

Business in cruise control

LATE PAYMENTS IN NEW ZEALAND

Dun & Bradstreet 1st Quarter Analysis 2017

New Zealand Late Payment times edged marginally higher during the first quarter of 2017. The high rate of businesses that paid their bills on time – 80.5 percent – suggests the overall economic environment remains solid.

“ Despite the small rise in the March quarter, late payments remain near historical lows, which is a clear reflection of the underlying strength of the economy. The sustained low level of late payments, which have been at 6.5 days or less for the past six quarters, reflects a favourable cash flow position within the business sector, which has been aided by low interest rates and a solid rate of economic growth. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

5.6
days late

Average late payment time
for New Zealand business

Average Late Payment time for
Large businesses continues to rise

9.0
days late

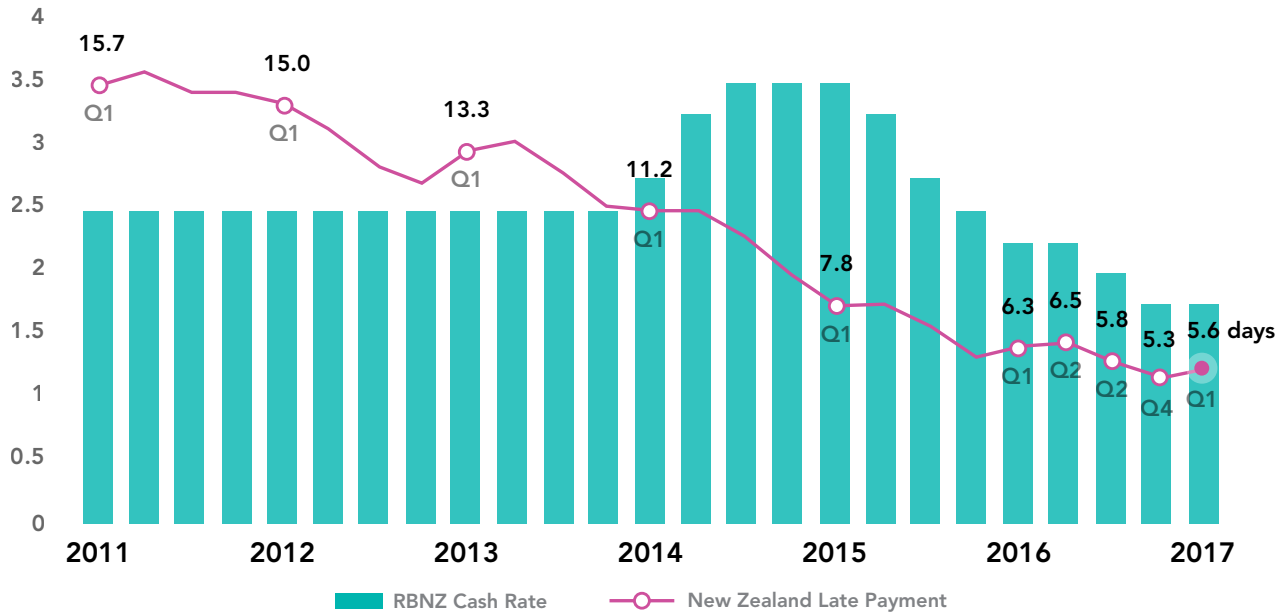
The Utilities sector was the
slowest to pay averaging

9.4
days late

Late Payment times in Auckland fell

16.5%
from Q1 2016

Late Payment times and interest rates have both sunk to historic lows



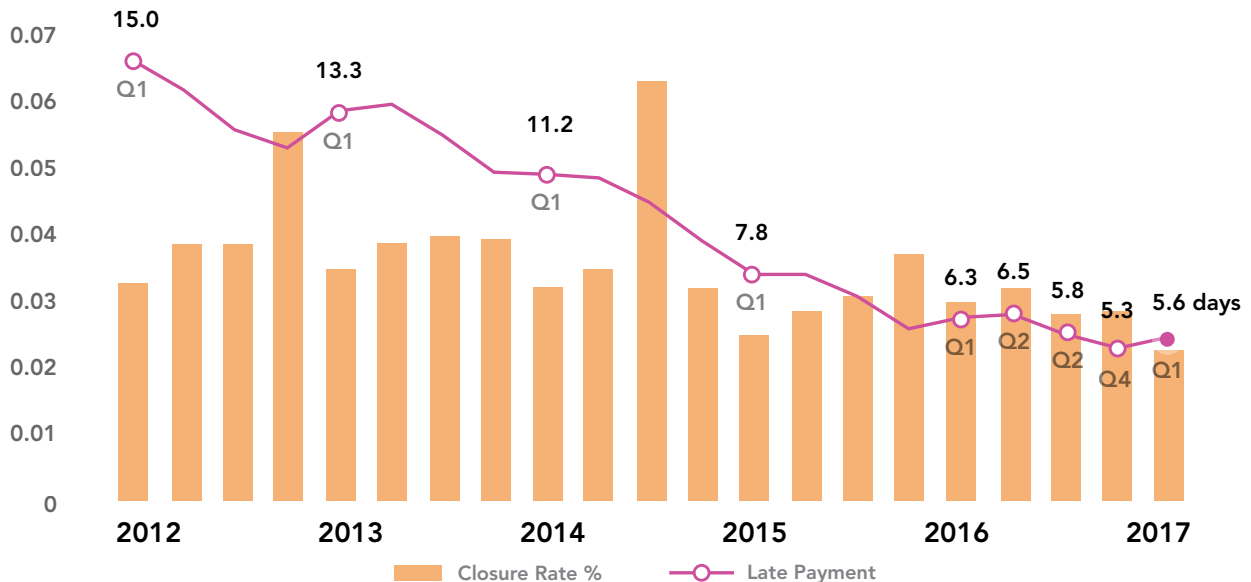
“ With the RBNZ likely to maintain low interest rates for the medium term and the economy still recording decent growth, late payments are set to remain at a low level for the next few quarters. Any strengthening in activity from a rebound in export prices will help keep low payments in check. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

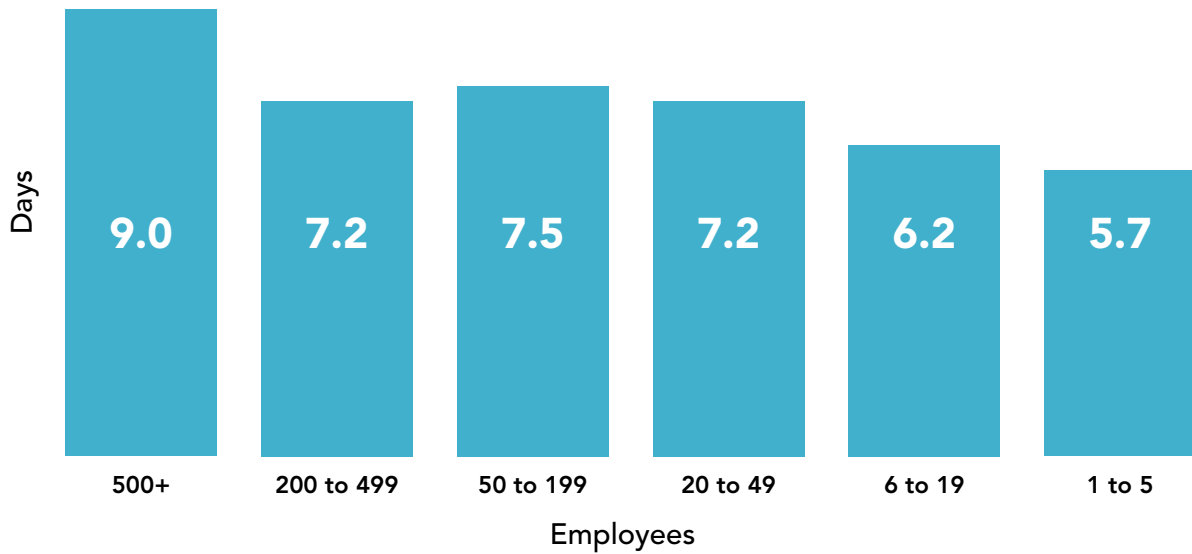
Cash only

D&B analysis shows a clear correlation between decreasing late payment times and the falling rate of business closures. This also ties in with the common business rule that cash flow is king, particularly in the SME space. Reliable and on time payment of invoices enables small businesses with tight margins to plan ahead, maintain operations and retain employees during periods of lean economic growth.

Late Payment time and business closures



Large firms remain the latest to pay



“ While the overall rate of economic growth remains solid, the government and the RBNZ are alert to risks that are linked to the domestic house price boom. Efforts to cool what is widely described as a house price bubble have so far met with limited success, but if the most recent restrictions on lending start to bite, the economy may also soften and with that, late payments are likely to edge higher. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

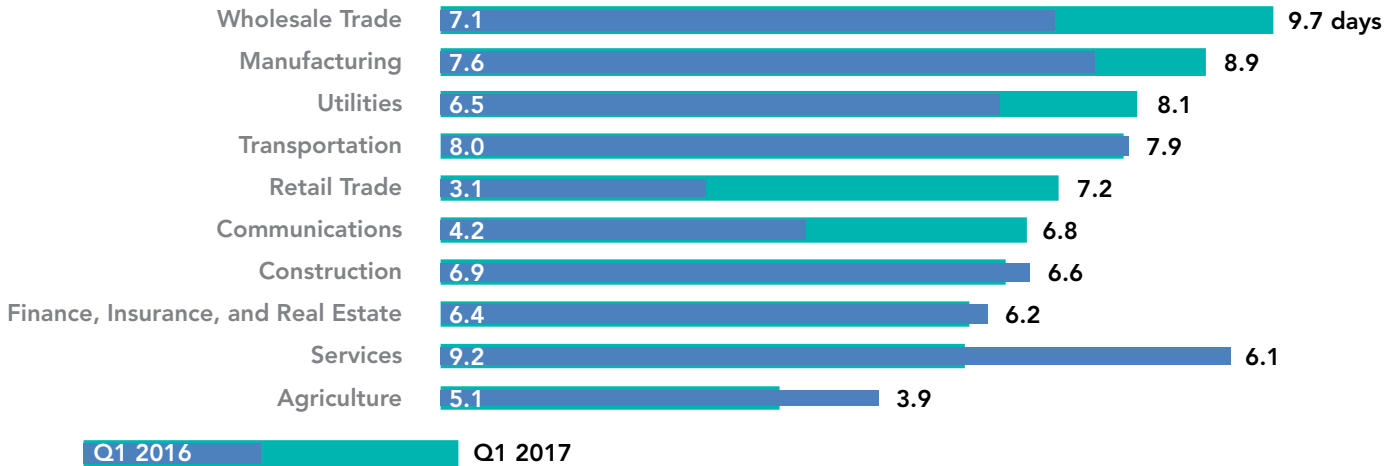
Sector by Sector

Auckland remains steadfastly last in the race to pay bills on time. This has a considerable bearing on the New Zealand average given almost 23 percent of all businesses analysed for the Late Payments report hail from the nation’s capital city. The composite ‘Other’ category, consisting of entities outside of the major cities, remains the fastest to settle payments by a slim margin over Christchurch.

Payment times by location



Auckland payment times by sector



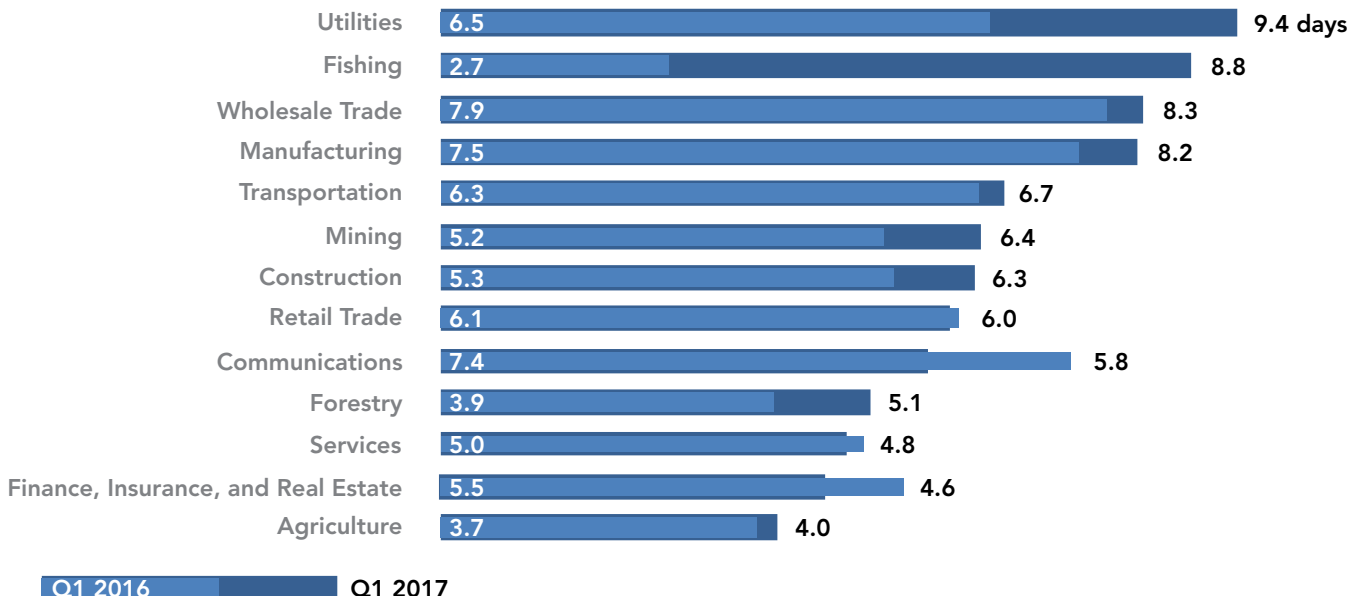
“ Economic conditions are continuing to improve in the global economy and this is spilling over to more favourable conditions in the New Zealand economy. There has been a solid rise in commodity prices which has delivered a boost to national income. On-going low interest rate settings from the RBNZ and a recent depreciation of the NZ dollar have both provided additional support to the economy so far in 2017, which has been important in maintaining a low level of late payments. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

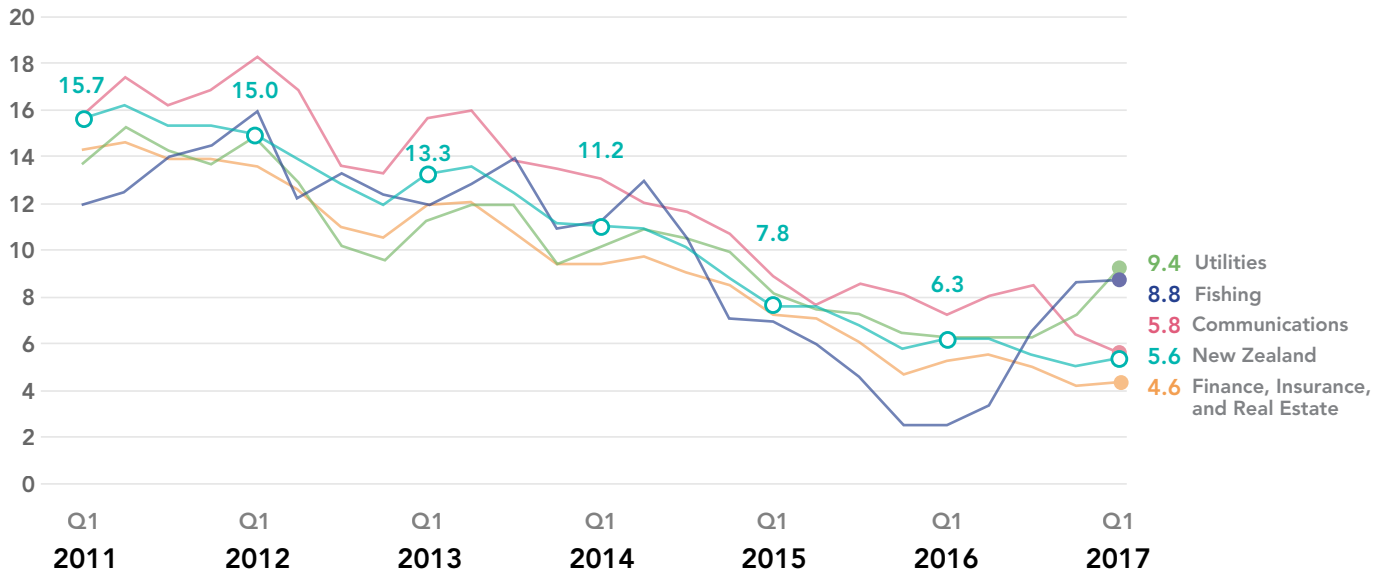
Utilities worst offender

The Utilities and Fishing sectors recorded the biggest year-on-year increases in Late Payment times. Communications, and Finance, Insurance and Real Estate dropped the most during the same period. Agriculture remains the industry with the lowest overdue payment time, unchanged from 2016 and backing up the recent data showing a recovery in dairy prices.

Payment times by sector



Sector breakdown reveals a mixed landscape



“ The overall trend in late payments is generally evident across all industries and driven by the underlying business cycle and the level of interest rates. Over the past year, there has been a significant divergence in late payments with a sharp rise in Fishing and a rise in Utilities. Conversely, late payments remain near historical lows for Finance, Insurance and Real Estate, and Communications continues to track lower. ”

Stephen Koukoulas, Dun & Bradstreet Economic Adviser

About Late Payments

Late Payments analyses trade information from Dun & Bradstreet’s Commercial Bureau, the largest database of business-to-business payment information in ANZ. 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. Previously released as Trade Payments Analysis, Late Payments now 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.

Contact details
Bryony Duncan-Smith
duncansmithb@dnb.com.au
 0498 086 246