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PAYMENT SURVEY

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France Corporate Payment Survey 2024:

Longer and more frequent delays, with the political and social context as the main risk ahead

Executive summary

The second edition of our survey on payment behaviour, carried out in June among 640 companies, confirms that the average payment term in France, which has risen from 48 to 51 days, is still longer than in the other European countries where we conducted similar surveys - Germany and Poland - but shorter than in Asia.

As for payment delays, the situation has continued to worsen: 85% of surveyed companies have experienced them, compared to 82% last year. Furthermore, a majority stated that delays have been both longer and more numerous than in 2023. The average payment delay has increased compared to last year, from 38 to 40 days. While most companies have experienced an increase in payment delays, regardless of their size, the latter is clearly a discriminating factor: the average payment delay is 45 days for VSEs, compared with 38 days for SMEs and "only" 32 days for larger companies. Beyond their duration, these payment delays have an increasingly significant impact on companies' cash flow. Over half of VSEs believe that payment delays have a "very significant" or "critical" impact on their cash flow. Although vulnerability declines with company size, 39% of SMEs and 21% of larger companies also stated that their cash flow had been severely impacted. Among companies that have experienced payment delays, 40% said it was due to the financial difficulties faced by their customers. The continuing deterioration in companies' payment behaviour has logically resulted in more corporate insolvencies in 2024, now stabilised at levels well above 2019 and 2023, with 39 506 procedures in the first half of the year (+26% and +23%, respectively).

While almost half of the surveyed companies expect payment delays to remain relatively stable over the next 12 months, 29% expect them to increase. Regardless of size or sector, very few companies expect payment delays to be less frequent.

As was the case last year, the negative outlook for customer payment behaviour is in line with relatively pessimistic economic expectations. Whatever their size, surveyed companies widely expect business to worsen or, at best, to remain stable in France and around the world. Despite this, (slightly) more companies expect their profitability to improve than to deteriorate next year. The outlook for cash flow is more nuanced, given that financing costs and, to a lesser extent, wage costs will remain high, even though many companies will have to continue repaying their state-guaranteed loans.

While the main risks mentioned by companies - namely recruitment difficulties, the cost of raw materials and the slowdown in global demand - remain broadly unchanged from last year, one risk has moved straight into first place: the political and social environment in France, cited by 37% of companies.

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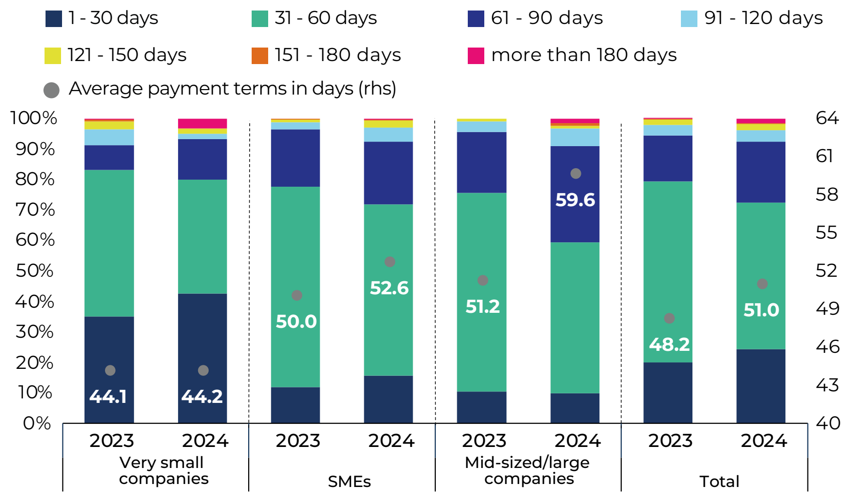
PAYMENT TERMS[1] : A WIDESPREAD PRACTICE

- The vast majority of companies offer their customers payment terms. This is true regardless of the sector or size of the company. As was the case last year[3], **97% of surveyed companies stated that they offered payment terms**, and this percentage exceeded 90% in all sectors. Nearly half of them (47%) offered payment terms of between 31 and 60 days, and only 7% offered payment terms of over 3 months. The average payment term increased to 51 days, compared with 48.2 days last year. This is still well ahead of Germany[4] (32 days) and Poland[5] (42 days), but well below China[6] (70 days) and the rest of Asia[7] (64 days).

- This practice is well established in France: despite being relatively less inclined to grant payment terms, 95% of VSEs still do so. As was the case last year, their payment terms are shorter: around 40% of them offer payment terms of less than one month, more than twice as much as larger companies (**Chart 1**). Consequently, the average payment term for VSEs is much shorter: 44 days, compared with 53 days for SMEs and

Chart 1:
Payment terms by company size:[2]

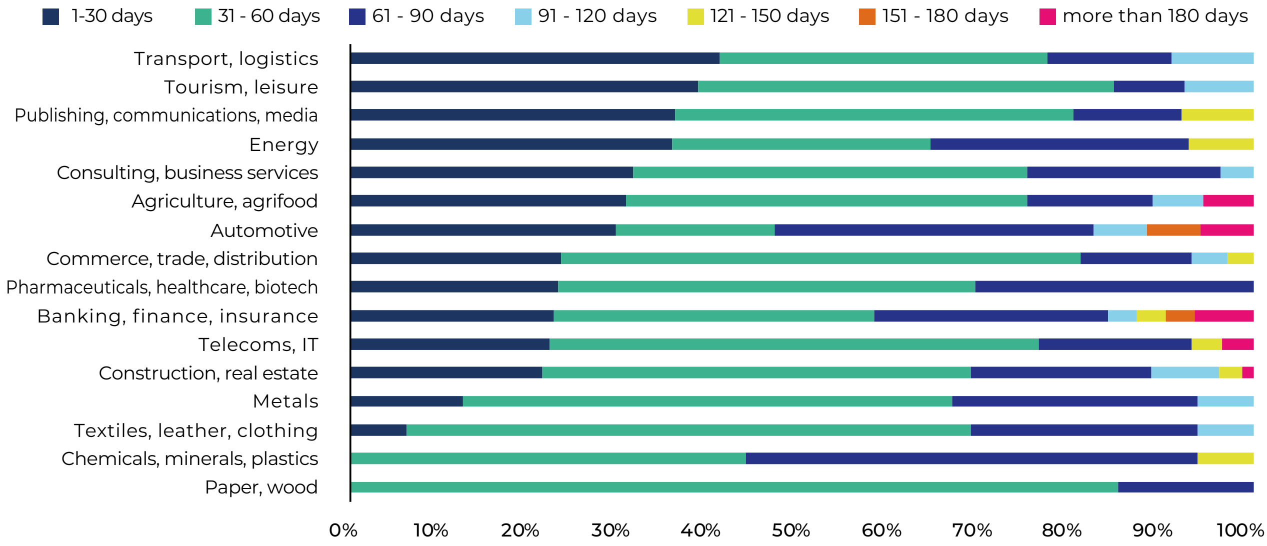


Source: Coface Payment Survey

In 2024
97%
of companies surveyed offered their customers payment terms. The average payment term has increased: it has reached 51 days, compared with 48.2 days last year.

1 Payment term: The time frame between when a customer purchases a product or service and when the payment is due.
2 A VSE is any company with a turnover of less than EUR 2 million, and an SME is any company with a turnover of between EUR 2 million and EUR 50 million.
3 France Payment Survey: Longer and more frequent payment delays, with small companies in the firing line. 8 November 2023 https://www.coface.ae/news-economic-insights/france-longer-and-more-frequent-payment-delays-with-small-companies-in-the-firing-line
4 Germany Corporate Payment Survey 2024: Simmering under the lid. 12 September 2024 https://www.coface.com/news-economy-and-insights/germany-corporate-payment-survey-2024-simmering-under-the-lid
5 Poland Payment Survey 2023: Slightly shorter payment delays but not for all sectors. 19 December 2023 https://www.coface.com/news-economy-and-insights/slightly-shorter-payment-delays-but-not-for-all-sectors-in-poland-in-2023
6 China Payment Survey 2024: Payment delays continued to shorten, but corporates increasingly cautious. 1 mars 2024 https://www.coface.co.in/news-economy-and-insights/payment-delays-in-china-continued-to-shorten-but-corporates-increasingly-cautious
7 Asia Payment Survey 2024: Overall improvement but worsening payment behaviour in textile and construction. 4 juin 2024 https://www.coface.com/news-economy-and-insights/asia-overall-improvement-but-worsening-payment-behavior-in-textile-and-construction

Chart 2:
Payment terms by sector

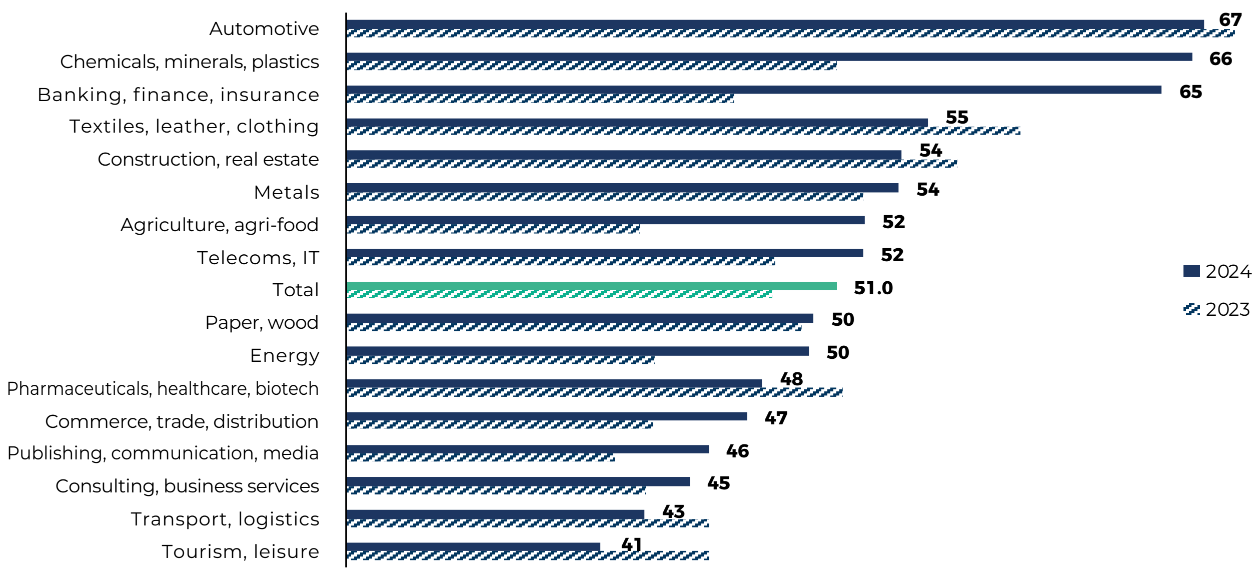


Source: Coface Payment Survey

60 days for larger companies. This difference, already highlighted last year, can be explained by the generally less comfortable cash position of VSEs, which does not allow them to be as flexible when it comes to payment terms. Quite intuitively, companies that export at least part of their business generally grant longer payment terms: 54 days on average, compared with 47 days for those operating exclusively on the domestic market.

- Most companies grant payment terms of between 31 and 60 days in most sectors, except for chemicals, transport, energy and automotive (**Chart 2**). Like last year, payment terms tend to be shorter in services, highlighting a structural characteristic. The four sectors with the shortest average payment terms all fall into services (**Chart 3**). This year again, the automotive sector has the longest average payment term, at 67 days. Nearly 20% of companies in the automotive sector offer payment terms of more than 3 months.

Chart 3:
Average payment terms by sector (in days)



Source: Coface Payment Survey

2 PAYMENT DELAYS[8] : CONTINUING DETERIORATION

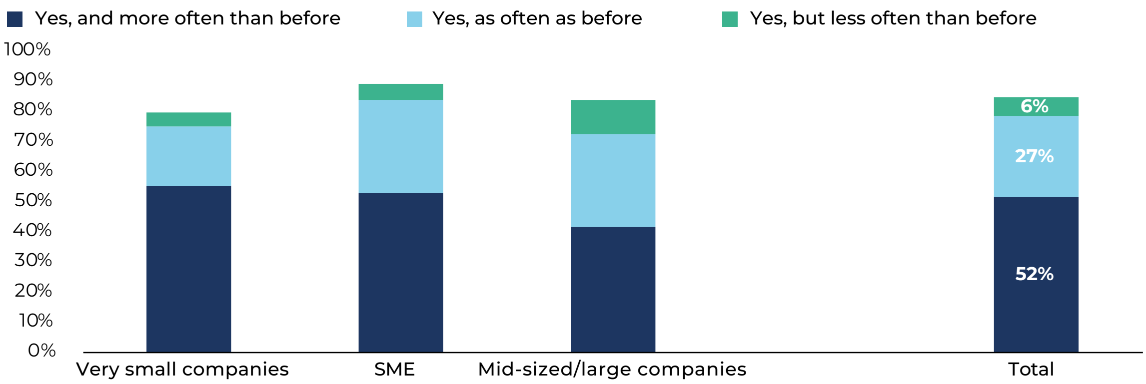
- **85% of respondents have experienced payment delays from their customers over the past 12 months**, compared with 82% last year. In comparison, payment delays are more frequent than in Germany (78% of companies), Poland (49% of companies), China (62%) and the rest of Asia (60%), where - like last year - the payment terms granted are longer but delays less frequent.

85%

of surveyed companies experienced payment delays in 2024, compared to 82% last year. Most of them said that these delays were both longer and more numerous than in 2023.

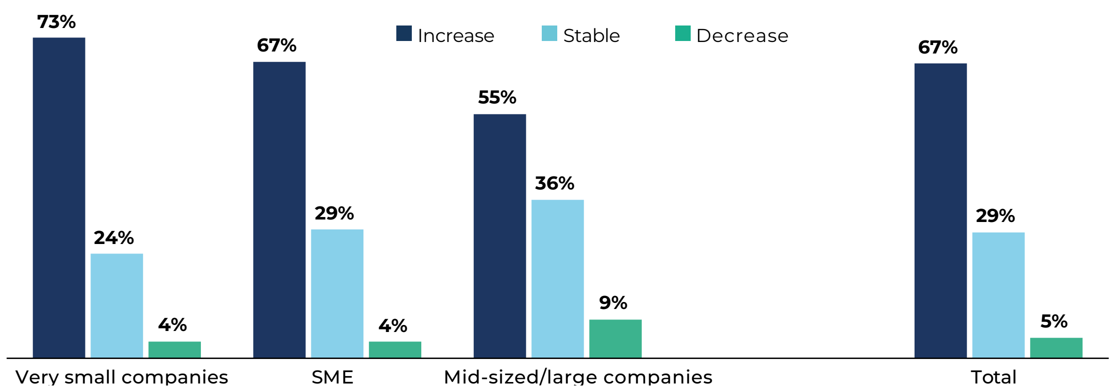
- This is true for all company sizes: 89% of SMEs said they had experienced payment delays, compared with 88% in 2023. The percentage is also very high larger companies and VSEs, with 84% and 80% of companies respectively, compared with 78% last year. Moreover, most of them reported that payment delays were more frequent than in the previous year (**Chart 4**). Company size remains an important factor when it comes to payment delays: while most companies have noticed an increase in payment delays, this percentage rises to 73% for VSEs, compared with "only" 55% of larger companies (**Chart 5**). Conversely, very few companies reported that payment delays had become shorter or fewer. The continuing deterioration in the payment behaviour of businesses has logically resulted in more corporate insolvencies in 2024, which have now stabilised at much higher levels than in 2019 and 2023 (**see Box**).

Chart 4:
Share of companies experiencing payment delays in 2024 and change in their frequency compared with 2023



Source: Coface Payment Survey

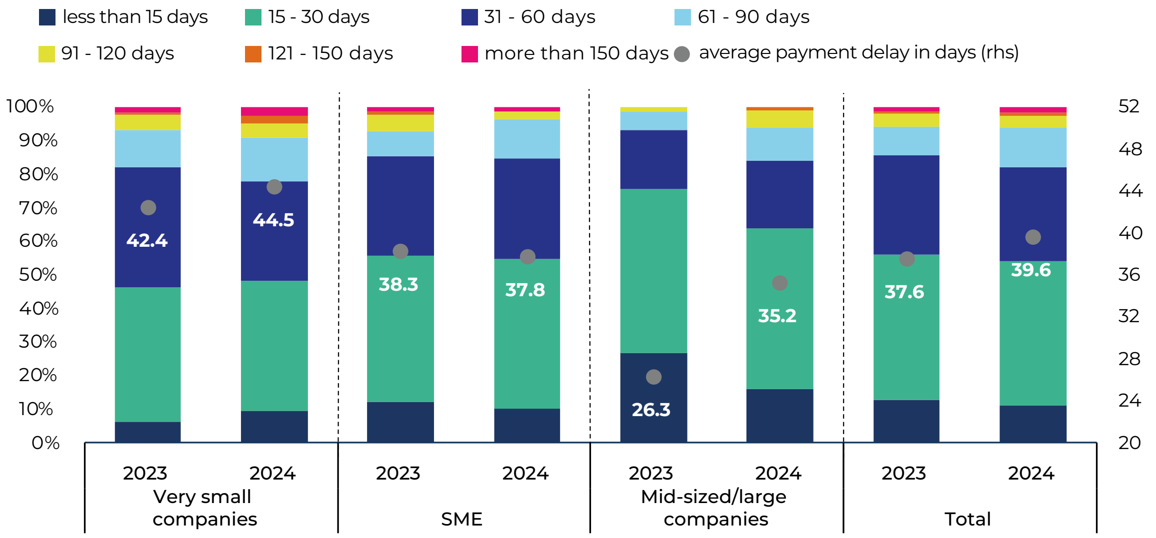
Chart 5:
Change in the average length of payment delays over the last 12 months



Source: Coface Payment Survey

8 The period between the payment's due date and the date the payment is made.

Chart 6:
Payment delays by company size



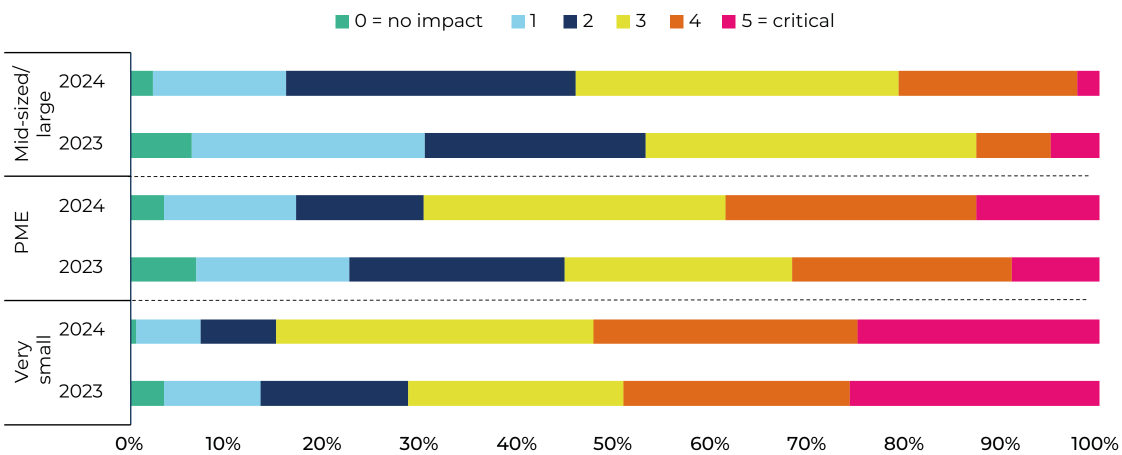
Source: Coface Payment Survey

- While most companies reported payment delays of less than 30 days, 46% had to deal with delays of more than a month (**Chart 6**). As indicated by the companies, the average payment delay has increased compared to last year, from 38 to 40 days. On average, this is longer than in Germany (31 days, up), but still lower than in Poland (49 days, down), China (64 days, down) and the rest of Asia (65 days, down).

- Here again, company size is a discriminating factor, with 52% of VSEs reporting payment delays of more than one month, and 22% reporting delays of over two months. The average payment delay was 45 days for VSEs, compared with 38 days for SMEs and "only" 32 days for larger companies.

While the length has remained stable for SMEs, it has risen sharply for VSEs and, above all, for larger companies. In addition to their duration, these payment delays have an increasingly significant impact on companies' cash position. More than half of VSEs consider that payment delays have a "very significant" or "critical" impact on their cash position (**Chart 7**). Although vulnerability declines with the size of the company, 39% of SMEs and 21% of larger companies also stated that their cash position was very affected, compared with 32% and 13% respectively in 2023. In sectoral terms, companies appear to be particularly exposed in the automotive sector (where 36% of companies answered 'critical'), pharmaceuticals (one-third) and construction (27%).

Chart 7:
Impact of payment delays on cash position by company size (scale from 0 to 5)



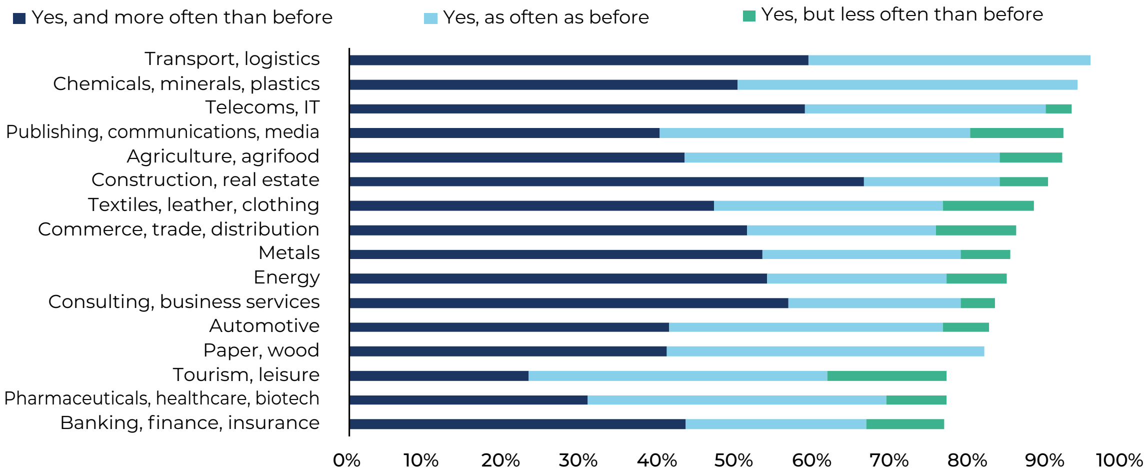
Source: Coface Payment Survey

- Like last year, no sector has been spared from payment delays: in the least exposed sectors, over three quarters of companies have experienced them (**Chart 8**). Moreover, in the vast majority of cases, these delays have become more frequent and longer (**Chart 9**). In many sectors, companies are reporting payment delays of more than one month, with around a quarter of companies reporting delays of more than two months in the automotive, energy, pharmaceuticals, agri-food, financial services and construction sectors (**Chart 10**).

- Among companies that experienced payment delays, 40% attributed them to their customers' financial difficulties, far ahead of organisational problems (27%) and cash flow management without financial difficulties (20%). This explanation is even put forward by over half of companies in many sectors: financial services, textiles/clothing, transport, agri-food and retail.

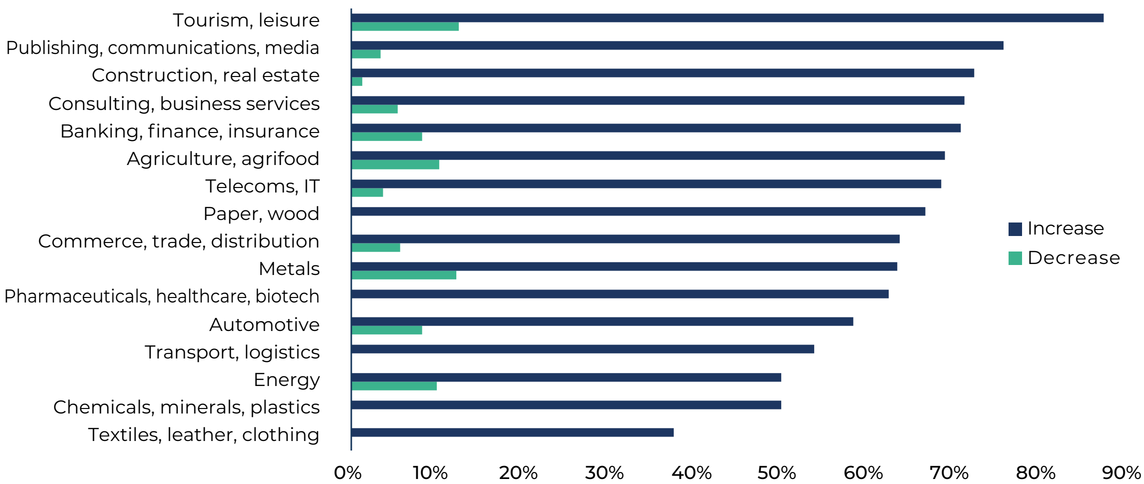
- While almost half of companies expect payment delays to remain relatively stable over the next 12 months, 29% believe they will increase (**Chart 12**). Regardless of size or sector, very few companies expect payment delays to become less frequent.

Chart 8:
Share of companies experiencing payment delays in 2024 and change relative to 2023



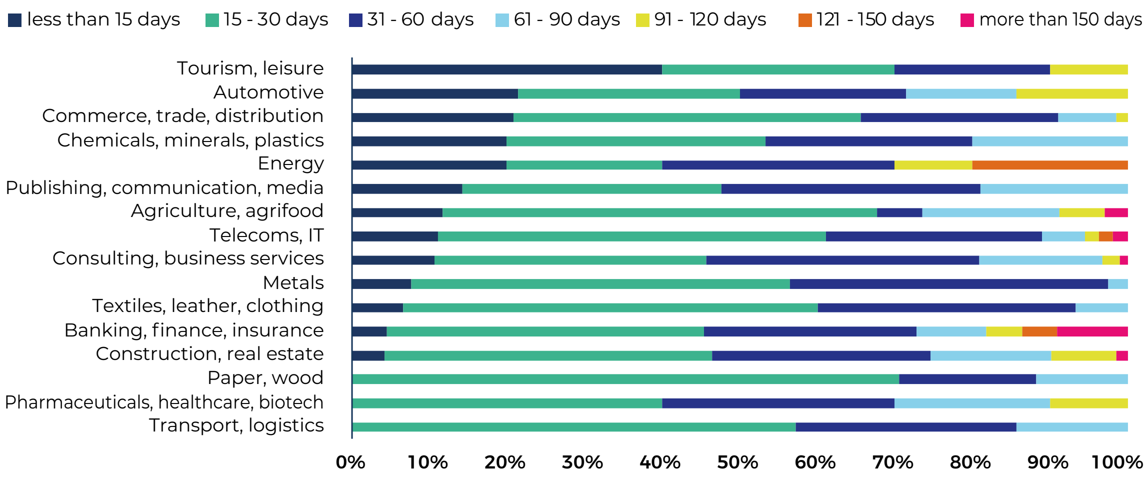
Source: Coface Payment Survey

Chart 9:
Change in the average length of payment delays over the last 12 months (% of answers)



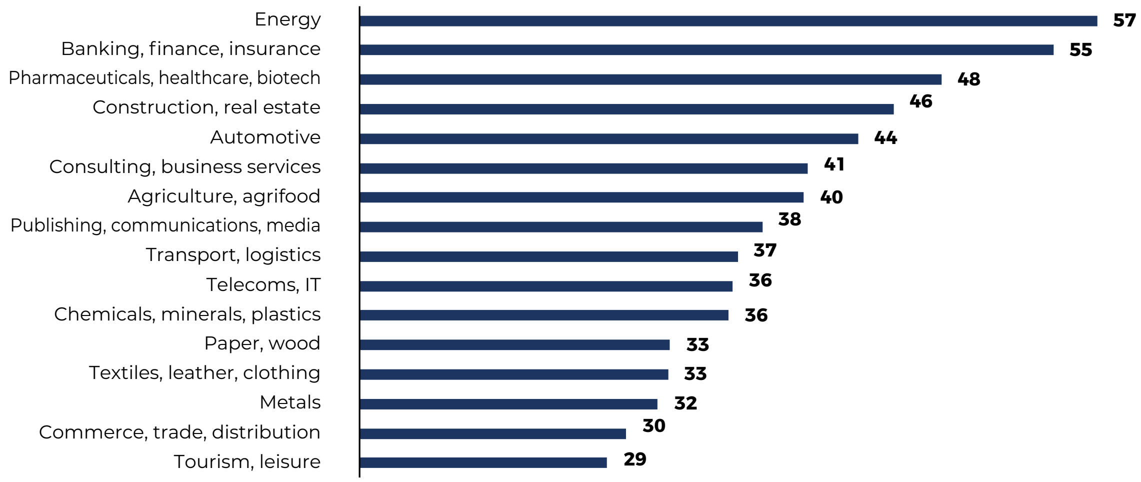
Source: Coface Payment Survey

Chart 10:
Payment delays by sector



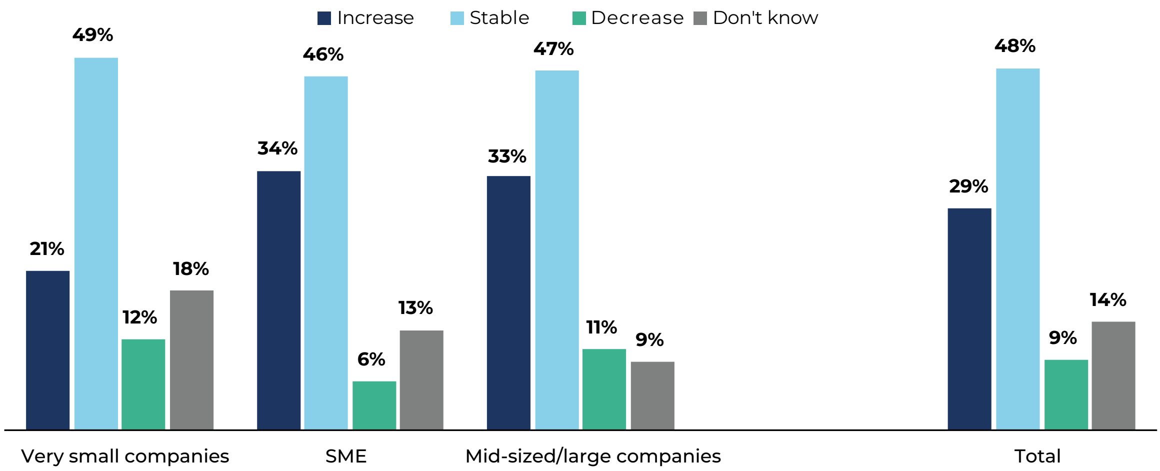
Source: Coface Payment Survey

Chart 11:
Average payment delay by sector (in days)



Source: Coface Payment Survey

Chart 12:
Expected change in the number of payment delays over the next 12 months (% of answers)



Source: Coface Payment Survey

Box:

CORPORATE INSOLVENCIES WELL ABOVE PRE-COVID LEVELS

- Although the number of corporate insolvencies was particularly low until mid-2022, it rose sharply in 2023, and has remained well above pre-COVID levels since the first half of 2024 (**Chart 1.1**). Thus, 39,506 corporate insolvencies were recorded in the first 7 months of the year, up 23% on 2023 and 26% on 2019.

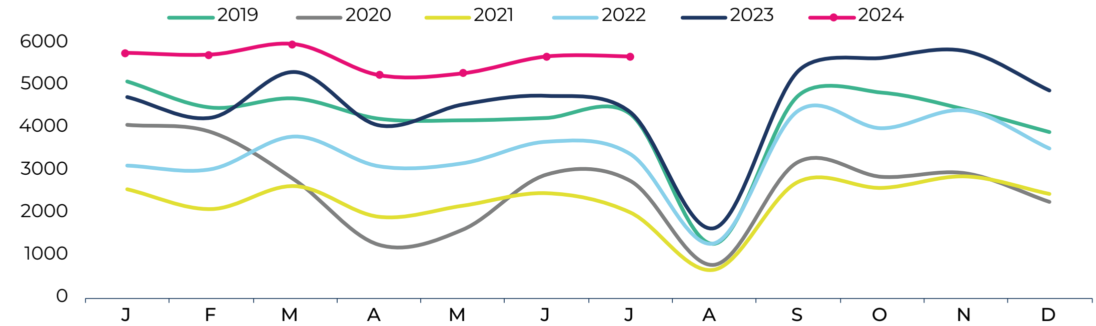
- This observation applies to all sectors, where figures are well above 2019 levels. Over the year, however, the upward trend in corporate insolvencies is particularly marked in construction (+35% vs. 2023), transport (+40%, mainly driven by road transport) and business services (+28%).

- Corporate insolvencies were driven by all sizes of business. While companies with a turnover of less than EUR 250,000 - which account for 87% of insolvencies - recorded an increase of 24% compared with the January-July 2023 period, those with a turnover of more than EUR 10 million rose by 35%.

- The amount of supplier debt affected by insolvencies has reached record levels (**Chart 1.2**). Beyond the financial cost, the cost in terms of jobs affected is also at almost unprecedented levels, with almost 165,000 jobs affected between January and July (**Chart 1.3**).

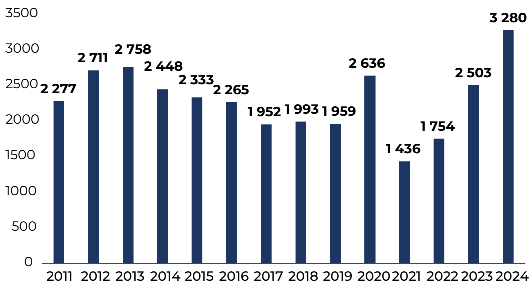
- Over the next quarters, despite a gradual easing, financing conditions will remain much more restrictive than before COVID, both in terms of interest rates and credit granting criteria. Moreover, as anticipated by the surveyed companies, business activity is likely to remain relatively sluggish at best, while many companies will have to continue repaying their state-guaranteed loans. Profits and cash flow are therefore likely to remain under pressure, and insolvencies will remain high in the second half of 2024 and (at least) in the first half of 2025.

Chart 1.1:
Monthly number of corporate insolvencies



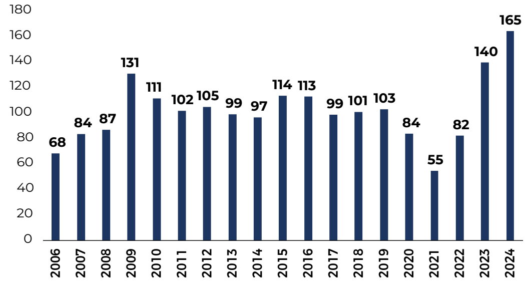
Source: Ellisphère, Coface

Chart 1.2:
Supplier debt affected by insolvencies in the first 7 months of the year (EUR million)



Source: Ellisphère, Coface

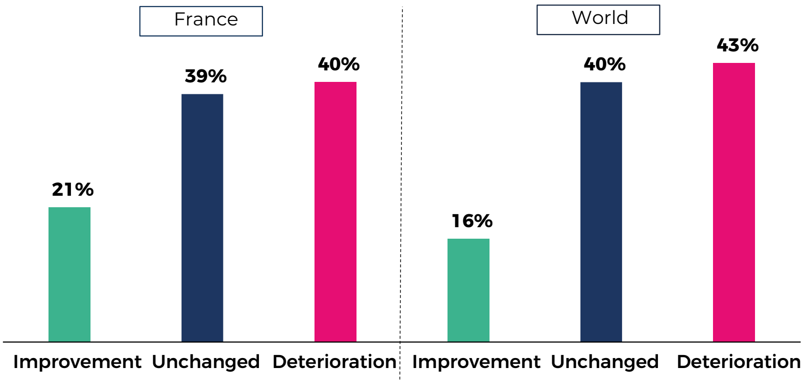
Chart 1.3:
Number of jobs affected by corporate insolvencies in the first 7 months of the year (thousands)



Source: Ellisphère, Coface

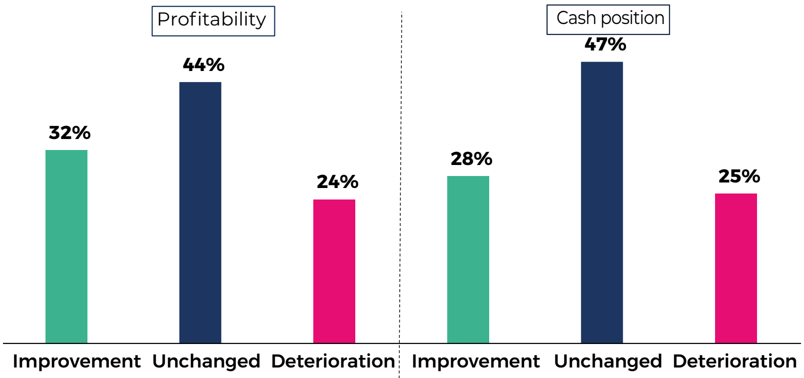
3 THE POLITICAL AND SOCIAL CONTEXT AS THE MAIN RISK AHEAD

Chart 13:
Anticipated trends in the French and global economy in 2025 (% of answers)



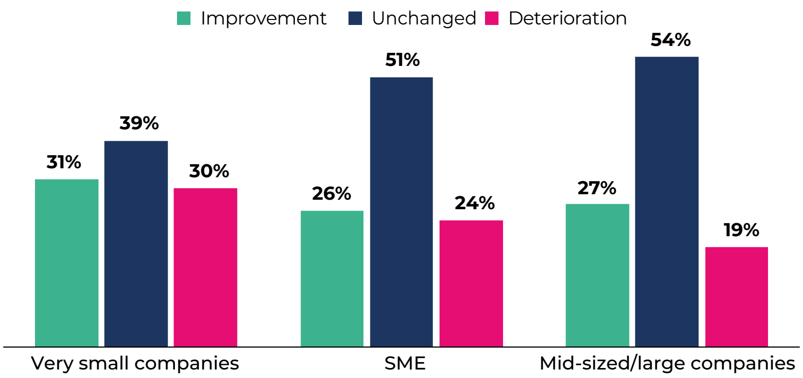
Source: Coface Payment Survey

Chart 14:
Expected trend in profitability and cash position in 2025 (% of answers)



Source: Coface Payment Survey

Chart 15:
Expected change in cash position in 2025 by company size



Source: Coface Payment Survey

- As last year, the negative outlook for customer payment behaviour is in line with relatively pessimistic economic expectations. Regardless of their size, surveyed companies widely expect business to worsen or, at best, to remain stable in France and around the world (**Chart 13**), with growth this year below the pre-COVID average.

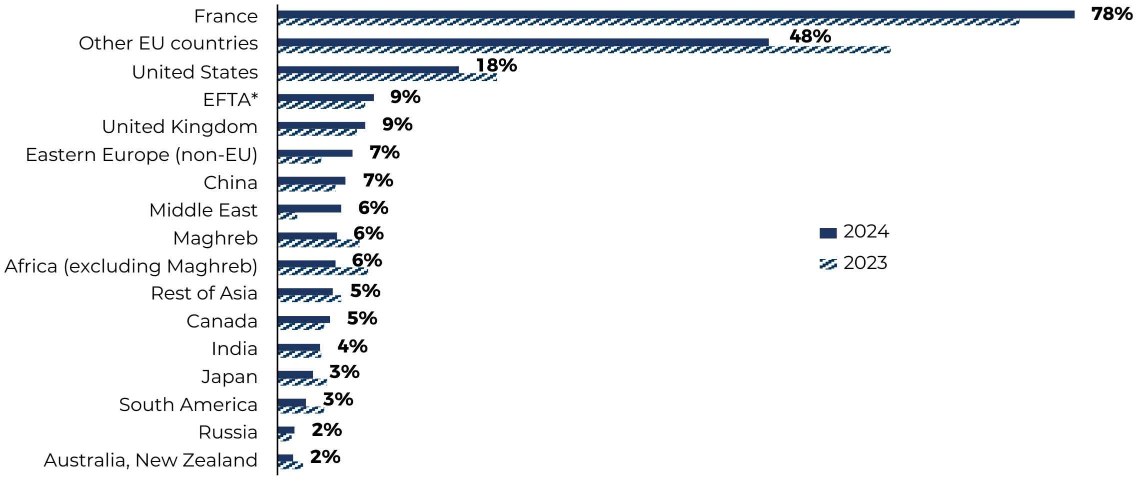
- As is often the case in corporate surveys, companies are relatively less pessimistic about their own situation. As a result, (slightly) more companies expect their profitability to improve than to deteriorate next year (**Chart 14**). While this observation is similar for companies of all sizes, exporting companies show a more optimistic outlook, against a backdrop of recovery in world trade, with 37% of companies forecasting an increase in their profitability, compared with only 27% of those operating exclusively on the domestic market. Though the trend is fairly uniform in sectoral terms, companies in the wood and furniture, chemicals, retail and construction sectors are relatively less optimistic. Conversely, expectations are much more positive in pharmaceuticals, paper and ICT.

- The outlook for cash position is more nuanced (**Chart 15**), as financing costs and, to a lesser extent, labour costs will remain high, while many companies will still have to repay their state-guaranteed loans. This is particularly true in sectors where profitability is expected to fall in 2025, but also in the energy and metals sectors, where companies expect their cash position to deteriorate despite (somewhat) rising profitability.

- Despite still-limited growth prospects in 2025, the French market remains widely favoured by exporting companies, which see it as offering the best opportunities for their business next year (**Chart 16**). Conversely, the other main markets, the European Union and the United States, are cited by fewer companies than last year, probably because of the anticipated slowdown in the US market and the disappointing recovery in Europe at present. While the other usual markets for French companies, such as Switzerland, the UK and China, are logically in good position, the main areas of development are non-EU Eastern Europe and, above all, the countries in the Middle East, where economic activity is expected to rebound in 2024 and 2025 after sluggish growth in 2023.

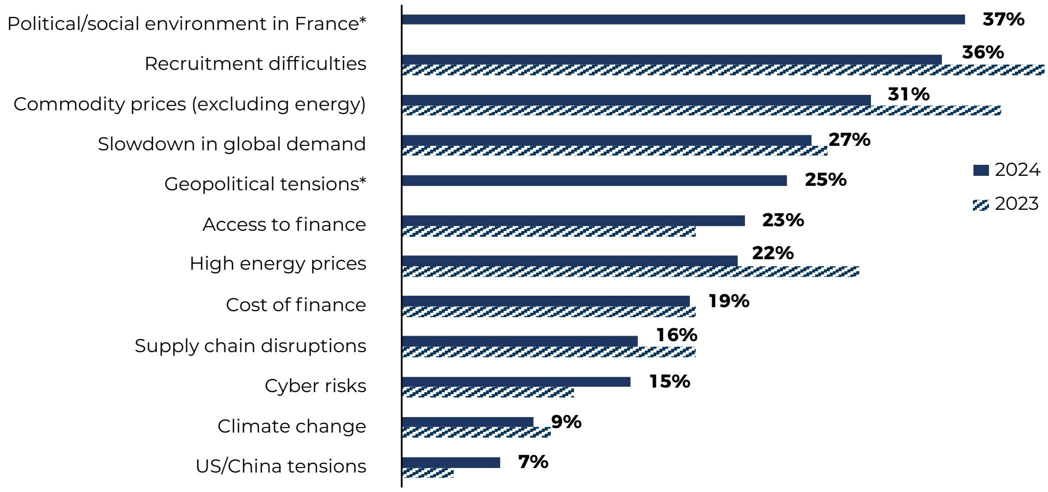
- While the main risks mentioned by companies - namely recruitment difficulties, the cost of raw materials and the slowdown in global demand - remain broadly unchanged from last year, one risk

Chart 16:
Most promising markets for exporting companies[9] in 2025 (up to three answers possible)[10]



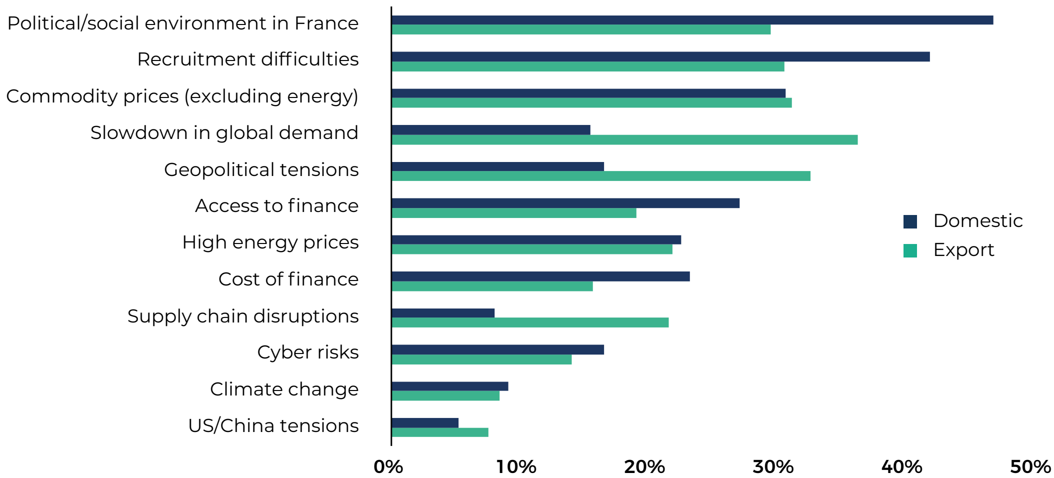
Source: Coface Payment Survey
* EFTA (European Free Trade Association) has four member countries: Iceland, Liechtenstein, Norway and Switzerland

Chart 17:
Main risks to the company's business (up to three answers possible)



Source: Coface Payment Survey
* These risks did not feature in last year's proposed answers.

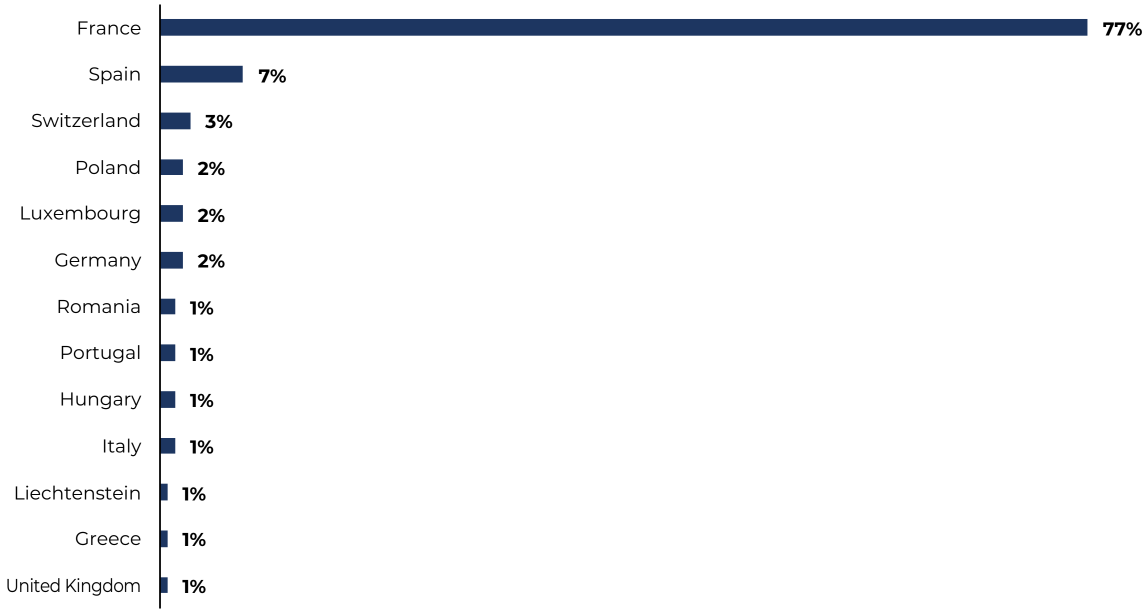
Chart 18:
Main risks to business for exporting companies and those focusing exclusively on the domestic market (up to three possible answers)



Source: Coface Payment Survey

9 350 companies, or 56% of our sample, said that they exported at least partly
10 Insofar as several answers are possible, the sum of the answers does not equal 100%

Chart 19:
Country of relocation of at least part of the business (% of responses)



Source: Coface Payment Survey

has moved straight into first place: the political and social environment in France (**Chart 17**). Nearly 4 out of 10 companies mentioned it as the main risk to their business in our survey, which was carried out between the end of May and the end of June, mainly during the legislative election campaign. While the issue of access to and cost of financing remains a concern, despite the onset of the ECB's easing cycle last June, it has now been overtaken by the (many) geopolitical tensions. On this point, tensions between China and the United States have become more of a risk than last year, when they were still marginal. Among the main risks, cyber-attacks (especially in telecoms, IT, financial services, transport and energy) and climate change (agriculture) remain crucial for certain sectors.

- Like last year, the perception of the main risks differs significantly depending on whether the company carries out (at least) part of its business on export markets or is active exclusively on the French market (**Chart 18**). Unsurprisingly, exporting companies are particularly sensitive to risks weighing on global demand, geopolitical tensions and supply chains. Conversely, companies that focus exclusively on the domestic market identify the political and social environment in France, recruitment difficulties and financing conditions (cost, access) as the main risks. While access to financing is understandably mentioned first in construction, automotive and financial services, the sector does not seem to play a predominant role in the main risks identified, unlike the market in which the company operates.

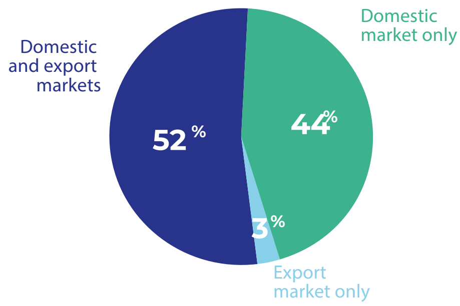
- In an uncertain global geopolitical context that is increasingly conducive to *nearshoring*[11] and *friendshoring*[12], **25% of surveyed companies said they had already launched a relocation project or were at least considering it** - at a more or less advanced stage. While this percentage is around 20% for most sectors, it exceeds one-third in pharmaceuticals and textiles/clothing, and even two-thirds in financial services. More than three quarters of companies that have or are considering relocating part of their business would do so in France (**Chart 19**). Among the other European countries, Spain stands out quite clearly, particularly in the automotive, consultancy and business services and agri-food sectors, ahead of Switzerland - mainly in services such as publishing and communications and consultancy.

11 Relocation business to a country that is geographically closer
12 Relocating business to a geopolitically allied country

ANNEXES

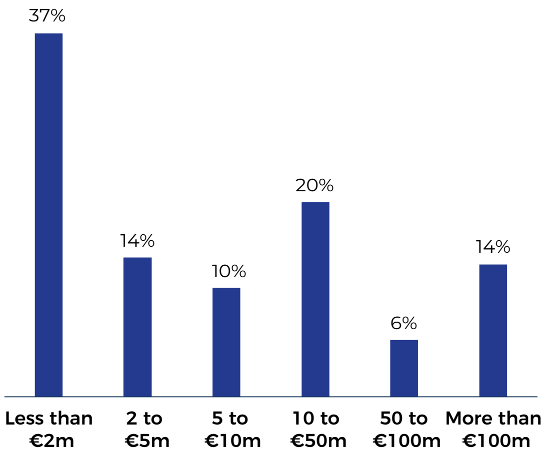
A TOTAL OF
640
COMPANIES PARTICIPATED IN THE PAYMENT SURVEY

RELEVANT MARKET



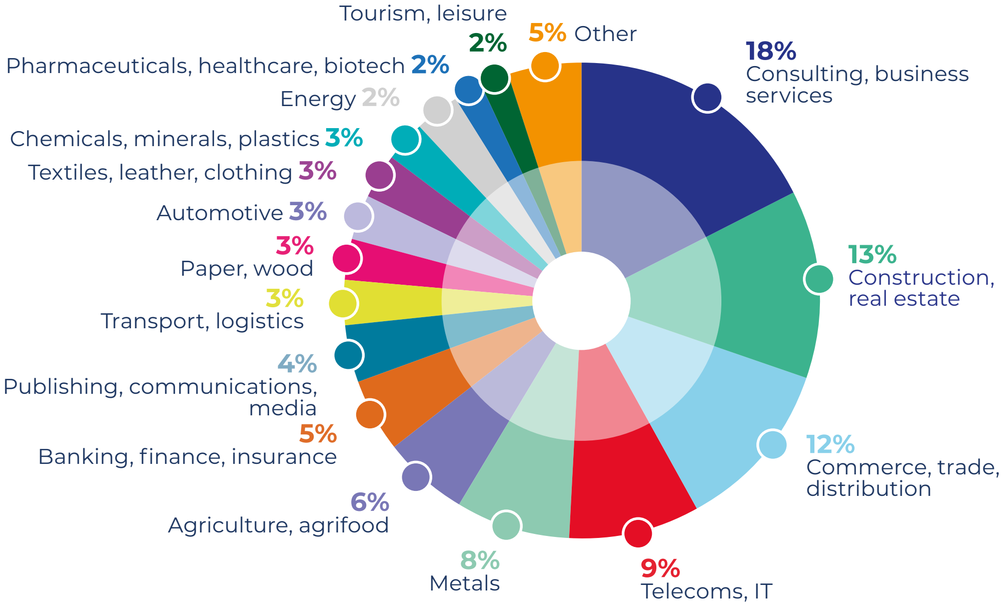
Source : Coface Company Payment Survey

SIZE BY TURNOVER



Source : Coface Company Payment Survey

SECTORS OF SURVEYED COMPANIES



Source : Coface Company Payment Survey

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