

# Payment Study 2013

# INDEX

<b>CRIBIS D&amp;B AND THE DUNTRADE® PROGRAM .....</b>	<b>3</b>
<b>INTRODUCTION, METHODOLOGY AND LEGEND .....</b>	<b>5</b>
<b>1. CHINA.....</b>	<b>7</b>
<b>2. TAIWAN .....</b>	<b>14</b>
<b>3. HONG KONG .....</b>	<b>19</b>
<b>4. MEXICO .....</b>	<b>24</b>
<b>5. UNITED STATES .....</b>	<b>30</b>
<b>6. CANADA .....</b>	<b>36</b>
<b>7. EUROPE .....</b>	<b>42</b>
<b>8. BELGIUM.....</b>	<b>52</b>
<b>9. THE NETHERLANDS .....</b>	<b>58</b>
<b>10. FRANCE .....</b>	<b>64</b>
<b>11. GERMANY .....</b>	<b>70</b>
<b>12. UK .....</b>	<b>76</b>
<b>13. SPAIN .....</b>	<b>82</b>
<b>14. PORTUGAL .....</b>	<b>89</b>
<b>15. SLOVENIA.....</b>	<b>95</b>
<b>16. HUNGARY .....</b>	<b>102</b>
<b>17. POLAND.....</b>	<b>108</b>
<b>18. CZECH REPUBLIC.....NEW .....</b>	<b>114</b>
<b>19. FINLAND.....NEW .....</b>	<b>120</b>
<b>20. DENMARK.....NEW .....</b>	<b>126</b>
<b>21. TURKEY.....NEW .....</b>	<b>130</b>
<b>22. RUSSIA.....NEW .....</b>	<b>134</b>
<b>23. ITALY .....</b>	<b>140</b>
<b>23.1 Payment Terms.....</b>	<b>141</b>
<b>23.2 Payment Analysis.....</b>	<b>143</b>
<b>CONCLUSIONS .....</b>	<b>159</b>

# CRIBIS D&B AND THE DUNTRADE® PROGRAM

## CRIBIS D&B

CRIBIS D&B is a highly specialized company with advanced business information skills. It was set up with the aim of providing both the Italian market and D&B's global clients with the highest standards of quality in terms of business coverage, the depth and accuracy of information, the technological capacity and flexibility to respond quickly to market demands, as well as in the provision of decisional systems, and scoring models.

## DATA SOURCES: D&B PAYDEX AND PAYMENT EXPERIENCES

The data presented in this study come from the information held in DUNTRADE® PROGRAM and are elaborated by CRIBIS D&B.

In particular, payment assessment is based on the analysis of those companies for which a D&B Paydex value is available, where D&B Paydex is a statistical indicator that assesses the historical performance of payments to suppliers, and provides a reliable profile of a company in terms of whether or not it is a good payer.

The D&B Paydex score is only generated if there are at least three trade experiences from three different suppliers.

This is because it is an indicator that enables the average payment practices of clients to be assessed, and requires the identification of a trend and homogeneous observations, guaranteed by the use of a clear and correct definition of payment experiences.

Payment experiences are generated by the combined analysis of all commercial transactions (invoices, payments, overdue payments etc.) between a client company and its supplier over the course of the previous 12 months. The score is a moving weighted average because:

- it comes from the analysis of 12 months of data
- it depends on the credit being analyzed, i.e. on the credit amounts that are on time or late every month
- it is updated every month

## THE DUNTRADE® PROGRAM

Payment experiences come from DUNTRADE®, the program used by D&B Partners and participating companies aimed at collecting **data, analyses and assessments of the payment practices of companies** in Italy and around the world.

Some data relating to **DUNTRADE®** are presented below:

## WORLDWIDE

- Active on a worldwide level since 1972
- Data collected on more than 5 billion transactions
- Payment experiences available for more than 27 million companies in relation to their suppliers.

## ITALY

- 45 years of experience in information systems
- Data on over 140 million transactions collected in Italy
- Payment experiences available for more than 1 million companies in relation to their suppliers
- The Paydex indicator is available for 65% of requests.

# INTRODUCTION, METHODOLOGY AND LEGEND

The Payment Study, published with data up to 31 December 2012 for all countries except for Italy, for which data is included up to 31 March 2013, is aimed at outlining the international picture of payment practices, with particular focus on Italy and Europe.

Thanks to CRIBIS D&B being part of the D&B Worldwide Network, it was possible to collect and analyze payment data from China, Taiwan, Hong Kong, Mexico, the USA, Canada, Belgium, the Netherlands, Germany, France, the UK, Spain, Portugal, Poland Slovenia and Hungary. In this edition of the study, there is additional information relating to the Czech Republic, Finland, Denmark, Turkey and Russia. For each country the patterns of commercial transactions are analyzed in detail, paying attention to any changes compared with previous years.

The main sources of information used in this study were payment data from the D&B Worldwide Network DUNTRADE program.

The following information is given for clarity:

## **Analysis Legend by type of company**

### **ITALY**

Micro (Turnover  $\leq 2$  million € or  $\leq 10$  employees)

Small (Turnover  $\leq 10$  million € or  $\leq 50$  employees)

Medium (Turnover  $\leq 50$  million € or  $\leq 250$  employees)

Large (Turnover  $> 50$  million € or  $> 250$  employees)

### **OTHER COUNTRIES**

Micro ( $\leq 5$  employees)

Small ( $> 5$  and  $\leq 50$  employees)

Medium ( $> 50$  and  $\leq 260$  employees)

Large ( $> 260$  employees)

## **Analysis Legend for geographical regions in Italy**

North East (Emilia Romagna, Friuli-Venezia Giulia, Trentino-Alto Adige and Veneto)

North West (Liguria, Lombardy, Piedmont and Aosta Valley)

Center (Lazio, Marche, Tuscany and Umbria)

South and the Islands (Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily)

## **Notes**

### **TURKEY**

Payment practices for 2012 only were analyzed for this country due to the recent establishment of a program for sharing payment information.

In addition, in the analysis of payment habits by macro-sector, a different classification was used to define the sectors and the classifications of the best and worst micro-sectors in terms of payment were not included.

### **TAIWAN, HONG KONG, CZECH REPUBLIC AND HUNGARY**

Agriculture, and Mining and Quarrying were excluded from the analysis of payment practices by macro-sector in these countries, as they are not significant.

In addition, for the first three countries the classifications of the best and worst micro-sectors in terms of payment were not included.

### **DENMARK**

It was not possible to analyze payment habits by macro-sector for this country and to enter the classifications of the best and worst micro-sectors in terms of payment.

### **FINLAND**

A different classification was used for the definition of sectors for this country in the section on payment habit analysis by macro-sector.

### **RUSSIA**

Chapter and data related to this country have been written by Igor Volosov, Deputy General Director at Interfax-CAN.

# 1. CHINA

Below is the opinion of **Louie Lu e Xu Huinan, Business Analyst and Director of PD and Marketing at Shanghai Huaxia D&B Business Information Consulting Co. Ltd.**, on the economic scenario and payment situation in China.

*"With the policy of "stabilizing the economy growth" emphasized in 2012, the pace of Chinese economy slowdown in 2012. The increased rate of GDP reached 7.8%, a year-on-year decrease of 1.4 percents due to both the adjusted economic policy and external global economy environment. Many companies suffered from shrunk sales volume that mostly resulted from the slide of demand. The growth rate of total sales volume of major industry companies fell from 20.86% in 2011 to 8.60%, a sharp drop-down.*

*In terms of the domestic market, due to the pressure from inflation and the bubble of real estate industry, the monetary policy has not been largely loosed in 2012. Astringent monetary policy has already influenced many companies, leading to tightened liquidity situation. Moreover, the business loss turned to be increasingly widened across many industries (esp. the manufacturing section) 2012. Some companies in East China region were involved in a severe guarantees-chains crisis and even got bankruptcy due to the over-expansion and highly leveraged capital structure.*

*In terms of the exportation, due to the impact of factors such as global economy recession, Euro-zone crisis and protectionism policies of some areas, the pace of exportation slashed. The growth rate of Chinese total exportation value reached 7.9%, a sharp drop-down comparing with that of 2011 (20.3%). The overall slow-down of overseas demand has imposed difficulties to many Chinese companies.*

*In 2012, Chinese companies were not only faced up with the challenge from the market. They also suffered from the increasing raw materials and human resources expenditures. Some company chose to move to the inland cities to optimize cost structure. Others tried to expand the domestic market and make efforts on research and developments. Moreover, with the issue of environment-protection policies such as "saving energy and cut emission", many manufacturers in China (esp. those of heavy industries) are likely to face up with new challenges in the near future.*

*The most favourable payment terms for Chinese company are still Credit 30 to 60 days. During this study, we've looked through the payment statistics of six key industries including Electronic & Electric, Machinery Manufacturing, Logistics, Medical Distribution, Plastic Products and Chemical Manufacturing. In 5 of the key industries, payment terms of Credit 30-60 days all account for over 60% of all trade experiences. The proportion even reached over 80% in logistic industry. Meanwhile, longer payment terms are preferred by Medical Distribution industry. The payment terms of over 60 days accounts for nearly 50% among all the records in this industry.*

*Among 5 of the 6 industries, the proportion of short credit terms (less than 30 days) has increased in 2012 compared with that of 2011. The fact could be explained by the loss of confidences of the suppliers, indicating that many Chinese companies are still under the influence of the slowdown economy and financial difficulties. The payment terms were extended in logistic industry, which could be understood results from the rapid growth of e-commerce and the better revenue of logistic vendors.*



*The possible payment delays could result from the following reasons:*

*(1) The different business sizes.*

*According to the result of counting the payment records, a conclusion is reached that the large-sized businesses are more likely to delay the payment while the micro-sized businesses are less likely to do so. The proportion of prompt payment of large-sized is less than that of medium-sized and micro ones. In China, since most large companies could have been dominating the regional or industrial markets, their capacities of negotiating the price could be promoted by the strong market status. Moreover, this could, in turn, result to the pressure on the cash flow of its smaller suppliers. Some suppliers could be afraid of losing the large customers, so that they are likely to ignore the bad payment performance or agree to lengthen the payment terms.*

*(2) The type of business.*

*In China, the major types of business are state-owned enterprise, limited company, foreign invested company and joint stocks. Among companies with different types, the state-owned enterprises are more likely to delay its payment while the performance of foreign-invested companies and limited companies are better. As mostly state-owned companies are either large ones or supported by the local government, they tend to have more and rights to speak when negotiating for the payment terms. Their suppliers are likely to make compromises, considering their market influences and the strong credit background of the local/central government.*

*(3) Different sections*

*From 2011 to 2012, the section with the best payment performance was the trading/retailing section. The relatively worse ones were the services section and the finance & real estate section. The different performances between sections could be caused by the current economic situation. As the Chinese administration is making efforts to enlarge the domestic demand these years, the demand could be improved as the effects of urbanization and large investment on infrastructure. Moreover, as many manufacturers require their distributors to pay in advance, the trading/retailing section could only continue their business by paying the money before they get the products. At the same time, the finance & real estate section is largely affected by the slowing down economy and the governmental control of real estate market, which could lead to the slide of the business performances and may further have effects on their payment behaviour.*

*In China, as large-sized companies usually have good reputation among the local banks and large influence on the local economy, they may get help from the banks or the local administration once they have liquidity problems. Therefore, a large-sized company seldom has serious liquidity problems.*

*The small and medium-sized companies are likely to improve the DSO and working capital by their own due to their weaker attractive for the banks and smaller influence on the local economy. They may need to adjust their credit policies, offer more cash discount and avoid granting long payment terms.*

*Last but not least, it is found that more and more companies across most industries, in order to control risks, has begun to use credit evaluation and credit report to support their credit granting decision making."*



## Payment analysis

Table 1.1 reports the trends over the last two years in the percentage of companies that pay their suppliers within agreed payment terms in China.

In 2012, the percentage of punctual payments reached 32.5% of the total, whereas it was 33.1% the previous year.

On the other hand, the share of companies showing late payments greater than 90 days on average was 7.7% (Table 1.2).

In order to have more details on changes to the distribution of Chinese companies by late payment class compared to 2011, let's look at Table 1.3.

It can be seen that in the last two years, payment performance has been more or less stable: the percentage of companies that managed to respect agreed terms reduced by 0.6%; payers that fall within the "Up to 90 days" class increased by 0.8 percentage points, and the share of "bad payers" (over 90 days on average) fell by 0.2%.

TABLE 1.1 SOURCE: CRIBIS D&B

### PERCENTAGE OF COMPANIES IN CHINA WITH ON TIME PAYMENTS, 2011-2012

	2011	2012
China	33.1%	32.5%

TABLE 1.2 SOURCE: CRIBIS D&B

### PERCENTAGE OF COMPANIES IN CHINA WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2011-2012

	2011	2012
China	7.9%	7.7%

TABLE 1.3 SOURCE: CRIBIS D&B

### VARIATIONS IN PAYMENT PRACTICES IN CHINA, 2011-2012

	Variation 2011/2012
By due date	-0.6%
Up to 90 days	0.8%
Over 90 days	-0.2%

Graph 1.4 shows the payment practices of Chinese companies through the analysis of the distribution of companies by payment class.

In 2012, the percentage of punctual payers was only 32.5% of the total, meanwhile, the majority of companies tended to pay commercial transactions on average between 1 and 30 days late (50.8%).

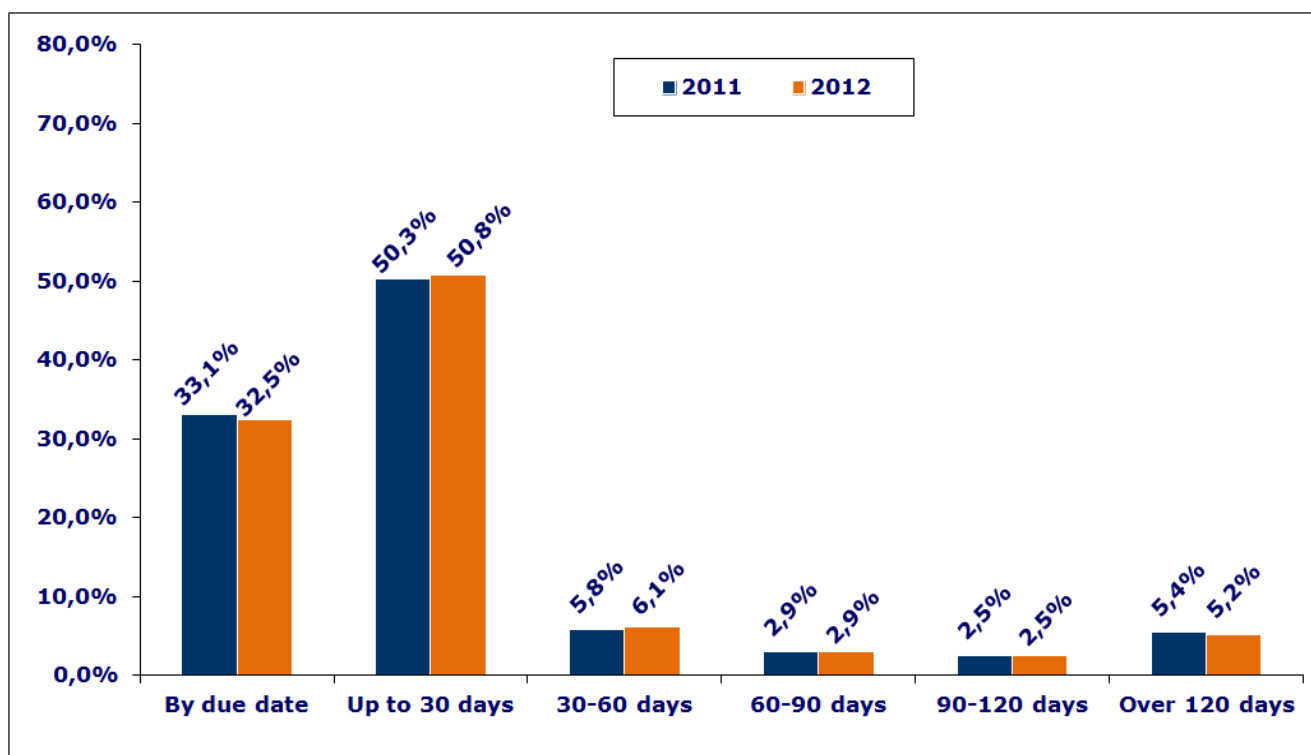
Intermediate late payment classes ("30-60 days" and "60-90 days") account for 9%, whereas "bad payers" (more than 90 days late on average) account for 7.7% of the sample analyzed.

Finally, it can be seen that 5.2% of Chinese companies pay their suppliers on average more than 120 days beyond agreed payment terms.

The high concentration of serious late payments and contained level of punctual payments makes the payment situation in China one of the worst among the countries analyzed in this edition of the study.

GRAPH 1.4 SOURCE: CRIBIS D&B

### PAYMENT PRACTICES IN CHINA BY PAYMENT CLASS, 2011-2012



Using Graph 1.5, it is possible to analyze the payment practices of Chinese companies in detail in relation to company size.

Micro-companies show the most balanced payment behavior with 43.7% of the total for payments within agreed terms (+11.2 percentage points compared with the national average). These are followed by small companies, for which the percentage in question reaches 38.5%, remaining above the aggregate figure for the country.

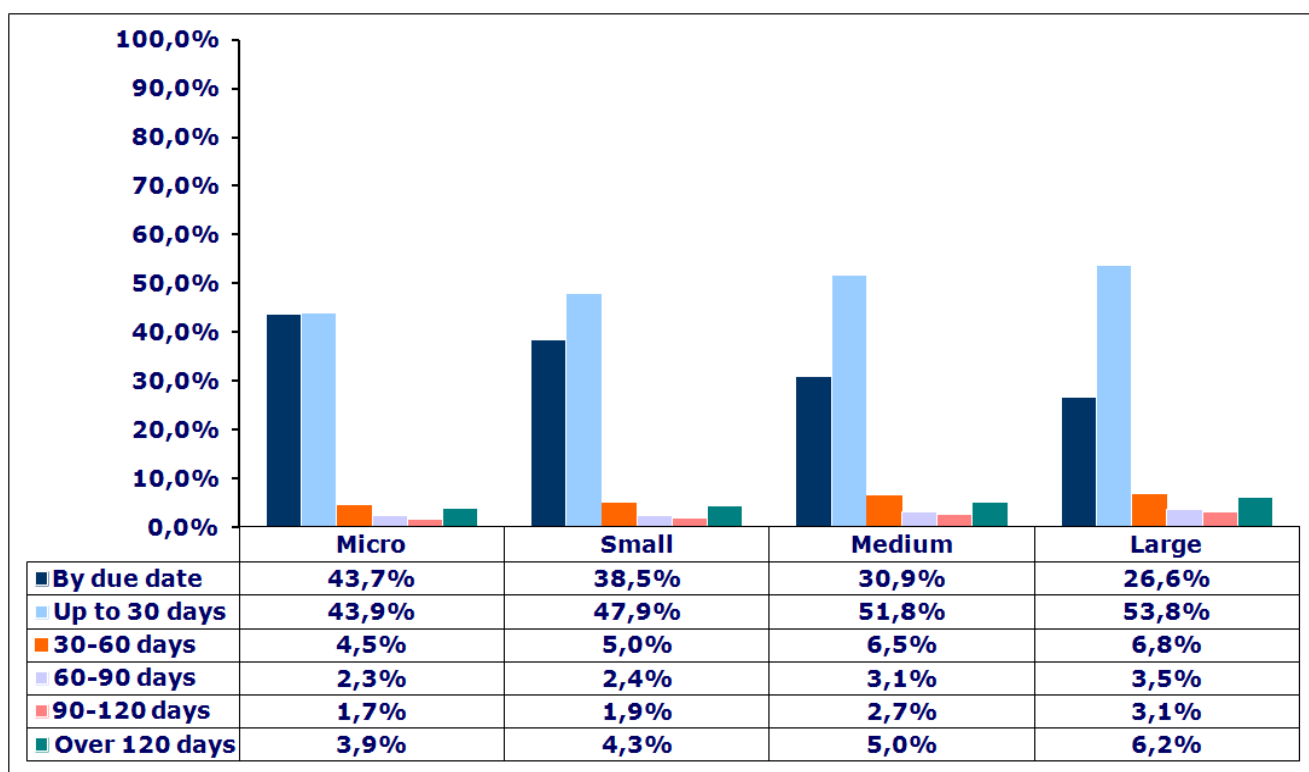
For Large companies, on the other hand, there is a more problematic situation, where only a quarter of companies (26.6%) manage to respect agreed payment terms, with a concentration of 53.8% in the "Up to 30 days late" class.

Average late payments of between 30 and 90 days are highest in the Medium and Large categories, with 9.6% and 10.3% of the total in this class, respectively.

In terms of serious late payments, the worst performance is once again seen for large companies: 9.3% exceed an average of 90 days beyond agreed payment terms.

GRAPH 1.5 SOURCE: CRIBIS D&B

### PAYMENT PRACTICES IN CHINA BY TYPE OF COMPANY, 2012



Graph 1.6 shows a detailed analysis of the payment practices of Chinese companies in 2012 by macro-sector.

A somewhat heterogeneous context emerges from sector-based analysis, with rather differing performances between the various sectors considered.

The sector which stands out as having a more balanced behavior is Wholesale: in fact in this case, companies pay within agreed terms in more than 40% of the cases analyzed, whereas in other sectors this figure does not reach 34%.

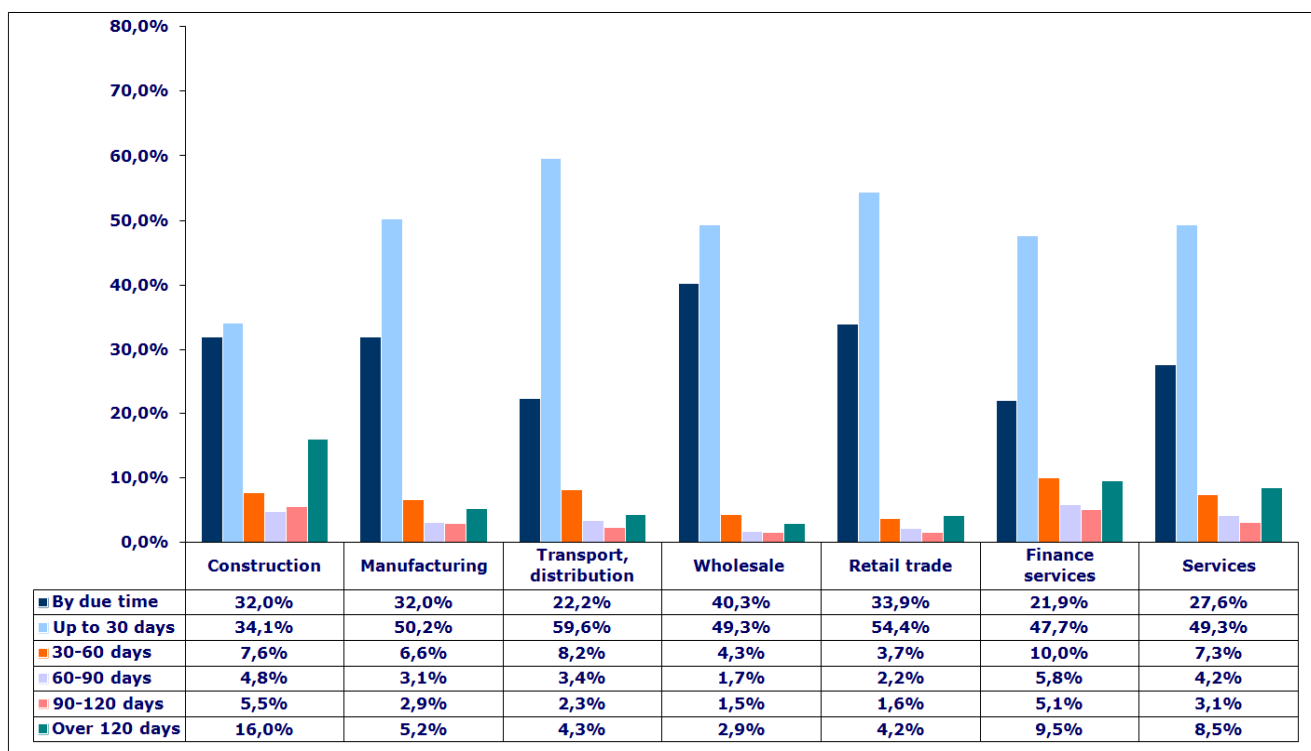
It can also be seen that Financial Services register only 21.9% of punctual payers, with a gap of 10.6% from the national figure.

Late payments are concentrated in the "Up to 30 days" class, with the highest percentages for Transport and Distribution (59.6%) and Retail Trade (54.4%), whereas the highest concentration for the intermediate payment classes (between 30 and 90 days over payment terms) was seen for the Financial Services sector with 15.8% of the total.

Finally, the most critical situation for the serious late payment class (over 90 days on average) is seen in the Construction sector, with a share of 21.5% in this class (+13.8% compared to the Chinese average).

GRAPH 1.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN CHINA BY PRODUCT SECTOR, 2012



Tables 1.7 and 1.8 show the best and worst micro-sectors in terms of payment performance in China in 2012.

The top position in the classification of best payers is held by Wholesale trade – Nondurable goods with 50.9% of companies paying within agreed payment terms. In second and third positions are Building materials & garden supplies (50%) and Apparel and other textile products (49%).

The Real Estate sector, on the other hand, has the worst payment record in China, with 26.4% of companies paying seriously late (more than 90 days on average), which is almost 19 percentage points above the national average.

Second and third places in the classification of micro-sectors with more problematic payment behavior are held by General building contractors (22.2%) and Electric, gas and sanitary services (20.9%).

TABLE 1.7 SOURCE: CRIBIS D&amp;B

**SECTORS WITH THE BEST PAYMENT RECORDS IN CHINA, 2012**

<b>Sector</b>	<b>Ranking 2012</b>
<b>WHOLESALE TRADE - NONDURABLE GOODS</b>	<b>1</b>
<b>BUILDING MATERIALS &amp; GARDEN SUPPLIES</b>	<b>2</b>
<b>APPAREL AND OTHER TEXTILE PRODUCTS</b>	<b>3</b>
<b>MISCELLANEOUS REPAIR SERVICES</b>	<b>4</b>
<b>PRINTING AND PUBLISHING</b>	<b>5</b>
<b>MISCELLANEOUS RETAIL</b>	<b>6</b>
<b>LEATHER AND LEATHER PRODUCTS</b>	<b>7</b>
<b>AMUSEMENT &amp; RECREATION SERVICES</b>	<b>8</b>
<b>APPAREL AND ACCESSORY STORES</b>	<b>9</b>
<b>SERVICES</b>	<b>10</b>

TABLE 1.8 SOURCE: CRIBIS D&amp;B

**SECTORS WITH THE WORST PAYMENT RECORDS IN CHINA, 2012**

<b>Sector</b>	<b>Ranking 2012</b>
<b>REAL ESTATE</b>	<b>46</b>
<b>GENERAL BUILDING CONTRACTORS</b>	<b>45</b>
<b>ELECTRICAL, GAS AND SANITARY SERVICES</b>	<b>44</b>
<b>SPECIAL TRADE CONTRACTORS</b>	<b>43</b>
<b>EXECUTIVE, LEGISLATIVE AND GENERAL</b>	<b>42</b>
<b>STONE, CLAY AND GLASS PRODUCTS</b>	<b>41</b>
<b>PETROLEUM AND COAL PRODUCTS</b>	<b>40</b>
<b>COMMUNICATIONS</b>	<b>39</b>
<b>EDUCATIONAL SERVICES</b>	<b>38</b>
<b>PRIMARY METAL INDUSTRIES</b>	<b>37</b>

The Chinese payment system in 2012 continues to be complex, with less than satisfactory performances (particularly in some sectors).

In fact, only a third of Chinese companies manage their commercial transactions within established payment terms (32.5%), whereas 7.7% of the total pay on average over 90 days late, putting China below the average on an international level.

The sector-based analysis shows rather differing payment behavior between the sectors analyzed.

In particular, the most critical situations are found in the Construction sector, which has a percentage of "bad payers" above the national average (over 21%), and the Financial Services sector, with only 21.9% of punctual payers.

## 2. TAIWAN

Below is the opinion of **Kelly Lu, DUNSRight team leader at Dun & Bradstreet Taiwan**, on the economic scenario and payment situation in Taiwan.

*"As many as 67% of Taiwanese exporters surveyed by the Department of Statistics, Ministry of Economic Affairs expressed that the outlook for 2013 is the same or better than 2012. As SMEs (Small- and medium-sized enterprises) and Corporations account for 94% and 6% of Taiwanese companies, respectively, the trends of SMEs are influential in Taiwan economics. Among 2012 yields of Taiwanese SMEs, as much as 85% is contributed by importers and only 15% are exports. In actual results, total international trade shipments of Taiwan in dollar value was USD 571.7 billion in 2012, slightly down by 3% from that of USD 589.7 billion in 2011. Nonetheless, 66% of SMEs predict stability/growth in annual profits in 2013 as a result of the ECFA (Economic Cooperation Framework Agreement) implemented between Taiwan and Mainland China.*

*According to the National Policy Foundation Research Report, Taiwan's GDP forecast for 2013 is around 3.53%, optimistically increasing by 2.27% from 1.26% of the 2012 actual result. In general, the net profit margin average of Taiwan's SMEs improved 256 basis points to 3.37% in 2012, in contrast to 0.81% of 2011. SMEs are also improving in terms of (i) Accounts Receivable Turnover to 5.86 in 2012 from 5.20 in 2011 and (ii) Average Inventory Turnover to 4.48 in 2012 from 3.84 in 2011.*

*Moreover, the DGBAS (Directorate General of Budget, Accounting and Statistics), Executive Yuan has announced domestic investment of 2013 in dollar value reaching USD 79 billion, a great leap of 7.37% y-o-y (year-on-year). In actual trades, Taiwan's Value of Export Orders in January 2013 increased 18% y-o-y reaching USD 37 billion that have further evidenced the strong momentums from all sectors. In 2012, the top three exported products were (i) Electrical equipment and Machinery, (ii) Metal products and (iii) plastics & rubber products with primary exporting territories into (i) Mainland China & Hong Kong, (ii) the ASEAN-6 (Singapore, Malaysia, Philippines, Thailand, Indonesia and Vietnam) and (iii) the United States."*

### Payment analysis

Tables 2.1 and 2.2 show the 2007-2012 trends in the percentage of companies that manage to pay their obligations on time and the share of companies that pay their trading partners with late payments of over 90 days on average.

In past years, Taiwan has been, and is once again in 2012, one of the best performers among the countries in the Payment Study, with 70.3% of companies paying on time (+1% compared to December 2011).

The share of companies that pay seriously late (over 90 days), on the other hand, is stable: once again this year the percentage is just 1% of the total.

Looking at Table 2.3, we can see the variations that have characterized the various late payment classes in the last 5 years.

The changes since 2007 have been considerable: the proportion of companies that pay on time has increased by 5.6 percentage points, reaching the current 70.3%.

On the contrary, the share of companies included in the Up to 90 days bracket has decreased by over 3%, and the share of late payments of over 90 days has seen a fall of 2.3 percentage points.

The variations are much more contained when compared to 2011: punctual companies have increased by one percentage point, with a corresponding decrease in the Up to 90 days class.

TABLE 2.1 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN TAIWAN WITH ON TIME PAYMENTS, 2007-2012

	2007	2011	2012
Taiwan	64.7%	69.3%	70.3%

TABLE 2.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN TAIWAN WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2012

	2007	2011	2012
Taiwan	3.3%	1.0%	1.0%

TABLE 2.3 SOURCE: CRIBIS D&B

#### VARIATIONS IN PAYMENT PRACTICES IN TAIWAN, 2007-2012

	Variation 2007/2012	Variation 2011/2012
By due date	5.6%	1.0%
Up to 90 days	-3.3%	-1.0%
Over 90 days	-2.3%	0.0%

In Graph 2.4, it is possible to see the 2007-2012 trend in payment habits divided into the various payment classes.

Taiwanese companies have shown a continuous growth in punctual payments in the last five years, and in December 2012 there was a record high with a percentage of more than 70% of the total.

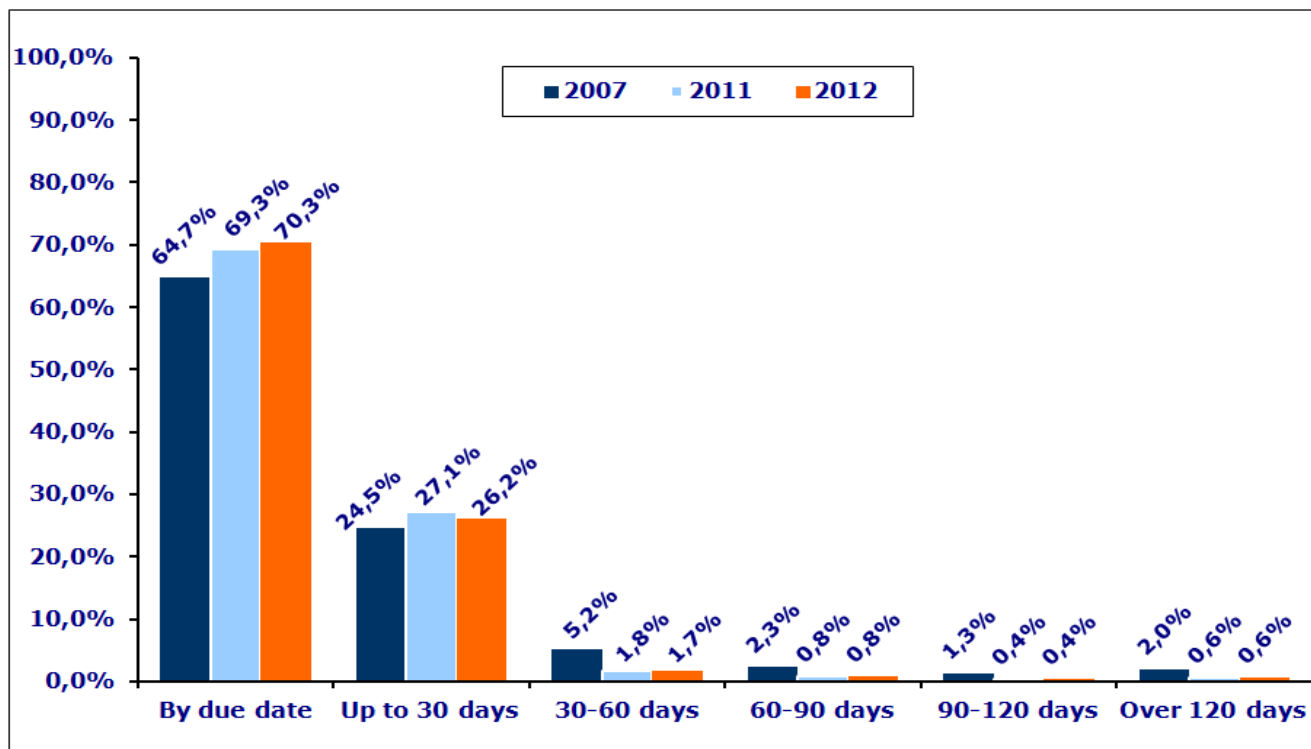
The percentage point increase in punctual payments compared with 2011 was absorbed by the reduction in companies in the Up to 30 days class, with 26.2% of the total.



In the other late payment classes (intermediate and serious), the situation is the same as December 2011.

GRAPH 2.4 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN TAIWAN BY PAYMENT CLASS, 2007-2012



Let's now look at 2012 payment habits based on company type (Graph 2.5).

We can see that Micro, Small and Medium companies have very balanced payment habits and that over 62% of the total respect the terms agreed with their suppliers.

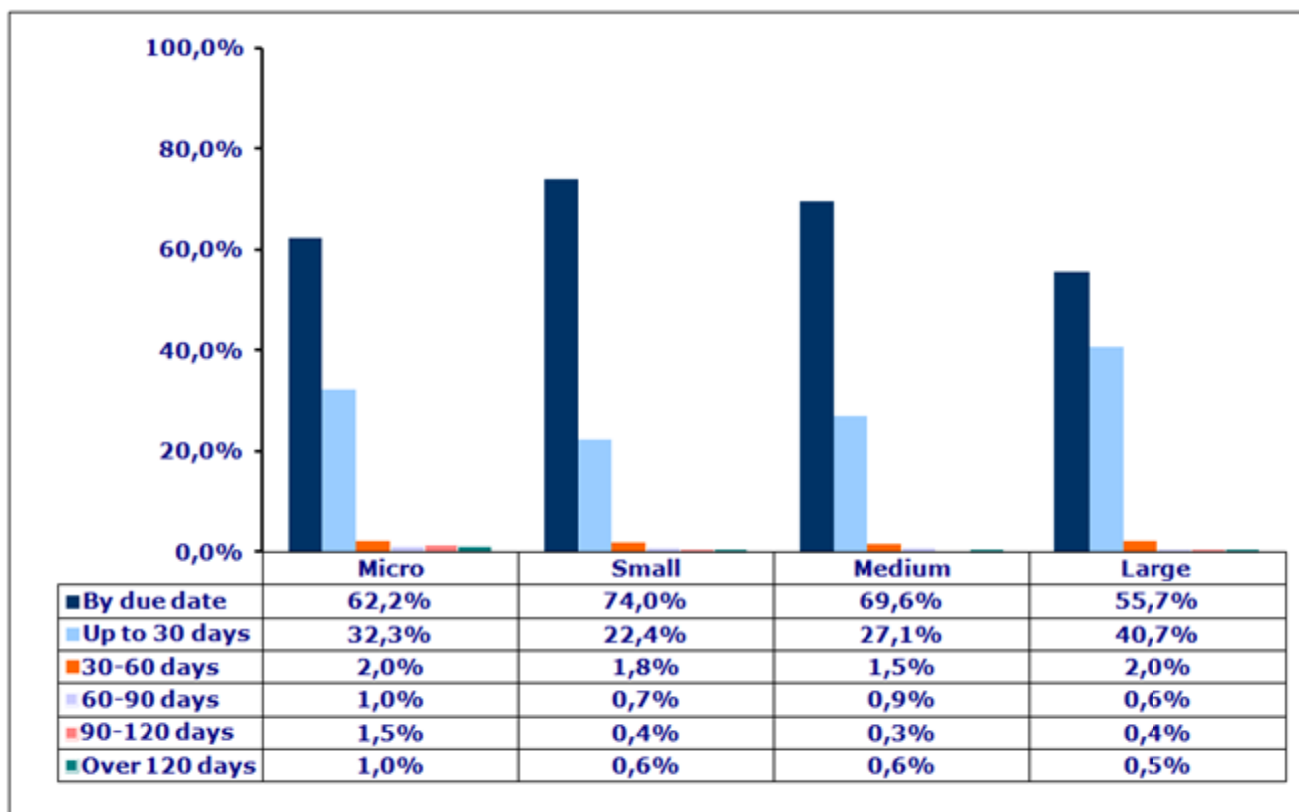
In the case of larger companies, on the other hand, the percentage of companies that respect payment terms is lower at 55.7%, but this is compensated by the concentration in the moderate late payment class, limited to 30 days on average (40.8%).

In the intermediate classes (30-60 days and 60-90 days) there is a more or less uniform payment behavior, with values of between 2.4% and 3%.

In the serious late payment bracket (over 90 days on average), the most notable are Micro companies with a share of 2.5%, different from all the other types, which do not exceed 1% of the total.

GRAPH 2.5 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN TAIWAN BY TYPE OF COMPANY, 2012



The excellent payment performance of companies in Taiwan is also confirmed in Graph 2.6, which shows payment habits divided by payment class and macro-sector.

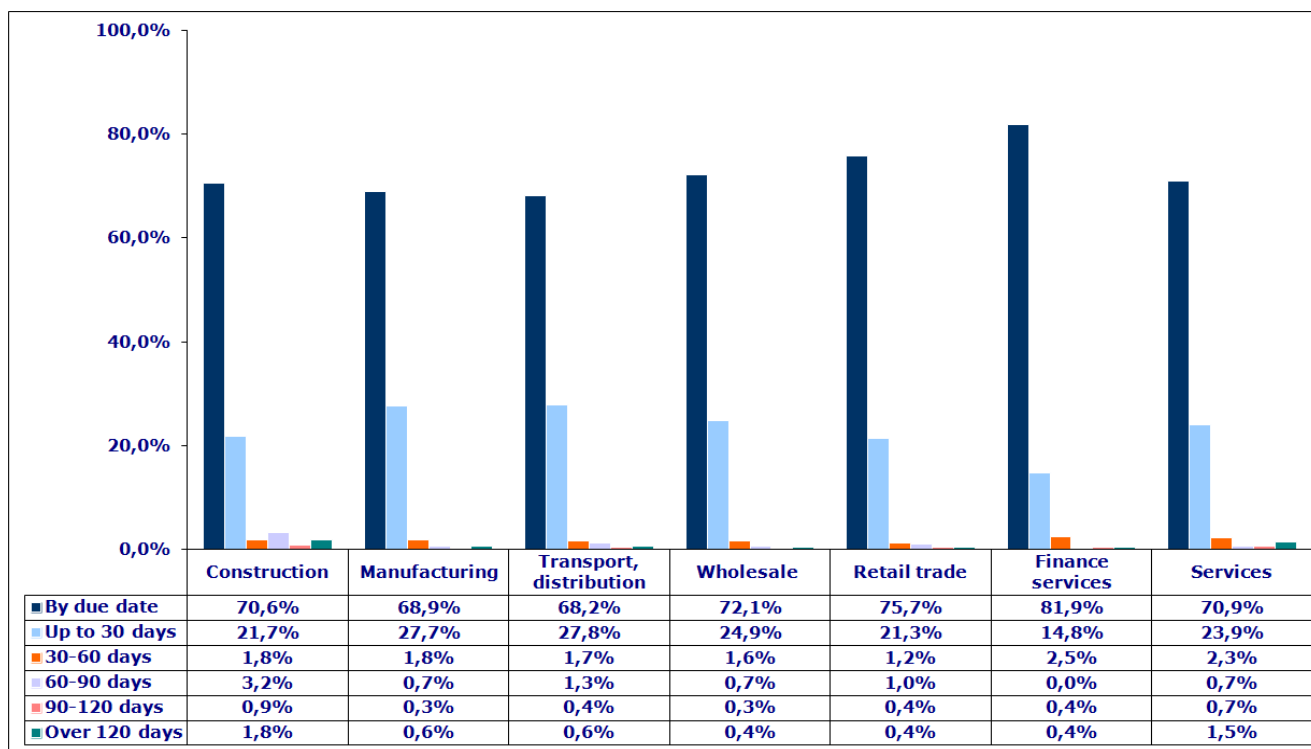
All sectors show the largest percentage in the By due date class, with values varying between 68% and 82%.

The sector in which there is the greatest punctuality is Financial Services, meanwhile Transport and Distribution and Manufacturing have the highest share of companies that pay on average between 1 and 30 days late (over 27%).

The Construction sector is the one with the worst performance in terms of serious late payments, with 2.7% of bad payers; this is followed by Services with 2.2%. Both sectors exceed the national average by at least 1.5 percentage points.

GRAPH 2.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN TAIWAN BY PRODUCT SECTOR, 2012



The excellent payment system in Taiwan is also confirmed at the end of 2012, with results above most other countries analyzed in the Payment Study.

The proportion of companies that manage to fulfill their obligations on time reached 70.3%, while serious late payments to partners were stable at 1% of the total.

Even on a sector level there was a certain uniformity and solidity in payment behavior; the exceptions were Construction and Services, characterized by a greater share of companies in the most serious late payment class (2.7% and 2.2%, respectively).

The positive trend seen in this country since 2009 continues, bringing continual improvement in the management of the entire payment system and the achievement of levels which are, on average, among the best of those observed in this study.

### 3. HONG KONG

Below is the opinion of **Dun & Bradstreet (HK) Ltd** on the economic scenario and payment situation in Hong Kong.

*"European Sovereign Debt Crisis and Financial Cliff of United States continued to be a concern in the market during 2012. U.S and European Governments decided to maintain an expansionary monetary policy so as to boost economic activities in their regions. Under the uncertainty of the global economic conditions, Hong Kong exporters still have doubts about the creditability of the marketplace over the period of time.*

*According to the data collected from the DUNTrade programme in 2012, it is found that the total number of payment experiences contracted, while the number of participants increased when compared to 2011. The number of trade experiences collected per participant dropped by around 12%. It might reflect that those participants have tightened their credit policy or their transaction activities have decreased.*

*In 2012, DUNTrade representatives noticed that their strategy has changed to focus on the growth of existing customers which have longer term of business relationship. Exporters have a relatively higher level of trust of those customers than new customers with which they have never cooperated. They intended to offer better credit terms or even increase the credit limit in order to maintain existing relationships.*

*For customers with shorter business relationships, they would freeze the credit terms and credit limits. No credit terms would be granted to new customers. All the transactions are generally settled by COD. These two actions might help to manage their risk exposure at their acceptable level or a smaller group of customers.*

*A DUNTrade participant revealed that confirmation of the orders for traditional peak seasons, such as Christmas, were delayed when compared to previous years. It might be caused by the weaker demand from Europe and US markets, where their major trading partners are located. Therefore, preventive measures are still important. Reviewing credit reports provided by credit agencies and buying insurance are common measures. They will pay more attention on customer payment behavior so that prompt action could be taken when delay of payment occurred."*

### Payment analysis

The 2007-2012 trend in the percentage of companies in Hong Kong that meet their payment obligations within agreed time limits is shown in Table 3.1.

At the end of 2012, the share of punctual companies was 32.7%, showing a fall of 1.8 percentage points compared with December 2011.

On the other hand, companies that pay over 90 days late on average reached 2.4%, an increase of 0.3% compared with the previous year (Table 3.2).

Analyzing Table 3.3, there is a more complete picture of all the variations seen in the last five years in terms of payment habits in Hong Kong.

The comparison with 2007 shows improvements in payment behavior: the percentage of companies that respect agreed payment terms has increased by 3.6%, payers in the Up to 90 days class have grown by one percentage point, and more significantly, the share of "bad payers" (payment over 90 days late on average) has decreased by 4.4%.

The By Due Date class has suffered a decrease of 1.8 percentage points in the last year, absorbed in the large part by the Up to 90 days late payment class, which has grown by 1.5%.

TABLE 3.1 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN HONG KONG WITH ON TIME PAYMENTS, 2007-2012

	2007	2011	2012
Hong Kong	29.1%	34.5%	32.7%

TABLE 3.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN HONG KONG WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2012

	2007	2011	2012
Hong Kong	6.8%	2.1%	2.4%

TABLE 3.3 SOURCE: CRIBIS D&B

#### VARIATIONS IN PAYMENT PRACTICES IN HONG KONG, 2007-2012

	Variation 2007/2012	Variation 2011/2012
By due date	3.6%	-1.8%
Up to 90 days	0.8%	1.5%
Over 90 days	-4.4%	0.3%

Analyzing payment behavior in detail by payment class (Graph 3.4) shows the improvements in performance compared with 2007 and a certain stability compared with 2011.

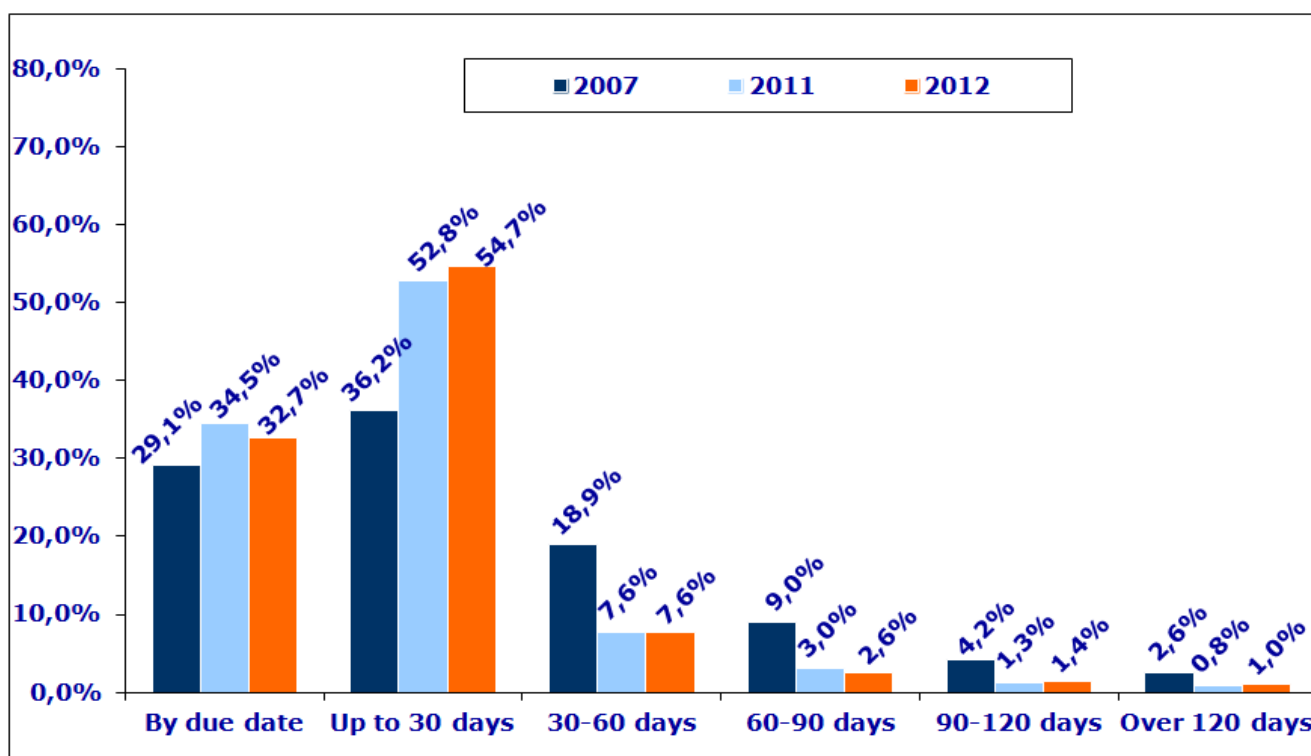
Around 55% of Hong Kong companies are concentrated in the Up to 30 days payment class, with around 33% in the By due date bracket, and finally the other late payment categories are more contained.

Payment behavior has remained substantially unchanged compared with 2011: the largest change is seen in punctual payments (-1.8 percentage points), in the large part absorbed by the Up to 30 days class. In addition, it is important to highlight the increase of 18.5 percentage points seen for the late payment category of between 1 and 30 days on average compared with 2007.

The remaining late payment classes show less significant concentrations. In particular, 7.6% of companies tend to pay suppliers on average between 30 and 60 days late, 2.6% in the 60-90 days late bracket, and 2.4% more than 90 days late.

GRAPH 3.4 SOURCE: CRIBIS D&B

### PAYMENT PRACTICES IN HONG KONG BY PAYMENT CLASS, 2007-2012



Using Graph 3.5, it is possible to analyze payment practices by company size and see the differences between the various classes under consideration.

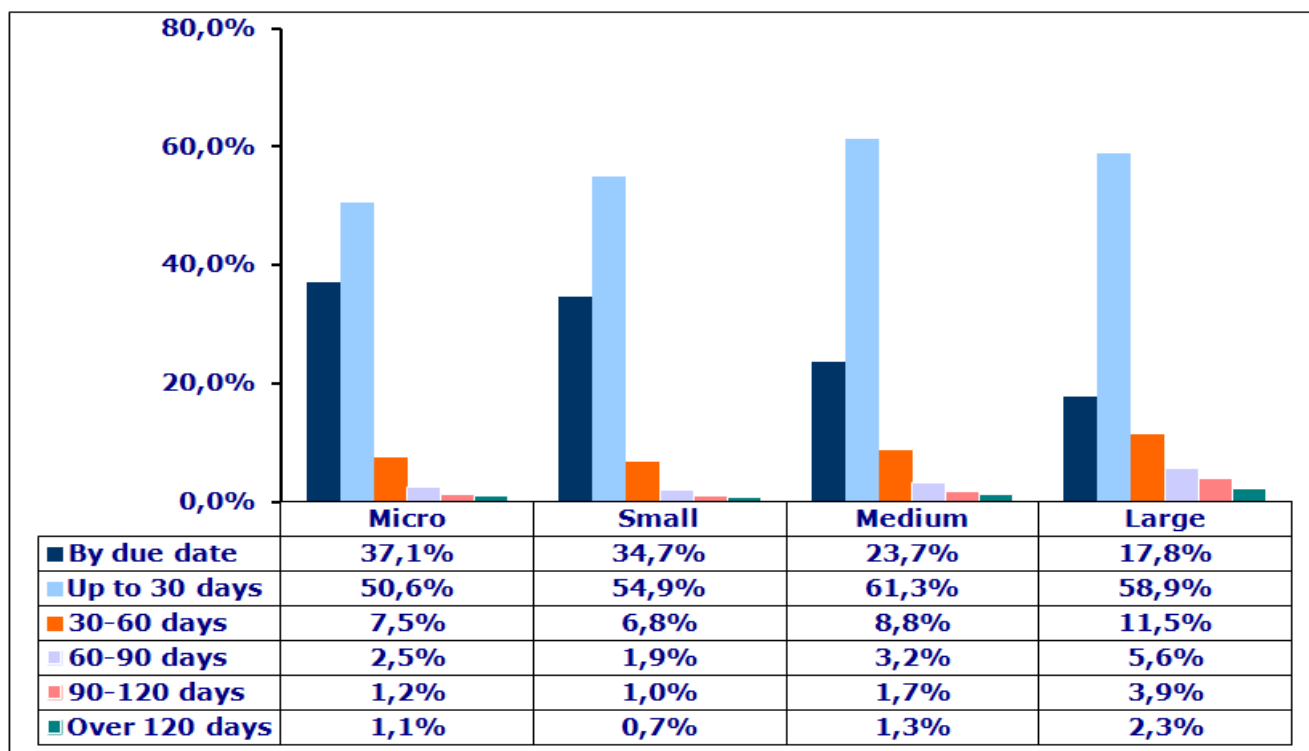
Looking at company size, there is again a widespread tendency by Hong Kong companies to pay between 1 and 30 days late, with concentrations from 50.6% (Micro) to 61.3% (Medium).

Micro and Small companies show more balanced payment behavior with 37.1% and 34.7% of punctual companies, respectively.

For late payments, Large companies stand out as having certain problems. Unlike the other company types under consideration, over 17.1% of large companies show late payments of between 30 and 90 days on average, and a further 6.2% exceed 90 days on average.

GRAPH 3.5 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN HONG KONG BY TYPE OF COMPANY, 2012



Payment habits of Hong Kong companies by payment class and by macro-sector are reported in Graph 3.6.

The sectors with the highest concentration of punctual payments are Services, with a percentage of 35.9%, and Wholesale, with 35.7% of the total: both show a performance above the national average (32.7%).

Again in 2012, the payment class with the highest percentage is the moderate late payment class, limited to 30 days on average, with percentages varying from 46.3% for Financial Services to 61.8% for the Transport and Distribution sector.

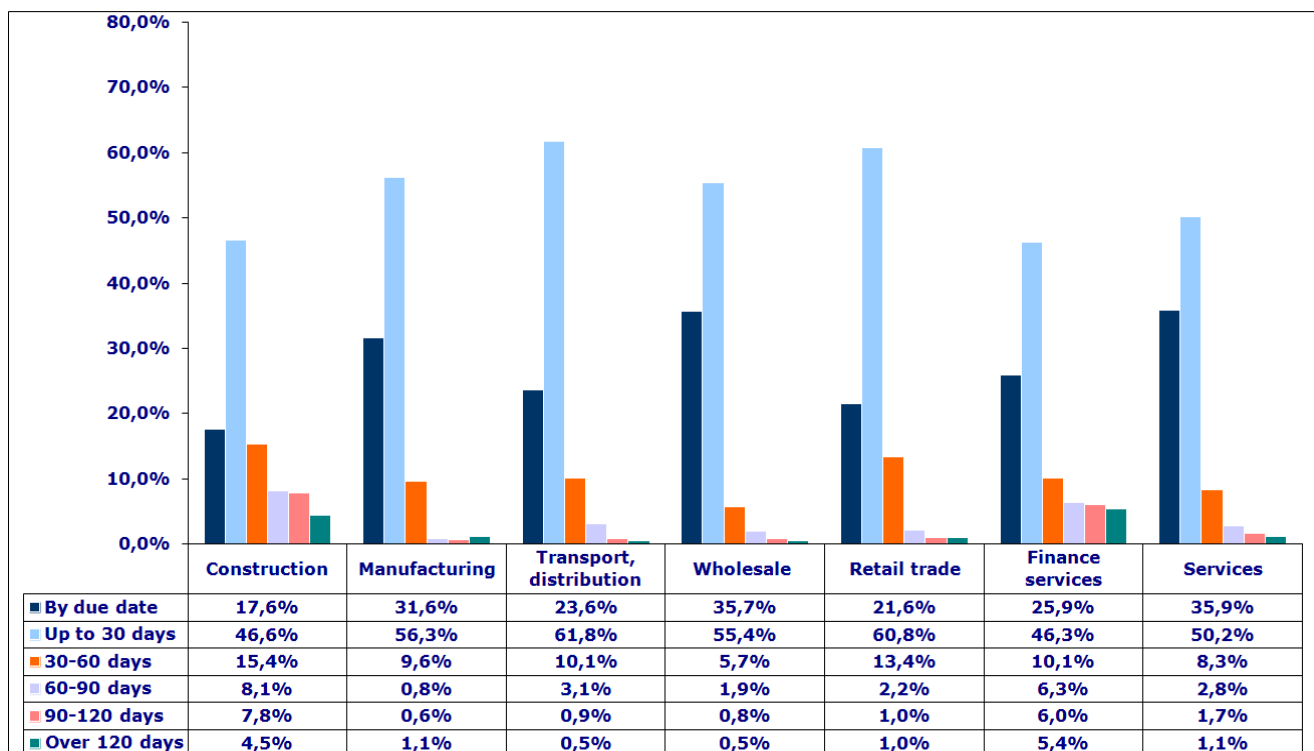
The Manufacturing sector also has a good result with around 88% of payments being made within a maximum of 30 days beyond the agreed payment deadline.

In the other more serious late payment classes, the Construction and Financial Services sectors have negative results: the two sectors have 23.5% and 16.4% of companies, respectively, that pay between 30 and 90 days late, while more than 11% pay more than 90 days late on average.

GRAPH 3.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN HONG KONG BY PRODUCT SECTOR, 2012





The payment situation in Hong Kong in 2012 does not show any significant changes compared to recent editions of the Payment Study.

The share of punctual companies has decreased by 1.8 percentage points compared to the previous year, while serious late payments (over 90 days on average) remain unchanged with a somewhat contained level (2.1%).

On a sector level, we see a high concentration of late payers in the Construction and Financial Services sectors, meanwhile there are good performances (with over 35% of punctual payments) in the Services and Wholesale sectors.

In conclusion, Hong Kong companies continue to show difficulties in payments compared to other countries in the Payment Study.

## 4. MEXICO

Below is the opinion of **Gerardo Sosa, IT Manager at D&B Mexico**, on the economic scenario and payment situation in Mexico.

*"In Mexico in 2012, companies reacted to difficulties arising from the financial crisis by taking risk decisions not only based on the financial situation, but also considering other issues such as trade tape, suits, and business references. The macro-economic situation in Mexico is strong and healthy and it means a low impact.*

*The payment terms granted by Mexican companies are 30–45 days, and these haven't increased a lot in recent years.*

*Among the most important causes of payment delays are bad and insufficient information, and inadequate credit processes. These causes could be some issues in just some sectors like construction and business with government that usually takes more time to pay.*

*To improve their DSO and Working Capital, companies are trying to analyze the credit process in detail, following the collection per week, and working with sales departments in order to solve the problems.*

*Estimates show that the Mexican economy has continued growing during 2012, very close to the previous quarter. In addition, inflation remains more or less stable with a quarterly average of 3.4%. Although Mexico is far from the uncertainty in Europe, negative effects on the Mexican economy should not be discounted - if European risk has an impact on the USA, US demand for goods from other countries will reduce.*

*Episodes of global volatility that may depreciate the Peso should also not be discounted, but as long as these events are not too far from the positive growth forecasts for Mexico and the commitment to reduce the deficit and public debt is not at risk, it would be reasonable to assume that the exchange rate will remain close to 12.0 – 12.8 Pesos per Dollar on average for the coming quarters.*

*All this perspective will maintain stable and growing in 2013 and will be very attractive to do business in Mexico."*

### Payment analysis

Table 4.1 reports the trend in the percentage of Mexican companies paying within pre-established terms in recent years.

At the end of 2012, the percentage of punctual payments reached 52.9% of the total, with a decrease compared to the 2011 level (59.3%).

On the other hand, companies that pay over 90 days late on average account for 0.5% and show an improving trend: in previous years, in fact, the concentration in this class was at around one percentage point (Table 4.2).

Table 4.3 shows the variations from 2010 to the present in relation to the distribution of Mexican companies with respect to payment classes.

Compared with 2010, there have been significant changes: punctual payers have suffered a 17.1% decrease, meanwhile serious late payers (over 90 days on average) have decreased by 0.3%. These changes have been entirely absorbed by the late payments of between 1 and 90 days (+17.4 percentage points).

Compared with last year, there has been a strong decrease in punctual payers (-6.4%), and a corresponding increase of a similar value in the Up to 90 days class.

TABLE 4.1 SOURCE: CRIBIS D&B

**PERCENTAGE OF COMPANIES IN MEXICO WITH ON TIME PAYMENTS, 2010-2012**

	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Mexico</b>	<b>70.0%</b>	<b>59.3%</b>	<b>52.9%</b>

TABLE 4.2 SOURCE: CRIBIS D&B

**PERCENTAGE OF COMPANIES IN MEXICO WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2010-2012**

	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Mexico</b>	<b>0.8%</b>	<b>0.9%</b>	<b>0.5%</b>

TABLE 4.3 SOURCE: CRIBIS D&B

**VARIATIONS IN PAYMENT PRACTICES IN MEXICO, 2010-2012**

	<b>Variation 2010/2012</b>	<b>Variation 2011/2012</b>
<b>By due date</b>	<b>-17.1%</b>	<b>-6.4%</b>
<b>Up to 90 days</b>	<b>17.4%</b>	<b>6.8%</b>
<b>Over 90 days</b>	<b>-0.3%</b>	<b>-0.4%</b>

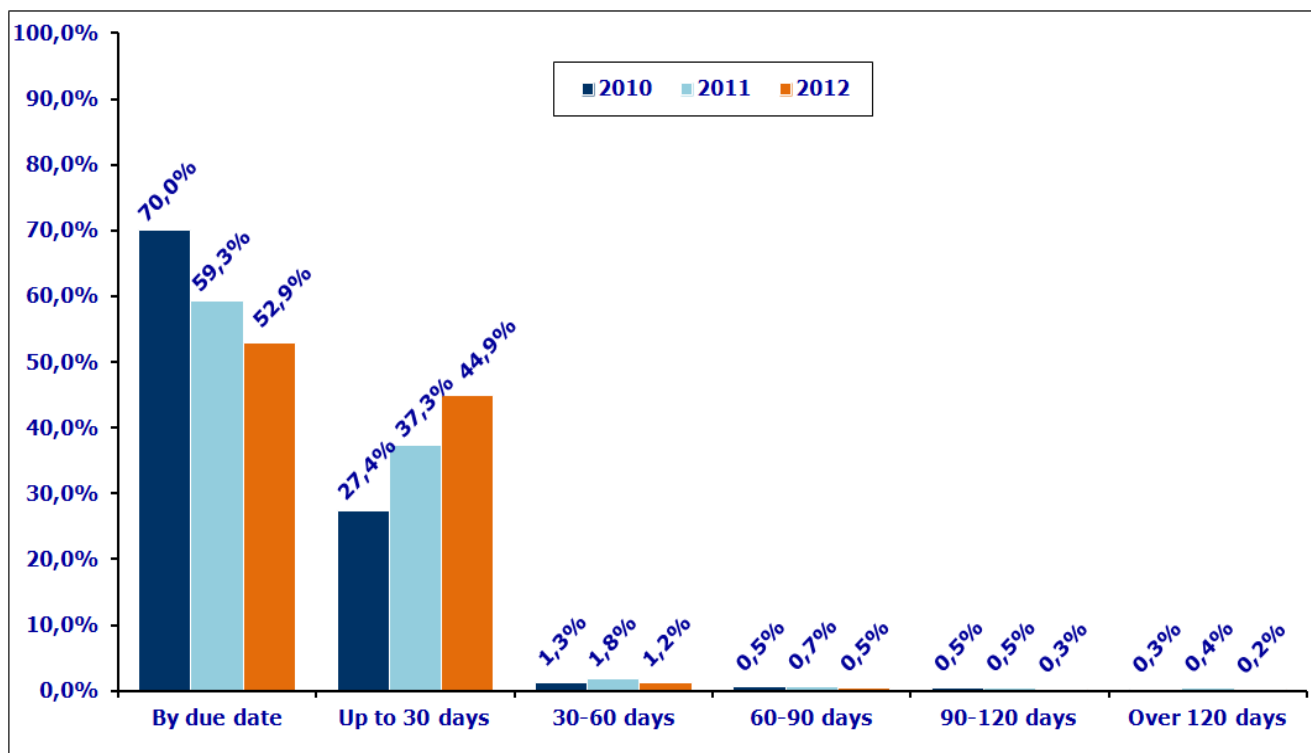
The section below considers the payment situation in Mexico by payment class in 2012, comparing it with the two previous years (Graph 4.4).

There have been notable variations in the By due date and Up to 30 days payment classes. The percentage of companies that respect agreed terms has decreased and in 2012 was 52.9% of the total, while moderate late payments have increased (44.9% in 2012 compared with 27.4% in 2010).

Percentages in the intermediate ("30-60 days" and "60-90 days") and serious (over 90 days on average) late payment classes are more or less stable compared with 2011, with an overall decrease of 1%.

Serious late payments are contained (only 0.5%), making Mexico one of the top performers in the study in relation to this variable.

#### PAYMENT PRACTICES IN MEXICO BY PAYMENT CLASS, 2010-2012



Graph 4.5 shows a detailed analysis of the payment practices of companies in Mexico by type of company.

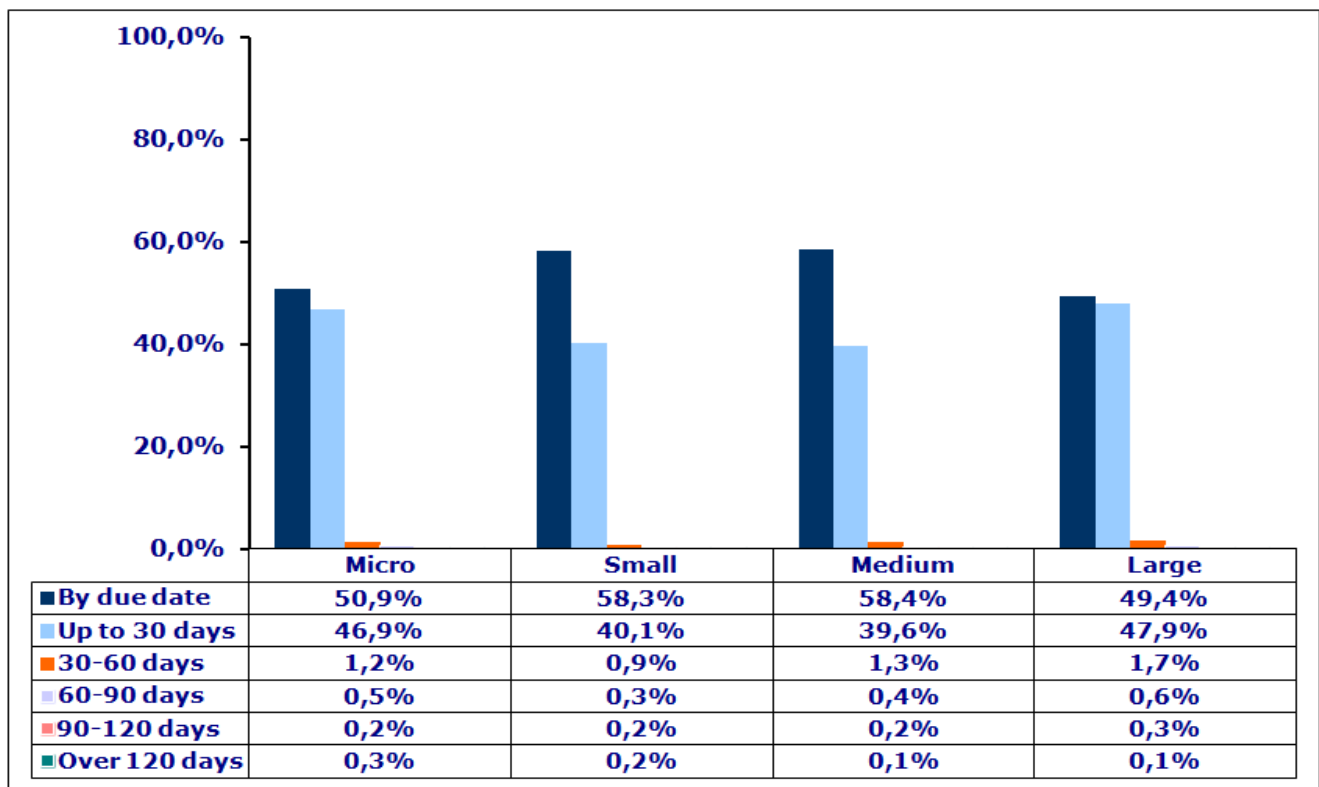
The most part of Mexican companies pay suppliers within agreed terms.

In particular, Small and Medium companies have a more balanced payment behavior with a share of "good payers" above 58%.

In the Large company category, on the other hand, around 48% of companies are concentrated in the Up to 30 days bracket, and a further 2.3% pay between 30 and 90 days late.

In the more serious late payment classes, the pattern is more or less uniform, and all categories have moderate percentages, with values varying between 0.3% (Medium) and 0.5% (Micro).

#### PAYMENT PRACTICES IN MEXICO BY TYPE OF COMPANY, 2012



Graph 4.6 allows payment habits within macro-sectors in Mexico in 2012 to be assessed.

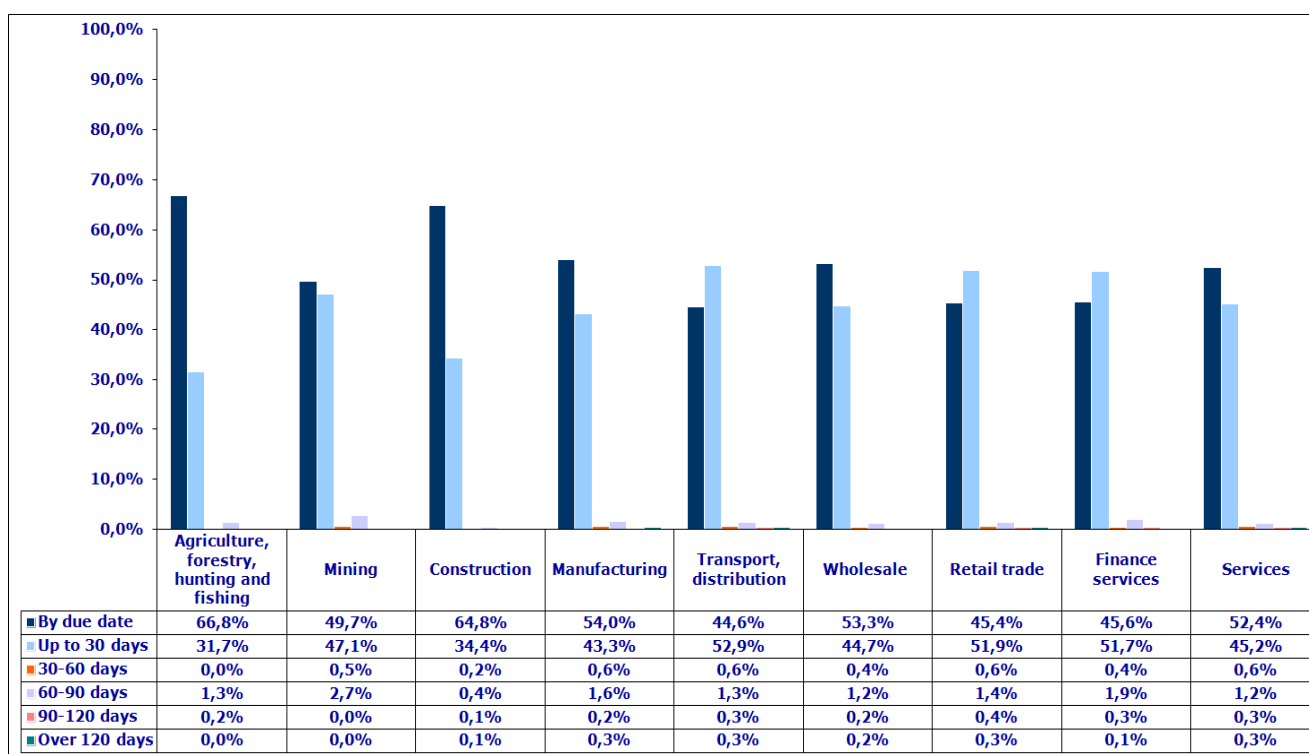
The best payment performances are seen in the Agriculture, Forestry, Hunting and Fishing and Construction sectors, with 66.8% and 64.8% of punctual payers, respectively.

On the other hand, performance is less positive in the Retail Trade and Transport and Distribution sectors: not only do they have concentrations of punctual companies below 46% and the national average, but they are also sectors with the highest percentages of "bad payers" (over 0.6%).

It is worth noting that the values recorded for serious late payments are rather contained compared to what is seen for other countries in the study: Mexican companies manage to contain late payments (up to 30 days) in the cases where they do not respect agreed time limits.

GRAPH 4.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN MEXICO BY PRODUCT SECTOR, 2012



Tables 4.7 and 4.8 show the best and worst micro-sectors in terms of payment performance in Mexico in 2012.

In first place in the classification of best payers are Special trade contractors (from the construction sector) and Agricultural Production - Crops, both with over 72% of companies respecting the payment terms agreed with trading partners.

On the contrary, the worst performance relates to the Transportation by air sector, with 1.44% of companies paying seriously late (over 90 days on average) and Hotels and other lodging places with a percentage of 1.25%.

TABLE 4.7 SOURCE: CRIBIS D&B

## SECTORS WITH THE BEST PAYMENT RECORDS IN MEXICO, 2012

Sector	Ranking 2012
<b>SPECIAL TRADE CONTRACTORS</b>	<b>1</b>
<b>AGRICULTURAL PRODUCTION - CROPS</b>	<b>2</b>
<b>LUMBER AND WOOD PRODUCTS</b>	<b>3</b>
<b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b>	<b>4</b>
<b>GENERAL BUILDING CONTRACTORS</b>	<b>5</b>
<b>ELECTRICAL, GAS AND SANITARY SERVICES</b>	<b>6</b>
<b>PRINTING AND PUBLISHING</b>	<b>7</b>
<b>MISCELLANEOUS REPAIR SERVICES</b>	<b>8</b>
<b>SERVICES</b>	<b>9</b>
<b>BUSINESS SERVICES</b>	<b>10</b>

**SECTORS WITH THE WORST PAYMENT RECORDS IN MEXICO, 2012**

<b>Sector</b>	<b>Ranking 2012</b>
<b>TRANSPORTATION BY AIR</b>	<b>56</b>
<b>HOTELS AND OTHER LODGING PLACES</b>	<b>55</b>
<b>STONE, CLAY AND GLASS PRODUCTS</b>	<b>54</b>
<b>SOCIAL SERVICES</b>	<b>53</b>
<b>TEXTILE MILL PRODUCTS</b>	<b>52</b>
<b>HEALTH SERVICES</b>	<b>51</b>
<b>MEMBERSHIP ORGANIZATIONS</b>	<b>50</b>
<b>FURNITURE AND HOME FURNISHING STORES</b>	<b>49</b>
<b>NONDEPOSITORY INSTITUTIONS</b>	<b>48</b>
<b>PAPER AND ALLIED PRODUCTS</b>	<b>47</b>

Mexican companies are among the most efficient within the countries analyzed in the Payment Study.

Mexico, in fact, has the best performance both for punctual payments and serious late payments after Denmark, Germany and Taiwan.

However, it is important to add that this country has a decreasing trend in terms of the number of companies that respect agreed terms: the share of good payers in December 2012 was 52.9%, a decrease of 6.4% compared to the 2011 level.

In the serious late payment classes of over 90 days, on the other hand, there has been an improvement of 0.4% compared with 2011, with a concentration of 0.5%.

On a sector level, the best results relate to the Agriculture, forestry, hunting and fishing and Construction sectors with 66.8% and 64.8% of punctual payers, respectively (over 11 percentage points above the national average).

Therefore, the good state of health of the payment system for Mexican companies has been confirmed over the last twelve months.



## 5. UNITED STATES

Below is the opinion of **Dun & Bradstreet Inc. United States of America** on the economic scenario and payment situation in the United States.

*"In December, 2012 D&B announced the results of its year-end global economic outlook, a comprehensive study based primarily on an analysis of the company's proprietary business data. Based on D&B's modeling and country risk analytics, the report provides D&B's perspective on a review of global business conditions throughout 2012 with a glimpse ahead into 2013. The results confirm not only the sluggish global growth anticipated at the start of the year but the pressing headwinds many markets continue to face heading into 2013. "Recovering from the Great Recession of 2008 continues to challenge global economies," said Paul Ballew, chief economist at D&B. "Against that backdrop, the speeds at which companies are shifting business operations, as they continue to restructure, create more efficiency and adaptability to better anticipate future economic conditions. In fact, according to our statistics, business financial health today tops pre-recession levels. Unfortunately these business gains are inhibited by social and political pressures at home and abroad, underscoring the interdependency of today's global economy."*

*The U.S. economy continues to recover slowly. It has staggered towards recovery throughout 2012, boosted by its strengthening corporate sector, but undermined by public sector debt. The corporate sector is in stronger financial health than in recent years and the housing market has hit bottom, with housing prices recovering slowly from their trough and jobs being created. D&B's analysis in early 2012 was among the first to predict housing market recovery. Based on its proprietary data, D&B also publishes a monthly Small Business Health Index which continues to be a leading indicator of business performance. "While significant concerns remain across every global economic region, 2012 proved to be a year in which businesses continued to adapt to the realities of a sluggish and prolonged recovery, " said Ballew. "This should serve them well as they navigate the challenges and risks associated with 2013 and beyond."*

*U.S. unemployment rates are holding at a stubborn rate in the high 7%'s and uncertainty around the public sector debt could be a significant headwind for the U.S. economy in 2013. Without compromise, tax increases and spending cuts threaten a political "fiscal cliff" which would clip GDP growth in 2013. Corporate balance sheets have been rebuilt through deleveraging programs, payment performance is improving, and bankruptcies are declining. Nonetheless, overall caution combined with slow improvement is the most likely scenario for the U.S. economy in 2013."*

### Payment analysis

US companies that pay within agreed terms are analyzed in Table 5.1, in which the trends in punctual payments from 2007 to today are reported.

The share of punctual payers in the United States reached 50.6% in December 2012, a slight decrease compared with 2011 (51%).

A more problematic situation is shown in Table 5.2: late payments of over 90 days on average account for 6.3% of US companies.

Let's now look at the changes in these payment classes in reference to the time period under consideration (Table 5.2).

Compared with 2007, there has been a net improvement in punctual payments with an increase of 7.1 percentage points, meanwhile there has been a 1.4% increase in companies paying seriously late. There has been a decrease of 8.5% in the Up to 90 days class.

In relation to the 2011-2012 period, however, there have been more contained changes of less than a percentage point.

TABLE 5.1 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN THE USA WITH ON TIME PAYMENTS, 2007-2012

	2007	2011	2012
United States	43.5%	51.0%	50.6%

TABLE 5.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN THE USA WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2012

	2007	2011	2012
United States	4.9%	6.6%	6.3%

TABLE 5.3 SOURCE: CRIBIS D&B

#### VARIATIONS IN PAYMENT PRACTICES IN THE USA, 2007-2012

	Variation 2007/2012	Variation 2011/2012
By due date	7.1%	-0.4%
Up to 90 days	-8.5%	0.7%
Over 90 days	1.4%	-0.3%

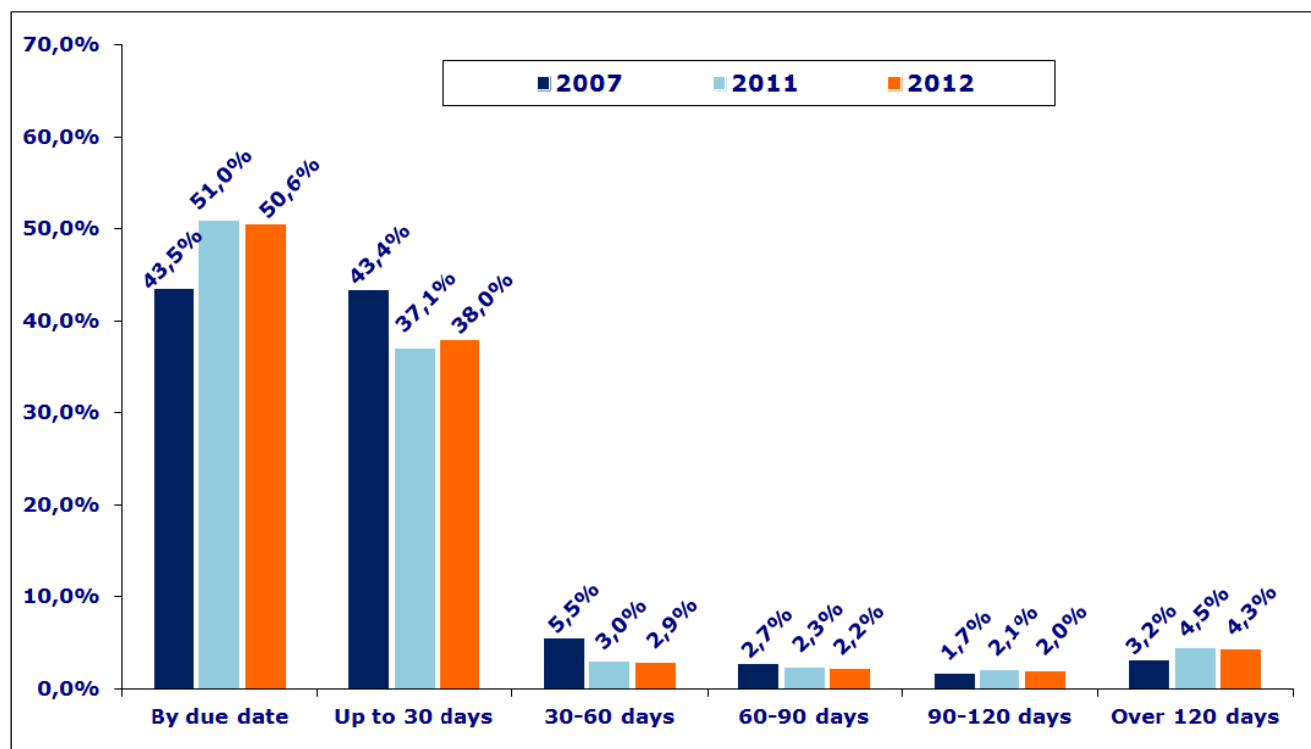
Graph 5.4 shows a more complete analysis of payment habits in the United States over the course of 2012 thanks to the details for each payment class and a comparison with previous years.

It can be seen that over 50% of US companies are in the By due date payment class, whereas a further 38% are in the moderate late payment class for payments up to 30 days late on average.

The other payment classes are more or less stable compared with 2011 levels: 5.1% of US companies pay between 30 and 90 days late on average, whereas 6.3% of the total demonstrate a rather critical management of payments, paying suppliers more than 90 days late on average.

GRAPH 5.4 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN THE USA BY PAYMENT CLASS, 2007-2012



Graph 5.5 shows a detailed analysis of the payment practices of companies in the United States by company size, and helps identify the most significant differences in the behavior of the different types under consideration.

Micro companies are the best payers in the United States, with 54.8% in the punctual payment class.

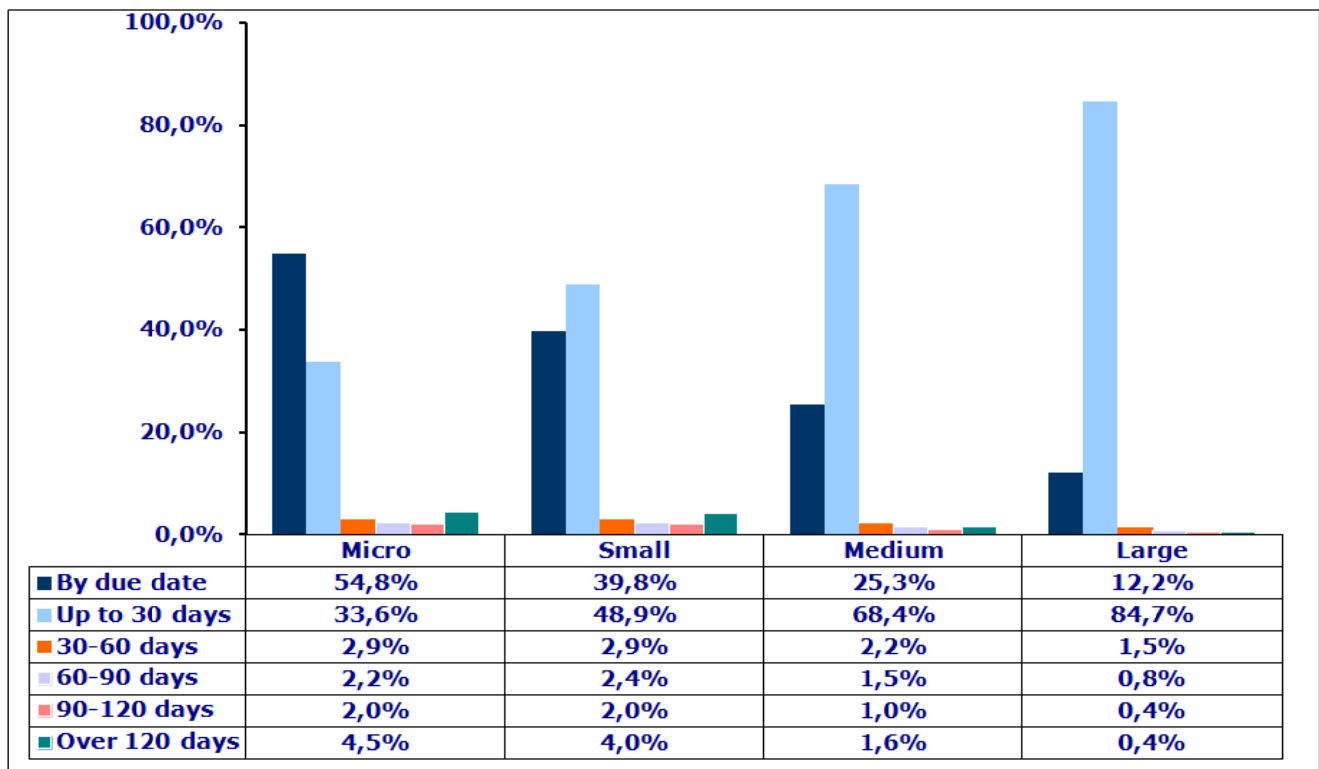
As size increases, the percentage of "good payers" gradually decreases down to a minimum of 12.2% for large companies, for which there is a greater tendency to pay moderately late (84.7% in the Up to 30 days class).

In the intermediate late payment class there are around 5% of Micro and Small companies, whereas in the over 90 days bracket the concentrations exceed 6 percentage points.

Finally, only 0.8% of Large companies pay their suppliers seriously late, with the best performance for this variable.

GRAPH 5.5 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN THE USA BY TYPE OF COMPANY, 2012



Graph 5.6 analyzes the payment habits by late payment class for the various US sectors in 2012. Agriculture, forestry, hunting and fishing is the sector with the best performance, with the highest concentration of punctual payments (61.6%); this is followed by Financial Services with 56.5% and Services with over 54% of the total.

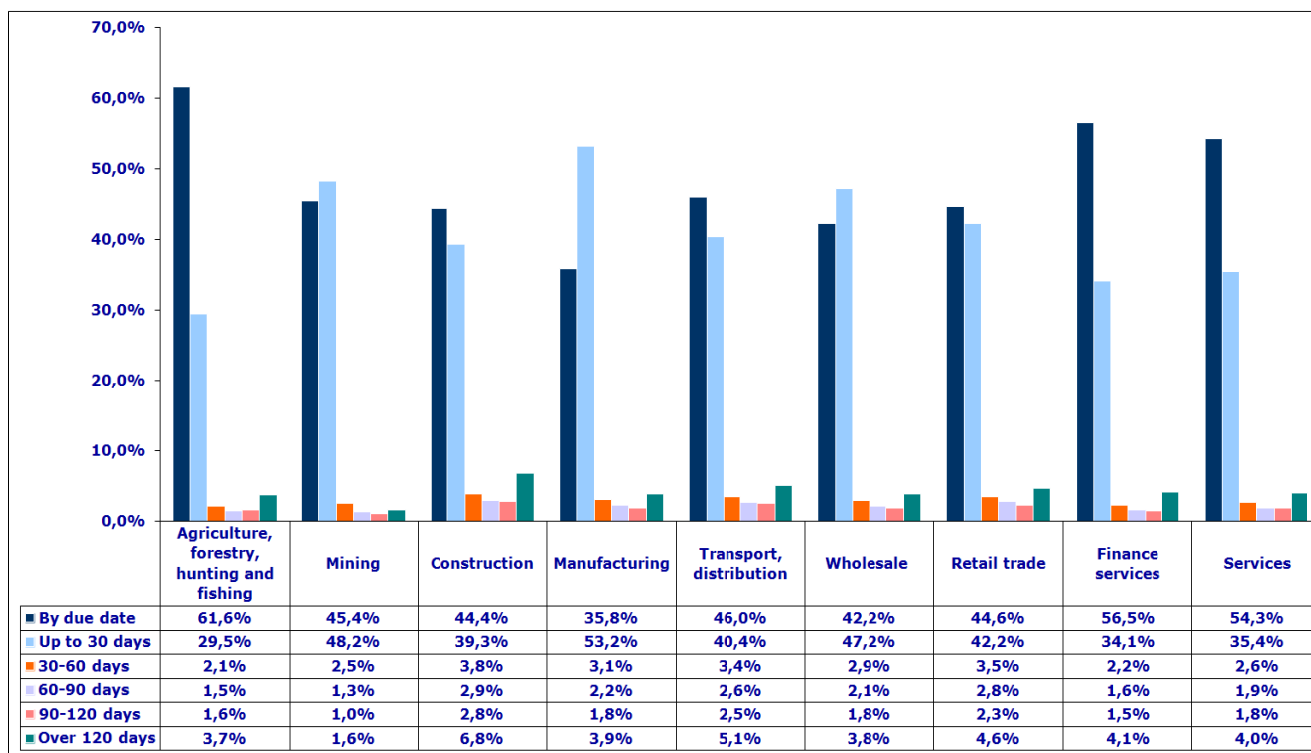
All the other sectors, on the other hand, have levels below the national average (only 35.8% for Manufacturing).

In the serious late payment class (over 90 days late on average), the best performance is in the Mining sector with a percentage of bad payers of 2.6%, whereas all other sectors have values above 5.3%.

Furthermore, again in 2012, the Construction industry is marked by the highest percentages of intermediate late payments (between 30 and 90 days on average) with 6.7% of the total, and serious late payments of 9.6%.

GRAPH 5.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN THE USA BY PRODUCT SECTOR, 2012



The best and worst payers in terms of US micro-sectors are listed in Tables 5.7 and 5.8.

In the classification, the top two sectors with the best performances have remained unchanged in recent years, namely Agricultural production - Crops and Agricultural production – Livestock, with shares of punctual payers above 72%.

The worst payment performance, on the other hand, is seen for the Non-depository Institutions sector with 16.1% of "bad payers", followed by Local Interurban Passenger Transit (13.4%) and Auto Repair, Services and Parking (10.6%).

TABLE 5.7 SOURCE: CRIBIS D&B

## SECTORS WITH THE BEST PAYMENT RECORDS IN THE USA, 2012

Sector	Ranking 2012
AGRICULTURAL PRODUCTION - CROPS	1
AGRICULTURAL PRODUCTION - LIVESTOCK	2
HOLDING AND OTHER INVESTMENT OFFICES	3
FORESTRY	4
FISHING, HUNTING AND TRAPPING	5
BUSINESS SERVICES	6
SERVICES	7
INSURANCE AGENTS, BROKERS & SERVICES	8
SECURITY AND COMMODITY BROKERS	9
ENGINEERING & MANAGEMENT SERVICES	10

**SECTORS WITH THE WORST PAYMENT RECORDS IN THE USA, 2012**

<b>Sector</b>	<b>Ranking 2012</b>
<b>NONDEPOSITORY INSTITUTIONS</b>	<b>82</b>
<b>LOCAL AND INTERURBAN PASSENGER TRANSIT</b>	<b>81</b>
<b>AUTO REPAIR, SERVICES AND PARKING</b>	<b>80</b>
<b>MISCELLANEOUS REPAIR SERVICES</b>	<b>79</b>
<b>SPECIAL TRADE CONTRACTORS</b>	<b>78</b>
<b>FURNITURE AND HOME FURNISHING STORES</b>	<b>77</b>
<b>PERSONAL SERVICES</b>	<b>76</b>
<b>GENERAL BUILDING CONTRACTORS</b>	<b>75</b>
<b>FURNITURE AND FIXTURES</b>	<b>74</b>
<b>TRANSPORTATION SERVICES</b>	<b>73</b>

The US payment situation in 2012 is stable compared with previous years, showing good performance in terms of punctual payments and some problems in relation to serious late payments.

Over 50% of companies manage payments on time (-0.4% compared to 2011), but more than 6% of companies pay suppliers more than 90 days late on average.

On a sector level, the agriculture sector is the one with the highest percentage of good payers (61.6%), whereas the least positive performance was seen in the Construction sector (9.6% in the Over 90 days class).

Finally, this country falls within the top 10 positions in the ranking of countries analyzed in the 2013 Payment Study in relation to punctual payments.

## 6. CANADA

Below is the opinion of **Dun & Bradstreet Inc. Canada** on the economic scenario and payment situation in Canada.

*"We retain Canada's ratings trend on deteriorating after data in recent weeks suggested a sharply slowing jobs market, more falls in housing market transaction volumes, and only weak economic growth and sub-policy target inflation. The kind of across-the-board economic shock that would lead to rises in credit risk is not yet apparent. It is also evident that the Canadian economy, having enjoyed an easier five years from 2008-13 than the US, has a short-term economic outlook that hangs in the balance and will not necessarily be heavily stimulated by the recovery in the US housing market, while Canada's links to the Atlantic OECD economies and demand trends in high-income countries leave it less able to get the benefits of emerging market growth. Meanwhile, it faces high consumer debt, fiscal rationalisation efforts and a slow-burn negative shock from rising wages and unit-labour costs.*

*In this context, Canada should post the same mixed datasets that other relatively successful post-crisis OECD economies such as Germany and the US have faced, in the next few quarters. For example, in the March employment figures, jobs fell 54,500 from February, and private-sector jobs fell 85,400, taking the unemployment rate from 7.0% to 7.2%. FX markets duly knocked Canada's dollar from its six-week high. But in the same week, the Ivey Purchasing Manager index (PMI) posted a seven-month high of 61.1, on a seasonally-adjusted basis, a level which (given that 50.0 represents the break between expansion and contraction) would be enviable in China, where PMIs have languished in the low 50s, at best, for several quarters.*

*What is clear is that the economy is close to balance with an ultra-mild expansion underway: this is the net effect of two different mild shocks, a positive shock, on increasing crude oil exports as non-pipeline exports to the US grow, and a negative shock as housing markets in Canada enter what is hopefully a 'soft-landing' mode after the withdrawal of policy supports in July 2012 (estimated as equivalent to a 1% increase in mortgage rates).*

*Whether mining output (dominated by petroleum) can offset the cooling housing and construction sector is unclear. Rail car exports of crude oil to the US are rising and pipelines to the US are also being expanded, but the construction sector comprises close to 10% of GDP. With housing sales in the Vancouver area falling 18% year-on-year (y/y) and those in Toronto by 17% y/y in March, the sector is due to contract and could cut real GDP growth by 0.3 percentage points in 2013.*

*Fiscal rationalisation is another drag. That it is being considered is a mark of macroeconomic health but Canadian federal pension fund assumptions of 3% per annum long-term returns are unrealistic, and the dependence on energy revenues to fund liabilities is risky, raising pressure to make fiscal policy more restrictive. To balance the federal budget by 2015, the government will need to make CND1bn of new savings per month.*

*However, the Canada Economic Action Plan, over the ten years from 2014-15, envisages CND53bn in public sector investment. Meanwhile, harmonised sales tax ended in British Columbia in April, with a reversion to a previous goods and services tax. The change means*



fewer tax exemptions for firms, a potential negative for sales of business-to-business goods in the province. Nevertheless, the reform will help to encourage consumer spending.

*Payments advice: D&B still recommends OA for the majority of transactions with Canadian customers. Business failures remain at low levels in line with the recent moderate economic growth and supportive policies. If Canada has a housing bubble it is only in its early stages of ending. Business insolvencies in January 2013 fell by 12.7% year on year (y/y) and proposals, a leading indicator, declined by 13.8% y/y. In construction, bankruptcies fell even more sharply after they rose 12.1% y/y in Q4, although this is a sector where a rise could be expected, particularly in Toronto and Vancouver – but the timing for such a development is unclear."*

## Payment analysis

Table 6.1 provides initial information on the ability of Canadian companies to pay suppliers within agreed timescales through analysis of 2007-2012 trends.

The following tables show the share of "bad payers" (late payments of over 90 days on average) and the changes to the distribution by payment classes over recent years (Tables 6.2 and 6.3).

At the end of 2012, the percentage of companies that paid on time was 44.7%, slightly less than in 2011 (44.9%).

The share of "bad payers", on the other hand, reached a level of 1.3%, with an increase of 0.3 percentage points compared to previous years (the proportion was 1% in 2010).

Compared with 2007, there has been a clear improvement in punctual payments ("By due date" class) of 6.2 percentage points, with a corresponding significant decrease in the intermediate class of "Up to 90 days" (-4.2%), and a lower reduction in the "Over 90 days" class (-2%).

TABLE 6.1 SOURCE: CRIBIS D&B

### PERCENTAGE OF COMPANIES IN CANADA WITH ON TIME PAYMENTS, 2007-2012

	2007	2011	2012
Canada	38.5%	44.9%	44.7%

TABLE 6.2 SOURCE: CRIBIS D&B

### PERCENTAGE OF COMPANIES IN CANADA WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2012

	2007	2011	2012
Canada	3.3%	1.0%	1.3%

TABLE 6.3 SOURCE: CRIBIS D&B

## VARIATIONS IN PAYMENT PRACTICES IN CANADA, 2007-2012

	Variation 2007/2012	Variation 2011/2012
By due date	6.2%	-0.2%
Up to 90 days	-4.2%	-0.1%
Over 90 days	-2.0%	0.3%

Let's now look at the payment practices in Canada by payment class (Graph 6.4).

Compared with 2011 there is a more or less stable trend, with variations of less than a percentage point.

In particular, 48.2% of companies tend to pay with a delay limited to 30 days on average, compared to a share of punctual payments of 44.7%.

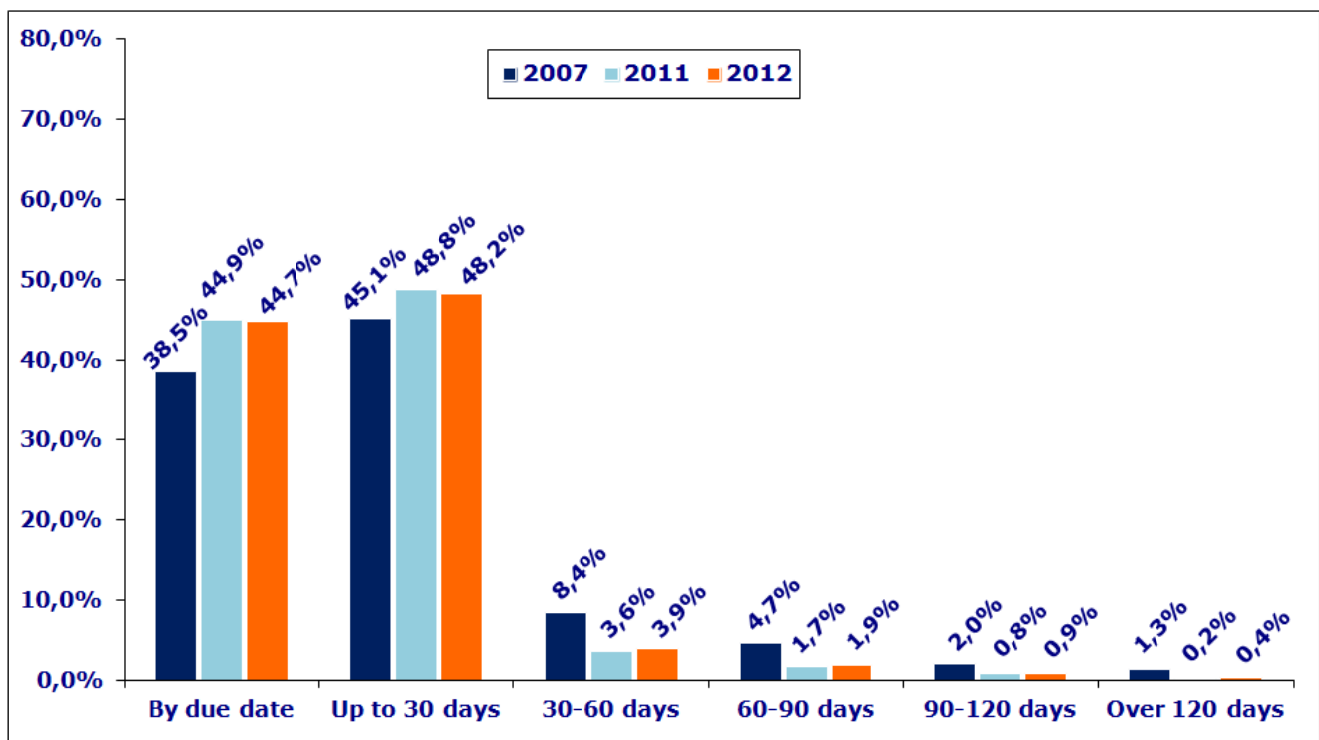
The situation has changed rather more significantly in the intermediate and serious late payment classes from 2007 to today.

Companies that pay between 30 and 90 days late on average have seen a decrease of 7.3% in the last six years to 5.8%.

Similarly, more serious late payments have fallen (-2%) and accounted for 1.3% of the 2012 sample.

GRAPH 6.4 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN CANADA BY PAYMENT CLASS, 2007-2012



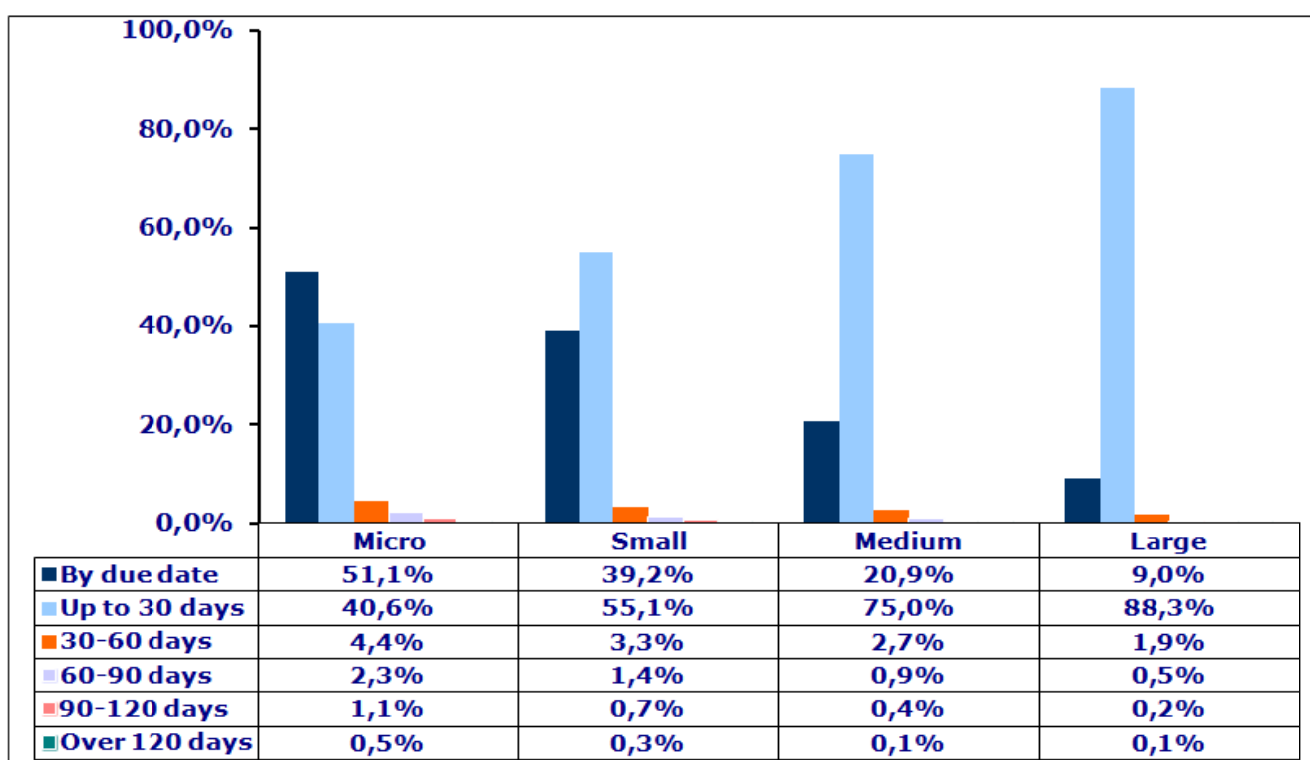
Graph 6.5 shows payment habits in more detail based on the type of company and shows a very uniform scenario, with rather different values between the four categories analyzed.

Micro companies show a more balanced payment behavior: 51.1% of the total respect agreed time limits, and a further 40.6% pay between 1 and 30 days late on average. However, this category has higher concentrations in the intermediate and serious late payment classes: 6.7% of companies with less than 6 employees pay between 30 and 90 days late, meanwhile 1.6% fall within the Over 90 days class.

As size increases, the concentration of companies that pay on time falls significantly down to the lowest value of 9% for large companies (an improvement compared to the 8.3% in 2011).

GRAPH 6.5 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN CANADA BY TYPE OF COMPANY, 2012



Let's now look at Canadian payment habits by sector (Graph 6.6).

The best payment performance is shown by Agriculture, forestry, hunting and fishing: as well as having the highest concentration of punctual payers (57.5%), it is also the sector that best manages payments that are over 90 days late (less than 1%).

Financial Services and Services also have a good share of companies that manage to meet their payment obligations within agreed time limits (over 50%), meanwhile there is a more critical situation in the Manufacturing sector, with only 26.1% of companies in this class.

Finally, the percentages in the serious late payment classes are contained in all sectors, and the highest values are seen in the Transport and Distribution and Services sectors (1.6% and 1.4%).

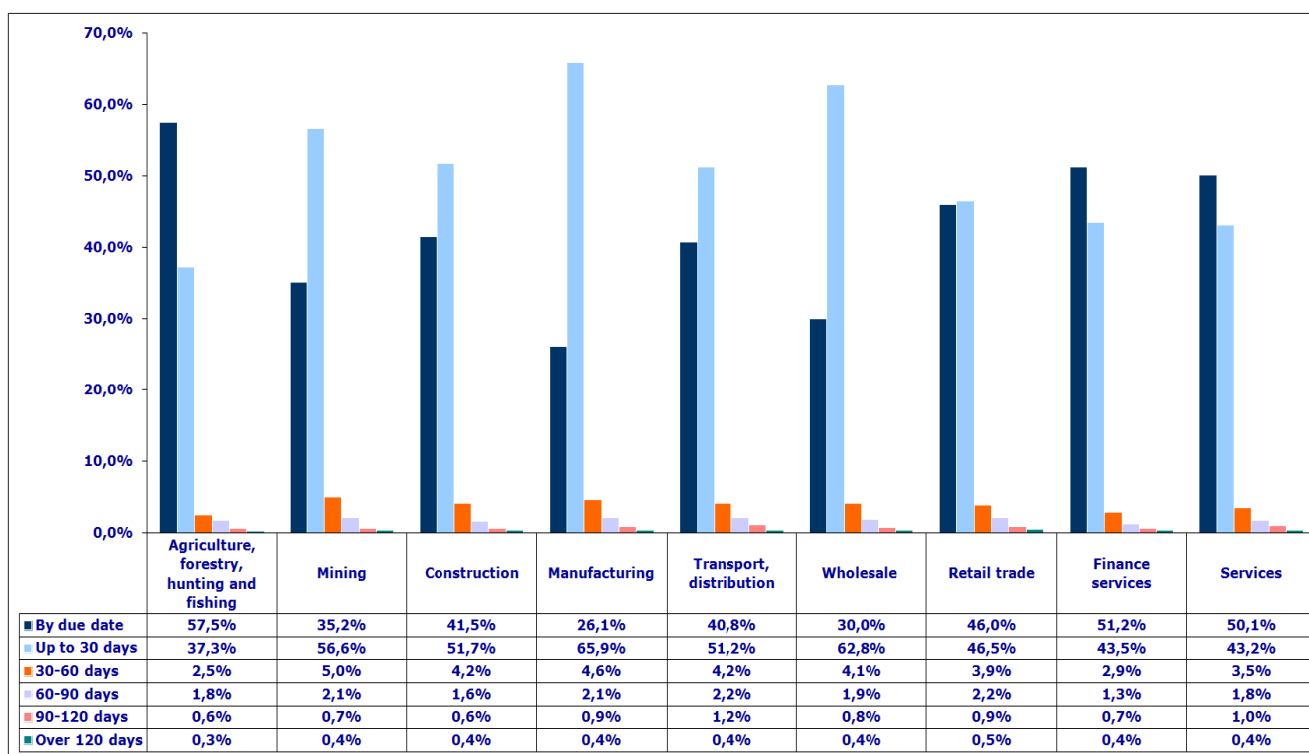
**PAYMENT PRACTICES IN CANADA BY PRODUCT SECTOR, 2012**

Table 6.7 shows the classification of micro-sectors with the most punctual payments in Canada over the course of 2012.

Insurance agents, brokers & services, Agricultural production – Livestock and Agricultural production – Crops occupy the top positions, with over 60% of punctual payments.

Table 6.8, on the other hand, lists the Canadian sectors with the worst payment performances.

Printing and publishing is the only sector in which companies that pay seriously late exceed 2 percentage points. This is followed by Communications, Transportation Services (both included in the transport and distribution sector) and Leather and Leather Products (manufacturing industry) with a concentration of bad payers of 1.8%.

TABLE 6.7 SOURCE: CRIBIS D&B

**SECTORS WITH THE BEST PAYMENT RECORDS IN CANADA, 2012**

Sector	Ranking 2012
INSURANCE AGENTS, BROKERS & SERVICES	1
AGRICULTURAL PRODUCTION - LIVESTOCK	2
AGRICULTURAL PRODUCTION - CROPS	3
BUSINESS SERVICES	4
LEGAL SERVICES	5
ENGINEERING & MANAGEMENT SERVICES	6

<b>EDUCATIONAL SERVICES</b>	<b>7</b>
<b>MUSEUMS, BOTANICAL, ZOOLOGICAL GARDENS</b>	<b>8</b>
<b>AGRICULTURAL SERVICES</b>	<b>9</b>
<b>RAILROAD TRANSPORTATION</b>	<b>10</b>

TABLE 6.8 SOURCE: CRIBIS D&B

#### SECTORS WITH THE WORST PAYMENT RECORDS IN CANADA, 2012

<b>Sector</b>	<b>Ranking 2012</b>
<b>PRINTING AND PUBLISHING</b>	<b>72</b>
<b>COMMUNICATIONS</b>	<b>71</b>
<b>TRANSPORTATION SERVICES</b>	<b>70</b>
<b>LEATHER AND LEATHER PRODUCTS</b>	<b>69</b>
<b>MISCELLANEOUS MANUFACTURING INDUSTRIES</b>	<b>68</b>
<b>APPAREL AND OTHER TEXTILE PRODUCTS</b>	<b>67</b>
<b>DEPOSITORY INSTITUTIONS</b>	<b>66</b>
<b>EXECUTIVE, LEGISLATIVE AND GENERAL</b>	<b>65</b>
<b>MEMBERSHIP ORGANIZATIONS</b>	<b>64</b>
<b>TRUCKING AND WAREHOUSING</b>	<b>63</b>

Canada has continued to show a constantly improving payment situation over recent years, but in recent months this has been stationary: compared to 2011, the changes have not been very significant and below 0.5%.

However, Canadian companies continue to show good payment performances, above all in relation to more serious late payment classes.

In particular, there is a level of 44.7% of punctual payers and a 48.2% share in the Up to 30 days band, meanwhile the percentage of serious late payments of over 90 days accounts for 1.3% of the total.

It is also possible to see strong heterogeneity in the payment behavior of the various types of company and sectors: the most positive results are seen in the agriculture, financial services and services sectors in Canada, with over 50% of good payers.

Canada continues to be placed in an intermediate position within the international context, with more or less stable payment performance over time.

## 7. EUROPE

### Payment analysis

There are four new European countries in the 2013 edition of the Payment Study: Denmark, Finland, the Czech Republic and Turkey.

This year, fifteen European countries have been compared, analyzing payment trends over recent years, including in relation to company size and the main sectors.

Graphs 7.1 and 7.2 show a certain heterogeneity in payment behavior over the last twelve months in the countries analyzed.

On an aggregate European level, 39.1% of companies respect agreed payment deadlines, meanwhile, the largest concentration can be found in the moderate late payment class ("Up to 30 days") with a value of 51.3%.

The most serious late payments (over 90 days), on the other hand, accounted for 3.3% of companies, with 1.8% exceeding 120 days.

Among the countries with the best performance in terms of punctual payments, in first position is Denmark (best performer in this edition), with 83.3% of the total. In second and third places are Germany (best performer 2011), with 78.8% of companies paying on time, and Turkey, with a percentage of 52.7%.

Italy is in an intermediate position with 44.3% of punctual payers, remaining above the European average.

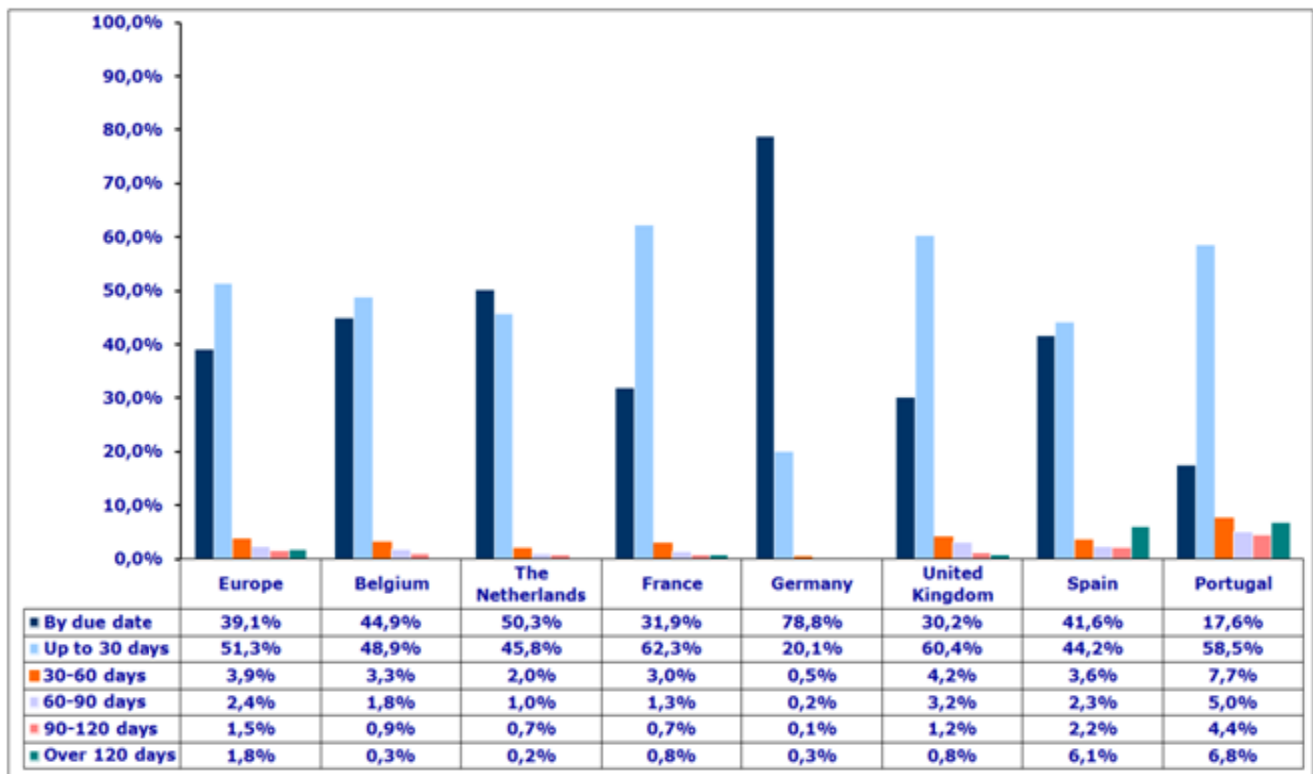
The highest concentrations in the Up to 30 days class (over 60%) are seen in the Czech Republic, France and the United Kingdom.

There is also strong heterogeneity in relation to serious late payments in Europe: if, on the one hand, there are situations where there are very contained levels of serious late payments, on the other, the share of "bad payers" exceeds 8% in Spain, Portugal and Poland.

In addition, in Poland more than 10% of companies tend to pay on average more than 120 days beyond agreed terms.

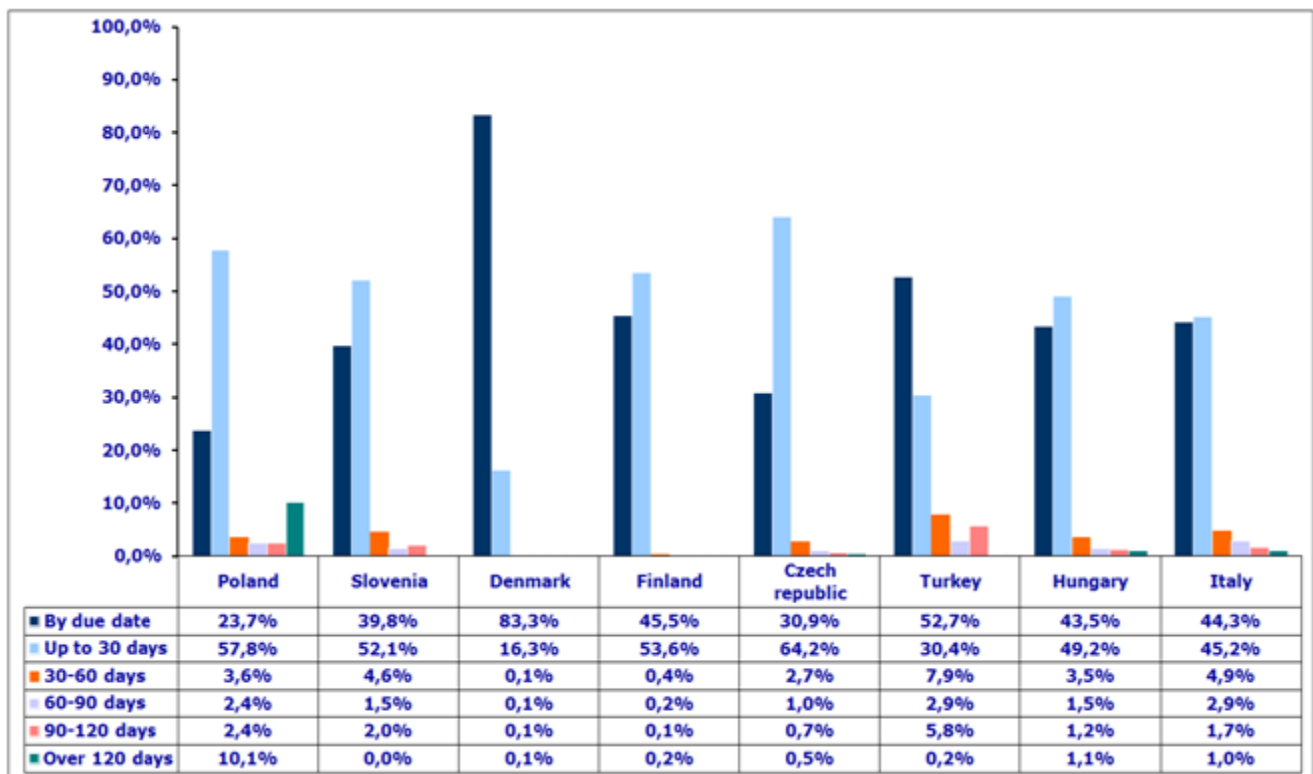
GRAPH 7.1 SOURCE: CRIBIS D&B

### PAYMENT PRACTICES IN EUROPE BY PAYMENT CLASS, 2012



GRAPH 7.2 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN EUROPE BY PAYMENT CLASS, 2012



A more detailed analysis of the European payment situation in 2012 can be made using Graph 7.3 by looking at national performances in terms of punctual payments and serious late payments of more than 90 days on average.

It is possible to see that ten of the fifteen countries looked at in the study exceed the European average in terms of punctual payments (39.1%).

The largest share of punctual payers is seen in Denmark, which outperforms Germany (best performer 2011), with a difference of 4.5 percentage points.

These are followed by Turkey (52.7%) and the Netherlands (50.3%), meanwhile all the other countries have concentrations of punctual payments below 45.5%.

France, the United Kingdom and the Czech Republic have more contained values that vary between 30.2% and 31.9% of the total, meanwhile Poland and Portugal show more problems in the payment system, with percentages of 23.7% and 17.6%, respectively.

Now let's compare payment performances in relation to late payments of more than 90 days on average.

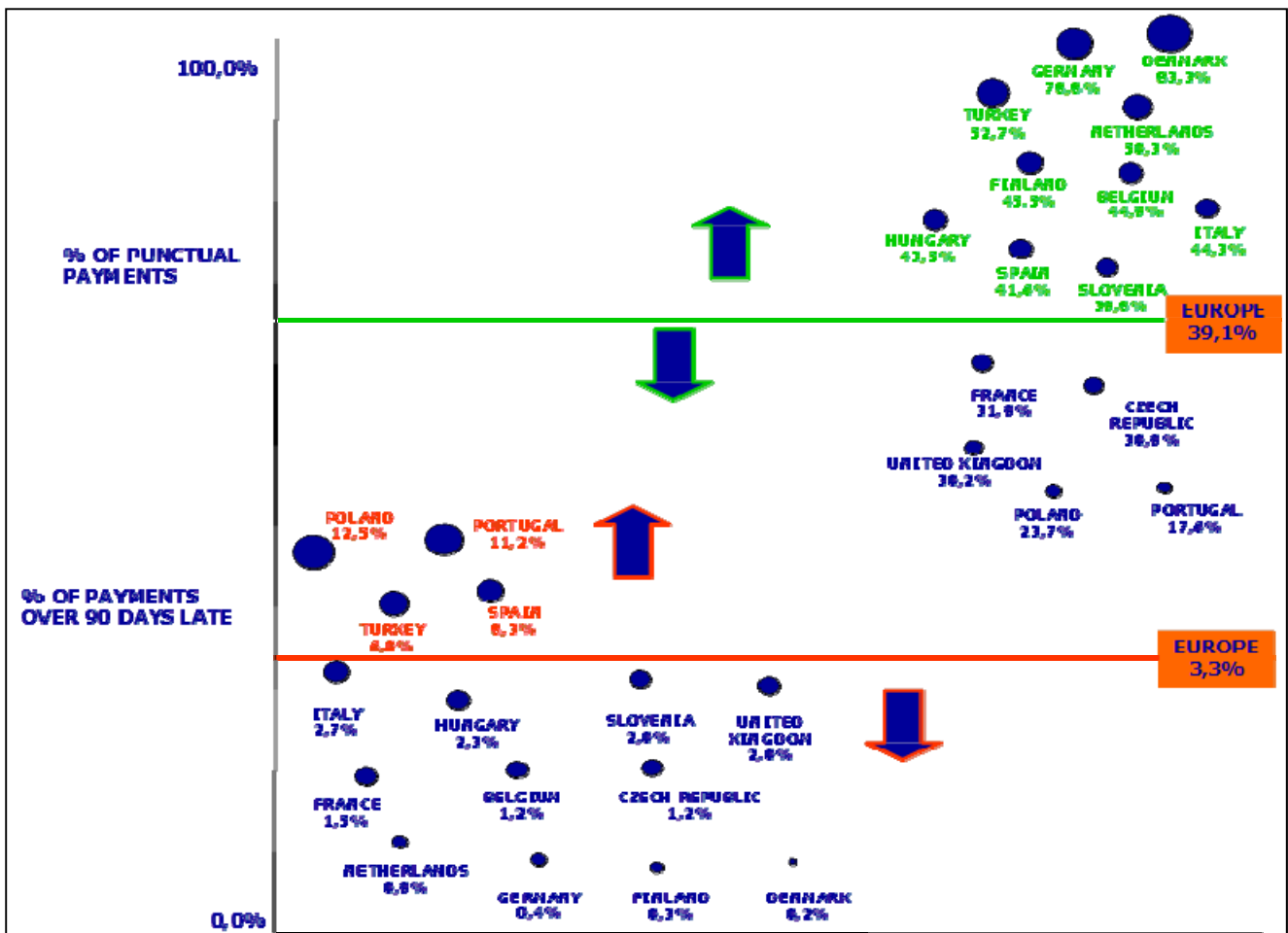
Poland (12.5%), Portugal (11.2%), Spain (8.3%) and Turkey (6.0%) have values above the European average (3.3%). The first three countries continue to demonstrate a particularly critical state of health and are finding it difficult to recover.

The other countries, on the other hand, have more contained percentages in terms of serious late payments, with values ranging from 2.7% in Italy to a minimum of 0.2% in Denmark.

GRAPH 7.3 SOURCE: CRIBIS D&B

## **COMPARISON BETWEEN ON TIME PAYMENTS AND PAYMENTS OVER 90 DAYS LATE FOR EUROPEAN COUNTRIES, 2012**





Graph 7.4 analyzes the changes in payment habits in Europe over the period of 2008-2012 and shows the rather different trends between the countries under consideration.

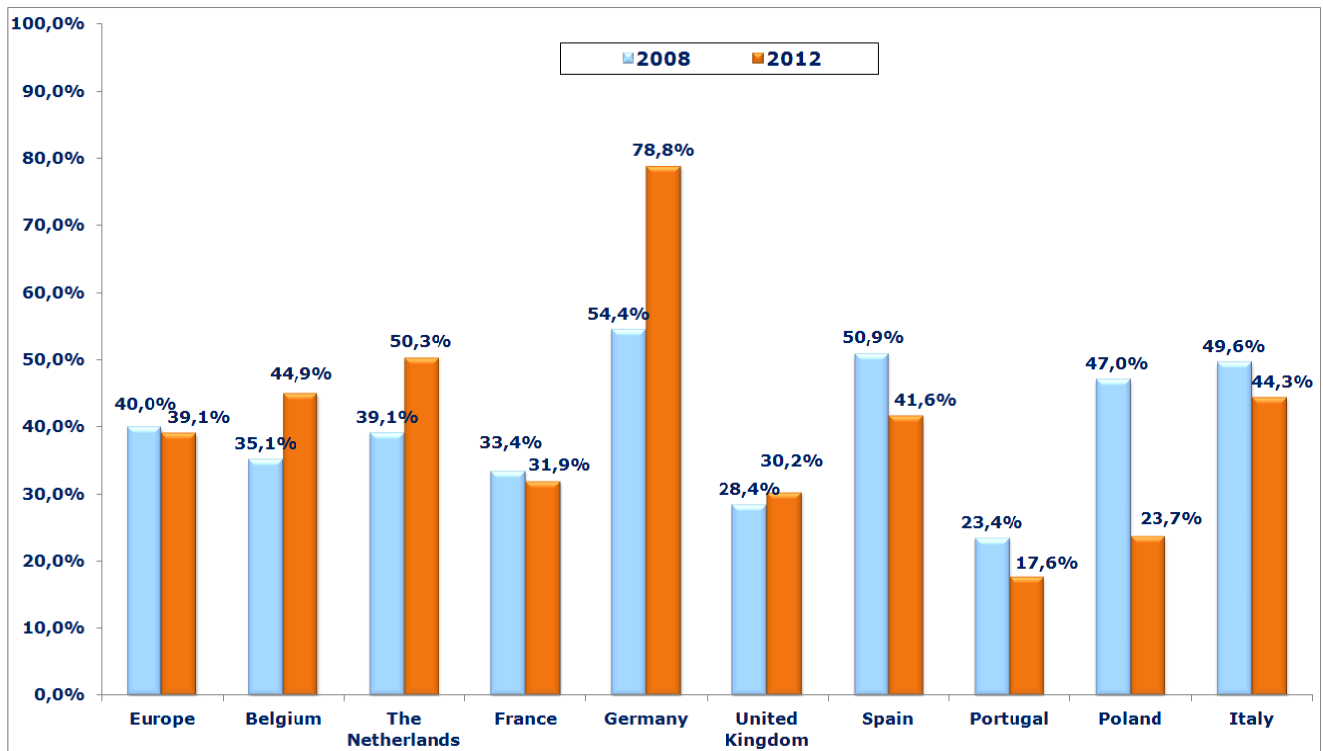
German companies have reacted the best to these difficult years with a net improvement in punctual payments (+24.4 percentage points compared to 2008); they are followed by Dutch companies with a favorable difference of 11.2% and Belgium (+9.8 points).

At the other extreme are Poland and Spain: in the former case, the number of punctual payers reduced by over 23%, whereas in the latter there has been a negative change of 9.3 percentage points.

Lastly, in Italy there has been a decrease of over 5% in recent years (from 49.6% in 2008 to 44.3% in 2012).

GRAPH 7.4 SOURCE: CRIBIS D&B

## VARIATIONS IN ON TIME PAYMENTS IN EUROPE, 2008-2012



Graph 7.5 shows the 2011-2012 trend in various European countries in the percentage of companies that demonstrate a positive payment performance (payments made by the due date). On an aggregate European level, there has been an improvement of 1.3 percentage points in the share of companies that respect payment terms agreed with suppliers.

The best performances were seen in Denmark and Finland, with improvements of 13.1% and 7.2%, respectively, compared to the proportion of "good payers" in 2011.

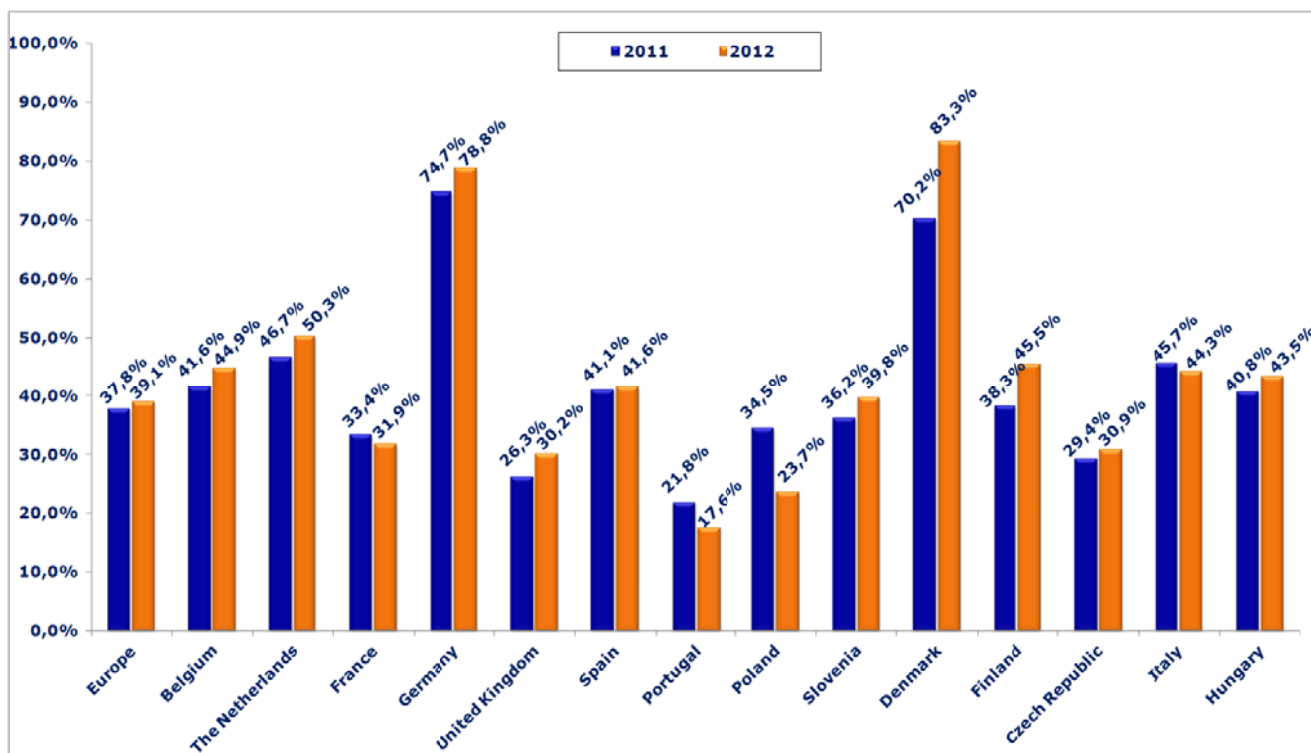
Significant improvements were also seen in Germany, the United Kingdom, the Netherlands, Slovenia and Belgium, with values above 3.3 percentage points.

The situation has worsened in France and Italy, on the other hand, with a 1.5% reduction in punctual payments.

Finally, the worst performances were seen once again in Portugal and Poland: punctual companies in Portugal fell by 4.7%, whereas in the latter, the concentration varied from 34.5% in December 2011 to 23.7% in December 2012 (-10.8%).

GRAPH 7.5 SOURCE: CRIBIS D&B

## TRENDS IN ON TIME PAYMENTS IN EUROPE, 2011-2012



Using Graph 7.6 it is possible to analyze how the concentrations of companies in the most serious late payment class (over 90 days on average) have changed between 2008 and 2012 in the countries examined.

Europe shows a good performance with an improvement of 2.7 percentage points in the share of "bad payers", with 3.3% of the total.

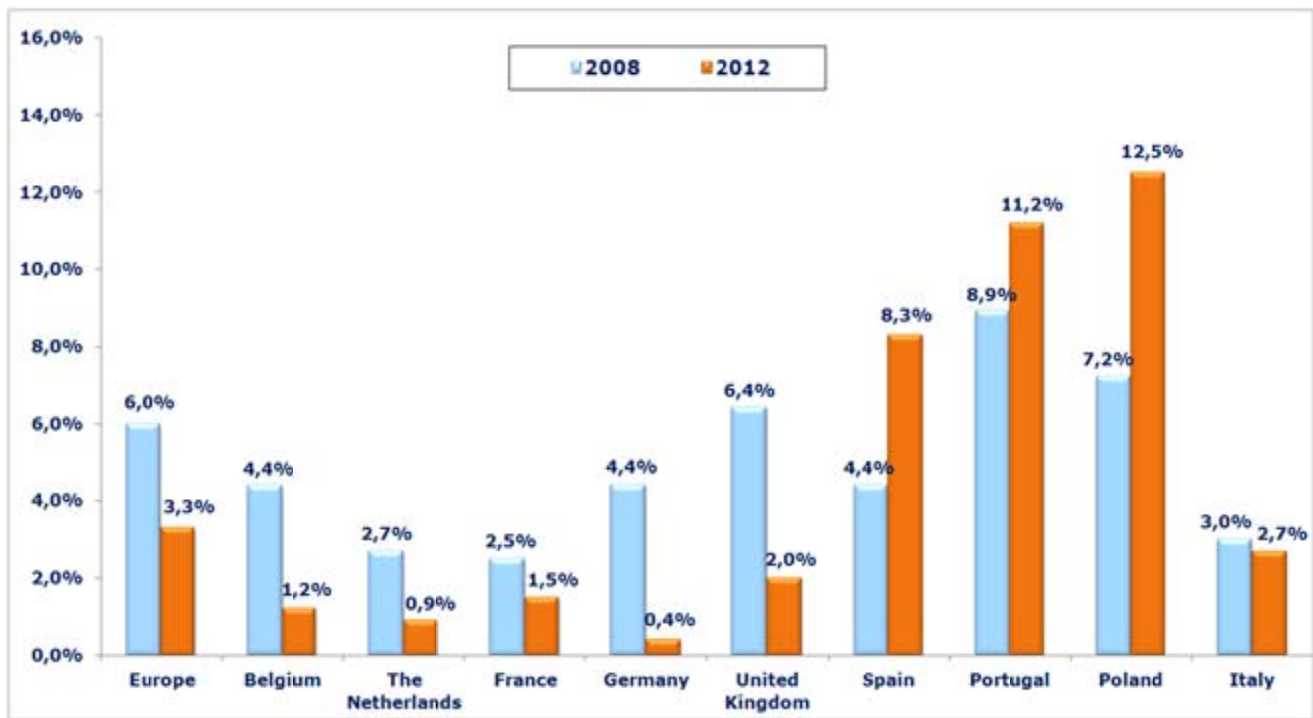
More significant changes (reductions greater than 4%) are seen in the United Kingdom and Germany; in an intermediate position with more contained variations are Belgium, the Netherlands and France.

Portuguese companies which pay on average over 90 days late, on the other hand, have increased by 2.3 percentage points since 2008, meanwhile Spanish companies have increased by 3.9%.

Once again, Poland is the worst performer in Europe: serious late payers grew by 5.3 percentage points.

GRAPH 7.6 SOURCE: CRIBIS D&B

## VARIATION OF LATE PAYMENTS OF MORE THAN 90 DAYS IN EUROPE, 2008-2012



Let's now look at the 2011-2012 trend of European companies in relation to late payments of over 90 days on average (Graph 7.7).

On an European level, the percentage of "bad payers" has remained more or less stable, going from 3.1% in 2011 to 3.3% in 2012.

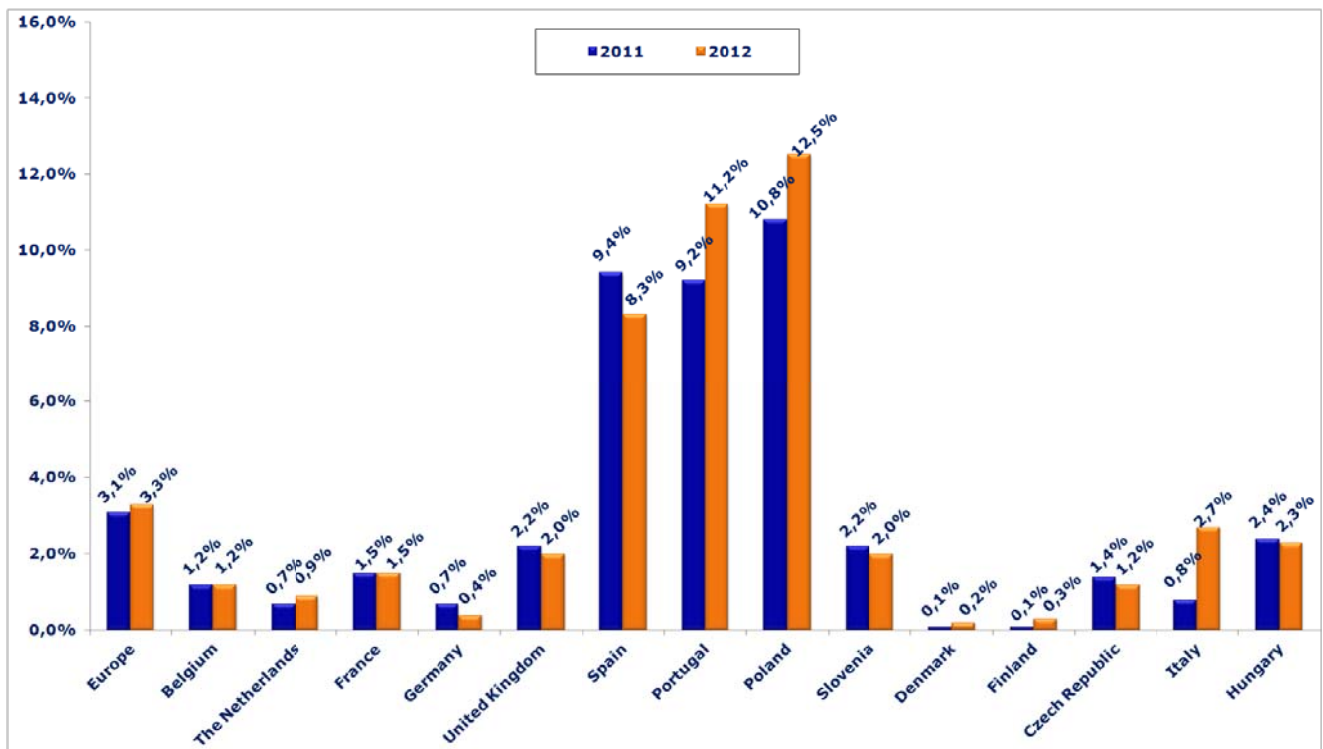
The European trend is also confirmed by the large part of countries analyzed in this study: in fact, mainly changes of less than 0.3% are seen.

The exceptions are Portugal, Italy and Poland: in these cases there has been an almost 2% increase in companies that pay their suppliers more than 90 days late on average.

Finally, there has been an improvement in Spain compared with 2011 in this payment class (-1.1 percentage points).

GRAPH 7.7 SOURCE: CRIBIS D&B

## TRENDS IN LATE PAYMENTS OF MORE THAN 90 DAYS IN EUROPE, 2011-2012



Let's now look at European payment habits in relation to the different sectors (Graph 7.8).

Agriculture, forestry, hunting and fishing and Services are the sectors with the best performances: the companies that respect agreed time limits account for 49% and 41.5%, respectively. In addition, in both sectors, there is a concentration of less than 2.3% in the serious late payment class.

The most problematic situation is seen in the Mining sector with only 30.8% of the total paying on time.

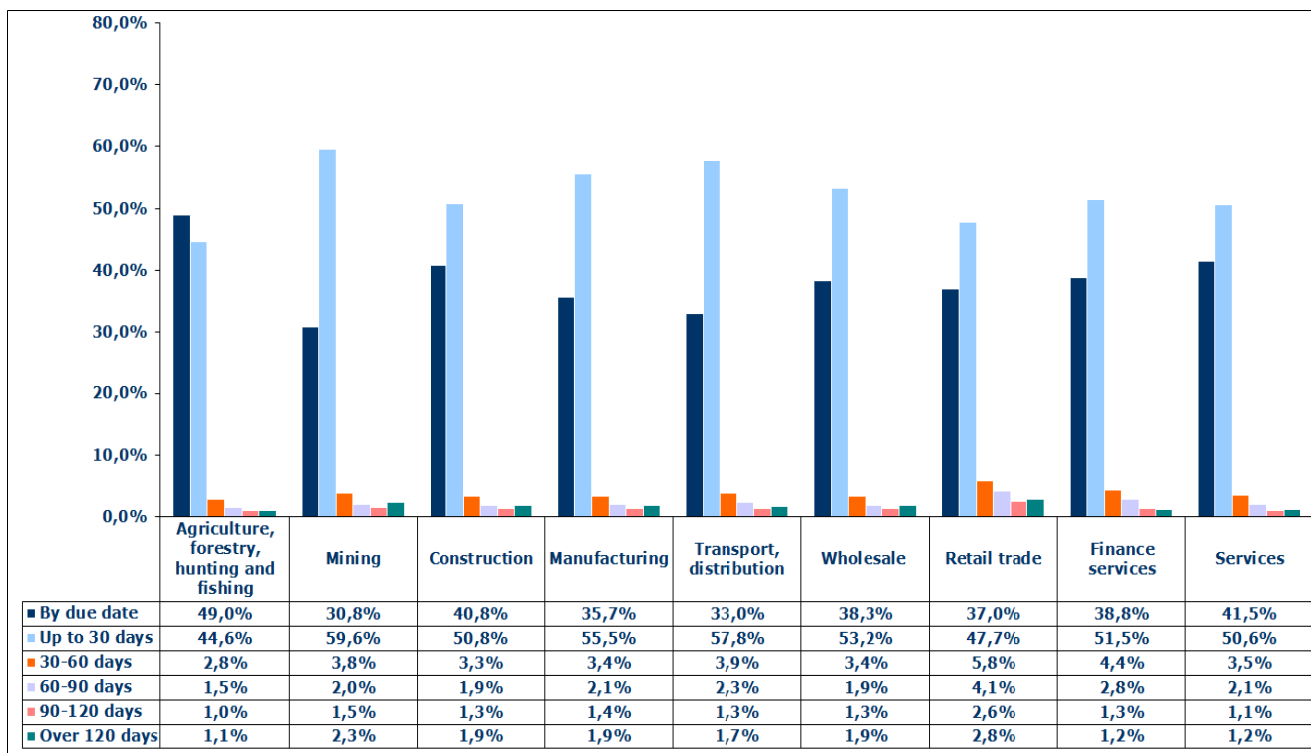
In general, for all sectors there is a widespread tendency for companies to pay on average between 1 and 30 days beyond agreed terms, with the highest values in relation to Mining (59.6%) and Transport and Distribution (57.8%).

In the intermediate classes (30-60 days and 60-90 days) the Retail Trade and Financial Services sectors stand out with the highest concentrations (over 7%).

Serious late payments (over 90 days on average) at the end of 2012 relate to 5.4% of retail trade companies (worst performer on an aggregate European level).

GRAPH 7.8 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN EUROPE BY PRODUCT SECTOR, 2012



In conclusion, on the basis of the results of the above analysis, the following key points can be identified in relation to the payment situation in Europe in 2012:

- In the fifteen European countries examined, somewhat heterogeneous payment habits were seen again this year. In fact, if we consider punctual payment performance, we can divide the countries into four different and distinct groups:
  - Germany and Denmark have the highest number of companies that manage to pay their partners within agreed contractual conditions, with 83.3% and 78.8% of the total, respectively. It is important to underline the significant improvement in punctual payments in Denmark compared with 2011 (+13.1%).
  - Turkey, the Netherlands, Finland, Belgium, Italy, Hungary, Spain and Slovenia have higher values than the European average in terms of punctual payment performance. In these cases the concentrations are more moderate, varying between 39.8% and 52.7%. Compared with the previous year, there was an improvement in Slovenia (+3.6%).
  - France, the Czech Republic and the United Kingdom have percentages slightly below the European average and a more or less stable payment framework over time.
  - The fourth and last group includes Poland and Portugal. Both countries continue to show difficulties in managing the payment system, and have percentages which are more than 15.4 points below the aggregate European value.
- A clear scenario between the European countries considered emerges from the analysis of the percentage of companies that pay seriously late (over 90 days on average). Companies in Poland, Portugal, Spain and Turkey present the most critical situation with percentages of between 6% and 12.5%.

The situation in Portugal has worsened (+2% compared with 2011) and continues to be one of the worst in Europe in terms of payments. There was also a negative performance for Poland and Italy, where the concentration in this band increased by 1.7 and 1.9 percentage points, respectively. Spain, on the other hand, has improved by over a percentage point compared to 2011.

The percentage values for the remaining countries are stable and more contained, with very low values for Germany, Finland and Denmark.

- Looking at the sectors in detail, those with the highest percentages of punctual payments are Agriculture, forestry, hunting and fishing, Services and Construction (with percentages above 40%), meanwhile Mining had the lowest concentration with a percentage of 30.8%. Furthermore, the highest concentration of companies that pay over 90 days late on average (5.4%) was seen in the Retail Trade sector.

In 2012, European companies improved management of the payment system and demonstrated a positive performance compared to the critical situation seen the previous year (record low since 2007).

In a more or less heterogeneous context in terms of payment habits in the various countries, the European average of punctual payments increased by 1.3 percentage points compared to 2011 with 39.1% of the total. However, the percentage of companies paying on average more than 90 days beyond agreed terms has remained stable, with a European average of 3.3%.

The continuing economic difficulties and the widespread instability that characterizes the international scenario makes it increasingly important to pay greater attention to trading partners and to the adequate monitoring of the most critical situations.

## 8. BELGIUM

Below is the opinion of **Bart Verhoeven, Manager Marketing & Communications at D&B Nederland**, on the economic scenario and payment situation in Belgium.

*"Belgium companies have reacted to the crisis in a defensive way. Negotiations about payments terms will be consider to be extended. They are conducting a more in-depth research before a prospect is accepted as a customer. Companies want a better and more thorough follow-up of existing customer portfolio and finally increasing the number of warranties before delivery. Belgium will go through difficult times, economy will recover slowly.*

*30-60 days are the usual terms agreed between companies in Belgium. The new EU Payments Directive (Directive 2011/7/EU), implemented in local law this March, sets the basis for suppliers to reduce risk and protect cash flow. This legislation makes it easier for businesses to pursue payment, with debtors being forced to incur interest and pay an administration fee if they fail to pay for goods and services within 60 days for business and 30 days for public authorities. Whilst it will help protect some businesses, the updated Directive presents new risks for companies struggling to manage their finances and pay on time, due to the potential interest liability risk. The directive should encourage businesses to take a fresh look at their payment behaviour and that of their customers. It will also put pressure on large businesses in sectors where extended payment terms have been used as a means to protect margins, often putting smaller suppliers under increasing pressure.*

*Recently payment times have significantly improved again in Belgium. This suggest many businesses have adapted to operating in today's sluggish economy and are managing their cash flow more confidently.*

*Integration of credit data into their ERP is the main solution companies are adopting to improve their DSO and Working Capital."*

### Payment analysis

Looking at the trends for companies in the extreme payment classes (by due date payments and late payments of more than 90 days), the results for Belgium are positive, confirming the healthy state of payments in this country (Tables 8.1 and 8.2).

In fact, the percentage of companies that pay their suppliers on time reached 44.9% in 2012, with an increase of 3.3% compared with the previous year, and a positive variation of 5.8 percentage points compared to the European average.

On the other hand, companies that pay more than 90 days late represent only 1.2% of the total compared with the European level of 3.3%.

The improvement in the Belgian payment situation is also confirmed in Table 8.3, which reports the variations in distribution of companies between 2007 and 2012 in terms of payment classes.

The proportion of "good payers" ("By due date" class) has increased by more than 14 percentage points compared with 2007. There has been a reduction of a similar size in the intermediate payment class (Up to 90 days), meanwhile in terms of serious late payments (over 90 days on



average), these have remained more stable over time with a change of less than two percentage points.

TABLE 8.1 SOURCE: CRIBIS D&B

**PERCENTAGE OF COMPANIES IN BELGIUM WITH ON TIME PAYMENTS, 2007-2012**

	<b>2007</b>	<b>2011</b>	<b>2012</b>
<b>Belgium</b>	<b>30.5%</b>	<b>41.6%</b>	<b>44.9%</b>
<b>Europe</b>	<b>41.0%</b>	<b>37.8%</b>	<b>39.1%</b>

TABLE 8.2 SOURCE: CRIBIS D&B

**PERCENTAGE OF COMPANIES IN BELGIUM WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2012**

	<b>2007</b>	<b>2011</b>	<b>2012</b>
<b>Belgium</b>	<b>2.9%</b>	<b>1.2%</b>	<b>1.2%</b>
<b>Europe</b>	<b>4.1%</b>	<b>3.1%</b>	<b>3.3%</b>

TABLE 8.3 SOURCE: CRIBIS D&B

**VARIATIONS IN PAYMENT PRACTICES IN BELGIUM, 2007-2012**

	<b>Variation 2007/2012</b>	<b>Variation 2011/2012</b>
<b>By due date</b>	<b>14.4%</b>	<b>3.3%</b>
<b>Up to 90 days</b>	<b>-12.7%</b>	<b>-3.3%</b>
<b>Over 90 days</b>	<b>-1.7%</b>	<b>0.0%</b>

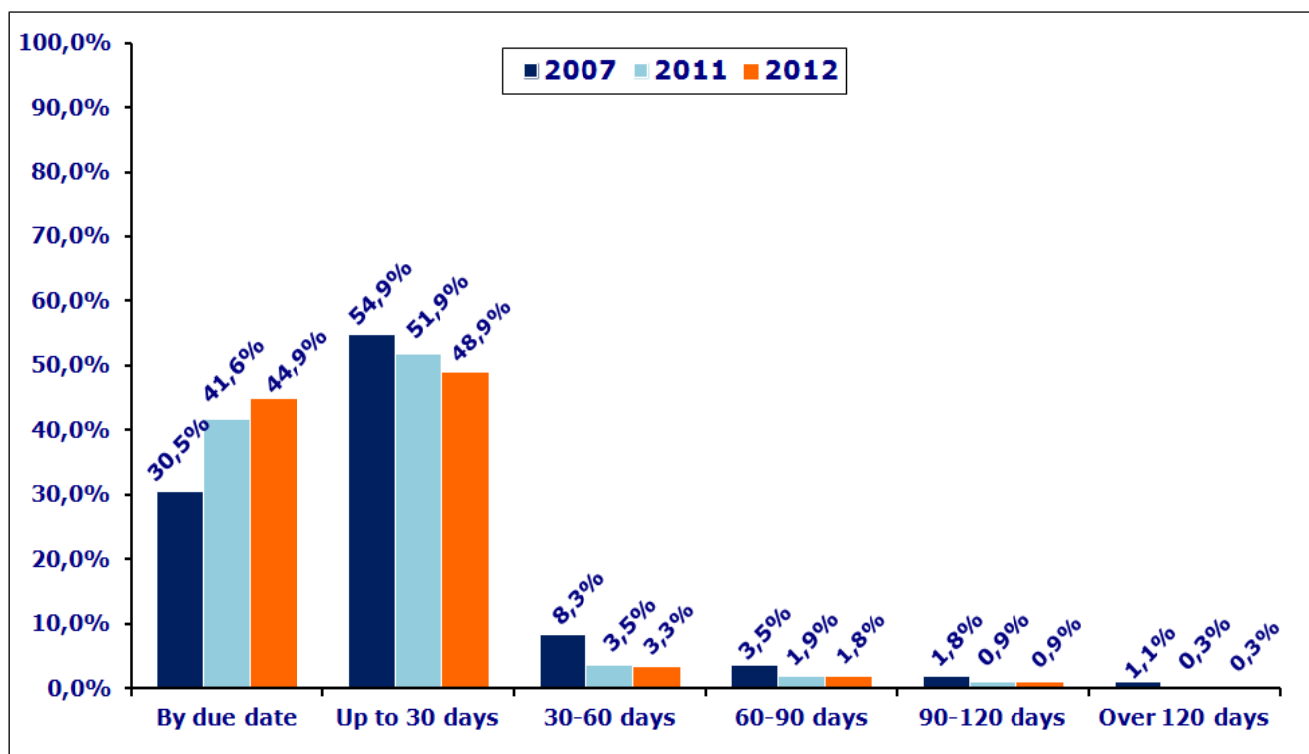
Now let's look in more detail at Belgian payments using Graph 8.4, in which it is possible to see the distribution of Portuguese companies by payment class.

There has been a significant improvement in punctual payments, which in 2012 accounted for 44.9% of the sample, with a change of 3.3% compared with the previous year, and over fourteen points compared with 2007.

Late payments of up to 30 days account for 48.9% of the total (-3% compared to 2011 and -6% compared to 2007), meanwhile, those of between 30 and 90 days account for 5.1%.

Finally, the most serious late payments involve only 1.2% of companies, which is the lowest value recorded for all the countries analyzed in the study.

## PAYMENT PRACTICES IN BELGIUM BY PAYMENT CLASS, 2007-2012



Graph 8.5 shows a detailed analysis of the payment practices of companies in Belgium by company size, and identifies a somewhat heterogeneous behavior among the four types.

The highest level of on time payments is seen for micro companies, with a level of 47.8% in 2012 (+2.9 points compared with the national average).

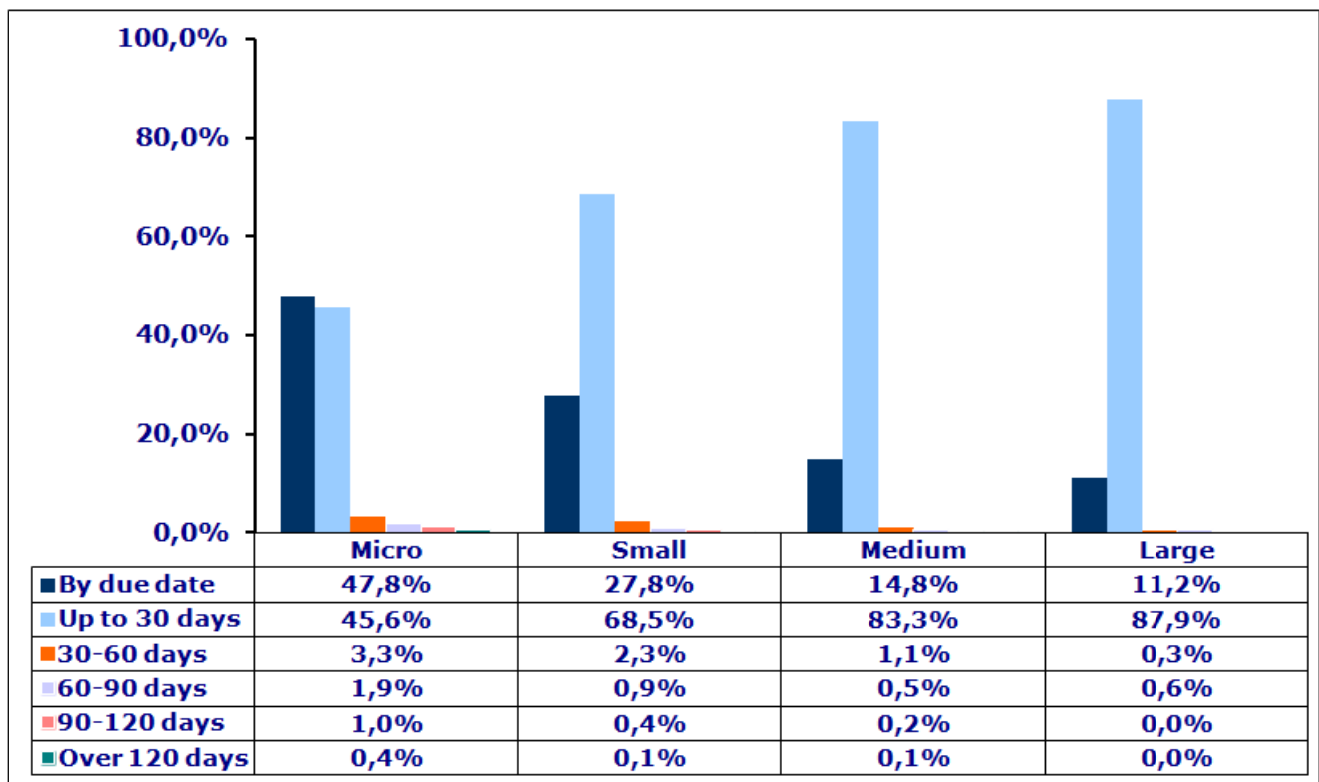
The worst performance was seen for large companies with only 11.2% of the total paying punctually, compared with the average of 44.9%.

All the company size categories show a widespread tendency to pay on average between 1 and 30 days late. In particular, the figure for the "Up to 30 days" class is over 83% for Medium and Large companies.

Intermediate late payments (between 30 and 90 days on average), have higher values for Micro companies, with more than 5% of cases.

In addition, this size of company has the highest proportion of late payments of over 90 days late on average (1.4%).

## PAYMENT PRACTICES IN BELGIUM BY TYPE OF COMPANY, 2012



By analyzing Graph 8.6, it is possible to see trends in 2012 payments in Belgium in relation to product macro-sectors.

The best performances in terms of punctual payments relate to the Financial Services (53.6%) and Services (51.8%) sectors.

Payment conditions, on the other hand, are problematic in the Manufacturing sector, in which only 34.2% of companies respect agreed terms (-10.7 percentage points compared to the national average).

For all product groups there is a widespread tendency to manage commercial transactions with late payments of between 1 and 30 days: the share of companies in this category is over 41% in each of the sectors analyzed and reaches the highest value (60.4%) in the case of Manufacturing.

In the intermediate late payment classes (30-60 days and 60-90 days) there are concentrations between 4.1% and 6.2%, meanwhile for the more serious late payments (over 90 days on average), the values are contained.

In particular, Construction is the sector with the highest share of "bad payers" (1.7%), but this is significantly lower than that seen in other countries.

GRAPH 8.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN BELGIUM BY PRODUCT SECTOR, 2012

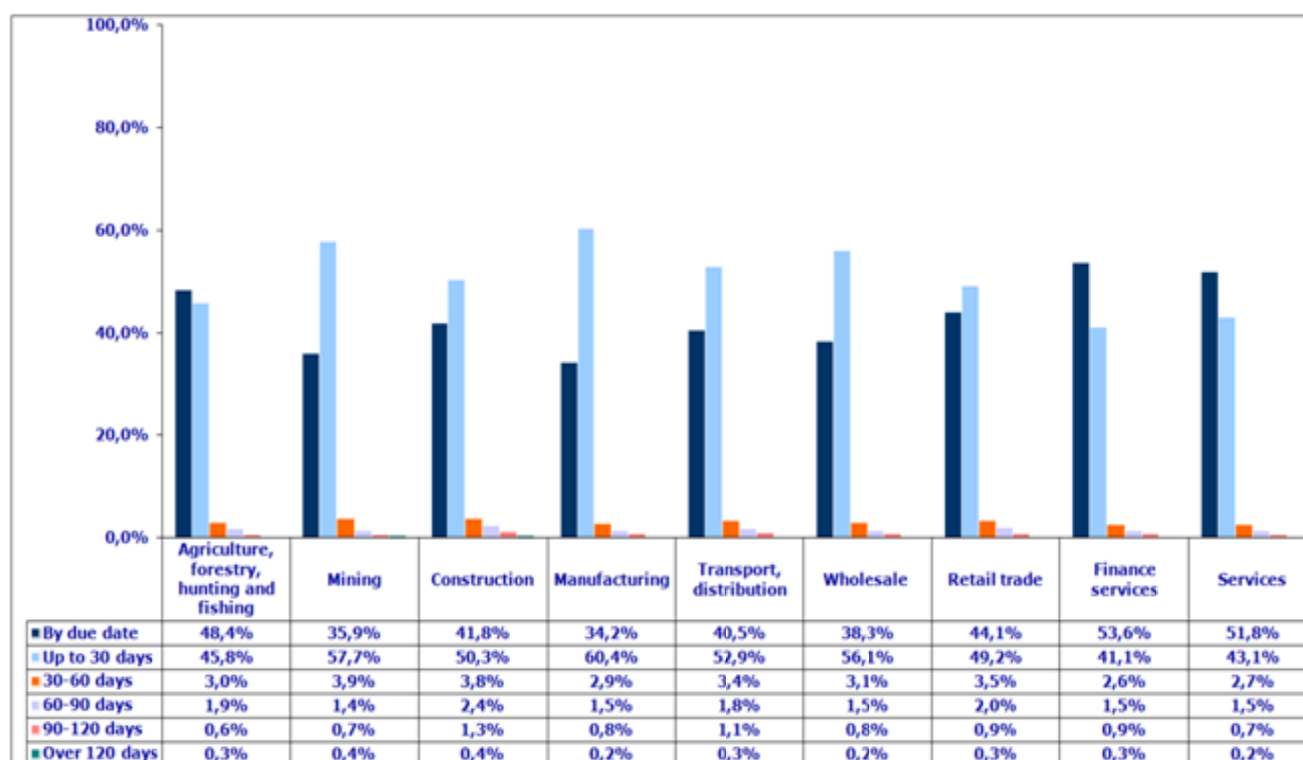


Table 8.7 shows the classification of the 10 micro-sectors with the most punctual payments in Belgium over the course of 2012.

The best performer in Belgium is the Insurance agents, brokers & services sector, in which 67.3% of companies pay within terms agreed with their trading partners. In second place is Legal Services with 66% of punctual payments.

On the other hand, Table 8.8 shows the micro-sectors that have had the most problematic payment behavior in the last 12 months.

The sector with the most problems is Communications, for which more than 2.2% of companies pay seriously late (over 90 days on average). The top three classification of "bad payers" is completed by the Forestry and Transportation by air sectors.

TABLE 8.7 SOURCE: CRIBIS D&B

## SECTORS WITH THE BEST PAYMENT RECORDS IN BELGIUM, 2012

Sector	Ranking 2012
INSURANCE AGENTS, BROKERS & SERVICES	1
LEGAL SERVICES	2
HEALTH SERVICES	3
SERVICES	4
DEPOSITORY INSTITUTIONS	5
SECURITY AND COMMODITY BROKERS	6
NONDEPOSITORY INSTITUTIONS	7
NONCLASSIFIABLE ESTABLISHMENTS	8
MEMBERSHIP ORGANIZATIONS	9

TABLE 8.8 SOURCE: CRIBIS D&amp;B

**SECTORS WITH THE WORST PAYMENT RECORDS IN BELGIUM, 2012**

<b>Sector</b>	<b>Ranking 2012</b>
<b>COMMUNICATIONS</b>	<b>65</b>
<b>FORESTRY</b>	<b>64</b>
<b>TRANSPORTATION BY AIR</b>	<b>63</b>
<b>LOCAL AND INTERURBAN PASSENGER TRANSIT</b>	<b>62</b>
<b>TRANSPORTATION EQUIPMENT</b>	<b>61</b>
<b>BUILDING MATERIALS &amp; GARDEN SUPPLIES</b>	<b>60</b>
<b>RUBBER AND MISCELLANEOUS PLASTICS PRODUCTS</b>	<b>59</b>
<b>SPECIAL TRADE CONTRACTORS</b>	<b>58</b>
<b>GENERAL BUILDING CONTRACTORS</b>	<b>57</b>
<b>WATER TRANSPORTATION</b>	<b>56</b>

In 2012 there was an improvement in the payment situation in Belgium, above all in relation to punctual payments.

In fact, the percentage of punctual payers increased by 3.3 percentage points compared to 2011, reaching 44.9% of the total, which is 5.8% above the European average.

On the other hand, the situation in relation to the most serious late payments (over 90 days on average) was stable, with a value of 1.2% in 2012.

On a sector level, the best performances were seen in the Financial Services and Services sectors, with over 51% of punctual payers.

Therefore, in 2012 Belgian companies were marked by a good payment system and an improving situation.

## 9. THE NETHERLANDS

Below is the opinion of **Bart Verhoeven, Manager Marketing & Communications at D&B Nederland**, on the economic scenario and payment situation in The Netherlands.

*"Many companies have reduced credit lines to customers. More stringent controls on acceptance of new customers and closer follow up in case of overdue invoices. Some companies have reduced export activity to countries like Greece.*

*A slow recovery of the crisis is expected in 2013. As a strong exporting country the Netherlands is very dependant on global economic recovery of countries.*

*30 days are the usual terms agreed between companies in the Netherlands. The new EU Payments Directive (Directive 2011/7/EU), implemented in local law this March, sets the basis for suppliers to reduce risk and protect cash flow. This legislation makes it easier for businesses to pursue payment, with debtors being forced to incur interest and pay an administration fee if they fail to pay for goods and services within 60 days for business and 30 days for public authorities. Whilst it will help protect some businesses, the updated Directive presents new risks for companies struggling to manage their finances and pay on time, due to the potential interest liability risk.*

*The directive should encourage businesses to take a fresh look at their payment behaviour and that of their customers. It will also put pressure on large businesses in sectors where extended payment terms have been used as a means to protect margins, often putting smaller suppliers under increasing pressure.*

*Lack of cash has resulted in slower payments during the financial crisis. However recently payment times have improved again. This suggest many businesses have adapted to operating in today's sluggish economy and are managing their cash flow more confidently. We still see a strong increase in bankruptcies.*

*The strong trend that remains is automation and integration. More and more companies are moving over to automated decisioning and to credit management software to professionalise collections."*

### Payment analysis

Table 9.1 shows the payment practices of Dutch companies in detail, divided into payment classes.

In 2012, the share of punctual payments in the Netherlands was around a half of companies (50.3%), and was 11.2 percentage points above the European average.

In addition, there has been a significant increase in the gap between the Dutch and European figures compared to 2011 due to the notable improvement in payment behavior of companies in this country.

On the other hand, the share of Dutch companies that tend to pay over 90 days late on average is only 0.9% of the total, which is one of the lowest levels amongst those recorded in the Payment Study (Table 9.2).

The variations seen in the distribution of payment classes over the last six years are shown in Table 9.3.

Compared with 2007, the share of "good payers" has increased by 10.5 percentage points, with a resulting improvement in the other payment classes.

Furthermore, the comparison with 2011 identifies a 3.6% increase in punctual payments and a similar reduction in the Up to 90 days class.

TABLE 9.1 SOURCE: CRIBIS D&B

**PERCENTAGE OF COMPANIES IN THE NETHERLANDS WITH ON TIME PAYMENTS, 2007-2012**

	<b>2007</b>	<b>2011</b>	<b>2012</b>
<b>The Netherlands</b>	39.8%	46.7%	50.3%
<b>Europe</b>	41.0%	37.8%	39.1%

TABLE 9.2 SOURCE: CRIBIS D&B

**PERCENTAGE OF COMPANIES IN THE NETHERLANDS WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2012**

	<b>2007</b>	<b>2011</b>	<b>2012</b>
<b>The Netherlands</b>	2.5%	0.7%	0.9%
<b>Europe</b>	4.1%	3.1%	3.3%

TABLE 9.3 SOURCE: CRIBIS D&B

**VARIATIONS IN PAYMENT PRACTICES IN THE NETHERLANDS, 2007-2012**

	<b>Variation 2007/2012</b>	<b>Variation 2011/2012</b>
<b>By due date</b>	10.5%	3.6%
<b>Up to 90 days</b>	-8.9%	-3.8%
<b>Over 90 days</b>	-1.6%	0.2%

From Graph 9.4 it is possible to analyze the payment situation in the Netherlands in 2012 by payment class, and compare the results with previous years.

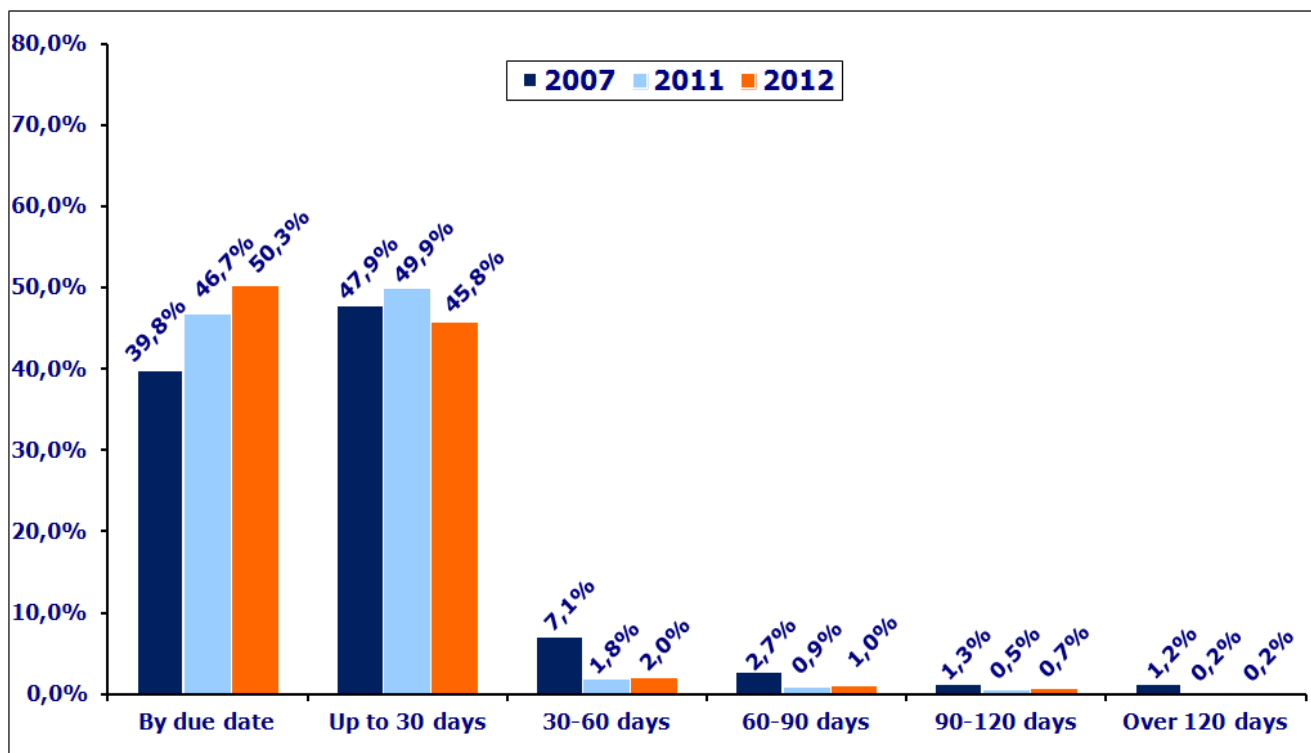
The Netherlands holds one of the top positions in the ranking of countries analyzed in the Payment Study both in terms of punctual payments and serious late payments.

In fact, the number of companies respecting agreed payment terms continues to grow: from 2007 to the present there has been an increase of over 10 percentage points, with a corresponding reduction in the share of companies in the late payment classes.

In particular, payments between 30 and 90 days late have decreased by 6.8 percentage points, meanwhile there has been a 1.6% decrease in the serious late payment class of over 90 days on average (only 0.9% of the total in 2012).

GRAPH 9.4 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN THE NETHERLANDS BY PAYMENT CLASS, 2007-2012



Graph 9.5 shows a detailed analysis of the payment practices of Dutch companies by company size.

Micro companies are the ones that respect agreed terms the most, with 57.1% of companies in the By due date class, followed by Small companies with 42.6%.

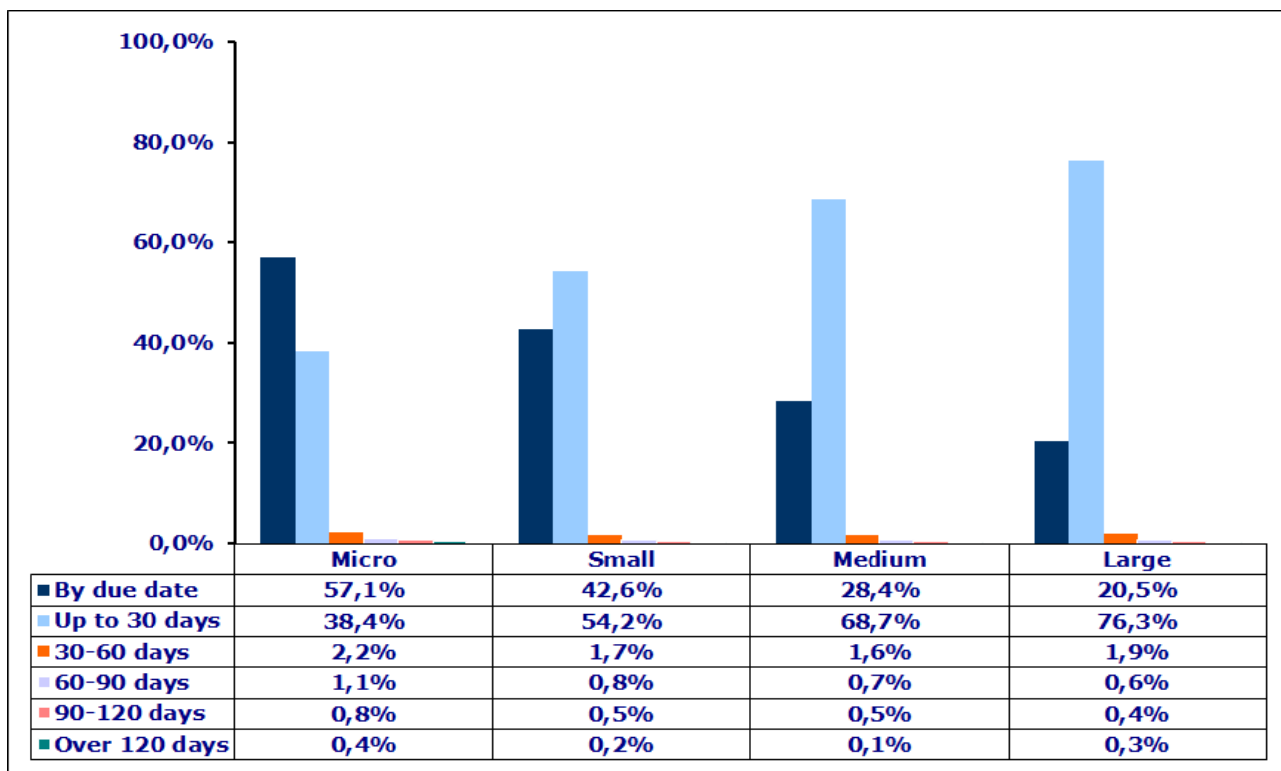
On the other hand, punctual payments in Medium and Large companies are more contained and below the national average (28.4% for the former and 20.5% for the latter). However, these two types have the highest values in the Up to 30 days class (over 68 percentage points).

In the intermediate and serious late payment classes, Micro companies have the worst performance: 3.3% of the total pay between 30 and 90 days late, meanwhile a further 1.2% fall within the Over 90 days class.

GRAPH 9.5 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN THE NETHERLANDS BY TYPE OF COMPANY, 2012





Graph 9.6 shows the performance of the Dutch payment system in relation to sectors.

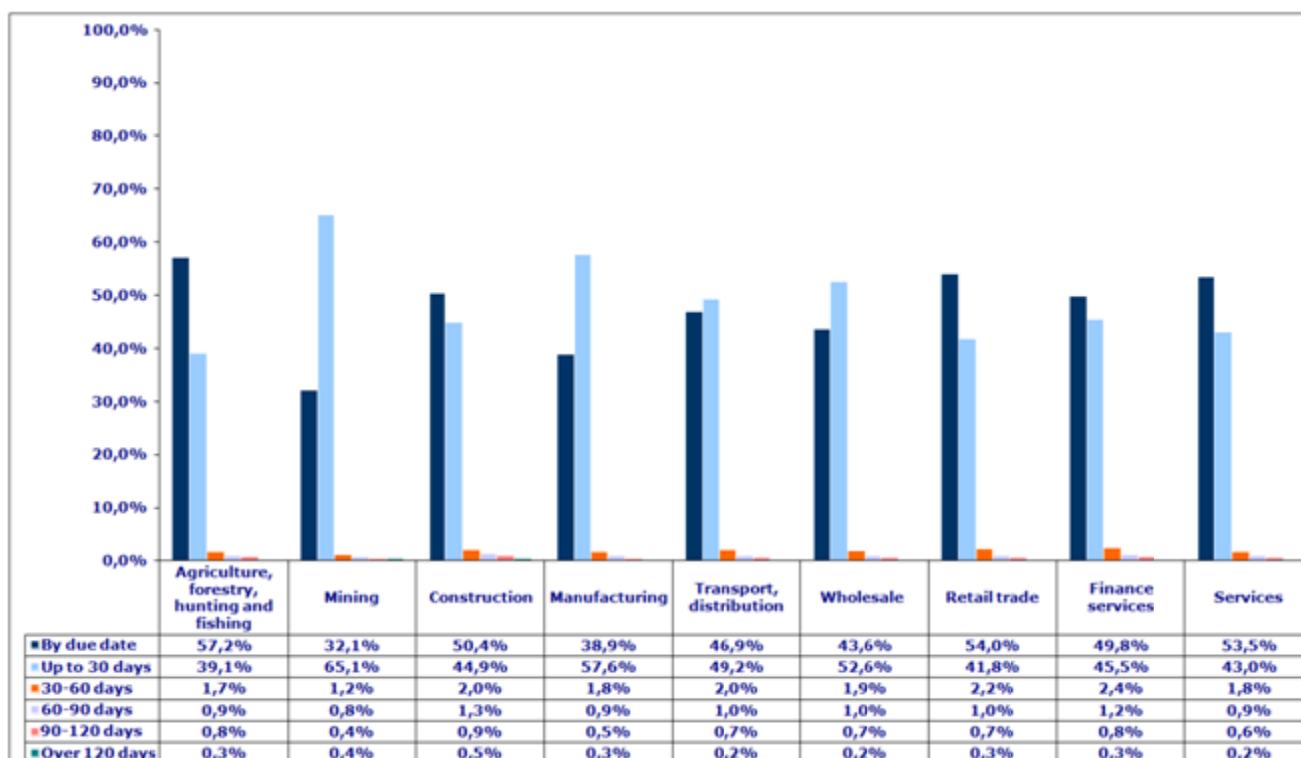
The best payment performances are seen in the Agriculture, Forestry, Hunting and Fishing and Retail Trade sectors, with 57.2% and 54% of punctual payers, respectively.

Late payments, on the other hand, are concentrated in the "Up to 30 days" class, with values varying between 39.1% (Agriculture, forestry, hunting and fishing) and 65.1% (Mining), whereas the values for other the classes are more contained.

The highest share of bad payers is seen in the Construction sector with 1.4% of companies paying on average more than 90 days late; this is followed by Agriculture, forestry, hunting and fishing and Financial Services, with a concentration of 1.1 percentage points in this class.

GRAPH 9.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN THE NETHERLANDS BY PRODUCT SECTOR, 2012



Tables 9.7 and 9.8 show the best and worst micro-sectors in terms of payment performance in the Netherlands in 2012.

Personal services and Miscellaneous repair services are the top performers with 68.7% and 64.2% of punctual payers.

Nondepository institutions, on the other hand, have the worst performance in terms of serious late payments, with 2.8% of "bad payers". In second place in the classification of bad payers is Fishing, hunting and trapping (1.9% of "bad payers").

All the other sectors listed in Table 9.8 have concentrations of less than 1.6% in this class.

TABLE 9.7 SOURCE: CRIBIS D&B

## SECTORS WITH THE BEST PAYMENT RECORDS IN THE NETHERLANDS, 2012

Sector	Ranking 2012
PERSONAL SERVICES	1
MISCELLANEOUS REPAIR SERVICES	2
HEALTH SERVICES	3
FOOD STORES	4
AGRICULTURAL PRODUCTION - CROPS	5
INSURANCE AGENTS, BROKERS & SERVICES	6
FISHING, HUNTING AND TRAPPING	7
MISCELLANEOUS RETAIL	8
AGRICULTURAL PRODUCTION - LIVESTOCK	9
AGRICULTURAL SERVICES	10

**SECTORS WITH THE WORST PAYMENT RECORDS IN THE NETHERLANDS, 2012**

<b>Sector</b>	<b>Ranking 2012</b>
<b>NONDEPOSITORY INSTITUTIONS</b>	<b>66</b>
<b>FISHING, HUNTING AND TRAPPING</b>	<b>65</b>
<b>APPAREL AND OTHER TEXTILE PRODUCTS</b>	<b>64</b>
<b>APPAREL AND ACCESSORY STORES</b>	<b>63</b>
<b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b>	<b>62</b>
<b>MOTION PICTURES</b>	<b>61</b>
<b>SPECIAL TRADE CONTRACTORS</b>	<b>60</b>
<b>TEXTILE MILL PRODUCTS</b>	<b>59</b>
<b>SECURITY AND COMMODITY BROKERS</b>	<b>58</b>
<b>HOLDING AND OTHER INVESTMENT OFFICES</b>	<b>57</b>

Again in 2012, Dutch companies show excellent performances, confirming the balanced and solid nature of the payment system over recent years.

In fact, there has been an improvement in punctual payments: at the end of 2012, companies that respect agreed payment terms reached 50.3% (46.7% in 2011).

Serious late payments of more than 90 days on average account for only 0.9% of the total.

On a sector level, the Agriculture, forestry, hunting and fishing and Retail Trade sectors stand out, with 57.2% and 54% of companies paying on time, respectively.

Dutch companies therefore continue to show good payment habits, even if the gap with the best performer in Europe (Denmark) is still significant at 33 percentage points.

## 10. FRANCE

Below is the opinion of **Thierry Millon, Responsable des études Altares**, on the economic scenario and payment situation in France.

*“Depuis 2008, les crises n’ont cessé de menacer l’économie européenne et ses entreprises. Parmi ces dernières, les plus fragiles ont été contraintes de fermer, faute de trésorerie, du fait notamment des paiements tardifs de leurs clients. C’est pour combattre ce fléau que la directive européenne du 16 février 2011 a été adoptée. La problématique est d’autant plus sérieuse que la reprise économique, gourmande en BFR, nécessite des fonds peu disponibles sur le marché. C’est pourquoi, la pression sur les paiements interentreprises reste forte.*

*En France, la Loi de 2008 de Modernisation de l'Economie dite "LME" a permis de raccourcir sensiblement les délais de paiement mais des efforts restent à faire sur la relation donneurs d'ordre et sous-traitants. Toutes les sociétés ne payent pas encore leurs fournisseurs à 60 jours comme le voudrait la loi. De plus, actuellement encore, la réglementation en France s'assouplit sous certaines réserves pour quelques secteurs présentant un caractère saisonnier particulièrement marqué. C'est déjà le cas pour le secteur du commerce du jouet et des articles de sport dont les délais peuvent aller jusqu'à 90 jours. Ce pourra être aussi le cas pour les secteurs du véhicule de loisir, de l'horlogerie, bijouterie, joaillerie, orfèvrerie, secteur des agro-équipements et celui de la filière du cuir.*

*La taille de l'entreprise peut également s'avérer être un frein au respect des délais de règlement. En Effet, Altares constate que les sociétés les plus grandes, celles qui emploient plus de 250 salariés sont à peine une sur deux à régler leurs fournisseurs sous les 60 jours. Certaines d'entre elles sont même très au-delà selon leur activité. Ces grandes entreprises payent leurs fournisseurs à 45 jours (délai médian) dans le commerce, 55 jours dans les transports, 57 jours dans l'industrie manufacturière, 78 jours dans les services aux entreprises et 80 jours dans le bâtiment.*

*La réduction des délais et des retards de paiement est pourtant un enjeu essentiel de la compétitivité des entreprises a fortiori dans un contexte de crise. Les trésoreries sont étranglées mais les entreprises hésitent encore à durcir leur action en cas de retard de paiement craignant de perdre le client. Sur le premier trimestre 2013, plus de 16 000 entreprises françaises ont fait faillite ; les deux tiers présentaient des retards de paiement supérieurs à 15 jours.*

*Alors en France, comme à l'international, connaître et suivre les comportements de paiement réels de ses clients, voire de ses fournisseurs, est indispensable à la bonne gestion de sa trésorerie et donc de sa croissance.”*

### Payment analysis

Table 10.1 shows the trends in recent years in the percentage of companies that pay their suppliers within agreed payment terms in France.

Over the course of 2012, punctual payments accounted for 31.9% of the total, -7.2% below the European average, which continues to show a larger quantity of companies with a balanced payment behavior.

The share of companies paying more than 90 days late has stayed the same: "bad payers" in France in 2012 account for, as in the previous year, 1.5% of the total, exactly 1.8 percentage points less than the European average (Table 10.2).

We can also quantify the changes in terms of the distribution of companies by payment class compared to previous years by looking at Table 10.3.

The situation has worsened compared with 2011: the share of "good payers" has decreased by 1.5 percentage points (By due date), which corresponds with an equal increase in commercial transactions made up to 90 days late on average.

The share of companies that pay seriously late (Over 90 days) remains stable.

TABLE 10.1 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN FRANCE WITH ON TIME PAYMENTS, 2007-2012

	2007	2011	2012
France	32.4%	33.4%	31.9%
Europe	41.0%	37.8%	39.1%

TABLE 10.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN FRANCE WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2012

	2007	2011	2012
France	2.6%	1.5%	1.5%
Europe	4.1%	3.1%	3.3%

TABLE 10.3 SOURCE: CRIBIS D&B

#### VARIATIONS IN PAYMENT PRACTICES IN FRANCE, 2007-2012

	Variation 2007/2012	Variation 2011/2012
By due date	-0.5%	-1.5%
Up to 90 days	1.6%	1.5%
Over 90 days	-1.1%	0.0%

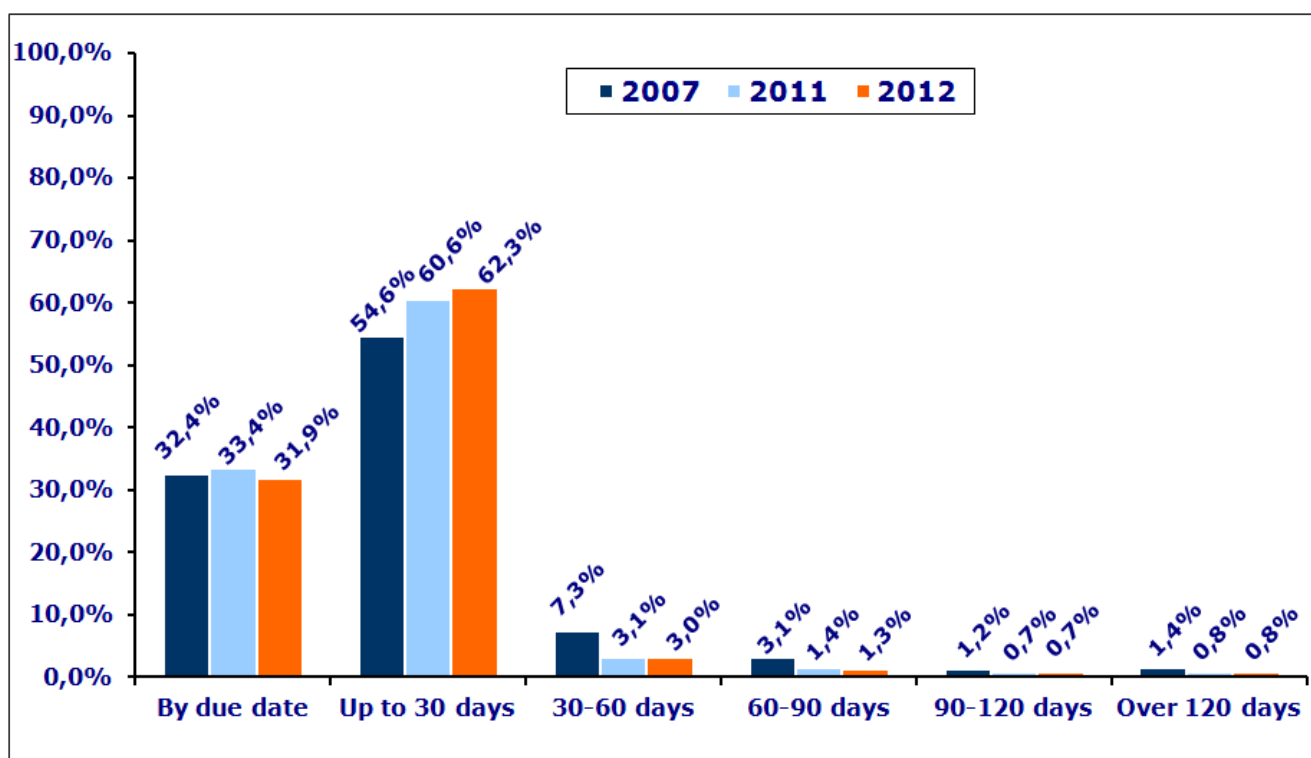
The detailed analysis of payment habits divided according to payment classes (Graph 10.4) shows that in 2012, 62.3% of French payers fell into the Up to 30 days class, with a relatively low proportion of punctual payments (31.9%).

The intermediate late payment classes remained more or less unchanged compared to the previous year: the 30-60 days and 60-90 days classes comprised 4.3% of French companies overall at the end of 2012, with a decrease of 6.1 percentage points compared to the value in 2007 (10.4%).

The most serious late payments (over 90 days on average) remained stable at 2011 levels, with an overall share of 1.5%. Despite the significant reduction in the extent of variations, the pattern in the last five years is still positive, with a 1.1 percentage point reduction compared with the 2007 figure (2.6%).

GRAPH 10.4 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN FRANCE BY PAYMENT CLASS, 2007-2012



Graph 10.5 shows a detailed analysis of the payment practices of companies in France by company size, and helps identify the most significant differences in the behavior of the different types under consideration.

Micro companies exhibit the best payment behavior with 38.9% of the total paying suppliers within agreed terms.

As size increases, the percentage of punctual payers drops, reaching the lowest value of 9.4% for Large companies.

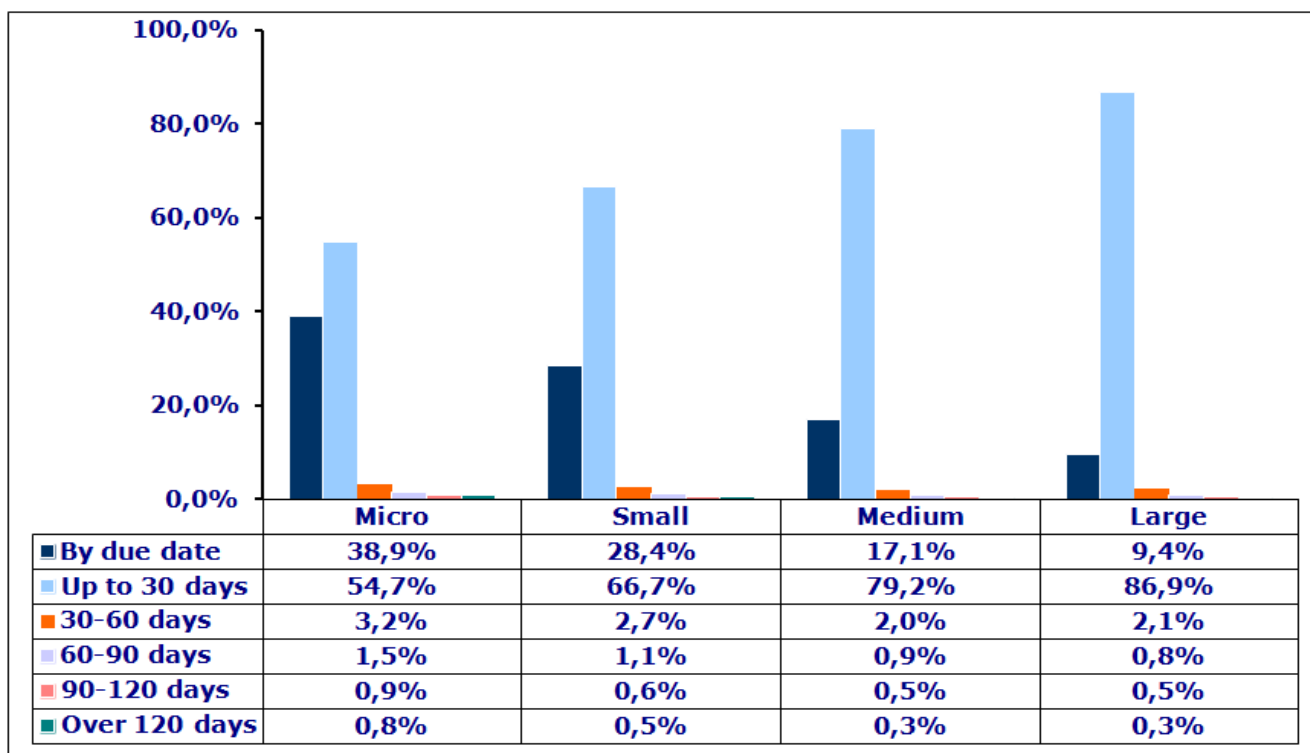
In relation to 2011, the share of "good payers" has dropped slightly in Micro and Small companies in France, meanwhile punctual payments improved in the Medium and Large categories.

In the main part, late payments are concentrated in the Up to 30 days class, with percentages of between 54.7% and 86.9%.

The share of companies that pay between 30 and 90 days late is the highest for Micro companies with a value of 4.7% of the total, as is the case for the more serious late payments (more than 90 days) which account for 1.7% of companies.

GRAPH 10.5 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN FRANCE BY TYPE OF COMPANY, 2012



Now let's take a closer look at the payment habits of French macro-sectors in 2012 (Graph 10.6). As in previous years, the Construction sector is the best performer in terms of punctual payments, with a share of punctual payers of 44% (-2.4 percentage points compared with 2011). This is followed by Agriculture, forestry, hunting and fishing, with 38.2% of companies in this class.

Significantly lower values are found in the Transport and Distribution (20.5%) and the Mining (22.4%) sectors.

All sectors examined in the study tend to pay commercial transactions between 1 and 30 days late (values above 51 percentage points).

Finally, Financial Services have the highest concentrations both in the intermediate late payment classes (30-60 days and 60-90 days) and in the serious late payment class above 90 days on average (2.5%).

GRAPH 10.6 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN FRANCE BY PRODUCT SECTOR, 2012

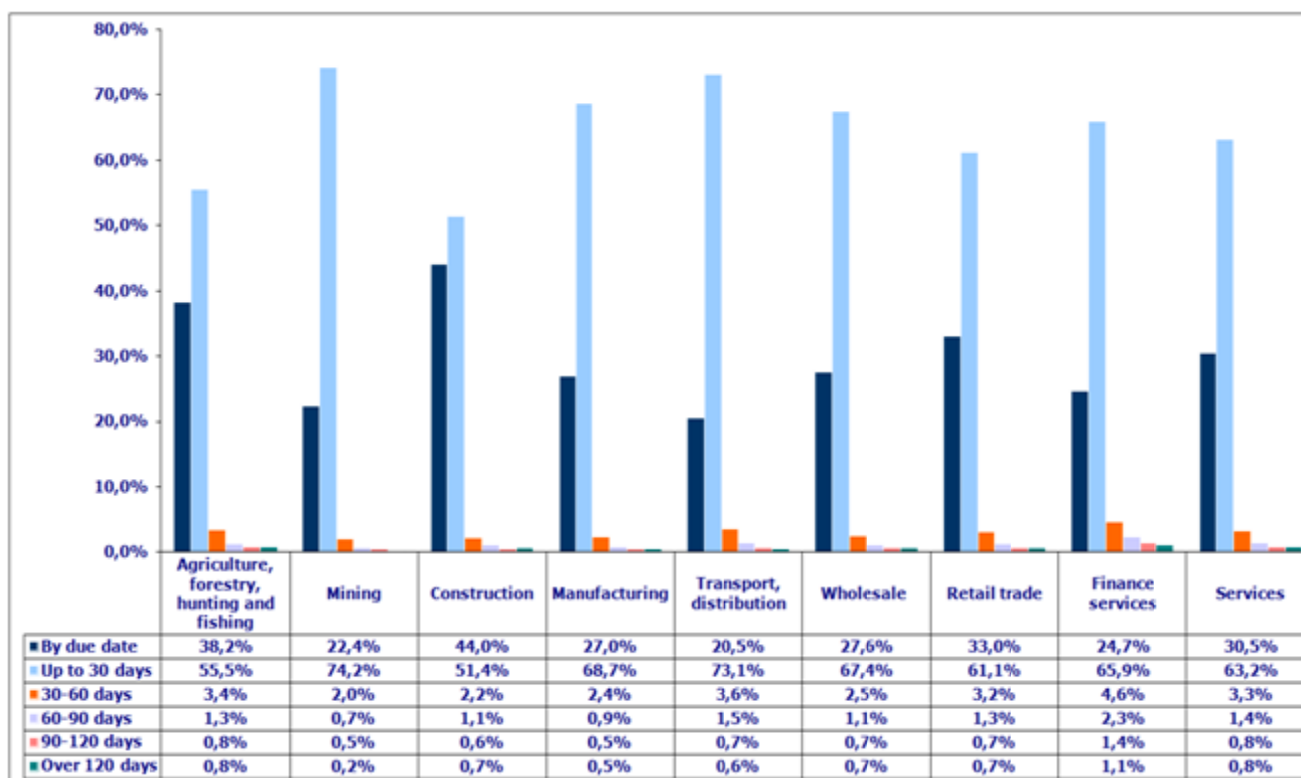


Table 10.7 shows the classification of the 10 sectors with the most punctual payments in France over the course of 2012.

In first place in the French classification of micro-sectors is the Special trade contractors group, with the best performance in terms of punctual payments (45.6% of the total).

In second and third places are Fishing, hunting and trapping (43.6%) and Miscellaneous repair services (43.4%).

Table 10.8 also contains a classification, this time of the sectors with the least punctual payments.

The worst result is seen in the Real Estate sector, with a 3.1% share of serious late payments (over 90 days on average). Second and third places are held by Communications (3%) and Eating and drinking places (2.9%).

TABLE 10.7 SOURCE: CRIBIS D&B

## SECTORS WITH THE BEST PAYMENT RECORDS IN FRANCE, 2012

Sector	Ranking 2012
<b>SPECIAL TRADE CONTRACTORS</b>	<b>1</b>
<b>FISHING, HUNTING AND TRAPPING</b>	<b>2</b>
<b>MISCELLANEOUS REPAIR SERVICES</b>	<b>3</b>
<b>MISCELLANEOUS RETAIL</b>	<b>4</b>
<b>EXECUTIVE, LEGISLATIVE AND GENERAL</b>	<b>5</b>
<b>AGRICULTURAL PRODUCTION – CROPS</b>	<b>6</b>
<b>FORESTRY</b>	<b>7</b>



<b>AGRICULTURAL PRODUCTION – LIVESTOCK</b>	<b>8</b>
<b>FURNITURE AND FIXTURES</b>	<b>9</b>
<b>AGRICULTURAL SERVICES</b>	<b>10</b>

TABLE 10.8 SOURCE: CRIBIS D&B

#### SECTORS WITH THE WORST PAYMENT RECORDS IN FRANCE, 2012

<b>Sector</b>	<b>Ranking 2012</b>
<b>REAL ESTATE</b>	<b>71</b>
<b>COMMUNICATIONS</b>	<b>70</b>
<b>EATING AND DRINKING PLACES</b>	<b>69</b>
<b>LEGAL SERVICES</b>	<b>68</b>
<b>HEALTH SERVICES</b>	<b>67</b>
<b>SECURITY AND COMMODITY BROKERS</b>	<b>66</b>
<b>INSURANCE AGENTS, BROKERS &amp; SERVICES</b>	<b>65</b>
<b>MOTION PICTURES</b>	<b>64</b>
<b>BUSINESS SERVICES</b>	<b>63</b>
<b>PERSONAL SERVICES</b>	<b>62</b>

In 2012, there was a slight worsening in the percentage of companies paying on time in the French payment system (-1.5 percentage points compared with 2011), absorbed by the share of companies that pay their obligations with a moderate delay limited to 30 days (+1.7 percentage points on the previous year). What's more, the concentration in the Up to 30 days class has increased by 7.7 percentage points since 2007.

In the other late payment classes, there is a very stable situation compared with previous years. The Construction sector is confirmed as the best performer in France, with 44% of punctual payers, meanwhile the Transport and Distribution sector shows the most difficulties and the lowest share of companies respecting agreed terms (20.5%).

In conclusion, in 2012 France had a worse payment performance than the majority of countries analyzed in the Payment Study; the fact that the average payment delay is concentrated in the moderate class (up to 30 days) indicates, however, that the situation is not particularly critical, above all if it is considered that in France, payment terms are generally shorter than the European average.

## 11. GERMANY

Below is the opinion of **Markus Gottschlich, DunTrade Product Manager at Dun & Bradstreet Germany**, on the economic scenario and payment situation in Germany.

*"Having held up well for the first half of 2012 with growth rates up to 2.0%, activity is now slowing down. For the last quarter 2012 experts expect a slight decrease of 0.4%. Overall this means a growth of approximately 0.7% for the German economy in 2012. With that slight growth, Germany has an outstanding position within the Euro Zone.*

*Exports (50% of GDP) have been affected by the damaging effects of the debt crisis and budgetary restrictions on the European economic environment, as well as by the slowdown observed in the rest of the world. The dynamism of demand among the country's major trade partners in the emerging markets or that in the United States, is fading away somewhat and can no longer compensate for the slump in sales in Western Europe. Exports are suffering in particular from poor investment levels in many countries, because of the significant weighting of capital goods in sales.*

*However, the contribution made by foreign trade to growth will still be slightly positive in 2012 because, at the same time, imports are also slowing down as a result of the slump in purchases of equipment and materials by companies. Uncertainties around the development of the debt crisis and European economic policy are leading businesses to postpone some investments.*

*Support for economic activity will come mainly from the resilience of consumption and household investment. Job creations are slowing down, but will be compensated as households' real net disposable income has increased significantly. In a tight labour market, industry agreements concerning up to 30% of employees have been concluded with significant wage increases up to 4%. Retirees will benefit from the indexation of their pensions to wages.*

*After the decrease in the fourth Quarter 2012, the German economy is expected to consolidate in the first Quarter 2013 with a moderate growth of 0.2%. After the first Quarter, economic activity over the remainder of 2013 is assumed to start growing, driven by the private consumption. The well-respected Ifo institution estimates a growth rate for Germany of 0.7% for 2013. On the one hand, this means an economic growth below the long term trend, but on the other, Germany is spared being hit by a recession.*

*Generally the payment terms in Germany are 30 days with some sector-specific deviations. The transportations sector for example is used to longer payment terms.*

*Overall, the payment behaviour of businesses remains excellent, thanks in particular to good profitability and extensive self-financing. But in the difficult economic environment of 2013, a decline seems to be assumable. For that reason the Credit Managers decisions will more and more attract attention."*

## Payment analysis

Before analyzing German payment habits in 2012 in detail, let's look at the key patterns that have marked out Germany from 2007 to the present.

In 2012, German companies that paid their suppliers on time accounted for 78.8% of the total, registering a 4.1 percentage point increase compared with 2011, 39.7 percentage points above the European average.

Germany is therefore confirmed as one of the best performers in Europe in terms of punctual payments, outperforming almost all the other countries considered in the analysis.

The positive performance in Germany is also seen in the late payment class of over 90 days: at the end of 2012, the concentration of companies in this bracket was 0.4%, compared to 3.2% in 2007 (Table 11.2).

Looking at Table 11.3 it is also possible to see the variations in the distribution of companies by payment class in relation to previous years.

Compared with 2007, the percentage of "good payers" has increased by over 24 percentage points ("By due date" class), meanwhile the concentration in the "Up to 90 days" class has reduced by 22.1% and in the "Over 90 days" class by 2.8% percentage points.

The variations are more contained compared with 2011: there has been an increase of 4.1 percentage points in the proportion of companies that pay on time, and a reduction of 3.8% for the intermediate class of "Up to 90 days". The percentage of serious late payments (over 90 days on average) has dropped slightly (-0.3%).

TABLE 11.1 SOURCE: CRIBIS D&B

### PERCENTAGE OF COMPANIES IN GERMANY WITH ON TIME PAYMENTS, 2007-2012

	2007	2011	2012
Germany	53.9%	74.7%	78.8%
Europe	41.0%	37.8%	39.1%

TABLE 11.2 SOURCE: CRIBIS D&B

### PERCENTAGE OF COMPANIES IN GERMANY WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2012

	2007	2011	2012
Germany	3.2%	0.7%	0.4%
Europe	4.1%	3.1%	3.3%

**VARIATIONS IN PAYMENT PRACTICES IN GERMANY, 2007-2012**

	<b>Variation 2007/2012</b>	<b>Variation 2011/2012</b>
<b>By due date</b>	<b>24.9%</b>	<b>4.1%</b>
<b>Up to 90 days</b>	<b>-22.1%</b>	<b>-3.8%</b>
<b>Over 90 days</b>	<b>-2.8%</b>	<b>-0.3%</b>

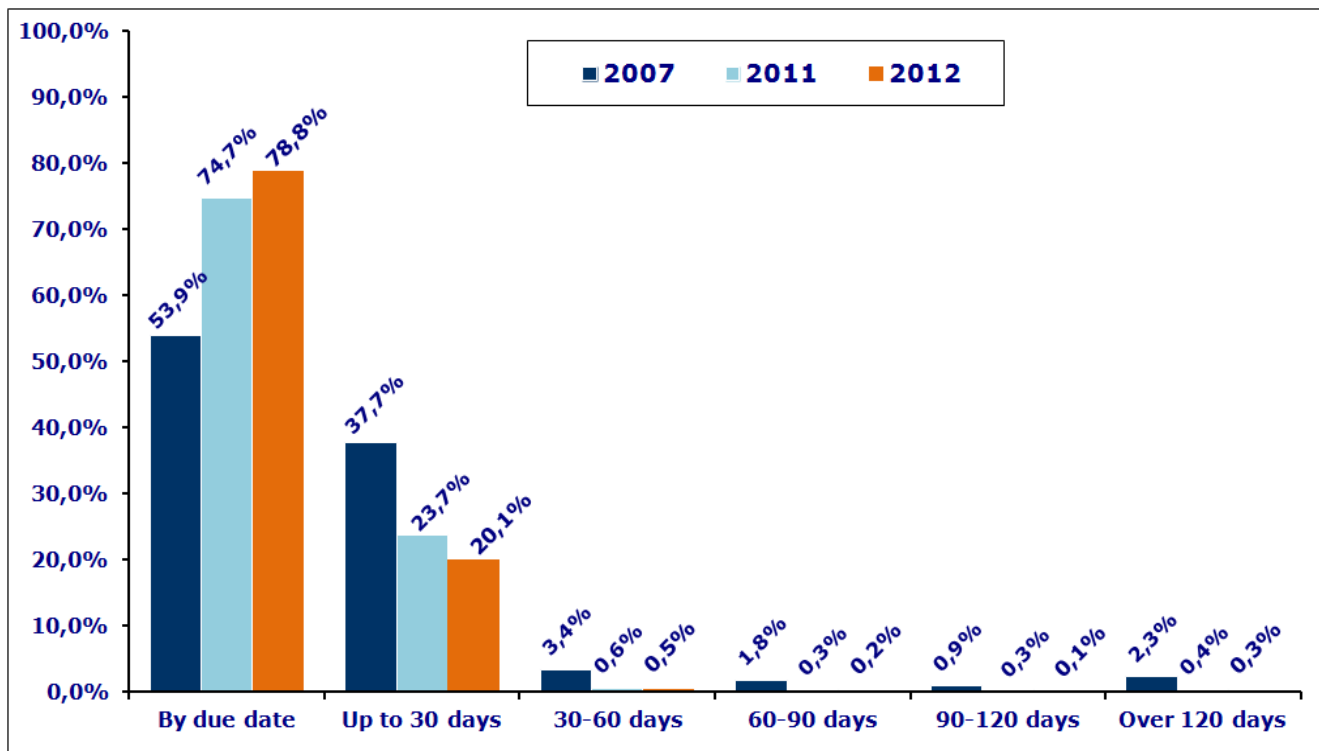
Let's now look in detail at payment habits in Germany by type of company (Graph 11.4).

The positive trend in punctual payers in Germany seen in previous years continues. In 2012, the share of companies in this payment class reached 78.8% of the total (53.9% in 2007).

The other payment classes have lower concentrations of companies: the most significant variation is seen in the Up to 30 days class, which has decreased by 17.6 percentage points since 2007 and by 3.6% since 2011.

The share of companies that pay more than 30 days late is very contained (1.1% in the last twelve months).

GRAPH 11.4 SOURCE: CRIBIS D&amp;B

**PAYMENT PRACTICES IN GERMANY BY PAYMENT CLASS, 2007-2012**

Using Graph 11.5, it is possible to analyze payment practices in detail in relation to the type of company.

In Germany, companies belonging to the different size categories show excellent payment performance, and all have improved since the previous year.

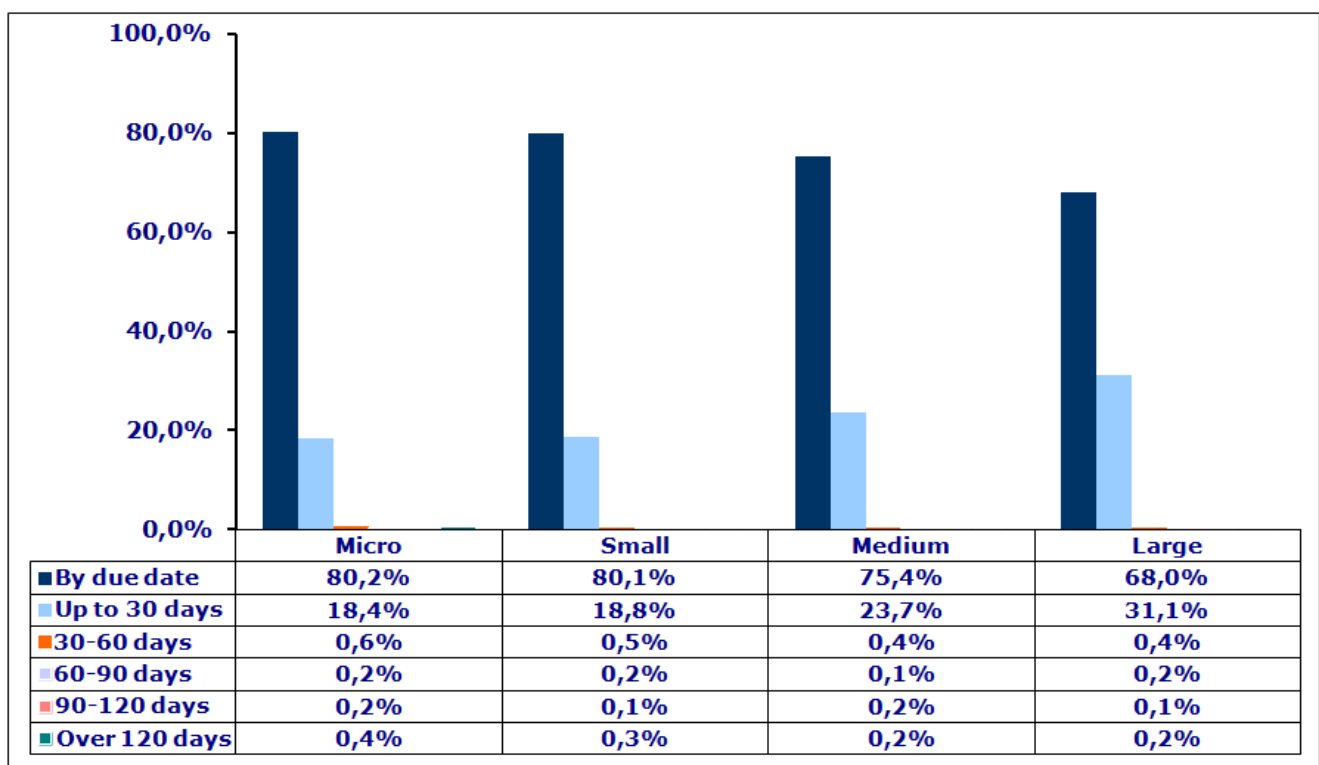
Specifically, some of the companies that fell into the Up to 30 days class the previous year, became punctual payers in 2012. We can therefore confirm that there has been an overall increase in the share of commercial transactions paid on time, at the expense of moderate late payments limited to 30 days on average.

The most punctual categories are Micro and Small companies, with over 80% of the total. These are followed by Medium sized companies with 75.4% and finally Large companies with 68%.

More than 98% of German companies pay their suppliers no more than 30 days late. More serious late payments are minor, with uniform values between the various company sizes.

GRAPH 11.5 SOURCE: CRIBIS D&B

### PAYMENT PRACTICES IN GERMANY BY TYPE OF COMPANY, 2012



Now let's focus attention on the payment performances of German companies divided by macro-sector (Graph 11.6).

In all the sectors analyzed, the percentage of companies that manage to respect agreed terms in the management of commercial transactions reaches and exceeds 76%.

The best performances are seen in the Retail Trade sector (83.2%), followed by Mining with 82.4%, and Agriculture, forestry, hunting and fishing (81.1%).

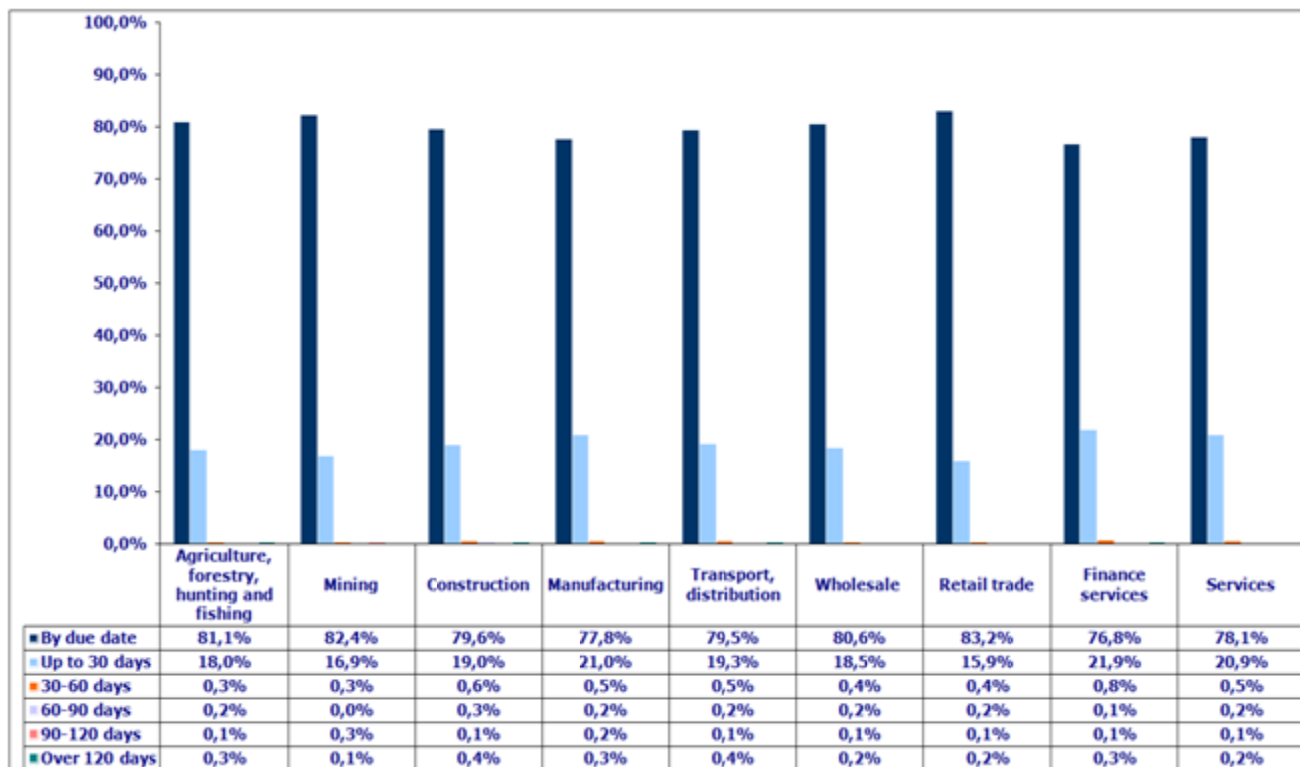
At the bottom of the classification of punctual payments is the Financial Services sector (76.8%), but this sector has shown the most significant improvement of all the sectors analyzed compared with 2011 (8.8 percentage points).

In this case too, late payments tend to be concentrated in the "Up to 30 days" class, with values fluctuating between 15.9% for the Retail Trade sector and 21.9% for Financial Services.

In all the sectors looked at in the study, the three most serious late payment classes ("60-90 days", "90-120 days" and "Over 120 days") overall have very contained concentrations. The sector with the highest concentration within the Over 30 days late payment class is Construction with 1.4%.

GRAPH 11.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN GERMANY BY PRODUCT SECTOR, 2012



Tables 11.7 and 11.8 show a classification of the 10 best and worst payment records in Germany in 2012 according to micro-sector.

Justice, public order and safety is the sector with the best payment record in Germany, with 93.7% of companies paying within agreed payment terms. In second and third places are the Miscellaneous Retail and Executive, Legislative and General sectors. For both these groups there has been an improvement of over 4 percentage points compared with the previous year.

Communications, Furniture and Fixtures, and Transportation services are in the top positions in the ranking of the worst sectors, even if they have a percentage of only 1.1% of late payments of over 90 days on average.

TABLE 11.7 SOURCE: CRIBIS D&B

## SECTORS WITH THE BEST PAYMENT RECORDS IN GERMANY, 2012

Sector	Ranking 2012
JUSTICE, PUBLIC ORDER AND SAFETY	1
MISCELLANEOUS RETAIL	2
EXECUTIVE, LEGISLATIVE AND GENERAL	3
MEMBERSHIP ORGANIZATIONS	4
LOCAL AND INTERURBAN PASSENGER TRANSIT	5
AGRICULTURAL PRODUCTION – CROPS	6
GENERAL MERCHANDISE STORES	7
BUILDING MATERIALS & GARDEN SUPPLIES	8
FURNITURE AND HOME FURNISHING STORES	9
NONMETALLIC MINERALS, EXCEPT FUELS	10

TABLE 11.8 SOURCE: CRIBIS D&B

#### SECTORS WITH THE WORST PAYMENT RECORDS IN GERMANY, 2012

Sector	Ranking 2012
COMMUNICATIONS	62
FURNITURE AND FIXTURES	61
TRANSPORTATION SERVICES	60
PRINTING AND PUBLISHING	59
HOLDING AND OTHER INVESTMENT OFFICES	58
LUMBER AND WOOD PRODUCTS	57
TRUCKING AND WAREHOUSING	56
AGRICULTURAL PRODUCTION – LIVESTOCK	55
INSURANCE CARRIERS	54
APPAREL AND OTHER TEXTILE PRODUCTS	53

In 2012, Germany confirmed the excellent payment performances of previous years and continues to be one of the best countries in a European context, second only to Denmark.

Despite the financial instability and growing credit crisis that has hit the Euro Zone, the payment performance of German companies has improved both in terms of punctual payments and serious late payment classes.

The share of "good payers" has increased by 4.1 percentage points, reaching 78.8%, meanwhile the share of late payments of over 90 days has decreased by 0.3% compared with 2011, with a value of only 0.4% of German companies, compared to the 3.3% European average.

The economic slow down has not impacted on the solidity of the German payment system. German companies continue to show excellent levels of payments and to improve their results.



## 12. UK

Below is the opinion of **D&B UK** on the economic scenario and payment situation in United Kingdom.

*"Leading indicators show that the UK economy is sliding back into recession. The UK services' Purchasing Managers Index (PMI) has entered the contractionary zone for the first time in two years, having dropped to 48.9 in December (following 50.2 in November and 50.6 in October). The services PMI follows an equally disappointing construction survey for December, leaving manufacturing (which accounts for just 10% of the economy) as the only bright spot. Taken together, composite data from the three surveys posted its worst quarterly performance for three-and-a-half years, and is consistent with the economy contracting by approximately 0.2% in Q4, according to Markit. While bad weather could have played some role in the downturn, the fact that incoming new business dropped for a second successive month suggests that underlying demand remains very weak and that activity may continue to fall in 2013. Disappointing December readings prompted us to lower our GDP forecast, meaning that we no longer think the UK economy stayed flat but contracted in 2012. Weak demand and an uncertain outlook may translate into less bright labour statistics, which has so far been surprisingly resilient. The UK service sector may start cutting employment, adding private sector layoffs to public sector job cuts.*

*However, we still believe that 2013 should see a slight improvement to growth of 0.9%, supported by stable or only marginally deteriorating employment and low, stable inflation. This will help maintain consumption, along with increases in investment and net trade towards the latter part of the year. This strengthening trend is forecast to continue in 2014, with economic growth expected at 1.7%. Consumption is finally likely to give the economy a much-needed injection in 2013 and 2014, though initially at a low level. The overall medium-term picture for inflation is of subdued domestic price pressures due to a continued weakness in internal demand and earnings growth. Private investment is likely to gather momentum in 2013 and 2014 as credit availability improves.*

*The effect of recently-introduced credit easing measures (in particular the quantitative easing programme (QE) and the Funding for Lending Scheme (FLS) introduced in July 2012) is expected to continue to pass through to the real economy, and can be expected to ease credit conditions to the private sector by incentivising banks to increase their lending. Negatively, net trade is unlikely to make a positive contribution to growth in 2013 due to difficulties in the euro area, the UK's largest export market, creating an environment in which even weak sterling is unable to play a role in the economic recovery. Increased exports to non-EU countries are unlikely to compensate for the drop in EU trade."*

### Payment analysis

Table 12.1 shows the first indications of the ability of British companies to meet their payment obligations on time and a comparison with the European context.

At the end of 2012, the share of "good payers" had reached 30.2% of the total, a value which is not very reassuring if compared to the European average of 39.1% (-8.9 percentage points).

In addition, it is possible to see how the gap is decreasing, going back to 2007 levels, while in 2011 there was the highest gap of over 11 percentage points.



Now let's look at the 2007-2012 trend of late payments beyond 90 days on average (Table 12.2). In this payment class, the United Kingdom shows a good performance, with 2% of the total number of companies, and 1.3 percentage points below the European average.

On the other hand, Table 12.3 shows the variations in the distribution of British companies by payment class. Compared with the previous year, there are positive changes in all payment classes. The most obvious change is in the By due date class with an increase of 3.9% in only twelve months, and a corresponding decrease in the other payment classes.

In fact, the proportion of companies that pay between 1 and 90 days late has fallen by 3.7 percentage points compared with 2011, meanwhile seriously late payments have decreased by 0.2%.

The variations between 2007 and 2012, however, are more significant: the share of good payers has decreased by 2.4%, meanwhile the number of cases with late payments up to 90 days has grown (+5.7%).

TABLE 12.1 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN THE UK WITH ON TIME PAYMENTS, 2007-2012

	2007	2011	2012
United Kingdom	32.6%	26.3%	30.2%
Europe	41.0%	37.8%	39.1%

TABLE 12.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN THE UK WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2012

	2007	2011	2012
United Kingdom	5.3%	2.2%	2.0%
Europe	4.1%	3.1%	3.3%

TABLE 12.3 SOURCE: CRIBIS D&B

#### VARIATIONS IN PAYMENT PRACTICES IN THE UK, 2007-2012

	Variation 2007/2012	Variation 2011/2012
By due date	-2.4%	3.9%
Up to 90 days	5.7%	-3.7%
Over 90 days	-3.3%	-0.2%

Now let's look in more detail at UK payment habits with a detailed analysis of the distribution of companies by late payment class (Graph 12.4).

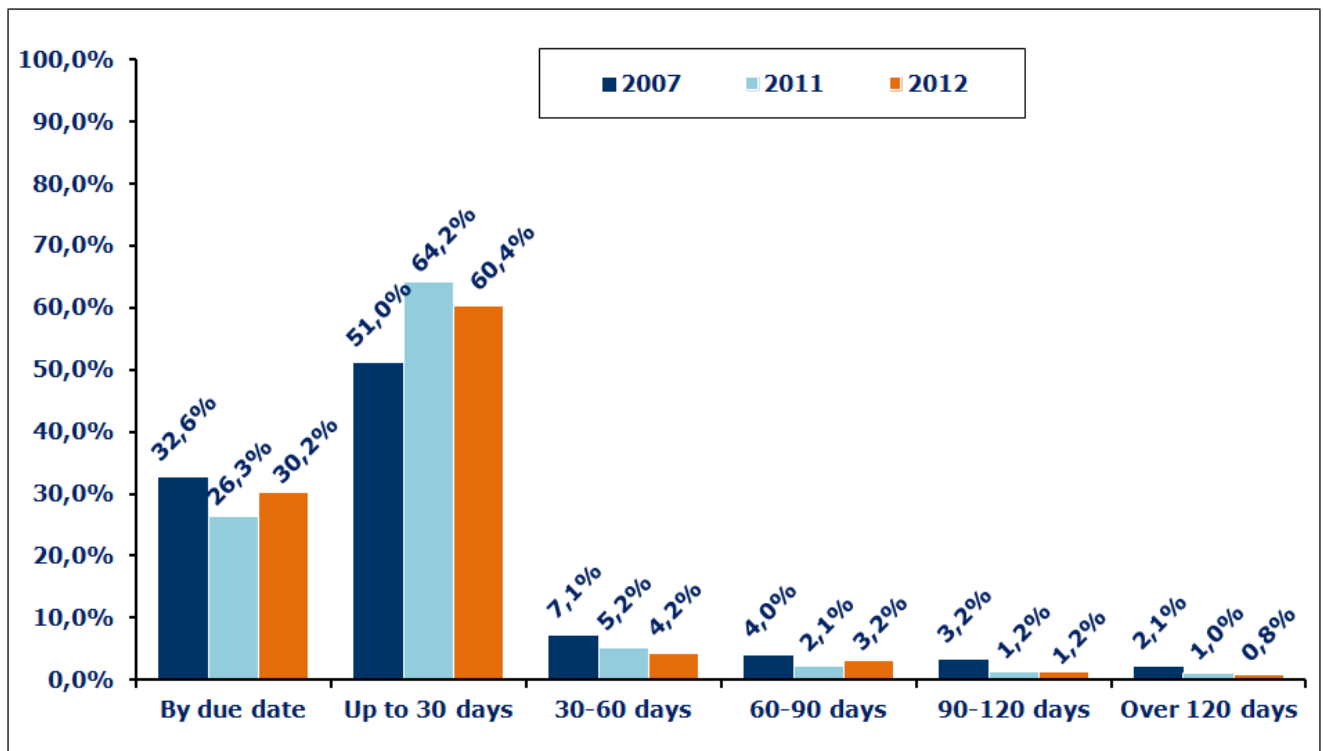
In 2012, the percentage of punctual payers was only 30.2% of the total, meanwhile, the majority of companies tended to pay on average between 1 and 30 days late (60.4%).

Intermediate late payment classes ("30-60 days" and "60-90 days") account for 7.4%, whereas "bad payers" account for 2% of the sample analyzed.

Furthermore, the percentage of punctual payments in the UK is one of the lowest identified amongst the countries included in the Payment Study.

GRAPH 12.4 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN THE UK BY PAYMENT CLASS, 2007-2012



Graph 12.5 shows the picture of payments in 2012 by British companies by late payment class and company size.

There is a widespread tendency to pay between 1 and 30 days beyond agreed payment terms.

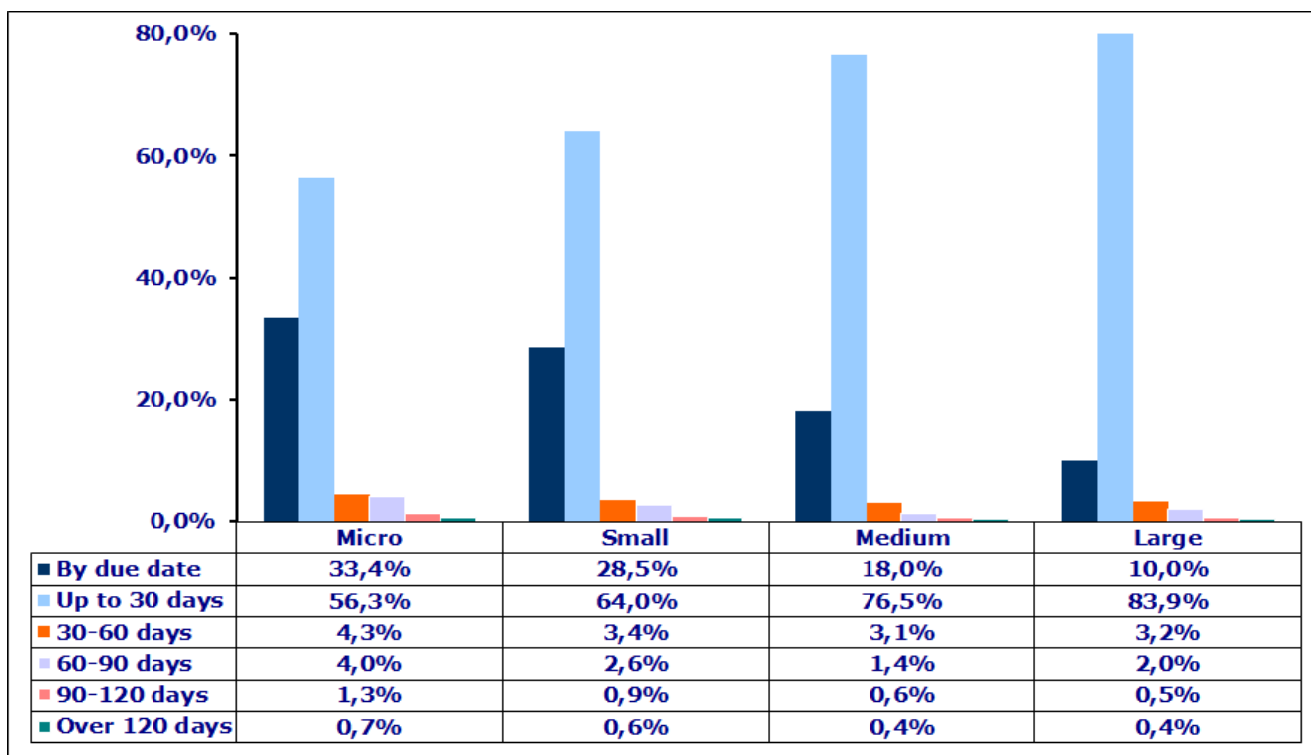
In particular, the highest concentrations are seen for Medium and Large companies with 76.5% and 84% of the total, respectively.

Micro companies seem to be more balanced with 33.4% of punctual payers and a growth of 3.5 percentage points compared with the level reached in 2011.

The situation for larger companies is more complex, where only 10% of the total are in the "By due date" class.

Finally, the highest share of late payments of more than 90 days was seen for Micro companies (2 percentage points).

## PAYMENT PRACTICES IN THE UK BY TYPE OF COMPANY, 2012



Now let's look at the trends in payment behavior in the UK in 2012 in relation to macro-sectors (Graph 12.6).

There is a homogeneous distribution of punctual payments in almost all the sectors analyzed, with somewhat contained values.

The only exception is the Agriculture, Forestry, Hunting and Fishing sector: in this case, the percentage of companies that respect payment terms agreed with their suppliers is 47.4% (+17.2 points compared with the national average).

At the bottom of the classification, on the other hand, are the Manufacturing and Mining sectors, with little more than 23% of punctual payers.

In relation to intermediate late payments (between 30 and 90 days late), the highest values were in the Retail Trade sector (14.3%) and Financial Services (10.3%).

The worst performance in terms of serious late payments was seen in the Retail Trade sector, where 2.9% of companies tend to pay more than 90 days late on average.

## PAYMENT PRACTICES IN THE UK BY PRODUCT SECTOR, 2012

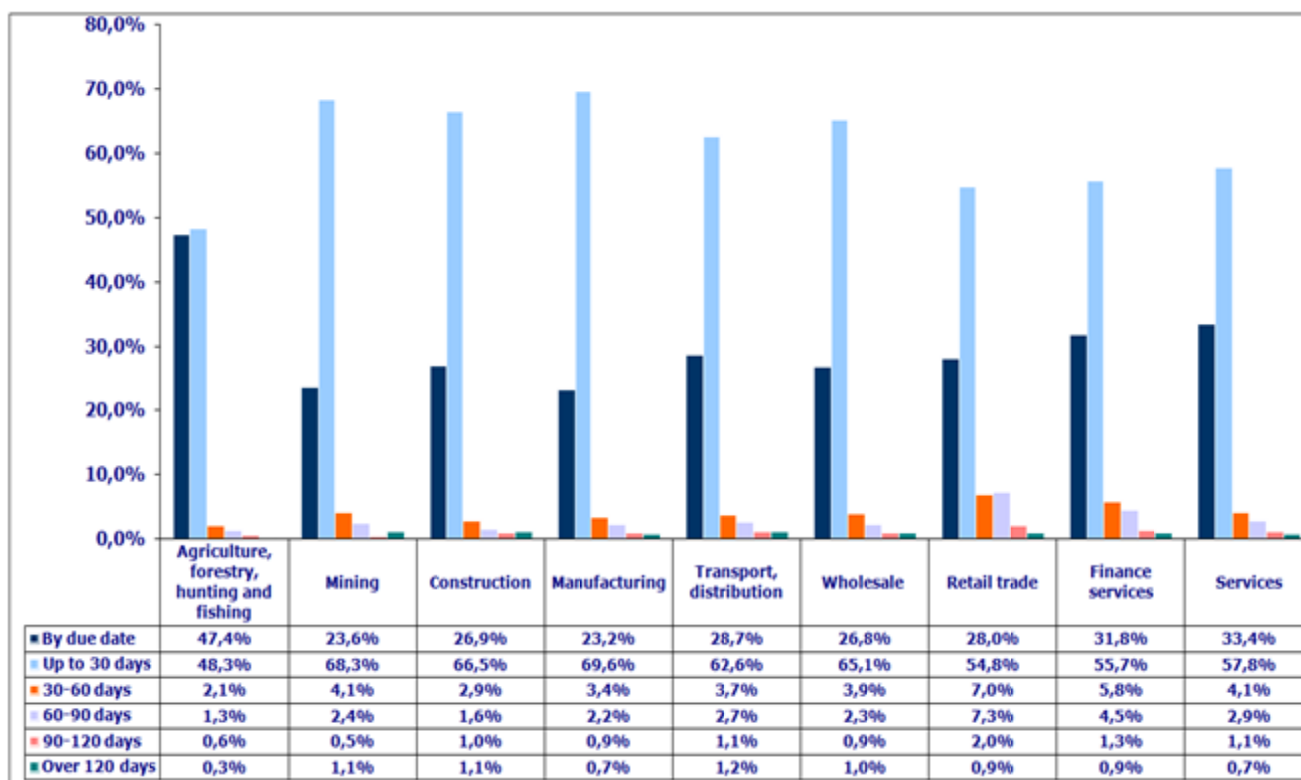


Table 12.7 shows the classification of micro-sectors with the most punctual payments in the UK in 2012.

In first and second place are Agricultural production – Crops and Agricultural production – Livestock. These two agricultural sectors are the only ones with a percentage of punctual payers over 50%. In third position is the Membership Organizations sector, which has significantly improved the percentage of punctual payments in 2012 to 42.1% of the total.

The sectors listed in Table 12.8, on the other hand, have the worst performances in relation to late payments of over 90 days on average.

First position in the sector ranking of bad payers is held by Eating and drinking places, with 3.8%, followed by Apparel and accessory stores, with 3.7%. The results, however, have improved compared with the previous year.

TABLE 12.7 SOURCE: CRIBIS D&B

## SECTORS WITH THE BEST PAYMENT RECORDS IN THE UK, 2012

Sector	Ranking 2012
AGRICULTURAL PRODUCTION – CROPS	1
AGRICULTURAL PRODUCTION – LIVESTOCK	2
MEMBERSHIP ORGANIZATIONS	3
AGRICULTURAL SERVICES	4
NONDEPOSITORY INSTITUTIONS	5
INSURANCE CARRIERS	6
HEALTH SERVICES	7

<b>INSURANCE AGENTS, BROKERS &amp; SERVICES</b>	<b>8</b>
<b>SECURITY AND COMMODITY BROKERS</b>	<b>9</b>
<b>MUSEUMS, BOTANICAL, ZOOLOGICAL GARDENS</b>	<b>10</b>

TABLE 12.8 SOURCE: CRIBIS D&B

#### SECTORS WITH THE WORST PAYMENT RECORDS IN THE UK, 2012

<b>Sector</b>	<b>Ranking 2012</b>
<b>EATING AND DRINKING PLACES</b>	<b>72</b>
<b>APPAREL AND ACCESSORY STORES</b>	<b>71</b>
<b>RAILROAD TRANSPORTATION</b>	<b>70</b>
<b>GENERAL MERCHANDISE STORES</b>	<b>69</b>
<b>FOOD STORES</b>	<b>68</b>
<b>PERSONAL SERVICES</b>	<b>67</b>
<b>ELECTRIC, GAS, AND SANITARY SERVICES</b>	<b>66</b>
<b>BUSINESS SERVICES</b>	<b>65</b>
<b>STONE, CLAY, AND GLASS PRODUCTS</b>	<b>64</b>
<b>TRUCKING AND WAREHOUSING</b>	<b>63</b>

The analysis of UK payments shows weak signs of improvement at the end of 2012. The percentage of companies that pay on time has increased and the share of bad payers has reduced. However, performances are a long way from the average European results. In fact, there is a gap of 8.9 percentage points in relation to punctual payments, a gap which reaches around 50% when compared to the best European performers, Denmark and Germany.

The United Kingdom beats only Poland and Portugal in the European classification of punctual payments, but is more competitive in terms of late payments of over 90 days on average.

Agriculture and Services are the two sectors in which payment terms are respected the most, meanwhile Retail Trade and Financial Services confirm the negative trends seen in previous years and register high percentages in the serious late payment classes.

In conclusion, the UK continues to be placed low down in the European context and to show difficulties in managing payments on time.

## 13. SPAGNA

Below is the opinion of **Nathalie Gianese and José Antonio Teijelo, Analysis Director e International & Corporate Development Director at INFORMA D&B**, on the economic scenario and payment situation in Spain.

*"After a struggling start of the year in which the Spanish economy was close to be intervened by the EU as other southern European economies, 2012 has ended with positive signs, at list from a macroeconomic point of view.*

*In 2012 the Spanish economy has still been under recession but the economic downturn is lighter than expected, nevertheless the unemployment drama persists with a gloomy outlook, at least in the short term. On the contrary, exports has partially compensated the weak internal demand and showed the way for future recovery.*

*On the same line, the Public sector deficit trend from previous years seems to be tamed, as the 3 GDP points reduction shows.*

*Main events.*

*The general government sector stepped up its fiscal consolidation effort in the closing months of the year, in which a significant portion of the impact of the revenue-raising and expenditure-cutting measures approved during the year was concentrated.*

*The Spanish financial markets also experienced the easing in tensions in the euro area. This was reflected in lower Spanish public debt yields and narrower spreads over the German benchmark, along with a reduction in private risk premia.*

*Progress was made in the clean-up, recapitalisation and restructuring of the financial system, in keeping with the parameters and demanding timetable laid down in the Memorandum of Understanding on financial-sector policy conditionality agreed with our European partners.*

*After increasing in 2011, labour costs resumed the moderate trajectory initiated in 2010, and there was an estimated decline in compensation per employee (-0.6%), much influenced by lower public-sector wages.*

*It seems clear that this gain in competitiveness generated over the past three years process affected the net external demand evolution in 2012. Thus the external factor contributed, for another year, to softening the impact of the contraction in domestic demand on output.*

*The year 2012 ended with a positive trend on payment behaviour indicators that starts in the second quarter of 2012. At 31 December 2012, the average payment delay of the Spanish companies was of 99, 49 days and continues below 100 days since the second quarter of the year. This amount is formed by the average of the agreed conditions in Spain, that in 2012 was of 79,93 days, and the average payment delay, that was of 19, 57 days.*

*The average payment delay this quarter reached 19.57 days: it continues the downward trend observed since the end of 2011 and is the best figure observed since the end of 2010.*

*The average payment delay over negotiated conditions in Spain was of 19,57 days. This indicates also an improvement of 2, 68 day with respect to the same data of the fourth quarter 2011 that had been of 22, 25 days.*

*The proportion of companies paying promptly (40.69%) continues increasing after the reduction observed in the fourth quarter of 2011. If we compare this figure with the same period in 2011, we can observe an improvement of 1, 88%.*

*As we have been able to verify in previous studies, the southern regions of Spain used to pay with an average delay above the national average.*

*By sectors those with the worst payment behaviour are: Public Administrations and Real State. Nevertheless, the Public Administration has slightly improved with respect to the beginning of the year, and Real State with respect with last year.*

*From delays analysis by company's size it is observed that small companies increased their delay average in 2.12 days in comparison with the previous year data.*

*The agreed conditions seem also to be improving, during 2012 having evolved from 79.80 days to 79.93 days, which represents a reduction of 0.13 days.*

*Even if it exists an improvement trend they are far from meeting the payment delays sets by the law 15/2010 that establishes 60 days for Companies and 30 for the Public Administrations from January 1th 2013."*

## Payment analysis

Table 13.1 reports the trend in the percentage of Spanish companies that paid within agreed terms in the last five years.

The share of companies paying on time was 41.6% at the end of 2012, a little above the European average (39.1%) and a slight improvement compared with the previous year (+0.5 percentage points).

On the contrary, the Spanish data on late payments of over 90 days on average highlight a more problematic situation for more serious late payment class, which is more distant from the European average (3.3%).

In fact, Spain registered a percentage of "bad payers" of 8.3% at the end of 2012, a somewhat high level and below only Poland and Portugal (Table 13.2).

Using Table 13.3, we now come to the variations that have occurred in the last 5 years in the distribution of payment classes in Spain.

The comparison with 2007 shows a worsening in payment performance, with a 7.8 percentage point reduction in the share of punctual payers and a corresponding increase in the Up to 90 days class (+3.5%) and Over 90 days class (+4.3%).

Compared with 2011, however, the situation is more or less stable. There has been a 0.5% increase in the companies respecting contractual terms and a 0.6% increase in payments up to 90 days late, meanwhile there has been a slight fall in "bad payers" (1.1%).

TABLE 13.1 SOURCE: CRIBIS D&B

### PERCENTAGE OF COMPANIES IN SPAIN WITH ON TIME PAYMENTS, 2007-2012

	2007	2011	2012
Spain	49.4%	41.1%	41.6%
Europe	41.0%	37.8%	39.1%

TABLE 13.2 SOURCE: CRIBIS D&amp;B

**PERCENTAGE OF COMPANIES IN SPAIN WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2012**

	<b>2007</b>	<b>2011</b>	<b>2012</b>
<b>Spain</b>	<b>4.0%</b>	<b>9.4%</b>	<b>8.3%</b>
<b>Europe</b>	<b>4.1%</b>	<b>3.1%</b>	<b>3.3%</b>

TABLE 13.3 SOURCE: CRIBIS D&amp;B

**VARIATIONS IN PAYMENT PRACTICES IN SPAIN, 2007-2012**

	<b>Variation 2007/2012</b>	<b>Variation 2011/2012</b>
<b>By due date</b>	<b>-7.8%</b>	<b>0.5%</b>
<b>Up to 90 days</b>	<b>3.5%</b>	<b>0.6%</b>
<b>Over 90 days</b>	<b>4.3%</b>	<b>1.1%</b>

The breakdown by payment class and analysis of the trend over recent years enables the payment situation in Spain to be analyzed in detail (Graph 13.4).

At the end of 2012, the large part of Spanish companies fell within the Up to 30 days payment class. In fact, 44.2% paid commercial transactions between 1 and 30 days late, while 41.6% managed to respect the terms agreed with suppliers.

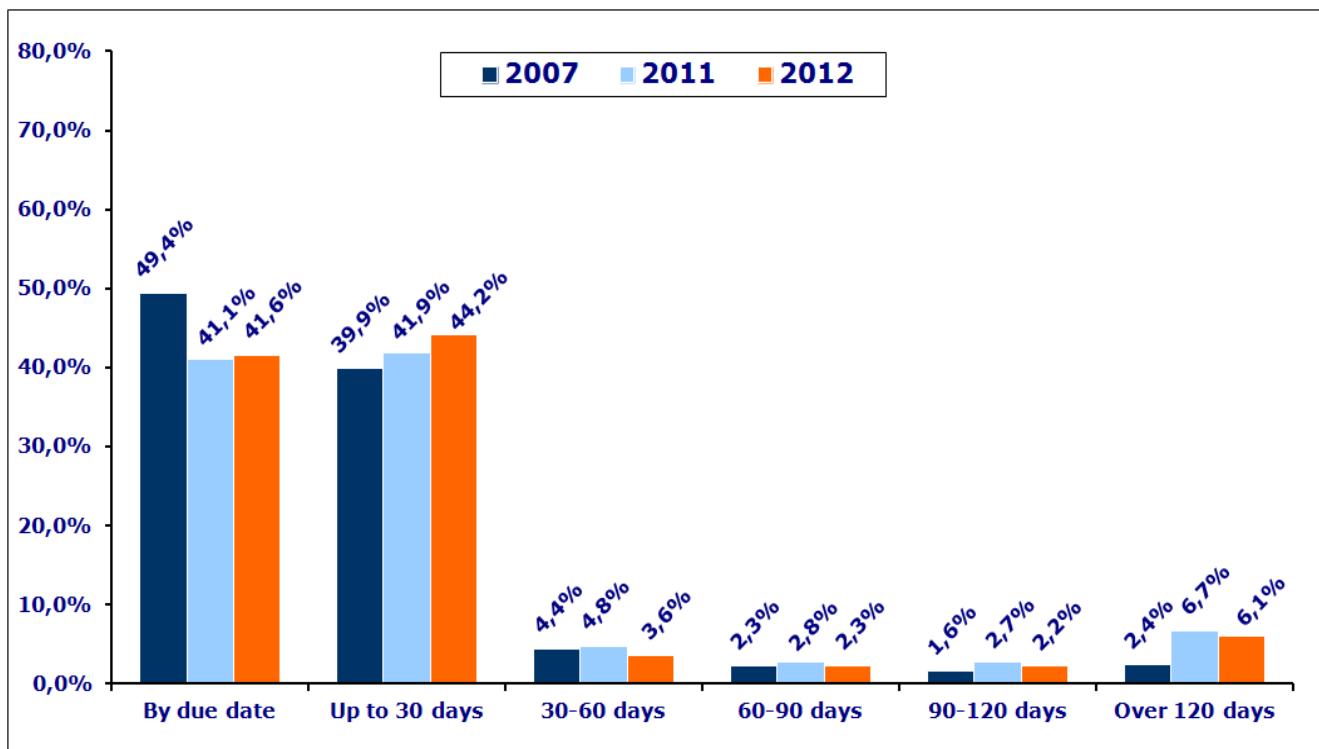
There has been a slight improvement in all other late payment classes, above all for companies falling into the 30-60 days class, with a percentage of 3.6% (-1.2 percentage points compared with the previous year) and for the Over 120 days class, which went from 6.7% in December 2011 to 6.1% in December 2012.

However, the gap between "bad payers" in Spain and the best performers in Europe remains clear, as does the difference from pre-crisis national values (2.4% in 2007 and 2.5% in 2008).

GRAPH 13.4 SOURCE: CRIBIS D&amp;B

**PAYMENT PRACTICES IN SPAIN BY PAYMENT CLASS, 2007-2012**





Looking at Graph 13.5 it is possible to understand the patterns in the Spanish payment system in relation to the various types of company.

Micro and Small companies have very high percentages of punctual payments (48.9% for the former and 41.4% for the latter), but also modest values in the other payment classes.

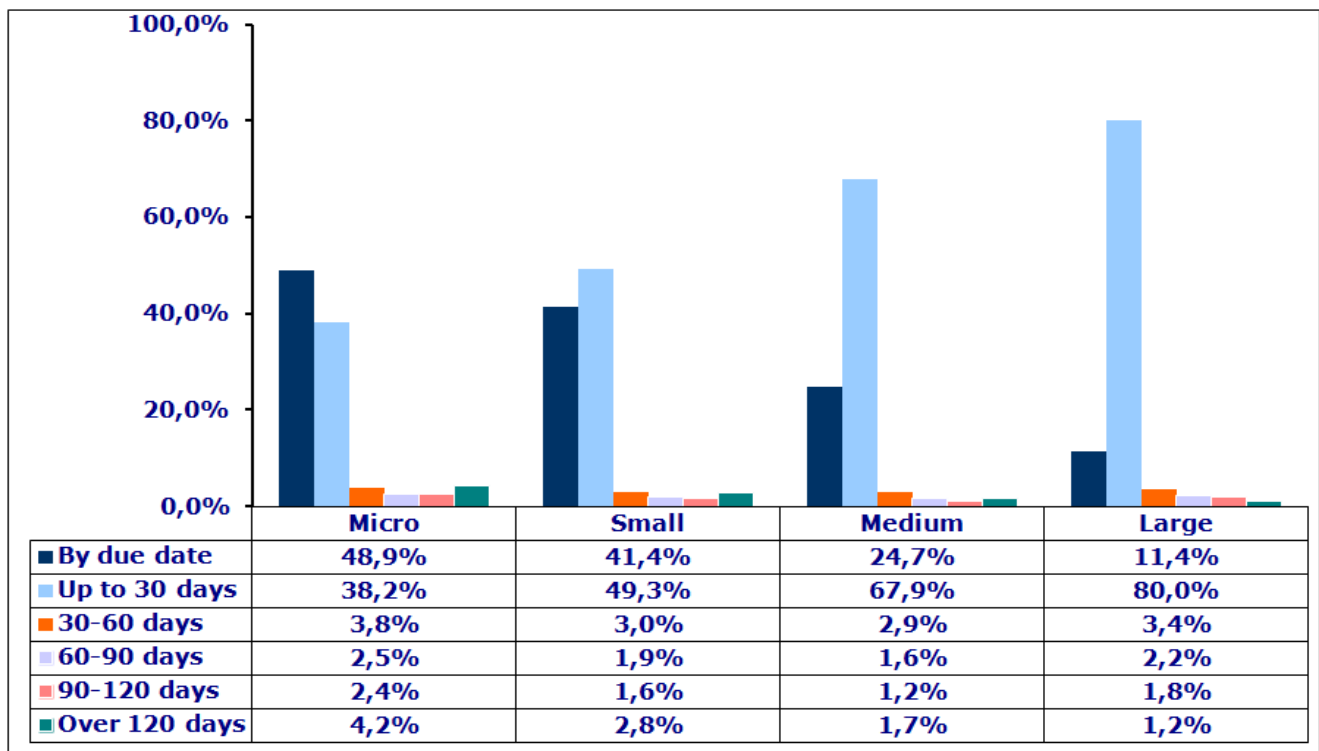
6.6% of Micro companies pay on average more than 90 days late, and for Small companies this percentage is 4.4%.

Payment behavior is different for larger companies: the major part of payers in these two categories pay up to 30 days late on average, meanwhile serious late payments are more contained (around 3%).

Specifically, 67.9% of Medium companies and 80% of Large companies fall within the Up to 30 days payment class.

GRAPH 13.5 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN SPAIN BY TYPE OF COMPANY, 2012



Payment habits for Spanish sectors in 2012 (Graph 13.6) have not changed much compared with 2011.

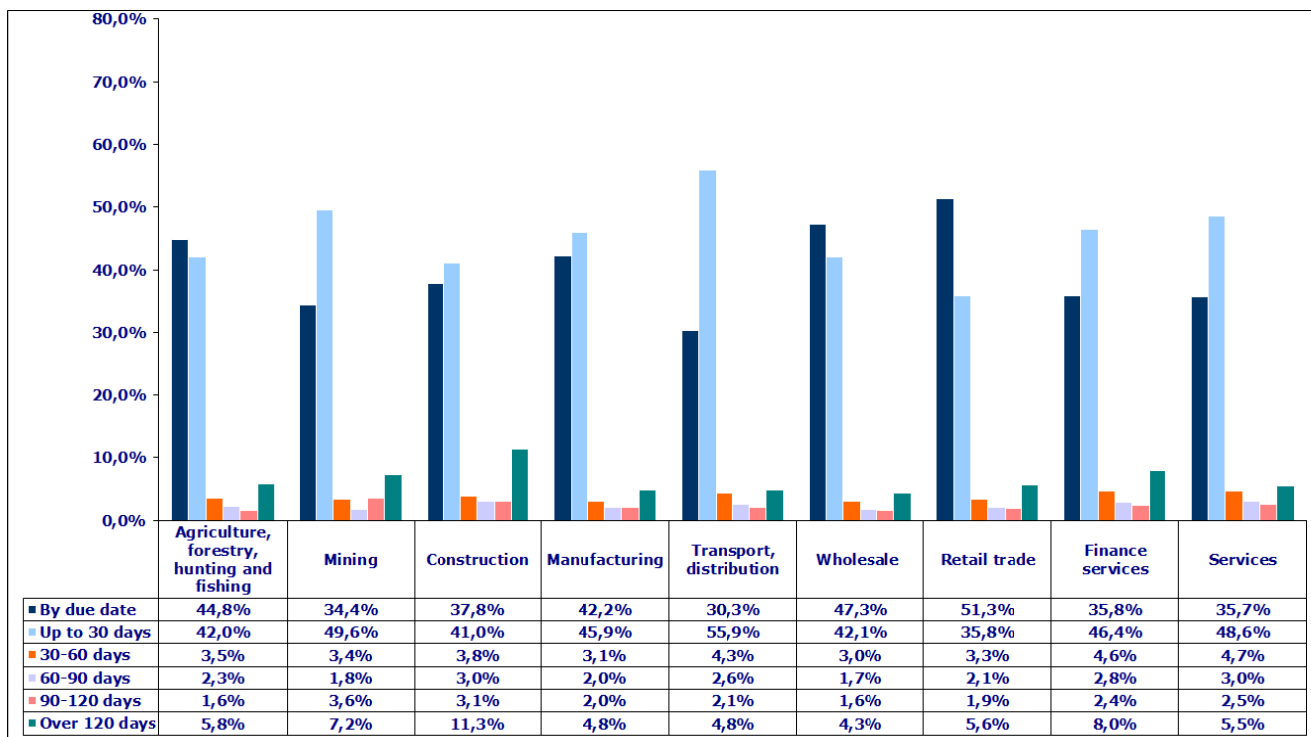
The best payment performances are seen in the Retail Trade and Wholesale sectors, with 51.3% and 47.3% of punctual payers, meanwhile the worst result was seen for Transport and Distribution (only 30.3%).

In almost all Spanish sectors there was a tendency for payments to be late by between 1 and 30 days, with values varying between 41% for Construction and 55.9% for Transport and Distribution.

Furthermore, once again this year the worst performances in terms of the more serious late payments are seen in the Construction and Financial Services sectors. In the former case, a percentage of 11.3% of companies tend to pay their commercial transactions on average more than 120 days late, meanwhile in the Financial Services sector, the share is 8% of the total.

GRAPH 13.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN SPAIN BY PRODUCT SECTOR, 2012



Tables 13.7 and 13.8 show the micro-sectors with the best and worst payment performances in Spain in 2012.

Amongst the best payers, the top positions are held by Miscellaneous retail with 60% of good payers, and Building materials & garden supplies with 55.6% of companies respecting agreed terms.

In the classification of sectors that pay seriously late, in first place are General building contractors, with 18.8% of companies paying their obligations more than 90 days late on average. These are followed by the Executive, legislative and general sector (18.7% in this class).

TABLE 13.7 SOURCE: CRIBIS D&B

### SECTORS WITH THE BEST PAYMENT RECORDS IN SPAIN, 2012

Sector	Ranking 2012
MISCELLANEOUS RETAIL	1
BUILDING MATERIALS & GARDEN SUPPLIES	2
LEATHER AND LEATHER PRODUCTS	3
APPAREL AND ACCESSORY STORES	4
MISCELLANEOUS REPAIR SERVICES	5
FURNITURE AND HOME FURNISHING STORES	6
WHOLESALE TRADE - NONDURABLE GOODS	7
AGRICULTURAL PRODUCTION - CROPS	8
CHEMICALS AND ALLIED PRODUCTS	9
GENERAL MERCHANDISE STORES	10

**SECTORS WITH THE WORST PAYMENT RECORDS IN SPAIN, 2012**

<b>Sector</b>	<b>Ranking 2012</b>
<b>GENERAL BUILDING CONTRACTORS</b>	<b>62</b>
<b>EXECUTIVE, LEGISLATIVE AND GENERAL</b>	<b>61</b>
<b>EATING AND DRINKING PLACES</b>	<b>60</b>
<b>REAL ESTATE</b>	<b>59</b>
<b>MOTION PICTURES</b>	<b>58</b>
<b>FORESTRY</b>	<b>57</b>
<b>SPECIAL TRADE CONTRACTORS</b>	<b>56</b>
<b>NONMETALLIC MINERALS, EXCEPT FUELS</b>	<b>55</b>
<b>PERSONAL SERVICES</b>	<b>54</b>
<b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b>	<b>53</b>

The payment situation in Spain in 2012 is certainly not one of the best among the countries analyzed in the study.

However, this year there is some stability in the distribution of companies when analyzed by payment class.

In fact, punctual payments relate to 41.6% of the total (+0.5%), while there are 44.2% in the moderate late payment class (Up to 30 days).

A small improvement is seen in the share of companies that pay more than 90 days late on average. In this class, in fact, there has been a 1.1 percentage point reduction compared with 2011, but the gap from the European average is still significant (+5 percentage points).

Retail Trade and Wholesale Trade are the sectors in which payment terms are respected the most, whereas Construction and Financial Services are characterized by more serious late payments.

## 14. PORTUGAL

Below is the opinion of **Teresa Lima, Project Director at INFORMA D&B**, on the economic scenario and payment situation in Portugal.

*"The Portuguese economy is characterized by a high level of external debt and low economic growth, combined with an excessive government deficit, which led to a request for financial assistance from the EU and IMF in April 2011.*

*The main strategic lines of the economic and financial adjustment Programme in force until 2013 were designed to ensure a balanced and sustained economic development in the medium to long term, and a sustainable path for public finances.*

*Its impact on the Portuguese economy has been very significant, leading to the contraction of GDP due to new austerity measures approved in the meantime.*

*Once the payment periods in 2012 reflect the economic environment and development of the country, with negative growth prospects, we face the risk of further dilatation of payment deadlines.*

*To mitigate the negative impact on businesses, the EU is planning to implement a directive which imposes a maximum payment period of 60 days, in order to eliminate late payments that interfere with the business environment and weaken corporate treasurers, particularly in times of crisis when access to bank credit is more difficult. This new legal framework was designed to reduce and harmonize the pay periods in the European Union.*

*The deterioration in payment terms increases pressure on corporate treasurers forcing them to seek other forms of financing.*

*This negative impact of late payments is exacerbated in periods of economic downturn, because access to funding is particularly difficult and the higher average terms of payments of public entities causes financial dysfunctions to the rest of the economy.*

*The increase in the number of insolvencies (+30.7% in 2012/2011) in Portugal somehow reflects the consequences of payment delays between companies.*

*Small and medium enterprises are the most affected by late payments and the most vulnerable, given the limited alternatives of cash resources, the lack of an adequate credit management and even the lack of legal resources to address the problem of late payments."*

### Payment analysis

Table 14.1 reports trends in the percentage of companies paying on time, providing an initial view of the ability of Portuguese companies to meet their payment obligations within agreed terms.

The percentage of Portuguese companies that pay on time in 2012 was 17.6% of the total, 21.5 percentage points below the European average.

Even companies paying over 90 days late on average show a worse performance compared with previous years (Table 14.2). At the end of 2012, Portuguese companies in this payment class came to 11.2%, with a 7.9 percentage point difference from the European average (3.3%).

As stated previously, Portugal shows increasing difficulty in managing business payments, and variations in the distribution by payment class over the last five years have been particularly significant.

As seen in Table 14.3, the share of "good payers" has decreased by 4.2 percentage points in just one year, with a resulting increase in the other payment classes. In particular, there are 2.2% more companies in the Up to 90 days class, and a further 2% in the serious late payment class (over 90 days).

TABLE 14.1 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN PORTUGAL WITH ON TIME PAYMENTS, 2007-2012

	2007	2011	2012
Portugal	21.7%	21.8%	17.6%
Europe	41.0%	37.8%	39.1%

TABLE 14.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN PORTUGAL WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2012

	2007	2010	2012
Portugal	9.4%	9.2%	11.2%
Europe	4.1%	3.1%	3.3%

TABLE 14.3 SOURCE: CRIBIS D&B

#### VARIATIONS IN PAYMENT PRACTICES IN PORTUGAL, 2007-2012

	Variation 2007/2012	Variation 2011/2012
By due date	-4.1%	-4.2%
Up to 90 days	2.3%	2.2%
Over 90 days	1.8%	2.0%

Graph 14.4 reports the payment habits of Portuguese companies, divided by payment class. Over half of Portuguese companies (58.5%) fall within the Up to 30 days payment class (+13.2 percentage points on 2007).

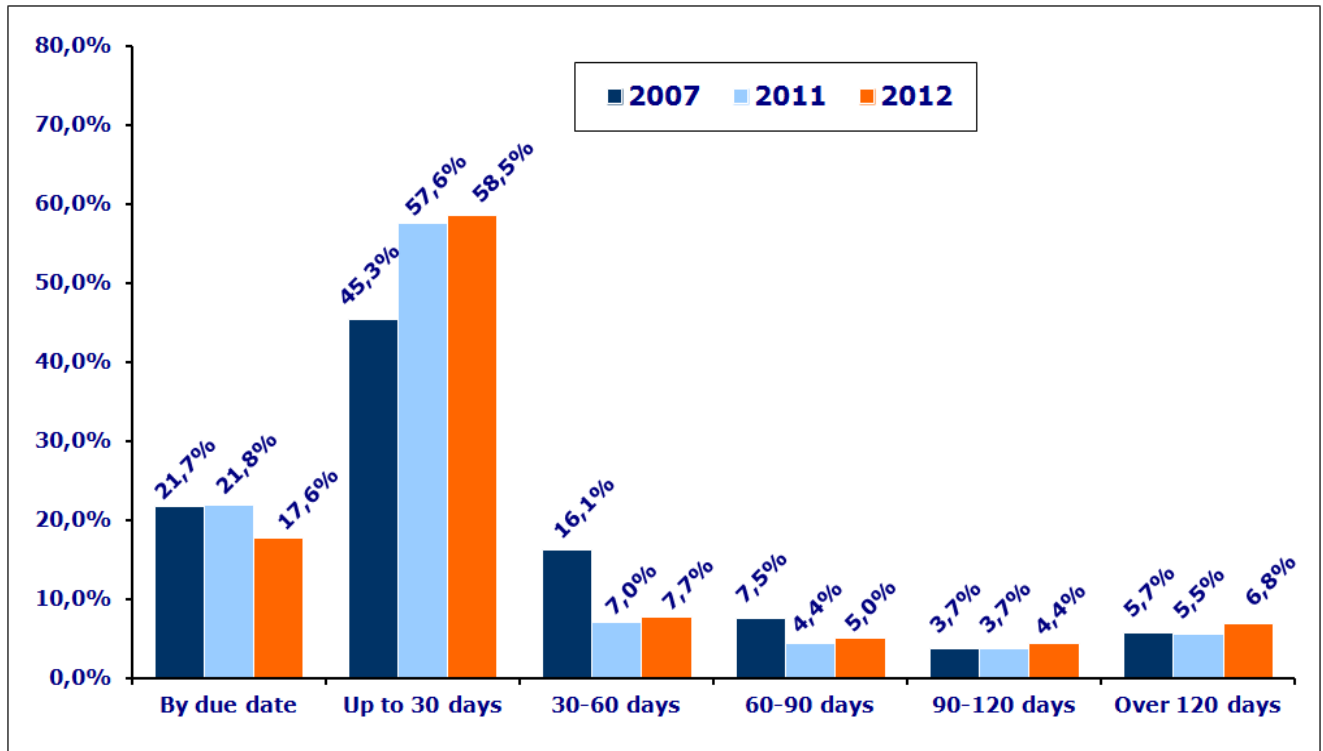
Punctual payments relate to only 17.6% of the total, and is down over 4% compared with twelve months ago.

The remaining 23% in the sample are in the intermediate and serious late payment classes: 12.7% tend to pay between 30 and 90 days late on average, while 11.2% exceed 90 days late on average.

There is a high concentration in the Over 120 days late payment class (6.8 percentage points).

GRAPH 14.4 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN PORTUGAL BY PAYMENT CLASS, 2007-2012



Graph 14.5 shows a detailed analysis of the payment practices of companies in Portugal by company size, and identifies a somewhat heterogeneous behavior among the four types.

We can see that it is the smallest companies that manage to respect agreed terms more often, although values are very contained (19% for Micro companies and 15.9% for Small companies).

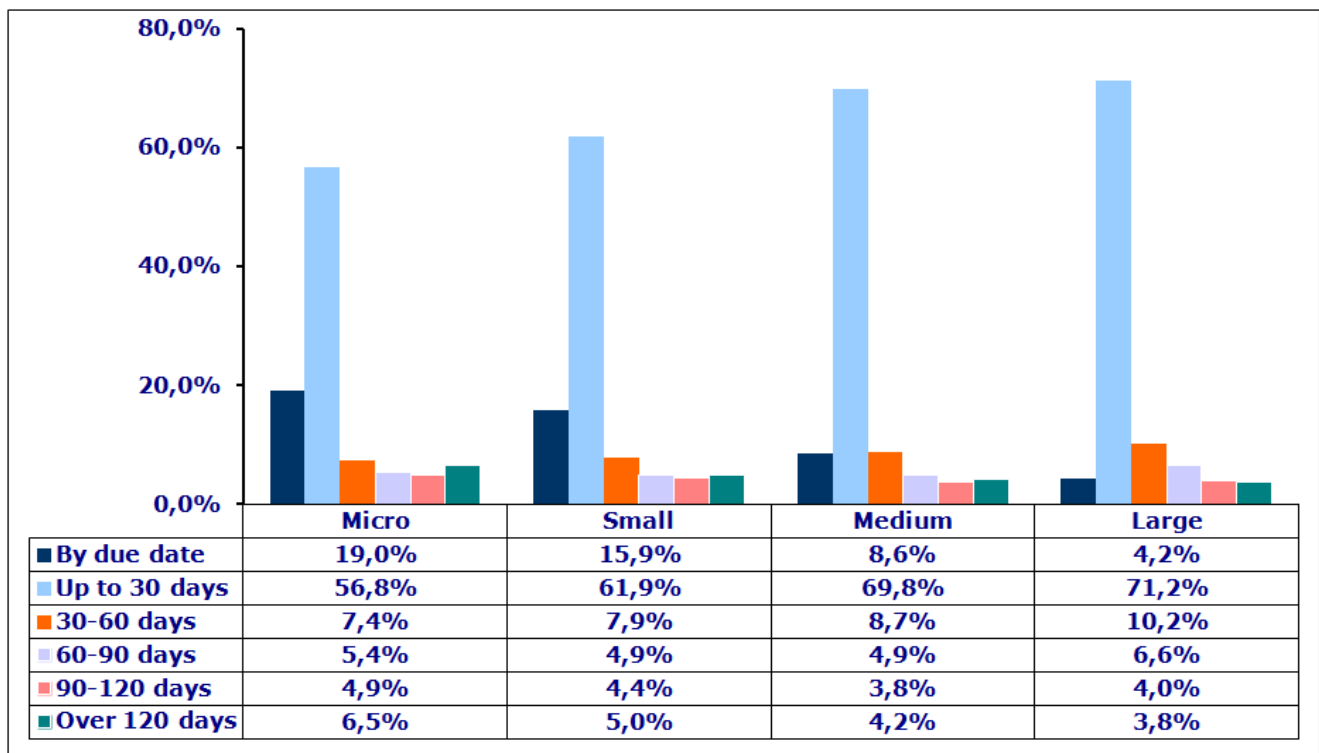
The worst situation is seen for Medium and Large companies with 9% in this class.

The opposite situation is seen in the Up to 30 days in which percentages vary from a maximum of 71.2% for Large companies to a minimum of 56.8% for Micro companies.

The share of those paying between 30 and 90 days late is the highest for Large companies, with 16.8% of the total, whereas for the most serious late payments (over 90 days on average), the highest percentage is seen for Micro companies with 11.4% of the total.

GRAPH 14.5 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN PORTUGAL BY TYPE OF COMPANY, 2012



Graph 14.6 shows the performance of the Portuguese payment system in relation to macro-sectors.

There is a widespread tendency to pay up to 30 days late on average: the Manufacturing (62.3%) and Retail Trade (61.5%) sectors have the highest concentrations in this class.

There has been a significant fall in punctual payers in the Retail Trade sector (-6% compared with 2011).

The sector with the best performance in terms of payment punctuality is Agriculture, forestry, hunting and fishing with 25.4% of companies in this class; there is also the smallest share of companies that pay on average more than 90 days late in this sector (8.5%).

On the other hand, the highest share of "bad payers" is seen in the Construction sector, with 20.2% of the total.

GRAPH 14.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN PORTUGAL BY PRODUCT SECTOR, 2012



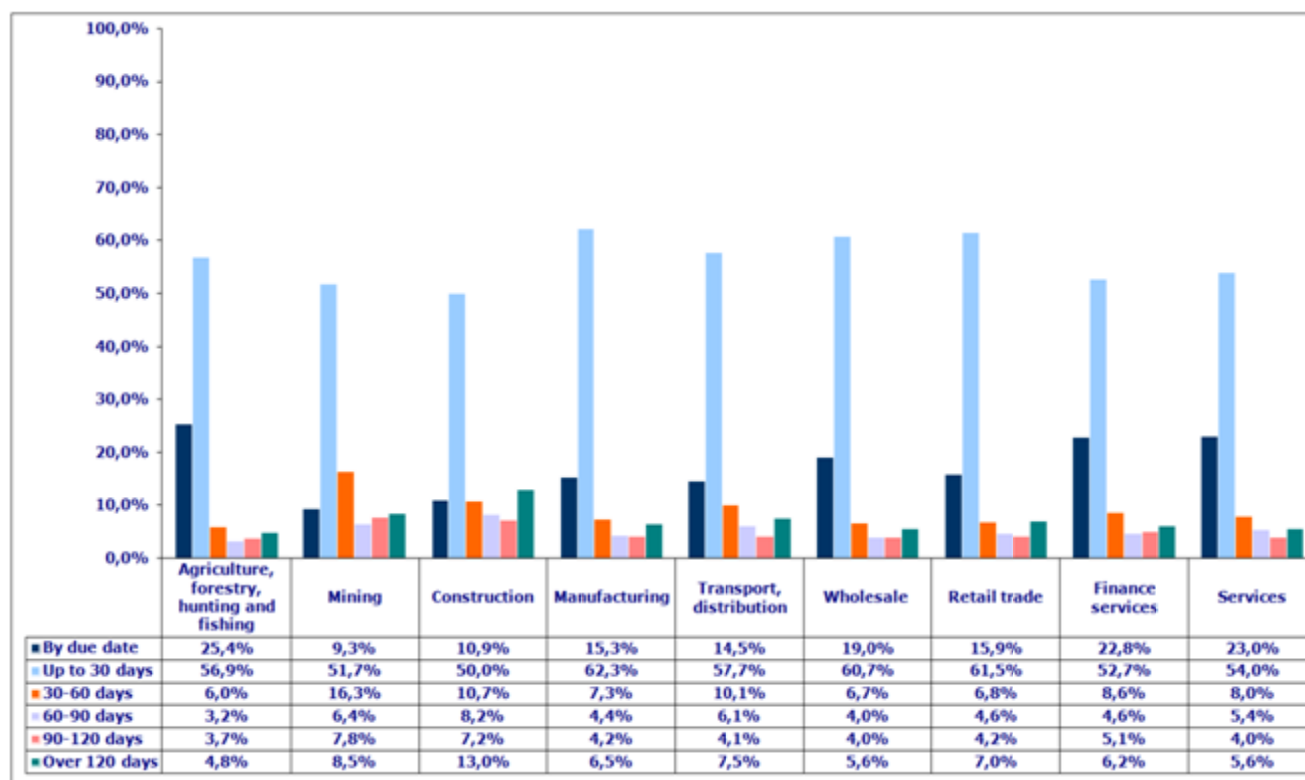


Table 14.7 shows the classification of the 10 micro-sectors with the most punctual payments in Portugal over the course of 2012.

As already seen in 2011, the best Portuguese performance is in the Legal Services sector, where in 45.9% of cases, companies pay their trading partners within agreed terms, a 7.8% reduction compared to the previous year. This is followed by Insurance agents, brokers & services with 39.4% of punctual payers.

The sectors with the most unstable and complex payment behavior, on the other hand, are listed in Table 14.8.

The worst sector is General building contractors, with 25.3% of companies paying seriously late (over 90 days on average), an increase of 3.3 percentage points compared with 2011. This sector is followed by Heavy Construction, except building (19%) and Trucking and Warehousing (18.6%).

TABLE 14.7 SOURCE: CRIBIS D&B

## SECTORS WITH THE BEST PAYMENT RECORDS IN PORTUGAL, 2012

Sector	Ranking 2012
LEGAL SERVICES	1
INSURANCE AGENTS, BROKERS & SERVICES	2
NONDEPOSITORY INSTITUTIONS	3
AGRICULTURAL SERVICES	4
PERSONAL SERVICES	5
EDUCATIONAL SERVICES	6

<b>SERVICES</b>	<b>7</b>
<b>MEMBERSHIP ORGANIZATIONS</b>	<b>8</b>
<b>HEALTH SERVICES</b>	<b>9</b>
<b>AGRICULTURAL PRODUCTION - LIVESTOCK</b>	<b>10</b>

TABLE 14.8 SOURCE: CRIBIS D&B

#### SECTORS WITH THE WORST PAYMENT RECORDS IN PORTUGAL, 2012

<b>Sector</b>	<b>Ranking 2012</b>
<b>GENERAL BUILDING CONTRACTORS</b>	<b>57</b>
<b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b>	<b>56</b>
<b>TRUCKING AND WAREHOUSING</b>	<b>55</b>
<b>SPECIAL TRADE CONTRACTORS</b>	<b>54</b>
<b>NONMETALLIC MINERALS, EXCEPT FUELS</b>	<b>53</b>
<b>FURNITURE AND FIXTURES</b>	<b>52</b>
<b>EATING AND DRINKING PLACES</b>	<b>52</b>
<b>REAL ESTATE</b>	<b>51</b>
<b>HOTELS AND OTHER LODGING PLACES</b>	<b>50</b>
<b>APPAREL AND ACCESSORY STORES</b>	<b>49</b>

The payment situation in Portugal is one of the most critical among the countries analyzed in the study.

The percentage of companies that manage to respect agreed terms is just 17.6%, the lowest value in Europe.

The share of companies that pay seriously late (over 90 days on average) is 11.2%, the highest percentage seen in the last five years (around 8 percentage point gap with the European average).

On a sector level, the worst performances are seen in the Mining and Construction sectors, with very high values in the late payment class of over 90 days. Another sector in difficulty is Retail Trade: in two years (from 2010 to the present), it has seen an 11 percentage point reduction in punctual payments.

Therefore, in 2012 Portugal continues to show significant difficulty in managing its payment system in a balanced way, and is suffering compared to other European countries.

## 15. SLOVENIA

Below is the opinion of **Neli Trošič, Head of Analytics at Bonitetna hiša I**, on the economic scenario and payment situation in Slovenia.

*"Harsh economic conditions and reduced economic activity continued into 2012.*

*In October 2008, a new law was accepted, dealing with financial operations, insolvency procedures and compulsory liquidations, which to date have had quite a few adjustments with positive effects.*

*At the moment, the National Assembly is dealing with the proposal of the amendment of the insolvency law. This will help increase the efficiency of insolvency procedures, especially in restructuring smaller companies, for which it is harder to gain new funds, improved position of creditors and greater transparency over the procedure.*

*According to the Statistical Office of the Republic of Slovenia, annual inflation in December 2012 was 2.7% (in the previous year it was 2.0%), Eurostat published the latest data in December 2012, when the annual rate in the entire Euro Zone stood at 2.2% and made an assessment of inflation at 2.0% for January 2013.*

*The Statistical office has published annual growth rates of real GDP by year: 0.6% in 2011, 1.2% in 2010, -7.8% in 2009 and 3.4% in 2008.*

*EBRD, the European Bank for Reconstruction and Development, has considerably downgraded Slovenia's growth forecast for this year, projecting a 2.1% contraction of GDP and forecasting a further contraction in 2013 and in 2014. EBRD points out, that structural reforms, such as pension reform and labor market reform, are necessary to control a public debt.*

*International institutions have made estimates of GDP growth in Slovenia for 2013 from -2.1% (OECD) to -0.4% (IMF). The Slovenian economy will certainly be faced with a tight situation in following years, as it is by all estimations still in a recession.*

*Legislation previously accepted to prevent the delays in payments is slowly coming to foreground.*

*The Chamber of Commerce and Industry of Slovenia is particularly critical of public authorities as payers, because the payment terms between subjects and public authorities must not be longer than 30 days, but public authorities are not paying their bills by the due date.*

*On the occurrence of delayed monetary obligation, the debtor must declare mandatory multilateral reconciliation. Violations of reported financial obligations are fined from 50 to 10.000 euros. AJPES (The Agency of the Republic of Slovenia for Public Legal Records and Related Services) is gathering liabilities arising from court resolutions, tax debt and tax enforcement costs, but does not gather operations between companies. Ajpes' recent publication shows that the number of businesses with overdue over five days from January to November 2012 continuously increased by 40%, and the average delays in payments increased by 20%.*

*According to our records, the share of delay in payments in 2012 decreased compared to 2011 and also the average delay in payments in this period reduced. The maximum difference in payment delays is noticed in February 2012, from 30 to 11 delays in payments.*

*The IMAR, Institute of macroeconomics analysis and development, confirmed that the majority of short-term financial indicators which depend on domestic demand are worsening. One of the reasons for economic contraction are also late payments. The construction sector has not*

recovered in 2012, which seems to have a negative impact on payment discipline and on the overall economy in Slovenia.

In the past, the judiciary was not as effective, but the situation in this area has been improving due to renovation of laws. Also, enforcement procedures are too slow and inconsistent which reduces the efficiency of procedures.

There are many reasons that cause delays in payments. We could say there are so many reasons for it, as many as companies, which represent the cells of the economy. During the economic crisis, they are intensified even more. Small businesses being the last link in the chain, are the most vulnerable and also most affected, since they are not capable of withstanding major delays in payments to debtors.

Most companies operate in extreme caution with 100% prepayment. Reduced domestic demand and small business environment locally has led to increased trade with foreign countries. According to the Statistical Office of the RS, Slovenia exported 1.0% more in November 2012 than in November in 2011. However, the growth of Slovenian exports was slower than in most EU countries. Too much exporting to EU countries signifies an additional risk to national growth and the condition of Slovenian companies, therefore individual contracts may be concluded only for the shorter period and have no long-term impact, which poses a greater risk to the company's existence."

## Payment analysis

Table 15.1 reports trends in recent years in the proportion of companies paying on time in Slovenia.

The percentage of companies paying their trading partners on time is 39.8% of the total, more or less in line with the European average (+0.7 percentage points).

Table 15.2, on the other hand, refers to the percentage of companies that pay more than 90 days late on average. In Slovenia, the concentration in this bracket is 2%, 1.3 percentage points less than the European average.

Now let's look in detail at the variations from 2009 to the present (Table 15.3). Companies that have paid on time in these four years have increased by 6.6%: this change has more or less been absorbed by the Up to 90 days class (-5.6%) and in a small part by the serious late payment class of over 90 days on average (-1%).

Also a comparison with 2011 shows notable variations. In fact, in just one year, punctual companies have increased by 3.6 percentage points, with a corresponding fall in the other late payment classes.

TABLE 15.1 SOURCE: CRIBIS D&B

### PERCENTAGE OF COMPANIES IN SLOVENIA WITH ON TIME PAYMENTS, 2009-2012

	2009	2011	2012
Slovenia	33.2%	36.2%	39.8%
Europe	39.4%	37.8%	39.1%

TABLE 15.2 SOURCE: CRIBIS D&amp;B

**PERCENTAGE OF COMPANIES IN SLOVENIA WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2009-2012**

	<b>2009</b>	<b>2011</b>	<b>2012</b>
<b>Slovenia</b>	<b>3.0%</b>	<b>2.2%</b>	<b>2.0%</b>
<b>Europe</b>	<b>5.8%</b>	<b>3.1%</b>	<b>3.3%</b>

TABLE 15.3 SOURCE: CRIBIS D&amp;B

**VARIATIONS IN PAYMENT PRACTICES IN SLOVENIA, 2009-2012**

	<b>Variation 2009/2012</b>	<b>Variation 2011/2012</b>
<b>By due date</b>	<b>6.6%</b>	<b>3.6%</b>
<b>Up to 90 days</b>	<b>-5.6%</b>	<b>-3.4%</b>
<b>Over 90 days</b>	<b>-1.0%</b>	<b>-0.2%</b>

Now let's look at the payment situation in Slovenia in 2012 in more detail, analyzing the distribution of companies by payment class.

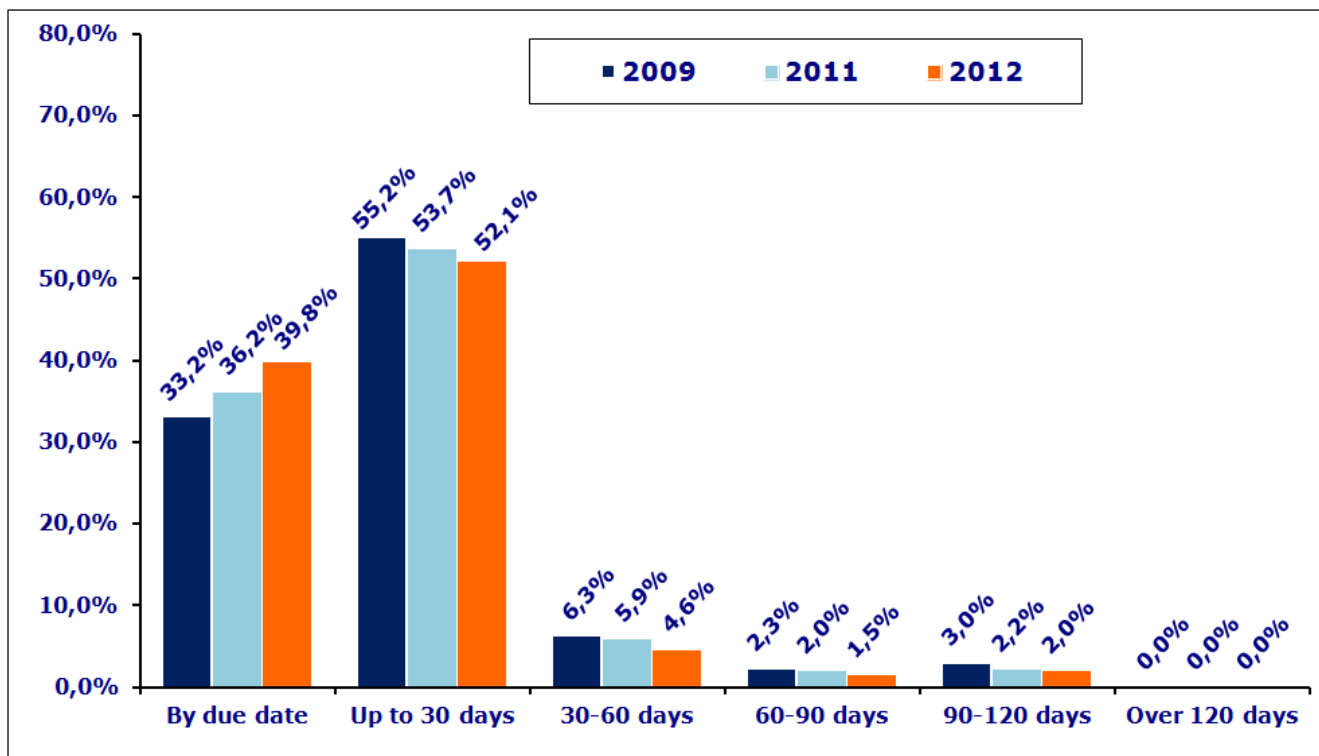
Graph 15.4 shows an increase in punctual payments (+3.6% compared to 2011), together with a reduction in moderate late payments ("Up to 30 days" class) with 52.1% of the total in 2012 (the lowest level since 2009).

Companies in the intermediate late payment class of between 30 and 90 days represent 6.1% of the total, almost 2 percentage points down on the previous year.

Finally, serious late payments remain more or less stable, with a figure of 2% of Slovenian companies in 2012 (-1% compared with 2009 and -0.2% compared with 2011).

GRAPH 15.4 SOURCE: CRIBIS D&amp;B

**PAYMENT PRACTICES IN SLOVENIA BY PAYMENT CLASS, 2009-2012**



Looking at Graph 15.5 it is possible to see the payment behavior of Slovenian companies as a function of company size.

Micro companies have a more balanced behavior: 41.6% of companies respect agreed terms and over 50% pay suppliers within the next 30 days.

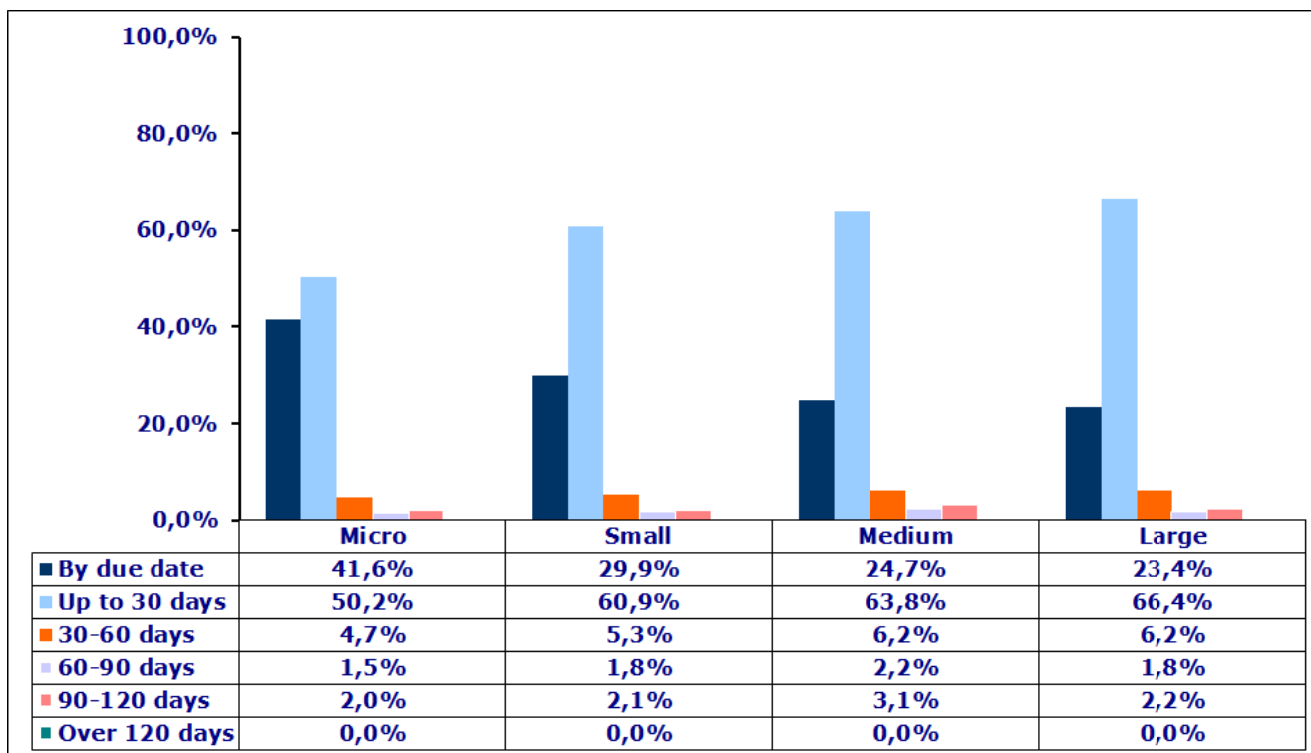
The situation is different for the other sizes, for which less than a third of the total are in the By due date class, and with a higher concentration in the Up to 30 days class (values between 60.9% and 66.4%).

Also, Medium companies stand out due to the significant percentages in the intermediate and serious late payment classes.

In fact, 8.5% of these companies pay between 30 and 90 days late, and more than 3% pay 90 days beyond the due date.

GRAPH 15.5 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN SLOVENIA BY TYPE OF COMPANY, 2012



Using Graph 15.6 it is possible to analyze the trends in payment practices of Slovenian companies in 2012 in terms of payment class and sector.

There is a more or less uniform behavior in relation to punctual payments: the percentage of punctual payers in the Financial Services and Services sectors is 44% and above, meanwhile the other sectors have between 35.7% and 39.8% of companies in the By Due Date class.

All the sectors considered have a greater propensity to pay suppliers up to 30 days late (more than 50% in most cases).

The Mining sector is more problematic in relation to other late payment classes: 14.2% of companies pay suppliers with an average delay of between 30 and 90 days, while 3% exceed 90 days beyond agreed terms.

GRAPH 15.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN SLOVENIA BY PRODUCT SECTOR, 2012

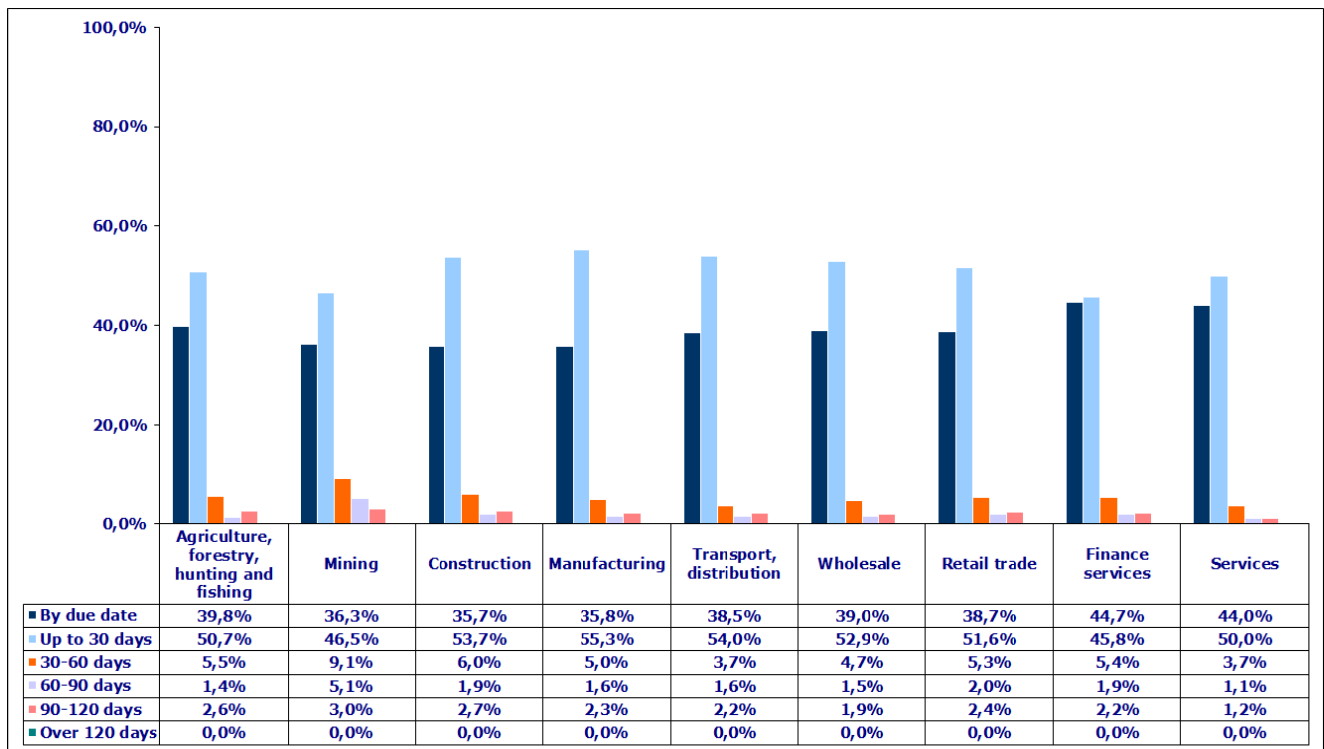


Table 15.7 shows the classification of the sectors with the most punctual payments in Slovenia over the course of 2012.

In first place we have Health Services (50.3% of payments by due date), followed by Depository Institutions, with 49.3% of good payers.

Among those with the greatest difficulty in managing payments (Table 15.8) we find two sectors: Textile mill products with 4.8% of payment delays of over 90 days on average, and Paper and allied products with 4.2%.

TABLE 15.7 SOURCE: CRIBIS D&B

## SECTORS WITH THE BEST PAYMENT RECORDS IN SLOVENIA, 2012

Sector	Ranking 2012
HEALTH SERVICES	1
DEPOSITORY INSTITUTIONS	2
HOLDING AND OTHER INVESTMENT OFFICES	3
ENGINEERING & MANAGEMENT SERVICES	4
ELECTRICAL, GAS AND SANITARY SERVICES	5
MEMBERSHIP ORGANIZATIONS	6
PERSONAL SERVICES	7
BUSINESS SERVICES	8
SOCIAL SERVICES	9
INSTRUMENTS AND RELATED PRODUCTS	10



TABLE 15.8 SOURCE: CRIBIS D&B

**SECTORS WITH THE WORST PAYMENT RECORDS IN SLOVENIA, 2012**

<b>Sector</b>	<b>Ranking 2012</b>
<b>TEXTILE MILL PRODUCTS</b>	<b>56</b>
<b>PAPER AND ALLIED PRODUCTS</b>	<b>55</b>
<b>TRANSPORTATION EQUIPMENT</b>	<b>54</b>
<b>GENERAL MERCHANDISE STORES</b>	<b>53</b>
<b>FOOD AND ASSOCIATED PRODUCTS</b>	<b>52</b>
<b>INSURANCE AGENTS, BROKERS &amp; SERVICES</b>	<b>51</b>
<b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b>	<b>50</b>
<b>FOOD STORES</b>	<b>49</b>
<b>AUTOMOTIVE DEALERS &amp; SERVICE STATIONS</b>	<b>48</b>
<b>PRIMARY METAL INDUSTRIES</b>	<b>47</b>

The payment situation for Slovenia shows a somewhat uniform trend with levels similar to European averages. In fact, Slovenian companies that respect agreed payment terms reach 39.8%, an improvement compared with previous years and with a difference of 0.7 percentage points compared to the European average.

From 2009 to the present, Slovenia has also seen improvements in the more serious late payment classes: payments made over 90 days late on average are at 2%, which is 1.3 percentage point below the European average.

On a sector level, the Mining sector has significant problems, with over 14% of companies paying on average between 30 and 90 days late, and 3% of "bad payers".

In conclusion, Slovenia is placed in an intermediate position compared to other countries analyzed in the Payment Study, and is still a long way from the top performers in Europe.

## 16. HUNGARY

Below is the opinion of **Katalin Garami, Business Development Manager at Dun & Bradstreet Hungária Kft**, on the economic scenario and payment situation in Hungary.

*"The outlook for 2012 was not so good. The whole country was expecting that after the financial crisis the economy would start to grow, but unfortunately the situation didn't change. Most companies began to be more cautious with their customers.*

*In 2012 compared with 2011 more businesses declared bankruptcy, and so the situation for companies in Hungary has been very difficult (in 2011 it was 3.65%, in 2012 it was 4.07%).*

*What we can see in Hungary is that companies started to find complex solutions, and small companies also started to use risk management solutions instead of using the free information that they can easily find on the market.*

*The outlook for 2013 is also not so good. The economy is not expected to change much as most companies need it to start growing or reach targets.*

*The average payment term exceeded last year's figures. In 2011 the Q4 figures were better than in the same period in 2012. In summary, the average payment term was 30 days, which is more than in 2011, but it is not because the companies have better payment behavior. It showed that they ask for payment in advance or they give a discount if they pay early.*

*We still have some sectors where the payment term and delay are extremely high (paper, printing, construction...etc).*

*The main reason for payment delays is the financial situation. Companies try to pay as late as possible, because 1. they have a more important invoice they have to pay, 2. they are also waiting for money from another company. There is a new law (2011/7/EU), which we also have to set up in our legal system. What is dictated the payment term in 30 days. But the businesses have no power to validate they right.*

*To improve their DSO and Working Capital they are still trying to work with those businesses with which they have a good relationship or big, reliable companies. If there is a new client they almost always ask for prompt payment in the first period or pay in advance."*

### Payment analysis

Table 16.1 reports the recent trend in the percentage of companies in Hungary that are able to pay within agreed terms.

At the end of 2012, 43.5% of Hungarian companies paid suppliers on time, which is an improvement on the performance seen in recent years (+4.4 percentage points compared to the European average).

Table 16.2, on the other hand, analyzes the trends associated with Hungarian companies that have problems in managing payments to suppliers. The share of "bad payers" (over 90 days on average) is 2.3%, a percentage point below the European average.

Table 16.3 shows the variations recorded in recent years in more detail in relation to the distribution of Hungarian companies with respect to payment classes.

Compared with 2009, there has been a clear increase in "good payers" of 7.2 percentage points, and at the same time a 7.3% reduction in companies making moderately late payments ("Up to 90 days").

The share of punctual payments, on the other hand, has increased by 2.7% compared with 2011, which has been almost completely absorbed by the intermediate late payment class (Up to 90 days).

Serious late payments (Over 90 days) have been more or less stable over the last three years, with fluctuations limited to 0.1%.

TABLE 16.1 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN HUNGARY WITH ON TIME PAYMENTS, 2009-2012

	2009	2011	2012
Hungary	36.3%	40.8%	43.5%
Europe	39.4%	37.8%	39.1%

TABLE 16.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN HUNGARY WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2009-2012

	2009	2011	2012
Hungary	2.2%	2.4%	2.3%
Europe	5.8%	3.1%	3.3%

TABLE 16.3 SOURCE: CRIBIS D&B

#### VARIATIONS IN PAYMENT PRACTICES IN HUNGARY, 2009-2012

	Variation 2009/2012	Variation 2011/2012
By due date	7.2%	2.7%
Up to 90 days	-7.3%	-2.6%
Over 90 days	0.1%	-0.1%

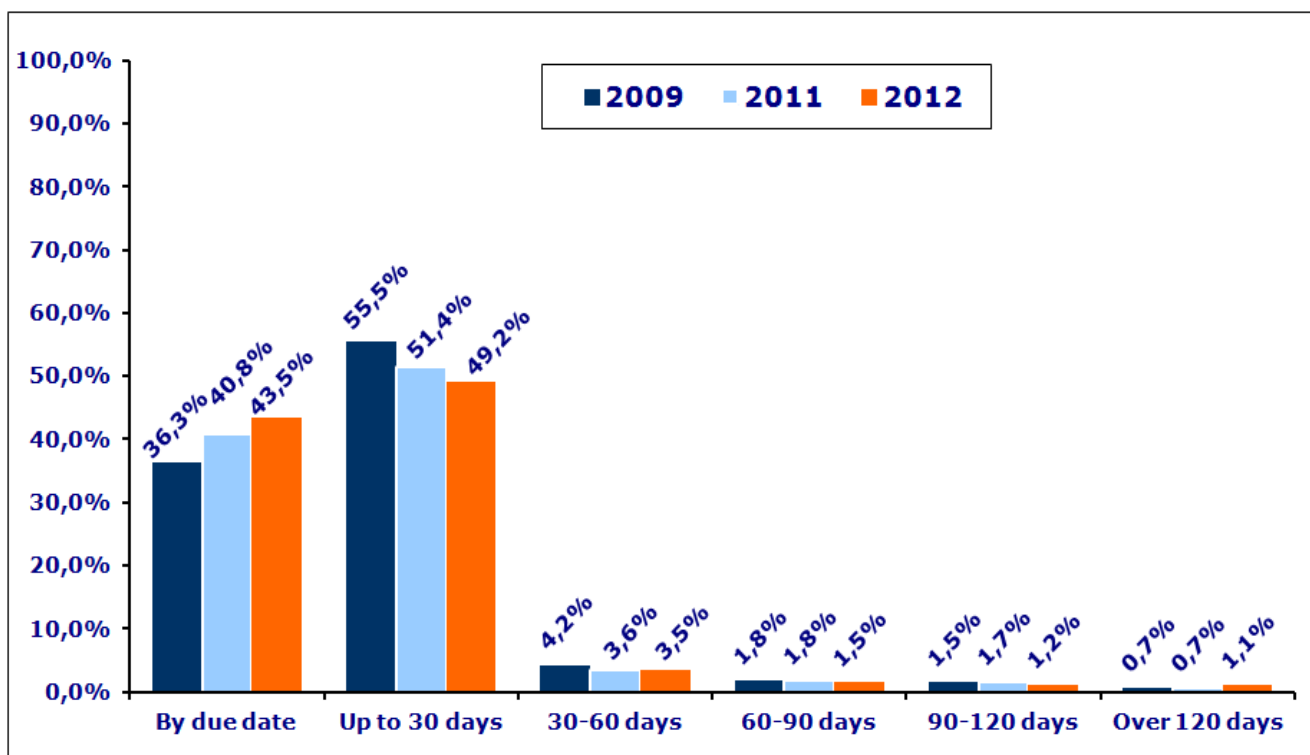
Looking at payment classes and comparisons with previous years in more detail, Graph 16.4 provides a more complete analysis of the trends in payment habits in Hungary over the course of 2012.

It is possible to see an improvement in this country: companies that respect agreed terms have grown by 7.2% in four years with a value of 43.5%, meanwhile the concentration in the Up to 30 days class has decreased by over 6 percentage points.

The share of companies that pay on average between 30 and 90 days late is more stable over time (5% in 2011) as is the share of companies that pay seriously late (2.3% in 2012).

GRAPH 16.4 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN HUNGARY BY PAYMENT CLASS, 2009-2012



Graph 16.5 shows the payment habits of Hungarian companies in terms of company size.

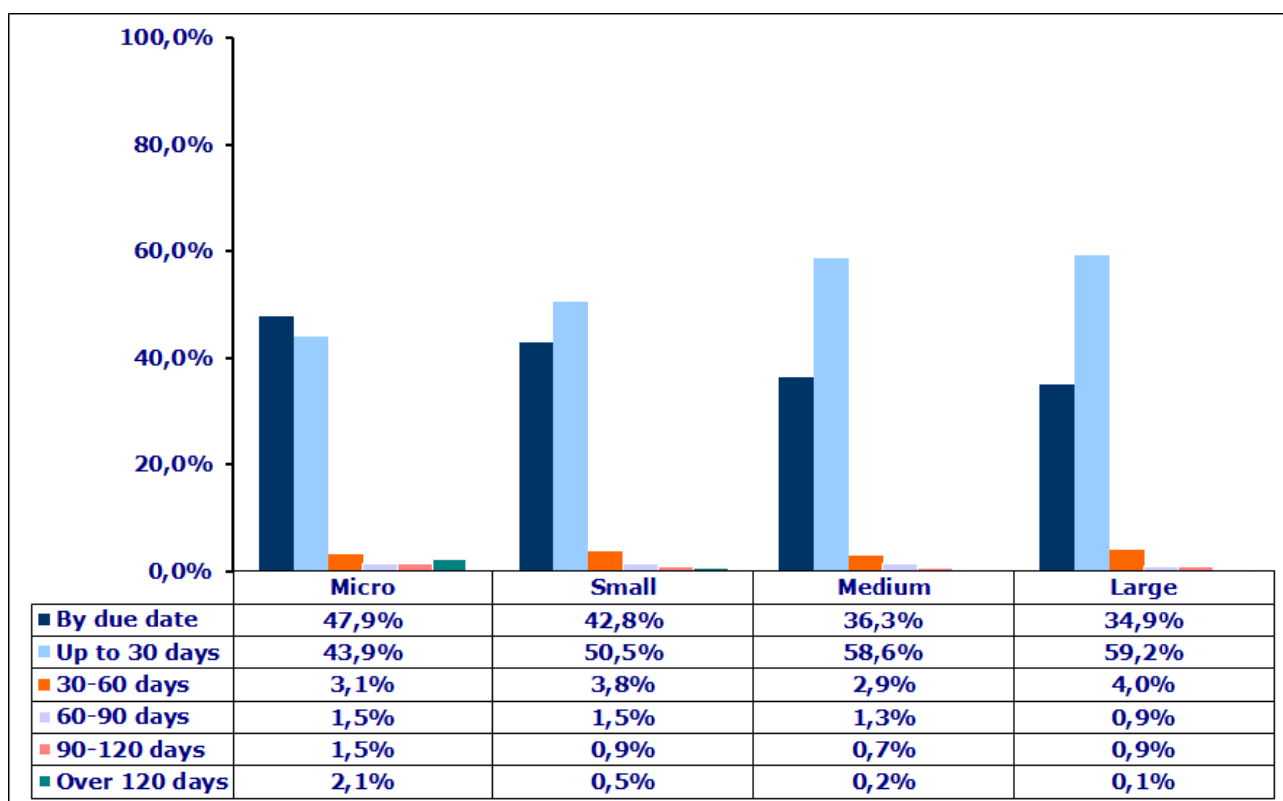
Micro companies have a higher concentration in the punctual payers category (47.9%), while the situation is more problematic for Medium and Large companies for which less than 36.5% of the total are in this class.

In the intermediate late payment class (between 30 and 90 days on average) there are more contained differences between the four categories analyzed.

Late payments of over 90 days account for 3.6% of Micro companies and 1.4% of the total number of Small Companies. The percentages of Medium and Large companies in the more serious late payment class do not exceed one percentage point.

GRAPH 16.5 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN HUNGARY BY TYPE OF COMPANY, 2012



Graph 16.6 gives more details on payment practices in Hungary in 2012 in relation to sectors, and it is possible to see a general uniformity in payment behavior for all the sectors analyzed.

Services, Transport and Distribution, and Financial Services have the best payment performances, with more than 46% of punctual payers.

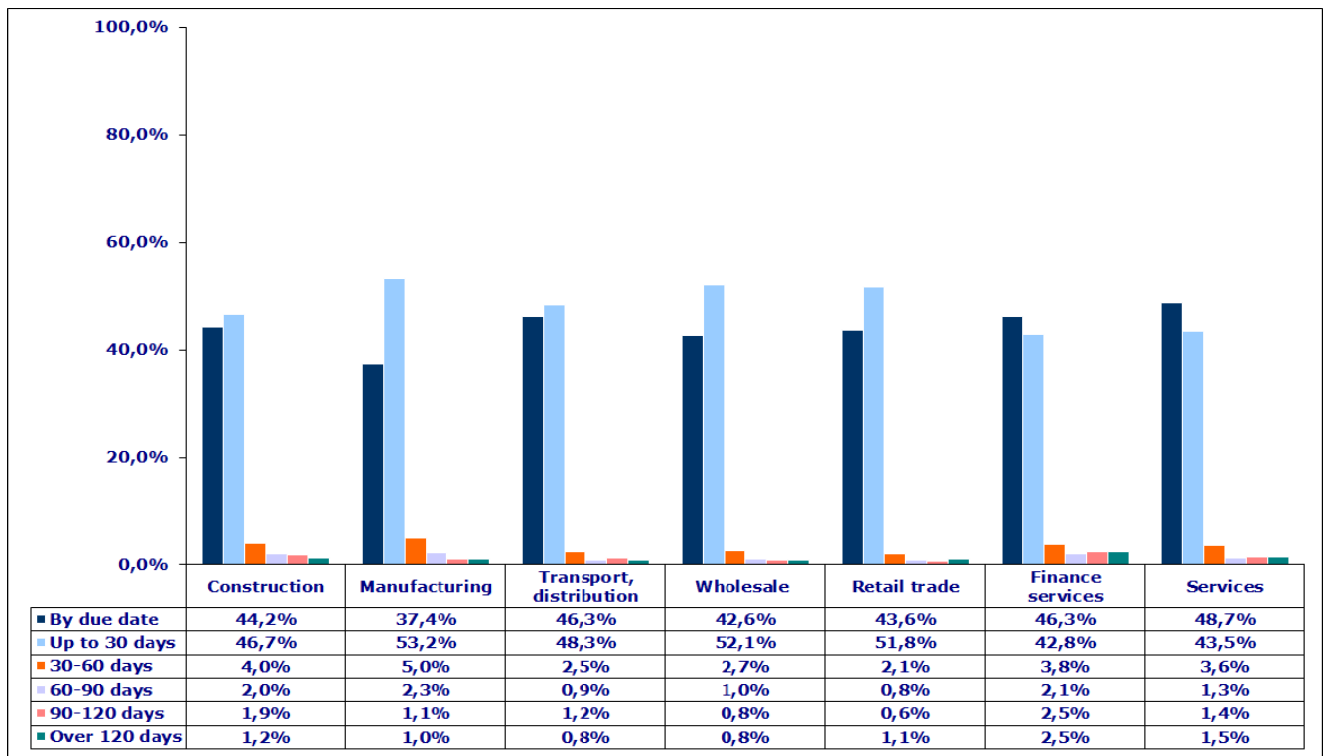
A large part of Hungarian companies are in the Up to 30 days class, with values varying between 42.8% for Financial Services and 53.2% for the Manufacturing sector.

For the intermediate late payment class (between 30 and 90 days on average), the highest value is seen for the Manufacturing group with 7.3% of the sample.

Furthermore, 5% of companies included in the Financial Services sector pay their suppliers seriously late (over 90 days on average), which together with the Construction sector (3.1%) have the worst payment performance.

GRAPH 16.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN HUNGARY BY PRODUCT SECTOR, 2012



Tables 16.7 and 16.8 show the best and worst sectors in terms of payment performance in Hungary in 2012.

In first place in the best sector classification we find Health Services, with over 66% of punctual payers, followed by Automotive dealers & services stations, with around 55%.

On the other hand, in relation to serious late payments, the Real Estate sector is the worst, where 6.5% of companies pay more than 90 days late.

Second position in the ranking of worst sectors is Auto repair, services and parking, again with more than 6% in this payment class.

TABLE 16.7 SOURCE: CRIBIS D&B

### SECTORS WITH THE BEST PAYMENT RECORDS IN HUNGARY, 2012

Sector	Ranking 2012
HEALTH SERVICES	1
AUTOMOTIVE DEALERS & SERVICE STATIONS	2
ENGINEERING & MANAGEMENT SERVICES	3
EDUCATIONAL SERVICES	4
MISCELLANEOUS REPAIR SERVICES	5
TRUCKING AND WAREHOUSING	6
COMMUNICATIONS	7
GENERAL MERCHANDISE STORES	8
HEAVY CONSTRUCTION, EXCEPT BUILDING	9
MISCELLANEOUS RETAIL	10

**SECTORS WITH THE WORST PAYMENT RECORDS IN HUNGARY, 2012**

<b>Sector</b>	<b>Ranking 2012</b>
<b>REAL ESTATE</b>	<b>38</b>
<b>AUTO REPAIR, SERVICES AND PARKING</b>	<b>37</b>
<b>APPAREL AND ACCESSORY STORES</b>	<b>36</b>
<b>LUMBER AND WOOD PRODUCTS</b>	<b>35</b>
<b>HEALTH SERVICES</b>	<b>34</b>
<b>AMUSEMENT &amp; RECREATION SERVICES</b>	<b>33</b>
<b>AUTOMOTIVE DEALERS &amp; SERVICE STATIONS</b>	<b>32</b>
<b>EDUCATIONAL SERVICES</b>	<b>31</b>
<b>PRINTING AND PUBLISHING</b>	<b>30</b>
<b>HOTELS AND OTHER LODGING PLACES</b>	<b>29</b>

The payment situation described for Hungarian companies shows a somewhat consistent trend with the average levels observed in a European context, and a pattern of improvement in punctual payments.

In fact, in 2012 in Hungary, companies that respected established terms reached 43.5%, a rather significant increase compared to previous years, and 4.4 percentage points higher than the European average.

From 2009 to the present, the trend in late payments of over 90 days on average has remained more or less the same with a level of 2.3%. However, there has been a slight worsening (+0.4%) of very late payments of over 120 days late on average.

In terms of sectors, the Transport sector stands out for its good payment performance: contrary to most other countries, 46.3% of its companies pay within agreed terms.

The worst performance is seen in the Financial Services sector, with 5% of "bad payers" (over 90 days late on average).

Hungary, therefore, is in an intermediate position compared to other countries analyzed in the Payment Study, and is still a long way from the top performers in Europe.

## 17. POLAND

Below is the opinion of **Tomasz Starzyk, PR Manager at D&B Poland**, on the economic scenario and payment situation in Poland.

*"Polish companies are doing well, improving their financial standing since last year. In Poland, the most dynamic companies of the crisis came from small and medium sized businesses. Improvement could be seen primarily in company flexibility, a rapid response to change, good management decisions and a good macroeconomic environment in the country itself.*

*All indications are that large Polish companies have coped well with the recession in the market. Financial data show that companies have for several years been systematically putting funds in their savings accounts. Saving tried to wait out tough times. Unfortunately, at the expense of investment and innovation in new technologies and products. Not infrequently, also looking for additional savings in salary for employees.*

*A striking fact is that Polish businesses have managed to maintain existing employment levels, and unemployment has not grown as dramatically as in other European countries.*

*Payment terms granted in Poland vary, especially in terms of individual industries and geographical area. However, the most common payment terms are beyond 30 days, less 21 days. Using this approach allows payment to be made on a monthly basis. Payment terms are a key part of business credit negotiations. Longer terms are subject to the functioning of the market. From a lender perspective, however, it is most important to ensure that repayment terms are met, which in turn will help maintain liquidity.*

*It is true that many Polish businesses do not pay invoices on time. In this way the credits to their activities. They are basically getting free loans from their contractors. What's more, this situation of backing up payments can even earn money by placing the money that should be used to pay bills in an interest-bearing account.*

*Many Polish businesses have begun to use business intelligence, monitoring the financial status of their customers. Closely related to this is the growing awareness of business intelligence services as well as insurance and factoring. Unfortunately, still too many businesses in Poland are not paying their contractors, defending themselves against loss of liquidity caused by the congestion payment of weapons."*

### Payment analysis

Table 17.1 reports the 2008-2012 trends in the percentage of punctual payers in Poland.

Companies that respect agreed terms at the end of 2012 represent 23.7% of the total, a fall compared with 2011, and 15.4 percentage points below the European average.

It is this very low value of punctual payments that places Poland in the penultimate position in comparison to the other countries analyzed in the Payment Study (the worst performance relates to Portugal).



On the other hand, Table 17.2 shows the trends in serious late payments (over 90 days on average) in Poland compared with the European average.

Again, the country does not perform well.

Polish companies have a percentage of 12.5% of the total, the highest value in a European context in 2012.

Table 17.3 gives a better view of the changes to payments in Poland in recent years, and variations in the distribution of companies by payment class can be assessed.

Compared with 2008, the percentage of companies that pay on time has decreased by 23.3 percentage points, with a resulting increase in the other payment classes and an increase of over 5% in the share of "bad payers".

Compared to last year, punctual companies have also decreased by 11 percentage points. This variation was largely absorbed by the Up to 90 days class (+9.1%), while the proportion of companies paying seriously late grew by 1.7%.

TABLE 17.1 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN POLAND WITH ON TIME PAYMENTS, 2008-2012

	2008	2011	2012
Poland	47.0%	34.5%	23.7%
Europe	40.0%	37.8%	39.1%

TABLE 17.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN POLAND WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2008-2012

	2008	2011	2012
Poland	7.2%	10.8%	12.5%
Europe	6.0%	3.1%	3.3%

TABLE 17.3 SOURCE: CRIBIS D&B

#### VARIATIONS IN PAYMENT PRACTICES IN POLAND, 2008-2012

	Variation 2008/2012	Variation 2011/2012
By due date	-23.3%	-10.8%
Up to 90 days	18.0%	9.1%
Over 90 days	5.3%	1.7%

Looking at Graph 17.4 it is possible to analyze the payment practices of Polish companies in relation to payment classes, comparing the results from 2008 to the present day.

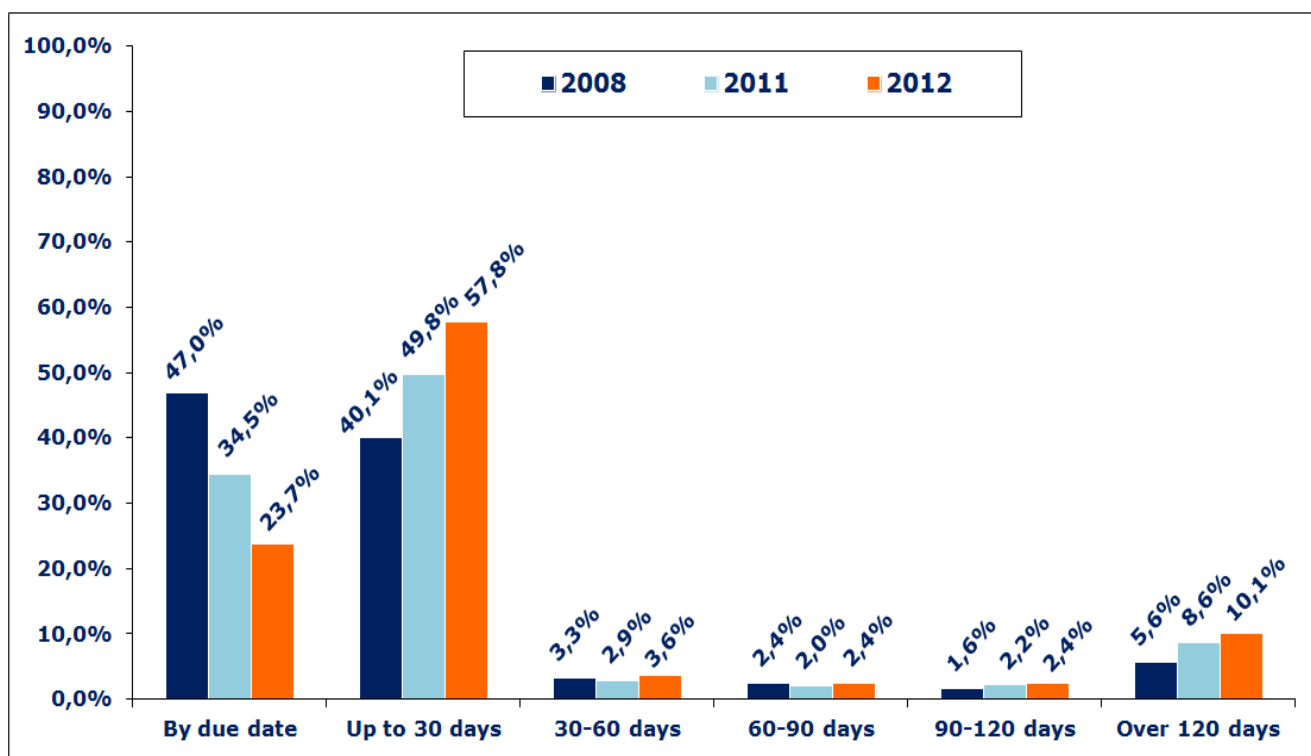
The percentage of companies paying their commitments on time has notably decreased over the years, reaching the lowest level of 23.7% at the end of 2012.

These changes have had consequences for the other payment classes. The Up to 30 days class, for example, had a concentration of 57.8% in 2012 (around 18 percentage points higher than 2008). The intermediate late payment classes (between 30 and 90 days on average) have an overall percentage of 6%, an increase of over one percentage point compared with 2011.

Furthermore, there has been a worsening in terms of very serious late payments (over 120 days on average): the concentration of companies has reached 10.1% and has grown by 4.5 percentage points in the last five years.

GRAPH 17.4 SOURCE: CRIBIS D&B

### PAYMENT PRACTICES IN POLAND BY PAYMENT CLASS, 2007-2012



Using Graph 17.5, it is possible to analyze the payment practices of Polish companies in detail in relation to company size.

The highest concentration of punctual companies (25.6%) is observed for Micro companies, meanwhile the percentage of "good payers" for larger companies is more contained, with only 16%.

As for many other European countries, in Poland there is a greater tendency to pay moderately late, limited to 30 days on average (values vary between 52.8% for Micro companies and 77% for Large companies).

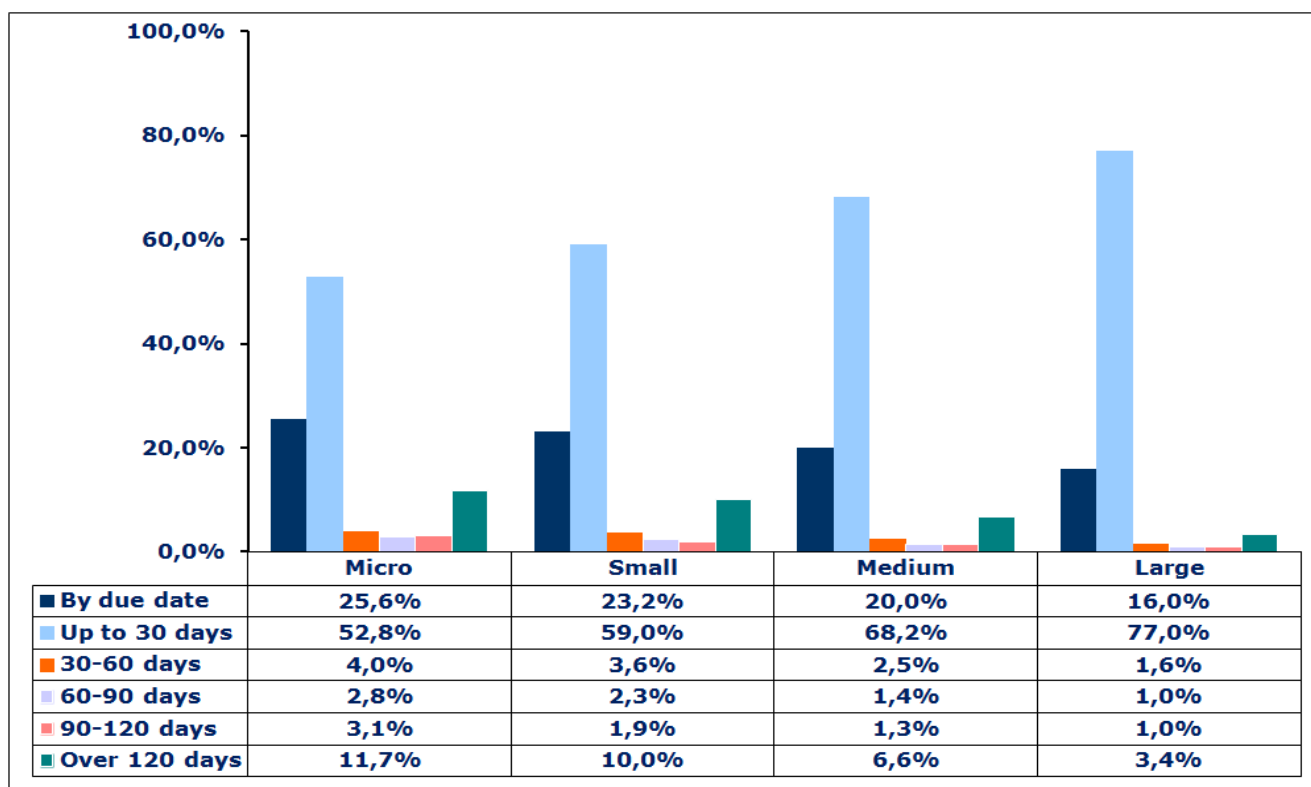
Micro companies have greater issues in relation to the intermediate late payment classes ("30-60 days" and "60-90 days") and serious late payment class.

In fact, for companies with less than 6 employees, late payments of between 30 and 90 days on average account for 6.8% of the total, meanwhile late payments of over 90 days account for 14.8% of the total.

The best performance is seen for Large companies, which have the same level of "bad payers" as 2011, of 4.4%.

GRAPH 17.5 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN POLAND BY TYPE OF COMPANY, 2012



Graph 17.6 shows 2011 payment habits in Poland in 2012 according to product macro-sector.

The Construction and Mining sectors stand out with the highest concentrations, although modest, in the By Due Date payment class, with 31.5% and 29.5%, respectively.

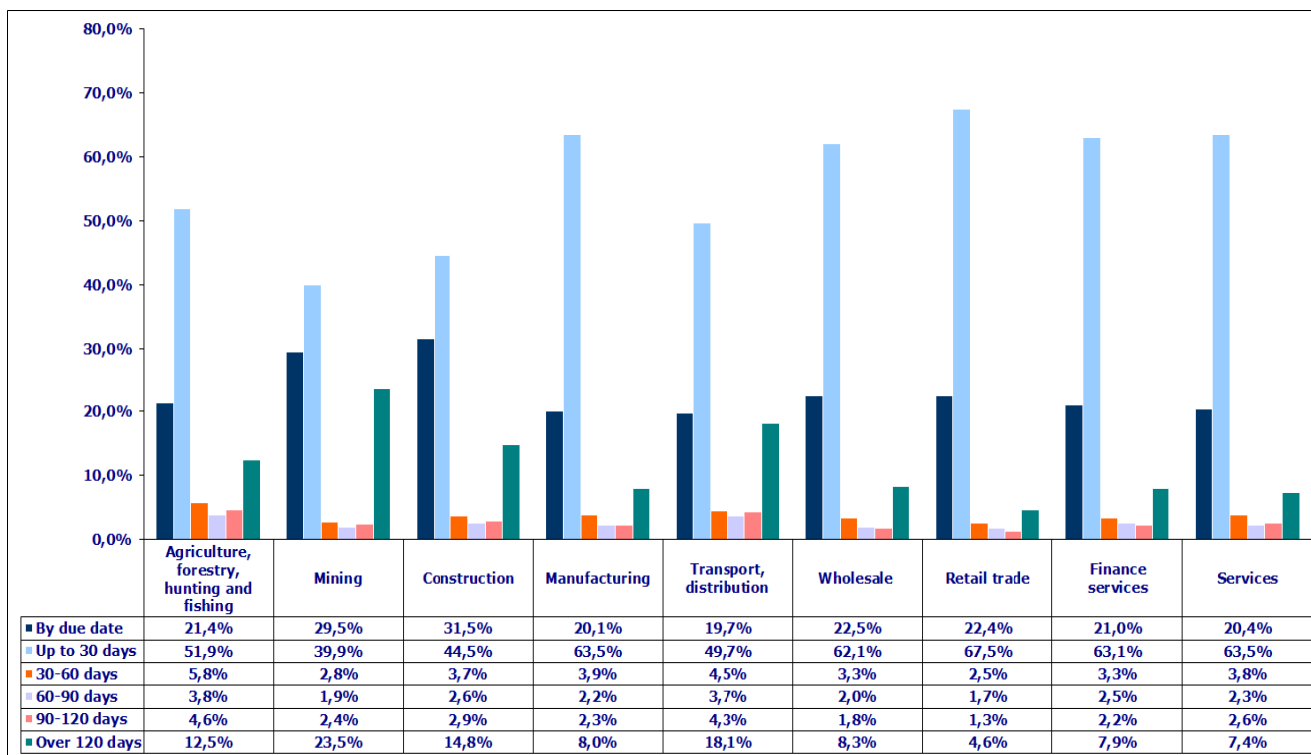
A large part of Polish companies are in the Up to 30 days class, with values varying between 39.9% for Mining and 67.5% for the Retail Trade sector.

On the other hand, in the intermediate late payment class, the sectors Agriculture, forestry, hunting and fishing and Transport and Distribution have the highest concentrations (over 8%).

Finally, the worst performances in the serious late payment classes (over 90 days on average) were seen in the Mining and Transport and Distribution sectors, with levels of 22% and over in this bracket.

GRAPH 17.6 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN POLAND BY PRODUCT SECTOR, 2012



Tables 17.7 and 17.8 show the best and worst micro-sectors in terms of payment performance in Poland in 2012.

Among the best micro-sectors are Metal mining and Justice, public order and safety, both with 50% of punctual payments.

The highest level of late payments, on the other hand, relate to the Trucking and warehousing sector, with 26.4% of companies paying more than 90 days late. This is followed by Agricultural production – Crops, with a percentage of 18.3%.

The remaining micro-sectors listed in Table 17.8 have concentrations greater than 13% in the late payment class being considered.

TABLE 17.7 SOURCE: CRIBIS D&B

### SECTORS WITH THE BEST PAYMENT RECORDS IN POLAND, 2012

Sector	Ranking 2012
METAL MINING	1
JUSTICE, PUBLIC ORDER AND SAFETY	2
HEAVY CONSTRUCTION, EXCEPT BUILDING	3
PIPELINES, EXCEPT NATURAL GAS	4
MUSEUMS, BOTANICAL, ZOOLOGICAL GARDENS	5
SPECIAL TRADE CONTRACTORS	6
ELECTRONIC & OTHER ELECTRICAL EQUIPMENT	7
INSURANCE CARRIERS	8
ADMINISTRATION OF ECONOMIC PROGRAMS	9
MISCELLANEOUS RETAIL	10

# **SECTORS WITH THE WORST PAYMENT RECORDS IN POLAND, 2012**

<b>Sector</b>	<b>Ranking 2012</b>
<b>TRUCKING AND WAREHOUSING</b>	<b>58</b>
<b>AGRICULTURAL PRODUCTION - CROPS</b>	<b>57</b>
<b>SPECIAL TRADE CONTRACTORS</b>	<b>56</b>
<b>AGRICULTURAL SERVICES</b>	<b>55</b>
<b>SERVICES</b>	<b>54</b>
<b>SOCIAL SERVICES</b>	<b>53</b>
<b>LOCAL AND INTERURBAN PASSENGER TRANSIT</b>	<b>52</b>
<b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b>	<b>51</b>
<b>NONDEPOSITORY INSTITUTIONS</b>	<b>50</b>
<b>INSURANCE AGENTS, BROKERS &amp; SERVICES</b>	<b>49</b>

Following a slight improvement registered in 2011, payment habits in Poland have shown negative signs in the last twelve months.

The companies that respect agreed terms have reached 23.7%, a decrease compared with the previous year, and 15.4 percentage points below the European average.

In reference to punctual payments, we can see that Poland is in last place in the ranking of all the countries analyzed in the Payment Study.

Polish companies also show difficulty in managing payments with a delay of more than 90 days: the concentration in this class is 12.5% of the total, which is 9 percentage points above the European aggregate.

On a sector level, Construction and Mining are the sectors with the highest percentages of punctual payments (more than 29%), even if the values are very low in an international context. 2012, therefore, confirms a rather problematic situation in payment habits in Poland, which are struggling to reach levels seen in past years.

## 18. CZECH REPUBLIC

Below is the opinion of **Petra Horáková, DUN Trade Project Manager di D&B – Czech Republic**, on the economic scenario and payment situation in Czech Republic.

*"GDP in the Czech Republic reached the peak in 2006, the level of 7%. After that, there was a slowdown or even recession 5.7% in 2007, 3.1% in 2008, a drop of 4.5% in 2009 and gradual revival in 2010 to 2.5 % and 1.9 % in 2011. Unfortunately last year we experienced a decrease again, by 1.2 %. Forecasts for 2013 range from decline 0.3 to 0.8 % growth, while in 2014 growth in the range 0.5 to 2.4 %.*

*Development of GDP in 2012 was affected by: extremely weak consumer demand, companies capital expenditure reduction, industrial output decrease by 1.2 % (after a strong 6.9% growth in 2011 and 10.2% in 2010), impact of VAT rate increase, reduced economy confidence and weakness of the consumer and construction. The surplus in foreign trade is no longer able to compensate for the fall in domestic consumption.*

*Czech economy is highly open and dependent on foreign demand. Foreign trade in 2012 resulted in a surplus of CZK 310.8 billion (an increase of 119.6 billion). Annual export grew by 6.4 % and import by 2.4%. The main outputs are machinery, transport equipment and industrial consumption goods. Most exports are to EU countries, with 30% in Germany. There is moderate risk of weakening EU demand so the importance of Russia grows, the amount traded increased by about one third in one year. In January 2013 the foreign trade of the Czech Republic ended with a surplus of CZK 31.5 billion, about 1.1 billion more than in the same period last year.*

*The Czech Republic is the target of high volume foreign direct investments. Due to privatization in 2005, the Czech Republic received more than 279 billion CZK. Significant drop due to the economic crisis occurred in 2009 to 55.8 billion CZK. In 2010, there was a strong capital inflows again up to the level of 117.3 billion CZK and reduce to 41 billion CZK in 2011. In 2012 foreign direct investments accelerated to the level of 207.4 billion CZK due to reinvested profits, capital increases and the amendment to the Act on Investment Incentives in force since mid-year.*

*Average exchange rate for 2009 was 26.45 CZK / EUR (19.06 CZK / USD), 2010 25.29 (19.11), 2011 24.59 (17.69) and 2012 25.14 (19.59). Expected development in 2013 is 24.9 CZK / EUR (19.2 CZK / USD) and 24.8 (or 19.1) in 2014. Due to a certain relation Czech crown – Euro there is usually copied movements against the dollar. But still with its own currency, our economy is ready to face another downturn in Eurozone.*

*Inflation in the Czech Republic is relatively stable since 2002. The exception became in 2008 growth up to 6.3 % due to the sharp increase in commodity prices on world markets, changes in taxes (VAT rate increase from 5 to 9 % at a reduced rate). Since 2009, the annual inflation stands at 1-3,3%. Similar trend is expected in 2013 2.1% and in 2014 1.8%.*

*The number of people out of work in the Czech Republic is below the long term average of EU member states. End of 2012, unemployment reached 7.2%. Long, the margin ranges are between 4.5 and 8.2 %. The nominal wage approximately corresponds to the evolution of inflation so the real wage indicated negligible change of 0.6 % in 2012. Top fields are banking, insurance, information and communication services, manufacturing and distribution of electricity,*

gas and heat. Conversely there are accommodation, catering, administration, agriculture, forestry and fisheries.

Payment behavior corresponds to the economy development. The period during 2008, 2009 and in some sphere also in 2010 was worst due to the global crisis. Significant drop and most fluctuations have occurred in transport and construction field. There is a highly competitive environment and exceptionally long time due invoices. Large number of small and medium-sized players has disappeared. The average payment behavior development has coincided with retail and engineering sector. Above-average values are achieved consistently in health, education and agriculture.

The average payment was overdue for 20 days in 2008, 22 in 2009, 19 in 2010, 14 in 2011 and 12 in 2012. In 2013 we expect stabilization and values between 11 and 15 days overdue. Companies gradually use more credit risk management tools, screening and monitoring of trade partners and payment behavior. Despite the awareness of the negative payment history is in 2012 around 46% of commitments paid before maturity, another 46% within 30 days after the due date, 5% between 31 to 60 days and 3% with longer delay.

Complex models offer prediction how likely the companies may get into finance trouble to meet its obligations and usually leading to insolvency proceedings in the next 12 months. The probability is expressed as a percentage and in the Czech Republic 88% of companies have this risk by 3.5%, 8% of the company's risk 3,5-8% and 6% of the company is higher than 8%."

## Payment analysis

Before analyzing the payments practices of Czech companies in 2012 in detail, let's look at the trends in punctual payments and the more serious late payment classes in the last three years (Tables 18.1 and 18.2).

The percentage of companies that paid their commitments within agreed terms in 2012 was 30.9%, which is 8.2 percentage points below the European average.

If, on the other hand, we consider the share of serious late payments (over 90 days on average), the Czech Republic is in a better position than the European average: "bad payers" represent 1.2% of the total, which is 2.1 percentage points less than the European figure.

Table 18.3 shows the changes seen in recent years in more detail in relation to the distribution of companies by payment classes in the Czech Republic.

The variations are quite contained in all the classes: compared with 2010, the companies that pay suppliers within agreed deadlines has increased by 1.1 percentage points, while the intermediate late payment class has decreased by 0.7%, and the serious late payment class by 0.4 percentage points.

The comparison with 2011 shows a 1.5% increase in punctual payments and an improvement in other late payment classes. Specifically, the share of "bad payers" has improved by 0.2% in a year.

TABLE 18.1 SOURCE: CRIBIS D&B

### PERCENTAGE OF COMPANIES IN THE CZECH REPUBLIC WITH ON TIME PAYMENTS, 2010-2012

	2010	2011	2012
Czech Republic	29.8%	29.4%	30.9%
Europe	40.4%	37.8%	39.1%

TABLE 18.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN THE CZECH REPUBLIC WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2010-2012

	2010	2011	2012
Czech Republic	1.6%	1.4%	1.2%
Europe	2.9%	3.1%	3.3%

TABLE 18.3 SOURCE: CRIBIS D&B

#### VARIATIONS IN PAYMENT PRACTICES IN THE CZECH REPUBLIC, 2010-2012

	Variation 2010/2012	Variation 2011/2012
By due date	1.1%	1.5%
Up to 90 days	-0.7%	-1.3%
Over 90 days	-0.4%	-0.2%

The payment situation in the Czech Republic over the course of 2012 remains stable, including when looking at the detailed analysis of payment habits according to the different payment classes (Graph 18.4).

There was a greater concentration of payments between 1 and 30 days late on average with 64.2% of the total, compared with a not particularly high level of punctual payments (30.9%).

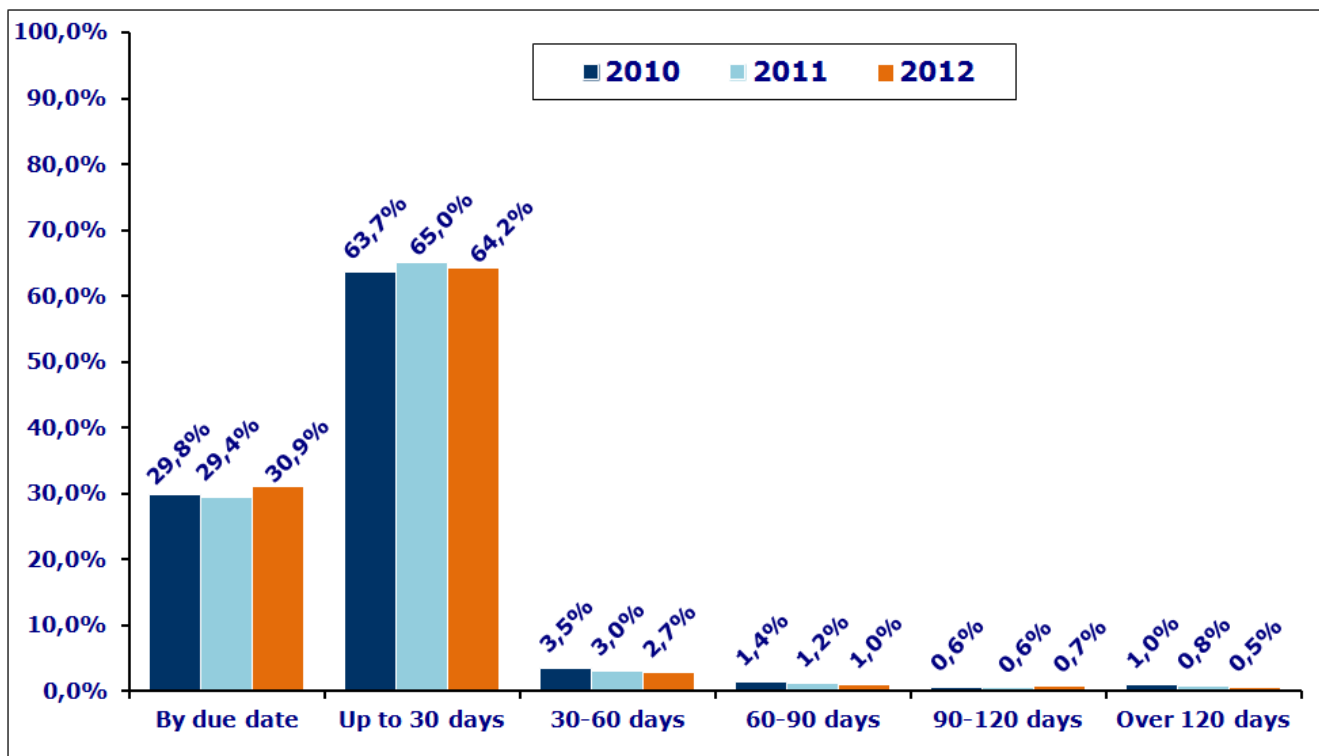
The intermediate late payment classes remain more or less unchanged compared to the previous twelve months: the 30-60 days and 60-90 days classes comprised 3.7% of companies, with a decrease of 1 percentage point compared to the value in 2010 (4.9%).

Furthermore, the Czech Republic has improved in relation to very late payments (over 120 days on average), which have halved in the last two years and reached a level of 0.5%.

GRAPH 18.4 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN THE CZECH REPUBLIC BY PAYMENT CLASS, 2010-2012





Graph 18.5 shows a detailed analysis of the payment practices of companies in the Czech Republic by company size, and helps identify the most significant differences in the behavior of the different types under consideration.

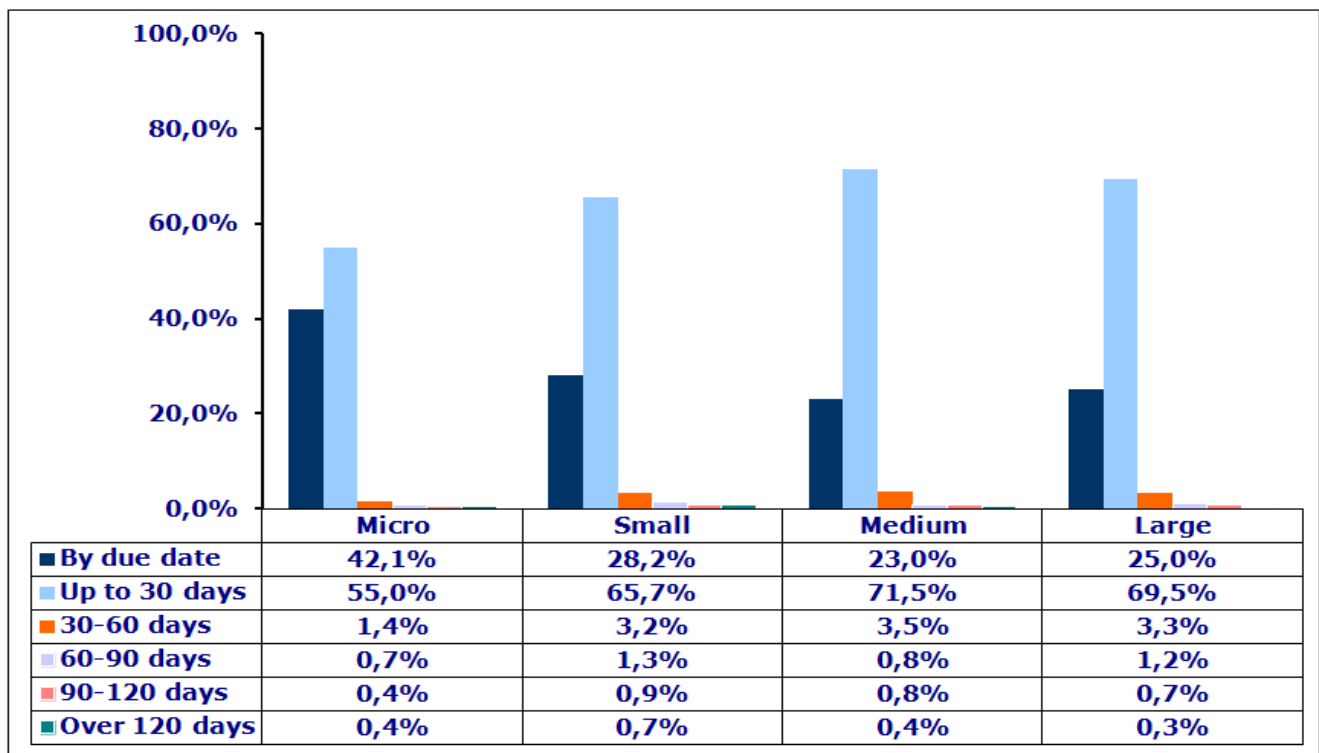
Micro companies exhibit the best payment behavior with 42.1% of the total paying suppliers within agreed terms.

The lowest percentage of "good payers" relates to Medium-sized companies with 23%, while 71.5% of companies fall within the Up to 30 days late payment class.

In relation to moderate and serious late payments, Micro companies show the best performance, with the lowest concentration in these classes compared to the other company types: in 0.8% of cases, payments are more than 90 days late on average, while 2.1% of companies pay between 30 and 90 days late on average.

GRAPH 18.5 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN THE CZECH REPUBLIC BY TYPE OF COMPANY, 2012



Using Graph 18.6, it is possible to analyze the payment practices of Czech companies in relation to macro-sectors.

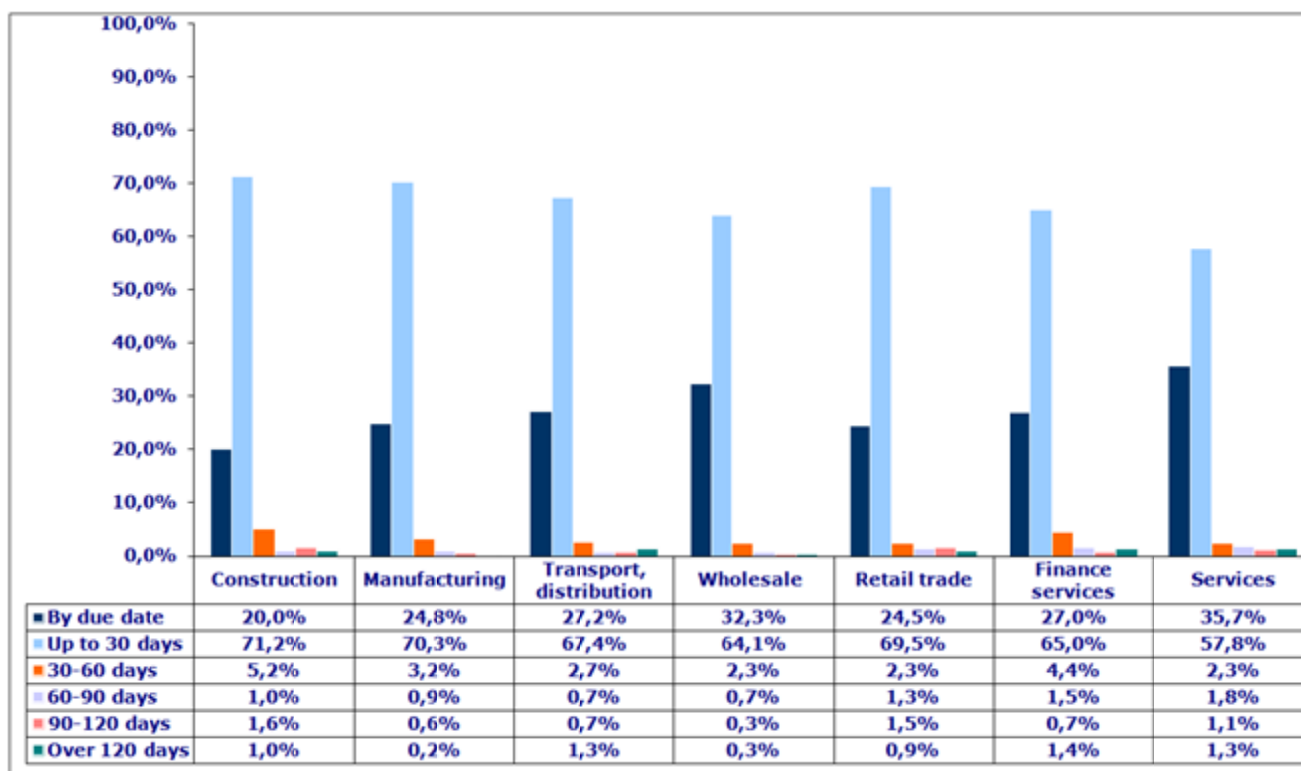
Almost all sectors analyzed in the study tend to manage payments with a delay of between 1 and 30 days on average: in all sectors there was a concentration above 57%.

Construction is the sector with the most critical management of payments: only 20% of companies in this sector fall within the By due date class, with 2.6% paying more than 90 days late on average.

Services, on the other hand, is the best performing sector on a national level in terms of punctual payments, with around 36% of companies that meet their commitments within agreed terms; this is followed by Wholesale with 32.3% of "good payers" and the lowest concentration of companies that pay seriously late (0.6%).

GRAPH 18.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN THE CZECH REPUBLIC BY PRODUCT SECTOR, 2012



In 2012, the Czech Republic had a very stable payment system compared with previous years in all of the late payment classes analyzed.

The percentage of punctual companies has remained more or less unchanged with a percentage of 30.9% of the total, 8.2 percentage points from the European average. In addition, a further 64.2% of companies in the Czech Republic fall within the Up to 30 days class.

There have been improvements in the other late payment classes: in particular, the concentration of very serious late payments (over 120 days on average) in December 2012 was 0.5%.

On a sector level, the sectors which stand out are Services and Wholesale, with over 32% of punctual payments, while there is below average performance for the Construction sector both for serious late payments (2.6%) and punctual payments (20%).

We can conclude that the Czech Republic shows good payment performance in terms of serious late payments, and in fact holds one of the top spots in the international ranking of this variable. On the other hand, it is less efficient in the management of punctual payments and is still a long way off the other countries analyzed in the study.

## 19. FINLAND

### Payment analysis

Looking at the trends for companies in the extreme payment classes (punctual payments and late payments of more than 90 days), the results for Finland are positive, confirming the healthy state of payments in this country (Tables 19.1 and 19.2).

In fact, the percentage of Finnish companies that pay their suppliers on time reached 45.5% in 2012, with an increase of 7.2% compared with the previous year, and 6.4 percentage points above the European average.

On the other hand, companies that pay more than 90 days late represent only 0.3% of the total compared with the European level of 3.3%.

The improvement in the Finnish payment situation is also confirmed in Table 19.3, which reports the variations in distribution of companies between 2010 and 2012 in terms of payment classes.

The share of "good payers" ("By due date" class) increased by more than 7 percentage points compared with 2010 and 2011.

There was a reduction of a similar size in the intermediate payment class (Up to 90 days), meanwhile in terms of serious late payments (over 90 days on average), these remained more stable over time with a change of less than one percentage point.

TABLE 19.1 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN FINLAND WITH ON TIME PAYMENTS, 2010-2012

	2010	2011	2012
Finland	37.0%	38.3%	45.5%
Europe	40.4%	37.8%	39.1%

TABLE 19.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN FINLAND WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2010-2012

	2010	2011	2012
Finland	1.1%	0.1%	0.3%
Europe	2.9%	3.1%	3.3%

TABLE 19.3 SOURCE: CRIBIS D&B

### VARIATIONS IN PAYMENT PRACTICES IN FINLAND, 2010-2012

	Variation 2010/2012	Variation 2011/2012
By due date	8.5%	7.2%
Up to 90 days	-7.7%	-7.4%
Over 90 days	-0.8%	0.2%

Now let's look in more detail at payments in Finland with Graph 19.4 in which it is possible to see the distribution of Finnish companies by payment class.

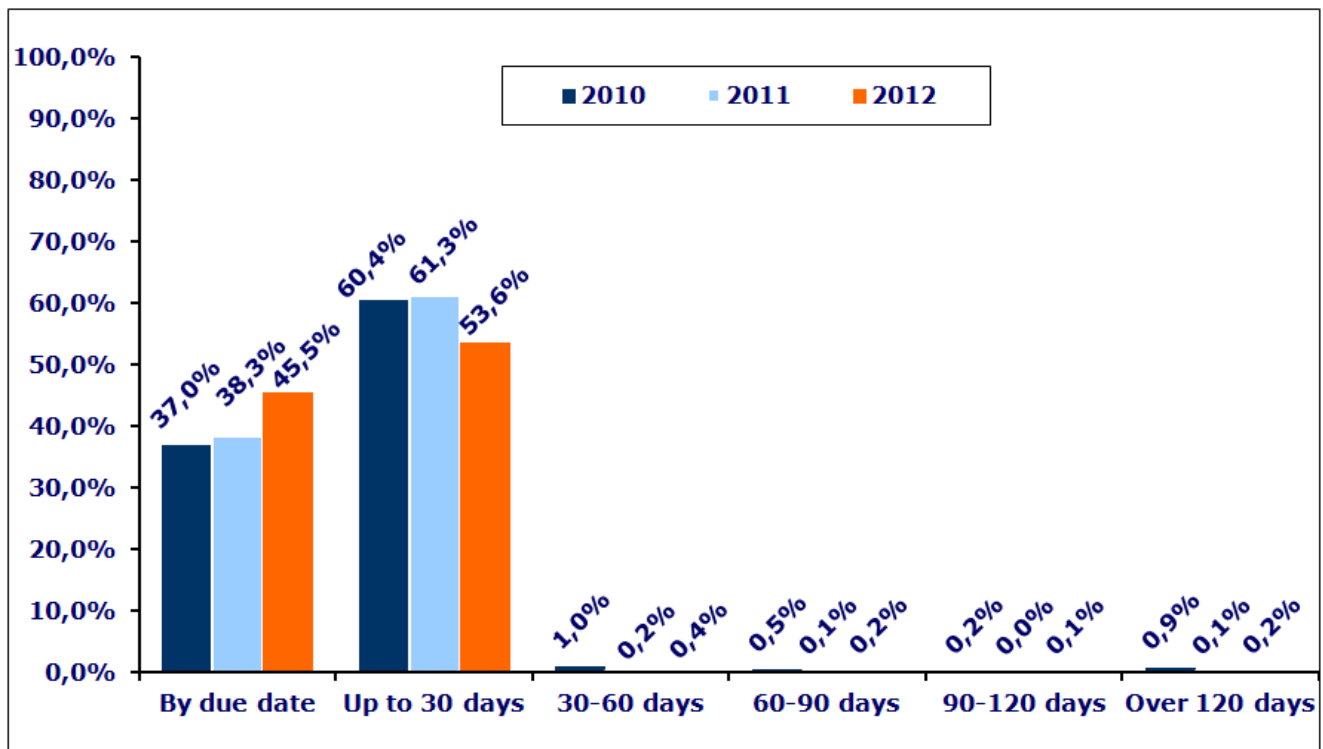
A significant improvement in punctual payments can be seen, which in 2012 reached 45.5% of the sample with a difference of 7.2% from the previous year.

Late payments of up to 30 days account for 53.6% of the total (-7.7% compared to 2011 and -6.8% compared to 2010), meanwhile, those of between 30 and 60 days have decreased by 0.3 percentage points compared to 2011 and account for 0.6%.

Finally, the most serious late payments involve only 0.3% of Finnish companies, which is the second lowest value recorded for all the countries analyzed in the study (the best performer is Denmark).

GRAPH 19.4 SOURCE: CRIBIS D&B

### PAYMENT PRACTICES IN FINLAND BY PAYMENT CLASS, 2010-2012



Graph 19.5 shows a detailed analysis of the payment practices of companies in Finland by company size, and identifies a somewhat heterogeneous behavior among the four types.

The highest level of on time payments is seen for Micro companies, with a level of 48.4% in 2012 (+2.9 points compared with the national average).

The worst performance was seen for Large companies with only 19.6% of the total paying punctually, compared with the national average of 45.5%.

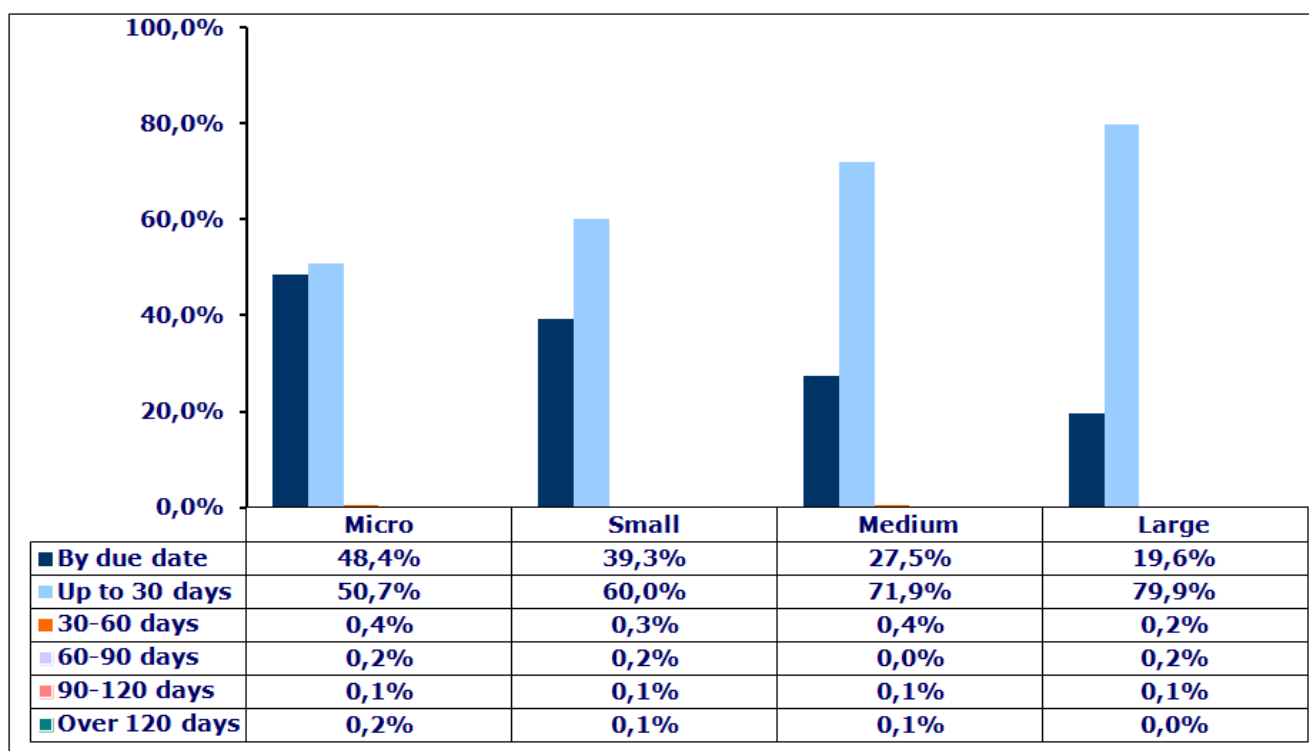
All the company size categories show a widespread tendency to pay on average between 1 and 30 days late. In particular, the figure for the "Up to 30 days" class is over 71% for Medium and Large companies.

Intermediate and more serious delays in payment are similar for all the company sizes analyzed, with values of less than a percentage point.

In addition, late payments of over 90 days on average in relation to agreed terms do not exceed 3% (Micro companies).

GRAPH 19.5 SOURCE: CRIBIS D&B

### PAYMENT PRACTICES IN FINLAND BY TYPE OF COMPANY, 2012



By analyzing Graph 19.6, it is possible to see trends in 2012 payments in Finland in relation to product macro-sectors.

The best performances in terms of punctual payments can be seen in the following sectors: Agriculture, forestry and fishing (59.1%), Real estate activities (53.3%) and Human health & social work (50.8%).

Payment conditions, on the other hand, are problematic in the Public administration sector, in which only 30.2% of companies respect agreed terms (-15.3 percentage points compared to the national average).

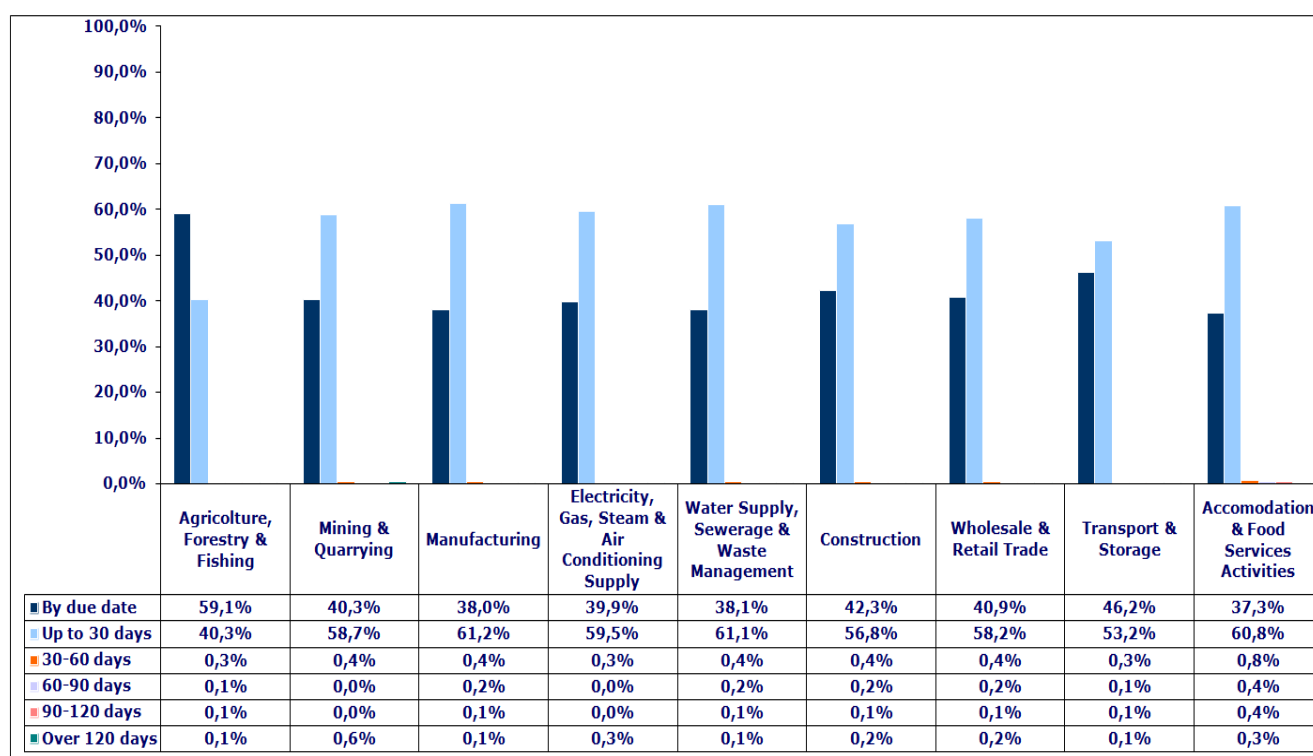
For all product groups there is a widespread tendency to manage commercial transactions with late payments of between 1 and 30 days late: the share of companies in this category is over 40% in each of the sectors analyzed and reaches the highest value (69.8%) in the case of Public Administration.

In the intermediate late payment classes (30-60 days and 60-90 days) there are very contained concentrations for the whole sample of below 1.5 percentage points, as is the case for the more serious late payments (over 90 days on average).

In particular, Accommodation & food services activities is the sector with the highest share of bad payers (0.7%), but this is significantly lower than that seen in other countries.

GRAPH 19.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN FINLAND BY PRODUCT SECTOR, 2012



GRAPH 19.7 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN FINLAND BY PRODUCT SECTOR, 2012

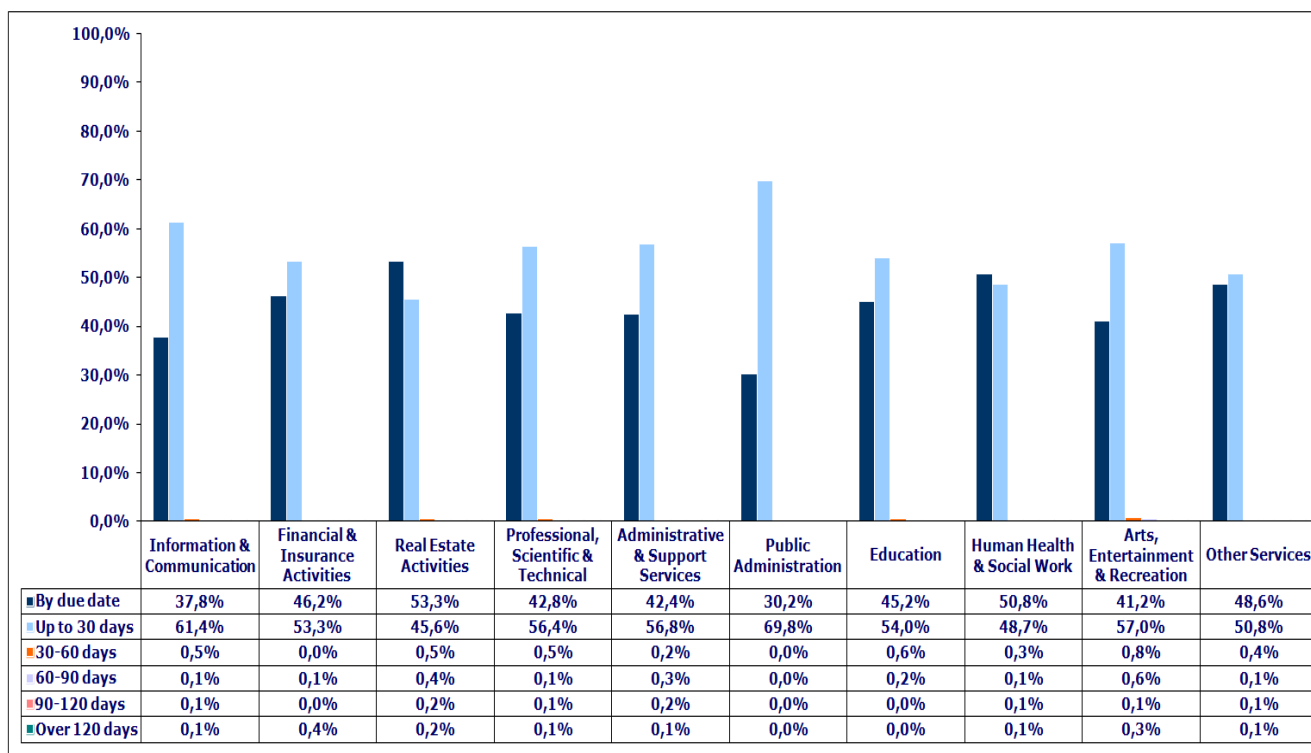


Table 19.8 shows the classification of the 10 sectors with the most punctual payments in Finland over the course of 2012.

The best performer in Finland is the Fishing and aquaculture sector, in which 60.6% of companies pay their trading partners within agreed terms. In second place is the Veterinary activities sector with 60.2% of punctual payments.

On the other hand, Table 19.9 shows the micro-sectors that have had the most problematic payment behavior in the last 12 months.

The sector with the most problems is Manufacture of motor vehicles, trailers and semi-trailers, for which 1.45% of companies pay seriously late (over 90 days on average). The top three classification of bad payers is completed by the Accommodation and Telecommunications sectors.

TABLE 19.8 SOURCE: CRIBIS D&B

## SECTORS WITH THE BEST PAYMENT RECORDS IN FINLAND, 2012

Sector	Ranking 2012
FISHING AND AQUACULTURE	1
VETERINARY ACTIVITIES	2
CROP AND ANIMAL PRODUCTION, HUNTING AND RELATED SERVICE ACTIVITIES	3
FORESTRY AND LOGGING	4
LEGAL AND ACCOUNTING ACTIVITIES	5
REAL ESTATE ACTIVITIES	6
ACTIVITIES OF MEMBERSHIP ORGANIZATIONS	7
RESIDENTIAL CARE ACTIVITIES	8



<b>SOCIAL WORK ACTIVITIES WITHOUT ACCOMMODATION</b>	<b>9</b>
<b>HUMAN HEALTH ACTIVITIES</b>	<b>10</b>

TABLE 19.9 SOURCE: CRIBIS D&B

### SECTORS WITH THE WORST PAYMENT RECORDS IN FINLAND, 2012

<b>Sector</b>	<b>Ranking 2012</b>
<b>MANUFACTURE OF MOTOR VEHICLES, TRAILERS AND SEMI-TRAILERS</b>	<b>66</b>
<b>ACCOMMODATION</b>	<b>65</b>
<b>TELECOMMUNICATIONS</b>	<b>64</b>
<b>TRAVEL AGENCY, TOUR OPERATOR AND OTHER RESERVATIONS</b>	<b>63</b>
<b>CIVIL ENGINEERING</b>	<b>62</b>
<b>MANUFACTURE OF APPAREL</b>	<b>61</b>
<b>POSTAL AND COURIER ACTIVITIES</b>	<b>60</b>
<b>SPORTS ACTIVITIES AND AMUSEMENT AND RECREATION ACTIVITIES</b>	<b>59</b>
<b>OTHER MINING AND QUARRYING</b>	<b>58</b>
<b>WHOLESALE AND RETAIL TRADE AND REPAIR OF MOTOR VEHICLES AND MOTORCYCLES</b>	<b>57</b>

In 2012, there was an improvement in the payment situation in Finland, above all in relation to punctual payments.

In fact, the percentage of punctual payers increased by 7.2 percentage points compared to 2011, reaching 45.5% of the total, which is 6.4% above the European average.

On the other hand, the situation in relation to the most serious late payments (over 90 days on average) was stable, with a value of 0.3% in 2012 compared to 0.1% in 2011.

On a sector level, the best performances are seen in the Agriculture, forestry and fishing, Real estate activities and Human health & social work sectors with over 50% of punctual payers.

In conclusion, Finnish companies in 2012 stand out for the good levels within the payment system, and we can expect further consolidation and improvement over the coming years.

## 20. DENMARK

Below is the opinion of **Sisse Payberg Filskov, Project Manager at D&B Denmark**, on the economic scenario and payment situation in Denmark.

*"When looking at the parameter, size of company, it becomes apparent that the larger a company is, the more likely it will make late payments.*

*In December 2012, only 72.66 percent of companies with 260+ employees paid on time, whereas the comparable figures for smaller companies are 78.25-10.49 percent.*

*In December 2011 and December 2010, the pattern above is similar: the largest companies are less reluctant to pay in time.*

*Smaller Danish companies will thus benefit from the coming European initiative regarding late payments, which seeks to protect these smaller companies from delays in payments – as such delays can have a large impact on the stability of these more financially vulnerable companies.*

*Looking at the figures across sectors, we can see that the agricultural sector is the sector which has been best at paying on time, historically across the 3 year period. More specifically, this sector has the highest proportion of companies which pay punctually or before the due date. However, the data-coverage on a sector level is too limited and varies too much across the period considered, and thus direct comparisons across sectors are not possible.*

*When comparing the years, 2012 has been the year where 83 percent of all companies paid punctually or before the due date. This was the case for 70 percent in 2011 and 76 percent in 2010."*

### Payment analysis

Table 20.1 reports the trend in the percentage of Danish companies paying within pre-established terms in the last two years.

Over the course of 2012, punctual payments accounted for 83.3 percentage points, 44.2 percentage points above the European average, which continues to show that a large proportion of companies in Denmark continue to have a balanced behavior when it comes to payments.

In addition, the gap between punctual payers in Denmark and the European average has notably increased compared with previous years.

The percentage of companies with serious late payments (over 90 days) continues to be among the best on an international level: in fact, the percentage of "bad payers" in Denmark in 2012 was only 0.2% of the total, with a difference of 3.1% below the European average (Table 20.2).

Table 20.3 shows the variations recorded in recent years in relation to the distribution of companies with respect to payment classes.

Compared with 2010, punctual payments have increased by 6.8%, with a corresponding decrease in Danish companies that tend to pay late by between 1 and 90 days on average.

The most significant changes are seen in relation to 2011 data: companies that respect agreed terms have increased by 13 percentage points, consequently affecting the Up to 90 days class (-13.2%).

The percentage of "bad payers" (over 90 days late on average) remains more or less unchanged over the years, which minimal differences.

TABLE 20.1 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN DENMARK WITH ON TIME PAYMENTS, 2010-2012

	2010	2011	2012
Denmark	76.5%	70.2%	83.3%
Europe	40.4%	37.8%	39.1%

TABLE 20.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN DENMARK WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2010-2012

	2010	2011	2012
Denmark	0.1%	0.1%	0.2%
Europe	2.9%	3.1%	3.3%

TABLE 20.3 SOURCE: CRIBIS D&B

#### VARIATIONS IN PAYMENT PRACTICES IN DENMARK, 2010-2012

	Variation 2010/2012	Variation 2011/2012
By due date	6.8%	13.1%
Up to 90 days	-6.9%	-13.2%
Over 90 days	0.1%	0.1%

From Graph 20.4 it is possible to analyze the payment situation in the Denmark in 2012 by payment class, and compare the results with previous years.

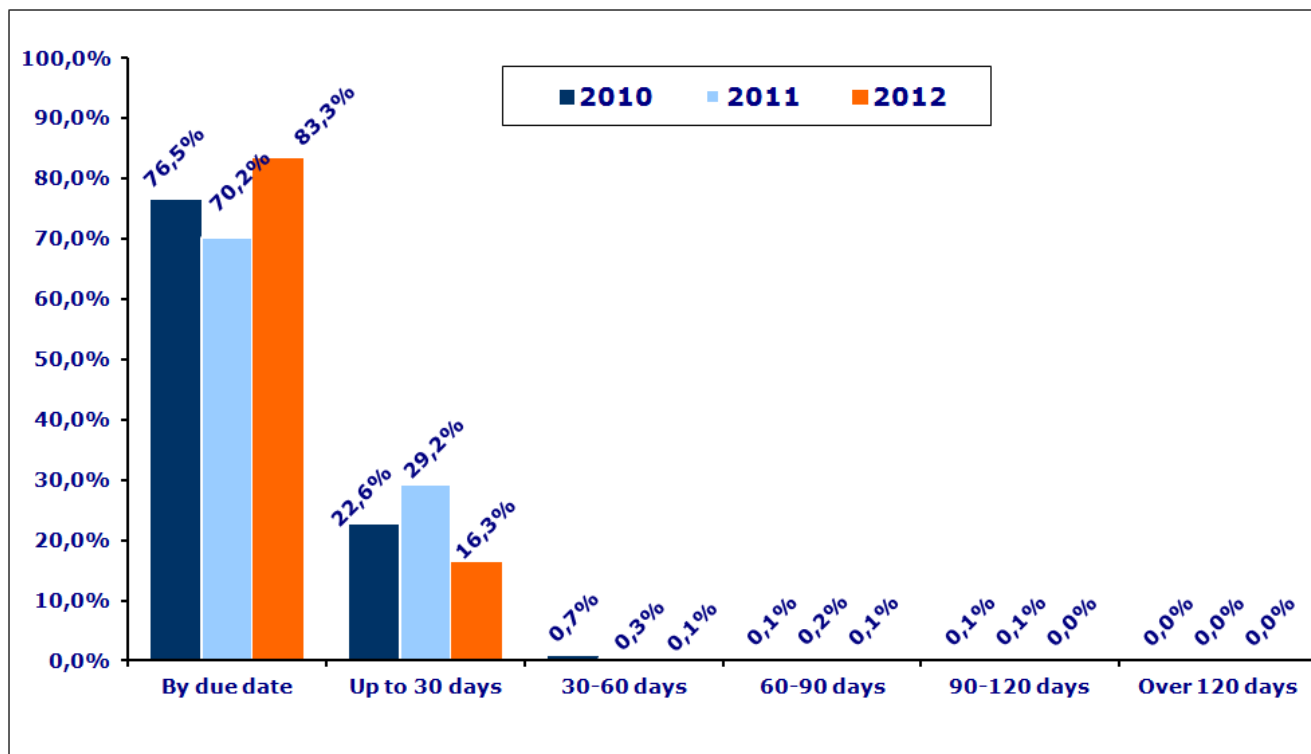
The graph shows how the increase in "good payers" (+13.1% in the last year) has almost completely been absorbed by the moderate late payment class ("Up to 30 days"), which has seen a decrease of 12.9 percentage points, going from 29.2% in 2011 to 16.3% in 2012.

These two payment classes comprise almost all Danish companies (99.6%), confirming the better performance of Denmark compared to both the other European and non-European countries analyzed in the Payment Study.

Percentages in the intermediate and serious late payment classes, on the other hand, are more or less stable compared with the previous year, and have changed overall by 0.2%. Finally, the most serious late payments (over 90 days on average) account for only 0.2% of the total, which is the lowest value amongst all those recorded in this study.

GRAPH 20.4 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN DENMARK BY PAYMENT CLASS, 2010-2012



Let's now look at payment practices in Denmark by company size and payment class (Graph 20.5).

The four types of company examined have very similar percentages, which are not very different from average national levels.

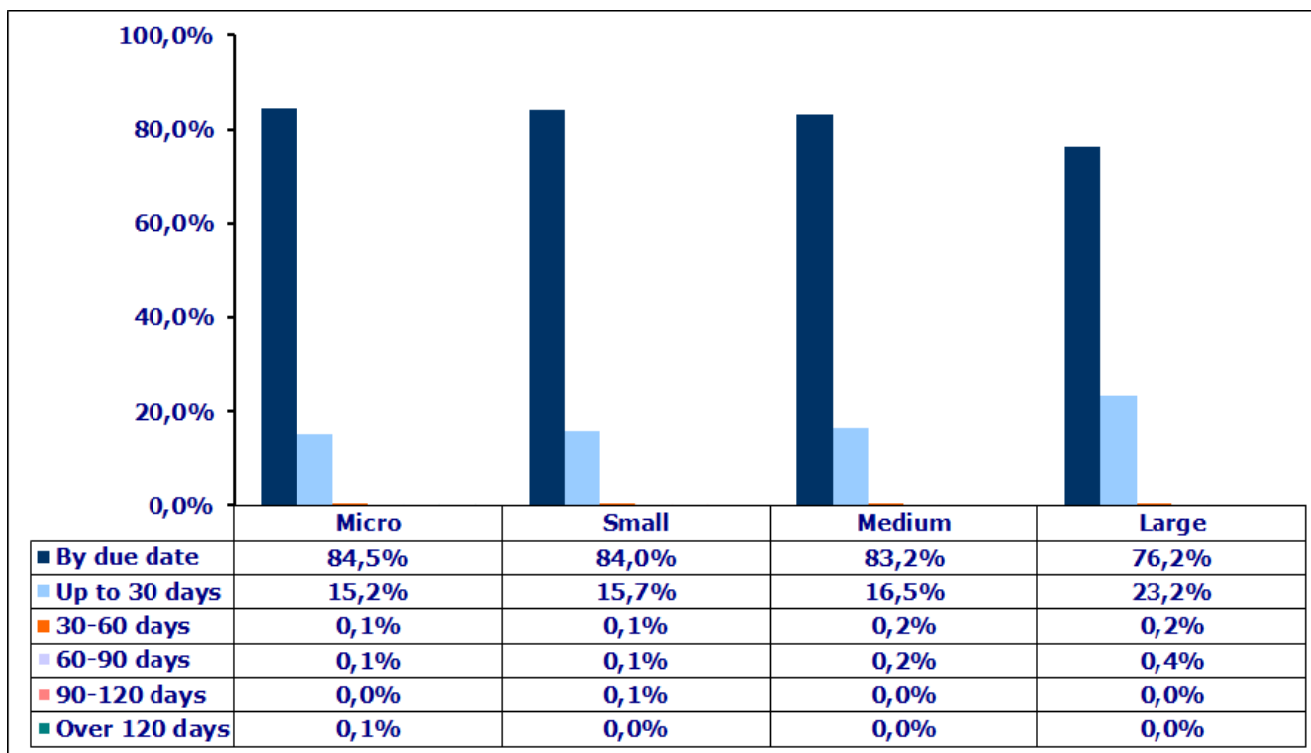
Micro companies have the most balanced payment behavior with 84.5% of companies paying trading partners within agreed terms. The lowest value, on the other hand, was seen for Large companies, with 76.2% of punctual payers.

In the Up to 30 days late payment class, there are values of between 15.2% for Micro companies and 23.2% for Large companies.

Similar levels are seen in all the other late payment classes, and are quite low for all four of the categories examined (do not exceed 0.4% of the total).

GRAPH 20.5 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN DENMARK BY TYPE OF COMPANY, 2012



In 2012, Denmark moved to the top of the European leadership board in terms of payment performance, taking over from Germany (best performer 2011) and reinforcing its position amongst the top performers on an international level.

Despite the financial instability that has hit the Euro Zone, the payment performance of Danish companies is characterized by an enviable performance both in terms of punctual payments and serious late payment classes.

Companies that pay their suppliers by the agreed due date have increased by 13.1 percentage points, reaching a record level of "good payers" in 2012 (83.3%).

More or less stable and with a minimum level of 0.2%, the trend in serious late payments puts Denmark in first place in the rankings, with a gap of 3.1 percentage points compared to the European average.

The analyses confirm the solidity of the Danish payment system, which does not seem to have been affected by the global economic situation, unlike what is seen in other European and international contexts.

## 21. TURKEY

Below is the opinion of **Sedef Işıksel Çetin, Head of Economic Analysis Group and Trade Program at D&B Turkey**, on the economic scenario and payment situation in Turkey.

*"A number of events which took place in the second half of 2012 made a positive contribution to Turkey's global risk appetite: In September, the ECB announced its unlimited bond purchase program and soothed the markets, the German Constitutional Court gave a green light to the European Stability Mechanism, and FED initiated the third round of its quantitative easing program. In the wake of these developments, it is expected that global liquidity will increase once again and move towards Turkey, as in previous rounds of easing. In parallel with this, the Central Bank of Turkey lowered the upper limit of its interest rate corridor thus lowering banks' borrowing costs and supporting economic growth. Last but not the least, Fitch's decision to upgrade Turkey to investment grade had a very positive impact on the Turkish business environment.*

*It is pleasing to observe positive expectations via D&B Turkey's Business Optimism Index, even as the crisis continues to ravage Europe, the global economic outlook remains ambiguous, national economic growth has started to sag and regional economies face strong headwinds. The message seems to be "the Turkish business world is confident in the national economy and itself.*

*According to D&B Credit Risk Map of Turkey in 2012, as in previous periods, the highest risk bearing business line was retail, whereas the lowest risk activity was in manufacturing. In the final quarter of 2012, the risk level of the wholesale trade sector remained unchanged, whereas all other sectors saw a slight uptick in their risk levels.*

*In Turkey, credit terms are defined according to industry dynamics and the relationship between the suppliers and their customers. Economic players in Turkey, faced with an uncertain outlook tend to step on the brake, postpone investments, reduce expenditure and usually pay late to be more liquid."*

### Payment analysis

Graph 21.1 shows the payment practices of Turkish companies in detail, through the analysis of the distribution of companies by payment class.

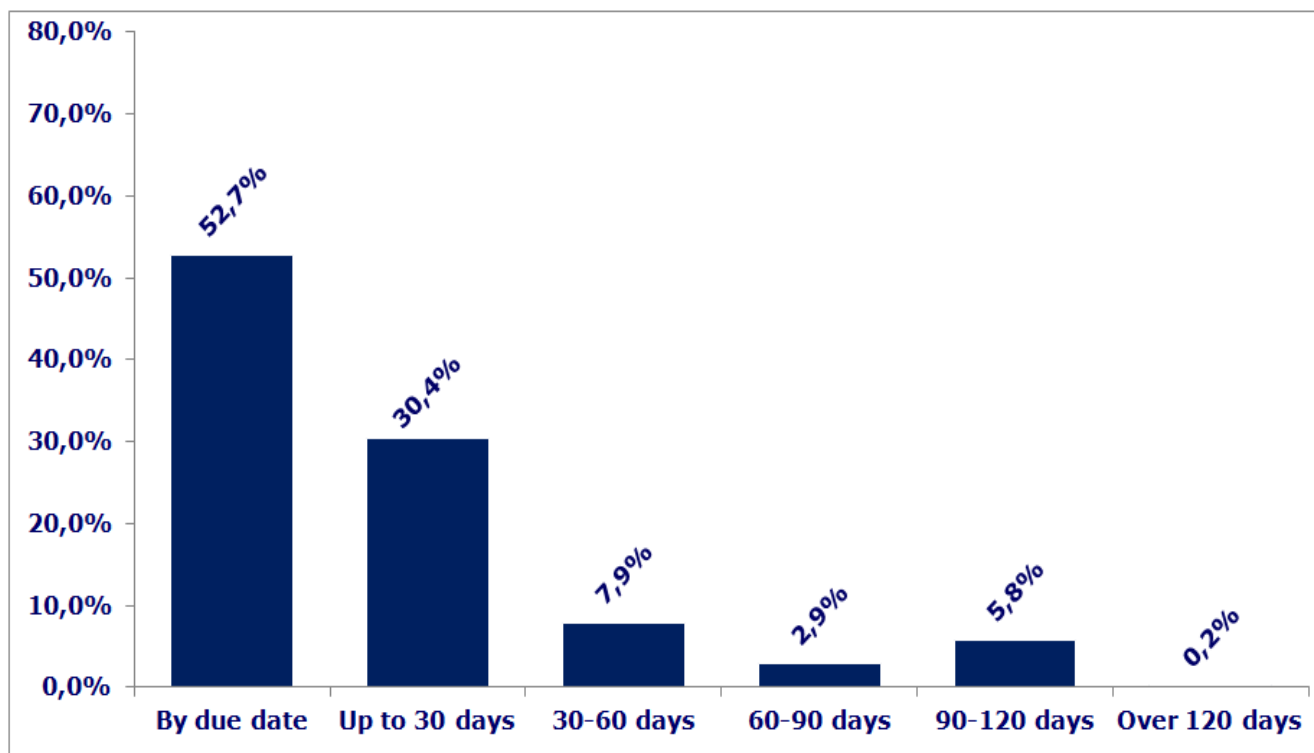
In 2012, the share of companies paying on time was 52.7% of the total, which is one of the highest values in this category among all the countries in the study.

Moderate late payments (Up to 30 days), on the other hand, account for 30.4% of Turkish companies, while the intermediate late payment classes (30-60 days and 60-90 days) together account for 10.8 percentage points.

"Bad payers" (over 90 days on average) represent 6% of the sample, but of these only 0.2% pay more than 120 days late on average.

Furthermore, the concentration of serious late payments is one of the highest among those seen in the study, exceeded only by Spain, Portugal and Poland.

### PAYMENT PRACTICES IN TURKEY BY PAYMENT CLASS, 2012



Using Graph 21.2, it is possible to analyze the payment practices of Turkish companies in detail in relation to company size.

Contrary to what is seen in the other countries analyzed in the study, there is general uniformity in terms of payment behavior, independently of the turnover and number of employees.

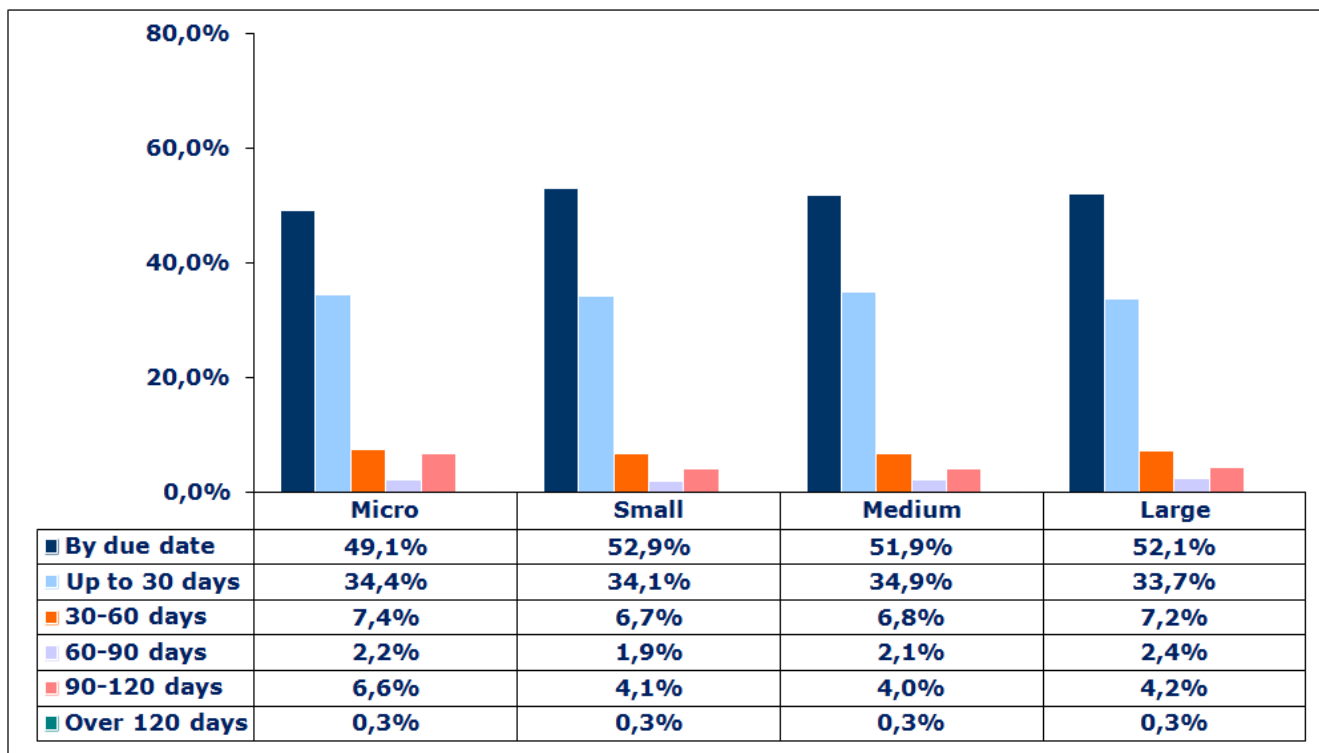
Specifically, Small companies have the highest concentration of punctual payers, with 52.9% of the total, followed in second place by Large companies with 52.1%.

Medium companies, on the other hand, have the highest concentration in the moderate late payment class of up to 30 days on average (34.9%).

Late payments of between 30 and 90 days on average are highest in the Micro and Large categories, with 9.6% of the total.

In terms of serious late payments, the worst performance is once again seen for the smallest companies: 6.9% exceed an average of 90 days beyond agreed payment terms (+0.9 percentage points compared to the national average).

### PAYMENT PRACTICES IN TURKEY BY TYPE OF COMPANY, 2012



Using Graph 21.3, it is possible to analyze the payment practices of Turkish companies in detail in relation to macro-sector.

A somewhat heterogeneous context emerges from sector-based analysis, with rather differing performances between the various sectors considered.

The sector which stands out as having the most balanced payment behavior is Finance, insurance and real estate: in this case, 73% of companies manage to pay within agreed terms (+20% the national average).

For the Agriculture and Public administration sectors, on the other hand, there is a lower share of on time payments of less than 49.5%.

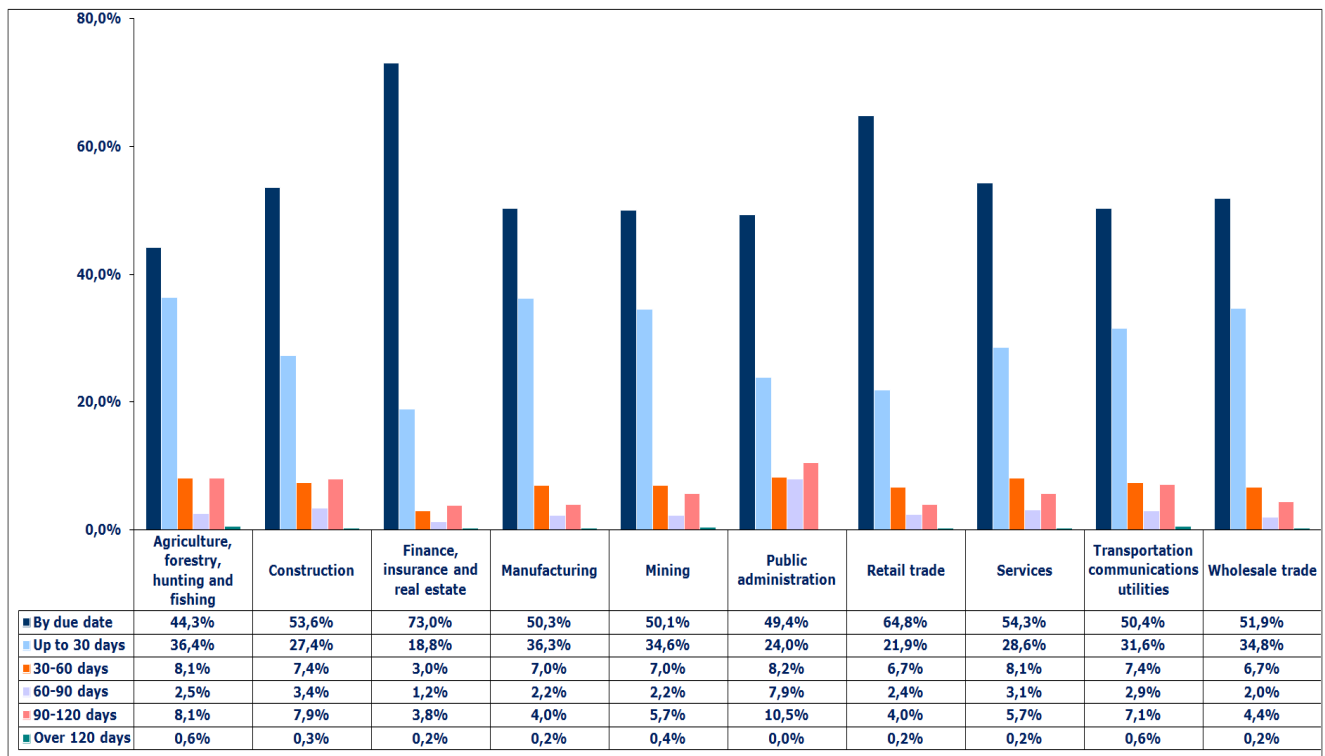
Late payments are concentrated in the "Up to 30 days" class, with the highest percentages for Agriculture, forestry, hunting and fishing (36.4%) and Manufacturing (36.3%), whereas the highest concentration for the intermediate payment classes (between 30 and 90 days over payment terms) was seen for the Public Administration sector with 16.1% of the total.

Finally, the most serious late payment class (over 90 days on average) is highest in the Public administration sector, with a share of 10.5% in this class (+4.5% compared to the national average).

GRAPH 21.3 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN TURKEY BY PRODUCT SECTOR, 2012





The payment situation in 2012 in Turkey is complex, with somewhat heterogeneous performances, particularly between sectors.

If on the one hand over half of Turkish companies manage commercial transactions within established payment terms (52.7%), on the other, 6% of the total pay on average over 90 days late, putting Turkey below the averages seen on an international level.

From an examination of the sectors, the situations are problematic for the Public administration and Agriculture, forestry, hunting and fishing sectors, which have percentages of "bad payers" of over 8% and above the national average.

## 22. RUSSIA

Russia's economic situation remained relatively stable last year. Still, economic growth is slowing down. GDP growth for 2012 amounted to 3.4% in comparison with 4.3% in 2011. If the trend toward slower growth is not reversed, economic growth is likely to be even lower than in the last year and slow to about 3.3%. However, taking into account measures to stimulate economic growth that the government plans to implement in 2013, growth can even accelerate slightly to 3.6%. Still, Russian companies have succeeded in maintaining sound financial positions. The total amount of operating profit in Russia exceeded operating losses by RuB 7,892 bn (US\$254.0 bn) in 2012, up by 12.0% against the same period a year ago. Share of profitable companies was up to 74.1% last year against 71.9% in 2011.

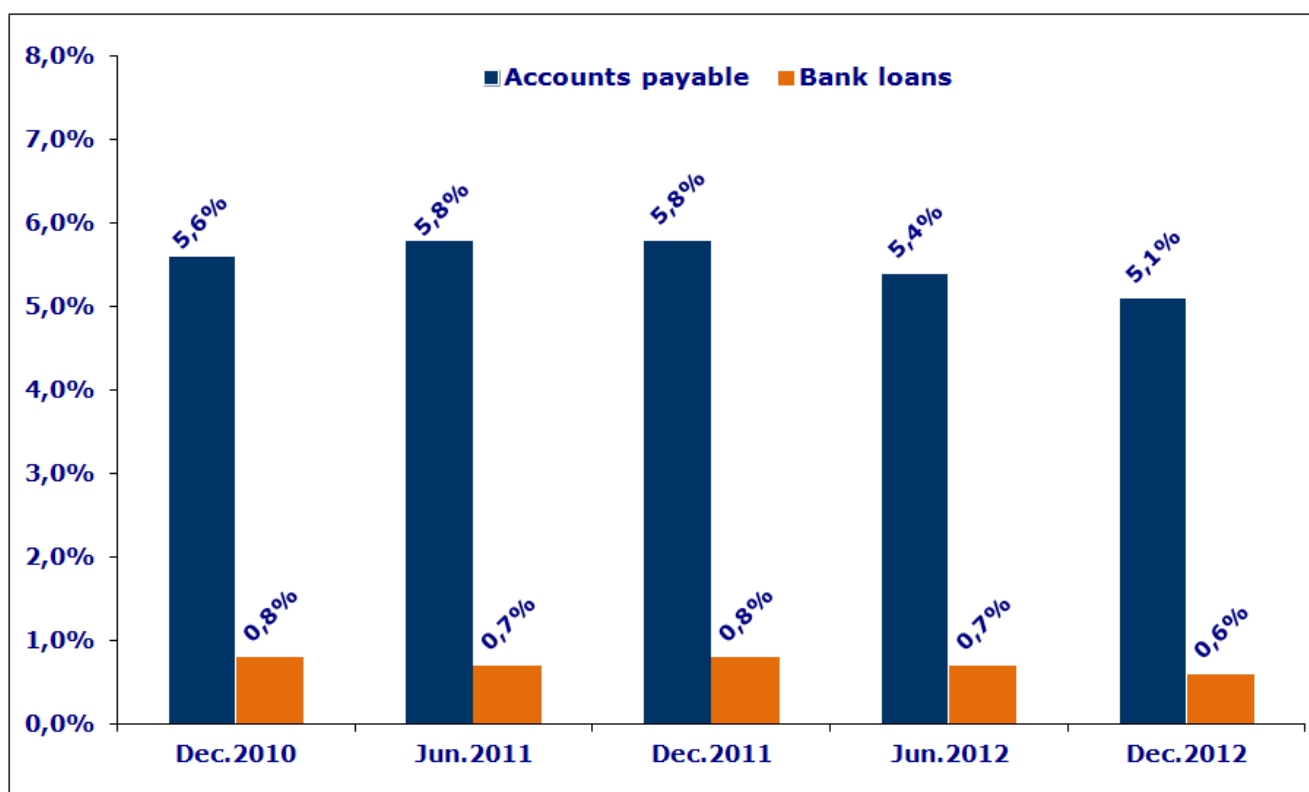
All key sectors and industries remain profitable on the whole ensuring a relatively stable payment situation and falling bankruptcy figures. Number of bankruptcies in Russia contracted to 818 per month in 2012 in comparison with 938 companies in 2011 and 1,042 companies in 2010.

### General payment situation

The payment situation in Russia has slightly improved recently. Share of accounts payable outstanding in total fell to 5.1% in December 2012 in comparison with 5.8% in December 2011. Number of companies with accounts receivable outstanding amounted to 11,204, down 10.2%, while the total amount fell by 1.6% in the 2012.

GRAFICO 22.1 FONTE: FEDERAL STATISTIC SERVICE

### SHARE OF ACCOUNT PAYABLE AND BANK LOANS OUTSTANDING IN RUSSIA'S TOTAL, 2010 – 2012



Share of companies with accounts payable outstanding in the total number contracted from 0.27% in 2011 to 0.24% in 2012. Meanwhile, there still a great difference in the payment situation in various sectors. In 2012, production and distribution of electric energy, gas and water had the highest share of companies with accounts payable outstanding (7.6%), while the total amount surged by 25.6%.

High share of companies with accounts payable outstanding was registered in production of fuel and energy resources (3.2%), production of vehicles for transportation and equipment (2.5%), ferrous and non-ferrous metals (2.2%).

TABELLA 22.2 FONTE: FEDERAL STATISTIC SERVICE, INTERFAX-CNA

## BREAKDOWN OF ACCOUNT RECEIVABLE OUTSTANDING BY SECTORS IN RUSSIA, 2012

	Number of companies	2012/ 2011	Share in total number	Change in p.p.	Amount, RuB bn	2012/ 2011
Production and distribution of electric energy, gas and water	2026	97.9%	7.6%	0.1	257.4	125.6%
Production of fuel and energy resources	235	94.0%	3.2%	-0.2	110.3	85.2%
Production of vehicles for transportation and equipment	244	92.1%	2.5%	-0.2	54.2	85.1%
Ferrous and non-ferrous metals	108	98.2%	2.2%	0.0	58.4	97.2%
Mining	148	85.1%	1.5%	-0.2	10.8	96.4%
Production of coke, oil products, nuclear materials	39	78.0%	1.4%	-0.4	38.3	98.7%
Production of other non-metallic mineral products	335	96.5%	1.2%	0.0	26.0	120.4%
Production of electric, electronic and optical equipment	334	93.6%	1.2%	-0.1	13.4	99.3%
Chemical industry	152	90.5%	1.0%	-0.1	34.1	108.3%
Pulp and paper production, publishing and printing	41	95.3%	0.9%	0.0	11.5	116.2%
Production of food products, including beverages and tobacco	413	88.2%	0.7%	-0.1	31.6	134.5%
Agriculture, hunting and forestry	1552	78.4%	0.7%	-0.2	26.6	107.7%
Production of products from metals	195	96.5%	0.6%	0.0	12.3	146.4%
Production of machinery and equipment	318	92.7%	0.6%	0.0	24.3	104.7%
Production of leather, leather products, footwear	18	85.7%	0.6%	-0.1	0.3	60.0%
Transport	949	91.0%	0.5%	0.0	44.2	95.5%
Communications	122	99.2%	0.4%	0.0	6.5	135.4%
Production of rubber and plastic products	68	88.3%	0.4%	0.0	3.0	55.6%
Textile and clothing industry	100	77.5%	0.4%	-0.1	4.0	75.5%
Fishery	29	103.6%	0.3%	0.0	1.6	114.3%
Wood-processing and production of wood products	102	93.6%	0.3%	0.0	4.3	91.5%
Construction	1004	82.6%	0.2%	0.0	71.4	82.3%
Provision of other communal, social and individual services	502	95.1%	0.2%	0.0	5.7	121.3%
Real estate operations, leasing	1185	88.4%	0.1%	0.0	62.2	112.7%

and services						
Printing and publishing	65	66.3%	0.1%	-0.1	0.4	30.8%
Hotels and restaurants	89	96.7%	0.1%	0.0	1.1	137.5%
Health care and social services	73	102.8%	0.1%	0.0	0.5	125.0%
Trade in automotive vehicles, its maintenance and repairs	62	84.9%	0.0%	0.0	3.9	48.1%
Retail trade, excluding trade in automotive vehicles	180	75.9%	0.0%	0.0	2.9	181.3%
Education	54	80.6%	0.0%	0.0	0.1	50.0%
Wholesale trade, excluding trade in automotive vehicles	282	97.2%	0.0%	0.0	244.7	83.7%

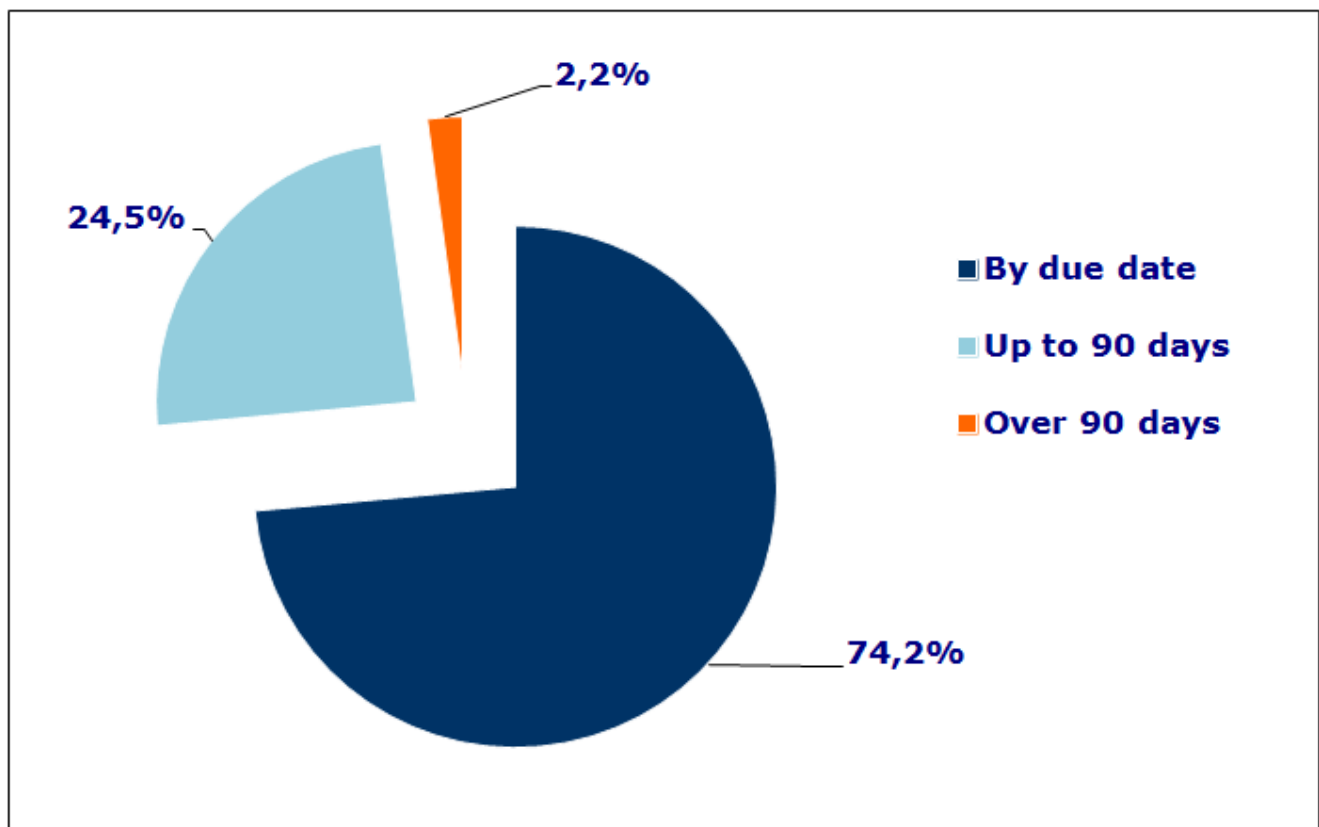
The list of the sectors with fast growing amounts of accounts receivable outstanding included Retail trade, excluding trade in automotive vehicles, up 81.3% in 2012, Production of products from metals, up 46.4%, Hotels and restaurants, up 37.5%, Communications, up 35.4%, and Production of food products, including beverages and tobacco, up 34.5%.

## Payment analysis

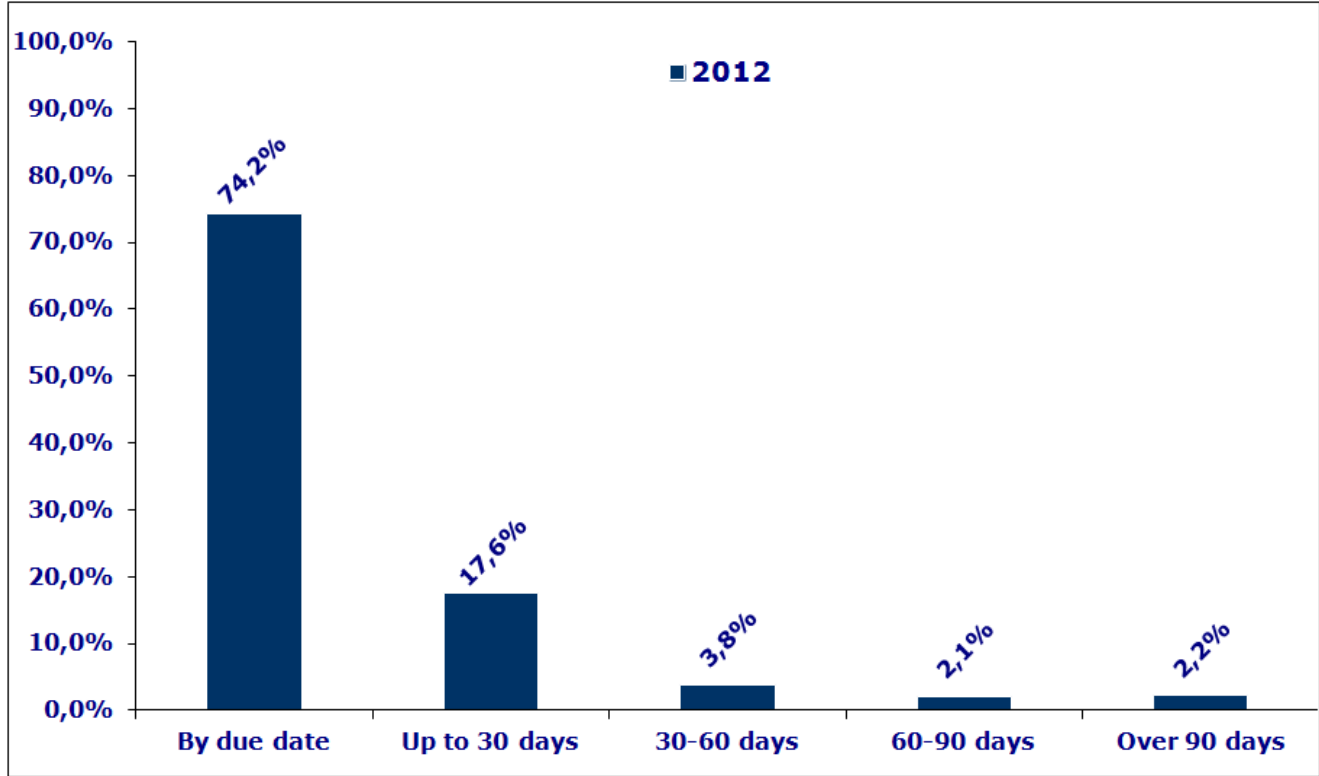
More detailed analysis of current payment practices in Russia, based on Interfax-D&B data, is an additional proof that the payment situation remains relatively stable. In 2012, share of the companies with on time payments was as high as 74.2%. "Bad payers" (Over 90 days) accounted for only 2.2%.

GRAFICO 22.3 FONTE: INTERFAX D&B

### BREAKDOWN OF PAYMENT PRACTICES IN RUSSIA, 2012

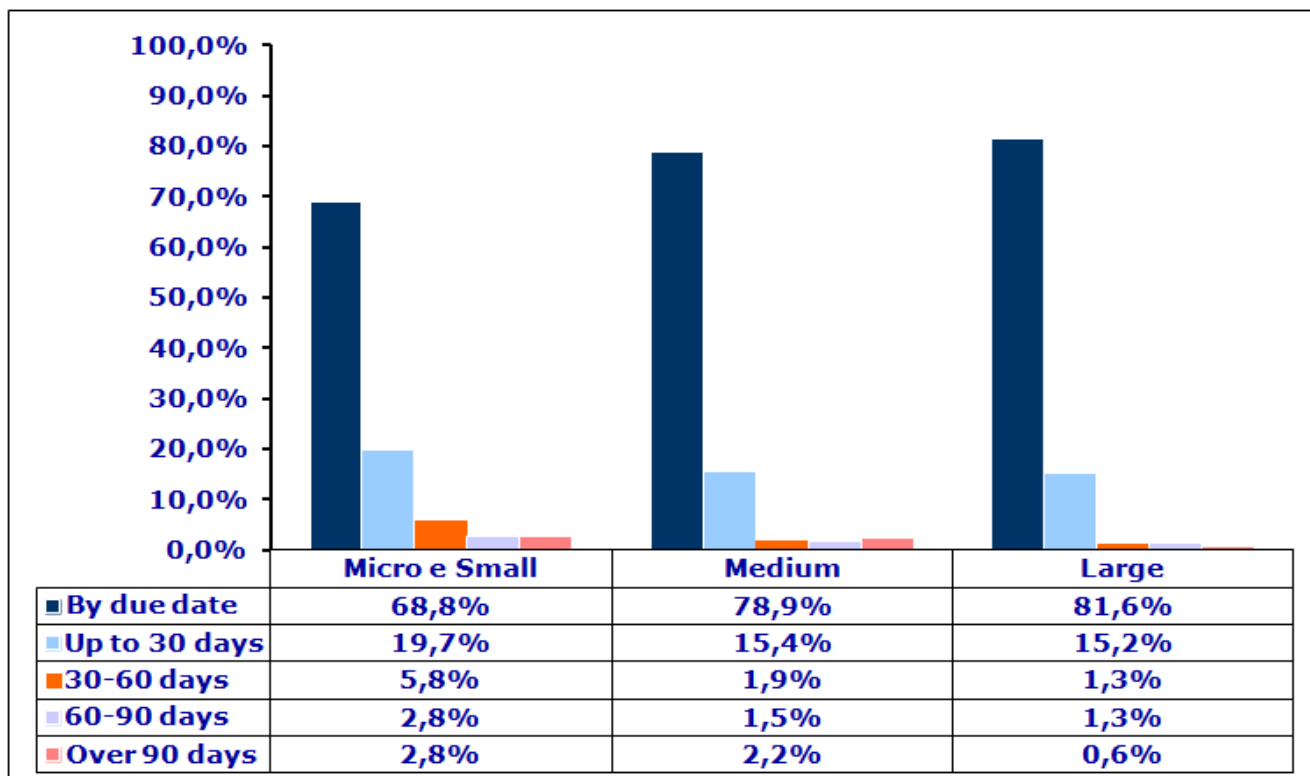


**BREAKDOWN OF PAYMENT PRACTICES IN RUSSIA BY PAYMENT CLASS, 2012**



Breakdown of payment practices by company size reveals that bigger companies generally have better payment behaviour. Share of “good payers” among large companies reached 81.6% in 2012. Small companies have the highest share of “Over 90 days” payments, amounting to 2.8%.

**BREAKDOWN OF PAYMENT PRACTICES IN RUSSIA BY PAYMENT CLASS, 2012**



Meanwhile, breakdown of payment practices by sectors shows a relatively wide variations. “Good payers” dominate such sectors as Agricultural Production-Crops, Retail-Auto Dealers & Gasoline Stations, Steel Works, Blast Furnaces & Rolling & Finishing Mills, Mining & Quarrying of Nonmetallic Minerals (No Fuels), Services-Automotive Repair, Services & Parking. Share of companies in these sectors with “By due date” payments reached 90%-100% last year.

TABELLA 22.6 FONTE: INTERFAX D&B

#### SECTORS WITH THE BEST PAYMENT RECORDS IN RUSSIA, 2012

Sector
AGRICULTURAL PRODUCTION – CROPS
RETAIL-AUTO DEALERS & GASOLINE STATIONS
STEEL WORKS, BLAST FURNACES & ROLLING & FINISHING MILLS
MINING & QUARRYING OF NONMETALLIC MINERALS (NO FUELS)
SERVICES-AUTOMOTIVE REPAIR, SERVICES & PARKING
INSURANCE
AGRICULTURAL SERVICES
GLASS & GLASSWARE
INSTRUMENTS AND MEASURING DEVICES
CHEMICALS & ALLIED PRODUCTS

The list of the worst payers included Services-Advertising, Railroads, Motion Picture and Video Tape Production, Textile Mill Products, Transportation Vehicles. Less than 61% of companies in these made payments by due date.

TABELLA 22.7 FONTE: INTERFAX D&B

### SECTORS WITH THE WORST PAYMENT RECORDS IN RUSSIA, 2012

Sector
SERVICES-ADVERTISING
RAILROADS
MOTION PICTURE AND VIDEO TAPE PRODUCTION
TEXTILE MILL PRODUCTS
TRANSPORTATION VEHICLES
CRUDE PETROLEUM AND NATURAL GAS
LEGAL SERVICES
APPAREL & OTHER FINISHED PRODS OF FABRICS & SIMILAR
RETAIL-APPAREL & ACCESSORY STORES
WHOLESALE IN CONSUMER PRODUCTS

Economic slowdown in Russia has not influenced the payment situation. Analysis of data from various sources shows that the economy is still enjoying mostly good payment practices while alarming trends have emerged only in several sectors.

*\*Chapter and data related to this country have been written by Igor Volosov, Deputy General Director at Interfax-CAN.*

## 23. ITALY

Below is the opinion of **Marco Preti, CEO of CRIBIS D&B**, on the economic scenario and payment situation in Italy.

*"According to the Banca d'Italia Economic Bulletin (April 2013), economic activity in the Euro Zone seems to have stabilized in the first quarter of the year following the strong contraction in GDP in the fourth quarter of 2012.*

*However, domestic demand is still weak and inflation continues to fall, decreasing to under 2 percent for the first time since 2010.*

*The downturn in GDP should also ease off in Italy, but there are still many uncertainties in terms of financial conditions and in the confidence of businesses.*

*The trends observed in the first few months of 2013 indicate a continuing weakness in the Italian labor market (the unemployment rate in February reached 11.6%) and a decrease in loans granted to businesses and consumers, although at a lower pace compared to the second half of 2012.*

*Payments have proven to be the most reliable reflection of the state of businesses. By analyzing late payments of over 30 days, it is clear that those economies in the most difficulty are also those with a percentage of late payments beyond 30 days of over 10%, such as Portugal (23.9%), Spain (14.5%), and Italy (10.5%).*

*Since 2010, the percentage of companies in Italy paying more than 30 days late has more than doubled, above all in the north west and in the retail trade sector. Looking in detail at micro companies, which form the largest part of the Italian economy in terms of numbers, it can be seen that these have the highest percentage of on-time payments, but at the same time also the highest percentage of payments over 30 days late. A fact which demonstrates how these businesses are less able than others to finance themselves by delaying payments, having little bargaining power, and are suffering more as a result of the credit crunch, seeing their financial stability deteriorate more quickly."*

*These phenomena can be explained by 3 elements which have characterized companies over the last few years. First of all, the process of normalization of payment delays continues, meaning that delays are being written into contractual terms. Companies do not want to lose customers and turnover, and so they are making concessions in their payment terms.*

*Our research shows that 73.5% of companies are open to granting payment extensions and that 88% of companies have noted an increase in requests from customers to extend payment terms over the last 12 months.*

*The second element, and maybe the most serious, is the polarization of behavior. Some businesses are unable to stay within the market and delay payments way beyond invoice due dates. We just need to look at the pattern of bankruptcies, up by 65% compared to the first quarter of 2009, with around 40 companies declared bankrupt every day, or at the fact that companies claim that over 63% of serious non-payments relate to customers who they have been supplying for more than 3 years. Losses on credit are also increasing, which for around 18% of companies are over 4% of their turnover.*

*The third element is the only positive one, even if it doesn't come free. Over recent years, companies have increasingly put payment management at the heart of their financial management, and payment management is certainly one of the decisive factors in staying in the market.*



Companies have significantly invested in new customer management strategies such as more careful monitoring, new business policies and, in some cases, also expansion of their credit management structure.

There has also been a widespread adoption of more timely and structured debt collection procedures.

Companies have invested a lot in procedures and tools, such as those of CRIBIS D&B, which allow the faint signs of worsening in the reliability of their partners to be quickly intercepted, as well as enabling them to keep a close eye on the ability of the client portfolio to generate revenues, to intervene quickly with preventive actions and actions that limit risk, and above all, to predict cash flow. This does come at a cost, but we believe it will bring concrete benefits, even once the financial crisis is over. To find evidence of this greater attention to payment management, consider that participants in our CRIBIS iTRADE program - the first information sharing solution in Italy on payment behavior and the widest source of information on commercial payments - have grown exponentially since the start of the financial crisis, more than doubling the number of payment experiences within our system."

## 23.1 Payment terms

In this first section analyzing the trends in the payment performance of Italian companies, the most common contractual payment terms in the various areas of Italy are examined.

In 2012, the trend in contractual conditions remains in line with previous years. The preferred payment term of between 30 and 60 days from contract stipulation is still the most commonly used by Italian companies.

TABLE 23.1.1 SOURCE: CRIBIS D&B

### PAYMENT TERMS IN ITALY, 2007-2012

	Up to 30 days	30-60 days	Over 60 days
<b>ITALY - TOTAL</b>			
<b>2007</b>	5.9%	85.7%	8.5%
<b>2011</b>	0.9%	92.9%	6.2%
<b>2012</b>	0.8%	90.7%	8.5%
<b>Northwest</b>			
<b>2007</b>	4.6%	88.4%	7.0%
<b>2011</b>	0.6%	93.5%	5.9%
<b>2012</b>	0.7%	90.6%	8.7%
<b>Northeast</b>			
<b>2007</b>	9.8%	81.5%	8.7%
<b>2011</b>	0.6%	92.4%	7.0%
<b>2012</b>	0.5%	92.0%	7.5%
<b>Center</b>			
<b>2007</b>	4.9%	86.2%	8.9%

<b>2011</b>	1.1%	93.2%	5.7%
<b>2012</b>	0.9%	90.6%	8.5%
<b>South</b>			
<b>2007</b>	6.2%	86.1%	7.7%
<b>2011</b>	2.4%	91.4%	6.2%
<b>2012</b>	1.7%	87.8%	10.5%
<b>Islands</b>			
<b>2007</b>	4.7%	83.1%	12.2%
<b>2011</b>	1.1%	93.5%	5.4%
<b>2012</b>	1.3%	88.8%	8.5%

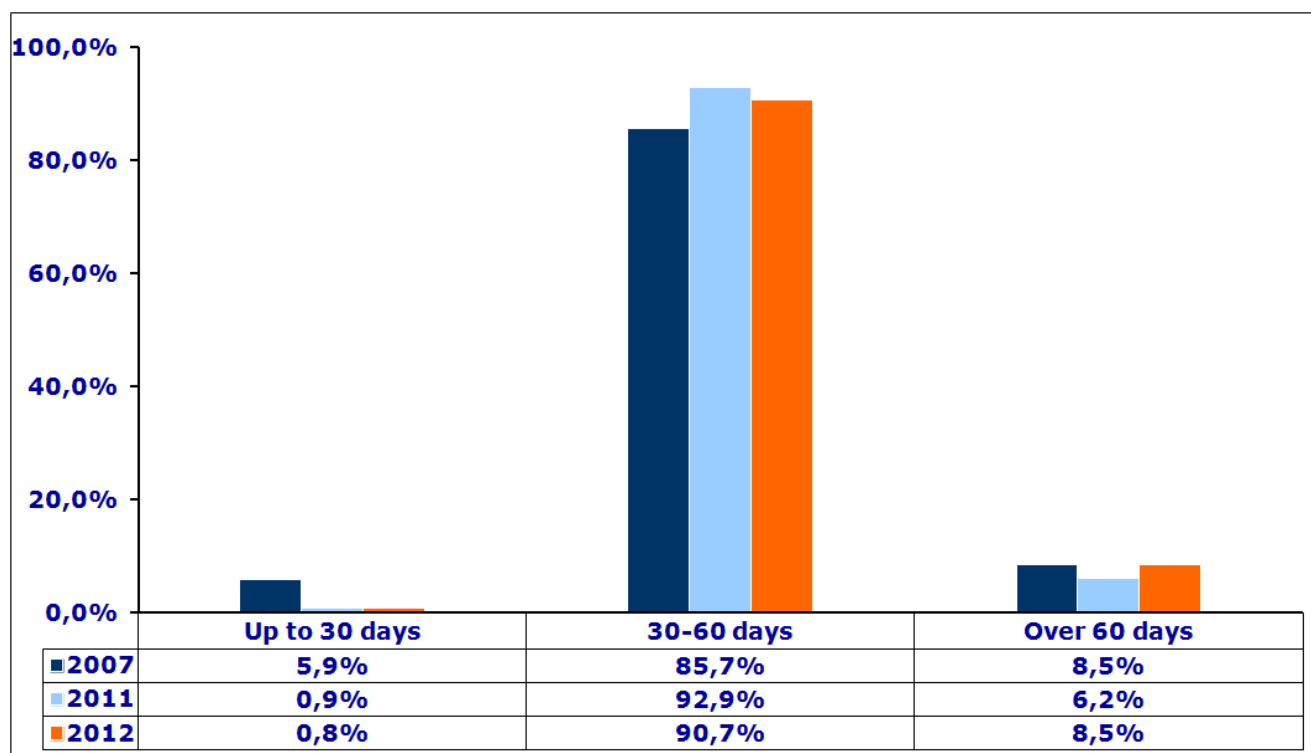
Looking at the national situation in more detail (Graph 23.1.2), it is possible to see a substantially stable situation compared to 2011 for terms of less than 30 days (-0.1%), whereas there has been a 2.3% increase in companies using more than 60 day payment terms, and the concentration in the 30-60 days bracket has decreased by 2.2%.

Compared to six years ago, it is possible to see a significant reduction in the share of companies in the Up to 30 days class: in fact, the proportion has changed from 5.9% in 2007 to 0.8% in recent months.

So, there is still a tendency for Italian companies to use contractual terms of between 30 and 60 days, however, at the same time there is a growing trend for longer payment terms (over 60 days).

GRAPH 23.1.2 SOURCE: CRIBIS D&B

#### PAYMENT TERMS IN ITALY, 2007-2012 TRENDS



Graph 23.1.3 shows the distribution of payment terms in Italy in relation to the different geographical areas.

The results are the same as the overall national picture - independent of geographical area, Italian companies prefer contractual payment terms of between 30 and 60 days (values above 87%).

The south of Italy and the islands are the areas that show a higher percentage of companies choosing contractual conditions of over 60 days (at least 9.9% of the total), meanwhile, the figure is 7.4% for the north east.

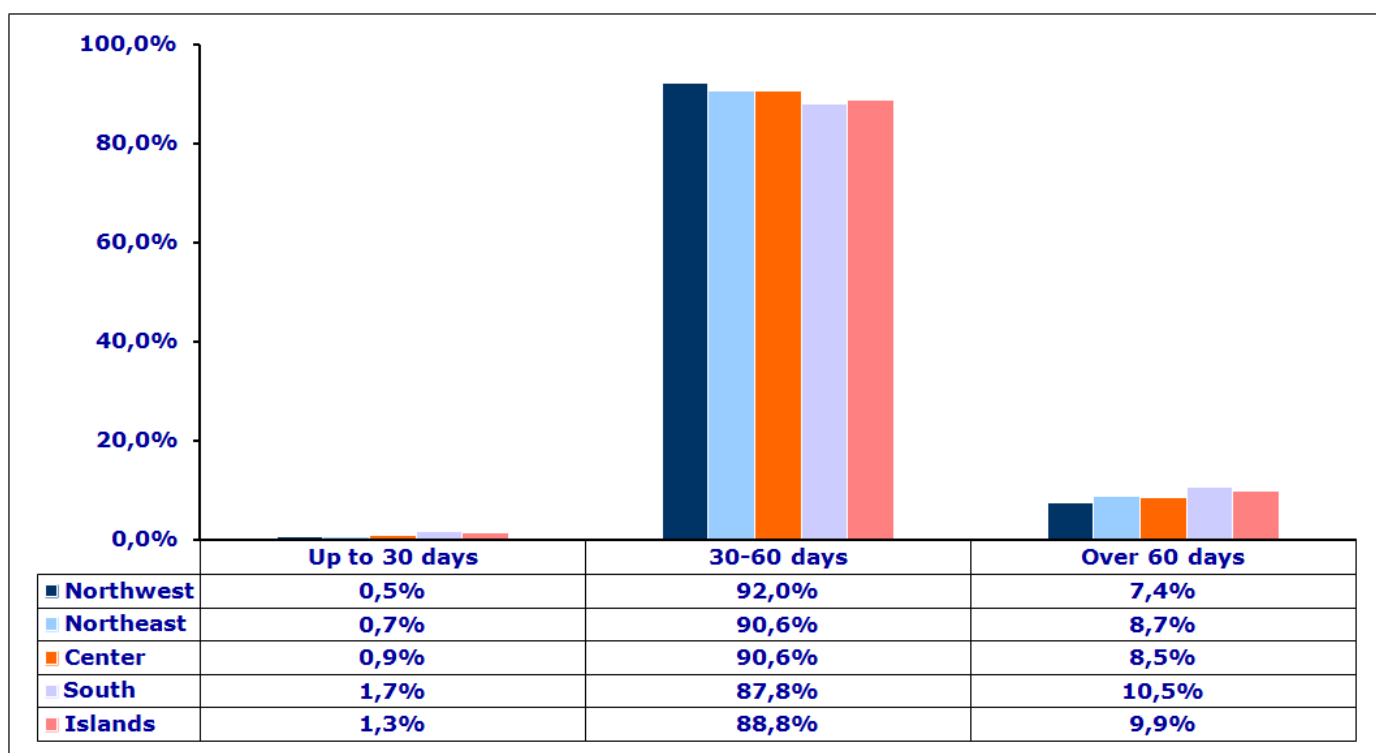
In relation to payment terms of less than 30 days, there is a higher concentration in the south with 1.7% of the total, whereas in the north and central part the figure is below 1%.

Compared with 2011, the changes are more obvious for southern Italy. In terms of contractual payment terms over 60 days, the figure has increased by 4.3 percentage points, whereas the concentration in the "30-60 days" class has decreased by 3.6%.

The variations in the north east, on the other hand, are significant if the results for 2012 are compared with 2008: the difference for the intermediate class (30-60 days) exceeds 11%, whereas terms of less than 30 days have decreased by 8 percentage points.

GRAPH 23.1.3 SOURCE: CRIBIS D&B

## PAYMENT TERMS IN ITALY BY GEOGRAPHICAL AREA, 2012



## 23.2 Payment analysis

A first indication of payment performance patterns in Italy is provided in Table 23.2.1, in which the trend over recent years of the percentage of companies that pay their obligations within agreed terms is reported.

The negative trend in punctual payments which started in the last few years continues: in fact, the share of "good payers" has suffered a decrease of 1.4% compared with 2011, with 44.3% of the total.

Furthermore, the percentage of punctual payers is still less than the values seen before the economic and financial crisis (50.8% in 2007 and 49.6% in 2008).

It is worth noting the reduction in the gap compared to the European average: in 2012, the difference in punctual payments between Italian companies and the European average was +5.2%, whereas in 2007, the gap with the rest of Europe was 9.8 above the European average.

Changes in relation to the percentage of companies paying on average more than 90 days late are evident (Table 23.2.2).

There has in fact been an increase of around 2 percentage points over 12 months, reaching 2.7% of the total and exceeding the value recorded in 2007.

Compared to the European average, Italy continues to have a lower percentage of serious late payments (-0.6%), in line with the previous six years.

TABLE 23.2.1 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN ITALY WITH ON TIME PAYMENTS, 2007-2012

	2007	2011	2012
Italy	50.8%	45.7%	44.3%
Europe	41.0%	37.8%	39.1%

TABLE 23.2.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN ITALY WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2012

	2007	2011	2012
Italy	2.3%	0.8%	2.7%
Europe	4.1%	3.1%	3.3%

Now let's look in more detail at Italian payments with Graph 23.2.3, in which the payments practices of companies are reported by payment class.

In 2012 there was a reduction in the share of punctual payers and moderate late payers (up to 30 days on average), with a corresponding increase in more serious late payments, above all in relation to those who manage commercial transactions with late payments of over 60 days beyond agreed terms.

In fact, punctual payments have worsened by 1.4 percentage points compared with 2011, with a value of 44.3% of the total in 2012, and still a long way off the value seen in 2007 (50.8%).

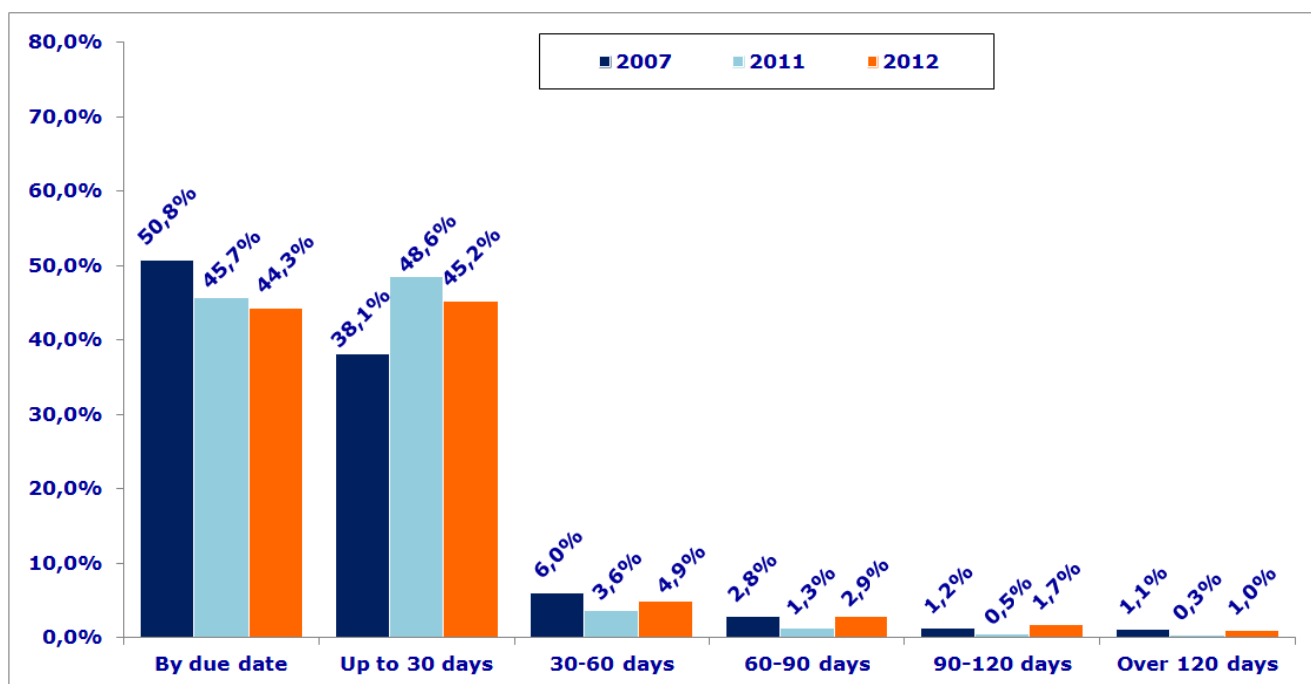
The concentration in the "Up to 30 days" late payment class, on the other hand, decreased by 3.4% to 45.2% of the total.

Late payments of between 30 and 90 days account for 7.8% of Italian companies, compared to 4.9% in 2011 and 8.8% in 2007.

Finally, there has been a worsening for more serious late payments (over 90 days on average), which have increased by around two percentage points compared to the previous year.

GRAPH 23.2.3 SOURCE: CRIBIS D&B

### PAYMENT PRACTICES IN ITALY BY PAYMENT CLASS, 2007-2012



Graph 23.2.4 shows the trends in punctual payments and the most serious late payments (over 90 days) in Italy and gives more detail on the trends in 2012 thanks to a break down of the data into individual quarters.

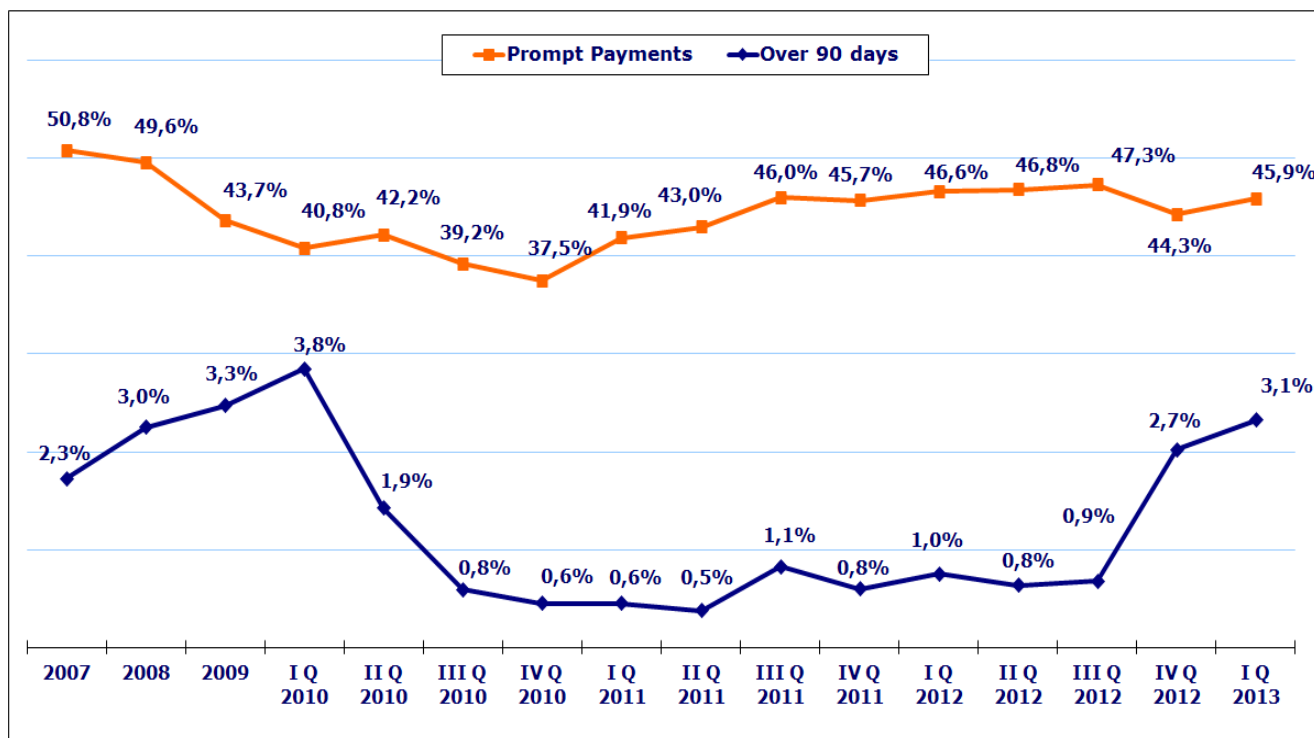
In relation to punctual payments, there was a significant worsening in the last few months of 2012: in fact, following the positive signs in the third quarter in which the percentage of "good payers" had increased to 47.3% of the total, there was a decrease to 44.3% in the last part of the year (less than at the end of 2011).

This trend has also been confirmed in the first data from 2013. Despite a slight increase, the percentage of companies belonging to this category is a long way off values seen in 2007 and 2008.

For serious late payments, on the other hand, there was significant worsening in December 2012 with 2.7% of Italian companies tending to pay on average more than 90 days late, and a 1.8% increase compared to the previous quarter.

In this respect, it is important to note the increase in the concentration in this late payment class compared to the same period in 2010 and 2011 (not above 0.8%) and also the further worsening identified in the first few months of 2013 (3.1% of the total).

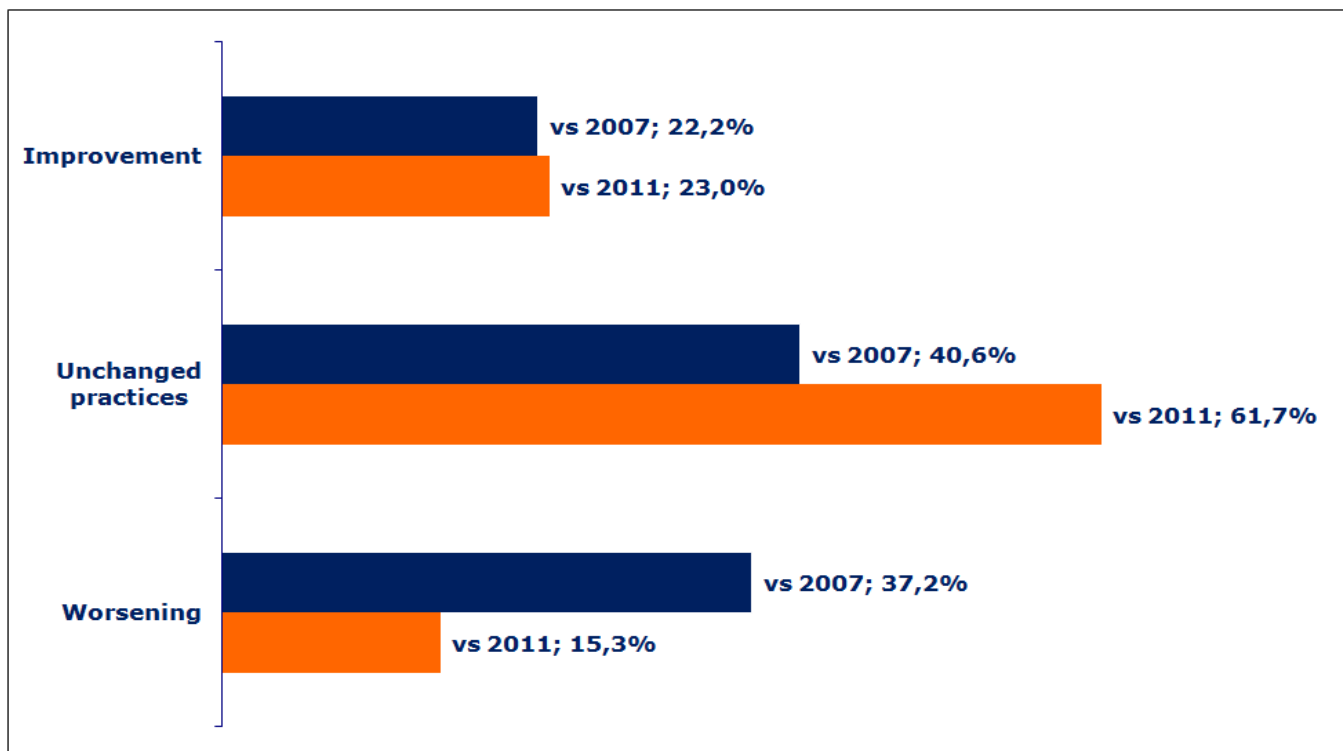
### TRENDS IN PUNCTUAL PAYMENTS AND PAYMENTS OVER 90 DAYS LATE, 2007-2013



Graph 23.2.5 shows how the performances of Italian companies have varied in the last six years. Compared with 2011, the average behavior deteriorated for 15.3% of companies, meanwhile the situation for 61.7% of companies remained unchanged, and for 23% it improved.

If we consider 2007, on the other hand, we can see a high proportion of companies that have a worse payment performance (37.2% of the total) compared to 40.6% of cases in which the average payment behavior has not changed.

### VARIATIONS IN PAYMENT PRACTICES IN ITALY, 2007-2012



The trends in payment practices seen in previous years in Italy were confirmed in 2012 in relation to company size (Graph 23.2.6).

In fact, Micro companies (a large part of the Italian market) continue to stand out as having a more balanced behavior in the management of commercial transactions within agreed payment terms.

The percentage of companies in this category was 47.9%, which is 3.6 percentage points above the national average, whereas late payments were concentrated in the "Up to 30 days" class (41.2%) and the "30-60 days" class (5%).

Small companies tend to pay on average between 1 and 30 days beyond agreed terms (52.9%), to the detriment of punctual payments with a percentage of 37.8%.

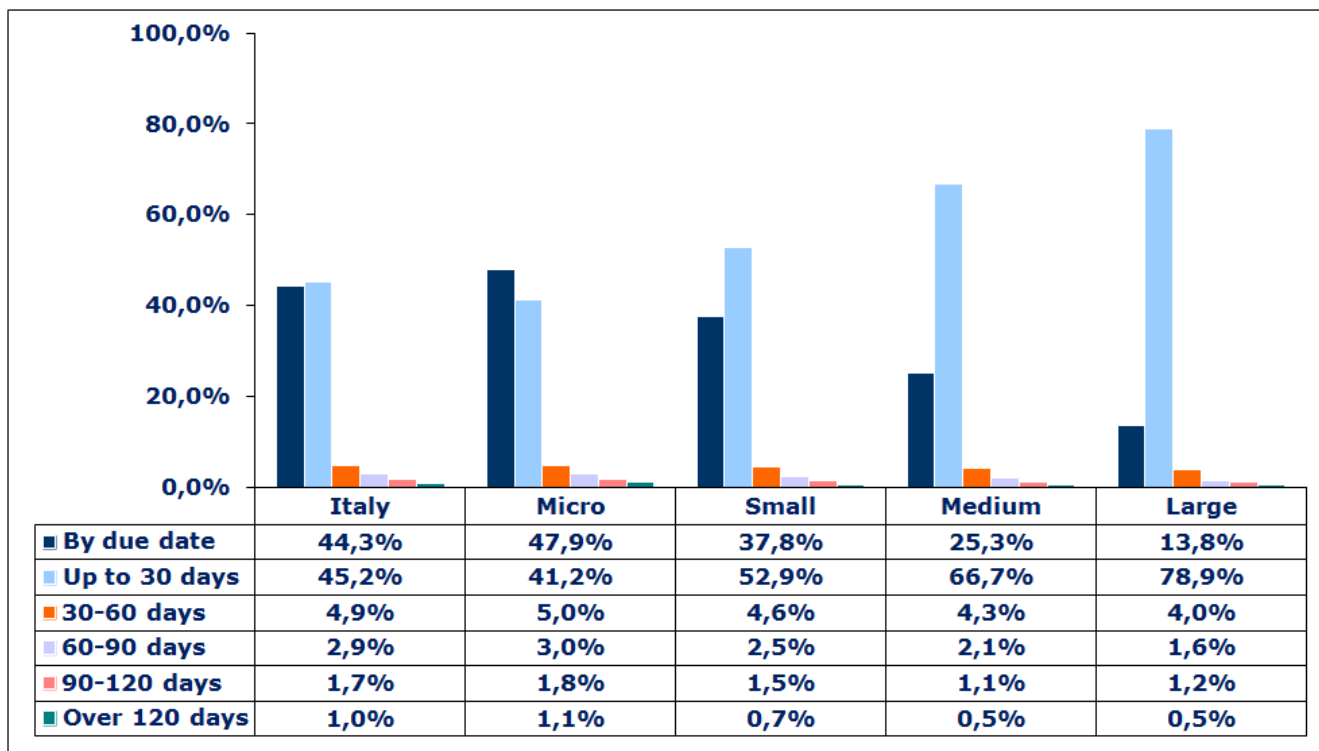
Medium and Large companies, meanwhile, have a very different payment habits compared to the two smaller classes of companies.

On time payments reduce significantly (25.3% for Medium companies and 13.8% for Large companies), compared to a percentage of late payments of less than 30 days of more than 66%.

In addition, only 1.7% of Large companies pay more than 90 days late on average, compared with the national average of 2.7% and the 2.9% for Micro companies.

GRAPH 23.2.6 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN ITALY BY TYPE OF COMPANY, 2012



Graph 23.2.7 shows in detail how the average payment practices of Italian companies have changed from 2007 and 2012 in relation to their size.

Micro companies had a greater percentage of cases in which practices remained unchanged (44.3%), meanwhile there was a worsening in payment practices in 33.3% of cases.

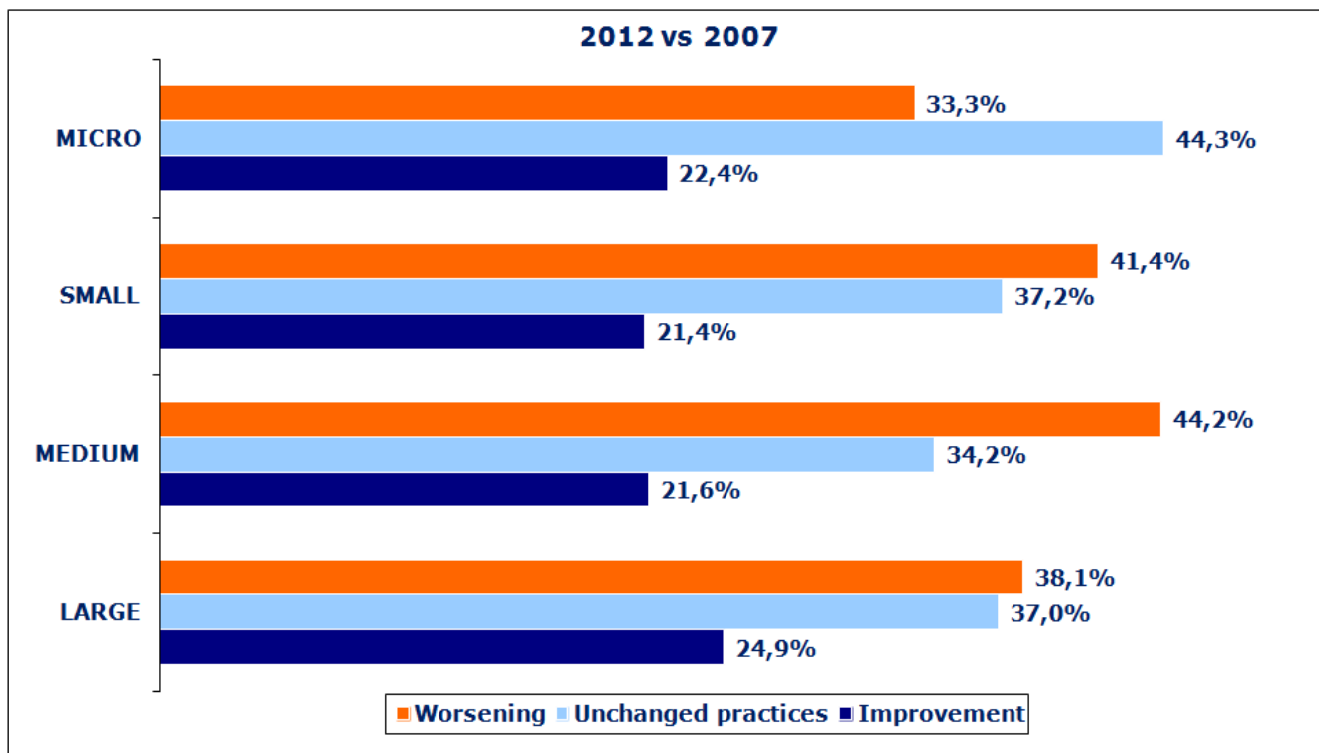
For Small and Medium sized companies, on the other hand, there was a higher share of companies for which payment practices have worsened compared to 2007 (41.4% for the former and 44.2% for the latter), whereas unvaried payment practices accounted for around a third of the sample.

Finally, Large companies have similar values in terms of worsening and unchanged habits, but have a higher percentage of companies that have improved (24.9% of the total).

GRAPH 23.2.7 SOURCE: CRIBIS D&B

## PAYMENT PRACTICES IN ITALY BY TYPE OF COMPANY, 2012 vs. 2007





Let's proceed with the analysis of average payment practices for Italian companies according to region.

The aggregate level for Italy, as analyzed previously in Graph 23.2.3, shows a percentage of 44.3% of companies which on average pay within agreed payment terms, and 2.7% which pay more than 90 days late. From Table 23.2.8 it is possible to see these late payment classes in reference to the different zones and regions of Italy.

Considering the broad geographical areas, the north east has a lower than average share of companies paying more than 90 days late compared with the Italian average (1.7% compared to 2.7%) and shows a good performance in relation to punctual payments. In fact, for the whole sample, there is a concentration of over 49% of companies that manage to pay their commercial transactions on time (52.2% in the case of Emilia Romagna).

There was also a positive situation for the north west, where the share of punctual payments was 47.6% of the total (49.1% for Lombardy).

In relation to central Italy, companies that pay on time remain above the national average, with the exception of Lazio, where 33.4% of companies are in this class.

The situation is more problematic in southern Italy and on the islands, where the large part of regions had a lower share of companies paying on time than the national average. For Campania, Calabria, Sardinia and Sicily the concentration in this category was below 33.4%.

In addition, in relation to serious late payments (over 90 days) the worst performance is seen in Campania, with 5.4% of companies and a difference of around 2.7% from the Italian average.

Only Basilicata stands out for its above average performance compared to the other southern regions and islands. On time payments accounted for 43.1% of companies in this region, whereas late payments of over 90 days accounted for 3.1%.

**PAYMENT SITUATION IN ITALIAN REGIONS, 2012**

<b>Payments in Italian Regions</b>	<b>2012</b>	
<b>AREA</b>	<b>Punctual payments</b>	<b>Payments made 90 days over terms</b>
<b>Northeast</b>	<b>50.7%</b>	<b>1.7%</b>
EMILIA ROMAGNA	52.2%	2.8%
FRIULI	50.5%	1.7%
TRENTINO	51.4%	1.1%
VENETO	49.4%	1.8%
<b>Northwest</b>	<b>47.6%</b>	<b>1.9%</b>
LIGURIA	41.8%	2.4%
LOMBARDY	48.8%	1.8%
PIEDMONT	47.2%	1.9%
AOSTA VALLEY	47.6%	1.4%
<b>Center</b>	<b>41.0%</b>	<b>3.3%</b>
LAZIO	33.4%	4.2%
MARCHE	47.2%	2.8%
TUSCANY	44.9%	2.6%
UMBRIA	46.8%	2.8%
<b>South and Islands</b>	<b>35.4%</b>	<b>4.5%</b>
ABRUZZO	41.7%	3.8%
BASILICATA	43.1%	3.1%
CALABRIA	33.3%	4.8%
CAMPANIA	32.1%	5.4%
MOLISE	36.9%	4.9%
PUGLIA	40.3%	3.4%
SARDINIA	33.1%	4.4%
SICILY	33.4%	4.9%
<b>ITALY</b>	<b>44.3%</b>	<b>2.7%</b>

Graph 23.2.9 reports payment details in Italy by payment class and geographical area.

As seen in previous years, the management of commercial transactions in southern and northern Italy is rather different.

In fact, while companies in northern Italy show a greater tendency to respect agreed payment terms and to contain late payments, where these exist, to within 30 days on average, payments in southern Italy are less punctual and late payments tend to be delayed more.

The percentage of punctual payments in the south and islands is 35.4%, around 9 percentage points below the national average, whereas 48.3% of the total are concentrated in the "Up to 30 days" class and 7.3% in the "30-60 days" class.

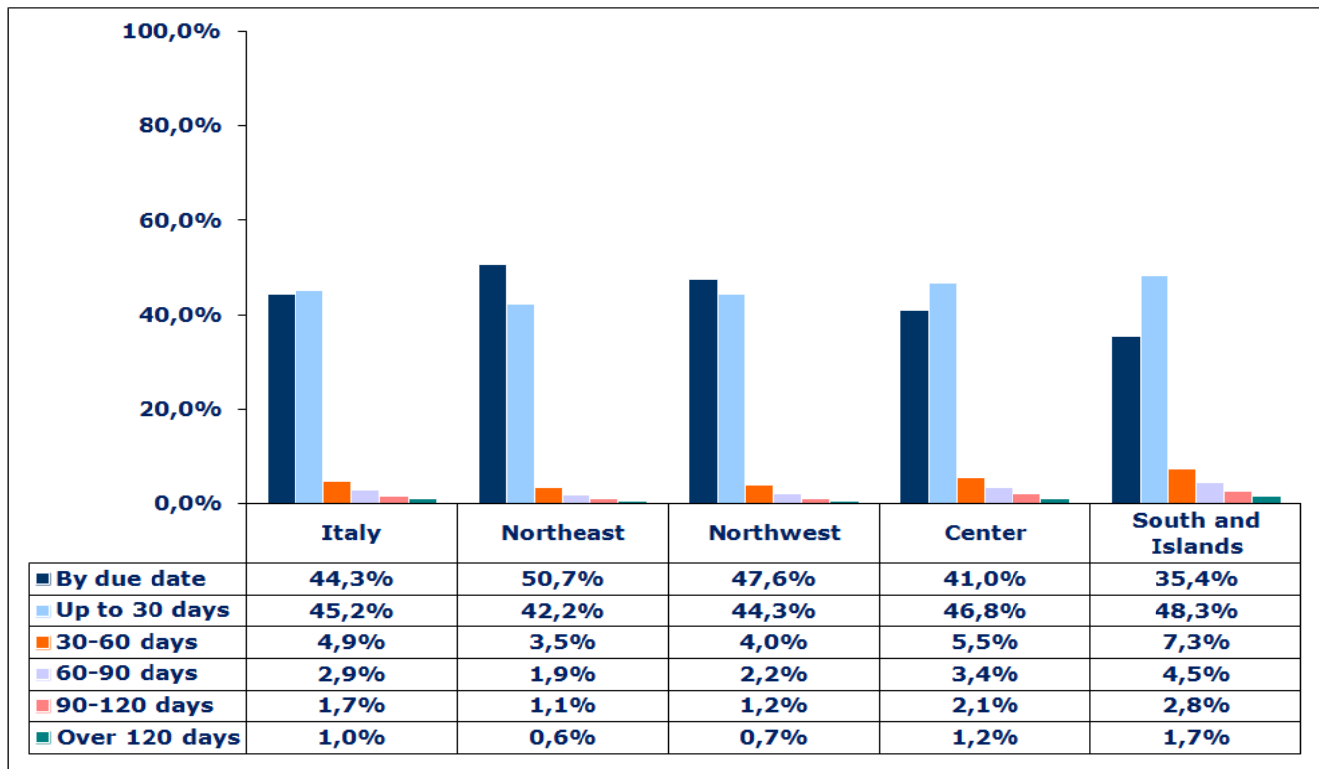
The most serious late payments (over 60 days), on the other hand, accounted for 9% of companies in the south and islands (4.5% exceeding 90 days).

In the north, good payment performance is seen in the higher percentages of punctual payments (50.7% for the north east and 47.6% for the north west) and the more contained number of cases in which late payment exceeds 60 days (not more than 4.1%).

Finally, the center is in an intermediate position with 41% of companies paying within agreed payment terms, and 3.3% paying seriously late (over 90 days).

GRAPH 23.2.9 SOURCE: CRIBIS D&B

#### PAYMENT PRACTICES IN ITALY BY GEOGRAPHICAL AREA, 2012



Graph 23.2.10 shows how the average payment practices of Italian companies have changed in relation to geographical area.

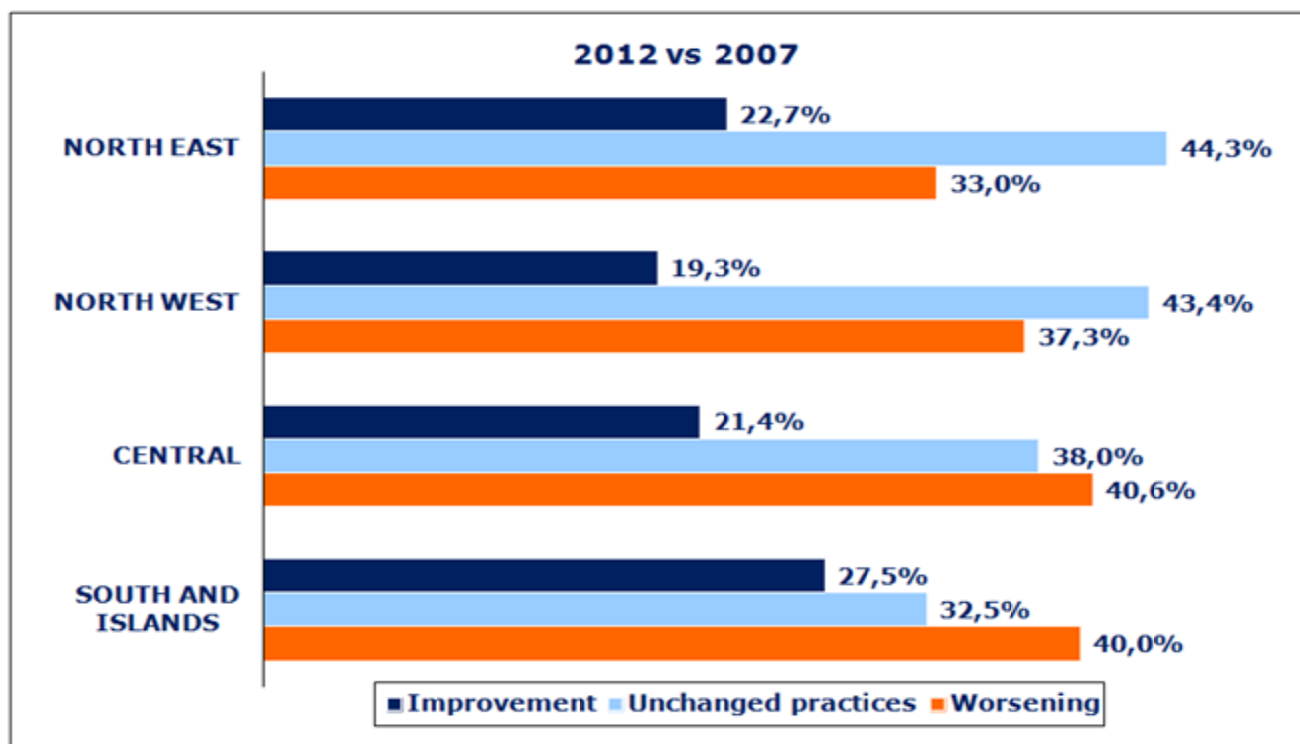
If we look at the development of payment habits of the last year compared to 2007, we see two distinct situations.

The north east and north west have a higher percentage of cases in which practices remain unchanged (above 43% of the total), meanwhile there has been a worsening in payment practices in between 33% and 39.2% of cases.

For the south and the islands, on the other hand, there is a higher concentration in the "Worsening" category, with 40%, to the detriment of the unchanged and improvement categories, with 32.5% and 27.5% of companies, respectively.

Finally, there is a similar situation in central Italy, with 40.6% of cases in which practices have worsened and 38% in which the situation is stable over time.

## VARIATIONS IN PAYMENT PRACTICES IN ITALY BY GEOGRAPHICAL AREA, 2012 vs. 2007



Using Graph 23.2.11, it is possible to analyze the payment practices of Italian companies in relation to macro-sectors.

The best payment performances relate to Agriculture, Financial Services and Other Services, with concentrations of punctual payers of at least 50.6%.

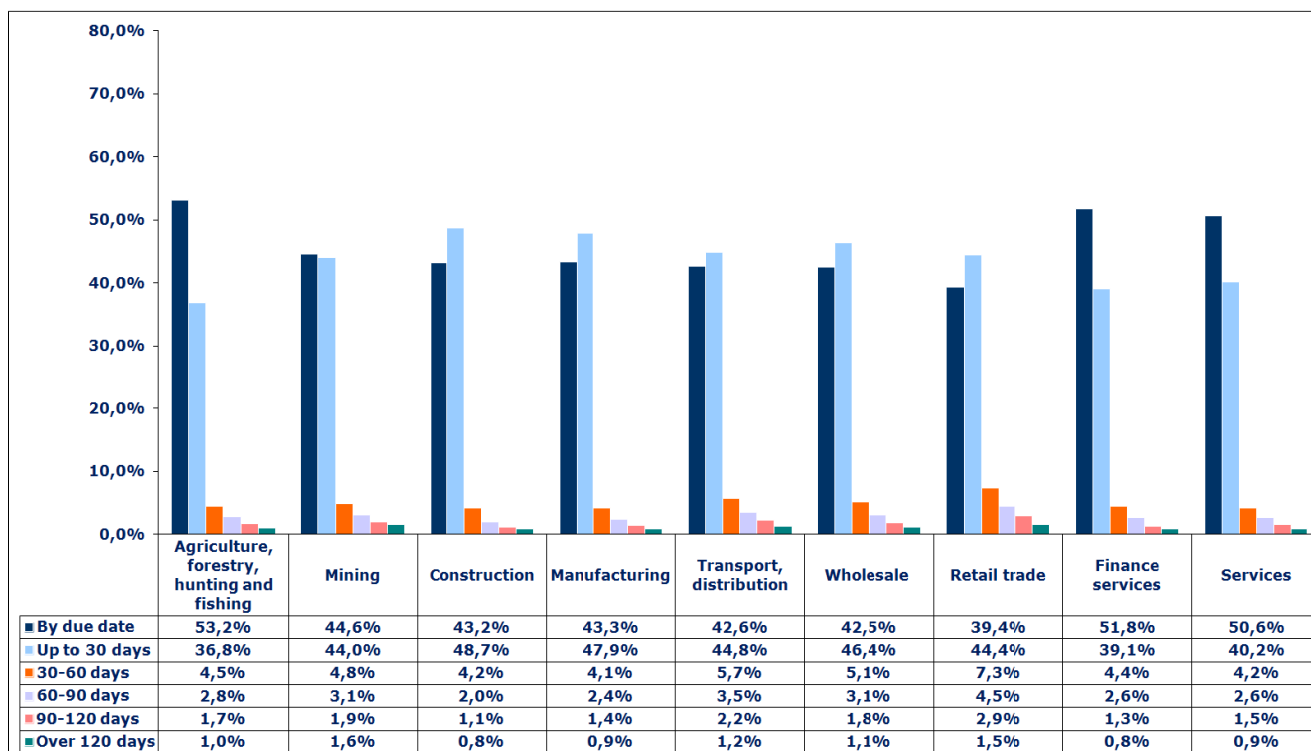
Transport and Trade (wholesale and retail), on the other hand, have the lowest values in relation to punctual payments (not more than 42.6%).

There is a tendency to manage commercial transactions with late payments of on average between 1 and 30 days beyond agreed terms. All sectors have at least 36% of companies in the "1 to 30 days" class, with values of above 47% for Construction, and Industry and Manufacturing.

The largest share of companies paying on average between 30 and 90 days late was seen in the Retail Trade sector (11.8%) followed by Transport (9.2%).

Finally, in relation to more seriously late payments, the worst performance was reported for the Retail Trade sector with 4.4% of companies paying more than 90 days late.

## PAYMENT PRACTICES IN ITALY BY PRODUCT SECTOR, 2012



Graph 23.2.12 shows the changes in payment practices in the Italian macro-sectors between 2007 and 2012 in terms of average changes to the statistical indicator D&B Paydex.

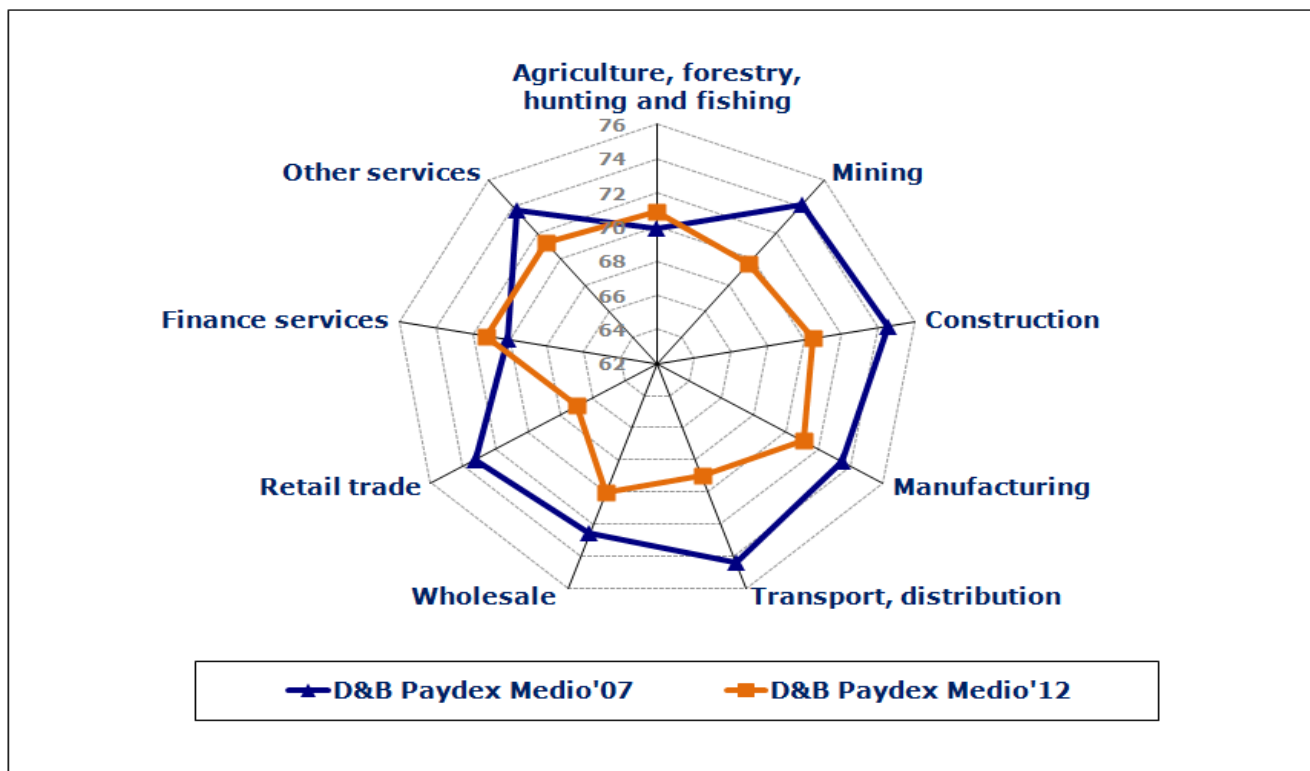
With the exception of Agriculture and Financial Services, for which the indicator has increased by one point compared with 2007, there has been a general worsening, with variations of more than two points for the other sectors.

In particular, the indicator has decreased by over five points for Transport and Retail Trade.

Finally, the worst performance overall relates to the Retail Trade sector, with a score of around 66.9, while the best performance was seen in the Other Services sector.

GRAPH 23.2.12 SOURCE: CRIBIS D&B

## VARIATIONS IN PAYMENT PRACTICES IN ITALY BY PRODUCT SECTOR, 2007 - 2012



By analyzing Graph 23.2.13, we can see the payment performance of Italian companies in 2012 in relation to their size and macro-sector, and in terms of the associated average D&B Paydex score.

Micro companies showed a better performance for many of the sectors analyzed, with some significant differences in the average D&B Paydex values compared to other categories.

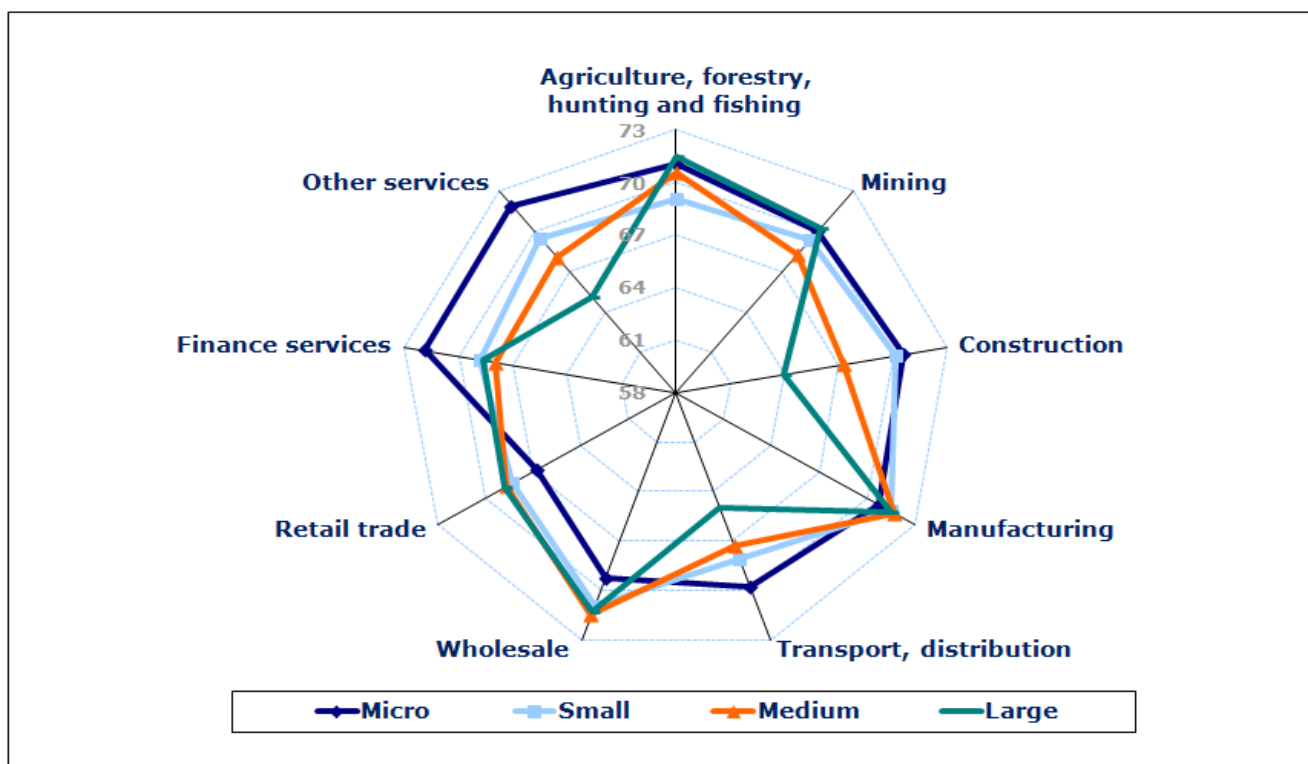
In fact, there was over 6 points of difference for Construction and Other Services in the comparison between Micro and Large companies.

For the Trade sector (wholesale and retail), on the other hand, the worst payment habits are seen in the smallest companies.

Small and Medium companies have similar values for the indicator in almost all sectors, with the exception of Construction, in which there is a difference of around 3 points.

GRAPH 23.2.13 SOURCE: CRIBIS D&B

**PAYMENT PRACTICES IN ITALY BY PRODUCT SECTOR AND TYPE OF COMPANY, 2012**



Tables 23.2.14 and 23.2.15 show the classification of the micro-sectors with the most punctual and least punctual payments in Italy over the course of 2012.

Once again in 2012, Insurance Agencies, Insurance Companies and Car repair garages, Car hire and leasing show excellent payment performance, standing out due to a lesser delay in payment in relation to agreed terms.

The worst payment performance, on the other hand, was seen for Restaurants and bars, followed by Retail sale of foodstuffs, and Air transport.

The negative trend seen for these sectors indicates that they do not seem able to reduce the average delay in payment and to improve conditions.

TABLE 23.2.14 SOURCE: CRIBIS D&B

### SECTORS WITH THE BEST PAYMENT RECORDS IN ITALY, 2012

Sector	Ranking 2012
INSURANCE AGENTS, BROKERS & SERVICES	1
INSURANCE CARRIERS	2
AUTO REPAIR, SERVICES AND PARKING	3
FURNITURE AND FIXTURES	4
CHEMICALS AND ALLIED PRODUCTS	5
AUTOMOTIVE DEALERS & SERVICE STATIONS	6
BUILDING MATERIALS & GARDEN SUPPLIES	7
INDUSTRIAL MACHINERY AND EQUIPMENT	8
LUMBER AND WOOD PRODUCTS	9
RUBBER AND MISCELLANEOUS PLASTICS	10

## PRODUCTS

TABLE 23.2.15 SOURCE: CRIBIS D&B

### SECTORS WITH THE WORST PAYMENT RECORDS IN ITALY, 2012

Sector	Ranking 2012
EATING AND DRINKING PLACES	68
FOOD STORES	67
TRANSPORTATION BY AIR	66
GENERAL MERCHANDISE STORES	65
EXECUTIVE, LEGISLATIVE AND GENERAL	64
POSTAL SERVICES	63
WATER TRANSPORTATION	62
APPAREL AND ACCESSORY STORES	61
NONDEPOSITORY INSTITUTIONS	60
HOLDING AND OTHER INVESTMENT OFFICES	59

## 1ST QUARTER 2013

In this section, there is a brief analysis of the payment practices of Italian companies on the basis of data relating to the first quarter of 2013.

The following graphs and tables allow us to have a look at some advance information so as to have the most up to date picture of the ability of companies to pay suppliers within agreed payment terms, and an estimate of the key variations in their behavior compared with the previous quarter.

In particular, Graph 23.2.16 shows the payment practices of Italian companies in detail, divided into payment classes.

It can be seen that at the start of 2013, the proportion of companies paying more than 90 days late on average is 3.1% of the total (the highest value since the start of 2010).

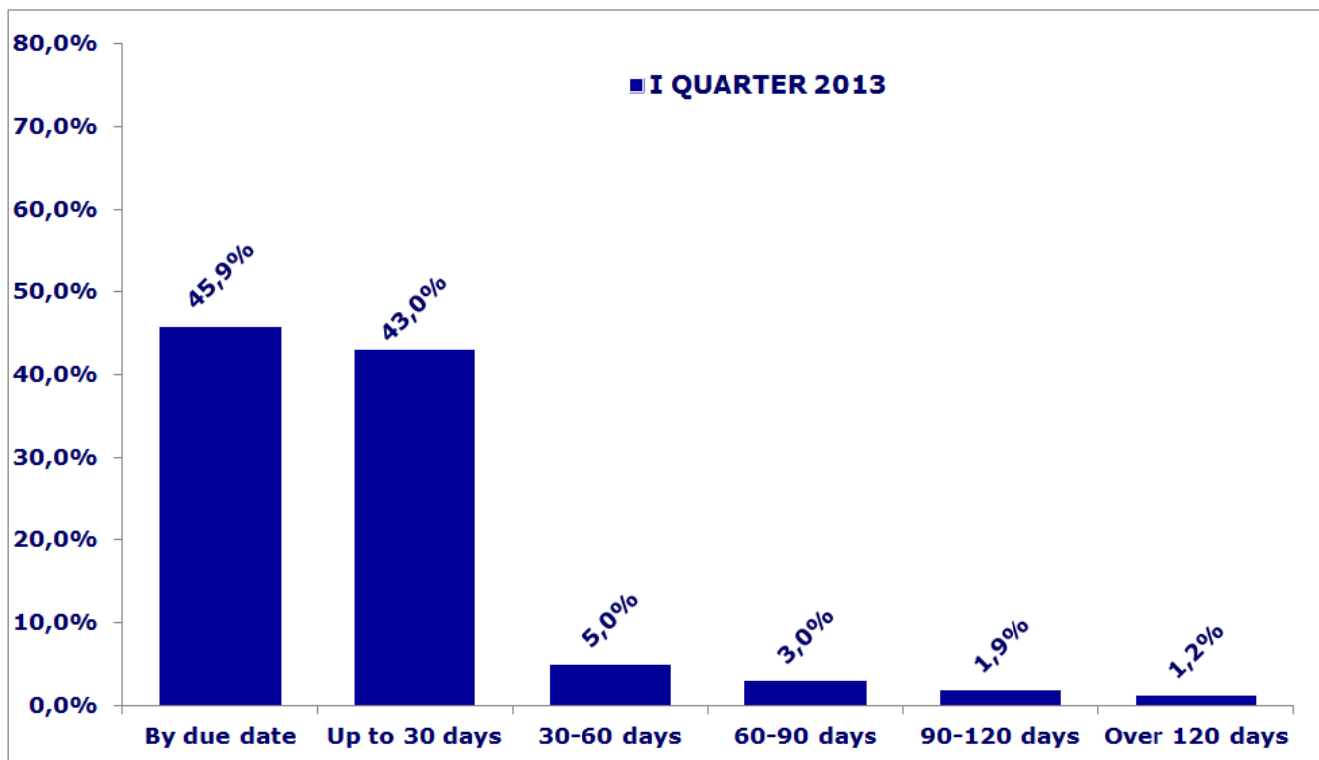
Punctual payments, on the other hand, account for 45.9% of Italian companies, with a difference of 1.6 percentage points compared to December 2012.

Late payments continue to be concentrated in the moderate late payment class of Up to 30 days (43%), followed by late payments of between 30 and 60 days on average (5%).

GRAPH 23.2.16 SOURCE: CRIBIS D&B

### PAYMENT PRACTICES IN ITALY BY PAYMENT CLASS, 1ST QUARTER 2013





Graph 23.2.17 shows how the payment performance of Italian companies changed between the 4th quarter of 2012 and the 1st quarter of 2013.

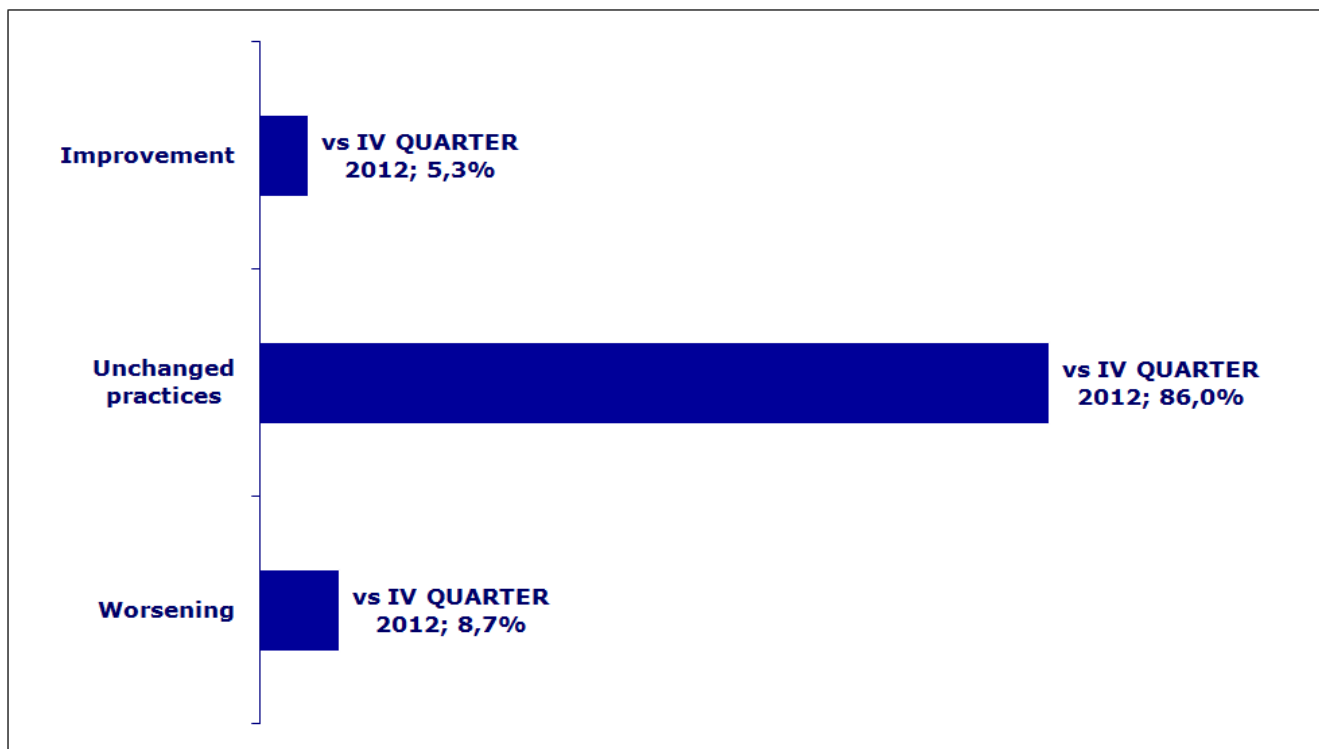
The large part of the sample being examined did not show any changes to payment habits in the time period under consideration. In fact, 86% of companies did not register any changes in relation to their management of commercial transactions.

The remaining companies improved their payment performance in 5.3% of the cases analyzed, meanwhile 8.7% showed worse habits compared with the last quarter of 2012.

Graph 23.2.4 shows the trends in punctual payments and the most serious late payments (more than 90 days over agreed terms) compared with previous quarters.

GRAPH 23.2.17 SOURCE: CRIBIS D&B

## VARIATIONS IN PAYMENT PRACTICES IN ITALY, 4TH QUARTER 2012 - 1ST QUARTER 2013



Previous analysis confirms a worsening in the ability of companies to respect agreed payment terms for their business transactions in 2012.

In fact, the proportion of punctual payers has decreased by 1.4 percentage points compared to the previous year with a value of 44.3% of the total, continuing to show a significant difference compared with the figure for 2007 (-6.5%).

The figure in relation to serious late payments (over 90 days on average) is also negative: these have increased by 1.9% compared with 2011 and account for 2.7% of Italian companies.

In relation to this variable, Italy is in one of the lowest positions compared to the average results seen for other countries in the study. In fact, only Turkey, Spain, Portugal and Poland have a higher concentration of "bad payers".

On a sector level, Retail Trade and Transport and Distribution have the worst payment performance, with the lowest values for the D&B Paydex index.

On the basis of results for the 1st quarter of 2013, it is possible to predict that the concentration in the serious late payment class will continue to account for a larger number of companies, and in part this is due to the growing problems that Italian companies have to face in managing commercial transactions.

The economic situation in Italy and international trends do not point to a very good situation in the coming months, and it will be necessary to continue to carefully monitor the state of financial health of trading partners.

## CONCLUSIONS

The 2012 Payment Study has been further enhanced by the analyses and comments on the payment situations in four new countries (the Czech Republic, Finland, Denmark, Turkey and Russia), bringing the number of countries in the study to 23.

As seen in previous editions, once again this year, payment practices show a certain heterogeneity and rather different trends between the countries examined, characterized by individual reactions to growing macroeconomic difficulties and the increasingly extensive credit crisis which has hit economic systems around the world.

In particular, payment performance in 15 European countries in 2012 was analyzed, and once again the trends between one country and another are very different.

The European average in the punctual payment class has improved compared with 2011, with 39.1% of the total and an increase of 1.3 percentage points compared with the previous year. However, the percentage of companies paying on average more than 90 days beyond agreed terms has remained stable, with a European average of 3.3%.

The best performance was seen for Denmark, which reached a percentage of 83.3% of punctual payers.

Finland, Belgium, Spain and Hungary had percentages of punctual payments above the European average. In this case, however, the concentrations are lower and vary between 41.6% (Spain) and 45.5% (Finland). Compared with 2011, there has been an improvement in punctual payers in Finland, with an increase of 7.2 percentage points.

Companies in the Czech Republic and the United Kingdom, on the other hand, have greater difficulty in respecting agreed commercial agreements, with little more than 30% in this payment class. The worst data, as in the previous edition, comes from Portuguese companies, which manage to pay within due dates in only 17.6% of the cases analyzed (a drop of 4 percentage points in twelve months).

An analysis of performance in the more serious late payment classes (over 90 days on average) also shows differing situation between the European countries analyzed. Companies in Poland and Portugal present the most problematic situation, with percentages greater than 11%, giving a difference from the European average of more than 7 percentage points. Spain (8.3%) and Turkey (6%) are in an intermediate position. The proportions for the remaining countries are stable and contained (less than 0.5% for Germany, Denmark and Finland).

Six non-European countries were considered in the 2012 edition of the study: the United States, Canada, Mexico, China, Hong Kong and Taiwan.

The situation for Taiwan and Mexico is positive, with 70.3% and 52.9% of punctual payers.

However, it is important to note the significant worsening over the last 12 months in the payment habits in Mexico, with a loss of over 6 percentage points in the punctual payment class compared with 2011.

The situation in North America has not changed significantly in the last year. In the United States, the percentage of punctual payers is 50.6%, and in Canada the figure is 44.7%.

In 2012, Chinese and Hong Kong companies stand out for a less than efficient payment behavior. Over the period in question, only around 32.5% of companies managed commercial transactions with their trading partners within established contractual arrangements.

Furthermore, it is important to underline that China and the United States have high percentages in the serious late payment classes. In China, companies that pay on average more than 90 days later than agreed terms account for 7.7% of the total, meanwhile in the United States, the concentration in this bracket reaches 6.3 percentage points.

The payment situation in Italy in 2012 confirms the negative trend which started in the last few years: in fact, the share of "good payers" has suffered a decrease of 1.4% compared with 2011, with 44.3% of the total. Furthermore, the percentage of punctual payers is still less than the values seen before the economic and financial crisis (50.8% in 2007 and 49.6% in 2008).

There has been an increase of around 2 percentage points over 12 months in serious late payments, reaching 2.7% of the total and exceeding the value recorded in 2007.

On the basis of results for the 1st quarter of 2013, it is possible to see an increase in the serious late payment class, and in part this is due to the growing problems that Italian companies have to face in managing commercial transactions.

In conclusion, what emerges for 2012 is a diverse picture, with very different payment scenarios between the countries under examination.

International events, specific domestic patterns, industrial characteristics and business culture in each country, mean that the scenarios and trends in the different countries vary very much, and in some cases patterns have changed course compared with previous years.

Macroeconomic forecasts for the current year predict a critical period for countries and companies, which mean they will have to carry out increasingly more careful research and assessments of commercial information on trading partners in order to sufficiently safeguard their cash flow and quickly manage breaches in contract and late payments by customers and suppliers.

**INFORMA**



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