Payment Behavior Index (PBI) points to faster U.S. Q2 GDP growth

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Executive summary

- Our Payment Behavior Index (PBI) rose by 1.8 points from 67.2 to 69.0 this quarter, indicating faster U.S. Q2-2015 GDP growth.
- Receivables at risk decreased by 3%. Energy leads due to rebound in oil prices. Metals, machinery under pricing pressure

U.S. Payment behavior suggests faster Q2 growth

The Euler Hermes Payment Behavior Index (PBI) currently points to higher GDP growth in Q2-2015 as compared to the -0.2% annualized rate of Q1-2015.This index is based upon proprietary past due information from Euler Hermes' clients on the frontlines of business. A PBI above 50 indicates payment behavior better than average and below 50 worse than average. The PBI rose by 1.8 points from 67.2 to 69.0 in Q2-15 (figure1). This shows an improvement in payment behavior – thus companies reported their customers either incurred less debt, repaid their debts faster, or both.

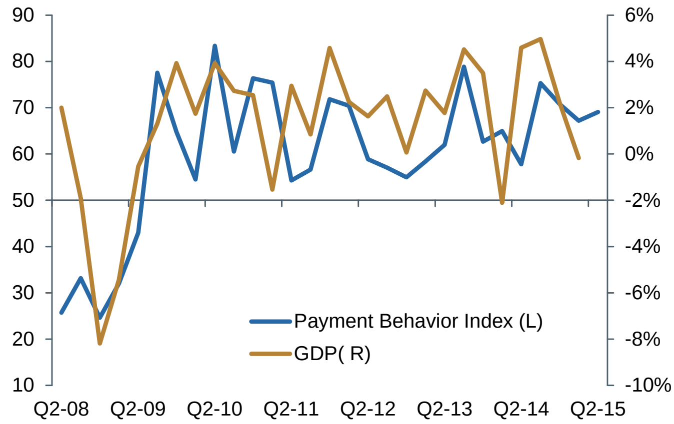
Energy sector gets a reprieve with a rebound in crude prices

The increase in the PBI was caused by a 3% decrease in the amount of receivables at risk as reported by Euler Hermes clients. The energy sector in particular showed a sharp 46% drop in receivables at risk, largely due to a rebound in energy prices. The price of West Texas Intermediate (WTI) crude oil averaged $57.85/bbl in Q2, a 19% increase over Q1's $48.54/bbl. The price increase finally gave oil producers some room to breathe and allowed them to repay receivables owed to their suppliers. Euler Hermes expects that this pattern is unlikely to repeat since WTI has already dropped below $50/bbl again, putting pressure on crude producers and their creditors in Q2. The drop in receivables at risk in the commodities sector is largely due to the repayment of several large receivables from Q1, again a pattern Euler Hermes does not necessarily expect to repeat given continuing pricing pressure in the steel industry from a strong US dollar.

Metals under pressure

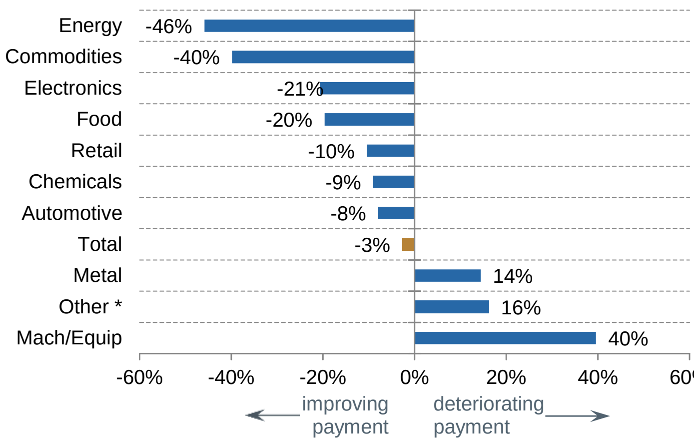
Pricing pressure has also spilled over into other segments of the Machinery & Equipment and Metals industries. While the spike in WTI helped oil producers, it wasn't enough to spur new exploration in the oil patch which would have created new orders for machinery, equipment, and pipe. Those businesses are likely to continue suffering until oil makes an extended rise substantially above current levels.

Figure 1: Payment Behavior Index vs. GDP



Sources: IHS, BEA, Euler Hermes

Figure 2: Receivables at Risk , Q2-15 / Q1-15



Source: Euler Hermes
Other: computer/IT, telecom, construction, appliances, paper, services, textiles, transport.*