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Abbreviations

ADR	Alternative Dispute Resolution
BEIS	UK Department for Business, Energy and Industrial Strategy
B2B	Business-to-business
EISMEA	European Innovation Council and SMEs Executive Agency
EU	European Union
EEA	European Economic Area
G2B	Government-to-business
LPD	Late Payment Directive
PBA	Project Bank Account
SME	Small and medium-sized enterprise
UOKiK	Polish Office of Competition and Consumer Protection

1. THE STATE OF LATE PAYMENTS IN THE EU

SUMMARY OF FINDINGS

- The share of enterprises experiencing payment delays **has deteriorated slightly in 2022 after several years of continuous improvement**. In 2022, 43 % of enterprises indicated they have faced issues due to late payments from either government or private sector companies; this figure was 42 % in 2021.
- **Payment delays in commercial transactions vary significantly per country**:
    - Poland appears to be in the worst situation, with 65 % of enterprises indicating that they face issues due to late payments, followed by Cyprus, (64 %), Czechia and Malta, (61 %). In Czechia and Poland the comparison of payment times in both the private and public sectors suggests that both play a significant role in this finding.
    - In Bulgaria and the Netherlands fewer companies (25 %) report facing issues stemming from late payments; Austria and Sweden are the other frontrunners at 32 %.
- **In 2022, the situation has deteriorated in Slovakia and Slovenia** with +9 % of companies experiencing late payments, Italy and Hungary, +6 %. The countries whose companies have experienced the largest improvements are Luxembourg,-16 %, Croatia -9 % and Romania -7 %.
- **In 2022, in Business-to-Business (B2B) transactions, the average payment period has increased from 49 days to 55 days**.
- More than 50 % of the surveyed companies (with the exception of Slovakia) reported that **inflation prompted them to extend their payment terms**. This percentage has decreased compared to 2021 when inflation was lower.
- **The percentage of on-time payments tends to decrease with the size of the company. Larger companies** have the lowest proportion of on-time payments in 16 out of 20 Member States for which data are available. In Italy and Spain only 13 % of the payments of large enterprises are made on time, compared to 53 % of the payments made by micro-enterprises.
- **Governments, on average, take longer to settle their bills than private businesses**. This trend is particularly noticeable in Ireland, Lithuania, and the Netherlands, where government payment times are approximately 30 % longer than those in the private sector.
- **EU countries exhibit large sectoral differences,** nonetheless:
    - The Financial sector appears to make earlier payments**,** with an average of 46 days. This sector also meets payment deadlines in 6 of the 21 Member States with available data. Similarly, the 'Other services' category shows strong performance, leading in on-time payments in 5 countries.
    - Across the EU, the Energy and Transporting sectors appear to experience the lengthiest payment fulfilment periods, with 62 and 58 days, respectively.

- **Delayed payments create a ripple effect, leading to additional late payments.** Of the surveyed companies, 32 % indicate that being paid late results in them also having to settle payments to their suppliers late.
- **Fewer companies are reporting that late payments are a threat to their survival or produce a liquidity squeeze compared to 2019.** The most common effect of late payments is that companies face delays in expanding their products or services. It also makes it difficult for companies to digitalise.
- **The data on late payments across the EU are limited**. Nearly half of the EU Member States lack dedicated national sources. The available data on late payments in these Member States are derived exclusively from three multi-country sources.
- **Government-to-Business (G2B) data are even more limited**. Only six countries (Cyprus, France, Ireland, Italy, Portugal, and Spain) have either published or made available authoritative and comprehensive data on their payment delays. Belgium also started publishing data in 2023.

Measures addressing late payments in the EU

- There is no single way of tackling the issue of late payments and Member States have adopted different approaches. Some countries have implemented a mix of strategies (e.g. Croatia, Italy, the Netherlands, Spain, France and the UK), while others have chosen just one or two measures. **The EU Payment Observatory Repository compiles and presents a detailed set of measures implemented by countries, which provides a valuable foundation** for mutual learning and knowledge exchange.
- At the end of 2023, **the Repository outlines 139 measures** addressing late payments implemented in the EU/EEA Member States and the UK. Of these measures 75 % consist of documents (reports, studies, legal acts, regulations), while the remaining 25 % are initiatives (including policy actions, campaigns, payment observatories, etc.).
- **Most of the measures** (64 %) **are preventive**, while about 30 % are categorised as remedial. Additionally, 51 % aim to bring about change in the business culture. It is noteworthy that a single measure may fall into several categories.
- **Public authorities have put forward 4 in 5 measures,** with only 1 in 5 being developed by industry.
- **Nearly two thirds (61 %) of the measures target all businesses**, while 23 % are specifically directed at public authorities. A limited number of measures have a specific focus on either SMEs or large companies. One third of the measures cover all types of transactions, while 27 % are specifically tailored to G2B and 24 % targeted to B2B.
- **Examples of good practices preventing late payments (preventive measures)** include the implementation of stricter payment terms, the establishment of national payments observatories (in France and Spain), and the adoption of practical solutions for e-procurement and invoice management.
- The Repository showcases various **voluntary codes of good practice** (from Denmark, Ireland, Italy, Sweden, and the UK) aimed at fostering a shift in payment culture.
- **Examples of good practices to address late payments (remedial measures)** include administrative penalties for late payments, a 'naming and shaming' approach, and the implementation of measures that establish rights for suppliers. Although administrative sanctions are not widespread, their effectiveness has been demonstrated in countries such as France and Poland.

2. INTRODUCTION

The European Payment Observatory of commercial transactions (EU Payment Observatory) was set up in 2023 at the initiative of the European Commission to monitor trends and developments on payment performance and behaviour in commercial transactions in the EU to combat late payments.

Late payments in B2B and G2B transactions have multiple damaging effects, particularly on SMEs. Delayed payments affect the liquidity of companies which can prevent investment and expansions, and they can hinder digital and environmental transformation initiatives. Delayed payments contribute to financial woes and may even lead to bankruptcies. In addition, late payments lead to more late payments as it might not be possible for companies to pay their suppliers until they themselves are paid, hence exacerbating the cycle of delayed transactions.

Late payments are regulated at the European level through the Directive 2011/7/EU. In September 2023, the Commission proposed a regulation on combating late payments. This is a response to the evidence that the current EU legal framework is inadequate to ensure payment discipline among all concerned actors and protect companies from the negative effects of payment delays. One of the main limitations identified since the adoption of the Directive was the lack of monitoring tools, which hampers enforcement. The EU Payment Observatory aims to fill that gap. Its three main objectives are:

- The collection, validation and consolidation of data on payments in commercial transactions across the EU, specifically B2B and G2B.
- The mapping of documents and policy measures and any other relevant initiatives put in place by public authorities or other entities to combat late payments in commercial transactions and, more generally, to promote a prompt payment culture in the business environment.
- The analysis and dissemination of the data and information collected and their dissemination through the publication of annual and thematic reports, as well as the organisation of events to enhance awareness around the late payments issue.

To achieve those objectives, the establishment of the EU Payment Observatory was accompanied by a mapping of available data on B2B and G2B payment behaviour as well as of policy measures and other initiatives to combat late payments.

The website of the EU Payment Observatory was launched in July 2023. The online platform features an indicator mapper – a dynamic and interactive tool designed to monitor payment performance across the European Economic Area (EEA). Additionally, the website hosts a Repository that works as a resource library housing documents and initiatives on payment performance and behaviour in commercial transactions in the EEA and the UK.

The Observatory is supported and advised by a Stakeholder Forum, currently composed of 52 organisations[2]. They contribute to both qualitative and quantitative information based on their expertise. This input supports the Observatory in its analytical endeavours and plays a critical role in disseminating the output of its activities.

This Annual Report stands as the foremost analytical output of the Observatory. It provides a comprehensive analysis of the trends in payment behaviour in commercial transactions in the EU, an analysis of the collected data, and an assessment of the various initiatives and documents put forward across the EU to combat late payments.

This report is divided into two main parts. The first one analyses the data collected on payment performance across the EU and is divided into three sections: A methodological note, a European-level analysis and a country-level analysis. The second part provides an assessment of the initiatives and policy measures existing in the EU and UK to combat late payments. The final section provides the conclusions of the entire report.

[2] A complete list of all the organisations that compose the Stakeholder Forum can be found in Annex 1

3. ANALYSIS OF DATA ON PAYMENT PERFORMANCE ACROSS THE EU

CONSTRUCTING THE EU INDICATORS DATABASE

The methodology involved an exhaustive review of over 100 publicly available data sources to harvest insights into late payments. This expansive search encompassed data produced by or hosted in National Statistical Institutes, Central Banks, and government ministries of EU Member States, in addition to various industry associations and chambers of commerce.

From this extensive pool, approximately 40 sources – all published on a yearly basis – were identified as relevant and reliable for the Observatory. The criteria for inclusion primarily focus on data being published consistently (i.e. for 3 years at least) in addition to having a sound methodology. The surveys in particular require representative samples across responding companies, taking into account enterprise characteristics such as size and sector. These sources primarily offer insights that are specific to individual countries, with a focus on those countries where sources have been identified: Austria, Cyprus, Finland, France, Germany, Hungary, Ireland, Italy, Malta, Poland, Portugal, Spain, and Sweden. This means that nearly half of the EU Member States do not have a dedicated national source.

To bridge this gap and ensure a harmonised comparison of data across the EU and over time, the analysis relies heavily on three comprehensive sources (Intrum European Payment Reports, Cribis Payment studies, and the EC/ECB SAFE survey) that span nearly all Member States. These sources form the analytical backbone of the report, allowing a consistent analysis across different countries and time periods.

CHALLENGES IN DATA COLLECTION

Overall, the data collection exercise indicates that **the data available in the EU on payments in commercial transactions are rather limited.** In particular, there is a shortage of data in small countries. For instance, only two sources were identified for Cyprus and Malta and three for Luxembourg. In many cases, the data only refer to indicators of payment times and performance, with limited data or information available on the drivers and impacts of late payments. Data on attitudes towards policy, remedies and the impact of external factors associated with late payments, which are of key importance for the Observatory, are also in short supply.

Another challenge with the available data is the **lack of harmonisation and comparability** across sources. Sources often encompass different measures or indicators of a certain issue. For instance, some data are recorded from the debtor's perspective while others reflect the creditor's viewpoint. Within a given source, it is most common for only one of these perspectives to be documented. Similarly, some sources use different metrics to describe issues such as delays or payment times. The metrics may be based on the number of delayed payments, on the value of the payments, or a combination of both. When a similar indicator is covered by two sources, for instance the payment terms, different methods are often used to record them. For example, they often use different time intervals of delay, which makes it difficult or impossible to calculate comparable averages.

Finally, there is also **a limitation due to the fact that almost all of the sources are surveys. The only exception is Cribis, whose data are based on invoices.** Consequently, the quality of information obtained on certain indicators, particularly those dealing with average payment times, may be low. It cannot be assumed that each survey respondent provides the most accurate information on these matters, as it would involve retrieving very detailed accounting information on all payments. Similarly, survey data fail to capture the distribution of payment times within a specific company, as they only gather rough averages based on respondents' recollections. Consequently it is always preferrable to rely on **data originating from national credit databases** or payment providers with a large enough coverage to ensure the representativeness of data. Comparison across sources is particularly questionable, as sources vary in their methods of generating data. While trends and developments are broadly comparable, a detailed comparison, especially regarding the number of days of payment durations across sources is not possible, due to the diverse methods used to determine this figure – whether through different survey options for answers or other means. This issue becomes particularly relevant when comparing survey versus payment data. Payment data being more accurate, can provide a precise account for timely payments, whereas survey data tend to capture such instances within the lowest bracket of possible answer options leading to significant bias. However, this is only sporadically available.

Nevertheless, **surveys can still provide valuable insight**, both, in the absence of transaction-derived information, and as an additional way to shed light on topics which transaction data cannot provide. This would include information on the reasons for payment delays, as well as uses of the remedial or preventive measures companies take to handle late payments. Additionally, surveys can provide insights on companies' attitudes on legislation or other aspects.

Against this background, it is advisable that in the context of the ongoing revision of the Late Payment Directive, relevant provisions are introduced to support data collection, as this is beneficial for monitoring payment performance, the effectiveness of legislation, and soft measures put in place. The absence of monitoring and data collection were identified, in fact, as one of the main shortcomings of the current Late Payment Directive[3][4].

OVERCOMING THE CHALLENGES

Several data analysis methods have been applied to overcome these limitations, **building on multi-country sources**. While these sources are not always comparable, they are complementary, and taking them all together can prove a good representation of the situation of late payments both at European and national levels and across sectors and company sizes.

The next section focuses on the European-level analysis. It draws upon data from the SAFE survey (Survey on the Access to Finance of Enterprises), co-conducted by the European Central Bank (ECB) and the European Commission, the Cribis Payment Study, and Intrum's European Payment Report. These sources offer a comparison of essential metrics across various Member States, company sizes, and sectors.

It includes a **composite indicator** focused on payment times and payment performance across Member States using comparable data and rankings. The main advantage of such an indicator is that it can incorporate indicators showing the different dimensions of late payments, mentioned above, and combine them across sources. This allows us to take into account all collected data, which adds additional information to the overall picture of late payments. Likewise, this allows for a more precise ranking of the payment climate in different countries.

Finally, the **country-by-country** section is dedicated to the analysis of country information from multi-country sources plus a detailed examination of the data from single-country

[3] European Commission (2022) Call for evidence for an impact assessment for the revision of the late payment directive. Retrieved from: https://ec.europa.eu/info/law/better-regulation/

[4] The forthcoming implementation of the Corporate Sustainability Reporting Directive (CSRD) could also contribute to improving data availability as large companies will have to disclose information on their payment practices. Nonetheless, it would only close the gap in which refers to very large companies. As well, substantial efforts would be needed to collect the data from companies' annual reports. Furthermore, reporting on payment practices under the CSRD is conditional to the "double materiality" requirement (financial and impact perspectives), and it is up to the entrepreneur to assess the existence of these conditions.

sources, wherever available. There is a specific focus on G2B transactions, especially in nations where the government regularly publishes authoritative data on payment delays, thus ensuring the accuracy of our analysis. At present, these comprehensive data are available from Cyprus, Ireland, Italy, Portugal, and Spain, and to a certain extent from France and the Netherlands.

Finally, the report leverages the **single-country sources** that exist for example in Austria, France, Italy and Spain, to provide additional context to the data presented from the multi-country sources. Often, these single-country data are very detailed and of high quality, but difficult to compare to other countries where no such data exist. Nonetheless, where it is available, this information is included in the country-specific analysis.

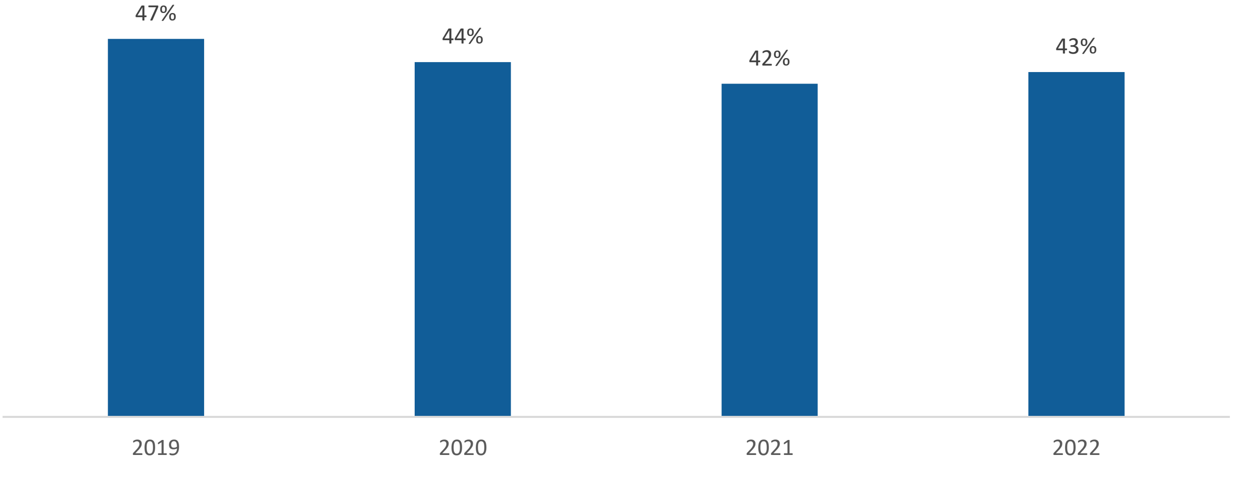
Only a subset of the collected data and sources were used in the production in this report, full credit is given for each datapoint used below the respective figure and a full inventory of sources used for this report is contained in Annex 1.

OVERVIEW OF PAYMENT PERFOMANCE IN THE EU IN 2022

More enterprises in the EU are affected by Late Payments in 2022 than in 2021

At first sight, the issue of late payments seems fairly prevalent across the EU. Over the past 4 years, nearly half of the enterprises surveyed in the ECB/EC SAFE survey reported experiencing adverse impacts due to late payments. The trend however, is positive, between 2019 and 2021, there was a slight but consistent decline in this figure, decreasing from 47 % to 42 %. However, this tendency reversed slightly in 2022, climbing back up to 43 %. This overall positive trend is particularly relevant as it happened in turbulent years from an economic perspective due to Covid-19 and high inflation. It may also indicate that the policy measures put in place by governments to support companies and their liquidity worked. In any case, it should be noted that the data point from the original sources specifies that these percentages reflect companies that have suffered negative consequences as a result of late payments rather than those that have merely encountered late payments.

Figure 1: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months 2019-2022, EU average, G2B and B2B[5]



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

[5] Question asked to respondents: "Has your company experienced problems due to late payments from any private or public entities in the past six months?"

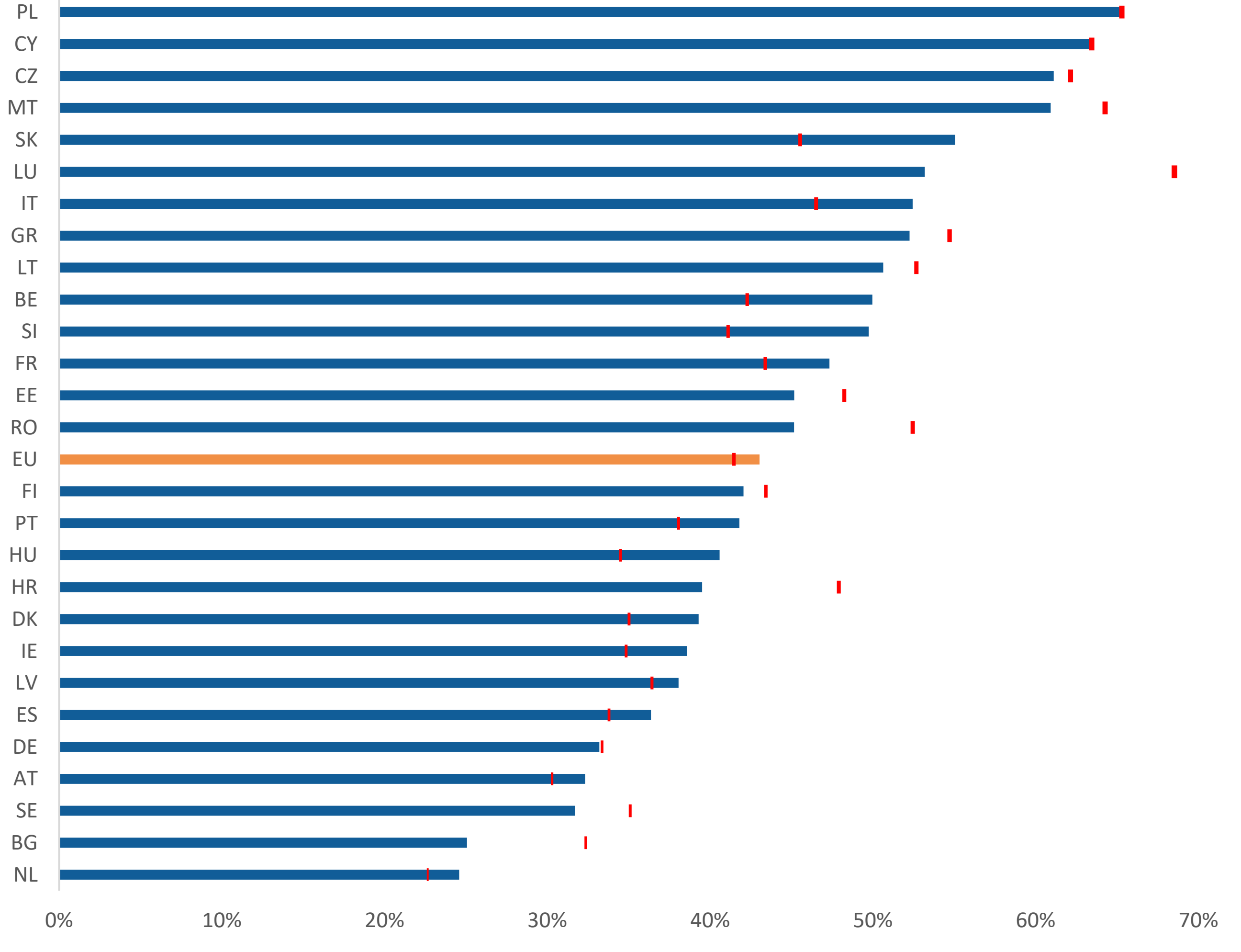
While this seems like a negligible increase overall across the whole EU, the situation looks different when changes in this metric across Member States are considered.

Indeed, looking at the figures it is quite striking how large the disparity is among Member States struggling with late payments. In Poland for example, almost two thirds of all surveyed enterprises indicate facing issues due to late payments (65 %). The percentage is above 60 % in 3 countries, Cyprus (64 %) and Czechia and Malta (61 %). At the other end of the spectrum, the figure for Bulgaria and the Netherlands is less than half of that (25 %). Austria and Sweden are ranked third in performing better (32 %).

Two out of the four big European economies, namely Italy (52 %) and France (47 %) seem to have a higher than European average number of companies suffering from late payments (43 %), while the opposite is true for Spain (36 %) and Germany (33 %).

Remarkably, the smallest economies in the European Union occupy the top spots, with Cyprus (64 %), Malta (61 %) and Luxembourg (53 %) all landing among the 6 countries indicating the largest issues with late payments. It is important to emphasise at this point, that these high rankings may be due to the relatively small sample sizes in those specific countries, however, comparable data on these countries are rather scarce and as such a comparison is difficult.

Figure 2: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2022 (2021 values as red markings), G2B and B2B[6]



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

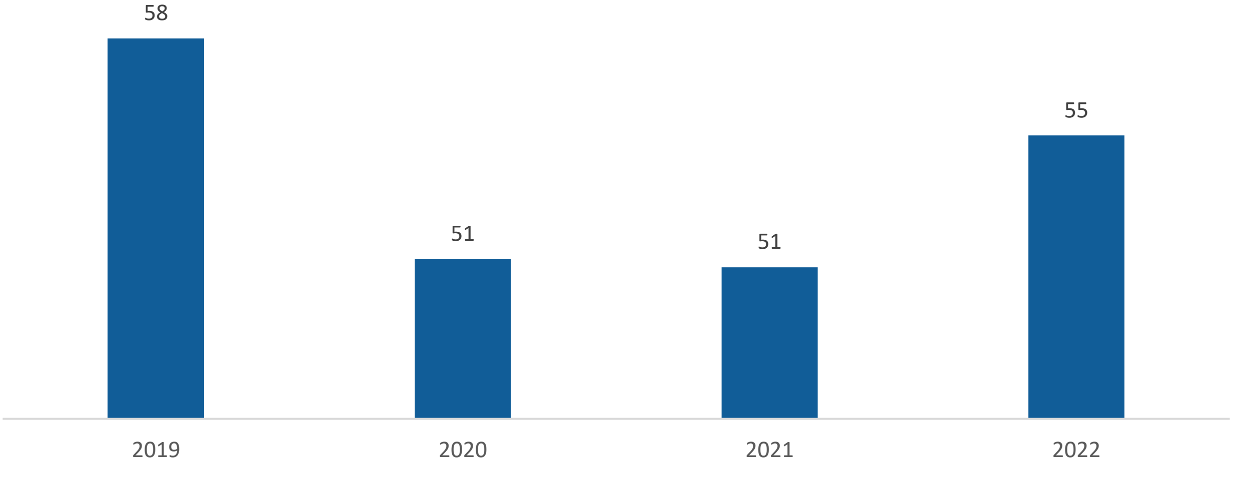
[6] Question asked to respondents: "Has your company experienced problems due to late payments from any private or public entities in the past six months?"

Comparing 2022 to 2021, we see that 11 countries have improved how businesses handle late payments. The most significant change was in Luxembourg, where the number of companies reporting problems with late payments fell by 16 percentage points. It should be noted that this finding might be biased by the relatively small sample used for the country (as it is a small country), making it nonetheless prone to extreme shifts. Croatia and Romania also saw decreases of 9 and 7 percentage points, respectively.

Conversely, several countries experienced an increase in late payment issues among enterprises. Slovakia and Slovenia both saw a rise of 9 percentage points in companies reporting late payments problems, with Italy and Hungary each observing an increase of 6 percentage points from the year before.

The average payment period in the EU in 2022 was 55 days, 4 days more than in 2021. This followed a very significant decrease in 2020, when the average payment period declined from 58 to 51 days, and a marginal decrease in 2021. These recent trends can be attributed, at least in part, to the policy responses implemented in the wake of the pandemic. National governments introduced a comprehensive array of measures to bolster SMEs and enhance liquidity conditions. These measures included public guarantees for accessing bank loans, loans, and direct subsidies. Undoubtedly, these interventions played a crucial role in stabilising the liquidity conditions of many companies and averting defaults. The same measures, prevalent in most countries until 2021, are likely contributors to the decline in the percentages of late payments and the reduction in the payment period. Overall, the increase in the average number of days observed in 2022 can be associated with a combination of the end of the support measures, and a new macroeconomic context, characterised by high inflation and rising interest rates. The effect of inflation on late payments is explained further down in this report.

Figure 3: Average payment period in the EU in number of days, 2019-2022, B2B[7]



Source: EU Payment Observatory elaboration on Intrum European Payment Report (No data available for CY, LU, MT)

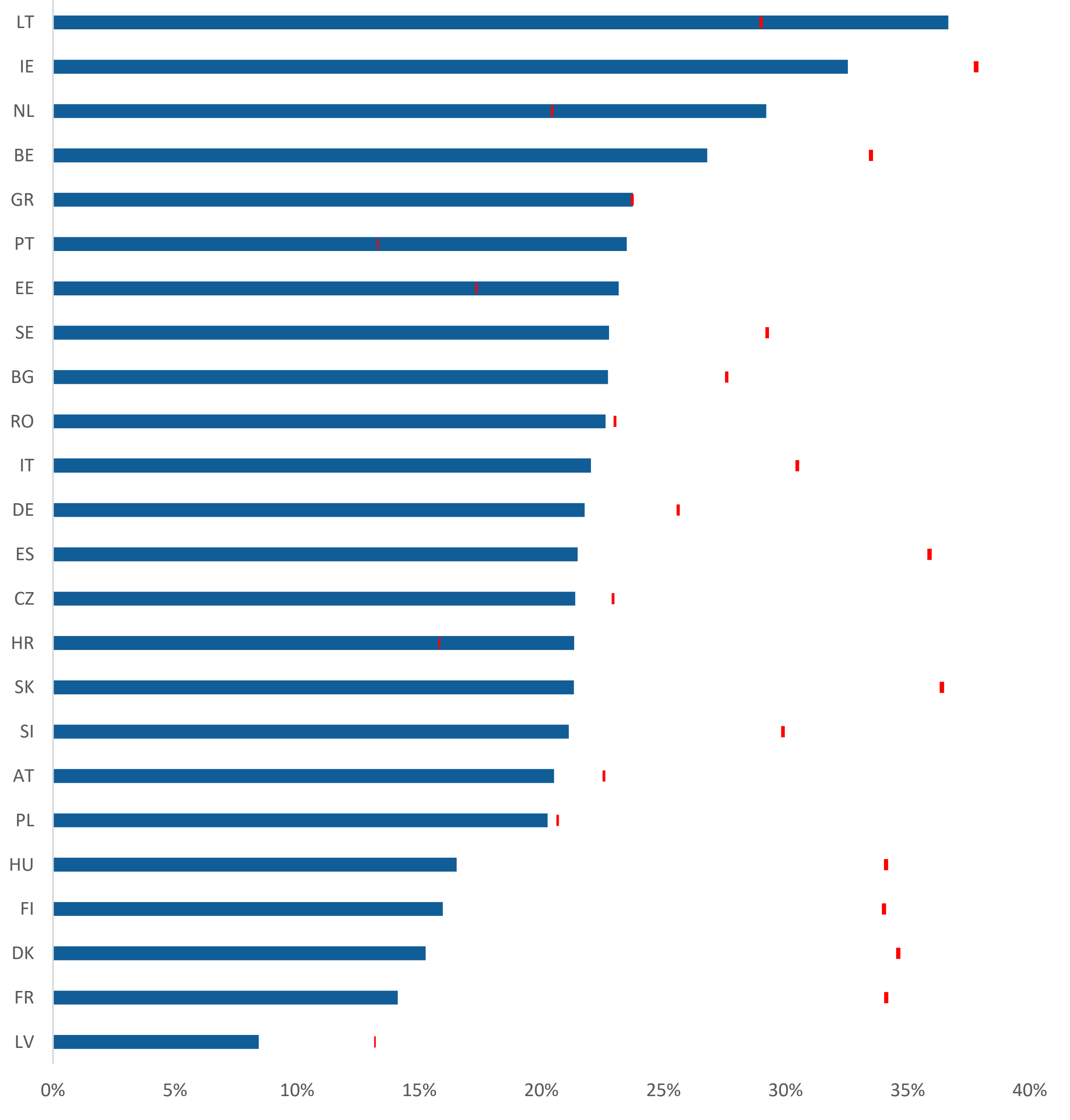
On average, governments pay their bills later than enterprises

Comparing G2B and B2B payments, it is immediately noticeable that in all the countries considered the average payment period for government transactions is longer than it is for business transactions. These differences differ significantly by country. While in Latvia G2B payment periods are only roughly 8 % longer than B2B payments, this difference can reach up

[7] This only covers the 24 Member States covered by the Intrum survey. Question asked: “What is the average time taken by your clients/customers to make their payments? (please answer in number of days) Corporates. Weighted average calculated from following response options: 0 days, 1-10 days, 11-20 days, 21-30 days, 31-50 days, 51-75 days, 76-100 days, 101-200 days, 201 or more days

to 37 % in Lithuania. Similarly, both in Ireland (33 %) and the Netherlands (29 %) this difference is quite significant. It is relevant to note, that there appear to be large swings of this difference year-on-year. In fact in several countries such as Denmark, Finland, France, and Hungary the difference in payment periods almost halved, bringing G2B and B2B payment times significantly closer to each other. Compared to 2022 most countries seemed to note a decrease in this metric, except for Lithuania and the Netherlands in which the gap between the two payments widened.

Figure 4: Difference of average payment periods of G2B and B2B payments in percentage, 2022 (2021 values as red markings)[8]



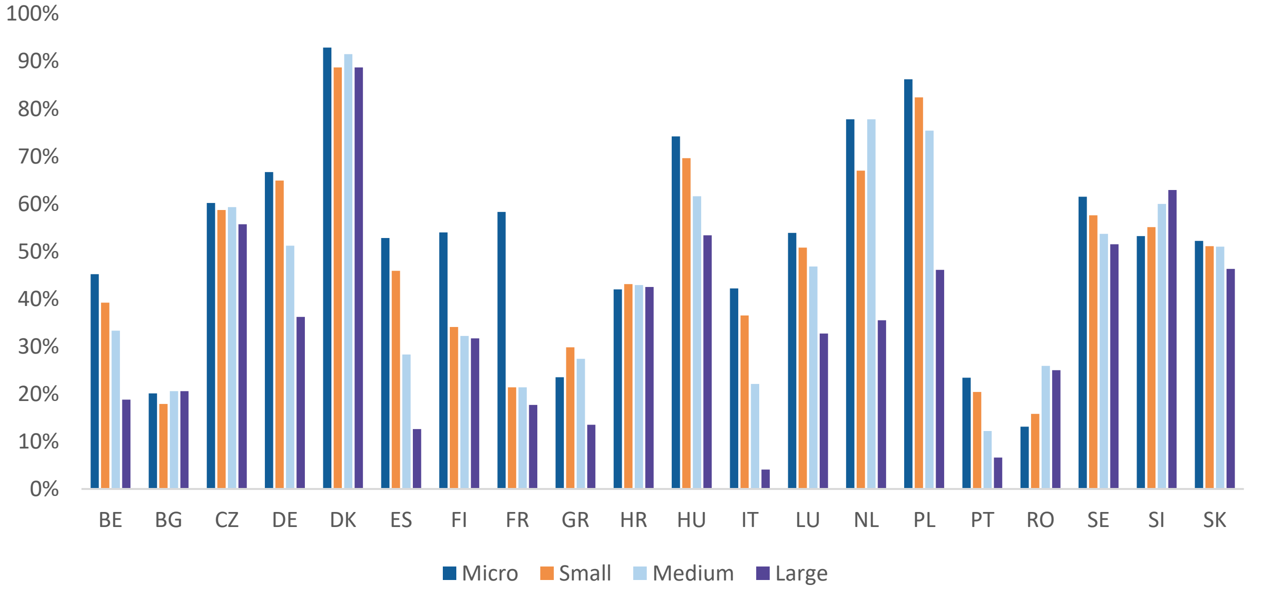
Source: EU Payment Observatory elaboration on Intrum European Payment Report (No data available for CY, LU, MT).

[8] Question asked: What is the average time taken by your clients/customers to make their payments? (please answer in number of days) Corporates. Same question asked with respect to public entities. Weighted averages calculated from following response options: 0 days, 1-10 days, 11-20 days, 21-30 days, 31-50 days, 51-75 days, 76-100 days, 101-200 days, 201 or more days.

Large companies are less likely than SMEs to pay on time

For a clearer understanding of where late payment issues are most prevalent, Figure 5 breaks down payment delays by company size. This analysis can help identify whether bigger companies or SMEs are more likely to pay on time.

Figure 5: Percentage of payments by due date across company sizes and Member States, 2022, B2B[9]



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study (no data available for AT, CY, EE, IE, LT, LV, MT).

In a significant majority of the EU Member States for which data are available –16 out of 20 – it is observed that larger companies tend to have the lowest proportion of on-time payments, which implies a higher rate of payment delays. This trend is particularly pronounced in Italy and Spain, where micro-enterprises are four times (53 %) more likely to pay on time than large companies (13 %). In Portugal large companies show a lower on-time payment rate with only 7 % but the difference with micro companies is narrower as they pay 23 % of their invoices on time.

This pattern is fairly consistent across many countries: as company size increases, the percentage of on-time payments tends to decrease. The most substantial gaps are usually seen between medium and large companies. This pattern suggests that larger companies might have more flexibility to extend payment terms to their advantage, whereas smaller companies might not have the financial leeway to delay payments.

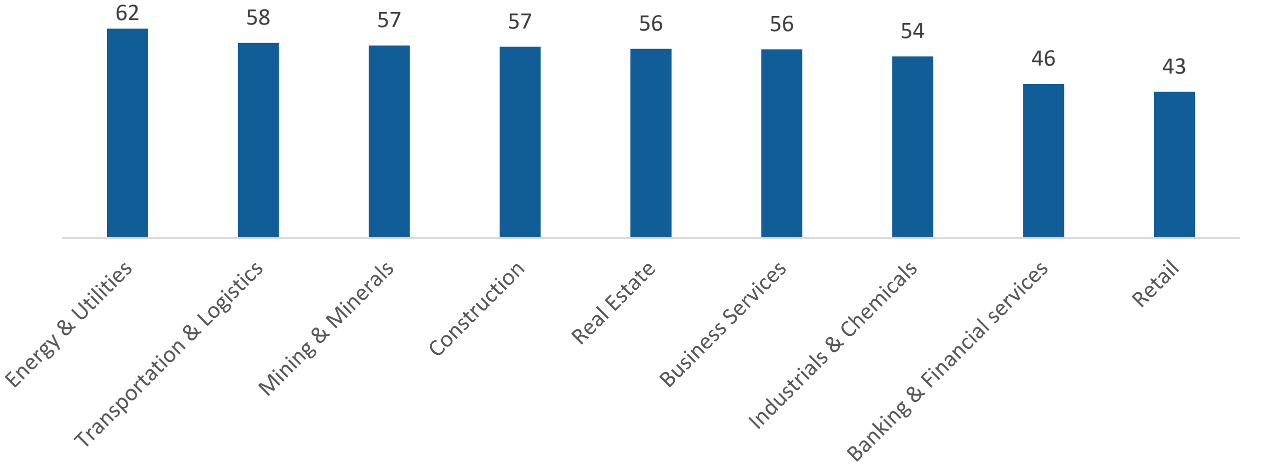
Energy, Transport and Construction sectors often take longer to pay than other sectors

Looking at payment periods by sector, it is evident that there is an overall fairly substantial gap in the payment periods across different sectors. The payment period for the Energy sector is almost 20 days longer on average than it is for the Retail sector (see Figure 6). It is important to note, that the Retail sector typically fluctuates a lot in terms of its payment periods. As such, given that the survey from which these data stem was conducted in late 2022 and early 2023 it might not fully capture the complete range of fluctuations of payment

[9] Values for France found in the annual report of the Observatoire des délais de paiement may differ from the values found in this table due to differences in definition and methodology. Data from D&B/Cribis are used to retain comparability across countries.

periods within a year for that particular sector. It is no surprise that the Energy sector was facing significant issues in 2022.The war in Ukraine led to very high energy prices, which may have played a very important role in its recent poor performance. Following this, Transportation seems to be the second-worst-performing sector with almost 58 days in average payment periods. Unsurprisingly, Spain approved in 2021 a sanctioning regime against late payments in this sector.

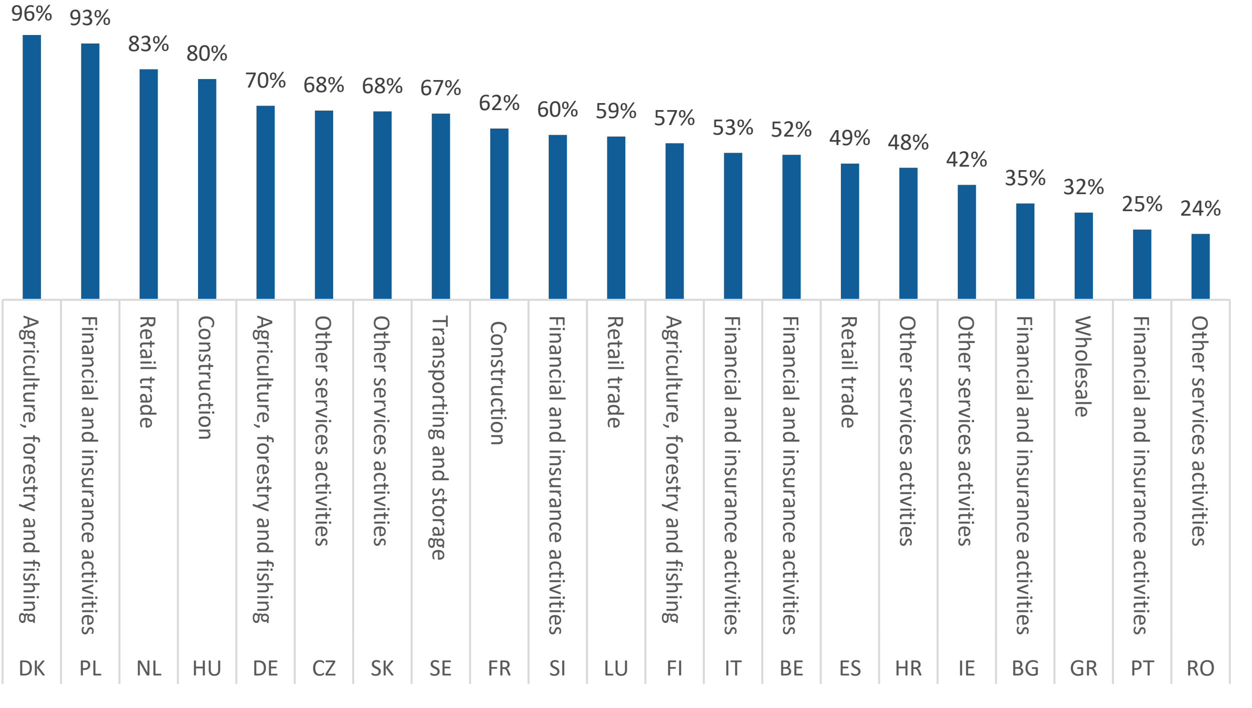
Figure 6: Average payment periods in the EU per sector in days, 2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report (No data available for CY, LU, MT).

Figure 7 and Figure 8 categorise sectors within each country by the highest and lowest rates of on-time payments.

Figure 7: Sector with the highest percentage of on-time payments in each country, 2022, B2B



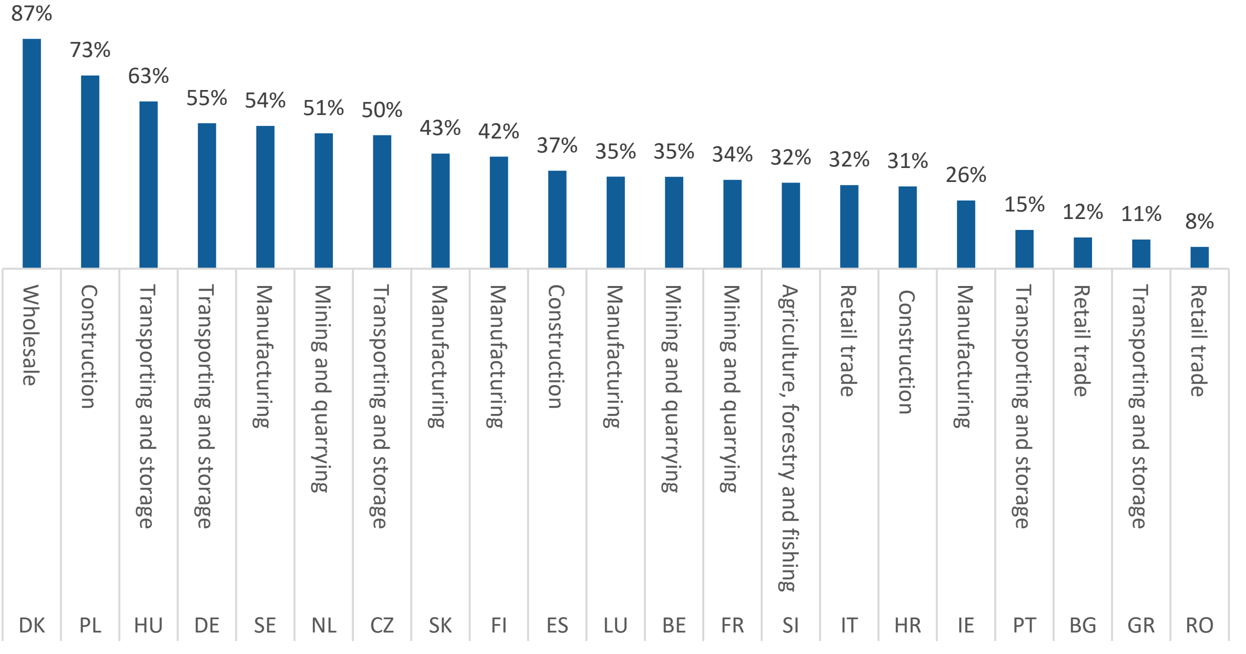
Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study (no data available for AT, CY, EE, LT, LV, MT).[10]

[10] Sectors considered in the Cribis analysis are: agriculture, mining and quarrying, construction, manufacturing, transportation & logistics, wholesale, retail trade, financial and insurance activities and other service activities. Other sectors are not captured by this analysis and could in theory perform worse or better than the indicated sectors.

Figure 7 shows that, within the range of sectors analysed across various countries, the Financial sector frequently emerges as the top performer in on-time payments. In 6 of the 21 countries examined, this sector stands out for its promptness, with on-time payment rates as high as 93 % in Poland and as low as 25 % in Portugal.

The Other services category also shows strong performance, leading in on-time payments in five countries. Agriculture is another sector that generally pays on time, showcasing the best sectoral payment performance in three countries, specifically Denmark, Finland, and Germany.

Figure 8: Sector with the lowest percentage of on-time payments in each country, 2022, B2B



Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study (no data available for AT, CY, EE, LT, LV, MT).

Examining the sectors with the most delayed payments in each country reveals discernible patterns. The Transport sector is identified as the least timely in payment practices in five of the countries studied, with particularly low on-time payment percentages in Portugal and Greece, where only 15 % and 11 % of payments are made by the due date, respectively. It is important to note that in the Cribis/D&B Payment Study data are not shown for the energy sector. Hence, why it is shown as having the highest payment periods in Figure 7, it is not mentioned in this listing.

Manufacturing also ranks poorly in an equal number of countries, with on-time payments ranging from a high of 54 % in Sweden to a low of 26 % in Ireland. The sectors of Mining and quarrying, as well as Retail trade, are highlighted in three countries each for their notable payment delays. The Retail and Wholesale sector is particularly interesting, as the picture is rather mixed. While the overall EU-wide analysis points to it being the sector with the lowest payment times (Retail) compared to others; national results provide a less satisfactory picture (e.g. Wholesale is the worst-performing sector in Denmark).

According to the data from the Payment Study (D&B) 2023, the percentage of invoices paid on time in the Retail sector is 67.3 % (62.9 % in Wholesale) in Germany, 59 % (43.3 % in Wholesale) in Luxembourg, 57.6 % in Sweden, 52.6 % in Finland, 49.2 % (48.3 % in Wholesale) in Spain, 48.7 % (40.3 % in Wholesale) in France, 40.6 % (39.5 % in Wholesale) in Belgium, 31.5 % (39.9 % in Wholesale) in Italy, 22.8 % (23.5 % in Wholesale) in Portugal, 11.8 % (24.2 % in Wholesale) in Bulgaria. In Greece and in Romania, the percentage of invoices in the Retail sector delayed by more than 90 days (26.1 % in Greece, 16.8 % in Romania) exceeds the percentage of invoices paid on time (25.1 % in Greece, 8.2 % in Romania) in the same sector.

Inflation remains a key reason for payment delays

When considering the causes of late payments, the impact of recent economic shocks and inflation are frequently cited. In 2022, more than 50 % of all companies across the surveyed countries reported that inflation had prompted them to prolong their payment terms – Slovenia being the exception. Interestingly, in most countries, these percentages have decreased compared to 2021, as illustrated in Figure 9. Inflation-related payment term extensions have become more pronounced only in Estonia, Greece, and Portugal. Other countries have shown either no change, as seen in Hungary, or significant reductions, with Lithuania and Slovenia witnessing decreases of 16 and 15 percentage points, respectively.

This seems inconsistent with inflation data. In 2022, the average annual inflation in the EU was three times higher (9.2 %), than in 2021 (2.9 %). Accordingly, one would expect inflation to have become more important in 2022. However, this contradiction can be explained by different factors. Firstly, inflation began to rise in 2021 after several years of de facto zero inflation. Companies' practices might have adjusted to the shock during 2021, resulting in minimal changes in 2022. Secondly, the survey reports the perceived impact of inflation rather than the real impact, and these two perspectives may not fully align. Third, the discrepancy could stem from the non-straightforward impact of inflation on late payments, where higher prices do not necessarily translate to more delays. By its own nature, inflation reduces the value of money and has an asymmetric impact on creditors and debtors. During periods of high inflation, late payments erode the real value of the credit, posing a disadvantage to the creditor. Conversely, debtors, by delaying payment, will experience a positive effect, as it will be easier to settle old debts whose value has reduced. Survey respondents might express opinions that encompass both perspectives, hence leading to a small change.

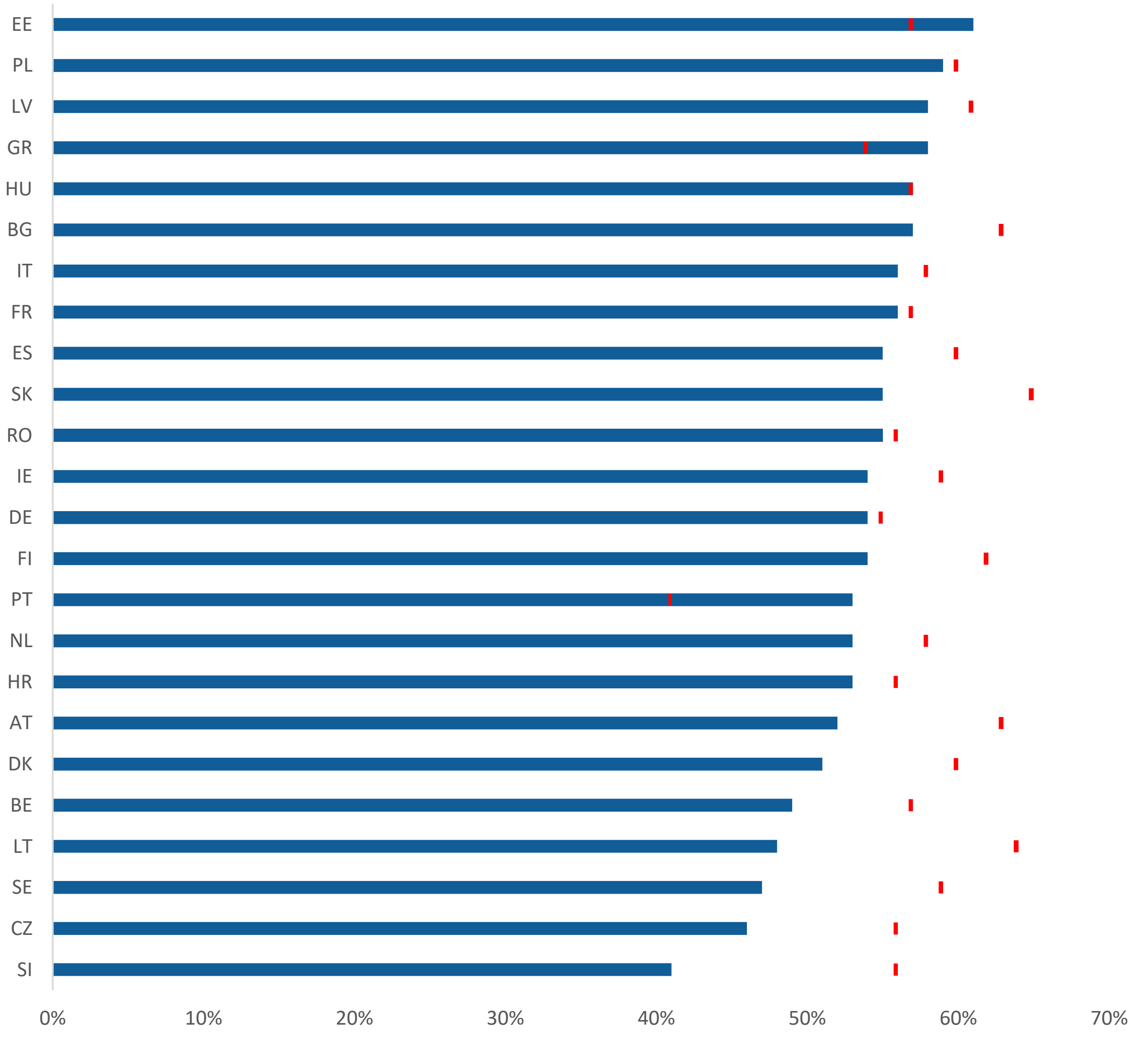
More information on the effects of inflation on late payments can be found in a recent Commission study[11]. It found that rises in inflation, such as those experienced in 2022, increase the collection period by 1.5 days on average. This effect is larger for SMEs (1.7 days) than large firms (0.4 days) and is most severe in the construction ecosystem (around 3.5 days). Average collection periods are expected to increase further (by 0.9 and 1.6 days, respectively, based on 2022 data) due to increases in interest rates and a slower rate of GDP growth.

In general, inflation is expected to have negative impacts on payments. As described in the Commission Impact Assessment of the late payments proposal, many of these effects are indirect[12]. Inflation creates more economic uncertainty, which increases the business risks for companies, hence affecting late payments. Inflation also leads to higher nominal interest rates, which reduces companies' access to financing options, like the possibility of being granted loans. Surveyed companies, however, might not have attributed these effects to inflation, due to their indirect nature.

[11] European Commission (2023) SMEs and high inflation. Retrieved from:https://single-market-economy.ec.europa.eu/document/download/564dbee8-74a5-455e-8bf0-a7c5f97b00a2_en?filename=SMEs%20Inflation%20Final%20Report%20v3.1.pdf

[12] European Commission (2023) Impact assessment accompanying the proposal for a Regulation of the European Parliament and the Council on combating late payments in commercial transactions. Retrieved from: https://single-market-economy.ec.europa.eu/document/download/0c7f0bfb-343c-4bb8-85c0-4a9f726619cf_en?filename=SWD_2023_314_1_EN_impact_assessment_part1_v2.pdf

***Figure 9: Percentage of companies indicating that inflation led to an extension of payment terms, 2022 (2021 values as red markings), B2B*[13]**



Source: EU Payment Observatory elaboration on Intrum European Payment Report (No data available for CY, LU, MT).

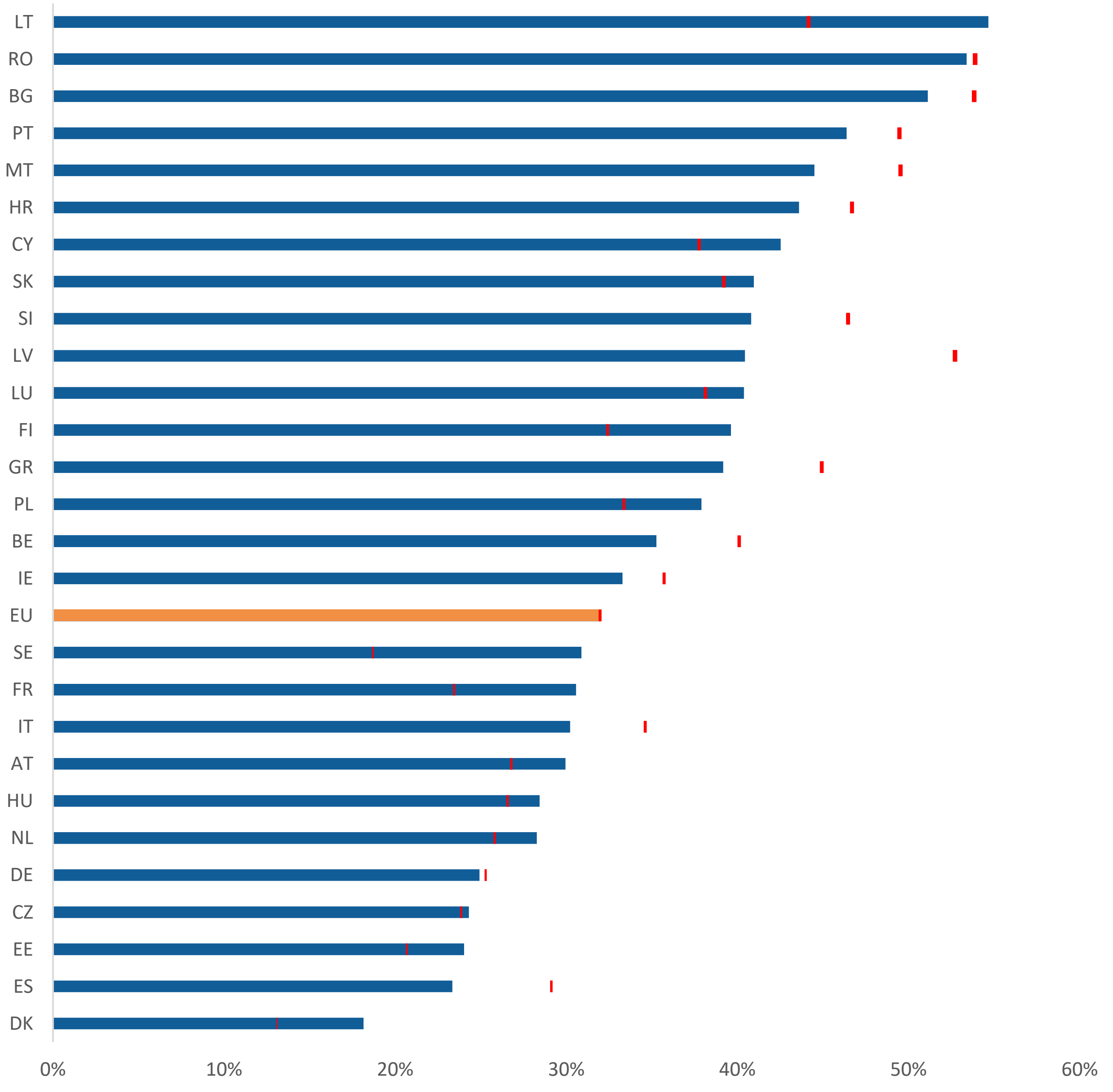
The domino effect: Companies being paid late postpone their own payments

In assessing the adverse impacts of late payments on businesses, it is crucial to understand the concept of 'chain debt'. This situation arises when a supplier, not having been paid on time, faces a cash shortfall and, in turn, cannot settle its own debts to its suppliers. This domino effect is prevalent and can ripple through numerous businesses within the same supply chain, potentially leading to broader economic damage and a spike in bankruptcies[14]. This issue is particularly relevant for sectors with long supply chains such as the Construction and Transport sectors.

[13] Percentage of respondents agreeing to the statement "Due to inflation, we are finding it increasingly difficult to pay our suppliers on time"

[14] A 2017 Sage study surveying companies in 10 countries about late payments found that problems on paying suppliers was considered the top impact in three countries, the second top impact in another three and the third in another three - https://www.sage.com/en-gb/blog/wp-content/uploads/sites/10/2017/12/Domino-Effect-Late-Payments-Research-Sage.pdf

Figure 10: Percentage of companies indicating delayed payments cause them, in turn, to delay their payments to suppliers, (2021 values as red markings), B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

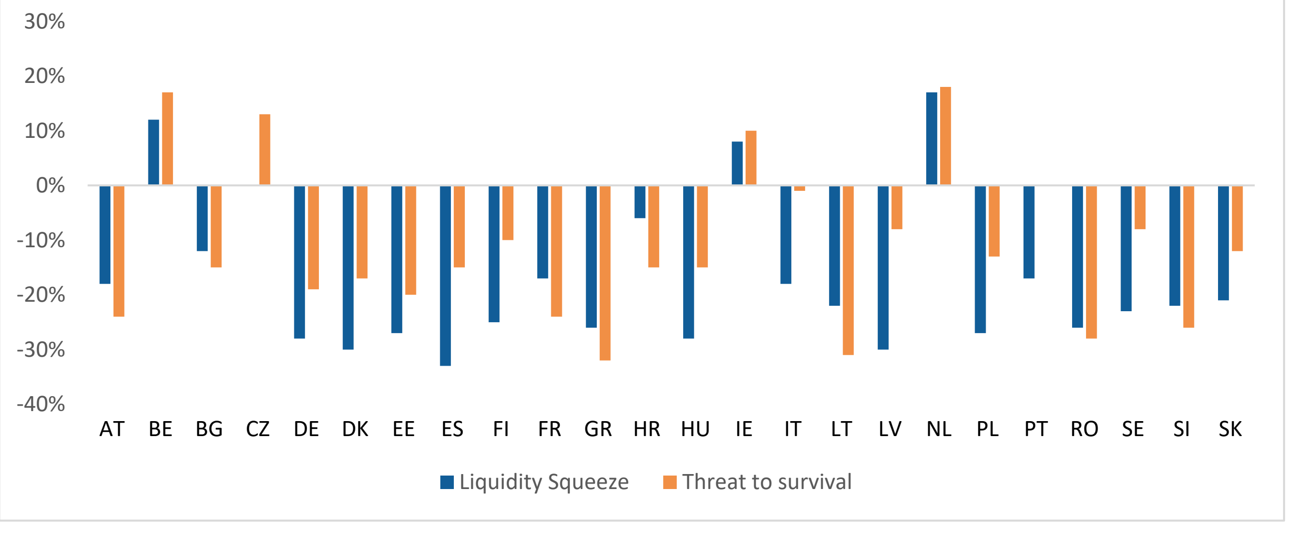
The issue of delaying payments to suppliers due to suffering from delays seems to be more prevalent in some countries than others. When comparing the extremes, only less than a fifth of enterprises in Denmark indicate this to be the case, while in Lithuania more than twice the number of enterprises delay payments to their suppliers. Similarly high shares of around 50 % can be found in Romania (53 %), Bulgaria (51 %) and Portugal (46 %). Compared to 2021, this issue overall seems to have maintained its significance, with the overall EU share remaining the same in both years (32 %). Indeed in 13 countries the share of enterprises facing delays and in turn delaying their payments has increased. The largest increase by far can be found in Sweden (+12pp) and Lithuania (+10pp). In turn 14 countries either stagnated or improved on this issue, with the largest improvement in Latvia (-12pp compared to 2021) as well as Spain (-6pp).

In most countries fewer companies think that late payments threaten their survival or produce a liquidity squeeze than in 2019

Bankruptcies and liquidity squeezes are the most extreme effects of late payments. In 2022, fewer companies were reporting suffering those effects as a consequence of late payments than in 2019 in 20 out of 24 Member States. The share only increased for Belgium, Ireland, and the Netherlands; in the case of Czechia it was only the threat to survival that increased. Particularly significant is the case of Greece where the difference is 24 % for liquidity squeeze and 32 % for threat to survival. Spain shows the greatest change in terms of liquidity squeeze, -33 %.

These numbers indicate that in 2022 the effects of late payments on companies were in general less severe than before. This might well be another consequence of the effectiveness of the support measures introduced by governments to protect businesses as a consequence of the Covid-19 pandemic and the rise in inflation.

Figure 11: Change in the share of companies reporting suffering effects of late payments in 2019-2022



Source: EU Payment Observatory elaboration on Intrum European Payment Report (No data available for CY, LU, MT).

As most of these measures were phased out by the end of 2022, it will be very interesting to see if this downward trend of the most severe effects of late payments continues in 2023, particularly in a context of high inflation. In fact, the first data published on late payments for 2023 point to an increase in unpaid invoices in several Member States like Italy[15]. According to Coface "payment behavior deterioration translates into a net increase of enterprise bankruptcies. Since the beginning of 2023 an acceleration has been observed that surpasses pre-COVID average levels" in France[16] . A similar increase in bankruptcies also been part of the news cycle in Spain[17].

Regarding other effects of late payments, in every country more than 50 % of companies report that it hampers the **expansion of their products and services**. Slovenia, (72 %) and Bulgaria, (71 %) have the highest figures. In addition, more than one third of companies in

[15]CRIBIS (2023) Studio Pagamenti CRIBIS: Terzo trimestre 2023. Retrieved from: https://www.crif.it/area-stampa/studio-pagamenti-cribis-terzo-trimestre-2023

[16]COFACE (2023) France: Des retards de paiement plus longs et plus fréquents, les petites entreprises en première ligne. Retrieved from : https://www.coface.fr/Actualites-Publications/Actualites/Des-retards-de-paiement-plus-longs-et-plus-frequents-les-petites-entreprises-en-premiere-ligne

[17] El Confidencial (2023) Los impagos de facturas comerciales crecen y anticipan un deterioro de la economía. Retrieved from https://www.elconfidencial.com/empresas/2023-12-20/impagos-facturas-comerciales-empresas-pib_3795851/

every Member State, except for Belgium say it prohibits the growth of the company. The share is particularly high in Slovenia with 49 % of companies indicating this.

Furthermore, the share of companies reporting that late payments **impact their ability to pursue digital innovation** is between 40 and 50 % in most of the 24 countries surveyed by Intrum. The share is highest in Romania, (54 %), Estonia and Lithuania, (52 %). Only Belgium is below 40 %, with 1 in 3 companies stating that it hampers their digital transformation.

The Commission's impact assessment accompanying the proposal for a Regulation on combating late payments[18] also highlighted other consequences such as **the harming effects of late payments on the mental health and general wellbeing of entrepreneurs**. Almost 92 % of SMEs surveyed across the EU 'agreed' or 'strongly agreed' that late payments affect their wellbeing and generate stress and anxiety. These impacts generate further negative consequences, as they discourage entrepreneurship, tarnish business reputation, produce additional costs for the healthcare systems, and cause loss of workdays. These factors would deserve closer monitoring and attention, and yet relevant research and literature in the EU is limited. In the UK, these aspects are monitored regularly[19].

Comparing the payment culture across countries

In order to better leverage and combine at least some data contained in multi-country sources, we developed a composite indicator which is supposed to represent several dimensions of the payment culture in a given country and combine it into one value. This makes it possible to overcome at least some of the shortcomings of normally not comparable data, while also ensuring multiple indicators from a single data source could be leveraged. To construct this indicator, only data from the multi-country sources will be leveraged in order to maintain comparability as much as possible. It must be stressed that this indicator should be treated with great caution, as the data it is based on are by no means perfect or fully reliable, given that some were derived from surveys and still maintain the shortcomings pointed out in the methodology section. Furthermore, by combining these values much of the interpretability of the single indicators gets lost as they can be leveraged to inform each other. As such, this indicator should only serve as an illustrative example of how different sources could be leveraged to create a single value representing the state of late payments in a given country. Finally, it should be pointed out that this indicator will deviate naturally from any of the implied rankings or orderings of payments found in a single source. As such if a country is highly ranked in one source or indicator, but low in another, the end result in the composite indicator will likely be somewhere in between.

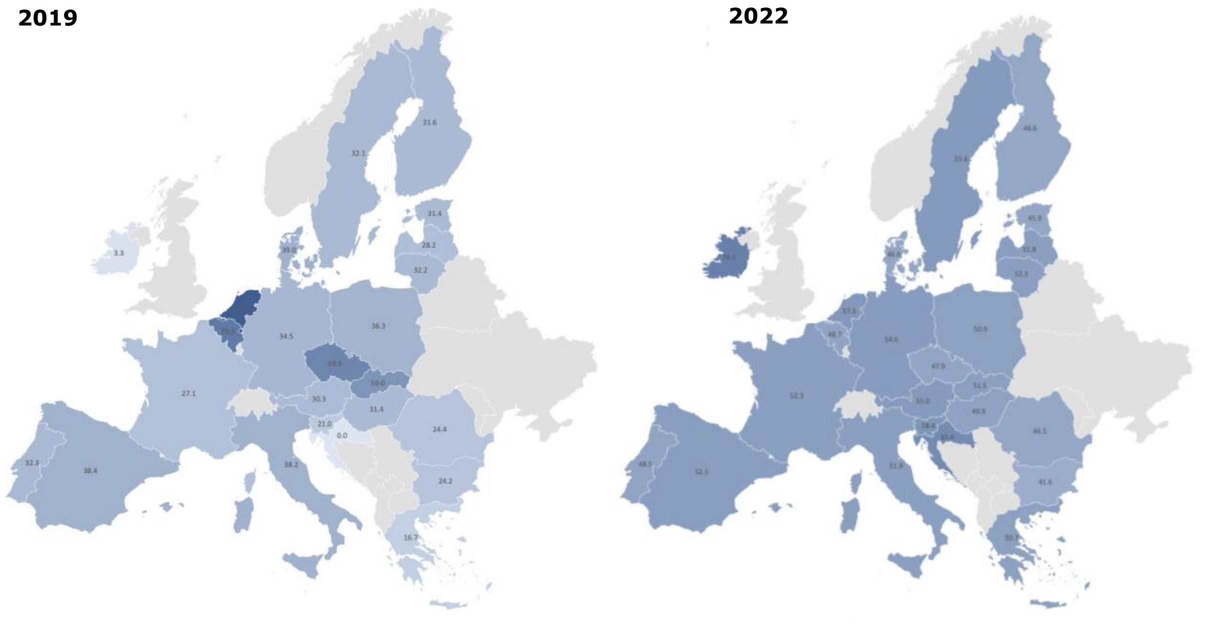
To build this Index, we have examined all available data on late payments in Europe to date and compiled the following country-level indicators : 1) average payment period 2) average payment term 3) enterprises experiencing late payments 4) enterprises experiencing problems due to late payments from any private or public entities in the past 6 months 5) share of payments made late 6) percentage late payments of more than 90 days. The assumption for all indicators is, that the higher the figure in question, the worse the payment culture. No distinction between sectors or sizes has been made, values corresponding to the totality of

[18] European Commission (2023) Impact assessment accompanying the proposal for a Regulation of the European Parliament and the Council on combating late payments in commercial transactions. Retrieved from: https://single-market-economy.ec.europa.eu/document/download/0c7f0bfb-343c-4bb8-85c0-4a9f726619cf_en?filename=SWD_2023_314_1_EN_impact_assessment_part1_v2.pdf

[19] In a survey carried out among UK enterprises in 2023, 79 % of small business owners confirmed that their mental health was negatively impacted by payment delays. More information at: https://www.credit-connect.co.uk/news/commercial-credit-management/late-payments-impact-mental-health-of-business-owners/.

The issue appears to be more acute in the construction sector. 80 % of UK construction entrepreneurs experienced stress, 40 % experienced anxiety and/or panic attacks, and 36 % experienced depression as a direct consequence of late payments: https://www.crowncommercial.gov.uk/news/minds-matter-using-social-value-to-tackle-mental-health-in-construction enterprises within a country have been used and due to a lack of data, only B2B payments are considered as these are the only values widely available across several sources and countries. Using min-max normalisation across the raw values for each constituting index made it possible to achieve a measure of comparability of indices across sources, and when differently scaled (days vs percentage). The weights for the index were calculated using a Principle Component Analysis and combination via scalar multiplication. The resulting index was once again normalised using min-max normalisation and multiplied by 100, so it can vary between 0 and 100 (0 indicating a negative culture, and 100 indicating a positive culture). A more detailed overview and methodology of the methods used to construct the indicator can be found in Annex 2.

Figure 12: Composite payment culture indicator 2019 and 2022, darker equals better culture



Source: EU Payment Observatory elaboration on EC/ECB SAFE survey, Intrum, Cribis D&B Data, Copyright for map by GeoNames, Microsoft, OpenPlaces, OpenStreetMap, TomTom, powered by Bing.

Charting the overall development in terms of payment culture over the past 4 years clearly shows a marked improvement in nearly all countries. Overall, payment culture seems to have improved drastically particularly in countries which decided to take drastic action. One such example is Croatia, which exhibits the overall worst payment culture across all countries and years in 2019. While not ranking at the top for any single indicator, its consistently good scores and recent improvements secure its second place ranking for 2022. Another example of an added benefit of such an indicator is Denmark. While Cribis reports that 92 % of payments in Denmark are made on time, Intrum concludes that Denmark has the single highest payment terms on average in the whole EU. This indicator allows both of these aspects to be considered in the overall valuation of a country.

Once more, these results should be treated with caution, as they rely on a very limited, but coherent, selection of indicators across the multi-country sources, but nevertheless could further be studied, improved and enriched with additional information. A full table with scores for all countries across all years can be found in Annex 2.

For a higher quality composite indicator two additional types of data sources would be of great use. While more multi-country data would be helpful, as it provides another set of data which at least within the source itself was gathered using the same methodologies across multiple countries, and thus is more reliably comparable, microdata would be similarly very useful to construct such an indicator as it contains additional detail, particularly on the distribution of values, which gets lost when only a highly aggregated country-value is considered.

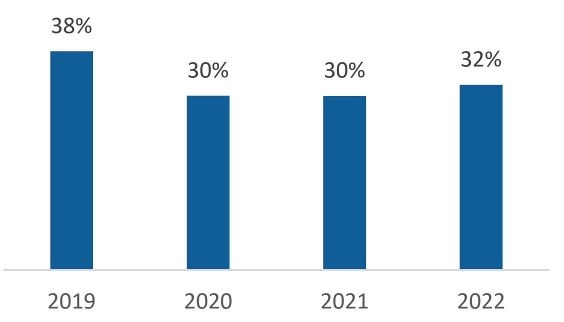
THE SITUATION OF LATE PAYMENTS IN EU MEMBER STATES

AUSTRIA

In Austria, both the share of enterprises indicating that they have issues due to late payments and average payment periods are below the EU average for both metrics. Furthermore, the EU-wide uptick of companies reporting issues due to payment delayed is also noticeable in Austria. In 2022, this figure increased by two percentage points compared to 2021. Meanwhile the values for 2020 and 2021 are equal. This is somewhat surprising, given that in 2020 Covid-19 played a significant factor in payment durations overall, however, Austria noted a drop in issues compared to the previous year (2019, 8pp drop compared to 2020). This could be explained by the fact, that the SAFE survey, from which this information stems, is usually conducted towards the end of the year, while the Covid shock on payment times would primarily have been felt in the early part of 2020, potentially making it less prominent in the minds of respondents.

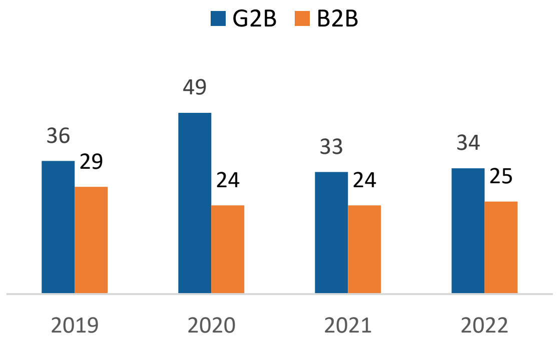
Further evidence for this can be found in data from the Austrian Business Check survey[20]. Conversely, the impact of Covid-19 is extremely noticeable particularly in terms of G2B payments, which shot up in 2020 by an average of 13 days compared to 2019. On the other hand, similar to the trend detected in the SAFE data, private payments improved by 5 days during this period. Austrian government payments effectively normalised in 2021 to 33 days, which is overall consistent with past and future values. A slight uptick in payment times can be noted also for private business payments in 2022, in lockstep with government payment times, both increasing by 1 day compared to the previous year. Interestingly overall, government actors exhibit consistently longer payment periods than private companies, reaching its highest discrepancy in 2020 (15 days longer) and remaining at 9 days in 2021 and 2022.

Figure 13: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022. G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 14: Average payment period in number of days, 2019-2022, B2B



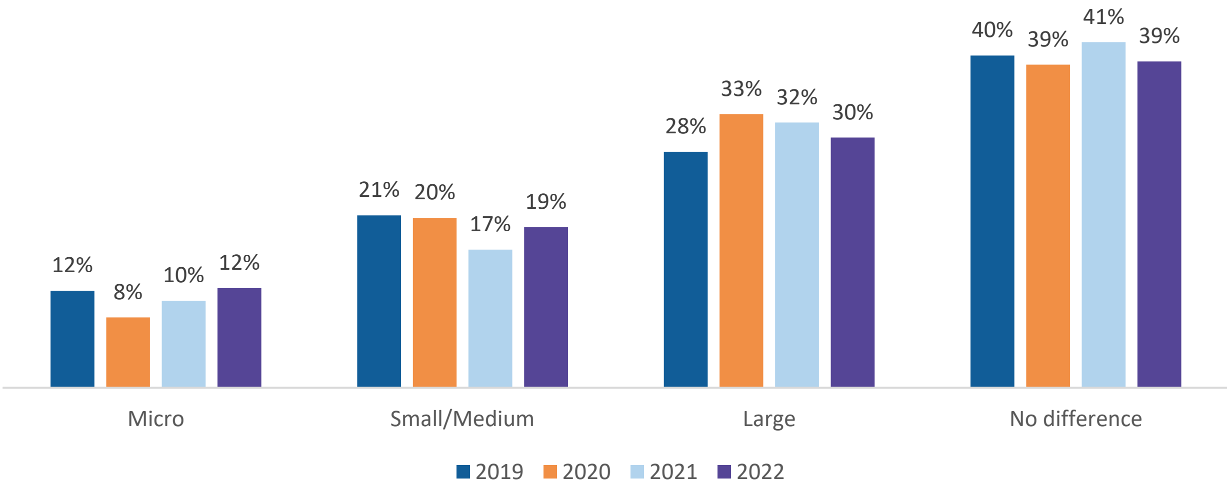
Source: EU Payment Observatory elaboration on Austrian Business Check data.

Taking a closer look at the drivers of late payments and how they differ between private and corporate clients, several trends emerge. Abuse of the position of power of the payer are

[20] [20] https://www.ksv.at/whitepaper/austrian-business-check-zahlungsmoral-2022

indicated by a fair number of respondents as a cause, for private enterprises ranging between 41 % of respondents in 2019, and dropping to 34 % in 2022. Other reasons for payment delays in 2022 are administrative inefficiencies (52 % of respondents) as well as temporary lack of liquidity (40 % of respondents). Interestingly, it seems that government bodies are seen as abusing their position of power much more than private ones are. In every year except 2020, respondents indicated governments abusing their power dynamics by 10 percentage points more than private enterprises. This spread remains even larger in 2022, with a difference of 13-percentage points. This makes sense when the fact that government seems to pay later is considered. In 2022 in particular, this was by far the biggest reason indicated as to why suppliers feel that governments are paying late, with 'forgetfulness' being a distant second (16 % of respondents).

Figure 15: Percentage of respondents indicating size of companies which pay the worst



Source: EU Payment Observatory elaboration on Austrian Business Check data.

Figure 16: Percentage of enterprises indicating power dynamics as a cause of late payments, 2019-2022, G2B and B2B

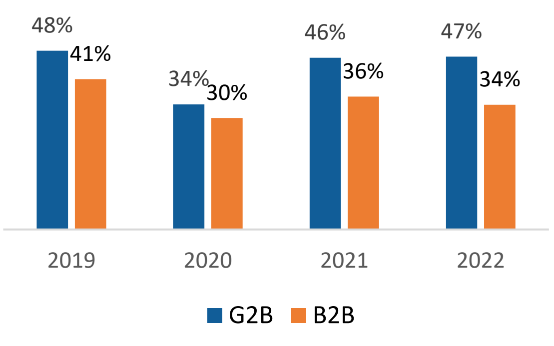
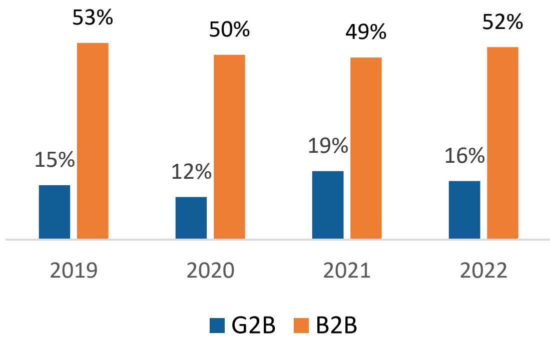


Figure 17: Percentage of enterprises indicating inefficient administration as a cause of late payments, 2019-2022, G2B and B2B

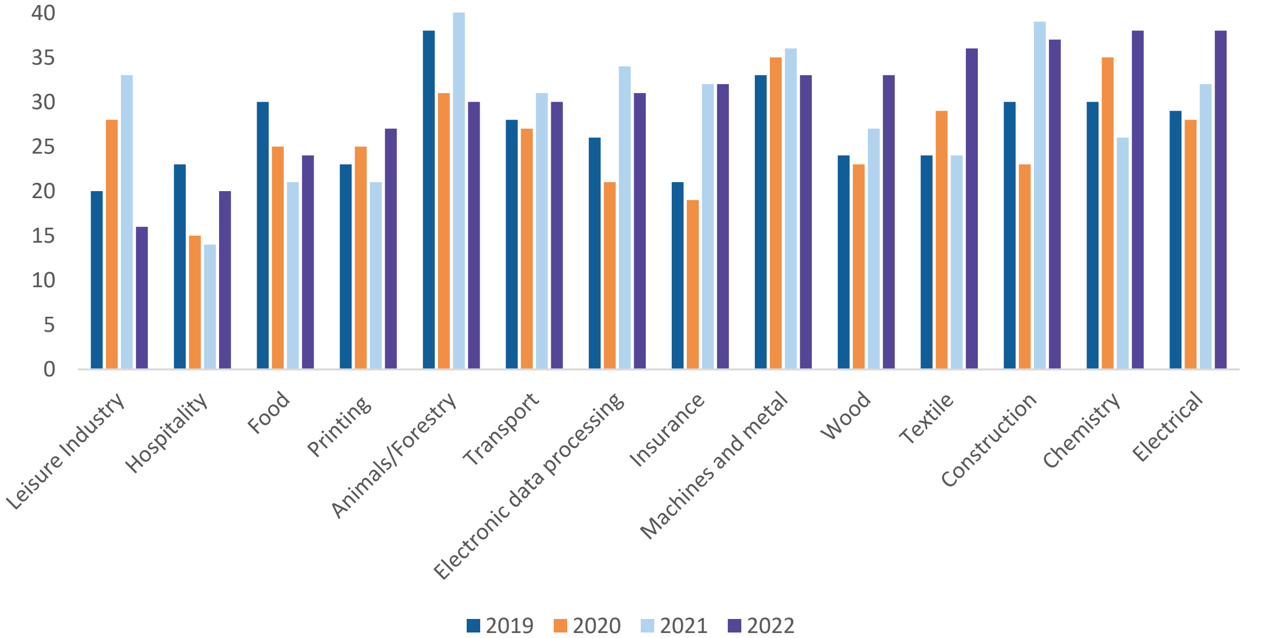


Source: EU Payment Observatory elaboration on Austrian Business Check data.

While the government in Austria seems to rely much more on power dynamics to get away with late payments than private enterprises, it also seems to perform much better in terms of administrative efficiency. For private clients, around half of the responding enterprises indicated that these inefficiencies are a cause of late payments (between 53 % in 2019 and 52 % in 2022). In contrast, the percentage for government clients is much lower, reaching 19 % at its highest in 2021. The split between these two figures remains consistent across the years, reaching, at its lowest, a discrepancy of 30pp in 2020.

Finally, turning to a sectoral perspective, trends on the EU-wide level can be observed in Austria as well. Industrial sectors, such as energy and chemistry constitute the worst payers in Austria. While the extent varies slightly across years, this is a fairly consistent finding. Crucially, for the electrical and chemistry sector a large rise in payment duration can be noted between 2021 and 2022 (+ 6 days and + 12 days respectively). This could be attributed to the stark inflation particularly concerning energy prices, which the sectors in question heavily are tied to. In terms of Covid impacts, this can be similarly seen best in the sector most affected by this crisis, in this case the leisure industry. Due to the strict Covid measures and outright periodic barring of leisure activities, the leisure industry experienced in 2020 an 8 days' longer payment period compared to 2019, which was prolonged by an additional 5 days in 2021. Only in 2022 did the payment drop significantly by 17 days, almost half of the previous year's value, thus returning to normalcy in that particular sector.

Figure 18: Average payment period in number of days, 2019-2022, by sector B2B



Source: EU Payment Observatory elaboration on Austrian Business Check data.

The share of Belgian companies reporting issues as a result of receiving payments late has grown from 2019 to 2022. In 2019, 44 % of Belgian companies reported issues due to late payments, a share that rose to 50 % in 2022, which is above the European average. Given that the share was lower in 2020 and 2021, and indeed decreased from 2019 to 2020, the trend in payment behaviour amongst Belgian companies differs from that witnessed in most other European countries. In other countries, an increase is often witnessed in 2021, perhaps relating to the Covid-19 pandemic. Overall, the Belgian example stands out because a decline and then stagnation is witnessed from 2019-2020 and 2020-2021, only to be followed by a significant increase in 2022 (8 percentage points compared to 2021).

Figure 20: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B

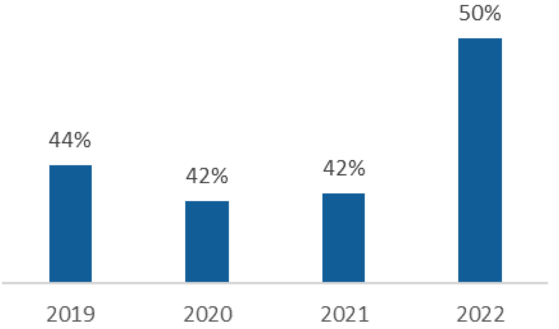
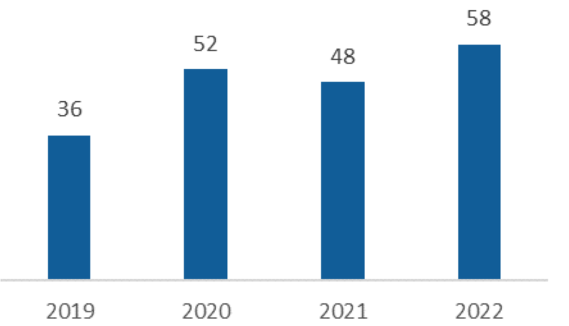


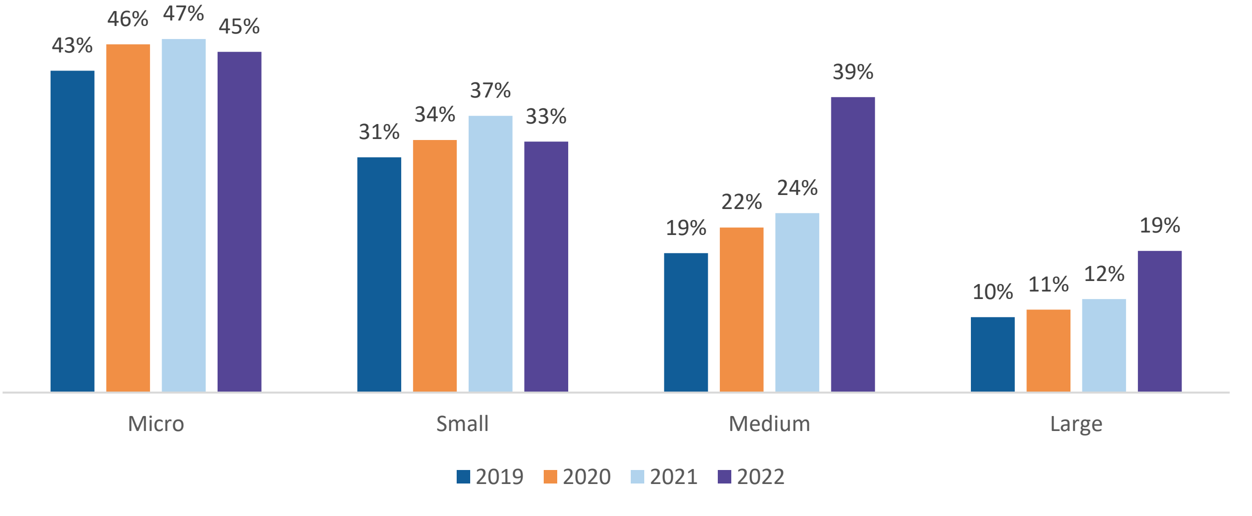
Figure 20: Average payment period in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

The average payment period in days that Belgian companies report has grown considerably from 2019 to 2022. Despite a brief shortening in 2021, the period in days has grown from 36 days – relatively low by European standards – to 52 in 2020 and ultimately 58 in 2022, 3 days more than the European average. What is concerning is that the trend, given the rise in 2022, seems to continue after the ending of the Covid-19 pandemic.

Figure 21: Percentage of payments by due date across company sizes, 2019-2022, B2B

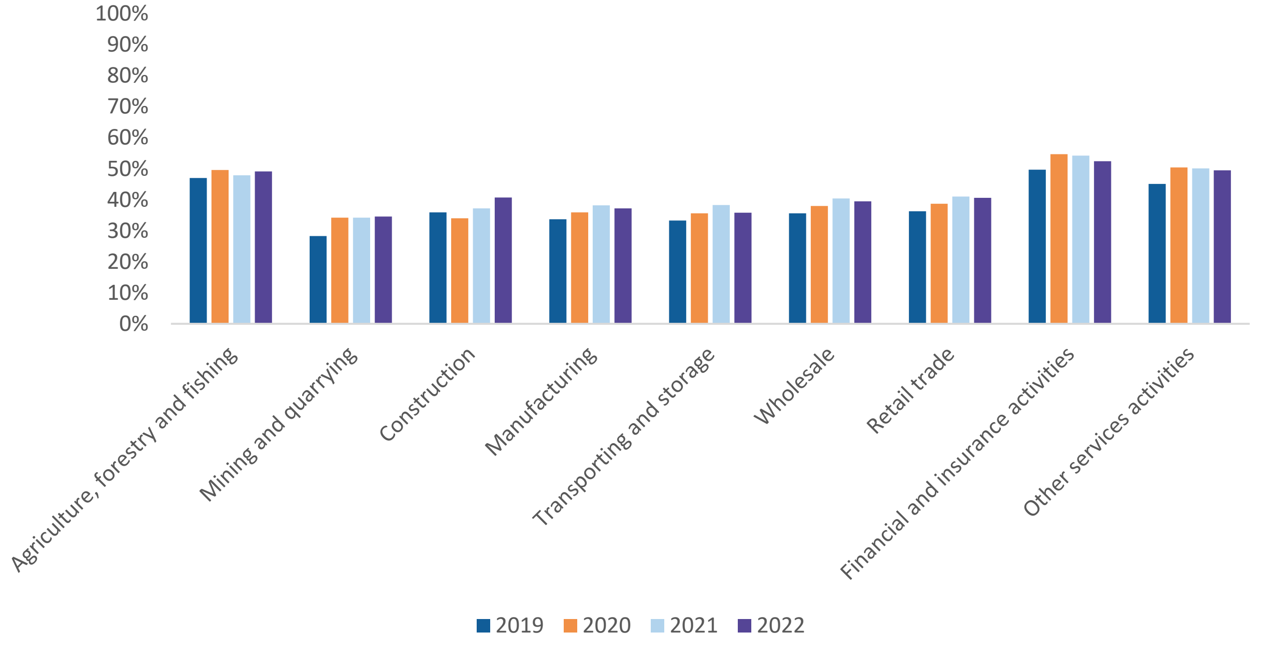


Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

A closer look at a breakdown of payment behaviour across company sizes confirms trends seen in other European countries. The larger the company, the smaller the share of payments made on time – a phenomenon witnessed in other countries too. What makes the Belgian case stand out is the extremely low share of payments made on time by large companies. Over time, medium- and large-sized companies note the biggest improvements, especially medium-sized firms, but that has to be put in a context of performing much worse in the first place compared to micro- and small-sized companies. One last notable trend is that for micro- and small-sized companies a modest drop in payments made on time in 2022 was registered, whereas medium- and large-sized companies improved considerably in that year.

This could be linked to the passing of a [2022 law]() that mandates payment terms for all B2B transactions to be a maximum of 60 days. In other words, companies (especially large ones) are no longer allowed to insert clauses in contracts allowing for a payment term past 60 days. As the law took effect from the 1 February 2022, future statistics should more forcefully reflect the introduction and enforcement of this law.

Figure 22: Percentage of payments by due date per sector, 2019-2022



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

A sector breakdown of payment behaviour of Belgian companies shows that while big divergences across sectors are absent, noticeable differences exist nonetheless. Companies active in the Agriculture, forestry and fishing sector, as well as the Financial and insurance activities sector, perform best, making about half their payments on time in 2022 (49 %, 52 %). Companies active in the Mining and quarrying sector, or Transporting and storage sector, perform much worse, however. In these sectors just over a third (35 %, 36 %) of payments are made on time. Generally speaking, a modest improvement in share of payments made on time is reported across sectors for the 2019-2022 period.

Other data sources shed additional light on the payments landscape in Belgium. Looking at the value of late payments, data from Creditsafe, we see that in certain sectors, almost a fifth (22 %) of payments measured by value was paid after 90 days. That this causes issues along the supply chain is no surprise. For the 2019-2022 period over a third of Belgian companies report that receiving payments late affects in turn the payments they make to their suppliers. Receiving payments late is not the only reason for delays in payments down the supply chain: Belgian companies also note that rising inflation and interest have increasingly impacted payment to their suppliers (21 % of companies report so in 2019, 49 % in 2022).

In trying to improve the payment culture in Member States, the European Commission identifies a special role for public authorities, namely as good examples. In practice this means that public authorities (excluding public hospitals) are expected to complete payments within 30 days. In November 2023, the European Commission decided to refer Belgium, and specifically the region of Wallonia, to the ECJ given too little progress on improving payment behaviour[21]. Regretfully, there are not enough G2B data on the Belgian regional authorities to make an analysis. While it is also hard to link one-to-one the payment behaviour of public authorities to those of companies active in the field, it is noticeable that the Mining and quarrying sector is the worst-performing sector in Belgium and Wallonia is historically the region best known for its mining activities.

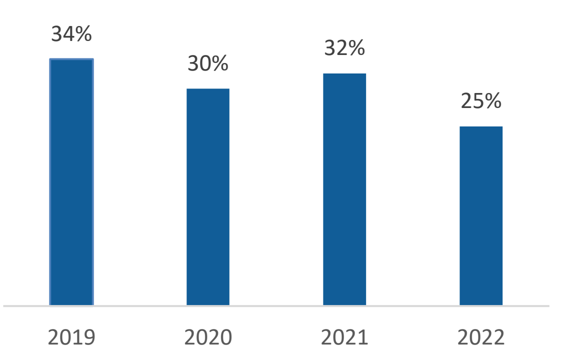
That being said, the federal authorities in Belgium do publish statistics on payment behaviour. In an annual publication, payment behaviour is detailed per federal authority (for example, FOD Foreign Affairs, FOD Economy, etc.) and for both annual and monthly averages. Stark differences among the various federal authorities are presented, with many taking around 30 days after invoicing to complete a payment (FOD Economy, FOD Foreign Affairs) but some outliers of 45 days (FOD Health) and even 69 days (FOD Justice). While FOD Justice takes the longest to complete its payments and also has the largest number of invoices to pay (almost 80 000 invoices in 2022) the number of invoices is not necessarily linked to longer payment terms, for the FOD Internal Affairs also has a comparatively large amount of invoices to pay (almost 38 000 in 2022) yet manages to do so in a payment term of, on average, 34 days – almost half that of FOD Justice.

[21] European Commission: Press release (2023) Late payments: Commission decides to refer BELGIUM, GREECE and ITALY to the Court of Justice of the European Union for breach of the Late Payments Directive European Commission. Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/IP_23_5725

Compared to the situation in other Member States, Bulgaria is one of the countries with fewer companies reporting problems due to late payments. Over the past 4 years, the issues associated with late payments disclosed by Bulgarian companies seem to have notably diminished. Indeed, between 2019 and 2022, the number of respondents of the ECB/EC SAFE survey indicating experiencing issues due to late payments decreased by almost 10 % points (going from 34 % to 25 %). This includes both B2B and G2B transactions. In particular, the main consequences of those late payments reported by Bulgarian companies involve the impact they have on payments to suppliers, followed by the effects caused on production and operations.

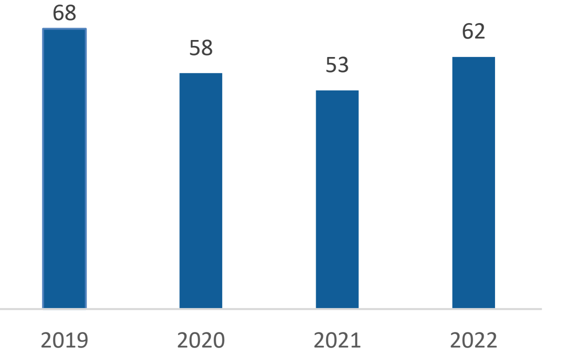
Moreover, the average payment period in B2B transactions shows a similar trend, in particular, between 2019 and 2021, the payment period decreased from 68 days to 53 days, on average. However, in 2022 the trend was reversed and the average payment period rose to 62 days, above the EU average. This points to most payments not being made on time.

Figure 23: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022. G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 24: Average payment period in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Indeed, evaluating the payment performance of Bulgarian companies, it is possible to see that only a small share of firms make their payments on time (less than a quarter of the reporting companies). This places Bulgarian companies in one of the worst positions of payment behaviour across the EU.

In contrast with most EU Member States, the company size does not follow an inversely proportional relation with the percentage of on-time B2B payments among Bulgarian firms. In this sense, micro companies in this country tend to have the lowest proportion of on-time payments, which ranged from 15 % to 18 % in the last 4 years. One of the reasons for this could be related to the low level of digitalisation of SMEs in Bulgaria which affects their payment processes. Compared to other EU Member States, Bulgarian SMEs have one of the worst digitalisation scores for Financial and business activities[22]. More specifically, the number of owners / managers that have ever signed a financing contract completely online in Bulgaria is surprisingly small[23].

In addition, large companies are the second group with the lowest percentage of on-time payments, showing a decrease of on-time payments from 22 % in 2019 to 18 % in 2022.

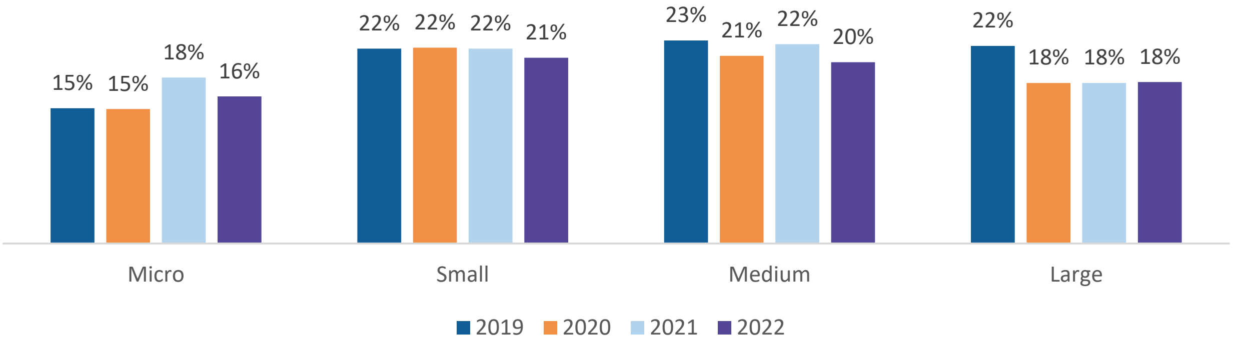
[22] OECD (2023), Financial literacy and digitalisation for MSMEs in South-East Europe: A tool for empowering owners and managers. Retrieved from: https://doi.org/10.1787/b63091ad-en

[23] It accounts for 4 % of the total Bulgarian respondents of the MSME OECD survey.

Lastly, small and medium firms evidence a similar trend in terms of share of B2B payments made on time, with an average of 21 % over the last years for each group of companies.

In general, a significant number of Bulgarian companies, 80%, believe that debtors paying after the set due date is problematic[24]. Furthermore, more than half of the Bulgarian enterprises reported their businesses to be taking steps to ensure paying their suppliers on time, however, many indicate facing issues when trying to implement it, given the current possibilities of the company, which might be related to the problems of digitalisation.

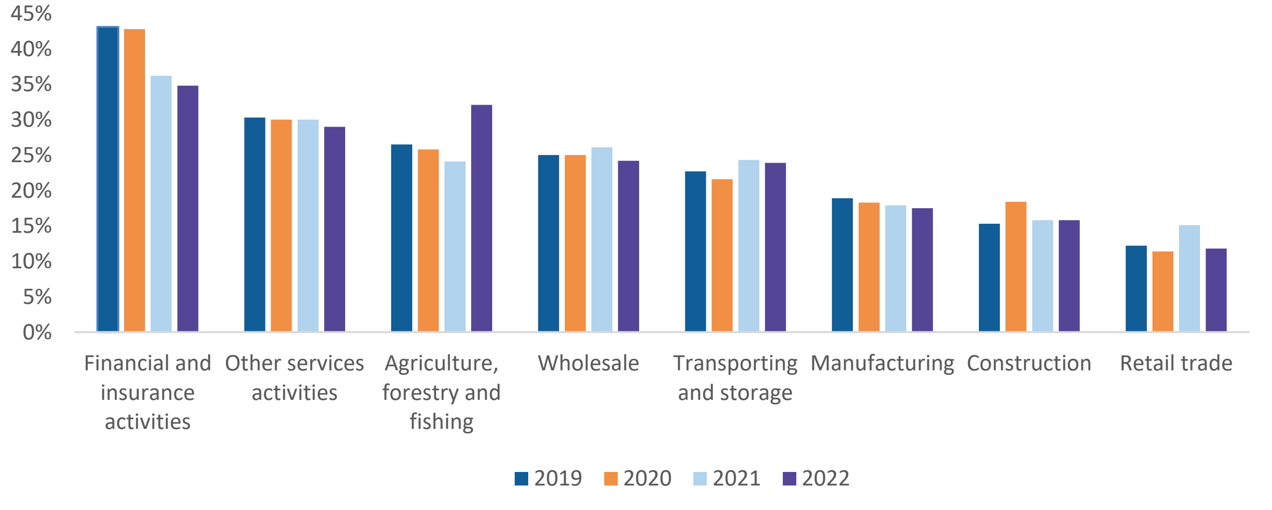
Figure 25: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Analysing payment performance by sectors, Financial and insurance activities seem to be the top performer in on-time payments over the last 4 years, ranging from 43 % in 2019 to 35 % in 2022. This is followed by Other services activities and Agriculture, forestry and fishing. In contrast, Retail trade seems to be the sector with worse payment behaviour, going from only 11 % to 15 % of B2B payments made on time in recent years.

Figure 26: Percentage of on-time payments by sector, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

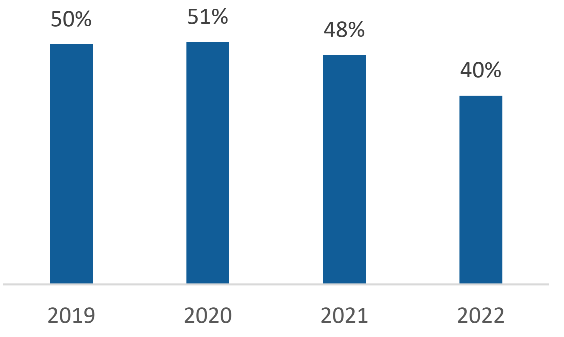
In conclusion, while Bulgaria has a relatively lower share of on-time payments compared to other EU Member States, enterprises do not consider this as a big problem. This could be related to the fact that payments that get delayed are not large amounts, but rather small payments usually made by micro companies. There are not sufficient G2B data in Bulgaria to make a proper analysis.

[24] Intrum Payment Report 2022.

CROATIA

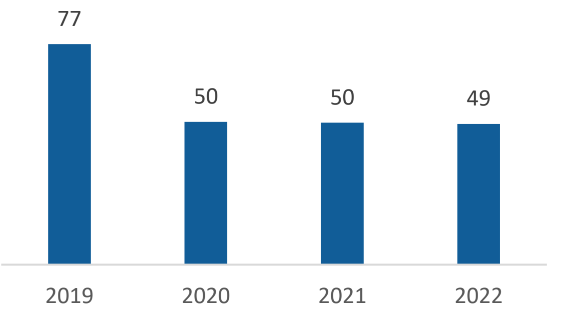
In terms of trends, Croatia deviates somewhat from the overall development in the EU. While an EU-wide deterioration of payment conditions can be detected, Croatia's payment conditions overall seem to have improved. It is worth noting that Croatia is one of the countries with the highest number of measures as can be seen in the second part of this report.

Figure 27: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

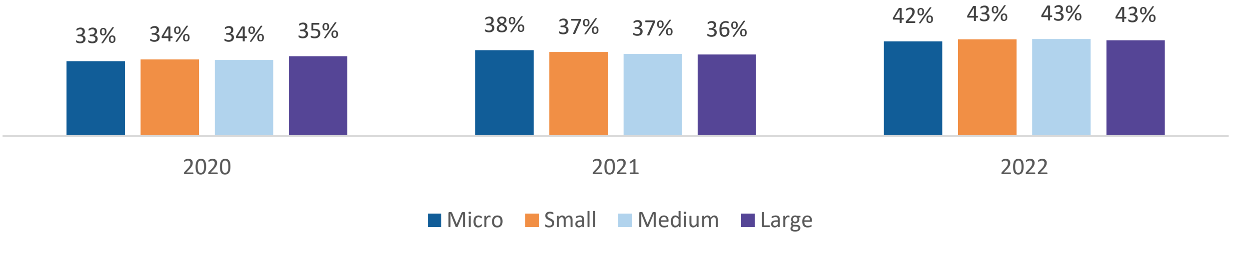
Figure 28: Average payment period in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

These measures have clearly boosted the overall payment performance in Croatia across almost every metric, even withstanding economic shocks. Compared to 2021, fewer enterprises (8 percentage points) indicate being affected by late payments. This finding is the most recent in a series of decreases of enterprises indicating facing late payment issues. While in 2019 around half of all Croatian enterprises indicated this, in 2022 10 percentage points fewer say the same. This is all the more surprising given both the Covid-19 pandemic and inflation shocks which do not seem to have worsened the situation. The same finding can be confirmed in terms of the average payment periods of Croatian companies. After a substantial drop between 2019 and 2020 (-27 days), payment periods consistently shortened in Croatia, being reduced by a third.

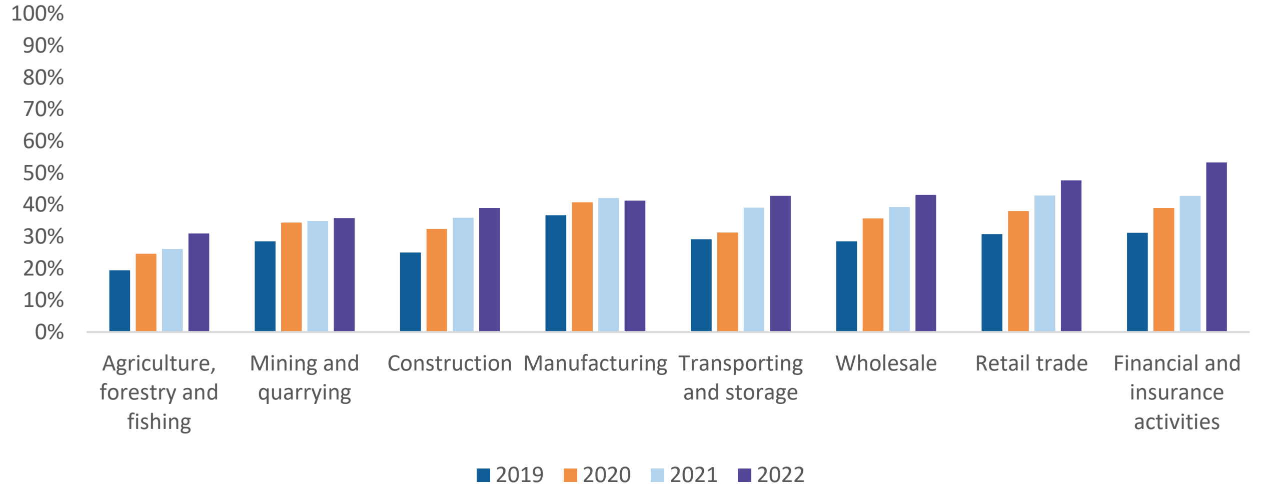
Figure 29: Percentage of payments by due date across company sizes, 2020-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Across company sizes, there are very few differences in Croatia concerning on-time payments. The overall variation in timely payments across all company sizes is just two percentage points in every year for which data are available. Croatia is a fairly special case in that regard where company size does not seem to play much of a role in demanding longer payment periods. In terms of development, the positive direction detected in the past indicators continues here, as across all company sizes on-time payments increased between four and six percentage points.

Figure 30: Percentage of payments by due date per sector, 2019-2022



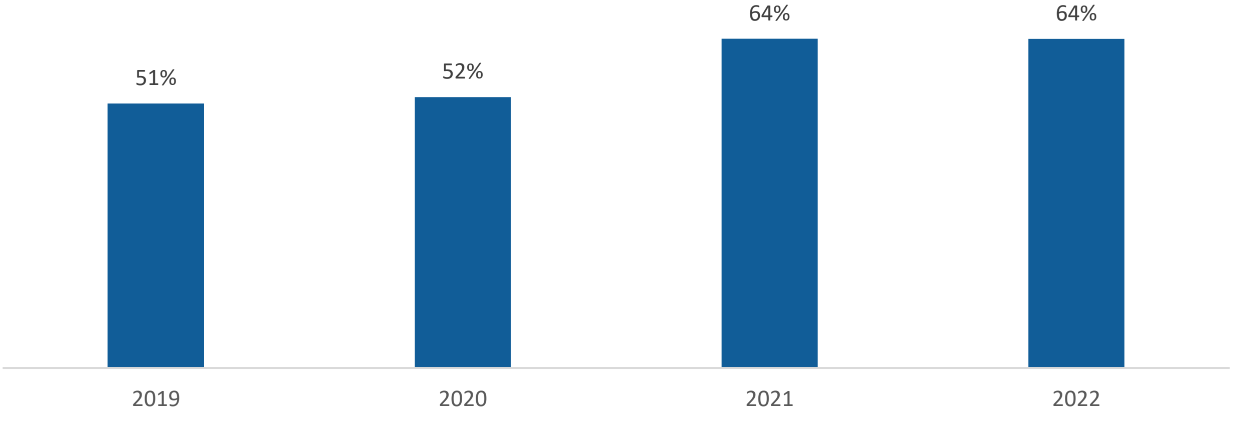
Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Across sectors as well, there are few major differences in Croatia. Consistently, Agriculture seems to be the worst-performing sector in Croatia, exhibiting on-time payment percentages of only 19 % at its worst and 31 % at its best in 2022. This is especially crucial, as the Agricultural sector in Croatia is a key sector in the overall economy. Best performing, as in most countries, is the Financial sector exhibiting between 31 % and 53 % of on-time payments. Impressively, compared to 2019 every sector showed significant improvement in terms of on-time payments. In particular, as mentioned above, the 12-percentage point improvement in the Agricultural sector over 4 years is significant.

Any attempt to analyse the late payments situation in Cyprus has to be considered with caution given the lack of reliable and relevant data. Of the main sources used for this report, only the SAFE survey covers it. The Ministry of Industry and Technology also provided some data on their payment performance that can serve as a proxy for G2B data.

According to the SAFE survey, Cyprus is the second country in Europe with more companies reporting having experienced issues due to late payment (64 %). This percentage has significantly increased in 2021 from 52 % in 2020. This rise might be due to the effect of the Covid-19 pandemic on business which in turn affected their payment performance. All this in an economy highly dependent on tourism which plummeted that year. Nonetheless, even if that is the cause, the same percentage of companies stated that they were facing issues due to late payments in 2022, when Covid-19 restrictions had been lifted.

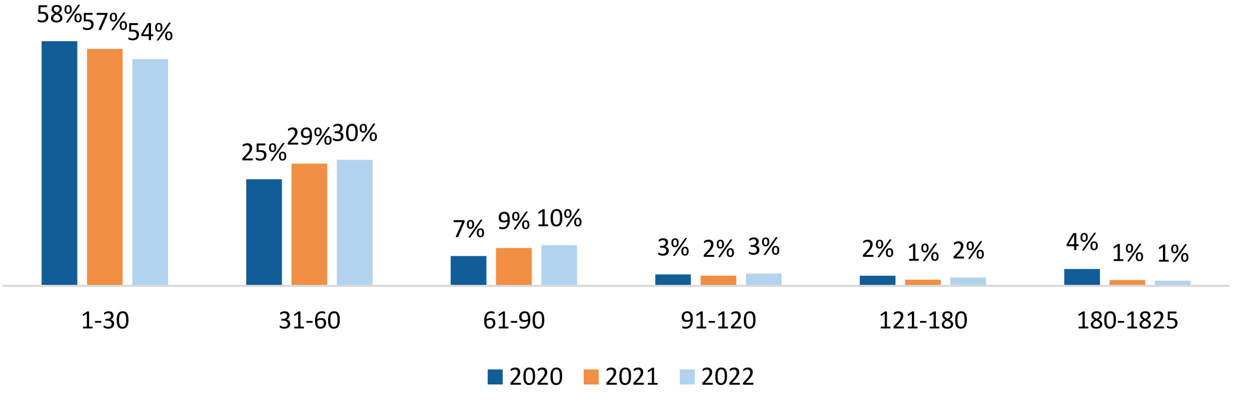
Figure 31: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

The Ministry of Industry and Technology of Cyprus seems to pay mostly on time, with over 50 % of their invoices being paid in the first 30 days. However, the trend over the last 3 years is negative, with that share decreasing to 54 % in 2022 from 58 % in 2020. In turn, the percentage of payments in the period going from day 31 to day 60 has been increasing, reaching 30 % in 2022. The share of late payments for days 61-90 has also increased to 10 % in 2022. In contrast, the share of late payments that surpasses 6 months has decreased to a mere 1 % of invoices.

Figure 32: Share of invoices paid between time periods by the Ministry of Industry and Technology, 2020-2022



Source: EU Payment Observatory elaboration on data provided by the Ministry of Industry and Technology of Cyprus.

One characteristic of the Cyprus economy is the difficulties that SMEs face in accessing finance. This challenge has been directly linked by the European Commission to the high late payments levels in the European Semester[25]. In fact, 43 % of Cyprus companies say that being paid late affected the payments to their own suppliers, which is above the EU average.

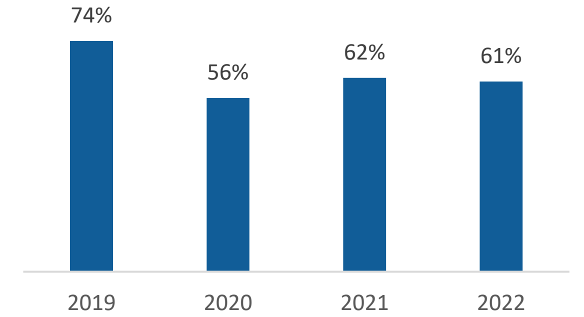
In addition, in 2021, due to the effects of the Covid-19 pandemic, 40 % of companies said that late payments were also affecting their investment and recruitment, however in 2022 only 29 % of companies said this. During the pandemic in 2020, 1 in 3 Cypriot companies also stated that late payments delayed their repayments of loans or caused them to have to look for additional financing, a percentage that decreased to 16 % in 2022.

[25] European Commission (2023) Country Report-Cyprus. Retrieved from: https://economy-finance.ec.europa.eu/system/files/2023-05/CY_SWD_2023_613_en.pdf

CZECHIA

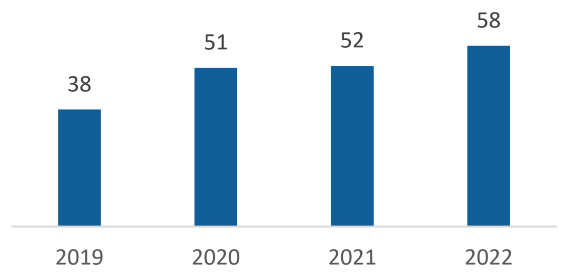
A majority of Czech companies reports having issues as a result of late payments in all 4 years for which data are collected (2019-2022). In fact, in 2019 close to three quarters of surveyed Czech companies indicated issues resulting from late payments. While a downward trend has continued since 2019, a slight uptick in delayed payments was witnessed during the Covid-19 pandemic. At 61 % in 2022, the share of companies reporting issues due to late payments is significantly higher than the European average (42 %).

Figure 33: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 34: Average payment period in number of days, 2019-2022, B2B

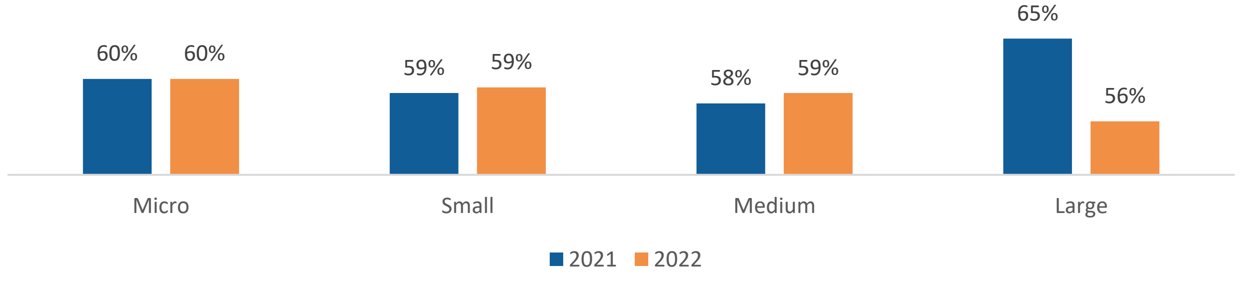


Source: EU Payment Observatory elaboration on Intrum European Payment Report.

It is worrying that the average payment period – measured in days – has risen strongly over the reported period (2019-2022). In 2019, Czech companies reported an average payment period of 38 days, in 2022 that number has risen to 58, which is also above the European average. The biggest increase in the payment period was registered from 2019 to 2020 and as such was likely related to the Covid-19 pandemic. That being said, the trend has continued, albeit at a slower pace in the following 2 years, despite the lifting of restrictions and return to economic growth that followed in 2021 and 2022.

Payment behaviour in Czechia differs across company size, although marginally so. Micro-, small- and medium-sized companies report making about 60 % of payments on time, a number that has changed little over the last 2 years. Large-sized companies in Czechia, however, report a substantial worsening of payment behaviour over the 2021-2022 period. Whereas in 2021 large-sized companies paid more payments on time (65 %), that percentage has dropped to 56 % in 2022 making large-sized companies the lowest performer across company sizes. Given that no data are available pre-2021, the impact of the Covid-19 pandemic cannot be assessed.

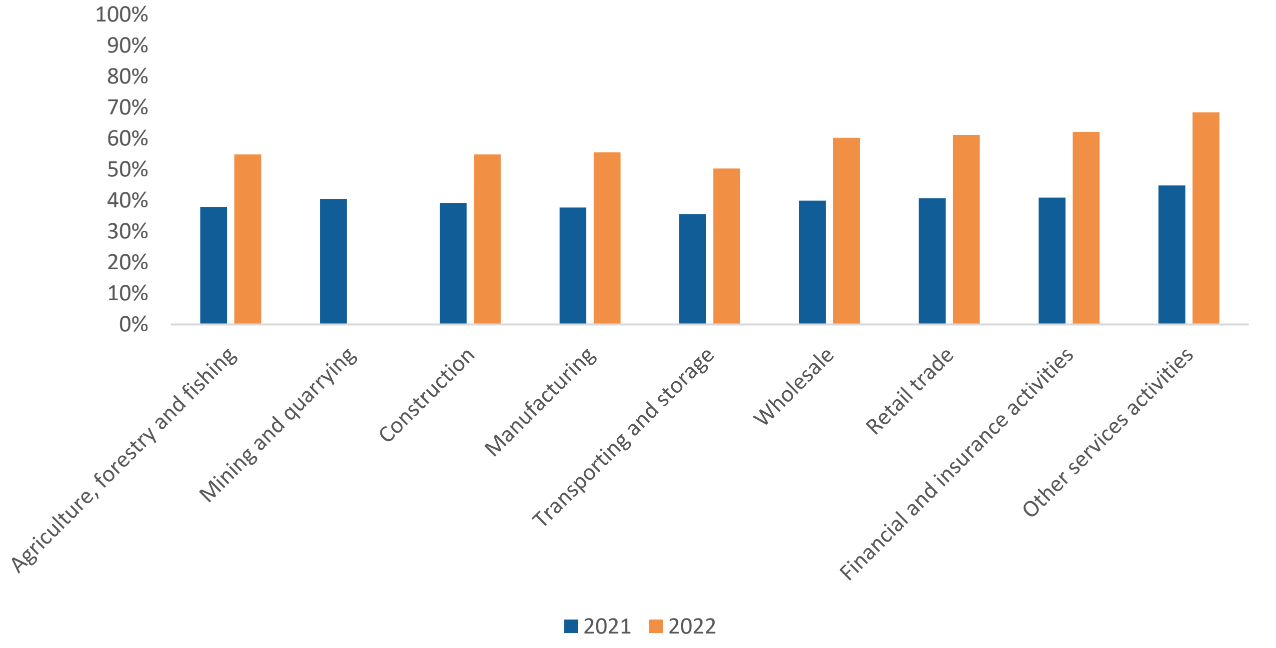
Figure 35: Percentage of payments by due date across company sizes, 2021-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

When considering payment behaviour by sector a positive trend in Czechia emerges. Companies across identified sectors report a significant improvement in payment behaviour from 2021 to 2022. Strong improvements are witnessed in the 'Other services activities' sector (an increase of 23 percentage points) as well as in the 'Wholesale' sector (20 percentage points). Smaller, but significant, improvements are registered in the 'Transporting and storage' sector (14 percentage points) and 'Construction' sector (16 percentage points).

Figure 36: Percentage of payments by due date per sector, 2021-2022



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

The effects of receiving payments late that companies in Czechia report range from loss of income all the way to threat to survival of the company. The share of Czech companies reporting that receiving payments late results in a loss of income stood at 24 % in 2019 and has grown since to 30 % (Intrum survey). A stronger growth has been witnessed in the share of Czech companies that consider late payments a threat to their survival. Whereas that share stood at 15 % in 2019, it has since risen to 28 % – the European average for 2022 is around 28 %.

When survival of the company is not at stake, that does not mean that late payments do not have significant effects on the companies in question: 36 % of Czech companies in 2022 report that late payments prohibit company growth. In a similar vein, 32 % of Czech companies in 2022 report that late payments prohibit innovation. These effects continue down the supply chain, as 24 % of Czech companies in 2022 report that receiving payments late affects the payments they make to their suppliers (Intrum survey).

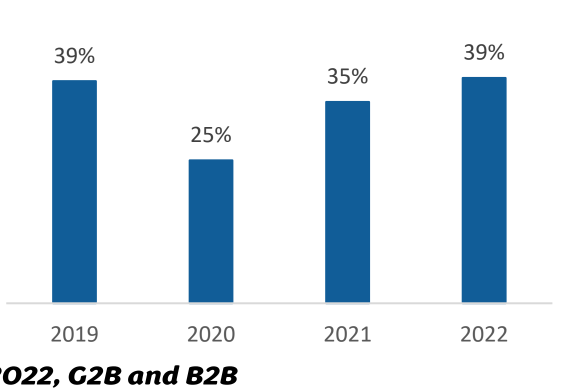
DENMARK

In comparison to other EU countries, fewer Danish companies have reported experiencing issues due to late payments. The lowest share of companies experiencing issues due to late payments was reached in 2020, with only 25 %. This large drop, from 39 % in 2019, was only temporary as 35 % of surveyed Danish faced problems due to late payment in 2021, and 39 % in 2022. This brought the level of problems experienced because of late payments back to the same level as in 2019. While these changes could be a consequence of the Covid-19 pandemic, the results contradict results from Atradius (Payment practices barometer, 2020), indicating that most of the reviewed sectors are experiencing increased levels of payment delays. The effects of the pandemic on payment delays are hence hard to establish.

Average payment periods have over the last years been around the 60-day mark – above the EU average. The average payment period was 66 days in 2019. Since then the average payment period decreased in Denmark. Hovering around 52 days in 2020 and 50 days in 2021, an increase of 22 %, or 11 days, in payment period can be observed between 2021 and 2022.

According to the legislation, payment of B2B invoices are to be made within 60 days but can be extended. The average of around 60 days could indicate a trend in Denmark of adhering to the 60-day payment period and restraining from defaulting to the standard 30 days in the absence of an agreement. The likelihood of 60 days being the standard could be confirmed by the low levels of issues caused by late payments expressed by Danish companies.

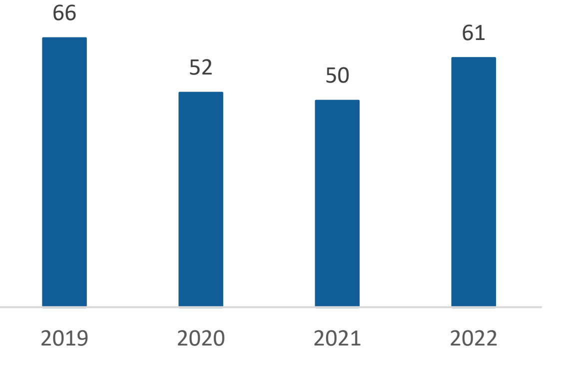
Figure 37: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-



2022, G2B and B2B

Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

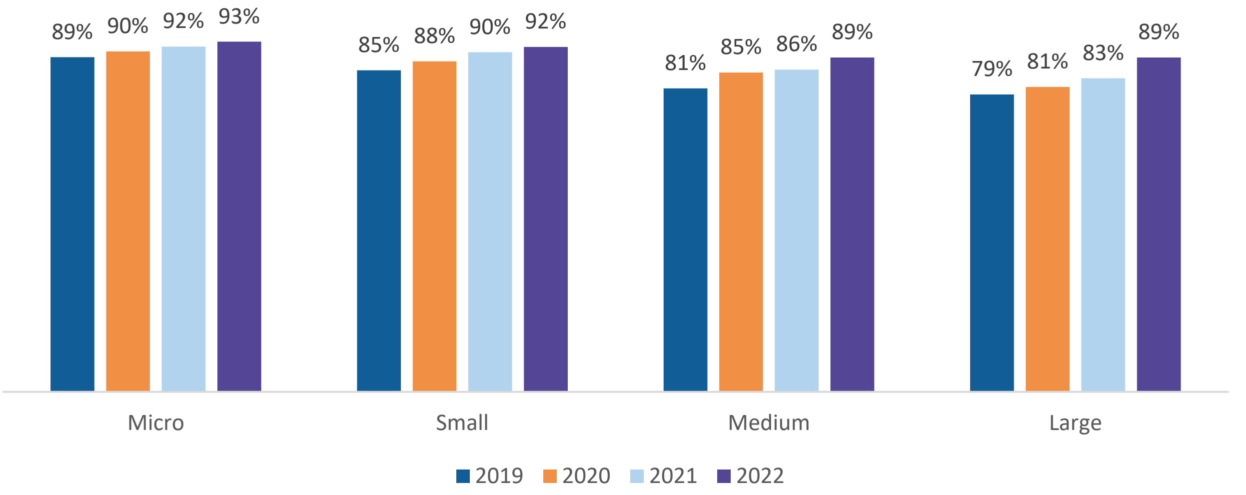
Figure 38: Average payment period in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Firms in Denmark are among the best in the Europe when it comes to paying invoices on time. Over the last 4 years, on-time payments have been increasing steadily, from already high levels. On average, in 2019, 87 % of all invoices were paid by the due date. The level of on-time payments has since increased to 92 %. A further observation noted from Figure 39. below is that smaller firms are the best performers of paying on time. Almost 93 % of Micro firms and 91.5 % of small firms ensured their invoices were paid on time in 2022. Still remaining at a very high level when observing the EU in general, medium and large-sized firms perform less well with more occurring late payments. Both medium and large firms paid 88.7 % of their invoices on time in 2022.

Figure 39: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

When reviewing payment behaviour across sectors, a clear trend is visible. Firstly, the very high level of on-time payments across all sectors. Further, all sectors have since 2019 had a year-on-year improvement of on-time invoice payment. The Agricultural sector in Denmark has the highest level of on-time payments, with 96 % of payments being made without delays. Only two sectors, Manufacturing (88 %) and Wholesales (87 %), had less than 90 % of payments made on time in 2022 and have remained above 80 % since 2020.

Figure 40: Percentage of payments by due date per sector, 2019-2022

Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

While being clear frontrunners when it comes to late payments in the EU, Danish companies indicate that they are feeling the impacts of increased interest rates on business activities and their capacity for paying on time. Danish firms are further worried about the economic slowdown of business activities over the last year, a factor that might spill over to the capacity of businesses to ensure on-time payments.

ESTONIA

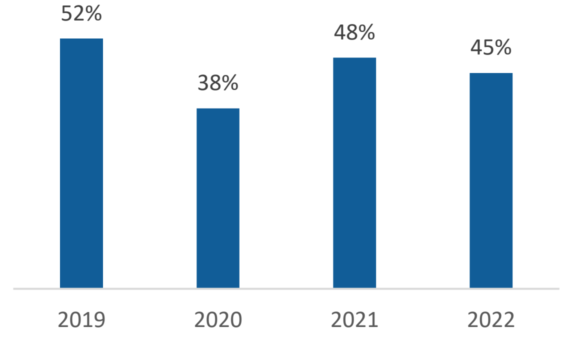
In line with their European counterparts, the share of companies in Estonia reporting issues due to late payments dropped from 2019 to 2020 (from 52 % to 38 %) only to pick up again the next year. In 2022 the share of companies reporting issues declined again, to 45 %, slightly over the European average. Despite the drop in the share of companies reporting issues, the overall level remains elevated compared to that of 2020 when only 38 % of companies reported issues.

Trends identified among companies reporting issues following from late payments correspond with data gathered on the average payment period for B2B payments in Estonia. Whereas 2020 saw a marked drop in average payment period in number of days, namely from 62 to 55, that trend reversed in the following 2 years. Although the 2022 level, at 59 days, remains therefore lower than the 2019 level of 62 days, it is considerable higher than the level reached in 2020 (55). It is also above the European average.

One explanation for the increase since 2021 in the share of companies reporting having experienced issues due to late payments and on the average payment periods, is inflation. Many Estonian companies report that inflation has caused them to extend their payment periods, 61 % in 2022. Unlike other Member States that share is higher than in 2021, when the percentage was 57 %. It is not surprising that Estonian companies are among the most affected by inflation as the country has one of the highest inflation rates in Europe due to its proximity to Russia.

Another determinant of late payments that Estonian companies report is having to accept longer payment terms to avoid damaging a relationship. In all years from 2019 to 2022 a majority of Estonian companies (53 %-63 %) reported engaging in this practice. Similarly, over the surveyed years almost half of Estonian firms report accepting longer payment terms to avoid risking a customer going bankrupt (42 %-54 %).

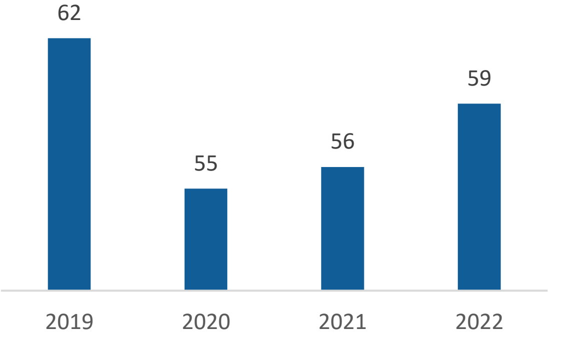
Figure 41: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-



2022, G2B and B2B

Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 42: Average payment period in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

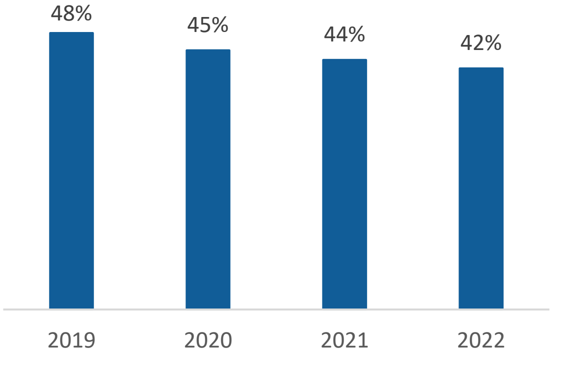
Estonian companies report concrete consequences of payments received late. Nearly half (43 %) of Estonian companies in 2022 reported that late payments prohibit growth of their company, this figure was only 19 % in 2019. Not only does receiving payments late prohibit growth for a large number of companies, for a significant share it also poses a threat to their survival. In 2022 a third of surveyed companies reported late payments as a threat to the survival of their company, a share that has come down from 53 % in 2019 as it has in other EU countries.

FINLAND

The general tendency that can be observed in Finland is a steady decrease in the number of enterprises experiencing issues caused by late payments since 2019. Despite the close geographical location of Finland to Russia and the spike in interest rates in 2022, businesses in Finland have continuously improved their habits of invoice payment. The negative trend has resisted both the Covid-19 pandemic and Russia's invasion of Ukraine. A reason raised by Atradius's 2023 report on late payments in Finland believes that the decreasing number of enterprises facing issues can be explained by multiple factors. One being more stringent measures on credit control set up by businesses, helping them to ensure payments are made on time. Another measure in place is offering discounts for paying an invoice before the due date.

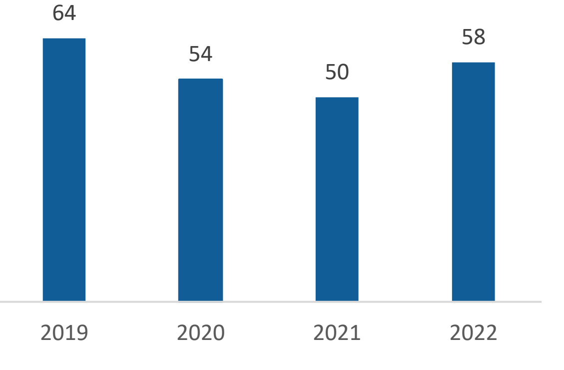
While almost half of Finnish firms are experiencing payment delays that are affecting their activity, the average payment period between 2019 and 2022 has fluctuated between 64 days in 2019 down to its lowest level of 50 days in 2021. There was a substantial decrease in the payment period between 2019 and 2020, with a payment period decrease of 10 days. A possible explanation for more than 40 % of Finnish enterprises experiencing payment delays causing issues while the average payment period remains below the maximum of 60 days is the implementation of the EU Directive. Finland decided to go further than what is indicated in the Directive, setting the standard payment period to 30 days.

Figure 43: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 44: Average payment period in number of days, 2019-2022, B2B

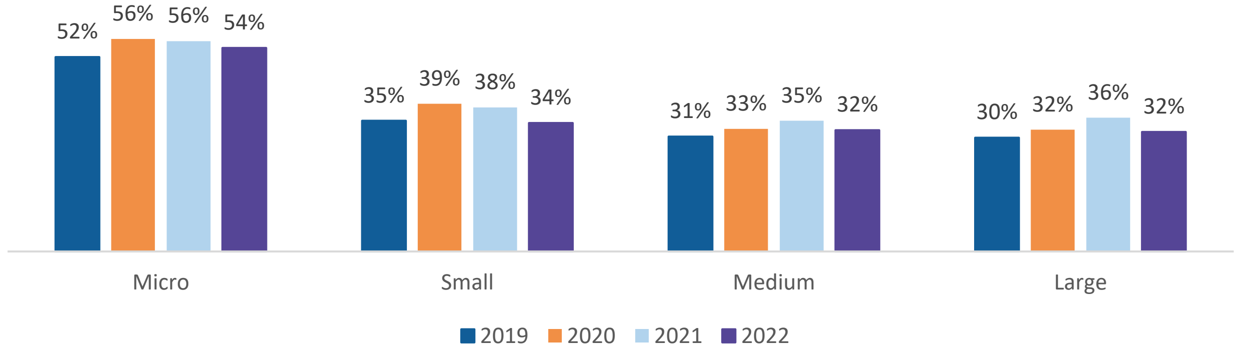


Source: EU Payment Observatory elaboration on Intrum European Payment Report.

In Finland micro companies are, with more than 50 % of all payments made on time, by quite a margin the best at ensuring on-time payments. This is visible for each of the years covered in our sample. In 2019, companies of all sizes recorded their lowest share of on-time payments.

Figure 45 shows that the Covid-19 pandemic followed by the increase in energy prices and interest rates have affected all company sizes similarly. While there was no impact in 2020, both micro and small companies struggled to ensure paying on time in 2021, while medium and large companies continued to see an increase of on-time payments. As smaller companies are more sensitive to economic fluctuations it is likely that the impact of the pandemic was experienced earlier for the smaller-sized firms. While micro and small companies continued on a negative trend, both medium and large companies experienced an increase in late payments in 2022.

Figure 45: Percentage of payments by due date across company sizes, 2019-2022, B2B

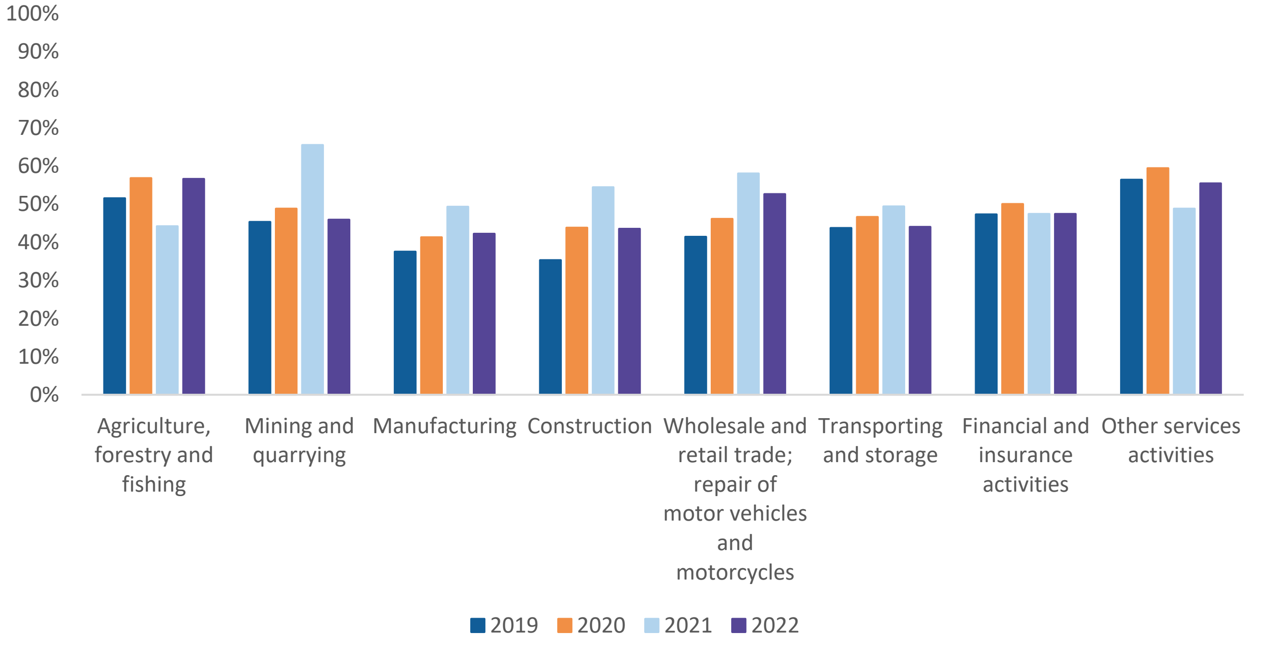


Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

On-time payments have remained steady at between 40 % and 60 % for almost all sectors for the period 2019-2022.

Several sectors, including Mining and quarrying, Manufacturing, Construction, Wholesale and Transporting, saw an annual increase in the number of on-time payments between 2019 and 2021. However, Agricultural, Financial and insurance activities, and the Other services activities, saw an increase in late payments as there was a decline in the share of on-time payment in 2021 compared to 2020.

Figure 46: Percentage of payments by due date per sector, 2019-2022



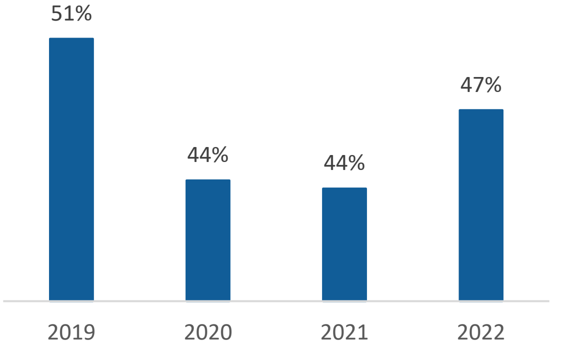
Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

FRANCE

Enterprises in France have observed a decrease in the number of issues caused by late payments. More than half of French firms expressed experiencing issues in 2019. This decreased to 44 % in both 2020 and 2021. Following these 2 years, the number of issues rose again to 47 %.

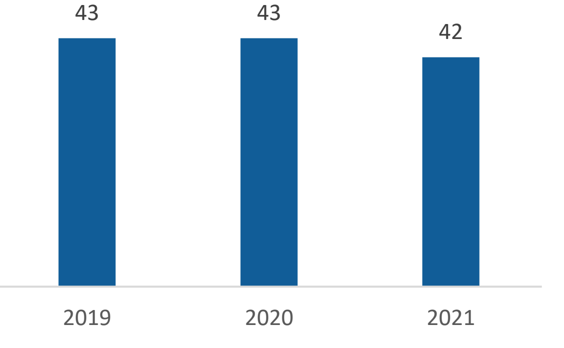
Data from the French Payment Observatory on the average payment period for responding companies in France is only available until 2021. The average was of 43 days in 2019 and 2020. This number however slightly decreased to 42 days in 2021. According to Observatory, in the last years, for which they haven't yet published data, French enterprises are experiencing and expecting increases in the payment delays due to the current economic developments that is straining French companies, for instance inflation. While the observatory has yet to publish data for 2022, Intrum's findings do expect an increase for this year.

Figure 47: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

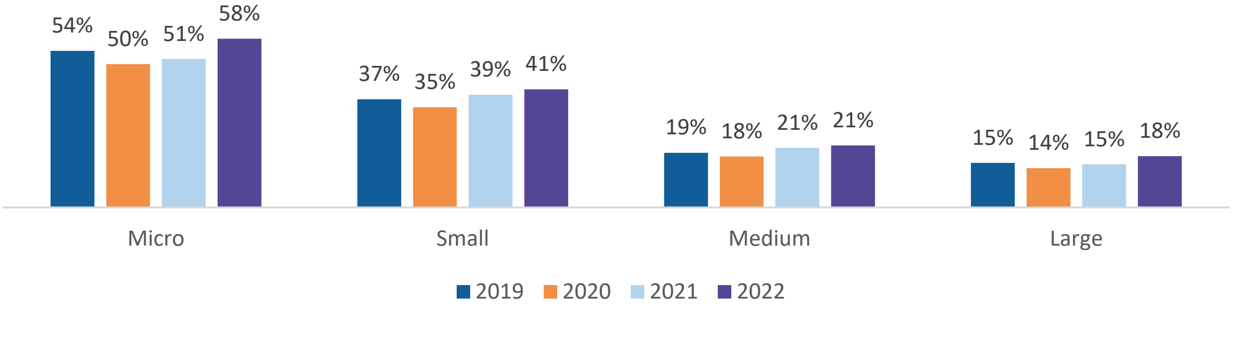
Figure 48: Average client payment period in number of days, 2019-2021, B2B



Source: EU Late Payments Observatory elaboration on the Observatoire des délais de paiement en France

Breaking down on-time payments by company size, on-time payments decrease the larger the company. Micro companies consistently show a higher rate of on-time payments. Conversely, larger companies consistently have the lowest proportion of payments made by the due date between 2019 and 2022. A tendency visible across all company sizes is a steady reported increase in the share of payments made by the due date for both 2021 and 2022, reaching above the initial level of 2019.

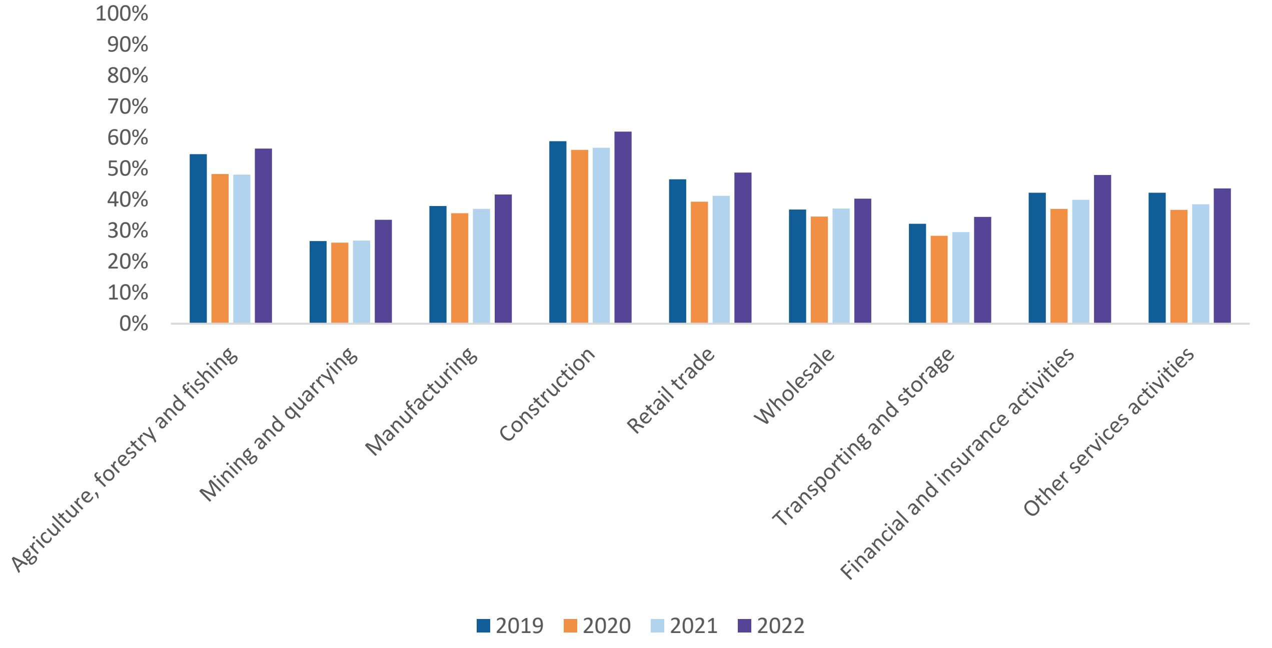
Figure 49: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Breaking down payments by company sectors allows us to gain further insights into the evolution of late payments in France. When compared to other EU countries, some sectors are performing above average, while other are very close to average. The same trend observed when breaking down by size is also evident across all sectors. The years 2020 and 2021 saw a decrease in the share of on-time payments compared to 2019. This two-year decrease was followed in all sectors by a rapid growth back to equal or higher levels reported for 2019. Figure 50 further shows the shares of on-time payments made according to sector. The sector reporting the most payments made by due date is the Construction sector, with almost two thirds of payments made by due date in 2022. Of the sectors included in the survey, Mining and quarrying has historically faced the most issues with on-time payments. While barely experiencing any decreases in payments per due date over 2020 and 2021, an increase in on-time payment can be observed for 2022.

Figure 50: Percentage of payments by due date per sector, 2019-2022

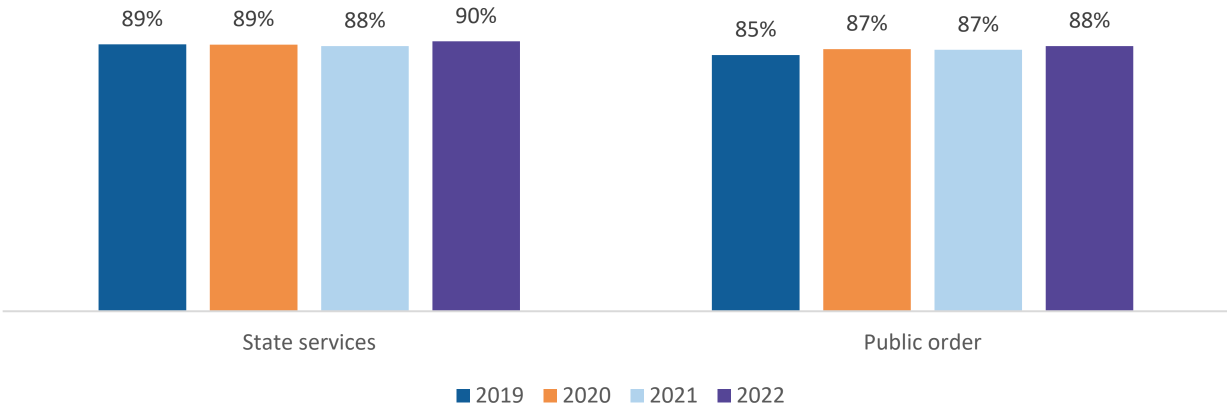


Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Comparing on-time payments for state services and public order services, a sharp contrast can be observed with the previously reviewed reporting sectors. State services and public order services have reported very stable shares of payments being made on time (in less than 30 days), in the period 2019 to 2022. State services saw a minor decline in the share of payments made on time, from 89 % down to 88 % between 2020 and 2021. This was, however, followed by an increase to 90 % of on-time payments for 2022. Also performing very well compared to all other French sectors, is the share of on-time payments for public order services. They have observed a steady increase in the share of on-time payment, starting at 85 % in 2019, reaching 88 % in 2022.

On time payments made by public entities can be considered a pre-requisite to limit late payments in the market. In cases where public authorities fail to pay on time, the incentive for other players decreases.

Figure 51: Share of government service and public order services made on time, 2019-2022, G2B



Source: EU Late Payments Observatory elaboration on the Observatoire des délais de paiement en France.

The French Government has long been recognised for taking the lead in combating late payments. The French Observatory of late payment was created in 1991 and the government is committed to be transparent on their payment behaviour. Given this commitment it is no surprise that French public administrations are good payers.

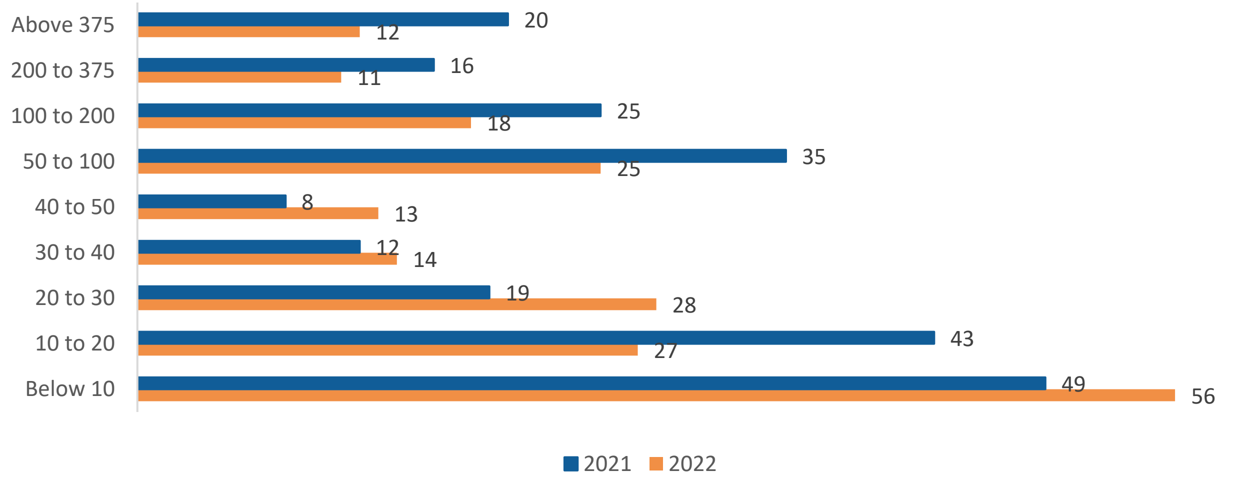
French authorities are one of the few that have decided to implement additional penalty fees on businesses that fail to pay within the statutory (not contractual) payment period. The measures in place impose additional fines for firms that regularly fail to pay their invoices by the due date.

The DGCCRF (Direction Générale de la concurrence, de la consommation et de la répression des fraudes), part of the French Ministry of Economy is in charge of monitoring payment performance of large companies and conducting inspections. As can be observed in Figure 52, the amount of the fines varies starting from a few thousand to above one million. In 2022, French authorities fined 194 companies. Most of these fines were smaller fines, below EUR 30 000. Other "sanctions" include also the publication of the name of "late payers" on the website of the DGCCRF website.

When comparing the evolution of fines between 2021 and 2022, an increase in the number of smaller fines can be observed, with a decrease in fines of larger amounts. Smaller fines are usually given to smaller companies or given by authorities to larger firms as a warning, in both cases ensuring that the fines are proportional. Fines take into account the amount of the invoices covered, the average delay and other circumstances such as financial situation Their aim is to push companies to make their payments on-time. It is only when a company fails to comply for a second time, having received a warning but not changed behaviour, that the sum due increases rapidly.

As mentioned, there was a substantial reduction in the number of large fines in 2022. The number of fines of EUR 200 000 or more decreased from 36 in 2021, to 23 in 2022. A possible explanation is that those fines concern late payments occurring in 2020 during COVID. The financial situation of companies is taken into account when given fines, and in many cases DGCCRF did not impose them due to the lockdown and the subsequent financial difficulties of companies.

Figure 52: Distribution of companies fined by the government, 2021-2022 (EUR thousands)

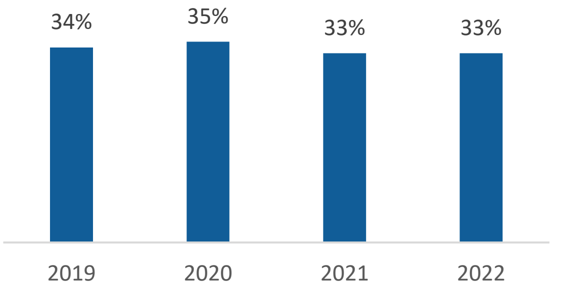


Source: EU Late Payments Observatory elaboration on the Observatoire des délais de paiement en France (2022).

GERMANY

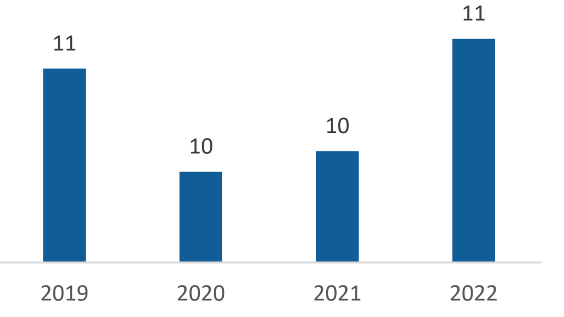
In terms of enterprises affected by payment delays Germany does not show trends that significantly deviate from most other EU countries. Payment conditions deteriorated slightly during the Covid-19 pandemic, as the number of affected enterprises rose from 34 % in 2019 to 35 % in 2020. However, this figure dropped in the following year to 33 %, which was lower than 2019, which was a non-covid year. This hypothetically points to recovery measures working as intended, at least as regards late payment conditions. In any case, the percentage of companies reporting to be suffering issues due to late payment is lower in Germany than the European average.

Figure 53: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

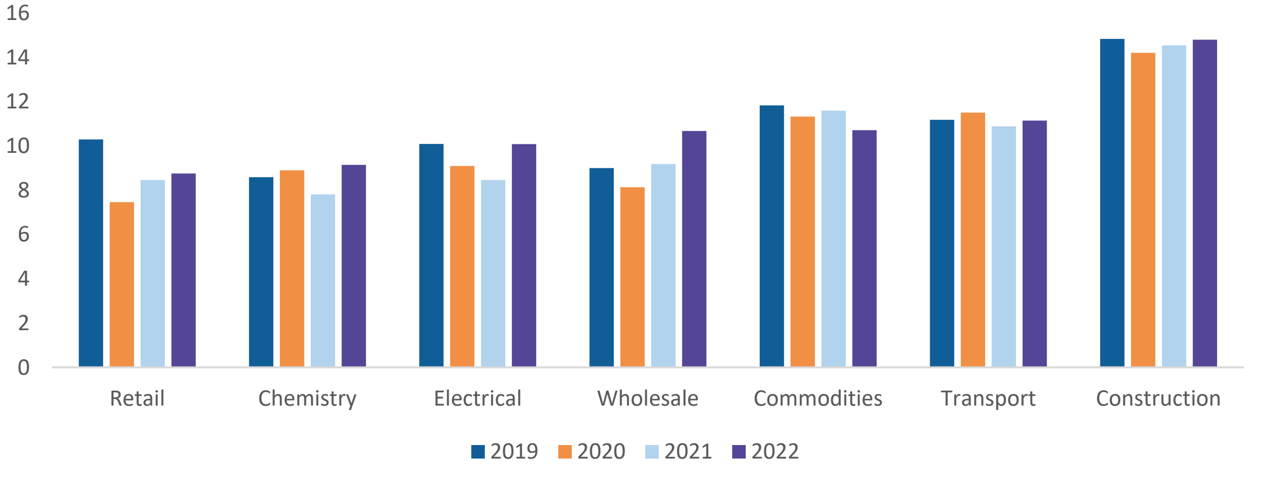
Figure 54: Average payment delay in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Creditreform Zahlungsindikator Deutschland.

From a sectoral perspective, Germany seems fairly typical in terms of its most problematic and non-problematic sectors. Construction enterprises show by far the longest payment delays. Indeed the gap is around 3 whole days to even the second-worst-performing sector, which is Transport in most years. As previously mentioned, the highest number of payment delays have occurred in Germany in the past 4 years, it is interesting to note that not all sectors follow this trend, as the commodities sector in fact decreased its average payment delays (11.59 in 2021 vs 10.71 2022).

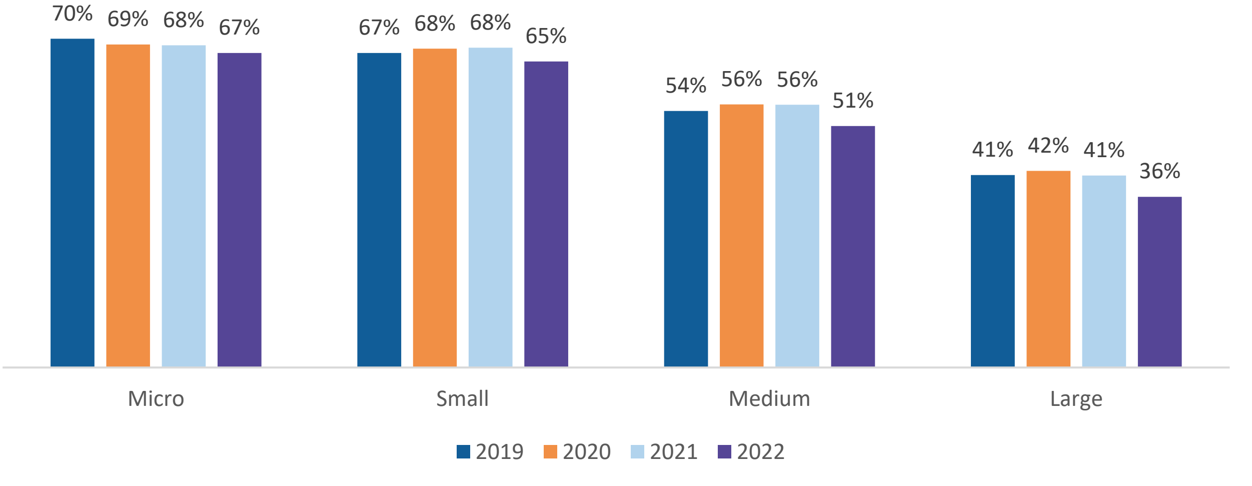
Figure 55: Average payment delay in number of days by sector, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Creditreform Zahlungsindikator Deutschland.

While Germany is an overall very timely country when it comes to payments made by due date, the differences in other countries with regards to payment behaviour for companies of different sizes persists in Germany as well. Indeed in 2022, the difference in the share of micro companies paying on time compared to large companies was more than 31 %. This points to large companies being given more leeway to perform their payments even outside of the agreed-upon timeframe, due to their heightened control and importance in the market. Indeed, the relationship between company size and worsening on-time payments is perfectly linear in Germany, with each increment in company size resulting in lower on-time payments. The drop between small and medium-sized companies, as well as medium and large companies is particularly notable, being 15pp each. Over the course of the last 4 years, this trend has only intensified, particularly with the overall deterioration of payment practices in Germany in 2022. Indeed medium and large both exhibit a 5pp lower share of on-time payments in 2022 compared to 2021, while this drop is only 3pp for small companies and even only 1pp for micro-sized companies. Overall, this leads to a widening of the gap in terms of payment performance across company sizes, with the larger companies worsening more than smaller ones.

Figure 56: Percentage of payments by due date across company sizes in Germany, 2019-2022, B2B[26]



Source: EU Payment Observatory elaboration on Creditreform Zahlungsindikator Deutschland.

[26] https://www.creditreform.de/aktuelles-wissen/pressemeldungen-fachbeitraege/news-details/show/creditreform-zahlungsindikator-deutschland-winter-2022-2023

GREECE

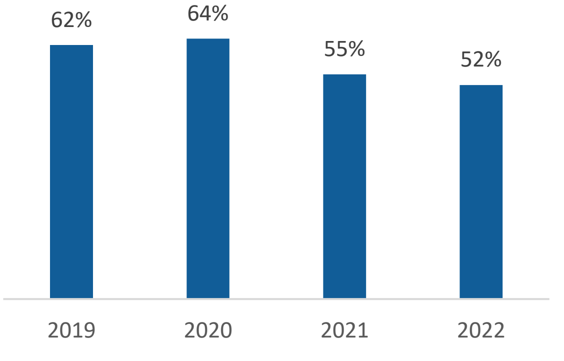
The average percentage of companies reporting to have experienced problems as a consequence of late payments is higher in Greece (52 %), than the European average (43 %), according to data from the SAFE survey. The trend has, however, been positive in the last 2 years, reducing from the 64 % of companies that indicated suffering from issues linked to being paid late in 2020.

With regards to those problems, Greece has experienced the most significant decrease in the number of companies reporting late payments as a threat to their survival since 2019 dropping by more than half, from 61 % to 29 % in 2022. The share of those that state that late payments provoke a liquidity squeeze has also significantly reduced from 56 % to 30 %. According to the Intrum survey, however, 65% of Greek companies report that late payments prevent them from expanding their products and services. It also results in additional financing costs for 44 % of them, a number that is on the rise. Overall this is a very positive development as it seems that Greek companies suffer less from the more severe consequences of late-paying companies.

The average payment period increased in 2022 from 50 to 55 days, following a three-year period of improvement that saw the average reduce by 19 days between 2019 (69) and 2021 (50). This increase is very similar to the European average.

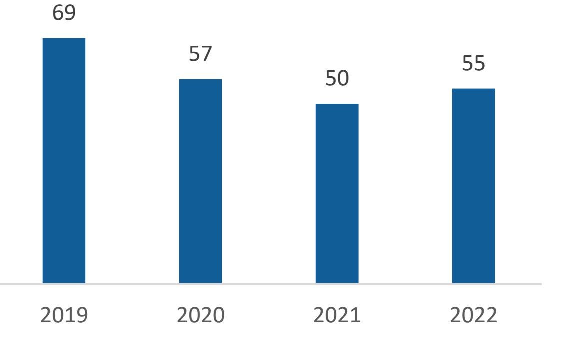
The main reason for this increase is probably inflation with 58 % of Greek companies declaring that inflation caused them to extend their payment terms to suppliers; this is the fourth biggest in Europe. As a result of being paid late, 39 % of companies pay later according to Intrum data. Nonetheless this number has significantly reduced since 2020 when the figure was 58 %.

Figure 57: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey

Figure 58: Average payment period in number of days, 2019-2022, B2B

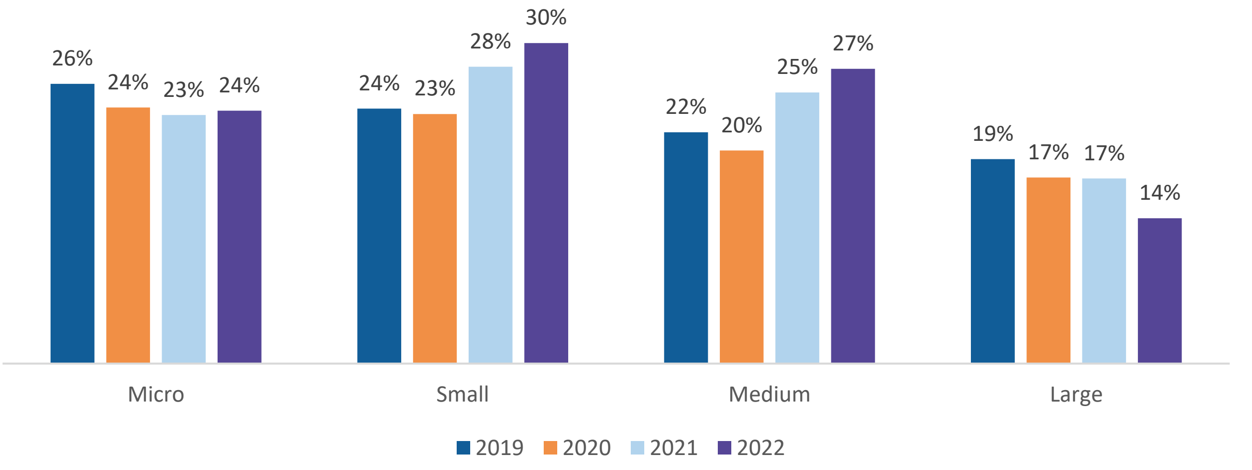


Source: EU Payment Observatory elaboration on Intrum European Payment Report

As in most European countries, large companies do not pay on time, with only 14 % of their invoices being paid by the due date in 2022 according to Cribis transaction data. In fact that percentage has deteriorated in the past 4 years from 19 % in 2019.

Small enterprises in Greece are the most likely to pay their invoices on time (30 %), a figure that is quite low in comparison with other countries. The on-time payments for small companies have been increasing since 2020. As well, medium enterprises have shown a postive trend in on-time payments since 2020, reaching 27 % in 2022. On the other hand micro-enterprises, which were initially paying on time in 2019 with a rate of 26 %, have seen a slight deterioration to 24 % in 2022.

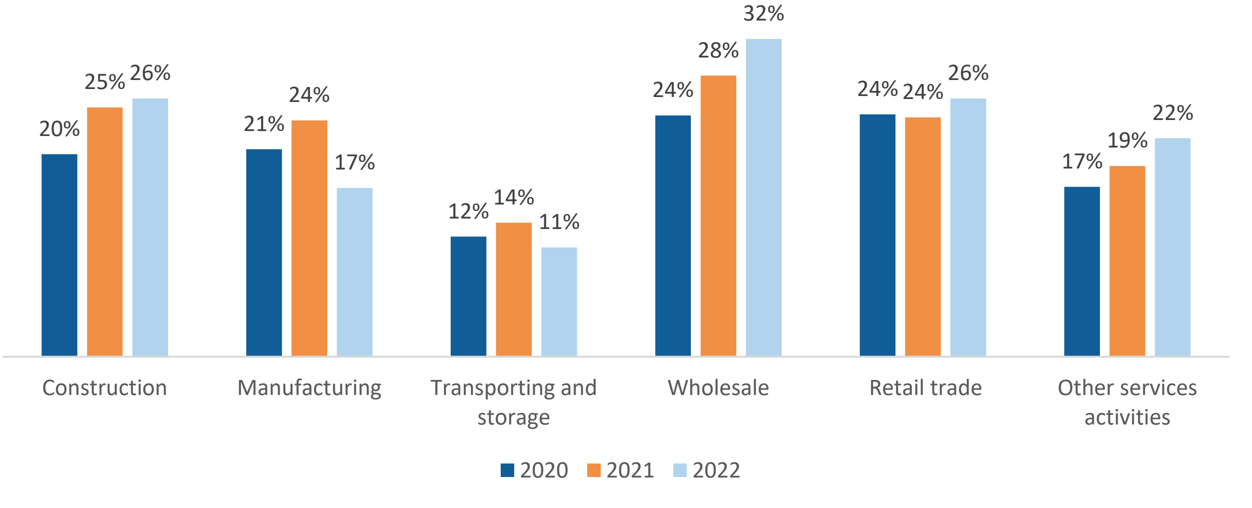
Figure 59: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

There is less sectorial data on Greece than in other countries, with data for only six sectors. Looking specifically at the 2020-2022 period, the sector that consistently makes payments more on time according to this data is the wholesale one, which has been pinpointed by the OECD[27] as one of the biggest sectors in Greece by size. In 2022 the wholesale sector paid 32 % of its invoices on time. The worst performer is the transport sector with only 1 in 10 invoices being paid on time. The transport sector is normally very much affected by late payments due to its long supply chain and it being composed mostly of SMEs. The fact that 39% % of Greek companies report, according to the Intrum survey, that being paid late affected their payments to suppliers, its likely to pay a role in the poor performance of the transport sector.

Figure 60: Percentage of payments by due date per sector, 2020-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

According to Intrum data, in 2022, 52 % of companies dealt with late payments by requesting a pre-payment on the next invoice; 38 % used credit checks and 35 % used internal recovery procedures, a percentage way higher than in other countries. Bank guarantees, credit insurance and offering a discount as an alternative, as well as accepting longer payment terms

[27] OECD SME and Entrepreneurship Outlook 2021 in Greece. Retrieved from https://www.oecd.org/cfe/smes/Greece.pdf

– but adding a surcharge for doing so – used to be very common methods for dealing with late payments but they are used now by fewer than 1 in 4 companies.

Improving internal processes also seems to be something that could be done to improve late payments in Greece, with 56 % of companies reporting that their processes are not as strong as they could be, and 45 % saying that they are seriously outdated. In addition, almost half of the companies say that they struggle to improve their processes when expanding. Finally 54 % report wanting to improve their management of late payments but do not have the resources to do so. This might all be related to a lack of digitalisation of Greek enterprises according to the European Commission[28].

Data on payments in G2B transaction in Greece that are publicly available are limited. Yet the payment performance of the Greek public sector is not satisfactory. The arrears of the public hospitals increased from EUR 907 million at the end of 2022 to EUR 1 365 million in November 2023[29]. The Commission has recently referred Greece to the European Court of Justice for not respecting the obligations of the Late Payment Directive because of the excessive payment delays of its public and military hospitals[30].

[28] European Commission (2023), Greece SME Country factsheet's evidence background document. Retrieved from: https://ec.europa.eu/docsroom/documents/54968/attachments/1/translations/en/renditions/native

[29] Ministry of Economy and Finance of the Hellenic Republic (2023) November Bulletin on general government monthly data, Retrieved from https://minfin.gov.gr/wp-content/uploads/2024/01/General-Government-Monthly-Bulletin-November-2023.pdf

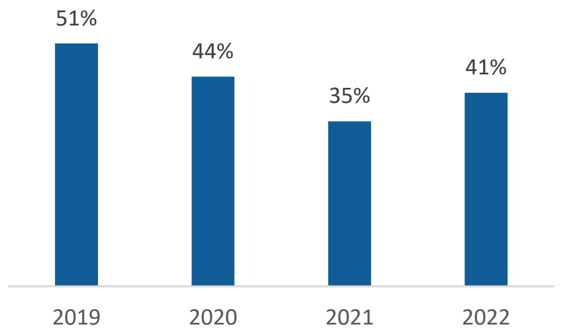
[30] European Commission: Press release (2023) Late payments: Commission decides to refer BELGIUM, GREECE and ITALY to the Court of Justice of the European Union for breach of the Late Payments Directive European Commission. Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/IP_23_5725

HUNGARY

Unlike many of their European counterparts, Hungarian companies reported consecutive improvement in payment behaviour in the 2019-2021 period. In other words, the (start of) the Covid-19 pandemic did not immediately result in worsening payment behaviour in Hungary. In fact, in 2021 the share of Hungarian companies reporting issues following late payments reached a low of 35 %, compared to 51 % in 2019. In the following year, 2022, payment behaviour worsened and the share of companies reporting issues increased to 41 %. While higher than in 2021, this situation still marks an improvement over the reported shares in 2019 and 2022 and is below the European average.

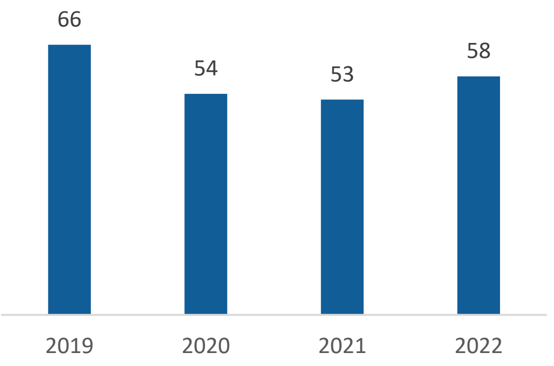
In a similar vein, the reported payment periods in Hungary improved between 2019 and 2021. Whereas in 2019 the average payment period measured in number of days was 66, this period had dropped to 53 by 2021. Again, the start of the Covid-19 pandemic does not seem to have led to a worsening of payment periods in Hungary. That being said, 2022 again marked a deterioration of payment behaviour compared to the previous year, with the reported payment period increasing slightly to 58 days putting it above the European average. While elevated compared to 2021 and 2020 levels, the reported payment period remains on average below that of the 2019 level.

Figure 61: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

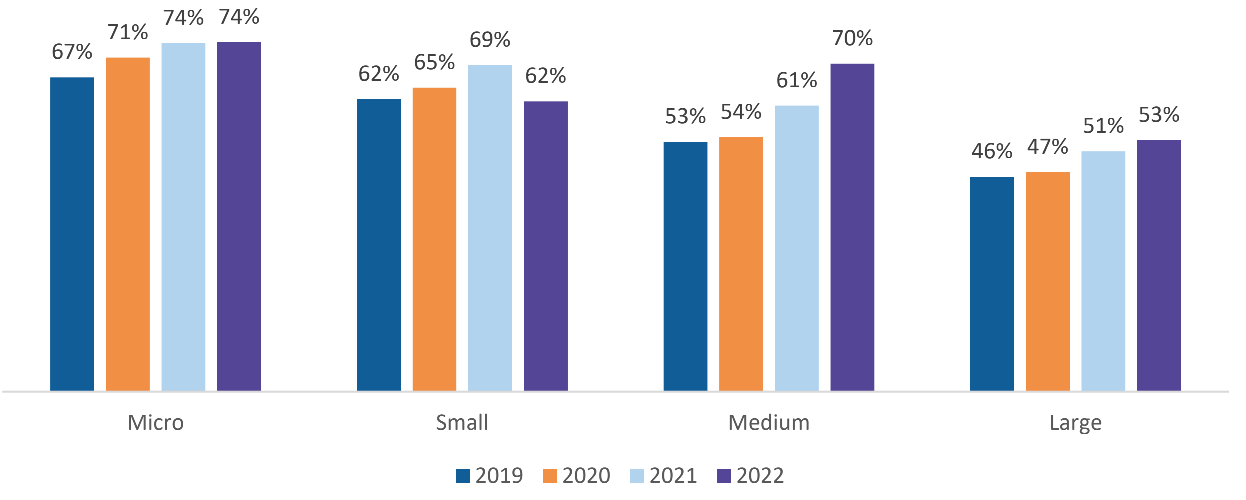
Figure 62: Average payment period in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Payment behaviour among surveyed Hungarian companies confirms a broader trend: the larger the company the more sway it holds over its clients and the more it can afford to pay late. In nearly all years, the size of Hungarian companies is correlated to a worsening of payment behaviour. Micro-sized companies, for example, complete on average more than 20 % of payments by the due date than large-sized companies. That being said, the strongest improvements in payment behaviour in 2022 are registered among medium- and large-sized companies, indicating some catch-up with micro- and small-sized companies.

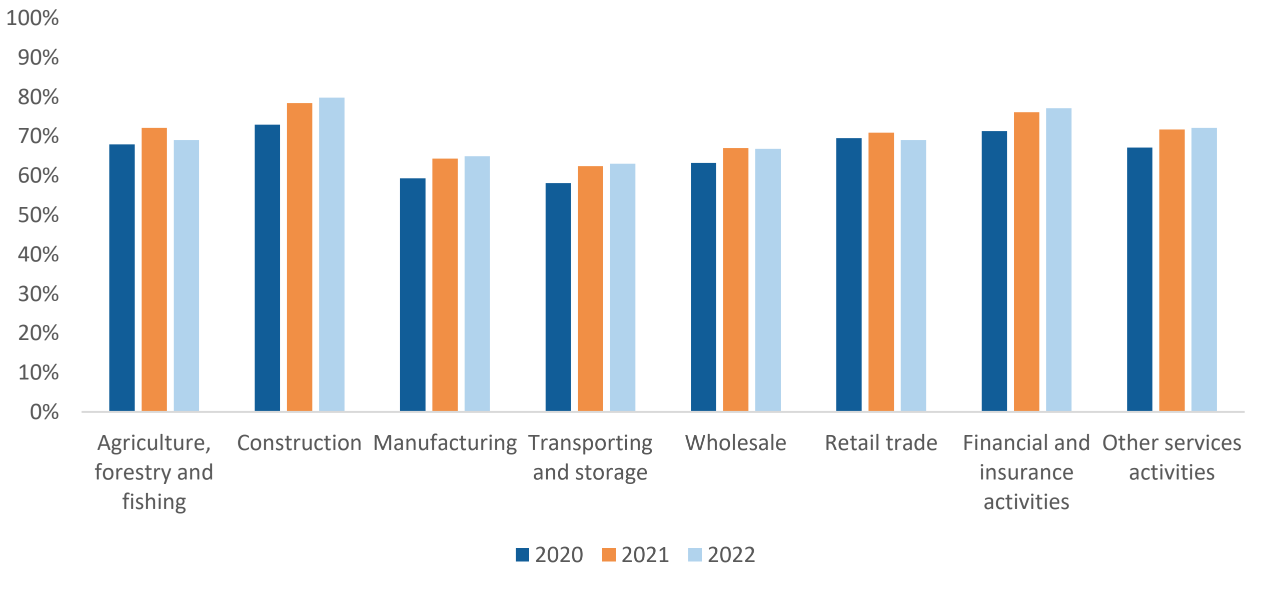
Figure 63: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

A sectoral breakdown reveals that improvements in payment behaviour among Hungarian companies are generally widespread. Most sectors note an increased share of payments completed by the due date from 2020 to 2022. The Construction sector performs surprisingly well in Hungary compared with other EU countries. The sector, as well as the Financial and insurance activities sector made gains in the range from 7-8 percentage points. Other sectors, however, stagnated or registered small declines. Companies in the Agriculture, forestry and fishing sector, for example, registered only a 1 percentage point increase, whereas in the Retail sector companies reported a 1 percentage point decline of share of payments completed by due date.

Figure 64: Percentage of payments by due date per sector, 2020-2022



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

While Hungarian companies report serious consequences of receiving payments late, some positive trends do emerge. Receiving payments late can ultimately cause the bankruptcy of a company, and Hungarian companies report that an effect of receiving payments late is that it threatens the survival of their business. The share that report this was 39 % in 2019, but has dropped significantly since to 24 % in 2022. Similarly, whereas in 2019 50 % of Hungarian companies reported liquidity squeezes as an effect of receiving payments late, this share more than halved in the following years, standing at 22 % in 2022 (Intrum survey). Overall, improvements in the business outlook following from better payment behaviour in Hungary are therefore reflected in the data.

Despite positive trends, the effects of late payments that Hungarian companies report remain severe. In 2022, 28 % of Hungarian companies report loss of income as an effect of late payments, and a similar share report the dismissal of employees as an effect. Down the supply chain, Hungarian companies receiving payments late means for 28 % of them that also the payments to their suppliers are affected. In a different survey, the Atradius survey, 30 % even stated that an effect of receiving payments late is that payments to their suppliers are then delayed.

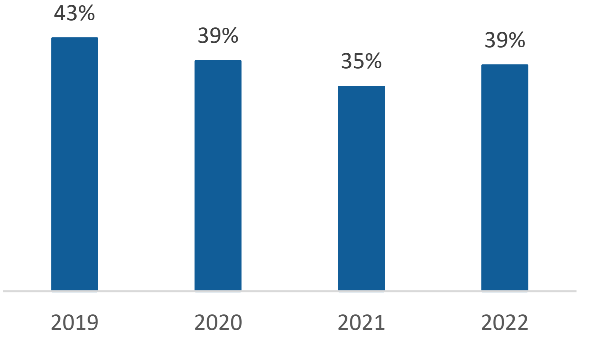
IRELAND

Ireland remains very close to the EU average regarding payment practices. For 2022, the share of enterprises expressing that they experience issues caused by late payments was 39 %, just below the EU average (43 %) indicated in the SAFE survey. This level is a decrease in comparison to the first observation in our sample for the year 2019, where 43 % of companies were negatively impacted by late payments. It seems that Irish enterprises managed to withstand the effects of the Covid-19 pandemic on the economy, as fewer experienced issues caused by late payments during 2020 and 2021 than before the pandemic. However, an increase from 35 % to 39 % can be observed between 2021 and 2022.

When comparing the average number of days for making a payment, Ireland sees a steady decrease in payment days. In 2019, the average number of days for a payment was 75, which has significantly decreased to 46 days in 2022. The largest change happened between 2019 and 2020, where the number of days dropped from 75 days to 54 days in a single year.

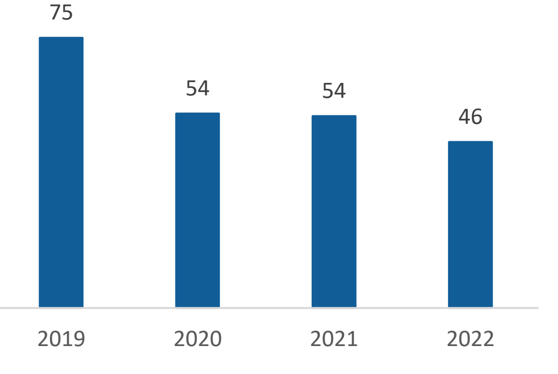
A possible explanation for these good numbers can be in the effectiveness of enforcement measures. Ireland has the highest level of compensation requests in the EU made by companies to their clients for paying late. Altogether 68 % of the firms in Ireland surveyed by Intrum reach out to their clients in order to request compensation for a delay in invoice payment and to cover any possible financial damage. The high request rate could invite companies to pay more quickly in order to avoid any additional costs.

Figure 65: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 66: Average payment period in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Payment habits in Ireland have not shown a uniform evolution over the period 2019-2022 across sectors. It would appear that most sectors were heavily impacted by the pandemic in 2020 as there was a decline in on-time payments made in all sectors. The most noticeable decline could be observed in the Retail trade sector, where in 2019 60 % of payments were made by the due date. In 2020, the number dropped to as low as 18 % of payments made on time in 2020. Other sectors that saw a significant increase in late payments is the Other services sector, and the Transporting sector.

It is also noticeable that no sectors have managed to bring back their on-time payments to pre-pandemic levels over the last few years. While multiple sectors have expressed a positive evolution with yearly decreases in late payments for both 2021 and 2022, most sectors are still trying to reach the pre-Covid levels. The Manufacturing and Wholesale sectors have not managed to recover like the other sectors, as they have seen a continuous decline over the 4 last years.

Figure 67: Percentage of payments by due date per sector, 2019-2022, B2B

Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

ITALY

Italy is ranked sixth in Europe with 52 % of companies reporting having experienced issues as a consequence of late payments. The European average is 43 %. This is a deterioration with regards to 2021, when 47 % of companies reported experiencing those issues. It is nonetheless an improvement with regards to 2019 when the figure was 57 %, so the trend in the last 4 years has been positive as in most EU countries.

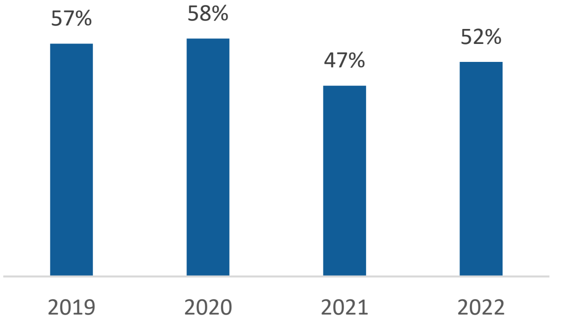
Companies have also been consistently reporting a two points increase in the average payment time in which they received payments from their clients since 2019. The average time in 2022 is 56 days, one day more than the European average.

Several factors can explain that increase. More than half of Italian companies say that rising inflation has caused them to extend their payment terms. Furthermore, since the Covid-19 pandemic in 2020, there has been an increase in the number of companies indicating that they accept longer payment terms in order not to damage business relationships, (54 % in 2022) and to prevent their clients from going bankrupt (50 % in 2022).

A domino effect, in which companies are paid late and as a consequence they do not pay their supplier on-time also exists in Italy, however it seems to have reduced over the last 4 years. In 2022, 30 % of companies said that late payments affected payments to their suppliers while in 2019 it was 40 %. Nonetheless, 64 % of companies say that they would pay their invoices faster if they were not paid so late, according to Intrum data.

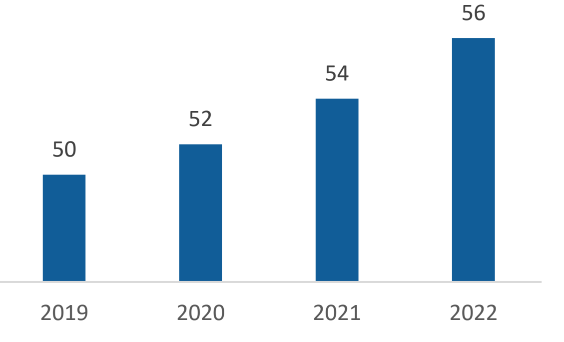
Figure 68 and Figure 69 show that 2021 is the only year in which an improvement could be seen in the percentage of companies reporting having issues due to late payments. Nonetheless in that year the average payment period also increased. There could be multiple reasons for this discrepancy. The share of companies reporting experiencing issues due to late payments primarily reflects the companies' perception. If, for instance, companies were paid later, but the amount of those invoices was lower than in the past, most companies would report facing fewer issues due to late payments, even if the number of invoices paid late has increased.

Figure 68: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 69: Average payment period in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

In 2020, Italy was the first EU country condemned by the European Court of Justice for infringing the European Directive on late payments by failing to ensure that its public administration paid its invoices on time.

In the last few years, the Italian government has published several legislative decrees and promoted various initiatives to try to improve the payment performance of public bodies. This ranges from special sanctions to the introduction of SIOPE+ and SICOGE, two digital tools to track invoice payments made by public administrations. There are also transparency requirements which allow for very accurate data on the payment performance of public administrations in Italy.

Thanks to these data, it is possible to know that the average G2B payment in Italy has been consistently declining over the last 4 years. The average payment period weighted by amount in Italy was 39 days in 2022, 10 days less than in 2019. Despite significant improvements over the last few years, the payment performance by the Italian public sector is still not fully compliant with the requirements of the Late Payment Directive. A total of 1238 communes, especially in the south of Italy had, in 2022, an average payment period of more than 60 days, while 202 communes had average payment periods of more than 100 days; as well one f the central ministries still records average weighted payment delays of more than 20 days, and 10 medical device industry reports that some public hospitals still have payment periods of more than 200 days[31]. A progressive reduction of average payment periods by the public sector is one of the objectives laid down in the Italian National Recovery and Resilience Plan[32].

These data also show that, nonetheless, the measures taken by the Italian government have worked and that, contrary to most other Member States, G2B payments are currently performing better than B2B payments in Italy.

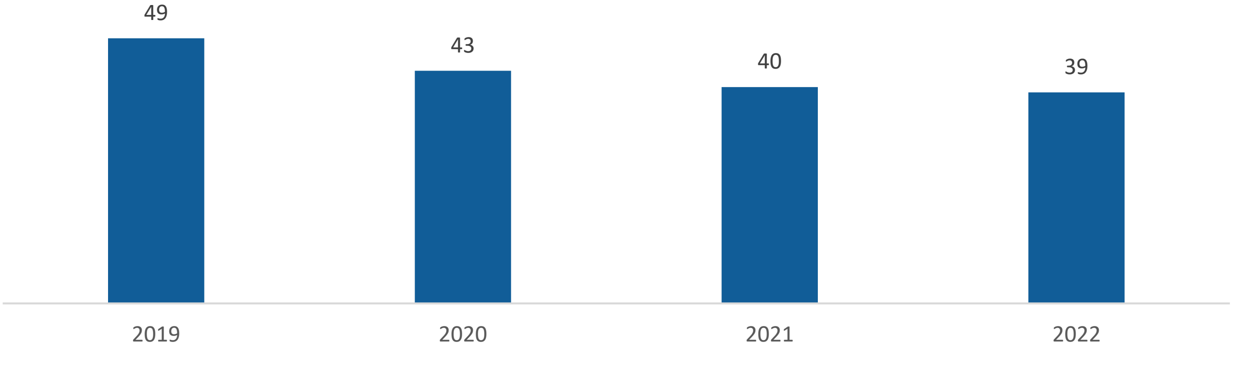


Figure 70: Average payment time to suppliers by public administration in days, G2B

Source: EU Payment Observatory elaboration on data from the Ministero dell'Economia e delle Finanze of Italy.

With regards to the size of companies, there is an inverse correlation between size and payment performance: the biggest companies are the worst payers and the smaller ones, the best ones. This is testimony of how large companies abuse their position of power to delay payments.

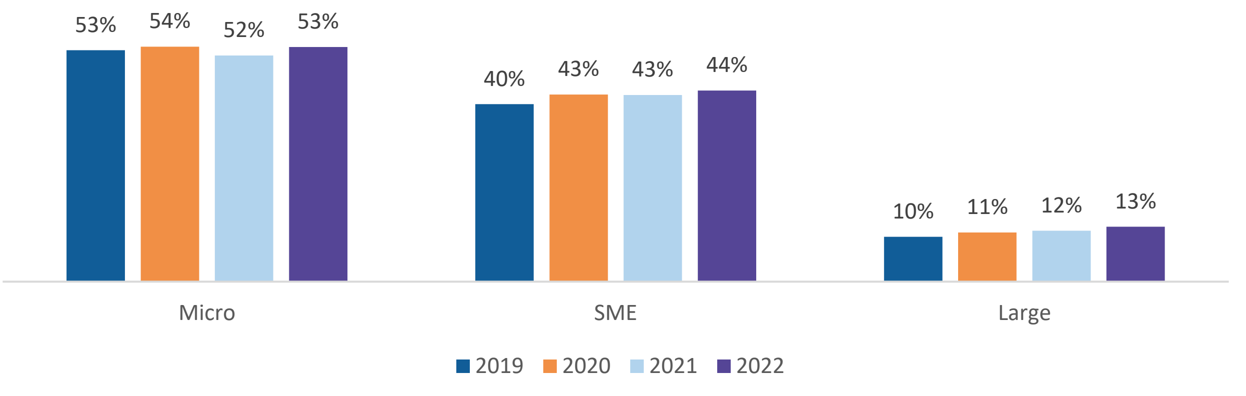
Italy in fact has the greater percentage difference of the EU between payments made by due date by micro and large companies. Micro companies are consistently four or five times better at paying on time than large companies, with more than half the invoices being paid on time. SMEs are consistently three or four times better than large companies at on-time payments.

[31]Data retrieved from the Ministero dell'Economia e delle Finanze of Italy: shttps://www.rgs.mef.gov.it/_Documenti/VERSIONE-I/i_debiti_commerciali_delle_pubbliche_amministrazioni/il_monitoraggio_dello_stock_di_debiti_commerciali_residui/2022/I-tempi-di-pagamento-anno-2022.xlsx ç

[32] Fundazione openpolis (2024) Riduzione dei tempi di pagamento delle pubbliche amministrazioni e delle autorità sanitarie. Retrieved from https://openpnrr.it/misure/26/

Large companies paid only 13 % of their invoices by due date in 2022 which was an improvement over previous years, but is still the second lowest percentage in the EU according to Cribis data. SMEs performance has also improved while the performance of micro companies remained stable.

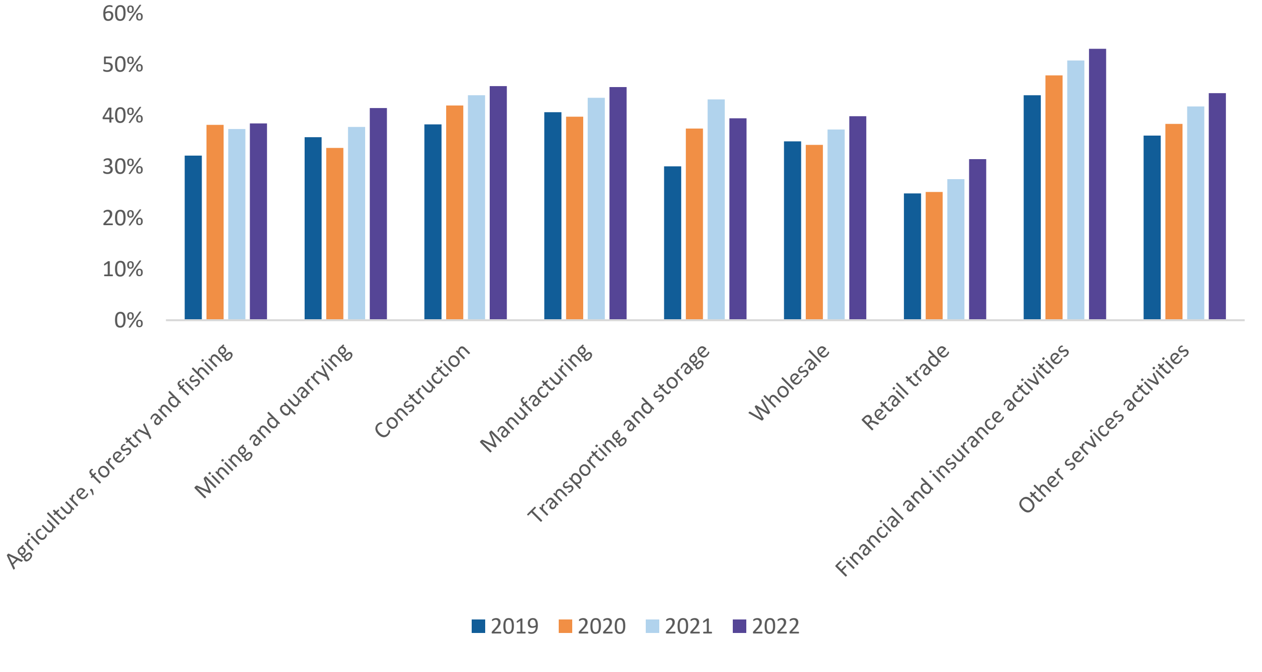
Figure 71: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Payment Observatory elaboration on data from Cerved[33].

Of the sectors for which information is available the financial industry is the most consistent at paying on time in Italy – 53 % of its invoices being paid on time in 2022. At the other end of the spectrum is Retail which only paid 31 % of its invoices by due date in 2022. Nevertheless this is a significant improvement compared to 2019 when it was 25 %. All sectors for which there are data report an improvement on the number of invoices paid on time in the last 4 years.

Figure 72: Percentage of payments by due date per sector, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

With regards to the consequences of late payments, the main issue experienced by companies in Italy is that it has prevented them from expanding, both in terms of new products, which is a problem for 53 % of the companies surveyed by Intrum, and geographically, 63 %. It also

[33] Data from Cerved is from the Q1 of each year, instead of from the Q2 data from Cribis shown in the sector parts in other countries.

seems to be an impediment to pursue digital innovation for 46 % of companies. A liquidity squeeze used to be a bigger problem in 2019, with 48 % of companies reporting it, while in 2022 only 30 % did.

Asking for a pre-payment in the next contract seems to be the main remedial measure applied in Italy, something that 45 % of the companies surveyed by Intrum do in 2022. Another popular remedial measure is the use of credit checks, employed by 31 % of companies surveyed, while 1 in 4 accept longer payment terms in return for a surcharge.

LATVIA

The share of Latvian companies reporting issues following from late payments has registered a strong decline in the 2019-2022 period. Notably, a 20-percentage point drop was registered from 2019 to 2020. In the years following 2020 no further significant change in the share of enterprises reporting issues following from late payments was registered. Interestingly, the second-round effects of the Covid-19 pandemic as present in 2021 and 2022 did not seem to have affected the payment behaviour, or its impact, of Latvian companies. The percentage is lower than the European average of 43 % in 2022.

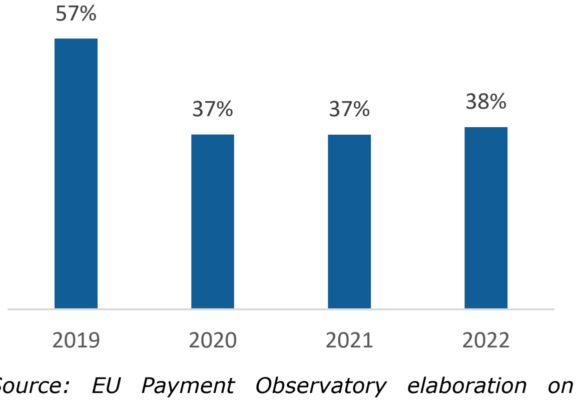
Reported payment periods have seen a notable drop in 2020 in Latvia, only to revert back towards the 2019 level in 2021 and 2022. Although the average payment period measured in number of days dropped from 63 to 52 from 2019 to 2020, by 2022 the number of days had returned to 58. The trend witnessed here, a large drop from 2019 to 2020 followed by a slight worsening of the situation in 2021 and 2022, is similar to the one witnessed for the previous figure, yet more noticeable. In part this could be explained because the second figure only shows B2B payments.

The improvements as described in the previous two paragraphs, especially the first, seem to have improved business conditions as an effect. Latvian companies report that liquidity squeezes following from late payments have decreased massively. Although in 2019 half of respondents reported facing liquidity squeezes as a result of late payments, only 20 % did so in 2022 (Intrum survey). Similarly, a lower share of companies (18 % vs 30 %) report late payments as prohibiting innovation.

Not all business indicators have improved, however. A larger share of respondents (43 % vs 33 %) indicated that prohibited growth is an effect of them receiving payments late. Importantly, a large share of Latvian companies report that receiving payments late affects the payments they are able to make to their suppliers. While this percentage stood at 45 % in 2019, it had only dropped to 40 % in 2022, peaking at 53 % in 2021 (Intrum survey).

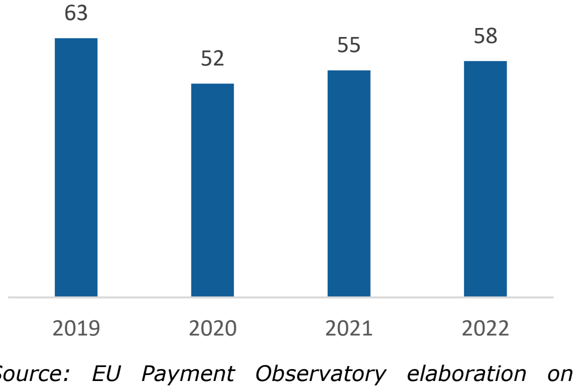
It is also worth indicating that 58 % of Latvian companies report having extended payment periods because of inflation, which is the third largest percentage in the EU. This aligns with it being one of the countries with the highest inflation in Europe.

Figure 73: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 74: Average payment period in number of days, 2019-2022, B2B

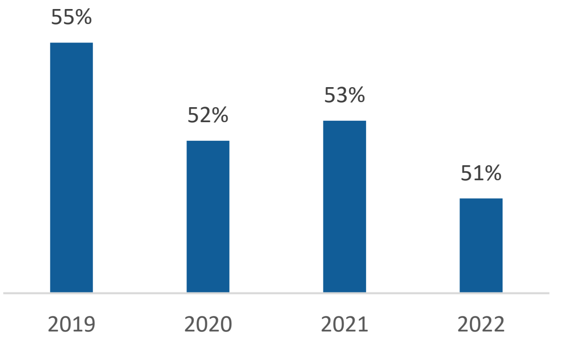


Source: EU Payment Observatory elaboration on Intrum European Payment Report.

LITHUANIA

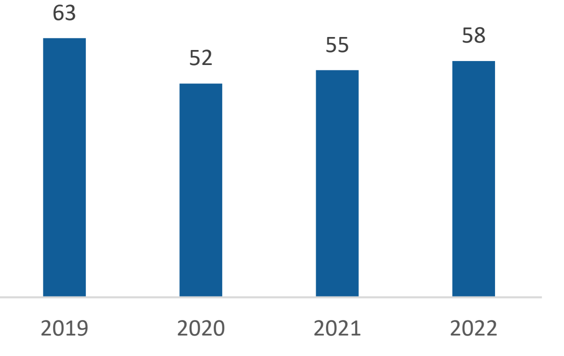
Due to the comparative lack of data for Lithuania, not much can be said about its developments in terms of late payments. Overall, it seems, based on enterprises indicating they were affected by late payments, a positive development can be detected. In 2019, 55 % of surveyed companies indicated as such, whiles the number dropped by four percentage points to 51 % in 2022, which is below the EU average. As such, the impact of economic shocks was more than likely negligeable.

Figure 75: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 76: Average payment period in number of days, 2019-2022, B2B



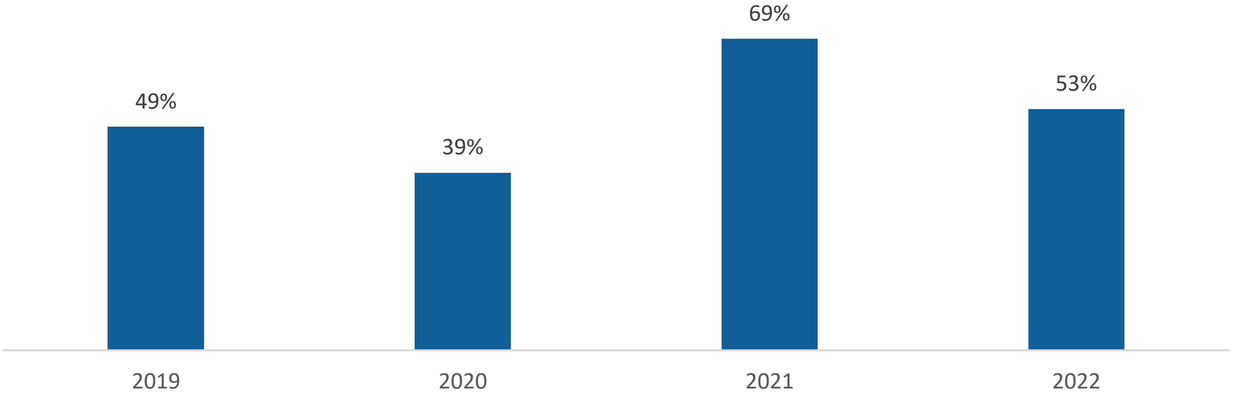
Source: EU Payment Observatory elaboration on Intrum European Payment Report.

For average days of payment, this development is similarly positive when comparing 2019 to 2022 (5 days less), overall 2022 represents an increase in the payment period to 58 days, three more than the European average. Combining both findings could point to the fact, that potentially only larger valued payments increased in duration, thus representing less of an issue for enterprises.

LUXEMBOURG

Surveyed companies in Luxembourg report an increase in facing issues due to late payments over the last 4 years. While in 2019 just under half (49 %) of companies reported facing issues due to late payments, in 2022 that percentage stood at 53 %. A large spike (69 %) was observed in 2021. In comparison to other European countries the 2019 level of companies facing issues due to late payments was relatively low, making the spike in 2021 all the more extreme.

Figure 77: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B

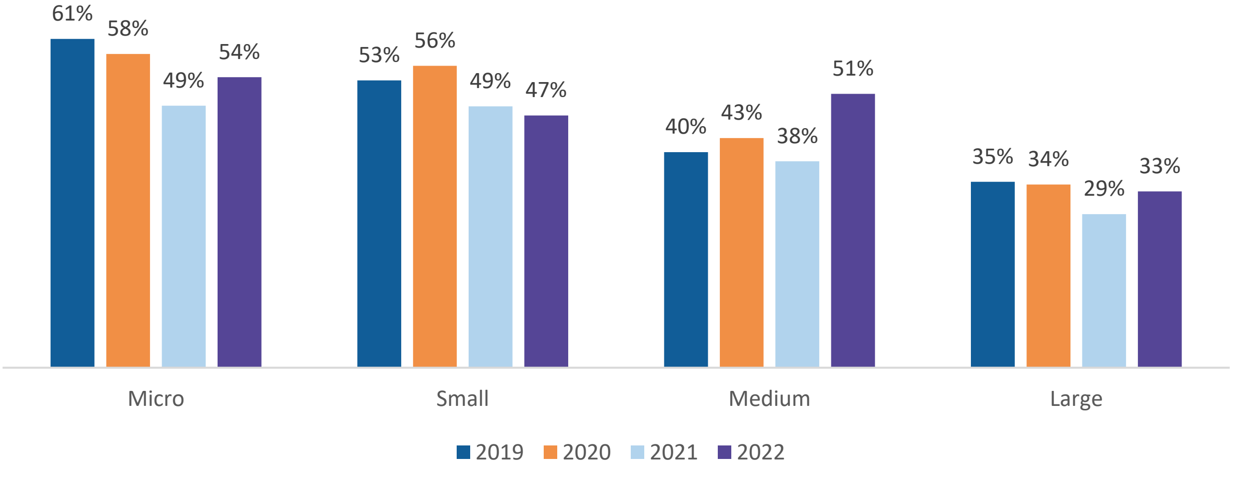


Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Across company sizes in Luxembourg a downward trend in payments being made on time is observed for the 2019-2021 period. As more and more companies fail to make payments on time, recipients of their payments are more likely to also delay their payments, in other words a concerning trend. In 2022 this trend was broken by micro-, medium- and large-sized firms, which reported high levels of payments made on time. The increase was particularly significant for medium-sized- companies. For small-sized companies, however, the decline in share of payments made on time decreased.

As in most countries, in Luxembourg the bigger the company, the slower it pays. With micro companies making most payments on time – 54 % in 2022.

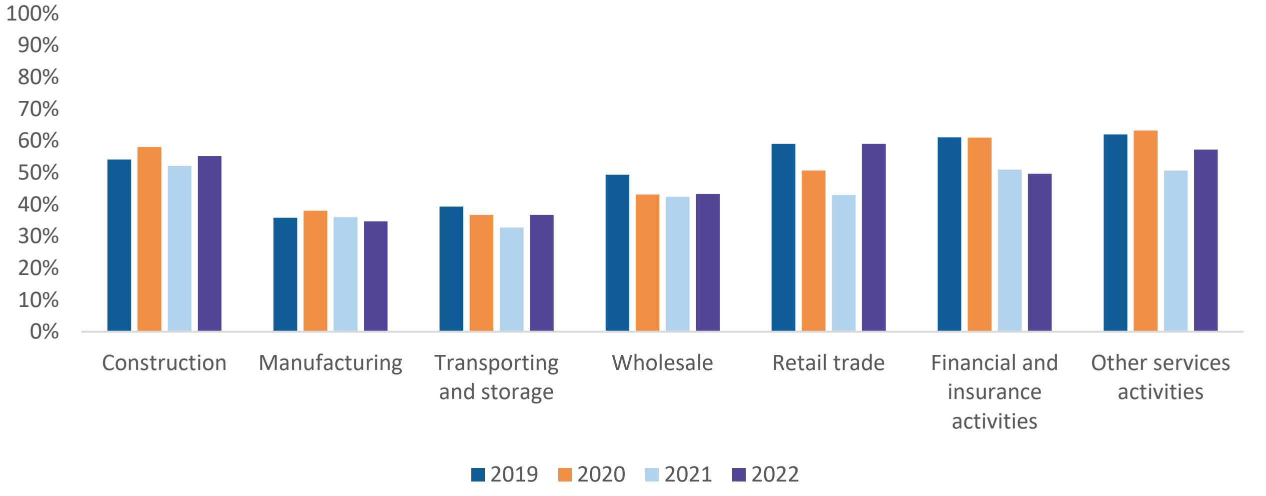
Figure 78: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

If companies are grouped by sector, a more nuanced trend emerges. Some sectors reflect the downward trend in payments made on time from 2019-2021. For example, in the Transporting and storage sector, and also the Wholesale sector, consecutive declines are registered from 2019 to 2021. Other sectors, however, show different trends. In the Construction sector the level of payments made on time fluctuates, as it does in the Manufacturing sector. In 2022, as with Figure 78, a clear break is noticeable for most sectors and payments made on time, or payment behaviour, improves markedly.

Figure 79: Percentage of payments by due date per sector, 2019-2022



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

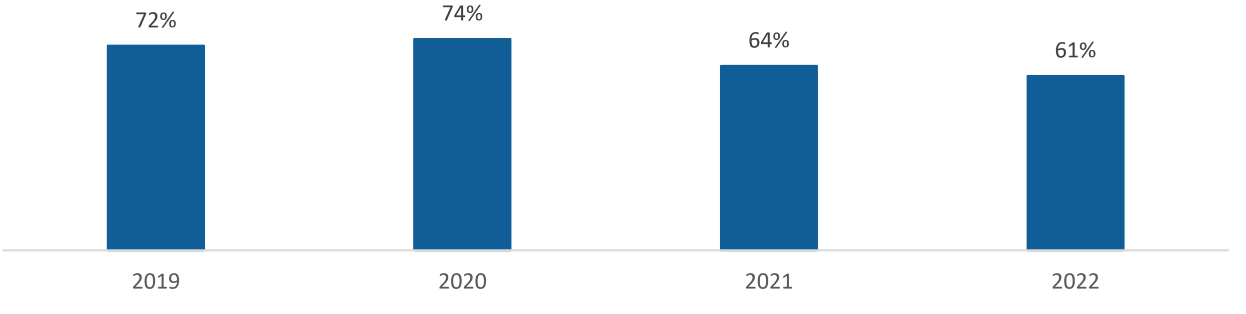
Companies in Luxembourg report that late payments not only affect them, but also the companies in their supply chain. The share of companies in Luxembourg reporting this has in fact been growing. Whereas in 2019, 26 % of companies reported that receiving payments late affected payments to suppliers that share had risen to 40 % by 2022. It is of concern that companies in Luxembourg increasingly report that their production or operations are affected by receiving payments late. In 2019 this concerned only a small share of companies, namely 5 %, but that share has grown to 25 % by 2022 (SAFE survey).

The share of companies in Malta reporting issues caused by receiving late payments from B2B and G2B transactions has been decreasing for the period 2019-2022. While the share of firms expressing issues with late payments between 2019 and 2020 increased from 72 % to 74 %, for 2021 and 2022 there has been a decline to 61 % in 2022. Malta is one of the least well performing EU Member States in this regard.

The cause of the payment delays between 2019 and 2020 could be due to the impact of Covid-19 on business activities, slowing down of economic activities and an increased difficulty in paying invoices as tourism came to a halt.

It is important to note that the values for Malta of companies reporting experiencing issues due to late payments were only expressed by a very limited number of firms, due to the sample being quite small, which reduces the representativeness of the data.

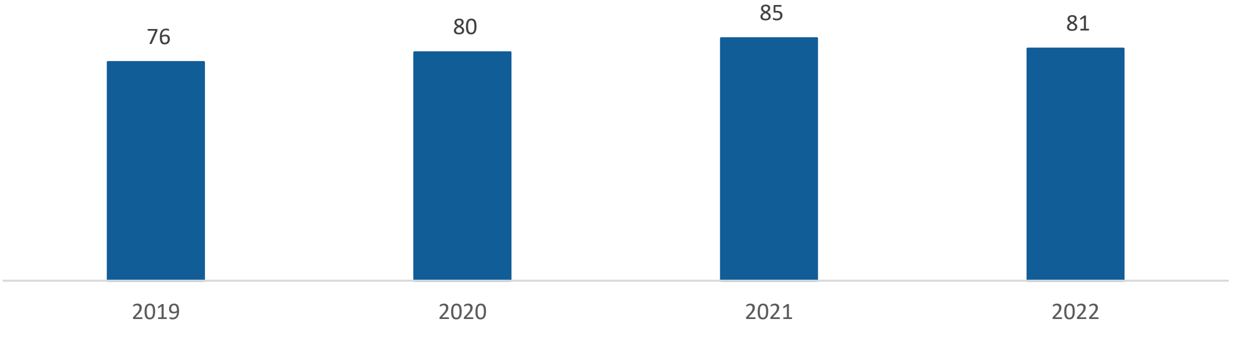
Figure 80: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Payment periods in Malta have remained relatively stable over the last 4 years. Increasing slightly from 76 days in 2019 to 80 days in 2020, the payment period in Malta has since not decreased. It reached its highest level in 2021, with an average of 85 days. The values are much higher than those stipulated in the Directive, limiting payments to 60 days and far higher than the European average (43 %).

Figure 81: Average payment period in number of days, 2019-2022, B2B



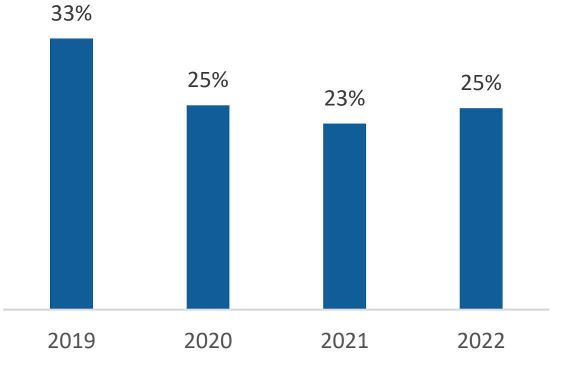
Source: EU Payment Observatory elaboration on Malta Association of Credit Management.

NETHERLANDS

The share of companies in the Netherlands reporting facing issues due to late payments is the lowest of the EU. There is also a positive trend with the share declining since 2019. In 2019, the share of companies reporting issues stood at 33 %, already comparably low to other European counterparts. Despite the Covid-19 pandemic, that number dropped considerably to 25 % in 2020, 23 % in 2021 only to increase slightly again in 2022, to 25 %. Even at 25 % in 2022, the Netherlands remains in the lead when it comes to the lowest shares of companies reporting issues due to late payments.

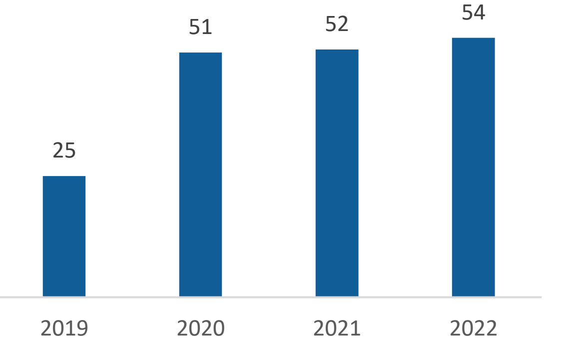
Whereas the share of companies reporting issues has declined, companies do report increased average payment periods measured in days. While this number was very low, especially compared to European counterparts, in 2019, at 25 days, it witnessed a significant increase in the following year. In 2020 the reported average payment period more than doubled to 51. In the years since it has continued to grow marginally, to 52 days in 2021 and 54 in 2022, just below the EU average. Interestingly, in 2022 a law was passed that obliges large companies to pay their smaller-sized suppliers within 30 days. The effect of that law is not visible in this data set.

Figure 82: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

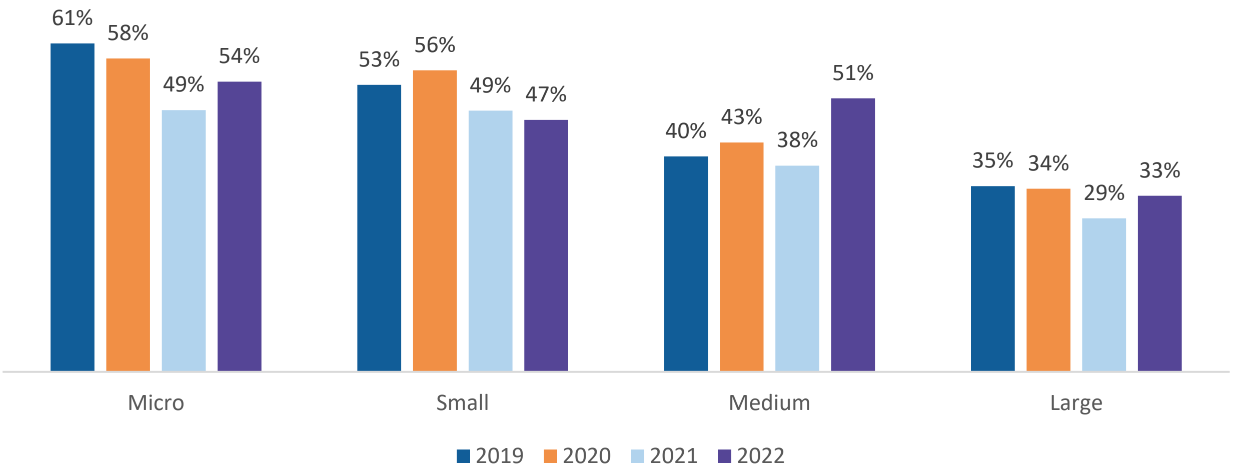
Figure 83: Average payment period in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Broken down by size, companies in the Netherlands report differing payment behaviour. Large-sized companies report paying a much lower share of payments on time, compared to smaller-sized companies, as in most EU countries. Across the years, with the exception of 2022, smaller-sized companies consistently pay a larger share of their payments by the due date. In 2022 medium-sized firms are an exception to this rule, as they pay a larger share of their payments on time compared to small-sized firms. Generally speaking, 2022 marks an improvement and slight reversal of trend in the sense that for most size-specific sectors the share of payments completed on time improves.

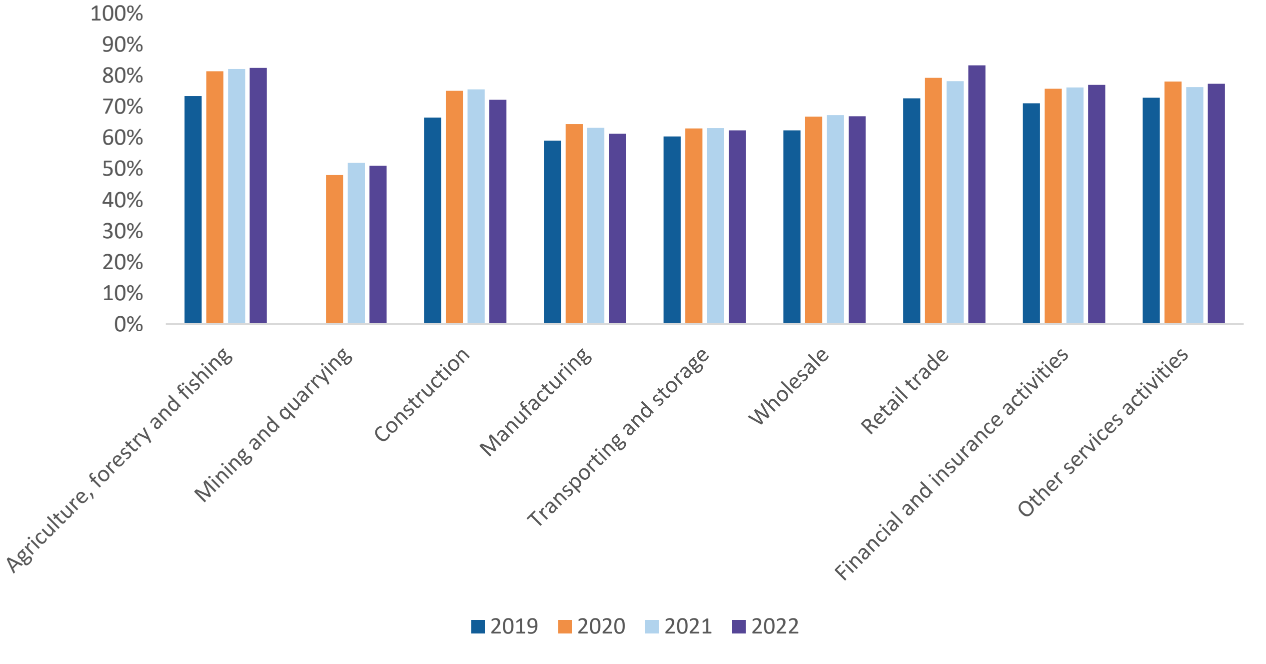
Figure 84: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

A sectoral breakdown of companies reveals additional insight into the payment behaviour of companies in the Netherlands. For most of the sectors, payment behaviour was more or less steady during the 2019-2022 period or changed only slightly. The Mining and quarrying sector reported the lowest payment performance, reporting that only half of payments were made by due date in 2022 (51 %). Companies in the Retail trade sector, but also Agriculture, forestry and fishing did much better, with companies in both sectors reporting that over 80 % of payments were completed by due date. In part, this could reflect the smaller company size of companies in the Retail, and Agriculture, forestry and fishing sectors, compared to that of companies in the Mining and quarrying sector.

Figure 85: Percentage of payments by due date per sector, 2019-2022



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study (2019 observation for Mining and quarrying sector is missing).

Overall, percentages of payments made by the due date in the Netherlands are higher than those in many European counterparts. This could be due to the attention paid by Dutch business groups and policymakers to the problem of late payments. In fact, the Netherlands is one of the countries in Europe with the biggest number of initiatives and policy measures to combat late payments. One of the most important initiatives is betaalme.nu (payme.now). It started with support of a grant from the Dutch government. The initiative has aimed to have large companies sign on to their pledge to pay SMEs within 30 days. In the years that followed many large companies in the Netherlands signed on to the pledge. In 2017 the pledge became law by requiring all large companies to pay within 60 days. This law was then reformed in 2019, and the new law, setting mandatory payment terms of 30 days when the creditor is an SME, entered into force in 2022.

Positive effects of the relatively good payment behaviour in the Netherlands show in other statistics as well. While companies still report that late payments affect them in negative ways, scores in the Netherlands are lower than in some of its European counterparts. For example, only 28 % of surveyed companies reported that in 2022 receiving payments late affects the payments they make to their suppliers (SAFE survey). Also the share of companies that report late payments being a threat to survival, while still significant, is lower than the European average at 23 % in 2022 (average being 28 %).

POLAND

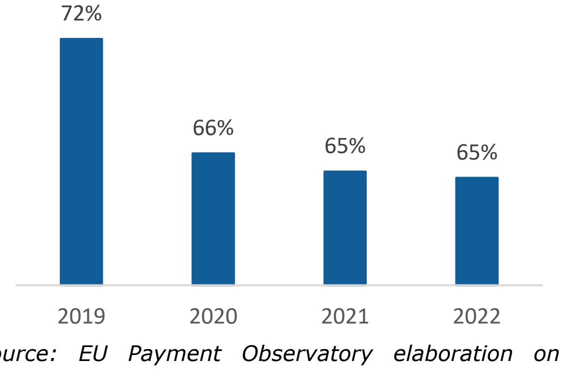
Poland is the Member State in which a greater share of companies, 65 % in 2022 vs a 43 % European average, report experiencing problems due to late payments. The situation in Poland has, however, improved since 2019, when the figure was 72 %. The greatest improvement was in 2020 when the percentage was reduced by 6 points, while it only reduced marginally in 2021 and 2022.

Regarding the effects of these figures, the positive trends observed in Poland have resulted in fewer companies reporting that they are experiencing a liquidity squeeze as a consequence, from 55 % in 2019 to 28 % in 2022. Equally fewer companies say that late payments are a threat to their survival from 40 % in 2019 to 27 % in 2022. On the contrary it seems that the main consequence now is prohibiting the growth of the company which is reported by 43 % of the companies vs 29 % in 2019. Also 66 % say that it is preventing them to expand their product and services offering.

Another important effects relates to the domino effect that late payments produce. This effect has been mentioned by several sources. In 2022, 38 % of companies report that it affects payments to suppliers in the SAFE survey, in the Intrum, 69 % said that if it were not for late payments they would pay their suppliers faster, while 50 % of the companies surveyed by Atradius say that they delay payments to their suppliers because of the late payments they are receiving themselves.

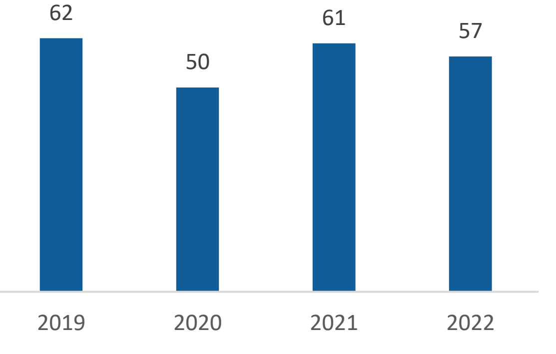
In 2020 there was also a substantial decrease, of 12 days, in the average payment period. A figure that jumped again in 2021 – which is the year in which most probably the effects of the Covid-19 pandemic were most felt by companies – to 61 days and then decreased to 57 days in 2022. The European average is 55 days in 2022.

Figure 86: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey

Figure 87: Average payment period in number of days, 2019-2022, B2B

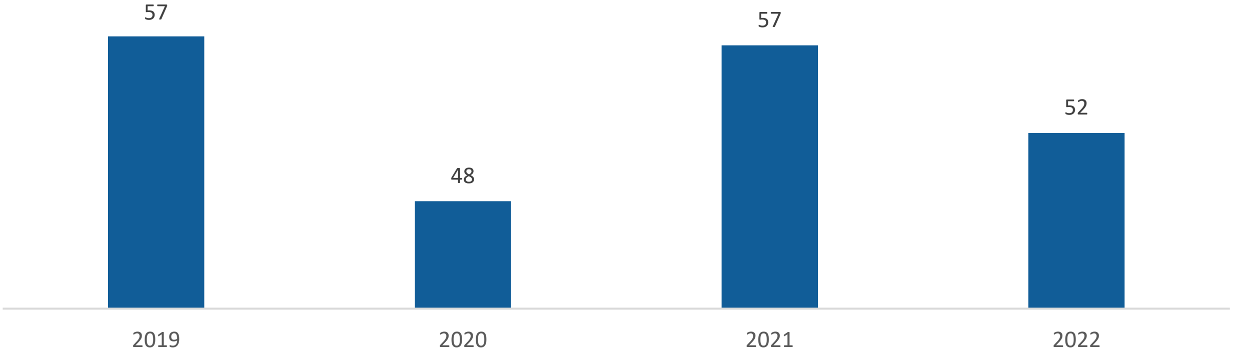


Source: EU Payment Observatory elaboration on Intrum European Payment Report

The exceptional payment performance of B2B transactions in Poland in 2020 is confirmed by the data collected by the Coface Poland Payment Survey on average number of days of payment delays. There is a nine-day drop in 2020 that is reversed in 2021 probably due to the effects of Covid-19 as mentioned above. The situation improves again in 2022 to bring the average to 52 days. In any case, it is worth noting that this number is still very big.

These 2020 figures and the improvement seen in late payments in Poland in the last few years, with the exception of 2021 because of Covid-19, are probably due to the effectiveness of the new measures to combat late payments introduced by the Polish government on 19 July 2019. This reform was implemented precisely because of the poor payment culture in commercial transactions which makes Poland one of the worst-performing Member States. These measures are among the most stringent in the EU and include among others greater clarity on payment terms, administrative sanctions, tax incentives, transparency requirements for big companies and giving enforcement powers to the Office of Competition and Consumer Protection. In addition, at the end of 2022, the Polish government introduced new measures on enforcement and transparency. This was to respond to a stalemate in the improvements on payment performance by companies that can be seen in the very low reduction in the number of companies reporting that they are experiencing issues because of late payments in 2022.

Figure 88: Average number of days of payment delays, 2019-2022, B2B

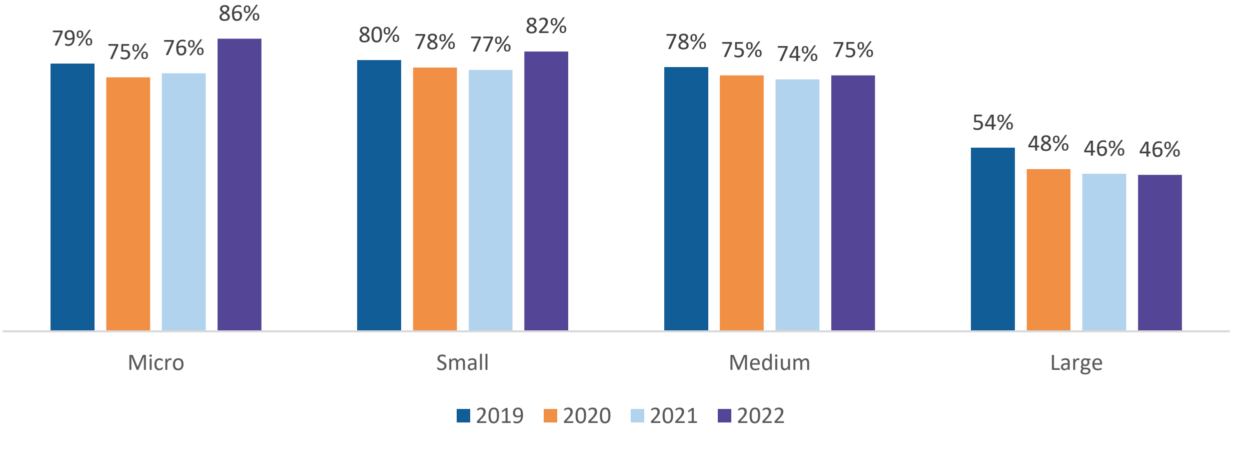


Source: EU Payment Observatory elaboration on Coface Poland Payment Survey.

As in other European countries, large companies are consistently the worst performers in terms of on-time payments in Poland. In fact, the percentage has reduced since 2019 from 54 % to 46 %. The second worse are medium size companies for which the share pf payments made on time has also decreased from 78 % to 75 % in the last 4 years. In turn, the performance of small (from 80 % to 82 %), and micro companies (from 79 % to 86 %), has improved in recent years.

This is a relevant finding because it indicates that the improvements on payment performance experienced in Poland since the 2019 reform, are due to better payment behaviour of SMEs while the finding on medium and larger companies, which do not comply with payment terms more, is even worse. This justifies the special measures imposed by the Polish government on large companies. These measures include an obligation for approximately the 3 000 largest companies (companies whose income exceeds EUR 50 million annually) to submit reports on their payment practices to the Ministry of Economic Development and Transparency. These reports are compiled and made public by the Ministry. In addition, enforcement is focused on larger companies as excessive delays are only investigated if they amount to at least PLN 2 million over a period of 3 consecutive months (around EUR 450 000).

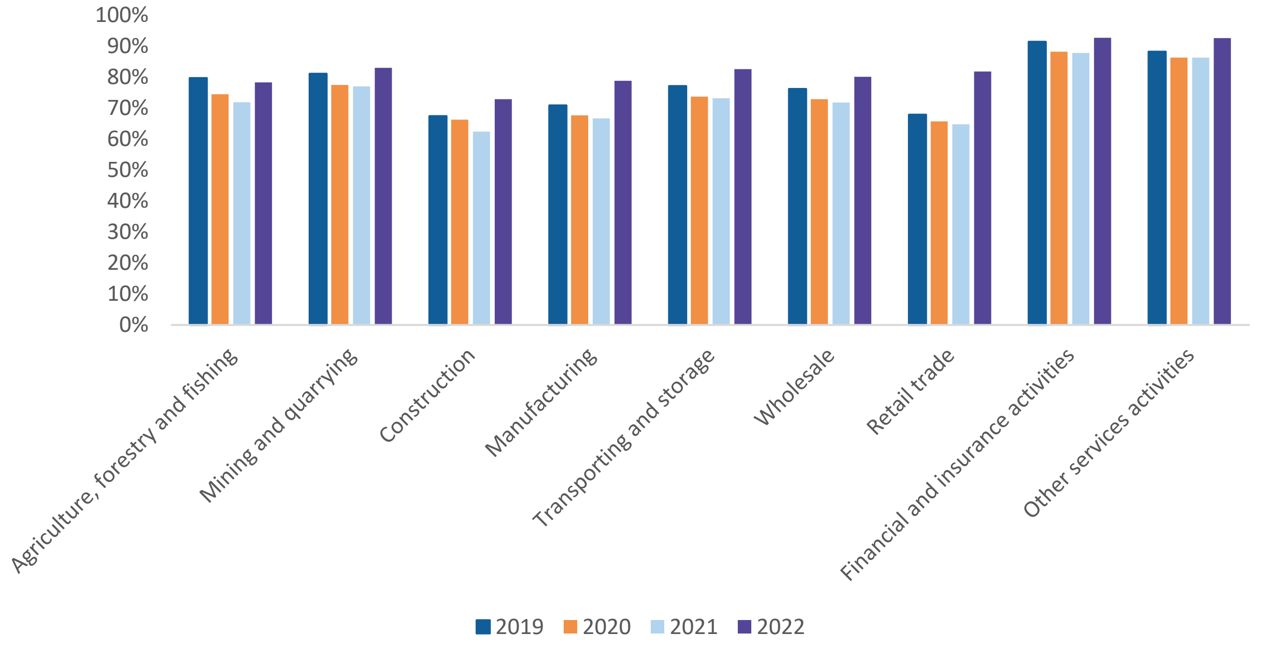
Figure 89: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Regarding sectors, as shown, all sectors except Agriculture, forestry and fishery have increased the percentage of on-time payments since 2019. The Financial and the Other services sectors are consistently performing better, with 93 % of their payments being on time in 2022. On the other end of the spectrum, the Construction sector and the Retail sector are the worst performers. However, the Retail sector's share of on-time payments improved significantly in 2022 from 65 % to 82 %. A possible explanation is the end of the Covid-19 restrictions which affects Retail in a particular way.

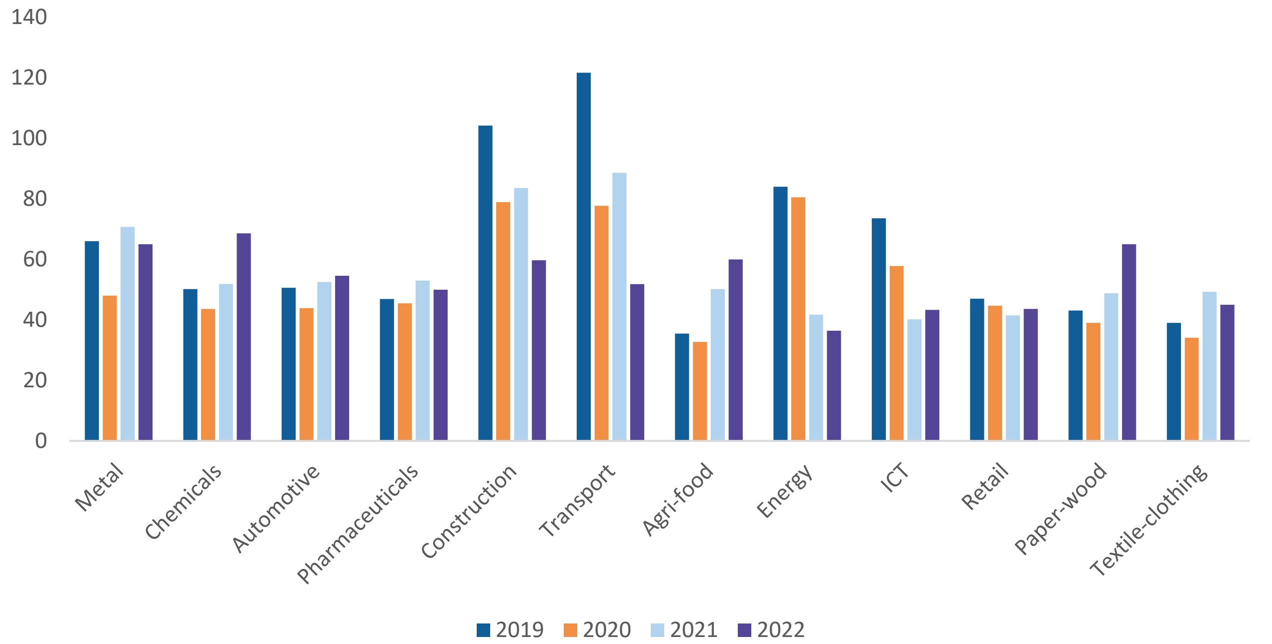
Figure 90: Percentage of payments by due date per sector, 2019 - 2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

The Poland Corporate Payment Survey carried out by Coface collects special data on the average payment delay per day per sector. The data do not show any particular trend across sectors given that in six sectors (Metal, Construction, Transporting, Energy, ICT and Retail) the average payment delay reduced in the past 4 years and in six sectors it increased (Chemicals, Automotive, Pharmaceutical, Agri-food, Paper-wood, Textile clothing). However, the average decrease is higher, of 32.8 days than the average increase, 13 days, which is consistent with the overall decrease in average days of delay in Poland. The reduction was especially significant in the Transporting sector, from 122 days to 78, Energy, from 84 days to 36, and Construction sectors, from 104 to 60 days.

Figure 91: Average payment delays per day per sector, 2019-2022



Source: EU Late Payments Observatory elaboration on Poland Corporate Payment Survey.

The data on drivers of late payments are scarce, however certain conclusions can be extracted from the Intrum survey that can help explain why the indicator for late payments is particularly high in Poland. A fear of damaging client relationships seems to be one of the main reasons – 54 % say that they have accepted longer payment terms than they would like for that reason. In that regard, there is an improvement from 2019 when the figure was 82 %. Along the same lines, it seems that more companies are accepting being paid late so that their client does not go bankrupt, 48 % in 2022 vs 30 % in 2019. This is probably due to the effects of the Covid-19 pandemic given that the biggest increases were in 2020, +10 % to 40 %, and 2021, +9 % to 49 %. Meanwhile, the impact of inflation on late payments has also increased particularly after the pandemic with a 14 % rise between the 44 % of 2019 to the 59 % of 2020, a share that remains today.

Regarding remedial measures used by companies that are being paid late, it seems that the most common options are 1) requesting a pre-payment on the next invoice, which 46 % of the companies surveyed by Intrum do in 2022. 2) revising payment terms, used by 1 in 3 companies, 3) offering a discount for on-time payment done by 30 % of companies. Nonetheless, these two options are used by fewer companies than in 2019 when 47 % said that they employed the first and 48 % the second measure. On the contrary, use of the pre-payment measure is increasing as only 26 % of companies used it in 2019.

In the long term, it seems that an improvement of companies' internal processes could help reduce late payments. In fact, in 2022, 43 % of companies told Intrum that they need to urgently upgrade their technology platforms, to help them manage debt more effectively, but are reluctant to invest in today's uncertain operating environment; 49 % also mention that this is due to a lack of skills and resources in-house.

PORTUGAL

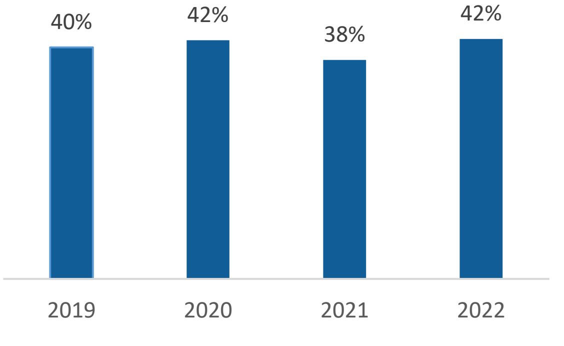
Payment performance of Portuguese companies remains rather weak compared to other EU Member States. Indeed, payment delays account for one of the longest in the EU[34].

Although showing a decreasing trend in certain years, the average payment period from private and public corporations is still a major issue when analysing late payments in the domestic economy. The decrease in average payment periods for private corporations appears to be twice as much as the decrease observed for public entities. Importantly, the average payment period from public corporations disclosed by the Banco de Portugal's Statistics portal (BPSTAT) shows only one part of the total G2B transactions, which results in a lower average payment period compared to those expected for the total G2B values.

In relation to late payments in G2B transactions, Portugal has recently been referred by the European Commission to the EU Court of Justice due to continued non-compliance with the Late Payment Directive[35]. This measure was taken after verifying delayed payments from different public administrations and in two Portuguese autonomous regions.

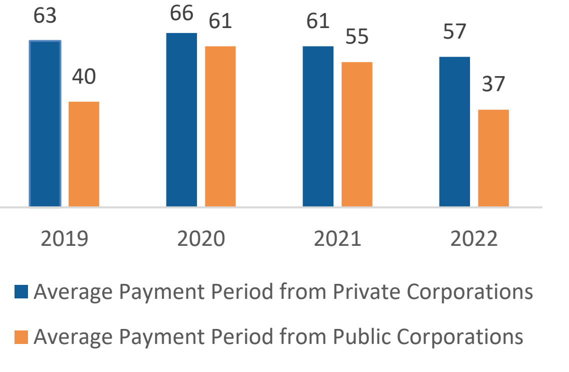
In addition, it is common for companies in Portugal to agree to extend payment terms, which also results in longer payment periods. There may be diverse explanations for this. Among them, the lack of financial support from banks[36], and the rising inflation and high interest rates which are reported as major concerns for Portuguese businesses when assessing the ability to pay on time.

Figure 92: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 93: Average payment period from private and public corporations in number of days, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on BPSTAT (Banco de Portugal).

Analysing the share of B2B on-time payments across types of companies, it is possible to see that as the size increases, the payment performance decreases. That is, large companies have

[34] European Commission (2019) SBA Fact Sheet Portugal. Retrieved from: https://ec.europa.eu/docsroom/documents/38662/attachments/23/translations/en/renditions/native#:~:text=SMEs%20account%20for%2068.3%25%20of,less%20than%20the%20EU%20average.

[35] European Commission: Press release (2023) The European Commission decides to refer PORTUGAL and SLOVAKIA to the Court of Justice of the European Union for not paying for the delivery of goods and services businesses on time. Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2133

[36] Euler Hermes (2023) Collection profile Portugal. Retrieved from : https://www.allianz.com/content/dam/onemarketing/azcom/Allianz_com/economic-research/country-risk/Portugal.pdf

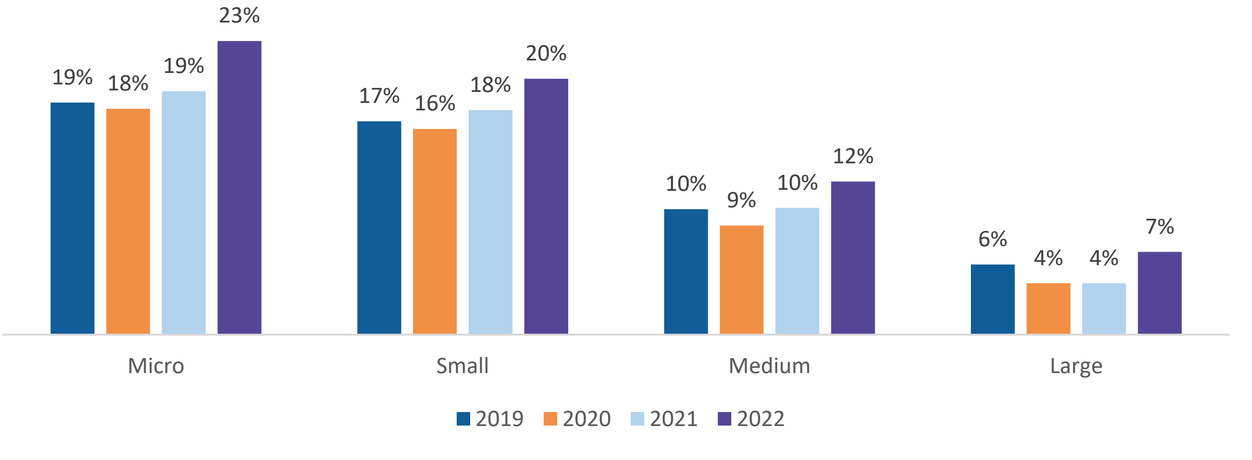
the worst payment behaviour (ranging from 4 % to 7 % of punctual payments in the last 4 years), followed by medium companies (going from 10 % in 2019 to 12 % in 2022).

Moreover, compared to other EU economies, the payment performance of large enterprises in Portugal is one of the weakest in the EU. In fact, only a small number of large companies pay their obligations on time (7 % in 2022). There are various reasons that could explain this. On one side, cultural practices and behaviour of Portuguese companies. For instance, a significant number of companies (28 % in 2022) indicated that they did not see debtors paying after a set due date as problematic[37]. This percentage is particularly above the responses of other EU Member States. Moreover, some Portuguese companies believe that large businesses have a responsibility to society to ensure that they make their payments to small businesses on time. However, the number of entities indicating this is among the lowest in comparison with the responses of other EU countries[38].

In addition, inefficiencies in court proceedings when it comes to debt collection appear as another key reason for late payments in Portugal. In fact, the indicator of Days Sales Oustanding (DSO) is situated around 80 days[39].

In contrast, Portuguese micro and small companies perform better in on-time payments to their suppliers, accounting for around quarter of punctual payments for the former. This fact could be explained by the measures and development taken by the Portuguese government in recent years to facilitate access to credit for SME[40] (e.g. SME Invest/Growth programme). In addition, tax measures and financing instruments of equity were also launched to facilitate SMEs' financing and to encourage capitalisation, especially as a response to the Covid-19 crisis.

Figure 94: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

In assessing the share of on-time payments across Portuguese sectors (Figure 95), it can be seen that in none of them does the proportion of on-time payments go above one fourth of the total payments in B2B transactions. In particular, Financial and insurance activities in 2022

[37] Intrum survey data.

[38] Intrum survey data.

[39] Allianz (2023) Portugal collection profile. Retrieved from : https://www.allianz-trade.com/en_global/economic-research/collection-complexity/portugal.html

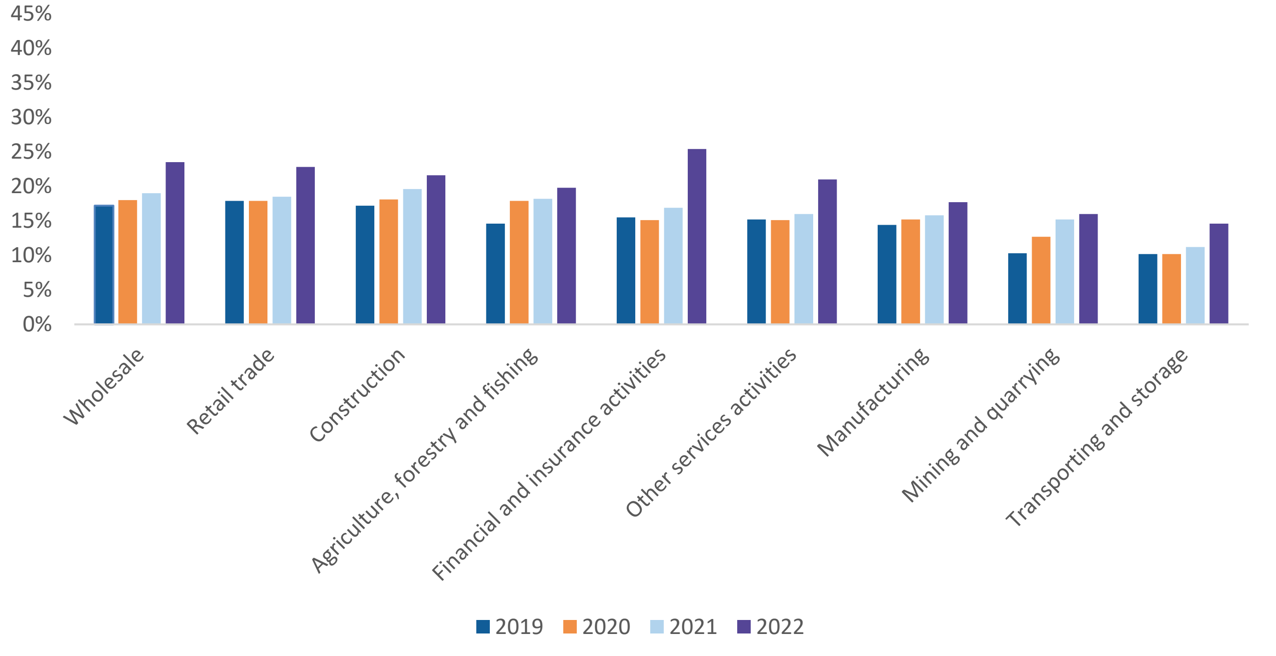
[40] OECD (2022) Financing SMEs and Entrepreneurs 2022: AN OECD scoreboard. Retrieved from: https://www.oecd-ilibrary.org/sites/b5089119-en/index.html?itemId=/content/component/b5089119-en

exhibit the largest share of on-time payments (25 %). This makes Portugal's payment performance in B2B one of the worst in the EU[41].

Moreover, Wholesale and Retail trade have, on average, the largest share of on-time payments over the last 4 years. In particular, these sectors are characterised by generating a great proportion of the total employment in SMEs, as well as creating, together with Manufacturing, around half of the SME value added in Portugal.

In contrast, the Transporting and storage, and Mining and quarrying sectors show the worst payment behaviour in Portugal.

Figure 95: Percentage of payments by due date per sector, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

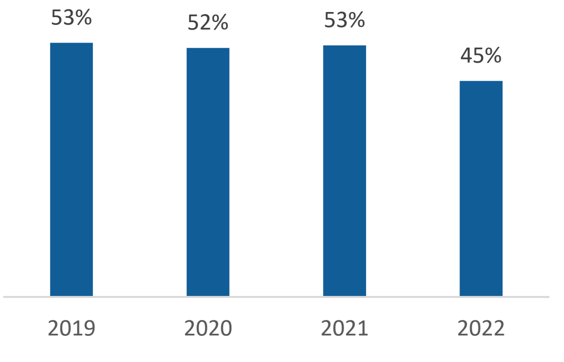
[41] Jornal de Negocios (2023) 80% das empresas falham prazos de pagamentos. Retrieved from: https://www.jornaldenegocios.pt/empresas/detalhe/80-das-empresas-falham-prazos-de-pagamentos

The issue of late payments in Romania seems to have impacted a significant number of companies in the last 4 years, in both, G2B and B2B transactions. Despite a decreasing trend (53 % of the ECB/EC SAFE survey respondents in 2019 vs 45 % in 2022), the share of Romanian enterprises reporting that they face problems caused by delayed payments is still above the European average. In particular, more than half of the surveyed Romanian companies indicated that one of the main issues arising from late payments is the impact they have on payments to suppliers. This outcome remained stable across the period considered (2019-2022).

In addition, the average payment period reported in B2B transactions over the last 4 years seems to have declined from 62 days in 2019 to 55 days in 2022, which is just about the European average. Similarly, the average payment terms offered by businesses also show a decreasing trend, being below the average payment period by about 13 days on average.

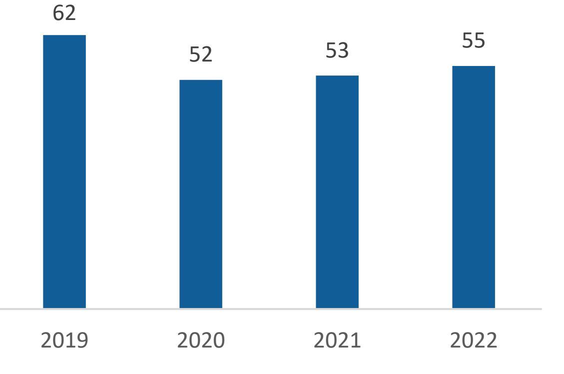
Importantly, late payment rules in Romania are stricter than those established by EU requirements. This entails, for instance, that payments should occur within 30 days of the invoice receipt date, unless both parties agree otherwise, and must not exceed 60 calendar days[42].

Figure 96: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 97: Average payment period in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

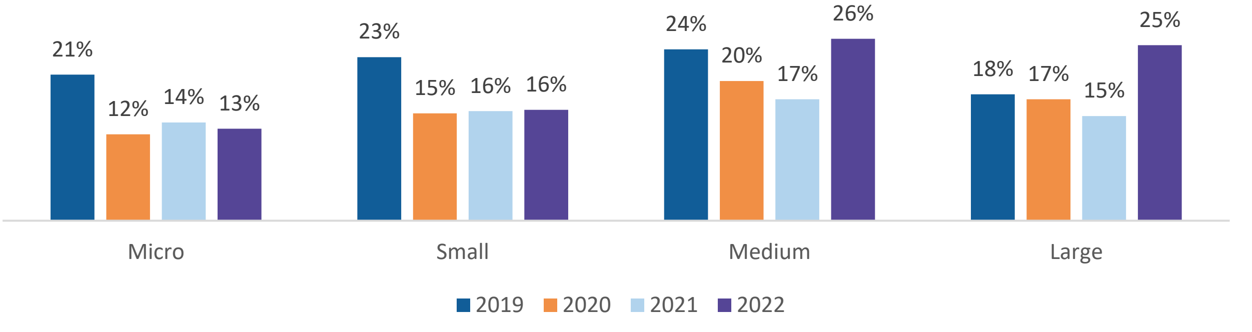
Diverse macroeconomic challenges appear as major concerns for Romanian companies when analysing the capacity of their customers to pay on time. In particular, high rates of inflation, the volatility in raw materials' costs and the increase in energy costs are threating numerous Romanian businesses across all sectors. In this sense, almost two thirds of the Intrum survey respondents indicate supply chain disruption and rising inflation to be among the biggest concerns when analysing future payment behaviour of their clients, especially the ability to pay on time.

When analysing B2B on-time payments by company size, the trend contrasts with that of most other European countries. That is, medium and large companies are most likely to make on-time payments, while micro and small companies are the most unlikely. More specifically, micro companies exhibit the worst payment behaviour, with only slightly above 10 % of the payments made on time in the last 3 years. In contrast, medium companies seem to exhibit the greatest share of on-time payments over the last 4 years.

[42] Allianz (2023) Romania collection profile. Retrieved from : https://www.allianz-trade.com/en_global/economic-research/collection-complexity/romania.html

In view of these results, and especially in the case of SMEs, there could be several explanations for the high levels of late payments. First, access to financing (both, public and private) for Romanian SMEs is significantly challenging[43]. In fact, it performs below the EU average when it comes to access to finance despite having implemented various programmes in recent years. Rejected loan applications as well as unaccepted loan offers to SMEs were among the highest in the EU in 2018. Another explanation could be that the average productivity of SMEs is way below the European average, as is the level of digitalisation of SMEs in Romania[44]. Importantly, the latter may have a direct impact on the processing of invoices, which could also be an explanation for the bad payment behaviour in these types of companies.

Figure 98: Percentage of payments by due date across company sizes, 2019-2022, B2B

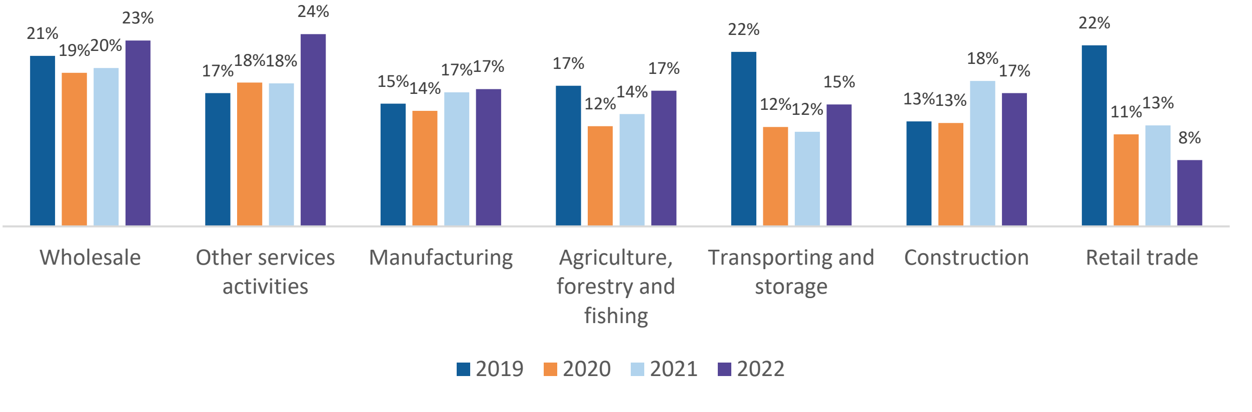


Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Diverse payment behaviours can be verified when examining the performance by sector in Romania. In general, in none of the sectors is the share of punctual payments greater than one fourth of the total payments. The highest figure is seen in Other services activities for the last period considered (24 % in 2022).

In particular, Retail trade seems to be the sector with the lowest percentage of on-time payments not only in Romania but across all EU Member States (8 % of on-time payments in 2022). In contrast, Wholesale, and Other services activities are among the sectors with the highest shares of on-time payments in the country.

Figure 99: Percentage of payments by due date per sector, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

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[43] European Commission (2019) SBA Fact Sheet, Romania. Retrieved from: https://ec.europa.eu/docsroom/documents/38662/attachments/24/translations/en/renditions/native

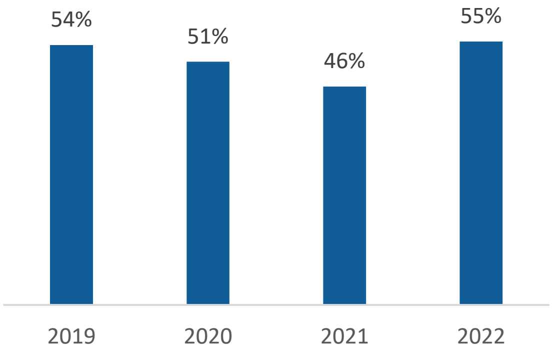
[44] European Investment Bank (2023), Digitalisation of SMEs in Romania. Retrieved from https://www.eib.org/attachments/lucalli/20230198_digitalisation_of_smes_in_romania_en.pdf

The development of late payments in Slovakia overall seems to have taken a negative turn.

Both, payment periods as well as the percentage of enterprises being affected by late payments exhibit their respectively worst values across the past 4 years. In 2022, 55 % of all enterprises indicated experiencing issues due to late payments. This is an almost 10 percentage point increase over the preceding year, and therefore an extremely worrying development. It is notable that up until 2022 Slovakia had developed extremely positively, with only 8 percentage points of enterprises indicating suffering from late payments in 2019 compared to 2021, reaching its lowest value at 46 %. The year 2021 was also a very positive year in terms of payment periods, which at 50 days is the lowest in all 4 years for which data are available. The jump to 56 days in 2022 is therefore worrying. Additionally, Cribis data show the drop of on-time payments in Slovakia from 76 % in 2021 to 51 % in 2022, thus representing a significant 25 percentage point deterioration.

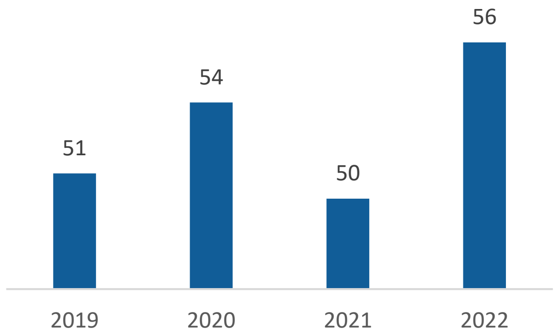
Publicly available data on G2B transactions in Slovakia are limited. Nevertheless, the Public health sector has recorded some of the highest level of payment delays in the EU (average 400 days)[45]. For this reason, the European Commission referred Slovakia to the European Court of Justice[46].

Figure 100: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 101: Average payment period in number of days, 2019-2022, B2B



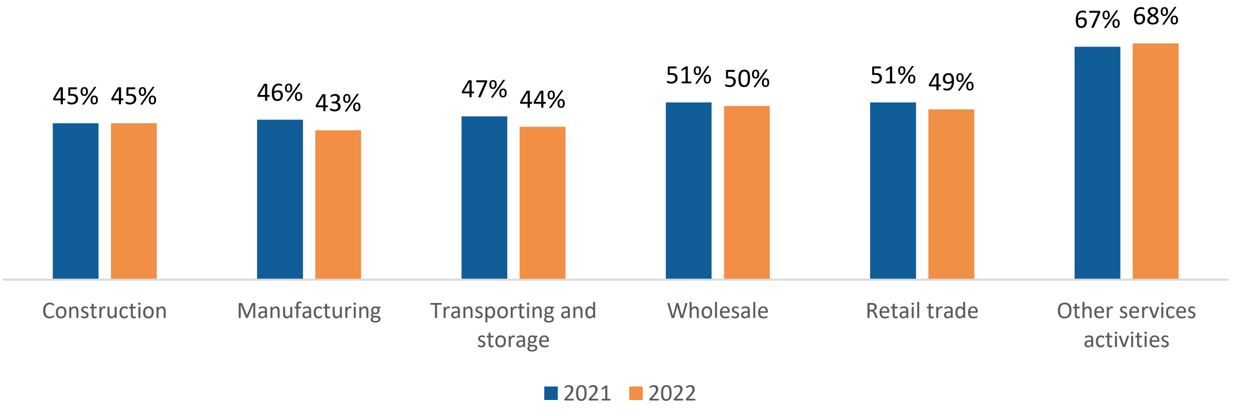
Source: EU Payment Observatory elaboration on Intrum European Payment Report.

From a sectoral point of view, Figure 102 shows that there is no stark difference in payment performance across sectors in Slovakia compared to other countries. However the performance of all sectors across the board in rather poor, with none of the sectors except Other service activities having an on-time percentage of significantly more than 50 %. Compared to 2021, for all sectors except service there has been a drop in timeliness of a few percentage points across all remaining recorded sectors.

[45] European Commission (2022) Staff Working Document accompanying the Council recommendations on the 2022 National Reform Programme of Slovakia and delivering a Council opinion on the 2022 Stability Programme of Slovakia https://commission.europa.eu/system/files/2022-05/2022-european-semester-country-report-slovakia_en.pdf

[46] European Commission: Press release (2023) The European Commission decides to refer PORTUGAL and SLOVAKIA to the Court of Justice of the European Union for not paying for the delivery of goods and services businesses on time. Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2133

Figure 102: Percentage of payments by due date across sectors, 2021-2022, B2B



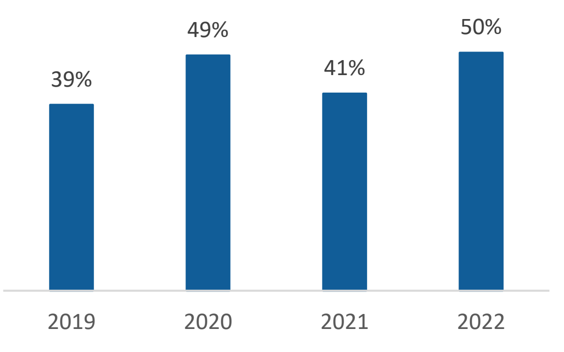
Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

SLOVENIA

Slovenia has for the period 2019-2022, observed an increase in the share of companies experiencing issues caused by late payments. In 2019, 39 % of companies reported facing problems due to late payments, a relatively low rate compared with other EU Member States. This was followed by a substantial increase to 49 % in 2020, an increase likely generated by the decreased economic activity caused by the Covid-19 pandemic. In 2021, the share of issues caused by late payments decreased to 41 %. This decrease could be the effect of measures introduced in Slovenia to support businesses during the Covid-19 pandemic in 2020. This decrease did not, however, generate a negative tendency, as enterprises expressing issues caused by late payments rose to 50 % in 2022, one of the highest increases in the EU.

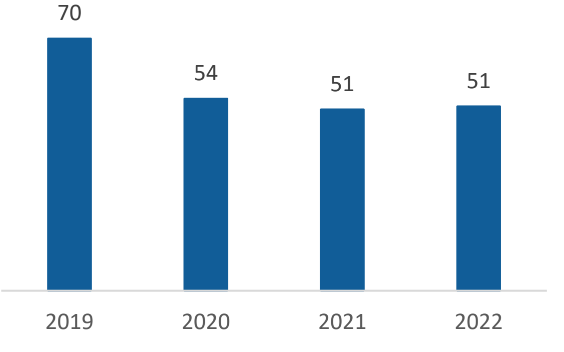
While the number of companies suffering from late payments does not seem to have stabilised in Slovenia, there has been a decline in the average payment period of invoices in Slovenia. In 2019, the average payment period was 70 days. A very sharp decline in the payment period can be observed between 2019 and 2020, dropping to 54 days. Following the sharp decrease, payment periods stabilised over 2021 and 2022 at 51 days. Having been substantially over the EU average in 2019, Slovenia now has a shorter payment period than the EU average.

Figure 103: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

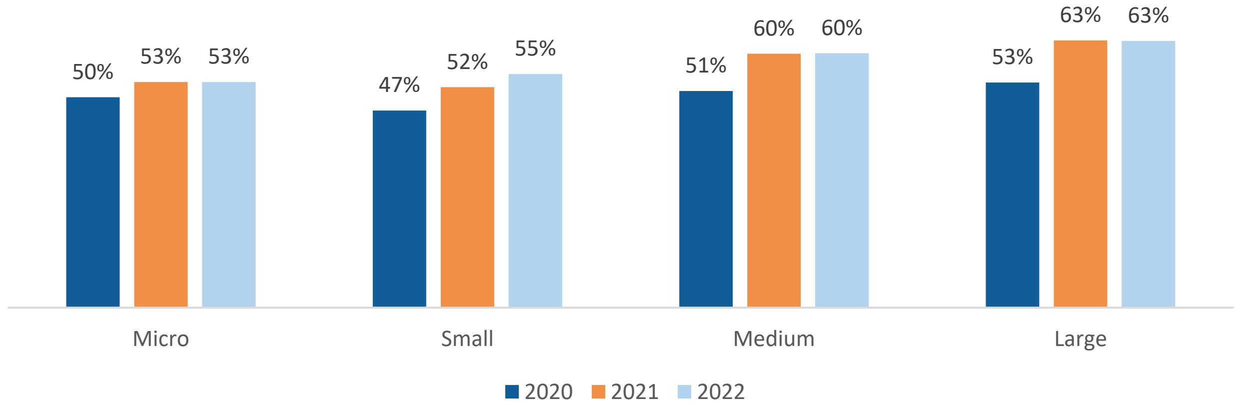
Figure 104: Average payment period in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Looking at the payment of invoices based on company size, a positive evolution of the share of on-time payments can be observed between 2020 and 2022 for all company sizes. In 2020, exactly half of micro companies paid their invoices on time. From the year 2021 and continuing into 2022, more than half (53 %) have paid their suppliers by the due date, decreasing late payments. Small companies were like micro companies struggling with late payments, with less than half of them paying their invoices by due date in 2020. The latest data, for 2022, show that more than 55 % of companies make payments on time. Medium and large firms have on the other hand paid more than half of their invoices ahead of the due date since 2020. Both have since stabilised at 60 % and 63 % respectively. Slovenian firms perform well when compared with many other EU counterparts, with less than 50 % of late payments for all company sizes. In contrast with many other countries, the main late payment issue lies with the smaller firms rather than the larger firms. The smaller firms performing less well than larger firms could be caused by their sensitivity to the economic fluctuations, caused by the Covid-19 pandemic and the inflation experienced in 2022 following the Russian invasion of Ukraine.

Figure 105: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

To further understand Slovenian late payments, we are also looking at the payment behaviour of companies according to sector. The best performing sector in Slovenia is the Financial and insurance activity sectors, with consistently around 60 % of payments made by due date for the entire period. The least well performing sector has been, for all years except for 2022, the Retail trade sector, hoovering around 60 % of payments made late.

Other evolutionary discrepancies between sectors can also be observed, indicating possible different impacts of the Covid-19 pandemic and increased inflation on different sectors. Some sectors have been late in increasing the Covid-19 payment rates over the four-year period, while others have seen a decrease in late payments. This is the case for the Agricultural, forestry and fishing sector, the Manufacturing sector and Other service activities. Starting off at similar levels to other sectors, all three have experienced a substantial decrease in the number of payments made by due date for 2022. While all three sectors paid more than half of their invoices before the due date in 2021, on-time payments dropped significantly below 40 % for some of the sectors.

Finally, the Construction sector, and the Transporting and storage sector, have both seen steady increases in the share of payments made by due date. In the Construction sector, 47 % of payments were made before the due date in 2019. This share increased to 54 % in 2022. The Transporting and storage sector has seen an increase from 49 % in 2019 to 56 % in 2022. The remaining sectors have observed a positive but non-linear evolution of on-time payments.

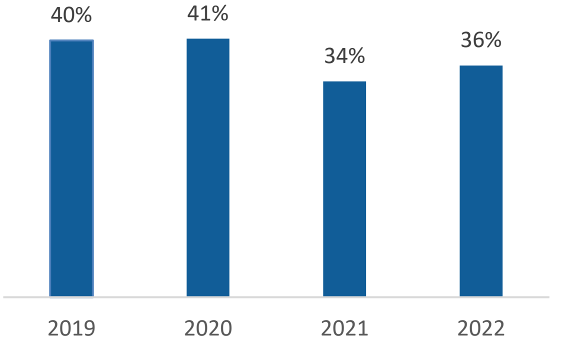
Figure 106: Percentage of payments by due date per sector, 2019-2022, B2B

Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study

Over the last 4 years, the number of Spanish enterprises that reported experiencing problems due to late payments in G2B and B2B transactions seem to have slightly decreased. In particular, and in contrast with other big European economies[47], Spain is situated below the European average and among the countries that report the least impact caused by late payments.

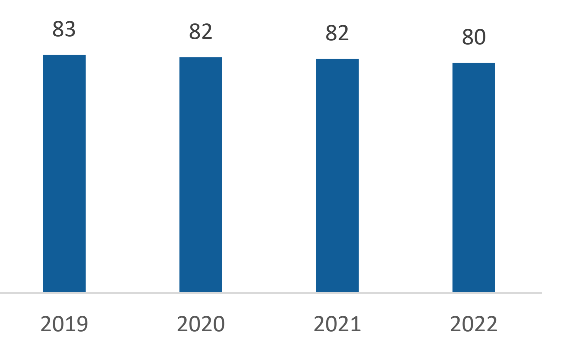
This is further evidenced by the decrease in the average payment period in B2B transactions, which was reduced by 3 days between 2019 and 2022. This can be partially explained by the reaction of Spanish companies to mitigate the effects of a rising inflation, protecting themselves through shortening the collection period of payments. In relation to this, most of the Spanish companies surveyed by Intrum in recent years have reported that rising inflation and interest rates were one of the main determinants of late payments.

Figure 107: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 108: Average payment period in number of days, 2019-2022, B2B



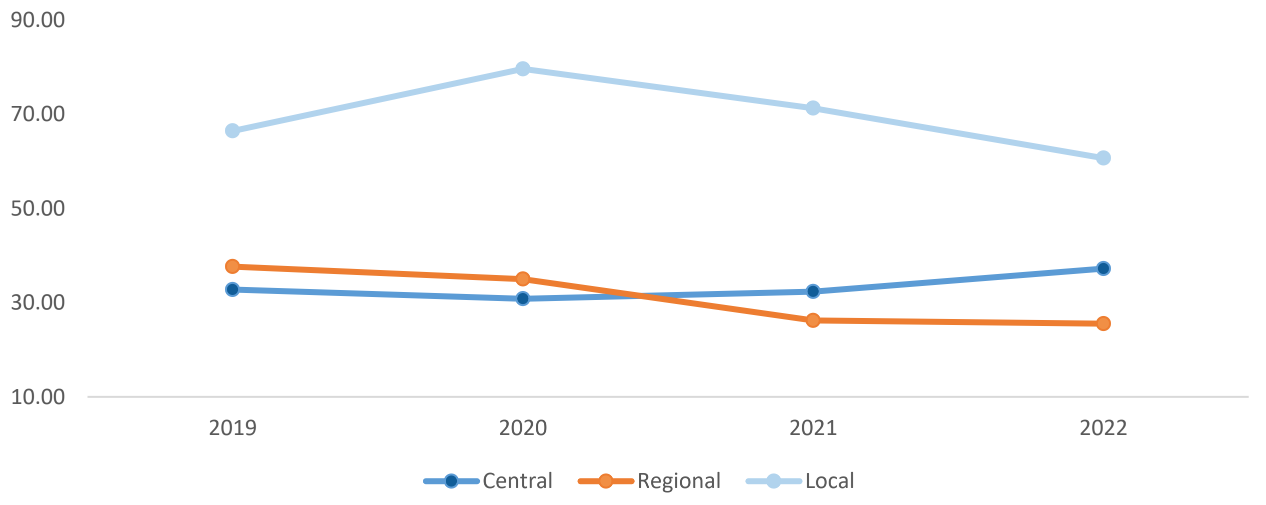
Source: EU Payment Observatory elaboration on Cepyme.

In relation to late payments in the public sector, the Spanish Royal-decree 636/2014 establishes the disclosure of specific indicators linked to payment performance in public administrations. The information is provided monthly by the Ministry of Taxation and Revenue (Ministerio de Hacienda). In particular, this system displays detailed and updated information about the evolution of the average payment period for the different subsectors of the Spanish public sector, that is, at central, regional, and local level.

The data suggest that the average payment period of local entities to suppliers is significantly larger than those of central and regional administrations. In addition, since 2020 in particular, the average payment period of local and regional entities seems to have decreased. In contrast, central public administration performance showed the opposite trend over recent years.

[47] See Data Analysis section, figure 2.

Figure 109: Average payment period in the Spanish public sector in number of days, 2019-2022

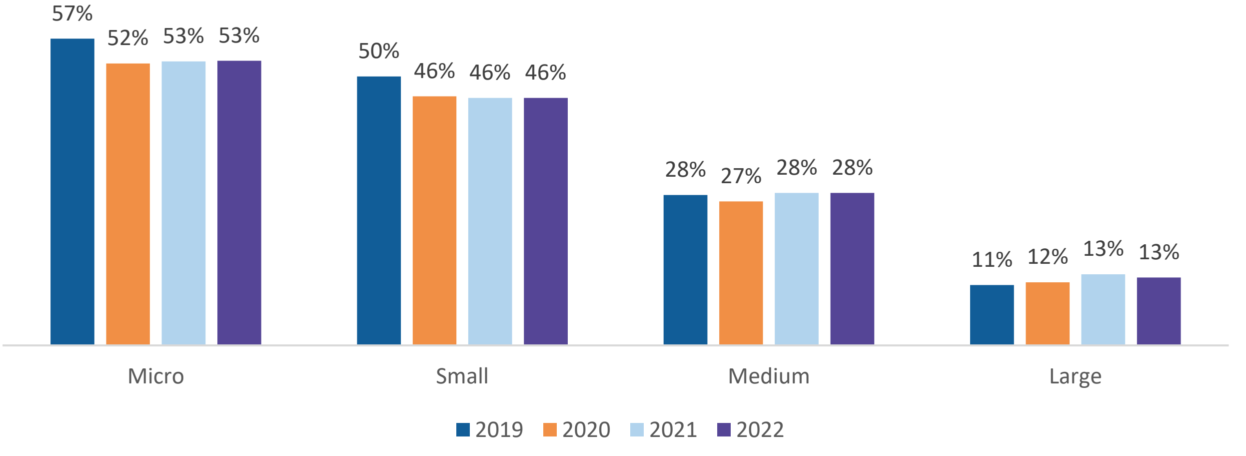


Source: EU Payment Observatory elaboration on Ministerio de Hacienda.

When it comes to the share of payments made on time in B2B transactions, there is strong divergence across companies of different sizes. As company size increases, payment performance decreases. In particular, large companies exhibit the worst payment behaviour, with only slightly above 10 % of the payments made on time. Only large Portuguese companies have worse payment behaviour than Spanish ones.

In contrast, more than half of the Spanish micro-enterprises seem to pay by due date (ranging from 52 % to 57 % in the last 4 years), followed by small companies (between 46 % and 50 % reported to pay on time) and medium companies (less than one third have reported paying by due date).

Figure 110: Percentage of payments by due date across company sizes in Spain, 2019-2022, B2B

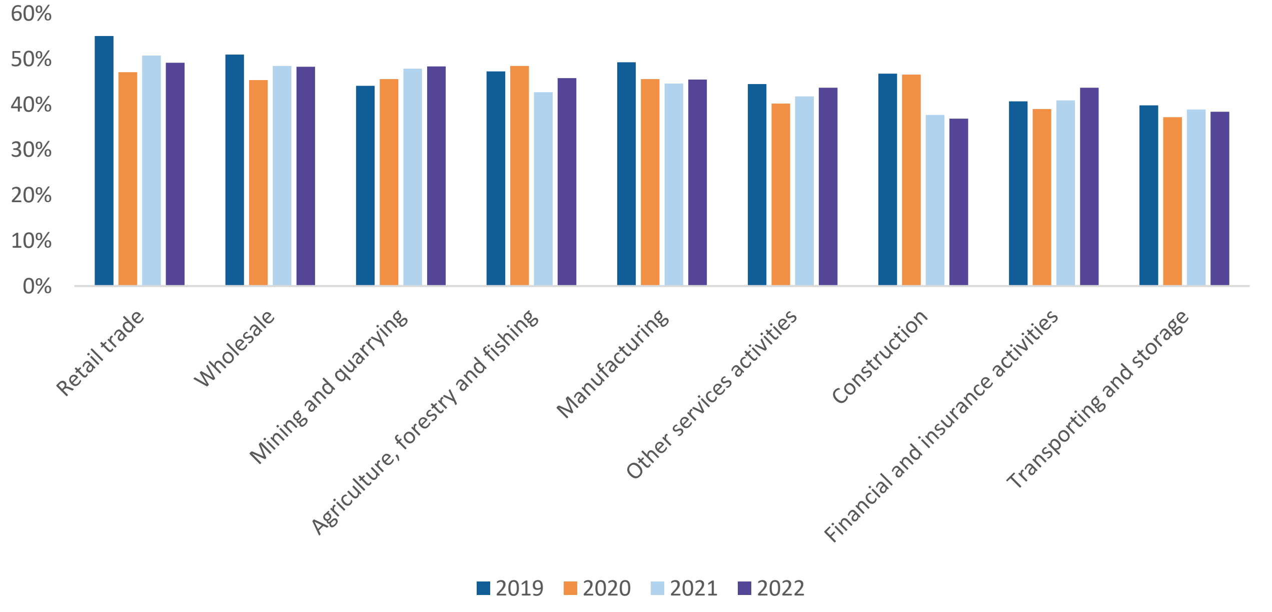


Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

On-time payments in Spain also differ according to sector. As Figure 111 shows, Retail trade and Wholesale are the top two sectors with best payment performance in Spain. The respective percentages range from 55 % of payments by due date in 2019 to 49 % in 2022 for the former, and from 51 % of payments by due date in 2019 to 48 % in 2022 for the latter.

In contrast, Transporting and storage seem to have the worst payment behaviour, with a significant number of companies not paying their commercial transactions on time. In this sense, given this notable situation and with the aim of combating late payments in the transport sector, a sanctioning regime was established in 2021 by the Spanish Law 13/2021. This regime introduced penalties for non-compliance with the maximum legal payment term, which is based on the price of the transport. In addition, this regime was accompanied by certain specific measures, for example, the use of an anonymous compliant mailbox, publication of a list of sanctioned companies, transport arbitration boards, and ex-officio inspections.

Figure 111: Percentage of payments by due date per sector, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Another key indicator to measure payment performance is the share of invoices paid by companies, either on time or late. Overall, most Spanish companies seem to pay their invoices on time. Over the last 4 years, the percentage of invoices paid within 30 days in B2B transactions in Spain has remained quite stable (ranging from 96 % to 97 %). Similarly, only a small number of companies report payment periods of 31-60 days (1 % to 2 %) and over 60 days (1 % to 3 %).

Despite this positive trend in invoice payments, Spain has some of the longest payment terms among all EU Member States, with only a few days difference between B2B and G2B transactions. One of the main problems with long payment terms is the negative impact on the functioning of the macro and microeconomy, particularly affecting SMEs.

There are different reasons why Spanish companies seem to accept longer payments terms. For instance, one of the most common reasons reported by Spanish companies[48], is to avoid damaging their client relationships. This is particularly relevant when considering asymmetric relationships in terms of company sizes. In addition, a significant number of companies reported that the macroeconomic situation (e.g. rising inflation and interest rates) made them extend the payment terms to supplier.

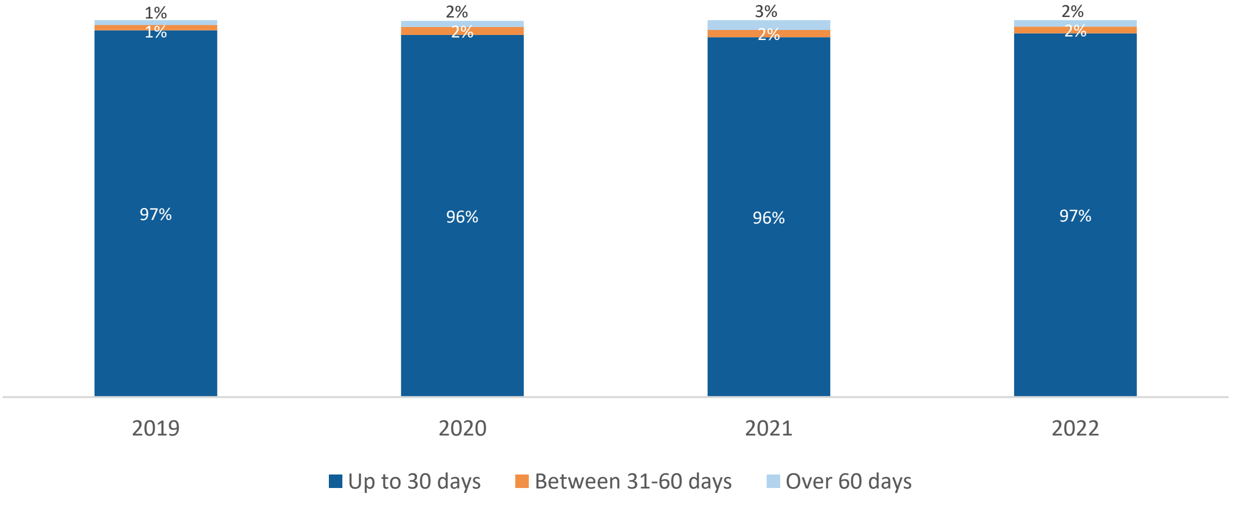
In relation to payment terms, there is a widespread practice to extend payment terms or to manage collection of payments with significant discounts, a practice which has been denounced by several associations in Spain[49]. This method is called 'confirming' and it is particularly used by large entities in Spain. It works as a payment service for which a debtor pays the supplier with a 'confirming', but payment cannot be made before the expiration date unless a fee is paid. Interestingly, the payment terms of a 'confirming' may be up to 240 days.

[48] Intrum European Payment Report.

[49] Plataforma multisectorial contra la morosidad (2017) La PMcM constata un abuso del confirming por parte de las compañías españolas. Retrieved from https://pmcm.es/la-pmcm-constata-un-abuso-del-confirming-por-parte-de-las-companias-espanolas/

The use of 'confirming' by Spanish companies particularly affects small businesses, who are often not financially capable of facing the costs of the discount to receive the confirming payment on time.

Figure 112: Distribution of invoices by payment time, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on CEPYME

The actual use of remedies or preventive measures taken by Spanish companies to combat late payments has followed a similar trend over the years. Most Spanish companies reported never or rarely claiming interest payments in case of payment delays or default. In contrast, only a minority indicated to always claiming interest when facing late payments, which ranges from 5 % in 2020 to 7 % in 2021 and 2022.

Moreover, the share of Spanish companies reporting claiming the legal recovery costs disclosed by the legislation is significantly small. Only between 6 % and 8 % of the reporting Spanish companies indicated making use of it when facing payment delays or default.

Figure 113: Percentage of companies reporting to claim interest in case of payment delays or default, 2019-2022, G2B and B2B

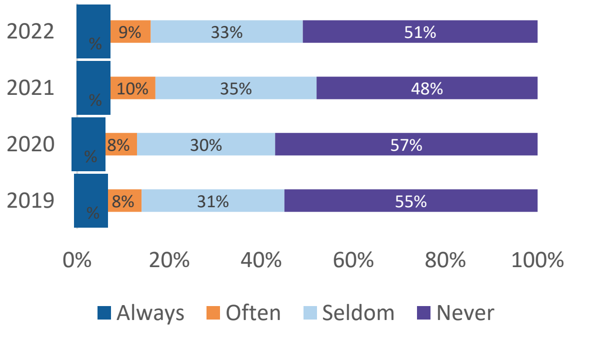
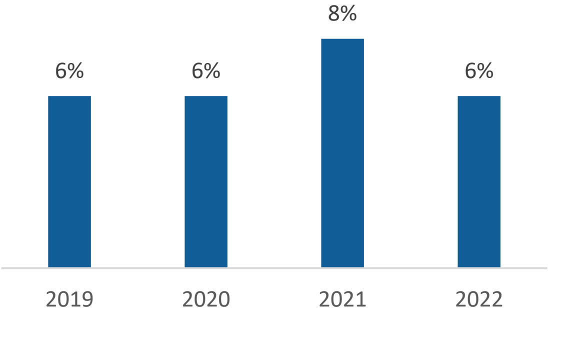


Figure 114: Percentage of companies reporting to claim compensation for legal recovery costs in case of payment delays or default



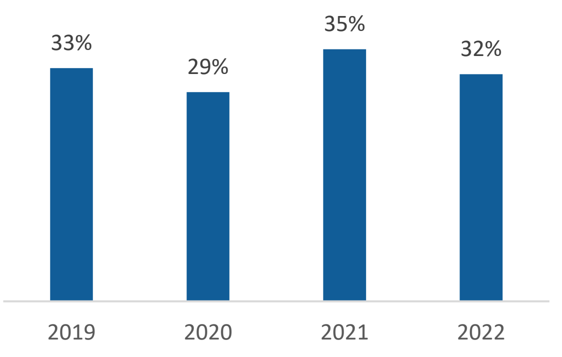
Source: EU Late Payments Observatory elaboration on Plataforma Multisectorial contra la Morosidad (PMCM).

SWEDEN

The share of Swedish companies reporting issues caused by late payments for the period 2019-2022, has remained relatively stable. With one third of businesses expressing issues related to late payments in 2019, this value has since fluctuated between 29 % in 2020, 35 % in 2021 and 32 % in 2022. It seems for Sweden, that the economic impact of the Covid-19 pandemic was only experienced in 2021, where an increase in the share of issues caused by late payments increased. Nevertheless, Sweden has, at an EU level, remained one of the front runners in terms of limited impact on businesses caused by late payments.

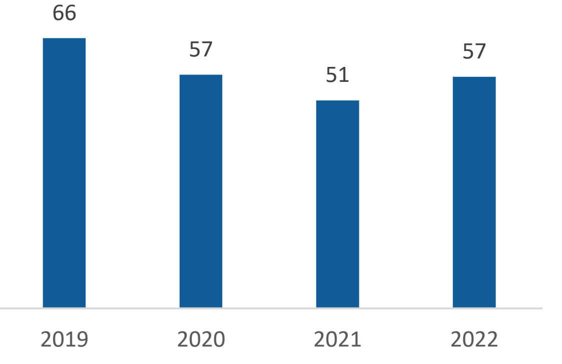
Observing the reported average payment duration of B2B transactions in Sweden, the average number of days has declined by 9 days between 2019 and 2022, from 66 days to 57 days. While there is a low share of experienced issues caused by late payments, Sweden is slightly above the EU average for days needed to complete a payment. It is only in 2021 that the payment period in Sweden was equal to the EU average. Surprisingly, in the shadow of the Covid-19 pandemic, the number of payment days decreased for two consecutive years, 2020 and 2021.

Figure 115: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2022, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

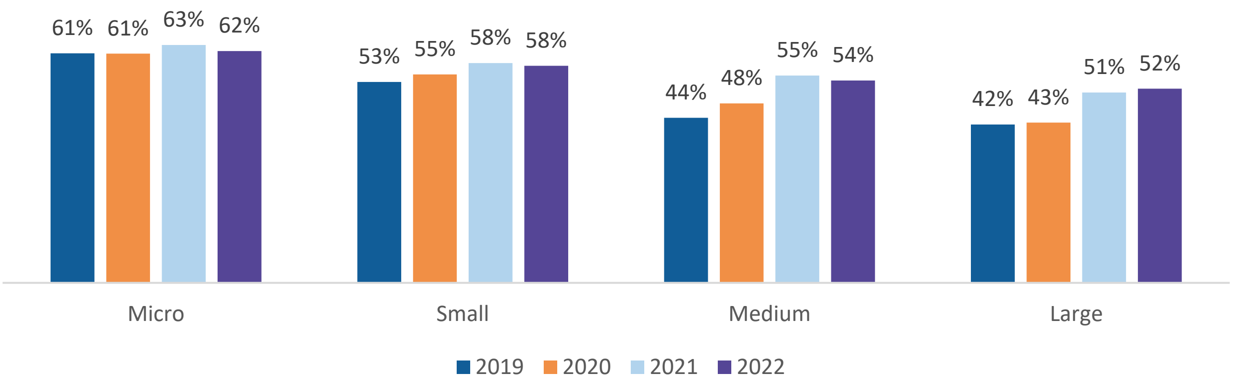
Figure 116: Average payment period in number of days, 2019-2022, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

When it comes to the share of payments made by due date per sector for the period 2019-2022, all companies have maintained a stable average of payment made on time. While the micro companies are those with the best behaviour, with just over 60 % of their invoices paid by the due date, large companies perform the worst in Sweden. With just over 40 % of payments made by due date in 2019 and 2020, large firms have increased the share of on-time payments to more than 50 % for 2021 and 2022. The general trend over the last 4 years has been an increase in on-time payments for all types of companies. With the surge in inflation in 2022, micro, small and medium-sized companies all observed increases in the percentage of late payments for 2022, with only large companies withstanding the economic challenges, continuing on the positive trend with more payments made on time.

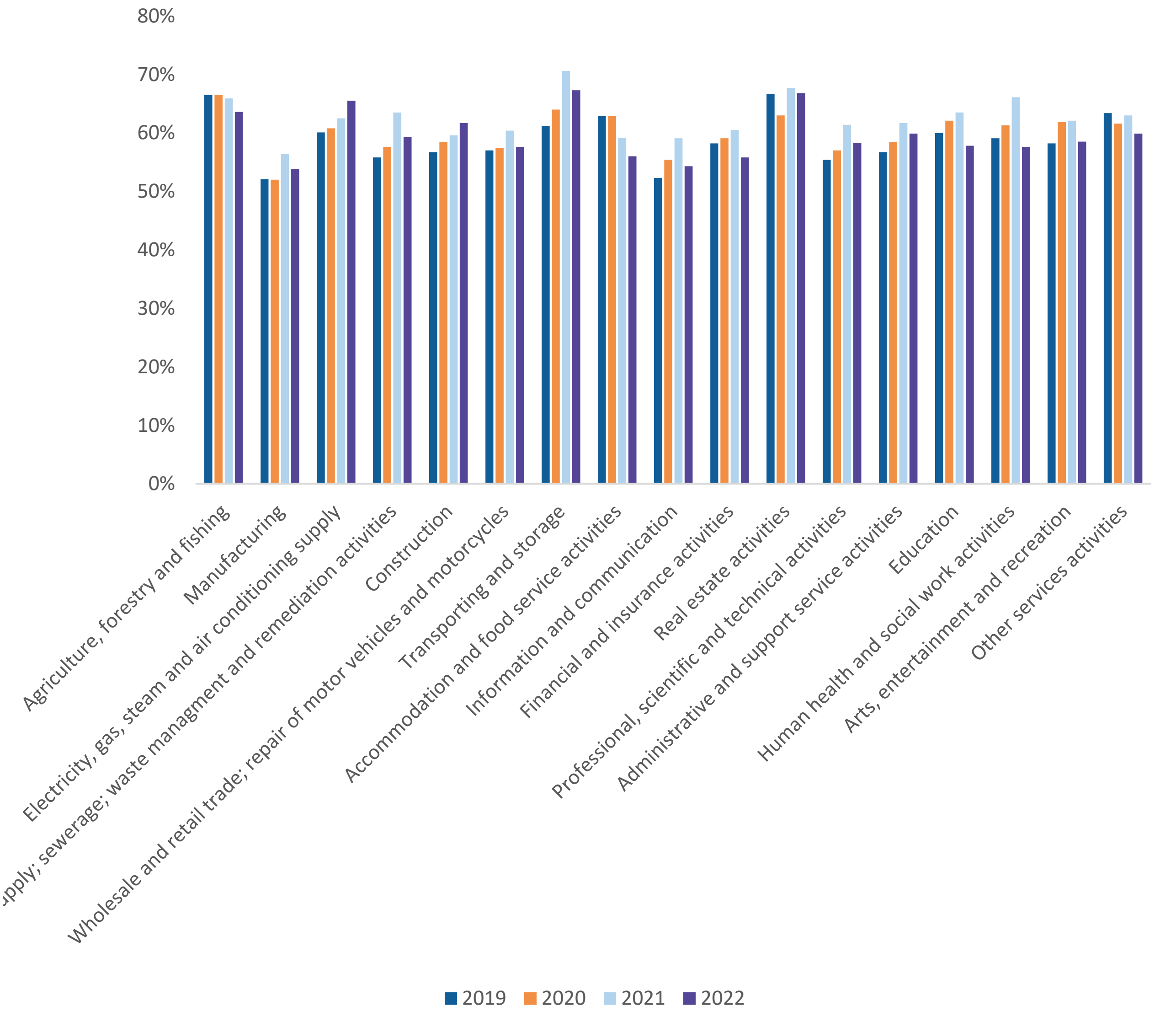
Figure 117: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Sweden has more sectoral data on payment behaviour than other EU countries. Another general observation is that all sectors report that more than 50 % of invoices are paid on time for the entire period. Almost all sectors have expressed a positive increase in the share of on-time payments for the period 2019-2022. This is, however, not the case for certain sectors, such as the Agricultural sector, that has seen a slow but persistent decline over the last 4 years. Starting at 67 % in 2019, it has now decreased to 64 %. Similarly, the Accommodation and food service sector experienced a decline in the share of on-time payments for the period 2019-2022. In 2019 the share of payments made on time was of 63 %, down to 56 % in 2022. Another observed trend for all sectors, except for the Construction sector, is a decrease in the share of on-time payments between 2021 and 2022. While mainly positive, the share of payments made by the due date seem to remain relatively stable in Sweden, with almost all sectors having stabilised at between 60 and 70 % of on-time payments. This makes Sweden one of the best performers in the EU with regards to late payments.

Figure 118: Percentage of payments by due date per sector, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

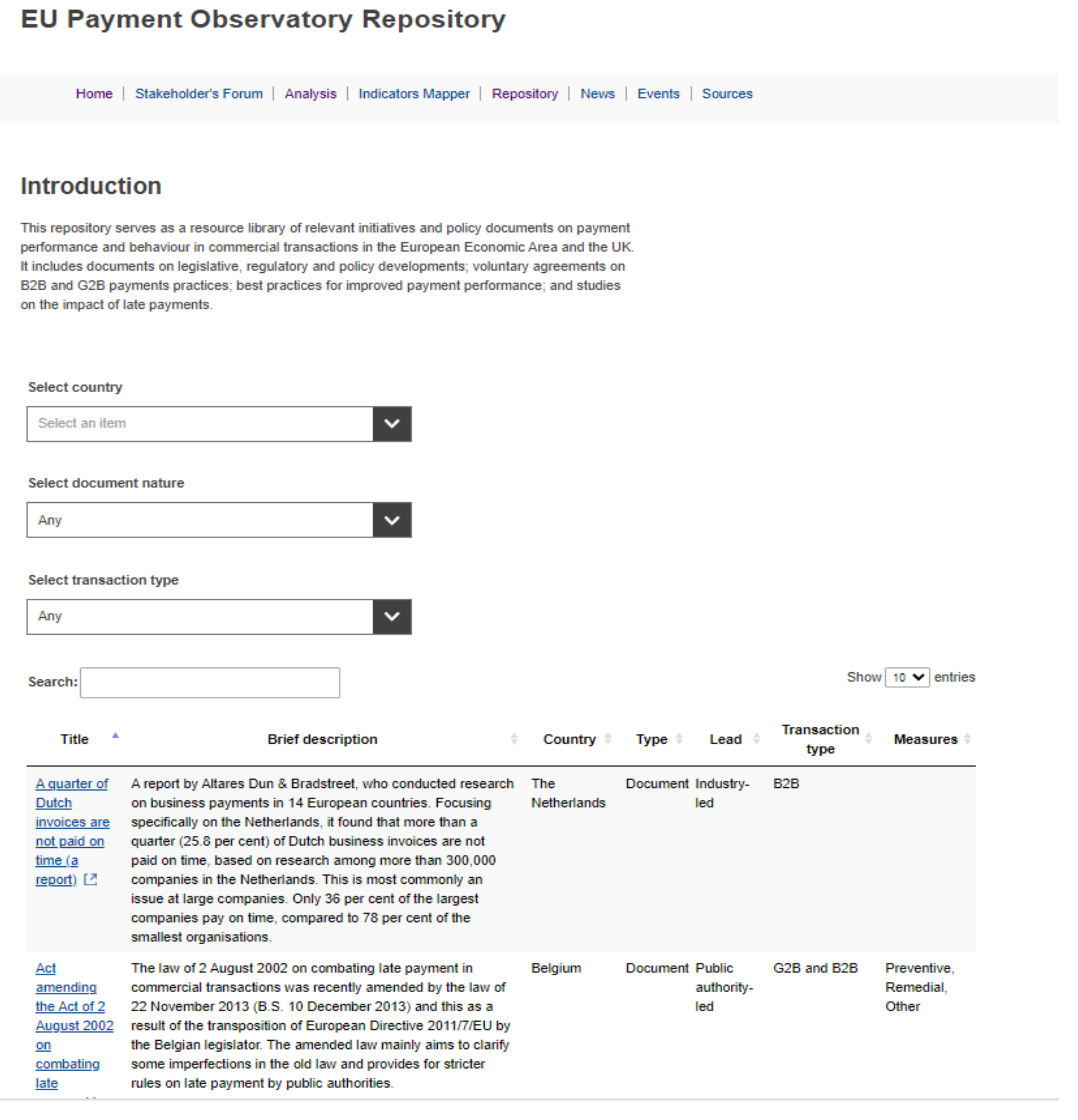
The fear for credit risks has risen sharply across sectors in Sweden over the last year. As observed in both the company split per size and per sectors, the payment performance of Swedish companies has decreased in 2022, increasing the number of late payments. As a consequence of this, multiple sectors have decided to tighten their payment conditions by reducing the payment period.

The fear of current evolutions also expands beyond the year 2022 and 2023, as the current inflation crisis has put the Swedish economy in recession with unemployment slowly starting to increase.

4. MEASURES ADDRESSING LATE PAYMENTS

As part of this study, we developed a Repository of measures addressing the issue of late payments implemented at national level, in 31 countries: the EU/EEA Member States and the UK. This task was supported by a group of country researchers, who identified relevant initiatives and documents implemented in their respective countries. The measures identified are presented in the Repository (online resource library) as part of the EU Payment Observatory. A screenshot of the Repository webpage is presented below.

Figure 119: The Repository on the website of EU Payment Observatory (screenshot)



EU Payment Observatory Repository

Home | Stakeholder's Forum | Analysis | Indicators Mapper | Repository | News | Events | Sources

Introduction

This repository serves as a resource library of relevant initiatives and policy documents on payment performance and behaviour in commercial transactions in the European Economic Area and the UK. It includes documents on legislative, regulatory and policy developments; voluntary agreements on B2B and G2B payments practices; best practices for improved payment performance; and studies on the impact of late payments.

Select country

Select an item

Select document nature

Any

Select transaction type

Any

Search:

Show 10 entries

Title	Brief description	Country	Type	Lead	Transaction type	Measures
A quarter of Dutch invoices are not paid on time (a report)	A report by Altares Dun & Bradstreet, who conducted research on business payments in 14 European countries. Focusing specifically on the Netherlands, it found that more than a quarter (25.8 per cent) of Dutch business invoices are not paid on time, based on research among more than 300,000 companies in the Netherlands. This is most commonly an issue at large companies. Only 36 per cent of the largest companies pay on time, compared to 78 per cent of the smallest organisations.	The Netherlands	Document	Industry-led	B2B	
Act amending the Act of 2 August 2002 on combating late	The law of 2 August 2002 on combating late payment in commercial transactions was recently amended by the law of 22 November 2013 (B.S. 10 December 2013) and this as a result of the transposition of European Directive 2011/7/EU by the Belgian legislator. The amended law mainly aims to clarify some imperfections in the old law and provides for stricter rules on late payment by public authorities.	Belgium	Document	Public authority-led	G2B and B2B	Preventive, Remedial, Other

Source: EU Payment Observatory website

The creation of the Repository has been implemented in the following steps:

1. We developed a typology of relevant measures aimed at combating late payments in consultation with the Commission.
2. Based on this typology, we created a data collection template, which the country researchers used to carry out national desk research.
3. Following the completion of the data collection, the data were systematised and analysed.
4. We conducted interviews with key stakeholders to fill in any gaps in the collected data and identify measures, which can be used as good practice examples[50].

The Repository contains two types of measures:

- **Documents** which cover legal acts and regulations (i.e. legislative measures), as well as reports, studies and guidelines, instructions or advice from public authorities published in the form of a document.
- **Initiatives** which include activities such as policy actions, campaigns, establishing institutions, creating registers or developing codes of good practice.

For each measure the Repository provides:

- a brief description
- the country of adoption
- the type of measure (document or initiative)
- the public or industry-led nature of the measure
- the transaction type(s) it addresses (business-to-business, B2B, and/or government-to-business, G2B) and
- the sub-categories covered (i.e. preventive or remedial measures or measures changing business culture)

The Repository allows filtering by country, document nature and transaction type.

The Repository will be updated in the coming year (2024) to ensure that the information remains up-to-date. The survey, which will be the key element of this exercise, will be carried out in early 2024. In addition, the survey will present an opportunity for the stakeholders to provide feedback on the design and structure the Repository and the impact of identified measures.

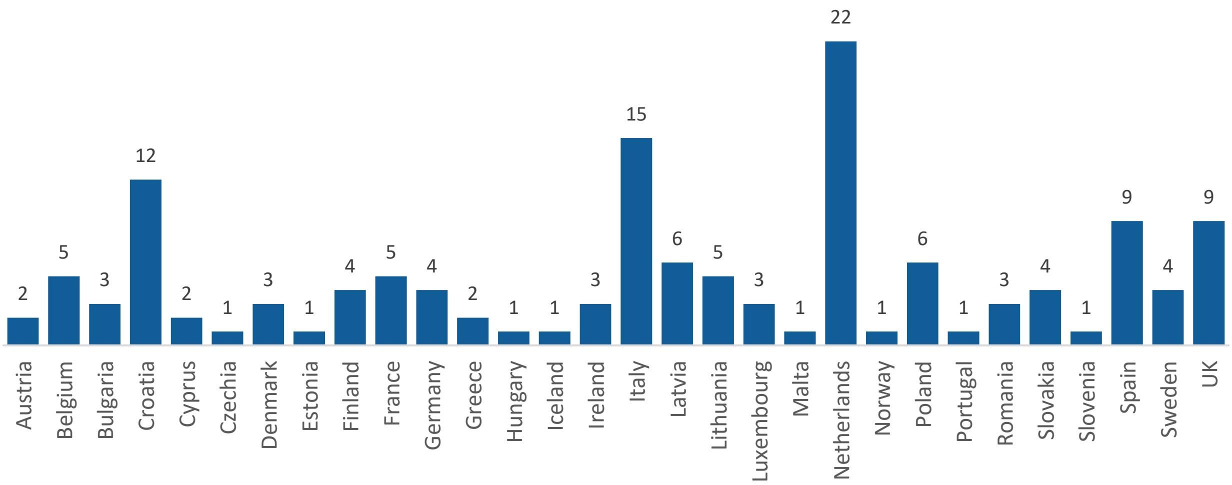
Most measures for fighting Late Payments are preventive

Overall, we identified **139 measures** addressing late payments[51]. The majority (**75 %**) were classified as **documents**, while **25 %** were **initiatives**. Figure 120 provides a country-by-country overview of the total number of measures. The countries with the highest number of measures were the Netherlands (22), Italy (15) and Croatia (12), followed by Spain and the UK (9), but there were also several countries with only one or two measures identified.

[50] The identified stakeholders included public authorities, such as Ministries of Economy, business associations of both large companies and SMEs, and a platform focused on combating late payments. These stakeholders were selected from the list of the Stakeholder Forum based on their knowledge of the topic, as well as active participation and, therefore, interest in the topic and in sharing their knowledge. List of interviews is provided in Annex 3.

[51] Details regarding all the measures are in the repository being developed as part of this study, which can be found at https://single-market-economy.ec.europa.eu/smes/sme-strategy/late-payment-directive/eu-payment-observatory/observatory-documentation_en.

Figure 120: The number of identified measures per country



Source: EU Payment Observatory Repository.

The Repository also categorises the measures based on their nature: if they aim to prevent late payment from happening (preventive) or remedy the impact of it (remedial). There are also measures aimed at changing the business culture overall to create a prompt payment culture. These three categories are explained below[52].

Preventive measures	Remedial measures	Measures aimed at changing the business culture
target issues arising *before* the transaction takes place and before a late payment has occurred, aiming to preclude a late payment happening in the first place to minimise the potential of its adverse effects.	take place *after* a payment has become overdue or late. These measures, such as sanctions, are aimed at resolving the issue of the late payment and mitigating any adverse consequences.	are those that encourage fair and timely payments and typically emphasise the importance of commitments to payment terms, promoting transparency, and ensuring a level playing field.

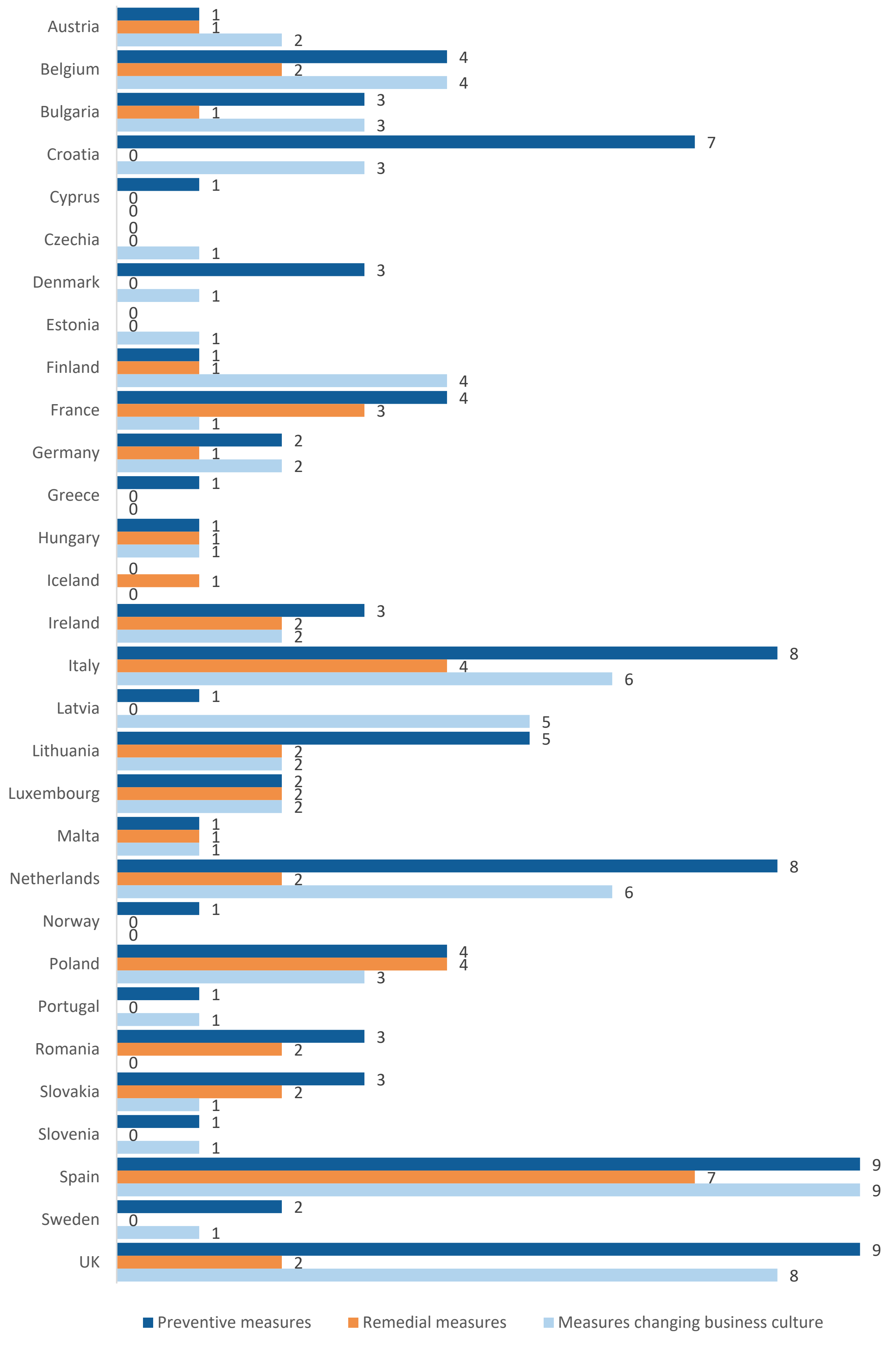
Although these categories generally do not overlap, certain measures implemented at country level often **cover elements from more than one category**. For instance, a certain legislation may contain both, preventive elements (e.g. shortening payment terms), but also remedial elements (e.g. sanctions imposed if these payment terms are not fulfilled).

Preventive measures are the ones used most often. Overall, **64 %** of the identified measures are **preventive** in nature (or they cover preventive elements), **30 %** of the identified measures are **remedial** (or cover remedial elements), while **51 %** cover elements of **the business culture shift.**

The Figure below presents the split of measures per country according to the three categories. Because of the overlaps discussed above (some measures fall under more than one category), the numbers of measures per country are higher than the total count presented above.

[52] The more detailed definitions of these categories, as well as examples, are presented in their respective sections: 3.3.1 (preventive), 3.3.2 (remedial), 3.3.3 (related to business culture).

Figure 121: The number of measures from each subcategory per country



Source: EU Payment Observatory Repository

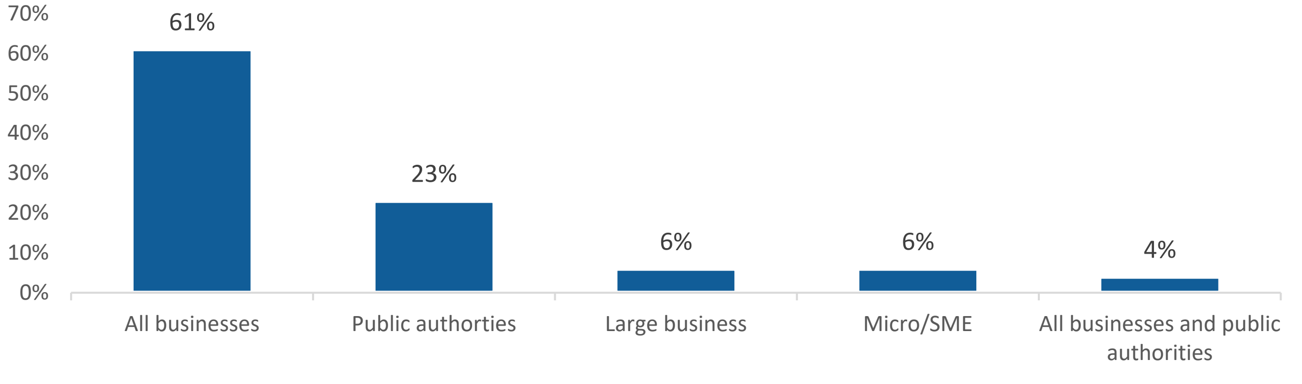
In some countries, preventive measures dominate over other measures (e.g. Croatia, Denmark); Remedial measures are generally less frequent, but this is related to the different nature of these measures, often implemented in a single legislative act.

It is worth mentioning, that the measures included in the Repository may apply to the entire economy, but they may also be **sector-specific**. For instance, in **the UK** the Project Bank Accounts were introduced by the government specifically in the Construction sector. They allow construction SMEs working on government projects to receive payment in 5 days or less from the due date[53].

The vast majority of the measures included in the Repository (**80 %**) were put forward by a **public authority**, with only **20 %** of them being developed by **industry** itself, which confirms the leading role of the authorities in tackling the late payment issue.

Almost two thirds **(61 %)** of the measures in the Repository **target all businesses** (large and small), while **23 % target public authorities**. 6 % of the identified measures target SMEs or micro-enterprises only, while another 6 % target large businesses only. Finally, 4 % of the measures are aimed at all businesses and public authorities simultaneously.

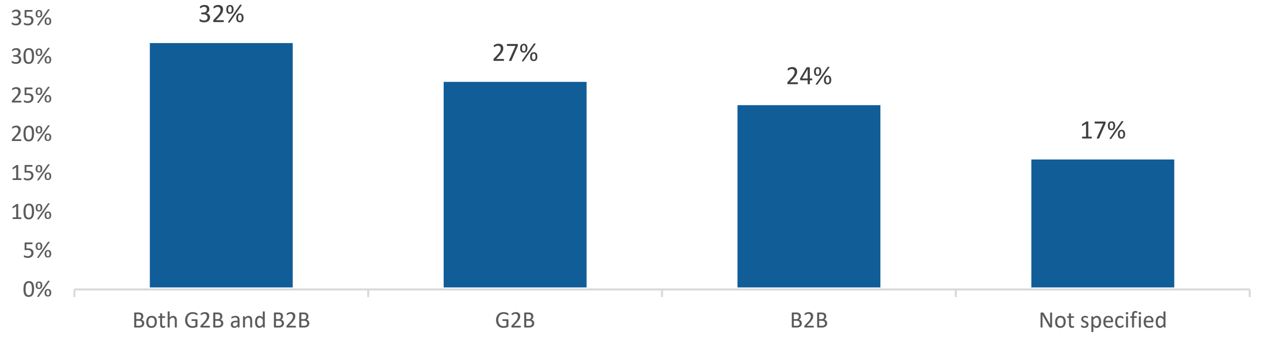
Figure 122: Measures depending on target audience



Source: EU Payment Observatory Repository.

In terms of **transaction types**, the measures in the Repository are similarly split between B2B and G2B transactions. About one third (32 %) cover both G2B and B2B transactions. About half of the measures are specific, either G2B-specific (27 %) or B2B-specific (24 %). One in five (17 %), the measure does not specify the transaction type.

Figure 123: Measures depending on transaction type



Source: EU Payment Observatory Repository.

[53] United Kingdom Government (2012) Government Construction: Project Bank Accounts – Briefing document'. Retrieved from: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/62117/Project-Bank-Accounts-briefing.pdf.

The Repository contains several examples of good practices of measures tackling payment delays. These illustrate solutions, which effectively address the issue. This has been confirmed either through reports / evaluations or through the expertise of interviewees consulted within the study. This section presents examples of these good practices. We present them according to the three main categories: preventive measures, remedial measures and measures aimed at changing business culture.

Examples of best practices of preventive measures in select Member States

Preventive measures are those targeting issues related to late payments that arise before the transaction takes place and which are designed to reduce or eliminate the occurrence of late payments in order to minimise the potential adverse effects on cash flow, relationships and overall financial stability. These types of measures have been analysed in detail in the thematic report developed in this study (*Preventive Measures for Tackling Late Payments in B2B and G2B Transactions Thematic Report*)[54]. The report found a discrepancy in the number of measures adopted by different countries, with some having launched several significant measures and others having only a limited number of measures to address late payments. The analysis further suggested that most of the measures focused on ensuring the transparency of payment practices and monitoring of payments. There were a significant number of such measures, from payment observatories in France and Spain to more specific legislative and non-legislative measures. Other types of measures, such as financial mechanisms (incentives), the restriction of access to public funding or invoice management were rare and only adopted in selected countries. This suggests that there is scope for sharing best practices and mutual learning. In addition, the report concluded that 'a combination of various measures is likely to be most effective in improving payment practices, encouraging prompt payment practices and reducing late payments in the longer term'[55]. Further details regarding good practices of preventive measures are presented in the subsections below.

Stricter payment terms

The findings of the desk research indicate that in some cases, countries chose to set out **stricter payment terms** than those stipulated in the Late Payments Directive (LPD). The Directive allows Member States to impose provisions which are more favourable to the creditor than the provisions necessary to comply with this Directive (Article 12), i.e. also stricter payment terms.

Some Member States defined a maximum payment term that cannot be derogated by the parties (**Croatia, France, the Netherlands and Spain**). For instance, in **Spain**, the payment terms of a business transaction cannot exceed 60 days. In addition, three Member States have introduced shorter payment terms applicable in the absence of an agreement between the parties. In the LPD, in such situations the payment term is 30 days, whereas in **Bulgaria** it is 14 days, and in **Austria** and **Germany** payments should be made without undue delay. Several Member States have set out shorter payment terms than those established in the Directive. In **Denmark**, **Finland** and **Sweden**, the maximum payment term for B2B invoices is 30 days, instead of 60.

In this light, some of the interviewees noted the important role that the general culture of prompt payments plays in addressing payment behaviour, stressing that, for instance, in the Nordic countries this culture is commonly observed and, therefore, shorter payment terms tend to be respected. They also highlighted that enforcement forms a crucial part of addressing late payments. Preventive measures can only be deemed truly effective when they are

[54] EU Payment Observatory (2023) Thematic report on preventive measures. Retrieved from: https://single-market-economy.ec.europa.eu/smes/sme-strategy/late-payment-directive/eu-payment-observatory/observatory-analysis_en

[55] Ibid, p. 36.

effectively implemented in practice and result in proportional consequences in cases of breaches of such rules.

Good practices: examples

Stakeholders flagged a few measures, which were linked with stricter payment terms, in particular related to G2B transactions.

In **Ireland**, for instance, a government initiative on prompt payment returns was introduced, requiring public authorities (government departments and public sector bodies, with few exceptions) to pay suppliers within 15 days and to publish their quarterly payment performance reports on their respective websites[56]. As a consequence of the initiative, in 2022 81 % of the amounts paid by all Irish government bodies were within 15 days, and 95 % within 30 days[57].

The Netherlands and **the UK** do not allow the extension of the 30-day payment term in G2B transactions to 60 days.

Transparency and the monitoring of payment practices: payments observatories

Some Member States have established late payment observatories. They serve to monitor and analyse payment practices and behaviour in a given country or sector. Their objective is to help gain insight into the extent and impact of late payments in both G2B and B2B transactions. Such observatories are useful mechanisms for preventing late payments, as they provide a comprehensive overview of late payment practices and help to gauge the effectiveness of the measures adopted to combat late payments.

Good practices: examples

The most well-established late payment Observatory exists in **France**. It publishes annual reports which present the main statistics on both G2B and B2B payment delays. The Observatory provides a broader perspective on payment issues. Such reports allow for an annual follow-up on the progress regarding delays in payments and compliance by parties with the relevant legislation. They also facilitate the identification of which sectors are more problematic and analysis of the main reasons for late payments for businesses (complicated or unnecessarily burdensome invoicing procedures, late invoices, lack of e-invoices, etc.). The annual reviews consist of four main parts:

- an analysis of payment trends in the private sector
- a summary of the results of studies and surveys on payment behaviour, carried out by various stakeholders
- a detailed analysis of payment performance in the public sector
- a review of the legal and regulatory framework and its implementation

The publication of data on late payments and the controls exercised by the French authorities are a good practice, as they raise awareness of the issues and provide comparative data for further analysis.

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[56] Irish Department of Enterprise, trade and employment (2023) Prompt payment returns. Retrieved from: https://enterprise.gov.ie/en/what-we-do/supports-for-smes/late-payments/prompt-payment-returns/.

[57] Source: Interview with IE government Department of Enterprises, Trade and Employment.

A similar Observatory is being set up in **Spain**[58] (*Observatorio Estatal de la Morosidad Privada* – State Observatory of Private Late Payments). This body will complete the publication of data concerning payment performance, by adding to the information already available on all public authorities (currently on the website of the Ministry of Finance) details on the payment performance in the private sector[59]. The Ministry of Industry, Commerce and Tourism is charged with monitoring the evolution of payment terms and late payments in commercial transactions as well as the results of the practice and effectiveness of the legislation setting out stricter payment terms (as discussed above), with the participation of national and regional multisectoral associations, as well as the Multisectoral Platform Against Late Payment. A public consultation was launched last year to establish this Observatory. The Platform is a confederation of employer associations created in 2008 with the aim of combating late payments in Spain and promoting an ethical culture regarding compliance with payment terms. According to its website, the platform 'brings together a group of sectoral and territorial institutions throughout Spain'; supporting the practical application of the Late Payments Directive is one of its objectives.

The Spanish Observatory will mainly focus on monitoring the evolution of average payment periods, but it will also publish an annual list of companies that have failed to comply with payment deadlines if, at least, the following circumstances have occurred:

- that as of 31 **December** of the previous year, the total amount of unpaid invoices within the period established by law exceeds the amount of EUR 600 000
- that the percentage of invoices paid by the company during the previous year in a period less than the maximum established in the late payment regulations of the total payments to suppliers is less than 90 %.

Another example of good practice concerning transparency is the **Polish** Act on Payment Delays, which was amended in 2022[60]. The regulation imposes an obligation on companies to report on payment due dates in commercial transactions for the preceding calendar year. The payment terms are monitored by the Office of Competition and Consumer Protection (UOKiK), which has conducted numerous proceedings regarding delays in payments against several companies (in 2021, 19 decisions were issued with penalties amounting to about EUR 0.3 million). The 2022 amendment aimed to clarify the existing regulations, simplify the reporting obligation, including extending the reporting deadline from January to April the following year, and enhance the effectiveness of payment delay proceedings.

E-Procurement

E-procurement, which is the electronic management and automation of procurement processes, can be used as an effective tool for addressing late payments of the public sector. E-procurement can streamline the procurement process by digitising several stages, including invoicing and payments. Importantly, this can help to eliminate cumbersome paperwork and contribute to the timely completion of the procurement process, thereby resulting in a reduction of late payments at various stages of the procurement process. E-procurement systems can also offer automated payment processing when integrated with electronic payment platforms. Finally, e-procurement allows for greater visibility and analysis of the process, whereby businesses can access the necessary documents in one place or on one platform.

[58] Ministerio de Industria, comercio y turismo (2022) Observatorio estatal de la morosidad privada. Retrieved from: https://ipyme.org/es-es/comportamientopago/Paginas/observatorio-estatal-morosidad-privada.aspx

[59] https://www.hacienda.gob.es/es-ES/CDI/Paginas/PeriodoMedioPago/InformacionAAPPs/PMPdelasAAPP.aspx

[60] CMS Law-Now (2022), Poland amends Act on Payment Delays – what changes will enterprises face? Retrieved from https://cms-lawnow.com/en/ealerts/2022/11/poland-amends-act-on-payment-delays-what-changes-will-enterprises-face

Good practices: examples

The **Danish** Public Procurement Act establishes an e-procurement system, called the 'dynamic purchasing system' (*dynamiske indkøbssystemer*). According to the Act, any service provider that meets the minimum eligibility requirements and is not covered by the grounds for exclusion, must be included in the dynamic purchasing system. The dynamic purchasing system is an example of good practice, as it is a useful tool in facilitating the public procurement procedure and reducing the delays in payments in G2B transactions. The Danish dynamic purchasing system, as an alternative to the traditional framework agreement, is argued to be expeditious and with space for flexibility[61]. Moreover, generally such systems allow contracting authorities to have a broader range of tenders and 'hence to ensure optimum use of public funds through broad competition', as well as further possibilities for suppliers 'to join continuously and participate' in tender calls.

Invoice management measures

Invoice management measures are beneficial for tackling late payments due to their structured approach in managing the invoicing process. Implementing these measures ensures that invoices are issued in a timely manner after the relevant goods or services have been provided. In addition, invoice management measures streamline processes by employing efficient tools for dealing with invoices, including generating, sending and tracking them. This can help to reduce errors in the invoices and improve their accuracy. Overall, invoice management measures can contribute to prompt payment processes and better cash flow management.

Good practices: examples

For example, in **Italy**, the use of electronic systems (SIOPE+ and SICOGE) by the central administrations and other public authorities to document when each invoice is paid provides a very precise picture of the payment situation. In Italy, a commercial credit platform is in place to track and certify every single invoice in the public administration sector. This initiative involves monitoring more than 22 000 public administrations, ensuring that invoices are processed efficiently[62]. In France e-invoicing has been compulsory in the public sector since 2018[63]. The initiatives are considered good practices as they enhance the transparency and tracking of invoices payment of the G2B sector.

Other obligations for larger companies (including when conducting business with SMEs) and public authorities

The imposition of other obligations on larger companies and public authorities to address late payments offers several benefits in tackling this issue. These obligations promote accountability on the part of larger companies and public authorities, ensuring that these entities prioritise prompt payment behaviour. It also levels the playing field, particularly for SMEs, by preventing larger entities from exploiting their significant market power. Moreover,

[61] See, e.g., The Danish State and the Municipalities Purchasing Service (*Staten og Kommunernes Indkøbsservice, SKI*), 'Dynamiske indkøbssystemer' ('Dynamic purchasing systems'), https://www.ski.dk/emne/dynamiske-indkobssystemer/.

[62] These measures are considered effective for G2B transactions. extending them to business-to-business transactions may be challenging due to the larger volume of invoices in the private sector.

[63] Interview conducted on 21/09/2023 with the French Ministry of the Economy, Finance and Industrial and Digital Sovereignty.

timely payments improve cash flow for suppliers that are SMEs, reducing financial risks and fostering stronger relationships.

Good practices: examples

One of the main elements of the Polish Act of 19 July 2019 on amending certain laws to reduce payment gridlock is the establishment of a maximum 60-day payment period in transactions where the creditor is an SME, and the debtor is a large entrepreneur. In case of non-compliance the payment terms are automatically reduced to 60 days. This measure can be considered a good practice as it fosters a level playing field between small and large entities.

Examples of remedial measures in selected Member States

Remedial measures refer to actions taken after a payment has become overdue or late. These measures are aimed at resolving the issue of the late payment and mitigating any adverse consequences, such as financial losses, strained relationships, or disruptions in financial stability. Remedial measures focus on addressing the problem once it has already occurred, as opposed to preventive measures that aim to prevent late payments from happening in the first place. As mentioned, the effectiveness of preventive measures is improved through effective remedies and enforcement mechanisms contributing to more timely payments.

The Thematic Report *Sanctions and other enforcement measures for late payments in commercial transactions* developed in this study concluded that the current enforcement of the sanctions prescribed in the Late Payments Directive 2011/7/EU could be improved. The main reason is that the fear of damaging the business relationship prevents SMEs from claiming the sanctions on those who pay late. An authority that can then conduct ex-officio inspections and impose sanctions, as is done by the French and Polish authorities and the Spanish transport ministry, is therefore a step forward in the fight against late payments. Complementing these sanctions, the introduction of the 'name and shame' principle in which the names of the sanctioned companies are publicised can also be considered useful.

Administrative sanctions and complaints procedures

In terms of **remedial measures**, the desk research indicates that some countries have set up a system of **administrative sanctions** and **complaint procedures** for breaches of payment terms. Sanctions are an important tool in the fight against late payments. By imposing financial or reputational penalties for non-compliance with agreed-upon payment terms, they help deter bad payment behaviour overall and can help encourage an overall culture of financial responsibility and fairness. This is especially crucial for SMEs, who suffer disproportionately from late payments and for whom financial liquidity is of the utmost importance in order to continue conducting their business and to avoid bankruptcy. In addition, **alternative dispute resolution (ADR) systems** can be useful for tackling late payments, as these allow companies to seek remedies outside the traditional court systems, which are usually faster and can be considered less intrusive for companies.

Good practices: examples

For instance, **France** implements administrative penalties for late payments. These penalties are imposed directly on companies that do not comply with payment terms, without the need for legal proceedings. Stakeholders consider this system a good practice to encourage timely payments as SMEs do not have to risk damaging their commercial relationship with a given client, since the fines can be directly imposed by the Ministry without having to take the matter to court[64].

In **Finland** legislation may be adopted laying down the amount of recovery costs that may be recovered from companies in euro. This change is motivated by a desire to curb excessive recovery costs that could previously be charged to companies with payment difficulties[65].

In **Spain**, legislation was adopted in 2021 establishing sanctions in the road transport sector to fight against late payments exceeding 60 days. Infringement of the payment deadlines[66] shall be deemed a 'very serious infraction' where the debtor is not a consumer, and the transport price exceeds EUR 3 000; if the transport price does not exceed EUR 3 000 the infringement shall be deemed a 'serious infraction'. The consequence is that the fine for 'very serious infractions' may be up to EUR 30 000 if the delay significantly affects the economic capacity and solvency of the creditor or if the payment delay has exceeded 120 days[67]; while the fine for 'serious infractions' may be between EUR 400 and EUR 3 000 for debts in the range EUR 0-3 000[68]. The Ministry has the authority to coordinate inspections and impose sanctions for late payments, there is no need for the supplier affected to go to the court[69].

Poland has adopted legislation establishing the possibility of administrative action against private entities which have excessive delays in fulfilling their financial obligations. The President of the Office of Competition and Consumer Protection (UOKiK) is the responsible authority for conducting administrative proceedings on such violations. These proceedings may end with the imposition of an administrative fine on the entity. Notably, the introduction of these provisions was related to the legislator's recognition that the previously available private-law tools appeared to be insufficient for protecting creditors of commercial transactions against late payments, which had a negative impact on the functioning of the national economy.

As regards complaints procedures, an example is the **Spanish** anonymous complaint mailbox. The system allows companies that are not paid on time to file complaints against clients without revealing their identities. This initiative encourages reporting of late payments without the fear of damaging client relationships.

A similar measure can be found in **the Netherlands**, where the system of *Meldpunt achterstallige betalingen* (Reporting Centre for Overdue Payments) was established. Through this system, SMEs could report to the Dutch Consumer and Market when they were paid late. This measure was in force for 2 years, although not many SMEs reported late payments through this system, and only 200 complaints were made. The SMEs had the option to report either anonymously or to provide their data. However, arguably the lack of powers to investigate or prosecute the reported cases may have influenced the number of reports[70].

In terms of ADR systems, a useful example exists in **France**. The Business Mediator (*Le Médiateur des entreprises*) offers a free and confidential opportunity to find a solution while

[64] Interview conducted on 21/09/2023 with the French Ministry of the Economy, Finance and Industrial and Digital Sovereignty. See also FR Ministry of Economy (n.d.), Sanctions - Délais de paiement. Retrieved from: https://www.economie.gouv.fr/dgccrf/sanctions-delais-paiement

[65] Federation of Finnish Enterprises, 'If payment is delayed'. Retrieved from: https://www.yrittajat.fi/tietopankki/markkinointi-ja-myynti/laskutus/jos-maksu-viivastyy/. In the next phases of the project, we will check whether there are any updates to this information and whether the indicated legislation has been drafted or adopted.

[66] Laid down in Law 3/2004 with regard to the payment of prices of road transport of goods.

[67] The maximum legal payment delay of Law 3/2004 (Article 143(1)(j) of Law 16/1987). The consolidated text of Law 16/1987 can be retrieved from on: https://www.boe.es/buscar/act.php?id=BOE-A-1987-17803.

[68] Article 143(1)(d), (e) and (f) of Law 16/1987. The consolidated text of Law 16/1987 can be retrieved from:: https://www.boe.es/buscar/act.php?id=BOE-A-1987-17803.

[69] Interview conducted on 19/09/2023 with FENADISMER and the Spanish Multisector Platform against Late Payments (*Plataforma Española contra la Morosidad*).

[70] Interview conducted on 08/11/2023 with the Dutch Ministry for Economic Affairs and Climate Policy.

preserving the commercial relationship. Such systems can contribute to a reduction in late payments without damaging the relations between clients and suppliers, which is particularly relevant for SMEs trading with larger companies.

'Naming and shaming' approach

Naming and shaming is a strategy where an organisation publicly discloses the names or identities of individuals or entities that have failed to meet certain obligations, such as making payments on time. This public exposure is intended to hold them accountable for their actions and to encourage compliance with the desired behaviour, often by leveraging social or reputational pressure. It serves as a form of public embarrassment or scrutiny designed to motivate individuals or entities to rectify their non-compliance and adhere to the expected standards (in this case timely payments).

Good practices: examples

The **Spanish** transport ministry publishes list of companies that have been fined for their failure to pay hauliers on time[71]. The fines are linked to the value of the transportation, with the highest fine being EUR 30 000 in cases where the creditor's financial solvency is significantly impacted, or the legal payment period exceeds 120 days[72]. It is clear that a fine at that level is insignificant **for** a big company in terms of impact on profitability, but the damage it causes to its reputation as a brand is of great value.

Measures creating rights for suppliers

Measures that create rights for suppliers can be beneficial in combating late payments, because they establish safeguards in legal clauses that protect the interests and the rights of suppliers in the event of late payments. In combination with other measures, such as stricter payment terms and obligations for larger companies or public authorities, these measures can ensure that suppliers (especially SMEs) are in a stronger position in asserting their rights and encourage such providers to seek redress for late payments (especially by larger businesses and public authorities).

Good practices: examples

In **Spain,** the transport sector has a safeguarding measure in place which allows for a direct action against any contractual party in the contract chain (i.e. when several layers of suppliers/service providers are involved) this measure allows the last party in the chain, often a small transport company, to present a claim against any other parties involved in the contract, ensuring that payments are made even when the contracting parties change. This joint responsibility that especially protects supplier SMEs was assessed as good practice by stakeholders consulted.

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[71] Informacio Logistica (2023), La inspección de transporte multa a 64 empresas por morosos. Retrieved from https://informacionlogistica.com/la-inspeccion-de-transporte-multa-a-64-empresas-por-morosos/

[72] Trans.Info (2023), Spain officially names and shames companies who fail to pay hauliers on time. Retrieved from https://trans.info/en/significant-reduction-in-payment-arrears-thanks-to-spains-shaming-of-transport-services-369091

Examples of Measures changing business culture

Efforts to change business culture regarding payment practices involve the implementation of various measures and codes that encourage fair and timely payments in commercial transactions. These measures often take the form of voluntary codes of conduct or behavioural guidelines adopted by businesses, with the aim of fostering ethical and responsible behaviour within the business community. These measures typically target large companies and emphasise the importance of commitments to agreed-upon payment terms, promoting transparency, and ensuring a level playing field, particularly between companies with significant market power and smaller suppliers. The overarching objective is to reach a cultural shift towards ethical business practices, responsible financial relations, and the reduction of payment vulnerabilities for smaller enterprises.

Good practices: examples

In **Ireland**, the Prompt Payment Code, was adopted in 2015. The Code was developed by industry 'with the aim of improving cash flow between business and moving towards a culture of prompt payment in Ireland' and is supported by the Department of Enterprise, Trade and Employment. When launched in 2015, all government departments and public authorities signed up to the Code. The signatories of the Code pledge, inter alia, 'to ensure there is a system for dealing with complaints and disputes which is communicated to suppliers'.

A similar measure exists in **the UK**. The UK Prompt Payment Code is a voluntary code, which is open to all businesses and is administered by the Office of the Small Business Commissioner on behalf of Department for Business, Energy and Industrial Strategy (BEIS). Businesses which sign up to the Prompt Payment Code commit, inter alia, to provide a fair process for dispute resolution. While there are no financial sanctions in the Code, businesses that fail to adhere to the Code may face removal. In fact, five major companies were formally removed from the Code 'after failing to honour their commitments'.

In **Denmark**, the Code of Good Payment Behaviour was adopted in April 2022. This is a voluntary Code that promotes good payment practices in business transactions and encourages companies to commit to fair and timely payments. The Code targets large companies.

The **Italian** Code of Responsible Payments is the first Code in the country specifically dedicated to the issue of regularising payments. It was developed by the regional trade association *Assolombarda* in 2014 and was adopted by the national trade association *Confindustria* in 2015. By voluntarily adhering to the Code, companies undertake to respect the payment terms agreed with their suppliers and, in addition, to encourage the adoption of the Code throughout the supply chain. The objective of the Code is to spread ethical and responsible behaviour and to stimulate a proactive management of commercial and financial relations between companies, starting with efficient administrative and IT procedures.

In **Sweden**, a voluntary code of conduct, directed at larger companies, was adopted. The voluntary code allows buyers, if large companies, to agree to shorten payment terms / times to supplier SMEs. The Code of Conduct refers to purchases by Swedish companies from suppliers in Sweden and excludes public procurement. It states that buying companies should undertake to impose shorter payment terms for new signatures or renegotiation of agreements within a maximum of 18 months: 1) for small companies, the companies should pay within a maximum 30 days after receiving the invoice, and 2) for medium companies the buying company should offer to pay the supplier, if requested, within 30 days of receiving an invoice. The measure helps foster a level playing field between firms with market power (large buyers) and firms without (small/medium suppliers).

A measure similar to such codes, called betaalme.nu, was adopted in **the Netherlands**, this industry-led measure with support from the Ministry of Economic Affairs was launched in

November 2015, and has been supported by the Dutch Royal Association of SMEs (*MKB-Nederland*) since 2018. Betaalme.nu was created to shorten payment terms to SMEs to a maximum of 30 days, aiming to reduce the vulnerability of SME entrepreneurs and to allow them more financial room to invest. In addition, betaalme.nu actively focused on supporting SME entrepreneurs. Betaalme.nu could be considered a prompt payment code in the sense that it was voluntary, organisations could join it and it intended to encourage faster payments (namely, a 30-day maximum instead of a 60-day maximum). The number of companies signing up to this initiative was reasonably high and it impacted an even larger number of SMEs, as many of the large companies that signed up had a large pool of SME suppliers[73]. The initiative became obsolete once the Dutch law, which set out a 30-day maximum payment period for payments from large companies to SMEs, was amended in 2022[74].

Preliminary conclusions

Results of our research show that there is no one way of tackling the issue of late payment and Member States have adopted different approaches. Countries such as Ireland, the Netherlands, and the UK have demonstrated success in preventing late payments through various strategies. These include setting stricter payment terms, establishing late payment observatories for transparency, adopting e-procurement systems to streamline processes, implementing effective invoice management measures, and creating rights for suppliers. Notably, the enforcement of these measures is seen as crucial for their effectiveness.

Some countries have focused on a portfolio of remedial measures. Countries like Finland, France, Poland, and Spain have implemented administrative sanctions, complaint procedures, and a 'naming and shaming' approach. Administrative sanctions and complaint procedures act as deterrents, imposing financial or reputational penalties for non-compliance, while the 'naming and shaming' approach leverages public exposure to encourage adherence to payment terms.

Efforts to cultivate a cultural shift towards fair and timely payments involve adoption of mixed measures such as the adoption of voluntary codes of conduct or behavioural guidelines. Countries such as Denmark, Italy, the Netherlands, and Sweden have embraced this approach, encouraging large companies to commit to ethical payment practices. Measures like Betaalme.nu in the Netherlands, the Prompt Payment Code in the UK, and the Code of Good Payment Behaviour in Denmark exemplify voluntary efforts to install responsible behaviour within the business community. Nevertheless, it should be mentioned that statistical data suggest the effectiveness of the codes of conduct and general cultural shifts should be taken with caution. This can be observed with the example of Denmark. The European Payment Reports published by Intrum in the years 2019-2023 reveal that the average actual payment time in Denmark has seen significant fluctuations. Particularly, while the average actual payment time ranged between an impressive 24-29 days during 2016-2019, it surged to 66 days in 202075. After slight improvements to 52 days in 2021 and 50 days in 2022, it rebounded to 61 days in 2023. Remarkably, in 2023, Denmark exhibited the second longest B2B payment times, lagging only behind Bulgaria.

[73] Interview conducted on 08/11/2023 with the Dutch Ministry for Economic Affairs and Climate Policy.

[74] Ibid.

[75] It should be borne in mind that this number may have increased particularly significantly in 2020 due to the COVID-19 pandemic.

While these measures have demonstrated success in specific contexts, the overall effectiveness depends on robust enforcement mechanisms, proactive cultural changes, and ongoing evaluations to adapt to evolving business landscapes. Collaborative efforts between governments, businesses, and industry associations remain crucial in fostering a global environment where late payments are minimised, ensuring fair and sustainable economic practices.

5. CONCLUSIONS

The analysis provided by this report shows a fragmented landscape across the EU both in terms of the prevalence of late payments and the measures taken to prevent late payments. Every country is different which makes it difficult to draw overall conclusions.

Culture for instance plays a very important role. There are not many initiatives to prevent late payments in the Nordic countries. Nonetheless, according to the data collected they are some of the Member States with better payment performance, especially in the public sector. Meanwhile, the country in which fewer companies report experiencing problems due to late payments is the Netherlands, which is also one of the countries where there are more initiatives to combat late payments. On the other hand, some countries particularly in the south of Europe and Poland seem to have taken the lead recently in proposing new initiatives. Their late payments level is, however, high, which is the reason why measures were taken.

Limited availability of relevant data is a very important element. For many countries, particularly smaller ones, little data exist, and if they do exist are not reliable. In addition, most of the data that can be found in the EU are not easy to compare. This also makes make it difficult to establish European-level conclusions.

In any case, the analysis made in this report has allowed us to confirm some general features of the EU payment landscape in commercial transactions:

1) **Large companies are the worst payers in almost every country**, which reinforces the theory that one of the main drivers of late payments is big companies abusing their power to pay to their smaller suppliers late. Micro companies, on the other hand, despite their size and limited economic capabilities are the best payers in most Member States.
2) **Sectoral differences** can be quite substantial across countries and often depend on cultural elements. Nonetheless, sectors such as Finance appear to be consistently good payers, while others like transport and energy pay later across the EU.
3) **Late payment generates more late payment. This domino effect is an additional cause of late payments** In Europe, 70 % of EU companies agreed with the statement that being paid on time would in turn also allow them to pay their own suppliers on time[76]**.** Measures should therefore be identified to block or slow the 'spread' of late payments in supply chains. This also shows the importance of prompt payment by the public authorities and large companies.
4) **Data regarding government-to-business transactions are very limited. Regardless, the scarce data consistently point to governments, who should lead by example, being worse than companies in paying on time**. The example of Italy or Spain, however, show that when governments impose measures to change the payment behaviour of their public administration positive results can be obtained over time. Nonetheless, Member States seem to focus more on preventing late payments in B2B transactions than on making public administrations pay on time as only 1 in 4 initiatives target public authorities.
5) **Initiatives in the Member States to combat late payment are more preventive in nature while several deficiencies have been identified on the enforcement side**, with companies being afraid of denounce their client at the risk of losing the business relationship.

[76] European Commission (2023) Questions and answers: late payment regulation. Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/qanda_23_4412

6) **Improving the payment culture should be a shared responsibility of both public authorities and business.** Initiatives led by industry have proven very successful, for example, beetalme.nu in the Netherlands which has led to legislative reform in that Member State.
7) **The effects of late payments seem to be less severe, with fewer companies reporting late payments being a threat to their survival than in 2019**. Lessons learnt especially during the Covid-19 pandemic have prompted companies to take measures, such as, for example, devoting more resources to credit management and reinforcing their recovery departments[77]. However, late payments are a hurdle for the competitiveness and growth of businesses by preventing expansion, and hampering their digitalisation, thus also reinforcing a late payment spiral. By delaying IT investments due to late payment, in fact, companies delay the very tools that could help them in managing their liquidity better and reduce the risk of being paid late: for example, e-invoicing.
8) Covid-19 support measures could help explain the reduction of the most severe effects of late payments. However, they are now being discontinued, and in a context of high inflation, this could provoke a worsening of the late payments' matrix in 2023. In fact, **the first data published for 2023 point to a deteriorating trend in payment performance, including a deterioration in the number of unpaid invoices**[78].

In 2023 the European Commission adopted a proposal to replace the current Late Payment Directive, which is expected to be adopted in 2024. In Spain, a national Observatory of payments is being set up: these developments testify at the same time to the importance of good payment discipline for the competitiveness of the Single Market, and the need for data to monitor the effectiveness of measures put in place.

[77] EPR 2023, Intrum.

[78]COFACE (2023) France: Des retards de paiement plus longs et plus fréquents, les petites entreprises en première ligne. Retrieved from : https://www.coface.fr/Actualites-Publications/Actualites/Des-retards-de-paiement-plus-longs-et-plus-frequents-les-petites-entreprises-en-premiere-ligne https://www.crif.it/area-stampa/studio-pagamenti-cribis-terzo-trimestre-2023

CRIBIS (2023) Studio Pagamenti CRIBIS: Terzo trimestre 2023. Retrieved from: https://www.crif.it/area-stampa/studio-pagamenti-cribis-terzo-trimestre-2023

El Confidencial (2023) Los impagos de facturas comerciales crecen y anticipan un deterioro de la economía. Retrieved from https://www.elconfidencial.com/empresas/2023-12-20/impagos-facturas-comerciales-empresas-pib_3795851/

ANNEX 1 – STAKEHOLDER FORUM MEMBERS

Country	Type	Organisation
DE	Data Provider	Allianz SE
PT	Business Association	Associação Cristã de Empresários e Gestores (ACEGE)
FR	Business Association	Association Française des Credits Managers et Conseils (AFDCC)
FR	Business Association	Association française des entreprises privées (AFEP)
IT	Construction Association	Associazione Nazionale Costruttori Edili (ANCE)
IT	Business Association	Assonime
EU	Data Provider	Atradius
FR	Central Bank	Banque de France (BdF) - Observatoire des délais de paiement
IT	Company	BFF Banking Group
EU	Business Association	BusinessEurope
RO	Agri-Food Association	Clustero
FR	Data Provider	Comité de défense et d’information (CODINF)
IE	Business Association	Credit Management Institute of Ireland (CMII)
IE	National Ministry	Department of Enterprise, Trade and Employment (DETE)
FR	National Ministry	DGCCRF - Ministère de l'Économie
ES	National Ministry	Directorate-General for the Industry and SMEs - Ministry of Industry, Commerce and Tourism
EU	Others	Early Warning Europe
EU	Textile Association	Euratex
EU	Business Association	Eurochambres
EU	Retail Association	Eurocommerce
EU	Construction Association	European Builders Confederation (EU SMEs)
EU	Central Bank	European Central Bank (ECB) -SAFE
EU	Construction Association	European Construction Industry Federation (FIEC)
EU	Business Association	EU Federation for the Factoring and Commercial Finance Industry

EU	Mobility/Transport/Automotive Association	European Road Haulers Association (UETR)
EU	Business Association	FECMA (Federation of European Credit Management Associations)
BE	National Ministry	Federal Public Service of Economy
EU	Business Association	Federation of Business Information Services (FEBIS)
FI	Business Association	Federation of Finnish Enterprises
BE	Data Provider	Graydon
EL	National Ministry	Hellenic Ministry of Finance
ES	Data Provider	Informa
BE	Business Association	Instituut voor Kredietmanagement
EU	Data Provider	Intrum
MT	Data Provider	Malta Association of Credit Management (MACM)
EU	Health Association	MedTech Europe
NL	National Ministry	Ministerie van Economische Zaken en Klimaat (MEZK)
PL	National Ministry	Ministry of Economy
IT	National Ministry	Ministry of Economy and Finance
HR	National Ministry	Ministry of Finance
IE	National Ministry	Ministry of Finance
LT	National Ministry	Ministry of Finance
SI	National Ministry	Ministry of Finance
CZ	National Ministry	Ministry of Justice
EE	National Ministry	Ministry of Justice
FI	National Ministry	Ministry of Justice
DE	National Ministry	Ministry of Justice and Consumer Protection
IT	Others	Osservatorio conti pubblici
ES	Data Provider	Plataforma Multisectorial contra la Morosidad (PMcM)
UK	Data Provider	Sage
EU	SME Association	SME United
IT	Others	University of Edinburgh Business School

ANNEX 2 – DATA SOURCES USED IN THE PRODUCTION OF THIS REPORT

Name of source/publication	Link to latest publication
Intrum European Payment Reports 2020-2023	https://www.intrum.com/publications/european-payment-report/european-payment-report-2023/
D&B Network/Cribis Payment Study	https://www.dnb.com/en-ch/knowledge/study/payment-study-2022-download/
EC/ECB Survey on the Access to Finance of Enterprises (SAFE)	https://single-market-economy.ec.europa.eu/access-finance/data-and-surveys-safe_en
Atradius Payment Practices Barometer Eastern and Western Europe	Eastern Europe: https://group.atradius.com/publications/payment-practices-barometer/b2b-payment-practices-trends-eastern-europe-2022.html Western Europe: https://group.atradius.com/publications/payment-practices-barometer/b2b-payment-practices-trends-western-europe-2022.html
Creditreform Zahlungsindikator Deutschland	https://www.creditreform.de/aktuelles-wissen/pressemeldungen-fachbeitraege/news-details/show/creditreform-zahlungsindikator-deutschland-sommer-2023
CEPYME Observatorio de la Morosidad	https://cepyme.es/observatorio-de-la-morosidad-i-tri-2023/
Plataforma Multisectorial contra la Morosidad	https://pmcm.es/report-on-payment-terms-in-spain-2022/
Ministero dell'Economia e delle Finanze of Italy	https://www.mef.gov.it/documenti-allegati/2023/operazione-trasparenza/20230427_DAG_DRIALAG_UfficioIII_IndicatoreTempestivitaPagamenti_I-Trimestre2023.pdf
CERVED: Osservatorio Pagamenti	https://research.cerved.com/ricerca/?testo=osservatorio+pagamenti
Banco de Portugal	https://bpstat.bportugal.pt/conteudos/quadros/1214
Direction Générales des Finances Publiques	https://www.budget.gouv.fr/files/uploads/extract/2023/PLF/BG/PGM/156/FR_2023_PLF_BG_PGM_156_PERF.html#:~:text=Ce %20sous %2Dindicateur %20refl %C3 %A8te %20l,les %20services %20du %20contr %C3 %B4le %20fiscal.
Rapport de l'Observatoire des délais de paiement	https://publications.banque-france.fr/liste-chronologique/rapport-de-lobservatoire-des-delais-de-paiement?year=2023
Austrian Business Check – Zahlungsmoral	https://www.ksv.at/whitepaper/austrian-business-check-zahlungsmoral-2023
GraydonCreditsafe	https://graydon.be/nl

Ministry of Industry and Technology of Cyprus	Provided by the Ministry of Industry and Technology of Cyprus
Malta Association of Credit Management	https://www.macm.org.mt
Coface Poland Payment Survey	https://www.coface.de/News-Publikationen-Events/Publikationen/Poland-Payment-Survey-2022

ANNEX 3 – FULL VALUES AND DETAILED METHODOLOGY OF THE COMPOSITE INDICATOR ON PAYMENT CULTURE, 2019-2022

Country	Year	Mix_Index
AT	2019	30.30
AT	2020	54.77
AT	2021	62.87
AT	2022	54.99
BE	2019	79.35
BE	2020	59.07
BE	2021	67.47
BE	2022	48.66
BG	2019	24.23
BG	2020	47.85
BG	2021	55.57
BG	2022	41.61
CZ	2019	69.91
CZ	2020	58.91
CZ	2021	52.08
CZ	2022	47.94
DE	2019	34.48
DE	2020	58.85
DE	2021	68.64
DE	2022	54.56
DK	2019	38.98
DK	2020	62.98
DK	2021	64.88
DK	2022	46.63
EE	2019	31.38
EE	2020	53.75
EE	2021	48.21
EE	2022	45.90
ES	2019	38.42
ES	2020	58.96
ES	2021	59.19
ES	2022	52.53
FI	2019	31.62
FI	2020	55.14
FI	2021	60.17
FI	2022	46.57
FR	2019	27.13
FR	2020	63.37
FR	2021	54.62

FR	2022	52.32
GR	2019	16.68
GR	2020	40.96
GR	2021	56.20
GR	2022	50.75
HR	2019	0.00
HR	2020	61.03
HR	2021	64.29
HR	2022	65.35
HU	2019	31.39
HU	2020	55.59
HU	2021	56.46
HU	2022	49.88
IE	2019	3.26
IE	2020	53.97
IE	2021	57.06
IE	2022	74.47
IT	2019	38.19
IT	2020	54.27
IT	2021	58.56
IT	2022	51.93
LT	2019	32.24
LT	2020	47.14
LT	2021	49.75
LT	2022	52.34
LV	2019	28.22
LV	2020	59.17
LV	2021	52.07
LV	2022	51.84
NL	2019	100.00
NL	2020	63.10
NL	2021	64.96
NL	2022	57.27
PL	2019	36.34
PL	2020	59.86
PL	2021	41.62
PL	2022	50.94
PT	2019	32.28
PT	2020	52.44
PT	2021	41.62
PT	2022	48.49
RO	2019	24.35
RO	2020	53.51
RO	2021	48.52
RO	2022	46.55
SE	2019	32.10
SE	2020	55.84
SE	2021	61.70
SE	2022	55.59

SI	2019	20.99
SI	2020	53.79
SI	2021	60.80
SI	2022	58.40
SK	2019	59.04
SK	2020	55.48
SK	2021	62.38
SK	2022	51.48

Additional description of composite indicator Construction:

1. NORMALISATION

To ensure uniformity and comparability, we have scaled the variables between 0 and 1 using Min-Max Scaling. This step is crucial when dealing with indicators that may have different units or scales (in our case, days and %).

2. BUILDING PROCESS

We have studied different options and most used statistical techniques to build this Index. According to '*OECD Statistics Working Papers 2005/03 - Handbook on Constructing Composite Indicators: Methodology and User*'[79], composite indicators traditionally rely on equal weighting (EW), where all variables are assigned the same weight. However, this method has inherent challenges. Equal weighting, while seemingly straightforward, may not be grounded in a robust statistical or empirical basis. In some cases, it might simply represent an assumption that all variables are equally significant, potentially disguising the absence of deeper causal relationships or a lack of consensus on alternatives.

Equal weights can inadvertently introduce a double-counting element, especially when combining variables with a high degree of correlation. When combined with equal weights, collinear indicators may result in the composite Index assigning disproportionate importance to the unique dimension they measure, leading to unintended distortions.

To address these challenges comprehensively, a nuanced approach is required. Principal Component Analysis (PCA) is a powerful statistical model that groups sub-indicators based on the highest variation in the data set. However, PCA requires existing correlations between indicators for practical weight estimation.

To check the correlations between indicators, we have used the Kaiser-Meyer-Olkin (KMO) test to gauge variables' suitability for techniques like Principal Component Analysis (PCA). A KMO value closer to 1 indicates that the variables collectively are well-suited for PCA. In our case, the KMO values range from 0.32 to 0.77, showcasing a mix of variable suitability. Variables with KMO values below a threshold of 0.5 are deemed less appropriate for PCA due to potential distortions in the analysis.

Using the module factor-analyzer from Python, we have seen that 1) Enterprises experiencing late payments (0.323), 2) Share of Payments made late (value) / % late payments of more than 90 days (0.457) and 3) Share of Payments made late (value) / % late payments (0.483) are not suitable for the PCA.

[79] OECD/European Union/EC-JRC (2008), *Handbook on Constructing Composite Indicators: Methodology and User Guide*. Retrieved from https://doi.org/10.1787/9789264043466-en

Since there are variables unsuitable for a PCA, we have used a methodology that ingeniously combines PCA with an alternative technique, acknowledging the limitations of PCA in the absence of correlations. This blended approach not only leverages the strengths of PCA but also provides a reliable alternative for variables with less cooperative correlations.

By combining PCA with an alternative technique, the resulting Composite Index achieves a delicate balance. It ensures robustness by accommodating the strengths of PCA while addressing the limitations that arise when correlations are lacking. This approach aligns with the goals of transparency, minimising unintended biases, and offering a more comprehensive reflection of the data set's intricacies:

1- **Remove Variables with Low KMO**: Identify and exclude variables with low KMO scores, as these may not contribute significantly to the analysis. In this case, columns related to late payments are removed as they exhibit low KMO values.
2- **Perform Principal Component Analysis (PCA) on Filtered Data**: PCA is applied to the remaining variables to identify patterns and reduce dimensionality. This helps capture the essential information while minimising the impact of less significant variables.
3- **Calculate Weights Based on Explained Variance (PCA)**: Weights are assigned to the principal components based on the proportion of variance they explain. These weights reflect the importance of each component in representing the data.
4- **Alternative Technique for Variables with Poor KMO**: For the removed variables (with low KMO), an alternative technique is employed. In this case, equal weights are assigned, assuming an even contribution from each variable.
5- **Combine Composite Indices**: The final Payment Composite Index is created by combining the PCA-weighted scores with the equally weighted scores from the alternative technique. This combination is weighted, with 75 % coming from the PCA-derived weights and 25 % from the equal weighting, ensuring a comprehensive reflection of the data set's intricacies.
6- **Indexation**: Normalise the composite index to ensure that the values fall within a consistent range (here, between 0 and 100). Normalisation facilitates easier interpretation and comparison of the index across different periods.

$$\textit{Composite Index} =$$

$$100\ \times \left(\frac{0.75 \times (pca\_scores \cdot explained\_variance\_ratio) + 0.25 \times Equal\_weighted\ Scores - Min\ Index}{Max\ Index - Min\ Index}\right)$$

***PCA-derived weights = pca_scores·explained_variance_ratio*:** Each PCA score is multiplied by its corresponding explained variance ratio. This operation ensures that variables with higher explained variance contribute more to the composite index.

Equal_weighted Scores: scalar product of the non-selected variables (those not included in PCA) by equal weights.

This method strikes a balance by combining the strengths of PCA for variables with good KMO scores and offering a straightforward alternative for those with poor KMO. The 75-25 weighting ensures a thoughtful blend, considering the relative importance of both approaches.

The goal is to capture the nuanced relationships among payment-related variables. This ensures that the Composite Index considers the key patterns identified by PCA and the essential contribution of removed variables.

By adopting this blended approach, we prevent the Composite Index from being influenced by variables unsuitable for PCA. Incorporating an alternative technique acknowledges the diversity in the data set, resulting in a more robust and nuanced indicator. This methodology is tailored to our data set's specific needs, emerging as an effective solution for constructing a Payment Composite Index.

In conclusion, this method optimally combines PCA's power for meaningful variables with a simple equal-weighting approach for others. The result is a comprehensive Payment Composite Index that is more robust and better suited for our specific data set and indicator.

ANNEX 4 – STAKEHOLDER CONSULTATION

The following table lists the organisations consulted to gather evidence on good practice in place to combat late payments in European countries.

List of organisations consulted

Organisation consulted	Country	Type of feedback provided
FENADISMER, Spanish Multisector Platform against Late payments	Spain	Interview
French Ministry of the Economy, Finance, and Industrial and Digital Sovereignty	France	Interview
Ministry for Economic Affairs and Climate Policy	Netherlands	Interview
Ministry of Economy and Finance	Italy	Interview
Ministry of the Economy and Innovation of the Republic of Lithuania	Lithuania	Interview
Government Department of Enterprise, Trade and Employment	Ireland	Interview
Ministry of Economic Development and Technology	Poland	Interview
AFEP – French Association of Large Companies	France	Interview
The Federation of Finnish Enterprises	Finland	Position Paper

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