



Poland: big change in DSO

Atradius Payment Practices Barometer

GDP
(millions euro)

€ 494,726.98

GDP growth rate
(2018 est.)

4.7%

Export annual growth rate
(2018 est.)

2.0%

Imports annual growth rate
(2018 est.)

4.1%

Sources: Oxford Economics, MIT OEC

export sectors

Top5

Machinery/Electrical
Transportation
Metals
Miscellaneous
Chemicals

export destinations

Top5

Germany
United Kingdom
Czech Republic
France
Italy

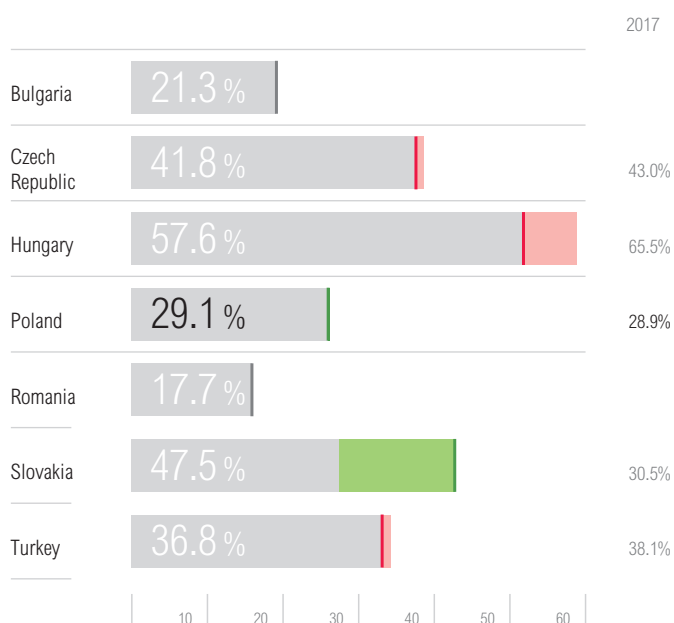
In 2018, respondents in Poland reported late payments less frequently than in 2017. However, the proportion of past due B2B invoices remains the second highest in the region and almost 60% of respondents said that this affected their businesses. Poland still has one of the highest average DSO recorded in the region even after a steep decrease in 2018. Despite extensive use of e-invoicing and the majority's belief that this accelerates payments, there was only a minor decrease in payment duration for Poland this year. Bankruptcy and failed collection attempts remain the top reasons for write-offs and consumer durables is one of the sectors that generated the longest payment delays.

Trade credit - for loyal customers and new business prospects

Historically, respondents in Poland have been some of the most averse to selling on credit terms. 2018 survey results point to the same conservative stance with only 29.1% of B2B sales made on credit. There are more sales on credit terms to domestic B2B customers than to B2B customers abroad (31.9% versus 26.3%).

Polish respondents said that they are selling on credit to their domestic B2B customers to nurture long-term business relationships and to reward their customers' loyalty. At the same time, it is perceived as a method that enables businesses to grow domestically in a market where selling on credit is expected. The main reasons why Polish respondents would not offer a domestic B2B customer credit are, high economic or political risk (25.0% of respondents) and either the financial weakness or the poor payment behaviour of the customer (18.8% of respondents).

Proportion of total B2B sales made on credit



» *Transport services are sold almost 100% by providing trade credit, these are the market requirements.«*

Survey respondent · Transport sector

Trading on credit with B2B customers abroad also seems to be aimed at maintaining business relationships and building relationships with new customers. Trust – associated with customer loyalty – seems to influence this decision. Respondents in Poland mainly refuse credit sales to their foreign B2B customers because of high currency risk (mentioned by 32.4% of respondents) and high economic and political risk in the customer's country (mentioned by 27.0% of respondents).

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

» *We are selling on credit because we would like to increase sales and gain a foothold in markets where we don't yet have a presence.«*

Survey respondent · Chemicals sector



A steep decrease in DSO

In 2017, 89.2% of respondents in Poland reported being paid late by their domestic and foreign B2B customers. This was one of the highest percentages in the region. This percentage was the same for domestic and foreign customers. This year, the percentage dropped to 86.0% reflecting a significant reduction in late payments by foreign B2B customers (81.6%). Late payments by domestic B2B customers rose slightly to 90.4%.

The proportion of overdue B2B invoices in Poland is stable at 39.0% (38.8% last year). Similarly to 2017, the average proportion of domestic past due B2B invoices was higher than that of foreign past due B2B invoices.

In 2018, the average Days Sales Outstanding (DSO) figure recorded in Poland is 75 days, 13 days less than in 2017. Despite the decrease, Poland's average DSO remains much higher than the regional average of 59 days. Looking at the DSO trend over the next 12 months, most respondents in Poland (61.8%) do not expect any changes, 20.8% foresee a slight increase and 10.6% a slight decrease.

Overdue invoices resulting in revenue loss for 14.7% of respondents

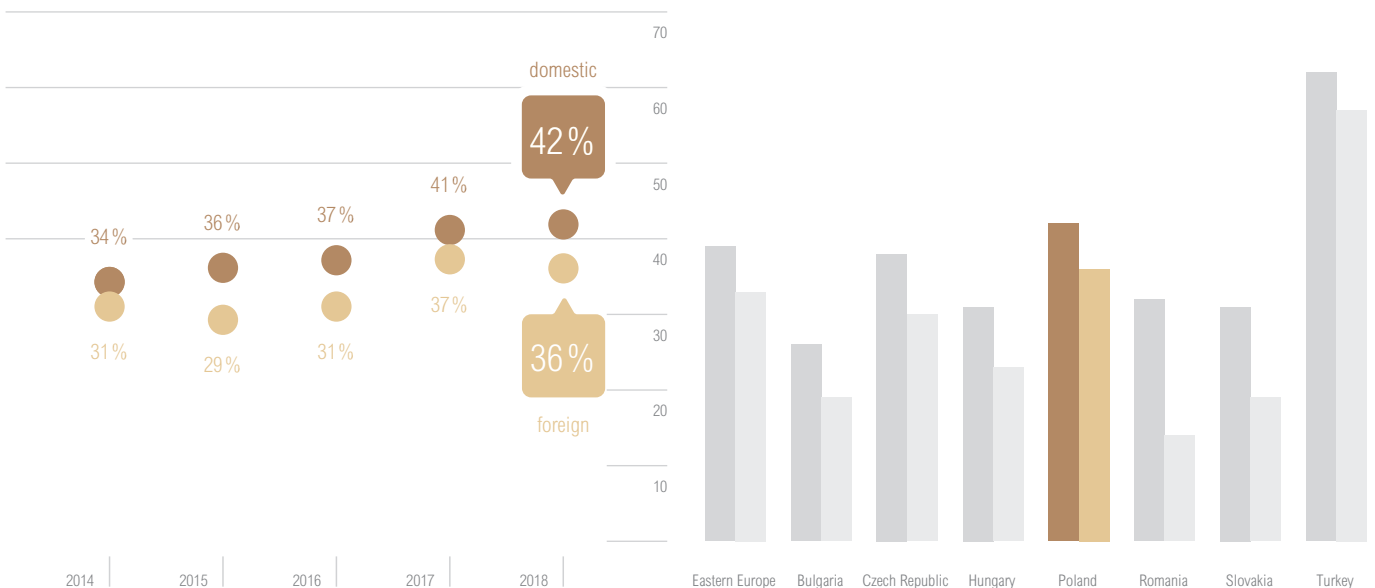
Domestic B2B customers of respondents in Poland are given, on average, 31 days to settle their invoices. This is one day longer than in 2017. Foreign B2B customers are given, on average, 32 days – two days shorter than in 2017.

50.4% of the survey respondents said that they do not differentiate payment terms by domestic and foreign customers. Should they differentiate, 29.9% of respondents said that they would give their domestic B2B customers less time to pay. The main reasons for differentiating payment terms in Poland are internal policies, industry practices and the financial risk related to export transactions.

Payment delays in Poland have remained largely stable in 2018, with an increase of one day reported in respect to domestic B2B customers (on average, 25 days) and a two day decrease for foreign B2B customers (on average, 23 days). Based on these changes and the ones mentioned above, the payment duration in Poland decreased by one day, 56 days on average. This is also in line with the regional average of 55 days.

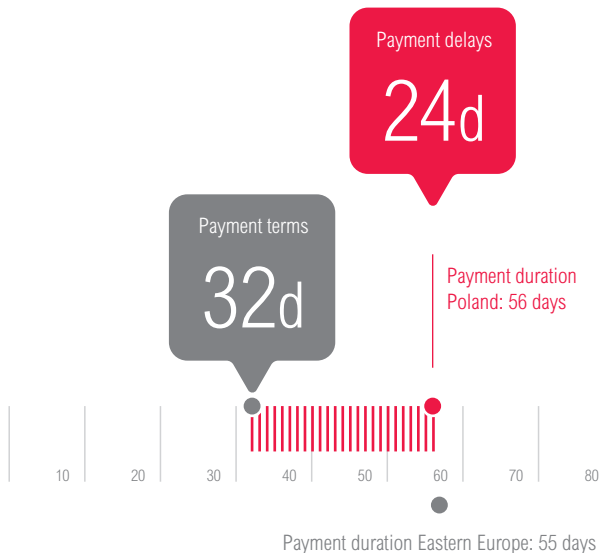
Past due B2B receivables in Poland

(avg. %)



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

Payment duration in Poland



d = average days

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

Source: Atradius Payment Practices Barometer – September 2018

Polish respondents said that domestic payment delays occur mainly because of insufficient availability of funds (reported by 62.2% of respondents) and buyers using outstanding invoices as a form of financing (32.3% of respondents). These show no changes compared to 2017, and are the same reasons as those expressed at the regional level.

Payment delays by foreign B2B customers occurred mainly because of the complexity of the payment procedure (38.5% of respondents mentioned this). Respondents also mentioned insufficient availability of funds, buyers using outstanding invoices as a form of financing and that the goods delivered did not correspond to what was agreed in the contract (each of these reasons stated by 24.4% of respondents). Poland also had the highest percentage of respondents in the region (24.4%), who reported delays because the goods or services provided did not meet the contract agreement. This compares to 13.5% of respondents who stated this reason at regional level.

41.4% of Polish respondents said that over the last 12 months past due invoices did not have a significant impact on their businesses. 15.7% of respondents said that overdue invoices delayed investment in property, plant and equipment and another 15.7% that they needed to take specific measures to correct cash flow. A slightly lower percentage (14.7%) said that payment delays led to revenue loss.

E-invoicing: extensively used but impact on payment duration unsure

Respondents in Poland make extensive use of e-invoicing. 72.6% of respondents said that they are already invoicing their domestic and foreign B2B customers online and 12.7% said that they intend to start doing so in 2018. In contrast, only 13.7% of respondents in the country said that they are not using e-invoicing and 0.9% that they have stopped using it. Of the respondents already e-invoicing, 53.3% said that after invoicing their B2B customers electronically, they received payments quicker. For 40.8% of respondents online invoices did not have a noteworthy effect on payment while 5.9% of respondents noticed a slowdown in payment.



61.8% of Polish respondents believe that the legislative changes, such as restricting laws and VAT regulations, in the fiscal policy affect the financial liquidity of domestic customers and thus contribute to payment delays.

92.1% of the respondents expect this trend to continue in 2019.



import sectors

Top5

US protectionism perceived as the biggest risk to global growth

Of four potential risks to global economic growth - US protectionism turning into a trade war, Fed policy becoming misguided, a 'hard landing' in China and geopolitical risk - Polish respondents said that US protectionism turning into a trade war is the most significant risk to global growth over the coming six months. 38.4% of respondents in the country mentioned this, a slightly higher percentage than that registered at regional level (37.7%). Additionally, 25.9% of respondents in the country agree that US protectionism is a significant risk, even if not the most significant one. Only 15.3% of respondents in the country perceive US protectionism to be the least significant risk to global economic development.

Machinery/Electrical
Transportation
Metals
Chemicals
Plastics/Rubbers

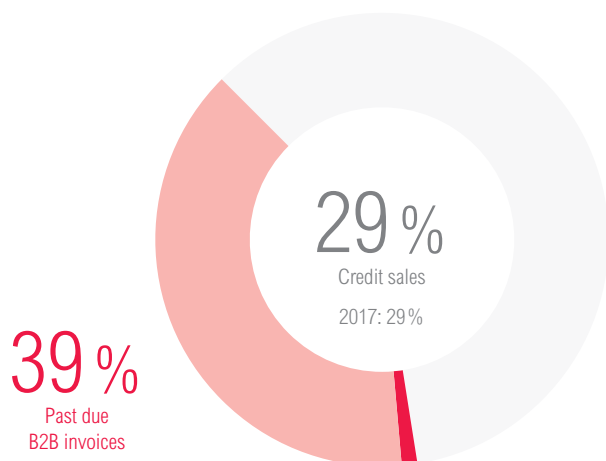
import destinations

Top5

Germany
China
Italy
Russia
France

Uncollectable B2B receivables in Poland

(% of total value of B2B receivables)

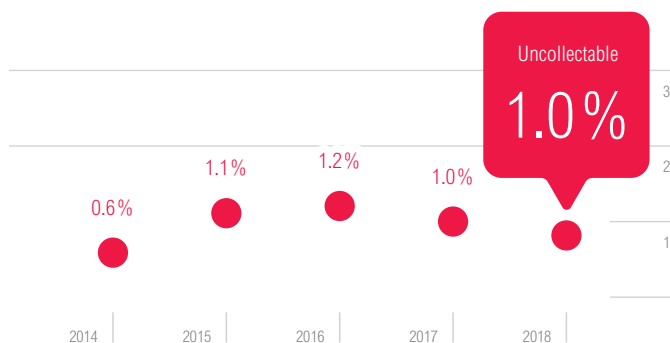


Consumer durables – one of the slowest paying sectors

B2B customers of respondents in Poland are given, on average, 32 days to fulfil their payment obligations. By sector, domestic and foreign B2B customers in the metals sector are given the longest payment terms (on average, 38 days) and those in the textiles sector the shortest (on average, 17 days).

With an average delay of 27 days, B2B customers in the consumer durables sector are some of the slowest payers. The main reason for payment delays in this sector is buyers using outstanding invoices as a form of financing (reported by 49.0% of Polish respondents). B2B customers in the construction sector also generated long delays (on average, 22 days) mainly because of insufficient availability of funds (54.0% of respondents mentioned this).

60.0% of respondents in the consumer durables sector and 62.0% in the construction sector do not expect changes in the payment behaviour of their B2B customers over the coming 12 months. However, they remain optimistic, should a change occur, most respondents expect it to be for the better.



B2B customers in the consumer durables sector are some of the slowest payers. The main reason for payment delays is buyers using outstanding invoices as a form of financing.

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

Bankruptcy and failed collection attempts remain top reasons for write-offs

The average proportion of uncollectable B2B receivables in Poland is stable at 1.0% (no changes compared to 2017). Similarly to what has been reported in the past, domestic B2B receivables here were written off as uncollectable more frequently than foreign B2B receivables. Uncollectable receivables originated most often from B2B customers in consumer durables, construction, chemicals, services and business services. Similarly to what was stated at regional level, the main reason for writing off B2B receivables as uncollectable is the customer going bankrupt or out of business. In 2018, this was stated by 62.4% of respondents, a much higher percentage than in 2017 (50.0%). The second most frequently reported reason for write-offs is the failure of collection attempts, stated by 39.3% of respondents in the country.

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 Poland 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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