Press Release

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Payment terms reached a ten-year high

- Global average Days sales outstanding (DSO) reached its highest since 2007, leveling at 66 days in 2017: as the global economic health is improving, companies tend to trust their clients to pay them, rather than trying to enforce payments as soon as possible
- Euler Hermes expects global average DSO to rise by 1 more day to 67 days in 2018
- The lengthening of DSO in 2017 is widespread, as it has occurred in two sectors out of three and two countries out of three
- Electronics, Machinery and Construction sectors record the highest DSO, household consumption-related sectors are at the other end of the spectrum

PARIS – 3rd MAY Euler Hermes publishes its annual review and forecast of global average Days Sales Outstanding[1] (DSO), based on a sample of 20 sectors and 36 countries.

In 2017, DSO reached its highest level since 2007 at 66 days. This trend is expected to continue in 2018 with global average DSO to rise by 1 more day to 67 days. This lengthening of DSO in 2017 is widespread, as it has occurred in two out of three sectors and countries. The Electronics, Machinery and Construction sectors show the highest DSO (all above 85 days). On the other end of the spectrum are sectors in connection with Household consumption (Agri-food, Transportation and Leisure goods) where companies are paid a lot faster than global average.

China stands out once more with a +3 day rise, reaching a ten-year high at 92 days.

Trust is stronger than ever

The economic and financial crisis of 2007-2008 had led companies to closely monitor or accelerate payment delays (60 days in 2008 on average). After five years of stability at 64 days, DSO reached a ten-year high. Moreover, the spread of DSO around its mean increased in 2017, with one company out of four being paid by its clients within less than 31 days, but one out of four being paid after 90 days.

The lengthening of DSO reflects a relaxation of payment standards between companies. This study of global payment behaviors shows that as the global economic health is improving, DSO tends to lengthen: there is a clear correlation between DSO and global economic activity such as measured GDP. In other words, now that the world economy is doing better, companies tend to trust their clients to pay them - despite the increase in insolvencies of large companies (See our latest report on insolvencies).

Euler Hermes forecasts a similar dynamic in 2018, with global DSO rising by 1 more day, to 67 days.

A global trend, with a sharp rise in China

The increase in average DSO in 2017 stems from a global trend observed in most countries: it has occurred in two countries out of three. Three main groups of countries emerge with respect to the global average:

[1] Days sales outstanding (DSO) is a measure of the average number of days that it takes a company to collect payment after a sale has been made. DSO can be calculated by dividing the amount of accounts receivable during a given period by the total value of credit sales during the same period, and multiplying the result by the number of days in the period measured.

- The seven strongest countries have an average DSO inferior or equal to 51 days, the country with the lowest DSO globally being New-Zealand with 43 days. Other countries with short averages are the Nordic countries (Denmark and Finland), Austria and Switzerland, the US and the Netherlands.

- The next group of 7 other countries for which DSO remains below the global average, comprises amongst others Germany (54 days), Canada (54), Brazil (62), and the UK (53). It is worth noting that Russia is part of this group, with DSO decreasing by +2 days to 56 days, with one quarter of companies being paid under 22 days.

- Finally, there is a remaining group of 12 countries with an average DSO superior to the global average of 66 days, such as France (74), Italy (83) and China, with the highest average DSO (92 days).

In China, where the average DSO exceeds already by far the global average, DSO rose by a further +3 days in 2017. In early 2018, it reached 92 days. It is worth noting that DSO increased in twelve sectors out of eighteen in China, compounded by the share of Chinese companies with DSO that exceeded 90 or even 120 days. In this country, 25% of companies wait 136 days to be paid.

Electronics stands out with the highest DSO

We note increasing DSO in two out of three sectors. Four sectors particularly stand out: Aeronautics (+4 days in 2017, +12 days since 2012), Automotive (respectively +3 and +7), Construction (+3) and Electronics (+3), the sector with the highest DSO.

DSO is once again far higher in B2B than B2C activities. The longest DSOs are in sectors with long manufacturing processes. At the other end of the spectrum are sectors closer to the end consumer, such as Food (46 days), Transportation (49 days) and Household equipment (49 days).

"*The global recovery distracts attention from DSO and hence comes with a significant deterioration in payment terms. We expect global average DSO to rise again by 1 more day to 67 days in 2018, surpassing a ten-year high, due to confidence in the economic and financial outlook fueling this dynamic*", said **Ludovic Subran, Chief economist at Euler Hermes.**.

You can find the full study here

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