

# Payment Study 2015

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# 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 250 million transactions collected in Italy
- Payment experiences available for 1,4 million companies in relation to their suppliers
- Payment data are available for 81% of requests
- The CRIBIS D&B Paydex indicator is available for 65% of requests
- 4 million € invested in the program in the last 3 years.

# INTRODUCTION, METHODOLOGY AND LEGEND

The Payment Study, published with data up to 31 December 2014 for all countries except for Italy, for which data is included up to 31 March 2015, 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, Hungary, Czech Republic, Finland, Denmark, Turkey, Russia and Greece. In this edition of the study, there is additional information relating to Philippines, Singapore, Australia, New Zealand and Ireland. 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**

### **CHINA**

Agriculture, forestry, hunting and fishing and Mining were excluded from the analysis of payment practices by macro-sector in this country, as they are not significant.

### **TAIWAN, HONG KONG, PHILIPPINES, HUNGARY AND IRELAND**

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

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

### **SINGAPORE**

Chapter and data related to this country have been written by Eugene Z., Marcom & Product Manager of Product Development & Marketing at Dun & Bradstreet (Singapore) Pte Ltd.

### **AUSTRALIA AND NEW ZEALAND**

The score used for these countries is the Late Payment Risk Score (LPRS): a statistically derived measure that assesses the probability of a firm paying its bills in a severely delinquent manner (90+day past terms) over the next 12 months.

### **FINLAND, TURKEY AND DENMARK**

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

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

### **RUSSIA**

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

### **GREECE**

Agriculture, forestry, hunting and fishing, Mining and Finance Services were excluded from the analysis of payment practices by macro-sector in this country, as they are not significant.

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

# 1. CHINA

Below is the opinion of **Louie Lu, Product Development Researcher** at **Huaxia D&B China**, on the economic scenario and payment situation in China.

*"In 2014, the word "Change" has been marked as one of the biggest topics in China. In terms of economy, the growth rate of GDP became no longer the most important target of the local administration. Under the strategy of "stabilizing the growth and restructuring", the economy growth continued slowing down in 2014. The GDP only increased by 7.4%, the lowest speed since 1990. The main reasons that led to the low increase include the slowdown of total investment (up 15.7%, lowest in recent 13 years), consumption amount (up 12%, slower than 2013) and import/export volume (up 0.4% and 6.1% respectively, much less than estimated).*

*Despite the lowest GDP growth in over 2 decades, the pace of the 2<sup>nd</sup> largest economy might get further slowdown according to some experts, indicating that the growth rate may decrease to a more stable, sustainable and mild one from the previous high speed (usually over 9% or 10%), providing both chances and challenges to the government and the companies.*

*In terms of the government, the slowed economy is an opportunity to change the rapid-growing mode in the recent decades that has brought different social and environmental consequences. As Beijing is trying to find a way for a "soft landing" without hurting the development trend and the employment, many new policies that made for finance, banking, real estate, urbanization, environmental-protection and other aspects have been implemented. Meanwhile, it still remains a big topic about how to find a way for sustainable growth under the "New Normal" of lower GDP growth rate.*

*In terms of the companies, the manufacturers suffered from the lowest increase last year after the last global financial crisis. Many large traditional companies are still faced with problems of overcapacity and fierce competition. Meanwhile, their growth is also threatened by the raising labor cost, new environmental-protection policies and slowing down local and oversea demands. However, as most big manufacturers still have support from local government and good credit reputations in the local banks, they can get loans quickly to solve their cash flow problems. For smaller companies and SMEs, the booming of e-commerce and network marketing provides a new way to grow up. Some companies have achieved surprising growth in the previous year. Despite the hard situations for them to get loans, the emerging P2P lending platforms can allow SMEs to get money more easily, but also with more risks due to the immaturity of the P2P industry.*

*The situations of companies not only affect their operation and cash flow, but could also have effects on their payment behaviors. In 2014, the terms of 30-60 days still remains the most popular one for Chinese creditors and payers. In spite of the longer terms that big companies can get, their payment performance is not as good as their smaller counterparts according to the collected payment records. With the raising awareness of credit risk management, credit systems have been established in many administrative sections. The credit reports and risk-management products are, at the same time, applied in many companies. It is estimated that the credit policy and payment terms of companies will have more dependence on the credit conditions based on records of different credit systems, indicating that companies with bad payment manners, regardless their sizes or legal forms, may have to face harder situation in the coming years."*



## Payment analysis

In 2014 the Chinese payment system continues to be complex, with less than satisfactory performances.

The percentage of punctual payers in China was only 29,8% of the total and the majority of companies tended to pay commercial transactions on average between 1 and 30 days late (55,7%).

Intermediate late payment classes ("30-60 days" and "60-90 days") account for 8,8% whereas "bad payers" (more than 90 days late on average) account for 5,7% of the sample analyzed.

Compared to previous years, we can observe that payment performance has undergone slight variations: the percentage of companies that managed to respect agreed terms decreased by 3,5% compared to 2013; payers that fall within the "Up to 90 days" class increased by 4,9 percentage points and the share of "bad payers" (over 90 days on average) reduced by 1,4%.

Small companies show the most balanced payment behavior with 34,7% of the total for payments within agreed terms (+4,9 percentage points compared with the national average). These are followed by micro companies, for which the percentage in question reaches 34,4%, 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%) manage to respect agreed payment terms, with a concentration of 57,7% 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 more than 9% of the total in this class.

In terms of serious late payments, the worst performance is once again seen for Large companies: 6,4% exceed an average of 90 days beyond agreed payment terms.

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, also for 2014, Wholesale: in fact in this case, companies pay within agreed terms in more than 36% of the cases analyzed, whereas in other sectors this figure does not exceed 31%. It can also be seen that Construction register only 20,8% of punctual payers, with a gap of 9% from the national figure.

Late payments are concentrated in the "Up to 30 days" class, with the highest percentages for Retail trade (65,5%) and Transport, distribution (57,3%).

Finally, the most critical situation for the serious late payment class (over 90 days on average) is seen in the Construction, with a share of 14% in this class (+6,1% compared to the Chinese average).

The top position in the classification of best payers is held by Apparel and other textile products with 45,4% of companies paying within agreed payment terms. In second and third positions are Wholesale trade – Nondurable goods (44,5%) and Building materials and garden supplies (39,5%).

The Administration of human resources sector, on the other hand, has the worst payment record in China, with 30,1% of companies paying seriously late (more than 90 days on average).

Second and third places in the classification of micro-sectors with more problematic payment behavior are held by Health services (29,5%) and Environmental quality and housing (20,5%).

TABLE 1.1 SOURCE: HUAXIA D&B CHINA

**PERCENTAGE OF COMPANIES IN CHINA WITH ON TIME PAYMENTS, 2011-2014**

|       | 2011  | 2013  | 2014  |
|-------|-------|-------|-------|
| China | 33,1% | 33,3% | 29,8% |

TABLE 1.2 SOURCE: HUAXIA D&B CHINA

**PERCENTAGE OF COMPANIES IN CHINA WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2011-2014**

|       | 2011 | 2013 | 2014 |
|-------|------|------|------|
| China | 7,9% | 7,1% | 5,7% |

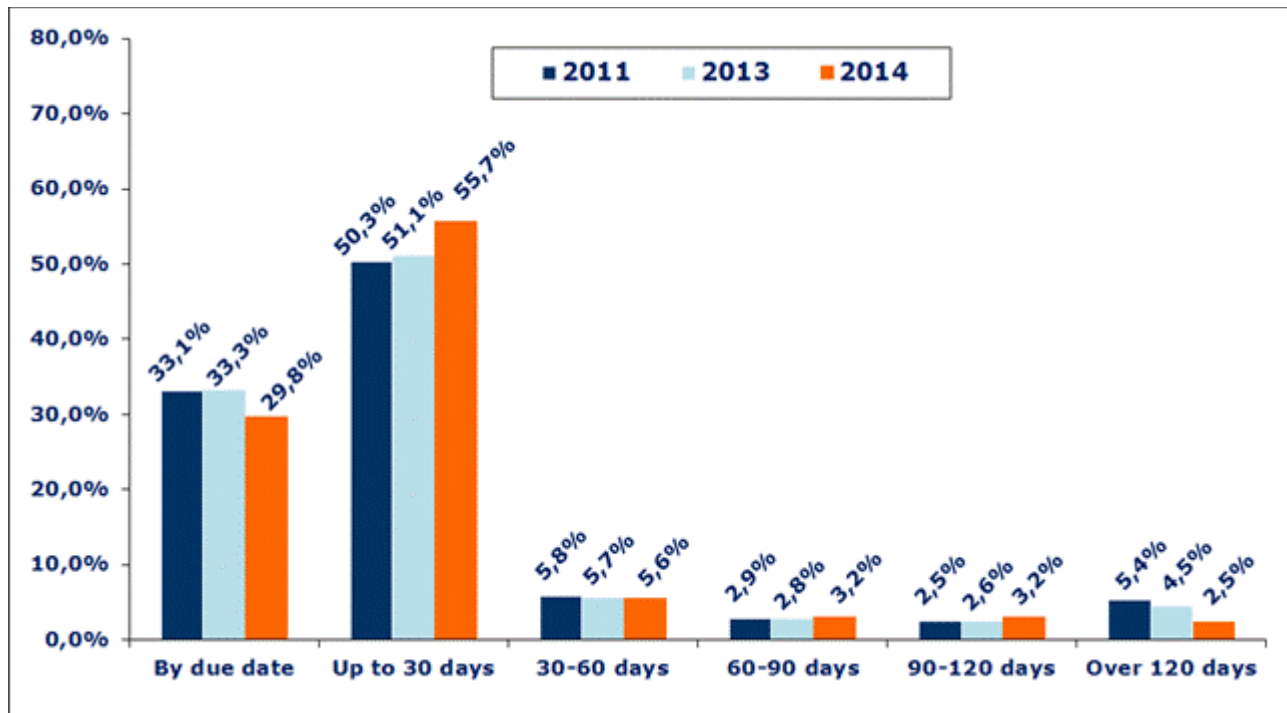
TABLE 1.3 SOURCE: HUAXIA D&B CHINA

**VARIATIONS IN PAYMENT PRACTICES IN CHINA, 2011-2014**

|               | Variation<br>2011/2014 | Variation<br>2013/2014 |
|---------------|------------------------|------------------------|
| By due date   | -3,3%                  | -3,5%                  |
| Up to 90 days | 5,5%                   | 4,9%                   |
| Over 90 days  | -2,2%                  | -1,4%                  |

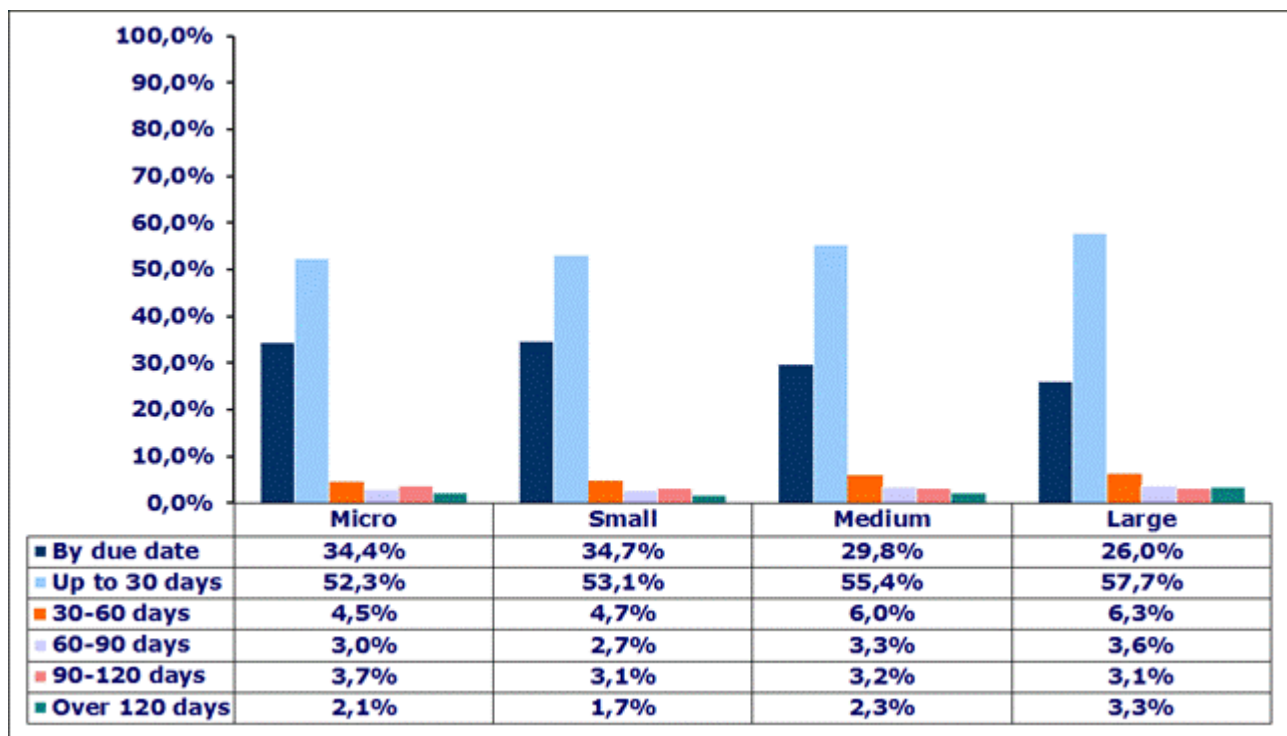
GRAPH 1.4 SOURCE: HUAXIA D&B CHINA

#### PAYMENT PRACTICES IN CHINA BY PAYMENT CLASS, 2011-2014



GRAPH 1.5 SOURCE: HUAXIA D&B CHINA

#### PAYMENT PRACTICES IN CHINA BY TYPE OF COMPANY, 2014



GRAPH 1.6 SOURCE: HUAXIA D&B CHINA

### PAYMENT PRACTICES IN CHINA BY PRODUCT SECTOR, 2014

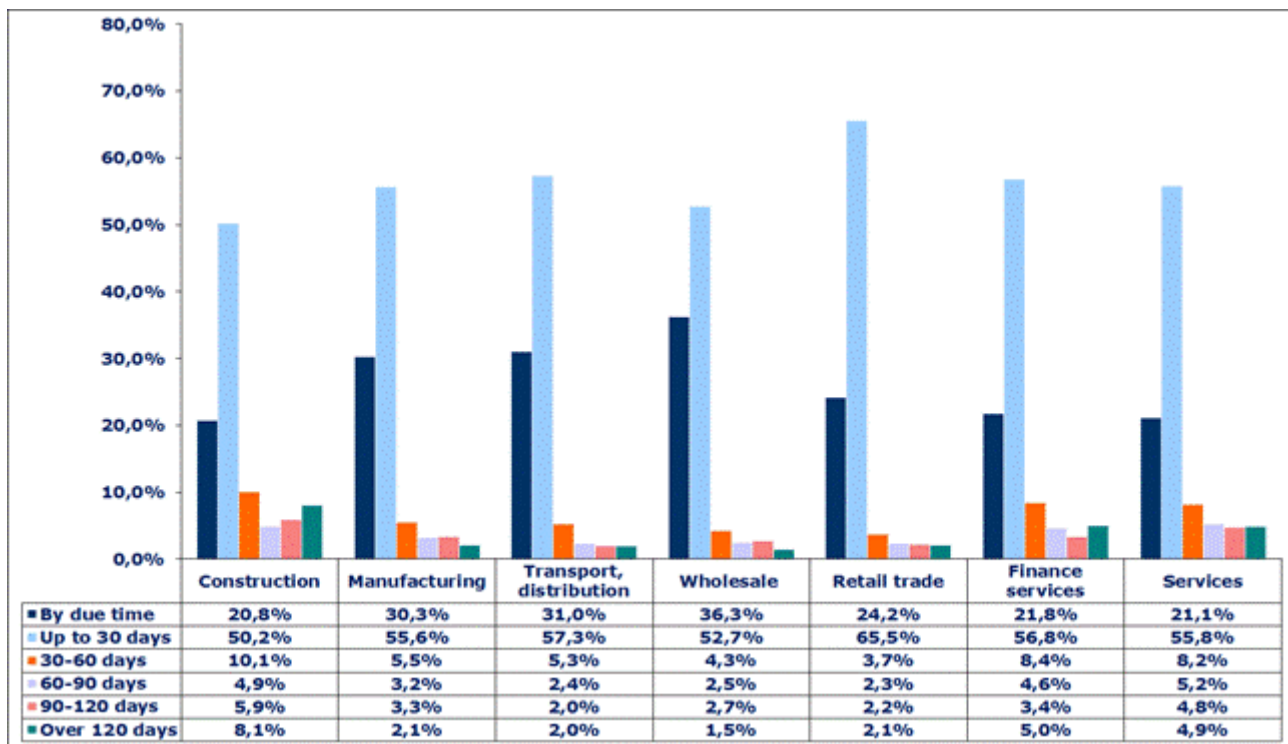


TABLE 1.7 SOURCE: HUAXIA D&B CHINA

### SECTORS WITH THE BEST PAYMENT RECORDS IN CHINA, 2014

| Sector                                 | Ranking 2014 |
|--|--------------|
| APPAREL AND OTHER TEXTILE PRODUCTS     | 1            |
| WHOLESALE TRADE - NONDURABLE GOODS     | 2            |
| BUILDING MATERIALS AND GARDEN SUPPLIES | 3            |
| FURNITURE AND FIXTURES                 | 4            |
| TEXTILE MILL PRODUCTS                  | 5            |
| TRUCKING AND WAREHOUSING               | 6            |
| AUTOMOTIVE DEALERS AND SERVICE STATION | 7            |
| STONE, CLAY AND GLASS PRODUCT          | 8            |
| FABRICATED METAL PRODUCTS              | 9            |
| LEATHER AND LEATHER PRODUCTS           | 10           |

TABLE 1.8 SOURCE: HUAXIA D&B CHINA

**SECTORS WITH THE WORST PAYMENT RECORDS IN CHINA, 2014**

| <b>Sector</b>                              | <b>Ranking 2014</b> |
|--|---------------------|
| <b>ADMINISTRATION OF HUMAN RESOURCES</b>   | <b>54</b>           |
| <b>HEALTH SERVICES</b>                     | <b>53</b>           |
| <b>ENVIRONMENTAL QUALITY AND HOUSING</b>   | <b>52</b>           |
| <b>COMMUNICATIONS</b>                      | <b>51</b>           |
| <b>ADMINISTRATION OF ECONOMIC PROGRAMS</b> | <b>50</b>           |
| <b>EXECUTIVE, LEGISLATIVE AND GENERAL</b>  | <b>49</b>           |
| <b>GENERAL BUILDING CONTRACTORS</b>        | <b>48</b>           |
| <b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b> | <b>47</b>           |
| <b>EDUCATIONAL SERVICES</b>                | <b>46</b>           |
| <b>SPECIAL TRADE CONTRACTORS</b>           | <b>45</b>           |

## 2. TAIWAN

Below is the opinion of **Charles Hsu, D&O Reporting team leader of Global Data Insight & Analytics (GDIA)** at **Dun & Bradstreet Taiwan**, on the economic scenario and payment situation in Taiwan.

*"Due to the significant increase of Taiwan's commodity and service exports in Q3 2014, associated with the steady expansion of domestic demand, real GDP growth forecast has been revised to Year-over-Year (YoY) 3.43% by the Directorate-General of Budget, Accounting and Statistics (DGBAS), Executive Yuan. It further projects that in the whole of 2015, Taiwan GDP is forecast to grow by 3.50%.*

*In November 2014, Taiwan international trade amounts were USD 49.14 billion (MoM -0.1%) of which the export amounts were USD 26.68 billion and the import amounts were USD 22.46 billion. The excess of exports was USD 4.22 billion. The accumulated international trade amounts Jan~Nov, 2014 were USD 541.23 billion of which the export amounts were USD 288.20 billion (YoY +3.3%) mainly contributed by electronic products, basic metals and machinery. The import amounts Jan~Nov, 2014 were USD 253.03 billion (YoY +3.0%) mainly contributed by electronic products. The excess of exports were 35.17 billion (YoY +10.8%) in the first eleven months of 2014. Among top five international trade partners, exports in the first eleven months of 2014 to United States, Europe, Japan, Mainland China (including Hong Kong) and ASEAN6 grew YoY by 6.4%, 4.4%, 4.2%, 3.7% and 2.0% respectively.*

*As SMEs (Small- and medium-sized enterprises) and Corporations account for 97.6% and 2.4% respectively of total Taiwanese companies, the trends of SMEs are influential in Taiwan economics. Among 2013 yields of Taiwanese SMEs, as much as 85% were contributed by importers and only 15% were exports. DGBAS has projected that Goods and services imports will grow by 6.06% and 6.36% in 2014 and 2015 respectively.*

*Moreover, according to Global Insight's forecast, the global economic growth rate in 2015 is expected to be higher than in 2014, which should support Taiwan's export growth. In addition, with semiconductor manufacturing benefitting from its advanced technology and the rising global demand for mobile devices, exports of electronic products are expected to remain buoyant.*

*DGBAS projects that on the domestic demand side, semiconductor manufacturers' continuing investment in advanced technologies such as Internet of Things (IOT) and big data applications, together with DRAM and panel manufacturers expected to turn actively to investing in capacity due to the positive industry outlook, plus airline industry expanding purchases of aircraft, private fixed investment is expected to increase by 4.10% and 5.59% in 2014 and 2015 respectively. Although a food safety crisis involving tainted cooking oil may slow private consumption growth in Q4 2014, continuing improvement in the labor market will help to boost consumer confidence. DBGAS predicts that private consumption spending will rise by 2.76% and 2.74% in 2014 and 2015 respectively.*

*However, there are some factors which may negatively affect Taiwan's economic growth rate, including Mainland China's active development of local supply chains, the weak economy in the Eurozone and Japan, tighter liquidity conditions following the expected increase in US policy interest rates in 2015, and the signing of an Fair Trade Act (FTA) between Mainland China and Korea, which means caution is still needed in the near future."*

## Payment analysis

The positive trend seen in this country since 2007 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.

Taiwanese companies have shown a continuous growth in punctual payments in the last year and in December 2014 there was a record high with a percentage of more than 75% of the total (+11,1% vs. 2007 and +1,3% vs. 2013).

The percentage increase in punctual payments compared with 2013 was more or less absorbed by the reduction in companies in the "Up to 30 days" class (21,4% of the total in the last data available).

The share of companies that pay seriously late (over 90 days), on the other hand, is stable and less than 1% of the total.

Micro, Small and Medium companies have very balanced payment habits and that over 72% 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 60,2%, but this is compensated by the concentration in the moderate late payment class, limited to 30 days on average (37%).

In the intermediate classes ("30-60 days" and "60-90 days") there is a more or less uniform payment behavior, with values of between 1,9% and 3%.

In the serious late payment bracket (over 90 days on average), the most notable are Small and Medium companies with a share of 0,7%.

The excellent payment performance of companies in Taiwan is also confirmed in 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 73% and 81,8%.

The sector in which there is the greatest punctuality is Finance services, meanwhile Manufacturing and Services have the highest share of companies that pay on average between 1 and 30 days late (over 22%).

The serious late payments range between 0,4% (Finance services) and 1,8% (Services).

TABLE 2.1 SOURCE: DUN & BRADSTREET TAIWAN

### PERCENTAGE OF COMPANIES IN TAIWAN WITH ON TIME PAYMENTS, 2007-2014

|        | 2007  | 2013  | 2014  |
|--------|-------|-------|-------|
| Taiwan | 64,7% | 74,5% | 75,8% |



TABLE 2.2 SOURCE: DUN & BRADSTREET TAIWAN

**PERCENTAGE OF COMPANIES IN TAIWAN WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2014**

|        | 2007 | 2013 | 2014 |
|--------|------|------|------|
| Taiwan | 3,3% | 0,7% | 0,8% |

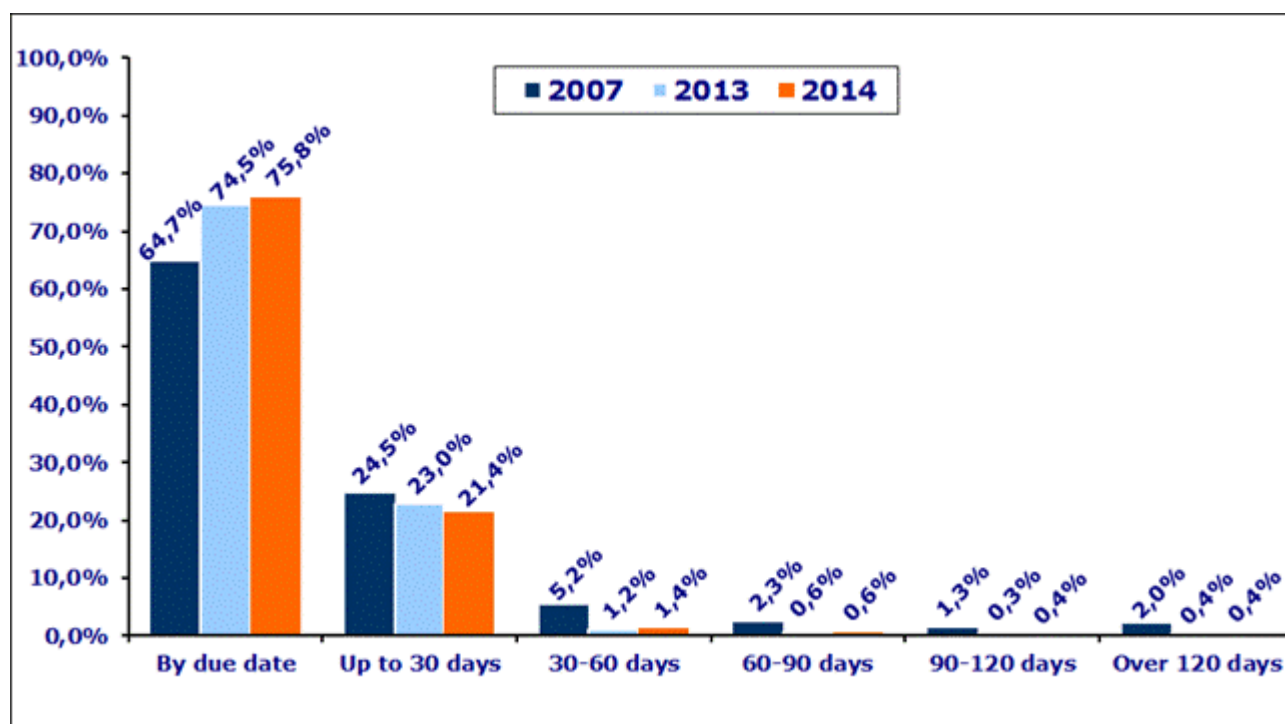
TABLE 2.3 SOURCE: DUN & BRADSTREET TAIWAN

**VARIATIONS IN PAYMENT PRACTICES IN TAIWAN, 2007-2014**

|               | Variation 2007/2014 | Variation 2013/2014 |
|---------------|---------------------|---------------------|
| By due date   | 11,1%               | 1,3%                |
| Up to 90 days | -8,6%               | -1,4%               |
| Over 90 days  | -2,5%               | 0,1%                |

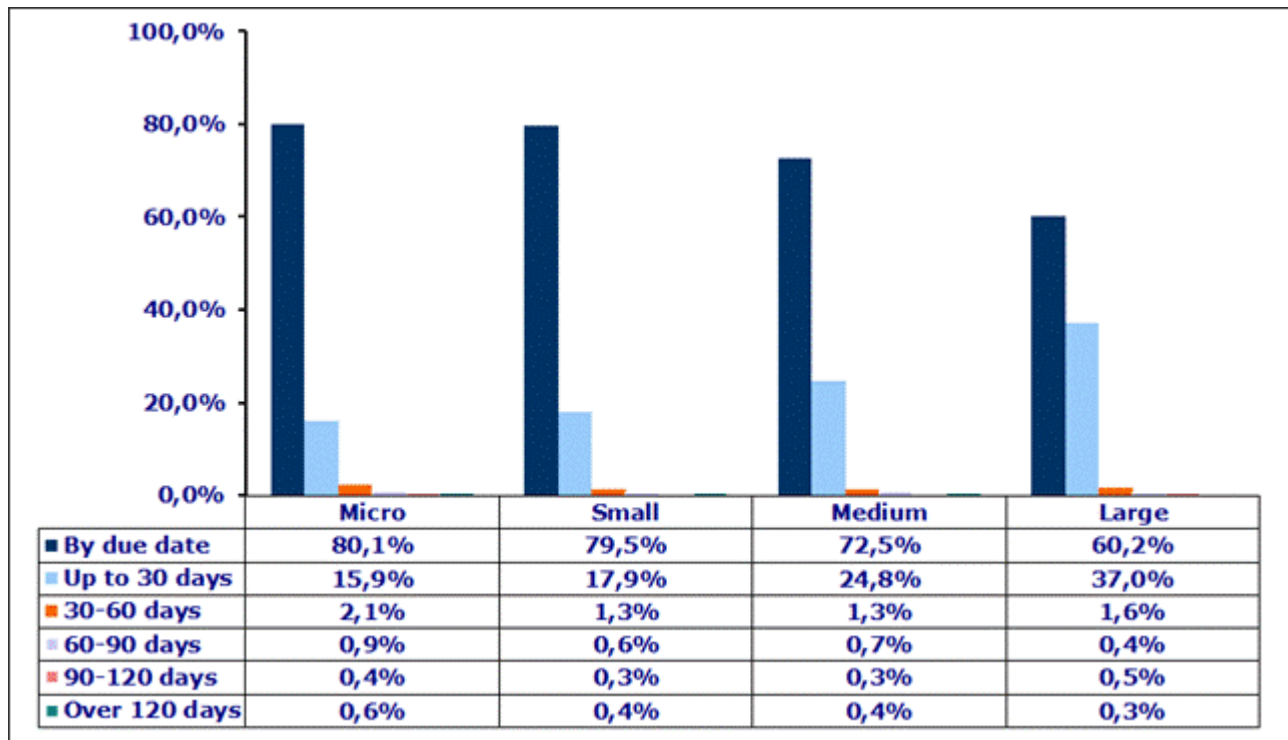
GRAPH 2.4 SOURCE: DUN & BRADSTREET TAIWAN

**PAYMENT PRACTICES IN TAIWAN BY PAYMENT CLASS, 2007-2014**

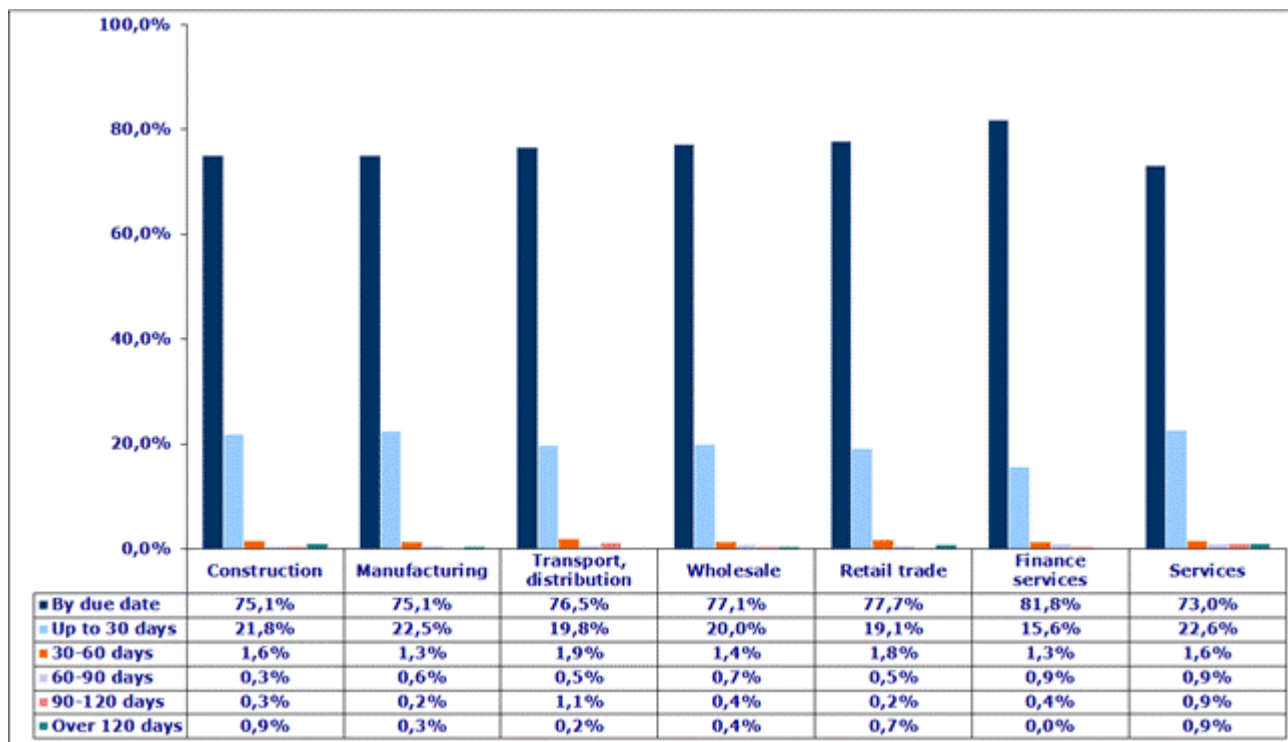




**PAYMENT PRACTICES IN TAIWAN BY TYPE OF COMPANY, 2014**



**PAYMENT PRACTICES IN TAIWAN BY PRODUCT SECTOR, 2014**



### 3. HONG KONG

Below is the opinion of **Christina Fung** and **Jeffrey Wong**, **Project Manager** and **Risk Management Consulting Manager** at **Dun & Bradstreet (HK) Ltd**, on the economic scenario and payment situation in Hong Kong.

*"According to the Census and Statistics Department of Hong Kong, the unemployment rate (seasonally adjusted) has been maintained at 3.3% in December 2014. It was reported that both total employment and labour force kept growing moderately. The official commented that the labour market was broadly stable in the last quarter in 2014. It was expected that the unemployment rate would be remained at a relatively low level in the near term.*

*During the period of 2014, DUNTrade representatives revealed that the trade program participants generally considered the economy as stable. And hence, no new special arrangement or tightening treatment has been applied on their credit control policy when compared to that of 2013. Existing customers would continue to be the focus to enrich their business relationship.*

*Despite of the fact that the economy was considered as stable by the trade program participants, some of them engaged in particular industry sectors, for instance, construction, engineering and chemicals, still experienced a norm of delay payment in 2014. Customers did not proactively request or notify them for the occurrence of delay payment. Their tolerance level for the delay was usually within 30 days beyond terms.*

*The possible causes of delay payment could be concluded into three scenarios. First of all, the customers did experience cash flow problem which result in that they were unable to repay debt on time. Secondly, it was related to the payment behaviour of the company. They had the ability to pay but not willing to pay on time so that they could hold more cash on hand. Lastly, the administrative issue on customer size was also accounted for the delay in the sense that the internal procedure or administrative process hindered the payment to be made on time.*

*Trade program participants had two strategies on credit management. Externally, they continue to implement tight control for new customers that they would not offer any credit or would even request prepayment before delivering the goods. In additions, leveraging the service of credit agencies and information exchange are also essential for them. Internally, credit control team would involve effort from sales team by enhancing the relationship through more frequent contact. This could serve the purpose of monitoring the customers' latest status.*

*All in all, the credit practices or policies of Trade Program participants have no significant change in 2014. Information gathered from credit agencies and information exchanged among peers is still an essential means for credit control process."*

## Payment analysis

The payment situation in Hong Kong in 2014 does not show any significant changes compared to recent editions of the Payment Study.

The share of punctual companies was 30,8%, showing a fall of less than one percentage point compared with December 2013.

On the other hand, companies that pay over 90 days late are 3,3% of the total, a decrease of 1,4% compared with the previous year.

We can notice some improvements in payment behavior if we consider the comparison with 2007: the percentage of companies that respect agreed payment terms has increased by 1,7%, payers in the "Up to 30 days" have grown by 13,7 percentage point and the share of "bad payers" (payment over 90 days late on average) has decreased by 3,5%.

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 52,5% (Micro) to 60,7% (Large).

Micro and Small companies show more balanced payment behavior with 33,5% and 33,8% of punctual companies, respectively.

For late payments, Large companies stand out as having problems: over 19% of these companies show late payments of between 30 and 90 days on average, and a further 3,7% exceed 90 days on average.

The sectors with the highest concentration of punctual payments are Wholesale, with a percentage of 34% and Services with 30,8% of the total.

The payment class with the highest percentage is the moderate late payment class, limited to 30 days on average, with percentages varying from 49,2% for Finance services to 64% for the Transport, distribution sector.

The Wholesale sector also has a good result with 90,9% 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 Finance services sectors have negative results: the two sectors have 21,8% and 19,7% of companies, respectively, that pay between 30 and 90 days late.

In addition, more than 8% of companies of Construction pay more than 90 days late on average.

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

TABLE 3.1 SOURCE: DUN & BRADSTREET (HK) LTD

### PERCENTAGE OF COMPANIES IN HONG KONG WITH ON TIME PAYMENTS, 2007-2014

|           | 2007  | 2013  | 2014  |
|-----------|-------|-------|-------|
| Hong Kong | 29,1% | 31,7% | 30,8% |

TABLE 3.2 SOURCE: DUN & BRADSTREET (HK) LTD

**PERCENTAGE OF COMPANIES IN HONG KONG WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2014**

|           | 2007 | 2013 | 2014 |
|-----------|------|------|------|
| Hong Kong | 6,8% | 1,9% | 3,3% |

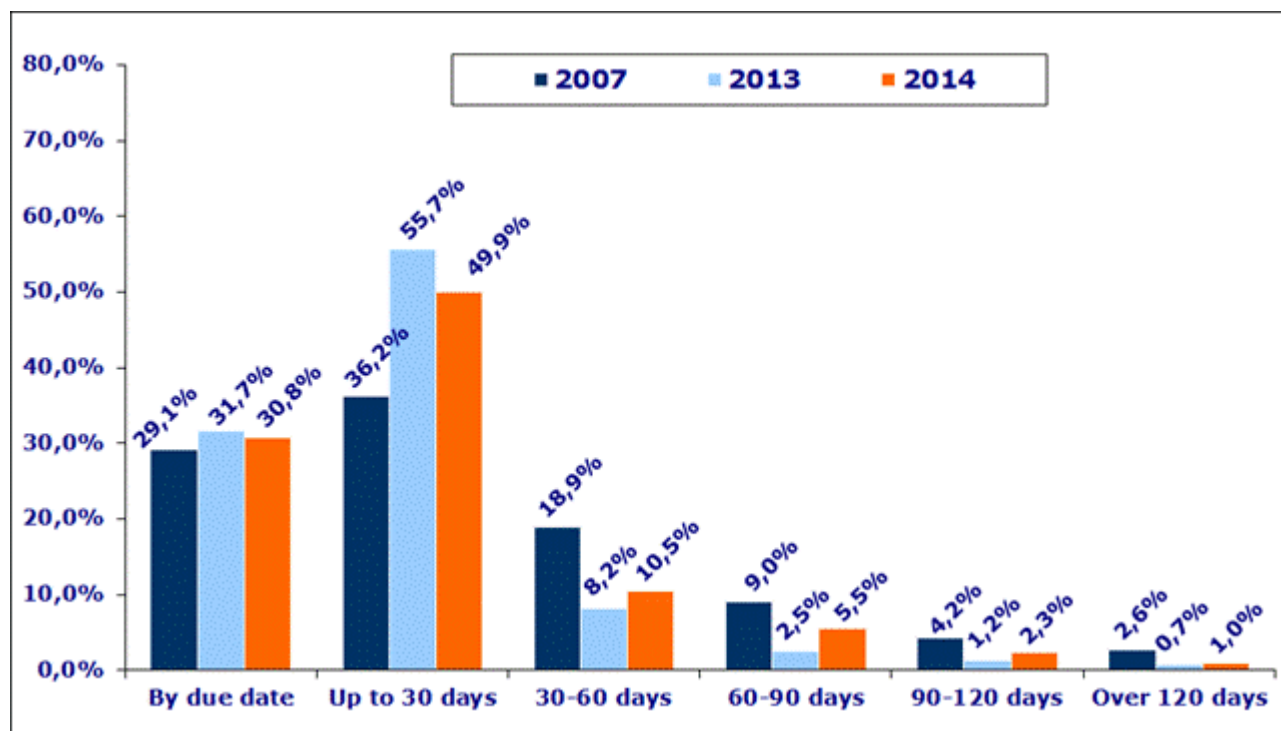
TABLE 3.3 SOURCE: DUN & BRADSTREET (HK) LTD

**VARIATIONS IN PAYMENT PRACTICES IN HONG KONG, 2007-2014**

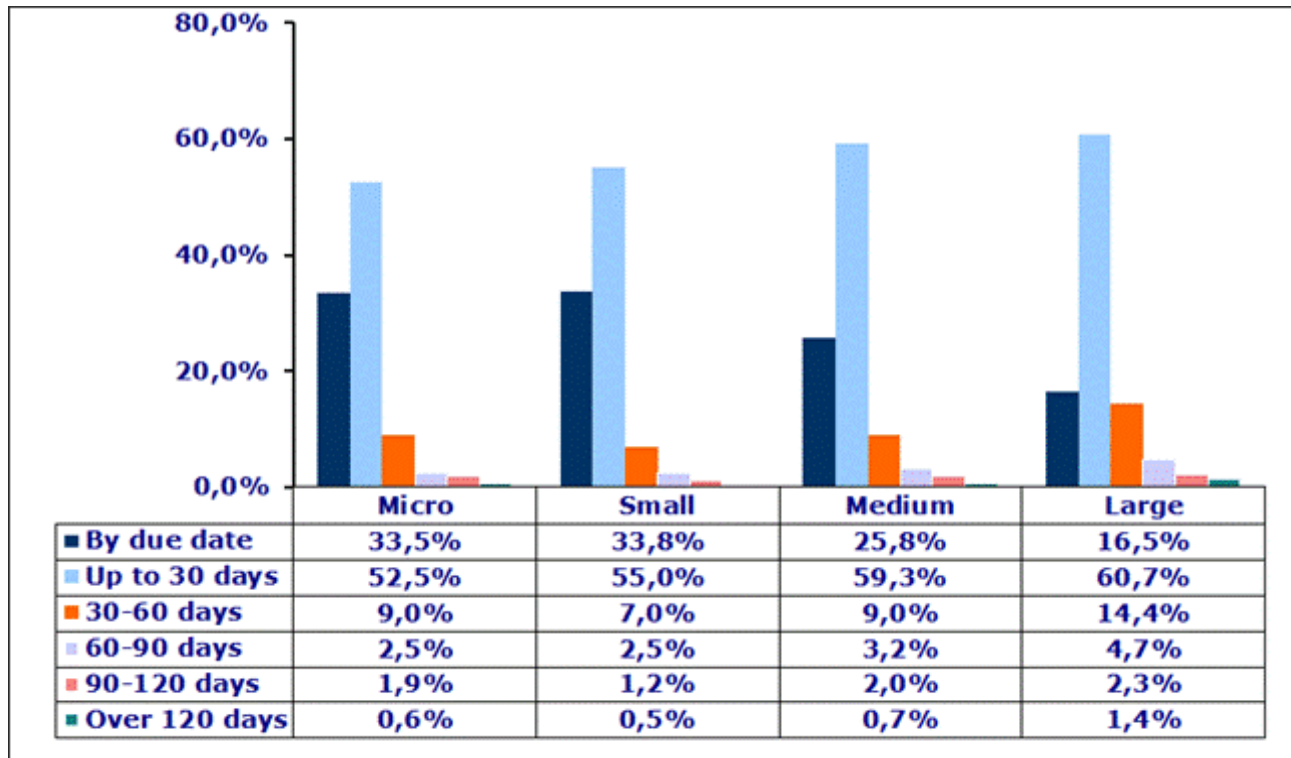
|               | Variation 2007/2014 | Variation 2013/2014 |
|---------------|---------------------|---------------------|
| By due date   | 1,7%                | -0,9%               |
| Up to 90 days | 1,8%                | -0,5%               |
| Over 90 days  | -3,5%               | 1,4%                |

GRAPH 3.4 SOURCE: DUN & BRADSTREET (HK) LTD

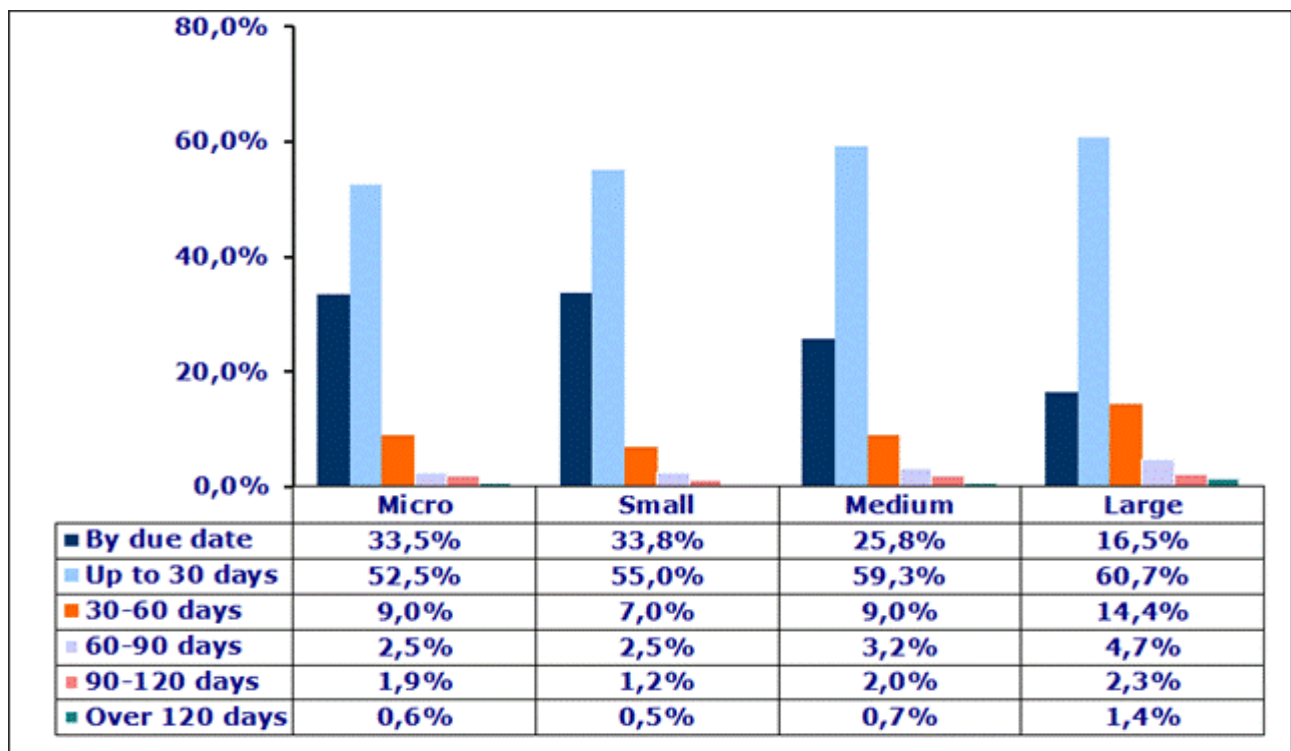
**PAYMENT PRACTICES IN HONG KONG BY PAYMENT CLASS, 2007-2014**



**PAYMENT PRACTICES IN HONG KONG BY TYPE OF COMPANY, 2014**



**PAYMENT PRACTICES IN HONG KONG BY PRODUCT SECTOR, 2014**



## 4. PHILIPPINES

Below is the opinion of **Fatima Abaleta** and **Cris Matunan, Duntrade Officer in Charge** and **Operations Leader** at **Dun & Bradstreet Philippines**, on the economic scenario and payment situation in the Philippines.

*"Philippine companies are somewhat resilient when it comes to handling difficulties due to crisis. Culturally, Filipinos tend to display a positive outlook. Coupled with a steady rise in GDP, most companies are optimistic in both the short and medium term.*

*Companies in general extend payment terms of 30-60 days. We see no indication that companies are gradually requesting to extend their payment terms.*

*Payment delays are caused by a multitude of factors. Some exhibit delay due to cash flow difficulties. However, we notice payment behavior to come mostly from use of credit to fund working capital. The Philippines has passed a law that establishes a Central Credit Information Corporation (R.A. 9510) in 2008 which may change the landscape of credit in the country. However, it has yet to be fully operational at this time.*

*Apart from some engaging in third party credit investigation services, most businesses have an in-house credit management team whose role is to evaluate credit worthiness, monitor credit performance, and collect payment. Putting companies on cash basis as well as conservative approach to assigning credit limits are some of the common strategies they employ."*

### Payment analysis

In 2014, Philippine companies that paid their suppliers on time ("By due date" class) accounted only for 1,9% of the total, the lowest value recorded among all the countries analyzed in the observatory.

Moderate late payments (Up to 30 days), on the other hand, account for 24,8 percentage points, while the intermediate late payment classes (30-60 days and 60-90 days) together reach 23,1%. The negative performance is also seen in the "Up to 90 days" class: at the end of 2014 the concentration of companies in this bracket was 50,2% and over 32% pay more than 120 days late on average.

The four types of company size examined have very similar percentages, which are not very different from average national levels.

Small companies have the highest percentage of companies paying trading partners within agreed terms (3%).

In the "Up to 30 days" late payment class there are values of between 19,6% for Large companies and 31,6% for Small companies.

Similar levels are seen in all the other late payment classes, and are very consistent for all four of the categories examined.

In particular, payments with more than 120 days of delay exceed 16% of the total and reach 24,6% for Large companies.

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 Construction: in this case 40,2% of companies manage to pay with a delay not greater than 30 days.

Late payments are concentrated in the "Up to 30 days" class, with the highest percentages for Construction (38,4%), whereas the highest concentration for the intermediate payment classes (between 30 and 90 days over payment terms) was seen for the Finance services sector with 26,5% of the total.

Finally, the most serious late payment class (over 90 days on average) is highest for all the groups: the highest value is seen in the Retail trade sector (55,3%), followed by Transport, distribution with the 54,2% of the total.

TABLE 4.1 SOURCE: DUN & BRADSTREET PHILIPPINES

**PERCENTAGE OF COMPANIES IN PHILIPPINES WITH ON TIME PAYMENTS, 2011-2014**

|                    | <b>2011</b> | <b>2013</b> | <b>2014</b> |
|--------------------|-------------|-------------|-------------|
| <b>Philippines</b> | <b>0,9%</b> | <b>4,4%</b> | <b>1,9%</b> |

TABLE 4.2 SOURCE: DUN & BRADSTREET PHILIPPINES

**PERCENTAGE OF COMPANIES IN PHILIPPINES WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2011-2014**

|                    | <b>2011</b>  | <b>2013</b>  | <b>2014</b>  |
|--------------------|--------------|--------------|--------------|
| <b>Philippines</b> | <b>33,2%</b> | <b>34,0%</b> | <b>50,2%</b> |

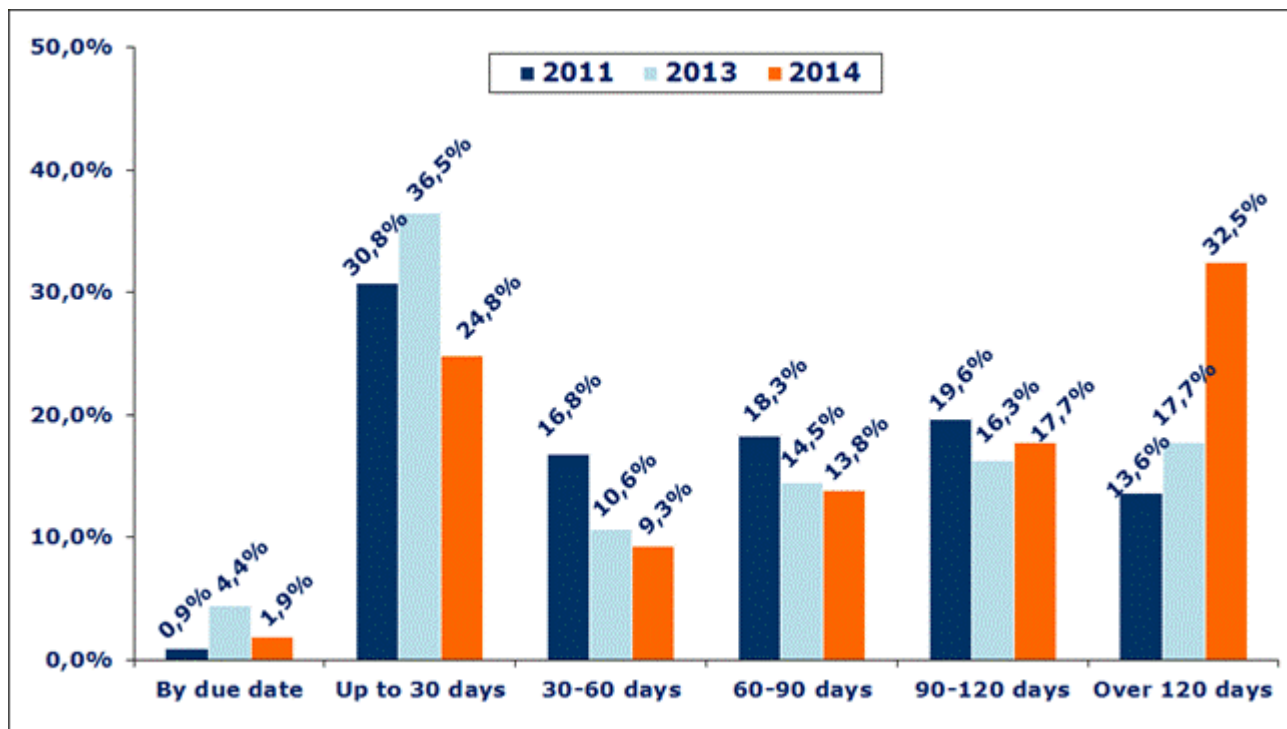
TABLE 4.3 SOURCE: DUN & BRADSTREET PHILIPPINES

**VARIATIONS IN PAYMENT PRACTICES IN PHILIPPINES, 2011-2014**

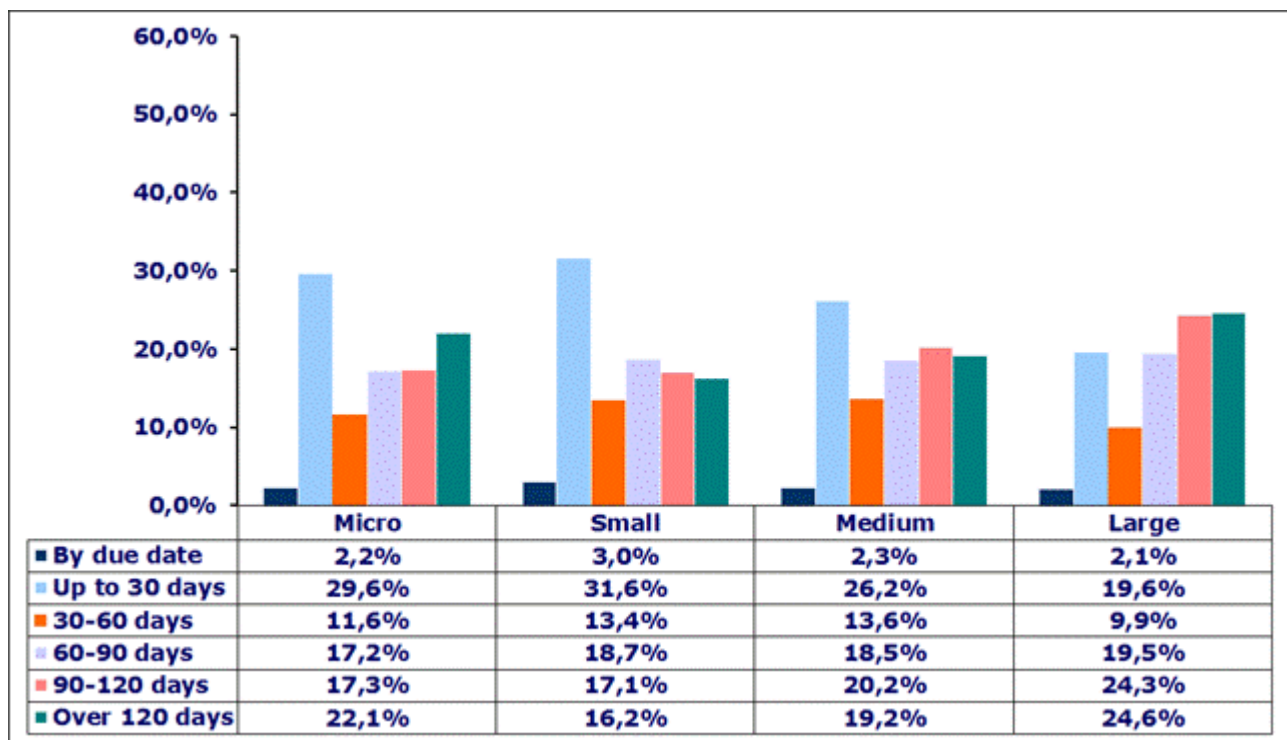
|                      | <b>Variation<br/>2011/2014</b> | <b>Variation<br/>2013/2014</b> |
|----------------------|--------------------------------|--------------------------------|
| <b>By due date</b>   | <b>1,0%</b>                    | <b>-2,5%</b>                   |
| <b>Up to 90 days</b> | <b>-18,0%</b>                  | <b>-13,7%</b>                  |
| <b>Over 90 days</b>  | <b>17,0%</b>                   | <b>16,2%</b>                   |



**PAYMENT PRACTICES IN PHILIPPINES BY PAYMENT CLASS, 2014**

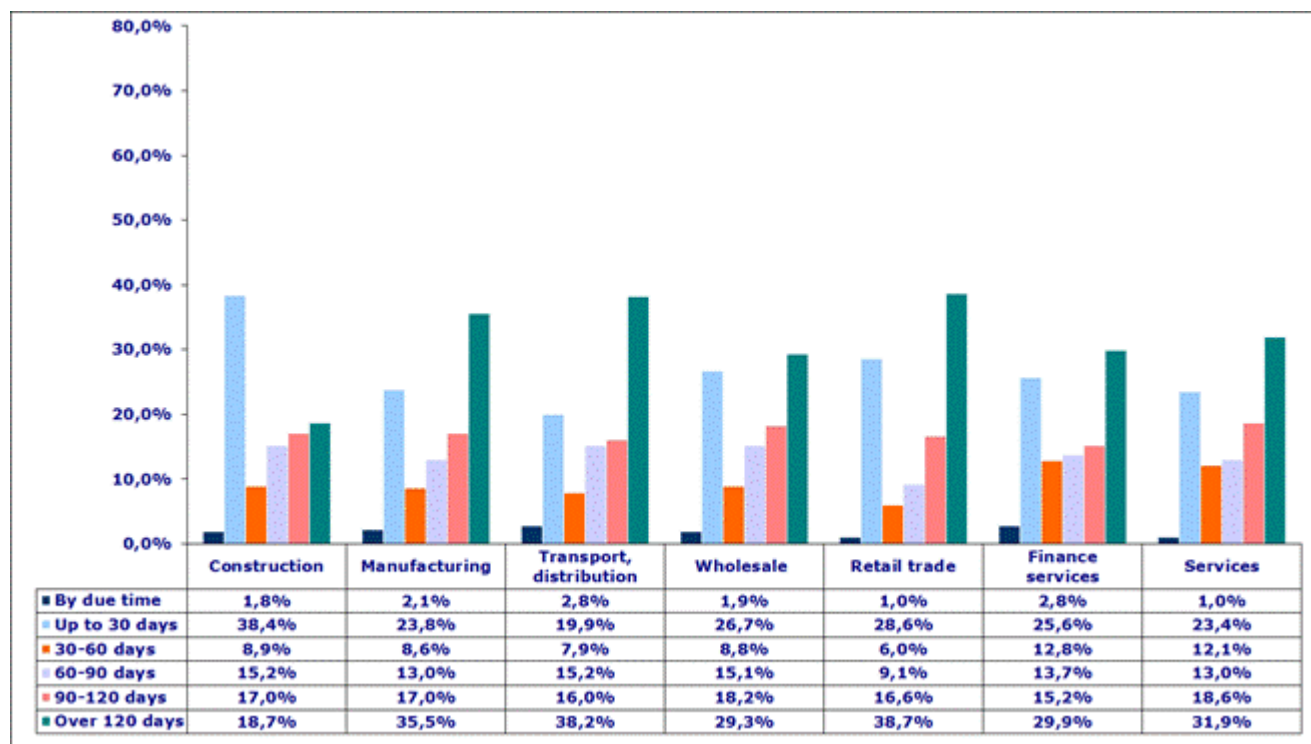


**PAYMENT PRACTICES IN PHILIPPINES BY TYPE OF COMPANY, 2014**





# PAYMENT PRACTICES IN PHILIPPINES BY PRODUCT SECTOR, 2014



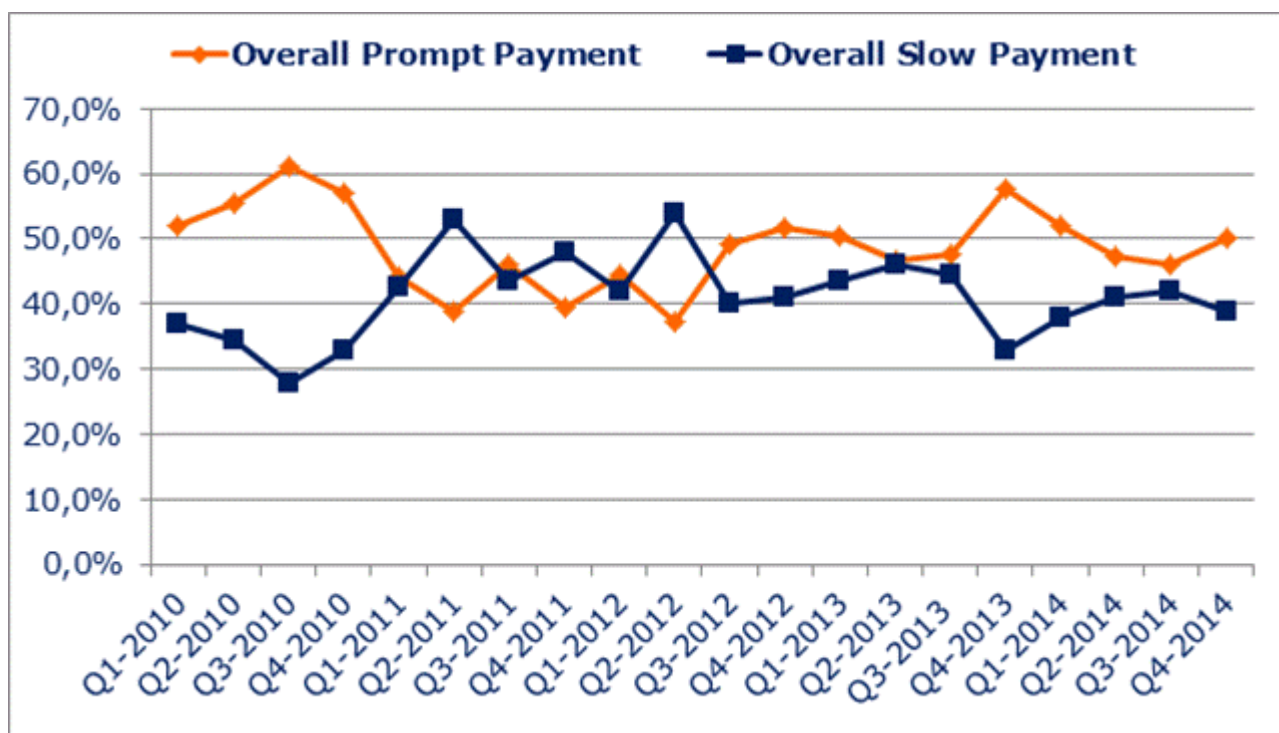
## 5. SINGAPORE

Payment performance rebounded for the first time after three consecutive quarters of sustained decline. Approximately half of the payment transactions were made on time as the proportion of prompt payments sprung back to the 50 per cent mark since Q4 2013, when prompt payments hit an all-time peak of 57,73 per cent. The proportion of payment delays also fell below the 40 per cent mark in Q4 2014, as compared to Q3 2014 when more than two-fifths of payment transactions were overdue.

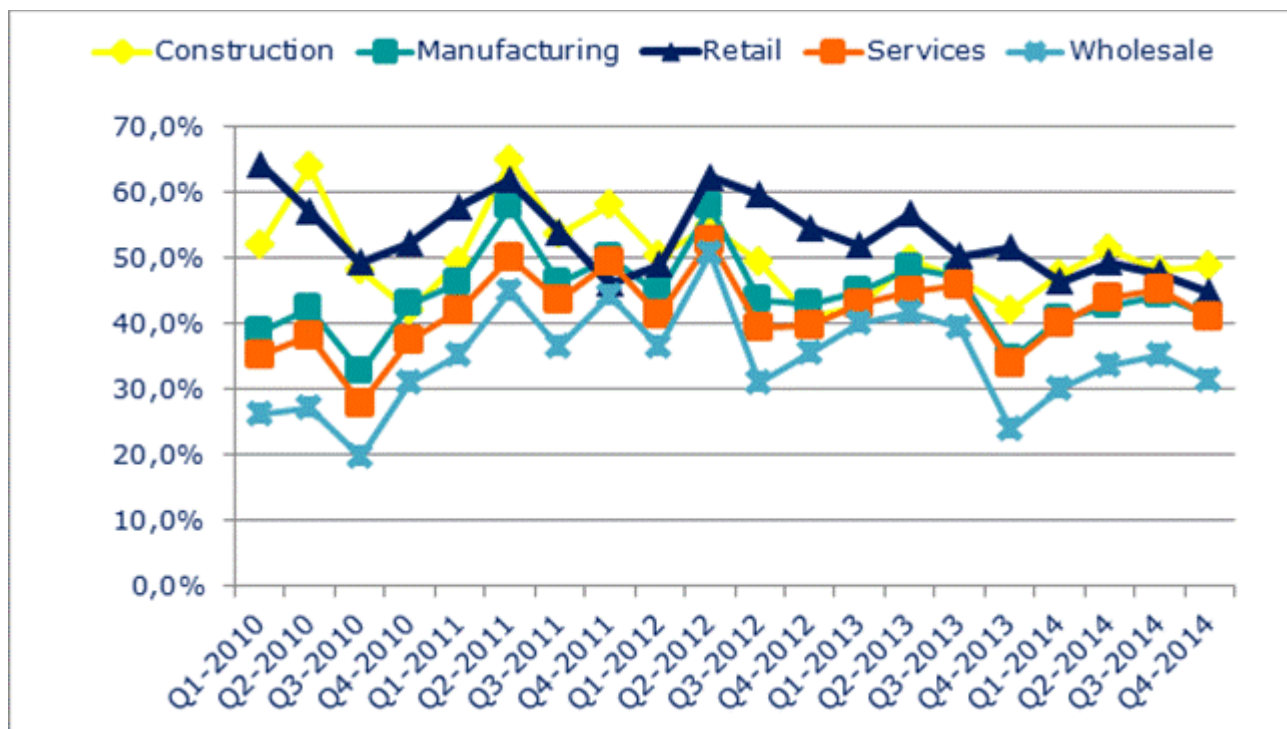
According to Dun & Bradstreet Singapore (D&B)'s latest payment statistics, overall prompt payments jumped by 4,10 percentage points from 45,97 per cent in Q3 2014 to 50,07 per cent Q4 2014. The improvement in overall prompt payments marked a reverse in downtrend which was seen since Q1 2014. However, year-on-year (y-o-y) prompt payments moved in the opposite direction as they declined by 7,66 percentage points, from 57,73 per cent in Q4 2013 to 50,07 per cent in Q4 2014. Slow payments have also taken a turn for the better as it slipped moderately by 3,03 percentage points from 41,92 per cent in Q3 2014 to 38,89 per cent in Q4 2014. This also marks the first time that the uptrend in payment delays has been overturned since Q4 2013. However, D&B SINGAPORE notes deterioration in y-o-y slow payments as it climbed by 6,05 percentage points from 32,84 per cent in Q4 2013 to 38,89 per cent in Q4 2014. Meanwhile, partial payments decreased for the first time after eight consecutive quarters of increase, slipping marginally by 0,73 percentage points from 12,11 per cent in Q3 2014 to 11,03 per cent in Q4 2014. On a y-o-y basis, partial payments edged upwards by 1,60 percentage points from 9,43 per cent in Q4 2013 to 11,03 per cent in Q4 2014.

GRAPH 5.1 SOURCE: DUN & BRADSTREET SINGAPORE PTE LTD

### TRENDS IN PROMPT PAYMENT AND SLOW PAYMENT, 2010-2014



### PERCENTAGE OF PAYMENTS MADE 30 DAYS OR MORE ABOVE TERMS BY PRODUCT SECTOR, 2010-2014



From a sectorial perspective, payment performance has improved in Q4 2014 with 4 of five industries experiencing a fall in proportion of slow payments q-o-q. The better showing stands in contrast to Q3 2014 when only 2 of five industries experienced a decrease in payment delays. For Q4 2014, the construction industry was the only industry which experienced an increase in q-o-q payment delays, Y-o-y, overall payment delays have worsened with 4 of five industries experiencing an rise in proportion of slow payments. According to D&B SINGAPORE, the retail sector was the only industry which experienced a fall in y-o-y payment delays in Q4 2014.

Buoyed by robust activity in food, accommodation and business services, the service sector experienced the steepest decline in slow payments q-o-q, slipping by 4,13 percentage points from 45,28 per cent in Q3 2014 to 41,15 per cent in Q4 2014. The largest fall in slow payments was seen in the business services sub-sector as payment delays fell by 6,99 percentage points from 47,41 per cent in Q3 2014 to 40,42 per cent in Q4 2014. The sentiment-sensitive cluster also experienced slight improvements in payment behaviour as slow payments by credit agencies and insurance services fell moderately by 6,92 percentage points to 44,10 per cent and 3,38 percentage points to 23,99 per cent respectively. D&B SINGAPORE notes that the hotels and accommodation services accounted for the largest proportion of slow payments at 51,72 per cent, followed by health and educational services at 50,36 per cent and 46,46 per cent respectively. On a y-o-y basis, payment delays within the services sector rose sharply by 7,11 percentage points from 34,04 per cent in Q4 2013.

Following three consecutive quarters of increase in slow payments, payment delays within the wholesale sector slipped by 3,58 percentage points from 35,11 per cent in Q3 2014 to 31,53 per cent in Q4 2014. This is largely due to an improvement in the wholesale trade of durable goods, as payment delays fell by 3,40 percentage points from 35,21 per cent in Q3 2014 to 31,81 per cent in Q4 2014. However, the payment performance of the wholesale trade of non-durable goods has deteriorated slightly, increasing by 1,54 percentage points from 28,97 per cent in Q3 2014 to 30,51 per cent in Q4 2014, Y-o-y, overall payment performance of the wholesale sector has also weakened significantly as the proportion of slow payments surged by 7,57 percentage points from 23,96 per cent in Q4 2013 to 31,53 per cent in Q4 2014.

Meanwhile, the payment behaviour of the manufacturing sector improved marginally owing to a slight pickup in overall manufacturing activity in October and November last year. According to D&B SINGAPORE, slow payments within the sector recorded 41,37 per cent, which marked a fall of 2,82 percentage points from 44,19 per cent in the preceding quarter. Manufacturers of transportation equipment, primary metals and tobacco emerged as the sub-sectors with the highest proportion of payment delays at 50,62 per cent, 50,46 per cent and 50,0 per cent respectively. D&B SINGAPORE notes further that manufacturers of furniture and fittings, lumber and wood products, apparels and textiles accounted for the largest decline in payment delays in Q4 2014. On a y-o-y basis, payment delays surged by 6,71 percentage points from 34,66 per cent in Q4 2013 to 41,37 per cent in Q4 2014. According to the Singapore Institute of Purchasing & Materials Management (SIPMM), Singapore's Purchasing Managers' Index (PMI) reached an all-time peak of 51,9 in October 2014.

The retail sector has emerged as the only sector with improvements in both q-o-q and y-o-y slow payments. While the sector posted the second highest proportion of slow payments, payment delays within the sector fell moderately by 2,93 percentage points from 47,79 per cent in Q3 2014 to 44,86 per cent in Q4 2014. According to D&B SINGAPORE, furniture and home furnishing stores, apparel and accessory stores and automotive dealers saw the largest decrease in payment delays. However, food and beverage retailers experienced a significant increase in slow payments, up 11,47 percentage points to 60,67 per cent last quarter. On a y-o-y basis, overall payment delays fell sharply by 6,81 percentage points from 51,67 per cent in Q4 2013 to 44,86 per cent in Q4 2014. The positive showing is likely to be driven by the year-end festive sales.

Owing to a prolonged slowdown in private sector projects, the construction industry continues to be the slowest paymaster for the fourth consecutive quarter, as payment delays increased marginally by 0,54 percentage points from 48,28 per cent in Q3 2014 to 48,82 per cent in Q4 2014. The heavy construction sub-sector accounted for the highest proportion of payment delays, increasing by 2,57 percentage points from 48,01 per cent in Q3 2014 to 50,58 per cent in Q4 2014. Payment performance of special trade contractors also deteriorated slightly as slow payments inched up by 0,39 percentage points from 47,27 per cent in Q3 2014 to 47,66 per cent in Q4 2014. While payment delays within the building construction sub-sector improved slightly, falling marginally by 0,72 percentage points to 49,07 per cent last quarter, the fall has been offset by the increases seen in the heavy construction sub-sector and special trade contractors. On a y-o-y basis, payment delays jumped by 6,81 percentage points from 42,01 per cent in Q4 2013 to 48,82 per cent last quarter. This marks the fourth consecutive y-o-y increase in payment delays within the construction sector since Q4 2013.

## 6. MEXICO

Below is the opinion of **Arturo Castro, Country Manager at Dun & Bradstreet Mexico**, on the economic scenario and payment situation in Mexico.

*"In Mexico in 2014, 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 like trade tape, suits and commercial references. The macro-economic situation in Mexico is strong and healthy and it means a low impact. Mexico has done several reforms that will create an excellent business environment. The low oil prices will impact the economy mainly by government expenses, but other non-oil industries will grow normally as Automotive, Cement, Beer and Manufacturers and will increase their exports.*

*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 not enough information, and wrong 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.*

*With low revenue in government due to the low prices of oil the payments that come from the government will delay.*

*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 will continue growing during 2015. In addition, inflation will remain more or less stable with a quarterly average of 3.4%. If USA begins to grow, Mexico will grow as well.*

*Episodes of global volatility that may depreciate the Peso are not dismissed, but as long as these events are not too far from the positive growth forecasts for Mexico and the commitment with the deficit and public debt goals is not at risk, it would be reasonable to assume that the exchange rate will remain close to 13.0–13.5 Pesos per Dollar on average for the coming quarters. All this perspective will maintain stable and growing in 2015 and will be very attractive to do business in Mexico. The factoring of Government AR could be a solution."*

### Payment analysis

At the end of 2014, there haven't been notable variations in the payment classes. Mexican companies that paid their suppliers on time ("By due date" class) accounted for 56,6% of the total with a 0,3 percentage point decrease compared with 2013, meanwhile companies that pay over 90 days late on average remained fixed at 0,4%.

Companies in the intermediate late payment class of between 1 and 30 days represent 41,4% of the total.

Compared with 2010, there have been significant changes: punctual payers have suffered a 13,4% decrease, meanwhile serious late payers (over 90 days on average) have decreased by 0,4%.

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 62%.

In the Large company category, on the other hand, around 47,6% of companies are concentrated in the Up to 30 days bracket and a further 2,7% 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 0,1% (Small) and 0,3% (Micro).

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

The best payment performances are seen in the Construction and Agriculture, forestry, hunting and fishing sectors, with 70,6% and 69,5% of punctual payers, respectively.

Transport, distribution and Retail trade have a greater propensity to pay suppliers up to 30 days late (more than 48% of cases).

Performance is less positive in the Transport, distribution and Finance services sectors: not only do they have concentrations of punctual companies below 50%, but they are also sectors with the highest percentages of "bad payers" (over 0,7%).

Narrowing down of study to microsectors, in first place in the classification of best payers are Special trade contractors (from the construction sector) and Agricultural services, both with over 76% of companies respecting the payment terms agreed with trading partners.

On the contrary, the worst performance relates to the Administration of human resources, with 8,8% of companies paying seriously late (over 90 days on average) and Forestry with a percentage of 7,2%.

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

TABLE 6.1 SOURCE: DUN & BRADSTREET MÈXICO

PERCENTAGE OF COMPANIES IN MEXICO WITH ON TIME PAYMENTS, 2010-2014

|        | 2010  | 2013  | 2014  |
|--------|-------|-------|-------|
| Mexico | 70,0% | 56,9% | 56,6% |



TABLE 6.2 SOURCE: DUN & BRADSTREET MÈXICO

**PERCENTAGE OF COMPANIES IN MEXICO WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2010-2014**

|        | 2010 | 2013 | 2014 |
|--------|------|------|------|
| Mexico | 0,8% | 0,4% | 0,4% |

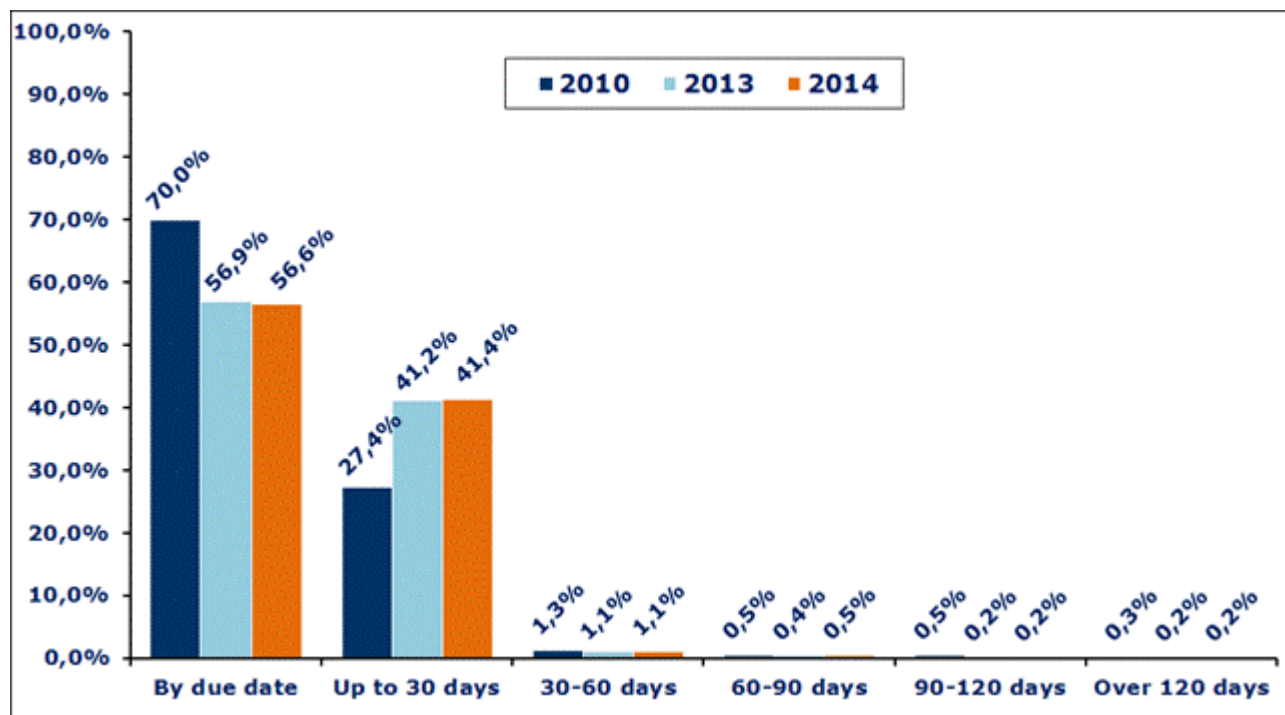
TABLE 6.3 SOURCE: DUN & BRADSTREET MÈXICO

**VARIATIONS IN PAYMENT PRACTICES IN MEXICO, 2010-2014**

|               | Variation 2010/2014 | Variation 2013/2014 |
|---------------|---------------------|---------------------|
| By due date   | -13,4%              | -0,3%               |
| Up to 90 days | 13,8%               | 0,3%                |
| Over 90 days  | -0,4%               | 0,0%                |

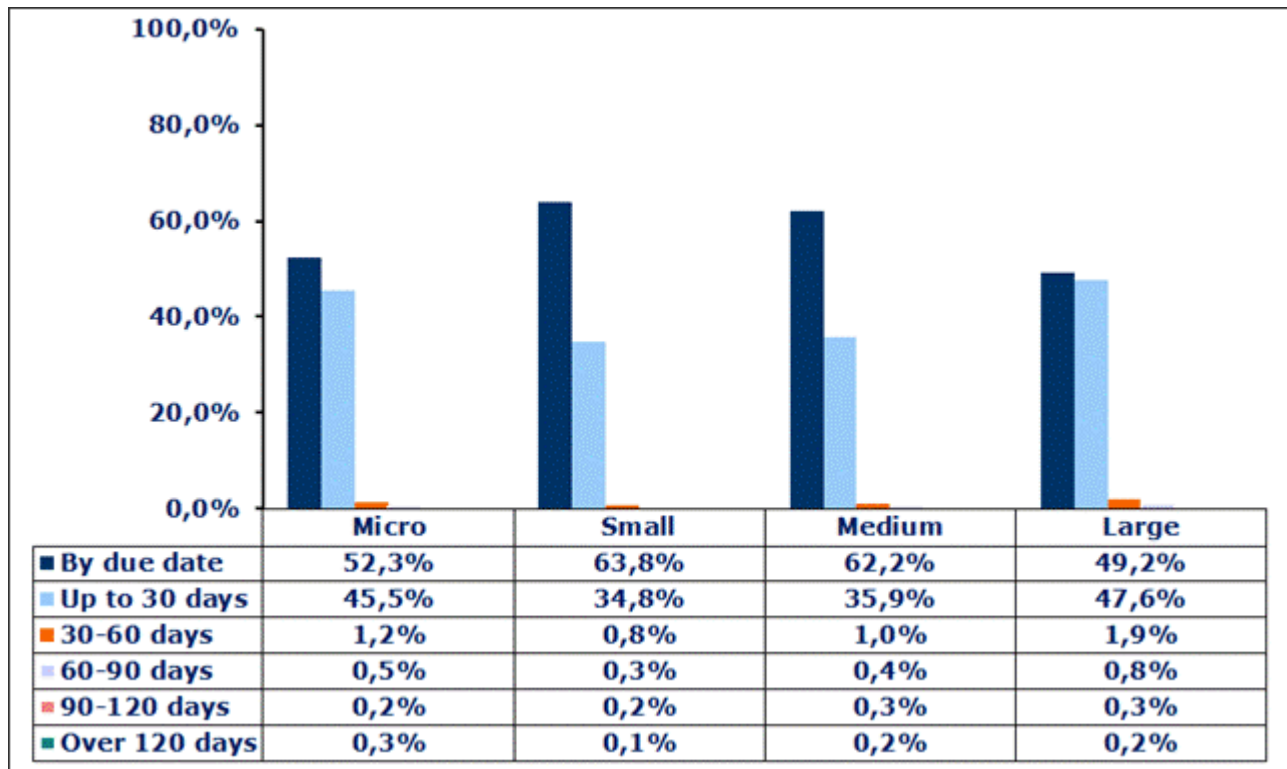
GRAPH 6.4 SOURCE: DUN & BRADSTREET MÈXICO

**PAYMENT PRACTICES IN MEXICO BY PAYMENT CLASS, 2010-2014**



GRAPH 6.5 SOURCE: DUN & BRADSTREET MÉXICO

### PAYMENT PRACTICES IN MEXICO BY TYPE OF COMPANY, 2014



GRAPH 6.6 SOURCE: DUN & BRADSTREET MÉXICO

### PAYMENT PRACTICES IN MEXICO BY PRODUCT SECTOR, 2014

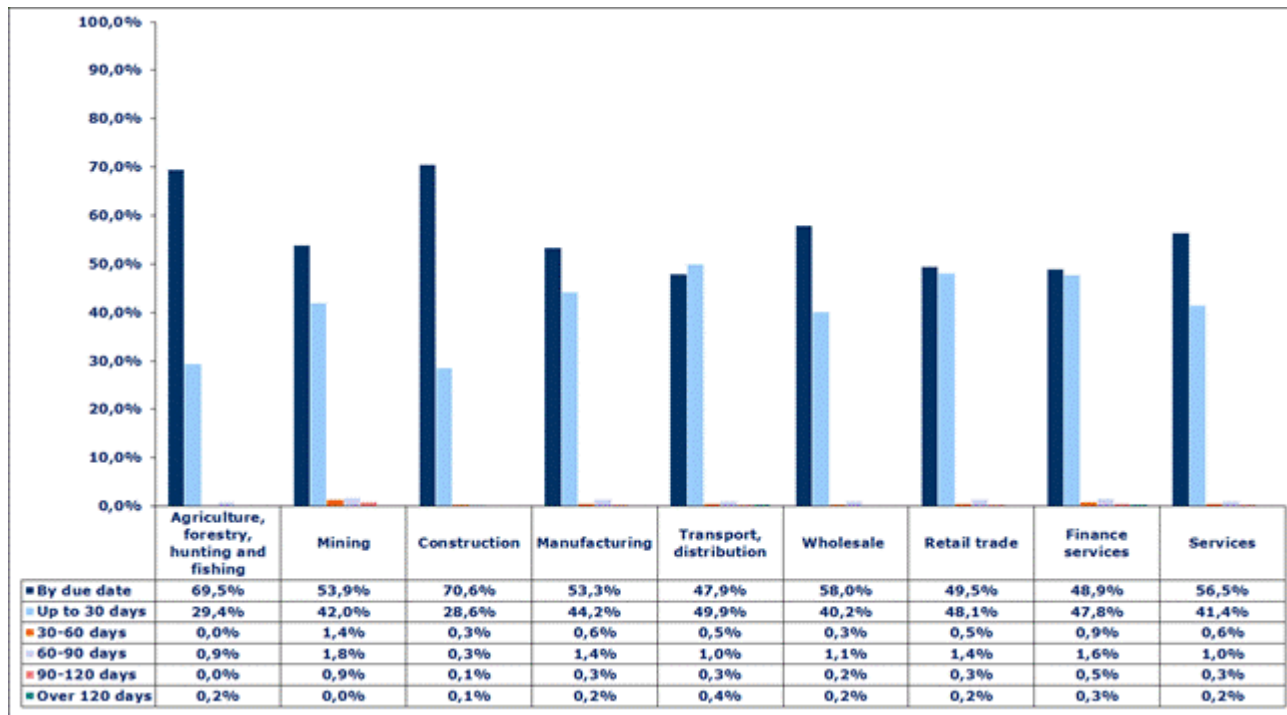




TABLE 6.7 SOURCE: DUN & BRADSTREET MÉXICO

**SECTORS WITH THE BEST PAYMENT RECORDS IN MEXICO, 2014**

| Sector                              | Ranking 2014 |
|-------------------------------------|--------------|
| SPECIAL TRADE CONTRACTORS           | 1            |
| AGRICULTURAL SERVICES               | 2            |
| FISHING, HUNTING AND TRAPPING       | 3            |
| AGRICULTURAL PRODUCTION - CROPS     | 4            |
| GENERAL BUILDING CONTRACTORS        | 5            |
| LUMBER AND WOOD PRODUCTS            | 6            |
| HEAVY CONSTRUCTION, EXCEPT BUILDING | 7            |
| PIPELINES, EXCEPT NATURAL GAS       | 8            |
| FABRICATED METAL PRODUCTS           | 9            |
| MISCELLANEOUS REPAIR SERVICES       | 10           |

TABLE 6.8 SOURCE: DUN & BRADSTREET MÉXICO

**SECTORS WITH THE WORST PAYMENT RECORDS IN MEXICO, 2014**

| Sector                                | Ranking 2014 |
|---------------------------------------|--------------|
| ADMINISTRATION OF HUMAN RESOURCES     | 58           |
| FORESTRY                              | 57           |
| OIL AND GAS EXTRACTION                | 56           |
| DEPOSITORY INSTITUTIONS               | 55           |
| AMUSEMENT AND RECREATION SERVICES     | 54           |
| TRANSPORTATION BY AIR                 | 53           |
| HOTELS AND OTHER LODGING PLACES       | 52           |
| HEALTH SERVICE                        | 51           |
| INSURANCE AGENTS, BROKERS AND SERVICE | 50           |
| FOOD AND KINDRED PRODUCTS             | 49           |

## 7. UNITED STATES

Below is the opinion of **Bodhisattva Ganguli** and **Warwick Knowles**, **Statistician/Consultant Predictive Analytics** and **Chief Economist** at **Dun & Bradstreet Inc. United States** on the economic scenario and payment situation in USA.

*"At DB2a, the country risk rating for the US is one of the best in D&B's 132-country universe and the baseline outlook remains solid despite a slight deceleration in activity in late 2014. In stark divergence with the rest of the Western economies, the US continues to expand at a solid clip and is expected to surpass its potential of 3% growth in 2015 for the first time since the Great Recession of 2008-2009. The growth rate of real GDP for Q4 2014 was revised downward as part of the second estimate released by the Bureau of Economic Analysis; the latest numbers show that the US economy grew at the pace of 2.2% SAAR in the final three months of 2014. The advance estimate had put growth at 2.6%. While this is still a measurable slowdown following growth of 4.6% and 5.0% in Q2 and Q3 respectively, underlying momentum will continue to drive the economy to above-3% growth in 2015. The downward revision to GDP was not entirely unexpected nor was it a total disappointment. Growth in real non-residential fixed investment, for example, was revised up from 1.9% in the advance estimate to 4.8%; business spending thus made a bigger contribution to growth. A consistent pickup in business spending has been one of the missing links of the recovery so far, and a gradual rebound is expected to take hold in coming quarters. Growth for the year 2014 as a whole came in at 2.4%; D&B forecasts the economy to expand 3.3% in 2015.*

*In recent months, the strong dollar has moved up the list of risks to our baseline outlook. But D&B believes that FX risk will cause only minimal disruption to overall growth. Since July 2014, the nominal trade weighted US dollar has appreciated 15% against a broad basket of major foreign currencies. As the US economy continues to pull ahead of its peers in terms of growth, and the US Federal Reserve stays on course to raise interest rates this summer while central bankers in other parts of the world continue to drive down rates, global investors have sought safety in the US dollar, prompting its rise. We expect the dollar to keep gaining ground over its peers in the near term. A return to the longer run trend of depreciation is not expected until the global economy fires on all cylinders in 2016.*

*The biggest headwind from the strong dollar will come via its effects on international trade, as it makes US exports more expensive for foreigners and imports cheaper for US businesses; the US trade deficit widened sharply to USD46.6bn in December 2014, the largest since November 2012. The deficit narrowed to USD41.8bn in January but is likely to remain significantly large over the rest of the year as a strong US economy fuels imports while exports remain on the weaker side. Profits of large US multinational corporations have also been eroded by the strong dollar as overseas revenues are worth less in USD. Small businesses, on the other hand, are less at risk from the strong dollar. A large number of small businesses export little or nothing and hence higher global prices for US exports do not weigh on their overseas sales; on the other hand, the drop in import prices affords these businesses the opportunity to source inputs from abroad at a much lower cost, thus boosting their profitability.*

*Finally, the strong dollar will also have an impact on US monetary policy; if imported deflation passes through to headline and core US inflation faster than anticipated, it might offer the Fed a reason to delay the first expected rate rise. D&B maintains its forecast that the first rise in the Federal Funds Rate (FFR) will take place in mid- 2015.*

*However, it should be noted that the exact month in which rate liftoff begins is relatively less important; a rate increase has been part of D&B's forward guidance for a considerable period of time and businesses have already adopted it as part of their 2015 plans; while global financial volatility will undoubtedly increase around the rate hike, the exact month in which it happens will not have any bearing on how and when the FOMC achieves its goals of maximum employment and price stability. What matters more is the pace of interest rate normalization, or in other words the pace at which the Fed continues to raise rates after the first hike.*

*Continued gains in consumer spending underscore our near term outlook. Consumer sentiment has also firmed recently, encouraged by the improving fundamentals of the economy. Confidence indicators are inherently volatile, so we look at smoothed series; the 3-month moving average of the Consumer Confidence Index published by the Conference Board reached 97.8 in February. This is the highest level reached since the recovery began after the Great Recession of 2008-2009 and signals that, abstracting from month-to-month fluctuations, consumers are feeling the most optimistic at any point after the downturn. It should be noted that the index still remains about 10% below its last peak before the recession, but it is encouraging that it is on a steadily rising trend. The University of Michigan consumer sentiment index, an alternative measure of consumer confidence also reached its best reading in nearly 11 years in January, surpassing its pre-recession peak. It lost some ground in February, but again, the 3-month moving average of this indicator also remains at its best since the Recession. Confidence measures are expected to keep trending up over the near term and bode well for stronger consumer spending in 2015.*

*A fortuitous development that has contributed to consumer confidence, and will prompt them to spend more going forward, is the drop in gasoline prices which acts as a tax cut for the average household. A combination of increased supply (particularly from the US), appreciation of the US dollar, and a decline in demand (to a lesser extent) has caused global crude oil prices to drop by more than 50% since last summer; this in turn, has caused the US average retail price of a gallon of gasoline to drop to around USD2.00 per gallon in early February from a recent high of around USD3.70 at the peak of the driving season last summer.*

*D&B continues to recommend SD terms for most transactions with US customers, while usual terms are between 30 and 60 days. Local delays and FX/bank delays are one of the shortest among the countries monitored by D&B, standing at 0-2 months. D&B's proprietary leading indicator, the Small Business Health Index, fell by 2.5 points in January after three straight months of gains. While it gave back the gain from last month, the three month moving average of the index is still at a healthy 97.1 implying near term conditions will remain expansionary for small businesses. The NFIB Small Business Optimism Survey for January also paints a similar picture; it fell 2.5 points to 97.9 in January, giving back the December gain but indicates that small businesses are operating in a "normal" zone. The Institute of Supply Management's Manufacturing PMI has started 2015 on a weak note, a reflection of the strong dollar and its drag on exports, but the index remains above 50. The ISM Non-manufacturing PMI on the other hand stayed strong, hovering above 56, indicating that business sentiment in the rest of the economy remains upbeat."*

## Payment analysis

The US payment situation in 2014 is stable compared with previous years, showing good performance in terms of punctual payments and some improvement in relation to serious late payments.

It can be seen that over 54% of companies are in the "By due date" payment class (+0,8% vs. 2013), whereas a further 37,9% 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 2013 levels: 4% of US companies pay between 30 and 90 days late on average, whereas 3,9% of the total demonstrate a rather critical management of payments, paying suppliers more than 90 days late on average.

Compared with 2007, there has been a net improvement in punctual payments with an increase of 10,7 percentage points, meanwhile there has been a 1% decrease in companies paying seriously late and a reduction of 9,7% in the "Up to 90 days" class.

Micro companies are the best payers in the United States, with 59,3% in the punctual payment class.

As size increases, the percentage of "good payers" gradually decrease down to a minimum of 13,2% for Large companies, for which there is a greater tendency to pay moderately late (84,1% in the "Up to 30 days" class).

In the intermediate late payment class there are around 4,2% of Small companies, whereas in the over 90 days bracket the concentrations don't exceed 4,5 percentage points.

Finally, only 0,6% of Large companies pay their suppliers seriously late, with the best performance for this variable.

Agriculture, forestry, hunting and fishing is the sector with the highest concentration of punctual payments (63,1%); this is followed by Finance services with 59,4% and Services with 59,2% of the total.

Construction is marked by the percentages of intermediate late payments (between 30 and 90 days on average) with 5,2% of the total.

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%, whereas all other sectors have values above 3,1% (6,2% for the Construction sector).

The top two micro-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 74%.

The worst payment performance, on the other hand, is seen for the Local interurban passenger transit sector with 8,1% of "bad payers", followed by Non-depository institutions (7,7%) and Auto repair, services and parking (6,8%).

TABLE 7.1 SOURCE: DUN & BRADSTREET INC. USA

**PERCENTAGE OF COMPANIES IN THE USA WITH ON TIME PAYMENTS, 2007-2014**

|                      | <b>2007</b>  | <b>2013</b>  | <b>2014</b>  |
|----------------------|--------------|--------------|--------------|
| <b>United Stated</b> | <b>43,5%</b> | <b>53,4%</b> | <b>54,2%</b> |

TABLE 7.2 SOURCE: DUN & BRADSTREET INC. USA

**PERCENTAGE OF COMPANIES IN THE USA WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2014**

|                      | <b>2007</b> | <b>2013</b> | <b>2014</b> |
|----------------------|-------------|-------------|-------------|
| <b>United Stated</b> | <b>4,9%</b> | <b>5,1%</b> | <b>3,9%</b> |

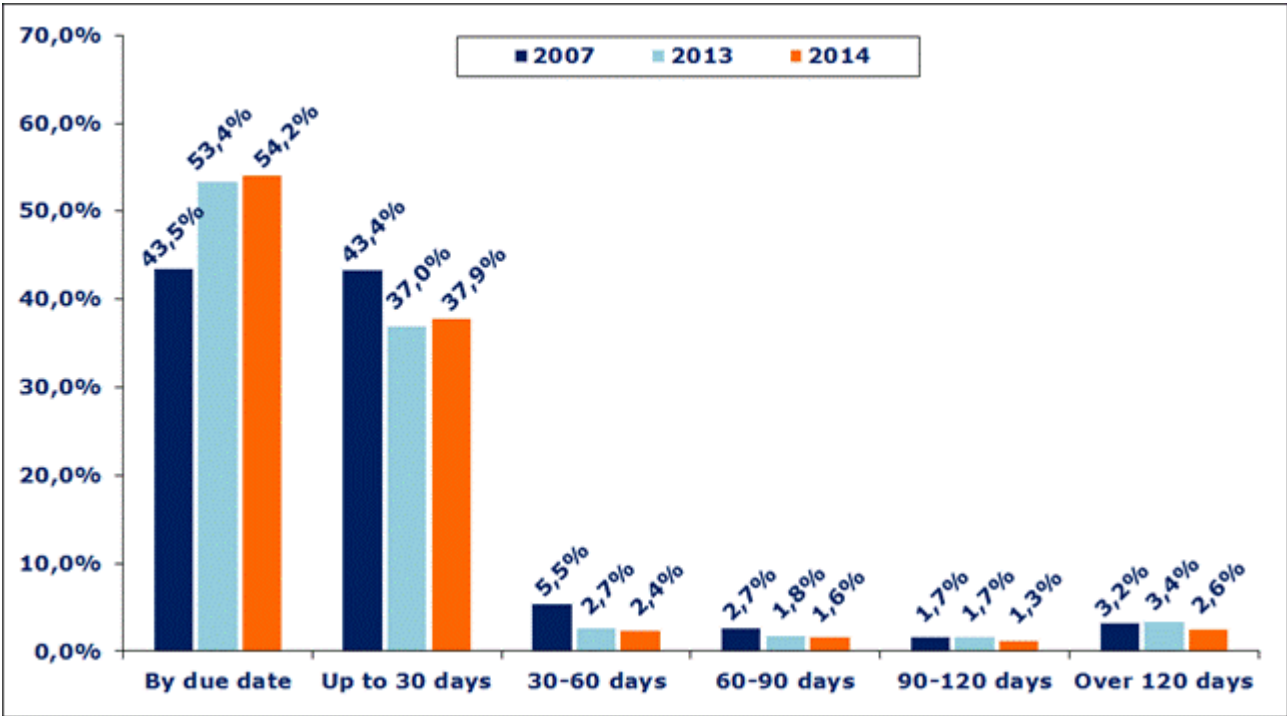
TABLE 7.3 SOURCE: DUN & BRADSTREET INC. USA

**VARIATIONS IN PAYMENT PRACTICES IN THE USA, 2007-2014**

|                      | <b>Variation<br/>2007/2014</b> | <b>Variation<br/>2013/2014</b> |
|----------------------|--------------------------------|--------------------------------|
| <b>By due date</b>   | <b>10,7%</b>                   | <b>0,8%</b>                    |
| <b>Up to 90 days</b> | <b>-9,7%</b>                   | <b>0,4%</b>                    |
| <b>Over 90 days</b>  | <b>-1,0%</b>                   | <b>-1,2%</b>                   |

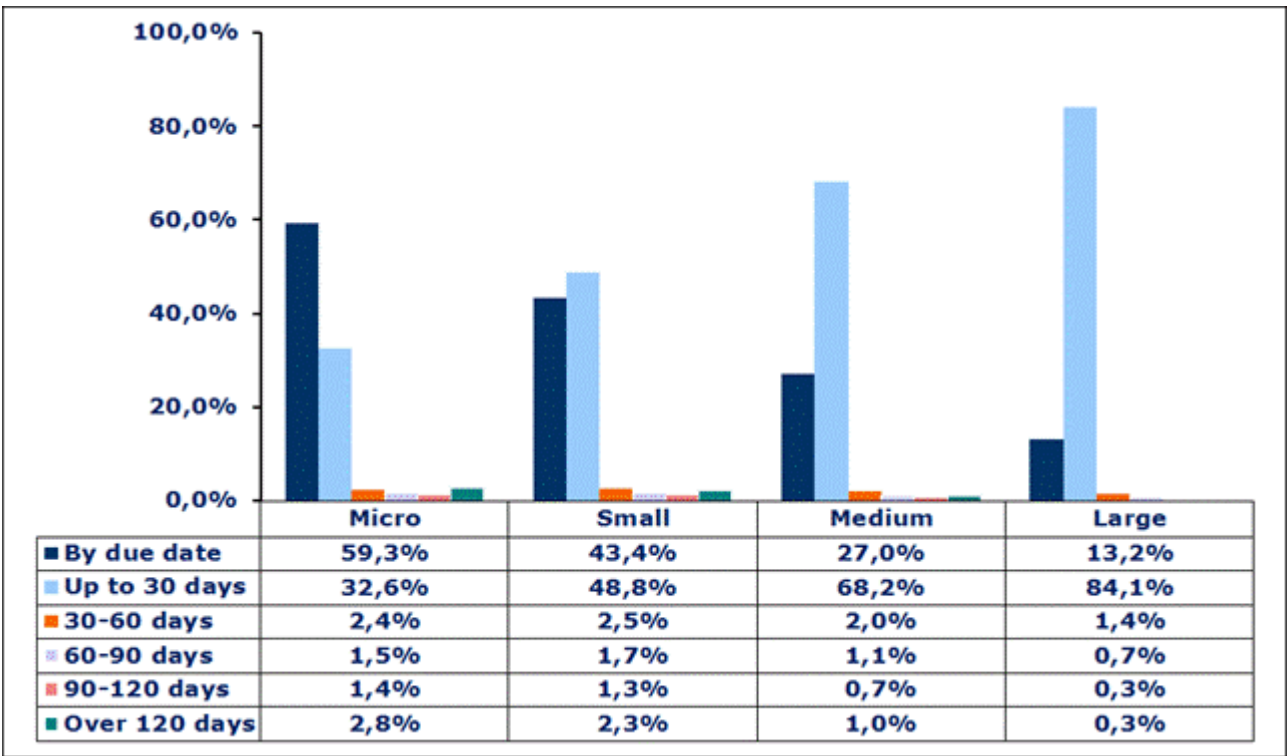
GRAPH 7.4 SOURCE: DUN & BRADSTREET INC. USA

PAYMENT PRACTICES IN THE USA BY PAYMENT CLASS, 2007-2014



GRAPH 7.5 SOURCE: DUN & BRADSTREET INC. USA

PAYMENT PRACTICES IN THE USA BY TYPE OF COMPANY, 2014



GRAPH 7.6 SOURCE: DUN & BRADSTREET INC. USA

### PAYMENT PRACTICES IN THE USA BY PRODUCT SECTOR, 2014

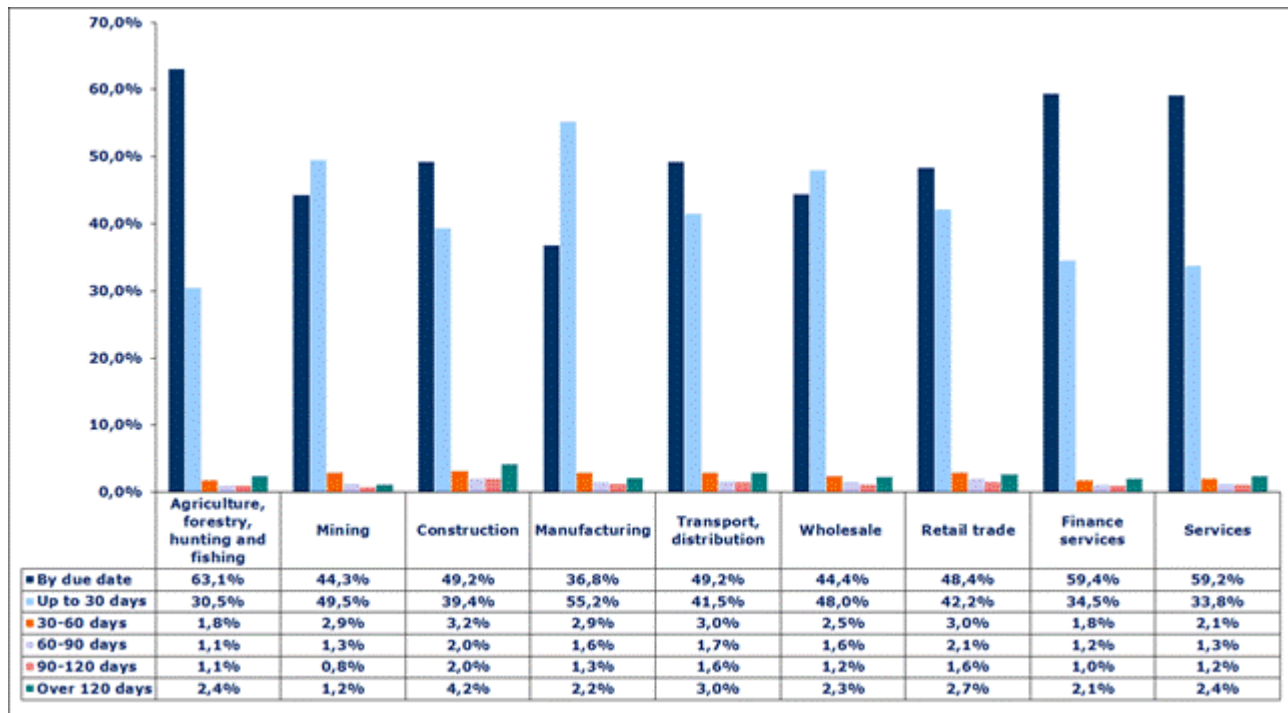


TABLE 7.7 SOURCE: DUN & BRADSTREET INC. USA

### SECTORS WITH THE BEST PAYMENT RECORDS IN THE USA, 2014

| Sector                                | Ranking 2014 |
|---------------------------------------|--------------|
| AGRICULTURAL, PRODUCTION - CROPS      | 1            |
| AGRICULTURAL PRODUCTION - LIVESTOCK   | 2            |
| HOLDING AND OTHER INVESTMENT OFFICES  | 3            |
| BUSINESS SERVICES                     | 4            |
| FORESTRY                              | 5            |
| SECURITY AND COMMODITY BROKERS        | 6            |
| SERVICES                              | 7            |
| ENGINEERING AND MANAGEMENT SERVICES   | 8            |
| INSURANCE AGENTS, BROKERS AND SERVICE | 9            |
| PERSONAL SERVICES                     | 10           |



TABLE 7.8 SOURCE: DUN & BRADSTREET INC. USA

**SECTORS WITH THE WORST PAYMENT RECORDS IN THE USA, 2014**

| <b>Sector</b>                                 | <b>Ranking 2014</b> |
|---|---------------------|
| <b>LOCAL AND INTERURBAN PASSENGER TRANSIT</b> | <b>82</b>           |
| <b>NON-DEPOSITORY INSTITUTIONS</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 HOMEFURNISHINGS STORES</b>   | <b>77</b>           |
| <b>GENERAL BUILDING CONTRACTORS</b>           | <b>76</b>           |
| <b>FURNITURE AND FIXTURES</b>                 | <b>75</b>           |
| <b>APPAREL AND OTHER TEXTILE PRODUCTS</b>     | <b>74</b>           |
| <b>MISCELLANEOUS MANUFACTURING INDUSTRIES</b> | <b>73</b>           |



## 8. CANADA

Below is the opinion of **Bodhisattva Ganguli** and **Warwick Knowles**, **Statistician/Consultant Predictive Analytics** and **Chief Economist** at **Dun & Bradstreet Inc. Canada** on the economic scenario and payment situation in Canada.

*"In 2015, Canadian real GDP growth is expected to slow to 2.2% (from 2.4% in 2014) as the fall in global oil prices since mid-2014 takes its toll on business investment and employment in the oil sector and supporting industries, as well as oil-dependent provincial budgets. Firms in the oil and gas sector will scale back projects planned for 2015. On the other hand, Canadian consumers and non-oil businesses should benefit from lower fuel prices, while the export sector should receive a boost from currency weakness and stronger consumer demand in the US. On balance, the economy is expected to slow slightly. High household indebtedness, low inflation and weak job creation are major concerns for the Bank of Canada (BoC). Overall, at DB2b, the country risk rating for Canada is one of the best in D&B's 132-country universe, reflecting Canada's relatively good business operating environment compared to other markets.*

*The BoC cut its overnight interest rate by 0.25 basis points in January, which took the benchmark rate to 0.75%. This move was an attempt to support consumer spending and business investment in 2015 and help offset the fall in global oil prices. An additional interest rate cut did not materialize at the next rate setting meeting in March as many had expected, although this change in policy direction would have added fuel to an overheated housing market and exacerbate the problem of high household indebtedness. The Canadian dollar was trading at an average of CAD1.26:USD1 in February, its lowest level since April 2009, and could slip further in the quarters ahead given the diverging economic growth and policy paths between Canada and the US.*

*Canada faces legislative elections in 2015 and the subdued economic outlook, weak job creation and growing likelihood that the government will miss its target of posting a federal budget surplus for 2014/15 are worrying signs for the incumbent Conservative party and the prime minister Stephen Harper. These developments increase the chances of a change in government, with political power swinging back to the Liberals, who have not been in government since their defeat in 2006. Another possible outcome, should the economic outlook become more gloomy, could be an early election (possibly in springtime) if the Conservative Party's claims to be the best steward of the economy and best manager of the public finances begin to lose credibility among the electorate.*

*The Canadian government is pursuing a policy of fiscal consolidation in an attempt to balance the federal budget in fiscal year 2014/15 (April to March) ahead of the general election in October. However, the sharp decline in global oil prices has put pressure on public finances at the federal and provincial level and is likely to lead to additional public spending cuts during the current and the next fiscal year. Public contracts in oil dependent provinces are particularly vulnerable to spending cuts. The government has delayed publication of its 2015 budget until April at the earliest (publication usually takes place before end-March) and the finance minister has suggested that he may need to tap into a contingency fund of CAD3bn to support spending plans.*

*The labor market has showed intermittent signs of strength in H2 2014, with monthly job gains averaging around 16,500 from July 2014 to January 2015. This is much higher than the average*

of 9,000 recorded in H1 2014 and has caused the unemployment rate to fall from 7% in January 2014 to 6.6% in January 2015.

Labor market conditions are improving, albeit slowly, but this could lead to higher real wages in 2015, which together with low petrol prices, could provide an important boost to consumer markets. Households remain heavily indebted and the housing market is widely considered to be over-valued in places. These factors complicate matters for the Bank of Canada in setting its interest rate policy and are likely to contribute to a hold on current low rates until mid-2015 at the earliest. Canada's long-term growth potential will be supported by more diversified trade and investment that tap into large markets in Europe and fast growing markets in Asia. The Canadian prime minister, Stephen Harper, signed a range of commercial deals during a visit to China in November 2014 valued at around USD2.2bn, and is reported to have laid the foundations for the development of an offshore renminbi centre in Canada. This follows on from ratification of a long-standing foreign investment protection agreement with China and an FTA with South Korea in September. Also, in 2014 Canada and the EU finalized negotiations on a wide-ranging trade and investment deal that will eventually remove customs duties, open up public contracts and liberalize service sectors between the two blocs.

Canada's oil sector, related industries and oil-dependent provincial budgets (and to a lesser extent the federal budget) are suffering from the recent fall in global oil prices. On the other hand, the fall in oil prices is providing a financial boost to consumers and businesses through lower fuel costs, as well as supporting the export of manufactures through currency weakness and stronger consumer demand in the US. The Bank of Canada (BoC) made a preemptive cut to its benchmark interest rate in January to help safeguard against falling inflation and financial instability. An over-valued housing market and household indebtedness remain major concerns. D&B continues to recommend OA terms for the majority of transactions with Canadian customers.

## Payment analysis

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

At the end of 2014, the percentage of companies that paid on time was 44,3%, up compared to 2013 (43,9%).

The share of "bad payers" reached a level of 1,5%, with an increase of 0,3 percentage points compared to the previous year.

The situation has changed rather more significantly in the intermediate and serious late payment classes from 2007 to today: there has been an improvement in punctual payments ("By due date" class) of 5,8 percentage points, with a corresponding significant decrease in the intermediate class of "Up to 90 days" (-4%) and a lower reduction in the "Over 90 days" class (-1,8%).

Micro companies show a more balanced payment behavior: 49,6% of the total respect agreed time limits and a further 40,8% pay between 1 and 30 days late on average. However, this category has higher concentrations in the intermediate and serious late payment classes: 7,7% of companies with less than 6 employees pay between 30 and 90 days late, meanwhile 1,9% 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 9,5% for large companies (down by 2,6% compared to 2013).

Looking at Canadian payment habits by sector, the best payment performance is shown by Agriculture, forestry, hunting and fishing with the highest concentration of punctual payers (55,9%). 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 27,1% of companies in this class.

The percentages in the serious late payment classes are contained in all sectors and the highest values are seen in the Transport, distribution and Retail trade sectors (1,9% and 1,7%).

Insurance agents, brokers and service, Personal services and Legal services occupy the top position in the classification of micro-sectors with the most punctual payments, with over 60% of the total in this class. Meanwhile, Petroleum and coal products and Auto repair, services and parking industries are the sectors with the worst payment performances (more than 2% of "bad payers").

TABLE 8.1 SOURCE: DUN & BRADSTREET INC. CANADA

**PERCENTAGE OF COMPANIES IN CANADA WITH ON TIME PAYMENTS, 2007-2014**

|               | <b>2007</b>  | <b>2013</b>  | <b>2014</b>  |
|---------------|--------------|--------------|--------------|
| <b>Canada</b> | <b>38,5%</b> | <b>43,9%</b> | <b>44,3%</b> |

TABLE 8.2 SOURCE: DUN & BRADSTREET INC. CANADA

**PERCENTAGE OF COMPANIES IN CANADA WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2014**

|               | <b>2007</b> | <b>2013</b> | <b>2014</b> |
|---------------|-------------|-------------|-------------|
| <b>Canada</b> | <b>3,3%</b> | <b>1,2%</b> | <b>1,5%</b> |

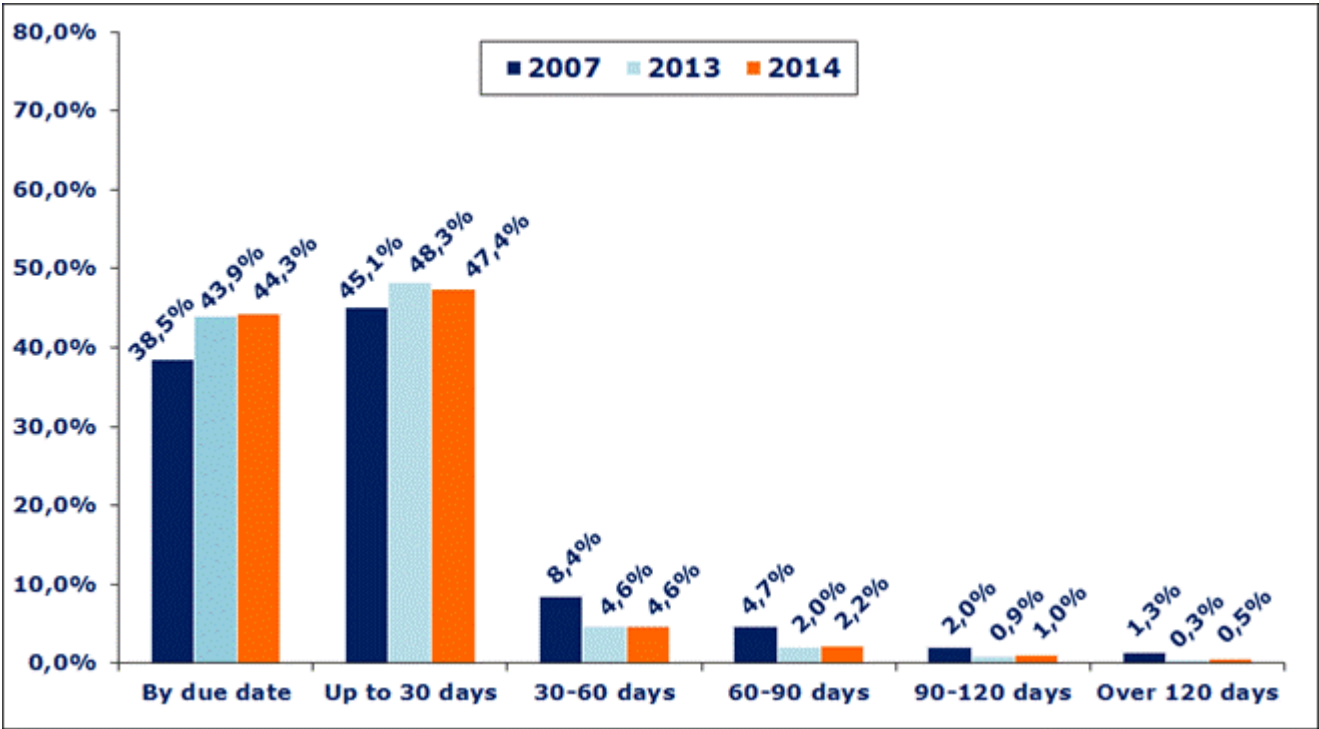
TABLE 8.3 SOURCE: DUN & BRADSTREET INC. CANADA

**VARIATIONS IN PAYMENT PRACTICES IN CANADA, 2007-2014**

|                      | <b>Variation<br/>2007/2014</b> | <b>Variation<br/>2013/2014</b> |
|----------------------|--------------------------------|--------------------------------|
| <b>By due date</b>   | <b>5,8%</b>                    | <b>0,4%</b>                    |
| <b>Up to 90 days</b> | <b>-4,0%</b>                   | <b>-0,7%</b>                   |
| <b>Over 90 days</b>  | <b>-1,8%</b>                   | <b>0,3%</b>                    |

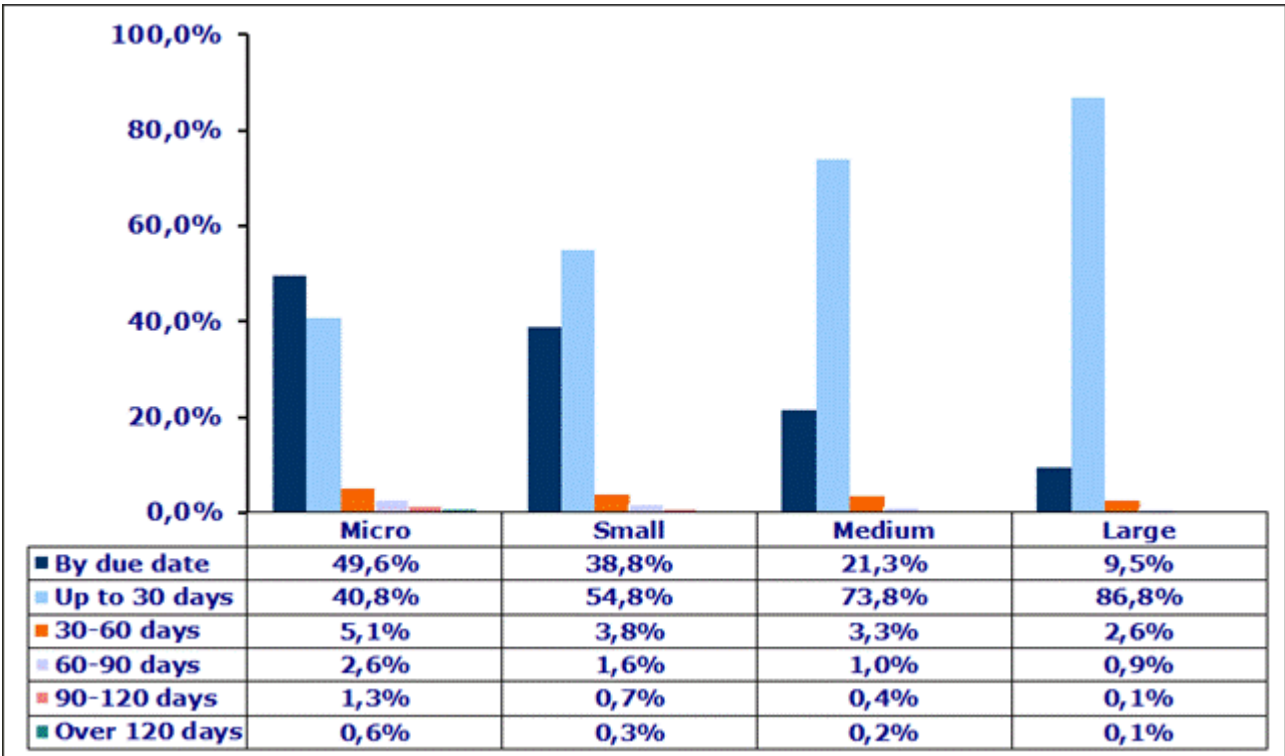
GRAPH 8.4 SOURCE: DUN & BRADSTREET INC. CANADA

PAYMENT PRACTICES IN CANADA BY PAYMENT CLASS, 2007-2014



GRAPH 8.5 SOURCE: DUN & BRADSTREET INC. CANADA

PAYMENT PRACTICES IN CANADA BY TYPE OF COMPANY, 2014



**PAYMENT PRACTICES IN CANADA BY PRODUCT SECTOR, 2014**

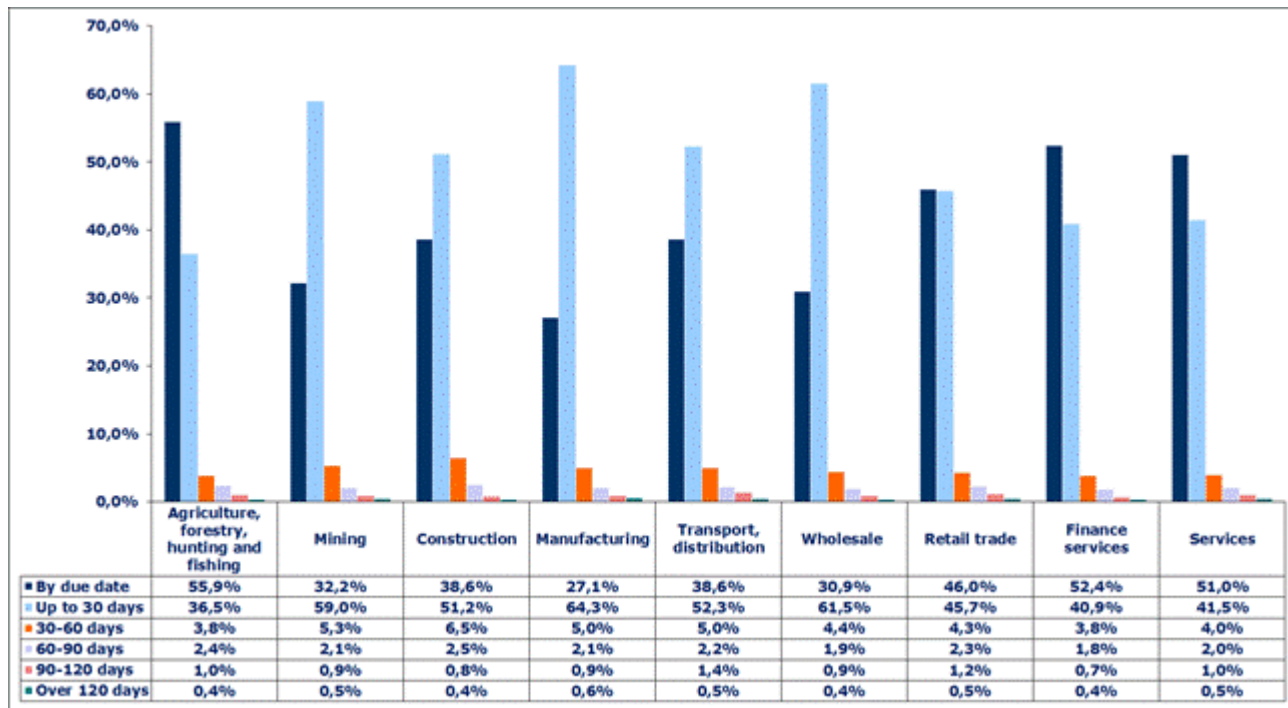


TABLE 8.7 SOURCE: DUN & BRADSTREET INC. CANADA

**SECTORS WITH THE BEST PAYMENT RECORDS IN CANADA, 2014**

| Sector                                | Ranking 2014 |
|---------------------------------------|--------------|
| INSURANCE AGENTS, BROKERS AND SERVICE | 1            |
| PERSONAL SERVICES                     | 2            |
| LEGAL SERVICES                        | 3            |
| SOCIAL SERVICES                       | 4            |
| MEMBERSHIP ORGANIZATIONS              | 5            |
| HEALTH SERVICES                       | 6            |
| AGRICULTURAL PRODUCTION - LIVESTOCK   | 7            |
| FISHING, HUNTING AND TRAPPING         | 8            |
| AGRICULTURAL, PRODUCTION - CROPS      | 9            |
| NON-DEPOSITORY INSTITUTIONS           | 10           |

TABLE 8.8 SOURCE: DUN & BRADSTREET INC. CANADA

**SECTORS WITH THE WORST PAYMENT RECORDS IN CANADA, 2014**

| <b>Sector</b>                                 | <b>Ranking 2014</b> |
|---|---------------------|
| <b>PETROLEUM AND COAL PRODUCTS</b>            | <b>73</b>           |
| <b>AUTO REPAIR, SERVICES AND PARKING</b>      | <b>72</b>           |
| <b>MISCELLANEOUS MANUFACTURING INDUSTRIES</b> | <b>71</b>           |
| <b>TRUCKING AND WAREHOUSING</b>               | <b>70</b>           |
| <b>APPAREL AND ACCESSORY STORES</b>           | <b>69</b>           |
| <b>FURNITURE AND FIXTURES</b>                 | <b>68</b>           |
| <b>PRIMARY METAL INDUSTRIES</b>               | <b>66</b>           |
| <b>PRINTING AND PUBLISHING</b>                | <b>65</b>           |
| <b>COMMUNICATIONS</b>                         | <b>64</b>           |
| <b>FURNITURE AND HOMEFURNISHINGS STORES</b>   | <b>63</b>           |



## 9. AUSTRALIA

Below is the opinion of **Josh Maher, Manager, Communications & Corporate Affairs** at **Dun & Bradstreet Australia** on the economic scenario and payment situation in Australia.

*"In Australia, the initial and immediate impacts on businesses from the global financial crisis were relatively short-lived, with Australia recovering ahead of most developed economies on the back of a strong flow of capital and foreign demand for mining resources, particularly from China.*

*Despite this and an enviable macro-economic position, the impacts of a global downturn in economic activity, tightening of credit markets and weak consumer confidence significantly disrupted the Australian business sector. In response, and due to fears of a protracted recovery, businesses became risk and debt-averse.*

*Research by Dun & Bradstreet reveals a clear fall in business expectations across 2008 and early 2009, as companies focused on their core operations. In particular, there was a plunge in anticipate levels of sales, profits, employment and selling prices. This was accompanied by a sharp drop in business intentions for accessing credit and finance.*

*The challenging conditions saw businesses become leaner and more efficient, with growth plans supplanted by a focus on core operations. A positive consequence of a more cautious business sector during the years following the global financial crisis (GFC) was that cash flow began to stabilize, and then improve.*

*Assisted by record-low interest rates and companies' careful credit and invoice management, average business-to-business payment times improved from an average of 57.4 days in early 2009 to 49.9 days in Q4 2014.*

*After five years of moderate expectations and performance, a change in federal government in late 2013 spurred business confidence to pre-GFC levels. More recently, however, as Australia's mining-investment levels peaked and in the absence of further local and global stimulus, economic growth has fallen to below-trend levels and business expectations have deteriorated.*

*Dun & Bradstreet has forecast that the economy's GDP, inflation and unemployment levels will return to target ranges in 2017.*

*As measured by Dun & Bradstreet's Trade Payments Analysis report for Q4 2014 payment performance, businesses are paying invoices in an average of 49.9 days, with 59 per cent of bills paid within standard terms.*

*Cash flow is a leading cause of slow payment times in Australia, and according to Dun & Bradstreet's monthly Business Expectations Survey, the issue considered by businesses as most likely to impact their operations.*

*Cash flow is the lifeblood of every business and when poorly managed it is a significant threat to business solvency. According to the Australian Security and Investments Commission, cash was the most common cause of failure among businesses which entered external administration during the 2013–14 financial year. Furthermore, according to Dun & Bradstreet, one-in-three businesses reported having a customer or supplier that became insolvent or otherwise unable to pay them in 2014.*



*Shorter payment terms, cash-on-delivery arrangements and the provision of invoice discounts for early payments have become increasingly popular among businesses wishing to improve their cash flow."*

## Payment analysis

The Australian payment system in 2014 is complex, with less than satisfactory performances.

The percentage of punctual payers ("Minimal" class) in Australia is only 2,8% of the total, with a 0,7 percentage point increase compared with 2013.

"Very low" and "Low" classes together account for 7,8% of Australian businesses, while intermediate late payment class ("Average") represents the majority of companies and accounts for 51,4%, down by 12,1% compared with the previous year.

"Moderate" class has increased by 26,1 percentage points, from 9,5% registered in 2013 to 35,6% of 2014, marking a decline in Australians payments.

"Bad payers" ("High", "Very High" and "Severe" classes) account for 2,4% of the sample analyzed, with a decrease of 1,7 percentage point.

Medium companies have the highest concentration of punctual payers, with 18,3% of the total in the "Minimal" class, followed by 16,9% and 17,1% in the classes "Very low" and "Low".

However, there is a greater tendency to pay moderately late: values vary between 38,7% for Medium companies and 57,1% for Micro companies in the class "Average" and between 6,5% and 18,5% in the class "Moderate".

In terms of serious late payments, the worst performance is seen for the Micro companies: 4,2% of the total belongs to the classes "High", "Very High" and "Severe".

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

Good payers dominate such sectors as Transport, distribution and Manufacturing, while the worst performance in "Minimal" class is seen for the Finance services sector.

Late payments are concentrated in the "Average" class, with the highest percentages for Services (68,5%) and Mining (64,6%), whereas the highest concentration for the "Moderate" class was seen for the Retail trade sector with 44,2% of the total.

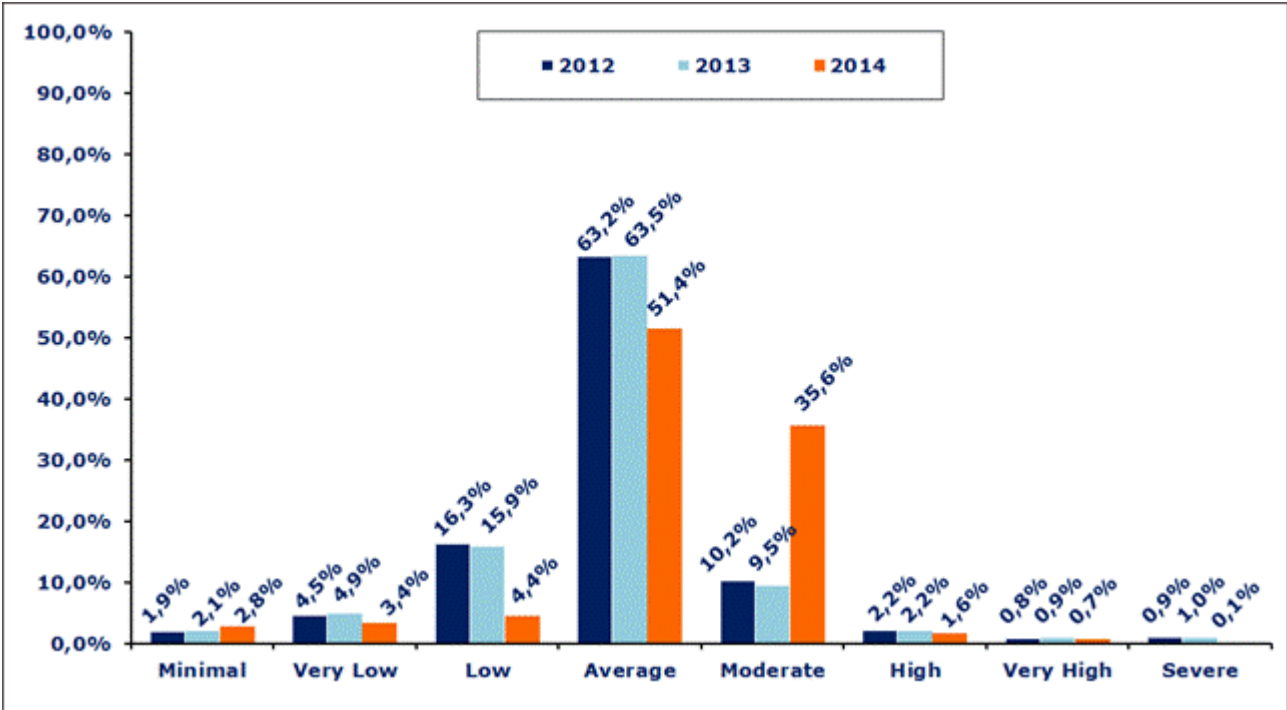
Finally, the most serious late payment classes ("High", "Very High" and "Severe") recorded highest values in the Retail trade sector with 6,3% of the total.

As regarding the micro-sectors in terms of payment performance, in first places in the classification of best payers we find Trucking and warehousing (18,4%), Executive, legislative and general (17,3%) and Heavy construction, except building (16,3%).

On the contrary, the worst performance relate to Eating and drinking places (3,7%), Food stores (2,5%) and Auto repair, services and parking sectors (2,5%).

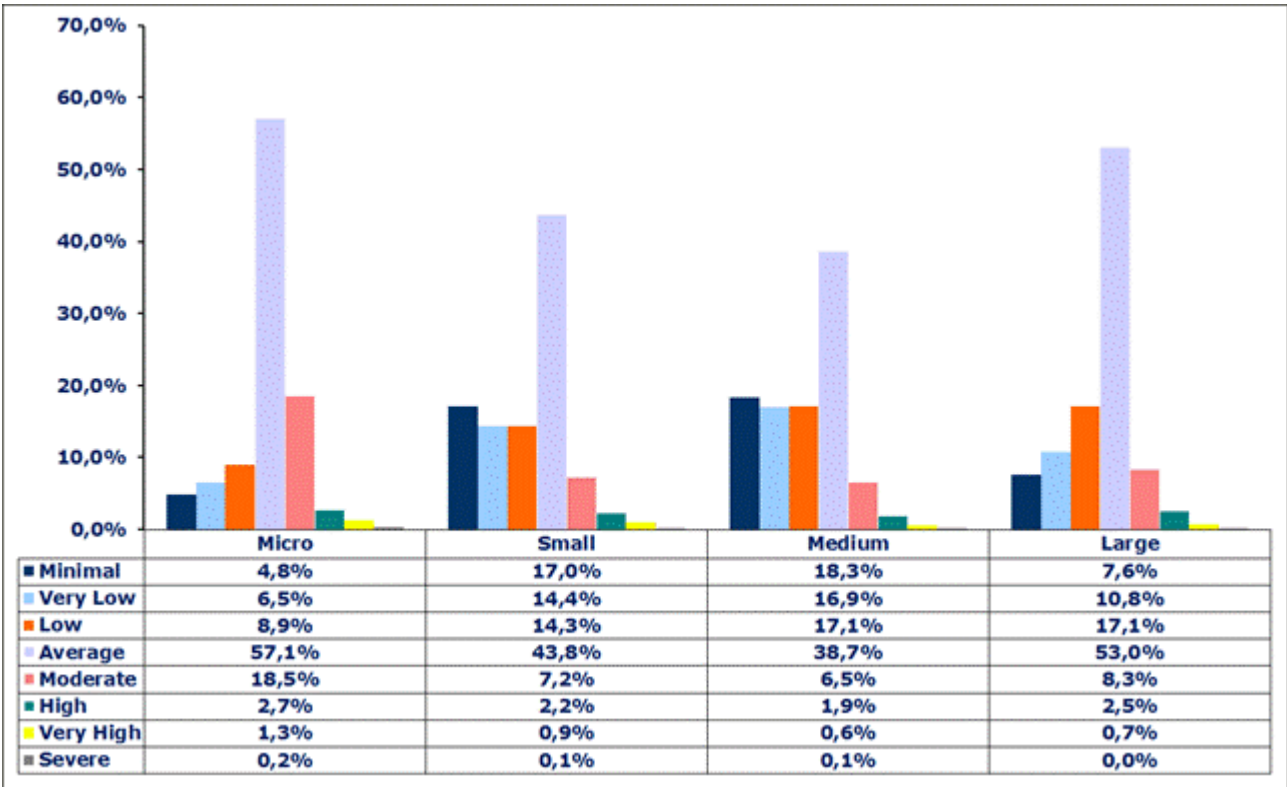
GRAPH 9.1 SOURCE: DUN & BRADSTREET AUSTRALIA

PAYMENT PRACTICES IN AUSTRALIA BY PAYMENT CLASS, 2012-2014



GRAPH 9.2 SOURCE: DUN & BRADSTREET AUSTRALIA

PAYMENT PRACTICES IN AUSTRALIA BY TYPE OF COMPANY, 2014



**PAYMENT PRACTICES IN AUSTRALIA BY PRODUCT SECTOR, 2014**

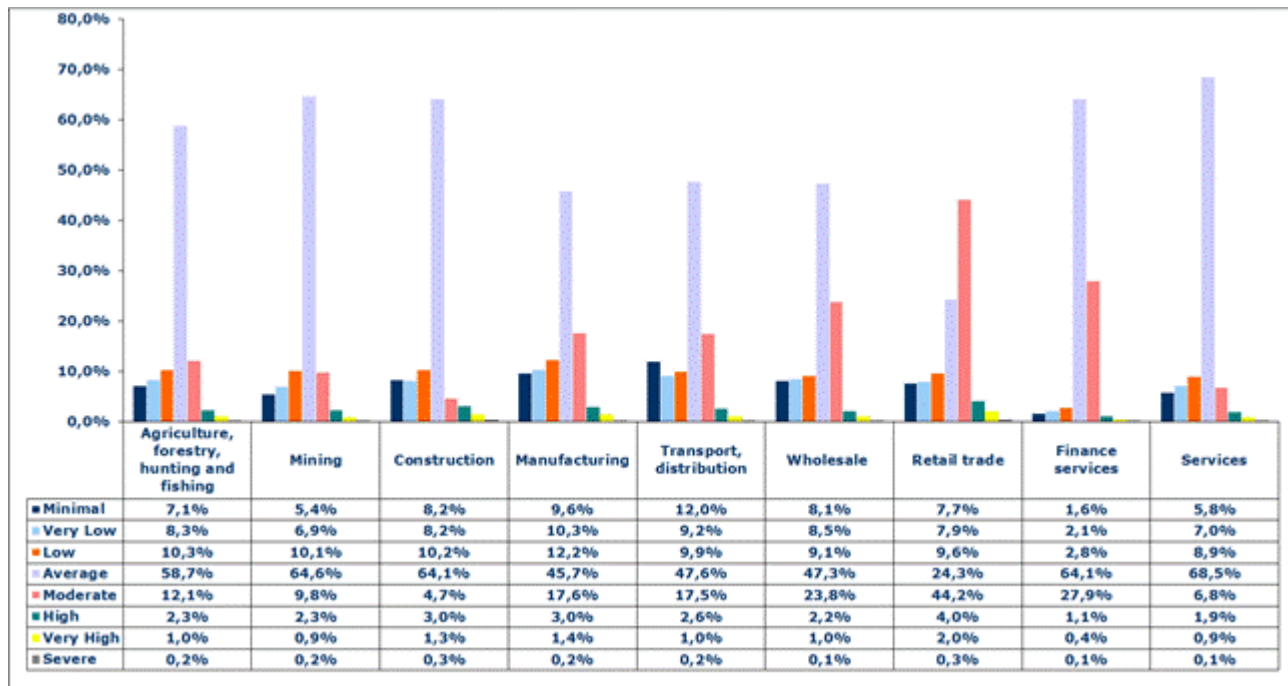


TABLE 9.4 SOURCE: DUN & BRADSTREET AUSTRALIA

**SECTORS WITH THE BEST PAYMENT RECORDS IN AUSTRALIA, 2014**

| Sector                                    | Ranking 2014 |
|---|--------------|
| TRUCKING AND WAREHOUSING                  | 1            |
| EXECUTIVE, LEGISLATIVE AND GENERAL        | 2            |
| HEAVY CONSTRUCTION, EXCEPT BUILDING       | 3            |
| PAPER AND ALLIED PRODUCTS                 | 4            |
| RUBBER AND MISCELLANEOUS PLASTIC PRODUCTS | 5            |
| LUMBER AND WOOD PRODUCTS                  | 6            |
| FABRICATED METAL PRODUCTS                 | 7            |
| TRANSPORTATION BY AIR                     | 8            |
| INDUSTRIAL MACHINERY AND EQUIPMENT        | 9            |
| STONE, CLAY AND GLASS PRODUCTS            | 10           |

TABLE 9.5 SOURCE: DUN & BRADSTREET AUSTRALIA

**SECTORS WITH THE WORST PAYMENT RECORDS IN AUSTRALIA, 2014**

| <b>Sector</b>                              | <b>Ranking 2014</b> |
|--|---------------------|
| <b>EATING AND DRINKING PLACES</b>          | <b>85</b>           |
| <b>FOOD STORES</b>                         | <b>84</b>           |
| <b>AUTO REPAIR, SERVICES AND PARKING</b>   | <b>83</b>           |
| <b>PRINTING AND PUBLISHING</b>             | <b>82</b>           |
| <b>ELETRIC, GAS AND SANITARY SERVICES</b>  | <b>81</b>           |
| <b>TRANSPORTATION EQUIPMENT</b>            | <b>80</b>           |
| <b>PRIMARY METAL INDUSTRIES</b>            | <b>79</b>           |
| <b>NATIONAL SECURITY AND INTL. AFFAIRS</b> | <b>78</b>           |
| <b>ADMINISTRATION OF HUMAN RESOURCES</b>   | <b>77</b>           |
| <b>TEXTILE MILL PRODUCTS</b>               | <b>76</b>           |

## 10. NEW ZEALAND

### Payment analysis

In New Zealand the percentage of punctual payers, represented by "Minimal" class, is only 11,7% of the total, but in growth of the same value compared with the previous years.

"Very low" and "Low" classes together account for 25,3% of Zealanders businesses, while intermediate late payment class "Average" represent the majority of companies and account for 62%.

"Moderate" class represents 0,5% of the total (-18,1% vs. 2013), while "High", "Very High" and "Severe" categories, together, only account for 0,6% of the sample analyzed.

Considering payment practices by company size, Medium and Large companies have a balanced payment behavior with respectively 52,4% and 46% of the total paying suppliers within agreed terms.

Payments of the "Average" class are contained with percentages between 17,8% and 20,1%.

In the case of Micro companies, on the other hand, the percentage of companies that respect payment terms is 15% for the "Minimal" class, 8,2% for the "Very Low" and 16,5% for "Low". This is compensated by the concentration in the moderate late payment class (58%).

In the more serious late payment classes ("High", "Very High", "Severe"), the pattern is more or less uniform and all categories have moderate percentages, with values varying between 0,5% (Medium) and 1,3% (Micro).

Analyzing the performance of the Zealander payment system in relation to sectors, the best performances are seen in the Mining and Manufacturing sectors, with 28,6% and 28,3% of punctual payers, respectively.

Finance services and Construction have a good share of companies (35,1%) that manage to meet their payment obligations within time limits ("Very Low" and "Low" classes).

Late payments are concentrated in the "Average" class, with values varying between 39,3% (Mining) and 66,2% (Retail trade).

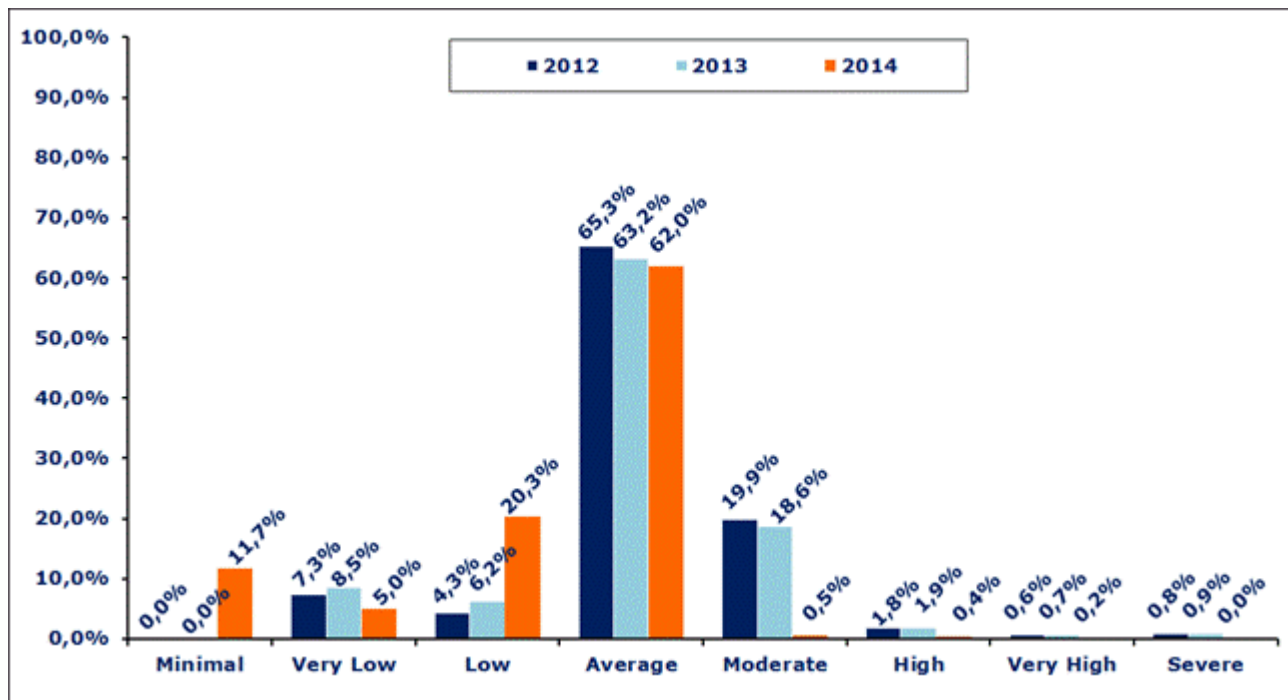
In all the sectors looked at in the study, the three most serious late payment classes ("High", "Very High" and "Severe") have contained concentrations, varying between 0,3% (Finance services) and 1,2% (Manufacturing and Wholesale).

As regarding the micro-sectors in terms of payment performance, in first place in the classification of best payers are Tobacco products and Postal service.

On the contrary, the worst performance relates to the Petroleum and coal products and Leather and leather products.

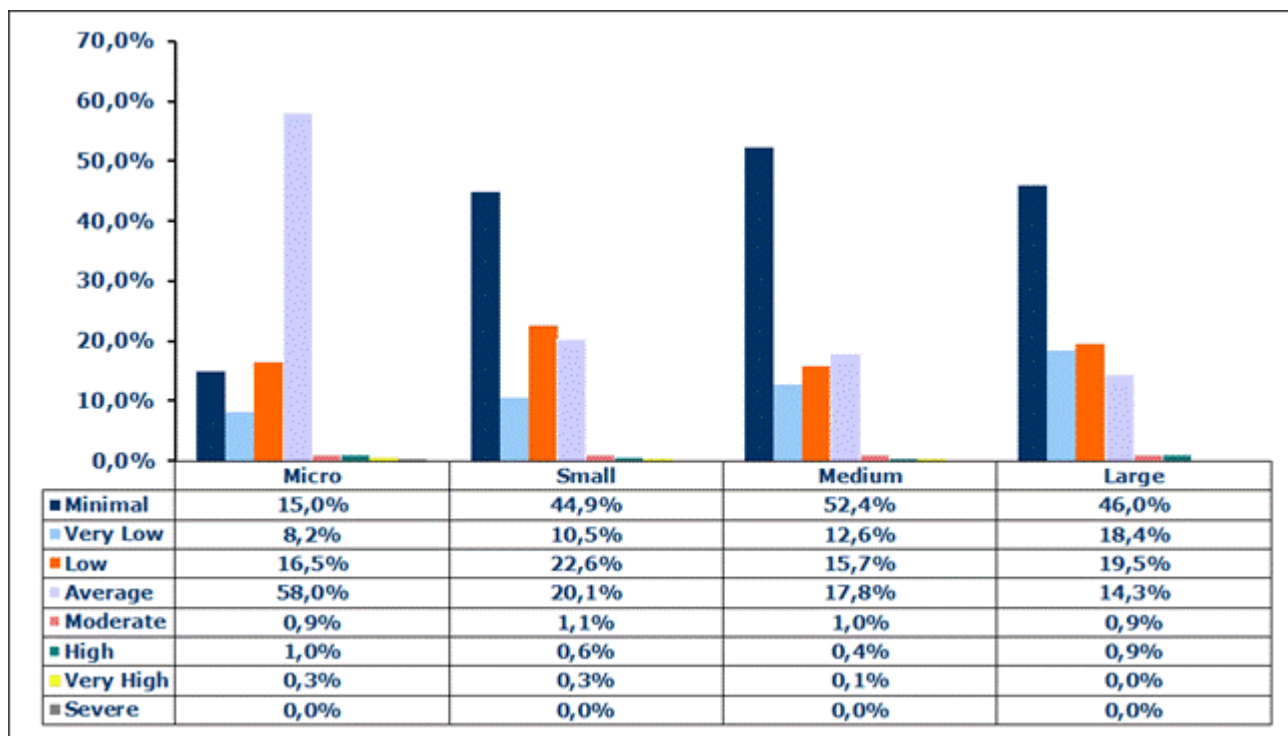
GRAPH 10.1 SOURCE: DUN & BRADSTREET NEW ZEALAND

### PAYMENT PRACTICES IN NEW ZEALAND BY PAYMENT CLASS, 2012-2014



GRAPH 10.2 SOURCE: DUN & BRADSTREET NEW ZEALAND

### PAYMENT PRACTICES IN NEW ZEALAND BY TYPE OF COMPANY, 2014



GRAPH 10.3 SOURCE: DUN & BRADSTREET NEW ZEALAND

### PAYMENT PRACTICES IN NEW ZEALAND BY PRODUCT SECTOR, 2014

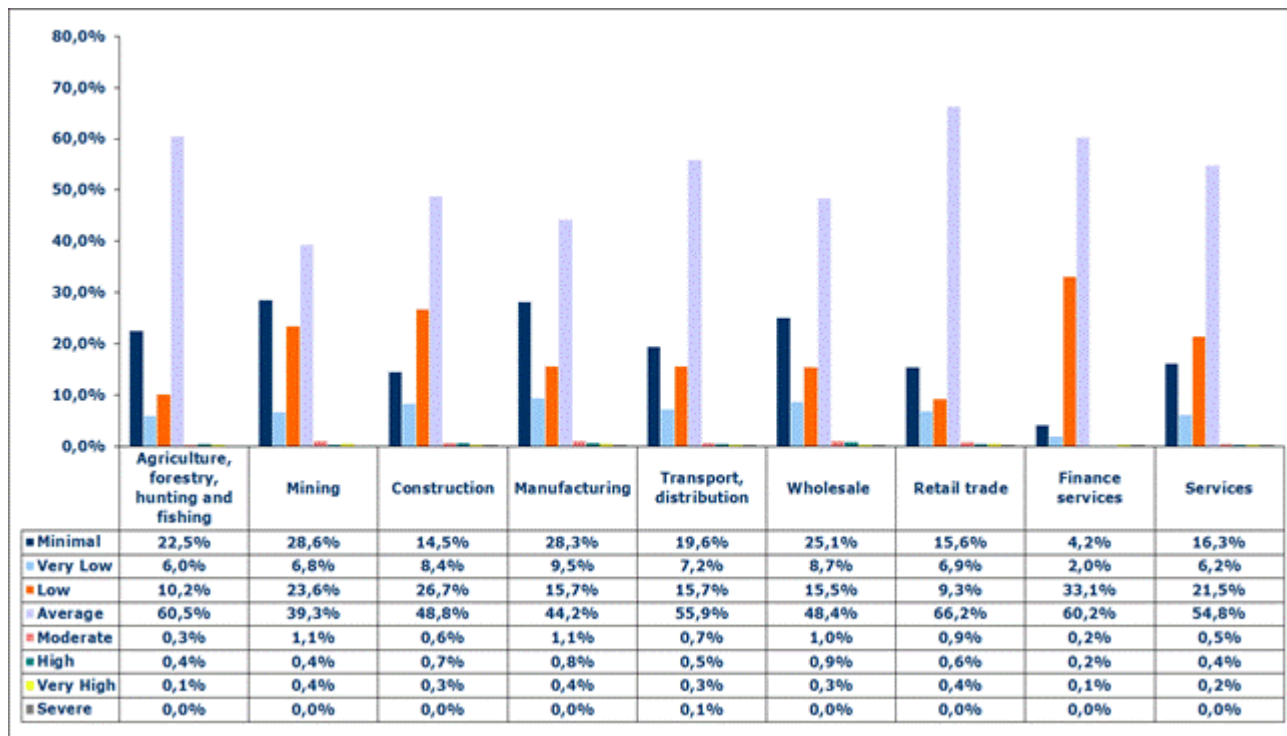


TABLE 10.4 SOURCE: DUN & BRADSTREET NEW ZEALAND

### SECTORS WITH THE BEST PAYMENT RECORDS IN NEW ZEALAND, 2014

| Sector                                    | Ranking 2014 |
|---|--------------|
| TOBACCO PRODUCTS                          | 1            |
| POSTAL SERVICE                            | 2            |
| NONMETALLIC MINERALS, EXCEPT FUEL         | 3            |
| RUBBER AND MISCELLANEOUS PLASTIC PRODUCTS | 4            |
| PAPER AND ALLIED PRODUCTS                 | 5            |
| EXECUTIVE, LEGISLATIVE AND GENERAL        | 6            |
| CHEMICALS AND ALLIED PRODUCTS             | 7            |
| PRIMARY METAL INDUSTRIES                  | 8            |
| INSTRUMENTS AND RELATED PRODUCTS          | 9            |
| INDUSTRIAL MACHINERY AND EQUIPMENT        | 10           |



TABLE 10.5 SOURCE: DUN & BRADSTREET NEW ZEALAND

**SECTORS WITH THE WORST PAYMENT RECORDS IN NEW ZEALAND, 2014**

| <b>Sector</b>                                 | <b>Ranking 2014</b> |
|---|---------------------|
| <b>PETROLEUM AND COAL PRODUCTS</b>            | <b>85</b>           |
| <b>LEATHER AND LEATHER PRODUCTS</b>           | <b>84</b>           |
| <b>TRANSPORTATION BY AIR</b>                  | <b>83</b>           |
| <b>EATING AND DRINKING PLACES</b>             | <b>82</b>           |
| <b>MUSEUMS, BOTANICAL, ZOOLOGICAL GARDENS</b> | <b>81</b>           |
| <b>OIL AND GAS EXTRACTION</b>                 | <b>80</b>           |
| <b>APPAREL AND OTHER TEXTILE PRODUCTS</b>     | <b>79</b>           |
| <b>GENERAL MERCHANDISE STORES</b>             | <b>78</b>           |
| <b>AUTO REPAIR, SERVICES AND PARKING</b>      | <b>77</b>           |
| <b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b>    | <b>76</b>           |

# 11. EUROPE

## Payment analysis

In the 2015 edition of the Payment Study seventeen European countries have been compared, analyzing payment trends over recent years, including in relation to company size and the main sectors.

On an aggregate European level, 37,6% 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 51,6%.

The most serious late payments (over 90 days), on the other hand, accounted for 3,8% of companies, with 2,2% exceeding 120 days.

Among the countries with the best performance in terms of punctual payments, in first position is Denmark (best performer also in this edition) with 90,3% of the total.

In second and third places are Germany (74,8%) and Hungary (52,3%).

United Kingdom and Portugal show more problems in the payment system, with percentages of 24,1% and 17,4% in the "By due date" payment class.

Italy is in an intermediate position with 37,6% of punctual payers, equal with the European average.

The highest concentrations in the "Up to 30 days" (over 60%) are seen in the United Kingdom, Finland and Ireland.

There is also strong heterogeneity in relation to serious late payments (over 90 days late on average) in Europe: Greece (19,5%), Portugal (12,4%), Poland (9,6%), Italy (5,1%), Turkey (4,3%) and Ireland (3,9%) have values above the European average (3,8%).

In addition, in Greece almost 11,9% of companies tend to pay on average more than 120 days beyond agreed terms.

The analysis of changes in payment habits in Europe over the period of 2008-2014 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 (+20,4 percentage points compared to 2008); they are followed by The Netherlands with a favorable difference of 12,1% and Belgium with 6%.

Negative performance for Portugal and Spain: in the former case, the number of punctual payers reduced by over 6%, whereas in the latter there has been a negative change of 4,4 percentage points.

Lastly, in Italy there has been a decrease of 12% in recent years (from 49,6% in 2008 to 37,6% in 2014).

As regards the 2013-2014 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 a decrease of -0,4 percentage points in the share of companies that respect payment terms agreed with suppliers.

The best performances were seen in Poland and Czech Republic, with improvements of 12,7% and 7,2%, respectively, compared to the proportion of "good payers" in 2013.

Significant improvements were also seen in France, with values above 6 percentage points.

The worst performances were seen in Belgium and United Kingdom: punctual companies in Belgium fell by 5,5%, whereas in the latter, the concentration varied from 28,7% of December 2013 to 24,1% of December 2014 (-4,6%).

Focusing on how the concentrations of companies in the most serious late payment class (over 90 days on average) have changed between 2008 and 2014 in the countries examined, Europe shows a good performance with an improvement of 2,2 percentage points in the share of "bad payers" (3,8%).

More significant changes (reductions greater than 3,5%) are seen in Germany and in the United Kingdom; in an intermediate position with more contained variations are Belgium and The Netherlands.

Polish companies which pay on average over 90 days late, on the other hand, have increased by 2,4 percentage points since 2008, followed by Italian companies with 2,1%.

Portugal is the worst performer in Europe: serious late payers grew by 3,5 percentage points.

Examining the 2013-2014 trend of European companies in relation to late payments of over 90 days on average, the percentage of "bad payers" has remained more or less stable, going from 3,9% in 2013 to 3,8% in 2014.

The European trend is also confirmed by the large part of countries analyzed in this study: in fact, mainly changes of less than 0,5% are seen.

The exceptions are France and Hungary: in these cases there has been an increase of 0,8% and 0,9%.

Finally, there has been an improvement in Poland compared with 2013 in this payment class (-1,2 percentage points).

As regarding European payment habits in relation to the different sectors, Agriculture, forestry, hunting and fishing and Construction are, also in 2014, the sectors with the best performances: the companies that respect agreed time limits account for 47,4% and 42%.

In addition, in Agriculture, forestry, hunting and fishing sector, there is a concentration of less than 2,5% in the serious late payment class.

The most problematic situation is seen in the Mining sector with only 12,7% of the total paying on time.

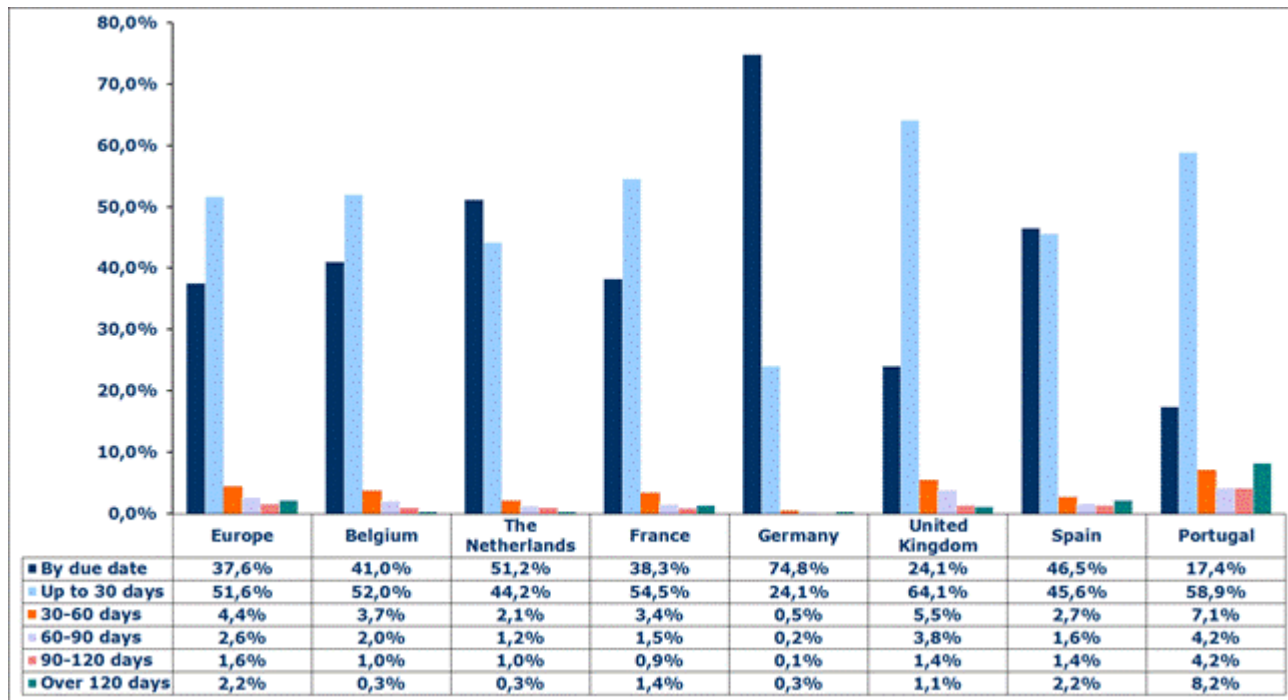
In general, for all sectors there is a widespread tendency for companies to pay on average between 1 and 30 days beyond agreed terms, with the highest values in relation to Transport, distribution (57,9%) and Manufacturing (55,9%).

In the intermediate classes (30-60 days and 60-90 days) Mining and Retail trade sectors stand out with the highest concentrations (23,4 and 9,9, respectively, percentage points).

Serious late payments (over 90 days on average) at the end of 2014 relate to 14,2% of Mining sector and to 5,9% of Retail trade companies (worst performers on an aggregate European level).

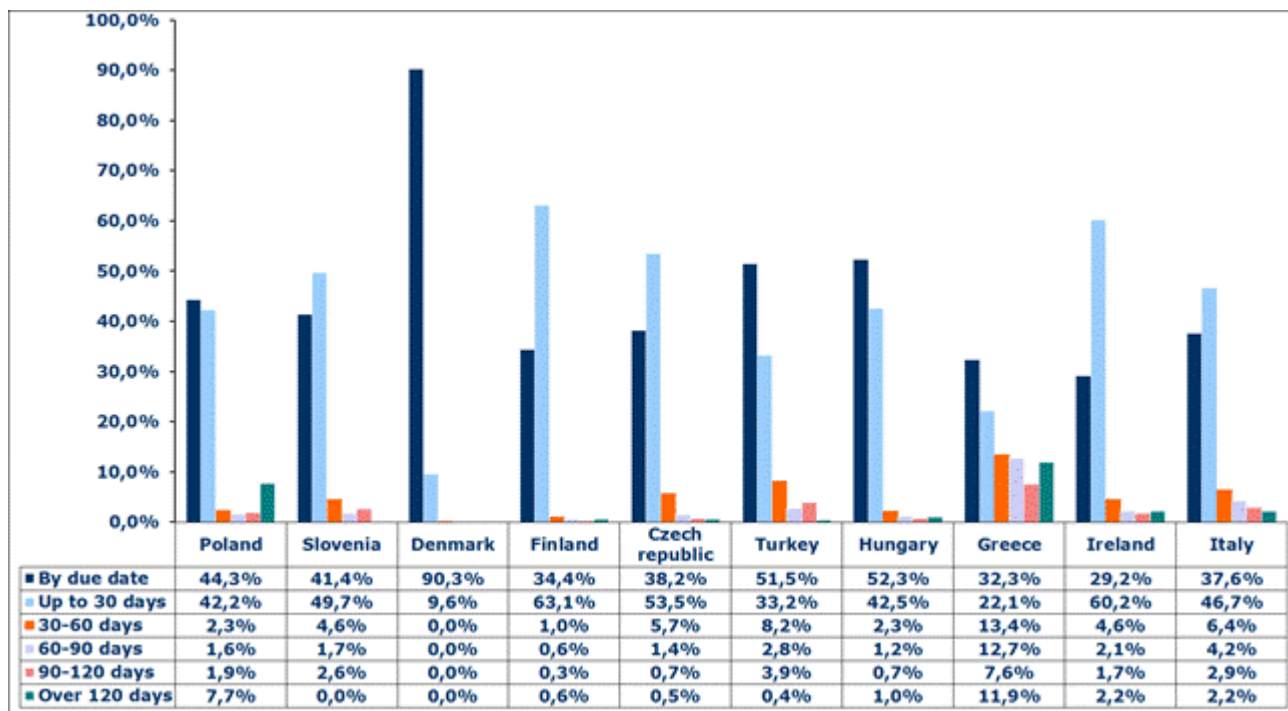
GRAPH 11.1 SOURCE: D&B WORLDWIDE NETWORK

### PAYMENT PRACTICES IN EUROPE BY PAYMENT CLASS, 2014

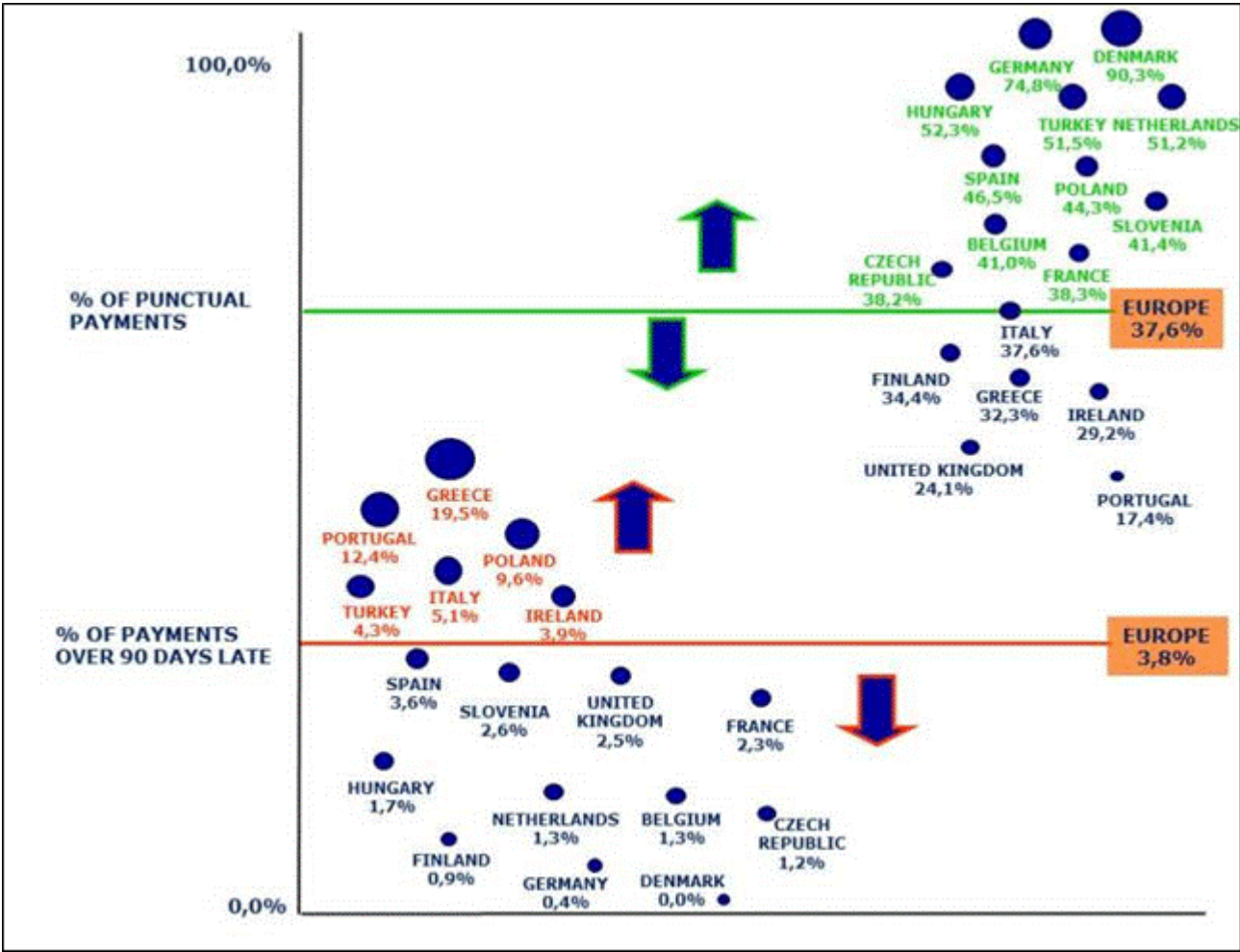


GRAPH 11.2 SOURCE: D&B WORLDWIDE NETWORK

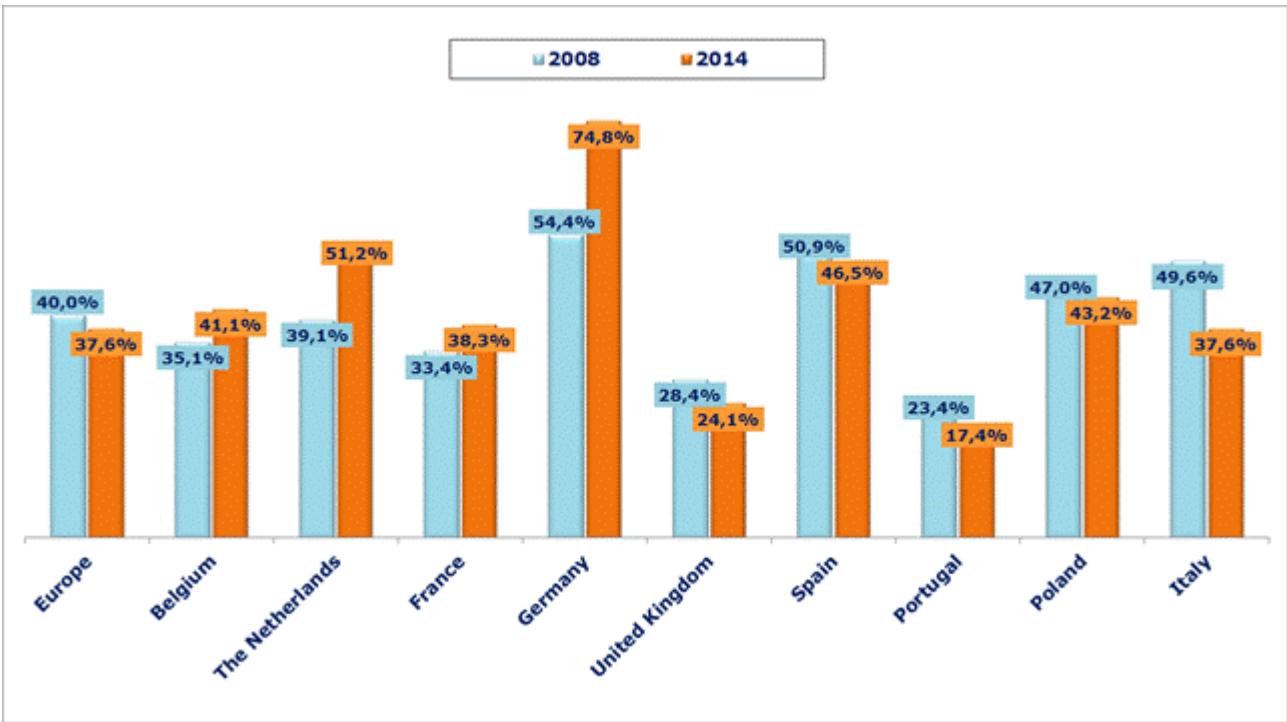
### PAYMENT PRACTICES IN EUROPE BY PAYMENT CLASS, 2014



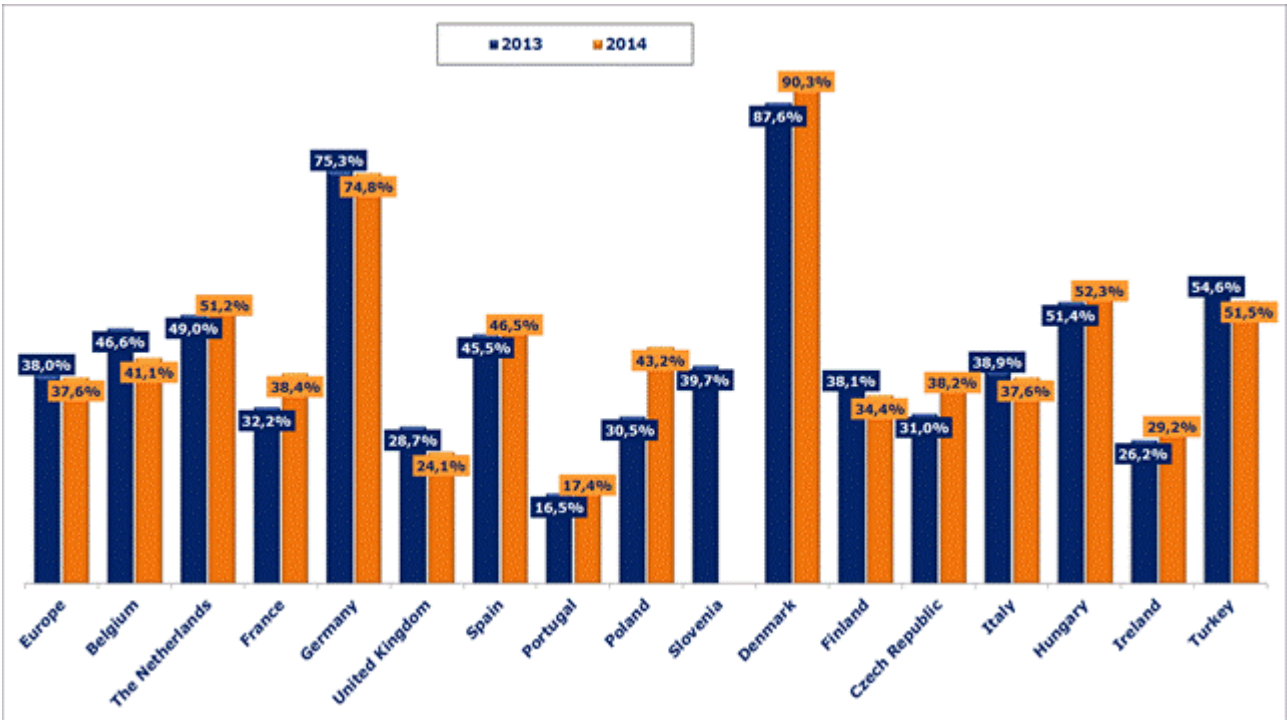
COMPARISON BETWEEN ON TIME PAYMENTS AND PAYMENTS OVER 90 DAYS LATE FOR EUROPEAN COUNTRIES, 2014



VARIATIONS IN ON TIME PAYMENTS IN EUROPE, 2008-2014

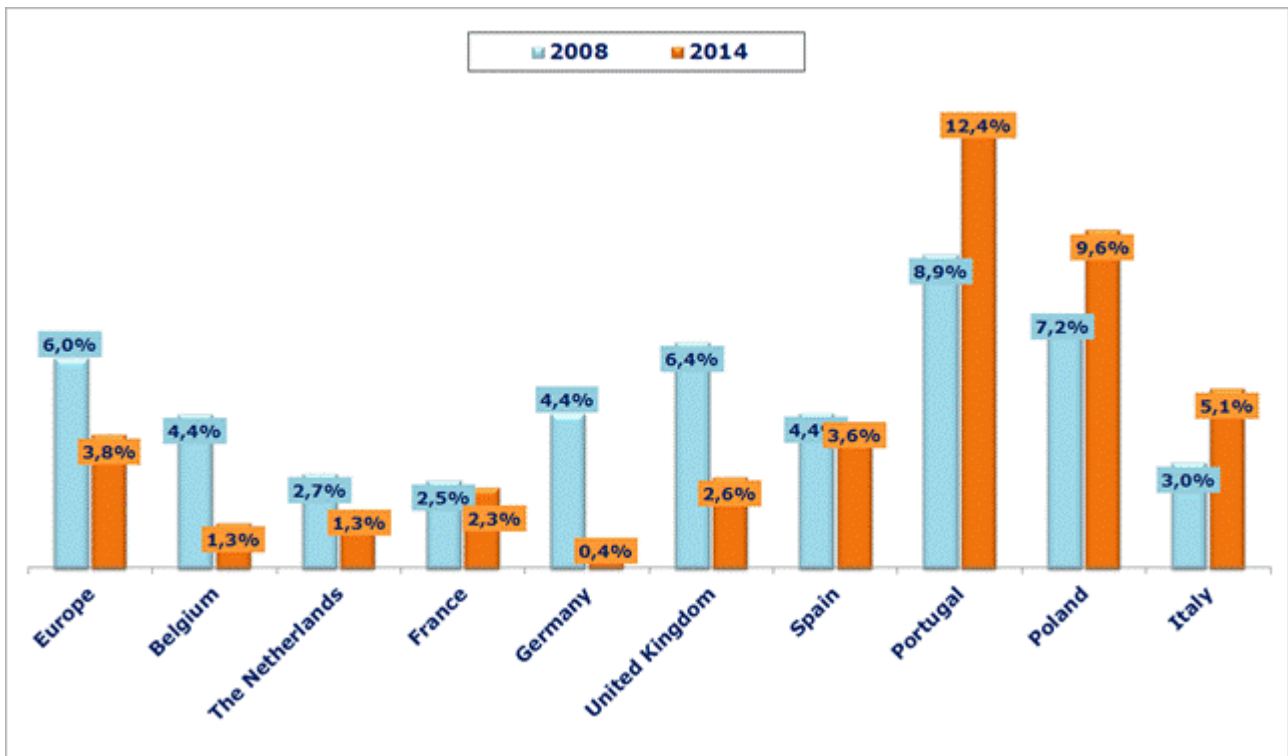


TRENDS IN ON TIME PAYMENTS IN EUROPE, 2013-2014

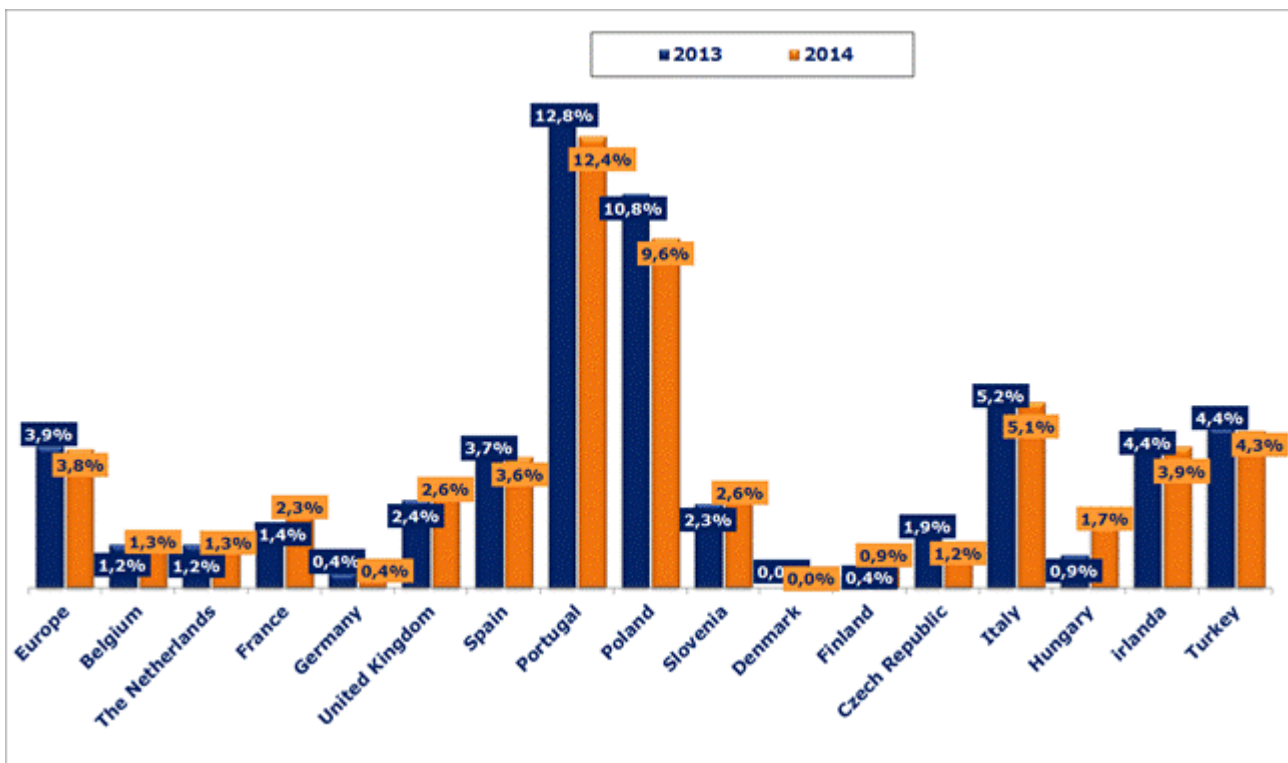




### VARIATION OF LATE PAYMENTS OF MORE THAN 90 DAYS IN EUROPE, 2008-2014

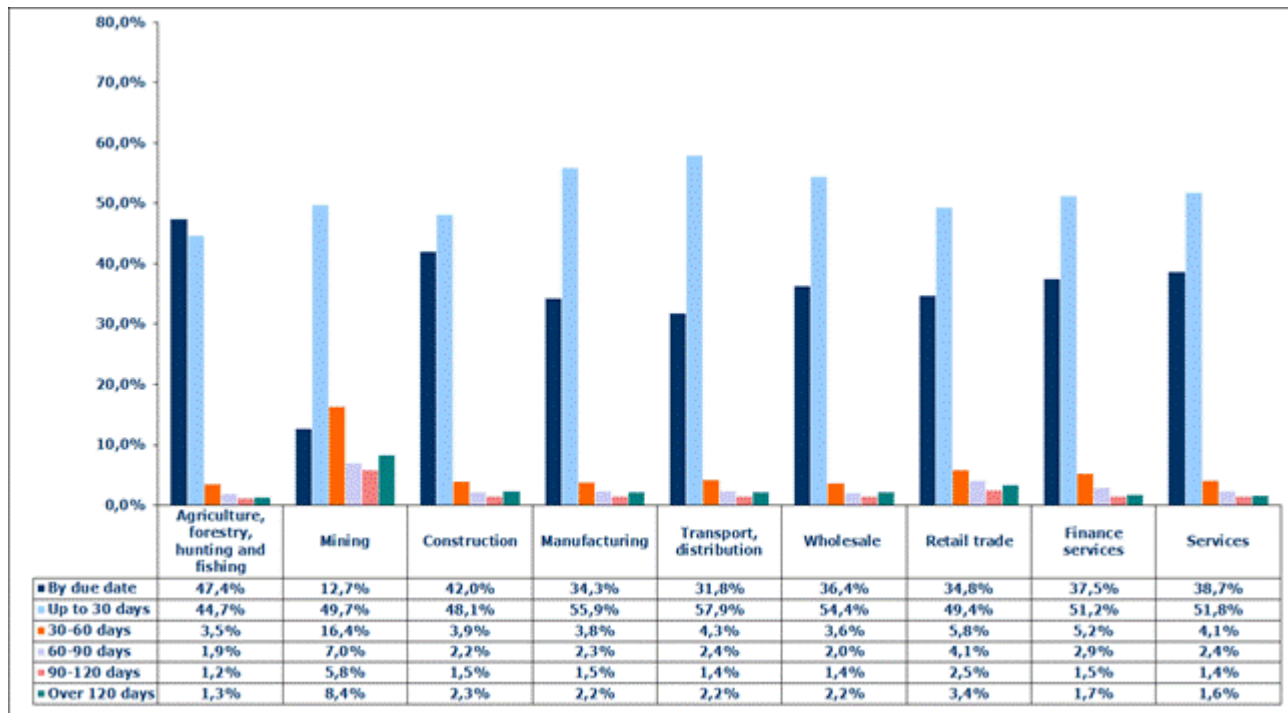


### TRENDS IN LATE PAYMENTS OF MORE THAN 90 DAYS IN EUROPE, 2013-2014





**PAYMENT PRACTICES IN EUROPE BY PRODUCT SECTOR, 2014**



## 12. BELGIUM

### 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, even if we can notice a deterioration of payment practices.

The percentage of companies that pay their suppliers on time reached 41% in 2014, with a decrease of 5,6% compared with the previous year but a positive variation of 3,4 percentage points compared to the European average.

Late payments of up to 30 days account for 52% of the total (+4,8% compared to 2013), meanwhile, those of between 30 and 90 days account for 5,7%.

On the other hand, companies that pay more than 90 days late represent only 1,3% of the total compared with the European level of 3,8%.

The improvement in the Belgian payment situation is confirmed by comparison with 2007: the proportion of "good payers" ("By due date" class) has increased by 10,5 percentage points and there has been a reduction of a similar size in the intermediate payment class (Up to 90 days). In terms of serious late payments (over 90 days on average), these decreased by 1,6 percentage points.

The highest level of on time payments is seen for Micro companies, with a percentage of 39,9% in 2014, while the worst performance was seen for large companies with only 13,6% of the total paying punctually.

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 78% for Medium and Large companies.

Intermediate late payments (between 30 and 90 days on average) have higher values for Micro companies, with 6,9 percentage points.

In addition, this size of company has the highest proportion of late payments of over 90 days late (1,9%).

Analyzing the product macro-sectors, the best performances in terms of punctual payments relate to the Financial services (52,7%) and Agriculture, forestry, hunting and fishing (49,2%) sectors.

Payment conditions, on the other hand, are problematic in the Manufacturing sector, in which only 30,5% of companies respect agreed terms.

The share of companies in the "Up to 30 days" category is over 41% in each of the sectors analyzed and reaches the highest value (63,3%) in the case of Manufacturing.

In the intermediate late payment classes (30-60 days and 60-90 days) there are concentrations between 4% and 8%, 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%).

If we consider the classification of the 10 micro-sector with the most punctual payments in Belgium in 2014, we find in the first position Insurance agents, brokers and services (65,1%),

followed by Legal services (59,8%).

On the other hand, the sector with the most problems is Communications, for which more than 2,9% of companies pay seriously late (over 90 days on average). The top three classification of "bad payers" is completed by the Building materials and garden supplies and Heavy construction, except building sectors.

TABLE 12.1 SOURCE: DUN & BRADSTREET BELGIE

**PERCENTAGE OF COMPANIES IN BELGIUM WITH ON TIME PAYMENTS, 2007-2014**

|                | <b>2007</b>  | <b>2013</b>  | <b>2014</b>  |
|----------------|--------------|--------------|--------------|
| <b>Belgium</b> | <b>30,5%</b> | <b>46,6%</b> | <b>41,0%</b> |
| <b>Europe</b>  | <b>41,0%</b> | <b>38,0%</b> | <b>37,6%</b> |

TABLE 12.2 SOURCE: DUN & BRADSTREET BELGIE

**PERCENTAGE OF COMPANIES IN BELGIUM WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2014**

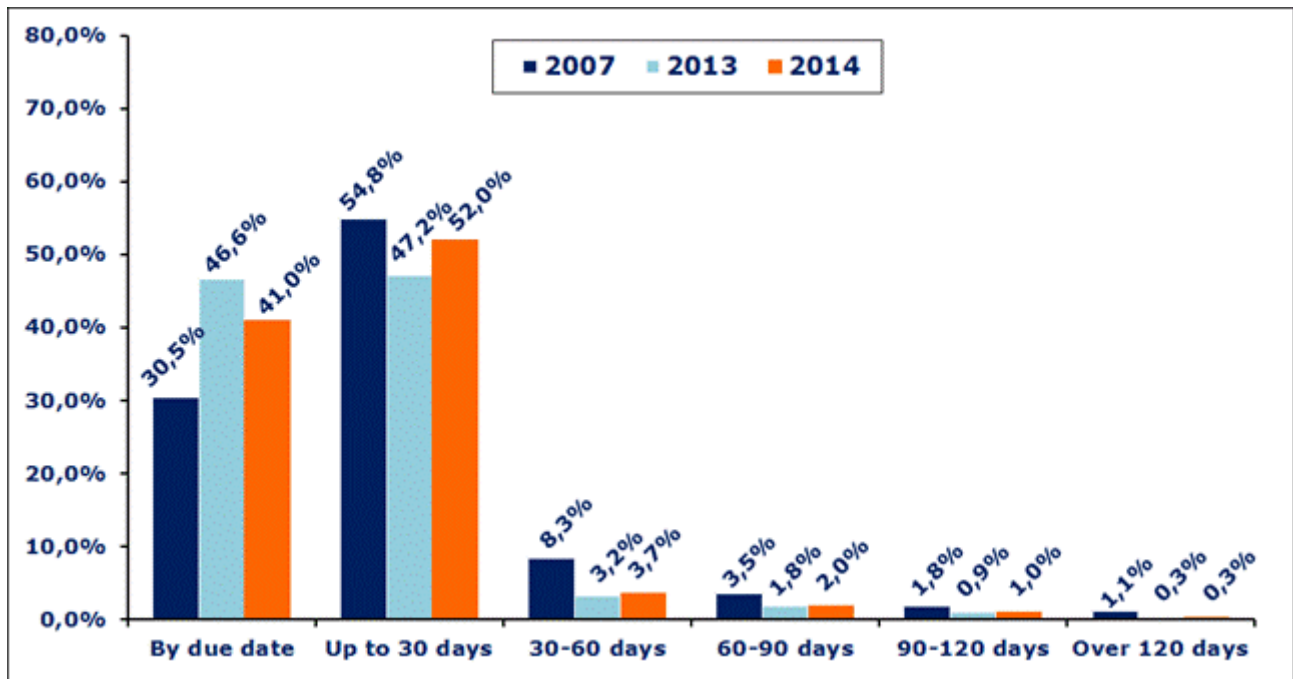
|                | <b>2007</b> | <b>2013</b> | <b>2014</b> |
|----------------|-------------|-------------|-------------|
| <b>Belgium</b> | <b>2,9%</b> | <b>1,2%</b> | <b>1,3%</b> |
| <b>Europe</b>  | <b>4,1%</b> | <b>3,9%</b> | <b>3,8%</b> |

TABLE 12.3 SOURCE: DUN & BRADSTREET BELGIE

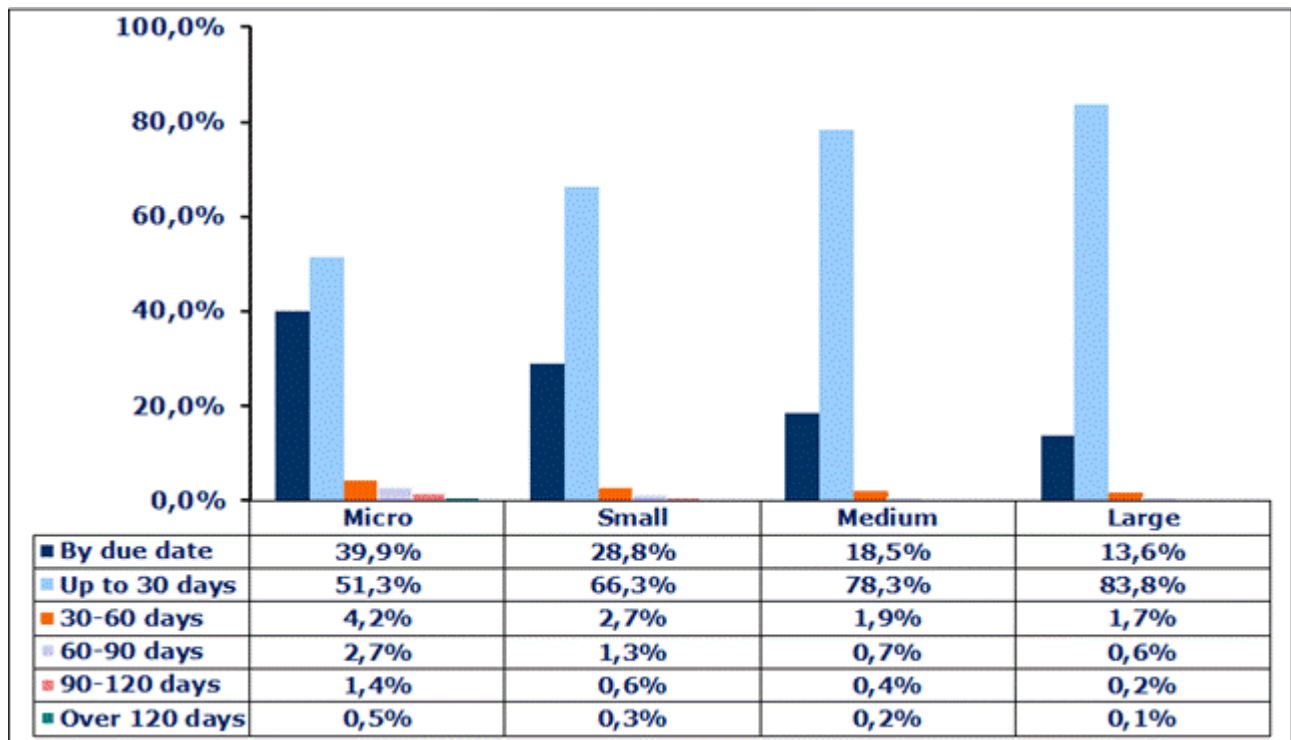
**VARIATIONS IN PAYMENT PRACTICES IN BELGIUM, 2007-2014**

|                      | <b>Variation<br/>2007/2014</b> | <b>Variation<br/>2013/2014</b> |
|----------------------|--------------------------------|--------------------------------|
| <b>By due date</b>   | <b>10,5%</b>                   | <b>-5,6%</b>                   |
| <b>Up to 90 days</b> | <b>-8,9%</b>                   | <b>5,5%</b>                    |
| <b>Over 90 days</b>  | <b>-1,6%</b>                   | <b>0,1%</b>                    |

**PAYMENT PRACTICES IN BELGIUM BY PAYMENT CLASS, 2007-2014**



**PAYMENT PRACTICES IN BELGIUM BY TYPE OF COMPANY, 2014**



GRAPH 12.6 SOURCE: DUN & BRADSTREET BELGIE

**PAYMENT PRACTICES IN BELGIUM BY PRODUCT SECTOR, 2014**

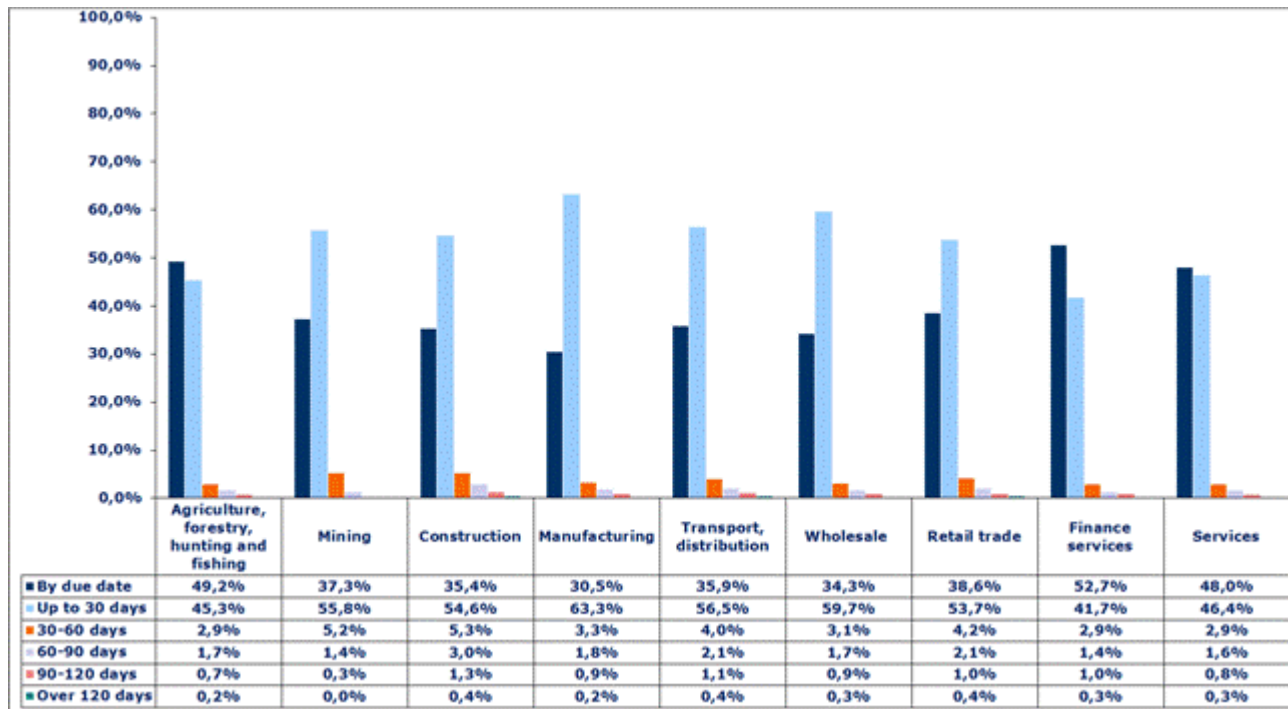


TABLE 12.7 SOURCE: DUN & BRADSTREET BELGIE

**SECTORS WITH THE BEST PAYMENT RECORDS IN BELGIUM, 2014**

| Sector                                | Ranking 2014 |
|---------------------------------------|--------------|
| INSURANCE AGENTS, BROKERS AND SERVICE | 1            |
| LEGAL SERVICES                        | 2            |
| SECURITY AND COMMODITY BROKERS        | 3            |
| NON-DEPOSITORY INSTITUTIONS           | 4            |
| HEALTH SERVICES                       | 5            |
| MEMBERSHIP ORGANIZATIONS              | 6            |
| AGRICULTURAL PRODUCTION - LIVESTOCK   | 7            |
| DEPOSITORY INSTITUTIONS               | 8            |
| INSURANCE CARRIERS                    | 9            |
| SERVICES                              | 10           |

TABLE 12.8 SOURCE: DUN & BRADSTREET BELGIE

**SECTORS WITH THE WORST PAYMENT RECORDS IN BELGIUM, 2014**

| <b>Sector</b>                                 | <b>Ranking 2014</b> |
|---|---------------------|
| <b>COMMUNICATIONS</b>                         | <b>67</b>           |
| <b>BUILDING MATERIALS AND GARDEN SUPPLIES</b> | <b>66</b>           |
| <b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b>    | <b>65</b>           |
| <b>GENERAL BUILDING CONTRACTORS</b>           | <b>64</b>           |
| <b>PRIMARY METAL INDUSTRIES</b>               | <b>63</b>           |
| <b>AMUSEMENT AND RECREATION SERVICES</b>      | <b>62</b>           |
| <b>STONE, CLAY AND GLASS PRODUCTS</b>         | <b>61</b>           |
| <b>REAL ESTATE</b>                            | <b>60</b>           |
| <b>EATING AND DRINKING PLACES</b>             | <b>59</b>           |
| <b>FABRICATED METAL PRODUCTS</b>              | <b>58</b>           |

## 13. THE NETHERLANDS

### Payment analysis

Also in 2014, the Netherlands shows an increase as regards the payments on time, keeping its high performance and confirming the solid nature of the payments system.

The share of punctual payments in the Netherlands was 51,2%, and was 13,6 percentage points above the European average, while the share of Dutch companies that tend to pay over 90 days late on average is only 1,3% of the total (-0,1% vs. previous year).

Compared with 2007, the share of "good payers" has increased by 11,4 percentage points, with a resulting improvement in the other payment classes.

In particular, payments between 1 and 90 days late have decreased by 10,2 percentage points, meanwhile there has been a 1,2% decrease in the serious late payment class of over 90 days on average.

Micro companies are the ones that respect agreed terms the most, with 57,3% of companies in the "By due date" class, followed by Small companies with 46,2% (in growth of over 7 percentage points compared to 2013).

On the other hand, punctual payments in Medium and Large companies are more contained (31,5% for the former and 24,3% for the latter).

However, these two types have the highest values in the "Up to 30 days" class (over 66 percentage points).

In the intermediate and serious late payment classes, Micro companies have the worst performance: 3,7% of the total pay between 30 and 90 days late, meanwhile a further 1,6% fall within the "Over 90 days" class.

Analyzing the performance of the Dutch payment system in relation to sectors, the best performances are seen in the Agriculture, forestry, hunting and fishing sectors and Services with more than 55% of punctual payers.

Late payments, on the other hand, are concentrated in the "Up to 30 days" class, with values varying between 38,1% (Agriculture, forestry, hunting and fishing) and 60,8% (Mining), whereas the values for other the classes are more contained.

The highest share of "bad payers" is seen in the Construction sector with 2,2% of companies paying on average more than 90 days late; this is followed by Transport, distribution and Finance services sectors both with a concentration of 1,4 percentage points.

In the ranking of best micro-sectors in terms of payment practices, Insurance agents, brokers and service and Agricultural production - Livestock are the top performers with 65,2% and 61,3% of punctual payers.

Special trade contractors, on the other hand, has the worst performance in terms of serious late payments (2,3% of "bad payers"), followed by Security and commodity brokers (2%). All the other sectors have concentrations of less than 1,9% in this class.



TABLE 13.1 SOURCE: DUN & BRADSTREET NEDERLAND

**PERCENTAGE OF COMPANIES IN THE NETHERLANDS WITH ON TIME PAYMENTS, 2007-2014**

|                    | <b>2007</b> | <b>2013</b> | <b>2014</b> |
|--------------------|-------------|-------------|-------------|
| <b>Netherlands</b> | 39,8%       | 49,0%       | 51,2%       |
| <b>Europe</b>      | 41,0%       | 38,0%       | 37,6%       |

TABLE 13.2 SOURCE: DUN & BRADSTREET NEDERLAND

**PERCENTAGE OF COMPANIES IN THE NETHERLANDS WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2014**

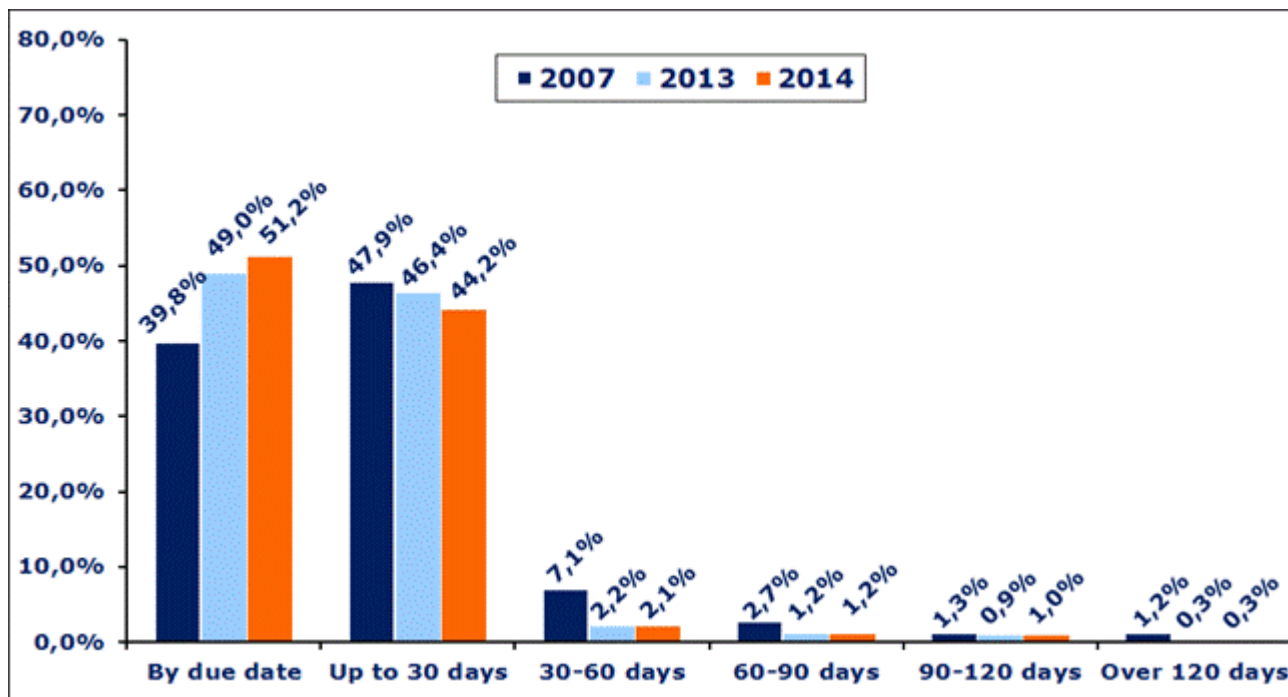
|                    | <b>2007</b> | <b>2013</b> | <b>2014</b> |
|--------------------|-------------|-------------|-------------|
| <b>Netherlands</b> | 2,5%        | 1,2%        | 1,3%        |
| <b>Europe</b>      | 4,1%        | 3,9%        | 3,8%        |

TABLE 13.3 SOURCE: DUN & BRADSTREET NEDERLAND

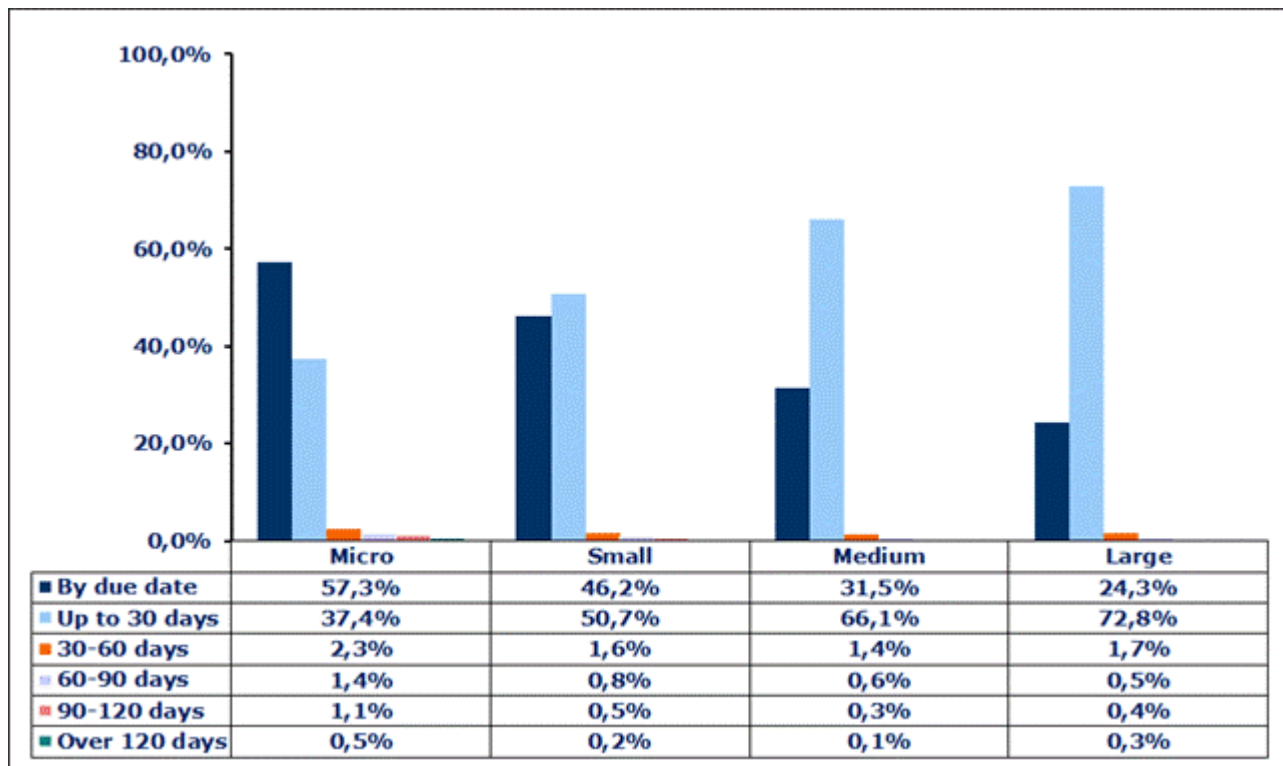
**VARIATIONS IN PAYMENT PRACTICES IN THE NETHERLANDS, 2007-2014**

|                      | <b>Variation<br/>2007/2014</b> | <b>Variation<br/>2013/2014</b> |
|----------------------|--------------------------------|--------------------------------|
| <b>By due date</b>   | 11,4%                          | 2,2%                           |
| <b>Up to 90 days</b> | -10,2%                         | -2,3%                          |
| <b>Over 90 days</b>  | -1,2%                          | 0,1%                           |

**PAYMENT PRACTICES IN THE NETHERLANDS BY PAYMENT CLASS, 2007-2014**



**PAYMENT PRACTICES IN THE NETHERLANDS BY TYPE OF COMPANY, 2014**



**PAYMENT PRACTICES IN THE NETHERLANDS BY PRODUCT SECTOR, 2014**

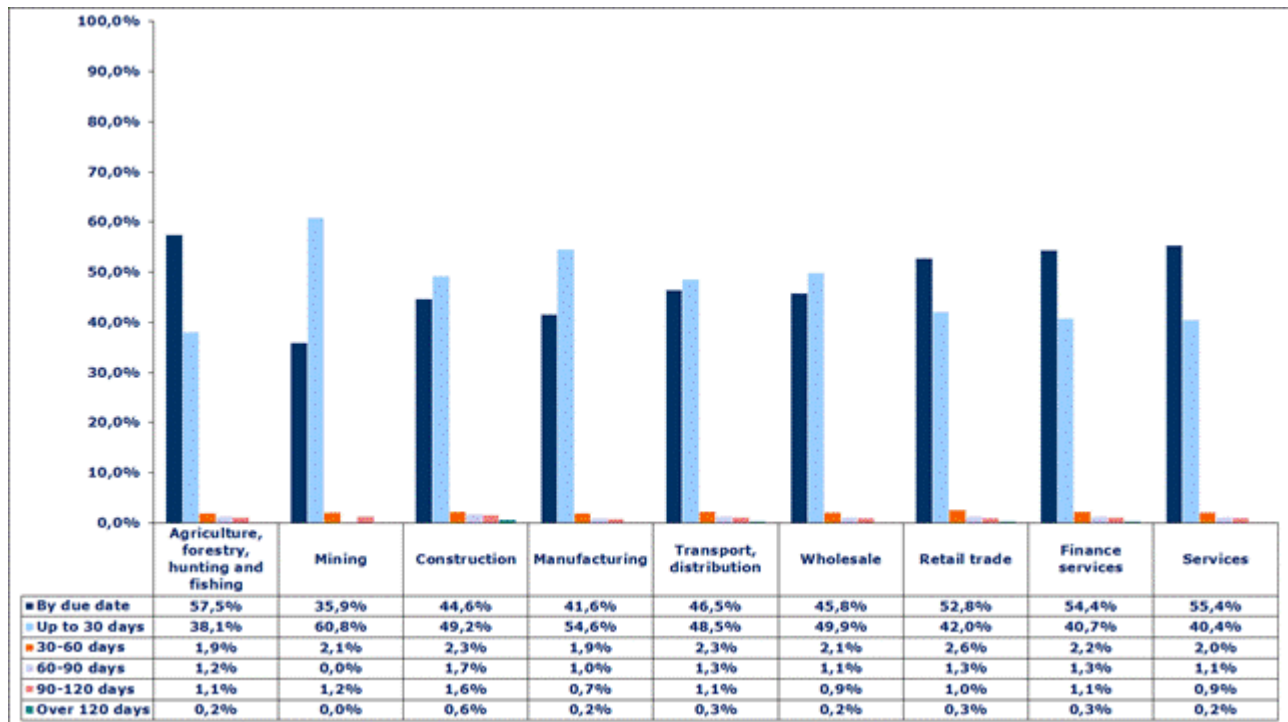


TABLE 13.7 SOURCE: DUN & BRADSTREET NEDERLAND

**SECTORS WITH THE BEST PAYMENT RECORDS IN THE NETHERLANDS, 2014**

| Sector                                  | Ranking 2014 |
|---|--------------|
| INSURANCE AGENTS, BROKERS AND SERVICE   | 1            |
| AGRICULTURAL PRODUCTION - LIVESTOCK     | 2            |
| HEALTH SERVICES                         | 3            |
| LEGAL SERVICES                          | 4            |
| FISHING, HUNTING AND TRAPPING           | 5            |
| PERSONAL SERVICES                       | 6            |
| FOOD STORES                             | 7            |
| AUTOMOTIVE DEALERS AND SERVICE STATIONS | 8            |
| AGRICULTURAL PRODUCTION-CROPS           | 9            |
| MISCELLANEOUS REPAIR SERVICES           | 10           |

TABLE 13.8 SOURCE: DUN & BRADSTREET NEDERLAND

**SECTORS WITH THE WORST PAYMENT RECORDS IN THE NETHERLANDS, 2014**

| <b>Sector</b>                                 | <b>Ranking 2014</b> |
|---|---------------------|
| <b>SPECIAL TRADE CONTRACTORS</b>              | <b>67</b>           |
| <b>SECURITY AND COMMODITY BROKERS</b>         | <b>66</b>           |
| <b>LOCAL AND INTERURBAN PASSENGER TRANSIT</b> | <b>65</b>           |
| <b>AUTOMOTIVE DEALERS AND SERVICE STATION</b> | <b>64</b>           |
| <b>EATING AND DRINKING PLACES</b>             | <b>63</b>           |
| <b>APPAREL AND ACCESSORY STORES</b>           | <b>62</b>           |
| <b>REAL ESTATE</b>                            | <b>61</b>           |
| <b>TRUCKING AND WAREHOUSING</b>               | <b>60</b>           |
| <b>PRIMARY METAL INDUSTRIES</b>               | <b>59</b>           |
| <b>COMMUNICATIONS</b>                         | <b>58</b>           |

## 14. FRANCE

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

*"In France and Europe, a better payment behavior is a priority commitment of public actors such as the private sector.*

*To fight against this scourge, difficult to curb, France has adopted clear legislative tools: The Economy modernization Law (LME) in 2008 and the Harmon law in March 2014. This one hardens sanctions against companies which do not pay their bills within the maximum legal term of 60 days. The text (still not yet applicable one year after) provides for heavy penalties, notably 375,000 euros for a company outside the law.*

*Despite these legislative efforts, nothing changes. Late payment remains a national sport that causes the collapse of more than 15 000 companies. According to the Banque de France, payment providers are performed in a time of 51 days, on average.*

*The law doesn't change the bad habits. In France, the intercompany credit weighs over 600 billion; this intercompanies credit, which is almost free, is four times bigger than the amount of short-term bank loans. It is clear that as long as the penalties will be not dissuasive, the slow payment will continue. In France, late payments stabilize around 12 days according to the Altares surveys; yet these overdue days represent between 10 and 15 billion euros of corporate cash deficiency. The Banque de France has calculated that if the law on payment periods was observed (i.e. 60 days), it would free up 15 billion cash for SMEs.*

*But the question of payment delays is not only a major cash issue, it's mainly a priority to transform our way of doing business in order to drive the growth of our economies on the long term."*

### Payment analysis

Even for the current year France continues to have a worse performance in terms of punctual payments than the majority of countries analyzed in the Payment Study, but the average payment delay is concentrated in the moderate class (Up to 30 days) and this indicates, however, that the situation is not particularly critical.

In 2014 punctual payments accounted for 38,3% of the total, + 0,7% over the European average,

54,5% of French payers fell into the "Up to 30 days" class, while 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 4,9% of the total.

"Bad payers" increased from 2013 with an overall share of 2,3%, but a positive gap of 1,5 percentage points from the European record.

Considering payment practices by company size, Micro companies exhibit the best payment behavior with 46,1% of the total paying suppliers within agreed terms.

As size increases, the percentage of punctual payers drops, reaching the lowest value of 3,9% for Large companies.

In the main part, late payments are concentrated in the "Up to 30 days" class, with percentages of between 45,9% (Micro) and 91,6% (Large).

The share of companies that pay between 30 and 90 days late is the highest for Micro companies with a value of 5,4% of the total, as is the case for the more serious late payments (more than 90 days) which account for 2,6% of companies.

The Construction sector is the best performer in terms of punctual payments, with a share of punctual payers of 50,5% (+4,4 percentage points compared to 2013).

This is followed by Agriculture, forestry, hunting and fishing, with 47,8% of companies in this class.

Significantly lower values are found in the Mining (24,3%) and the Transport, distribution (25,4%) sectors.

All sectors examined in the study tend to pay commercial transactions between 1 and 30 days late (values above 50 percentage points).

Finally, Finance 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 (3,1%).

In first place in the classification of the 10 micro-sectors with the most punctual payments in France is the Special trade contractors group (51,9% of the total in the "By due date" class).

In second and third places are Auto repair, service and parking (50%) and Forestry (49,2%).

The worst result is seen in the Justice, public order and safety sector, with a 4,6% share of serious late payments (over 90 days on average). Second and third places are held by Motion pictures (4,2%) and Eating and drinking places (4,2%).

TABLE 14.1 SOURCE: ALTARES

#### PERCENTAGE OF COMPANIES IN FRANCE WITH ON TIME PAYMENTS, 2007-2014

|        | 2007  | 2013  | 2014  |
|--------|-------|-------|-------|
| France | 32,4% | 32,2% | 38,3% |
| Europe | 41,0% | 38,0% | 37,6% |

TABLE 14.2 SOURCE: ALTARES

**PERCENTAGE OF COMPANIES IN FRANCE WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2014**

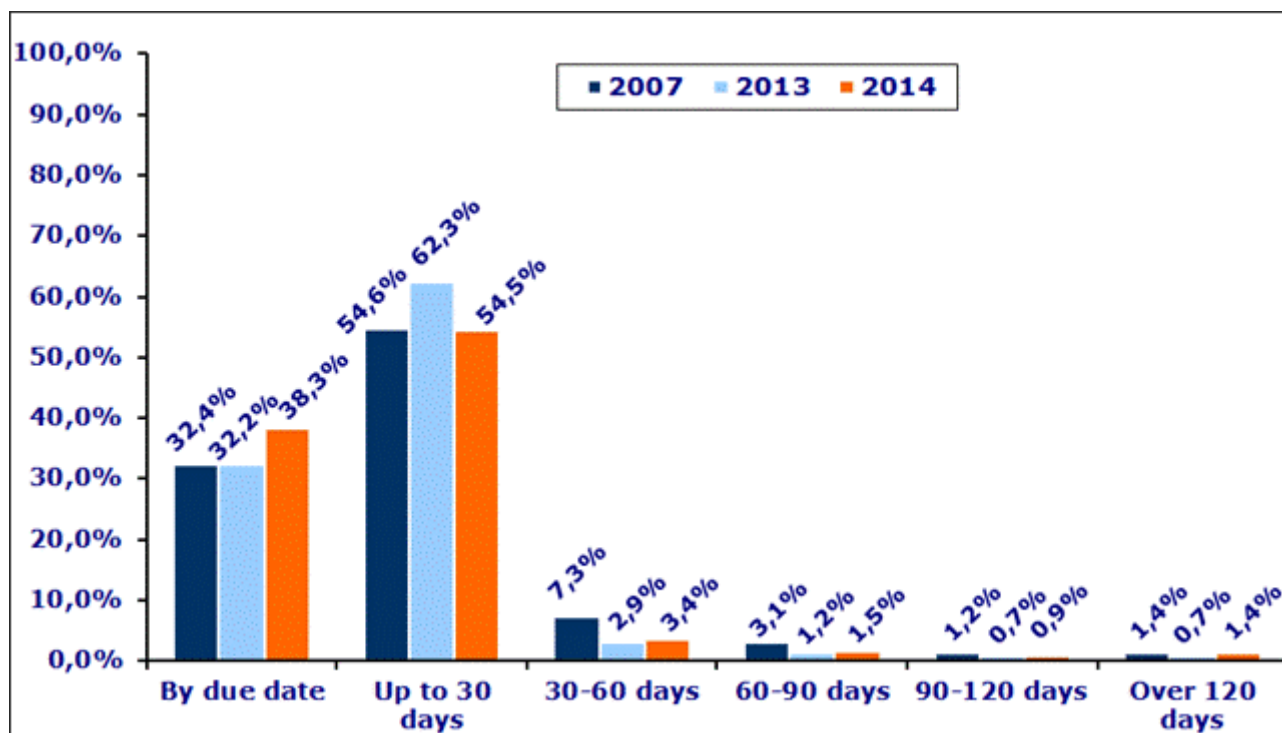
|        | 2007 | 2013 | 2014 |
|--------|------|------|------|
| France | 2,6% | 1,4% | 2,3% |
| Europe | 4,1% | 3,9% | 3,8% |

TABLE 14.3 SOURCE: ALTARES

**VARIATIONS IN PAYMENT PRACTICES IN FRANCE, 2007-2014**

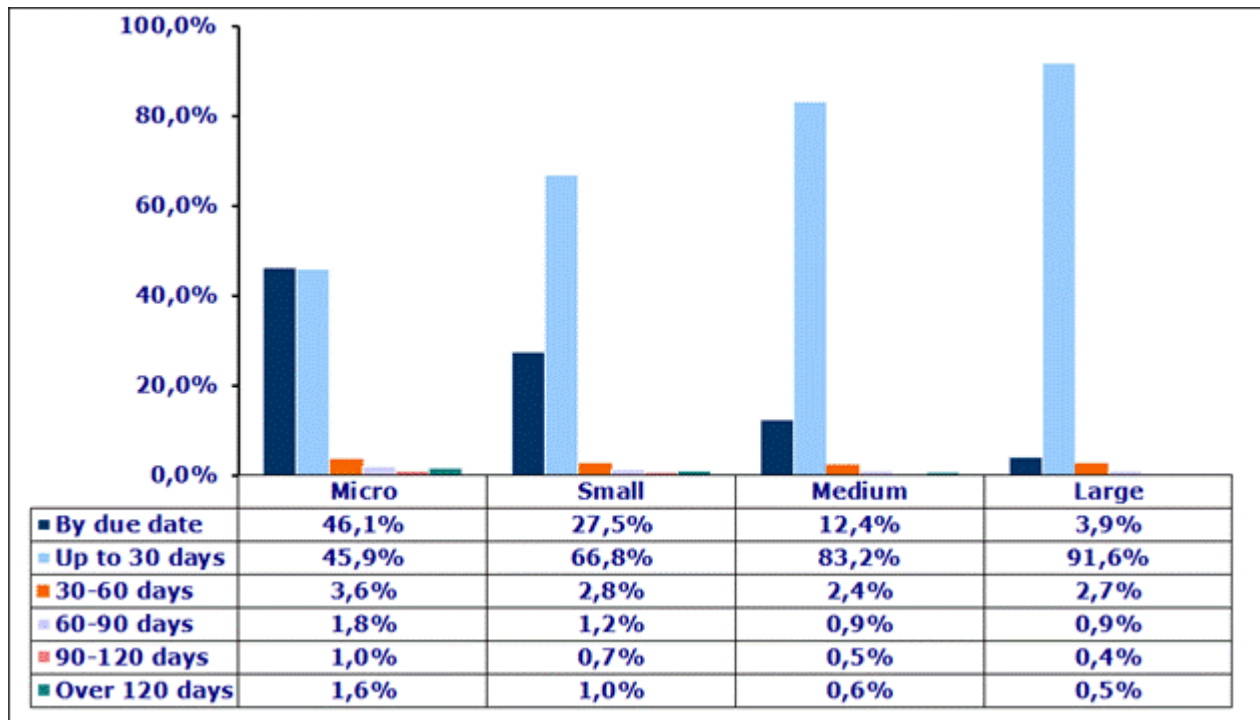
|               | Variation 2007/2014 | Variation 2013/2014 |
|---------------|---------------------|---------------------|
| By due date   | 5,9%                | 6,1%                |
| Up to 90 days | -5,6%               | -7,0%               |
| Over 90 days  | -0,3%               | 0,9%                |

GRAPH 14.4 SOURCE: ALTARES

**PAYMENT PRACTICES IN FRANCE BY PAYMENT CLASS, 2007-2014**



### PAYMENT PRACTICES IN FRANCE BY TYPE OF COMPANY, 2014



### PAYMENT PRACTICES IN FRANCE BY PRODUCT SECTOR, 2014

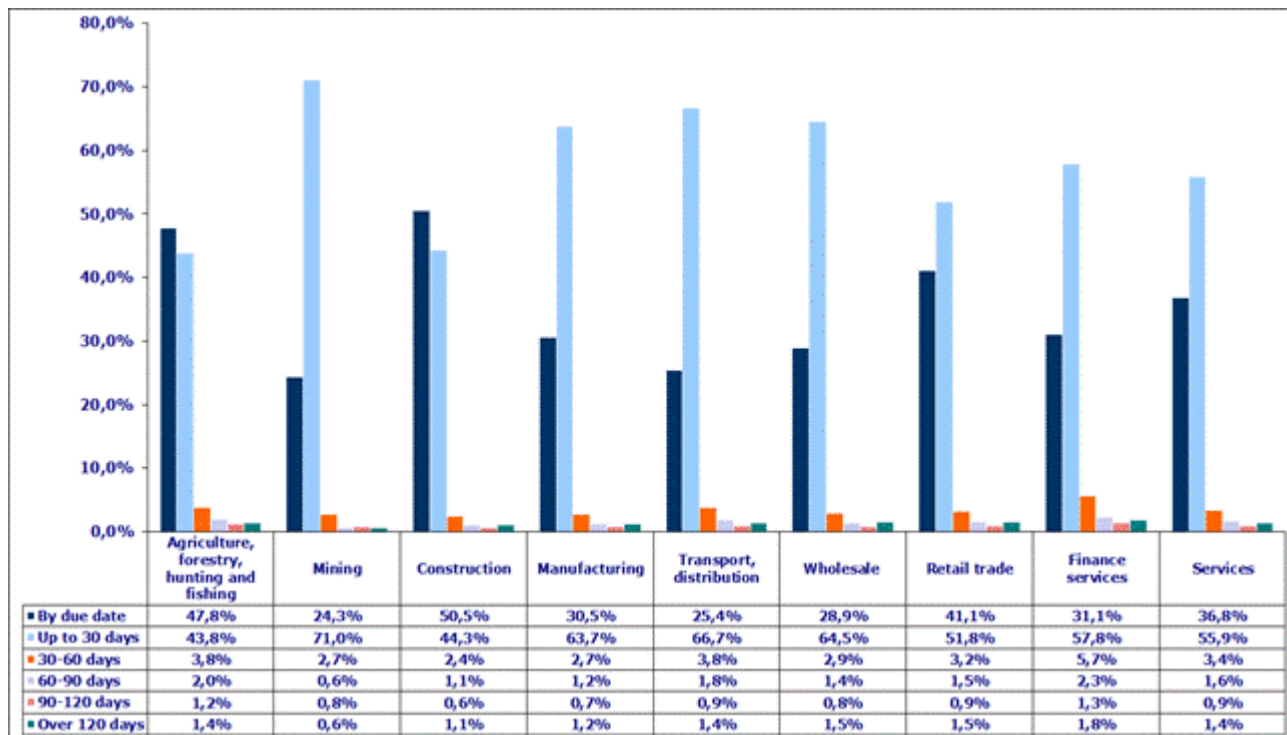


TABLE 14.7 SOURCE: ALTARES

**SECTORS WITH THE BEST PAYMENT RECORDS IN FRANCE, 2014**

| Sector                              | Ranking 2014 |
|-------------------------------------|--------------|
| SPECIAL TRADE CONTRACTORS           | 1            |
| AUTO REPAIR, SERVICES AND PARKING   | 2            |
| FORESTRY                            | 3            |
| MISCELLANEOUS REPAIR SERVICES       | 4            |
| AGRICULTURAL PRODUCTION - CROPS     | 5            |
| AGRICULTURAL SERVICES               | 6            |
| MISCELLANEOUS RETAIL                | 7            |
| FURNITURE AND FIXTURES              | 8            |
| FISHING, HUNTING AND TRAPPING       | 9            |
| AGRICULTURAL PRODUCTION - LIVESTOCK | 10           |

TABLE 14.8 SOURCE: ALTARES

**SECTORS WITH THE WORST PAYMENT RECORDS IN FRANCE, 2014**

| Sector                              | Ranking 2014 |
|-------------------------------------|--------------|
| JUSTICE, PUBLIC ORDER AND SAFETY    | 73           |
| MOTION PICTURES                     | 72           |
| EATING AND DRINKING PLACES          | 71           |
| NATIONAL SECURITY AND INTL. AFFAIRS | 70           |
| REAL ESTATE                         | 69           |
| PETROLEUM AND COAL PRODUCTS         | 68           |
| COMMUNICATIONS                      | 67           |
| RAILROAD TRANSPORTATION             | 66           |
| POSTAL SERVICE                      | 65           |
| PERSONAL SERVICES                   | 64           |

## 15. GERMANY

Below is the opinion of **Markus Gottschlich, Product Manager Trade** at **Bisnode Editorial Deutschland**, on the economic scenario and payment situation in Germany.

*"After a lively start into 2014 the economic situation has appeared remarkably robust until spring, but then the German economy lost momentum dramatically. During the summer period, the German economy stagnated at growth rates around zero and is now slightly regaining drive. Real gross domestic product is expected to rise by around 1.4% in 2014 and 1.0% in 2015. Currently, burdening factors are the many geopolitical risks and the fact that hopes of a recovery in Europe have been thwarted again and again.*

*Nevertheless we expect a moderate recovery in 2015 that will primarily be driven by the domestic economy, which is benefiting from the decline in crude oil prices. In the beginning of 2015, prices had plunged to just under USD 50 per barrel, a drop of more than 50% versus January 2014.*

*Equipment investment will gather fresh momentum as rising capacity utilization rates necessitate a more urgent investment in expansion. Construction investment is also expected to increase.*

*The main driver of growth in the current year will be consumer consumption. The implementation of a statutory minimum wage of Euro 8.50 per hour on January 1st, as well as the continuing rise of wages with a persistently low level of inflation leads to an appreciable increase in real incomes. Extremely positive labor market data support this tendency. Recently, the Federal Employment Agency reported the lowest December unemployment rate since the German re-unification.*

*Export growth will slightly accelerate thanks to the improved world economy. Even if economic sanctions against Russia are harming certain parts of Germany's export-orientated manufacturing sector and despite the prediction of a lower growth in Emerging Asia and the Euro Zone, we expect the German exports to grow in 2015. The Euro's weakening against the US Dollar is the decisive point in our projection. With exchange rates under 1.20 USD per Euro, the currency pair is close to its 10-year-low from November 2005. The weak Euro enhances the price competitiveness of Germany's export sector, which should improve growth potentials.*

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

*Overall, the payment behavior of businesses has slightly deteriorated in 2014, but still remains excellent in an international comparison. After nine months in a row, showing a declining number of companies paying their invoices on time, the picture changed in the last quarter. Recent figures indicate a stabilization of payment behavior across all industries.*

*In 2014, the number of bankruptcies declined for the fifth consecutive year to its lowest level in 15 years. As an end of this trend could be expected, a close monitoring of the receivables portfolios is recommended. "*

## Payment analysis

In 2014 Germany confirmed the excellent payment performances of previous years and continues to be one of the best countries in the European context, secondly only a Denmark.

Companies that paid their suppliers on time accounted for 74,8% of the total, registering a 0,5 percentage point decrease compared with 2013; 37,2 percentage points above the European average.

The positive performance in Germany is also seen in the late payment class of over 90 days: at the end of 2014, the concentration of companies in this bracket was 0,4%, compared to 3,8% for Europe.

Late payments of up to 30 days account for 24,1% of the total, meanwhile, those of between 30 and 90 days account for 0,7%.

Compared with 2007, the percentage of "good payers" has increased by over 20,9 percentage points ("By due date" class), meanwhile the concentration in the "Up to 90 days" class has reduced by 18,1% and in the "Over 90 days" class by 2,8% percentage points.

In Germany, companies belonging to the different size categories show excellent payment performance.

Specifically, the most punctual categories are Micro and Small companies, with over 75% of the total. These are followed by Medium sized companies with 66,5% and finally Large companies with 55%.

The share of companies that pay between 1 and 30 days late is the highest for Large companies with a value of 44,2% of the total.

More serious late payments are minor, with uniform values between the various company sizes.

In all the macrosectors analyzed, the percentage of companies that respect agreed terms in the management of commercial transactions reaches and exceeds 71%.

The best performances are seen in Construction (78,1%), followed by Agriculture, forestry, hunting and fishing sector (77,7%) and Finance services (76,3%).

At the bottom of the classification of punctual payments is the Manufacturing sector with a value of 71,9%.

In this case too, late payments tend to be concentrated in the "Up to 30 days" class, with values fluctuating between 20,8% for the Construction sector and 27% for Manufacturing.

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") have very contained concentrations.

Justice, public order and safety is the sector with the best payment record in Germany, with 83,4% of companies paying within agreed payment terms. In second and third places are the Miscellaneous retail (81%) and Forestry (80%) sectors.

Furniture and fixtures, Insurance carriers and Miscellaneous manufacturing industries are in the top positions in the ranking of the worst sectors, even if they have a percentage of only 0,8% of late payments of over 90 days on average.

The economic slowdown has not impacted on the solidity of the German payment system and companies continue to show excellent levels of payments.

TABLE 15.1 SOURCE: BISNODE EDITORIAL DEUTSCHLAND

**PERCENTAGE OF COMPANIES IN GERMANY WITH ON TIME PAYMENTS, 2007-2014**

|                | <b>2007</b>  | <b>2013</b>  | <b>2014</b>  |
|----------------|--------------|--------------|--------------|
| <b>Germany</b> | <b>53,9%</b> | <b>75,3%</b> | <b>74,8%</b> |
| <b>Europe</b>  | <b>41,0%</b> | <b>38,0%</b> | <b>37,6%</b> |

TABLE 15.2 SOURCE: BISNODE EDITORIAL DEUTSCHLAND

**PERCENTAGE OF COMPANIES IN GERMANY WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2014**

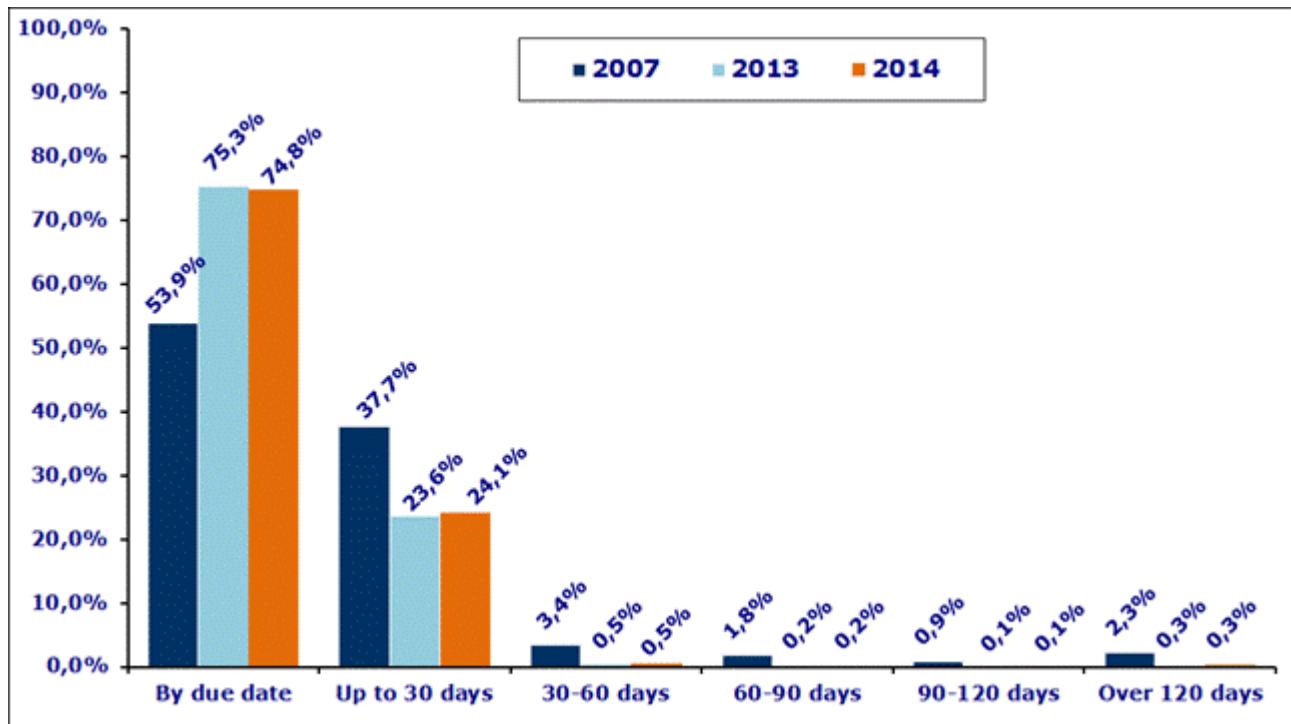
|                | <b>2007</b> | <b>2013</b> | <b>2014</b> |
|----------------|-------------|-------------|-------------|
| <b>Germany</b> | <b>3,2%</b> | <b>0,4%</b> | <b>0,4%</b> |
| <b>Europe</b>  | <b>4,1%</b> | <b>3,9%</b> | <b>3,8%</b> |

TABLE 15.3 SOURCE: BISNODE EDITORIAL DEUTSCHLAND

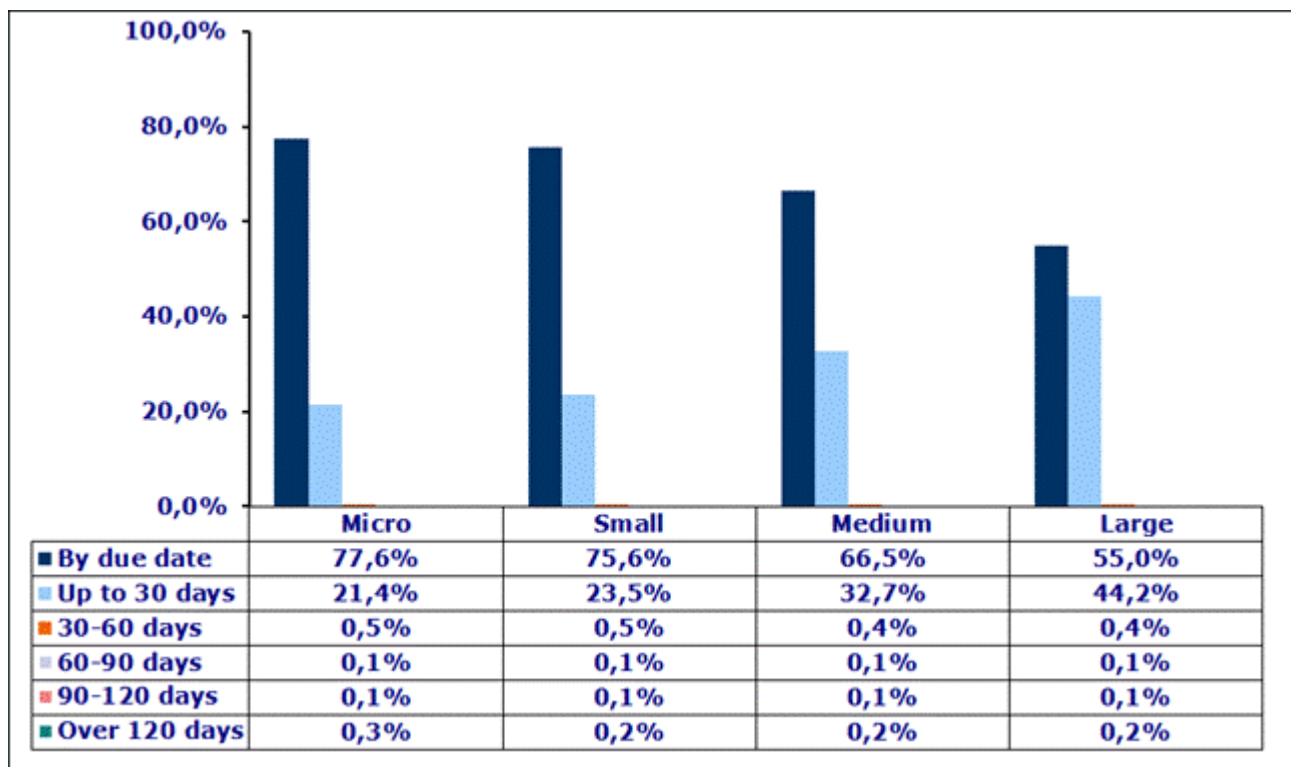
**VARIATIONS IN PAYMENT PRACTICES IN GERMANY, 2007-2014**

|                      | <b>Variation<br/>2007/2014</b> | <b>Variation<br/>2013/2014</b> |
|----------------------|--------------------------------|--------------------------------|
| <b>By due date</b>   | <b>20,9%</b>                   | <b>-0,5%</b>                   |
| <b>Up to 90 days</b> | <b>-18,1%</b>                  | <b>0,5%</b>                    |
| <b>Over 90 days</b>  | <b>-2,8%</b>                   | <b>0,0%</b>                    |

### PAYMENT PRACTICES IN GERMANY BY PAYMENT CLASS, 2007-2014



### PAYMENT PRACTICES IN GERMANY BY TYPE OF COMPANY, 2014



**PAYMENT PRACTICES IN GERMANY BY PRODUCT SECTOR, 2014**

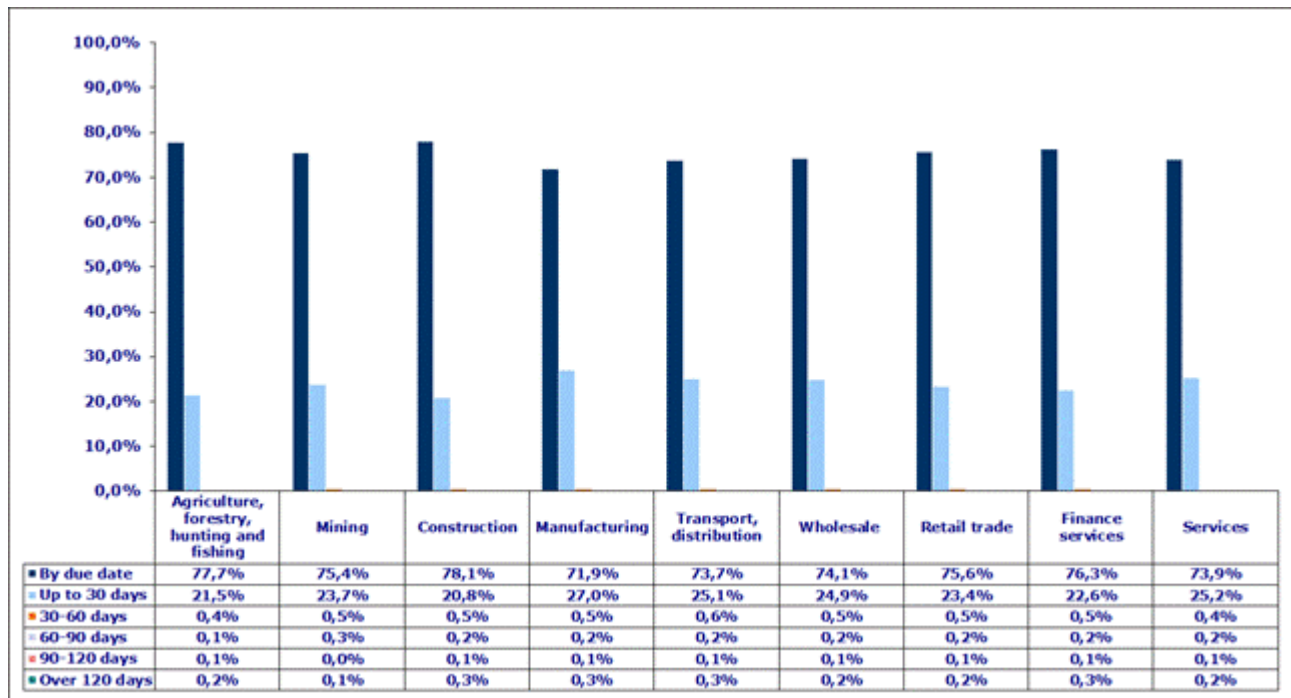


TABLE 15.7 SOURCE: BISNODE EDITORIAL DEUTSCHLAND

**SECTORS WITH THE BEST PAYMENT RECORDS IN GERMANY, 2014**

| Sector                                 | Ranking 2014 |
|--|--------------|
| JUSTICE, PUBLIC ORDER AND SAFETY       | 1            |
| MISCELLANEOUS RETAIL                   | 2            |
| FORESTRY                               | 3            |
| EXECUTIVE, LEGISLATIVE AND GENERAL     | 4            |
| AGRICULTURAL PRODUCTION - LIVESTOCK    | 5            |
| LOCAL AND INTERURBAN PASSENGER TRANSIT | 6            |
| INSURANCE AGENTS, BROKERS AND SERVICE  | 7            |
| GENERAL BUILDING CONTRACTORS           | 8            |
| SPECIAL TRADE CONTRACTORS              | 9            |
| BUILDING MATERIALS AND GARDEN SUPPLIES | 10           |



TABLE 15.8 SOURCE: BISNODE EDITORIAL DEUTSCHLAND

**SECTORS WITH THE WORST PAYMENT RECORDS IN GERMANY, 2014**

| <b>Sector</b>                                 | <b>Ranking 2014</b> |
|---|---------------------|
| <b>FURNITURE AND FIXTURES</b>                 | <b>62</b>           |
| <b>INSURANCE CARRIERS</b>                     | <b>61</b>           |
| <b>MISCELLANEOUS MANUFACTURING INDUSTRIES</b> | <b>60</b>           |
| <b>TRANSPORTATION SERVICES</b>                | <b>59</b>           |
| <b>ELECTRONIC AND OTHER ELECTRIC</b>          | <b>58</b>           |
| <b>EQUIPMENT</b>                              | <b>57</b>           |
| <b>COMMUNICATIONS</b>                         | <b>56</b>           |
| <b>LUMBER AND WOOD PRODUCTS</b>               | <b>55</b>           |
| <b>PAPER AND ALLIED PRODUCTS</b>              | <b>54</b>           |
| <b>ELECTRIC, GAS AND SANITARY SERVICES</b>    | <b>53</b>           |

## 16. UNITED KINGDOM

Below is the opinion of **Daniele Fraietta, Senior Economist** at **Dun & Bradstreet Ltd**, on the economic scenario and payment situation in United Kingdom.

"As we expected, the economy expanded at a decelerating pace in late 2014 with real GDP growing by 0.5% quarter on quarter (q/q) in Q4, down from 0.6%, 0.8% and 0.7% in Q1-Q3 respectively. A breakdown of GDP by expenditure components is yet to be published by the Office for National Statistics, but D&B expects the slowdown to have been triggered by a combination of a weaker external position and lower investment. With the crisis returning to the euro zone (the country's most important export destination) and the Pound Sterling on an appreciating trend against the euro (reaching EUR1.22:GBP late January), exports performance was likely muted (and imports demand high) with the falling unemployment rate contributing to improving household expenditure. On the investment front, the global fall in oil prices drove lower investment in the UK's oil related sectors while business uncertainty around the result of the general election will also have taken its toll. With an overall growth rate of 2.6% in 2014, the UK was one of the fastest growing economies in the European region and we expect the UK to outperform most of its peers in 2015 too. Nevertheless, D&B predicts annual real GDP growth to decelerate to 2.4% in 2015.

| <b>Economic Indicator</b>             | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015f</b> | <b>2016f</b> |
|---------------------------------------|-------------|-------------|-------------|--------------|--------------|
| <b>Real GDP growth, %</b>             | <b>0.7</b>  | <b>1.7</b>  | <b>2.6</b>  | <b>2.4</b>   | <b>2.6</b>   |
| <b>Inflation, annual average, %</b>   | <b>2.8</b>  | <b>2.6</b>  | <b>1.4</b>  | <b>1.0</b>   | <b>1.8</b>   |
| <b>Government balance, % GDP</b>      | <b>-8.3</b> | <b>-5.7</b> | <b>-5.0</b> | <b>-4.1</b>  | <b>-3.5</b>  |
| <b>Unemployment, %</b>                | <b>7.9</b>  | <b>7.5</b>  | <b>5.8</b>  | <b>5.9</b>   | <b>6</b>     |
| <b>Current account balance, % GDP</b> | <b>-3.6</b> | <b>-4.2</b> | <b>-4.4</b> | <b>-3.6</b>  | <b>-3.2</b>  |

**Inflation and unemployment are based on EU-harmonised data**  
**Source: D&B Country Insight Services**

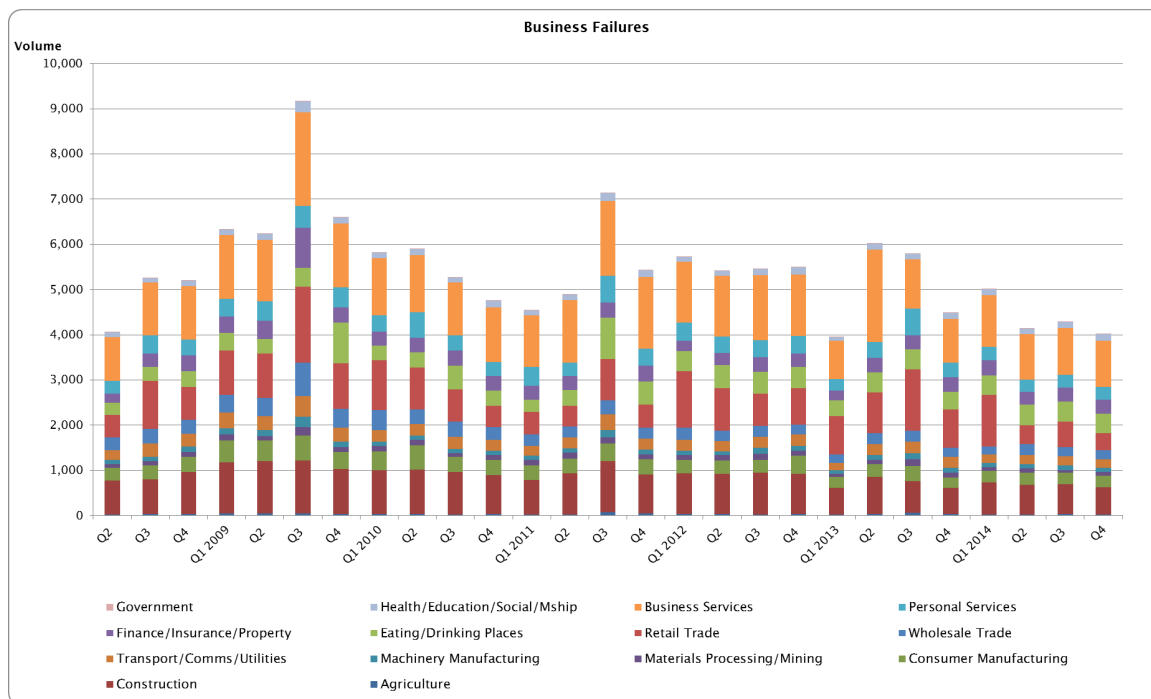
D&B data for the fourth quarter of 2014 reported a slight decrease in the amount of corporate insolvencies: some 6.3% lower than the preceding quarter. This is some 10% lower than the corresponding quarter of 2013, a promising improvement in trend. The aggregate number of failures in the past four quarters is also some 13% lower than the preceding quarters (i.e. Q1 2013 to Q4 2013) and some 21% lower than the preceding quarters (i.e. Q1 2012 to Q4 2012). Past experience shows that the run-up to the Christmas period is a particularly cash generative time for businesses and therefore particularly crucial. For this reason banks and landlords are often unwilling to instigate insolvency proceedings prior to the peak Christmas period and the January sales. Tolerance thereafter quickly deteriorates and more formal action ensues (such as the issue of winding-up petitions) for non-payment.

The most vulnerable businesses are those collectively known as 'corporate zombies'.

These entities are, at best, only generating sufficient cash to service their debts and pay their supplier base. They are unable to grow and have liabilities far in excess of their asset base. Their survival has only been possible due to the unprecedented low interest rate environment and creditor forbearance. However, we expect this benign climate to change in the medium term and

unless they are able to significantly increase profits at an operating level through increased revenue servicing their debt burden could become problematic. This will in turn lead to default (of facilities) and ultimately failures as lenders pull the plug.

Looking ahead, the more positive current economic environment should provide greater support and growth opportunities for businesses. Nevertheless, downside risks remain (as a worsening prompt payments trend line suggests), and D&B are expecting business failures to remain largely flat from their current rates in Q1 2015.



The proportion of payments measured as prompt had been relatively static until June 2014 but from July, payment times worsened according to our data, possibly tracking the slight deceleration in economic activity. The deterioration in payment times appears to be consistent with developments in industrial production (dotted amber line): a drop in oil and gas production hurt overall industrial output, pointing to loss of momentum in the UK economy in the final quarter of the year.

D&B data show deterioration in payment habits over the course of 2014, with the average prompt payment dropping from 27.3% in February 2014 to 23.6% in January 2015. The data, broken down by industrial sector, reveal that the worst deterioration in payment habits was recorded in the 'Eating/Drinking' industry, followed by 'Personal Services', 'Retail Trade', and 'Consumer Manufacturing'. 'Health/Education/Social' and 'Construction' payments have remained roughly static throughout the period.

The issue of how quickly businesses are paying their suppliers is a source of constant debate in the political arena, among suppliers and businesses themselves, and in the media. While legislation is in place to assist small business with their struggle against late payment, most businesses, especially Small and Medium Enterprises (SMEs), will elect to take no action for fear of aggravating their suppliers, and the biggest companies will continue to flex their financial muscles at the expense of smaller and weaker counterparts."

## Payment analysis

The analysis of United Kingdom payments shows weak signs of worsening at the end of 2014 and the performances are a long way from the average European results.

In fact, the share of British companies paying on time had reached 24,1% of the total, a value which is not very reassuring if compared to the European average of 37,6% (-13,5 percentage points), meanwhile, the majority of companies tended to pay on average between 1 and 30 days late (64,1%).

Intermediate late payment classes ("30-60 days" and "60-90 days") account for 9,3%, whereas "bad payers" account for 2,5% of the sample analyzed.

The variations between 2007 and 2014 are more significant: the share of "good payers" has decreased by 8,5%, however the number of cases with late payments up to 90 days fell by 2,5% (-2,8% compared to seven years ago)

If we consider the picture of payments in 2014 by British companies by late payment class and company size, we notice a widespread tendency to pay between 1 and 30 days beyond agreed payment terms.

In particular, the highest concentrations are seen for Large and Medium companies with 82,8% and 77,7% of the total, respectively.

Micro companies seem to be more balanced with 26,5% of punctual payers, but the share of late payments of more than 90 days is the highest (2,7 percentage points).

The situation for larger companies is more complex: only 7,1% of the total is in the "By due date" class.

There is a homogeneous distribution of punctual payments in almost all the macro-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 39,5%.

At the bottom of the classification, on the other hand, are the Manufacturing and Retail trade sectors, with almost than 20% of punctual payers.

In relation to intermediate late payments (between 30 and 90 days late), the highest values were in the Retail trade sector (16,8%) and Finance services (11,7%).

The worst performance in terms of serious late payments was seen again in the Retail trade sector, where 3,7% of companies tend to pay more than 90 days late on average.

In first, second and third place the classification of micro-sectors with the most punctual payments are Agricultural production – Crops, Agricultural production – Livestock and Agricultural services (punctual payers are between 35% and 44%).

First position in the sector ranking of "bad payers" is held by Apparel and accessory stores, with 5,4% of late payments of over 90 days on average, followed by Eating and drinking places, with 4,6%.

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

TABLE 16.1 SOURCE: DUN & BRADSTREET LTD

**PERCENTAGE OF COMPANIES IN THE UK WITH ON TIME PAYMENTS, 2007-2014**

|                       | <b>2007</b> | <b>2013</b> | <b>2014</b> |
|-----------------------|-------------|-------------|-------------|
| <b>United Kingdom</b> | 32,6%       | 28,7%       | 24,1%       |
| <b>Europe</b>         | 41,0%       | 38,0%       | 37,6%       |

TABLE 16.2 SOURCE: DUN & BRADSTREET LTD

**PERCENTAGE OF COMPANIES IN THE UK WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2014**

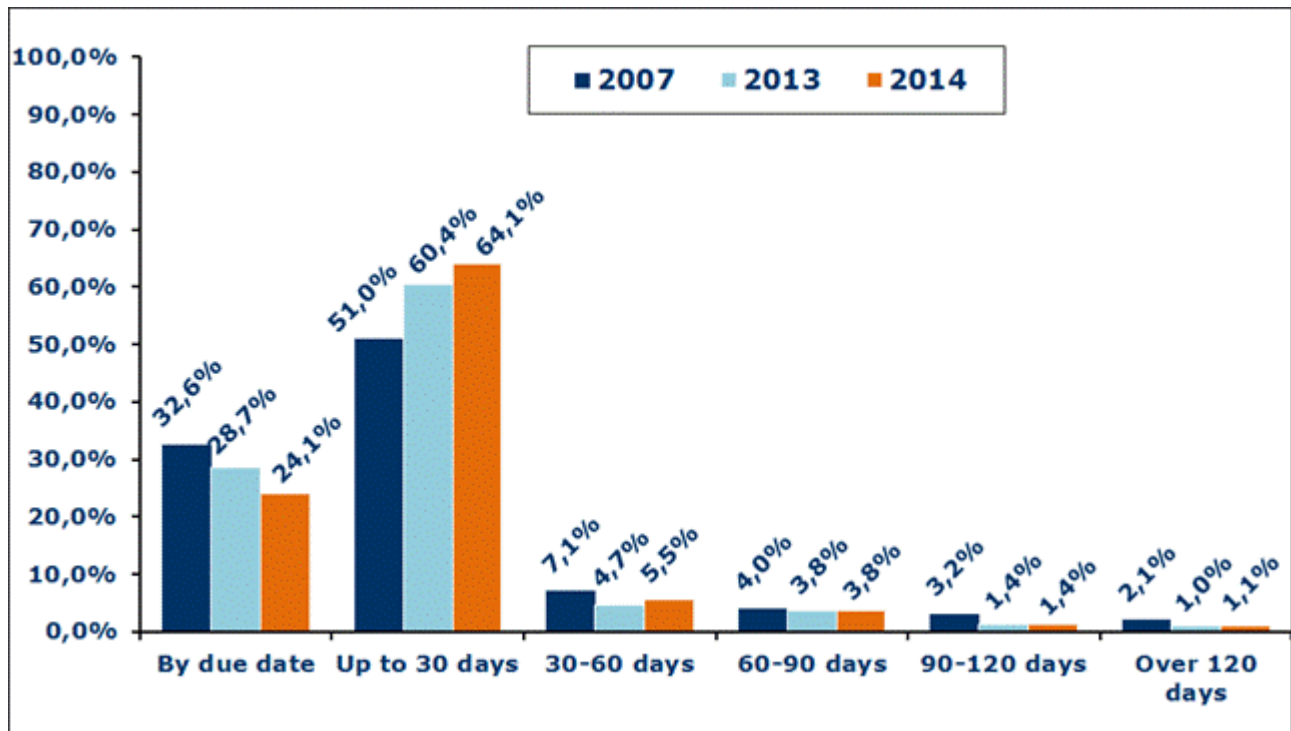
|                       | <b>2007</b> | <b>2013</b> | <b>2014</b> |
|-----------------------|-------------|-------------|-------------|
| <b>United Kingdom</b> | 5,3%        | 2,4%        | 2,5%        |
| <b>Europe</b>         | 4,1%        | 3,9%        | 3,8%        |

TABLE 16.3 SOURCE: DUN & BRADSTREET LTD

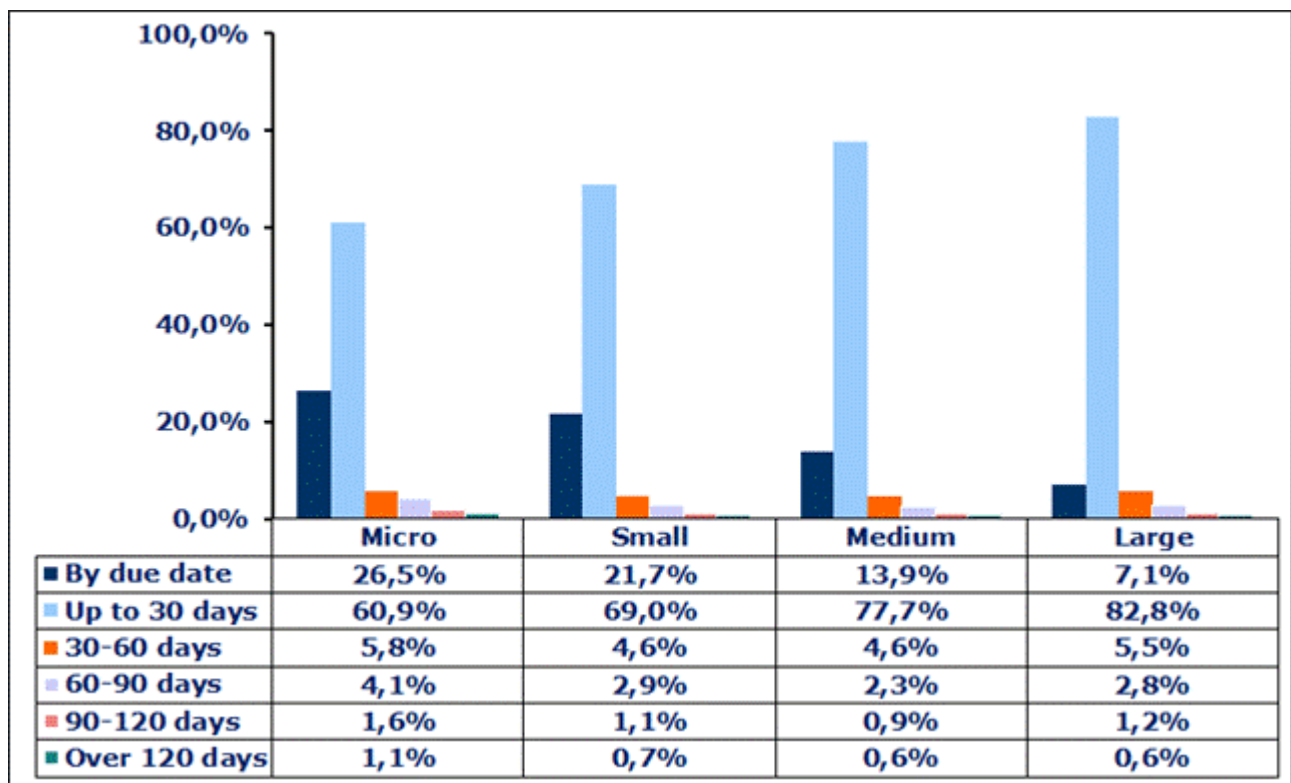
**VARIATIONS IN PAYMENT PRACTICES IN THE UK, 2007-2014**

|                     | <b>Variation<br/>2007/2014</b> | <b>Variation<br/>2013/2014</b> |
|---------------------|--------------------------------|--------------------------------|
| <b>By due date</b>  | -8,5%                          | -4,6%                          |
| <b>Up 90 days</b>   | 11,3%                          | 4,5%                           |
| <b>Over 90 days</b> | -2,8%                          | 0,1%                           |

**PAYMENT PRACTICES IN THE UK BY PAYMENT CLASS, 2007-2014**



**PAYMENT PRACTICES IN THE UK BY TYPE OF COMPANY, 2014**



**PAYMENT PRACTICES IN THE UK BY PRODUCT SECTOR, 2014**

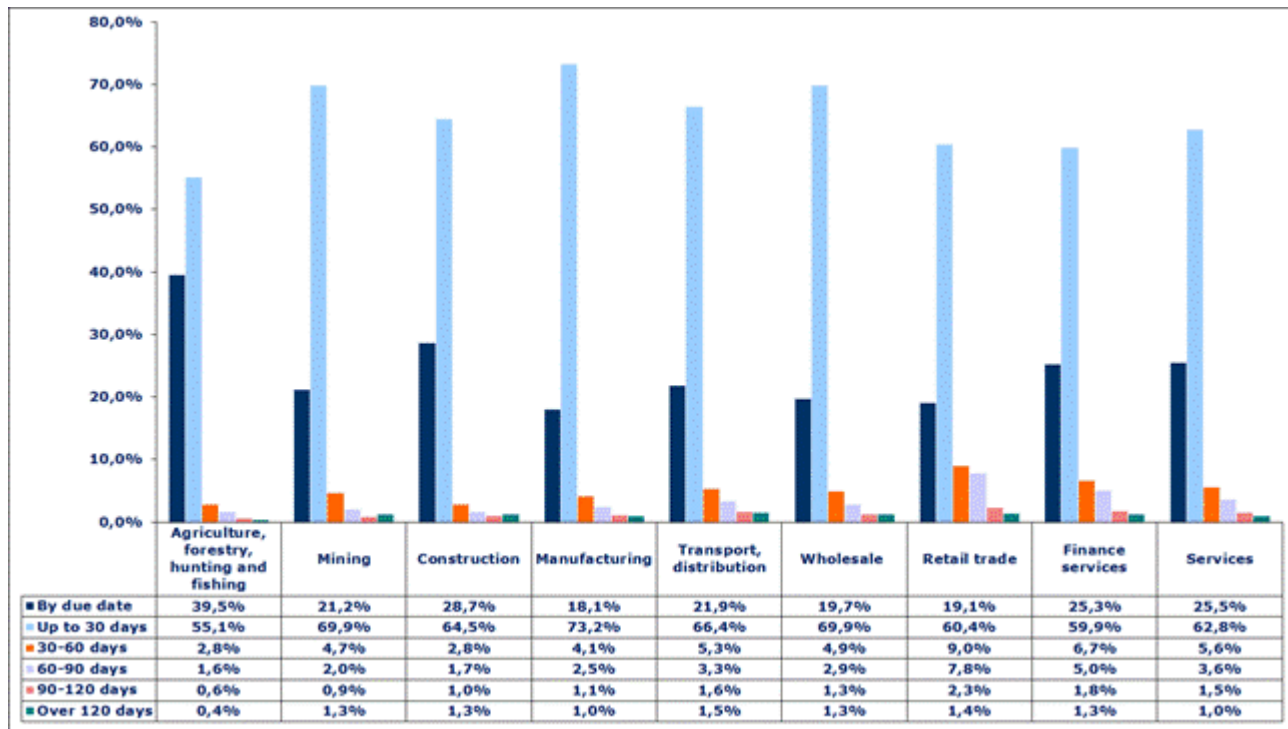


TABLE 16.7 SOURCE: DUN & BRADSTREET LTD

**SECTORS WITH THE BEST PAYMENT RECORDS IN THE UK, 2014**

| Sector                                | Ranking 2014 |
|---------------------------------------|--------------|
| AGRICULTURAL PRODUCTION - CROPS       | 1            |
| AGRICULTURAL PRODUCTION - LIVESTOCK   | 2            |
| AGRICULTURAL SERVICES                 | 3            |
| INSURANCE AGENTS, BROKERS AND SERVICE | 4            |
| FORESTRY                              | 5            |
| NON-DEPOSITORY INSTITUTIONS           | 6            |
| FISHING, HUNTING AND TRAPPING         | 7            |
| INSURANCE CARRIERS                    | 8            |
| SPECIAL TRADE CONTRACTORS             | 9            |
| MEMBERSHIP ORGANIZATIONS              | 10           |



TABLE 16.8 SOURCE: DUN & BRADSTREET LTD

**SECTORS WITH THE WORST PAYMENT RECORDS IN THE UK, 2014**

| <b>Sector</b>                               | <b>Ranking 2014</b> |
|---|---------------------|
| <b>APPAREL AND ACCESSORY STORES</b>         | <b>73</b>           |
| <b>EATING AND DRINKING PLACES</b>           | <b>72</b>           |
| <b>FOOD STORES</b>                          | <b>71</b>           |
| <b>FURNITURE AND HOMEFURNISHINGS STORES</b> | <b>70</b>           |
| <b>COMMUNICATIONS</b>                       | <b>69</b>           |
| <b>JUSTICE, PUBLIC ORDER AND SAFETY</b>     | <b>68</b>           |
| <b>PERSONAL SERVICES</b>                    | <b>67</b>           |
| <b>RAILROAD TRANSPORTATION</b>              | <b>66</b>           |
| <b>POSTAL SERVICE</b>                       | <b>65</b>           |
| <b>DEPOSITORY INSTITUTIONS</b>              | <b>64</b>           |

## 17. SPAIN

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

*"As we already pointed out from this communication last year, from the second half of 2013 on Spain has registered GDP increases in six consecutive quarters and, besides, in five of them there was also a non-seasonal net employment growth.*

*Even if this reactivation's initial trigger was the external demand growth and the subsequent current account surplus, from the end of 2013 the increase in the internal demand has taken over driven by family consumption and private investment, especially durable and capital goods.*

*This private investment and domestic consumption growth has taken advantage from the gradual bank financing return and the increase in business confidence derived from better economic expectations, that have meant altogether a surplus reduction of the balance of payments. Fortunately, from the second half of 2014 the reduction in oil prices has slowed this trend.*

*But this trend change, only underlines that the change in the growth model of the Spanish economy has not been the expected deep structural change that eliminates completely the traditional Spanish balance trade deficit.*

### *Unemployment gradual reduction*

*The Spanish labor market has always been extraordinarily sensitive to business cycles, with heavy job losses in the downturns and strong growth at the beginning of the upturns.*

*In contrast to what is traditionally estimated for the Spanish economy there is no need for the GDP to grow above 2% to begin creating jobs; surprisingly, according to official data, in the fourth quarter of 2014, employment grew more than GDP.*

*A factor that explains this quick employment response is the labor reform that increases hiring, dismissal and labor conditions flexibility within the companies and that has stimulated job creation. The negative side is that now, the most part encompasses in part-time, temporary, low-wage employment.*

*Furthermore, this new growth phase is not provoking inflationary pressures, as revealed by the fact that the consumer price index shows negative growth rates. However, that does not mean that Spain is suffering a deflation episode, we are witnessing the favorable effect of raw materials costs reduction - specially oil- and thus the real exchange relation improves and, hence, also the purchasing power of the Spanish population.*

*Finally, it is to be stressed the deleveraging process experienced by the private sector that has meant a 12 points reduction of Spanish households' debt up to 72% GDP in the last five years. Meanwhile, private non-financial companies, have been reduced by twenty-four points up to 109% GDP.*

*After two years characterized by significant decreases of the Payment Periods, 2014 ends a little increase of 0,75 days. The downward trend in the payment delays begun at the end of 2012 they decreased in 2.25 days in 2012 and in 1,.51 days in 2013. This trend changed in 2014, payment periods increased in 0.88 days.*

*The decrease of the payment periods in the last two years is due to the legislative and administrative efforts carried out, and to the reduction of the business network due to the crisis (specially the extinction of companies with lack of liquidity).*

*About average payment delays that are calculated in 17.18 days, they decrease 0.44 days with respect to the third quarter and reduce 0.61 with respect to the same quarter of the previous year.*

*Administration's payment delays reached 26,22 average payment delays in the last quarter 2014, -6,30 days in computation to 2013, and the Private sector companies had an average delay of 17.11days (-0,55 days with respect to 2013.)*

*The Spanish companies' Average Delay analysis shows that 44.79% of the companies pay promptly: it is the best amount registered in one year.*

*According to the characteristics of the companies we can observe that:*

*The companies located in the southern part of Spain normally present average payment periods worse than those located in the North of the country. However, this year Castile and León joins the group of the southern companies.*

*No sector pays with more than 30 delay days since the first quarter of 2014. The sectors with the longer delays are: Administration, Hotels, and Construction and Activity.*

*Finally, Micro and Medium companies still have very little room for manoeuvre, and as a result, they have better delays than larger companies."*

## **Payment analysis**

In 2014 in Spain we can observe an improvement in the distribution of companies when analyzed by payment class.

The share of companies paying on time accounts for 46,5%, registering a 1 percentage point increase compared with 2013 and 8,9 percentage points above the European average.

The positive performance is also seen in the late payment class of over 90 days with a concentration of 3,6% of the total.

The large part of Spanish companies fell within the "Up to 30 days" payment class: in fact, 45,6% paid commercial transactions between 1 and 30 days late.

The comparison with 2007 shows a worsening in payment performance, with a 2,9 percentage point reduction in the share of punctual payers and a corresponding increase in the "Up to 90 days" class (+3,3%) and a slight decrease in the "Over 90 days" class (-0,4%).

Micro and Small companies have high percentages of punctual payments (53,9% for the former and 45,8% for the latter), but also modest values in the other payment classes.

4,5% of Micro companies pay on average more than 90 days late, while for Small companies this percentage is 2,8%.

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 2%).

Specifically, 67,6% of Medium companies and 79,5% of Large companies fall within the "Up to 30 days" payment class.

Payment habits for Spanish sectors in 2014 have not changed much compared with 2013.

The best payment performances are seen in the Agriculture, forestry, hunting and fishing and Retail trade sectors, with 57,9% and 56,5% of punctual payers, meanwhile the worst result was seen for Transport, distribution (only 37,8%).

In almost all Spanish sectors there was a tendency for payments to be late by between 1 and 30 days, with values varying between 35,9% for Retail trade and 53,7% for Transport, distribution. Furthermore, once again this year the worst performances in terms of the more serious late payments are seen in the Construction and Mining sectors.

In the former case, a percentage of 5,1% of companies tend to pay their commercial transactions on average more than 90 days late, meanwhile in the second one the share is 5,8% of the total.

Amongst the micro-sectors with the best payment performances, the top positions are held by Agricultural production – Livestock with 68,2% of good payers and Miscellaneous retail with 64,2% of companies respecting agreed terms.

In the classification of sectors that pay seriously late, in first place are Eating and drinking places with 8,3% of companies paying their obligations more than 90 days late on average. These are followed by the Heavy construction, except building sector (7,4% in this class).

TABLE 17.1 SOURCE: INFORMA D&B

#### PERCENTAGE OF COMPANIES IN SPAIN WITH ON TIME PAYMENTS, 2007-2014

|        | 2007  | 2013  | 2014  |
|--------|-------|-------|-------|
| Spain  | 49,4% | 45,5% | 46,5% |
| Europe | 40,4% | 38,0% | 37,6% |

TABLE 17.2 SOURCE: INFORMA D&B

#### PERCENTAGE OF COMPANIES IN SPAIN WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2014

|        | 2007 | 2013 | 2014 |
|--------|------|------|------|
| Spain  | 4,0% | 3,7% | 3,6% |
| Europe | 2,9% | 3,9% | 3,8% |

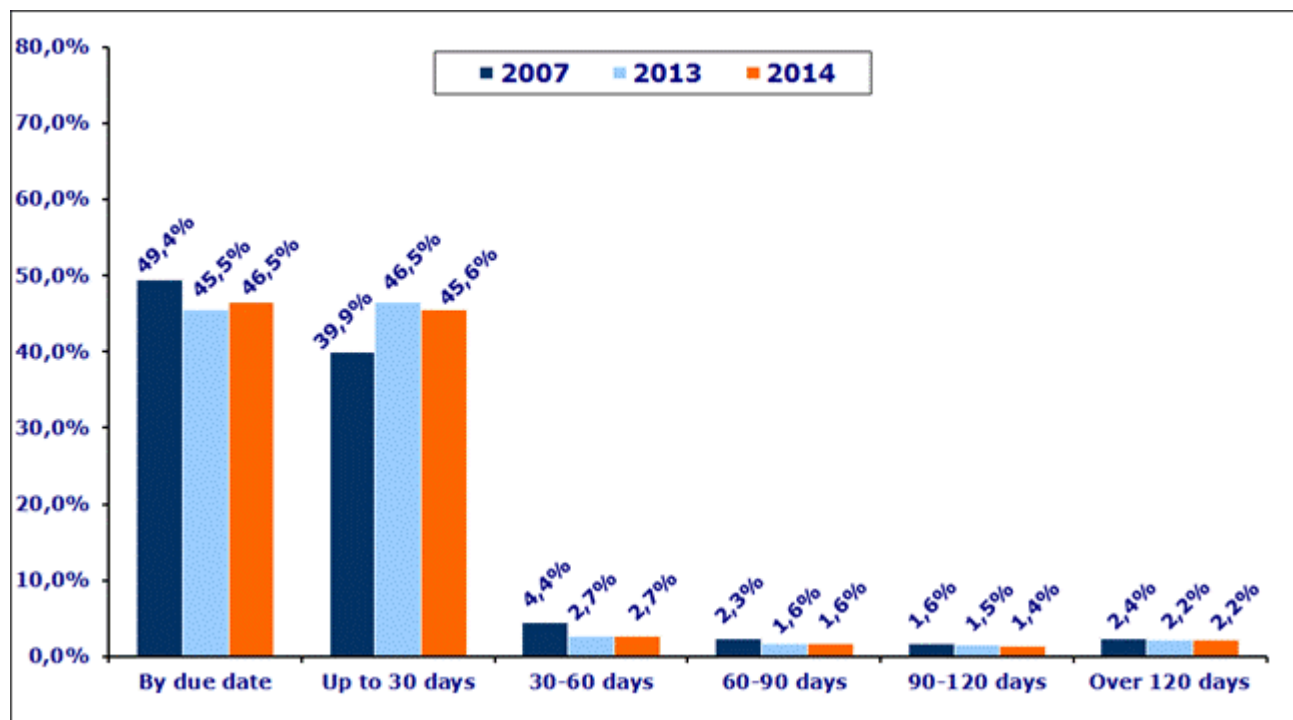
TABLE 17.3 SOURCE: INFORMA D&B

**VARIATIONS IN PAYMENT PRACTICES IN SPAIN, 2007-2014**

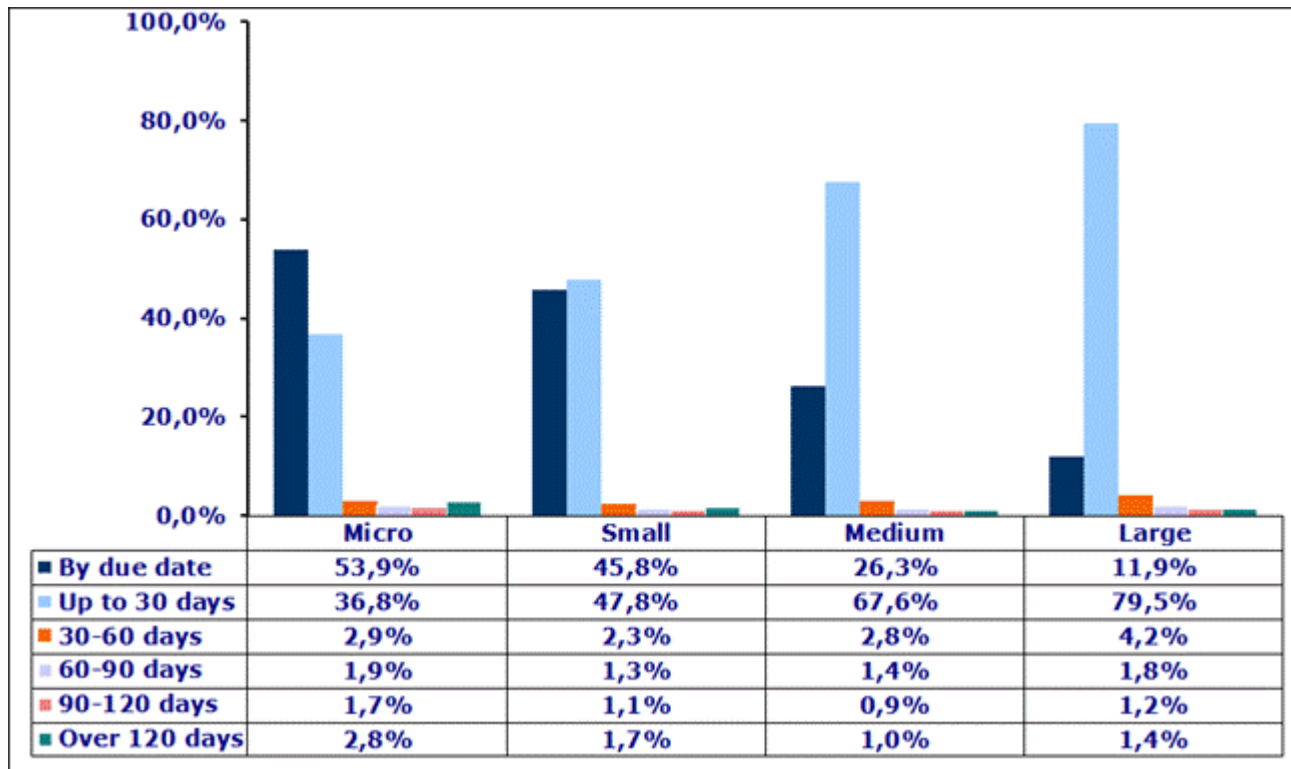
|               | Variation<br>2007/2014 | Variation<br>2013/2014 |
|---------------|------------------------|------------------------|
| By due date   | -2,9%                  | 1,0%                   |
| Up to 90 days | 3,3%                   | -0,9%                  |
| Over 90 days  | -0,4%                  | -0,1%                  |

GRAPH 17.4 SOURCE: INFORMA D&B

**PAYMENT PRACTICES IN SPAIN BY PAYMENT CLASS, 2007-2014**



### PAYMENT PRACTICES IN SPAIN BY TYPE OF COMPANY, 2014



### PAYMENT PRACTICES IN SPAIN BY PRODUCT SECTOR, 2014

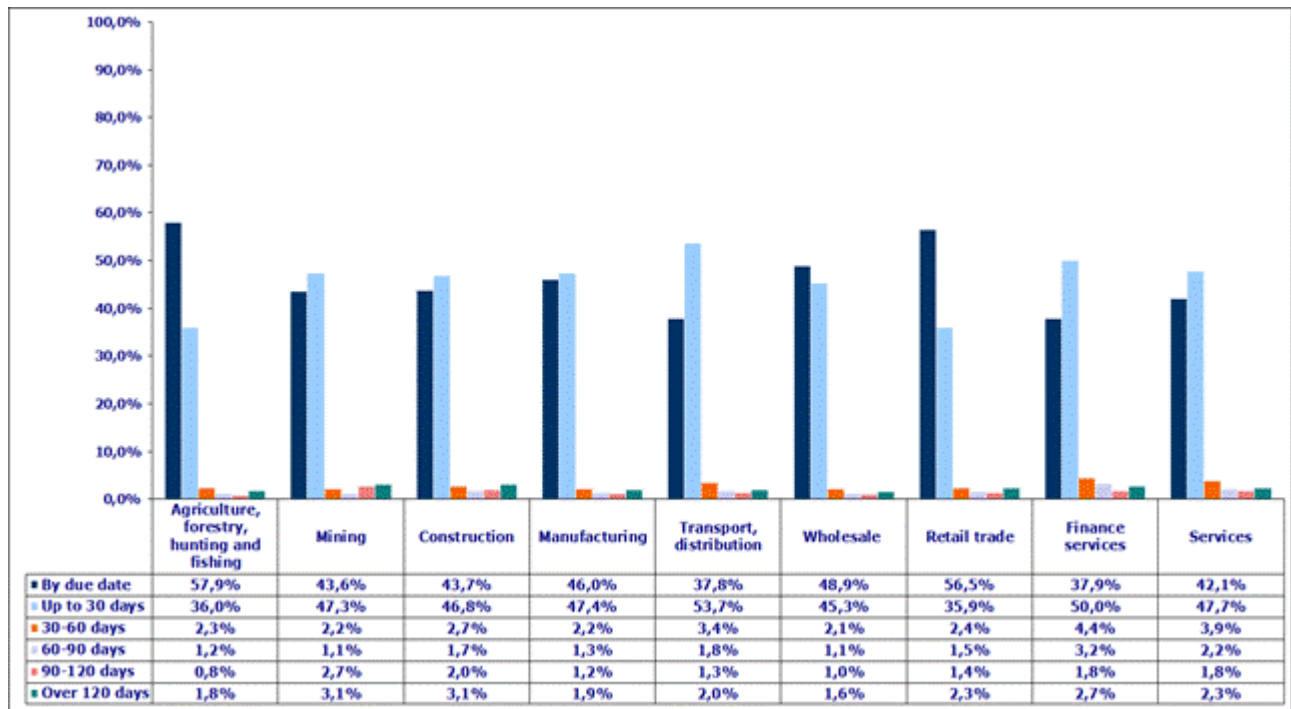


TABLE 17.7 SOURCE: INFORMA D&B

**SECTORS WITH THE BEST PAYMENT RECORDS IN SPAIN, 2014**

| <b>Sector</b>                                  | <b>Ranking 2014</b> |
|--|---------------------|
| <b>AGRICULTURAL PRODUCTION - LIVESTOCK</b>     | <b>1</b>            |
| <b>MISCELLANEOUS RETAIL</b>                    | <b>2</b>            |
| <b>LEATHER AND LEATHER PRODUCTS</b>            | <b>3</b>            |
| <b>AGRICULTURAL PRODUCTION -CROPS</b>          | <b>4</b>            |
| <b>MISCELLANEOUS REPAIR SERVICES</b>           | <b>5</b>            |
| <b>FORESTRY</b>                                | <b>6</b>            |
| <b>AUTOMOTIVE DEALERS AND SERVICE STATIONS</b> | <b>7</b>            |
| <b>FURNITURE AND HOMEFURNISHINGS STORES</b>    | <b>8</b>            |
| <b>LUMBER AND WOOD PRODUCTS</b>                | <b>9</b>            |
| <b>FISHING, HUNTING AND TRAPPING</b>           | <b>10</b>           |

TABLE 17.8 SOURCE: INFORMA D&B

**SECTORS WITH THE WORST PAYMENT RECORDS IN SPAIN, 2014**

| <b>Sector</b>                              | <b>Ranking 2014</b> |
|--|---------------------|
| <b>EATING AND DRINKING PLACES</b>          | <b>63</b>           |
| <b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b> | <b>62</b>           |
| <b>HEALTH SERVICES</b>                     | <b>61</b>           |
| <b>PERSONAL SERVICES</b>                   | <b>60</b>           |
| <b>NONMETALLIC MINERALS, EXCEPT FUELS</b>  | <b>59</b>           |
| <b>REAL ESTATE</b>                         | <b>58</b>           |
| <b>AMUSEMENT AND RECREATION SERVICES</b>   | <b>57</b>           |
| <b>AUTO REPAIR, SERVICES AND PARKING</b>   | <b>56</b>           |
| <b>GENERAL BUILDING CONTRACTORS</b>        | <b>55</b>           |
| <b>SPECIAL TRADE CONTRACTORS</b>           | <b>54</b>           |



## 18. PORTUGAL

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

*"The 2014 was characterized by the end of the Economic and Financial Assistance Program (EFAP), which had been in effect since 2011. Throughout this period, there was progress with some signs of a recovery in economic growth.*

*As a means of ensuring protection against delays in payment and to better the competitive positioning of European firms, and especially small and medium enterprises(SMEs), the 2011/7/EU Directive was handed down on 16th February 2011 and regulating these payment times. Member states had through to 16th March 2013 to adopt the regulations.*

*Economic recession generated countless difficulties, especially for SMEs. The challenges resulting from delays in payment grew over this period and compounded by lower levels of accessible credit and banking system loans. The negative impact of delays in payment is thus worsened in periods of economic recession leading to financial imbalances in other sectors of the economy.*

*The delays experienced in the settling of invoices impacts essentially on SMEs where any disturbance to their financial liquidity positions may constitute the difference between solvency and insolvency with many such cases resulting in actual closures and bankruptcies.*

*The first half of the EFAP (2011-2012) saw the private sector record a rise in the number of companies either closing (by 9.5% in 2011/2010 and by 17.2% in 2012/2011) or filing for insolvency (14.6% in 2011/2010 and 31.6% in 2012/2011), representing the highest levels seen since 2007. In 2012, the number of self-submitted insolvencies even exceeded those requested by third parties. Furthermore, the number of companies getting launched, which rose 12.8% in 2011, declined by an abrupt 11.2% in 2012. As regards actual company performances, there was a 5.6% fall in business turnover in 2012; the number of employees shrank by 4.1% against a 2.4% rise in exports.*

*In the last two years of the EFAP assistance program in Portugal, the private sector began showing some signs as regards the recovery of business activity (company launch, closure and insolvency rates) with company performance indicators returning to positive readings.*

*In 2013, there first began the turnaround in the dynamics ongoing in the Portuguese private sector: closures have been falling since 2012. This period, and for the first time since 2007, saw a decline in the number of insolvencies. From 2013 to 2014, the rate of closures fell by 13.2% with insolvencies down 20.6%, confirming the positive trend that first emerged in 2013.*

*As regards company performance, business turnover began recovering with the 5.6% slump lessening to a fall of only 0.1%; the number of employees continues to fall but at a slower pace and with exports continuing to pick up and now at a faster pace."*

## Payment analysis

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

The percentage of Portuguese companies that pay on time in 2014 was 17,4% of the total, 20,2 percentage points below the European average.

Over half of Portuguese companies (almost 59%) fall within the "Up to 30 days" payment class (+13,6 percentage points on 2007).

The remaining 24% in the sample are in the intermediate and serious late payment classes: 11,3% tend to pay between 30 and 90 days late on average, while 12,4% exceed 90 days late on average, with 8,6 percentage point difference from the European average (3,8%).

There is a high concentration in the "Over 120 days" late payment class (8,2 percentage points).

Portugal shows increasing difficulty in managing business payments and variations in the distribution by payment class over the last seven years have been particularly significant; the gap of "good payers" with 2007 has reached 4,3 percentage points, while there are 3% more companies in the serious late payment class (over 90 days).

Micro and Small companies have the highest concentration of punctual payers, with more than 17% of the total.

Large companies, on the other hand, have the highest concentration in the moderate late payment class of up to 30 days on average (76,6%), while only 5% pay by due date.

In terms of serious late payments, the worst performance is once again seen for the Micro companies: 12,3% exceed an average of 90 days beyond agreed payment terms.

Analyzing 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: Manufacturing (64,2%) and the Wholesale (62,7%) sectors have the highest concentrations in this class.

The sector with the best performance in terms of payment punctuality is Agriculture, forestry, hunting and fishing with 27,1% of companies in this class.

On the other hand, the highest share of "bad payers" ("Over 120 days" class) is seen in the Construction sector, with 15,1% of the total, followed by Retail trade and Mining with 10,4 percentage points.

Also for 2014 the best micro-sectors with the most punctual payments is the Legal services sector, where in 40,7% of cases, companies pay their trading partners within agreed terms.

This is followed by Insurance agents, brokers and service with 34,7% of punctual payers.

The worst sector is Personal services, with 35,4% of companies paying seriously late (over 90 days on average), a decrease of 2,9 percentage points compared with 2013. This sector is followed by Eating and drinking places (31,5%) and General building contractors (27,5%).

TABLE 18.1 SOURCE: INFORMA DB PORTUGAL

**PERCENTAGE OF COMPANIES IN PORTUGAL WITH ON TIME PAYMENTS, 2007-2014**

|                 | <b>2007</b>  | <b>2013</b>  | <b>2014</b>  |
|-----------------|--------------|--------------|--------------|
| <b>Portugal</b> | <b>21,7%</b> | <b>16,5%</b> | <b>17,4%</b> |
| <b>Europe</b>   | <b>41,0%</b> | <b>38,0%</b> | <b>37,6%</b> |

TABLE 18.2 SOURCE: INFORMA D&B PORTUGAL

**PERCENTAGE OF COMPANIES IN PORTUGAL WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2014**

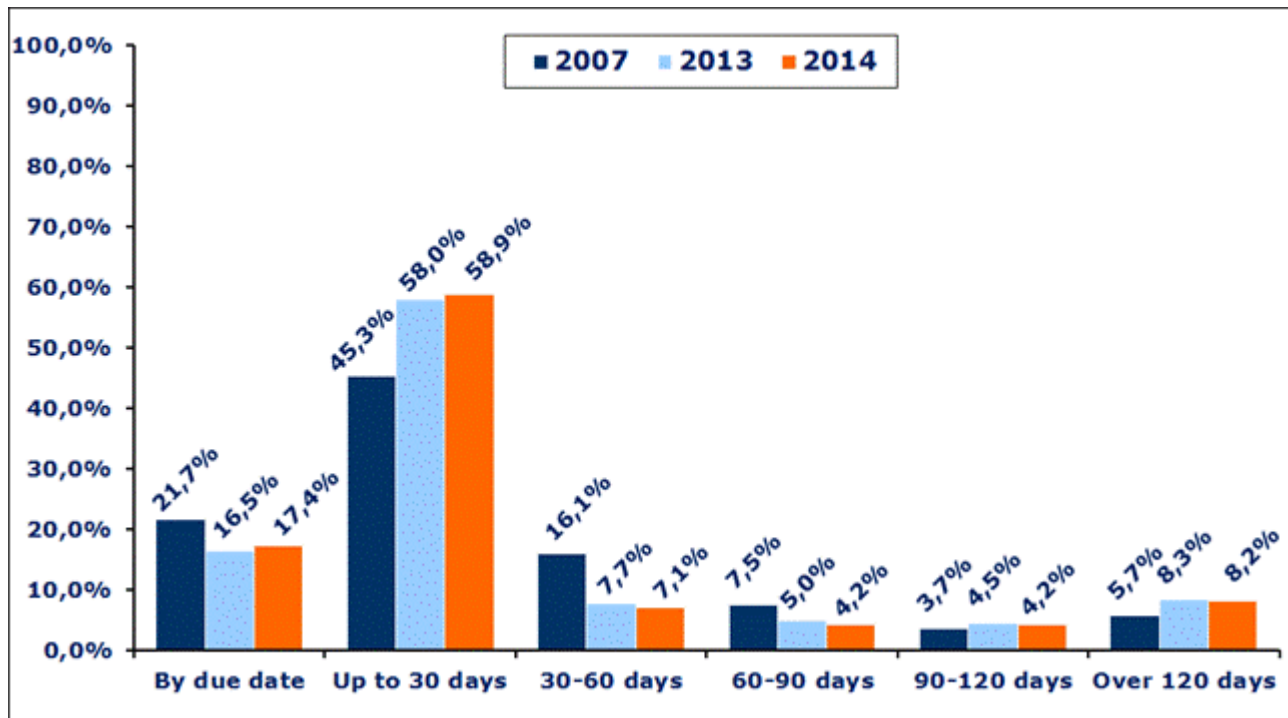
|                 | <b>2007</b>  | <b>2013</b>  | <b>2014</b>  |
|-----------------|--------------|--------------|--------------|
| <b>Portugal</b> | <b>9,4%</b>  | <b>12,8%</b> | <b>12,4%</b> |
| <b>Europe</b>   | <b>4,10%</b> | <b>3,90%</b> | <b>3,8%</b>  |

TABLE 18.3 SOURCE: INFORMA D&B PORTUGAL

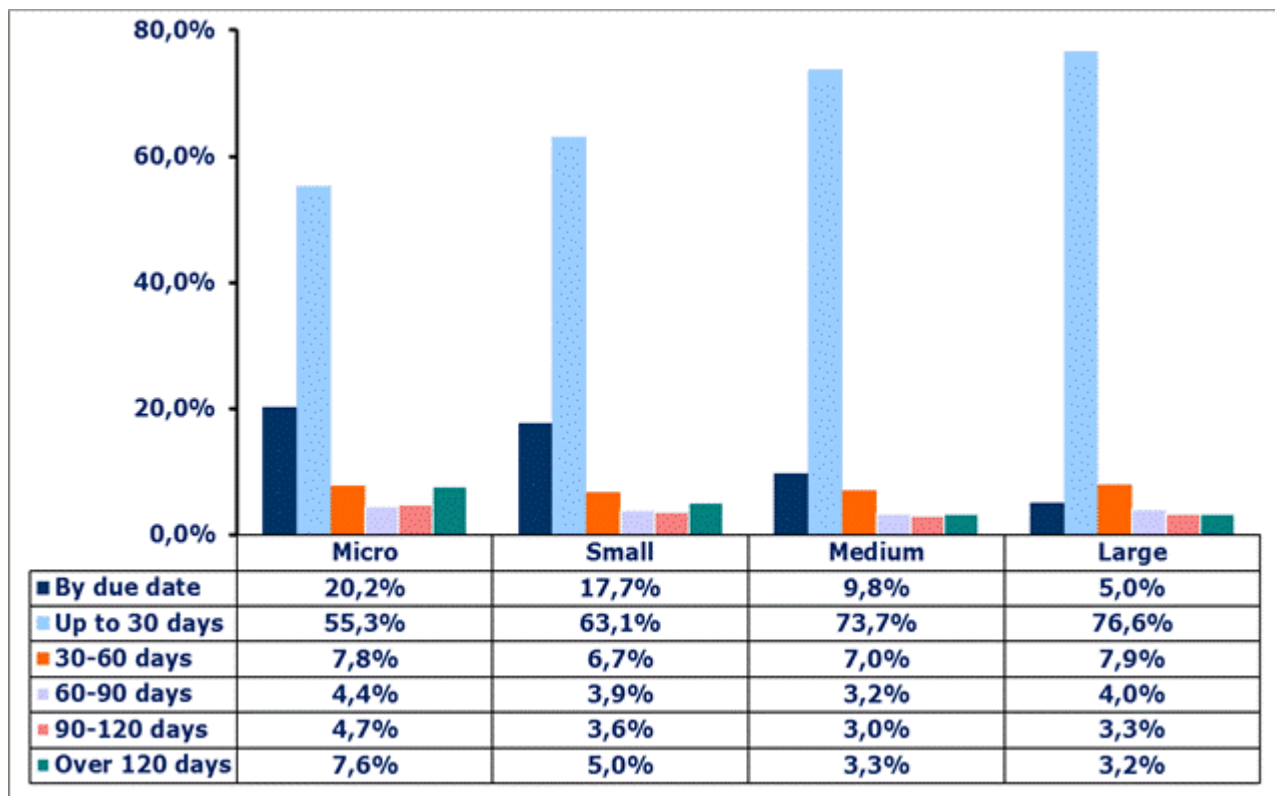
**VARIATIONS IN PAYMENT PRACTICES IN PORTUGAL, 2007-2014**

|                      | <b>Variation<br/>2007/2014</b> | <b>Variation<br/>2013/2014</b> |
|----------------------|--------------------------------|--------------------------------|
| <b>By due date</b>   | <b>-4,3%</b>                   | <b>0,9%</b>                    |
| <b>Up to 90 days</b> | <b>1,3%</b>                    | <b>-0,5%</b>                   |
| <b>Over 90 days</b>  | <b>3,0%</b>                    | <b>-0,4%</b>                   |

**PAYMENT PRACTICES IN PORTUGAL BY PAYMENT CLASS, 2007-2014**



**PAYMENT PRACTICES IN PORTUGAL BY TYPE OF COMPANY, 2014**



GRAPH 18.6 SOURCE: INFORMA D&B PORTUGAL

### PAYMENT PRACTICES IN PORTUGAL BY PRODUCT SECTOR, 2014

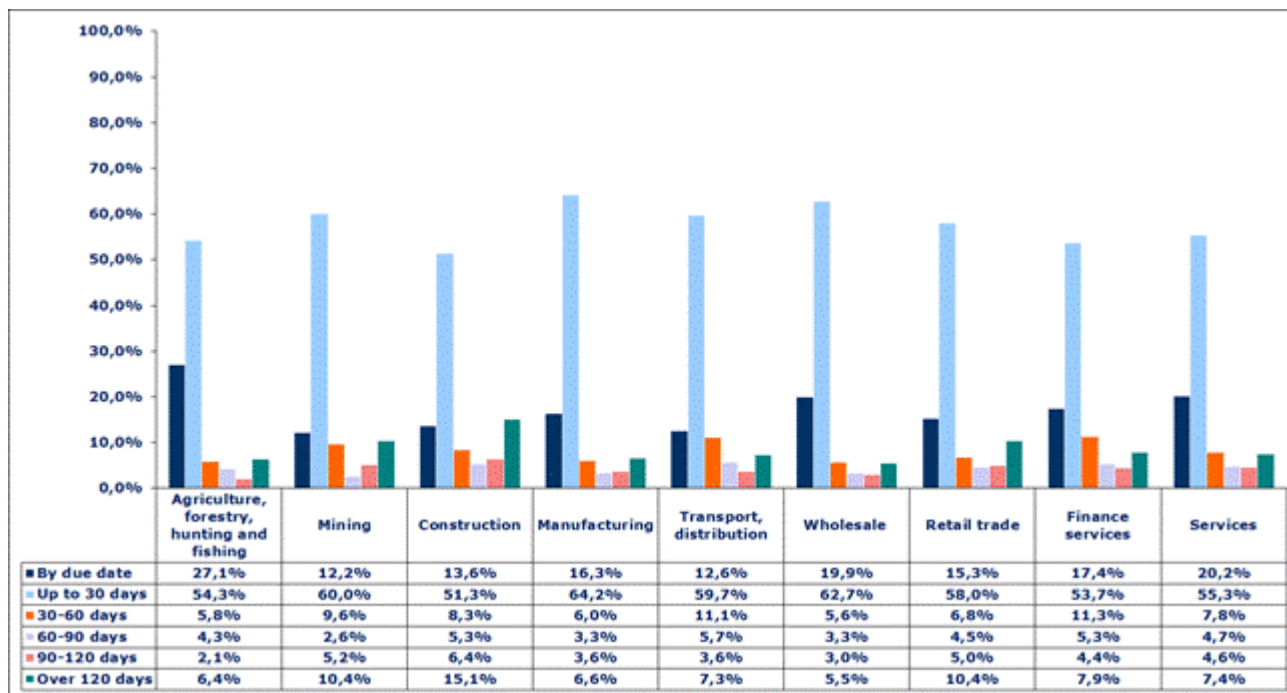


TABLE 18.7 SOURCE: INFORMA D&B PORTUGAL

### SECTORS WITH THE BEST PAYMENT RECORDS IN PORTUGAL, 2014

| Sector                                | Ranking 2014 |
|---------------------------------------|--------------|
| LEGAL SERVICES                        | 1            |
| INSURANCE AGENTS, BROKERS AND SERVICE | 2            |
| AGRICULTURAL SERVICES                 | 3            |
| EDUCATIONAL SERVICES                  | 4            |
| NON-DEPOSITORY INSTITUTIONS           | 5            |
| SERVICES                              | 6            |
| MEMBERSHIP ORGANIZATIONS              | 7            |
| PRINTING AND PUBLISHING               | 8            |
| FURNITURE AND HOMEFURNISHINGS STORES  | 9            |
| MISCELLANEOUS REPAIR SERVICES         | 10           |

TABLE 18.8 SOURCE: INFORMA D&B PORTUGAL

**SECTORS WITH THE WORST PAYMENT RECORDS IN PORTUGAL, 2014**

| <b>Sector</b>                              | <b>Ranking 2014</b> |
|--|---------------------|
| <b>PERSONAL SERVICES</b>                   | <b>54</b>           |
| <b>EATING AND DRINKING PLACES</b>          | <b>53</b>           |
| <b>GENERAL BUILDING CONTRACTORS</b>        | <b>52</b>           |
| <b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b> | <b>51</b>           |
| <b>SPECIAL TRADE CONTRACTORS</b>           | <b>50</b>           |
| <b>REAL ESTATE</b>                         | <b>49</b>           |
| <b>NONMETALLIC MINERALS, EXCEPT FUELS</b>  | <b>48</b>           |
| <b>FOOD STORES</b>                         | <b>47</b>           |
| <b>TRUCKING AND WAREHOUSING</b>            | <b>46</b>           |
| <b>FOOD AND KINDRED PRODUCTS</b>           | <b>45</b>           |

## 19. SLOVENIA

Below is the opinion of **Goran Dolenc, Head of analytics** at **Bonitetna hiša I**, on the economic scenario and payment situation in Slovenia.

*"The average Slovenian economic growth in first three quarters of 2014 was 2,7%, based on data published by IMAD (Institute of Macroeconomic Analysis and Development, Republic of Slovenia). Noted economic growth is significantly higher from the EU average (0,8%) in the same time period. The main GDP growth sources were export and investments. Export was higher due to improved export competitiveness while investments were higher due to accelerated utilization of European funds at the end of the current financial perspective. Positive signals from the economy have also influenced the labor market. Consequentially the registered unemployment rate in Slovenia in 2014 dropped for 3,7% and reduced the number of unemployed individuals to 119.458. Among major problems remains the reduction of Banks' lending activity. The volume of loans to enterprises, NFI (non-monetary financial institutions) and to households continues to decrease although the decline is significantly lower than in the previous year.*

*Among the events that mostly marked economic area of Slovenia in 2014 are:*

- Sale or start of selling process of some important Slovenian companies (Mercator, Radenska, Elan)*
- Repeal of estate law by the Constitutional Court*
- Paralysis of the gas pipeline construction project South Stream*
- Start of operations performed by The Bank Assets Management Company (BAMC)*
- Unification of Tax (TARS) and Customs administration (CARS) in Financial Administration of Republics of Slovenia (FARS)*
- Transformation of Slovenian Restitution Fund (SOD) in the Slovenian Sovereign Holding (SDH), which became the largest operator and vendor of state investments.*

*Those events have and will continue having an influence on Slovenian economy in upcoming years.*

*In 2015, Slovenia is expected to continue its economic growth that will depend on how successfully structural reforms are carried out, especially economy tax relief, rationalization of operations, reduction of employees in public sector and administrative barriers reduction. While private consumption is predicted to increase, the more worrying is the projected decline in government spending by about 1 percent. The continuation of the economic recovery will also be affected by the outcome of the Russian crisis, since it is an important export market for Slovenia (approx. 5% of the total export). Stimulation for economic growth could also be lower oil prices. In an effort to tackle the gray economy, Slovenia is announcing the introduction of real-time VAT solution in 2015. The amendment of the Companies Act (an amendment that serves to prevent business owners to leave unpaid obligations to the old business and transfer vital business operations to new business) also seems to become alive. Pressing issue in 2015 will also be continued sale of mainly state-owned companies by SDH, since the professional public disagrees with privatization and according to the public survey, public opposes the sale.*



*Based on data regarding more than 12 million payments in the past six years, we can see that the payment terms (for companies) in Slovenia began to improve since the financial crisis. The average payment period has decreased since 2009, when it was 44 days to 24 days in 2013 and to 23 days in 2014. In 2009, 74% of all invoices were paid with a delay, in 2013 40% and in 2014 only 35% (we allow the possibility that our sources are not fully representative, so that the actual numbers may differ from those indicated, but the trend is clearly recognizable). The average payment delay is also reducing. In 2009 it was 59 days, in 2013 21 days and in 2014 only 16 days. Despite the legal maximum payment period (60 days for payments between companies and 30 days for payments between companies and the state), we were witnessing a shortening of payment deadlines, a smaller proportion of unpaid bills within the time limits and also reduction of payment delays in recent years.*

*Poor payment discipline is one of the most pressing problems in the Slovenian business practice. In times of financial and economic crisis, these kinds of problems increase. Although the poor payment discipline negatively influences all business entities, the most affected of all are smaller companies as the last beneficiary of the payment in the chain. Their range of financial assets and the position they are in does not allow short-term liquidity adjustments, which is often the reason why they end up in insolvency proceedings. The main reasons for poor payment discipline worth mentioning are:*

- Lack of savings that companies may or should accumulate in good economic times.*
- Credit crunch in banking sector has still not been removed. Fulfilment of the conditions for small businesses in order to get a loan is almost impossible.*
- Unethical and immoral extortion from stronger businesses towards the small businesses in order to extend payment terms.*
- The court trials of reducing poor payment discipline often take too long and are too expensive for small businesses.*

*Since the beginning of recent financial crisis, Slovenian companies took various actions in order to reduce the risks arising from poor financial discipline.*

*Among the most important actions are:*

- Prepayment (advance payment) is more and more common payment condition, especially in the case of doing business with new customers*
- Sale of accounts receivables (factoring) to specific financial institution at a discount*
- Use of banking instruments such as bank guarantees and documentary letters of credit*
- Collateral for credit insurer*
- Awareness increase regarding the usefulness and practicality of credit reports. Regular and frequent monitoring of existing and potential business partners is in an uptrend."*

## **Payment analysis**

The payment situation for Slovenia shows a somewhat uniform trend.

In 2014, the percentage of companies paying their trading partners on time is 41,4% of the total (+1,7% compared to 2013), 3,6 percentage points more than the European average.

Companies in the intermediate late payment class of between 30 and 90 days represent 6,3% of the total.

On the other hand, the percentage of companies that pay more than 90 days late on average in Slovenia is 2,6% (+0,3% vs. 2013) with a gap of -1,2 percentage points from the European average.

Micro companies have a more balanced behavior: 42,1% of companies respect agreed terms and 48% 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 there is a higher concentration in the "Up to 30 days" class (values between 60,8% and 73%).

Medium companies stand out due to the significant percentages in the intermediate payment classes (7,8% of the total).

In the more serious late payment classes values are varying between 1,5% (Large) and 3,1% (Micro).

As regards the payment practices 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 Services and Retail trade sectors exceeds 43%, meanwhile the other sectors have between 33,6% and 42,6% 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 48% in most cases).

The Mining sector is more problematic in relation to other late payment classes: 16,8% of companies pay suppliers with an average delay of between 30 and 90 days, while 2,4% exceed 90 days beyond agreed terms.

In first place of the classification of the micro-sectors with the most punctual payments, we have Forestry (49,1% of payments by due date), followed by Auto repair, services and parking with 48,2% of good payers.

Among those with the greatest difficulty in managing payments we find Apparel and other textile products and Personal services both with 5,1% of payment delays of over 90 days on average.

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.

TABLE 19.1 SOURCE: BONITETNA HIŠA I

#### PERCENTAGE OF COMPANIES IN SLOVENIA WITH ON TIME PAYMENTS, 2009-2014

|          | 2009  | 2013  | 2014  |
|----------|-------|-------|-------|
| Slovenia | 33,2% | 39,7% | 41,4% |
| Europe   | 40,4% | 38,0% | 37,6% |

TABLE 19.2 SOURCE: BONITETNA HIŠA I

**PERCENTAGE OF COMPANIES IN SLOVENIA WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2009-2014**

|          | 2009 | 2013 | 2014 |
|----------|------|------|------|
| Slovenia | 3,0% | 2,3% | 2,6% |
| Europe   | 2,9% | 3,3% | 3,8% |

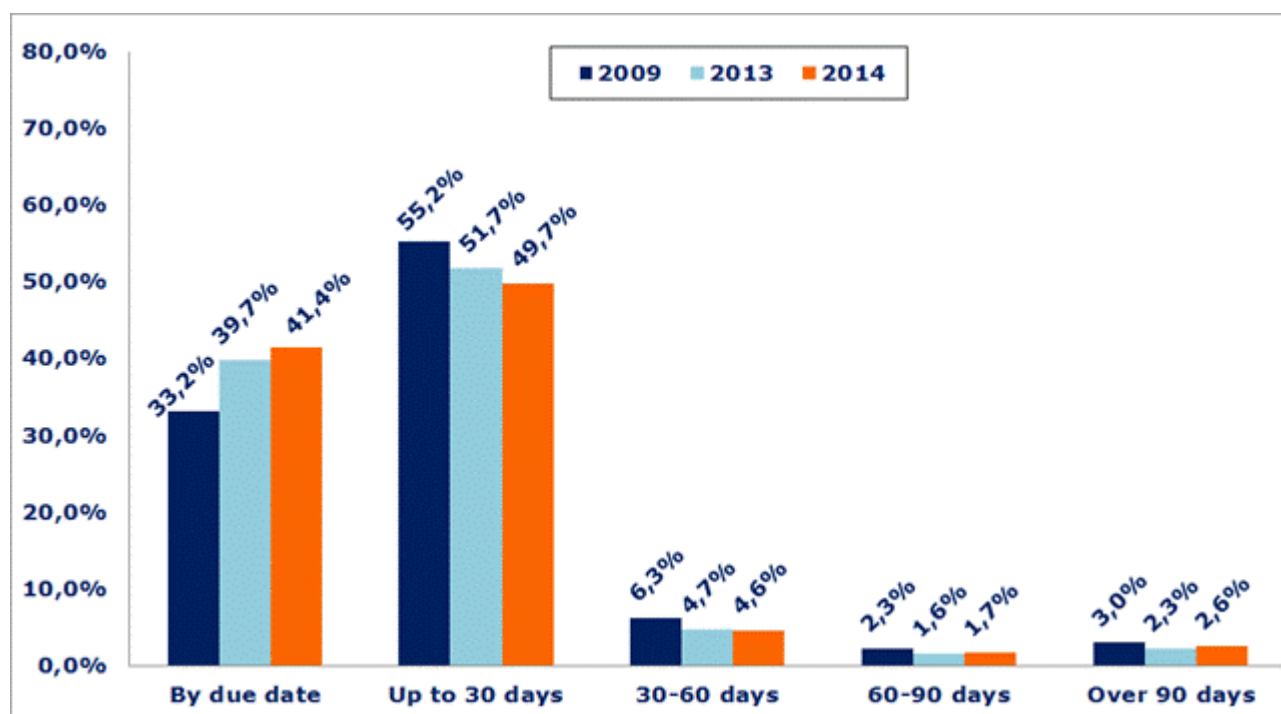
TABLE 19.3 SOURCE: BONITETNA HIŠA I

**VARIATIONS IN PAYMENT PRACTICES IN SLOVENIA, 2009-2014**

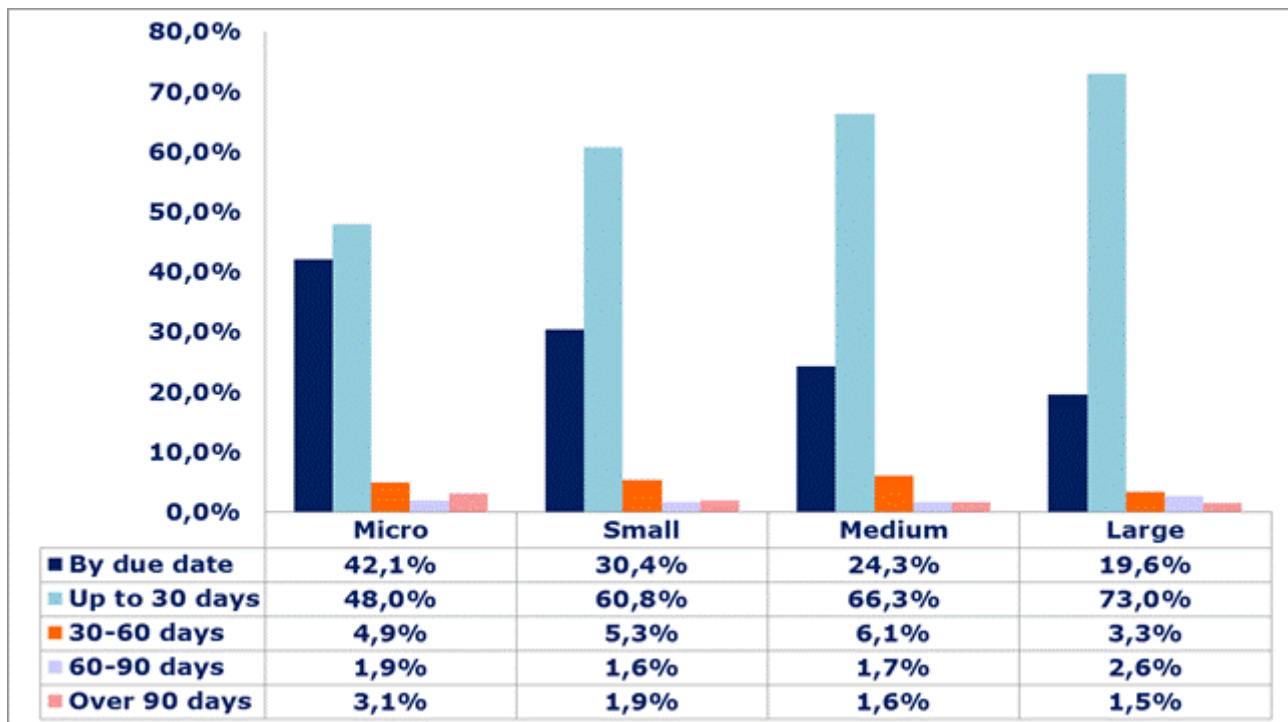
|               | Variation 2009/2014 | Variation 2013/2014 |
|---------------|---------------------|---------------------|
| By due date   | 8,2%                | 1,7%                |
| Up to 90 days | -7,8%               | -2,0%               |
| Over 90 days  | -0,4%               | 0,3%                |

GRAPH 19.4 SOURCE: BONITETNA HIŠA I

**PAYMENT PRACTICES IN SLOVENIA BY PAYMENT CLASS, 2009-2014**



### PAYMENT PRACTICES IN SLOVENIA BY TYPE OF COMPANY, 2014



### PAYMENT PRACTICES IN SLOVENIA BY PRODUCT SECTOR, 2014

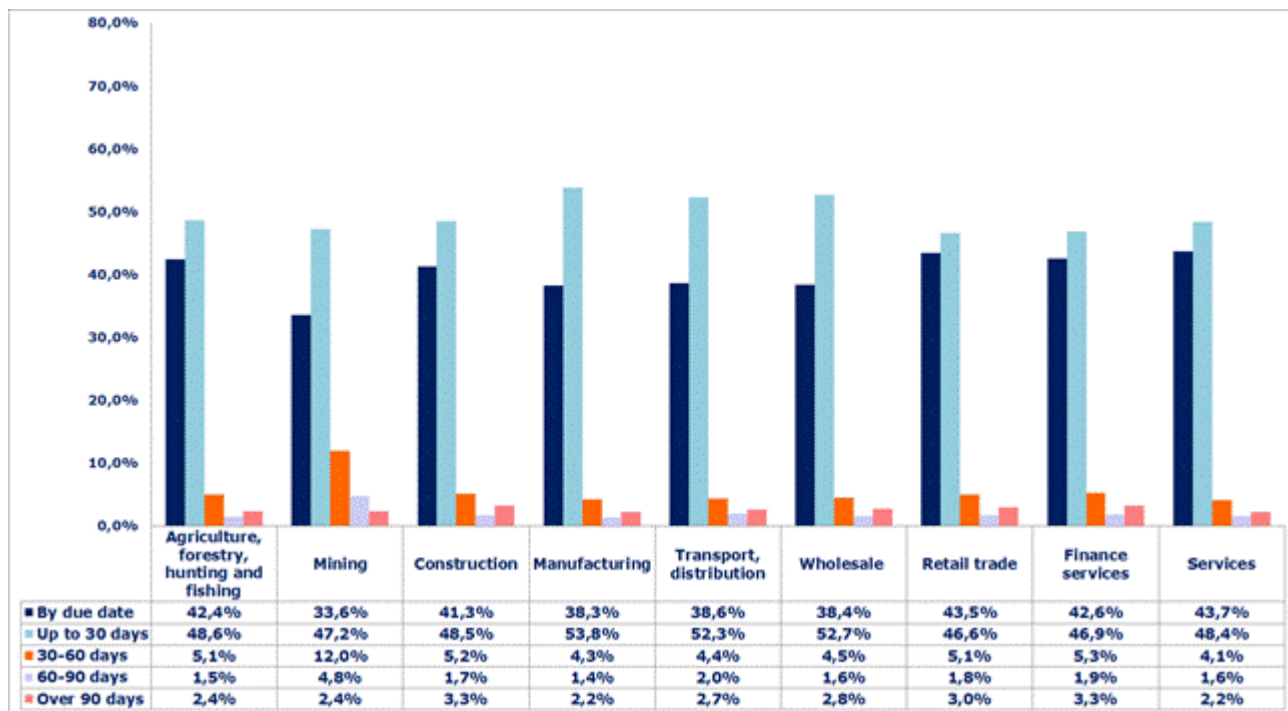


TABLE 19.7 SOURCE: BONITETNA HIŠA I

**SECTORS WITH THE BEST PAYMENT RECORDS IN SLOVENIA, 2014**

| <b>Sector</b>                                 | <b>Ranking 2014</b> |
|---|---------------------|
| <b>FORESTRY</b>                               | <b>1</b>            |
| <b>AUTOREPAIR, SERVICES AND PARKING</b>       | <b>2</b>            |
| <b>EATING AND DRINKING PLACES</b>             | <b>3</b>            |
| <b>MEMBERSHIP ORGANISATION</b>                | <b>4</b>            |
| <b>ENGINEERING AND MANAGEMENT SERVICES</b>    | <b>5</b>            |
| <b>ELECTRIC, GAS AND SANITARY SERVICES</b>    | <b>6</b>            |
| <b>AMUSEMENT AND RECREATION SERVICES</b>      | <b>7</b>            |
| <b>BUSINESS SERVICES</b>                      | <b>8</b>            |
| <b>SOCIAL SERVICES</b>                        | <b>9</b>            |
| <b>INSURANCE AGENTS, BROKERS AND SERVICES</b> | <b>10</b>           |

TABLE 19.8 SOURCE: BONITETNA HIŠA I

**SECTORS WITH THE WORST PAYMENT RECORDS IN SLOVENIA, 2014**

| <b>Sector</b>                                 | <b>Ranking 2014</b> |
|---|---------------------|
| <b>APPAREL AND OTHER TEXTILE PRODUCTS</b>     | <b>58</b>           |
| <b>PERSONAL SERVICES</b>                      | <b>57</b>           |
| <b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b>    | <b>56</b>           |
| <b>PRINTING AND PUBLISHING</b>                | <b>55</b>           |
| <b>GENERAL MERCHANDISE STORES</b>             | <b>54</b>           |
| <b>AUTOMOTIVE DEALERS AND SERVICE STATION</b> | <b>53</b>           |
| <b>MISCELLANEOUS REPAIR SERVICE</b>           | <b>52</b>           |
| <b>FURNITURE AND HOMEFURNISHING STORES</b>    | <b>51</b>           |
| <b>GENERAL BUILDING CONTRACTORS</b>           | <b>50</b>           |
| <b>LUMBER AND WOOD PRODUCTS</b>               | <b>49</b>           |

## 20. HUNGARY

Below is the opinion of **Katalin Garami, Product Manager** at **Bisnode Magyarország**, on the economic scenario and payment situation in Hungary.

*"In 2014 66% of the invoices were payed on time; the figure was 62% in 2013 and 56% one year before.*

*In 2013 the average deadline was 27 days, while on the last year it was one day less (26 days). Instead of the decreasing payment deadline the payment behavior didn't become better. The decreasing deadline could be caused by the stricter payment condition because of the bad payment behavior companies.*

*The delay of payment improved in the recent years, which can be good news: while the delay was 23 days in 2012, it was 22 days in 2013 and only 15 days in the last year.*

*This improvement could have several causes, for example we are over the most difficult years after the financial crisis or the stricter legal measure payment terms.*

*In 2013 new regulation came into force, in case of delay 40 euro extra cost could bill. Most of the companies don't use this opportunity, but the debtors should calculate with extra fee anytime. Therefore, they should comply with the deadlines.*

*The longest payment deadline is recorded by computer and electronic companies, optical product manufactures, construction industry, chemical, agriculture and engineering, where an average of more than 35 days invoice payment deadline can be counted on. The leader sector of the most overdue with paying is the construction industry with 29 average payment delay. In the top list we can find the real estate (28 days), paper industry (23 days) as well. Give ground for optimism that construction industry companies' invoice-paying discipline is improving. The figure was 38 days in 2013. In the other two sectors 36 and 38 day were the average delay.*

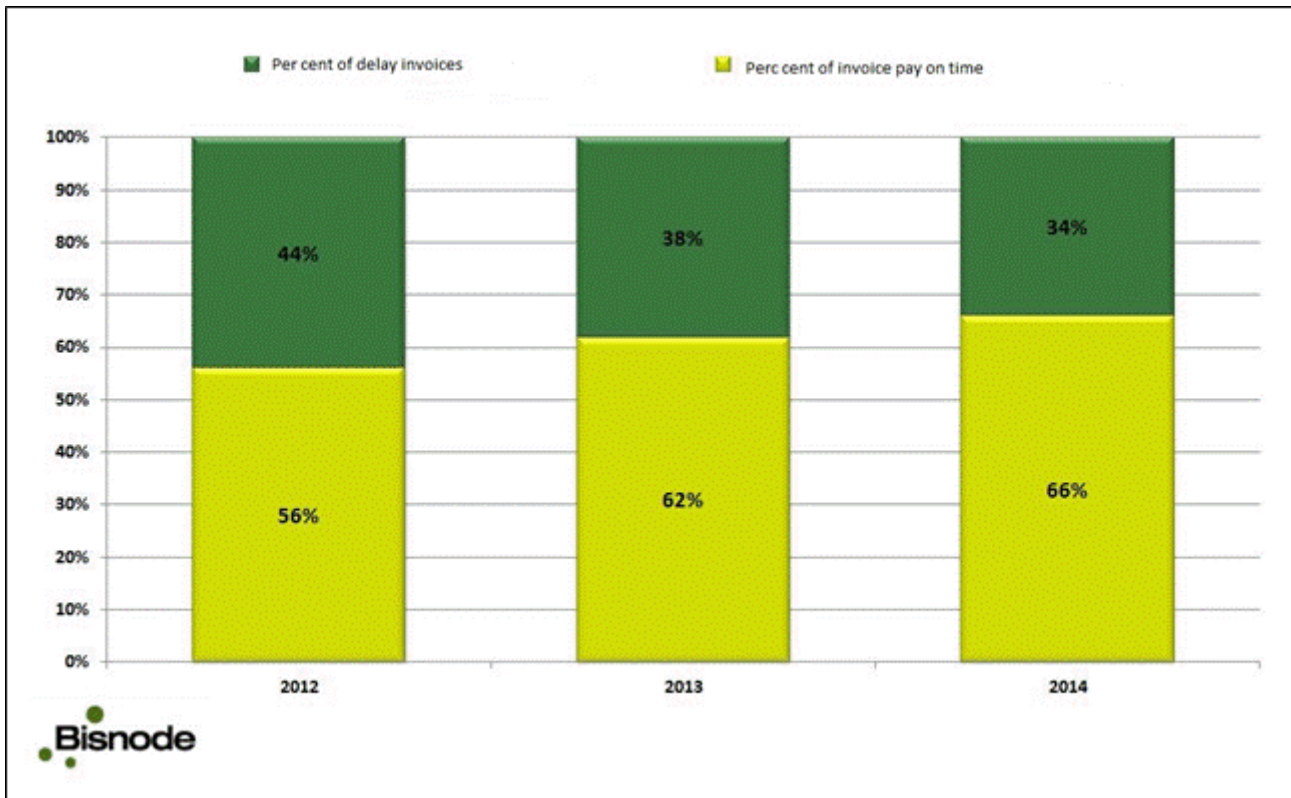
*Generally, we can see that the payment behavior is better on the Hungarian market, but there are some sectors with longer delay as in 2013 (agricultural, chemical industry).*

*We can be optimistic, all of the main three index increased. The proportion of the invoice pay on time was higher in 2014, the payment terms were shorter, plus the delays decreased as well. This performance could refer to the stabilization of the environment and the more consciousness of the companies.*

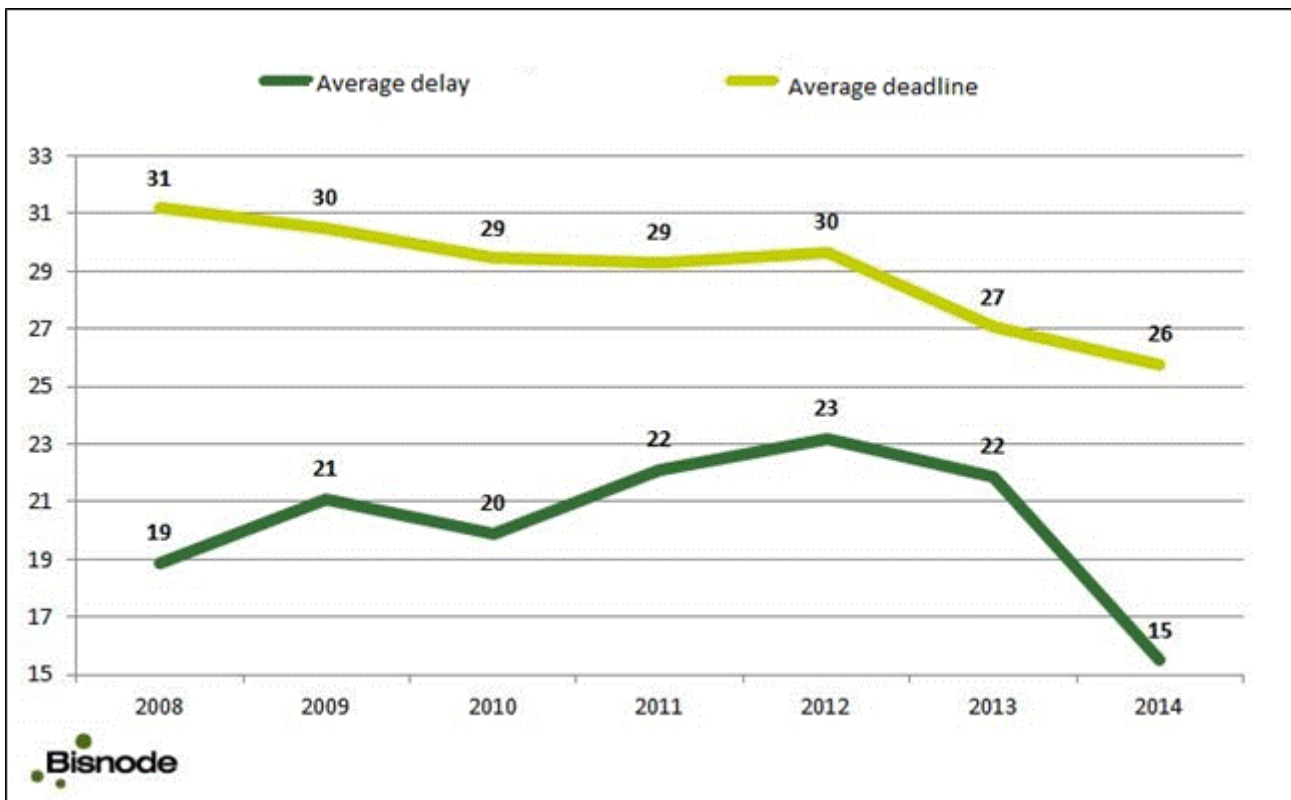
*But those companies who give longer payment term should wait more than one and a half months for the payment. Which is very long for run the business properly? If more companies use stricter payment term and start to use the 40 euro as a punishment the payment behavior could improve and the Hungarian market could be more stable."*



### Proportion of delay invoices and invoices pay on time in 2012-2014



### Average payment deadline and delay (in days)





## Payment analysis

It is possible to see an improvement, compared to 2013, for Hungary. At the end of 2014, 52,3% of Hungarian companies paid suppliers on time, which is an improvement on the performance seen in recent years (+14,7 percentage points compared to the European average).

On the other hand, the share of "bad payers" (over 90 days on average) is 1,7%, with a gap of 2,1 percentage point if we consider the European average.

As regard the variations recorded in recent years, compared with 2009, there has been a clear increase in "good payers" of 16 percentage points and at the same time a 15,5% reduction in companies making moderately late payments ("Up to 90 days").

Micro and Small companies have a higher concentration in the punctual payers category (more than 53%) while the situation is more problematic for Large companies for which less than 44% 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 2,5% of Micro companies. The percentages of Small, Medium and Large companies in the more serious late payment class do not exceed 1,2 percentage point.

It is possible to see a general uniformity in payment behavior in relation to sectors analyzed.

Services and Finance services have the best payment performances, with 54,4% and 53,1%, respectively.

A large part of Hungarian companies are in the "Up to 30 days" class, with values varying between 39,6% for Services and 45,1% for the Manufacturing sector.

For the intermediate late payment class (between 30 and 90 days on average), the highest value is seen for the Construction sector with 4,7% of the sample.

Furthermore, 4,2% of companies included in the Transport, distribution sector pay their suppliers seriously late (over 90 days on average), which together with the Construction (2,2%) have the worst payment performance.

TABLE 20.1 SOURCE: BISNODE MAGYARORSZÁG

### PERCENTAGE OF COMPANIES IN HUNGARY WITH ON TIME PAYMENTS, 2009-2014

|         | 2009  | 2013  | 2014  |
|---------|-------|-------|-------|
| Hungary | 36,3% | 51,4% | 52,3% |
| Europe  | 40,4% | 38,0% | 37,6% |

TABLE 20.2 SOURCE: BISNODE MAGYARORSZÁG

**PERCENTAGE OF COMPANIES IN HUNGARY WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2009-2014**

|                | 2009 | 2013 | 2014 |
|----------------|------|------|------|
| <b>Hungary</b> | 2,2% | 0,9% | 1,7% |
| <b>Europe</b>  | 2,9% | 3,9% | 3,8% |

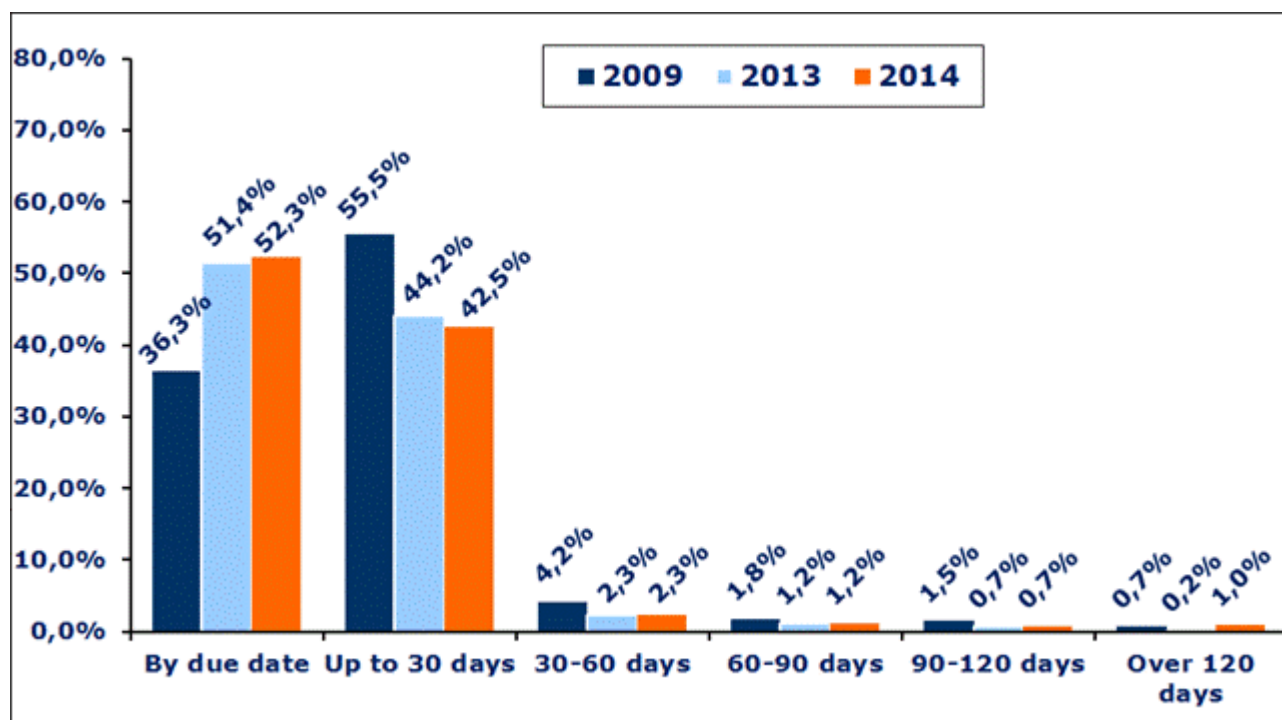
TABLE 20.3 SOURCE: BISNODE MAGYARORSZÁG

**VARIATIONS IN PAYMENT PRACTICES IN HUNGARY, 2009-2014**

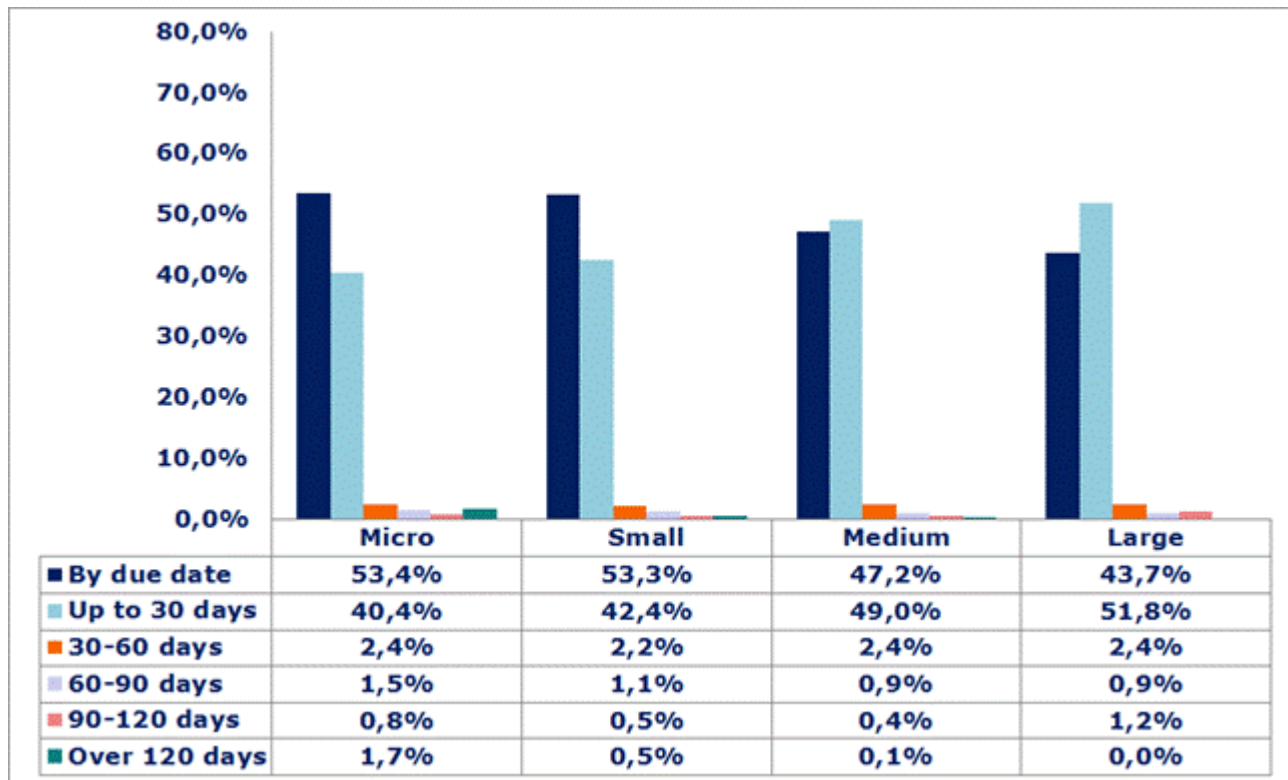
|                      | Variation 2009/2014 | Variation 2013/2014 |
|----------------------|---------------------|---------------------|
| <b>By due date</b>   | 16,0%               | 0,9%                |
| <b>Up to 90 days</b> | -15,5%              | -1,7%               |
| <b>Over 90 days</b>  | -0,5%               | 0,8%                |

GRAPH 20.4 SOURCE: BISNODE MAGYARORSZÁG

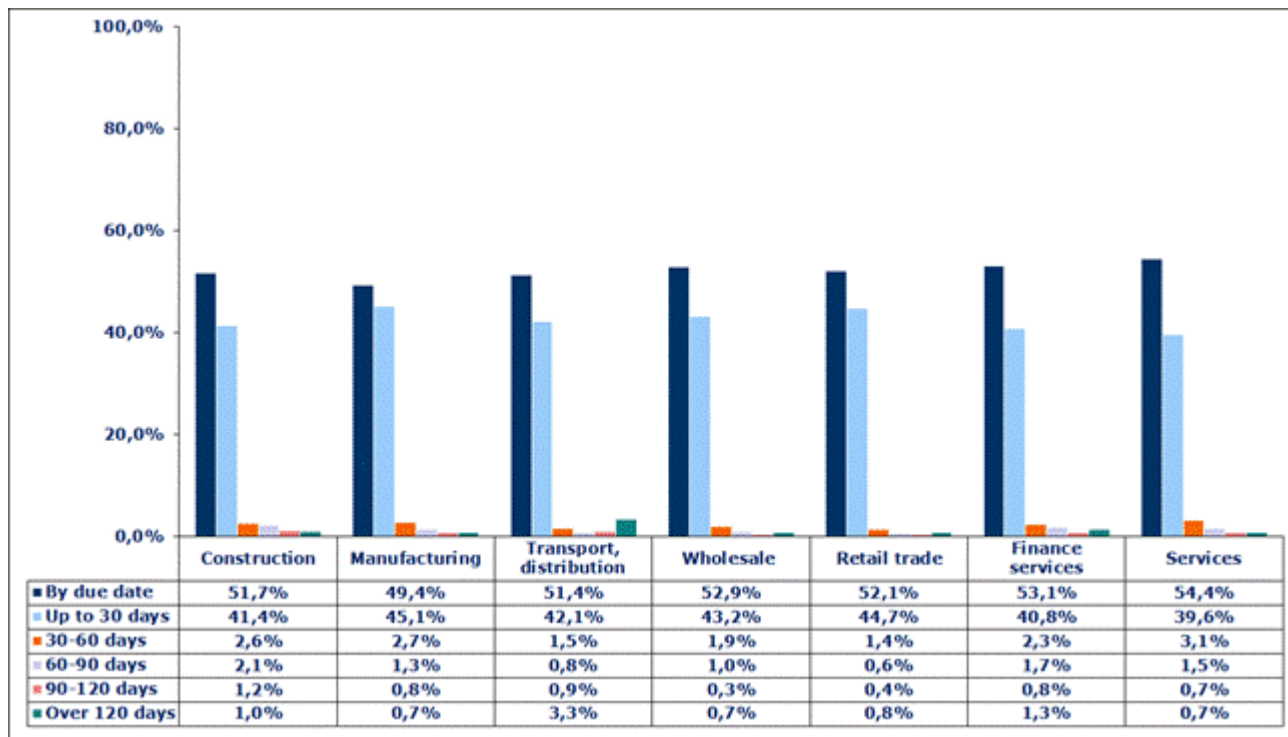
**PAYMENT PRACTICES IN HUNGARY BY PAYMENT CLASS, 2009-2014**



**PAYMENT PRACTICES IN HUNGARY BY TYPE OF COMPANY, 2014**



**PAYMENT PRACTICES IN HUNGARY BY PRODUCT SECTOR, 2014**



## 21. POLAND

Below is the opinion of **Tomasz Starzyk, Public Relations Specialist** at **Bisnode 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, accurate management decisions and a good macroeconomic environment of 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.*

*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

Payment habits in Poland keep a very positive trend in the last twelve months.

Companies that respect agreed terms at the end of 2014 represent 44,3% of the total, with an increase of 13,8% compared to 2013.

There has been a slight improvement in terms of very serious late payments (over 90 days on average): the concentration of companies has decreased of 1,2% in this class, but the gap with the European level remains significant (+5,8%).

The "Up to 30 days" class has a concentration of 42,2% in 2014 and the intermediate late payment classes (between 30 and 90 days on average) have an overall percentage of 3,9%.

Compared with 2008, the percentage of companies that pay on time has decreased by 2,7 percentage points, with a resulting increase in the "Up to 30 days" class and an increase of 2,4% in the share of "bad payers".

If we consider the payment practices of Polish companies in relation to company size, the highest concentration of punctual companies is observed for Small and Medium companies with almost 46% of the total.

However, there is a greater tendency to pay moderately late, limited to 30 days on average (values vary between 41% for Micro and Small companies and 56,3% 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 4,8% of the total, meanwhile late payments of over 90 days account for 10,7% of the total. The best performance is seen for Large companies with a level almost of 3,5% of late payments.

The Finance services and the Service sectors stand out with the highest concentrations in the by due date payment class, with 59,8% and 57,8%, respectively.

In the "Up to 30 days" class values are varying between 26,8% for Mining and 55,7% for the Retail trade sector.

On the other hand, in the intermediate late payment class, the sectors Agriculture, forestry, hunting and fishing (7,1%) and Transport, distribution (4,6%) have the highest concentrations.

Finally, the worst performances in the serious late payment classes (over 90 days on average) were seen in the Mining and Construction sectors with levels of 22,3% and 16,6% respectively

Among the best micro-sectors are Membership organization and Holding and other investment places with 82,4% and 75,4% of punctual payments.

The highest level of late payments, on the other hand, relate to the Oil and gas extraction and General building contractors sectors, with 24,4% and 20,2% of companies paying more than 90 days late. The remaining micro-sectors listed in Table 21.8 have concentrations greater than 13% in the late payment class being considered.

2014 shows an improvement in payment habits in Poland, companies have become more punctual, nevertheless the level of "bad payers" still remains very high.

TABLE 21.1 SOURCE: BISNODE D&B POLAND

#### PERCENTAGE OF COMPANIES IN POLAND WITH ON TIME PAYMENTS, 2008-2014

|        | 2008  | 2013  | 2014  |
|--------|-------|-------|-------|
| Poland | 47,0% | 30,5% | 44,3% |
| Europe | 40,0% | 38,0% | 37,6% |

TABLE 21.2 SOURCE: BISNODE D&B POLAND

**PERCENTAGE OF COMPANIES IN POLAND WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2008-2014**

|               | 2008         | 2013         | 2014        |
|---------------|--------------|--------------|-------------|
| <b>Poland</b> | <b>7,2%</b>  | <b>10,8%</b> | <b>9,6%</b> |
| <b>Europe</b> | <b>6,0 %</b> | <b>3,9%</b>  | <b>3,8%</b> |

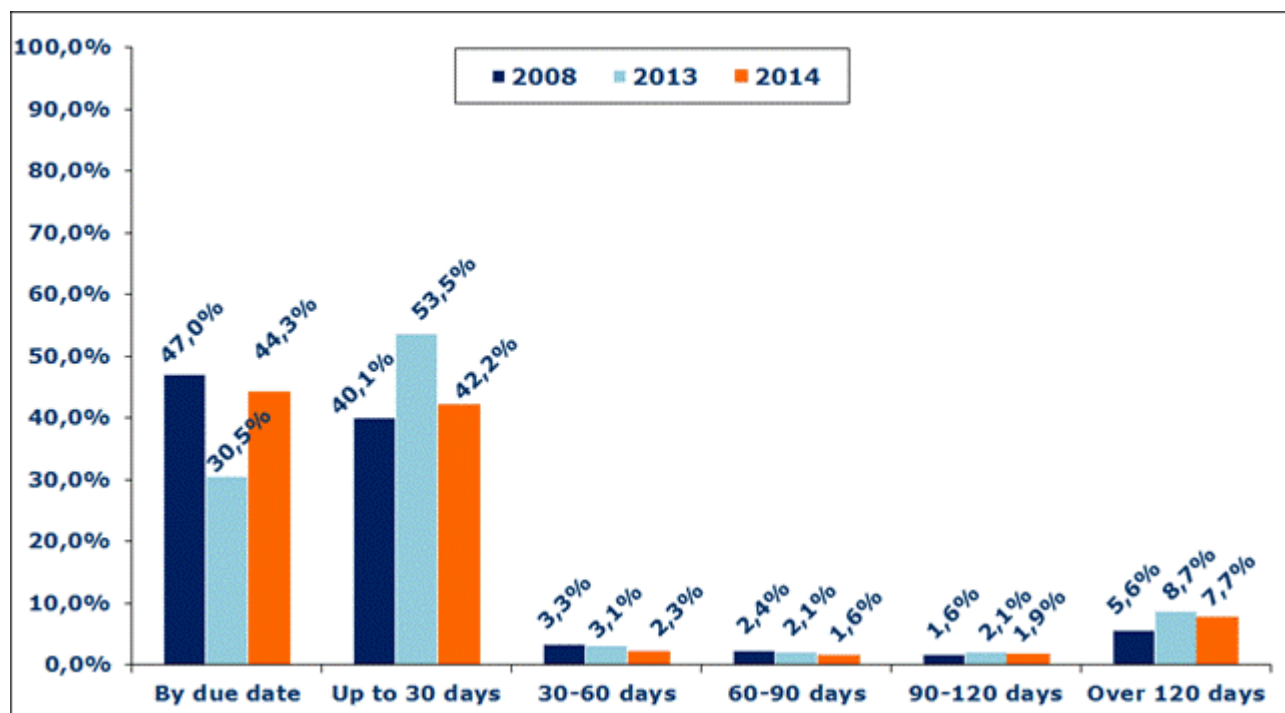
TABLE 21.3 SOURCE: BISNODE D&B POLAND

**VARIATIONS IN PAYMENT PRACTICES IN POLAND, 2008-2014**

|                      | Variation<br>2008/2014 | Variation<br>2013/2014 |
|----------------------|------------------------|------------------------|
| <b>By due date</b>   | <b>-2,7%</b>           | <b>13,8%</b>           |
| <b>Up to 90 days</b> | <b>0,3%</b>            | <b>-12,6%</b>          |
| <b>Over 90 days</b>  | <b>2,4%</b>            | <b>-1,2%</b>           |

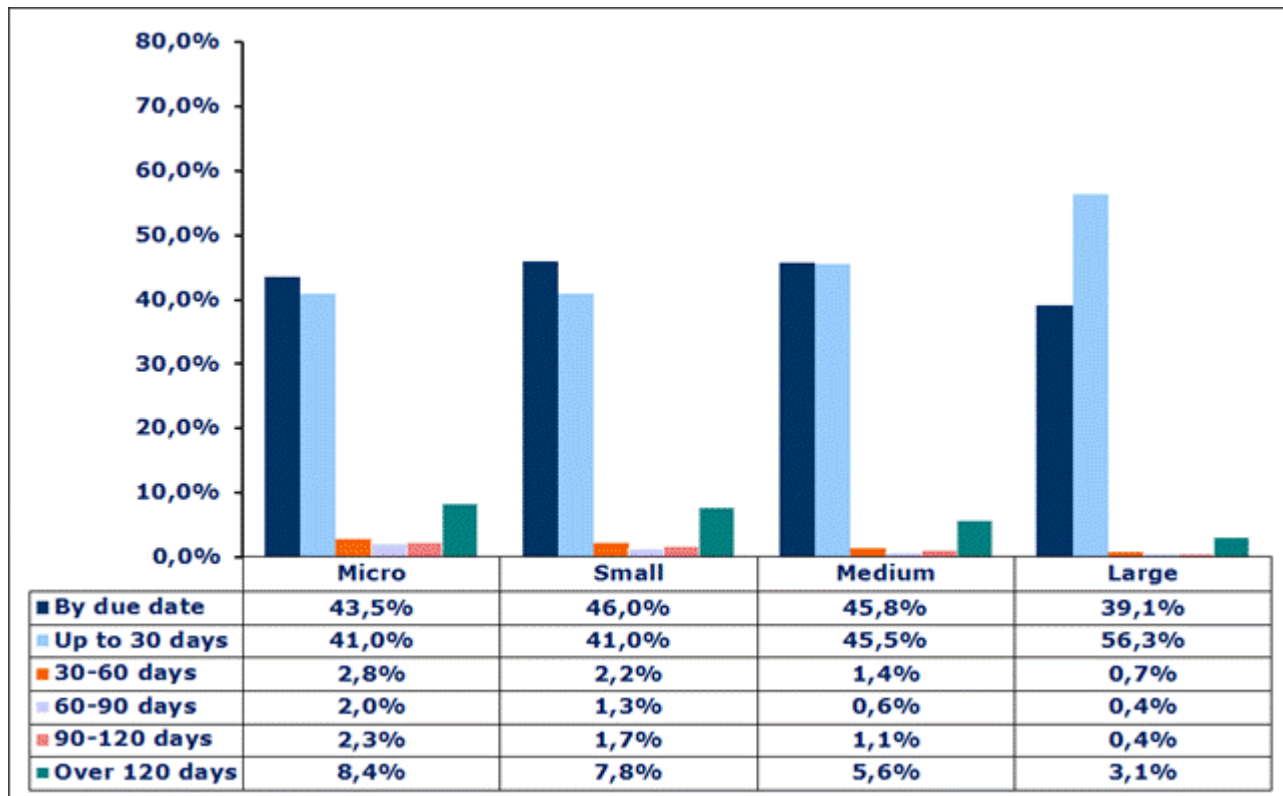
GRAPH 21.4 SOURCE: BISNODE D&B POLAND

**PAYMENT PRACTICES IN POLAND BY PAYMENT CLASS, 2008-2014**





### PAYMENT PRACTICES IN POLAND BY TYPE OF COMPANY, 2014



### PAYMENT PRACTICES IN POLAND BY PRODUCT SECTOR, 2014

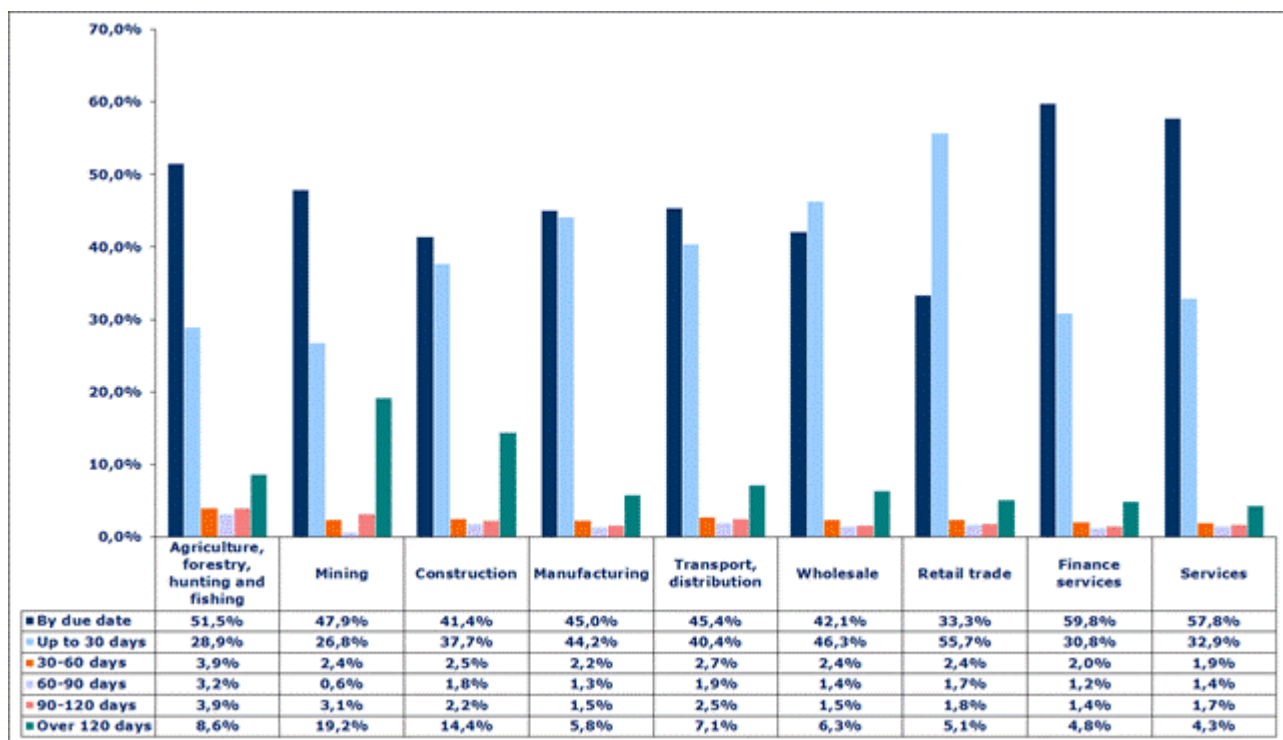




TABLE 21.7 SOURCE: BISNODE D&B POLAND

**SECTORS WITH THE BEST PAYMENT RECORDS IN POLAND, 2014**

| Sector                              | Ranking 2014 |
|-------------------------------------|--------------|
| MEMBERSHIP ORGANISATION             | 1            |
| HOLDING AND OTHER INVESTMENT PLACES | 2            |
| LEGAL SERVICES                      | 3            |
| SOCIAL SERVICES                     | 4            |
| SERVICES                            | 5            |
| REAL ESTATE                         | 6            |
| ENGINEERING AND MANAGEMENT SERVICE  | 7            |
| EDUCATIONAL SERVICES                | 8            |
| INSTRUMENTS AND RELATED PRODUCTS    | 9            |
| AMUSEMENT AND RCREATION SERVICES    | 10           |

TABLE 21.8 SOURCE: BISNODE D&B POLAND

**SECTORS WITH THE WORST PAYMENT RECORDS IN POLAND, 2014**

| Sector                              | Ranking 2014 |
|-------------------------------------|--------------|
| OIL AND GAS EXTRACTION              | 58           |
| GENERAL BUILDING CONTRACTORS        | 57           |
| SPECIAL TRADE CONTRACTORS           | 56           |
| HEAVY CONSTRUCTION, EXCEPT BUILDING | 55           |
| AGRICULTURAL PRODUCTION - CROPS     | 54           |
| PAPER AND ALLIED PRODUCTS           | 53           |
| TRUCKING AND WAREHOUSING            | 52           |
| PERSONAL SERVICES                   | 51           |
| GENERAL MERCHANDISE STORES          | 50           |
| FURNITURE AND FIXTURES              | 49           |

## 22. CZECH REPUBLIC

Below is the opinion of **Petra Horáková, Trade & Data Hunting Manager** at **Bisnode D&B Czech and Slovak Republic s.r.o.**, on the economic scenario and payment situation in Czech Republic.

*"Growth of GDP in the Czech Republic peaked in 2006, on the level of 7%. Subsequently, there was a slower increase merely of 5.7% in 2007 and 3.1% in 2008, after a drop of 4.5% in 2009 a gradual revival of 2.5 % in 2010 and 1.8 % in 2011 happened. Unfortunately we experienced a decrease again, by 1 % in 2012 and 2013 as well. The development of GDP in 2014 was affected by: started manufacturing industry, recovery in domestic demand and increasing household consumption. Against higher growth is a fall in revenues from excise tax on tobacco products, resulting from frontloading late 2013. GDP for 2014 and 2015 is expected by 2.4 % growth due to the forecast of different respected institutions.*

*The Czech economy is highly open and dependent on foreign demand. Foreign trade from January to October 2014 resulted in a surplus of CZK 146.7 billion (an annual increase of 41.3 billion) CZK. The key outputs are machinery, transport equipment and industrial consumption goods. Most of the goods and services are to EU countries, mainly to Germany (30 % of export). There is a moderate risk of weakening EU demand. Currently we expect complication in cooperation with Russia due to EU sanctions aimed at local foreign trade.*

*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 of investment. A significant drop occurred in 2009 due to the economic crisis and investments decreased to 55.8 billion CZK. Again in 2010, there were a strong capital inflow 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 came in force in mid-year. In 2013 there was a reduction again to 97.7 billion CZK and trend is opposite instead that companies reinvest profits back to the Czech Republic, the international parent company takes it in form of dividends. External debt of the Czech Republic economy in 2012 amounted to 48.2% of GDP, 54.2 % in 2013 and is predicted 54% for the years 2013 and 2014.*

*Average exchange rate in 2009 was 26.45 CZK / EUR (19.06 CZK / USD), 25.29 (19.11) in 2010, 24.59 (17.69) in 2011, 25.14 (19.58) in 2012 and 25.97 (19.57) in 2013. In 2012 The Czech crown currency weakened about 2, 2 % year on year average and in the first half of 2013 further by 2.1 %. In the second half of 2013 the crown started to strengthen. On 7 November 2013 the Czech National Bank made penetrative intervention by purchasing euro amount worth at least two billion. It led to an immediate depreciation of the crown (exchange rate increased from 25.79 CZK/EUR to 26.97 CZK/EUR. The CNB tried to prevent deflation and start a boost of domestic consumption. Central bank will intervene against the crown as long as necessary, at least until 2016. For 2014 and 2015 we predict an average rate of 27.5 CZK/EUR (20.5 CZK/USD) and 27.5 CZK/EUR (21.2 CZK/USD).*

*Inflation in the Czech Republic has been 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 has grown from 1 to 3.3%. In 2013 inflation has dropped to a 1.4 %. CNB tries to intervene by weakening exchange rate to keep the level at 2 % but we still expect inflation 0.5 % in 2014 and 1.5 % in 2015.*

*The number of people out of work in the Czech Republic is below the long term average of EU member states. The average unemployment for 2014 is anticipated at 6.3 % and for 2015 6.1 %. Long-term 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. While the nominal wage rose during 2013, the real wage dropped about 0.3 %. In 2014 both indicators raised, nominal wage about 1.8 % and real 1.2 %. 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 involving 2008, 2009 and in some spheres also 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 numbers of small and medium-sized players have 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, 12 in 2012, 10 in 2013 and 11 in 2014. In 2015 we expect stabilization and values between 12 and 9 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 around 32 % of commitments were paid before maturity in 2014, the majority 61 % within 30 days after the due date, 4 % between 31 to 60 days and 3 % with longer delay.*

*Complex models offer a prediction estimating certain probability whether 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 37 % of companies have this risk by 0,27 %, 43 % up to 2,69 %, 15 % is risky in 11,11 % and about 3 % of companies are risky up to 99 %."*

## **Payment analysis**

In 2014, the Czech Republic shows an improvement of the payment system compared with previous year in all of the late payment class analyzed, but continues to be a long way off the other countries analyzed in the study.

The percentage of companies that paid their commitments within agreed terms in 2014 is 38,2%, which is 0,6 percentage points above the European average.

There was a greater concentration of payments between 1 and 30 days late on average with 53,5% of the total, while the "30-60 days" and "60-90 days" classes comprised 7,1% of companies.

If 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 2,6 percentage points less than the European figure.

Compared with 2010, the companies that pay suppliers within agreed deadlines has increased by 8,4 percentage points, while the intermediate late payment class has decreased by 8%.

There are significant differences in the payment practices of companies by company size: Micro companies exhibit the best payment behavior with almost 42,4% of the total paying suppliers within agreed terms.

The lowest percentage of "good payers" relates to Medium-sized companies with 35,4%, while 57,4% of companies fall within the "Up to 30 days" late payment class.

In relation to moderate and serious late payments, Large companies show the best performance with the lowest concentration in these classes compared to the other company types: in 0,5% of cases payments are more than 90 days late on average, while 4,4% of companies pay between 30 and 90 days late on average.

The best performances in terms of punctual payments can be seen in Services (37,9%) and Finance services (35,9%).

Payment conditions, on the other hand, are problematic in the Construction sector, in which only 27,7% of companies respect agreed terms.

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 58% in each of the sectors analyzed and reaches the highest value (68,2%) in the case of Manufacturing.

In the intermediate late payment classes ("30-60 days" and "60-90 days") there are contained concentrations of below 4 percentage points, as is the case for the more serious late payments (over 90 days on average).

In particular, Construction is the sector with the highest share of "bad payers" (0,8% in the "Over 90 days" class).

As regarding the micro-sectors in terms of payment performance, in first places in the classification of best payers we find Justice, public order and safety (77%), Administration of economic programs (73,9%) and Social services (64,8%).

On the contrary, the worst performance relate to Health services (1,4%), Membership organizations (1,4%) and Lumber and wood products (1,3%).

TABLE 22.1 SOURCE: BISNODE D&B CZECH AND SLOVAK REPUBLIC S.R.O.

#### PERCENTAGE OF COMPANIES IN THE CZECH REPUBLIC WITH ON TIME PAYMENTS, 2010-2014

|                | 2010  | 2013  | 2014  |
|----------------|-------|-------|-------|
| Czech Republic | 29,8% | 31,0% | 38,2% |
| Europe         | 40,4% | 38,0% | 37,6% |

TABLE 22.2 SOURCE: BISNODE D&B CZECH AND SLOVAK REPUBLIC S.R.O.

**PERCENTAGE OF COMPANIES IN THE CZECH REPUBLIC WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2010-2014**

|                | 2010 | 2013 | 2014 |
|----------------|------|------|------|
| Czech Republic | 1,6% | 1,9% | 1,2% |
| Europe         | 2,9% | 3,9% | 3,8% |

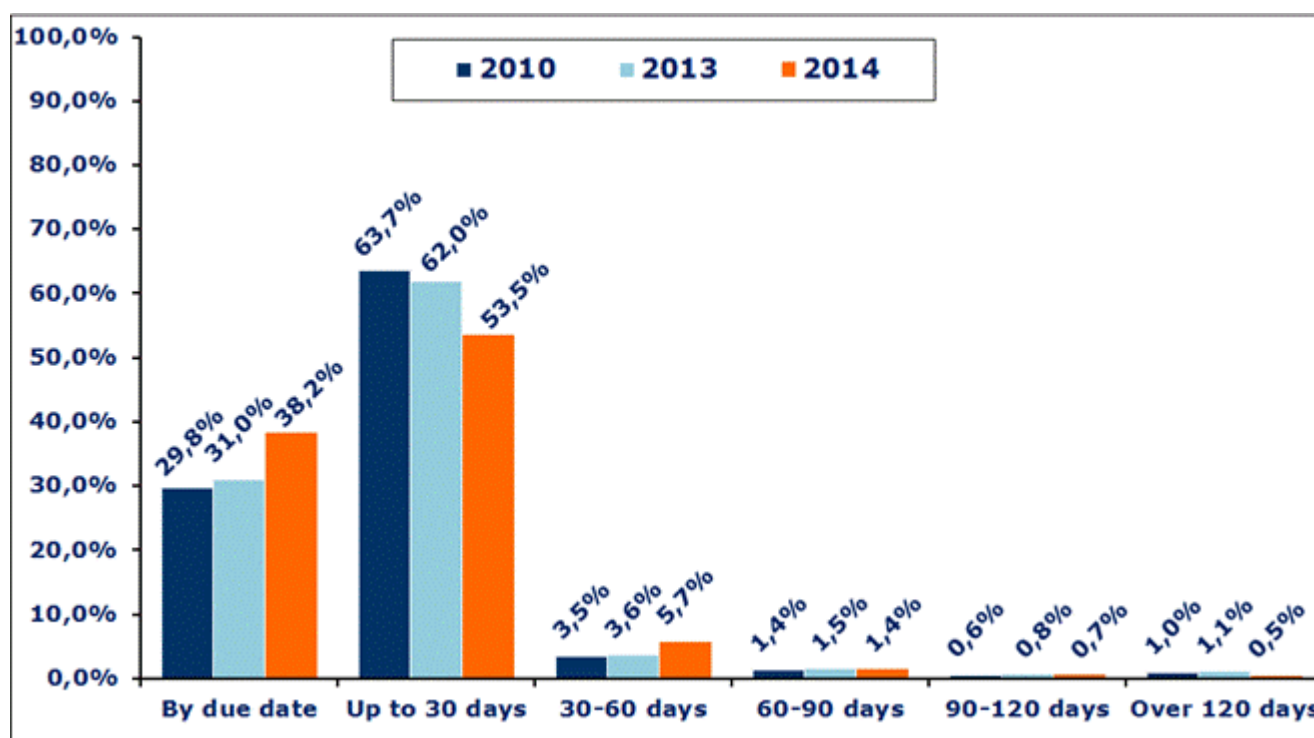
TABLE 22.3 SOURCE: BISNODE D&B CZECH AND SLOVAK REPUBLIC S.R.O.

**VARIATIONS IN PAYMENT PRACTICES IN THE CZECH REPUBLIC, 2010-2014**

|               | Variation 2010/2014 | Variation 2013/2014 |
|---------------|---------------------|---------------------|
| By due date   | 8,4%                | 7,2%                |
| Up to 90 days | -8,0%               | -6,5%               |
| Over 90 days  | -0,4%               | -0,7%               |

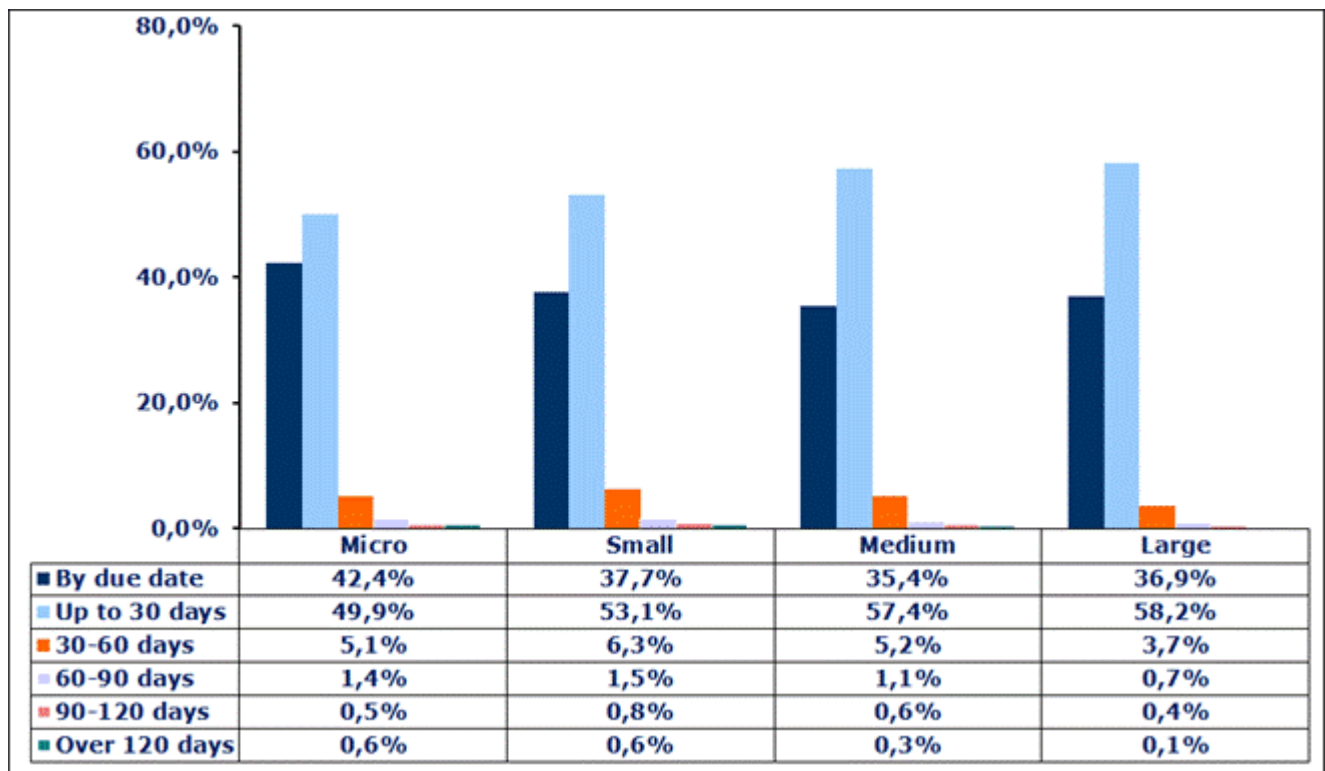
GRAPH 22.4 SOURCE: BISNODE D&B CZECH AND SLOVAK REPUBLIC S.R.O.

**PAYMENT PRACTICES IN THE CZECH REPUBLIC BY PAYMENT CLASS, 2010-2014**



GRAPH 22.5 SOURCE: BISNODE D&B CZECH AND SLOVAK REPUBLIC S.R.O.

#### PAYMENT PRACTICES IN THE CZECH REPUBLIC BY TYPE OF COMPANY, 2014



GRAPH 22.6 SOURCE: BISNODE D&B CZECH AND SLOVAK REPUBLIC S.R.O.

#### PAYMENT PRACTICES IN THE CZECH REPUBLIC BY PRODUCT SECTOR, 2014

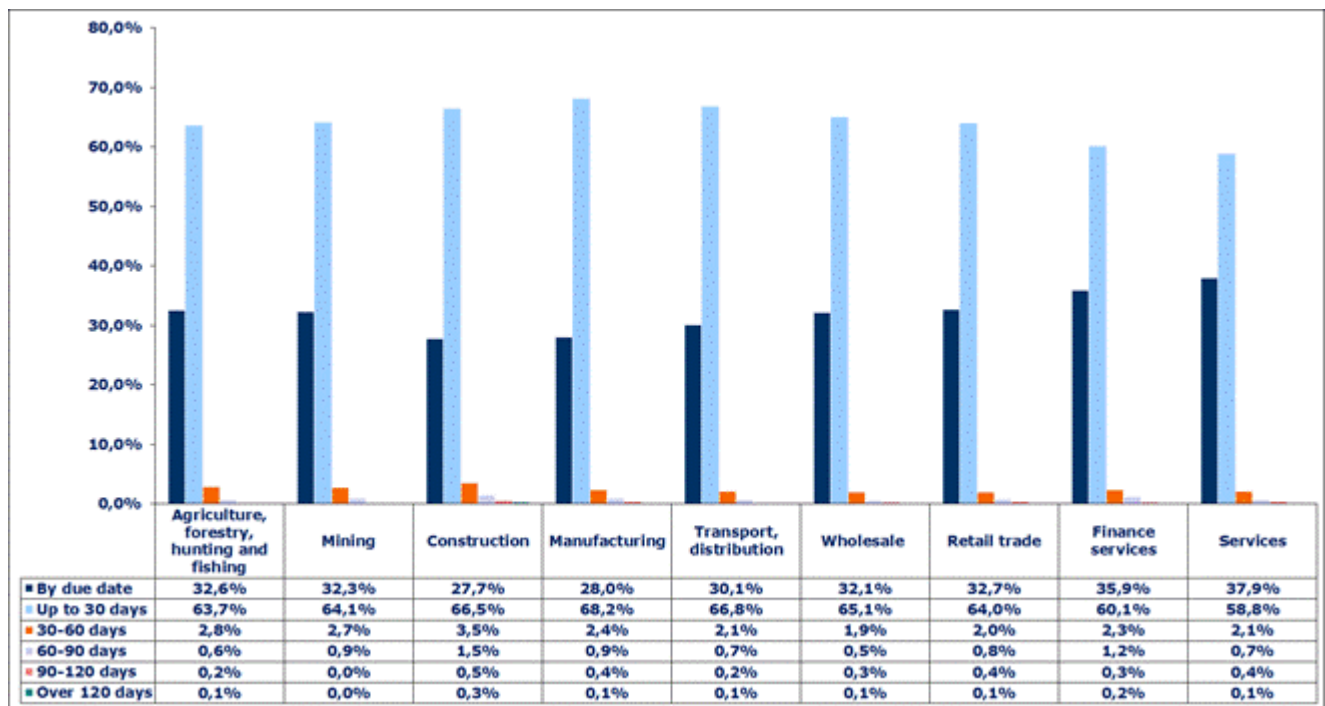




TABLE 22.7 SOURCE: BISNODE D&B CZECH AND SLOVAK REPUBLIC S.R.O.

**SECTORS WITH THE BEST PAYMENT RECORDS IN THE CZECH REPUBLIC, 2014**

| Sector                                 | Ranking 2014 |
|--|--------------|
| JUSTICE, PUBLIC ORDER AND SAFETY       | 1            |
| ADMINISTRATION OF ECONOMIC PROGRAMS    | 2            |
| SOCIAL SERVICES                        | 3            |
| MUSEUMS, BOTANICAL, ZOOLOGICAL GARDENS | 4            |
| EDUCATIONAL SERVICES                   | 5            |
| EXECUTIVE, LEGISLATIVE AND GENERAL     | 6            |
| NATIONAL SECURITY AND INTL. AFFAIRS    | 7            |
| ADMINISTRATION OF HUMAN RESOURCES      | 8            |
| LEGAL SERVICES                         | 9            |
| SECURITY AND COMMODITY BROKERS         | 10           |

TABLE 22.8 SOURCE: BISNODE D&B CZECH AND SLOVAK REPUBLIC S.R.O.

**SECTORS WITH THE WORST PAYMENT RECORDS THE CZECH REPUBLIC, 2014**

| Sector                            | Ranking 2014 |
|-----------------------------------|--------------|
| HEALTH SERVICES                   | 76           |
| MEMBERSHIP ORGANIZATIONS          | 75           |
| LUMBER AND WOOD PRODUCTS          | 74           |
| EATING AND DRINKING PLACES        | 73           |
| AGRICULTURAL SERVICES             | 72           |
| SPECIAL TRADE CONTRACTORS         | 71           |
| PRIMARY METAL INDUSTRIES          | 70           |
| LEATHER AND LEATHER PRODUCTS      | 69           |
| INSURANCE CARRIERS                | 68           |
| AMUSEMENT AND RECREATION SERVICES | 67           |



## 23. FINLAND

### Payment analysis

The Finnish payment system in 2014 identifies a trade-off of the healthy state of payment over the previous year.

The percentage of punctual payers in Finland was only 34,4% of the total, meanwhile, the majority of companies tended to pay commercial transactions on average between 1 and 30 days late (63,1%).

Intermediate late payment classes ("30-60 days" and "60-90 days") account for 1,6%, whereas bad payers (more than 90 days late on average) represent only 0,9% of the total compared with the European level of 3,8%.

It can be seen that in the two years payment percentages have undergone a change in trend of payment: the share of good payers ("By due date" class) decreased by more than 3,5 percentage points compared with 2013. There was a growth in the intermediate payment class ("Up to 90 days" class), meanwhile in terms of serious late payment (over 90 day on average), these remained stable over time (+0,5%).

The analysis of the payment practices by size identifies a somewhat heterogeneous behavior among the four types.

Micro-companies show, also for 2014, the most balanced payment behavior with 37,4% of the total for payments within agreed terms. These are followed by small companies, for which the percentage in question reaches 26,4%.

The worst performance was seen for Large companies with only 9,6% of the total paying punctually, compared with the national average of 34,4%.

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 81% for Medium and Large companies.

Intermediate and more serious delays in payment are similar for all the company sizes analyzed, with values below 1,1 percentage points.

The best performances in terms of punctual payments can be seen in the following sectors: Agriculture, forestry and fishing (49,7%), Mining and quarrying (42,6%) and Real estate activities (41,8%).

Payment conditions, on the other hand, are problematic in the Accommodation & food service activities sector, in which only 26,5% of companies respect agreed terms.

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 48% in each of the sectors analyzed and reaches the highest value (71,3%) in the case of Water supply, sewerage and waste management.

In the intermediate late payment classes ("30-60 days" and "60-90 days") there are very contained concentrations for the whole sample of below 3 percentage points, as is the case for the more serious late payments (over 90 days on average).

In particular, Accommodation and food services activities and Arts, entertainment and recreation are the sectors with the highest share of bad payers (1,9%).

The best performer in Finland is the Forestry and logging sector, in which 50,2% of companies pay their trading partners within agreed terms. In second place is the Fishing and aquaculture sector with 50% of punctual payments.

The sector with the most problems is Employment activities for which 2,9% of companies pay seriously late (over 90 days on average). The top three classification of bad payers is completed by Other personal service activities and Water transport.

TABLE 23.1 SOURCE: BISNODE D&B FINLAND

**PERCENTAGE OF COMPANIES IN FINLAND WITH ON TIME PAYMENTS, 2010-2014**

|                | <b>2010</b>  | <b>2013</b>  | <b>2014</b>  |
|----------------|--------------|--------------|--------------|
| <b>Finland</b> | <b>37,0%</b> | <b>38,1%</b> | <b>34,4%</b> |
| <b>Europe</b>  | <b>40,4%</b> | <b>38,0%</b> | <b>37,6%</b> |

TABLE 23.2 SOURCE: BISNODE D&B FINLAND

**PERCENTAGE OF COMPANIES IN FINLAND WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2010-2014**

|                | <b>2010</b> | <b>2013</b> | <b>2014</b> |
|----------------|-------------|-------------|-------------|
| <b>Finland</b> | <b>1,1%</b> | <b>0,4%</b> | <b>0,9%</b> |
| <b>Europe</b>  | <b>2,9%</b> | <b>3,9%</b> | <b>3,8%</b> |

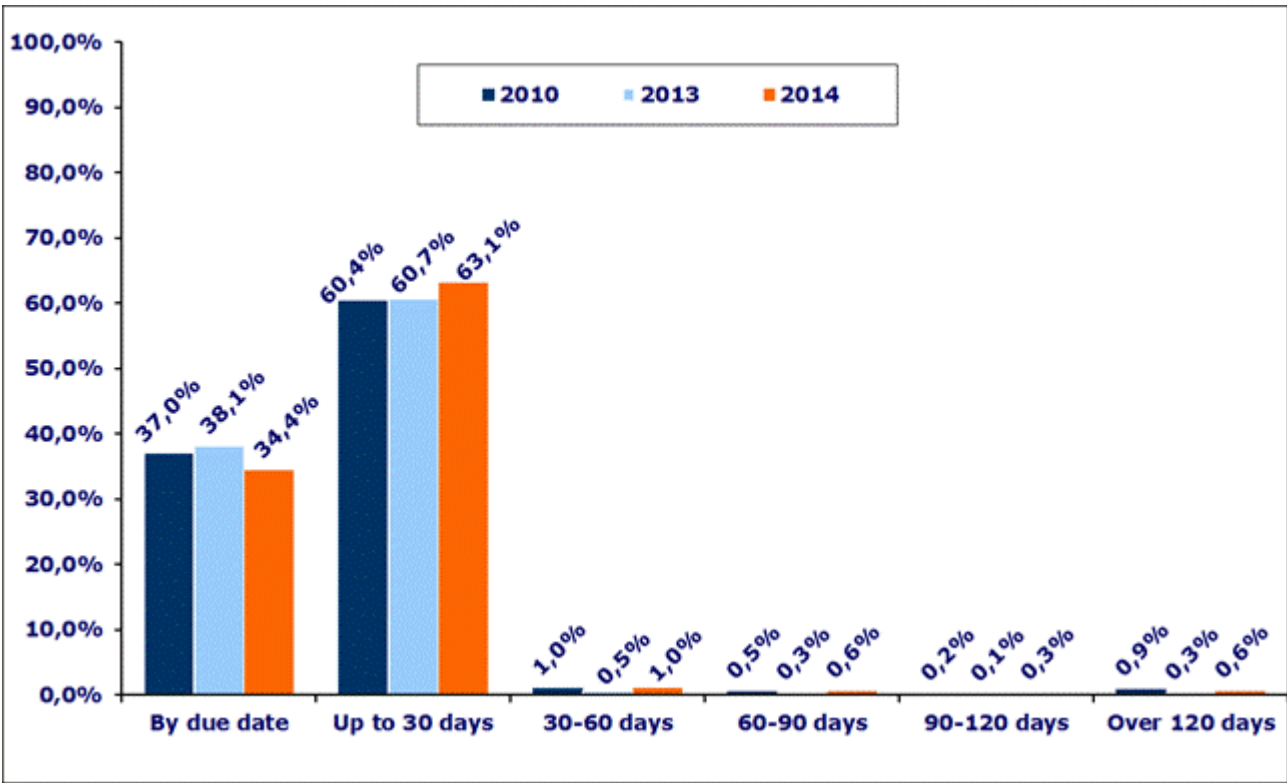
TABLE 23.3 SOURCE: BISNODE D&B FINLAND

**VARIATIONS IN PAYMENT PRACTICES IN FINLAND, 2010-2014**

|                      | <b>Variation<br/>2010/2014</b> | <b>Variation<br/>2013/2014</b> |
|----------------------|--------------------------------|--------------------------------|
| <b>By due date</b>   | <b>-2,6%</b>                   | <b>-3,7%</b>                   |
| <b>Up to 90 days</b> | <b>2,8%</b>                    | <b>3,2%</b>                    |
| <b>Over 90 days</b>  | <b>-0,2%</b>                   | <b>0,5%</b>                    |

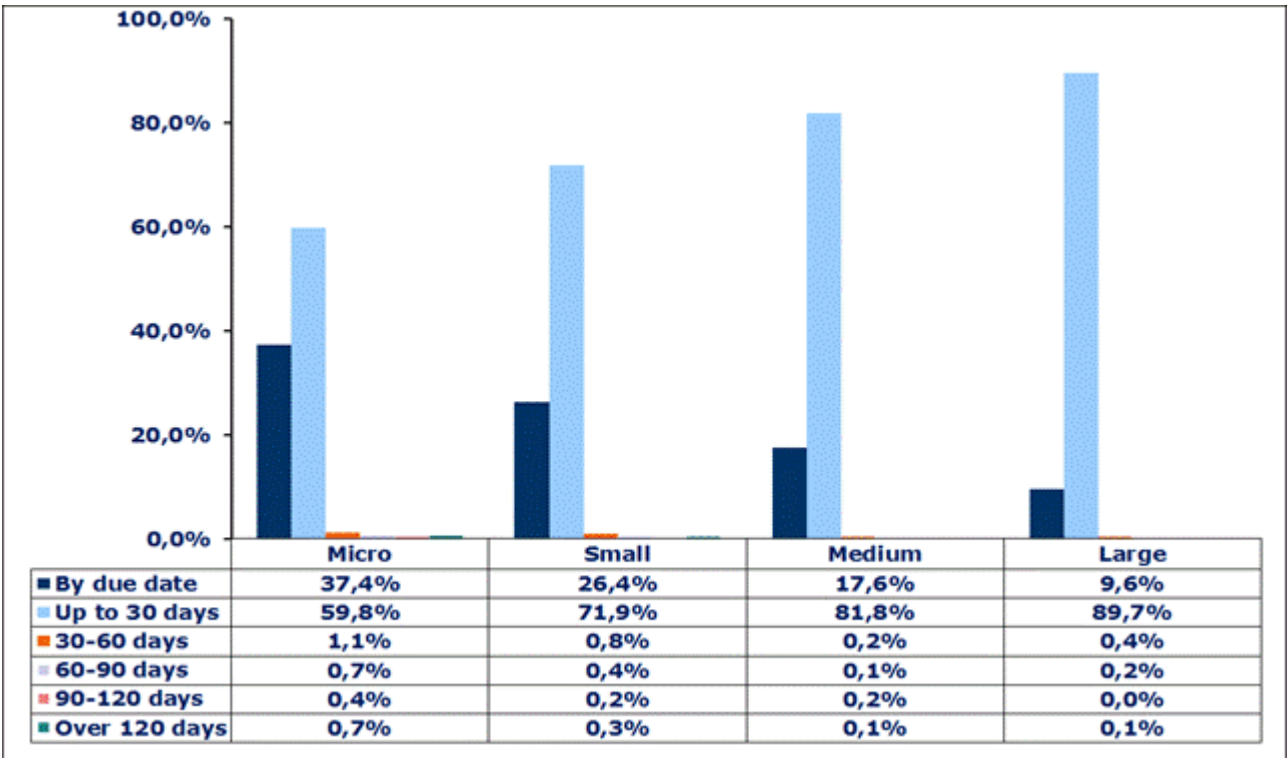
GRAPH 23.4 SOURCE: BISNODE D&B FINLAND

PAYMENT PRACTICES IN FINLAND BY PAYMENT CLASS, 2010-2014

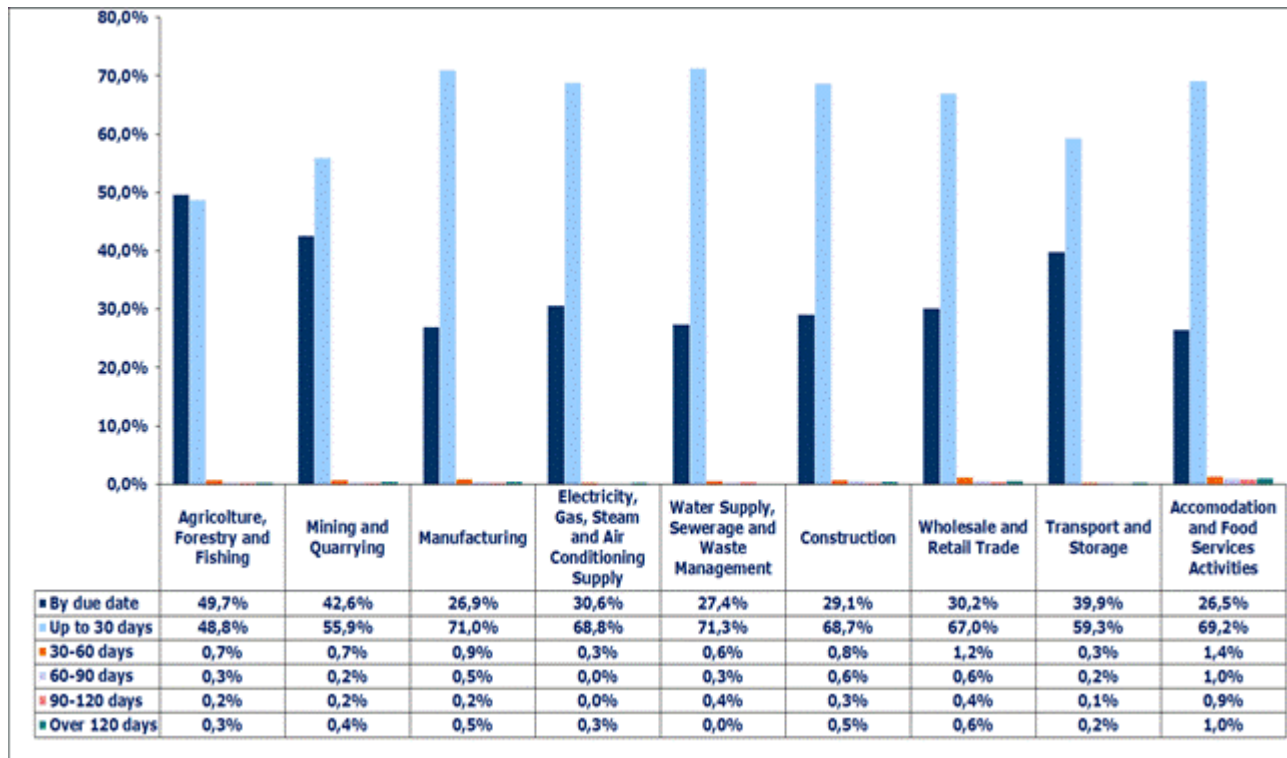


GRAPH 23.5 SOURCE: BISNODE D&B FINLAND

PAYMENT PRACTICES IN FINLAND BY TYPE OF COMPANY, 2014



### PAYMENT PRACTICES IN FINLAND BY PRODUCT SECTOR, 2014



### PAYMENT PRACTICES IN FINLAND BY PRODUCT SECTOR, 2014

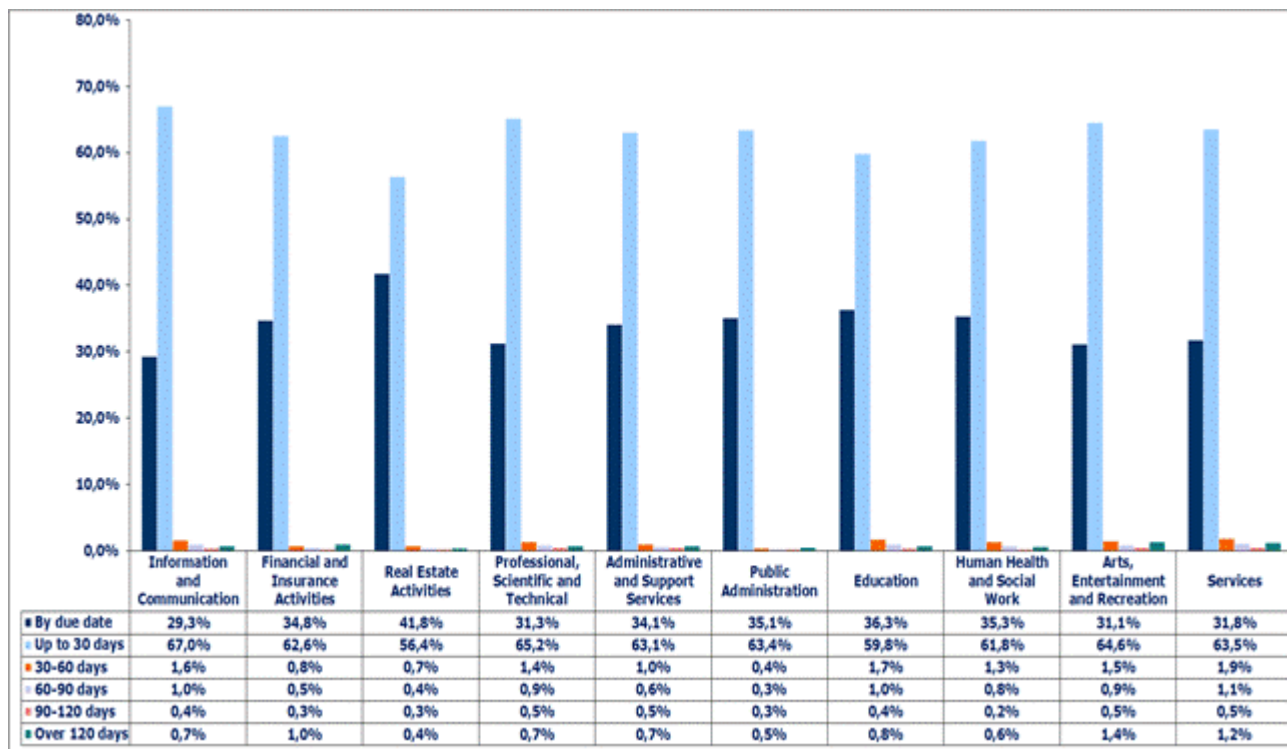


TABLE 23.8 SOURCE: BISNODE D&amp;B FINLAND

**SECTORS WITH THE BEST PAYMENT RECORDS IN FINLAND, 2014**

| <b>Sector</b>   | <b>Ranking 2014</b> |
|---|---------------------|
| <b>FORESTRY AND LOGGING</b>   | <b>1</b>            |
| <b>FISHING AND AQUACULTURE</b>  | <b>2</b>            |
| <b>CROP AND ANIMAL PRODUCTION, HUNTING AND RELATED SERVICE ACTIVITIES</b> | <b>3</b>            |
| <b>OTHER MINING AND QUARRYING</b>   | <b>4</b>            |
| <b>REAL ESTATE ACTIVITIES</b>   | <b>5</b>            |
| <b>LAND TRANSPORT AND TRANSPORT VIA PIPELINES</b>                         | <b>6</b>            |
| <b>LEGAL AND ACCOUNTING ACTIVITIES</b>                                    | <b>7</b>            |
| <b>RENTAL AND LEASING ACTIVITIES</b>                                      | <b>8</b>            |
| <b>MANUFACTURE OF TEXTILES</b>  | <b>9</b>            |
| <b>PUBLISHING ACTIVITIES</b>  | <b>10</b>           |

TABLE 23.9 SOURCE: BISNODE D&amp;B FINLAND

**SECTORS WITH THE WORST PAYMENT RECORDS IN FINLAND, 2014**

| <b>Sector</b>  | <b>Ranking 2014</b> |
|--|---------------------|
| <b>EMPLOYMENT ACTIVITIES</b>   | <b>68</b>           |
| <b>OTHER PERSONAL SERVICE ACTIVITIES</b>   | <b>67</b>           |
| <b>SPORTS ACTIVITIES AND AMUSEMENT AND RECREATION ACTIVITIES</b>                   | <b>66</b>           |
| <b>FOOD AND BEVERAGE SERVICE ACTIVITIES</b>  | <b>65</b>           |
| <b>OTHER PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES</b>                     | <b>64</b>           |
| <b>TRAVEL AGENCY, TOUR OPERATOR AND OTHER RESERVATION</b>                          | <b>63</b>           |
| <b>ACTIVITIES OF HEAD OFFICES, MANAGEMENT CONSULTANCY ACTIVITIES</b>               | <b>62</b>           |
| <b>OFFICE ADMINISTRATIVE, OFFICE SUPPORT AND OTHER BUSINESS SUPPORT ACTIVITIES</b> | <b>61</b>           |
| <b>MANUFACTURE OF WEARING APPAREL</b>  | <b>60</b>           |
| <b>ADVERTISING AND MARKET RESEARCH</b>   | <b>59</b>           |

## 24. DENMARK

Below is the opinion of **Martin Stabell, Risk Management Specialist** at **Bisnode D&B Danmark A/S**, on the economic scenario and payment situation in Denmark.

*"2014 was once again a year with moderate growth in the Danish economy. Latest available figures for 3<sup>rd</sup> quarter show a growth in GDP of 0,4%, which was at the same level as 2013. The growth was primarily generated by the service sector, while development of natural resources, i.e. oil production contributes negatively to the development.*

*The aggregate growth by end of 3<sup>rd</sup> quarter was 0,9%, which is only slightly more than same period last year.*

*Foreign trade increased in the first three quarters of 2014. Import increased by 3,8% while export increased by 3,5 % in the same period. Despite the larger growth in import, the aggregate trade balance remains positive with export exceeding import during the year's first three quarters.*

*Following some years of stagnation and decline, the domestic demand picked up moderately during 2014. As per end of 3<sup>rd</sup> quarter domestic demand has grown by 0,1% compared to last year, which is not impressive. However, when looking into the figures, we see that electricity and energy consumption has influenced negatively, and when not taking these into account, the growth in domestic demand was 1,3%.*

*A continued moderate growth is expected for full year 2014 and during 2015. However, as a small open economy the Danish growth is closely linked to the rest of Europe, and major shifts in economic trends will affect the growth.*

*The number of bankruptcies continued to drop during 2014. Especially during the first three quarters the decline number of bankruptcies was significant showing drops between 25-30 % compared to last year. In the fourth quarter the declining trend took a halt, and we only saw a drop in number of bankruptcies of 6%. We don't see this as a disturbing sign but merely a sign that bankruptcies are entering a more stable level.*

*Looking at 2015 we expect bankruptcies to remain stable based on improved key figures in most major business sectors during 2014.*

*The general timeliness of payments improved during 2014. The aggregate share of late payments dropped from 12,4% to 9,7%, corresponding to 22% reduction in late payments.*

*The credit squeeze that we experienced in Denmark between 2010 and 2013 has almost vanished for large companies. We still see a certain degree of credit squeeze among small and midsize companies as a result of banks that grew more cautious during the crisis, but the effect is fading away. During the crisis the limited loan possibilities forced companies to enhance focus on their working capital and with recent increasing external funding opportunities the general liquidity position has been strengthened.*

*Payments more than 90 days after due date are quite rare, and the share has even dropped from 2013 to 2014.*



*In Denmark, payment terms are typically in the range of 30-60 days in all business sectors, and no major changes were seen during 2014.*

*During 2014 we see a pattern that larger companies tend to pay later. This is not necessarily a sign of poor payment ability, but rather a tendency to optimize cash flow by delaying payments.*

*Companies with 50-259 employees have the most late payments (Paydex<80). During 2014, however payment behavior improved as the amount of late payments dropped from 20,4% to 15%.*

*Large companies (+260 employees) remain more likely to make late payments than average.*

*This group has also improved its payment behavior with an amount of late payments dropping from 18,3% in 2013 to 13,5%.*

*In 2014, small companies (<5 employees) was the segment with the most timely payments. Only 8,4% of invoices were paid after due date.*

*Another indication that the credit squeeze is wearing off is that in all segments there has been an increase in payments before due date, which is a sign that companies are utilizing a strong liquidity to gain cash discounts.*

*Manufacturing was one of the major business sectors with the highest share of late payments during 2014. In that period 86% of invoices were paid timely and 14 % after due date. Other sectors with a relatively large share of late payments in 2014 were Accommodation and Publishing activities.*

*The best payment behavior was seen in the areas of Human health activities, Water collection and Financial services. The sectors have shown remarkably timely payment behavior during 2014 with only 2-4% of invoices paid after due date.*

*In the area of Wholesale trade, except of motor vehicles and motorcycles, payments were in the slower end of the scale during 2014 with 11% paid after due date, but timeliness has improved since 2013 where 16% of invoices were paid late.*

*Conclusively we see an overall picture of timely payments in Denmark with some improvement during 2014."*

## **Payment analysis**

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.

Over the course of 2014, punctual payments accounted for 90,3 percentage points, 52,7 percentage points above the European average, which continues to show that a large proportion of companies in Denmark 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 increase in "good payers" (+2,7% in the last year) has completely been absorbed by the moderate late payment ("Up to 60 days" class).

The percentage of companies with serious late payments (over 60 days) continues to be among the best on an international level: in fact, there are no "bad payers" in Denmark in 2014, with a difference of 3,8% below the European average.



The most significant changes are seen in relation to 2010: punctual payments have increased by 13,8%, with a corresponding decrease in Danish companies that tend to pay late by between 1 and 60 days on average (-13,6%); the percentage of "bad payers" (over 60 days late on average) remains more or less unchanged over the years, which minimal differences (-0,2%).

The four types of company size examined have very similar percentages, which are not very different from average national levels.

Micro companies have the most balanced payment behavior with 91,6% of companies paying trading partners within agreed terms. The lowest value, on the other hand, was seen for Medium companies, with 85% of punctual payers.

In the "Up to 30 days" late payment class there are values of between 8,3% for Micro companies and 15% for Medium 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 0,1% of the total).

For all macro-sectors there is a widespread tendency to manage commercial transactions with punctual payments: the best performance is seen in Human health activities (98,2%), Financial service activities, insurance and pension funding (96,3%) and Activities of membership organizations (95,8%) sectors.

Payment performance, on the other hand, is less positive in the Publishing activities in which 83,7% of companies respect agreed terms.

The share of companies in the "Up to 30 days" late payment class reaches the highest value (16,3%) in the case of Publishing activities.

In the serious late payment classes (over 60 days on average) there are very contained percentages for the whole sample, significantly lower than that seen in other countries.

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.

TABLE 24.1 SOURCE: BISNODE D&B DANMARK A/S

#### PERCENTAGE OF COMPANIES IN DENMARK WITH ON TIME PAYMENTS, 2010-2014

|         | 2010  | 2013  | 2014  |
|---------|-------|-------|-------|
| Denmark | 76,5% | 87,6% | 90,3% |
| Europe  | 40,4% | 38,0% | 37,6% |

TABLE 24.2 SOURCE: BISNODE D&B DANMARK A/S

**PERCENTAGE OF COMPANIES IN DENMARK WITH LATE PAYMENTS OF MORE THAN 60 DAYS, 2010-2014**

|         | 2010 | 2013 | 2014 |
|---------|------|------|------|
| Denmark | 0,2% | 0,1% | 0,0% |
| Europe  | 4,0% | 3,9% | 3,8% |

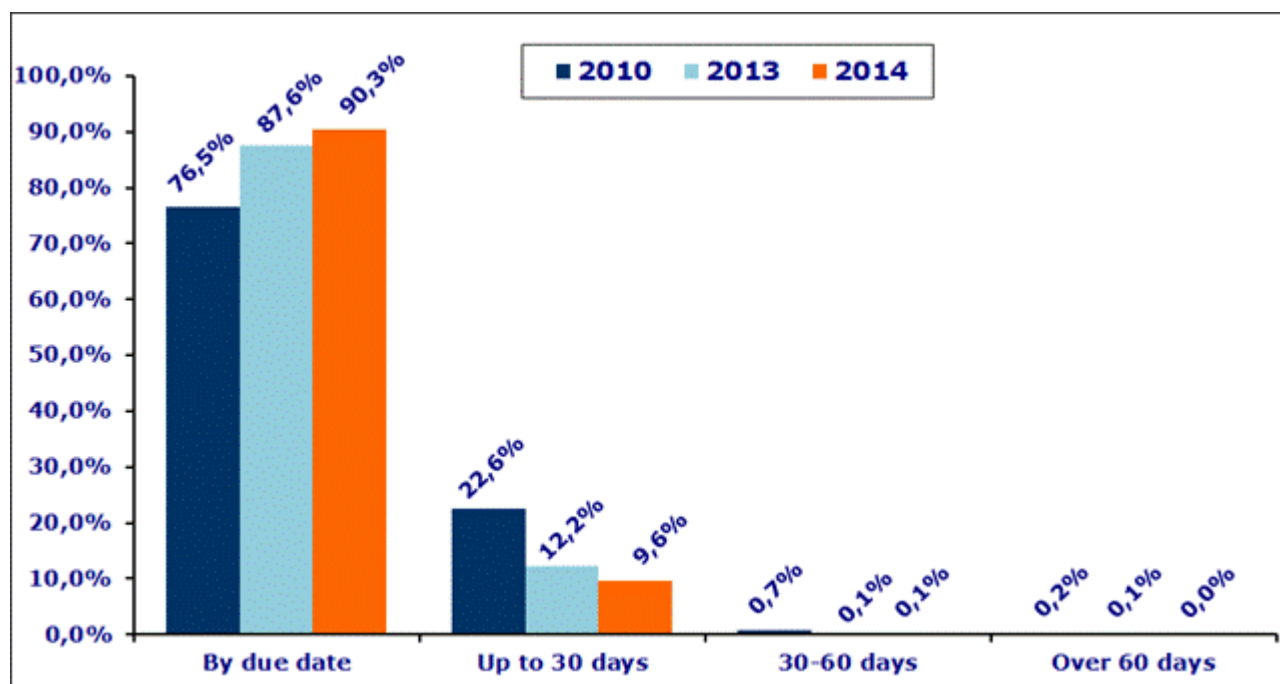
TABLE 24.3 SOURCE: BISNODE D&B DANMARK A/S

**VARIATIONS IN PAYMENT PRACTICES IN DENMARK, 2010-2014**

|               | Variation 2010/2014 | Variation 2013/2014 |
|---------------|---------------------|---------------------|
| By due date   | 13,8%               | 2,7%                |
| Up to 60 days | -13,6%              | -2,6%               |
| Over 60 days  | -0,2%               | -0,1%               |

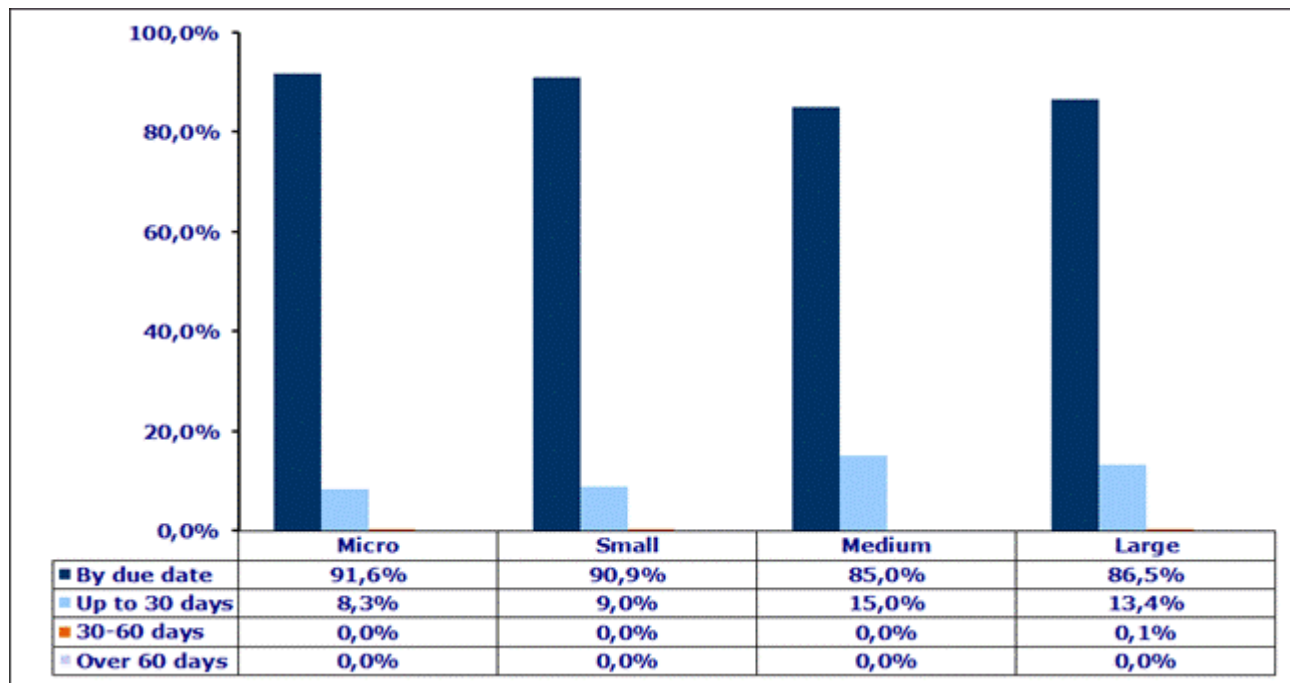
GRAPH 24.4 SOURCE: BISNODE D&B DANMARK A/S

**PAYMENT PRACTICES IN DENMARK BY PAYMENT CLASS, 2010-2014**



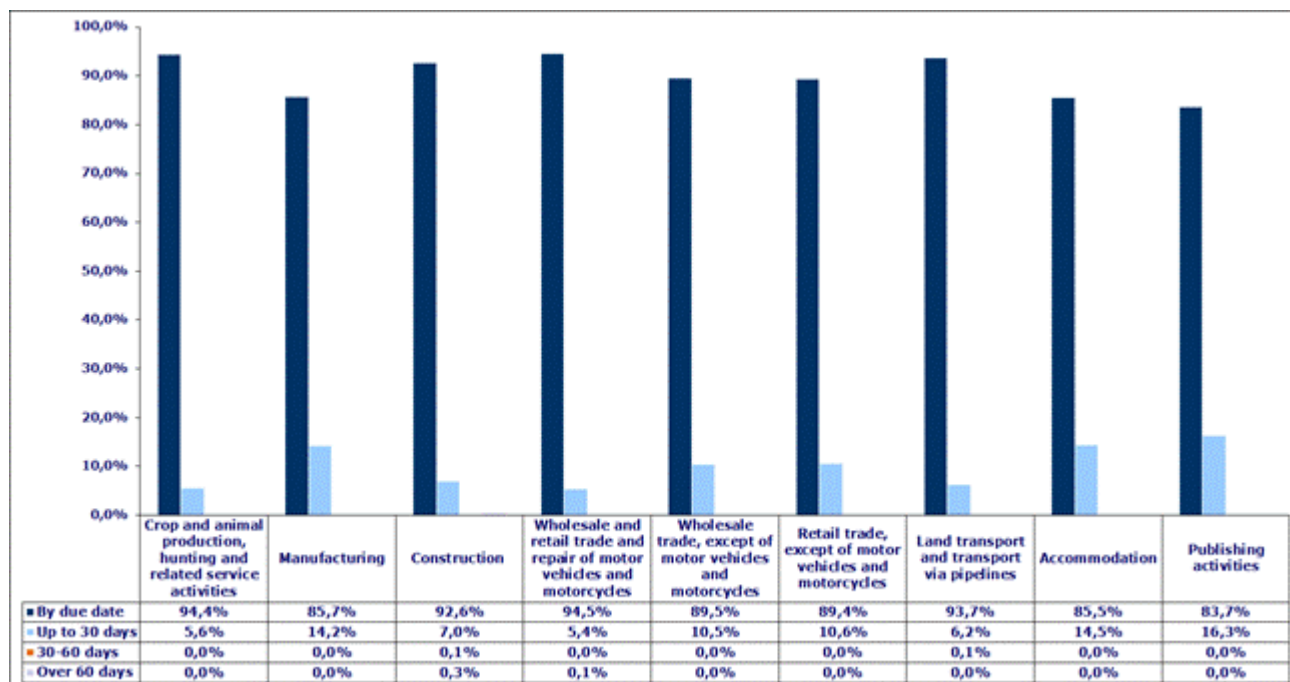
GRAPH 24.5 SOURCE: BISNODE D&B DANMARK A/S

#### PAYMENT PRACTICES IN DENMARK BY TYPE OF COMPANY, 2014

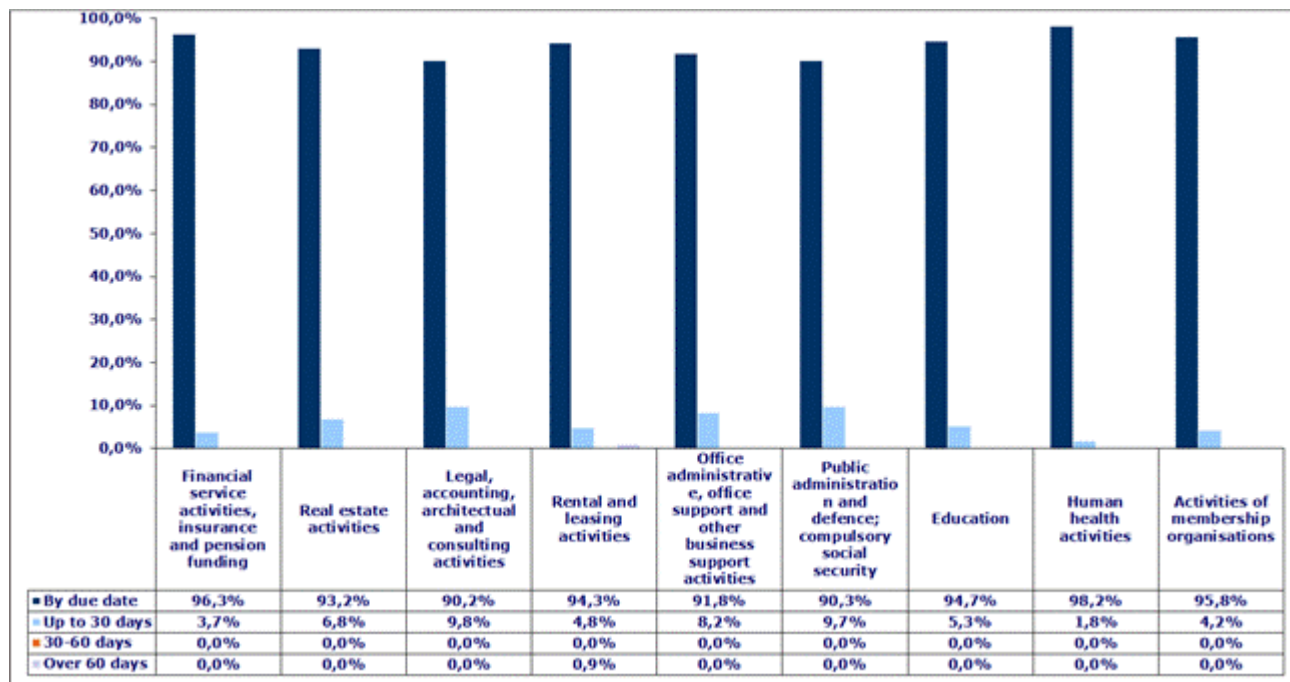


GRAPH 24.6 SOURCE: BISNODE D&B DANMARK A/S

#### PAYMENT PRACTICES IN DENMARK BY PRODUCT SECTOR, 2014



**PAYMENT PRACTICES IN DENMARK BY PRODUCT SECTOR, 2014**



## 25. RUSSIA

The decline in oil prices and aggravation of the geopolitical situation led to further worsening of economic environment in Russia. GDP growth amounted to 0,6% only in 2014, falling by 0,2% year-on-year in the fourth quarter of 2014. The Economic Development Ministry expects Russia's GDP to fall 3% in 2015 due to a sharp fall in investment and consumer demand. Russia's GDP will start growing again in 2016 and reach an average 2,5%-3% growth in 2016-2018. Russian companies maintained relatively good financial positions last year. Still, profits were lower in comparison with 2013. The total amount of operating profit in Russia exceeded operating losses by RuB 5,906.2 bn (US\$155.6 bn) in 2014, down by 9,1% against the same period a year ago. Share of profitable companies was also down to 71,9% last year against 73.2% in 2013.

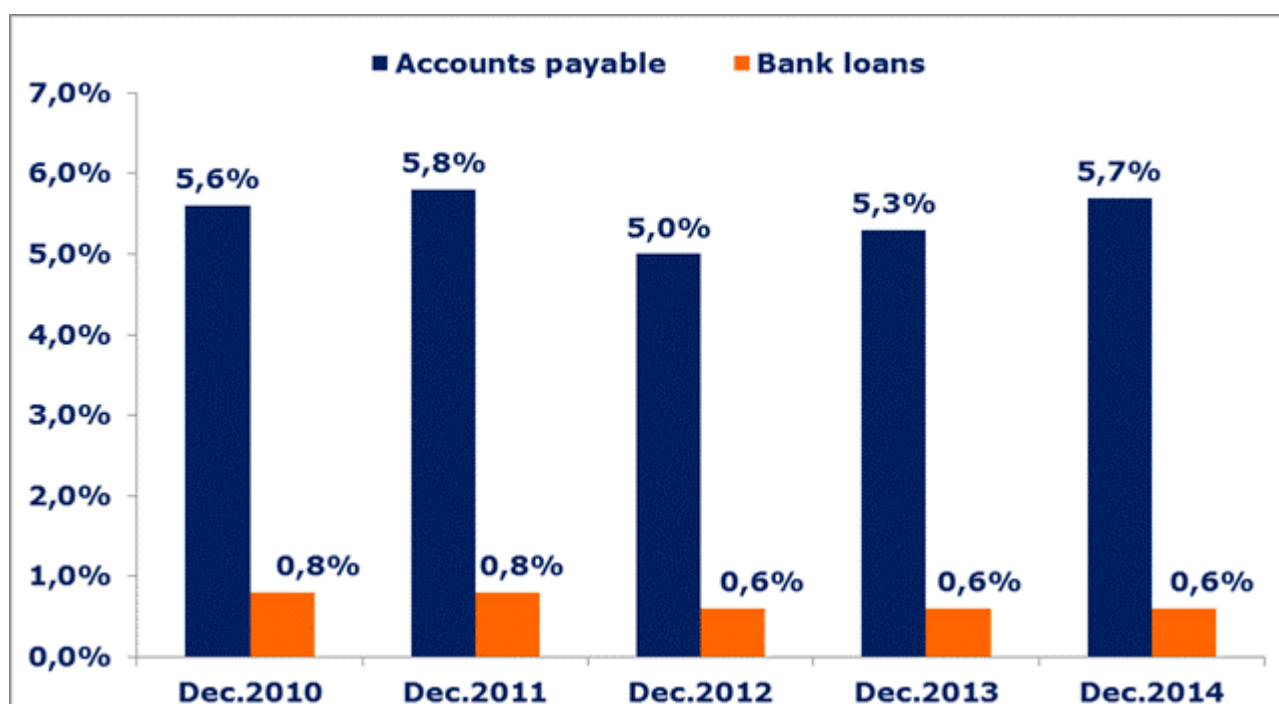
Although the economy remained profitable on the whole payment situation and bankruptcy figures deteriorated last year. In 2014, number of bankruptcies in Russia surged by 17% to 866 per month in comparison with 740 companies in 2013 and 818 companies in 2012.

### General payment situation

The payment situation in Russia has changed for the worse recently. Share of accounts payable outstanding in total amount was up to 5,7% in December 2014 in comparison with 5,3% in December 2013. Number of companies with accounts payable outstanding amounted to 9,657, down 8,5%, while the total amount surged by 28% in 2014. Amount of bank loans outstanding grew by 35,5% last year.

GRAPH 25.1 SOURCE: FEDERAL STATISTIC SERVICE

#### SHARE OF ACCOUNT PAYABLE AND BANK LOANS OUTSTANDING IN RUSSIA'S TOTAL, 2010-2014



The share of companies with accounts payable outstanding in the total number contracted from 0,22% in 2013 to 0,20% in 2014. Meanwhile, there is still a great difference in the payment situation in various sectors. In 2014, Production and distribution of electric energy, gas and water had still the highest share of companies with accounts payable outstanding (6,7%), while the total amount surged by 16,6%.

High shares of companies with accounts payable outstanding were registered in Production of fuel and energy resources (2,8%), Production of vehicles for transportation and equipment (2,3%), Ferrous and non-ferrous metals (2,2%). All the four sectors were in the list of the worst performers in 2013.

TABLE 25.2 SOURCE: FEDERAL STATISTIC SERVICE

### **BREAKDOWN OF ACCOUNT RECEIVABLE OUTSTANDING BY SECTORS IN RUSSIA, 2014**

|  | <b>Number of companies</b> | <b>Change</b> | <b>Share in total number</b> | <b>Change in p.p.</b> | <b>Amount. RuB bn</b> | <b>Change</b> |
|--|----------------------------|---------------|------------------------------|-----------------------|-----------------------|---------------|
| <b>Production and distribution of electric energy, gas and water</b> | <b>1 927</b>               | <b>-4,7%</b>  | <b>6,7%</b>                  | <b>-0,3</b>           | <b>379,0</b>          | <b>16,6%</b>  |
| <b>Production of fuel and energy resources</b>                       | <b>215</b>                 | <b>-6,5%</b>  | <b>2,8%</b>                  | <b>-0,2</b>           | <b>162,4</b>          | <b>3,8%</b>   |
| <b>Production of vehicles for transportation and equipment</b>       | <b>227</b>                 | <b>0,9%</b>   | <b>2,3%</b>                  | <b>0,0</b>            | <b>55,0</b>           | <b>20,4%</b>  |
| <b>Ferrous and non-ferrous metals</b>                                | <b>109</b>                 | <b>-5,2%</b>  | <b>2,2%</b>                  | <b>-0,1</b>           | <b>67,0</b>           | <b>0,0%</b>   |
| <b>Production of coke, oil products, nuclear materials</b>           | <b>37</b>                  | <b>-5,1%</b>  | <b>1,5%</b>                  | <b>-0,1</b>           | <b>317,6</b>          | <b>231,2%</b> |
| <b>Mining</b>  | <b>125</b>                 | <b>-12,6%</b> | <b>1,2%</b>                  | <b>-0,2</b>           | <b>17,8</b>           | <b>30,9%</b>  |
| <b>Production of other non-metallic mineral products</b>             | <b>274</b>                 | <b>-10,7%</b> | <b>0,9%</b>                  | <b>-0,1</b>           | <b>33,5</b>           | <b>-1,8%</b>  |
| <b>Chemical industry</b>   | <b>137</b>                 | <b>-4,2%</b>  | <b>0,9%</b>                  | <b>0,0</b>            | <b>38,2</b>           | <b>33,1%</b>  |
| <b>Production of electric, electronic and optical equipment</b>      | <b>267</b>                 | <b>-8,9%</b>  | <b>0,9%</b>                  | <b>-0,1</b>           | <b>16,6</b>           | <b>-2,4%</b>  |
| <b>Pulp and paper production, publishing and printing</b>            | <b>40</b>                  | <b>-7,0%</b>  | <b>0,9%</b>                  | <b>-0,1</b>           | <b>15,0</b>           | <b>1,4%</b>   |
| <b>Production of leather, leather products, footwear</b>             | <b>20</b>                  | <b>0,0%</b>   | <b>0,7%</b>                  | <b>0,0</b>            | <b>3,0</b>            | <b>400,0%</b> |
| <b>Agriculture, hunting and forestry</b>                             | <b>1 078</b>               | <b>-17,1%</b> | <b>0,6%</b>                  | <b>-0,1</b>           | <b>25,6</b>           | <b>-7,9%</b>  |
| <b>Communications</b>  | <b>149</b>                 | <b>19,2%</b>  | <b>0,5%</b>                  | <b>0,1</b>            | <b>12,5</b>           | <b>34,4%</b>  |
| <b>Production of food products, including beverages and tobacco</b>  | <b>291</b>                 | <b>-17,8%</b> | <b>0,5%</b>                  | <b>-0,1</b>           | <b>19,7</b>           | <b>-4,4%</b>  |
| <b>Production of machinery and equipment</b>                         | <b>274</b>                 | <b>-6,2%</b>  | <b>0,5%</b>                  | <b>0,0</b>            | <b>30,6</b>           | <b>27,0%</b>  |
| <b>Production of products from metals</b>                            | <b>166</b>                 | <b>-9,8%</b>  | <b>0,5%</b>                  | <b>0,0</b>            | <b>10,6</b>           | <b>-10,2%</b> |
| <b>Transport</b>   | <b>970</b>                 | <b>5,1%</b>   | <b>0,4%</b>                  | <b>0,0</b>            | <b>71,4</b>           | <b>74,1%</b>  |

|  |              |               |             |             |              |               |
|--|--------------|---------------|-------------|-------------|--------------|---------------|
| <b>Production of rubber and plastic products</b>                   | <b>55</b>    | <b>-9,8%</b>  | <b>0,3%</b> | <b>0,0</b>  | <b>3,7</b>   | <b>60,9%</b>  |
| <b>Fishery</b>   | <b>24</b>    | <b>-11,1%</b> | <b>0,3%</b> | <b>0,0</b>  | <b>0,9</b>   | <b>-35,7%</b> |
| <b>Textile and clothing industry</b>                               | <b>67</b>    | <b>-20,2%</b> | <b>0,2%</b> | <b>-0,1</b> | <b>4,4</b>   | <b>12,8%</b>  |
| <b>Wood-processing and production of wood products</b>             | <b>69</b>    | <b>-19,8%</b> | <b>0,2%</b> | <b>0,0</b>  | <b>7,1</b>   | <b>97,2%</b>  |
| <b>Construction</b>  | <b>795</b>   | <b>-10,9%</b> | <b>0,2%</b> | <b>0,0</b>  | <b>77,9</b>  | <b>5,7%</b>   |
| <b>Provision of other communal, social and individual services</b> | <b>493</b>   | <b>-3,5%</b>  | <b>0,2%</b> | <b>0,0</b>  | <b>10,1</b>  | <b>38,4%</b>  |
| <b>Real estate operations, leasing and services</b>                | <b>1 084</b> | <b>-6,1%</b>  | <b>0,1%</b> | <b>0,0</b>  | <b>74,3</b>  | <b>7,4%</b>   |
| <b>Printing and publishing</b>                                     | <b>59</b>    | <b>-13,2%</b> | <b>0,1%</b> | <b>0,0</b>  | <b>0,4</b>   | <b>-33,3%</b> |
| <b>Health care and social services</b>                             | <b>67</b>    | <b>-8,2%</b>  | <b>0,1%</b> | <b>0,0</b>  | <b>0,9</b>   | <b>0,0%</b>   |
| <b>Hotels and restaurants</b>                                      | <b>73</b>    | <b>-13,1%</b> | <b>0,1%</b> | <b>0,0</b>  | <b>0,9</b>   | <b>-35,7%</b> |
| <b>Education</b>   | <b>103</b>   | <b>8,4%</b>   | <b>0,1%</b> | <b>0,0</b>  | <b>0,3</b>   | <b>50,0%</b>  |
| <b>Trade in automotive vehicles, its maintenance and repairs</b>   | <b>71</b>    | <b>-5,3%</b>  | <b>0,1%</b> | <b>0,0</b>  | <b>5,8</b>   | <b>1,8%</b>   |
| <b>Retail trade, excluding trade in automotive vehicles</b>        | <b>143</b>   | <b>-10,6%</b> | <b>0,0%</b> | <b>0,0</b>  | <b>3,9</b>   | <b>30,0%</b>  |
| <b>Wholesale trade, excluding trade in automotive vehicles</b>     | <b>258</b>   | <b>-4,1%</b>  | <b>0,0%</b> | <b>0,0</b>  | <b>391,3</b> | <b>16,7%</b>  |

*\*In accordance with Russian Industrial Classification*

The list of the sectors with fast growing amounts of accounts payable outstanding included Production of leather, Leather products, Footwear, Production of coke, Oil products, Nuclear materials, Wood-processing and Production of wood products, Transport, Production of rubber and plastic products.

## Payment analysis

More detailed analysis of current payment practices in Russia, based on Interfax data, suggests that trends towards deterioration of the payment situation are not so evident yet. In 2014, share of the companies with on time payments was up to 74,0% against 68,8% in 2013. The group with payment performance up to 30 days cut its share to 24,2% while "bad payers" (Over 90 days) accounted for 1,8% (1,2% in 2013).

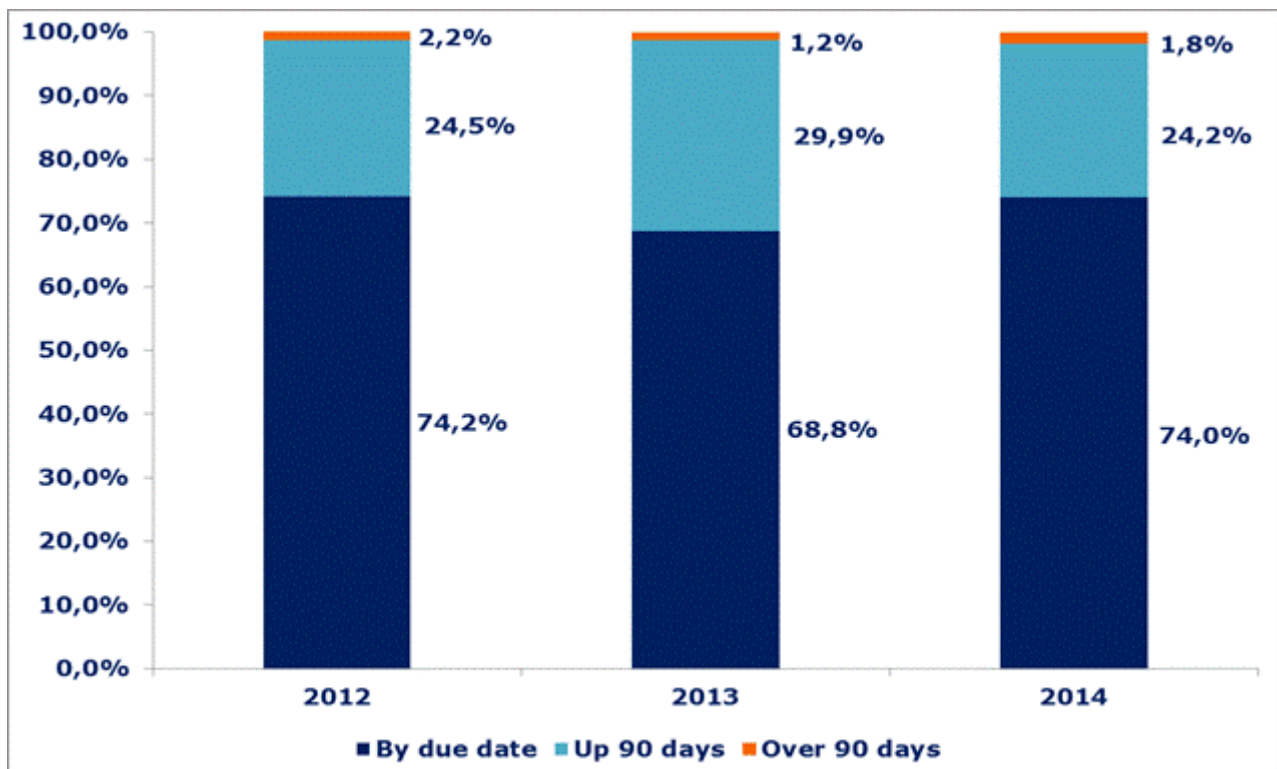
More detailed analysis of current payment practices in Russia, based on Interfax data, suggests that the payment situation remained relatively stable. Still, there was some deterioration due to a slowdown of Russia's economic growth. In 2013, share of the companies with on time payments fell to 68,8% against 74,2% in 2012.

A number of former "good payers" moved down mainly to the group with payment performance up to 30 days. Meanwhile, "bad payers" (Over 90 days) accounted for only 1,2% (2,2% in 2012).



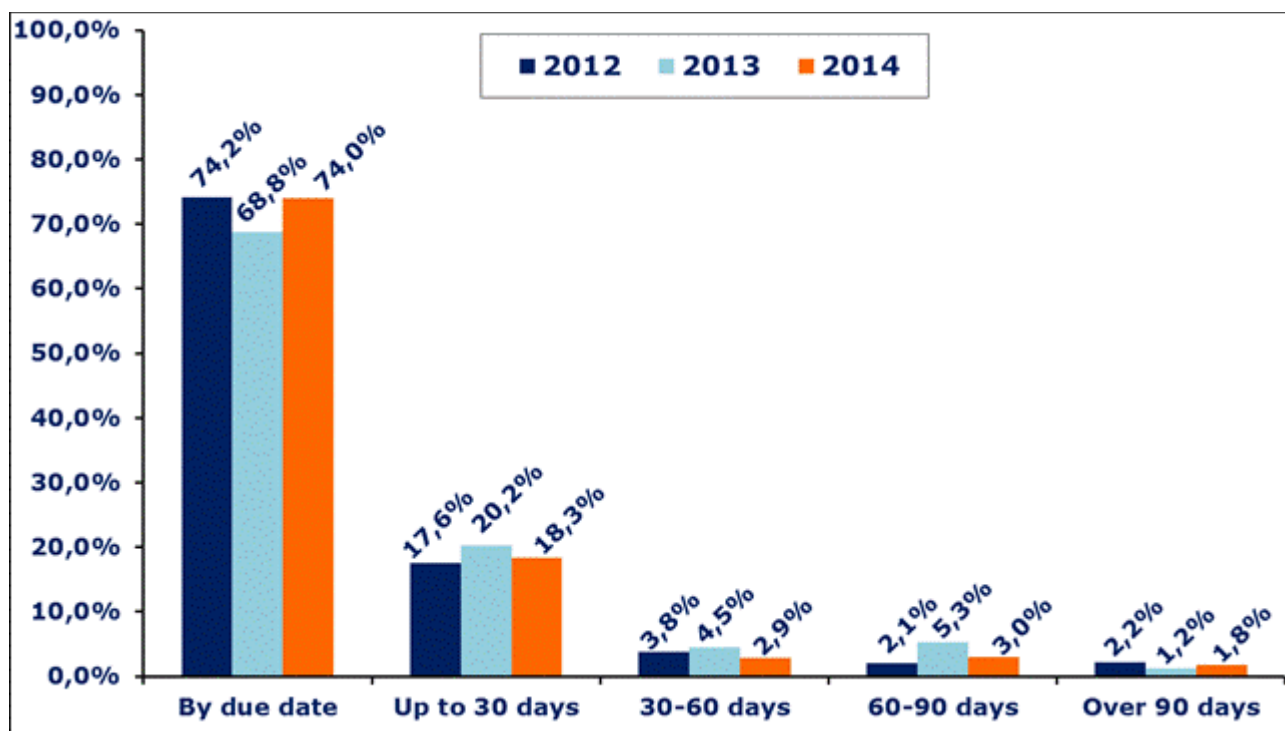
GRAPH 25.3 SOURCE: INTERFAX

### BREAKDOWN OF PAYMENT PRACTICES IN RUSSIA, 2012-2014



GRAPH 25.4 SOURCE: INTERFAX

### BREAKDOWN OF PAYMENT PRACTICES IN RUSSIA BY PAYMENT CLASS, 2012-2014



Breakdown of payment practices by company size showed that bigger companies used to have better payment behaviour in the last years. But in 2014 medium companies outperformed large companies by the share of “good payers”. Their shares amounted to 78,8% and 75,6% respectively. Small companies had the highest share of “Over 90 days” payments, amounting to 2,7%, up from 1,6% in 2013.

TABLE 25.5 SOURCE: INTERFAX

#### BREAKDOWN OF PAYMENT PRACTICES IN RUSSIA BY COMPANY SIZE IN 2012-2014

| 2014             |             |               |            |            |              |
|------------------|-------------|---------------|------------|------------|--------------|
|                  | By due date | Up to 30 days | 30-60 days | 60-90 days | Over 90 days |
| Small (~1-50)    | 64,6%       | 22.9%         | 4.7%       | 5.2%       | 2.7%         |
| Medium (~51-250) | 78,8%       | 15.1%         | 2.2%       | 2.3%       | 1.6%         |
| Large (>250)     | 75,6%       | 19.2%         | 2.2%       | 1.8%       | 1.2%         |
| 2013             |             |               |            |            |              |
|                  | By due date | Up to 30 days | 30-60 days | 60-90 days | Over 90 days |
| Small (~1-50)    | 63,0%       | 23,0%         | 5,7%       | 6,6%       | 1,6%         |
| Medium (~51-250) | 77,9%       | 15,7%         | 2,2%       | 3,5%       | 0,6%         |
| Large (>250)     | 82,3%       | 13,4%         | 2,1%       | 1,7%       | 0,5%         |
| 2012             |             |               |            |            |              |
|                  | By due date | Up to 30 days | 30-60 days | 60-90 days | Over 90 days |
| Small (~1-50)    | 68,8%       | 19,7%         | 5,8%       | 2,8%       | 2,8%         |
| Medium (~51-250) | 78,9%       | 15,4%         | 1,9%       | 1,5%       | 2,2%         |
| Large (>250)     | 81,6%       | 15,2%         | 1,3%       | 1,3%       | 0,6%         |

Meanwhile, breakdown of payment practices by sectors reveals relatively wide variations. In 2014, “good payers” dominated such sectors as Electronic and other electrical equipment (excluding computers), Steel works, Blast furnaces and Rolling and finishing mills, Tobacco products, Services-advertising, Lumber and wood products (No furniture). The share of companies in these sectors with “By due date” payments exceeded 85% last year.

TABLE 25.6 SOURCE: INTERFAX

**SECTORS WITH THE BEST PAYMENT RECORDS IN RUSSIA, 2014**

|   | <b>By due date</b> | <b>Up to 30 days</b> | <b>30-60 days</b> | <b>60-90 days</b> | <b>Over 90 days</b> |
|---|--------------------|----------------------|-------------------|-------------------|---------------------|
| <b>Electronic and Other Electrical Equipment (Excluding Computers )</b> | <b>91,2%</b>       | <b>5,3%</b>          | <b>3,5%</b>       | <b>0,0%</b>       | <b>0,0%</b>         |
| <b>Steel Works, Blast Furnaces and Rolling and Finishing Mills</b>      | <b>89,1%</b>       | <b>9,2%</b>          | <b>1,7%</b>       | <b>0,0%</b>       | <b>0,0%</b>         |
| <b>Tobacco Products</b>   | <b>88,9%</b>       | <b>5,6%</b>          | <b>5,6%</b>       | <b>0,0%</b>       | <b>0,0%</b>         |
| <b>Services-Advertising</b>   | <b>87,6%</b>       | <b>10,2%</b>         | <b>0,4%</b>       | <b>1,5%</b>       | <b>0,4%</b>         |
| <b>Lumber and Wood Products (No Furniture)</b>                          | <b>86,8%</b>       | <b>11,5%</b>         | <b>1,1%</b>       | <b>0,5%</b>       | <b>0,0%</b>         |
| <b>Furniture</b>  | <b>84,8%</b>       | <b>13,4%</b>         | <b>0,0%</b>       | <b>0,9%</b>       | <b>0,9%</b>         |
| <b>Glass and Glassware</b>  | <b>84,5%</b>       | <b>10,3%</b>         | <b>3,4%</b>       | <b>1,7%</b>       | <b>0,0%</b>         |
| <b>Services-Health Services</b>   | <b>83,8%</b>       | <b>13,1%</b>         | <b>1,5%</b>       | <b>1,5%</b>       | <b>0,0%</b>         |
| <b>Construction</b>   | <b>83,6%</b>       | <b>13,2%</b>         | <b>1,0%</b>       | <b>1,0%</b>       | <b>1,0%</b>         |
| <b>Real Estate</b>  | <b>82,8%</b>       | <b>11,9%</b>         | <b>2,6%</b>       | <b>2,0%</b>       | <b>0,7%</b>         |
| <b>Rubber and Plastics</b>  | <b>82,6%</b>       | <b>13,0%</b>         | <b>4,3%</b>       | <b>0,0%</b>       | <b>0,0%</b>         |
| <b>Leather and Leather Products</b>                                     | <b>82,3%</b>       | <b>11,5%</b>         | <b>1,8%</b>       | <b>3,5%</b>       | <b>0,9%</b>         |
| <b>Services-Personal Services</b>                                       | <b>81,3%</b>       | <b>12,4%</b>         | <b>3,6%</b>       | <b>2,1%</b>       | <b>0,5%</b>         |
| <b>Food and Kindred Products</b>  | <b>80,6%</b>       | <b>13,9%</b>         | <b>2,8%</b>       | <b>2,8%</b>       | <b>0,0%</b>         |
| <b>Insurance Agents, Brokers and Service</b>                            | <b>80,1%</b>       | <b>17,1%</b>         | <b>1,7%</b>       | <b>0,0%</b>       | <b>1,1%</b>         |

*\*In accordance with the Standard Industrial Classification*

The list of the worst payers included Local and suburban transit and interurban passenger transportation, hotels, Rooming houses, Camps and other lodging places, Air transportation, railroads, Line-haul operating, Textile mill products, Fabricated metal products. Less than 70% of companies in these sectors made payments by due date.

TABLE 25.7 SOURCE: INTERFAX

**SECTORS WITH THE WORST PAYMENT RECORDS IN RUSSIA, 2014**

|  | <b>By due date</b> | <b>Up to 30 days</b> | <b>30-60 days</b> | <b>60-90 days</b> | <b>Over 90 days</b> |
|--|--------------------|----------------------|-------------------|-------------------|---------------------|
| <b>Local, Suburban Transit and Interurban Passenger Transportation</b>   | <b>51.4%</b>       | <b>37.1%</b>         | <b>2.9%</b>       | <b>5.7%</b>       | <b>2.9%</b>         |
| <b>Hotels, Rooming Houses, Camps and Other Lodging Places</b>            | <b>64.9%</b>       | <b>27.6%</b>         | <b>2.5%</b>       | <b>3.9%</b>       | <b>1.0%</b>         |
| <b>Air Transportation</b>  | <b>65.5%</b>       | <b>22.7%</b>         | <b>2.9%</b>       | <b>5.0%</b>       | <b>3.9%</b>         |
| <b>Railroads, Line-Haul Operating</b>                                    | <b>67.3%</b>       | <b>23.0%</b>         | <b>4.2%</b>       | <b>1.8%</b>       | <b>3.6%</b>         |
| <b>Textile Mill Products</b>   | <b>67.6%</b>       | <b>23.0%</b>         | <b>0.7%</b>       | <b>5.0%</b>       | <b>3.6%</b>         |
| <b>Fabricated Metal Products</b>   | <b>69.2%</b>       | <b>23.1%</b>         | <b>0.0%</b>       | <b>1.9%</b>       | <b>5.8%</b>         |
| <b>Services-Automotive Repair, Services and Parking</b>                  | <b>70.0%</b>       | <b>21.4%</b>         | <b>5.0%</b>       | <b>2.1%</b>       | <b>1.4%</b>         |
| <b>Retail-Building Materials, Hardware, Garden Supply</b>                | <b>71.6%</b>       | <b>21.9%</b>         | <b>2.3%</b>       | <b>2.9%</b>       | <b>1.2%</b>         |
| <b>Apparel and Other Finished Prods Of Fabrics and Similar Materials</b> | <b>72.0%</b>       | <b>24.0%</b>         | <b>4.0%</b>       | <b>0.0%</b>       | <b>0.0%</b>         |
| <b>Mining and Quarrying Of Nonmetallic Minerals (No Fuels)</b>           | <b>72.7%</b>       | <b>13.6%</b>         | <b>4.5%</b>       | <b>0.0%</b>       | <b>9.1%</b>         |
| <b>Chemicals and Allied Products</b>                                     | <b>75.4%</b>       | <b>16.2%</b>         | <b>2.4%</b>       | <b>2.4%</b>       | <b>3.6%</b>         |
| <b>Wholesale Trade - Nondurable Goods</b>                                | <b>76.0%</b>       | <b>16.8%</b>         | <b>3.2%</b>       | <b>2.2%</b>       | <b>1.9%</b>         |
| <b>Retail-Auto Dealers and Gasoline Stations</b>                         | <b>76.3%</b>       | <b>16.5%</b>         | <b>2.9%</b>       | <b>2.9%</b>       | <b>1.4%</b>         |
| <b>Industrial And Commercial Machinery And Computer Equipment</b>        | <b>76.7%</b>       | <b>14.0%</b>         | <b>4.7%</b>       | <b>2.3%</b>       | <b>2.3%</b>         |
| <b>Wholesale-Durable Goods</b>   | <b>76.9%</b>       | <b>18.6%</b>         | <b>1.2%</b>       | <b>2.1%</b>       | <b>1.2%</b>         |

*\*In accordance with the Standard Industrial Classification*

Current Russia's economic difficulties have already affected to some extent the payment situation. Analysis of data from various sources shows that the economy is still maintaining mostly good payment practices. Still, some negative trends have emerged lately. Falling profits have already contributed to fast growth in amount of accounts payable outstanding that could result eventually in shift in payment practices towards later payment.

## 26. TURKEY

Below is the opinion of **Sedef Işıksel Çetin, Head of Economic Analysis Group, Products and CRIF Relations** at **CRIF Turkey**, on the economic scenario and payment situation in Turkey.

*"A number of events which took place in 2014: the rising political tension in the first quarter and the local elections, insufficient saving levels, geopolitical risk due to sporadic fights on southeastern borders of Turkey, presidential election. There is also an external factor which is the FED's monetary policies being against the developing countries resulting a devaluation of Turkish Lira.*

*It was depressing to observe negative expectations via CRIF Turkey's Business Optimism Index, due to the political insecurity on first quarter of 2014, but after the elections this negative outlook left its position to stability. The Index stood at 41.06 in Q4 2014.*

*According to Credit Risk Map of Turkey in 2014, credit risk climbs due to the factors stated above. Turkey Credit Risk Index reached the lowest point since 2011 when the index calculations started. It can be understood that economic growth will be lower than expectations after two election periods and increase in geopolitical risk. As in previous periods, the highest risk bearing business line was retail trade, whereas the lowest risk activity was in manufacturing.*

*Our Trade Receivables Survey which we conducted in early Q4 2014 indicated that 77% of the respondents' customers asked for an extension in term in last 12 months, it was 68% in last year's survey. In 59% of the companies, the ratio of uncollectible receivables to total turnover is below 1%.*

*In Turkey, credit terms are defined according to industry dynamics and the relationship between the suppliers and their customers. Economic players in Turkey, facing with an uncertain outlook tend to step on the brake, postpone investments, reduce expenditure and usually pay late to be more liquid.*

*Normal period of credit associated with transactions with companies in Turkey is 60-90 days. Below you may find average terms of several industries."*

| Terms (days) | Sector                        | Terms (days) | Sector                 |
|--------------|-------------------------------|--------------|------------------------|
| 30-45        | Transportation (air)          | 60-90        | Agriculture            |
| 45-60        | Transportation (water & land) | 30-60        | Food                   |
| 30-60        | Machinery parts               | 45 -60       | Electronics            |
| 0-15         | Cables                        | 60 -90       | Construction materials |
| 60-90        | Textile                       | 15-30        | Operational Leasing    |
| 45-60        | Cosmetics                     | 30-60        | FMCG                   |
| 60-90        | Power Equipment               | 60-90        | Healthcare             |
| 15-45        | Business Services             | 120-150      | Paint                  |
| 30-60        | Consumer Goods                | 30-60        | Tourism                |
| 30-90        | Chemicals                     |              |                        |

## Payment analysis

In 2014, Turkish companies that paid their suppliers on time ("By due date" class) accounted for 51,5% of the total with a 3,1 percentage point decrease compared with 2013 and 13,9 percentage points above the European average.

Moderate late payments (Up to 30 days), on the other hand, account for 33,2% of Turkish companies, while the intermediate late payment classes (30-60 days and 60-90 days) together account for 11 percentage points.

The variations for the late payment class of over 90 days are contained: at the end of 2014 the concentration of companies in this bracket was 4,3%, compared to 4,4% in 2013, but of these only 0,4% pay more than 120 days late on average.

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 51,1% of the total, followed in second place by Large companies with 50,6%.

Medium companies, on the other hand, have the highest concentration in the moderate late payment class of up to 30 days on average (35,9%).

Late payment of between 30 and 90 days on average is highest in the Large category, with 12% of the total.

In terms of serious late payments, the worst performance is once again seen for the Micro companies: 5,2% exceed an average of 90 days beyond agreed payment terms.

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 Retail trade: in this case, 62,3% of companies manage to pay within agreed terms.

For the Manufacturing and Mining sectors, on the other hand, there is a lower share of on time payments of less than 47,5%.

Late payments are concentrated in the "Up to 30 days" class, with the highest percentages for Manufacturing (36,9%), 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 12,7% of the total.

This industry is also the one with the highest percentage in the late payment class: 13,8% of its companies pay with more than 90 days of delay.

As regarding the micro-sectors in terms of payment performance, in first place in the classification of best-paying are Food stores and Membership organizations.

On the contrary, the worst performance relates to the Health services and Educational services sectors.

TABLE 26.1 SOURCE: CRIF TURKEY

**PERCENTAGE OF COMPANIES IN TURKEY WITH ON TIME PAYMENTS, 2012-2014**

|               | <b>2012</b>  | <b>2013</b>  | <b>2014</b>  |
|---------------|--------------|--------------|--------------|
| <b>Turkey</b> | <b>52,1%</b> | <b>54,6%</b> | <b>51,5%</b> |
| <b>Europe</b> | <b>39,1%</b> | <b>38,0%</b> | <b>37,6%</b> |

TABLE 26.2 SOURCE: CRIF TURKEY

**PERCENTAGE OF COMPANIES IN TURKEY WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2012-2014**

|               | <b>2012</b> | <b>2013</b> | <b>2014</b> |
|---------------|-------------|-------------|-------------|
| <b>Turkey</b> | <b>4,9%</b> | <b>4,4%</b> | <b>4,3%</b> |
| <b>Europe</b> | <b>3,3%</b> | <b>3,9%</b> | <b>3,8%</b> |

TABLE 26.3 SOURCE: CRIF TURKEY

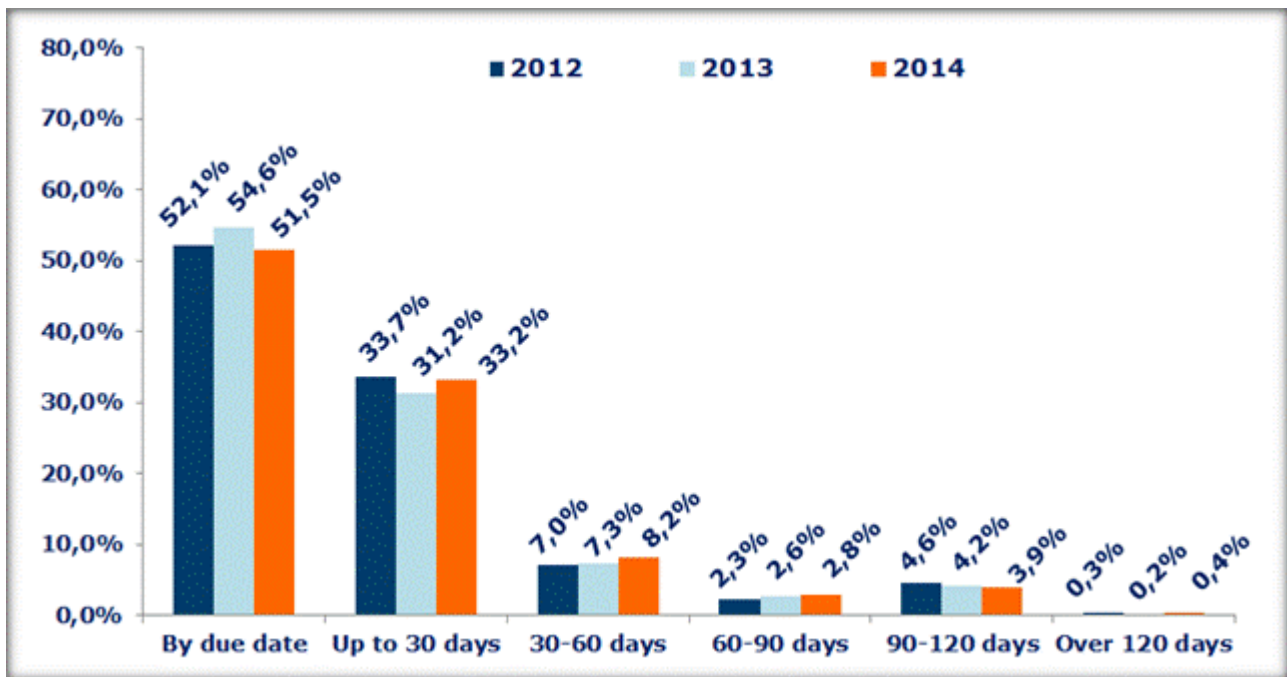
**VARIATIONS IN PAYMENT PRACTICES IN TURKEY, 2012-2014**

|                      | <b>Variation<br/>2012/2014</b> | <b>Variation<br/>2013/2014</b> |
|----------------------|--------------------------------|--------------------------------|
| <b>By due date</b>   | <b>-0,6%</b>                   | <b>-3,1%</b>                   |
| <b>Up to 90 days</b> | <b>1,2%</b>                    | <b>3,2%</b>                    |
| <b>Over 90 days</b>  | <b>0,6%</b>                    | <b>-0,1%</b>                   |



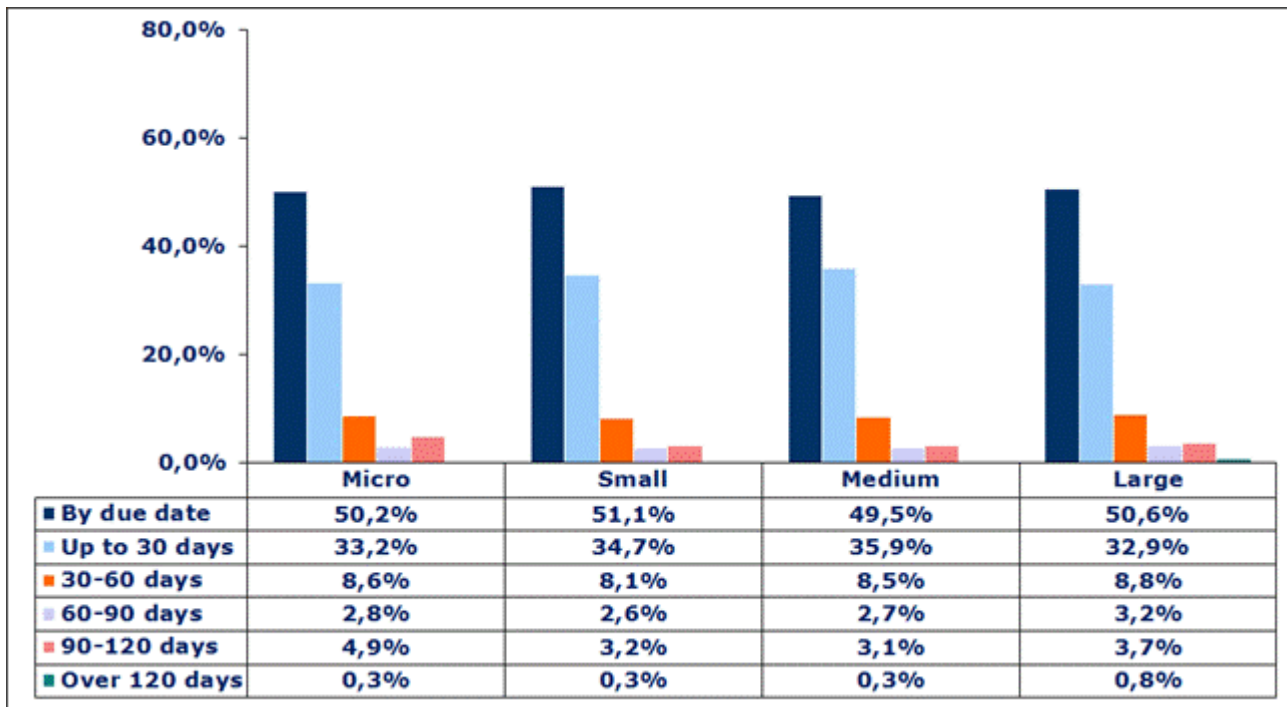
GRAPH 26.4 SOURCE: CRIF TURKEY

# PAYMENT PRACTICES IN TURKEY BY PAYMENT CLASS, 2012-2014



GRAPH 26.5 SOURCE: CRIF TURKEY

# PAYMENT PRACTICES IN TURKEY BY TYPE OF COMPANY, 2014



GRAPH 26.6 SOURCE: CRIF TURKEY

### PAYMENT PRACTICES IN TURKEY BY PRODUCT SECTOR, 2014

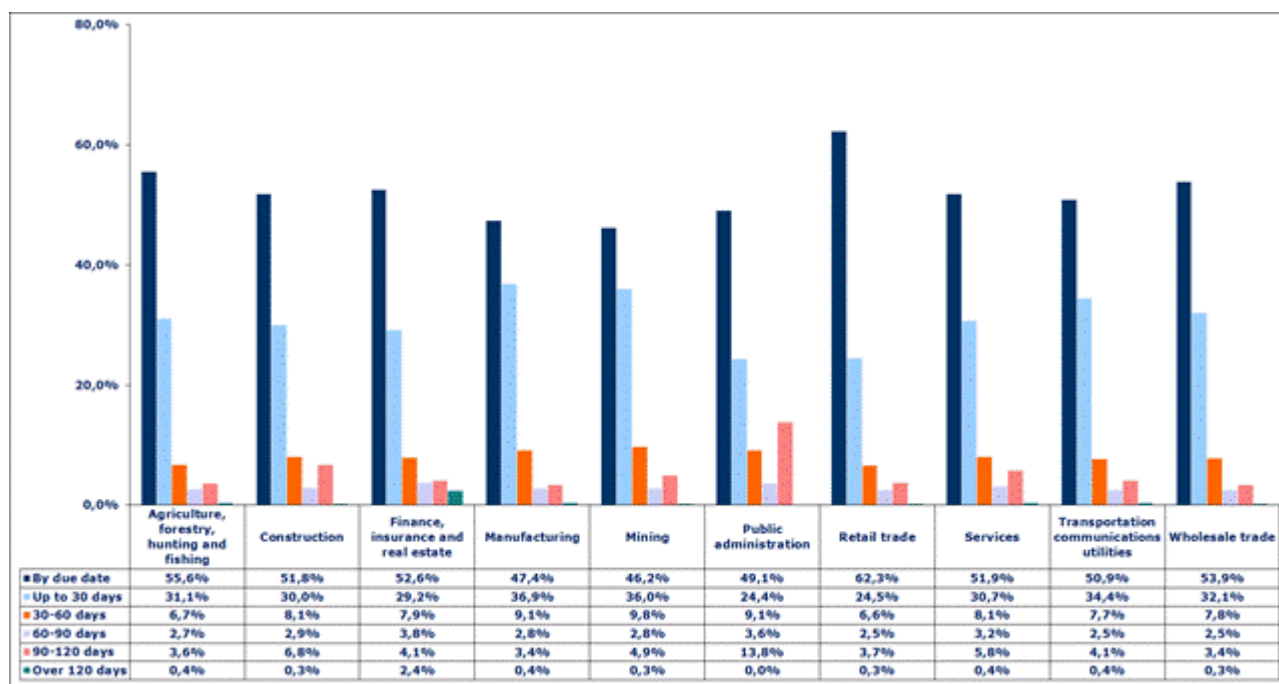


TABLE 26.7 SOURCE: CRIF TURKEY

### SECTORS WITH THE BEST PAYMENT RECORDS IN TURKEY, 2014

| Sector                                  | Ranking 2014 |
|---|--------------|
| FOOD STORES                             | 1            |
| MEMBERSHIP ORGANIZATIONS                | 2            |
| AUTO REPAIR, SERVICES AND PARKING       | 3            |
| NON-DEPOSITORY INSTITUTIONS             | 4            |
| REAL ESTATE                             | 5            |
| WHOLESALE TRADE - NONDURABLE GOODS      | 6            |
| WATER TRANSPORTATION                    | 7            |
| BUSINESS SERVICES                       | 8            |
| AUTOMOTIVE DEALERS AND SERVICE STATIONS | 9            |
| AGRICULTURAL PRODUCTION - CROPS         | 10           |

TABLE 26.8 SOURCE: CRIF TURKEY

**SECTORS WITH THE WORST PAYMENT RECORDS IN TURKEY, 2014**

| <b>Sector</b>                                 | <b>Ranking 2014</b> |
|---|---------------------|
| <b>HEALTH SERVICES</b>                        | <b>65</b>           |
| <b>EDUCATIONAL SERVICES</b>                   | <b>64</b>           |
| <b>HEAVY CONSTRUCTION, EXCEPT BUILDING</b>    | <b>63</b>           |
| <b>COMMUNICATION</b>                          | <b>62</b>           |
| <b>DEPOSITORY INSTITUTIONS</b>                | <b>61</b>           |
| <b>BUILDING MATERIALS AND GARDEN SUPPLIES</b> | <b>60</b>           |
| <b>INSURANCE CARRIERS</b>                     | <b>59</b>           |
| <b>GENERAL BUILDING CONTRACTORS</b>           | <b>58</b>           |
| <b>MISCELLANEOUS REPAIR SERVICES</b>          | <b>57</b>           |
| <b>PRINTING AND PUBLISHING</b>                | <b>56</b>           |

## 27. GREECE

Below is the opinion of **Leonidas Kotsaftis, Credit Risk Services Executive Director** at **ICAP Group**, on the economic scenario and payment situation in Greece.

*"After six years of deep recession, the Greek economy is at a turning point of slightly returning to growth. The prolonged economic crisis of recent years has affected the entire private sector in Greece and their financial results have received heavy blows in all business activities. However, although in 2014 there have been significant improvements in macroeconomic environment, the companies' financial problems and challenges remain substantial.*

*As expected, this situation has also affected companies' liquidity and payment behavior.*

*Based in 2014 Trade Exchange statistics we noted the following:*

- *A quite sizable percentage of companies seem to repay within terms (this category includes also payments in cash). This can be partly justified by the fact that suppliers have minimized or dramatically reduced the credit days in order to minimize their exposure to credit risk and thus to ensure their cash flow. This finding is also explained by the fact that the majority of the companies that are included in this category are SMEs. This means that companies of this scale do not have the adequate financials and the bargaining power to request suppliers to differentiate, to be more flexible and open in their credit terms.*
- *The majority of companies that faced delays in their payments (app. 39%), fulfilled their obligations to Trade Partners with average past due between 30 and 60 days. This average tends to be reducing compared to 2013 Trade Exchange data which confirms the turn of Greek economy to a more positive outlook.*
- *All business activity sectors (industry, trade, tourism, constructions and services) display, more or less, the same trend in their payments transactions fulfillment.*

*The main conclusion is that Greek companies regardless of the negative economic environment, the fall in consumption and the lack of liquidity, still have the ability to meet their obligations within a respectively medium delay in days."*

### Payment analysis

In 2014, Greek companies that paid their suppliers on time ("By due date" class) accounted only for 32,3% of the total, 5,3 percentage points above the European average.

Moderate late payments (Up to 30 days), on the other hand, account for 22,1 percentage points, while the intermediate late payment classes (30-60 days and 60-90 days) together reach 26,1%.

The negative performance is also seen in the "Up to 90 days" class: at the end of 2014 the concentration of companies in this bracket was 19,5% (- vs. 3,8% of European average) and almost 12% pay more than 120 days late on average.

These are the highest percentages recorded among all the European countries analyzed in the Payment Study.

Micro and Small companies have the highest concentration of punctual payers, with more than 32% of the total.

Large companies, on the other hand, have the highest concentration in the moderate late payment class of up to 30 days on average (36,5%), while only 14,2% pay by due date.

In terms of serious late payments, the worst performance is once again seen for the Micro companies: 21,8% exceed an average of 90 days beyond agreed payment terms and more than 13% of them belong to "Over 120 days" class.

It's important to underline that also in the other categories analyzed late payments of more than 90 days reach remarkable values (more than 16%).

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 Construction: in this case, 36,4% of companies manage to pay within agreed terms.

For the Retail trade sector, on the other hand, there is a lower share of on time payments of less than 25,2%.

Late payments are concentrated in the "Up to 30 days" class, with the highest percentages for Transport, distribution (32,4%), whereas the highest concentration for the intermediate payment classes (between 30 and 90 days over payment terms) was seen for the Construction sector with 28,8% of the total.

Finally, the most serious late payment class (over 90 days on average) is highest in the Retail trade sector (23,7%), followed by Construction with the 21,1% of the total.

TABLE 27.1 SOURCE: ICAP GROUP

#### PERCENTAGE OF COMPANIES IN GREECE WITH ON TIME PAYMENTS, 2014

|        | 2014  |
|--------|-------|
| Greece | 32,3% |
| Europe | 37,6% |

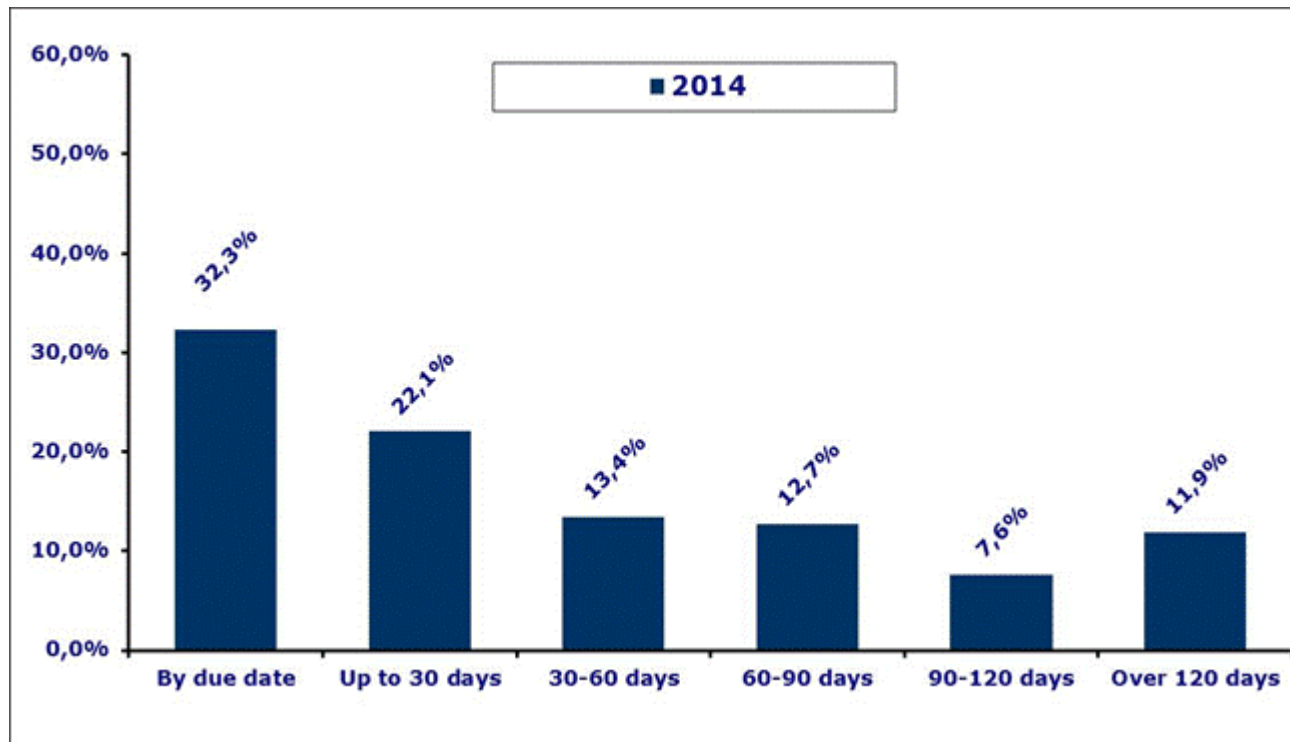
TABLE 27.2 SOURCE: ICAP GROUP

#### PERCENTAGE OF COMPANIES IN GREECE WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2014

|        | 2014  |
|--------|-------|
| Greece | 19,5% |
| Europe | 3,8%  |

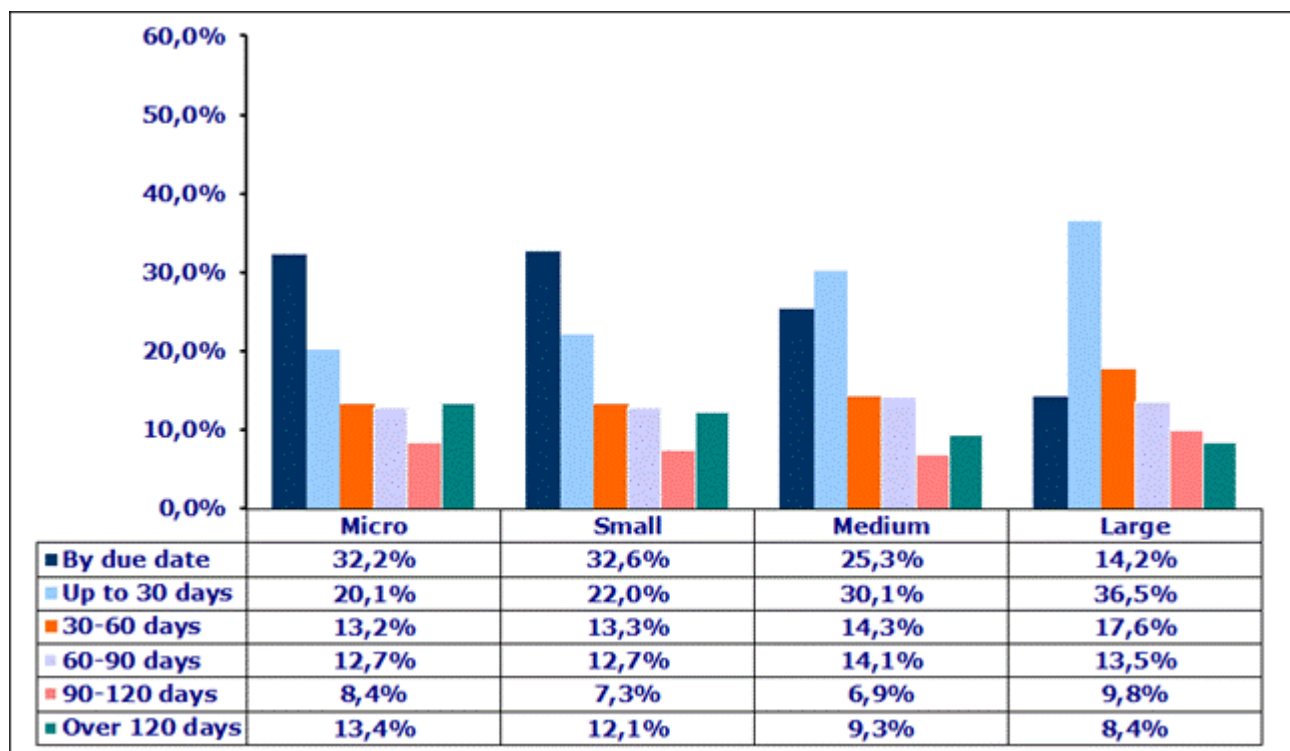
GRAPH 27.3 SOURCE: ICAP GROUP

### PAYMENT PRACTICES IN GREECE BY PAYMENT CLASS, 2014

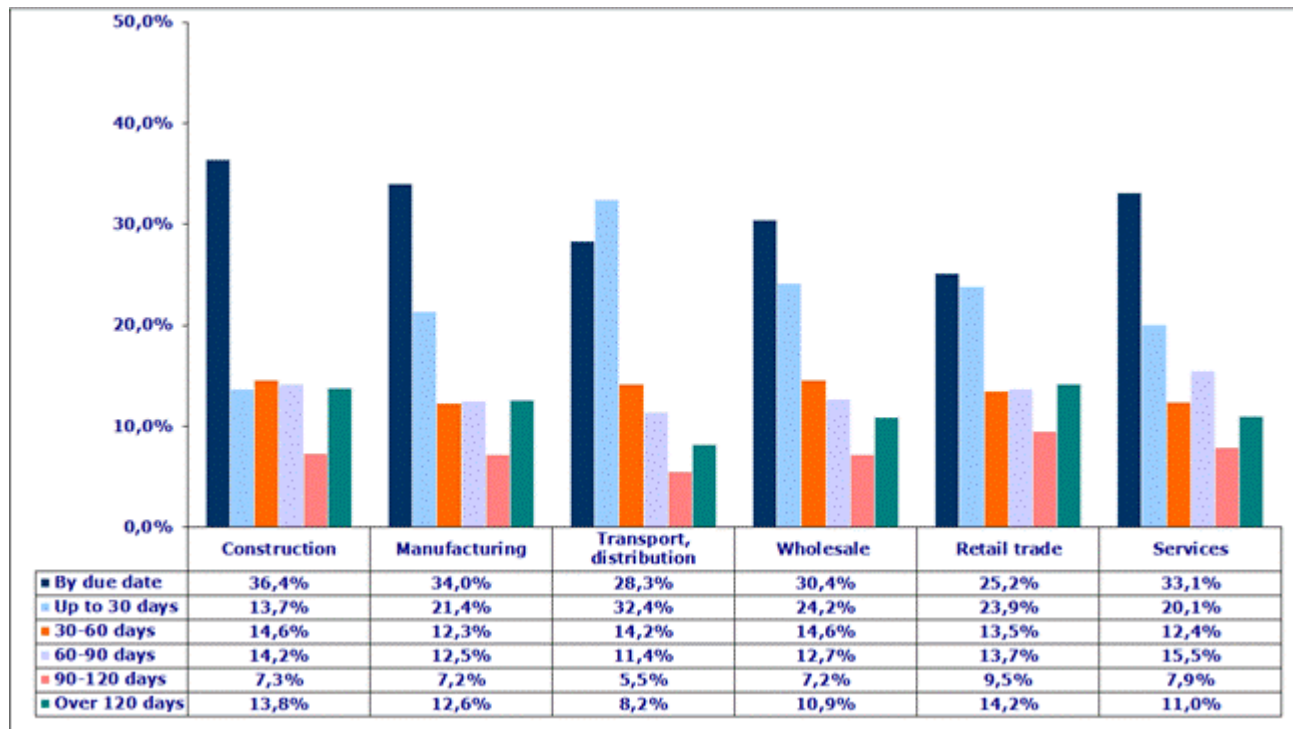


GRAPH 27.4 SOURCE: ICAP GROUP

### PAYMENT PRACTICES IN GREECE BY TYPE OF COMPANY, 2014



**PAYMENT PRACTICES IN GREECE BY PRODUCT SECTOR, 2014**





## 28. IRELAND

Below is the opinion of **Daniele Fraietta, Senior Economist** at **Dun & Bradstreet Ltd**, on the economic scenario and payment situation in Ireland.

*"While the pace of growth slowed in Q3, Ireland remains on track to post the fastest growth in the EU for 2014, which we forecast at 4.5%, up from 0.2% in 2013. A broad range of economic indicators are now confirming that the Irish economic recovery, which became apparent in mid-2013, has become solid and broad based. Chief among these indicators is the continuing increase in employment creation and associated fall in the unemployment rate, which stood at 10.7% in November, below the EU average and down from 15.1% in early 2012. The increase in employment is helping domestic demand to make its first positive contribution to GDP growth since 2007, but it remains about 18% below its peak of that year. Also of note is the improving fiscal situation, with exchequer returns for 2014 on track to be about 9% ahead of 2013, and about 3% (€1bn) ahead of target, while spending remains broadly on target. The Irish government introduced a broadly neutral budget for 2015, the first non-austerity budget since 2009, which is expected to deliver a government deficit of 2.7% for 2015, below the European Commission Excessive Deficit Target of 3%.*

*Consumer prices in November fell for the third consecutive month and were only 0.2% higher than November 2013. For a country with very high levels of public and private sector debt, a low inflation environment is not optimal for reducing debt burdens. Should deflation take hold in 2015, the real value of those debts will rise. On balance, however, it would appear more likely that prices will pick up during 2015 as the economy continues to recover, and we forecast average inflation of 1% for 2015.*

*The main legacy effects of the Irish economic crises of 2008-13 are high government and household debt, high levels of unemployment, and historically low rates of investment, which will constrain long-term growth potential. However, significant structural reforms have been implemented as part of the EU/IMF bailout programme of 2010-13. These reforms will improve the future productive capacity of the Irish economy, most notably in the areas of competition policy, taxation reforms, employment support services and macro-prudential monitoring systems. As a small open economy, Ireland will remain highly exposed to external market conditions. In this respect, the observed continuing recovery in Ireland's main trading partners, the UK and the US, bodes well for the country's export-led recovery. However, weak growth prospects for the euro zone remain a concern. Investment spending currently stands at 16% of GDP, well below the long-term average of 26%, but is on a steep upward trajectory. Living standards in Ireland, measured by national income per capita in purchasing power parity terms, will remain relatively high in comparison with the rest of Europe.*

*The effect of the dramatic fall in house prices between 2008 and 2013 had serious negative consequences for total wealth in Ireland. The direct effects of this include a painful deleveraging process accompanied by an increase in the savings ratio, as households attempt to improve their net financial asset position. Although nominal debt levels are falling, the ratio of debt to disposable income remains elevated, second only to The Netherlands in a European context. According to the Irish Central Bank, empirical evidence suggests that house price bubbles result in deeper and more prolonged recessions than other forms of asset price volatility.*

We believe that over the medium term Ireland should be in a reasonable position to sustain average long-term economic growth rates in the range of 1.8-2.8%. Productivity improvements via reduced unit labour costs were significant between 2009 and 2011, but will be more difficult to sustain as employment and wages adjustments have largely already taken place.

Many factors make Ireland an attractive country in which to invest. Some of the reasons for high levels of EU and US investment include a skilled workforce, speakers of the English language, and access to European markets, but generous tax and other incentives are also significant. FDI has played a central role in the recovery of the Irish economy and policy-making in this area is regarded as particularly strong. A large proportion of the manufacturing workforce is employed in high technology; the authorities have marketed Ireland as a location for this sector, preferring high value-added investments, such as computer hardware and software production, over low-cost manufacturing. Ireland has built up particular competence in areas such as pharma, biopharm, medical device technology, engineering, electronics, and food science. The World Bank's Doing Business 2015 report ranks Ireland a strong 13 out of 189 countries for overall ease of doing business, up two places on 2014."

|   | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Real GDP growth (%)</b>                | 5.18   | -2.97  | -6.99  | -0.43  | 1.09   | 0.2    | -0.3   | 4      |
| <b>Nominal GDP in USDbn</b>               | 260.18 | 264.69 | 223.05 | 207.99 | 216.82 | 203.67 | 212.2  | 239.32 |
| <b>Nominal GDP in local currency (bn)</b> | 190    | 180    | 161    | 156    | 156    | 159    | 159    | 177    |
| <b>GDP per Capita in USD</b>              | 60,634 | 60,821 | 50,578 | 46,551 | 47,937 | 44,509 | 45,861 | 51,170 |
| <b>Population (year-end, m)</b>           | 4.29   | 4.35   | 4.41   | 4.47   | 4.52   | 4.58   | 4.63   | 4.68   |
| <b>Exchange rate (yr ave, USD-LCU)</b>    | 0.73   | 0.68   | 0.72   | 0.75   | 0.72   | 0.78   | 0.75   | 0.74   |
| <b>Current Account in USDbn</b>           | -13.85 | -15.3  | -6.29  | 0.95   | 0.14   | 2.98   | 9.98   | 13     |
| <b>Current Account (% of GDP)</b>         | -5.32  | -5.78  | -2.82  | 0.46   | 0.07   | 1.46   | 4.7    | 5.43   |
| <b>FX reserves (year-end, USDbn)</b>      | 0.22   | 0.22   | 0.28   | 0.3    | 0.32   | 0.33   | 0.33   | 0.35   |
| <b>Import Cover (months)</b>              | 0.98   | 0.86   | 1.42   | 1.34   | 1.21   | 1.31   | 1.32   | 1.4    |
| <b>Inflation (annual ave, %)</b>          | 2.9    | 3.1    | -1.7   | -1.6   | 1.2    | 1.9    | 0.5    | 0.5    |
| <b>Govt Balance (% GDP)</b>               | 0.2    | -7     | -13.9  | -32.4  | -12.6  | -8     | -7.5   | -3.8   |

Source: D&B

## Payment analysis

In 2014, Irish companies that paid their suppliers on time ("By due date" class) accounted only for 29,2% of the total, registering 3 percentage points increase compared with 2013, but 8,4 percentage points above the European average.

Moderate late payments (Up to 30 days), on the other hand, account for 60,2%, while the intermediate late payment classes (30-60 days and 60-90 days) together account for 6,7 percentage points.

A better performance is seen in the "Over 90 days" class with a reduction of 0,5 percentage points: at the end of last year the concentration of companies in this bracket was 3,9%, compared to 4,4% in 2013 and in line with the continental data.

As regards the payment practices 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 Finance services and Services sectors is 37,6% and 34,8% respectively, meanwhile the other sectors have between 19,1% (Construction) and 28,5% (Transport, distribution) of companies in the "By Due Date" class.

In almost all Irish sectors there is a tendency for payments to be late by between 1 and 30 days, with values varying between 54,1% for Finance services and 67,7% for Construction.

For the intermediate late payment class (between 30 and 90 days on average), the highest value is seen for the Construction sector with 9,4%, followed by Retail trade sector with 7,5% of the sample.

Finally, the most serious late payment class (over 90 days on average) is highest in the Retail trade sector, with a share of 6,9% in this class.

TABLE 28.1 SOURCE: DUN & BRADSTREET LTD

### PERCENTAGE OF COMPANIES IN IRELAND WITH ON TIME PAYMENTS, 2012-2014

|         | 2012  | 2013  | 2014  |
|---------|-------|-------|-------|
| Ireland | 26,4% | 26,2% | 29,2% |
| Europe  | 39,1% | 38,0% | 37,6% |

TABLE 28.2 SOURCE: DUN & BRADSTREET LTD

### PERCENTAGE OF COMPANIES IN IRELAND WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2012-2014

|         | 2012 | 2013 | 2014 |
|---------|------|------|------|
| Ireland | 3,4% | 4,4% | 3,9% |
| Europe  | 3,3% | 3,9% | 3,8% |

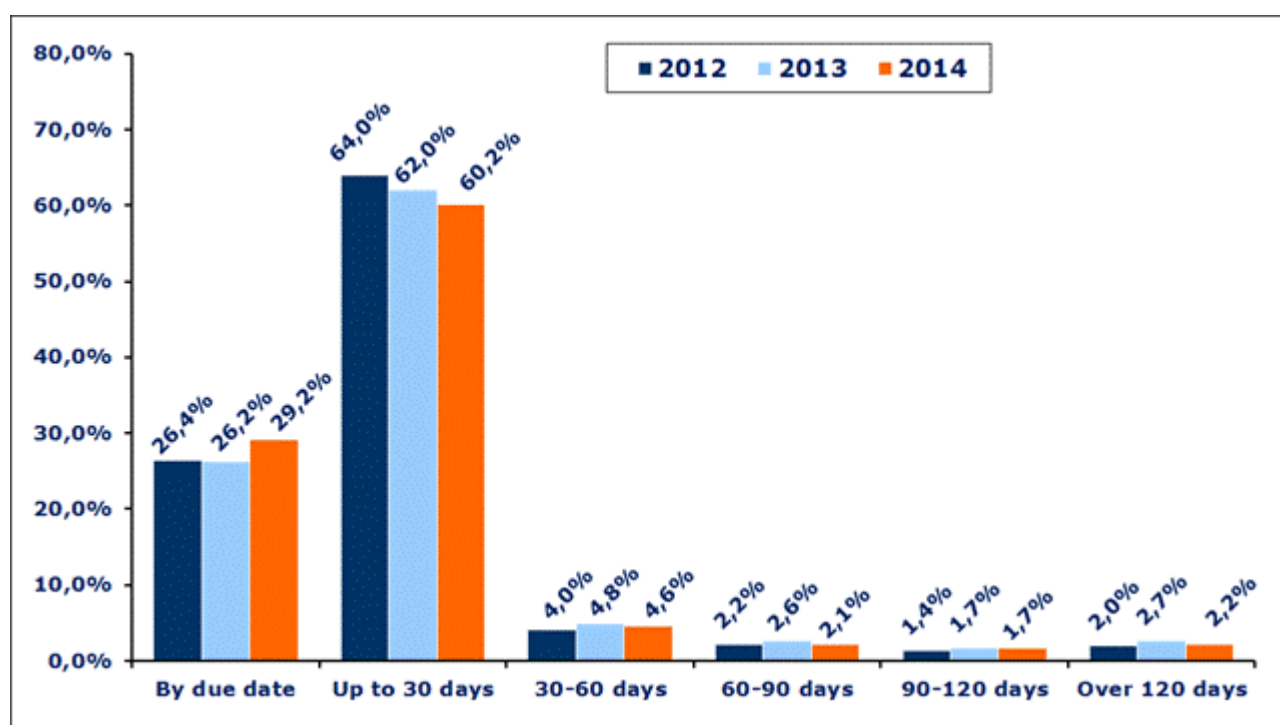
TABLE 28.3 SOURCE: DUN & BRADSTREET LTD

### VARIATIONS IN PAYMENT PRACTICES IN IRELAND, 2012-2014

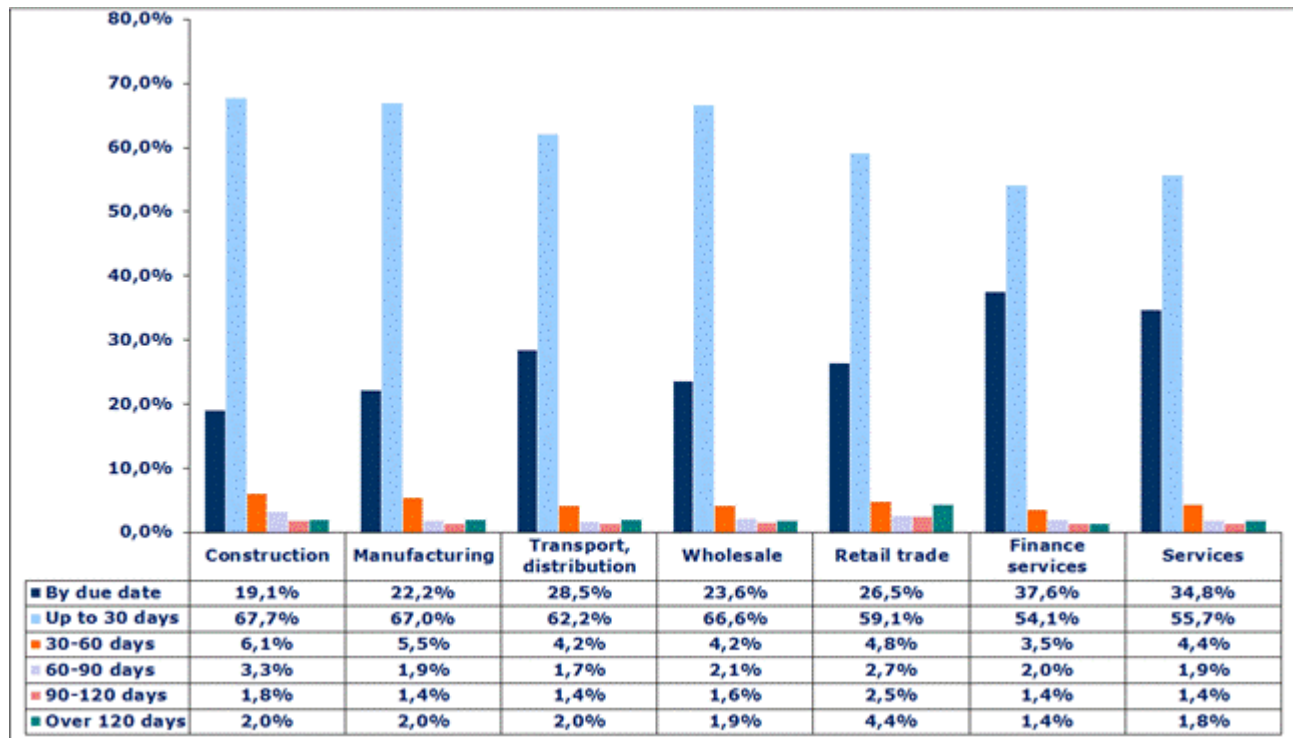
|               | Variation<br>2012/2014 | Variation<br>2013/2014 |
|---------------|------------------------|------------------------|
| By due date   | 2,8%                   | 3,0%                   |
| Up to 90 days | -3,3%                  | -2,5%                  |
| Over 90 days  | 0,5%                   | -0,5%                  |

GRAPH 28.4 SOURCE: DUN & BRADSTREET LTD

### PAYMENT PRACTICES IN IRELAND BY PAYMENT CLASS, 2012-2014



**PAYMENT PRACTICES IN IRELAND BY PRODUCT SECTOR, 2014**



## 29. 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 (January 2015), Italian consumption started to increase moderately, in line with the trend of disposable income supported by the measures taken by the Government.*

*This contribution to economic growth was offset by the decline in investments, held back by the high uncertainty about demand prospects and difficulties building.*

*In the summer of 2014 the number of employed is increased, although slowly; after three quarters of substantial stagnation, mount hours worked got back to grow both in manufacturing sector both services sector.*

*Nevertheless, the employment recovery is still fragile, as indicated by preliminary data for October and November: companies' expectations about the evolution of job application in early 2015 continue to be negative.*

*The dynamics of consumer prices remains weak: in December was at -0,1 in Italy and it could continue to shrink as a result of the fall in prices of energy products.*

*On the basis of the recent "Bank of Italy-II Sole 24 Ore survey" companies plan to keep basically stable the selling prices of its products in 2015.*

*Supply conditions of credit businesses have improved, but remain more stringent for the smaller ones; average interest rates on new loans decreased gradually, even if they continue to be higher than those in the euro area (by about 30 basis points for businesses and households).*

*The actual scenario, therefore, continues to be subject to high uncertainty. Trends of economic activity might be affected by the major crackdown of tensions on international financial markets, associated with the evolution of the political situation in some countries and a weakening of the emerging economies.*

*Aggressive monetary support measures could contrast the low inflation and the weakness of economic activity in Europe and in Italy.*

*The effects would be more if we consider also the impact that the new measures could have on confidence and on the inflation expectations of households and businesses.*

*Today only 36,3% of Italian companies pay their supplier on time, the worst performance of the last five years (-4,5% compared to a year ago, but -18% compared to the positive peak of 2012).*

*The share of invoices paid over a month after the deadline is stable at 15,7%, a value which is almost three times (+185.5) the end 2010.*

*The system of commercial payments in Italy has changed radically with the persistence of the crisis and to pay for this new scenario is especially the retail trade, the end point of all industrial sectors: only a quarter (25,4%) of companies have complied with the terms of payment on time, while another quarter (24,6 percent) has paid the bills with more than a month late. Comparison with the data of end 2010 is symptomatic of the difficulties experienced by the 1,2 million commercial enterprises (equal to about one-fifth of the country's business population): the percentage of serious delays grew 232,4%, a figure which is likely to affect the entire national economic system.*



*The growth of serious delays that had characterized the past few years has stopped, but we should not expect to come back to pre-crisis levels. During the crisis companies have experienced a tremendous change in the management of payments and trade credit.*

*On one hand, today they operate in a more complex and risky context than in the past: more frequent failures, greater volatility of the counterparts' reliability, high risk of delays and outstanding accounts, also by the historical and loyal customers.*

*On the other hand, companies have learned to better manage trade credit and give it a central role of customer management.*

*The confirmation comes just from the privileged observatory of thousands of customers represented by CRIBIS D&B: companies that have achieved the best results are those who have dealt with the problem of late and unpaid accounts with a more advanced and sophisticated approach (more careful monitoring of customers, different strategies depending on the type of customer, etc...).*

*In other words, firms that have invested in the management of commercial credit, in procedures, tools and people, can now face the economic recovery with greater security and trust."*

## **29.1 Payment terms**

In 2014 the vast majority of Italian companies have to observe payment terms of between 31 and 90 days: in particular, 35,9% of the total belongs to "31-60 days" class and 25% to "61-90 days" class. Terms more restricted and within 30 days have been imposed on 20,1% of the sample (no day extension has been accorded to the 8,5%).

We can notice, however, lower percentages for payment terms more extended: 7,5% have to respect payment terms of between 91 and 120 days, while 3% of companies are in the "Over 120 days" class.

Compared to 2013, it is possible to see a significant increase in the share of companies in the "No day extension" class of 4,7 percentage points, while the concentration in the "31-60 days" class has decreased by 4%. The other classes don't show any significant changes.

If we consider the geographical area detail, the results are similar to the one of the overall national picture: Italian companies have to observe contractual payment terms of between 31 and 90 days (values above 56%).

Northwest is the area that show a higher percentage of companies to which have been accorded conditions of over 90 days (11,5% of the total).

In relation to payment terms of less than 30 days, there is a higher concentration in the South with 20,8% of companies, but the gap with the other areas is not so far.

Finally, in the northeast only the 5,3% of the total has been asked to pay in advance (vs. 12,4% of the islands).

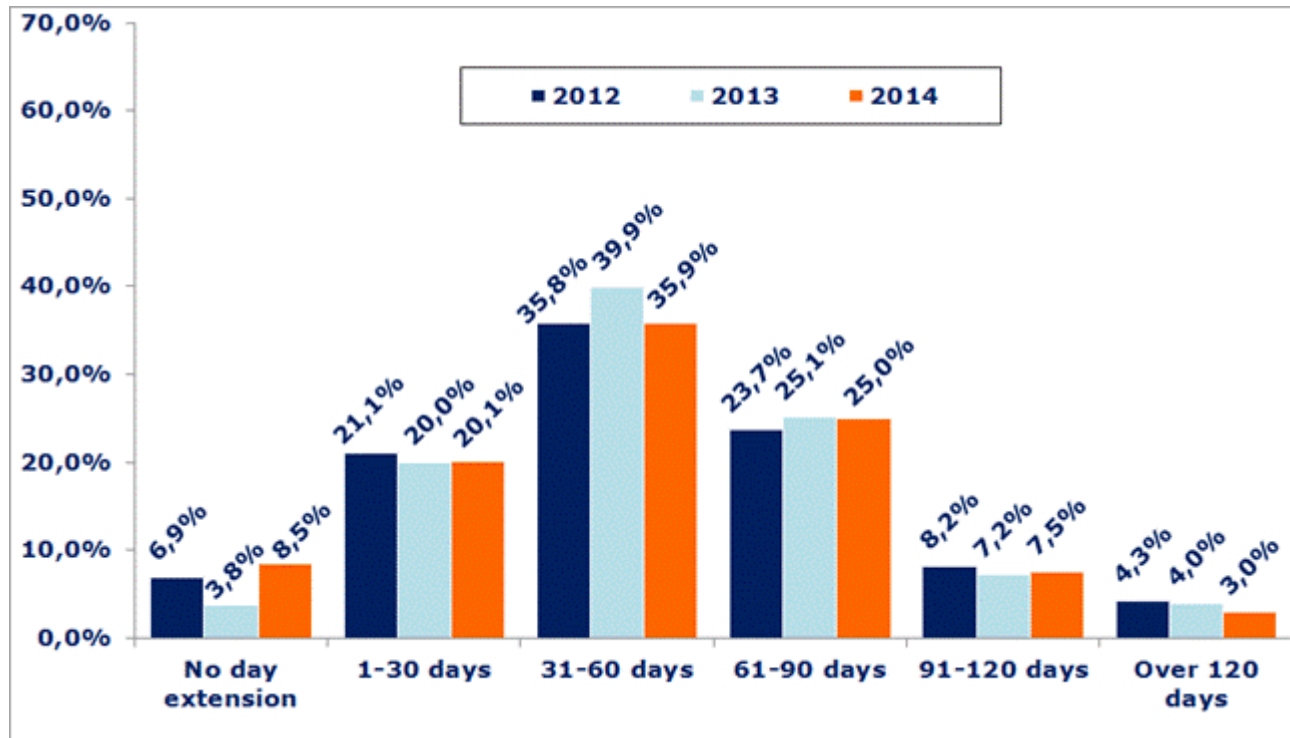
There is a tendency to manage commercial transactions with payments terms of on average between 31 and 60 days. All sectors have at least 28,5% of companies in the "31-60 days" class, with values of above 39% for Services and Transport, distribution.

Mining and Construction are the sector that show the highest value in relation to payment terms of over 90 days (more than 15,5% of the total). Agriculture, forestry, hunting and fishing, on the other hand, has a significant concentration in the "No day extension" and "1-31 days" classes with the 13,2% and 27,1% of companies, respectively.



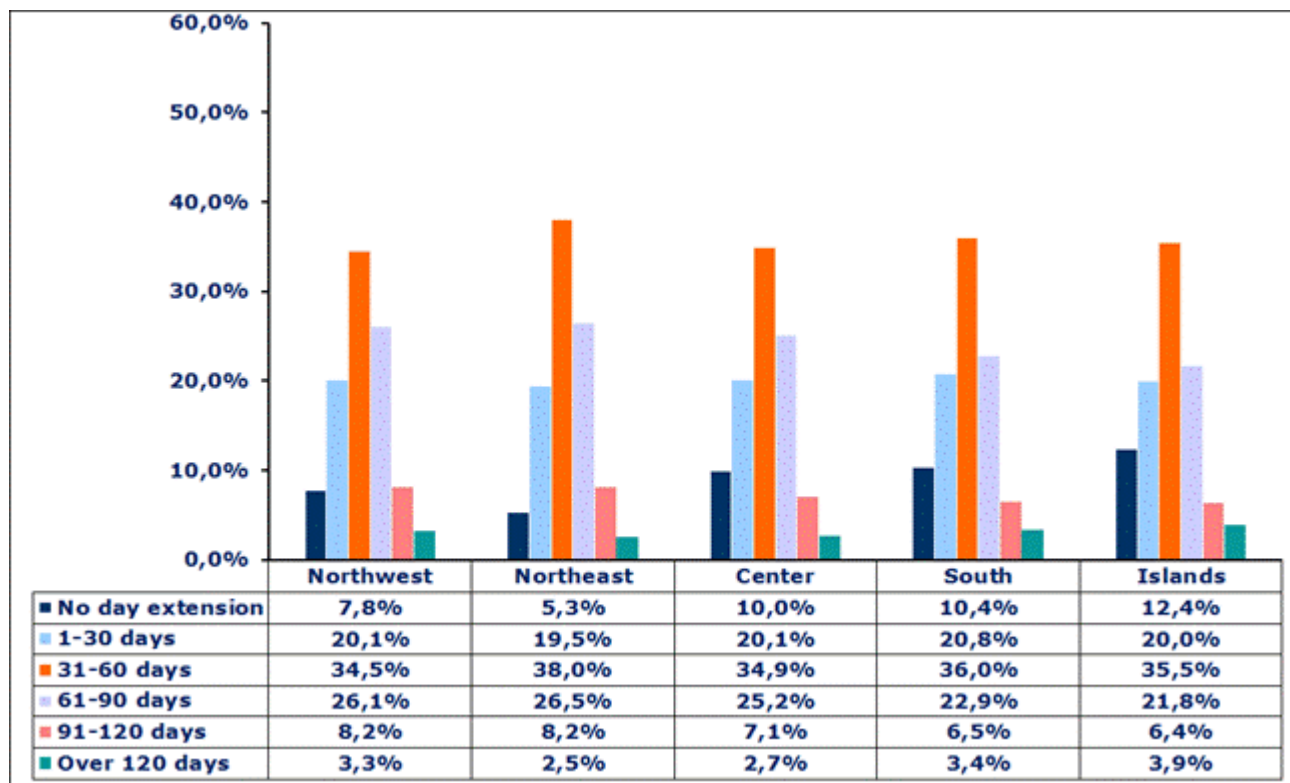
GRAPH 29.1.1 SOURCE: CRIBIS D&B

#### PAYMENT TERMS IN ITALY, 2012-2014

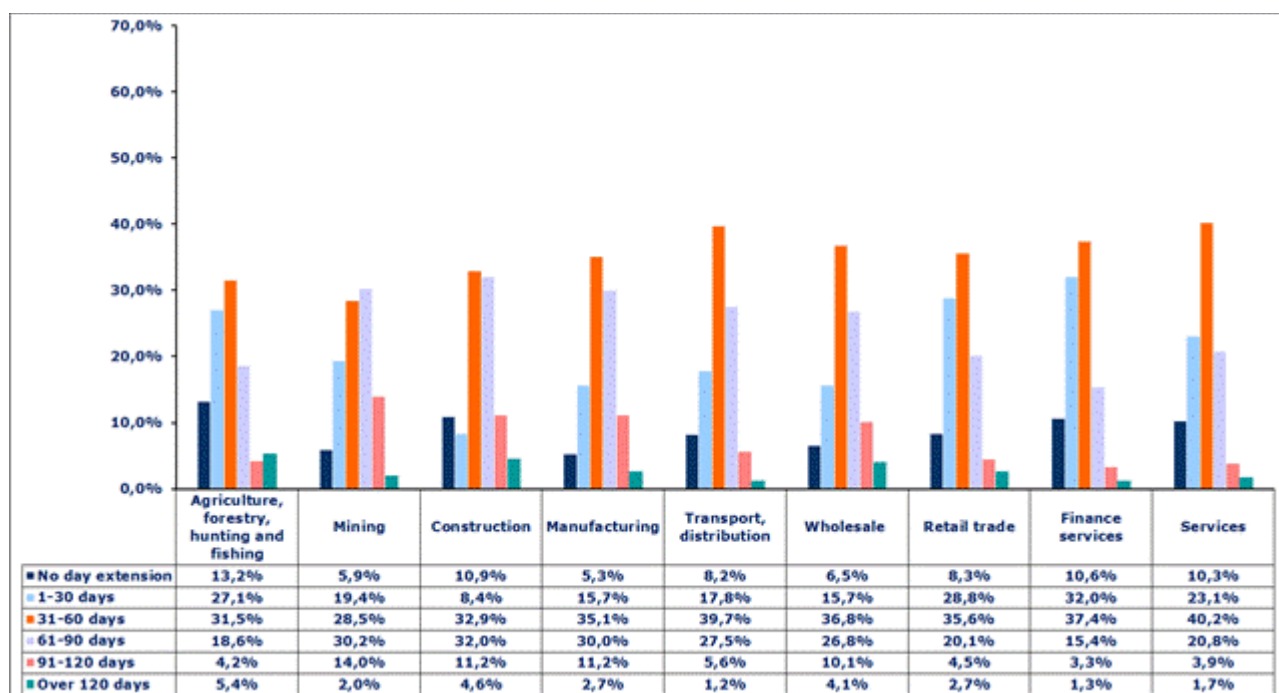


GRAPH 29.1.2 SOURCE: CRIBIS D&B

#### PAYMENT TERMS IN ITALY BY GEOGRAPHICAL AREA, 2014



## PAYMENT TERMS IN ITALY BY PRODUCT SECTOR, 2014



## 29.2 Payment analysis

Following analysis confirms a worsening in the ability of Italian companies to respect agreed payment terms for their business transactions in 2014.

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 1,3% compared with 2013, with 37,6% 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 2014 there is no difference in punctual payments between Italian companies and the European average, whereas in 2007 the gap with the rest of Europe was 9,8 above the European average.

The figure in relation to serious late payments (over 90 days on average) is also negative: these have increased by 2,8% compared to 2007 and account for 5,1% of Italian companies.

Compared with 2013, the average behavior deteriorated for 25,7% of companies, meanwhile the situation for 55,5% of companies remained unchanged, and for 18,8% it improved.

If we consider 2007, on the other hand, we can see a high proportion of companies that have a worse payment performance (42,3% of the total) compared to 37,5% of cases in which the average payment behavior has not changed.

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 38,9%, which is 1,3 percentage points above the national average, whereas late payments were concentrated in the "Up to 30 days" class (43,7%) and the "30-60 days" class (6,9%).

Small companies tend to pay on average between 1 and 30 days beyond agreed terms (53,1%), to the detriment of punctual payments with a percentage of 36,6%.

Medium and Large companies, meanwhile, have a very different payment habits compared to the two smaller classes of companies.

On time payments reduce significantly (27,4% for Medium companies and 16,3% for Large companies), compared to a percentage of late payments of less than 30 days of more than 64%.

In addition, only 2,4% of Large companies pay more than 90 days late on average, compared with the national average of 5,1%.

If we consider how the average payment practices of Italian companies have changed from 2007 and 2014 in relation to their size, Micro companies had a greater percentage of cases in which practices remained unchanged (39,6%), meanwhile there was a worsening in payment practices in 42,3% of cases.

For Small and Medium sized companies, on the other hand, there was a similar share of companies for which payment practices have worsened compared to 2007, whereas unvaried payment practices accounted for around a third of the sample.

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 23,7%, around 14 percentage points below the national average, whereas 48,9% of the total are concentrated in the "Up to 30 days" class and 10,6% in the "30-60 days" class. The most serious late payments (over 60 days), on the other hand, accounted for 16,8% of companies in the south and islands (9,1% exceeding 90 days).

In the north, good payment performance is seen in the higher percentages of punctual payments (46,6% for the north east and 44,3% for the north west) and the more contained number of cases in which late payment exceeds 90 days (not more than 3%).

Finally, the center is in an intermediate position with 33,1% of companies paying within agreed payment terms, and 6,2% paying seriously late (over 90 days).

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 41% of the total), meanwhile there has been a worsening in payment practices in between 36% and 41% of cases.

For the south and the islands, on the other hand, there is a higher concentration in the "Worsening" category, with 51,2%, to the detriment of the unchanged and improvement categories, with 28,2% and 20,6% of companies, respectively.

The best payment performances relate to Finance services, with concentrations of punctual payers of 51%.

Retail trade, on the other hand, has the lowest values in relation to punctual payments (only 26,4% with a gap of 11,2 percentage points from the national figure).

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 39% of companies in the "1 to 30 days" class, with values of above 48,8% for Retail trade.

In relation to more seriously late payments, the worst performance was reported for the Retail Trade sector with 9% of companies paying more than 90 days late.

Considering the changes in payment practices in the Italian macro-sectors between 2007 and 2014, there has been a general worsening, with variations of more than three points of D&B Paydex indicator for many sectors.

In particular, the indicator has decreased by over eleven points for Retail trade and by over five points for Mining, Construction and Transport, distribution.

Finally, the worst performance overall relates to the Retail trade sector, with a score of around 62, while the best performance was seen in the Finance service.

Insurance agents, brokers and service and Chemical and allied products show excellent payment performance in 2014, 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 Eating and drinking places, followed by Food stores and Transportation by air.

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 29.2.1 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN ITALY WITH ON TIME PAYMENTS, 2007-2014

|        | 2007  | 2013  | 2014  |
|--------|-------|-------|-------|
| Italy  | 50,8% | 38,9% | 37,6% |
| Europe | 41,0% | 38,0% | 37,6% |

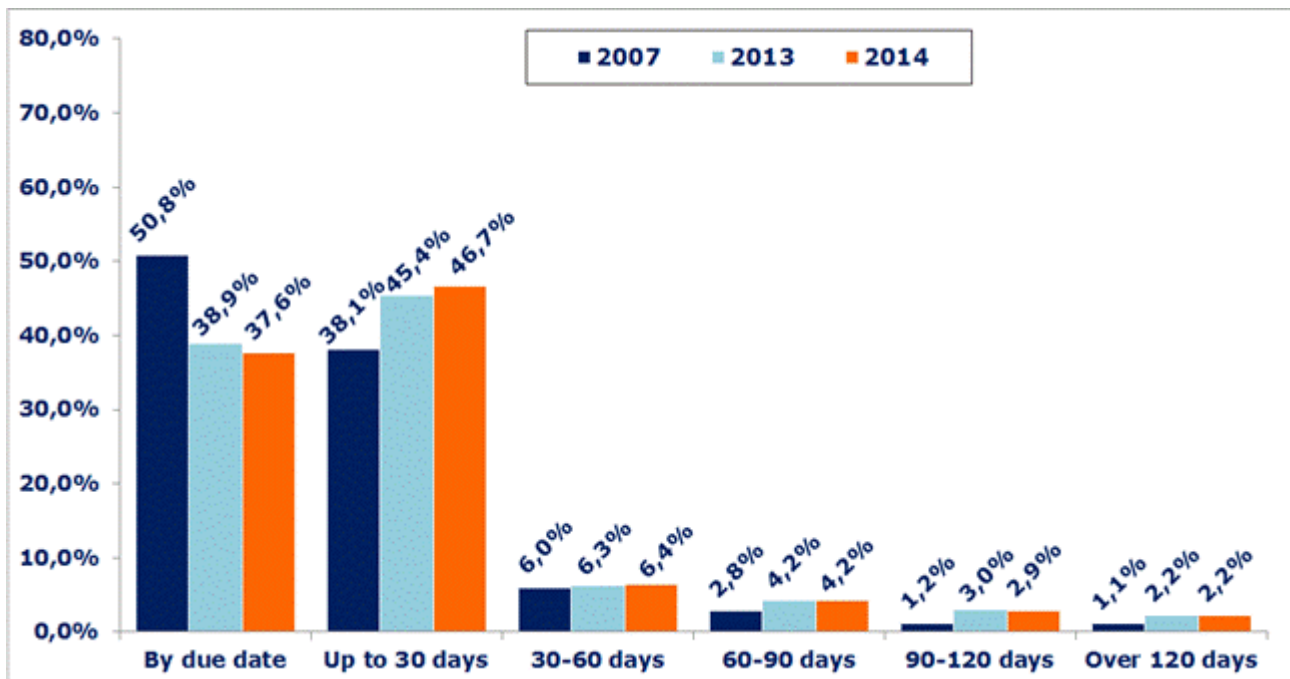
TABLE 29.2.2 SOURCE: CRIBIS D&B

#### PERCENTAGE OF COMPANIES IN ITALY WITH LATE PAYMENTS OF MORE THAN 90 DAYS, 2007-2014

|        | 2007 | 2013 | 2014 |
|--------|------|------|------|
| Italy  | 2,3% | 5,2% | 5,1% |
| Europe | 4,1% | 3,9% | 3,8% |

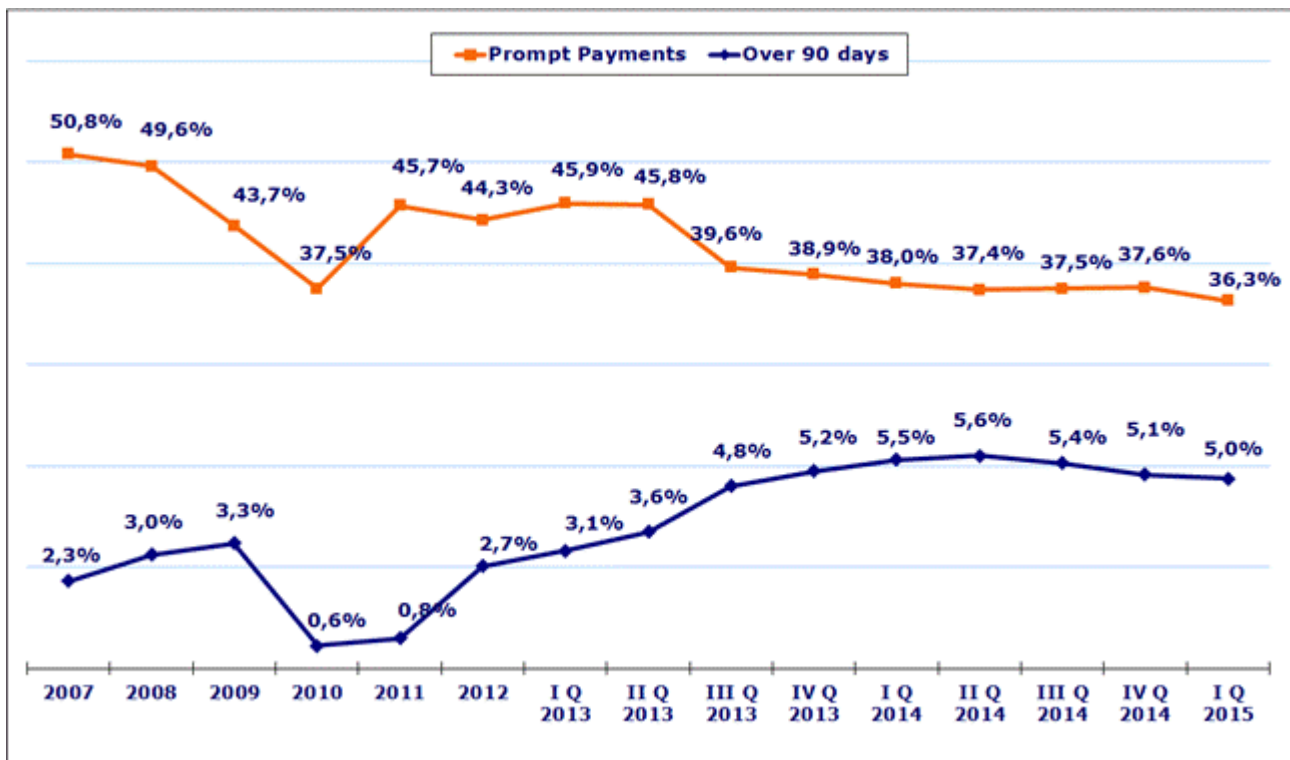
GRAPH 29.2.3 SOURCE: CRIBIS D&B

### PAYMENT PRACTICES IN ITALY BY PAYMENT CLASS, 2007-2014

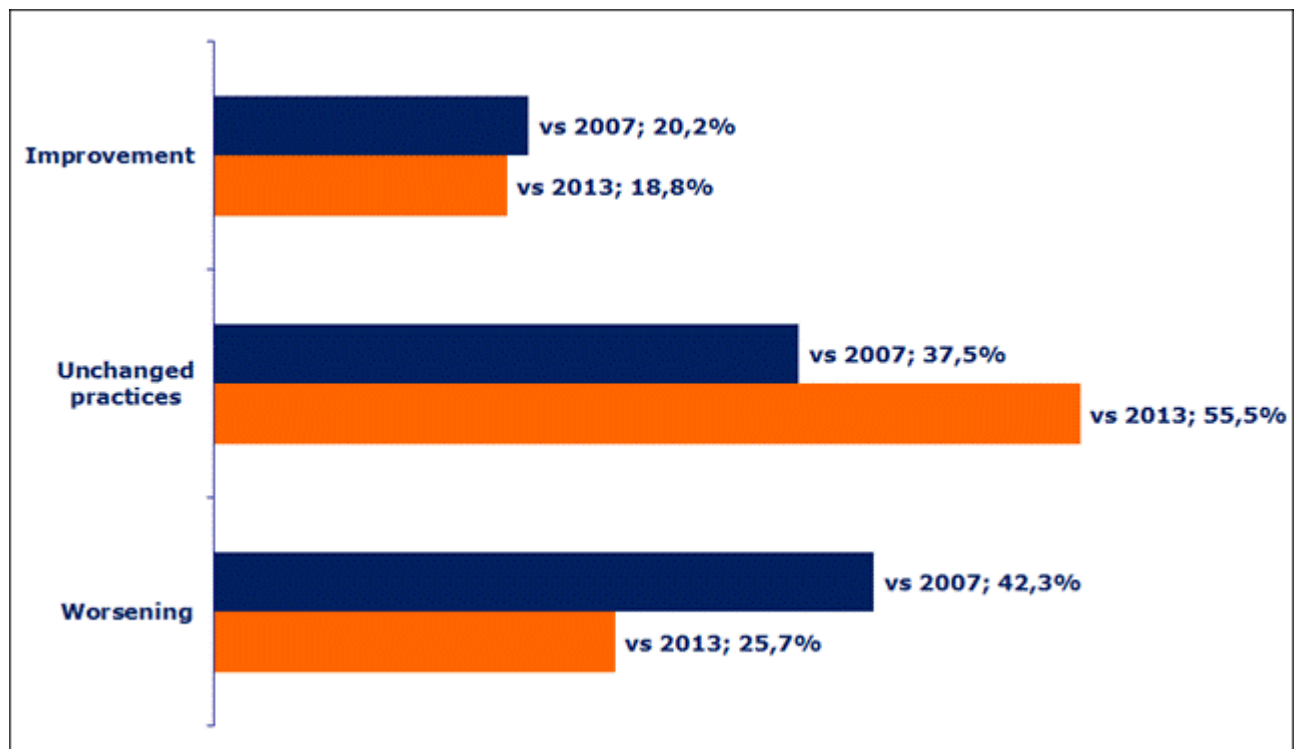


GRAPH 29.2.4 SOURCE: CRIBIS D&B

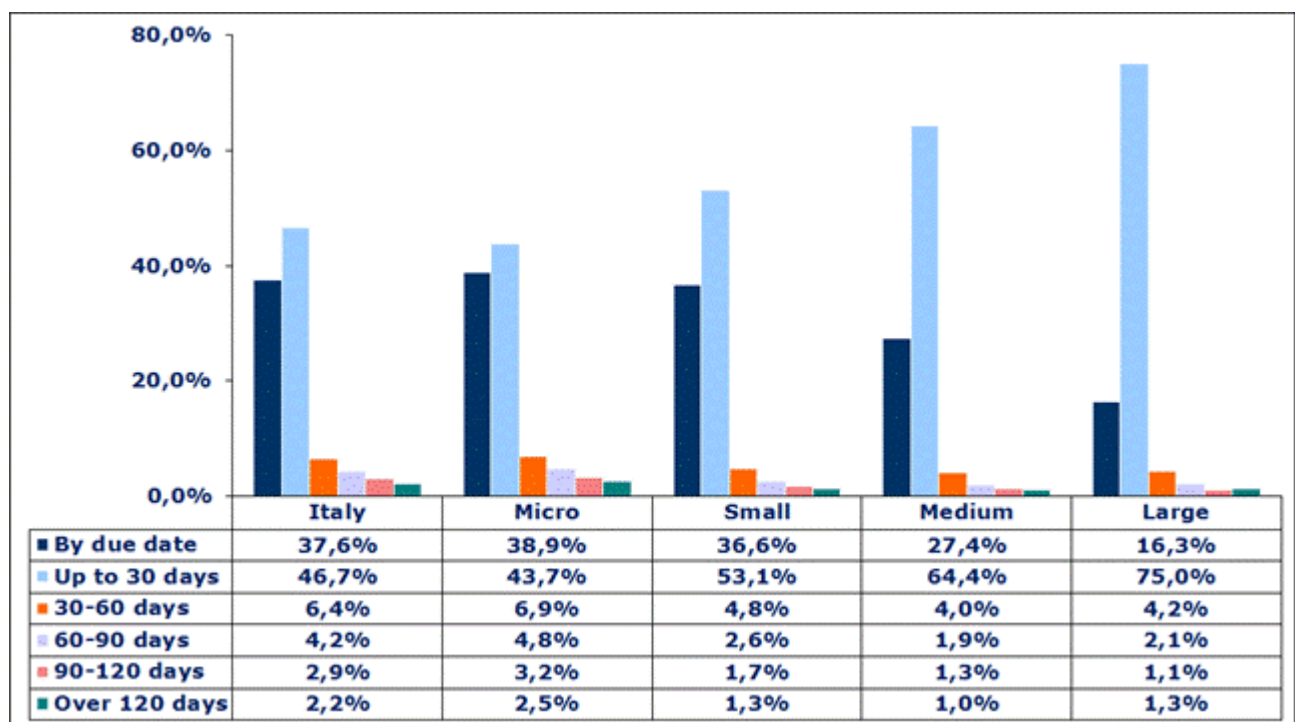
### TRENDS IN PUNCTUAL PAYMENTS AND PAYMENTS OVER 90 DAYS LATE, 2007-2015



### VARIATIONS IN PAYMENT PRACTICES IN ITALY, 2007-2014



### PAYMENT PRACTICES IN ITALY BY TYPE OF COMPANY, 2014





**VARIATIONS IN PAYMENT PRACTICES IN ITALY BY TYPE OF COMPANY, 2014 vs. 2007**

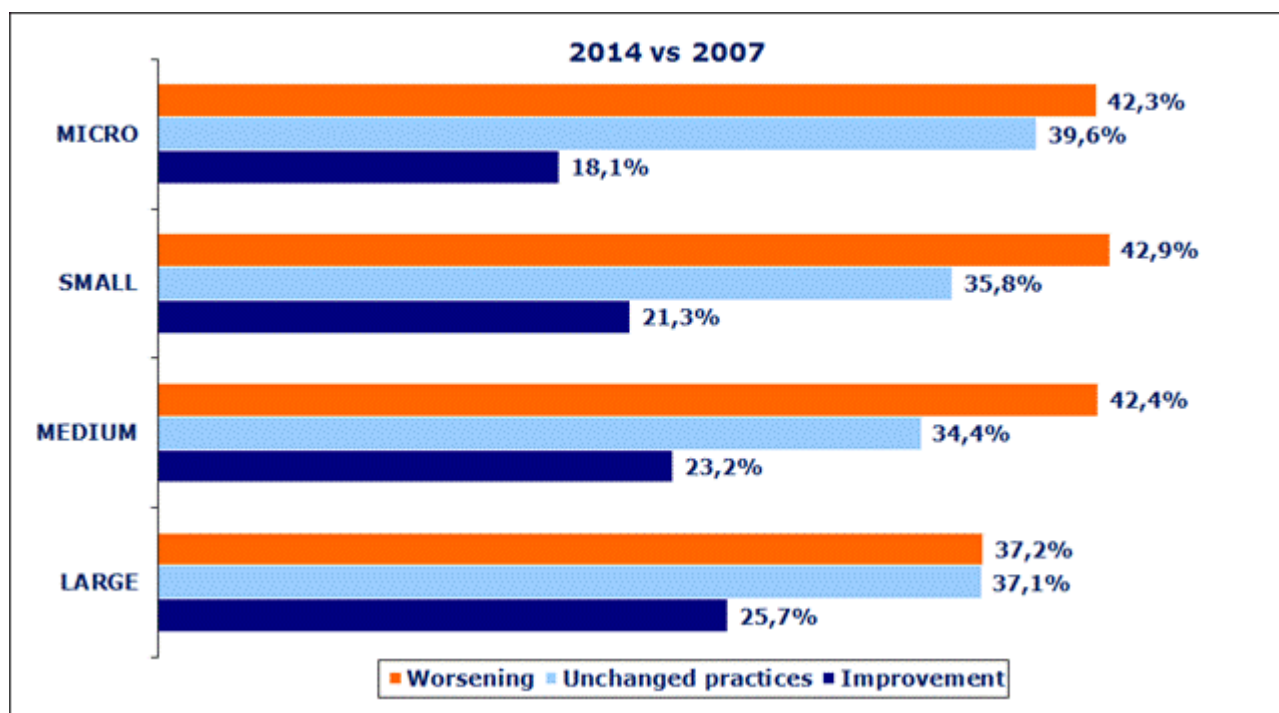


TABLE 29.2.8 SOURCE: CRIBIS D&B

**PAYMENT SITUATION IN ITALIAN REGIONS, 2014**

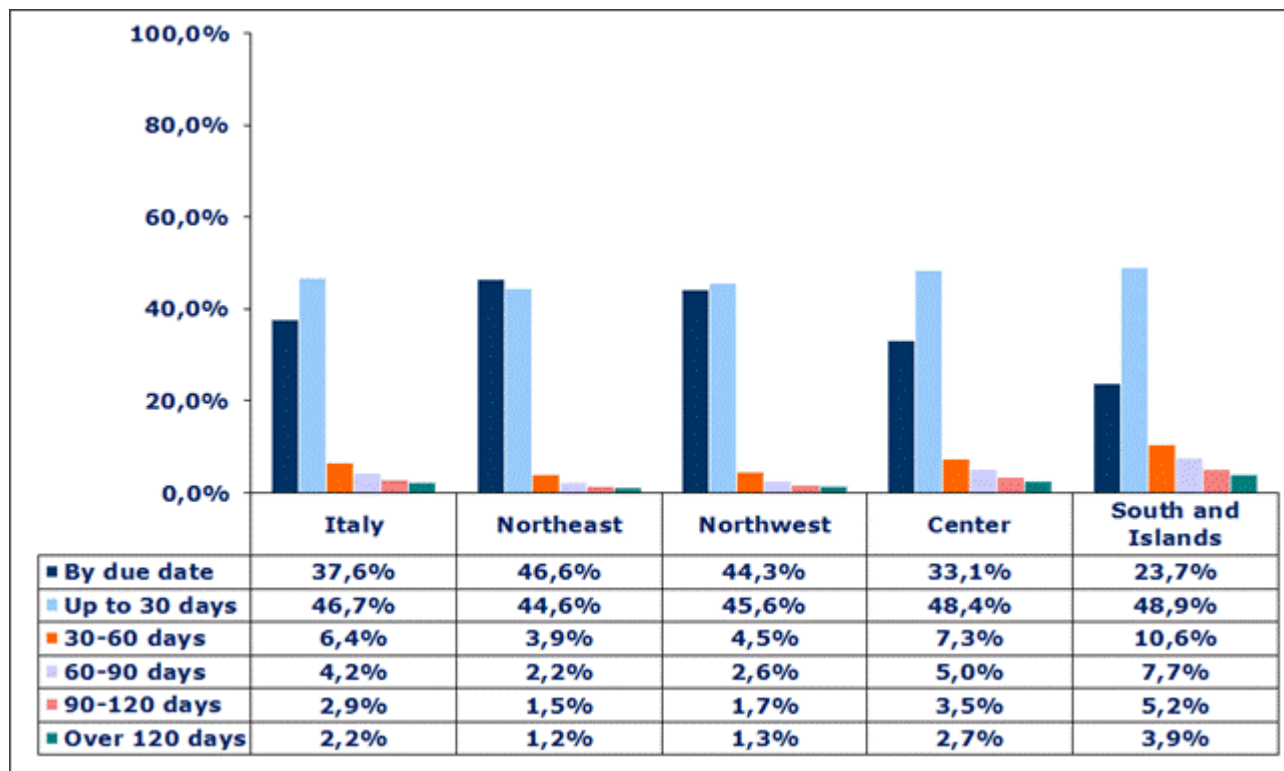
| Payments in Italian Regions | 2014              |                                  |
|-----------------------------|-------------------|----------------------------------|
| AREA                        | Punctual payments | Payments made 90 days over terms |
| <b>Northeast</b>            | <b>46,4%</b>      | <b>2,7%</b>                      |
| EMILIA ROMAGNA              | 47,2%             | 2,6%                             |
| FRIULI                      | 46,4%             | 2,7%                             |
| TRENTINO                    | 42,6%             | 1,9%                             |
| VENETO                      | 47,0%             | 2,8%                             |
| <b>Northwest</b>            | <b>44,3%</b>      | <b>3,0%</b>                      |
| LIGURIA                     | 35,4%             | 4,6%                             |
| LOMBARDY                    | 46,7%             | 2,7%                             |
| PIEDMONT                    | 42,0%             | 3,1%                             |



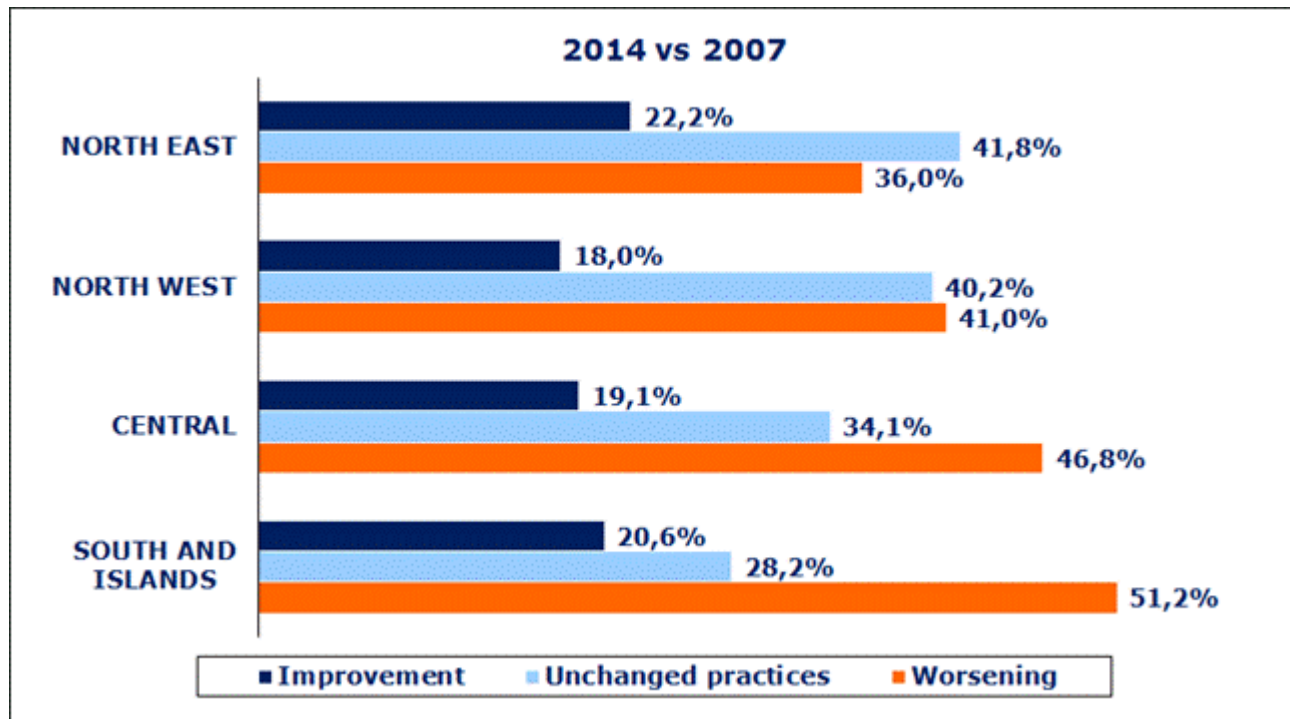
|                          |              |              |
|--------------------------|--------------|--------------|
| <b>AOSTA VALLEY</b>      | <b>38,7%</b> | <b>2,7%</b>  |
| <b>Center</b>            | <b>33,1%</b> | <b>6,2%</b>  |
| <b>LAZIO</b>             | <b>27,0%</b> | <b>8,1%</b>  |
| <b>MARCHE</b>            | <b>41,8%</b> | <b>5,3%</b>  |
| <b>TUSCANY</b>           | <b>35,6%</b> | <b>4,7%</b>  |
| <b>UMBRIA</b>            | <b>33,1%</b> | <b>7,0%</b>  |
| <b>South and Islands</b> | <b>23,7%</b> | <b>9,1%</b>  |
| <b>ABRUZZO</b>           | <b>29,0%</b> | <b>7,3%</b>  |
| <b>BASILICATA</b>        | <b>29,4%</b> | <b>7,7%</b>  |
| <b>CALABRIA</b>          | <b>21,8%</b> | <b>11,3%</b> |
| <b>CAMPANIA</b>          | <b>22,2%</b> | <b>11,0%</b> |
| <b>MOLISE</b>            | <b>30,3%</b> | <b>7,1%</b>  |
| <b>PUGLIA</b>            | <b>26,1%</b> | <b>8,5%</b>  |
| <b>SARDINIA</b>          | <b>24,7%</b> | <b>6,2%</b>  |
| <b>SICILY</b>            | <b>20,2%</b> | <b>9,1%</b>  |
| <b>ITALY</b>             | <b>37,6%</b> | <b>5,1%</b>  |

GRAPH 29.2.9 SOURCE: CRIBIS D&B

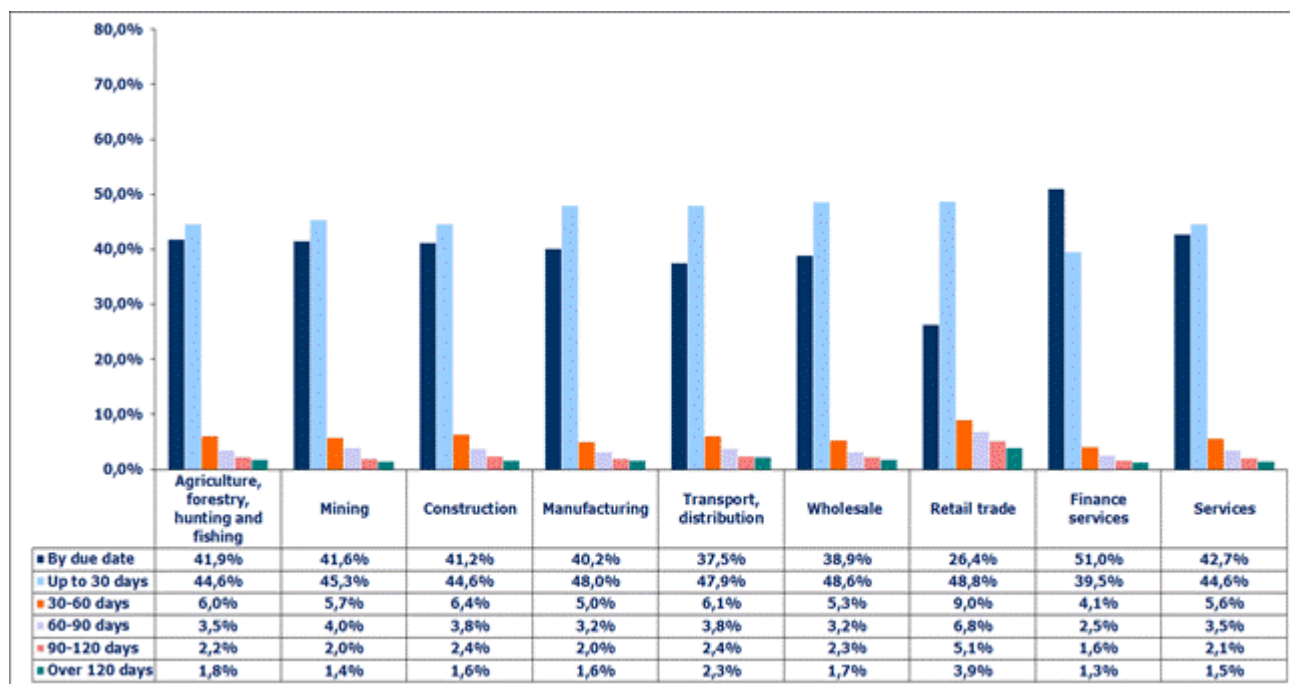
#### PAYMENT PRACTICES IN ITALY BY GEOGRAPHICAL AREA, 2014



# **VARIATIONS IN PAYMENT PRACTICES IN ITALY BY GEOGRAPHICAL AREA, 2014 vs. 2007**

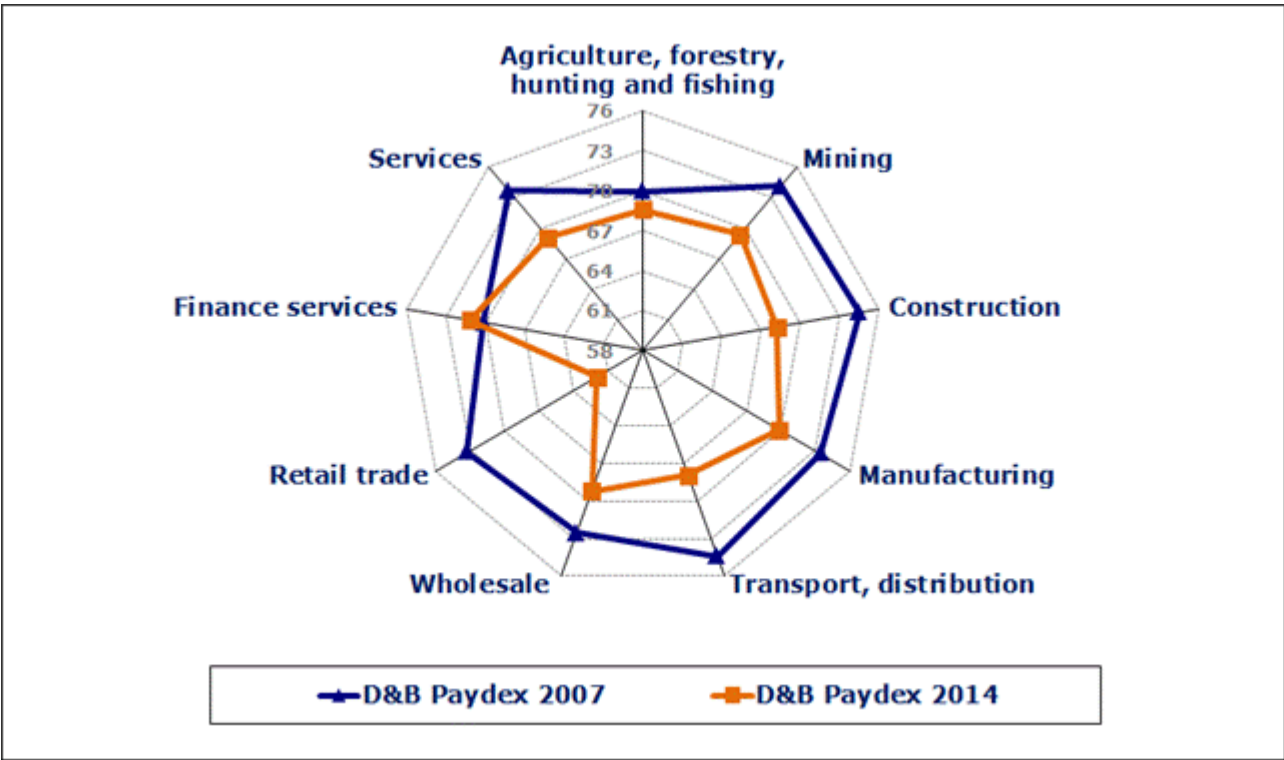


# **PAYMENT PRACTICES IN ITALY BY PRODUCT SECTOR, 2014**



GRAPH 29.2.12 SOURCE: CRIBIS D&B

**VARIATIONS IN PAYMENT PRACTICES IN ITALY BY PRODUCT SECTOR, 2007-2014**



GRAPH 29.2.13 SOURCE: CRIBIS D&B

**PAYMENT PRACTICES IN ITALY BY PRODUCT SECTOR AND TYPE OF COMPANY, 2014**

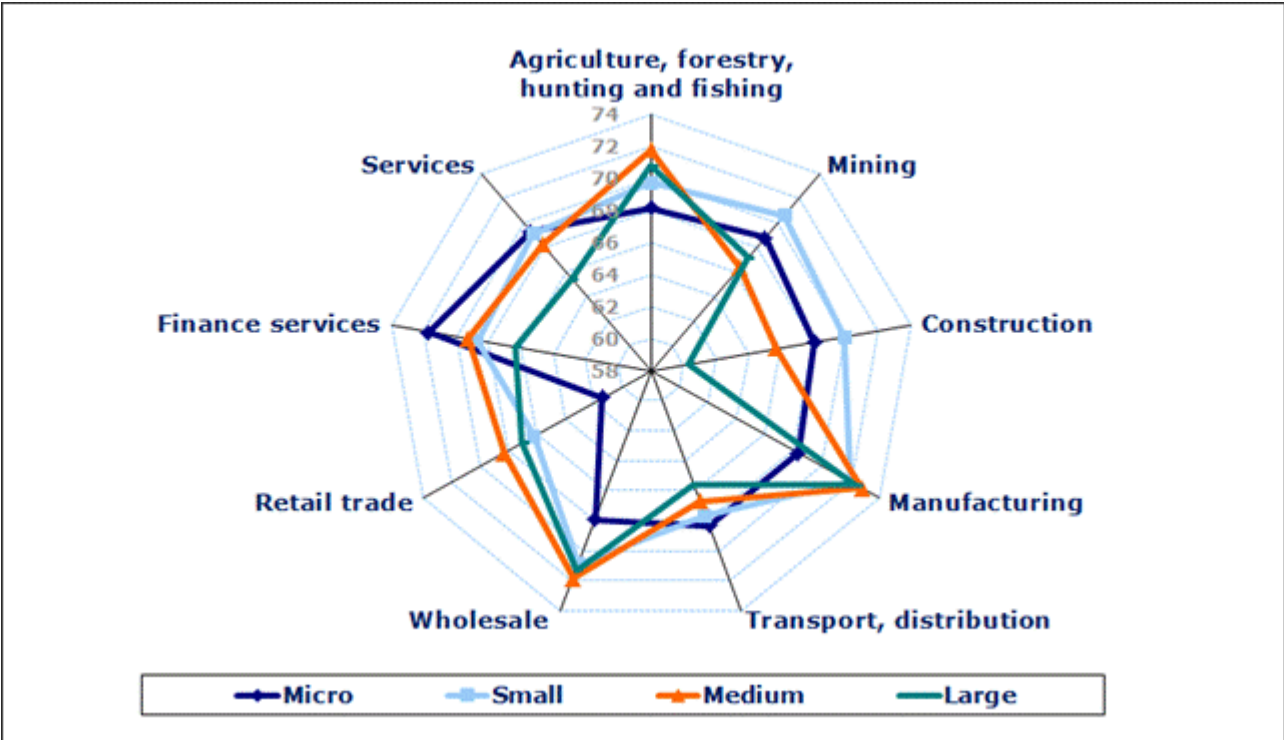


TABLE 29.2.14 SOURCE: CRIBIS D&amp;B

**SECTORS WITH THE BEST PAYMENT RECORDS IN ITALY, 2014**

| <b>Sector</b>                                    | <b>Ranking 2014</b> |
|--|---------------------|
| <b>INSURANCE AGENTS, BROKERS AND SERVICE</b>     | <b>1</b>            |
| <b>CHEMICALS AND ALLIED PRODUCTS</b>             | <b>2</b>            |
| <b>RUBBER AND MISCELLANEOUS PLASTIC PRODUCTS</b> | <b>3</b>            |
| <b>INSURANCE CARRIERS</b>                        | <b>4</b>            |
| <b>PAPER ALLIED PRODUCTS</b>                     | <b>5</b>            |
| <b>PRIMARY METAL INDUSTRIES</b>                  | <b>6</b>            |
| <b>INDUSTRIAL MACHINERY AND EQUIPMENT</b>        | <b>7</b>            |
| <b>PETROLEUM AND COAL PRODUCTS</b>               | <b>8</b>            |
| <b>TEXTILE MILL PRODUCTS</b>                     | <b>9</b>            |
| <b>INSTRUMENTS AND RELATED PRODUCTS</b>          | <b>10</b>           |

TABLE 29.2.15 SOURCE: CRIBIS D&amp;B

**SECTORS WITH THE WORST PAYMENT RECORDS IN ITALY, 2014**

| <b>Sector</b>                             | <b>Ranking 2014</b> |
|---|---------------------|
| <b>EATING AND DRINKING PLACES</b>         | <b>68</b>           |
| <b>FOOD STORES</b>                        | <b>67</b>           |
| <b>TRANSPORTATION BY AIR</b>              | <b>66</b>           |
| <b>GENERAL MERCHANDISE STORES</b>         | <b>65</b>           |
| <b>POSTAL SERVICES</b>                    | <b>64</b>           |
| <b>EXECUTIVE, LEGISLATIVE AND GENERAL</b> | <b>63</b>           |
| <b>WATER TRANSPORTATION</b>               | <b>62</b>           |
| <b>AMUSEMENT AND RECREATION SERVICES</b>  | <b>61</b>           |
| <b>MOTION PICTURES</b>                    | <b>60</b>           |
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## I QUARTER 2015

At the start of 2015, the proportion of companies paying more than 90 days late on average is 5 % of the total.

Punctual payments, on the other hand, account for 36,3% of Italian companies, with a difference of 1,7 percentage points compared to December 2014.

Late payments continue to be concentrated in the moderate late payment class of Up to 30 days (48%), followed by late payments of between 30 and 60 days on average (6,5%).

The large part of the sample being examined did not show any changes to payment habits in the time period under consideration (4<sup>th</sup> quarter 2014 - 1<sup>st</sup> quarter 2015). In fact, 79,6% of companies did not register any changes in relation to their management of commercial transactions.

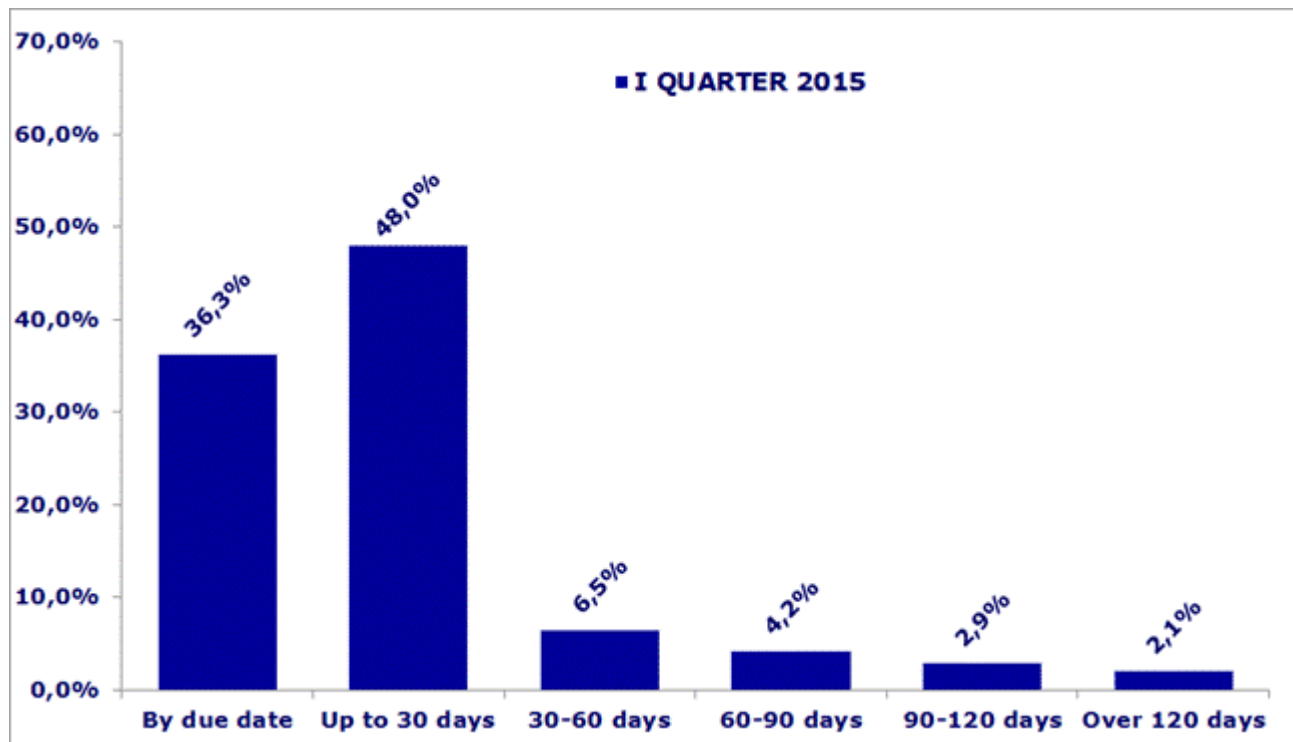
The remaining companies improved their payment performance in 8,7% of the cases analyzed, meanwhile 11,7% showed worse habits compared with the last quarter of 2014.

On the basis of results for the 1st quarter of 2015, 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.

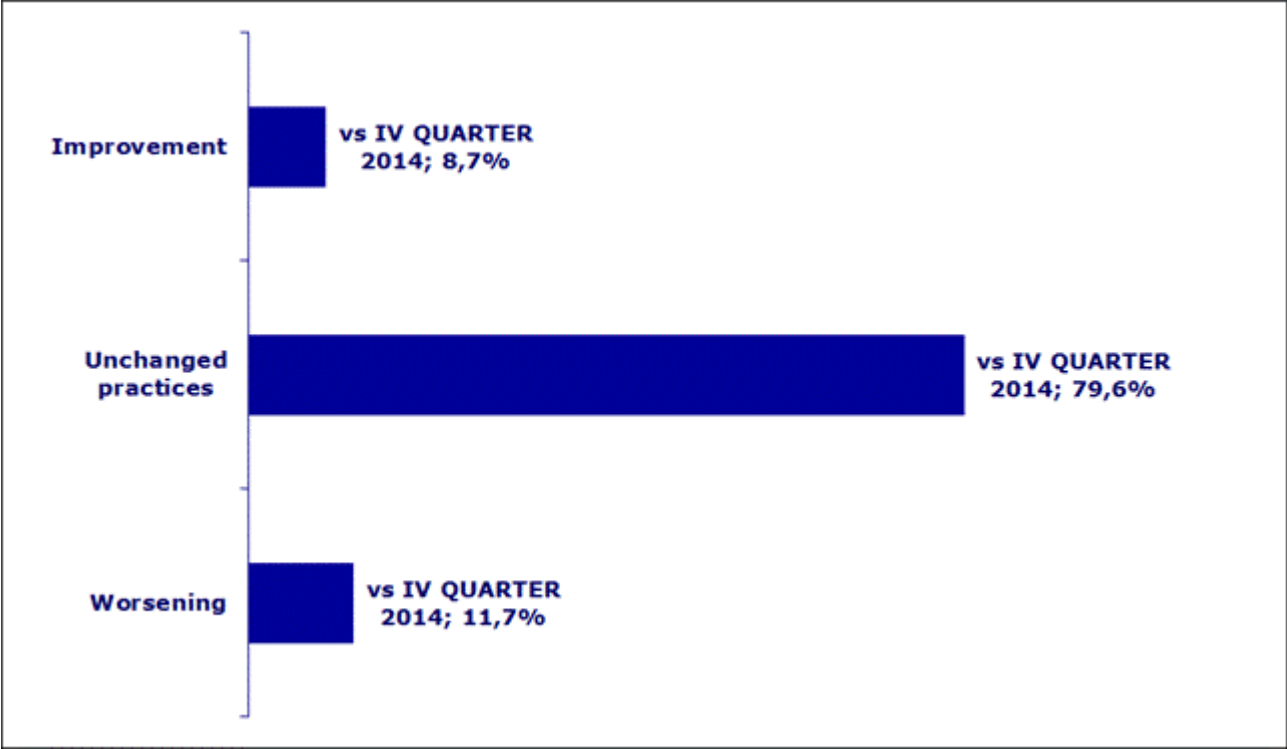
The economic situation in Italy and international trends do not point to a very good situation in the coming months, and it will be necessary to continue to carefully monitor the state of financial health of trading partners

GRAPH 29.2.16 SOURCE: CRIBIS D&B

### PAYMENT PRACTICES IN ITALY BY PAYMENT CLASS, I QUARTER 2015



VARIATIONS IN PAYMENT PRACTICES IN ITALY, IV QUARTER 2014-I QUARTER 2015



## CONCLUSIONS

As seen in previous editions, once again this year, the 2015 Payment Study show a certain heterogeneity in payment practices 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 17 European countries in 2014 was analyzed, and once again the trends between one country and another are very different.

The European average in the punctual payment class has worsened compared with 2013, with 37,6% of the total and a decrease of 0,4 percentage points compared with the previous year. However, the percentage of companies paying on average more than 90 days beyond agreed terms has decreased, with a European average of 3,8%.

The best performance was seen for Denmark, which reached a percentage of 90,3% of punctual payers, followed by Germany (74,8%) and Hungary (52,3%).

Turkey, The Netherlands, Spain, Poland, Slovenia, Belgium, Czech Republic, France and Italy had percentages of punctual payments above the European average. In this case, however, the concentrations are lower and vary between 37,6% (Italy) and 51,5% (Turkey).

Companies in the Finland, Greece and Ireland, on the other hand, have greater difficulty in respecting agreed commercial agreements, with more than 25% 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 17,4% of the cases analyzed.

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 Greece and Portugal present the most problematic situation, with percentages greater than 12%, giving a difference from the European average of more than 9 percentage points. Italy (5,1%), Turkey (4,3%) and Ireland (3,9%) are in an intermediate position. The proportions for the remaining countries are stable and contained (less than 1% for Finland, Germany and Denmark).

Ten non-European countries were considered in the 2015 edition of the study: the United States, Canada, Mexico, China, Hong Kong, Taiwan, Singapore, Philippines, Australia and New Zealand.

The situation for Taiwan and Mexico is positive, with 75,8% and 56,6% of punctual payers.

The situation in North America has not changed significantly in the last year: in the United States the percentage of punctual payers is 54,2% and in Canada the figure is 44,3%.

In Singapore, the percentage of companies that pay punctually reaches 50,1%.

In 2014, Chinese and Hong Kong companies stand out for a less than efficient payment behavior. Over the period in question, only around 30% of companies managed commercial transactions with their trading partners within established contractual arrangements.

Australia and New Zealand show very low results: only 11,7% of companies Zealanders and only 2,8% of Australian companies comply with the terms of punctual payment.



The worst result regarding punctual payments is seen for Philippines, with only 1,9% in this class

High percentages in the serious late payment classes are seen for Philippines (50,2%) and Singapore (38,9%). In China, companies that pay on average more than 90 days later than agreed terms account for 5,7% of the total, in the United States the concentration in this bracket reaches 3,9 percentage points, meanwhile in Hong Kong the percentage is 3,3%.

The other countries show values lower than 1,5% in the class examined.

The payment situation in Italy in 2014 confirms the negative trend which started in the last few years: in fact, the share of "good payers" has suffered a decrease of 1,3% compared with 2013, with 37,6% 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).

However, there has been a little decrease of 0,1 percentage points over 12 months in serious late payments, reaching 5,1% of the total.

On the basis of results for the first quarter of 2015, it is possible to see a decrease in the serious late payment class even if results are still negative, again because of the growing problems that Italian companies have to face in managing commercial transactions.

In conclusion, what emerges for 2014 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 maintain a certain negativity even for this year and still expected a period marked by critical for the different countries examined. This means that for 2015 businesses will have to carry out careful research and evaluation 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.



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