FEBRUARY 2021

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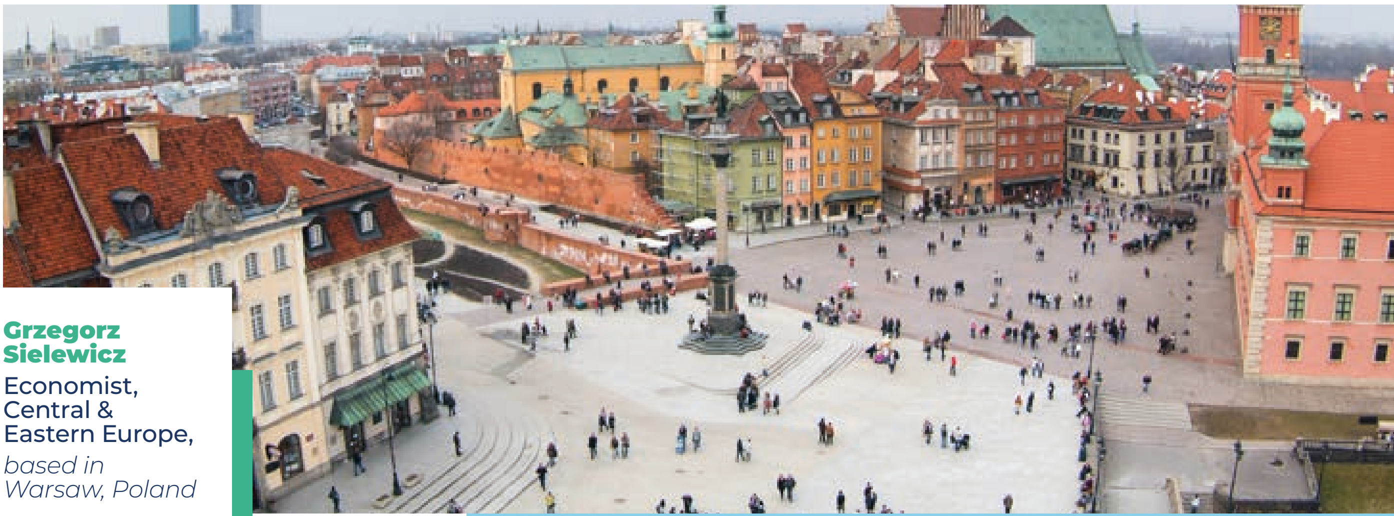
ECONOMIC PUBLICATIONS

PAYMENT SURVEY



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Poland Payment Survey 2022:
Return to normality – unwinding support programs, longer payment delays

The sixth edition of Coface's survey on payment experience in Poland was carried out in November and December 2021 with 331 companies participating in the study. At that time, Poland, as other countries, was still facing significant COVID-19 cases, with the ongoing official state of epidemic emergency in force. Nevertheless, restrictive measures were relatively soft and have not limited economic activity. GDP growth in Poland reached 5.7% in 2021, and should maintain its recovery pace in 2022, reaching 4.4% growth, according to the Coface forecast.

As a reminder, support measures introduced as a response to the pandemic's impact had triggered the improvement of Polish businesses' liquidity situation, i.e. shorter payment delays and a drop in asset liquidation insolvencies. Such a phenomenon was recorded in 2020. In line with the economic recovery, the government decided that there should be fewer support programmes. Consequently, this affected payment liquidity in 2021. Indeed, our study shows that Polish companies experienced average payment delays of 56.7 days, 9 days more than in our previous 2020 survey. As a result, average payment delays returned close to the pre-pandemic level in 2021, as they amounted to 57.2 days in 2019. In 2021, the ICT sector fared the best, with payment delays of "just" 40 days. The energy sector reported the biggest improvement in shortening delays (39 days shorter than the previous year). By contrast, the metals sector experienced the largest widening of payment delays, by almost 23 days. Construction and transport companies experienced the longest payment delays, at nearly 84 and 89 days, respectively. According to our survey, 11 of the 12 sectors anticipated that the amount of outstanding receivables would increase over the following months. This reflects an initiated process of return to normality, i.e. growing payment delays and then, as a consequence, gradually increasing business insolvencies. Although asset liquidation insolvencies dropped in both 2020 and 2021 (by 11.7% and 26.4%, respectively), official restructuration proceedings soared by 48% in 2021, while simplified proceedings - implemented to soften the impact of the pandemic on companies' liquidity - tripled in 2021.

As companies have adapted to doing business while living with the pandemic, the latter ceased to be the biggest concern. Admittedly, businesses still assess it as a threat, but taxes and other fiscal burden have become a bigger obstacle for them.

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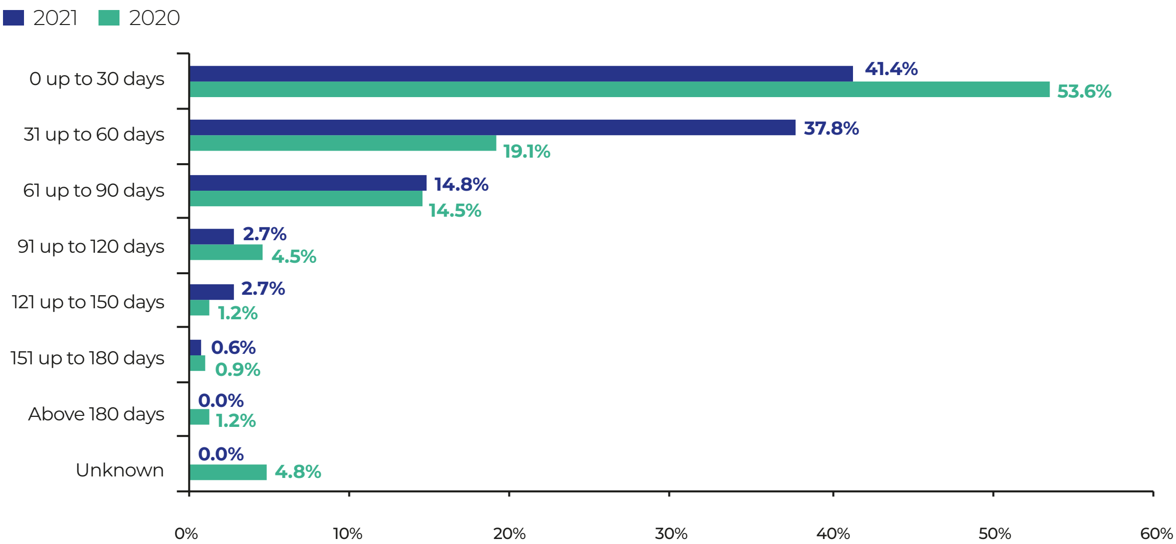
PAYMENT TERMS[1]: SLIGHTLY MORE GENEROUS CREDIT PERIODS, BUT THE SITUATION DIFFERS AMONG SECTORS

- Short credit periods dominate the Polish business landscape: 41% of surveyed companies impose average credit periods of up to 30 days.
- Compared to our previous survey[2], the share of companies offering credit periods of up to 90 days increased. The latter were the bulk in 2021, reaching a share of 94% (87.3% a year before). None of the surveyed companies offered credit periods exceeding 6 months.
- The average credit period increased by 2.2 days, from 39.7 days in 2020 to 41.9 days in 2021.

CREDIT PERIODS
in metals widened by
25 days
in one year

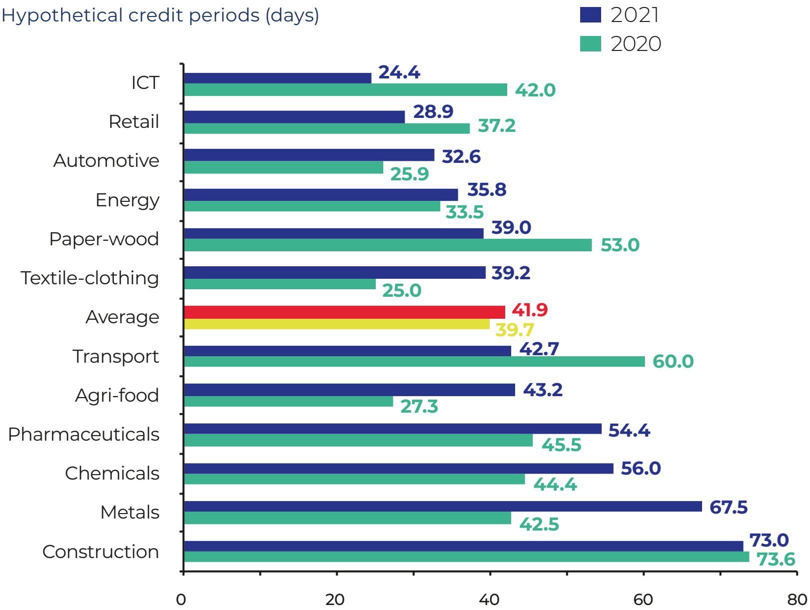
Chart 1:
Average credit periods



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 2021: amid support programmes, corporate payment delays have shortened during the pandemic, February 2021: https://www.coface.com/News-Publications/Publications/Poland-Corporate-Payment-Survey-2021-amid-support-programmes-corporate-payment-delays-have-shortened-during-the-pandemic

Chart 2:
Hypothetical credit periods (days)



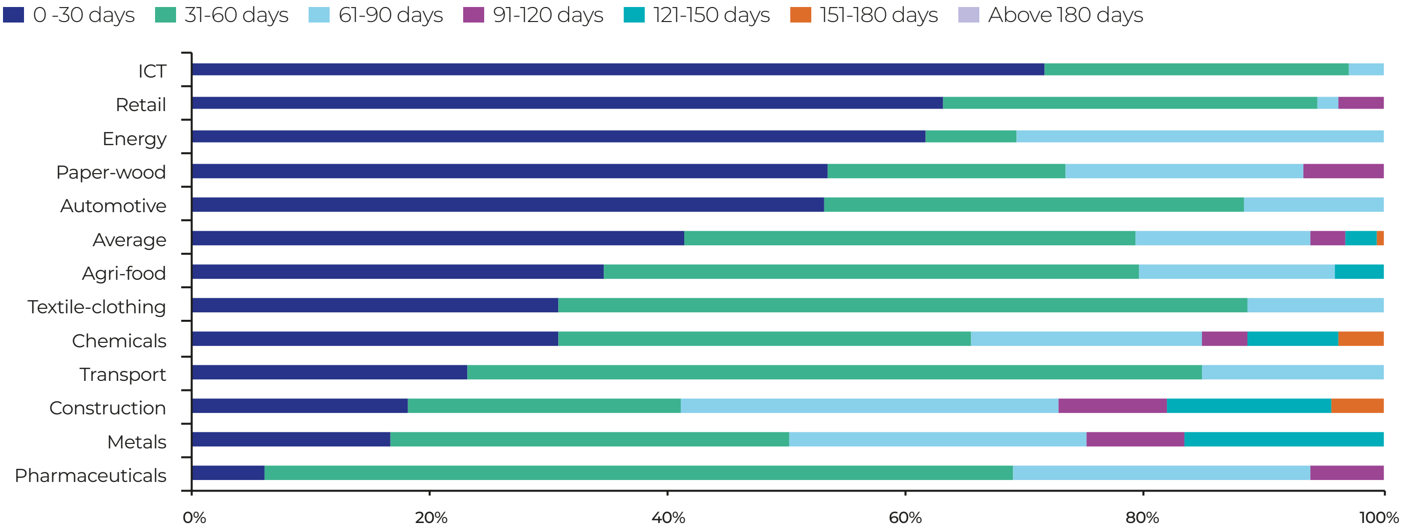
Source: Coface Payment Survey

- In a sectoral split, the most restrictive sectors (those with a majority of sales on short credit periods of up to 30 days) were ICT (71%), retail (63%), energy (62%), paper-wood and automotive (each 53%).

- Sectors that are the most generous in offering long average credit periods include construction (27% with credit periods of over 90 days), metals (25%) and chemicals (15%). Seven out of twelve sectors reported a lengthening of credit periods compared to the previous survey.

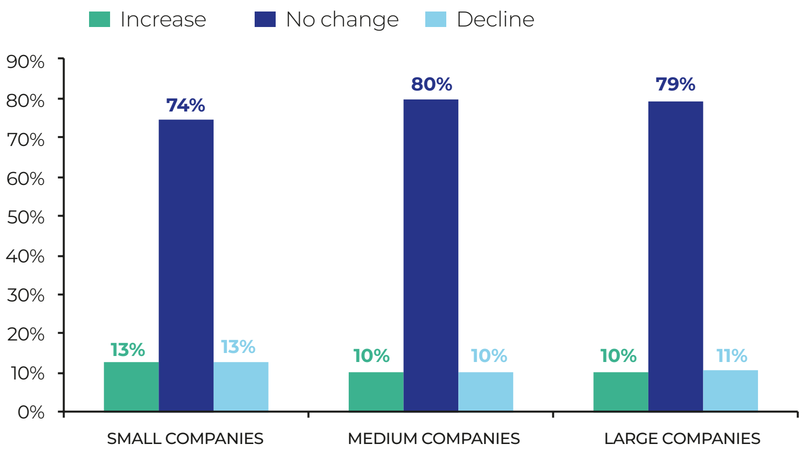
- Most businesses in Poland expect that credit periods will not change in the next six months. This applies principally to medium-sized clients, however, similar shares were also reported for other sizes of counterparties. 13% of surveyed companies expect an increase in credit periods for small clients.

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 24 days in ICT to 73 days in construction.

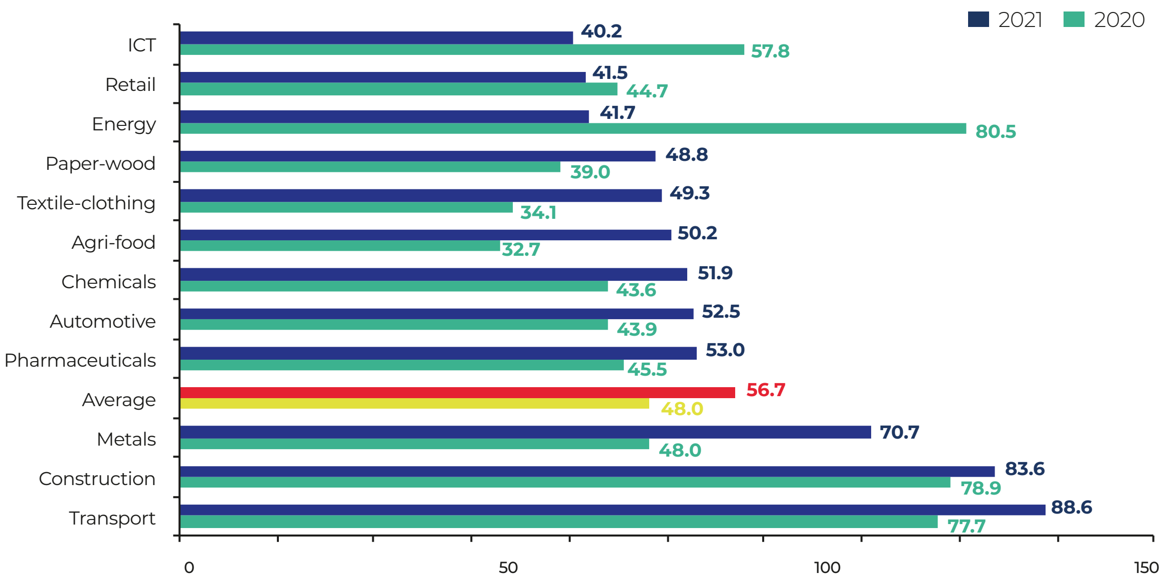
2 PAYMENT DELAYS[3] LENGTHENED IN 2021

- Payment delays appear to be standard practice in Polish business. 53.2% of surveyed companies declared that they experienced payment delays from their counterparts in the previous 6 months. Nevertheless, this is a substantial change from last year, when only 2.4% of surveyed companies declared that they did not face any payment delays from their counterparts.

- Average payment delays reached 56.7 days, almost 9 days longer than reported in the previous survey. As a result, average payment delays in 2021 returned closer to the pre-pandemic level, which amounted to 57.2 days in 2019.

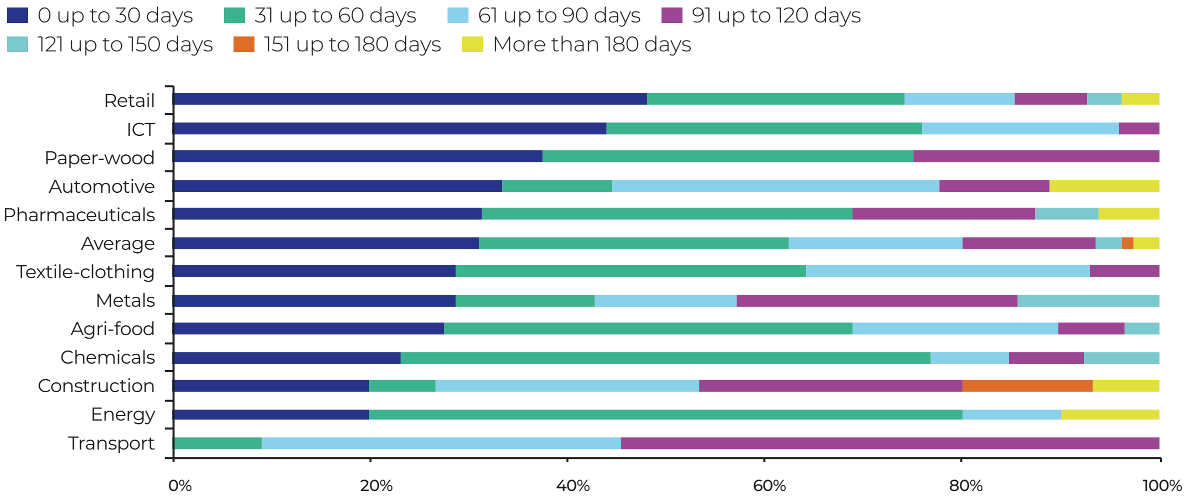
- 62% of surveyed companies experienced average payment delays of up to 60 days. Delays between 60 and 150 days were reported by 34%, and long delays of above 150 days by 3.8%. Compared to the previous survey, the share of short delays (of up to one month) decreased, while longer ones increased: payments made more than one month after the original due date were experienced by nearly 66% of companies, up from 45%. Payment delays have started to lengthen amid unwinding support measures that previously triggered the improvement of companies' liquidity.

Chart 5:
Average payment delays (days)



Source: Coface Payment Survey

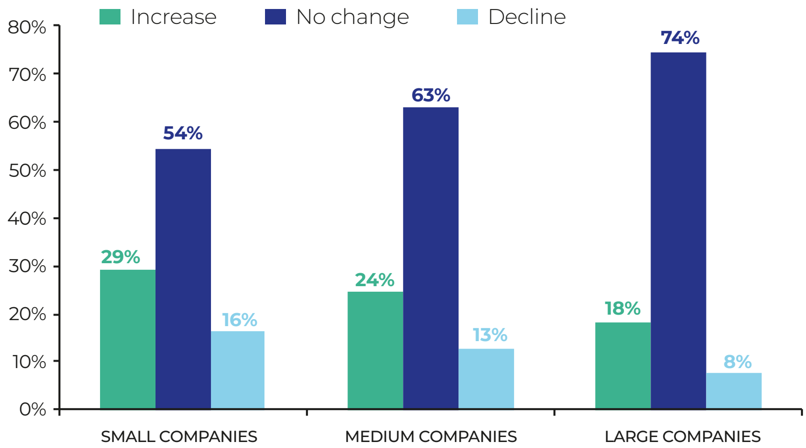
Chart 6:
Average payment delays in sectors



Source: Coface Payment Survey

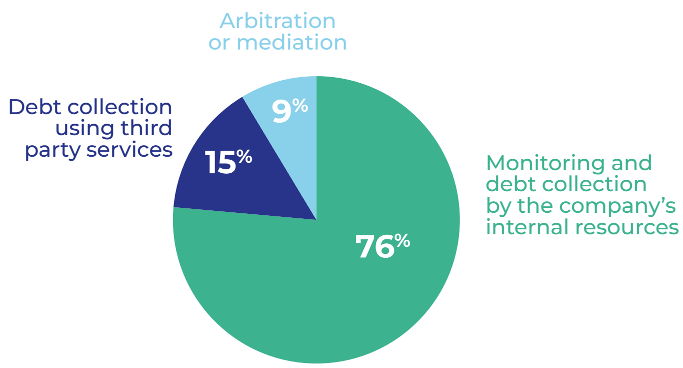
3 Payment delay – the period between the payment due date and the date the payment is made.

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

- On a sectoral level, the longest payment delays were in the transport and construction sectors, averaging 88.6 days and 83.6 days, respectively. Nine out of twelve sectors reported longer delays compared to 2020. The biggest improvement in shortening payment delay periods was observed in energy (a decrease by 39 days), which was the sector with the longest payment delays in our previous survey. On the other hand, the largest widening of payment delays took place in the metals sector (an increase of 22.7 days). The shortest delays were reported by the ICT sector (40.2 days).

- Long payment delays of over six months account for a sizeable share of companies' turnover, however, they have decreased in recent years: these overdue payments represented more than 10% of turnover for 5.4% of surveyed companies compared to 11% in the previous report (before that, 16% in 2019, 15% in 2018, 18% in 2017 and 21% in 2016).

- Due to lack of payment, companies have had to take action against debtors. Internal resources for monitoring and debt collection were the most effective (as indicated by 76% of companies). Third party services (such as debt collection and external lawyers) were used by 15% of companies, while arbitration and mediation actions were practiced relatively rarely (9% of companies).

- The level of outstanding receivables is expected to stabilize: 64% of surveyed companies do not expect changes in the next six months. With the economy and business situation returning to normal, i.e. not supported as much by various measures, companies expect consequences on their liquidity. Among the remaining part of surveyed entities, a greater share of companies (24%) expects an increase in outstanding receivables, compared to those who forecast a decline (12%). In particular, companies anticipate a growing number of payment delays from small clients, with 29% expecting so.

- Examining the results by sector, only the metals sector expected a fall in payment delays over the next six months. The extension of payment delays is anticipated by the remaining sectors, with agri-food and construction expecting the biggest changes.

Payment delays in the energy sector decreased by 39 days in one year.

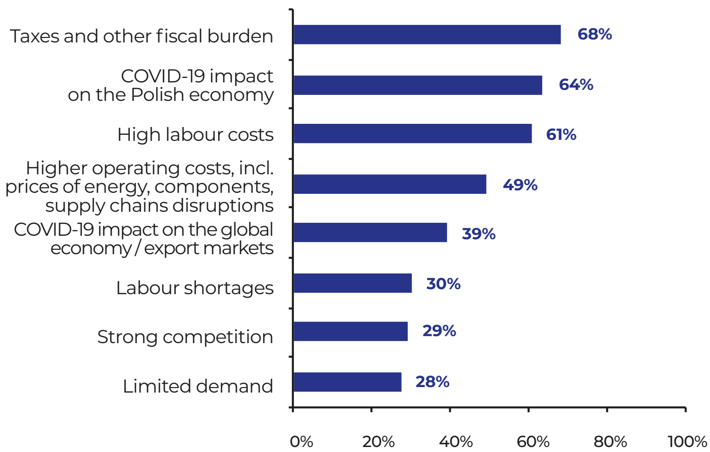
3 IMPACT OF COVID-19: BUSINESSES HAVE ADAPTED TO ACTIVITY IN THE PANDEMIC ENVIRONMENT

- The impact of the COVID-19 pandemic on the domestic economy is no longer the biggest obstacle for companies like it was in the previous survey. Currently, taxes and other fiscal burden are the largest concern. Moreover, high labour costs and recent concerns on higher operating costs - including the impact of increased prices of energy and components, as well as supply-chain disruptions - also became important obstacles.

- Various measures were implemented to soften the impact of economic deterioration on companies. Those that have been used the most include tools dedicated to improve businesses' payment liquidity, like exemptions and deferrals of taxation and social security contributions, as well as loans, subsidies and other financial assistance. That said, 40% of companies declared that they were able to remain in business without support measures.

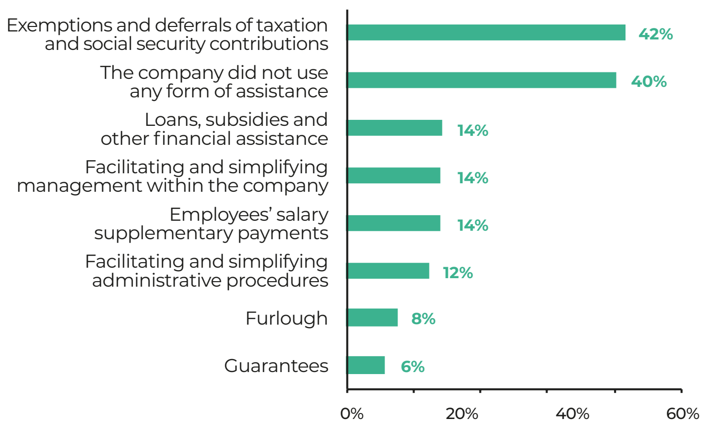
- The Polish economic recovery is expected to continue this year (Coface forecast assumes GDP growth of +4.4% in 2022 after +5.7% in 2021). Therefore, companies are relatively optimistic regarding their business activity. While nearly 49% do not expect any change in business activity this year, more than one-third of surveyed companies anticipate an improvement. The share of companies expecting a deterioration of business activity in 2022 (17.2%) is much lower than that of 2021 (38.4%).

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



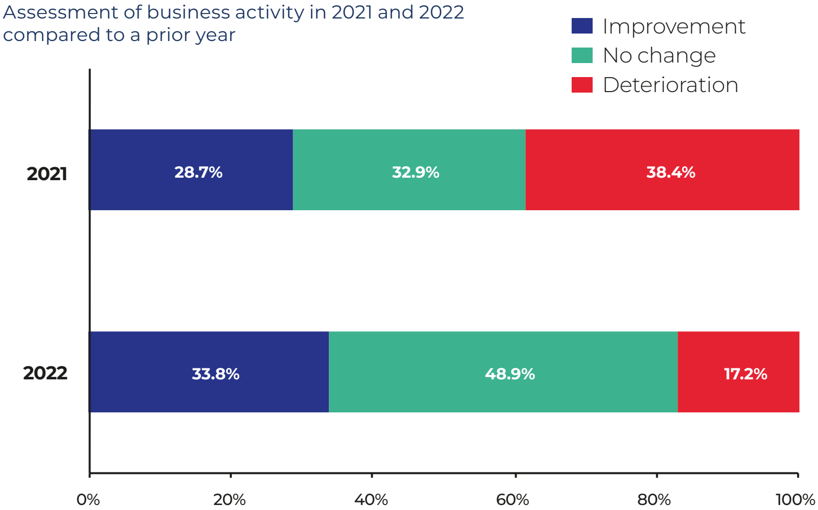
Source: Coface Payment Survey

Chart 11:
Forms of support that a company has used so far
(several answers possible)



Source: Coface Payment Survey

Chart 12:
Assessment of business activity in 2021 and 2022
compared to a prior year



Source: Coface Payment Survey

34% of companies expect that business activity in 2022 will be improved compared to 2021

APPENDIX

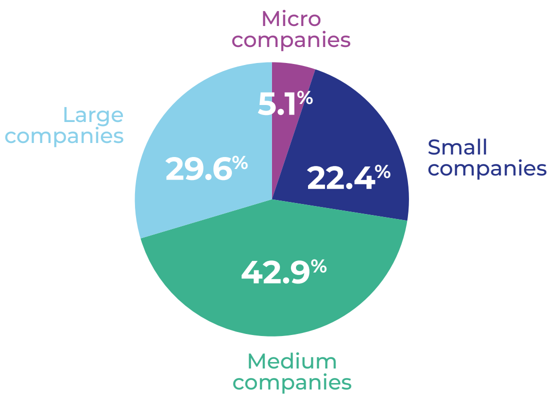
A TOTAL OF

331

COMPANIES PARTICIPATED
IN THE PAYMENT SURVEY

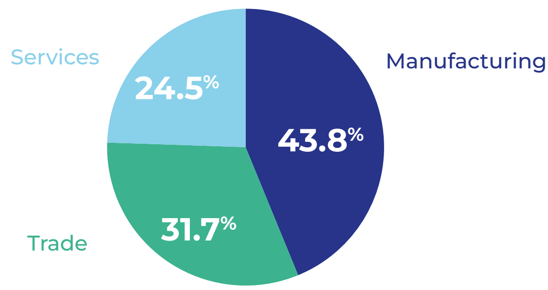
Who were the respondents?

SIZE OF COMPANIES BY TURNOVER



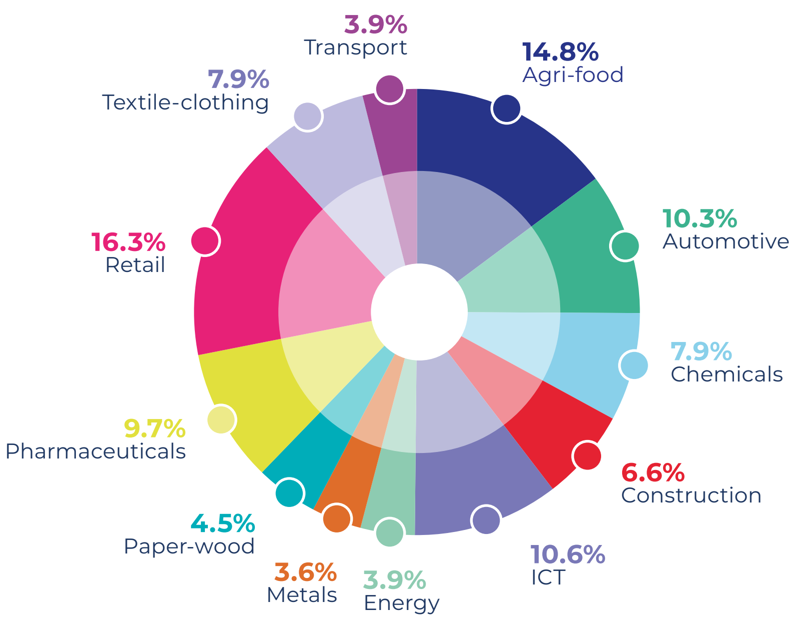
Source: Coface Payment Survey

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.

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