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Atradius Payment Practices Barometer

Survey of Payment Behaviour of European Companies

Results Spring 2011

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Introduction 1.1

This report is the central component of the 9th edition of the Atradius Payment Practices Barometer. It focuses on nine major European Union (EU) economies, examining the primary aspects of trade credit supply and management, as well as the payment behaviour of the customers of international companies.

The objectives of this report and of the individual country reports are the same: we strive to provide companies trading internationally with an accurate understanding of the trade dynamics of the countries and wider EU region with which they do business, or plan to do business. Without an accurate understanding of the payment practices of both domestic and foreign customers, companies can encounter serious cash flow problems that set back their businesses.

The report therefore looks at a series of key areas of companies' trade credit and credit management policies, including the extent to which trade credit is granted to customers, along with the payment terms set for customers, as well as the resultant incidence of late or non-payment, and the actions taken to mitigate payment risks.

The Spring 2011 Payment Practices Barometer is available on the Atradius website at www.atradius.com

Conclusions 1.2

The economic crisis continued to impact businesses across Europe in early 2011, as evidenced by the incidence of late payments flagged up by this report. While in six of the nine countries surveyed respondents, on average, received payments earlier than the average due date, the percentage of past due date invoices, depending upon the country involved, stood at anywhere between 20% and 35%. Moreover the proportion of uncollectable foreign receivables reported was as high as 10%.

These are significant percentages that illustrate the challenges involved in international B2B trade and demonstrate how some European buyers are genuinely still struggling to meet their payment responsibilities, even as the global recession has lost some of its sting. An equally telling sign was that over three quarters of survey respondents cited an insufficient availability of funds as the key reason behind their customers' payment delays. Another worrying reality reported in this survey was a slight increase in overall days sales outstanding (DSO).

In reaction, the respondents across the survey scope have been forced to take actions to ensure their own financial viability is maintained, such as increasing their dunning activities, whilst at the same time pushing to retain and expand their customer base. Commercial imperatives were shown to be the key driver behind a combination of credit management practices employed both in the decision process about offering credit terms and in the credit and receivables management process following the sale. But the credit capacity of buyers was also a major determinant in decision-making. How well these drivers can be balanced going forward will play a role in determining which companies survive and prosper in EU economies still generally characterised by slow growth.

One standout conclusion from the survey is the prevailing difference between the business cultures of Northern and Southern Europe, in terms of the duration of credit and payment periods. Companies in Spain and Italy are noticeably slower than their EU peers in terms of reimbursing their vendors, and mirror this with a proportionally larger volume of trade credit and early payment discounts than their Northern counterparts. Buyers in these two countries also exhibited the longest DSO figures.

Such cultural traits in payment behaviour provide opportunities for businesses to learn from other markets and adapt new procedures that can improve their on-time receipt of payment. This can of course include the use of credit insurance as a form of payment protection fallback, as part of a wider push towards the target of promoting safe trade between all parties involved in the transaction. The hope is that the remainder of 2011 will produce a rising level of solvency among buyers and sellers, but this survey indicates that caution should be a watchword for businesses that sell their products and services on credit.

Core results overview 1.3

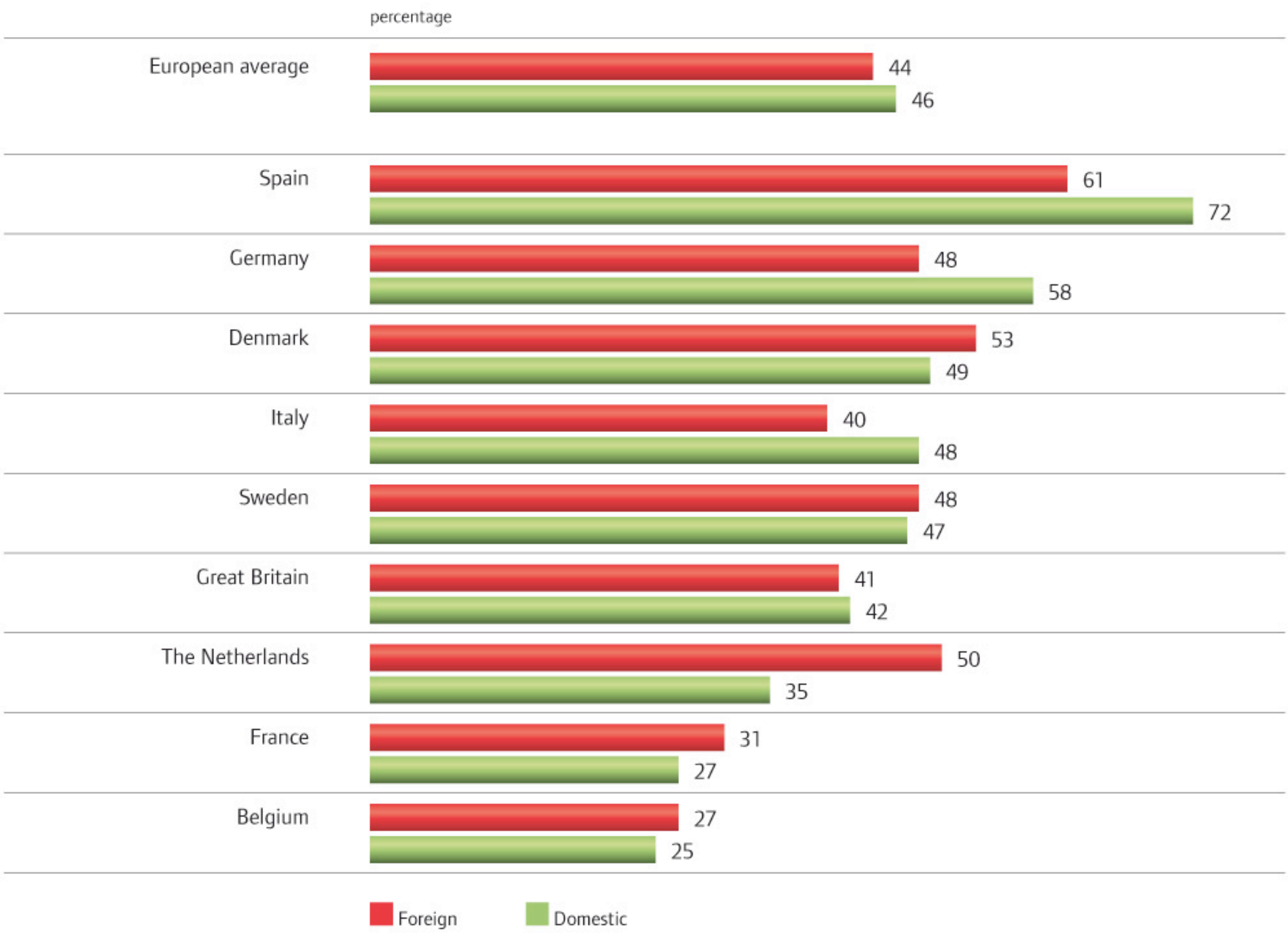
Use of trade credit

- Businesses in Spain transacted on credit terms more regularly than in any other surveyed country
- Commercial reasons are a significant driver of trade credit usage in Northern Europe
- Southern European businesses often grant trade credit to financially support their customers

Sales on credit terms – The usage of trade credit among our survey respondents ranged from a high of 72% in Spain to as low as 25% in Belgium, in both cases to domestic customers. These figures are both far removed from the survey average of 46% of domestic sales using credit terms, and underline how wide a variance exists in the use of trade credit across the EU countries surveyed.

Spain stood out for its companies' overall reliance on trade credit. 61% of the sales of Spanish respondents to foreign customers were also made on credit terms, the highest percentage in our survey. These results are directly linked to the finding that Spanish respondents also offered the longest average payment terms of all countries surveyed, which may have helped to stimulate their sales figures. Respondents in Belgium, by contrast, were shown as the most reluctant to sell using trade credit. 27% of the foreign sales of Belgian respondents were on credit terms, compared to an average 44% of foreign sales across the survey. Dutch respondents were noticeably more inclined to offer trade credit to their foreign customers, than to their domestic customers. On average 35% of domestic sales in the Netherlands were on credit terms, compared to 50% of foreign B2B transactions. A reversed preference was observed in Germany. On average, 58% of domestic and 48% of foreign B2B transactions by German respondents took place on credit. In Italy, an average 48% of domestic and 40% of foreign B2B transactions occurred using credit. Respondents from Belgium, Denmark, France, Great Britain and Sweden showed little variation between the percentage of domestic and foreign customers that were sold to using trade credit terms.

Percentage of sales made on credit terms



Basis: interviewed companies from respective countries (that sell products or services abroad)

Trade credit supply determinants – Decisions by our survey respondents to grant trade credit to customers were made primarily for commercial reasons. In fact, an average 45% of respondents ranked the establishment of long-term trade relations with customers as the most important factor for trading on credit. The proportion rose to 51% of respondents in Germany. Another commercial imperative, the promotion of sales growth, was ranked as the most important reason for trading on credit by an average 20% of survey respondents. Adding further evidence that commercial determinants often drive credit terms, it was observed that the establishment of long-term trade relations with customers and promotion of sales growth were ranked by an average 30% of respondents as the second most important reasons for trading on credit. The proportion rose to an average 39% in Sweden and 36% in Denmark.

Coming from a different perspective, an average, 20% of all respondents reported that they granted trade credit to customers mainly as a source of short-term finance. This percentage was above the average in Great Britain, France and Italy, and climbed to 25% in Spain. This suggests that businesses in these countries were keener than the overall survey average to grant trade credit as a form of financial support as well. France was also one of the few surveyed countries where competition was cited as a major determinant of payment terms. Over 35% of French companies surveyed cited competition as their second most important influence on granting credit to foreign buyers. Italian companies gave prominence to the bargaining power of the customer and industry standard payment terms. This was rarely seen elsewhere in the survey, and may reflect the competitive Italian SME environment.

Another trend involved the view of 10% of all survey respondents, who reported that the most important reason for granting trade credit was to allow customers time to confirm the quality of the product before payment.

Use of trade credit by business sectors

Sales on credit terms - The manufacturing sector (over 55% of respondents) offered trade credit to customers more than the other business sectors surveyed. A possible explanation for this could be that the products of manufacturing companies often need to be resold or converted into a final product before being resold. The process puts additional pressure on the manufacturer's buyer to convert its purchase into cash. Therefore, credit terms are needed to provide the time to do so. In order to avoid excessive reliance on external finance, this sector may prioritise the use of trade credit.

Trade credit supply determinants - The services sector was the most inclined to grant trade credit to customers to establish long-term trade relations (47% of respondents), supporting the wider perception that customer loyalty is this sector's key goal. The manufacturing sector was the most likely to grant trade credit to customers to promote sales growth (28%).

Use of trade credit by business size

Sales on credit terms - Micro-enterprises were much less likely to grant trade credit to customers than respondents from larger organisations. More than 35% of respondents from micro-enterprises reported that they did not grant trade credit to customers at all. This finding may be linked to both the cost implications of granting trade credit to customers, and the comparative lack of credit management resources in many micro-enterprises.

Trade credit supply determinants - Micro-enterprises also showed up as the most likely to use trade credit as a sales growth promotion tool (25% of respondents) highlighting the importance of customer acquisition and increasing turnover for smaller businesses. By contrast, almost the same percentage of respondents from large enterprises used trade credit for the establishment of long-term trade relationships with customers, as did as a source of short term finance demonstrating the greater focus on customer retention and the availability of capital to support this goal.

Use of trade credit by industries

Sales on credit terms - The survey indicated that the Plastics, Chemical, Technology, Engineering, Furniture and Construction industries (each over 55%) offered trade credit to customers more than respondents from other industry sectors. The Furniture industry also stood out under this analysis in that the foreign credit sales volume reported was nearly 15% higher than the domestic volume, bucking an overall observation, detailed above, whereby domestic customers purchase more on credit terms.

Trade credit supply determinants - More than 55% of respondents from four sectors – the Automotive, Textile, Food & Beverage and Travel & Tourism industries – indicated that they offered trade credit to customers mainly for commercial reasons. This fits in with the competitive nature of their business environments. The Agricultural (65%) and Pharmaceutical (over 50%) sectors offered trade credit to customers mainly as a source of short term finance.

Credit management practices

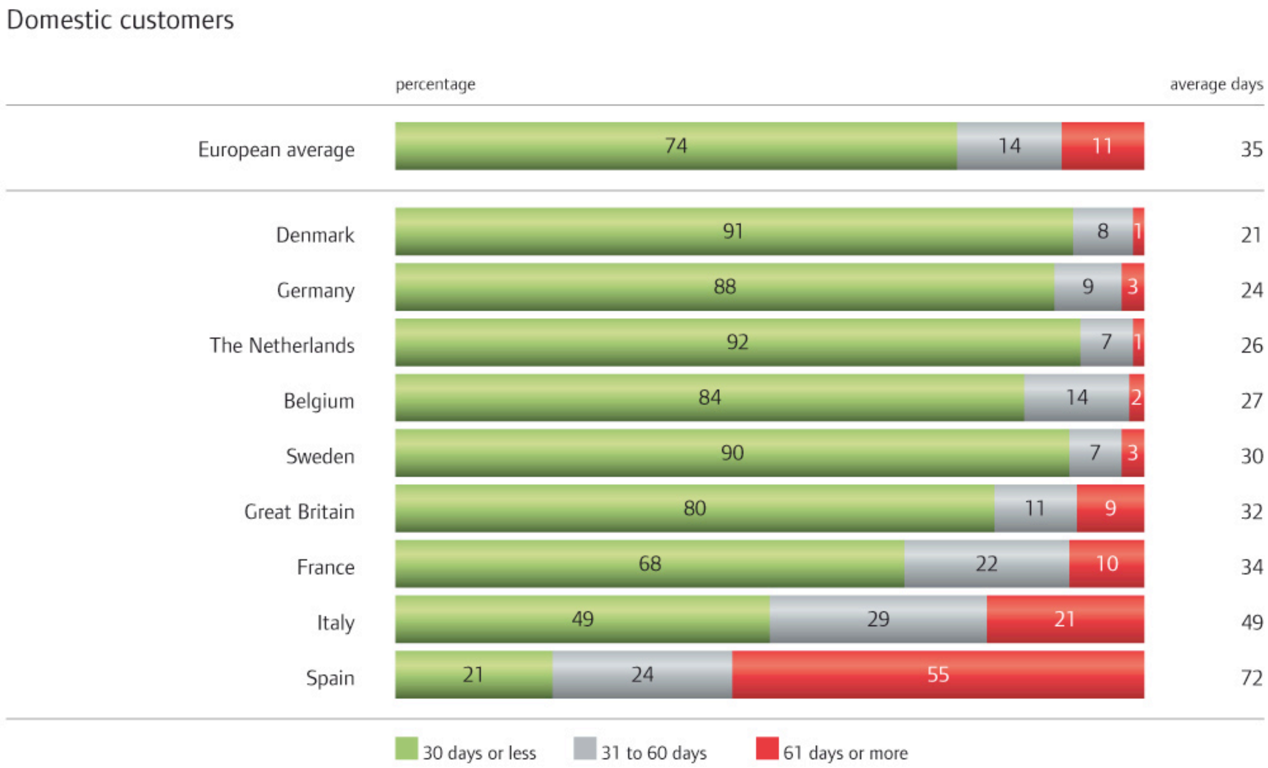
- Payment terms in Northern Europe, especially Denmark, are the shortest

- Spain and Italy exhibited the longest average payment period and the highest levels of early payment discounting
- Customer relationships were the key determinant in selecting trading terms

Average payment terms – On average, customers of survey respondents in Denmark and Germany were given the shortest time to pay for their purchases on credit terms (average of 22 days and 24 days respectively). Customers of survey respondents in Italy and Spain were given the longest time to pay on credit terms (average of 48 days and 67 days respectively). These observations illustrate that average payment terms in Northern Europe are typically shorter than those in Southern Europe.

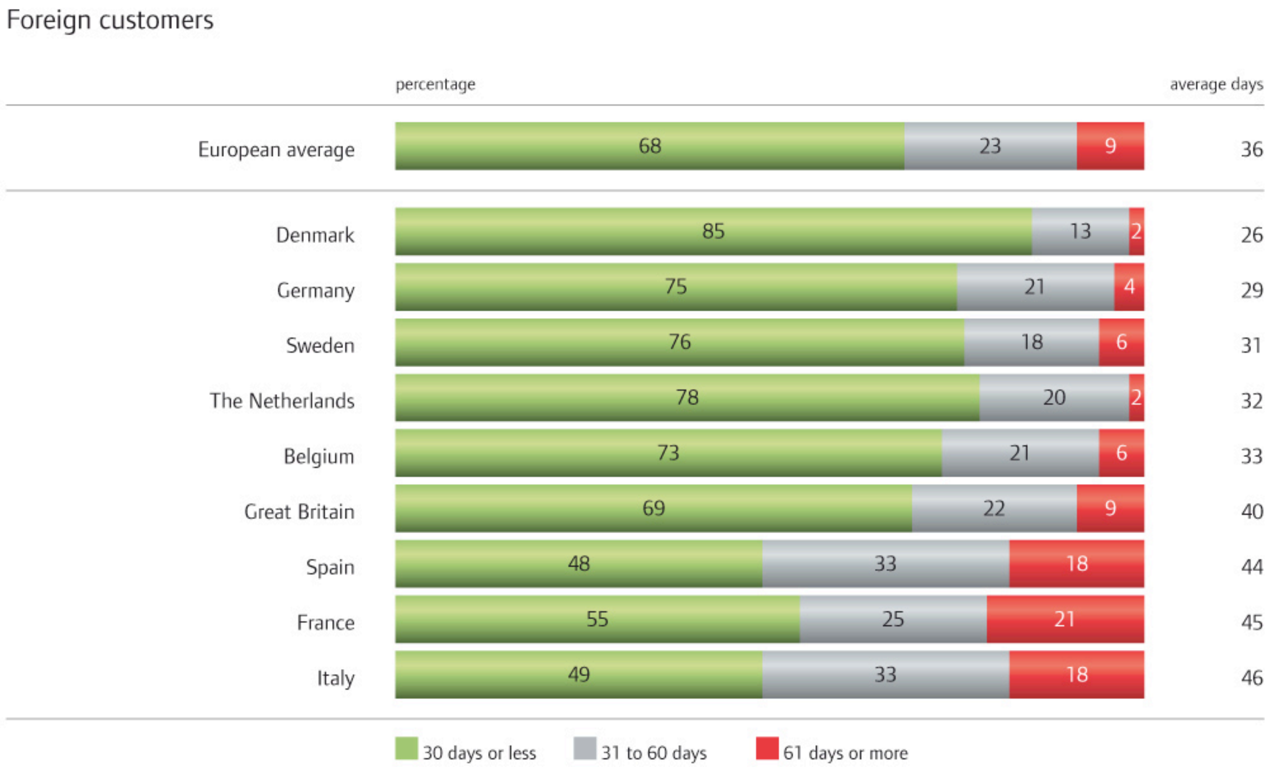
On average, domestic payment terms reported in the countries surveyed were shorter than foreign payment terms. The overall survey average domestic payment term was 35 days and foreign 36 days. At the shortest end of the scale, respondents in Denmark gave their domestic and foreign buyers an average of 21 and 26 days to pay for their domestic and foreign purchases respectively. At the longer end of the range, customers of Spanish respondents were given an average of 72 days to reimburse their domestic suppliers, 23 days longer than the second longest average domestic payment term (49 days), observed in Italy. Cross-border payment terms granted by our Italian respondents averaged the longest period (46 days). However, average foreign payment terms granted by respondents in Great Britain (40 days) and France (45 days) were also at the longer end of the scale. The most consistent average payment terms were registered in Sweden (30 days and 31 days, for domestic and foreign transactions respectively). One observation particularly worthy of comment is that in Spain, average foreign payment terms were 27 days shorter than average domestic payment terms. This would suggest that Spanish companies are able to benefit from the customarily shorter terms in foreign markets.

Payment term in days for domestic customers



Basis: interviewed companies from respective countries

Payment term in days for foreign customers



Basis: interviewed companies from respective countries, that sell products or services abroad

Payment terms determinants - Our survey reinforced the trading norm that existing customer relationships exert the most important influence in deciding trading terms. Survey respondents in Spain were the most likely to report this (nearly 55% of payments overall), Italy (40%), Belgium (38%), and France (37%). Trading relationships were the key driver behind domestic trading terms in Germany (63%), and foreign payment terms in Sweden (46%).

Company standard payment policy was the second most reported determinant (nearly 70% of respondents) of payment terms, indicating that terms set are in many cases a balancing act between the needs of the buyer and seller. The use of company standard payment policy was widespread in the highly competitive Nordic business environment. In Denmark, over 40% of respondents cited this as shaping both their domestic and foreign payment terms. 43% of Swedish respondents shaped their domestic payment terms from this stance. The third most reported determinant for payment terms was the customer’s credit capacity (nearly 65%). This was the most reported driver for foreign payment terms in Germany (53%), Great Britain (37%) and the Netherlands (34%).

Early payment discounts - Not unexpectedly, the incidence of discounts for early payments reported in the survey was strongly linked to the length of payment terms. Companies in Italy (64%) and Spain (55%) – the two surveyed countries with the longest payment terms - discounted early payment of invoices most frequently. Although Germany has the second shortest average payment terms, half of the German respondents offered early payment discounts, and were met with an acceptance rate of around 30%. As around 30% of both domestic and foreign invoices of the German respondents were paid after the due date, it would appear that cash flow brought in by discounting can be utilised to offset late payments. Other countries where the customers of survey respondents were inclined to take advantage of discounts were Great Britain and Sweden (both 30%). In the Netherlands, foreign customers of respondents were reported as the most likely to take advantage of the discounts (31%). However respondents in the Netherlands (15%) discounted early payment the least, followed by Sweden (20%) and Denmark (23%), mirroring the shorter average payment terms in these markets. On average, 22% of both domestic and foreign customers across the EU countries surveyed took advantage of early payment discounts. 39% of the respondents reported offering such discounts.

Credit management practices by business sectors

Average payment terms - Respondents in the manufacturing sector exhibited the longest domestic payment term (average 42 days), which may be linked to that sector's greater inclination to extend trade credits than in other sectors. The services sector reported the shortest average timescale for their domestic sales to be paid (32 days). This was one of several indicators in our survey that this sector tends to impose tougher trading terms upon its customers than other sectors. The credit-driven financial services sector exhibited the highest average foreign payment term (44 days), and the wholesale/retail trade sector the shortest (35 days).

Payment terms determinants – The financial services industry differentiated itself from the trading norm cited above that existing customer relationships generally exert the most important influence in deciding trading terms. The most reported determinant in this sector was the credit capacity of the customer (75% of respondents), followed by the trade relationship with the customer (72%) and company standard payment terms (68%).

Early payment discounts - The manufacturing sector proved the most likely in the survey to discount early payment (51% of respondents). This aligns with a finding below that the manufacturing sector exhibited the longest DSO figure of all the business sectors surveyed. The services sector was the least likely to discount early payment (26%).

Credit management practices by business size

Average payment terms – The large enterprises in the EU countries surveyed extended the longest average payment terms, for both domestic (39 days) and foreign (45 days) sales. Micro-enterprises applied the shortest average payment terms for domestic customers (30 days) and foreign customers (22 days). These trends suggest that micro-enterprises set their terms to ensure cash is available quickly to meet expenses and to reduce the risk of bad debts. These concerns, while important, are frequently less of an issue to large enterprises, which may have a stronger capital position and dedicated credit management departments for managing trade receivables.

Payment terms determinants - Large enterprises fell outside the trading norm found across much of our survey that existing customer relationships exert the most important influence in deciding trading terms. Respondents from this segment reported credit capacity of the customer as the most influential payment terms determinant (84% of respondents), followed by company standard payment terms (75%) and trade relationship with the customer (68%). It is interesting to point out that large enterprises were some of the most likely to offer trade credit to their customers to establish long-term trading relationships, but when it comes down to the actual setting of terms, they take a very practical approach in ensuring that a customer is a good credit risk before extending credit.

Early payment discounts - Large enterprises were the most likely to discount early payment of receivables (48% of respondents). Discounting reduces the cost of collecting overdue receivables, which is usually higher for large enterprises. Micro-enterprises were the least likely to discount early payment of receivables (27%). Micro enterprises tend to be more attentive when it comes to collecting receivables. They may not feel that offering discounts for early payment will improve their effectiveness in collecting outstanding debts. A useful exercise for any company, in evaluating whether to use early payment discounts, would be to weigh the cost of discounting against the cost of financing receivables including the cost of collecting payment of long overdue invoices. If the reduction in the cost of financing and collecting late receivables exceeds the cost of the discount, it might make sense to offer early payment discounts.

Credit management practices by industries

Average payment terms – Respondents from the Building/Construction industry exhibited the longest average domestic payment term (47 days). Respondents from the Agricultural Products industry were paid within the shortest timescale for their domestic purchases (20 days), which may be linked to a shorter than average cycle of payments in this industry. The Telecommunications industry exhibited the highest average foreign payment term (52 days), and the Textile industry the shortest (24 days).

Payment terms determinants

Trade relationships with the customer were reported as the most influential determinant for domestic payment terms in the Machines and Machine Tools industry (60% of the respondents), followed by Food/Beverages (50%). It was also the most reported determinant for domestic payment terms in the Transport/Logistics industry (60%). Another key determinant was company standard payment terms, which was the most reported determinant for domestic payment terms in the Textile industry (48%), followed by Energy and Automotive (nearly 45%). It was also the most reported determinant for foreign payment terms in the Machines and Machine Tools industry (50%), followed by Technology (45%).

Early payment discounts

The Chemical/Chemical Products and the Paper and Packaging industries were the least likely to offer discounts for early payments (30% of respondents). Health Care industry respondents were the most likely to discount early payment (nearly 80%).

Customers' payment behaviour

- Companies in Italy and Spain were the slowest payers, particularly for domestic sales.
- The average domestic vs. foreign payment time across the entire survey varied by just one day (34 and 35 days).
- Respondents from Great Britain and Italy reported the least success in collections.

Average payment durations and average payment delays – On average, respondents received payments from customers in a lengthy range spanning 23 days from the invoice date (Denmark and Germany) to 77 days (Spain). Domestic payments were received in an even wider range spanning 21 days (Germany) to 83 days (Spain). These observations reinforced a marked difference in payment practices between Northern and Southern Europe seen throughout the survey.

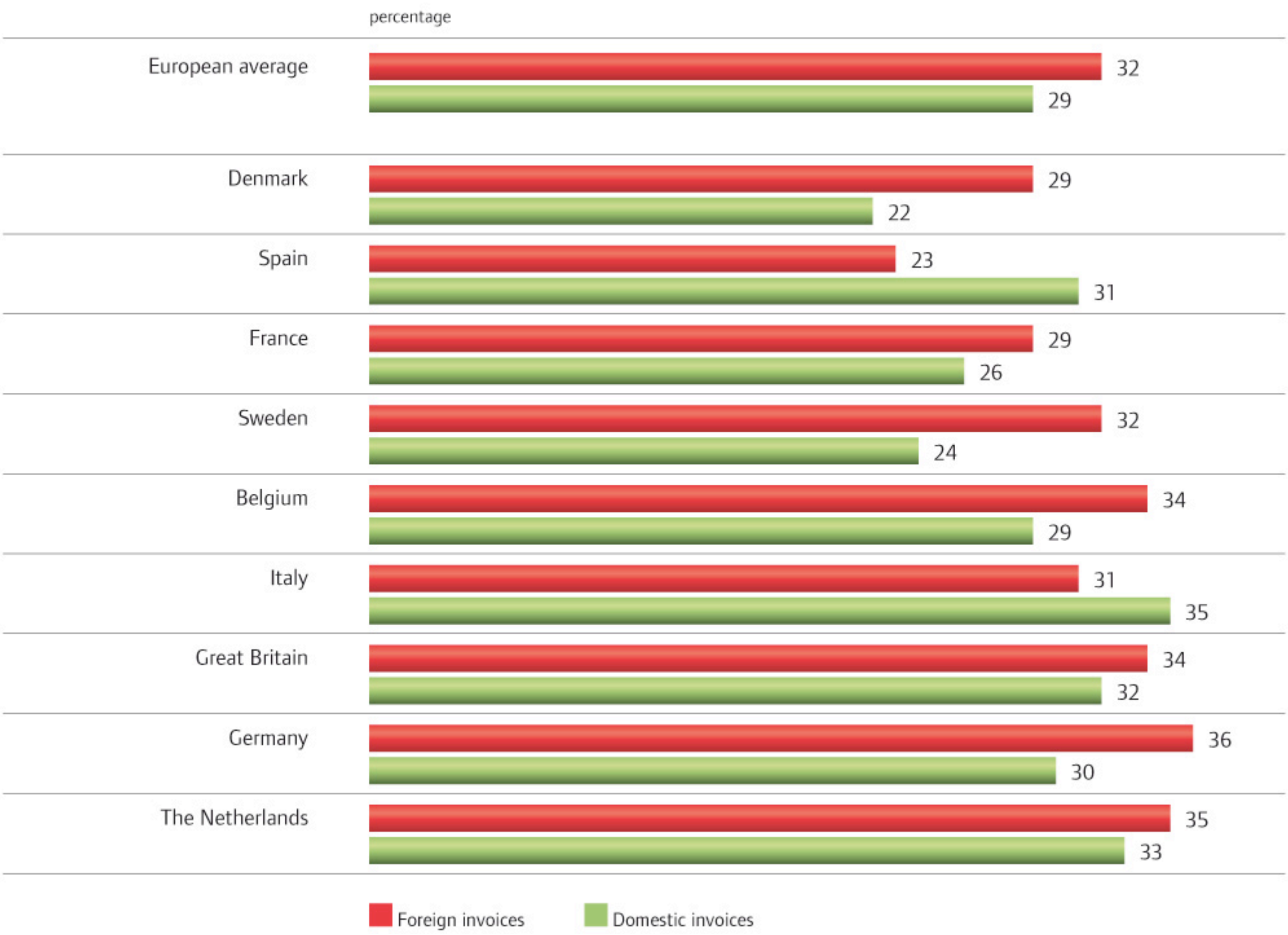
Survey respondents in Germany and Denmark (21 and 22 days) received their domestic payments the swiftest, while respondents in Italy took an average 47 days to receive payments from their compatriots. The fastest average payment times were reported in Belgium and Germany (30 days), and the slowest in Spain (53 days).

Shorter domestic payment durations for all countries, bar Italy and Spain, mirrored average domestic payment terms which were generally shorter than average foreign payment terms across these countries. However, Spanish companies took 30 days longer to pay their domestic invoices, reflecting the local payment culture.

Our survey arrived at average payment delay figures by comparing the overall average payment durations with the overall average payment terms. Around 55% of the overall payments from customers were received by our survey respondents in a range spanning 10 days earlier than the average due date to 10 days after it. At the shortest end of the scale, on average, respondents in Great Britain, received payments 6 days earlier than the average due date. At the longest end of the scale, respondents from Spain received their payments, on average, 10 days past the average due date.

By taking into consideration only the past due payments, we found that the overall percentage of past due date invoices ranged from 20% to 35% of total invoices across the countries surveyed. Domestic and foreign past due invoices averaged 29% and 32% of the totals respectively, suggesting that foreign customers are more likely than domestic customers to pay late. This is just one of several reminders throughout the survey that different payment patterns in foreign countries can impact the timing of payments on foreign sales.

Percentage of domestic and foreign invoices that are paid after the due date



Basis: interviewed companies from respective countries (that sell products or services abroad)

Main reasons for payment delays from customers - Insufficient availability of funds was far and away the most reported reason for overall payment delays from customers (more than 75% of respondents), signalling the troublesome conditions still prevalent in many EU economies. Over 40% of respondents cited this as the main reason for payment delays from domestic customers. This percentage climbed noticeably in Italy (59%) and Spain (71%). Nearly 35% of the respondents gave this reason for payment delays from foreign customers. This reason was at its highest in relation to payment delays from Germany (41%), Spain and Italy (45%).

Complexity of the payment procedure was the second most reported reason for overall payment delays (almost 50% of respondents). Nearly 30% of respondents cited this as the main reason for payment delay from foreign customers, illustrating that payment methods that are common in one country are less familiar in others. The proportion reached 35% in France, Italy and Sweden. Less than 20% of the respondents gave this reason for payment delays from domestic customers, although 24% of respondents cited this reason in France, Italy and Sweden.

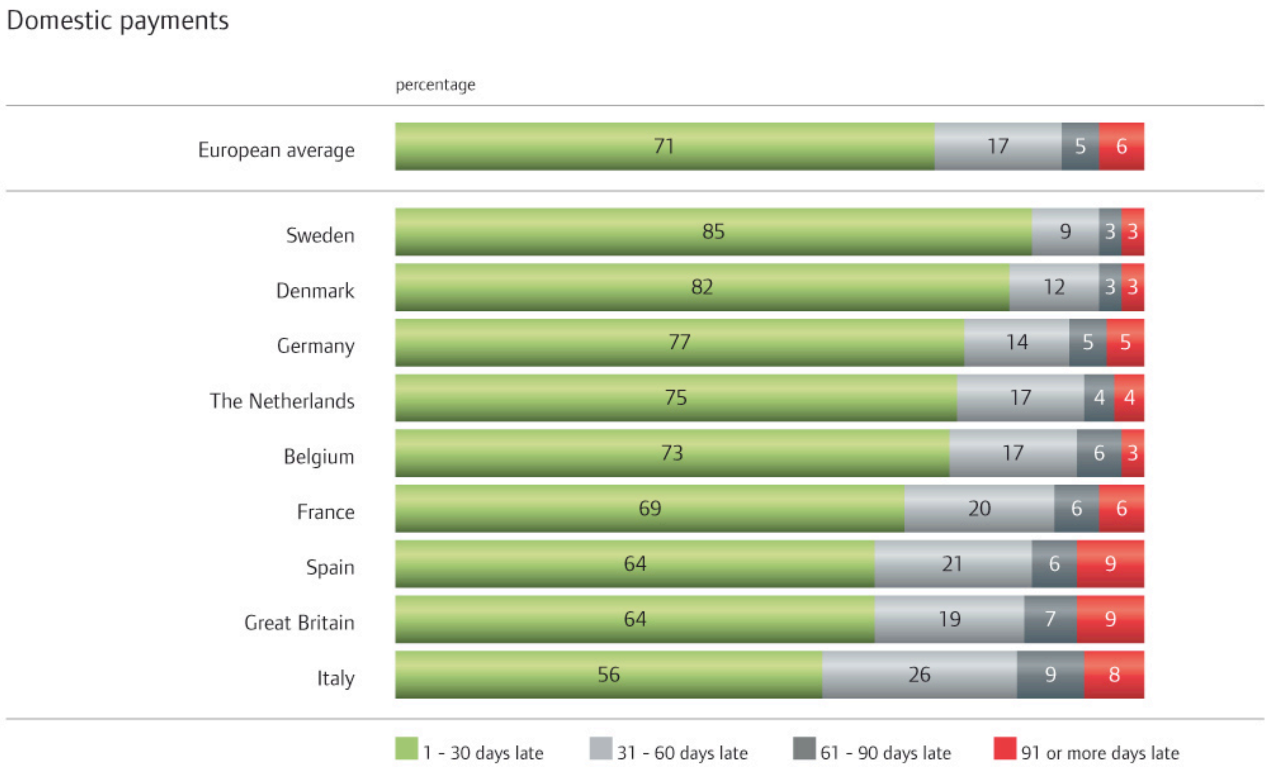
The third most reported reason for payment delays from customers was the inefficiencies of the banking system (45% of respondents). This figured as the main reason for payment delay from foreign customers for over 25% of overall survey respondents, and for 34% and 38% of the respondents in France and Sweden respectively. Around 18% of the respondents (24% and 27% in Sweden and Italy respectively) gave this as the most important reason for domestic payment delays.

Past due invoices - Analysed by domestic payments, late payments in the Nordic countries were received the soonest after the due date. Around 80% of these payments came in between 1 and 30 days late, but the vast bulk were paid between 1 and 15 days after the due date in Sweden (72%) and Denmark (66%). This finding tied in strongly with other signals from this survey that buyers in these countries may possess a stronger payment morality than elsewhere in the EU.

These countries were followed by Germany and the Netherlands (about 75% paid within the 30 days past due date period), Belgium and France (about 70%), Great Britain and Spain (about 65%) and Italy (56%). In Belgium, France, Germany and the Netherlands, more than half of the past due invoices were paid between 1 day and 15 days after the due date, whereas this figure was around 45% for Great Britain and Spain, and 37% for Italy.

Around 20% of domestic past due payments in Great Britain, France and Spain, and more than 25% in Italy, were received at a very late stage, between 30 and 90 days after the due date, reflecting the struggle for solvency that has afflicted many Western and Southern European businesses in recent years. Nearly 10% of such domestic past due payments in Great Britain, Spain and Italy were paid beyond 90 days, falling into the category of ‘difficult to collect’.

Percentage of domestic payments made after due date



Basis: interviewed companies from respective countries

When foreign past due invoices were examined, the quickest payments were in the two Nordic countries and Germany, which all cleared around 75% of the backlog in the 1-30 day period following the due date. More than half of these were paid in the first 15 days post-due date. Companies in Belgium, the Netherlands and Spain cleared around 70% of the payments in the 1-30 day period following the due date, while companies in France and Italy (around 65%) and Great Britain (around 60%) were slower. Less than half of these outstanding invoices were paid within the first 15 days post-due date in Spain (47%) and France/Italy (around 45%).

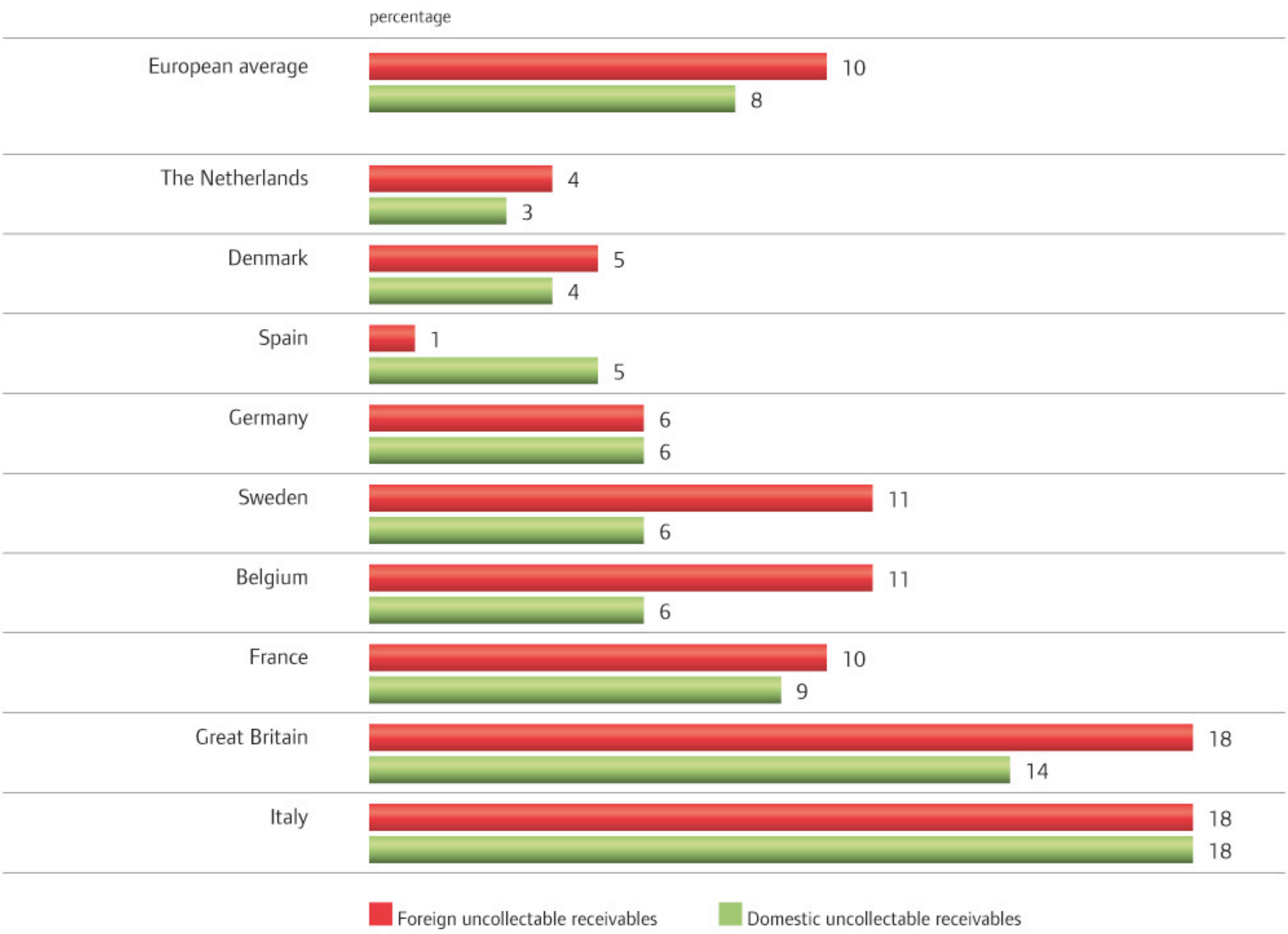
Very late payments accounted for around 25% of the foreign past due invoices involving Great Britain and Spain, and around 20% of the invoices involving Belgium, France, Italy and the Netherlands. 10% of past due payments from Great Britain were paid beyond 90 days, mirroring the economic woes of many companies in that country.

Percentage of foreign payments made after due date

Basis: interviewed companies from respective countries that sell products or services abroad

Uncollectable receivables - Great Britain and Italy stood out as the two markets in the survey where accounts were the most difficult to collect due to the customer's unwillingness or inability to pay, and were usually written off after several attempts at collection. Approximately 18% of the receivables of Italian respondents (both domestic and foreign) were uncollectable. Approximately 14% of the domestic receivables and 18% of the foreign receivables of survey respondents from Great Britain were uncollectable. In both cases, this was noticeably higher than the survey averages, of 8% of domestic receivables and 10% of foreign receivables.

Percentage of domestic and foreign receivables that were uncollectable



Basis: interviewed companies from respective countries (that sell products or services abroad)

Customers payment behaviour by business sectors

Average payment duration - The manufacturing sector exhibited relatively longer average domestic and foreign payment durations (40 days) than the other business sectors surveyed. As previously suggested, this is likely to be linked to the sector's longer cash conversion cycles.

Average payment delays – A comparison was made between the average payment durations and the average payment terms per business sector, producing the finding of an overall average payment delay ranging between 10 days earlier to 10 days later than the due date. The highest percentage of survey respondents who received payments in this range was in the services sector (61%), suggesting that this sector maintains tighter credit controls than its peers.

Main reasons for payment delays from customers – The manufacturing and the wholesale/ retail trade sectors reported insufficient availability of funds as a reason for both domestic and foreign payment delays more frequently than the other business sectors surveyed (more than 40% of respondents). The financial services sector (25%) reported inefficiencies of the banking system as a reason for domestic payment delays more frequently than other sectors, which may reflect the sector's stronger interface with banks than elsewhere.

Past due invoices – The services sector showed a lower percentage (less than 30%) of past due invoices than the other business sectors surveyed, as well as a higher percentage of past due invoices paid between 1 – 15 days after the due date (56%). This reflects the sector's ability to stop a service midstream if project payments are stopped, and also confirms the finding above of lower average payment delays than other surveyed sectors.

Uncollectable receivables - The financial services sector exhibited a relatively higher percentage of uncollectable foreign receivables (more than 10%) than the other business sectors surveyed. This trend may be driven by the impact of foreign payment terms.

Customers' payment behaviour by business size

Average payment duration – Micro-enterprises exhibited relatively shorter average payment durations (domestic: 29 days; foreign 20 days) than SMEs and large enterprises. This is a function of the shorter payment terms that characterise the very smallest companies as well as a more attentive approach to receivables management.

Average payment delays – More than 60% of respondents in micro-enterprises received payments from customers on average between 10 days earlier to 10 days later than the due date (compared to an average of 50% of respondents in SMEs and large enterprises). This finding again confirms the greater urgency with which smaller companies address their payments.

Main reasons for payment delays from customers – Micro-enterprises and SMEs reported complexity of the payment procedure as a reason for foreign payment delays more frequently then large enterprises (around 30% of respondents). Larger companies may be able to offer a wider range of payment options making it easier for buyers to pay than smaller companies which may only offer one or two options based on domestic norms.

Past due invoices - Micro-enterprises showed a smaller percentage of past due invoices (25%) than SMEs and large enterprises, as well as a higher percentage of past due invoices paid between 1 – 15 days after the due date (59%).

Uncollectable receivables - Micro-enterprises exhibited a noticeably lower percentage of uncollectable receivables (6%) than SMEs and large enterprises. As with the above point, this mirrors the greater urgency with which smaller companies tend to address their outstanding payments.

Customers' payment behaviour by industries

Average payment duration – The Machines and Machine Tools industry showed the longest average payment durations (average domestic: 52 days – average foreign: 47 days). Illustrating the difficult market conditions under which the industry has operated in recent years, the Building/Construction industry equalled the longest average domestic payment duration (52 days), whereas the Education industry showed the shortest (nearly 20 days).

Average payment delays – An average of 25% of respondents from the Automotive, Machines and Machine Tools, Plastics, Paper/Packaging and Agriculture industries reported receiving a sizeable proportion of their payments up to 30 days later than the average due date.

Main reasons for payment delays from customers – 90% of the respondents from the Automotive, and Metals/Mining industries reported insufficient availability of funds as the main reason for customers' payment delays, which was noticeably more frequent than respondents from other industries. Respondents from the Metals/Mining industry reported complexity of the payment procedure as the reason for foreign payment delays more frequently (50%) than respondents from other industries, followed closely by respondents from the Travel and Tourism industry (45%). The Real Estate industry reported inefficiencies of the banking system as a reason for foreign payment delays more frequently (54%) than respondents from other industries.

Past due invoices – The pharmaceutical industry stood out for the highest percentage of both domestic and foreign past due invoices (40% for each), within its overall portfolio of invoices. However it also showed the highest percentage of payments (60%) made between 1 – 15 days after the due date, demonstrating efficiency in collections. Other industries that held high volumes of foreign past due invoices were Metals/Mining (46%), Plastics and Telecommunications (both 40%).

Uncollectable receivables – The Oil and Gas industry showed the highest overall percentage of uncollectable receivables (25%). Analysed by credit sales to foreign customers, 25% of the receivables of respondents from the Real Estate industry were also uncollectable, which may be linked to the declining property values across the survey overall.

Cash inflow monitoring – DSO trend

- Spain and Italy exhibited the highest DSO figures
- DSO levels across the surveyed countries increased slightly in 2010, generating greater dunning activity

Average Days Sales Outstanding (DSO): second half 2010 - DSO data combines the average number of days taken to collect revenue after a credit sale has been made against the level of cash tied up in receivables. The overall average DSO varied substantially on a country basis in the period, spanning a range from 22 days in Germany to 79 days in Spain. This concurred with other data in this survey suggesting that Spanish payment practices involve far longer durations than in any of the other surveyed countries. Only companies in Spain and Italy (42 days) recorded an average DSO higher than the overall survey average of 39 days. Great Britain had the second lowest figure (24 days) despite having one of the highest percentages of uncollectable receivables.

DSO trend over the past year - DSO levels have increased slightly over the past year, although an average 75% of the respondents in the EU countries surveyed reported no change. This percentage went down noticeably to 65% in Italy, where 30% of the respondents experienced an increase in DSO, and to 54% in Spain, where the remainder of the respondents were almost equally split between those experiencing an increase or a decrease in DSO.

Where a change was experienced, a decrease was experienced by less than 10% of the respondents (average decrease: 14 days). Nearly 20% of respondents reported an increase in DSO (average increase: 13 days). Of the companies reporting an increase, 72% reported having experienced an increase in past due invoices. This percentage rose to 82% in Italy.

76% of respondents reported having increased the frequency of dunning - the process of methodically communicating with customers to insure the collection of accounts receivable. This proportion rose to 86% in Great Britain and 92% in Sweden. The increased frequency of dunning suggests that businesses have taken more comprehensive actions to free cash tied up in receivables.

DSO by business sectors

Over the past year, a higher percentage of respondents from the manufacturing sector have increased the frequency of dunning (81% of respondents) than in the other business sectors surveyed (average 65% of respondents). The dunning trend appeared to be directly linked to DSO patterns. The manufacturing sector exhibited a noticeably longer average DSO (48 days) than that reported by respondents in the other business sectors (average 35 days in the wholesale/retail trade/distribution and services sectors alike). The financial services sector reported the shortest average DSO (28 days). However an increase in DSO was experienced by the financial services sector more frequently than by the other business sectors surveyed (average increase experienced was 9 days). The services sector experienced a relatively more stable DSO than the other business sectors surveyed (80% of the respondents unchanged), providing another indication that this sector may operate tighter credit controls than others within our survey.

DSO by business size

Over the past year, more SMEs (81%) increased the frequency of their dunning than micro- and large enterprises. Respondents from SMEs reported a relatively longer average DSO (40 days) than that reported by micro-enterprises, and large enterprises. Micro-enterprises experienced a relatively more stable DSO than SMEs and large enterprises, as shown by the significant 83% of respondents from micro-enterprises that reported no change in DSO over the past year compared to 74% of SMEs and 67% of large enterprises. The more frequent experience of an increase in DSO by large enterprises produced an average increase in DSO of 9 days.

DSO by industries

An increase in the frequency of dunning was reported by a fairly consistent percentage of respondents (70% to 80%) across all industries surveyed, illustrating that the struggle to get to grips with outstanding payments is universal.

In the majority of the industries surveyed, an average of 25% of respondents experienced an increase in DSO rather than a decrease. The average increase experienced was 11 days. Not unexpectedly, the Building/Construction industry recorded the highest DSO of all the industries surveyed (60 days). This reflects cash-flow problems and weak performance and demand across this industry, and ties in with the greater occurrence of an increase in past due invoices of respondents from the Building/Construction industry in comparison to other industries (except for the Automotive industry) surveyed.

Travel and Tourism recorded the lowest industry DSO (22 days). The Health Care, Food/Beverages, Telecommunications and Printing/Publishing industries experienced a relatively more stable DSO than the other business sectors surveyed (80% of the respondents having no change).

Belgium 2.1

Conclusions

Belgian respondents were the most cautious when it came to the use of trade credit. Little more than a quarter of Belgium's trade is transacted on credit terms, with customer relations driving many of these decisions. The country's average payment terms were reported as 6 days shorter than the overall survey average by respondents. This response rate was roughly in line with their peers in Germany and Sweden in terms of payment durations, with the manufacturing and services sectors setting the longest terms. Payment is also received an average of 1 day earlier than the overall survey norm.

Yet the level of uncollectable receivables is very near the overall survey average, with foreign customers taking longer to pay than their domestic counterparts, and dissatisfaction with goods cropping up as a regular reason for payment delays. Belgium's DSO figure reflects a sizeable level of delinquent invoices and early payment discount offers by Belgian businesses have achieved a relatively light success rate. Like most of their EU counterparts, Belgian businesses indicated that they regularly run into insufficient levels of customer funding.

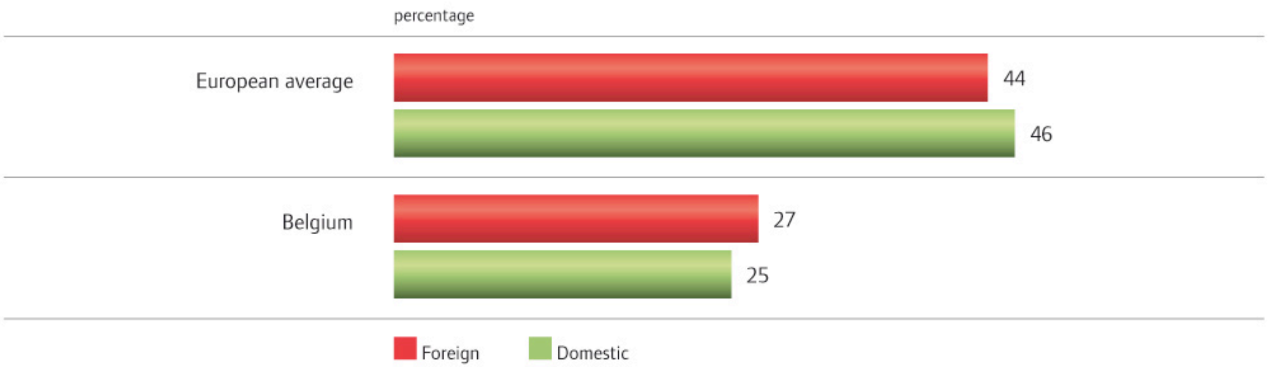
Core results overview

Use of trade credit

- Belgium eschewed the use of trade credit more than any other surveyed country
- Customer relations were the key driver in cases where sales were made on credit

Sales on credit terms – Respondents in Belgium stood out as the most reluctant in the survey to sell using trade credit. An average of 25% of domestic sales and 27% of foreign sales were reported to have been made on credit terms, in comparison to an average 46% and 44% of domestic and foreign sales transacted this way across the surveyed EU countries. These and other observations noted below indicate that Belgian companies gravitate towards the payment and credit paradigms preferred in Northern Europe.

Percentage of sales made on credit terms



Basis: interviewed companies from respective countries (that sell products or services abroad)

Trade credit supply determinants – Commercial imperatives were ranked by Belgian respondents as the most influential in decisions to grant trade credit to customers. 47% cited the establishment of long-term trade relations as the most important determinant. This was pretty consistent with the overall survey average of 45%. Nearly 25% of respondents cited the promotion of sales growth as the most important determinant, more than the overall survey average (20%). Also noteworthy was that around 25% of respondents cited both the promotion of sales growth and the time allowed for customers to confirm the quality of the product before payment as the second most important reason for trading on credit. Fewer than 20% of Belgian respondents reported that they granted trade credit to customers mainly as a source of short-term finance, confirming that financial support is seen as less important than customer relations.

Use of trade credit by business sectors

Sales on credit terms – The manufacturing and wholesale/retail trade/distribution sectors made around 30% of their sales to their domestic customers on credit, elevating these sectors above others in Belgium in regard to their tendency to sell using trade credit. The wholesale/retail trade/distribution sector showed the most inclination to sell on credit terms to foreign customers (37% of sales are on credit). At the other end of the scale, less than 10% of sales by Belgium's financial services sector were on credit, which may surprise some observers.

Trade credit supply determinants – In those cases where the Belgian financial sector sold on credit, the most important determinant was the establishment of long-term trade relations (over 65% of respondents). Sales growth promotion was relatively more important for the competitive wholesale/retail trade/distribution sector (over 30%). The manufacturing sector accorded the highest priority to allowing time for customers to confirm the quality of the product before payment (30%). This aligns with the sector's quality control ethos.

Use of trade credit by business size

Sales on credit terms – Examined by business size, Belgium's medium sized and large enterprises were the most prone to sell on credit terms to domestic customers (over 40%). Reinforcing the traditionally strong export leanings of Belgian SMEs, this segment of respondents indicated that they were relatively more inclined (over 30%) to sell on credit terms to foreign customers than large enterprises and micro-enterprises, the latter of which likely lacks significant credit management resources.

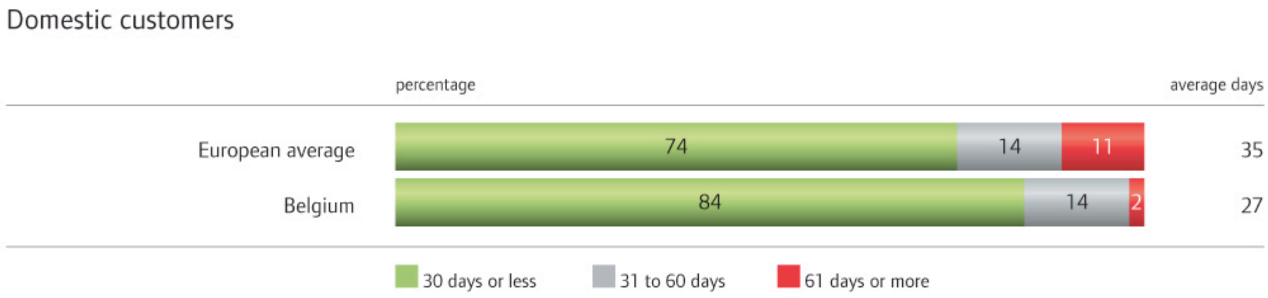
Trade credit supply determinants – The segments acted in accord with the wider trends noted in the Executive Summary. It proved to be relatively more important for medium-sized and large enterprises to extend trade credit to establish long-term trade relations (over 60% of respondents), and to allow customers time to confirm the quality of the product before payment (22%). Sales growth promotion appeared to be relatively more important to small enterprises (over 30% of respondents) than micro-enterprises, medium sized and large enterprises.

Credit management practices

- Belgian payment terms were 6 days shorter than the overall survey average
- The manufacturing and services sectors set the longest terms
- Early payment discounts among Belgian businesses are relatively infrequent

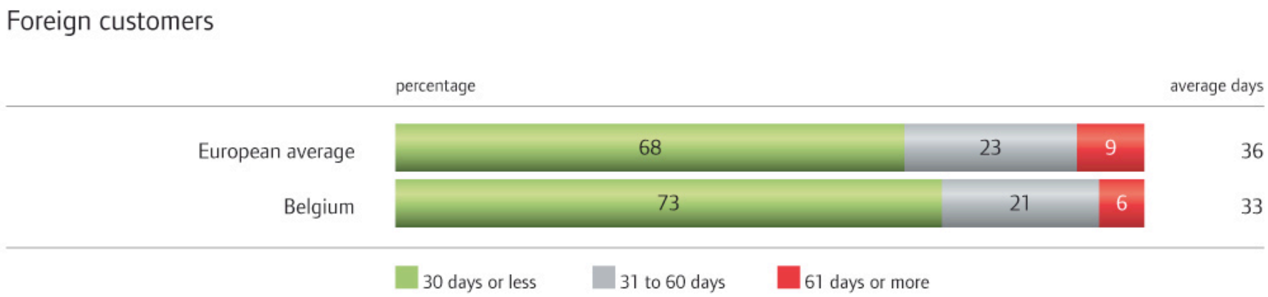
Average payment term – Coming in at an average 28 days, Belgium's payment terms paralleled its use of trade credit in falling well below the overall survey average (34 days). Although Belgian respondents tended to set longer payment terms for foreign customers (34 days) than for domestic customers (27 days), this was almost certainly a consequence of the local payment standards in the countries that respondents sold products or services to, except in Spain and Italy.

Payment term in days for domestic customers



Basis: interviewed companies from respective countries

Payment term in days for foreign customers



Basis: interviewed companies from respective countries, that sell products or services abroad

Payment terms determinants – Tallying with the wider pattern of the overall survey, the most reported reason for granting trade credit to customers among Belgian respondents was the establishment of long-term trade relations (over 35%). The second most reported determinants of domestic payment terms were the credit capacity of the customer and industry standard payment terms (over 25%). The second most reported determinant of foreign payment terms was credit capacity of the customer (35% of respondents).

Early payment discounts - Early payment discounts were offered by 34% of Belgian respondents. Less than 20% of both domestic and foreign customers took advantage of early payment discounts, which was probably linked to the shorter than average payment terms offered by Belgian respondents.

Credit management practices by business sectors

Average payment term – Belgium's manufacturing and services sectors set the longest payment terms in comparison to the other business sectors surveyed. The services sector also stood out by virtue of setting an average 43 day term for foreign payments, which also goes against the grain of the generally tougher trading terms set by this sector across the survey.

Payment terms determinants – Over 45% of respondents in Belgium's wholesale/retail trade/distribution sector cited trade relationships with the customer as the key determinant in setting payment terms. This was slightly more emphatic than the manufacturing sector, which pinpointed the credit capacity of the customer (45%). Industry standard payment terms were the most reported determinant of domestic payment terms in the financial services sector (over 30%), which is likely a reflection of this sector's very competitive domestic nature in Belgium.

Early payment discounts – Although discounts for early payment were offered most frequently by Belgium's financial services sector, the highest acceptance rate was observed among the customers in the services sector (25%).

Credit management practices by business size

Average payment term – Aligning with the wider survey results in the Executive Summary, medium-sized and large enterprises in Belgium set relatively longer payment terms (over 45 days on average) than micro-enterprises and SMEs.

Payment terms determinants - Trade relationship with the customer was ranked as the key domestic payment terms determinant by medium-sized enterprises (over 50% of respondents). However for foreign payment terms, the same business segment pinpointed the credit capacity of the customer (over 50%). Industry standard payment terms was the most reported determinant by micro-enterprises (over 35%), underlining the competitive environment in which Belgium's micro-enterprises operate.

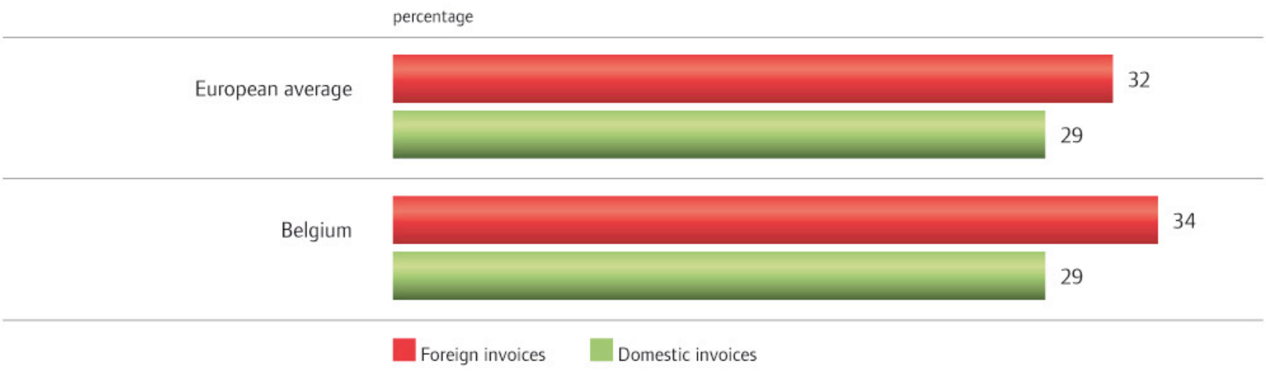
Early payment discounts – Discounts for early payment were offered more frequently by micro-enterprises (70% of respondents), for whom maintenance of cash flow is essential. The highest acceptance rate for discounts was displayed by customers of SMEs (over 20%).

Customers' payment behaviour

- Payment durations closely match those observed in Germany and Sweden
- Foreign customers took longer to pay than domestic customers
- The level of uncollectable receivables is very near overall survey norms
- Dissatisfaction with goods crops up as a regular reason for payment delays

Average payment duration and average payment delay – The average payment duration in Belgium recorded by our survey was 27 days, identical to Sweden. Illustrating some very positive aspects of the payment culture in Belgium, respondents received payments from customers on average 1 day earlier than the average payment term, as also happens in Germany. Payments from foreign customers were received, on average, later than those from domestic customers, due to the longer average foreign payment terms.

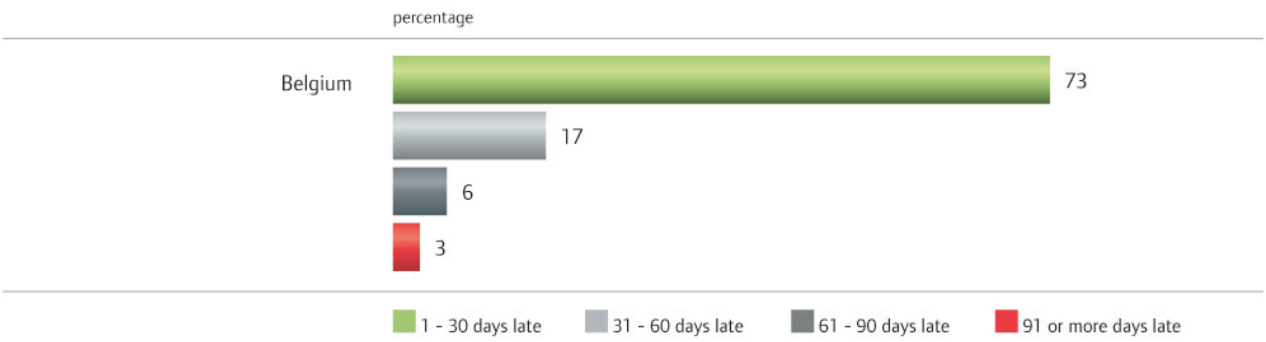
Percentage of domestic and foreign invoices that are paid after the due date



Basis: interviewed companies from respective countries (that sell products or services abroad)

Main reasons for payment delay from customers – Belgian respondents pointed to an insufficient availability of funds as the main reason for their payment delays from both domestic and foreign customers (more than 35% of the respondents). The second most frequently reported reasons for domestic payment delays (by over 25% of respondents) were inefficiencies of the banking system and customer dissatisfaction over quality of goods delivered or service provided. The latter reason was cited infrequently in the other surveyed countries. The second most frequently reported reasons for foreign delays (over 25%) were complexity of the payment procedure and inefficiencies of the banking system.

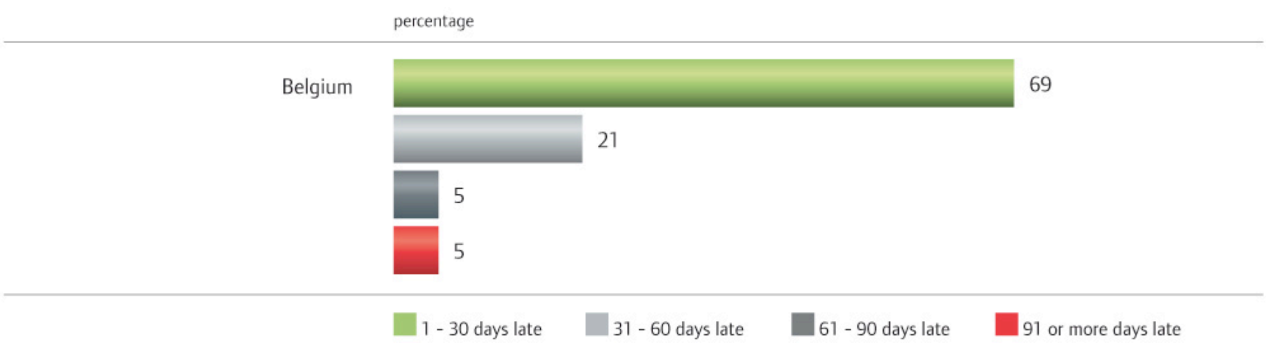
Percentage of domestic payments made after due date



Basis: interviewed companies from respective countries

Past due invoices - Around 30% of both domestic and foreign invoices were reported as past due, the same pattern that our survey found in Germany. Around 70% of these were paid within one month after the due date, with over 50% settled within 15 days of the due date.

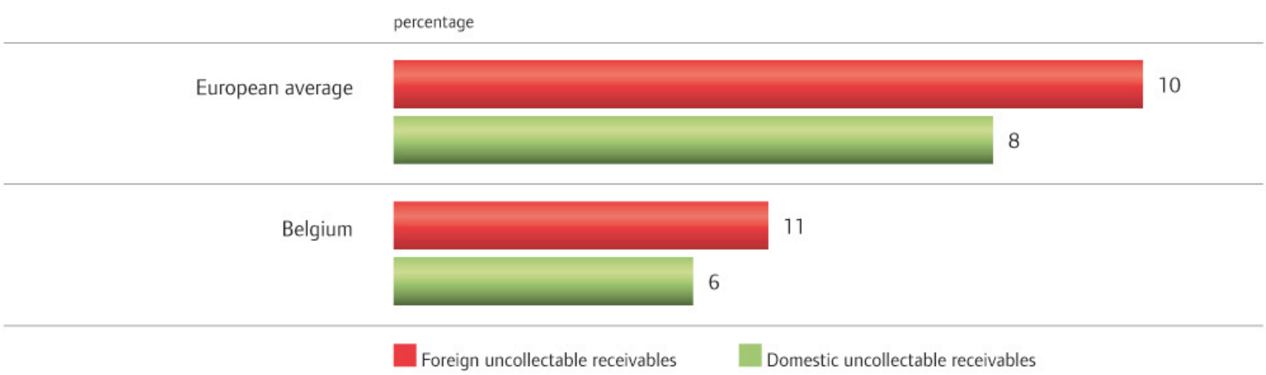
Percentage of foreign payments made after due date



Basis: interviewed companies from respective countries that sell products or services abroad

Uncollectable receivables – Domestic uncollectable receivables held by Belgian respondents came to less than 10% of total receivables. The level of foreign uncollectable receivables was reported as 10%, in line with the overall survey average.

Percentage of domestic and foreign receivables that were uncollectable



Basis: interviewed companies from respective countries (that sell products or services abroad)

Customers' payment behaviour by business sectors

Average payment duration and average payment delay – Belgian respondents across most business sectors exhibited about the same average domestic payment duration (around 25 days). The manufacturing and services sectors showed a relatively longer foreign payment duration (average 32 days), in contrast to the relatively short average foreign payment duration (nearly 15 days) in the financial services sector. The survey indicated that wholesale/retail trade/ distribution sectors experienced relatively higher average payment delays.

Main reasons for payment delay from customers - The most frequently reported reason by Belgian respondents for domestic payment delays in the manufacturing sector and for foreign payment delays in the wholesale/retail trade/distribution sector (45% of respondents in both cases) was an insufficient availability of funds. In the financial services sector the complexity of the payment procedure and inefficiencies of the banking system were the most cited reasons (over 40% of respondents), attesting to the specialised nature of the product.

Meanwhile customer dissatisfaction over quality of goods delivered or service provided was reported as a relatively more frequent reason in the manufacturing sector for domestic delays and in the wholesale/retail trade/distribution sector for foreign delays (over 20% in both cases). While this could suggest dissatisfaction with the quality of the products or services delivered, it could also suggest that the buyer is stalling payment as a result of its own cash flow issues.

Past due invoices – Very few distinguishing trends were noted, save for the services sector's slightly higher percentage of domestic past due invoices (over 35%).

Uncollectable receivables - The financial services sector in Belgium exhibited a larger percentage of uncollectable receivables (nearly 20%) than the other business sectors surveyed. This was a very significant proportion, whose ill-effects for the sector might have been avoided via credit insurance or another form of risk mitigation.

Customers' payment behaviour by business size

Average payment duration and average payment delay – Examined by sector, Belgian micro-enterprises exhibited the shortest average payment duration (of around 20 days), as is often the norm with the smallest businesses. Large Belgian enterprises in the survey showed a relatively longer average domestic payment duration, while medium sized enterprises reported a relatively longer average foreign payment duration.

Main reasons for payment delay from customers – Insufficient availability of funds was the most frequently reported reason for domestic payment delays by large Belgian enterprises (45% of respondents) and also for foreign payment delays by micro-enterprises (over 40%). Customer dissatisfaction over quality of goods delivered or service provided was the most frequently cited reason by SMEs (over 20% of respondents), while inefficiencies of the banking system was highlighted most regularly by large enterprises (over 25%). Micro-enterprises reported complexity of the payment procedure more frequently than any other reason (over 35%).

Past due invoices – Large enterprises in Belgium had a relatively high percentage of past due invoices (over 35%) compared to large enterprises in the other countries surveyed, where the average percentage of past due invoices ranged from 20% to 35%.

Uncollectable receivables - Large enterprises in Belgium reported a larger percentage of uncollectable receivables (over 15%) than the micro-enterprises and SMEs in Belgium. Smaller companies have a tendency to address their outstanding payments with greater urgency than their larger peers.

Cash inflow monitoring – DSO trend

- Belgium's DSO figure mirrors a sizeable level of delinquent invoices
- This is not significantly mitigated by regular discounting of early payments

Average DSO - The average DSO reported by respondents in Belgium was 30 days. Taken in the context of the average payment terms of 27 days, this reflects a fairly high percentage of delinquent invoices (around 30% of both domestic and foreign invoices) and a low acceptance rate for early payment discounts, which adds to the average time it takes enterprises to convert their credit sales into cash.

DSO trend - Over the past year, nearly 80% of Belgian respondents reported that they did not experience a change in DSO, slightly higher than the overall survey average (75%). However, if a change was experienced, it was mostly an increase in DSO (over 15% of respondents), amounting to an average of 11 days. The most frequently reported reason for a rise in DSO was an increase in past due invoices (more than 70% of respondents). In order to reduce DSO, the same percentage of respondents reported having increased the frequency of their dunning (outstanding invoice reminders) to improve cash flow. This reflects the sizeable proportion of delinquent customers, as shown by the 30% or so of both domestic and foreign invoices which were reported as past due. Around 70% of these were paid within one month of the due date.

Cash inflow monitoring – DSO trend by business sectors

Average DSO – Belgium's financial services sector showed a relatively high DSO (nearly 40 days) compared to the overall survey average of 28 days for the sector.

DSO trend - Over the past year, the greatest stability was reported in the wholesale/retail trade/distribution sector, in which more than 80% of respondents reported no change. Less stable was the manufacturing sector, which had the most frequent occurrence of an increase in DSO (20% of respondents: average 10 days). Throughout the survey overall, the manufacturing sector tended to have a relatively high percentage of respondents whose DSO increased. In Belgium, this was mainly due to a greater use of credit than in other sectors, in order to stimulate sales, which resulted in a larger amount of past due invoices. To reduce DSO, 83% of manufacturing companies increased dunning (81% in the survey overall), and more than 60% requested higher advance payments.

Cash inflow monitoring – DSO trend by business size

Average DSO - SMEs in Belgium reported a relatively shorter average DSO (30 days) than their survey peers (42 days) from other countries.

DSO trend - Over the past year, micro-enterprises had the most stable DSO levels (90% of respondents reporting no change), mirroring the wider survey experience of the segment. A different picture prevailed at large Belgian enterprises, where a higher percentage of respondents experienced an increase (over 30% of respondents: average 20 days), again reflecting the wider survey picture. The SME segment, which was the most frequent user of trade credit to stimulate sales, especially to foreign buyers (see above), had a higher percentage of outstanding receivables and a higher DSO. 80% of Belgian SMEs responded by increasing the frequency of their dunning.

Denmark 2.2

Conclusions

"Business default has risen to unprecedented levels in Denmark in recent years reflecting an open economy that was hit hard by the recession. Result was that most companies experienced a significant loss of business volume resulting in poor results. Although default numbers are now slightly decreasing they will continue at a high level for some time to come. This situation has resulted in significant increase in risk awareness and a higher focus on credit management in general in most companies."

Erik Skovgaard Nielsen, Country Manager Denmark

Although Denmark's average DSO increased slightly over the past year, it sits 10 days below the overall survey average, characterising a market that stands out for the credit management discipline exercised by its businesses. The Danish respondents reported the second shortest average payment term across the surveyed EU countries, driven primarily by the observance of company standard terms. This facilitated prompt payment times – within the wider survey context – and a limited amount of early payment discounts.

In Denmark, around half of the sales to domestic and foreign customers are transacted on a credit basis, but the key drivers for credit terms are establishing trade relationships and pushing sales growth. Where payment delays were experienced, no key determinants prevailed. Foreign payments took longer than domestic payments to flow through, but this again mirrors the broader experience of the EU businesses surveyed. Denmark's bottom line is a very low percentage of uncollectable receivables, attesting to a payment culture where local companies stay in comparative control of their receivables.

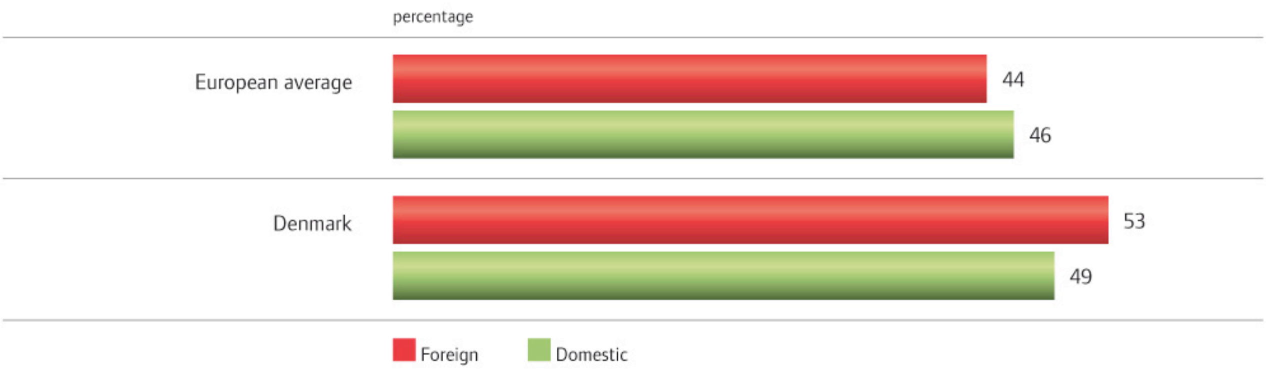
Core results overview

Use of trade credit

- Around half of the sales to domestic and foreign customers were on a credit basis
- The key drivers for credit terms were establishing trade relationships and pushing sales growth

Sales on credit terms – Danish respondents were almost equally likely to sell on credit terms to both domestic (49%) and foreign (53%) customers. The percentage of domestic credit sales was fairly close to the overall survey average (46% domestic), whereas that of foreign credit sales was noticeably higher than the corresponding overall survey average (44% foreign). This suggests that Danish survey respondents, who tended not to discriminate between their domestic and foreign customers when granting trade credit, were, on average, more credit friendly with foreign buyers than the other countries surveyed.

Percentage of sales made on credit terms



Basis: interviewed companies from respective countries (that sell products or services abroad)

Trade credit supply determinants – For nearly 50% of Danish respondents, the key reason for granting trade credit to customers was the establishment of long-term trade relationships, Further emphasising the commercial perspective of Danish respondents, 20% of the respondents ranked the promotion of sales growth as the most important reason for granting trade credit to customers. The establishment of long-term trade relationships as well as the promotion of sales growth were also ranked as the second most important reasons for granting trade credit by 30% of the respondents. The percentage of respondents who ranked the promotion of sales growth as the second most important reason for granting trade credit climbed to 36%. This suggests that the creation and retention of trade relations is relatively more important to Danish businesses than financial reasons, as reinforced by the finding that less than 15% of respondents granted trade credit mainly as a source of short term finance.

Use of trade credit by business sectors

Sales on credit terms – The manufacturing and the wholesale/retail trade/distribution sectors were, on average, the most likely to sell on credit terms to customers (on average more than 55% of respondents). The manufacturing sector was more inclined to sell on credit terms to foreign customers, whereas the wholesale/retail trade/distribution sector sold more on credit terms to domestic customers.

Trade credit supply determinants – As per the overall country indication, both the manufacturing and wholesale/retail trade/distribution sectors showed up as equally likely to grant trade credit to establish long term relations with customers as well as to promote sales growth (55%). Although commercial reasons prevailed over financial determinants, around 25% of respondents in the manufacturing sector in Denmark granted trade credit to customers mainly as a source of short term finance.

Use of trade credit by business size

Sales on credit terms – From a business size perspective, SMEs in Denmark were relatively more likely to sell on credit terms to customers than micro- and large enterprises (around 55% of SME sales are on credit terms), and also set the longest payment terms of any sector.

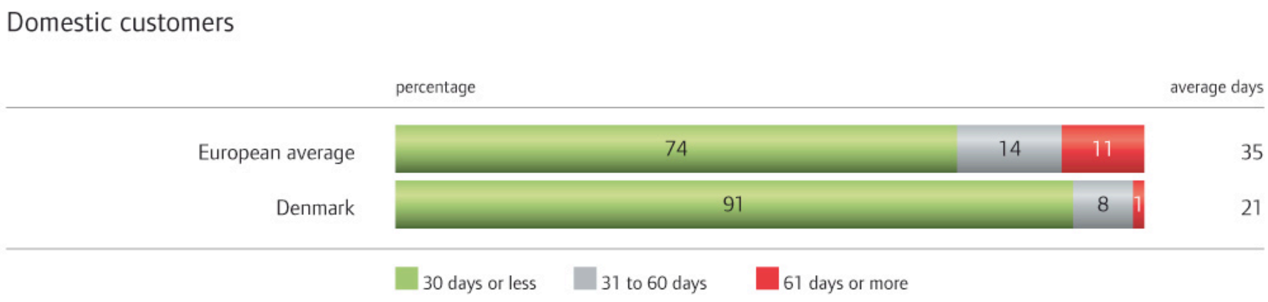
Trade credit supply determinants – Promotion of sales growth was the most important reason for Danish SMEs to grant trade credit to foreign customers, explaining the above observation. Large enterprises were mainly keen on granting trade credit to customers to establish long-term trade relations.

Credit management practices

- Denmark has the second shortest average payment term observed of EU countries surveyed
- Company standard terms were the most important influence on payment terms
- A low percentage of respondents offering early payment discounts mirrors the short payment terms

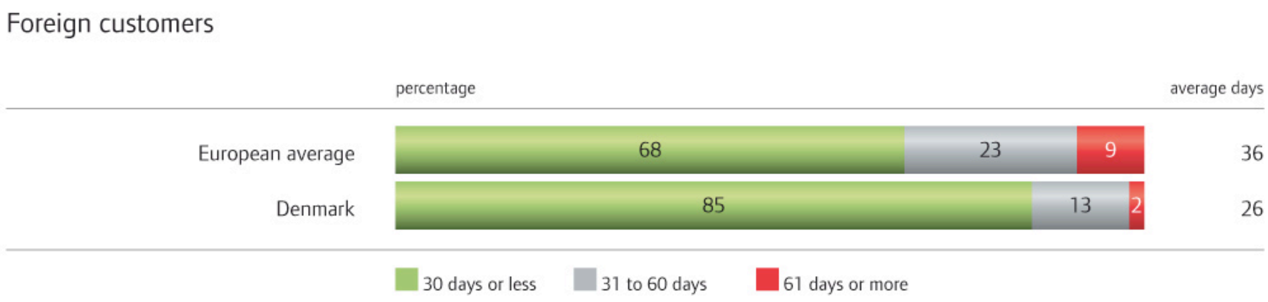
Average payment term – Survey respondents in Denmark reported an average term of 22 days to receive payment for their products and services. This was the shortest average payment term of all the EU countries surveyed (overall survey average: 34 days). Danish respondents, on average, set longer payment terms for foreign customers (average: 26 days) than for domestic customers (average: 21 days), signalling that Danish exporters tend to offer terms more consistent with the local standards customary in the country of their buyer.

Payment term in days for domestic customers



Basis: interviewed companies from respective countries

Payment term in days for foreign customers



Basis: interviewed companies from respective countries, that sell products or services abroad

Payment terms determinants – The most reported determinants of both domestic and foreign payment terms for Danish respondents were **company standard payment terms** (around 40% of respondents), followed by **trade relationship with the customer** (30%).

Early payment discounts – Early payment discounts were offered by 23% of Danish respondents. Of the countries surveyed, only respondents in the Netherlands (15%) and Sweden (20%) were less inclined to incentivise early payment. On average, a larger proportion of domestic customers took advantage of early payment discounts than foreign customers. This observation goes hand in hand with the relatively short average payment span reported in Denmark.

Credit management practices by business sectors

Average payment term – The wholesale/retail trade/distribution sector exhibited a relatively longer domestic payment term (average 23 days) than the other sectors surveyed. The manufacturing sector also exhibited a relatively longer domestic payment term (average 33 days) than the other sectors surveyed, aligning with the overall average of this sector across the overall survey.

Payment terms determinants – Company standard payment terms were the most reported domestic payment terms determinant in the services sector (50% of respondents) and the most reported foreign payment terms determinant in the manufacturing sector (40% of respondents). Trade relationship with the customer was cited as the most influential overall payment terms determinant in the wholesale/retail trade/distribution sector (around 45% of respondents).

Early payment discounts – Early payment discounts were most regularly offered by Danish respondents from the manufacturing sector (39% of respondents). This aligns with the wider overall survey finding that the manufacturing sector was the most likely to offer discounts, and reflects this sector's desire to shorten payment times, improve cash flow and reduce DSO, which is the longest of any sector.

Credit management practices by business size

Average payment term – The longest payment terms in Denmark were set by SMEs (average 26 days).

Payment terms determinants - Company standard payment terms was a relatively less frequently reported domestic payment term determinant by large enterprises (around 20% of respondents) and the most frequently reported domestic payment terms determinant by micro-enterprises (more than 50% of respondents). The influence of company standard payment terms was also seen as the key foreign payment terms determinant across all the business segments. For SMEs, trade relationship with the customer was the most frequently reported overall payment terms determinant.

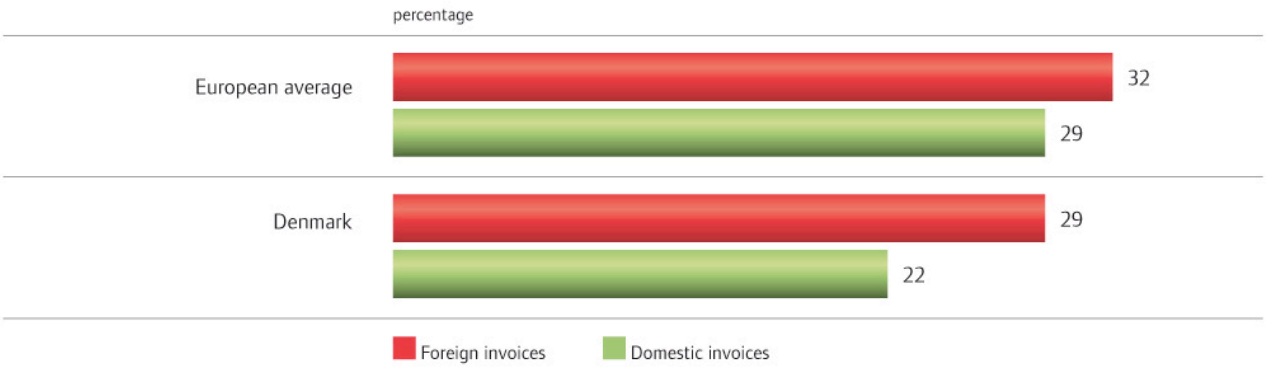
Early payment discounts – 45% of Danish respondents from large enterprises indicated that they offer early payment discounts. This ties in with the greater flexibility larger companies might be able to maintain in their credit management practices, and with the likelihood that they are managing a higher volume of receivables.

Customers' payment behaviour

- Danish companies are paid promptly within the overall survey context
- The receipt of foreign payments takes longer than domestic payments
- Delay determinants are mixed
- The percentage of uncollectable receivables is very low

Average payment duration and average payment delay – The average payment duration in Denmark was 23 days, mirroring the country's relatively prompt payment culture. Along with Germany, this was the shortest average payment duration of all the EU countries surveyed. A comparison with the average payment term in Denmark evidenced that Danish respondents received an average of 81% of domestic payments and 66% of foreign payments within a range of 10 days earlier than the average due date to 10 days later, aligning quite closely with the overall survey findings. Within this time span, a sizeable proportion of payments were received, on average, 1 day later than the average payment term. As a consequence of the longer payment terms in other countries, on average, payments from foreign customers were received later than those from domestic customers.

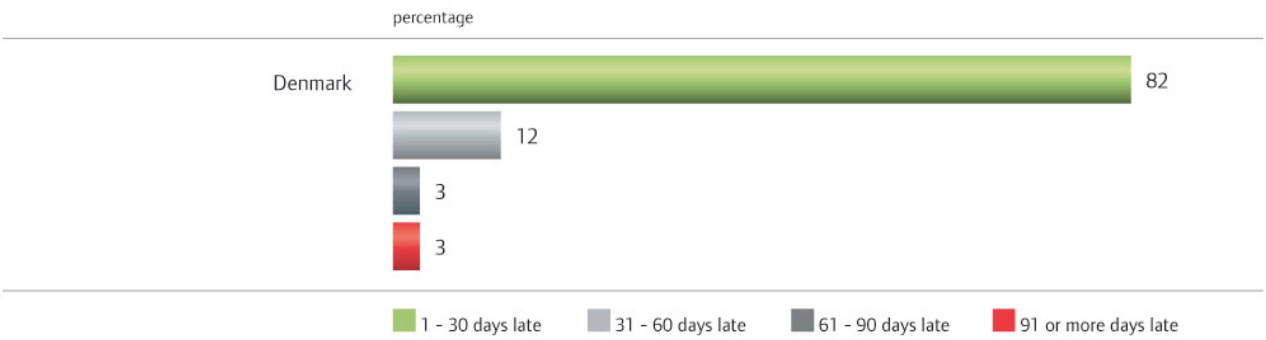
Percentage of domestic and foreign invoices that are paid after the due date



Basis: interviewed companies from respective countries (that sell products or services abroad)

Main reasons for payment delay from customers – The most reported reason for delayed payment from the domestic customers of Danish companies (nearly 29%) was *insufficient availability of funds*. The most reported reasons for payment delays from foreign customers were *inefficiencies of the banking system* and *complexity of the payment procedure* (around 25%).

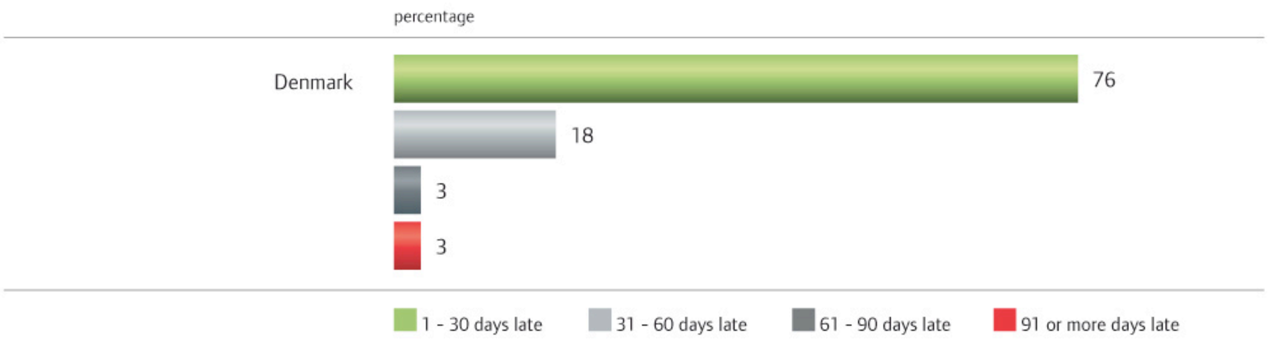
Percentage of domestic payments made after due date



Basis: interviewed companies from respective countries

Past due invoices - On average, 22% of domestic invoices and 29% of foreign invoices were paid after the due date. However a large majority of past due payments to Danish respondents were delinquent only for a week or two, as 66% of domestic and 55% of foreign past due invoices were paid between 1 day to 15 days after the due date.

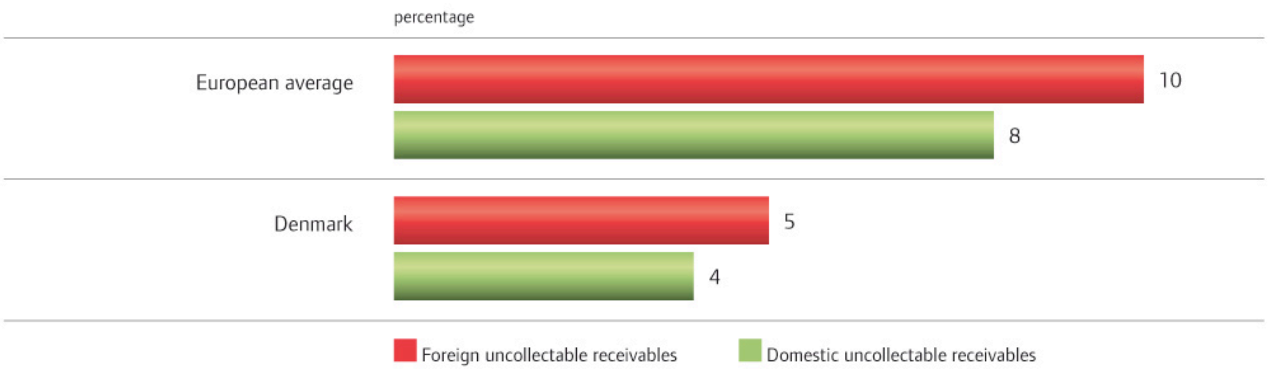
Percentage of foreign payments made after due date



Basis: interviewed companies from respective countries that sell products or services abroad

Uncollectable receivables – On average, the percentage of uncollectable receivables in Denmark did not exceed 5% of total accounts receivable, which may have been helped by the prompt domestic payment environment.

Percentage of domestic and foreign receivables that were uncollectable



Basis: interviewed companies from respective countries (that sell products or services abroad)

Customers' payment behaviour by business sectors

Average payment duration and average payment delay – The wholesale/retail trade/distribution sector exhibited the longest average payment duration (25 days) across the business sectors surveyed. The manufacturing sector stood out for the longest average foreign payment duration (40 days) by quite some way. More than 80% of the domestic invoices in the manufacturing and services sectors and more than 80% of the foreign invoices in the financial services sector were paid in a range of 10 days earlier than the average due date to 10 days later than the average due date.

Main reasons for payment delay from customers – *Insufficient availability of funds* was cited most frequently as the key reason for payment delays in the wholesale/retail trade/distribution sector. *Inefficiencies of the banking system* and *complexity of the payment procedure* were the most frequently cited factors in the financial services sector.

Past due invoices – The wholesale/retail trade/distribution sector showed the highest relative percentage of past due invoices (nearly 30%). The Danish manufacturing sector showed the highest percentage of foreign past due invoices (25%), a sizeable proportion of which (40%)

were paid up to 45 days after the due date. This is likely to bear some relation to the longer cash conversion cycles that characterise this sector.

Uncollectable receivables - The financial services sector reported the highest percentage of uncollectable receivables (over 10%).

Customers' payment behaviour by business size

Average payment duration and average payment delay – Danish SMEs exhibited the highest average payment duration (30 days) from foreign customers. This translated into higher average payment delays in comparison to micro-enterprises and large enterprises.

Main reasons for payment delay from customers – SMEs reported insufficient availability of funds as the most regular driver for payment delays from domestic customers, while large enterprises cited this as the primary reason for payment delays from foreign customers. Inefficiencies of the banking system and complexity of the payment procedure were cited by respondents from large enterprise as the main reasons for both domestic and foreign payment delays, the latter slightly less frequently.

Past due invoices – Large enterprises in Denmark experienced a relatively higher percentage of foreign past due invoices (average 42%) which lengthened the cash conversion cycle. More than 35% of these invoices were paid up to 45 days after the due date, leaving a much larger proportion to be chased.

Uncollectable receivables - Large enterprises exhibited a relatively higher percentage of uncollectable receivables (more than 10%).

Cash inflow monitoring – DSO trend

- Denmark's DSO increased slightly over the past year
- The average DSO was 10 days shorter than the overall survey average

Average DSO - The average DSO reported by respondents in Denmark was 29 days, well below the overall survey average of 39 days. A comparison with the average (22 days) Danish payment term suggests that a sizeable proportion of customers were delinquent when paying invoices, which is consistent with the above finding that well over 20% of invoices were paid after the due date, The result was a high proportion of long outstanding accounts receivables, adding to the average time it takes businesses to convert their credit sales into cash.

DSO trend - Over the past year, 83% of the Danish respondents did not experience a change in their DSO. If a change was experienced, it was most likely an increase in DSO (more than 10% of respondents), which, was on average, 5 days. For 7 out of 10 respondents, this was caused primarily by an increase in past due invoices. To reduce DSO, 55% of the Danish respondents reported that they increased the frequency of dunning (outstanding invoice reminders).

Cash inflow monitoring – DSO trend by business sectors

Average DSO – The Danish manufacturing sector reported the highest average DSO (37 days) of all the business sectors surveyed. This finding might explain why early payment discounts were predominantly offered by respondents from the manufacturing sector (39% of respondents).

DSO trend - Over the past year, the manufacturing sector experienced a larger increase in its average DSO (7 days), than the other business sectors surveyed. The rise in DSO was predominantly driven by an increase in past due invoices. Respondents tried to reduce DSO by increasing the frequency of dunning (outstanding invoices reminders). This approach was reported most frequently by respondents from both the manufacturing and the wholesale/retail trade/distribution sectors.

Cash inflow monitoring – DSO trend by business size

Average DSO - Large enterprises reported the highest average DSO (40 days) when the survey results were segmented by business size. An influential factor in this respect was likely to have been a relatively high percentage of foreign past due invoices (42%) that lengthened the cash conversion cycle. The finding that 45% of respondents from large enterprises offered early payment discounts suggests that large Danish companies have taken actions to reduce their DSO.

DSO trend - The trend has been relatively more stable over the past year for large enterprises than for SMEs who more frequently experienced an increase in DSO. An increase in the frequency of dunning was reported predominantly by the small Danish enterprises surveyed.

France 2.3

Conclusions

“The current recovery, although modest, appreciably impacts the working capital requirements of companies and is confirmed by an increase in payment terms. The implementation of European legal payment terms, inspired by the French Law of Economic Modernisation, should nevertheless allow a decrease in payment terms in the coming months. However, as it was noticed in France, this decrease in payment terms could result in an increase in payment defaults and insolvencies. Payment terms assert themselves, more than ever, as a key element of the companies’ strategy of development and of the problems of financing accounts receivable.”

Christophe Cataldo - Risk Services Executive Manager Atradius France

The relatively low appetite for granting trade credit among French respondents may be based in a somewhat high percentage of delinquent invoices. Although the average DSO was below the overall survey average, and around half of French vendors were paid within the 10 days either side of the due date, about 30% of respondents’ invoices were delinquent, DSO levels increased slightly, and around 10% of invoices were uncollectable. As with most surveyed EU markets, lack of customer funds was the most important determinant of payment delays, and French respondents were generally unable to mitigate this with early payment discounts, dunning or collections activities. An improvement in the French economy will be required to mitigate the most negative of these patterns.

Commercial imperatives drove the decision to sell on credit of many of the French respondents. Competition also appeared to be more of a driver in France than other surveyed countries. French companies were inclined to set longer terms for their foreign customers, and the financial services sector was one of the most active users of trade credit, both to extend its customer base and to provide stopgap financing for customers.

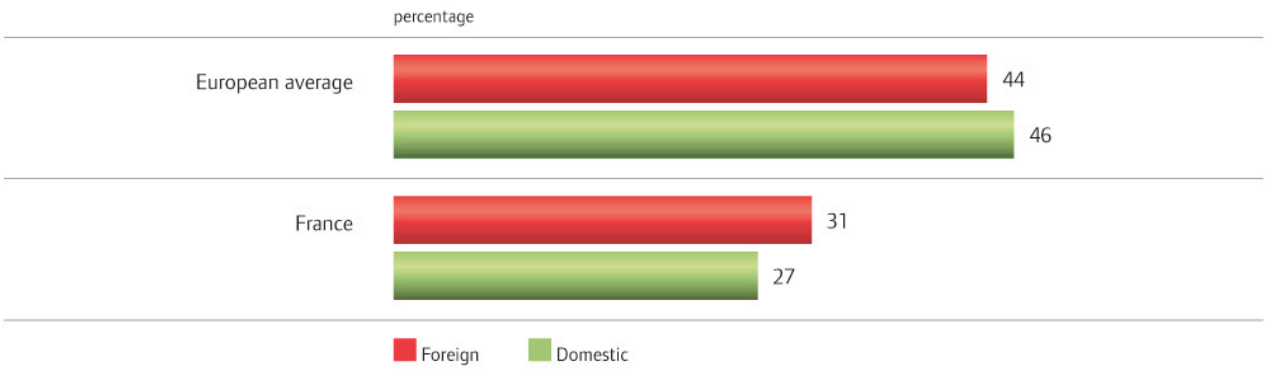
Core results overview

Use of trade credit

- French businesses showed a comparatively low appetite for granting trade credit
- Commercial imperatives drove many decisions to sell on credit

Sales on credit terms – French companies showed one of the lowest appetites for trade credit in the survey. An average of 27% of domestic sales and 32% of foreign sales were reported to have been made on credit terms by French respondents. This puts France within a group of countries (see Executive Summary comments on Belgium, Denmark, France, Great Britain and Sweden) where businesses showed little variation between the percentage of domestic and foreign customers that purchased on trade credit terms.

Percentage of sales made on credit terms



Basis: interviewed companies from respective countries (that sell products or services abroad)

Trade credit supply determinants – In line with what was observed overall, 45% of French respondents said the key determinant of their decisions to grant trade credit to customers was to establish long-term trade relations. Another important commercial reason cited was the promotion of sales growth (20% of respondents). Almost the same proportion (slightly more than 20%) reported granting trade credit as a source of short term buyer finance, aligning again in each case with overall survey findings. Moreover the establishment of long-term trade relations and promotion of sales growth both ranked as the second most important reason for granting trade credit by an average 30% of respondents. Around 10% of respondents reported that the most important reason for granting trade credit is to allow customers time to confirm the quality of the product before payment. This percentage also echoed that of the overall survey.

Use of trade credit by business sectors

Sales on credit terms – Respondents in France's financial services sector showed relatively more inclination to sell on credit terms to customers (more than 35%) than the other surveyed sectors. This would appear to align with that sector's credit-driven ethos.

Trade credit supply determinants – Establishing long-term trade relations and providing a form of short term finance were reported as the most important reasons for extending trade credit in the financial services sector. It was observed that the wholesale/retail trade/distribution sector was relatively more inclined to grant trade credit to promote sales growth. France's services and manufacturing sectors cited both the promotion of sales growth and establishing long-term trade relations as their second most important reasons for granting trade credit.

Use of trade credit by business size

Sales on credit terms – From a business size perspective, over 30% of sales by French SMEs were made on credit terms, which may have helped to stimulate their sales volumes.

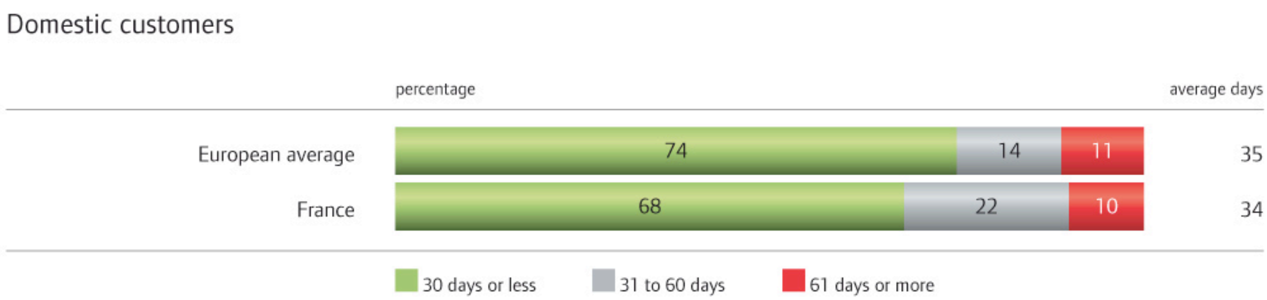
Trade credit supply determinants – Our survey indicated that large French enterprises had strong commercial reasons for their decisions to grant trade credit. Establishing long-term trade relations and promoting sales growth were cited as the key determinants by over 50% of respondents in this segment, where a further 35% prioritised trade credit for its role as a source of short term buyer finance.

Credit management practices

- Payment terms and the level of early payment discounts closely followed the overall survey averages
- French companies were inclined to set longer terms for their foreign customers
- Competition appeared to be more of a driver in France than other surveyed countries

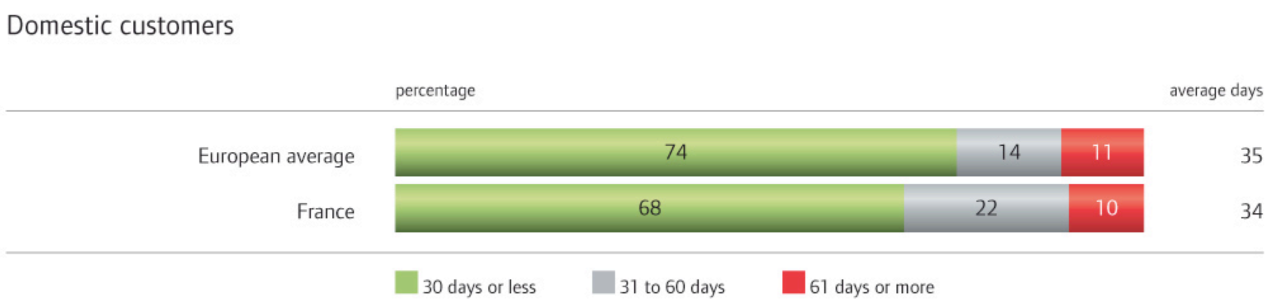
Average payment term – The average payment term in France was 35 days, just one day outside the overall survey average (34 days). French respondents set longer payment terms for foreign customers (45 days) than for domestic customers (34 days). With the exception of Spain and Italy, this was the 'modus operendi' throughout the survey. However the average foreign payment term sat at the long end of the scale, equal to that observed in Spain, and just 1 day less than the average foreign payment term set by Italian respondents (46 days).

Payment term in days for domestic customers



Basis: interviewed companies from respective countries

Payment term in days for foreign customers



Basis: interviewed companies from respective countries, that sell products or services abroad

Payment terms determinants – The most reported determinant of domestic payment terms was the trade relationship with the customer (37% of French respondents). Industry standard terms was the second most reported determinant of domestic payment terms (over 35%), while the second most reported determinant of foreign payment terms was competition (over 35%). This showed France as one of the few surveyed countries where competition was cited as a major determinant of payment terms.

Early payment discounts - Although early payment discounts were offered by nearly 40% of French respondents, only around 20% of customers took advantage of early payment discounts. Both figures fell in line with the overall survey averages.

Credit management practices by business sectors

Average payment term – French manufacturers set the longest overall payment terms, averaging 50 days, reflecting this sector's relatively longer cash conversion cycle. In respect to foreign payment terms, manufacturers were joined by the services sector, in setting the longest foreign payment terms of the French respondents. The average of 50 days terms was 5 days longer the average.

Payment terms determinants – France's financial services sector set payment terms most frequently on the basis of their trade relationship with the customer (over 40% of respondents). The most reported determinant within the manufacturing sector was industry standard payment terms (40%), while respondents in the wholesale/retail trade/distribution sectors cited competition as their key determinant.

Early payment discounts – Discounts for early payment were offered most regularly by the financial services sector (more than 70% of respondents). This very high level may be linked to this sector's inclination to secure payment before its receivables become uncollectable (see below). Respondents reported the highest acceptance rates from domestic customers in the services sector (24%) and foreign customers in the wholesale/retail trade/distribution sector (32%).

Credit management practices by business size

Average payment term – Large enterprises reported setting relatively longer payment terms (beyond 45 days on average) than micro-enterprises and SMEs (35 days and beyond 35 days respectively).

Payment terms determinants - France's micro-enterprises set payment terms more frequently on the basis of their trade relationship with the customer (over 60% of respondents). For medium-sized/large enterprises, this determinant was reported as the most important by over 40% of respondents. Large enterprises most frequently cited industry standard payment terms as the key determinant of domestic payment terms (over 55% of respondents), and competition as the most important foreign payment term determinant (more than 35%). All of these trends – as well as the absence of credit capacity of the customer as a regularly reported determinant - indicate that commercial factors underpin the setting of payment terms in France.

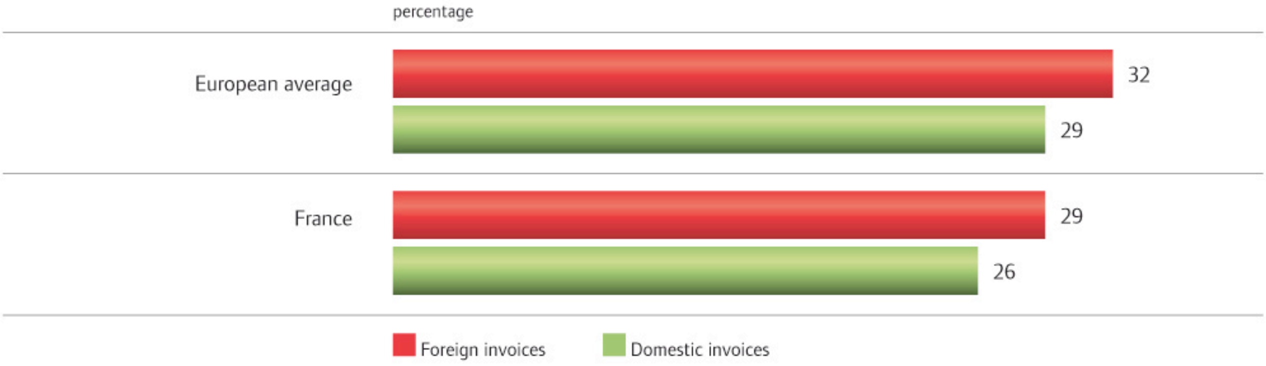
Early payment discounts – Discounts for early payment were offered most regularly by medium sized/large enterprises (over 55% of respondents). A reported acceptance rate of around 30%, particularly from foreign customers, may have helped to reduce costs in collecting overdue receivables.

Customers' payment behaviour

- Around half of French vendors were paid within the 10 days either side of the due date
- Lack of customer funds was the most important determinant of payment delays
- About 30% of respondents' invoices were not paid by the due date
- Uncollectable receivables levels mirrored the overall survey average

Average payment duration and average payment delay – The average payment duration reported in France was 29 days. This indicated that French respondents received an average of 55% of domestic payments and an average of 48% of foreign payments between 10 days earlier to 10 days later than the average due date. This was in line with the findings of the survey overall. Within this time span, a sizeable proportion of payments were received 5 days earlier than the average payment term.

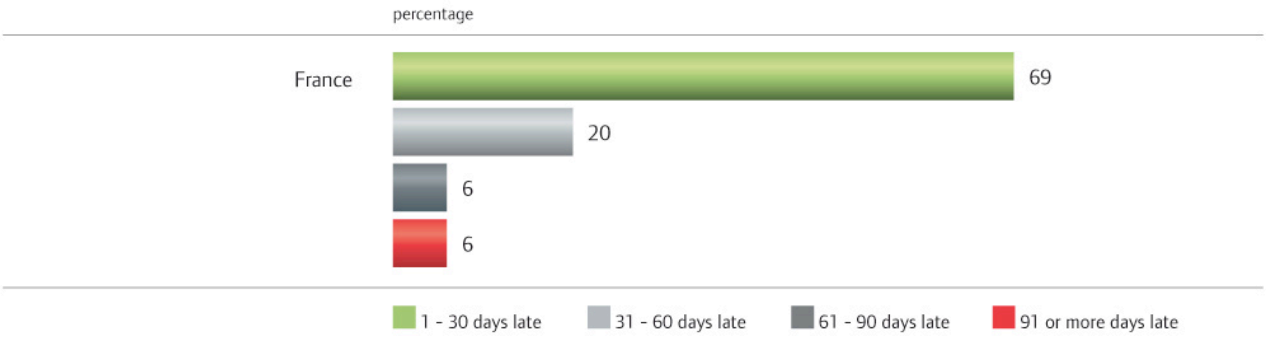
Percentage of domestic and foreign invoices that are paid after the due date



Basis: interviewed companies from respective countries (that sell products or services abroad)

Main reasons for payment delay from customers – Insufficient availability of funds was the most reported reason for payment delays from both domestic and foreign customers (around 40% of respondents). This mirrors the prevalence of economic problems in both France and other surveyed EU markets. The second most reported reasons for payment delays, particularly from foreign customers, were complexity of the payment procedure and inefficiencies of the banking system (35% each).

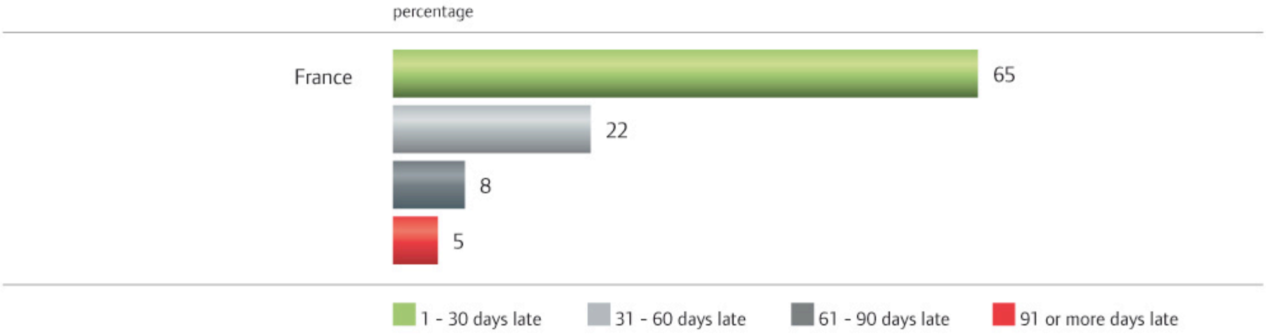
Percentage of domestic payments made after due date



Basis: interviewed companies from respective countries

Past due invoices - Respondents in France reported about 30% of both domestic and foreign invoices as delinquent. Some 70% of domestic invoices were paid within one month of the due date, with over 50% of these payments received during the first 15 days after the due date. Around 20% were paid 30-90 days after the due date. Around 65% of foreign invoices were paid within one month of the due date, with some 45% of these paid in the first 15 days of delinquency. Around 20% were paid 30-90 days after the due date.

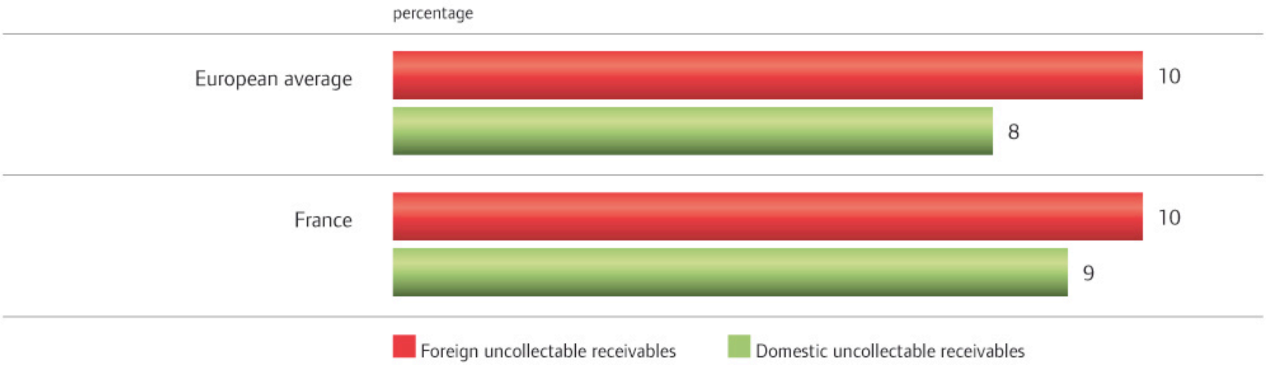
Percentage of foreign payments made after due date



Basis: interviewed companies from respective countries that sell products or services abroad

Uncollectable receivables – The level of uncollectable domestic receivables was reported by French respondents at less than 10%. Foreign uncollectable receivables comprised 10% of the total receivables, in line with the overall survey average.

Percentage of domestic and foreign receivables that were uncollectable



Basis: interviewed companies from respective countries (that sell products or services abroad)

Customers' payment behaviour by business sectors

Average payment duration and average payment delay – Analysed by sector, French respondents in the manufacturing business reported the longest average payment duration from customers (more than 45 days), reflecting the sector's longer cash conversion cycle. The services sector received domestic payments on average earlier than the other business sectors, a trend seen regularly across the survey. The financial services sector received foreign payments earlier than the other business sectors surveyed.

Main reasons for payment delay from customers – The most frequently reported reason for domestic payment delays came from France's financial services sector, where insufficient availability of funds was cited by more than 55% of respondents. Complexity of the payment procedure was the most regularly reported reason for foreign payment delays in financial services, and for domestic payment delays in the manufacturing sector. The most regular determinant of foreign payment delays in the manufacturing sector was reported as inefficiencies of the banking system.

Past due invoices – France's wholesale/retail trade/distribution and financial services sector respondents experienced a relatively high percentage of past due invoices (more than 35%). A relatively low proportion of domestic past due invoices (around 20%) was reported by the French manufacturing and services sector respondents.

Uncollectable receivables – The financial services sector in France had a larger percentage of foreign uncollectable receivables (10%) than the other business sectors surveyed, despite a high incidence of offers of early payment discounts in an effort to mitigate this problem.

Customers' payment behaviour by business size

Average payment duration and average payment delay – Mirroring the shorter payment terms characteristic of the smallest companies throughout the overall survey, French micro-enterprises reported the shortest average payment duration (around 20 days) across all of the size segments. Large enterprises in France experienced the highest average duration (around 40 days).

Main reasons for payment delay from customers – The most noticeable observation reported was that large French enterprises experienced domestic payment delays due to insufficient availability of funds more frequently than other sectors (45% of respondents). This reason was also cited by over 40% of micro-enterprises as the most frequent driver of their foreign payment delays (over 40%). Other frequently reported reasons for delays, especially from foreign customers, included the complexity of the payment procedure and inefficiencies of the banking system.

Past due invoices – Large enterprises exhibited the highest percentage of past due invoices (over 35%, above the overall survey average ranging from 20% to 35%).

Uncollectable receivables - Respondents from medium-sized and large enterprises reported a relatively high percentage of domestic uncollectable receivables. Small enterprises showed a relatively high percentage of foreign uncollectable receivables.

Cash inflow monitoring – DSO trend

- France's DSO was lower than the overall survey average
- DSO levels increased slightly, driven by a rise in the use of trade credit

Average DSO - The average DSO reported by respondents in France was 33 days, below the overall survey average of 39 days. However when compared to the average payment term in France (29 days), it appears that a significant percentage of customers were delinquent when paying invoices. This is reinforced by the finding above that around 30% of both domestic and foreign invoices were reported as past due. Furthermore when linked with the relatively low conversion rate of early payment discount offers in France, the outcome is an extension of the average time it takes enterprises to convert their credit sales into cash.

DSO trend - Over the past year, nearly 80% of the surveyed French respondents reported that they did not experience a change in DSO. Where a change was experienced, it was mostly an increase in DSO (nearly 20% of respondents), which amounted, on average, to 7 days. This trend was in line with the average survey findings. French respondents' most regularly reported reason for DSO increases was a rise in the use of trade credit to stimulate sales. This translated into an increased level of past due invoices (more than 70% of the respondents who experienced an increase in DSO). Attempts to reduce DSO by French respondents were dominated by the increased frequency of dunning (outstanding invoice reminders), as well as the offer of discounts for early payment of invoices (over 70% of respondents who experienced an increase in DSO).

Cash inflow monitoring – DSO trend by business sectors

Average DSO – The highest level of DSO reported was in the French manufacturing sector (over 40 days), a trend replicated in many surveyed countries.

DSO trend - Over the past year, France's services sector showed a relatively more stable DSO (more than 85% of respondents reported no change) than other sectors, as was the case for the wider survey. DSO was reported as most unstable in the financial services sector, where approximately 20% of the survey respondents experienced a DSO increase of an average 8 days. Underpinning these trends was a rise in past due invoices among 60% of all survey respondents in France. To reduce DSO, an increase in dunning occurred across all the business sectors surveyed. It was observed that increased offers of discounts for early payment were offered mostly by the wholesale/retail trade/distribution sector (over 60%).

Cash inflow monitoring – DSO trend by business size

Average DSO - Large French enterprises recorded a relatively longer average DSO (average 40 days).

DSO trend - Over the past year, DSO was reported as relatively more stable in micro-enterprises (90% of respondents), but comparatively less stable in large enterprises which more frequently experienced an increase (around 25% of respondents) averaging less than one week. As a response to these trends, over 75% of French respondents that experienced an increase in DSO reported that they increased their use of outsourced collections services.

Germany 2.4

Conclusions

"The German "Mittelstand" (medium-sized enterprises) navigated through the crisis successfully and have risen out of it with healthy and strong liquidity. This is the result of the analysis of about 120,000 German balance sheets that has been analysed by the German Atradius risk experts. High levels of liquidity are also reflected in the acceptance of credit terms for usage as sales arguments. Usually no additional costs arise for the buyer. The results from the current payment practices survey support this trend: Most of the respondents assessed customer retention and the promotion of sales growth as the main reasons for granting trade credit for their customers".

Michael Karrenberg - Risk Services Director at Atradius for the region Germany, Central and Eastern Europe

The German companies surveyed exhibited a more robust approach to credit management than any other surveyed country, providing a solid underpinning for the continued growth of Europe's largest economy. Matched only by Denmark for the speed with which they receive payments, German businesses reported the lowest comparative DSO, and the lowest level of uncollectable receivables across the survey. Over 92% of all invoices were paid within one month of the due date, underpinned by a widespread use of early discounts that helped to accelerate cash flow. Germany's many foreign customers took an average 7 days longer to pay than their domestic equivalents, reflecting a survey-wide pattern.

Trade credit was widely used by German businesses, especially in a domestic context, and led on a sectoral basis by manufacturing companies, yet the German respondents reported setting the second shortest average payment term observed across the survey overall. Customer relationships showed up as the key influence on payment terms.

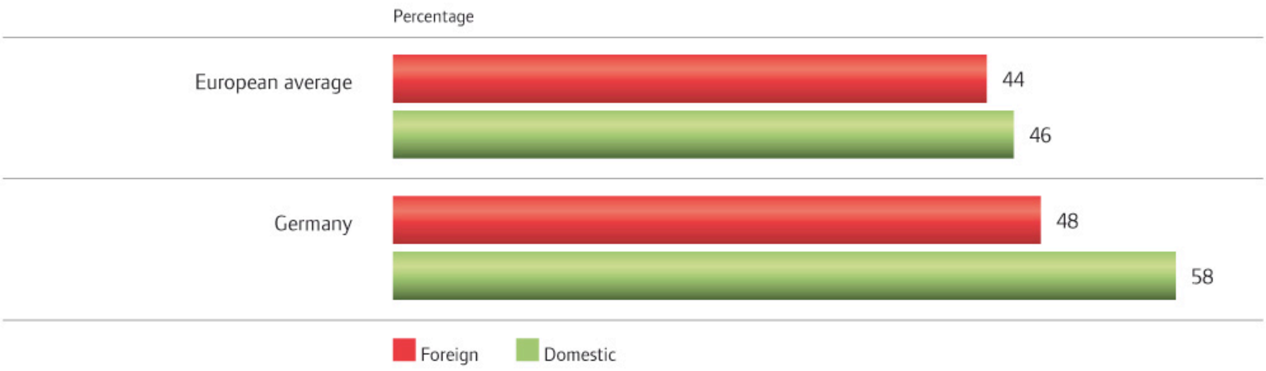
Core results overview

Use of trade credit

- Domestic sales made on credit outstrip foreign sales on this basis by 10%
- The predominant driver is the creation of long-term trade relationships

Sales on credit terms – German companies showed one of the highest appetites for credit-based transactions among the survey respondents. An average of 58% of domestic sales and an average of 48% of foreign sales were reported to have been made on credit terms. German respondents' greater inclination to sell on credit terms to domestic customers may reflect the strong payment morality in Germany. Credit-based sales to foreign customers would open a comparatively higher risk of late payment or payment default, potentially exerting a negative impact on profitability.

Percentage of sales made on credit terms



Basis: interviewed companies from respective countries (that sell products or services abroad)

Trade credit supply determinants – 51% of German respondents said that the most important reason for granting trade credit to customers was the establishment of long-term trade relations. 51% was the highest percentage of respondents of all those observed in the surveyed countries. This suggests that the establishment and retention of trade relations is relatively more important to German respondents than to the other survey respondents, some of whom may place more emphasis on customer acquisition. 30% of the German companies cited the promotion of sales growth as the most important determinant.

Use of trade credit by business sectors

Sales on credit terms – Germany's sizeable manufacturing sector was relatively more inclined to sell on credit terms than the other business sectors surveyed.

Trade credit supply determinants – The extension of trade credit to establish long-term trade relations was observed to be relatively more important to both the wholesale/retail trade/distribution and the services sectors in Germany. For the financial services sector, sales growth promotion was relatively more important.

Use of trade credit by business size

Sales on credit terms – From a business size perspective, SMEs in Germany were relatively more inclined to sell on credit terms to customers than micro-enterprises and large enterprises.

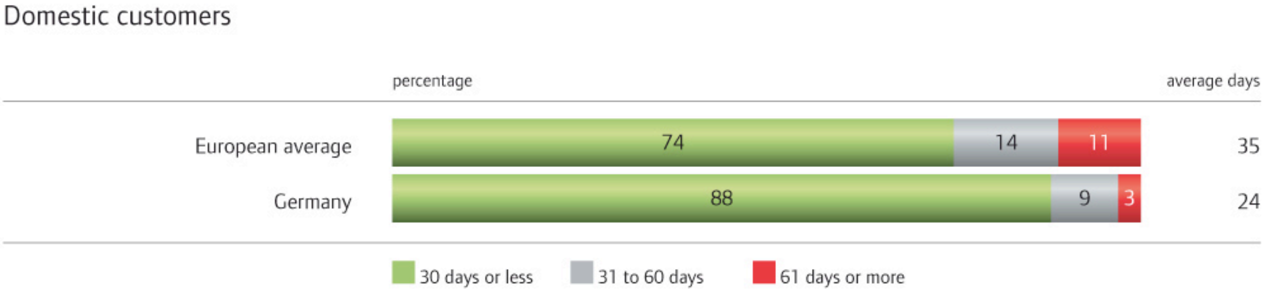
Trade credit supply determinants – Our survey indicated that the deployment of trade credit as a commercial tool was relatively more important to German micro-enterprises than to SMEs and large enterprises within the market.

Credit management practices

- Germany has the second shortest average payment term observed of the surveyed countries
- Customer relationships are the key influencer of payment terms
- Half of the German respondents offered early payment discounts

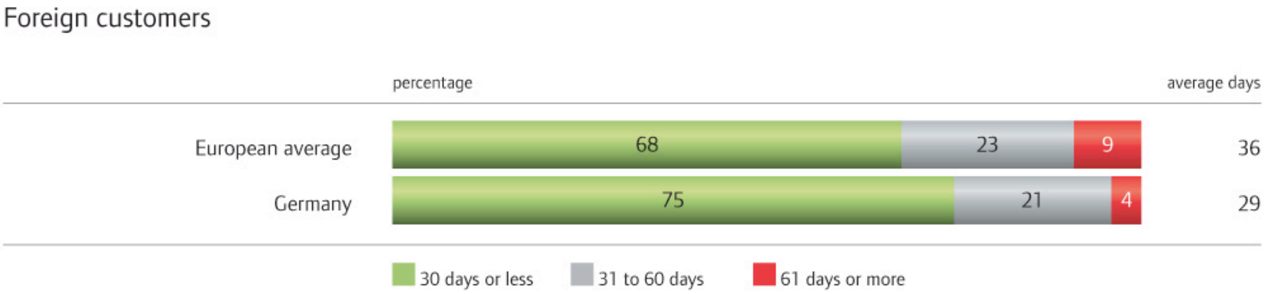
Average payment term – The average payment term in Germany was 24 days, marking the second shortest average payment term observed in the EU countries surveyed (overall survey average: 34 days). German respondents tended to set longer payment terms for foreign customers (30 days) than for domestic customers (24 days). This is probably a consequence of the local payment standards that are customary in other countries.

Payment term in days for domestic customers



Basis: interviewed companies from respective countries

Payment term in days for foreign customers



Basis: interviewed companies from respective countries, that sell products or services abroad

Payment terms determinants – The most reported determinant of domestic payment terms was trade relationship with the customer (63% of German respondents). The most reported determinant of foreign payment terms was the credit capacity of the customer (53%).

Early payment discounts - Early payment discounts were offered by 50% of German respondents. Around 30% of both domestic and foreign customers took advantage of them.

Credit management practices by business sectors

Average payment term – The manufacturing sector set relatively longer payment terms than the other German business sectors surveyed, mirroring the comparatively longer cash conversion cycle associated with this sector.

Payment terms determinants – Germany's financial services sector set payment terms more frequently on the basis of the credit capacity of the customer than on the trade relationship with the customer. This links strongly to the credit assessment process that underpins banking business.

Early payment discounts – Discounts for early payment were offered more frequently by the manufacturing sector. However, customers of respondents from the wholesale/retail trade/distribution sector took advantage of discounts more frequently than did customers of respondents from the other business sectors surveyed.

Credit management practices by business size

Average payment term – Large enterprises in Germany set relatively longer payment terms than micro-enterprises and SMEs.

Payment terms determinants - On average, payment terms were set on the basis of the credit capacity of the customer more frequently by German respondents from SMEs and large enterprises more frequently than by micro-enterprises. This is consistent with the overall survey finding that large enterprises assessed their buyers' credit capacity as the key determinant in shaping payment terms. For German micro-enterprises, the trade relationship with the customer was reported as the most important payment term determinant.

Early payment discounts – Discounts for early payment were offered more frequently by large enterprises (more than 55% of respondents) and less frequently by micro-enterprises (33%). Around 20% of both domestic and foreign customers took advantage of the discounts.

Customers' payment behaviour

- Germany is matched only by Denmark for the speed with which companies receive payments
- The level of uncollectable receivables is one of the lowest of the countries surveyed
- Foreign customers took an average 7 days longer to pay than domestic customers
- Over 92% of all invoices were paid within one month of the due date

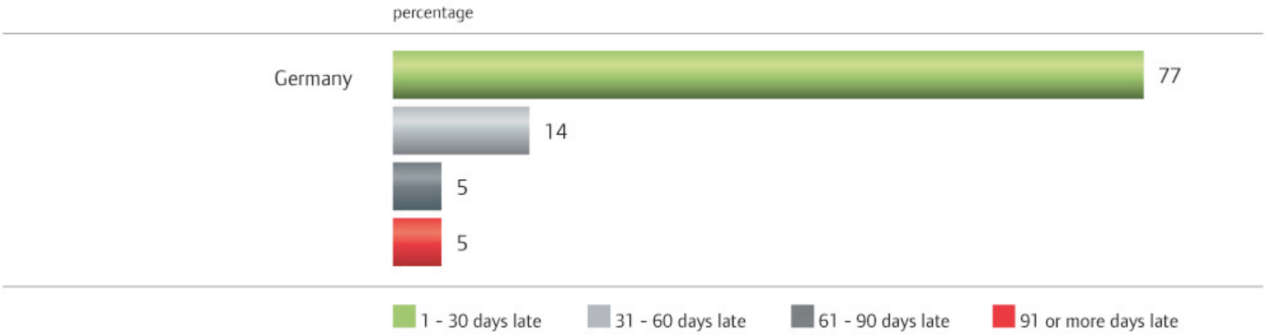
Average payment duration and average payment delay – The average payment duration of survey respondents in Germany was 23 days. This was the shortest payment duration observed across the surveyed countries and was matched only by respondents from Denmark. German respondents received payments from customers on average 1 day earlier than the average payment term. Payments from foreign customers were received on average one week later than those from domestic customers, because of longer average foreign payment terms.

Percentage of domestic and foreign invoices that are paid after the due date

Basis: interviewed companies from respective countries (that sell products or services abroad)

Main reasons for payment delay from customers – The most frequently reported reason by German respondents for payment delays from both domestic and foreign customers was an insufficient availability of funds (more than 40% of the respondents). The complexity of the payment procedure was the second most frequently reported reason for payment delays, particularly from foreign customers (33%).

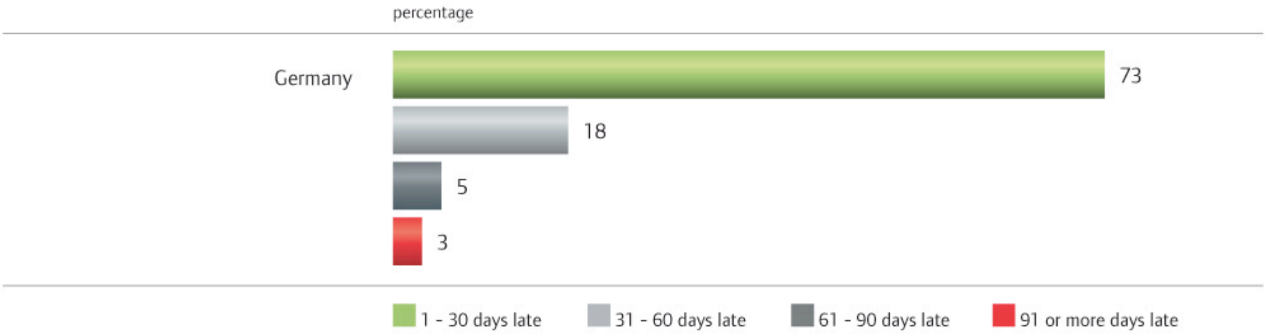
Percentage of domestic payments made after due date



Basis: interviewed companies from respective countries

Past due invoices - Around 30% of both domestic and foreign invoices were reported as past due. 75% of these were paid within one month of the due date.

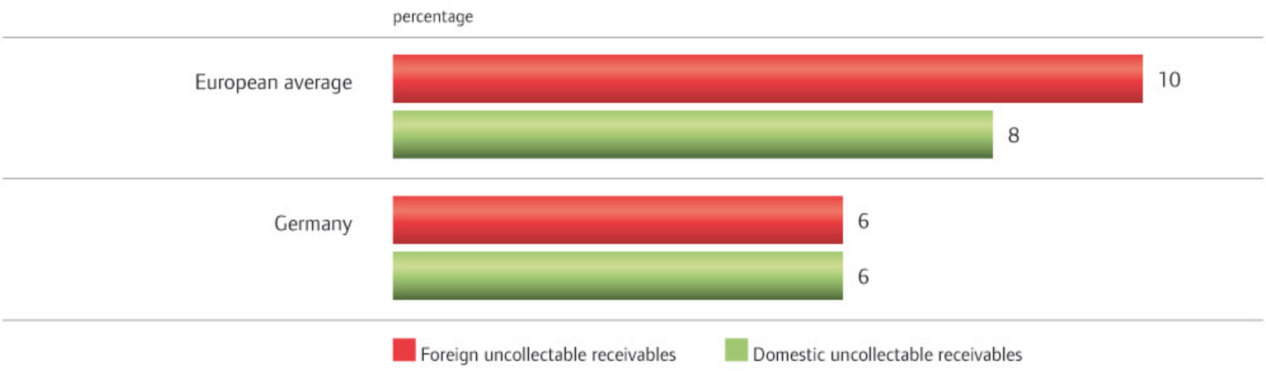
Percentage of foreign payments made after due date



Basis: interviewed companies from respective countries that sell products or services abroad

Uncollectable receivables – On average, the percentage of uncollectable receivables in Germany did not exceed 6% of the total accounts receivables, which could indicate good credit management skills among German respondents, but also good payment morale.

Percentage of domestic and foreign receivables that were uncollectable



Basis: interviewed companies from respective countries (that sell products or services abroad)

Customers' payment behaviour by business sectors

Average payment duration and average payment delay – The average payment duration reported by German respondents was relatively long in both the wholesale/retail trade/distribution and services sectors.

Main reasons for payment delay from customers - The financial services sector experienced payment delays from customers due to insufficient availability of funds relatively more frequently than the other German business sectors surveyed. The wholesale/retail trade/distribution sector experienced payment delays from foreign customers particularly due to complexity of the payment procedure.

Past due invoices – The financial services sector experienced the smallest proportion of past due invoices (23% domestic and nearly 15% foreign) compared to the other business sectors surveyed.

Uncollectable receivables - The wholesale/retail trade/distribution sector in Germany exhibited a larger percentage of uncollectable receivables than the other business sectors surveyed. On average, this sector assessed that more than 10% of receivables from foreign customers were uncollectable.

Customers' payment behaviour by business size

Average payment duration and average payment delay – On average, respondents from micro-enterprises in Germany received both their domestic and foreign payments with the shortest average payment duration (more than 15 days). Both SMEs and large enterprises exhibited almost equal average payment durations (domestic: over 20 days – foreign: over 30 days).

Main reasons for payment delay from customers – The most noticeable observation was that micro-enterprises experienced payment delays from domestic customers due to insufficient availability of funds relatively more frequently than other German sectors. SMEs and large enterprises highlighted the complexity of the payment procedure as the most important reason for payment delays from foreign customers.

Past due invoices – German micro-enterprises, due to a lower volume of credit sales than SMEs and large enterprises, had a relatively lower percentage of past due invoices.

Uncollectable receivables - SMEs in our survey reported a larger percentage of uncollectable receivables than micro-enterprises and large enterprises (nearly 10%).

Cash inflow monitoring – DSO trend

- Germany exhibited the lowest DSO of all the surveyed EU countries
- Early payment discounts are widely used to improve cash flow

Average DSO - The average DSO reported by respondents in Germany was 22 days. This was the shortest DSO of all those observed across the survey overall. At first glance, this finding would seem to be unaligned with the 30% proportion of past due invoices observed in the country. It might be expected that this would significantly lengthen the time it takes to convert credit sales into cash, resulting in a lengthier DSO than that reported by respondents. But this is countered by average payment durations of 23 days reflecting short payment terms and good pick up of early payment discounts.

DSO trend - Over the past year, 89% of German respondents reported that they did not experience a change in DSO. If a change was experienced, it was mostly an increase in DSO (less than 10% of respondents), which amounted, on average, to 7 days. In order to reduce DSO, more than 70% of respondents reported having increased their frequency of dunning (outstanding invoices reminders), and 53% of respondents reported having increased the frequency of early payment discounts in order to reduce DSO. This appears to confirm our above hypothesis that German respondents tend to offset the impact of late payments on DSO by applying discounts for early payment.

Cash inflow monitoring – DSO trend by business sectors

Average DSO – The German respondents in both the manufacturing and the wholesale/retail trade/distribution sectors had a 20-day DSO, shorter than the 22-day average for Germany. An increase in DSO was experienced by the financial services sector more frequently than by the other business sectors surveyed.

DSO trend - Over the past year, in order to reduce DSO, many respondents from the financial services sector sent out invoices earlier. In the manufacturing sector, a significant increase in the frequency of dunning, in the frequency of early payment discounting, and in requests for higher advance payments was observed to a greater extent than in the other business sectors surveyed.

Cash inflow monitoring – DSO trend by business size

Average DSO - An increase in DSO was experienced by German SMEs more frequently than by respondents from the country’s micro-enterprises and large enterprises. Micro-enterprises exhibited a relatively lower and more stable average DSO (16 days) than SMEs and large enterprises.

DSO trend - Over the past year, in order to reduce DSO, SMEs increased the frequency of dunning, sent out invoices earlier and required customers to pay higher down/advance payments more frequently than did micro-enterprises and large enterprises.

Great Britain 2.5

Conclusions

The British businesses surveyed extended trade credit in almost equal measure to both domestic and export customers, but set shorter average payment terms for domestic sales. Payment for exports also tended to take one week longer than for domestic sales. No single factor stood out as the leading determinant of payment terms and, on average, payment to British firms took only 5 days more than the average payment times recorded by Danish and German respondents (i.e. the shortest payment times of the countries surveyed).

More than respondents in any other market, those in Britain chose to extend credit to allow time for product quality confirmation. The British were also keen to reduce DSO, with early payment discounts widely offered - and met - with 30% acceptance. British respondents also employed a wide range of techniques later in the collections process, which may well account for their having the second shortest average DSO of the countries surveyed. Despite this, over 30% of invoices were paid after due date, and the level of uncollectable receivables was second only to Italy, indicating the still fragile state of the British economy.

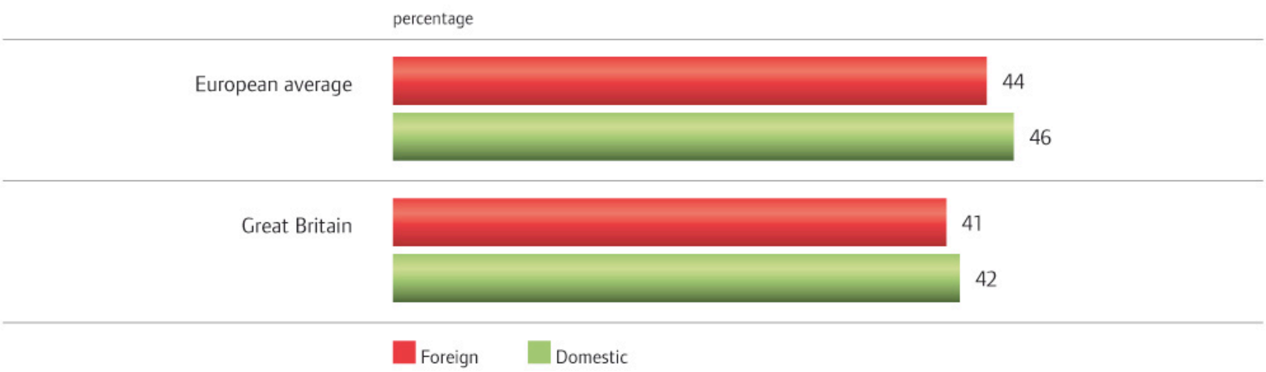
Core results overview

Use of trade credit

- British companies extended trade credit about equally to domestic and export customers
- Allowing time for product quality confirmation was seen to be more important than for other surveyed countries

Sales on credit terms – There was very little variation by British respondents in the use of trade credit for domestic and foreign sales, with 42% of their domestic and 41% of their export sales transacted on credit terms. In this respect, British respondents are similar to those in Belgium, Denmark, France, and Sweden. Overall, these percentages were consistent with the overall survey averages of domestic sales (46%) and foreign sales (44%) made on credit terms.

Percentage of sales made on credit terms



Basis: interviewed companies from respective countries (that sell products or services abroad)

Trade credit supply determinants – For 42% of British respondents, the most important reason for granting trade credit was to establish long term trade relations with customers, slightly below the overall (45%) survey average. For more than 20% of respondents, the key determinants for granting trade credit were as a source of short term finance (the overall survey average 20%) and to allow customers time to confirm the quality of the product before payment. More British respondents than in any other EU country cited this latter factor, which may reflect a British focus on customer satisfaction.

Use of trade credit by business sectors

Sales on credit terms – The British manufacturing sector sold on credit terms most frequently, with credit sales constituting over 50% of total sales. This equates closely with the use of trade credit by the manufacturing sector across the whole survey (55%).

Trade credit supply determinants – When the British services sector sold on credit terms, more than 50% gave the most important reason as the creation of long term trade relations. This corresponded closely with the overall survey average of 47%, and reinforces the view that customer loyalty is a key goal for this sector. The wholesale/retail trade/distribution sector was the most inclined to grant trade credit to allow customers time to confirm the quality of the product before payment (almost 35%). For respondents in the financial services sector, the key determinant for granting trade credit was as a source of short term finance (more than 30%).

Use of trade credit by business size

Sales on credit terms – By business size, Great Britain's large businesses were most inclined to sell on credit terms (around 50% of respondents). British micro-enterprises were the least likely to sell on credit terms to domestic customers (around 20%), a fact that may reflect the low solvency level and the comparative lack of credit management resources of many smaller British businesses.

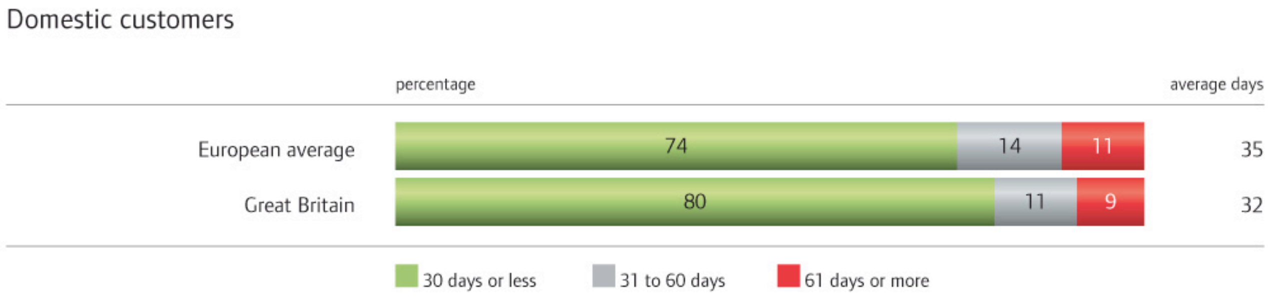
Trade credit supply determinants – Motives varied from segment to segment. British micro-enterprises were the most inclined to use trade credit to establish long term trade relations (50% of respondents). For SMEs, the key determining factor was to allow customers time to confirm the quality of the product before payment (nearly 35%). Large enterprises were the most inclined to grant trade credit as a source of short term finance (more than 25%).

Credit management practices

- British respondents set shorter average payment terms for domestic than for foreign customers
- No single factor stood out as the leading determinant of payment terms
- Early discounting was widely offered and met with 30% acceptance

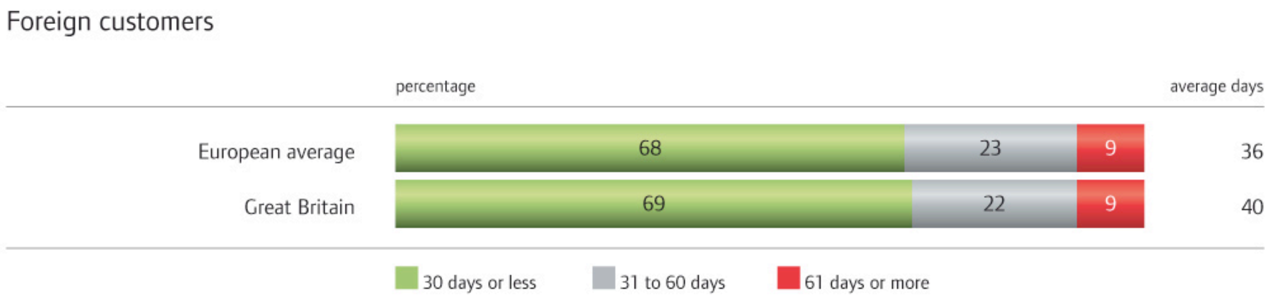
Average payment term – Corresponding closely to the wider survey average of 34 days, the average payment term in Great Britain was 33 days. British respondents set shorter average payment terms for their domestic customers (32 days) than for foreign customers (40 days), again choosing terms near the overall survey averages (domestic: 35 days – export: 36 days).

Payment term in days for domestic customers



Basis: interviewed companies from respective countries

Payment term in days for foreign customers



Basis: interviewed companies from respective countries, that sell products or services abroad

Payment terms determinants – No one determinant stood out. Company standard payment terms comprised the most frequent domestic payment term determinant and the second most reported foreign payment term determinant (more than 35% of respondents). The foreign payment term determinant most reported was credit capacity of the customer (37%). The second most reported domestic payment term determinant was type of product sold (more than 35%): the only notable occurrence of this factor in our survey.

Early payment discounts - This policy stood out noticeably as the standout credit management practice widely observed by British companies. Nearly 45% of the British respondents offered early payment discounts to customers, and these were met with a good acceptance rate of nearly 30% from both domestic and foreign customers. This may also account for the low DSO figure of just 24 days.

Credit management practices by business sectors

Average payment term – British respondents in the financial services and wholesale/retail trade/distribution sectors averaged longer overall payment terms than other business sectors surveyed.

Payment terms determinants – Company standard payment terms was the most frequently reported foreign payment term determinant in the manufacturing sector (more than 45% of respondents) but was cited by only around 30% of respondents in the financial services sector as a key domestic payment term determinant. Other factors given high priority in determining payment terms were type of product sold (45% of respondents in the manufacturing sector and credit capacity of the customer (over 40% of respondents in the wholesale/retail trade/distribution sector).

Early payment discounts – Early payment discounts were offered to customers by around 30% of respondents in Britain's services sector, considerably fewer than in the other sectors surveyed (around 50%). The acceptance rate was reported to be around 20% by the services sector and around 30% in the other business sectors surveyed. A comparative reluctance to use and accept this practice in the services sector has been noted in the Executive Summary.

Credit management practices by business size

Average payment term – Large British businesses reported setting the longest overall average payment terms (around 50 days), while micro-enterprises set the shortest terms (around 20 days). This was consistent with the wider survey findings by business size. Average payment terms set by small enterprises were noticeably longer for foreign customers than for domestic customers.

Payment terms determinants - More than 50% of large British enterprises cited company standard payment terms as the most frequent overall payment term determinant, while over 40% of micro-enterprises cited the type of product sold as the most important determinant and just over 25% of small enterprises chose credit capacity of the customer.

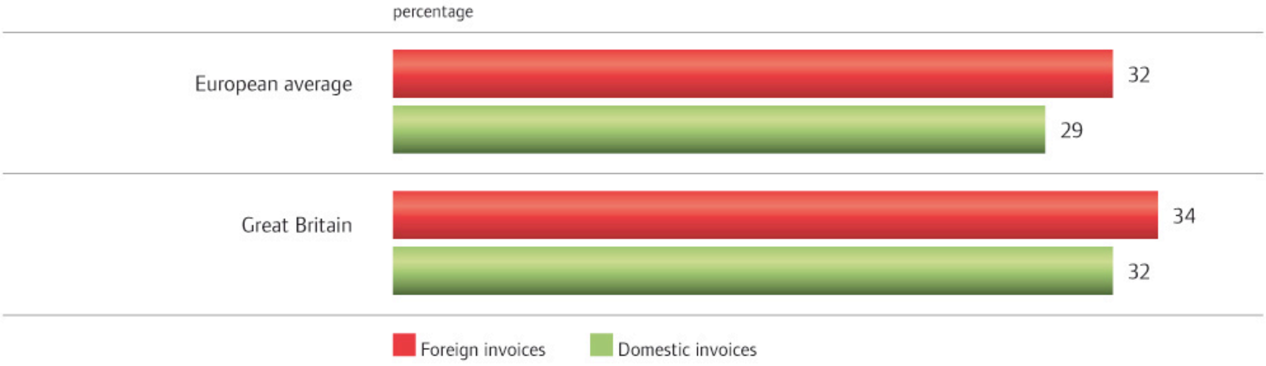
Early payment discounts – 55% of large enterprises reported offering early payment discounts: more than other business sizes. The acceptance rate of around 30% tallied exactly with the survey average for Great Britain.

Customers' payment behaviour

- British respondents were paid just 5 days slower than the fastest payment times of the overall survey
- Foreign customers took one week longer than domestic customers to pay
- Over 30% of invoices remained unpaid beyond due date
- The level of uncollectable receivables was exceeded only by Italy

Average payment duration and average payment delay – The overall average payment duration reported by British businesses was 28 days, just five days longer than the shortest payment time of 23 days in Denmark and Germany. British respondents received their payments from domestic customers, on average, one week earlier than from foreign customers (27 days compared to 34 days). A comparison of the overall average payment duration and overall average payment term showed that respondents in Great Britain received an average of 53% of domestic payments and an average of 48% of foreign payments within the overall survey's reference range (spanning 10 days either side of the average due date). Within this time span, a sizeable percentage of payments were received 6 days earlier than the average payment term. Although this marked the shortest such time within the reference range, and indicated that a significant percentage of payments were received much earlier than the due date, a high level of uncollectable invoices were still reported by the British companies surveyed.

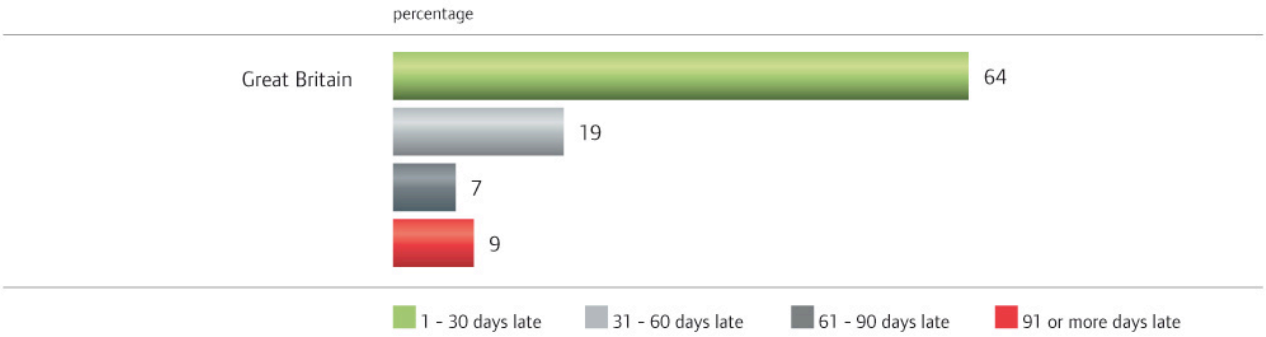
Percentage of domestic and foreign invoices that are paid after the due date



Basis: interviewed companies from respective countries (that sell products or services abroad)

Main reasons for payment delay from customers – British respondents singled out the three key payment delay determinants underlined in the Executive Summary. Insufficient availability of funds was the main reason for their domestic payment delays (over 40% of respondents), while Complexity of the payment procedure (nearly 35%), followed by Inefficiencies of the banking system (over 30%) were the most cited reasons for payment delays from foreign customers.

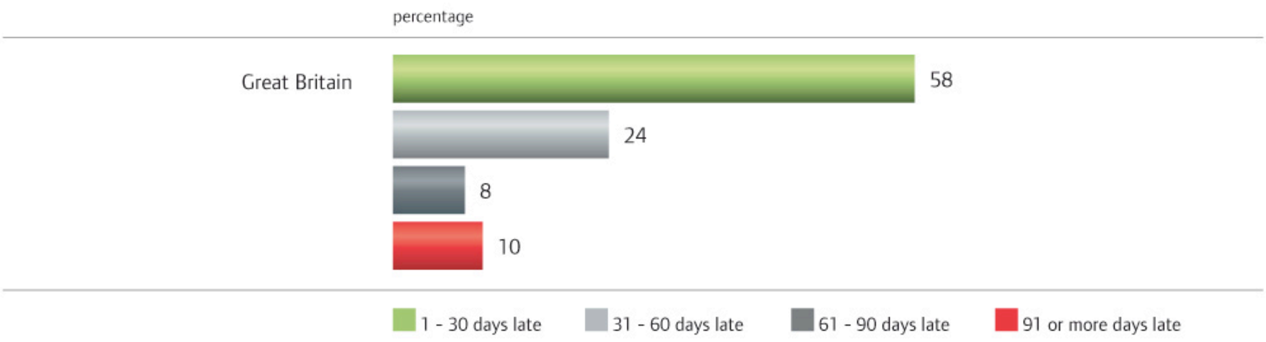
Percentage of domestic payments made after due date



Basis: interviewed companies from respective countries

Past due invoices – Over 30% of invoices issued by British respondents were reported as delinquent: about the same rate seen in many of the other surveyed countries. Around 65% of domestic invoices were paid within one month of the due date, with around 45% of these paid between 1 day and 15 days after due date. However, around 20% were paid between 30 and 90 days after due date, and a further 10% were paid very late: on average more than 90 days after the due date. Respondents reported that around 60% of foreign invoices were paid within one month of the due date, and that around 50% of these were reimbursed between 1 day and 15 days after the due date. A high percentage – 25% - of foreign payments were made very late: between 30 and 90 days after the due date, with around 10% paid 90 days after the due date. However, although there was no major negative impact on British DSO, which was the second lowest of the surveyed countries, this did have a marked impact on the collectability of receivables (see below).

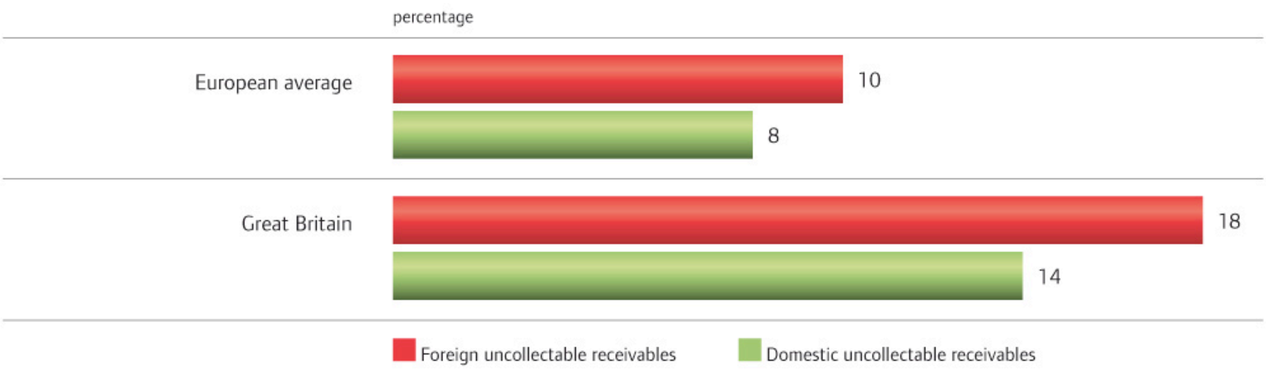
Percentage of foreign payments made after due date



Basis: interviewed companies from respective countries that sell products or services abroad

Uncollectable receivables – Great Britain (14%) was second only to Italy (8%) in the percentage of domestic uncollectable receivables. Moreover, Britain's uncollectable foreign receivables (18%) ranked as the highest, alongside Italy. While this may suggest that the economic climate in Britain is slightly more unstable than in other European countries, this alone would not explain the high percentage of uncollectable foreign receivables. It may therefore be that British companies are not as well equipped to manage receivables as those in other European countries or are not as focused on this aspect of their business as companies in other countries.

Percentage of domestic and foreign receivables that were uncollectable



Basis: interviewed companies from respective countries (that sell products or services abroad)

Customers' payment behaviour by business sectors

Average payment duration and average payment delay – At more than 40 days, Britain's financial services sector showed the longest average payment duration. More than 65% of domestic payments were received in the survey reference range of 10 days either side of the due date by the wholesale/retail trade/distribution sector. More than 60% of foreign payments received by the manufacturing sector were also in this range.

Main reasons for payment delay from customers – Over 40% of British respondents across all the business sectors surveyed reported insufficient availability of funds as the main reason for domestic payment delays. This percentage was also reported by respondents in the manufacturing sector whereas, in other sectors, the proportion of respondents reporting this as the main reason for foreign payment delays did not exceed 25%. This reflects some of

Britain's economic difficulties compared to its foreign peers. Complexity of the payment procedure was reported as a key determinant by over 35% of respondents across all the sectors. Over 30% of respondents in the services sector reported inefficiencies of the banking system as the reason for foreign payment delays.

Past due invoices – The proportion of past due invoices was almost equally distributed across all the business sectors surveyed.

Uncollectable receivables – Uncollectable domestic receivables were reported relatively less frequently by respondents in the services sector (less than 10%), which may indicate that sector's tighter credit controls. Foreign uncollectable receivables were most regularly reported by respondents in the manufacturing sector (more than 20%), and it is worth noting that this is the sector that most often sold on credit terms.

Customers' payment behaviour by business size

Average payment duration and average payment delay – Large businesses reported the longest average payment durations (nearly 50 days), but, in context, this corresponded very closely to this sector's overall average payment terms of around 50 days. Micro-enterprises received more than 55% of domestic payments within the range of 10 days either side of the due date, while medium sized enterprises also reported 55% of foreign payments received within the range of 10 days either side of the due date.

Main reasons for payment delay from customers – Micro-enterprises reported insufficient availability of funds as the most regular determinant of their payment delays (50% of respondents). Complexity of the payment procedure was cited by 35% of respondents across all business sizes surveyed. Nearly 30% of SME respondents in the service sector reported inefficiencies of the banking system as a reason for foreign payment delays.

Past due invoices – British SMEs reported the highest level of delinquent invoices (over 30%). This compared to an SME average ranging from 20% to 35% in the other surveyed countries.

Uncollectable receivables – Compared to other business sizes, a relatively high percentage (over 15%) of receivables of medium sized/large enterprises were uncollectable.

Cash inflow monitoring – DSO trend

- Britain's DSO was the second shortest of the surveyed countries
- British companies used a wide range of techniques to reduce DSO

Average DSO – The average DSO reported by respondents in Great Britain (24 days) was the second shortest of the countries surveyed. When compared to the average British payment term of 33 days, this suggests that British companies are well able to minimise the impact of overdue invoices on their cash flow (see below).

DSO trend – Over the past year, around 75% of respondents in Great Britain reported no change in their DSO. If a change was experienced, it was mostly an increase in DSO (more than 20% of respondents, averaging 9 days). Not unexpectedly, the most reported reason for the rise in DSO was an increase in past due invoices (75% of respondents) due to a greater use of credit (60%). To counter this, respondents reported an increase in the use of all the techniques designed to reduce DSO, including an increase in the frequency of dunning (more than 80% of respondents); an increase in the speed of the invoicing process (70%); a rise in requests for higher advance payments from customers (70%); an increase in early payment discounts and the use of outsourced collections services (both over 50%).

Cash inflow monitoring – DSO trend by business sectors

Average DSO – As in the wider survey, the manufacturing sector showed the highest average DSO (28 days).

DSO trend – Over the past year, the services sector has shown a relatively stable DSO, with more than 75% of respondents reporting no change. This aligns with the overall survey pattern for this sector. The least stable sector in terms of DSO was manufacturing, with over 35% of respondents in that sector reporting an increase averaging less than one week. As was the case across the whole survey, in Britain this sector led the field in all actions used to reduce DSO.

Cash inflow monitoring – DSO trend by business size

Average DSO – In Britain, small and large enterprises alike reported the longest DSO (average 26 days).

DSO trend – Over the past year, micro-enterprises reported the most stable DSO levels (over 80% of respondents). By contrast, large enterprises were the most likely to have experienced an increase in DSO. This is due mainly to an increase in past due invoices, with nearly 40% of respondents averaging a rise of less than 5 days. These two observations matched the wider survey findings.

Italy

2.6

Conclusions

"Generally speaking, in a situation in which it is necessary to support both business sectors and markets still in trouble, the commercial need of extending more tolerant credit terms requires, at the same time, the need for suppliers to protect their receivables. That said, credit insurance, as a protection tool against the risk of payment default from customers, becomes a part of a much broader scenario, where the main target lies in the promotion of safer trade for all parties involved in the sale transaction. Ultimately the aim is to make the gradual economic recovery long lasting and stable".

Samuel H. Pengel – Country Manager Atradius Italy

The focus on Italian companies produced some eye-catching findings, not least the observation that while respondents' foreign payment terms were the longest in the survey, foreign payments arrived 8 days faster than Italy's domestic payments. Italian businesses – many of these SMEs – appear to operate in a highly competitive and commercial domestic environment that exerts a considerable influence in extending both trade credit and payment terms to customers. This was evidenced by the unusually high number of references to bargaining power as a major determinant in setting payment terms.

Not unexpectedly, Italian payment durations were the longest in all the surveyed markets bar Spain. Given the context of an ailing economy in which lack of customer funds was the primary reason for payment delays, DSO levels inevitably increased among Italian respondents. Although Italian companies offered early payment discounts more frequently than their survey peers, and collections performance was relatively efficient in respect to collection on invoices that were not long past due, the end result was the survey's highest percentage of uncollectable receivables.

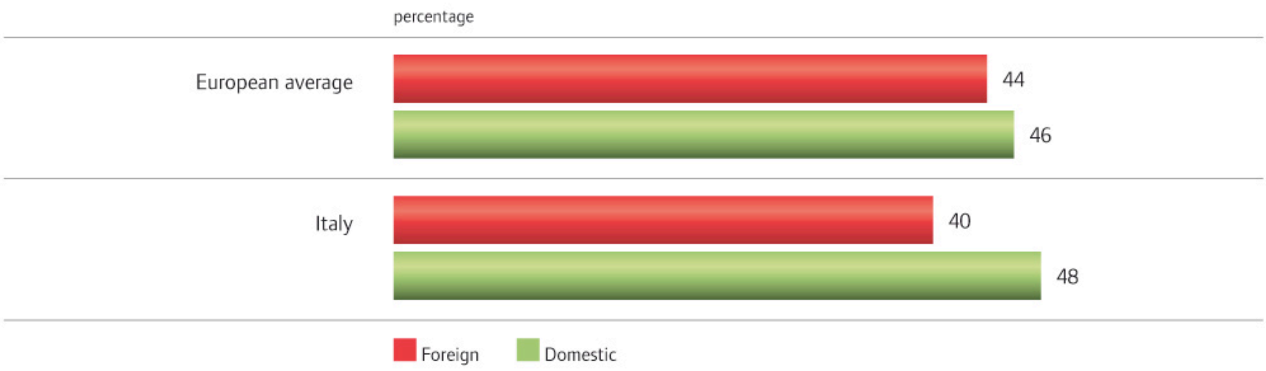
Core results overview

Use of trade credit

- Italian companies surveyed preferred to extend trade credit to foreign customers
- Commercial determinants were the main influencers of these decisions

Sales on credit terms – Italian companies in the survey were noticeably more inclined to sell on credit terms to their foreign customers than their domestic clients. On average, 40% of domestic B2B sales and 48% of foreign transactions took place on credit. This pattern echoed similar practices observed in Spain and Germany, as detailed in the Executive Summary.

Percentage of sales made on credit terms



Basis: interviewed companies from respective countries (that sell products or services abroad)

Trade credit supply determinants – Consistent with the overall survey observations, commercial reasons were a key driver of decisions by Italian respondents to grant trade credit to customers. 38% of respondents cited the establishment of long-term trade relations as the most important reason for granting trade credit, but this was nevertheless significantly below the average 45% in the wider survey, and even further behind the 51% recorded among German respondents. Promotion of sales growth was ranked as the key determinant for trading on credit by about 20% of Italian respondents. The establishment of long-term trade relations with customers and promotion of sales growth were ranked as the second most important reasons for trading on credit (nearly 30% of respondents). More than 20% of respondents (slightly above the survey average) reported that they granted trade credit to customers mainly as a source of short-term finance, indicating that Italian companies were keener than the overall survey average to grant trade credit as a form of financial support as well.

Use of trade credit by business sectors

Sales on credit terms – Italy's manufacturing sector was relatively more inclined to sell on credit terms to customers than the other sectors surveyed (nearly 55% of sales on credit terms). This is consistent with the manufacturing sectors in other surveyed countries.

Trade credit supply determinants – Commercial reasons dominated, paralleling observations in the other markets surveyed. The services sector was the most inclined to grant trade credit to customers to establish long-term trade relations (nearly 50% of respondents). The promotion of sales growth was shown to be relatively more important to the manufacturing and financial services sectors (over 25% of respondents). The services sector also cited the provision of short-term finance as an important determinant (over 25% of respondents).

Use of trade credit by business size

Sales on credit terms – Examined by business size, micro-enterprises reported relatively less inclination to sell on credit terms to customers (over 30% of sales) than SMEs and large enterprises. This trend, which was also observed at a wider survey level, linked to cost factors and the comparative lack of credit management resources among most micro-enterprises.

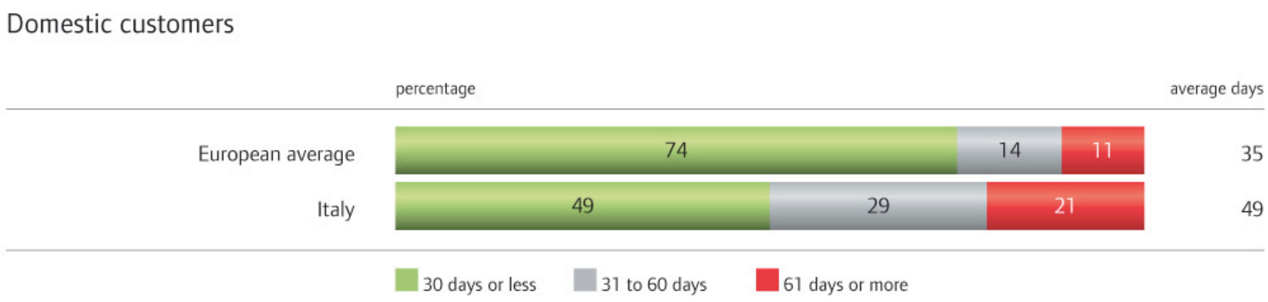
Trade credit supply determinants – 35% of Italian respondents in large enterprises granted trade credit as a source of short term finance, corresponding with the greater borrowing power of large enterprises. Micro-enterprises in Italy cited the establishment of long-term relations as the most important determinant of their decisions to extend trade credit, while nearly 30% of large enterprises were driven most frequently by the desire to promote sales growth. These two observations reversed the order of prioritisation from these segments in the overall survey.

Credit management practices

- Italy's foreign payment terms were the longest offered among the surveyed countries
- The fierce competition between Italy's SMEs appears to influence payment terms
- Italian companies offer early payment discounts more frequently than any of their peers from the survey overall

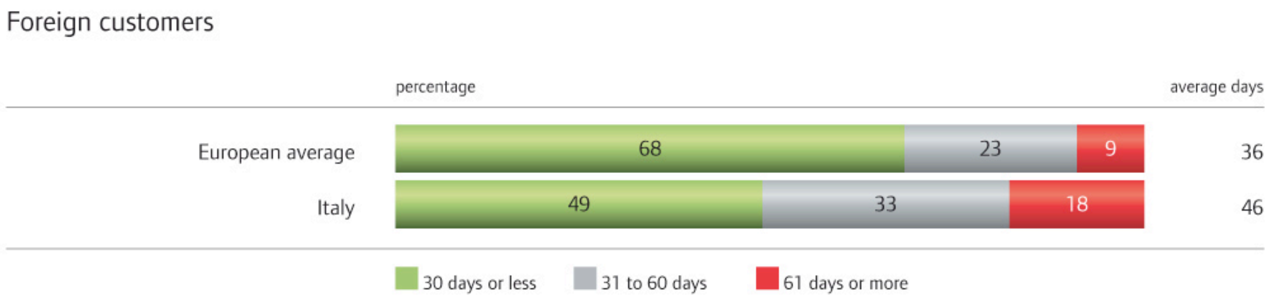
Average payment term – The average payment term in Italy was 48 days, well above the overall survey average (34 days), but second longest overall, after Spain (67 days). In contrast to the overall survey observations for all countries except Spain, on average, survey respondents in Italy set longer payment terms for their domestic customers (49 days average) than for foreign customers (46 days). Italy's average cross-border payment terms were the longest of all the countries surveyed, while only Spain (72 days) averaged a longer domestic payment term.

Payment term in days for domestic customers



Basis: interviewed companies from respective countries

Payment term in days for foreign customers



Basis: interviewed companies from respective countries, that sell products or services abroad

Payment terms determinants – Italian respondents reinforced the trading norm that long-term customer relationships exert the most important influence in deciding trading terms (around 40% of respondents). However this was closely followed as a determinant by the bargaining power of the customer. This factor was cited by nearly 40% of respondents as the second most important determinant of their domestic payment terms. This may reflect the predominance of SMEs in the Italian business environment, where larger enterprises are able to exert considerable leverage in their relationships with smaller companies. Another potentially linked factor was the 35% or so of Italian respondents that cited industry standard payment terms as their second most important domestic payment terms determinant. Industry payment terms are generally associated with the very competitive business environment amongst Italian SMEs.

Early payment discounts – Early payment discounts were offered by nearly 65% of Italian respondents. This was the highest level in the survey, 10% higher than the next most frequent market (Spain: 55%). This dovetails with Italy's ranking as the greatest user of longer payment terms in our survey. Only around 20% of respondents' customers took advantage of early payment discounts, which may have influenced the increase in DSO reported below.

Credit management practices by business sectors

Average payment term – Italian manufacturing companies averaged the longest domestic payment term (over 60 days), aligning with this sector's longer business cycles and greater inclination to offer trade credit in comparison to other sectors. The financial services sector averaged the longest foreign payment term (over 65 days).

Payment terms determinants – The manufacturing sector provided the most noteworthy data regarding its key payment terms influences. Over 55% of respondents cited their relationship with the customer as a key determinant of payment terms, while the bargaining power of the customer (over 45%) and industry standard payment terms (over 35%) were also frequently cited by respondents.

Early payment discounts – Early payment discounts were offered most frequently by the manufacturing sector (more than 70% of respondents), which linked to the sector's relatively longer DSO (see below). However the highest early payment discount acceptance rate by customers (25%) occurred in Italy's wholesale/retail trade/distribution sector.

Credit management practices by business size

Average payment term – There was no noticeable variance by business size of the survey respondents in Italy in respect to domestic average payment terms set. Micro-enterprises set the shortest average foreign payment term (around 25 days) while SMEs, mid sized and large enterprises all set slightly longer terms.

Payment terms determinants – Italian micro-enterprises in the survey reported that their trade relationships with customers exerted the greatest influence in their setting of domestic payment terms (over 55% of respondents), followed by the bargaining power of the customer (over 45%). These observations indicate the competitive business environment experienced by Italy's clusters of smaller-sized businesses. Over 35% of micro-enterprises reported industry standard terms as the key domestic determinant of their payment terms. This factor was reported as the key foreign payment terms determinant for medium-sized and large enterprises (nearly 35%).

Early payment discounts – Italian SMEs were more inclined to offer early payment discounts (nearly 70% of respondents). Respondents reported an average acceptance rate of around 25%, irrespective of whether domestic or foreign customers were involved.

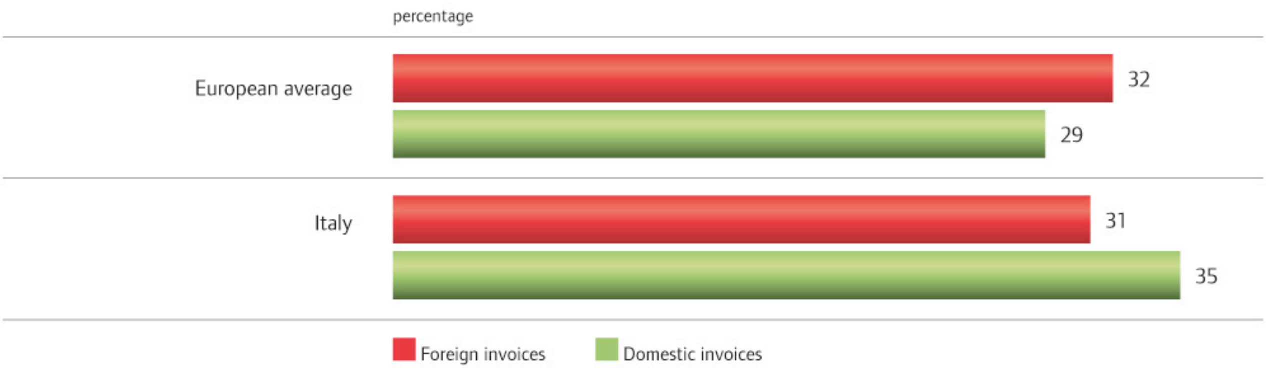
Customers' payment behaviour

- Italian payment durations were the longest in all the surveyed markets bar Spain
- Lack of customer funds was the primary reason for payment delays

- Foreign payments arrived faster
- Italy's percentage of uncollectable receivables was the highest in the survey

Average payment duration and average payment delay – The average payment duration in Italy was 46 days. This was the second longest average period recorded across the surveyed EU countries, a full 21 days shorter than Spain (77 days). A comparison between the overall average payment duration and the overall average payment term showed that Italian respondents received an average of 52% of domestic payments and 55% of foreign payments within 10 days before or after the average due date. Within this time span, a significant percentage of payments were received by our Italian respondents, on average, 2 days earlier than the average payment term.

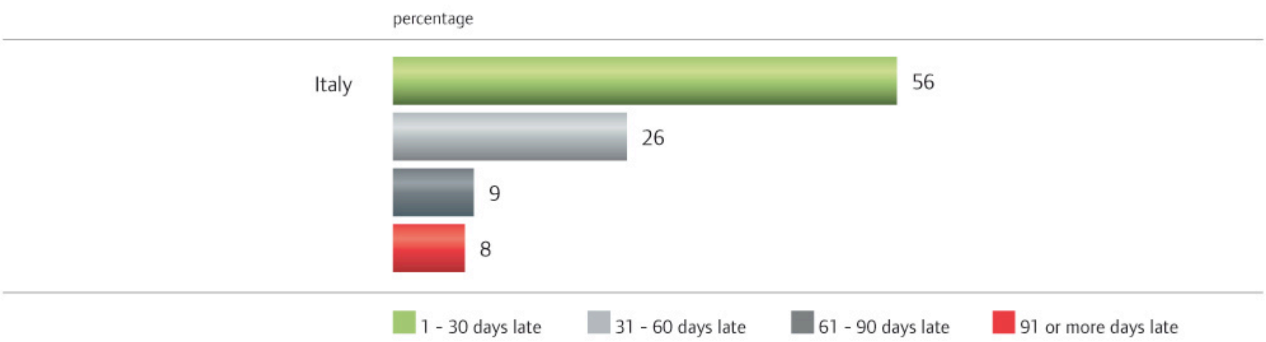
Percentage of domestic and foreign invoices that are paid after the due date



Basis: interviewed companies from respective countries (that sell products or services abroad)

Main reasons for payment delay from customers – Insufficient availability of funds was by some distance the most reported reason for overall payment delays from customers (more than 55% of respondents), signalling the financial hardships still prevalent in many EU economies. The second most reported reasons for payment delays were complexity of the payment procedure and inefficiencies of the banking system, especially for payment delays from foreign customers (over 35% of respondents).

Percentage of domestic payments made after due date

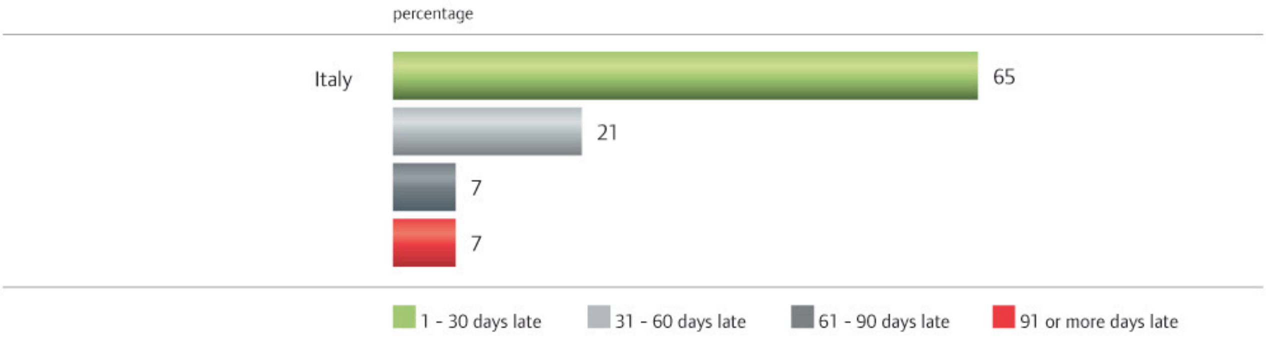


Basis: interviewed companies from respective countries

Past due invoices – More than 30% of both domestic and foreign invoices issued by Italian companies were reported as delinquent. The greatest delays were experienced with domestic invoices, reflecting the slower payment culture in Italy compared to most of the other surveyed countries. Over 55% of domestic invoices were paid within one month after the due date, but only 35% of these were paid between 1 day and 15 days after the due date. An average of over 25% were reported as paid 30-90 days after the due date, while almost 10% were paid very late, 90 days after the due date.

Around 65% of foreign invoices were paid within one month after the due date. Of these, around 45% were paid between 1 day and 15 days after the due date. Around 20% were paid 30-90 days after the due date.

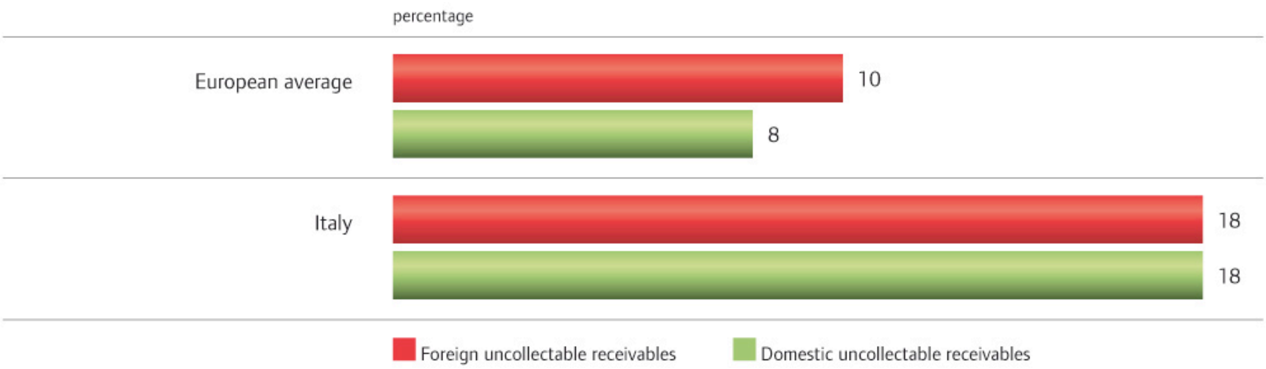
Percentage of foreign payments made after due date



Basis: interviewed companies from respective countries that sell products or services abroad

Uncollectable receivables – With 18% of its foreign and domestic receivables reported as uncollectable by respondents, Italy stood out as the market where accounts were the most difficult to collect, and were usually written off after several attempts at collection.

Percentage of domestic and foreign receivables that were uncollectable



Basis: interviewed companies from respective countries (that sell products or services abroad)

Customers' payment behaviour by business sectors

Average payment duration and average payment delay – Italy's manufacturing sector exhibited the longest average domestic payment duration (nearly 65 days), most likely as a result of the sector's longer cash conversion cycles highlighted in the Executive Summary.

This sector received foreign payments earlier than the other business sectors surveyed. Italy's financial services sector exhibited a relatively longer than average domestic payment duration (nearly 50 days).

Main reasons for payment delay from customers – Aligning with the wider Italian trend, manufacturing sector respondents reported insufficient availability of funds as a reason for overall payment delays more frequently than the other business sectors surveyed (more than 65% of respondents). Complexity of the payment procedure and inefficiencies of the banking system were reported as the key reasons for domestic payment delays in the wholesale/retail trade/distribution sector (more than 35%) and the main determinant of foreign payment delays in the services sector (more than 40%).

Past due invoices – Italy's manufacturing sector averaged the highest percentage of domestic past due invoices (around 40%), followed by the wholesale/retail trade/distribution and financial services sectors (nearly 35%).

Uncollectable receivables – Italy's very high proportion of domestic uncollectable receivables was equally distributed across its business sectors. However there was a slightly higher percentage of past due foreign invoices reported by the wholesale/retail trade/distribution sector.

Customers' payment behaviour by business size

Average payment duration and average payment delay – On average, SMEs received payments the slowest (more than 45 days). Italy's micro-enterprises received foreign payments on average earlier than the other business sectors surveyed, and – similar to small enterprises – also received domestic payments earlier than the other sectors. This trend is most likely a function of the shorter payment terms characteristic of the smallest companies.

Main reasons for payment delay from customers – The most frequently reported reason for payment delays given by Italian respondents of all sizes for payment delays was insufficient availability of funds (more than 55% of respondents overall). Micro-enterprises reported it most frequently as a reason for foreign payment delays (55%). The key determinants for delays reported by Italian SMEs were complexity of the payment procedure and inefficiencies of the banking system, especially from foreign customers, which could be linked to the difficulty of managing international receivables for smaller companies with less time and resources available to build the necessary understanding of foreign banking and payment procedures.

Past due invoices – SMEs in Italy reported the highest level of invoices paid past the due date (over 35%). This compared to an SME average ranging from 20% to 35% in the surveyed countries, and may offer another reflection of the competition in this sector of the Italian economy.

Uncollectable receivables – In a probable extension of the above observation, the SMEs in this survey reported the highest proportion of domestic uncollectable receivables (around 20%).

Cash inflow monitoring – DSO trend

- DSO levels increased among Italian respondents
- Collections performance was markedly more efficient while invoices were nearer to due date

Average DSO – The average DSO reported by respondents in Italy was 42 days, 3 days longer than the overall survey average. This was also the second longest DSO of all those observed in the EU countries surveyed, behind only Spain, reflecting the patterns for late and uncollectable invoices experienced by Italian companies.

DSO trend – Over the past year, around 65% of Italian respondents reported no change in their DSO, compared to an average of 75% for the overall survey. If a change was experienced, it was mostly an increase in DSO (more than 30% of respondents, averaging 14 days). As in other countries surveyed, the most reported reason for the rise in DSO was an increase in the use of trade credit to stimulate sales. This in turn translated into an increase in past due invoices and outstanding account receivables, a pattern reported by more than 80% of Italian respondents who experienced an increase in DSO, marking the highest such level across the surveyed markets. In order to reduce DSO, Italian companies reported an increase in the frequency of dunning (83% of respondents), an acceleration of the invoicing process (68%), and an increase in the use of outsourced collection services (nearly 60%).

Cash inflow monitoring – DSO trend by business sectors

Average DSO – Italy's manufacturing sector showed the longest DSO (nearly 50 days), corresponding closely with this sector's DSO levels across other surveyed countries.

DSO trend – Over the past year, it was observed that the services sector showed a relatively more stable DSO, evidenced by the more than 70% of respondents which reported no change. The least stable sector in terms of DSO was wholesale/retail trade/distribution, in which over 30% of respondents reported an increase averaging 15 days. Actions to reduce DSO were led by this sector, which reported the greatest increase in both dunning activity and the use of outsourced collections services (over 50%).

Cash inflow monitoring – DSO trend by business size

Average DSO – Large enterprises in Italy showed the longest DSO (average 45 days).

DSO trend – Over the past year, Italy's micro-enterprises reported the most stable DSO levels (over 70% of respondents). By contrast large enterprises experienced an increase in DSO most frequently, with over 40% of respondents averaging a rise of more than 10 days. As a response, over 55% of the respondents from large enterprises that had experienced an increase in DSO reported increasing their use of outsourced collections services.

The Netherlands 2.7

Conclusions

"This ninth edition of the Atradius Payment Practices Barometer shows that of the nine countries surveyed the Netherlands has the lowest percentage of uncollectable domestic receivables and the second lowest percentage of foreign receivables. For domestic invoices this can in part be explained by the relatively strong payment morale of the Dutch. Another important reason is that Dutch companies are very active in dunning.

Traditionally the Netherlands has maintained a strong focus on export. Trade credit is an important element of exporting. Only two of the surveyed countries offered trade credit to foreign buyers as frequently as the Dutch. For Dutch exporters, the use of trade credit has been primarily to help establish long-term relations. But similar to the experiences in almost all of the other countries, foreign customers do take longer to pay for their purchases than domestic ones. Consequently, for Dutch exporters this stresses an important reason for double checking the credit capacity of their buyers. This, combined with early dunning activities is the right recipe for a successful deal that, after all, is only successful once payment has been received".

Bert Bruning, Country Manager the Netherlands

Dutch businesses exemplified a diligent credit approach that kept a lid on the level of bad debt incurred. The Dutch exporters that are so critical to the economy's performance were unusually aggressive in their use of credit as a commercial tool, particularly in the manufacturing sector, but the average payment terms offered by Dutch respondents were nonetheless over one week shorter than the survey average. Export terms were kept very short, and accompanied by more due diligence to ensure the creditworthiness of buyers. The amount of early payment discounting was also the lowest in the survey, indicating that Dutch companies target full payment for their sales.

These observations led to some interesting results. Average payment durations were in line with the wider survey, and yet the level of uncollectable receivables was very low in the survey context. On the negative side, export customers took longer to pay their invoices than domestic customers, and a surprisingly high 30% of invoices issued by Dutch businesses were reported as delinquent, which was in turn mirrored by the DSO figure. Nearly three quarters of respondents increased dunning to keep this in check.

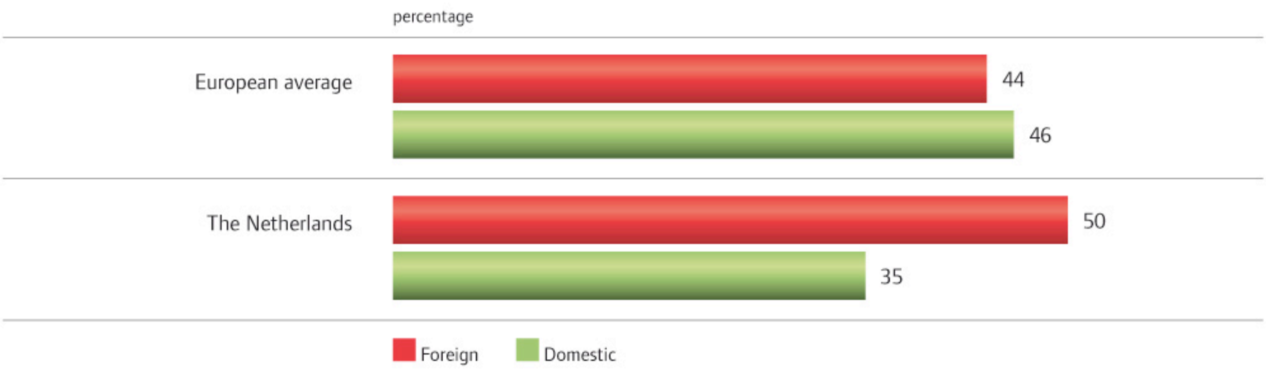
Core results overview

Use of trade credit

- Very high volumes of Dutch exports use trade credit, especially in the manufacturing sector
- Dutch businesses extended trade credit for predominantly commercial reasons

Sales on credit terms – Dutch respondents were far more inclined to offer trade credit to their foreign customers than their domestic customers. An average 35% of domestic sales in the Netherlands were on credit terms, compared to 50% of foreign B2B transactions. This reinforces past findings that this country is highly dependent on foreign trade, and is thus more vulnerable than many EU peers to political and exchange rate risks.

Percentage of sales made on credit terms



Basis: interviewed companies from respective countries (that sell products or services abroad)

Trade credit supply determinants – Dutch companies made sales on credit for predominantly commercial reasons. For 43% of the Dutch respondents, the most important reason for granting trade credit was the establishment of long term trade relations with customers, just below the overall survey average (45%). For 20%, the key determinant was the promotion of growth in sales, aligning exactly with the survey average, as did the finding that an average of 30% of respondents ranked these two commercial factors as the second most important reason for granting trade credit to customers. Another commercial determinant worthy of comment was that nearly 20% of the Dutch businesses surveyed granted trade credit mainly to allow customers time to confirm the quality of the products before payment.

Use of trade credit by business sectors

Sales on credit terms – Around 75% of manufacturing sector respondents reported selling on credit to their foreign customers, whereas 50% used credit for their domestic sales, confirming the importance attached to Dutch exports.

Trade credit supply determinants – Emphasising the trends cited above, the manufacturing sector most frequently granted trade credit to promote sales growth. The Dutch financial services sector also showed a strong commercial orientation. Establishing long term trade relations was cited by this sector as the most important driver of decisions to grant trade credit (over 50% of respondents), followed by the promotion of sales growth (nearly 50%) as the second most important reason. Nearly 30% of financial services sector respondents cited the provision of short term finance to buyers as their key decision driver, significantly higher than the overall Dutch ranking of this determinant (less than 20%).

Use of trade credit by business size

Sales on credit terms – Examined by business size, the Netherlands' micro-enterprises were the least prone to sell on credit terms to domestic customers (25% of sales used trade credit). Large enterprises were relatively more inclined to sell on credit terms to domestic customers (more than 65% of sales). Both patterns fit into the Executive Summary observations, and are likely to be dictated by costs and credit management resource levels.

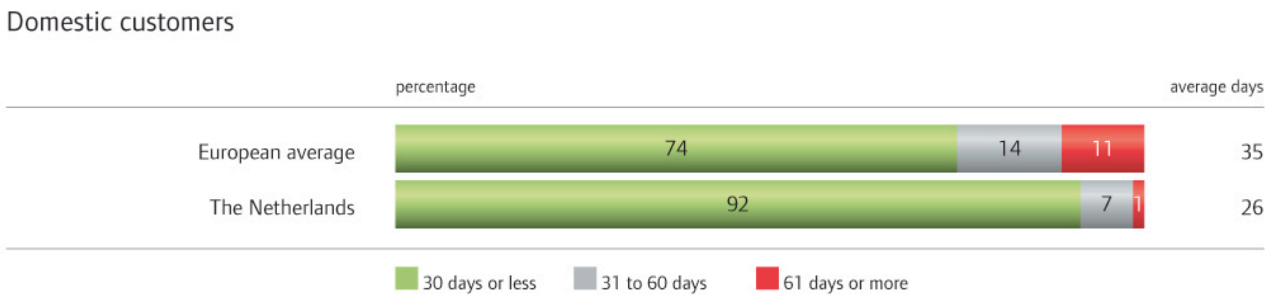
Trade credit supply determinants – It proved to be relatively more important for small enterprises to extend trade credit to establish long-term trade relations (60% of respondents). Large enterprises cited the promotion of sales growth as their key determinant for granting trade credit to customers. An average 30% of respondents from small and large enterprises ranked promotion of sales growth and establishment of long term trade relations equally as the second most important factor in decisions to extend trade credit. Finally, more than 25% of respondents from both medium-sized and large enterprises granted trade credit mainly as a source of short term finance.

Credit management practices

- Dutch payment terms were 8 days shorter than the overall survey average
- Shorter foreign terms were accompanied by greater due diligence to ensure the creditworthiness of the foreign buyers
- Dutch respondents were the least inclined to offer early payment discounts of all surveyed countries

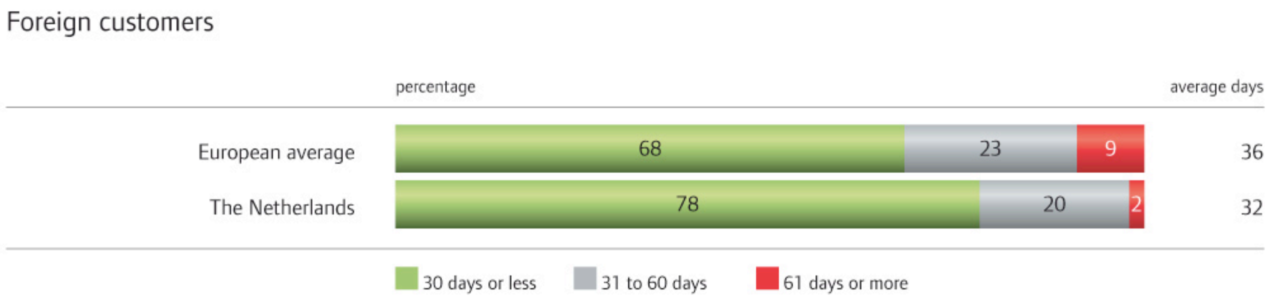
Average payment term – Coming in at 26 days, the median payment term reported in the Netherlands was below the survey average (34 days). This placed the country alongside Denmark, Germany and Belgium, in a group in which the average overall payment term was less than one month. Survey respondents in the Netherlands set longer average payment terms for their domestic customers than for foreign customers, suggesting that it was generally deemed essential to maintain tighter credit management practices with foreign buyers.

Payment term in days for domestic customers



Basis: interviewed companies from respective countries

Payment term in days for foreign customers



Basis: interviewed companies from respective countries, that sell products or services abroad

Payment terms determinants – The key determinant for both domestic and foreign payment terms was the establishment of long-term trade relations (more than 30%). The second most frequently reported determinants were company standard payment terms (nearly 40%) and credit capacity of the customer (nearly 35%) for domestic and foreign payments respectively. The latter indicates that Dutch exporters prioritise the understanding of foreign buyer risk.

Early payment discounts – Just 15% of respondents offered early payment discounts to customers, the lowest of all the countries surveyed. The fairly short payment terms, low percentage of credit sales to domestic buyers, low default rates, and reasonably high percentage of late payments received within 30 days of the due date all contributed to a relative lack of urgency to offer discounts for paying invoices early. Discount offers were met with a relatively average acceptance rate of 20% by domestic customers, possibly due to the short terms and a better than average rate of more than 30% from foreign customers. Despite this, the average Dutch DSO exceeded the average payment term by 10 days reflecting one of the highest rates of late payment in the survey.

Credit management practices by business sectors

Average payment term – Dutch manufacturing companies averaged relatively longer overall payment terms than other business sectors surveyed, aligning with the manufacturing sector trends reported in the Executive Summary.

Payment terms determinants – Trade relationship with the customers was the most frequently reported determinant of payment terms in the wholesale/retail trade/distribution sector (more than 40% of respondents). Company standard payment terms and customer credit capacity, respectively, were reported as the most important drivers of domestic and foreign payment terms (more than 45% of respondents).

Early payment discounts – Although discounts for early payment were offered most frequently by respondents in the manufacturing sector (30% of respondents), higher acceptance rates were observed by other business sectors from both domestic and foreign customers.

Credit management practices by business size

Average payment term – Tying in with the observations across the surveyed countries, Dutch micro-enterprises averaged the shortest overall payment terms (around 20 days). SMEs and large enterprises reported payment terms of almost equal length, averaging up to 30 days for domestic SME sales and over 30 for SME exports. This lengthened slightly to over 30 days for domestic sales and up to 40 days for foreign sales of large enterprises, again mirroring the determination of Dutch businesses to stimulate export sales.

Payment terms determinants – Trade relationship with the customer was ranked as the key payment terms determinant by medium-sized/large enterprises (over 40% of respondents). Company standard payment terms and credit capacity of the customer were ranked as the most important factors by small enterprises (more than 40%).

Early payment discounts –An equal percentage of survey respondents (more than 20%) from small and large enterprises offered early payment discounts, significantly higher than the 15% Dutch average. The acceptance rate from customers of large enterprises was the highest by segment size.

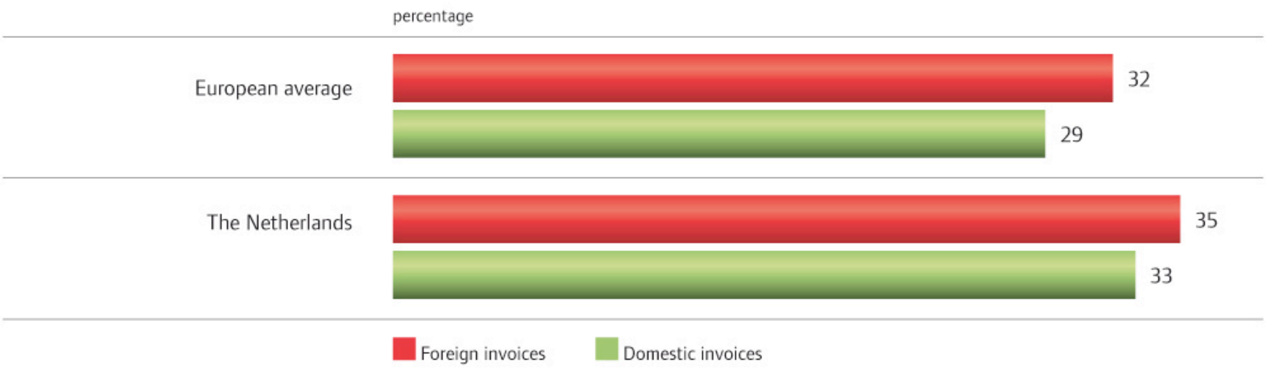
Customers' payment behaviour

- Average payment durations were in line with the wider survey
- Foreign customers took longer to pay than domestic customers
- More than 30% of invoices issued by Dutch businesses were reported as delinquent

- The level of uncollectable domestic receivables was the lowest in the surveyed EU markets

Average payment duration and average payment delay – The overall average payment duration in the Netherlands recorded by this survey was 31 days, in line with overall survey patterns (except in Italy and Spain). Dutch respondents reported a swifter payment flow from domestic customers (average 29 days) than from foreign customers (average 37 days). Comparing the overall average payment duration and the overall average payment term showed that survey respondents in the Netherlands received an average of 53% of domestic payments and an average of 47% of foreign payments within the survey reference range spanning 10 days either side of the average due date. This was less than the overall survey average (55%). Within this time span, Dutch respondents received a significant percentage of payments within 5 days of the average payment term.

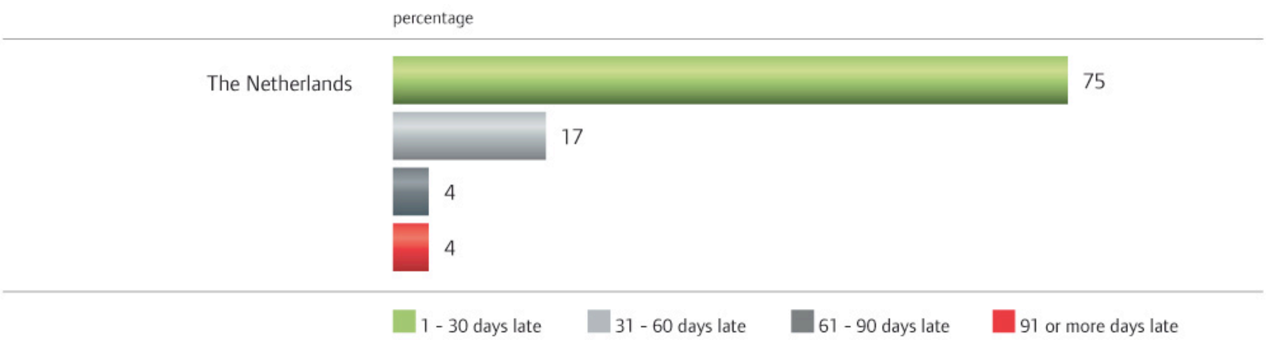
Percentage of domestic and foreign invoices that are paid after the due date



Basis: interviewed companies from respective countries (that sell products or services abroad)

Main reasons for payment delay from customers – Dutch respondents pointed to an insufficient availability of funds as the main reason for their payment delays (more than 35% of respondents). Complexity of the payment procedure was the key determinant cited for foreign payment delays (25%). Both trends reflected wider patterns observed across our survey.

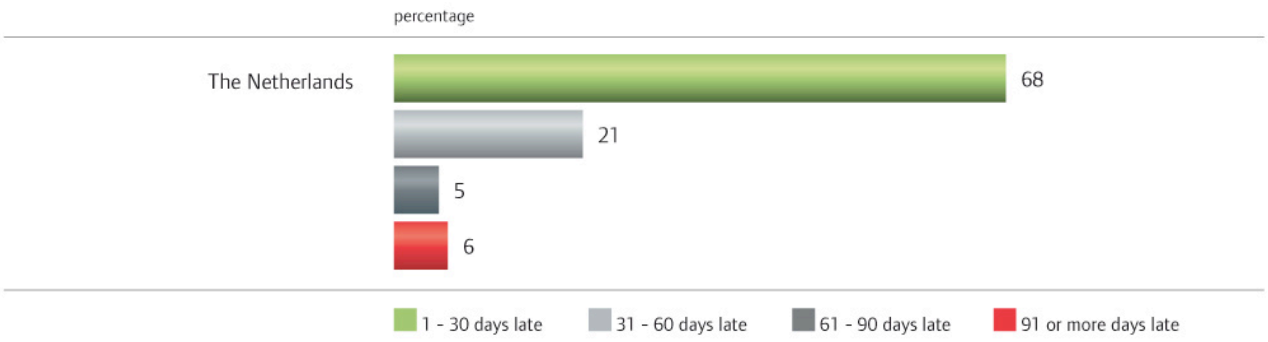
Percentage of domestic payments made after due date



Basis: interviewed companies from respective countries

Past due invoices – More than 30% of the invoices issued by Dutch survey respondents were reported as delinquent, with the percentage climbing to 35% for foreign invoices. Around 75% of domestic invoices were paid within one month of the due date (around 50% of these were paid 1-15 days after the due date). Around 70% of foreign invoices were paid within one month of the due date (around 50% were paid between 1 day and 15 days after the due date), but a further 20% were paid very late, between 30-90 days after the due date. It could be concluded that the higher volume of late foreign payments was not offset by the fact that relatively more foreign customers took advantage of early discounting.

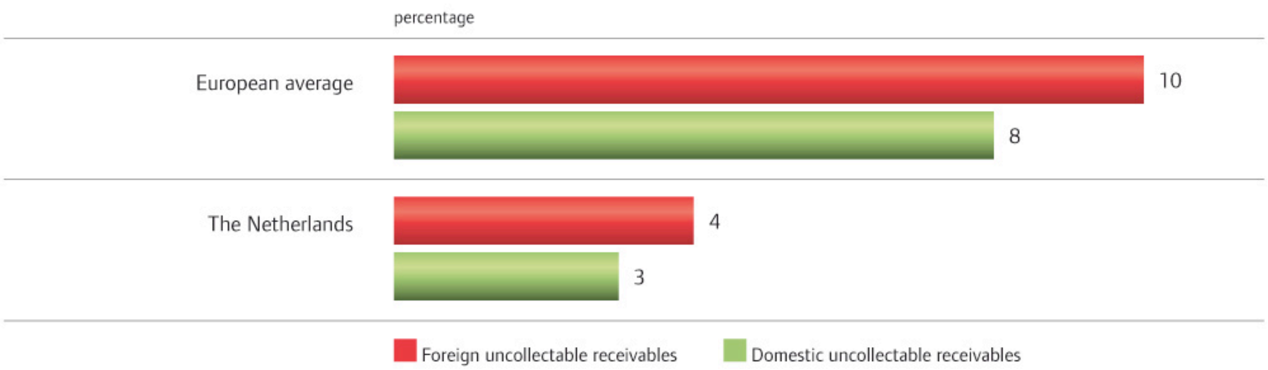
Percentage of foreign payments made after due date



Basis: interviewed companies from respective countries that sell products or services abroad

Uncollectable receivables – The Netherlands had the lowest percentage of uncollectable domestic receivables of all the countries surveyed (only 5%). The percentage of foreign uncollectable receivables was slightly higher, but still significantly less than the survey average.

Percentage of domestic and foreign receivables that were uncollectable



Basis: interviewed companies from respective countries (that sell products or services abroad)

Customers' payment behaviour by business sectors

Average payment duration and average payment delay – The Dutch manufacturing sector showed the longest payment durations (average domestic: 37 days – average foreign: 49 days). This links to the finding that Dutch manufacturing companies averaged relatively longer overall payment terms than other business sectors, and in turn to the wider survey finding that manufacturing companies experience longer cash conversion cycles.

More than 60% of domestic payments were received by the wholesale/retail trade/distribution sector in the survey reference range (10 days either side of the due date). Around 25% of foreign payments were received by the financial services sector in the same range. This would suggest that the Dutch financial services sector has problems with the timeliness of foreign payments.

Main reasons for payment delay from customers – Insufficient availability of funds was cited as the most frequent reason (more than 45% respondents) for domestic payment delays by respondents in the services sector and also for foreign payment delays by respondents in the manufacturing sector. Complexity of the payment procedure was reported as the key reason for foreign payment delays by the manufacturing sector (nearly 35%). More than 20% of respondents in the financial services sector reported inefficiencies of the banking system as the main overall reason for delay.

Past due invoices – On average more than 35% of domestic invoices issued by manufacturing sector respondents were reported as delinquent. The figure rose to 44% in the case of foreign invoices, which may correspond to the longer payment terms the sector offered for exports. Of the 20% of delinquent invoices paid between 30-90 days after the due date, the highest percentage was reported in the services and financial services sectors.

Uncollectable receivables – The highest level of uncollectable receivables was reported by Dutch respondents in the wholesale/retail trade/distribution sector.

Customers' payment behaviour by business size

Average payment duration and average payment delay – Examined by segment, Dutch medium sized/large enterprises received payments with the longest average duration. The average domestic payment took over 30 days, while the average export reimbursement took over 40 days, aligning quite closely with the payment terms offered (see above). They also reported a relatively lower percentage of payments received within the overall survey reference range (10 days either side of the due date), and a sizeable proportion of payments received up to 20 days later than the due date, again illustrating the relatively high level of invoice delinquency experienced by Dutch respondents.

Main reasons for payment delay from customers – Insufficient availability of funds was the most frequently reported reason for domestic payment delays by 30% of the respondents from large enterprises and an average of more than 40% in the other business sizes. It was also cited as the key reason for foreign payment delays by respondents from medium sized/large enterprises (45%). Additionally, Complexity of the payment procedure was reported as the most regular reason for foreign payment delays by over 30% of the respondents from medium-sized enterprises. 15% of respondents from large enterprises cited inefficiencies of the banking system.

Past due invoices – Dutch respondents in the SME segment reported the highest level of invoices paid after the due date across all of the surveyed countries. Large enterprises received the largest proportion of payments from customers more than 30 days past the due date.

Uncollectable receivables – A relatively high percentage of receivables held by small enterprises were uncollectable compared to the other business sizes.

Cash inflow monitoring – DSO trend

- The Netherlands average DSO reflects a significant level of delinquent invoices
- Nearly three quarters of respondents increased dunning activity

Average DSO – The average DSO reported by respondents in the Netherlands was 36 days. This was matched by the DSO for Sweden, and was shorter than the overall survey average (39 days). However the figure was significantly longer than the average payment term in the Netherlands (26 days), as a result of the significant percentage of customers of Dutch businesses (more than 30% of both domestic and foreign invoices) who paid for their purchases late. A relatively high conversion rate of early payment discounts was not enough to compensate for the relatively limited use of early payment discounts and the volume of delinquent invoices.

DSO trend – Over the past year, around 75% of Dutch respondents reported no change in their DSO. If a change was experienced, it was mostly an increase in DSO (more than 20% of respondents, averaging 7 days). The most reported reason for a rise in DSO was an increase in past due invoices (nearly 60% of respondents). In order to reduce DSO, Dutch companies increased the frequency of dunning (more than 70% of respondents).

Cash inflow monitoring – DSO trend by business sectors

Average DSO – The Dutch manufacturing sector had the highest average DSO (40 days) in the Netherlands, lower than the overall survey average for the sector (48 days).

DSO trend – Over the past year, it was observed that both the manufacturing and the services sectors showed a relatively more stable DSO, evidenced by the more than 75% of respondents which reported no change. The least stable sector in terms of DSO was the financial services sector, where over 30% of respondents reported an increase averaging 13 days. Actions to reduce DSO were led by this sector, which reported the greatest increase in both dunning activity and in requests for higher down/advance payments from customers (over 60% of respondents).

Cash inflow monitoring – DSO trend by business size

Average DSO – Medium sized/large enterprises in the Netherlands showed the longest DSO (average 45 days).

DSO trend – Over the past year, Dutch micro-enterprises reported the most stable DSO levels (over 85% of respondents experienced no change in DSO). This was in line with the overall survey finding. By contrast SMEs experienced an increase in DSO most frequently, with more than 30% of respondents averaging a rise of less than one week. In response, over 55% of the respondents from SMEs that had experienced an increase in DSO reported increasing their frequency of dunning. Large enterprises that had experienced an increase in DSO reported increasing the use of outsourced collections services (over 60% of respondents).

Spain

2.8

Conclusions

Spain's comparatively weak economic position was mirrored in many respects by the data from Spanish survey respondents, including the highest DSO of all the surveyed EU countries, and a strong emphasis on the lack of available funds as a key determinant of payment delays.

Spanish businesses extended trade credit more regularly than in any other surveyed country, primarily for commercial reasons. Respondents' payment terms were by far the longest across the survey, with domestic sales terms averaging 27 days longer than foreign terms. Accordingly, payment durations were the longest reported in the survey, with payments from domestic customers averaging 30 days longer than foreign payments, and one third of domestic invoices slipping past the due date. Of necessity, early payment discounts were offered by more than half of the Spanish respondents, dunning was widespread and swifter invoicing speeds were deployed as a measure to counter the slower payments. Despite the slower payments, the percentage of uncollectable receivables in Spain was relatively low in the overall survey context.

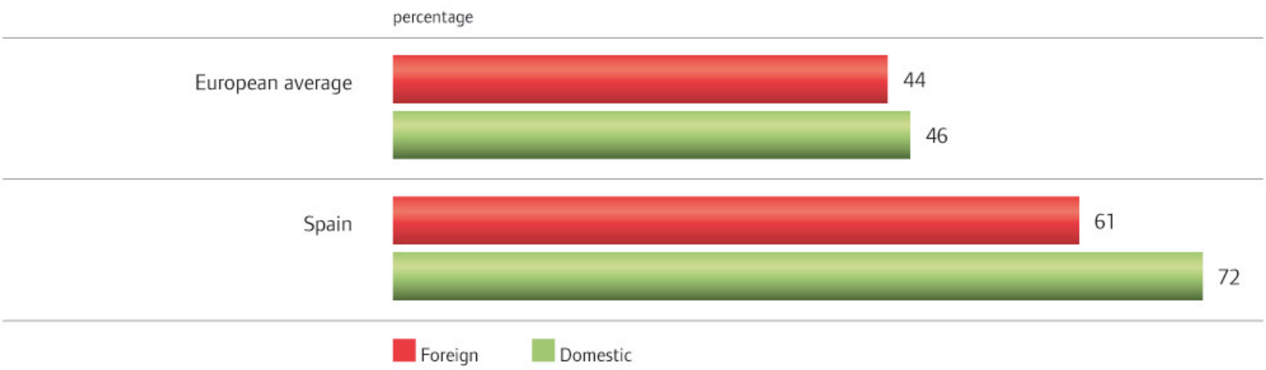
Core results overview

Use of trade credit

- Spanish businesses extended trade credit more regularly than in any other surveyed country
- Commercial reasons were the most regularly cited determinant for granting trade credit

Sales on credit terms – Spanish respondents overall reliance on trade credit was the highest in the survey, as indicated in the Executive Summary. An average 72% of domestic sales were made on credit terms, with 63% of Spanish respondents selling between 70% to 100% of their products and services in this way to their domestic customers. 61% of sales to foreign customers were also transacted by Spanish respondents on credit terms, with 52% of the Spanish respondents making 70% or more of their sales to foreign customers using trade credit. These observations are directly linked to the finding that In addition to having the highest percentage of sales on credit, on average, Spanish respondents also offered the longest payment terms of all the countries surveyed.

Percentage of sales made on credit terms



Basis: interviewed companies from respective countries (that sell products or services abroad)

Trade credit supply determinants – Spanish respondents granted trade credit to customers primarily for commercial reasons. 45% of Spanish respondents stated that the most important reason for granting trade credit to customers was the establishment of long-term trade relations. Nearly 30% cited the promotion of sales growth as the most important reason. For 25%, the most important reason was as a source of short term finance, suggesting that Spanish businesses were keen to grant trade credit as a form of financial support as well.

Use of trade credit by business sectors

Sales on credit terms – The manufacturing sector was relatively more inclined to sell on credit terms than other business sectors surveyed. More than 60% of total domestic and foreign sales by manufacturing sector respondents were on credit terms, aligning with the longer cash conversion cycles in this sector.

Trade credit supply determinants – The extension of trade credit to establish long-term trade relations was observed to be relatively more important to the wholesale/retail trade/distribution sector (55% of respondents) in Spain. For the financial services sector, sales growth promotion was relatively more important (47%). 25% of respondents in the manufacturing sector granted trade credit as a source of short term finance.

Use of trade credit by business size

Sales on credit terms – Segmented by business size, large enterprises showed the greatest inclination in Spain to sell on credit terms to customers. Around 80% of total domestic and foreign sales from this sector were on credit terms, reinforcing the argument that the largest enterprises possess the greatest capacity to sell products and services on credit.

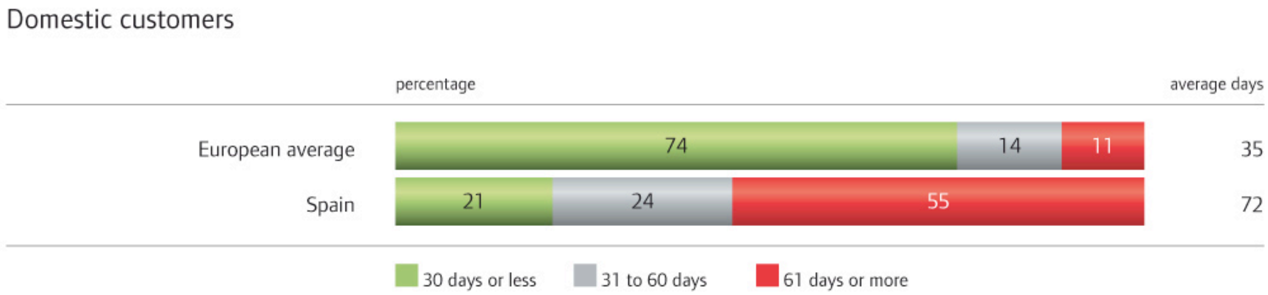
Trade credit supply determinants – The use of trade credit as a commercial tool was relatively more important to micro-enterprises (57% of respondents). Among Spanish respondents from large enterprises, the promotion of sales growth was most frequently cited as the most important reason (45% of respondents).

Credit management practices

- Spanish payment terms were by far the longest in the surveyed countries
- Domestic sales terms averaged 27 days longer than foreign terms
- Early payment discounts were offered by more than half of the Spanish respondents

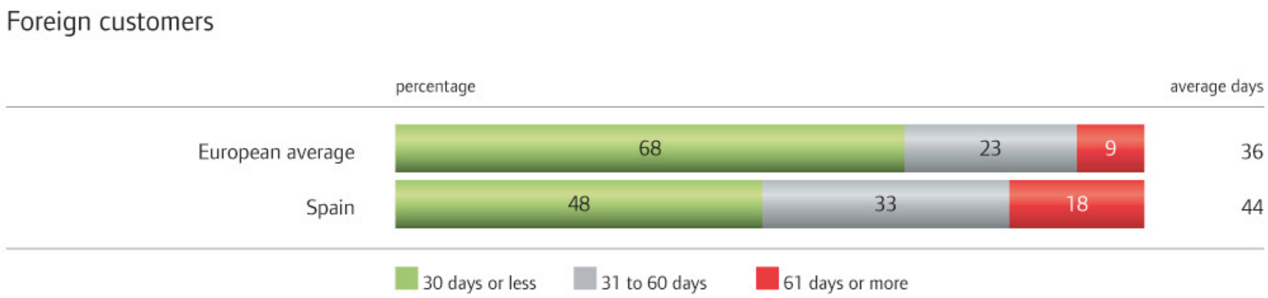
Average payment term – The average payment term offered by businesses in Spain was 67 days, marking, by far, the longest term of all the countries surveyed. A comparison with the overall survey average (34 days) indicated that the payment culture in Spain is noticeably more tolerant of slower payment practices. Another observation worthy of comment is that foreign payment terms of Spanish suppliers are an average 27 days shorter than domestic credit terms (45 days vs. 72 days). This would imply that Spanish companies are benefitting from of the customarily shorter payment terms in foreign markets.

Payment term in days for domestic customers



Basis: interviewed companies from respective countries

Payment term in days for foreign customers



Basis: interviewed companies from respective countries, that sell products or services abroad

Payment terms determinants – The Spanish survey respondents underlined the trading norm that existing customer relationships exert the most important influence in shaping trading terms. Trade relationships with the customer were the most reported determinant of both domestic and foreign payment terms (nearly 55% of respondents). The second most reported determinant was the credit capacity of the customer (more than 35% of respondents). Almost the same percentage of Spanish businesses cited competition as a domestic payment term determinant.

Early payment discounts – Early payment discounts were offered by 55% of Spanish respondents, closely aligning with the market's widespread use of long payment terms. More foreign customers took advantage of discounting (23%) than domestic customers (less than 10%), mirroring the faster payment practices among the other surveyed countries. If you are accustomed to paying in 30-35 days, paying in 35-40 days still allows you to take advantage of an early payment discount on 45 day terms.

Credit management practices by business sectors

Average payment term – Consistent with other countries, Spain's manufacturing sector exhibited the longest average domestic payment term (82 days). The wholesale/retail trade/distribution sector reported the longest average foreign payment term (60 days).

Payment terms determinants – The trade relationship with the customer was the most reported determinant of domestic payment terms in Spain's wholesale/retail trade/distribution sector (70% of respondents) and of foreign payment terms in the services sector (62%). Among other noticeable observations, the credit capacity of the customer was the second most reported determinant of domestic payment terms (48%) in the manufacturing sector, and the second most reported determinant of foreign payment terms in the wholesale/retail trade/distribution sector (52%).

Early payment discounts – The survey suggested that Spain's wholesale/retail trade/distribution sector was more likely to grant early payment discounts (67% of respondents) than other sectors. On average, more foreign customers took advantage of discounting than domestic customers, which almost certainly reflects the shorter average payment terms and payment durations customary outside the Spanish market.

Credit management practices by business size

Average payment term – On average, SMEs in Spain set relatively longer payment terms (average domestic and foreign terms were 80 and 50 days respectively) than micro-enterprises and large enterprises.

Payment terms determinants – As domestic payment terms determinants, both trade relationship with the customer and credit capacity of the customer showed up in the survey as more important to large enterprises (more than 75% of respondents) than to SMEs and micro-enterprises in Spain. Trade relationship with the customer was reported as more important to SMEs as a foreign payment terms determinant than to micro-enterprises and large enterprises.

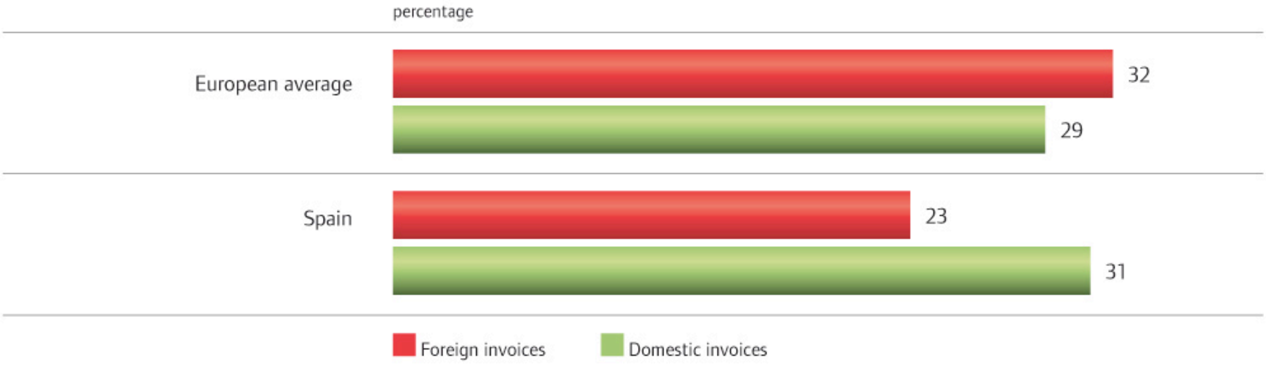
Early payment discounts – Spanish enterprises across all business sizes were equally inclined to grant early payment discounts (55% of respondents). On average, more foreign customers took advantage of early payment discounts than domestic customers. Already accustomed to paying on shorter terms (average payment term of overall survey: 34 days), it is likely that the still longer Spanish terms (45 days) allows foreign buyers to receive an early payment discount while still maintaining their normal payment procedures or even paying later than they normally would.

Customers' payment behaviour

- Spanish payment durations substantially exceeded those in other surveyed countries
- Payments from domestic customers averaged 30 days longer than foreign payments
- Around one-third of domestic invoices went past the due date
- Lack of available funds was a key driver of payment delays

Average payment duration and average payment delay – The average payment duration in Spain was 77 days. This timescale was the longest reported across the surveyed EU countries, a full 31 days more than in Italy, which exhibited the second longest payment durations. On average, Spanish respondents received payments from their customers 10 days later than the average payment term. Payments from domestic customers were received noticeably later (average domestic: 83 days) than from foreign customers (average foreign: 53 days). This implies that Spanish exporters benefit from the customarily shorter payment terms and subsequently faster payment practices in foreign markets.

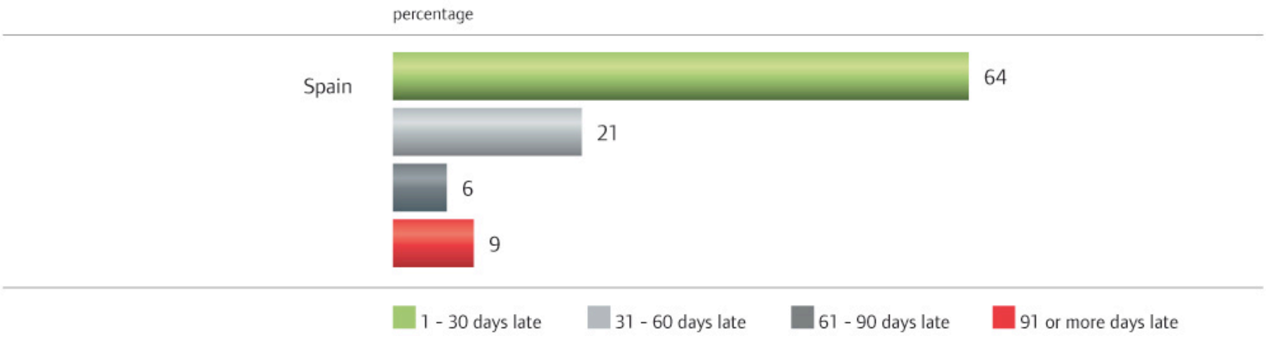
Percentage of domestic and foreign invoices that are paid after the due date



Basis: interviewed companies from respective countries (that sell products or services abroad)

Main reasons for payment delay from customers – The most frequently reported reason from Spanish respondents for payment delays from customers was insufficient availability of funds (70%: domestic delays - 45%: foreign delays). This may indicate how the wider Spanish economy has struggled in recent years compared to many of its EU peers. The second most frequently reported reasons were complexity of the payment procedure and inefficiencies of the banking system (20% of respondents), particularly for delays from foreign customers.

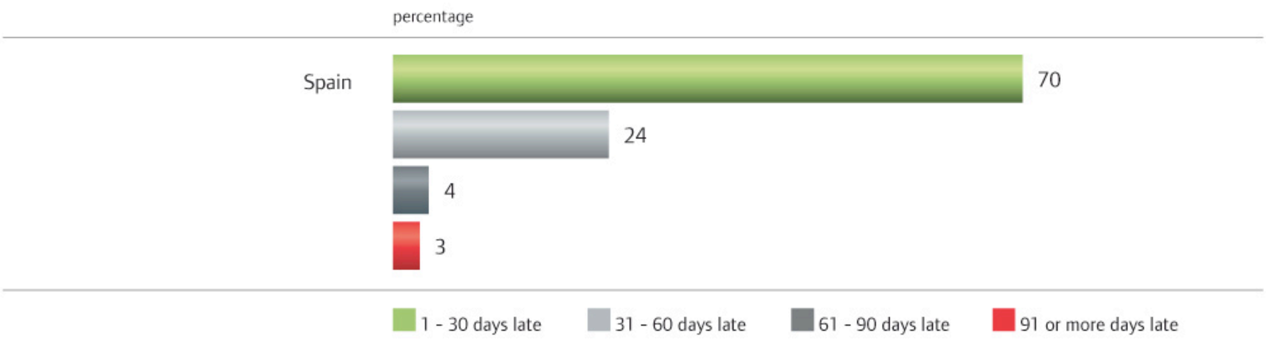
Percentage of domestic payments made after due date



Basis: interviewed companies from respective countries

Past due invoices – More than 30% of the domestic invoices sent out by Spanish respondents were reported as past due. More than 20% of foreign invoices were past due, providing another indicator of the relatively slow Spanish payment culture. Around 65% were paid between 1 and 30 days after the due date, while around 20% were paid between 30 days and 90 days after the due date. Nearly 10% were paid over 90 days after the due date, falling into the category of 'difficult to collect'.

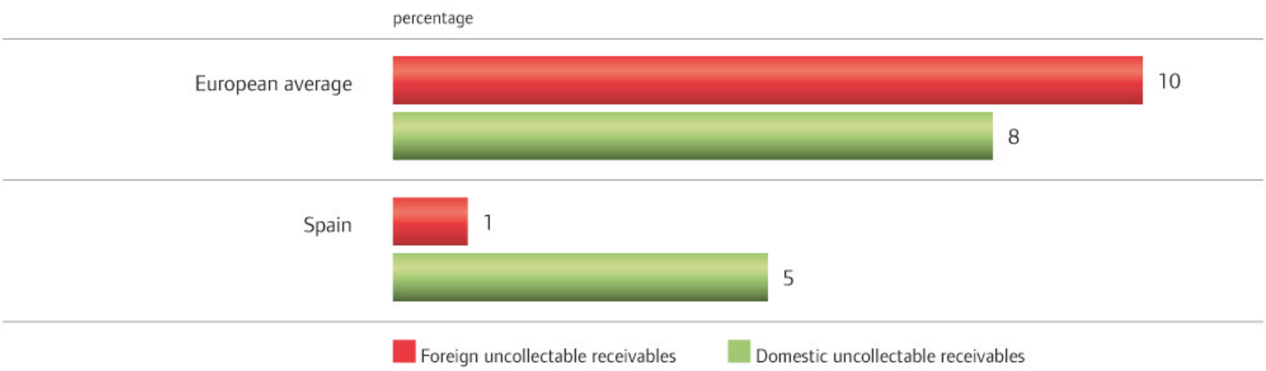
Percentage of foreign payments made after due date



Basis: interviewed companies from respective countries that sell products or services abroad

Uncollectable receivables – Despite the long payment terms and payment delays, on average, the percentage of uncollectable receivables in Spain did not exceed 5% of total accounts receivable.

Percentage of domestic and foreign receivables that were uncollectable



Basis: interviewed companies from respective countries (that sell products or services abroad)

Customers' payment behaviour by business sectors

Average payment duration and average payment delay – Spain's manufacturing sector exhibited the longest average domestic payment duration (98 days), mirroring trends observed in the credit management practices section of this report. This was also the case with the wholesale/retail trade/distribution sector, which reported the longest average foreign payment duration (66 days).

Main reasons for payment delay from customers – Aligning with the overall survey, insufficient availability of funds was the most frequently reported reason for payment delays from customers, most noticeably in the wholesale/retail trade/distribution sector (more than 70% of respondents).

Past due invoices – Spain's services sector reported the highest proportion of domestic past due invoices (30%) of the sectors surveyed. Its wholesale/retail trade/distribution sector reported the highest proportion of foreign past due invoices (35%).

Uncollectable receivables – Spain's financial services sector exhibited a higher percentage of uncollectable receivables (more than 10%) than other sectors. This ties in with a wider sector trend highlighted in the Executive Summary.

Customers' payment behaviour by business size

Average payment duration and average payment delay – The average payment duration reported by Spanish respondents was relatively long among SMEs (domestic: 90 days – foreign: over 60 days). The average delay experienced by Spanish SMEs was 20 days after the due date.

Main reasons for payment delay from customers – The most frequently reported reason by Spanish respondents of all sizes for payment delays from domestic customers was insufficient availability of funds (more than 70% of respondents). This percentage rose to 93% among large enterprises. More than 20% of respondents across all the business sizes reported inefficiencies of the banking system as the main determinant for foreign payment delays.

Past due invoices – SMEs in Spain reported the largest percentage of invoices paid after the due date (domestic: more than 40% - foreign: more than 20%). Micro-enterprises in Spain, on average, received payment on overdue invoices faster than their larger peers. They reported the largest percentage of past due invoices paid between 1 day and 15 days, which may reflect a greater emphasis on receivables management due to the critical need to maintain cash-flow in this segment.

Uncollectable receivables – Despite having some of the longest payment terms and highest percentages of late and very late payments of the countries surveyed, Spain's uncollectable invoice levels are below the overall survey average. On average, the percentage of uncollectable receivables among Spain's SMEs and micro-enterprises did not exceed 6% of total receivables volumes. This perhaps also spurs a debate about the relationship between length of payment terms and payment defaults.

Cash inflow monitoring – DSO trend

- Spain exhibited the highest DSO figure of all the surveyed EU countries
- Dunning and swifter invoicing speeds were deployed to counter this

Average DSO – The average DSO reported by respondents in Spain was 79 days. This was the longest DSO of all those observed in the EU countries surveyed, and falls in line with many of the Spanish payment trends observed in the preceding sections, including the patterns reported for past due invoices.

DSO trend – Over the past year, more than 50% of Spanish respondents did not experience a change in DSO. The proportion of respondents that experienced an increase (average: 27 days) or decrease (average 17 days) was over 20% in both cases. The most cited determinant for an increase was a rising level of past due invoices (more than 7% of respondents), whereas more than 55% of respondents who experienced a decrease attributed this to a decline in sales. In order to reduce DSO, more than 65% of Spanish respondents reported having increased the frequency of dunning (outstanding invoices reminders), and 53% of respondents reported having increased the speed of invoicing.

Cash inflow monitoring – DSO trend by business sectors

Average DSO – Spain's manufacturing sector reported the longest average DSO (beyond 90 days). This is consistent with the manufacturing sector DSOs throughout the survey overall.

DSO trend – The services sector showed the highest percentage of respondents experiencing no change (57%) in DSO. It also exhibited the highest percentage of respondents (25%) experiencing an increase in DSO (average 39 days) due to an increased used of trade credit (75% of respondents). Over 90% of respondents in the wholesale/retail trade/distribution sector reported an increase in past due invoices.

Cash inflow monitoring – DSO trend by business size

Average DSO – Respondents from SMEs reported the longest average DSO (more than 90 days) compared to an average of 63 days reported by respondents from the country's micro-enterprises and 85 days reported by respondents from large enterprises.

DSO trend – Large Spanish enterprises reported a relatively more stable DSO than other sectors (55% no change). 43% of respondents in this segment also reported a decrease in DSO, rather than an increase. This was mainly due to increased early payment discounting (70% of respondents) and the use of larger advance payments (over 65% of respondents). Micro-enterprises reported the biggest average increase in DSO (around 30 days), mainly due to an increased use of trade credit.

Sweden

2.9

Conclusions

"Increased trade credit is of course positive as long as sales increases and the Swedish companies continue to practice strong credit management keeping payment terms down to 34 days average. However there are worrying signs in certain trade sectors where buyers are really trying to substantially prolong payment conditions. On the other hand, the usage of early payment discounts shows a good trend. We are happy to see that the lack of liquidity is not the main reason for slow payments. The problem rather seems to be the payment procedure itself. All in all payment conditions, credit management and the expected limited number of company defaults in Sweden gives confidence for the coming year."

Claes Björkman, Underwriting Manager Sweden

The picture of Sweden's credit management practices provided by the survey was consistent with the overall survey picture. Driven primarily by commercial imperatives, Swedish sales on credit were slightly higher then the overall survey averages, with reimbursements for sales taking just 4 days longer than the shortest survey payment duration. Early payment discount offers fell below the overall survey average, and Sweden's DSO figure was three days shorter than the overall survey average. The level of uncollectable receivables was tightly aligned with the overall survey average. This may have been helped by the destination of the majority of Swedish exports, over 50% of which ended in other Northern European markets, where payment morality is similar.

Adding to the symmetry, foreign and domestic payment terms were almost identical in Sweden, where company and industry standards were among the key determinants of payment terms. Sweden suffered to some extent from the relatively bleak economic conditions in some markets, as evidenced by the 25% of invoices paid past due date. Inefficient banking systems were the most influential factor in export payment delays, but a slight increase in DSO was mainly attributable to a rise in the use of trade credit to stimulate sales.

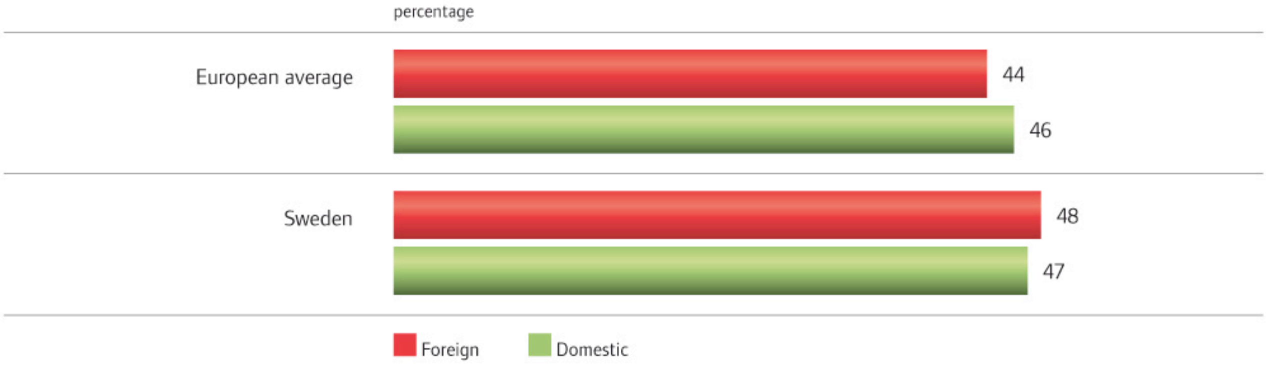
Core results overview

Use of trade credit

- Swedish sales on credit adhered closely to overall survey averages
- Commercial determinants acted as the main driver for trade credit decisions

Sales on credit terms – Survey respondents from Sweden showed great consistency in their use of trade credit with 47% of domestic and 48% of foreign customers buying on credit terms. The percentages were very close to the overall survey averages (domestic: 46% - foreign: 44%), and corresponds with similar observations in Belgium, Denmark, France, and Great Britain.

Percentage of sales made on credit terms



Basis: interviewed companies from respective countries (that sell products or services abroad)

Trade credit supply determinants – The most important reason for granting trade credit cited by Swedish businesses was the establishment of long term trade relations with customers (42% of respondents), just below the overall survey average (45%). Adding further evidence that commercial determinants often drive Swedish credit terms, the promotion of sales growth was ranked as the most important reason for extending trade credit by 24% of Swedish respondents, while both of these determinants were ranked by 39% of Swedish respondents as the second most important reason for trading on credit, significantly above the survey average (30%). However, only 10% of Swedish businesses reported that they granted trade credit to customers mainly as a source of short-term finance (survey average 20%), suggesting that financial support for customers is accorded a relatively low priority.

Use of trade credit by business sectors

Sales on credit terms – Sweden's manufacturing sector was the most inclined to sell on credit terms to customers (average of more than 60% of total sales). This aligns with the overall survey trend (55%), and links to the sector's longer cash conversion cycle.

Trade credit supply determinants – The wholesale/retail trade/distribution sector exhibited the greatest inclination to grant trade credit to establish long term trade relations (more than 50% of respondents). This was most frequently cited by Sweden's manufacturing sector as the second most important reason for trading on credit (more than 30%). All of the business sectors surveyed were almost equally inclined to grant trade credit to promote sales growth, but the services sector was observed as the most likely to grant trade credit to allow customers time to confirm the quality of the product before payment (over 25%).

Use of trade credit by business size

Sales on credit terms – Sweden's large enterprises exhibited the greatest inclination to sell on credit terms to customers (around 60% of sales). Micro-enterprises reported the least preference for selling on credit terms to domestic customers (around 30%).

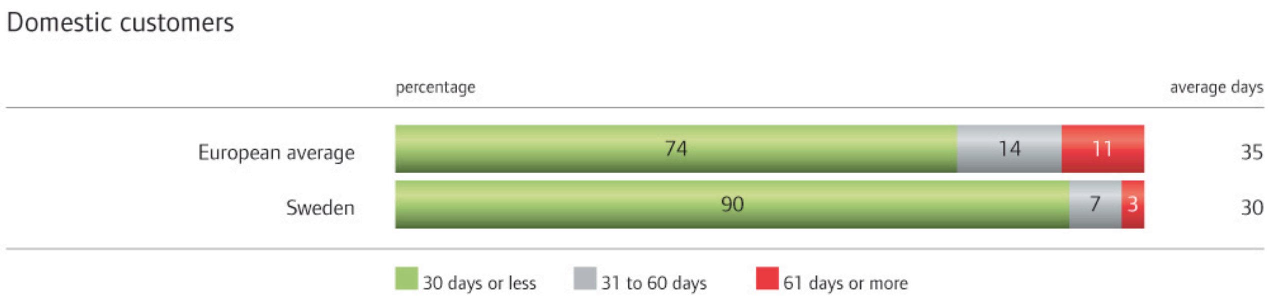
Trade credit supply determinants – Swedish SMEs cited the establishment of long term trade relations as their key reason for granting trade credit to customers (45% of respondents). Large enterprises showed up as relatively more inclined to grant trade credit to promote sales growth (around 40%). Over 40% of micro-enterprises cited allowing time to confirm the quality of the product before payment as the key determinant, indicating that customer satisfaction ranks highly in this segment.

Credit management practices

- Foreign and domestic payment terms were almost identical in Sweden
- Company and industry standards were among the most cited determinants of payment terms
- Early payment discount offers fell below the overall survey average, while acceptances were higher than average

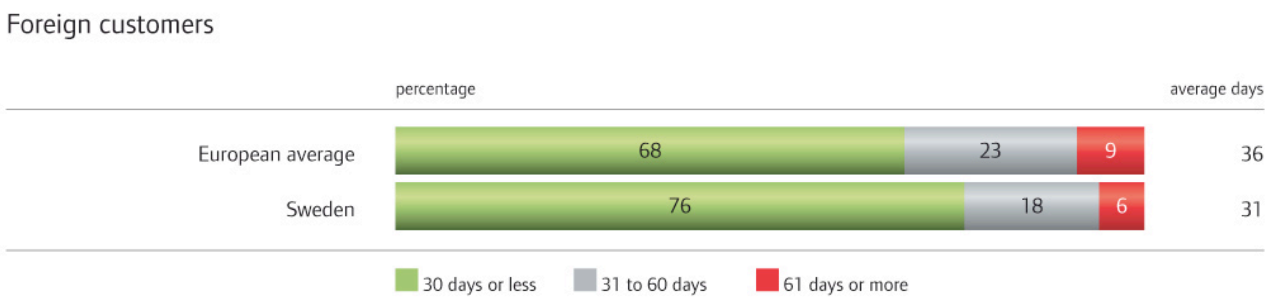
Average payment term – Sweden stood out as the country with the most consistent payment terms. The average payment term reported in Sweden was 30 days, almost in line with the survey average (34 days). Average domestic and export payment terms set by respondents in Sweden showed almost no difference (30 and 31 days), whereas in most other surveyed countries, domestic terms were significantly shorter than export terms. One explanation for Sweden's deviation from this norm could be that over 60% of the country's exports go to the Nordic countries and Germany. These countries have shorter average domestic payment terms and similar average foreign payment terms which limits the chances of having to offer longer terms to buyers from these countries.

Payment term in days for domestic customers



Basis: interviewed companies from respective countries

Payment term in days for foreign customers



Basis: interviewed companies from respective countries, that sell products or services abroad

Payment terms determinants – Contrasting with the wider survey pattern, the most important reason for granting trade credit to customers among Swedish respondents was company standard payment terms (more than 40% of the respondents). Industry standard payment terms and trade relationship with the customer were the second most reported domestic payment term determinants (more than 35%). It is worth noting that industry norms normally determine payment terms in highly competitive markets, such as Sweden, so this finding was not unexpected, and was confirmed by the observation that survey respondents ranked competition as the third most important overall payment term determinant. Trade relationship with the customers and company standard payment terms were the first and second most reported foreign payment term determinants (over 45% and nearly 40% respectively). One more noticeable point was that creditworthiness of the customer was ranked as the third most important determinant for export terms but was among the least prioritised determinants on the domestic market. This indicates that Swedish companies view creditworthiness due diligence as more necessary for exports.

Early payment discounts – Over 20% of the respondents offered early payment discounts to customers, well below the overall survey average (39%). They were met with an acceptance rate of nearly 30% by both domestic and foreign customers, well above the EU average (22%). However this did not exert a significant influence upon the DSO figure (36 days) due primarily to the level of delinquent invoices (see below).

Credit management practices by business sectors

Average payment term – Respondents in the financial services sector set the longest average domestic payment terms (over 40 days) in Sweden. Respondents in the manufacturing sector averaged the longest overall payment terms (over 35 days).

Payment terms determinants – More than 50% of Swedish respondents in the manufacturing sector cited company standard payment terms as the most important driver of their decisions to offer payment terms to Swedish buyers. This was the most frequently reported determinant of payment terms in Sweden by any business sector. More than 45% cited trade relationship with the customer as the key driver for determining credit terms on both domestic and export sales. Industry standard payment terms was the key determinant of overall payment terms in the wholesale/retail trade/distribution sector (nearly 40% of respondents), in which company standard payment terms were also highly prioritised (over 40%) in setting foreign payment terms.

Early payment discounts – The wholesale/retail trade/distribution sector showed a high level of both early payment discount offers and acceptances. Discounts were offered to customers by more than 40% of respondents, suggesting that this sector puts a high priority on cash flow. It was met by a very successful acceptance rate of over 45%.

Credit management practices by business size

Average payment term – SMEs in the survey set the longest average domestic payment terms (over 30 days). Large enterprises had the longest average foreign terms (around 40 days).

Payment terms determinants – The standout finding by size of company was the proportion of micro-enterprises (more than 55%) that reported trade relationship with the customer as the most important determinant of their foreign payment terms. SMEs cited company standard payment terms as their key determinant for both export (35%) and domestic payment terms (over 45%). Industry standard payment terms was cited as the main driver of domestic terms by large enterprises (over 40%) while micro-enterprises singled out trade relationship with the customer as the key domestic determinant (over 40%).

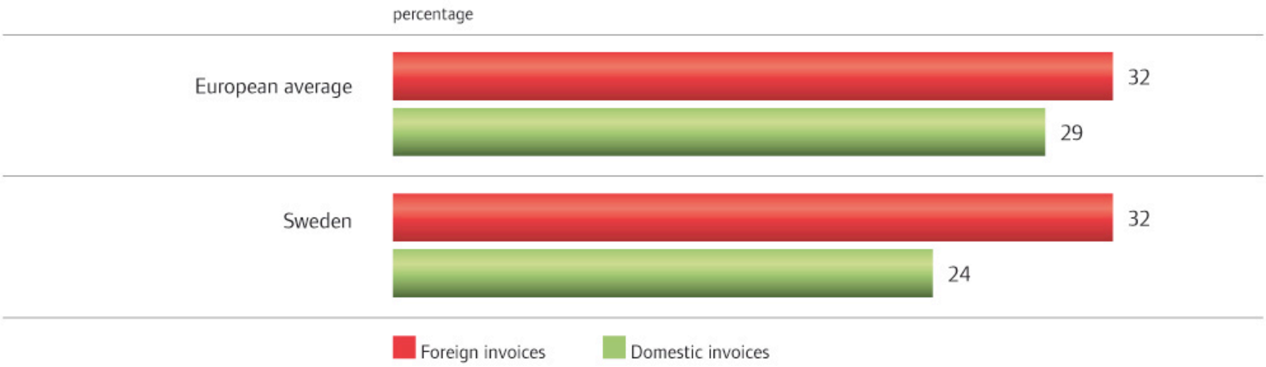
Early payment discounts – Respondents from large enterprises offered early payment discounts more frequently than in other segments (over 45% of respondents). They were met with a good acceptance rate of around 50% of domestic customers and some 30% of foreign customers. This may reflect an attempt by larger enterprises to reduce their costs associated with collecting overdue receivables.

Customers' payment behaviour

- Payments to Swedish respondents took just 4 days longer than the shortest survey payment duration
- Inefficient banking systems was said to have the greatest influence on export payment delays
- Over 25% of Swedish invoices were paid after the due date
- Uncollectable receivables levels were in line with the overall survey findings

Average payment duration and average payment delay – The overall average payment duration reported in Sweden was 27 days, just four days longer than the shortest average payment duration (23 days: Denmark and Germany) of the overall survey. As was the case in all of the countries surveyed except Italy and Spain, respondents from Sweden received their payments from domestic customers earlier than from foreign customers. In a comparison between the overall average payment duration and the overall average payment term, Swedish survey respondents received an average of 67% of domestic payments within the overall survey's reference range spanning 10 days either side of the average due date. This, along with an average of 55% of foreign payments received within the reference range, may explain why a sizeable percentage of payments were received, by our survey respondents in Sweden, 3 days earlier than the average payment term.

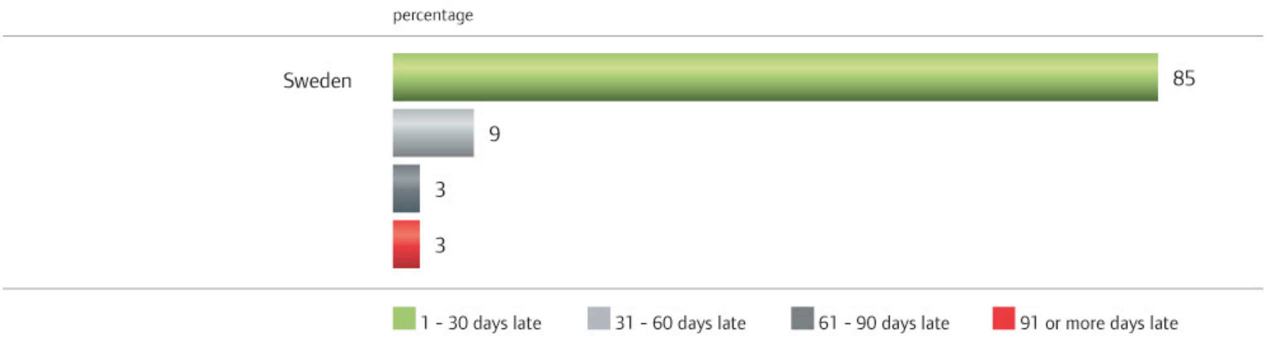
Percentage of domestic and foreign invoices that are paid after the due date



Basis: interviewed companies from respective countries (that sell products or services abroad)

Main reasons for payment delay from customers – Complexity of the payment procedure and inefficiencies of the banking system were the most reported reasons for both domestic and foreign payment delays (20% and over 30% of respondents respectively). This was in opposition to the overall survey findings, which cited insufficient availability of funds as the key determinant.

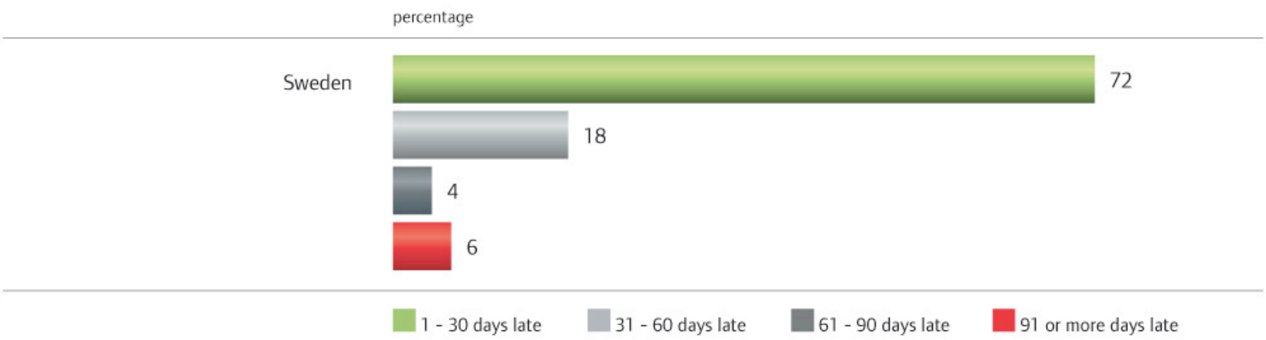
Percentage of domestic payments made after due date



Basis: interviewed companies from respective countries

Past due invoices – Over 25% of invoices issued by survey respondents in Sweden were reported as delinquent. An average of around 80% of domestic past due invoices were paid within one month after the due date. Significantly, over 70% of these were paid between 1 day and 15 days after the due date, which tied in with other signals in our survey that buyers in Northern Europe may possess a stronger payment morality than elsewhere in the EU. Around 75% of foreign past due invoices were paid within one month of the due date, with more than half of these paid between 1 day and 15 days after the due date. However this failed to bring the average Swedish DSO below an average of 36 days.

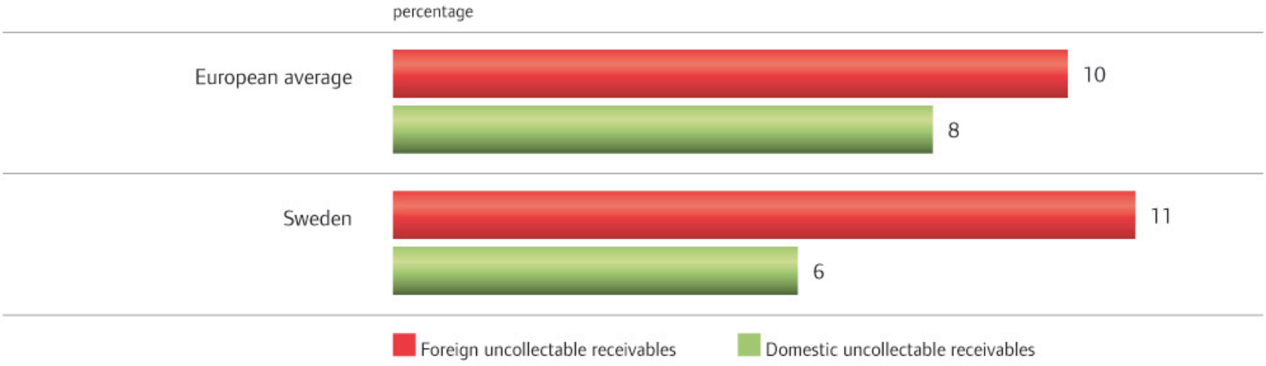
Percentage of foreign payments made after due date



Basis: interviewed companies from respective countries that sell products or services abroad

Uncollectable receivables – Domestic uncollectable receivables averaged less than 10% of total invoices, and foreign uncollectable receivables averaged around 10%, aligning closely with the overall survey findings.

Percentage of domestic and foreign receivables that were uncollectable



Basis: interviewed companies from respective countries (that sell products or services abroad)

Customers' payment behaviour by business sectors

Average payment duration and average payment delay – Examined by sector, it was observed that Sweden's financial services sector exhibited the longest average payment duration (more than 40 days). This sector received the lowest percentage of domestic payments within the survey reference range (10 days either side of the due date). The manufacturing sector however received a sizeable proportion of foreign payments quite early (more than 10 days before the due date).

Main reasons for payment delay from customers – Respondents in the financial services sector and in the manufacturing sector cited the complexity of the payment procedure and inefficiencies of the banking system as the most frequent reasons for overall payment delays. Most noticeably, 40% of respondents in the manufacturing sector reported inefficiencies of the banking system as the main reason for foreign delays.

Past due invoices – The financial services sector exhibited the highest proportion of past due invoices among the Swedish companies surveyed (average over 30%), which is likely to be a side effect of the sectors relatively long payment terms and payment durations.

Uncollectable receivables – Respondents in financial services reported that domestic receivables were uncollectable more than any other Swedish sector (around 20% of respondents). Uncollectable export receivables were cited most regularly by respondents in the manufacturing sector (around 20%).

Customers' payment behaviour by business size

Average payment duration and average payment delay – Examined by size, medium-sized/large enterprises reported the longest average payment durations (more than 35 days). Large enterprises received the lowest percentage of both domestic and foreign payments within the survey reference range (10 days either side of the due date), but a sizeable proportion of payments were received earlier than 10 days before the due date.

Main reasons for payment delay from customers – More than 65% of respondents from large enterprises reported complexity of the payment procedure and inefficiencies of the banking system as their most frequent reasons for foreign payment delays.

Past due invoices – Large enterprises in Sweden reported the highest level of invoices paid after the due date (over 30%). This compared to an SME average in the surveyed countries ranging from 20% to 35% and may be a side effect of the relatively longer payment terms set by large enterprises.

Uncollectable receivables – A relatively higher percentage of receivables of large enterprises (around 10%) were uncollectable compared to other business segments but this was only just above the average for all Swedish businesses.

Cash inflow monitoring – DSO trend

- Sweden's average DSO was three days shorter than the overall survey average
- DSO increased slightly due primarily to an increase in the use of trade credit to stimulate sales

Average DSO – The average DSO reported by Swedish respondents was 36 days. This was shorter then the overall survey average of 39 days. A comparison with the average payment term set by respondents in Sweden (30 days) would indicate that a significant proportion of customers were delinquent when paying invoices. This is consistent with the above observation that well over 25% of invoices were paid after the due date, adding to the average time taken by Swedish businesses to convert their credit sales into cash.

DSO trend – Over the past year, 82% of survey respondents in Sweden did not experience a change in DSO, more than the overall survey average (75% of respondents). If a change was experienced, it was most likely an increase in DSO (more than 10%), which amounted, on average, to more than 10 days. The main drivers behind this were an increase in the use of trade credit (over 80% of respondents) aimed at stimulating sales (70% of respondents). This resulted in an increase in past due invoices, which was reported by nearly 60% of Swedish respondents who subsequently experienced an increase in DSO. In order to reduce DSO, over 80% of Swedish respondents increased their frequency of dunning (outstanding invoices reminders), followed by nearly 60% who increased their use of outsourced collections services.

Cash inflow monitoring – DSO trend by business sectors

Average DSO – Sweden's manufacturing sector showed the highest DSO (average around 40 days). This aligned with the overall survey trend, in which the manufacturing sector experienced an average DSO of 48 days.

DSO trend – Over the past year, it was observed that the services sector showed a relatively more stable DSO, evidenced by the nearly 90% of respondents which reported no change. This supports other survey signals that this sector may operate tighter credit controls than others. Over 45% of respondents in financial services reported an increase in DSO averaging more than two weeks, making it the least stable sector. All actions to reduce DSO were led by this sector.

Cash inflow monitoring – DSO trend by business size

Average DSO – SMEs showed the longest DSO (average 35 days), aligning with overall survey findings but lower than the overall survey average of 42 days.

DSO trend – Over the past year, Swedish micro-enterprises reported the most stable DSO levels (over 80% of respondents). This was consistent with the average of 83% of micro-enterprises that reported no change in DSO in the survey overall. By contrast SMEs experienced an increase in DSO most frequently; averaging a rise of more than 10 days, predominantly due to an increase in past due invoices (over 30%).

Survey background 3.1

Atradius conducts regular surveys of corporate payment behaviour across a range of countries; its findings published in the **Atradius Payment Practices Barometer**. From its inception in 2006, when 1,200 companies from six European countries were interviewed for their views of their business partners' payment behaviour, the twice yearly **Atradius Payment Practices Barometer** has grown in scope each year

In the first survey of 2011 (the ninth in the series) over 1,800 companies from nine European countries (Belgium, Denmark, France, Germany, Great Britain, Italy, the Netherlands, Spain and Sweden) have been surveyed.

Survey objectives* 3.2

The Atradius Payment Practices Barometer addresses the following research questions:

- To what extent do companies use trade credit in the countries surveyed?
- What criteria influence their decisions regarding selling on credit terms?
- What are the factors that determine their credit management practices?
- What is the payment behaviour of the companies' customers?
- What is the average DSO in the country?

* It should be noted that payment patterns of various kinds of businesses in different markets may vary from country to country

Structure of the survey 3.3

1. Determining the appropriate company contact for accounts receivable management
2. Ascertaining the interviewed company's industry and size
3. Ascertaining the industries and countries the company does business with
4. Assessing the amount of sales on credit terms and the criteria influencing the decision of selling on credit terms
5. Assessing the general data on credit management practices in the country:
   - established payment terms for domestic and foreign customers (average days)
   - payment terms determinants
   - early payment discounts
6. Customers' payment behaviour:
   - average payment duration and delays
   - main reasons for payment delays from customers
   - past due invoices
   - uncollectable receivables
7. Cash inflow monitoring
   - average Days Sales Outstanding (DSO)
   - DSO trend

Survey scope

3.4

Basic population

- Companies from nine countries were monitored (Belgium, Denmark, France, Germany, Great Britain, Italy, the Netherlands, Spain, Sweden)
- The appropriate contacts for accounts receivable management were interviewed

Selection process

Internet survey:
Companies were selected and contacted by use of an international internet panel

- At the beginning of the interview, a screening for the appropriate contact and for quota control was conducted

Sample

- n=1,758 persons were interviewed in total (approx. n=184-214 persons per country)
- In each country, a quota was maintained according to three rough industry categories and two classes of company size.
- As to Spain, the sample has been extended with the inclusion of the businesses with turnover under 1 million euro

Interview

- Web-assisted personal interviews (WAPI) of approx. 12 minutes duration

Sample overview 3.5

Country (n=1,847)	n	%
Belgium	199	10,8%
Denmark	203	11,0%
France	210	11,4%
Germany	207	11,2%
Great Britain	206	11,2%
Italy	211	11,4%
Spain	184	10,0%
Sweden	213	11,5%
The Netherlands	214	11,6%

Turnover (n=1,847)	n	%
Micro enterprise	551	29,8%
Small enterprise	655	35,5%
Medium/Large enterprise	412	22,3%
Large enterprise	229	12,4%

Economic sector (n=1,847)	n	%
Manufacturing	373	20,2%
Wholesale / Retail / Distribution	483	26,2%
Services	836	45,3%
Financial services	155	8,4%

Subbranche (n=1,847)	n	&
Building / Construction	203	11,0%
Real Estate (sales / rentals / property management)	45	2,4%
Plastics (processing or fabrication)	30	1,6%
Chemicals and chemical products	55	3,0%
Pharmaceutical	29	1,6%
Health Care	114	6,2%
Metals and mining	39	2,1%
Raw Materials	44	2,4%
Energy	30	1,6%
Oil and Gas	22	1,2%
Automotive	56	3,0%
Machines and machine tools	46	2,5%
Textiles (footwear / clothing / fabrics)	44	2,4%
Food / Beverages / Agriculture	118	6,4%
Furniture	30	1,6%
Technology (science / electronics)	68	3,7%
Engineering	64	3,5%
Telecommunications	53	2,9%
Media / Advertising / PR	38	2,1%
Printing / Publishing	18	1,0%
Paper / Packaging	13	0,7%
Transport / Logistics	92	5,0%
Travel and Tourism / Leisure	41	2,2%
Government / Local authorities	71	3,8%
Education	70	3,8%
ICT	25	1,4%
Accounting / Administration	24	1,3%
Consultancy	31	1,7%
Legal affairs	16	0,9%
Agricultural products	7	0,4%
Financial services	155	8,4%
Other	102	5,5%
Unknown	54	2,9%

Where a single answer is possible, it may occur that the results are a percent more or less then a 100% when adding the results up. This is the consequence of rounding off the results. We have chosen not to adjust the results so the outcome would fit to a 100%, with the purpose of representing the individual results as precisely as possible.

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Published by Atradius Corporate Communications and Marketing
The survey was conducted by Heliview Research, Breda

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