

PAYMENT SURVEY

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Poland Payment Survey 2018: Payment delays mounting amid robust economic growth

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The second edition of Coface's survey on payment experiences in Poland was carried out in December 2017. The year saw a peak period of economic recovery, with GDP growth accelerating to 4.6% in 2017 – the highest level of economic expansion since 2011. This has created favourable conditions for businesses. The payment survey investigated businesses' payment behaviour, which mirrors both the short-term economic situation and the more structural business environment. Businesses in Poland will likely continue to enjoy a favourable macroeconomic environment. Coface forecasts that the Polish economy will stabilise this year, with GDP growth reaching 3.8% – a slower pace than 2017, but still solid and even broader based. According to our survey, 9 of the 12 sectors consulted anticipate that the amount of outstanding receivables will decrease over the following months. 51% companies expect that their profitability is going to rise in the short-term, whereas 39% anticipate its decrease. The automotive, energy, and textile-clothing sectors in particular expect an improvement in sales. Conversely, the pharmaceuticals, construction, and metals sectors forecast lower sales in the coming months.

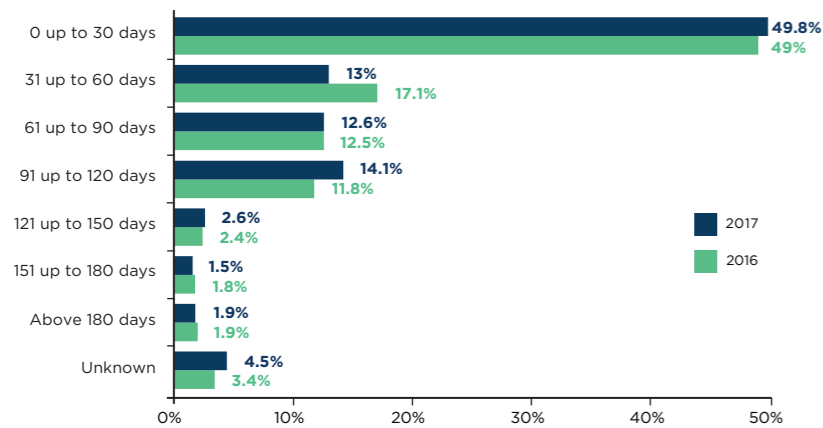
According to our analysis, covering a wide range of company sizes and sectors, sales on credit are made extensively, with all surveyed companies having written terms and conditions to this end, and that 99% of corporates continue to face payment delays, some of which are long and unlikely to be fulfilled. Despite the momentum enjoyed by the economy, outstanding receivables rose in 2017. Our study shows that Polish companies experience average payment delays of 62.5 days, i.e. 11 days longer than encountered in our previous survey in 2016. The retail sector fares the best, with payment delays of "only" 15 days. The longest payment delays were experienced by transport and construction companies, at nearly 146 and 116 days, respectively. Both sectors reported longer payment delays than experienced in the 2016 Coface payment survey. This weak payments scenario corresponds with Coface's sector credit risk assessments for Poland's construction and transport sectors, which are assessed at "high risk".



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1 PAYMENT TERMS: TRANSPORTATION AND CONSTRUCTION OFFERING THE MOST GENEROUS CREDIT PERIODS

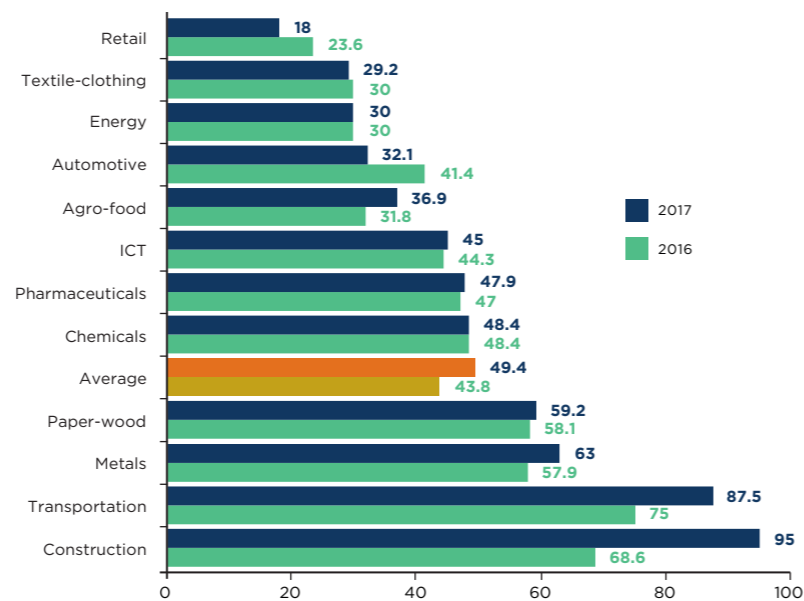
Chart 1:
Average credit periods



Source: Coface Payment Survey

- Short credit periods dominate the Polish business landscape. Almost half of the surveyed companies impose average credit periods of up to 30 days.
- There have been no crucial changes in terms of credit periods compared to our previous survey¹ in 2016. Slight variations in 2017 include a decrease of the share of “31 to 60 days”, and an increase in the “91 to 120 days” share.
- Average credit periods increased by 5.6 days, i.e. from 43.8 days in 2016 to 49.4 days in 2017.

Chart 2:
Hypothetical credit periods (days)



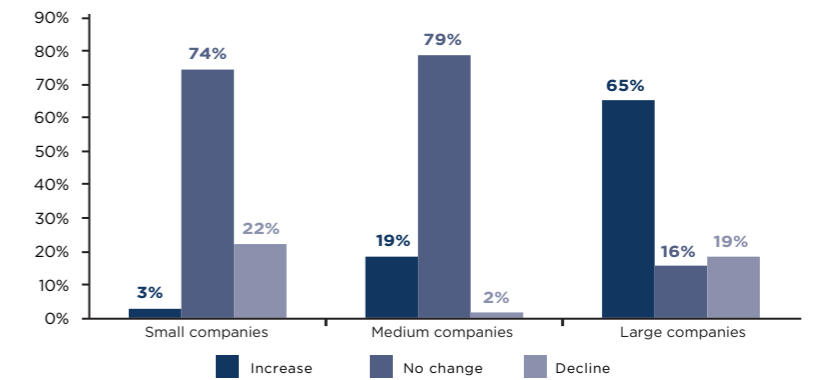
Source: Coface Payment Survey

50%
OF COMPANIES
request payment to be
made within a month

1 - Coface Poland Payment Survey: Payment delays pervade Polish corporates, January 2017:
<http://coface.com/News-Publications/Publications/Panorama-Poland-payment-survey-Payment-delays-pervade-polish-corporates>

- In a sectorial split, the most restrictive sectors (those with a majority of sales on short credit periods of up to 30 days) are retail (90%), textiles-clothing (84%), agro-food (77%), automotives (74%) and energy (71%).
- Sectors that are the most generous in offering long average credit periods include transportation (67% with credit periods of more than 90 days), metals (53%) and construction (46%). All these sectors reported an extension of credit periods compared to the previous survey.
- 56% of businesses in Poland expect that credit periods will not change in next six months. This applies principally to small- and medium-sized clients. By contrast, credit periods granted to large clients are expected to increase (65% of surveyed companies anticipate such an increase – slightly higher than last year, when it reached 62%).

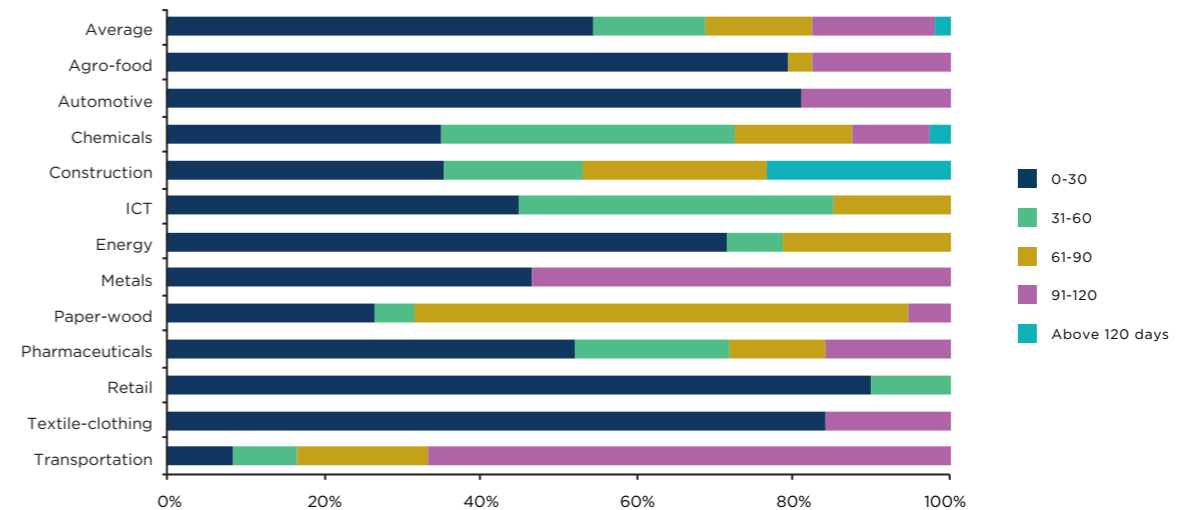
Chart 3: Expected developments in credit periods, by size of companies' counterparties



Source: Coface Payment Survey

↓
**Credit periods in Poland range from
18 days in retail to 95 days in construction**

Chart 4: Average overdue days of credit sales



Source: Coface Payment Survey

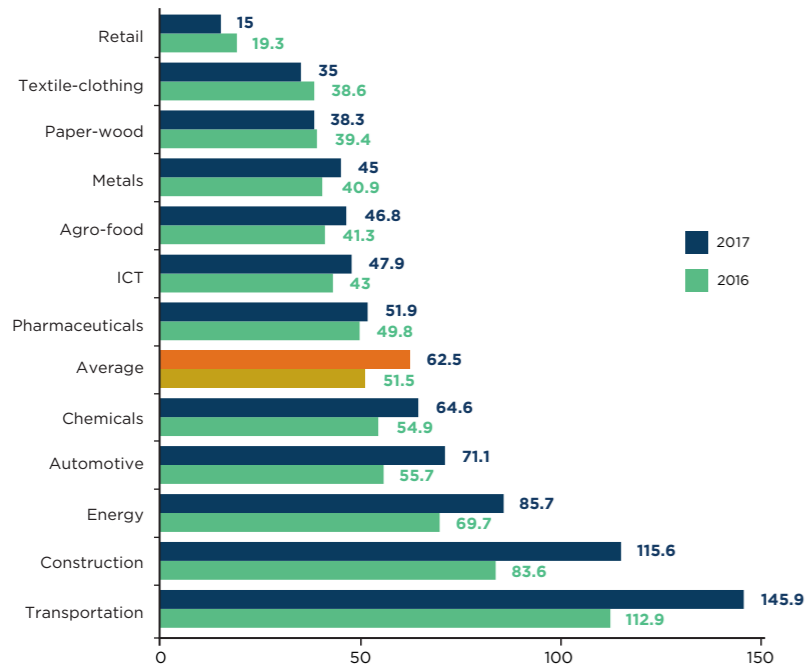
2 PAYMENT DELAYS: 9 IN 10 COMPANIES EXPERIENCE PAYMENT DELAYS

↓
In the course of one year, payment delays in Poland surged by 11 days to the average of 62.5 days

28%
OF COMPANIES reported payment delays exceeding 3 months

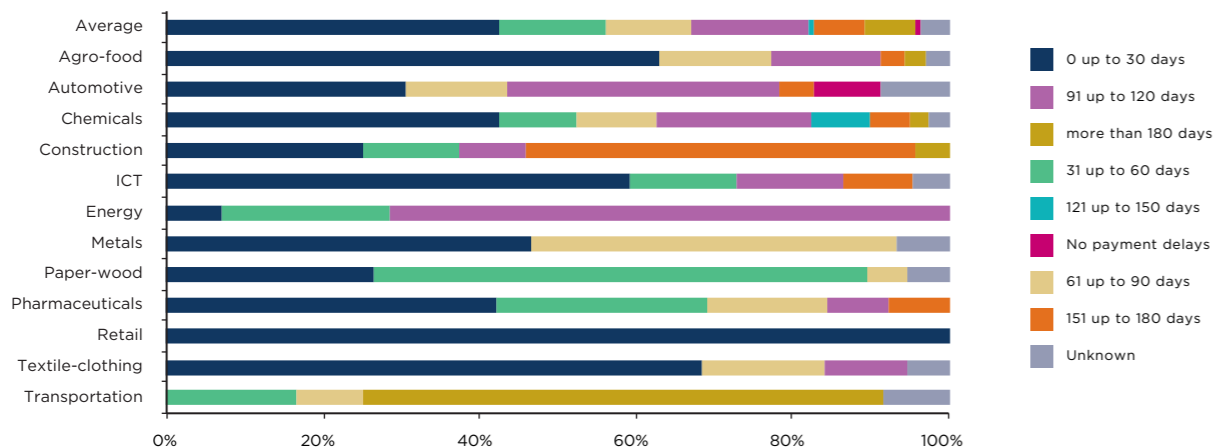
- Payment delays appear to be standard practice in the Polish business. Only 0.7% of companies surveyed declared that they do not have any payment delays from their counterparties.
- Average payment delays reached 62.5 days, which is eleven days longer than reported in the previous survey.
- 54% of companies 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 12%. Compared to the previous survey, the share of long delays has risen. Payments made more than three months after the original due date have been experienced by nearly 28% of companies this time, compared to 24% reported previously.
- On a sectoral split, the longest payment delays were experienced by the transportation and construction sectors, at the average of 145.9 days and 112.9 days, respectively. These sectors reported also the highest extension of delays compared to a prior year. Nevertheless, most of the other surveyed sectors declared that payment delays from their clients had increased. The shortest delays were reported by the retail sector (15 days).

Chart 5: Hypothetical payment delays (days)



Source: Coface Payment Survey

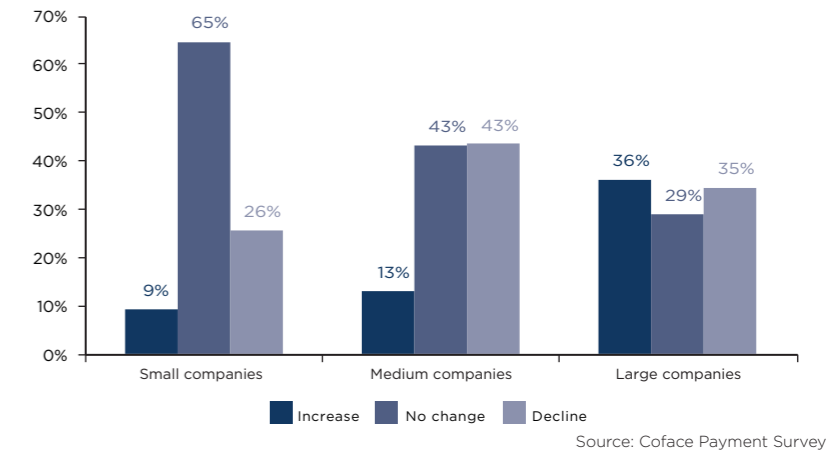
Chart 6: Average payment delays in sectors



Source: Coface Payment Survey

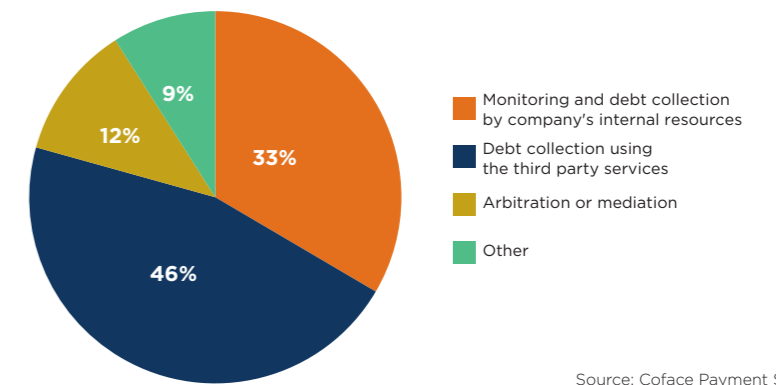
- Long payment delays of more than six months old account for a sizeable share of companies' turnovers. These overdue payments represent more than 10% of turnover for 18% of the surveyed companies (almost 21% in the 2016 survey).
- Due to a lack of payments, companies have had to take action against debtors. Third party services (such as debt collection and external lawyers) were the most effective (indicated by 46% of companies). Internal resources for monitoring and debt collection were reported by 33% of companies, while arbitration and mediation actions were practiced relatively rarely (by 12% of companies). Compared to last year, third party services were reported as more efficient while indications if internal resources decreased.
- The level of outstanding receivables is expected to stabilise: almost half of the surveyed companies do not expect to see changes in the next six months. Among others, there are a greater percentage of companies (35%) that expect to see a decline in outstanding receivables than those who forecast that they will increase (19%). At the same time, 36% anticipate a growing number of payment delays from larger clients, while 29% expect no change.
- Examining the results by sector, segments which expect the strongest falls in outstanding receivables over the next six months include textile-clothing, metals, and energy. The extension of payment delays in the next six months is anticipated within the pharmaceutical sector, but more notably by the construction and transport sectors. In the construction sector, 63% of companies expect to see increasing payment delays, while only 17% anticipate a decrease. In the transport sector, 56% of entities expect that payment delays will increase, 33% believe they will decrease, and only 11% do not anticipate any change.

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



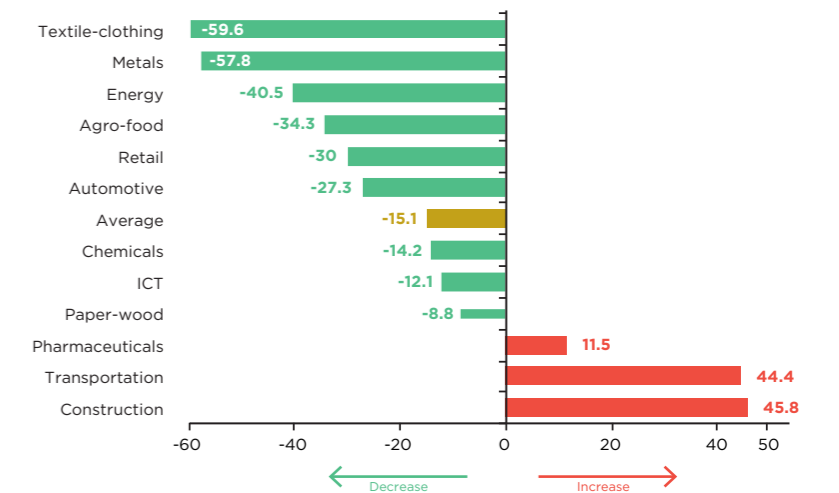
Source: Coface Payment Survey

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

3 ECONOMIC EXPECTATIONS: SALES AND PROFITABILITY WILL RISE



Strong competition could limit a business expansion of 3 in 4 companies in Poland



51%
OF COMPANIES
foresee higher profits

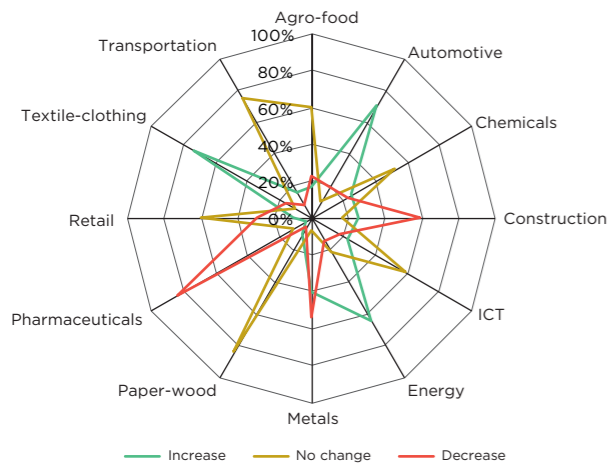
- Optimistic assessments have been made regarding companies' perspectives. 51% of companies surveyed expect that their profitability will rise in the next six months, whereas 39% anticipate that it will decrease. Regarding sales volumes, 32% of companies expect that these will increase, while 30% of businesses expect a drop in sales.

- In a sectorial split, an improvement in sales is particularly expected by the automotive, energy and textile-clothing sectors. By contrast, the pharmaceuticals, construction and metals sectors forecast lower sales over the next six months.

- 38% of companies plan to invest in their expansion, 38% do not intend to do so, and nearly 24% have not made any decision on this matter. The most often reported factors that could limit businesses' expansion include the economic situation, fierce competition, and the associated fiscal burden.

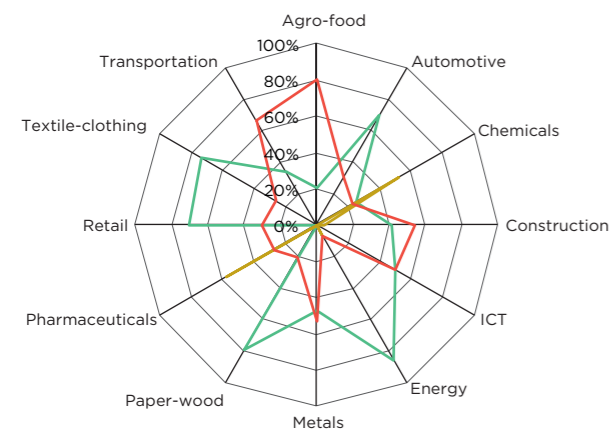
- Above half of the surveyed companies (51%) plan to focus on a domestic market, whereas the rest intend to expand into foreign markets - mostly in European Union countries, but also considering Eastern destinations (Russia, Ukraine, Asia).

Chart 10:
Future sales by sectors



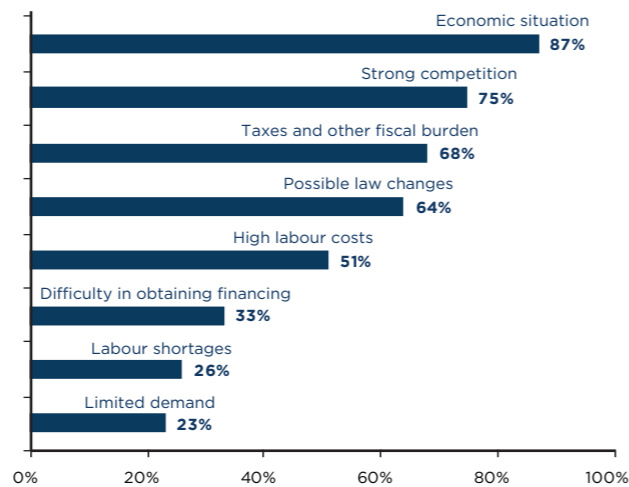
Source: Coface Payment Survey

Chart 11:
Future profitability by sectors



Source: Coface Payment Survey

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



Source: Coface Payment Survey

APPENDIX ABOUT THE RESPONDENTS



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COMPANIES

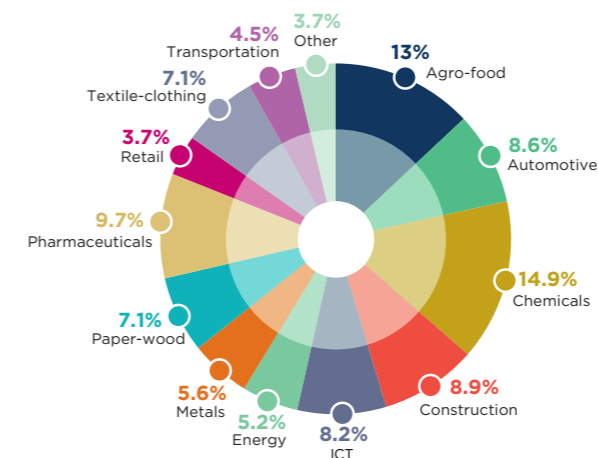
SIZE BY TURNOVER



BUSINESS ACTIVITY



SECTORS



GLOSSARY



CREDIT PERIOD
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

RESERVATION

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