

Late payment proposal creates €150 billion financial gap in retail and wholesale alone

EuroCommerce, the European association representing retailers and wholesalers, [wrote yesterday to the Presidents](#) of the European Commission, Parliament and Council to express serious concerns over [the draft Late Payments Regulation](#), introduced by the Commission just last month, whose impact will be disproportionate and dramatic if the proposal is not seriously reconsidered.

EuroCommerce President Juan Manuel Morales highlighted the sector's concerns: *"The Commission's proposal goes far beyond addressing late payments by drastically limiting payment terms. This will reduce retail and wholesale's flexibility and capacity to invest and will create a financial gap of up to €150 billion. It will be an immense problem for large companies. But even worse, it will hurt the millions of SMEs that contribute to our local communities."*

EuroCommerce Director General Christel Delberghe said: *"Given our sector's footprint, its impact goes far beyond retail and wholesale, affecting Europe's economic resilience, consumer prices and choice, and fair competition with non-EU based online intermediaries. We are asking EU institutions not to rush this and seriously reconsider the proposal to ensure we can address late payments without interfering with the freedom to negotiate payment terms."*

The draft Regulation goes beyond its intent to address late payments (breach of contract) and is in fact an absolute restriction of freedom to negotiate payment terms beyond 30 days. No EU country has rules that are as drastic. Countries with stricter requirements, such as the Netherlands, have some form of derogation or flexibility in place.

The measure is being presented as much-needed support for European SMEs, but to the contrary, it will massively benefit large suppliers, many of whom are global players established outside the EU (e.g. consumer electronics, apparel, beauty products & cosmetics, etc.). As well as giving advantages to online players, often established outside the EU, who only intermediate sales with consumers in the EU. Removing the negotiation of payment terms will make it more difficult for European SMEs to cope with the crisis, limit what they can offer consumers and deter new business avenues or shops opening in the first place.

Retailers and wholesalers negotiate payment terms so that distributors can start selling to consumers before having to pay suppliers. This enables the most popular products and alternatives to be offered side by side and ensures retailers can provide consumers with a wide choice of products at affordable prices, by spreading out when suppliers are paid back for each. It also enables wholesalers to support their business customers by providing credit and flexibility for the operation of their businesses.

[EuroCommerce has quantified](#) the extra liquidity retailers will need to fill the financial gap the Regulation would create in Europe. This will be in the range of EUR€ 100-150 billion – between the GDP of Hungary and Slovakia.

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***EuroCommerce** is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 27 countries and 5 million companies, including leading global players and many small businesses. Over a billion times a day, retailers and wholesalers distribute goods and provide an essential service to millions of business and individual customers. The sector generates 1 in 7 jobs, offering a varied career to 26 million Europeans, many of them young people. It also supports millions of further jobs throughout the supply chain, from small local suppliers to international businesses. EuroCommerce is the recognised European social partner for the retail and wholesale sector.*

Leena Whittaker, Director for Competitiveness at EuroCommerce, stressed: “[A hearing in the European Parliament on 25 October](#) exposed economic and legal questions in the Commission proposal that policymakers need to consider. We urge policymakers to take into account the complexity of the impact of a simple solution, to a complicated problem - which the current legislative schedule does not allow.”

The retail and wholesale sector represents one in five businesses in total and one in four SMEs in Europe – it is Europe’s largest private employer and a major contributor to local communities. The negative impact on the economy, the resilience of supply chains and the role the sector plays in society will be dramatic, says EuroCommerce. It will also have serious consequences on both SMEs and large companies’ ability to invest in the sustainability, digital and skills transition of the sector, which [McKinsey estimates is in the order of € 600 billion](#) between now and 2030.

Notes to the editor.

EuroCommerce also published a short summary paper on this issue: <https://www.eurocommerce.eu/app/uploads/2023/11/2-pager-on-late-payments-november-2023-final-clean.pdf>

The current timeline of this legislation is the following:

12 September 2023: The European Commission presented its draft regulation

2 October 2023: European Parliament appoints Róza Gräfin von Thun und Hohenstein (PL/ Renew), as rapporteur for the IMCO committee on this file.

25 October 2023: IMCO hearing.

4 December 2023: the IMCO calendar anticipates a draft report. <https://www.europarl.europa.eu/legislative-train/theme-a-europe-fit-for-the-digital-age/file-late-payments-directive-revision> and [IMCO timetables - January 2022 \(europa.eu\)](#)

12 December: deadline for amendments.

24 January 2024: deadline for compromise amendments.

22 February 2024: a vote in the IMCO committee.

April 2024: a vote in the Plenary.

The Council held a first discussion on 12 October, and the Spanish Presidency is scheduled to have one further meeting at the end of November.

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