



Payment Practices Barometer

International survey
of B2B payment behaviour

Core results North America

1.1 Introduction

This report is a part of the 11th edition of the Atradius Payment Practices Barometer. It focuses on North America, examining the primary aspects of the region's trade credit supply and management, as well as the payment behaviour of its international and domestic Business-to-Business (B2B) customers.

The objective of this report is to provide companies doing or planning to do business in North America with an understanding of the trade dynamics of the region. Without an accurate understanding of the payment practices of both domestic and foreign customers, companies can encounter serious cash flow problems that set back their businesses.

1.2 Conclusions

This edition of the Atradius Payment Practices Barometer highlights that uncollectable receivables in North America are on the rise. Compared to an average of 4.0% in 2011, in the 2012 survey an average of 5.3% of the value of receivables of B2B companies is being written off as uncollectable.

The level of uncollectable receivables climbed in each of the three countries surveyed namely Canada, Mexico and the USA. In Canada the average percentage of uncollectable receivables rose from 2.9% in 2011 to 5.2% in 2012; in Mexico from 4.3% to 5.2% and in the USA from 4.6% to 5.6%. In comparison, uncollectable B2B receivables in Europe in 2012 averaged 3.0% of the value of the receivables of survey respondents (stable in comparison to the same survey period in 2011).

In Mexico, the problem was more severe in regard to domestic receivables, 5.6% of which were uncollectable compared to 4.1% of foreign receivables. In Canada and the USA foreign receivables represented a greater risk than did domestic receivables. The issue was more severe in the US with 5.1% of domestic and 6.6% of foreign receivables uncollected than in Canada where 4.8% of domestic and 5.8% of foreign receivables were uncollectable.

Overall, the percentage of late receivables has not increased that much in North America in 2012 compared to 2011, but more of these overdue receivables are remaining outstanding longer and more are resulting in payment defaults. As a result the average DSO across the region has also been creeping upward. Approximately 23.3% of the survey respondents experienced an increase in their DSO over the past 12 months compared to 7.8% for whom DSO decreased. The average DSO for the region was 42.7 days which exceeded the average payment term of 34.3 days by 8 days. Mexico had the highest average DSO, 50.7 days followed by the US, 38.0 days and Canada 36.8 days.

There is clear consensus among respondents in terms of expectations for a worsening credit risk environment in the short-term. There are some tangible signs in the US and Canada with the levels of extended DSO s being reported. Companies are clearly managing their cash-flow cycle very tightly and this clearly ex-

The report therefore looks at a series of key areas of trade credit and credit management policy of companies in North America, including the extent to which trade credit is granted to customers, the payment terms set for customers, the resultant incidence of late or non-payment, and the actions taken to mitigate payment risks.

The September 2012 Payment Practices Barometer is available on the Atradius website at www.atradius.com ■

tends to buyers receiving goods and services on credit terms. This is hardly surprising at the micro and SME demographic where bank financing is still either not available, or is prohibitive in terms of pricing.

More positively, it is encouraging to see that many respondents are increasing focus on managing credit risk exposures through increased use of trade references, credit information and improving diligence in terms of their customer base. However, while this is a positive step, the often-times lack of access to financial statements means that credit management must rely on the quantitative rather than qualitative data in this regard. Mexico provides a familiar picture of a prohibitive banking system in terms of cost-effective access to financing, leaving suppliers with a reliance upon the commercial morality of their buyers and financial information that is often uncorroborated by third-party sources and can be questionable in terms of reliability.

A major challenge to suppliers that remains in all of these markets is one of financial transparency. So while it is very positive to note an increased focus on credit management, parties extending credit are still often blindsided by the lack of data to understand the actual ability of their customers' to pay. This delivers a feature of uncertainty that remains a constant and is an area where a product such as credit insurance can step in to provide support against a backdrop of uncertainty in this regard. ■

1.3 Core results North America

Sales on credit terms (2.1)

- On average, survey respondents in North America transacted more than 40% of their B2B sales on credit
- Overall, there was no clear-cut preference shown for selling on credit to either domestic or foreign B2B customers.
- On a country basis, Mexican respondents appeared to be somewhat more likely to sell on credit terms to domestic than to foreign B2B customers.
- The financial services sector in North America was the most inclined to use trade credit in B2B transactions domestically rather than internationally.
- Large enterprises surveyed in North America were the most likely to sell on credit to domestic rather than to foreign B2B customers.

Trade credit supply determinants (2.2)

- The most influential factor in B2B trade credit decisions of survey respondents in North America was the establishment of long term trade relationships with customers (domestic customers 39.7% of respondents; foreign customers 38.0% of respondents).
- All the other trade credit supply determinants examined by our survey were given far lower weightings by respondents in North America.
- More than 2 out of 5 survey respondents in the financial services sector in North America prioritized trade credit supply mainly as a tool to establish long term trade relationships domestically; 2 out of 5 survey respondents from the services sector prioritized this with international customers.
- Micro enterprises in North America were the most likely to grant trade credit to establish long term trade relationships domestically, large enterprises internationally.

Average payment terms - domestic/foreign (3.1)

- B2B customers of survey respondents in North America were extended an average of 34.3 days (same survey period in 2011: 36.5 days) from the invoice date to pay for their purchases on credit.
- Trade credit terms extended to domestic customers by survey respondents in North America were, on average, slightly shorter (averaging 33.5 days) than those extended to foreign customers (38.7 days).
- The financial services sector in North America granted the most relaxed credit terms to their B2B customers both domestically and internationally.
- Both medium-sized and large enterprises surveyed in North America extended the longest trade credit terms to domestic and foreign B2B customers.

Early payment discounts (3.2)

- More than 2 out of 5 survey respondents in North America offered discounts for early payment of invoices. Mexico was the most, and Canada the least, active in this respect.
- Discounts were most frequently taken advantage of by B2B customers of Mexican survey respondents.
- The manufacturing sector in North America was the most likely to offer discounts for early payment of invoices, and had the lowest percentage of the B2B customers who took advantage of the discounts.
- Medium-sized North American enterprises were the most active in offering discounts for early payment of invoices; however, B2B customers of micro enterprises were the most likely to take advantage of the discounts offered.

Trend in the use of credit management tools (3.3)

- Nearly half of the survey respondents in North America plan on checking their buyers' creditworthiness more over the next six months.
- A sizeable percentage of survey respondents expect to use cash terms more often in B2B transactions, to check buyers' track records more and to increase their reserves against bad debts.
- The services sector is the most likely to increase the frequency of buyer creditworthiness checks over the next six months.
- 3 out of 5 survey respondents from large enterprises in North America plan on increasing checks of the creditworthiness of their buyers over the next six months.

Overdue B2B invoices (domestic/foreign) – Payment timing (4.1)

- At overall survey level, B2B invoices issued by survey respondents in North America were just as likely to be paid late by domestic customers as they were by foreign customers (an average of 28.0% of the total value of the B2B invoices issued by survey respondents to both domestic and foreign customers was past due).
- Compared to one year ago, North American respondents recorded an increase in the percentage of the total value of B2B invoices paid after the due date.
- The manufacturing sector in North America recorded the highest percentage of past due domestic B2B invoices, the financial services sector the highest percentage of past due foreign B2B invoices.
- Small enterprises surveyed in North America recorded the highest percentage of past due domestic B2B invoices, medium-sized enterprises the highest percentage of past due foreign B2B invoices.

Main reasons for payment delays from customers (4.2)

- In North America, B2B invoices were more likely to be paid late due to liquidity constraints of domestic than of foreign customers.
- North American survey respondents reported a significant increase in the frequency of payment delays due to liquidity constraints of B2B customers, particularly on domestic sales.
- The wholesale/retail/distribution sector in North America was the most impacted by payment delays due to insufficient availability of funds of domestic B2B customers, as was the financial services sector in relation to payment delays from foreign customers.
- Micro enterprises in North America were the most impacted by payment delays due to insufficient availability of funds of domestic B2B customers; small enterprises of foreign B2B customers.

Uncollectable receivables - domestic/foreign (4.3)

- An average of around 5.0% of the total value of domestic and foreign B2B receivables was reported by survey respondents in North America to have been written off because they were uncollectable.
- Compared to one year ago, North American respondents recorded an overall increase in the average proportion of uncollectable B2B receivables, particularly of those arising from international trade.
- The financial services sector recorded the highest proportion of uncollectable B2B receivables arising from domestic and foreign trade.
- Medium-sized enterprises recorded the highest proportion of uncollectable domestic and foreign B2B receivables.

Trend of payment risk over the next six months (4.5)

- The percentage of North American survey respondents expecting deterioration of the trade credit risk environment over the next six months is notably higher than that of respondents anticipating improvement.
- Over 55.0% of respondents in North America were of the opinion that the level of trade credit risk will not change over the next six months.
- The financial services sector expressed the most pessimistic outlook for trade credit risk of all the business sectors surveyed in North America.
- SMEs in North America were the most pessimistic about the trade credit risk environment over the next six months.

Average Days Sales Outstanding (DSO) – second half 2011 (5.1)

- Businesses surveyed in North America posted an average DSO of 42.7 days, which is notably higher than the average payment term in the region (34.3 days).
- Survey respondents in Mexico posted the highest DSO, and Canadian respondents the lowest.
- The services sector posted the longest average DSO.
- Medium-sized enterprises posted the longest average DSO.

DSO trend over the past year (5.2)

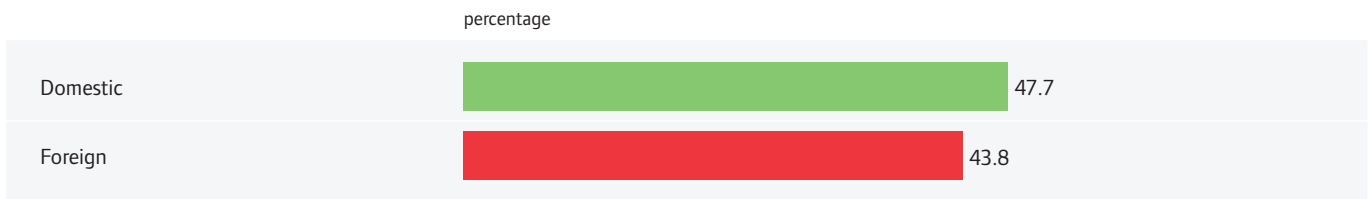
- More than three times as many survey respondents in North America (23.2%) experienced an increase in DSO over the past year than did a decrease.
- Nearly 70% of the respondents reported no change in DSO over the past year.
- Wholesale/retail/distribution respondents were the most likely to have experienced an increase in DSO over the past year.
- Small enterprises were the most likely to have experienced an increase in DSO over the past year. ■

2 Use of trade credit

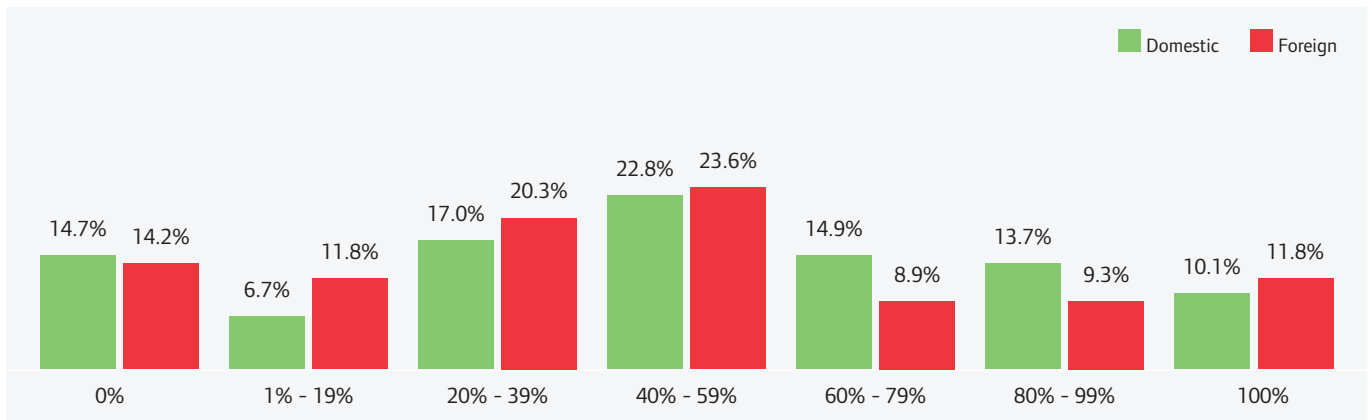
- On average, survey respondents in North America perceive trade credit risk on domestic and foreign B2B customers to be comparable
- Long term trade relationships had the greatest influence on B2B trade credit decisions of survey respondents in North America

2.1 Sales on credit terms

B2B sales made on credit terms - averages



Domestic/foreign B2B sales made on credit terms (by percentage of respondents)



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

Source: Atradius Payment Practices Barometer – September 2012

Overall

On average, survey respondents in North America were almost as inclined to sell on credit to foreign B2B customers as they were to domestic B2B customers

At the overall survey level, respondents in North America showed no clear-cut preference for selling on credit to either domestic or foreign B2B customers. An average of 47.7% of the total value of domestic B2B sales were on credit terms compared to 43.8% of foreign B2B sales (average for Europe: 53.9% domestic and 50.1% foreign). This suggests that, similar to European respondents, survey respondents in North America, have, on average, a uniform perception of the trade credit risk associated with domestic and foreign B2B customers. On a country basis, survey respondents in Mexico showed a greater inclination to sell on credit terms to domestic than to foreign B2B customers (50.9% of the total value of domestic B2B sales was on credit, versus 41.9% of foreign sales). More than 1 out of 4 Mexican respondents reported having never used trade credit in B2B transactions with

foreign customers. 43.1% of the total value of the domestic B2B sales of U.S. respondents was on credit, versus 44.9% of foreign sales and 48.6% of the domestic B2B sales versus 44.2% of the foreign B2B sales of respondents from Canada made use of trade credit. These percentages were more consistent with the survey pattern. No use of trade credit at all in either domestic or international B2B transactions was reported by around 14% of North American respondents. In contrast, around 10% of the survey respondents in North America showed a completely trade credit friendly attitude and made 100% of their domestic and foreign B2B sales respectively on credit. Most survey respondents in North America fell in between and extended credit to customers selectively. 39.0% and 43.9% of North American respondents respectively transacted 20% to 59% of their domestic and foreign B2B sales on credit.

By business sector

The financial services sector in North America was the most inclined to use trade credit in domestic B2B transactions rather than in international transactions

In contrast to the survey pattern, North American respondents in the financial services sector showed a greater preference for selling on credit to domestic customers than to foreign customers (55.8% and 38.6% of the total value of domestic and foreign B2B sales respectively were on credit). The manufacturing sector followed with 52.1% of the total value of domestic and 44.4% of foreign B2B sales made on credit. The most uniform perception of domestic and foreign trade credit risk was observed in the wholesale/retail/distribution sector, where nearly half of the B2B sales to both domestic and foreign customers were transacted on credit terms.

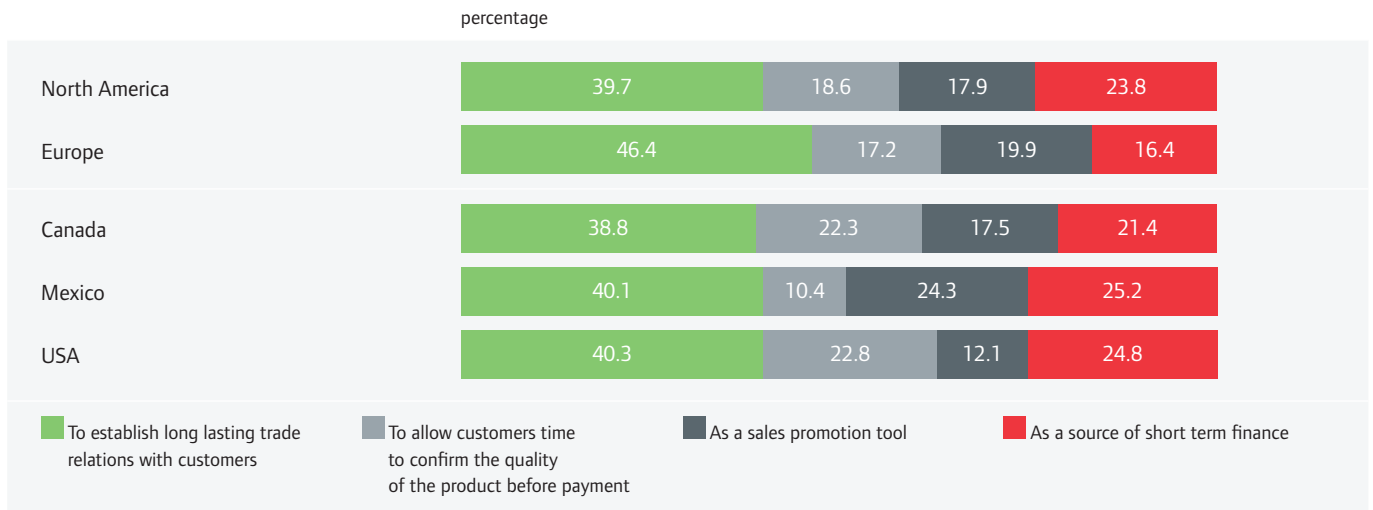
By business size

Large enterprises surveyed in North America were the most likely to sell on credit to domestic rather than to foreign B2B customers

In contrast with the survey pattern, respondents from large enterprises in North America showed a clear-cut preference for using trade credit in B2B transaction with domestic B2B customers. 48.7% of the total value of their B2B sales to domestic customers was on credit compared to 39.2% of the sales to foreign B2B customers. Medium-sized enterprises followed with 52.3% of the total value of domestic B2B sales and 45.1% of foreign sales made on credit. Respondents from micro enterprises appeared to be the least inclined to use trade credit in B2B sales, both domestically and internationally. ■

2.2 Trade credit supply determinants

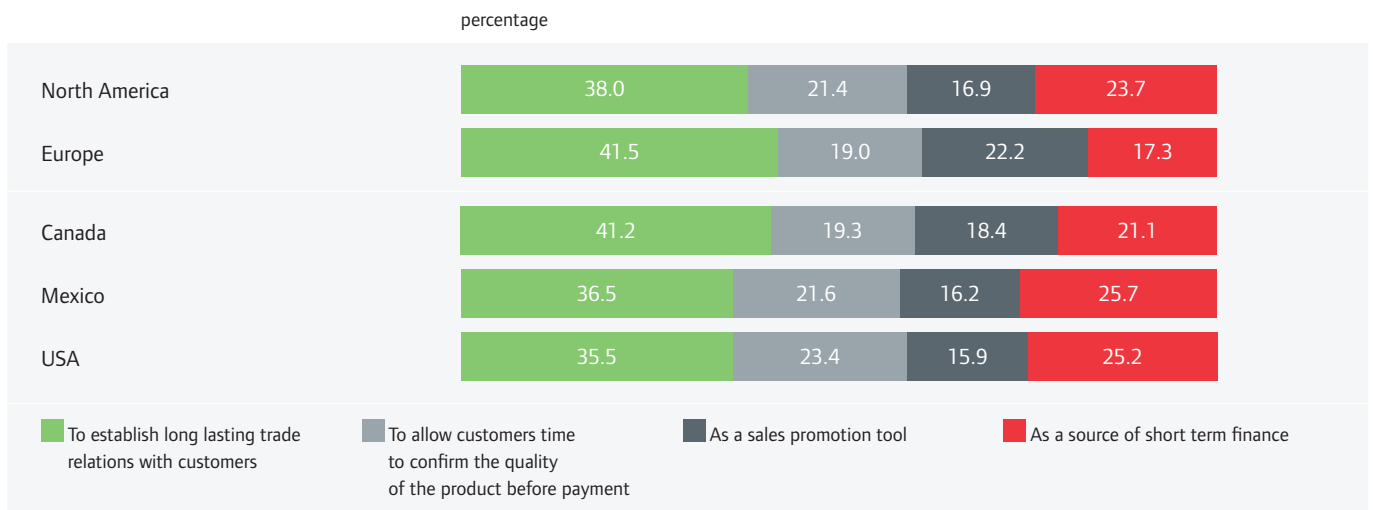
What are the main reasons that your company grants trade credit to its domestic B2B customers?



Sample: all interviewed companies (active in domestic markets)

Source: Atradius Payment Practices Barometer – September 2012

What are the main reasons that your company grants trade credit to its foreign B2B customers?



Sample: all interviewed companies (active in foreign markets)

Source: Atradius Payment Practices Barometer – September 2012

Overall

Long term trade relationships had the greatest influence on B2B trade credit decisions of survey respondents in North America

Overall, the most influential factor in B2B trade credit decisions of survey respondents in North America was the establishment of long term trade relationships with domestic (39.7% of respondents) and foreign customers (38.0% of respondents). By country, survey respondents in the U.S. and Mexico granted trade credit mainly to establish long term trade relationships with B2B customers more often domestically (around 40.0% of respondents each) than internationally (35.5% of U.S. respondents and 36.5% of Mexican respondents). In contrast, survey respondents from Canada, granted B2B trade credit to establish long term trade relationships slightly more often with foreign customers (41.2% of respondents) than with domestic customers (38.8% of respondents). All the other trade credit supply determinants examined in the survey were given a lower weighting by North American respondents. Allowing customers time to confirm the quality of the product before payment was the main reason that 18.6% and 21.4% of respondents in North America granted B2B trade credit to domestic and foreign customers respectively. The domestic percentage climbed to around 22.0% in Canada and the U.S.; the foreign percentage climbed to 23.4% in the U.S. B2B trade credit was granted mainly as a sales promotion tool to domestic customers by 17.9% of survey respondents and to foreign customers by 16.9% of survey respondents. The domestic percentage rose to 24.3% in Mexico, and the foreign percentage to 18.4% in Canada. 23.7% of North American respondents granted trade credit to B2B customers both domestically and internationally mainly as a source of short-term finance. Around 1 out of 4 survey respondents in Mexico granted trade credit to both domestic and foreign B2B customers as a means of financial support. An equal proportion of U.S. respondents granted trade credit for the same reason to foreign B2B customers.

By business sector

More than 2 out of 5 survey respondents in the financial services sector in North America prioritised trade credit supply mainly as a tool to establish long term trade relationships domestically; 2 out of 5 survey respondents from the services sector prioritized this with international customers

More than 2 out of 5 survey respondents in the financial services sector in North America granted trade credit to domestic B2B customers mainly as a tool to establish long term trade relationships. The same proportion of respondents in the services sector granted trade credit for the same reason to foreign B2B customers. Trade credit was offered as a means of financial support to domestic and foreign B2B customers by 32.3% of respondents in the financial services sector and by 27.4% in the manufacturing sector. 24.0% of respondents from the manufacturing sector granted B2B trade credit domestically to promote sales growth. 24% of wholesale/retail/distribution sector respondents granted trade credit to foreign B2B customers to allow them time to confirm the quality of the product before payment.

By business size

Micro enterprises in North America were the most likely to grant trade credit to establish long term trade relationships domestically, as were large enterprises internationally

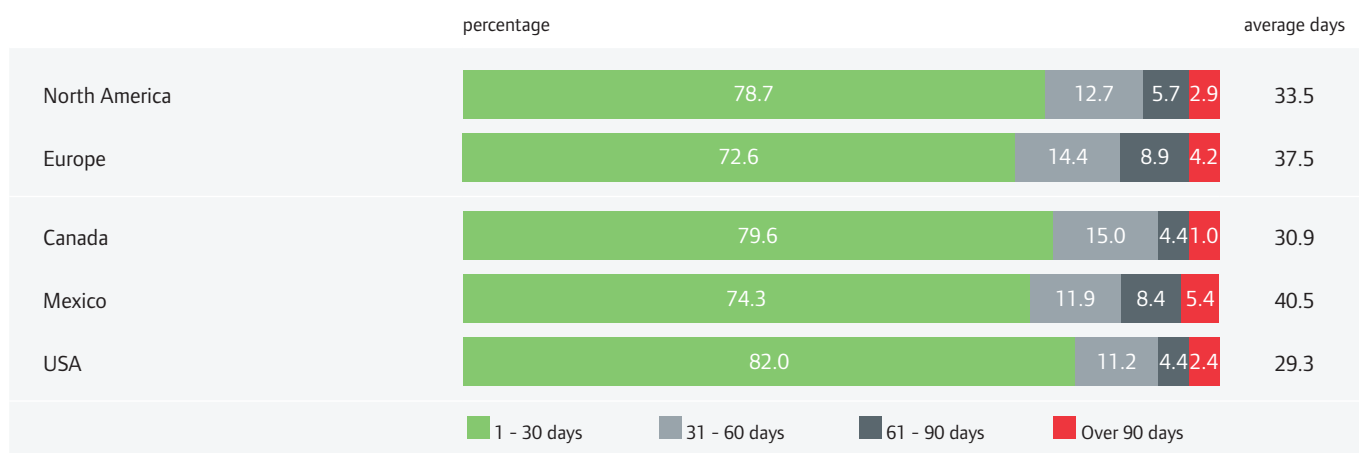
Survey respondents from micro-enterprises (44.4%) assigned the highest priority to granting trade credit to domestic B2B customers mainly as a tool to establish long term trade relationships. 42.9% of respondents from large enterprises granted trade credit for the same reason to foreign B2B customers. Nearly 30% of respondents from large enterprise granted B2B trade credit domestically as a means of financial support to customers, as did 27.2% of respondents from medium-sized enterprises internationally. One find worth comment is that 30.6% of respondents from micro enterprises reported having granted B2B trade credit to foreign customers to allow them time to confirm the quality of the product before payment. ■

3 Credit management practices

- On average, in North America, Mexico recorded the longest overall trade credit term for B2B customers; the U.S. the shortest
- More than 40% of survey respondents in North America offered discounts for early payment of invoices; discounts were offered the most often in Mexico, where they were most frequently taken advantage of by B2B customers
- Over the next six months, nearly half of the respondents in North America expect to check the creditworthiness of buyers more

3.1 Average payment terms* (domestic/foreign)

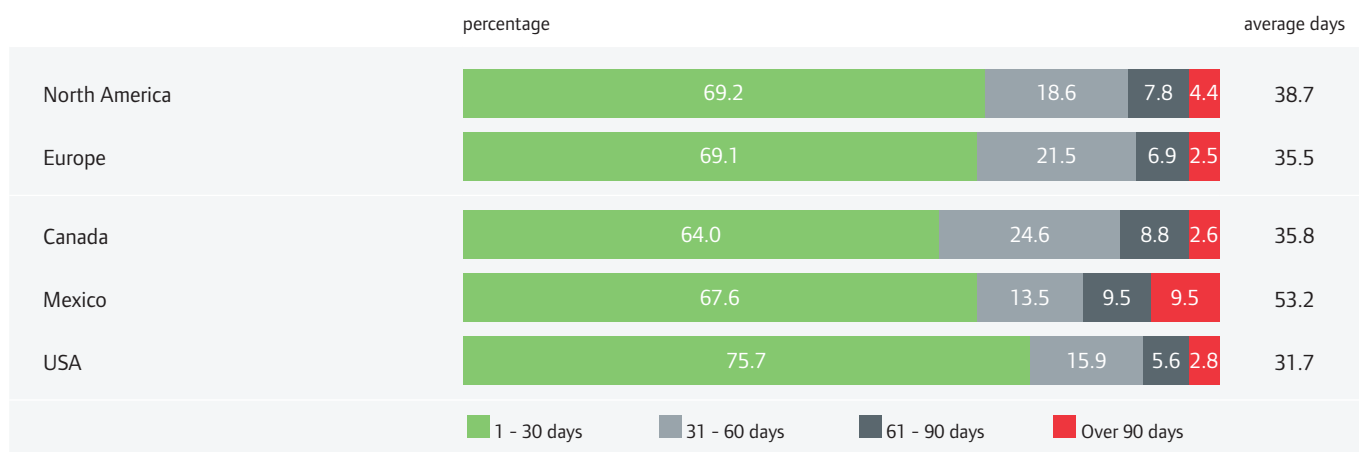
What payment terms does your company set for its domestic B2B customers?



Sample: all interviewed companies (active in domestic markets)

Source: Atradius Payment Practices Barometer – September 2012

What payment terms does your company set for its foreign B2B customers?



Sample: all interviewed companies (active in foreign markets)

Source: Atradius Payment Practices Barometer – September 2012

* Average payment terms = average length of time from the invoice date that a company gives its customers to pay invoices

Overall

On average, in North America, Mexico recorded the longest overall trade credit term for B2B customers; the U.S. the shortest

Overall, B2B customers of survey respondents in North America were extended an average of 34.3 days (same survey period in 2011: 36.5 days) from the invoice date to pay for their purchases on credit. This compared to an average trade credit term in Europe of 36.6 days (same survey period in 2011: 35.4 days). By country, Mexico recorded the longest average credit term extended to B2B customers (41.7 days). The shortest average trade credit term was observed in the U.S. (29.5 days). As to domestic versus foreign B2B sales, trade credit terms extended to domestic customers by survey respondents in North America were slightly shorter (averaging 33.5 days) than those extended to foreign customers (38.7 days). In the U.S., domestic and foreign credit terms averaged 29.3 days and 31.7 respectively, and in Canada domestic credit terms averaged 30.9 days domestic and foreign 35.8 days. In Mexico, credit terms extended to domestic B2B customers were considerably shorter than those offered to foreign customers (averaging 40.5 days and 53.2 days respectively).

By business sector

The financial services sector granted the most relaxed credit terms to their B2B customers both domestically and internationally

Compared to the other business sectors surveyed in North America, respondents in the financial services sector granted the most relaxed credit terms to their B2B customers (averaging 44.1 days domestically and 45.6 days internationally). The wholesale/retail/distribution and services sectors offered the shortest trade credit terms to domestic B2B customers (averaging 31.0 days). Foreign B2B customers were extended the shortest trade credit terms by respondents in the manufacturing sector (an average of 32.2 days).

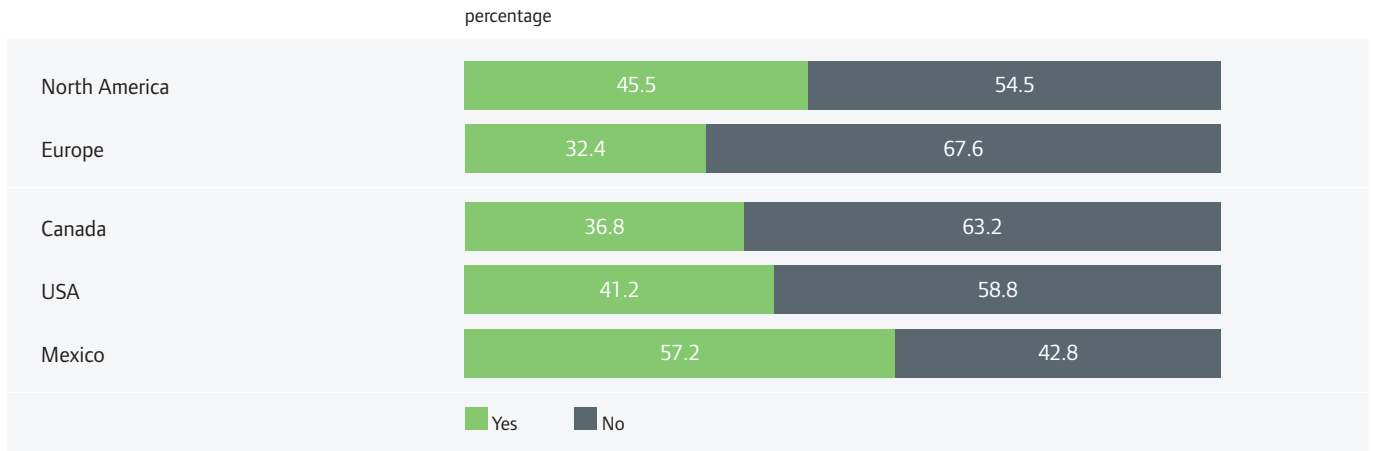
By business size

Both medium-sized and large enterprises surveyed in North America extended the longest trade credit terms to domestic and foreign B2B customers

The medium-sized and large enterprises surveyed in North America extended the longest trade credit terms to domestic (averaging 39 days each) and to foreign B2B customers (46.9 days large enterprises and 41.6 days medium-sized enterprises). Micro enterprises extended the shortest average credit terms on domestic sales, (28.3 days) and small enterprises on foreign sales (33.3 days). ■

3.2 Early payment discounts

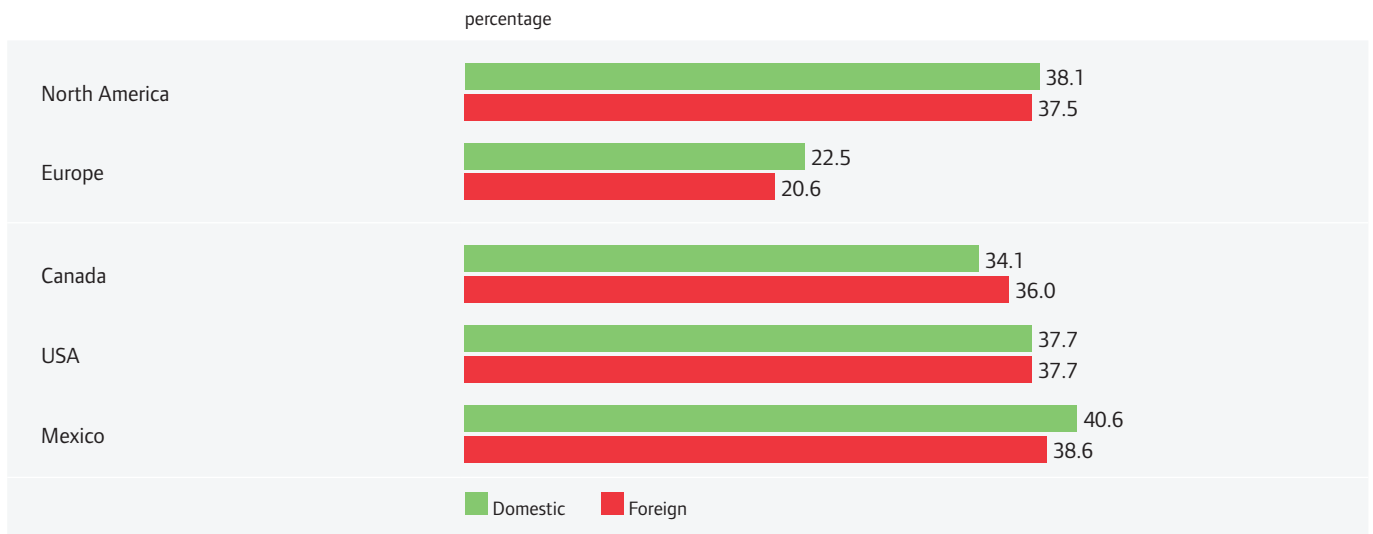
Does your company discount early payment of B2B invoices



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – September 2012

What percentage of your domestic/foreign B2B customers take advantage of early payment discounts?



Sample: all interviewed companies that discount early payment of invoices (active in domestic and foreign markets)

Source: Atradius Payment Practices Barometer - September 2012

Overall

More than 40% of survey respondents in North America offered discounts for early payment of invoices; discounts were offered the most often in Mexico, and taken advantage of the most by B2B customers of Mexican respondents

An average of 45.4% of survey respondents in North America offered discounts to encourage their B2B customers to pay invoices earlier (Europe: 32.4% of respondents). All three of the North American countries surveyed had a higher percentage of respondents who offer early payment discounts than the European average. In the same survey period one year ago, the percentage of North American survey respondents offering early payment discounts was 43.4% (Europe: 36.6% of respondents). On a country basis, Mexico, which recorded the longest credit term across the surveyed countries in North America, had the highest percentage of respondents who offered early payment discounts to B2B customers (57.2%). The U.S. also had a high percentage of respondents who offered early payment discounts (41.2% of respondents), despite having the shortest average credit term of the surveyed countries in the region. The least active in offering early payment discounts was Canada (36.8% of respondents). An average of 38.1% of domestic and 37.5% of foreign B2B customers took advantage of the early payment discounts offered in North America. Mexico recorded the highest percentage of domestic (40.6%) and foreign B2B customers (38.6%) taking advantage of the early payment discounts. In the U.S., 37.7% of B2B customers, both domestic and foreign customers, took advantage of the early payment discounts and in Canada, 34.1% of the domestic and 36.0% of the foreign B2B customers took advantage of the discounts offered by survey respondents.

By business sector

The manufacturing sector in North America was the most likely to offer discounts for early payment of invoices, but their customers were the least likely to take advantage of the discounts

Compared to the other business sectors surveyed in North America, the manufacturing sector was the most likely to offer discounts for early payment of invoices (54.1% of respondents). The services sector was the least inclined to offer this financial incentive to their B2B customers (38.7%). Despite the high frequency of offering discounts, manufacturing respondents saw a low pick up rate from their customers. The percentage of domestic B2B customers that took advantage of the discounts ranged from 42.3% in the financial services sector to 35.8% in the manufacturing sector. The percentage of foreign B2B customers that took advantage of discounts ranged from a high of 47.7% in the financial services sector to a low of 27.1% in the manufacturing sector.

By business size

Medium-sized enterprises in North America were the most likely to offer discounts for early payment of invoices; discounts were most often taken advantage of by B2B customers of micro enterprises

Nearly 3 out of 5 survey respondents from medium-sized North American enterprises offered their B2B customers discounts for early payment of invoices. The least active in this respect were respondent from micro enterprises (33.0%). Despite offering discounts less often, respondents from micro enterprises recorded the highest percentage of customers that took advantage of them. The percentage of domestic B2B customers that took advantage of the discounts ranged from 41.5% for micro enterprises to 35.3% for medium-sized enterprises. The percentage of foreign B2B customers that took advantage of early payment discounts offered by survey respondents ranged from a high of 44.3% for micro enterprises to a low of 34.3% for medium-sized enterprises. ■

3.3 Trend in the use of credit management tools

Overall

Over the next six months, nearly half of the respondents in North America anticipate checking the creditworthiness of buyers more

When asked about the credit management tools they anticipate using to protect their business from payment delays and defaults over the next six months, the highest percentage (49.3%) of survey respondents in North America reported they will check their buyers' creditworthiness more often. More than half of the survey respondents in the U.S. and Mexico and 42.9% of respondents from Canada plan on checking creditworthiness of buyers more. At an overall survey level, 46.3% of respondents anticipate an increase in their use of cash B2B transactions as well. Mexican respondents topped the region in this respect (54.0% of respondents) followed by Canada (43.7% of respondents) and the U.S. (40.4%). 45.2% of respondents overall plan on checking their buyers' track records more, and 43.4% reported they intend to increase their reserves against bad debts. All three of the countries surveyed in North America had about the same percentage of respondents that plan on increasing checks of buyer track records. Mexico had the highest percentage of respondents who anticipate increasing reserves against bad debts (47.0%) followed by the U.S. (42.3% of respondents) and Canada (39.4%).

By business sector

The services sector is the most likely to increase checking of buyer's creditworthiness over the next six months

The highest percentage of survey respondents in North America who plan on checking their buyers' creditworthiness more often over the next six months was recorded in the services sector (51.1%) followed by the manufacturing sector (50% of respondents). The North American services sector had the highest percentage of respondents that plan on increasing their use of cash B2B transactions and checks of buyer track records (around 56% of respondents) over the next six months. In the financial services sector, 55% of respondents anticipate increasing their bad debt reserves and 23.8% reported they will begin reserving against bad debts.

By business size

3 out of 5 respondents from large enterprises anticipate checking buyers' creditworthiness more over the next six months

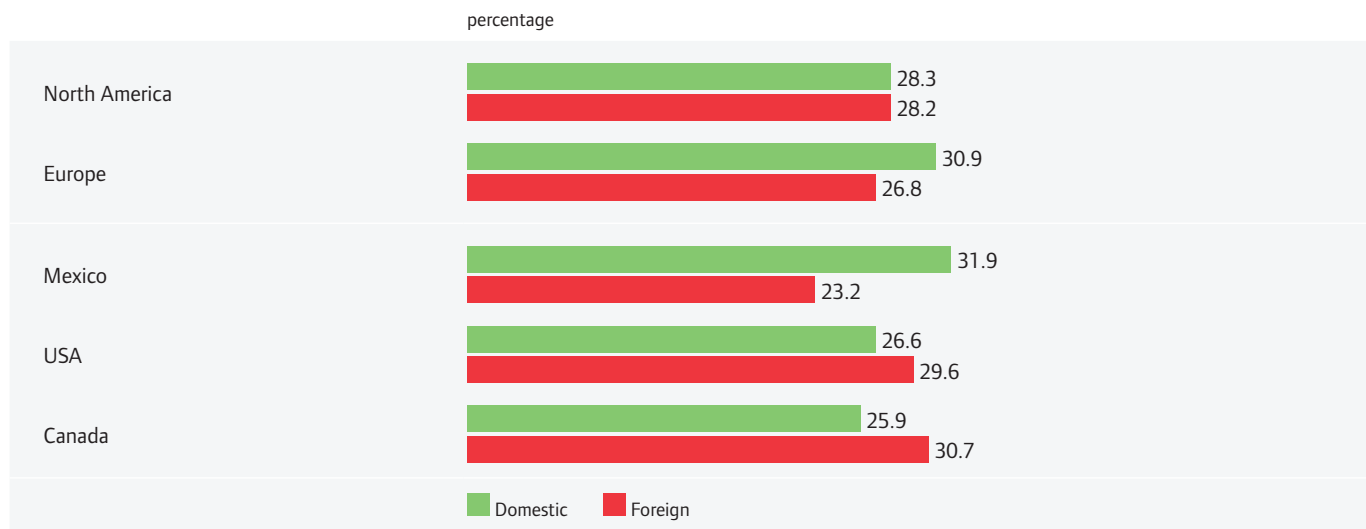
3 out of 5 survey respondents in North American large enterprises anticipate checking the creditworthiness of buyers and using cash B2B transactions more over the next six months. They are also the most likely to increase checks of their buyers' track records and their reserves against bad debts (52.6% of respondents from large enterprises). It is worth noting that more than 15% of respondents from small North American enterprises plan to begin checking the creditworthiness and track records of buyers over the next six months. ■

4 Customers' payment behaviour

- Compared to one year ago, the average percentage of the total value of B2B invoices of respondents in North America that were paid after the due date increased
- In North America, payment delays due to liquidity constraints of B2B customers, particularly on the domestic market, occurred more often than one year ago
- Compared to one year ago, survey respondents in North America recorded an increase in the average proportion of uncollectable B2B receivables, particularly of those arising from international trade
- The percentage of North American survey respondents expecting deterioration of the trade credit risk environment over the next six months is notably higher than that of respondents anticipating improvement

4.1 Overdue B2B invoices (domestic/foreign) – Payment timing

What percentage of the total value of your domestic/foreign B2B invoices are overdue?



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

Source: Atradius Payment Practices Barometer - September 2012

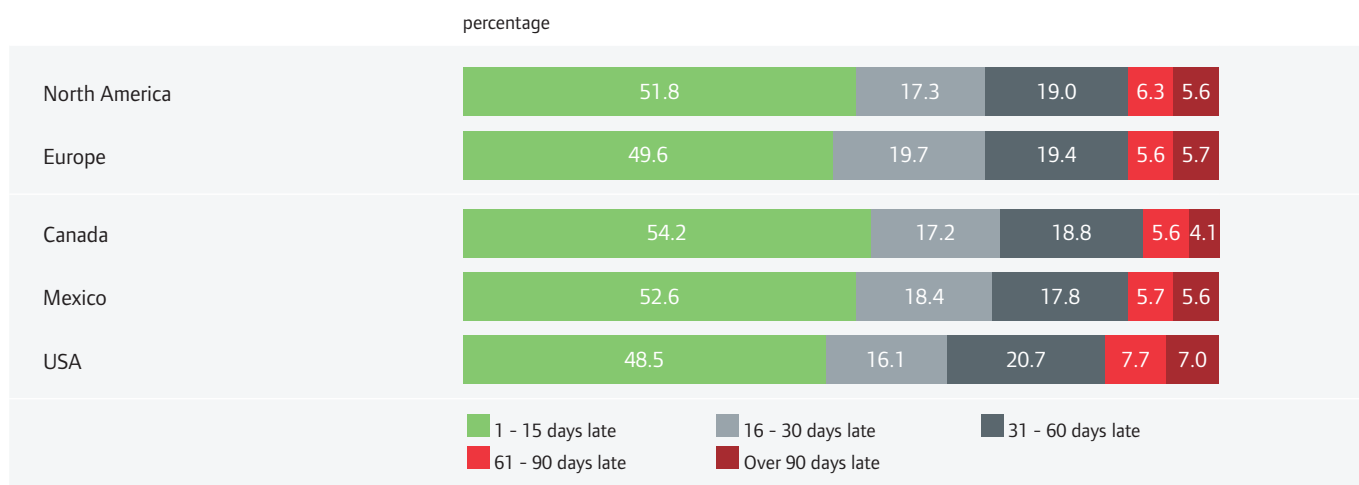
Overall

Compared to one year ago, the average percentage of the total value of B2B invoices of survey respondents from North America that were paid after the due date increased

Overall, B2B invoices issued by survey respondents in North America were just as likely to be paid late by domestic customers as they were to be paid late by foreign customers. An average of 28.0% of the total value of the B2B invoices issued by survey respondents to their customers, both domestic and foreign, were paid after the due date (same survey period in 2011: 26.2% domestic and 27.1% foreign). This compared to the European averages of 30.9% domestic and 26.8% foreign (same survey period in 2011: 31.9% domestic and 30.0% foreign). Of the three North American countries Mexico recorded the highest percentage of overdue domestic invoice payments to the total value of domestic B2B invoices (31.9%) followed by the U.S. (26.6%) and Canada (25.9%). The order was reversed when it came to foreign sales, with respondents in Canada recording the highest percentage of

overdue B2B invoices from foreign B2B customers (30.7%), followed by the U.S. (29.6%) and Mexico (23.2%). Payment was received within one month of the invoice due date, 69.2% of the domestic and 65.3% of the foreign B2B customers of the survey respondents in North America paid within this time frame. By country, Canada recorded the highest percentage (71.4%) of domestic B2B invoices paid within one month of the invoice due date followed by Mexico (70.9%) and the U.S. (64.6%). The proportion of foreign past due invoices paid within one month of the invoice due date ranged from a high of 74.2% in Mexico to a low of 59.1% in the U.S. An average of 5.6% of the total value of past due domestic receivables and 6.3% of foreign receivables of survey respondents in North America remained outstanding for more than 90 days. The U.S. recorded the highest percentage of the total value of domestic (8.5%) and foreign (7.0%) receivables that were delinquent for more than 90 days. The percentage dropped to 5.6% in Mexico and 4.1% in Canada for domestic receivables, and to 5.7% in Canada and 4.3% in Mexico for foreign receivables.

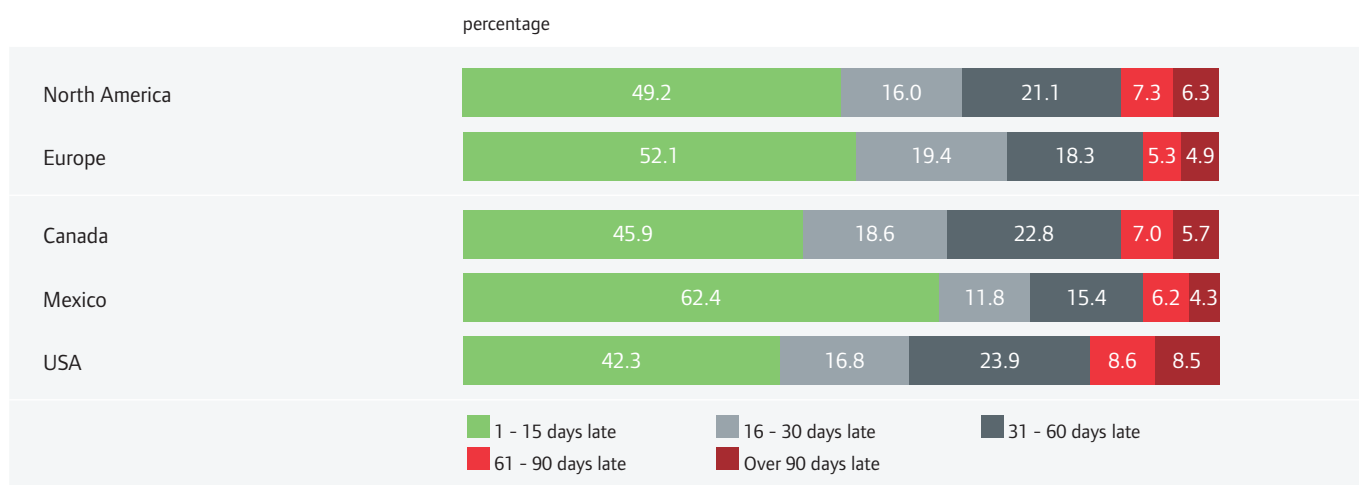
Domestic B2B overdue invoices - Payment is made between



Sample: all interviewed companies with overdue invoices (active in domestic markets)

Source: Atradius Payment Practices Barometer – September 2012

Foreign B2B overdue invoices - Payment is made between



Sample: all interviewed companies with overdue invoices (active in foreign markets)

Source: Atradius Payment Practices Barometer – September 2012

By business sector

Manufacturing sector in North America recorded the highest percentage of past due domestic B2B receivables, the financial services sector the highest percentage of past due foreign B2B receivables

Compared to the other business sectors surveyed in North America, the manufacturing sector recorded the highest percentage of past due domestic B2B receivables (averaging 31.2% of the total value of the domestic B2B invoices issued by the sector). The financial services sector recorded the highest percentage of foreign B2B invoices paid after the due date (averaging 33.9% of the total value of foreign B2B invoices). The manufacturing sector (71.7% of the total value of domestic B2B invoices) had the most success in collecting overdue domestic invoices within one month

of the due date and the financial services sector (64.4%) the least success. As to international B2B trade, the percentage of past due invoices paid within 30 days after the due date ranged from 69.9% in the manufacturing sector to 61.3% in the wholesale/retail/distribution sector. The financial services sector recorded the highest percentage of domestic B2B receivables that were more than 90 days overdue (averaging 7.2% of the total value of domestic B2B invoices), and the manufacturing sector (8.2%) the highest percentage of foreign B2B receivables overdue by over 90 days.

By business size

Small enterprises surveyed in North America recorded the highest percentage of domestic B2B invoices paid after the due date, as did medium-sized enterprises in relation to foreign B2B invoices

The highest percentage of past due domestic B2B invoices (averaging 32.5% of the total value of domestic B2B invoices) was recorded by respondents from small North American enterprises. Medium-sized enterprises recorded the highest percentage of foreign B2B invoices paid after the due date (averaging 30.5% of

the total value of foreign B2B invoices). The greatest percentage of payments received within 30 days of invoice due date was 73.6% of the invoices of micro enterprises. The lowest percentage was 66.0% in small enterprises. As to past due foreign B2B invoices, the range was from 69.9% in large enterprises to 63.0% in small and medium sized enterprises. Micro enterprises recorded the highest percentage of domestic (5.9%) and foreign market (11.6%) B2B receivables that were more than 90 days overdue. ■

4.2 Main reasons for payment delays from customers

Overall

In North America, payment delays due to liquidity constraints of B2B customers, particularly on the domestic market, occurred more often than one year ago

In North America, B2B invoices were more likely to be paid late due to liquidity constraints of domestic than of foreign customers. Overall, 61.1% (2011: 59.9%) and 43.5% (2011: 42.3%) of survey respondents in North America cited insufficient availability of funds as the main reason for payment delays by domestic and foreign B2B customers respectively. In Mexico, the domestic percentage rose considerably to 75.1% and the foreign percentage to 50.7%. The lowest percentage of respondents citing this reason was observed in the U.S. (38.7% in relation to domestic payment delays and 34.1% in relation to foreign payment delays). At overall survey level, respondents in North America assigned lower weightings to all other reasons for domestic and foreign B2B payment delays investigated in the survey. 39.0% of respondents reported that the main reason for payment delays from foreign B2B customers was the complexity of the payment procedure. At country level, the percentage was 42.2% in Mexico, 40.0% in the U.S. and 35.6% in Canada. For 36.2% of the survey respondents in North America, payment delays from foreign B2B customers were mainly due to inefficiencies of the banking system. this reason was cited the most by respondents from Canada (37.8%). Overall, 1 out of 4 respondents in North America reported that payments from foreign customers were delayed due to disputes over goods delivered or services provided that did not correspond to what was agreed in the contract. The highest percentage of respondents citing this reason was observed in the U.S. (31.8%), the lowest in Mexico (14.0%).

By business sector

The wholesale/retail/distribution sector was the most impacted by payment delays due to insufficient availability of funds of domestic B2B customers, and the financial services sector in relation to payment delays from foreign customers

Survey respondents from the North American wholesale/retail/distribution sector were the hardest hit by payment delays due to insufficient availability of funds of domestic B2B customers (63.6% of respondents), as were respondents from the financial services sector by payment delays from foreign B2B customers (58.6%). The manufacturing sector was the most impacted by foreign payment delays due to the complexity of the payment procedure (more than 40% of survey respondents). The services sector (43.7% of respondents) was the most impacted by foreign payment delays due to the inefficiencies of the banking system. Over 30% of North American survey respondents in both the manufacturing and the wholesale/retail/distribution sectors experienced foreign payment delays due to disputes over goods delivered or services provided that did not correspond to what was agreed in the contract.

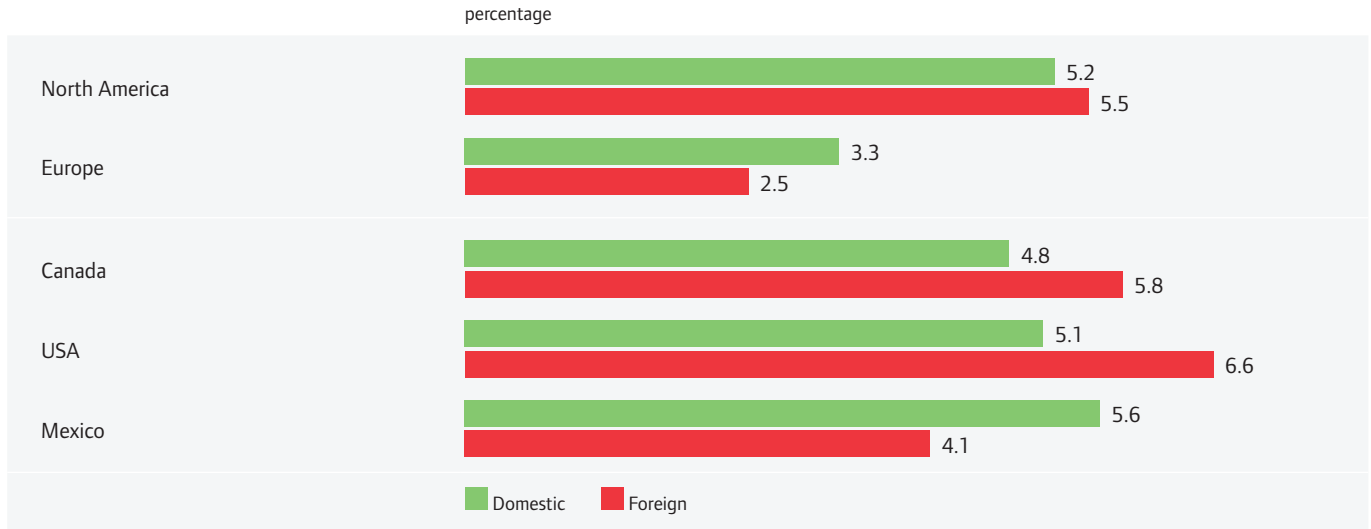
By business size

Micro enterprises were the most impacted by payment delays due to insufficient availability of funds of domestic B2B customers; small enterprises of foreign B2B customers

Micro enterprises (66.9% of respondents) were the most impacted by payment delays due to insufficient availability of funds of domestic B2B customers, as were small enterprises (57.0%) in relation to payment delays from foreign B2B customers. Large enterprises were the most impacted by payment delays from foreign B2B customers due to the complexity of the payment procedure (32.0% of respondents), and medium-sized enterprises by foreign payment delays due to inefficiencies of the banking system (28.9%). Disputes over goods delivered or services provided that did not correspond to what was agreed in the contract had the greatest impact on payment delays from foreign customers of large enterprises (24.0% of respondents). ■

4.3 Uncollectable receivables (domestic/foreign)

Over the last six months, what percentage of the total value of your B2B receivables (domestic and foreign) were uncollectible?



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

Source: Atradius Payment Practices Barometer - September 2012

Overall

Compared to one year ago, survey respondents in North America recorded an overall increase in the average proportion of uncollectable B2B receivables, particularly of those arising from international trade

Survey respondents in North America reported that an average of 5.2% (same survey period in 2011: 4.0%) of the total value of domestic B2B receivables was written off as uncollectable. At country level, the highest percentage (5.6%) of uncollectable domestic B2B receivables was recorded in Mexico (same survey period in 2011: 4.7%). The U.S. (5.1% - same survey period in 2011: 4.3%) and Canada (4.8% - same survey period in 2011: 2.9%) followed. Measured against the average percentage of domestic B2B invoices which were more than 90 days past due (5.6%), the percentage of domestic uncollectable receivables suggests that there is only a slim chance of collecting very long outstanding receivables arising from domestic trade. As to foreign B2B sales, an average of 5.5% (same survey period in 2011: 3.9%) of the total value of foreign B2B receivables was reported by respondents as written off as uncollectable. This percentage was 6.6% in the U.S. (same survey period in 2011: 5.3%), 5.8% in Canada (same survey period in 2011: 3.0%) and 4.1% in Mexico (same survey period in 2011: 3.3%). Compared to the percentage of the total value of foreign receivables (6.3%) that were more than 90 days past due, this finding highlights a higher probability of collecting long overdue receivables arising from international trade.

By business sector

The financial services sector recorded the highest proportion of uncollectable B2B receivables arising from domestic and foreign trade

In the financial services sector, the average percentage of uncollectable B2B receivables arising from domestic and foreign trade was 6.7%, by industry, the highest of the survey. The wholesale/retail/distribution sector followed (5.7% domestic and foreign). Survey respondents in the services sector recorded an average of 5.5% of uncollectable foreign B2B receivables, and 4.7% of uncollectable domestic B2B receivables. In the manufacturing sector both percentages were 4.8%.

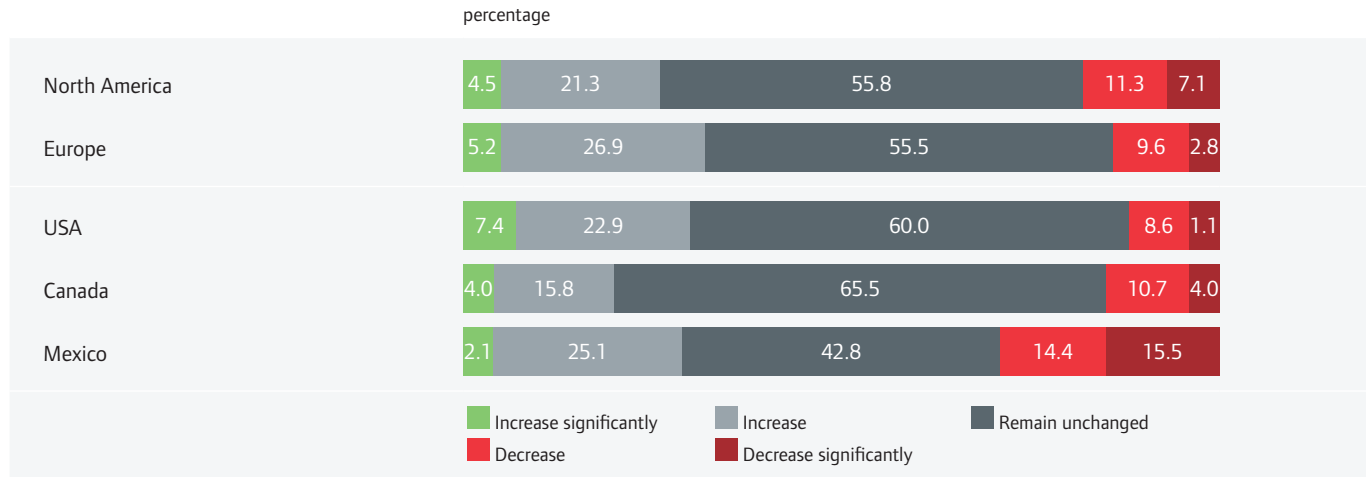
By business size

Medium-sized enterprises recorded the highest proportion of uncollectable domestic and foreign B2B receivables

Medium-sized enterprises in North America recorded the highest proportion of uncollectable domestic and foreign B2B receivables (averaging 6.1% each). In the other business size groups surveyed in North America, the proportion of uncollectable domestic B2B receivables ranged from 5.8% for small enterprises to 3.9% for micro enterprises. As to uncollectable B2B receivables arising from international trade, the proportion ranged from 5.9% for large enterprises to 4.6% for micro enterprises. ■

4.4 Trend of payment risk over the next six months

How will the risk of payment delays and payment defaults from your customers develop over the next six months?



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – September 2012

Overall

The percentage of North American survey respondents expecting deterioration of the trade credit risk environment over the next six months is notably higher than that of respondents anticipating improvement

55.8% of respondents in North America were of the opinion that trade credit risk will not change over the next six months. Across all of the countries surveyed in North America, the percentage of respondents having this opinion ranged from a high of 65.5% in Canada to a low of 42.8% in Mexico. At overall survey level, the percentage of survey respondents expecting deterioration of the trade credit risk environment over the next six months was notably higher than that of respondents anticipating improvement. 25.8% of respondents in North America expect trade credit risk to increase over the next six months (significantly for 4.4% of respondents), and 18.4% believe that it will decrease (significantly for 7.0% of respondents). At country level, the highest percentage of respondents expecting an increase in trade credit risk over the next six months was observed in the U.S. (30.3% of respondents). 27.3% of respondents from Mexico and 19.8% from Canada expect trade credit risk to increase. This finding is consistent with the trend in the use of credit management tools in Western Europe, where respondents anticipated increasing checks of buyers' creditworthiness, use of cash transactions, checks of buyer's track records and their reserves against bad debts (see 3.3). It is worth noting that, inconsistent with observations at the overall survey level, the percentage of Mexican respondents expecting deterioration in trade risk is (27.3%) was slightly lower than that of respondents anticipating improvement (29.9%).

By business sector

The financial services sector expressed the most pessimistic outlook for trade credit risk of the business sectors surveyed in North America

Around 3 of 5 survey respondents in the services sector in North America expressed the opinion that trade credit risk will not change over the next six months. The most pessimistic outlook for trade credit risk was expressed by the financial services sector, where 27.1% of respondents reported that they expect a deterioration of trade credit risk (significant for 8.5% of respondents) over the next six months. Around 1 in 4 survey respondents in both the manufacturing and the wholesale/retail/distribution sectors shared this opinion.

By business size

SMEs in North America were the most pessimistic as to deterioration of trade credit risk over the next six months

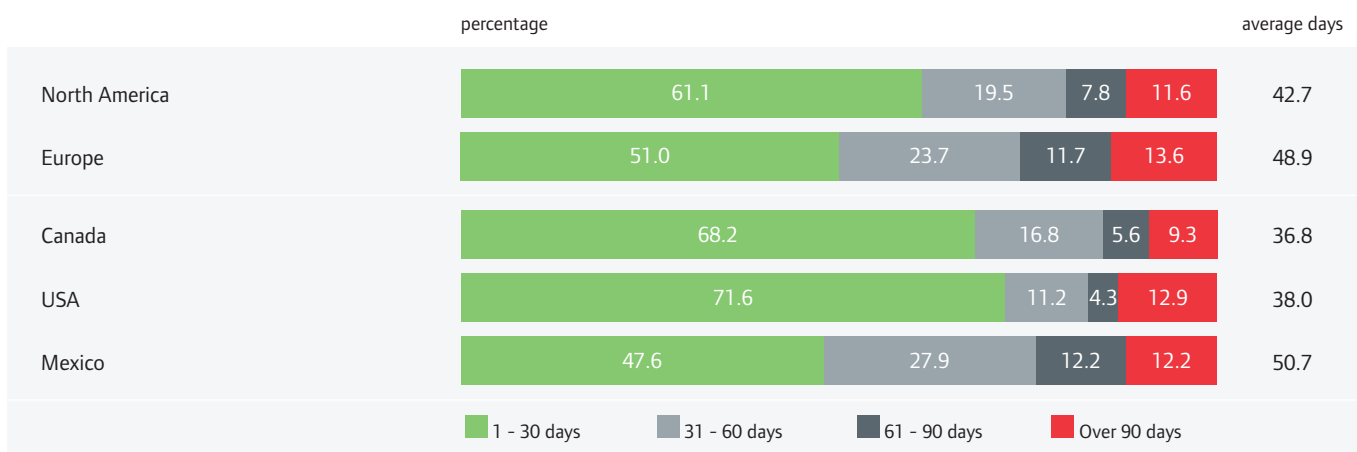
Over 65% of survey respondents from micro enterprises in North America expressed the opinion that trade credit risk will not change over the next six months. Survey respondents from SMEs had the most pessimistic outlook, with more than 25% of respondents expecting deterioration of the trade credit risk environment over the same period of time. It is worth noting that large enterprises recorded the highest percentage of respondents (7.7%) expecting significant deterioration of the trade credit risk environment. ■

5 Cash inflow monitoring

- In North America, survey respondents in Mexico posted the highest DSO, and Canadian respondents the lowest
- Over the past year, more than three times as many survey respondents in North America experienced an increase in DSO than did a decrease

5.1 Average Days Sales Outstanding (DSO*) – second half 2011

What was your company's average DSO for the second half of 2011?



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – September 2012

Overall

In North America, survey respondents in Mexico posted the highest DSO, and Canadian respondents the lowest

Businesses surveyed in North America posted an average DSO of 42.7 days, which is notably higher than the average payment term recorded in the region (34.3 days) reflecting the volume of invoices that are paid late (see 4.1). More than 60% of survey respondents reported a DSO in the range from 1-30 days, 27.3% of respondents reported a DSO in the range from 31-90 days and 11.6% a DSO of over 90 days. At country level, the overall average DSO varied notably. The average DSO in Mexico of 50.7 days was somewhat above the average for North America. The average DSO recorded in the U.S. was 38 days and in Canada 36.8 days.

By business sector

The services sector posted the longest average DSO

The longest average DSO was reported by survey respondents in the services sector (47.0 days) followed by the wholesale/retail/distribution sector (40.4 days). The financial services (38.0 days) and the manufacturing (36.9 days) sectors recorded a somewhat lower DSO.

By business size

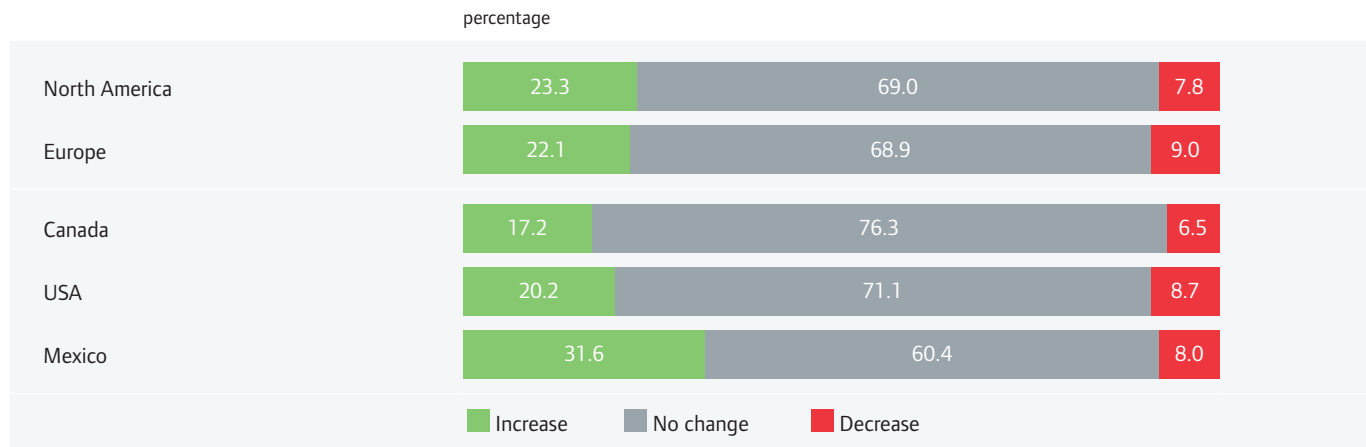
Medium-sized enterprises posted the longest average DSO

Survey respondents from medium-sized enterprises in North America posted the longest average DSO (48.7 days) of the business size groups surveyed. Micro enterprises (41.6 days), small enterprises (40.9 days) and large enterprises (40.1 days) posted a relatively lower DSO. ■

* DSO is calculated by using the basic formula (average receivables for the period/ total sales for the period) * 180 (number of days in the six month period).

5.2 DSO trend over the past year

Has your company's average DSO changed compared to the same period a year ago?



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – September 2012

Overall

Over the past year, more than three times as many survey respondents in North America experienced an increase in DSO than did a decrease

More than three times as many survey respondents in North America (23.3%) experienced an increase in DSO over the past year than did a decrease (7.8%). Nearly 70% of the respondents reported no change in DSO over the same period of time. At country level, 76.3% of Canadian respondents reported no change in DSO, and only 60.4% in Mexico, where nearly four times as many survey respondents (31.5%) experienced an increase in DSO than did a decrease. In the U.S. more than 20% of survey respondents experienced an increase in DSO while less than 10% experienced a decrease. The increase in the average period of receivables collection is likely to have been determined by a number of factors including payment terms (e.g. days within which payment is due and the use of early payment discounts), receivables management techniques, the customers' payment patterns and the timing of collection of receivables.

By business sector

The wholesale/retail/distribution sector was the most likely to experience an increase in DSO levels over the past year

Survey respondents in the wholesale/retail/distribution sector in North America were the most likely to experience an increase in DSO over the past year (28.2% of respondents). The DSO of respondents from the other business sectors surveyed in North America was relatively more stable. This was particularly the case for 73.3% of respondents in the manufacturing sector.

By business size

Small enterprises were the most impacted by an increase in DSO levels over the past year

Over the past year, survey respondents from small enterprises in North America (27.6%) were the most impacted by an increase in DSO. Respondents from the other business size groups surveyed in North America experienced a relatively more stable DSO. This was particularly the case for 76.3% of respondents from micro enterprises. ■

6.1 Survey background

Atradius conducts regular surveys of corporate payment behaviour across a range of countries; the findings are published in the Atradius Payment Practices Barometer. This report focuses on North America, examining the primary aspects of the region's trade credit supply and management, as well as the payment behaviour of its international and domestic Business-to-Business (B2B) customers. The results highlighted in this report are based on feedback from 614 companies in the following three countries in North America: Canada, Mexico and the U.S.A. For further insight the results for North America have also been compared to those of the May 2012 Payment Practice Barometer covering 2,886 companies from 14 countries in Western Europe (Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Ireland, Italy, the Netherlands, Spain, Sweden, Switzerland and Turkey) and of the June 2012 edition of the Barometer covering 820 companies in four countries in Eastern Europe (Czech Republic, Hungary, Poland and Slovakia).

6.2 Survey objectives

The 11th edition of the Atradius Payment Practices Barometer addresses the following research areas:

- Use of trade credit
- Credit management practices
- Customers' payment behaviour
- Cash inflow monitoring and DSO

6.3 Structure of the survey

- Determining the appropriate company contact for accounts receivable management
- Ascertaining the interviewed company's industry and size
- Ascertaining the industries and countries the company does business with
- Assessing the extent to which survey respondents use trade credit in their B2B transactions
- Focusing on the main credit management practices in each country surveyed
- Focusing on the research areas mentioned in 6.2 Survey objectives

6.4 Survey scope

Basic population: see 6.1 Survey background.

- Selection process: companies were selected and contacted by use of an international internet panel. At the beginning of the interview, a screening for the appropriate contact and for quota control was conducted.
- Sample: n = 614 persons were interviewed in total (approx. n = 200 per country). In each country a quota was maintained according to four classes of company size.
- Interview: Web assisted personal interviews (WAPI) of approximately 10 minutes duration

6.5 Sample overview

Sample overview for North America

Country (n = 614)	n	%
Canada	206	33.6%
Mexico	202	32.9%
USA	206	33.6%

Business sector (n = 614)	n	%
Manufacturing	96	15.6%
Wholesale / Retail / Distribution	169	27.5%
Services	284	46.3%
Financial services	65	10.6%

Business size (n = 614)	n	%
Micro enterprise	205	33.4%
Small enterprise	208	33.9%
Medium-sized enterprise	122	19.9%
Large enterprise	79	12.9%

Where a single answer is possible, it may occur that the results are a percent more or less than 100% when adding the results up. This is the consequence of rounding off the results. We have chosen not to adjust the results so the outcome would fit to 100%, with the purpose of representing the individual results as precisely as possible.

Copyright **Atradius N.V.** 2012

Atradius Disclaimer

This report is provided for information purposes only and is not intended as a recommendation as to particular transactions, investments or strategies in any way to any reader. Readers must make their own independent decisions, commercial or otherwise, regarding the information provided. While we have made every attempt to ensure that the information contained in this report has been obtained from reliable sources, Atradius is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this report is provided 'as is', with no guarantee of completeness, accuracy, timeliness or of the results obtained from its use, and without warranty of any kind, express or implied. In no event will Atradius, its related partnerships or corporations, or the partners, agents or employees thereof, be liable to you or anyone else for any decision made or action taken in reliance on the information in this report or for any consequential, special or similar damages, even if advised of the possibility of such damages.



Crédito y Caución
Paseo de la Castellana, 4
28046 Madrid
Spain

creditoycaucion.es