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Press release

Stagflation fears: European businesses expect jump in late payments during second half of 2022

Intrum's yearly European Payment Report (EPR)*, a survey of 11,000 companies across 29 European countries, shows that businesses are expecting late payments to grow significantly in the coming months, following the rising inflation and interest rates. Close to 8 in 10 companies say that strengthening their liquidity and cash flow is a top priority during 2022.

The 24th edition of the EPR, published today, clearly illustrates the multi-faceted challenges that European businesses are set to manage.

"Europe is going through an eventful and challenging period. Today, companies face unprecedented disruption and uncertainty, adding to the pressure on businesses that still seek to recover from the Covid years. Against a backdrop of inflation, increasing interest rates and regulation, companies are expecting a jump in late payments as well as raised barriers to growth during the remainder of 2022. Securing a sound cash flow is a top priority for a majority of the surveyed businesses", says Anders Engdahl, President & CEO of Intrum.

Key finding 1: Inflation and interest rates are creating challenges

Across Europe, growth is slowing down while supply-chain disruption, and soaring energy costs drive inflation at a rate not seen for decades.

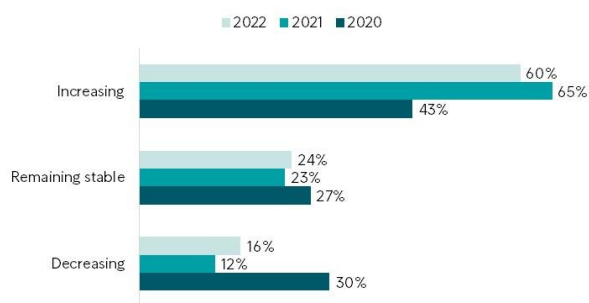
- 6 in 10 companies are worried that the risk of late payments will grow this year, largely because of inflation, increased regulation and rising interest rates.
- A majority of European businesses (58%) admit they lack experience of how to manage inflation and more than half say it is preventing them from growing the business (51%), meeting wage demands (55%), and paying suppliers on time (58%).

- 6 in 10 businesses are becoming more cautious with their borrowing and spending plans, as they expect interest rates to rise more than once during the next 12 months.

“Concerns are rising across Europe as inflation is accelerating and growth is flattening. If this trend is not broken, we could be facing a period of stagflation; contracting economic output combined with high inflation. On a positive note, labor markets across Europe have continued to strengthen this year, although low unemployment rates could lead to further upwards pressure on wages”, says Anna Zabrodzka-Averianov, Senior Economist at Intrum.

Six in 10 are worried that the risk of late payments will grow this year, largely because of inflation and regulation

Do you see risk of late/non-payments from your company's debtors developing during the next 12 months?



Challenges to payments during 2022	
Rising inflation	61%
Regulation and compliance	60%
Rising interest rates	57%
Supply chain disruption	57%
Administrative inefficiency among customers	56%
Climate risk	51%
Intentional ignorance	45%

Q3, Q4. Base: 11,007 (total)

Key finding 2: Businesses expect their cash flow to suffer but lack the agility and expertise to manage the impact

Liquidity, cash flow and credit risk management make up the main strategic priorities, as companies seek to secure a solid financial position.

- 8 in 10 European companies state that strengthened liquidity and cash flow is a strategic priority for the year. A similar share mention improving debt management as well as credit risk management as top priorities.
- Half of the surveyed businesses report that they are weaker now than before the outbreak of the pandemic. At the same time, 6 in 10 say that the pandemic has motivated them to becoming better in managing risks related to late payments.
- 53 per cent of respondents say they would like to improve their management of late payments but find this difficult due to a lack of skills and resources in-house.

Key finding 3: Year on year, businesses increasingly see late payments as a significant barrier to growth

Late payments are hindering the growth of companies across European countries, hampering the economic and social development of the economy at large.

- 4 in 10 companies say that late payments are prohibiting growth of the company.
- 2 in 3 businesses say faster payments from their customers would help them expand their product and service operations, whereas 1 in 2 say it would help them grow by hiring more employees.
- Businesses are – at last – hopeful that the pandemic is coming to an end. Approaching 2 in 3 (64 per cent) believe Covid-19 will stop having an impact on their country within a year, creating new opportunities for growth.

About the survey

The European Payment Report describes the impact of late payments on businesses' outlook, growth, and development. The report is based on a survey conducted simultaneously by [Longitude](#) in 29 European countries between 17 January and 13 April 2022. In total, 11,007 small, medium and large companies across 15 industry sectors participated in the research.

For further information, please contact:

Anna Fall, Chief Brand & Communications Officer
+46 (0)709 96 98 21
anna.fall@intrum.com

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