Atradius
Managing risk, enabling trade

Atradius Payment Practices Barometer 2023

Key trends for B2B payments and cash flow

Slovakia

Bad debts in B2B trade trend upwards

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.

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 Slovakia.

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

In this report

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B2B payment trends and cash flow

Bad debts in B2B trade trend upwards

Our survey found a heightened perception of customer credit risk arising from B2B transactions on credit among companies polled in Slovakia, prompting concern about potential cash flow issues and liquidity shortfalls. This was evident in the adoption of a more stringent policy in payment terms granted to B2B customers. These were shortened to an average 31 days from invoicing, down from 34 days last year, with the agri-food sector bucking the trend by granting more lenient terms than one year ago. The overall level of B2B sales on credit remained almost steady during the past 12 months, and now average 41% of all Slovakia's B2B sales, with the largest proportion of sales transacted on a cash basis. This is consistent with a stronger risk-averse approach to granting credit in B2B trade, besides being a reflection of the actual conditions of demand, particularly from export markets, in the current challenging economic climate.

A key factor in the setting of payment terms in B2B trade was reported to be the cost of seeking external finance to ease cashflow issues, particularly in the Slovakia's steel-metals sector. However, while making their financing decisions, 45% of companies polled in Slovakia told us they relied most often on bank loans for short-term finance, while far fewer took the option of seeking the more affordable alternative of trade credit. This was probably due to the reluctance of many suppliers to grant B2B customers the whole amount of trade credit requested.

Amid uncertainties surrounding the trend of customer credit risk in B2B trade in the current volatile economic landscape, businesses polled in Slovakia were able to contain the severe impact of late payment and bad debts on the business. Our survey found a moderate decrease in overdue B2B invoices during the past 12 months, and these now average 46% of the total value of B2B sales on credit. The main reasons for late payments was reported to be temporary liquidity shortfalls among B2B customers and businesses facing insolvency, particularly in the machines sector. While late payments trended downward, bad debts took the opposite direction, now affecting an average 8% of all B2B invoiced sales, compared to 6% last year. This causes significant pressure on Days-Sales-Outstanding (DSO). While 60% of companies polled in Slovakia said they were able to contain large swings of DSO, a deterioration was reported by the agri-food sector, which then placed a sharper focus on debt collection efficiency.

To cushion the impact of customer credit risk on the business, 43% of companies polled in Slovakia said they spent more time and resources on chasing unpaid invoices during the past 12 months. These measures were mostly taken within the framework of in-house retention and management of customer credit risk. However, 73% of businesses adopting this approach, particularly in the machines sector, reported higher credit management costs affecting their overall cost structure and straining profitability. This may explain why 20% more companies polled than last year, especially in the steel-metals sector, said they preferred strategic credit risk management involving the use of credit insurance. Many companies in this sector said they also resorted to factoring to free up liquidity for use in business operations. Letters of credit were also frequently used.

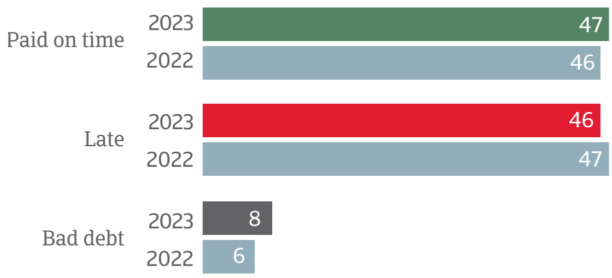
Key survey findings

- A more stringent policy on payment terms was adopted by companies polled in Slovakia due to a heightened perception of trade credit risk. Payment terms granted to B2B customers now stand at an average 31 days from invoicing. Overall, sales on credit remained steady at an average 41% of all B2B sales.
- Our survey found a moderate decrease in overdue B2B invoices. These now average 46% of all B2B sales on credit, with companies in the machines sector most impacted. 36% of businesses polled in Slovakia experienced worsened payment behaviour from B2B customers.
- 60% of companies surveyed in Slovakia told us they were able to contain large swings of Days Sales Outstanding (DSO) due to granting shorter payment terms and speeding up invoice collection. However, the agri-food sector reported a worsening of DSO.
- The main reasons for late payments was reported to be temporary liquidity shortfalls among B2B customers and business insolvencies. This clear sign of financial distress was evident in the level of bad debts increasing to an average 8% of all B2B sales on credit, up from 6% last year. The machines sector was particularly affected.
- Several actions were taken in response to improve cashflow. 43% of companies polled in Slovakia told us they spent more time and resources chasing unpaid invoices, while many strengthened their credit control procedures. 45% of businesses sought external finance though bank loans.
- In-house retention and management of customer credit risk was the approach taken by 73% of Slovakian companies polled. 20% more businesses than last year, particularly in the steel-metals sector, told us they opted for a strategic approach involving the use of credit insurance complemented by factoring.

Key figures and charts on the following pages

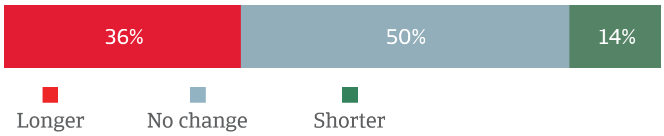
Slovakia

Slovakia
% 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 Slovakia – 2023

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

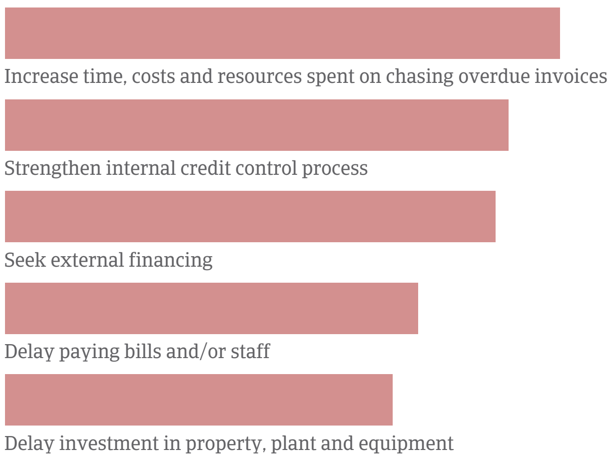


*average amount of time to get paid from B2B customers

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Slovakia – 2023

Slovakia
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 Slovakia – 2023

Survey question

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

- 45% Bank loans
- 37% Trade credit
- 36% Equity capital
- 31% Debt securities issued

*multiple response question

Sample: all survey respondents (% of respondents)
Source: Atradius Payment Practices Barometer Slovakia – 2023

Looking ahead

Cautious optimism amid concern about Eurozone demand

The heavy focus of thinking among companies polled in Slovakia concerns prospects for their crucial main trading partner, the Eurozone. A currently optimistic outlook is probably why 55% of Slovakian businesses expect an increase in demand and sales during the year ahead. The steel-metals and machines sectors both expressed positivity. However, the greatest anxiety reported among Slovakian businesses in our survey is that despite an easing of inflation and ongoing energy price intervention, any continuation of the global economic downturn could weaken demand in the Eurozone and have a strong negative impact on their trading situation.

Another concern reported among businesses polled across all sectors in Slovakia is about the potential for a fragmentation of global trade and moves towards regionalism. They worry that this could happen due to various reasons such as geopolitical tensions, economic sanctions and technological barriers. This may explain a further anxiety about the threat of cyber and fraud risk. A majority of Slovakian companies are also concerned about the prospects for profit margins during the coming 12 months. 57% of businesses polled expect either no change or a deterioration of profit margins, due to their lower capability of passing on higher production input costs to consumers.

Our survey found a mixed mood about the prospects for both B2B customer payment behaviour and Days-Sales-Outstanding (DSO) during the year ahead. 47% of companies polled in Slovakia told us they expect no change in payment behaviour, and the steel-metals sector in particular said it anticipates a deterioration. Similar uncertainty was expressed about the outlook for DSO. 39% of businesses polled said they believe it will improve, while 37% anticipate DSO will remain steady. 24% of companies expect a worsening, especially among businesses in the machines sector.

Various approaches to the crucial issue of managing customer credit risk will be explored by Slovakian companies in the year ahead. Although nearly 60% of businesses polled said they will continue with in-house retention and management of customer credit risk, almost the same percentage told us this will be part of a mix of tools and techniques used during the coming months. A clear switch towards strategic credit management involving the use of credit insurance was reported, particularly among steel-metals companies. The use of factoring either as a complement or alternative to credit insurance was also cited.

Key figures and charts on the following pages

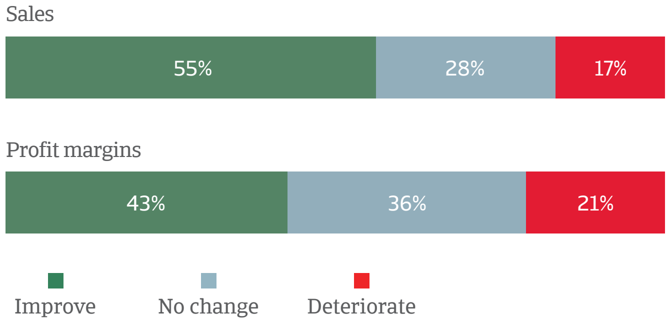
Key survey findings

- The main concern looking ahead for companies polled in Slovakia is that a continuation of the global economic downturn could weaken demand in their main trading partner of the Eurozone. Anxiety was also expressed about geopolitical tensions causing a fragmentation of global trade.
- 55% of businesses surveyed in Slovakia told us they expect an increase in demand and therefore rising sales during the coming 12 months. Both the machines and steels-metals sectors expressed optimism amid a currently positive outlook for the Eurozone.
- Profit margins are expected to improve during the year ahead by 43% of companies polled in Slovakia. The rest anticipate either no change or a deterioration, perhaps reflecting worries about the capability of passing on higher production input costs to consumers.
- Our survey found a mixed mood among Slovakian businesses about the prospects for B2B customer payment behaviour during the coming months. 47% of companies polled anticipate no change, and a worsening of payment behaviour is expected in the steel-metals sector.
- Similar uncertainty was expressed by companies polled in Slovakia concerning the outlook for Days-Sales-Outstanding (DSO). 39% believe there will be improvement, 37% expect DSO to remain steady, while 24% anticipate deterioration, particularly in the machines sector.
- While the majority of businesses will continue with in-house retention and management of customer credit risk, 60% of companies polled in Slovakia told us it will be part of a mix involving strategic credit management involving credit insurance and factoring.

Slovakia

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

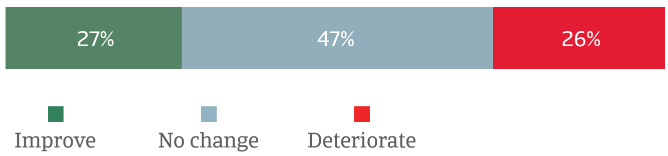
(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer Slovakia - 2023

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

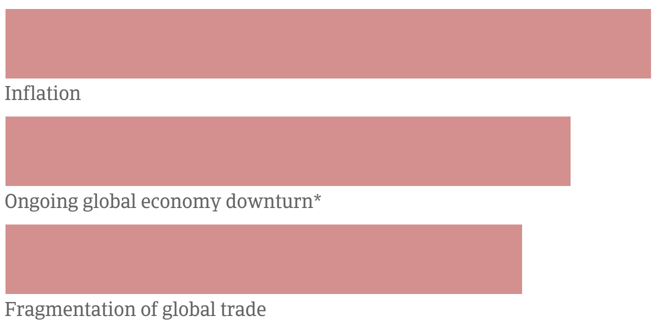
(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer Slovakia - 2023

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

(% of respondents - multiple response question)



* Due to the interplay among higher energy and commodity prices, persistent inflation and ongoing geopolitical tensions

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Slovakia - 2023

Survey question

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

(% of respondents)

39% Improve
37% No change
24% Deteriorate

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Slovakia - 2023

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Slovakia 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 211 interviews in total.
All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Slovakia 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=211 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 = 211

Business sector	Interviews	%
Manufacturing	76	36
Wholesale trade	50	24
Retail trade/Distribution	32	15
Services	53	25
TOTAL	**211**	**100**

Business size	Interviews	%
SME: Small enterprises	36	17
SME: Medium enterprises	70	33
Medium Large enterprises	74	35
Large enterprises	31	15
TOTAL	**211**	**100**

Agri/Food	64	31
Machines	71	33
Steel/Metals	76	36
TOTAL	**211**	**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).

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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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