MEDIA RELEASE

Xero estimates Kiwi small businesses owed $7.4 billion in overdue payments

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Auckland, New Zealand – September, 2019 – Xero, the global small business platform, says Kiwi small businesses are struggling as they wait for an estimated $7.4 billion in overdue payments.

The estimate is based on Xero Small Business Insights (XSBI), an anonymous and aggregated data set drawn from a sample of Xero’s more than 350,000 Kiwi subscribers.

The data from the April-June quarter (Q1) 2019 reveals that on any given day, more than 50 percent of small businesses on the Xero platform are owed at least $7,000. On average half the overdue invoices were at least 16 days past their due date and still pending payment.

“It’s unfair that there is a lot of Kiwi small businesses out there waiting too long for money that’s rightfully theirs,” says Craig Hudson, Xero’s Managing Director, New Zealand & Pacific Islands. “Small business need this money to pay suppliers, staff, rent and other bills – and over time that can take a toll. Weak cash flow doesn’t just impact the financial stability of a business, there’s the human impact too, with financial stresses affecting employment, families and mental wellbeing.”

What’s more, Xero notes a rise in the proportion of small businesses reporting late payment of invoices in recent months, rising from 77 percent in March to more than 79 percent in May and June.

“We hope sharing XSBI figures will make late payers, particularly bigger firms, aware of the burden they’re imposing on small firms and the wider economy, and encourage them to adopt quicker, more reliable payment practices. It’s certainly something we are investigating with our own payments, to ensure we practice what we preach,” said Hudson.

Hudson says there was also a slight uptick in the average amount of overdue invoices per firm, at 13 in Q1 2019 versus 12 in Q1 last year.

“The slow increases in overdues is not a good sign. However, the good news is that there are actually more invoices being issued this year – each business issued 44 per month last quarter, on average,
compared to 41 in the same period last year. This increased business activity is a very good sign for the economy because it’s a key sign of growth.”

Accommodation and food service businesses were the most affected by late payments, with overdue invoices comprising 32.5 percent of all their invoices – compared to 28.5 percent for all industries.

“They each had an average $9,586 overdue in Q1, which is smaller than other industries but significant when you consider they’re usually very small, often family-run, and typically making little profit.

“Small businesses are a big part of our economy. They are not only producers and employers but consumers too, buying off each other and keeping the wheels of the economy moving. Money needs to be coming in the door for it to go out, and unfortunately many small businesses aren’t big enough to absorb late payments, instead they just cope and try to recover.

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About Xero
Born in the cloud, Xero is a beautiful, easy-to-use platform for small businesses and their advisors around the world. Xero provides its 1.8 million subscribers with connections to a thriving ecosystem of 800+ third-party apps and 200+ connections to banks and financial service providers. On the inaugural 2018 Financial Times FT1000 High-Growth Companies Asia Pacific list, Xero was the fastest growing tech company in the $200 million+ segment. Xero won ‘Bookkeeping software of the year’ from the Institute of Certified Bookkeepers UK in 2018, and was rated by Canstar Blue as the best accounting software in Australia from 2015-2018 and in New Zealand in 2019.

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