matter who owes them money



Fishing industry payment times deteriorate as border closures impact crews



Utilities struggle with weakened demand



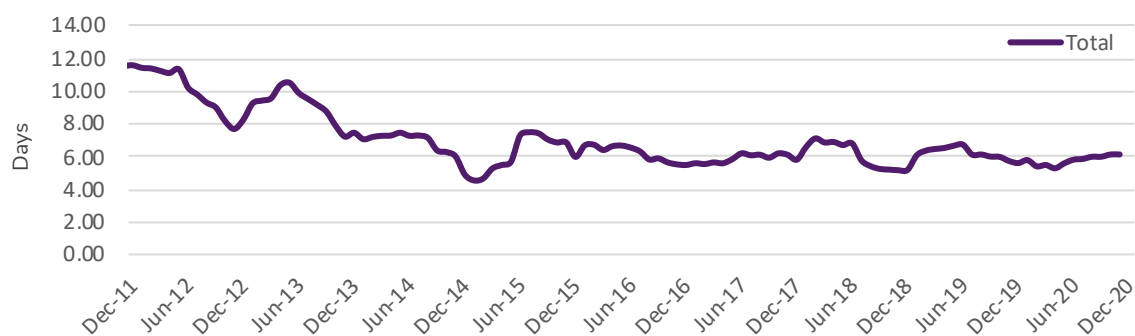
Overview

Kiwi businesses started 2020 in a strong position, which saw them diligently paying their bills faster than they had 12 months before for most of the year. As the impact of the pandemic dragged on, however, late payment times deteriorated from an April low of 5.2 days to 6.1 days in October. Rising late payments then plateaued, remaining at 6 days through to December.

Over the past quarter (October to December), late payment times deteriorated 2% from the 5.9 days reported at the end of the previous quarter. However, late payments are now 10% worse than a year before.

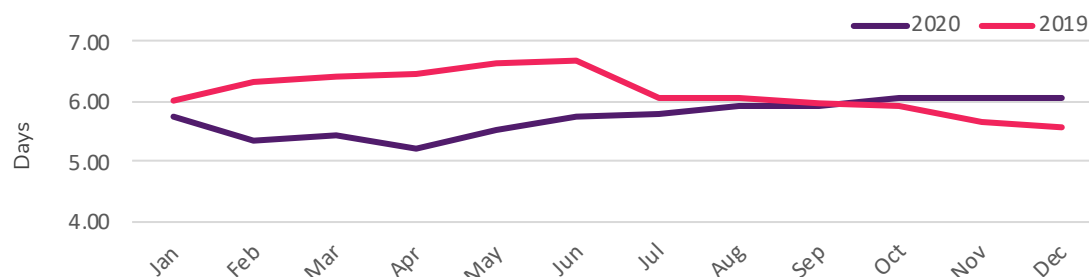


Late Payments - New Zealand 2011 to 2020



After demonstrating a high level of resilience with late payment times better than 12 months before, New Zealand's late payment times have finally worsened in the December quarter. While this deterioration has not continued, late payments times remain slightly worse than before the pandemic.

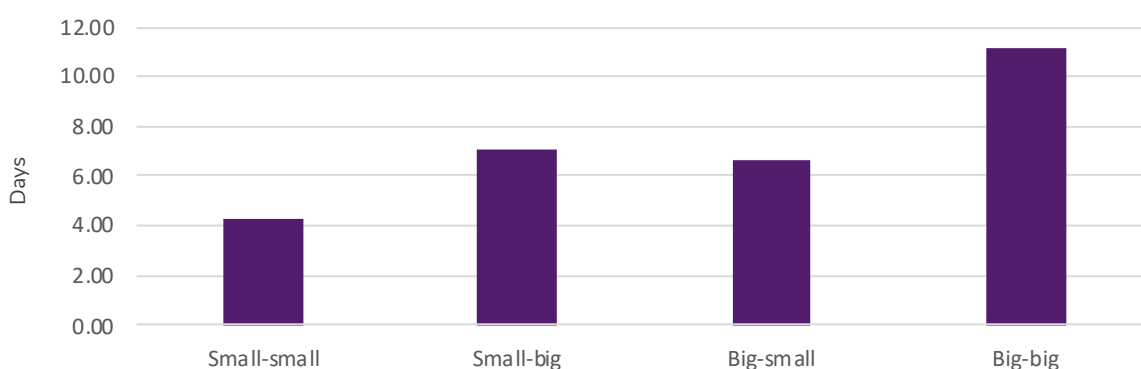
Late Payments - New Zealand 2019 Vs 2020



Who is Paying Whom, When?

When looking at who is paying whom on time, illion's figures show that big businesses are the biggest losers – no matter who owes them money. Small and large businesses both seem to prioritise smaller businesses when settling late payments.

Late Payments by Business Size - December 2020



It appears that small businesses with less income and cash in the bank will press for faster payments because they can't afford to wait. Big businesses with more momentum behind them are less inconvenienced by a late payment and may not always need to hassle payers to settle debts quickly.

	Small-small Avg. 4.29	Small-big Avg. 7.10	Big-small Avg. 6.67	Big-big Avg. 11.11
Best Payer	Construction 3.00 days	Retail Trade 4.60 days	Fishing 0.80 days	Mining 3.79 days
Worst Payer	Wholesale Trade 6.35 days	Forestry 12.76 days	Manufacturing 8.99 days	Public Admin. 15.53 days

Interestingly, the Mining sector is one of the slowest payers overall, but large mining businesses are extremely likely to pay other large businesses on time. Small retail traders also treat larger businesses well, as their livelihoods are likely beholden to the big suppliers that send them product.

We see big fishing companies refusing to leave the little guys high and dry, even as the sector sails through choppy waters.

Simon Bligh, illion CEO

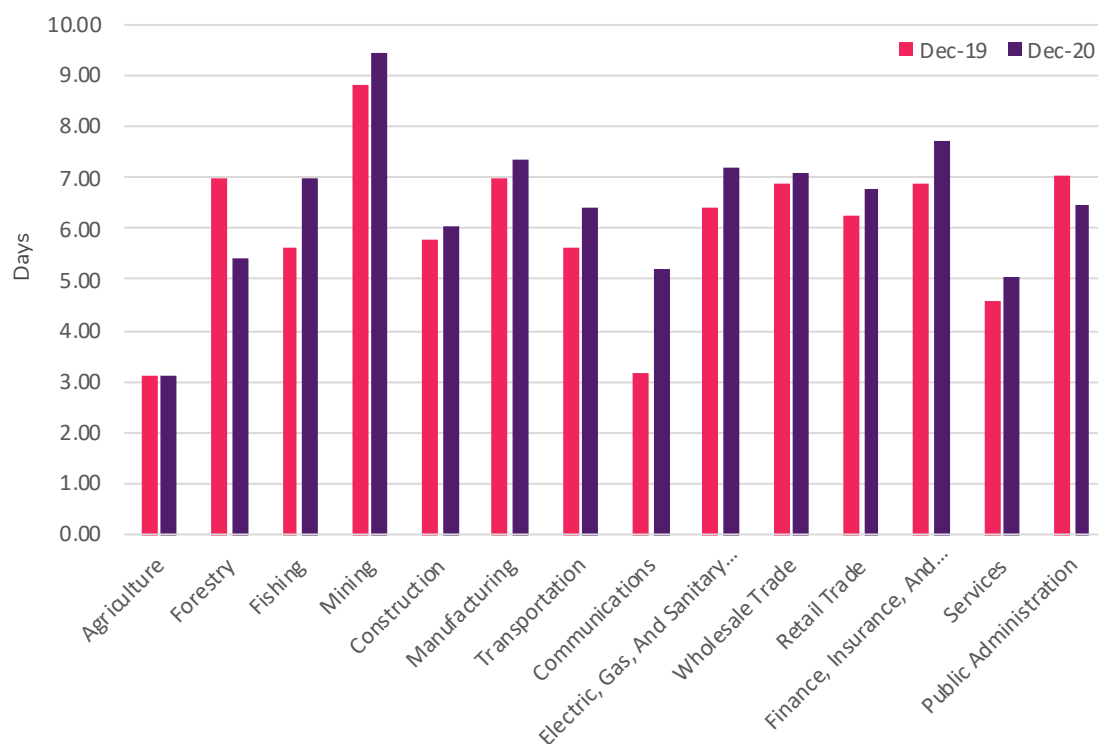
By Sector



The slowest paying culprits continue to be Mining, Real Estate and Manufacturing. The industries paying the slowest compared to 12 months ago are Fishing, Communications, Utilities and Finance, Insurance and Real Estate (FIRE), with Fishing down a significant 25% on its previous position.

The only industries that improved over the year were Forestry and Public Administration, while Agriculture broke even with its year-earlier position. The Forestry and Agriculture industries are still able to take advantage of New Zealand's bountiful natural resources, while Public Administration has also managed to improve payment time.

Late Payments by Sector - December 2019 Vs December 2020



This is in stark contrast to Public Administration payment times in Australia, which have deteriorated by 15% over the past year.

Stormy Seas for Fishing

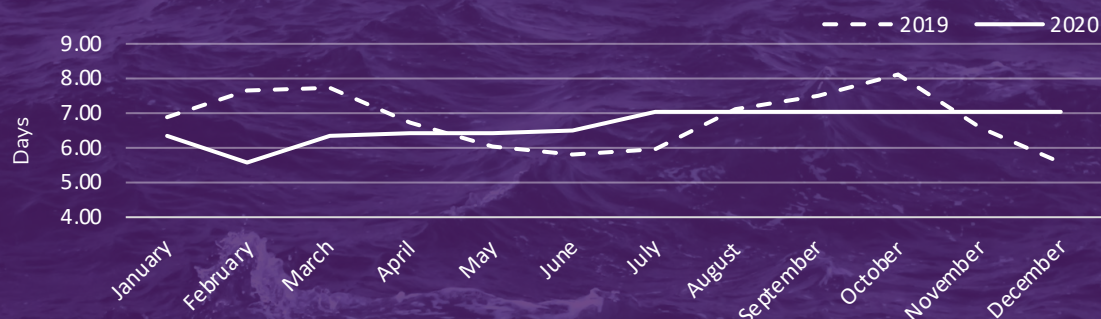
The fishing industry has experienced dramatic highs and lows of payment times in the past five years, improving late payment times to just over 3 days at best and letting them lag to 9.5 days at worst. For 2020, late payment days evened out with a slow deterioration near the start of the year and a long plateau in the second half of the year.

Late Payment Times – Fishing Industry



The sector has maintained some survivability amid the pandemic as it is considered an essential service, but global trading conditions remain tumultuous, and the industry risks becoming understaffed as the foreign crews favoured by some large companies are unable to obtain work visas under current border restrictions.¹

Late Payment Times – Fishing 2019 Vs 2020



Processing areas for caught fish are also considered high-risk areas for virus transmission because they tend to have limited air flow, groups of people working close together, and noisy machines resulting in close talking or shouting, and are operating with increased restrictions.²

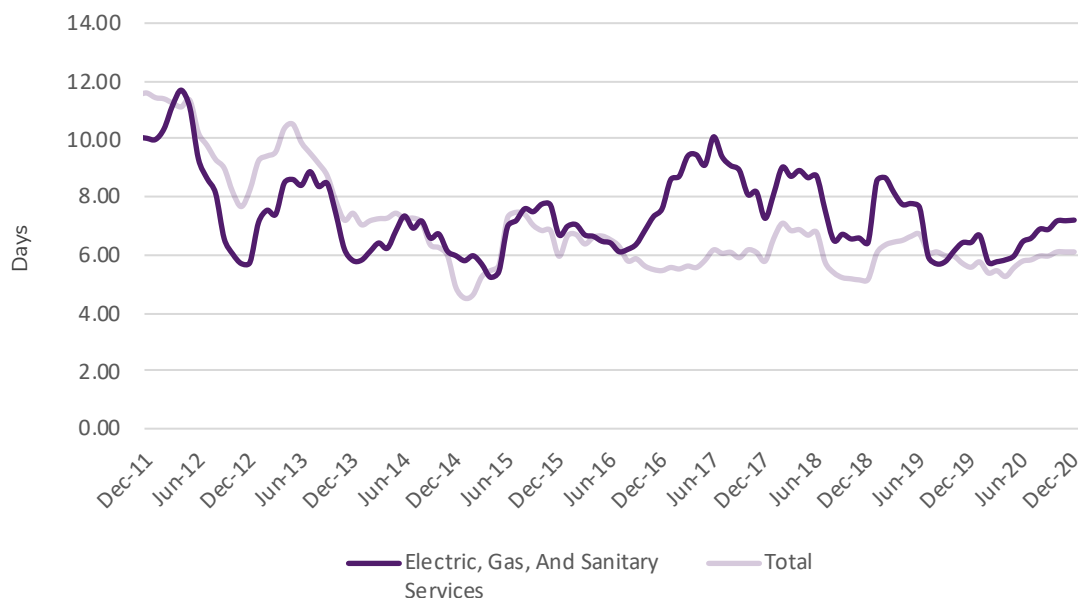
¹ <https://nzfiguild.co.nz/fishing-guild-annual-general-meeting-2020/>

² https://seafoodnewzealand.org.nz/fileadmin/documents/other_publications/SNZ_covid-19_update_-_13_August_2020.pdf

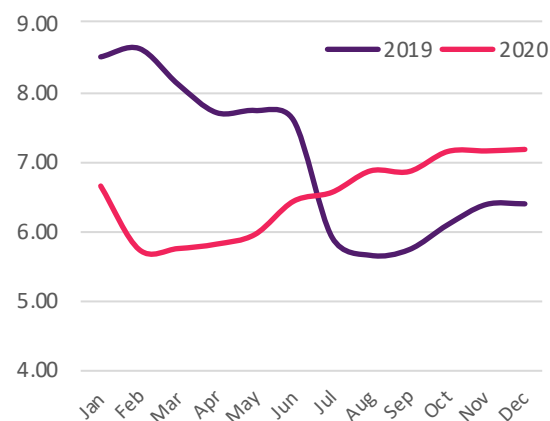
Utilities Running Out of Gas

Utilities have begun to struggle with late payments over the course of the last decade. The sector broadly sat ahead of the average late payment days for the first half of the 2010s but fell behind quite significantly in the last five years, with payment times temporarily deteriorating from the curve in 2017. Through the later months of 2020, the sector's payment times have begun to break from the average once again.

Late Payments - Utilities Vs Total 2011 to 2020



Transportation accounts for around 40% of New Zealand's national energy demand. COVID-19 disrupted the demand in this area as international travel became restricted and workers began doing their jobs remotely. When the country entered alert level four, electricity demand dropped to 89% of historical levels. Gas production and use also faltered during alert levels three and four, and oil imports were slashed during the worst of the pandemic.³



³ <https://www.mbie.govt.nz/dmsdocument/11679-energy-in-new-zealand-2020>

By Region

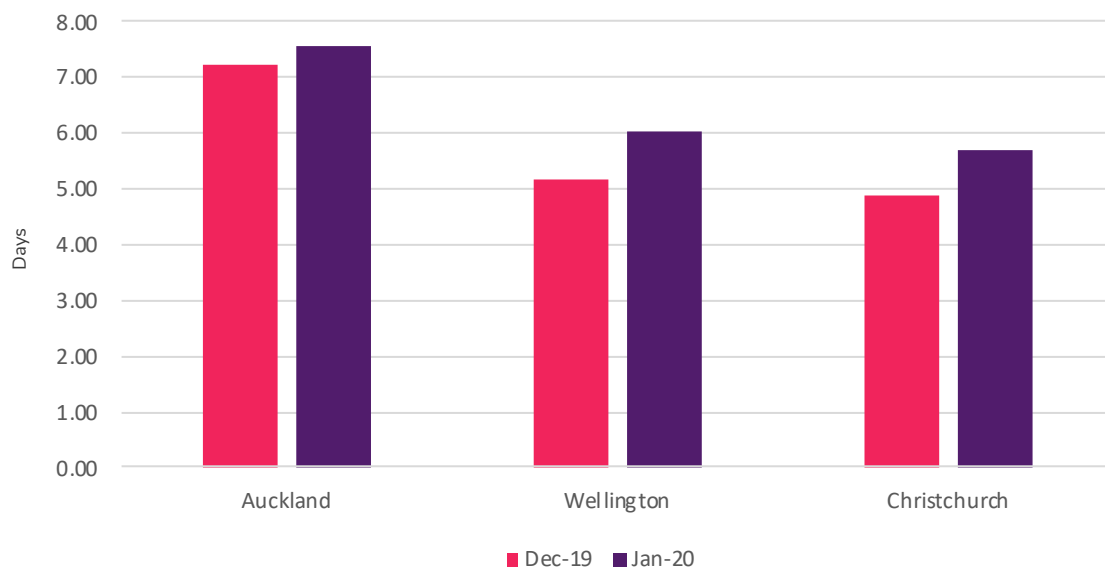
Auckland and the North stay slow

Auckland continues to be the slowest payer of the three major cities, having weathered extended lockdowns during the year. Its payment times are 5% worse than in December 2019.

Despite this, it has deteriorated less than its sibling cities, which are both paying 17% slower than they did a year earlier.



Late Payments by City



Businesses in the South Island remain the faster payers, but both regions are performing worse than they did a year before, by 7% for the North island and 8% for the South. The North Island takes 6.3 days to pay late bills, while the South takes 4.9 days.

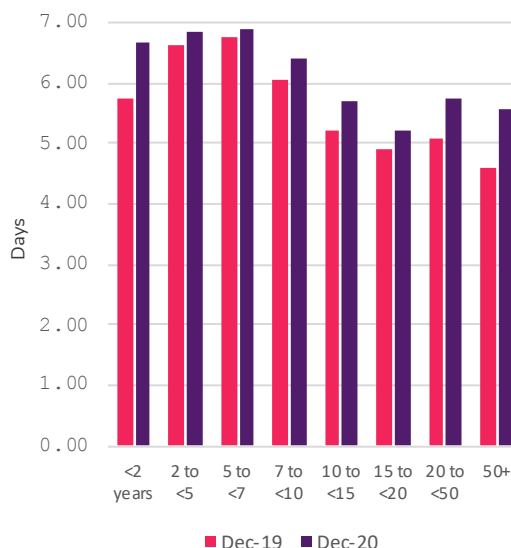
By Age and Size

Older businesses pay fast, bigger businesses pay slower

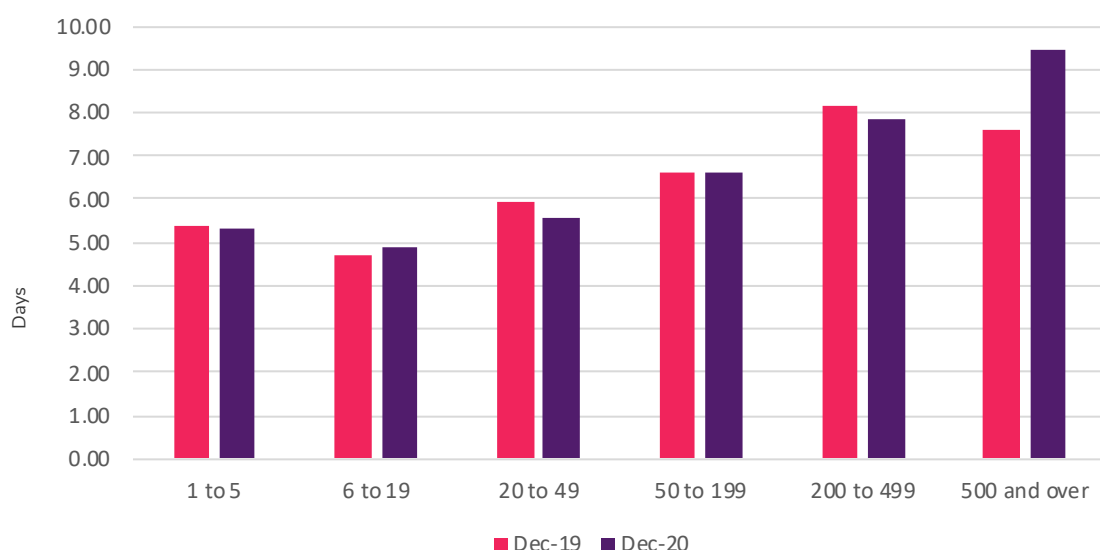
Older, more established businesses continue to pay their bills more promptly than newer ones, while large businesses, those with 500 employees or more, tend to throw their weight around and resist making payments on time.

Both newer and older businesses are hurting compared to December 2019, with both groups seeing double-digit deteriorations in late payment days, while businesses aged between 2 and 20 years have managed to remain within 10% of their previous position.

Late Payments by Age of Business



Late Payments by Employee Count



Prompt payments

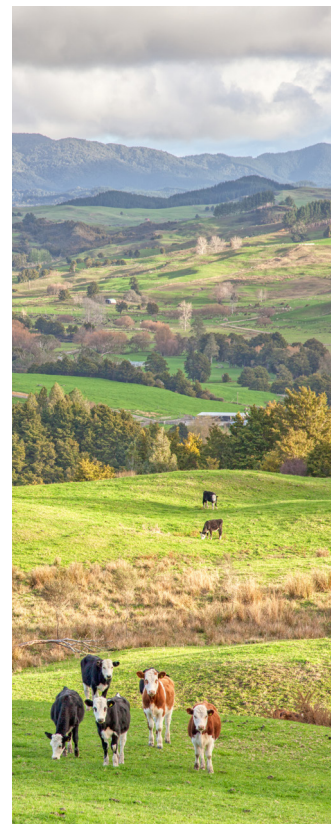
Rates Hold Steady

Prompt payments measures what percentage of firms pay their bills before they come due. After the deadline passes, the debt becomes a late payment and we begin counting how many days late it is before it gets paid.

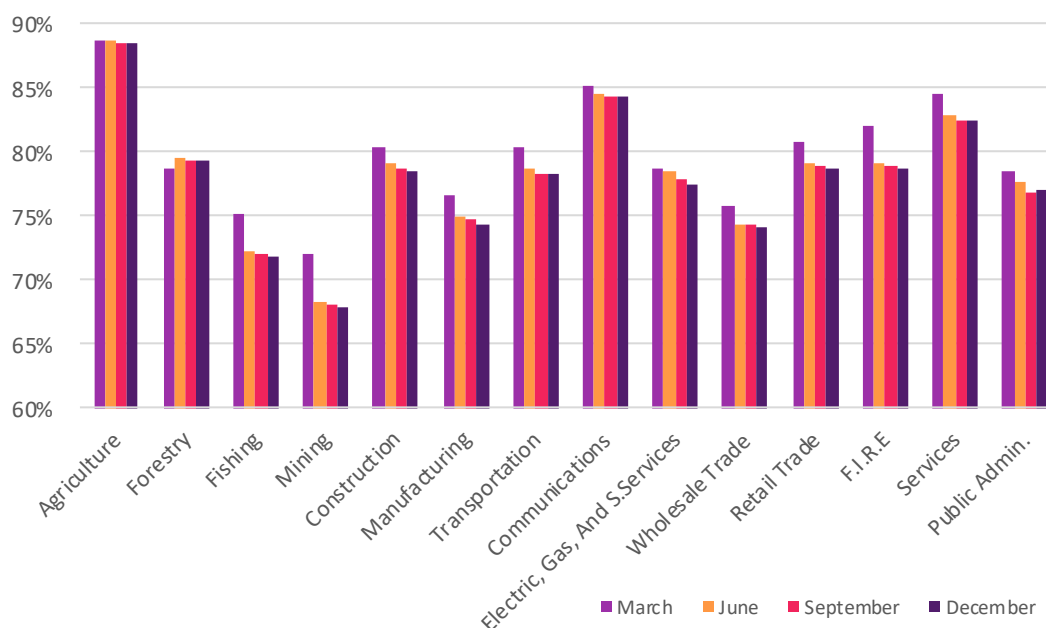
The carnage of 2020 has had little impact on New Zealand's prompt payment rate. Even as late payment times have extended through the last three quarters of the year, we see the rate of businesses paying their bills on time holding steady at 80% for the same three consecutive quarters.

Those who pay late continue to pay later as conditions worsen, but the actual rate of businesses paying late isn't changing. This is another measure of the country's resilience.

The Agriculture sector saw by far the highest rate of prompt payers, at 88%. The industry least likely to pay promptly were Mining, at 68%, with Fishing following close behind with a 72% prompt payment rate.



Prompt Payments by Sector



Our methodology

Late Payments analyses trade information from illion's Commercial Bureau, the largest database of business-to-business payment information in Australia and New Zealand. 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.

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.

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Have a question?
Contact us today.

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