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News release:

Recent trends in customer and supplier payment periods

FSA (Financial Statement Analysis) WG

European Committee of Central Balance Sheet
Data Offices (ECCBSO)



FSA Working Group

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European Committee of Central
Balance Sheet Data Offices

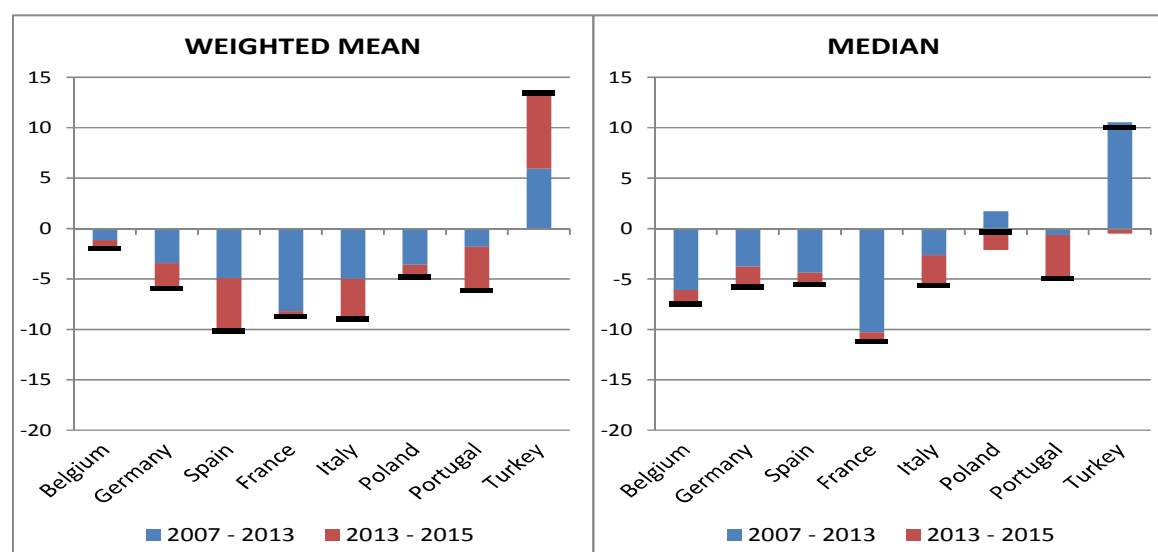
Recent trends in customer and supplier payment periods

ECCBSO Financial Statements Analysis Working Group

This note presents the most recent trends in trade credits of European non-financial corporations, using accounting information provided by financial statements. Results relate to the eight countries participating in the working group: Belgium, Germany, France, Italy, Poland, Portugal, Spain and Turkey. They are mostly an update of the previous report and cover the period 2013-2015¹.

As can be observed from chart 1, days sales outstanding (DSO) kept on decreasing in most countries over the period 2013-2015, confirming the post financial crisis trend. This result is valid for both weighted means and medians, which means that the trend affects the largest companies as well as the population as a whole. Very similar trends are observable for days payables outstanding (DPO, chart 2).

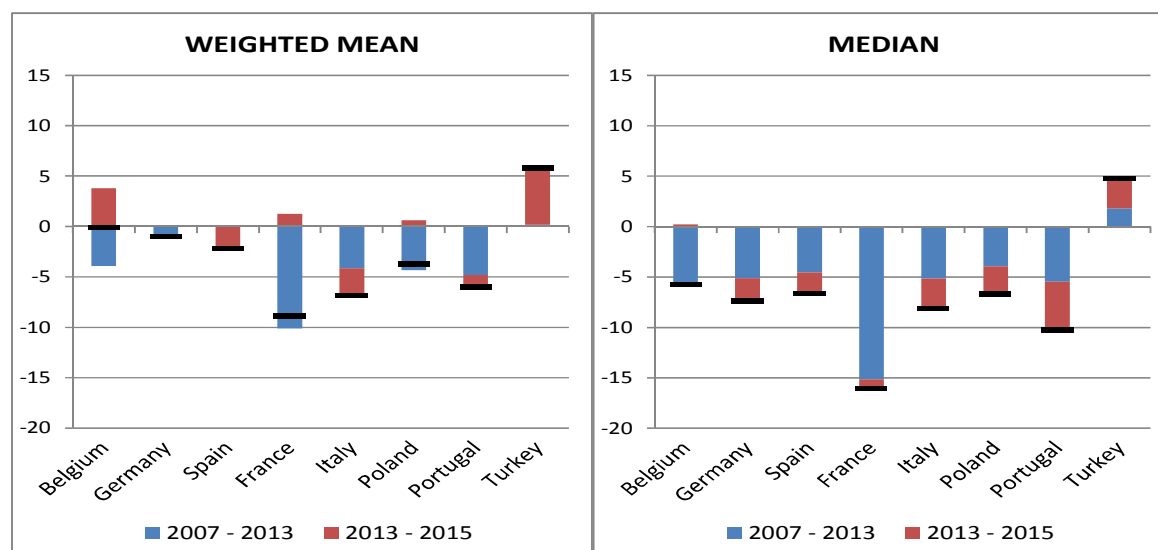
CHART 1 CHANGE IN DAYS SALES OUTSTANDING
(in number of days)



Source: ECCBSO, Financial Statements Analysis Working Group.

¹ The previous report with figures until 2013 and a detailed methodology of the computations can be found on the ECCBSO website, in the publications section.

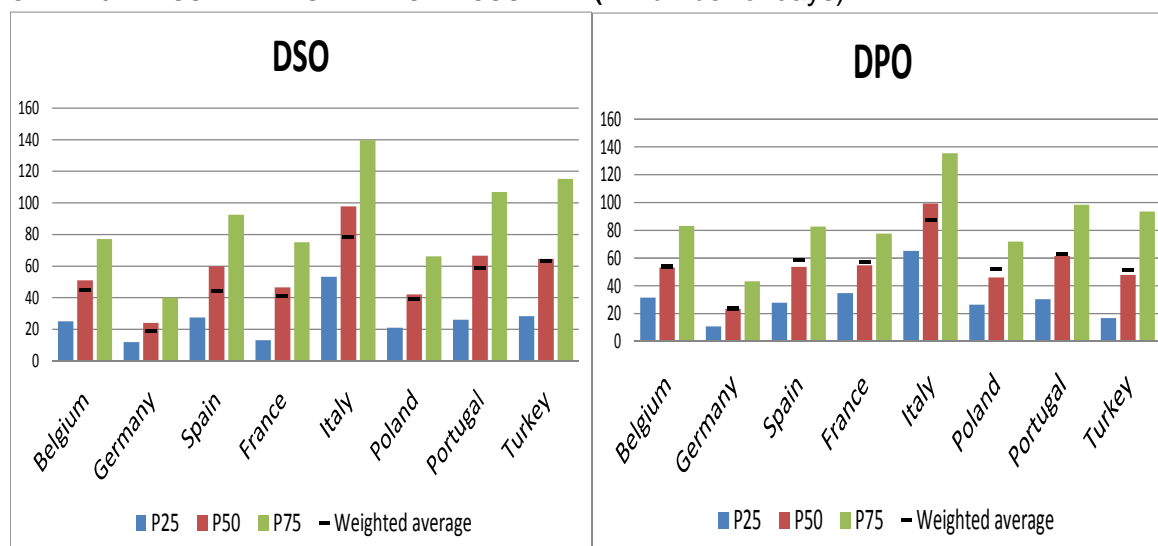
CHART 2 CHANGE IN DAYS PAYABLES OUTSTANDING
(in number of days)



Source: ECCBSO, Financial Statements Analysis Working Group.

The only country which stands out from the general downward trend is Turkey being the only country experiencing an increase. This can be explained by the country's implication in international trade, which creates some sensitivity to energy prices and geo-political matters. Other national peculiarities are visible too. For example, compared to other countries, France experienced a more important decrease between 2007 and 2013 than between 2013 and 2015. This specificity is closely related to the application of the LME (*"Loi de modernisation de l'économie"*) law since 2009, which has set mandatory maximum payment delays and has had quick results on payment behaviours in France. As a reminder, in most other countries, enterprises may exceed legal limits by contractual clause, provided it is not grossly unfair. One can also see that DPO weighted mean increased in Belgium over the period 2013-2015, because of specific variations in a few large companies. As can be verified from the DPO median, a large share of Belgian companies did not experience any increase over the same period.

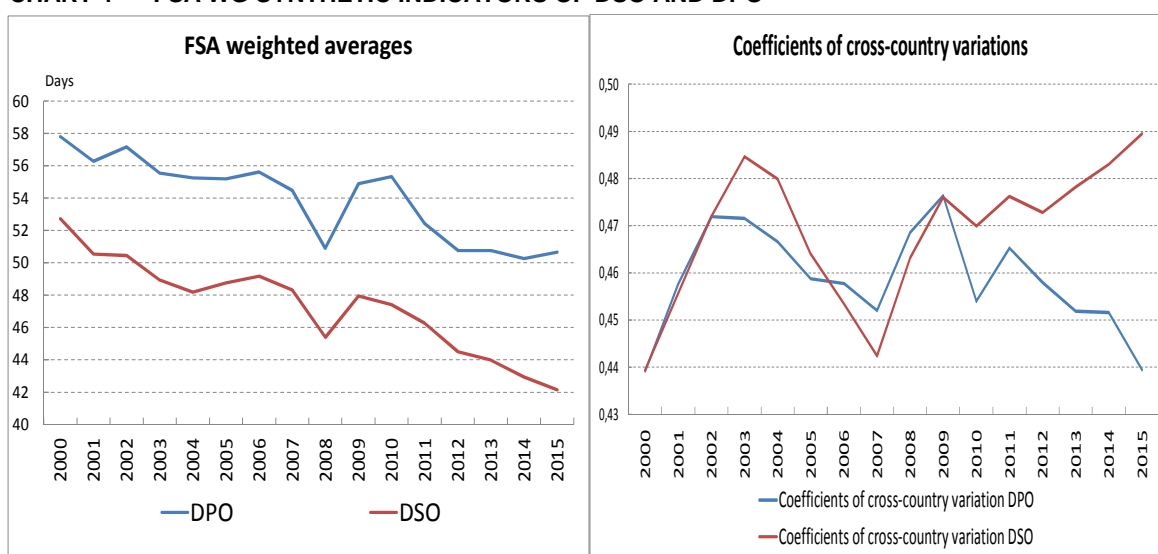
Chart 3 shows the key values for collection and payment periods in 2015, i.e. the three quartiles and the weighted means. As was already concluded in previous works of the Working Group, payment delays vary considerably from one country to the other. Shortest delays are observable in Germany, whereas longest ones are observable in Italy, other countries showing intermediate values. Many factors help explain this variety of behaviours, like, at the macroeconomic level, the difference in legislations and payment cultures, and, at the microeconomic level, the difference in corporation structures (e.g. firms belonging to a group or not), in bargaining power and commercial policy.

CHART 3 DSO AND DPO LEVELS BY COUNTRY (in number of days)

Source: ECCBSO, Financial Statements Analysis Working Group.

Both DSO and DPO synthetic indicators² (see chart 4) have followed a clearly downward trend over the last fifteen years. The most recent data for 2014 and 2015 extend this trend for DSO, which kept on decreasing, shortening up to 42 days. Regarding DPO, data maintain a stable payment pattern for companies, the DPO's slope softened and shows a much smoother profile, around 50 days.

National contributions implement a shortening in DSO level mainly by the decrease of days in Italy, Germany and Spain, meanwhile there has been an increase in dispersion, largely due to Turkey's increase. At the same time, the small change in DPO level masks a combination of increases in countries such as Turkey and France, and decreases in other countries such as Italy. Regarding DPO dispersion, a decline in the coefficient of variation it could be linked to the full implementation in the member countries of the laws inspired by the EU Late Payment Directive 2011/7/EU.

CHART 4 FSA WG SYNTHETIC INDICATORS OF DSO AND DPO

Source: ECCBSO, Financial Statements Analysis Working Group.

² With the aim of summarising the national information in synthetic indicators, FSA aggregates for DSO and DPO have been constructed as averages of the eight countries of the FSA WG, weighted by the value added of each economy's non-financial corporations (constant weights)

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