16 FEBRUARY 2021

COFACE
ECONOMIC PUBLICATIONS

PAYMENT
SURVEY

By Grzegorz Sielewicz
Coface Economist,
Central & Eastern Europe
Based in Warsaw, Poland

Poland Corporate Payment Survey 2021: amid support programmes, corporate payment delays have shortened during the pandemic

The fifth edition of Coface's survey on corporate payment experience in Poland was carried out in November 2020, with 330 companies participating in the study. At that time, Poland was being hit by a second wave of the COVID-19 pandemic, with a significantly higher number of infections than during the first wave in spring. Nevertheless, lockdown measures were slightly less restrictive in autumn 2020 in order to limit the economic contraction. According to preliminary data, GDP growth in Poland dropped by 2.8% and should then recover in 2021, reaching 4.0% according to Coface's forecast.

Despite the deepest recession recorded since the collapse of communism, the Polish economy and companies were supported by various government measures aimed at softening the impact of pandemic on business activity. These measures also affected payment delays, which paradoxically decreased despite the significant economic contraction triggered by the pandemic. Indeed, our study shows that Polish companies experienced average payment delays of 48 days in 2020, i.e. 9 days less than in our previous 2019 survey. The agri-food sector fared best, with payment delays of "only" 33 days. Another paradox is that the biggest improvement in shortening delays was reported by transport (44 days shorter than a year earlier), while being the sector at the heart of the mobility crisis, then followed by the construction sector (25 days shorter). However, despite these improvements, transport and construction companies again experienced some of the longest payment delays, at nearly 78 and 79 days, respectively. This time around, the energy sector is the one with the longest payment delays, at 80.5 days.

In spite of improvements in payment liquidity, a bulk of companies declared that the impact of the pandemic on the Polish economy is a crucial obstacle for them. Supportive government measures are expected to expire once the economy recovers. Therefore, the surveyed companies anticipate that this is going to affect business liquidity, especially since half of them have used liquidity measures such as exemptions and deferrals. According to our survey, 7 out of the 12 sectors anticipate that the amount of outstanding receivables will increase over the following months. This also affects companies' view on their business activity in 2021. Despite an expected economic recovery, challenges are likely to hurt companies, as nearly two-thirds anticipate a worsening of business activity.

GRZEGORZ SIELEWICZ
Coface Economist,
Central & Eastern Europe
Warsaw, Poland

1 PAYMENT TERMS[1]: TRANSPORT AND CONSTRUCTION OFFER THE MOST GENEROUS CREDIT PERIODS, BUT THESE ARE SHORTER THAN A YEAR EARLIER

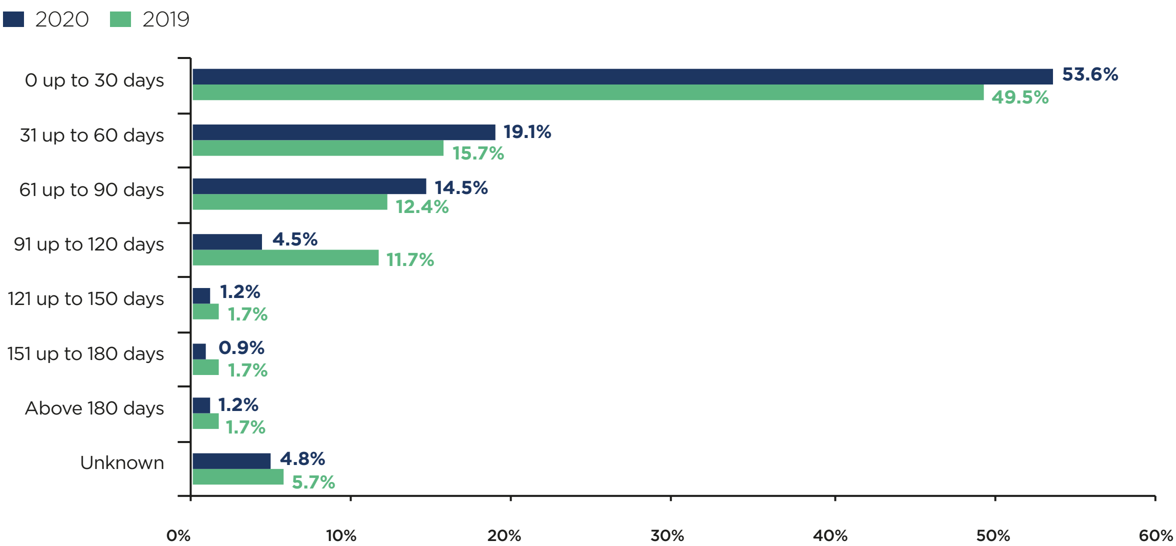
- Short credit periods dominate the Polish business landscape: 54% of surveyed companies offer average credit periods of up to 30 days.

- Compared to our previous survey[2], the share of companies that offer credit periods of up to 90 days increased. By contrast, businesses were less willing to offer long credit periods. The largest decrease - of 7.2 percentage points - was reported in the 91 to 120 days range.

- The average credit period decreased by 7.3 days, from 47.0 days in 2019 to 39.7 days in 2020.

CREDIT PERIODS
in metals shortened by
20 days
in one year

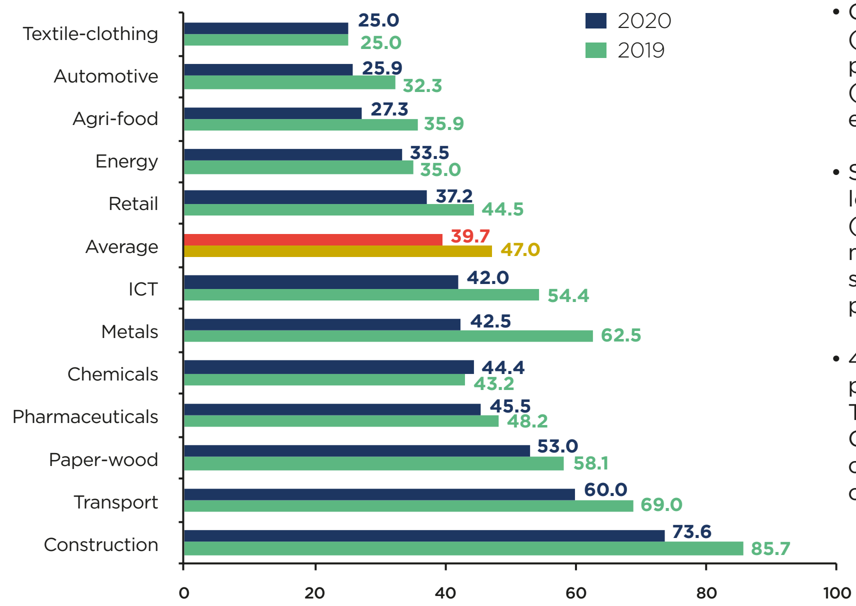
Chart 1:
Average credit periods



Source: Coface Payment Survey

1 Payment term – the period between when a customer purchases a product or service and when the payment is due.
2 Coface Poland Payment Survey 2020: Reduced payment delays but a challenging outlook, March 2020: http://coface.com/News-Publications/Publications/Poland-Payment-Survey-reduced-payment-delays-but-a-challenging-outlook

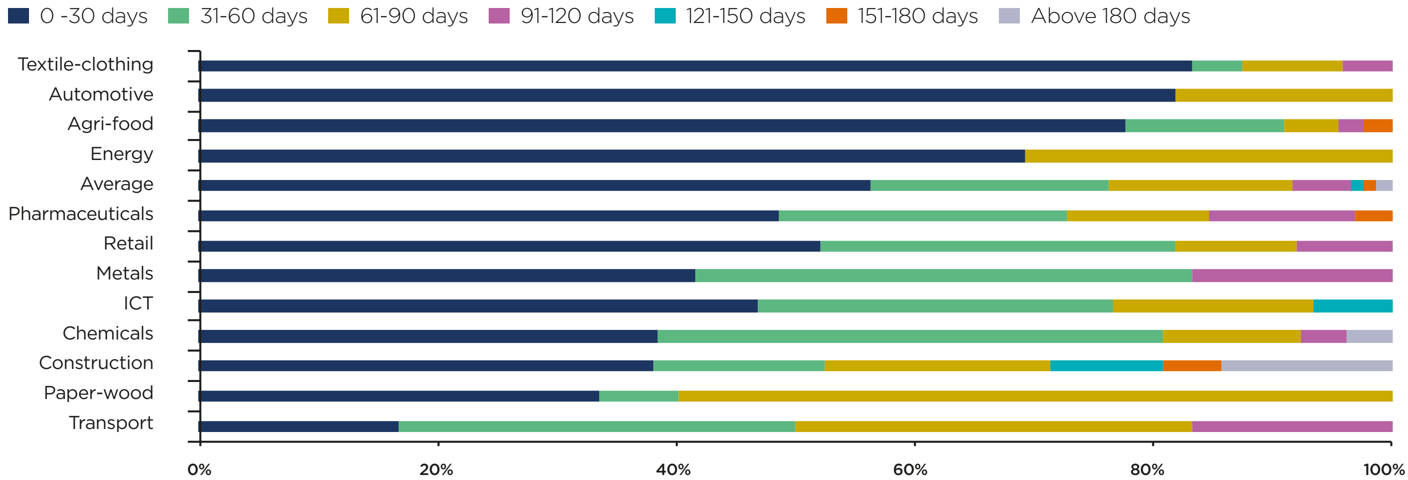
Chart 2:
Hypothetical credit periods (days)



Source: Coface Payment Survey

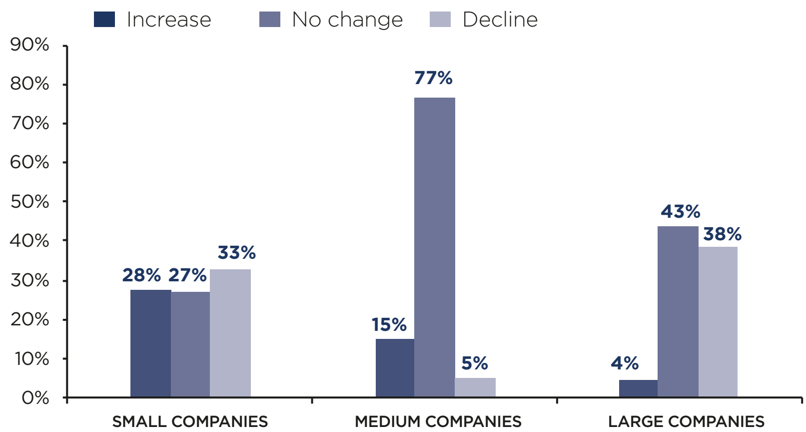
- On a sectoral basis, the most restrictive sectors (those with a majority of sales on short credit periods of up to 30 days) are textile-clothing (80%), automotive (79%), agri-food (75%), and energy (69%).
- Sectors that are the most generous by offering long average credit periods include construction (27% with credit periods of more than 90 days), metals (17%) and transport (15%). Only a single sector, chemicals, reported a lengthening of credit periods compared to the previous survey.
- 49% of businesses in Poland expect that credit periods will not change in the next six months. This applies mainly to medium-sized clients. Conversely, credit periods granted to small clients are expected to increase (28% of surveyed companies anticipate so).

Chart 3:
Average credit periods in sectors



Source: Coface Payment Survey

Chart 4:
Expected developments in credit periods, by size of companies' counterparties

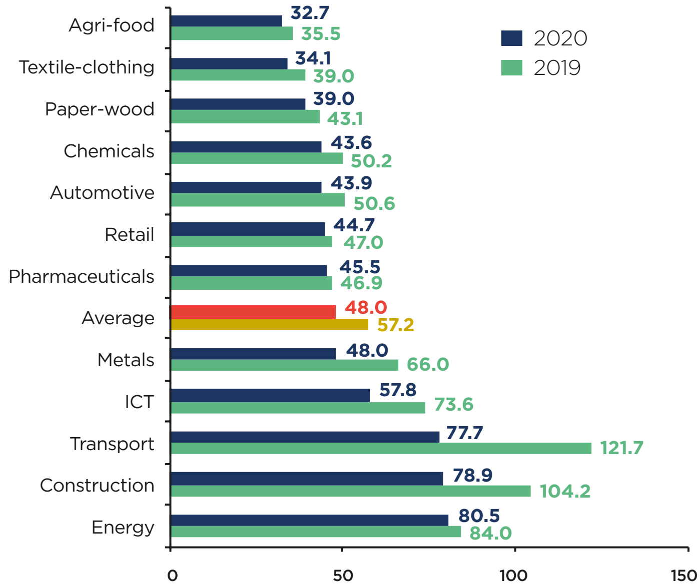


Source: Coface Payment Survey

Credit periods in Poland range from 25 days in textile-clothing to 74 days in construction.

2 ALL SECTORS EXPERIENCED SHORTENED **PAYMENT DELAYS** IN 2020[3]

Chart 5:
Average payment delays (days)

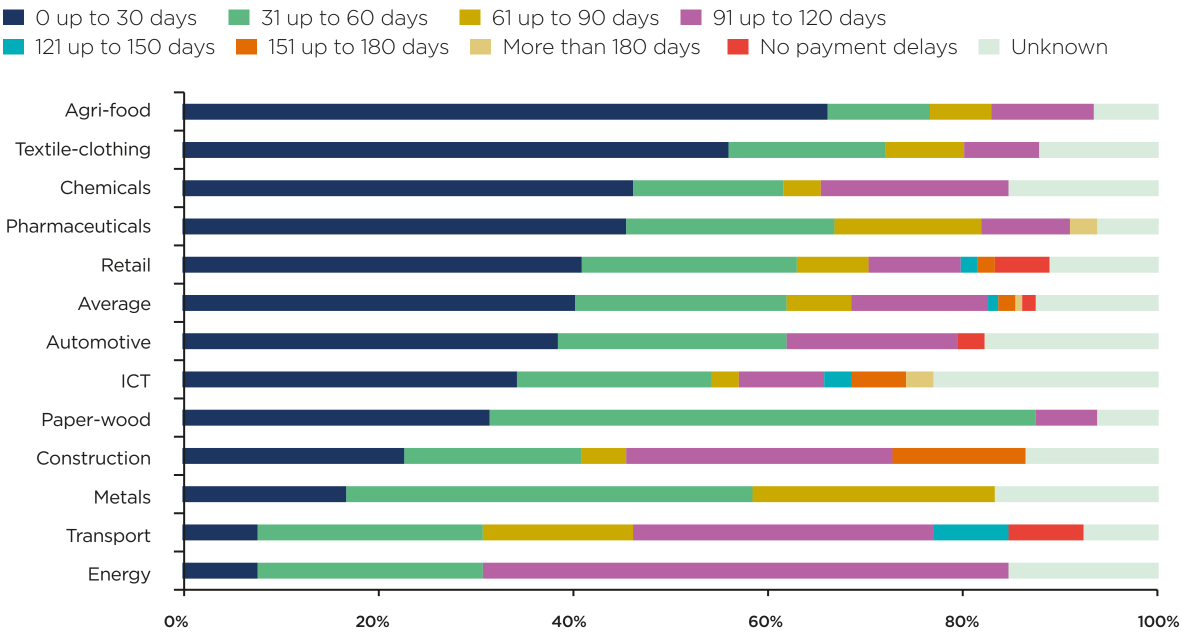


Source: Coface Payment Survey

- Payment delays appear as standard practice in Polish business. Only 2.4% of surveyed companies declared that they did not experience any payment delays from their counterparts.
- The average payment delay reached 48 days, which is over 9 days shorter than in the previous survey.
- 62% of surveyed companies experienced average payment delays of up to 60 days, 22% reported delays between 60 and 150 days, and long delays of above 150 days were declared by 2.4%[4]. Compared with the previous survey, the share of short delays has increased, while longer ones have decreased: payments made more than three months after the original due date were recorded by around 18% of companies, down from 22%. Despite the economic deterioration, measures to soften the impact on companies' liquidity have been supportive.

54%
OF COMPANIES IN THE ENERGY SECTOR reported payments overdue by more than 3 months

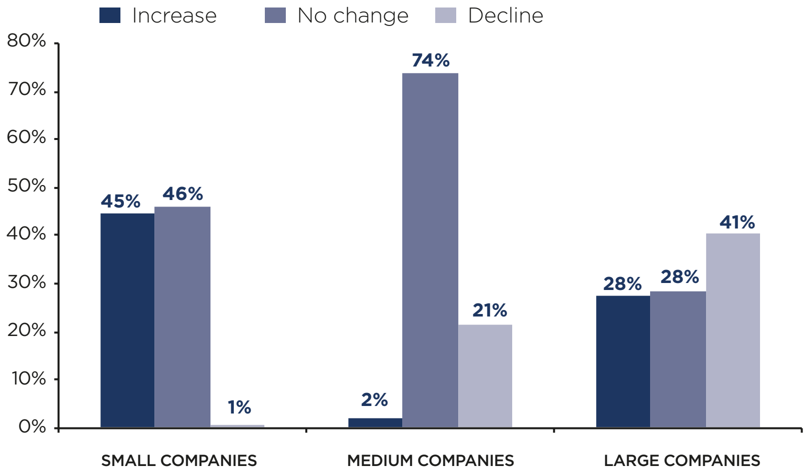
Chart 6:
Average payment delays in sectors



Source: Coface Payment Survey

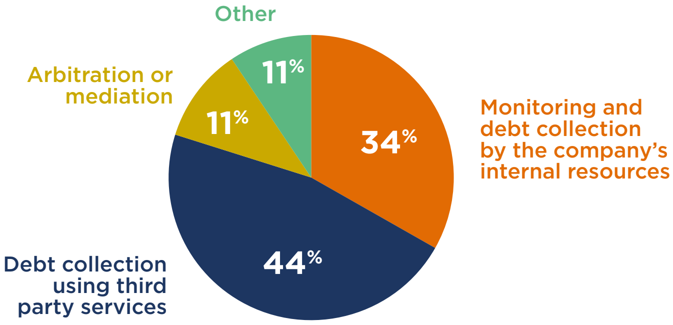
3 Payment delay – the period between the payment due date and the date the payment is made.
4 The remaining part (12%) declared themselves unaware of the exact delay of their receivables.

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



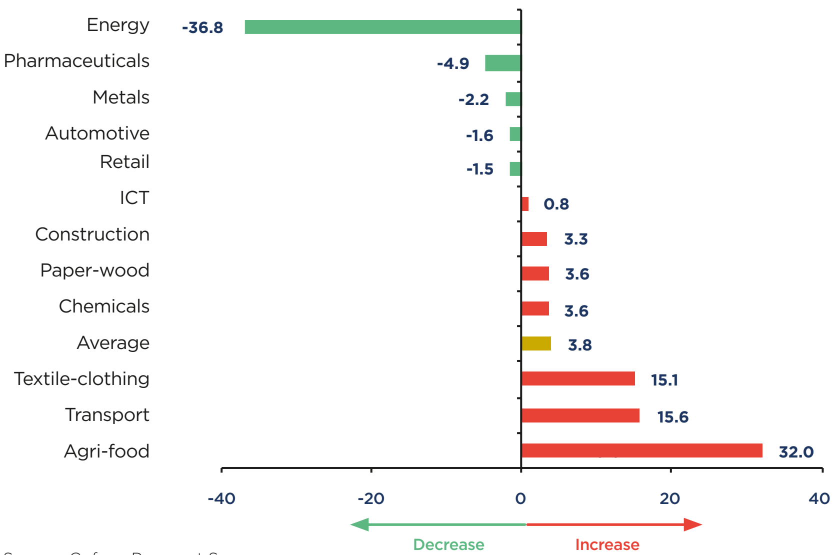
Source: Coface Payment Survey

Chart 8:
The most effective action 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

- On a sectoral level, the longest payment delays were experienced by the energy and construction sectors, at an average of 80.5 days and 78.9 days, respectively. All sectors reported reduced delays compared to 2019. The biggest improvement in the shortening of payment delays was recorded by the transport sector (a decrease by 44 days). Conversely, the smallest shortening of payment delays was registered by the pharmaceuticals sector (a decrease of 1.4 days). Moreover, the shortest delays remain in the agri-food sector (32.7 days).

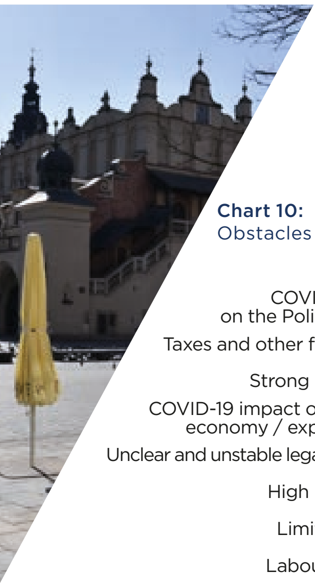
- Long payment delays of more than six months account for a sizeable share of companies' turnover, but this share has decreased in recent years: these overdue payments represent over 10% of turnover for 11% of surveyed companies compared to 16% in the previous report (before that, it stood at 15% in 2018, 18% in 2017 and 21% in 2016).

- Companies have had to take action against debtors because of the lack of payment. Third party services (such as debt collection and external lawyers) were the most effective, as indicated by 44% of surveyed companies. Internal resources for monitoring and debt collection were used by 34% of companies, while arbitration and mediation were called upon relatively rarely (11% of companies).

- The level of outstanding receivables is expected to stabilize: 49% of surveyed companies do not expect changes in the next six months. Although companies' liquidity has been relatively resilient to the COVID-19 pandemic, it seems that its consequences will affect businesses with some delay, despite the Polish economy's recovery in 2021. Among the remaining surveyed entities, a greater share of companies (25%) expects an increase in outstanding receivables compared to those who forecast a decline (21%). Companies anticipate a growing number of payment delays from small clients in particular, with 45% expecting so.

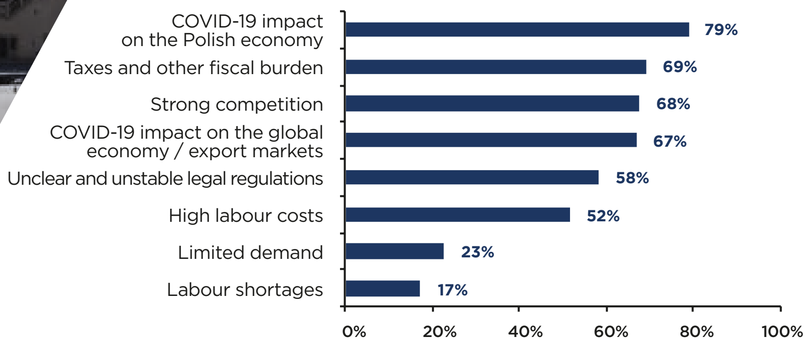
- When examining the results by sector, the ones with the steepest expected fall in payment delays over the next six months are energy in particular, followed by pharmaceuticals and metals. The extension of payment delays in the next six months is mostly anticipated by the agri-food sector, as well as by transport and textile-clothing.

Payment delays in the transport sector decreased by 44 days in one year.



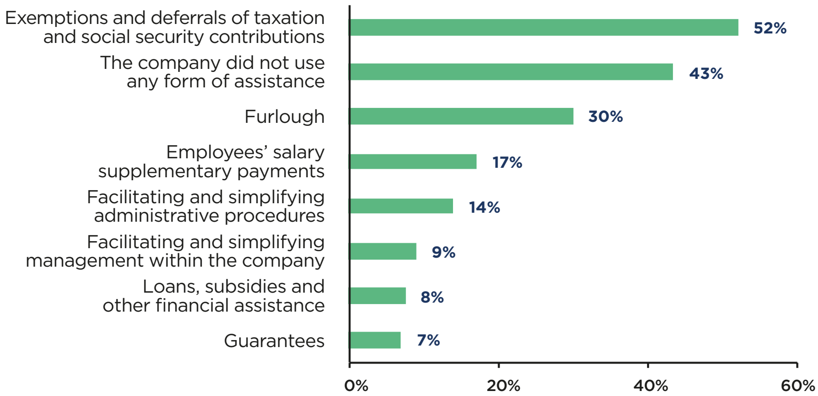
3 IMPACT OF COVID-19: THE ECONOMY IS RECOVERING, BUT BUSINESSES ARE CONCERNED FOR 2021

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



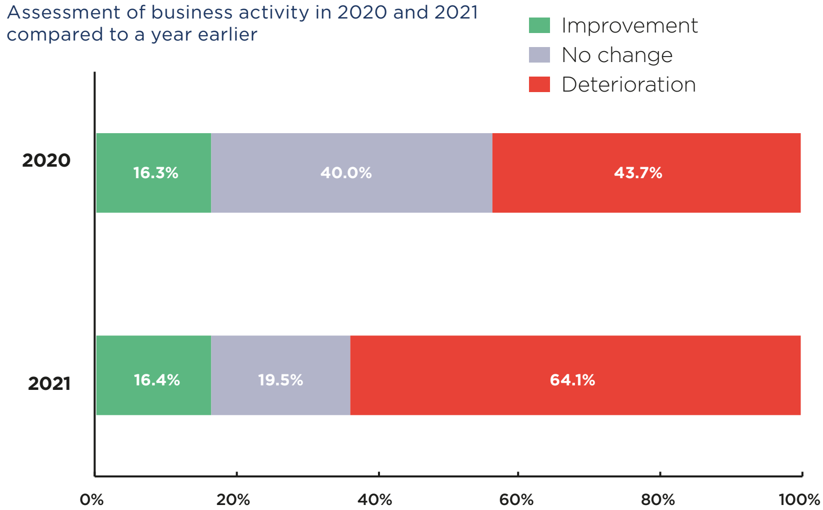
Source: Coface Payment Survey

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 2020 and 2021 compared to a year earlier



Source: Coface Payment Survey

- The impact of the COVID-19 pandemic on the domestic economy has become the biggest obstacle for companies. However, other challenges, including taxes and other fiscal burden, as well as strong competition, remained significant concerns. That being said, all these other obstacles have become less harmful than they were a year earlier. Indeed, because of the pandemic, concerns on competition and labour shortages were mentioned less often in this survey.

- Various measures were implemented in order to soften the impact of the economic deterioration on companies. Those that have been used the most include tools dedicated to improve businesses' payment liquidity in particular, such as exemptions and deferrals on taxation and social security contributions, as well as measures dedicated to the labour market: furlough and supplementary payments. Nevertheless, 43% of companies declared that they were able to remain in business without using support measures.

- Although the economy is expected to recover this year (Coface forecasts a GDP growth rate of +4.0% in 2021, after -2.8% in 2020), companies are not optimistic regarding their business activity. Support measures will phase out, especially when there will be more signs of economic acceleration. Therefore, companies could face more a challenging business environment with longer payment delays (as confirmed above) and an increasing number of insolvencies of their counterparties. The share of companies that expects a deterioration in business activity in 2021 (64.1%) is larger than the assessment of 2020 (43.7%).

64% of companies expect business activity to be worse in 2021 compared to 2020

APPENDIX

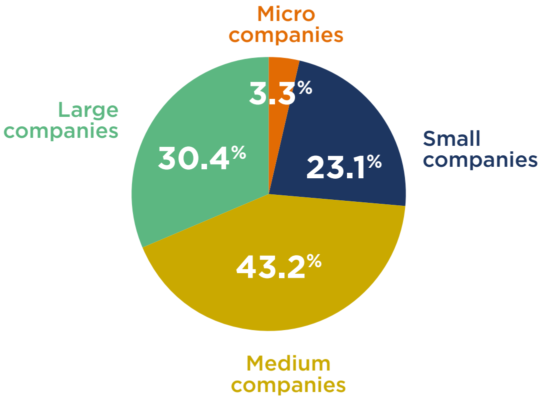
A TOTAL OF

300

COMPANIES PARTICIPATED
IN THE PAYMENT SURVEY

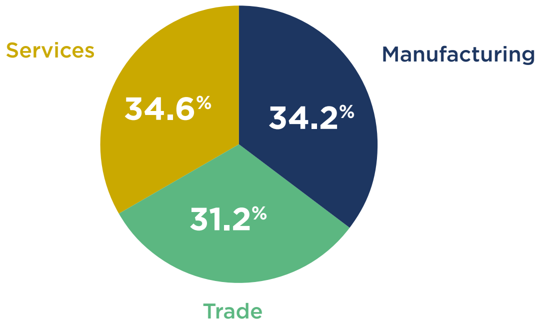
Who were the respondents?

SIZE OF COMPANIES BY TURNOVER



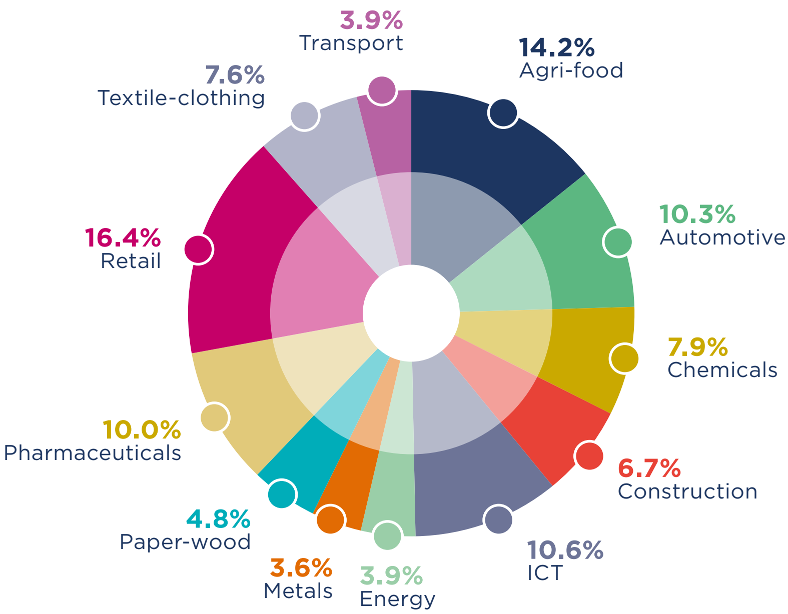
Source: Coface Payment Survey

MAIN BUSINESS ACTIVITY



Source: Coface Payment Survey

SECTORS OF SURVEYED COMPANIES



Source: Coface Payment Survey

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.

February 2021 — Layout: increa * — Photo: Shutterstock

COFACE SA
1, place Costes et Bellonte
92270 Bois-Colombes
France

www.coface.com

coface FOR TRADE