News release

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**Businesses are sitting on a potential €3.7 trillion of free cash**

* Companies struggling with levels of working capital as they see a 2% rise globally.
* But European companies showing an improving trend as correlation between working capital and GDP is found.

PwC’s latest analysis has found that working capital levels have increased by almost 2% globally year on year and that if companies took action to handle their working capital more effectively, they could release some €3.7 trillion in cash from their businesses. This would equate to an average of 11% of turnover by company.

Robert Smid, Head of Working Capital practice, PwC said:

“While the pursuit of growth remains vital for companies, working capital and cash flow management has become a primary focus. This reflects the difficult economic environment which has put companies under pressure to manage their liquidity as effectively as possible.”

“Some businesses tried to ride out the storm, relying on the good will of suppliers and lenders, whilst others have taken the opportunity to take decisive action to reduce working capital. Those businesses that have taken short term measures to shore up their balance sheets must now explore ways of implementing sustainable changes to business practices that will make them leaner and fitter to weather this ongoing period of uncertainty.”

“If companies can take this approach, a staggering €3.7 trillion of cash from working capital could be released globally. European companies could release a total of €997 billion or €370 million on average by company. For the Americas this equates to €1,248 billion and €300 million respectively. For African, Asian and Australasian companies the numbers are €1,511 billion in total and €170 million on average.”

The PwC working capital survey, which analyses the accounts of 15,763 publicly listed companies across the world, also found that 13 out of 21 country clusters have actually shown a reduction in working capital levels. European companies are showing an improving trend which highlights a correlation between GDP and working capital.

Andrew Sentance, Senior Economic Adviser, PwC said:

“Whilst American and Asian companies have seen their working capital increase, European countries have shown an improving trend. This highlights the correlation between GDP and working capital; countries experiencing the highest increases in GDP have also seen the greatest increases in working capital.”

“With availability of debt funding still tight and banks under continual pressure to protect their assets, it is likely that funding will continue to be difficult to obtain for the foreseeable future. Relatively low growth and economic volatility are also likely to persist through the mid- 2010s. This highlights the need for working capital management to remain high on the corporate agenda, so that companies can tap the cheapest source of cash.”

The survey also found that globally the highest levels of working capital are seen in Pharmaceuticals and Manufacturing, driven by both high levels of inventory and debtors. At the other end of the scale, Retail, Telecoms and Oil and Gas show the lowest levels of working capital.

**ENDS**

**Notes to Editor**

To download the full report, please go to <http://www.pwc.com/en_GX/gx/financial-services/publications/global-working-capital-annual-review.jhtml>

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