



Poland: higher insolvency levels ahead

Atradius Payment Practices Barometer





Machinery including computers
Vehicles
Electrical machinery, equipment
Furniture, bedding, lighting, signs,
prefab buildings
Plastics, plastic articles

Source: Central Statistical Office of Poland (GUS),
 "Socio-economic situation of the country in May 2019"



Germany
Czech Republic
United Kingdom
France
Italy

Source: WTEEx

Real GDP growth in Poland is forecast to reach 4.4% this year, slowing down to 3.6% in 2020. Despite its proven strength and resilience, mainly due to strong domestic demand, dynamic export flows and a solid business environment, the Polish economy appears to be vulnerable to internal risks stemming from regulatory uncertainty and rising labour supply constraints. These risks are expected to trigger a sizeable 4% upsurge in bankruptcies over the coming months weighing heavily on business prospects.



Pawel Szczepankowski, Atradius Country Manager for Poland commented on the report



Poland's GDP is projected to grow 4.4% this year. This is well above the 2.7% growth rate expected for Eastern Europe. The Polish economy, however, is vulnerable to internal and external risks, as for instance the shortage of workers especially in the manufacturing sector and the financial and economic fallout of the United Kingdom's vote to leave the EU. These risks could slow or derail growth in the coming years. Businesses are already concerned about the forecast for a surge in bankruptcies over the coming months.

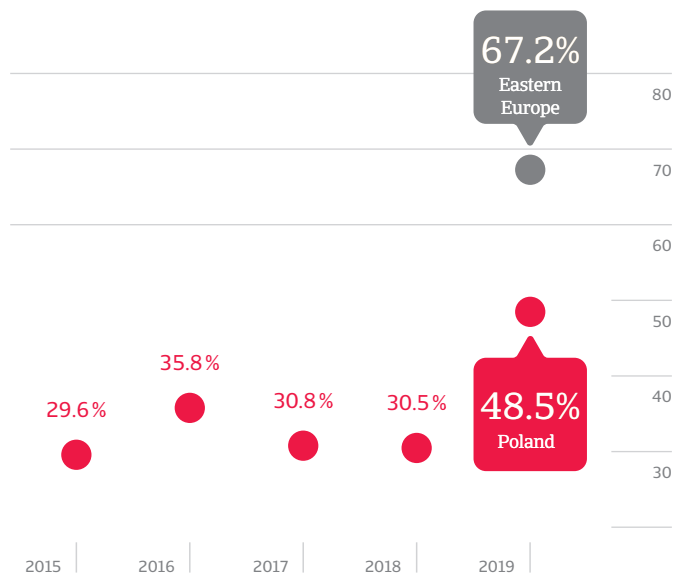
As the economic climate becomes more uncertain and volatile, it is not surprising that Polish businesses seek protection of their receivables against payment default from customers. Over the past months, many businesses in Poland migrated to self-insurance because they thought they could operate their credit management without professional support.



Polish respondents offer customer credit more often than last year to support domestic and export trade

48.5% of the total value of Polish respondents' B2B sales was reported to be transacted on credit (up from 30.5% last year). This is well below the 67.2% average for Eastern Europe, and is the second lowest in the region after that recorded in Bulgaria (33.8%). Despite this, the larger proportion of sales transacted on credit by suppliers surveyed in Poland highly likely reflect stronger domestic demand than last year and more dynamic export flows. Despite global trade tensions and the economic slowdown in Germany, Poland's main export destination, export strength appears to be chiefly sustained by robust demand from the rest of the Eurozone. However, Poland's export dynamics are expected to progressively moderate this year, contributing to the increase in insolvency levels commented on earlier.

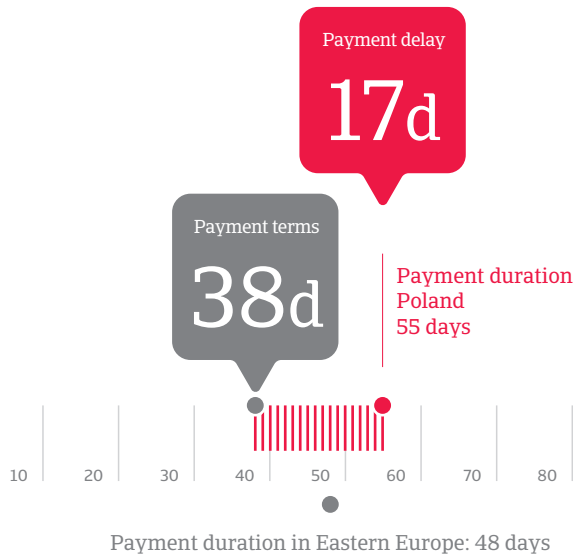
Proportion of total B2B sales made on credit in Poland



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – September 2019



Payment duration in Poland



d = average days

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

Source: Atradius Payment Practices Barometer – September 2019

B2B customers of Polish respondents are given more time to settle invoices than last year

Besides offering trade credit more often than last year, suppliers surveyed in Poland appear equally likely to give their B2B customers more time to settle invoices. Most Polish respondents (88%) granted payment terms averaging 38 days from invoicing (up from 30 days last year). These are the third longest average payment terms in Eastern Europe, after those observed in Turkey (59 days) and Romania (40 days), and compare to a regional average of 37 days.

Polish respondents notably more likely to self-insure than respondents in Eastern Europe

Consistent with the increased offering of credit to B2B customers, along with longer time granted to pay invoices, credit management policies of Polish respondents focus on protecting the business from the risk of customers' payment default. The credit management practices that Polish respondents appear to use most often are assessment of the prospective buyer's creditworthiness prior to any trade credit decision and dunning (outstanding invoice remainders) once the B2B transaction is made (both 35% of respondents). 34% of respondents reported they request payment on cash terms, and

33% reported to have opted for self-insurance. This compares to 20% of respondents in Eastern Europe, and in the region is the second highest percentage of respondents to this question after that recorded in Romania (40%).

Overdue accounts collection in Poland appears to be less efficient than last year

Nearly 30% of the total value of B2B invoices issued by Polish respondents over the past year was not paid by or at the due date. Despite an improvement in their customers' payment behaviour, resulting in an average 7% increase in on time payments (67.4% of invoices paid on time compared to 63% one year ago) Polish respondents need to wait longer than last year to turn overdue invoices into cash (56 days up from 54 days last year). To manage potential cash shortfalls stemming from late payments and reduce financial pressure on the business, 32% of Polish respondents needed to pay their own suppliers late. One in four respondents needed additional financing from external sources. A standout survey finding in Poland is the significant increase in the proportion of write-offs of uncollectible accounts (currently averaging 1.9% of the total value of B2B receivables up from 1% last year). Despite a strong focus on dunning, as seen earlier, this may point to inefficiencies in collection of overdue accounts, ultimately resulting in lower business profitability.

2 in 5 respondents in Poland expect external borrowing conditions to become more difficult over the coming months

Most Polish respondents (46%) do not expect payment practices of their B2B customers to change over the coming months. 30% anticipate improvement and 25% expect deterioration resulting in it taking longer to turn overdue invoices into cash. While waiting for payment from customers, businesses need to arrange for funds to carry on their operations. Concern that external borrowing conditions in Poland might become more difficult over the coming months was expressed by 44% of Polish respondents. In their opinion, this would result in significantly higher capital costs, negatively affecting investments in long-term business growth.

Machines



3.7%

of the total value of B2B receivables in the Polish machines sector was written off as uncollectable



Overview of payment practices in Poland

By business sector

Payment terms in the consumer durables and machine sectors are much longer than one year ago

Polish respondents from the consumer durables and machines sectors extended significantly longer payment terms to their B2B customers (respectively averaging 30 days compared to 16 last year and 31 days compared to 23 last year). The shortest average payment terms were set by respondents in the agri-food sector (23 days), followed by the services sector (averaging 27 days).

Trade credit risk is highest in the Polish construction sector

Trade credit risk in Poland has significantly deteriorated in the construction and ICT/electronics sectors, where 32% of the total value of invoices remained unpaid at the due date. Only the consumer durables sector recorded improved speed in customer payments over the past year. There was no change in the credit risk trend in the agri-food, machines, and services sectors.

Proportion of uncollectable receivables is highest in the machines sector

The machines sector in Poland recorded the highest proportion of B2B receivables written off as uncollectable (3.7%).

The agri-food and construction sectors followed at 1.9%. At the lower end of the scale, the consumer durables and the ICT/electronics sectors with an average of 1.5% and 1.3% respectively had the lowest percentage of uncollectables.

“

Self insurance is surely an option. However, as a solid risk assessment has become much more complex than in the past, availing themselves of the professional support of an experienced credit insurer like Atradius can help them better cope with the increased uncertainty, volatility and instability of the economic climate.

”

Pawel Szczepankowski,
Atradius Country Manager for Poland



Overview of payment practices in Poland

By business size

Large enterprises set the longest average payment terms for B2B customers

Respondents from large enterprises in Poland extended the longest and those from micro enterprises the shortest average payment terms to B2B customers (averaging 45 days and 35 days from the invoice date, respectively).

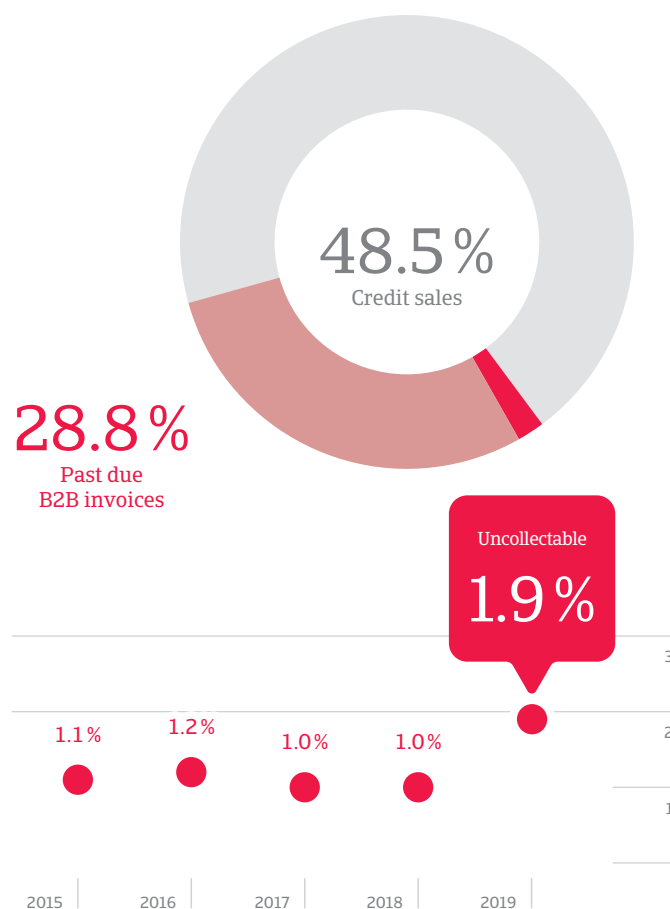
Large enterprises the swiftest to cash in overdue invoices

Over the past year, large enterprises in Poland recorded the highest increase in the proportion of B2B invoices paid on time (+10% on average). Due to this change, overdue invoices in large enterprises now account for 25.3% of the total value of B2B invoices. Because of this improvement, large Polish enterprises are now the swiftest to collect payment of invoices (55 days compared to 71 last year). Over the past year, payment duration improved for SMEs as well, which now collect payment on average 2 days faster than last year. In contrast, micro enterprises are waiting significantly longer to cash in overdue payments, with an invoice to cash turnaround averaging 51 days from the invoice date compared to 33 days last year.



Uncollectable B2B receivables in Poland

(% of total value of B2B receivables)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – September 2019

SMEs and large enterprises in Poland recorded the highest rate of uncollectable receivables

Despite collecting payment of invoices slower, Polish micro enterprises have a significantly better track record when it comes to collecting overdue payments. 1.1% of B2B invoices issued by Polish micro enterprises was written off as uncollectable. The average for both SMEs and large enterprises is 2.5%.

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 2019 edition of the Atradius Payment Practices Barometer, companies from seven countries (Czech Republic, Hungary, Poland, Slovakia, Turkey, Bulgaria and Romania) have been surveyed. Due to a change in research methodology for this survey, for some of the current results, no year-on-year comparison is feasible.

Using a questionnaire, Conclusr Research conducted a net of 1.516 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

Survey scope

- Basic population: companies from seven countries (Czech Republic, Hungary, Poland, Slovakia, Turkey, Bulgaria and Romania) 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=1,516 people were interviewed in total (approximately n=200 people per country). In each country a quota was maintained according to three classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q3 of 2019.

Sample overview – Total interviews = 1,516

Country	n	%
Poland	214	13.6%
Czech Republic	266	17.5%
Hungary	206	14.0%
Slovakia	201	13.2%
Turkey	222	14.6%
Bulgaria	206	13.8%
Romania	200	13.2%

Industry	n	%
Manufacturing	587	38.7%
Wholesale trade/ Retail trade / Distribution	841	55.5%
Services	88	5.8%

Business size	n	%
Micro enterprises	615	40.6%
SME (Small/Medium enterprises)	493	32.5%
Large enterprises	408	26.9%

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.

Disclaimer

This report is provided for information purposes only and is not intended as a recommendation as to particular transactions, investments or strategies in any way to any reader. Readers must make their own independent decisions, commercial or otherwise, regarding the information provided. While we have made every attempt to ensure that the information contained in this report has been obtained from reliable sources, Atradius is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this report is provided 'as is', with no guarantee of completeness, accuracy, timeliness or of the results obtained from its use, and without warranty of any kind, express or implied. In no event will Atradius, its related partnerships or corporations, or the partners, agents or employees thereof, be liable to you or anyone else for any decision made or action taken in reliance on the information in this report or for any consequential, special or similar damages, even if advised of the possibility of such damages.



Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Eastern Europe. This is part of the September 2019 Payment Practices Barometer of Atradius, available at

www.atradius.com/publications

[Download in PDF format](#) (English only).



Copyright **Atradius N.V.** 2019

If after reading this report you would like **more information about protecting your receivables against payment default** by your customers you can visit the [Atradius website](#) or if you have more specific questions, please [leave a message](#) and a product specialist will call you back. In the Publications section you'll find many more Atradius publications focusing on the global economy, including country reports, industry analyses, advice on credit management and essays on current business issues.

[Subscribe](#) to notifications of our Publications and receive weekly emails to alert you when a new report is published.

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.atradiuscollections.com

Connect with Atradius on Social Media



On Twitter? Follow [@Atradius](#) or search [#atradiusppb](#)

Atradius N.V.

David Ricardostraat 1 · 1066 JS Amsterdam

Postbus 8982 · 1006 JD Amsterdam

The Netherlands

Phone: +31 20 553 9111

info@atradius.com

www.atradius.com