



# The U.S.: signs of heightening trade credit risk?

**Atradius Payment Practices Barometer**





exports  
**Top 5**

- Machinery including computers
- Mineral fuels including oil
- Electrical machinery, equipment
- Aircraft, spacecraft
- Vehicles

Source: www.census.gov

trading partners  
**Top 5**

- Mexico
- Canada
- China
- Japan
- Germany

Source: www.census.gov

imports  
**Top 5**

- Oil
- Machines, Engines, Pumps
- Electronic Equipment
- Vehicles
- Medical Equipment

Source: www.census.gov

Despite solid fundamentals, underpinned by persistently strong household and business confidence, clouds are developing over the U.S. economy. Fiscal and trade policy risks have increased, posing a double threat to the strong domestic economy.

There is still confidence that the next recession won't start in 2019, however the risk of a downturn occurring sooner than expected has increased.



**David Huey, Atradius Regional Director for the U.S.A., Canada and Mexico commented on the report**

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*Although the U.S. economy still enjoys solid fundamentals, momentum is slowing as fiscal stimulus fades. For this reason, U.S. GDP growth is forecast to slow to 2.6% this year and further to 1.7% in 2020. Significant downside risks add to this forecast, the most prominent of which remains the proliferation of trade wars. The escalation of tariffs between the U.S. and China in May shows that we are not out of the woods yet.*

*In addition, the insolvency outlook appears to be negative. The downward trend in the number of U.S. firms filing for bankruptcy is expected to reverse and increase 1% in 2019. All this makes the business environment vulnerable to financial setbacks.*

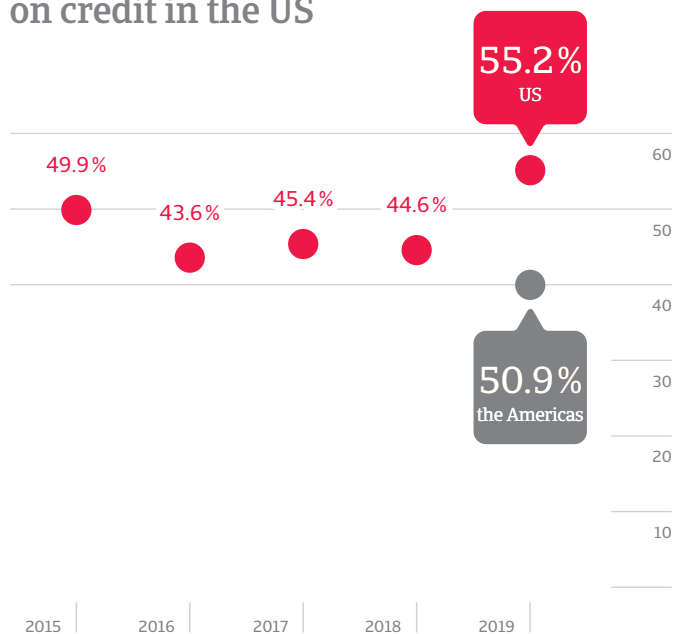
*Particularly for businesses providing customers with credit, domestically or internationally. They need to protect their business from the risk of payment defaults by their customers and ensure the financial viability of their company.*

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**U.S. respondents are far more likely to sell on credit to B2B customers than last year**

Survey respondents in the U.S. have historically shown a preference for selling to their B2B customers on cash rather than on credit terms. However, current survey findings point to a shift in preference to selling on credit this year. 55.2% of the total value of U.S. respondents' B2B sales was reported to be made on credit (up from 44.6% last year). It is highly likely that the larger proportion of credit sales this year reflects the improved export trade relations following the USMCA agreement in 2018. U.S. respondents' exports to Canada increased to 35% from 28% last year, while their exports to Mexico increased to 30% from 22%. When asked to explain the reasons for their increased export activity to Canada, most U.S. respondents (70%) said that the increase in USMCA exports was stimulated by economic reasons, and 30% by government trade policies. In regards to increasing exports to Mexico, 9 in 10 U.S. respondents said this was due to both economic reasons and reasons connected with government trade policies.

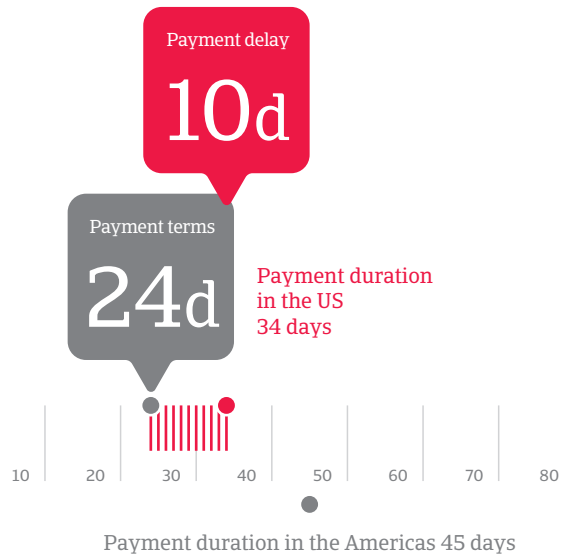
**Proportion of total B2B sales made on credit in the US**



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer – June 2019



## Payment duration in the US



d = average days

Sample: companies interviewed (active in domestic and foreign markets)

Source: Atradius Payment Practices Barometer – June 2019

### Payment terms granted by U.S. respondents are the swiftest in the USMCA region

Despite being far more likely to sell on credit to B2B customers than one year ago, respondents in the U.S. do not appear similarly inclined to set more relaxed payment terms. Most U.S. survey respondents (89%) requested quicker payment of invoices from B2B customers than one year ago, with terms averaging 24 days (down from 27 days last year). These are the shortest in the USMCA region, and compare to an average of 37 days in Canada (up from 25 days last year) and 27 days in Mexico (down from 33 days one year ago). In Brazil, the average is 38 days (up from 32 days last year).

### Checking buyers' creditworthiness and reserving against bad debts form the basis of US respondents' credit management policy

Consistent with the increased use of trade credit in B2B transactions, there is a heightened perception of credit risk amongst U.S. respondents. This may explain why their credit management policies rotate around the assessment of a prospective buyer's creditworthiness prior to any trade credit decision. Survey findings point to U.S. respondents (35%) performing creditworthiness checks more often than their peers in Canada (30%), and less often than their peers in Mexico (38%) and Brazil (43%). Reserving against bad debts, which is

meant to ensure financial stability should the assessment of creditworthiness prove inaccurate, is done by 28% of respondents in the U.S. vs. 33% in both Canada and Brazil, and by 18% in Mexico.

### One fourth of the total value of U.S. respondents' B2B invoices remain unpaid by due date

Over the past year, the payment behaviour of U.S. respondents' B2B customers improved notably. 73.6% of the total value of B2B invoices issued by U.S. respondents were paid on time (up from 59.5% last year). Despite this, over one-fourth of the total value of U.S. respondents' invoices was not paid by the due date. On average, it takes U.S. respondents 39 days to turn these overdue invoices into cash (down from 51 days last year). To manage liquidity issues caused by late payments and reduce financial pressure on the business, many U.S. respondents (nearly 30%) needed to take measures to correct cash flow, or were forced to delay payment of invoices to their own suppliers. One in four respondents needed additional financing from external sources. On average, 1.3% of the value of B2B receivables was written off as uncollectable (compared to 1.2% last year).

### U.S. respondents will expand use of credit management practices to mitigate trade credit risk over the coming months

Most U.S. respondents (55%) do not expect payment practices of B2B customers to change much over the coming months. 12% anticipate an improvement, while 33% expect an increase in late payments and in the number of U.S. firms filing for bankruptcy this year. For 29% of respondents, long overdue invoices (more than 90 days overdue) are expected to increase over the coming months, negatively affecting DSO. Moreover, 20% of U.S. respondents expressed concern that external borrowing conditions might become more difficult. This would negatively affect working capital and long-term investments in the business for 33% of respondents. To ensure their company's financial flexibility and protect their business against the risk of payment default by their B2B customers, 51% of U.S. respondents will more often request cash payments from B2B customers. In the USMCA region, 63% of respondents in Mexico and 39% in Canada will request cash terms. Nearly half of U.S. respondents reported they will more often perform dunning activities, outsource collection of past due invoices or offer discounts for early settlement of invoices.

63%

of respondents in the U.S. will either reduce costs or delay investment in the business should the availability of external borrowing reduce over the coming months.

Atradius Payment Practices Barometer – June 2019

## Overview of payment practices in the USA

### By business sector

#### Average payment terms are longest in the chemicals sector and shortest in the agri-food sector

U.S. respondents from the chemicals and the machines sectors extended the longest average payment terms (averaging 38 days and 31 days from the invoice date, respectively). The shortest average payment terms were set by respondents in the agri-food sector (19 days), followed by the construction and transport sectors (averaging 20 days).

#### Trade credit risk is highest in the U.S. metals sector, and lowest in the transport sector

The value of overdue invoices is highest in the metals sector at 40.4% of the total value of B2B invoices. The ICT/electronics sector at 33% and the construction sector at 32% follow. The transport sector recorded a low of 11%.

#### Proportion of uncollectable receivables is highest in the ICT/electronics sector and lowest in the agri-food sector

The ICT/electronics sector in the U.S. reported that 1.9% of their B2B receivables were written off as uncollectable, the highest proportion in the country. The machines sector follows at 1.7%. At the lower end of the scale, the chemicals sector reported an average of 1.1% of B2B receivables written off as uncollectable and the agri-food sector less than 1%.

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*The agri-food sector is one of the hardest hit by the current state of global trade. We expect credit risk to increase in the short term.*

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Owner - SME - Agri-food sector



# Overview of payment practices in the USA

## By business size

### Large enterprises in the U.S. set the longest average payment terms for B2B customers

Respondents from large enterprises in the U.S. extended the longest and those from micro enterprises the shortest average payment terms to B2B customers (averaging 30 days and 21 days from the invoice date, respectively).

### Large enterprises took the longest to cash in overdue invoices

Over the past year, large enterprises in the U.S. recorded the highest increase in the proportion of B2B invoices paid on time (+20% on average). Due to this change, overdue invoices in large enterprises now account for 27.4% of the total value of B2B invoices. In contrast, on-time payment of B2B invoices issued by SMEs decreased 13% on average. Despite these changes, large enterprises are still the slowest to collect payment of invoices. The average time it takes to convert invoices into cash is 51 days from the invoice date for SMEs and 69 days for large enterprises.

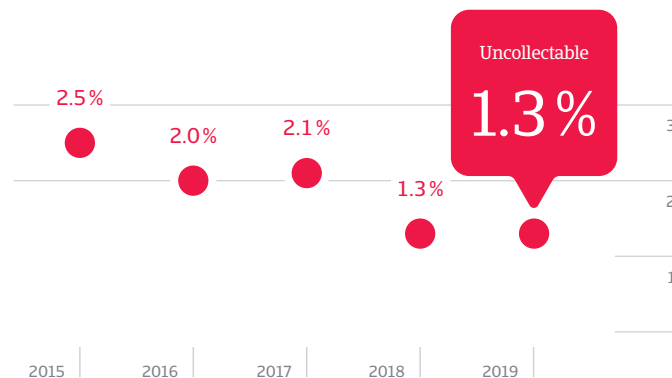
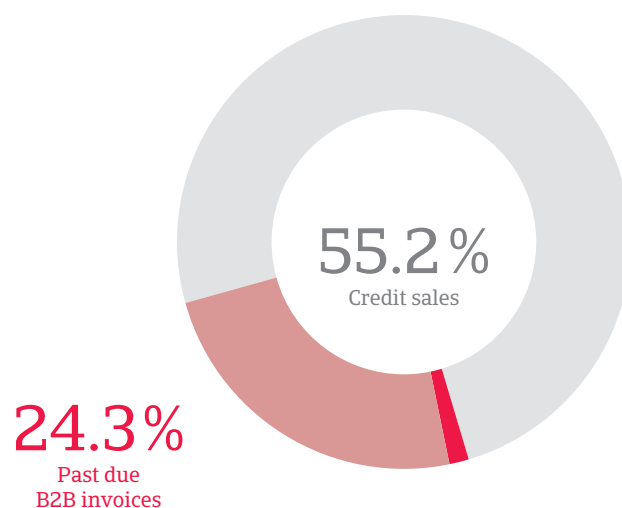
### SMEs in the U.S. recorded the highest rate of uncollectable receivables

Despite collecting payment of invoices faster, SMEs have a significantly worse track record when it comes to collecting payment. SMEs in the U.S. recorded the highest proportion (2.0%) of B2B receivables written off as uncollectable. The average for large enterprises is 1.3% and for micro-enterprises less than 1%.



## Uncollectable B2B receivables in the US

(% of total value of B2B receivables)



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer – June 2019

# Survey design for the Americas

## 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 Americas, which is part of the 2019 edition of the Atradius Payment Practices Barometer, companies from four countries (Brazil, Canada, Mexico and the U.S.) have been surveyed. Due to a change in research methodology for this survey, for some of the current results, no year-on-year comparison is feasible.

Using a questionnaire, Conclusr Research conducted a net of 837 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

## Survey scope

- Basic population: companies from four countries (Brazil, Canada, Mexico and the U.S.) were monitored. The appropriate contacts for accounts receivable management were interviewed.
- Selection process – Internet survey: 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=837 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: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q2 of 2019.

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## Sample overview – Total interviews = 837

Country	n	%
USA	205	24.4
Canada	210	25.2
Mexico	211	25.2
Brazil	211	25.2
Industry	n	%
Manufacturing	278	33.2
Wholesale trade/ Retail trade / Distribution	446	53.3
Services	113	13.5
Business size	n	%
Micro enterprises	281	33.5
SME (Small/Medium enterprises)	307	36.7
Large enterprises	249	29.8

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.



## Statistical appendix

Find detailed charts and figures in the Statistical Appendix for the Americas. This is part of the June 2019 Payment Practices Barometer of Atradius, available at [www.atradius.com/publications](http://www.atradius.com/publications)

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For more **insights into the B2B receivables collection practices in the US** and worldwide, please see the Global Collections Review by Atradius Collections (free download after registration), available on [www.atradiuscollections.com](http://www.atradiuscollections.com)

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