International debt collection: South Africa ranked 43rd most difficult country for debt collection

The Allianz Trade *Collection Complexity Score* has ranked South Africa the 43rd most difficult country for debt collection.

Source: Pixabay

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. Allianz Trade operates in South Africa through the Allianz Global Corporate and Specialty (AGCS) license.

South Africa is ranked 43rd with a score of 67, indicating a severe level of collection complexity.

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 more than 40 administrative indicators relating to local payment practices; local court proceedings and 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).

How countries around the world ranked

Where is the best place to collect a debt? Unsurprisingly, and like in the previous edition of the *Collection Complexity Score* (2018), Europe takes the lead as the easiest place to collect debts. 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, up one point since 2018, followed by Brazil ranked 20 (with a stable score of 43).

“In Sweden, Germany and Finland, the payment behaviour 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 (which has a ranking of 10 and a stable score of 36), and Spain (which has a ranking of 11, and a score of 36, down one point), where collecting debt remains extremely complicated when the debtor has become insolvent, especially as far as unsecured creditors are concerned,” explains Maxime Lemerle, lead analyst for insolvency research at Allianz Trade.

South Africa's ranking explained

South Africa's ranking remains unchanged compared to the previous edition. Its severe level of collection complexity.is due to most companies having payment terms of up to 90 days compared with the average 30- and 60-day terms, and conditions which are industry-driven. In some cases, small to medium enterprises are taking as long as 120 to 180 days to settle debts.

Saudi Arabia (scored 91, -3 points), Malaysia (scored 78, stable) and the United Arab Emirates (scored 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 US (with a score of 32, and a stable ranking of 55) and Canada (with a score of 29 and a stable ranking of 53) both post a very high rating. On average, the Middle East, Asia and Africa are the three regions where debt collection is the most complex.

It's not all bad news

Nonetheless, this gap has been reducing over time. “During the past four years, almost half of the countries (20 out of 49) have seen their collection-complexity score decreasing. Covid-19 lead several countries to accelerate the reforms of their insolvency frameworks.

"We also noticed some improvements in terms of preventive restructuring frameworks such as in the UK (with the new procedure moratorium), and 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 the board of management of Allianz Trade, in charge of credit intelligence, reinsurance and surety.

Debt collection gets smart
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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 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 more challenging.

"Insolvency-related complexities are the toughest ones though. Insolvency proceedings still explain half of the collection complexity around the world," explains Lemerle.

Taking exporters' scores into account

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.