

COFACE ECONOMIC PUBLICATIONS

PAYMENT SURVEY



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Poland Payment Survey 2023: Stock building makes payment delays shorter but only temporarily

The seventh edition of Coface's survey on payment experience in Poland was carried out in November 2022 with 356 companies participating in the study. This was already a period when the economic consequences of the war in neighbouring Ukraine had materialised, and companies were even able to partly adapt to them. Nevertheless, high inflation, costs of inputs, increased interest rates and concerns on subdued demand led to the loss of the growth momentum. Coface estimates GDP growth in Poland at a weak level considering pre-pandemic standards, namely 1.0% in 2023 after 4.4% in 2022.

So far, the general picture on payment liquidity in Poland remains favourable. Our study shows that Polish companies experienced average payment delays of 51.8 days, i.e. 5 days less than in our previous survey. The shortening of payment delays was supported by companies' willingness to build up stocks of products and components to avoid suffering from ongoing price increases, therefore making payments even faster than requested. Macroeconomic data confirmed that inventories growth contributed on average to more than half of Polish GDP growth in the last seven quarters, i.e. since the post-pandemic rebound started. However, this favourable picture hides the devil

in the details. Energy-intensive sectors that have already suffered much from higher commodity prices recorded longer payment delays. Those include chemicals, paper-wood and agri-food, with the latter suffering not only from higher electricity costs, but also agricultural and fertilizers prices. In these sectors, payments are made with an average delay of 2 months or more. On the other hand, the largest improvement in the shortening of payment delay periods was recorded in the transport sector, which had usually reported the longest payment delays in previous surveys.

Furthermore, the outlook is pessimistic. According to our survey, all sectors anticipate that the amount of outstanding receivables will increase in the coming months. This reflects crucial challenges that companies experience: domestic obstacles of fiscal burden and high labour costs, as well as the consequences of the war in Ukraine including higher costs of commodities, components, supply chain disruptions and already perceived drop in revenues. This corresponds to gradually increasing business insolvencies in Poland. Considering both asset liquidation insolvencies and official restructuring proceedings announced by courts, such proceedings already soared by 23% in the first three quarters of 2022 compared with the same period of last year.

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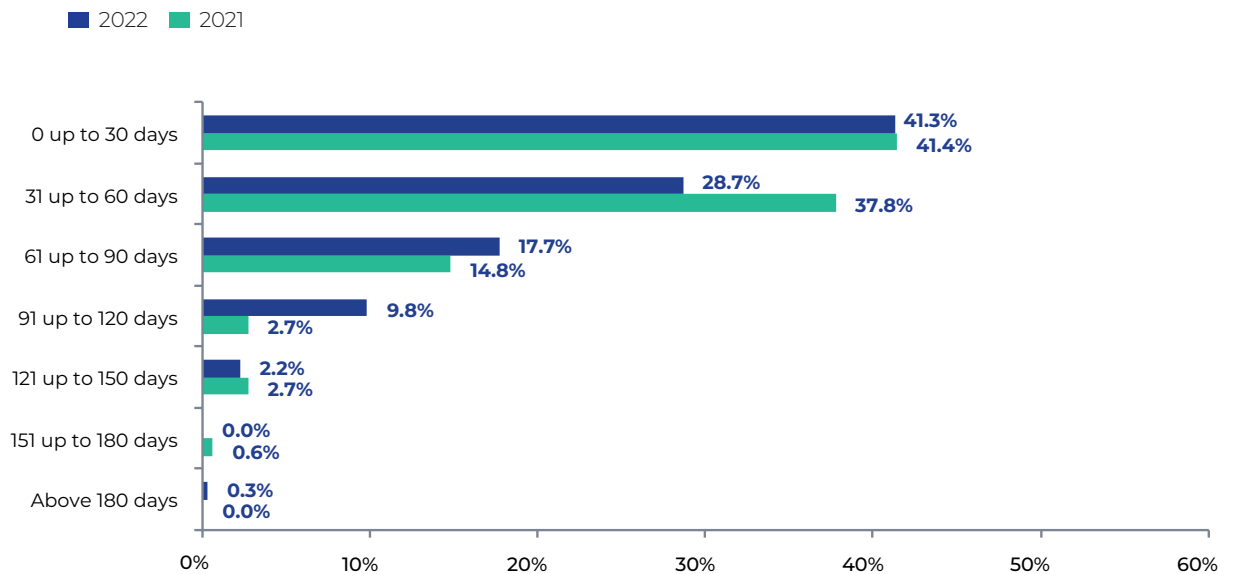
PAYMENT TERMS¹: MORE GENEROUS CREDIT PERIODS IN MOST SECTORS

- Short credit periods dominate the Polish business landscape: 41% of surveyed companies impose average credit periods of up to 30 days.
- Average credit periods increased by 4.3 days, from 41.9 days in 2021 to 46.2 days in 2022.
- Compared with our previous survey², the share of companies offering credit periods of up to 90 days decreased. The latter still were the bulk in 2022, but the share dropped to 87.6%, from 94% a year before. Less than 1% of surveyed companies offered credit periods exceeding 6 months.



CREDIT PERIODS
in automotive widened by
22 days
in the course of one year

Chart 1:
Average credit periods

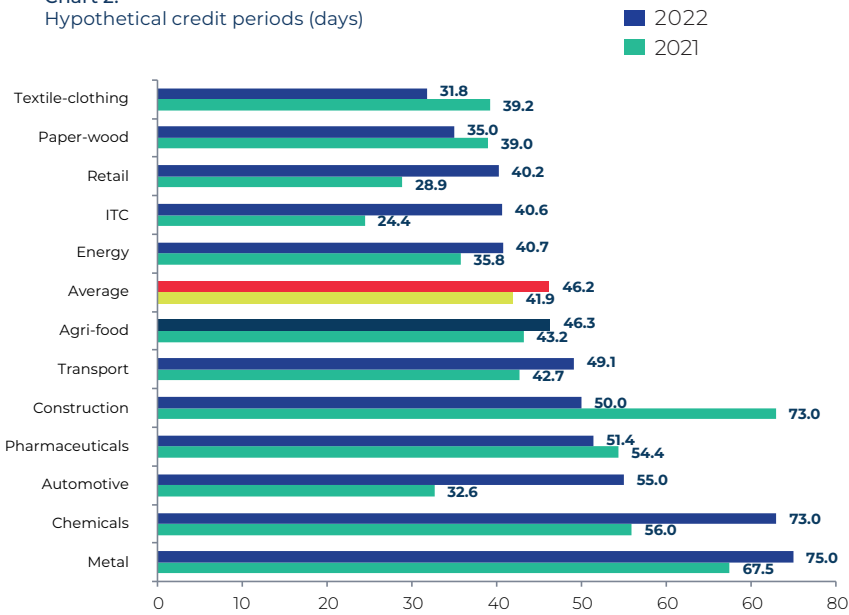


Source: Coface Payment Survey

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

² Poland Corporate Payment Survey 2022: Return to normality – unwinding support programs, longer payment delays, February 2022: <https://www.coface.com/News-Publications/Publications/Poland-Payment-Survey-2022>

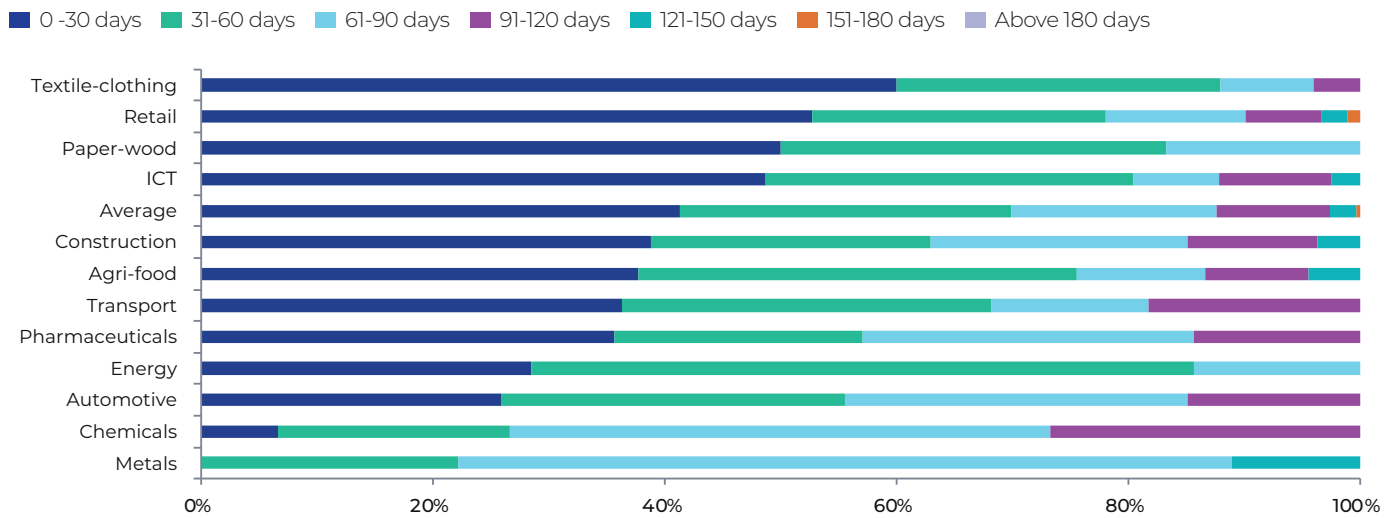
Chart 2:
Hypothetical credit periods (days)



Source: Coface Payment Survey

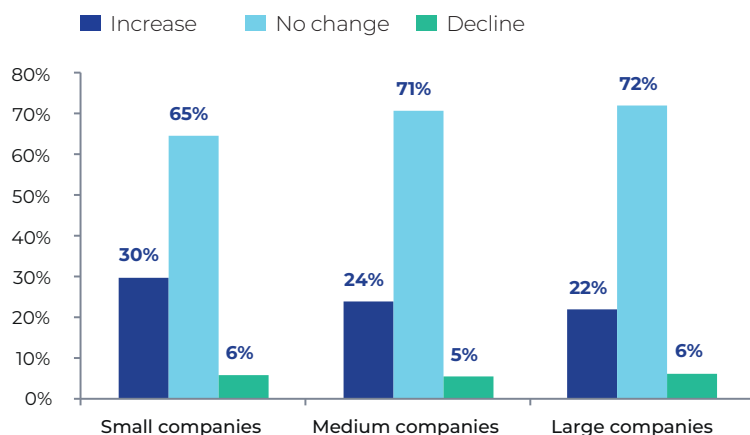
- In a sectoral split, the most restrictive sectors (those with a majority of sales on short credit periods of up to 30 days) are textile-clothing (60%), retail (53%) and paper-wood (50%).
- Sectors that are the most generous in offering long average credit periods include chemicals (27% with credit periods of more than 90 days), transport (18%), construction and automotive (each 15%). Eight out of twelve sectors reported a lengthening of credit periods compared with the previous survey, including metals, which offered the longest credit periods among all sectors.
- Most businesses in Poland expect that credit periods will not change in the next six months. This applies principally to medium- and large-sized clients, but a majority also replied similarly for smaller counterparties. On the other hand, credit periods granted to small clients are expected to increase by 30% of surveyed companies.

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



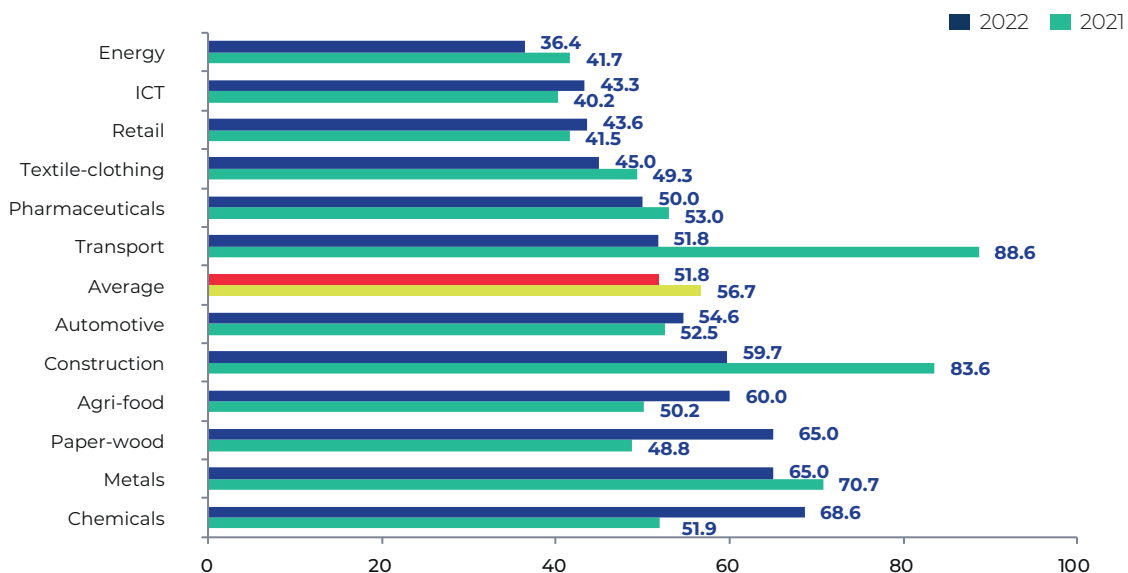
Credit periods in Poland range from 32 days in textile-clothing to 75 days in metals



2 PAYMENT DELAYS³ BECAME SHORTER IN 2022, BUT NOT FOR ALL SECTORS

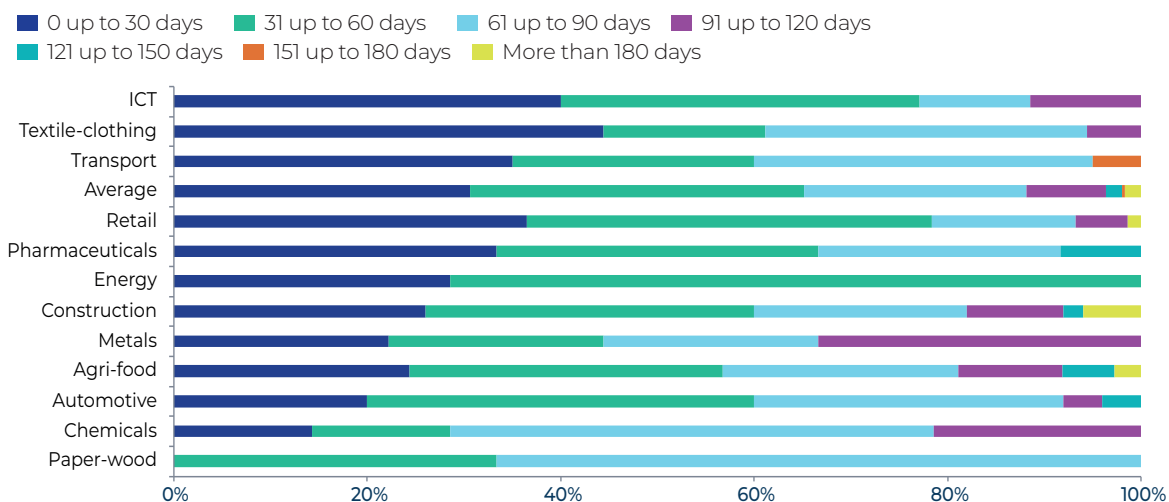
- Payment delays appear to be standard practice in Polish business. 61.2% of surveyed companies declared that they experienced payment delays from their counterparts in the previous 6 months. That is a significant increase compared with the previous survey where 53.2% of companies declared that they had experienced delays.
- Average payment delays reached 51.8 days, which is almost 5 days shorter than reported in the previous survey. Average payment delays remain close to the pre-pandemic level (57.2 days in 2019), after a drop in 2020 thanks to the support measures introduced at that time. In 2022, companies were even able to pay invoices faster than requested to secure supplies and avoid further price increases.
- 65% of surveyed companies experienced average payment delays of up to 60 days. Delays between 60 and 150 days were reported by 33%, and long delays of above 150 days by 2%. Compared with the previous survey, minor changes were reported in this area as the share of short delays of up to one month has slightly decreased: 69.4% of companies experienced payments made more than 30 days after the original due date, up from 69.0%.

Chart 5:
Average payment delays (days)



Source: Coface Payment Survey

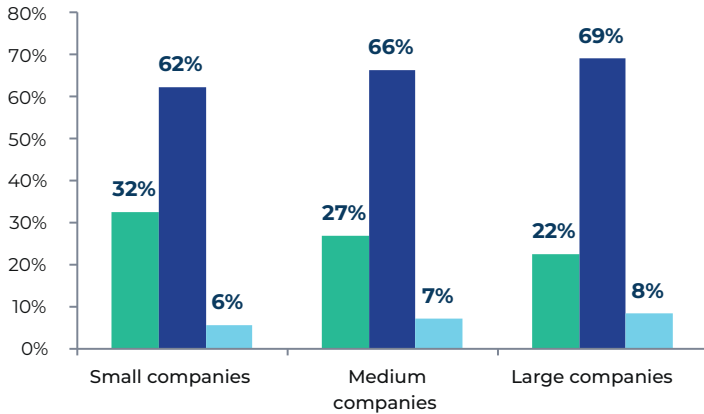
Chart 6:
Average payment delays in sectors



Source: Coface Payment Survey

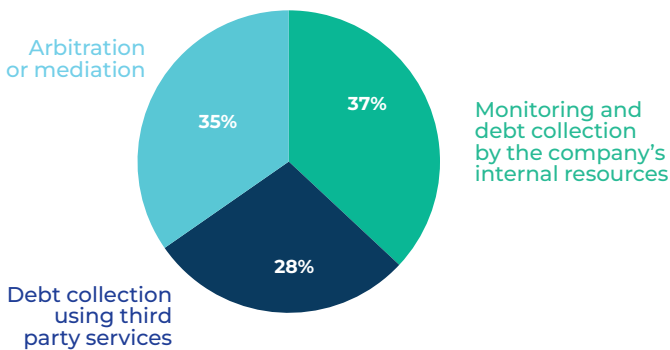
³ Payment delay – the period between the payment due date and the date the payment is made.

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



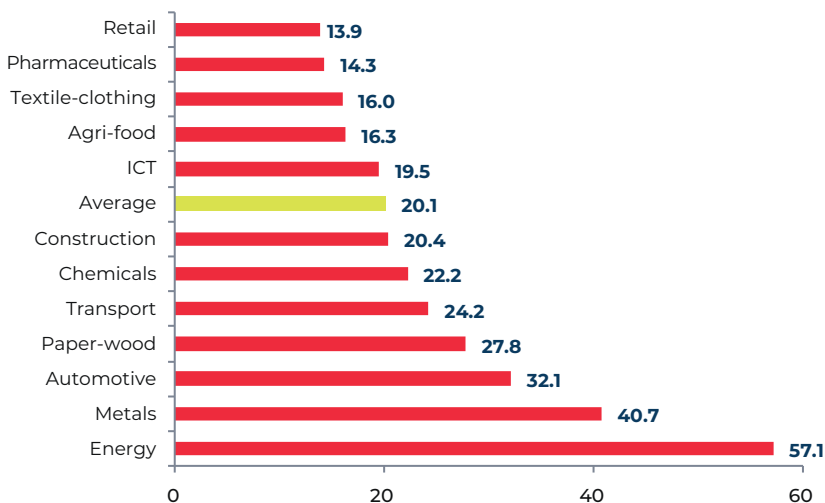
Source: Coface Payment Survey

Chart 8:
The most effective action in 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

- At the sectoral level, the longest payment delays were experienced by the chemicals and metals sectors, at an average of 68.6 days and 65.0 days, respectively. Half of sectors reported longer delays compared with 2021. The largest improvement in the shortening of payment delay periods was recorded by the transport sector (a decrease by 37 days), which was the sector with the longest payment delays in our previous survey. On the other hand, the biggest widening of payment delay periods was recorded by the chemicals sector (an increase of 16.6 days), while other energy-intensive sectors, including metals and paper-wood, also suffered from long delays. The shortest delays were reported by the energy sector (36.4 days).

- Despite the decrease in average payment delays, this time, long payment delays of over six months accounted for a larger share of companies' turnover. Improvements made in the previous years disappeared as these overdue payments represented more than 10% of turnover for 21% of surveyed companies in 2022, vs. 5.4% in 2021, 11% in 2020, 16% in 2019, 15% in 2018, 18% in 2017 and 21% in 2016.

- Due to the lack of payments, companies have had to take action against debtors. Internal resources for monitoring and debt collection were the most effective (as indicated by 37% of companies). Arbitration and mediation actions were used by 35% of companies, while third party services (such as debt collection and external lawyers) make up the remaining share of 28%.

- The level of outstanding receivables is expected to stabilize: 66% of the surveyed companies do not expect to see changes in the next six months. However, in line with challenges and weak economic growth ahead, among the remaining part of surveyed entities, a greater share of companies (27%) expects to see an increase in outstanding receivables, compared with those who forecast a decline (7%). Moreover, companies anticipate more specifically a growing number of payment delays from small clients, with 32% expecting them.

- Examining the results by sector, all sectors (without exception) expect an increase in payment delays over the next six months, which makes this the most negative outlook since Coface payment surveys started. The energy and metals sectors have the largest share of companies expecting an increase in outstanding receivables.



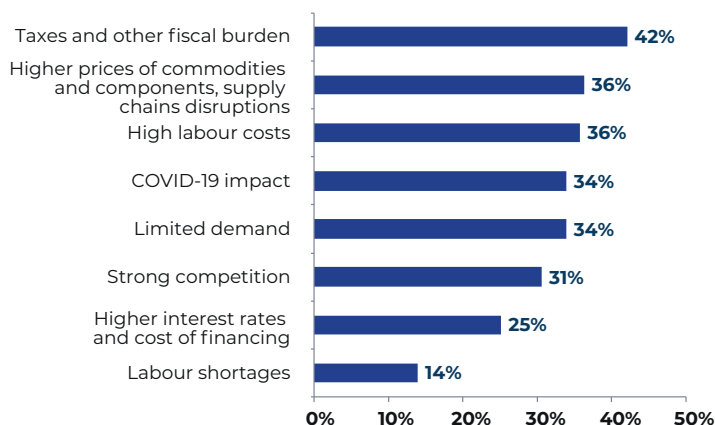
Payment delays in the chemicals sector increased by 17 days in one year



3 EXPECTATIONS: CHALLENGES LEAD TO A DETERIORATED OUTLOOK

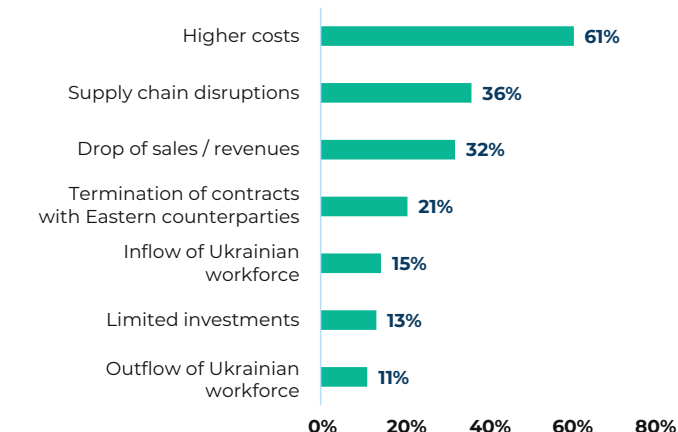
- The fiscal burden, supply issues and high labour costs are the biggest obstacles for companies, alongside the COVID-19 impacts that had been reported often in our previous surveys during the pandemic era. Taxes are the largest concern currently, as they were before the pandemic. On the other hand, higher interest rates are not a big obstacle for companies, at least at this stage, illustrating their relative resilience to external financing costs, which was built thanks to improving liquidity during the pandemic.
- The war in neighbouring Ukraine has had an impact on businesses in Poland due to both geographical proximity and global consequences, especially higher costs of inputs, commodities and supply chain disruptions, while one-third also reported a drop in revenues. Some companies experienced the outflow of Ukrainian workers who joined the Ukrainian army, while some have benefited from the inflow of workforce, which, however, is not likely to fully compensate the outflow due to a different structure in refugees' skills and qualifications.
- The Polish economy is expected to record negative GDP growth rates in the next quarters and weak growth in 2023 overall (Coface forecast assumes GDP growth of +1.0% in 2023 after +4.4% in 2022). As a result, companies are relatively pessimistic regarding their business activity. While 40% expect no change in 2023, almost 35% of surveyed companies anticipate a deterioration, i.e. more than the assessment made for 2022 (29%).

Chart 10:
Obstacles to business activity
(several answers possible)



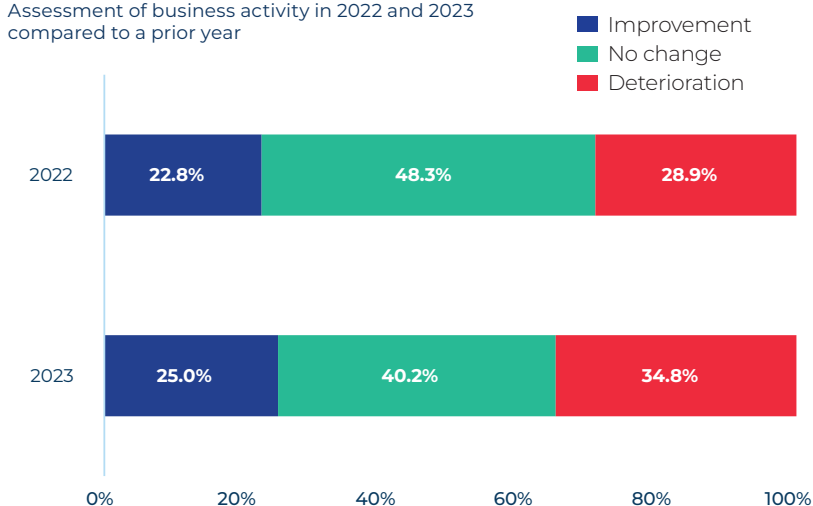
Source: Coface Payment Survey

Chart 11:
Impact of war in Ukraine on companies' business activity
(several answers possible)



Source: Coface Payment Survey

Chart 12:
Assessment of business activity in 2022 and 2023
compared to a prior year



Source: Coface Payment Survey



35% of companies expect that the business activity in 2023 will deteriorate compared with 2022

APPENDIX



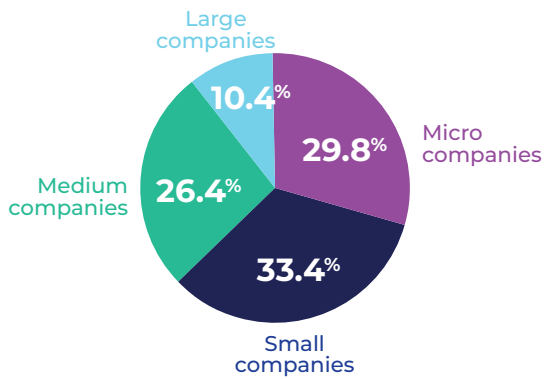
A TOTAL OF

356

COMPANIES PARTICIPATED
IN THE PAYMENT SURVEY

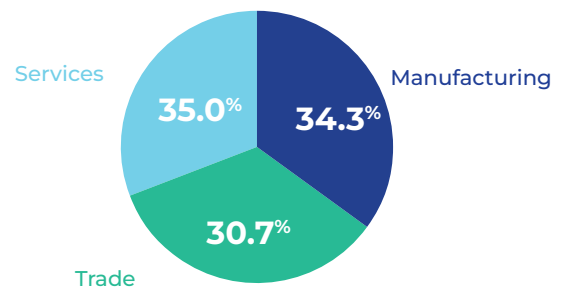
Who were the respondents?

SIZE OF COMPANIES BY TURNOVER



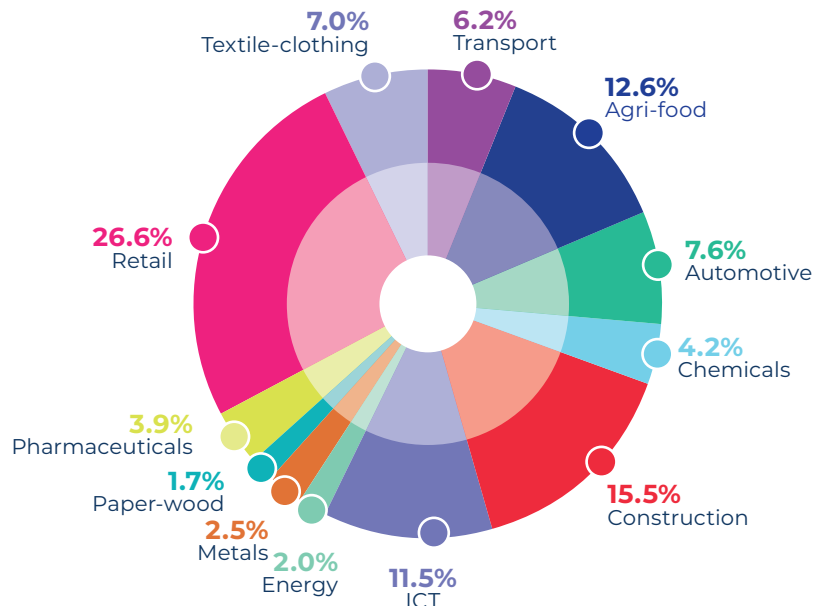
Source: Coface Payment Survey

THE 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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