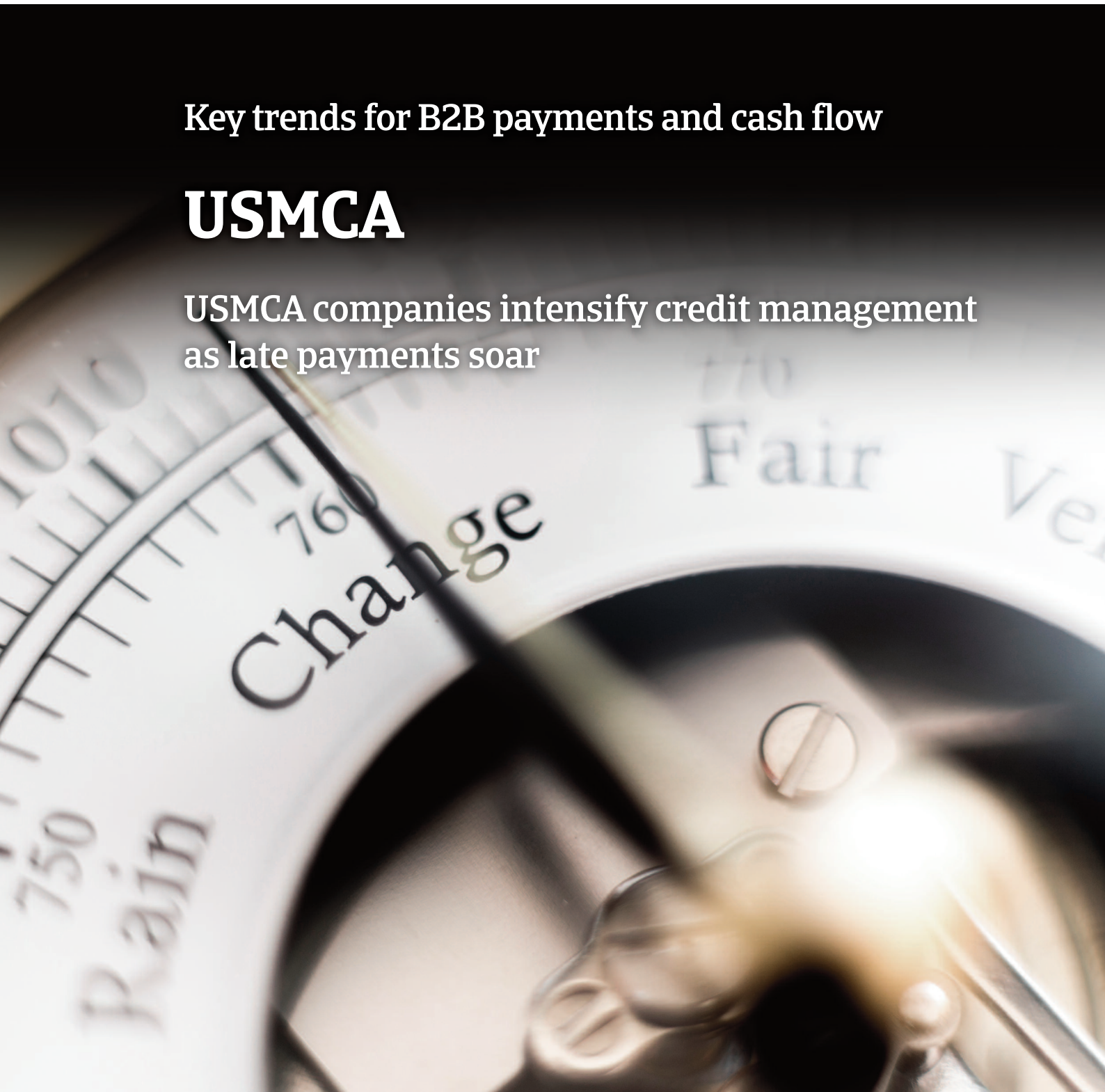


Atradius Payment Practices Barometer 2023

Key trends for B2B payments and cash flow

USMCA

USMCA companies intensify credit management
as late payments soar



About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times. However, the survey also has a strong focus on the

challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

The results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for USMCA. Insights into topics by country and local sectors can be found in the country reports (Canada, Mexico and the United States) that form the 2023 edition of the survey research for the USMCA.

The survey was conducted between the end of Q2 and the beginning of Q3 2023, and findings should therefore be viewed with this in mind.



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B2B payment trends and cash flow

USMCA companies intensify credit management as late payments soar

A clear trend across the USMCA region is a change of approach to selling on credit in B2B trade. Our survey found that B2B sales made on credit dropped by an average 23% during the past year. The decline was particularly pronounced in Canada, a caution influenced by various factors such as economic conditions and changes in market dynamics. 41% of all B2B sales in the region are now transacted on credit. Another notable trend was tighter payment terms offered to B2B customers. These now average 37 days from invoicing across the region, one week shorter than last year. Mexican companies had an even stronger policy, reducing payment terms by two weeks, highlighting a commitment to safeguarding financial performance. The main consideration in setting payment terms was the cost of funds required to finance the gap between credit sales and payment collection.

The payment behaviour of USMCA companies' B2B customers deteriorated during the past 12 months. Late payments trended upwards, rising by an average 13% compared to the previous year, with just over 50% of all B2B invoiced sales now affected by delayed payments. The worsening of payment behaviour was particularly evident in Canada, which had a significant rise of 30% in late payments, suggesting companies faced heightened challenges in mitigating the impact of customer credit risk on the business. There was a more mixed picture with bad debts. These showed a significant decrease in Mexico, but rose in both the US and Canada, and across the region bad debts affected 7% of all B2B invoiced sales.

Companies polled in the USMCA region reported a variety of factors that contributed to payment delays. Many companies pointed to invoice disputes with B2B customers as a significant factor, and businesses in the US specifically highlighted customer liquidity shortages as a major concern. Companies in Mexico told us that insolvencies were a common reason there for delayed payments. As a result, 66% of businesses polled said that, on average, they had to wait for one month past the due date to collect overdue payments. Canadian companies experienced even longer delays. To mitigate the impact of customer credit risk, 53% of businesses polled in the region spent more time and resources resolving unpaid invoices as they strengthened internal credit control processes. 63% of companies said they favoured requesting trade credit to address liquidity gaps caused by late payments. 38% chose to secure bank loans.

The preferred approach to credit risk management across the USMCA region is to retain and manage customer credit risk in-house, particularly in the US. However, 67% of companies polled said this requires careful scrutiny because it places the

Key survey findings

- An average 23% drop in business-to business (B2B) sales on credit during the past year was found across the USMCA region, the decline most striking among Canadian companies. Nevertheless, 41% of all B2B sales in the region were transacted on credit.
- Payment terms across the region were made more stringent, now averaging 37 days from invoicing, one week shorter than last year. The main factor in setting payment terms was the time lapse between credit sales and payment collection from B2B customers.
- A deterioration of B2B customer payment behaviour was evident in a 13% rise in late payments during the past year. Just over 50% of all invoiced sales were affected by payment delays. Bad debts were relatively stable across the region, standing at 7% of all B2B invoiced sales.
- The main reason for late payments in the USMCA region was invoice disputes, although liquidity shortfalls among B2B customers was a key factor for US companies. Insolvencies were an issue in Mexico. On average, 66% of businesses collected overdue payments more than one month beyond the due date.
- 53% of companies polled across the USMCA region spent more time and resources than last year resolving unpaid invoices amid a strengthening of credit control processes. 63% of businesses looked to trade credit for short-term finance to bridge liquidity gaps caused by late payments.
- The predominant method for handling customer credit risk in the USMCA region, especially within the US, involves keeping it within the company. However, among the surveyed businesses, 67% acknowledged the associated downsides with this approach and also considered the advantages of outsourcing the credit risk management to a specialized insurer.

financial burden of potential losses directly on the business itself. This may explain why many companies found it more prudent to complement this approach with outsourcing the management of credit risk to insurers. This provided a more comprehensive and well-balanced risk management strategy. Another finding of the survey is that businesses in the region tailored risk management to their specific needs, and resorted also to factoring, securitization and the use of letters of credit.

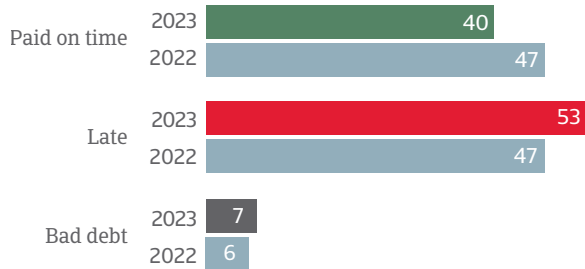
Key figures and charts on the following pages



USMCA

USMCA

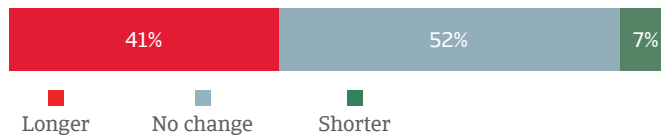
% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer USMCA – 2023

USMCA

% of respondents reporting changes in payment duration* over the past 12 months



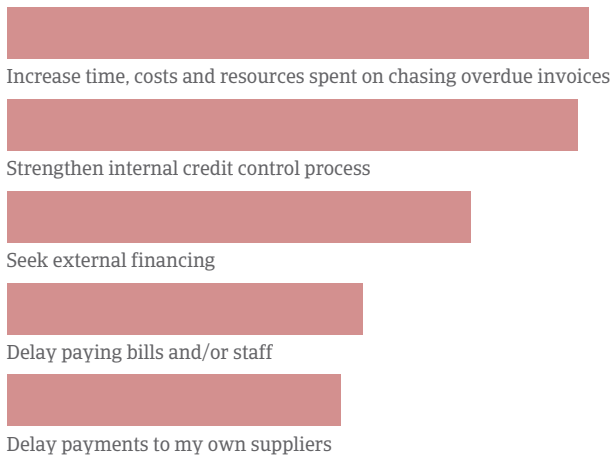
*average amount of time to get paid from B2B customers

Sample: all survey respondents
Source: Atradius Payment Practices Barometer USMCA – 2023

USMCA

Measures put in place to minimise cash flow problems due to payment default of B2B customers

(% of respondents - multiple response question)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer USMCA – 2023

Survey question

What are the main sources of financing that your company used during the past 12 months?

- 63% Trade credit
- 51% Equity capital
- 38% Bank loans
- 36% Debt securities issued

*multiple response question

Sample: all survey respondents (% of respondents)
Source: Atradius Payment Practices Barometer USMCA – 2023

Looking ahead

Rising mood of optimism despite inflation and cashflow worries

The effects of the persistent inflation, and uncertainty surrounding volatile energy and commodity prices, is a key concern for businesses in the USMCA region as they look ahead to the coming months. Companies polled said they were worried this could bring increased costs as well as having a ripple effect on other industries and affecting supply chain dynamics. Alongside these worries, companies were also apprehensive about liquidity shortages due to potential cash flow gaps resulting from delayed payments in B2B trade. The impact of interest fluctuations on borrowing costs remains a further concern, while competitive pressure is a particular worry for companies in a region where the business environment demands continuous innovation and strategic positioning to stay ahead in the market.

Amid this variety of concerns our survey found an underlying sense of optimism about the year ahead among USMCA companies. A staggering 75% of businesses polled, particularly those in the US, said they anticipate a surge in demand for their products and services during the coming months. This optimism is tempered by a somewhat cautious view regarding the prospects for profit margins in the year ahead. 60% of USMCA companies polled expect an increase, although businesses in Canada and Mexico were more pessimistic than their counterparts in the US.

The companies surveyed in the USMCA region expressed an overall positive outlook regarding the future of both Days Sales Outstanding (DSO) and B2B payment behaviour. 49% of businesses, especially in the US, told us they anticipate an improvement in DSO, while 43% foresee a steady course. Interestingly, Mexican companies view the timely collection of receivables with a heightened sense of urgency compared to their counterparts in the US and Canada. For 54% of USMCA businesses polled, there will be an improvement in B2B payment practices in the coming months. 39% of companies anticipate no change in payment behaviour, while the tiny remainder foresee a worsening.

Our survey found that 84% of companies polled in the USMCA region would continue with a policy of in-house retention and management of customer credit risk. However, there was also strong evidence that a mix of credit management tools will be used during the year ahead. These will include factoring, letters of credit, and to a lesser extent, securitization. Another element of a comprehensive credit management strategy will be an increasing appetite for outsourcing credit risk management to insurers. 72% of companies polled in Canada declared their interest in taking up credit insurance during the coming months.

Key figures and charts on the following pages

Key survey findings

- A wide range of concerns were expressed by USMCA companies, with inflation and uncertainty surrounding energy and commodity prices a key preoccupation for the year ahead.
- Interest rate fluctuations and the effect on borrowing costs are a further concern for the coming months, while cash flow issues and liquidity shortfalls are another particular anxiety as companies in the region navigate challenges caused by soaring customer credit risk.
- Despite these worries, a sense of optimism for the future was found in our survey. 75% of companies polled, especially in the US, anticipate a surge in demand for products and services. However, the perspective on profit margins diverges, with a lower 60% of businesses anticipating an increase, with the US showing the highest level of positivity.
- 49% of companies polled across the region are optimistic that Days Sales Outstanding (DSO) will improve during the coming months. 43% of businesses, particularly in Canada, expect no change, while the remaining few anticipate a worsening of DSO.
- There was also an upbeat mood about prospects for B2B payment behaviour. 54% of companies expect an improvement, especially in the US, while 39% of businesses anticipate no significant change.
- Although significant numbers of USMCA companies told us they would continue with in-house retention and management of customer credit risk, our survey also found an appetite for the use of a mix of credit management tools in the year ahead. 72% of businesses polled in Canada in particular said they would look to using credit insurance.





USMCA

USMCA

Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

(% of respondents)

Sales



Profit margins



■ Improve ■ No change ■ Deteriorate

Sample: all survey respondents
Source: Atradius Payment Practices Barometer USMCA - 2023

USMCA

Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



■ Improve ■ No change ■ Deteriorate

Sample: all survey respondents
Source: Atradius Payment Practices Barometer USMCA - 2023

USMCA

Looking ahead to the next 12 months: top 3 concerns expressed by businesses polled

(% of respondents - multiple response question)



Volatility of energy prices



Volatility of commodities prices



Interest rates fluctuations

Sample: all survey respondents
Source: Atradius Payment Practices Barometer USMCA - 2023

Survey question

How do you expect your average DSO to change over the next 12 months?

(% of respondents)

49% Improve
43% No change
8% Deteriorate

Sample: all survey respondents
Source: Atradius Payment Practices Barometer USMCA - 2023

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in the USMCA are the focus of this report, which forms part of the 2023 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 650 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from USMCA were surveyed, and the appropriate contacts for accounts receivable management were interviewed
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us 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=650 people were interviewed in total. A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: The survey was conducted between the end of Q2 and the beginning of Q3 2023.

Sample overview – Total interviews = 650

Business sector	Interviews	%
Manufacturing	220	34
Wholesale trade	91	14
Retail trade/Distribution	253	39
Services	86	13
TOTAL	650	100

Business size	Interviews	%
SME: Small enterprises	79	12
SME: Medium enterprises	197	30
Medium Large enterprises	262	41
Large enterprises	112	17
TOTAL	650	100

Markets overview	Interviews	%
USA	211	33
Canada	211	33
Mexico	228	34
TOTAL	650	100

Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the 2023 Payment Practices Barometer of Atradius, available at www.atradius.com/publications [Download in PDF format](#) (English only).

Interested in finding out more?

Please visit the Atradius website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

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To find out more about B2B receivables collection practices in **USMCA and worldwide**, please visit atradiuscollections.com.

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