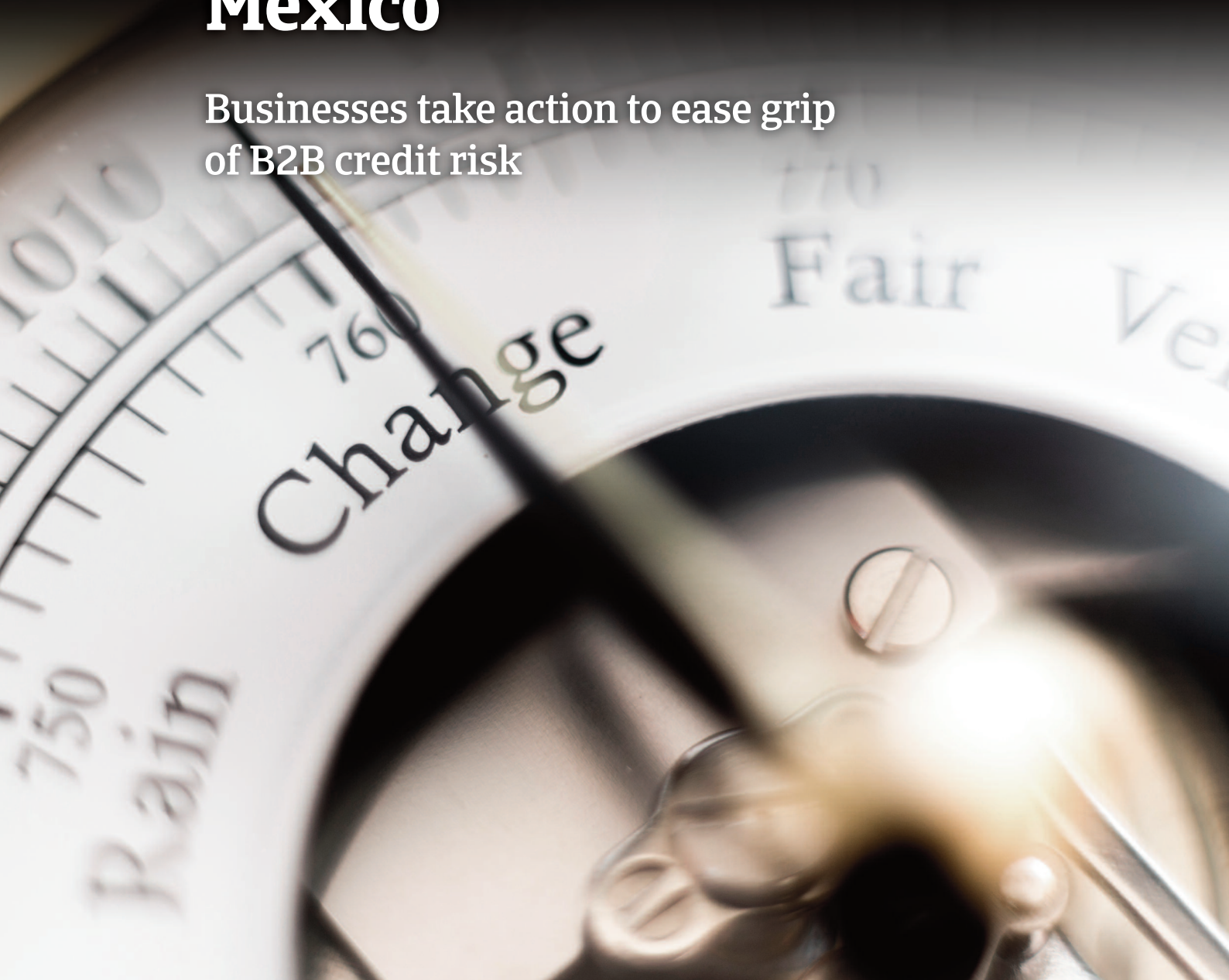




Key trends for B2B payments and cash flow

# Mexico

Businesses take action to ease grip  
of B2B credit risk



## About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times.

However, the survey also has a strong focus on the challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

The results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for Mexico. Sector focus: chemicals, steel/metals, transport.

The survey was conducted between the end of Q2 and the beginning of Q3 2023, and findings should therefore be viewed with this in mind.





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# B2B payment trends and cash flow

## Businesses take action to ease grip of B2B credit risk

A notable change of approach to the B2B sales landscape was found among companies polled in Mexico. Sales transacted on credit dropped sharply during the past year to stand at an average 44% of all B2B sales. The trend suggests businesses prefer payment methods such as cash-on-delivery which mitigate credit risk. The switch of dynamic was also evident in a sharp tightening of payment terms granted by Mexican companies, now averaging 36 days from invoicing, two weeks shorter than last year. One of the primary factors in setting terms was to reduce the time lag between paying suppliers and receiving payment from B2B customers, thus minimising the risk of facing cash flow issues.

Over the past 12 months, the measures adopted by Mexican companies to mitigate credit risk have helped to slightly alleviate the pressure on business liquidity. Nevertheless, late payments still affect a substantial portion of invoiced B2B sales, at a current average of 48%. The steel/metals sector had a higher level of overdue invoices, reflecting a more dynamic approach to trading on credit. On average, companies polled in Mexico took 10 days longer than last year to collect overdue payments. There was, however, a significant decline in bad debts, which now account for 4% of all B2B invoiced sales, down from 7% the previous year, resulting in a lower financial burden on the business.

Our survey found that a key reason for late payments was invoice disputes with B2B customers, particularly in the transport sector with its complex logistics and service agreements. The Mexican chemicals sector, in contrast, reported that customer liquidity issues were the predominant factor for late payments. To mitigate the impact of payment delays almost 60% of companies polled in Mexico said they dedicated more time and resources to resolve unpaid invoices. This was part of a general strengthening of credit control processes to improve cash flow management. In our survey, 64% of businesses stated that they chose trade credit as their preferred option for obtaining immediate short-term finance, while only 39% indicated that they opted for bank loans.

76% of the Mexican companies surveyed revealed that they preferred to handle customer credit risk in-house during the previous year. This approach was especially common in the chemicals sector. However, our survey found that Mexican businesses are embracing a more varied approach to credit management, not solely relying on self-insurance. For instance, companies in the transport sector disclosed that they opted for a credit risk management strategy by outsourcing the responsibility to a credit insurer. They believed that this provided an extra layer of protection against customer credit risk, especially during times of economic uncertainty.

**Key figures and charts on the following pages**

## Key survey findings

- There was a change in dynamic of B2B sales transacted on credit among companies polled in Mexico. These fell sharply in the past year to average 44% of all B2B invoiced sales, with many businesses appearing to prefer the safer payment method of cash on delivery.
- To mitigate customer credit risk, Mexican companies tightened payment terms offered in B2B trade during the past months. These now average 36 days from invoicing, compared to last year's 52-day average. A major factor was reducing the time gap between paying suppliers and receiving customer payments.
- These measures slightly alleviate pressure on liquidity, although late payments still affect an average 48% of all B2B invoiced sales. Payment delays took 10 days longer than last year, but bad debts dropped significantly to 4% of all B2B sales, down from 7%.
- Invoice disputes was the major reason for late payments cited by companies polled in Mexico, particularly in the transport sector. Customer liquidity concerns were a factor noted especially by the chemicals sector.
- 60% of businesses polled in Mexico invested additional time and resources in handling unpaid invoices while reinforcing their credit risk management strategies. When seeking external funding for short-term finance, 64% of companies preferred trade credit, as opposed to 39% relying that relied on bank credit.
- A diverse approach to credit risk management was found in our survey of the Mexican market. 76% of companies polled opted for in-house retention and management of customer credit risk, but businesses in the transport sector were more likely to use credit insurance.



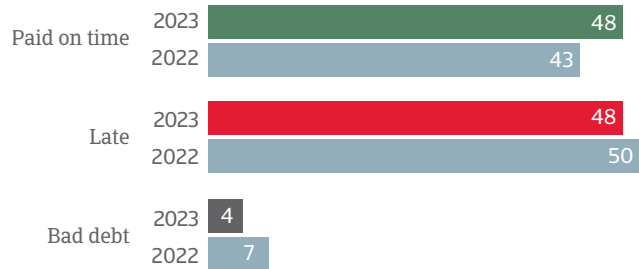




# Mexico

## Mexico

% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)

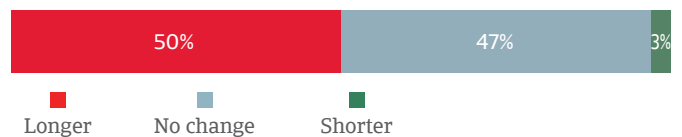


Sample: all survey respondents

Source: Atradius Payment Practices Barometer Mexico – 2023

## Mexico

% of respondents reporting changes in payment duration\* over the past 12 months



\*average amount of time to get paid from B2B customers

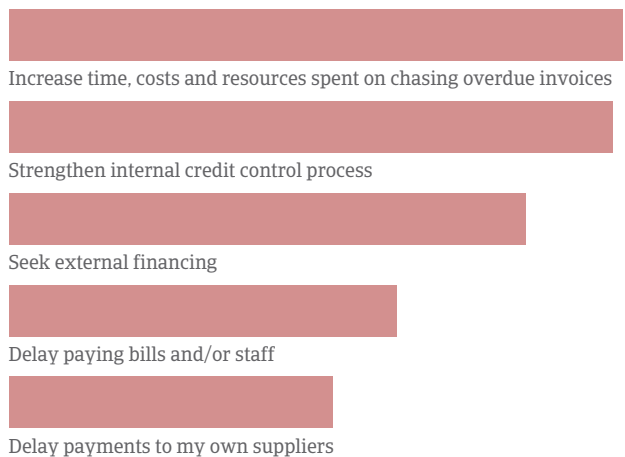
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Mexico – 2023

## Mexico

Measures put in place to minimise cash flow problems due to payment default of B2B customers

(% of respondents - multiple response question)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer Mexico – 2023

### Survey question

What are the main sources of financing that your company used during the past 12 months?

- 64% Trade credit
- 56% Equity capital
- 39% Bank loans
- 37% Debt securities issued

\*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer Mexico – 2023

# Looking ahead

## Concern over volatility of global commodities prices amid mixed mood in Mexico

The impact of uncertainties surrounding international energy and commodities prices is the primary concern for the year ahead reported by companies polled in Mexico. They are worried that inflationary pressures could significantly affect their cost structure, an anxiety expressed in both the chemicals and steel/metals sectors, which would face a serious challenge in passing on increased costs to customers without compromising competitiveness and profitability. This concern is further amplified by the problems Mexican businesses face in finding and retaining customers in a dynamic market. Persistent supply chain disruptions caused by ongoing geopolitical tensions are also a key worry in the coming months, particularly for the chemicals sector.

Despite the looming threat of these challenges, there is also some cautious optimism among Mexican companies about prospects for the year ahead. 64% of businesses polled, especially in the chemicals sector, said they anticipate a surge in demand and increased sales during the coming months. 32% of companies expect no significant change, while a small number foresee a decline in sales. However, the outlook for profit margins is less optimistic than that for sales. 55% of businesses expect profit margins to increase, with the transport sector particularly confident about their ability to capitalize on opportunities in their industry. 40% of companies polled anticipate no change in profitability.

Companies polled in Mexico delivered a very mixed verdict about the outlook for Days Sales Outstanding (DSO) during the coming months. Improvement in DSO is anticipated by almost half of businesses, but the remainder expect either no change or a deterioration, which indicates challenges ahead in prompt collection of long-term overdue payments. A similar mood was expressed on the prospects for the trend in B2B customer payment behaviour in the year ahead. 50% of companies polled, especially in the chemicals sector, are positive there will be an improvement. However, the other half anticipate no change or a worsening in payment behaviour.

Mexican companies are expected to adopt diverse approaches to credit risk management during the year ahead. The majority of businesses polled told us they would continue to focus on in-house retention and management of customer credit risk, particularly so in the chemicals sector. However, there is a growing appreciation of the benefits of outsourcing the issue to a credit insurer, as a risk transfer mechanism, particularly in the steel/metals sector. Other companies polled in Mexico told us that, to bridge liquidity gaps, they would increasingly turn to factoring as a useful tool to improve working capital and overcome cashflow challenges.

**Key figures and charts on the following pages**

## Key survey findings

- Uncertainty about swings in energy and commodity prices at international level is a widespread focus of concern for companies polled in Mexico. The chemicals and steel/metals sectors are particularly worried these could have a significant impact on cost structures in the year ahead.
- Persistent supply chain disruptions are also reported to be a potential headache for the chemicals sector, while another serious challenge that Mexican businesses polled expect to face during the coming 12 months is finding and retaining customers in a highly competitive market.
- However, cautious optimism was expressed in our survey about the prospects for sales in the year ahead. 64% of companies polled in Mexico expect an improvement in demand and therefore sales, while 32% anticipate no change.
- The prospects for profit margins are less optimistic. 55% of businesses polled said they expect profit margins to increase during the coming months, with the transport sector particularly optimistic. 40% of companies anticipate no change in profitability.
- A mixed mood was found on prospects for Days Sales Outstanding (DSO). Almost 50% of companies expect improvement, but the rest anticipate deterioration or no change. Almost identical figures were reported on the outlook for B2B payment behaviour.
- Mexican companies will continue to embrace diverse credit risk management approaches in the year ahead. Many businesses will prioritize in-house retention and management of customer credit risk amid growing recognition of the advantages of outsourcing this risk to credit insurers. Half of the companies polled said they plan to use factoring to address cash flow challenges arising from B2B trade.







# Mexico

## Mexico

Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

(% of respondents)

Sales



Profit margins



■ Improve    
 ■ No change    
 ■ Deteriorate

Sample: all survey respondents

Source: Atradius Payment Practices Barometer Mexico - 2023

## Mexico

Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



■ Improve    
 ■ No change    
 ■ Deteriorate

Sample: all survey respondents

Source: Atradius Payment Practices Barometer Mexico - 2023

## Mexico

Looking ahead to the next 12 months: top 3 concerns expressed by businesses polled

(% of respondents - multiple response question)



Volatility of energy prices



Volatility of commodities prices



Inflation

Sample: all survey respondents

Source: Atradius Payment Practices Barometer Mexico - 2023

### Survey question

**How do you expect your average DSO to change over the next 12 months?**

(% of respondents)

**49%** Improve

**41%** No change

**10%** Deteriorate

Sample: all survey respondents

Source: Atradius Payment Practices Barometer Mexico - 2023

## Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Mexico are the focus of this report, which forms part of the 2023 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 228 interviews in total. All interviews were conducted exclusively for Atradius.

### Survey scope

- **Basic population:** Companies from Mexico were surveyed, and the appropriate contacts for accounts receivable management were interviewed
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** Companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact, and for quota control, was conducted at the beginning of the interview.
- **Sample:** N=228 people were interviewed in total. A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: The survey was conducted between the end of Q2 and the beginning of Q3 2023.

### Sample overview – Total interviews = 228

Business sector	Interviews	%
Manufacturing	143	63
Wholesale trade	28	12
Retail trade/Distribution	45	20
Services	12	5
<b>TOTAL</b>	<b>228</b>	<b>100</b>

Business size	Interviews	%
SME: Small enterprises	41	18
SME: Medium enterprises	70	31
Medium Large enterprises	87	38
Large enterprises	30	13
<b>TOTAL</b>	<b>228</b>	<b>100</b>

Industry	Interviews	%
Chemicals	72	32
Steel/Metals	85	37
Transport	71	31
<b>TOTAL</b>	<b>228</b>	<b>100</b>

## Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the 2023 Payment Practices Barometer of Atradius, available at [www.atradius.com/publications](http://www.atradius.com/publications) [Download in PDF format](#) (English only).

## Interested in finding out more?

Please visit the [Atradius](http://Atradius) website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

Follow us to stay up to date with our latest releases by [subscribing](#) to notifications of our Publications, and receive weekly emails with alerts to when new reports are published.

To find out more about B2B receivables collection practices in **Mexico and worldwide**, please visit [atradiuscollections.com](http://atradiuscollections.com).

### For Mexico

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