

PAYMENT SURVEY



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Morocco Corporate Payment Survey: shortened delays in 2021

- 2 PAYMENT TERMS
- 4 PAYMENT DELAYS
- 6 ECONOMIC EXPECTATIONS
- 8 IMPACT OF THE PANDEMIC
- 9 APPENDIX

During the second quarter of 2021, Coface conducted its fifth survey on the payment behaviour of companies in Morocco, with the objective to monitor the evolution of payment terms and delays. Payment behaviour reflects both the evolution of the economic conjuncture and the business environment.

According to the results of this survey, contractual payment terms in Morocco remain long, reaching 79 days on average. Although still high, they have improved significantly, shortening by about 14 days compared to our survey conducted in early 2019. Nevertheless, our results also suggest that payment delays remain widespread, with almost half of our sample reporting payments delays of more than three months in the last six months. While gross domestic product (GDP) contracted in 2020 (-6.3% estimated in 2020 after 2.5% in 2019, Coface forecasts 4.5% in 2021), more companies have perceived a deterioration.

This deterioration is the result of the major impact of the COVID-19 pandemic, which was accompanied by drastic government measures¹ that hampered economic activity (lockdowns, curfews, closure of borders to foreign tourists,

closure of schools and workplaces, travel ban). Despite the aid provided by the state for households, particularly the most vulnerable (financial aid for informal workers or those without social security coverage), and for companies (facilitated access to credit in the form of Damane Relance, Damane Oxygene, Relance TPE; deferral of social charges and taxes), particularly in the most affected sectors (tourism, transport, aeronautics, automobile), the crisis has been felt by companies. This was particularly true for small and very small enterprises (VSEs). However, only a quarter of respondents declared having benefited from aid.

For 2021, almost half of the surveyed companies expect payment terms to remain stable and more than a third anticipate an increase. Our respondents probably believe that the improvement in the economic situation will not result in a decrease in payment terms, due to a lack of visibility on the evolution of the pandemic and on the end of the state of emergency (scheduled for 31 January 2022).

The persistently long payment terms suggest that, in the absence of implementing legislation on late payment compensation, the law on payment terms² is difficult to implement.

¹ The Stringency Index calculated by Oxford University was above 90 between March and June 2020 (on a scale of 0-100) and is still at 60.

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



However, our survey shows a clear improvement in payment terms compared to 2019³.

As evidenced by the establishment of the Observatoire des Délais de Paiements (created in 2017) and the "Ajal" electronic platform for recording invoices, the public⁴ and private sectors are nevertheless mobilised to solve this problem, characterized by numerous late payments and unpaid invoices.

The latter represent over 20% of turnover for more than a quarter of the surveyed companies. While 2020 saw a 22%⁵ decrease in the number of insolvencies compared with 2019, due to the temporary closure of commercial courts and aid that artificially kept alive businesses whose financial situation was already perilous, they are now sharply increasing (+94% in the first half of 2021 compared with the first half of 2020, according to Inforisk).



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PAYMENT TERMS⁶ : STILL LONG, BUT SOME IMPROVEMENTS TO BE NOTED

- Inter-company credit in Morocco has improved significantly since the 2019 survey: among the companies that responded, slightly less than a third believe that the maximum legal payment term of 60 days is respected on average (Chart 1).

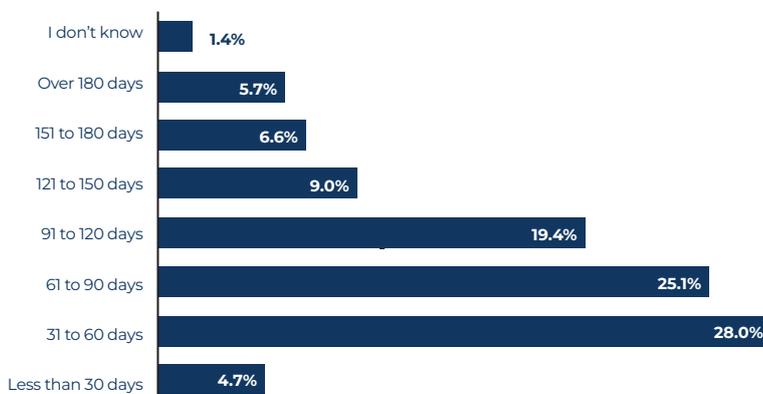
- Furthermore, a quarter of our respondents indicated that the 60-90 day period, which can be legally agreed between the business partners, was observed.

- However, for 41% of the companies in the sample, it exceeded 90 days.

- In fact, nearly a third of surveyed companies reported maximum payment terms of more than 180 days (Chart 2). This is a considerable improvement compared to 2019, when the proportion was around 50%, but these ultra-long payment terms are still widespread.

- Compared to the previous survey, the estimated average payment term decreased by 14 days, from 93 to 79 days (Chart 3). This is despite the fact that the share of companies with average payment terms of 30 to 60 days has more than doubled, while the share of companies with average terms of over 120 days has decreased by the same amount.

Chart 1:
In the last 12 months, what was the average payment term for your customers?



Source: Coface Payment Survey

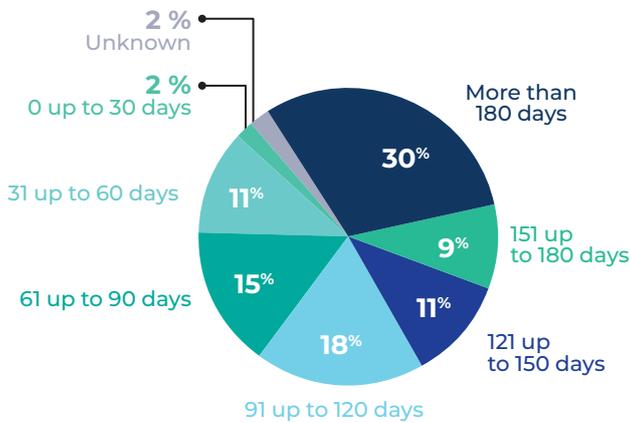
³ Morocco Payment Survey 2019, Payment terms to remain long

⁴ Amendment 49-95 created a module dedicated to the electronic filing of invoices in favour of Public Establishments and Enterprises available on the "AJAL" platform, already open to other economic agents.

⁵ Inforisk, DÉFAILLANCES MAROC 2020: UNE ANNÉE EXCEPTIONNELLE

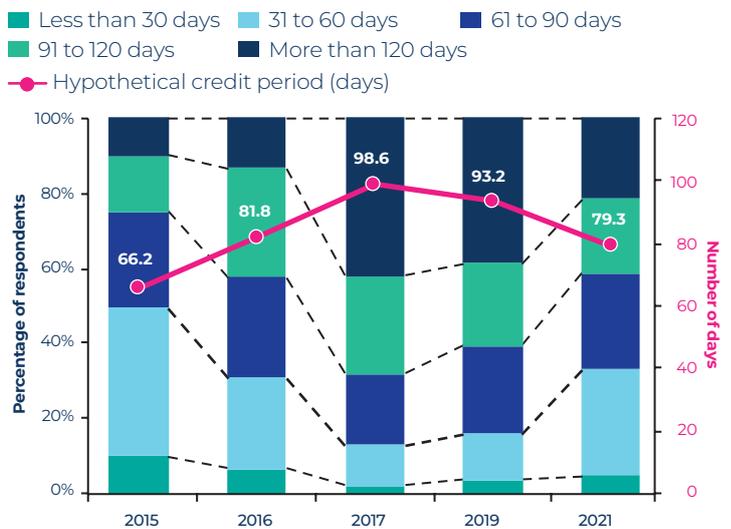
⁶ Payment term: the time-frame between when a customer purchases a product or service and when payment is due

Chart 2:
In the last 12 months, what was the maximum payment term observed for your customers?



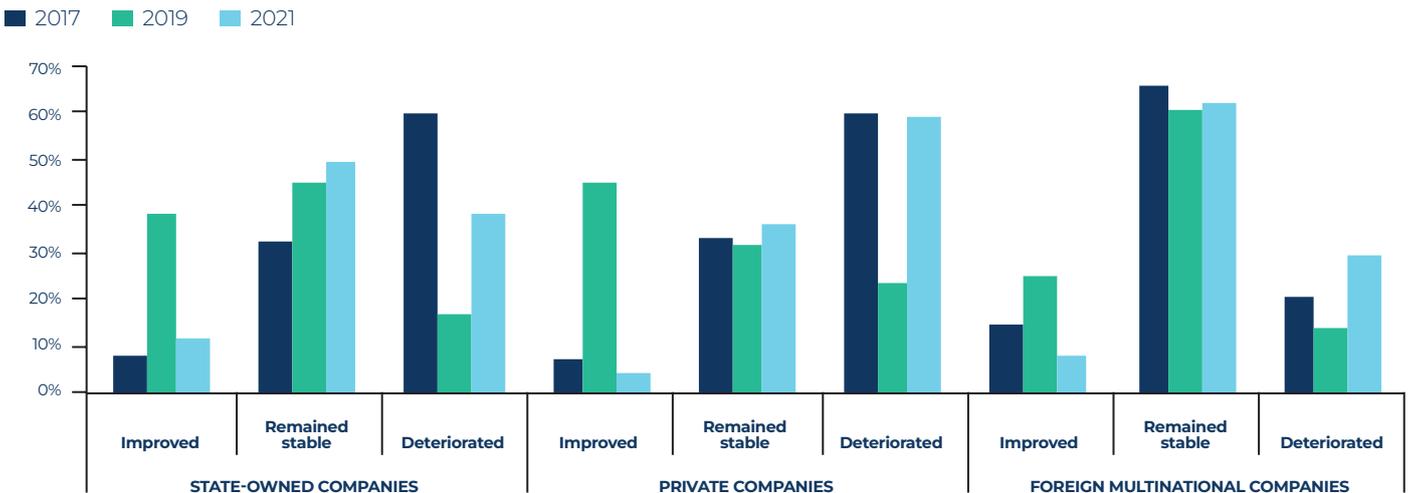
Source: Coface Payment Survey

Chart 3:
Evolution of average payment terms



Source: Coface Payment Survey

Chart 4:
Over the last 6 months, would you say that payment terms, by type of company, have improved, remained stable or deteriorated?



Source: Coface Payment Survey

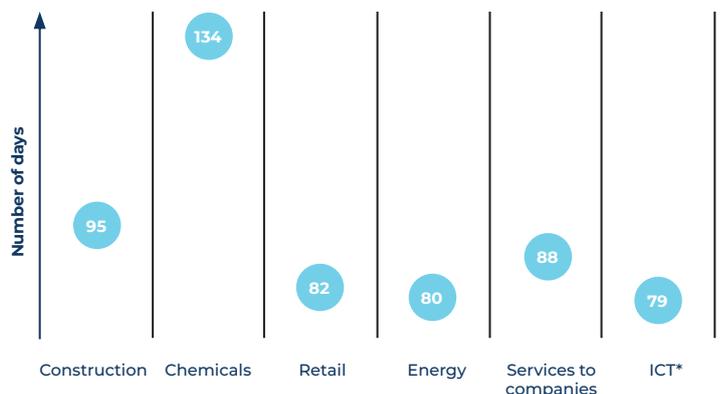
• Despite these improvements compared to our previous survey, the perception of the evolution of payment terms over the last six months reveals a somewhat different picture: for all types of companies, the perception on payment terms has worsened rather than improved.

• Although payment terms improved, their perception worsened in the first half of 2021.

• The perception of deterioration is particularly pronounced when clients are private companies (Chart 4). For all types of businesses, the perception of deterioration is more pronounced than in 2019.

• The chemicals sector (Chart 5) stands out with payment terms well above the average, at 134 days. For the other sectors, the average payment terms remain between 60 and 90 days, with the exception of construction and public works, where they reach 95 days.

Chart 5:
Comparison of estimated average payment terms for sectors in 2021



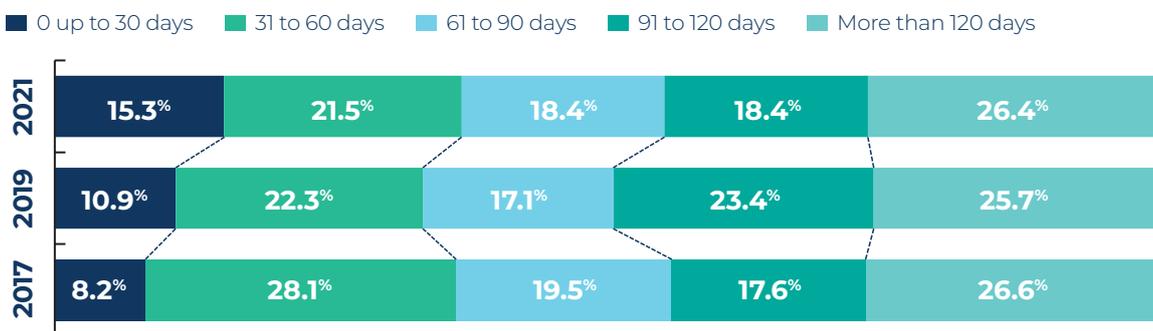
*ICT: Information and Communication Technologies
Source: Coface Payment Survey



2 NEARLY HALF OF SURVEYED COMPANIES EXPERIENCE PAYMENT DELAYS⁷ OF MORE THAN THREE MONTHS

- As in previous years' surveys, payment delays remain widespread: 44.8% of the sample reported long delays of more than three months (Chart 6). While this is a slight improvement from the previous survey, the number of delays exceeding 6 months has increased by 2.7 percentage points.
- However, delays appear to be shorter: the share of payment delays in the 90-120 day range has decreased by 5 percentage points, mainly in favour of those reporting short delays (below 30 days).

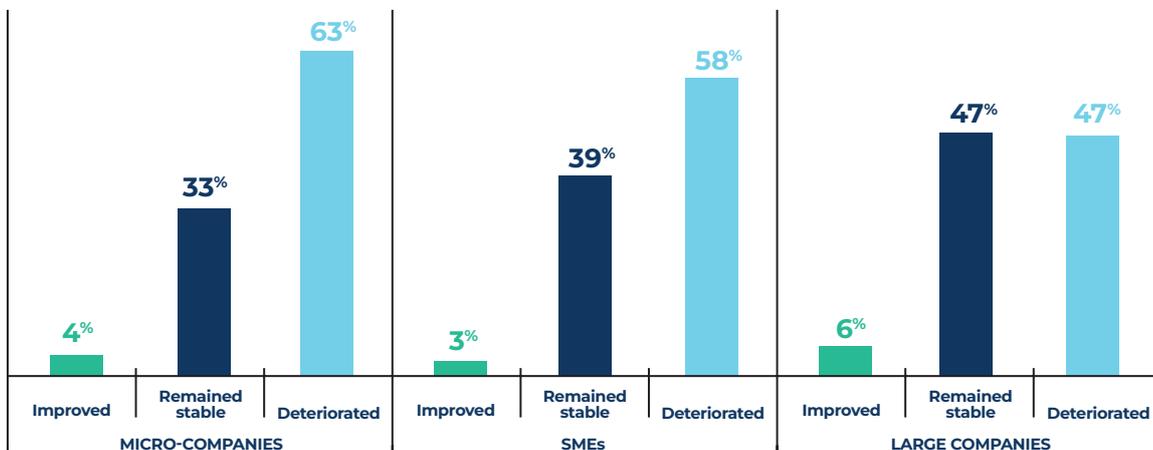
Chart 6:
Average payment delays, 2017 vs. 2019 vs. 2021 (percentage of respondents)



Source: Coface Payment Survey

- Looking at the perception regarding the evolution of payment delays over the last six months, it seems that delays have increased in the majority of cases for small and medium-sized counterparts. When the counterpart is a large company, almost half of the respondents reported an unchanged situation, and an equivalent proportion reported a deterioration (Chart 7).
- Companies that perceived a shortening of delays in the past six months are in a very small minority, regardless of the size of the client company.

Chart 7:
Over the past 6 months, would you say that payment delays, by company size, have improved, remained stable or worsened?⁸

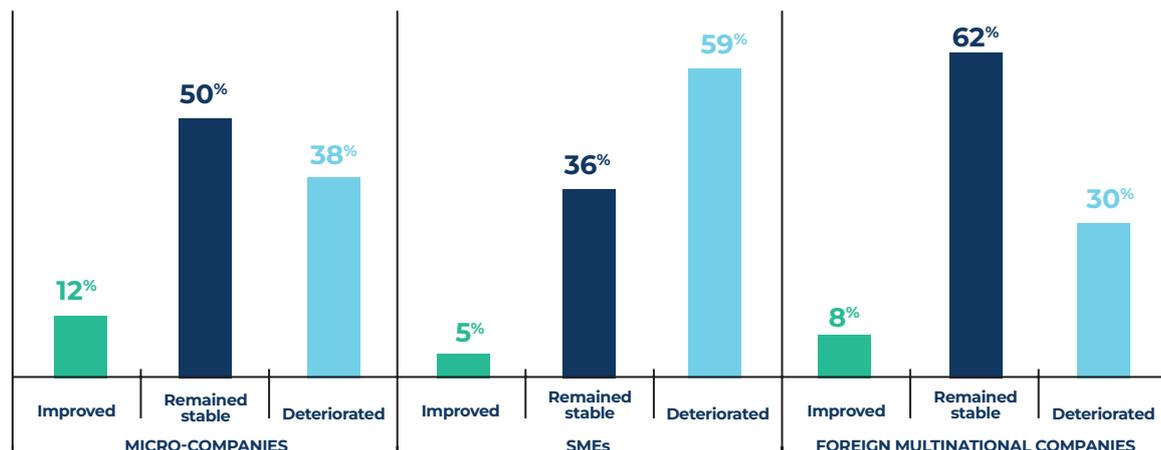


Source: Coface Payment Survey

⁷ Payment delays: the period between the due date of payment and the date the payment is made
⁸ VSE: very small enterprises; SME: small and medium enterprises

- This perception of a deterioration seems to be mainly linked to the behaviour of private companies. Indeed, a significant proportion of respondents (59%) observed a decline in the compliance of private companies with payment terms (Chart 8).
- In the case of foreign multinational companies and Moroccan state-owned enterprises, the deterioration observed by our respondents is less pronounced (30% and 38% respectively).

Chart 8:
Over the last 6 months, would you say that compliance with payment terms, by type of company, has improved, remained stable or worsened?

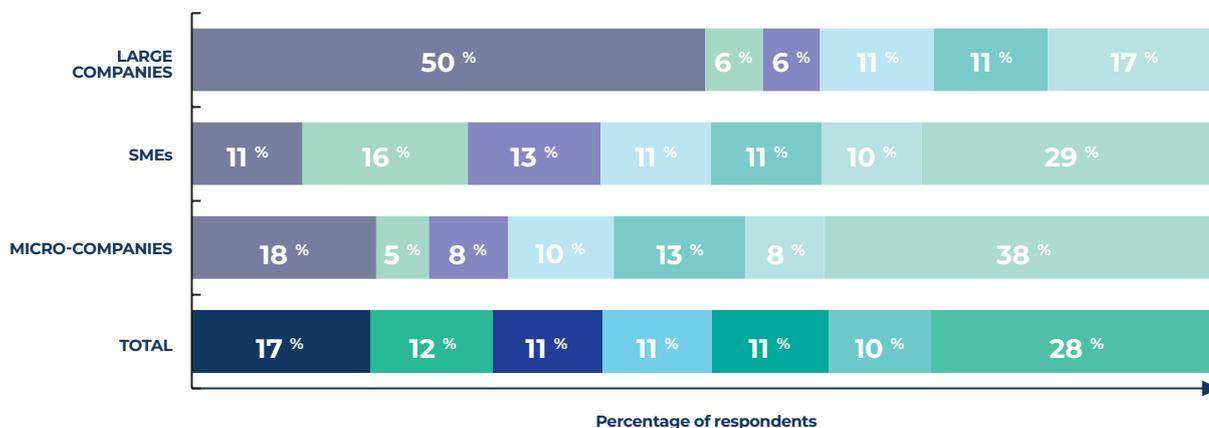


Source: Coface Payment Survey

- For over a quarter of the respondents to our 2021 survey (Chart 9), unpaid invoices reached very high levels, representing over 20% of their turnover. This proportion increased by 3 percentage points, a development attributable to the greater number of unpaid invoices from small businesses, which form the majority of the sample.
- Unsurprisingly, the level of unpaid bills is lower overall for large companies: half reported that they accounted for less than 0.5% of their turnover. While none of them declared unpaid debts exceeding 20% of their turnover, almost 40% reported outstanding payments of over 10% of their turnover.

Chart 9:
Level of unpaid invoices as a percentage of turnover

■ Less than 0,5 % of turnover
 ■ 0,5 up to 2 % of turnover
 ■ 2 up to 5 % of turnover
 ■ 5 up to 10 % of turnover
 ■ 10 % up to 15 % of turnover
 ■ 15 % up to 20 % of turnover
 ■ More than 20 % of turnover

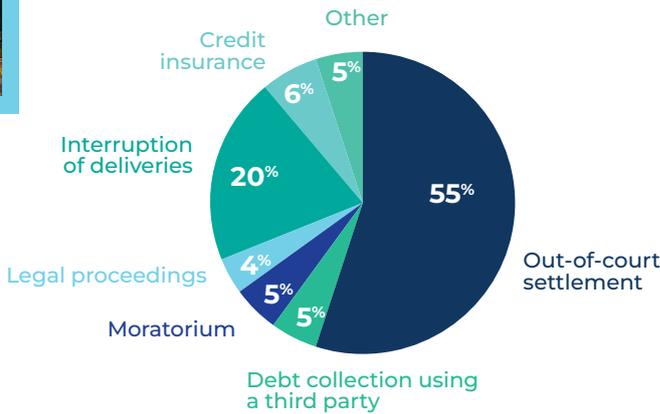


Source: Coface Payment Survey



• In the event of payment delays, over half of respondents believe that an out-of-court settlement is the most effective way to secure payment (Chart 10). Already the most common measure used in our 2019 survey, it is up 12 percentage points (43%). Those who consider delivery interruptions to be more effective are fewer than in our previous survey (31% in 2019).

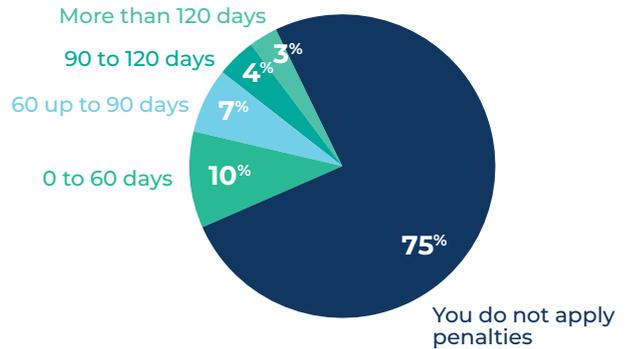
Chart 10:
In case of payment delays, which measures were the most effective to secure payment?



Source: Coface Payment Survey

• As in our previous surveys, the majority of Moroccan companies do not apply penalties (Chart 11).

Chart 11:
If one of your customers does not respect the agreed payment term, from how many days late do you apply penalties?



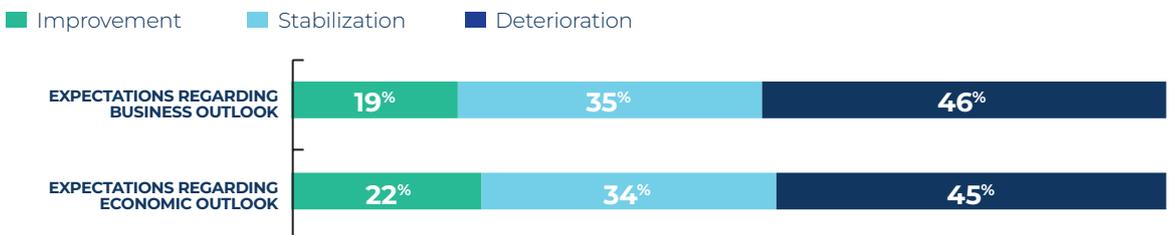
Source: Coface Payment Survey

3 GREAT CAUTION FOR THE FUTURE, BUT SOME SIGNS OF IMPROVEMENT AFTER THE CRISIS

• Companies are cautious about the development of the economic and operating environment in the coming months (Chart 12): almost half of them anticipate a deterioration in the business

climate and the economic situation. Only a fifth see an improvement in the future.

Chart 12:
How do you perceive the evolution of the economic situation and the business climate?



Source: Coface Payment Survey

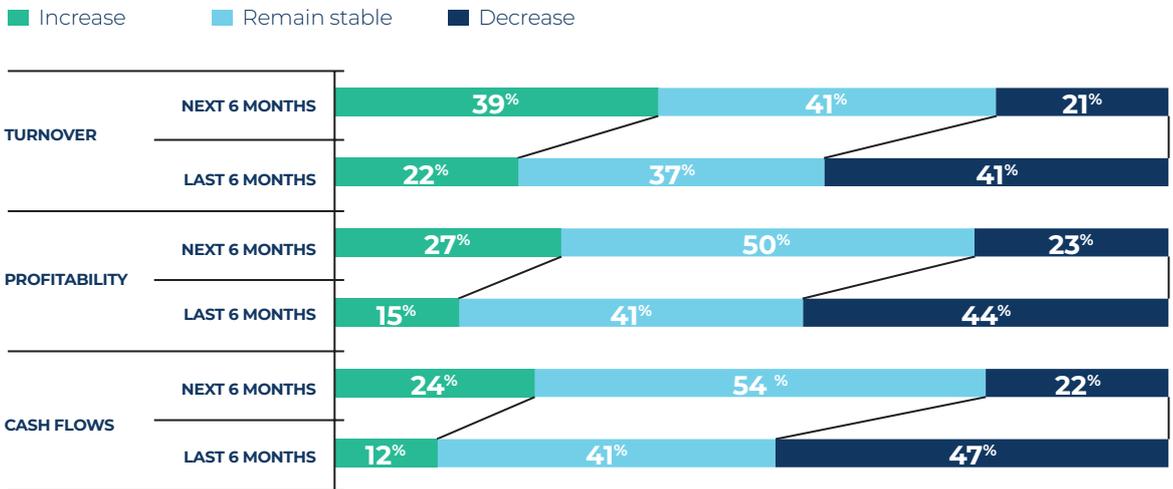
• Nevertheless, companies are relatively optimistic about their business outlook: only 21% expect their turnover to decline in the next six months, while 39% believe it will increase and 41% that it will remain stable. This proportion is better than that observed during the previous period.

• While almost half of the companies in our sample stated that their cash flow had decreased over the last semester, only 22% expected it to decrease over the next. Conversely, the proportion of those expecting an improvement has increased from 12% to 24% (Chart 13).

· These figures seem to be consistent with the evolution of the economic situation in recent months: after having suffered the impact of

the crisis linked to the COVID-19 pandemic, companies are expecting an improvement.

Chart 13:
Over the next 6 months, how do you expect turnover, profitability and cash flow to develop?

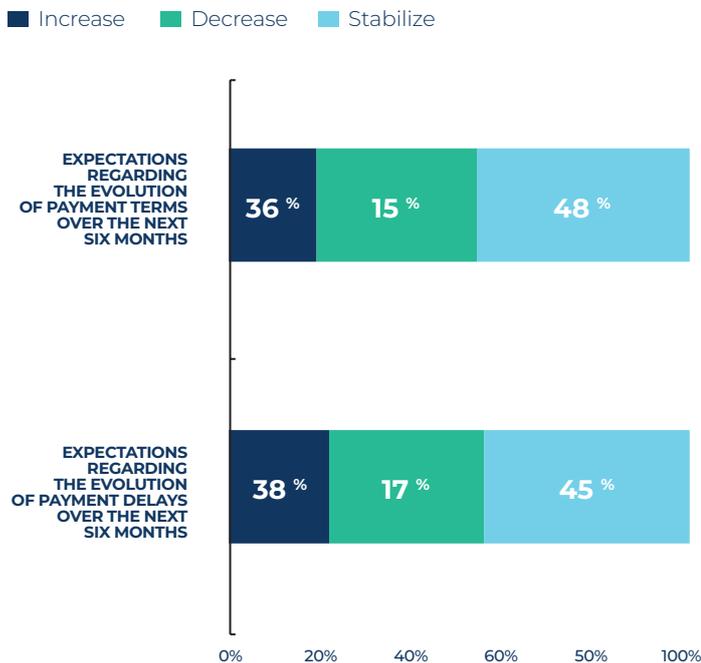


Source: Coface Payment Survey

· Half of the companies believe that payment terms and delays will stabilise over the next six months, while just over a third think that they will increase (Chart 14).
· Respondents' expectations are relatively similar with regard to payment delays.

· Investment intentions concern 46% of companies. Companies that are optimistic about the economic situation are more likely to invest in the short-term (Chart 15).

Chart 14:
How do you perceive the evolution of payment terms and delays?



Source: Coface Payment Survey

Chart 15:
Short-term investment intentions (as a percentage of respondents), according to expectations of the economic situation



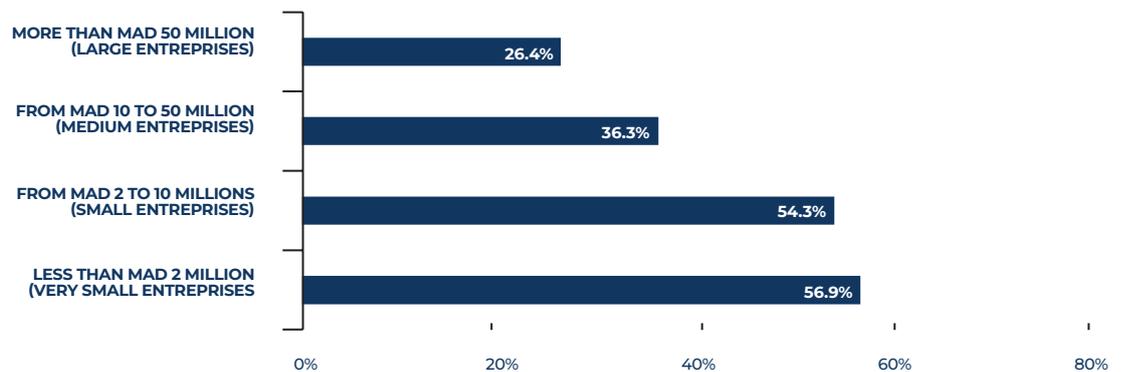
Source: Coface Payment Survey

4 THE IMPACT OF THE PANDEMIC ON COMPANIES

- The COVID-19 crisis has particularly affected small and very small enterprises (VSEs) (Chart 16).

Chart 16:

To what extent has your business been impacted by the COVID-19 crisis?⁹



Source: Coface Payment Survey

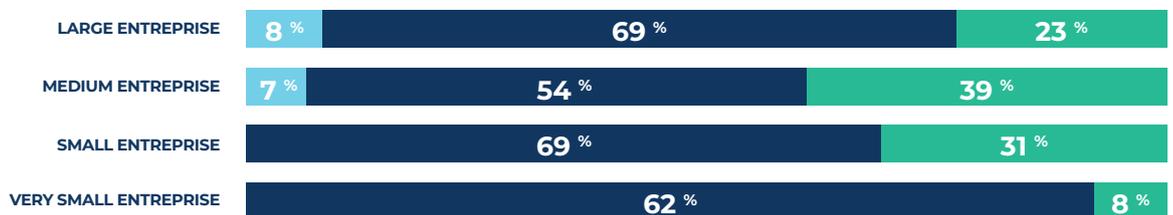
- Only 27% of the companies in the sample stated that they had benefited from public aid. VSEs and small businesses, which reported having been the

most affected by the crisis, were also the ones that declared having received the least aid (Chart 17).

Chart 17:

Did you receive or are you receiving aid to cope with the COVID-19 crisis? (by company size)

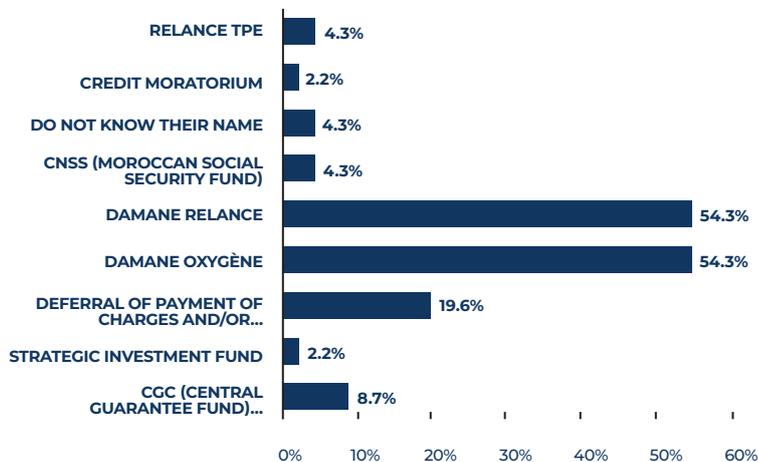
■ I don't know ■ No ■ Yes



Source: Coface Payment Survey

Chart 18:

Types of aid used (as a percentage of beneficiaries)¹⁰



Source: Coface Payment Survey

- Among the assistance used, facilitated access to credit is the most important. Companies were able to benefit from it in different forms: companies with a turnover of over 10 million dirhams were entitled to the "Damane Relance" programme (credit guaranteed by the Caisse Centrale de Garantie, worth the equivalent of one to one and a half months' turnover)¹¹, while those with a turnover of less than 10 million had access to the "Relance TPE" (maximum guarantee equivalent to 95% of the loan). "Damane Oxygène" was another largely used credit access measure.

- In our sample of beneficiaries, a significant proportion also benefited from deferred payment of charges and/or taxes (Chart 18).

⁹ Indexed from 0 to 100, where 0 is low intensity and 100 is high intensity

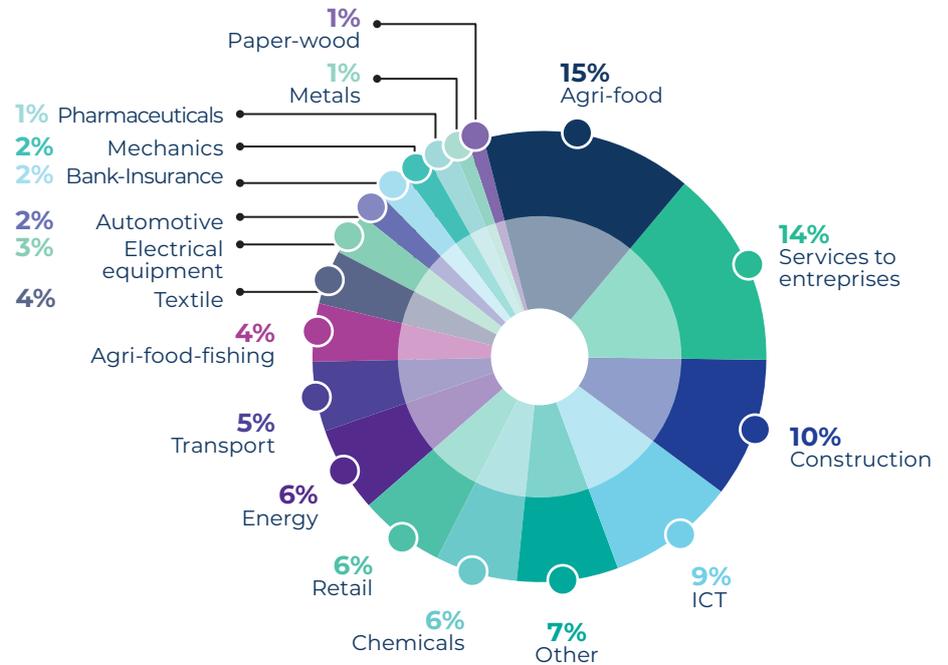
¹⁰ CNSS : Caisse Nationale de la Sécurité Sociale.

¹¹ It is a credit guaranteed by the Caisse Centrale de Garantie (CCG)

APPENDIX



Sector of activity of surveyed firms

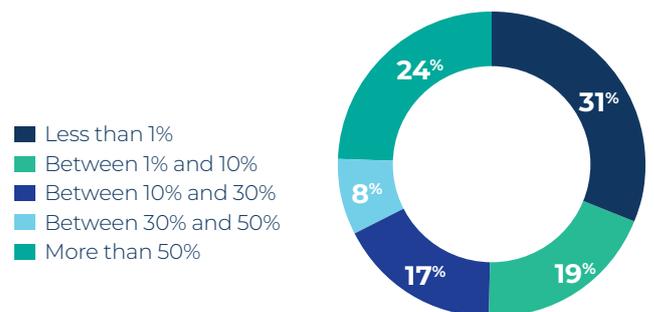


Source: Coface Payment Survey

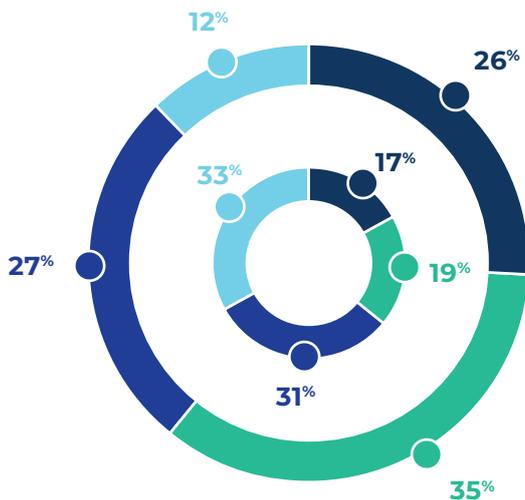
Size surveyed of companies by number of employees (outer ring) and turnover (inner ring)

SIZE	TURNOVER	NUMBER OF EMPLOYEES
Very small enterprises	Less than MAD 2 million	Less than 9 employees
Small enterprises	From MAD 2 to 10 millions	From 10 to 49 employees
Medium Enterprises	From MAD 10 to 50 million	From 50 to 249 employees
Large enterprises	More than MAD 50 million	More than 250 employees

Share of turnover dedicated to exports of surveyed companies

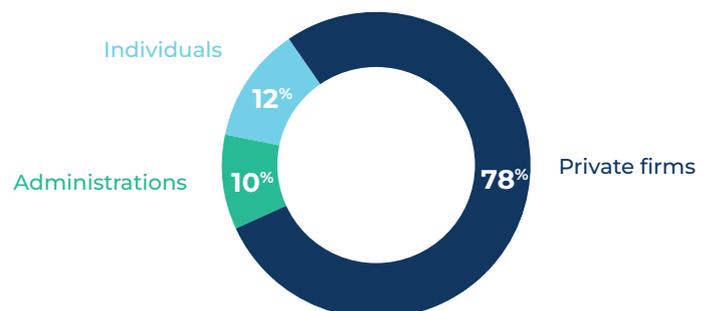


Source: Coface Payment Survey



Source: Coface Payment Survey

Type of customers of surveyed firms



Source: Coface Payment Survey

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