

# Informita News

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## Tariffs are back

For those of you who don't remember, the last time the United States dramatically increased tariffs was as a result of the Smoot-Hawley Tariff Act of 1929. While there was a dramatic decrease in the volume of imports to the US, exports contracted by a similar amount and inflation went crazy as the American consumer ultimately paid the price. The economy fell off a cliff. In the next four years, GNP fell by half making the Depression so much worse. President Trump seems to think that he knows better than more than 90% of the world's economists and historians. Maybe he is right, but we are in for a big rollercoaster in international trade in the coming months and years as the trade wars commence at a furious level. For example, we saw that as a result of COVID-19, many companies realised that they were over-reliant on single-source supply chains originating in China and took steps to diversify their procurement routes afterwards. It demonstrated that corporations will always respond to geo-political events so that they can continue to do business. Will there be less foreign products being sold in the United States? Very probably. But there will also be dramatic falls in exports of all kinds from the United States and very likely Chinese and European manufacturers will be waiting to fill those gaps. 33% of US exports go to Canada and Mexico. In most cases, these are exports of semi-manufactured goods from the US such as car parts to assembly plants where US companies take advantage of the lower labour rates (particularly in Mexico) and the US consumer benefits from cheaper prices for everyday goods. The US consumer then has more disposable income to spend on other things which could be foreign imports, but could also be local services such as dining in a restaurant. Apart from the supply chain disruption that is now on the way, it also means that interest rates will be much higher for much longer. Tariffs will increase US inflation and keep pressure on the US Federal Reserve to keep US interest rates high. That will have the effect of keeping other countries' interest rates high to stop large capital flows going out of their economies. So we will all suffer from a much higher cost of capital than otherwise would have been the case. All this is very bad for working capital across the planet. Supply chain disruptions that we thought we a thing of the past will continue for many years and many businesses will continue to be starved of cash as interest rates stay high and banks price for the higher risk of the global market. For those of you who are feeling comfortable after reading this, remember the old adage that those with cash have choices. It is equally true that those without cash will have to do a lot of things that they would prefer not to do. Today's choice is about taking mitigating action to protect yourself from these negative changes or you can hope for the best. If you decide to hope for the best, we wish you the very best of luck.

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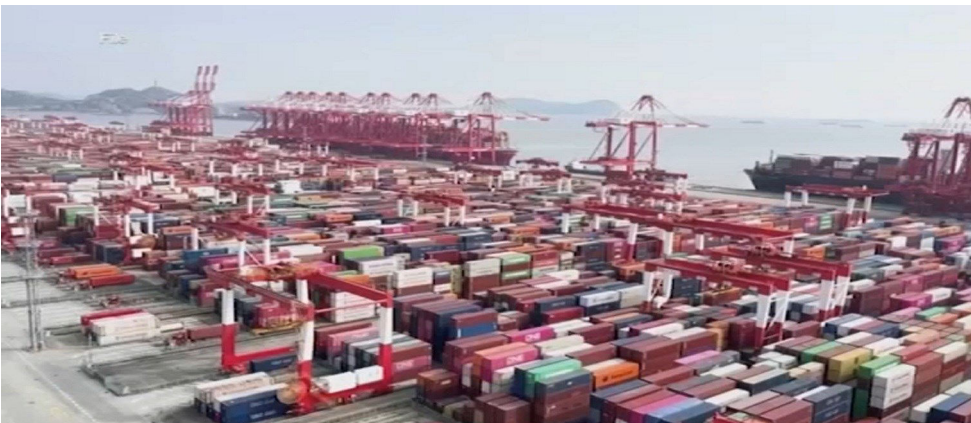
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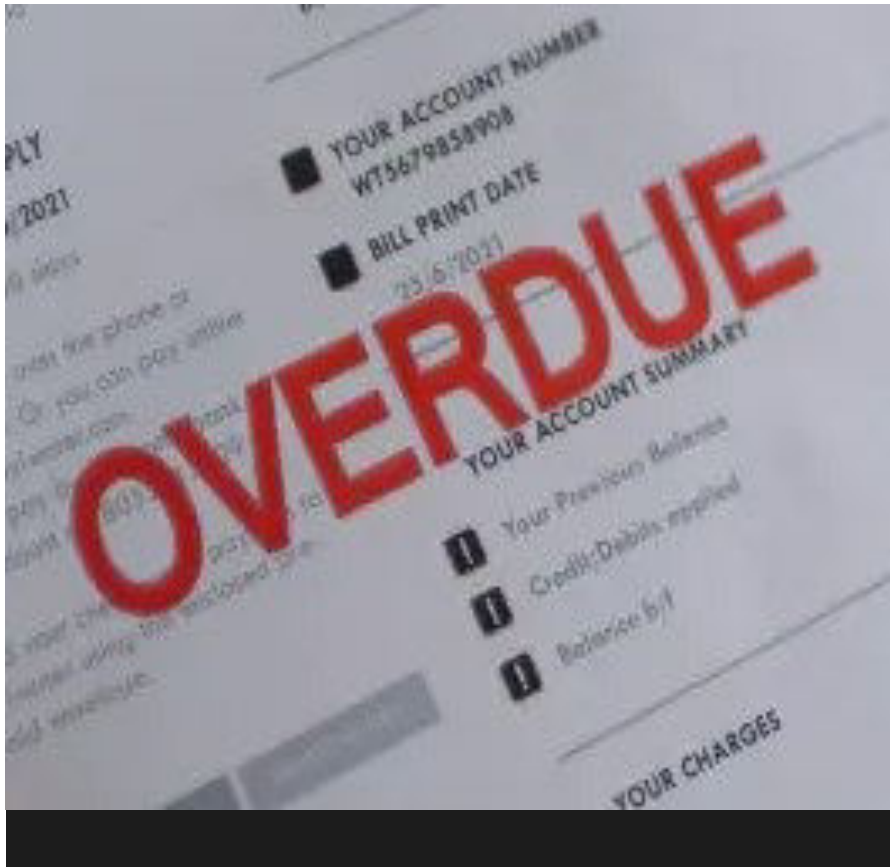
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## Critical Overdues

Real or Fake?

It has happened a number of times over the years that we have found an accounts receivable report with a key indicator called “critical overdues”. Naturally, you might ask when do overdues become critical? Our argument would be that overdues are critical from the very moment they become overdue. Apparently, not everyone agrees. Most usually, critical overdues exclude that portion of customer debt that has become overdue in the past 7 days. Although we have seen situations where up to 30 days of overdues can be excluded, the practice is delusional. The aim of any accounts receivable department is to collect every penny that is due by the due date. You might even succeed in collecting some monies ahead of the due date. When we see critical overdues on a report, it usually indicates that the collectors only chase debt once it is overdue. Given that the largest proportion of overdues is in the 0-7 day bucket, this represents a very large missed opportunity. Not being proactive is very expensive in cash-flow terms. It does not mean that every single customer needs to be called ahead of the due date. Many customers are simply too small to make the call worth the hassle. There are other more automated techniques to be applied to smaller customers. Your own data will tell you those larger customers who regularly pay late. Calling them earlier in the cycle gives the opportunity to resolve any disputes that may exist and show that your company is “on the ball” when it comes to collecting debt. This will vastly increase the likelihood of on-time payment. The technique is not new, so it is surprising how many companies still do not do proactive collections. The good news is that there is potentially a lot of cash on the table for many companies. Does anyone feel like cashing in?

## TermsCheck Update

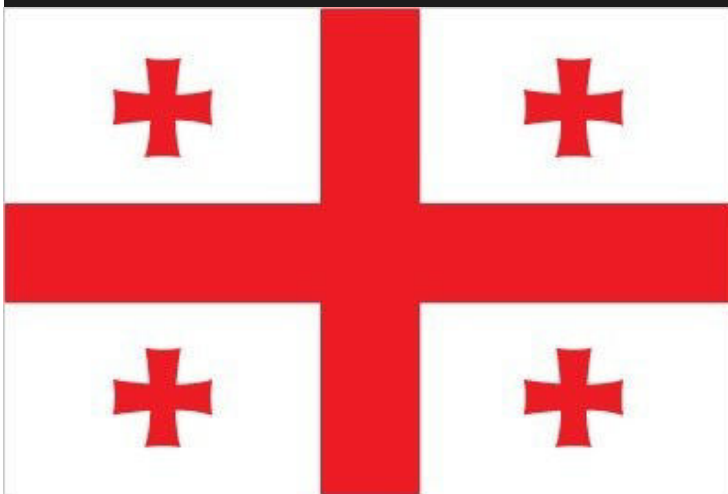
When we started Term-sCheck back in 2014, we really had no idea how popular an offering it would be for our clients. It continues to be a unique source of payment term benchmark data whether you want to look at individual companies on the database, industry sectors or countries. The information has been used countless times to help evaluate working capital opportunities and to assist in direct negotiations on new contracts. In 2025, we are hoping to revolutionise how TermsCheck will work. We want to enable two things that are different from the current offering. Clients will be able to get the answers to their queries directly from the website and you will be able to upload data directly to the website. There will still be the capability to complete the custom queries we do today. The new Term-sCheck will allow for easier access to our data, making the query process almost instant. By allowing data to be directly uploaded via the website (after a number of integrity checks), we will also be able to vastly increase the size of the database from its current 1.2 million data points. So watch this space for developments throughout this year.



# Procurement Data

Is there much new going on?

Any procurement professional will tell you that it is very difficult to do good deals with suppliers in the absence of quality information. These days we are bombarded with marketing from software suppliers telling us that their product is the panacea for all procurement ills. This is not and never has been true. Good software can make reporting on quality data much easier, but there are numerous problems that software will never solve. The first is the lack of line item detail. This happens because suppliers present summary invoices or because there is no purchase order process that details the goods and services supplied. Many go through lengthy programmes to force purchase order usage when the short-term answer is to look at invoice details and do good research. Some things will never change.



## Georgia: Where next?

Since the collapse of the Soviet Union, Georgia transitioned to a fully open western style democracy and is now sliding toward Russian controlled oligarchy. Present-day Georgia was one of the earliest cradles of human civilisation. One legacy of this period is the fact that so many of us enjoy wine. Some of the very earliest wines were made in Georgia thousands of years ago. The other side of Georgian history is that it has spent centuries in the middle of competing economic and political interests all the way back to wars between the Byzantines and the Persians. Georgia has always been an international crossroads for trade between all these competing powers and has a well-educated population to take advantage of this position. But without political stability, Georgia will probably continue to lurch from one crisis to the next.

## Ukraine: Mineral Control

Foreign Policy Magazine found that Ukraine holds “commercially relevant deposits of 117 of the 120 most-used industrial minerals across more than 8,700 surveyed deposits”. This includes Europe’s largest reserves of lithium, 20% of the world’s known reserves of graphite and rare earth elements such as lanthanum, cerium, neodymium, erbium, yttrium and scandium. If you want to make EVs, wind turbines or microchips that run AI applications you need to have a steady supply of these essential minerals. And we are continually told that the controller of these resources and technologies will be the economic winner of the 21st Century. The Ukrainian government has known all this information for several years and is now using these minerals as a bargaining chip to secure the independence and sovereignty of their country. So who will control these resources in the coming decades? It could be Russia, the United States or the European Union. Or it could even be Ukraine. Whatever the answer, it would suggest that in the brutal world of geopolitics, greed could be the route to peace.



## Early Payment

Is it really necessary?

Why do we pay invoices early? There are some legitimate answers. Maybe we got an unexpected discount. Maybe the supplier refused to supply us unless they got early payment. Maybe it is an important tax bill. Maybe the due date in our accounting system is wrong. Unfortunately, there are many other reasons why early payment happens which is largely down to loose internal controls. Many people do not care about early payment because the company seems to have plenty of cash, it doesn't belong to them and they just don't care enough about it. You could be pretty sure that if it was their own money, they wouldn't pay anyone early. But we keep seeing this bad practice happen at almost all companies in every sector and every country. The answer is to have a simple, controlled process. There will be occasions when it is right and proper to pay something before the due date on your accounting system and there should be provision for this eventuality. The normal thing is to ensure that early payments can happen, as long as they are properly authorised by a different person than the requisitioner and by someone of the right level of authority in finance. Otherwise, there is a danger of letting the fox play in the henhouse. Never a good idea. The unexpected bonus is often the significant amount of cash flow that can be gained.



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# *Informita*



Website: [www.informita.com](http://www.informita.com)

LinkedIn: [@informita](https://www.linkedin.com/company/informita)

Email: [brian.shanahan@informita.com](mailto:brian.shanahan@informita.com)

Phone: +351-911556662