

PAYMENT SURVEY



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Turkey Payment Survey 2019: better picture in payment terms but companies are still cautious regarding economic prospects

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This is the second edition of Coface's payment survey in Turkey, with 586 participating companies located in the country. This time, the survey reflects the private sector's perception of payment risks and their economic expectations, right after the recession that the economy went into during the second half of 2018. On the payment side, it seems that the deterioration of cash flows has slowed down and fewer companies expressed tougher conditions while making their payments. In 2019, the average payment term offered by Turkish companies to their clients stood nearly at 85 days on the domestic market and at 69 days on export markets. In 2017, companies reported that the average payment term was 108 days (without mentioning domestic or export markets). The main reason for this shortening seems to be the preference for short-term payments instead of taking the risk of non-payment in the longer term, after the currency shock of August 2018. Still, the average payment period remains long on an international scale. In Turkey, only 40.5% of surveyed companies request their export clients that payments be made within 60 days. On the domestic market, this ratio falls even lower at 33%. The ratio stands at 87% in Germany, 65% in Poland and 44% in China, regardless of domestic or export markets. On the payment delay side, we continue to see delays, albeit

shorter ones. For Turkish companies, on the domestic market, payment delays averaged at 41 days. On the domestic front, almost half of the companies expect payment terms to lengthen and increase. This expectation is also confirmed on the sector level, with very few sectors expecting payment terms to be shortened domestically in 2020. Despite the recent balancing of macroeconomic dynamics, 44% of companies expect economic conditions to deteriorate in Turkey. Paper, pharmaceutical, metals, construction are among the most pessimistic sectors. Tougher conditions to access financing and narrower domestic demand are considered among the factors that would weigh on the payment capacity of companies. Key factors pushing companies to sell with term are mentioned, such as the liquidity squeeze of domestic clients and competition on export markets. Despite these challenges, the willingness to make new investments in 2020 remains high for some sectors such as pharmaceutical and agri-food. On the export side, automotive companies look comparatively more cautious with nearly 20% of participants reporting lower export revenues expectations for 2020, above the survey average of 9%. This is not surprising given the challenges faced by car producers on the global market (stricter regulations against environmental risks, slowdown of the global economy, lower sales and declining profitability).