



New Zealand Trade Payments Analysis

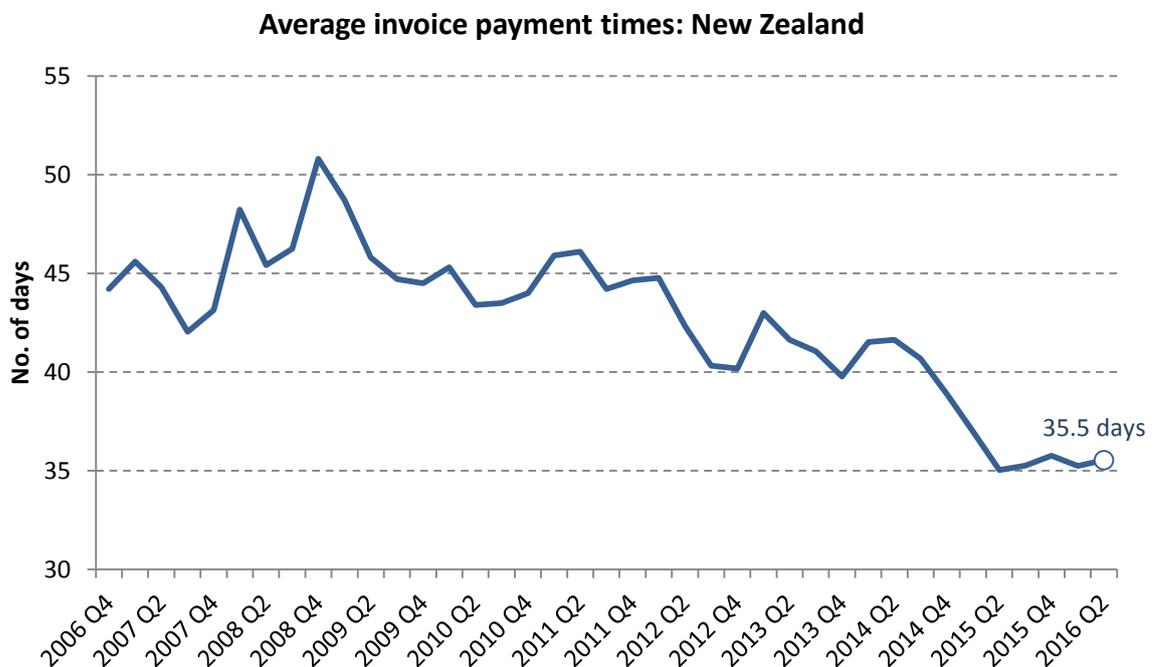
Dun & Bradstreet

Q2 2016



New Zealand payment times remain low

New Zealand invoice payment times have maintained their record-low momentum, averaging approximately 35 days for the last four quarters, despite increasing slightly over the second quarter of 2016. According to Dun & Bradstreet's *Trade Payments Analysis*, New Zealand businesses took 35.5 days on average to pay their invoices during Q2 2016, up from 35.2 days during Q1 2016. The latest result follows a trend of record-low payment times, which have remained below the 40-day mark since Q4 2014.



On a year-to-year basis, the Q2 2016 Trade Payments Index result was 0.5 days higher compared with Q2 2015, when companies took 35.0 days on average to pay their invoices. However, the figure remains significantly lower than the 10-year average of 42.6 days. Over this period, payment times peaked at 50.8 days during Q4 2008, but the figure has since fallen gradually, dropping to the low-40s by 2012, before declining to the mid-30s by 2015.

According to Kevin De Beer, Managing Director for Dun & Bradstreet New Zealand, the healthy pace of invoice payments is a reflection of the underlying strength of cash flows of New Zealand businesses. “This strong result is in line with expectations internally and continues the stable trajectory of historically low payment times observed over the last year. While this result pre-dates the ‘Brexit’ referendum, we are simply not observing that the economic uncertainty pervading markets at a global level is impacting business cash flows domestically.”

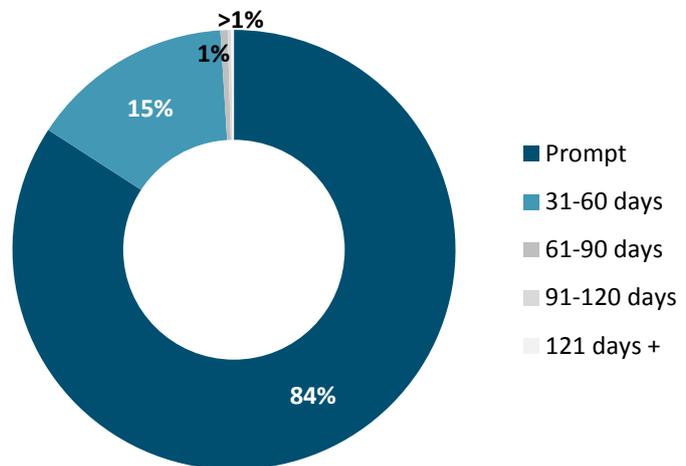
“With continued low interest rates, a stable New Zealand Dollar and barring significant global economic shocks, invoice payment times should remain at similar levels for the medium term,” added De Beer.



The latest trade payment figures, covering the period from 1 April to 30 June, follow the Reserve Bank of New Zealand's March 2016 decision to cut interest rates to a record low of 2.25%. Since then, the RBNZ has kept rates unchanged. Meanwhile, the New Zealand Institute of Economic Research's *Quarterly Survey of Business Opinion* found business confidence had rebounded slightly over Q2 2016, with a net 22% of businesses reporting increased demand over the quarter.

Invoice payment times: Q2 2016

The overwhelming majority of businesses (84%) paid their invoices promptly (between 0 to 30 days), down slightly from 86% in Q1 2016. A further 15% paid between 31 to 60 days, up from 12% in Q1, while only 1% paid between 61 to 90 days. Less than 1% of businesses reported payment times of more than 91 days.



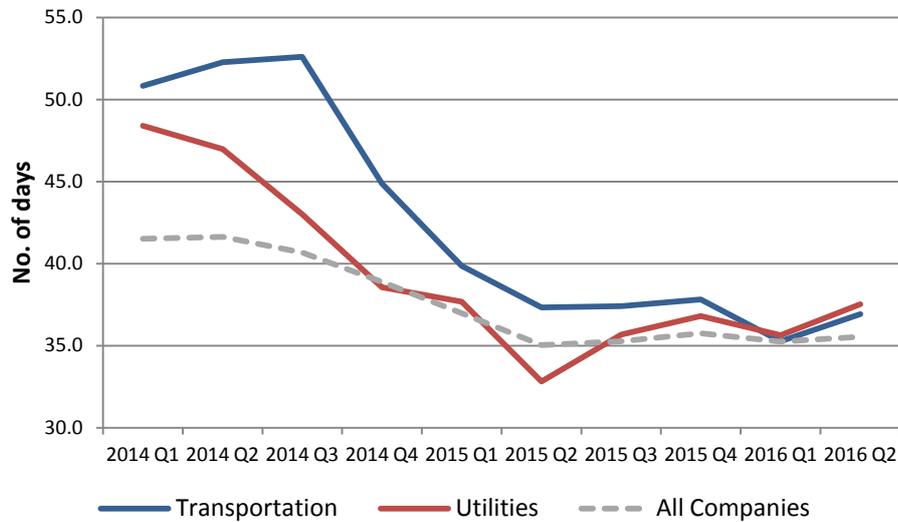
On a quarter-to-quarter basis, significant improvements were seen in the Agriculture, Fishing and Communications sectors, which saw reductions of 3.8 days, 3.9 days and 3.8 days in payment times respectively. In contrast, the Manufacturing, Wholesale and Retail sectors all reported increased payment times (by 2.2 days, 2.5 days and 2.4 days respectively) compared with the previous quarter.

On a year-on-year basis, the Utilities and Mining sectors both reported significant increases in payment times (by 4.7 days and 2.2 days respectively) compared with Q2 2015, while the Agriculture sector reported a reduction of 1.6 days.

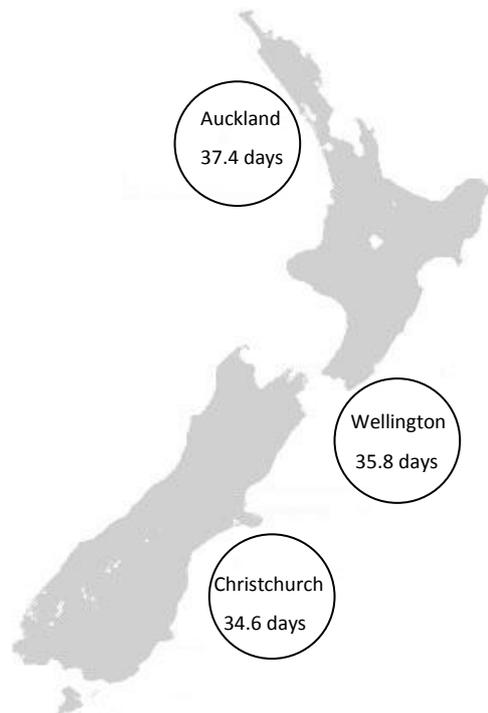


The Transportation and Utilities sectors have seen dramatic falls in payment times over the last two years: the two sectors recorded average payment days of 50.8 and 48.4 respectively in Q1 2014, significantly higher than the national average of 41.5, but over the course of only two years, these figures have since fallen to below 40. In Q2 2016, Transportation companies recorded an average payment time of 36.9 days, while Utilities businesses recorded 37.5 days.

Average payment times: Transportation & Utilities



On a regional level, Auckland-based businesses took the longest to pay their invoices, with an average of 37.4 days. Wellington businesses took an average of 35.8 days to pay, while Christchurch reported a figure of 34.6 days. New Zealand businesses also performed significantly better than their Australian counterparts, which reported an average payment time of 44.9 days for the latest quarter, representing a difference of 9.4 days.





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About Trade Payments Analysis

Business-to-business payment information is a highly predictive data set and a critical element in credit risk scores and business failures forecasting.

The distinct advantage of trade information over other forms of company data is its ability to provide insight into current performance. Company financials, which are considered to be critical to effective decision making, are reported relatively infrequently and as a consequence, organisations may be required to make decisions using data that is up to 12-months old. Conversely, because trade information is reported monthly, it reveals how an organisation is paying its existing obligation.

Trade data is also effective across all business sizes, being the most predictive element in SME scores and the second most predictive (behind financials) in other credit scores. The predictive nature of trade data combined with its timely availability enables businesses to properly assess credit risk.

This includes the identification of both high and low risk customers, thereby enabling firms to minimise the risk of late payments and bad debts and identify the good credit accounts that will create long-term, profitable credit relationships.

About Dun & Bradstreet

Established in 1887, Dun & Bradstreet is Australia and New Zealand's longest-established credit information bureau. Backed by its extensive database, D&B helps businesses to make informed credit decisions, and consumers to access personal credit information.

D&B works across the entire credit lifecycle to deliver data-driven solutions in sales and marketing, credit reporting and debt management.

Through analysis of financial and behavioural information, D&B also provides current and predictive assessments of the economy, business conditions and credit activity.