

PRESS RELEASE

Coface's Germany Corporate Payment Survey 2022: Battered companies prepare for another crisis

Hong Kong S.A.R, September 19, 2022 – While the difficult economic situation took its toll, the 6th edition of Coface's survey on corporate payment experience in Germany¹ indicates that the impact on corporate payments in 2022 appears to be moderate and comparatively lower than the shock on the economy. However, companies are vigilant in the short-term and very pessimistic about the future.

- The number & duration of payment delays has increased, but only slightly and from a very low initial level. This means the payment discipline deteriorated (+6 pp of surveyed companies reporting payment delays in 2022), but it remains below the level observed in 2020 and far below pre-pandemic levels.
- The average duration of payment delays increased to 28.7 days in 2022 (+1 day), after shortening by 7 days in 2021.
- Companies in the paper-packing sector experienced the shortest waiting time this year (average of 18.4 days), while companies in the finance sector had to be the most patient (average delay of 35.0 days).
- The main twist comes however from the economic outlook anticipated by companies. Never in the history of this survey, were companies so negative about their future.

Vigilant companies offer less payment terms

One of the takeaways of the survey is that payment behaviour has become slightly more restrictive, as German companies are again getting nervous and prefer to cash-in as soon as possible. Fewer companies are offering payment terms compared to last year (71% versus 74%) and this is especially the case for companies who are active mainly in Germany. Short-term payment terms continues to dominate with 90% of companies that provided payment terms requesting payments to be made within 60 days in 2022. Overall, the average credit period has changed only marginally with an increase by 0.2 days to 32.8 day.

"The survey hints to two directions. On one hand, companies seem more vigilant and therefore are reducing the number of payment terms. On the other hand, even though companies prefers to provide short-term payment terms as their confidence in customers is decreasing, technical reasons – market standards, supply chain issues, delivery times - force them to continue to provide or even extend payment terms" explains **Christiane von Berg, Northern Europe Economist at Coface**.

Payment delays: companies still get paid fast

The duration of the average payment delay increased by 1 day to reach 28.7 days in 2022. This is the second lowest payment delay average since the beginning of the time series in 2016.

¹ This new Coface's survey on corporate payment experience in Germany was conducted in July and August 2022, with 1,070 companies participating.

In addition, the number of payment delays increased slightly from the low of 59% in 2021 to 65% in 2022. This is still below the 2020 figure (68%) and far below the pre-pandemic average of 82%.

“Payment delays remained mainly related to financial difficulties. And companies tell us that these financial difficulties are linked to the rising costs of commodities, input-goods and production costs, to supply chain issues, to high competitive pressure or to lower demand in Germany. It is remarkable that the impact of the COVID-19 pandemic has lost its significance and was not named anymore, although it is clear that the pandemic is far from over.” details **Christiane von Berg**.

Pessimistic expectations are the norm

Although the payment behaviour remains very positive, companies have never been so pessimistic about the business outlook. While their view on the situation in 2022 is roughly neutral, 38% of all respondents expect worse business conditions in 2023, while only 14% of them are more optimistic for 2023. And this pessimism is observable in almost all sectors.

“The record level of pessimism amongst companies in Germany can easily be explained but the significant and diverse risks they are facing. Global production chain disruptions and rising non-energy commodity costs remain key concerns for the companies' export outlook. But new risks such as the war in Ukraine, the related sanctions, as well as rising energy prices are also weighing on companies' minds.” comments **Christiane von Berg**.

“The economic situation and the macro outlooks also seem to have changed the way German companies see business development opportunities. Germany remains the priority for business development although the momentum is weaker, and companies report to be less focused on the European Union and on China now and more interested by the US and Europe (outside of the EU). The latter could be related to the wish to circumvent EU sanctions against Russia and Belarus.”

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