



Key trends for B2B payments and cash flow

# United Kingdom

Insolvency fears fuelled by concern  
about low-growth landscape



## 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 the United Kingdom.

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

## Rise in payment defaults amid tough domestic economic climate

A strong deterioration in the trade credit risk landscape for United Kingdom companies was shown by a series of trends in our survey. One major issue was a marked increase in late payments, which now average 50% of all invoiced B2B sales. The level of bad debts written off as uncollectable also rose by a significant 80% during the past year and now affect 9% of all B2B sales on credit. These highly worrying negative trends are probably the legacy of Brexit and to a lesser extent the ending of government pandemic support measures.

The response of businesses polled in the UK was to employ a far more prudent approach to trading on credit. There was a sharp downward trend during the past 12 months, with transactions on credit now averaging 47% of all B2B sales. Companies told us they also switched to a more cautious approach in setting payment terms for B2B customers. These were significantly shortened to stand at an average 37 days from invoicing. The consumer durables sector was hardest hit by the worsening trade credit risk environment, and they opted for even more stringent payment terms in a bid to alleviate serious pressure on cashflow.

Many other measures were taken by companies polled to minimise the risk of suffering liquidity issues amid a period of rising insolvencies in the UK economy. The majority told us they strengthened their overall credit control process and spent more time and resources in dealing with the markedly deteriorating problem of late payments. Some businesses looked to short-term finance through trade credit and bank loans, while others said they struggled to pay bills and/or staff on time. These actions did contribute to minimising large swings of Days-Sales-Outstanding (DSO) during the past year, which was of particular benefit to the hard-pressed UK food sector.

In dealing with the crucial issue of customer credit risk, 66% of UK companies polled said they opted for in-house retention and management, setting aside cash reserves to cover potential losses from B2B customer payment defaults. This approach was taken particularly in the food sector, which had a widespread use of letters of credit to cover single transactions. In contrast, businesses in the machinery/engineering sector told us they preferred the solution of a more strategic approach to credit management involving credit insurance. This was particularly attractive due to the benefits of credit risk mitigation and business intelligence in export markets where turnover grew faster in the past year.

**Key figures and charts on the following pages**

## Key survey findings

- A sharp downward trend was found in sales transacted on credit by United Kingdom companies. They now stand at an average 47% of all B2B sales. SME distributors and retailers across various sectors had a slightly more dynamic approach to trade credit.
- Payment terms were shortened by businesses in the United Kingdom during the past year. The average term now stands at 37 days from invoicing, down from 44 days, and the approach was even more stringent in the consumer durables sector.
- The main factor in setting payment terms in the consumer durables sector was market pressures and terms received from suppliers. This sector also borrowed mainly through trade credit as the most immediate method of short-term finance to boost liquidity.
- Late payments stand at an average 50% of all B2B invoiced sales for United Kingdom companies, a rise of 25% on last year. The level of bad debts increased by 80% and now affect 9% of all B2B sales, an indication of serious cashflow issues.
- The deteriorating credit risk landscape is highlighted by insolvencies standing at 120% of the pre-pandemic levels of 2019. United Kingdom companies responded by strengthening credit control procedures, which helped reduce swings of DSO.
- 66% of businesses polled in the United Kingdom said they opted for in-house retention and management of customer credit risk, especially in the food sector. Machinery/engineering companies told us they looked towards credit insurance.

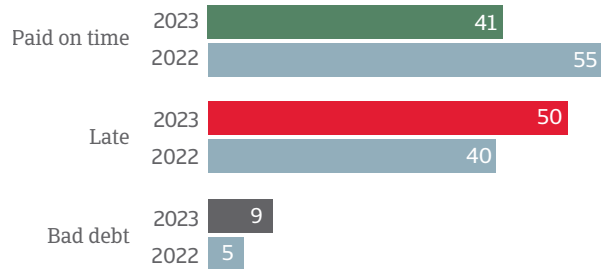




# United Kingdom

## United Kingdom

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

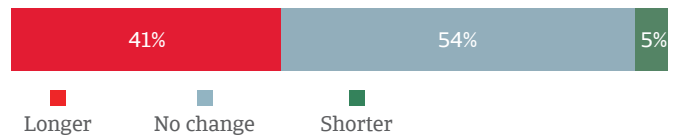


Sample: all survey respondents

Source: Atradius Payment Practices Barometer United Kingdom – 2023

## United Kingdom

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



\*average amount of time to get paid from B2B customers

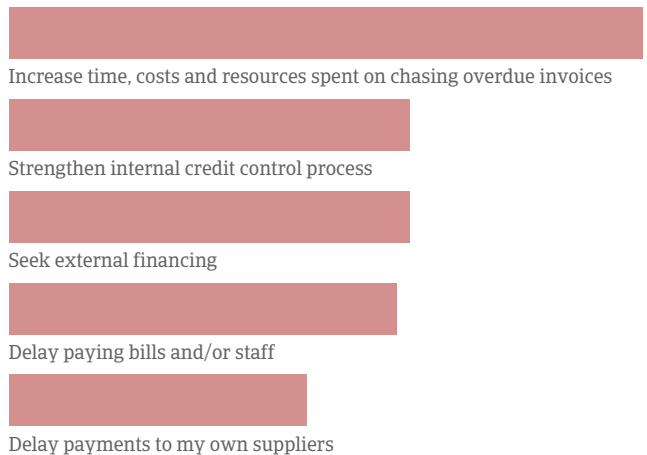
Sample: all survey respondents

Source: Atradius Payment Practices Barometer United Kingdom – 2023

## United Kingdom

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 United Kingdom – 2023

### Survey question

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

- 46% Trade credit
- 40% Equity capital
- 39% Bank loans
- 31% Debt securities issued

\*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer United Kingdom – 2023

# Looking ahead

## Insolvency fears fuelled by concern about low-growth landscape

The current challenging economic landscape, and in particular the expectation of low domestic growth in the year ahead, is the major concern for companies polled across all sectors in the United Kingdom. The strong fear is that this could push the level of business insolvencies even higher during the year ahead. A range of other anxieties were also reported in our survey. These include record high inflation, increasing borrowing costs and dampened consumer demand as well as volatile production input prices. Businesses polled said they worry this will cause cashflow issues and liquidity shortfalls during the coming months.

A further concern is that the payment practices of B2B customers will deteriorate as a result of this tough UK economic environment. 27% of companies polled expect a severe worsening of payment behaviour in the year ahead, compared to just 12% last year. This sentiment was expressed across all sectors. 40% of businesses said they anticipate little or no change in payment practices, while 32% believe there is some room for optimism during the coming months, down from 56% a year ago. The most positive mood was reported among machinery/engineering companies.

Consumer confidence levels have been at record low levels in the United Kingdom, and household spending power has been dented. However, 54% of companies polled said they expect at least some increase in demand in the year ahead, and with it some upturn in sales. This was expressed particularly by businesses in the food sector. Our survey also found that an increase in profit margins is anticipated across the consumer durables sector. Opinion about the prospects for Days-Sales-Outstanding (DSO) were mixed. 41% of companies expect no change in the year ahead. 27% believe DSO will improve, while 32% of businesses anticipate a worsening.

Our survey found that UK companies polled in the consumer durables industry expect to make a clear switch to a more strategic approach to credit risk management during the coming months. They said that having a credit insurance policy would give access to a wealth of business information and play a crucial role in credit risk mitigation in a challenging economic climate. Almost 40% of companies, particularly in the food sector, told us they would continue to with in-house retention and management of customer credit risk. They also anticipated a large use of factoring as well as continued reliance on letters of credit.

## Key survey findings

- Companies polled in the United Kingdom expressed strong concern about a continued low-growth economic environment that could push business insolvencies even higher in 2023. They also fear export demand will be affected by competitive pressures.
- Major worries looking ahead were also expressed about the impact of record high inflation, rising borrowing costs and dampened consumer demand that could cause cashflow problems and liquidity shortfalls.
- A significant deterioration of B2B payment practices is expected by 27% of UK companies polled, with pessimism found across all sectors. 40% of businesses anticipate little or no change, while only 32%, down from 56% last year, reported any optimism.
- 54% of companies said they anticipate an increase in demand during the coming months, with the food sector particularly positive. Businesses in the consumer durables sector said they expect a rise in profit margins.
- There was a mixed verdict on prospects for Days-Sales-Outstanding (DSO). 41% of UK companies polled expect no change, while 27% believe there will be an improvement, and 32% anticipate deterioration of DSO.
- A switch to using the benefits of credit insurance in the year ahead was reported by UK companies in the consumer durables sector. Nearly 40% of businesses polled said they would opt for in-house retention and management of customer credit risk.



**Key figures and charts on the following pages**



# United Kingdom

## United Kingdom

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

(% of respondents)

Sales



Profit margins



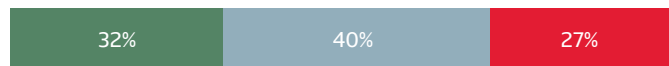
■ Improve   
 ■ No change   
 ■ Deteriorate

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

## United Kingdom

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 United Kingdom - 2023

## United Kingdom

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 United Kingdom - 2023

### Survey question

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

(% of respondents)

**27%** Improve  
**41%** No change  
**32%** Deteriorate

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

## Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in the United Kingdom 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 216 interviews in total. All interviews were conducted exclusively for Atradius.

### Survey scope

- **Basic population:** Companies from United Kingdom 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=216 people were interviewed in total. A quota was maintained according to three 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 = 216

Business sector	Interviews	%
Manufacturing	43	20
Wholesale trade	93	43
Retail trade/Distribution	41	18
Services	39	18
<b>TOTAL</b>	<b>216</b>	<b>100</b>

Business size	Interviews	%
SME: Small enterprises	45	21
SME: Medium enterprises	69	32
Medium Large enterprises	72	33
Large enterprises	30	14
<b>TOTAL</b>	<b>216</b>	<b>100</b>

Agri-Food	70	32
Consumer durables (retail+servicing)	80	37
Machines (engineering)	66	31
<b>TOTAL</b>	<b>216</b>	<b>100</b>

## 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](http://www.atradius.com/publications) [Download in PDF format](#) (English only).

## Interested in finding out more?

Please visit the [Atradius](http://Atradius) website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

Follow us to stay up to date with our latest releases by [subscribing](#) to notifications of our Publications, and receive weekly emails with alerts to when new reports are published.

To find out more about B2B receivables collection practices in **The United Kingdom and worldwide**, please visit [atradiuscollections.com](http://atradiuscollections.com).

For the United Kingdom [atradius.uk](http://atradius.uk)



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