Cash Flow: the Biggest Challenge for Businesses This Year

Businesses in the Americas express concern about maintaining adequate cash flow levels this year, and consider this one of the biggest challenges they will be facing. These opinions are consistent with those of businesses in Europe. In Canada and the U.S., foreign B2B receivables represent a greater threat while in Mexico and Brazil domestic B2B receivables are of more concern.

The September 2013 Atradius Payment Practices Barometer, a survey of B2B suppliers of products and services in Brazil, Canada, Mexico and the U.S., highlights that, despite modest economic improvement, generating and maintaining sufficient cash flow remains a priority. Insolvency trends, slow sales growth, financing and payment defaults all contribute to the challenge.

For respondents in Canada and the U.S., foreign B2B receivables represent a greater threat than domestic B2B receivables. In the U.S. 6.7% of foreign and 4.5% of domestic receivables were written off as uncollectable. In Canada 5.9% of foreign and 4.3% of domestic receivables went uncollected. In Mexico and Brazil domestic receivables are a bigger issue for survey respondents. In Mexico, 6.4% of domestic B2B receivables went uncollected versus 5.5% of foreign receivables; in Brazil 7.7% of domestic and 7.3% of foreign B2B receivables were uncollectable.

Compared to businesses in Europe, collection of foreign receivables is consistently a greater challenge for business respondents in the Americas. Whether due to inexperience in exporting, inconsistent payment practices, language or cultural barriers, or less use of external credit management resources such as credit insurance, international collections or credit information services, businesses in the Americas seem to struggle more with foreign invoice collections.

Slow paying customers are also resulting in long DSO (Days Sales Outstanding)

This is also likely to have a negative impact on cash flow. The average DSO of survey respondents, (58 days), is almost twice the average payment term of 31 days. Brazil has the highest average DSO (86 days) and the U.S. the lowest (41 days). (Canada 51 days, Mexico 55 days). Brazilian respondents however have a more relaxed disposition regarding their DSO. The percentage of Brazilian respondents who said that they only begin to be concerned about DSO when it exceeds the average payment term by more than 90 days is notably higher than the survey average.

Richard Ariens, Regional Director of Atradius Trade Credit Insurance NAFTA commented "An improved insolvency environment may not necessarily result in a lower risk of customer payment default. Whether through the use of credit insurance, collections agencies, more credit checks or simply the implementation of a structured dunning process, it is important that businesses strengthen their credit management. This can help protect cash flow and the financial stability of the business strengthening their ability to grow."

The complete report highlighting the survey findings of the 2013 Atradius Payment Practices Barometer for the Americas can be found in the Publications section of the atradius.com website.

About Atradius
The Atradius Group provides trade credit insurance, surety and collections services worldwide. With a presence through 160 offices in 45 countries Atradius has access to credit information on 100 million companies worldwide. Its products help protect companies throughout the world from payment risks associated with selling products and services on credit.

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