

Atradius Payment Practices Barometer 2023

Key trends for B2B payments and cash flow

Eastern Europe

Cash flow struggle amid rise
in B2B late payments





About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times. However, the survey also has a strong focus on the challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

We believe the results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for Eastern Europe. Markets surveyed: Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey.

Insights into topics by country and local sectors can be found in the country reports that form the 2023 edition of the survey for Eastern Europe.

The survey was conducted between the end of Q1 and mid Q2 2023, and findings should therefore be viewed with this in mind.



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B2B payment trends and cash flow

Cash flow struggle amid rise in B2B late payments

Our survey found a steady trend for B2B sales transacted on credit across the markets polled in Eastern Europe. These now average 45% of all B2B sales, and reveal a risk-averse approach to selling on credit in the current uncertain economic climate, with 55% of sales made on cash. The conditions of domestic and export demand in each market contribute to the overall picture, but particular influences were probably an evident weakening of businesses and household purchasing power and the strength of local Eastern Europe currencies. Companies polled across Eastern Europe also adopted a more stringent payments policy. Payment terms granted to B2B customers now average 40 days from invoicing, down from 42 days last year. In contrast, payment terms offered in the Czech Republic and Turkey were much more liberal.

During the past 12 months, late payments increased for companies polled in Eastern Europe, causing cashflow and liquidity worries. An average 7% increase in overdue B2B invoices was recorded in our survey, and these now affect 46% of the total value of B2B sales on credit. This upward trend, particularly evident in Poland, Hungary and Bulgaria, tallies with the finding that nearly 40% of businesses polled in Eastern Europe experienced a worsening of B2B customer payment behaviour during the past year. Various reasons were expressed for late payments. 57% of companies, particularly in Poland, cited temporary liquidity shortfalls. Invoice disputes were another cause, particularly for companies polled in Bulgaria, while businesses in the Czech Republic, Slovakia and Hungary said it was most often due to B2B customers facing insolvency proceedings.

Cash flow issues signalled by long waits for payment were evident in 68% of companies polled across Eastern Europe telling us that Days-Sales-Outstanding (DSO) either worsened or did not change, from an already high figure, during the past year. Businesses in Poland were most affected by DSO deterioration, although some companies in the region said large swings of DSO had been contained chiefly thanks to a shortening of payment terms. Bad debts were almost stable, affecting an average 5% of all B2B sales made on credit by Eastern Europe businesses, compared to 6% a year ago. Companies polled in Slovakia were most affected by bad debts, chiefly due to insolvency proceedings faced by B2B customers. Businesses polled across Eastern Europe said they tried to keep liquidity in-house as much as possible, and one popular measure to get short-term finance was requesting trade credit from their suppliers.

Other actions were taken to avoid liquidity constraints due to customer credit risk. 41% of companies polled in Eastern Europe spent more time and resources on chasing unpaid invoices, which incurred higher credit risk management costs, while one-third of businesses told us they delayed payments to suppliers, or delayed paying bills and staff.

Key survey findings

- A risk-averse approach to selling on credit in B2B trade, among companies in Eastern Europe, was evident in our survey. An average 45% of all B2B sales were transacted on credit, a steady trend from last year. This also reflected the strength of local currencies and the fact that household businesses purchasing power was dented by inflation.
- There was a more stringent payments policy across Eastern Europe. Payment terms for B2B customers stand at an average 40 days from invoicing, down from 42 days a year ago. The Czech Republic and Turkey bucked the trend with more liberal terms. The cost of seeking external finance was one key factor in determining payment terms.
- Our survey found a 7% increase in overdue invoices for companies polled in Eastern Europe. Overdue invoices now affect an average 46% of all invoiced B2B sales, while 40% of businesses told us they experienced worsening B2B customer payment behaviour during the past 12 months, particularly in Poland.
- The long waits for payment resulted in cash flow issues for many companies across Eastern Europe. 68% of businesses told us that Days-Sales-Outstanding (DSO) either worsened or showed no change from an already high figure during the past 12 months, with Poland again especially affected. Bad debts were almost stable at 5% of all B2B sales on credit. Slovakian companies the hardest hit by bad debts arising from B2B trade on credit.
- 41% of companies polled in Eastern Europe said they spent more time and resources on chasing unpaid invoices than last year, and this resulted in higher credit risk management costs. To get short-term finance and avoid liquidity bottlenecks many businesses requested trade credit from suppliers.
- In-house retention and management of customer credit risk was the preferred option of 64% of companies polled across Eastern Europe. The appetite for a strategic approach involving credit insurance remained stable during the past year, while letters of credit continued to be widely popular among companies polled across markets in Eastern Europe.

These measures were mostly taken within the frame of in-house retention and management of customer credit risk. 64% of companies polled took this approach, while many also used letters of credit as a guarantee of payment. The appetite for strategic credit risk management involving credit insurance remained stable during the past year, a signal that companies surveyed acknowledge its value.

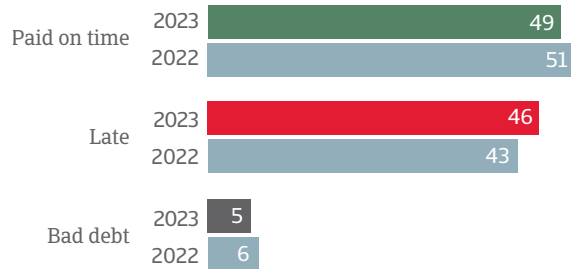
Key figures and charts on the following pages



Eastern Europe

Eastern Europe

% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)

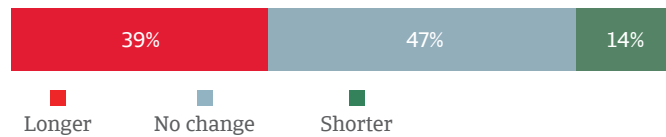


Sample: all survey respondents

Source: Atradius Payment Practices Barometer Eastern Europe – 2023

Eastern Europe

% of respondents reporting changes in payment duration* over the past 12 months



*average amount of time to get paid from B2B customers

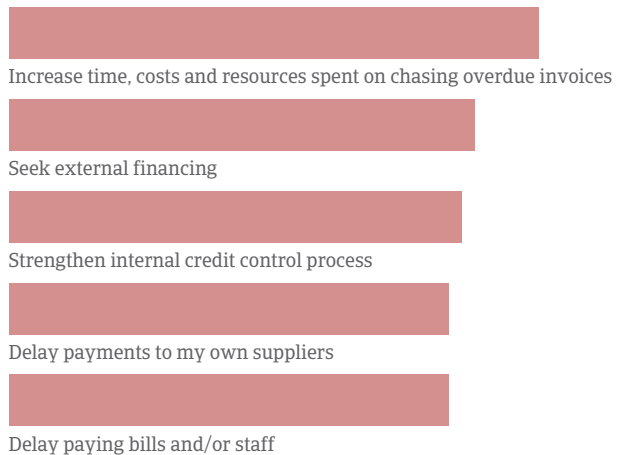
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Eastern Europe – 2023

Eastern Europe

Measures put in place to minimise cash flow problems due to payment default of B2B customers

(% of respondents - multiple response question)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer Eastern Europe – 2023

Survey question

What are the main sources of financing that your company used during the past 12 months?

- 46% Trade credit
- 44% Bank loans
- 36% Equity capital
- 27% Internal funds

*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer Eastern Europe – 2023

Looking ahead

Companies worry about inflation and payment behaviour of B2B customers

The negative impact of continued high inflation on the business environment is the major concern expressed by companies polled across Eastern Europe for the year ahead. They are worried it will have long lasting repercussions on industrial activity, particularly reported by businesses in Romania and Turkey. A further weakening of demand is another anxiety expressed amid reduced household consumption and waning export flows. Our survey found various peculiarities across the markets polled in Eastern Europe. For example, companies in Poland are more worried than their peers across the markets surveyed about pressures in the labour market, which suffers from significant workforce shortages and difficulty in finding skilled staff.

Cautious confidence was found about the outlook for demand among companies polled in Eastern Europe. 55% of businesses told us they anticipate a gradual recovery of demand amid signs of increased consumer confidence, which could lead to a return of sales growth during the coming months.

Companies in Turkey expressed particular optimism, but there was more negativity in Hungary. In contrast, far fewer businesses across the region are positive about the prospects for profit margins. Only 39% of companies polled expect an increase, while 61% anticipate either no change or a decrease in profit margins, especially companies polled in Poland and Hungary that have a rather negative outlook on this.

Furthermore, our survey found a high degree of scepticism about any improvement in B2B customer payment behaviour in the year ahead. 67% of companies polled in Eastern Europe expect no change or a worsening of payment behaviour, particularly expressed in Bulgaria and Poland. 33% of businesses reported more optimism, especially in Turkey and the Czech Republic. Greater confidence was found about the prospects for Days-Sales-Outstanding (DSO), with 79% of companies polled in Eastern Europe anticipating no change or some improvement, enabling speedier collection payment. 21% of businesses expect deterioration of DSO, which could result in cashflow issues, a particular concern in Bulgaria and Poland that tallies with companies' negative outlook on B2B payment behaviour for the coming months.

49% of companies polled across Eastern Europe told us they will continue with in-house retention and management of customer credit risk. This was especially reported by companies in Poland and Slovakia, and involves setting aside cash to cover payment defaults from B2B customers.

Key figures and charts on the following pages

Key survey findings

- The threat to business operations posed by persistent inflation remains the major concern of companies polled across Eastern Europe. This is a major worry for companies polled in Romania and Turkey. Waning demand is another concern for many companies in the region, while companies in Poland expressed anxiety about significant labour shortages.
- Our survey found some confidence about a gradual recovery of demand in the year ahead, with 55% of companies polled, particularly in Turkey, telling us this. 45% of businesses anticipate no change or a decrease in demand, with Hungary the most pessimistic.
- Less optimism was expressed about the outlook for profit margins. 39% of companies polled said they expect an increase in profit margins, again especially in Turkey. However, 61% anticipate no change or a decrease, with negativity in Poland and Hungary.
- Widespread pessimism among companies polled in Eastern Europe was found concerning the prospects for B2B customer payment behaviour during the coming 12 months. 67% of companies polled expect no change or a worsening, while just 33% expect an improvement.
- 79% of businesses surveyed across Eastern Europe believe there will be no significant change or improvement in Days-Sales-Outstanding (DSO) during the year ahead. 21% of companies expect a deterioration of DSO and potential problems for cashflow, particularly in Bulgaria and Poland.
- In-house retention and management of customer credit risk will be the preferred option during the coming months for 49% of companies polled in Eastern Europe. 20% more businesses than last year said they will consider taking up credit insurance.

One potential downside to this approach is whether there will be enough reserves to absorb the hit of a large write-off, which could threaten business survival. This may explain why 20% more companies polled than last year said they would consider taking up credit insurance during the coming 12 months to protect against the impact of defaulted receivables and also free up cash for business operations.

Insights into topics by country and local sectors can be found in the country reports that form the 2023 edition of the Payment Practices Barometer survey for Eastern Europe, available for download at www.atradius.com (Publications/Payment Practices Barometer).



Eastern Europe

Eastern Europe

Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

(% of respondents)

Sales



Profit margins



■ Improve ■ No change ■ Deteriorate

Sample: all survey respondents

Source: Atradius Payment Practices Barometer Eastern Europe - 2023

Eastern Europe

Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



■ Improve ■ No change ■ Deteriorate

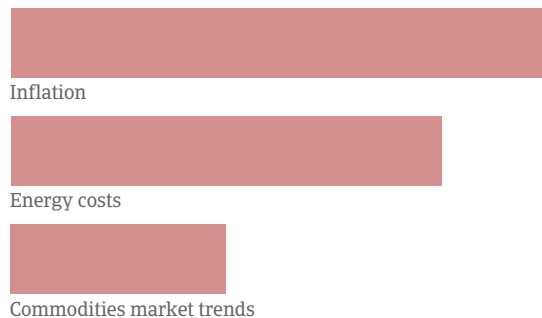
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Eastern Europe - 2023

Eastern Europe

Looking ahead to the next 12 months: top 3 concerns expressed by businesses polled

(% of respondents - multiple response question)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer Eastern Europe - 2023

Survey question

How do you expect your average DSO to change over the next 12 months?

(% of respondents)

38% Improve
41% No change
21% Deteriorate

Sample: all survey respondents

Source: Atradius Payment Practices Barometer Eastern Europe - 2023

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Eastern Europe are the focus of this report, which forms part of the 2023 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 1,540 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Eastern Europe were surveyed, and the appropriate contacts for accounts receivable management were interviewed.
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Markets surveyed:** Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey
- **Selection process:** Companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact, and for quota control, was conducted at the beginning of the interview.
- **Sample:** N=1,540 people were interviewed in total. A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: The survey was conducted between the end of Q1 and mid Q2 2023

Sample overview – Total interviews = 1,540

| Business sector | Interviews | % |
|--------------------------|--------------|------------|
| Manufacturing | 818 | 53 |
| Wholesale | 316 | 21 |
| Retail / Distribution | 211 | 13 |
| Services | 195 | 13 |
| TOTAL | 1,540 | 100 |
| Business size | Interviews | % |
| SME: Small enterprises | 279 | 18 |
| SME: Medium enterprises | 481 | 31 |
| Medium Large enterprises | 559 | 36 |
| Large enterprise | 221 | 15 |
| TOTAL | 1,540 | 100 |
| Agri/Food | 129 | 8 |
| Chemicals | 143 | 9 |
| Construction | 167 | 11 |
| Consumer durables | 76 | 5 |
| Electronics/ICT | 72 | 5 |
| Machines | 157 | 10 |
| Steel/metals | 314 | 21 |
| Textiles/clothing | 68 | 4 |
| Transport | 414 | 27 |
| TOTAL | 1,540 | 100 |

Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the 2023 Payment Practices Barometer of Atradius, available at www.atradius.com/publications [Download in PDF format](#) (English only).

Interested in finding out more?

Please visit the Atradius website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

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To find out more about B2B receivables collection practices in **Eastern Europe and worldwide**, please visit atradiuscollections.com.

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