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European business community misses out on 250 billion euro

Record amount of outstanding invoices reinforces the effects of the credit crunch

- Late payment of invoices 55.5 days on average
- Government worst payer; Portuguese government waits more than 137.8 days before paying
- Speedier debt collection crucial to the survival of the business community

Stockholm 21 May 2008 – In 2007 the European business community missed out on a record amount of 250 billion Euro as a consequence of outstanding invoices. This amount is almost equal to the domestic product of Belgium. Southern Europe heads the league of payment defaulters, while the Scandinavian countries are the best payers overall. These figures are shown in the European Payment Index compiled by Intrum Justitia, the largest European credit management bureau. The annual barometer assesses payment behaviour in the member states of the European Union.

Intrum Justitia fears that the European sum of outstanding invoices will continue to increase in response to the credit crunch and the high food and oil prices. “This is a worrying development”, says Michael Wolf, President and CEO of Intrum Justitia. “This poor payment behaviour has a strong inhibiting effect on the development of the European economy.”
It was not only the total sum of outstanding invoices that rose to record heights, the percentage of unpaid invoices was also at its highest level ever (2%, compared to 1.9% in 2007). The average number of days before an invoice was paid in Europe rose to 55.5 – almost 4 weeks too late. Once more the European government bodies proved to be the worst payers, taking an average of 65 days to pay an invoice. The corresponding figure is 55 days for the business community and 40 days for the consumer.

Inadequate routines
The most important reasons for non payment or late payment lay in inadequate routines and lack of competence of the business community itself when it comes to collecting invoice payments. Michael Wolf finds this incomprehensible. “Businesses are allowing themselves to be blinded by the good economic situation of the past years. They are doing well and making good profits. In addition they find it

awkward to address their customers on the subject of their payment behaviour. They have lost sight of the fact that the banks are responding to the credit crunch by becoming more difficult and expensive when it comes to providing loans. This really has to change."

Higher risk in Southern Europe
Greece, Cyprus and Portugal are the countries where invoices wait longest to be paid, while the Scandinavian countries pose the smallest risk. Payment times rose slightly in Switzerland, Spain, Italy, Ireland and France, while the United Kingdom remained the same.

Intrum Justitia finds that it is absolutely crucial for the business community to take a much stronger line on implementing credit management. This is not just a case of phoning late payers but also, and especially, of analysing possible risks, checking the financial status of consumers and making intensive contact with creditors before the due date of an invoice has expired. Michael Wolf : "You can see the emergence of a vicious circle, in which the large businesses are the first to start to pay more slowly. Smaller businesses are forced to follow suit. This has dramatic effects on economic development; forward propulsion is lost because investments are postponed. Company cash is 'frozen' in unpaid invoices and borrowing from banks continues to be difficult and costly. All of this can be avoided by good credit management."

Intrum Justitia argues in favour of a cultural change. The principles of the Scandinavian countries should serve as an example. In these countries an average of three out of four invoices are paid on time and only 1% of all invoices remain unpaid.

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