

| 1st Quarter Analysis 2018

New Zealand Late Payments





Manufacturing worst
sector at 9.4 days



Largest annual rise in
Christchurch at
26.8 per cent



Late payment time
now highest since the
September quarter
of 2015



Prompt
payments fall
to 73.8%

Cracks appearing in New Zealand economy

Late payment times for New Zealand businesses have increased sharply, according to illion's latest analysis. The average time taken to settle an overdue invoice was 6.8 days at the end of the March quarter 2018. The 22 per cent year-on-year spike leaves late payments at their highest level since the September quarter of 2015, but still well below the 2011 peak.

Late payments - Q1 2018



“ A sharp increase in late payments suggests the early stages of a tightening in the cash flow position of the business sector. While it is early days, higher late payment times fit with the run of mixed news on the economy which has seen the Reserve Bank of New Zealand present a more cautious approach to the interest rate outlook. If late payment times continue to rise, it will likely be a factor working against an increase in the official cash rate and could even open the door for the next move in rates being down. ”

Stephen Koukoulas
illion Economic Adviser

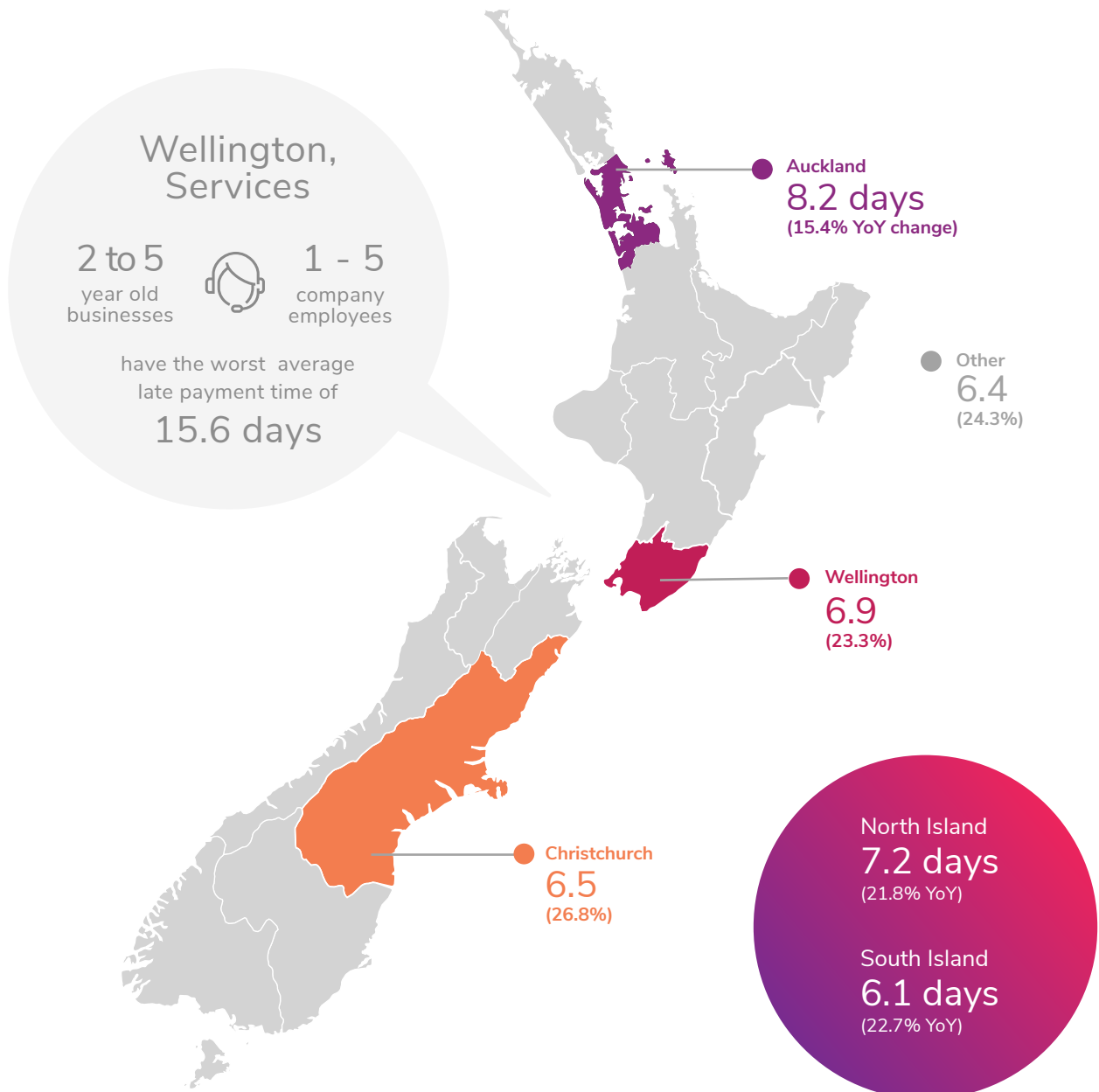
Late Payments by Region – Q1 2018

Despite recording the smallest annual rise in late payment time among the regions at 15.4 per cent, Auckland remains the worst region at 8.2 days. This largely accounts for the North Island late payment time remaining one day longer than the South Island average. Of all the major cities, Christchurch has the fastest average of 6.5 days, although this is 26.8 per higher than the prior corresponding period.

“ The rise in late payments was across all regions, although the largest rise was recorded in Christchurch which saw payment times rise 26.8 per cent over the past year. While late payment times remained the highest in Auckland, the increase over the past year was the smallest of the regions covered. This may reflect the strength of the property market in Auckland relative to other centres. ”

Stephen Koukoulas
illion Economic Adviser

Late Payments by Region - Q1 2018



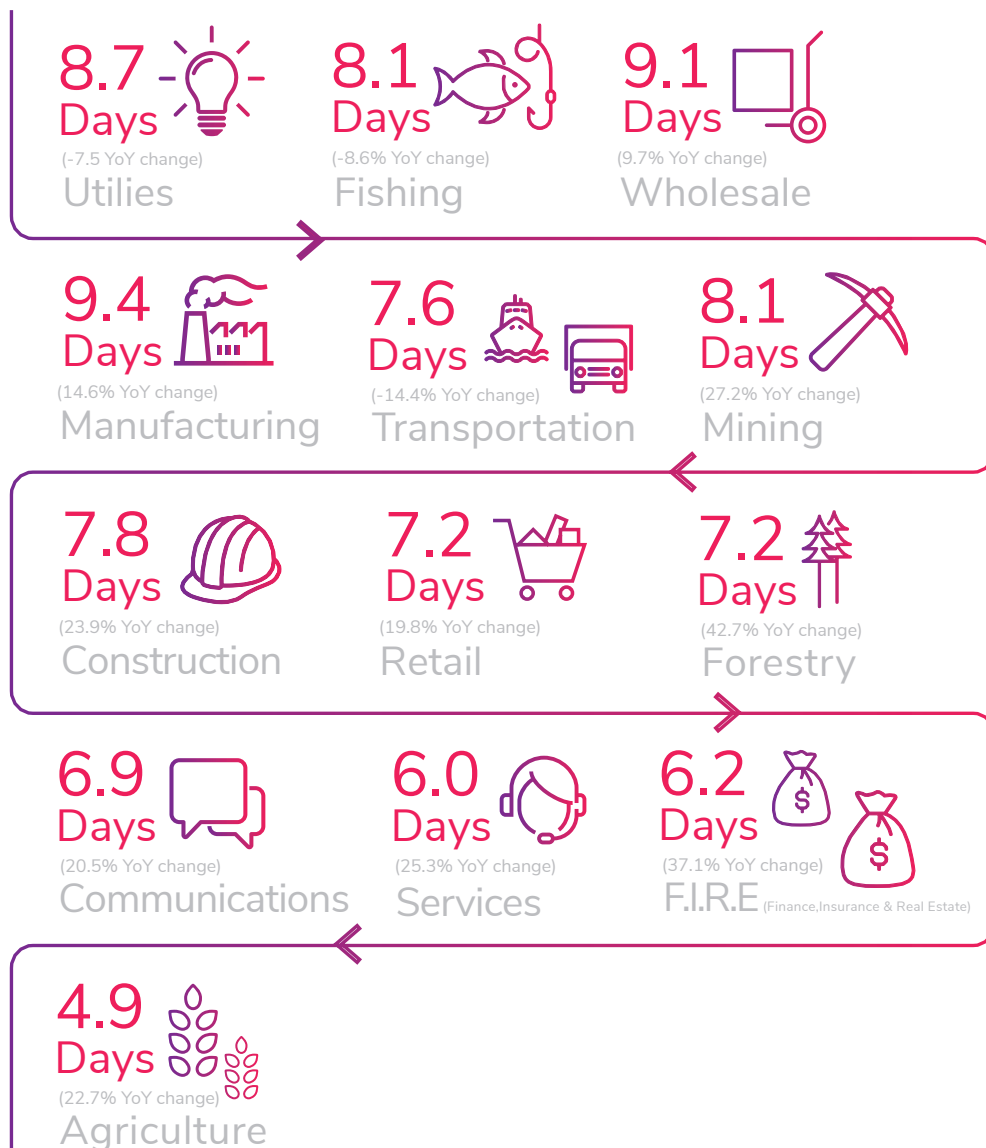
Late Payments by Sector

Businesses operating in the Finance, Insurance & Real Estate sectors saw the largest percentage increase to late payment times among the major industries in the March quarter, recording a 37.1 per cent rise from 5.1 days to 6.2 days. In absolute terms, manufacturers and wholesalers had the worst overall average at 9.4

“The sharpest rise in late payments over the past year was seen in Forestry, Finance, Insurance & Real Estate, and Mining. Late payments actually fell in annual terms for Fishing and Utilities. The sharp increase in late payment times in the Retail sector reflects the moderate growth in household spending, which in turn is linked to the cautious approach to the economy from the consumer sector.”

Stephen Koukoulas
illion Economic Adviser

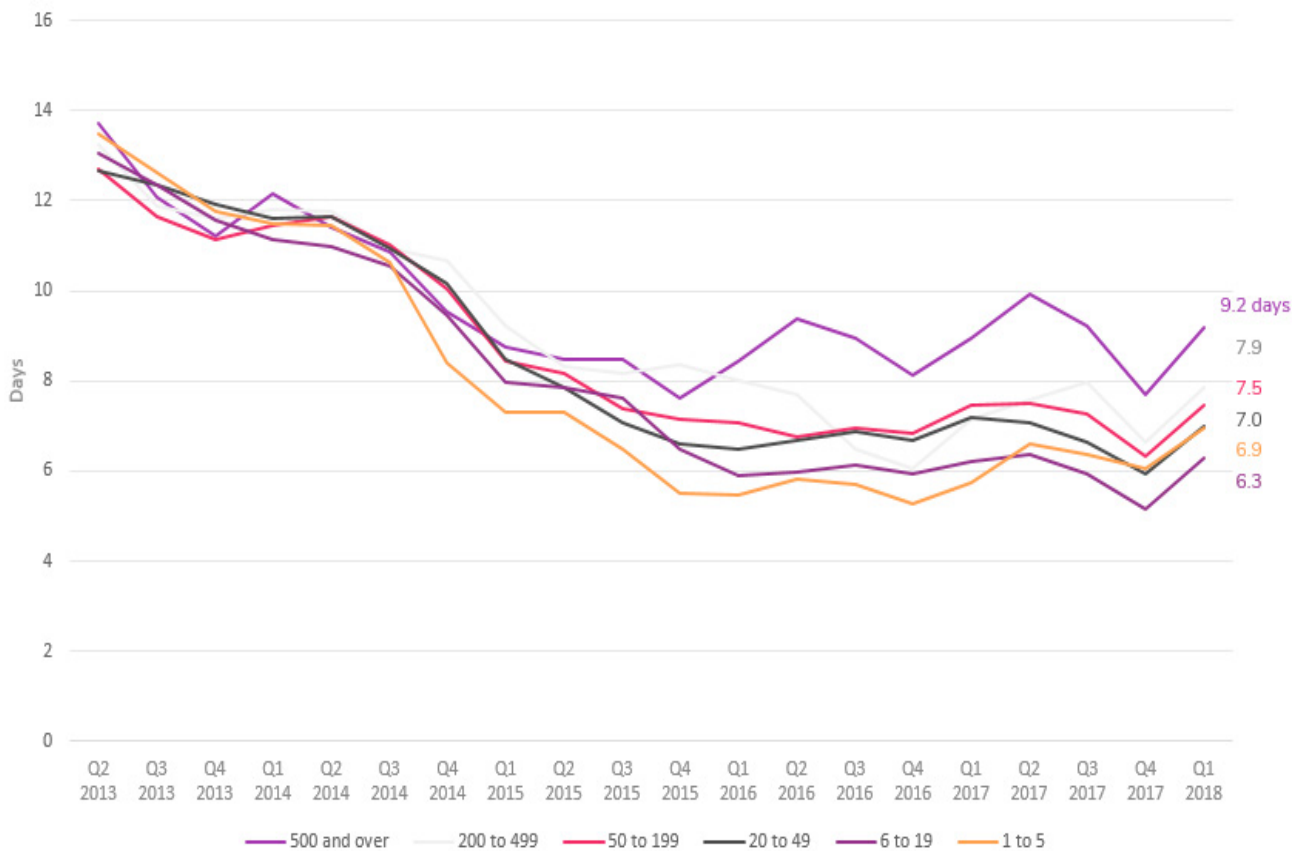
Late Payments by Sector - Q1 2018



Late Payments by Size

The gap between small and large businesses has widened considerably over the past five years. In June 2013 the spread between the largest and smallest entities was less than half a day; across all business sizes it was no more than one day. The current gap between the largest and smallest-sized businesses is 2.2 days, and as much as 2.9 days from the worst time to the best time across all business sizes.

Late Payments by Company Size - Q1 2018



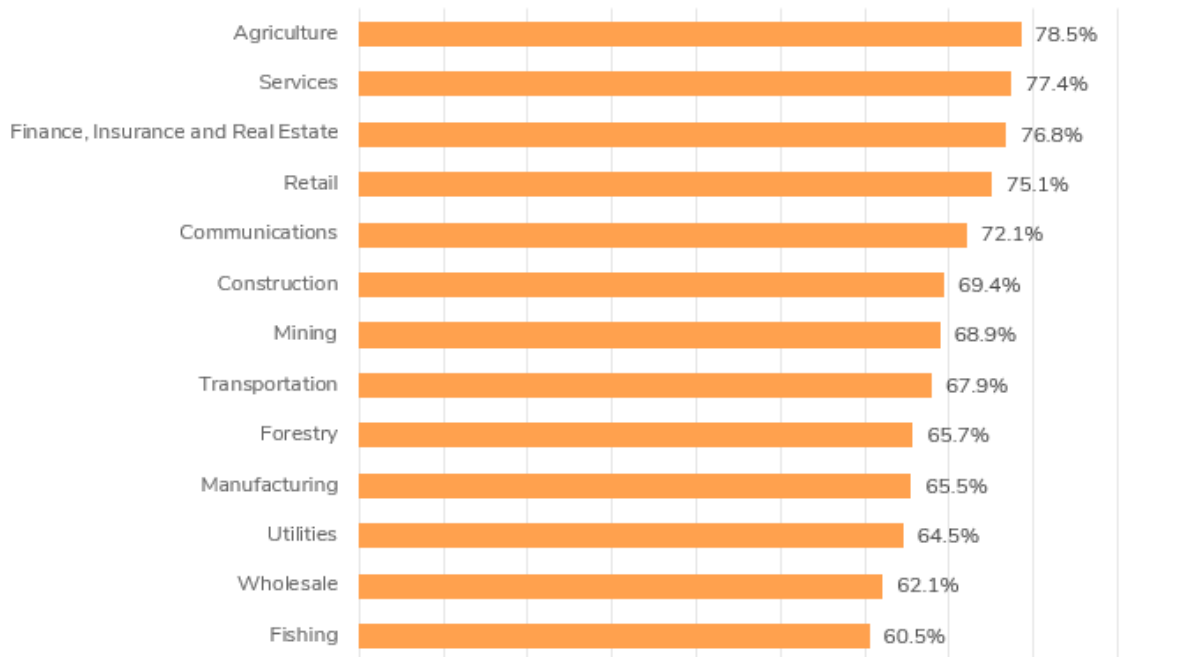
“ The focus of the higher late payments was for small businesses (1 to 5 employees) where late payments jumped 21.1 per cent to an above average 6.9 days. During 2015, large firms (over 500 employees) emerged as the those with the highest late payment times. Over the past two years, this trend has continued. Large firms now have the highest late payment times by a considerable margin. ”

Stephen Koukoulas
illion Economic Adviser

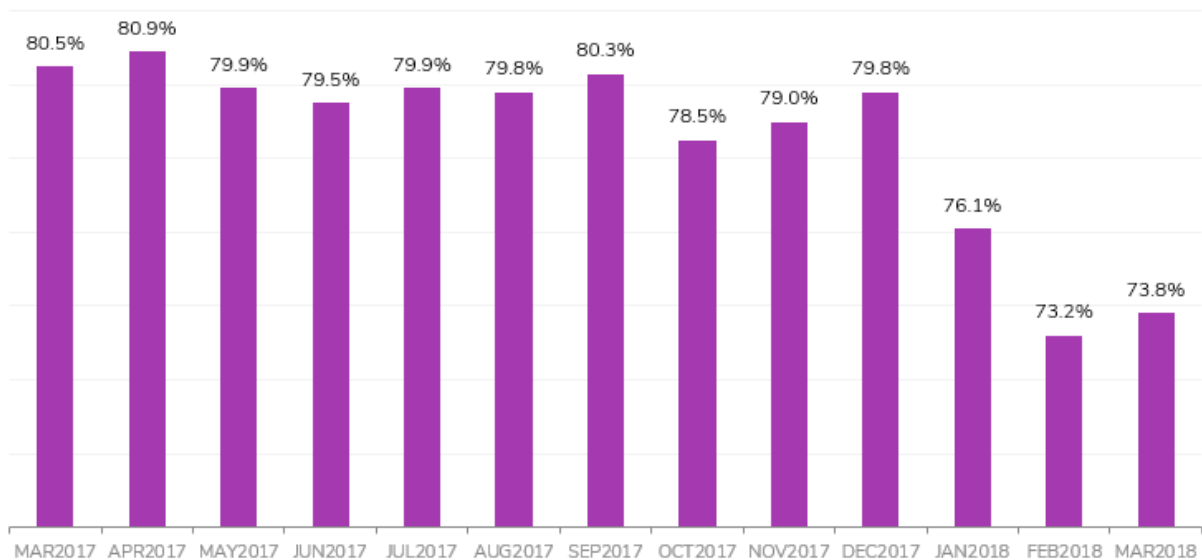
Prompt payments slipping

The percentage of prompt payments fell significantly during the quarter, from 80.5 per cent in Q1 2017 to just 73.8 per cent. This represents a marginal increase on the preceding month, but it is also a significant indicator of the increasing pressure on business finances.

Invoices Paid Promptly by Sector - Q1 2018



Prompt Payments Q1 2018



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. 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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