

Eastern Europe: businesses enter 2021 pandemic-battered but hopeful

Atradius Payment Practices Barometer





Survey results for Eastern Europe

The Atradius Payment Practices Barometer is an annual survey that assesses business payment behaviour throughout the world. The survey explores a range of topics including payment terms, payment delays, credit sales and DSO (Days Sales Outstanding).

The survey provides us with the opportunity to hear directly from businesses and, this year, gives us insight into how businesses are coping with the COVID-19 pandemic and global recession.

In this report, you will find the survey results for Eastern Europe.



Thomas Langen, Senior Regional Director Germany, Central and Eastern Europe of Atradius, commented on the report



As with businesses throughout the world, industry in Eastern Europe has experienced a pandemic battering. With the Eurozone facing a historic recession and many countries facing one of the greatest economic downturns in their histories, the insolvency risk is heightened throughout the region.

However, the picture is not entirely gloomy. The majority of countries in Eastern Europe believe their domestic economies will do better on average than the global picture. Year-on-year, trade credit in the region has increased, with businesses telling us they're using credit to stimulate sales, stay competitive and support the liquidity of customers.

57% of businesses in Eastern Europe used credit insurance during the pandemic, and a significant proportion of businesses have mentioned they intend to employ credit insurance next year. This is a clear message that businesses throughout the region will not be bow to the challenging economic conditions, but will take care to protect their accounts receivable from the risk of insolvency. Strong strategic credit management is always important, but it is arguably more vital than ever now, and promises to further underpin the region's cautious optimism.



Key takeaways

Late payments surge by 88%

45% of the total value of B2B invoices issued in Eastern Europe remained unpaid at the due date. This compares to last year's 24% and represents an average increase of 88%.

DSO soars to a 103-day average

The upsurge in late payments has led to a 103-day average DSO in Eastern Europe. 33% of respondents to our survey said their DSO had increased by over 10%. For 56% of businesses, the increase was more modest. Only 12% of respondents recorded a decrease in DSO.

6% of the total value of receivables is written off

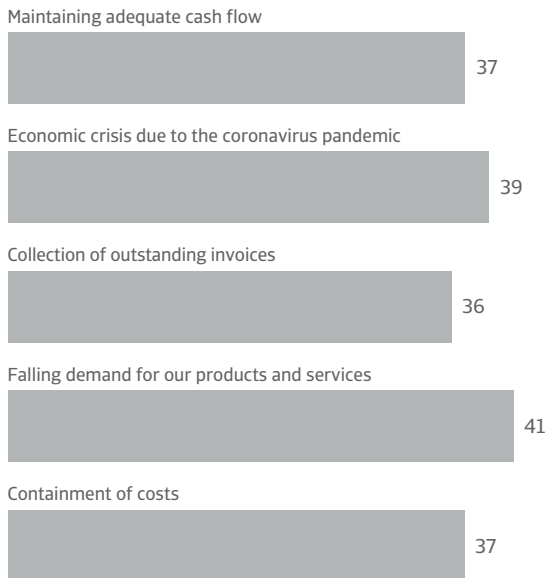
Businesses in Eastern Europe reported they had written off 6% of the total value of invoices owed to them. This represents a big jump from last year, when a total of just 1% of total receivables was written off.

59% of businesses face significant revenue shortfalls

59% of the businesses we interviewed in Eastern Europe reported a drop in sales was causing severe revenue shortfalls. In addition, 51% reported liquidity shortages and cited the "sudden adversity" of higher credit management costs involved in chasing overdue payments.



Eastern Europe: top 5 challenges to business profitability in 2021



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – November 2020

After the pandemic hits Eastern Europe, the region approaches 2021 with cautious optimism

As COVID-19 spread rapidly throughout the world, it wrecked havoc on emerging and developed economies alike. As governments attempted to contain the virus through a variety of lockdown measures, businesses everywhere experienced reduced consumption and supply-side shocks.

In many ways, Eastern Europe reflected the experience felt by countries across the globe, with some nations weathering the pandemic-induced economic storm better than others. Businesses in Bulgaria and Slovakia, for example, experienced devastating blows to revenue and cash flow and reported the greatest levels of negative impact out of all of the countries we surveyed. In contrast, Turkey reported the lowest negative impacts on revenue, cash flow and sales volume of the region.

Although intra-regional comparisons are undeniably useful, the annual nature of our Payment Practices Barometer has enabled us to evaluate business confidence both before and after the onset of the pandemic and recession. Some of the benchmark indicators are shocking. An 88% rise in overdue invoices and severe revenue shortfalls felt by almost 60% of businesses in the region during the pandemic makes for a sober reading.

However, the survey also looks to the future, and a significant proportion of businesses expressed optimism and hope about the coming year. This was most clearly expressed by businesses discussing the future of their domestic economies. Businesses in both Turkey and Hungary were particularly upbeat in their assessments of their respective domestic economies in 2021. While the same was not true for the Eastern European opinion on the global economy, where a majority of the survey respondents predicted it would decline during the coming year, overall business sentiment is cautiously optimistic.

Main survey results for Eastern Europe

■ Businesses withhold payments and lay off staff to protect future viability

In a clear change of direction from previous years, a significantly high percentage of businesses in Eastern Europe have taken action to manage liquidity issues caused by the pandemic downturn. In our past surveys, businesses across Eastern Europe mentioned their primary method for managing liquidity was to withhold or slow down payment to suppliers. Post lockdown, we have seen a major spike in the number of businesses that reported using this method, exhibiting an increase from 27% to 43%. As one of the easiest and cheapest ways to manage cash flow, this is understandable, although it could lead to serious consequences for supplier liquidity. Such an approach can also cause a vicious circle. Evidence of this can be seen in the 30% of survey respondents who told us they had to increase the amount of time and resources spent on chasing overdue invoices. This compares to last year's 21%.

One year ago, survey respondents frequently told us they sought additional financing from external parties to protect the future viability of their business. This was the second most favoured method after managing the speed of payments. Now, during the pandemic, the second most-often reported measures are a hiring freezes or lay-offs. This is currently reported by an average of 32% of respondents in each case, up from 22% last year. The social implications of this cannot be underestimated. A rapid rise in unemployment will inevitably impact the depth of economic contraction faced by individual countries. Demand will fall as workers lose their income, resulting in increased economic uncertainty.

■ Businesses help customers by offering longer payment terms

Many businesses in Eastern Europe reported revisions in their trade credit policies in an attempt to support and encourage sales, particularly on the domestic level. 32% of survey respondents told us that sales would be impossible unless made on credit. Longer credit terms were offered by 49% of respondents, and the desire to accom-



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Protected book debts, bad debt provision, an edge on competitors and the ability to take more risk and getting paid when things go wrong. This is the value that credit insurance has for my business.

Owner - SME - Agri-food

”

Atradius Payment Practices Barometer – November 2020

moderate requests for longer payment terms can be seen in the big jump in terms (most often averaging up to 30 days longer than one year ago). Only 4% of survey respondents who offered B2B credit reported reducing payment terms. However, the lengthening of payment terms is part of a wider trend and was already observed last year, where payments were already at 37 days from invoicing, three days longer than in 2018. Now, during the pandemic, payment terms stand at a 41-day average, and clearly show that businesses in Eastern Europe have been attempting to support customers' liquidity constraints with less restrictive trade credit practices.

■ **More requests for trade credit refused than last year**

Although many businesses lengthened payment terms to support customer liquidity, most acted cautiously, and more businesses refused requests for trade credit than those that increased the terms. Most of the suppliers polled in Eastern Europe said that after the onset of the pandemic, they turned down requests for trade credit from B2B customers more often than before (62%, mainly requests from SMEs).

This can clearly be seen in the significant drop in the total value of B2B sales transacted on credit (50% compared to 67% last year). However, a sizeable percentage of suppliers polled in Eastern Europe (32%) also reported accepting trade credit requests more often. This was primarily seen in the SME segments of the agriculture, food and beverage and pharmaceuticals industries.

■ **Pandemic causes radical change to assessment of creditworthiness**

Prior to the pandemic, the most common source of data used to assess B2B customer creditworthiness was financial statements (favoured by 50% of respondents to our 2019 survey). The least used source of information was internal (information received from customer directly) sources. Just 41% of businesses polled in Eastern Europe last year told us that they requested financial information from their customers. This year our survey results demonstrated a dramatic shift. Internal sources jumped from the last to first place among the most commonly used assessment benchmarks. In addition, a sizeable percentage of respondents (15%) said that during the pandemic, they started using trade references when assessing the creditworthiness of customers and prospects. This also echoes the trend during the pandemic for a more direct approach to sourcing information.

There are several possible reasons for this radical change. One is that external information might not have been so accurate during the pandemic. The speed with which the recession took hold might have resulted in external information becoming quickly outdated making it more practical and efficient to obtain financial indicators of creditworthiness directly from the customer than from external entities. Another possibility is a greater number of businesses engaged in conversations with their customers (and suppliers) as they worked to manage liquidity and supply

chain issues caused by the lockdowns. In addition, businesses seeking credit or increased payment terms may have been more proactive in offering financial information to support their application for credit than in the past.

We also asked businesses how they evaluated trade credit applicants once the credit information had been obtained. We were particularly interested in how they did this under normal circumstances (prior to the pandemic recession), and how this may have changed since the onset of the downturn. 25% of respondents told us that prior to the pandemic, they first looked at customers' payment histories, followed by an evaluation of their cash drivers (22%). Looking forward over the next six months and beyond, respondents told us that the aspects they will continue to monitor include first, customer payment patterns (24%), and second, financial flexibility (22%). Looking at the customers' cash drivers over the next six months dropped to fourth place in overall importance for the businesses we polled, although still favoured by 21% of respondents.

■ Outstanding invoice reminders most commonly used in Eastern Europe

In a bid to minimise the risk of customer payment default, most respondents in Eastern Europe (63%) use outstanding invoice payment reminders (dunning letters), self-insurance (62%) and request payment guarantees (60%). Dunning letters were favoured most by businesses in Turkey and Poland, both of which reported use by 71% of businesses. Almost all of the businesses surveyed in Turkey (92%) used self-insurance, followed in the region by Hungary at 68%. Businesses in Turkey also led the region in requests for payment guarantees (79%) followed by Bulgaria with 63%. All of this points to Turkey's proactive approach to credit management and may, in part, be a reflection of the country's strong approach to international trade.

As the pandemic took hold, businesses in Eastern Europe turned to trade credit insurance more often (37% of respondents). Almost half of businesses in Poland (49%) favour the use of credit insurance. Many businesses, however, still preferred to request payment guarantees from their B2B customers, as reported by 36% of respondents. While most of the businesses we spoke to in Eastern Europe confirmed that they will keep on using the same credit management tools over the next six months, the majority (66%) reported that they will more often resort to self-insurance over the same time frame.

■ Greatest challenge faced by businesses in 2021: falling demand

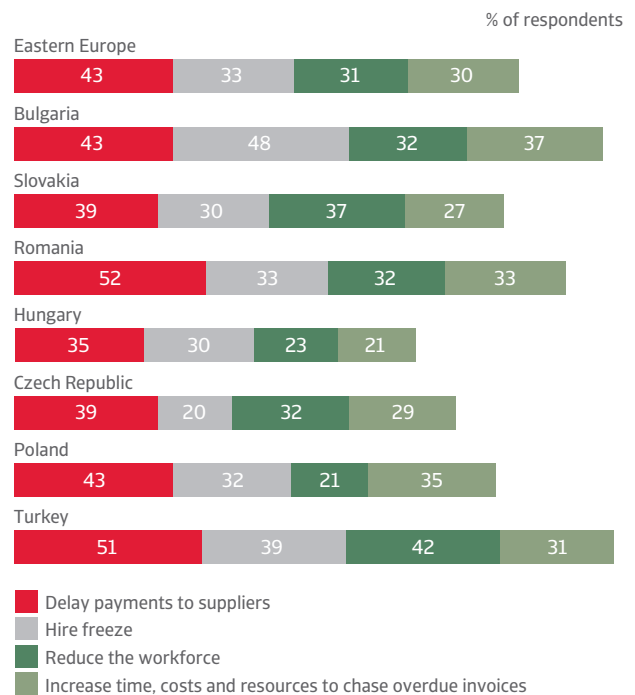
When looking forward to 2021, most of the businesses polled in Eastern Europe (41%) reported that a fall in demand for their products and services represents the greatest challenge to business profitability next year. This was seen most often in the Czech Republic by 58% of re-

spondents. Hungary reported the lowest percentage of respondents with this concern (30%). The continuation of the pandemic-induced economic crisis was cited as the greatest challenge to profitability by 39% of the survey's respondents, while both containment of costs and maintaining adequate cash flow were named as concerns by 37%. Problems collecting outstanding invoices was listed as a leading worry by 36% of the businesses we spoke to in Eastern Europe.

■ Regional opinion: domestic economies more likely to grow than global economy

Looking forward over the next six months and further, the majority of respondents to our survey said they believed their domestic economies would improve (51%). This contrasts with the 37% who have braced for deterioration. However, businesses in Eastern Europe were marginally more pessimistic about the outlook of the global economy, with 41% expecting an improvement, and 43% anticipating deterioration. Regional opinion on the outlook for international trade in 2021 was more optimistic than pessimistic, with 44% expecting to see improvement and 39% deterioration.

Eastern Europe: top 4 measures to manage liquidity issues due to the impact of the pandemic



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – November 2020

Eastern Europe: impact of the COVID 19-induced economic crisis on industries

The following information features the aggregate survey results for the agri-food, chemicals, steel/metals and ICT/electronics industries for the majority of the countries surveyed in Eastern Europe. Results for other industries, including construction, consumer durables, machines, transport, services and construction materials, can be found in individual Payment Practices Barometer country reports.



AGRI-FOOD

Late payments and cash flow

- Due to the pandemic-induced economic crisis, payment of 46% of the total value of B2B invoices in the Eastern European agri-food industry was late (significantly higher than last year's 23%). Of all the countries surveyed in Eastern Europe, Turkey had the highest percentage of overdue invoices at 58%.
- 56% of the agri-food industry across Eastern Europe reported average increases in DSO of up to 10%. This proportion rose to 62% in Romania and Hungary, the highest reported by agri-food businesses in the 10% and below bracket in the region. DSO increases of more than 10% were reported by 33% of businesses across Eastern Europe and by 47% of agri-food businesses in Turkey (the highest percentage of the countries we polled). Currently, DSO in the Eastern European agri-food industry stands at a 103-day average. At the country level, DSO is highest in Poland averaging 154-days.
- 57% of survey respondents in the industry at the regional level told us the pandemic-induced economic crisis had affected their revenue (the highest percentage was in Bulgaria, with 74% of businesses). 53% of respondents across the region mentioned an impact on cash flow. This was highest in Romania, where 64% of businesses in the agri-food industry said the recession had hit their cash flow.
- To contain costs due to the upsurge in late payments, 46% of respondents from the industry at the regional level (up to 57% in Turkey) told us they needed to delay payments to their own suppliers. 33% in Eastern Europe (the highest was Bulgaria at 48%) needed to increase the amount of time and resources spent on chasing unpaid invoices.

Approach to credit quality assessments

- After the onset of the pandemic, respondents from the Eastern European agri-food industry changed the way they approached credit checks and began to obtain credit information directly from their customers more often. This was the case for an average of 40% of businesses in the region. The biggest increases were seen in both Turkey and Poland, both of which made significant changes in the way they worked with customers to assess credit. This data, along with the customers' financial statements and bank references, are now the most commonly used sources for creditworthiness assessments in the industry. Most of our survey respondents told us that this approach is likely to remain in place for the foreseeable future.
- Once credit information is collected, equal priority is given to evaluating the customers' debt capacity, financial flexibility and ability to generate cash. Businesses surveyed in the Eastern European agri-food industry said that moving forward, they intended to place a stronger focus on these areas, in addition to monitoring their customers' profitability.

Approach to credit management

- To minimise the increased risk of customer payment default due to the onset of the recession, survey respondents from the Eastern European agri-food industry intensified their credit control efforts, employing a wider range of credit management tools and techniques than before the pandemic. Most respondents in Eastern Europe reported resorting to self-insurance. This was reported by 64% at a regional level and was highest in Turkey at 83%. A significant amount of agri-food businesses requested payment in cash from their B2B customers more often than prior to the pandemic. An average of 58% in the region described this (with the highest numbers in Bulgaria at 72% of the industry). 55% of respondents in the region (highest in Poland at 67%) sent outstanding invoice reminders more frequently. Respondents in the industry told us that these would remain key features of their credit management policies going forward. In addition, many industry respondents (60% at the regional level, highest in Poland at 70%) said they plan to invest in trade credit insurance to protect their business from the risk of customer payment default over the coming months.

- When asked how they see the future of their B2B customers' creditworthiness over the coming months, businesses reacted positively. Significantly more respondents in the industry believe it will improve (54% at the regional level and highest in Hungary at 71%) than those who expect it to get worse (22% in the region, largest percentage in Poland at 31%).
- According to industry respondents, the greatest potential challenge to profitability in 2021 would be a fall in demand (cited by 49% of respondents across the region, and highest in Hungary at 48%). This is followed by potential difficulties in maintaining adequate cash flow (described by 45% of agri-food businesses in the region, including 56% in Poland) and containment of costs (42%, at the regional level, highest in Poland at 53%).

2021 industry outlook

- Businesses polled in the Eastern European agri-food industry are optimistic about the future of their domestic economies, as more respondents (54%) expect them to improve than expect them to get worse (37%) over the coming months. The most optimistic in this regard are respondents from Turkey (73%), while the most pessimistic are those from Bulgaria (52%). In contrast, distrust in the recovery of the global economy (expressed by 43% of respondents in the region, highest in Romania at 60%) prevails over confidence (40% at the regional level, highest in Turkey at 60%). Opinion is divided about the outlook for international trade (44% of respondents in the region are optimistic, 42% pessimistic). By country, the most optimistic about the future of international trade are respondents from Turkey (63%), while the most pessimistic are those from Romania (57%).



Late payments and cash flow

- As a consequence of the pandemic, 46% of the total value of the B2B invoices issued by survey respondents in the Eastern European chemicals industry were paid late (almost double the 24% in 2019). At the country level, the percentage of overdue invoices in the industry was highest in Hungary at 59%.
- Average DSO increases of 10% or less were reported by 40% of the region's chemicals businesses (highest in Poland at 73%). Increases of more than 10% were reported by 50% of the sector (highest in Turkey at 54%). The remaining 10% saw no change in their average DSO. Currently, DSO in the Eastern European chemicals industry stands at a 91-day average. At the country level, DSO in the industry is highest in Hungary at a 163-day average.
- 58% of survey respondents in the chemicals industry at the regional level told us that the pandemic-induced economic crisis had affected their revenue, while 47% of respondents reported an adverse impact on cash flow. At the country level, revenue and cash flow of businesses in the Slovakian chemicals industry were the most negatively impacted (reported by 70% and 68% respondents, respectively).
- To keep costs under control following the upswing in late payments, 43% of respondents from the industry at the regional level (highest in Romania at 56%) said they delayed paying their suppliers. 37% of the region's businesses reported hiring freezes. This was highest in Hungary at 44%.

Approach to credit quality assessments

- After the onset of the pandemic recession, respondents from the chemicals industry throughout Eastern Europe changed the way they approached credit checks and began to source information directly from customers more often. This was reported by 39% of respondents at the regional level, highest in Poland at 50%. Chemicals businesses in the region told us that, going forward, they intend to continue sourcing information directly from customers as part of creditworthiness assessments in the industry. These will include the customers' financial statements (45% of respondents in the region, highest in Romania at 64%) and bank references (35%, highest in Turkey at 48%).

- Once credit information is collected, equal priority is given to evaluating the customer's payment history and ability to generate cash. Looking ahead, businesses surveyed said that they would place a stronger focus on both these areas, in addition to monitoring their customers' financial flexibility (customers' ability to source funds relative to their capital needs).

Approach to credit management

- To mitigate the risk of payment default, survey respondents from the Eastern European chemicals industry (63%) sent outstanding invoice payment reminders more often. 61% of businesses polled in the region requested B2B payment guarantees, and 61% resorted to self-insurance. A significant percentage of respondents in the industry told us that these would remain permanent features of their credit management policy going forward. This is particularly the case for self-insurance, which the majority of respondents in the industry (66% at the regional level, highest in Turkey at 91%) said would be the most preferred credit management tool over the next months. Interestingly, out of all the countries surveyed in Eastern Europe, Turkey topped the poll in the region in every area by using more credit management techniques than any other country. These include self-insurance (reported by 91% of businesses in Turkey), payment guarantees (79%) and outstanding invoice reminders (71%).
- The majority of chemicals businesses in the region expect their customers' creditworthiness to improve over the coming months (reported by 53% at the regional level, highest in Turkey at 68%). Only 19% in the region expect it to get worse (highest in Poland at 33%).
- According to industry respondents in Eastern Europe, the greatest potential challenges to profitability in 2021 include the continuation of the economic crisis and cost containment (both described by 40% of respondents at the regional level, and highest in Poland at 47%, and in Romania at 53% respectively). The next most cited potential challenge is the collection of outstanding invoices (listed by 37% of respondents in the region, with most respondents mentioning this in Turkey at 46%, and the Czech Republic at 45%).

2021 industry outlook

- Most businesses polled in the Eastern European chemicals industry are optimistic about the future of the domestic economy, with 53% expecting it to improve, and just 35% expecting it to get worse. The most optimistic countries are Turkey and the Czech Republic (63% each), while the most pessimistic is Slovakia (48% expect improvement). Industry opinion is divided about the recovery of the global economy over the coming months,

with 41% optimistic (highest in Turkey at 62%), and 42% pessimistic (highest in Slovakia at 57%). As for the outlook for international trade, 45% of respondents in the region anticipate improvement, while 39% expect deterioration). By country, the respondents who are most optimistic about the future of international trade are from Turkey (69%), while the most pessimistic are those from Bulgaria (53%).



Late payments and cash flow

- Following the onset of the pandemic, the total value of overdue B2B invoices in the Eastern European steel/metals industry increased significantly to 43% from last year's 24%. At the country level, Slovakia at 74%, had the industry's highest percentage of overdue invoices.
- Average DSO increases of 10% or less were reported by 57% of the industry at the regional level (highest in Bulgaria at 72%). 32% of businesses reported DSO increases of more than 10% (highest in Hungary at 53%). Currently, DSO in the Eastern European steel/metals industry stands at a 62-day average. At the country level, DSO is highest in Bulgaria at a 124-day average.
- 68% of survey respondents in the Eastern European steel/metals industry told us that the pandemic-induced economic crisis had affected their revenue, while 58% reported a negative impact on cash flow. At the country level, the hardest hit in terms of revenue and cash flow were steel/metals businesses in Hungary (83% and 76% of respondents respectively).
- To contain costs caused by the upsurge in late payments, 42% of industry respondents (highest in Romania at 85%) told us they most often delayed payments to suppliers. 41% enacted hiring freezes (this was most frequently reported in Bulgaria with 79%).

Approach to credit quality assessments

- Following the pandemic-triggered economic crisis, respondents from the steel/metals industry in Eastern Europe began to engage with their customers more directly when conducting credit checks. This is a trend increasingly seen in many industries in Eastern Europe and in the steel/metals sector was reported by 38% of respondents, with the highest proportion in Romania at 56%. Businesses told us that, looking ahead, information provided directly by their customers will continue to be used in assessments of customer creditworthi-

ness' including customer's financial statements (49% of respondents in the region, highest in Hungary at 77%) and bank references (48%, highest in Romania at 82%).

- Once credit information is collected, businesses in the sector told us that priority is given to evaluating a customer's payment history, profitability and ability to generate cash. The majority of survey respondents also said they intend to continue with this approach over the coming months.

Approach to credit management

- To mitigate the risk of customer payment default, survey respondents from the Eastern European steel/metals industry began employing a greater amount of credit management tools and techniques than before the pandemic. The most commonly used techniques in the region include outstanding payment reminders (65% region-wide and highest in the Czech Republic at 77%) along with requests for payment guarantees (65% region, highest in Hungary at 90%). Industry respondents through Eastern Europe told us these would remain permanent features of their credit management policy going forward. Many respondents in the industry (63% at the regional level, highest in Romania at 96%) also told us that they would self-insure more often over the coming months.
- Significantly more industry respondents expect their B2B customers' creditworthiness to improve over the coming months (region 44%, highest in Romania at 56%) than those expecting it to get worse (region 33%, highest in Romania at 44%).

- The Eastern European steel/metals industry considers the greatest challenges to profitability in 2021 to include a fall in demand (cited by 47% of respondents in the region, highest in Bulgaria at 63%) and difficulties in the collection of outstanding invoices (40% of respondents at the regional level, highest in Hungary at 71%).

2021 industry outlook

- Businesses polled in the Eastern European steel/metals industry are largely upbeat about the future of the domestic economy, with 45% expecting it to improve and 40% expecting it to get worse. The most optimistic in this regard are respondents from Slovakia (70%), while the most pessimistic are those from Bulgaria (81%). Similar to the chemicals industry, opinion is divided about the recovery of the global economy over the coming months, with 41% expressing optimism (highest in Slovakia at 55%) and 42% pessimism (highest in both Bulgaria and Romania at 70%). When asked about international trade, 41% of respondents in the region believe it will improve during 2021, while 36% expect deterioration. By country, the most optimistic about international trade are respondents from Slovakia (57%), while the most pessimistic are those from Romania (at 70%).



Late payments and cash flow

- Since the start of the pandemic, the total value of overdue B2B invoices in the Eastern European ICT/electronics industry increased significantly to 42% from last year's 25%. At the country level, the highest percentage of overdue invoices in the industry was reported by Slovakia with 51%.
- Average DSO increases of 10% or less were reported by 67% of the industry at the regional level (highest in Hungary at 73%). DSO increases of more than 10% were reported by 25% of the region's industry (highest in both Poland and Slovakia at 35%). Currently, DSO in the Eastern European ICT/electronics industry stands at a 108-day average. At the country level, this is highest in Poland at a 121-day average.
- 59% of survey respondents in the region's ICT/electronics industry told us that the pandemic-induced economic crisis had affected their revenue, while 46% reported an adverse impact on cash flow. At the country level, Poland was the hardest hit, with 72% reporting an impact on revenue and 74% on cash flow.

Atradius · Key Findings

30%
of survey respondents told us they had to increase the amount of time and resources spent on chasing overdue invoices during the pandemic. This compares to last year's 21%.

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- To contain the costs incurred by late payments, industry respondents most often delayed payments to suppliers and either enacted hiring freezes or staff lay-offs. Payment delays were reported by 34% of the industry across the region (highest in the Czech Republic at 39%), and staffing reductions or hiring freezes were reported by 26% of the region's respondents (highest in Slovakia at 39% and in Poland at 35%).

Approach to credit quality assessments

- After the onset of the pandemic-induced recession, most respondents from the Eastern European ICT/electronics industry said they focused more closely on their customers' financial statements. This was reported by 33% of respondents at the regional level, highest in Poland at 60%. Looking ahead, the majority plans to continue with their focus on financial statements, although many businesses told us they would complement this approach with additional information sourced directly from the customer.
- Once credit information is collected, businesses mentioned giving priority to evaluation of the customer's past payment history, as well as profitability. Over the coming months, industry respondents plan to place a stronger focus on these areas.

Approach to credit management

- To mitigate the increased risk of customer payment default during the pandemic-induced economic crisis, survey respondents from the Eastern European ICT/electronics industry employed a greater range of credit management tools and techniques than before the pandemic. Most respondents (63%) told us they sent outstanding invoice payment reminders more often (the majority in Poland with 70%), as well as requested payment guarantees (58% at the regional level, highest in Hungary at 76%). Looking ahead, the majority of the industry across the region told us that these would remain permanent features of their credit management policies.
- Most businesses in the region's industry expect their B2B customers' creditworthiness and payment habits to improve over the coming months (region 49%, highest in Hungary at 58%). Just 22% of those polled said they expect it to get worse (this was highest in both Poland and the Czech Republic, at 25%).

- Looking into next year, respondents from the industry are concerned several areas could threaten their business profitability. These include a fall in demand (44% of respondents in the region, highest in Poland at 55%), the continuation of the economic crisis and the containment of costs (both reported by 37% of respondents at the regional level). Businesses in Slovakia are the most concerned about both situations negatively impacting their profitability next year (33% of respondents worried about economic crisis, and 53% about containment of costs).

2021 industry outlook

- Businesses polled in the Eastern European ICT/electronics industry are optimistic about the future of the domestic economy, with more respondents (63%) expecting it to improve than those expecting it to get worse (27%) over the coming months. The most optimistic in this regard are ICT/electronics businesses in Hungary (69%), while the most pessimistic are those from Slovakia (38%). Opinion is divided about the potential recovery of the global economy over the coming months, with 50% expressing optimism (highest in the Czech Republic at 55%), and 35% pessimism (highest in Slovakia at 38%). The remaining 15% at the regional level expects no change. Regarding the outlook for international trade, more respondents in the region are optimistic (49%, highest in Hungary at 57%) than pessimistic (29% at the regional level). The latter opinion was highest in Poland at 37%, and the Czech Republic at 36%).

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 2020 edition of the Atradius Payment Practices Barometer, companies from seven countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey) have been surveyed. Due to a change in research methodology for this survey, year-on-year comparisons are not feasible for some of the results, although last year's values are used as a benchmark where possible throughout the survey.

Using a questionnaire, CSA Research conducted 1,403 interviews. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** companies from seven economies (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey) were surveyed. The appropriate contacts for accounts receivable management were interviewed.
- **Sample design:** the Strategic Sampling Plan enables to perform an analysis of country data crossed by sector and company size. It also allows to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** 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=1,403 people were interviewed in total (approximately n=200 people per country). In each country a quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration.
Interview period: Q3 2020.

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Sample overview – Total interviews = 1,403

Country	Interviews	%
Bulgaria	200	14.2
Czech Republic	201	14.3
Hungary	200	14.2
Poland	202	14.3
Romania	200	14.2
Slovakia	200	14.2
Turkey	200	14.2

Business sector (total Eastern Europe)	Interviews	%
Manufacturing	540	38.5
Wholesale trade	324	23.1
Retail trade/Distribution	261	18.6
Services	278	19.8

Business size (total Eastern Europe)	Interviews	%
Micro enterprises	323	23.0
SME – Small enterprises	402	28.6
SME – Medium enterprises	352	25.1
Large enterprises	326	23.3

Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Eastern Europe. This is part of the November 2020 Payment Practices Barometer of Atradius, available at

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