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New Coface survey shows optimism among UAE non-oil private companies

- **UAE companies are cautiously positive.**
- **43.5% of exporters and 42% of domestic suppliers expect increased profitability, with 52.2% and 59% respectively anticipating an upsurge in sales on the previous year. 39% of exporters forecast improved cash flows.**
- **UAE companies' outstanding receivables and unpaid invoices accounted for, on average, a single digit percentage of total annual turnover**
- **Corporate payment terms are lengthening as trade credit risk consciousness has increased**
- **Domestic suppliers less impacted by the economic slowdown and tight liquidity than exporters**

Coface, the worldwide leader in trade credit management solutions and risk information services, has published its first-ever Credit Opinion Survey for the UAE region, which was conducted among 136 companies from 11 different sectors with the aim of understanding trends and developments in corporate payments.

The survey's participants reported that payment terms are lengthening. Companies have reacted to lower sale volumes, stemming from weaker global trade and tightened liquidity, by delaying payments. Nevertheless, despite these lengthier payments, the majority of the respondents are optimistic on the future economic outlook for the UAE and GCC region.

"*The results of this survey are very timely, especially now that the economy is beginning to inch up again and UAE businesses are looking at maximising their competitive leverage this year. The UAE's diversified economy has helped to mitigate the intensity of the effects of the oil price decline. The steady growth expected in 2017 will be mainly driven by non-oil foreign trade, private consumption, tourism and new investments for the Dubai Expo 2020*", said Massimo Falcioni, CEO of Middle East Countries at Coface.

"*The diversified structure of the UAE's economy has meant that domestic suppliers have been less impacted by the economic slowdown and tight liquidity conditions than exporters, which have been affected by the weak recovery in world trade"* said Seltem Iyigun, Economist for the Middle East at Coface.

Promising future economic outlook

According to the survey, the majority of companies in the UAE and the GCC are optimistic over the region's future economic outlook and 31% cited an improvement in sales over the last six months.

Most exporters share a cautiously positive outlook on future perspectives, with 43.5% of them expecting increased profitability, 52.2% forecasting higher sales and 39% anticipating that cash flows will improve. Expectations remain quite positive among domestic suppliers as well, as 42% of those surveyed believe that their profitability will improve either moderately or substantially within the next six months, while 59% (mainly those in the construction, agrofood and retail sectors) expect to see an improvement in sales during this period.

Coface's analysis reveals that the GCC region will be the leading export market (the highest in terms of current sales), followed by the MENA region. The economies of the GCC region are rising to the challenge this year, as their export markets continue to record the largest volume of sales in the Middle East. Of those companies surveyed in the MENA region, 26% intend to export to the GCC, benefiting from its proximity, cultural similarities and economic integration.

New opportunities in the real estate market are expected - thanks to new tourist attractions and improved legislation and reforms which are supporting the construction sector in 2017. The survey also indicates that the retail sector could well represent some opportunities, on the back of the country's strong base of wealthy consumers. Nevertheless, the sector is still subject to downward pressures, due to tight fiscal conditions.

In line with these cautiously positive perspectives, 43% of companies mentioned that they would be recruiting new staff over the next six months.

No major risks regarding unpaid invoices

UAE companies – exporters and domestic suppliers alike - reported average payment terms of 60 to 90 days, with average payment delays of 30 to 60 days. Among exporters, the energy sector is suffering from the longest average payment delays, with above 210 days. On the domestic front, the construction sector is experiencing the longest payment terms, with an average of 97 days and delays of 93.1 days.

Respondents cited their client's financial difficulties and administrative inefficiencies - such as weaknesses in the debt collection process - as the main reasons for non-payment. Delays in payment, in turn, are resulting in a squeeze on liquidity for 52% of companies, additional interest costs for 44% and loss of income for 42%.

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Companies' outstanding receivables and unpaid invoices accounted for, on average, a single digit percentage of total annual turnover. The majority of exporters reported that outstanding receivables and unpaid invoices accounted for between 2 to 5% of their total annual turnover. On the domestic suppliers' side, 18% of respondents said that outstanding receivables and unpaid invoices account for less than 2% of their total sales, while 20% said that they accounted for 5 to 10% of their turnover and 16% for 20% of turnover. Coface's experience has shown that 80% of outstanding receivables with payment delays in excess of six months will not be fully paid at all.

An important trend highlighted by the report, is that 52.2% of respondents said that average payment delays for overseas customers were worse than for domestic customers. This is an indicator of tight financial conditions in foreign markets.

Corporate payment experience: average payment terms between 60 and 90 days for both domestic companies and exporters

Over half of the exporters said that the UAE has the best payment terms in the region, while 36.8% qualified the whole of the GCC as having the longest payment terms.

For exporters, the most frequent payment periods during the last six months were 60 days (39.1 %) and 90 days (30.43%). Almost 35% of the respondents said that maximum payment terms during the last six months were 120 days, while 26.1% said that maximum payment terms were 180 days or more (ultra-long overdue amounts).

Average payment periods by economic activity in 2016,
For exporters (% of respondents)

Economic Activity	30 Days	60 Days	90 Days	120 Days	Over 120 days
Agro-food		5%	10%		
Automotive		17%	17%	17%	
Chemicals			14%	14%	
Construction			2%		
Energy	11%	11%			11%
ICT		10%		10%	
Metals	7%	20%	13%		
Pharma		17%			17%
Retail		7%			

Source: Coface Payment Survey 2016

The majority (61%) of the respondents that are focused on the domestic market reported that average payment terms, over the last six months, varied between 60 to 90 days. The maximum

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payment terms offered by domestic companies to their clients was shorter than those granted by exporters, as only 27% offered 120 days to clients (compared to 35% of exporters).

Average payment periods by economic activity in 2016,
For domestic suppliers (% of respondents)

Economic Activity	30 Days	60 Days	90 Days	120 Days	Over 120 days
Agro-food	25%	30%	25%	5%	
Automotive	17%		17%	17%	
Chemicals			43%	29%	
Construction	2%	23%	28%	26%	19%
Energy	22%	44%			
ICT		60%	10%		10%
Metals		27%	13%	20%	
Pharma		17%	17%		33%
Retail	7%	27%	33%	20%	7%
Transportation		50%	25%	25%	

Average payment delays are shorter for domestic companies than for exporters. Average payment delays of less than 30 days were noted by 11% of domestic companies (compared to 9% for exporters), while 29% reported between 30 to 60 days (48% for exporters) and 27% between 60 to 90 days (13% for exporters). Average payment delays of over 210 days were only cited by 4% of surveyed companies (9% for exporters).

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About Coface

Coface, a world-leading credit insurer, offers 50,000 companies around the globe solutions to protect them against the risk of financial default of their clients, both on their domestic and export markets. The Group, which aims to be the most agile global credit insurer in the industry, is present in 100 countries, employs 4,300 people, and posted consolidated turnover of €1.411 billion in 2016. Coface publishes quarterly country and sector risk assessments based on its unique knowledge of companies' payment behavior and on the expertise of its 660 underwriters and credit analysts located close to clients and their debtors.

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