Cash back to shareholders or cash stuck to finance customers?

American and European firms deal with trade war differently

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Allianz Research

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Executive Summary

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- **Because of high economic volatility and uncertainty, Working Capital Requirements (WCR) increased by 2 days globally in 2024.** Working Capital Requirements (WCR) rose by +2 days globally in 2024, reaching 78 days – the highest level since 2008 – with no major signs of easing in early 2025. This increase reflects the cost of adaptation to high uncertainty and tighter financial conditions as trade frictions and recession risks on the horizon have affected turnover growth, payment terms and inventory strategies. This is particularly true for Western Europe, which stood out with a +4-day rise for the third consecutive year, while APAC recorded a moderate increase (+2 days). In contrast, North America posted a -3-day decline in WCR, marking a rare divergence. As of Q4 2024, 35% of companies globally had WCR exceeding 90 days of turnover (down just 1pp y/y), and Q1 2025 data suggests a slightly stronger-than-usual seasonal rebound (+8 days q/q vs. a long-run average of +7).
- **The US stands out with a decrease of WCR by -3 days. Firms have been destocking (apart from a couple of sectors) to unlock capital and redirect it to shareholders – a very risky strategy in times of trade war.** Despite a sharp rebound in imports – nearly USD1trn in Q1 2025, up +27% y/y, US business inventories fell, indicating selective frontloading rather than widespread stockpiling. The pharmaceuticals and medical goods sector alone imported the equivalent of 40% of its total 2024 imports in Q1, driven by tariff-related urgency, while clothing inventories fell despite a +10% rise in apparel imports, indicating consumers frontloading purchases. This easing of inventories has boosted earnings and freed capital, enabling share buybacks on track to exceed USD1trn in 2025 (USD234bn announced in Q1), while capex remains restrained amid ongoing policy uncertainty. US firms are reallocating resources to shareholder value creation.
- **Rising payment terms (DSO) are the primary force behind WCR pressure, especially in Europe.** In 2024, global Days Sales Outstanding (DSO) rose by over +2 days, slightly exceeding the increase in WCR, while Days Payables Outstanding (DPO) expanded only marginally (+1 day) and Days Inventories Outstanding (DIO) remained stable. At year-end, 44% of firms had DSO above 60 days, and 21% above 90 days. These elevated levels were widespread across countries and particularly acute in Europe, where companies faced more pronounced delays in receivables collection (+2 days) for the third year in a row.
- **European firms continue to be the invisible banks for their customers, providing an estimated EUR11bn in trade credit and bearing growing financial risks.** Amid sluggish growth and weak factory orders, European corporates increased DIO and maintained elevated receivables, while DPO shortened – resulting in significantly higher WCR. With bank lending in the Eurozone up just +0.8% on average in 2024, large firms effectively stepped in,

providing an estimated EUR11bn in trade credit to their customers between Q4 2024 and Q1 2025. This informal corporate lending nearly matched banks' monthly new credit flows over the same period. However, this strategy carries substantial risks: In the event of a growth shock or interest rate hike, the financing burden could rise dramatically. For instance, a trade war scenario involving "Liberation Day" tariffs could lower GDP by -1pp, forcing firms to finance an additional EUR8.5bn in Europe and USD15.5bn in the US – equivalent to a +3-day WCR increase. While a +1pp rate shock could add EUR14bn and USD26bn to WCR financing needs, underscoring the vulnerability of firms increasingly acting as credit intermediaries.

- **Almost all sectors faced a prolonged extension in DSO – notably transport equipment (+11 days) and electronics (+4) – leading to a broad-based rebound in WCR with relatively few sectors managing to reduce inventories in parallel.** Overall, in 2024, seven sectors – transport equipment (+16 days globally), retail (+4), chemicals (+3), metals (+3), software/IT services (+3), machinery equipment (+2) and energy (+0) – experienced WCR increases across North America, Western Europe and APAC, mainly due to weak demand. WCR declines were more fragmented, observed mainly in US sectors and niche European segments like B2C services, paper and hospitality. In early 2025, the seasonal rebound in WCR affected nearly all sectors, with construction, commodities, machinery and transport equipment posting the largest reversals from previous trends.

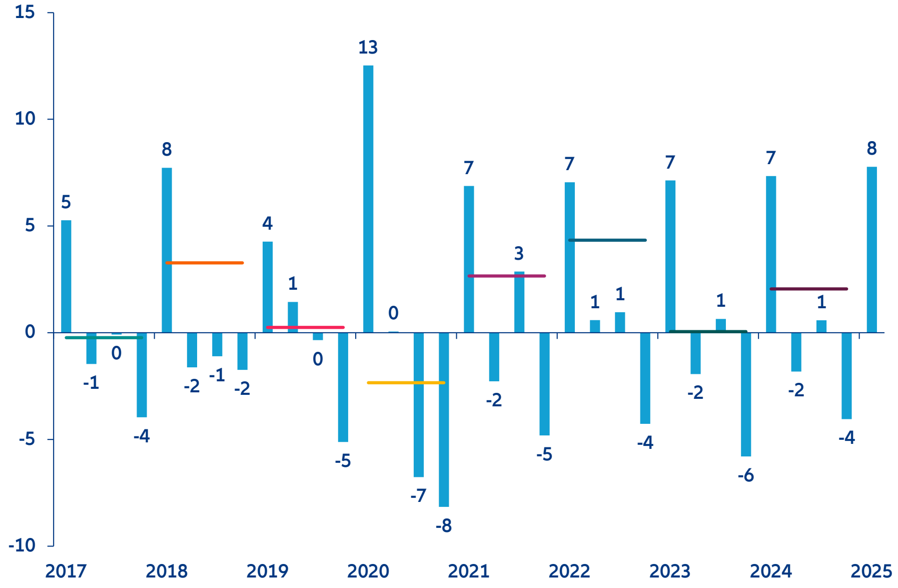
A visible transatlantic divide in Working Capital Requirements

Global Working Capital Requirements (WCR) rebounded in 2024, reaching the highest level since 2008 (+2 days to 78), with limited signs of softening in Q1 2025. Like in previous years, the trend in WCR shifted from quarter to quarter, reflecting the seasonality of business operations along the year. Global changes proved to be similar to the usual (Figure 1) in the first three quarters, with a sharp increase in Q1 (+7 days q/q) followed by relief in Q2 (-2) and a small rise in Q3 (+1). But the end of the year indicated less relief than in recent years (-4 days compared to -6 for the 2019-2023 mean). Overall, global WCR increased by +2 days for the full year, ending the pause of 2023, reviving the upside trend observed in 2021 and 2022 (+3 and +4, respectively) and pushing up global WCR to a record high. As of Q4 2024, global WCR stood at 78 days of turnover. Moreover, partial figures for Q1 2025 so far[1] confirm the picture of a prolonged increase in global WCR, with a slightly larger-than-usual quarterly rebound.

Most regions recorded a rise in WCR in both 2024 and Q1 2025, except North America. For the full year 2024 (Figure 2), Western Europe stands out with a large increase (+4 days) for the third year in a row while APAC recorded a moderate rise (+2 days). North America is the key exception as it prolonged the pause recorded in 2023 with a broad-based decrease (-3 days including -2 in the US and -4 in Canada). Interestingly, the other regions taken together show a stable WCR after three consecutive years of moderate increases, but this 'combined' view still hides more volatile and uneven trends across regions due to the more limited number of reporting firms and sectorial biases. De facto, average WCR recorded a large rebound in CEE (+10 days from -4 in 2023), but dropped back in the Middle East (-11 days from +12 in 2023) and Africa (-2 days from +2 in 2023) and barely stabilized in South America. Overall, two out of three countries in our sample posted an increase in WCR, notably France (+8 days) and Germany (+2) in Western Europe – where the UK and Spain stood out among exceptions – as well as China (+4), Singapore (+2) and South Korea (+1) in APAC, where the main exceptions were Australia and Japan. In this context, the countries crossing the global average remain concentrated in the Middle East (UAE, Saudi Arabia) and APAC (China, Japan, Taiwan, Korea), leading them to end 2024 with the largest regional WCR: 97 and 82 daysm respectively, compared to 70 days in South America, 69 days in North America and 67 days in Western Europe. Importantly, these regional

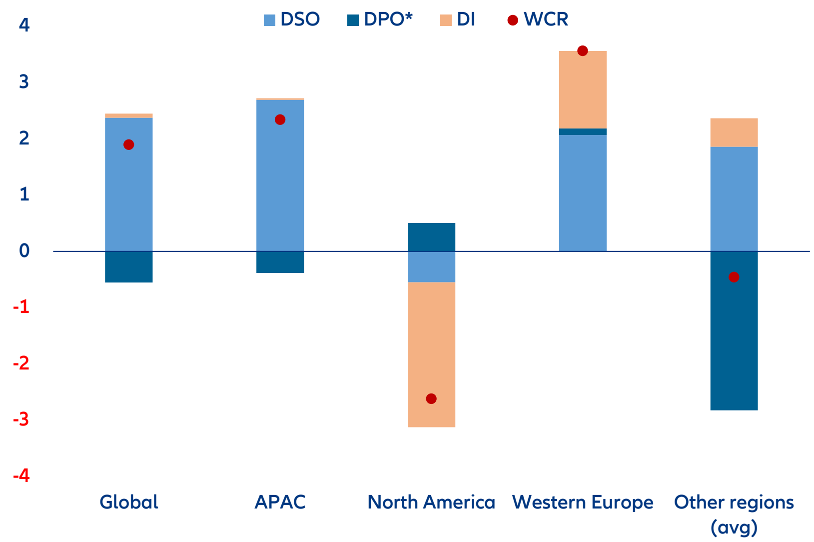
[1] As of 3 June 2025

Figure 1: Global WCR, q/q change and annual change in number of days in turnover



Sources: LSEG, Allianz Research

Figure 2: 2024 WCR, annual changes by subcomponent, in number of days in turnover, by region

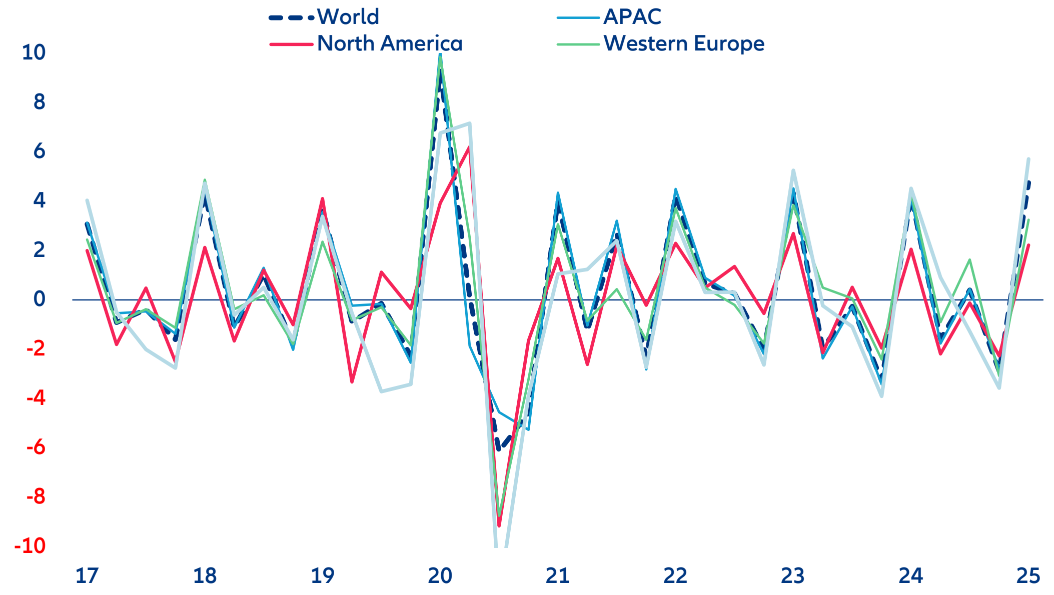


(*) DPO is displayed with an inverted sign
(**) Other regions regroup the rest of the world: Central and Eastern Europe, Middle East, Africa and South America
Sources: LSEG, Allianz Research

average figures still mask noticeable discrepancies within countries, depending notably on the relative importance of sectors that are posting structurally higher WCR, such as transport equipment, electronics, machinery equipment and pharmaceuticals. Nevertheless, at the global level, 35% of companies had WCR exceeding 90 days of turnover as of Q4 2024 (compared to 35% and 36% as of Q4 2022 and Q4 2023, respectively). At this stage, partial figures for Q1 2025 do not suggest any major trend reversal as the quarterly rebound posted so far by the regions remain close to the usual historical trend for APAC (+8pps q/q), Western Europe (+5) and North America (+4) and well above for the other regions.

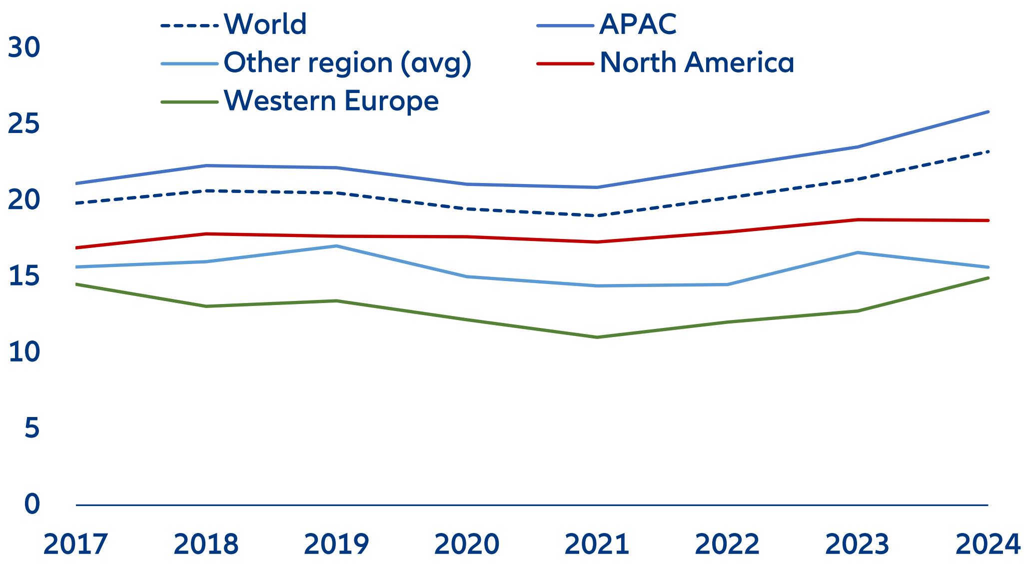
Noticeable relief from inventories in North America versus longer DSOs in the rest of the world. At the global level, Days Sales Outstanding (DSO) have been the driving force behind the change in WCR, with global DSO increasing slightly more than global WCR for the full year 2024 (+2.4 and +1.9 days, respectively) while Days Payable Outstanding (DPO) moderately expanded (+1) and Days Inventories Outstanding (DIO) remained stable (Figure 2). The first outcome indicates that listed companies are waiting longer to get paid by their clients, most often smaller firms, suggesting potentially more financial difficulties on their side, which corroborates the elevated number of insolvencies, but also forces large contracting companies to play the role of the invisible bank, raising their own risks of cash-flow issues. As of Q4 2024, 44% of companies recorded DSO above 60 days of turnover, unchanged from Q4 2023 and only slightly down from Q4 2022 (-1pp), with a still-high share of longer DSO globally – 21% of companies are facing DSO above 90 days of turnover. At the same time, the modest increase in global DPO does not contradict the growing role of listed firms as the invisible bank since the DSO/DPO gap enlarged for the third consecutive year in 2024 (+2 days) to a new high at 23 days (Figure 4). This only highlights the willingness and greater capacity of larger firms to keep their cash-conversion cycle under strict control. Still, globally, the limited role of inventories may look surprising. Firstly because changes in inventories have been the key driver behind the changes in WCR in two out of three cases since 2008. Secondly, because some were expecting tariff-induced frontloading to be visible in firms' WCR. Inventories, however, remain key in relative terms as they still explain 70% of the global WCR (compared to 72% for the past 10-year average), as well as in absolute terms as the Q4 2024 level (54 days) is only slightly below the record level reached in 2022 – the result of (i) the switch from "just-in-time" inventory management to "just-in-case" strategy in response of the succession of supply-chain disruptions and shortages, and geopolitical uncertainties, and (ii) specific price effects for some commodities and goods. Moreover, the global picture hides significant differences between regions, with a noticeable relief in inventories in North America over the full year 2024 (-2.6 days) that is (partially) offsetting the increase in Western Europe (+1.4) and other regions (+0.5). Q1 2025 figures are still pointing to slight increase in global inventories that is resulting from a larger-than-usual quarterly rebound in APAC and other regions, on top of a 'classic' rise in North America and Western Europe. Similarly, partial figures for Q1 2025 suggest another slight extension of global DSO coming mostly from APAC and, to a lesser extent, North America.

Figure 3: DIO, quarterly changes in number of days of turnover, by region



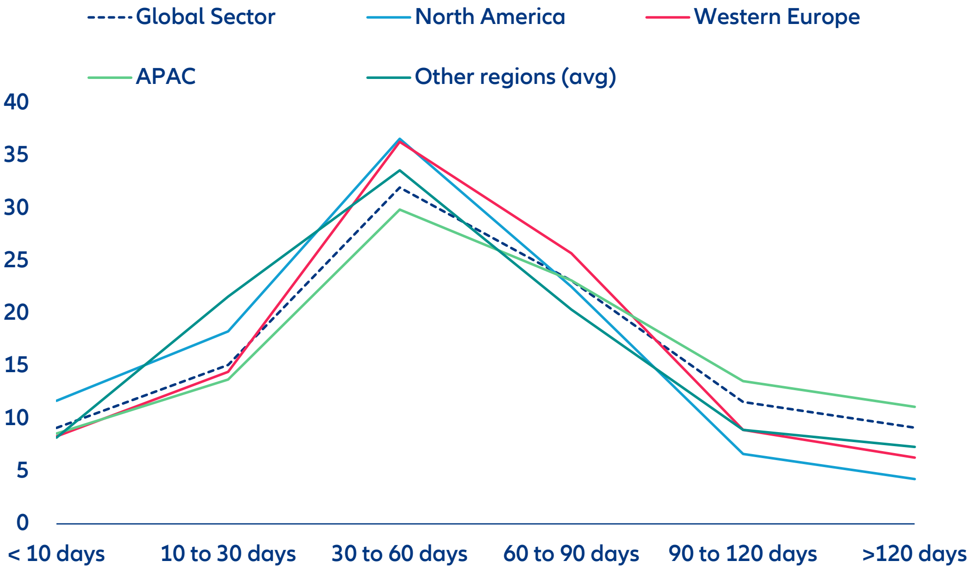
Sources: LSEG, Allianz Research

Figure 4: DSO/DPO gap, annual number in days of turnover, by region



Sources: LSEG, Allianz Research

Figure 5: Q4 2024 DSO, by number of days of turnover, by region, in % of number of firms



Sources: LSEG, Allianz Research

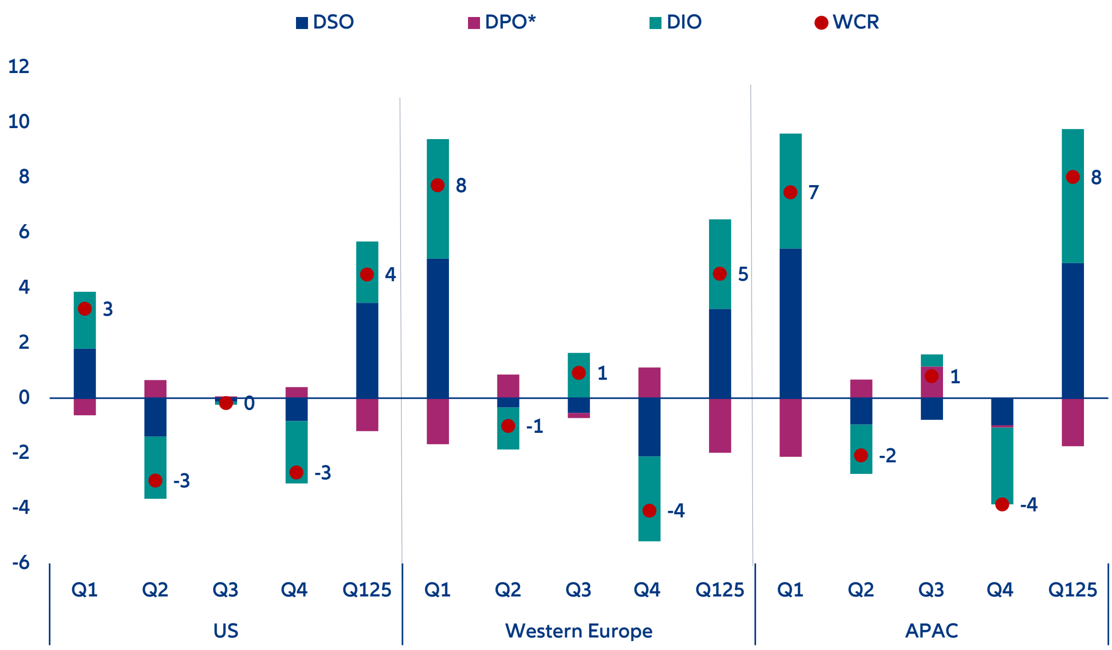
APAC ended 2024 with a noticeable rebound in WCR (+2 days) that is reviving the upside trend that was already in place in 2021 and 2022 (+5 and +3, respectively), with China (+4) and Singapore (+2) among the top contributors. This outcome is entirely explained by another extension in regional DSO (+3) – for the fourth consecutive year – which appeared to be broad-based since it excluded only Japan, in a context of a different mix of larger inventories (China, Japan) and shorter payable delays (Japan, India, South Korea, Singapore). As of Q4 2024, WCR in APAC stood at 82 days of turnover, i.e. a record high for the region, with DSO above the global average (at 66 days). Along with the Middle East, APAC also has the largest proportion of firms exposed to the longest DSO and thus to cash-flow risks: 25% of companies are paid after 90 days compared to 21% globally (Figure 5). Based on the partial figures for Q1, 2025 started with another (modest) rise in regional WCR, mostly driven by a larger-than-usual quarterly rebound in inventories in most countries but China – the latter recording a significantly lower contribution from inventories.

Western Europe stood out with the largest increase in regional WCR for the full year 2024 (+4 days), prolonging the trend recorded in the previous two years (+3 days both in 2022 and 2023) while most countries contributed to the regional outcome, including France (+8) and Germany (+2) – with the UK and Spain as exceptions. European firms felt the pinch of extended DSOs (+2 days) for the third year in a row, combined with larger inventories (+1.4) for the fourth year in a row. The extension in DSO proved to be broad-based, while the rise in inventories took place in two out of three countries. At the same time, the regional DPO remained muted, hiding a mix of countries with larger (France, Italy) or lower (Germany, UK) DPO, but ultimately leading the DSO/DPO gap to keep on rising for the third consecutive year in 2024 (+2 days) and return to its pre-pandemic level at 15 days (compared to 23 days globally, 26 days in APAC and 19 days in North America). Overall, the regional WCR represented 67 days of turnover as of Q4 2024, i.e. a record high for the region, with high levels for both inventories (52) and DSO (56). Western Europe also records a dispersion of DSO close to the global average since 8% of firms are paid in less than 10 days (9% globally) and 15% in more than 90 days (21% globally). However, European countries continue to post noticeable differences in DSO, with shorter average DSO in Germany and the Nordics and longer ones in Southern Europe, notably in Spain and Italy. Albeit partial, the first batch of figures for 2025 suggests no further increase in the regional WCR beyond what is usually observed in the first quarter, with a less marked role from inventories.

In contrast to other regions, **North America** recorded a net decline in WCR in 2024 (-3 days), both in the US and Canada (-2 and -3, respectively). For both countries, this outcome comes from a noticeable adjustment in inventories (-2 for the region) while the slight acceleration in DSO (-1 day) appeared to be fully offset by faster DPO (-1 day). Interestingly, this adjustment in inventories was consistent throughout the year, with neither the figures for Q4 2024 nor the partial figures for Q1 pointing to any massive restocking. The latter confirms our previous analysis[2] pointing to uneven stockpiling responses to the trade war, with companies prioritizing agility and cost control, and postponing long-term supply chain decisions in a volatile policy environment, notably for sectors with already high inventories, weak end-market demand and a looming profitability squeeze due to tariff-induced cost pressures. Overall, North America's WCR reached 69 days as of Q4 2024, i.e. still 9 days below the global average. The region exhibits the lowest share of firms exposed to the longest DSO, with only 11% of companies being paid after 90 days (11% for the US, 10% for Canada). At the same time, North America has a high share of firms being paid in less than 10 days (12% as of Q4 2024), notably Canada (16%). This preference for cash is fully translated into the DSO figures, which remain below the 50-day threshold in the US (48) and Canada (45).

[2] Inventories: It is costly to stockpile your way out of a trade war

Figure 6: WCR subcomponents, quarterly changes in number of days of turnover



Sources: LSEG, Allianz Research

Figure 7: 2024 WCR subcomponent, by global sectors, in number of days of turnover

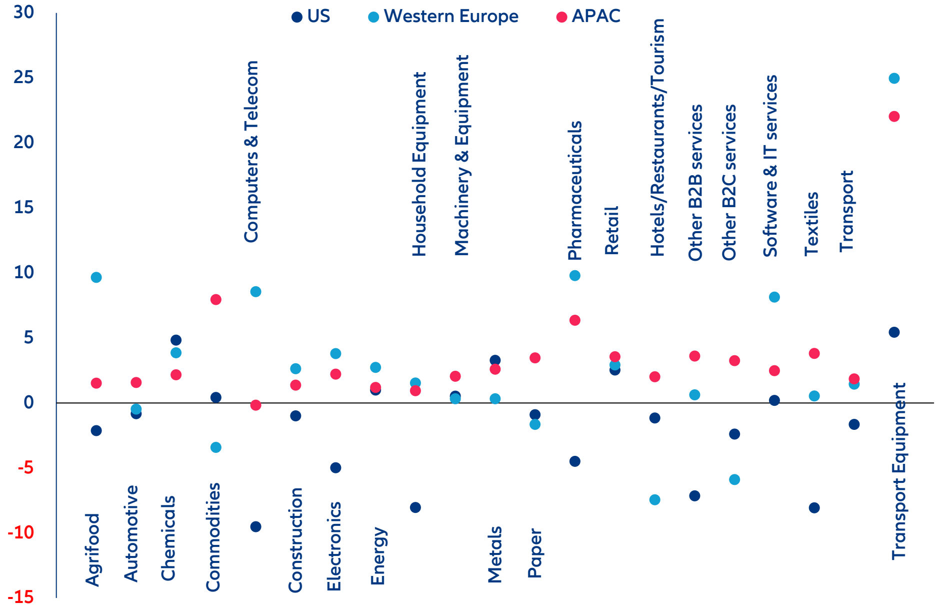
	2024 changes				Q4 2024 level			
	DSO	DPO	DI	WCR	DSO	DPO	DI	WCR
Agrifood	2	0	-1	2	40	33	52	59
Automotive	2	1	1	2	57	48	58	67
Chemicals	3	0	0	3	63	39	61	85
Commodities	1	3	1	0	73	39	20	54
Computers & Telecom	3	1	-2	-1	74	45	63	92
Construction	2	1	1	2	75	45	54	85
Electronics	4	0	-2	2	83	39	75	118
Energy	1	2	0	0	51	41	25	34
Household Equipment	2	1	-1	0	64	44	67	87
Machinery & Equipment	3	-1	-2	2	83	48	82	117
Metals	2	0	1	3	62	39	71	93
Paper	2	1	3	4	62	41	49	70
Pharmaceuticals	2	0	2	3	68	33	68	103
Retail	2	0	2	4	23	36	48	34
Services - Financials	8	4	4	9	44	28	34	49
Hotels/restaurants/tourism	-1	-1	-1	0	21	21	13	13
Other B2B services	3	0	0	3	58	33	28	53
Other B2C services	1	0	-1	0	38	21	14	30
Software & IT services	3	1	1	3	66	28	18	56
Textiles	2	1	3	4	52	34	80	98
Transport	1	0	1	2	39	27	14	26
Transport Equipment	11	0	5	16	87	52	83	118
All sectors	2	1	0	2	62	39	54	78

Sources: LSEG, Allianz Research

Globally, almost all sectors faced a prolonged extension in DSO, leading to a broad-based rebound in WCR, while only a minority of them managed to reduce inventories. Despite their structural differences (i.e. manufacturing vs. services, upstream vs. downstream, B2B vs B2C) which explains most of their differences in levels of WCR subcomponents, almost all sectors have seen their global DSO increase in 2024 for the third consecutive year – and even fourth consecutive year for several sectors including automotive, computer/telecoms, construction, electronics, household equipment, machinery equipment, transport equipment and pharmaceuticals. At the same time, most of them failed to shorten their DPO or adjust their inventories enough to avoid a rise in WCR, with the exception of household equipment, hotels/restaurants/tourism, B2C services and energy, which all ended 2024 with a stable WCR, and without significant changes in the usual discrepancies in levels. As of Q4 2024, the four sectors spending the most of their resources in just running the business, with WCR exceeding the 100-days threshold, were transport equipment (118 days of turnover), electronics (118), machinery equipment (117) and pharmaceuticals (103), with textiles, metals and computer/telecoms following with WCR above 90 days. Unsurprisingly, these sectors are those for which inventories are key to ensure the manufacturing cycle. At the global level, we find that 19% of companies have inventories exceeding 90 days in turnover. In five sectors, more than 20% of companies exceed this level: transport equipment (40%), machinery equipment (31%), construction (30%), electronics (24%) textiles (22%) and metals (22%). At the other end of the WCR spectrum, we find hotels/restaurants/tourism (13), transportation (26), other B2C services (30) and retail (34). In terms of DSO, we find broadly the same dispersion of sectors, with hotels/restaurants/tourism and retail posting the lowest DSO (21 and 23 days of turnover, respectively), thanks to their cash-paying customers.

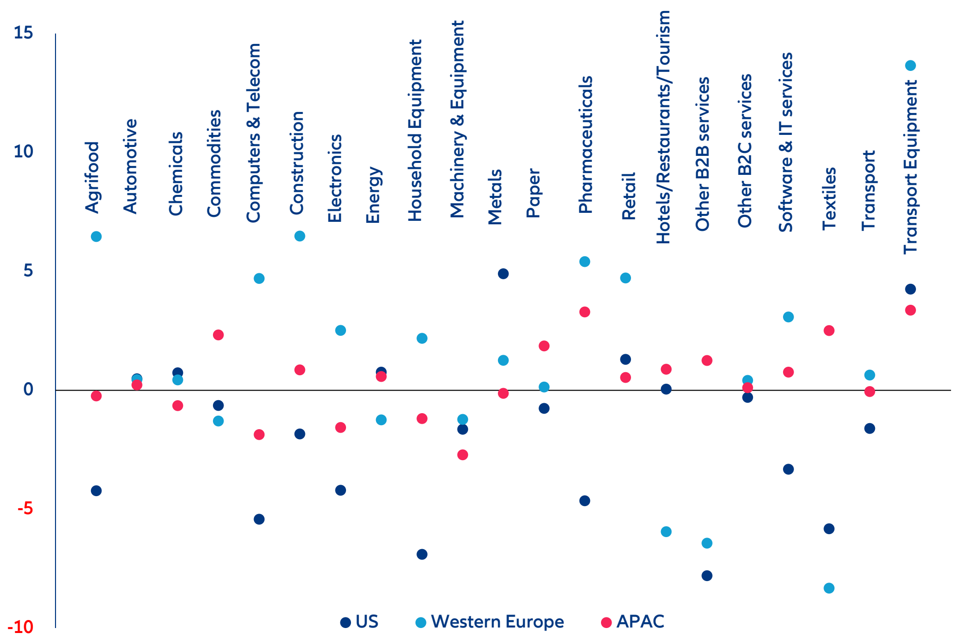
However, only seven sectors out of our panel of 22 stand out with a multi-regional increase in WCR in 2024, namely transport equipment, chemicals, energy, retail and to a lesser extent machinery equipment, metals and software/IT services. For all the other sectors, the decrease in regional WCR is for the US only, and adding Western Europe for paper, B2C services and hotels/restaurants/tourism. In other words, the global picture is hiding noticeable regional disparities in all aspects of the WCR dynamics, whether we look at the overall WCR (Figure 8) or the subcomponents such as the inventories (Figure 9). In a way, this mirrors the on-going competition between major companies and their uneven exposure to and resilience against the economic cycle. Indeed, the differences observed between regions become even more pronounced when we look at sector dynamics. APAC clearly stands out from the US and Western Europe, with a generalized rise in all sectors for WCR – in particular transport equipment, commodities and pharmaceuticals – and DSO – in particular in electronics, pharmaceuticals and B2B services. It also recorded a broad-based and growing DSO/DPO gap: Only four sectors reduced their inventories (chemicals, computer/telecoms, energy, transport equipment and machinery equipment). For the US, the overall outcome largely reflects sectorial dynamics since two-thirds recorded a decrease in WCR and/or inventories, with the key exceptions being transport equipment, retail, metals and chemicals. Western Europe shows a more mixed picture. Two-thirds of sectors recorded an increase in WCR, notably agrifood, computer/telecoms, pharmaceuticals, software/IT services, transport equipment and electronics. But we find noticeable relief in B2C services and hotels/restaurants/tourism. At the same time, only half of the sectors saw the increase in DSO or in inventories. At this stage, globally, no sectors avoided the seasonal rebound in WCR in Q1 2025, with construction, commodities, machinery equipment and transport equipment most offsetting the past trend (+4, +6, +4 and +4 days above their respective historical rebound for Q1s, respectively).

Figure 8: 2024 changes in WCR by sector, by quarter and region, in number of days of turnover



Sources: LSEG, Allianz Research

Figure 9: 2024 changes in inventories by sector, by quarter and region, in number of days of turnover



Sources: LSEG, Allianz Research

Figure 10: Q4 2024 WCR and subcomponent, by number of days of turnover, in % of number of firms, by global sector

	DSO						DI						WCR					
	<10 days	10-30 days	30-60 days	60-90 days	90-120 days	>120 days	<10 days	10-30 days	30-60 days	60-90 days	90-120 days	>120 days	<10 days	10-30 days	30-60 days	60-90 days	90-120 days	>120 days
Agrifood	11	26	42	16	4	1	3	24	39	21	9	4	6	19	32	24	13	6
Automotive	8	16	32	28	14	3	4	15	31	25	12	4	7	11	24	27	20	11
Chemicals	5	11	33	29	14	7	1	11	27	22	11	4	3	7	24	30	23	13
Commodities	3	9	37	23	12	17	114	16	14	10	4	6	16	6	33	20	12	14
Computers & Telecom	2	7	31	30	18	11	5	5	20	24	13	7	3	4	21	30	25	17
Construction	18	17	22	17	11	15	30	15	26	21	16	14	7	12	22	22	18	19
Electronics	0	5	28	30	20	17	2	3	17	21	14	10	1	2	17	28	28	23
Energy	5	16	48	18	6	7	45	21	26	10	3	1	29	14	30	16	8	4
Household Equipment	3	13	36	27	12	9	2	9	27	24	13	7	4	7	24	27	21	16
Machinery & Equipment	1	5	26	31	19	19	3	3	16	24	18	12	1	2	16	28	28	25
Metals	11	14	30	22	13	10	2	15	30	25	15	7	3	9	22	27	23	16
Paper	2	8	41	32	13	4	6	9	30	22	6	3	3	5	31	34	18	8
Pharmaceuticals	4	9	33	31	14	9	2	6	21	23	12	6	2	5	20	30	25	18
Retail	37	36	18	6	1	1	8	49	46	22	7	2	19	30	29	15	5	2
Services - Financials	23	23	26	16	6	7	51	18	25	18	8	6	18	18	25	21	11	8
Hotels/restaurants/tourism	27	46	17	5	2	2	79	26	9	4	2	1	50	31	11	4	2	2
Other B2B services	6	15	37	27	9	7	57	10	19	15	8	5	15	9	28	23	15	9
Other B2C services	20	29	32	11	4	5	84	20	10	6	2	2	35	25	23	10	3	4
Software & IT services	5	11	40	24	11	8	78	7	11	6	3	2	11	9	37	22	12	10
Textiles	4	22	38	26	5	5	2	12	28	29	15	7	1	11	26	30	19	13
Transportation	10	27	45	14	4	1	88	20	12	5	3	1	34	19	30	10	4	3
Transport Equipment	6	5	21	23	22	23	2	7	21	27	22	18	1	6	17	24	26	27
All sectors	9	15	32	23	12	9	14	12	24	21	12	7	7	9	23	26	20	15

Sources: LSEG, Allianz Research

US corporates: from warehouses to shareholders’ wallets

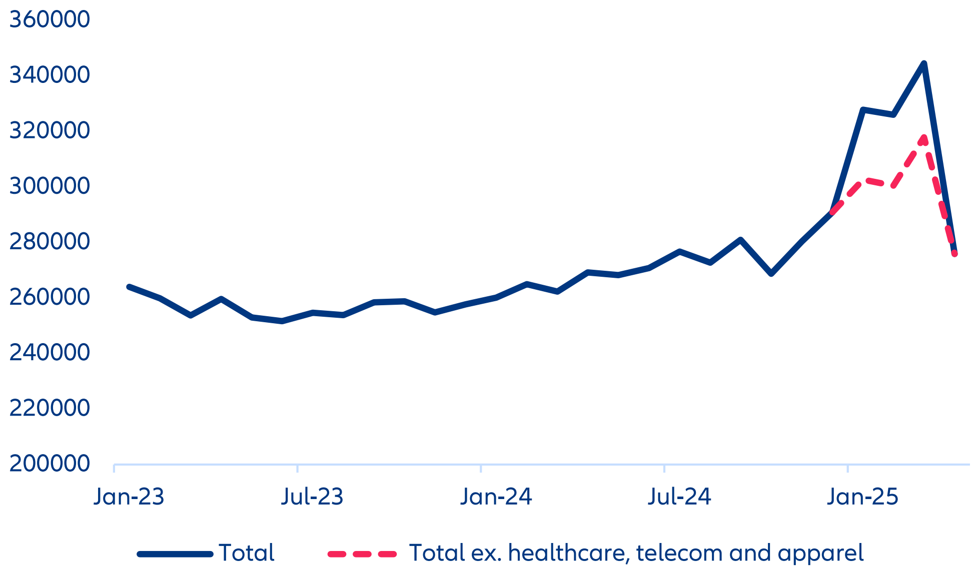
The inventory illusion: record imports, empty warehouses. In late 2024 and early 2025, America’s loading docks were busy with container ships pouring in goods at a stunning rate. US imports hit nearly USD1trn in Q1 2025, about 27% higher than Q1 2024 and Q1 2023. It was an eye-popping surge, especially after a strong holiday season. Yet, for all this inbound frenzy, one thing barely budged: inventories. Corporate warehouses did not pile up goods even as ports brimmed with cargo. Overall business inventories rose a mere +0.1% m/m in March, and retail inventories fell as sales were quite strong. This apparent contradiction – surging imports with flat inventories – is not an accounting error. It was the product of a very narrow, very targeted race against looming tariffs. The headline trade boom was real, but the “great stockpile” many expected proved to be a phantom.

Healthcare leads a tariff-fueled frenzy. US monthly imports of pharmaceutical and medical products surged to over USD50bn in March 2025 alone; in Q1 2025, imports were already about 44% of the total pharma imports for all of 2024. However, this is not necessarily visible in drugmakers’ inventories (see above). Indeed, imports of medicines and medical products and equipment are not limited to Big Pharma manufacturers; they mostly came from drug distributors, hospital systems and corner pharmacies, which bulked up their medicine cabinets ahead of Trump’s threatened tariffs. President Trump had signaled that pharmaceutical products – for now still spared from the trade war – could be next in line for tariffs. Consequently, the industry took a cautious approach. Independent pharmacists across the country began socking away months' worth of essential generics. Distributors and hospital buyers likewise loaded up on everything from antibiotics to syringes, aiming to protect patients from imminent price hikes. In short, the healthcare supply chain went into overdrive, but not so much the other industries. For everyone outside the pharma-medical sphere, March was not a bonanza of hoarding. The outsized role of medicine means one cannot assume that other industries were stockpiling goods, steel or electronics just because the aggregate import line went vertical. This was a narrowly focused storm.

Textiles: the great wardrobe rush. US apparel, textile and footwear import growth surged by +10% in Q1 2025 compared to Q1 2024. Imports were also volatile due to Chinese New Year, with a strong +17% rise in January, a more modest +6% in February and a strong rebound of +14% y/y in March. This pattern shows how tariff fears drove clothing imports and was only slowed down by business interruptions in Asia. Late last year, as trade tensions percolated, textile importers went from cautious to frantic in a matter of weeks. US apparel imports spiked by nearly +16% y/y in November 2024, a head-turning jump for an industry more accustomed to modest swings. Retailers and brand manufacturers essentially pulled forward their spring merchandise orders, eager to get inventory on hand before new import duties hit their foreign suppliers. The result was a short-lived boom in clothing and textile inflows. However, this import frenzy did not translate into a lasting inventory overhang. It was consumer frontloading by proxy – timed to beat price hikes – rather than corporations amassing excess stock for its own sake. As a consequence, apparel sellers did not end the quarter drowning in unsold inventory. The inventory data shows retail inventories of clothing were steady or down through Q1, meaning those extra imports mostly went straight into consumers' closets, not into companies' balance sheets. Here the surge in imports was driven by timing and consumer psychology, not by an economy-wide restocking.

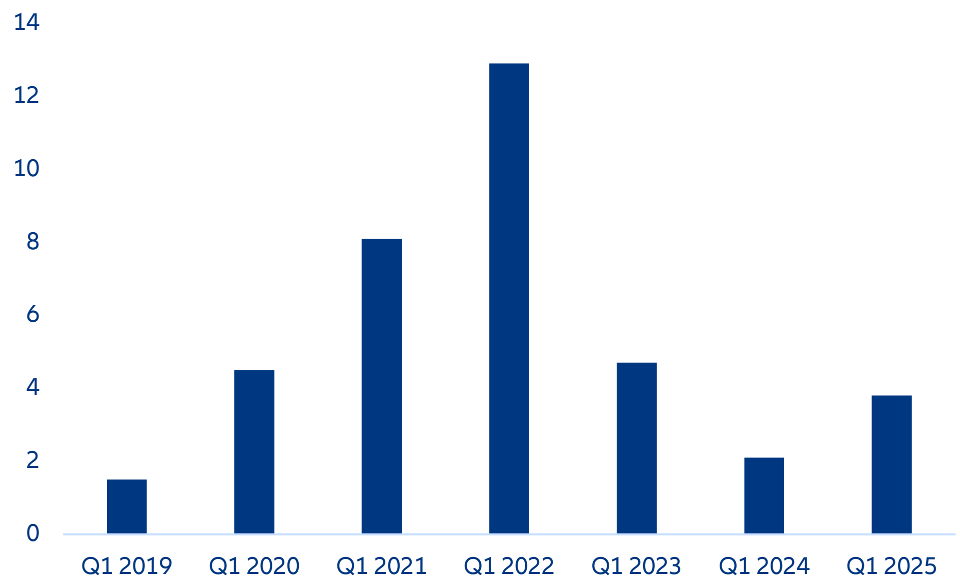
Dividends are still growing while capex is stalling in the US. Throughout Q4 2024 and into 2025, US firms have prioritized shareholder returns over large investments, choosing stock buybacks and dividends over sprawling capital expenditures. Data show that buybacks have surged, and US firms could repurchase more than USD1tn of their own shares in 2025. As of April, announced buybacks already stood at USD 234bn, setting the stage for a record-breaking year. In contrast, as uncertainty reigns with tariff threats still lingering, economic indicators unclear and the return on complex, long-term projects remaining opaque, capex has remained subdued. Although some technology giants continue to invest heavily in AI infrastructure, most firms are holding steady on investment while keeping a tight lid on spending. Whether markets applaud or question this posture may depend on how the uncertainty evolves. But for now, they are opting for weathering the storm and hoping for a return to normality.

Figure 11: US imports (thousands USD)



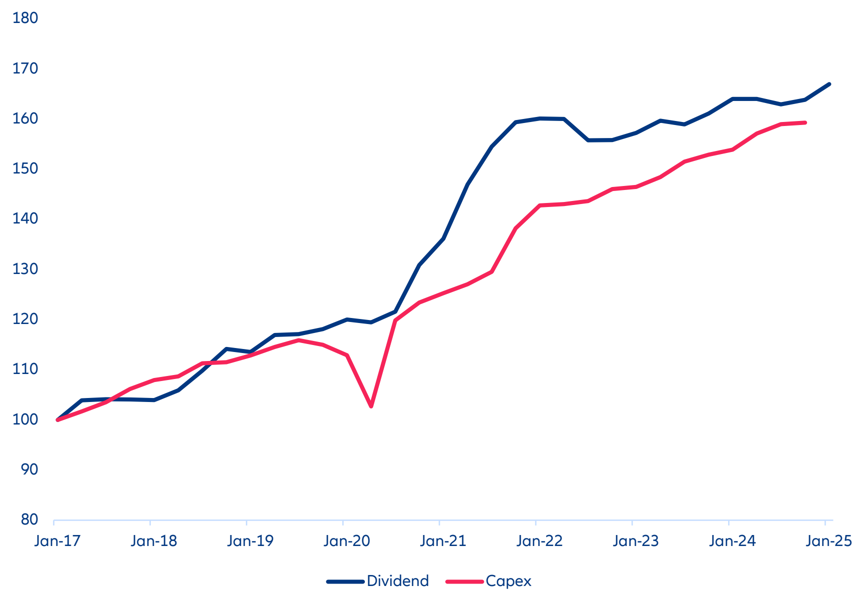
Sources: Census, Allianz Research

Figure 12: US consumer expenditure on non-durable goods (y/y%)



Sources: BEA, Allianz Research

Figure 13: US corporates net dividends vs capex (Q1 2017=100)



Sources: BEA, Allianz Research

EU regulation update

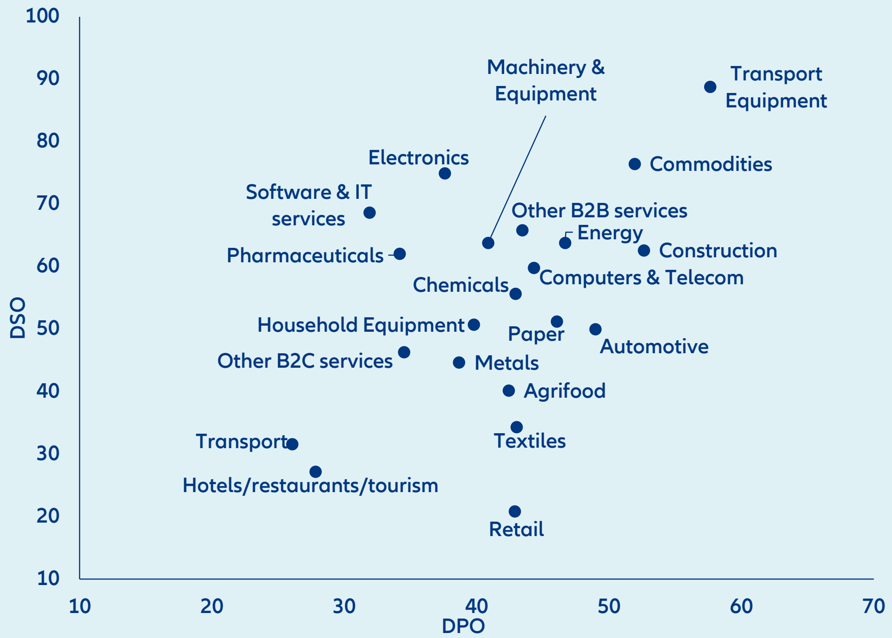
Several proposals aimed at changing the regulatory framework around payments processing, invoicing and insolvencies are under discussion, which could fundamentally change the way businesses operate in Europe.

Insolvency law, which has long been governed by national legislation in the EU, reflects distinct legal traditions and economic priorities in each member state. Despite several attempts to harmonize insolvency rules throughout the EU, with the EU Insolvency Regulation (EIR) and the subsequent Directive on Preventive Restructuring Frameworks and Second Chance in 2019, insolvency laws remain far from fully harmonized, especially in critical areas like insolvency triggers, the ranking of creditors and the treatment of secured creditors. In a surprising move, the European Commission did not mention insolvency frameworks in its Savings and Investments Union Communication, but announced in May that it will put forward a 28th legal regime in the first quarter of 2026. This new regime – which could be named the European Code of Business Law – would exist alongside the national legal systems of the 27 EU member states. European companies, especially startups, SMEs and scaling enterprises, would be able to “opt in”. The idea behind this concept is to create an optional, uniform legal framework that businesses and individuals across the EU could choose to operate under, simplifying cross-border transactions and reducing legal fragmentation. The goal is to enable companies to be digitally established within 48 hours. Unlike the existing European Company (SE) status, which is complex and suited for large firms, this new framework would be tailored for startups and SMEs, enabling them to scale easily across borders without needing separate national incorporations. Challenges and political hurdles remain as an optional framework requires consensus among EU states, which may be difficult, given diverse legal traditions and economic interests. However, if successful, this could be a major step in the harmonization of insolvency laws in Europe. While this will not have a strong impact on insolvencies in the short term, a 28th regime should intensify competition within the internal market in the longer term and structurally increase insolvencies in less competitive regions.

The payment terms saga is also still ongoing in Brussels, where member states and different stakeholders remain stuck on their positions despite a clear push from the European Commission to make progress on the matter. In September 2023, the European Commission introduced a proposal for combating late payments, which capped payment terms from 60 to 30 days across Europe and introduced strict caps and restrictions on the ability of businesses to negotiate terms. The directive had strong support from SMEs, which can be affected by late payments, but attracted criticism from different sectors for failing to maintain contractual freedom and a necessary flexibility for businesses of all sizes to negotiate in their best interest. Businesses also noted that different working capital requirements, production cycles and market dynamics could be disrupted by such a change in payment terms, potentially increasing insolvencies in markets that rely on larger payment terms for working capital financing. In May, the Polish Presidency of the European Council put the topic back on the table and sought an agreement on a more balanced approach for the proposal: payment terms would be capped at 60 days, with a possibility to extend to 120; a simplification of certain requirements and a substantial easing of interest charges for late payers. However, the German-led coalition once again put an end to discussions and refused to negotiate further. Ministers (economy and industry ministers) from member states officially met on 22 May and stood on their position that the text should be withdrawn. Nevertheless, the European Commission and Parliament remain eager to make progress on this file as working Capital Requirements (WCR) and Days Sales Outstanding (DSO) have been increasing steadily. European businesses should therefore remain on the watch for any regulatory changes related to payment terms as the EU remains committed to its competitiveness agenda, particularly if a one-size-fits-all approach were to be decided as current payment behaviors differ greatly between sectors within the EU (Figure 14), with clear seasonal patterns for some.

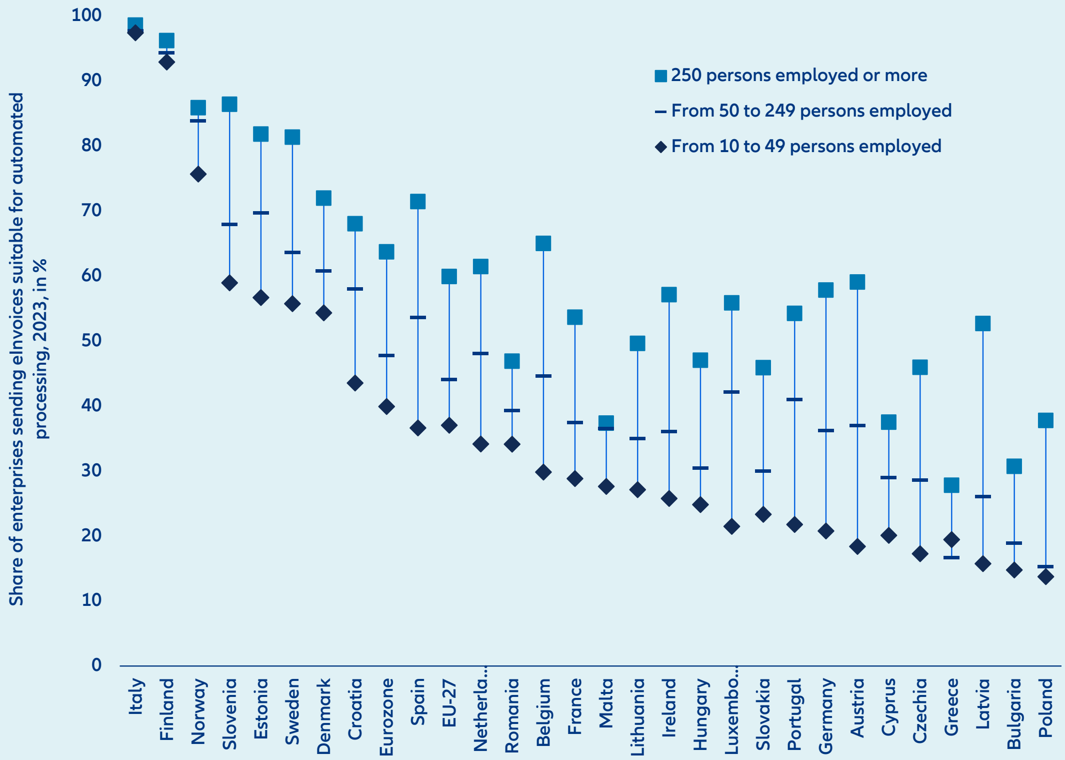
Lastly, E-invoicing could be a game-changer in payments habits. McKinsey estimates that a wide adoption of e-invoicing should reduce payment terms by -20%, while also reducing administrative costs from processing invoices by -30%. Electronic invoicing (e-invoicing) refers to creating, exchanging and storing invoices digitally for business transactions. Unlike simple digitization (scanning paper invoices), e-invoicing requires a standardized format and submission through a centralized system to ensure transparency and efficiency in B2B transactions. It is also often a way for governments to impose reporting requirements in order to fight VAT fraud. The EU continues to work on further harmonizing e-invoicing practices across member states, and European co-legislators just approved the VAT in the Digital Age proposal (ViDA, proposed in 2022) on 12 February. This proposal is a game-changer for e-invoicing across Europe as the text introduces several key requirements, with the main one being a Single European VAT One-Stop-Shop (OSS) for the registration of a company from July 2028, and, from 1 January 2030, an EU-wide standardization of national e-invoicing systems from structured electronic invoices will be the default system for issuing invoices. Electronic invoicing will become mandatory for intra-Community transactions and member states will have greater flexibility to implement a national electronic invoicing system. Overall, these regulations are expected to improve transparency and efficiency in commercial transactions, benefiting sound businesses while shining a light on struggling ones. In the short term, however, it means that firms need to implement the transitioning, which includes in particular system integration and staff trainings, while navigating a complex landscape of varying integration across different European countries (Figure 15).

Figure 14: DSO and DPO, Q4 2024 level, in number of days of turnover, in Western Europe



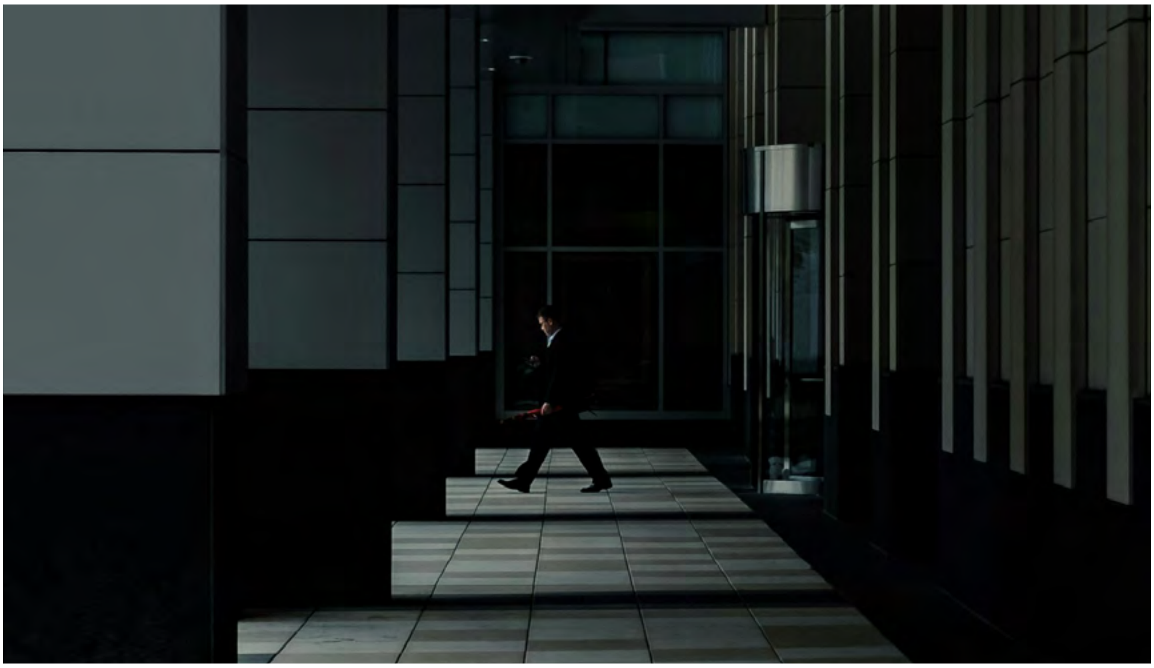
Source: LSEG, Allianz Research

Figure 15: E-invoicing in Europe



(*) Enterprises with 10 persons employed or more

Sources: Eurostat, Allianz Research

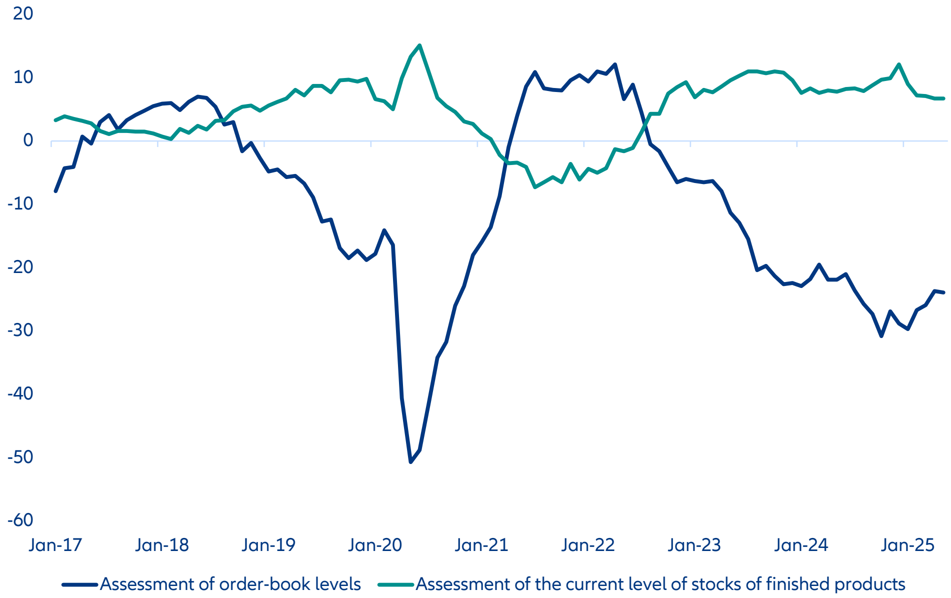


Europe's hidden bankers

European corporates are seeing inventory increase as economic momentum remains weak. In late 2024, factory order books decreased as warehouses filled up. EU survey data show manufacturers' order books still remain below normal while stocks of finished goods are well above normal. This glut of unsold products reflects a lackluster macroeconomic backdrop: The Eurozone economy flatlined in Q4 2024 and only eked out meagre growth in early 2025 amid sluggish demand (see Figure 16). Financially, the strain is evident on corporate balance sheets. European firms saw DIO lengthen in Q1 2025. Furthermore, DSO remained stable. In contrast DPO slightly decreased. The result has been an increase in WCR (see above). For now, the immediate upshot is clear: more corporate cash is trapped in warehouses and customer ledgers as borrowing costs are still high in Europe.

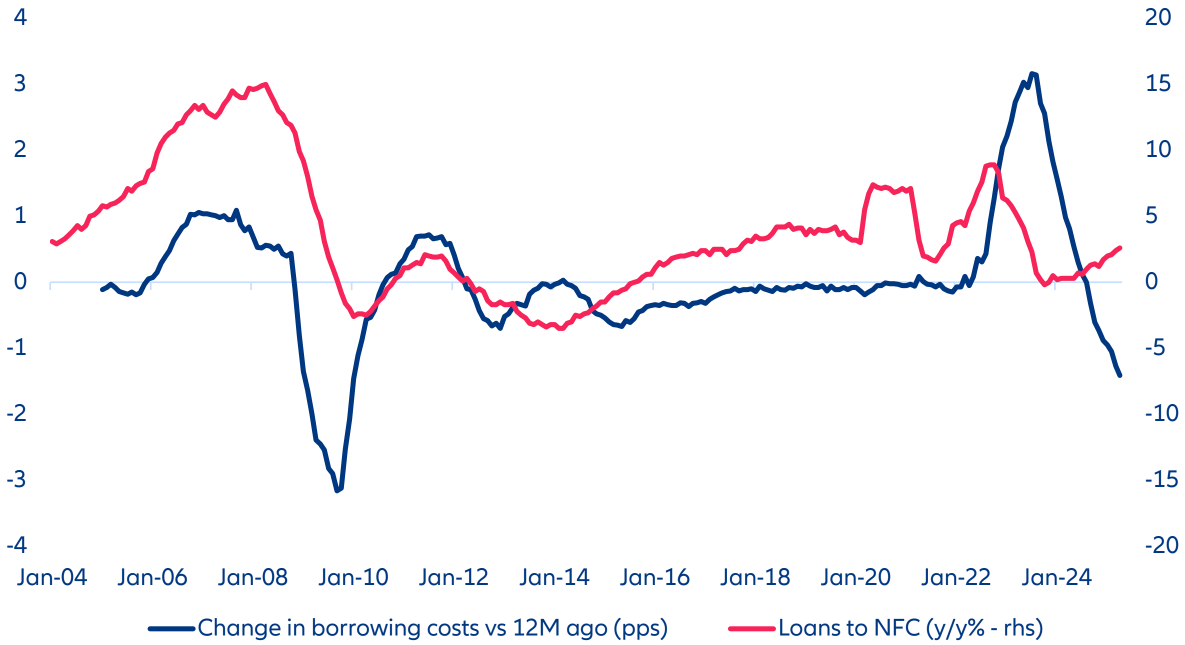
Europe's large corporates have taken a role akin to hidden banks. Traditional bank lending remained tight through 2024: Loans to non-financial corporates (NFCs) in the Eurozone grew at a meagre +0.8% on average in 2024. Although loans seem to be picking up lately (+2.6% y/y in April), the sharp decrease in borrowing costs is not reflected in credit growth (see Figure 17). This disconnect between the decrease in the cost of credit and the sluggish pick-up in credit growth can be explained by three factors: (i) banks are remaining cautious when granting credit, (ii) firms do not ask for loans as they are postponing investments and (iii) firms are getting financing through other channels. In particular, our analysis underlines that firms increasingly turned to each other for financing: suppliers and buyers are granting each other credit in the form of delayed payments, and it is the large firms that are extending the most generous terms. Europe's big corporates are effectively lending to their customers and suppliers, plugging a credit gap left by cautious banks. To keep the peace and the sales flowing, they are playing bank. We estimate that between Q4 2024 and Q1 2025, the 4-day increase in the gap between DSOs and DPOs is equivalent to adding EUR11bn funding to European firms. This is roughly what Eurozone financial institutions grant as loans over a month (i.e. average adjusted monthly loans stood at EUR11.4bn in the first four months of 2025).

Figure 16: Assessment of order-book levels and inventories in EU manufacturing sectors



Sources: Eurostat, Allianz Research

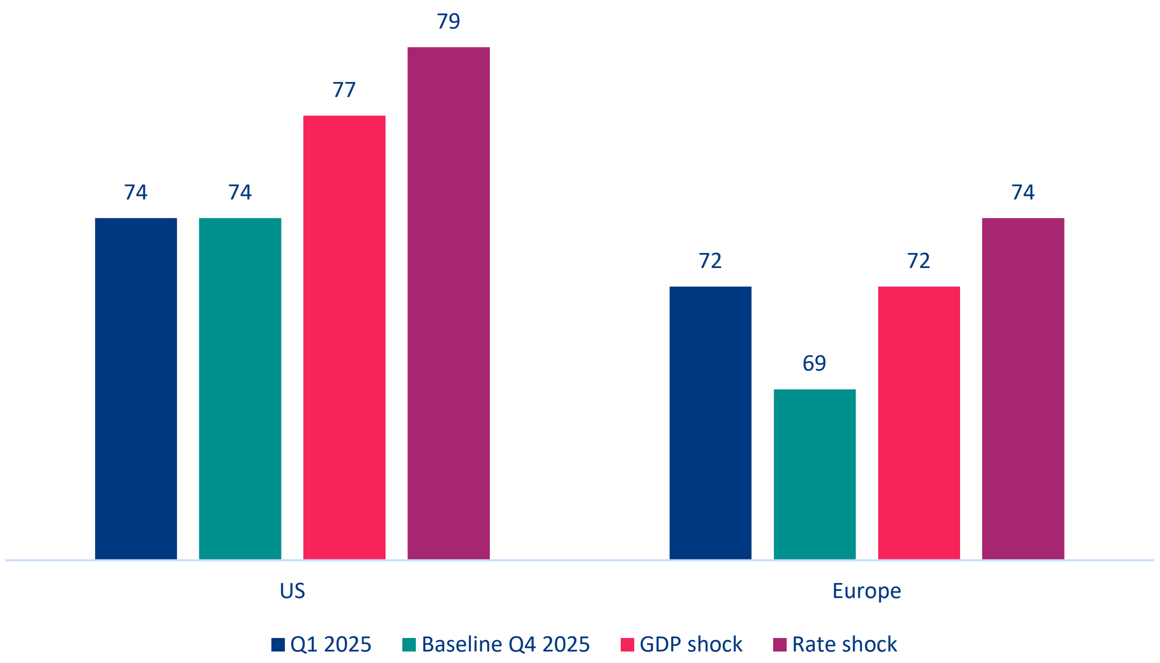
Figure 17: Loans growth vs borrowing costs in the euro area



Sources: ECB, Allianz Research

Large corporates have been "extending and pretending" but they are also pilling up risks. They are holding inventory that smaller firms can't afford to keep, effectively taking product risk off suppliers' backs. Simultaneously, by granting ever looser payment terms, they are bankrolling customers and suppliers, assuming higher credit risk. For CFOs, this hidden banking role is a delicate balancing act. On one hand, it helps sustain the ecosystem – many SMEs might not survive a cash drought without trade credit from larger partners. On the other hand, risk is piling up in parallel with inventories, and receivables can turn into write-offs if a recession hits or interest rates increase and weaker borrowers default. They have been "extending and pretending": extending payment terms and pretending all is well. Europe's big companies thus find themselves in an unusual position: lenders of first resort to the real economy's weaker links, even as their own cash buffers will be put to the test. Especially in adverse scenarios of lower GDP growth or an interest rate shock, their WCR would be pushed further up. We estimate that a decrease of -1pp in GDP growth could increase WCR by 3 days vs our baseline forecast (see Figure 18) both in Europe and in the US, while a 1pp shock on borrowing costs could mean WCR reaching the high of 2020.

Figure 18: WCR forecasts and alternative scenarios



Sources: Allianz Research

Statistical appendix

GLOBAL	2024 changes				Q4 2024 level			
	DSO	DPO	DI	WCR	DSO	DPO	DI	WCR
Agrifood	2	0	-1	2	40	33	52	59
Automotive	2	1	1	2	57	48	58	67
Chemicals	3	0	0	3	63	39	61	85
Commodities	1	3	1	0	73	39	20	54
Computers & Telecom	3	1	-2	-1	74	45	63	92
Construction	2	1	1	2	75	45	54	85
Electronics	4	0	-2	2	83	39	75	118
Energy	1	2	0	0	51	41	25	34
Household Equipment	2	1	-1	0	64	44	67	87
Machinery & Equipment	3	-1	-2	2	83	48	82	117
Metals	2	0	1	3	62	39	71	93
Paper	2	1	3	4	62	41	49	70
Pharmaceuticals	2	0	2	3	68	33	68	103
Retail	2	0	2	4	23	36	48	34
Services - Financials	8	4	4	9	44	28	34	49
Hotels/restaurants/tourism	-1	-1	-1	0	21	21	13	13
Other B2B services	3	0	0	3	58	33	28	53
Other B2C services	1	0	-1	0	38	21	14	30
Software & IT services	3	1	1	3	66	28	18	56
Textiles	2	1	3	4	52	34	80	98
Transport	1	0	1	2	39	27	14	26
Transport Equipment	11	0	5	16	87	52	83	118
All sectors	2	1	0	2	62	39	54	78

WESTERN EUROPE	2024 changes				Q4 2024 level			
	DSO	DPO	DI	WCR	DSO	DPO	DI	WCR
Agrifood	5	1	6	10	40	42	51	48
Automotive	-3	-2	0	0	50	49	51	52
Chemicals	5	2	0	4	56	43	69	82
Commodities	-2	1	-1	-3	76	52	65	90
Computers & Telecom	4	0	5	9	60	44	57	72
Construction	-2	2	6	3	63	53	48	58
Electronics	3	2	3	4	75	38	74	112
Energy	0	-4	-1	3	64	47	27	44
Household Equipment	1	2	2	2	51	40	65	76
Machinery & Equipment	2	1	-1	0	64	41	77	100
Metals	-1	0	1	0	45	39	80	86
Paper	-3	-2	0	-2	51	46	70	75
Pharmaceuticals	3	-1	5	10	62	34	70	98
Retail	0	2	5	3	21	43	52	30
Services - Financials	17	5	6	17	49	33	50	66
Hotels/restaurants/tourism	-8	-7	-6	-7	27	28	22	22
Other B2B services	7	0	-6	1	66	43	33	55
Other B2C services	0	6	0	-6	46	35	11	23
Software & IT services	3	-2	3	8	69	32	11	48
Textiles	7	-2	-8	1	34	43	90	82
Transport	2	1	1	1	32	26	10	16
Transport Equipment	13	2	14	25	89	58	81	112
All sectors	2	0	1	4	56	41	52	67

APAC	2024 changes				Q4 2024 level			
	DSO	DPO	DI	WCR	DSO	DPO	DI	WCR
Agrifood	1	-1	-1	2	42	31	51	61
Automotive	2	0	0	2	61	50	60	71
Chemicals	2	-1	-1	2	65	39	61	87
Commodities	6	1	1	8	81	41	19	59
Computers & Telecom	3	1	1	0	76	46	65	95
Construction	1	1	1	1	82	47	53	87
Electronics	5	1	1	2	89	42	77	124
Energy	2	2	2	1	51	44	27	34
Household Equipment	3	1	1	1	69	46	66	89
Machinery & Equipment	3	-2	-2	2	89	52	84	121
Metals	2	-1	-1	3	67	40	70	97
Paper	2	0	0	3	65	39	45	70
Pharmaceuticals	5	2	2	6	72	34	72	109
Retail	3	0	0	4	25	36	46	34
Services - Financials	2	-3	-3	4	46	24	27	50
Hotels/restaurants/tourism	1	0	0	2	21	21	14	13
Other B2B services	4	1	1	4	56	31	26	51
Other B2C services	3	0	0	3	33	18	15	29
Software & IT services	3	1	1	2	66	27	19	58
Textiles	2	1	1	4	53	34	80	98
Transport	1	-1	-1	2	42	28	15	29
Transport Equipment	20	1	1	22	106	63	89	131
All sectors	3	0	0	2	66	40	56	82

US	2024 changes				Q4 2024 level			
	DSO	DPO	DI	WCR	DSO	DPO	DI	WCR
Agrifood	1	-1	-4	-2	31	30	53	54
Automotive	0	1	0	-1	36	38	62	60
Chemicals	2	-2	1	5	47	32	62	77
Commodities	0	-1	-1	0	55	40	17	33
Computers & Telecom	-3	1	-5	-10	60	34	63	89
Construction	1	0	-2	-1	49	26	52	76
Electronics	0	0	-4	-5	64	29	66	101
Energy	1	1	1	1	48	35	25	38
Household Equipment	-1	0	-7	-8	45	28	67	84
Machinery & Equipment	2	0	-2	1	64	28	68	104
Metals	0	2	5	3	52	32	66	85
Paper	1	1	-1	-1	44	34	42	52
Pharmaceuticals	-2	-2	-5	-4	57	26	56	87
Retail	2	0	1	3	13	25	53	41
Services - Financials	2	5	3	-1	41	28	45	59
Hotels/restaurants/tourism	-2	-1	0	-1	18	14	9	13
Other B2B services	-7	-8	-8	-7	59	29	33	62
Other B2C services	0	2	0	-2	35	17	13	31
Software & IT services	2	-2	-3	0	64	27	22	59
Textiles	-1	1	-6	-8	44	28	68	83
Transport	0	0	-2	-2	29	21	17	25
Transport Equipment	3	2	4	5	65	32	74	107
All sectors	-1	0	-2	-2	49	29	50	70

Methodology

Our computation of DSO, DPO, DIO and WCR is based on the financials of listed firms as available on LSEG for 35 countries i.e., 45,000 firms representing over USD40trn of turnover in 2024.

We focus on companies that have released an extended and detailed version of their financials (i.e., operating/financial results + balance sheets) for each period of reference (quarter, year) in order to have a stable universe, with annual changes resulting from the computation of the succession of quarterly changes, and with annual level and dispersion data showing the last quarter (Q4 2024).

All figures are as of 3 June 2025, including data from previous years and quarters, notably for 2023 for which more data have been released since our previous report which explains the difference with past results.

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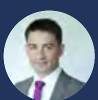

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About Allianz Research
Allianz Research encompasses Allianz Group Economic Research and the Economic Research department of Allianz Trade.

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