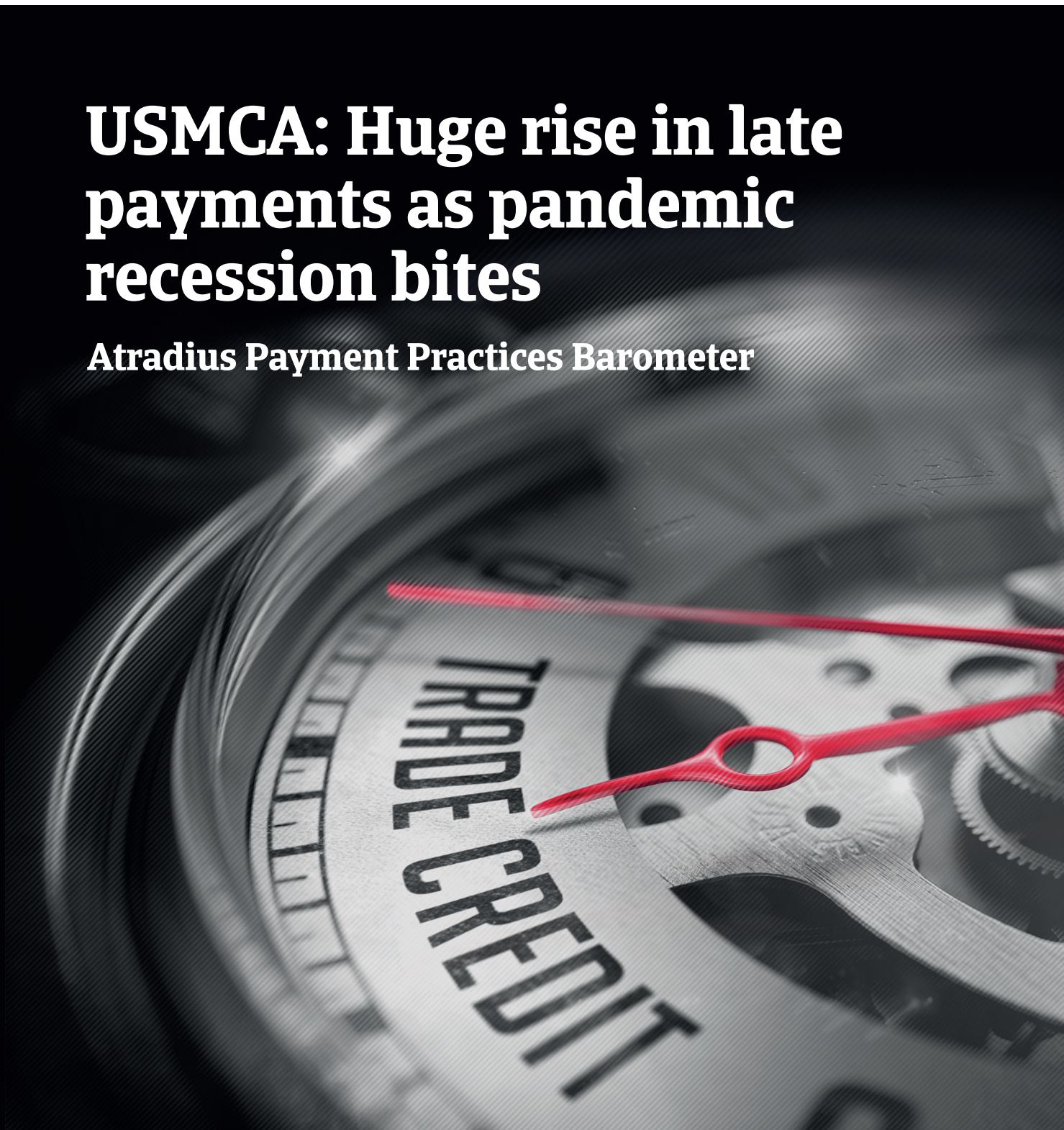



# **USMCA: Huge rise in late payments as pandemic recession bites**

**Atradius Payment Practices Barometer**







Atradius conducts annual reviews of international corporate payment practices through a survey called the 'Atradius Payment Practices Barometer'. The survey explores a range of topics including insights into the credit policy and receivables management of businesses across a wide range of industries. The 2020 survey for the USMCA was completed by businesses in Q1 2020.



**Gordon Cessford,  
Regional Director for North America,  
commented on the report:**

“

*The results of the Atradius Payment Practices Barometer survey of U.S. firms show a business environment strained by cash flow and liquidity issues. Many factors are at play, most notably the economic downturn caused by the COVID-19 pandemic, which has led to decreased consumer spending and industrial production and increased unemployment and corporate debt.*

*The pressure U.S. businesses are feeling is reflected by widespread deteriorating B2B customer credit risk. Invoice payment defaults are up significantly compared to last year, as is the number of businesses delaying payment to suppliers awaiting outstanding payments. This is true of all sectors, but particularly for the chemicals and agri-food industries. Still, U.S. businesses – most notably the ICT/electronic sector – remain optimistic, predicting growth in sales and profit over the coming year.*

”

## Introduction

The USMCA Atradius Payment Practices Barometer is an annual survey of B2B payments behaviour in the US, Mexico and Canada. This year's poll reveals a dramatic rise in the total value of overdue invoices, including a doubling of payments that are more than 90 days overdue. Although the COVID-19 containment measures have negatively impacted trade across the region and each of the USMCA countries are now in recession, business confidence among those surveyed remains high. This is in large part due to the belief that banks will continue to provide finance and that, ultimately, sales and profits will continue to grow.

## Key takeaways from the report

### Growth in credit sales favours domestic customers

After a marked year-on-year increase of 12% in 2019, the total value of credit-based B2B sales in the US, Mexico and Canada region (USMCA) has continued to rise, although the pace has slowed. This year the total value of credit sales reached 56% (up from 53% one year ago). Businesses in Canada are the most inclined to offer credit to their customers (63%, up from 57% last year). Mexico also experienced a growth in the use of credit (52%, up from 45% last year). This compares to 53% in the US (which is slightly down from 55% last year). Overall, survey respondents in USMCA are far more likely to offer credit to their domestic customers.

### Canada bucks trend by shortening average payment terms

Suppliers in USMCA offer average payment terms of 31 days, showing little change from last year (up from 30 days). The US gives the longest time to settle invoices in the region (averaging 38 days, up from 24 days last year). Payment terms in Mexico remain unchanged from last year, with an average of 27 days. Canada, however, has seen a reduction in payment terms, now averaging 26 days (down from 37 days last year).



# USMCA

## Company standards direct payment term policies

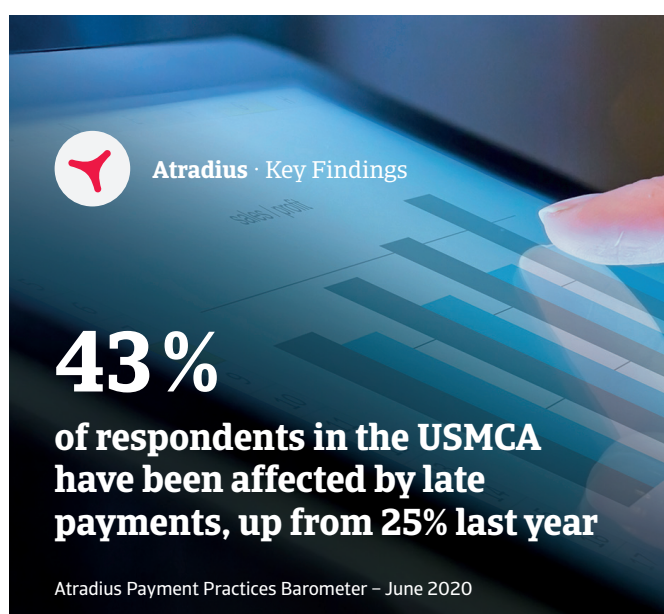
USMCA payment terms are most often set according to company policies and internal business practices (47% at regional level, 50% in the US, 48% in Canada and 42% in Mexico). Many businesses also set payment terms in line with industry standards (34% at regional level, 42% in the US, 31% in Mexico and 29% in Canada). For 27% of the USMCA businesses surveyed, payment terms are set in accordance with the credit capacity of the customer (40% in Mexico, 24% in the US and 18% in Canada).

## Late payments up and long overdues double

Late payments affect 43% of the total value of invoices issued in USMCA (up from 25% last year). The total value of long overdue invoices (extending past 90 days overdue) has doubled to 13% this year, while 4% of the total value was written off as uncollectable (up from 3% one year ago). The country hardest hit by late payments is Mexico (47% of the total value of B2B sales in our poll is overdue, up from 27% last year), followed by the US (43%, up from 24%) and Canada (39%, up from 25%).

## Short-term financing and disputes are leading causes of payment delays

According to the survey respondents, business customers often use invoice payment delays as a form of short-term financing. 40% report this at regional level, compared to 45% in Mexico, 41% in the US and 33% in Canada. Similar numbers of respondents attribute payment delays to disputed invoices (39% at regional level, 46% in the US, 43% in Canada and 31% in Mexico). Customer liquidity shortages are cited as the reason for late payments by 36% of respondents in the region, including 43% in Mexico, 35% in the US and 30% in Canada.

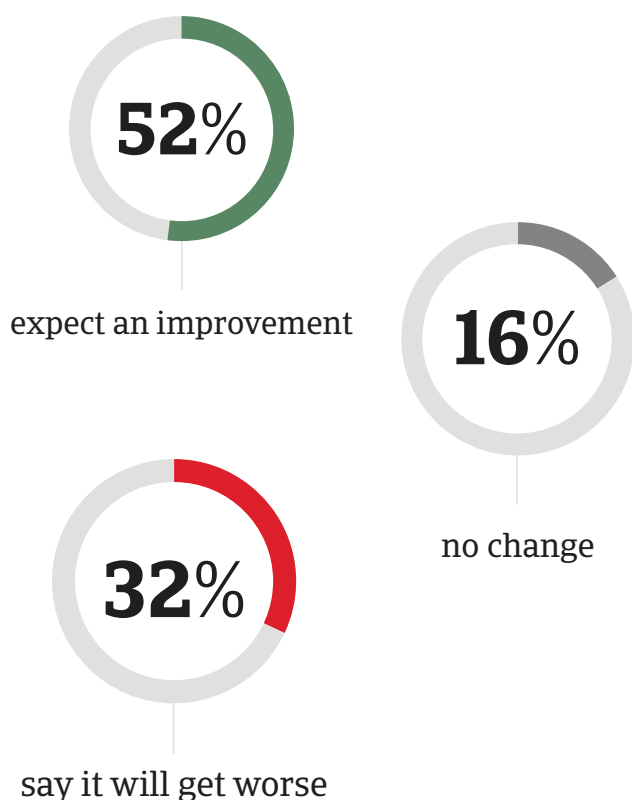


For more insights into the payment practices by industry in each of the countries surveyed in the USMCA, please refer to the respective country reports which are an integral part of the 2020 edition of the Atradius Payment Practices Barometer for the USMCA.

Free download on [www.atradius.us/publications](http://www.atradius.us/publications).



## B2B Payment Outlook in the USMCA



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer - June 2020

### Late payments affect cash flow and finances of businesses across region

30% of businesses in the region report needing to increase the amount of time, resources and costs spent to chase overdue invoices. At a country level this is 35% in the US, 28% in Mexico and 24% in Canada. To minimise cash flow issues caused by late payments, many businesses acknowledge needing to delay settlement of invoices to their own suppliers. This is reported by 28% at regional level, compared to 35% in Mexico, 32% in the US and 18% in Canada. One quarter of respondents in the region note the need to strengthen their internal credit control procedures (29% in Mexico, 24% in the US and 20% in Canada).

### Significantly increasing numbers absorb risk of payment default in-house

According to survey findings, significantly more respondents are choosing to self-insure against the risk of payment default than last year (66%, up from 22% last year). By country this includes: US 76% (up from 22% last year), Mexico 67% (up from

23%) and Canada 64% (up from 20%). Similar increases can be seen in requests for payment guarantees (64% of respondents at regional level, up from 27% last year). At country level this is: 58% in the US (up from 26% last year), 54% in Mexico (up from 31%) and 51% Canada (up from 22%). Despite this, it appears working capital is tied up in overdue invoices for an average of five days longer than one year ago. Of note, respondents from USMCA found it most difficult to collect outstanding debts in the food & beverage industry.

### Most businesses anticipate improved payment practices

Looking ahead, businesses are generally optimistic with 52% anticipating an improvement in payment practices over the coming months. This compares to 16% who foresee no change and 32% who predict payment behaviour to deteriorate. The latter group expect an increase in payment delays to trigger a significant lengthening of DSO (Days Sales Outstanding). More than half of the region's survey respondents plan on improving the efficiency of their debt collection processes. The two most cited approaches include increasing the use of payment reminders and outsourcing debt collection to a specialist agency.

### Optimism prevails with businesses predicting growth

Many of the businesses anticipating deterioration in payment practices over the coming months acknowledge the possibility of needing bank finance to support cash flow issues. However, overall, business morale appears buoyant with the majority of the region's survey respondents anticipating an increase in the availability of bank credit and an improvement in sales and profits.





# Survey design for the USMCA

## Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the 'Atradius Payment Practices Barometer'. In this report focusing on the USMCA, which is part of the 2020 edition of the Atradius Payment Practices Barometer, companies from three economies (Canada, US and Mexico) have been surveyed. Due to a change in research methodology for this survey, some year-on-year comparisons are not feasible for some of the results.

Using a questionnaire, CSA Research conducted 600 interviews in total. All interviews were conducted exclusively for Atradius.

## Survey scope

- **Basic population:** companies from three economies (Canada, US and Mexico) were surveyed. The appropriate contacts for accounts receivable management were interviewed.
- **Sample design:** the Strategic Sampling Plan enables to perform an analysis of country data crossed by sector and company size. It also allows to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** companies were selected and contacted by use of an international internet panel. A screening for the appropriate contact and for quota control was conducted at the beginning of the interview.
- **Sample:** N=600 people were interviewed in total (approximately n=200 people per country). In each country a quota was maintained according to three classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: Q1 2020.

## Sample overview – Total interviews = 600

Economy	n	%
Canada	200	33.3
US	200	33.3
Mexico	200	33.3
Sector (total USMCA)	n	%
Manufacturing	215	35.8
Wholesale trade/ Retail trade / Distribution	260	43.3
Services	129	21.5
Business size (total USMCA)	n	%
Micro enterprises	20	3.3
SME (Small/Medium enterprises)	418	69.6
Large enterprises	146	24.3

It may occur that the results are a percent more or less than 100%. This is the consequence of rounding off the results. Rather than adjusting the outcome so that it totalled 100%, we have chosen to leave the individual results as they were to allow for the most accurate representation possible.

## Disclaimer

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## Statistical appendix

Find detailed charts and figures in the Statistical Appendix for the USMCA. This is part of the June 2020 Payment Practices Barometer of Atradius, available at <https://atradius.us/publications/>

[Download in PDF format](#) (English only).



SURVEY RESULTS

STATISTICAL APPENDIX

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For more **insights into the B2B receivables collection practices in the USMCA** and worldwide, please go to [www.atradiuscollections.com](http://www.atradiuscollections.com)

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