

PAYMENT SURVEY



By **Christiane von Berg**
Coface Economist
for the Northern
Europe region,
based in Mainz,
Germany

Germany Corporate Payment Survey 2020: German companies have switched to “crisis- mode” and offer less payment terms

This is the fourth edition of Coface’s survey on corporate payment experience in Germany, conducted in July and early-August 2020, with 753 participating companies located in Germany. Unsurprisingly, COVID-19 and its effects on the global and German economy is the predominant topic of this survey. One major finding is that German companies are getting worried. This year, only 62% of participants offered payment terms, which is significantly less than the 81% in 2019 (2017: 83%, 2016: 84%). It is difficult to clearly assess if the lack of payment terms is exclusively the result of COVID-19, or if this is part of a general “new normality”. This can only be clarified by the data of the following years. Nevertheless, this year, more customers pointed to the tight liquidity of the market or explicitly named COVID-19 and its effects¹ as the main reasons for offering payment terms. The preference for shorter payment terms increased. Half of the surveyed companies requested payments to be made between 0 and 30 days.

However, even with these concerns, the current theme of “we stick together” - which is hanging from almost every child’s window in Germany - seems to be a mantra in the corporate world as well. The discipline to pay on time increased in 2020, possibly because financial difficulties surged due to COVID-19, and that in the current context, too long and/or too many payment delays could send a company into insolvency. In 2019, 85% of companies reported payment delays compared to 68% in 2020. While the payment delay time was only reduced by one day on average for all respondents between 2019 and 2020, the outlook is very different from one sector to another.

The payment delay time of the pharma-chemicals² sector, which was reduced by almost one week between 2019 and 2020 to reach 27 days, came out as a positive surprise. Conversely, the automotive sector experienced longer delays, as the period increased by 20 days. Surprisingly, the ICT³ sector also had a significant increase of payment delays by around two weeks, even though this sector should have benefited from the 6-week lockdown.

Looking at Days Sales Outstanding (DSO, addition of payment terms and payment delays), the DSO period decreased sizeably by around 9 days between 2019 and 2020. The outlook for business development is more straightforward and very negative for 2020, with automotive being the most pessimistic sector. The prospects would probably be even darker, if not for the State’s aid measures that 48% of respondents benefited from. For 2021, on balance, all but one sector expected a recovery when asked this summer. Indeed, construction bucked the trend with optimism in 2020 and pessimism in 2021, as order books are still full. The main risks for the export-business have changed a lot. Last year’s number-one risk, the U.S.-China trade conflict, is only marginal within the risk spectrum of 2020. Instead, 3 out of 4 companies named COVID-19 and its effects on the global or the German economy as the main risk, alongside the disruption of production chains because of the pandemic. Nevertheless, risks like the Brexit - which has been present since our 2017 survey - have not vanished and could become even more urgent with a “No-Deal-Brexit” looming for 2021. Thus, even with a slightly brighter outlook for 2021, Germany is far from exiting the “crisis-mode”

1 This was not a multiple-choice answer. Instead, surveyed companies used the “other” category and wrote the answer down.

2 As some single sectors had only a very limited number of answers, we combined similar sectors for a more robust insight on the sector. In addition, we used the same sector combinations as in our 2019-survey, so that the results could be compared.

3 ICT - Information and Communication Technologies

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GLOSSARY



PAYMENT TERM

The time frame between when a customer purchases a product or service and when the payment is due.

PAYMENT DELAY

The period between the payment due date and the date the payment is made.

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COFACE SA

1, place Costes et Bellonte
92270 Bois-Colombes
France

www.coface.com