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COFACE
ECONOMIC PUBLICATIONS

PAYMENT SURVEY

Bruno De Moura Fernandes
Head of Macroeconomic Research, based in Paris, France

2023 France Payment Survey:
Longer and more frequent payment delays, with small companies in the firing line

Executive summary

The Coface Corporate Payment Survey which was conducted among 630 businesses last July has demonstrated that offering payment terms to clients is a well-established practice among businesses: 97% of them stated that they do so, irrespective of the sector and the size of the company. However, very small enterprises (VSEs) grant considerably shorter delays, probably owing to a generally tighter cash flow position that does not allow them as much flexibility. The average payment term in France (48 days) is longer than in other European countries where we carried out similar studies, notably Germany; however, it is shorter than time frames granted in Asia.

Consequently, despite the relatively long payment terms, at least 82% of companies have recorded late payments by their clients over the past 12 months. Furthermore, the majority stated that late payments were occurring more frequently, and for longer periods, than last year. An important factor affecting payment delays is the size of the company: 70% of Small and Medium and Very Small Enterprises (SMEs and VSEs) reported longer payment delays when they already generally have to deal with longer-than-average payment times. The results are all the more worrying as half of VSEs stated that late payments have a "very important" or "critical" impact on their cash flow. The deterioration in corporate payment habits is echoed in insolvency numbers, with an undisputed increase observed since the start of the year that has even overshot pre-Covid levels. While 50 percent of companies anticipate that the number of late payments will be stable over the next 12 months, a third of them expect them to occur even more frequently. Irrespective of the size of the company, very few respondents expect the number of late payments to decrease.

As far as the current risks are concerned, the responses differ markedly depending on whether the company is an exporter or if it operates exclusively on the French market. Survey answers regarding the French market referred more to hiring problems and financing conditions (cost and access). By contrast, exporters are particularly sensitive to risks impinging on global demand, supply chains and commodity prices. Sector-wise, companies in the services industry mostly cited hiring difficulties, whereas their peers in the industrial sector more frequently reported problems of commodity costs and supply chain risks. The main risks identified by companies in the construction sector were commodity prices (excluding energy), hiring problems and, naturally enough, the cost of and access to financing. Amid an uncertain global geopolitical backdrop conducive to nearshoring and friendshoring, 12% of companies surveyed reported having already relocated at least some of their activity. The phenomenon is by no means insignificant as the percentage exceeds 20% if one includes companies that are considering making the move.

BRUNO DE MOURA FERNANDES
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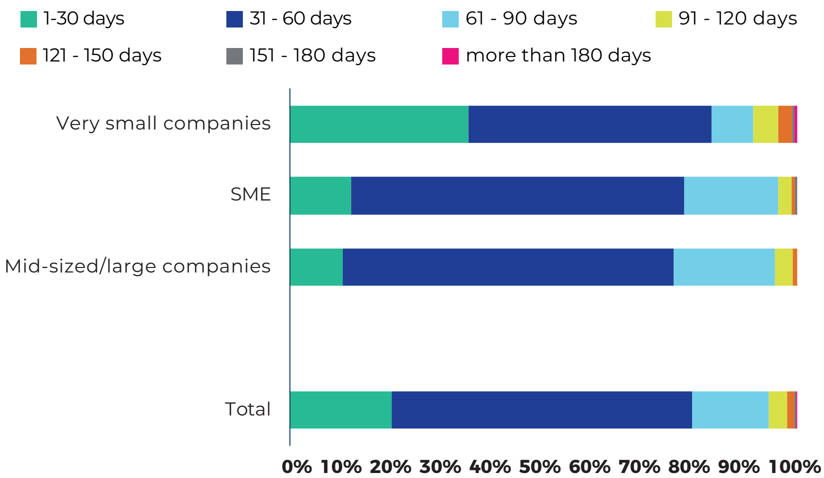
PAYMENT TERMS[1]: A WELL-ENTRENCHED PRACTICE

- The vast majority of companies we surveyed offer payment terms to their clients irrespective of the sector and the size of the company. While 97% of the respondents surveyed confirmed that they offer payment terms, the percentage exceeds 90% across all sectors. The credit period offered by most respondents falls between 31 and 60 days (59%), while only 6% of our sample allowed over 3 months. The average timeframe consequently works out to 48 days, which is significantly higher than terms offered in Germany[3] (32 days) or even in Poland[4] (46 days), but still much lower than those offered in China[5] (81 days) and the rest of Asia[6] (66 days).
- Proof of the widespread nature of this practice in France is that although very small businesses are relatively less inclined to grant payment terms, 95% of them in fact do so. However, the payment terms are shorter. For example, 35% of them offer payment terms of less than one month, compared with around 10% for other company sizes **(Chart 1)**. The average payment period offered by VSEs is also significantly shorter: 44 days compared with 50 days for SMEs and 51 days for intermediate and large companies. This difference can be attributed to the generally trickier cash position of VSEs, which does not allow them as much flexibility with regard to payment terms.

Chart 1:
Payment terms by size of company[2]

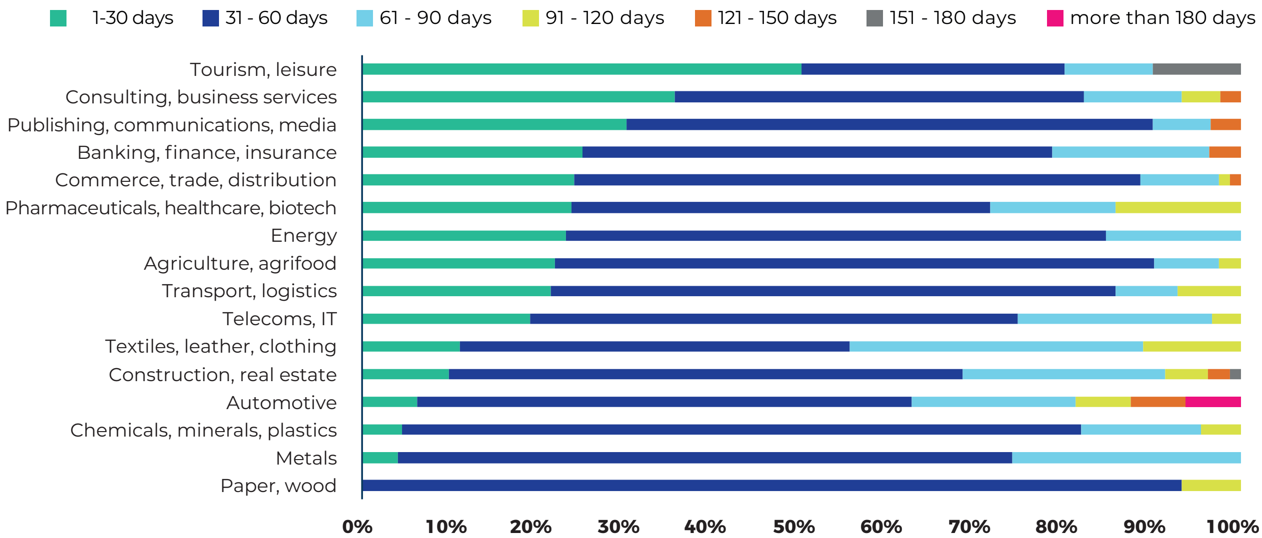


Source: Coface Company Payment Survey

Out of the companies we surveyed,
97%
offered payment terms to their customers in 2023. VSEs offered shorter payment terms: 35% of them requested payment in less than 30 days, versus around 10% for larger companies.

1 Payment terms - period of time between the moment a client purchases a product or a service and the time payment becomes due.
2 For the purposes of this survey, VSEs are companies that generate revenue of less than €2 million, while SMEs generate revenue of between €2 million and €50 million.
3 Germany Payment Survey 2023: On the way back to the bad old times. 12 September 2023
4 Poland Payment Survey 2023: Stock building makes payment delays shorter but only temporarily. 22 December 2022 https://www.coface.com/News-Publications/Publications/Poland-Payment-Survey-2023-Stock-building-makes-payment-delays-shorter-but-only-temporarily
5 China Payment Survey 2023: Shorter payment delays but worsening credit conditions in chemicals and wood. 23 May 2023 https://www.coface.com/News-Publications/Publications/China-Payment-Survey-2023-Shorter-payment-delays-but-worsening-credit-conditions-in-chemicals-and-wood
6 Asia Payment Survey 2023. 3 July 2023 https://www.coface.com/News-Publications/News/Asia-companies-experience-fewer-payment-delays-in-our-latest-Survey

Chart 2:
Payment terms by sector

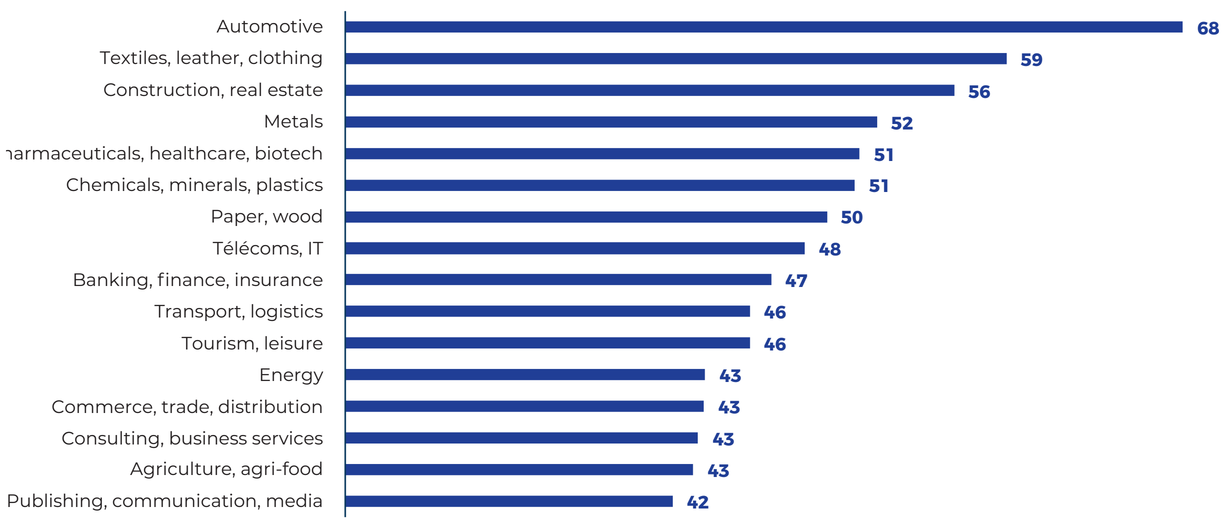


Source: Coface Company Payment Survey

- While the majority of companies grant payment terms of between 31 and 60 days in all sectors except tourism and leisure **(Chart 2)**, half of which request to be paid within 30 days, payment terms tend to be shorter in the services sector. The four sectors offering payment terms of less than 30 days on the most regular basis all belong to the services category. Conversely, the construction sector and the various branches of industry grant significantly longer payment terms. Almost 20% of companies in the automotive sector offer payment terms of more than three months. Hence, while average payment terms are relatively balanced across the sectors, they are significantly longer in the construction sector, the textile/clothing and the automotive sector **(Chart 3)**. These practices appear to be specific to the latter two sectors, which are also those with the longest average payment periods in Germany.

- In all sectors, with the exception of financial services, the primary reason proffered for granting payment periods is that is a "customary practice in the sector". Some 37% of companies granting payment terms put forward this explanation, well ahead of enhancing the commercial relationship with the customer (19%) and supporting clients in a tight cash situation (16%). A significant share of respondents (11%) also said that the payment period is imposed on them by the client. This situation is relatively more common for very small businesses (15%) and the automotive sector (18%).

Chart 3:
Average payment terms by sector (days)



Source: Coface Company Payment Survey

2 PAYMENT DELAYS[7]: THE SITUATION IS BECOMING STRAINED

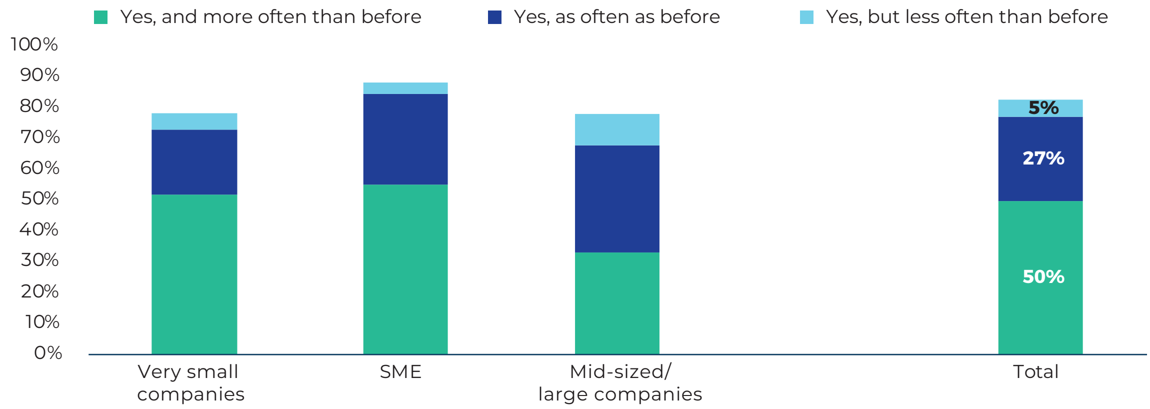
- At least **82% of companies recorded payment delays by their clients** over the past 12 months. By way of comparison, late payments are more frequent than in Poland (61% of companies), Germany (76%) and Asia (57%), where payment terms are longer, but delays are less frequent.

82%

of respondents declared they have experienced payment delays in 2023. The majority reported that delays were increasing and were more frequent than in 2022.

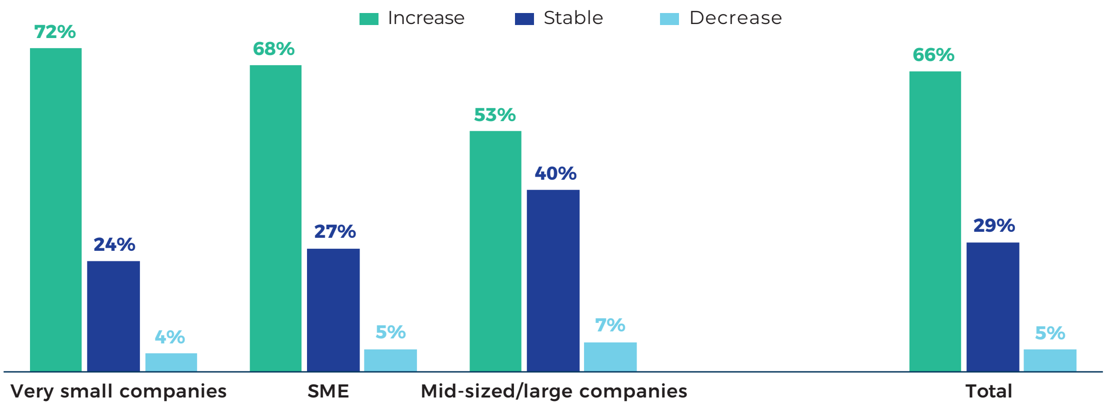
- Some 88% of SMEs experienced payment delays, but almost 80% of other companies were also exposed to the trend. Furthermore, the vast majority of VSEs and SMEs reported more frequent payment delays than in 2022 **(Chart 4)**. An important factor affecting payment delays is the size of the company: 70% of VSEs and SMEs declared that payment delays had increased, versus "only" 53% of intermediate-sized companies and large companies **(Chart 5)**. Proof of a weaker business climate, only a tiny minority among companies surveyed stated that payment delays had shortened or were fewer in number. The deterioration in corporate payment habits is mirrored in insolvency numbers, with an undisputed increase observed since the start of the year **(see Box)**.

Chart 4:
Percentage of companies reporting payment delays in 2023 and trends in frequency relative to 2022



Source: Coface Company Payment Survey

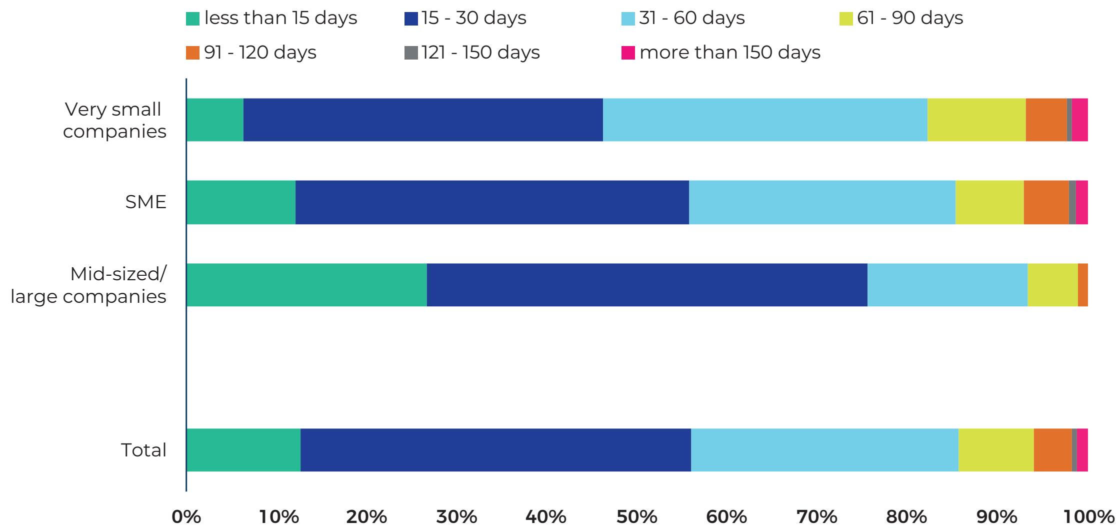
Chart 5:
Average payment delays during the past 12 months



Source: Coface Company Payment Survey

7 Payment after due date

Chart 6:
Payment delays by size of company

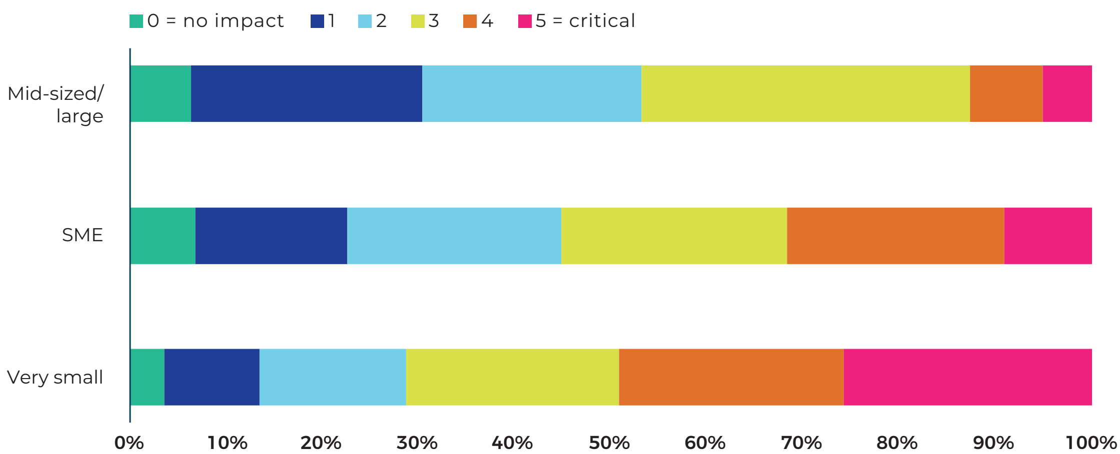


Source: Coface Company Payment Survey

- While most companies cite payment delays of less than 30 days, a considerable 44% still said that they faced delays of over a month **(Chart 6)**. The average payment delay for France is 38 days and is therefore on average longer than Germany (30 days), but shorter than in Poland (52 days), China (83 days) and Asia (67 days).

- The size of the company is once again a discriminating factor as 54% of VSEs experienced payment delays of more than a month and almost 20% went as far as to cite payment delays of over two months. As such, the average payment delay stands at 42 days for VSEs, compared with 38 days for SMEs and "only" 26 days for larger companies. The results are all the more worrying as half of VSEs stated that late payments have a "very important" or "critical" impact on their cash flow **(Chart 7)**. The proportion decreases in response to the growing size of the company, but a third of SMEs and 13% of intermediate-sized and large companies also cited the very heavy impact on cash flow.

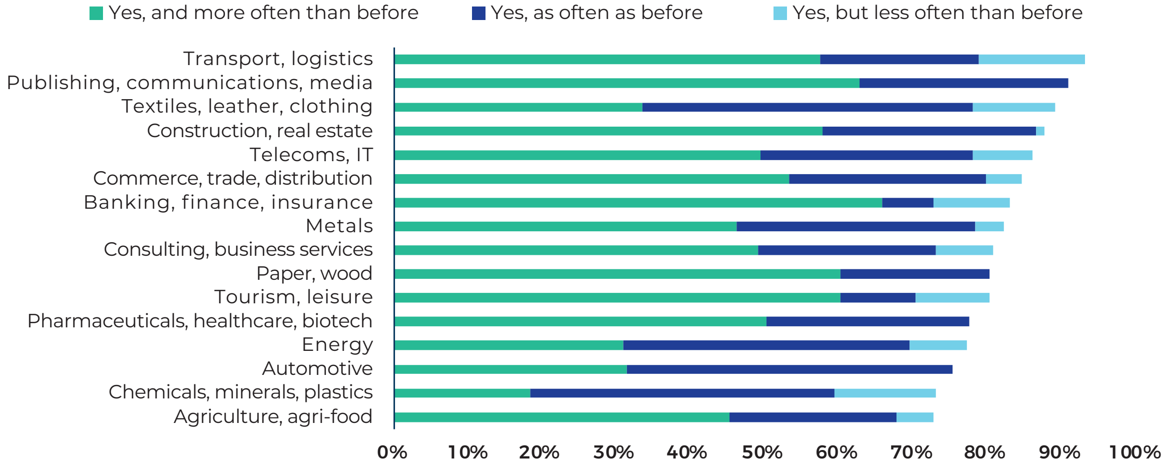
Chart 7:
Impact of payment delays on cash flow by size of company



Source: Coface Company Payment Survey

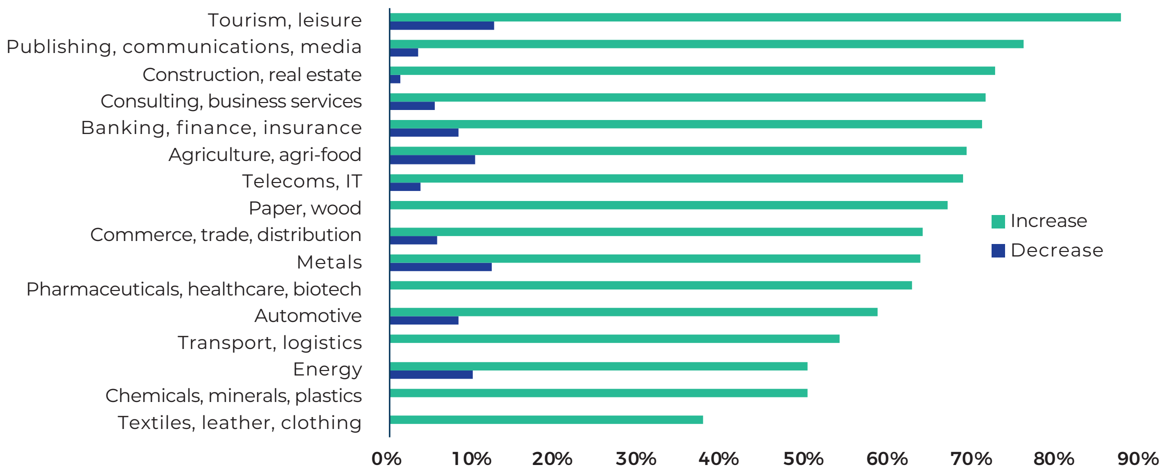
- No sector is left unscathed by late payments **(Chart 8)**. Furthermore, the latter are becoming more frequent and lengthier across all sectors **(Chart 9)**. While the majority of surveyed companies reported late payments of less than a month for most sectors, around a quarter of them put the delay at over two months in the transport, tourism, corporate services, energy and construction services **(Chart 10)**. On average, the construction sector posts the longest late payments **(see Chart 11)**. As payments three months past due are rare in the industrial sector, late payments in the manufacturing branches are below the average.
- Although 27% of respondents cited their clients' financial difficulties as grounds for late payments, some 41% of them suspect that clients are deliberately holding back for cash flow management purposes. The reason is even put forward by half of the companies in the construction sector.
- Although 51% of companies expect payment delays to remain relatively stable over the next 12 months, a third believe that they will become even more frequent **(Chart 12)**. Irrespective of the size of the company, very few respondents expect the number of late payments to decrease.

Chart 8:
Percentage of companies reporting payment delays in 2023 and change relative to 2022



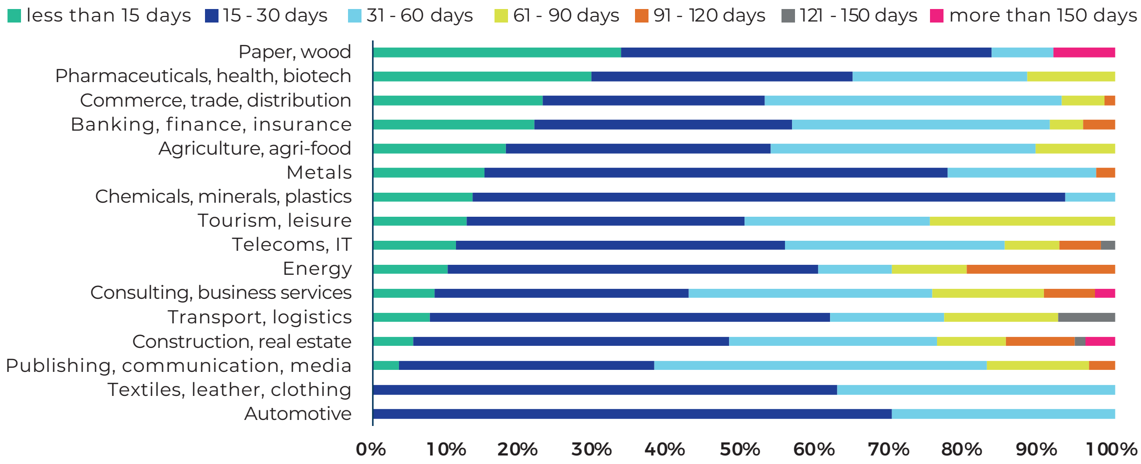
Source: Coface Company Payment Survey

Chart 9:
Average payment delays during the past 12 months (% of responses)



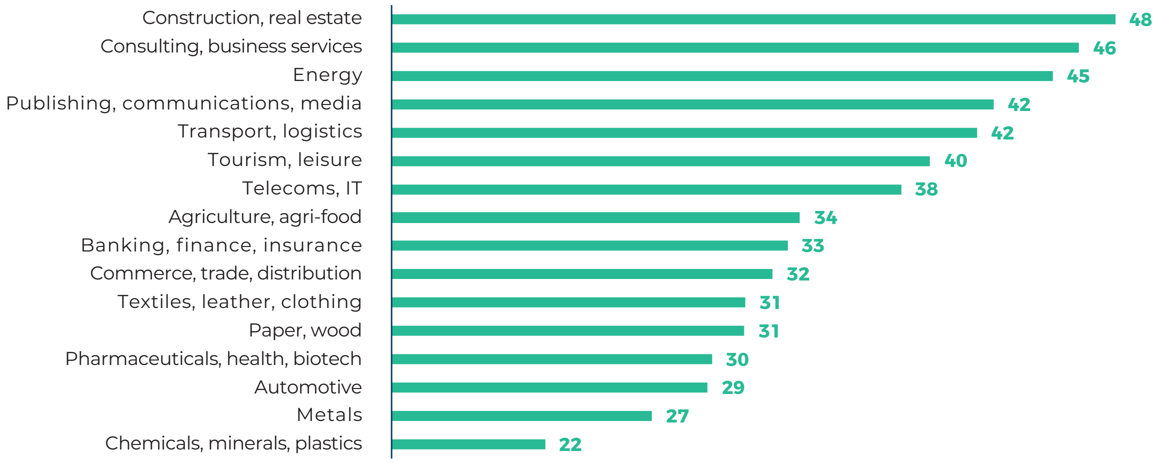
Source: Coface Company Payment Survey

Chart 10:
Payment delays by sector



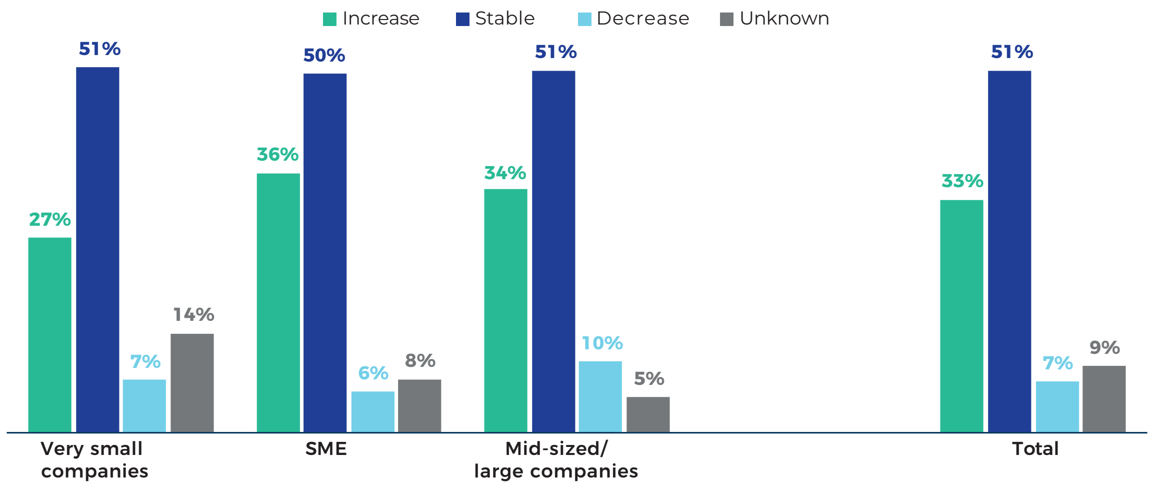
Source: Coface Company Payment Survey

Chart 11:
Average payment delays by sector (days)



Source: Coface Company Payment Survey

Chart 12:
Expected outlook for payment delays for the next 12 months (% of responses)



Source: Coface Company Payment Survey

Box:

INSOLVENCIES IN FRANCE ARE ON THE RISE

- After remaining particularly low until mid-2022, the number of corporate insolvencies returned to its pre-Covid level at the end of last year **(Chart 1.1)**. Corporate insolvencies have even regularly exceeded 2019 figures since the start of 2023, namely in March, May, June, July and August. On that score, 33,794 insolvencies were recorded over the first 8 months of the year, up 37% on 2022 and 3.5% higher than in 2019.

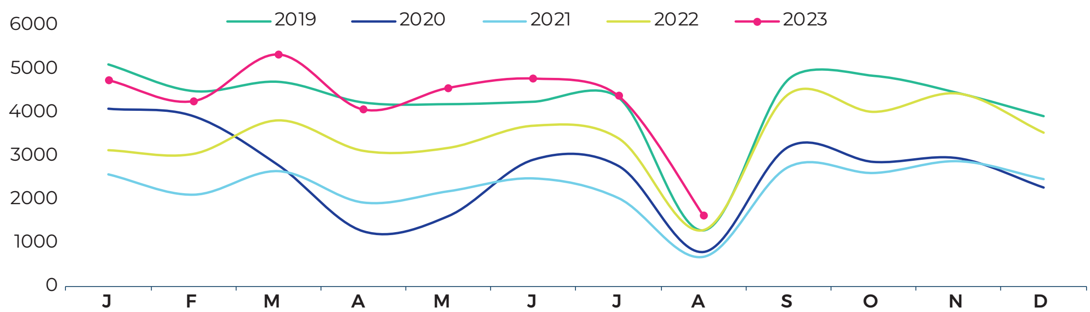
- The observation applies to all sectors, which have all more or less returned to their 2019 levels. In terms of business size, insolvencies were driven by entities generating revenue of less than €250,000 (+7% compared with the January-July 2019 period). However, the smallest businesses are not the only ones affected: those generating revenue of more than €10 million have also recorded significantly more insolvencies than in pre-pandemic times (+13%).

- This explains why the amount of trade payables impacted by insolvencies – €2.6 billion over the first 8 months of the year – is so much higher than in 2019 **(Chart 1.2)**. Above and beyond the financial cost, the cost in terms of jobs impacted has also reached record proportions, with more than 146,000 jobs lost between January and July.

- Court-ordered winding-up actions, which account for nearly three-quarters of insolvencies, have increased by 11% relative to the 2019 level. Safeguard procedures continue to stand well above 2019 levels, but remain minor in number and account for 3% of all procedures.

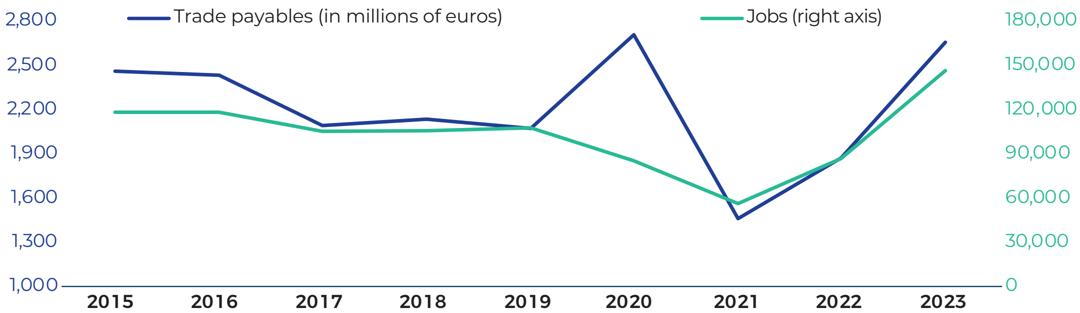
- Over the next few quarters, restrictive financing conditions (in terms of both interest rates and lending criteria) will have a considerable impact on businesses, which will have to cope with persistently limited demand, even as their costs continue to escalate in step with wage growth and repayment of government-guaranteed PGE loans. Under these conditions, business margins and cash flow will come under pressure, and insolvencies will continue to rise to above pre-pandemic levels.

Chart 1.1:
Monthly corporate insolvencies



Sources: Ellisphère, Coface

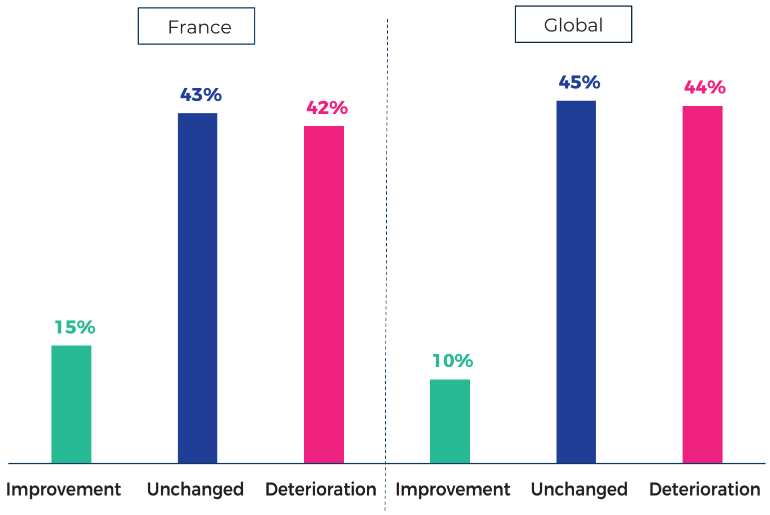
Chart 1.2:
Number of jobs and amount of trade payables impacted by insolvencies over the first 7 months of the year



Sources: Ellisphère, Coface

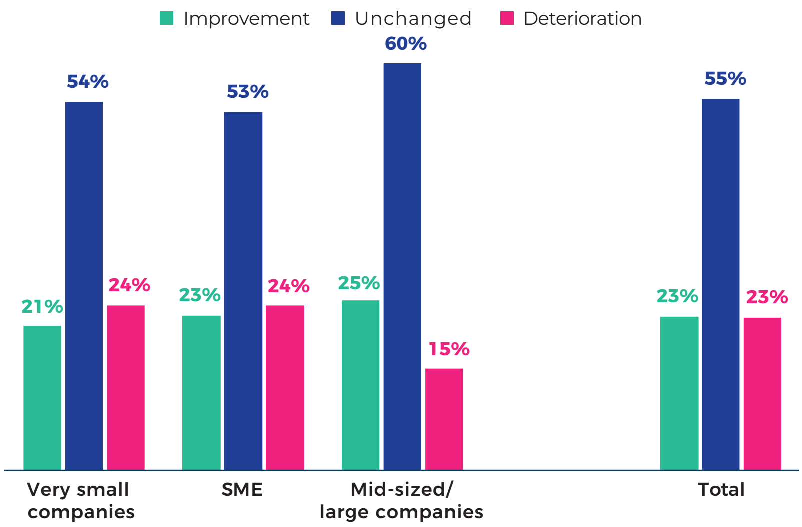
3 DETERIORATING ECONOMIC OUTLOOK AND MULTIPLE RISKS

Chart 13:
Outlook for the French economy and the global economy in 2024
(% of responses)



Source: Coface Company Payment Survey

Chart 14:
Cash flow outlook in 2024



Source: Coface Company Payment Survey

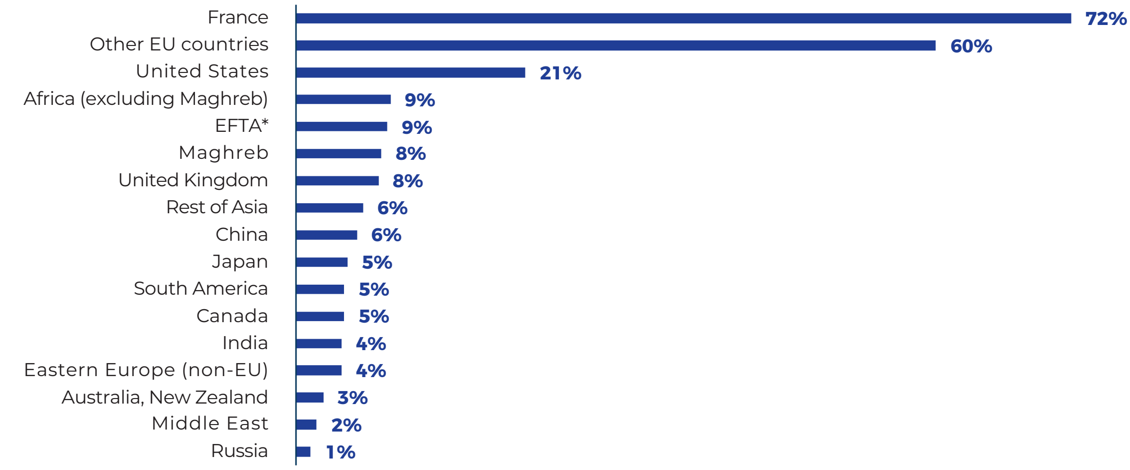
- More pessimistic expectations regarding clients' payment habits stem from a weaker economic outlook. Most of the companies surveyed expect economic conditions to worsen or, at best, for activity to remain stable in France and worldwide **(Chart 13)**. The sentiment is shared by all companies surveyed irrespective of their size.

- As is often the case with company surveys, respondents are relatively more optimistic about their own situation. As such, 37% expect their revenue to increase in 2024, while 16% forecast a decline. However, it should be pointed out that while 47% of companies expect to post stable revenues in 2024, the trend will probably go hand in hand with falling profitability against a backdrop of a durable rise in costs and particularly the wage bill. It therefore hardly comes as a surprise that more VSEs and SMEs expect their cash flow to deteriorate rather than improve in 2024 **(Chart 14)**.

- In spite of the persistently limited growth prospects for France and the European Union in 2024, these two markets remain widely favoured by exporting companies, which see them as the best opportunities for their business next year **(Chart 15)**. While the other markets usually favoured by French companies such as the Maghreb, the rest of Africa and Switzerland are unsurprisingly well placed, the US is positioned well ahead of the other countries despite the forecast of a sharp slowdown in the US economy too[10]. Another result worth noting is that the UK, which is historically one of the main markets for French exports, is lagging, probably as a result of Brexit and the unfavourable economic conditions that the British economy is currently experiencing.

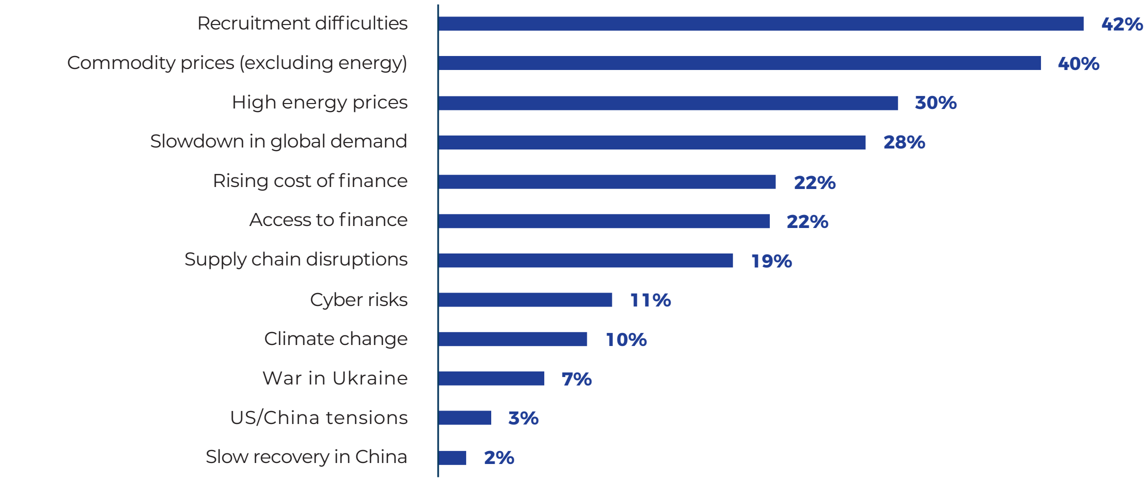
10 Coface forecasts US GDP of 2% in 2023 and 0.9% in 2024.

Chart 15:
Most lucrative markets for exporters[8] in 2024 (up to three possible responses)[9]



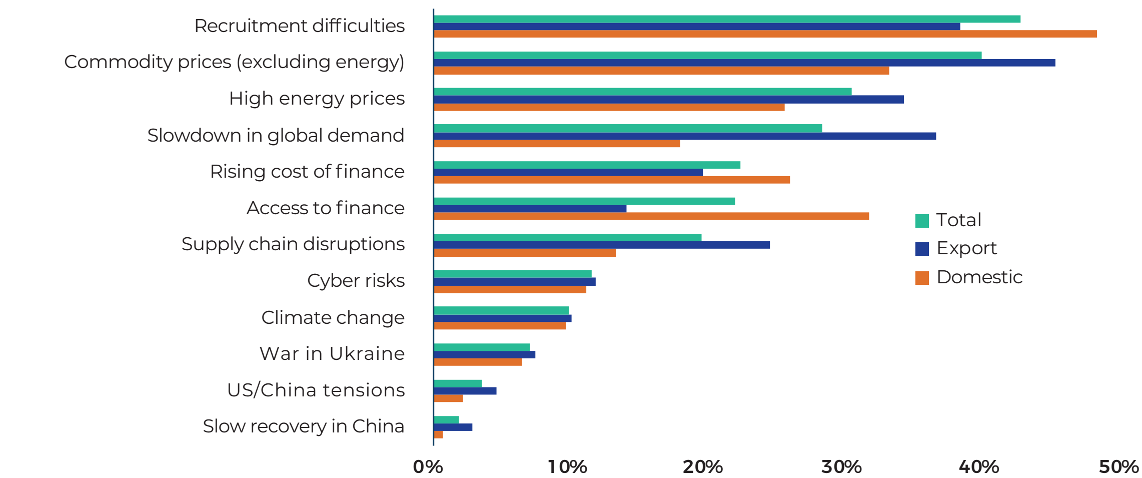
Source: Coface Company Payment Survey
* European Free Trade Association (EFTA) has four member countries: Iceland, Liechtenstein, Norway and Switzerland.

Chart 16:
Main risks impacting company activity (up to three possible responses)



Source: Coface Company Payment Survey

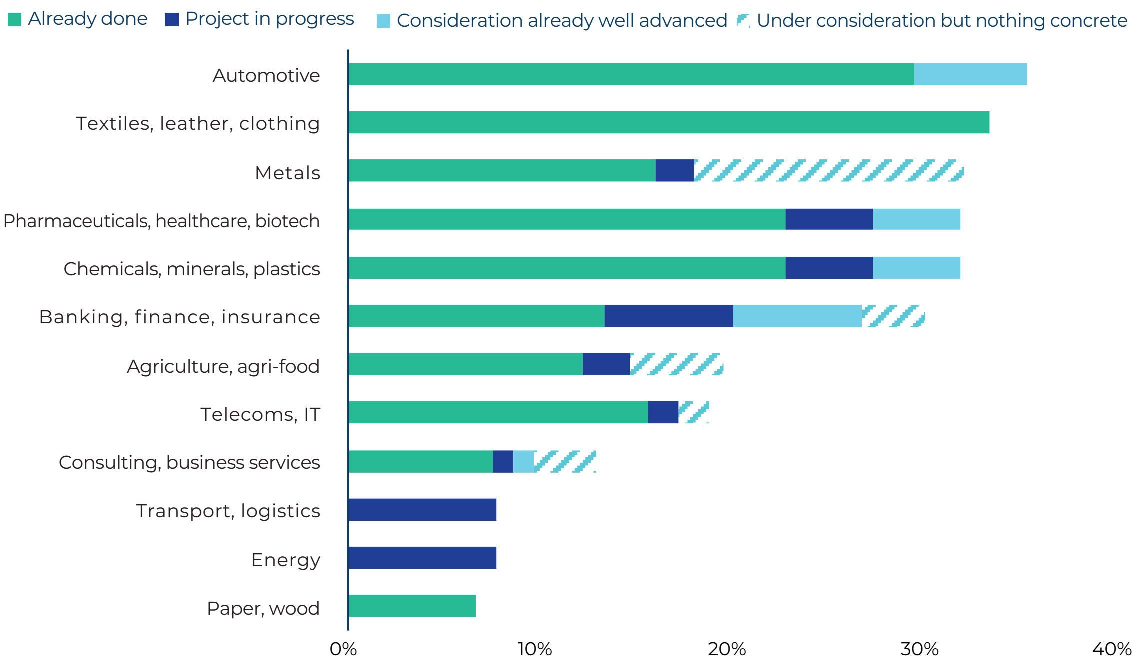
Chart 17:
Main risks impacting the activity of exporting companies and those solely affecting companies operating on the domestic market (up to three possible responses)



Source: Coface Company Payment Survey

8 350 companies stated that exports accounted for at least a part of their activity, i.e., 56% of our sample
9 Wherever several responses are possible, the total number of responses is not equal to 100%

Chart 18:
Percentage of companies considering relocating at least a part of their activity
(% of responses)



Source: Coface Company Payment Survey

- Despite softer business activity and demand, 42% of companies cite recruitment difficulties as their main risk, just ahead of non-energy commodity prices **(Chart 16)**. Over and above the risks expected in the current global economic climate, climate change is mentioned by 10% of companies as already one of the main risks to their activity. Unsurprisingly, this risk is particularly relevant to the tourism sector (20% of respondents) and, above all, the agri-food sector (46% of companies). Coming more of surprise is the relatively little concern shown for the risks posed by China, both in terms of its sluggish economic recovery and geopolitical tensions with the US. This is consistent with the few companies reporting China's market as a source of opportunity in 2024 and, above all, the durably low share of French exports (in 8th place in 2022 with 4%), despite its share of world trade.

- As far as the current risks are concerned, the responses differ markedly depending on whether the company is an export business or if it operates exclusively on the French market **(Chart 17)**. It comes as no surprise that exporters are naturally particularly sensitive to risks affecting global demand, supply chains and commodity prices (including energy). Conversely, companies that focus exclusively on the domestic market cite hiring and financing conditions as much bigger problems. This distinguishing factor between exporters and non-exporters holds true irrespective of company size. Sector-wise, companies in the services industry mostly cited hiring difficulties, whereas their peers in the industrial sphere referred more to commodity costs and supply chain risks. The main risks identified by companies in the construction sector were commodity prices (excluding energy), hiring problems and, obviously enough, the cost of and access to financing.

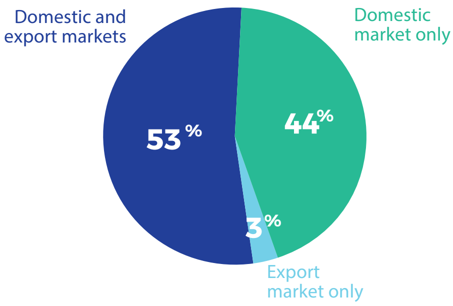
- Amid an uncertain global geopolitical backdrop conducive to nearshoring[11] and friendshoring[12], 12% of companies surveyed reported having already relocated at least some of their activity. The phenomenon is by no means insignificant as the percentage exceeds 20% if one includes companies for which the move is more or less in the advanced stage of consideration. In many sectors such as automotive, textiles and clothing, metallurgy, chemicals and pharmaceuticals, the percentage even exceeds 30% **(Chart 18)**. In Germany as well, the automotive and textile/clothing industries are those principally concerned by the intention to relocate, having been among the main players to have shifted their operations abroad over the last few decades. The vast majority of companies that have relocated or intend to relocate part of their activity plan to do so in France (84% of respondents). Spain leads the way (but with only 3% of respondents) as far as other European countries are concerned but no country really stands out as far as a definite trend is concerned.

11 Nearshoring - relocation of economic activity to a country that is geographically close
12 Friendshoring - relocation of economic activity to a country that is a geopolitical ally

APPENDIX

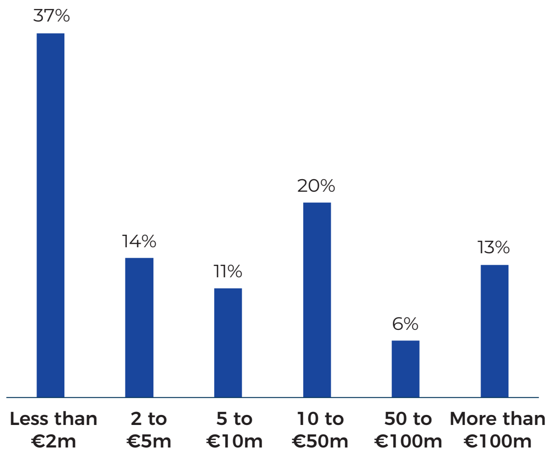
A TOTAL OF
630
COMPANIES PARTICIPATED IN THE PAYMENT SURVEY

RELEVANT MARKET



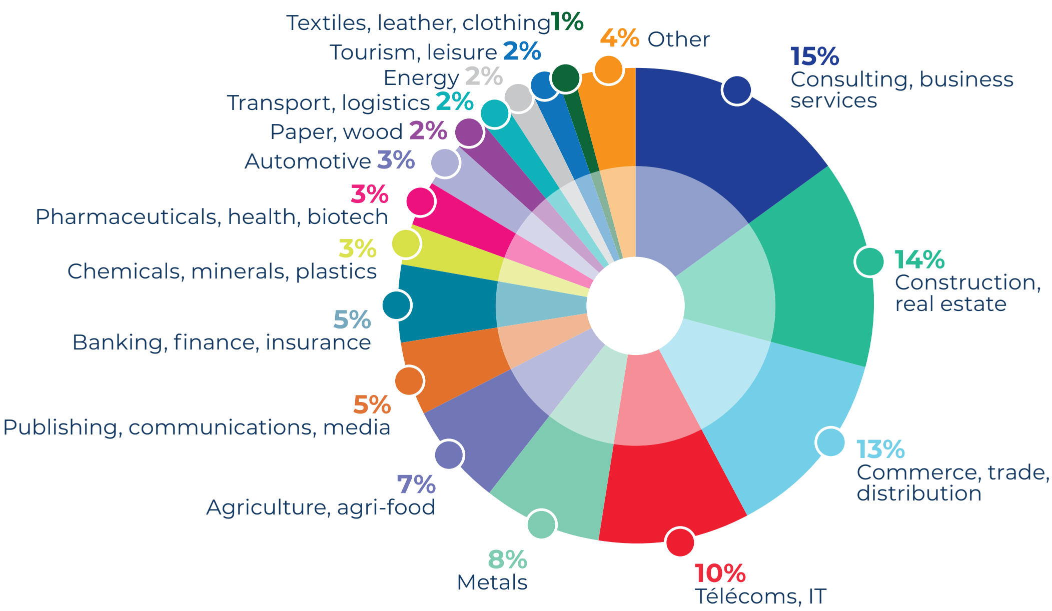
Source : Coface Company Payment Survey

SIZE BY TURNOVER



Source : Coface Company Payment Survey

SECTORS OF SURVEYED COMPANIES



Source : Coface Company Payment Survey

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COFACE SA
1, place Costes et Bellonte
92270 Bois-Colombes
France

www.coface.com

FOR TRADE