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PRESS RELEASE

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Collection Complexity Score

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Paris

International debt collection: Where is the most difficult place to collect your debts?

- The Allianz Trade Collection Complexity Score measures how difficult it is to collect a debt in a given country.
- Sweden, Germany and Finland are the three countries where debt collection is the less complex, while Saudi Arabia, Malaysia and the UEA are the most challenging places to collect debts.
- The complexity gap between advanced economies and emerging markets has reduced: 20 out of 49 countries have seen their collection complexity score decreasing.

The third edition of the Allianz Trade Collection Complexity Score provides a simple assessment of how difficult it is to collect debt, helping to support decisions and manage expectations when trading internationally, essential in an environment where global business insolvencies are set to rise (+10% in 2022 and +14% in 2023). The score covers 49 countries representing nearly 90% of global GDP and 85% of global trade.

Europe is still the easiest place to collect debts

The Allianz Trade Collection Complexity Score measures the level of complexity relating to international debt collection procedures from 0 (least complex) to 100 (most complex). The score combines the expert judgment of Allianz Trade's Collection specialists worldwide and over 40 administrative indicators relating to: (i) local payment practices; (ii) local court proceedings and (iii) local insolvency proceedings. The score is then split into a four-modality rating system: Notable (score below 40), High (score between 40 and 50), Very High (50 to 60) and Severe (above 60).

Where is the best place to collect a debt? Unsurprisingly, and like in the previous edition of our Collection Complexity Score (2018), Europe takes the lead. **Indeed, European countries account for the top 10 easiest places to collect debts.** Sweden (with a score of 30), Germany (30) and Finland (32) are the best in class, with their scores remaining stable compared to our previous report. New Zealand is the first non-European country to be ranked (12th, with a score of 36, +1 point since 2018), followed by Brazil (20th, 43, stable).

"In Sweden, Germany and Finland, the payment behavior of domestic companies is good and courts are efficient in delivering timely decisions, thus easing debt collection for companies. This stands in contrast to other European countries, such as France (10th, 36, stable), and Spain (11th, 36, -1 point), where collecting debt remains extremely complicated when the debtor has become insolvent,

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especially as far as unsecured creditors are concerned", explains Maxime Lemerle, Lead analyst for Insolvency Research at Allianz Trade.

Saudi Arabia (91, -3 points), Malaysia (78, stable) and the United Arab Emirates (72, -9 points) are closing the ranking in 2022. Despite some improvements in court-related complexity, international debt collection is three times more complex in Saudi Arabia than in Sweden, Germany and Finland.

Almost one in two countries has seen its collection complexity score reducing

The gap between advanced economies and emerging markets is still large. Indeed, 14 out of 16 Western Europe countries stand at the less severe level of collection complexity (Notable). Meanwhile, the U.S. (32nd, 55, stable) and Canada (29th, 53, stable) both post a Very High rating. On average, Middle East, Asia and Africa are the three regions where debt collection is the most complex.

Nonetheless, this gap has been reducing over time. ***"During the past four years, almost half of the countries have seen their collection complexity score decreasing (20 out of 49 countries).*** *Covid-19 lead several countries to accelerate the reforms of their insolvency frameworks. We noticed also some improvements in terms of preventive restructuring frameworks such as in the UK (with the new procedure Moratorium), Australia and the EU, where the Directive 2019/1023 is currently under transposition within the different Member States. Saudi Arabia and China also showed some noticeable improvements: In these countries, the collection complexity scores reduced by -3 points and -2 points, respectively",* illustrates Fabrice Desnos, Member of Board of Management of Allianz Trade, in charge of Credit Intelligence, Reinsurance and Surety.

The global collection complexity score has decreased over the past four years: it now stands at 49, which is -2 points less than in 2018 (51). However, despite this positive trend, international debt collection remains very complex (level: High) overall.

"Pockets of collection complexity exist in all countries: Local payment practices in particular stand out in the Middle East but they are a source of complexity in most countries. Court-related complexities are slightly less frequent, notably within Western Europe and North America, but each occurrence is definitely more challenging. But insolvency-related complexities are the toughest ones: Insolvency proceedings still explain half of the collection complexity around the world", explains Maxime Lemerle.

Which exporters are the most exposed to collection complexity?

Combining each country's collection complexity score with their share of trading partners, Allianz Trade also calculates the exposure of exporters to international debt collection complexity.

Finland, Austria and Norway are the least exposed as their trade partners are countries where debt collection is less complex. At the other end of the spectrum, Asia stands out with seven countries topping the list of those most exposed to debt collection complexity due to international trade: Hong Kong, Indonesia, Thailand, Malaysia, Japan, Singapore and India.

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