

PAYMENT SURVEY

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Morocco Payment Survey 2019 Payment terms to remain long

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During the first quarter of 2019, Coface conducted its fourth survey on businesses' payment experience in Morocco. This survey aims to monitor the evolution of payment terms and delays. The payment behaviour reflects the evolution of both the economic situation and of the business environment.

According to the results of this survey, contractual payment terms remain long, averaging at 93 days. Although still high, they show a slight improvement, shortening by about 5 days compared to our previous survey conducted at the end of 2017. This also suggests that payment delays remain widespread, with more than half of our sample indicating that, over the past six months, they had experienced delays exceeding three months.

While gross domestic product (GDP) growth in 2018 slowed down (estimated at 2.9% after the 4.1% recorded in 2017; Coface forecasts 3% in 2019), few companies perceived a deterioration. This paradox can partly be attributed to the normalisation of the political climate compared to 2017, when

the executive was vacant for five months¹, resulting in a 40% increase in defaults in the first quarter and the blocking of payments on public contracts. For 2019, companies seem to expect payment terms to evolve in line with the economic situation and therefore mainly anticipate a stabilisation of the country's economic situation and payment terms.

The persistent long payment periods suggest notably that the law on payment terms² is difficult to enforce, notably because it lacks the laws on penalties for late payments and payment terms specific to companies facing difficulties or engaged in seasonal activities. Also, despite the progress made in international business climate rankings, this progress does not seem to be reflected in payment terms.

As evidenced by the establishment of the monitoring centre of payment delays and the electronic platform "Ajal"³, the public and private sectors nevertheless remain mobilised to remedy this problem, which is accompanied by numerous late payments and unpaid invoices. While the latter represent more than 20% of turnover for a

¹ Between November 2016 and March 2017.

² In particular, the laws adopted in 2011 (Law 32-10) and in 2016 (Law 49-15).

³ Platform dedicated to the reception and processing of supplier's claims.



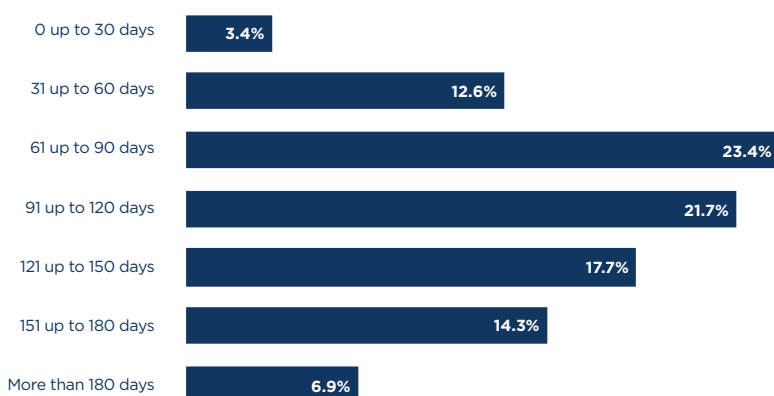
quarter of the companies that participated in our survey, late payments and unpaid bills are a major constraint for companies: the Confédération Générale des Entreprises du Maroc (CGEM), a Moroccan business association, estimates that they are responsible for 40% of business failures in Morocco.



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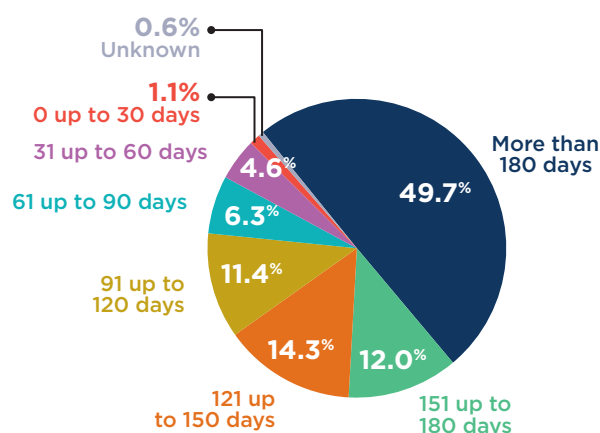
1 PAYMENT TERMS⁴: STILL LONG, DESPITE A SLIGHT IMPROVEMENT

Chart 1:
Average payment terms (as a percentage of respondents)



Source: Coface Payment Survey

Chart 2:
Maximum payment terms (as a percentage of respondents)



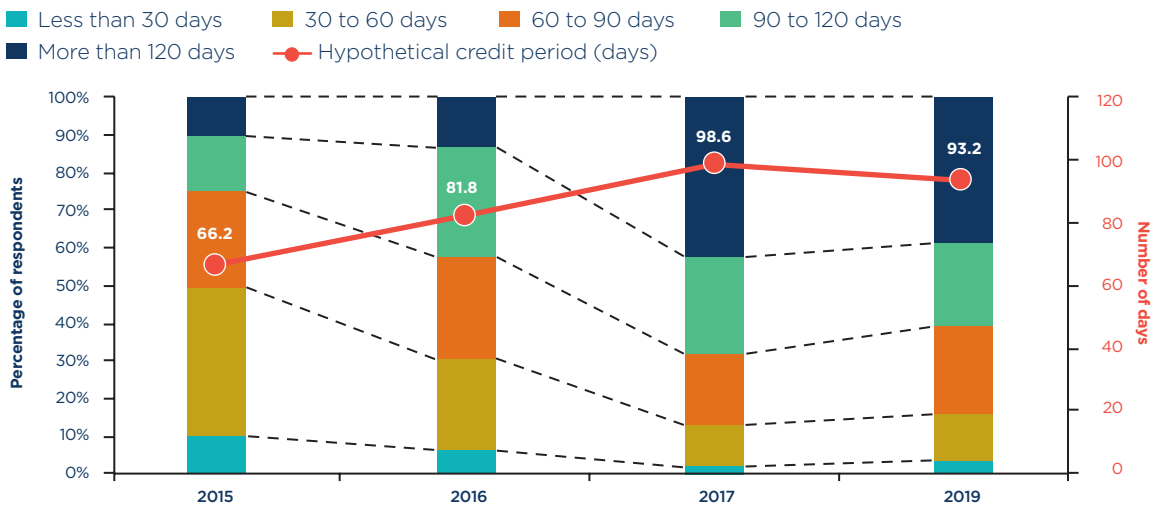
Source: Coface Payment Survey

- Inter-company credit in Morocco remains largely dominated by long payment terms: 84% of the companies that responded to our survey indicate average credit terms exceeding 60 days, with more than 60% of this sample exceeding 90 days. These results suggest that more than half of the companies do not comply with the maximum legal time limit of 60 to 90 days.
- Almost half of the companies surveyed noted maximum payment terms of more than 180 days, suggesting that the practice in Morocco remains marked by ultra-long payment terms.
- Nevertheless, compared to our last survey⁵, the estimated average payment duration decreased by 5.4 days, from 99 to 93 days. The proportion of companies with payment terms of 60 to 90 days increased by 4.3 percentage points.
- This evolution is consistent with the perception of the companies surveyed. When the clients are private companies, the majority of respondents report that they have seen an improvement over the past six months.
- When customers are foreign multinational companies, most respondents consider that payment terms have remained stable. It should be noted, however, that the share of companies reporting shorter payment terms has increased significantly compared to our last two surveys.

⁴ Payment term - the time frame between when a customer purchases a product or service and when the payment is due.

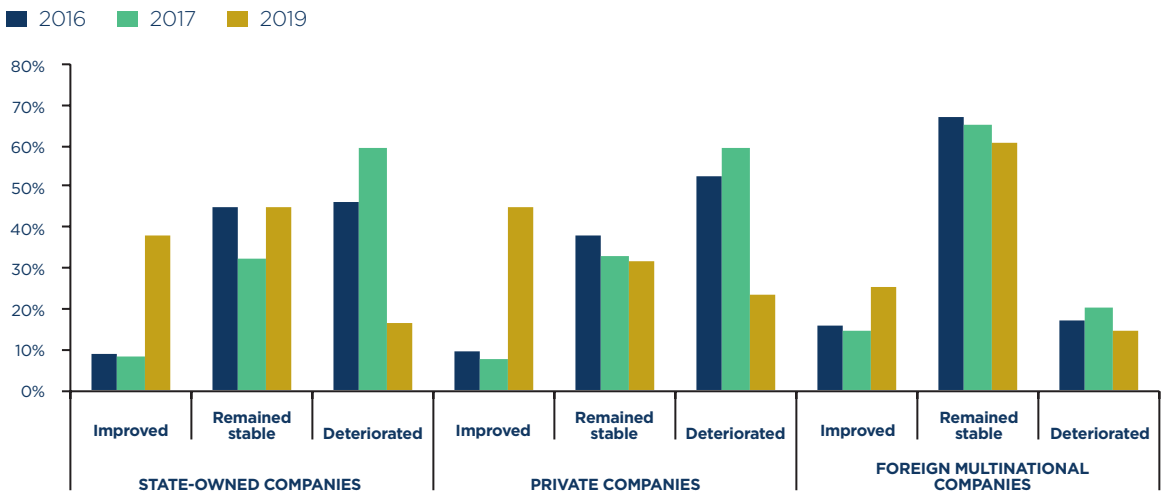
⁵ The previous survey on payment terms was published in September 2017: "Morocco: drawing out of payment periods, a perplexing trend?". <https://www.coface.com/News-Publications/Publications/Morocco-drawing-out-of-payment-periods-a-perplexing-trend>

Chart 3:
History of average payment terms



Source: Coface Payment Survey

Chart 4:
Perception of the evolution of payment terms over the last six months (as a percentage of respondents)



Source: Coface Payment Survey

- The 30 percentage point jump between our last two surveys in cases where client companies are public is particularly significant. This result would confirm the significant reduction in the state's payment delays reported by the Directorate of Financial Studies and Forecasts (DEPF) in February 2019.
- This shortening of payment terms can be observed in particular in the four sectors with which two thirds of the companies surveyed identify themselves, namely information and communication technologies (from 107 days to 86 days), construction (from 105 to 100), distribution (from 102 to 96) and agri-food (from 90 to 86)⁶.

Chart 5:
Payment terms by sector, 2017 vs. 2019 (number of days)



* Information and Communication Technologies
Source: Coface Payment Survey

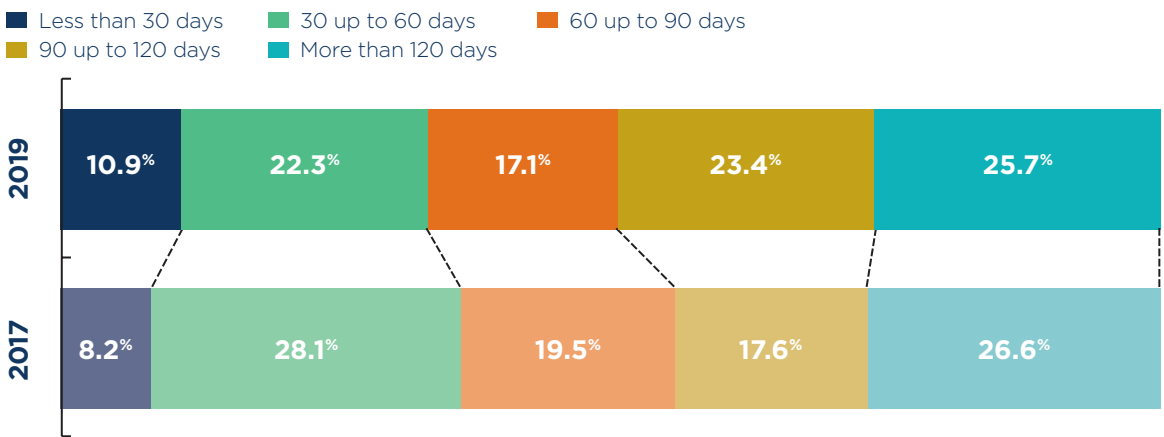
⁶ Monthly Bulletin n°264 (p.24), February 2019, Directorate of Financial Studies and Forecasts (DEPF). <http://depf.finances.gov.ma/2019/02/20/note-de-conjoncture-n264-i-fevrier-2019/> [in French].



2 HALF OF THE COMPANIES FACE PAYMENT DELAYS⁷ EXCEEDING THREE MONTHS

- As in our previous survey, payment delays remain widespread: 49.4% of the sample reported having experienced average payment delays exceeding three months (90 days). For 8% of companies, these delays even exceed six months (180 days).
- However, there are some developments: the number of short delays (less than 30 days) has increased by 2.5 percentage points. However, this progress is offset by a larger increase in delays between 90 and 120 days (+5.8 percentage points).

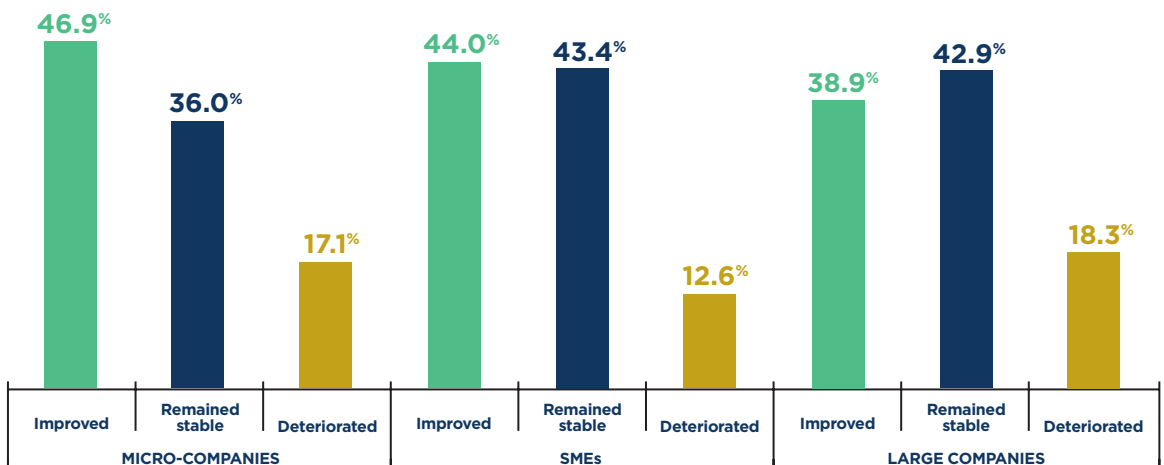
Chart 6:
Average payment delays, 2017 vs. 2019 (percentage of respondents)



Source: Coface Payment Survey

- Nevertheless, companies perceiving an increase in delays over the last six months are in the minority, regardless of the size of the client company. A small majority of the companies that responded to our survey even reported an improvement when the counterparts are micro-companies and SMEs (small and medium-sized enterprises)⁸.

Chart 7:
Perception of the evolution of late payments over the last six months (in percentage of respondents)



Source: Coface Payment Survey

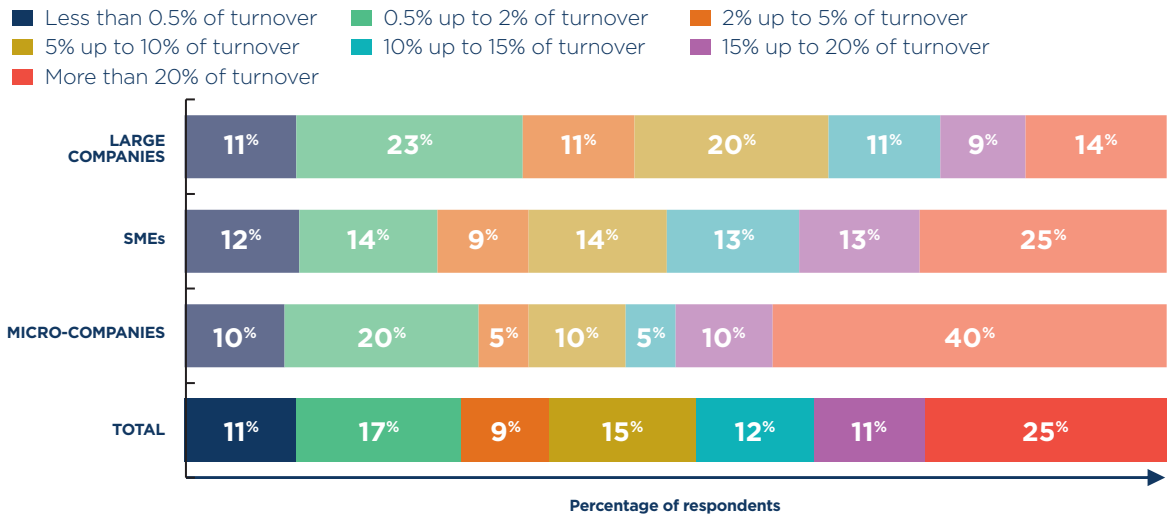
⁷ Payment delay - the period between the payment due date and the date the payment is made.

⁸ Size of companies by turnover:

- Micro-companies: Less than 3 millions dirhams
- SMEs: Between 3 and 175 millions dirhams
- Large companies: More than 175 millions dirhams.

- The high level of unpaid bills, which exceed 20% of turnover for almost a quarter of respondents (24.6%), suggests that these long payment delays also regularly turn into unpaid bills.
- This is particularly true for micro-companies and SMEs, the majority of which declares they experienced unpaid invoices equivalent to more 20% of turnover. Worse still, 50% of micro-companies suffer from unpaid bills representing more than 15% of their turnover. While 14% of the large companies surveyed report similar levels of non-payment, the majority (34%) report levels below 2% of revenue.

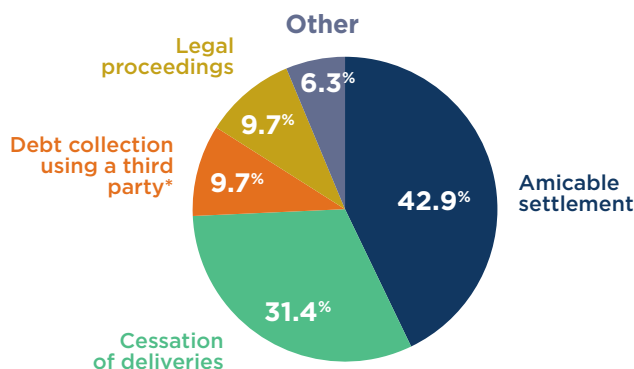
Chart 8:
Level of unpaid invoices as a percentage of turnover



Source: Coface Payment Survey

- In the event of late payment, a majority of companies (42.9%) consider that an amicable settlement is the most effective way to obtain payment. Stopping deliveries is the most effective measure for 31.4% of suppliers.
- On the other hand, as our previous surveys had already shown, an overwhelming majority of companies - more than 80% - do not apply penalties for late payment.

Chart 9:
Most effective measures in case of late payments (in percentage of respondents)



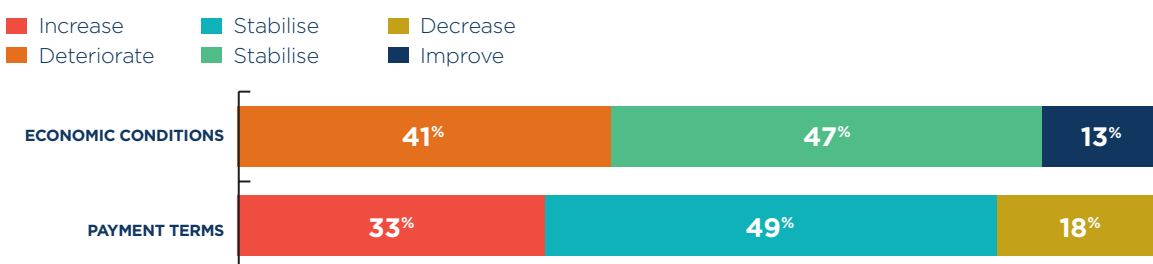
* collection agency, lawyer
Source: Coface Payment Survey



3 EXPECTATIONS OSCILLATING BETWEEN CAUTION AND OPTIMISM

- While average payment terms have stabilized at a relatively high level according to our last two surveys, half (49.1%) of companies expect them to remain stable over the next six months, and one-third (33.1%) expect them to increase.
- These results are relatively consistent with the perception of the changing economic environment: 47% of companies expect a relatively stable economic environment. Only 13% of the companies surveyed are optimistic about the Moroccan economic outlook, mirroring the 18% of companies surveyed hoping for a reduction in payment terms over the period.

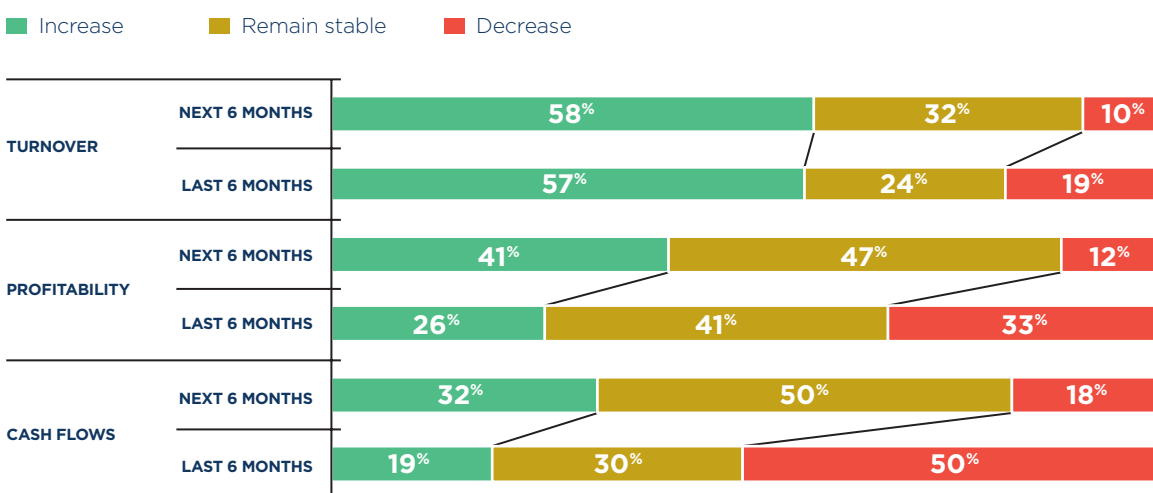
Chart 10: Expectations regarding the evolution of payment terms and economic conditions over the next six months



Source: Coface Payment Survey

- Despite the efforts made in recent years, respondents remain very cautious about the evolution of the business environment: 48% of them believe that it will deteriorate in the coming months, while 41% expect it to remain stable.
- Nevertheless, companies are relatively optimistic about their business prospects: only 10% expect their turnover to decline over the next six months, while 58% expect it to increase. This proportion is similar to the 57% of companies that reported an increase in the previous period.
- While half of the companies in our sample report a decline in cash flow over the last six months, the same proportion now expect their cash flow situation to stabilize. The results concerning the future evolution of the cash position are close to those concerning the expectations of the evolution of payment terms.
- In this context, 58.9% of the companies surveyed indicated that they have investment projects in preparation in the next six months.

Chart 11: Companies' perceptions and expectations of their turnover, profitability and cash flow (as a percentage of respondents)

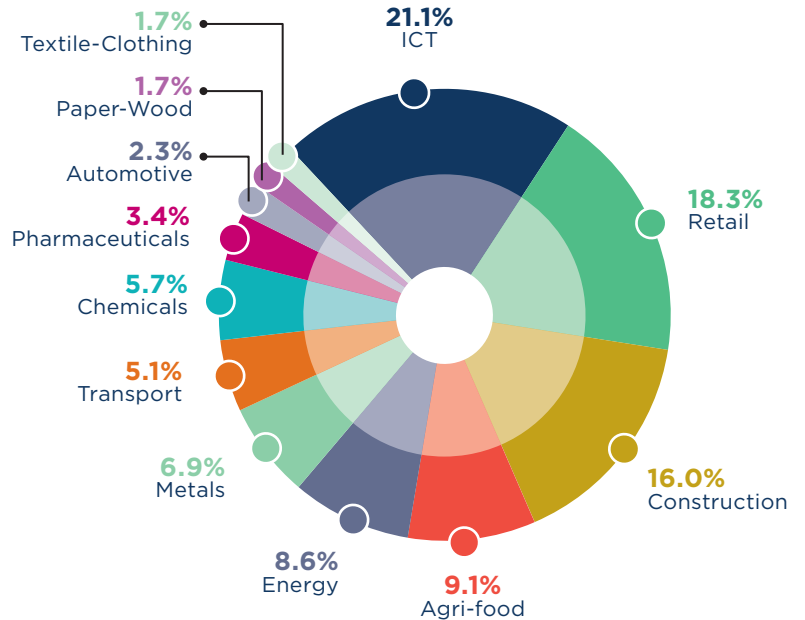


Source: Coface Payment Survey

APPENDIX



Sectors of surveyed companies



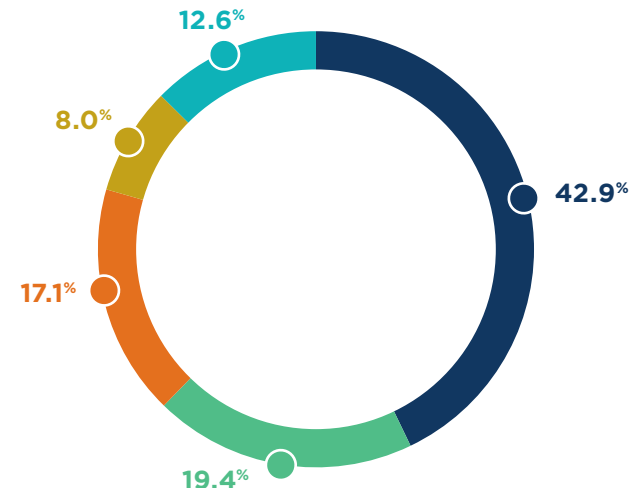
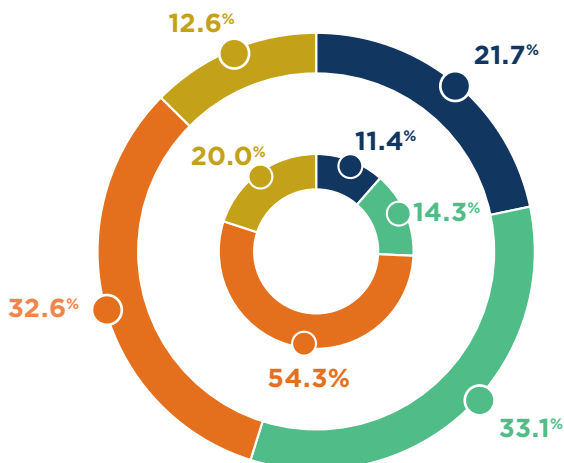
Source: Coface Payment Survey

Size surveyed of companies by number of employees (outer ring) and turnover (inner ring)

SIZE	NUMBER OF EMPLOYEES	TURNOVER
Micro companies	Less than 10 employees	Less than 3 million dirhams
Small companies	10 up to 49 employees	3 up 10 million dirhams
Medium companies	50 up to 249 employees	10 up 175 million dirhams
Large companies	More than 250 employees	More than 175 million dirhams

Share of turnover dedicated to exports of surveyed companies

- Less than 1%
- Between 1% and 10%
- Between 10% and 30%
- Between 30% and 50%
- More than 50%



Source: Coface Payment Survey

Source: Coface Payment Survey

DISCLAIMER

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