



Denmark: businesses safeguard cash flow, as trade environment worsens

Atradius Payment Practices Barometer





exports

Top 5

Intermediate goods for other industries, total
 Machinery and instruments
 Agricultural products of vegetable origin total
 Fuel, lubricant and current
 Fish, crustaceans and molluscs

Source: Statistics Denmark

trading partners

Top 5

Germany
 Sweden

United Kingdom
 USA
 China

Source: Statistics Denmark

imports

Top 5

Intermediate goods for other industries, total
 Goods for household consumption, total
 Machinery and other capital equipment, total
 Transport equipment, total
 Intermediate goods for construction industry, total

Source: Statistics Denmark

Economic growth in Denmark is forecast to increase to 2% this year. Investment and private consumption are expected to remain the main drivers of growth. The outlook for exports is forecast to worsen due to the expected weakening of Denmark's main trading partners and ongoing uncertainties surrounding global trade policies.



**Erik Skovgaard Nielsen,
Country Manager for Denmark commented
on the report**

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The Danish economy is currently enjoying an upturn, after having regained some of its international competitiveness due to structural reforms that addressed the issue of high labour costs. However, although robust domestic demand is sustaining growth, exports remain susceptible to lower Eurozone demand, especially from Germany. Additionally, looming uncertainty surrounding the future relations between the UK and the EU could have a negative impact on Danish foreign trade relations, as the United Kingdom is Denmark’s third largest export market. As to insolvencies, we expect them to level off this year, after the substantial increase recorded last year.

Against this backdrop, survey findings in Denmark reveal that businesses use trade credit widely with their B2B customers. However, they support these liberal trade policies with tight payment terms, which are expression of a culture that places emphasis on prompt payment. Businesses are also aware that the global trade environment has deteriorated and this threatens safe business growth.

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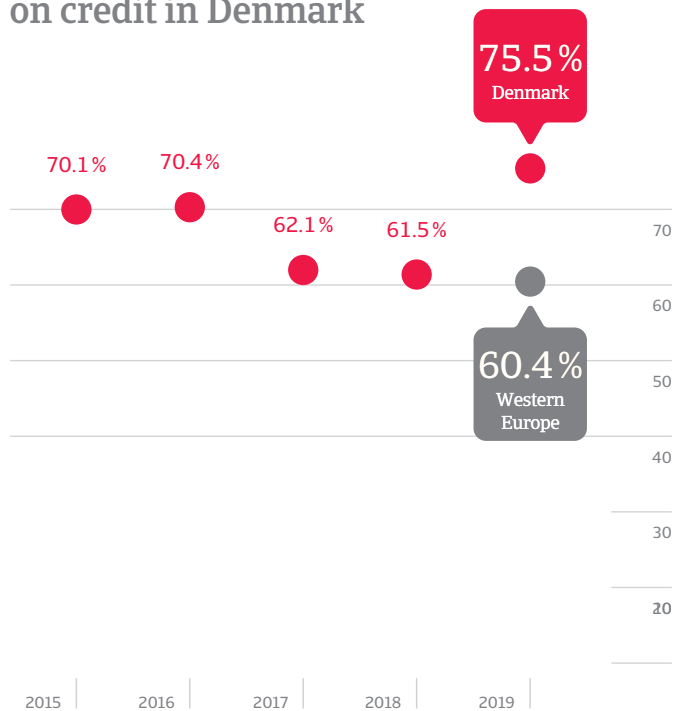
Danish respondents are the most inclined in Western Europe to extend B2B trade credit

Danish survey respondents are the most inclined in Western Europe to extend trade credit to their B2B customers. This is primarily used as a mechanism to help build long-term relationships with customers and prospects. Survey respondents transacted 75.5% of B2B sales on credit (up from 61.5% last year), well above the 60.4% for Western Europe.

Average B2B payment terms in Denmark have increased from last year

Average payment terms recorded in Denmark stand at 27 days from invoicing (up from 23 days last year), below the 34 days average for Western Europe. Despite being longer than last year, the fairly strict average payment terms granted by respondents in Denmark are a reflection of a payment culture placing emphasis on prompt settlement of invoices, which is seen also in Sweden.

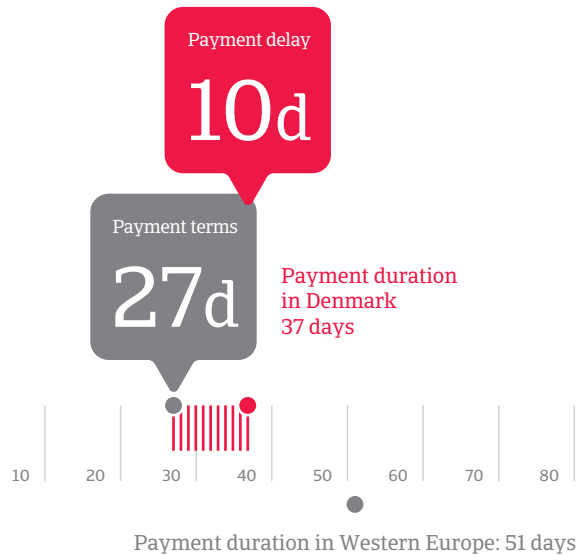
Proportion of total B2B sales made on credit in Denmark



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



Payment duration in Denmark



d = average days

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

Source: Atradius Payment Practices Barometer – October 2019

Dunning is the most often used credit management technique in Denmark

Consistent with the extensive use of customer credit along with strict payment terms, survey respondents in Denmark focus on managing their account receivables through a balanced mix of credit management techniques. Among these, dunning (outstanding invoice reminders) appears to be used by far more respondents in Denmark (32%) than in Western Europe (28%).

Collection of long-term overdue invoices improved compared to last year

20.3% of the total value of B2B invoices issued by respondents in Denmark over the past year remained outstanding at the due date. 78.2% of invoices were paid on time (up from 71.7% one year ago). The survey highlights that Danish respondents turn overdue invoices into cash earlier than last year (on average within 37 days from invoicing, down from 39 days). This variation is in line with observations for the region overall, where payment duration decreased on average to 51 days, down from 57 days last year. Consistent with their sharp focus on receivables' management, far more respondents in Denmark (59%) than in Western Europe (42%) reported no significant impact on business arising from late payments from customers. When it comes to the collection of long-term overdue invoices, Danish survey respondents appear to be more

successful than last year. Survey findings highlight that the proportion of write-offs of uncollectable accounts decreased to 1.1% (down from 1.8% last year). This is below the 2.2% average for Western Europe.

Danish respondents plan to increase risk monitoring of customers over the coming months

To safeguard cash flow and minimise financing costs arising from selling on credit, notably more respondents in Denmark (41%) than in Western Europe (31%) plan on increasing buyers' credit risk monitoring over the coming months. Likewise, far more respondents in Denmark (38%), than in Western Europe (29%) plan to reduce reliance on a single buyer, and to offer B2B customers discounts for early settlement of invoices more often (37% of respondents, above the 27% in Western Europe). However despite this, survey findings show Danish respondents are markedly more optimistic than their peers in Western Europe about B2B payment behaviour forecasts for the coming months. Far more respondents in Denmark (71%) than in Western Europe (55%) believe that customers' payment practices will stay the same. Respondents who expect B2B customers' payment behaviour to deteriorate over the same period, forecast a significant increase in long-term past due invoices. 57% of the respondents in Denmark (compared to 40% in Western Europe) believe that access to bank finance will not be more difficult over the coming months. 39% of Danish respondents (compared to 19% in Western Europe) have the opposite viewpoint and claim that potentially tighter financing conditions would cause them to reduce R&D activities.

Atradius · Key Findings

41%
of the survey respondents in Denmark (compared to 31% in Western Europe) plan on increasing buyers' risk monitoring over the coming months

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37 days

Average payments offered to B2B customers from survey respondents in the Danish construction sector

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Overview of payment practices in Denmark

By business sector

B2B customers in the Danish consumer durables sector are given the shortest payment terms

Based on survey findings in Denmark, the longest payment terms to B2B customers are found in both the construction and ICT/electronics sectors (on average 37 days from invoicing). Average payment terms across the other sectors surveyed in Denmark range from 28 days in the metals sector, to 17 days in the machines sector. At the lowest end of the scale is the consumer durables sector, which is given an average of 13 days to settle invoices.

Trade credit risk deteriorated markedly in the Danish transport sector

The credit risk trend in the Danish transport sector deteriorated over the past year. This is due to a sizeable decrease in the proportion of timely payments (76% of invoices paid on time compared to 86% last year). With an average of 33% of the total value of invoices remaining outstanding at the due date, the construction sector in Denmark has the greatest proportion of late B2B payments. Across the other sectors surveyed in the country, the percentage of overdue invoices ranges from an average of 31% in the consumer durables sector to 13% in the agri-food sector.

The Danish construction sector records the highest proportion of write-offs

The Danish construction sector has the highest proportion of B2B receivables written off as uncollectable. At 1.8% this re-

mains the same as last year and echoes the sector's poor late payment record. The consumer durables sector follows suit (1.7% of write offs, although this is down from 2.5% last year). Across the other sectors surveyed in the country, the percentage of receivables written off as uncollectable ranges from an average of 1.4% in the ICT/electronics sector to less than 1% in the agri-food sector.



Erik Skovgaard Nielsen, Country Manager for Denmark commented on the report

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Within this context, it is important for businesses in Denmark to sharpen their focus on credit management to minimise the impact of payment defaults and to seize growth opportunities.

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Overview of payment practices in Denmark

By business size

Danish SMEs granted the longest average payment terms for B2B customers

Respondents from SMEs in Denmark extended the longest payment terms to B2B customers, averaging 33 days from invoicing. Large enterprises offered average payment terms at 23 days, and micro enterprises at 21 days.

Micro enterprises in Denmark are the quickest in turning past due invoices into cash

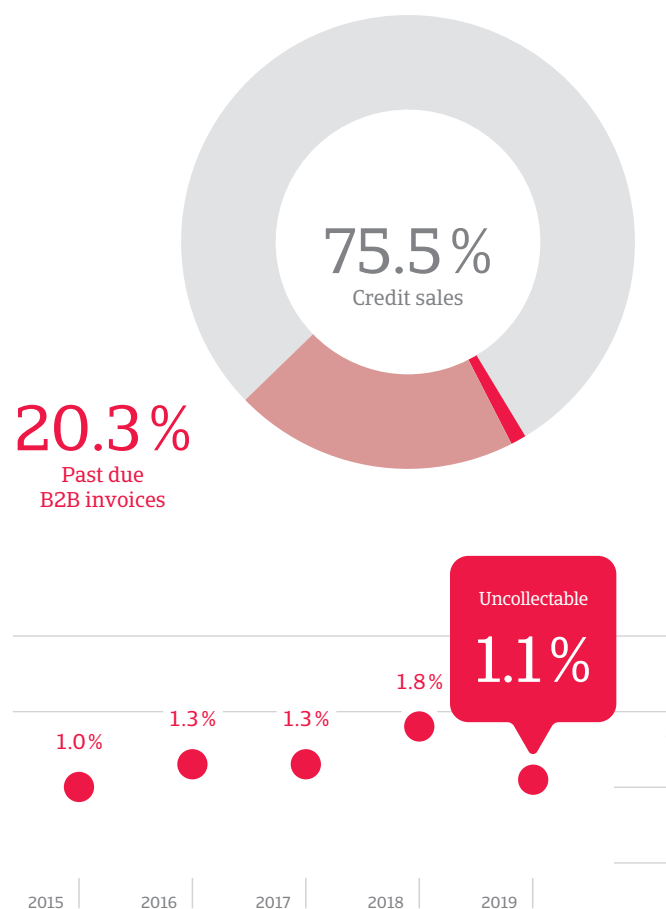
Micro enterprises are the quickest in collecting past due payments, with an invoice-to-cash turnaround of 25 days from invoicing (stable when compared to last year). B2B customers of Danish SMEs settle invoices within the same time frame as last year. Compared to the same survey period one year ago, the proportion of invoices paid on time has remained stable. Despite this, Danish SMEs turn past due invoices into cash later than last year (on average within 47 days from invoicing, up from 44 last year). This signals lower efficiency in cashing in long-term outstanding receivables. The time it takes Danish large enterprises to cash in past due payments decreased notably, averaging 37 days from invoicing (down from 87 last year).

Danish micro enterprises record the smallest proportion of receivables written off as uncollectable

SMEs record an average of 2% of receivables written off as uncollectable (down from 2.6% last year), and micro enterprises are at less than 1% (stable compared to one year ago). Danish large enterprises appear to be less successful than last year when it comes to collecting long overdue payments (over 90 days past due). The proportion of B2B receivables written off as uncollectable amounts to 1.9% of the total value of invoices, (up from 1.8% last year).

Uncollectable B2B receivables in Denmark

(% of total value of B2B receivables)



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

Survey design for Western 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 Western Europe, which is part of the 2019 edition of the Atradius Payment Practices Barometer, companies from thirteen countries (Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Ireland, Italy, Spain, Sweden, Switzerland and the Netherlands) 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 2.770 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

Survey scope

- Basic population: companies from thirteen countries (Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Ireland, Italy, Spain, Sweden, Switzerland and the Netherlands) 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=2.770 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 = 2.770

Country	n	%
Austria	221	8.0%
Belgium	216	7.8%
Denmark	200	7.2%
France	209	7.6%
Germany	210	7.6%
Great Britain	223	8.0%
Greece	200	7.2%
Ireland	204	7.3%
Italy	225	8.1%
Spain	229	8.3%
Sweden	214	7.7%
Switzerland	209	7.7%
The Netherlands	210	7.6%
Industry	n	%
Manufacturing	945	34.1%
Wholesale trade/ Retail trade / Distribution	1,526	55.1%
Services	299	10.8%
Business size	n	%
Micro enterprises	936	33.8%
SME (Small/Medium enterprises)	946	34.8%
Large enterprises	945	31.4%

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.

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Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Western Europe. This is part of the October 2019 Payment Practices Barometer of Atradius, available at www.atradius.com/publications

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For more **insights into the B2B receivables collection practices in Denmark** and worldwide, please see the International Debt Collections Handbook by Atradius Collections (free download after registration), available on www.atradiuscollections.com

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