

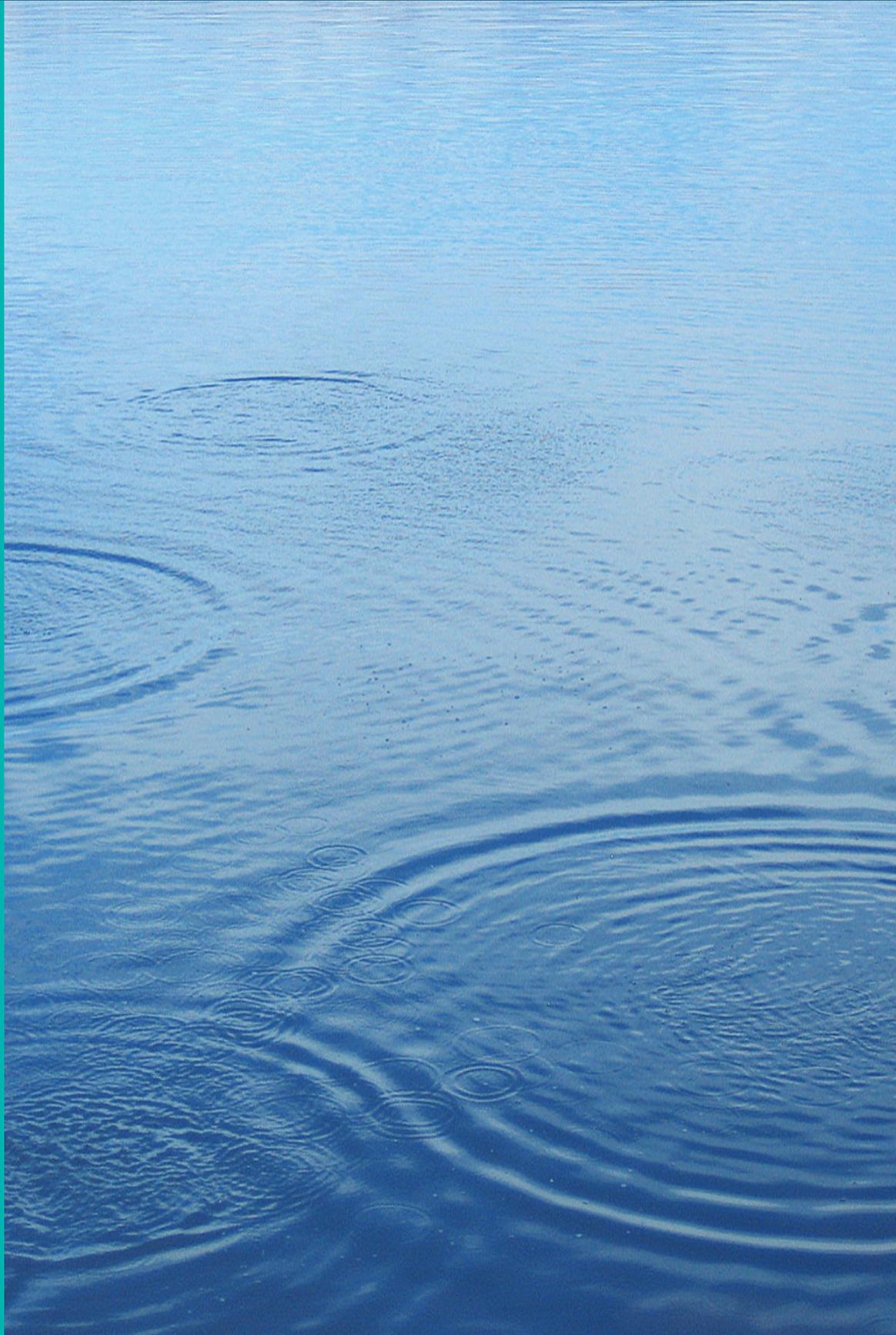
Dun & Bradstreet

LATE PAYMENTS IN NEW ZEALAND

2nd Quarter Analysis 2017

Payment times on the rise

Late Payments



Late payments rise for second consecutive quarter

Late payment times edged higher in the June quarter, although in absolute terms, the level of late payments remains near historical lows. While it is too early to be concerned about the rise in late payments over the past two quarters, any further increases will indicate a shift away from the recent pattern of falling payment times. One trend remains the same: the largest companies (with more than 500 employees) are the slowest to pay their accounts.

"The New Zealand economy has recorded surprisingly moderate growth so far in 2017. With the RBNZ also leaving official interest rates being on hold with for an extended period, the factors that drove late payments lower between 2011 and 2016 – strong growth and progressively lower interest rates – have been absent. Despite that, the late payments data confirm the economy is in sound shape with a healthy corporate sector, despite the moderate rate of economic growth."

**- Stephen Koukoulas,
Dun & Bradstreet Economic Adviser**

Key Insights

Average late payment time for NZ business was

6.2 days

Businesses paid

79.5%

of invoices on time

Agriculture

had the quickest payment time and

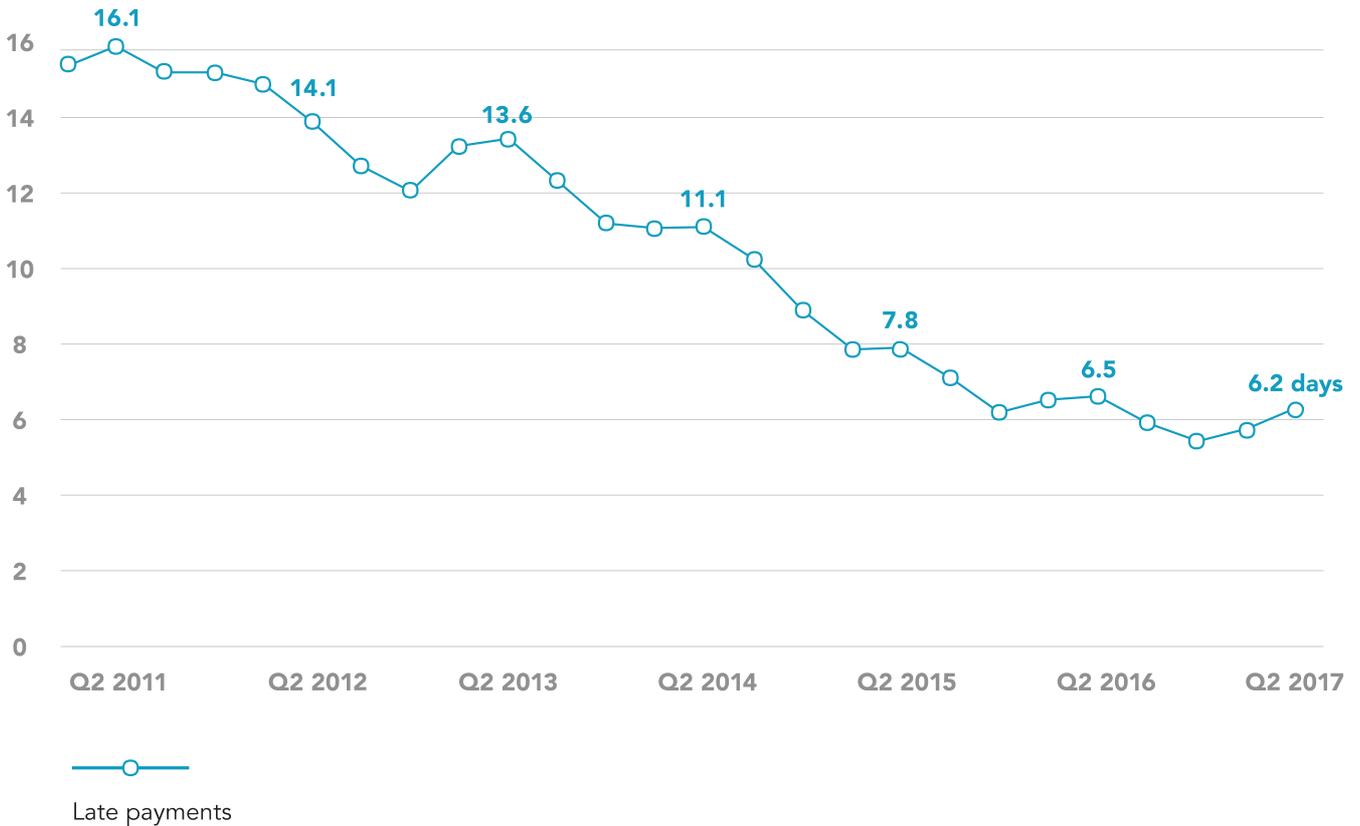
Utilities

the slowest

Auckland

remains the slowest region

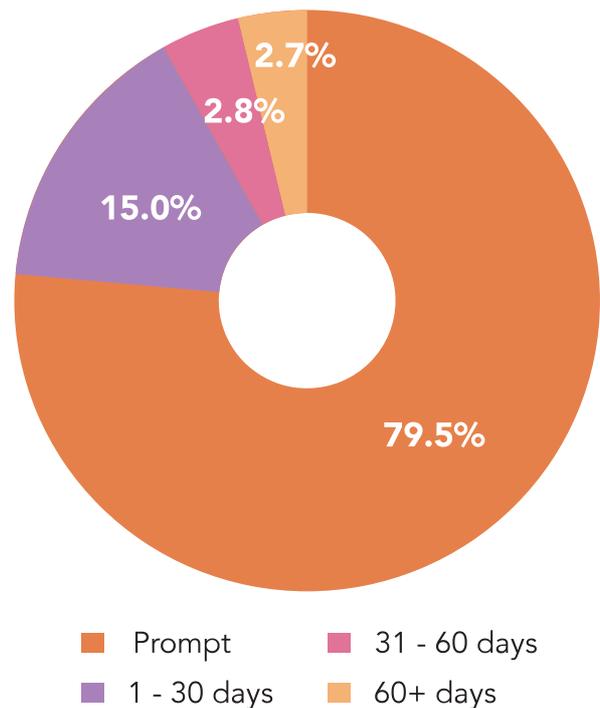
Late payment times rise for second consecutive quarter



Payment times: all businesses Q2 2017

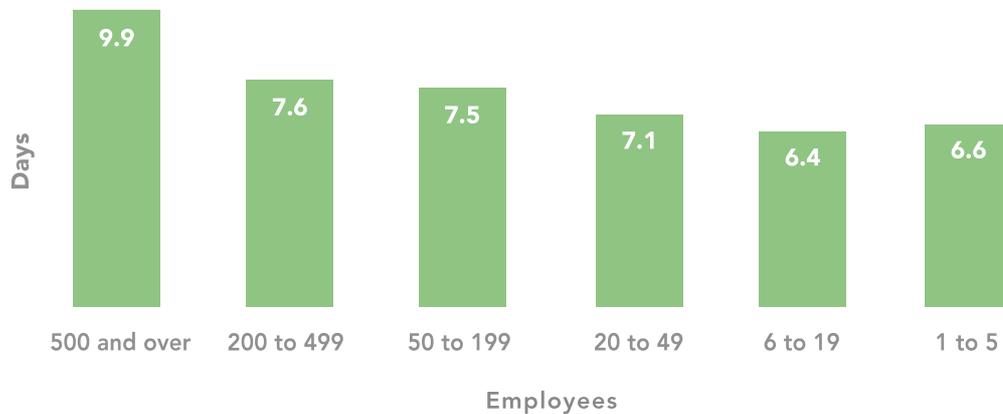
"An interesting aspect of the payment times of firms is that 79.5% of firms pay their bills promptly. A further 15% of firms pay their bills within 1 to 30 days, reflecting the strong cash flow position of most businesses. While just 2.7% of bills take more than 60 days to pay, these are the bills that run the risk of damaging the finances of the creditor companies and if this rises it would pose some threat to overall economic conditions."

**- Stephen Koukoulas,
Dun & Bradstreet Economic Adviser**



Largest companies remain slowest to pay

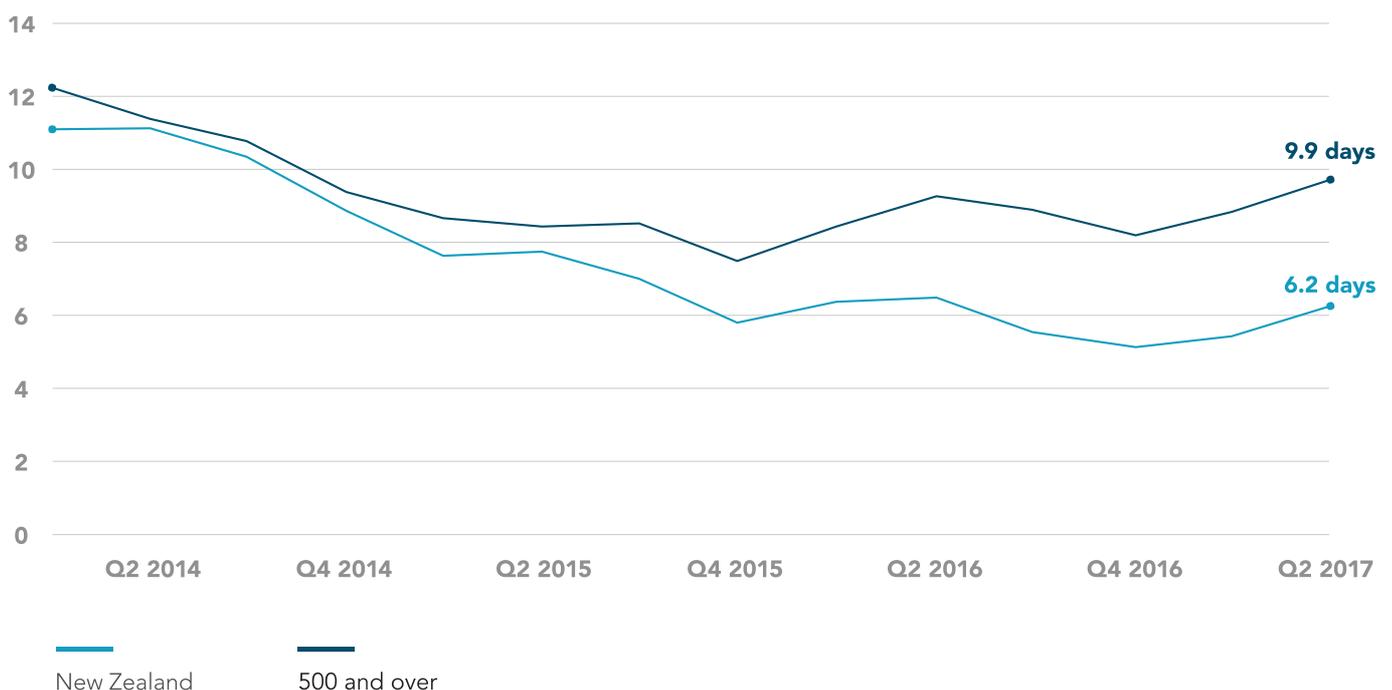
Payment times by company size Q2 2017



"The moderate lift in late payment times in the last few quarters has been across firms of all sizes. Prior to the more general rise in late payments, larger companies started to extend their payment times. This trend has continued in recent quarters and smaller firms continue to have the lowest rate of late payments."

- Stephen Koukoulas,
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Divergence between large firms and NZ average late payment time

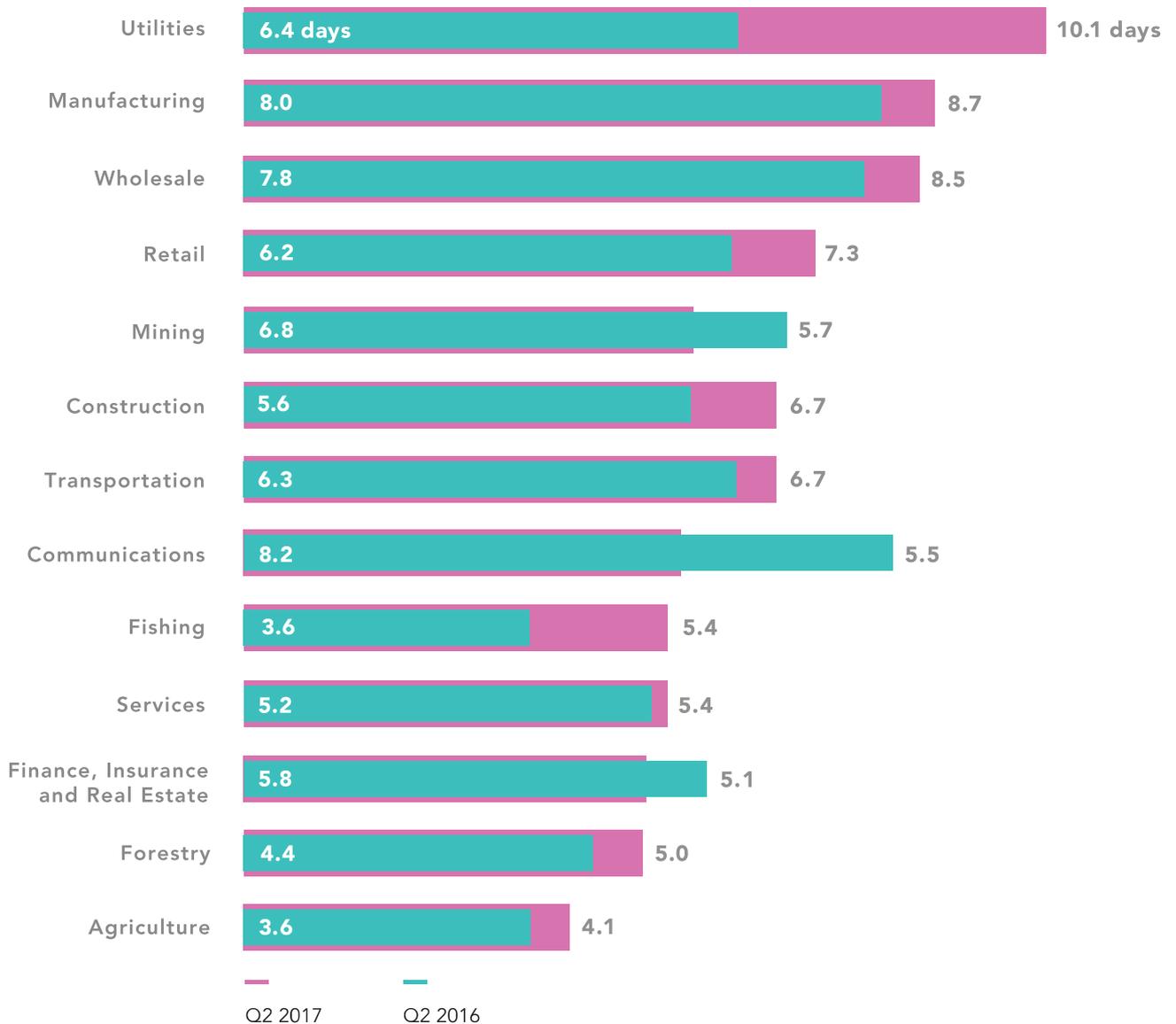


Late payments: sector breakdown

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Payment times by sector Q2 2017



Late payments: regional landscape

Reflecting the earlier information that larger firms pay later, the regional breakdown reveals Auckland businesses also have the latest average payment times. This is due to the fact that many larger firms are headquartered in Auckland. The lower late payments times are linked to other regions, including those skewed towards agriculture and related industries, which historically have the lowest late payment times.

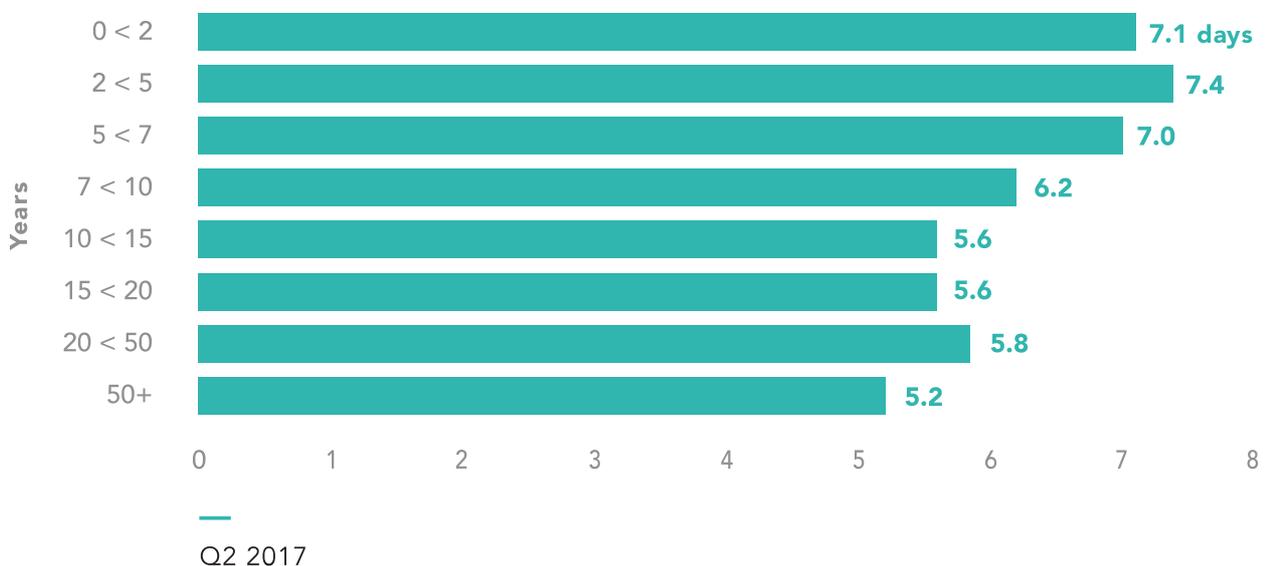
Payment times by region Q2 2017



Late payments decline with company age

The late payments data also reinforced the trends evident in the history of the series that sees payment times decline as businesses get older. The difference is quite marked, with firms that are between 2 and 5 years old showing late payments of 7.4 days, while firms over 50 years old have late payments of 5.2 days. This broadly corresponds with Dun & Bradstreet's business failures analysis, which sees the failure rate across all industries spike for entities between 2 and 5 years old, and then steadily decline in the ensuing years.

Payment time by age



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.

Have a question?
Contact us today.

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