



Key trends for B2B payments and cash flow

Germany

Wider use of trade credit cushions impact
of tighter monetary policy



About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times.

However, the survey also has a strong focus on the challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

The results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for Germany.

The survey was conducted between the end of Q1 and the beginning of Q2 2023, and findings should therefore be viewed with this in mind.



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B2B payment trends and cash flow

Wider use of trade credit cushions impact of tighter monetary policy

The reaction of German companies to a year of rising interest rates and tighter monetary policy used to fight inflation was a need to redesign their corporate financing options. This involved a clear switch towards an increased reliance on trade credit in B2B transactions, with 49% of businesses polled taking this path, in effect borrowing through trade credit from their suppliers. When they did so, more than one third of companies polled said they received less trade credit volume than requested. This strategy was used in preference to borrowing from banks, which had become less affordable due to increasing interest rates. Only 39% of companies polled opted for bank loans.

This move in favour of an increased reliance on trade credit applied particularly to companies who could not pass on rising input costs to highly price-sensitive B2B customers, and therefore had no choice but to keep their prices stable. This meant absorbing the extra costs, with a heightened risk of suffering liquidity shortages and thus a need to seek external sources of finance. Surging production costs were also a problem for German businesses across energy-intensive sectors, which they tried to withstand by reducing output amid weak domestic and foreign demand. Whichever way they turned, companies faced a difficult financial landscape.

Maintaining good cash flow is a crucial issue for suppliers trading on credit, and this prompted a 75% increase in companies who granted markedly shorter payment terms to B2B customers than last year. There is now an average payment term of 30 days from invoicing. Despite these shorter terms, Days Sales Outstanding (DSO) worsened for 15% more businesses, particularly in the chemicals sector. One impact of this tighter payments policy, within the frame of an already financially distressed business environment, was a 65% increase in the level of payment delays. These now affect an average of 51% of all invoiced sales, while the average level of bad debt stands at 8%, an increase of 60% on last year.

48% of companies said payment delays were caused by liquidity shortages, and many responded by strengthening their credit control processes, dedicating extra resources to chasing late payments and resolving disputes with B2B customers. Delaying payments to their own suppliers was less attractive because it increased the vulnerability of value chains. 60% of businesses polled said they retained and managed customer credit risk in-house, although this was a decreasing trend, being comparably less cost effective than outsourcing credit management to a credit insurer. A clear trend showed more companies opting to do this, reported particularly among electronics/ICT companies, while the chemicals sector often resorted to factoring.

Key figures and charts on the following pages

Key survey findings

- There was a significant increase the use of trade credit in B2B transactions, with 49% of companies reporting they did so.
- Tighter monetary policy made bank loans less affordable, 39% of companies polled taking this credit route.
- Many businesses faced the risk of liquidity shortages in a tough financial landscape of high inflation and weak demand for goods and services. 48% of companies polled said payment delays were caused by liquidity problems.
- Payment delays increased by 65% in the last year, affecting 51% of all invoiced B2B sales of German businesses, while the level of bad debts written off rose by 60%, effecting 8% of all invoiced B2B sales.
- There was a tightening of trade credit policy, with shorter payment terms granted across all sectors to an average of 30 days from invoicing. DSO deteriorated for 15% more companies than last year, particularly in the chemicals sector.
- Fewer companies relied on in-house retention of customer credit risk, while an increasing number, particularly among electronics/ICT businesses, opted for the benefits of credit insurance.

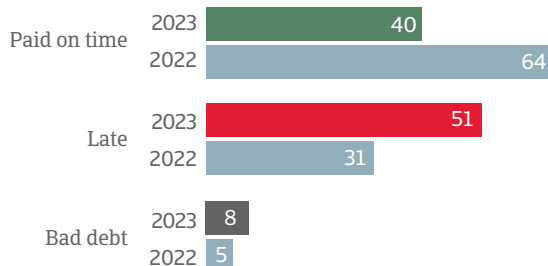




Germany

Germany

% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)

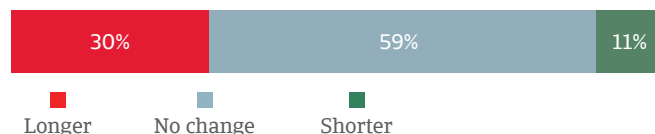


Sample: all survey respondents

Source: Atradius Payment Practices Barometer Germany – 2023

Germany

% of respondents reporting changes in payment duration* over the past 12 months



*average amount of time to get paid from B2B customers

Sample: all survey respondents

Source: Atradius Payment Practices Barometer Germany – 2023

Germany

Measures put in place to minimise cash flow problems due to payment default of B2B customers

(% of respondents - multiple response question)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer Germany – 2023

Survey question

What are the main sources of financing that your company used during the past 12 months?

- 49% Trade credit
- 42% Bank loans
- 39% Equity capital
- 23% Internal funds

*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer Germany – 2023

Looking ahead

Clean energy storage among major concerns amid downbeat mood

Our survey found a striking change in the nature of business outlook with a focus on the problem of clean energy storage amid the crucial transition to a green economy. This was the primary concern expressed by companies polled in the German chemicals sector, a worry that is likely to increase widely across all energy-intensive industries. The chemicals sector also showed a particular anxiety about cyber fraud in the year ahead. The main concern, generally, was that high energy and input costs could affect the competitiveness of German businesses amid the global economic downturn.

While a gradual recovery of the German economy in 2023 is expected by companies polled, there is still widespread pessimism about the business outlook for the months ahead. 23% of companies told us they anticipate a decrease in profit margins because the pressure on costs is at an unprecedented level and is not offset by enough revenue. This figure spikes to 35% in the chemicals sector due to inflation creating weak domestic demand and a contraction in global trade affecting foreign demand. One bright spot is that 50% of businesses said they anticipate an increase in demand in the year ahead.

The uncertainty about prospects for 2023 was reflected by nearly 40% of companies polled saying they expect a worsening of B2B customer payment practices in the months ahead. Businesses in the chemicals sector are particularly worried about a deteriorating trend in payment behaviour. German companies told us they anticipate this will have a significant impact on DSO, with 20% concerned about a severe worsening of the situation and a consequent negative affect on liquidity. Only 36% of businesses polled expect any kind of improvement in DSO.

A switch towards the benefits of using credit insurance was evident in our survey. While 53% of companies polled said they are likely to retain and manage customer credit risk in-house, there was a clear trend among companies polled that they are considering moving in 2023 to the alternative of outsourcing the issue to a credit insurer. This was particularly the case among businesses in the chemicals sector. Another notable trend is that 69% of companies in the transport sector indicated they would be using letters of credit in the year ahead.

Key survey findings

- Clean energy storage is a particular worry for German businesses in the transition to green economy.
- There is also anxiety about volatility of energy and input costs expected to strongly affect businesses' competitive strength in the market. Concern was also expressed about growing risk of cyber fraud during the coming months.
- Companies polled anticipate a gradual recovery of the German economy in the year ahead.
- Nevertheless, general business sentiment remains downbeat, with 23% of companies saying they anticipate a decrease in profit margins, the figure spiking to 35% in the chemicals sector due to inflation creating weak domestic demand and a contraction in global trade affecting foreign demand.
- Around 40% of companies polled expect a worsening of B2B customer payment behaviour. For many, this will cause deterioration of DSO. Businesses in the chemicals sector are particularly worried about a worsening trend of this indicator.
- An increased move towards using credit insurance is anticipated, especially among companies in the chemicals sector, while the transport sector will switch strongly to letters of credit.



Key figures and charts on the following pages



Germany

Germany

Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

(% of respondents)

Sales



Profit margins



■ Improve
 ■ No change
 ■ Deteriorate

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Germany - 2023

Germany

Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



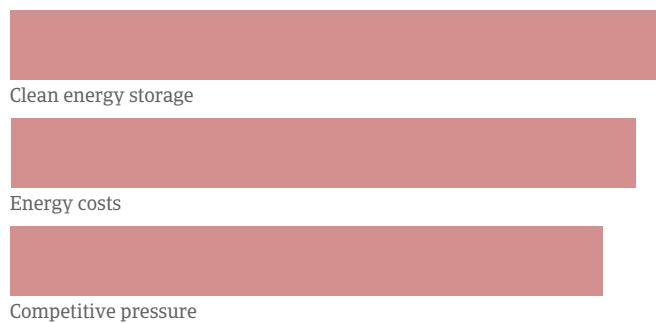
■ Improve
 ■ No change
 ■ Deteriorate

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Germany - 2023

Germany

Looking ahead to the next 12 months: top 3 concerns expressed by businesses polled

(% of respondents - multiple response question)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer Germany - 2023

Survey question

How do you expect your average DSO to change over the next 12 months?

(% of respondents)

36% Improve
44% No change
20% Deteriorate

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Germany - 2023

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Germany are the focus of this report, which forms part of the 2023 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 248 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Germany were surveyed, and the appropriate contacts for accounts receivable management were interviewed
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** Companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact, and for quota control, was conducted at the beginning of the interview.
- **Sample:** N=248 people were interviewed in total. A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: The survey was conducted between the end of Q1 and the beginning of Q2 2023.

Sample overview – Total interviews = 248

Business sector	Interviews	%
Manufacturing	171	69
Wholesale trade	46	18
Retail trade/Distribution	18	8
Services	13	5
TOTAL	248	100

Business size	Interviews	%
SME: Small enterprises	43	17
SME: Medium enterprises	77	31
Medium Large enterprises	82	33
Large enterprises	46	19
TOTAL	248	100

Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the 2023 Payment Practices Barometer of Atradius, available at www.atradius.com/publications [Download in PDF format](#) (English only).

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