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[1] The EU Observatory of Payments in Commercial Transactions (EU Payment Observatory) is an initiative of the European Commission. Service contract EISMEA/2022/OP/0010.

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Abbreviations

ADR	Alternative Dispute Resolution (ADR)
B2B	Business-to-business
DGCCRF	Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CJEU	Court of Justice of the European Union
DBT	UK Department for Business and Trade
EISMEA	European Innovation Council and SMEs Executive Agency
ECB	European Central Bank
EU	European Union
G2B	Government-to-business
LPD	Late Payment Directive
OSBC	UK Office of the Small Business Commissioner
MEF	Italian Ministry of Economy and Finances (MEF)
SME	Small and medium-sized enterprise

Glossary of basic terms

Late Payment	Payment not made within the contractual or statutory payment period
Payment term	Contractually agreed or legally established time in which a payment needs to be settled
Payment period	Actual time taken to make the payment, also called payment time
Payment delay	Difference between the payment term and payment period/time

1. THE STATE OF LATE PAYMENTS IN THE EU

SUMMARY OF FINDINGS

- **In 2023 the share of enterprises having problems because of late payments in the EU experienced its highest increase in the past 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) recorded a deterioration in the share of companies affected by late payments**, while only four saw improvements. In two Member States, the situation remained relatively stable.
- **In 12 Member States more than half of companies reported having issues because of late payments**. Malta, where 76% of companies are affected, Luxembourg with 70% and Poland with 68% are particularly worrying. In contrast, the Netherlands with 30% and Bulgaria with 31% remain the Member States where fewer companies report that they are experiencing problems with late payments.
- **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 past five years. Eighteen Member States have experienced longer B2B payment times in 2023.
  - Average payment time for G2B transactions was 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 9 they diminished.
- **Larger companies remain less likely to pay on time in most Member States** (15 out of 20). In 13 out of 20 countries, micro companies pay more often by the due date. In 2023, most Member States saw improvements in on-time payments for small, medium and large enterprises. For micro companies, 10 countries saw an increase 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 payment times has 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 4 out of 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 9 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%.

- **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 have a significant impact on firms' investment decisions, negatively affecting their competitiveness**. 59% of companies indicate 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 that result in even more late payments.** 60% of the firms struggling to access finance experience late payments. This drops to 43% for those firms not having issues in accessing financial services. 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 are 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 eInvoicing 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.

- **Measures such as an effective sanctioning regime with high penalties (as in Spain), eInvoicing (benefits of which have been observed in Italy), the anonymous complaint box for late payment in Spain, criteria on payment performance for public procurement eligibility in the UK, and reporting obligations (as in the UK) have led to improvements in payment times** and have further encouraged a culture of prompt payment.

2. INTRODUCTION

Late payments are a significant hurdle for the competitiveness of EU companies. Delayed payments affect firms' liquidity, thereby hampering their ability to properly operate and to invest in growth. They also make it difficult for companies to pursue the digital and sustainable transition that is essential for their long-term viability. SMEs, the weakest link in most business relations, are particularly affected, frequently suffering from late payments despite they themselves being good payers. They are also especially vulnerable to cash flow disruptions, which can lead to serious consequences such as layoffs and even bankruptcies.

To address this pressing issue, the European Payment Observatory of Commercial Transactions (EU Payment Observatory) was established in 2023 by the European Commission. Its mission is to monitor trends and developments related to late payments within the EU, and complements broader efforts to mitigate this problem, including a proposal for regulation introduced in September 2023.

The EU Payment Observatory has continued its work in 2024, collecting data on payment transactions across the EU and measures, documents and any other relevant initiatives put in place to combat delayed payments. This information is available on the Observatory's website. The Observatory has also produced three thematic reports that: (i) assess existing enforcement measures at EU level and showcase additional national regimes; (ii) analyse how eInvoicing can support the reduction of late payments; and (iii) delve into the issue of G2B late payments in the EU.

Moreover, the Observatory has intensified its efforts to raise awareness about the late payments issue through regular webinars, participation in various events, and the publication of a regular newsletter.

The Observatory is also supported by a Stakeholder Forum composed of 54 organisations, including business representatives, sectoral associations, data providers, supply finance operators and academia. Their expertise provides valuable insights that are fundamental for the well-functioning of the Observatory.

This Annual Report aims to provide a comprehensive analysis of the main trends and developments in payment performance related to commercial transactions in 2023. This year's report includes new sections addressing the impact of late payments on access to finance and cross-border late payments. It features an additional section exploring the drivers of good payment performance.

This report is divided into five sections. The first outlines the methodology employed by the Observatory while highlighting data limitations. The second evaluates payment performance at EU-wide level in 2023. The third is composed of country-level fiches, providing an assessment of late payments at national level. The fourth section focuses on drivers of on-time payments, while the fifth and final section summarises other activities conducted by the Observatory throughout 2023.

3. ANALYSIS OF DATA ON PAYMENT PERFORMANCE ACROSS THE EU

CONSTRUCTING THE EU INDICATORS DATABASE

Monitoring the state of late payments in the EU is an essential component of the ongoing revision of the Late Payment Directive, as this provides a comprehensive view of the status of the issue across EU Member States, assessing its magnitude and characteristics. A correct monitoring of the late payments situation in Europe is essential for identifying root causes and symptoms and helps in designing targeted measures. Regularly tracking the state of late payments also enables the effectiveness of policy measures to be evaluated.

The lack of publicly available data on payment performance in commercial transactions in the EU is one of the main limitations in carrying out such a monitoring exercise. The absence of harmonised and comprehensive data on late payments covering all EU countries constitutes the main challenge of this investigation. However, after reviewing more than 100 national and supranational data sources from surveys, ministries, industry associations and data providers, approximately 30 were deemed relevant for reliably depicting the state of late payments in the EU in 2023. These sources were selected on the basis of their methodological soundness, their time coverage, and their sample size. This ensures that the provided data are reliable, cover multiple years and hence allow the observation of developments over time, and are representative for the specific dimension that they refer to.

Although the selected data sources provide valuable insights into various aspects of late payments in the EU, it is important to keep in mind their caveats and divergences. The next section provides a detailed explanation of how the database of indicators on EU late payments is constructed, emphasising the limitations and differences among the selected data sources.

Limitations, methodological differences, and complementarity of the data sources used

Overall, there is a lack of available data on late payments in commercial transactions across the EU. In 2023, this situation worsened compared to previous years, as some of the selected sources ceased to provide information for certain EU countries, including the Baltics (Estonia, Latvia and Lithuania) and Romania, thereby reducing the geographical coverage. Furthermore, for the countries that remain covered, there has been a decline in the scope of the data reported, with fewer details provided on important aspects of late payments, including their impact on key business indicators such as loss of income, liquidity squeeze, and bankruptcy.

Importantly, the constructed database draws from two distinct types of data sources: national and supranational. While national sources only cover the state of late payments in a single economy, multi-country sources provide comparable information on the state of late payments in several Member States. This distinction is relevant because different sources use diverse methodologies to obtain and process information. As a result, values reported from a certain data source in a country cannot be directly compared to the values reported by another source in another country, since the two numbers originate from separate methodologies. For this reason, the overview of the state of late payments at the European level relies only on multi-country sources, which are the only ones that allow a meaningful comparison of the payment performance across countries. These include the Intrum European Payment Report, the Cribis Payment Study, and the ECB/EC SAFE survey (survey on the access to finance of enterprises). For the country-by-country analysis, several national sources are used for each individual Member State instead, as these often provide complementary insights on the late payments' situation in a given economy. Also, the more sources available for a country, the more detailed and granular is its analysis, as this sheds light on important aspects, such as differences across business sectors, firms' size, and the nature of the entities involved in the transactions (G2B or B2B).

Another important distinction that needs to be made relates to the type of data reported by the selected sources. The two types of data at disposal are transaction data and survey data. The main limitation of survey data, on the one hand, is that they are based on respondents' subjective perception of the explored topic. As respondents do not possess complete information, their answers are inevitably subject to a bias. Additionally, surveys often apply varying methodologies in gathering information, with several factors underlying these differences. These include, for example: differences in the questions asked on the same topic; differences in the options provided as possible answers to the same questions; and different types of stakeholders being interviewed, for instance creditors or debtors. This leads to significant discrepancies in the reported data, making the comparison of the same measure not reliable across surveys. Nevertheless, while comparing the absolute value of a specific indicator provided by two different surveys would be questionable, comparing the time trend of this indicator across the two surveys still offers meaningful insights.

On the other hand, transaction data is based on the actual time it took for an invoice to be settled. This offers a more objective estimate of payment times, avoiding the subjective bias that is inextricably linked to surveys. However, transaction data are also based on different methodologies, which leads to discrepancies in the reported values across different sources. Discrepancies can stem from, for example, different conventions in determining when the invoice time starts to be counted, or different methods in aggregating the values reported for the single invoices.

While transaction data are a more objective estimate for the actual time it takes to settle invoices, they only offer insights on payment times. By contrast, survey data can provide additional information on a wider range of dimensions related to late payments beyond just payment times. These may include, for example, information on which factors are driving late payments, or which business areas are the most affected by payment delays. Additionally, surveys also provide information on businesses' attitudes towards policy measures, remedies to late payments, and the impact of external factors, which are all dimensions that cannot be captured by transaction data. Therefore, transaction and survey data can be seen as complementary; while transaction data are preferred when assessing payment times, when available, survey data offer additional insights on other important dimensions related to late payments that are not covered by transaction data.

Overall, there is a lack of data on late payments in the EU, and there has been even less in 2023. When comparisons are drawn across different Member States, multi-country sources are used, as different sources apply different methodologies, and this leads to discrepancies in the values reported, making their comparison unreliable. Finally, while transaction data offer a more objective estimate of payment times, survey data provide insights on several additional dimensions relating to late payments, making the two complementary.

Inspecting the relationship between cross-border transactions and late payments

In this year's edition of the Annual Report there is a new section dedicated to the relationship between firms' cross-border activity and late payments, which presents particular methodological challenges. The data available on the topic are very limited. The data need to be more restrictive to be able to adequately assess the relationship. First of all, the same source of data needs to cover both dimensions at the same time. This also needs to be granular at the firm level, otherwise working with aggregate values and comparing averages would not allow an assessment. Finally, the sample size on both variables needs to be representative enough to have a reliable estimate of the association between the two dimensions.

To be able to test the link between cross-border transactions and late payments, the only source of data meeting the requirements described above is the ECB/EC SAFE survey. Although this survey is known mostly for its tackling of the state of access to finance of EU enterprises, it also offers information on whether the interviewed firms suffer problems due to late payments, and what share of their turnover is accounted for by exports. Crossing these two dimensions can shed light on whether firms that export more are associated with more problems due to late payments.

A caveat in the data is that the answers to the two dimensions of interest do not refer to the same time period. While the information provided by firms on whether they have suffered problems due to late payments refers to the concurrent time period of the survey round, the information reported on firms' share of turnover accounted for by exports refers to the year preceding the interview. Such a time lag poses an initial challenge in analysing the association between the two variables. However, after inspecting the available data it has been found that the variability of export share is extremely low, meaning that firms' export share of turnover is very constant over time. In light of this finding, it is deemed reasonable to disregard the time lag between the two dimensions when assessing their association.

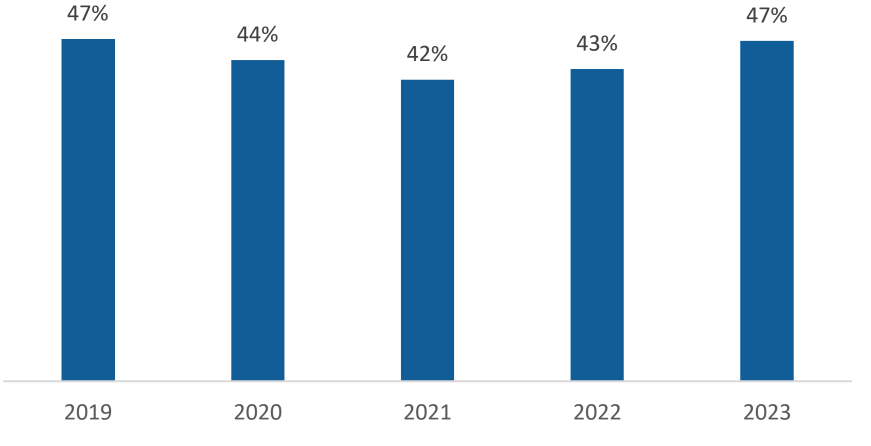
OVERVIEW OF PAYMENT PERFOMANCE IN THE EU IN 2023

2023 recorded the largest increase of companies affected by late payments since 2019

More enterprises seem to be having problems as a consequence of late payments in the EU. According to the ECB/EC Safe survey almost half of the surveyed companies (47%) reported facing issues due to not being paid on time in 2023. This is 4% more than in 2022, the highest increase in the past five years, and a return to 2019 levels. The improvements observed during the pandemic years seem, therefore, to have been reversed.

This might be linked to both macroeconomic conditions and the phase-out of governmental support measures that helped EU businesses absorb the impact of Covid-19 and high inflation. In previous years, businesses were able to withstand the impact of the pandemic and economic disruption thanks in part to governmental aid that helped them maintain their liquidity and avoid the fallout from late payments. However, in 2023, companies could no longer resort to such assistance, despite the persistence of high inflation and economic instability, which might have resulted in reduced liquidity and therefore in an increase of the issues that firms suffer as a consequence of delayed payments.

Figure 1: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, EU average, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

At national level, the share of companies reporting having problems due to late payments appears to have worsened in 2023 in 21 Member States, while four are seeing improvements[2]. Germany and Belgium are two where the situation remains relatively stable. The most significant deterioration is observed in Luxembourg (+16%), Malta (+15%), Sweden and Latvia (+13%). In turn, the greatest improvements are seen in Cyprus (-22%), Slovenia (-8%) and Croatia (-7%). This seems to indicate that there is a bigger oscillation in smaller Member States. However, this might be a data caveat as the information is coming from a survey in which, naturally, fewer companies are interviewed in smaller countries. If fewer businesses are surveyed, this can disproportionately influence the national average, making any changes appear more pronounced than it would in larger countries.

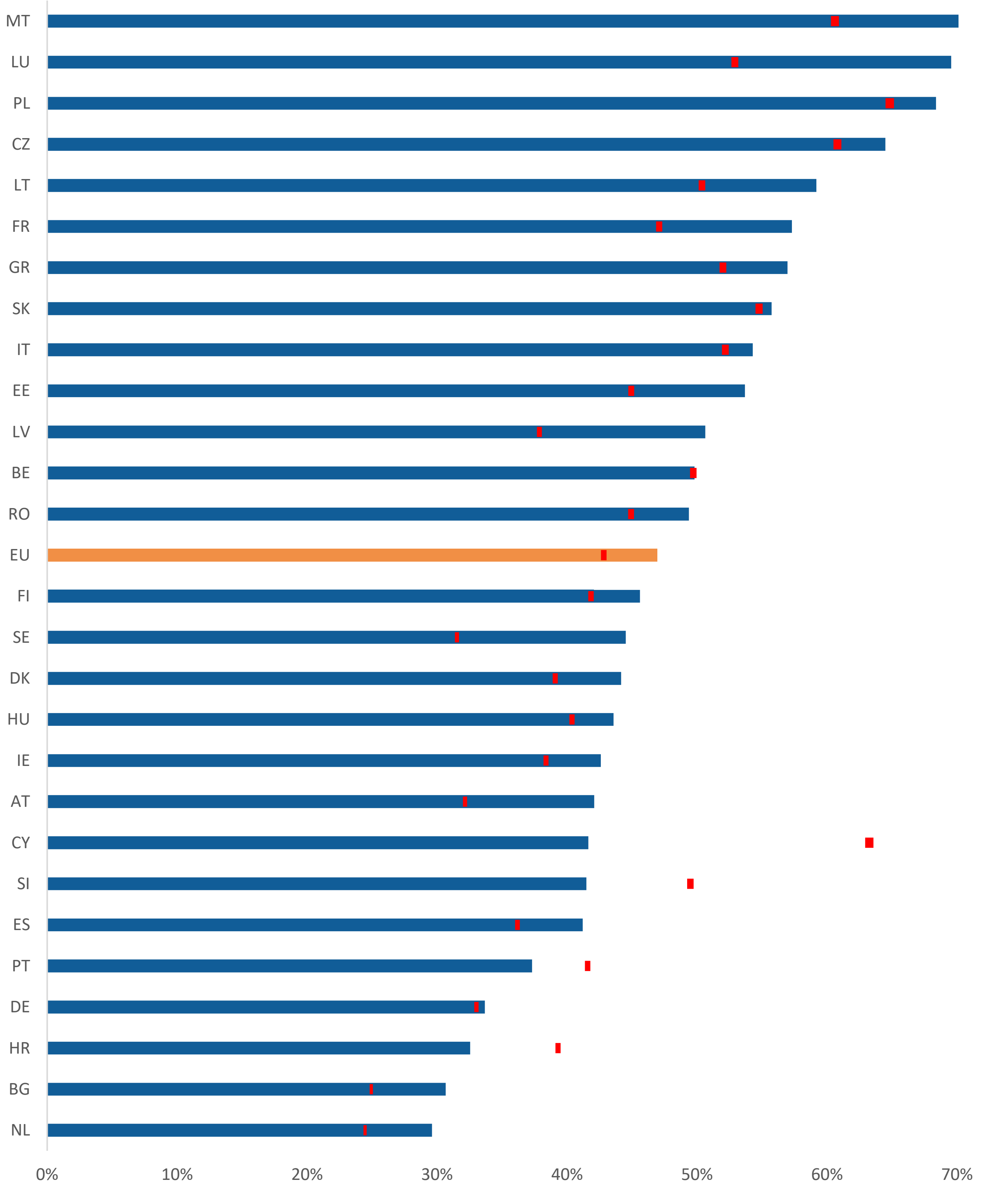
In 12 Member States, more than half the companies report having issues as a consequence of late payments. Malta (76%), Luxembourg (70%) and Poland (68%) are the worst performers. The latter was topping the list in 2022. On the other side, the Netherlands (30%) and Bulgaria (31%) are again the Member States in which fewer companies state that they are experiencing

[2] The situation improved from bigger to smaller reduction in Cyprus, Slovenia, Croatia and Portugal, in order. The situation deteriorated, in order, from bigger to smaller increase in Luxembourg, Malta, Sweden, Latvia, France, Austria, Lithuania, Estonia, Bulgaria, the Netherlands, Denmark, Spain, Greece, Romania, Ireland, Finland, Czechia, Poland, Hungary, Italy and Slovakia.

late payment problems. In any case, the data caveat on smaller Member States also applies to these rankings.

Amongst the biggest EU economies, France and Italy remain above the EU average for companies experiencing late payments. The deterioration has been particularly significant in the case of France (+10%).

Figure 2: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2023 (2022 values as red markings), G2B and B2B



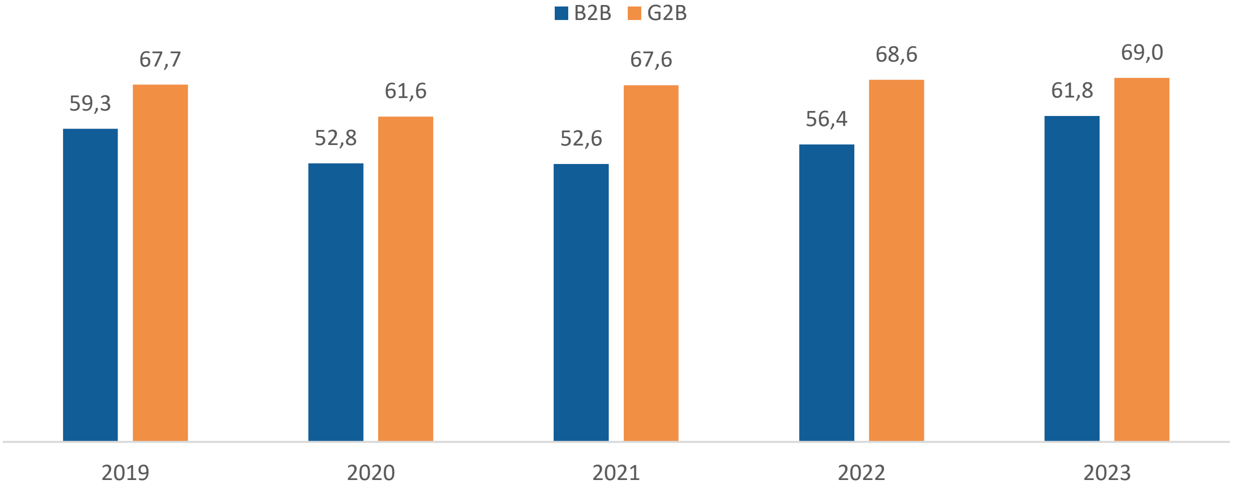
Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Payment times in 2023 seem to have deteriorated more in B2B than in G2B transactions

The overall worsening of payment performance in the EU in the past year seems to be driven by B2B transactions. 2023 saw the worst deterioration in terms of average payment periods in B2B transactions in the EU since 2019, according to the Intrum survey. Suppliers reported that they were paid by other businesses on average in 61.8 days, which is more than five days longer than in 2022 and more than in 2019. It also surpasses the 60 days' benchmark, which in many transactions marks the barrier between an on-time payment and a delayed one.

G2B transactions, however, seem to only have slightly deteriorated, with an average increase of less than 0.4 days in 2023. In any case, public administrations' payment times remain on average longer than those of businesses in the EU.

Figure 3: Average payment period in the EU in number of days, 2019-2023, B2B and G2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report (No data available for CY, LU, MT for all years and for EE, LV, LT and RO for 2023).

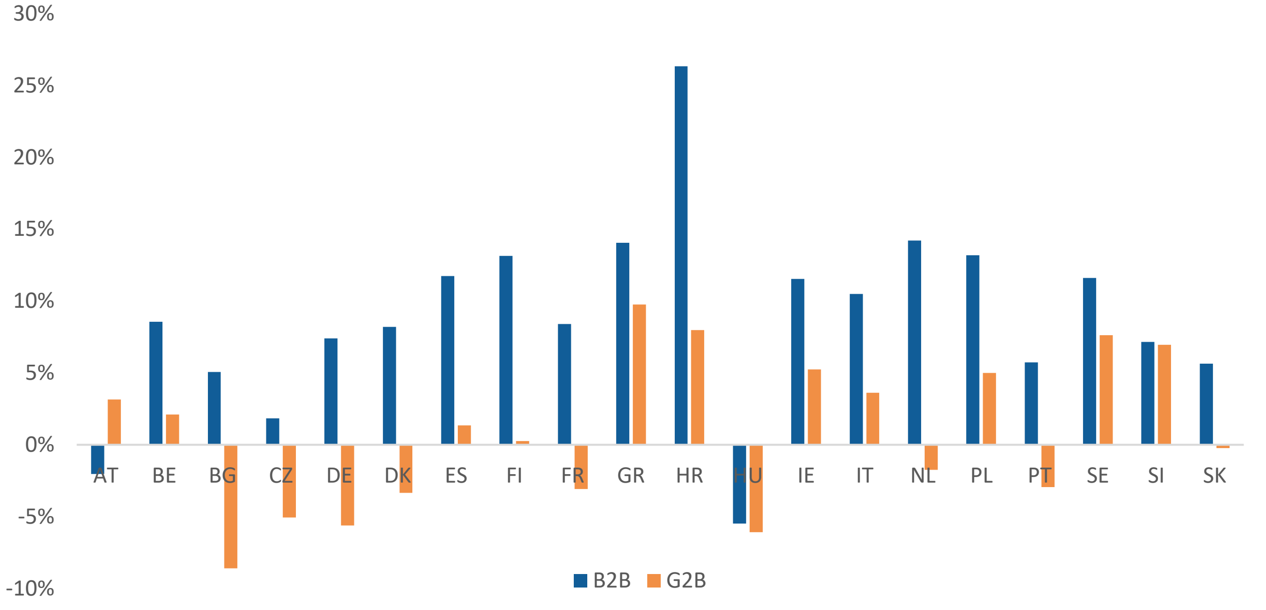
The different evolution of G2B and B2B transactions is clear when comparing the change in average payment period from 2022 to 2023 across Member States. As shown in the graph below, in 18 countries suppliers are reporting an increase in payment times from businesses, observing a reduction in only two. In turn, they indicate that governments paid later in 2023 in 11 Member States, while in nine countries payment times by public authorities actually diminished in comparison to 2022.

The worst deteriorations in average payment times in B2B transactions can be seen in Croatia (+26.3%), the Netherlands (+14.2%), Finland and Poland (+13.2%). With regards to G2B transactions, suppliers report that the situation has worsened more in Greece (+9.8%), Croatia (+8%) and Sweden (+7.6%).

The only improvements on B2B transactions can be seen in Hungary (-5.5%) and Austria (-2%). With regards to public authorities, payment times have reduced more in Bulgaria (-8.6%), Hungary (-6.1%) and Germany (-5.6%).

The data showcasing that payment times have lengthened more for B2B than for G2B transactions may highlight again the importance of government support measures. Those initiatives targeted companies. Therefore, their phase-out affects the private sector liquidity, increasing their late payments. Although they were particularly encouraged to pay on time during Covid-19, public administrations did not benefit from those measures and therefore their ending doesn't result in more late payments on their side.

Figure 4: Difference in average payment period reported by suppliers from 2022 to 2023 in B2B and G2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report (No data available for CY, EE, LU, LT, LV, MT and RO).

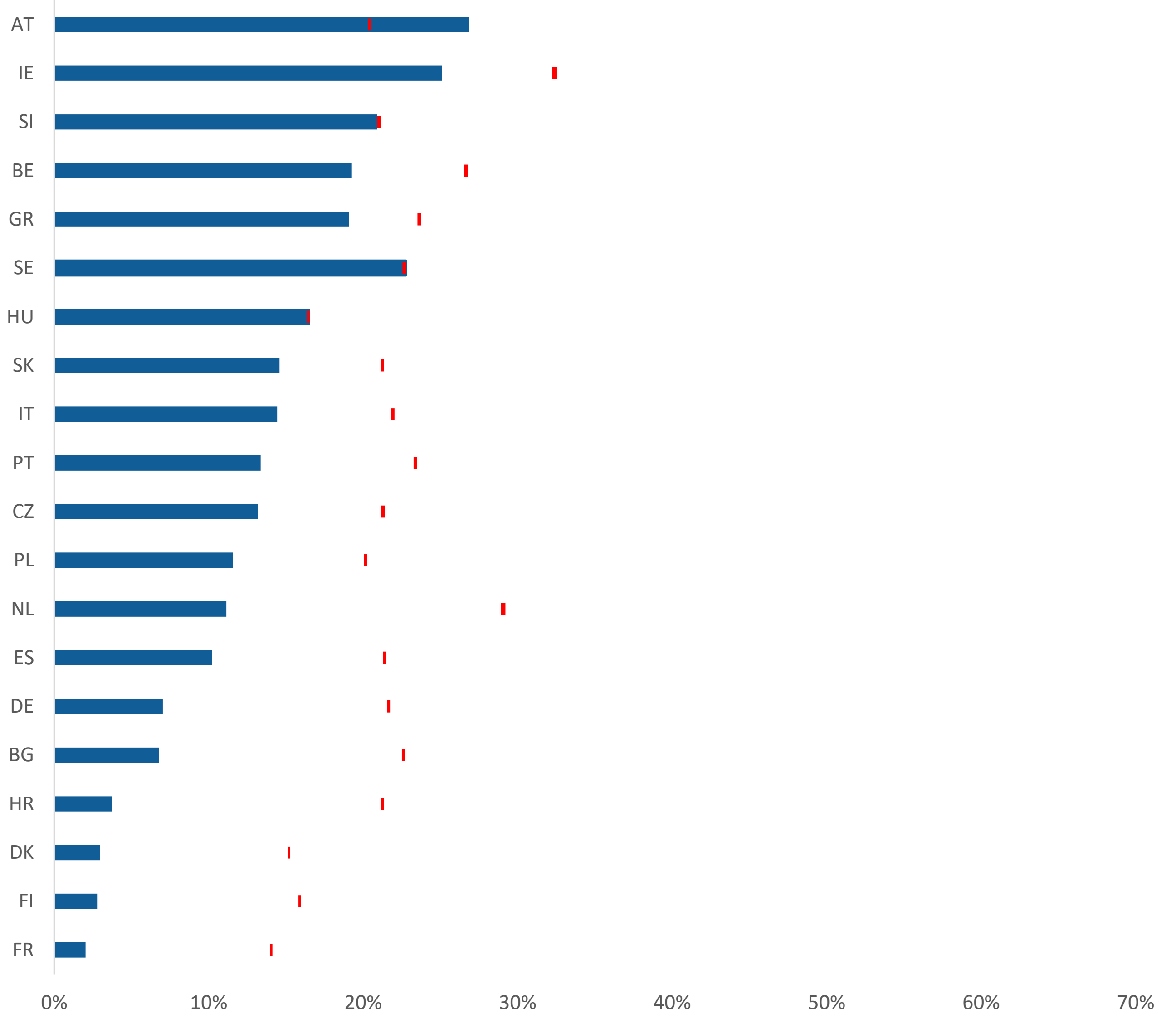
Nevertheless, according to suppliers, and as can be seen in the figure below, governments still pay later than businesses in every Member State. This is particularly damning as there is a fundamental difference in payment delays in G2B and in B2B transactions. While in G2B transactions, payment terms are laid down by law and cannot derogate from the maximum 30 days (or 60 days in the public health sector), in B2B transactions payment terms can be extended virtually indefinitely, often exceeding the general cap of 30 days. Payment terms of 90-120 days are not uncommon in B2B transactions. In many instances these extended payment terms can be grossly unfair to the creditor, who nevertheless accepts them out of fear of losing the contract.

Therefore, if a payment in a G2B transaction is performed in 60 days, it is late by 30 days. If a payment in a B2B transaction, negotiated with a payment term of 90 days, is performed in 95 days, the payment is late by only 5 days. Despite the difference in payment gaps, the impact on the liquidity of the creditor who must finance them can also take a high toll and be harmful in both instances. Having legislative requirements for payment times, as in the case of G2B transactions under the current Late Payment Directive, should have resulted in shorter settlement periods from public administrations. A more detailed analysis of payments in G2B transactions is available in a dedicated Thematic Report.

The gap between G2B and B2B payments has, however, reduced in 2023 in every Member State for which there are data, because of the increased payment times in B2B transactions. The only exception is Austria, where payment periods by business improved, but those of public administrations deteriorated.

As can be seen in the graph below, the gap between G2B and B2B is below 10% in six Member States, whereas in 2019, the smallest difference was of 14%. It corresponded to France, which is leading the ranking again in 2023 with a difference of only 2% on average times in G2B transactions versus B2B transactions. France is followed by Finland (2.8%) and Denmark (3%). On the other side, governments pay later in relation to businesses in Austria (26.9%), Ireland (25.1%) and Slovenia (20.9%).

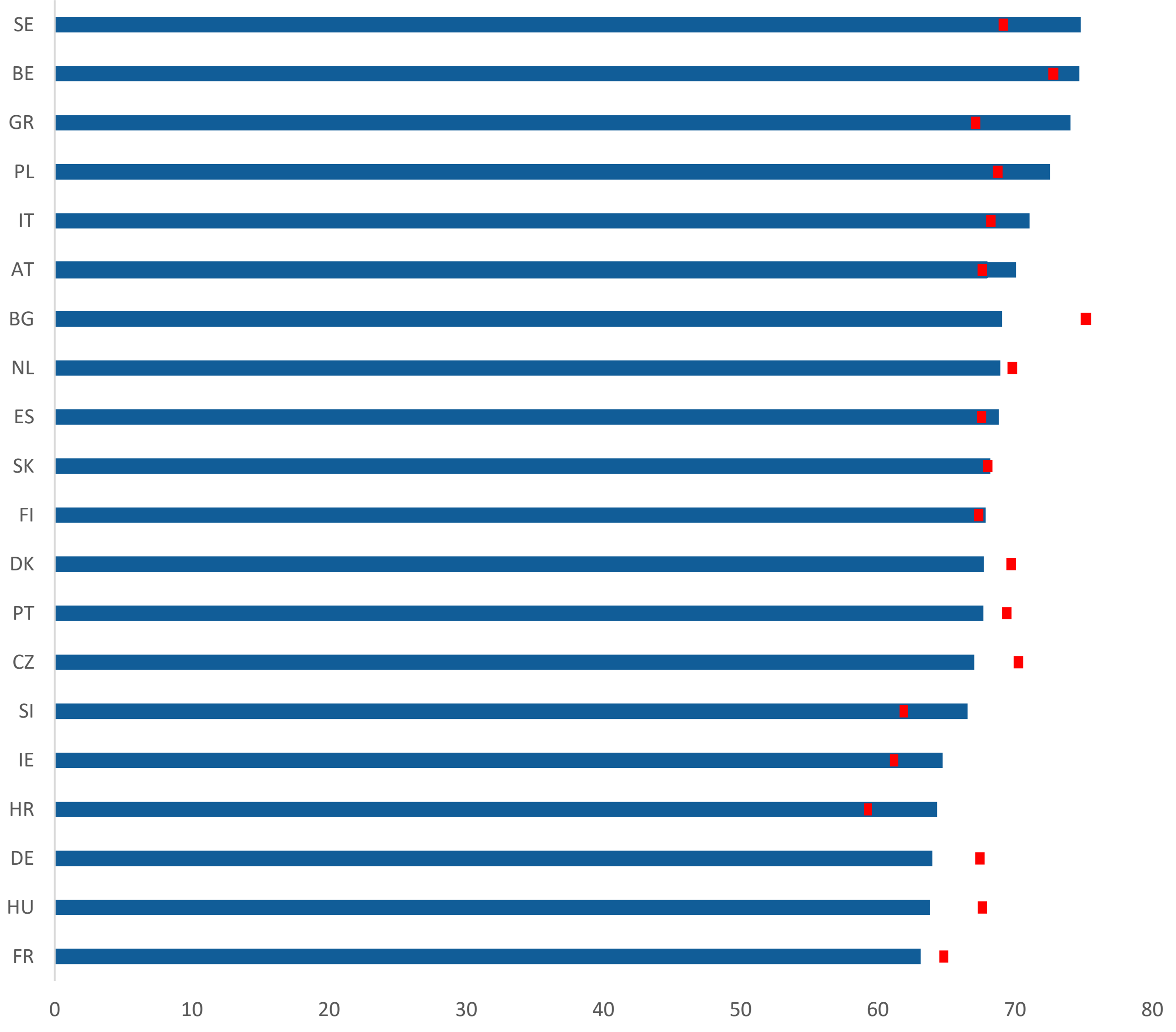
Figure 5: Difference of average payment periods of G2B and B2B payments in percentage, (2022 values as red markings), 2023



Source: EU Payment Observatory elaboration on Intrum European Payment Report (No data available for CY, EE, LU, LT, LV, MT and RO).

When looking at G2B transactions in absolute terms, the Member States in which suppliers are reporting longer payment times from public administrations are Sweden, Belgium and Greece. Meanwhile the countries where the public sector is considered to pay earlier are France, Hungary and Germany. However, as noted, the graphics report average results. Deeper analysis reveals worrying deteriorating sector trends even in those Member States whose overall payment performance is comparatively better than that of other Member States. This is the case, for example, in France, where the deterioration of payment behaviour by the public health authorities has been the focus of a detailed analysis by the French Late Payments Observatory.

Figure 6: Average payment periods in G2B transactions in days (2022 values as red markings), 2023



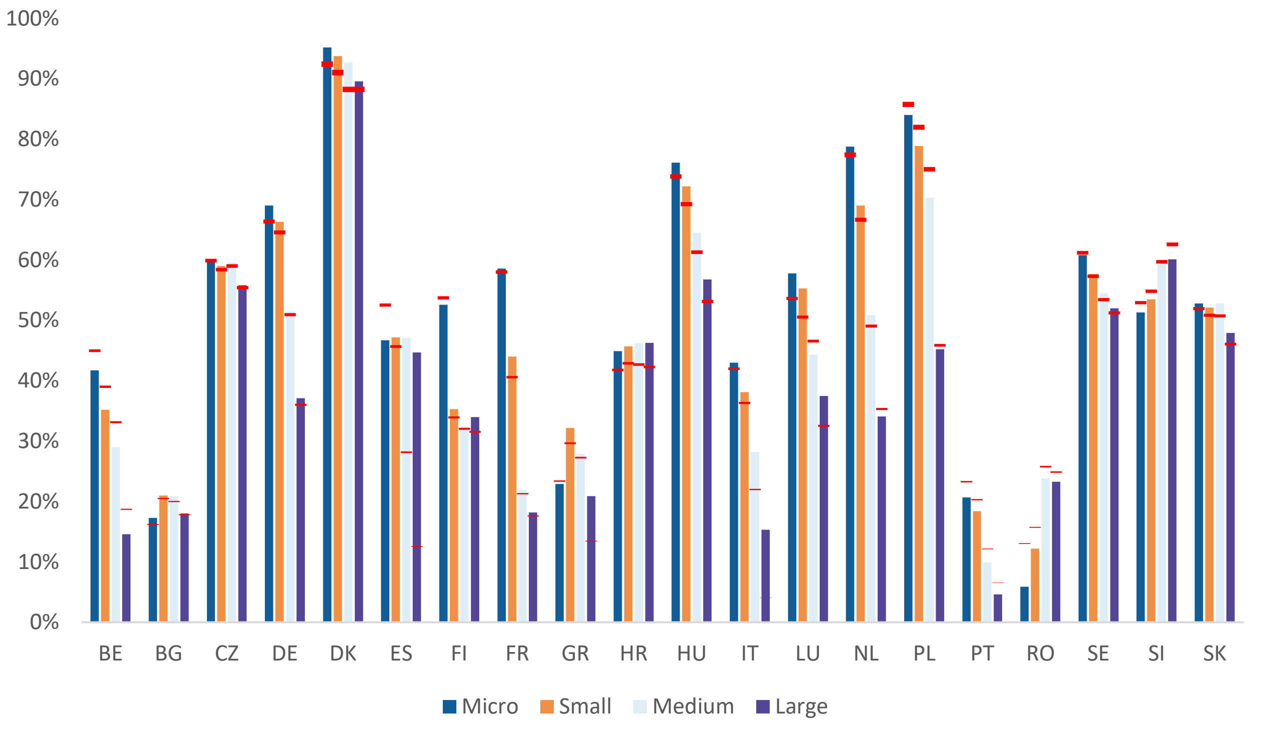
Source: EU Payment Observatory elaboration on Intrum European Payment Report (No data available for CY, EE, LU, LT, LV, MT and RO).

On-time payments: large companies still lagging behind smaller ones in most Member States

As in previous years, data from 2023 on late payments by business size show that the larger the company, the lower the tendency to pay on time. According to Cribis/D&B, as can be seen in the graph below, large companies are again the ones with a lower rate of on-time payments in most countries (15 out of 20). In 2022, it was in 16 Member States. By contrast, micro companies are the ones paying more often before the due date in most countries (13 out of 20). Small companies, in turn, seem to be the second ones to pay more on time in 12 out of 20 countries, while medium-sized companies rank third in 11 Member States. In consequence, those rankings have not changed much in the past year.

Portugal has the biggest difference in on-time payments between micro and larger enterprises. Micro companies here are four and a half times more likely (21%) to pay before the due date than large ones (5%). Portugal is followed by some of the biggest EU Member States. In France, micro companies pay on time more than three times more often (59%) than larger enterprises (18%). In Italy, the likelihood of settling a payment by the deadline is also almost three times higher for micro companies than for large ones (43% versus 15%). On the other side of the equation in Romania, larger companies pay on time more than four times more often than micro companies do (23% versus 6%).

Figure 7: Percentage of payments by due date across company sizes and Member States (2022 values as red markings), 2023, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study (no data available for AT, CY, EE, IE, LT, LV, MT).

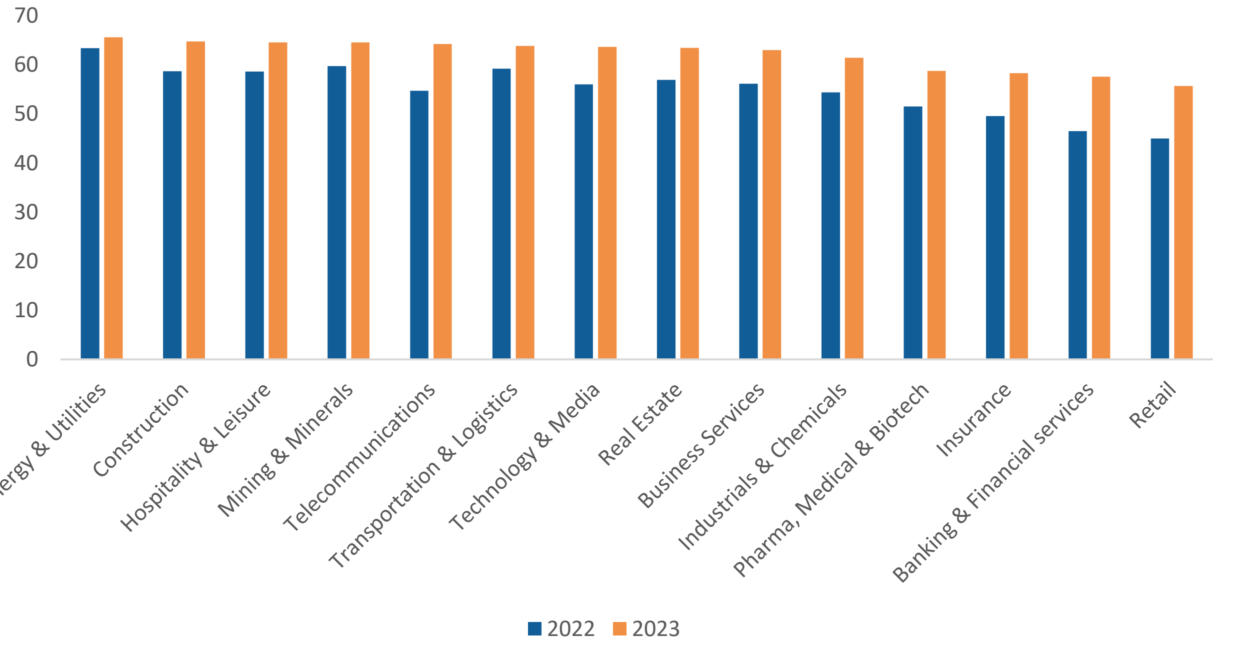
Looking at the evolution of on-time payments by company size between 2022 and 2023 in the graph above, improvements have been observed in most Member States for small, medium and large enterprises. In the case of micro companies, the percentage of payments settled before the due date increased in 10 Member States, while the other 10 experienced a decrease. Smaller companies are the business type for which a growth on payments made by the due date has been observed in more Member States (15) while the share has diminished for them in the other five. For medium and large enterprises, there were improvements in 14 countries. In the other six, a reduction of on-time payments has been reported.

Particularly noticeable are the increases of on-time payments for large (32.1%) and medium (18.8%) enterprises in Spain and Italy (11.2% and 6.1% respectively), although some of the biggest numbers have to be taken with caution as they might be the result of data errors. Conversely, the number of late payments seems to have decreased most for micro companies in Romania (-7.2%) and Spain (-6.1%) and medium-sized companies in Poland (-5.1%).

Average payment periods increased in 2023 in all sectors

Suppliers report an extension of average payment periods in 2023 for every considered sector in relation to 2022. Those increases appear to be bigger, of around 23%, in the sectors that are said to have the lowest payment times: retail and financial services. The deterioration has been less pronounced, at 3.5%, for the sector with longer payment times (energy and utilities) and for the transport sector, it is 7.8%. Ten of the 14 sectors for which data are available are reported to pay on average later than the 60 days' benchmark, while only four sectors tend to pay before.

Figure 8: Average payment period in the EU per sector in days, 2022 and 2023, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report (No data available for CY, LU, MT for 2022 and 2023 and for EE, LV, LT and RO for 2023).

It is possible to highlight national specificities by examining which sectors, amongst those for which data exist, have the best and worst rates per country of payments made on time. As can be seen in the figure below, in 2023, in five out of 21 Member States, the best performing of the covered sectors still pays on time in less than half of transactions, which might be an indication of a poor late payments culture. This is an improvement in relation to 2022 when seven countries were below that threshold. Portugal stands out because here, of the nine sectors covered, the one that pays more on time – wholesale – still does it in only one out of five transactions.

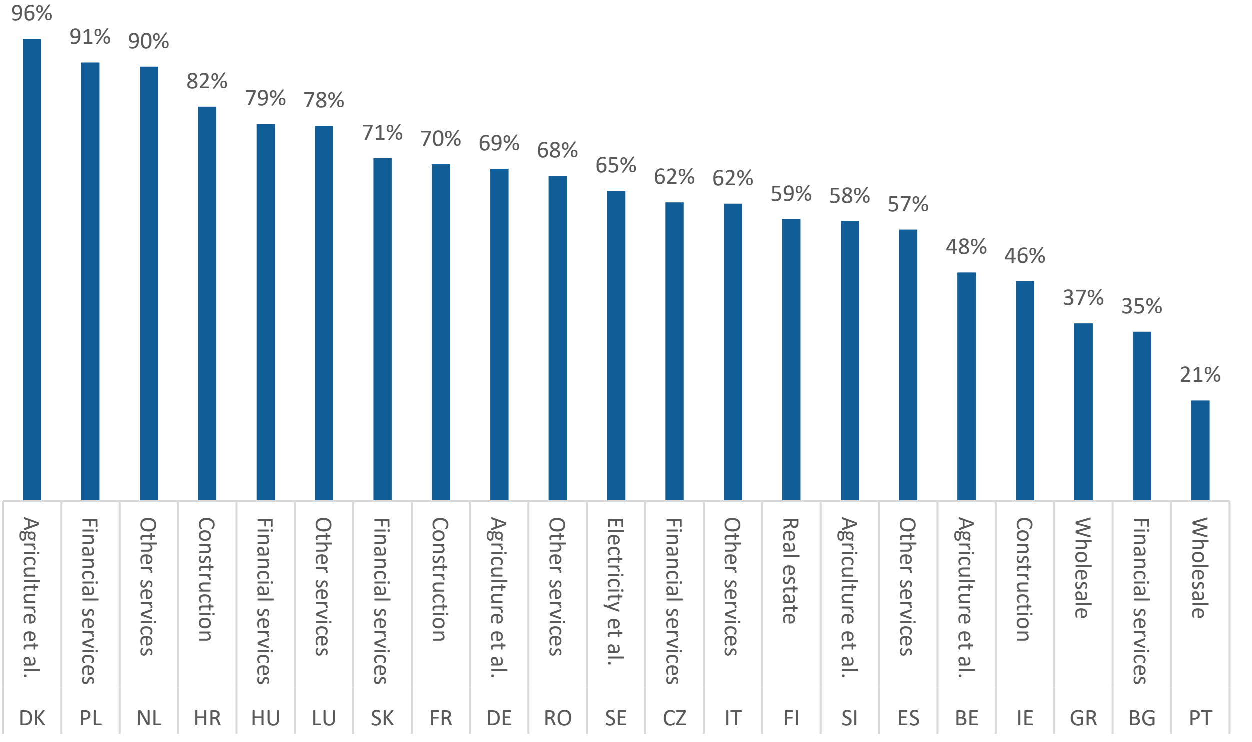
The data shows a high variability across Member States. It can thus be observed that although there are sectors that in general have good payment behaviour, that may not be true in some specific countries. Likewise, some of the sectors that overall tend to pay late may have a particularly good share of on-time payments in some Member States.

The categories that perform better in more countries are the financial services and the other services sectors, with five out of the 21 Member States, as indicated in the graph below. The financial sector also led this ranking in 2022. It has, in general, a very high share of payments made on time, reaching a maximum of 91% in Poland. However, the situation is very different in Portugal, where only 14% of the payments made by the financial sector are on time. This is also the worst performing sector in France.

The agriculture, forestry, hunting and fishing sector is the best performer in three countries. In fact, in Denmark, as in 2022, it is the sector with the highest share of on-time payments in all the EU, at 96%. However, again, there are Member States where that percentage is much lower, such as Romania with only 10%. It also seems to be the sector with fewer on-time payments in Croatia.

The construction sector is another case in point. It is the sector performing better in three countries, but also the one performing worst in four others, with percentages of on-time payments that range from 96% to 17%. This big variability might be explained by the long supply chain that characterises construction projects, which makes it particularly vulnerable to the 'domino effect' in which late payments cause more late payments. That way, if the culture doesn't favour prompt payments it is more likely to fall into a late payments' vicious circle, making it more prone to have a low share of on-time payments.

Figure 9: Sector with the highest percentage of on-time payments in each country, 2023, B2B



Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study (no data available for AT, CY, EE, LT, LV, MT)[3].

As can be seen in the graph below, in four Member States the worst performing sector still appears to pay on time in more than half the transactions. In 2022, this happened in seven countries. It is not surprising that these Member States belong to northern Europe and are countries that have often been highlighted as having a culture of prompt payments. Denmark is particularly noticeable as here the sector that pays less on time (wholesale), still settles the transactions before the due date in 90% of cases. Nonetheless, it might be necessary to highlight that SMEs in Denmark often complain, not about late payments as in other countries, but about the existence of long payment terms[4].

Transport is the sector that performs worst in most countries, in nine out of 21 Member States. It is also a sector that suffers particularly from late payments, so one of the reasons might be a domino effect in which being paid late results in also delaying your own payments. In nine countries, the transport sector pays on average on time, while it doesn't do so in 12. Nonetheless, it is the best performing sector in Sweden and there are other Member States in which transport companies characterise themselves as settling their invoices before the due date, such as Denmark (94%) and Poland (82%).

The retail sector also pays worst in four Member States. However, this is a sector that stands out because of the oscillations in terms of payment periods depending on the months covered, as many of its products have a seasonal component, so that may have affected the data

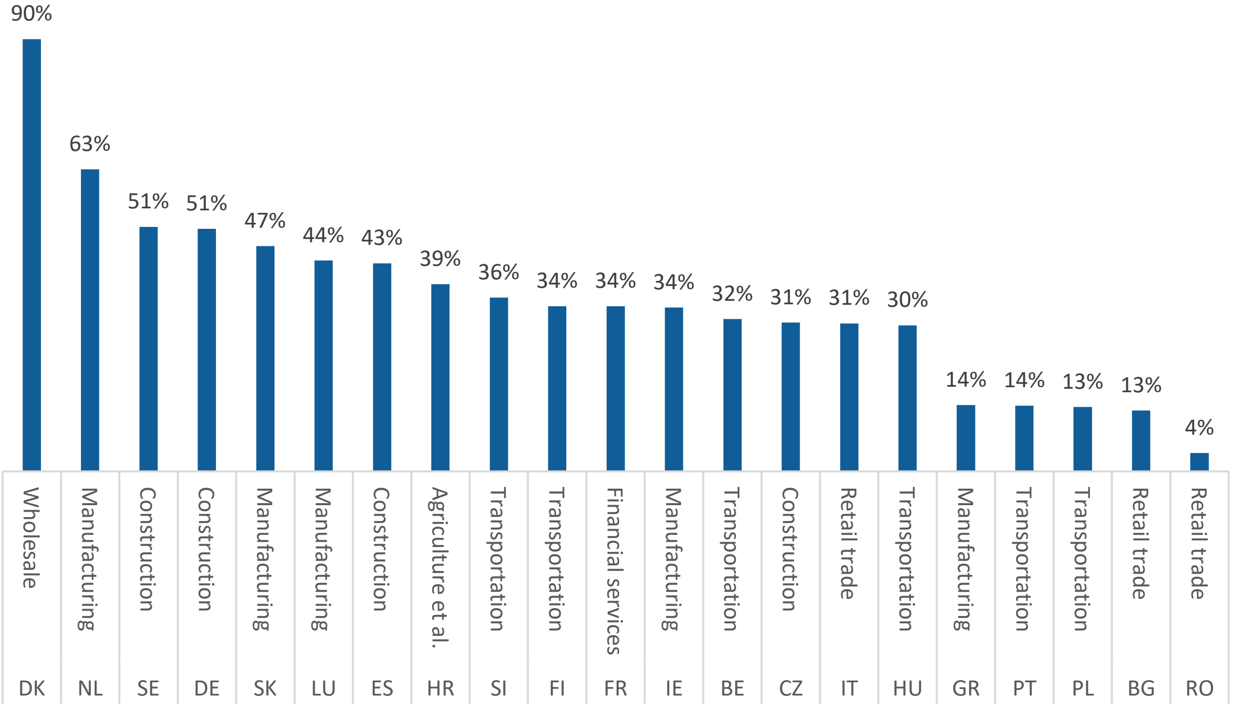
[3] The following are the sectors considered in the Cribis analysis, including information on when there are additional coverage limitations: (i) agriculture, forestry, hunting and fishing – not covered for GR and LU; (ii) mining and quarrying – only covered by DE, ES, FI, FR, IT, NL, PL and PT; (iii) manufacturing; (iv) construction; (v) wholesale – not covered by FI and SE; (vi) retail trade – not covered by FI and SE; (vii) transportation; (viii) financial and insurance activities – not covered for GR and LU; (ix) other service activities. Also, the following sectors are only covered for FI and SE: (x) electricity, gas, steam and air conditioning supply; (xi) administrative and support services; (xii) wholesale and retail trade; (xiii) hospitality; (xiv) information and communication; (xv) water supply, sewerage and waste management; (xvi) professional, scientific and technical activities; (xvii) real estate; (xviii) education; (xix) human health and social work activities; (xx) arts, entertainment and recreation. Other sectors are not captured by this analysis and could in theory perform worse or better than the indicated sectors.

[4] SMV Danmark (2024) 'Denmark has won the European Championship... in poor payment culture', https://smvdanmark.dk/presse/jakob-brandts-leder-20-juni-2024?utm_source=email&utm_medium=nyhedsbrev&utm_campaign=smv_nyhedsbrev&utm_term=&utm_content=nb__20-06-2024%2005:10:20__4591.

collection. In nine out of 19 Member States the retail sector pays on average on time, while it normally settles its invoices late in the other 10[5]. Still, it is the sector that on average pays more on time in Spain, where there is a specific law regulating retail payment terms, which, however, mentions that payment terms can be of more than 120 days[6]. These long payment terms, often compounded with financial products that ultimately disadvantage smaller creditors, are often unilaterally imposed in contract or have very little margin of negotiation.

In addition, retail has a particularly high share of on-time payments in Denmark (94%) and the Netherlands (82%). The cases of transport and retail show that even in those sectors that traditionally pay late, it is possible to find examples of prompt payments.

Figure 10: Sector with the lowest percentage of on-time payments in each country, 2023, B2B



Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study (no data available for AT, CY, EE, LT, LV, MT)[7].

Drivers of late payments and unfairly long payment terms

The fear of damaging the business relationship is one of the main drivers of late payments and long payment terms

One of the main reasons firms accept long payment terms from clients or waive their right to claim penalties when paid late is to preserve the business relationship. This is particularly the case when the client in question accounts for a large share of the firm's revenue. In these situations, firms are often less inclined to assert their rights under the Late Payment Directive. Instead, they prioritise maintaining the client relationship, viewing it as more important for the firm's overall well-being, or even its survival, than receiving timely payments or pursuing compensation for delays. Consequently, the fear of damaging a valuable business relationship can outweigh the financial strain caused by late payments.

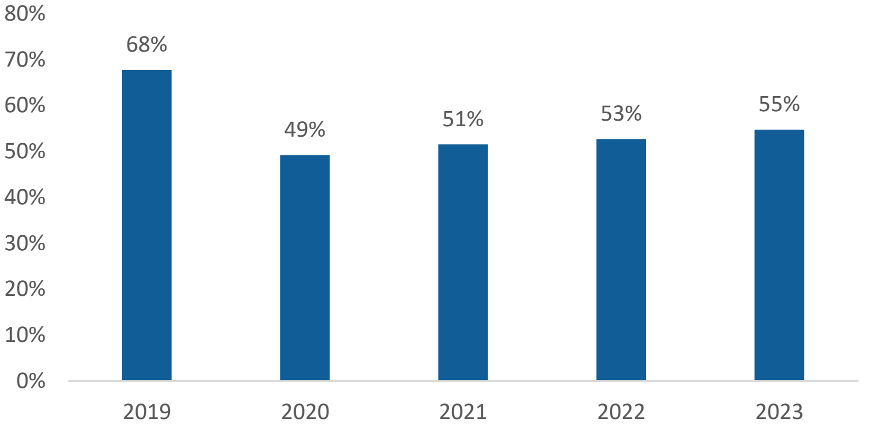
[5] The retail sector pays on average on time from higher to smaller percentage in Denmark, the Netherlands, Poland, Hungary, Germany, Czechia, Luxembourg, Slovakia and Spain. The retail sector pays on average late from smaller to higher percentage in Romania, Bulgaria, Portugal, Greece, Italy, Belgium, Slovenia, Ireland, Croatia and France.

[6] In Spain, payment terms in the retail sector are regulated by the Ley de Ordenaciòn del Comercio Minorista (Law n. 7/1996), which under certain circumstances allows for payment terms longer than 120 days, https://www.boe.es/buscar/act.php?id=BOE-A-1996-1072&tn=1&p=20220330.

[7] Idem.

In 2023, data from Intrum's European Payment Report **showed that 55% of respondents accepted longer payment terms than they were comfortable with to avoid damaging their client relationships**. This represents a hidden yet major dimension of late payments: while not technically classified as a late payment, it results in firms being paid beyond the statutory payment term or the payment term that would correspond to the '*good commercial practice, good faith and fair dealing*' (Article 7 of Directive 2011/7/EU). Through unfairly long payment terms, the payment delay is 'embedded' from the beginning in the contract[8].

Figure 11: Percentage of enterprises indicating that they have accepted longer payment terms for fear of damaging client relationships



Source: EU Payment Observatory elaboration on Intrum European Payment Report (No data available for CY, LU, MT for all years and for EE, LV, LT and RO for 2023).

Although the share of firms reporting that they have accepted longer payment terms to avoid damaging client relationships has been below its 2019 peak of 68%, it has steadily increased each year since 2020. This is a concerning trend, suggesting that firms feel they are in a weaker position when negotiating payment terms, leading them to accept conditions they are not comfortable with. It might be linked to macroeconomic conditions increasing the power imbalance in business relationships. Instability, inflation and in the past Covid-19 can be easily used as an excuse by clients for not paying on time, while their more vulnerable suppliers, often SMEs, find themselves with no other option than to accept those terms.

The domino effect persists, but at a slightly reduced pace in 2023

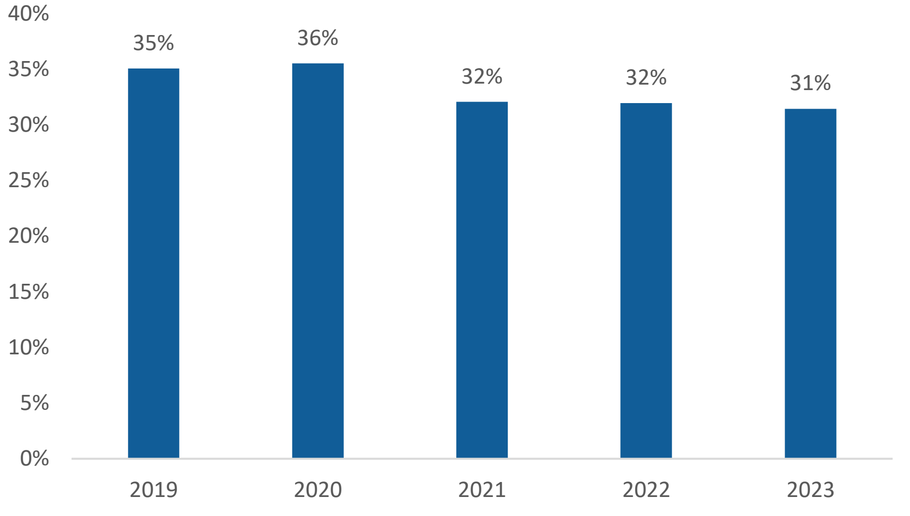
Given the highly interconnected nature of business relationships – which often involve multiple participants across a supply chain – late payments can trigger a domino effect. For instance, when one party in a business network delays payment, it creates a liquidity shortfall for another party, leading to difficulties in settling their own invoices on time and perpetuating a cycle of late payments. As a result, one firm's inability to pay promptly not only affects the direct counterparty in the transaction but can also spread throughout a wider business network, creating a self-reinforcing cycle that amplifies the financial strain on multiple stakeholders. This problem becomes more relevant in long and highly interconnected supply chains, such as the construction and transport sectors, which do in fact show long payment periods relative to other sectors.

According to data from the ECB/EC SAFE survey, the percentage of firms reporting that delayed payments caused them in turn to delay payments to their own suppliers has consistently been significant, ranging from 36% in 2020 to 31% in 2023. Although the data show that such domino effects remain a persistent issue, there has been a gradual decline between 2020 and 2023. Arguably, the drop from 36% in 2020 to 32% in 2021 can be partly attributed to the introduction

[8] European Commission(2023), Commission's impact assessment report accompanying the proposal for a Regulation on late payments in commercial transactions, https://single-market-economy.ec.europa.eu/document/download/0c7f0bfb-343c-4bb8-85c0-4a9f726619cf_en?filename=SWD_2023_314_1_EN_impact_assessment_part1_v2.pdf.

of liquidity support measures from the government to businesses during the Covid-19 pandemic. As firms received additional liquidity from the government, the impact of a late payment from a client on the firm's likelihood of delaying its own payments decreased. However, the additional 1% decline in 2023, following the phase-out of government liquidity support measures, is a positive sign, indicating that this downward trend may be more structural. If confirmed by future data, this would represent a significant advancement in the fight against late payments, as limiting the domino effects of late payments would generate widespread benefits across the entire value chain, and not only for the parties directly involved in the transaction.

Figure 12: Percentage of companies indicating delayed payments cause them, in turn, to delay their payments to suppliers, B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Companies whose exports account for a small portion of their turnover tend to face more issues with late payments

Another potential driver of late payments could stem from firms' engagement in cross-border transactions. The results of a dedicated data analysis indicate that there seems to be an association between cross-border transactions and late payments. Moreover, the relationship appears to be non-linear: intermediate levels of export shares are associated with more problems with late payments, while non-exporters and firms whose exports account for more than half of the firms' turnover report lower problems with late payments.

The figure below shows how the percentage of enterprises experiencing problems due to late payments changes for different levels of cross-border activity. Export share is divided into four categories, ranging from companies that do not export at all, to companies whose exports account for more than half of their turnover. In the occurrence of a strong, positive and linear relationship between the two variables, the percentage of firms that experience problems with late payments would increase as their cross-border activity increases. Instead, the reported values hint at the existence of a non-linear relationship where firms that experience more problems with late payments are those with intermediate levels of exports, namely business for which exports represent between more than 0% but less than 50% of their turnover. Conversely, businesses that do not export or whose exports account for more than half of their turnover report fewer issues with late payments.

Figure 13: Percentage of enterprises experiencing late payments by share of turnover accounted for by exports

Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

A first insight is that the companies that have experienced the fewest problems with late payments are those that do not engage at all in cross-border activities. This finding may be explained by companies that only operate in their domestic market having more information on their market conditions and clients. They also tend to have a better understanding of the domestic payment practices and the regulatory landscape compared to firms that engage in cross-border transactions, which leads to fewer problems with late payments. However, firms that export face several additional challenges such as lack of knowledge of the foreign market, difficulty in assessing the creditworthiness of the foreign counterparty, and differences in legislation, resulting in more legal uncertainty, which leads to a higher probability of delayed payments.

However, the reported evidence also shows that high-exporting firms suffer fewer problems with late payments. An explanation for this may be found in the regular use that high-exporting firms make of trade credit insurance. According to market experts, a significant share of firms that regularly engage in cross-border transactions make use of such financial instruments to overcome information asymmetries and manage payment risk. These instruments serve as insurance against the possibility that a foreign counterparty fails to settle an invoice, effectively shielding firms from experiencing problems with late payments.

The same analysis as reported in the figure above has been carried out on SMEs (classified as firms with fewer than 50 employees) and on large corporates separately. However, there is no significant difference in the obtained results when considering the firms' size. This implies that the insights and the potential explanations discussed above appear to apply to SMEs as well as for large corporates.

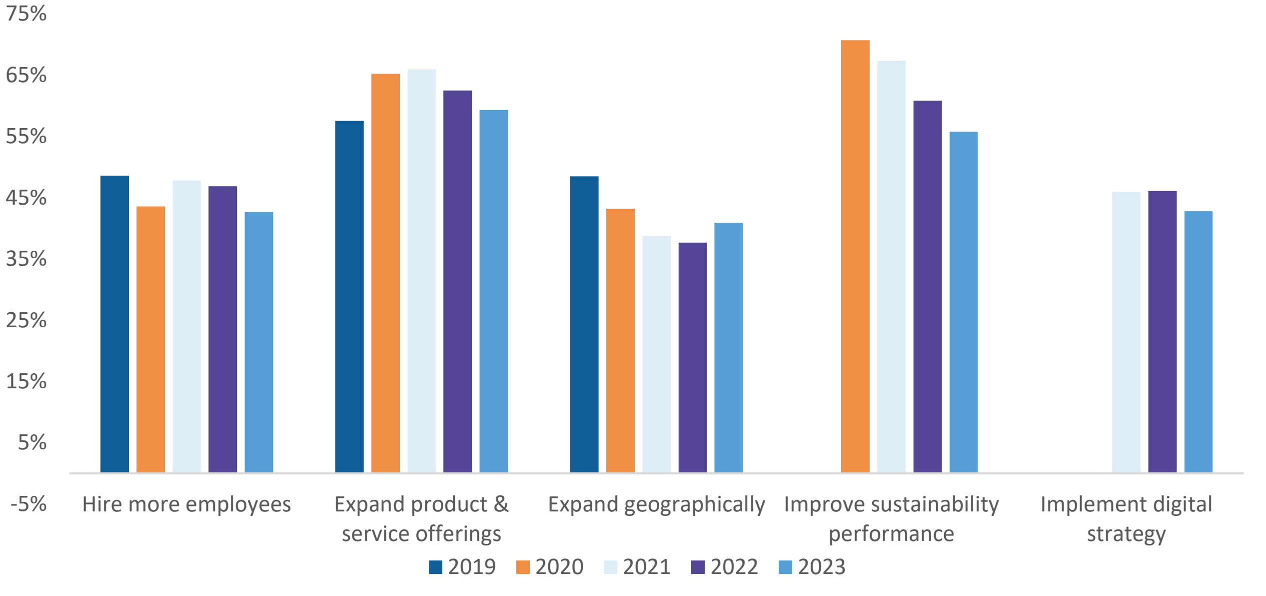
Impacts of late payments on competitiveness of firms

Late payment's impact on investment decisions decreased slightly in 2023

In 2023 there are fewer data on the impacts of late payments on different business areas than in prior years. This is mainly because previously available data on the impact that late payments have on firms' liquidity, loss of income, liquidity squeeze, or the threat that this poses to their survival are no longer available. However, it is still possible to assess some late payment impacts using data on the relationship between late payments and firms' investment decisions.

Data from Intrum European Payment Report show that late payments significantly hinder firms' ability to invest in key business areas, limiting their efforts to enhance operational efficiency, innovate, and drive growth. Although the impact that late payments have on firms' investment decisions varies a lot depending on the business dimension considered, the impact is substantial and persistent across all areas considered. As can be seen in the figure below, in 2023, 43% of firms reported that late payments hindered their ability to invest in hiring more employees; 59% indicated that it posed a significant challenge to investing in expanding product and service offerings; 41% reported that it constrained investments in geographical expansion (such as opening a new office abroad); 56% said it negatively affected efforts to improve their sustainability performance (such as reducing carbon footprint and waste); while 43% reported that it put a burden on investing in the implementation of a digital strategy. **As the digital and green transition is fundamental for the long-time sustainability of the EU, this also shows that late payments considerably constrain advancements in key policy priorities.** Despite differences in the magnitude of their impact, the negative effects of delayed payments on business investments are both widespread and substantial.

Figure 14: Percentage of enterprises indicating that late payments hinder their ability to invest in key business areas



Source: EU Payment Observatory elaboration on Intrum European Payment Report (No data available for CY, LU, MT for all years and for EE, LV, LT and RO for 2023).

Looking at the evolution of the impacts in the time period considered, a notable downward shift is observed between 2021 and 2023 in the reported impacts that late payments had on investments in most areas, except for geographic expansion, which has decreased every year but reversed upwards in 2023. This may seem surprising, as evidence shows that the late payments situation in the EU actually deteriorated in 2023. As a consequence of this, one would expect also the impacts of late payments to increase. A potential explanation for this trend could be that other factors have increasingly influenced firms' investment capabilities, beyond the issue of late payments. Such factors include macroeconomic shifts like rising interest rates, slowing economic growth, and the increasing competitiveness in the EU vis-à-vis the US and other foreign countries. The combination of such trends likely caused a shift in firms' priorities, which in turn led firms to be less willing to invest in the business areas mentioned above. As a result, the perceived impact that firms attribute to late payments when making investment decisions in these areas has decreased.

Given the lack of data for 2023 on the direct impacts of late payments on key indicators of businesses' well-being, such as loss of income, liquidity squeeze, and bankruptcy, it cannot be assessed as to whether such shifts in the macroeconomic environment lead to a decrease in the impacts of late payments in these areas as well, or whether these have instead increased following the deterioration in late payments observed in 2023.

Late payments considerably hinder firms' ability to access financial services

Late payments appear to negatively impact firms' ability to access financial services, such as bank credit. Firm-level data from the ECB/EC Safe survey, covering April to September 2023, reveal that companies reporting difficulties caused by late payments often face more significant challenges in securing financing.

The figure below shows how the share of firms experiencing problems due to late payments changes depending on the severity of their problems to access finance. The difficulty that firms have in accessing financial services is divided in five categories, ranging from 1 (no problems) to 5 (very severe problems). Noticeably, the share of firms reporting having experienced problems due to late payments increases as companies report more challenges to accessing finance. This suggests the existence of a positive association between the two dimensions and that firms suffering more from late payments have more problems accessing financial services. In fact, while 43% of firms not having issues with access to finance experience problems with late payments, for the firms suffering very severe problems accessing finance this figure jumps to 59.5%, a substantial increase.

Conversely, only 10% of firms without late payment issues report difficulty accessing financial services, compared to 15% among those affected by late payments. To further validate this observation, a logistic regression analysis was conducted. The results confirm the two-sided relationship. In fact, there is evidence of a highly significant and positive effect of access-to-finance difficulties on the probability of experiencing late payments. Specifically, higher levels of reported issues in accessing finance are associated with a greater likelihood of encountering payment delays, and such an effect cannot be ruled out at any confidence level. Inversely, the presence of late payments increases the likelihood of experiencing difficulties in accessing financial services, with the effect being statistically significant at any confidence level.

The ECB/EC Safe survey also provides firm-level data on how much banks are willing to provide them credit. Comparing this with how much firms suffer from late payments the same pattern is observed: firms suffering from late payments are more likely to experience a deterioration in banks' willingness to provide them with credit. In fact, 61% of firms reporting a deterioration in banks' willingness to provide them with credit suffer from late payments, while this share decreases to 52% and 50% for firms reporting, respectively, no change and improvements in banks' willingness to provide them with credit.

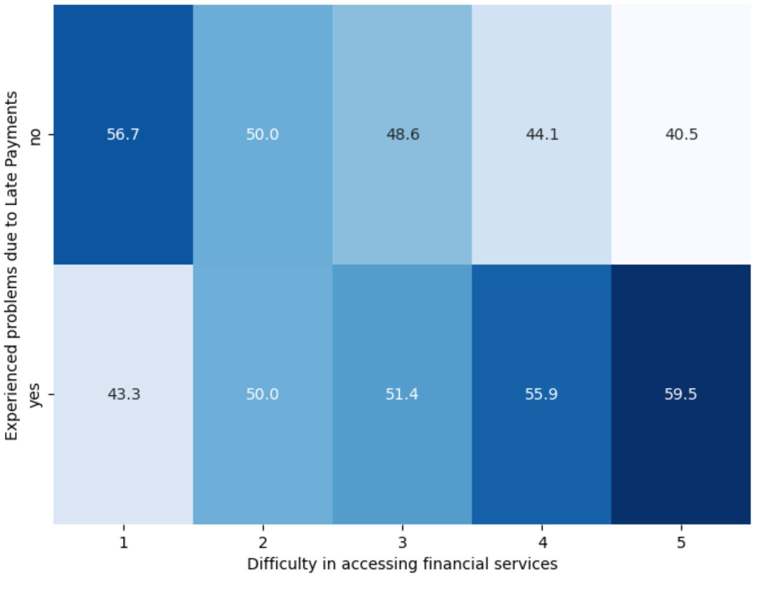
These results indicate the existence of a circular relationship between access to finance and late payments, which creates a self-reinforcing cycle. As firms face more late payments, their liquidity deteriorates, which in turn hinders their ability to access loans and other cash-flow instruments, with financial institutions being less willing to provide them. Conversely, when firms struggle to access finance, their liquidity tightens further, making it harder to settle invoices, which leads to more late payments. This creates a reinforcing cycle between late payments, liquidity, and access to finance.

The insights reported above are confirmed in a recently published study by the ZHAW School of Management and Law[9], which also relies on microdata by the ECB/EC Safe survey in combination with other macro controls from Eurostat, the ECB and the Heritage Foundation. Focusing the analysis on 11 EU countries (Austria, Belgium, Germany, Spain, Finland, France, Greece, Ireland, Italy, the Netherlands, and Portugal) between 2019-2023, they document that SMEs experiencing frequent or occasional late payments face more difficulties in accessing finance. The primary reason for this is attributed to credit rationing, as banks view cash-flow uncertainty as an increased risk, prompting them to restrict lending and apply less favourable loan conditions, such as higher interest rates and smaller loan amounts. In fact, evidence shows that SMEs that face late payments are 3% and 7% more likely to have higher interest rates and other charges respectively. This suggests that late payments have severe effects on SMEs' ability to access financing, limiting their growth opportunities and ultimately exacerbating their risk of insolvency.

[9] Orcun, K (2024), The impact of late payments on SMEs' access to finance: Evidence from credit rationing and loan terms, https://www.sciencedirect.com/science/article/pii/S0264999324002530?via%3Dihub.

Furthermore, a study carried out by the University of Strasbourg (France) and Altares assessed the impacts on the economy of the introduction of a 30-day standard payment term for inter-company payment periods in France[10]. In particular, the study aims to assess how many companies would be affected, and how this would impact their liquidity, creating a net liquidity requirement or net resources. Overall, it is estimated that the move to 30 days would bring significant new resources (EUR 91 billion) and create new liquidity needs (EUR 77 billion), hence there would be a net gain of EUR 14.4 billion. However, it is estimated that gains and losses would be unevenly distributed across company sizes: micro enterprises would gain EUR 6 billion in new net liquidity resources, SMEs EUR 14 billion, and mid-sized companies EUR 7 billion. Large companies would also have to bear new cash requirements of almost EUR 12.5 billion. Therefore, it is estimated that the introduction would create net liquidity gains for French enterprises, but that these would be reaped by smaller firms and mid caps, whereas large corporates would face net cash requirements. This would essentially give French SMEs and other non-large companies access to over EUR 27 billion in financing, thereby enhancing their liquidity, which in turn is expected to reduce payment delays.

Figure 15: Percentage of enterprises experiencing late payments by level of difficulty in accessing financial services



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

[10] Delannay, AF, Dietsch, M, Hamelin, A, Pete-Large, J, Millon, T (2024), Impact sur la liquidité des entreprises et les retards de paiement du projet de règlement européen fixant une norme de 30 jours aux délais de paiement, https://www.sciencespo-strasbourg.fr/websites/sciencespo/resume_Large_Altares_19_Mars_2024.pdf.

Comparing the payment culture across countries

In the analysis presented so far, the severity of late payments across European States has been analysed from different angles. It has been shown that different company sectors and different firm sizes often diverge in their payment performance. Moreover, there is evidence of significant differences also depending on whether the transaction is between businesses (B2B), or between an enterprise and a public authority (G2B). Additionally, the nature of the data source profoundly affects the values reported: some figures are drawn from transaction data, others from survey responses, and perspectives also vary, sometimes reflecting the creditor's viewpoint, other times the debtor's.

Ideally, if each country had data sources that reliably represented the state of late payments, with indicators based on common definitions and methodologies, cross-country comparisons would be straightforward. However, the serious lack of data for several countries, methodological inconsistencies among sources, and the absence of standardised definitions, make such comparisons challenging. In many cases, the available data for a country is not representative enough to capture its true state of late payments. For example, if a country relies on a single data source that focuses primarily on sectors with longer payment terms, it may appear to have higher average payment times compared to countries with broader data coverage. A similar skew arises if a country's data predominantly covers G2B payments, which typically take longer to settle than B2B payments. Ignoring the influence of these data limitations results in a distorted view of actual performance, which ends up being more reflective of data limitations than a fair comparative assessment. Therefore, to measure and compare the situation with late payments in each country, it is essential to control for the impact of all contributing factors, such as data type, sector representation, firm size, and transaction parties. Capturing these effects in a unified model isolates the true measurement for late payments in any given country, free from confounding influences of these other variables. Once the impact of all other factors is ruled out, the remaining measurement for payment performance in a given country can be seen as a proxy for its payment culture. Hence, this approach allows differences in payment practices across EU States to be captured and compared.

To measure payment culture across Member States and time, a proxy for late payment severity was constructed. Firstly, from over 100 metrics present in the EU indicators database, 55 were selected as relevant measures for payment performance. Secondly, these were standardised to ensure that higher values consistently indicate worse payment performance, regardless of whether the metric was expressed in number of days or as a percentage. The final values for the dependent variable measuring the severity of late payment range between 0 and 1. Although these transformations reduce direct interpretability, the model provides comparable insights into payment culture across time and States. Finally, the model estimates the effects of various explanatory variables – such as firm size, sector, transaction type (G2B or B2B), and indicator source – allowing these influences to be controlled for and thereby obtaining a measure for the state of late payments in a given country that is not driven by these other factors. For a detailed explanation of the underlying methodology, the model specification, the data manipulations applied, and the full list of the obtained results, please refer to Annex 3.

The figures below show the results of such analysis. In particular, the obtained estimate for payment performance in each country is shown in two complementary graphs: a heatmap of Europe, with darker colours indicating more late payments; and below this a plot of the estimates along with their 95% confidence interval. To compare how results have changed in the two most recent years, country estimates are reported for 2022 and 2023. The European heatmap also reports the value of the marginal effects for each country on the constructed proxy for late payments (which ranges from zero to one), along with an orange circle that represents the magnitude of the 95% confidence interval for each estimate. The graphs below report the estimated effect on late payments of each country, ranked from worst to best performers. This representation allows an assessment of whether differences between countries are statistically distinguishable: if their confidence intervals overlap, then one cannot conclude that they are statistically different from each other.

Inspecting the evidence reported in the figures below, Malta appears to be the worst payer, both in 2023 and in 2022. However, given the serious lack of data for Malta, this estimate is very imprecise, as the wide confidence intervals show. In fact, the effect for Malta is not statistically different from that of Romania, the second worst payer in 2023 and also in 2022, and Cyprus, as their confidence intervals overlap. Instead, one can conclude with a 5% error rate that Malta is a worse payer than all other countries. Greece, Portugal and Bulgaria also appear to be among the worst payers in 2023 as well as in 2022, with an estimated effect that is statistically different from almost all other countries. On the other side, Denmark appears as the country with the best payment culture. However, whereas in 2022 one could say with a 95% confidence level that Denmark was the best payer in the EU, this is no longer the case in 2023, as its confidence interval for this year overlaps with that of a few other countries. Other countries considered that reported good payment performances in the past two years are Sweden, the Netherlands, Poland, Hungary, and Germany (which ranked as the second-best country in both years). Many other Member States show intermediate levels of payment performance, with Italy and Belgium being among the worst in this group, and Slovenia, Czechia, Austria and Slovakia among the best. However, for the group of countries with intermediate levels of late payments, confidence intervals often overlap, making it difficult to draw conclusions on their actual ranking. Some countries instead have such poor data coverage that it becomes not possible to conclude their ranking. These include Estonia, Latvia and Lithuania, followed by Luxembourg. Interestingly, their confidence intervals widened in 2023 compared to 2022, which reflects the fact that their data coverage worsened further in 2023.

Figure 16: Estimated payment performance across EU countries in 2022 and 2023, darker equals worse payment situation

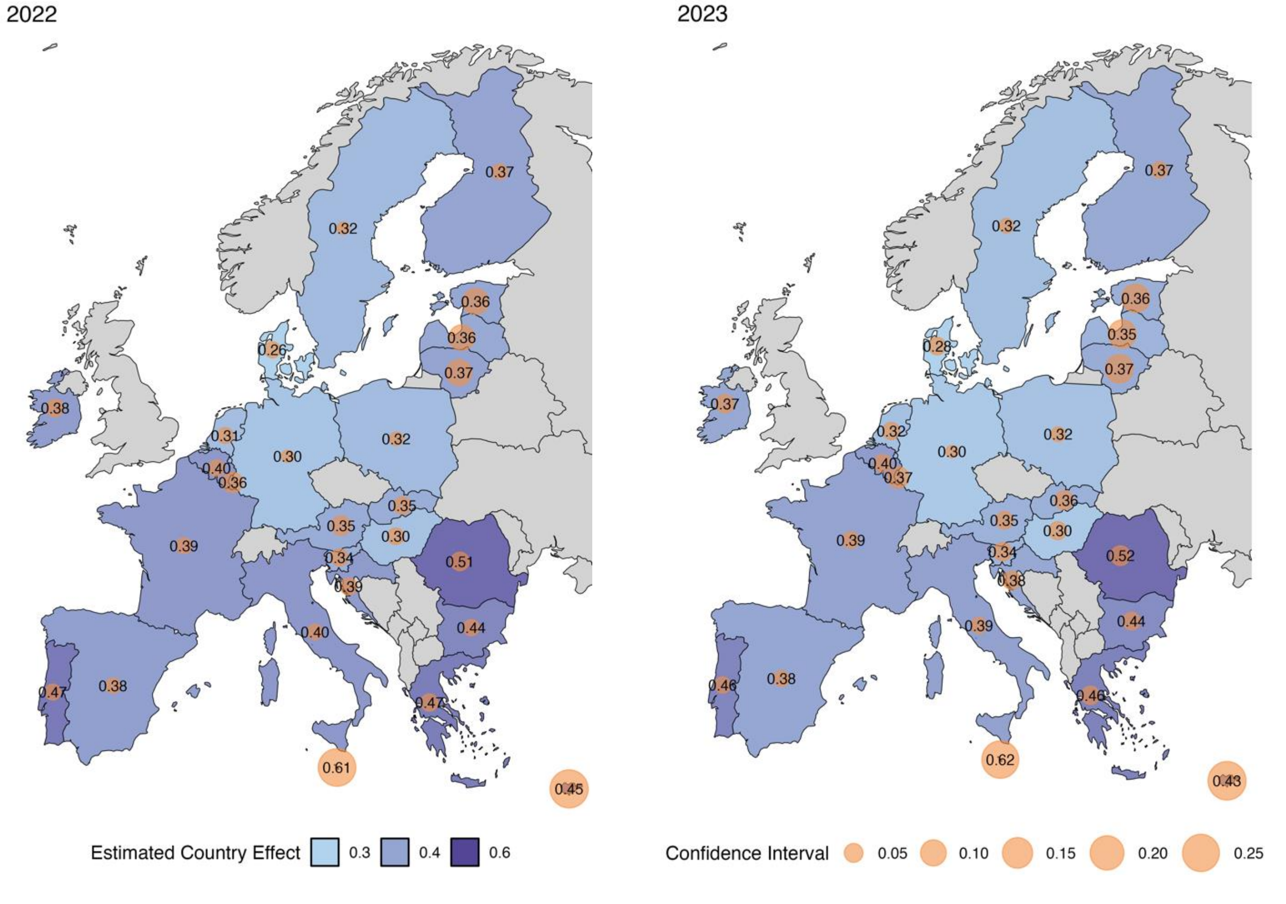
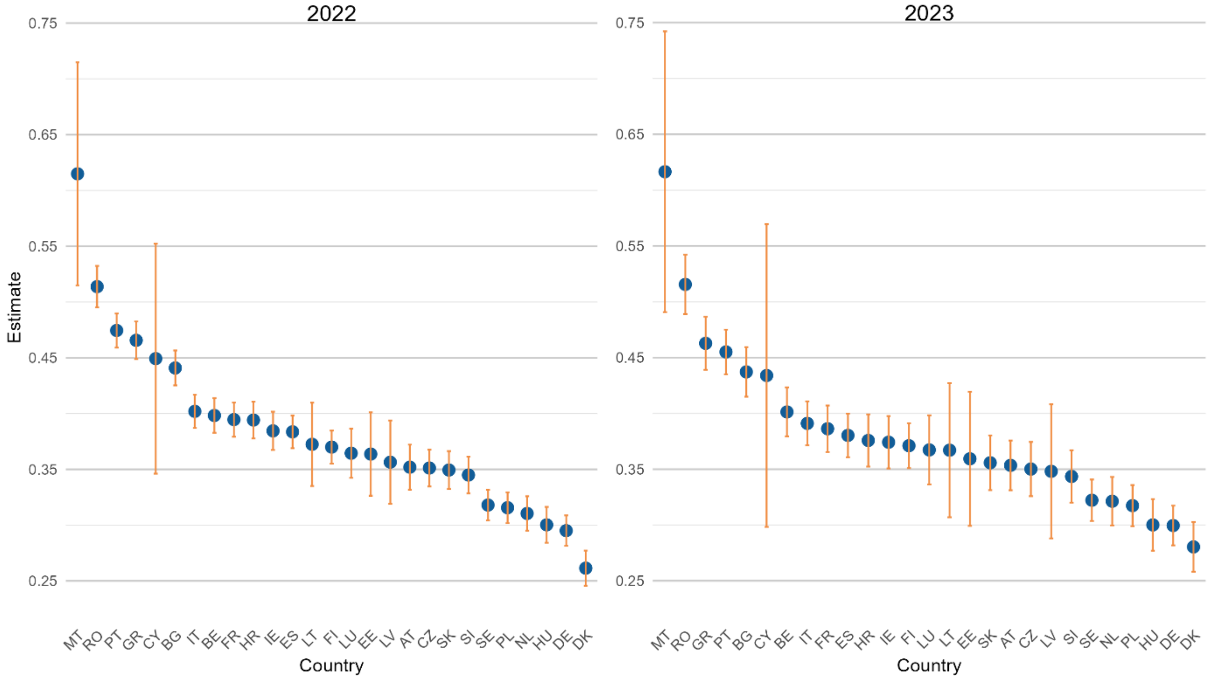


Figure 17: Estimated payment performance across EU countries in 2022 and 2023, higher values indicate worse payment environment



Source: EU Payment Observatory estimations based on EU indicators database.

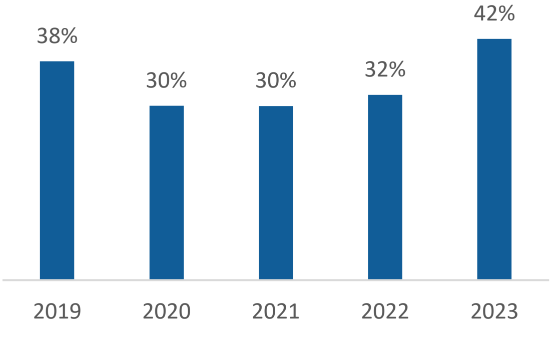
THE SITUATION OF LATE PAYMENTS IN EU MEMBER STATES

AUSTRIA

In Austria, the trend for an increasing number of companies to face challenges due to late payments persisted in 2023. According to the ECB/EC SAFE survey, 42% of Austrian enterprises reported issues with delayed payments in 2023, marking a 10 percentage point increase from the previous year. This sharp shift is consistent with an EU-wide trend, where payment challenges are becoming more common, even though Austria still maintains a better position compared to the EU average of 47%.

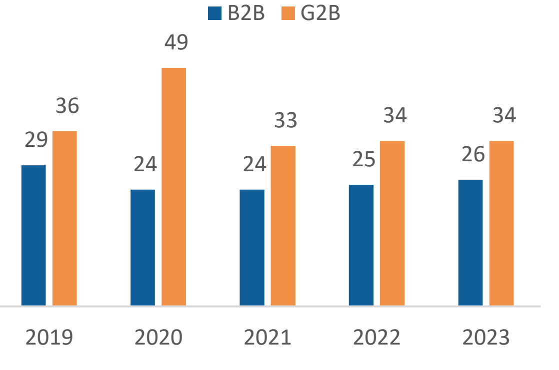
A more detailed analysis reveals that payment periods in both the G2B and B2B sectors showed a subtle increase, with B2B payments extending by one day, while the average payment periods for G2B transactions remained at 34 days (see graph below). Despite being below the EU average, this slight increase aligns with the gradual adjustments observed post-Covid-19. Notably, government bodies consistently take longer to settle payments than private companies, with the largest discrepancy observed in 2020, when government payments took, on average, 15 days longer than B2B payments. In 2023, the gap persists, with government payment periods averaging eight days longer than those in the B2B sector. This ongoing disparity underscores the structural differences in payment practices between government bodies and private enterprises.

Figure 18: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

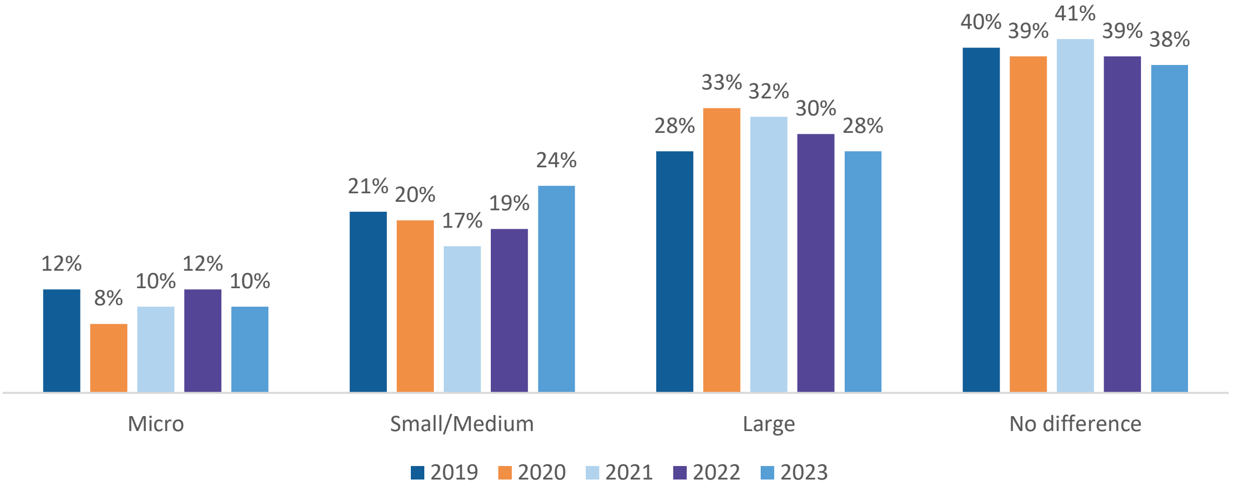
Figure 19: Average payment period in number of days, 2019-2023, B2B and G2B



Source: EU Payment Observatory elaboration on Austrian Business Check data.

The analysis of payment behaviour based on company size reveals consistent challenges associated with larger companies. From 2019 to 2023, large businesses have been repeatedly identified as the slowest payers, with a significant share of respondents highlighting this in 2023. Although there was a small reduction in that year, the pattern suggests that larger firms, likely because of their negotiating power, continue to use extended payment terms as a means of managing cash flow. For small and medium-sized enterprises (SMEs), the perception of being delayed payers has remained lower, with a slight decrease in the negative perception of micro-enterprises and a slight increase for small and medium-sized companies. Micro-enterprises are consistently seen as less problematic in terms of payment delays, remaining the type of companies for which fewer respondents indicate that they pay the worst. This may suggest that smaller businesses, while possibly more affected by late payments themselves, tend to be more diligent in their own payment practices. Interestingly, a substantial 38% of respondents continue to perceive no significant difference in payment behaviour based on company size. This suggests that, while large companies are often highlighted, late payments are seen as a widespread challenge among businesses of all sizes in Austria.

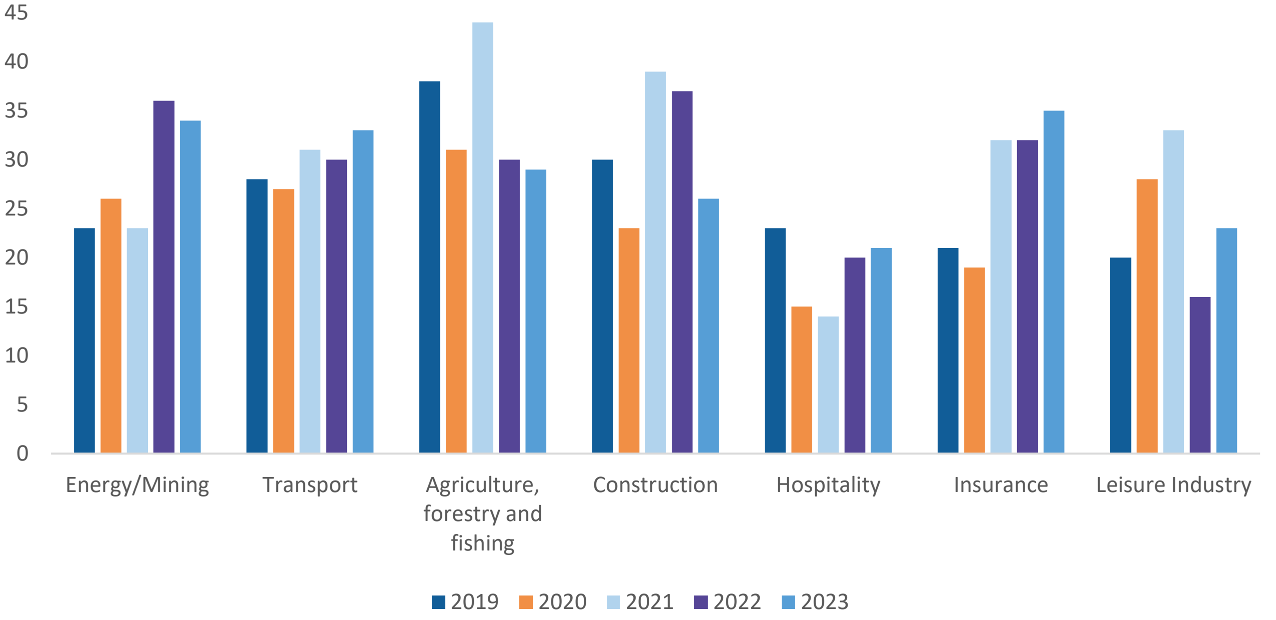
Figure 20: Percentage of respondents indicating size of companies that pay the worst, B2B



Source: EU Payment Observatory elaboration on Austrian Business Check data.

Finally, the sector-specific insights for 2023 offer a nuanced perspective. Following a restructuring of indicators by the Austrian Business Check, the number of comparable industrial sectors decreased from 14 to 7. Sectors such as energy/mining, insurance, and transport remain among the slowest payers, with the insurance and transport sectors each seeing an increase of three days in payment duration compared to the previous year. The energy sector, with an average payment period of 34 days, continues to be a top late-paying industry. These delays are likely linked to ongoing inflationary pressures, particularly affecting sectors that are sensitive to fluctuating energy prices. In contrast, the leisure industry, which experienced significant disruptions during the pandemic, has stabilised at 23 days, following a sharp decline from 33 days in 2021 to 16 days in 2022. Similarly, the hospitality sector saw only a slight increase of one day, while the agriculture, forestry, and fishing sector decreased by one day, indicating that these sectors have largely recovered from the pandemic-related challenges seen in 2020 and 2021.

Figure 21: Average payment period in number of days by sector, 2019-2023, B2B

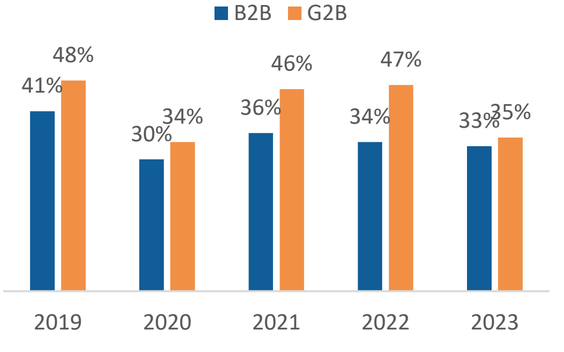


Source: EU Payment Observatory elaboration on Austrian Business Check data.

The drivers of late payments in 2023 reveal familiar patterns. Power dynamics remains a critical issue, especially in G2B transactions. In 2023, 35% of enterprises cited this as a reason for delayed payments from government entities, compared to 33% for private payers. This 2 percentage point difference, consistent with previous years, reflects the ongoing perception that public sector clients leverage their bargaining position to delay payments more frequently than their private counterparts. However, this gap has narrowed significantly compared to previous years, ranging from 4 percentage points in 2020 to a peak of 13 percentage points in 2022. This trend suggests that while the influence of power dynamics fluctuates, it continues to contribute to payment delays, ultimately affecting suppliers' cash flows.

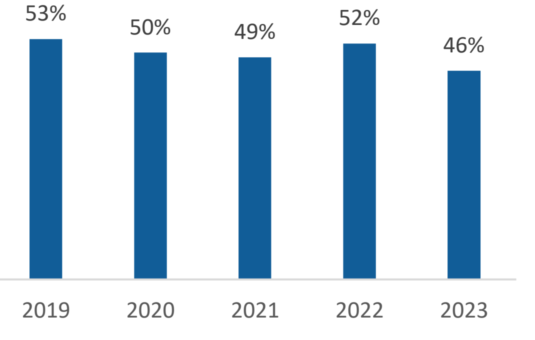
Additionally, administrative inefficiencies continue to be a major contributor to delayed payments, particularly among private companies. In 2023, 46% of respondents pointed to these inefficiencies as a key reason for delays in payments from private entities. This marks a shift from 2022, when 52% of respondents identified inefficiencies as a cause of delays in payments from private entities. The persistence of these inefficiencies indicates that private companies still face significant challenges with their internal processes, leading to continued delays and adding to established issues related to power dynamics.

Figure 22: Percentage of enterprises indicating power dynamics as a cause of late payments, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on Austrian Business Check data.

Figure 23: Percentage of enterprises indicating inefficient administration as a cause of late payments, 2019-2023, B2B



Source: EU Payment Observatory elaboration on Austrian Business Check data.

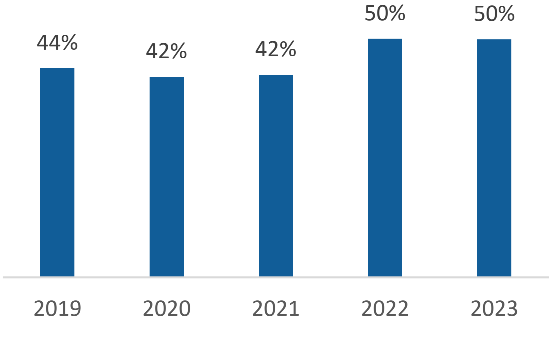
The Austrian Business Check data support that the outlook on payment behaviour in Austria for 2023 suggests a cautious and somewhat pessimistic sentiment among businesses. Only a small proportion of respondents anticipate improvements in payment behaviour, similar to previous years, indicating limited optimism about positive changes. Overall, while Austria's payment landscape remains more favourable than the EU average, the data from 2023 suggests a slowdown in the post-pandemic recovery momentum. The slight increases in payment periods for both G2B and B2B transactions, along with a steady rate of enterprises reporting payment challenges, highlight the ongoing impact of broader economic pressures such as inflation and evolving business dynamics. The Austrian Business Check survey reflects a split in sentiment among enterprises, with many anticipating either stable or worsening payment conditions in the coming year.

BELGIUM

In 2023, half of Belgian companies reported facing issues due to late payments, which is above the EU average. However, this indicator did not deteriorate in Belgium in 2023 as it did in most of the EU, instead remaining stable in relation to the year before. Potentially, this could be because Belgian firms had already experienced in 2022 the worsening of late payment problems that would later affect most of the EU. In addition, the Belgian economy grew in 2023 more than the EU average, which most likely helped companies avoid suffering further because of late payments. That way, for instance, Belgian companies were the third least likely to extend their payment terms due to inflation, although 49% still did it in 2023, according to the Intrum survey.

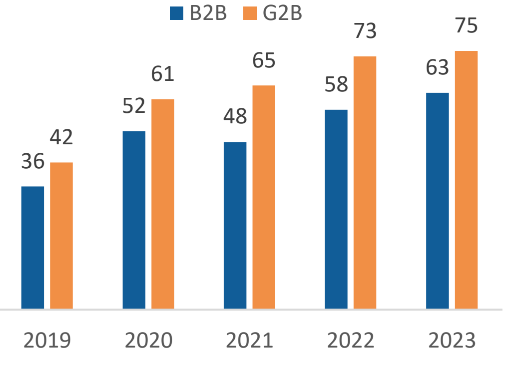
Average payment periods increased in Belgium in 2023 in both B2B and G2B transactions as reported by suppliers. As in most countries, payments by businesses lengthened more (five days), than those by public administrations (one and a half days). For both types of transaction they remain above the EU average. Belgian average payment period trends are very worrisome and reflect a very significant increase in the past five years. That way, B2B payment times are 75% longer in 2023 than in 2019. This has happened despite a 2022 law that restricted payment terms to a maximum of 60 days without exceptions in transactions between private companies.

Figure 24: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 25: Average payment period in number of days, 2019-2023, G2B and B2B



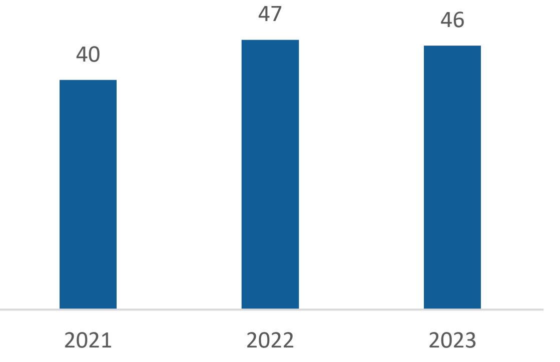
Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Belgium is the Member State with the second-longest G2B payment times, according to suppliers. That figure was 78% higher last year than in 2019.

Government-produced data also exist because the Belgian Federal government, its central administration, has published data on its payment performance since 2021. It is one of the few public administrations in Europe that makes this information public. Their numbers are smaller than those reported by suppliers for all G2B transactions but are still above the 30 days statutory term set by the EU Directive. In 2023, the average payment period of the Federal Government was 46 days. The Justice Ministry paid the latest, taking 64 days. However, it is also the Ministry dealing with more invoices and that complexity may be one of the causes of such payment delays. In any case, only three federal government administrations paid within 30 days in 2023: The Ministry of Science Policy (BELSPO), the Ministry of Policy and Support (BOSA) and the Ministry of Economy. Overall, and as can be seen below, the central government figures showed a very significant seven days' extension of invoice settlement times in 2022, which was also indicated by suppliers. In 2023, the Belgian Federal Government reported a very small improvement of one day.

The poor payment performance of Belgian public administrations has attracted the attention of the European Commission, which in November 2023 referred the Belgian public authorities to the European Court of Justice (ECJ). The ECJ also ruled in 2022 against national schemes that made 60 days the de facto maximum period allowed in G2B transactions. Although the ruling was against a Spanish region it also covered Belgian practices. In response, in September 2024, the Belgian government modified its public procurement law to reduce payment terms to a maximum of 30 days including the verification period, allowing for only two exceptions.

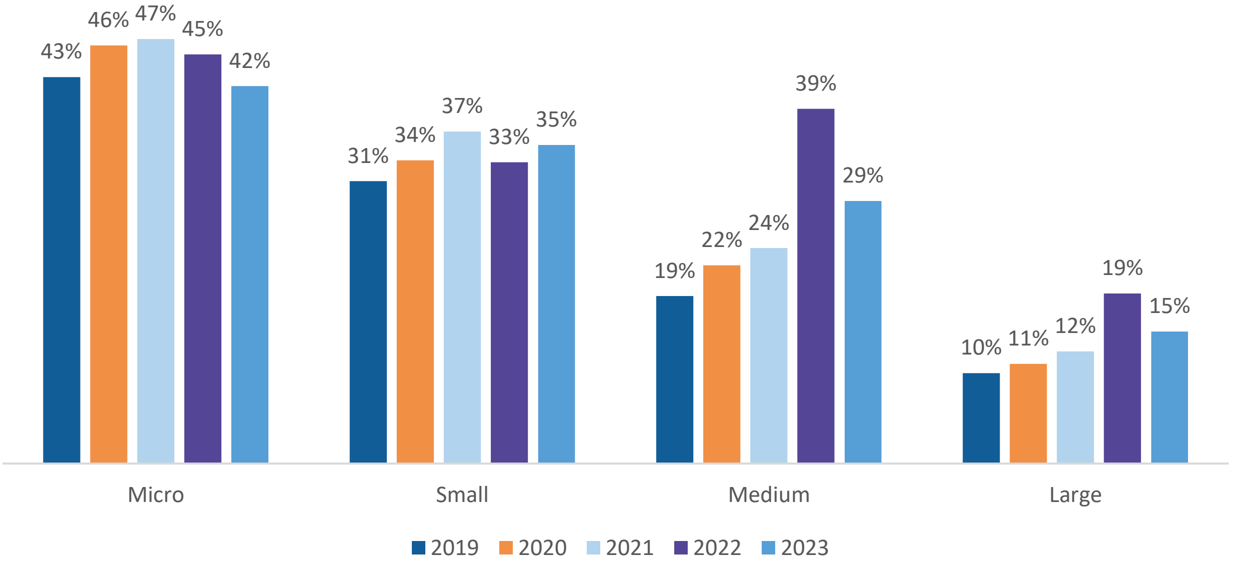
Figure 26: Average payment time to suppliers by the Belgian Federal Government in days, 2021-2023



Source: EU Payment Observatory elaboration on the basis of data by Belgian Federal Public Service of Policy & Support (FPS BOSA).

In Belgium, as in most EU Member States, the bigger the company, the higher the likelihood of paying late. Micro companies are the type of companies paying more on time. However, they still settle their invoices before the due date in fewer than half of the occasions (42%). This is still almost three times more often than for large companies, which only do so for 15% of transactions. The share of on-time payments deteriorated in 2023 for micro (-3%), large (-4%) and especially medium enterprises (-10%), which had experienced a big improvement in 2022. Only small firms paid on time more often in 2023 (+2%).

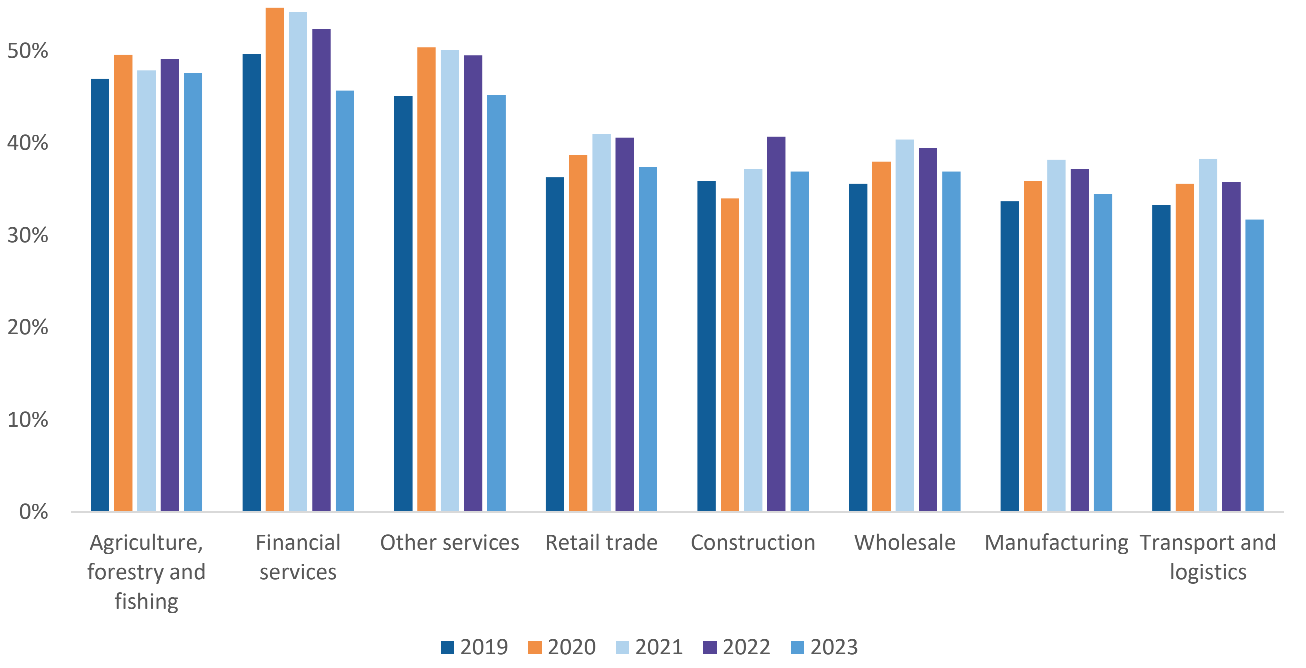
Figure 27: Percentage of payments by due date across company sizes, 2019-2023, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

In Belgium, there are fewer variations in terms of on-time payments across sectors than in other countries. There is only a 16% difference in 2023 between the sector paying more by the due date: agriculture, forestry and fishing (48% of on-time payments), and transport and logistics (32%), the sector paying more often late. Still, it is noticeable that not a single one of the covered sectors on average regularly pay on time. Also, there has been a deterioration in the share of payments by the due date in all of them. The biggest reductions can be seen in the financial services sector (-6.5%) and in other services (-4.3%).

Figure 28: Percentage of payments by due date per sector, 2019-2023, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Belgian companies are particularly active in trying to prevent and remedy late payments. They are the ones most likely to perform credit checks on their potential business partners in the EU, assessing the likelihood of a payment delay, something that 42% of Belgian firms report they do. They are also the enterprises in Europe that more often offer a discount on their prices as an incentive for their clients to pay on time, a practice employed by 35% of Belgian companies. In addition, more than 50% of Belgian suppliers have asked for a pre-payment at some point.

Once a payment is late, companies in Belgium use several remedial measures. 53% of those surveyed in 2023 had taken legal action at some point. In addition, they are the second most in Europe using internal recovery processes (40%), and the third in referring to debt collection services, employed by 24% of firms, and factoring (23%).

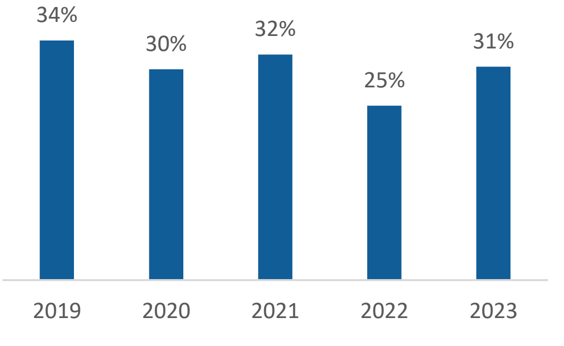
Late payments seem to affect the investments of Belgian companies less than in other Member States. There is less reporting of delayed payments preventing them from expanding their offer of products or services, although this still affects 50% of firms. They are also the ones mentioning less often that late payments hinder their plans to implement their digital strategy. That is likely because Belgian firms, and in particular their SMEs, already have very high digitalisation rates, [according to the European Commission](#).

BULGARIA

The number of companies in Bulgaria indicating that they faced issues in the past six months due to late payments is among the lowest of all the EU Member States. In 2023, almost one third of Bulgarian companies confirmed that they experienced late payment problems as part of the ECB/EC SAFE survey (see figure below). This includes both B2B and G2B transactions. Notably, the surveyed Bulgarian entities affected by delayed payments seem to have decreased when comparing 2019-2023. However, a sort of recoil is encountered in 2023, with an increase of six percentage points in the number of concerned companies in comparison with 2022. Particularly, almost half of the Bulgarian firms reporting late payments indicated these to have affected payments to suppliers (45%), followed by investments and new recruitment (27%).

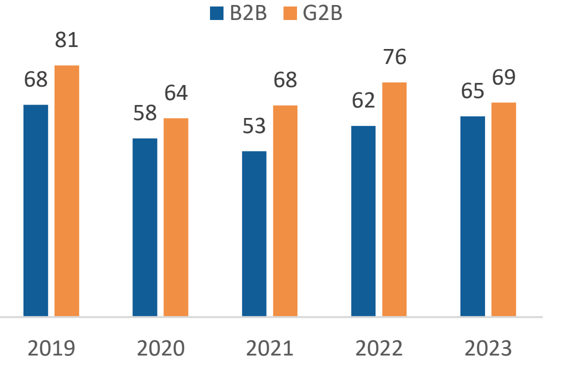
In B2B transactions, Bulgaria is situated above the EU average when looking at the average payment period. In particular, between 2019 and 2021, average payment periods decreased by 15 percentage points. However, the trend then reversed, reaching an average of 65 days in 2023. With regards to G2B transactions, the average payment period seems to be placed close to 2021 values, decreasing in seven percentage points compared to 2022.

Figure 29: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 30: Average payment period in number of days, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Bulgarian companies are amongst the worst performers in terms of on-time payments in B2B transactions in the EU (see below figure), which is surprising as they have the longest payment terms in Europe according to the Intrum survey, of 48.7 days on average. Overall, less than a quarter of the reporting companies make their payments on time.

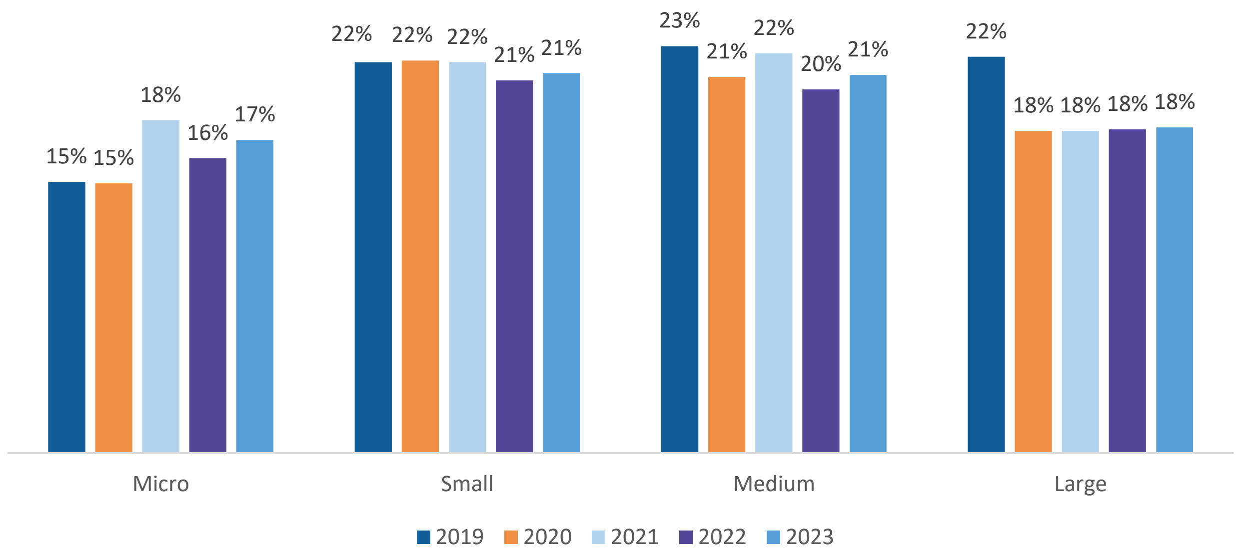
Compared to 2022, there was no significant change in 2023 when analysing the share of on-time payments across company sizes. On the one hand, small and large companies remained stable, with 21% and 18% of on-time payments respectively. On the other hand, micro and medium companies seem to have experienced a small increase in the share of on-time payments, of one percentage point in each case.

As in previous years, and in contrast with most EU Member States, micro companies are the ones accounting for the least on-time payments. A potential reason for this could be the low level of digitalisation of SMEs in Bulgaria, which has a significant impact on the payment process[11]. In addition, a large number of Bulgarian companies reported finding it difficult to pay their suppliers on time, given the high rates of inflation[12].

[11] OECD (2023), Financial literacy and digitalisation for MSMEs in South-East Europe: A tool for empowering owners and managers, https://doi.org/10.1787/b63091ad-en.

[12] Intrum Payment Report 2023.

Figure 31: Percentage of payments by due date across company sizes, 2019-2023, B2B

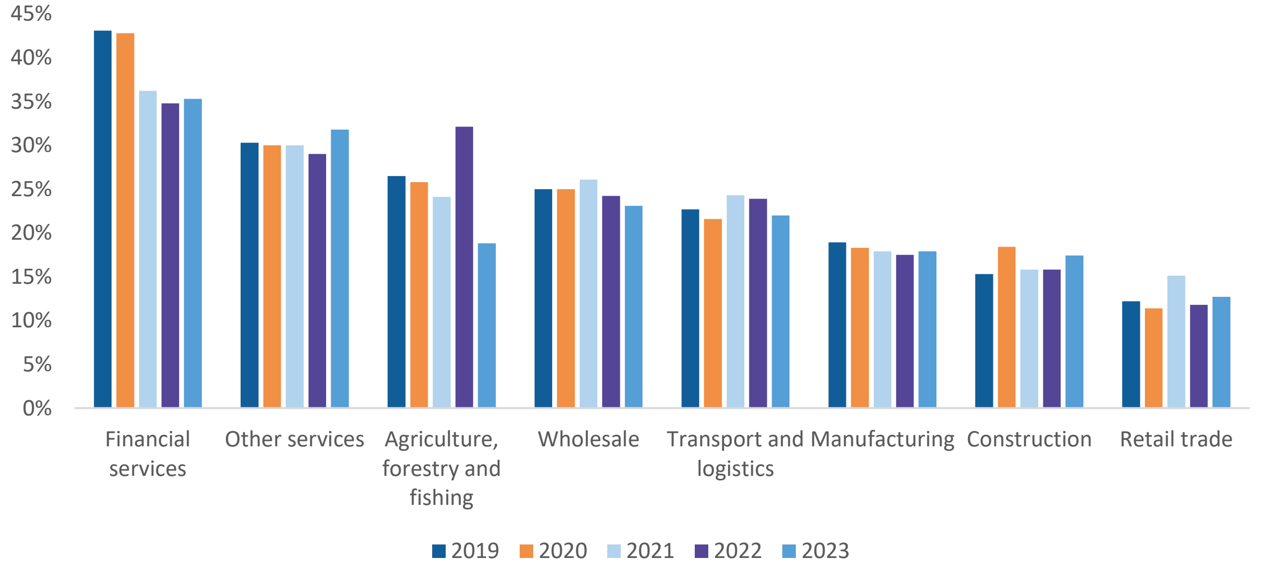


Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Assessing B2B payments by sector, it is possible to see that the share of Bulgarian companies paying on time is among the lowest across the EU Member States. In most cases, the share of on-time payments slightly increased when making the comparison with 2022 (see below figure).

Similarly to the previous year, financial services seem to be the top performer, with the largest on-time payments in Bulgaria in 2023 (35%), followed by other services (32%). On the other side, retail trade continues to be the sector with the worst payment behaviour, with only 13% of on-time payments in 2023.

Figure 32: Percentage of on-time payments by sector, 2019-2023, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

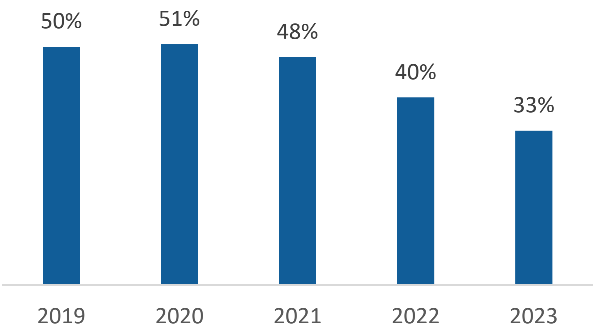
CROATIA

According to the ECB/EC SAFE survey, only one third of Croatian firms experienced problems due to late payments in 2023. This continues a downward trend that saw this share consistently decline from 51% in 2020 to 33% in 2023. In particular, a significant drop of seven percentage points is observed between 2022 and 2023, which adds to another decline of eight percentage points that occurred between 2021 and 2022, leading to a substantial decrease of 15 percentage points in only two years. This evidence suggests that late payment trends in Croatia do not align with the broader EU pattern. While Croatian firms faced more issues with late payments than the EU average between 2019 and 2021, the situation began to diverge in 2022 and 2023. At this point, late payment problems increased across the EU, whereas Croatian firms experienced a steady decline, leading to a differential between the two of 14 percentage points in 2023.

Interestingly, based on data reported by the Intrum survey, the average payment period in Croatia considerably increased in 2023, for all kinds of transactions. In 2023, it is reported that B2B transactions took, on average, 62 days to settle, while G2B transactions took 64 days. For B2B transactions, this marked a sharp increase of 13 days compared to the previous year, ending a prolonged period that saw the average business payment period in Croatia moving from 77 days in 2019 to 49 in 2022. For G2B transactions the increase was more modest, and it extended an already upward trend in average payment period that started in 2021. Additionally, aligned with most other countries, Croatian firms report that the Government consistently takes longer to settle invoices than businesses. The increase between 2022 and 2023 in payment times for both B2B and G2B transactions is aligned with the general EU trend of a deterioration in payment times. Looking at the 2023 figures, B2B payment periods in Croatia were equal to the EU average, while G2B payment times were seven days shorter than the EU average.

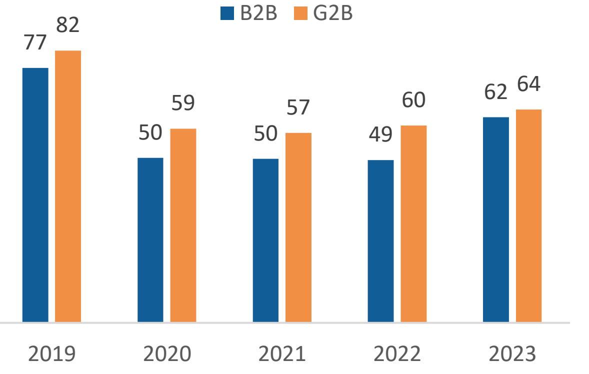
When comparing the two panels of the figure below, one can find it puzzling that Croatian enterprises reported fewer issues with late payments in 2023, despite evidence showing an increase in payment times. One possible explanation for this could stem from the small sample of firms participating in each survey: approximately 300 firms for the ECB/EC SAFE survey, and 140 firms and 90 firms from Intrum reporting on, respectively, payment times in B2B and G2B transactions. The small sample size reduces the reliability of the reported evidence and may create artificial discrepancies in the indicators shown. However, the Intrum survey reveals that the average payment term in Croatia in B2B transactions also increased from 36 days in 2022 to 48 days in 2023, reversing a trend of diminishing payment terms. Similarly, the average payment term in G2B transaction increased by 13 days between 2022 and 2023. As payment terms lengthen, payment times tend to increase, as shown in the right-hand panel of the figure above. However, this does not necessarily lead to more late payments; in fact, it may result in fewer, as firms have more time to settle their invoices within the agreed terms. Therefore, the extended payment terms in Croatia in 2023 could explain why Croatian firms reported fewer issues with late payments, despite the rise in actual payment periods.

Figure 33: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

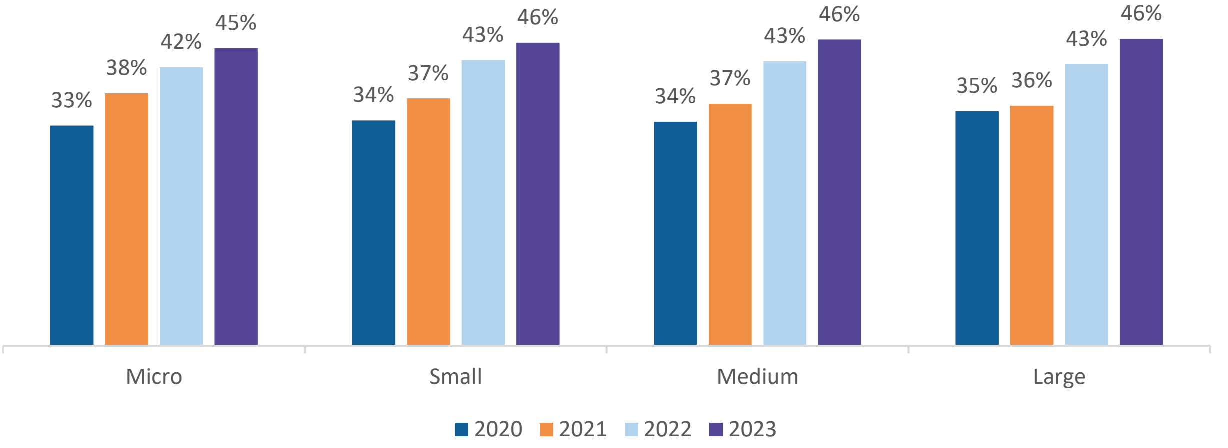
Figure 34: Average payment period in number of days, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Examining transaction data provided by Cribis/D&B on the proportion of on-time payments across company sizes, a rather unique pattern emerges. In Croatia, it appears that company size has no effect on the share of payments by due date. In fact, as can be seen in the figure below, both the time trend and the level of such an indicator is almost identical for all the company sizes considered. This is different from most of the other EU countries, where a firm's size often correlates positively with late payments. Noticeably, across all sizes, there has been a gradual improvement in the share of on-time payments, with almost half of the invoices settled on time in 2023. This reinforces the earlier observation that in 2023, alongside the lengthening of payment terms, Croatian firms experienced fewer late payments, despite the overall increase in payment times.

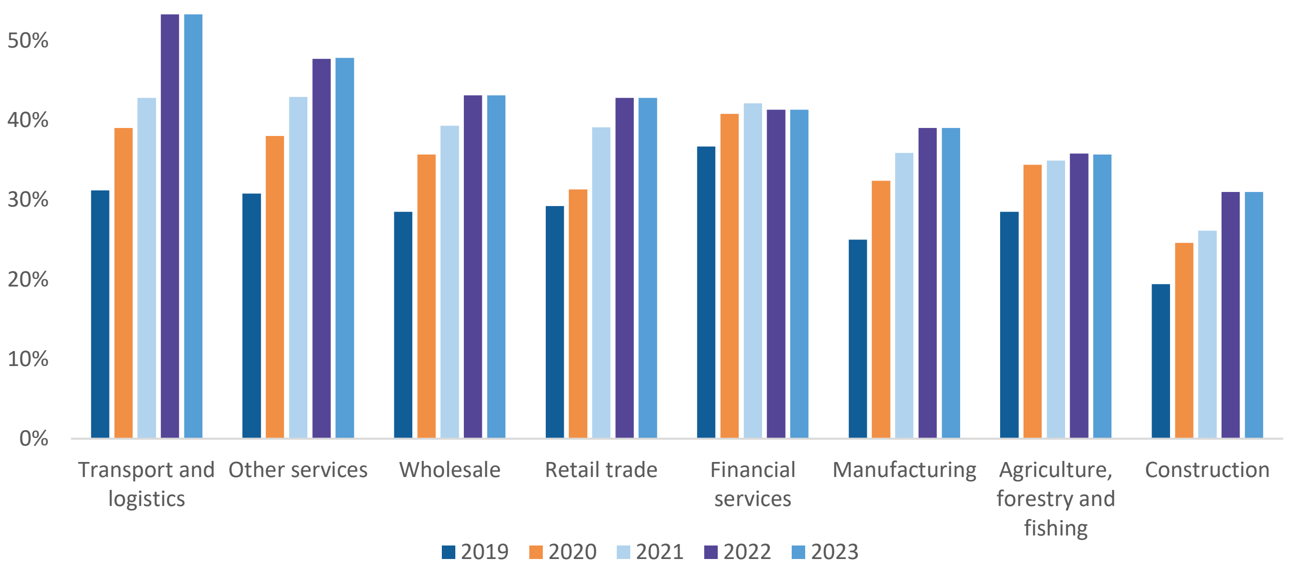
Figure 35: Percentage of payments by due date across company sizes, 2020-2023, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Breaking down payment performance across company sectors offers interesting insights. In 2023, transport & logistics was the best performing sector, with 53% of invoices settled on time. Firms in the construction sector instead appear to be the worst payers, with fewer than a third of invoices settled by the due date in 2023. Looking at developments over time, an overall improvement is observed for essentially every sector considered, with very minor exceptions. These findings provide further evidence that the share of on-time payments in Croatia has consistently improved over the past few years. Very surprisingly, the reported values for 2023 are almost identical to those for 2022.

Figure 36: Percentage of payments by due date per sector, 2019-2023, B2B

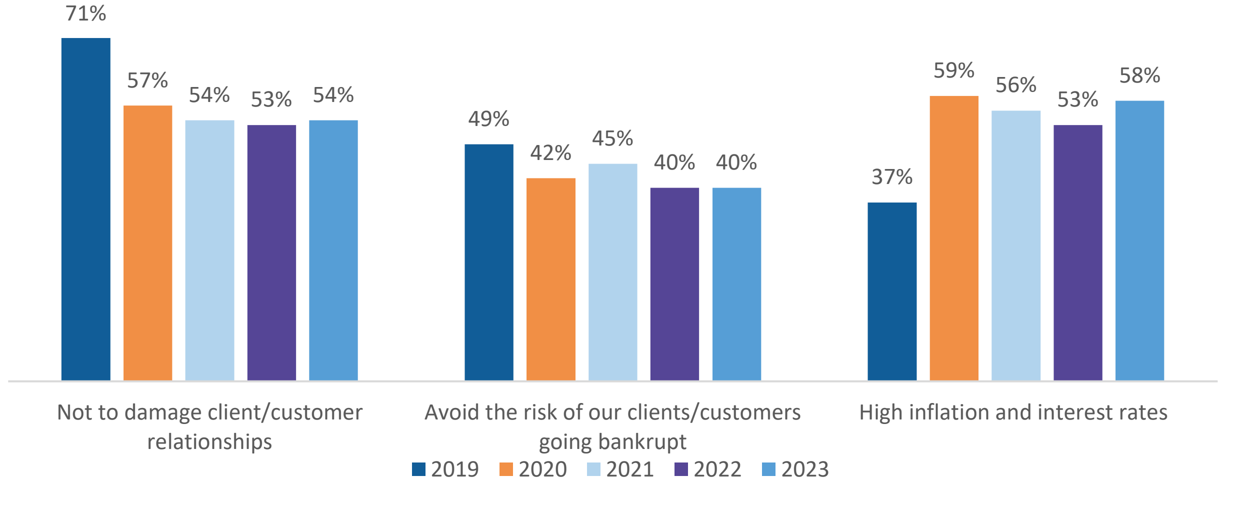


Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

In light of the reported increase of payment terms in Croatia, it is worth investigating this aspect further, to see which determinants led Croatian enterprises to agree on longer payment terms in 2023. As can be seen in the figure below, according to the Intrum survey, 58% of businesses interviewed indicated that high inflation and interest rates caused them to extend their payment terms to suppliers, an increase of five percentage points compared to 2022. This suggests that the higher level of interest rates and inflation played an important role in the lengthening of payment terms in Croatia in 2023. Moreover, in 2023, 54% of respondents reported that they had to accept longer payment terms in order not to damage client/customer relationships. Finally, 40% of respondents indicated that in 2023 they needed to accept longer payment terms to avoid the risk of their clients/customers going bankrupt.

Overall, tighter macroeconomic conditions and intricate business relationships likely led Croatian companies to extend payment terms in 2023. As a consequence, average payment periods increased in both B2B and G2B transactions. However, firms across different sectors and of different sizes consistently reported having experienced a decrease in late payments.

Figure 37: Percentage of enterprises indicating the following as determinants of longer payment terms, 2019-2023, G2B and B2B



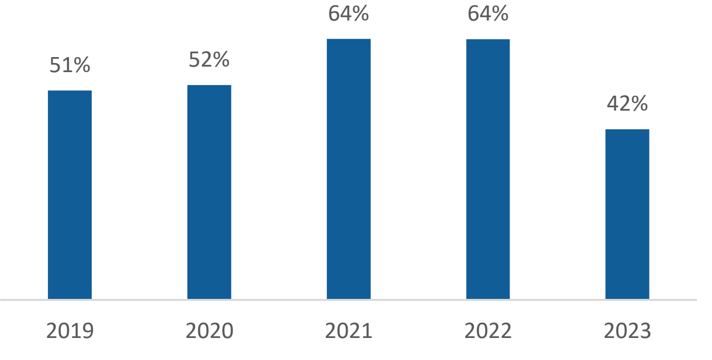
Source: EU Payment Observatory elaboration on Intrum European Payment Report.

CYPRUS

The analysis of the late payments' situation in Cyprus, as with other small EU countries, has many limitations because of the lack of data and the limitations of the data available. Of the multi-country sources, the only one that covers Cyprus is the SAFE Survey. However, it uses a very small sample of only 100 companies with reduced representativeness. The only other available source is the government, which has provided data on G2B transactions to the Observatory.

42% of the Cypriot companies that responded to the SAFE survey reported that they had issues as a consequence of late payments in 2023. This is a big improvement of 22 percentage points in relation to 2022 and marks a reversal of the deteriorating trend that had been observed between 2019-2022. Cyprus is therefore below the EU average for the first time since 2019. In fact, this improvement is the biggest recorded in the EU, where the situation deteriorated in most Member States in 2023. However, these figures have to be taken with caution, because the small sample size may result in an overestimation of the improvement as a consequence of changes in only a few companies.

Figure 38: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B

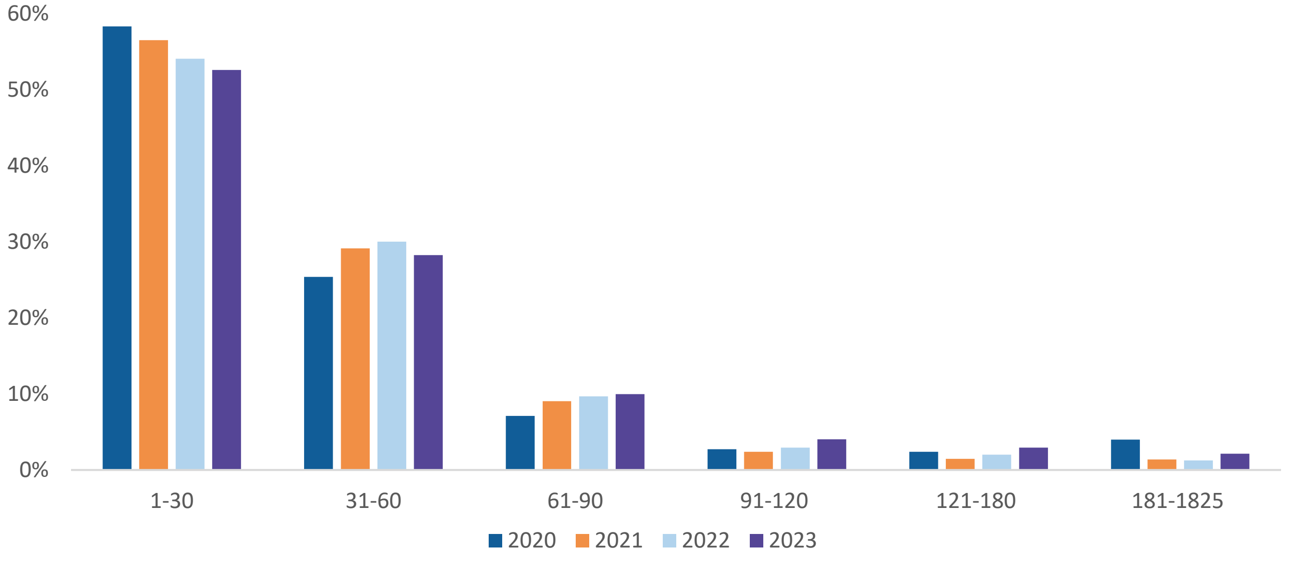


Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

In turn, the payment performance of public administrations in Cyprus seems to have slightly deteriorated, according to the data provided by the Ministry of Industry and Technology. The share of invoices paid in the 30 days after their issuance declined from 54% to 53% in 2023, continuing a downward trend observed since 2020. Payment terms in G2B transactions as established in the Late Payment Directive are of 30 days. It can only be extended to 60 days in a few exceptional circumstances. That means that almost all the remaining 47% of invoices were paid late.

After years of increasing, the percentage of invoices paid between day 31 and day 60 also declined in 2023, from 30% to 28%. Meanwhile, the share of invoices settled in all the other time periods increased. 10% of them were paid between days 61 and 90, 4% between days 91 and 120, 3% between days 121 and 180. Finally, 2% had extremely long settlement times, ranging from 181 to 1825 days.

Figure 39: Percentage of invoices paid between time periods in G2B transactions, 2020-2023



Source: EU Payment Observatory elaboration on data provided by the Ministry of Industry and Technology of Cyprus.

In 2023, more than 48% of the Cypriot firms surveyed by SAFE indicated that they had to extend their own settlement periods as a consequence of the late payments they were experiencing. This is a substantial increase in relation to 2022, when the figure was 43.5%. The share of companies reporting that delayed payments affected their investments or new recruitment also increased by almost 10 percentage points, reaching 37% of surveyed firms. A similar number indicated that it had impacted their production and operations. Finally, the effects on access to finance seem to be lower, with only 14% indicating that it delayed repayments of loans or resulted in the use additional financing, a decline of two percentage points in relation to 2022.

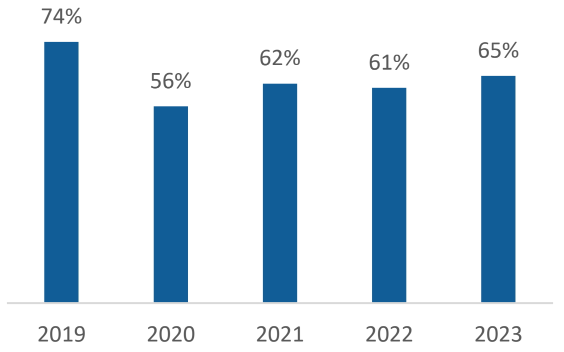
CZECHIA

The share of Czech companies reporting issues due to late payments during the past five years is among the highest in the EU (European average is 47%). 65% of the sampled companies in the ECB/EC survey indicated facing problems as a consequence of delayed payments in the past six months (see below figure). A decreasing trend of almost 10 percentage points can be observed when comparing 2019 and 2023. Last year's values, in particular, seem to show a deterioration in relation to 2021 and 2022 figures, with four percentage points more of companies being affected by late payments. In this context, amongst the biggest consequences in Czechia are delaying payments to suppliers and a slowdown in new recruitment and investments.

In a similar way, the average payment period in B2B transactions reported by Czech companies shows a significant increase during 2019-2023 (see below figure). More specifically, the payment behaviour of Czech companies has deteriorated and shows an increase of more than 20 days, on average, in relation to 2019 values. When comparing it against 2022, the increase seems to be of only one day on average.

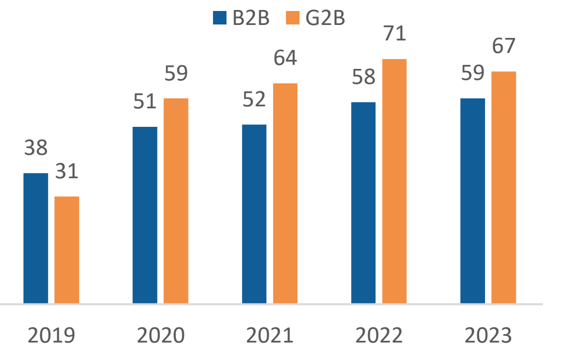
G2B transaction payment times seem to have also deteriorated since 2019. However, the payments from public administrations to the reporting Czech companies appear to have improved in 2023, as the average payment period diminished in four days. In any case, and despite the increases experienced in the past five years, G2B and B2B payment periods remain below the EU average in Czechia.

Figure 40: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

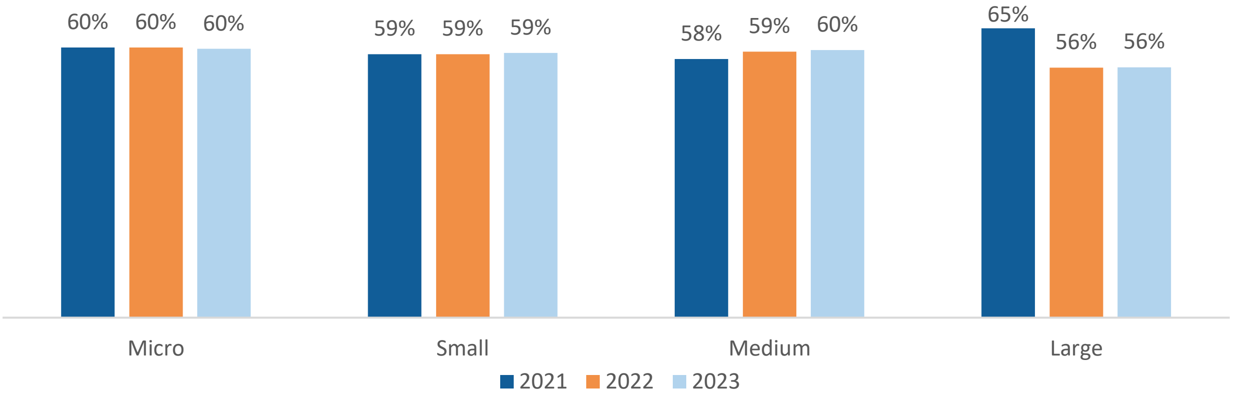
Figure 41: Average payment period in number of days, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

The payment performance of Czech companies slightly differs across company size (see below figure). During the past three years, the share of payments by due date remained quite stable, with the exception of large companies. This group of firms shows a deterioration in its payment performance, with a decrease of almost 10 percentage points on the reported on-time payments in 2022. Micro, small and mid-sized companies, however, indicated making around 60% of payments on time during the period considered. This places these company groups in a better position in terms of payment behaviour than large companies, which aligns with most Member States under the European analysis. There were no significant changes in 2023.

Figure 42: Percentage of payments by due date across company sizes, 2021-2023, B2B

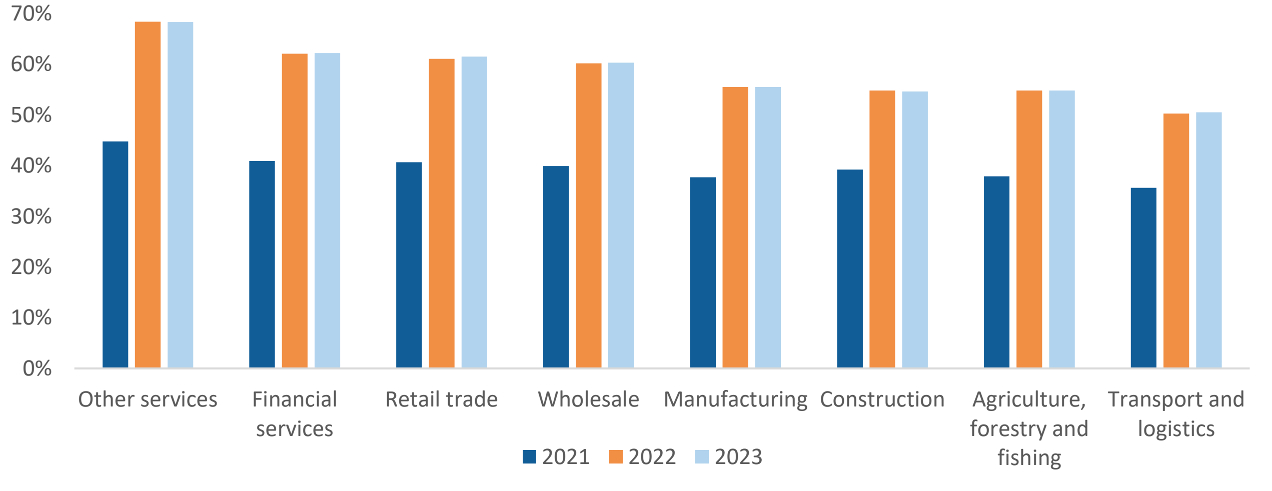


Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

A sectoral breakdown of companies reveals a significant upward change when comparing the whole period. In all sectors, the share of payments made on time increased between 15 and 25 percentage points, taking into accounting 2021-2023 values.

In addition, there is not much of a change when analysing 2022-2023. Other services remain the sector with most on-time payments (68%), followed by financial services (62%). On the opposite side, transport and logistics is placed among the sectors that account for the lesser share of payments made on time, with 51%.

Figure 43: Percentage of on-time payments by sector, 2021-2023, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

When analysing late payments in Czechia, it is possible to see that a majority of companies in 2023 (53%) indicated that they tended to accept longer payment terms to avoid damaging the relationship with their clients[13]. The same share of companies also reported that one of the reasons for extending payment terms has to do with rising inflation and interest rates. Moreover, prepayment appears to be the most used measure to prevent late payments (43%), followed by credit checks (38%).

In addition, according to the Intrum survey of 2023, Czech firms are particularly prone to working with externals when facing a late payment. They are the Member State in which more companies have made recourse to external debt collection agencies (26%). They are also the second most frequent users of factoring (23%). On the opposite side, they are the ones that have less often taken legal action after experiencing late payments (48%). However, after Ireland, Czech companies are the ones reporting using the right to charge interest and recovery costs with the most frequency (59%).

[13] Intrum Payment Report 2023.

DENMARK

Denmark is one of the best performing Member States in terms of late payments across all indicators. It is also the number one ranked country in our composite index. Nonetheless, late payments are still a concern for many companies that report being more affected by them. They complain about facing longer B2B average payment periods than in previous years and about long payment terms as well.

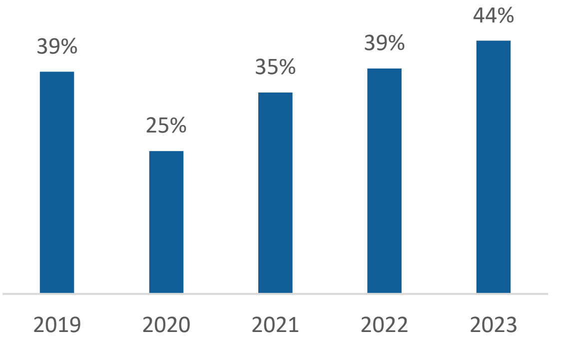
According to the SAFE survey, 44% of the questioned Danish enterprises indicate having had issues due to delayed payments. Although this is below the 47% EU average, it is the highest share in the past five years and a five percentage point increase from 2022.

Average settlement times in B2B transactions also increased by five days in 2023, reaching 66 days, according to the Intrum survey. This means a reversal of the improvements observed during 2020-2022, going back to 2019 levels. Additionally, Denmark has also now surpassed the EU average for the first time since 2019.

In G2B transactions the situation is different. Suppliers actually report a two-day reduction of average payment periods, to 68 days, in 2023. Although this indicator has significantly oscillated in the past five years, the situation is notably better than in 2019, when the average time it took for public administrations to settle their invoices was 79 days, according to the Intrum survey.

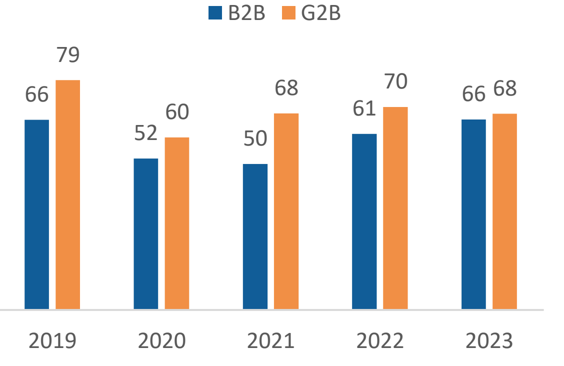
Thus Denmark follows deteriorating EU-wide trends with regards to companies affected by late payments and businesses' average settlement periods. Equally, as in every other Member State, firms pay earlier than governments. However, Denmark is the third-ranked country in the EU with a smaller gap between B2B and G2B transactions and, unlike in other European countries, the payment times of public administrations diminished in 2023.

Figure 44: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

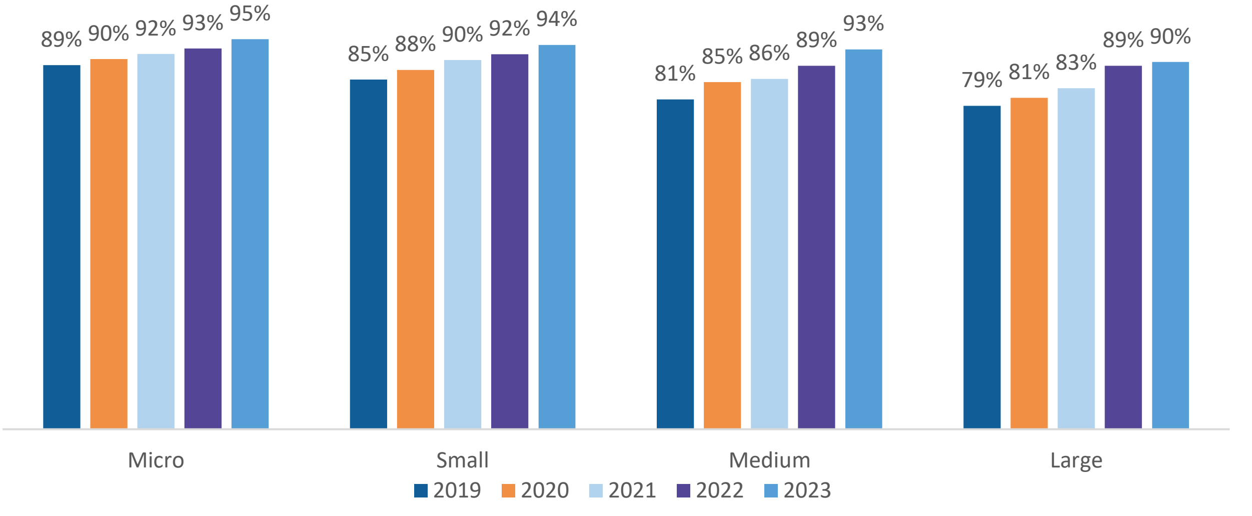
Figure 45: Average payment period in number of days, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Danish companies have the highest share of on-time payments in the EU across all company sizes, according to the Cribis D&B Study, with percentages that surpass 90%. The situation has also been improving for all sizes of enterprises since 2019, and 2023 is no exception. In the last covered year, the biggest increase, of four percentage points, was experienced by middle-sized businesses. Micro and small enterprises improved by 2 percentage points each, while small companies saw the smallest amelioration of one percentage point. In any case, and as in all EU Member States, the smaller the company, the higher the possibility that it pays by the due date. Micro companies' share of on-time payments was 95% in 2023, while for large firms – the worst performers – it was 90%.

Figure 46: Percentage of payments by due date across company sizes, 2019-2023, B2B

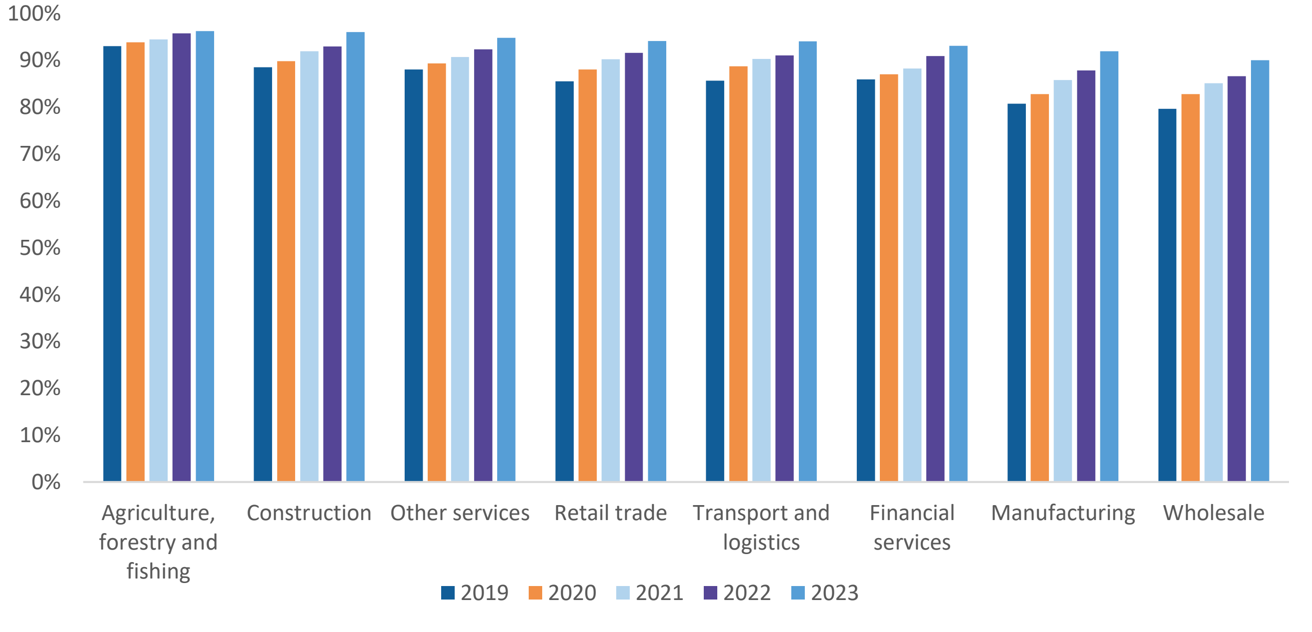


Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

At sectoral level, companies in Denmark seem to also be the most punctual in the EU. In fact, the ranking of the best sectors in terms of on-time payments in the EU covered by Cribis data is led by seven Danish sectors and there is coverage for eight. That way, agriculture, forestry and fishing, with 96% of its invoices settled on time, is the best performing sector in the EU. Meanwhile, wholesale, the sector in Denmark with a lower share of payments made by the due date (90%) is the 10th.

In addition, a steady improvement can be seen in all covered Danish sectors in the past five years. Whereas in 2019, only one sector passed the 90% benchmark, in 2023 they all did. Analysing more in depth the evolution in the last covered year, the biggest improvement of on-time payments can be seen in the manufacturing sector, of four percentage points. Construction, transport and logistics and wholesale grew by three percentage points. Retail, financial services and other services did so by two percentage points. Finally, the share of payments by the due date of the agriculture, forestry and fishing sector was one percentage point higher in 2023 than in 2022.

Figure 47: Percentage of payments by due date per sector, 2019-2023, B2B



Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

The situation of late payments in Denmark seems to be quite good, particularly taking into account the shares of B2B on-time payments. However, the percentage of companies affected by problems due to late payments has increased and average payment periods are longer than the EU average for businesses and only slightly below for public administrations. This apparent contradiction could be explained by payment terms, the settlement times established by law or by contract. With 47.8 days, Denmark had the fourth longest B2B payment terms of the EU in 2023, according to the Intrum survey. They have grown by more than eight days since 2021. G2B payment terms are also above the EU average and have been increasing, albeit less so, since 2020. Long payment terms could explain why a high percentage of on-time settlements still result in a significant – although below the EU average – share of companies reporting issues due to late payments as well as on relatively long payment periods. This is reinforced by an increasing percentage of Danish companies (58% in 2023) reporting having accepted longer payment terms than they are comfortable with so as to not to damage the relationship with their clients. This is the second highest percentage in the EU.

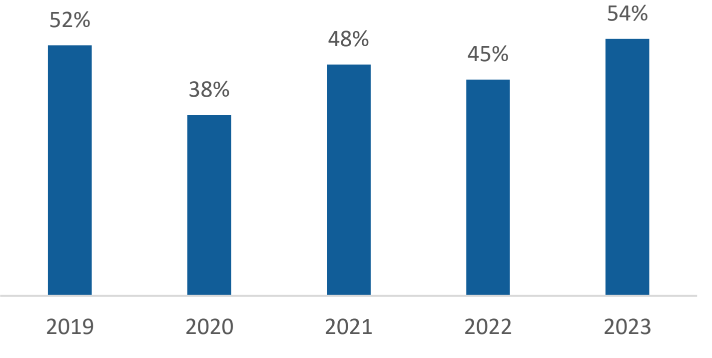
Regardless, the share of Danish companies indicating that late payments affected their payments to their suppliers (22%), investment and recruitment (8%) and production and operations (8%) are amongst the lowest in Europe, according to the SAFE Survey. Still, 54% of Intrum-surveyed Danish companies report that faster payments from their clients would allow them to expand their product or service offering and improve their sustainability performance.

ESTONIA

The data available on late payments in Estonia significantly diminished in 2023, as for the other Baltic countries, albeit from only one available source, the SAFE survey. There is therefore no data on average payment periods, no differentiation between B2B and G2B transactions and no sectoral or size breakdowns are possible. Equally, there is no information on drivers or attitudes towards late payments and very little on impacts. On top of that, the sample used for Estonia by the SAFE survey is of only 100 companies, which hinders the representativeness and reliability of the data. As a result, the following analysis is very limited.

The share of Estonian companies indicating that they suffered from problems due to late payments was 54% in 2023, seven percentage points above the EU average. It is also a notable increase on 2022, of nine percentage points. Looking at the entire 2019-2023 period it can be observed that this indicator has significantly oscillated every year, never following the same trend for two years in a row. This might be a consequence of the small Estonian sample size in the SAFE survey, which may have resulted in an overestimation of changes. In any case, the share of companies affected by late payments in Estonia seems to be the worst of the past five years.

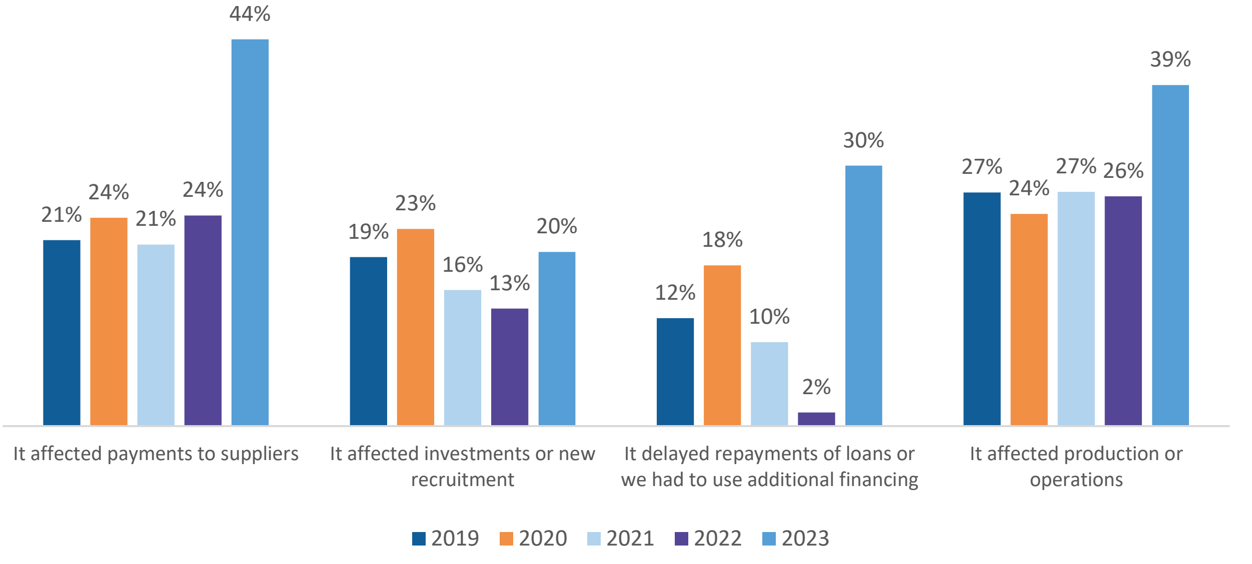
Figure 48: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

In 2023, a deterioration of all the late payments' impacts covered by the SAFE survey can be observed in Estonia. The most significant one, which is 20 percentage points higher than in 2022, is that late payments resulted in 44% of firms delaying their own payments to their suppliers. 39% also indicate that it affected their production and operations, which is 13 percentage points more than in 2022. Equally, 20% say that it hampered their investments or new recruitment, as opposed to 13% in 2022. Meanwhile, the greatest deterioration regarded access to finance. If in 2022 barely 2% of the surveyed Estonian companies reported that late payments delayed their repayments of loans or resulted in them having to use additional financing, that figure had increased in 2023 to 30%. In any case, as mentioned, the small sample size may have overemphasised these oscillations.

Figure 49: Percentage of enterprises indicating that late payments had negative consequences on the reported dimensions, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

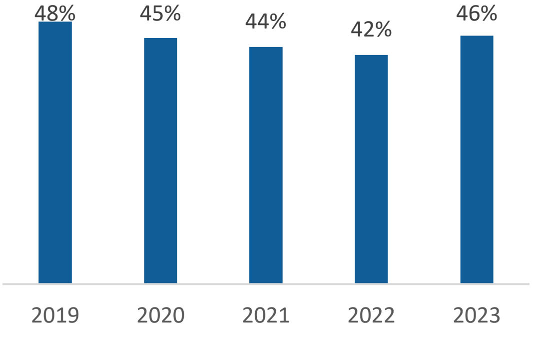
FINLAND

In 2023, 46% of companies in Finland reported facing issues caused by late payments. When compared to the general situation in the EU, Finland is just below the EU average. The trends in Finland have continuously followed the general ones of the EU, with a constant decrease in issues for 2019 to 2022, followed by an increase in 2023. In fact, 2023 was the first year for the covered period where the situation deteriorated, increasing to pre-2020 levels.

Average payment period of B2B transactions have increased by eight days, or 14%, in 2023 from the previous year. The increase in payment period continues a deteriorating trend that has been observed since 2021. Over the past five years Finland has had B2B payment periods above the EU average.

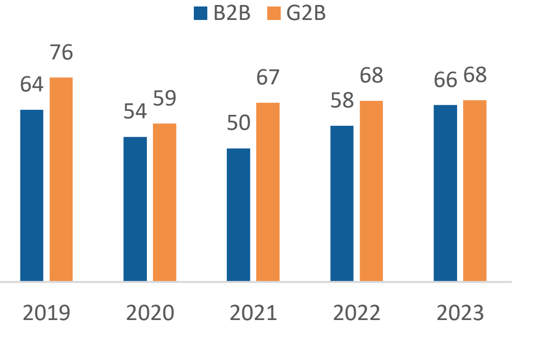
Moving to government's payment behaviour, the average payment period to suppliers remained stable in 2023, at 68 days. This sign of stability does not align with European G2B payment periods, which slightly increased in 2023. Public authorities in Finland have shown amelioration of their payment habits since 2019, with a general decrease in the number of payment days. However, the relatively shorter payment period of 59 days achieved in 2020 was not maintained, increasing as it did to 67 days in 2021, and up to 68 since 2022. Still, Finland is one of the Member States with a smaller difference between B2B and G2B payment periods.

Figure 50: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 51: Average payment period in number of days, 2019-2023, G2B and B2B

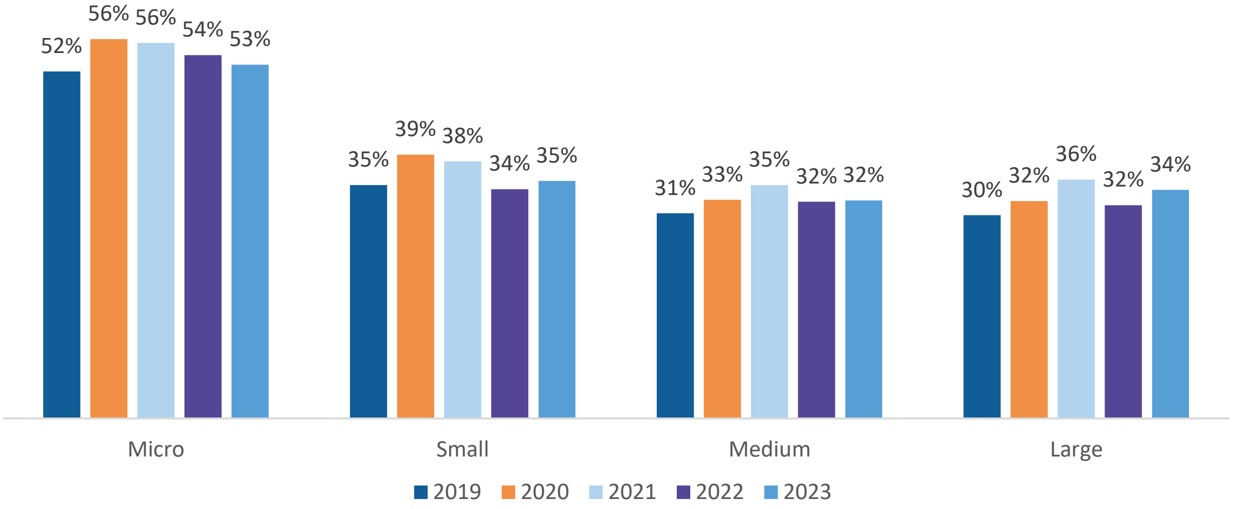


Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Looking at payment habits per company size, firms in Finland follow pretty much the same payment trend as that of the EU, with smaller firms paying more quickly than large ones. Micro companies are best at paying their invoices on time, with 53% of payments made by the due date, followed by small firms, which make 35% of their payments on time. It is, however, with regards to medium-sized firms that Finland breaks the pattern, as they paid worse than large firms in 2023, with only 32% of payments made by the due date. Large firms pay 34% of their invoices by the due date.

Micro companies have seen a general decrease in the number of payments made by the end date in the past few years, going down from 56% in 2020 to 53% in 2023. All other groups have also seen a decrease in the share of invoices paid before their due date, up until 2022. The trend seems to have changed, however, with more payments made on time in 2023 compared with 2022, something that will have to be confirmed in the coming years.

Figure 52: Percentage of payments by due date across company sizes, 2019-2023, B2B



Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

When comparing payment behaviour across eight sectors in Finland for 2019-2023, only in three were the majority of payments made on time in 2023. In fact, the payment behaviour of the other services sector was the best, with 57% of on-time payments. Agriculture, forestry and fishing had very similar levels to that of other services, with 56% of on-time payments. The worst performing sector in the country is manufacturing, with 43% of payments completed by the due date.

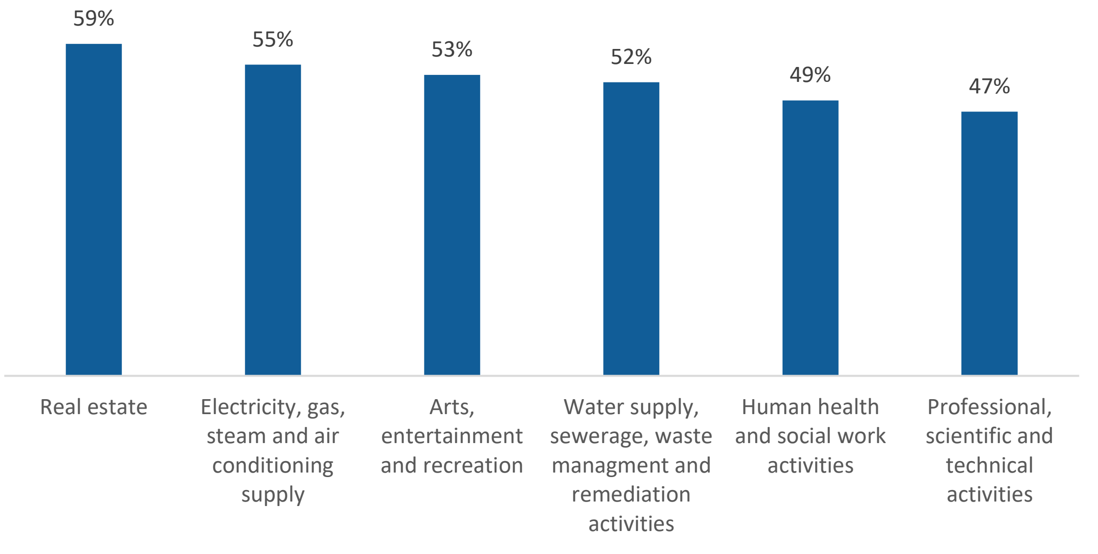
When looking at general developments, there has been an increase in the number of on-time payments since 2019. Nevertheless, some unique evolutions can be observed in 2021. In two of the eight sectors reviewed below, a significant dip in on-time payments took place. Interestingly, these were in the sectors that have otherwise experienced the best payment behaviour. The opposite development was observed in four of the sectors, experiencing a spike in on-time payments in 2021. The most noticeable increase is seen in mining and quarrying, where on-time payments increased by 17 percentage points. The remaining two sectors saw only minor changes, down 3% for the financial services sector, and an increase in on-time payments of 2% for the transport and logistics sector. It seems that for all sectors that experienced a spike or drop in payments made by due date, the evolution was a one-off event. In the past two years, the payment behaviour was back to previous levels.

Figure 53: Percentage of payments by due date per sector, 2019-2023, B2B

Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

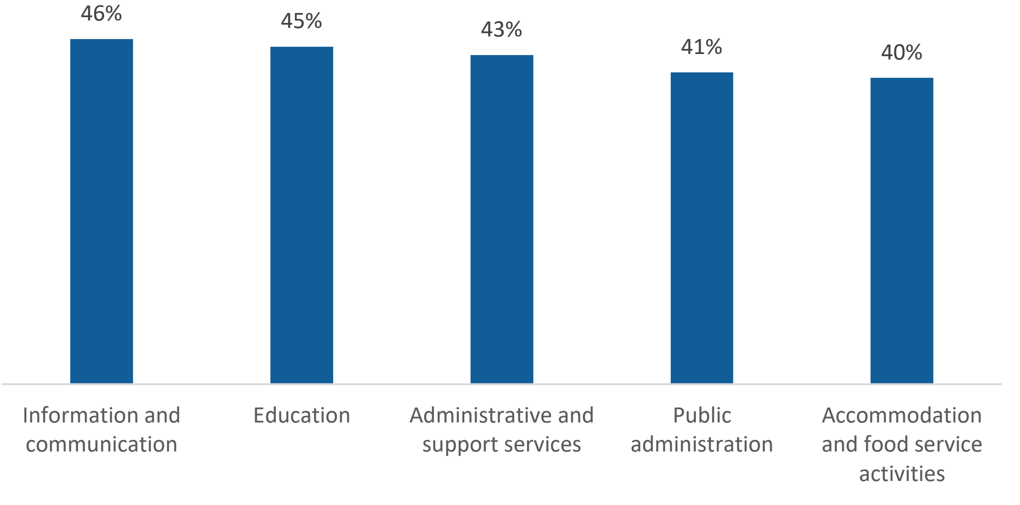
Additional data points for 2023 are available for 11 additional sectors in Finland. These are reviewed in the two following figures. Out of these 11 sectors, there are only four cases in which more than half of payments are made by the due date. In 2023, it was the real estate sector that saw the best payment behaviour (including the graph above), with 59% of payments made by the due date. The worst performing sector of all was accommodation, with 40% of payments made on time.

Figure 54: Percentage of payments by due date per sector, 2023, B2B



Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

Figure 55: Percentage of payments by due date per sector, 2023, B2B



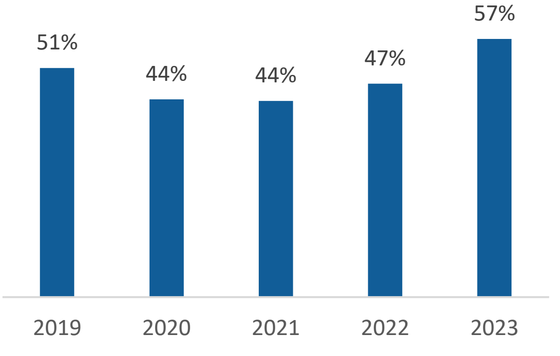
Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

FRANCE

For many years, France had seen a decrease in negative effects on businesses caused by late payments, but over the past two years the situation has deteriorated. In 2019, more than half of enterprises reported issues related to late payments. This figure dropped to below 50% between 2020 and 2022. However, as in most EU countries, it increased in 2023, reaching 57%, which put France significantly above the EU average.

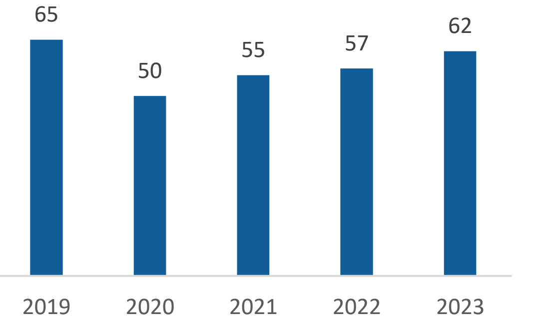
Average payment periods in France for B2B transactions were below 60 days for 2020-2022. However, following European trends, payment periods in France increased to 62 days in 2023, landing just above the EU average. It's important to note the nature of the increase in payment delays in France, which are likely caused by payment terms being extended, as the share of on-time payments continue their positive evolution[14].

Figure 56: Percentage of enterprises indicating they have faced issues due to late payment in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 57: Average payment period in number of days, 2019-2023, B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Public order services have consistently very high shares of payments being made on time for the entirety of 2019-2023 in France. In 2023, the rate was 87%, a very minor decline from the 88% reported in 2022.

Equally, public services report very good payment times across the board. These results are, however, not fully aligned with that which is reported by suppliers. Data from public authorities, reported by the French Late Payment Observatory, show that G2B payment times in France have remained below 20 days for the past five years. For the duration of the period, the longest payment time was recorded in 2019 with 19 days. Since then, the number of payment days has decreased, fluctuating between 17 and 18 days, standing at 18 days in 2023. This would mean that authorities remained within the regulatory limit of 30 days imposed in France.

However, suppliers report much longer G2B payment periods. In 2023, in fact, companies surveyed by Intrum indicated that the average time taken by public authorities to pay them was 63 days, three times higher than the figure published by the French Late Payment Observatory. A multiplicity of reasons can explain these discrepancies, including the use of different methodologies and considering different starting times. These divergences have been explored further in a dedicated thematic report[15].

In any case, the public authorities' average payment periods reported by suppliers in France are the shortest of all EU countries. France is also, for them, the country where the difference

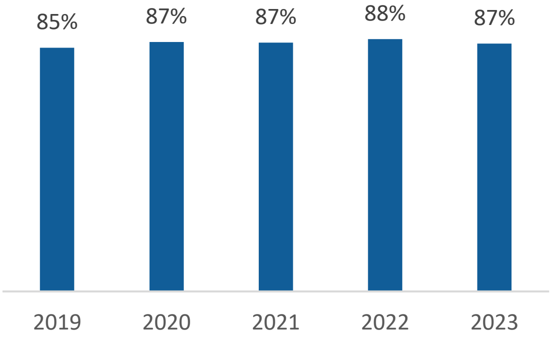
[14] French Late Payment Observatory (2024), Rapport Annuel 2023, https://www.banque-france.fr/fr/publications-et-statistiques/publications/rapport-de-lobservatoire-des-delais-de-paiement-2023.

[15] European Payment Observatory (2024) Late payments in G2B transactions, https://single-market-economy.ec.europa.eu/smes/challenges-and-resilience/late-payment/eu-payment-observatory/observatory-analysis_en.

between B2B and G2B settlement times is smaller. Suppliers also coincide with public authorities in reporting that the G2B situation has been improving.

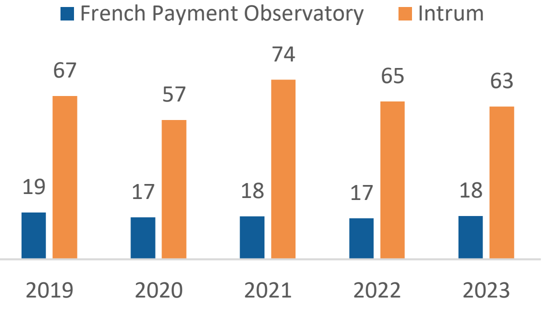
In fact, over the past few years, numerous measures have been implemented in France to combat public authorities' late payments in both the short and long run[16]. In 2023, to increase transparency, the government started to publish data on the payment performance of local communities with fewer than 3 500 inhabitants. Another relevant initiative in the last covered year was the setting up by public authorities of a working group that aimed to address late payment problems in the construction sector in collaboration with the industry. It resulted in the publication of a good practice guide on how to improve payment processes between public authorities and firms in the construction sector[17].

Figure 58: Percentage of payments made on time for public order services, 2019-2023, G2B



Source: EU Payment Observatory elaboration on French Late Payment Observatory Report.

Figure 59: Average payment period in number of days, comparison of French Payment Observatory and Intrum, 2019-2023, B2B

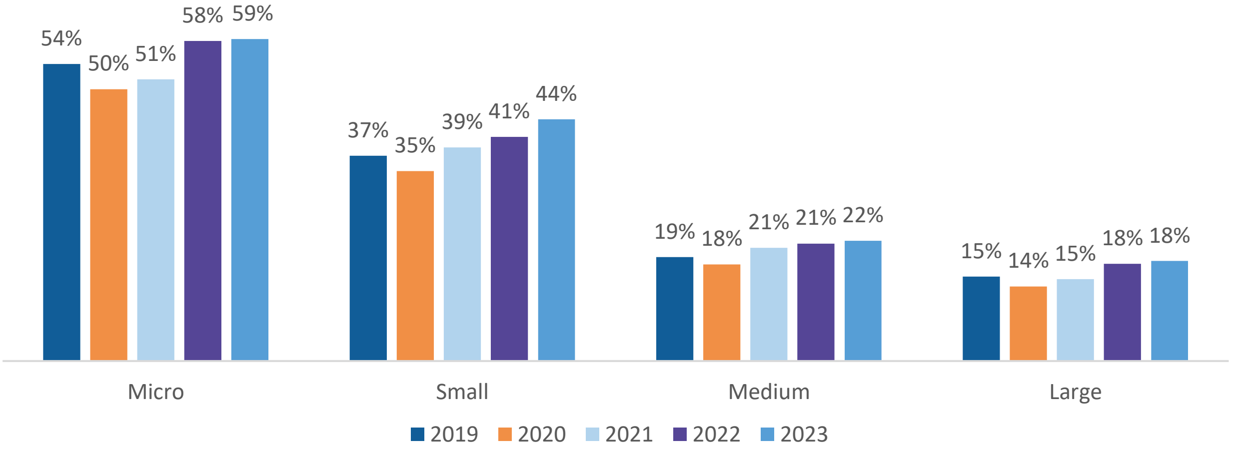


Source: EU Payment Observatory elaboration on French Payment Observatory and Intrum European Payment Report.

When observing payment behaviours based on their size, French companies are very much aligned with most of the EU. Therefore, the smaller the firm, the better the payment performance. In the graph below the very significant differences in on-time payments depending on company size can be observed. Micro companies are by far the best payers, with 59% of payments made by the due date in 2023. They are followed by small companies, with 44% of payments made on time. At 22%, medium-sized enterprises pay fewer than one in four invoices on time and large companies settle fewer than one in five by the due date (18%). Interesting to note is also the positive payment trend that has been taking place across the board since 2020, something that is not observed in most Member States. This happens for all company sizes, with payment behaviour ameliorating yearly.

[16] Idem.
[17] French Late Payment Observatory (2024), Annual report, p. 37, https://www.vie-publique.fr/files/rapport/pdf/294704.pdf.

Figure 60: Percentage of payments by due date across company sizes, 2019-2023, B2B



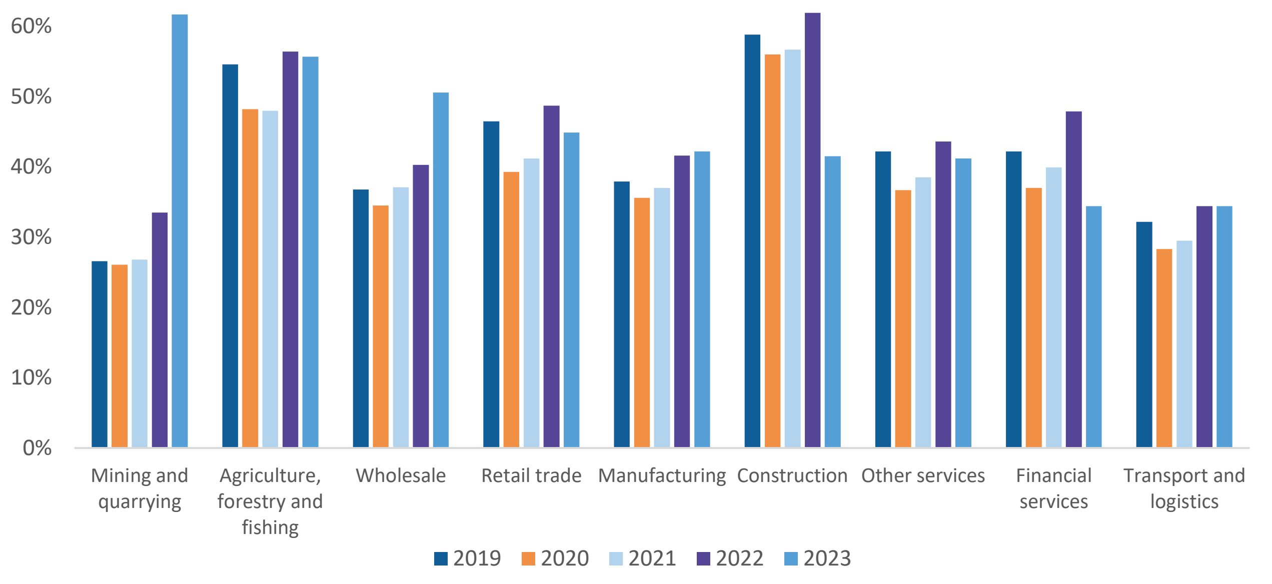
Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

Splitting payment behaviour by sector rather than by company size shows a more varied trend. For the year 2023, the mining and quarrying sector was the sector with the highest rate of on-time payments, with 62% of payments made by the due date. The result is rather surprising considering it represents almost a doubling of on-time payments compared to previous years, which were at 34% in 2022 and 27% in 2021. Two other sectors in France also registered paying more than half of invoices by the due date: agriculture, forestry and fishing, and the wholesale sector, with 56% and 51% respectively. The former has traditionally had high shares of payments made on time.

However, two sectors in France have been facing payment issues in the past year, with their share of on-time payments having reduced significantly. First is the construction sector. Between 2019 and 2022, more than 55% of all payments were made by the due date. This dropped to 42% in 2023. The construction sector in France has been vocal about its exposure to payment delays and the effects they have throughout its (long) supply chains. This can quickly lead to a trickle-down effect where one delay can cause liquidity issues for numerous firms. As already mentioned, to support this sector, which has been suffering from the effects of late payments from private and public partners, French authorities set up a working group in 2023 to establish a guide of good practices. A second sector that has seen a drop in 2023 is financial services. Having been on a positive trend since 2020, first rising from 37% to 40% for on-time payments, followed by another increase to 48% in 2022, its share of on-time payments dropped down to 34% in 2023.

Finally, the sector performing the worst, according to Cribis data, is transport and logistics. Even though the payment performance has increased in the past few years, it still has not managed to exceed 34% in 2023.

Figure 61: Percentage of payment by due date per sector, 2019-2023, B2B



Source: EU Payment Observatory on Cribis/D&B Payment Study.

France remains one of the countries more committed to reducing late payments. It has Europe's longest standing Late Payment Observatory, created in 1991. Through this, authorities have been monitoring the payment behaviour of both public and private players. The goal has been to pinpoint bottlenecks and other points of friction to ameliorate the payments environment and reduce the negative effects of payment delays for businesses.

For the past six years French authorities have decided to implement additional sanctions to those defined in the Late Payment Directive. Under the supervision of the DGCCRF[18], France is one of the few countries that has been fining companies that continually fail to pay their suppliers within the statutory terms. The fee received by an enterprise varies depending on the size of the company, whether the infringement is a first occurrence or a reoccurrence, and the total volume of the outstanding payment.

In 2023, the total amount of imposed fines on companies amounted to more than EUR 33.5 million, split between 279 individual sanctions. The most common fines are those of lower amounts. In fact, the smallest fine of less than EUR 10 000 is also the most common one, with 50 imposed fines in 2023. Fines of between EUR 10 000 and EUR 19 999 were also relatively common, imposed by authorities 48 times throughout 2023. The least common type of fine in 2023 were those that amounted to between EUR 40 000 and EUR 49 999, with 15 fines in 2023. The biggest fines, of more than EUR 375 000, were imposed a total of 19 times in 2023, with the largest being of EUR 2 million.

The sector that faced the highest number of fines, as well as the largest fine, was wholesale trade, which accumulated 56. The sector with the second highest number of fines was manufacturing, accumulating 48, followed by financial services and assurance with 24. While the sector received fewer fines, the total amount for the financial sector surpassed that of manufacturing, at more than EUR 3.1 million, compared with EUR 2.6 million.

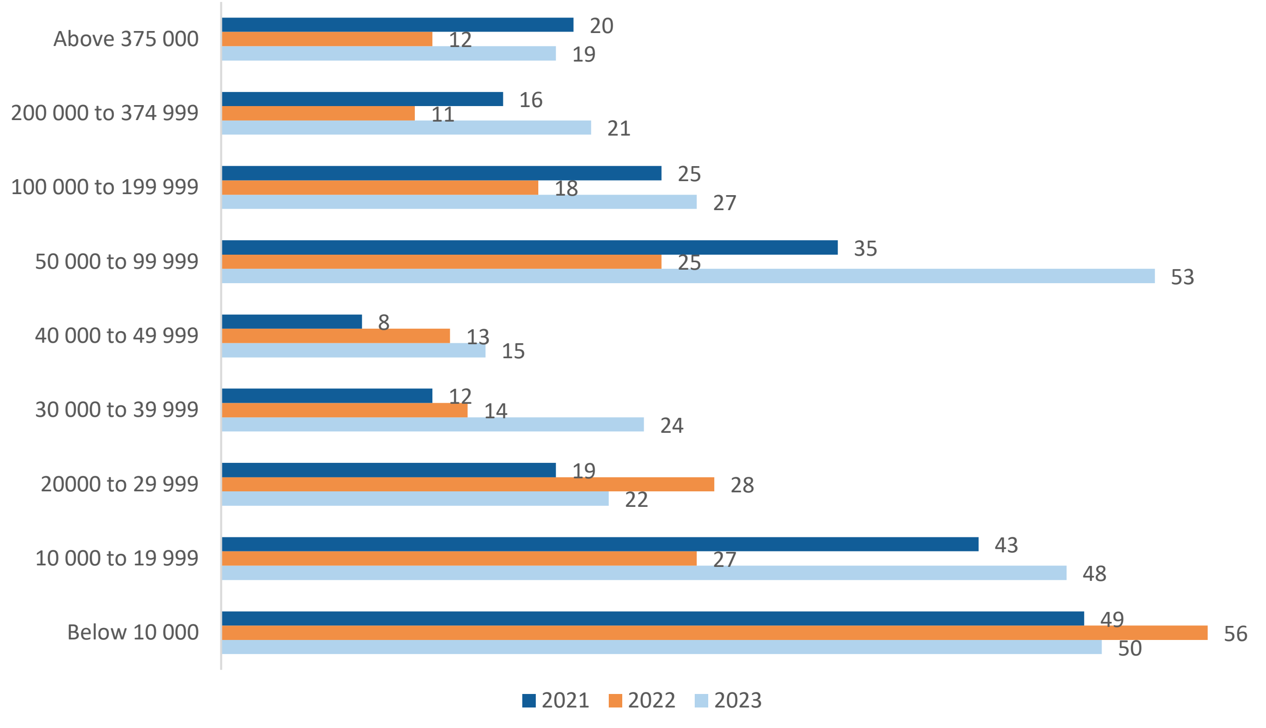
In comparison with 2022, there has been both an increase in the total number of fines imposed on French companies by authorities, and in the total value of fines. In 2022, a total of 204 fines were imposed, compared to 279 in 2023. Regarding the total value, it also increased, going from just over EUR 19 million to more than EUR 33.5 million.

The number and total value of imposed fines for 2023 surpass those of 2022, even though fewer verifications were made by French supervisory authorities. This might be an indicator of an

[18] Direction Générale de la Concurrence, de la Consummation et de la Répression des Fraudes.

increased effectiveness in the identification of companies to inspect, although it might also be linked to the increase of payment times reported by suppliers.

Figure 62: Distribution of companies fined by the government, 2021-2023 (EUR)



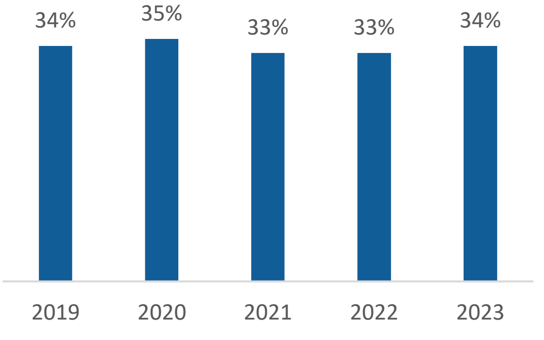
Source: EU Payment Observatory elaboration on French Payment Observatory Report.

GERMANY

In Germany, late payments remain a significant concern for companies, with data highlighting persistent delays in both G2B and B2B transactions. According to the ECB/EC SAFE survey, 34% of German businesses reported issues due to late payments in 2023, a slight increase of 1% from the previous year (see graph below). Although this figure has remained relatively stable in recent years, it still points to ongoing challenges for German companies. Germany's performance, being well below the EU average of 47%, reflects a comparatively stable payment environment. Nevertheless, late payments continue to impact the cash flow and operations of many German businesses, signalling the need to continue monitoring payment practices in both the public and private sectors.

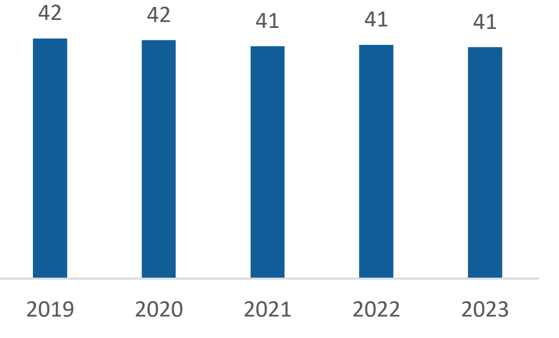
Creditreform transaction data indicate that the average payment period for B2B transactions is decreasing. Despite a minor rise to 40.9 days in 2022, the general trend resumed in 2023, with the average payment period falling to 40.5 days (see graph below). Additionally, the average payment delay dropped by 1.1 days, from 10.7 days in 2022 to 9.6 days in 2023, reflecting a more favourable situation compared to the broader European challenges with payment delays. While the year-on-year changes have not been drastic, this trend represents an improvement in payment efficiency in Germany in 2023 compared to the past four years.

Figure 63: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

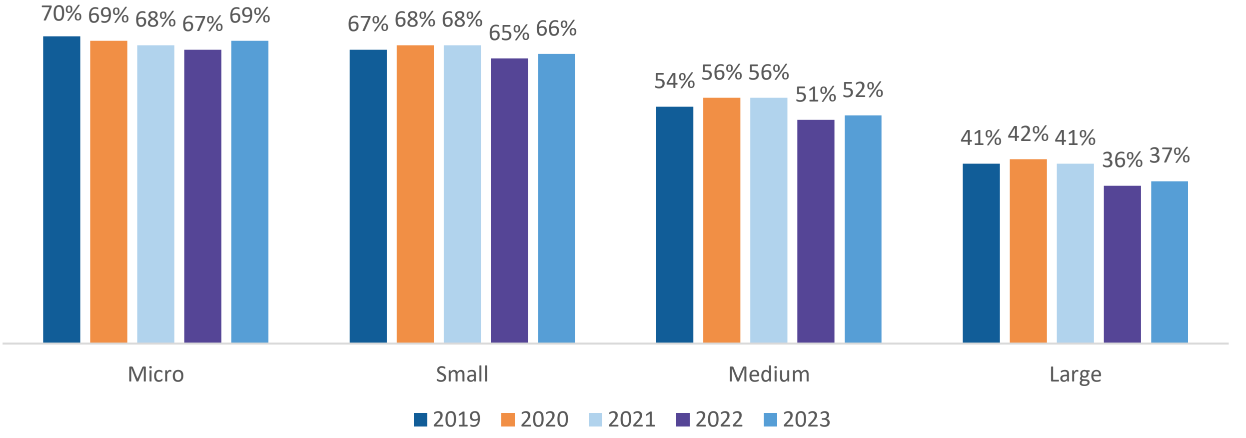
Figure 64: Average payment period from clients in number of days, 2019-2023, B2B



Source: EU Payment Observatory elaboration on Creditreform Zahlungsindikator Deutschland.

Among different company sizes, Germany saw minor shifts in payment practices from 2022 to 2023. Micro-enterprises maintained a strong position, with on-time rates rising slightly from 67% in 2022 to 69% in 2023, which indicates resilience in managing prompt payments despite economic pressures. Small businesses also showed a modest improvement, increasing from 65% in 2022 to 66% in 2023, reflecting a gradual adaptation to post-pandemic economic conditions. Medium-sized companies also saw a small increase in their on-time payment rate, rising from 51% in 2022 to 52% in 2023. However, this remains below pre-pandemic levels, signalling continued challenges in payment practices for this segment. Despite having greater financial flexibility, large companies still recorded the lowest punctuality, with only 37% of payments made on time in 2023. It is a slight improvement in comparison to 36% in 2022 but still significantly behind smaller businesses.

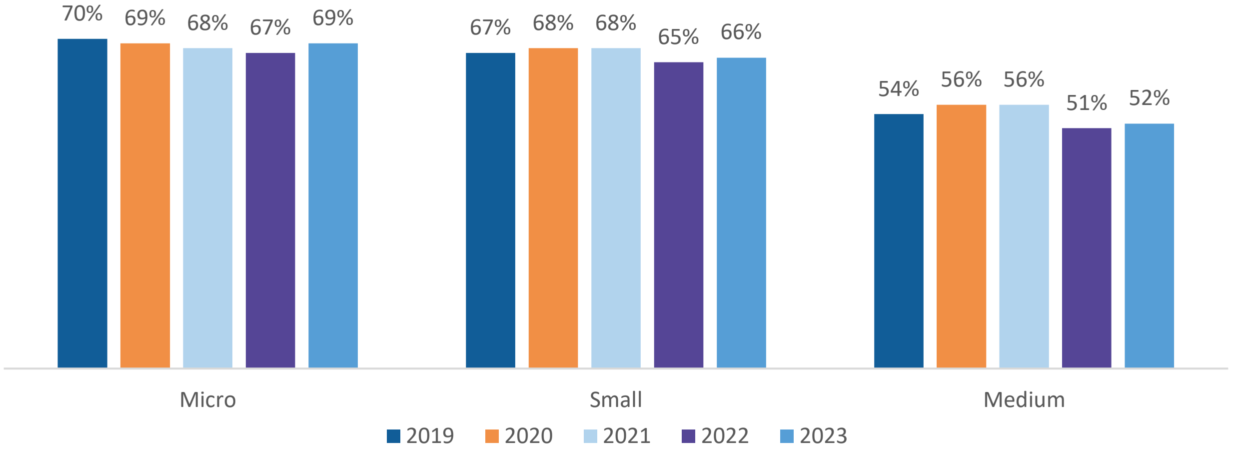
Figure 65: Percentage of payments by due date across company sizes, 2019-2022, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

Analysing payment delays by company size from 2019 to 2023 reveals distinct trends. Smaller businesses consistently have longer payment delays than medium-sized and large companies, despite being the ones with a higher share of on-time payments. In 2023, the average payment delay for small businesses was 10.7 days, an improvement in comparison with the 12.2 days of 2022. For medium-sized enterprises, payment delays have shown a gradual but consistent reduction. The average payment period decreased from 10.3 days in 2022 to 8.9 days in 2023, indicating an improvement in payment practices. While medium-sized firms experience fewer delays compared to smaller businesses, they still face moderate payment challenges. Large businesses, however, are the most punctual in their delayed payments. In 2022, the average payment delay for large firms was 9.8 days, improving significantly to 7.2 days by 2023. Despite overall improvements across all company sizes, small businesses remain the slowest to settle late payments. This ongoing challenge emphasises the need for smaller firms to improve their payment behaviour, as they are the most vulnerable to cash-flow disruptions caused by delayed payments.

Figure 66: Average payment delay in number of days across company sizes, 2019-2023, B2B



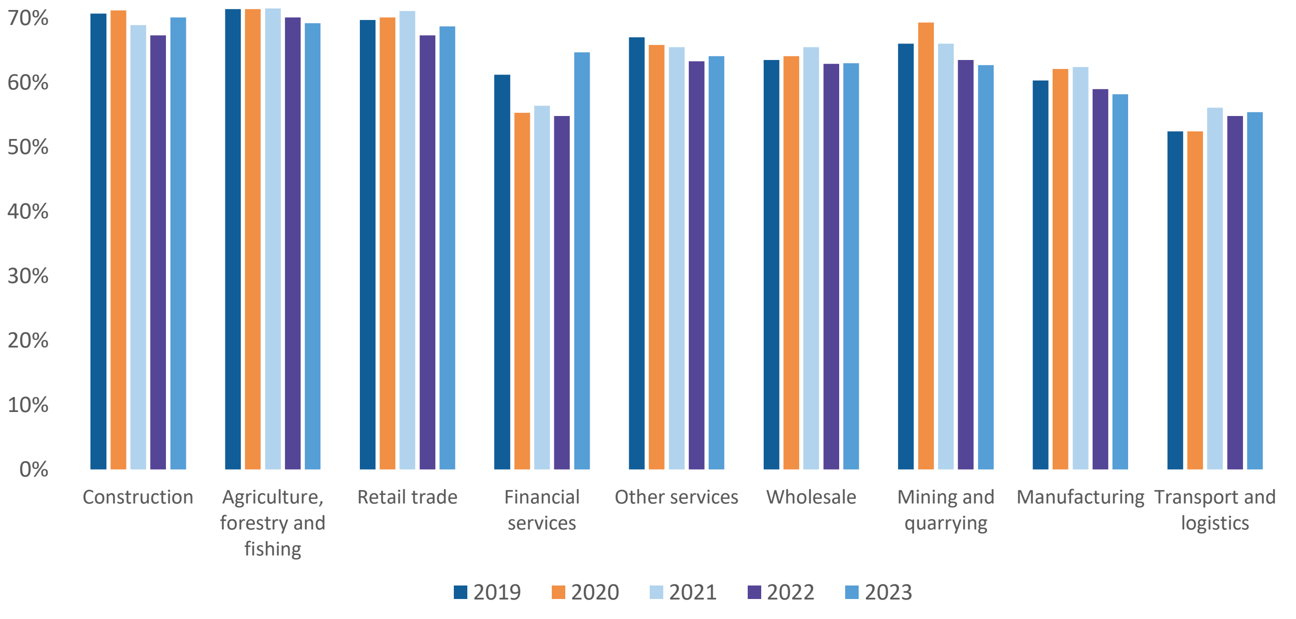
Source: EU Payment Observatory elaboration on Creditreform Zahlungsindikator Deutschland.

In 2023, sector-specific payment punctuality across industries showed varied trends, with four sectors reporting improvements, three experiencing declines, and two remaining stable. The construction sector demonstrated positive progress, with on-time payments rising to 70%, up from 67% in 2022. The other services sector saw a slight increase, with on-time payments rising from 63% to 64%. Similarly, the retail trade sector improved, with punctual payments increasing from 67% to 69%, reflecting a slight stabilisation after having experienced challenges likely related to fluctuating consumer demand. The most notable improvement was in the financial services sector, where on-time payments surged from 55% in 2022 to 65% in 2023.

At the same time, some sectors remained stable. The wholesale sector held steady, with on-time payments at 63% in both 2022 and 2023, showing resilience despite broader economic pressures. Similarly, the transport and logistics sector, which continues to have the lowest punctuality rate among sectors, saw no significant change, with payments staying constant at 55% for both years.

However, a few sectors experienced declines in payment punctuality. The agriculture, forestry and fishing sector, which has historically been the most punctual in Germany, saw a small decrease, with payments by the due date falling from 70% in 2022 to 69% in 2023, continuing a gradual downward trend. The mining and quarrying sector also faced a minor decline, with on-time payments dropping from 64% to 63%, while the manufacturing sector followed a similar pattern, with on-time payments slipping from 59% to 58%, also extending its ongoing downward trajectory.

Figure 67: Percentage of payments by due date per sector, 2020-2023, B2B

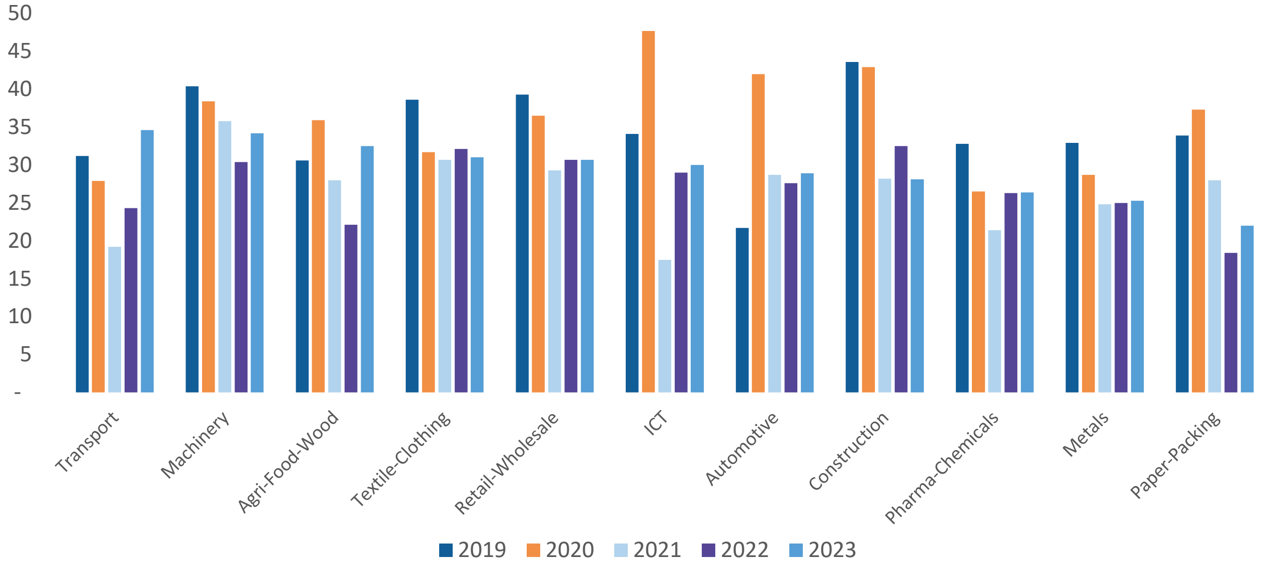


Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

The sector-specific payment behaviours in Germany for 2023, focusing on the average payment delay once a delay has occurred, reveal varied trends across industries. In particular, the transport sector emerged as the most delayed in payments, with the average payment period increasing by 11 days, rising from 24 days in 2022 to 35 days in 2023. This sharp increase likely reflects ongoing pressures, such as inflation and supply chain disruptions, and aligns with transport's status as the sector with the lowest rate of on-time payments in Germany. The agrifood-wood sector also saw a significant increase in payment delays, jumping from 22 days in 2022 to 33 days in 2023, which suggests renewed challenges likely linked to rising costs and supply chain bottlenecks. The paper-packing sector continued to report the shortest average delays, despite experiencing a modest increase from 18 days in 2022 to 22 days in 2023.

In contrast, the construction sector showed a marked improvement, reducing its payment delays from 33 days in 2022 to 28 days in 2023. This development aligns well with the sector's record of already having the highest proportion of on-time payments. Similarly, the ICT sector stabilised its payment delays, showing a slight improvement from 29 days in 2022 to 30 days in 2023, following volatility during the Covid-19 pandemic. Other sectors showed relative stability. The pharma-chemicals sector maintained steady payment behaviour, with delays remaining at 26 days for both 2022 and 2023, while the retail-wholesale sector also displayed consistency, with an unchanged delay of 31 days. The metal sector experienced one of the lowest delay rates, holding at 25 days in 2023. Overall, the period from 2022 to 2023 highlights a mixture of trends. While sectors like construction and ICT show encouraging signs, with a reduction of their late payment settlement periods, others, particularly transport and agrifood-wood, face increased delays.

Figure 68: Average payment delay in number of days by sector, 2019-2023, B2B

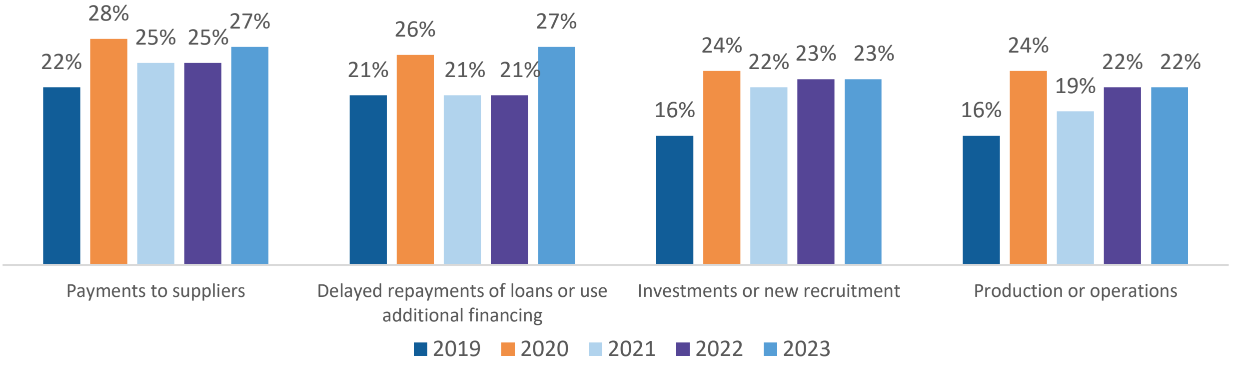


Source: EU Payment Observatory elaboration on Germany Corporate Payment Survey.

The ECB/EC SAFE survey data on the effects of late payments from 2019-2023 reveal the significant problems suffered by German companies. In 2023, 27% of businesses had to delay payments to suppliers as a consequence of late payments, up from 25% in 2022, which highlights the impact on managing cash flow. Additionally, 27% of businesses reported delaying loan repayments or an increased reliance on external financing, a sharp rise from 21% in the previous year, indicating escalating financial strain. This observation is further supported by Atradius, which reports an increased reliance on trade credit in B2B transactions[19].

Meanwhile, 23% of German businesses report that late payments are affecting their investments and recruitment decisions, as in 2022. Furthermore, production and operational disruptions as a consequence of delayed payments have continued to impact 22% of companies, reflecting persistent operational challenges since 2021. These trends illustrate how the current payment climate continues to hinder business growth, operations, and financial stability in Germany, forcing companies to make difficult adjustments. The Intrum European Payment Report further underscores this challenging climate, ranking German businesses the third in Europe more open to revising payment terms when a client asks for a lengthening. According to the same survey, 58% of German businesses accepted longer payment terms, despite feeling uncomfortable with them, in order to maintain customer and client relationships. Thus, the growing pressure to accommodate delayed payments is reshaping the way German businesses manage operations and financial commitments.

Figure 69: Effects of late payments, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

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19 Atradius (2023), B2B Payment Practices Trends: Germany 2023, https://group.atradius.com/publications/payment-practices-barometer/b2b-payment-practices-trends-germany-2023.html.

GREECE

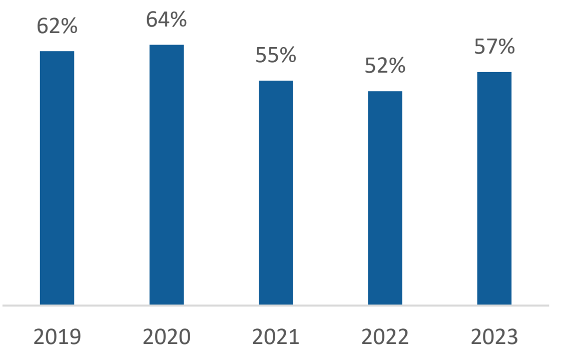
Most payment performance indicators in Greece are worse than the EU average, which suggests a poor payment culture. There has also been a general deterioration of most of those figures in 2023, as in other EU countries. A major cause in Greece seems to be inflation, as it is the Member State in which a larger share of companies (68%) indicate having extended their payment terms because of the general increase of prices and high interest rates.

In 2023, 57% of Greek firms reported suffering from problems due to late payments, which is 10 points more than the European average. It is also five points more than in 2022, marking the worst deterioration in the past five years and reversing a positive trend observed since 2020. Still, the situation remains better than in 2019.

Average payment period figures paint a similar picture. In 2023, reported payment times from suppliers experienced the largest increases in five years, though they remained below 2019 levels across all transaction types. As a result, B2B payment times, which had been below the EU average in 2021 and 2022, slightly surpassed that benchmark in 2023.

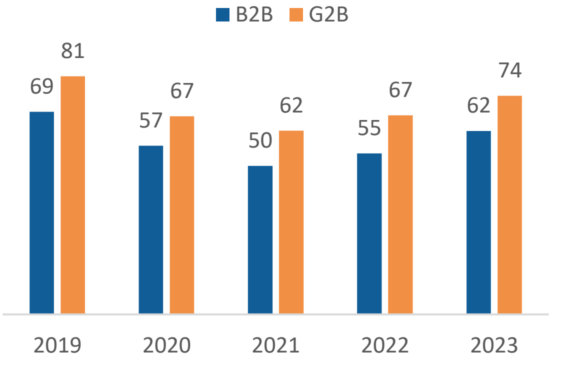
Greece experienced the worst deterioration of G2B payment times of all EU Member States in 2023. The average payment period of Greek public administrations increased by seven days, the same number as for B2B transactions. As a result, Greece has become the third Member State in the EU for which longer G2B payment times are reported. The payment practices of the public sector in Greece have already been subject to two European Commission infringement procedures, both linked to the healthcare sector. The first relates to invoice settlement times by a public hospital, while the second refers to an unfair practice in which healthcare contractors waive their rights to interest and compensation for recovery costs in exchange for being paid immediately. Greek authorities have recently created a National Centralised Health Procurement Authority (EKAPY), which is expected to help clear hospital arrears[20].

Figure 70: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 71: Average payment period in number of days, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

In Greece all companies, irrespective of size, pay on time less often than their corresponding EU average. Small companies are the ones that are more likely to pay by the due date, which they did in one of three transactions in 2023. They are followed by medium-sized companies, which paid on time in 28% of occasions. Both small and medium enterprises have increased the share of invoices settled by the due date since 2020. As in most countries, large companies are the ones less likely to pay on time, which they did on only 21% of occasions in 2023. This is, however, a big improvement of more than seven points on 2022. Meanwhile, micro companies settle their invoices by the due date 23% of the time, which is slightly worse than the previous year.

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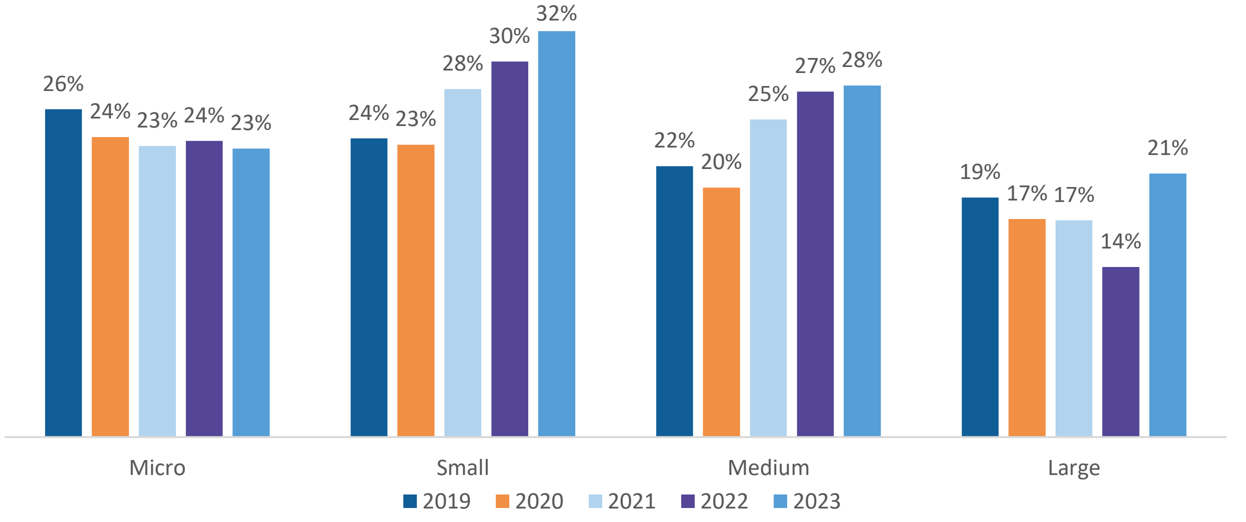
[20] Hellenic Republic (2023) National Reform Programme, https://commission.europa.eu/document/download/6ebb9249-1880-4d40-bb7e-e98a75999db9_en?filename=Greece%20NRP%202023.pdf

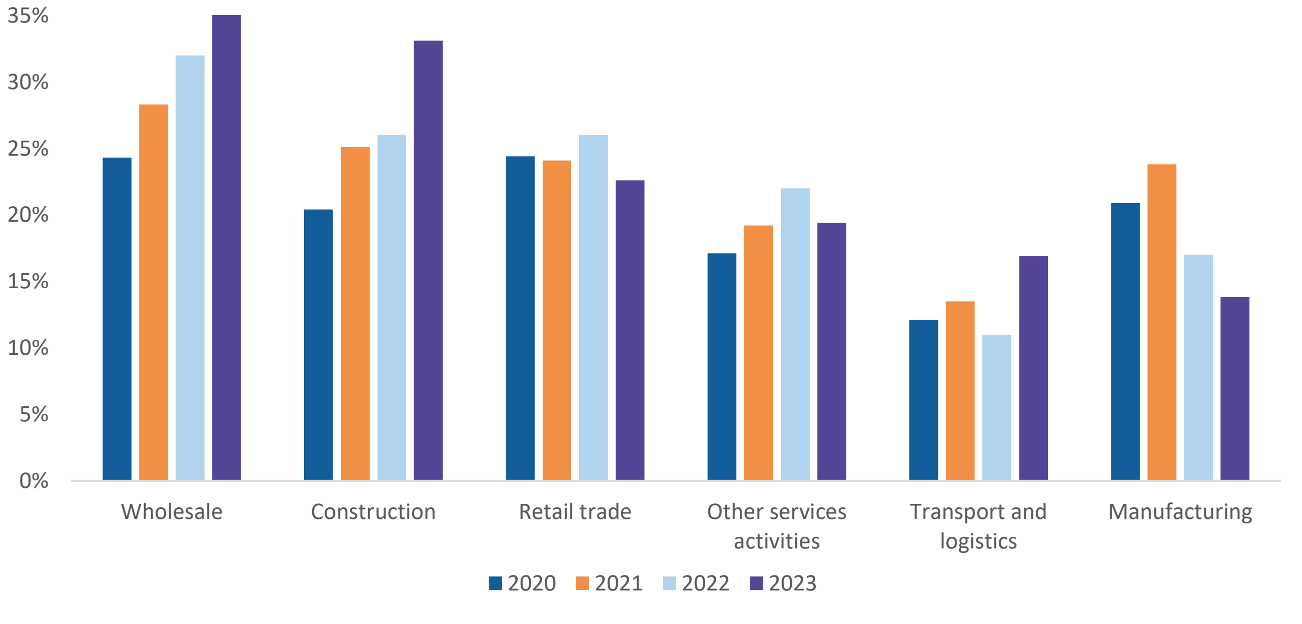
Figure 72: Percentage of payments by due date across company sizes, 2019-2023, B2B



Source: EU Late Payments Observatory elaboration on Cribis/D&B Payment Study.

In 2023, there was no change in the rankings of sectors by their share of on-time payments in Greece. Wholesale was the sector paying more often by the due date, which it did in 37% of transactions, while manufacturing had the lowest likelihood, at only 14%. The biggest improvements were seen in 2023 in construction. Wholesale also saw a rise in on-time payments. Both sectors have experienced a steady improvement since 2020. The share of invoices settled by the due date equally increased in the transport sector, after having descended since 2021. Meanwhile, reductions of on-time payments were experienced in retail, other services and manufacturing. The situation in the latter is particularly worrisome, not only because it has the worst numbers but also because it has been following a downward trend since 2021.

Figure 73: Percentage of payments by due date per sector, 2019-2023, B2B



Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

Greece is the Member State in which more firms (39%) reported in 2023 that late payments affected their investment and new recruitment, according to the EC/ECB SAFE survey. Intrum data highlights some of these effects, including that it hampers the ability to improve the sustainability performance of 59% of the companies they surveyed and that it limits the expansion of their offering of products and services for 57% of them.

The same percentage indicate having taken legal action because of a late payment, while 51% report having asked for pre-payment at some point. Greece is, however, the Member State in which fewer companies have offered discounts (20%) in exchange for prompt payments. A significant 2023 development is the increase in the use of different forms of insurance to reduce the risk of late payments across Greek companies. The use of bank guarantees grew by five percentage points, while that of credit insurance did so by eight.

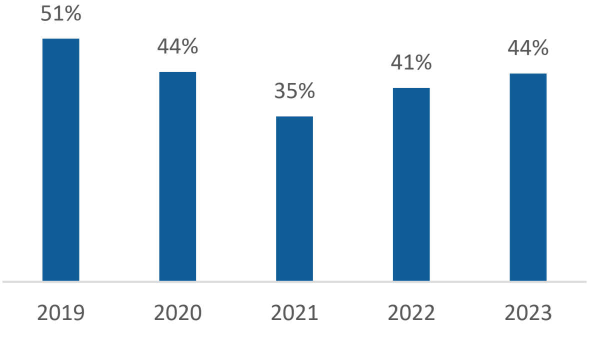
HUNGARY

According to the ECB/EC SAFE survey, late payments in Hungary deteriorated slightly in 2023, with 44% of the interviewed companies reporting having experienced problems with late payments, an increase of three percentage points compared to the previous year. The time trend of such an indicator is very much aligned with the EU-wide trend that saw a decrease in late payments between 2019 and 2021, and a reversal upward between 2021 and 2023. A possible explanation for the observed reversal could be the phase-out of liquidity support measures put in place by governments during the Covid-19 outbreak, which helped businesses maintaining stable cash flows and working capital. Therefore, it is likely that Hungarian companies, similarly to other European businesses, saw a deterioration in their liquidity in 2022, which could have exacerbated the problems related to late payments.

Although the SAFE survey reported an increase in late payments in 2023, according to the Intrum survey, average payment times actually decreased in Hungary in 2023, both for B2B and for G2B transactions — the only Member State in which this happened. In 2023, B2B transactions in Hungary took 55 days on average to settle, three days fewer than in 2022, while G2B invoices were settled on average in 64 days, four days fewer than in the previous year. Moreover, similarly to most other countries, firms reported that public authorities took consistently longer to pay than other businesses. Looking at payment terms, the Intrum survey reports a decrease of three days in 2023 for B2B, and a decrease of one day in G2B transactions. This insight may partially explain why firms experienced more problems with late payments while payment times actually decreased, as more stringent terms lower the threshold that defines whether an invoice is settled after the due date. Moreover, a tougher macroeconomic environment characterised by higher interest rates and a deterioration in firms' liquidity may lead to more severe problems with late payments, even if late payments have not increased.

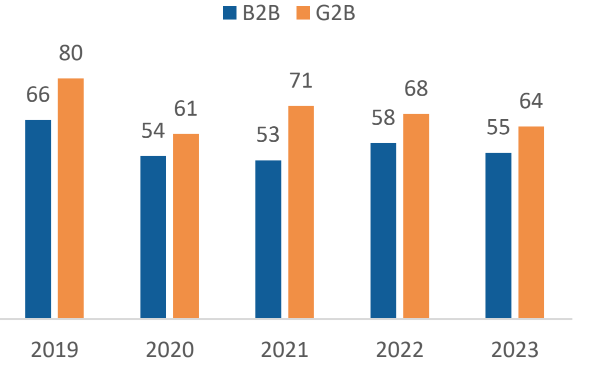
There are interesting insights when the share of on-time payments across company sizes is broke down. Notably, the widespread pattern that the larger the company the later it pays has

Figure 74: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

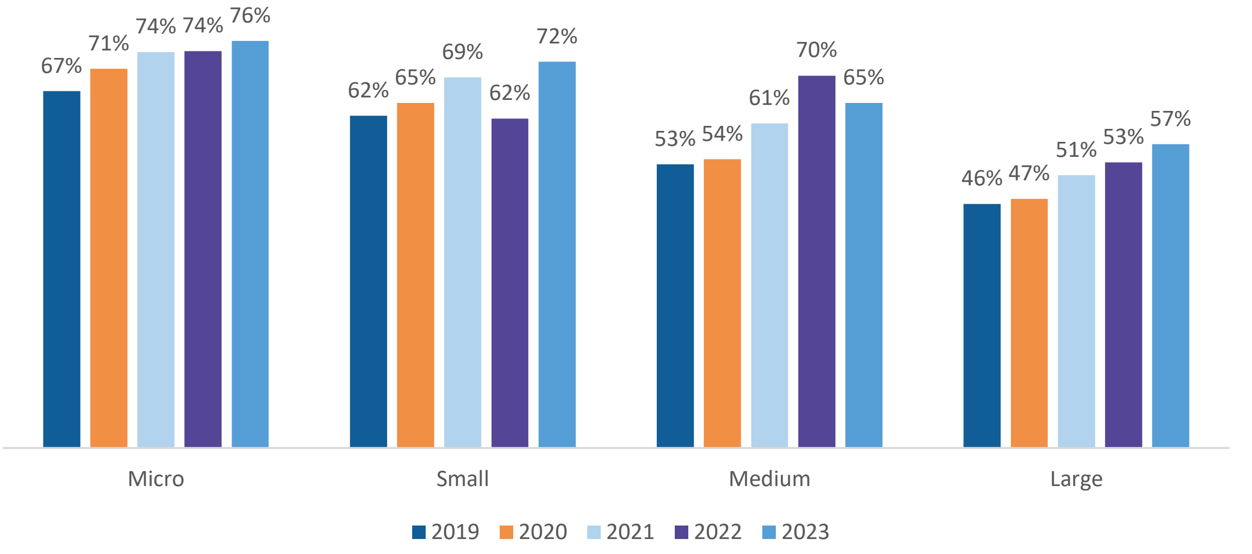
Figure 75: Average payment period in number of days, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

applied also to Hungary for all the years considered, with the only exception being small companies paying less on time than medium ones in 2022. Hence, small Hungarian companies are more likely to pay on time than large corporations. However, despite the significant differences across firms' sizes, almost all the considered company types improved their payment practices from 2019 to 2023. The largest improvement occurred in small firms, which increased their share of on-time payments by 10 percentage points in 2023. The only outliers were medium-sized businesses, which decreased their share of invoices settled by the due date by five percentage points, according to the latest available data. This evidence supports the finding of above that, in 2023, Hungarian firms lowered their average payment times, and such improvement was shared among all company sizes as well as medium-sized businesses.

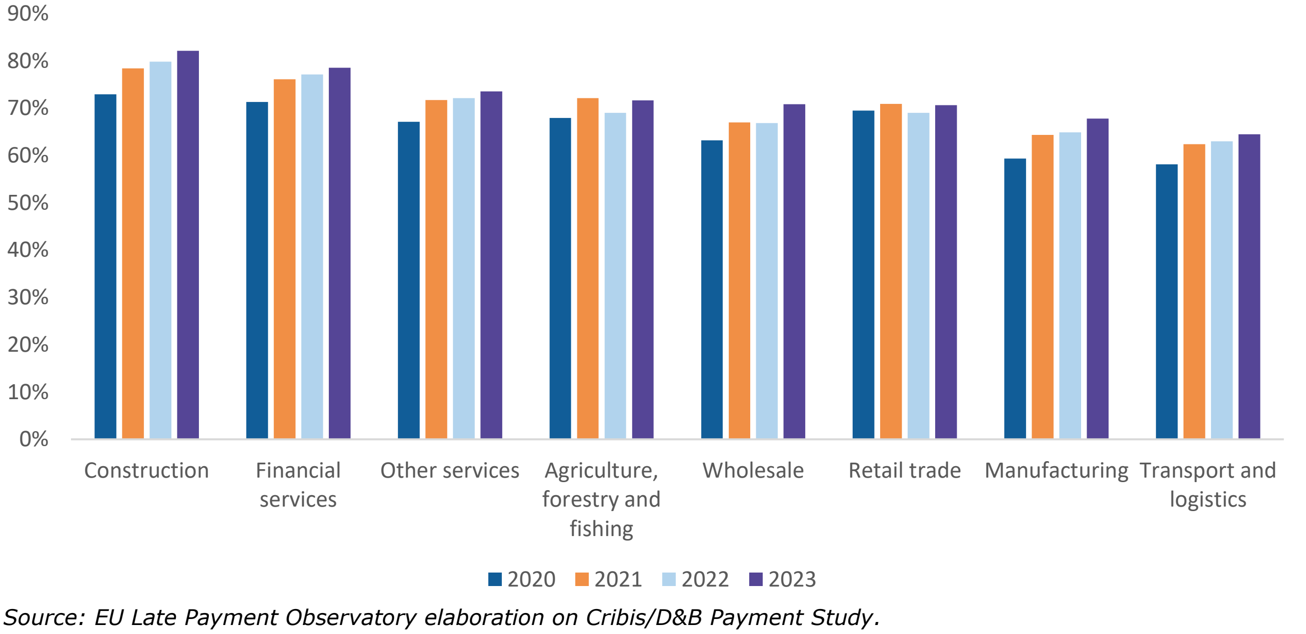
Figure 76: Percentage of payments by due date across company sizes, 2019-2023, B2B



Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

When payment practices are broken down across different sectors, similar findings as to those observed for the size decomposition emerge. With the exception of agriculture, forestry and fishing, and retail trade in 2022, all sectors improved their payment performance in each year between 2019 and 2023. The best performing sector in Hungary appears to be construction, with 82% of invoices settled by the due date in 2023. Financial services followed closely with 79% of on-time payments in the same year. The sector that paid the latest in 2023 was transport and logistics, where only 65% of invoices were settled on time. Wholesale instead registered the largest improvement in 2023, with 4% more of on-time payments compared to the preceding year.

Figure 77: Percentage of payments by due date per sector, 2019-2023, B2B



Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

Hungarian firms show interesting behaviours in terms of preventive and remedial actions put in place to protect against late payments. Out of 20 EU countries participating in the Intrum survey, in 2023, enterprises in Hungary were the ones making the least use of credit checks and pre-payment of invoices. They ranked second to last for reliance on external debt collection agencies, and third to last in negotiating payment terms. In 2023, however, Hungarian businesses made the most use of internal recovery processes and were the ones offering the most revised payment terms. Moreover, they ranked second in reviewing client/customer reliability using credit management software and/or payment records, and third for using the most credit insurance. Overall, it seems that for the year 2023, firms in Hungary relied more on in-house practices to combat and protect themselves against late payments, rather than referring to external support.

When asked about which factors had been the main drivers of late payments in 2023, 58% of Hungarian enterprises indicated that they had to accept longer payment terms than they were comfortable with for the fear of damaging business relationships. This figure is the second highest in Europe, making this a major driver for late payments in Hungary. Also, inflation and high interest rates were indicated as a significant driver of delayed payments, with 62% of respondents indicating this linkage, the fourth highest proportion among EU countries. Finally, 52% of businesses in Hungary reported that they had to accept longer payment terms to avoid the risk of their clients/customers going bankrupt, which was the second highest share registered among all respondents. Hence, the fear of damaging business relationships, the risk of clients going bankrupt, and inflation and high interest rates appear to be particularly important drivers of late payments in Hungary compared to other European countries. Regarding the consequences of late payments, Hungary stands out as the European country where delayed payments had the largest effect on firms’ ability to hire more employees. Instead, late payments had the smallest negative effect on firms’ geographical expansion.

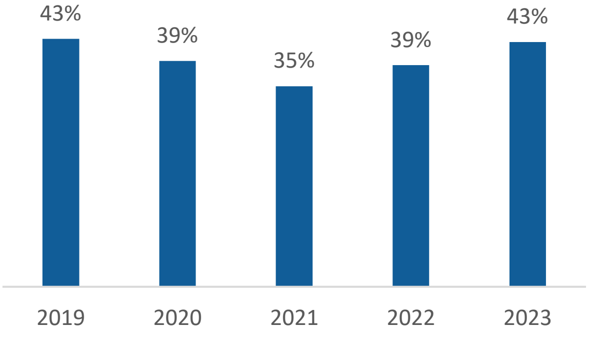
IRELAND

Different sources suggest that payment practices in commercial transactions deteriorated in Ireland during 2023. According to the ECB/EC SAFE survey, the share of firms that experienced problems with late payments followed a perfectly symmetrical trend around the year 2021. Before this year, there had been an improvement in payment practices, whereas afterwards the situation consistently worsened. In 2023, 43% of the interviewed enterprises faced issues with delayed payments, the same proportion as in 2019. Comparing this metric with the corresponding EU average, one can notice that the two had very similar developments over time, with Ireland being constantly a few percentage points below the European mean.

According to the Intrum survey, average payment periods also increased in 2023, reaching 52 days in B2B transactions and 65 days in G2B, an increase of six and four days respectively from the previous year. A similar pattern is observed in average payment terms, which also increased between 2022 and 2023 by six days in B2B and thjree days in in G2B transactions, reaching 38 and 47 days respectively.

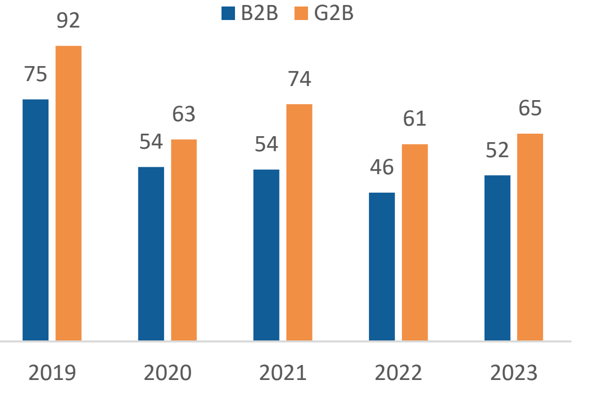
Moreover, within the framework of the Prompt payment returns initiative, Ireland also reports publicly available data on the share of on-time payments by central government departments. According to this national source, in 2023, 94% of the value of invoices was settled within the agreed term. Despite this value being very high, it represented a decrease of three percentage points compared to 2022, extending a deterioration of payment performance in G2B transactions that started in 2020. Importantly, the data reported by the Irish government only refers to payments by the central government, and does not cover regional and local public authorities, making the reported proportions not representative for the payment practices of the whole public sector in Ireland.

Figure 78: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

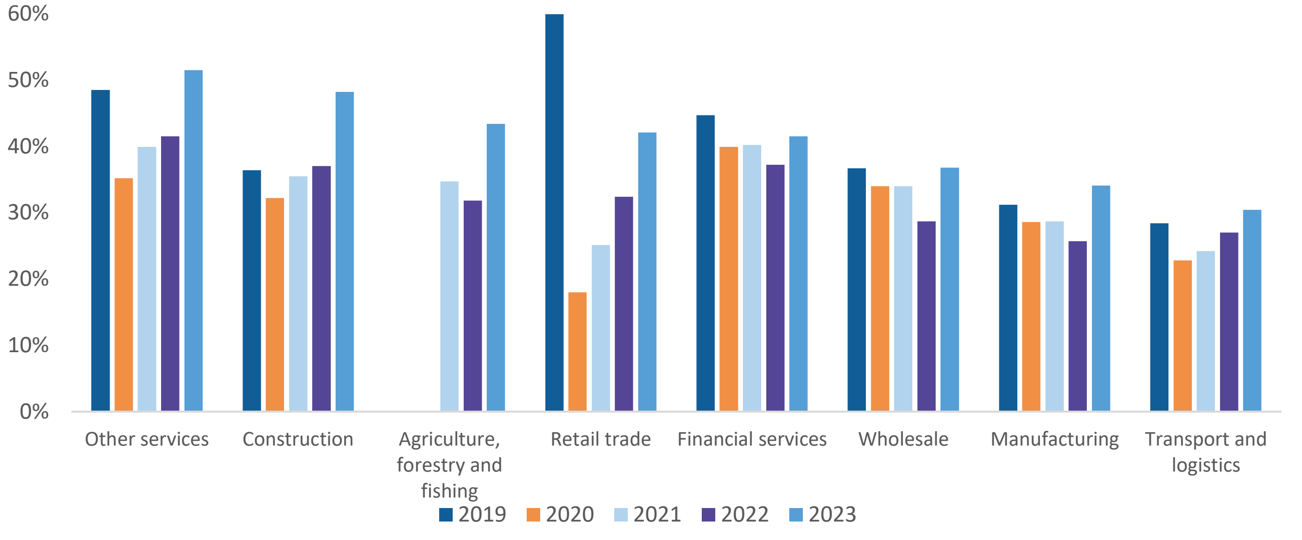
Figure 79: Average payment period in number of days, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Unfortunately, it is not possible to break down payment performance across firms' size for Ireland, as such information is not provided by any of the available sources. However, available information on the payment practices by company sector offers interesting insights. As can be seen from the figure below, the share of payments made on time is quite low across all sectors considered. According to Cribis/D&B, other services was the best performing sector in 2023, with 52% of the invoices settled on time. This means that the sector that paid the most on time settled only half of the payments by their due date. Surprisingly, in contrast to many other EU countries, the construction sector in Ireland was the second-best payer, with 48% of invoices paid on time in 2023. Wholesale, manufacturing and transport and logistics, however, were the worst payers in Ireland in 2023, each one settling only approximately one third of the invoices within the agreed payment terms. Looking at the developments over time and across sectors, an interesting pattern emerges. In 2020, a sharp decrease in on-time payments was registered for all sectors, with the most significant deterioration for retail trade, where this share decreased by 42 percentage points. Thereafter, most sectors experienced continuous improvements, but it would take until 2023 to get back to the level observed in 2019. In fact, 2023 was associated with an improvement in payment practices across every sector covered, with other services, construction, agriculture, forestry and fishing, and retail trade increasing by two digits. Even if the share of on-time payments was still quite low in 2023 across all the sectors considered, these widespread improvements somewhat contradict the evidence reported above of a deterioration in payment performance in 2023. Possible explanations for such discrepancy may be found in the fact that the sectors reported in the graph below do not represent the whole economy of Ireland, and they only reflect transactions between businesses, and not between businesses and public authorities, which have registered a deterioration in payment times. Moreover, the limited number of respondents in each source of data may also lead to artificial discrepancies in the reported figures.

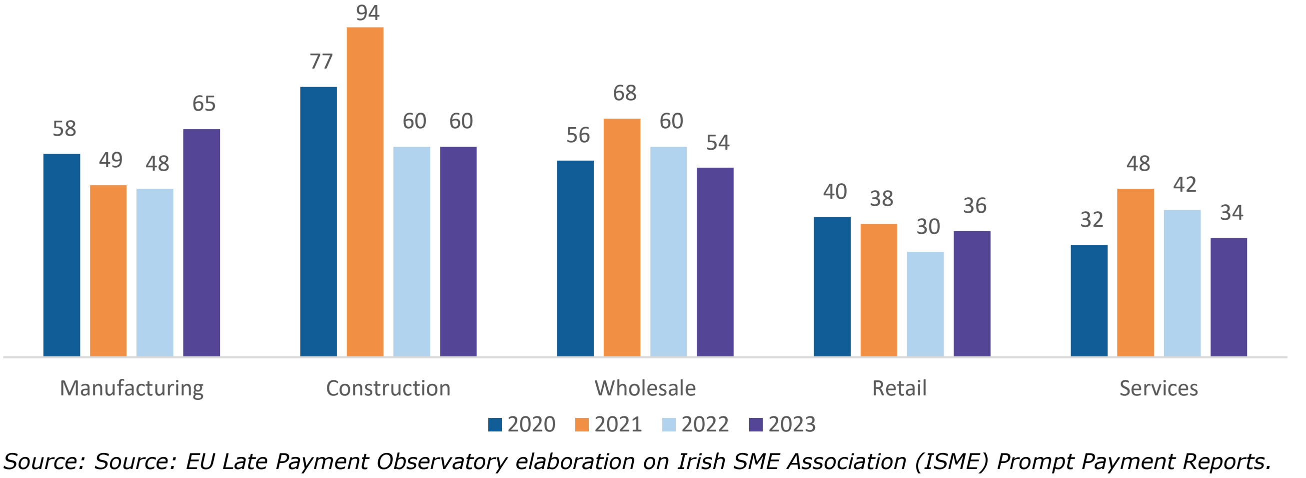
Figure 80: Percentage of payments by due date per sector, 2019-2023, B2B



Source: Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

Ireland has another national source on payment times, namely the Irish SME Association, which produces a Prompt Payment Report on the developments of late payments of SMEs. When looking at SMEs only, manufacturing becomes the sector with the longest payment times in 2023, averaging 65 days. Although construction takes the second spot in terms of worst-paying sector, it also experienced the largest improvement over time, with the average payment period dropping from 94 days in 2021 to 60 in 2023. Similar to what was observed above, Services is the sector with the best payment performance in 2023. Interestingly, in SMEs one can see that the trend in payment performance was more heterogeneous than what was observed above: two sectors shortened their payment times, two increased them, and one remained unchanged.

Figure 81: Average payment period for SMEs and across sectors, 2019-2023, B2B



Source: Source: EU Late Payment Observatory elaboration on Irish SME Association (ISME) Prompt Payment Reports.

When faced with late payments, Irish businesses show very high levels of compensation requests, which include a flat rate compensation for recovery costs plus an interest rate. This behaviour is likely because of the adoption of voluntary codes of good practice aimed at fostering a shift in payment culture, such as the Prompt payment returns and the Prompt payment code initiatives. In fact, in 2023, 62% of the firms interviewed by the Intrum survey reported having reached out to their clients asking for compensation following a payment delay. Despite this marking a decrease from a share of 68% reported in 2022, it still represents the highest value among European countries, with a difference of 10 percentage points with the EU mean. Moreover, when asked for longer payment terms by their suppliers, 22% of Irish firms in 2023 reported having accepted longer terms but at a surcharge, which ranks as the second highest proportion among EU countries, after Slovenia. In 2023 Ireland also reported the highest share of companies taking legal action following a late payment, with a substantial value of 69%. Despite this, in 2023 Irish firms were the ones working the least with external debt collection agencies and making the least use of factoring, with a proportion of 15% and 11% respectively. Finally, Ireland also stands out as the EU country that engages the most with negotiating payment terms with clients. Overall, it seems that the initiatives put in place to improve the payment culture in Ireland are showing their effectiveness, as Irish firms rely less on external support remedies such as factoring or engaging with debt collection agencies, and are instead more prone to directly negotiate payment terms, asking for a surcharge if needed, and take legal action and request compensation when an invoice is settled after its due date.

When asked about which factors had been the main drivers of late payments in 2023, 63% of Irish enterprises indicated that they had to accept longer payment terms than they were comfortable with, for fear of damaging business relationships, and 53% for fear of clients/customers going bankrupt. Both these figures are the highest across EU Member States. In contrast, inflation and high interest rates seem to have a smaller impact on late payments in Ireland compared to other EU countries, with only 48% of businesses reporting this connection, the second lowest in Europe.

ITALY

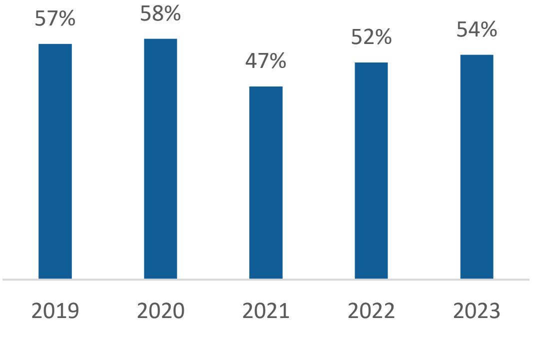
Italy ranks ninth in Europe, with 54% of companies reporting issues due to late payments, compared to the European average of 47%. In line with European trends, Italian businesses have seen an increase in problems due to late payments from both private and public entities in 2023. This marks a two percentage point decline from 2022. However, it is an improvement from 2019, when the figure stood at 57%, as shown in the figure below on the left. This indicates an overall positive trend in the past five years.

In 2023, Italian companies experienced longer payment times from both private businesses and government entities, compared to 2022. For B2B transactions, the Italian average is closely in line with the European average, at 62 days versus 61.8 days. The figure below on the right shows that payment delays for B2B transactions have increased consistently by two days per year from 2019 to 2022, but in 2023, the average rose more sharply to 62 days.

Regarding the drivers for late payments, 49% of Italian companies indicated in 2023 that they needed to accept longer payment terms to avoid the risk of clients going bankrupt, which represents a slight improvement from 50% in 2022. The percentage of businesses referring to high inflation as a reason for extending payment terms remained stable at 56%. Both figures are significant and relatively stable compared to 2022, indicating that these factors are still greatly at play. The domino effect also remained steady at 30% compared to 2022, closely aligning with the EU value of 31%. However, and in line with the European trend, this figure has been declining since 2019 (when it was 40%).

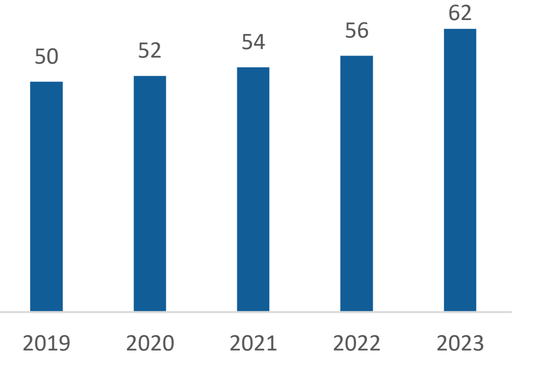
On the contrary, a growing trend is noticeable in the percentage of companies extending payment terms to avoid damaging client relationships, which rose gradually from 46% in 2020 to 56% in 2023. Although this figure is not back at 2019 levels, when it was 61%, it appears that the relevance of this factor has been increasing for Italian companies.

Figure 82: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 83: Average payment period in number of days, 2019-2023, B2B



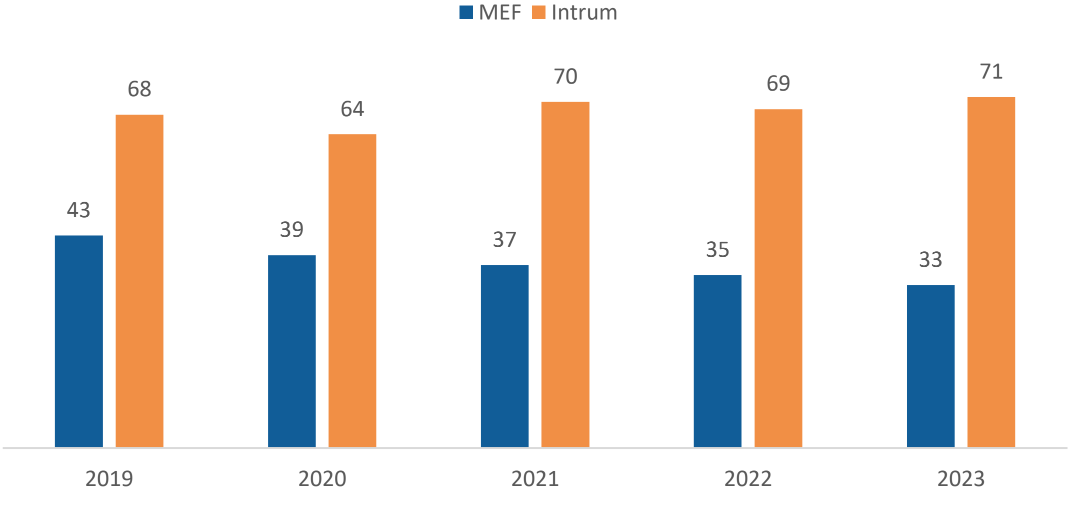
Source: EU Payment Observatory elaboration on Intrum European Payment Report.

In G2B payments, companies report that governments take longer to pay than businesses, with a gap of 13.6 days on average between B2B and G2B payment times. However, government payment times have been more stable over the past five years compared to payment times in B2B transactions, according to Intrum data. Companies report an overall increase in G2B payment periods of three days from 2019 to 2023 (from 68 to 71), while for B2B the increase amounts to 12 days. This finding is consistent with the observed European trend of increasing deterioration in B2B payment performance compared to G2B.

Data provided by the national government present a different picture, both in terms of the number of days it takes for public administrations to pay invoices and the trends in payment times, as shown in the figure below. The discrepancies in payment times in relation to what is reported by suppliers arise from several key factors: differences in measurement methodologies, the timing of when payment periods begin, the focus on paid versus all invoices, and the impact of unfair payment practices[21]. While supplier surveys rely on subjective perceptions and sample data, governments employ a more systematic approach that includes all transactions and uses the Days Sales Outstanding (DSO) metric, allowing for a more reliable analysis.

According to data from the Italian Ministry of Economy and Finances (MEF), public administrations improved payment times by two days in 2023 compared to 2022, with 33 days being the average period in which they settle invoices. The MEF also reports a clear downward trend in the average payment period from 2019 to 2023, as shown in the figure below. This suggests that the measures implemented by Italy over the past few years have had a positive impact on reducing payment times. The evolution of the country's approach to tackling G2B late payments can be viewed as a response to the European Commission's launch of an infringement procedure in 2014 and subsequent ruling by the CJEU in 2020, which significantly accelerated and intensified its actions and measures. These include the improvement of administrative processes through the implementation of mandatory eInvoicing, a measure that Italy was the first in the EU to adopt for both G2B and B2B transactions. Other measures involve the setting up and updating of payment monitoring databases, raising awareness among administrators on the importance of prompt payments, and the introduction of sanctions. These measures aim to foster a virtuous cycle, becoming gradually embedded in the administrative culture.

Figure 84: Average payment time to suppliers by public administration, in days, G2B

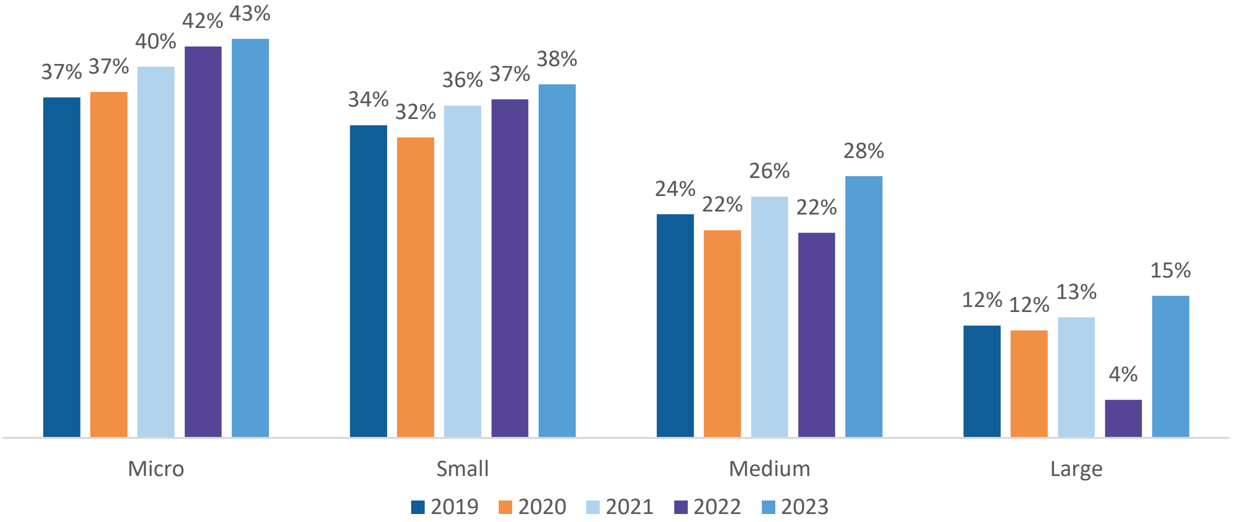


Source: EU Payment Observatory elaboration on data from the MEF and ECB/EC SAFE survey.

In terms of company size, 2023 data continue to show an inverse correlation between size and payment performance, in line with most European countries. In 2023, micro companies paid 43% of their invoices on time, while large companies managed only 15%, as shown in the graph below. Compared to 2022, 2023 saw an increase in the number of invoices paid by the due date by all company size categories. While the number for micro and small enterprises increased slightly, the one for medium-sized companies grew by six percentage points. The most notable increase is for large companies, from 4% in 2022 to 15% in 2023. Despite this improvement, micro enterprises are still nearly three times more likely to pay on time than large enterprises.

[21] EU Payment Observatory (2024), 'G2B late payments', fc9aec70-57f3-44f9-b568-202ad8333a8d_en.

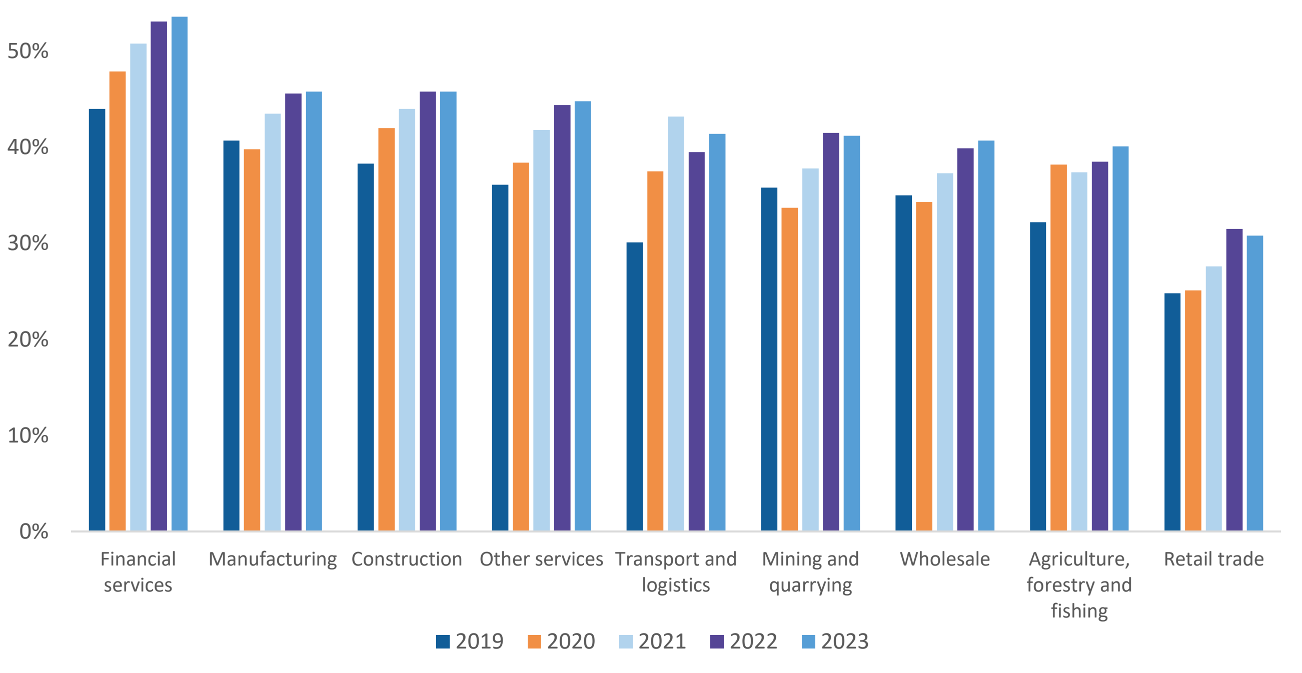
Figure 85: Percentage of payments by due date across company sizes, 2019-2023, B2B



Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

Among the sectors with available data, financial services leads in timely payments, with 54% of invoices paid on time. In contrast, the retail sector ranks last, showing a decline in timely payments from 32% in 2022 to 31% in 2023. Alongside retail, the mining and quarrying sector experienced a decrease in on-time payments in 2023. All other sectors improved their payment performance during this period, while construction and manufacturing remained stable.

Figure 86: Percentage of payments by due date per sector, 2019-2023, B2B



Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

When it comes to the consequences of late payments for Italian businesses, a striking 60% of respondents to the Intrum survey indicated that late payments hindered their ability to improve sustainability performance. Additionally, 59% of companies stated that late payments restricted their capacity to expand product and service offerings, a notable increase from 53% in 2022. Hiring was also affected for 46% of companies. Geographic expansion plans were curtailed for 42% of respondents, although this figure represents a significant decrease from 2022 (when it was 63%). Lastly, 46% of companies noted that late payments impeded the implementation of their digital strategies.

In line with trends observed across Europe, taking legal action was the most commonly used remedial measure to address the issue of late payments in Italy in 2023. This remedy was employed by 46% of Italian companies surveyed by Intrum. However, this strategy saw a significant decline since 2021, when 60% of companies resorted to it, and 49% in 2022.

As highlighted earlier in this section, 2023 saw an increasing number of companies (56%) emphasising the importance of maintaining positive client relationships, which leads to the acceptance of extended payment terms. The evolution of this number, together with the decrease in the percentage of companies pursuing legal action, may suggest that Italian businesses are prioritising more and more client accommodation. The tendency of Italian companies towards a more submissive behaviour is also reflected in their position as the second most willing country in Europe in 2023 to unconditionally accept extended payment terms when a client asks for this.

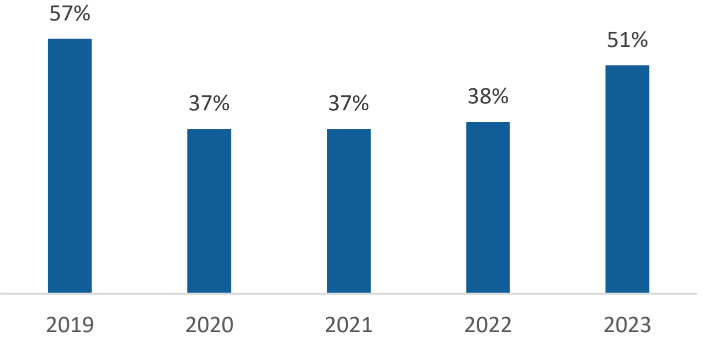
Requesting payment in advance also remains a popular remedy against late payments, with 45% of companies using this approach, the same as in 2022. The third most commonly applied remedial measure is the use of credit checks, which is employed by 32% of businesses, a slight increase from 31% in 2022.

LATVIA

As with the other Baltic countries, the volume of data available on payment behaviours in Latvia decreased in 2023, thereby reducing the depth of the country analysis. The SAFE survey, which covers problems due to delayed payments and some impacts, is the only available source.

Just over half (51%) of enterprises in Latvia reported facing issues caused by late payments in the past six months for 2023. This represents an increase of 13 percentage points compared to 2022. It is also above the EU average, as in 2019, when 57% of firms indicated they faced issues caused by other firms and the national government paying their invoices late. Nevertheless, during 2020-2022, the situation had ameliorated significantly, with only 37% and 38% of firms reporting issues.

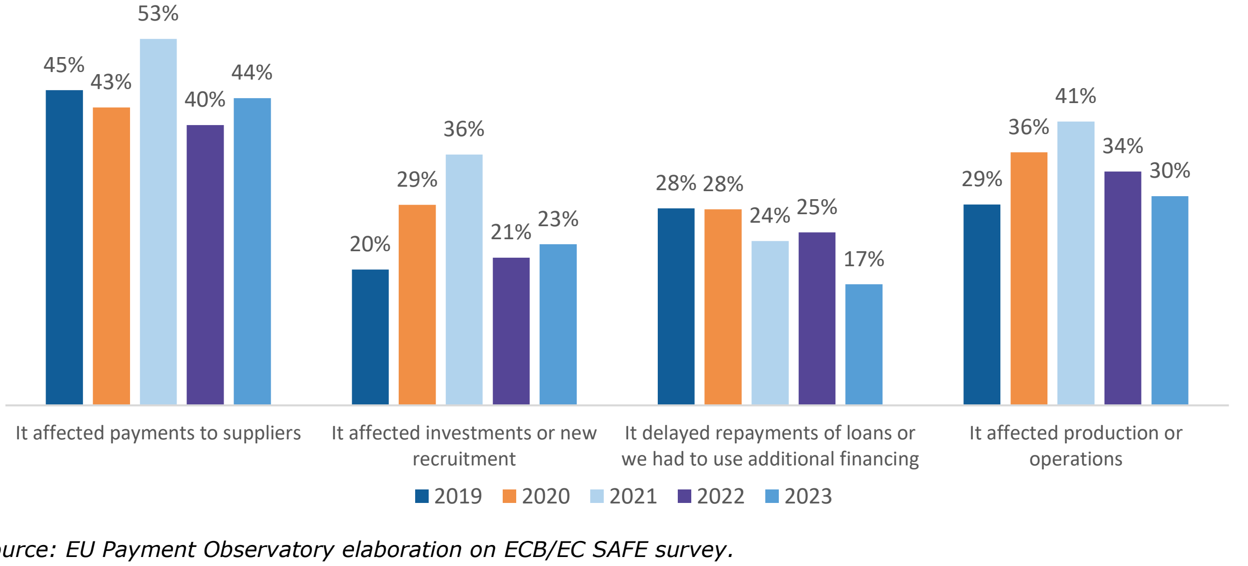
Figure 87: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

The consequences of late payment for Latvian firms are indicated in the graph below, which highlights how late payments have a trickle-down effect through the supply chain. In fact, 44% of surveyed companies in Latvia reported that late payments affected their capacity to pay suppliers in 2023. This has consistently been the main issue reported, impacting more than 40% of firms for 2019-2023. Furthermore, there were 30% of enterprises in 2023 indicating that production and operations were affected because of payment delays. Also, just below one quarter (23%) of firms reported experiencing negative effects on investments and recruitments. The impact on repayment of loans and liquidity was more limited, with only 17% of enterprises reporting issues in 2023.

Figure 88: Percentage of enterprises indicating that late payments had negative consequences on the reported dimensions, 2019-2023, G2B and B2B



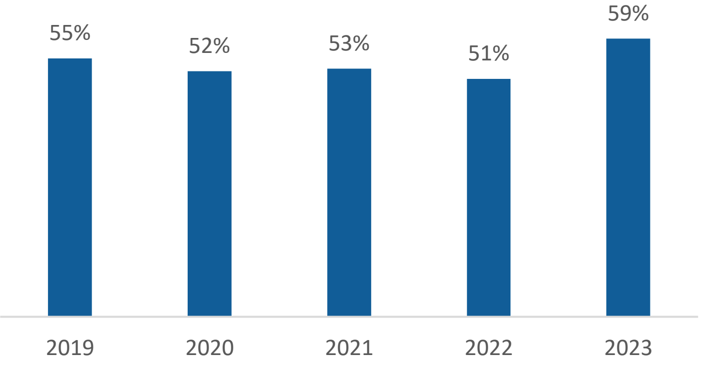
Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

LITHUANIA

Lithuania, as with the other Baltic countries, has very limited data on payment performance. This lack of data is even more pronounced for 2023, with only one multi-country source — the ECB/EC SAFE survey — and no national sources available. This heavily constrains efforts to analyse the state of late payments in Lithuania, as there is no information on average payment times, on differences between firms' sector or size, and on whether the transaction is between businesses or between businesses and the government. Moreover, there is only information on the impacts of late payments, and not on firms' attitudes towards policy measures or preventive or remedial actions put in place by businesses.

According to data reported by the ECB/EC SAFE survey, 59% of firms in Lithuania reported having experienced problems due to late payments in 2023. This marked a sharp increase of eight percentage points compared to 2022, reversing a somewhat downward trend that saw a decline from 55% in 2019 to 51% in 2022. Compared to the 2023 EU average of 47%, the evidence displayed in the figure below shows that the situation with late payments appears to be more worrying in Lithuania than in the EU as a whole. Additionally, even if the reported figures for Lithuania have consistently been above the EU average, 2023 marked the year with the highest discrepancy (12 percentage points), indicating that in 2023 the increase in late payments in this country was more pronounced than the overall deterioration of late payments at the European level. Unfortunately, because of the lack of additional data, it is impossible to investigate which factors led to this deterioration, whether this evidence stems mainly from a particular sector or company type, or whether it is caused by B2B rather than by G2B transactions.

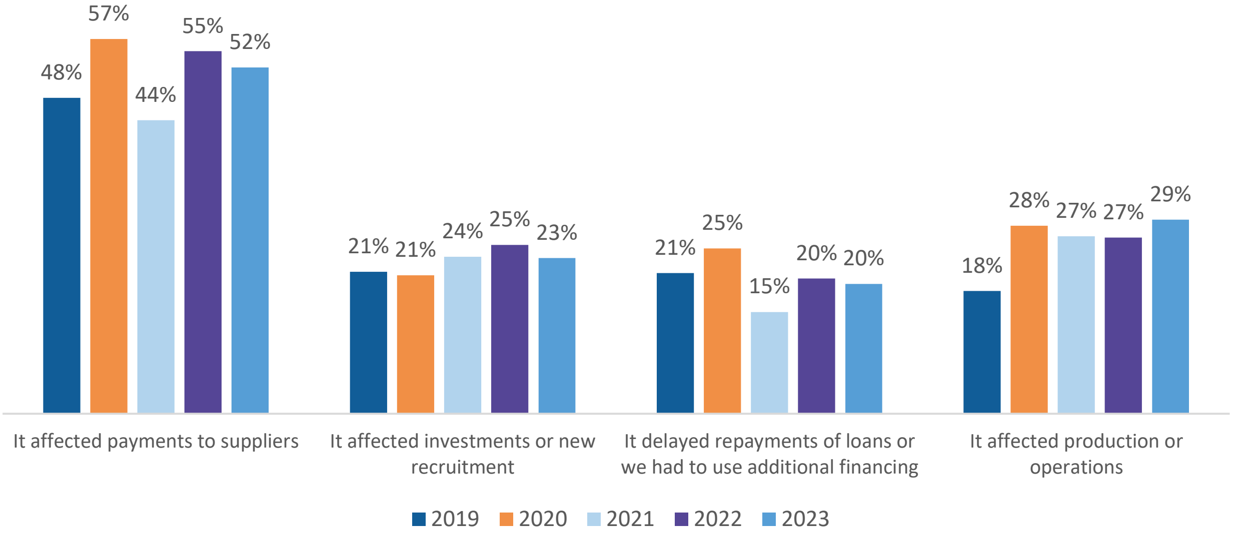
Figure 89: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

The other information provided by the ECB/EC SAFE survey on Lithuania relates to the consequences of late payments on different businesses' dimensions. As can be seen in the figure below, the biggest impact of late payments has been on firms' ability, in turn, to pay their own suppliers on time. This is what has been previously referred to as the domino effect, where one firm's payment delay reduces the liquidity of the other firm and hence its ability to pay its own suppliers on time, leading to more late payments. Noticeably, the impact that late payments have on firms' ability to pay their suppliers on time appears to be much higher in Lithuania than in the EU (52% in 2023 versus an EU average of 31%). Similar discrepancies are observed for all the years between 2019 and 2023, suggesting that the domino effect in Lithuania has been consistently stronger than in the rest of the EU. Delays in payments seem to have a significant impact also on production and operations, with 29% of respondents in 2023 reporting this connection — the highest rate since 2019 and nine percentage points above the EU average. However, the effect of payment delays on investments and new hires, and on companies' ability to repay loans was more limited, remaining consistent with the EU average. This suggests that, while the repercussions of overdue payments on investments and recruitment, and on loan repayments are similar to other EU countries, the strain on firms' ability to pay suppliers and sustain production is more severe in Lithuania compared to the rest of the EU.

Figure 90: Percentage of enterprises indicating that late payments had negative consequences on the reported dimensions, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

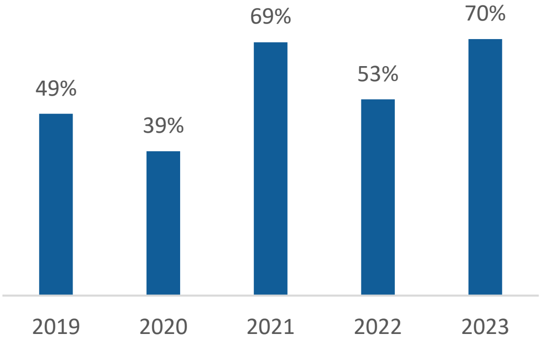
LUXEMBOURG

Luxembourg only has two relevant multi-country sources available for payment performance in commercial transactions, and no national source. The two multi-country sources are the ECB/EC SAFE survey and the Cribis/D&B Payment Study. Unfortunately, neither of these two sources provide information on transactions between businesses and government. Therefore, payment times between businesses and government cannot be analysed.

According to the ECB/EC SAFE survey, in 2023, 70% of companies in Luxembourg reported having experienced problems due to late payments, a sharp increase of 17 percentage points as compared to 2022. This worrying deterioration of late payments reversed the improvements reported in 2022, when the share declined from 69% in 2021 to 53%. Comparing this figure with the EU average of 47% positions Luxembourg as the second worst performer after Malta (76%). However, this result may be partly due to the rather small sample of firms in Luxembourg participating in the ECB/EC SAFE survey, which counts with approximately 100 different companies. A small sample size increases the variability of the reported metrics, making these less representative and therefore less reliable.

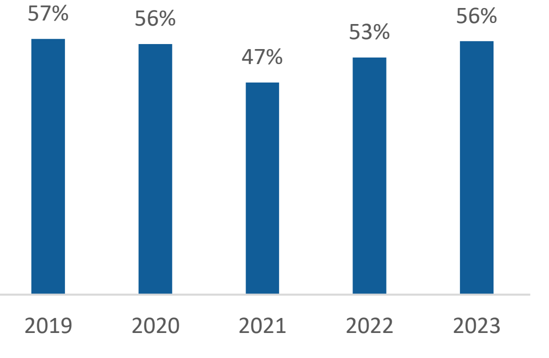
When looking at transaction data from Cribis/D&B, a contrasting trend emerges, with companies in Luxembourg experiencing a decrease in late payments. The share of on-time payments has steadily improved since 2021, rising from 47% that year to 53% in 2022, and further to 56% in 2023. This places Luxembourg eighth among the 21 EU countries covered by Cribis/D&B for the highest proportion of payments made by the due date, surpassing the EU average of 50%. Despite this finding contradicting the evidence reported by the ECB/EC SAFE survey, it could also be that both sources are equally correct. For example, if the average payment delay increases, this could allow for the coexistence of both a larger proportion of on-time payments, as well as firms experiencing more problems with late payments, thereby making the metrics reported by the two different sources reliable. Unfortunately, because of the lack of data covering such dimensions, it is impossible to analyse these underlying important factors that may be driving the reported evidence.

Figure 91: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

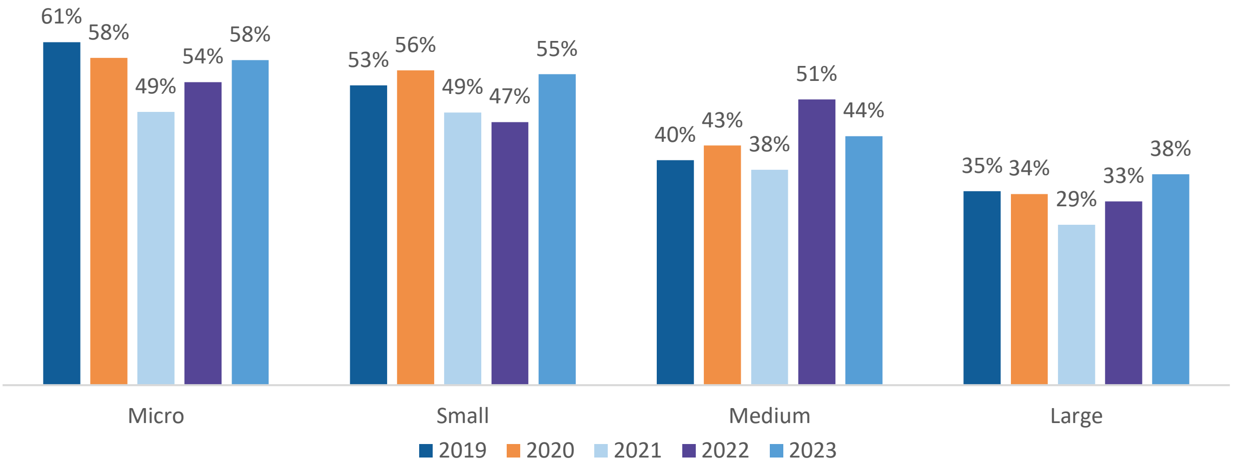
Figure 92: Percentage of payments by due date, 2019-2023, B2B



Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

Comparing how the share of on-time payments changes across different company sizes, one can notice that in 2023, the smaller the company, the more the share of on-time payments. This trend has been very consistent throughout the years, with the only exception being in 2022 when medium-sized firms made more on-time payments than small companies. In light of this strong evidence, it can be concluded that in Luxembourg, between 2019 and 2023, firms' size has had a negative impact on the share of payments by due date, with a differential between micro and large companies of 20 percentage points in the latest period. This finding is consistent with most other EU countries, suggesting that late payments by large companies is a widespread phenomenon.

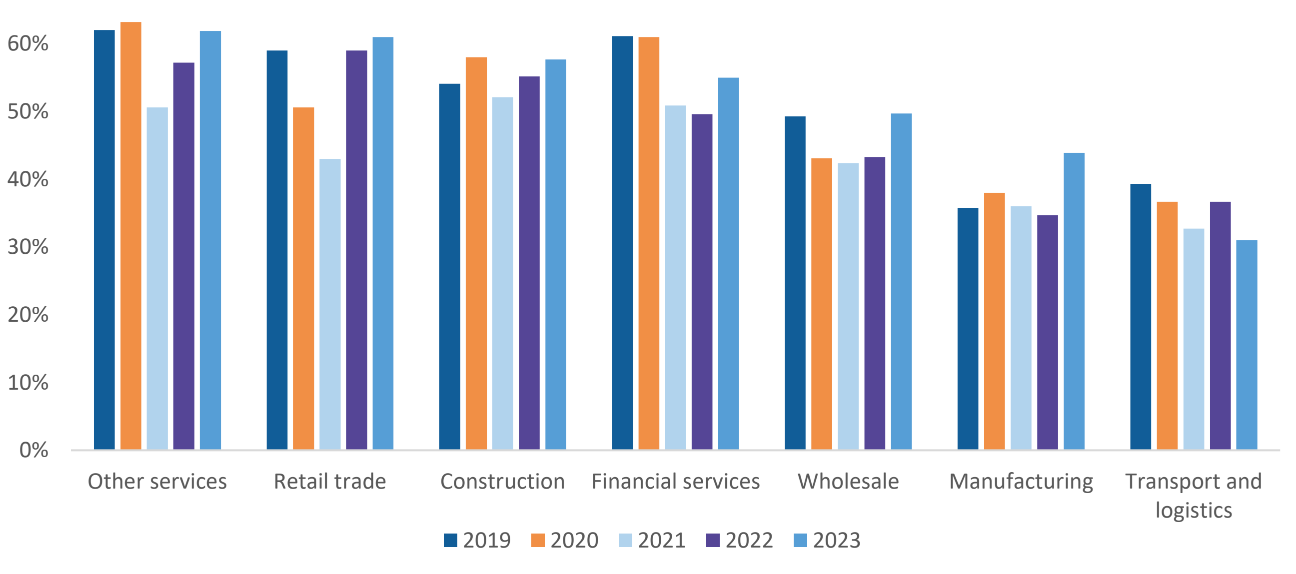
Figure 93: Percentage of payments by due date across company sizes, 2019-2023, B2B



Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

Examining the breakdown of on-time payments across industries reveals some interesting patterns. With the exception of transport and logistics, all sectors saw an increase in timely payments in 2023. The largest improvement was in manufacturing, where on-time payments rose by 9%, followed by wholesale (+6%), and financial and 'other services' (both +5%). This continued the positive trend observed since 2021 in most industries. By contrast, transport and logistics faced a six percentage point drop, with only 31% of transactions settled on time, according to the latest available data. Other services had the highest percentage of on-time payments in 2023, while transport was the worst performing sector amongst those covered.

Figure 94: Percentage of payments by due date per sector, 2019-2023, B2B



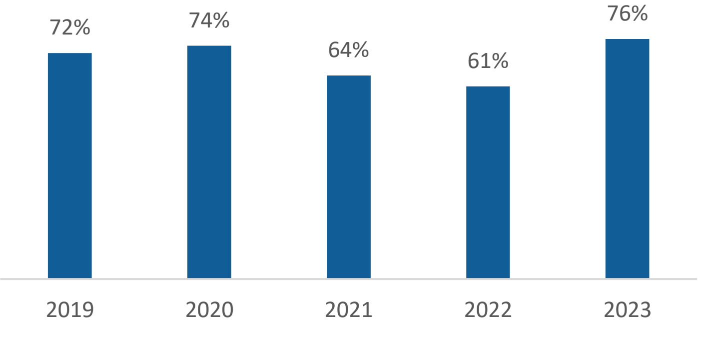
Source: Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

Inspecting the consequences of late payments, a positive trend is observed, as firms indicated that late payments had a smaller negative impact on most of the metrics analysed. In particular, the share of businesses indicating that late payments affected their ability to pay their own suppliers on time dropped by 11 percentage points, from 40% in 2022 to 29% in 2023, placing it below the EU average of 31%. The most remarkable improvement occurred in production and operations, with the proportion of enterprises indicating this as a consequence of late payments dropping from 25% in 2022 to just 9% in 2023. Instead, repayment of loans by firms was more severely affected by delayed payments in 2023 than it was in previous years. However, in Luxembourg, the impact of late payments across all measured dimensions is well below the EU average, indicating that their consequences are less severe compared to the rest of the EU.

As in other small countries, the data available on payment behaviour in Malta are very limited, with very few data variables that can be analysed. In this case, the data are limited to what is reported in the ECB/EC SAFE survey on payment behaviour, as well as data provided by the Malta Association of Credit Management on payment periods.

In 2023, 76% of Maltese firms reported facing issues caused by late payments. Significantly above the EU average, Malta is the country with the highest level of reported issues of late payments. Between 2020 and 2022, important ameliorations were reported as the number of firms reporting issues decreased from 74% to 64% between 2020 and 2021, down to 61% in 2022. However, the situation deteriorated significantly between 2022 and 2023, as an additional 15% of firms reported facing issues. This results in Malta being the EU country experiencing the most issues related to late payments. However, these results need to be considered with caution as the sample size employed by the Safe Survey for Malta is of only 100 companies, so representativeness is reduced.

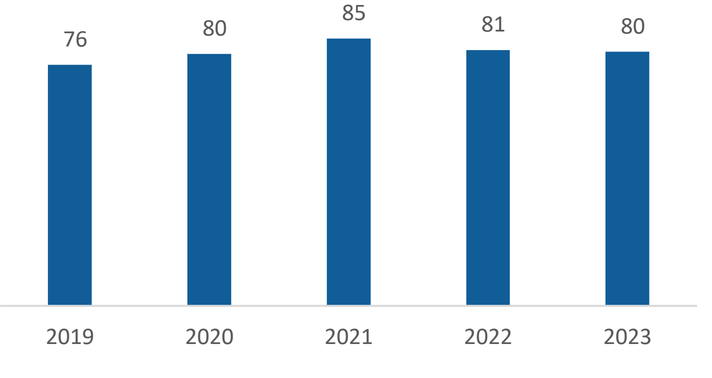
Figure 95: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

The average number of days in which Maltese companies report being paid has remained relatively stable over the past five years, according to the Maltese Association of Credit Management. While there was reportedly a significant increase between 2019 and 2021 in the average payment period, the two following years have seen consecutive decreases, down from the 85 days in 2021 to 80 in 2023. The values are far higher than those allowed by the regulation.

Figure 96: Average payment period in number of days, 2019-2023, B2B



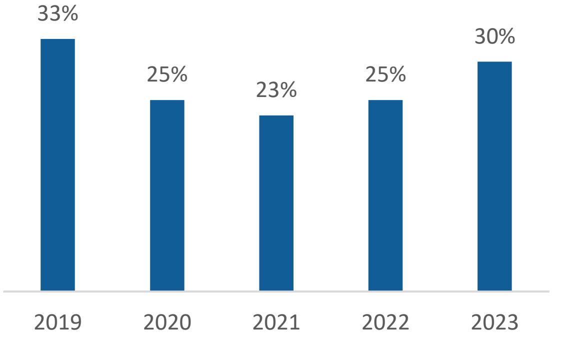
Source: EU Payment Observatory elaboration on Malta Association of Credit Management.

NETHERLANDS

In 2023, the Netherlands continued to perform better than most EU countries in managing late payments, despite a noticeable increase in the percentage of companies facing issues. After several years of strong performance, the share of businesses reporting difficulties due to late payments rose from 25% in 2022 to 30% in 2023 (see graph below). The Netherlands continues to be the best-performing country in this category for both 2022 and 2023. However, this increase marks a significant shift from the more favourable tendency observed in the previous three years. This trend may reflect the impact of ongoing economic uncertainties, such as inflation and supply chain disruptions, affecting businesses' ability to meet payment deadlines.

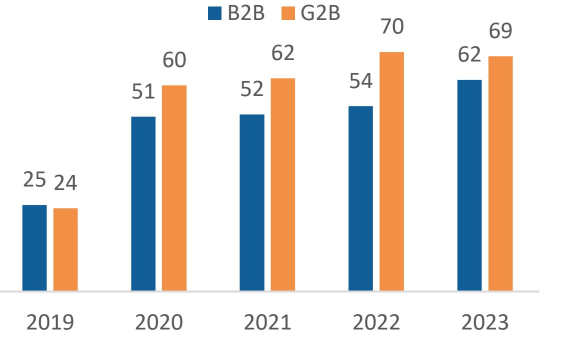
A particularly striking development in 2023 is the continued extension of the average payment period for B2B transactions, which reached 62 days — the second-worst deterioration in the EU — up from 54 days in 2022 (see graph below). By contrast, G2B payment periods improved slightly, decreasing from 70 days in 2022 to 69 days in 2023, though they remain well above pre-pandemic levels. The widening gap between the Netherlands' payment practices before and after 2020 suggests that, while the number of companies reporting issues has remained relatively low, payment periods have simultaneously extended.

Figure 97: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 98: Average payment period in number of days, 2019-2023, G2B and B2B

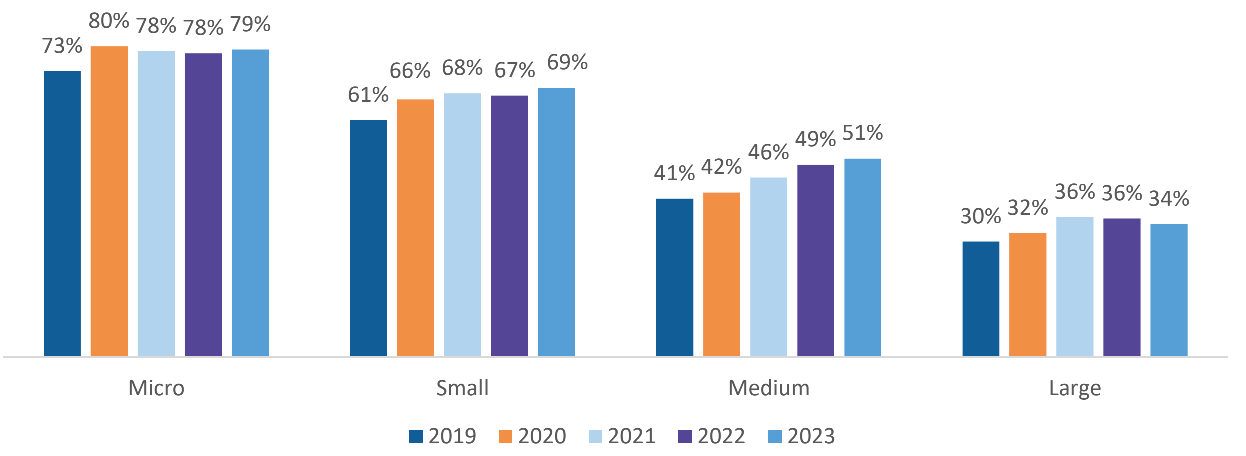


Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Interestingly, in 2022, a law was introduced in the Netherlands requiring large companies to pay their smaller-sized suppliers within 30 days. Since this law formalised established practices, its effects may not be fully evident in the data available for 2023. Therefore, any assessment of the law's impact on payment performance by company size or sector should be approached with caution. Equally, it may still be too early to fully evaluate its effects.

Analysing companies' payment performance by size, smaller businesses, particularly micro and small enterprises, continued to perform well in terms of payment punctuality, whereas larger companies have not shown a significant improvement in their payment practices. For example, only 34% of payments from large companies were made by the due date in 2023, a slight decline from 36% in 2022.This suggests that larger companies have not yet fully adapted to paying their suppliers within the mandated timeframe. In contrast, smaller businesses continue to perform relatively well, with micro enterprises maintaining a high rate of on-time payments, at 79% in 2023. Small businesses improved slightly, from 67% to 69%, while medium-sized businesses rose from 49% to 51%, though this remains relatively low. This improvement among smaller businesses could indicate gradual adjustments within the payment landscape, while larger companies may be slower to adapt their payment expectations and may be structurally exploiting their position to delay payments.

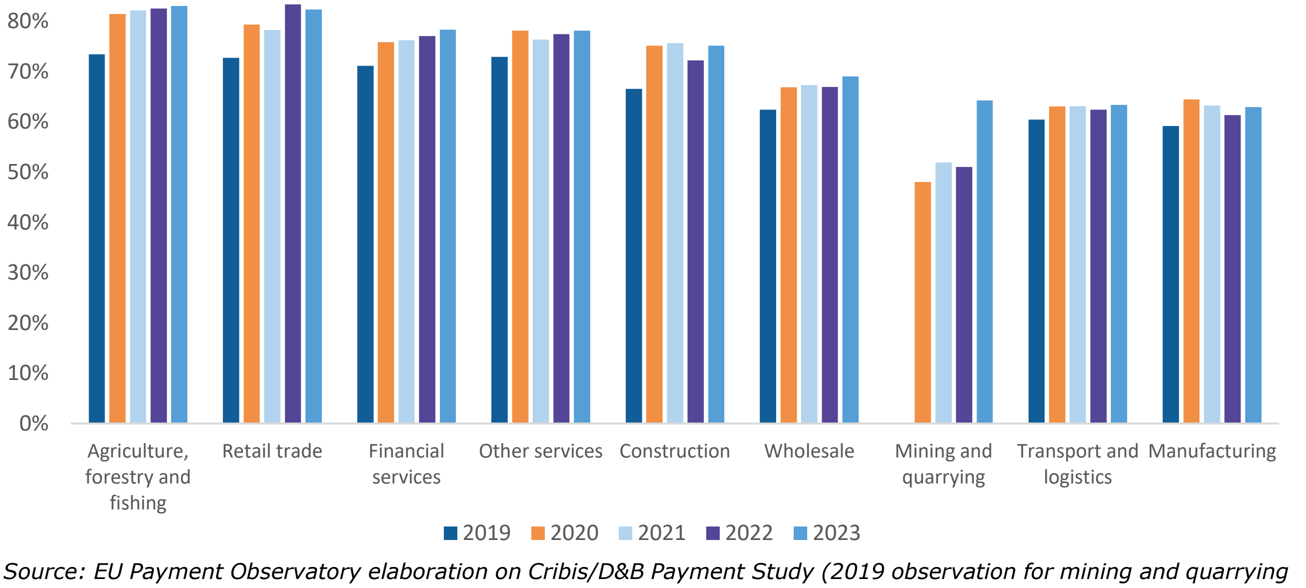
Figure 99: Percentage of payments by due date across company sizes, 2019-2023, B2B



Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

The Cribis/D&B Payment Study highlights a notable shift in payment behaviours across various sectors from 2019 to 2023, with eight out of nine industries demonstrating improvements in payment punctuality (see graph below). The agriculture, forestry and fishing sector maintained its high performance, with 83% of payments made on time. Financial services and other services each saw modest gains, rising from 77% in 2022 to 78% in 2023, indicating stable practices in managing payment deadlines. The construction sector showed a more substantial improvement, with on-time payments increasing from 72% to 75%, likely due to improved cash flow management amid economic challenges. Wholesale also showed progress, with punctual payments rising to 69% from 67%. Manufacturing saw a slight improvement, rising from 61% to 63%, yet this sector continues to encounter challenges with on-time payments despite these small gains. Mining and quarrying, a sector historically challenged by payment delays, achieved the most notable increase, reaching 64% in 2023, up from 51% in the previous year. The transport and logistics sector remained steady at 63% in 2023, showing minimal change and continuing its low performance from previous years. The retail trade sector, however, experienced a slight decrease, with on-time payments dropping from 83% in 2022 to 82% in 2023. While many industries have shown resilience and commitment to timely payments, the varied impact of sector-specific pressures is evident, particularly in the transport and retail sectors, which continue to face challenges.

Figure 100: Percentage of payments by due date per sector, 2019-2023, B2B

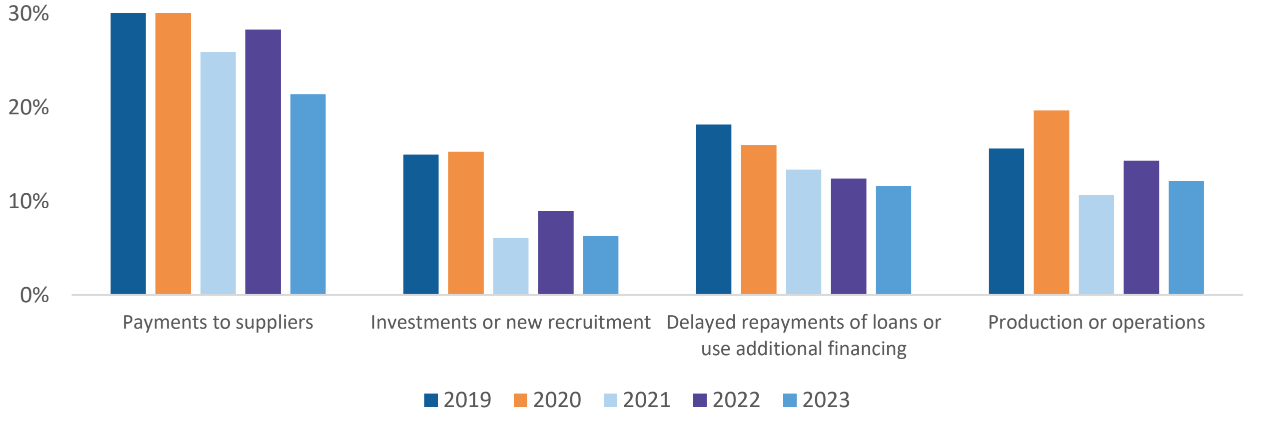


Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study (2019 observation for mining and quarrying sector is missing).

The possible effects of late payments in the Netherlands, as identified in the SAFE survey, have shifted in response to broader economic pressures. Encouragingly, all key areas have shown notable improvement (see graph below). In 2023, only 31% of businesses reported that late payments impacted their ability to pay suppliers, indicating an improvement in punctuality. Furthermore, late payments have had a reduced impact on investments and recruitment decisions, with only 6% of companies reporting issues in these areas in 2023 — a notable decrease from 9% in 2022.

This stabilisation suggests that businesses have adjusted to economic conditions and are now less dependent on timely payments for operational decisions. The need for additional financing or delays in loan repayments due to late payments has also shown consistent improvement, dropping slightly to 11.6% in 2023, down from 12.4% in 2022. Furthermore, the impact on production or operations has diminished, with only 12% of businesses citing disruptions due to late payments, compared to 14% in 2022. Overall, these figures indicate that while late payments continue to challenge businesses, the overall impact on business operational decisions has lessened. This trend may be because companies are adapting to extended payment cycles and implementing strategies to manage cash flow more effectively.

Figure 101: Share of effects of late payment, 2019-2023, B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Overall, the year 2023 marked a turning point for the Netherlands, with an increase in the number of businesses facing issues due to late payments and a continued rise in average payment periods. While the Netherlands still performs better than the EU average, the growing delays in B2B transactions, now averaging 62 days, highlights the increasing pressure on businesses to manage cash flow and adapt to economic uncertainties. Larger companies in particular continue to extend payment periods, creating further strain on smaller enterprises that rely on timely payments to sustain operations.

Despite these challenges, micro and small businesses, along with sectors like agriculture, forestry, and fishing, have maintained strong payment practices, providing stability in the face of broader trends of more frequent delays. The impact of the law mandating large companies to pay SMEs within 30 days has been mixed and can only be assessed with caution. A possible effect of the policy may be already visible in the determinants of late payments, all of which have decreased in their share. However, this trend may also be influenced by other economic factors, such as a decreasing GDP growth rate[22]. According to Atradius, 42% of businesses expect an improvement in Days Sales Outstanding (DSO) over the next 12 months, while only 16% anticipate deterioration, creating a positive outlook for the future performance of the Netherlands. Finally, the continued high inflation, along with worries about energy costs, access to finance, and staff shortages, underscores the challenges facing Dutch companies as they navigate these economic pressures. While the legislative framework for timely payments is in place, it may take additional time for its full impact to be realised, particularly as businesses adjust to evolving economic conditions.

[22] World Bank (2024), GDP Growth (Annual %) - Netherlands, https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2023&locations=NL&start=2018.

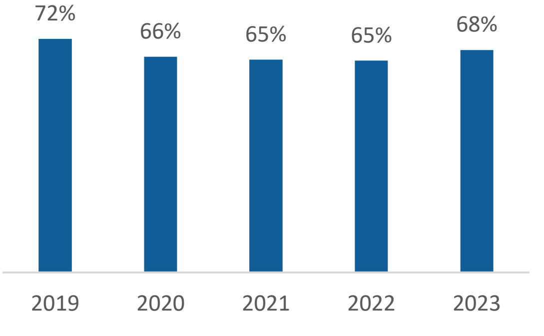
POLAND

Poland remains one of the Member States with a higher share of companies indicating that they have faced issues due to late payments in 2023. At 68%, it is the third worst performing country in the EU. In 2022, it led that ranking, even though a lower percentage of firms (65%) reported experiencing late payment problems. The situation therefore deteriorated in 2023, as it did in the rest of the EU.

Average payment periods also lengthened in 2023 for all types of transactions, according to suppliers. As in most Member States, the increase was more significant, with seven days on B2B transactions, than with G2B at four days. In fact, Poland was the third country in the EU with a worst deterioration on business payment times. In addition, the Polish public administrations are amongst the worst for longer settlement periods in the EU, with 73 days.

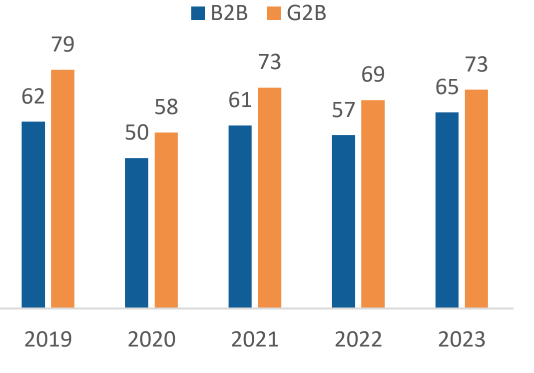
Despite being one of the Member States that performs worst according to late payment indicators, Poland had been experiencing improvements since 2019, when new measures to combat late payments were adopted by the government. These covered payment terms, the establishment of an enforcement agency with the capacity to issue sanctions, tax incentives and transparency requirements for larger companies. In 2022, more measures were introduced on enforcement and transparency in order to continue improving the payment culture in Poland. However, given the deterioration experienced in 2023, they do not seem to have had an immediate positive effect, probably also as a result of worsening macroeconomic conditions, with Poland growing less than the EU area average and also experiencing higher inflation rates. In fact, 57% of the Polish firms surveyed by Intrum stated that they had extended their payment times because of high inflation and interest rates.

Figure 102: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

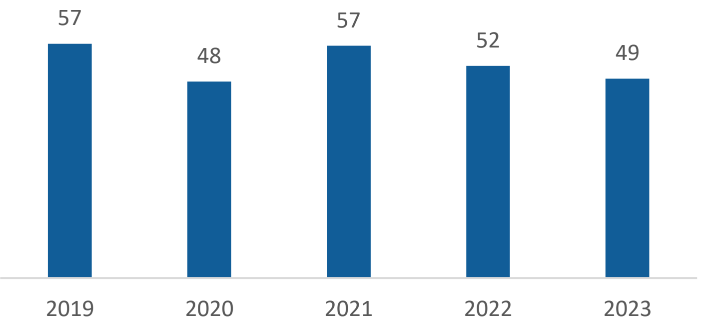
Figure 103: Average payment period in number of days, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

However, not all the Polish data for 2023 is negative. According to suppliers surveyed by Coface's Poland's payment survey, the number of days it takes for an invoice to be settled once the payment delay has occurred is diminishing, although it remains very high. In 2023 it took 49 days on average, while in 2022 it was 52 and in 2021, 57 as shown in the figure below.

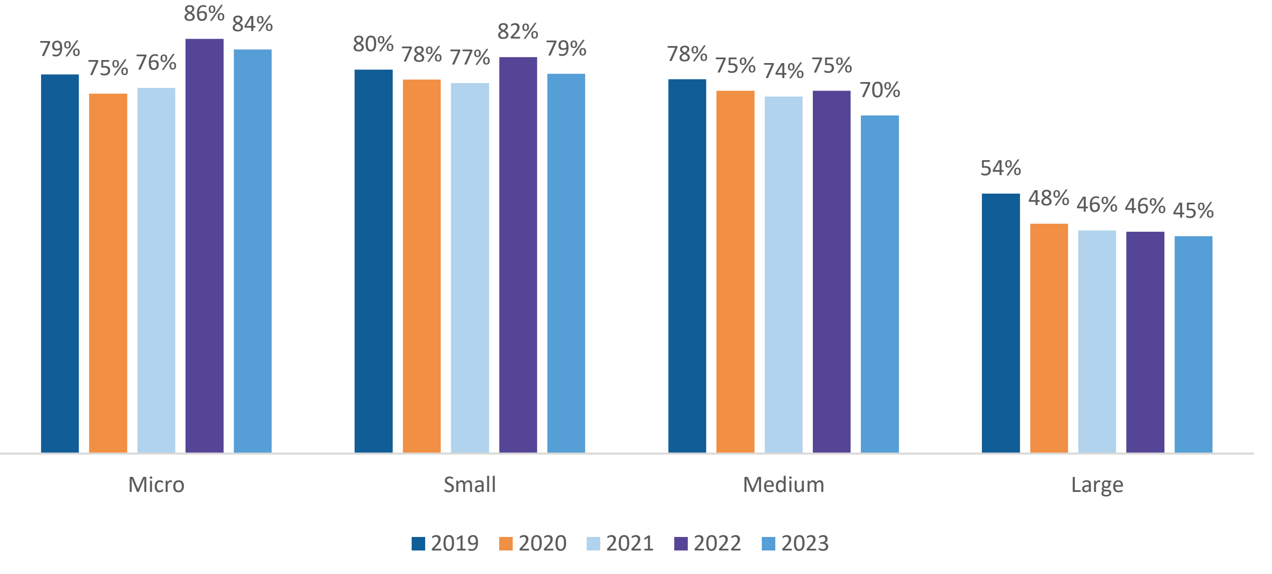
Figure 104: Average payment delay in days, 2019-2023, B2B



Source: EU Payment Observatory elaboration on Coface Poland Payment Survey.

The payment performance of Polish firms has deteriorated across all company sizes in 2023. Medium-sized enterprises experienced the biggest reduction of on-time payments, of five percentage points, while the likelihood of large enterprises settling their invoices by the due date only decreased by one percentage point. For small firms the figure decreased by three percentage points and by two for micro companies. In any case, in Poland, as in most Member States, the bigger the company, the less likely it is to pay on time.

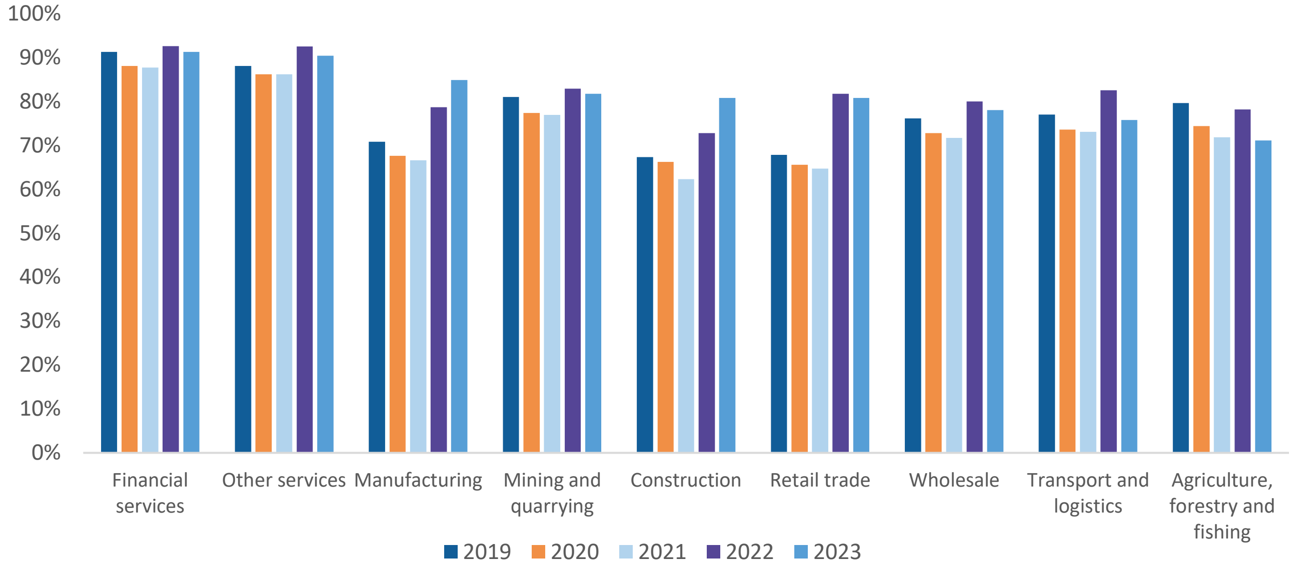
Figure 105: Percentage of payments by due date across company sizes, 2019-2023, B2B



Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

In 2023, the share of on-time payments in B2B deteriorated in Poland in seven out of the nine sectors for which data exist. The biggest declines were in the agriculture, forestry and fishing sector and in the transports and logistics one, both of seven percentage points. Those are also the worst performing sectors in 2023 amongst those covered. On the other hand, payment performance in construction has particularly improved. In 2022, it was the sector with a lower share of on-time payments, at 73%, according to the available data. In 2023, it stood in the middle of the table as can be seen in the figure below, with an 81% likelihood of paying on time. The manufacturing sector has equally experienced an improvement in the share of invoices settled before the due date, from 79% in 2022 to 85% in 2023. The financial sector remains the best performing sector, with 91% of on-time payments in 2023 compared with 93% the year before.

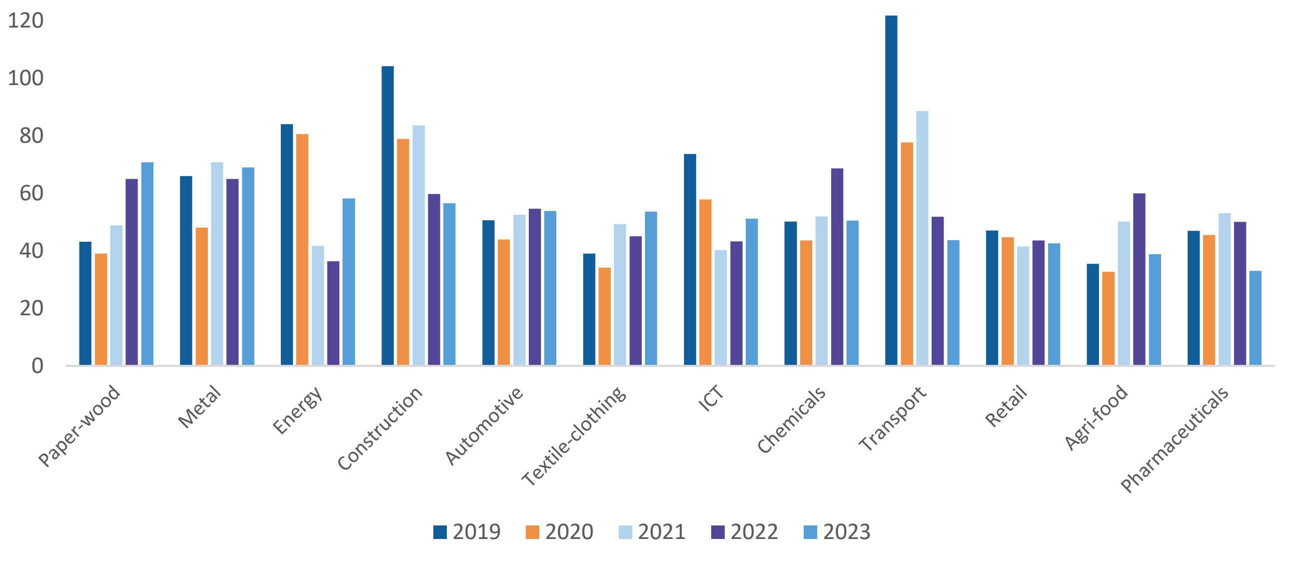
Figure 106: Percentage of payments by due date per sector, 2019-2023, B2B



Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

Average payment delays once the late payment has taken place improved in six out of the 11 sectors covered and lengthened in the other five. The biggest reductions were observed in the agrifood, chemical and pharmaceutical sectors. On the other hand, the average payment delays particularly lengthened in the energy sector, which is not surprising given how much it has been affected by geopolitical disruptions. In any case, the sector with a longer average payment delay is paper-wood, with 71 days, while the one with the shortest is the pharmaceutical sector, with 33 days.

Figure 107: Average payment delay in days per sector, 2019-2023, B2B



Source: EU Payment Observatory elaboration on Coface Poland Payment Survey.

As has happened in other countries, Polish companies seem to increasingly refer to credit insurance and bank guarantees to protect themselves against late payments. Since 2020 the use of both instruments has increased in 10 percentage points, according to the Intrum survey. The most common prevention measure remains requiring a pre-payment, something used by 44% of Polish companies in 2023. Offering revised payment terms does not seem to be part of the Polish culture as it is the Member State where fewer companies offer this option, only 23% in 2023.

PORTUGAL

Portugal appears to be one of the EU Member States with the most unsatisfactory results in relation to delayed payments, particularly when looking at percentages of on-time payments (see the section Overview of Payment Performance in the EU in 2023). Nevertheless, and contrary to the case in most EU countries, an improvement can be observed in 2023 when compared to previous years.

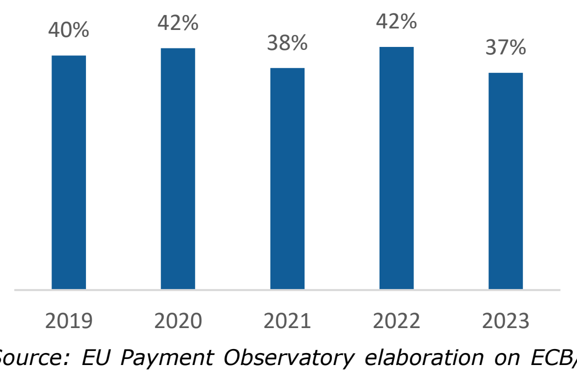
The issue of late payments in this country seems to have impacted a significant number of companies over the past five years (see below figure). Yet the share of Portuguese firms reporting experiencing problems as a result of delayed payments between 2019 and 2023 accounts for fewer than half of the ECB/EC SAFE survey respondents. Moreover, last year's figure (37%) shows a decrease in five percentage points compared to 2022, placing it considerably beneath the European average (47%). Delaying payments to suppliers and impacts on new recruitment and investments are reported as the most common effects of late payments among the surveyed firms.

On another note, the payment behaviour of Portuguese companies shows an improvement when looking at average payment periods, as reported by the Bank of Portugal (see below figure). A reduction of seven days in the payment period made from private corporations, on average, can be observed when comparing the whole period interval. Importantly, the amelioration of the Portuguese situation in 2023 seems to go in the opposite direction to most EU countries, where a deterioration on the average payment periods can be observed.

In addition, the improvement seems to be even higher when looking at the average payment period from public corporations, which has diminished to nine days. An amelioration is also observed in government-produced data on average payment periods on municipalities and on healthcare. At local level the time to settle a payment by public administrations has more than halved, from 37 to 17 days since 2019, following a downward trend since 2021. Meanwhile, in 2023 payment times also diminished in healthcare. However, they remain very long, at 125 days.

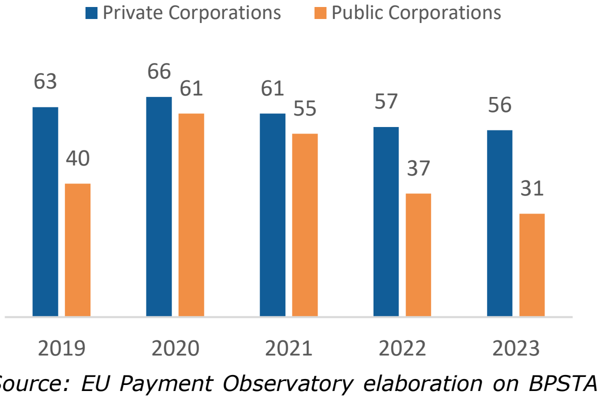
In the G2B context, it is worth mentioning that certain Portuguese public administrations[23] and autonomous regions were referred by the European Commission to the EU Court of Justice in 2023 because of recurrent non-compliance with the Late Payment Directive. In July 2024, the Court declared that the Portuguese Republic failed in fulfilling its obligations and ordered to pay the costs.

Figure 108: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 109: Average payment period from private and public corporations in number of days, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on BPSTAT (Banco de Portugal).

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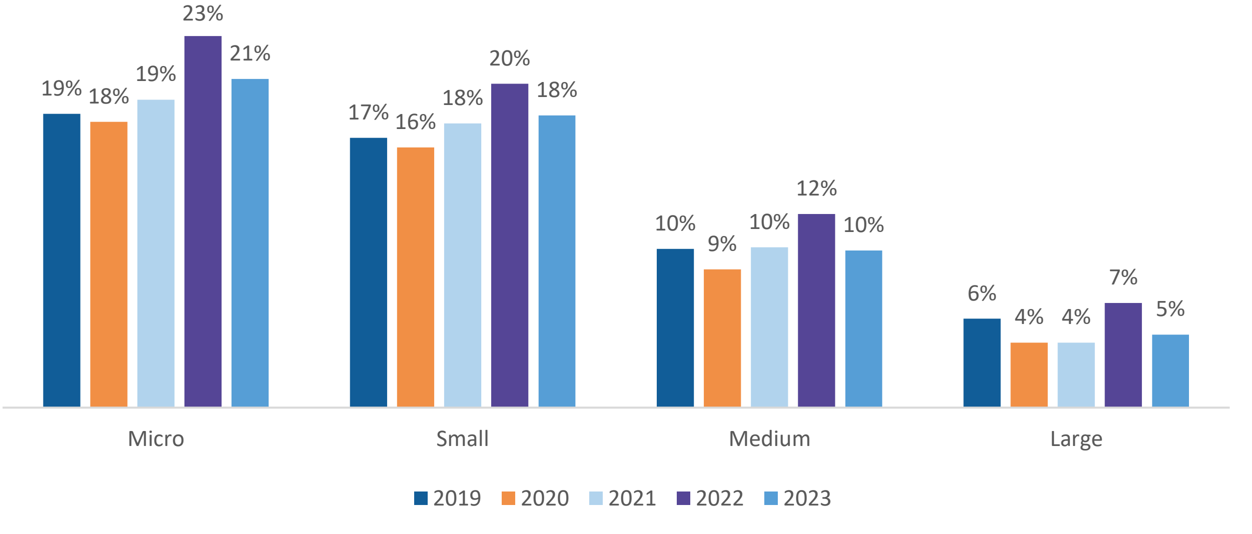
[23] In particular, the Court stated that the Portuguese Republic failed to ensure that local administrations between 2013 and 2018, as well as Portuguese public entities providing healthcare between 2013 and 2022, comply with payment deadlines under Article 4(3) and (4)(b) of Directive 2011/7/EU on combatting late payment in commercial transactions.

Portuguese firms exhibit one of the worst payment performances in terms of on-time payments in B2B transactions (see below figure). On top of that, Portugal is the country with the biggest difference in terms of on-time payments between micro and large companies. In this sense, micro companies are four times more likely to pay before the due date than large companies.

In 2023, the share of on-time payments decreased by 2% from 2022 for all company sizes in Portugal. The best performers were micro companies, which settled their invoices by the due date on 21% of occasions. They were followed by small enterprises, which made 18% of payments to their suppliers on time in 2023. On the other side of the spectrum, large companies are recorded as the worst payers in Portugal, with only 5% of the payments made by the due date in 2023. This aligns with most EU Member States, where the larger the company, the lower the share of on-time payments.

Once a company experiences late payments, several actions can be taken. Based on the Intrum survey 2023, in Portugal, a significant number of firms (57%) indicated taking legal action. However, court proceedings in Portugal are quite arduous and inefficient when it comes to collecting debts[24]. Moreover, working with external debt collection agencies (24%) and using internal recovery processes (23%) are also mentioned as frequently used by respondents.

Figure 110: Percentage of payments by due date across company sizes, 2019-2023, B2B



Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

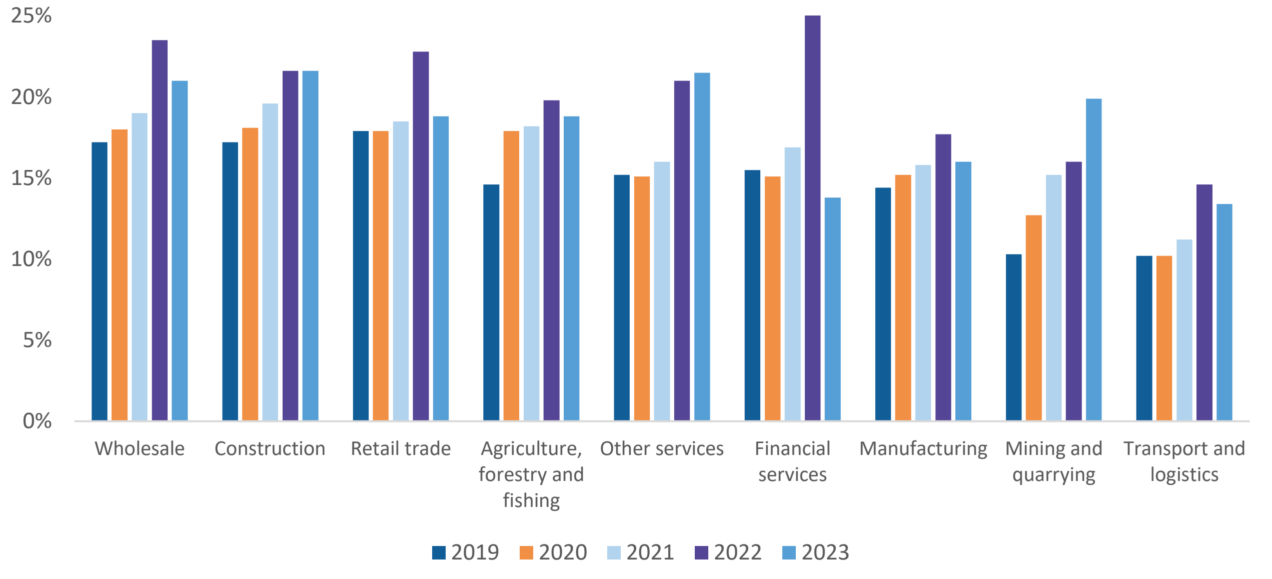
The available sectoral data shows that the share of on-time payments made by Portuguese firms are among the lowest across the EU Member States and below a quarter of the total payments in B2B transactions.

A decrease in the proportion of payments made on time is evidenced in most sectors, compared to 2022. More specifically, there are six Portuguese sectors[25] that exhibit worse payment behaviour in 2023, compared to 2022. For instance, financial services reduced the share of on-time payments by more than 10 percentage points in the last year. Moreover, wholesale on-time payments decreased from 24% to 21% between 2022 and 2023. Still, this is the sector covered with a higher share of payments by the due date. On the other side, the transport and logistics sector shows the worst payment behaviour in Portugal, with only 13% of payments made on time. Meanwhile, two Portuguese sectors seem to have increased their share of payments by the due date in 2023. These are other services (22%) and mining and quarrying (20%). The construction sector remained stable at 22%.

[24] Allianz (2023), Portugal collection profile, https://www.allianz-trade.com/en_global/economic-research/collection-complexity/portugal.html.

[25] These sectors are wholesale, retail trade, agriculture, financial services, manufacturing, and transport and logistics.

Figure 111: Percentage of on-time payments by sector, 2019-2023, B2B



Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

ROMANIA

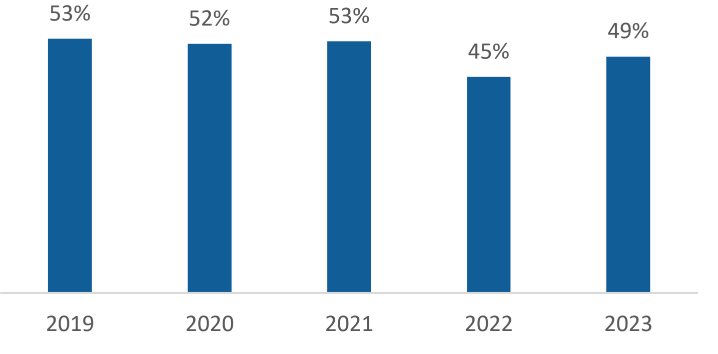
Late payments in Romania seem to have affected a significant number of companies in the past five years, considering both B2B and G2B transactions. In fact, 53% of surveyed Romanian companies report suffering from late payments in 2023, which is above the European average of 47%. Compared with 2022, the evidence suggests that the situation has worsened, with an increase of four percentage points in the number of firms facing problems due to delayed payments. Nevertheless, in relation to 2019, it is possible to see a slight reduction in the number of companies declaring late payment issues.

Delaying payments to suppliers appears to be among the most frequent drawbacks arising from late payments, because it is the most mentioned by Romanian respondents (56% of the ECB/EC SAFE survey 2023 respondents). Interestingly, this is also the highest share reported in the entire EU. Moreover, a significant number of Romanian companies also highlighted the impact of late payments on investments or new recruitment (37% of the ECB/EC SAFE survey 2023 respondents). This ranks Romania as the second most country reporting this in 2023.

Notably, data in Romania for 2023 are more limited than for previous years. In particular, there are no data on average payment periods, nor on drivers, while data on late payments' impacts are very scarce.

There are also no available data on G2B transactions. However, the European Commission opened an infringement procedure in April 2024 against Romania for not applying the EU rules on delayed payments. More specifically, this procedure applies to public health authorities who are deemed not compliant with the payments to independent pharmacies.

Figure 112: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

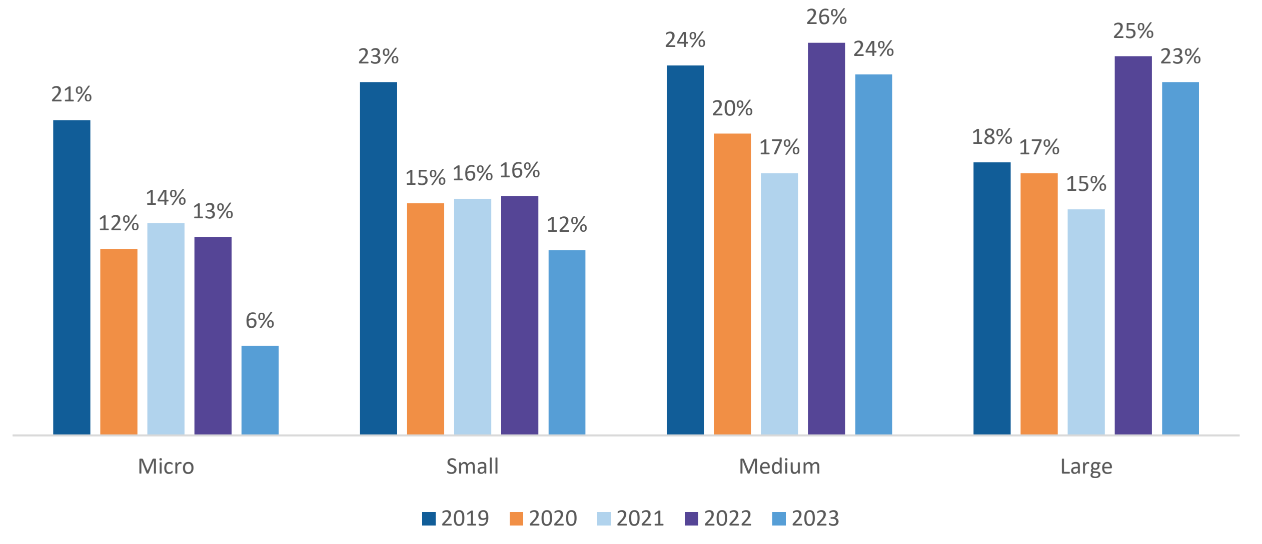
Similarly to last year, company size does not show an inversely proportional relationship with delayed payments, as is the case in most EU Member States. In Romania, this means that the larger the company, the higher the likelihood it pays on time (see below figure).

In this context, together with the Bulgarian and Portuguese companies, Romanian firms show one of the worst performances with regards to timely payments across EU Member States, with less than a quarter of the payments made on time in 2023. Indeed, medium and large companies seem to make almost a quarter of their payments on time. On the other side, micro companies exhibit the worst payment behaviour, with only 6% of on-time payments.

Interestingly, in 2024 Romania became the second country in the EU to apply mandatory eInvoicing in all B2B transactions[26]. Under this frame, the invoices must be submitted to a central system (RO eInvoice) within five days considering the invoice issuance date and they must be generated according to the RO_CIUS specifications. This is expected to accelerate the payment process while having a positive effect on payment times in B2B relationships.

[26] European Commission (2024), Romania eInvoicing country fiche, https://ec.europa.eu/digital-building-blocks/sites/display/DIGITAL/eInvoicing+in+Romania.

Figure 113: Percentage of payments by due date across company sizes, 2019-2023, B2B

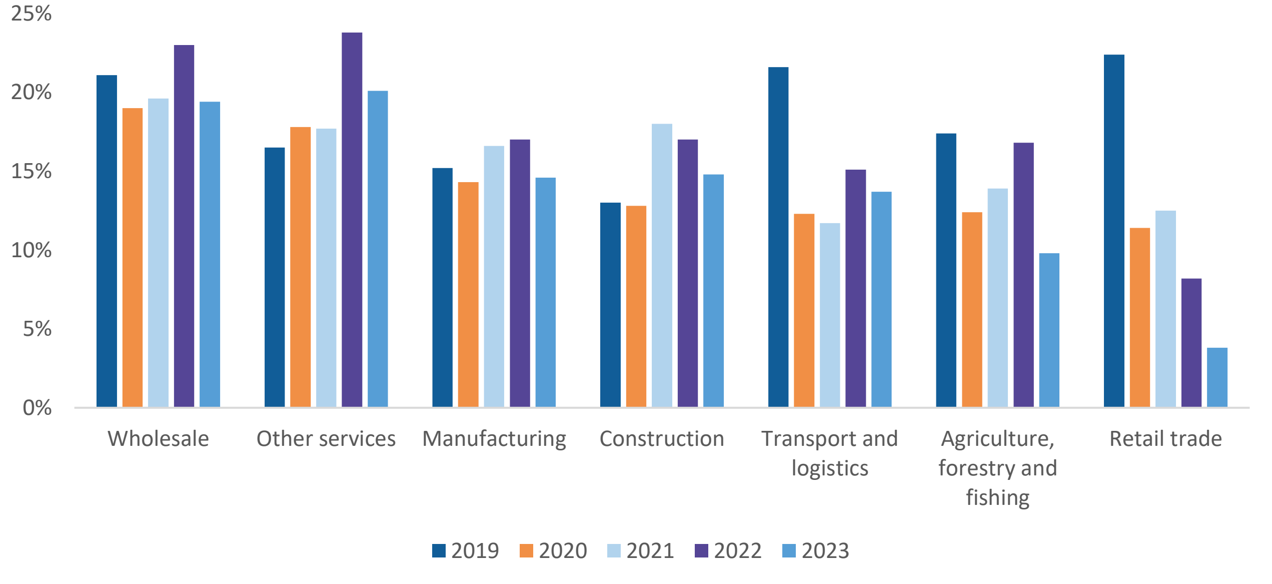


Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

As in the previous year's assessment, the main concerns of Romanian companies are still the economic conditions of the country. In particular, the rise in prices and a regulatory changing environment represent the most common worries among Romanian firms when it comes to late payments.

At sectoral level, the share of on-time payments in 2023 shows a decreasing trend compared to 2022 across all sectors in Romania. While wholesale continues to be the sector with the highest share of payments made on time (19.4%), retail trade is still the sector with the worst payment performance, with only 3.8% of the payments made on time in 2023. Critically, this sector ranks as the worst performing sector in terms of payments in the entire EU.

Figure 114: Percentage of on-time payments by sector, 2019-2023, B2B

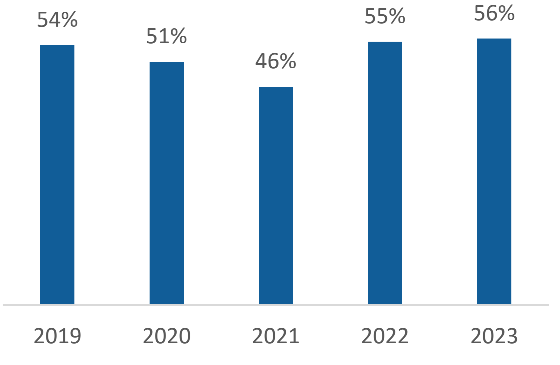


Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

SLOVAKIA

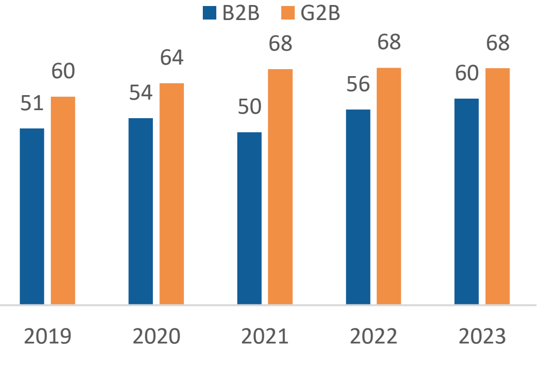
Slovakia's payment environment in 2023 highlights persistent challenges, with 56% of enterprises reporting issues due to late payments from both public and private entities— an increase from 55% in 2022. This figure places Slovakia above the EU average of 47%, underscoring the country's comparatively adverse payment conditions. The average payment period for B2B transactions extended from 56 days in 2022 to 60 days in 2023, with G2B transactions maintaining a consistent average of 68 days. This increase in B2B payment periods signifies growing difficulties for Slovak businesses, possibly linked to broader economic pressures impacting cash flow and liquidity.

Figure 115: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

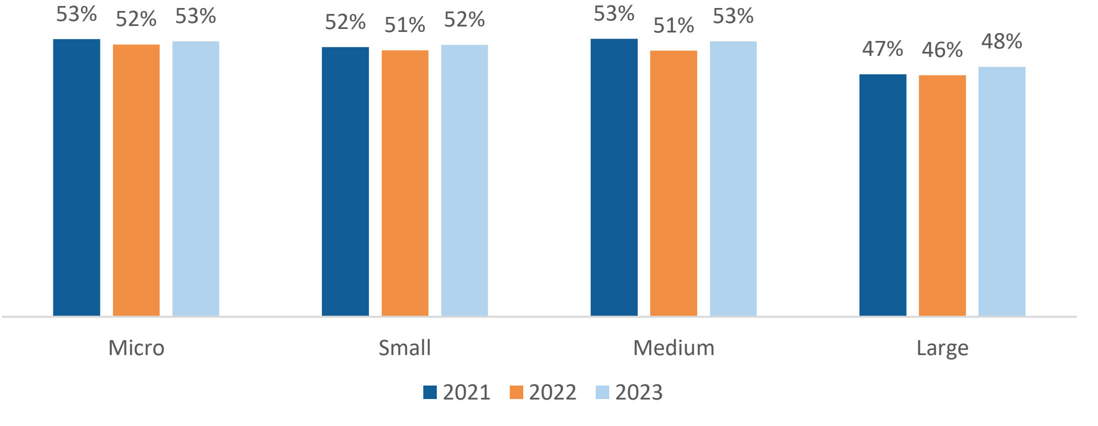
Figure 116: Average payment period in number of days, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on Intrum European Payment Report.

In terms of payment punctuality, Slovakia's companies showed slight improvements across all company sizes, with on-time payment rates increasing marginally in 2023. The punctuality rate for micro enterprises was 53%, which is consistent with the previous year. Both small and medium-sized enterprises exhibited minor improvements in punctuality. The proportion of small enterprises that were punctual increased from 51% in 2022 to 52% in 2023. Moreover, the proportion of medium-sized companies that were punctual increased slightly from 51% in 2022 to 53% in 2023. Similarly, large companies exhibited a similar increase, from 46% to 48%, thereby maintaining the lowest punctuality rate across all company sizes. Large enterprises in Slovakia remain the least punctual, a discrepancy that is less pronounced than in most other EU countries. Nevertheless, these incremental changes suggest structural issues in Slovakia's payment environment, which impact all company sizes with limited improvement over time.

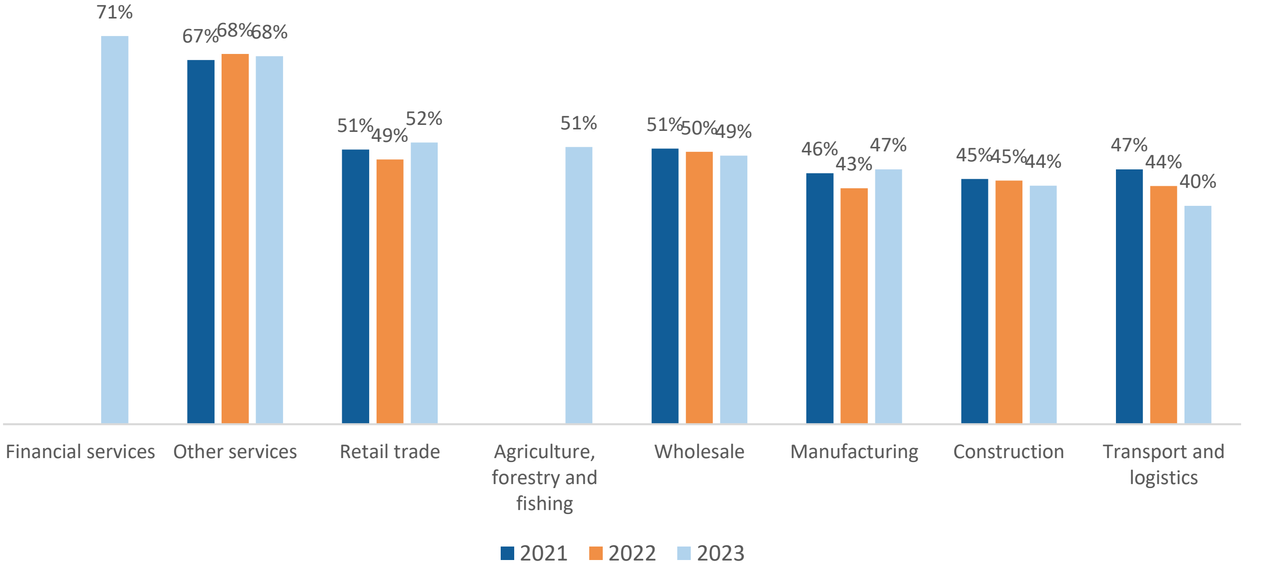
Figure 117: Percentage of payments by due date across company sizes, 2021-2023, B2B



Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

The sectoral analysis of payment punctuality in Slovakia reveals a mixed landscape. Transport and logistics experienced a notable decline, with on-time payments dropping from 44% in 2022 to 40% in 2023, indicating heightened difficulties within this sector. Similarly, wholesale faced a minor decline, decreasing from 50% to 49%. In contrast, the retail trade and manufacturing sectors showed signs of recovery, with retail improving from 49% in 2022 to 52% in 2023 and manufacturing rising from 43% to 47%. Other sectors, newly included in the analysis, emerged, with agriculture reporting a punctuality rate of 51%, while financial services stood out as the most reliable sector, with 71% of payments on time in 2023.

Figure 118: Percentage of payments by due date per sector, 2021-2023, B2B



Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study (2021-2022 observations for financial services and agriculture, forestry and fishing sectors are missing).

Late payments have had a substantial impact on Slovak businesses' operations and growth prospects. According to Intrum's European Payment Report, legal action is a common recourse, with 59% of companies reporting it as a measure, making Slovakia one of the most litigation-prone environments in Europe concerning payment disputes. Additionally, pre-payment requirements are frequently used, with 58% of companies employing them as a precautionary measure to protect themselves against default risk. The data from 2022-2023 paints a complex picture of Slovakia's payment practices. While minor improvements are observed across company sizes, the prolonged payment delays in B2B transactions and declines in specific sectors indicate persistent challenges. Compounding these issues, a recent ruling by the Court of Justice (Eighth Chamber) on September 19, 2024, in Case C-412/23, highlighted Slovakia's continuous failure to fulfil hospital payment obligations as mandated by EU rules[27]. This ruling underscores the regulatory environment's shortcomings and the urgent need for reforms, as emphasised by the European Commission. This underscores the need for strategies to improve Slovakia's payment landscape, easing cash flow, and fostering an environment where smaller companies can thrive without the constant pressure of delayed payments.

[27] Euractiv (2024), Slovakia continuously failed to fulfil hospital payment obligations, https://www.euractiv.com/section/health-consumers/news/slovakia-continuously-failed-to-fulfil-hospital-payment-obligations-rules-court-of-justice/.

SLOVENIA

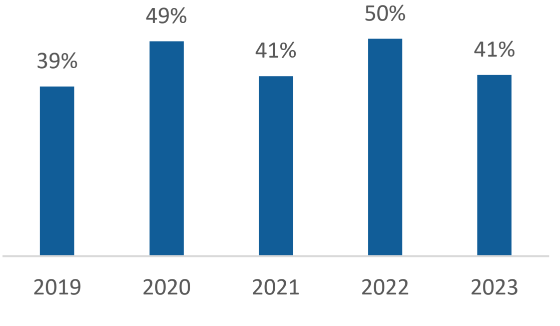
In Slovenia, the percentage of enterprises indicating that they have experienced issues caused by late payments in the past six months has fluctuated over the past five years. For the year 2023, 41% of companies reported issues, a decrease of nine percentage points compared to 2022. This evolution goes against the EU trend, where more firms have reported issues in the past year. Interesting to note is the lack of a clear trend. Back in 2019, Slovenia reported that 39% of firms faced issues caused by late payments, a relatively low level compared to other Member States. In the year that followed, a significant increase to 49% was reported. This was then followed by a decrease to 41% in 2021, and once again an increase to 50% in 2022. The decrease in 2023 is one of the most significant reductions in reported issues caused by late payments in the EU and it puts Slovenia below the EU average.

The relatively low level of issues reported by late payments is not entirely aligned with the increase in average payment times between 2022 and 2023. In fact, the number of days it has taken for firms to pay their invoices has increased from 51 to 55 days for B2B transactions, and from 62 to 67 days for G2B. Therefore, in 2023, contrary to what happens in other Member States, settlement times have deteriorated more in Slovenia for G2B than for B2B. In fact, according to Intrum, Slovenia has the third greatest gap in Europe between G2B and B2B transactions.

In 2019, the average payment period for B2B transactions was 70 days. A sharp decline in payment period between 2019 and 2020 can be observed below, down to 54 days. The numbers of days decreased to 51 days in 2021 and this remained stable in 2022.

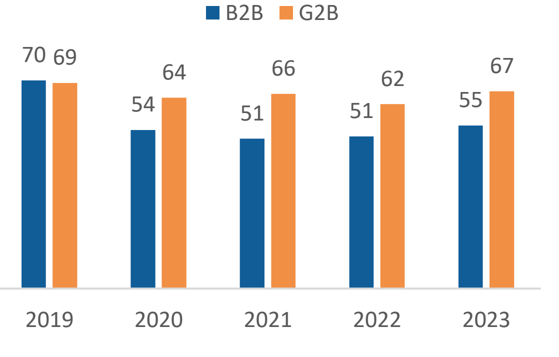
In turn, the payment period for G2B payments has remained relatively stable over the past five years, with just a general minor amelioration. The average number of days public authorities took to pay suppliers was 69 in 2019. First going down to 64 in 2020, it increased to 66 in 2021 and decreased to 62 days in 2022. Today it takes the Slovenian government 67 days to pay their invoices.

Figure 119: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 120: Average payment period in number of days, 2019-2023, G2B and B2B



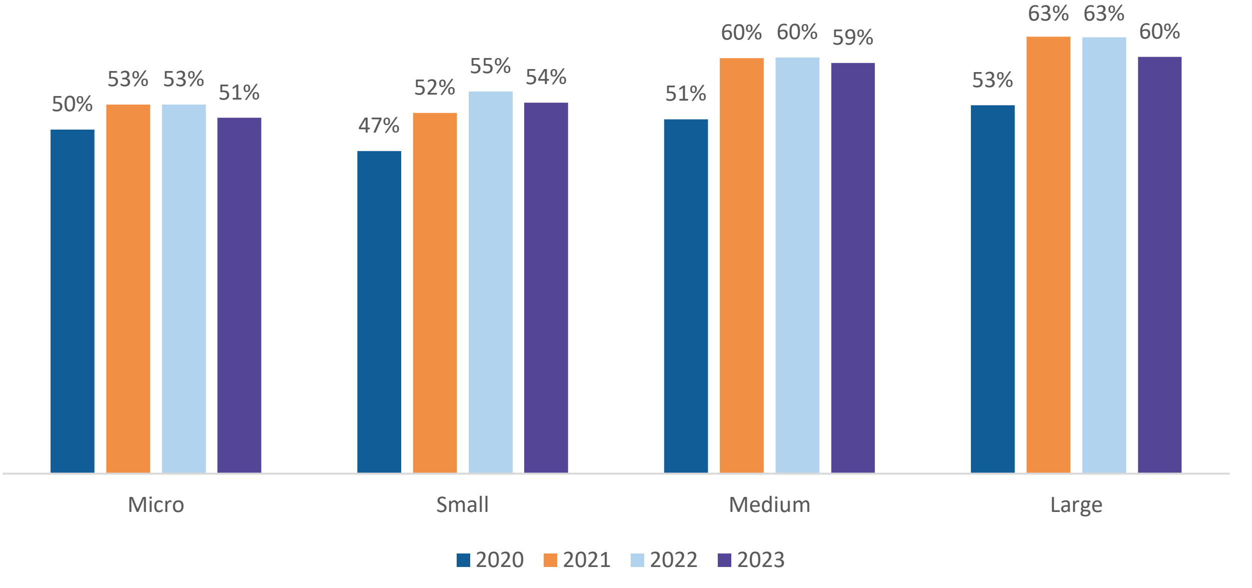
Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Slovenian firms go against EU trends when reviewing the share of payments made by the due date based on company size. Large firms in Slovenia have the highest share of on-time payments every year between 2020-2023, with micro companies being the worst performers in 2023 in terms of payments made by the due date. That way, in the last covered year in Slovenia, the bigger the company, the highest the likelihood of paying on time.

While the general trend of the evolution of payments made by the due date was positive, with increasing shares of on-time payments for all companies between 2020 and 2022, it was broken in 2023. In 2020, exactly half of micro firms paid their invoices on time. This increased to 53%

in 2021 and 2022, and then decreased to 51% in 2023. Similarly, small companies struggled to pay their invoices on time, with 54% of on-time payments in 2023, an increase from 47% in 2020, and a decrease compared to 2022, from 55%. Medium and large companies have had more than half of their payments made by the due date for the entire reviewing period. Medium firms reached exactly 60% for both 2021 and 2022, but decreased slightly to 59% in 2023, while large firms went from 63% in 2021 and 2022 down to 60% in 2023.

Figure 121: Percentage of payments by due date across company sizes, 2020-2023, B2B



Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

The payment performance across sectors in Slovenia show significant discrepancies between the best and worst performers. Three sectors: agriculture, forestry and fishing; financial services; and wholesale, received 58% of their payments by the due date.

The first named sector is interesting to observe as it has seen a consistent amelioration of payments made on time. In 2019 it was one of the worst performing sectors, with 47% of payments made on time. In the two following years the payment habit ameliorated. In 2023, payments by due date bounced back after having faced serious payment issues in 2022, a year in which fewer than one third of payments were completed before invoice expiry.

Agriculture, forestry and fishing was not the only sector in Slovenia that experienced a significant deterioration of payment behaviour in 2022. The situation was very similar for both other services and manufacturing. Other services had a decrease of 20% in the share of on-time payments, dropping from 58% to 38% between 2021 and 2022. This drop was almost entirely recovered in 2023, reaching 56%. Similarly, manufacturing dropped from 52% to 38% of on-time payments. The sector also recovered from this one-year drop, with one in two invoices paid on time in 2023.

Only one sector had fewer than half of payments done by due date: retail trade. Except for 2022, this sector has been the worst performing sector since the first observation in 2019.

Figure 122: Percentage of payments by due date per sector, 2019-2023, G2B

Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

The main reported consequence of late payments in Slovenia, according to 69% of Slovenian firms surveyed by Intrum, is firms experiencing limitations in their capacity to expand on products and services they offer. Another significant effect is the ability to pay suppliers. Many firms also reported the negative effects that this has on their capacity to become more sustainable, as they lack the funds to make appropriate investments. Finally, it is also common for Slovenian firms to experience issues in terms of digitalisation, both with regards to implementation of strategies already set up, and the capacity to pursue digital innovation.

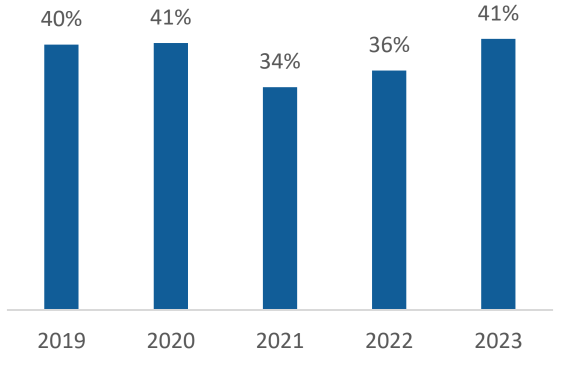
SPAIN

In 2023, the number of Spanish companies reporting issues caused by late payments was 41%, below the European average of 47%. However, the situation seems to have worsened, returning as it has to 2020 levels. It has the highest proportion of affected firms during the whole 2019-2023 period (see below figure).

Compared to 2022, the average payment period in Spain in B2B transactions in 2023 remained stable at 80 days. Cash flow imbalances seem to have a significant role in business transactions, resulting in lengthened payment times to suppliers[28]. In addition, high inflation rates, low consumer confidence and increasing regulatory compliance pressure are amongst the biggest challenges for Spanish companies.

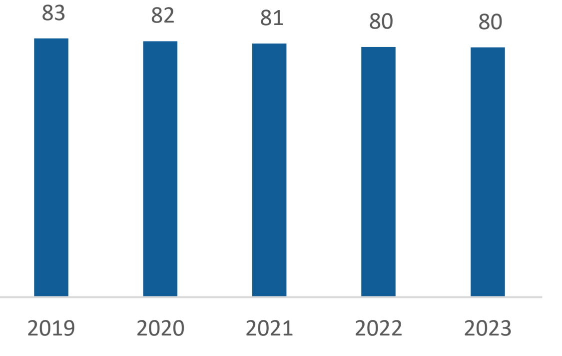
Monthly data on late payments in the Spanish public sector are publicly available on the Spanish Treasury (Ministerio de Hacienda) website. The average payment periods at central, regional and local level for 2019-2023 are displayed in the figure below.

Figure 123: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

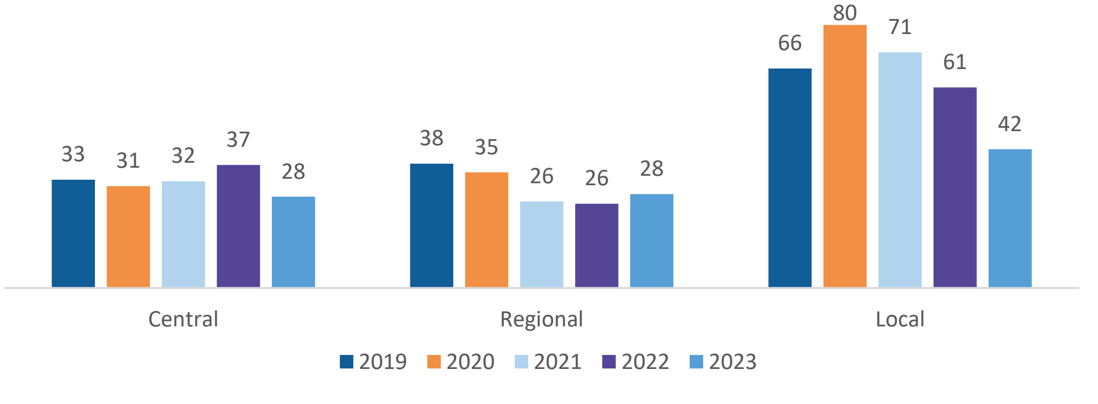
Figure 124: Average payment period in number of days, 2019-2023, B2B



Source: EU Payment Observatory elaboration on Cepyme.

Local Spanish administrations show a reduction of 18.67 days on average in 2023 on their payments to suppliers. These are the lowest payment times observed during the whole period assessed at local level. However, they still settle their invoices later than central and regional administrations, which have an average payment period in 2023 of 27.59 and 28.41 respectively. In the case of the central administrations, this also represents the lowest value since 2019. At regional level, payment times deteriorated by two days in 2023 compared to 2022.

Figure 125: Average payment period in the Spanish public sector in number of days, 2019-2023



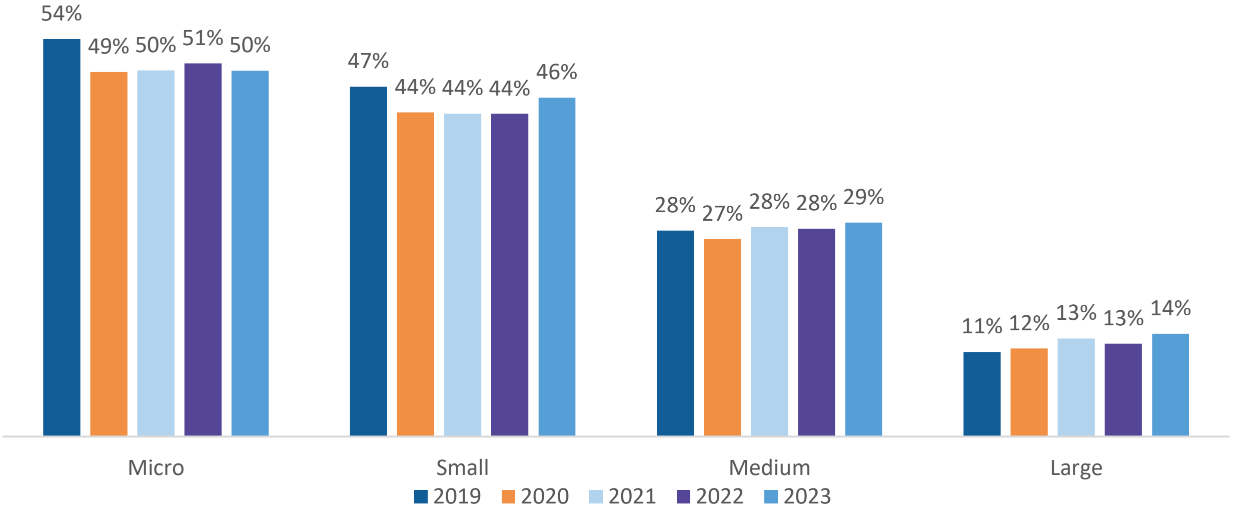
Source: EU Payment Observatory elaboration of Spanish Treasury data.

[28] Atradius (2024), Payment Practices Barometer Spain, https://group.atradius.com/publications/payment-practices-barometer/b2b-payment-practices-trends-spain-2024.html.

When analysing on-time payments by company size, an inversely proportional relationship can be observed, as in most EU countries (see below figure): as the company size increases, the payment performance decreases. Despite showing a small increase in the share of on-time payments in 2023 compared to 2022, large companies are still at the bottom of the ranking, with only 14% of their payments made on time. Medium companies' behaviour in terms of payments are not very satisfactory either, with fewer than one third of the payments made on time (29% in 2023), even though they also experienced a small improvement. In contrast, micro and small companies qualify as the best performers among Spanish companies, with 50% and 46% of on-time payments in 2023. This figure represents a two percentage point improvement for small companies, as well as a slight deterioration for micro companies.

The Spanish government estimates that 32 500 Spanish firms are affected by late payments[29]. This includes all types of companies. However, the impact on SMEs is particularly relevant, given the high financial costs they must face, as well as the threat it may represent to their survival. In view of this, the Spanish government[30] is creating in 2025 the State Observatory of Private Late Payments (Observatorio Estatal de Morosidad Privada). In this frame, companies that do not face their obligations on time, especially paying their suppliers, will appear on an annually published list[31].

Figure 126: Percentage of on-time payments across company sizes, 2019-2023, B2B[32]



Source: EU Late Payment Observatory elaboration on Informa D&B.

Payment performance of Spanish companies also differs by sector (see below figure). Compared to 2022, most sectors evidence an improvement, with a small increase in the share of on-time payments. Retail trade and wholesale continue to be the top performers in 2023, with around half of their payments made on time (50% and 49% respectively). On the other side, despite having specific measures in place since 2021[33], transport and logistics is still the sector with the worst payment behaviour. In 2023, slightly above one third of their payments were made on time to their suppliers. In addition, construction appears to be the sector with the largest increase in the share of payments made on time, going from 37% in 2022 to 49% in 2023.

On the other side, the share of invoices that are punctually paid published by Cepyme in Spain shows similar results over the past few years. More specifically, the percentage of invoices paid on time in B2B transactions reaches 97%. The rest of the invoices are paid either between 31 and 60 days (1.5%) or over 60 days (1.5%).

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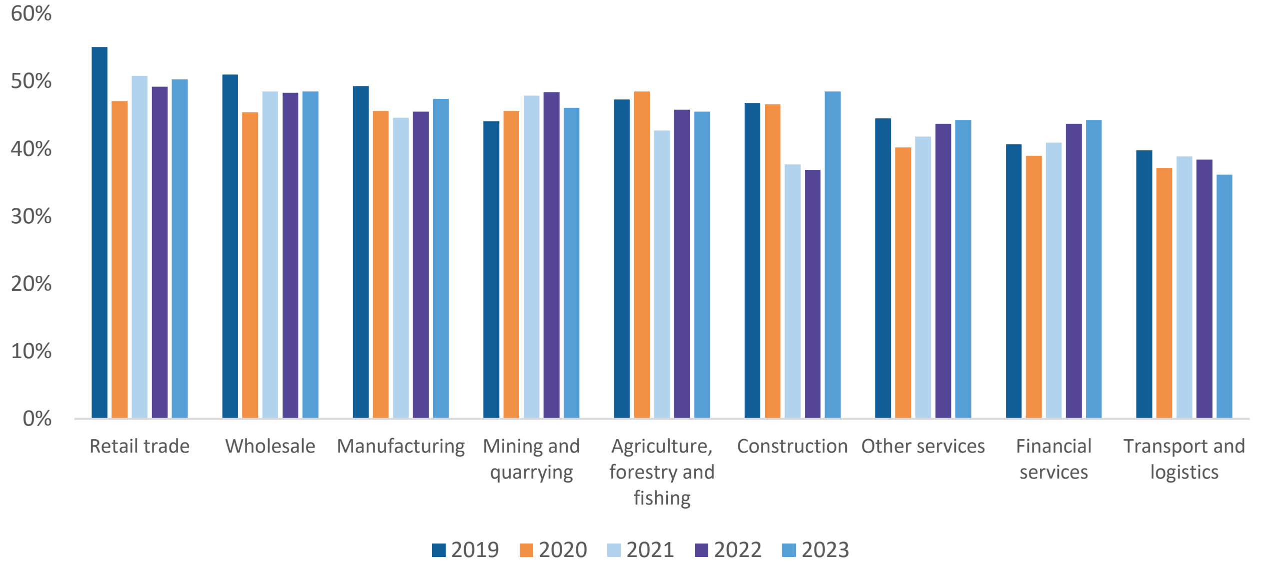
[29] Ministerio de Industria y Turismo (2024), El Gobierno crea el Observatorio Estatal de Morosidad Privada.
[30] The Ministry of Industry and Tourism is in charge of creating and developing the State Observatory of Private Late Payments.
[31] La Moncloa (2024), 07/03/2024, Jordi Hereu reminds Europe of Spain's commitment to combating late payments in business, https://www.lamoncloa.gob.es/lang/en/gobierno/news/Paginas/2024/20240307-eu-competitiveness-council.aspx.
[32] Values for 2023 belong to Q3 because of unavailability of data for Q4.
[33] A sanctioning regime was established in 2021, introducing penalties for non-compliance with payment terms. In addition, an anonymous complaint mailbox was implemented, as well as transport arbitration boards and the publication of the list of sanctioned companies due to late payments.

Figure 127: Percentage of on-time payments by sector, 2019-2023, B2B

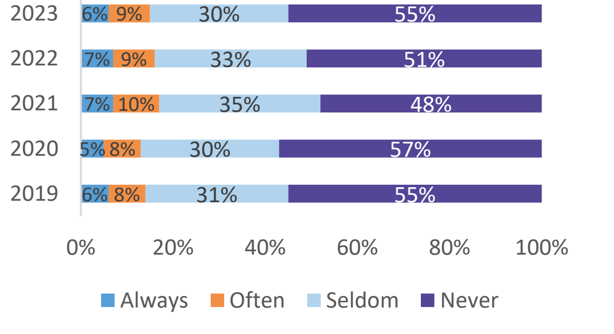


Source: EU Late Payment Observatory elaboration on Cribis/D&B Payment Study.

Companies can proceed in different ways when being affected by late payments. The EU Late Payment Directive states the right of creditors to claim interest for late payments and EUR 40 minimum as compensation for recovery costs. In Spain, the share of companies reporting claiming interests in both B2B and G2B transactions seem to have decreased in 2023. In particular, the number of companies indicating always claiming them has been reduced from 7% to 6% when compared with 2022, while those reporting doing it seldomly diminished from 33% to 30%.

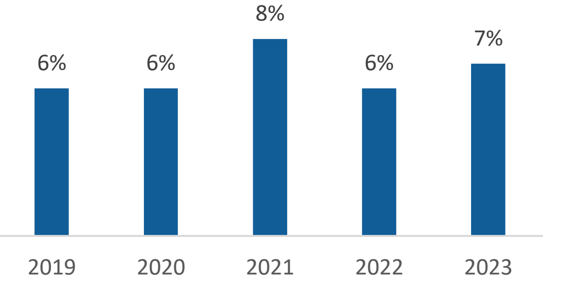
Furthermore, the number of Spanish companies reporting claiming compensation for legal recovery costs seems to have slightly increased, from 6% in 2022 to 7% in 2023 (see below figure). Yet these values are still significantly low. Moreover, Spanish respondents of the Intrum survey carried out in 2023 reported taking legal action as one of the most used measures when experiencing late payments (58%).

Figure 128: Percentage of companies reporting to claim interest in case of payment delays or default, 2019-2023, G2B and B2B



Source: EU Late Payment Observatory elaboration on Plataforma Multisectorial contra la Morosidad (PMCM).

Figure 129: Percentage of companies reporting to claim compensation for legal recovery costs in cases of payment delays or default



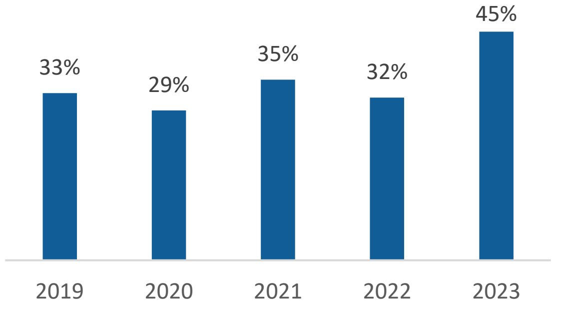
Source: EU Late Payment Observatory elaboration on Plataforma Multisectorial contra la Morosidad (PMCM).

SWEDEN

Fewer than 50% of companies in Sweden report having faced issues caused by late payments in the past six months. Although it has increased to 45% in 2023, from 32% in 2022, Sweden remains below the EU average. Traditionally, Sweden has had low shares of companies experiencing issues from late payments, having always remained below or significantly below EU average rates.

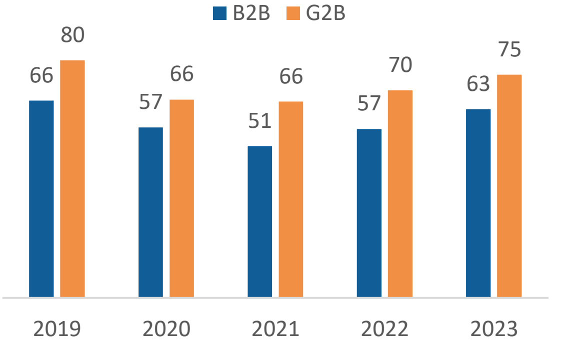
The 2023 increase in firms reporting issues is also reflected in average payment periods, which have increased in the past year, from 57 days to 63 days for B2B payments and from 70 to 75 days for G2B payments, making it the longest average G2B payment period in the EU.

Figure 130: Percentage of enterprises indicating they have faced issues due to late payments in the past 6 months, 2019-2023, G2B and B2B



Source: EU Payment Observatory elaboration on ECB/EC SAFE survey.

Figure 131: Average payment period in number of days, 2019-2023, G2B and B2B

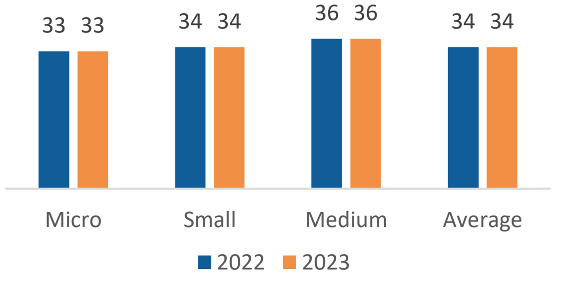


Source: EU Payment Observatory elaboration on Intrum European Payment Report.

Firms with more than 249 employees have been required by Swedish authorities to report their payment behaviour vis-à-vis their suppliers, per size, since 2022. The reporting is based on the size split between micro (0-9 employees), small (10-49), and medium-sized companies (50-249) and all the information is made public. According to the reports submitted by approximately 1000 Swedish firms, the payment periods of these companies in Sweden have not evolved over the two reporting periods available (July 2022-June 2023 and July 2023-June 2024), for all supplier sizes. In addition, they are significantly lower than those reported by suppliers in the Intrum survey and do not reflect a similar general increase in payment periods between 2022 and 2023.

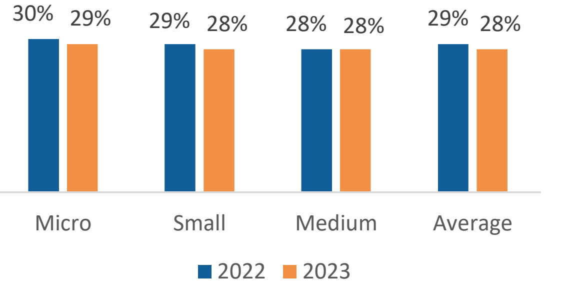
These Swedish companies have also been required to report on the share of payments they have made late. According to the data they have reported, they pay more than a quarter of their invoices (28%) late. This is reflected throughout payments to all types of suppliers, with micro companies receiving the largest share of payment after expiry date, at 29%.

Figure 132: Average payment period by reporting large firms in number of days, per provider size, 2022 and 2023, B2B



Source: EU Payment Observatory elaboration on Swedish Companies Registration Office.

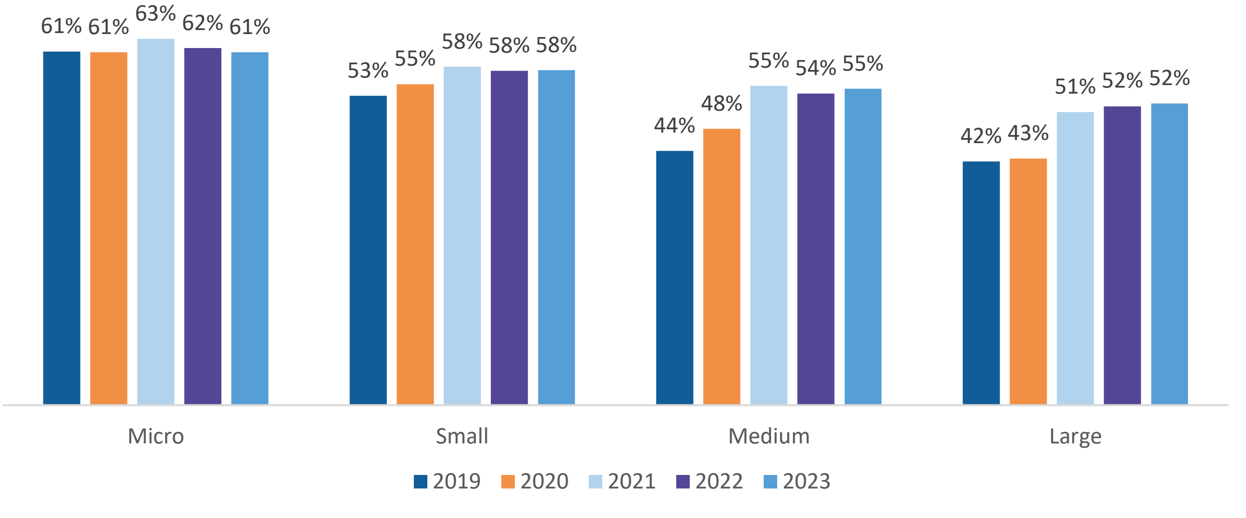
Figure 133: Share of late payments to providers by reporting large entities, per provider size, 2022 and 2023, B2B



Source: EU Payment Observatory elaboration on Swedish Companies Registration Office.

When looking instead at Cribis data on payment performance by company size, which are not self-reported but are based on transactions, a very similar situation to the one found across Europe can be seen in Sweden. Micro companies are consistently better at paying their invoices, with 61% paid by the due date in 2023. Small companies tend to pay their invoices on time in 58% of transactions. The two remaining categories, medium and large firms, remain the worst payers, with 55% and 52% respectively. Although they continue to be the worst payers in Sweden, the gap has decreased substantially compared to previous years. In 2019 and 2020, fewer than 50% of their payments were reported to be made by the due date. Both groups have since surpassed that benchmark over the past three years, reducing the gap with micro companies, from close to 20% down to less than 10%. In fact, the size of a firm is becoming a less relevant indicator in explaining payment differences in Sweden.

Figure 134: Percentage of payments by due date across company sizes, 2019-2023, B2B

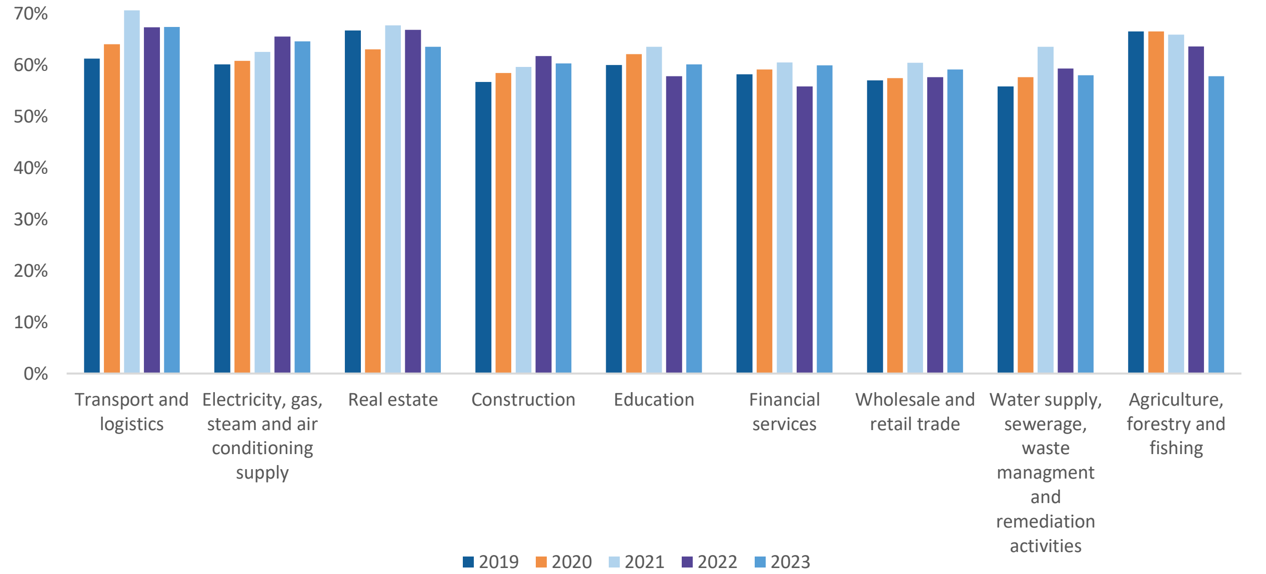


Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

All sectors in Sweden seem to pay similar shares of their invoices by the due date. With 17 sectors, Sweden is the country with the most various sectoral coverage. When dividing the share of on-time payments per sector, transport and logistics is the sector that comes out on top, with two thirds of payments made by the due date. The sector that performed worst in 2023 was information and communication, where only 55% of invoices were paid by the due date. While this indicates a certain amount of difference between the best and worst payers, it shows that, among the 17 sectors observed, all complete their payments on time on more than half the occasions. This has been the case for all sectors throughout the entire 2019-2023 observation period.

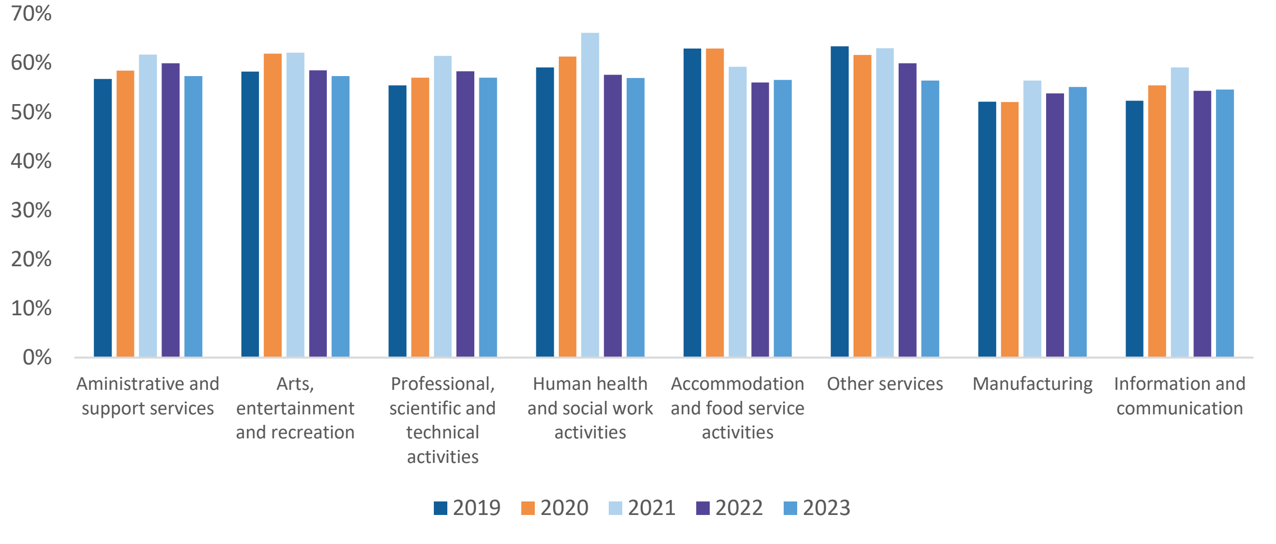
In the last covered year, however, most firms have experienced a deterioration in on-time invoice payments. In fact, in 10 of the 17 sectors the situation has deteriorated. Nevertheless, there are six sectors where the payment performance improved in 2023 when compared to 2022. These increases are, however, of only between 1 and 4% in all cases, with the largest increase observed in financial services, and the decreases range from one percentage point to six percentage points.

Figure 135: Percentage of payments by due date per sector, 2019-2023, B2B



Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

Figure 136: Percentage of payments by due date per sector, 2019-2023, B2B



Source: EU Payment Observatory elaboration on Cribis/D&B Payment Study.

The payment performance of Swedish companies seems to follow a very stable evolution with neither major increases nor increases in the past few years. The common use of trade credit is something to highlight in the Swedish case. According to a study conducted by Atradius, trade credits are offered to suppliers by four out of five companies. In fact, 60% of all B2B sales are currently made using trade credit[34].

Furthermore, as while this seems to indicate a stable business environment, the same study performed by Atradius highlights that Swedish firms have expressed certain fears of future

[34] Atradius (2024), B2B payment practices trends Sweden, Atradius Payment Practices Barometer 2024. https://group.atradius.com/publications/payment-practices-barometer/b2b-payment-practices-trends-sweden-2024.html.

market evolutions. Companies have in fact highlighted the current health of the Swedish economy as their main concern for the present and the future. This fear stems from the Swedish economy having started to stagnate. Firms have also highlighted certain external factors as posing a risk to their activities, such as cyberattacks and the current geopolitical situation. Finally, sustainability has also developed to become a major concern for certain sectors, as they experience climate change and find themselves imposed upon with stricter requirements.

4. DRIVERS OF ON-TIME PAYMENTS

INTRODUCTION

Scope of the section

Timely payments in commercial transactions are a cornerstone of healthy business operations and economic stability, with a range of factors shaping the likelihood that entities will adhere to scheduled payment terms. Understanding such drivers is crucial for developing strategies that encourage on-time payments and mitigate the negative impacts of delayed financial transactions.

This section discusses the role that the establishment of a culture of prompt payments plays in tackling late payments, and also discusses notable country-specific and sector-specific examples. Methodologically the section is developed from desk research findings and insights gathered through stakeholder consultations. In terms of its material and geographical scope, the section covers B2B transactions in the European Economic Area (EEA) Member States and in the UK.

Brief overview of findings

Payment culture, which encompasses the behaviour of both individual firms and broader national trends, plays a significant role in ensuring on-time payments. Initiatives and stricter payment terms have been shown to contribute to a culture of prompt payment. Research indicates that embedding prompt payment practices within company culture and clear company priorities that value timely payments can significantly improve payment behaviour. Nevertheless, one should bear in mind that late payments can also be the result of non-wilful circumstances rather than deliberate strategies, suggesting that targeting the top of the supply chain could effectively mitigate the issue.

Regulatory measures and technological advancements are also critical in ensuring on-time payments. With the enforcement of available rules remaining a challenge, it is crucial to strengthen sanctions and designate national authorities for enforcement. Technological solutions such as eInvoicing can facilitate on-time payments by reducing administrative errors and costs, although they do not automatically change payment behaviour.

Furthermore, **credit management education is important, particularly for SMEs, to manage credit relationships effectively, which highlights the need for accessible training and strengthened financial literacy**. Country-specific measures, such as the UK's Prompt Payment Code and Spain's legal reforms in the transport sector, are examples that are improving payment times and encouraging a culture of prompt payment.

DRIVERS OF ON-TIME PAYMENTS

Building a culture of on-time payments

Late payment is caused by a variety of cross-cutting drivers that can be found in all sectors and in businesses of all sizes. Cash flow and late payments trickling down the supply chain are two key factors influencing late payment[35]. Moreover, in worsening economic

[35] UK Department for Business & Trade (2023), 'Payment and cash flow review Report', https://www.gov.uk/government/publications/publication-of-the-prompt-payment-and-cash-flow-review.

conditions, for instance during the Covid-19 pandemic and times of inflation, late payments also become more prevalent[36].

Payment culture is often seen as key to improving payment performance and has attracted considerable attention from policymakers[37]. The Proposal for a Regulation on combating late payment in commercial transactions[38] stipulates that 'a decisive shift to a culture of prompt payment […] is necessary to reverse this trend and to discourage late payment[39]'. Similarly, the SME Strategy for a sustainable and digital Europe adopted in 2020 held that 'there needs to be a decisive shift towards a new business culture in which prompt payment is the norm[40]'.

Payment culture is essentially about payment behaviour[41]. It is possible to distinguish wider payment culture embedded in the business climate from payment culture as behaviour of the individual firm. Two factors seem to be at play in determining overall payment behaviour. Firstly, national payment culture plays an important role. This is evidenced in the Nordic countries where there are not many initiatives to prevent late payment, despite these being the Member States with better payment performance, especially in the public sector. However, the stipulation of stricter payment terms is also a determinant for payment culture[42]. A 2018 study found that countries with stricter payment terms were also characterised by a stronger prompt payment culture. Similarly, the Netherlands enjoys better payment performance, but it is also one of the countries where there are more initiatives for preventing late payments. Generally, research indicates that a prompt payment culture particularly improves in countries that take drastic action, suggesting that legislative measures, coupled with effective enforcement, can be key drivers in transforming payment practices[43].

There is less research and evidence about how prompt payment is affected by the individual company culture. A report[44] by the UK Department for Business and Trade sees culture as 'embedded practices', that is, 'we've always done it this way'. In this vein, the cultural practices of businesses need to change to improve payment culture overall[45]. The Good Business Pays campaign in the UK sees fast payment to suppliers as relating to individual company values. As such, it is part of the business fabric, with the tone of the company culture set by the Board of Directors and implemented by management. Moreover, the initiative found that within the fastest paying organisations, the CEO and the CFO had been with the company for a long time, thereby providing consistent leadership. Consistency makes it is easier to implement a fast payment culture by, among other things, enshrining company values in documents that can be reinforced and operationalised over time[46].

Research also distinguishes between wilful and non-wilful late payments. Non-wilful late payments are affected by circumstances beyond the debtor's control. Wilful late payments relate to companies deliberately continuing to delay the payment as a form of free financing. The study found that unwilful late payments were the most common, with 40% of surveyed

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[36] European Commission (2023), IMPACT ASSESSMENT REPORT: Proposal for a Regulation of the European Parliament and the Council on combating late payments in commercial transactions, https://single-market-economy.ec.europa.eu/system/files/2023-09/SWD_2023_314_1_EN_impact_assessment_part1_v2.pdf.

[37] European Commission (2022), Study on building a responsible payment culture in the EU – Improving the effectiveness of the Late Payment Directive (2011/7/EU), Publications Office of the European Union, https://data.europa.eu/doi/10.2873/34185.

[38] Proposal for a Regulation of the European Parliament and of the Council on combating late payment in commercial transactions COM(2023) 533 final.

[39] Ibid, Recital 11.

[40] European Commission (2020), Communication on an SME Strategy For A Sustainable And Digital Europe, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0103.

[41] UK Department for Business and Trade (2024), Late payments research: understanding variations in payment performance and practices across business sectors and sizes: Executive Summary, https://www.gov.uk/government/publications/late-payments-research-performance-and-practices-across-business/late-payments-research-understanding-variations-in-payment-performance-and-practices-across-business-sectors-and-sizes-html-executive-summary.

[42] European Commission (2024), EU Payment Observatory: Annual Report, https://single-market-economy.ec.europa.eu/document/download/bf257acd-ba43-49b8-92a0-dddac6faa6e5_en?filename=EU%20Payment%20Observatory_Annual%20Report%202023_EA-05-24-155-EN-N.pdf.

[43] Ibid.

[44] UK Department for Business & Trade (2023), Payment and cash flow review, Report, https://www.gov.uk/government/publications/publication-of-the-prompt-payment-and-cash-flow-review.

[45] Ibid.

[46] Corby. T. (2022), 'Understanding Payment Culture Insights from the Fastest Paying Companies in the UK', https://goodbusinesspays.com/wp-content/uploads/2022/11/GBP-Report-EMAIL.pdf.

businesses citing **being subjected to late payment themselves** as a key factor, and 29% citing **worsening economic conditions** as a cause of late payments. Only 18% of surveyed businesses suggested that late payments are driven by wilful behaviour. As such, the study proposed that targeting late payment behaviour at the top of the supply chain may have the most significant impact, thereby preventing the trickling down effect of late payments[47].

A prompt payment culture offers numerous advantages. It builds trust and reputation among suppliers, creditors and customers. A reputation for reliability can be a significant competitive advantage, leading to the company becoming the customer of choice[48]. Moreover, prompt payment is also about legal compliance, not only with current legislation (both at national and EU levels) but also with a business' own contractual commitments. There is an ethical aspect of honouring contractual agreements, which includes making payments as stipulated. Breaching such agreements can be seen as unethical and can also lead to legal consequences.

Regulatory environment

It is crucial to have a legal framework regulating payment terms alongside other measures that can incentivise a prompt payment culture. However, the challenge persists over how to successfully balance the principle of freedom of contract with regulation. Moreover, the need to also consider individual sector characteristics makes formulating legislation difficult.

While payment behaviour in the EU overall has improved since the implementation of the Late Payment Directive (LPD), around 50% of businesses in the EU are still not paid on time[49]. In 2023, the European Commission identified concerns over effectiveness of the legislative framework in advancing prompt payment behaviour.

The lack of an effective enforcement in particular has been identified as a weakness in the current legislative framework. The enforcement measures in the current Directive relate to suppliers claiming interest or late payment fees. However, it is at the discretion of the creditor to claim these. As such, power dynamics between larger companies and SMEs, as well as the fear of damaging relationships, seem to prevail and are common factors to not exercise the rights under the Directive[50]. Ireland and Czechia are the two countries in Europe with the highest use of the rights to sanction under the LPD (68% and 59% respectively). In Ireland, this can be attributed to 'a shared understanding of the importance of fostering a robust payment culture[51]'. The country has one of the highest percentages of companies involved in a voluntary payment initiative, indicating a 'high level of commitment […] to cultivating good payment behaviours, likely influencing companies to opt for claiming interest and compensation on the money owed[52]'.

Moreover, redress is not considered sufficiently effective under the current legislative framework, as it can only be obtained through long and costly court procedures. Thus, many debtors are not sufficiently motivated to pay on time, instead using late payment as a financing mechanism rather than taking banking credit. As the European Parliament noted: 'the consequences of late payment are not imminent or unavoidable[53]'.

In light of this, it is particularly important that sanctions are effectively enforced. The proposal for a Regulation on combating late payments suggests that it should not be possible

[47] UK Department for Business & and Trade (2024), 'Late payments research: understanding variations in payment performance and practices across business sectors and sizes', https://www.gov.uk/government/publications/late-payments-research-performance-and-practices-across-business/late-payments-research-understanding-variations-in-payment-performance-and-practices-across-business-sectors-and-sizes-html-executive-summary.

[48] Corby, T. (2022), 'Understanding Payment Culture Insights from the Fastest Paying Companies in the UK', https://goodbusinesspays.com/wp-content/uploads/2022/11/GBP-Report-EMAIL.pdf.

[49] European Commission (2023), Impact assessment report: Proposal for a Regulation of the European Parliament and the Council on combating late payments in commercial transactions, https://single-market-economy.ec.europa.eu/system/files/2023-09/SWD_2023_314_1_EN_impact_assessment_part1_v2.pdf.

[50] EU Payment Observatory (2023), 'Enforcement measures combating late payments in commercial transactions', https://single-market-economy.ec.europa.eu/document/download/4d5faf6a-0b52-447c-8ba8-a29762c830e4_en?filename=Thematic%20report%20on%20enforcement%20measures_Final.pdf.

[51] Ibid, p19.

[52] Ibid.

[53] European Parliament (2024), 'Initial Appraisal of a European Commission Impact Assessment: Combating Late Payment', https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/757800/EPRS_BRI(2024)757800_EN.pdf.

for the creditor to waive its right to obtain interests for late payments (Recital 17). In this vein, interests have a double function, both to offset part of the damage suffered by the creditor, and to sanction the debtor for the breach of contract[54]. Moreover, the Proposal suggests that Member States designate national authorities responsible for enforcement (Recital 26; and Article 13). Their tasks would include, among other things, conducting investigations on their own initiative, acting on complaints and imposing sanctions (Article 14).

Lastly, legislation is only as effective as the intended stakeholders are aware about its existence. As mentioned in the stakeholder consultations[55], this holds particularly true in cross-border transactions, where the legislation may differ from country to country. In this light, it is crucial that businesses are kept aware of any legislative changes. Proactive dissemination of information and education on legislative updates is essential to help businesses navigate the complexities of varying legal frameworks.

Technological factors

Technology is often cited as a valuable tool to facilitate on-time payments[56], as it can help to streamline processes and enhance efficiency in transactions. The move from paper-based invoicing to electronic invoices (eInvoices) is believed to help reduce late payments as it may be easier for companies to deal with payment processes electronically and thus, prevent invoices from being forgotten[57].

eInvoicing may also help in cutting administrative costs for businesses, as well as in reducing error rates, while enabling immediate data transfer. Data from the UK shows that as many as 24% of late payments could be attributed to administrative errors, such as a failure to log invoices. Notably, large businesses are more likely to report administrative errors than SMEs[58]. Data from the EU suggests that, of around 15% of the invoices transacted in Europe, incorrect information was a reason for delay in payment[59].

Other benefits to eInvoicing relate to time savings. Data from Italy, where eInvoicing is common thanks to both B2B and G2B mandates, show that 29% of eInvoice senders report benefits such as time savings. More importantly, 53% of debtors also report benefits of eInvoices. Time savings seem to be one of the clearest benefits, with evidence showing that eInvoices tend to be settled five to seven days earlier than paper invoices[60]. eInvoicing may also reduce costs. A Belgian study conducted found that electronic invoicing could potentially save 54% of total invoicing costs for the issuer, and 72% for the receiver in comparison with paper-based invoices. However, the same study found that the actual cost savings could be lower in practice[61].

In recent years, digital banking, software and online accountancy programmes have been developed, offering a myriad of different solutions. However, despite the potential benefits of eInvoices, research indicates that the technology does not automatically change payment behaviour[62]. It has a 'great potential to improve payment efficiency', yet it does not

[54] European Commission (2023), 'Proposal for a regulation of the European Parliament and of the council on combating late payment in commercial transactions', https://single-market-economy.ec.europa.eu/document/download/55355947-6877-4a07-83ed-e16b74d0d09d_en?filename=COM_2023_533_1_EN_ACT_part1_v7.pdf.

[55] Focus Group on Drivers of on-time payments, 18 September 2024.

[56] European Commission (2022), 'Study on building a responsible payment culture in the EU: improving the effectiveness of the Late Payment Directive (2011/7/EU)', https://op.europa.eu/en/publication-detail/-/publication/cb4bc1bd-1467-11ed-8fa0-01aa75ed71a1/language-en.

[57] European Commission (2023), 'Impact assessment report: proposal for a Regulation of the European Parliament and the Council on combating late payments in commercial transactions', https://single-market-economy.ec.europa.eu/system/files/2023-09/SWD_2023_314_1_EN_impact_assessment_part1_v2.pdf.

[58] UK Department for Business & and Trade (2024), 'Late payments research: understanding variations in payment performance and practices across business sectors and sizes' https://www.gov.uk/government/publications/late-payments-research-performance-and-practices-across-business/late-payments-research-understanding-variations-in-payment-performance-and-practices-across-business-sectors-and-sizes-html-executive-summary

[59] EU Payment Observatory (2024) 'How electronic invoicing helps reduce late payments in commercial transactions' https://single-market-economy.ec.europa.eu/document/download/8970b069-89d5-4153-a417-fcd908988ca7_en?filename=E-invoicing%20Thematic%20Report_Final_N.pdf

[60] Ibid.

[61] Poel, K., Marneffe, W., Vanlaer, W. (2016) 'Assessing the electronic invoicing potential for private sector firms in Belgium, the International Journal of Digital Accounting Research', Vol. 16, pp. 1–34. https://efactuur.belgium.be/sites/default/files/1577-8517-v16_1.pdf

[62] Ibid.

'necessarily improve *payment behaviour*[63]'. As such, eInvoicing on its own is unlikely to tackle late payments, especially if there is a lack of enforcement of the legislative framework[64].

The perceptions among stakeholders on the effectiveness of technology is mixed. One consulted stakeholder[65] stated that eInvoicing had made a difference in combating late payments, whereas the results of the SME consultation panel in relation to the Commission's Impact Assessment found that 44% of respondents considered that eInvoicing *did not help* to receive payments on time. A not insignificant number of 31% of respondents felt that eInvoicing *did help* in receiving payments on time. However, the question in the SME panel was not posed as an open-ended one. As such, it does not reveal how technology interacts with other measures. In conclusion, the review of available data seems to support the notion that technology can act as a facilitator but is not the main solution to the late payment challenge.

Credit management education and skills, especially for SMEs

In view of the importance of cash flows for late payments, credit management education is a crucial tool for businesses to manage credit relationships better and, especially, more effectively. It is particularly important for SMEs, as they may not have the same knowledge and experience as larger companies in managing credit[66].

The proposal for a Regulation combating late payments highlights the importance of credit management tools and financial literacy training for SMEs. Article 17 of the proposed revised legislative framework calls upon the Member States to ensure that those are available and accessible to SMEs, as evidence indicates that the availability of credit management education is not particularly accessible for SMEs because of its high costs and the long duration of courses[67].

Moreover, for SMEs, the ability to effectively manage credit is often not merely a financial competency, but also a critical business function that directly impacts cash flow and long-term viability. By investing in credit management education, SMEs can gain a comprehensive understanding of credit assessment, risk analysis and the establishment of credit policies that align with their business models. This education helps SMEs to, among other things, set clear credit terms that encourage timely payments. Furthermore, SMEs can learn to use credit reporting and monitoring tools to stay informed about their customers' payment behaviours.

Enhancing credit management skills among SMEs also involves training in effective communication and negotiation strategies, as they must be skilled at communicating their payment terms and conditions to customers. This includes the ability to convey the importance of on-time payments to their customers and the potential consequences of late payments, such as interest charges or cessation of services. Crucially, SMEs can benefit from learning how to maintain positive customer relationships while enforcing payment terms, as well as how to handle disputes and resolve issues that may be leading to late payments.

National practices driving on-time payments

UK

The UK's **Prompt Payment policy** was established in 2015 with the aim of making public offices set a good example for the private sector in terms of payment culture. As such, the policy stipulated that as of April 2015, all in-scope organisations[68] had to publish, on a quarterly basis,

[63] Ibid, p27.
[64] European Commission (2023), 'Impact assessment report: Proposal for a Regulation of the European Parliament and the Council on combating late payments in commercial transactions', https://single-market-economy.ec.europa.eu/system/files/2023-09/SWD_2023_314_1_EN_impact_assessment_part1_v2.pdf.
[65] Focus Group on Drivers of on-time payments, 18 September 2024.
[66] European Commission (2023), 'Impact assessment report: Proposal for a Regulation of the European Parliament and the Council on combating late payments in commercial transactions', https://single-market-economy.ec.europa.eu/system/files/2023-09/SWD_2023_314_1_EN_impact_assessment_part1_v2.pdf.
[67] Ibid.
[68] In-scope organisations relate to central government departments, including their Executive Agencies and Non Departmental Public Bodies, https://www.gov.uk/government/publications/procurement-policy-note-0515-prompt-payment-and-performance-reporting.

the percentage of their invoices paid within i) 5 days, and ii) 30 days. From April 2016, relevant organisations also had to publish all interest liable under the late payment legislation on a quarterly basis[69].

In September 2019, the Prompt Payment Policy also started applying to suppliers bidding for central government contracts above £5 million per year. In bidding for contracts, suppliers need to demonstrate that they have effective payment systems. They can demonstrate this by showing that they pay at least 95% of their invoices within 60 days. Starting from 1 April 2024, all suppliers also have to ensure that they pay their invoices within an average of at least 55 days. Both criteria must be fulfilled in at least one of the two previous six-month reporting periods. In the event that the suppliers fail the criteria to pay 95% of invoices within 60 days but manage to pay 90% of invoices in the specified timeframe, they can submit a detailed action plan on how they aim to fulfil the criteria going forward. Large businesses are already required to publish their payment performance under the Reporting and Payment Practices and Performances Regulation 2017, which they can then use to demonstrate their compliance with the requirements.

In addition, as of October 2024, the **Procurement Act** 2023[70] mandates all public procurement contracts to include a 30-day payment term, which will be implied even if it is not explicitly written out (Section 68(2), Section 88(2)). The term will also be applicable to any subcontracts that are wholly or substantially meant to contribute to the performance of the public contract (Section 88(8)). Moreover, invoices will have to be paid within 30 days upon receipt, not when they are validated[71]. Since Section 88(8) stipulates that these provisions are applicable to subcontractors as well, this change will apply to the entire supply chain.

The UK Government had already established the Prompt Payment Code in 2008, directed to the private sector as an initiative attempting to change the payment culture[72]. It is a voluntary code for businesses, administered by the Office of the Small Business Commissioner (OSBC) on behalf of the Department for Business and Trade (DBT). By signing up to the code, signatories agree to pay suppliers on time, within agreed terms, give clear guidance to suppliers on terms, dispute resolution and prompt notification of late payment. Furthermore, the signatories undertake to support good practice throughout their supply chain by encouraging adoption of the Code. In January 2021, the **Code was further strengthened** by requiring signatories to, among other things, pay 95% of invoices within 60 days, and pay 95% of invoices from small businesses within 30 days. The strengthening of the Code also included signatories to recognise the right of suppliers to charge late payment interest and charges if an invoice is paid late without justification.

Furthermore, a new Fair Payment Code[73] is planned to be launched in the UK in 2024. Through this, the Small Business Commissioner – with the support of the DBT – will replace the existing Prompt Payment Code. The latter's goal will be to reward businesses for paying suppliers quickly and treating them fairly. In addition to 'a set of fair payment principles that companies are required to sign up to', the new Code will include three award categories: gold, silver and bronze. The gold status will be awarded to companies that pay 95% of their suppliers within 30 days, while the silver status will be for companies paying 95% of their small business suppliers within 30 days and all other suppliers within 60 days. Companies paying 95% of suppliers within 60 days will receive the bronze award. As explained on the Small Business Commissioner's website[74], the new Code is more ambitious as it establishes higher standards, including the exemplary gold category, and aspires to support businesses in enhancing their payment practices, enabling them to progress from bronze to silver and, eventually, to gold over time. It

[69] Crown Commercial Service (2015), Procurement Policy Note – Prompt Payment Policy and Reporting of Performance, https://assets.publishing.service.gov.uk/media/5a814a65e5274a2e8ab532bf/PPN_05-15_Prompt_Payment_Policy_and_Reporting_of_Performance.pdf.

[70] Procurement Act 2023, https://www.legislation.gov.uk/ukpga/2023/54/contents.

[71] Section 88(2) stipulates the following: 'Any sum due to be paid under the contract by the contracting authority must be paid before the end of the period of 30 days beginning with — (a) the day on which an invoice is received by the contracting authority in respect of the sum, or (b) if later, the day on which the sum first became due in accordance with the invoice.'

[72] Small Business Commissioner (2024), 'What is the PPC', https://www.smallbusinesscommissioner.gov.uk/ppc/about-us/.

[73] Small Business Commissioner (2024), https://www.smallbusinesscommissioner.gov.uk/new-fair-payment-code/.

[74] Ibid.

will also feature a more stringent application process, a two-year limit on awards, and a stronger enforcement approach.

As the **Small Business Commissioner** plays a crucial role in the establishment of the new Fair Payment Code, it is useful to provide an overview of the Commissioner's role and effectiveness. The Small Business Commissioner is 'an independent public body set up by Government under the Enterprise Act 2016 to tackle late payment and unfavourable payment practices in the private sector[75]'. It assists small businesses in receiving timely payments, encourages large businesses to enhance their payment times to suppliers, and collaborates with all businesses to improve the culture of payment practices throughout the UK. In addition, the Commissioner engages in various activities to improve outcomes for small businesses and works with the Government, as well as partners in the private and third sectors, to raise awareness about the impact of late payments and unfair payment practices. Notably, the Commissioner has a statutory obligation to review complaints from small businesses about late payments and to offer advice and support on issues related to late payment and payment practices in the private sector. The Commissioner's website offers the possibility of directly raising a complaint through an online form.

The UK government carried out a statutory review to look at the effectiveness of the Commissioner's role[76]. It is based upon, among other things, 99 responses received from individuals and organisations, with most responses submitted 'on behalf of small businesses, including a number of representative bodies[77]'. While the review responses indicated ongoing support for the Small Business Commissioner's role, many respondents also felt the Commissioner has had limited impact on business relationships. Key reasons for this included insufficient resources or power for the Commissioner, the need for a clearer and more cohesive policy landscape, low awareness of the Commissioner and its role, and the necessity for cultural changes in some businesses. The report concluded that 'the current functions delivered by the SBC could be made more efficient and effective by being more joined-up with other similar functions[78]'.

Another initiative emerging from the UK is the **Fast Payer Awards**. The Good Business Pays campaign was launched by Terry Corby with the support of the Federation of Small Businesses in May 2021. The initiative aims to encourage the UK's largest companies to fast-track payments to small suppliers, helping them bounce back from the Covid-19 pandemic and inject capital into the economy. It publishes a 'Late & Slow Payers Watch List' with companies who are showing the worst payment performance figures as part of the Government's Payment Practices & Performance Regulations. The campaign also gives out the Fast Payer Awards, which is an annual accreditation and award given to companies that pay their suppliers quickly (i.e. in well under 30 days) and pay almost all their invoices within agreed terms (i.e. more than 95%)[79].

Spain

In July 2012, the National Federation of Transport Associations of Spain *(Federación Nacional de Asociaciones de Transporte de España, FENADISMER)* together with The Quijote Foundation for Transport (*La Fundación Quijote para el Transporte)* set up the Permanent observatory of late payment and payments in the sector of road transport (***Observatorio permanente de la morosidad y los pagos en el sector del transporte por carretera***). While on average the number of Spanish businesses that reported problems due to late payment has slightly decreased in the years 2019-2023[80], the road sector has historically shown significant challenges in terms of prompt payment behaviour in Spain. As such, the Observatory sets out to monitor payment behaviour of companies in the road transport sector on a monthly basis.

[75] https://www.smallbusinesscommissioner.gov.uk/

[76] 'Statutory review of the Small Business Commissioner response to views and evidence: Corporate report', https://www.gov.uk/government/publications/publication-of-the-prompt-payment-and-cash-flow-review/statutory-review-of-the-small-business-commissioner-response-to-views-and-evidence#summary-of-findings.

[77] Ibid.

[78] Ibid.

[79] Corby, T. (2022), 'Understanding Payment Culture Insights from the Fastest Paying Companies in the UK', https://goodbusinesspays.com/wp-content/uploads/2022/11/GBP-Report-EMAIL.pdf.

[80] EU Payment Observatory (2023), 'Annual Report 2023', https://op.europa.eu/en/publication-detail/-/publication/64b65de2-d643-11ee-b9d9-01aa75ed71a1/language-en.

The impact of late payments in the transport sector is particularly detrimental because of its specific characteristics. **The road transport sector is predominately made up of small companies**: the average public transport company with national authorisation does not exceed 3.53 vehicles, while this figure is 4.26 in the case of companies authorised to provide transport with any type of vehicle. However, 52% of companies dedicated to the transport of goods with heavy vehicles only have one vehicle[81]. As a result, these micro companies become highly vulnerable to late payments.

In view of this, the Spanish government aims to tackle late payment in the road transport sector through the adoption of Law 13/2021[82]. This legislative piece stipulates that payment terms longer than 30 days need to be agreed in writing, and terms of over 60 days are prohibited. Importantly, it introduced sanctions for non-compliance according to the amount owed:

- €601 to €800 penalty when the price of transport is between €1 000 and €1 500
- €801 to €1 000 penalty when the transport price is between €1 501 and €3 000
- €1 001 to €2 000 penalty when the price of transport is between €3 001 and €4 000
- €2 001 to €4 000 penalty when the transport price is between €4 001 and €6 000
- €4 001 to €6 000 penalty when the price of transport is greater than €6 000
- €6 001 to €18 000 penalty for repeat offenders
- Up to a €30 000 penalty in cases in which the legal payment term is exceeded by more than 120 days, or when non-payment is considered to significantly affect the economic capacity of the aggravated company[83].

The high sanctions are believed to be contributing to the decrease in payment times for the road transport sector. For instance, the average time to payment was 87 days on average in June 2021, yet it reduced to 66 days in August 2024[84]. This may be a signal that sanctions could be an effective instrument to change payment culture.

An innovative approach to tackling late payments in Spain is the introduction of an **anonymous complaint box for late payment** (*Buzón de morosidad*). This measure was initiated by The National Federation of Associations of Self-Employed Workers (*La Federación Nacional de Asociaciones de Trabajadores Autónomos*) and aims to complement the existing late payment legislation in the country. The goal of the complaint box is to 'name and shame' the late-paying client without the fear of losing the client relationship. It allows **the self-employed and micro SMEs** to report companies that consistently pay late **without fear of retaliation**[85]. The anonymity of the reporting process is a crucial component, as it encourages companies who have encountered late payments to come forward. The administration (the State Inspection of Labour and Social Security), upon receiving repeated complaints, can initiate investigations and impose sanctions where necessary. This mechanism not only empowers smaller businesses but also helps break the chain of late payments, which can have a cascading effect throughout the supply chain. While research did not identify evidence proving the effectiveness of this measure and/or information regarding the extent of its use, its effectiveness was noted by a stakeholder from Spain.

Germany

Skonto is a financial concept which relates to cash discounts on early paid invoices prevalent in German-speaking countries. The word comes from the Italian 'sconto', meaning discount. Typically, skonto is given as a percentage if the buyer pays the invoice within a specified timeframe. It aims to encourage timely payments while accelerating cash flow for the supplier

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[81] Spain (2021), *Ley 13/2021 de Ordenación de los Transportes Terrestres en materia de infracciones relativas al arrendamiento de vehículos con conductor y para luchar contra la morosidad en el ámbito del transporte de mercancías por carretera, así como otras normas para mejorar la gestión en el ámbito del transporte y las infraestructuras*, https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-16029.

[82] Idem.

[83] As summarised in European Commission (2023), 'Impact assessment report: Proposal for a Regulation of the European Parliament and the Council on combating late payments in commercial transactions', https://single-market-economy.ec.europa.eu/system/files/2023-09/SWD_2023_314_1_EN_impact_assessment_part1_v2.pdf.

[84] FENADISMER (2024), 'Leve repunte de la morosidad en transporte en Agosto', https://www.fenadismer.es/leve-repunte-de-la-morosidad-en-transporte-en-agosto/.

[85] C. Roberto (2018), 'Anonymous complaint box against late payment in companies' *(Buzón de denuncia anónima contra la morosidad en las empresas)*, https://www.pymesyautonomos.com/legalidad/buzon-de-denuncia-anonima-contra-la-morosidad-en-las-empresas.

and to reduce credit risk. For buyers, the benefit lies in reducing the cost of purchase, earning a return on the cash used to pay early[86]. According to German legislation, suppliers are free to determine how much cash discount to give. However, in practice, the discount rate is usually between 2 and 5%[87].

However, there are also disadvantages to providing skonto. For a supplier, profits are reduced when a discount is given. Moreover, it can increase the administrative burden to monitor due dates and also to track whether a skonto is given for accounting purposes[88]. Unfortunately, no information was identified on the frequency of skonto offers or on how often the opportunity is taken up by buyers, as there are no data available on its prevalence.

It should be emphasised, however, that if the discount is imposed unilaterally by the debtor, without the agreement of the creditor, skonto could turn into an unfair payment practice.

Poland

In 2019, Poland made amendments to its national legislation[89]. In stakeholder consultations, it was mentioned that this may have helped to reduce the cost of chasing late payments[90]. The revised legislation includes a comprehensive set of legislative amendments designed to create a more favourable legal environment for creditors, particularly SMEs, and to discourage late payments through various deterrents. The amendments introduced six important changes as follows:

1. The Act established that statutory interest should be two percentage points higher than the minimum level set by the Directive, making it more expensive for debtors to retain money at the expense of a supplier.
2. The amendments also simplify court procedures for claims where the transaction value does not exceed 75 000 Polish zlotys (around EUR 17 000), making it easier for creditors to pursue unpaid invoices without having to show a legal interest in obtaining protection.
3. The legislation introduced administrative sanctions for late payers as well as making the names of companies against which proceedings have been initiated public, that is, the '*name and shame principle*'.
4. There are also tax implications, as the Act allows creditors to reduce their tax base by the amount that has not been settled within 90 days from the invoice due date, providing some financial relief.
5. Large companies are required to submit reports on payment times, which are compiled and published by the Ministry of Economic Development and Technology. This transparency allows potential business partners to assess the payment performance of these companies.
6. The Office of Competition and Consumer Protection (UOKiK) has been appointed to supervise compliance and impose enforcement measures, which may include financial penalties.

While the Act in itself does not provide direct evidence of reduced costs for chasing payments, the combination of higher financial penalties for late payments, simplified legal processes, administrative sanctions, and public disclosure likely creates an environment where late payments are less frequent, thereby potentially reducing the need for creditors to actively chase delayed payments. This could indirectly lead to cost savings for businesses, and especially for SMEs, in their credit management processes.

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[86] FasterCapital (2024), 'Skonto: Skonto Savings: The European Approach to Cash Discounts' https://www.fastercapital.com/content/Skonto--Skonto-Savings--The-European-Approach-to-Cash-Discounts.html.

[87] Lexware (2024), 'Skonto einfach erklärt' https://www.buchhaltung-einfach-sicher.de/buchhaltung/skonto.

[88] ARROWS law firm (2023), 'What is a skonto and why (not) include it in contracts?', https://www.arws.cz/news-at-arrows/what-is-a-skonto-and-why-not-include-it-in-contracts.

[89] Poland (2022), Act Amending the Act on Counteracting Excessive Delays in Commercial Transactions and the Public Finance Act (*Ustawa z dnia 4 listopada 2022 r. o zmianie ustawy o przeciwdziałaniu nadmiernym opóźnieniom w transakcjach handlowych oraz ustawy o finansach publicznych*), https://isap.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WDU20220002414.

[90] Focus Group on Drivers of on-time payments, 18 September 2024.

Sectoral practices driving on-time payments

This section examines sector-specific drivers of on-time payments identified in the EEA Member States and the UK. The section focuses on large industries, such as road transport, retail and construction. Based on the identified sector-specific examples, the section aims to detect successful mechanisms that promote timely payments and the challenges that continue to persist.

The road transport sector in Spain

As mentioned in the stakeholder consultations[91], the road transport sector in Spain has seen significant improvements in on-time payments, primarily down to the establishment of an **effective sanctioning regime**. The sanctions have become a crucial element in ensuring that companies adhere to payment deadlines. It was even noted that the mere announcement of the draft law had an immediate impact, with many stakeholders beginning to comply even before the law was officially enacted. This pre-emptive compliance once again highlights the power of regulatory frameworks in influencing payment practices. Nevertheless, as mentioned above on several occasions, the regulation of the sanctions must be accompanied by solid enforcement of the rules, in order to have effective implementation of those rules.

In addition to the established sanctioning regime, the Ministry of Transport in Spain has instituted a biannual release of a list of companies that fail to meet payment deadlines. This public naming and shaming strategy, according to the stakeholder consultations[92], has been serving as an additional deterrent, encouraging companies to prioritise timely payments to avoid reputational damage, and helping to develop a culture of accountability within the sector. Furthermore, previous research conducted within the context of this study has indicated that generally, regardless of the sector, the publication of the names of companies with poor payment performance can be effective in preventing late payments[93].

Retail sector in Spain

As reported in the stakeholder consultations[94], since 1996, **the retail sector in Spain** has been operating under specific payment term regulations. These terms are:

- 30 days for fresh and perishable products
- 60 days for non-perishable high-consumption food products
- up to 120 days for other products with certain guarantees.

In addition, the Spanish retail sector often makes use of **reverse factoring (which in Spain is known as confirming)**, whereby the factor, generally a financial institution, enters into a contract with the buyer, who provides a list of approved invoices to be paid in the upcoming weeks or months. This list allows the factor to offer each supplier the option to discount their invoices without recourse. The supplier can choose to accept the offer for all, some, or none of the invoices. If the supplier declines the offer, the factor will transfer the funds to the supplier's bank account at maturity. If the supplier accepts the discount, they must return the signed offer to the factor, who will then make the advanced payment (after deducting fees and interest) to the supplier's bank account[95]. Essentially, reverse factoring provides the supplier with an additional funding line, albeit at a cost, and allows the buyer to outsource their payment workload.

Notably, this practice is also widely used in other sectors in Spain, with 40% of the market utilising this possibility[96].

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[91] Focus Group on Drivers of on-time payments, 18 September 2024.
[92] Focus Group on Drivers of on-time payments, 18 September 2024.
[93] EU Payment Observatory (2023), 'Preventive Measures for Tackling Late Payments in B2B and G2B Transactions', https://single-market-economy.ec.europa.eu/document/download/c7b1fca8-fe54-401c-b77e-8bd3e3119062_en?filename=1st%20Thematic%20Report%20Preventive%20Measures%20for%20Tackling%20Late%20Payments%20in%20B2B%20and%20G2B%20Transactions.pdf.
[94] Survey on the EU Payment Observatory, May-June 2024.
[95] Explanation provided on the website of EU Federation for Factoring and Commercial Financing.
[96] Ibid.

Unfortunately, the practice of confirming is subject to abuse to the detriment of the creditor[97]., To claim its payment to the financial institution or factor within the deadline agreed with the debtor, the creditor is asked by the factor to pay high discounts or interests. These fees diminish progressively in time; the later the creditor claims its payment, the fewer the fees or discounts to be paid. The effect of this practice is negative from two points of view: 1) payment periods are extended inordinately – a payment negotiated at 60 days in reality is paid after 120 or even 240 days (four times the agreed payment term); and 2) in the accounts of the debtor, the invoice appears as having been paid the moment the 'confirming' or the instruction to the financial institution or factor has been made. In this way the debt is not detected in any statistics or calculation of average payment periods, or reporting. Furthermore, in the debtor's balance, these operations are not even considered as 'financial debt[98]'.

Construction sector in the UK

Stringent measures have been implemented in the UK construction sector aimed at ensuring on-time payments. More specifically, **in the context of public procurement contracts, a criterion related to payment performance has been added**. Since September 2019, suppliers bidding for central government contracts over £5 million per year 'must demonstrate they have effective payment systems[99]'. This includes **paying at least 95% of invoices within 60 days.** In addition**,** since April 2024 an additional rule has been in force, requiring that invoices are paid **within an average of at least 55 days**. In terms of compliance confirmation, large businesses 'are required to publish their payment performance reports under Reporting on Payment Practices and Performance Regulations 2017[100]'. Therefore, they can demonstrate their compliance with the procurement criterion through their published reports. This measure also stipulates that suppliers who pay 90% of invoices within 60 days must submit an action plan to improve payment performance, and meeting an average payment time of 55 days in one of the two previous six-month periods will also be considered compliant.

While this measure is not restricted to a specific sector, it is most relevant for construction, not least because of its high dependency on steady cash flow to fund ongoing projects, pay subcontractors and purchase materials. Furthermore, the construction sector also involves complex supply chains with multiple layers of subcontractors and suppliers, making timely payments crucial for maintaining smooth operations and preventing cascading delays. In addition, smaller contractors and subcontractors are particularly vulnerable to cash flow issues, and timely payments are essential for their financial stability and continued participation in public procurement projects.

This measure has been a significant driver of on-time payments, as reported in the stakeholder consultation[101]. However, as reported by a stakeholder in the same consultation activity, compliance with this requirement has not been without challenges, with the burdensome nature of this regulation being highlighted. Nevertheless, the stakeholder also confirmed that while it does not lead to a full compliance, it has certainly improved payment performance. This once again emphasises the effectiveness of government regulation in driving on-time payments and, potentially, contributing to a prompt payment culture.

General challenges for SMEs

While the abovementioned sector-specific practices have shown promise, it is important to acknowledge that **overall research indicates that SMEs in general would benefit the most**

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[97] https://emprendedores.es/gestion/morosidad-confirming/ "*Pagar por confirming no es pagar*"; http://www.pmcm.es/blog/post/pmcm-denuncia-nueva-modalidad-de-confirming-anticipo-obligatorio-queelude-las-obligaciones-de-pago-a-proveedores.
https://pmcm.es/la-pmcm-constata-un-abuso-del-confirming-por-parte-de-las-companias-espanolas

[98] Commission's Impact Assessment report accompanying the proposal for a Regulation on late payments in commercial transactions (SWD 2023 314).

[99] UK Government 'Guidance: Prompt payment policy' https://www.gov.uk/guidance/prompt-payment-policy.

[100] Ibid. For the national legislation, see The Reporting on Payment Practices and Performance Regulations 2017 (SI 2017/395), https://www.legislation.gov.uk/uksi/2017/395/made. Section 3(1) of the Regulations stipulates that 'For each reporting period, a qualifying company must publish a report containing the information set out in the Schedule'"

[101] Focus Group on Drivers of on-time payments, 18 September 2024.

from receiving on-time payments, as they 'suffer disproportionately from late payments[102]'. For an SME, on-time payments, within fair payment terms, are the cheapest (no interests), simplest (no paperwork) and fastest (money straight into the account of the creditor) form of access to finance. SMEs' limited financial resources and bargaining power make them particularly vulnerable to cash flow disruptions caused by delayed payments. SMEs often operate on tighter margins and lack the financial reserves that larger companies have, making them more susceptible to the adverse effects of late payments. This vulnerability can lead to a cascade of negative consequences, including difficulty in meeting payroll, delayed investment in growth opportunities and increased reliance on expensive short-term financing options. The uncertainty of cash flow can also strain relationships with suppliers and creditors, potentially leading to higher costs or reduced access to essential goods and services. Moreover, SMEs are less likely to claim sanctions on their contractors who do not pay on time because of the fear of damaging the business relationship[103], further exacerbating their challenging situation.

CONCLUSIONS

The establishment of a culture of prompt payments, supported by regulatory frameworks and technological advancements, plays a crucial role in mitigating the negative impacts of delayed financial transactions. The national and sectoral examples indicate how targeted interventions can significantly improve payment performance and highlight the importance and usefulness of regulatory enforcement, business accountability and innovative solutions (such as anonymous complaint boxes) in driving on-time payments across sectors. Overall, the findings suggest that a combination of strong regulatory frameworks, effective enforcement and supportive technological solutions can drive meaningful improvements in payment practices across various sectors.

[102] EU Payment Observatory (2023), 'Annual Report 2023', https://op.europa.eu/en/publication-detail/-/publication/64b65de2-d643-11ee-b9d9-01aa75ed71a1/language-en, p. 98.
[103] Ibid.

5. ACTIVITIES OF THE EU PAYMENT OBSERVATORY IN 2024

In 2024, the EU Payment Observatory continued to collect data on payment performance in the EU, on mapping initiatives and on regulatory interventions addressing late payments.

- Indicator's mapper: This dynamic and interactive tool compiles data on payment times and general payment culture across the EU. This database is being continuously updated.
- Repository: A resource library of relevant initiatives and policy documents on payment performance and behaviour in commercial transactions in the EEA and the UK.

The Observatory also embarked on multiple dissemination activities in 2024 with the aim of raising awareness about the late payments issue. This has included three webinars and a session for the 2024 SME assembly in Budapest. In addition, the Observatory research has been presented in several fora including a Belgium Presidency event last March about SMEs' access to finance. It also issues a regular newsletter through which it informs stakeholders of its activities.

In addition, the Observatory published three reports in 2024, which are summarised in the following pages. All the activities of the Observatory can be consulted on its website.

THEMATIC REPORT ON ENFORCEMENT MEASURES

This thematic report compares the ways in which Member States have implemented the enforcement measures included in the Late Payment Directive. In addition, it showcases enforcement regimes in Member States that go beyond what is prescribed in the Late Payment Directive and which can potentially serve as best practices.

Enforcement measures are an important tool to combat late payments. By imposing financial or reputational penalties for non-compliance with agreed-upon payment terms, they help deter bad payment behaviour and promote a culture of financial responsibility and fairness. Additionally, they serve to compensate creditors for the damage caused by the late payment. This aspect is particularly important for SMEs, which bear a disproportionate burden in late payments, as maintaining financial liquidity is of the utmost importance for their business operations and to avoid bankruptcy.

The Late Payment Directive enforcement mechanisms allow creditors to receive interest and compensation for recovery costs when facing delayed payments. However, this is a right and not an obligation, with suppliers having to actively claim these redress measures.

Several studies have shown that, in practice, creditors refrain from using the rights bestowed by the Late Payment Directive. The main cause is the fear of damaging their business relationships with their clients. This issue is particularly sensitive for SMEs, especially when dealing with large companies, as sales to them are often crucial for their operations and their survival. In addition, many cases involving demands for interest on late payments or compensation escalate to legal proceedings that are both time and resource consuming. This acts as a further deterrent to claiming those rights.

These limitations result in a low use of enforcement measures across the EU. In most EU Member States, when a company pays late there are no repercussions, and hence there is no incentive to change behaviour. Similarly, creditors, in particular SMEs, find themselves with no option but to accept late payments, unless they are ready to put their business relationships at risk.

In this context, enforcement measures set up by Member States beyond what is included in the Late Payment Directive become a very important incentive for the development of a prompt payments culture. Several of these additional measures, which are developed in the report through case studies, can be considered good practices.

This includes the establishment of enforcement authorities responsible for monitoring the payment performance of companies and their compliance with the legislation, which also have the power to conduct inspections and impose administrative sanctions. The introduction of a name and shame practice, in which the names of the sanctioned companies are publicised, emerged as another effective approach, as sometimes firms are more worried about reputational damage than about monetary fines. Equally, using speedier and less costly procedures, as well as lowering the burden of proof for the creditor could incentivise companies to denounce late payers. The introduction of anonymous mailboxes could also help in that regard. Another alternative to consider is the use of softer enforcement measures, such as Alternative Dispute Resolution (ADR) and mediation mechanisms, which can offer quicker and more cost-effective solutions, and that are also less intrusive than a claim leading to a court proceeding.

The recent European Commission proposal to review the Late Payment Directive goes in the right direction, incorporating several of the above-mentioned tools for enforcement, such as the establishment of an enforcement authority and the automatic application of interest and recovery costs.

The whole report can be read here.

THEMATIC REPORT ON EINVOICING

Electronic invoicing is gaining momentum. First implemented by larger enterprises to automate their internal processes, it is now being adopted by all kinds of organisations. It is expected that eInvoicing becomes the standard way to exchange invoices as a result of a combination of market developments and regulatory initiatives. The aim of this report is to explore how eInvoicing results in a reduction of late payments and how its payment performance benefits can be maximised.

Governments are increasingly supporting the adoption of eInvoicing. Originally, the focus was on G2B transactions, with the objective to digitalise and improve the efficiency of public administrations. Efforts now concentrate on B2B, with the main drive being reducing the VAT gap.

In 2014, the EU legislated to mandate all public contracting authorities, at all levels, to be able to receive eInvoices. An increasing number of Member States are imposing mandates, on the sender side as well. Equally, there are now multiple projects at national level to establish B2B mandates, and these are expected to significantly increase the uptake of eInvoicing. The European Commission initiative VAT in the Digital Age (VIDA) would also make electronic invoices the default system for invoicing at European level. An example of the effectiveness of mandates is Italy, the first Member State to introduce them for B2B and B2C, where 97.5% of invoices had an electronic format in 2023 as opposed to 41.6% in 2018.

The main benefit of eInvoicing with regards to late payments is its potential to increase payment efficiency. Along the steps in the invoice-to-payment cycle (i.e. from preparation of the invoice by the supplier all the way to the scheduling of payment by the buyer), eInvoicing enables automation, faster error-checking and instant data transfer. As a result, the cycle can be completed much faster in comparison to a paper-based invoice-to-payment cycle.

Equally, because of its traceability, eInvoicing results in improved transparency, which has positive effects with regards to late payments. It can, for instance, facilitate the settlement of disputes. It can also assist in the monitoring of payment performance, both by companies assessing their own payment behaviour and that of their clients and by externals. Another possible advantage of eInvoicing is its potential to facilitate the offering of Supply Chain Finance Solutions that are more adapted to the needs of companies, particularly SMEs.

However, there are also challenges to reaping the full benefits of eInvoicing. The adoption of eInvoicing is mostly lagging among SMEs, the very companies that could benefit more in terms of late payments. This is due to a combination of lack of awareness of those benefits, high adoption costs in comparison with other firm sizes and issues regarding technical complexity and interoperability, as many eInvoicing solutions are not easy to use for SMEs. However, all those problems can be overcome and there are multiple examples of SMEs successfully adopting eInvoicing.

A second set of challenges is presented through the design and use of national eInvoicing systems. Business friendliness is not always taken into account and thus, instead of increasing the efficiency of firms, eInvoicing can become a burden if not designed properly. Also, the absence of payment data in national system standards can be a hindrance to achieving the full potential of eInvoicing, particularly with regards to late payments.

Overall, eInvoicing has great potential to improve payment efficiency, yet it doesn't necessarily improve payment behaviour. If a buyer has no intention of paying the seller early, let alone on time, the adoption of eInvoicing will not change that. Therefore, eInvoicing should be thought of as a powerful complement to other interventions to reduce late payments.

The whole report can be read here.

THEMATIC REPORT ON LATE PAYMENTS IN G2B TRANSACTIONS

The report addresses the persistent issue of late payments in G2B transactions within the EU. Under Directive 2011/7/EU, public administrations are expected to settle invoices within 30 days, extendable to 60 days in specific cases, such as healthcare. Yet public authorities still fail to meet these deadlines. Non-compliance has led the European Commission to take action, initiating infringement proceedings against several Member States and referring some to the European Court of Justice. Under the 2023 proposal for a revised Late Payments Regulation, all public administrations would be required to meet a 30-day payment limit. This proposal underscores the need for governments to set a strong example in payment practices and set the standard for the private sector.

Delayed G2B payments have clear adverse economic impacts. As government expenditure accounts for almost half of the EU's GDP, delays in G2B transactions severely affect cash flows. Late payments from public administrations also lead to wider economic consequences, such as reduced investment, especially in the digital and green transitions, hindered growth, and increased unemployment. Additionally, research shows that countries with persistent G2B late payment issues face higher bankruptcy rates and slowed overall economic growth. SMEs are particularly vulnerable to late payments as they have limited resources and rely more on steady cash flows. Moreover, payment delays from governments frequently create a ripple effect throughout the supply chain that ultimately hampers the economy of a country. They also severely impact those sectors that are heavily reliant on government contracts, such as healthcare and construction.

Governments are expected to adhere to timely payments for numerous reasons. Delayed transactions go against governments' interests, as they affect economic stability, growth and, in the long run, government revenue. Public administrations are also expected to pay on time because of their stable revenue streams. In addition, they are held to higher standards for their credibility and higher accountability, compared to the private sector. Moreover, being responsible for establishing and enforcing legal payment terms, they are also expected to lead in respecting these standards. Lastly, to cultivate a culture of prompt payment, public administrations should model the behaviour they require from the private sector.

One of the main challenges in assessing the impact and extent of G2B late payments is the lack of comprehensive and standardised data. Current data on G2B transactions in Europe are insufficient for a comprehensive understanding of G2B late payments across the EU. Of the 27 EU Member States, only six consistently publish data on public sector payment performance. Even within these, the methodologies and scope vary considerably, making it impossible to compare data across countries. Supplier-provided data, though covering most EU countries, are limited and incomplete. In addition, public sector data often differ from supplier-reported data, as the latter are based on survey responses and may reflect perceived rather than actual payment times. Government sources, however, tend to measure payment delays based on Days Sales Outstanding (DSO), which calculates payment times in relation to invoice amounts. These and other methodological divergences complicate the efforts to achieve a clear picture of G2B payment performance.

Although existing data are insufficient for a detailed country-by-country analysis, there is unanimous agreement among suppliers that public authorities are failing to meet payment deadlines. In every Member State with available supplier data, average payment periods exceed statutory terms. Furthermore, suppliers report a decline in G2B payment performance across the EU since 2019.

G2B late payments can be attributed to a multitude of factors that vary based on the specific circumstances of each Member State and public entity. Drivers may include liquidity issues (e.g. stemming from financial mismanagement), organisational inefficiencies, lack of resources both in terms of tools and personnel, and behavioural aspects, including a lack of awareness regarding the negative impacts of late payments. In response, several EU Member States have implemented measures to improve G2B payment practices. These measures include liquidity support mechanisms, organisational reforms, initiatives for digitalisation (i.e. adopting eInvoicing), mandatory monitoring and reporting, sanctions for non-compliance, and educational programmes aimed at raising awareness among public administration staff.

Three EU countries (France, Italy and Spain) were selected as case studies as they publish detailed data on their payment times, offering a clearer picture of the payment performance of their public administrations. These countries have also introduced a comprehensive set of measures to reduce late payments from their governments. The case studies illustrate two main points. First, implementing initiatives to reduce G2B payment delays can improve payment performance. Indeed, these countries have reported shorter G2B payment times since 2019. Second, this positive trend suggests that greater transparency, coupled with a greater governmental commitment to tackling payment delays, may contribute to reduced payment times.

Hence, other Member States that have been less active in this area could adopt similar strategies. With a new European regulation on late payments soon to be implemented, advancements in technology that enhance accounting systems and the monitoring of payment processes, and increasing pressure from suppliers for prompt payments, it is now time for these governments to take action in the effort to combat G2B late payments.

The whole report can be read here.

6. CONCLUSIONS

After years of improvement in the EU, the late payments situation worsened in 2023, with an increasing number of companies reporting suffering from related problems. It is a trend that can be observed in almost every Member State. **The deterioration seems to have been driven mostly by B2B payments,** as average settlement periods by businesses are also reported to have increased across the EU. In turn, payment performance by public administrations seems to have remained more stable, according to the available data.

Worsening macroeconomic conditions, geopolitical disruptions and a still relatively high inflation might be some of the causes of this deterioration, fuelled also by the phase-out of government support measures that helped companies absorb the impact of the Covid-19 pandemic and increase in prices. Last year's report presented the surprising finding that late payments had not worsened during the pandemic and high inflation years and that there was a reduction of its worst impacts, including firms being led to bankruptcy. Now, however, with the end of government support measures, companies have to face the effects of economic disruption without any assistance. This is likely to have an effect on liquidity, thereby affecting cash flows and producing more late payments by businesses.

In addition, **the worsening economic climate is likely to enhance the power imbalance in business relations** that is behind many late payments. Firms in a more vulnerable situation, normally SMEs, see their margins reduced. They then find themselves in a worse negotiating position that results in them having to accept less favourable conditions, including payment terms as well as delayed payments. An increasing number of firms are, in fact, reporting that they are accepting longer settlement terms so as not to damage the relationships with their clients. Equally, larger companies, which are the ones with more bargaining power, remain the worse payers, with the share of on-time payments improving as the company size decreases.

Beyond this deterioration, **a high fragmentation of late payments in the EU persists in 2023,** with very different situations depending on the country. **The existence of a culture of prompt payments is in this regard a decisive factor**. It can be the result of the idiosyncrasies of different Member States, or of industry-led initiatives, but also of the regulatory environment, with for instance stricter payment terms being linked to a better payment culture.

This report also focuses on access to finance, finding that late payments curtail firms' ability to secure financing. Equally, those companies with problems accessing finance are more likely to have issues because of late payments. This suggests the **presence of a self-reinforcing circular effect between problems to access finance and late payments.** Companies that suffer more from late payments are in those need of more financing, but because of their struggles, they have less access. This cash flow imbalance results in them paying their invoices late in turn, which affects the liquidity of their suppliers, who will also find it difficult to access finance and are likely to lengthen their settlement times.

A positive association is also found between late payments and cross-border transactions. The analysis indicates, though, that **firms with intermediate levels of exports struggle more with late payments** than high exporters. This is probably due to lack of knowledge of foreign markets as well as high exporters' use of trade credit insurance, which protects them against delayed payments.

Regardless of the above results, **any analysis of late payments in Europe remains hampered by the lack of and the limitations of existing data. In fact, the situation worsened in 2023.** The lack of available sources in the Baltic countries is particularly worrisome, making any assessment extremely limited. There are also fewer data on impacts of late payments. In addition, and as reported in the past, data are particularly scarce for G2B transactions, which impedes any comprehensive analysis[104].

Overall, late payments have deteriorated in the EU, with a volatile macroeconomic scenario suggesting a grim outlook. Still, there are reasons to think the situation may improve. The late

[104] EU Payment Observatory (2024), 'G2B late payments', fc9aec70-57f3-44f9-b568-202ad8333a8d_en.

payments issue is gaining salience, and some Member States have already taken the initiative. Belgium, for instance, has recently reduced its public procurement times, and Spain is creating a Late Payments Observatory. Technological advancements, in particular eInvoicing, should also result in faster payment processing, thereby reducing the number of non-wilful late payments. Finally, the adoption of a new Late Payments regulation is also expected to provide a positive incentive towards a culture of prompt payments.

ANNEX 1 – STAKEHOLDER FORUM MEMBERS

Country	Type	Organisation
DE	Data Provider	Allianz SE
PT	Business Association	Associação Cristã de Empresários e Gestores (ACEGE)
FR	Business Association	Association Française des Credits Managers et Conseils (AFDCC)
FR	Business Association	Association Française des Entreprises Privées (AFEP)
FR	Business Association	Association Française des Sociétés Financières (ASF)
IT	Construction Association	Associazione Nazionale Costruttori Edili (ANCE)
IT	Business Association	Assonime
EU	Data Provider	Atradius
FR	Central Bank	Banque de France (BdF) - Observatoire des délais de paiement
IT	Company	BFF Banking Group
EU	Business Association	BusinessEurope
RO	Agrifood Association	Clustero
FR	Data Provider	Comité de défense et d'information (CODINF)
IE	Business Association	Credit Management Institute of Ireland (CMII)
IE	National Ministry	Department of Enterprise, Trade and Employment (DETE)
FR	National Ministry	DGCCRF - Ministère de l'Économie
ES	National Ministry	Directorate-General for the Industry and SMEs - Ministry of Industry, Commerce and Tourism
EU	Others	Early Warning Europe
EU	Business Association	Eurochambres
EU	Retail Association	Eurocommerce
EU	Construction Association	European Builders Confederation (EBC)
EU	Central Bank	European Central Bank (ECB) - SAFE
EU	Construction Association	European Construction Industry Federation (FIEC)
EU	Business Association	EU Federation for the Factoring and Commercial Finance Industry
EU	Mobility/Transport/Automotive Association	European Road Haulers Association (UETR)

EU	Business Association	Fair Trade Advocacy Office
EU	Business Association	Federation of European Credit Management Associations (FECMA)
BE	National Ministry	Federal Public Service of Economy
EU	Business Association	Federation of Business Information Services (FEBIS)
FI	Business Association	Federation of Finnish Enterprises
BE	Data Provider	Graydon
EL	National Ministry	Hellenic Ministry of Finance
ES	Data Provider	Informa
BE	Business Association	Instituut voor Kredietmanagement
EU	Data Provider	Intrum
MT	Data Provider	Malta Association of Credit Management (MACM)
EU	Health Association	MedTech Europe
NL	National Ministry	Ministerie van Economische Zaken en Klimaat (MEZK)
PL	National Ministry	Ministry of Economy
IT	National Ministry	Ministry of Economy and Finance
HR	National Ministry	Ministry of Finance
IE	National Ministry	Ministry of Finance
LT	National Ministry	Ministry of Finance
SI	National Ministry	Ministry of Finance
CZ	National Ministry	Ministry of Justice
EE	National Ministry	Ministry of Justice
FI	National Ministry	Ministry of Justice
DE	National Ministry	Ministry of Justice and Consumer Protection
IT	Others	Osservatorio conti pubblici
ES	Data Provider	Plataforma Multisectorial contra la Morosidad (PMcM)
UK	Data Provider	Sage
EU	SME Association	SME United
UK	Others	University of Edinburgh Business School

ANNEX 2 – DATA SOURCES USED IN THE PRODUCTION OF THIS REPORT

Name of source/publication	Link to latest publication
Intrum European Payment Reports 2020-2023	https://www.intrum.com/publications/european-payment-report/european-payment-report-2024/
D&B Network/Cribis Payment Study	https://www.dnb.com/en-ch/knowledge/study/payment-study-2024-download.html
EC/ECB Survey on the Access to Finance of Enterprises (SAFE)	https://single-market-economy.ec.europa.eu/access-finance/data-and-surveys-safe_en
Atradius Payment Practices Barometer Eastern and Western Europe	Eastern Europe: https://group.atradius.com/publications/payment-practices-barometer/b2b-payment-practices-trends-eastern-europe-2023.html Western Europe: https://group.atradius.com/publications/payment-practices-barometer/b2b-payment-practices-trends-western-europe-2023.html
Creditreform Zahlungsindikator Deutschland	https://www.creditreform.de/aktuelles-wissen/pressemeldungen-fachbeitraege/show/creditreform-zahlungsindikator-deutschland-winter-2023-24
Cepyme Observatorio de la Morosidad	https://cepyme.es/observatorio-de-la-morosidad-iv-tri-2023/
Plataforma Multisectorial contra la Morosidad	https://pmcm.es/informe-sobre-morosidad-estudio-plazos-pago-espana-2023/
Ministero dell’Economia e delle Finanze of Italy	https://www.rgs.mef.gov.it/VERSIONE-I/tempi_di_pagamento_e_debiti_commerciali_delle_pubbliche_amministrazioni/indicatori_dei_tempi_di_pagamento_delle_pubbliche_amministrazioni/
Banco de Portugal	https://bpstat.bportugal.pt/conteudos/quadros/1214
Direction Générales des Finances Publiques	https://www.budget.gouv.fr/files/uploads/extract/2023/PLF/BG/PGM/156/FR_2023_PLF_BG_PGM_156_PERF.html#:~:text=Ce%20%20sous%20%2Dindicateur%20%20refl%20%C3%20%A8te%20%20l,les%20%20services%20%20du%20%20contr%20%C3%20%B4le%20%20fiscal.
Rapport de l'Observatoire des délais de paiement	https://www.banque-france.fr/fr/publications-et-statistiques/publications/rapport-de-lobservatoire-des-delais-de-paiement-2023
Austrian Business Check – Zahlungsmoral	https://www.ksv.at/whitepaper/austrian-business-check-zahlungsmoral-2023

Irish SME Association (ISME): Prompt Payment Reports (Ireland)	https://isme.ie/report/
Ministry of Industry and Technology of Cyprus	Non-Published data
Malta Association of Credit Management	https://www.macm.org.mt/macmlibrary?ag=Press
Coface Poland Payment Survey	https://www.coface.lt/en/news-economy-and-insights/poland-corporate-payment-survey-2023-slightly-shorter-payment-delays-but-not-for-all-sectors
Coface Germany Payment Survey	https://www.coface.com/news-economy-and-insights/on-the-way-back-to-bad-old-times-in-2023-s-germany-payment-survey
Invoier's Payment Term Index	https://invoier.com/betaltidsindex/#:~:text=Om%20Invoiers%20Betaltidsindex%20(BTI),utvecklingen%20ser%20ut%20%C3%B6ver%20tid
Farmindustria: indagine tempi di pagamento	https://www.farmindustria.it/documenticategory/tempi-di-pagamento-p.a./
FPS BOSA Belgium	https://bosa.belgium.be/sites/default/files/content/documents/Rapport%20betaaltermijnen%202023%20NL.pdf
Confindustria - Dispositivi Medici: Tempi di Pagamento	https://www.confindustriadm.it/tempi-di-pagamento/#:~:text=Con%20l'acronimo%20DSO%20si,essere%20superati%20i%2060%20giorni.
Irish Prompt Payment Returns by Government Departments	https://enterprise.gov.ie/en/publications/#!t=Late%20Payments#!y=#!s=#!ty=#!k=
Finland SME BAROMETRY/ YRITYSBAROMETRI	https://www.yrittajat.fi/wp-content/uploads/2024/02/sy_pk_barometri_kevat2024.pdf

ANNEX 3 - FULL VALUES AND DETAILED METHODOLOGY OF THE COMPOSITE INDICATOR ON PAYMENT CULTURE, 2019-2022

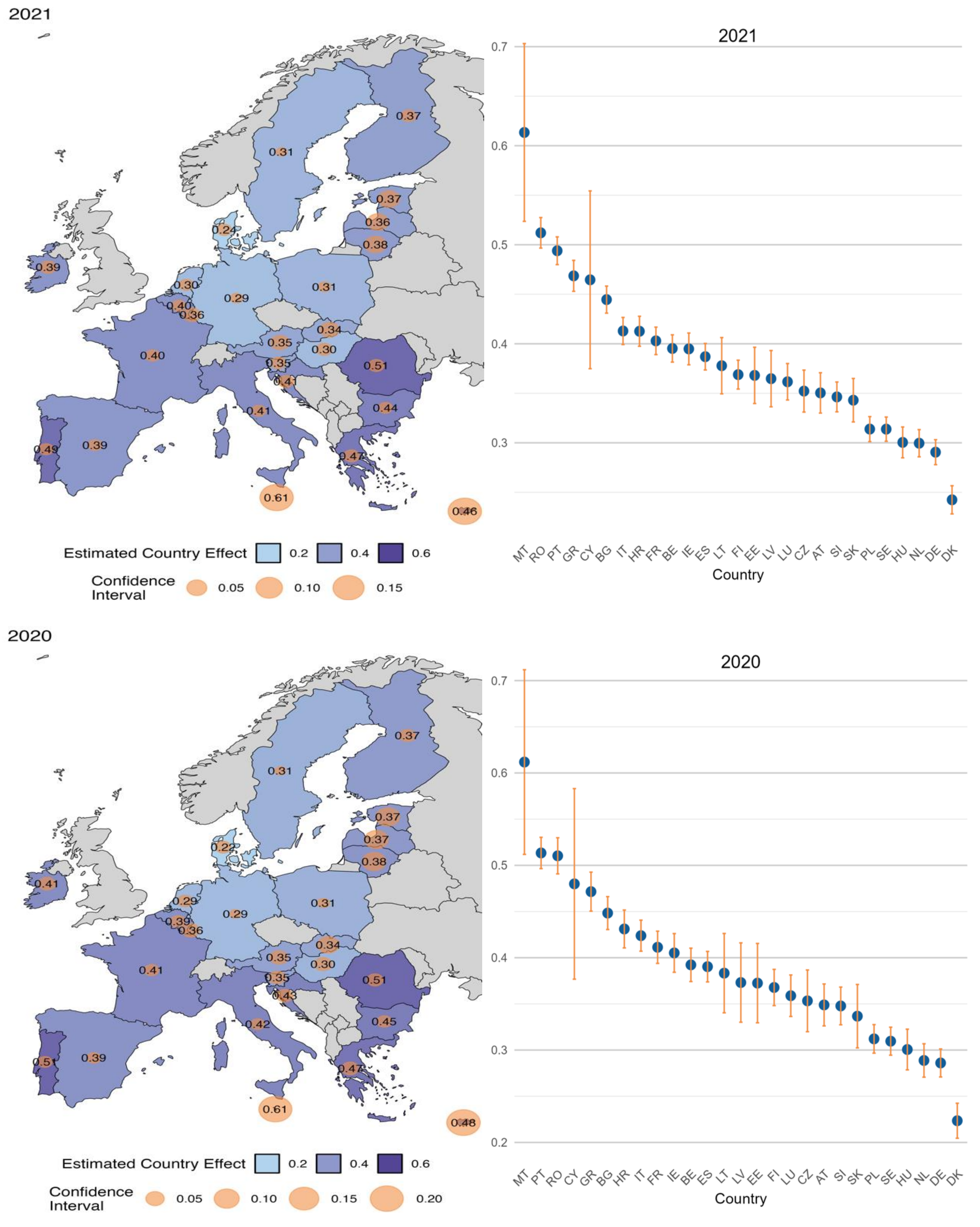
Country	Year	Fit	Standard Error	Confidence Interval Lower Bound	Confidence Interval Upper Bound
AT	2019	0.35	0.01	0.32	0.37
AT	2020	0.35	0.01	0.33	0.37
AT	2021	0.35	0.01	0.33	0.37
AT	2022	0.35	0.01	0.33	0.37
AT	2023	0.35	0.01	0.33	0.38
BE	2019	0.39	0.01	0.36	0.41
BE	2020	0.39	0.01	0.37	0.41
BE	2021	0.40	0.01	0.38	0.41
BE	2022	0.40	0.01	0.38	0.41
BE	2023	0.40	0.01	0.38	0.42
BG	2019	0.45	0.01	0.43	0.48
BG	2020	0.45	0.01	0.43	0.47
BG	2021	0.44	0.01	0.43	0.46
BG	2022	0.44	0.01	0.43	0.46
BG	2023	0.44	0.01	0.41	0.46
CY	2019	0.50	0.07	0.36	0.63
CY	2020	0.48	0.05	0.38	0.58
CY	2021	0.46	0.05	0.37	0.55
CY	2022	0.45	0.05	0.35	0.55
CY	2023	0.43	0.07	0.30	0.57
CZ	2019	0.35	0.02	0.31	0.40
CZ	2020	0.35	0.02	0.32	0.39
CZ	2021	0.35	0.01	0.33	0.37
CZ	2022	0.35	0.01	0.33	0.37
CZ	2023	0.35	0.01	0.33	0.37
DE	2019	0.28	0.01	0.26	0.30
DE	2020	0.29	0.01	0.27	0.30
DE	2021	0.29	0.01	0.28	0.30
DE	2022	0.30	0.01	0.28	0.31
DE	2023	0.30	0.01	0.28	0.32
DK	2019	0.20	0.01	0.18	0.23
DK	2020	0.22	0.01	0.20	0.24
DK	2021	0.24	0.01	0.23	0.26
DK	2022	0.26	0.01	0.25	0.28
DK	2023	0.28	0.01	0.26	0.30
EE	2019	0.38	0.03	0.31	0.44
EE	2020	0.37	0.02	0.33	0.42

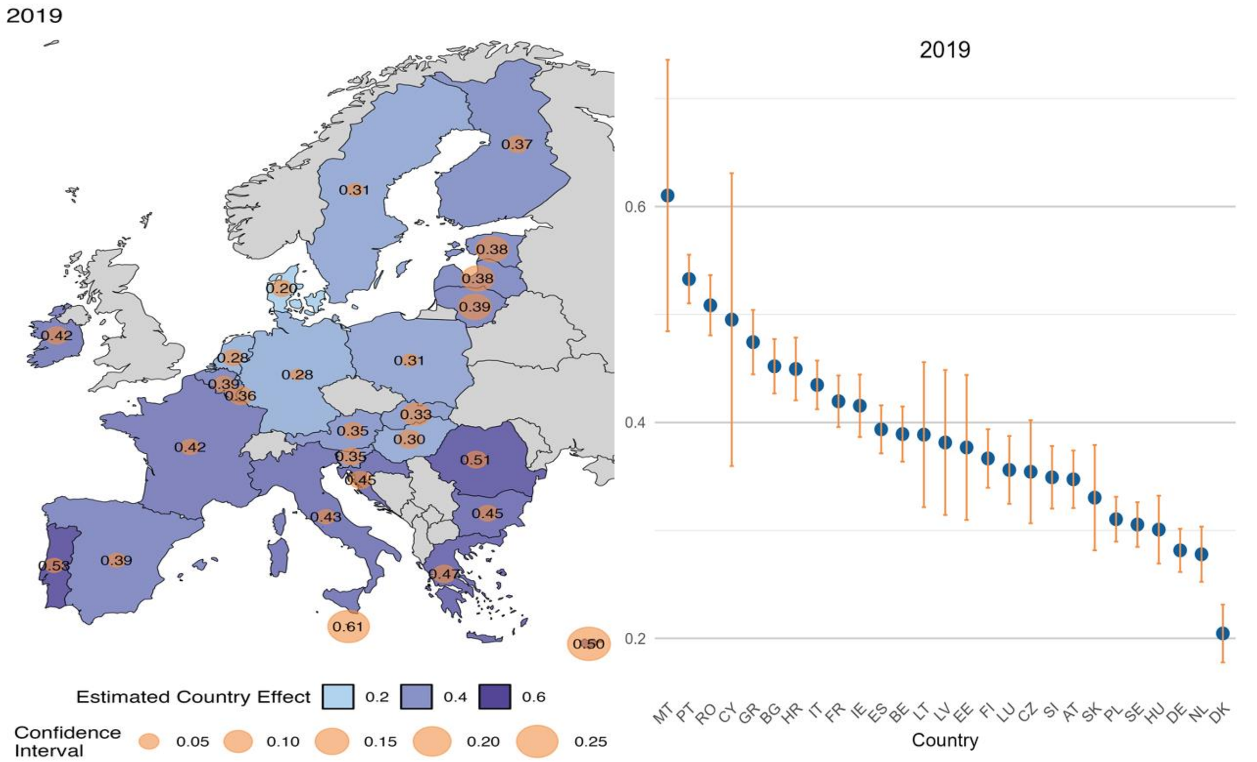
EE	**2021**	0.37	0.01	0.34	0.40
EE	**2022**	0.36	0.02	0.33	0.40
EE	**2023**	0.36	0.03	0.30	0.42
ES	**2019**	0.39	0.01	0.37	0.42
ES	**2020**	0.39	0.01	0.37	0.41
ES	**2021**	0.39	0.01	0.37	0.40
ES	**2022**	0.38	0.01	0.37	0.40
ES	**2023**	0.38	0.01	0.36	0.40
EU	**2019**	0.37	0.08	0.22	0.52
EU	**2020**	0.37	0.06	0.26	0.48
EU	**2021**	0.37	0.05	0.28	0.46
EU	**2022**	0.36	0.06	0.26	0.47
EU	**2023**	0.36	0.08	0.21	0.52
FI	**2019**	0.37	0.01	0.34	0.39
FI	**2020**	0.37	0.01	0.35	0.39
FI	**2021**	0.37	0.01	0.35	0.38
FI	**2022**	0.37	0.01	0.36	0.38
FI	**2023**	0.37	0.01	0.35	0.39
FR	**2019**	0.42	0.01	0.40	0.44
FR	**2020**	0.41	0.01	0.39	0.43
FR	**2021**	0.40	0.01	0.39	0.42
FR	**2022**	0.39	0.01	0.38	0.41
FR	**2023**	0.39	0.01	0.37	0.41
GR	**2019**	0.47	0.02	0.44	0.50
GR	**2020**	0.47	0.01	0.45	0.49
GR	**2021**	0.47	0.01	0.45	0.48
GR	**2022**	0.47	0.01	0.45	0.48
GR	**2023**	0.46	0.01	0.44	0.49
HR	**2019**	0.45	0.01	0.42	0.48
HR	**2020**	0.43	0.01	0.41	0.45
HR	**2021**	0.41	0.01	0.40	0.43
HR	**2022**	0.39	0.01	0.38	0.41
HR	**2023**	0.38	0.01	0.35	0.40
HU	**2019**	0.30	0.02	0.27	0.33
HU	**2020**	0.30	0.01	0.28	0.32
HU	**2021**	0.30	0.01	0.28	0.32
HU	**2022**	0.30	0.01	0.28	0.32
HU	**2023**	0.30	0.01	0.28	0.32
IE	**2019**	0.42	0.01	0.39	0.44
IE	**2020**	0.41	0.01	0.38	0.43
IE	**2021**	0.39	0.01	0.38	0.41
IE	**2022**	0.38	0.01	0.37	0.40
IE	**2023**	0.37	0.01	0.35	0.40
IT	**2019**	0.43	0.01	0.41	0.46
IT	**2020**	0.42	0.01	0.41	0.44
IT	**2021**	0.41	0.01	0.40	0.43
IT	**2022**	0.40	0.01	0.39	0.42

IT	2023	0.39	0.01	0.37	0.41
LT	2019	0.39	0.03	0.32	0.46
LT	2020	0.38	0.02	0.34	0.43
LT	2021	0.38	0.01	0.35	0.41
LT	2022	0.37	0.02	0.34	0.41
LT	2023	0.37	0.03	0.31	0.43
LU	2019	0.36	0.02	0.32	0.39
LU	2020	0.36	0.01	0.34	0.38
LU	2021	0.36	0.01	0.34	0.38
LU	2022	0.36	0.01	0.34	0.39
LU	2023	0.37	0.02	0.34	0.40
LV	2019	0.38	0.03	0.31	0.45
LV	2020	0.37	0.02	0.33	0.42
LV	2021	0.36	0.01	0.34	0.39
LV	2022	0.36	0.02	0.32	0.39
LV	2023	0.35	0.03	0.29	0.41
MT	2019	0.61	0.06	0.48	0.74
MT	2020	0.61	0.05	0.51	0.71
MT	2021	0.61	0.05	0.52	0.70
MT	2022	0.61	0.05	0.51	0.71
MT	2023	0.62	0.06	0.49	0.74
NL	2019	0.28	0.01	0.25	0.30
NL	2020	0.29	0.01	0.27	0.31
NL	2021	0.30	0.01	0.29	0.31
NL	2022	0.31	0.01	0.30	0.33
NL	2023	0.32	0.01	0.30	0.34
PL	2019	0.31	0.01	0.29	0.33
PL	2020	0.31	0.01	0.30	0.33
PL	2021	0.31	0.01	0.30	0.33
PL	2022	0.32	0.01	0.30	0.33
PL	2023	0.32	0.01	0.30	0.34
PT	2019	0.53	0.01	0.51	0.56
PT	2020	0.51	0.01	0.50	0.53
PT	2021	0.49	0.01	0.48	0.51
PT	2022	0.47	0.01	0.46	0.49
PT	2023	0.46	0.01	0.43	0.48
RO	2019	0.51	0.01	0.48	0.54
RO	2020	0.51	0.01	0.49	0.53
RO	2021	0.51	0.01	0.50	0.53
RO	2022	0.51	0.01	0.50	0.53
RO	2023	0.52	0.01	0.49	0.54
SE	2019	0.31	0.01	0.28	0.33
SE	2020	0.31	0.01	0.29	0.32
SE	2021	0.31	0.01	0.30	0.33
SE	2022	0.32	0.01	0.30	0.33
SE	2023	0.32	0.01	0.30	0.34
SI	2019	0.35	0.01	0.32	0.38

SI	**2020**	0.35	0.01	0.33	0.37
SI	**2021**	0.35	0.01	0.33	0.36
SI	**2022**	0.34	0.01	0.33	0.36
SI	**2023**	0.34	0.01	0.32	0.37
SK	**2019**	0.33	0.02	0.28	0.38
SK	**2020**	0.34	0.02	0.30	0.37
SK	**2021**	0.34	0.01	0.32	0.36
SK	**2022**	0.35	0.01	0.33	0.37
SK	**2023**	0.36	0.01	0.33	0.38

Figure 137: Estimated payment performance and confidence intervals across EU countries, 2019-2021





Source: EU Payment Observatory Repository.

Constructing a harmonised proxy for payment performance

Several steps were taken to construct a single comparable measure that reflects the severity of late payments. First of all, out of more than 100 different metrics contained in the EU indicators database, 55 were selected as relevant measures for payment performance. For each of these, the direction was assessed, determining whether this was positive (higher value implies more late payments) or negative (higher value means fewer late payments). After selecting only the 55 relevant metrics, the resulting dataset contains two types of data on late payments, one measuring number of days, and the other expressing the share of firms behaving in a certain manner regarding payment practices. All obtained shares range between zero and one. The values for indicators measured in number of days instead range between -13 and 121, with -13 standing for the average payment delay of a particular indicator. For the indicators referring to a share and whose direction was deemed as negative (higher value means fewer late payments), the reciprocal was taken, namely the difference between one and the reported value, which ensures that all shares have a positive direction and range between zero and one. However, it turns out that all indicators measured in number of days already have a positive direction, meaning that across all of them a higher number of days corresponds to a later payment, so no direction adjustment is needed. To make the two types of indicators comparable, and pool all the information together in a unified response variable which measures the severity of problems with late payments, values reported as days have therefore been rescaled to be ranging between zero and one as well. This is achieved by applying a min-max normalisation. Following these various steps, all values for the response variable used as a proxy for late payments have the same direction, with a higher value indicating a worse payment performance, and range between zero and one. Unfortunately, applying these data manipulations reduces the interpretability of the model coefficients, as the response variable no longer measures the number of days it took to settle an invoice or the share of firms behaving in a certain way. Nevertheless, they result in a proxy for payment performance that is comparable and allows the effect of each explanatory variable to be extracted.

Estimating the contribution of different factors to payment performance

To measure payment culture across Member States and time, the constructed proxy for the severity of late payments is regressed on firm size, on company sector, on a variable indicating whether the transaction is B2B or G2B, on the Indicator's name, and on an interaction term between country and year. This results in the following model equation:

$$Late\ Payments = \beta_0 + \beta_1 \times Company\ Size + \beta_2 \times Company\ Sector + \beta_3 \times B2B\backslash G2B + \beta_4 \times Indicator + \beta_5 \times (Country \times Year) + \varepsilon$$

Each coefficient (β_i) represents the effect of a particular variable on *Late Payments*, while the interaction term β_5 *(Country x Year)* captures how the effect of *Country* on *Late Payments* changes across years. This is essential for identifying country-specific patterns in late payments that cannot be attributed to other factors (e.g. company size, sector or transaction type). Therefore, the primary goal of this model is to obtain an unbiased estimate of the severity of late payments across countries, while removing the influence of other variables that might obscure or confound this relationship. By accounting for factors such as *Year*, *Country*, *Company Size*, *Company Sector*, type of transaction (*G2B or B2B*) and *Indicator*, one can more confidently attribute differences in late payments to country-specific influences rather than to other characteristics of the data.

The R-squared (R^2) of this model is 0.83, indicating that the model explains 83% of the variance in *Late Payments*. This is a relatively high R^2, which suggests that the explanatory variables included in the model are the main drivers affecting *Late Payments*. A high R^2 is typically a positive indication, as it reflects a model that aligns well with the observed data. However, while this R^2 suggests an excellent fit, it does not confirm causation or guarantee predictive accuracy beyond this dataset. To ensure transparency about the overall performance of the estimates, confidence intervals (CIs) are calculated for each coefficient. This allows us to assess the reliability of our estimates, including the interaction term. CIs provide a range around each estimated coefficient, enabling the model to determine if it is statistically different from zero, and therefore, statistically significant. For example, if the CI for the interaction term *Country* × *Year* does not include zero, one can be more confident that there is a genuine combined effect of *Country* and *Year* on *Late Payments*. Wider confidence intervals indicate more uncertainty, while narrower intervals suggest more precise estimates. Therefore, CIs assist in evaluating the reliability of the estimated countries' coefficients over time while highlighting whether observed differences are statistically significant.

Obtaining the model-implied contribution of country on late payments, which measures the payment performance in a specific country free from other confounding factors

After estimating the coefficients on all explanatory variables, the model-implied values for the dependent variable are computed for each combination of Country and Year. These reflect the marginal effect that, all else being equal, each Country and Year combination has on the constructed proxy for late payments. Thus, the fitted values capture only the contribution of each Country in each Year to late payments, while averaging out the effects of all other factors included in the model. Since the response variable was constructed so that a higher value indicates worse payment performance, a higher fitted value for any Country and Year combination reflects poorer payment performance in that country and year. Notably, the model also provides confidence intervals for these estimates, enabling a more robust comparison of payment performance across countries and years. This allows for more precise conclusions on whether payment culture in a specific country and year is statistically distinguishable from that in another country and year combination. The comprehensive list of estimated values for each country and year pair can be found in the table at the beginning of Annex 3, followed by heatmaps and graphs that visually represent these values (2022 and 2023 are excluded here, as they are presented in the main body of the report).

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