

| 3rd Quarter Analysis 2017

New Zealand Late Payments





Auckland only
region to record
annual fall



Manufacturing
worst sector
at 8.7 days



80.3% of invoices
paid on time



Large firms
continue to lag
behind

Late Payment Times Stabilise

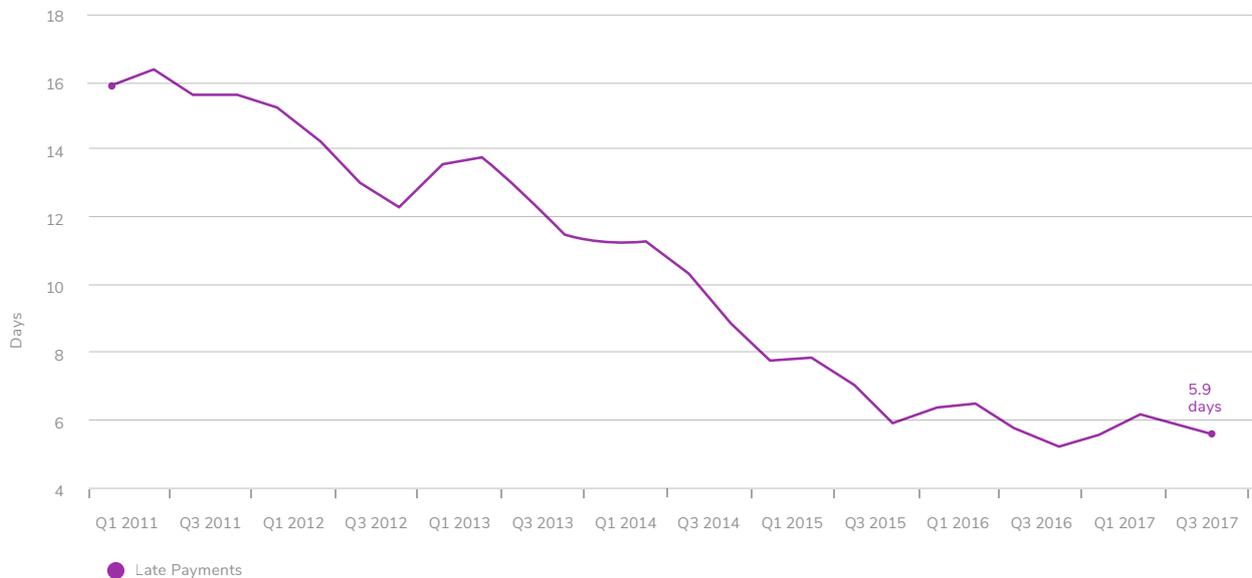
Late payments have undergone a period of consolidation during 2017, after dramatic falls over the preceding six years. Since Q3 2011 the average late payment time for an overdue invoice fell 61.8%, whereas the past 12 months has seen average payment times edge 2.3% higher, from 5.8 days to 5.9 days. Since 2015, late payment times have generally ranged between 5 and 6 days.

“

Reflecting the generally solid performance of the New Zealand economy, late payments remain low as firms continue to meet their payments in a timely manner. Economic conditions show low inflation and interest rates, and a moderate rate of growth. This mix of news is favourable for cash flow and is a driver of the favourable medium term trend on late payments. ”

Stephen Koukoulas
illion Economic Adviser

Late payment times have remained steady in 2017



New Zealand late payment times have remained largely flat for 2017, begging the question have they now stabilised to a normal level, or will 2018 see further reductions? The amount of companies paying their bills on time rose to 80.3% during September, but it remains lower than the 81.0% recorded at start of the year.

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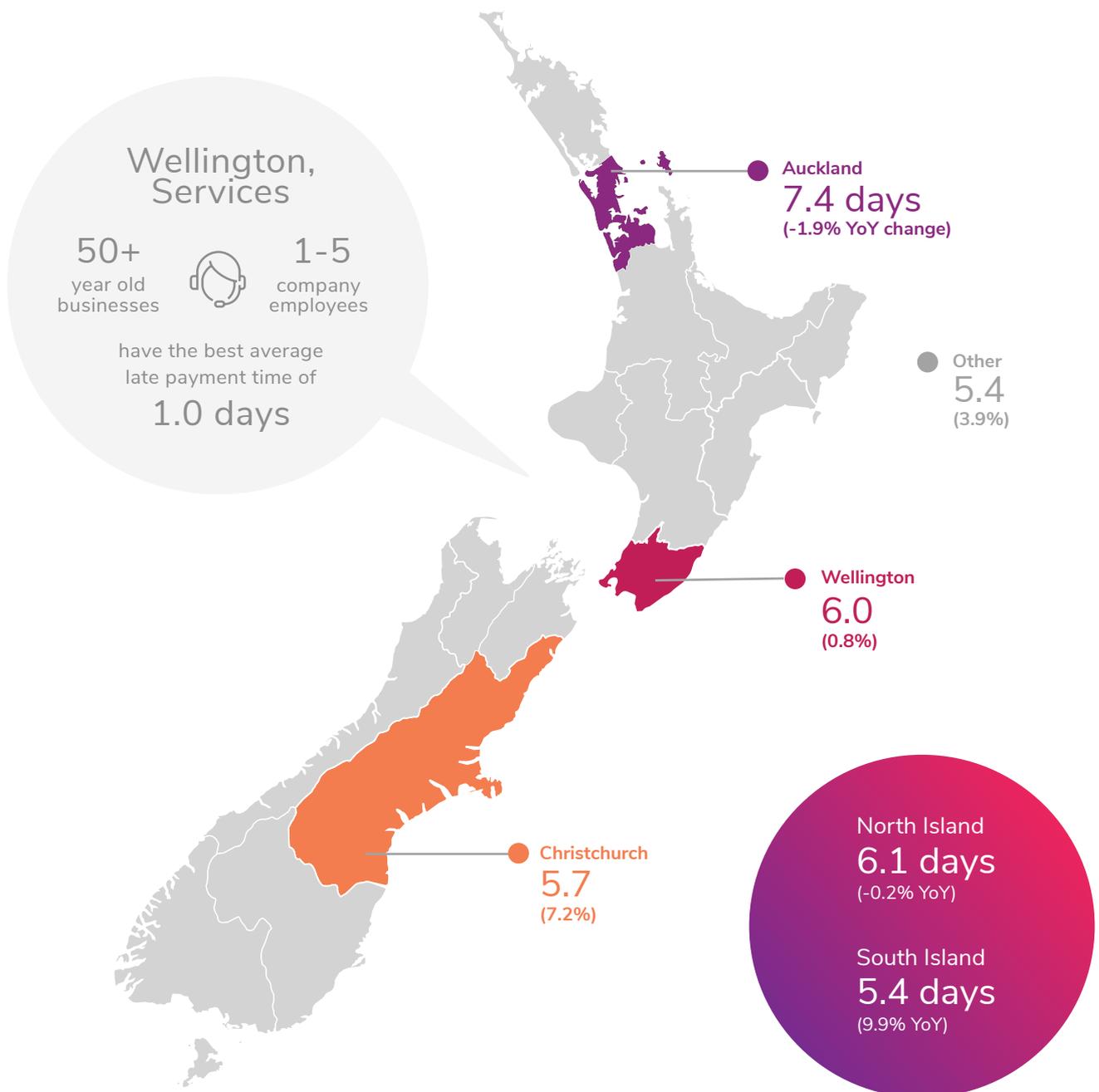
Many businesses note that cash flow is a vital element of success. It is also evident that solid cash flows are a self-fulfilling positive for the economy, lowering the risk of business failure. The solid level of ‘prompt’ or on time payments confirms a relatively healthy economy and buoyant business conditions. ”

Stephen Koukoulas
illion Economic Adviser

Late Payments by Region

Average late payment times for businesses operating in the South Island rose 9.9% annually, while the North Island essentially remained flat with an annual fall of 0.2%. This was driven by Auckland, which saw an annual fall of 1.9%.

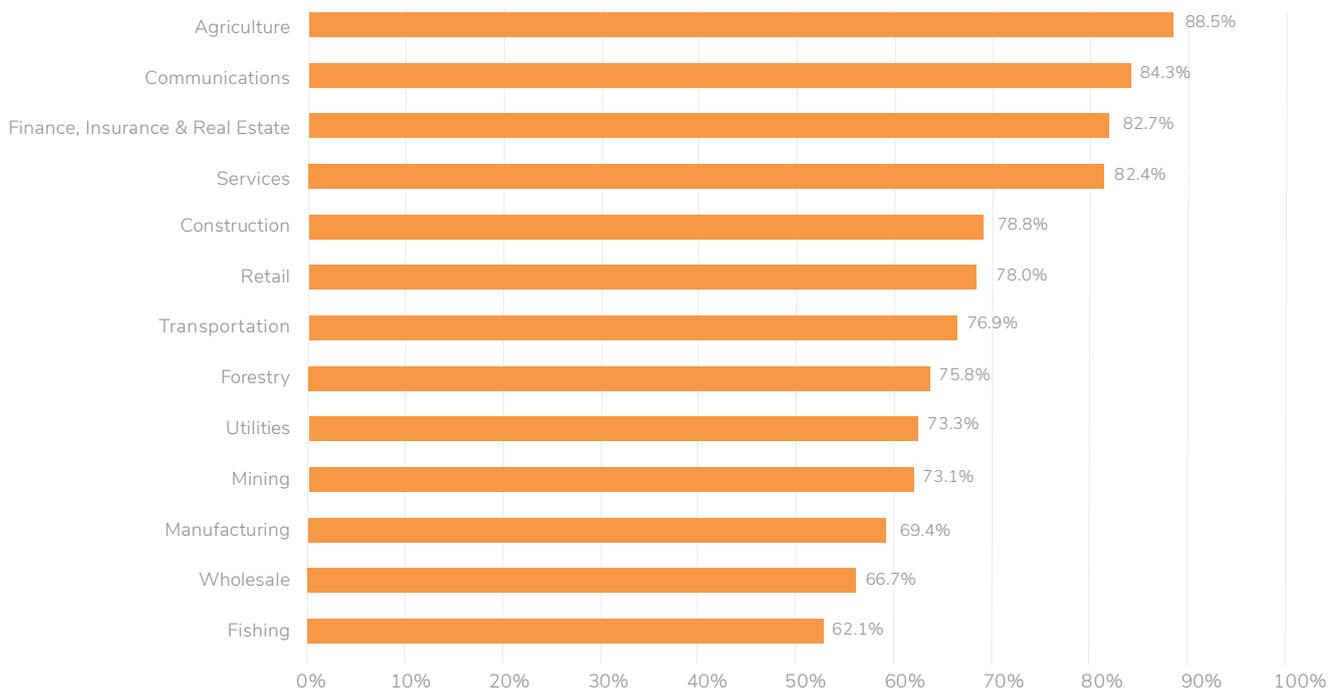
Late Payments by Region - Q3 2017



Late Payments by Sector

In addition to recording the lowest late payment times for the quarter, the Agriculture sector also had the highest percentage of prompt payments. Conversely, businesses operating in the Wholesaling and Manufacturing industries had some of the lowest proportions of invoices paid promptly and had some of the highest late payment times. This suggests entities in these sectors are having to balance which suppliers to pay on time and leaving a significant proportion of invoices to fall overdue.

Invoices Paid Promptly by Sector Q3 2017



80.3%
of invoices paid
promptly across all
New Zealand
businesses.



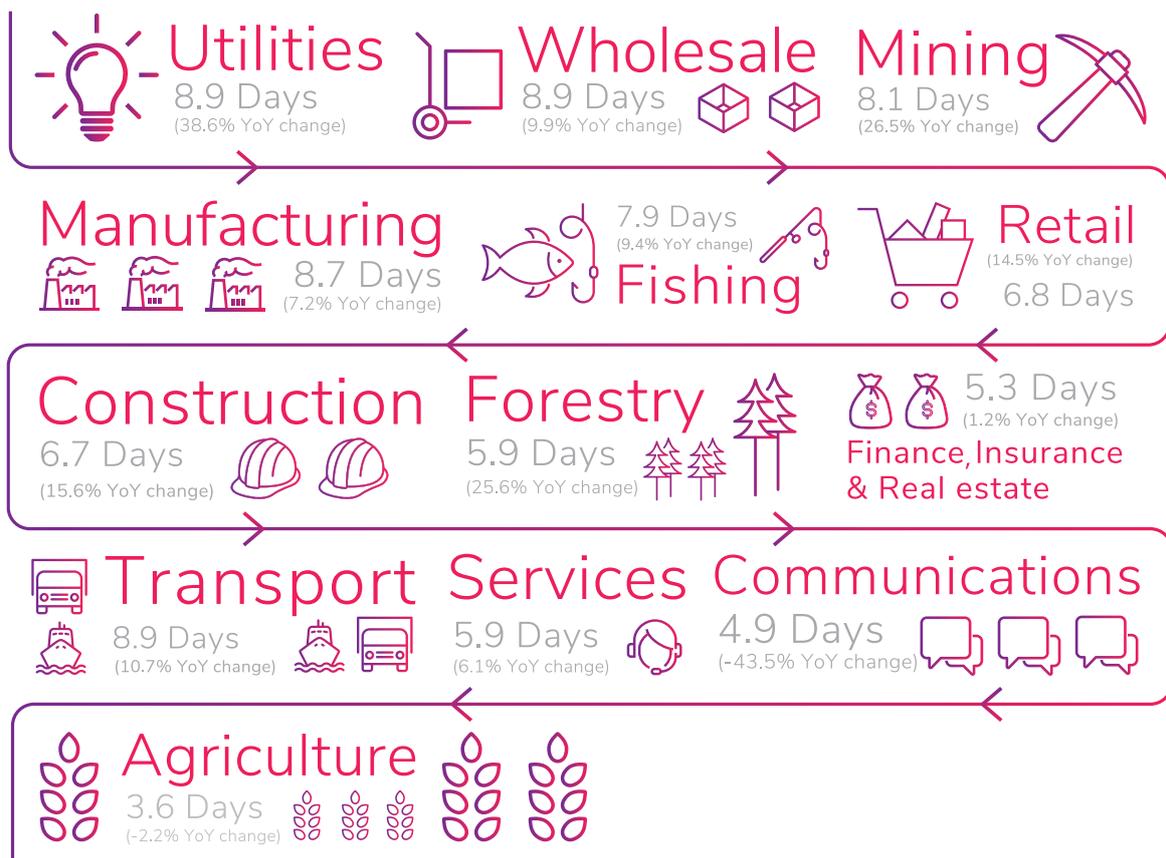
Late Payments by Sector

Agriculture businesses saw the largest fall in late payment times between quarters, recording a 12.6% fall. This was closely followed by Communications with a 10.7% drop between the second and third quarters. The Construction and Manufacturing sectors, key bellwethers for the health and growth prospects of the New Zealand economy, remained largely flat.

“Despite the relative stability in the overall level of late payments, there were some divergent trends in individual sectors. Those linked to consumer spending, such as Utilities, Retail and Communications, all recorded a drop in late payments. This is consistent with the general well-being on consumer finances.”

Stephen Koukoulas
illion Economic Adviser

Late Payments by Sector - Q3 2017



Late Payments by Size

New Zealand's largest companies remain head and shoulders above the rest, with an average late payment time more than two days longer than the next category at 9.9 days.

Late Payments by Company Size - Q1 2018



“As is historically the case, smaller firms have the lowest level of late payments – that is they are quicker to pay their bills than the larger firms.”

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 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.

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.

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