COFACE ECONOMIC PUBLICATIONS

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SURVEY

By the Coface Economist based in Mainz (Germany)

Germany's corporate payment survey: a better year, particularly for exporters

4 BUSINESS CLIMATE: companies with a positive view on the German market

5 PAYMENT EXPERIENCE in the German economy

9 PAYMENT EXPERIENCE in different sectors

Coface carried out its second payment survey for Germany this year, making it possible to compare results between the two surveys. Generally speaking, many of the foregone tendencies were somewhat confirmed in 2017. In some aspects, however, improvements can be detected in the payment situations of German companies. The German survey showed that, once again, despite the country's solid economic situation, nearly 78% of companies are affected by delays in payments. Nevertheless, this ratio has declined by more than 6 percentage points within a year. The positive situation of German companies is also reflected in their assessment of a slight reduction in the financial volumes of outstanding receivables over the past year. Payment delays for the companies surveyed remain within manageable temporary limits. Potential liquidity risks from very long overdue receivables are thus comparably low and are less than in 2016. As a consequence of the improved macroeconomic environment worldwide, the payment experience of export-oriented companies is markedly better than last year. This could also be linked to greater caution in the granting of credit periods.

The picture across business sectors is mixed. According to Coface's calculations, payment delays amount to 41.4 days on a cross-sector average, as in the 2016 survey. Nevertheless, some segments report much longer payment delays, particularly the Textiles/Leather/Clothing Industries (54.5 days), Wood/Furniture (53.8 days) and Transportation (50.5 days). The Mechanics/Precision (25.0 days) and Automotives (31.9 days) sectors experienced the shortest overdue periods.

Questioned on their expectations regarding overdues, the "optimists" and "pessimists" are fairly balanced. While Paper/Packaging/Printing and Textiles/Leather/Clothing in particular expect a worsening, Wood/Furniture, Agriculture/Food and Transportation anticipate significant improvements. As concerns the upcoming Brexit, only the Automotives, Mechanical Engineering and Mechanics/Precision Industry sectors are slightly more cautious on payment risks. Companies in the Automotives and Mechanical Engineering industries have particularly close trading ties to the United Kingdom.

The second Coface study on the payment experiences of German companies has shown that, despite the solid position of the German economy and the decline in the number of corporate insolvencies, delays in payments are still commonplace. However they have become less frequent, when compared to the results in 2016. By international comparison, these delays are generally shorter and less risky for liquidity positions. As a consequence of the better global environment, the payment experience of export-oriented companies improved. These trends – of the robust domestic economy and sounder external environment – could further improve payment behaviour in the coming year.

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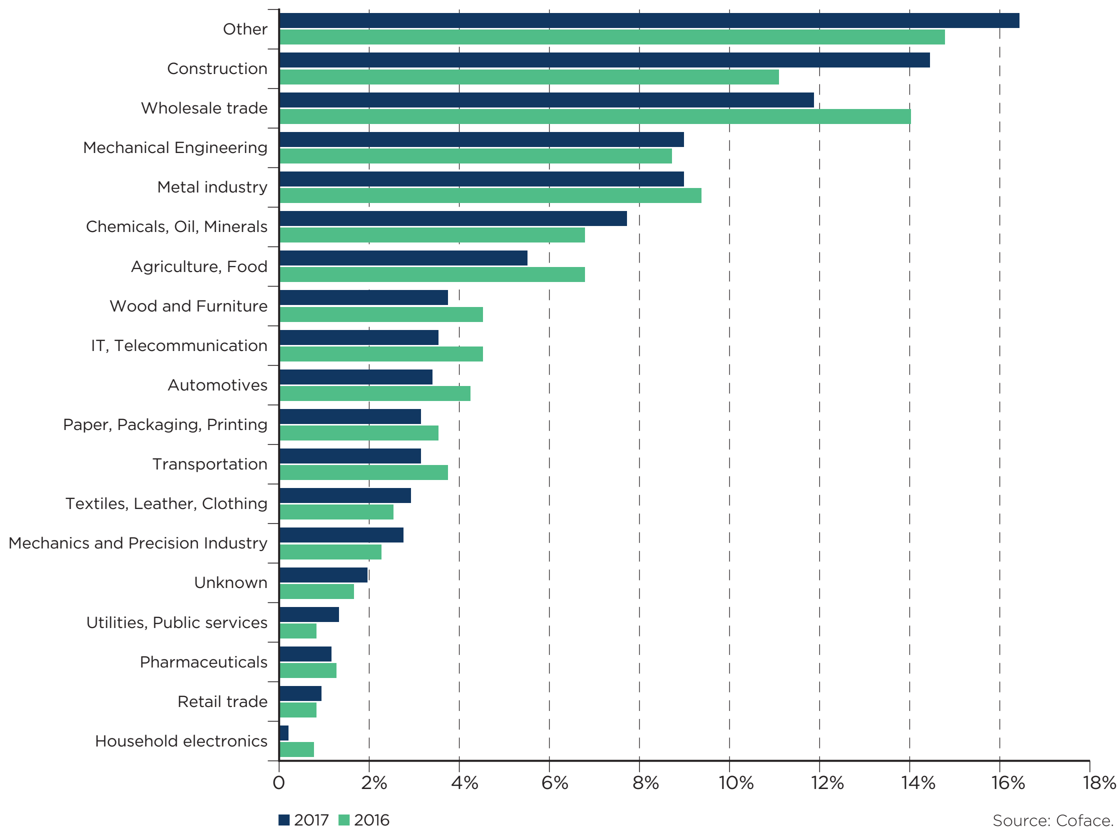
BOX:

Background information on the Coface study

During the survey period between June 19 and August 31 2017, a total of 749 German companies participated in the second Coface study on payment experiences. Participation was higher in the precedent survey, which questioned 850 companies. Of the 749 companies surveyed in 2017, around 42% represent manufacturing industries, 29% the trade sector and nearly 23% the services sector. A further breakdown by sectors reveals a broad spread in the survey's participants. There were no major shifts in the spread of the participating sectors compared to last year's survey. With a share of more than 14%, the Construction sector is strongly represented, followed by the wholesale trade with almost 12% and Metals and Mechanical Engineering, both with 8.9%. The response category of "Others" comprises a large number of special sub-segments and inconsistencies, which are not further analysed.

Chart 1:
Distribution of the participants by business sectors *(figures in percent)*



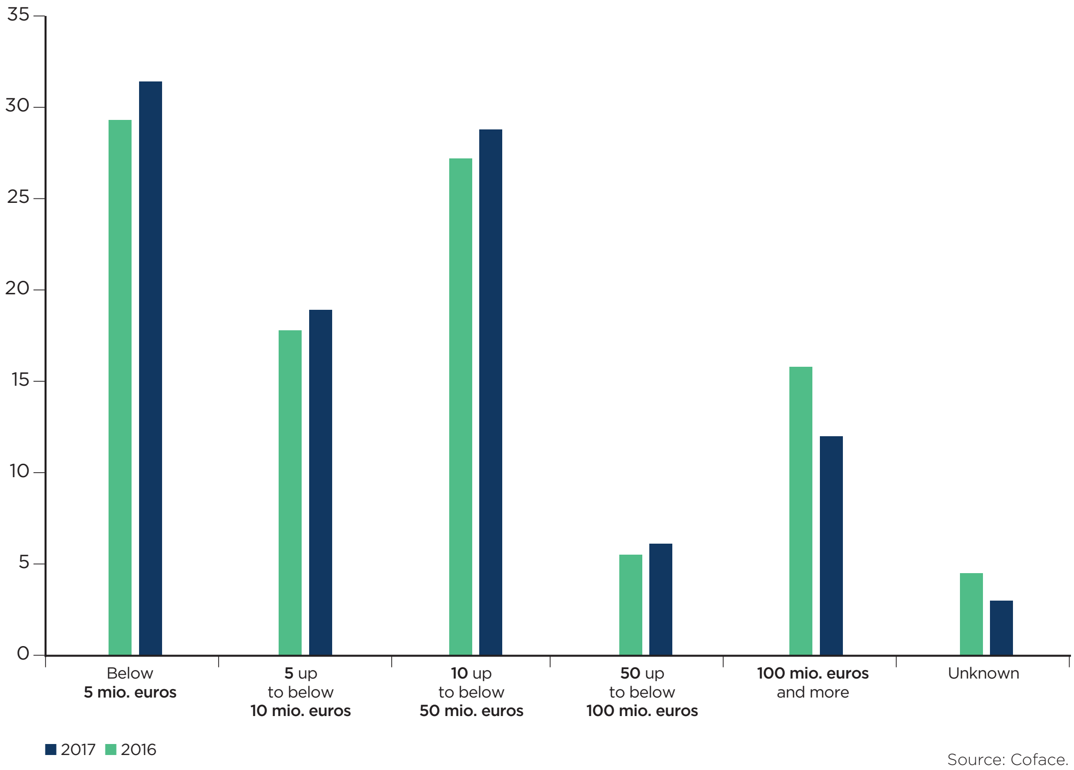
Source: Coface.

"The German survey showed that, once again, despite the country's solid economic situation, nearly 78% of companies are affected by delays in payments. Nevertheless, this ratio has declined by more than 6 percentage points within a year."

The sample covered by Coface again shows that a clear majority of companies (71.3%) generate most of their turnover on the German domestic market. Only 11.7% of the companies surveyed generate the majority of their revenues from export business. For around 15.6% of the interviewed companies, turnover volume is evenly distributed between domestic and export transactions. The "domestic orientation" in the sample of the surveyed companies therefore increased over the course of the last year.

According to the EU Commission's classification, small and medium sized businesses (with a maximum annual turnover of EUR 50 million) account for almost 80% of the participants. When compared to 2016, the sample's concentration of small and medium sized businesses slightly increased (from almost 75% in 2016). Companies with an annual turnover of at least EUR 100 million represent 12% of those surveyed - a lower share than in 2016 (15.8%).

Chart 2:
Distribution of participants by turnover figures *(figures in percent)*



Source: Coface.

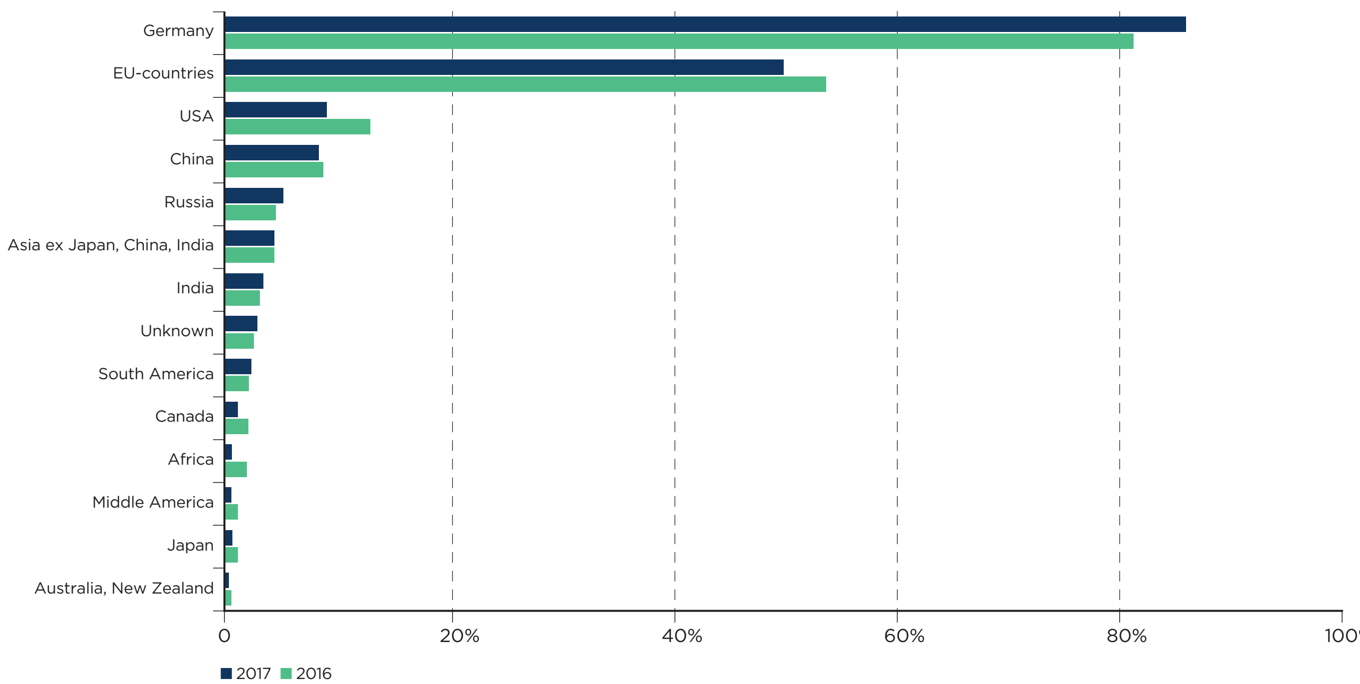
1 BUSINESS CLIMATE: COMPANIES WITH A POSITIVE VIEW ON THE GERMAN MARKET

Reporting a distinct improvement in the business environment during the past year (47.2% see an improvement, vs. 12.7% who see a deterioration), companies expect a continuation of the positive trend for their businesses. This upward movement is however slowing, with 31.5% expecting a rise in business volumes and 9.1% a deterioration. Nevertheless, companies within the sample are even more optimistic on foregone and current business. For this year, the majority (57.7%) expect a stable business situation, similar to the sentiment expressed last year.

Companies that rely heavily on the domestic German market had more favourable expectations over the future of their businesses, with the optimists (32.3%) outweighing the pessimists (8.3%). When compared to the sentiments expressed in 2016, they were even more optimistic. Insecurity over the economic environment also shrank significantly among export-oriented companies, where the share of optimists rose to 29.8% and pessimists decreased to 9.5%. This year's Coface survey thus clearly indicates that export prospects have improved significantly.

The answer to the question on the best sales perspectives (up to three answers were permitted) for the next twelve months, again shows a very clear picture. 81% of companies see the best perspectives for their business development in Germany. This is followed by EU countries, with a proportion of around 50%. Following behind at a considerable distance are the USA (with 9.1%) and China (8.4%), ranking third and fourth. This corresponds to the macroeconomic indicators which show a continued recovery, particularly in the Eurozone's former crisis countries. The "biggest loser" is the USA, which fell in importance by about 4 percentage points. None of the other economic regions or countries saw a significant upwards or downwards shift.

Chart 3:
Survey on the best sales perspectives *(figures in percent, up to three answers were permitted)*



Source: Coface.

75.3% of the companies that concentrate on export business see their best business opportunities in European Union countries - this is a significant increase of around 15 percentage points! Germany is in second place, with around 38%, followed by the USA (31.2% and China (26%). Nevertheless, export-oriented companies do have some concerns over the cooling of economic growth in China, as its share regarding this question has decreased significantly (-5% percentage points).

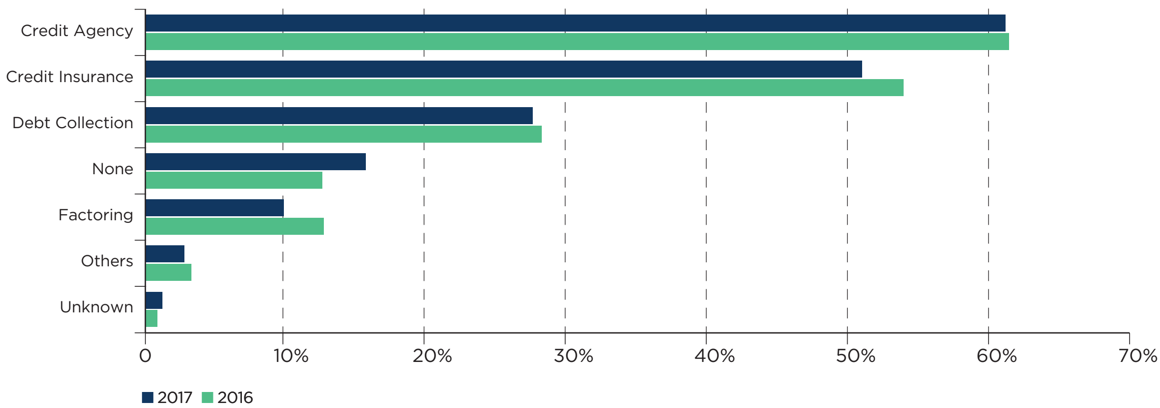
2 PAYMENT EXPERIENCE IN THE GERMAN ECONOMY

Large majority are monitoring risks in receivables management

The large majority of companies have their own credit risk management solutions, with around 28% of companies having their own department or organisation. Credit management is integrated into the Finance departments of 37.8% of companies. Only 18.2% of those surveyed do not have their own credit risk management organisation.

Despite this relatively high share of around 18%, approximately 96% of companies do take protective measures against payment delays - even if, in some cases, credit risks are not explicitly controlled by an organisational unit. Monitoring and checking of the credit-worthiness of buyers are considered to be the most important aspects for protection (73.9%), followed by dunning and debt collection procedures (62.2%), securing of outstanding receivables (39.9%) and safe payment channels (22.5%). Companies are now less proactive in securing their outstanding receivables than in 2016, when their share stood at 43.3%.

Chart 4:
Use of external service providers for credit risk management
(figures in percent, multiple answers could be given)



Source: Coface.

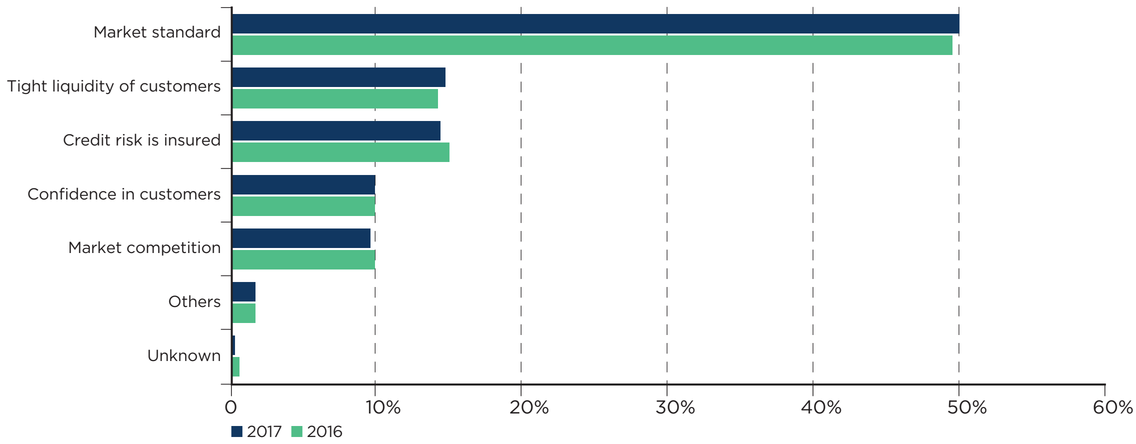
In addition to self-management of credit risks, there are also external support options. 15.6% (2016: 12.6%) of the companies surveyed do not use external service providers at all for credit risk management and half of these companies not carry out credit risk management themselves. This means that as much as 7.8% of the companies interviewed by Coface do not have any direct or indirect control of their credit risks and this share has increased by almost two percentage points within one year.

There are wide-ranging options for the use of external support in credit risk management. 61.1% rely on credit agencies, while 51% use credit insurers and 27.6% debt collection agencies. The relevance of credit insurers decreased by three percentage points compared to Coface's survey last year. Within this context, around 10% of companies use the more niche solution of factoring.

Sale on credit is offered by the majority of companies, with generally short credit lines

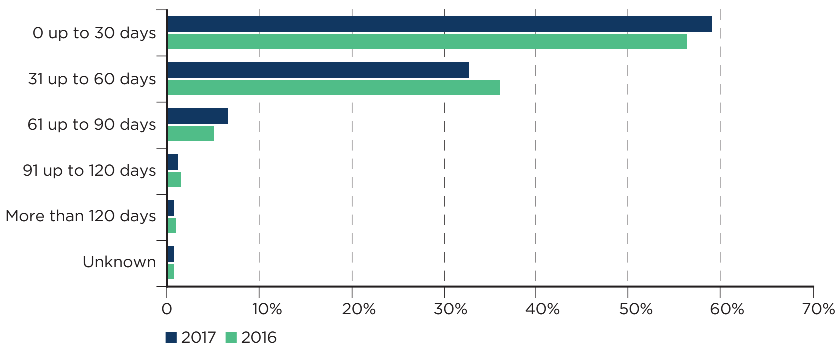
Coface's study shows that the granting of credit periods to customers is still common practice but that companies have become slightly less generous. 83% of companies surveyed granted credit periods to their customers during the past twelve months (2016: 84.4%). For companies that mainly trade in exports, this share decreased significantly over the course of the last twelve months (nearly 92% in 2016, versus 83.8% in 2017). This is only marginally higher than the share of 83.2% for companies that have their main markets in Germany.

Chart 5:
Main reason for the granting of credit periods *(figures in percent)*



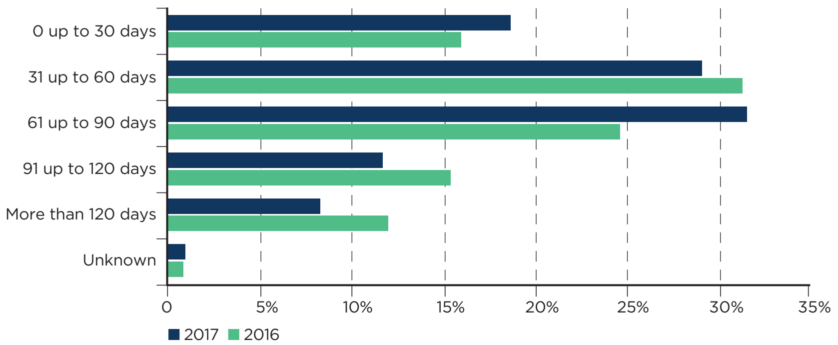
Source: Coface.

Chart 6:
Spread of average credit periods *(figures in percent)*



Source: Coface.

Chart 7:
Spread of maximum credit periods *(figures in percent)*



Source: Coface.

Approximately half of the companies cite 'market standards' as being the main reason for granting credit periods. Almost 15% of companies offer credit periods because they have protected their credit risks by using credit insurance. Other reasons for the granting of credit periods are often linked to direct customer relationships. 14.6% of companies grant credit periods as a buffer to support their customers' tight liquidity situations. A further 10% of companies grant extensions on payment times as they have confidence in their customers - but only 28% of this group secure their outstanding receivables (a proportion which is clearly under the company-wide average of around 40%).

By international comparison, German companies, on average, grant relatively short credit periods (29.8 days) and these periods are even shorter than they were in Coface's 2016 survey (31.1 days). The average credit period for just over 59% of companies is up to 30 days, while almost 92% of companies offer credit periods of up to 60 days.

The survey results are somewhat varied in terms of maximum credit periods. While there is a confirmed trend for shorter credit periods, nearly half of the companies provide maximum credit periods of 60 days. As many as 8.3% report maximum credit periods of over 120 days - but this is significantly lower than the 12% share in 2016. This is particularly serious for export-oriented companies, where this share reaches a good 24%, although this is significantly lower than the 33% reported in the precedent survey.

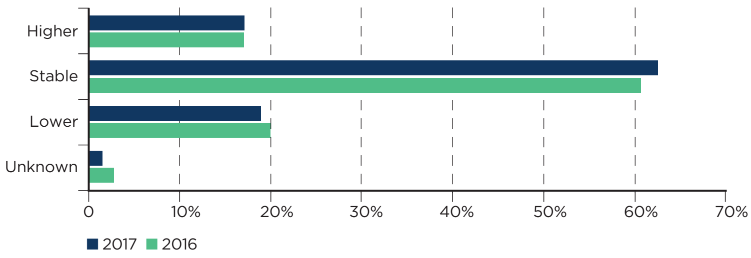
Payment delays becoming less frequent in the German economy

For 77.6% of the companies reviewed, payment delays are a regular occurrence, but this is an improvement compared to the 83.7% reported in 2016. This is due to Germany's favourable business environment and the overall good health of German companies. Payment delays prevail in companies that are mainly dependent on export business, where more than 87% experience payment delays (2016: 90%), compared to the 75.9% (2016: 82.8%) for companies that concentrate on the German market. Compared to the previous year, the size of outstanding receivables shows a further downward trend – albeit at a slightly lower pace. Around 19% (2016: 20%) of the companies surveyed reported a reduction in outstanding receivables, while 17% (2016: 16.9%) have seen a rise. For over 62%, the level of outstanding receivables remains unchanged. Export-oriented companies show more positive results this year compared to Coface's 2016 survey. 20.6% (2016: over 24%) report a reduction in outstanding receivables. Furthermore, only 13.2% (2016: 23.3%) of these companies experienced a considerable rise in outstanding receivables – compared to the average value of 17%. This means that the healthier global macroeconomic environment has improved payment behaviour for export-oriented German companies.

From a temporal perspective, payment delays (an average of 41.4 days, as in 2016) remain within manageable limits. For over three quarters of German companies, the maximum length of payment delays is 60 days – as in the 2016 survey. The proportion of payments of over 150 days amounted to 1.5% (2016: 2.5%). Companies concentrating on the German domestic market report a share of only 1.7% (2016: 1.9%), while export-oriented companies show a higher value, at 2.9% (although this is markedly lower than the 7% reported in the previous payment survey).

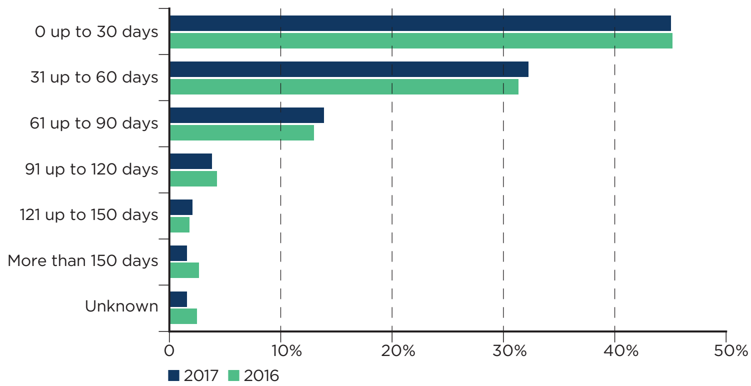
For German enterprises as a whole, the possible liquidity risks arising from outstanding receivables with payment delays of six months or more remain within manageable limits. Coface's experience has shown that around 80% of outstanding receivables will not be fully paid, once the payment delay exceeds six months. The liquidity of companies with outstanding payments, equal to more than 2% of their annual turnover, may be called into question. The proportion of German companies with long overdues of over 6 months which account for at least 2% of their annual turnover, decreased markedly to 8.7% (2016: 13.4%). For Germany's export-orientated companies, however, the picture is less positive, with around 12% (2016: 20%) of companies having long overdues of 6 months or more which represent at least 2% of their turnover.

Chart 8:
Change in the amount of outstanding receivables over the previous year
(figures in percent)



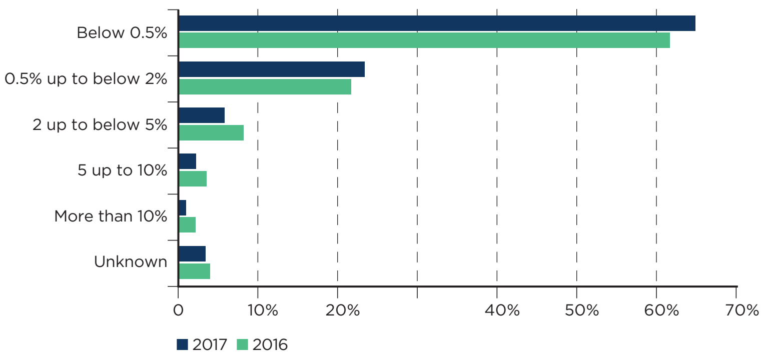
Source: Coface.

Chart 9:
Spread of payment delays *(figures in percent)*



Source: Coface.

Chart 10:
Share in annual turnover of receivables overdue for at least six months
(figures in percent)



Source: Coface.

For German enterprises as a whole, the possible liquidity risks arising from outstanding receivables with payment delays of six months or more remain within manageable limits.

Financial difficulties causing the majority of payment delays

Questioned on the main reason for the delays in receiving payments, 46% of the companies replied that they were due to the financial difficulties of their customers. This share has decreased markedly from the 54.4% signaled in 2016. 17.5% (2016: 14.2%) report management problems as the main reason, followed by commercial disputes, such as perceived inconsistencies in product quality, at 11.5% (2016: 9.4%). Cases of fraud account for 4.2% (2016: 3.8%) of payment delays. Export-oriented companies are more likely to experience commercial disputes as reasons for payment delays (19.1%).

Companies asked to characterise the financial difficulties of their customers generally raise two factors. Nearly half (45.2%) blame high competitive pressure in the corporate sector for financial difficulties. This is a strong indicator for low-margin buyers of goods and services. The second most given reason was the lack of financial resources for customers (23.9%). The survey does not, however, provide further details on whether problems are caused by temporary liquidity tightening or structural problems.

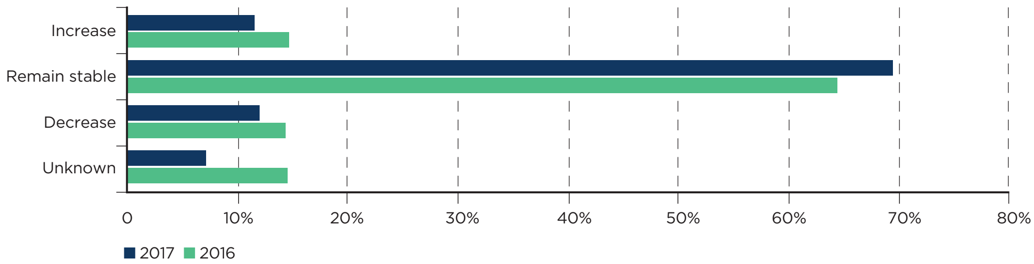
Companies do not expect major changes in their payment experience

Looking forward over the following twelve months, companies surveyed do not expect to see a change in the general size of their outstanding receivables – as in 2016. The results are slightly less mixed in terms of positive or negative anticipations. 69.5% foresee no change and the shares of "optimists" and "pessimists" are nearly identical, at just over 11% each (2016: 14%).

Most German companies do not expect a significant Brexit-impact, although exporters are slightly more cautious

In this year's payment survey, Coface also added questions on Brexit's possible impact on outstanding receivables. The feedback was very clear, as almost 87% of the surveyed companies do not foresee any impact from Brexit and just 3.3% expect an increase in their outstanding receivables. Export-oriented companies foresee slightly more of a negative impact from Brexit (8%), although most (over 84%) expect no impact at all on outstanding receivables.

Chart 11:
Expected changes in the size of outstanding receivables over the next twelve months *(figures in percent)*



Source: Coface.

3 PAYMENT EXPERIENCE IN DIFFERENT SECTOR

BOX:

Coface's sector risk assessments

	Western Europe	Austria	Switzer-land	Germany	France	United Kingdom	Italy	Spain
Automotive	Low risk	Low risk	Low risk	Low risk	Low risk	Medium risk	Low risk	Low risk
Agrofood	Medium risk	Low risk	Medium risk	High risk	Medium risk	Medium risk	Medium risk	Low risk
Chemical	Medium risk	Low risk	Low risk	Low risk	Medium risk	Medium risk	Medium risk	Medium risk
Construction	Medium risk	Medium risk	Medium risk	Low risk	Medium risk	High risk	Very high risk	Medium risk
ICT*	Medium risk	Medium risk	Low risk	Low risk	Medium risk	Medium risk	Medium risk	Medium risk
Energy	High risk	Medium risk	Medium risk	High risk	High risk	High risk	High risk	High risk
Metals	High risk	Medium risk	High risk	Medium risk	High risk	Very high risk	Very high risk	Medium risk
Paper	High risk	Low risk	High risk	High risk	High risk	High risk	High risk	Medium risk
Wood	Medium risk	Medium risk	High risk	Medium risk	Medium risk	High risk	High risk	Medium risk
Pharmacy	Medium risk ↗ Low risk	Low risk	Low risk	Medium risk ↗ Low risk	Medium risk ↗ Low risk	Medium risk	Medium risk ↗ Low risk	Medium risk
Retail	Medium risk	Medium risk	Medium risk	Medium risk	Low risk	High risk	Medium risk	Low risk
Textile	High risk	High risk	High risk	High risk	High risk	High risk	High risk	Medium risk
Transport	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Low risk

* Information and Communication Technologies

Source: Coface

The stable situation of the German economy is reflected in the solid financial health of German companies. Individual sectors are at least at the same level as the respective assessments for the Western European Region. Coface sees the lowest risks among German sectors for the Automotive, Chemicals, Construction, Pharmaceutical and Information & Communication industries.

Coface's sector risk assessments evaluate the average credit risk of twelve different sectors. Risks are classed within four categories: low risk, medium risk, high risk, very high risk.

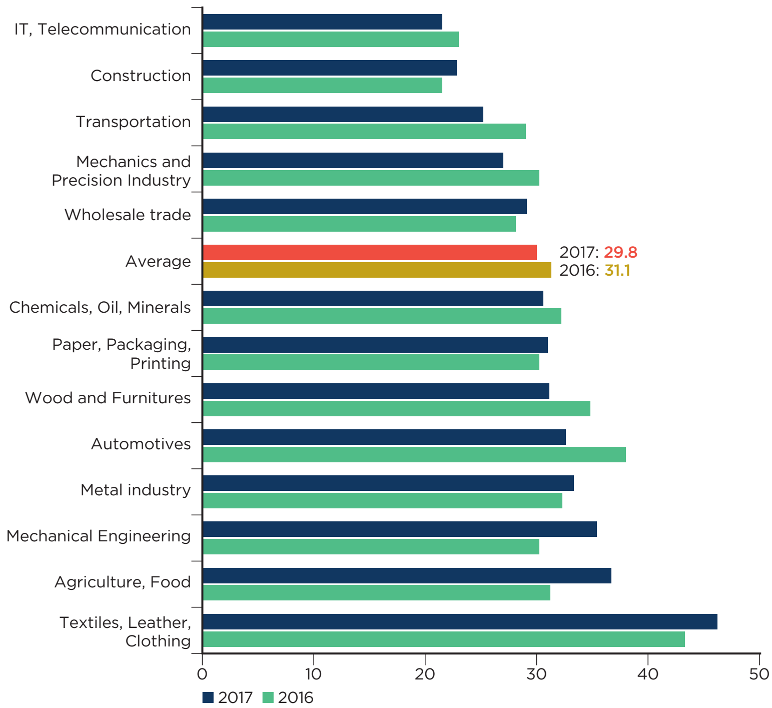
BUSINESS DEFAULT RISK

Low risk | Medium risk
High risk | Very high risk
↗ Upgrade | ↘ Downgrade

In all business sectors, the majority of companies grant credit periods

Across the thirteen sectors analysed by Coface[1], the share of companies granting credit periods varies between 69.2% and 100.0%. This wide range of almost 31 percentage points is much higher than in the 2016 survey, which showed a variation of around 16 percentage points. The most restrictive credit periods are granted by the Wood and Furniture industry (69.2%). On the other end of the scale, 100% of companies in the Paper/Packaging/Printing segment grant credit periods, followed by Chemicals/Oils/Minerals (92.2%) and the Metal Industry (88.3%). When compared to 2016, the biggest shifts are seen in the more generous approach in Paper/Packaging/Printing (2016: 85.7%) and Automotives (87% in 2017, up from 75.8% in 2016). Conversely, companies in the Wood/Furniture (2016: 81.3%) and Textiles/Leather/Clothing (73.7% in 2017, down from 84.2% in 2016) segments became significantly less generous.

Chart 12:
Average credit periods by industry *(figures in percent)*



Source: Coface.

The credit periods granted are relatively short across all business sectors. Among the thirteen sectors under consideration, over 80% of the credit limits are granted for 60 days or less – unchanged since 2016. In IT/Telecommunications, the share is 100%. It is also interesting to note that only six sectors offer average credit periods of more than 90 days – and this with a rather low percentage share, with a maximum of 13.3% in the Automotive, Textiles/Leather/Clothing, Mechanical Engineering, Paper/Packaging/Printing, Chemicals/Oil/Minerals, and Agriculture/Food sectors. Very long credit periods of more than 120 days are exclusively granted by the Textiles/Leather/Clothing and Agriculture/Food sectors.

For the German economy as a whole, average credit periods were slightly shorter, at 29.8 days in 2017, compared to 31.1 days in 2016. On analysing the different sectors, there are some significant shifts in the duration of average credit terms. The Agriculture/Food and Mechanical Engineering sectors increased their average payment terms by more than 5 days. In contrast, the Automotives, Transportation and Wood/Furniture segments shortened their terms by at least about 4 days. The longest average credit terms seen in the 2017 survey are in the Textiles/Leather/Clothing sector with 46 days, while for IT/Telecommunications, the period is just 21.3 days.

Unsurprisingly, the survey replies on maximum credit periods showed a more differentiated picture. With a share of more than 60%, the trend for short maximum credit periods (of up to 60 days) is considerably above average in the IT/Telecommunication, Transportation, Construction Mechanics/Precision industry and Automotives sectors. Conversely, around 30% of the Paper/Packaging/printing and Metal industries grants long maximum credit periods of over 90 days.

1/ Although the Payment Survey contains answers from a total of seventeen sectors, the absolute numbers of answers from some business sectors – such as Retail Trade, Public Providers/Public Services, Household Electronics and Pharmaceuticals – were too small to make reliable conclusions. These sectors are therefore not considered in the following analysis.

BOX:

Ranking of industries by "generosity" in terms of granting credit periods

	Ranking	Share credit period	Average	Maximum
Textiles, Leather, Clothing	**1** (1)	12	1	4
Mechanical Engineering	**2** (3)	10	3	1
Metal industry	**3** (10)	3	4	3
Paper, Packaging, Printing	**4** (4)	1	7	2
Agriculture, Food	**5** (6)	5	2	8
Wholesale trade	**6 (9)**	6	9	5
Chemicals, Oil, Minerals	**7** (8)	2	8	6
Wood and Furniture	**8** (2)	13	6	7
Automotives	**9** (5)	4	5	9
Transportation	**10** (11)	9	11	11
Construction	**11** (13)	8	12	10
Mechanics and Precision industry	**12** (7)	11	10	13
IT Telecommunication	**13** (12)	7	13	12

Source: Coface.

Coface's assessment of the generosity, or restrictiveness, of business sectors in the granting of credit periods is based on three parameters:
1) the share of companies who grant credit periods at all,
2) the distribution of the average, and
3) the distribution of maximum credit periods. Average values of 15, 45, 75, 105 and 150 days were used for the respective periods. The deviations from maximum and average credit periods from the average sector value were weighted with the share of companies granting credit periods at all. This results in a rating of the most generous sectors, the highest being rated at 1 and the most restrictive sector at 13. The same qualitative ranking is used for the parameters of Share Credit Period, Average Credit Period and Maximum Credit Period. Numbers in brackets refer to the ranking in 2016.

Although it could be assumed that the industries granting the most credit periods (measured as a share of companies granting credit periods) are also the most generous in terms of average and maximum credit periods, apart from a few exceptions, a qualitative ranking does not provide a consistent picture. On the basis of three parameters (see box), Coface rated the thirteen analysed industries by generosity and restrictiveness in terms of granting credit periods. Textiles/Leather/Clothing is the most generous sector, although the share of companies granting credit periods was below average, at 73.2%. On the other hand, this industry grants the longest average and fourth longest maximum credit periods. IT/Telecommunications industries are the most restrictive, with the shortest average and second shortest maximum credit periods.

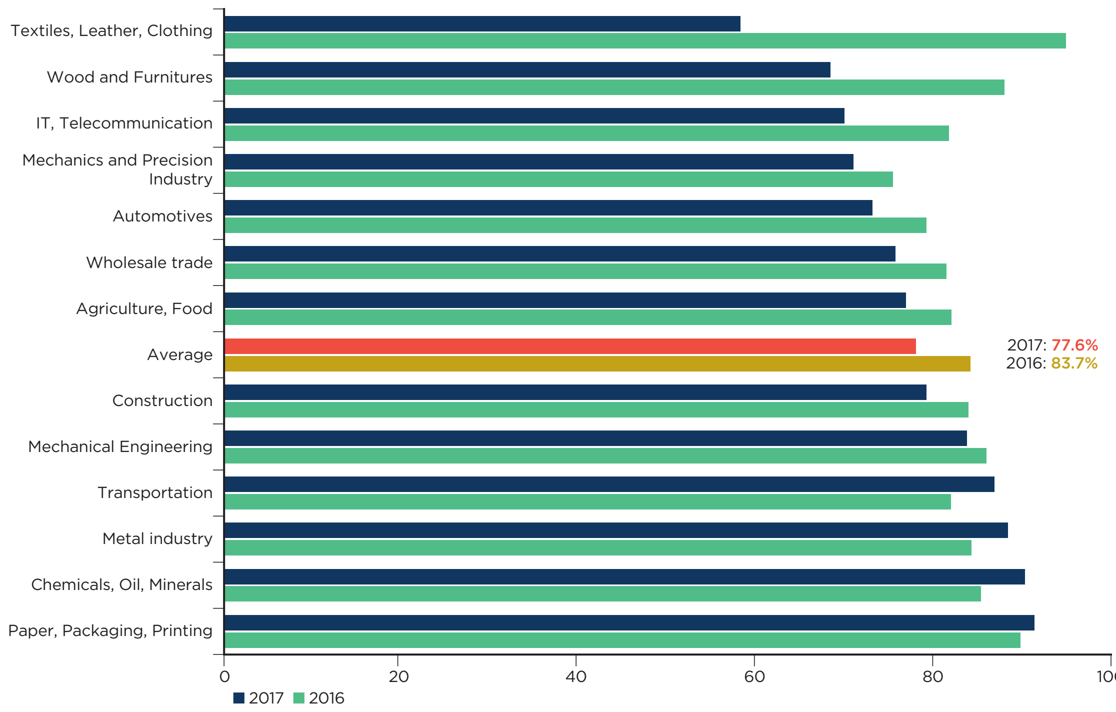
These inconsistencies are particularly prevalent in Mechanical Engineering. While at 80.3% the share of companies which grant credit periods at all is well below the average, these companies are relatively generous in their average and maximum credit periods. The Mechanics & Precision sector shows a consistent policy. Not only does it have a below average share of companies that grant credit periods at all, but also in terms of the maximum and average credit periods granted.

Delays in payments differ widely across sectors

Across the thirteen sectors considered, the share of companies suffering delays in payments is, on average, 77.6%, with ranges of around 13 percentage points above and 30 points below. Clearly distanced from the other sectors, Textiles/Leather/Clothing is the least affected by payment delays, with a share of 57.9%. In Coface's previous survey, this sector was the most affected by payment delays, with a rate of 94.4%.

In the current survey, the Paper/Packaging/Printing industry is the most affected, with a share of 90.9% affected by payment delays. When compared to the situation a year earlier, the biggest improvements can be seen in the Textiles/Leather/Clothing and the Wood/Furniture sectors. In contrast, the biggest deterioration was seen in the Chemicals/Oils/Minerals and Transportation industries.

Chart 13:
Share of companies per sector suffering payment delays *(figures in percent)*



Source: Coface.

Chart 14:
Changes from the previous year in the volume of outstanding receivables, per sector
(figures in balance points)

Source: Coface.

For 9 of the 13 sectors studied, the financial extent of outstanding receivables declined over the last year. For 7 of these 9 sectors, the amount of outstanding receivables decreased for the second year in a row. A particularly impressive reduction was recorded in the Agriculture and Food sector, with -19.2 points. 26.9% of companies reported a reduction in the volume of outstanding receivables, while only 7.7% have seen an increase. Moreover, distinct improvements can be observed in IT/Telecommunications. The situation is the most critical in the Textiles/Leather/Clothing (+18.2 points) and Metals (+13.7, following +12.7 in 2016) sectors. Although the share of companies in the Textiles/Leather/Clothing industries suffering from payment delays is the lowest, at 57.9%, its volume of outstanding receivables increased at the highest rate.

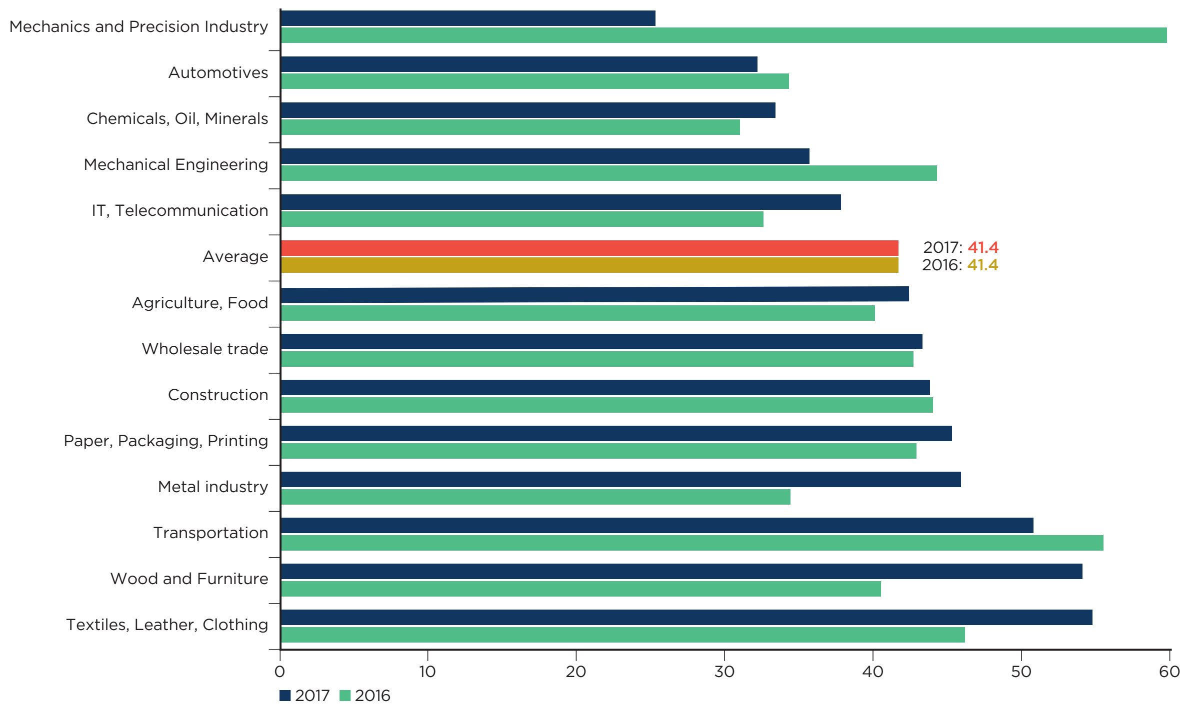
Long delays in payments are particularly prevalent in the Textile/Leather/Clothing, Wood/Furniture and Transportation sectors

To gain an overview of the average delays in payments for individual sectors, the following assumptions were made. The simple mean values used for the individual time categories were 15, 45, 75, 105 and 135 days. A hypothetical average value of 180 days was used for the category of over 150 days. This was the basis for the calculation of a weighted average, according to the response frequency in the individual categories. This method led to an average value of 41.4 days for all companies surveyed. In a subsequent step, it was then possible to compare the values for the thirteen sectors.

Some sectors suffer from longer delays in payments, which are significantly above average. These include, in particular, the Textiles/Leather/Clothing industry, where the hypothetical average value of payment delays is 54.5 days, followed by Wood/Furniture, with 53.8 days. Using Coface's model, the shortest delays in payment are in the Mechanics/Precision industries (25.0 days), Automotives (31.9 days) and Chemicals/Oil/Minerals (33.1 days) sectors.

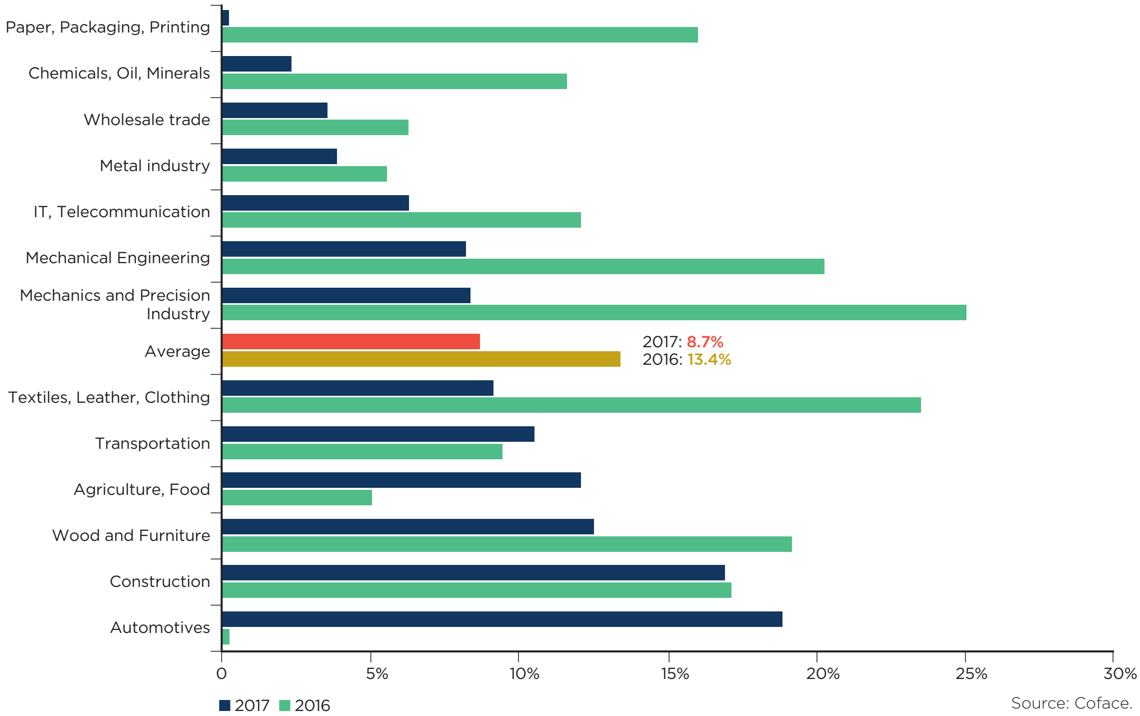
From a risk point of view, particular attention was paid to the sectors where very long payment delays of at least 180 days constitute more than 2% of the annual turnover. On the basis of this criterion, excessive risks exist in the Automotive Industry, where almost one in five companies show this type of potential liquidity risk. Above average risks can also be observed in the Construction sector, with a share of 16.9%, as well as in Wood/Furniture, with 12.5%. The biggest improvements can be seen in the Mechanics/Precision industries and Paper/Packaging/Printing sectors. In contrast, there are much higher liquidity risks in the Automotive and Agriculture/Food industries. These two sectors, along with Transportation, are the only three where the liquidity risks due to ultra-long payment delays increased in comparison to 2016.

Chart 15:
Hypothetical term of payment delays *(figures in number of days)*



Source: Coface.

Chart 16:
Share of overdue payments of at least six months, accounting for 2% or more of annual turnover, per sector *(in percent)*



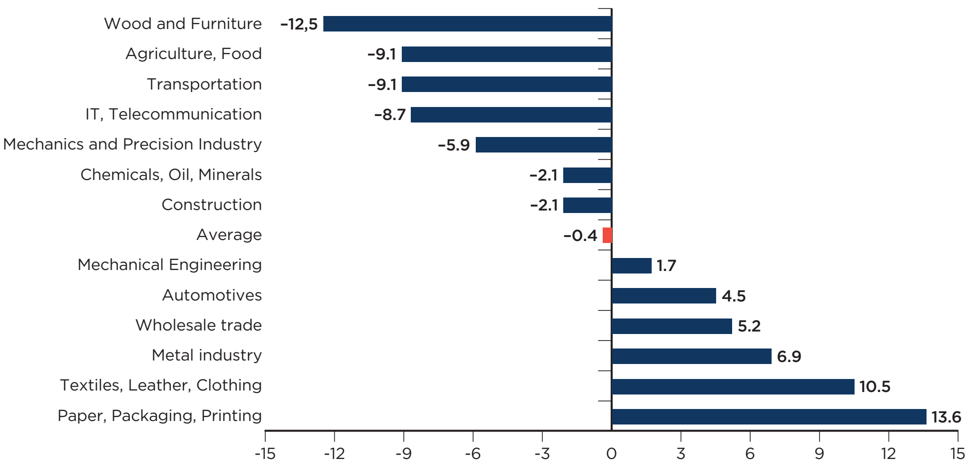
Source: Coface.

Within this context, no liquidity risks can be seen among the Paper/Packaging/Printing companies surveyed, as they did not report any sales burdens due to very long delays in payments. Similarly, companies in the Chemicals/Oils/Minerals (2.3%), Wholesale Trade (3.5%) and Metals (3.9%) sectors are the most relaxed in their respective assessments, as their results are clearly below average.

The business sectors vary in terms of their expectations on the volume of outstanding payments

The forecast for the next twelve months, on whether outstanding payments will increase or decrease, varies across the sectors. The biggest improvements are expected by the Wood/Furniture (-12.5 points), Agriculture/Food (-9.1 points), Transportation (-9.1 points) and IT/Telecommunication (-8.7 points) sectors – again in terms of balance points. In contrast, six of the 13 sectors expect to see an increase in outstanding receivables. The most negative feedback was reported by the Paper/Packaging/Printing (+13.6 points), Textiles/Leather/Clothing (+10.5 points) and Metal industry (+6.9 points) sectors.

Chart 17:
Expectations of changes in volume of outstanding payments, per sector, over the next twelve months *(figures in balance points)*



Source: Coface.

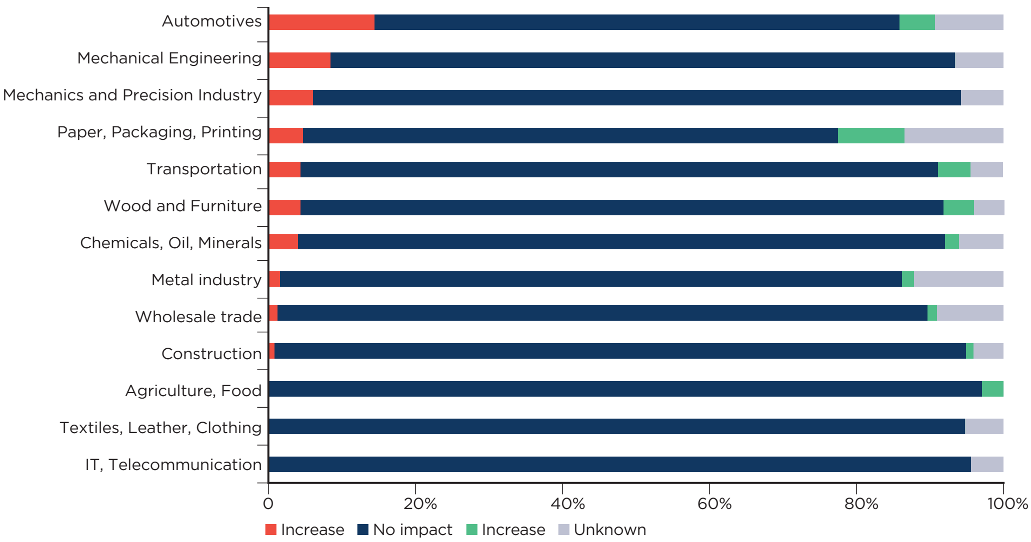
BOX:

Which sectors are the most concerned about Brexit?

With the European Union and the United Kingdom currently in deep negotiations over the upcoming Brexit, this could have an impact on payment behaviours in certain sectors. In terms of export data, deliveries to the UK are highly concentrated in the Automotives, Machines, Pharmaceuticals and Chemicals sectors. These industries could therefore potentially be the most affected by changes in the payment behaviour of their British clients.

From a sectorial standpoint, German companies in the Automotive sector are the most concerned over a possible increase in outstanding receivables due to Brexit, but with a share of 14.3%, this share is still quite low. The producers of investment goods in Mechanical Engineering (8.5%) and in the Mechanics/Precision Industry (5.9%) are also slightly more cautious on their expectations.

Chart 18:
Expected changes in the size of outstanding receivables due to the Brexit, per sector *(figures in percent)*



Source: Coface.

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