New Zealand Trade Payments Analysis

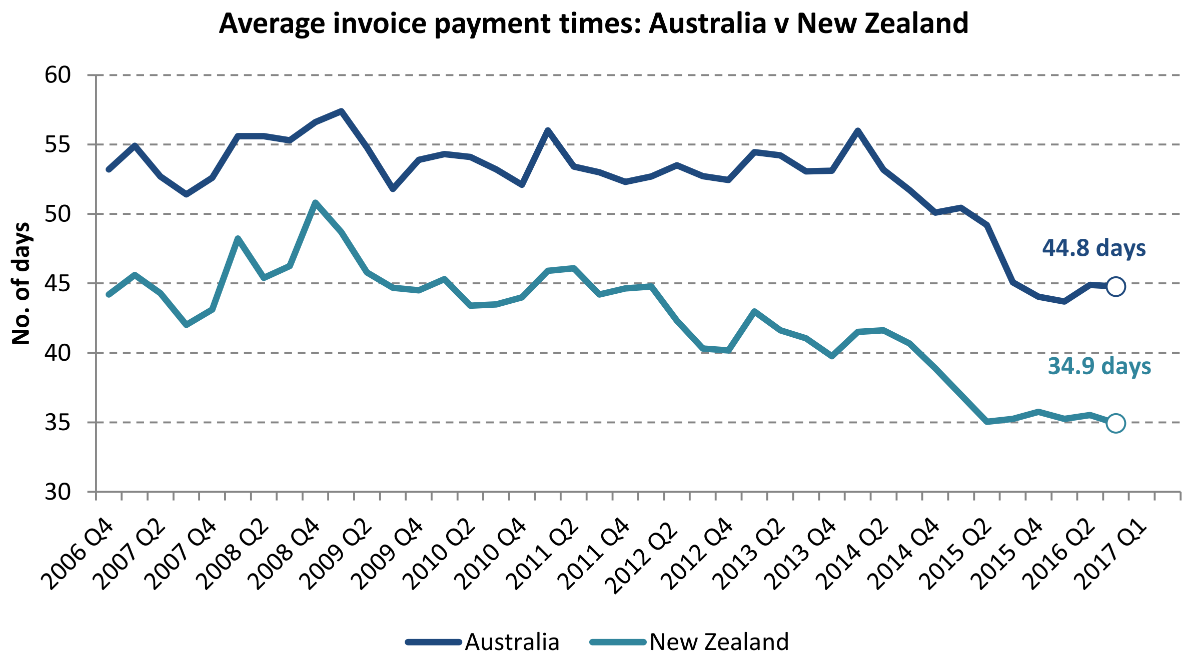
Dun & Bradstreet

Q3 2016

New Zealand reports record-low payment times

- Average business time to pay a bill in New Zealand is at an historic low - now 34.9 days
- New Zealand businesses are paying their bills almost 10 days faster than Australian businesses
- Auckland is the slowest main centre to pay at 36.6 days, followed by Wellington at 35.5 days and Christchurch at 34 days
- This marks seven quarters of payments remaining below 40 days (since Q4 2014)

New Zealand invoice payment times have fallen to their lowest point in over a decade, with businesses taking 34.9 days on average to pay their invoices during Q3 2016. According to Dun & Bradstreet's *Trade Payments Analysis*, the latest payment figure marks a slight improvement on the previous quarter's 35.5-day average, and shows New Zealand companies pay their bills almost 10 days faster than their Australian counterparts. The result continues a recent trend of record-low payment times, which have remained below the 40-day mark since Q4 2014.



According to Stephen Koukoulas, Economics Advisor to Dun & Bradstreet: "Firms in New Zealand continue to pay their bills quickly, with the number of days for bill payments at historical lows. At an average of 34.9 days, trade payment times have been steady for the past year, at a level which remains 10 days or more quicker than average payment times during the global financial crisis."

Koukoulas added: "New Zealand firms pay their invoices more quickly than Australian firms pay their invoices. It is not clear why this gap exists given that over the medium term, the economic performance and level of interest rates in both countries has been similar. One issue that may account for the difference is that agriculture, which has the quickest invoice payment times, is a larger part of the New Zealand economy than in Australia. This may skew the trade payment numbers lower in New Zealand.

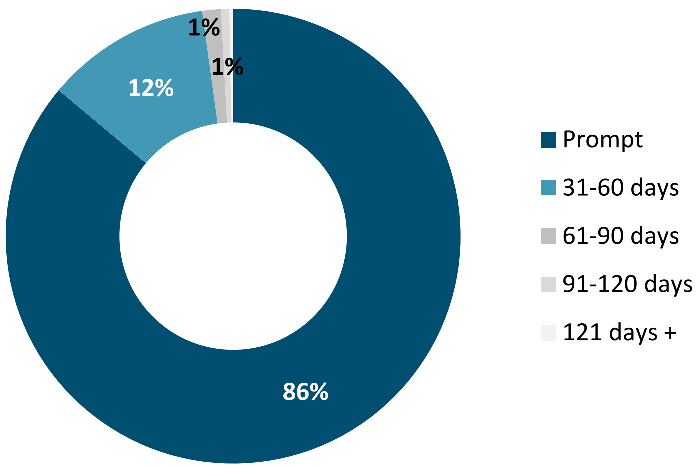
"The trade payments data continue to indicate that firms are generally 'cashed-up', and with low interest rates continuing, there is little incentive to delay paying creditors," Mr Koukoulas added.

On a year-on-year basis, the Q3 2016 Trade Payments Index result was 0.4 points lower compared with Q3 2015, when companies took 35.3 days on average to pay their invoices. The figure also remains significantly lower than the 10-year average of 44.2 days. Over this ten-year period, payment times peaked at 50.8 days during Q4 2008, but the figure has steadily fallen since then, dropping to the low-40s by 2012, before declining to the mid-30s by 2015.

The latest trade payment figures, covering the period from 1 July to 30 September, follow the Reserve Bank of New Zealand's August 2016 decision to cut interest rates by 25 basis points, reducing the cash rate to an historic low of 2%. Meanwhile, the New Zealand Institute of Economic Research's *Quarterly Survey of Business Opinion* reported a further strengthening in business confidence over the September 2016 quarter, with a net 26% of firms expecting improved economic conditions over the next few months, up from the June quarter figure of 22%.

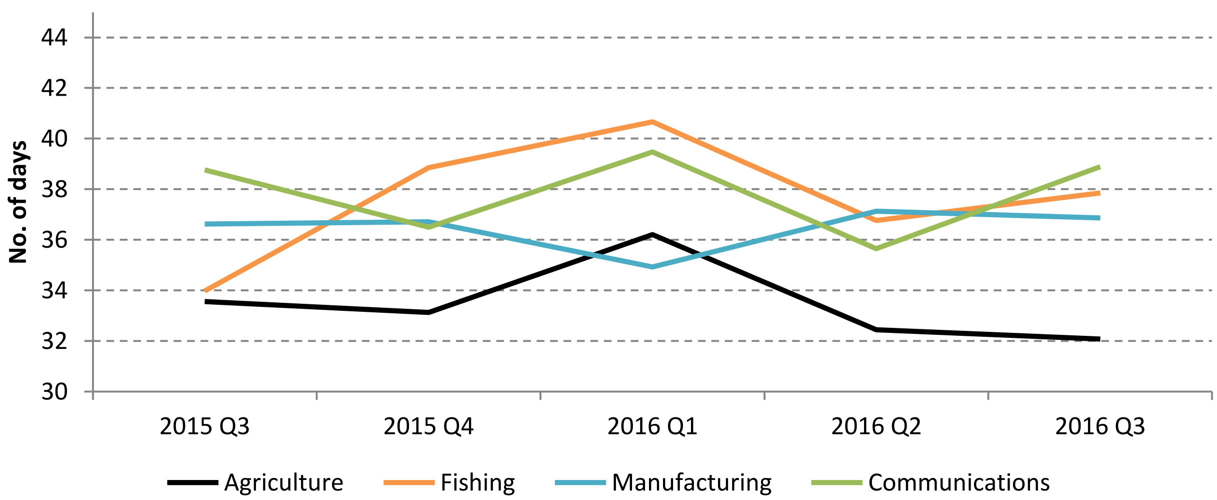
The overwhelming majority of businesses (86%) paid their invoices promptly (between 0 to 30 days); this was up from 84% in the previous quarter. A further 12% paid between 31 to 60 days. Approximately 1% of businesses paid between 61 to 90 days, while a further 1% paid between 91 to 120 days.

Invoice payment times: Q3 2016



On an industry level, the Communications sector reported the most significant change between quarters, with average payment times increasing by 3.3 days from 35.6 in Q2 to 38.9 days. Meanwhile, at the other end of the spectrum, the Retail sector saw a 2.4-day decline in payment times, with the industry reporting an average invoice payment time of 34.6 days.

Payment Times

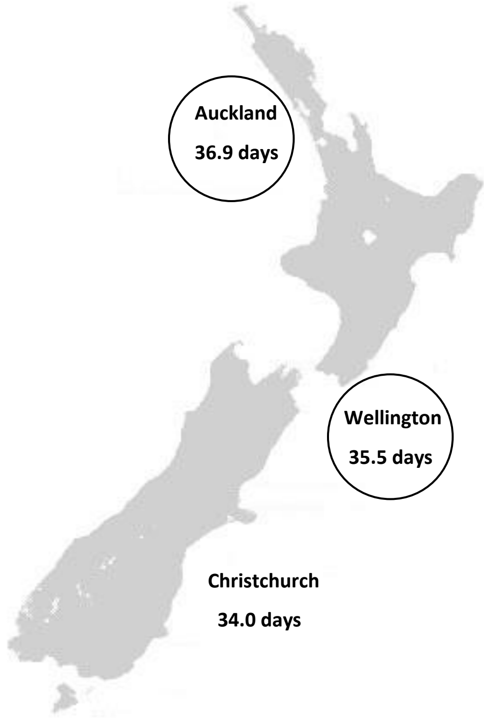


The most significant year-on-year change was seen in the Fishing sector, with payment times increasing from 34.0 days in Q3 2015 to 37.9 days in Q3 2016, representing an increase of 3.9 days.

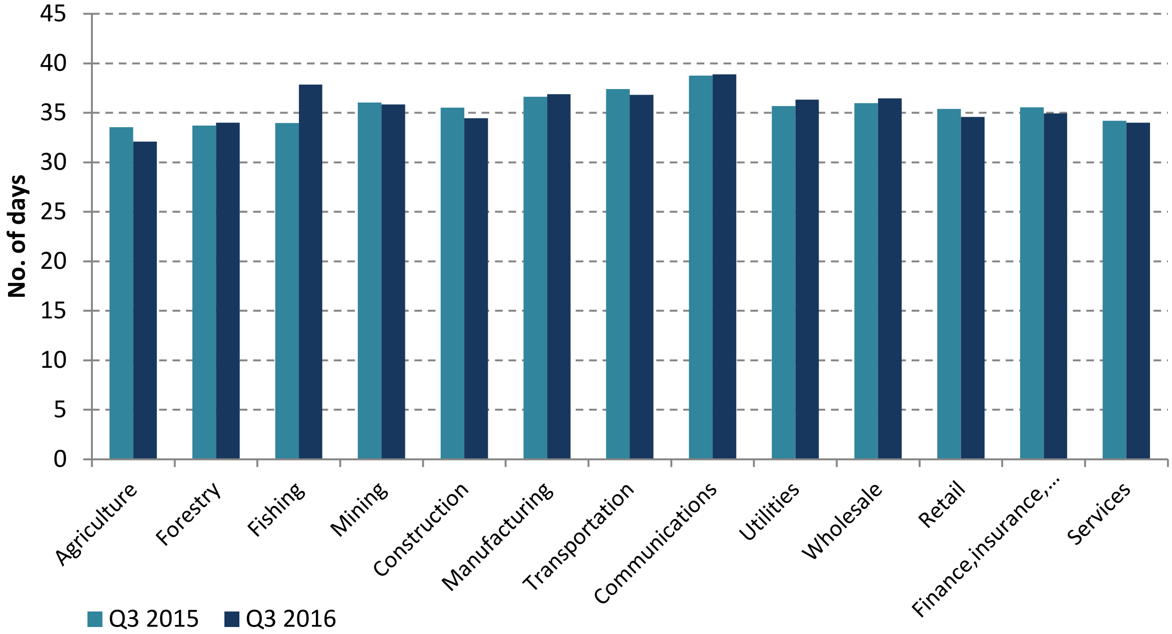
The Communications sector reported the longest average payment time (38.9 days) for Q3 2016, followed by Fishing (37.9 days) and Manufacturing (36.9 days). The Agriculture sector reported the shortest average payment time for the period, at 32.1 days.

Regionally, Auckland-based businesses took the longest time to pay their invoices, with an average of 36.9 days. Wellington businesses took an average of 35.5 days to pay, while Christchurch reported an average figure of 34.0 days.

New Zealand businesses also performed significantly better than their Australian counterparts, which reported an average payment time of 44.8 days for the latest quarter, representing a difference of 9.9 days. Meanwhile, over the past ten years, New Zealand businesses have paid their invoices 9.0 days earlier than Australian businesses, on average.



New Zealand industry average payment times: Q3 2015 vs Q3 2016



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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.