

## **Prompt Payments Report Q2'21**

29<sup>th</sup> June 2021

### **PAYMENT DELAYS PERSIST; SME SECTOR SUFFERS**

- **Payment time for SMEs remains high at 50 days.**
- **Businesses in Dublin are waiting longest to be paid at 66 days.**
- **53% of businesses are experiencing delays of 2 months or more.**
- **13% of multinationals/big businesses taking longer to pay SMEs.**

**ISME, the Irish SME Association**, today (29<sup>th</sup> June) released its Prompt Payments Report for Q2'21. Based on the findings, credit days for this quarter have risen slightly, now at 50 days, bucking a steady downward trend that was evident throughout 2020. Businesses in Dublin are waiting the longest to be paid at 66 days followed by Munster at 62 days. The Retail and Wholesale sectors are waiting longest on payment; an average of 68 and 64 days, respectively. The Association emphasises the importance of businesses paying each other on time.

#### **ISME CEO Neil McDonnell said:**

**The increase in payment days evident in Q2'21 is concerning, and suggests that SMEs are “leaning on the trade” in order to preserve working capital. While we understand the difficult circumstances many businesses find themselves in after 15 months of pandemic, longer payment delays increase the risk of business insolvency throughout the economy.**

This report was generated using data from our Q2'21 business trends survey, conducted in the second week of June 2021. There were 102 SME respondents, 45% of whom employ less than 10; 45% employ between 11 and 49; and the remaining 10% employ between 50 and 250. Geographically, 39% are from Dublin; 51% are spread across the rest of the country; and 10% have multiple sites.

The main results of this study show:

- **Average payment period for SMEs in Q2'21 increases from 45 to 50 days.**
- **53% of SMEs are experiencing delays of 2 months or more, the same as in Q1'21.**
- **81% of respondents do not charge interest on late payments.**
- **15% are afraid to charge for late payments in case they lose custom, the same as in Q1'21.**
- **13% of multinationals are taking longer to make their payments.**
- **70% of SMEs favour a statutory 30-day payments regime; with no opt-out.**
- **Retail and Wholesale sectors are waiting longest on payment; at an average of 68 and 64 days, respectively.**
- **Businesses with multiple sites are waiting on average 43 days to be paid.**
- **Businesses in Dublin are waiting on average 66 days for payment.**
- **Businesses in Leinster are waiting on average 48 days for payment.**
- **Businesses in Munster are waiting on average 62 days for payment, while businesses in Connaught are waiting on average 49 days.**

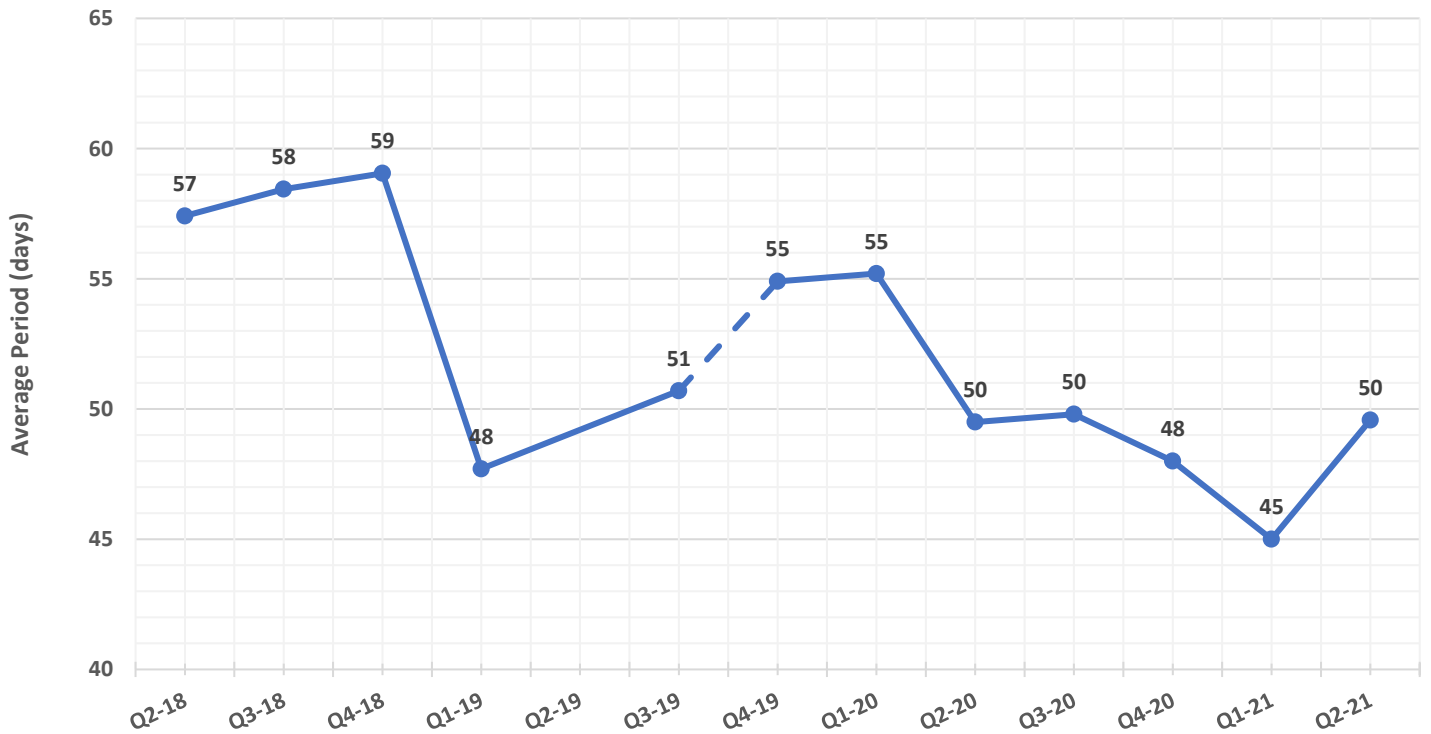
Our organisation persists in calling on the Government to:

- **Insist on adherence to Fair Payment Charter as a criterion for granting state contracts.**
- **Insist that all state agencies adhere strictly to the 15-day rule.**
- **The office of Government Procurement should require all tenderers to publicise their creditor days.**

#### **Average credit period in days:**

Businesses on average are waiting 50 days to be paid. This is a five day increase on the previous quarter, bucking the downward trend in credit period which has been consistent since the end of 2019.

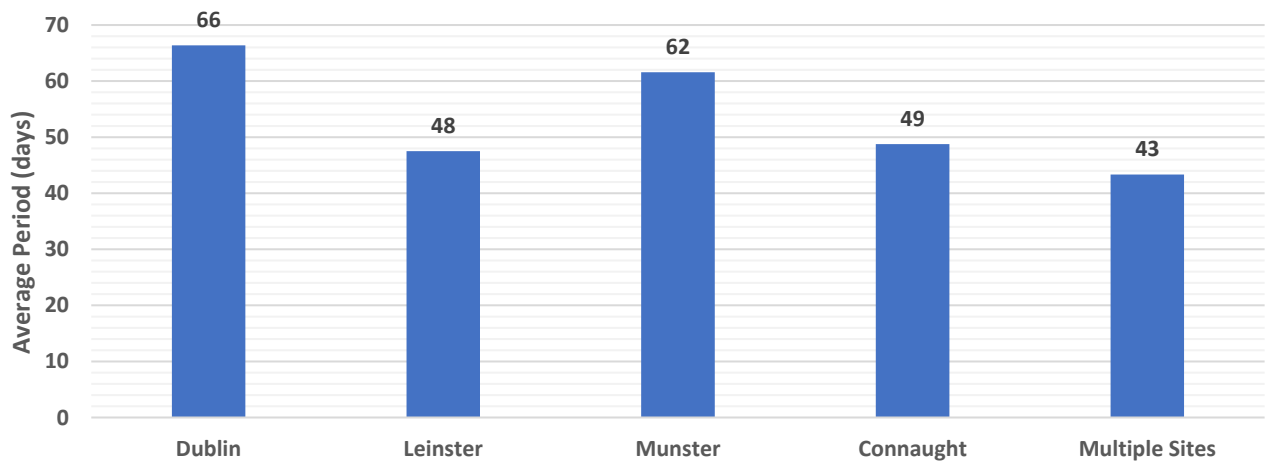
### In general what is the credit period taken by your customers?



### Regional breakdown of credit period:

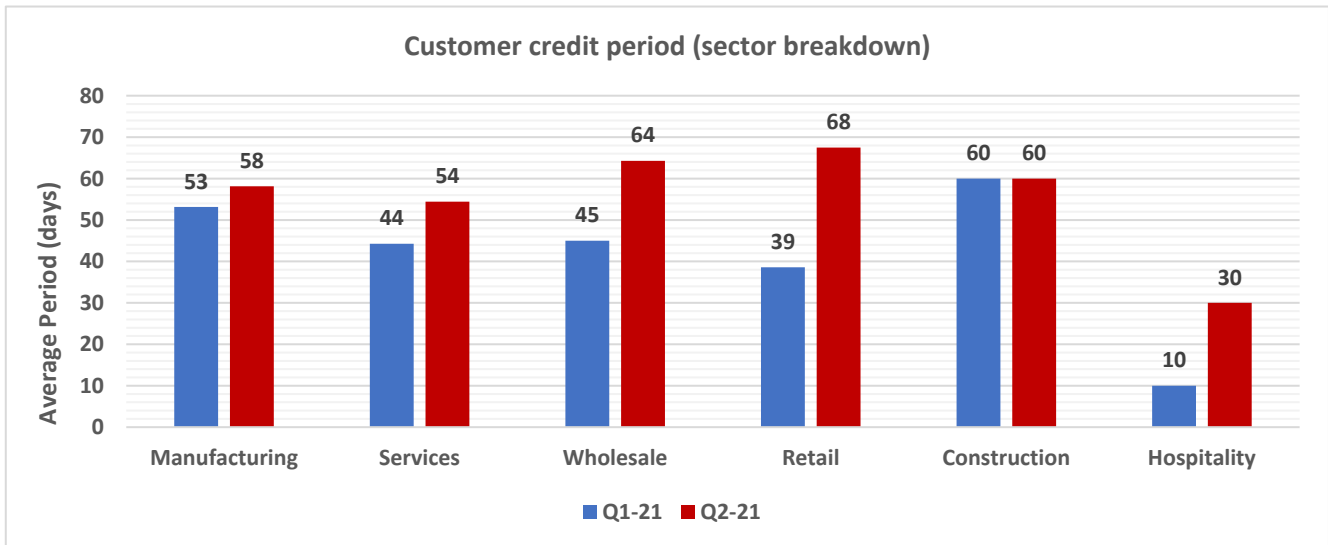
Businesses in Dublin are waiting longest to be paid at 66 days, followed by businesses in Munster at 62 days. Leinster businesses are waiting on average 48 days, while businesses in Connaught and those with multiple sites are waiting 49 and 43 days, respectively.

### Customer credit period (regional breakdown)



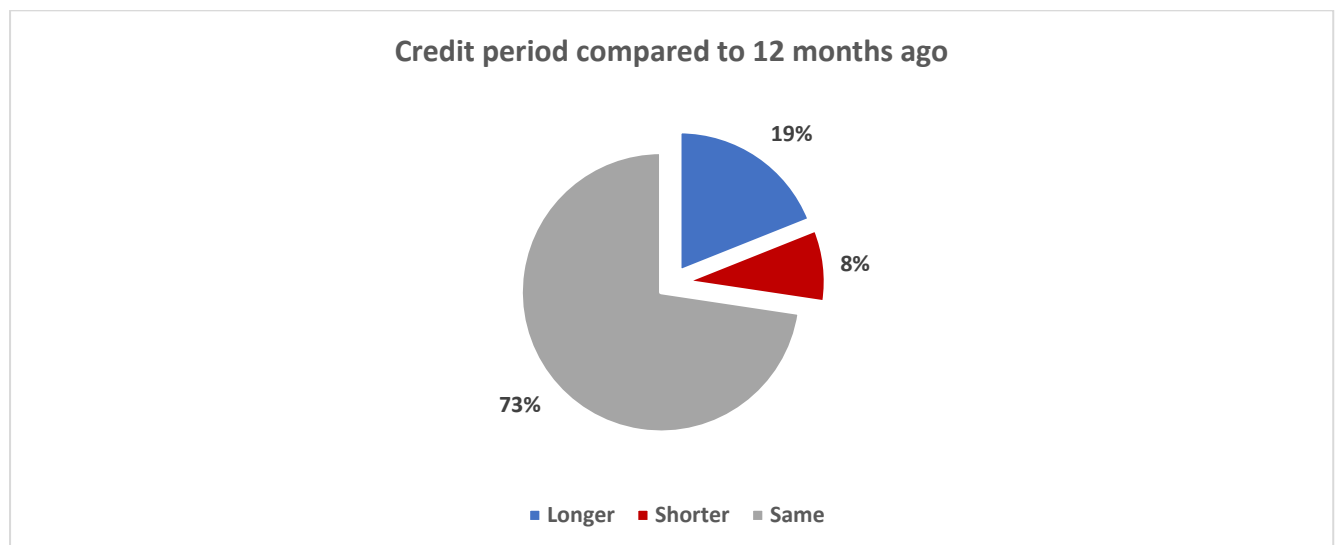
### Sectoral breakdown of credit period:

Businesses in the Construction sector are waiting on average 60 days. The Manufacturing and Services sectors are waiting on average 58 and 54 days, respectively. Wholesale are waiting 64 days, while Retail are waiting 68 days for payment. The Hospitality sector remains the lowest, waiting on average 30 days. It is worth noting that in Q1'21 all but the Services sector showed decreased credit periods. This has changed dramatically this quarter, with all six sectors noting significant increases.



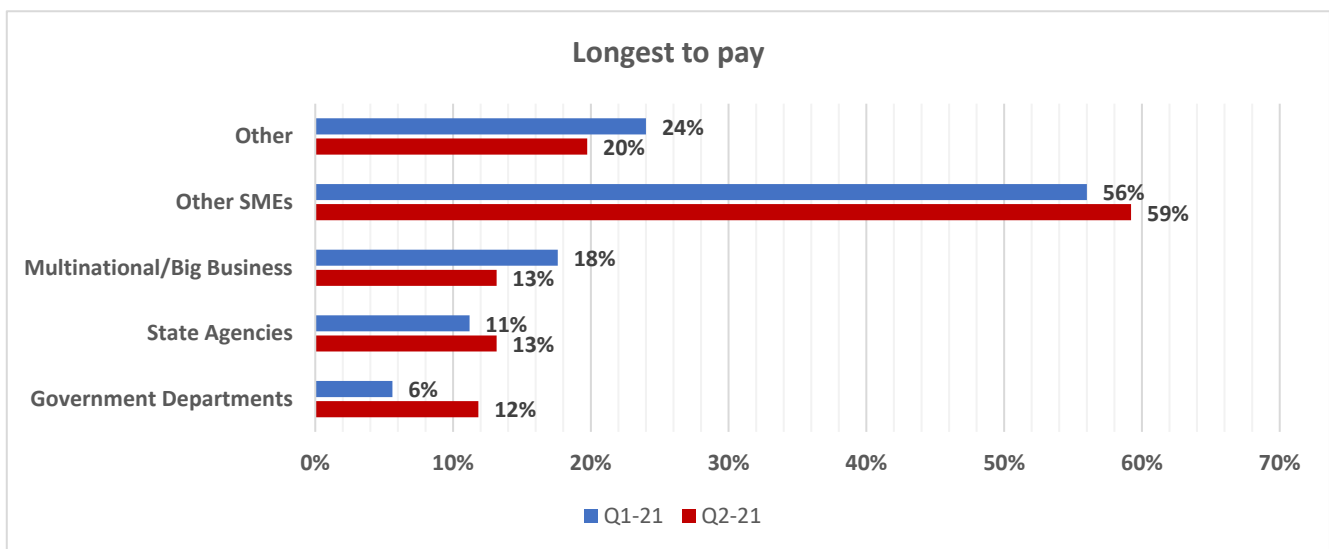
### Longer or shorter period:

73% of members stated the credit period for this quarter was the same, 19% reported it was longer, while 8% said it was it was shorter.



## Longest to pay:

We asked our members which category of customer was taking the longest to pay. 'Other SMEs' were reported as taking longest to pay at 59%. 13% of Big Businesses are taking longest to pay, down from 18% in Q1'21. Government Departments have risen from 6% to 12% and State Agencies also increased from 11% to 13%.



**ENDS.**

For further information, please contact:

Sheema Lughmani

Press, Policy and Research Officer

T: 01 6622755

E: sheema@isme.ie

### Note to Editors:

This survey was conducted in the second week of June, covering the second quarter of 2021. There were 102 SME owner manager respondents. The results presented in this report are calculated as the aggregate response to a survey question, i.e., the sum of all positive and negative responses. For example, a survey question may ask: "Have you increased or reduced investment in your company in the last 12 months?". The breakdown of responses is as follows: 51% "Increased", 39% "Remain Same" and 13% "Decreased". The aggregate response to this question is calculated as the sum of the positive and negative sentiment expressed in the question: 51% - 13% = 38%. The neutral response, "Remain Same" is not considered.