

PAYMENT SURVEY

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Poland Payment Survey: Shortened delays but challenging outlook

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The fourth edition of Coface's survey on payment experiences in Poland was carried out in December 2019 with 300 companies participating in the study. The payment survey investigated businesses' payment behaviour, which mirrors both the short-term economic situation and the more structural business environment. In 2019, Poland's GDP growth reached 4.1%, which was admittedly a slowdown after 5.1% recorded in 2018. Coface anticipates GDP growth in Poland to continue to slow, expected at 3.3% in 2020. A favourable macroeconomic environment has created supportive conditions for businesses in previous years. However, the extent of the COVID19 outbreak knock-on effects remains to be observed, notably on trade partners, and could further impact the economic perspective in Poland. Despite a further slowdown of GDP growth, 50% of companies expected their profitability to rise in the short-term (10% of companies expected their profitability to remain at the current level) in the survey conducted end 2019. At that time, an improvement in sales was expected in the textile-clothing, automotive, and energy sectors. Conversely, the pharmaceuticals, metals, and construction sectors forecasted lower

sales in the coming months. According to the survey, 10 out of the 12 sectors anticipate that the amount of outstanding receivables were likely to decrease in the following months.

Since the textile-clothing and automotive sectors are among the ones that are expected to suffer most from the COVID19 spillover effects at a global level, with significant value chains disruptions as a lot of plants closed in China, epicenter of the global outbreak. Thus, the aforementioned positive perspective anticipated by companies in the survey at the end of last year could be somewhat less important if they had responded to the survey nowadays, in a context of global sanitary crisis.

According to our analysis, sales on credit are made extensively, with all surveyed companies having written terms and conditions for this purpose. 98% of businesses continue to face payment delays. During 2019, outstanding receivables decreased but only slightly. Our study shows that Polish companies experience average payment delays of 57.2 days, i.e. nearly 3 days less than in our previous survey in 2018 (in our latest Germany Payment Survey¹ average payment delays reached 35.5 days

¹ Coface Germany Payment Survey 2019: Turn of the tide, October 2019: <http://coface.com/News-Publications/Publications/Germany-Payment-Survey-2019-Turn-of-the-tide>



and in our latest Turkey Payment Survey² they equaled 40.7 days for domestic sales and 58.1 days for export sales). The agri-food sector fares the best, with payment delays of “just” 36 days. The biggest improvement in shortening delays was reported by the transport sector (18 days shorter than in 2018). Despite that, transport and construction companies again experienced the longest payment delays, at nearly 122 and 104 days respectively. The highest increase in the payment delay period was recorded by the metals sector (an increase from 53 to 66 days).



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1 PAYMENT TERMS³: TRANSPORT AND CONSTRUCTION DISPLAY THE MOST GENEROUS CREDIT PERIODS

- Short credit periods dominate the Polish business landscape: half of the surveyed companies impose average credit periods of up to 30 days.
- Compared to our previous survey⁴, credit periods exceeding 60 days decreased slightly. The largest decrease - of 1.3 percentage points - was reported in the 91 to 120 days range.
- Average credit periods decreased by 0.3 days, from 47.3 days in 2018 to 47.0 days in 2019.
- In a sectorial split, the most restrictive sectors (those with a majority of sales on short credit periods of up to 30 days) are textile-clothing (82%), automotive (74%), agri-food (71%), and energy (67%).

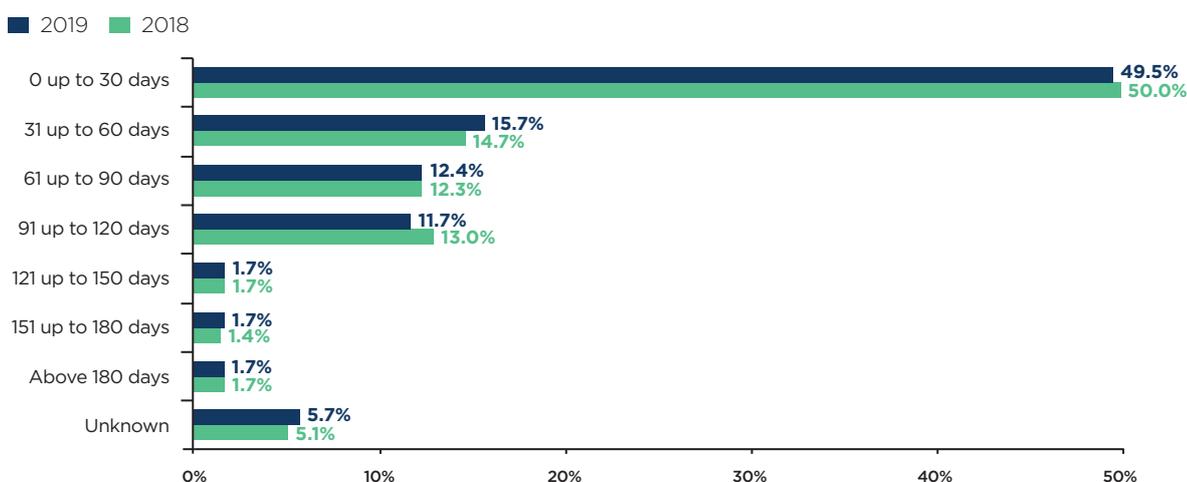


CREDIT PERIODS
in the transport sector
shortened by

15 days

in the course of one year

Chart 1:
Average credit periods



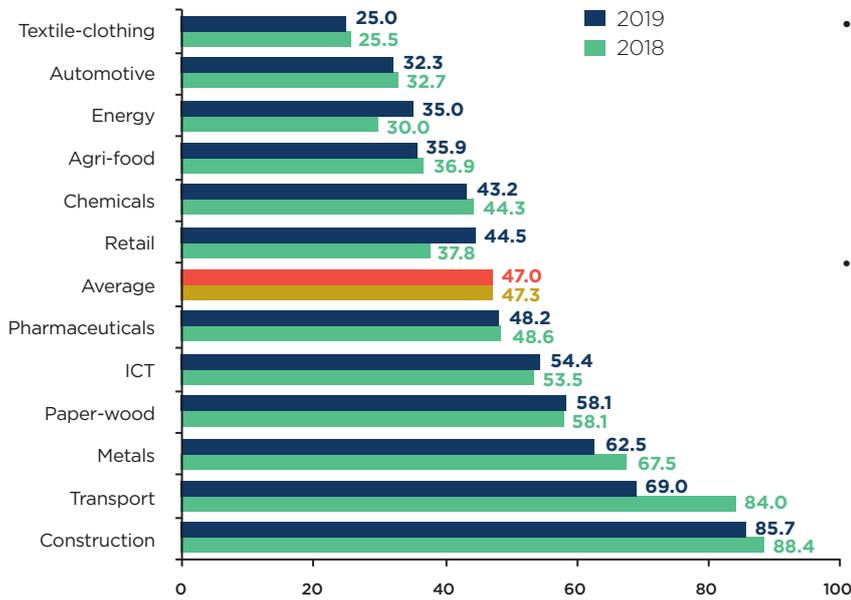
Source: Coface Payment Survey

² Coface Turkey Payment Survey 2019: Better picture in payment terms but companies are still cautious regarding economic prospects, January 2020: <http://coface.com/News-Publications/Publications/Turkey-Payment-Survey-2019-better-picture-in-payment-terms-but-companies-are-still-cautious-regarding-economic-prospects>

³ Payment term - the time frame between when a customer purchases a product or service and when the payment is due.

⁴ Coface Poland Payment Survey 2019: Robust economic growth has not eliminated payment delays, March 2019: <http://coface.com/News-Publications/Publications/Poland-Payment-Survey-2019-Robust-economic-growth-has-not-eliminated-payment-delays>

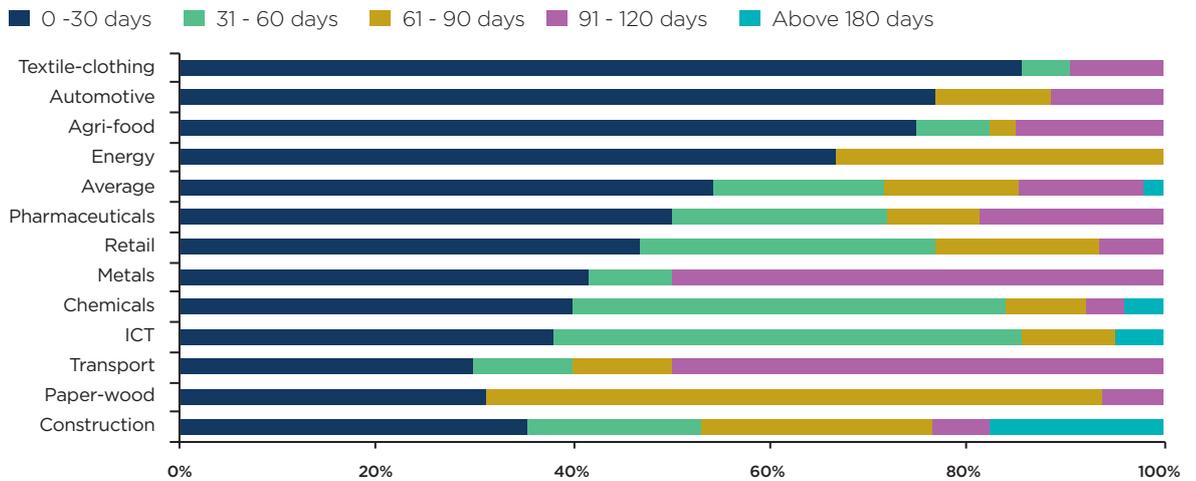
Chart 2:
Hypothetical credit periods (days)



Source: Coface Payment Survey

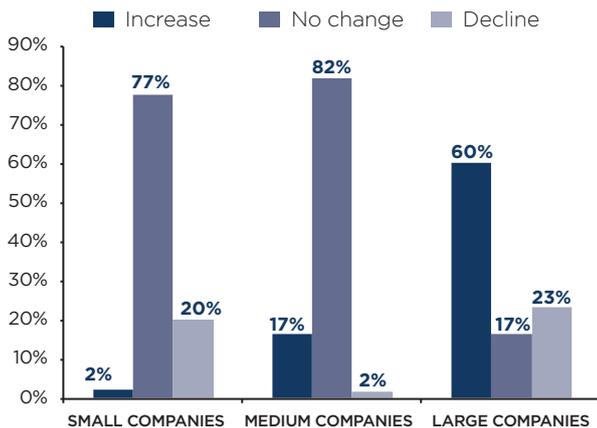
- Sectors that are the most generous in offering long average credit periods include transport (50% with credit periods of more than 90 days), metals (50%) and construction (38%). 7 out of 12 sectors reported a lengthening of credit periods compared to the previous survey. The biggest extension was reported by the metals sector.
- 59% of businesses in Poland expect that credit periods will not change in the next six months. This applies principally to small- and medium-sized clients. By contrast, credit periods granted to large clients are expected to increase (60% of surveyed companies anticipate such an increase).

Chart 3:
Average credit periods in sectors



Source: Coface Payment Survey

Chart 4:
Expected developments in credit periods, by size of companies' counterparties



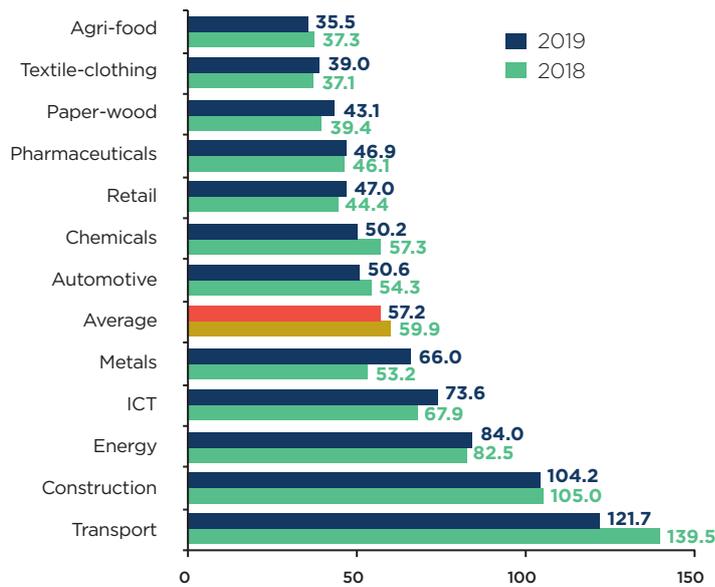
Source: Coface Payment Survey



Credit periods in Poland ranged from 25 days in textile-clothing to 86 days in construction in 2019.

2 9 OUT OF 10 COMPANIES EXPERIENCED PAYMENT DELAYS IN 2019⁵

Chart 5:
Average payment delays (days)



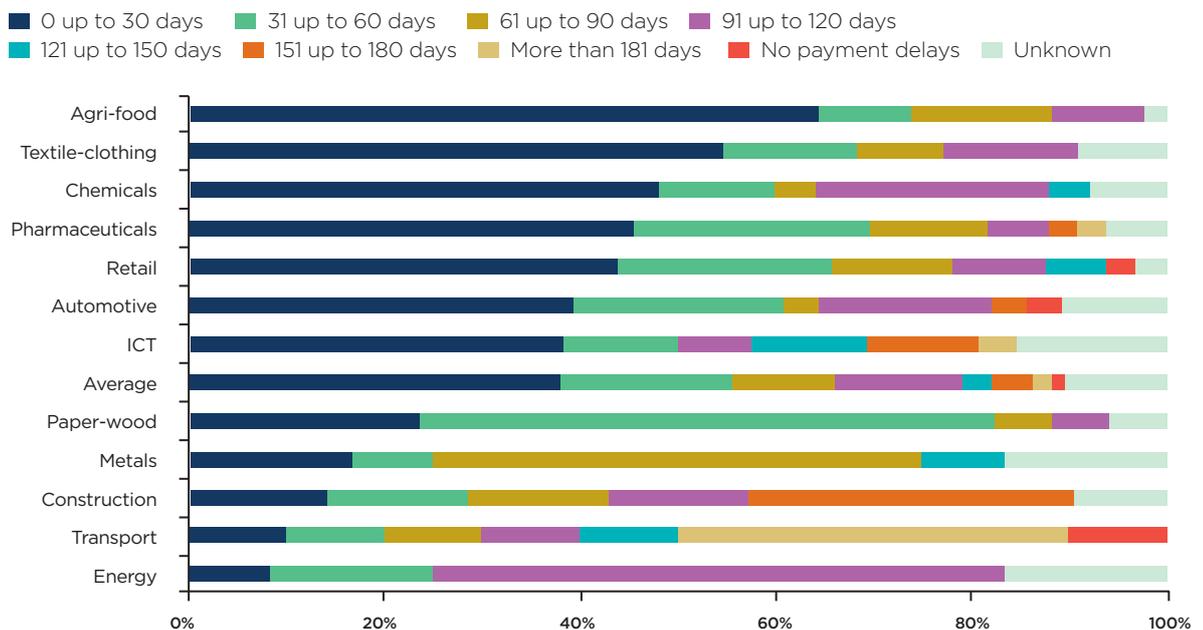
Source: Coface Payment Survey

- Payment delays appear to be standard practice in Polish business. Only 1.7% of surveyed companies declared that they do not have any payment delays from their counterparts.
- Average payment delays reached 57.2 days, which is nearly 3 days shorter than reported in the previous survey.
- 56% of surveyed companies experienced average payment delays of up to 60 days. Delays between 60 and 150 days were reported by 26%, and long delays of above 150 days were declared by almost 6%⁶. Compared to the previous survey, the share of long delays has decreased: payments made more than three months after the original due date were experienced by around 22% of companies, down from 38%. The economic acceleration and solid demand since 2017 supported the improvement of companies' payment liquidity.



70%
OF TRANSPORT COMPANIES reported payments overdue by more than half a year

Chart 6:
Average payment delays in sectors

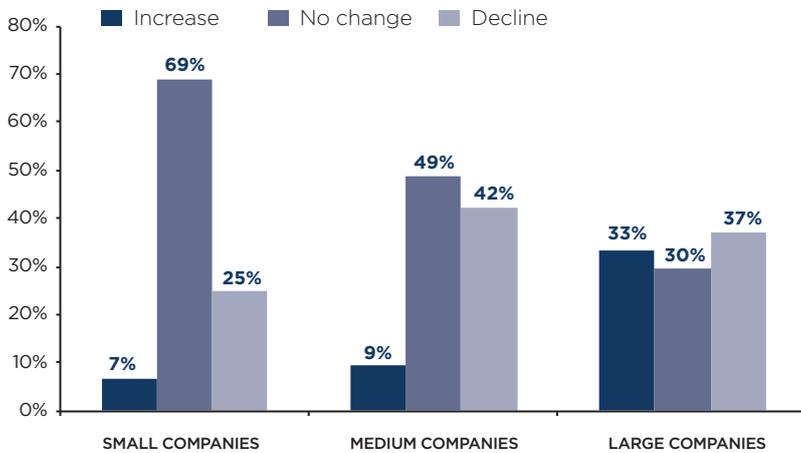


Source: Coface Payment Survey

⁵ Payment delay - the period between the payment due date and the date the payment is made.

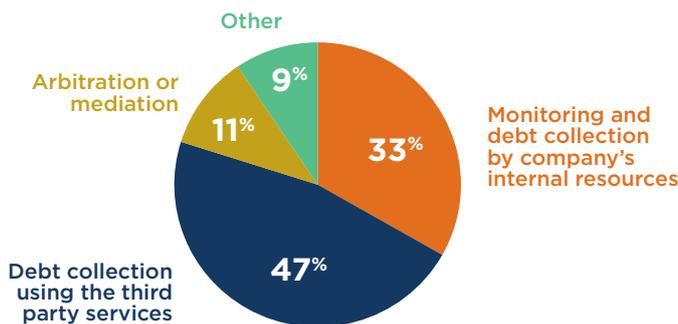
⁶ The remaining part (10%) declared themselves unaware of the exact delay of their receivables.

Chart 7:
Expected developments in outstanding receivables,
by size of companies' counterparts



Source: Coface Payment Survey

Chart 8:
The most effective action in the case of non-payment



Source: Coface Payment Survey

Chart 9:
Expected changes in the size of outstanding receivables over
the next six months (figures in balance points)



Source: Coface Payment Survey

- On a sectorial level, the longest payment delays were experienced by the transport and construction sectors, at an average of 121.7 days and 104.2 days, respectively. 5 sectors reported reduced delays compared to 2018, whereas 7 sectors saw extensions. The highest increase of payment delay periods was recorded by the metals sector (an extension by nearly 13 days). The deterioration in metals was already highlighted by a downgrade of Coface's sector risk assessment for Poland - Metals - from medium to high risk. The shortest delays were reported by the agri-food sector (35.5 days).

- Long payment delays of more than six months account for a sizeable share of companies' turnover. They have slightly increased in the last year: these overdue payments represent more than 10% of turnover for 16% of surveyed companies compared to 15% in a previous report (before that, it reached 18% in 2018 and 21% in 2017).

- Due to the lack of payments, companies have had to take action against debtors. Third party services (such as debt collection and external lawyers) were the most effective (as indicated by 47% of companies). Internal resources for monitoring and debt collection were used by 33% of companies, while arbitration and mediation actions were resorted to relatively rarely (11% of companies).

- The level of outstanding receivables is expected to stabilize: 49% of the surveyed companies do not expect to see changes in the next six months. Among the remaining 51%, a greater share of companies (35%) expects to see a decline in outstanding receivables, compared to those who forecast an increase (16%). At the same time, 33% anticipate a growing number of payment delays from larger clients, while 30% expect no change.

- Examining the results by sector, the ones where the steepest falls in payment delays over the next six months are expected to include textile-clothing, metals, and energy. In the pharmaceuticals sector, 53% of companies expect that payment delays will remain at the current level with a minor remaining share expecting an increase. The extension of payment delays in the next six months is anticipated mostly by the transport sector. Precisely, one-third of the respondents expect payment delays to increase, 23% believe they will decrease.

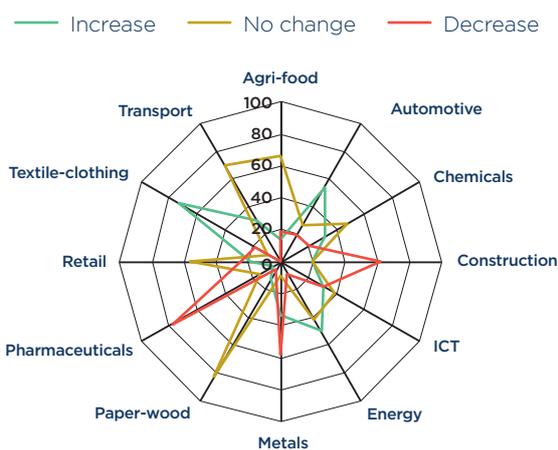


**Payment delays in
the metals sector increased
by 13 days in one year.**



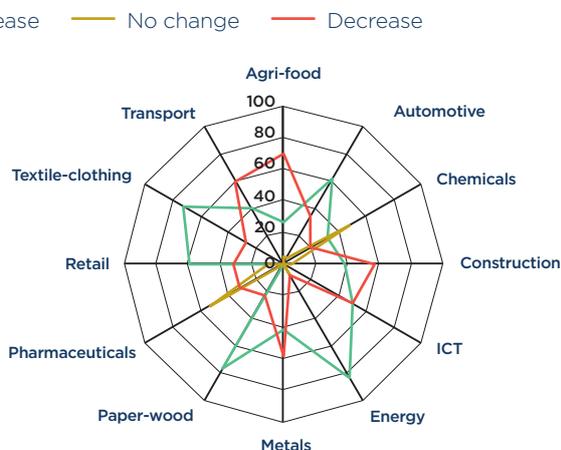
3 ECONOMIC EXPECTATIONS: SALES COULD STABILIZE

Chart 10:
Future sales by sectors (as anticipated at end 2019)



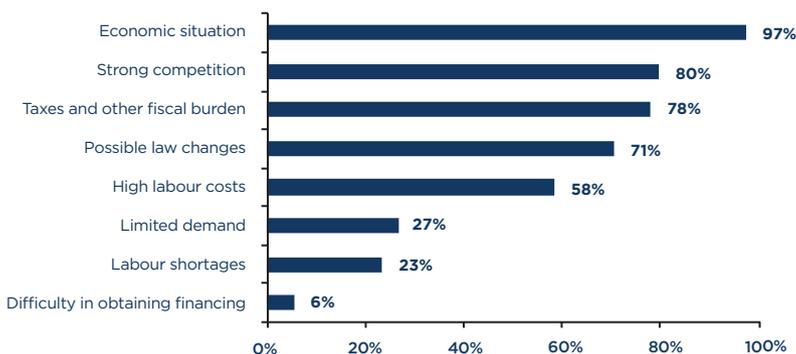
Source: Coface Payment Survey

Chart 11:
Future profitability by sectors (as anticipated at end 2019)



Source: Coface Payment Survey

Chart 12:
Factors that might limit the expansion of business (several answers possible)



Source: Coface Payment Survey

- Optimistic assessments have been made regarding the perspectives for profitability of companies. 50% of surveyed companies expect their profitability to rise in the next six months (compared to 52% in the previous survey), whereas 40% anticipate that it will decrease. Regarding sales volumes, 31% of companies expect them to increase, while 30% of businesses expect a drop. At the time of writing, Poland is not directly impacted by the COVID19 outbreak, and it appears that the concern at the moment within the business community is not the same than in other countries, notably in Western Europe. Given the negative shock that the sanitary crisis represents for the global economy outlook, entrepreneurs could have been less optimistic in their answers if the survey would have been conducted in early 2020.

- On the sectorial front, an improvement in sales was expected particularly by the textile-clothing, automotive, and energy sectors in the survey led at end 2019. Since the textile-clothing and automotive sectors, are among the ones that are expected to suffer most from the COVID19 spillover effects at a global level, with significant value chains disruptions as a lot of plants closed in China, epicenter of the global outbreak. Thus, the aforementioned positive perspective anticipated by companies in the survey at the end of last year could be somewhat less important if they had responded to the survey nowadays, in a context of global sanitary crisis. In contrast, the pharmaceuticals, construction, and metals sectors forecast lower sales over the next six months. Regarding the two latter sectors, a lower volume of infrastructure investments is the reason behind these expectations.

- 36% of companies plan to invest in their expansion, 39% do not intend to do so, and nearly 25% have not made any decision on the matter. The factors that could limit the expansion of businesses and reported the most often include the economic situation, fierce competition, and the associated fiscal burden.

- Above half of the surveyed companies (54%) plan to focus on the domestic market, while the rest intend to expand into foreign markets - mostly in European Union countries, but Eastern destinations (Russia, Ukraine, Asia) are also considered.



Strong competition could limit the business expansion of 8 out of 10 companies

APPENDIX



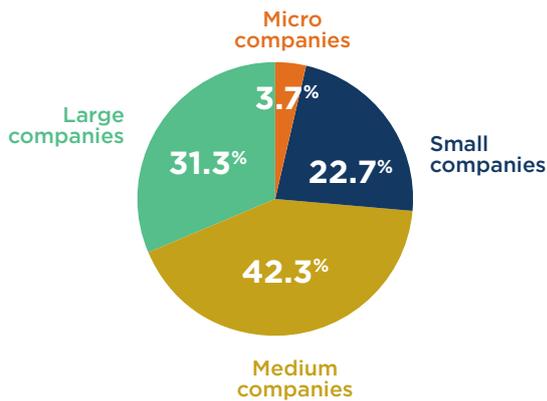
A TOTAL OF

300

COMPANIES PARTICIPATED
IN THE PAYMENT SURVEY

Who were the respondents?

SIZE OF COMPANIES BY TURNOVER



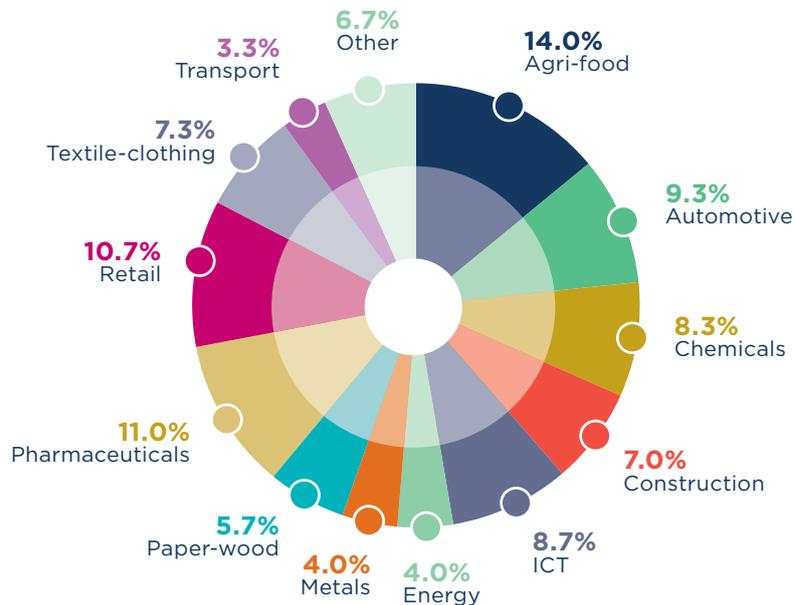
Source: Coface Payment Survey

MAIN BUSINESS ACTIVITY



Source: Coface Payment Survey

SECTORS OF SURVEYED COMPANIES



Source: Coface Payment Survey

GLOSSARY



PAYMENT TERM

The time frame between when a customer purchases a product or service and when the payment is due.

PAYMENT DELAY

The period between the payment due date and the date the payment is made.

DISCLAIMER

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