

Message from the FECMA President



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We are experiencing the worst pandemic in recent history. Covid-19 has effected more than hundred countries by now with China, Italy, USA and Spain currently suffering most and with the medical authorities still fear the worst and are uncertain of what might happen.

To-date, Covid-19 has indeed effected almost all countries with more than 300,000 reported cases, more than 13,000 deaths and less than 100,000 recoveries. This is a truly health emergency that each and every one of us should take seriously and strive to observe any instructions, guidelines and recommendations from our Health Authorities. Allow me here to thank wholeheartedly all the people working in hospitals and health centres who are risking their lives to protect us and take care of our good health.

This pandemic is not only having an impact on our health but also on our economies, as it could not have come at a worse time for the world economy, already waiting for a recession. Economists predict that the US economy will contract by around 15% in the second quarter of this year and the Europe Euro-Area GDP will suffer an even deeper contraction.

With a number of people contracting the virus, others observing quarantine, forced leave for employees enforced by a number of organisations, imposed lockdowns and travel bans by governments are all contributing to an economic fiasco. The International Labour Organisation estimates that this pandemic will terminate up to 25 million jobs and according to the United Nations Conference on Trade and Development (UNCTAD), it will likely cost the global economy between \$1 trillion and \$2 trillion in 2020.

Certain industries are being severely impacted more than others! The collapse in air travel demand brought on by these severe travel restrictions and the reluctance of travelers to fly has the potential

to materially reshape the global aviation more significantly than the events of September 11th. The hospitality industry is also on its knees and a number of hotels has closed their doors. All this will have a ripple effect on the global trade and commerce.

Only businesses with a strong balance sheet and a healthy cash flow will survive this storm and the credit management practitioners have once again an important role to play in these challenging times by helping their businesses to endure this challenge which is not at all easy.

Credit worthiness analysis, not only on prospective customers but also on existing ones, should be a critical exercise in order to mitigate risks associated to credit and to minimize over-exposure by trade debtors.

Good credit management practices should be observed and effective collection techniques should be deployed to ensure sound cash flow in order to help business organisations cope with and confront such a storm.

It is time for Company Directors, business owners and top management teams to acknowledge the importance of the role of the credit practitioners more than ever before. The people working in the field of credit are managing one of the largest liquid assets of business organisations, which represent on average 40% of the total assets – ‘*Accounts Receivable*’. The credit practitioners are also instrumental to maintain good business relationships with customers which is fundamental in these difficult economic times to understand and satisfy their needs profitably.

It is also commendable for the credit practitioners to join Credit Management Associations. This would assist in providing them with the proper guidelines and direction, networking with their peers in other organisations and industries and learning from each others’ experiences and good practices.

We are in all this together and we should strive to contribute with our experience and knowledge to face this tough storm ahead of us. There will be light at the end of the tunnel, irrespective how long the tunnel may be, but we should work diligently and monitor the current situation on a daily basis. We should follow good credit management practices vigorously and collaborate more with our colleagues to ensure better customer service and to secure more profitable sales.

Let’s take this opportunity to put our house in order and deploy proper credit management processes and procedures within our business organisations. Let’s strive to get tough. Remember that as the saying goes... ‘*When the going gets tough, the tough gets going*’!

Josef Busuttil

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