14 SEPTEMBER 2021

PAYMENT SURVEY

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Germany Corporate Payment Survey 2021: Learning to live with the pandemic

The fifth edition of Coface's survey on corporate payment experience in Germany was conducted in July and August 2021[1], with 819 companies participating. This is also the second survey with German companies – on the payment behaviour of their clients – in the context of the COVID-19 pandemic. One of the main takeaways of the 2021 edition is that German companies seem to have acclimatised to the pandemic environment. Most notably, more companies are offering payment terms again (74%) compared to last year, when the figure had fallen sharply from over 80% in the pre COVID-19 period to 62% in 2020. However, companies remain cautious and still want to cash-in as soon as possible. Accordingly, the preference for short credit-terms remained unchanged: half of surveyed companies requested payments to be made within 0 and 30 days, while ultra-long credit terms (above 120 days) became extremely rare.

The surprising result from last year's survey was confirmed this year: although Germany experienced a strong recession, the number and duration of payment delays both decreased. In 2021, payment discipline even improved compared to already good results in 2020. Only 59% of surveyed companies reported payment delays, down from 68% last year[2]. Furthermore, the average duration of payment delays shortened by over a week, from 35.9 days in 2020 to 27.7 days in 2021. All sectors, except the two notable industries of machinery and retail-wholesale trade, reported a decline in the duration of late payments. In pharma-chemicals and ICT[3], this time-frame even shortened by over 3 ½ weeks. With an average of 17.5 days, companies in the ICT sector experienced the shortest waiting-time, while companies in the machinery sector had to be the most patient with an average delay of 35.8 days.

The business outlook from surveyed companies for 2021 and 2022 is very positive. However, this assessment must be put into perspective as it comes after a recession in 2020. 41% of participants have a positive economic outlook for 2021, while 11% see their business situation deteriorating compared to 2020. While the share of respondents with a positive outlook for 2022 remains high, it falls to 32%, reflecting lower certainty (11% remain pessimistic). Furthermore, although the effects of COVID-19 on the domestic and global markets remain a major risk, companies perceive disruptions of global production chains as the main risk for their exporting operations in 2021. Interestingly, this risk is not preventing companies from working more on international markets again, particularly in the EU/UK, China and the US. Finally, among the notable findings of our 2021 survey, it is clear that state aid remains a major feature for companies that responded. 48% of participants confirmed that they had used public support in the last 12 months, such as furlough, subsidies, loans or guarantees. While these support measures will – under current law – expire at the end of 2021 at the latest, it will be interesting to see if the extremely positive payment behaviour in Germany is the result of a strong economic recovery or that of significant public financial support and higher debt.

1 The survey was conducted between 28 June and 15 August 2021.
2 This is a very positive result, also when compared internationally. For instance, in Poland, 97% of surveyed companies reported payment delays in 2020, see Coface Corporate Payment Survey Poland 2021: Amid support programmes, corporate payment delays have shortened during the pandemic.
3 ICT – Information and Communication Technologies

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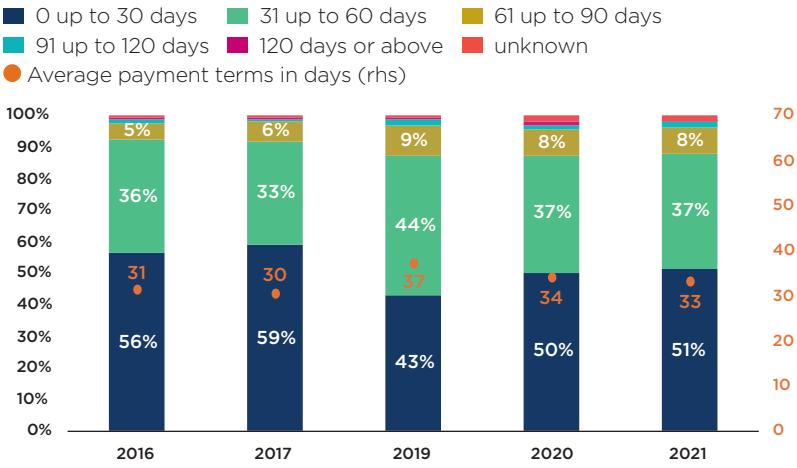
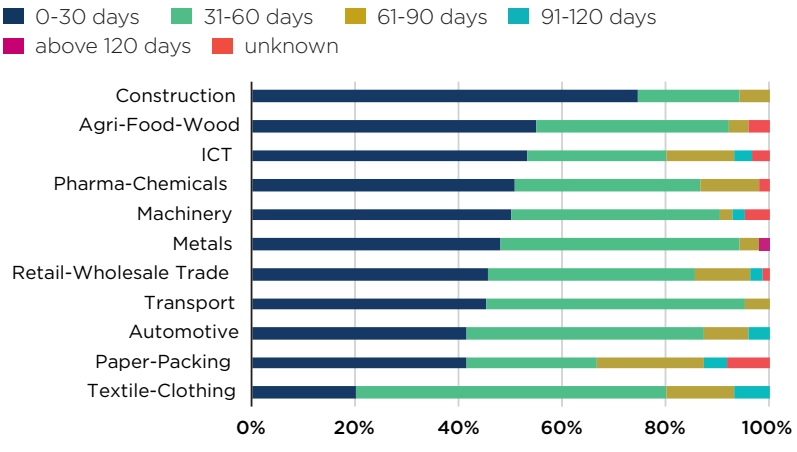
1 PAYMENT TERMS[4]: GERMAN COMPANIES GOT USED TO THE PANDEMIC

Chart 1:
Hypothetical payment terms in Germany over time[5]



Source: Coface Payment Survey Germany 2021

Chart 2:
Hypothetical payment terms in sectors



Source: Coface Payment Survey Germany 2021

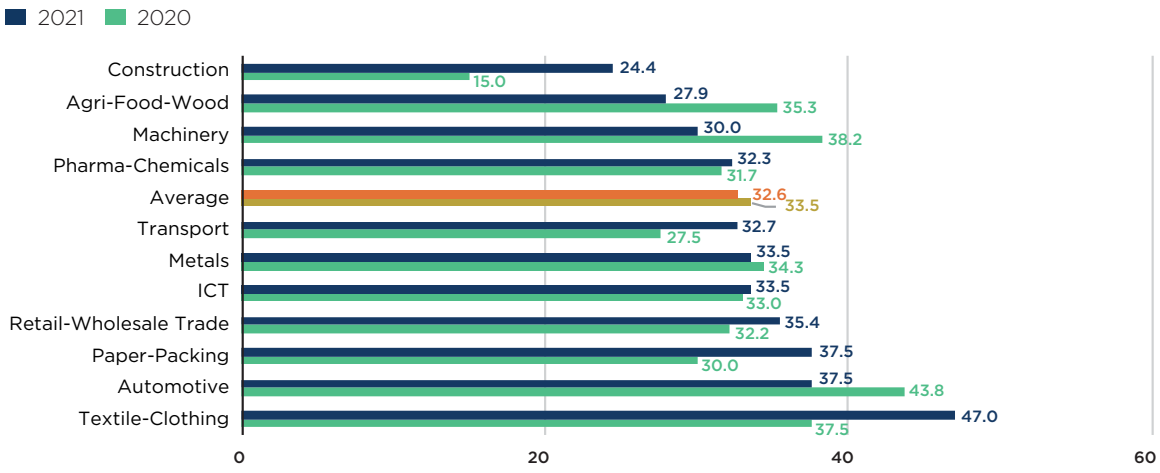
- According to the data of our payment survey, German companies have been a bit more relaxed in 2021 compared to 2020 and provided more payment terms to their customers again. In 2020, companies were very cautious: the share of companies that offered payment terms dropped from over 80% in the pre COVID-19 period to 62%, according to last year's survey[6]. This trend has reversed in 2021, as 74% of companies are offering payment terms once again. German companies operating on the domestic market are the main driver of this reversal: while only 57% of these companies offered payment terms in 2020, their share increased to 73% in 2021.

- Short payment terms (between 0 to 60 days) still dominate the German business landscape. 88% of companies requested payments to be made within 60 days in 2021, which is almost unchanged from 2020 and 2019 **(Chart 1)**. The distribution of time-ranges for payment terms is also almost unchanged from last year, which is why the average payment term in 2021 decreased only marginally by around a day, from 33.5 days in 2020 to 32.6 days in 2021. The comparison with former payment surveys indicates that, while we observe a declining trend in the average payment terms over the years, the level is still above that of 2016 and 2017[7].

The average credit period decreased marginally by around one day, from 34 days in 2020 to 33 days in 2021.

4 Payment term – the time-frame between when a customer purchases a product or service and when payment is due
5 Due to technical reasons, Coface did not publish a Corporate Payment Survey for Germany in 2018
6 Coface Germany Corporate Payment Survey 2020: German companies have switched to "crisis-mode" and offer less payment terms
7 Due to technical reasons, Coface did no publish a Corporate Payment Survey for Germany in 2018

Chart 3:
Average payment terms (days)[8]



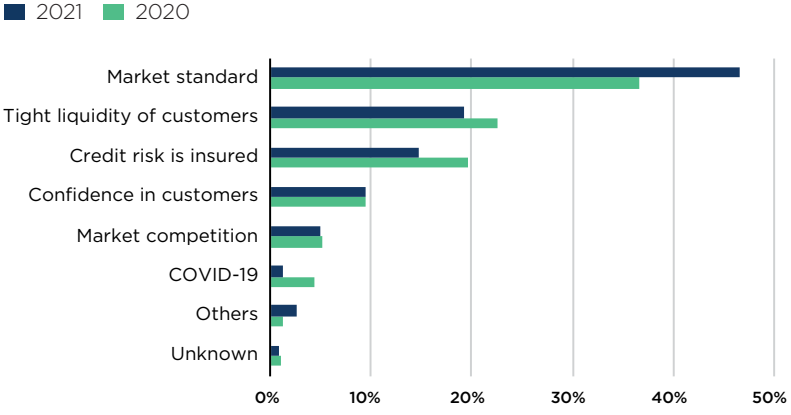
Source: Coface Payment Survey Germany 2021

- Looking at sectors, construction still has the shortest payment terms: almost 75% of participants expect their invoices to be paid within the first 30 days **(Chart 2)**. In 2021, 7 out of 11 sectors offered payment terms longer than 90 days, while ultra-long payment terms (above 120 days) have become very rare. Only 0.2% of participants offered them in 2021, all of them in the metals sector.

- While the average payment terms of all participating companies has changed only slightly, changes in individual sectors were noticeable in 2021 **(Chart 3)**. Strong increases - of almost 10 days – were observed in the construction sector and the textile-clothing sector. Conversely, machinery (-8.2 days), agri-food-wood (-7.3 days) and automotive (-6.3 days) reported the strongest declines in payment terms. As indicated above, construction remained the sector with the shortest payment terms (24.4 days), while textile-clothing became the most generous sector – replacing automotive - and is now asking for payments to be settled up to 47 days after the delivery of a product or a service, on average.

- The answers in our survey hint that the uncertainty around the COVID-19 crisis has declined in 2021, but that companies remain vigilant. More companies are offering payment terms in Germany, but those have shortened slightly, suggesting that companies are still eager to cash-in as early as possible. When asking about the reasons behind the availability of payment terms, our participants primarily named market standards. This share has actually increased and is now back at 47% (around the pre COVID-19 level). In contrast, less companies (15% in 2021 vs. 22% in 2020) cited tight liquidity for their customers as a reason to offer payment terms, and only 1% explicitly cited the effects of the COVID-19 crisis in 2021 vs. 4% in 2020 **(Chart 4)**.

Chart 4:
Reasons for offering payment terms



Source: Coface Payment Survey Germany 2021

IN 2021

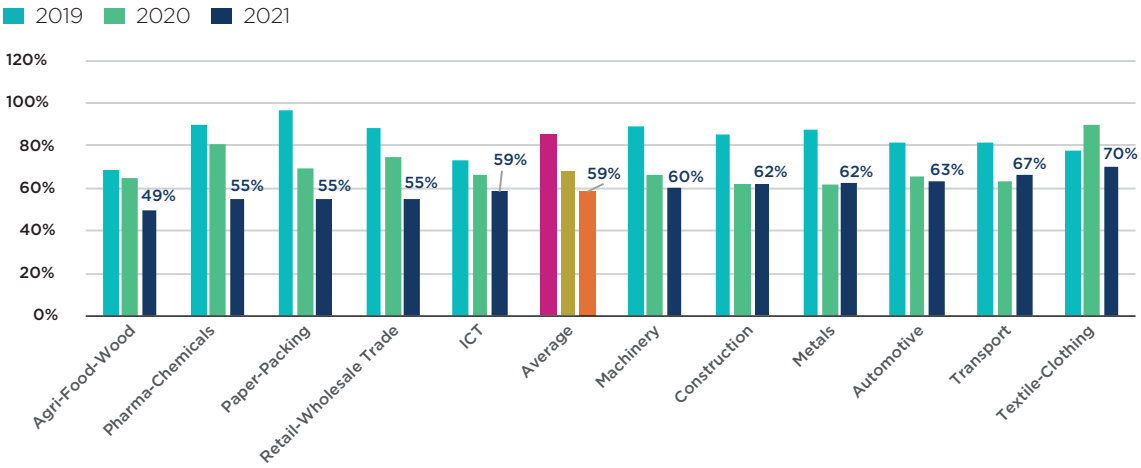
74%

OF SURVEYED PARTICIPANTS offered payment terms again. This is more than in 2020 (62%), but less than in the pre COVID-19 period (81%).

8 We ask our participants to give answers in time-ranges. As our lowest category is 0 to 30 days, the minimum average payment term is 15 days in our survey.

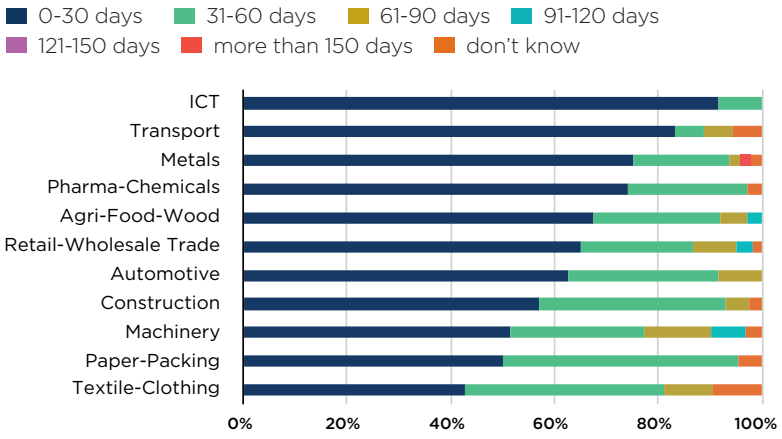
2 PAYMENT DELAYS[9]: COMPANIES GET PAID FASTER

Chart 5:
Share of companies reporting payment delays by sector



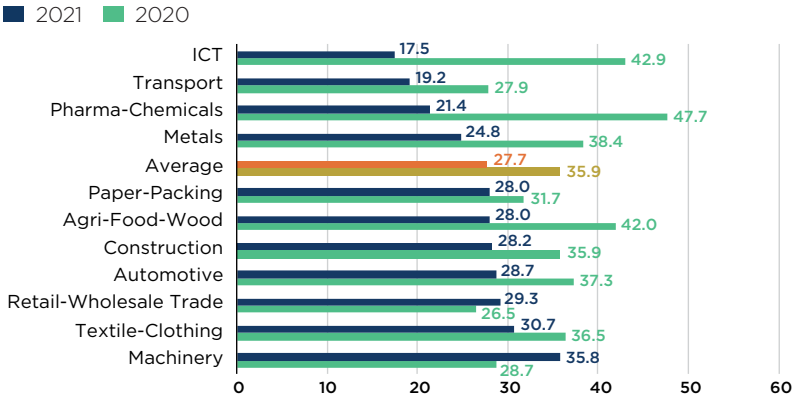
Source: Coface Payment Survey Germany 2021

Chart 6:
Hypothetical payment delays in sectors



Source: Coface Payment Survey Germany 2021

Chart 7:
Average payment delays (days)



Source: Coface Payment Survey Germany 2021

- Since the publishing of our previous payment survey in 2020, the number of payment delays decreased further. In 2021, only 59% of surveyed companies reported late payments, while 68% of all companies had reported delays in 2020. With the exception of transport and metals, the numbers of payment delays decreased in all sectors in 2021. However, while less than half of companies in the agri-food-wood sector reported late payments, the figure was at 70% in the textile-clothing sector **(Chart 5)**.

- The ICT sector is where companies wait the shortest time before payment. In this sector, the vast majority of surveyed companies reported delays no longer than 30 days and no company indicated delays above 60 days. In contrast, metals was the only sector to report delays of over 150 days (2%) **(Chart 6)**. This is a significant improvement from 2020 as then, in addition to the metals sector, companies in construction and paper-packing also reported ultra-long payment delays.

- The average duration of payment delays decreased accordingly by 8 days, from 35.9 days in 2020 to 27.7 days in 2021 **(Chart 7)**, which the shortest average delay in our time series[10]. All sectors, excluding machinery and retail-wholesale trade, reported a decrease in the duration of payment delays. The strongest declines were in pharma-chemicals (-26 days) and ICT (-25 days). Companies operating in the latter have now the shortest waiting time with an average of 17.5 days, while companies in the machinery sector need the most patience with an average waiting time of 35.8 days. This is still short in historical perspective, given that in 2017, all companies in

9 Payment delays – the period between the due date of payment and the date the payment is made
10 The first Coface Corporate Payment Survey for Germany was published in 2016.

our survey had to wait 41 days on average for the payment of their invoices.

- Adding payment terms (if any) to payment delays indicates the total waiting time between the purchase of a product and the payment of the invoice. This indicator – known as days sales outstanding (DSO) - decreased from 56.5 days in 2020 to 51.1 days in 2021, on average. The fastest paying sector is ICT, with a hypothetical DSO of 42 days in 2021. Textile-clothing became the sector with the longest DSO, where companies have to wait an average of 77.7 days, replacing the pharma-chemicals sector, which had the longest DSO in 2020 with 71.3 days on average.

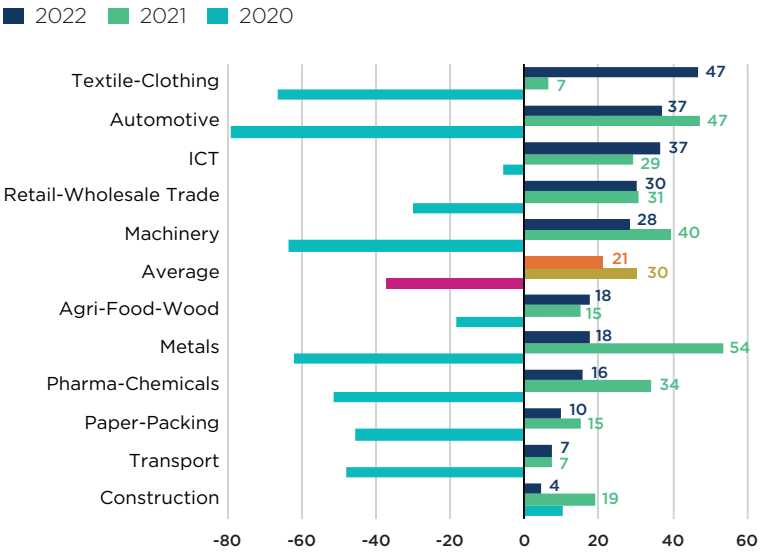
- According to our survey results, the reasons behind payment delays are mainly related to financial difficulties (46% in 2021). When asked about the reason for the financial difficulties, opinions were split. 20% cited lower demand in Germany, primarily due to lockdowns. Interestingly, another 20% cited the lack of financing options, even though COVID-19 public financing support programmes are still in place. However, this could be also a sign of normalization as, on average for the three years prior to the COVID-19 pandemic, 24% of participants identified this as an issue. Participants also answered high competitive pressure (14%), weak demand from abroad due to lockdowns (11%) and problems in the global supply-chain (10%) as reasons for financial difficulties.

- The financial risks associated with late payments for German companies are low in 2021. Only 4.4% of participants reported that the share of overdue payments between 6 months and 2 years represents 2% or more of their annual turnover. This represents a decrease of 3.1 percentage points compared to 2020. However, in sectoral comparison, the result is different. While no company in agri-food-wood and pharma-chemicals reported a higher share of longer payment delays relative to their annual turnover, 17% of companies in the textile-clothing sector confirmed this situation for 2021.

The duration of the average payment delay decreased by 8 days, from 36 days in 2020 to 28 days in 2021.

3 ECONOMIC EXPECTATIONS
COMPANIES WILL WEATHER THE STORM WITH THE HELP OF THE STATE

Chart 8:
What is/was the business outlook of your company for the year 2020, 2021 and for the year 2022? (figures in balance points[11])



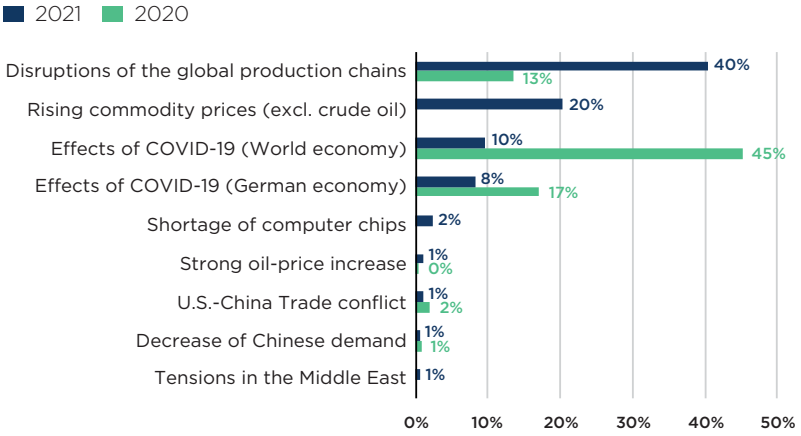
Source: Coface Payment Survey Germany 2021

- Companies' assessment of the economic outlook for the remainder of this year and the next is cautiously optimistic. 41% of participants have a positive economic outlook for 2021, while 11% think that their business situation will deteriorate compared to 2020. In total, the balance of answers (+30 points) marks a sharp reversal from a very pessimistic year 2020 (-37 points). The more optimistic outlook can be observed in every sector, with the biggest rebound in sentiment in the metals and automotive sectors. The outlook for 2022 is also positive, but seems less certain (down to +21). The textile-clothing sector is the most optimistic for 2022 with +47 balance points. However, this sharp improvement in sentiment should be put in perspective with the very difficult situation in 2020 and 2021 for this sector in particular. The same is true for the automotive sector, where the positive outlook is rebounding after falling in the doldrums in 2020 **(Chart 8)**.

- According to our survey results, the main risk for export operations in 2021 is - by far - disruptions of global production chains, which was cited by 40% of participants **(Chart 9)**. Rising non-oil commodity prices is also a big topic in 2021 (20%), followed

11 Balance points = share of people expecting a better economic situation than the year before – share of people expecting a worse economic situation than the year before

Chart 9:
What is the main risk for your export business in the future?

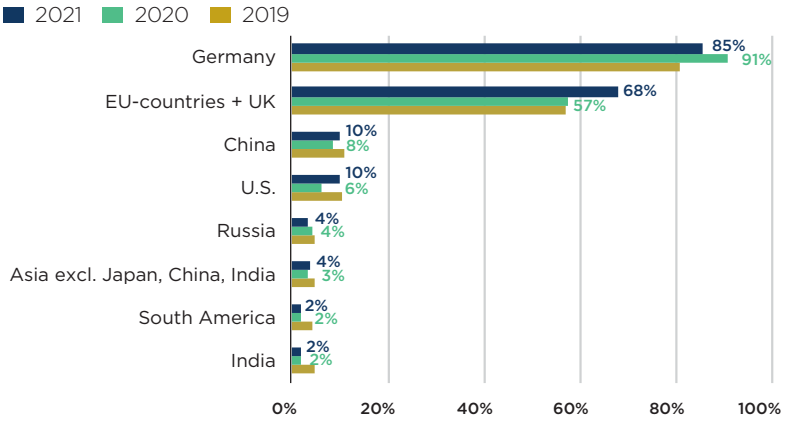


Source: Coface Payment Survey Germany 2021

Although the effects of COVID-19 on the domestic and the global markets remain a big risk, companies see disruptions of global production chains as the main risk for their export business in 2021.

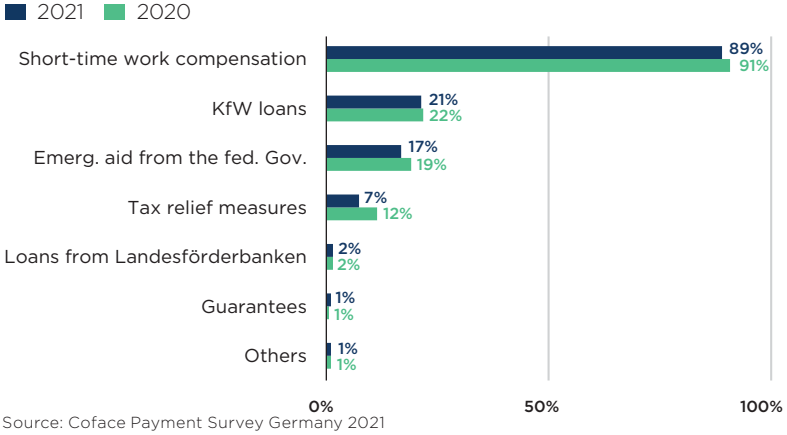
by the effects of COVID-19 on the global economy (10%) and on the German economy (8%). The comparison with 2020 signals that more companies got used to the COVID-19 situation and arranged themselves to face it. Other "older" risks to trade, such as the US-China Trade conflict, got even less attention in 2021 compared to 2020, although the risk has not vanished.

Chart 10:
What are the markets with the biggest opportunities for you in the coming year? (max. three answers possible)



Source: Coface Payment Survey Germany 2021

Chart 11:
What kind of state aid measures did you take advantage of? (several answers are possible)



Source: Coface Payment Survey Germany 2021

- In 2021, Germany remains the country presenting the biggest opportunities for surveyed companies (unsurprisingly, as 66% of respondents are mainly on the German market). The importance of Germany has however decreased from 91% in 2020 to 85% in 2021[12] **(Chart 10)**. One reason for this phenomenon could be that in uncertain times, companies tend to do business in the countries that they know best and orient themselves more towards their domestic market (safe-haven effect). When uncertainty eases, companies tend to do more business again on foreign markets. This could be the reason why after the uncertainty of 2020, more companies are going back to other European countries in 2021. German exporters are also going back to China and the US, especially as the US-China Trade conflict has drawn less attention since US President Joe Biden took office at the beginning of this year.

- Difficult times call for special measures. Last year we introduced a new question and asked our customers if they took advantage of State aid implemented in response to the COVID-19 crisis. 48% of respondents confirmed that they did for 2020. This year, when asked if they used State aid in the last 12 months, the share of companies that answered positively was unchanged at 48%. The breakdown of support measures was also relatively unchanged. The most popular measure remained the furlough scheme, with 89% of participants indicating that they benefited from it **(Chart 11)**[13]. Loans from the Kreditanstalt für Wiederaufbau (KfW), the main federal development bank, came in second place: 21% of our respondents for this question used this instrument. According to current law (as of mid-August 2021), emergency aid from the federal government and tax relief measures will expire at the end of September 2021, while special furlough programmes, state guarantees and special KfW-loan programmes will expire at the end of the year 2021. It will be interesting to see if the very positive payment behaviour and the optimistic business outlook can continue in 2022 without the State's support.

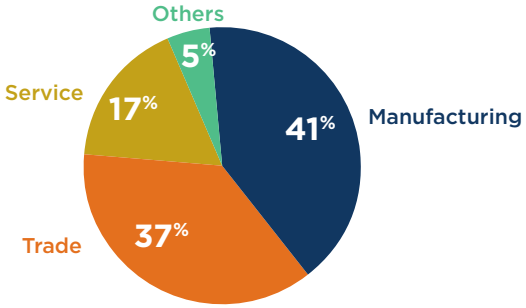
12 In this question, participants were able to choose several answers. This is why the share of the answers do not add up to 100%.
13 Again, several answers were possible per participant.

APPENDIX

A TOTAL OF
819
COMPANIES PARTICIPATED
IN THE PAYMENT SURVEY

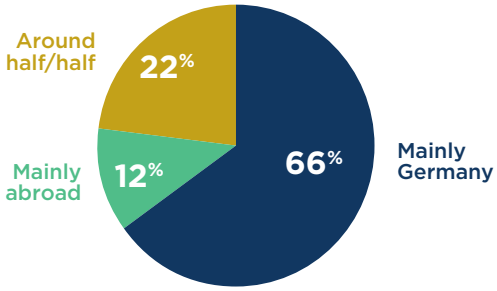
Who were the respondents?

MAIN BUSINESS ACTIVITY



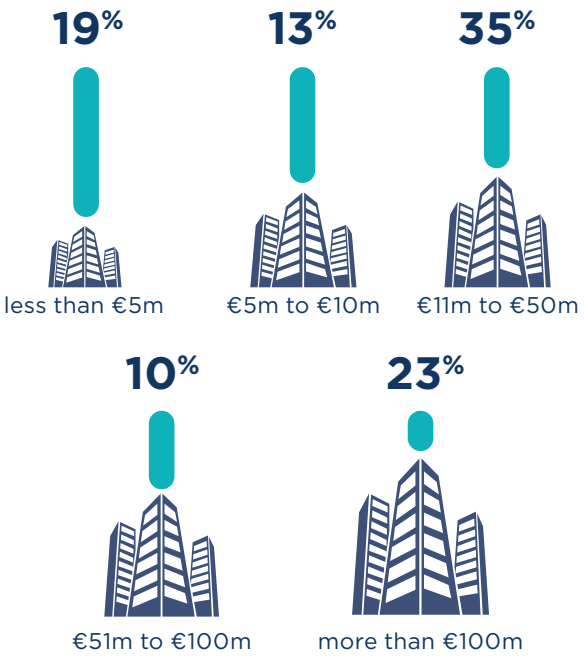
Source: Coface Payment Survey Germany 2021

RELEVANT MARKET



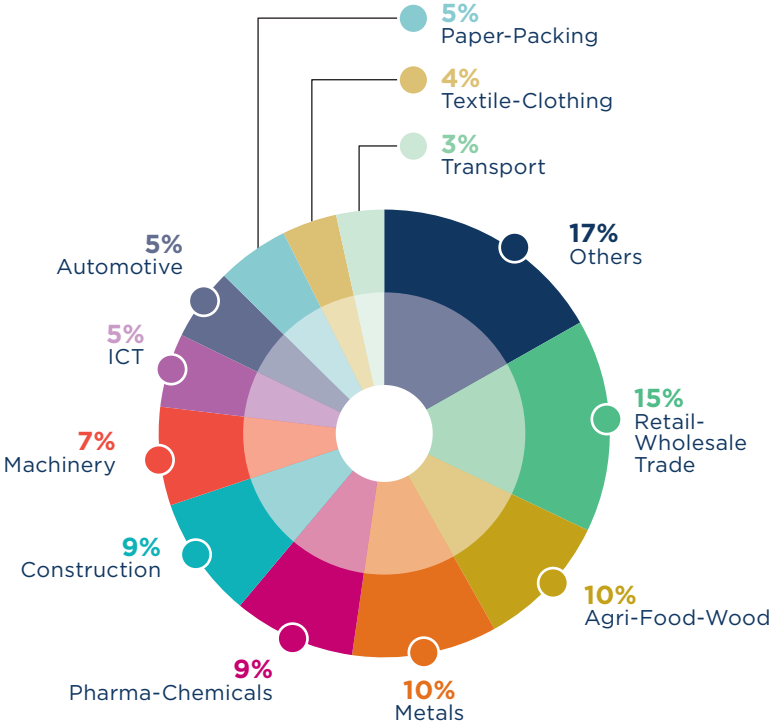
Source: Coface Payment Survey Germany 2021

SIZE BY TURNOVER (€m)



Source: Coface Payment Survey Germany 2021

SECTOR OF SURVEYED COMPANIES



Source: Coface Payment Survey Germany 2021

GLOSSARY

PAYMENT TERM
The time frame between when a customer purchases a product or service and when the payment is due.

PAYMENT DELAY
The period between the payment due date and the date the payment is made.

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