

Atradius Payment Practices Barometer

Bulgaria

Focus on B2B payment practices
in the agri/food, chemicals
and transport industries



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. The 2022 edition of the Atradius Payment Practices Barometer survey findings for Bulgaria is a valuable opportunity to hear directly from companies in the local agri/food, chemicals and transport industries about how their business operations are coping with the disruptive impact of the current challenging economic and trading circumstances.

Of course, this survey is a snapshot taken in a very volatile economic environment, and the findings should be viewed with this in mind. The survey, which was conducted at the beginning of the last quarter of 2022, is a snapshot of each industry at that time.

Topics covered include: the impact of late or non-payment on the industries polled, the average time it takes to turn overdue B2B invoices into cash, how businesses manage payment default risks related to selling on credit to B2B customers and expected challenges to profitability during the coming months.





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Agri-food

Overview of the key survey findings

Selling on credit decreases as payment terms stable

- Our survey of the Bulgarian agri-food industry found a drop in appetite among companies polled for selling on credit in B2B trade during the past twelve months. Currently, sales transacted on credit amount to 30% of all industry B2B sales, a clear decrease from last year's figure of 36%. This occurred despite 56% of businesses polled saying they did not change their trade credit policy. Companies who pursued a more stringent approach to selling on credit said the key reason was a heightened risk of B2B customer payment default.
- There was a mixed approach to setting payment terms across the Bulgarian agri-food industry in the past year. 40% of companies polled said they made no change, but the remaining businesses either lengthened or shortened terms offered to B2B customers. The chief reason for shorter terms was to minimize the impact of customer credit risk, but payment terms were most often determined by the terms companies received from suppliers. The current payment now stands at a 37-day average, marginally down from 40 days a year ago.

Range of measures helps to reduce level of bad debts

- A slight decrease in late payments by B2B customers was reported by companies polled across the Bulgarian agri-food industry. Our survey found that 31% of all invoiced B2B sales remained unpaid at the due date, compared to 34% last year. Businesses polled said the main reason for payment delays was liquidity issues among B2B customers, as well as bankruptcies. To deal with the issue of late payments, companies adopted a range of measures to maintain cashflow, the most frequent of which was delaying payment to their own suppliers.
- Another measure used across the Bulgarian agri-food industry was to spend significantly more time and internal resources on resolving unpaid invoices. This showed some positive success in containing the problem of bad debts written off as uncollectable. Currently, bad debts stand at 2% of all B2B sales invoiced by the industry, down from last year's 5%. When there was a need to bridge liquidity shortages, companies polled said they requested a temporary increase of their bank overdraft limit, or delayed payment of bills and staff.

Switch to credit insurance amid containment of DSO swings

- Offering discounts for early payments also had a beneficial effect for companies across the Bulgarian agri-food industry during the past year. 56% of businesses polled said this helped to contain swings of Days Sales Outstanding (DSO) and minimize cashflow problems. However, a significant number of companies polled said they experienced a deterioration of DSO, having to wait up to a couple of months beyond the invoice due date to be paid. These companies told us it caused a troublesome worsening of their financial picture.
- All the measures to protect cashflow by companies in the Bulgarian agri-food industry often came within the framework of in-house retention and management of customer credit risk. Nearly half of companies polled said they opted for this credit management policy during the past twelve months, setting aside funds to cover potential losses by defaulting B2B customers. However, many companies polled said this approach had downsides, including the difficulty of keeping enough reserves to absorb a large write-off. This raised interest in a strategic credit management approach involving use of credit insurance.

2023 industry outlook: Inflation and political instability prompt caution

- There were a range of concerns expressed about the year ahead by companies in the Bulgarian agri-food industry, including the pandemic and geopolitical instability, which could threaten a rise of insolvencies. Deep anxiety was also expressed by 59% of businesses polled about the impact of high inflation, and by 49% of companies about potential disruptions caused by political instability in the country. However, 41% of businesses told us they anticipate they will fully pass on rising fuel and energy costs to their end customers in the months ahead.
- The mood about business growth was mixed. 30% of companies polled in the Bulgarian agri-food industry said they had a pessimistic outlook, but 41% of businesses told us they had some confidence for growth in the months ahead. Most companies polled said they do not envisage a wider use of trade credit, but some optimism was expressed about improvement in B2B customer payment behaviour. 43% of businesses said they expect DSO to stabilise, but more than one-third of companies told us they anticipate a struggle for cashflow.

Key figures and charts of the survey can be found on the following pages

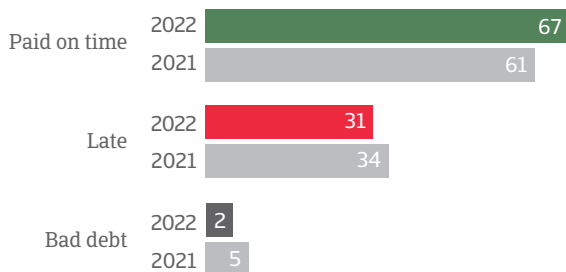


Agri-food

Late payments and cash flow

Agri-food industry in Bulgaria

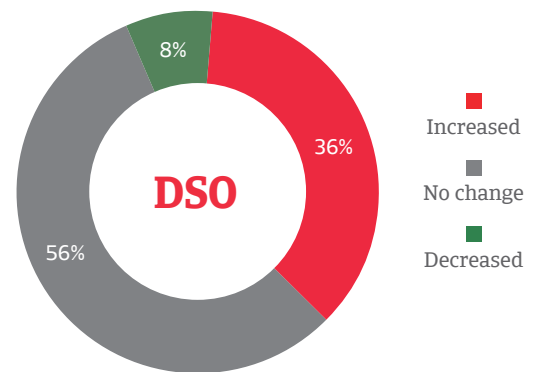
% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2022/2021)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Agri-food industry in Bulgaria

% of respondents reporting DSO changes over the past 12 months

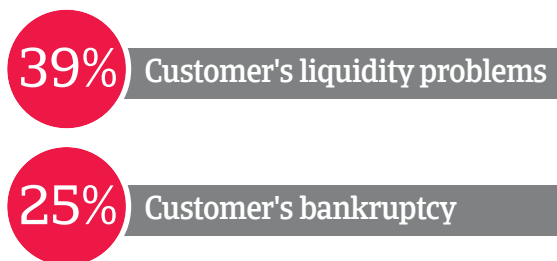


Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Agri-food industry in Bulgaria

Main reasons that B2B customers pay invoices late

(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

SURVEY QUESTION

What measures did you put in place to protect your cash flow against customer credit risk?

- #1 Delay payments to my own suppliers
- #2 Increase time, costs and resources spent on resolving unpaid invoices
- #3 Request a bank overdraft extension





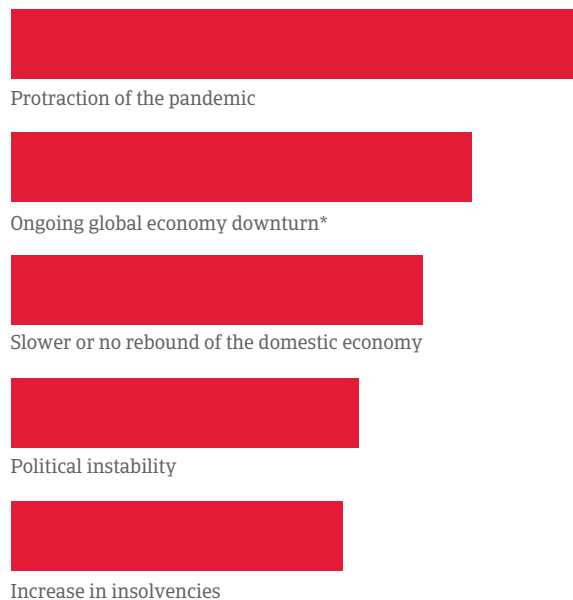
Agri-food

2023 industry outlook

Agri-food industry in Bulgaria

Looking into 2023: top 5 concerns expressed by businesses in the industry

(% of respondents)



* Due to the interplay among higher energy prices, commodity prices surge, inflation, supply chain disruptions and geopolitical tensions

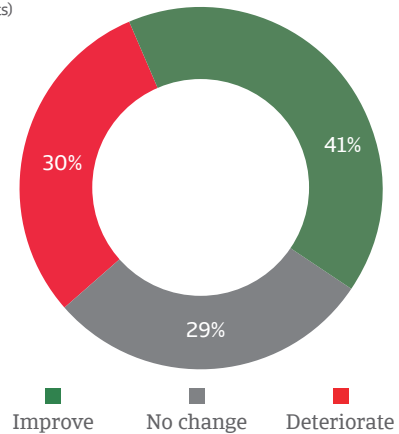
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - December 2022

Agri-food industry in Bulgaria

Looking into 2023: how do you feel about your potential business growth?

(% of respondents)



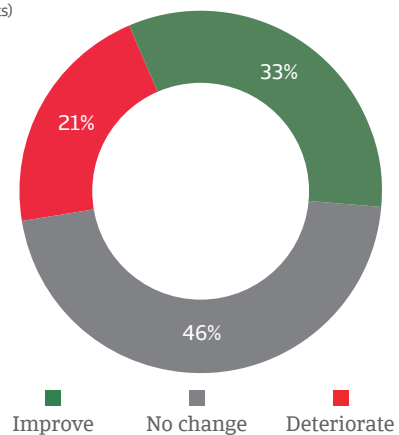
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - December 2022

Agri-food industry in Bulgaria

Looking into 2023: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - December 2022

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

(% of respondents)

26% Improve
43% No change
31% Deteriorate





Chemicals

Overview of the key survey findings

Increase in selling on credit as payment terms trimmed

- A clear finding of our survey of the Bulgarian chemicals industry is a growing appetite for selling on credit in B2B trade. 56% of companies polled said they sold more on credit during the past twelve months. The main reasons given were to attract new customers and to withstand competitive pressures. 25% of businesses polled said they made no change in policy, while 19% sold less on credit because of a heightened risk of customer payment default. Currently, 47% of B2B sales are transacted on credit, compared to 44% last year.
- Concern about exposure to customer credit risk prompted a slight change in approach to setting payment terms for B2B customers by companies across the Bulgarian chemicals industry. Currently, the average payment term in the industry stands at 37 days from invoicing, compared to 40 days a year ago. Only 39% of companies polled, compared to 59% last year, said they extended credit on more liberal terms. As well as worries about B2B customer payment default, another reason for shorter payment terms was the cost of access to external financing.

Strong measures reduce bad debts and stabilise DSO

- There was no significant change during the past twelve months in the proportion of late payments affecting the Bulgarian chemicals industry, with half of all B2B invoiced sales outstanding at the due date. This was largely due to very effective measures taken by companies to maintain enough liquidity in-house to run business operations. Key tactics adopted were dedicating extra time and resources to resolving unpaid invoices, as well as outsourcing collection of long outstanding debts. Bad debt write-offs now stand at 5% of all industry B2B invoices, down from 9% last year.
- A further benefit of the increased collection performance in the Bulgarian chemicals industry was a stabilisation of Days Sales Outstanding (DSO) during the past year. 43% of companies polled said they experienced no change in DSO, and far fewer companies than twelve months ago reported a deterioration. The DSO average across the industry currently stands at 108 days. However, for nearly 25% of companies polled a struggle for collection of long overdue B2B trade debt did mean delaying investment in the business so as to retain operational liquidity.

Cashflow protection boosted by switch to credit insurance

- Another tactic used by many companies in the Bulgarian chemicals industry to maintain cashflow was offering discounts for early payment of invoices. For 48% of businesses polled these measures came within the framework of in-house retention and management of customer credit risk. This involved setting aside funds to cover losses by defaulting B2B customers, but more than one-third of companies polled said this was challenging. They expressed concern about the capability to keep enough large cash reserves to absorb the hit of a big write-off that could threaten business viability.
- Against this background, our survey of the Bulgarian chemicals industry found that a change of approach to credit management was being considered by more than one-third of companies. They reported greater awareness of the value of strategic credit management in the current unsettled economic environment. This included the use of credit insurance as an instrument to protect cashflow and business profitability. 66% of companies polled said credit insurance helped them compete more effectively in B2B trade relations.

2023 industry outlook: widespread concern about liquidity shortfalls

- Deep uncertainty about the ongoing global economic downturn was expressed by companies across the Bulgarian chemicals industry, with the fear it could hamper the rebound of the domestic economy. Another concern is that a continuation of the pandemic could trigger a severe deterioration in the risk of B2B customer payment default and cause liquidity shortfalls. This is expected to worsen DSO, with 60% of companies polled envisaging a struggle for cashflow in the coming months. 23% of businesses said they feel negative business growth in the year ahead.
- The energy crisis is a particular concern in the Bulgarian chemicals industry. However, potential disruptions to gas supply are expected to have a minimal impact by 49% of companies polled, while 33% of businesses anticipate they will switch to electricity if this occurs. 45% of companies polled said they fully expect to be able to pass on rising fuel and energy costs to their end customers. Disruption to business due to inflation and the country's political situation is envisaged by 60% of companies polled.

Key figures and charts of the survey can be found on the following pages

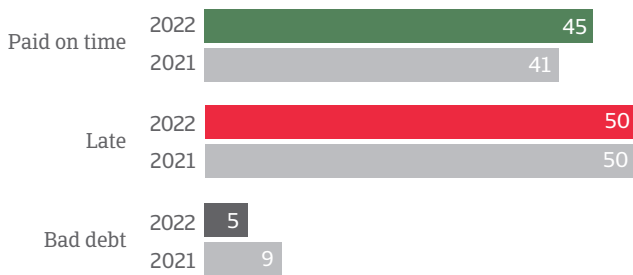


Chemicals

Late payments and cash flow

Chemicals industry in Bulgaria

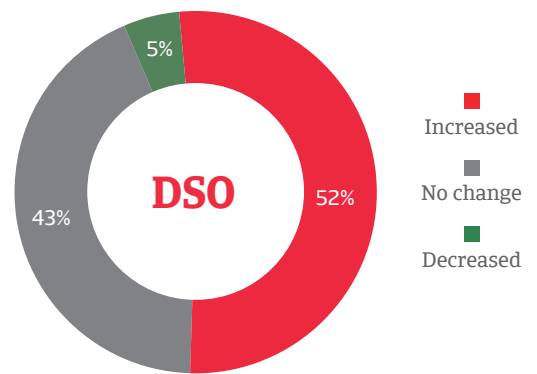
% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2022/2021)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Chemicals industry in Bulgaria

% of respondents reporting DSO changes over the past 12 months

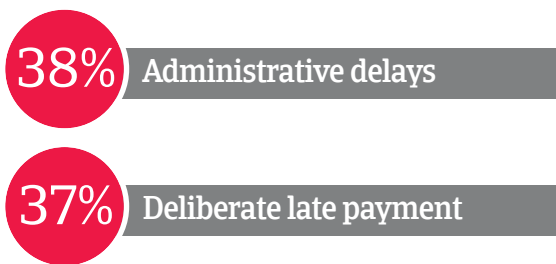


Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Chemicals industry in Bulgaria

Main reasons that B2B customers pay invoices late

(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

SURVEY QUESTION

What measures did you put in place to protect your cash flow against customer credit risk?

- #1 Seek external financing
- #2 Increase time, costs and resources spent on resolving unpaid invoices
- #3 Strengthen internal credit control process





Chemicals

2023 industry outlook

Chemicals industry in Bulgaria

Looking into 2023: top 5 concerns expressed by businesses in the industry

(% of respondents)



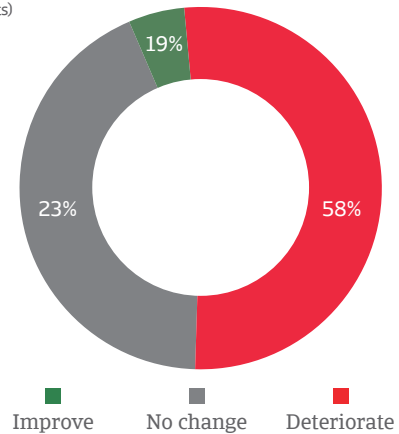
* Due to the interplay among higher energy prices, commodity prices surge, inflation, supply chain disruptions and geopolitical tensions

Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Chemicals industry in Bulgaria

Looking into 2023: how do you feel about your potential business growth?

(% of respondents)

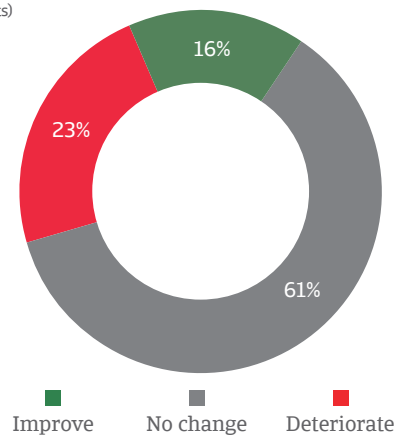


Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Chemicals industry in Bulgaria

Looking into 2023: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

SURVEY QUESTION


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

(% of respondents)

10% Improve

30% No change

60% Deteriorate





Transport

Overview of the key survey findings

Payment terms steady as sales on credit decrease

- A more risk averse approach to selling on credit in B2B trade was found in our survey of the Bulgarian transport industry. Currently, 38% of all B2B sales across the industry are transacted on credit, which is down from a figure of 46% a year ago. This decrease was noted even though almost half of companies polled said they did not alter their B2B trade credit policy during the past twelve months. A heightened perception of the risk of customer payment default was cited by companies who said they sold less on credit.
- Payment terms set for B2B customers did not alter markedly across the Bulgarian transport industry during the past twelve months. 75% of companies polled said they maintained the same payment terms, and where there was a change of approach it was mostly to offer credit for a shorter period. Businesses polled said decisions about payment terms were mainly influenced by the trade relationship with customers, as well as to withstand competition. B2B customer payment terms now average 40 days from invoicing, four days longer than last year.

Range of measures prompts significant fall in late payments

- There was a decreased impact on companies across the Bulgarian transport industry from late payments during the past twelve months. Late payments now affect an average of 31% of B2B sales in the industry, compared to 41% a year ago. Most companies polled said the main reason B2B customers delayed invoice payment was liquidity shortages. More than 25% of businesses said late payments were due to administrative delays, most probably a disguise for liquidity issues. More than one-third of companies responded to late payments by slowing down payment to their own suppliers.
- To maintain good cashflow, companies across the Bulgarian transport industry used a variety of measures. These included strengthening their trade debts management, as well as outsourcing collection of very long overdue receivables and problem accounts. This contributed to keeping bad debt write-offs stable at an average of 2% of all B2B industry invoices. It also helped to reduce swings of Days Sales Outstanding (DSO) for more than half of companies polled. However, 35% of businesses said they waited twice as long as last year for payments, putting them under financial strain.

Growing appetite for benefits of strategic credit management

- Nearly one-third of companies polled across the Bulgarian transport industry told us they acknowledged the value of strategic credit management. This involved using credit insurance, with its benefit of protecting cashflow and profitability during the current unsettled trading environment. Businesses polled said a key reason behind the choice of insuring receivables was the assessment and ongoing monitoring of B2B customer credit quality. This allowed companies to take appropriate action where deterioration occurred to mitigate customer credit risk.
- Another approach taken by companies in the Bulgarian transport industry was in-house retention and management of customer credit risk, and they told us this was the most suitable strategy for their business during the past twelve months. However, many companies polled also said this came with the downside of uncertainty surrounding the capability of setting aside enough funds to cover big losses on unexpected B2B customer defaults. They told us this had the potential to threaten viability of the business.

2023 industry outlook: uncertainty about energy crisis and business growth

- The picture looking ahead for companies in the Bulgarian transport industry is clouded by doubts and concerns. These include worries about the global economy, pandemic, geopolitical tensions and potential restrictions on movement of goods. Companies polled fear a negative impact on the domestic economy, bringing liquidity issues and increased customer defaults. 45% of companies said they are deeply pessimistic about prospects for business growth in the months ahead, with another 25% expressing uncertainty. This may explain why most companies polled do not anticipate changing their trade credit policy in the coming months.
- Uncertainty about the impact of the energy crisis is also an issue for companies across the Bulgarian transport industry. However, 64% of companies polled said they expect potential disruptions to gas supply to have minimal impact on their business, while 44% expect to be able to fully pass on rising fuel and energy costs to their end customers. 35% of businesses polled envisage disruptions due to inflationary pressures, and 47% expect disruption caused by the political situation in the country. DSO swings are not expected, reflecting the increased use of credit insurance by a large segment of companies.

Key figures and charts of the survey can be found on the following pages

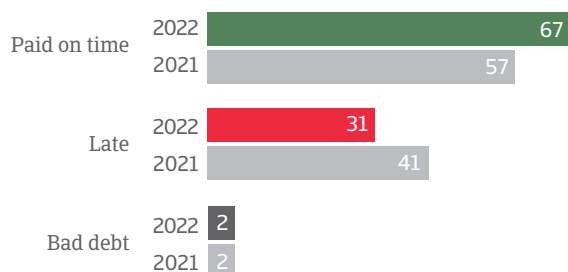


Transport

Late payments and cash flow

Transport industry in Bulgaria

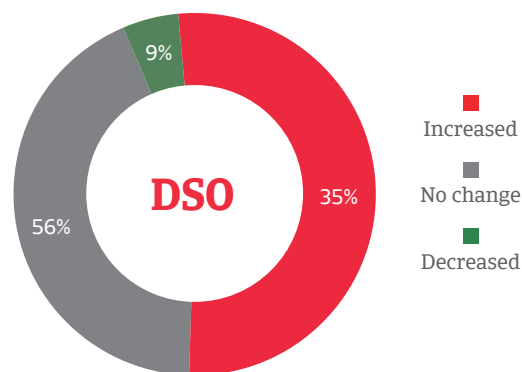
% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2022/2021)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Transport industry in Bulgaria

% of respondents reporting DSO changes over the past 12 months

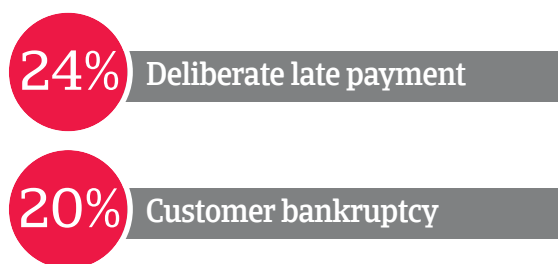
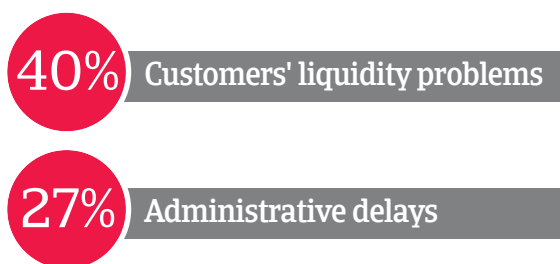


Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Transport industry in Bulgaria

Main reasons that B2B customers pay invoices late

(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

SURVEY QUESTION

What measures did you put in place to protect your cash flow against customer credit risk?

- #1 Strengthen internal credit control process
- #2 Increase time, costs and resources spent on resolving unpaid invoices
- #3 Seek external financing





Transport

2023 industry outlook

Transport industry in Bulgaria

Looking into 2023: top 5 concerns expressed by businesses in the industry

(% of respondents)



* Due to the interplay among higher energy prices, commodity prices surge, inflation, supply chain disruptions and geopolitical tensions

Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

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

(% of respondents)

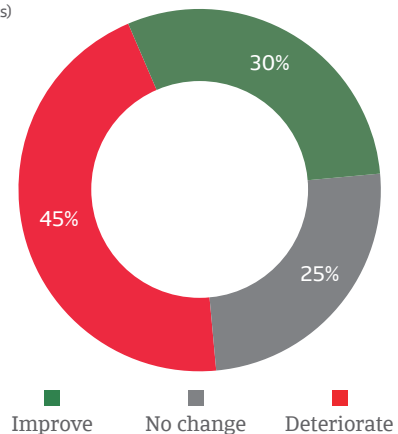
- 24% Improve
- 49% No change
- 27% Deteriorate



Transport industry in Bulgaria

Looking into 2023: how do you feel about your potential business growth?

(% of respondents)

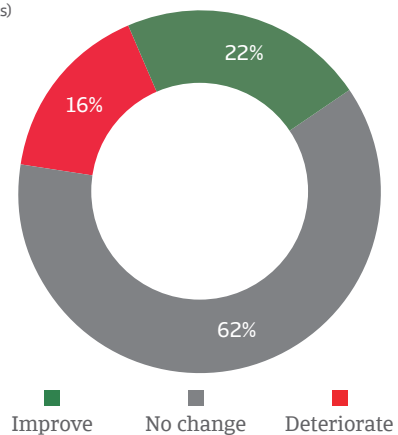


Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Transport industry in Bulgaria

Looking into 2023: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Survey design

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies from Bulgaria are the focus of this report, which forms part of the 2022 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 200 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Bulgaria 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.
- **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=200 people were interviewed in total. A quota was maintained according to three classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: beginning of the last quarter of 2022.

Sample overview – Total interviews = 200

Business sector	Interviews	%
Manufacturing	47	24
Wholesale	30	14
Retail trade / Distribution	78	39
Services	45	23
TOTAL	200	100
Business size	Interviews	%
Micro enterprises	99	49
SME - Small enterprises	31	16
SME - Medium enterprises	40	20
Large enterprises	30	15
TOTAL	200	100
Industry	Interviews	%
Agri/Food	61	31
Chemicals	84	42
Transport	55	27
TOTAL	200	100

Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the December 2022 Payment Practices Barometer of Atradius, available at www.atradius.com/publications [Download in PDF format](#) (English only).

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