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Cash at risk: Inventories are driving a new cycle of working capital strain

The structural rise in inventory financing needs could build up credit pressure

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Allianz Research

Content

Executive Summary

Ana Boata
Head of Economic Research
ana.boata@allianz-trade.com

Maxime Lemerle
Lead Advisor, Insolvency Research
maxime.lemerle@allianz-trade.com

Leo Michel
Public Affairs Intern
leo.michel@allianz-trade.com

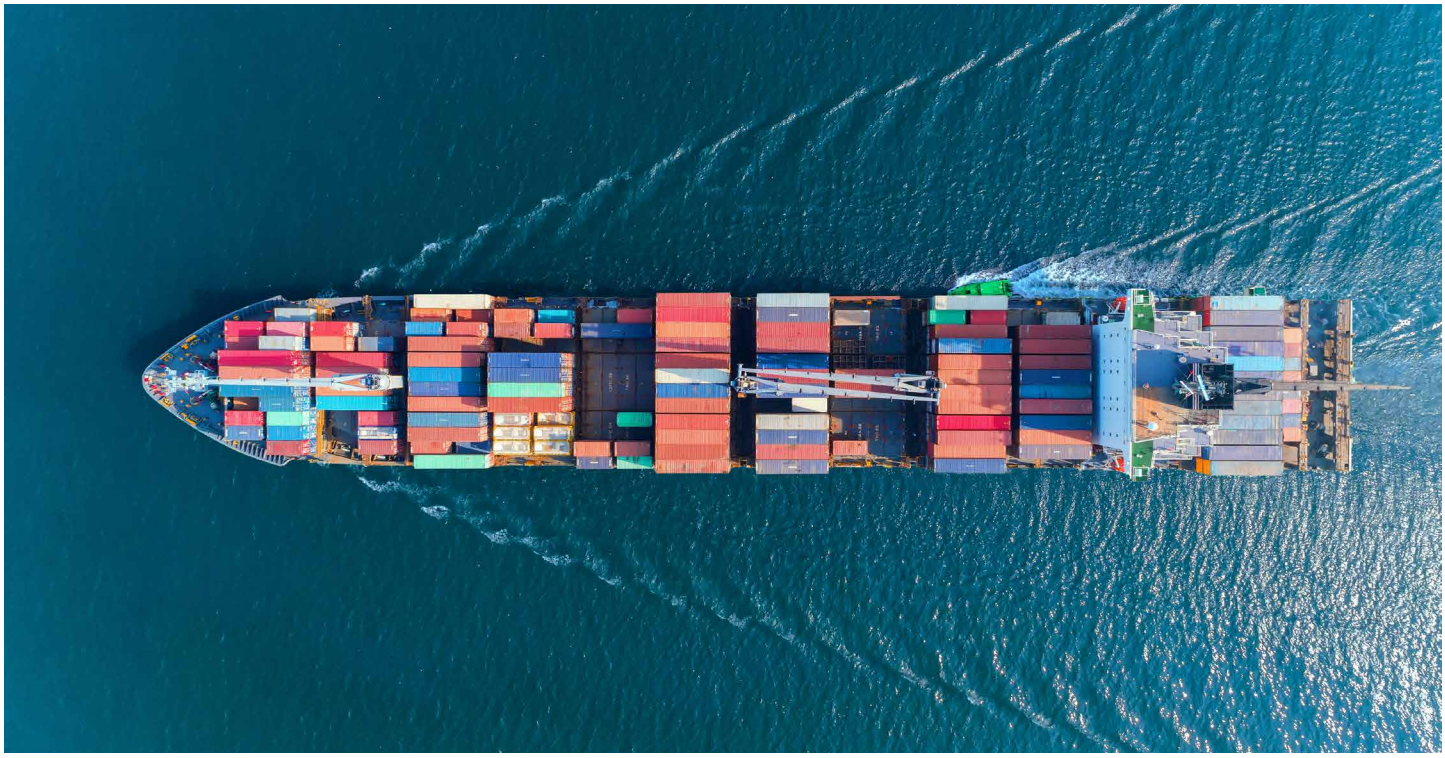
The global cash conversion cycle (CCC) rose again in 2025 — and it is stuck at a high plateau. The global CCC – how long it takes for a unit of cash spent on operations to be converted into cash collected from sales – lengthened by a moderate half a day to above 67 days of turnover, some +3 days above its 10-year average and close to its 2023 high of 68. The past four years now run about +4 days longer than before 2020 (63): not a spike, but a structurally higher plateau that shows no sign of easing.

Asia stands out with the longest cash conversion cycle. The cash conversion cycle lengthened in Western Europe (+1.8 day), the Middle East & Africa (+1.6 days), Asia (+1.2 days) and South America (+1 days), but shortened in North America (-2.2 days) and Eastern Europe (-1.7 days). Asia carries the longest cycle at 70 days, driven by a persistent commercial gap: long customer terms (59 days of Days Sales Outstanding) that a low Days Payable Outstanding (44 days) cannot fully offset. It is followed by a tightly-clustered Western Europe, North America and South America (all 63 days), while Eastern Europe and the Middle East & Africa run the leanest.

The real driver is inventories in a world shaped by geoeconomics. Days Inventory Outstanding (DIO) now explains almost 80% of the CCC level and more than 80% of its change over 2014-2025 – up from 68% of the variation before 2021 to 90% since. This reflects a fundamental change in corporate behavior: Companies are moving away from "just-in-time" efficiency toward "just-in-case" resilience, with larger inventories now a strategic hedge against geopolitical uncertainty, supply-chain disruptions and trade fragmentation. In other words, supply chains are no longer optimized only for cost; they are increasingly designed for security, resilience and optionality.

Sector global dispersion is extreme: 25% of firms sit below 43 days and 25% above 107, suggesting an emerging bifurcation between strategic sectors and the rest of the economy. Twelve of 20 sectors extended their cash conversion cycle – automotive suppliers (+4 days) and paper, metals and textiles (+3 days each) leading – while eight compressed, notably transport equipment (-6 days), computers & telecom (-4 days) and energy (-3 days). The sectoral divergence in working-capital dynamics reflects the uneven impact of securonomics. Industries most exposed to supply-chain fragmentation – particularly upstream manufacturing and industrial inputs – have increased inventory buffers, resulting in structurally higher working-capital requirements. By contrast, several strategically important sectors, including energy, transport equipment and digital infrastructure, have shortened their cash conversion cycles despite heightened geopolitical uncertainty. This likely reflects a combination of stronger pricing power, robust cash generation, supportive industrial policies and sustained structural demand. Strategic relevance, therefore, does not necessarily translate into higher inventory intensity; it increasingly provides the financial flexibility and operational leverage needed to strengthen resilience while preserving working-capital efficiency.

For 2026 we expect a contained rise in CCC. First, the US-Iran conflict is expected to follow a "lighter" version of the 2022 supply-chain shock template: faint in listed firms' financials in H1 2026, as flows take time to normalize, and more tangible in H2 as the disruption feeds through supply chains with a lag. As a result, we do not expect a full replication of the 2022 surge (+5 days of CCC, of which 81% came from inventories). The shock will not land evenly across sectors. Electronics, pharmaceuticals, textiles, automotive suppliers, metals and paper face the most direct pressure: already inventory-heavy and running elevated cycles, they have the least room to absorb a further DIO rise without tipping their financing needs into distress territory. Construction and machinery & equipment carry the largest absolute cycles (~103 days) and are unlikely to escape a broad inventory rebuild. Second, the shock should be partly offset by continued private-sector spending on AI infrastructure and data centers, which supports computers & telecoms and software & IT, keeping a meaningful share of the economy on a compressing or at worst flat trajectory. On these assumptions, measures to reassess energy security, strategic inventories and supply-chain resilience, together with the direct fallout of the conflict, should push global DIO up by around +2 days. Given our estimated elasticity, each additional day of DIO translates into +1.16 days of CCC globally.



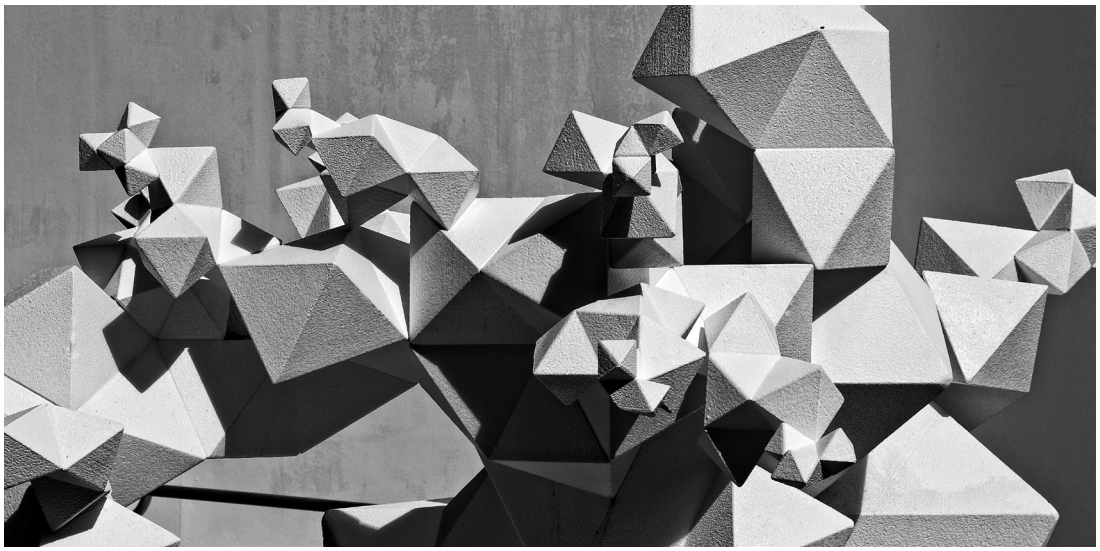
Definitions & Methodology

Definitions.

DSO (Days Sales Outstanding) measures the time taken to collect cash from customers; DPO (Days Payable Outstanding), how long the company takes to pay suppliers; DIO (Days Inventory Outstanding), how long cash is locked in stock. CCC (Cash Conversion Cycle) is a time metric expressed in days – how long it takes for a unit of cash spent on operations to be converted into cash collected from sales; it is the implied result of the computation DSO - DPO + DIO. WCR (Working Capital Requirement) is its monetary counterpart, expressed in currency: how much money is frozen in the operating cycle at a given point in time.

Methodology.

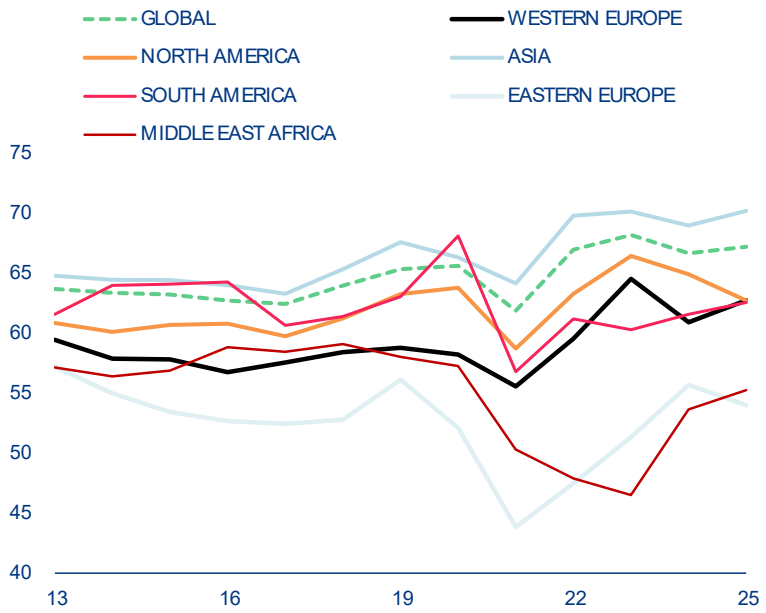
Our computation is based on the financials of listed firms available on LSEG for 55 countries, i.e. around 25,000 firms, focusing on companies that release extended financials (income statement plus balance sheet). Annual levels and changes are computed from the succession of quarterly figures, using a four-quarter rolling average rather than year-over-year to smooth accounting distortions such as window-dressing and end-of-period bulk supply arrivals. Compared with past editions we have switched from a mean to a median approach to limit the impact of outliers (lowering most figures) and aligned the breakdown with our internal 20-sector nomenclature (from 22). Global and regional figures aggregate all firms across all countries, rather than averaging regional or country means, to better reflect business and competitive reality. For 2025 the sample splits 53% Asia, 19% North America, 15% Western Europe, 7% Middle East & Africa, 4% South America and 2% Eastern Europe. All figures are as of 1 June 2026.



A fragmented picture

The global cash conversion cycle rose by +0.5 in 2025 to above 67 days of turnover (annual average) – about +3 days above its 10-year average and close to the 2023 high of 68. The past four years now average some +4 days more than before 2020 (63). Yet the headline figure is not representative of the underlying diversity of situations: the 2025 landscape hides asymmetric views, with noticeable regional differences layered over country- and sector-level fragmentation, and uneven drivers beneath.

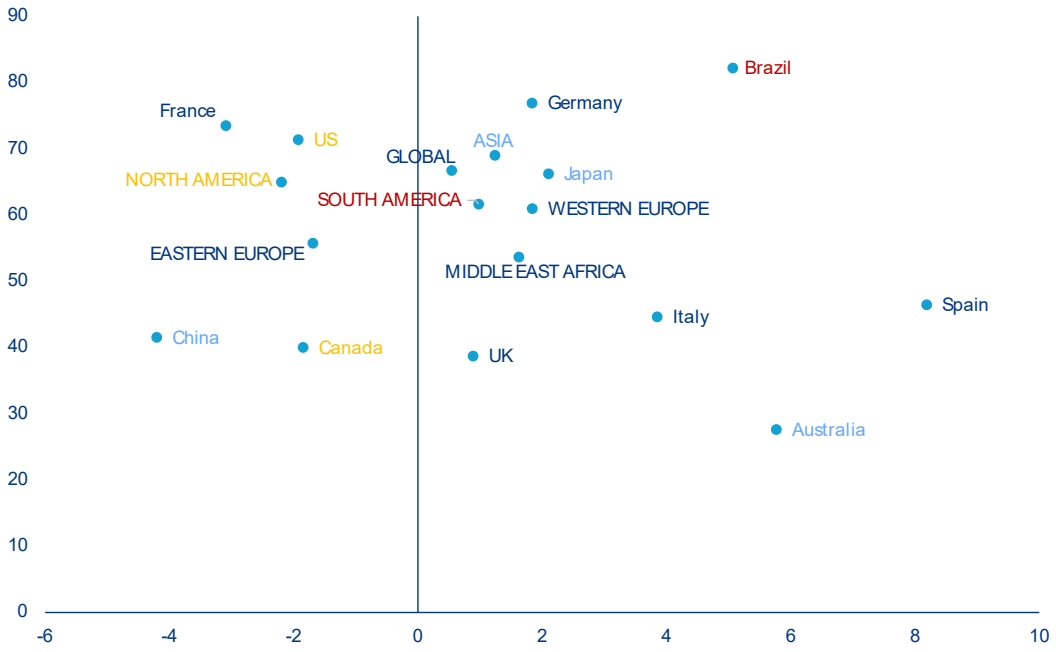
Figure 1: Global and regional CCC, annual levels, in number of days of turnover



Sources: LSEG, Allianz Research

Diverging trends, uneven levels. The cash conversion cycle lengthened across most regions – Western Europe (+1.8d), Middle East & Africa (+1.6d), Asia (+1.2d) and South America (+1d) – but shortened in North America (-2.2d) and, to a lesser extent, Eastern Europe (-1.7d). Levels are just as uneven: Asia runs the longest cycle (70 days), ahead of Western Europe, North America and South America (all ~63d), while Eastern Europe and Middle East & Africa sit at the lean end. The shift is structural, too: The last four years (2022-2025) stand clearly above the 2013-2019 average in Asia (+5d), Western Europe (+3d) and North America (+3d).

Figure 2: Regional and selected-country CCC – annual level (y-axis) and change (x-axis), in number of days of turnover, 2025

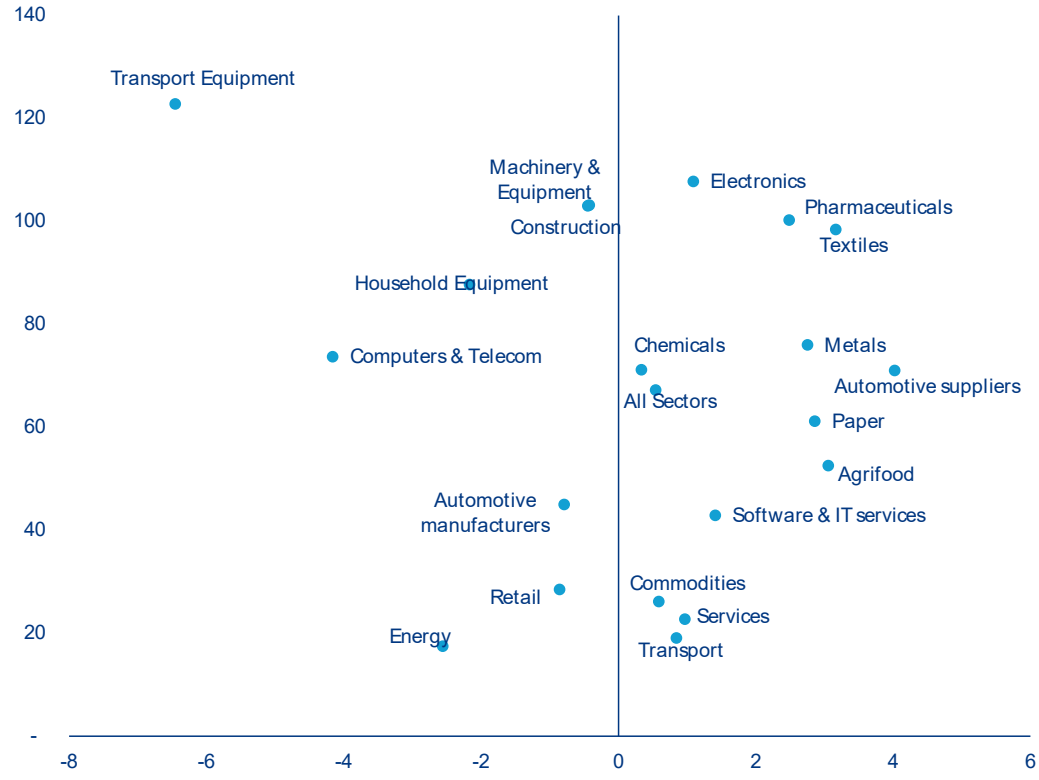


Sources: LSEG, Allianz Research

Regional aggregates mask deep country-level fragmentation. Europe is polarized: Germany and France form a high-CCC cluster (78.7d and 70.4d) but moved in opposite directions – Germany trapped cash (+1.8d) while France released it sharply (-3.1d). The UK, Italy and Spain occupied a lower band (39.6d to 54.6d) while Southern Europe extended fast (Spain +8.3d, Italy +3.9d). Asia's 70.3d baseline masks lean core markets moving in opposite directions (China 37.3d, -4.2d; Australia 33.4d, +5.8d; Japan 68.3d, +2.1d), implying a very high cash conversion cycle across the rest of the region. South America's 62.6d reflects Brazil's high and rising cycle (87.2d, +5.1d) more than the region. North America is the exception – a single consistent bloc (62.8d) releasing cash across both the US (-1.9d) and Canada (-1.8d).

Across sectors, diverging trends prolong the usual wide discrepancies. Twelve global sectors expanded their cash conversion cycle in 2025 – with the largest increases for automotive suppliers (+4d), followed by paper, metals and textiles (+3d each) – while eight compressed, led by transport equipment (-6d), computers & telecom (-4d) and energy (-3d). The persistent gaps between sectors are expected: They follow structural differences in business models (retailers can run negative cycles, manufacturers long ones), strategic choices (upfront-paid subscriptions vs. credit extended to win customers) and supply-chain design (global sourcing lifts inventory; nearshoring trims it but raises costs).

Figure 3 Global sector CCC — annual level (y-axis) and change (x-axis), in number of days of turnover, 2025

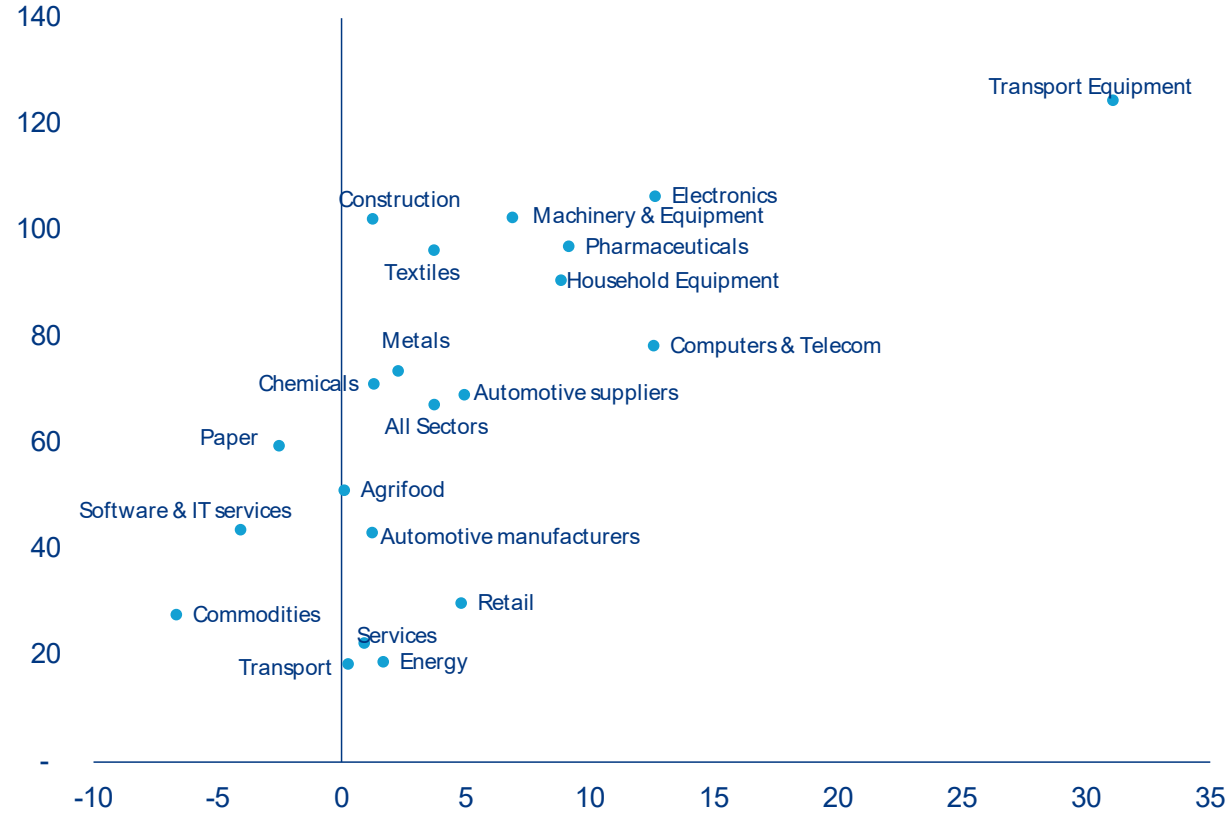


Sources: LSEG, Allianz Research

Ranked by the length of the cash conversion cycle, the sectors fall into three financing-need clusters – and nine recognizable profiles within them. The higher the cycle, the more capital a sector must permanently fund. So the direction of the 2025 move tells us whether that burden is easing or building. At the top (CCC > 76 days) sit the ‚trapped' – electronics, pharmaceuticals and textiles, heavy on working capital and trapping still more as their cycle rises — alongside ‚heavy standards' construction and machinery & equipment (~103 days locked up, but frozen at -0.4d) and the ‚turnarounds' transport equipment and household equipment, which cut hard (-6.5d and -2.2d). The mid-tier (57-76 days) holds ‚creeping risks' (automotive suppliers, metals, paper – rising and at risk of tipping into the trapped next year), a ‚balanced pivot' in chemicals (71d, +0.3d) and a ‚structural optimizer' in computers & telecom (-4.2d). The efficiency zone (< 57 days) contains ‚hidden drags' expanding fast off a low base (agrifood +3.1d, software & IT +1.4d), ‚lean anchors' running flat (retail, commodities, services, transport, automotive manufacturers) and the ‚accelerator', energy, hyper-lean at 17.5 days and cutting a further -2.6d.

Sectors are rarely in sync across regions. Across the three largest economic regions – Western Europe, North America and Asia – only four of 20 sectors saw their CCC moving in the same direction in 2025: chemicals and paper rose in all three, while computers & telecom and machinery & equipment fell. Asia is the epicenter, driving the change in 12 of 20 sectors and posting the highest structural level in nine (agrifood, auto suppliers, commodities, construction, electronics, machinery equipment, retail, textiles and transportation). Western Europe remains the efficiency benchmark, holding the lowest CCC in 12 of 20 sectors even where it drives the change (chemicals, electronics, machinery, paper, textiles, transport). North America is the contrarian swing factor, the most frequent outlier, trending against the dominant move in seven sectors and acting as a natural diversifier, but still maintaining large CCC in six sectors (auto suppliers, computer/telecoms, energy, household equipment, services and services/IT services) and lower CCC in five sectors (chemicals, construction, metals, paper and pharmaceuticals).

Figure 4: Global sector CCC — 2022-2025 mean vs 2013-2019 (x-axis) and 2025 level (y-axis), in number of days of turnover



Sources: LSEG, Allianz Research

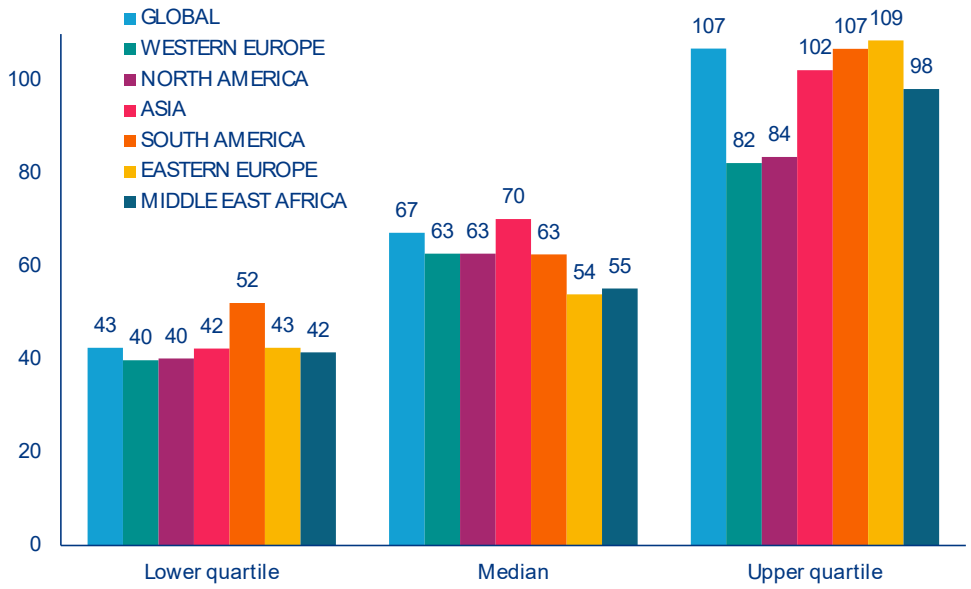
Figure 5 Global and regional sector CCC — 2022-2025 mean vs 2013-2019 and 2025 level, in number of days of turnover

	Change					Level				
	GLOBAL	WESTERN EUROPE	NORTH AMERICA	ASIA	Other regions (avg)	GLOBAL	WESTERN EUROPE	NORTH AMERICA	ASIA	Other regions (avg)
Agrifood	3	2	-1	4	1	53	45	51	55	61
Automotive manufacturers	-1	0	-2	4	-9	45	43	48	44	60
Automotive suppliers	4	2	-2	3	11	71	64	64	74	88
Chemicals	0	2	1	2	-7	71	77	61	75	70
Commodities	1	-13	-2	-13	-4	26	-25	19	29	20
Computers & Telecom	-4	-1	-7	-5	-3	74	78	82	66	2
Construction	0	-1	2	-6	3	103	54	50	135	93
Electronics	1	-6	-4	2	4	108	97	101	110	80
Energy	-3	2	-3	-2	0	18	17	19	7	29
Household Equipment	-2	0	-3	-2	4	88	75	96	90	84
Machinery & Equipment	0	-4	-2	0	10	103	92	97	103	110
Metals	3	3	-4	6	8	76	85	58	67	91
Paper	3	5	4	4	-2	61	71	53	58	64
Pharmaceuticals	2	2	-3	5	-13	100	96	88	94	101
Retail	-1	-3	2	-3	0	29	15	29	31	48
Services	1	2	-2	3	-4	23	15	32	25	16
Software & IT services	1	-2	-1	4	3	43	34	50	43	43
Textiles	3	8	-4	3	8	98	77	85	99	126
Transport	1	-3	0	2	2	19	14	17	25	40
Transport Equipment	-6	3	-1	-9	-14	123	121	113	100	116
All Sectors	1	2	-2	1	0	67	63	63	70	57

Sources: LSEG, Allianz Research

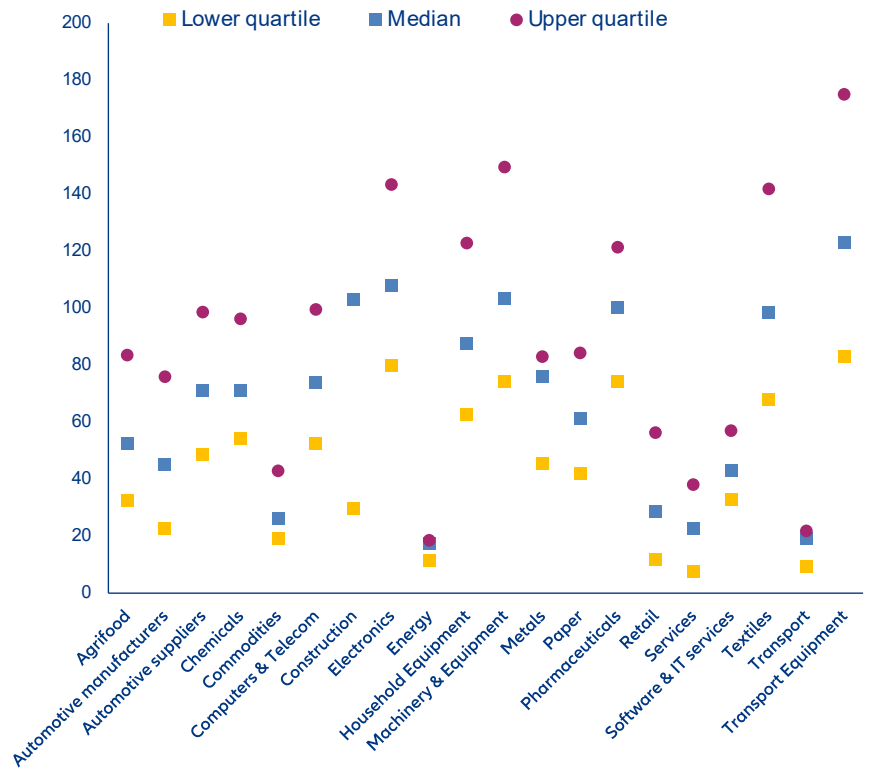
The distribution is the ultimate fragmentation. Globally, 25% of firms run a cash conversion cycle below 43 days and 25% above 107. The worst quartile clusters in Asia (25% of firms above 102 days), South America (107), Eastern Europe (109) and Middle East & Africa (98) – a far wider spread than in North America and Western Europe, where outliers are fewer. By sector, five stand out with a quarter of firms above 140 days (construction, transport equipment, machinery & equipment, electronics and textiles), followed by pharmaceuticals and household equipment (25% above 120); at the other end, services, retail, energy and transport keep a quarter of firms below 15 days.

Figure 6: 2025 CCC by quartile, globally and by region, in number of days of turnover

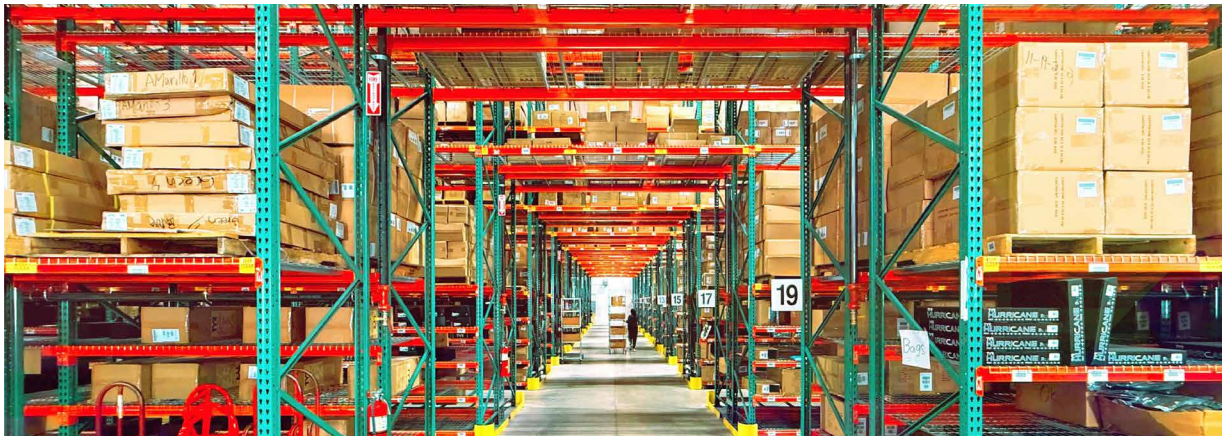


Sources: LSEG, Allianz Research

Figure 7: 2025 CCC by quartile, globally and by region, in number of days of turnover



Sources: LSEG, Allianz Research

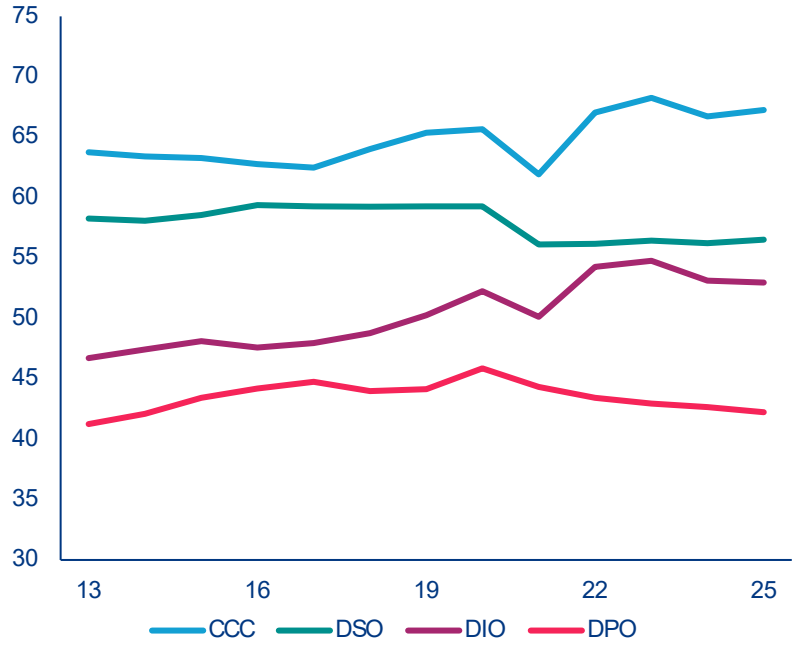


An inventory-dominated landscape

The warehouse is the balance sheet: inventories are the primary force – and risk – behind the cash conversion cycle

At the global level, net payment terms did the lifting in 2025. A rise in Days Sales Outstanding (DSO) met a fall in Days Payable Outstanding (DPO) while inventories edged down: paying suppliers faster pushed the cycle up. DSO rose modestly (+0.3d) to a contained 56.5 days – roughly stable at a low level since 2022 and still -3d below the pre-pandemic norm. DPO fell for the fifth consecutive year since 2021, widening the net commercial balance (DSO minus DPO). Days Inventory Outstanding (DIO) slipped -0.2d to 53 but remained well above the pre-pandemic average of 48 – confirming the structural supply-chain shift from `just in time' to `just in case'.

Figure 8: Global CCC, DSO, DPO and DIO, annual levels, in number of days of turnover



Sources: LSEG, Allianz Research

The same move can be a strategic choice or a warning signal. A +1 day increase is not good or bad in itself: it can reflect either bulk-buying for volume discounts, safety stocks against supply shocks and flexible terms to win clients or unsold product, deteriorating collections and lost supplier trust. Figure 9 sets out how to read each subcomponent move on both sides of the ledger.

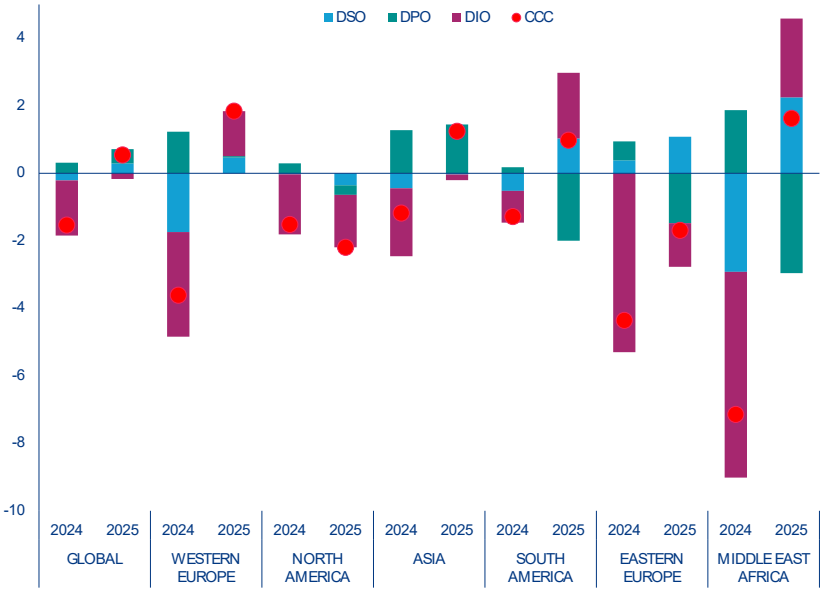
But the headline again hides asymmetric regional dynamics. The upside was inventory-driven in Western Europe, where stock accumulation (+1.3d to 54) trapped cash, and the downside inventory-driven in North America, where a leaner book (-1.6d to 46) released it. Elsewhere the lever was payables: In Asia a sharp cut in supplier-payment windows (-1.4d to 44) drove the cycle up, while Eastern Europe, South America and the Middle East & Africa stretched suppliers (+1.5d to +3d) as a defensive reaction to inventory pressure. DSO, by contrast, was not the trigger in relative terms despite its broad-based rise from Middle East & Africa (+2d), Eastern Europe (+1d) and Western Europe (+0.5d) down to a stable Asia and a slightly lower North America (-0.4d).

Figure 9: Decoding a CCC move — strategic moves vs. warning signals

CCC move	Subcomponent drivers	Good reasons (strategy / efficiency)	Bad reasons (risk / inefficiency)
RISE IN CCC **(cash locked up longer)**	• DIO ↑ (more stock) • DSO ↑ (slower collections) • DPO ↓ (faster vendor pay)	• Bulk buying for volume discounts • Safety stocks against supply-chain shocks • Flexible terms to win major clients	• Unsold products / inventory obsolescence • Poor collection / rise in bad debts • Loss of supplier trust (shorter terms)
DROP IN CCC **(cash generated faster)**	• DIO ↓ (less stock) • DSO ↓ (faster collections) • DPO ↑ (slower vendor pay)	• Just-in-time inventory optimization • Strict credit control & automated dunning • High supplier leverage (longer terms)	• Severe stockouts causing missed sales • Damaged client relations via aggressive pressure • Stretching vendors under liquidity stress

Sources: Allianz Research

Figure 9: Annual change in CCC by subcomponent, by region, in number of days of turnover, 2024 and 2025

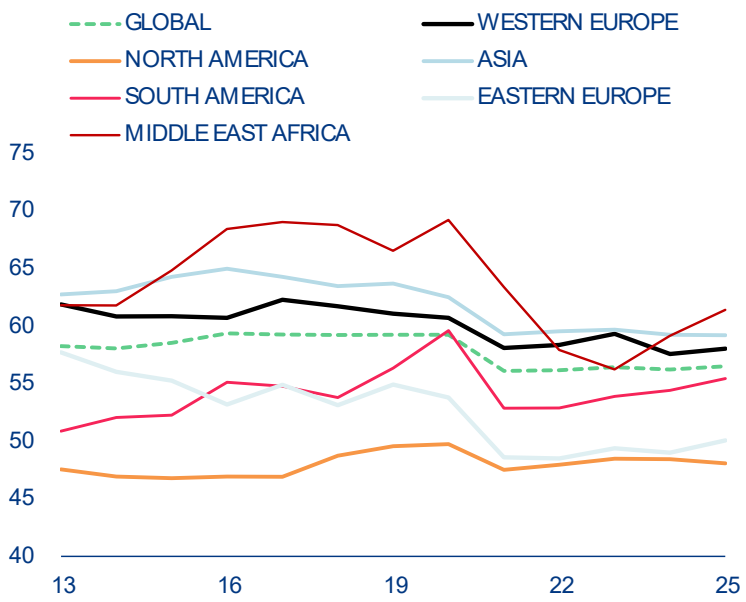


Sources: Allianz Research

Cross-referencing commercial terms, inventory exposure and the level of the cycle sorts the regions into four structural clusters. Where the cycle is long, is it the commercial gap (DSO minus DPO) or the inventory that keeps it there? The answer splits the map cleanly:

- Structural capital trap – Asia (payment-terms driven) – The highest cycle (70d, +3 above global). Long customer terms (59d of DSO) that a low DPO (44d) cannot offset leave about 16 days of cash permanently trapped in the commercial cycle; here a high CCC is structural.
- Cash-lean commercials – Eastern Europe (payment-terms driven) – The leanest footprint (54d, -13 below global): a net commercial balance of just six days (50d DSO – 44d DPO) and controlled inventory (48d) give it the smallest structural cycle of any region.
- Balanced supply chains – Middle East & Africa (inventory driven) – High DIO (55d) and the longest collection (61d of DSO) are matched almost exactly by supplier financing (61.5d of DPO): a near-zero commercial gap leaves inventory as the only asset requiring funding.
- Inventory-dependent – Western Europe, North America, South America (inventory driven) – Three near-identical 63-day cycles, about 4.5 days leaner than global and dictated by inventory (54d / 46d / 50d) rather than terms – with North America a hyper-lean, cash-is-king outlier that is the most exposed to an inventory shock.

Figure 11: Global and regional DSO, annual levels, in number of days of turnover

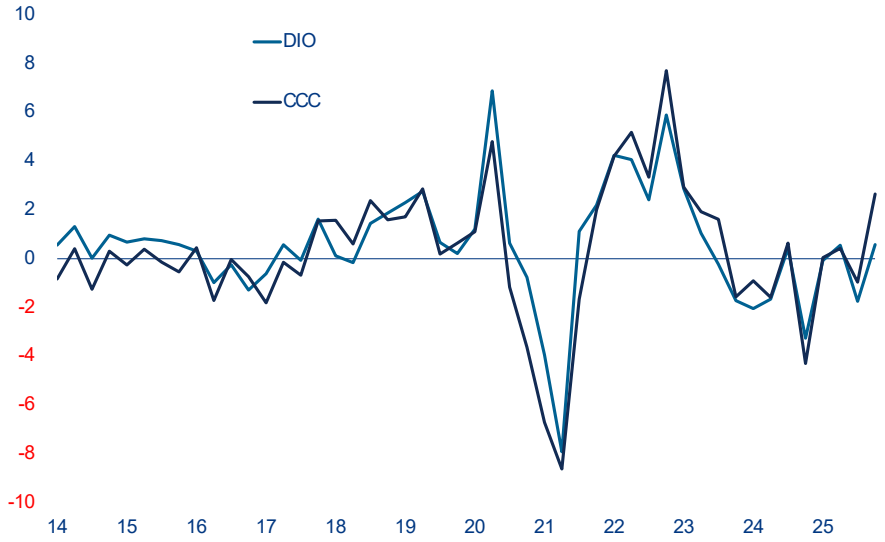


Sources: LSEG, Allianz Research

The key outcome: Inventories now explain a growing share of the cycle. DIO contributes almost 80% of the CCC level today, up from 75% a decade ago, and accounts for more than 80% of the change over 2014-2025. The intensification is recent and broad: DIO's explanatory role in the cycle jumped from 68% before 2021 to 90% since – with Western Europe (30% to 90%) and Asia (32% to 90%) leading the shift, and North America already at 94%.

Reading a DIO move takes the same care. A rising DIO can be a deliberate geopolitical buffer or a margin play – or dead stock and overproduction; a falling one can be lean logistics – or liquidity starvation and stockouts. A low level is only efficiency if fulfilment holds up: paired with a spike in backorders, a dropping DIO destroys reputation to save cash. Figure 13 decodes the signal.

Figure 12: Global CCC and DIO, quarterly, y/y change in %



Sources: LSEG, Allianz Research

Figure 13: Decoding a DIO move – supply-chain mastery vs. structural risks (COGS = cost of goods sold)

DIO move	Underlying driver	Good reasons (strategic choice)	Bad reasons (operational drag)
RISE IN DIO **(inventory sits longer)**	• Average inventory ↑ • or COGS ↓	• Geopolitical buffer: safety stock against supply shocks • Margin optimization: bulk buying to lock in low input prices • Peak-season readiness: stacking ahead of promotions	• Sales misjudgment: sluggish demand leaves goods stuck • Product obsolescence: perishable, outdated or dead stock • Overproduction: output despite shrinking demand
DROP IN DIO **(faster inventory turnover)**	• Average inventory ↓ • or COGS ↑	• Lean operations: successful just-in-time rollout • Assortment rationalization: cutting slow, low-margin lines • High-velocity demand: strong pull clearing product	• Liquidity starvation: no cash to buy critical inputs • Frequent stockouts: empty shelves, missed sales • Supply disruptions: unable to restock on vendor failure

Sources: Allianz Research

Sector by sector, it is mostly an inventory story – sorting into five clusters (Figure 14). DIO drives the 2025 change in half the sectors (10 of 20) and underpins the structural level in 14 of 20 – most visibly in physical-goods manufacturing, where production cycles and storage lock capital into stock. The exceptions prove the rule: where receivables or payables lead, the businesses are asset-light or mid-renegotiation. The pattern is regionally polarized between Asia (highest, most volatile) and Western Europe (leanest, the benchmark), with North America counter-cyclical.

- Pure inventory (four sectors) – Agrifood, construction, household equipment, textiles – DIO drives both the 2025 change and the structural level; any CCC move traces straight back to stock.
- Inventory-shifting / dual receivables-inventory (five sectors) – Automotive suppliers, chemicals, machinery & equipment, paper, transport equipment – DIO drives the change, but the level is shaped jointly by DSO and DIO (B2B manufacturers with long client terms and heavy stock).
- Payables under an inventory regime (five sectors) – Commodities, electronics, energy, metals, pharmaceuticals – inventory sets the level, but 2025 moves came from DPO, signaling active renegotiation of supplier terms.
- Asset-light / services (two sectors) – Services, software & IT – DSO defines the level (no meaningful inventory); the 2025 move comes from how fast these firms pay their vendors (DPO).
- DSO-driven outliers (three sectors) – Automotive manufacturers, retail, transport – the only sectors where receivables lead the change, pointing to client-payment shifts rather than supply-chain forces.

Figure 14: Global sector CCC — key change and level drivers, by component and by region, 2025

Sector	Change driver	Level driver	Regional change driver	Regional outlier	Top level region	Lowest level region
Agrifood	DIO ↑	DIO ↑	Asia ↑	North America ↓	Asia	Western Europe
Automotive mfg.	DSO-DPO ↓	DPO ↑	Asia ↑	North America ↓	North America	Western Europe
Automotive suppliers	DIO ↑	DSO/DIO	Asia ↑	North America ↓	Asia	Western Europe
Chemicals	DIO	DSO/DIO	Western Europe ↑	—	Western Europe	North America
Commodities	DPO	DIO ↓	Western Europe ↓	—	Asia	Western Europe
Computers & Telecom	DIO ↓	DSO	North America ↓	—	North America	Asia
Construction	DIO	DIO ↑	Asia ↓	North America ↑	Asia	North America
Electronics	DPO ↑	DIO ↑	Western Europe ↓	Asia ↑	Asia	Western Europe
Energy	DPO ↓	DIO ↓	North America ↓	Western Europe ↑	North America	Asia
Household Equipment	DIO ↓	DIO ↑	North America ↓	—	North America	Western Europe
Machinery & Equip.	DIO	DSO/DIO ↑	Western Europe ↓	—	Asia	Western Europe
Metals	DPO ↓	DIO	Asia ↑	North America ↓	Western Europe	North America
Paper	DIO ↓	DSO/DIO	Western Europe ↑	—	Western Europe	North America
Pharmaceuticals	DPO ↓	DIO ↑	Asia ↑	North America ↓	Western Europe	North America
Retail	DSO ↑	DPO ↓	Asia ↓	North America ↑	Asia	Western Europe
Services	DPO	DSO ↓	Asia ↑	North America ↓	North America	Western Europe
Software & IT services	DPO ↓	DSO ↓	Asia ↑	Asia ↑	North America	Western Europe
Textiles	DIO ↓	DIO ↑	Western Europe ↑	North America ↓	Asia	Western Europe
Transport	DSO	DSO ↓	Western Europe ↓	Asia ↑	Asia	Western Europe
Transport Equipment	DIO ↑	DSO/DIO ↑	Asia ↓	Western Europe ↑	Western Europe	Asia

Sources: LSEG, Allianz Research

What we expect for 2026

We expect a prolonged rise in the cash conversion cycle. Measures to reassess energy security, strategic inventories and supply-chain resilience improve robustness but raise inventories – and thus working-capital needs. As seen during the 2022 energy-price shock, we expect the disruption from the US-Iran conflict to be only faintly visible in listed firms' financials in the first half of 2026 and more tangible in the second as flows normalize unevenly and shocks take time to feed through sectors and supply chains

A repeat of 2022 would massively increase the cash conversion cycle – but we do not expect a full replication. Our elasticity puts one extra day of inventory at +1.16 days of CCC globally (Western Europe +1.19, North America +1.17, South America +1.34, Eastern Europe +1.25, Asia and Middle East & Africa +1.0). In 2022, the cycle surged +5 days over the year, roughly +4 of it (81%) from inventories – 95% in Western Europe, 110% in North America, 78% in Asia and 76% on average for other regions. This time the shock looks strong but shorter, and should be partly offset by the AI boom, with data centers and large tech platforms driving private-sector spending.

The net result is expected at around +2.4 days of CCC, alongside higher financing costs. We expect global DIO to rise by about +2 days, translating into +2.4 days of CCC to 70 days (annual average, +6d above the 10-year average). Ultimately this is means higher short-term financing costs: with the credit and macro effects of the US-Iran disruption likely to persist, central-bank easing may proceed more slowly than anticipated, weighing on demand and refinancing conditions.
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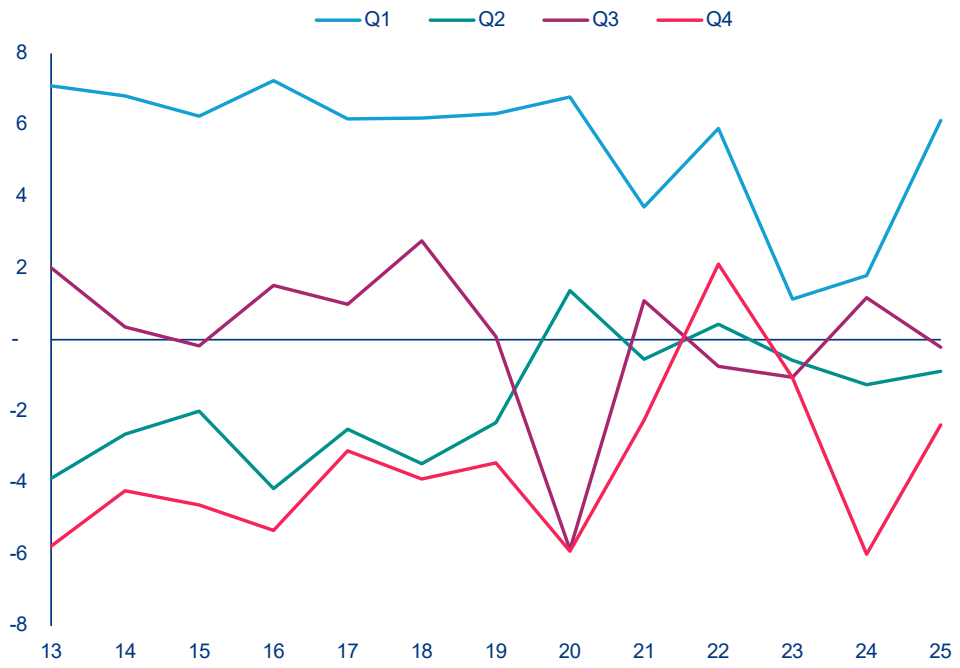
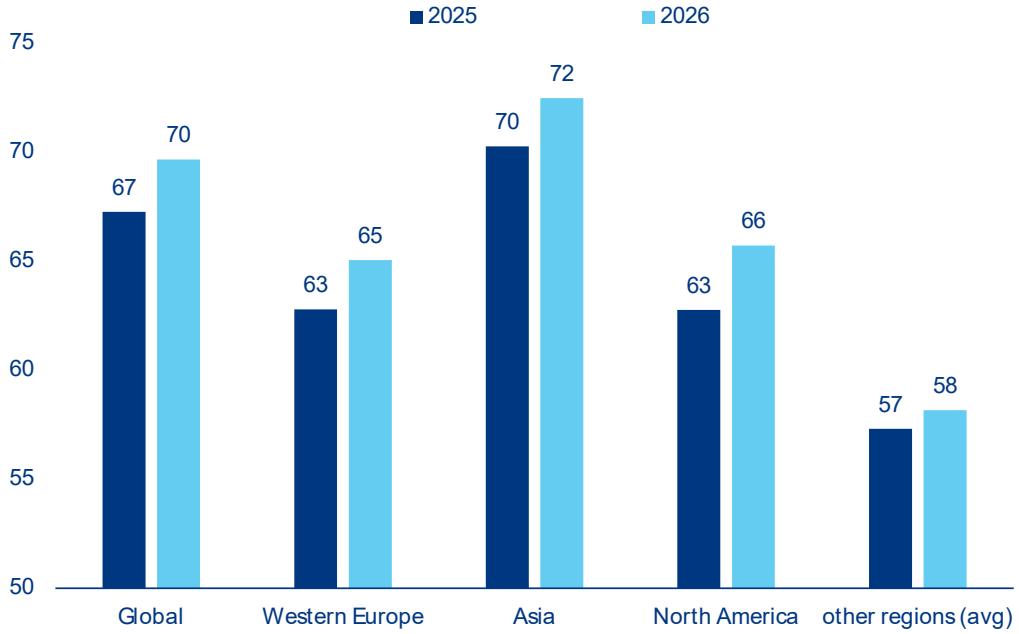
Figure 15: Global and regional CCC, q/q changes by quarters



Sources: LSEG, Allianz Research

Figure 16: Global and regional CCC 2026 forecasts



Sources: LSEG, Allianz Research

Late payments: Who blinks first, buyer or supplier?

Few regulatory questions bear as directly on Days Sales Outstanding as the one Europe has spent three years failing to answer: how fast must a business be paid? Payment terms are the raw material of working capital. Stretch them and DSO climbs, liquidity tightens and the weakest suppliers edge towards insolvency; compress them and the working-capital gap begins to close. That is why the fate of Europe's late-payment rules matters well beyond Brussels – and why the answer now emerging is not a single European rule but a patchwork of national ones, moving at different speeds and in the same direction: towards faster payment.

The story is best read as a suspended center and an active periphery. The EU-level file has stalled, while France and the UK legislate at home and a cluster of adjacent files – on insolvency, on the new EU company form and on e-invoicing – quietly reshape the same terrain. Below, we take each in turn.

The EU file has stalled. The European Commission's September 2023 proposal for a Regulation on combating late payments – intended to give teeth to the 2011 Late Payment Directive (2011/7/EU) through a hard 30-day cap on B2B terms – has been effectively shelved. Blocked from the outset by a German-led coalition, the file was formally paused when an internal Council document confirmed in February 2026 that, with 21 member states opposed, no further meetings would be convened until at least 2027. The compromise reached before the pause had already softened the text: a deviation to 60 days (120 for slow-moving or seasonal goods), financial services and insurance-claim payments taken out of scope, eased default-interest charges and a possible reclassification from Regulation to Directive.

The center of gravity has moved to national capitals. Payment delays keep rising and SME associations remain vocal, so the debate is migrating to domestic initiatives. In France, a Senate bill authored by Senator Olivier Rietmann and adopted unanimously on 19 February 2026 tightens the national regime – citing a 25% increase in business-failure risk attributable to payment delays in 2024 (rising to 42% beyond 60 days) and EUR17bn of receivables weighing on SME liquidity. It raises the sanctions ceiling to 1% of global turnover with a three-year recurrence window for doubled fines, prohibits waiving late-payment penalties and creates a public factoring fund for micro-enterprises and SMEs exposed to a public debtor. A cap on payment terms is, so far, out of scope; but the bill now sits with the National Assembly, where a fragmented chamber could table more restrictive amendments – even if the Government's accelerated procedure limits the room for a wholesale rewrite.

The UK has moved from announcement to legislation. The Commercial Payments Bill (Small Business Protections (Late Payments) Bill) was confirmed in the King's Speech on 13 May 2026 and introduced to the House of Lords on 19 May. It grants the Small Business Commissioner new powers of investigation, adjudication and fines reaching tens of millions of pounds for persistent offenders, sets a statutory 60-day maximum term for large companies dealing with smaller suppliers and mandates interest on overdue invoices at 8% above the Bank of England base rate. Contractual flexibility is preserved between large firms and in international trade, with phased entry into force from H2 2026 and full application not expected before 2027. Early business reaction, including from the CBI, has been supportive.

The surrounding regulatory context. Late payment is the near end of a spectrum whose far end is insolvency, and three adjacent files shape the same terrain. On insolvency, the direction favors creditors: EU co-legislators reached provisional agreement on the Insolvency Directive on 19 November 2025, harmonizing transaction-avoidance rules, asset-tracing, creditors' committees and pre-pack proceedings – measures that tend to lift cross-border recovery rates, with adoption and transposition still to come. Running alongside, the 28th Regime (‚EU Inc.', COM(2026)321) carries its own simplified insolvency chapter; at the 28 May Competitiveness Council its Chapter X emerged as the live battleground, with several member states resisting a zero-minimum-capital company form on creditor-protection grounds. The unresolved questions – subrogation rights, retention of title and creditor ranking – are precisely those that determine how much an unpaid creditor recovers when a buyer fails.

E-invoicing: the quiet accelerant. The VAT in the Digital Age (ViDA) package, adopted on 11 March 2026, will make structured electronic invoicing the default and mandatory for intra-Community B2B transactions by 1 July 2030, with national rollouts already running ahead – France for large companies and ETIs from September 2026, Germany for B2B from 1 January 2027. E-invoicing has no direct bearing on statutory payment terms, but by shortening invoice-processing cycles and improving traceability it is likely, over time, to compress effective payment behavior. The first French data after September 2026 will be the earliest real-world signal of whether that compression is material.

Figure 17: 2025 DSO Heat map by sector, region and selected countries, in number of days of turnover

	GLOBAL	WESTERN EUROPE	Germany	France	UK	Italy	Spain	NORTH AMERICA	US	Canada	ASIA	China	Japan	Australia	SOUTH AMERICA	Brazil	EASTERN EUROPE	MIDDLE EAST AFRICA
Agrifood	41	46	44	53	61	51	45	29	29	34	40	22	50	37	42	34	47	57
Automotive manufacturers	33	40	41	81	43			20	21	16	32	17	30	30	34	34	33	59
Automotive suppliers	61	67	68	60		63	21	56	56	67	61	101	65	53	59	59	62	63
Chemicals	61	59	48	55	69		60	52	48	61	62	60	91	57	66	44	54	73
Commodities	57	74		79				40	40	39	70	158	46	56	62	61		77
Computers & Telecom	64	63	57	74	72	62		58	57	65	65	60	75	61	68	78	60	59
Construction	65	58	32	91	60	68	82	45	47	51	78	138	83	56	72	116	56	71
Electronics	69	71	87	80	74	78		61	61	90	73	103	91	68	44		84	48
Energy	48	52	52	40	54	72	52	45	43	48	48	58	42	60	53	54	43	51
Household Equipment	58	58	64	70	50	27		50	51	48	62	108	72	59	59	76	52	93
Machinery & Equipment	72	67	58	68	76	73	94	58	59	57	80	103	85	53	69	81	83	55
Metals	58	55	54	59	61	48	50	42	46	24	66	21	85	125	46	47	45	92
Paper	58	57	73		64		68	47	50	40	60	50	64		50	48	47	90
Pharmaceuticals	66	69	71	69	83	82	63	59	59	52	68	77	78	68	60	60	93	25
Retail	14	17	10	21	22	36	10	7	6	17	16	20	19	10	44	59	12	55
Services	45	50	53	79	34	68	75	46	47	43	42	46	26	51	46	66	24	87
Software & IT services	62	74	65	98	74	80		56	55	57	59	188	57	53	61	74	68	61
Textiles	50	42	49	18	54		19	47	46	49	51	38	62	56	78	87	37	49
Transport	42	39	44	52	44			35	35	41	48	39	42	44	26	25	37	137
Transport Equipment	79	99		84	92		205	64	69	21	99	208	100	132	51	51	58	
All Sectors	**57**	**58**	**55**	**70**	**58**	**65**	**67**	**48**	**49**	**46**	**59**	**59**	**61**	**59**	**55**	**62**	**50**	**61**

Sources: LSEG, Allianz Research

Statistical Appendix

GLOBAL	2025 changes				2025 levels			
	DSO	DPO	DIO	CCC	DSO	DPO	DI	CCC
Agrifood	1	-1	2	3	41	39	51	53
Automotive manufacturers	-1	1	1	-1	33	43	55	45
Automotive suppliers	0	-2	2	4	61	48	58	71
Chemicals	0	0	1	0	61	48	58	71
Commodities	0	-1	-1	1	57	43	12	26
Computers & Telecom	-1	1	-2	-4	64	47	56	74
Construction	2	0	-3	0	65	57	95	103
Electronics	-2	-4	-1	1	69	34	73	108
Energy	0	3	0	-3	48	49	19	18
Household Equipment	-1	-1	-2	-2	58	40	69	88
Machinery & Equipment	0	-2	-2	0	72	42	74	103
Metals	0	-4	-1	3	58	50	67	76
Paper	2	2	3	3	58	50	53	61
Pharmaceuticals	0	-1	1	2	66	36	71	100
Retail	-1	0	0	-1	14	38	52	29
Services	0	-1	0	1	45	32	9	23
Software & IT services	0	-1	0	1	62	27	8	43
Textiles	0	0	3	3	50	36	84	98
Transport	1	0	0	1	42	30	7	19
Transport Equipment	-2	2	-3	-6	79	50	94	123
All Sectors	0.3	-0.4	-0.2	0.5	57	42	53	67

WESTERN EUROPE	2025 changes				2025 levels			
	DSO	DPO	DI	CCC	DSO	DPO	DIO	CCC
Agrifood	1	3	4	2	46	59	57	45
Automotive manufacturers	1	0	-1	0	40	57	60	43
Automotive suppliers	-2	-3	1	2	67	57	54	64
Chemicals	1	0	1	2	59	45	62	77
Commodities	-2	13	1	-13	74	110	11	-25
Computers & Telecom	-1	1	0	-1	63	50	66	78
Construction	1	2	0	-1	58	65	61	54
Electronics	-5	-5	-6	-6	71	43	68	97
Energy	-1	-5	-2	2	52	55	20	17
Household Equipment	0	0	0	0	58	44	62	75
Machinery & Equipment	1	-1	-5	-4	67	45	69	92
Metals	2	-1	1	3	55	48	78	85
Paper	4	4	5	5	57	56	70	71
Pharmaceuticals	5	3	0	2	69	43	69	96
Retail	-1	1	0	-3	17	54	52	15
Services	-1	-2	2	2	50	44	9	15
Software & IT services	0	1	-1	-2	74	45	5	34
Textiles	-1	-5	3	8	42	48	83	77
Transport	-1	1	0	-3	39	32	7	14
Transport Equipment	13	-4	-14	3	99	75	96	121
All Sectors	0.5	0.0	1.3	1.8	58	49	54	63

ASIA	2025 changes				2025 levels			
	DSO	DPO	DIO	CCC	DSO	DPO	DI	CCC
Agrifood	0	-2	2	4	40	33	48	55
Automotive manufacturers	-2	-3	2	4	32	40	53	44
Automotive suppliers	-1	-4	1	3	61	42	55	74
Chemicals	-1	-1	1	2	62	46	59	75
Commodities	-1	8	-3	-13	70	56	15	29
Computers & Telecom	-2	2	-1	-5	65	56	58	66
Construction	1	-4	-12	-6	78	60	117	135
Electronics	-6	-9	-1	2	73	38	75	110
Energy	0	2	1	-2	48	60	20	7
Household Equipment	-2	-2	-3	-2	62	42	71	90
Machinery & Equipment	-1	-3	-2	0	80	51	74	103
Metals	-2	-8	0	6	66	66	68	67
Paper	3	-1	0	4	60	45	43	58
Pharmaceuticals	0	-2	3	5	68	48	74	94
Retail	-1	1	-1	-3	16	33	48	31
Services	1	-2	0	3	42	27	9	25
Software & IT services	2	-1	0	4	59	25	9	43
Textiles	1	1	3	3	51	35	83	99
Transport	2	0	0	2	48	30	7	25
Transport Equipment	-11	-2	0	-9	99	115	116	100
All Sectors	0.0	-1.4	-0.2	1.2	59	44	55	70

NORTH AMERICA	2025 changes				2025 levels			
	DSO	DPO	DI	CCC	DSO	DPO	DIO	CCC
Agrifood	-2	1	2	-1	29	31	53	51
Automotive manufacturers	-2	1	0	-2	20	28	56	48
Automotive suppliers	-1	-1	-2	-2	56	49	58	64
Chemicals	2	1	0	1	52	41	50	61
Commodities	2	2	-1	-2	40	34	13	19
Computers & Telecom	-2	-1	-6	-7	58	32	56	82
Construction	2	0	0	2	45	37	41	50
Electronics	1	1	-3	-4	61	28	67	101
Energy	-1	3	0	-3	45	45	20	19
Household Equipment	0	0	-3	-3	50	27	72	96
Machinery & Equipment	1	0	-3	-2	58	31	70	97
Metals	0	-3	-7	-4	42	35	51	58
Paper	1	-2	2	4	47	44	51	53
Pharmaceuticals	-2	-2	-4	-3	59	24	53	88
Retail	0	0	2	2	7	31	53	29
Services	-1	0	-1	-2	46	23	8	32
Software & IT services	-1	0	0	-1	56	20	14	50
Textiles	-2	0	-2	-4	47	32	70	85
Transport	0	0	-1	0	35	25	7	17
Transport Equipment	2	1	-2	-1	64	31	80	113
All Sectors	-0.4	0.3	-1.6	-2.2	48	32	46	63

EASTERN EUROPE	2025 changes				2025 levels			
	DSO	DPO	DIO	CCC	DSO	DPO	DI	CCC
Agrifood	6	1	2	7	47	38	55	64
Automotive manufacturers	2	0	-6	-4	33	44	65	54
Automotive suppliers								
Chemicals	3	0	-9	-6	54	43	55	66
Commodities								
Computers & Telecom								
Construction	6	7	4	3	56	66	63	53
Electronics	26	-2	-17	11	84	42	64	106
Energy	4	7	-3	-6	43	38	21	26
Household Equipment	-4	-7	11	13	52	47	81	85
Machinery & Equipment	16	13	2	5	83	63	92	113
Metals	6	-3	3	11	45	49	85	81
Paper	1	-2	-7	-4	47	44	33	37
Pharmaceuticals	-11	-2	5	-4	93	39	79	132
Retail	-1	-3	-3	-1	12	39	62	35
Services	-3	-2	-1	-1	24	33	8	-1
Software & IT services	1	4	0	-3	68	39	6	35
Textiles	-3	-6	-2	0	37	33	116	120
Transport	-1	-1	6	6	37	41	11	6
Transport Equipment	-7	7	-1	-16	58	38	135	155
All Sectors	1	1	-1	-2	50	44	48	54

MIDDLE EAST AFRICA	2025 changes				2025 levels			
	DSO	DPO	DIO	CCC	DSO	DPO	DI	CCC
Agrifood	1	-2	-6	-3	57	48	58	67
Automotive manufacturers	-1	1	-8	-10	59	52	43	50
Automotive suppliers	10	1	8	17	63	62	59	60
Chemicals	-4	4	-1	-9	73	71	55	56
Commodities								
Computers & Telecom								
Construction	6	8	7	6	71	86	100	85
Electronics	-3	-10	10	18	48	57	91	81
Energy	3	4	4	3	51	42	26	35
Household Equipment	15	6	4	12	93	53	84	123
Machinery & Equipment	3	-6	5	14	55	57	95	92
Metals	14	2	4	16	92	45	83	130
Paper	2	7	5	0	90	67	62	84
Pharmaceuticals	4	10	5	0	25	75	102	52
Retail	-1	2	-2	-4	55	60	54	49
Services	4	7	1	-2	87	61	16	41
Software & IT services	9	0	1	9	61	48	10	22
Textiles	-6	0	22	16	49	46	99	102
Transport	-12	-7	1	-4	137	41	8	104
Transport Equipment								
All Sectors	2.2	3.0	2.3	1.6	61	62	55	55


Our
team

Chief Investment Officer
& Chief Economist
Allianz Investment Management SE

Ludovic Subran
ludovic.subran@allianz.com

Head of Economic Research
Allianz Trade

Ana Boata
ana.boata@allianz-trade.com

Head of Macroeconomic & Capital Markets Research
Allianz Investment Management SE

Bjoern Griesbach
bjoern.griesbach@allianz.com

Head of Outreach
Allianz Investment Management SE

Arne Holzhausen
arne.holzhausen@allianz.com

Head of Corporate Research
Allianz Trade

Ano Kuhanathan
ano.kuhanathan@allianz-trade.com

Head of Thematic & Policy Research
Allianz Investment Management SE

Katharina Utermoehl
katharina.utermoehl@allianz.com

Macroeconomic Research

Lluis Dalmau Taules
Economist for Africa & Middle East
lluis.dalmau@allianz-trade.com

Maxime Darmet Cucchiarini
Senior Economist for UK, US & France
maxime.darmet@allianz-trade.com

Jasmin Gröschl
Senior Economist for Europe
jasmin.groeschl@allianz.com

Françoise Huang
Senior Economist for Asia Pacific
francoise.huang@allianz-trade.com

Maddalena Martini
Senior Economist for Southern Europe & Benelux
maddalena.martini@allianz.com

Outreach

Luca Moneta
Senior Economist for Emerging Markets
luca.moneta@allianz-trade.com

Giovanni Scarpato
Economist for Central & Eastern Europe
giovanni.scarpato@allianz.com

Heike Baehr
Content Manager
heike.baehr@allianz.com

Melissa Eddy
Content Manager
melissa.eddy@allianz.com

Maria Thomas
Content Manager and Editor
maria.thomas@allianz-trade.com

Corporate Research

Guillaume Dejean
Senior Sector Advisor
guillaume.dejean@allianz-trade.com

Maria Latorre
Sector Advisor, B2B
maria.latorre@allianz-trade.com

Maxime Lemerle
Lead Advisor, Insolvency Research
maxime.lemerle@allianz-trade.com

Pierre Lebard
Public Affairs Officer
pierre.lebard@allianz-trade.com

Thematic and Policy Research

Michaela Grimm
Senior Economist,
Demography & Social Protection
michaela.grimm@allianz.com

Patrick Hoffmann
Economist, ESG & AI
patrick.hoffmann@allianz.com

Simon Krause
Economist, ESG & Insurance
simon.krause@allianz.com

Hazem Krichene
Senior Economist, Climate
hazem.krichene@allianz.com

Kathrin Stoffel
Economist, Insurance & Wealth
kathrin.stoffel@allianz.com

Markus Zimmer
Senior Economist, ESG
markus.zimmer@allianz.com

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Director of Publications
Ludovic Subran, Chief Investment Officer & Chief Economist
Allianz Research
Phone +49 89 3800 7859

Allianz Group Economic Research
https://www.allianz.com/en/economic_research
http://www.allianz-trade.com/economic-research
Königinstraße 28 | 80802 Munich | Germany
allianz.research@allianz.com

@allianz

allianz

Allianz Trade Economic Research
http://www.allianz-trade.com/economic-research
1 Place des Saisons | 92048 Paris-La-Défense Cedex | France

@allianz-trade

allianz-trade

About Allianz Research
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