

PAYMENT SURVEY



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Poland Payment Survey 2019: Robust economic growth has not eliminated payment delays

- 2 PAYMENT TERMS
- 4 PAYMENT DELAYS
- 6 ECONOMIC EXPECTATIONS
- 7 APPENDIX

The third edition of Coface's survey on payment experiences in Poland was carried out in December 2018 with 293 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. 2018 saw a peak period of economic recovery, with GDP growth accelerating to 5.1% in 2018 - the highest level of economic expansion since 2011. Such a macroeconomic environment created favourable conditions for businesses. Despite the expected slowdown of GDP growth, i.e. +3.7% this year according to Coface, 52% of companies expect that their profitability is going to rise in the short-term. The textile-clothing, automotive, and energy sectors in particular expect an improvement in sales. Conversely, the pharmaceuticals, metals, and construction sectors forecast lower sales in the coming months. According to our survey, 9 of the 12 sectors anticipate that the amount of outstanding receivables will decrease over the following months.

According to our analysis, sales on credit are made extensively, with all surveyed companies having written terms and conditions to this end, and 99% of businesses continue to face payment delays. In the course of economic acceleration, outstanding receivables decreased in 2018 but only slightly. Our study shows that Polish companies experience average payment delays of 59.9 days, i.e. nearly 3 days shorter than encountered in our previous survey in 2017. The textile-clothing sector fares the best, with payment delays of "just" 26 days. Similar to our previous survey, the longest payment delays were experienced by transport and construction companies, at nearly 140 and 105 days, respectively. Both sectors experienced a slight improvement in this regard compared to 2017, but a deterioration is nevertheless expected in 2019. The highest increase of payment delay periods was recorded by the retail sector (an increase from 15 to 44 days).



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1 PAYMENT TERMS¹: TRANSPORTATION AND CONSTRUCTION OFFER THE MOST GENEROUS CREDIT PERIODS

Chart 1:
Average credit periods

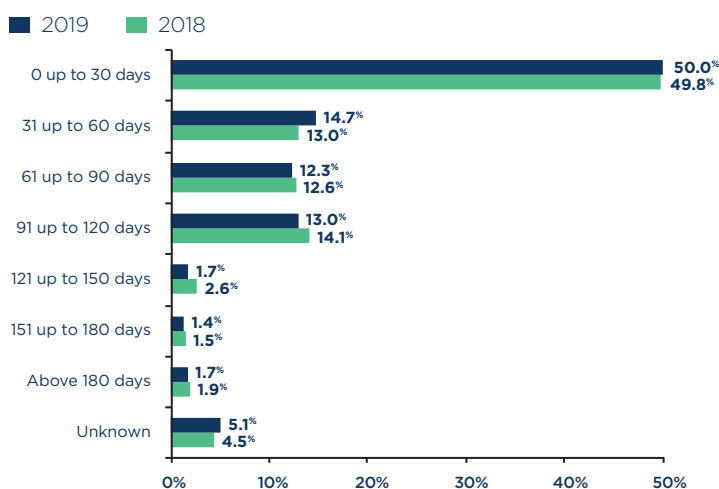
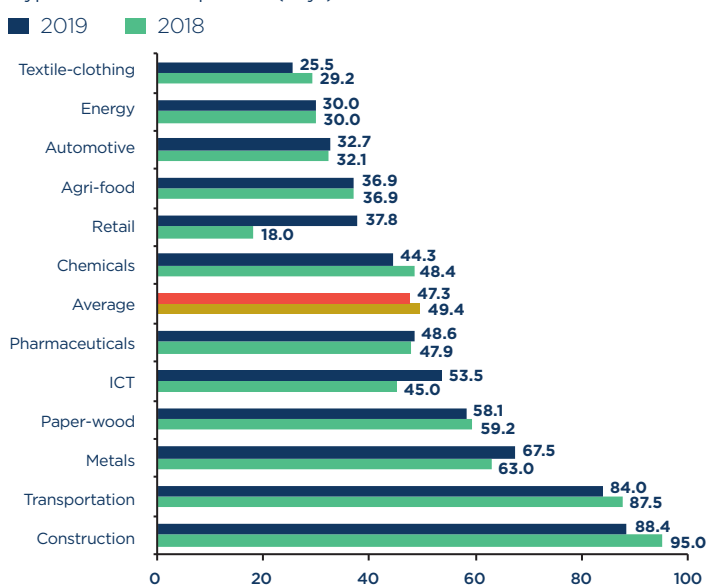


Chart 2:
Hypothetical credit periods (days)



Source: Coface Payment Survey

Source: Coface Payment Survey

- 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 survey², credit periods exceeding 60 days increased slightly. The largest increase of 1.1 percentage points was reported in the 91 to 120 days range.
- Average credit periods decreased by 2.1 days, i.e. from 49.4 days in 2018³ to 47.3 days in 2019³.
- 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 (77%), automotive (72%), agri-food (71%), and energy (71%).
- Sectors that are the most generous in offering long average credit periods include transportation (58% with credit periods of more than 90 days), metals (54%) and construction (36%). All these sectors reported a shortening of credit periods compared to the previous survey. In contrast, the biggest extension was reported by the retail sector.
- 58% 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 (60% of surveyed companies anticipate such an increase – lower than last year, when it reached 65%).



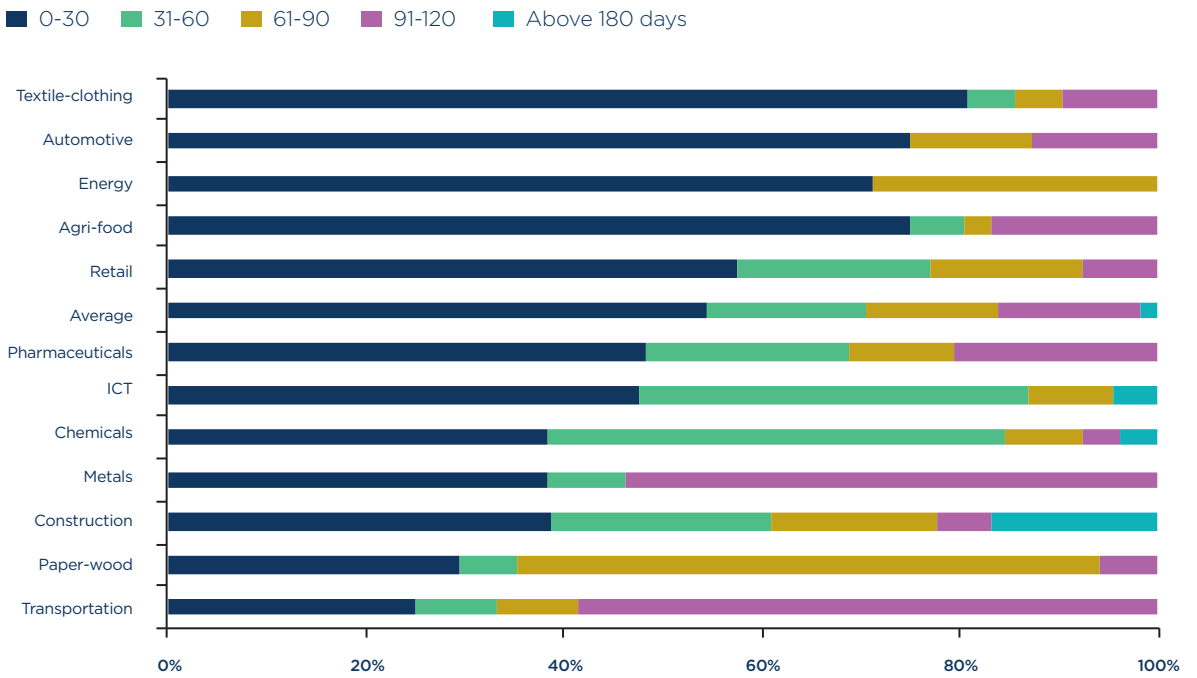
50%
OF COMPANIES
request that payments
be made within a month

¹ Payment term – the time frame between when a customer purchases a product or service and when the payment is due.

² Coface Poland Payment Survey 2018: Payment delays mounting amid robust economic growth, March 2018:
<http://coface.com/News-Publications/Publications/Poland-Payment-Survey-2018-Payment-delays-mounting-amid-robust-economic-growth>

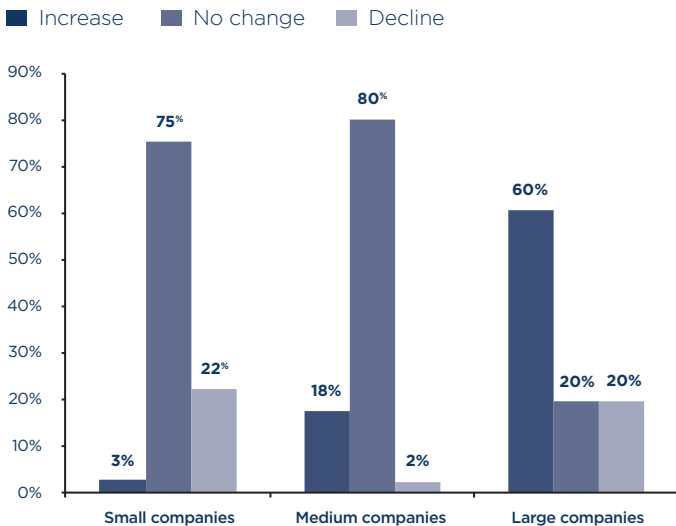
³ The 2018 Coface Payment Survey - Poland was carried out at the end of 2017; the 2019 edition was carried out at the end of 2018.

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



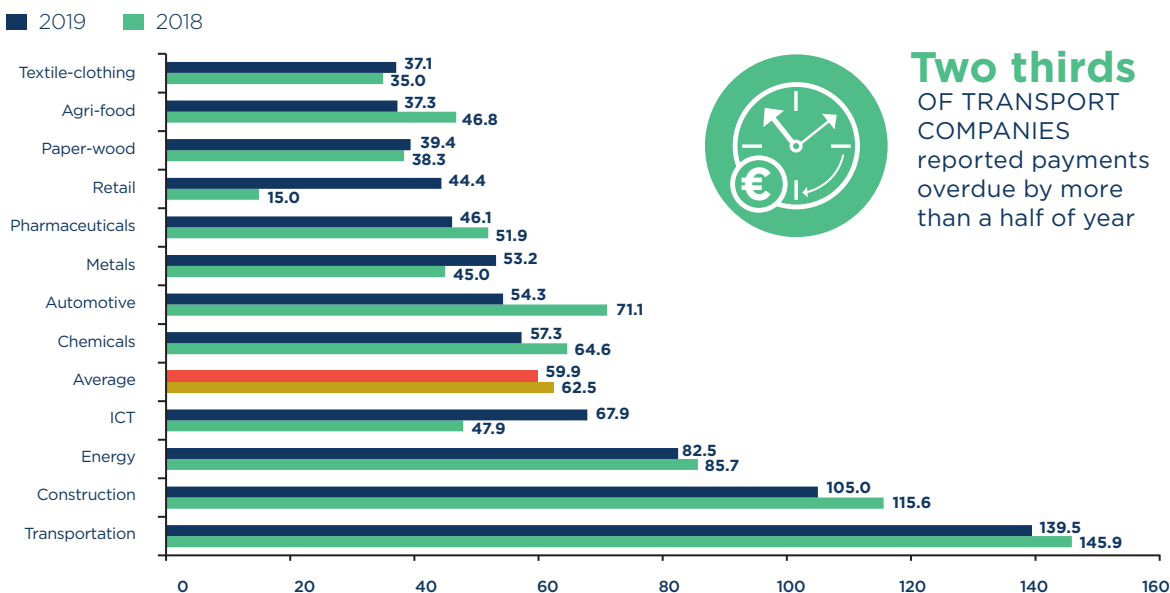
Credit periods in Poland range from 26 days in textile-clothing to 88 days in construction



2 9 IN 10 COMPANIES EXPERIENCE PAYMENT DELAYS⁴

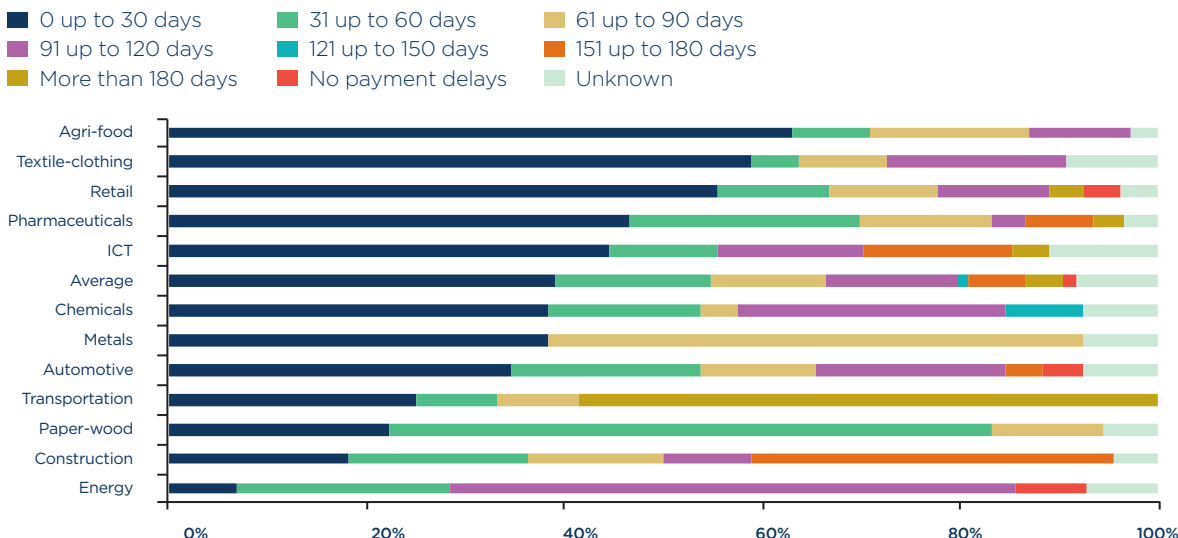
- Payment delays appear to be standard practice in the Polish business. Only 1.4% of companies surveyed declared that they do not have any payment delays from their counterparties.
- Average payment delays reached 59.9 days, which is nearly 3 days shorter than reported in the previous survey.
- 55% of 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 10%.⁵ Compared to the previous survey, the share of long delays has risen: payments made more than three months after the original due date were experienced by nearly 38% of companies, up from 24%.

Chart 5:
Average payment delays (days)



Source: Coface Payment Survey

Chart 6:
Average payment delays in sectors



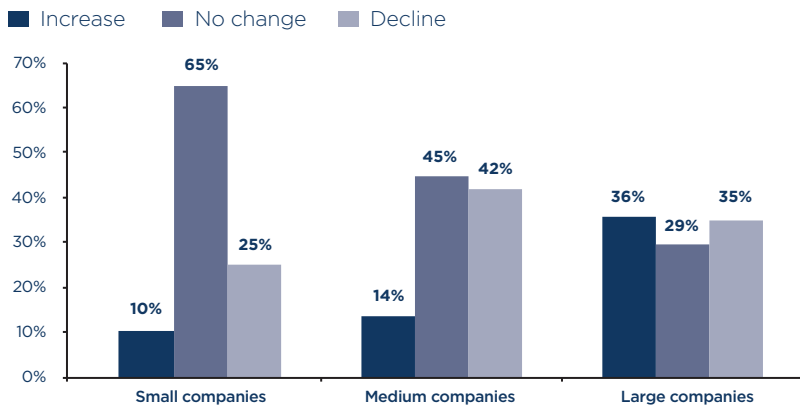
Source: Coface Payment Survey

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

5 The remaining part (8%) declared themselves unaware of the exact delay of their receivables.

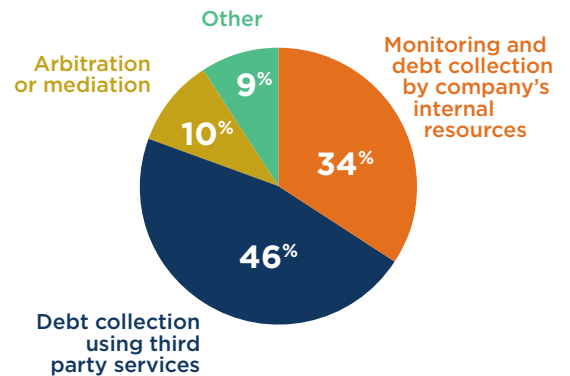
- On a sectorial split, the longest payment delays were experienced by the transport and construction sectors, at the average of 139.5 days and 105 days, respectively. 7 sectors reported reduced delays compared to last year, whereas 5 sectors saw extensions. The highest increase of payment delay periods was recorded by the retail sector (the extension by nearly 30 days). The shortest delays were reported by the textile-clothing sector (37.1 days).
- Long payment delays of more than six months account for a sizeable share of companies' turnovers. However, they have decreased over last years: these overdue payments represent more than 10% of turnover for 15% of the surveyed companies (18% in 2018 and 21% in 2017).
- 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 used by 34% of companies, while arbitration and mediation actions were practiced relatively rarely (10% of companies).
- The level of outstanding receivables is expected to stabilise: 46% of the surveyed companies do not expect to see changes in the next six months. Among the remaining 54%, there are a greater percentage of companies (34%) that expect to see a decline in outstanding receivables than those who forecast that they will increase (20%). 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, the sectors expecting the farthest falls in payment delays over the next six months include metals, textile-clothing, and energy. The extension of payment delays in the next six months is anticipated within the pharmaceuticals sector, but more notably by the construction and transport sectors. In the construction sector, half of companies expect to see increasing payment delays, while 23% anticipate a decrease. In the transport sector, while half of the respondents expect that payment delays will increase, only 11% believe they will decrease.

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



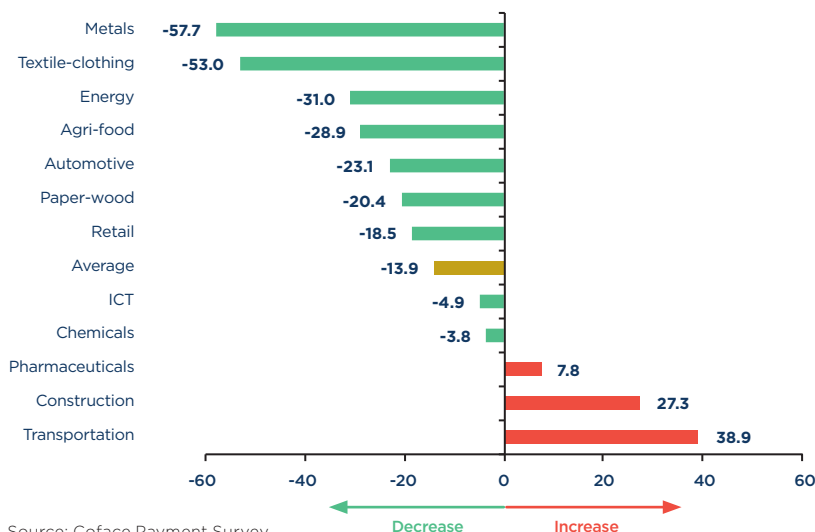
Source: Coface Payment Survey

Chart 8:
Most effective actions 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



Payment delays in the retail sector tripled over the course of one year

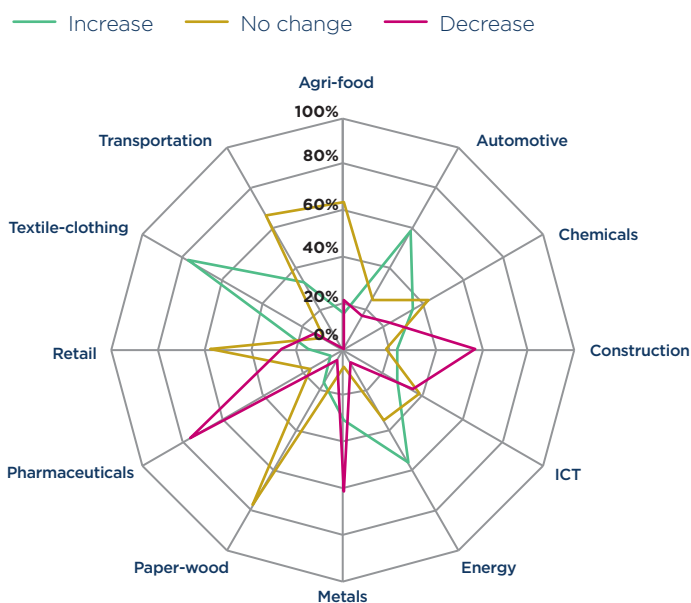


3 ECONOMIC EXPECTATIONS SALES AND PROFITABILITY WILL RISE



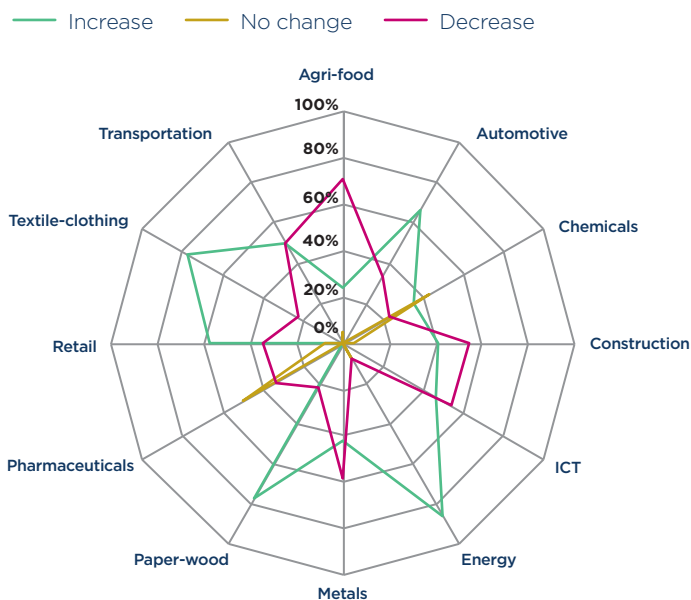
The economic situation is crucial for business expansion

Chart 10:
Future sales by sectors



Source: Coface Payment Survey

Chart 11:
Future profitability by sectors



Source: Coface Payment Survey

- Optimistic assessments have been made regarding companies' perspectives. 52% of companies surveyed expect that their profitability will rise in the next six months (compared to 51% in the previous survey), whereas 39% anticipate that it will decrease. Regarding sales volumes, 33% 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 textile-clothing, automotive, and energy sectors. By contrast, the pharmaceuticals, metals, and construction sectors forecast lower sales over the next six months.

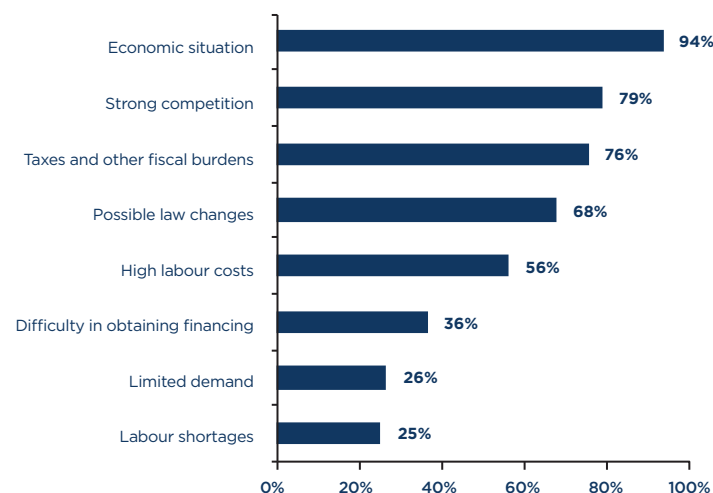
- 36% of companies plan to invest in their expansion, 40% do not intend to do so, and nearly 24% have not made any decision on this matter. The most often reported factors that could limit businesses' expansion include the economic situation, fierce competition, and the associated fiscal burden.

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



52%
OF COMPANIES
foresee higher profits

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



Source: Coface Payment Survey

APPENDIX



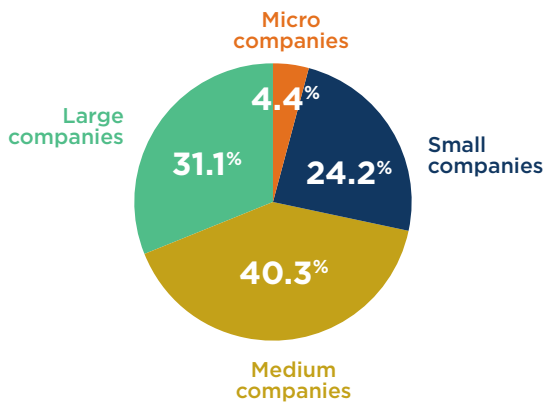
A TOTAL OF

293

COMPANIES PARTICIPATED
IN THE PAYMENT SURVEY

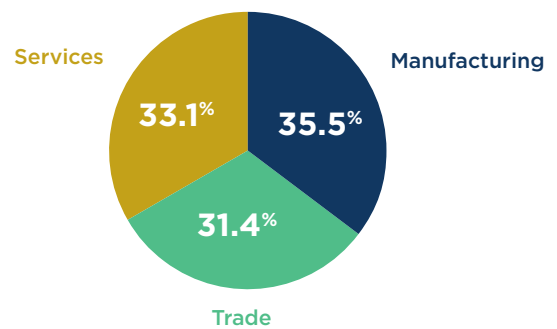
Who were the respondents?

SIZE OF COMPANIES BY TURNOVER



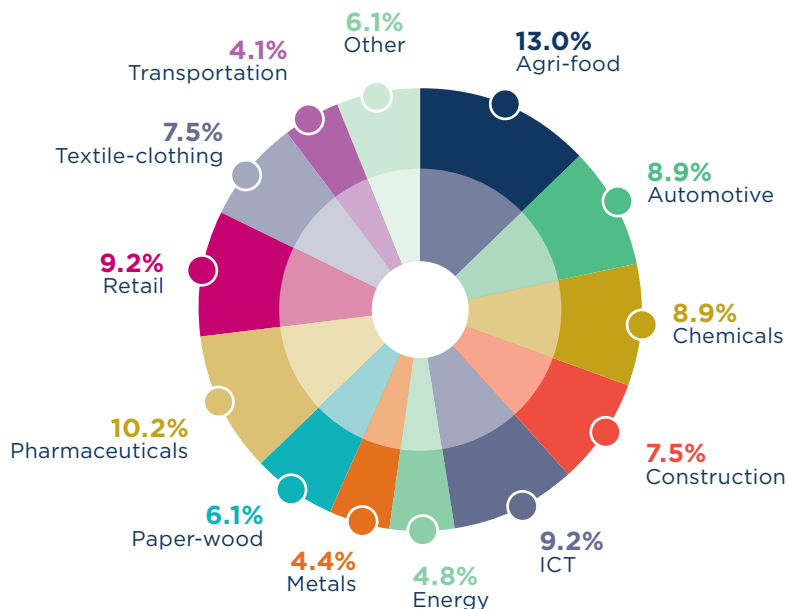
Source: Coface Payment Survey

MAIN BUSINESS ACTIVITY



Source: Coface Payment Survey

SECTORS OF SURVEYED COMPANIES



Source: Coface Payment Survey

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