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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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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 nine countries participating in the working group: Belgium, Germany, France, Croatia, Italy, Poland, Portugal, Spain and Turkey. They are mostly an update of the previous report¹ and cover the period 2013-2016².

As it can be observed from **chart 1**, the days sales outstanding (DSO) indicator, measured as the weighted mean, decreased or remained stable in all countries (except Turkey, see below) between 2007 and 2013. This descending trend went on in 2014 and 2015 in most countries. However, DSO increased in 2016 in 6 of the 9 countries (Belgium, France, Croatia, Poland, Portugal and Turkey). In Belgium, a significant rise was already recorded in 2015; these 2 consecutive years increases have almost offset the fall noticed since 2007.

As the rise affected especially larger (and less numerous) firms in Belgium, France and Portugal as well, the median value of the DSO indicator remained unchanged in 2016 in these 3 countries. In Poland and Turkey, on the opposite, a majority of firms recorded an increase in their DSO so that the median value rose by respectively 2 and 3 days in 2016.

Chart 2 shows that a rise in the days payables outstanding (DPO) indicator measured in weighted mean has been recorded in most countries since 2013, the rise being especially large in 2016 in Poland (+5 days), in Italy and Turkey (+4 days) and in Belgium (+3 days). In some countries (Belgium, Germany, Spain, Poland and Portugal), the cumulated increase recorded since 2013 was nearly equal to or even higher than the decrease recorded between 2007 and 2013.

Unlike what it can be seen for DSO, the change in DPO seems to have affected the population as a whole in 2016: in every country (except Croatia), a rise in the DPO median value was recorded in 2016, offsetting in some cases the 2014-2015 decrease.

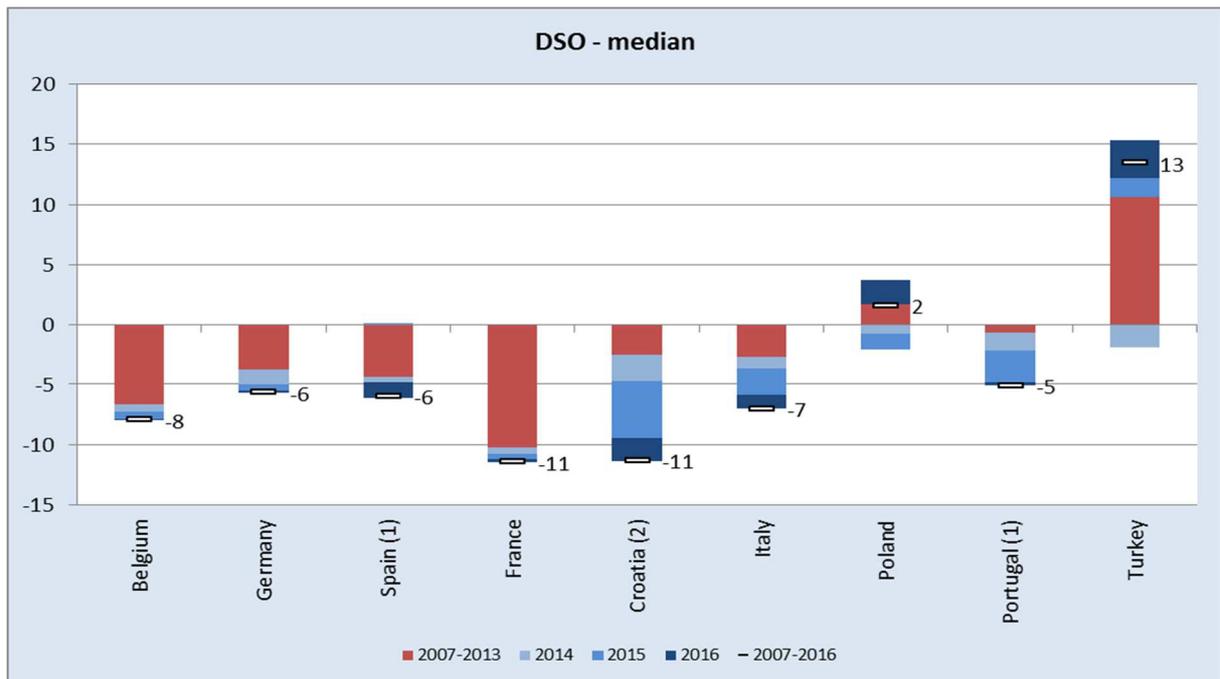
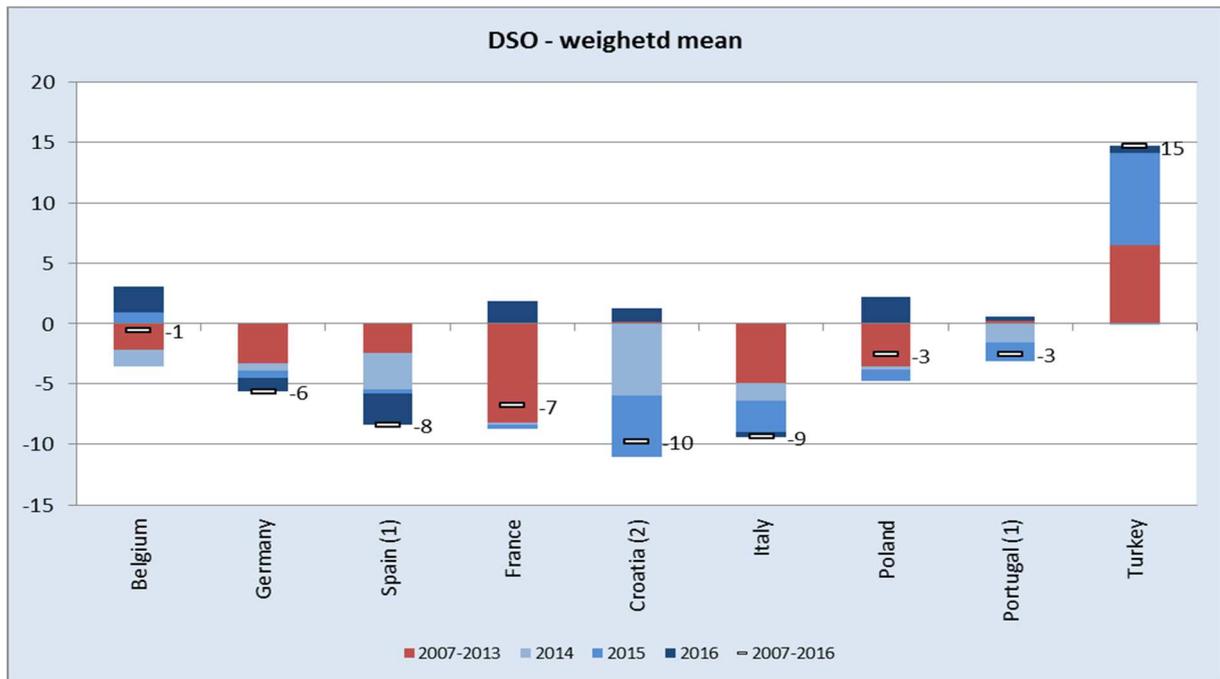
Some national peculiarities are visible on the charts:

- The only country which stands out from the general downward trend between 2007 and 2013 is Turkey 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.
- France experienced a very important decrease in DSO and DPO during the first period of time. 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.
- In Croatia, big changes in DSO and DPO values were observed between 2007 and 2009. They could be related to a break in the population series used for calculation.

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.

² Please note that the 2016 data are provisional for some countries due to the fact that financial statements were not available for the whole population of companies.

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

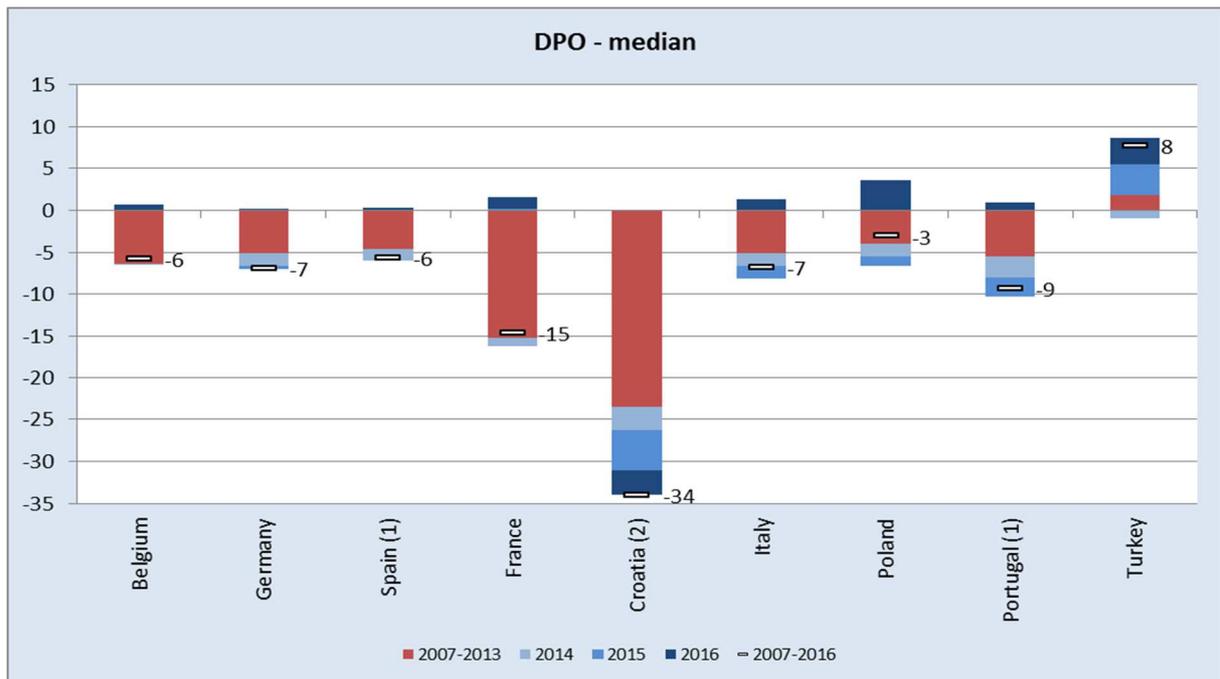
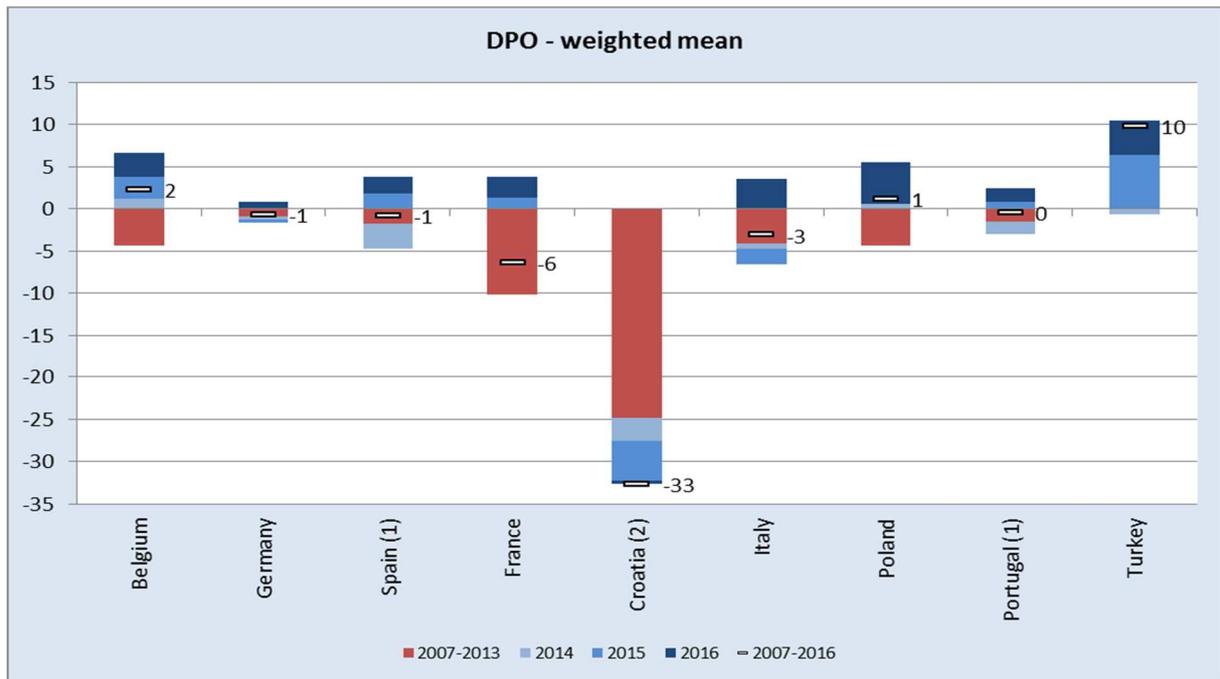


Source: ECCBSO, Financial Statements Analysis Working Group.

(1) Basic year is 2008 for Spain and Portugal.

(2) Possible break in series due to a drop in the number of firms between 2007 and 2009 in the Croatian database.

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



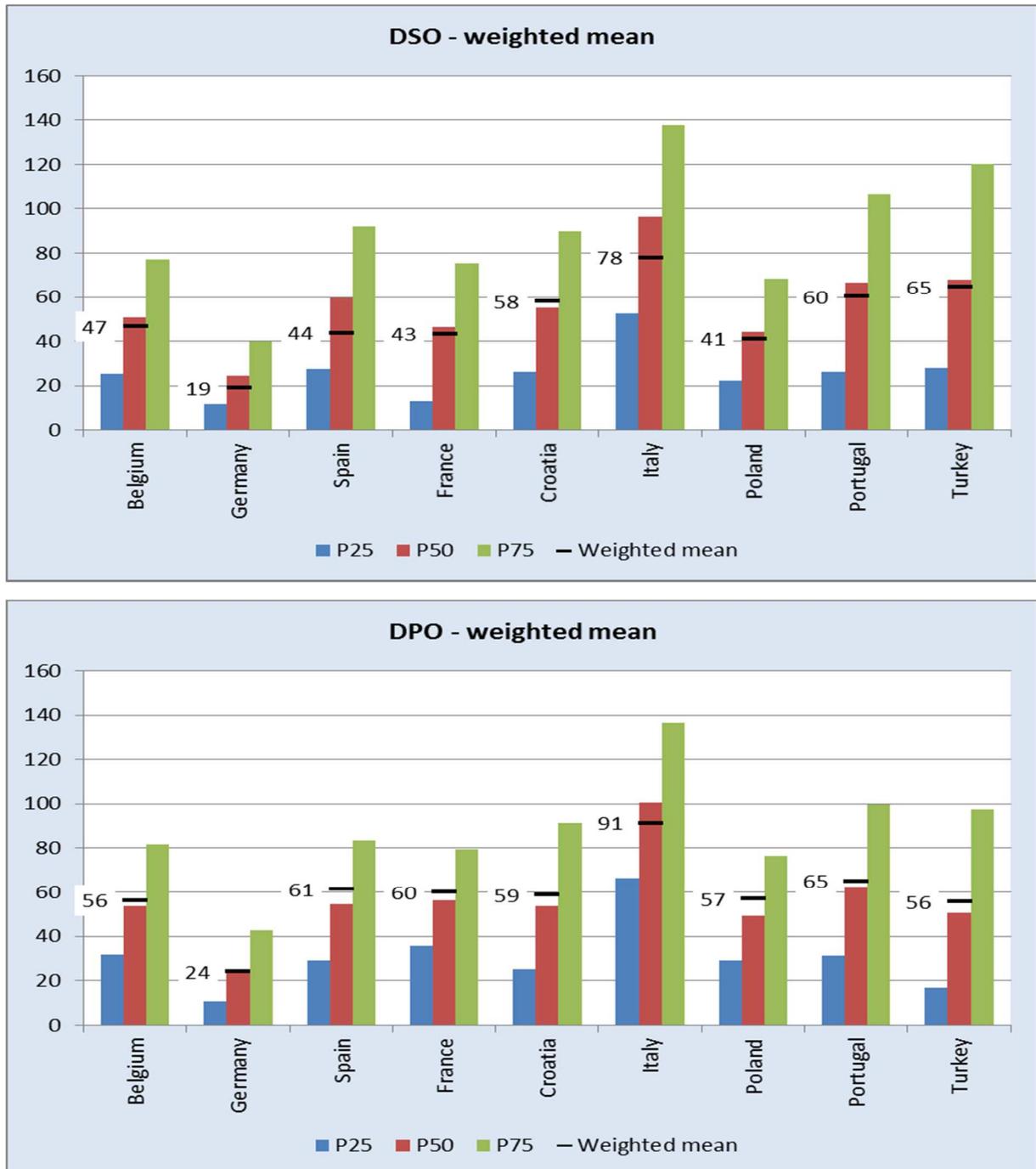
Source: ECCBSO, Financial Statements Analysis Working Group.

(1) Basic year is 2008 for Spain and Portugal.

(2) Possible break in series due to a drop in the number of firms between 2007 and 2009 in the Croatian database.

Chart 3 shows the key values for collection and payment periods in 2016, i.e. the three quartiles and the weighted means. Shortest delays are observable in Germany, whereas longest ones are observable in Italy, other countries showing intermediate values. As was already concluded in previous works of the Working Group, 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.

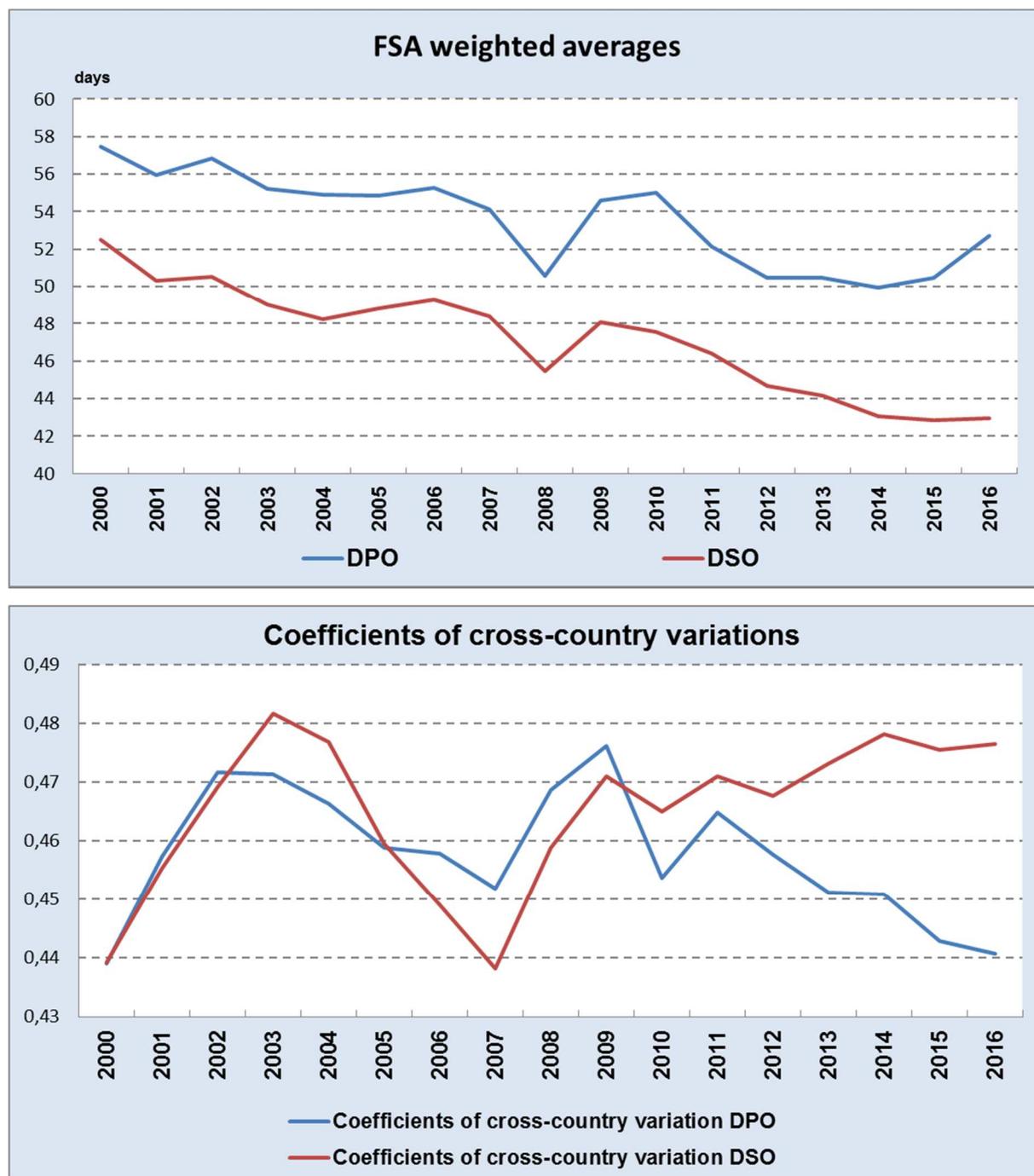
CHART 3 DSO AND DPO LEVELS IN 2016, BY COUNTRY
(in number of days)



Source: ECCBSO, Financial Statements Analysis Working Group.

The WG has defined DSO and DPO synthetic indicators, both (see **chart 4**) have followed a clearly downward trend over the last fifteen years. The most recent data for 2014 and 2016 extend this trend for DSO, which kept on decreasing, shortening up to 43 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, but last 2016 data shows an increase up to 53 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 and France'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.