

EUROPEAN PAYMENT HABITS COMPARED: GERMAN FIRMS PAY THE FASTEST

A survey of 11.8 million payment experiences of 1.3 million companies in six European countries revealed that German firms did better than their neighbours, although they also include a high percentage of extremely late payers. Around 78% of German firms pay their bills within the agreed time or at the latest two weeks after. With 60%, Italy takes second place right after Germany, followed by the United Kingdom and France (57%), and Belgium (49.0%). In Holland fewer than half of the firms pay within a two-week payment period.

At the same time the survey also showed that 4% of all German firms are very tardy, exceeding the payment period by more than 90 days. Within Europe only Italy has a worse record, at 4.2%, whereas in the Netherlands the figure is 1.8%, in France 2%, in the UK 2.2%, and in Belgium 2.9%.

These figures must be qualified, however, by the specific periods allowed for payment in the various countries. Thus in the Netherlands the payment

period is shortest, ranging from 25 to 40 days, while it is longest in Italy, spanning 60 to 120 days.

The study conducted by Dun & Bradstreet from April to June 2000 showed that companies' payment habits deteriorated over the past ten years, although they have improved again more recently. Findings like those of the latest survey are of great importance to companies doing business internationally. In times of intensified international competition and narrowing margins, firms increasingly use payment periods strategically. Furthermore, fluctuating payment patterns are an important indicator of the probability of a firm's insolvency, as financial problems lead to the fullest utilisation of trade credit and thus to irregular payment habits.

On average, financial institutions and public utilities pay the fastest, firms in communication and transportation take the longest. As a rule, large firms pay faster than small firms.

In country-specific terms, in Germany the financial sector has the best record, whereas the construction industry takes its time with paying its bills. The same trend is observable in the Netherlands. In the United Kingdom agricultural firms delay payment by only one day beyond the agreed period, whereas telecommunication firms are the slowest with 14 days beyond the target date. In France and Italy the construction industry has a positive payment record, whereas French transportation firms exceed the agreed payment period by an average of 17 days, Italian telecommunications firms by 15 days. The Italian public sector has the worst payment record by far. In Belgium the financial sector pays within the agreed period, whereas the communications industry exceeds the allowed period by as much as 18 days.

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