



Hungary: the most inclined to offer credit terms in Eastern Europe

Atradius Payment Practices Barometer



GDP (millions euro)	GDP growth rate (2018 est.)	Export annual growth rate (2018 est.)	Imports annual growth rate (2018 est.)
€ 130,391.61	4.2 %	3.4 %	5.6 %

Sources: Oxford Economics, MIT OEC

export sectors

Top5

Machinery/Electrical
Transportation
Chemicals
Miscellaneous
Plastics/Rubbers

export destinations

Top5

Germany
USA
Romania
Italy
France

Respondents in Hungary have maintained their credit friendly stance, trading on credit to nurture long-term cooperation and because this is a common business practice. In 2018, more respondents reported frequent late payments by their B2B customers.

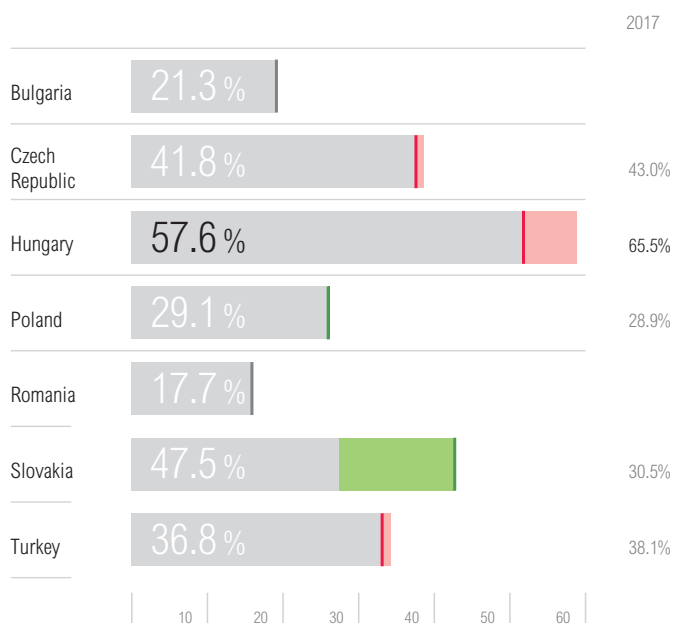
The main reasons being insufficient availability of funds, buyers using outstanding invoices as a form of financing and the complexity of the payment procedure. Bankruptcy and the inability to locate the customer remain the top reasons for writing off B2B receivables as uncollectable.

Credit sales to reward collaboration

Historically, respondents in Hungary have been the most inclined to sell on credit terms in the Eastern European region. Despite a decrease of almost eight percentage points this year, survey results point to the same open stance with 57.6% of B2B sales made on credit. Respondents are clearly more comfortable selling on credit to domestic B2B customers, for which the proportion of total B2B sales made on credit is higher than that registered with foreign B2B customers (60.7% versus 54.4%).

Hungarian respondents said that they are granting trade credit to their domestic B2B customers mostly because their creditworthiness has been well established over long business relationships and because it is the usual business practice. While very inclined to offer credit to domestic B2B customers, 31.3% of respondents said that customers' poor payment behaviour would result in them refusing to grant credit terms. Another frequently cited reason why companies here would not grant trade credit to their domestic B2B customers is high economic or political risk (mentioned by 25.0% of respondents).

Proportion of total B2B sales made on credit



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – September 2018

» *We offer credit terms based on our trading experience and if the customer is creditworthy.*«

Survey respondent · Food sector

Similarly to what was mentioned in regards to domestic B2B customers, Hungarian respondents use credit sales because it is common practice in the industries they operate in and to reward long-lasting cooperation. Respondents in Hungary refuse credit sales to their foreign B2B customers because of high economic and political risk in the customer's country, poor payment behaviour and high currency risk (each of these reasons was mentioned by 26.3% of respondents).

» *We trade on credit when there's long-term cooperation and increased trust.*«

Survey respondent · Business services sector



A steep increase in DSO

In 2018, Hungary has one of the lowest percentages of respondents reporting late payments by their B2B customers (70.9%). This, however, represents a significant increase from the 66.5% reported in 2017. Late payment was reported much more frequently with domestic B2B customers than with foreign B2B customers (79.9% versus 61.8%).

Respondents in Hungary reported a decrease in the proportion of overdue B2B invoices, from 29.7% in 2017 to 26.7% this year. This reflects a decrease in the proportion of domestic past due B2B invoices. Among the Eastern European countries surveyed, Hungary had one of the lowest proportions of past due B2B invoices.

In 2018, the average Days Sales Outstanding (DSO) figure recorded in Hungary is 49 days, 12 days longer than in 2017. This was the biggest increase reported in the region. Despite the increase, Hungary's average DSO is still well under the regional average of 59 days. Looking at the DSO trend over the next 12 months, 74.6% of respondents do not expect any changes in their company's DSO. Of those who foresee a change, 13.3% expect a slight increase and 9.8% expect a slight decrease.

Most payment delays caused by lack of funds

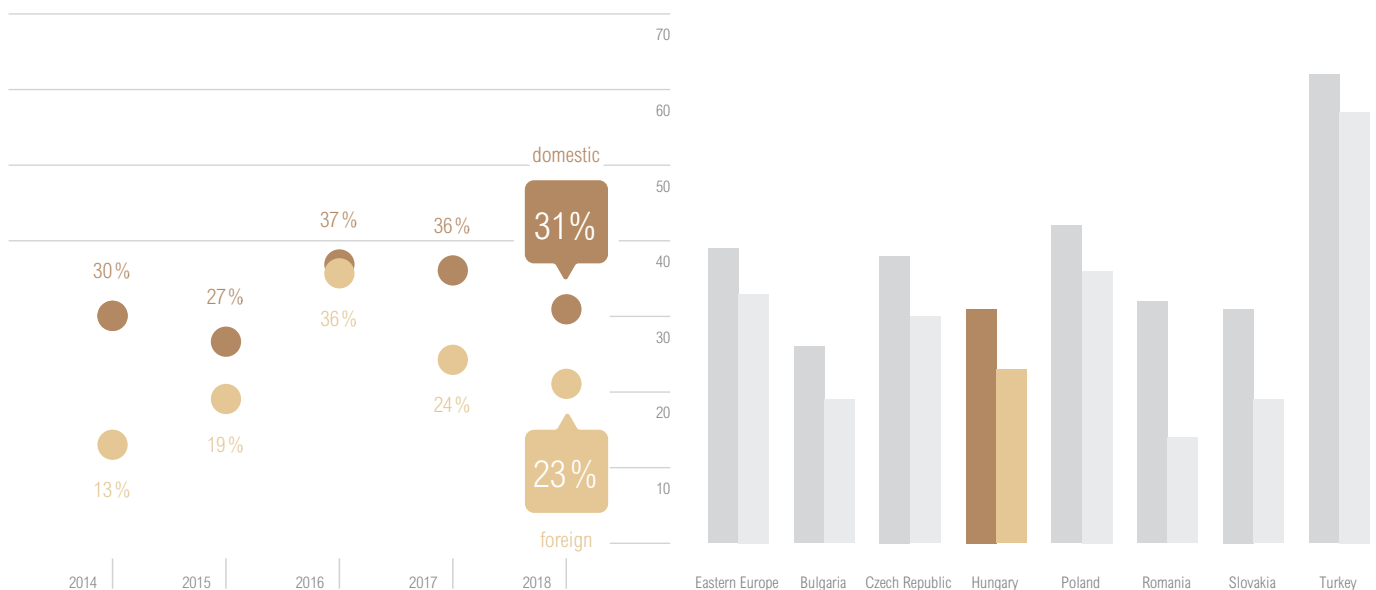
In 2018, payment terms given to both domestic and foreign B2B customers have decreased slightly. Domestic B2B customers are given, on average, 30 days to settle their invoices, one day shorter than in 2017. Foreign B2B customers have 27 days, on average – four days shorter than in 2017.

69.3% of respondents in Hungary stated that they are not likely to differentiate payment terms between domestic and foreign B2B customers. Of the ones who differentiate, 13.2% said that they are likely to give their domestic B2B customers shorter average payment terms, while 17.5% said that they are likely to give their domestic B2B customers more time to settle payments. The main reasons for differentiating payment terms in Hungary are internal policies, industry practices and the financial risk related to the export transaction.

Minor changes have been reported with payment delays in Hungary. In 2018, respondents in the country reported a decrease of two days in respect to domestic B2B customers (on average, 12 days) and an increase of three days in regards to foreign B2B customers (on average, 10 days).

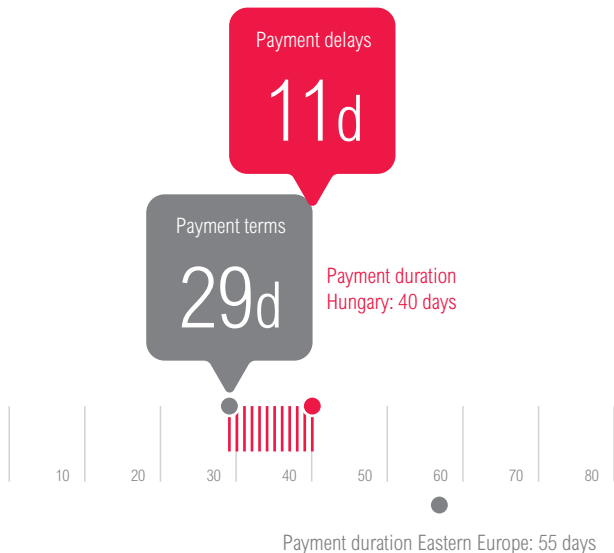
Past due B2B receivables in Hungary

(avg. %)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – September 2018

Payment duration in Hungary



d = average days

Sample: companies interviewed (active in domestic and foreign markets)

Source: Atradius Payment Practices Barometer – September 2018

In 2018, respondents in Hungary need a slightly shorter time to convert B2B invoices into cash. The average payment duration in the country decreased from an average of 42 days in 2017 to 40 days this year.

In Hungary, payment delays by B2B customers occurred mainly because of insufficient availability of funds. 70.4% of respondents in the country stated this in regards to their domestic B2B customers and 49.2% in regards to their foreign B2B customers. The second most frequently cited reason for domestic payment delays was buyers using outstanding invoices as a form of financing, mentioned by 23.2% of Hungarian respondents. The second most frequently cited reason for payment delays by foreign B2B customers, stated by 21.3% of Hungarian respondents, was the complexity of the payment procedure.

Among the Eastern European countries surveyed, Hungary had the highest percentage of respondents (73.4%) who stated that payment delays did not have a significant impact on their businesses. Of those who have experienced an impact, 10.4% said that they needed to postpone payments to own suppliers and 8.7% that they needed to pursue additional financing.

Convinced that e-invoicing does not influence payment duration

Among the Eastern European countries surveyed, Hungary had the lowest percentage of respondents (48.7%) who use e-invoicing with their B2B customers. However, the country also had the highest percentage of respondents (15.1%) stating their intention to convert to online invoicing in 2018.

Asked about the effect of e-invoicing on payment duration, the majority of Hungarian respondents (67.0%) believe that e-invoicing had no noteworthy effect. This is the highest percentage of respondents stating this in Eastern Europe. 33.0% of respondents noted quicker payments after invoicing their B2B customers online and there were no respondents to report a slowdown in payment.



Most respondents in Hungary (67.0%) said that e-invoicing had no noteworthy effect on payment duration.



import sectors

Top5

US protectionism and geopolitical risk believed to affect global growth

Asked to rank four potential risks to global growth (US protectionism turning into a trade war, Fed policy becoming misguided, a 'hard landing' in China, geopolitical risk), 40.9% of Hungarian respondents perceive the protectionist moves by the US as the risk that would most significantly hamper trade. Another 22.2% of respondents in the country agree that this is indeed a significant risk even though it may not be the most important one. A high percentage of respondents in the country (31.5%) cited geopolitical risk as the most significant risk to global economic development.

Machinery/Electrical
Transportation
Chemicals
Metals
Plastics/Rubbers

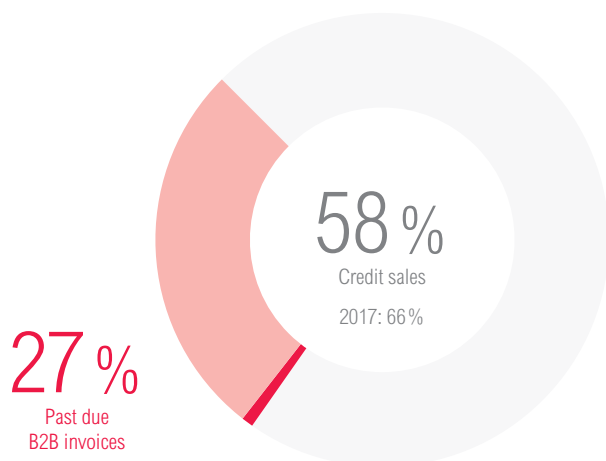
import destinations

Top5

Germany
Austria
China
Poland
Slovakia

Uncollectable B2B receivables in Hungary

(% of total value of B2B receivables)



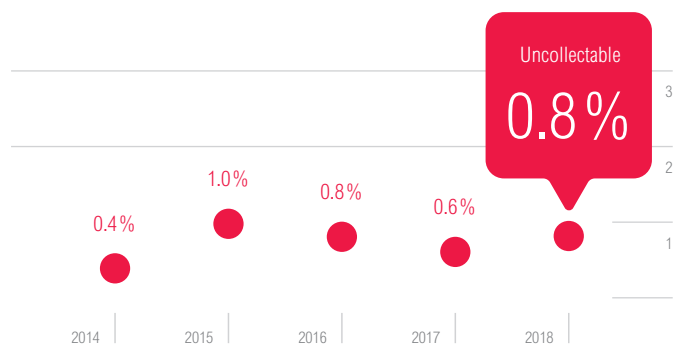
B2B customers in consumer durables are some of the slowest payers

As mentioned previously, Hungarian respondents give their B2B customers 29 days, on average, to fulfil their payment obligations. B2B customers in the machines sector (39 days) and those in the electronics, paper and textiles sectors (each with an average of 35 days) had a longer time to settle invoices. In contrast, B2B customers in the agriculture and services sectors have been asked to pay the fastest (on average, within 20 days and 21 days respectively).

Suppliers in Hungary reported that B2B customers in the consumer durables sector have been some of the slowest payers. They paid, on average 14 days after the due date. Similarly to what has been stated for the country overall, the main reasons for payment delays in the consumer durables sector are insufficient availability of funds (mentioned by 70.0% of respondents) and buyers using outstanding invoices as a form of payment (50.0% of respondents). Respondents in this sector also seem most concerned about the payment behaviour of their B2B customers in the coming 12 months. 27.0% stated that they expect deterioration.



B2B customers of respondents in the consumer durables sector generated some of the longest payment delays and Hungarian respondents fear further deterioration.



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – September 2018

The inability to locate the customer – a top reason for write-offs next to bankruptcy

In 2018, respondents in Hungary reported a small increase in the proportion of uncollectable receivables. This increased from 0.6% in 2017 to 0.8% this year. Domestic B2B receivables were written off significantly more often than foreign ones.

Uncollectable receivables originated most often from B2B customers in construction, consumer durables, food, business services and services. Bankruptcy was also the main reason for write-offs in Hungary, where it was mentioned by 65.2% of respondents. The second most frequently reported reason for write-offs is the inability to locate the customer, mentioned by 37.7% of respondents.

Survey design for Eastern Europe

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the "Atradius Payment Practices Barometer". In this report focusing on Eastern Europe, which is part of the 2018 edition of the Atradius Payment Practices Barometer, companies from 7 countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey) have been surveyed.

Using a questionnaire, Ilisia Research conducted a net of 1,447 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

Survey scope

- Basic population: companies from 7 countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey) were monitored. The appropriate contacts for accounts receivable management were interviewed.
- Selection process – Internet survey: 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=1,447 people were interviewed in total (approximately n=200 people per country). In each country a quota was maintained according to four classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q2 of 2018.

Sample overview – Total interviews = 1,447

Country	n	%
Bulgaria	200	13.8%
Czech Republic	202	14.0%
Hungary	203	14.0%
Poland	216	14.9%
Romania	201	13.9%
Slovakia	201	13.9%
Turkey	224	15.5%

Industry	n	%
Manufacturing	463	32.0%
Wholesale trade/ Retail trade / Distribution	435	30.1%
Services	549	37.9%

Business size	n	%
Micro enterprise	560	38.7%
SME (Small/Medium enterprise)	788	54.5%
Large enterprise	99	6.8%

It may occur that the results are a percent more or less than 100%. This is the consequence of rounding off the results. Rather than adjusting the outcome so that it totalled 100%, we have chosen to leave the individual results as they were to allow for the most accurate representation possible.

Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Eastern Europe. This is part of the September 2018 Payment Practices Barometer of Atradius, available at

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SURVEY RESULTS

SURVEY DESIGN

STATISTICAL APPENDIX

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For more **insights into the B2B receivables collection practices** in Hungary and worldwide, please see the Global Collections Review by Atradius Collections (free download after registration), available on www.atradius-collections.com

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