P R E S S R E L E A S E

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The latest edition of Coface's annual survey analyses the payment behaviour of 256 companies in different sectors of activity. The sample of participants covered is 23% larger than for the 2016 edition and includes more export companies.

- **In 2016 payment delays showed an improvement, but in 2017 they are once again on the increase**
- **All sectors appear to be affected by significant extensions in payment periods**
- **The number of companies facing payment periods exceeding 120 days is up considerably, while the proportion of companies with payment terms of between 90 and 120 days remains stable**
- **The average payment period in the first half of 2017 was 99 days, compared to 82 days in 2016 and 66 days in 2015**

"With economic activity showing a marked upturn in the first half of 2017, these extended payment periods appear paradoxical. The economic slowdown in 2016 may provide part of the explanation for this. The almost three-point fall in growth and contraction of over 10% in agricultural GNP had repercussions on business activity which seem to have persisted into the first quarter of 2017. Corporate insolvencies[1] increased by 15% on a sliding annual average over the same period, with the peak being observed between December 2016 and January 2017. This also corresponds to the period of heightened political uncertainty linked to the 5-month vacuum in government.

Nevertheless, the economic slowdown is not the only possible explanation. The lack of liquid assets and access to business financing could also be contributing factors to these extended payment deadlines. The number of respondents whose cash flow situations have degenerated over the past six months is higher (43% compared to 37% in 2016). The proportion of companies reporting difficult cash flow situations is also on the rise. There are more and more companies protecting themselves against credit risks, with 57% having recourse to professionals, compared to 43% in 2016," said Sofia Tozy, Coface economist in charge of the North Africa region.

MARKED EXTENSION OF PAYMENT PERIODS, PARTICULARLY IN CONSTRUCTION AND RETAIL

Certain sectors, such as construction, have traditionally long payment periods. In the first half of 2017, extended payment periods seem to have affected practically all the sectors analysed in the survey. On average, these amount to 105 days for construction, 102 days for retail and trade, 98 days for services to businesses and 90 days for agribusiness. These periods were respectively 87, 89, 64 and 63 days in 2016. The proportion of payment periods extending beyond 120 days has increased significantly, to reach 45% for construction companies (38% in 2016), 46% for retail sector companies (29% in 2016), 33% for agribusiness companies and 47% for services to businesses. Services (represented by services to businesses and other services), are a sector in which payment periods are generally shorter.

AN INCREASE IN LATE PAYMENTS OF 120 DAYS

In 2016, the late payments situation showed an improvement but 2017 has seen a reverse trend. While the proportion of respondents facing average delays of 30 to 60 days is stable (28%), companies reporting delays of more than 120 days are on the increase (21.4% for delays of 120 to 210 days and 5% for delays in excess of 210 days).

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Despite deteriorations in client payments, 83% of companies do not apply late penalties when faced with payment defaults from clients. 36% prefer to aim for an amicable settlement, while 30% opt to stop deliveries.

For export companies, it would appear that late payments from overseas are mainly concentrated in sub-Saharan African countries (27%) and Europe (22%).

COMPANIES EXPECT TO SEE A STABILISATION IN PAYMENT PERIODS AND IMPROVEMENTS IN THEIR ECONOMIC ENVIRONMENT

Despite the extended payment periods in the first half of 2017, companies are not expecting further deteriorations. Over half of the respondents hope to see a stabilisation in payment behaviour and only 25% anticipate any deterioration. 23.8% predict an improvement in late payments and 16% envisage shorter payment periods. Of those sectors that expect an improvement in payment periods, the chemicals and energy sectors are particularly optimistic, as are construction and retail.

Nevertheless, globally, Moroccan companies remain pessimistic over developments in the business climate, despite the implementation of a new regulatory framework on payment practices. They are relatively positive concerning developments in the economic situation over the months ahead. This is demonstrated by the fact that 30% expect an improvement in the economic situation, while 42% anticipate no change.

[1] The various surveys conducted by Coface both in Morocco and in other countries and regions (Asia, Poland, Germany and UAE) have revealed that certain sectors of activity, on account of constraints specific to the nature of the sector or the type of product, have generally longer payment periods (construction), whereas others have relatively short payment periods (services)

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