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POLAND PAYMENT SURVEY: PAYMENT DELAYS PERVADE POLISH CORPORATES

THE COFACE ECONOMIC PUBLICATIONS

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Coface's first study on payment experiences in Poland was carried out during a period of temporary slowdown in the economy. This has mainly been the result of the shift to the new EU budget and the reluctance of companies to invest in fixed assets during 2016. In comparison to 2015, Coface estimates that GDP growth was 1.2 percentage points lower in 2016, at around 2.7%. The payment survey investigated the payment behaviour of corporates, which is mirroring both the economic situation and the business environment.

Our analysis covers a wide range of company sizes and sectors. Sales on credit are used extensively, with most companies offering relatively short payment periods of up to one month. The bulk of corporates are faced with overdues, some of which are long and unlikely to be paid. Long outstanding receivables are lowering companies'

profits and, according to our payment survey, nearly one in five companies had to write off at least 5% of its annual revenues, due to unpaid receivables. Corporates are therefore becoming more aware of risk management strategies. Many have put into place dedicated credit management teams, are monitoring payments on a constant basis and are using the services of external credit management providers.

The Coface study shows that Polish companies are experiencing average payment delays of 51.5 days. This is 10 days longer than that encountered by German companies (according to our recent payment survey on the German market). The Polish average is the combination of the widely diversified experience of various sectors. The retail sector fares the best, with overdues of only 19.3 days. Our sample indicates that transport companies are suffering the most, with payment delays that are over double the average, at 112.9 days. The

construction sector also faces challenges, with hypothetical average delays of nearly 84 days, even though it offers generous credit periods. Long overdues are already accounting for much of construction companies' revenues and most of them expect that overdues will rise even more over the following months. This scenario of weak payments corresponds to our sector risk assessment for construction, which we already decreased by a notch to 'very high risk', in November 2016.

Contrastingly, nine of the 12 sectors surveyed anticipate that the amount of outstanding receivables will decrease over the following months. This corresponds to a gradual improvement in the Polish economy, which is expected to return to diversified and balanced growth, particularly during the second half of 2017, to reach GDP growth of 3.1% for the entire year. Payment delays should become less of a burden for Polish companies during the course of this year, although they will remain fairly commonplace.

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