

# Late Payments

New Zealand

March Quarter Analysis 2021





# Key Insights

---

**Late payment times improve from last quarter, but deteriorate over 12 months**



**Retail, forestry sectors post strongest improvements in payment of late bills**



**Payments to big business improve significantly**



**Older companies reduce their late payment times, while younger businesses falter**



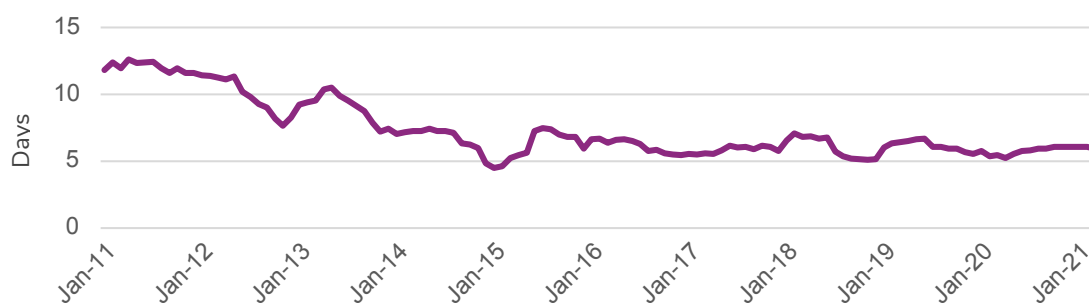
# Overview

## Improved payment times hints at potential economic recovery

Businesses in New Zealand have recorded their first improvement in late payment times since the country was hit by the COVID-19 pandemic in early 2020, marking an important turnaround after nearly a year of deterioration.

Data from illion's Commercial Bureau shows 81% of New Zealand businesses paid their bills on time in March 2021, up slightly from 80% last quarter. The remaining 19% of businesses which paid late recorded a 2.1% improvement in late payment days compared with the December quarter.

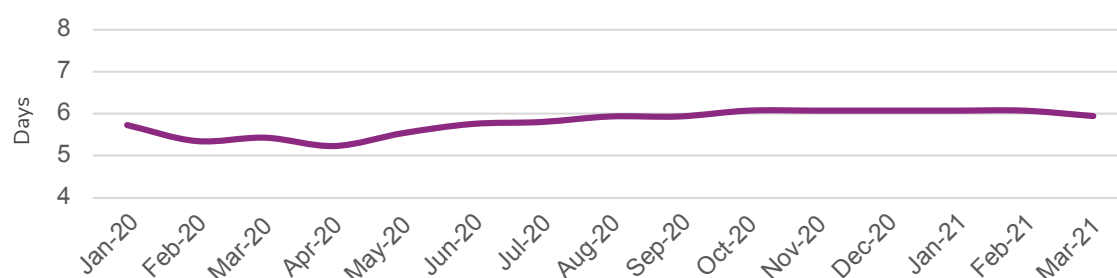
## Late Payments - New Zealand 2011 to 2021



The improvement comes as New Zealand's economy begins its recovery after almost a year of disruptions from the pandemic. As workers return to offices, retailers and service businesses open up again, and the country's tourism and hospitality sectors prepare for the much-anticipated travel bubble with Australia, there is a glimmer of hope for long-suffering businesses in the country.

However, it is too soon to conclude whether this momentum will continue into 2021. Worsening global economic conditions could potentially put a dampener on recovery, especially for export-focused businesses.

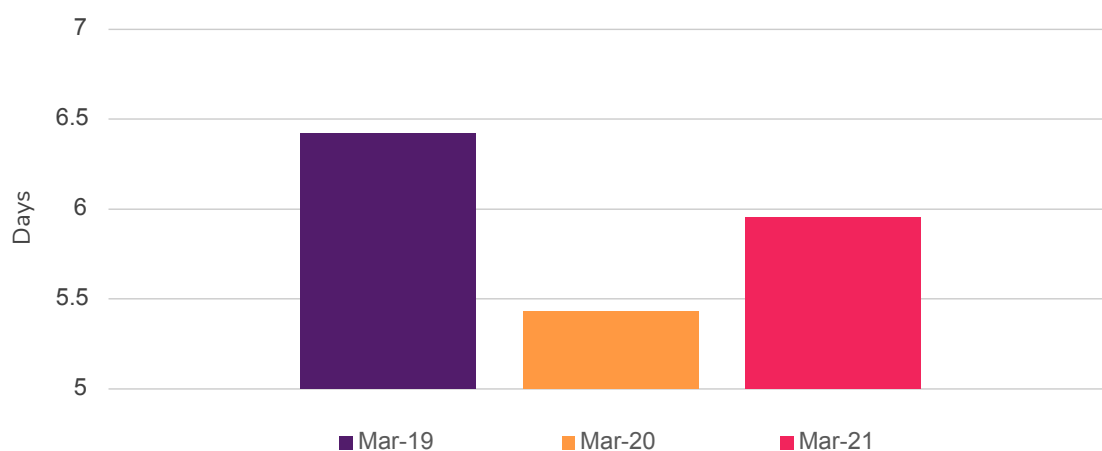
## Late Payments - New Zealand 2020 to 2021



Despite the latest quarterly improvement, on a year-on-year basis, average late payment days in March 2021 actually worsened by 9.6% when compared with the same period last year. In contrast, businesses had previously recorded a huge 15.4% year-on-year improvement during March 2020, highlighting the severe impact of COVID over the year.



### Late Payments Days - 2019 Vs 2020 Vs 2021



“

While the improvement in late payment times over the March quarter is promising, it's worth keeping in mind that this marks a single quarter of improvement after nearly a year of deterioration. Whether this improvement continues into the June quarter and beyond is still up in the air, especially with pessimistic global economic conditions ahead.

*Simon Bligh, illion CEO*

”

# By Sector

Every industry sector recorded a slight improvement in quarterly late payment times, but a deterioration on a year-on-year basis. The only exceptions were the retail and forestry sectors, which recorded improvements in both QoQ and YoY payment times.

## Forestry

New Zealand's forestry sector posted the strongest performance in late payment times over the March 2021 quarter, with an 11% improvement from last quarter and a 17.9% improvement compared with the same period last year. As a result, the sector now boasts the second-quickest time to settle on overdue bills, an average of just 4.8 days.

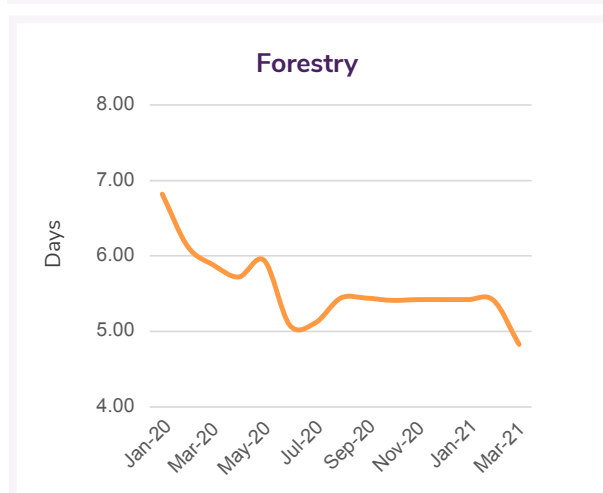


## Retail

Retailers significantly improved bill payment times over the March quarter, with a 0.9% improvement in late payment times compared with last quarter and a whopping 7.2% improvement from the same time last year. This marks a stark contrast with last year's results, when retail late payment times worsened 15.5% between March 2019 and March 2020.

The strong performance of retailers seems to be a consistent theme over the COVID period, especially after lockdowns eased. We can point to New Zealand's wage subsidy as a factor in maintaining market confidence, as well as the lockdowns and travel bans which left many consumers with extra money and less avenues to spend it. However, despite a general feeling of optimism amongst Kiwi consumers, there is an undercurrent of concern over the population's financial position, particularly from younger generations<sup>1</sup>. This may be because they realise that they will inherit the large national debt that is now owed.

## Late Payments by Sector - 2020 to 2021



<sup>1</sup><https://www.westpac.co.nz/assets/Business/economic-updates/2021/Bulletins/Q1-Consumer-Confidence-Mar-2021-Westpac-NZ.pdf>

# By Sector

## Manufacturing and Wholesale

New Zealand's forestry sector posted the strongest performance in late payment times over the March 2021 quarter, with an 11% improvement from last quarter and a 17.9% improvement compared with the same period last year. As a result, the sector now boasts the second-quickest time to settle on overdue bills, an average of just 4.8 days.

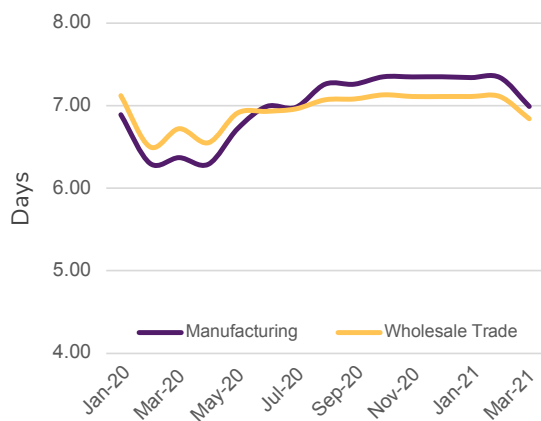
## Construction

New Zealand's construction sector is in a similarly weak position to many other industries. Despite a fairly strong QoQ recovery over March, with late payment days improving 4.3%, the sector's year-on-year average deteriorated 11.3%, slightly worse than the national average.

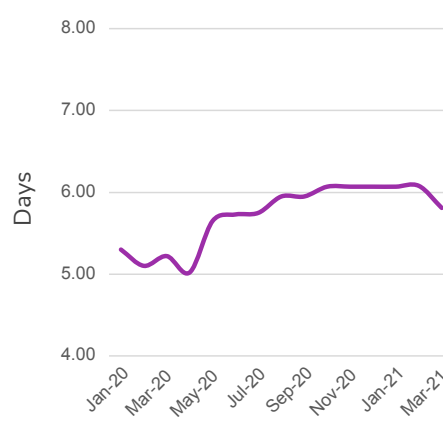


## Late Payments by Sector - 2020 to 2021

### Manufacturing & Wholesale



### Construction





# By Region

The big cities of Auckland and Wellington fared poorly over March 2021, with businesses continuing to settle their bills later compared with their regional counterparts.

While both cities recorded slight improvements in reducing their late payment times compared with last quarter (Auckland by 1.1% and Wellington by 1.3%), it was still below the national average of 2.1%.

Additionally, on a year-on-year basis, both cities recorded a 14%-plus deterioration in late payment days, compared with a 9.6% average across the country.



## Late Payments by City



# By Size

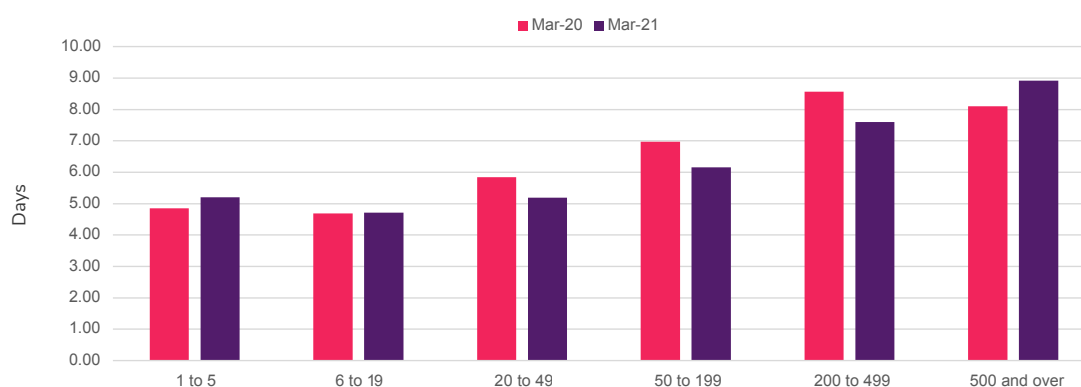


Mid-sized businesses (those with about 20-199 employees) significantly reduced their late payment times over March 2021, with an average improvement of more than 6% (compared with the 2.1% national average) and a year-on-year improvement of over 11%.

Big businesses (500+ employees) reported a strong QoQ performance, with a 5.7% improvement, more than double the national average. However, on a YoY basis, late payment times worsened by 10.1%.

Microbusinesses with fewer than 5 employees recorded the smallest quarterly improvement, at 2.6%. Additionally, on an annual basis, payment times worsened by over 7%. Despite assistance for small businesses, they remain vulnerable to economic shocks such as the COVID pandemic, especially as many lack sufficient cashflow to weather lean periods or extended lockdowns.

## Late Payments by Employee Count

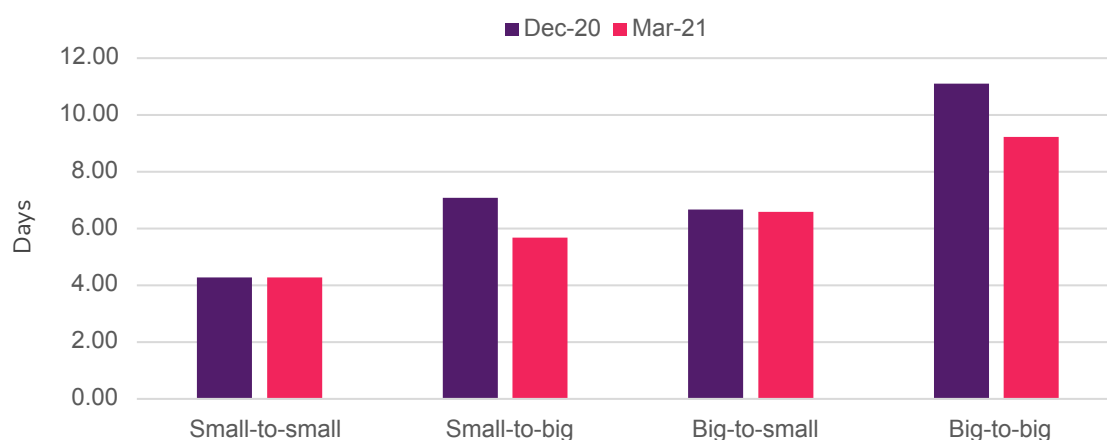




# Who is Paying Whom, When?

While big businesses continue to take longer to pay their bills compared with their smaller counterparts, one of the notable aspects of the March 2021 data shows late payments to big business improved significantly from last quarter, regardless of who is paying.

## Late Payments by Business Size - March Quarter 2021



Late payments from small to big businesses improved 20% from last quarter, while small-to-small payment times improved by a meagre 0.2%. Similarly, while big-to-small payments saw a 1.2% improvement, big-to-big payment times were reduced by nearly 17%.

Mar-21	Small-small Avg. 4.28	Small-big Avg. 5.68	Big-small Avg. 6.59	Big-big Avg. 9.24
Best Payer	Construction 3.00 days	Agriculture 3.23 days	Fishing 0.80 days	Mining 2.25 days
Worst Payer	Wholesale Trade 6.31 days	Forestry 9.04 days	Manufacturing 8.79 days	Public Admin. 14.82 days

# By Age

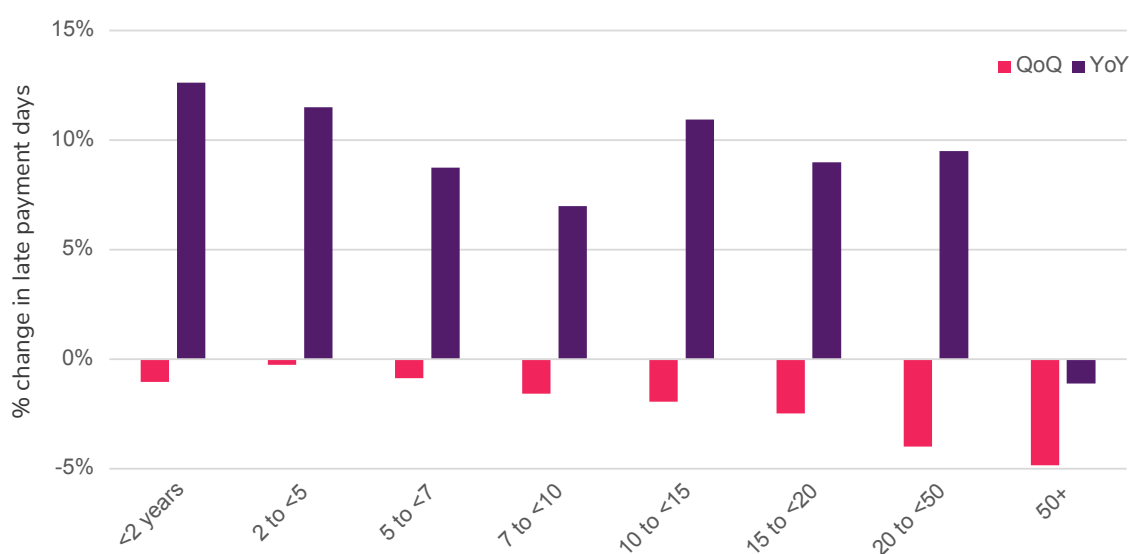


With the exception of very young businesses (<2 years in operation), during the March 2021 quarter there was a direct correlation between age and improved payment rates on a quarterly basis. Older businesses – which may have had bigger war chests to see themselves through uncertain economic times – reported significant improvements in paying late bills.

In contrast, their younger counterparts, many of which include new business start-ups with limited financial resources, reported the least improvement.

On a year-on-year basis, however, companies of all ages reported worsening late payment times, with the only exception being businesses older than 50 years. Young businesses in operation for two years or less recorded the most severe year-on-year deterioration, at 12.6%, significantly worse than the national average of 9.6%.

## Late Payments by Business Age - Reductions / Increases





# 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.

**Trusted Insights. Responsible Decisions.**

Have a question?  
Contact us today.

[publicrelations@illion.com.au](mailto:publicrelations@illion.com.au)

