

Euler Hermes: UK late payments hit two-year high at 2015 year-end

- UK businesses see late payments rise 12% in 4Q 2015 vs 3Q 2015
- One in six firms reported customers failing to pay for goods and services on time
- Overdues increased across 14 of 17 major industry sectors last year
- Late payments in the construction sector surged 26% year-on-year in 2015
- Payment delays in automotive and electronics fell 12% and 15% respectively

LONDON – 9 MARCH 2016 – The number of overdue payments experienced by UK businesses reached a two-year high in the final quarter of 2015, with increases reported in 14 out of 17 major industry sectors, according to Euler Hermes, the worldwide leader in trade credit insurance.

The Euler Hermes Quarterly Overdue Payments Report⁽¹⁾ analyses 17 major industry sectors⁽²⁾ for reported debtor payment incidents⁽³⁾, which it receives daily from the 250,000 UK businesses covered by its trade credit insurance. These include any incidents of companies not being paid for goods and services on time, such as late or delayed payments, default, insolvency, country court judgments, or credit insurance claims.

“Business continues to drive the growth and export agenda, but the increase in financial stress across much of UK plc illustrates that more needs to be done to stop the domino effect of late payments,” said Valerio Perinelli, CEO of Euler Hermes UK. “Our data suggests challenging times ahead, so firms should tread carefully when offering open credit terms on new contracts or to new customers.”

Firms reporting delayed debtor payments rose by 12% from October to December 2015 compared to the third quarter of 2015; the highest level for eight consecutive quarters. According to the findings, one in six (17%) companies reported having difficulty in making payments on time last year, up from 10% in 2014. The average number of seasonally adjusted overdue payment incidents reported per quarter fell by 11% year-on-year in 2014 vs 2013, before increasing by 8% in 2015.

Construction industry sees sharpest rise in payment issues

Construction companies registered more payment delays than any other single UK sector last year, accounting for 31% of all payment incidents reported. Overdue payments are not particularly unusual in a sector where disputes are often partly to blame for delays. However, the sector suffered a 27% year-on-year rise in the number of overdue payments incidents in 2015, as some firms toiled with low-margin contracts secured during the last recession. Payments delays surged in the final quarter of last year and were up 12% compared with July to September.

The research found that the most affected sub-sectors were general contractors, civil engineering providers and installers of wiring and fittings - with the latter suffering disproportionately due to large projects running over budget.

“The growth in December’s output signaled a positive end to the year for UK construction, but some companies in the sector continues to grapple with the issue of low-margin legacy contracts, rising capital pressures and an increasing skills gap – all putting businesses and payment terms under pressure,” said Dirk Kotze, head of risk underwriting at Euler Hermes UK.

Meanwhile, the UK automotive and electronics sectors offered some cheer as reported payment issues fell by 12% and 15% year-on-year, respectively. However, there were significant increases across the metal and chemicals industries as they struggled to cope with falling European demand and the China slowdown: 2015 payment issues were up 28% and 13% respectively vs 2014.

Kotze added: “While some UK industry sectors have seen reductions in overdue payment incidents, insolvencies are set to rise five per cent this year and average day sales outstanding (DSO) is expected to edge up to 56 days. The start to 2016 has seen increased volatility, so companies need to remain vigilant.”

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Notes to editors

1) The Euler Hermes Overdue Payments Report records and analyses payment issues reported by the approximately 250,000 companies covered by its trade credit insurance across the UK. Since January 2013 the company has undertaken a quarterly analysis of the daily overdue payment incidents it receives to reveal trends in late payment patterns across 17 major industry sectors.

2) Euler Hermes uses European standard [NACE codes](#) to record overdue payments by industry sector. The 17 industry sectors are:

Automotive, chemical, commodities, computer & telecom, construction, electronics, food, household equipment, IT services, machinery & equipment, metal, paper, retail, services, textiles, transport, other.

3) In 2015 Euler Hermes customers reported more than 32,000 individual overdue payment incidents in the UK. An overdue payment is defined as a company failing to make payment within two months of the agreed payment date and includes late or delayed payments, default, insolvency, CCJs, or insurance claims.

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