European Commission

EU Payment Observatory

Annual Report 2024

SUMMARY OF FINDINGS (1)

- **In 2023 the share of enterprises having problems because of late payments in the EU experienced its highest increase in the last five years**, from 43% to 47%. This means a return to 2019 levels, reversing the progress made during the pandemic years.
- **In 2023, most Member States (21 out of 27) have recorded a deterioration in the share of companies affected by late payments**, while only four have seen improvements. In two Member States, the situation remains relatively stable.
- **In 12 Member States more than half of companies report having issues because of late payments**. Malta, where 76% of companies are affected, Luxembourg with 70% and Poland with 68% are particularly worrying. On the other side, the Netherlands with 30% and Bulgaria with 31% remain the Member States where fewer companies report that they are experiencing late payments problems.
- **Average payment periods seem to have deteriorated more on Business to Business (B2B) than on Government to Business (G2B) transactions**. Although public administrations still pay later than the private sector in every Member State, the gap between them seems to be lessening.
  - Suppliers reported that they received **payment from other businesses** on average in 61.8 days, more than five days later than in 2022, which is the highest increase in the last five years. 18 Member States have experienced longer B2B payment times in 2023.
  - Average payment times for **G2B transactions** were 69 days, which implies a very slight 0.4 day increase compared with 2022. Suppliers in 11 countries are reporting longer payment times from public administrations, while in another nine they diminished.
- **Larger companies remain less likely to pay on time in most Member States** (15 out of 20). Micro companies pay more often by the due date in 13 out of 20 countries. In 2023, most Member States saw improvements in on-time payments for small, medium, and large enterprises. For micro companies, 10 countries saw an increases in timely payments, while there were decreases in another 10.
- **Suppliers report an increase in average payment periods in 2023 for every considered sector**. These increases appear to be larger, of around 23%, in the sectors with the lowest payment times, namely retail and financial services. In turn, the lengthening of payments times have been less pronounced, 3.5%, for the sector with the longest payment times, namely energy and utilities.
- **There are big differences in sectoral payment performance depending on the Member State**. Consequently, it is possible to find nationwide examples of prompt payments in the worst performing sectors. Additionally, some of the sectors that should pay on time tend to pay late in specific countries:
  - **Financial services** is the sector with a better rate of payments made on time in out of the 21 Member States. It generally has a very high share of invoices settled by the due date, reaching a maximum of 93% in Denmark. However, the situation is very different in Portugal where only 14% of the sector's payments are on-time.
  - **Transport** is the sector with a lower share of payments made on time in nine out of 21 Member States. Nonetheless, in Denmark, the likelihood of a transport company paying by the due date is 94%, while in Poland it is 82%.

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SUMMARY OF FINDINGS (2)

- **The fear of damaging business relationships is one of the main drivers of late payments** with 55% of companies indicating that they accept longer payment terms than they are comfortable with to avoid damaging the relationship with their clients.
- **Over 30% of companies report that late payments result in them paying later to their own suppliers**. However, this domino effect slowed slightly in 2023, from 32% to 31%.
- **Companies where exports account for between 0 and 50% of their turnover tend to face more issues with late payments** than non-exporters and highly-exporting companies. This equally affects smaller and larger enterprises.
- **Late payments still have a significant influence on investment decisions**, with 59% of firms indicating that being paid late posed a significant challenge in terms of their ability to invest in expanding their product and service offerings, while 56% said it negatively affected efforts to improve their sustainability performance; finally, 43% reported that it hinders their ability to invest in a digital strategy, thus directly impacting the digital and green transitions.
- **Late payments considerably hinder firms' ability to access financial services and, conversely, difficulties in accessing finance result in even more late payment**s. Whereas 60% of firms struggling to access finance experience late payments, only 43% of the firms not having issues in accessing financial services experience late payments. Equally, only 10% of firms without late payment issues report difficulties in accessing financial services, compared to 15% among those affected by late payments. This suggests a circular relationship between these two dimensions.
- **The data on late payments in the EU in 2023 is even more limited than in previous years**. The lack of data on the Baltic countries is particularly concerning. Equally, the lack of comparable sources continues to hamper more detailed analysis.
- **Embedding prompt payment practices within company and national culture can substantially improve payment behaviour and lead to payments being made on time**. Stricter payment terms contribute to a culture of prompt payment, with research indicating that targeting the very top of the supply chain can help mitigate late payments to at least some extent.
- **A solid legal framework regulation for payment terms is crucial**. This can be further strengthened by effectively enforcing regulations. It is also necessary to ensure sanctions are enforced, which means that competent national authorities should be appointed. Additionally, the use of technological solutions, such as e-invoicing, can facilitate on-time payments by reducing administrative errors and costs. However, technology alone does not change payment behaviour and must be complemented by other measures.
- **Improving credit management skills and financial literacy, particularly for SMEs, is fundamental for effectively managing business relationships**. Accessible training and education are particularly useful for supporting SMEs.
- **Several examples of measures implemented at the national level have led to improvements in payment times** and have further encouraged a culture of prompt payment. The examples described in the report can serve as a reference guide of good practices.