

Atradius Payment Practices Barometer

Czech Republic

Focus on B2B payment practices
in the chemicals, consumer durables
and steel/metals industries



About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world. The 2022 edition of the Atradius Payment Practices Barometer survey findings for the Czech Republic is a valuable opportunity to hear directly from companies in the local chemicals, consumer durables and steel/metals industries about how their business operations are coping with the disruptive impact of the current challenging economic and trading circumstances.

Of course, this survey is a snapshot taken in a very volatile economic environment, and the findings should be viewed with this in mind. The survey, which was conducted at the beginning of the last quarter of 2022, is a snapshot of each industry at that time.

Topics covered include: the impact of late or non-payment on the industries polled, the average time it takes to turn overdue B2B invoices into cash, how businesses manage payment default risks related to selling on credit to B2B customers and expected challenges to profitability during the coming months.





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Chemicals

Overview of the key survey findings

Longer payment terms spark increased trade on credit

- The desire to boost sales with both established and new B2B customers prompted a change of approach to selling on credit by companies in the Czech chemicals industry. Our survey found an average 15% increase in the number of companies saying they sold more on credit in B2B trade during the past twelve months. Another factor behind the changed approach was to protect sales from competition. Currently, almost half of sales to B2B customers in the industry are made on credit.
- Companies in the Czech chemicals industry decided to grant longer payment terms to their B2B customers to facilitate the quest for extra sales. Around half of the businesses polled said they extended their terms during the past twelve months, and on average, these are two weeks longer than last year. When setting payment terms companies polled said they also took into account terms received from their own suppliers as well as profit margins on sales. The current payment term now stands at an average 54 days from invoicing.

Bad debts and DSO worsen amid cash flow struggle

- Late payments are a major issue for companies in the Czech chemicals industry during the past twelve months. Currently, 51% of all invoiced B2B sales are overdue, with customer disputes and administrative delays in the payment process the primary reasons cited. The levels of bad debt rose by one-third during the past year and bad debt write-offs now amount to 8% of all B2B invoiced sales. This contributed to a significant deterioration in Days Sales Outstanding (DSO), which now averages 77 days from invoicing, and puts serious strain on liquidity.
- Companies across the Czech chemicals industry responded with a range of measures to try to ease their liquidity position and keep cash in-house. The immediate reaction was to strengthen their internal credit control processes and spend extra time and resources to resolve unpaid invoices. Other tactics included offering discounts to B2B customers to entice early payment, as well as requesting cash payments from B2B customers. Companies polled said they also tapped into sources of external finance as they tried to limit exposure to customer credit risk.

Strong move towards strategic credit management

- The range of measures used to improve cash flow by companies polled in the Czech chemicals industry mostly came within the framework of in-house retention and management of customer credit risk. This involves setting aside funds to cover losses caused by B2B customer payment defaults, and it can be a sound strategy. However, more than 40% of companies polled expressed concern about this approach, saying it was very challenging to maintain enough large cash reserves to ensure business viability in the current difficult trading environment.
- This prompted a change of policy to be considered by companies across the Czech chemicals industry, involving an upward trend in the use of credit insurance. Businesses polled said this solution was attractive as part of a more strategic credit management approach. One quarter of companies polled said they plan to move away from in-house retention and management of customer credit risk towards outsourcing it within the frame of credit insurance, during the coming months.

2023 industry outlook: dealing with energy crisis the critical issue

- By far the major concern looking ahead for companies in the Czech chemicals industry is deep uncertainty about how the global economic downturn will affect the domestic economy. Companies polled fear this could trigger a severe deterioration of B2B customer payment defaults. There is particular anxiety about a decrease of gas supplies affecting their business, and most companies said they had developed contingency plans after playing out such a crisis scenario. More than one quarter of companies polled said that a decrease of gas supplies would be critical for many B2B customers and could force them out of business.
- Our survey also found that companies in the Czech chemicals industry expect DSO to worsen, with 30% more businesses than last year envisaging cash flow struggles as they try to protect their liquidity position. For many, this worry could prompt the use of credit insurance. Widespread pessimism about the prospects for business growth was also reported. 33% more companies polled than last year feel negative about this, and said this could encourage more use of credit in B2B trade in the months ahead to try to boost sales.

Key figures and charts of the survey can be found on the following pages

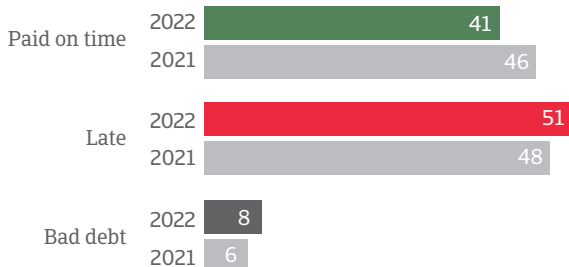


Chemicals

Late payments and cash flow

Chemicals industry in the Czech Republic

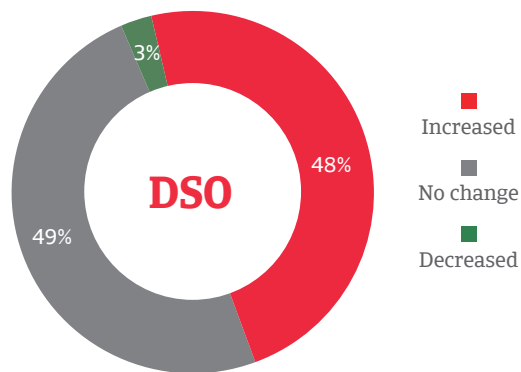
% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2022/2021)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Chemicals industry in the Czech Republic

% of respondents reporting DSO changes over the past 12 months

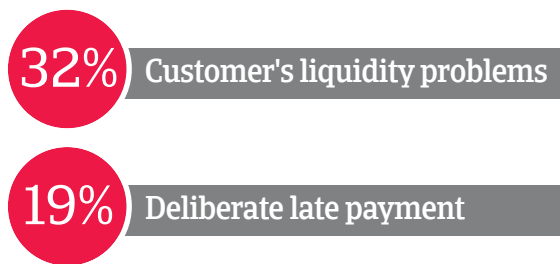
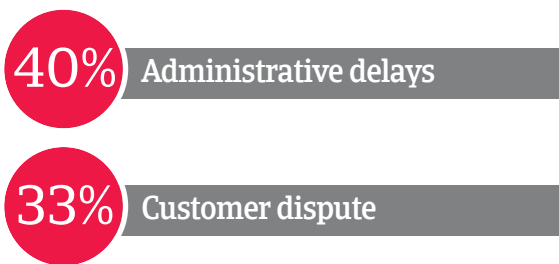


Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Chemicals industry in the Czech Republic

Main reasons that B2B customers pay invoices late

(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

SURVEY QUESTION

What measures did you put in place to protect your cash flow against customer credit risk?

- #1 Strengthen internal credit control process
- #2 Increase time, costs and resources spent on resolving unpaid invoices
- #3 Seek external financing





Chemicals

2023 industry outlook

Chemicals industry in the Czech Republic

Looking into 2023: top 5 concerns expressed by businesses in the industry

(% of respondents)



* Due to the interplay among higher energy prices, commodity prices surge, inflation, supply chain disruptions and geopolitical tensions

Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

SURVEY QUESTION
How do you expect your average DSO to change over the next 12 months?

(% of respondents)

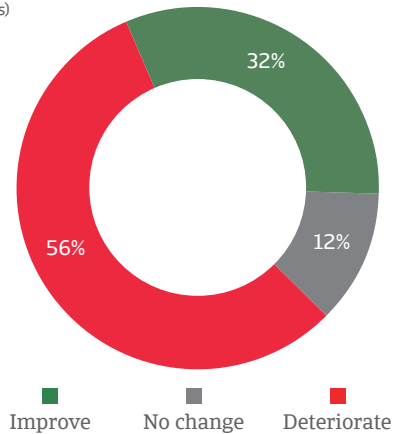
- 9% Improve
- 37% No change
- 54% Deteriorate



Chemicals industry in the Czech Republic

Looking into 2023: how do you feel about your potential business growth?

(% of respondents)

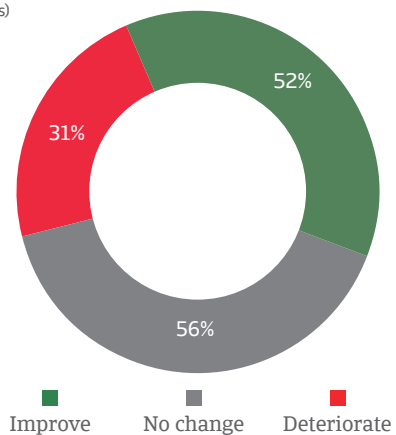


Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Chemicals industry in the Czech Republic

Looking into 2023: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022



Consumer durables

Overview of the key survey findings

Decrease in selling on credit amid longer payment terms

- Our survey found a significant decrease in B2B sales made on credit in the Czech consumer durables industry during the past twelve months. Companies polled revealed an average 10% decrease in credit sales in B2B trade, with a key reason being a higher perception of the risk of customer payment default. Another factor reported by businesses polled was concern about the costs involved in managing trade debt. Currently, 46% of all B2B sales in the industry are transacted on credit.
- Despite the widespread worries about payment default of customers, many companies in the Czech consumer durables industry told us they extended credit for longer than last year to their B2B customers. It prompted a marked rise in the average payment term, rising to an average of 46 days from invoicing compared to just a 25-day average last year. This occurred even though many other companies said they did not alter, or shortened, their payment terms. Regardless of the decision, payment terms were most set to reflect those received from their suppliers.

Range of measures reduce bad debts and overdue invoices

- The extension of more time to pay appears to have had a positive effect on the impact of late payments in the Czech consumer durables industry. There was a 27% decrease in overdue B2B invoices, now standing at nearly one-third of all B2B sales in the industry. The level of bad debts written off as uncollectable also decreased, down to 6% from 8% a year ago. Days Sales Outstanding (DSO) stood at an average of 63 days, which was not in balance with the average payment term.
- This prompted companies in the Czech consumer durables industry to take a firmer grip on credit management, particularly by enhancement of collection of long outstanding trade debt, sometimes using specialist agencies. A significant number of businesses polled said that strengthening the credit control process also involved spending extra time and resources to chasing unpaid invoices. Other measures taken by companies included offering discounts for early payment of invoices along reduction of operation costs, which involved reduction of the workforce and postponement of possible investment in the business.

Growing appetite for benefits of switch to credit insurance

- All these techniques were designed to free liquidity for business operations and reduce the need to seek external financing. For more than half of companies polled in the Czech consumer durables industry they took place within the framework of in-house retention and management of customer credit risk. This involves setting aside funds to cover losses from defaulting B2B customers, but has downsides of depriving a company from using funds in the business and also in the burden of extra costs incurred in managing overdue receivables.
- Another concern with this approach is that it comes with uncertainty about the capability of companies to absorb a large write-off that could threaten business viability. This may explain why about 40% of companies polled in the Czech consumer durables industry expressed interest in moving towards a more strategic credit management approach during the past twelve months. Using credit insurance would help to enhance the credit management process, protect cash flow and profitability, as well as facilitating external finance from banks and other institutions.

2023 industry outlook: pessimism about business prospects

- A variety of worries cloud the picture for companies polled in the Czech consumer durables industry, notably a feeling of uncertainty about an ongoing impact of the pandemic. There is anxiety about the downturn of the global economy amid the energy crisis, which could put a strain on cash flow and trigger further insolvencies. Another fear reported was about the potential introduction of restrictions on movement of goods. All this translated to 34% of companies polled, up from 18% last year, expressing pessimism about business growth in the year ahead.
- Around 40% of companies polled in the Czech consumer durables industry said they would take a prudent approach to selling on credit in the months ahead. This perhaps reflects the fact that many businesses do not envisage significant changes in either B2B customer payment behaviour or deterioration of DSO. Nearly 40% of companies polled said a shortage of gas supplies would be critical for many B2B buyers and could force them out of business. 47% of companies said they had played out an energy crisis scenario and developed contingency plans, but many other businesses said they were completely unprepared.

Key figures and charts of the survey can be found on the following pages

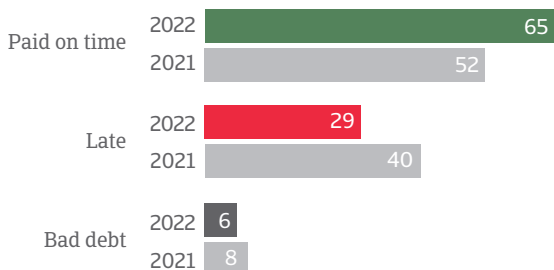


Consumer durables

Late payments and cash flow

Consumer durables industry in the Czech Republic

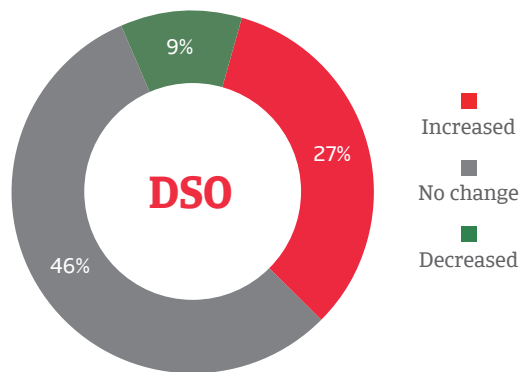
% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2022/2021)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Consumer durables industry in the Czech Republic

% of respondents reporting DSO changes over the past 12 months

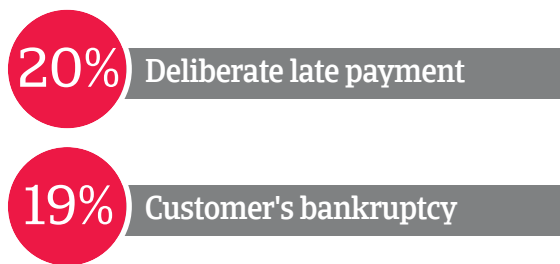
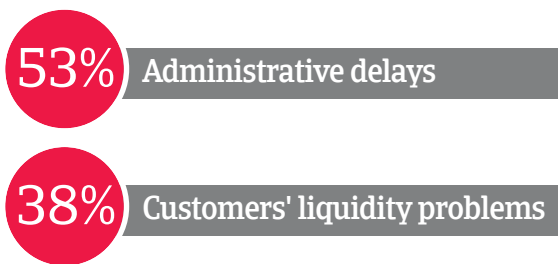


Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Consumer durables industry in the Czech Republic

Main reasons that B2B customers pay invoices late

(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

SURVEY QUESTION

What measures did you put in place to protect your cash flow against customer credit risk?

- #1 Increase time, costs and resources spent on resolving unpaid invoices
- #2 Strengthen internal credit control process
- #3 Delay investment in the business





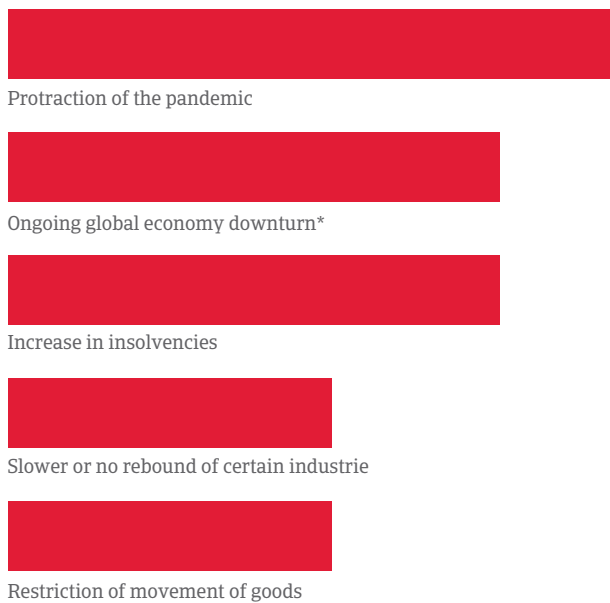
Consumer durables

2023 industry outlook

Consumer durables industry in the Czech Republic

Looking into 2023: top 5 concerns expressed by businesses in the industry

(% of respondents)



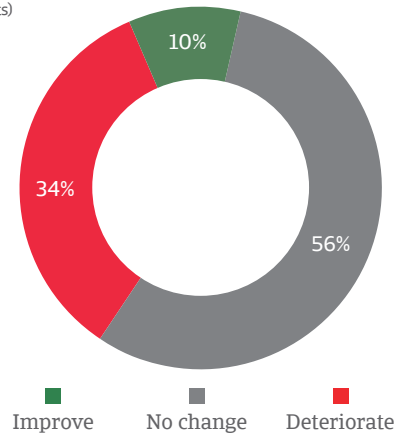
* Due to the interplay among higher energy prices, commodity prices surge, inflation, supply chain disruptions and geopolitical tensions

Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Consumer durables industry in the Czech Republic

Looking into 2023: how do you feel about your potential business growth?

(% of respondents)

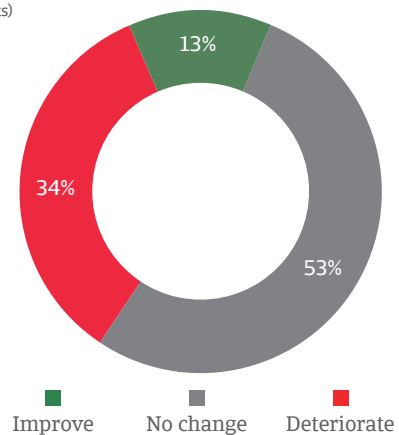


Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Consumer durables industry in the Czech Republic

Looking into 2023: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

SURVEY QUESTION

How do you expect your average DSO to change over the next 12 months?

(% of respondents)

12% Improve

57% No change

31% Deteriorate



Steel/metals

Overview of the key survey findings

Rising sales on credit amid longer payment terms

- A more liberal approach to selling on credit in B2B trade was clearly evident in the Czech steel/metals industry during the past twelve months. 20% more companies than last year told us they increased the amount of sales transacted on credit. Businesses polled said the key reasons were to attract new customers and achieve sales growth with established customers. Another factor was to protect current sales against competition. Currently, 42% of all B2B sales in the industry are made on credit.
- Longer payment terms were offered by companies across the Czech steel/metals industry to help this increase in B2B selling on credit. 54% of companies polled said they granted extended payment terms to their B2B customers. Two in five businesses told us the cost of obtaining funds from external sources was a key factor in setting their payment terms. Many companies polled said insuring receivables with a credit insurance also played a major role. B2B customer payment terms now average 24 days from invoicing.

DSO deterioration sparks tighter credit grip

- Our survey found that late payments affected a larger proportion of B2B sales in the Czech steel/metals industry during the past year. These now amount to 62% of all invoiced B2B sales. 46% of companies polled said disputes were the main reason B2B customers delayed payment. A similar percentage told us they were attributable to administrative delays in the customer payment process, probably a disguise for liquidity troubles. 40% of businesses polled said they responded to late payments by strengthening their credit control process and seeking external finance to bridge liquidity shortages.
- The increase in late payments meant a worsening of Days Sales Outstanding (DSO) for 35% of companies polled in the Czech steel/metals industry. This clear threat to cash flow prompted companies to take a firmer grip on trade debt collection, a fact reflected in the finding that having credit insurance is one of the key criteria for setting payment terms. Many businesses polled outsourced collection of very long overdue B2B invoices, resulting in a slight decrease in the proportion of bad debt write-offs. These now average 7% of all B2B invoices across the industry.

Significant switch towards using credit insurance

- Other measures to improve liquidity were also used by companies across the Czech steel/metals industry. These included avoiding concentration of customer credit risk and offering discounts for early payment of invoices. For most businesses polled the firmer grip on credit management came within the framework of in-house retention and management of customer credit risk. This involved setting aside cash to cover losses from defaulting B2B customers, but with the downside of being deprived of funds to use in the business.
- Many companies polled in the Czech steel/metals industry told us that another downside of in-house retention and management of customer credit risk was the costs involved in managing overdue receivables. This included the deployment of additional resources in chasing up unpaid B2B invoices. The response of a significant number of businesses during the past twelve months was to move towards a more strategic management approach that involved using credit insurance.

2023 industry outlook: concern about energy crisis and business growth

- Pessimism about business growth in the coming year was evident in our survey of the Czech steel/metals industry. 80% of companies polled expressed this concern amid feelings of uncertainty about the outlook for the domestic economy. Anxiety was also reported about the ongoing downturn of the global economy in the current energy crisis fuelled by geopolitical tensions. However, companies polled do anticipate some improvement in B2B customer payment behaviour. The move towards using credit insurance may also explain why 50% of businesses polled envisage no significant change of DSO and 20% expect improvement in the months ahead.
- Fears about a potential decrease in gas supplies are also a concern for companies across the Czech steel/metals industry. Nearly one third of companies polled said this would be a significant issue for some B2B customers and could force them out of business. Many companies told us they would not be completely unprepared for a reduction in gas supplies, while the majority of businesses polled said they had played out a crisis scenario and developed contingency plans to deal with the possible impact.

Key figures and charts of the survey can be found on the following pages

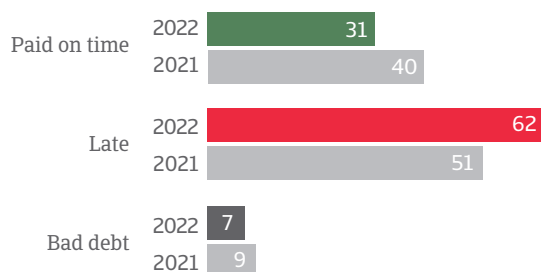


Steel/metals

Late payments and cash flow

Steel/metals industry in the Czech Republic

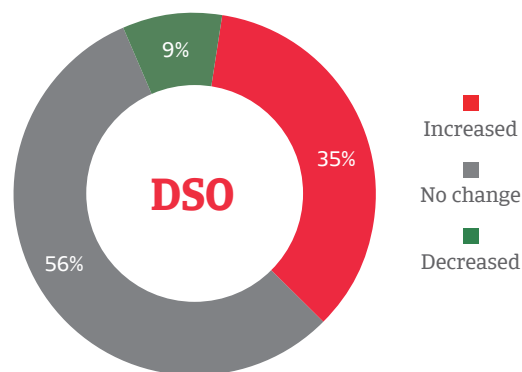
% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2022/2021)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Steel/metals industry in the Czech Republic

% of respondents reporting DSO changes over the past 12 months

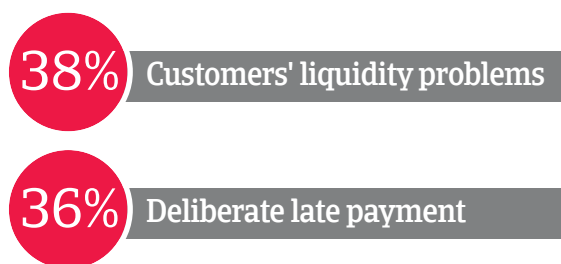
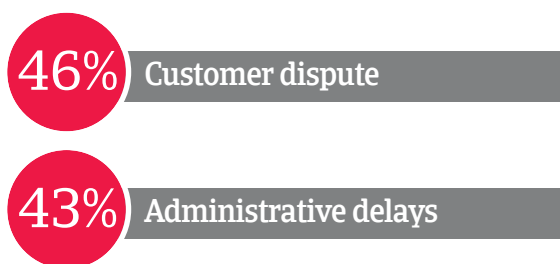


Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

Steel/metals industry in the Czech Republic

Main reasons that B2B customers pay invoices late

(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - December 2022

SURVEY QUESTION

What measures did you put in place to protect your cash flow against customer credit risk?

- #1 Strengthen internal credit control process
- #2 Increase time, costs and resources spent on resolving unpaid invoices
- #3 Seek external financing



Steel/metals

2023 industry outlook

Steel/metals industry in the Czech Republic

Looking into 2023: top 5 concerns expressed by businesses in the industry

(% of respondents)



* Due to the interplay among higher energy prices, commodity prices surge, inflation, supply chain disruptions and geopolitical tensions

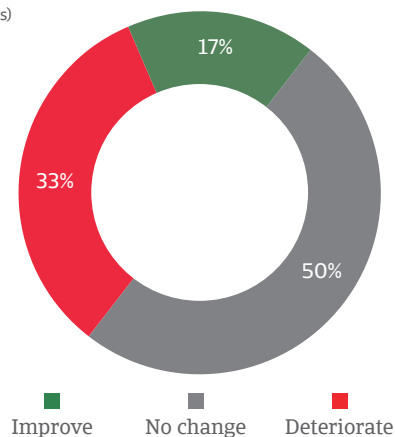
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - December 2022

Steel/metals industry in the Czech Republic

Looking into 2023: how do you feel about your potential business growth?

(% of respondents)



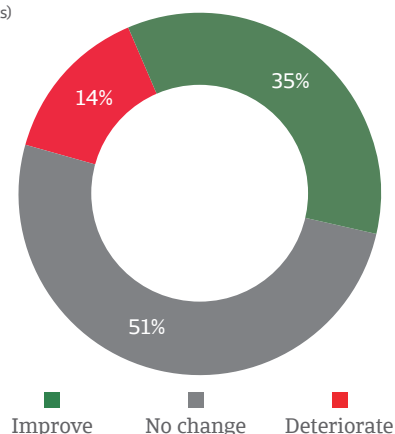
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - December 2022

Steel/metals industry in the Czech Republic

Looking into 2023: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - December 2022

SURVEY QUESTION

How do you expect your average DSO to change over the next 12 months?

(% of respondents)

20% Improve
50% No change
30% Deteriorate



Survey design

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies in the Czech Republic are the focus of this report, which forms part of the 2022 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 202 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from the Czech Republic were surveyed, and the appropriate contacts for accounts receivable management were interviewed.
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** Companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact, and for quota control, was conducted at the beginning of the interview.
- **Sample:** N=202 people were interviewed in total. A quota was maintained according to three classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: beginning of the last quarter of 2022.

Sample overview – Total interviews = 202

Business sector	Interviews	%
Manufacturing	44	22
Wholesale	35	17
Retail trade / Distribution	24	12
Services	99	49
TOTAL	202	100
Business size	Interviews	%
Micro enterprises	61	30
SME - Small enterprises	30	15
SME - Medium enterprises	63	31
Large enterprises	48	24
TOTAL	202	100
Industry	Interviews	%
Chemicals	107	53
Consumer durables	32	16
Steel/metals	63	31
TOTAL	202	100

Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the December 2022 Payment Practices Barometer of Atradius, available at www.atradius.com/publications [Download in PDF format](#) (English only).

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