



# **Romania: expected upsurge in corporate insolvencies**

**Atradius Payment Practices Barometer**







exports  
**Top 5**

**Electrical machinery, equipment**  
**Vehicles**  
**Machinery including computers**  
**Mineral fuels including oil**  
**Furniture**

Source:WTEEx

exports  
partners  
**Top 5**

**Germany**  
**Italy**  
**France**  
**Hungary**  
**United Kingdom**

Source:WTEEx

**Economic growth in Romania is expected to slow down to around 3-3.1% this year, and to sink below 3% in 2020. Against this backdrop, higher bankruptcy levels (+3%) are forecast in 2019. Romanian firms are facing rising labour supply constraints and elevated policy uncertainty.**





### Cristian Tusan, Atradius Country Manager for Romania commented on the Payment Practices Barometer report

“Romania is still facing a substantial number of challenges, arising from the very many frailties of its economic growth model. These are expected to put a heavy strain on economic growth over the coming months and insolvencies are expected to rise. Romania’s export flows are currently weak and highly vulnerable to a likely escalation of global trade tensions. This endangers the ability of the country to compete worldwide.

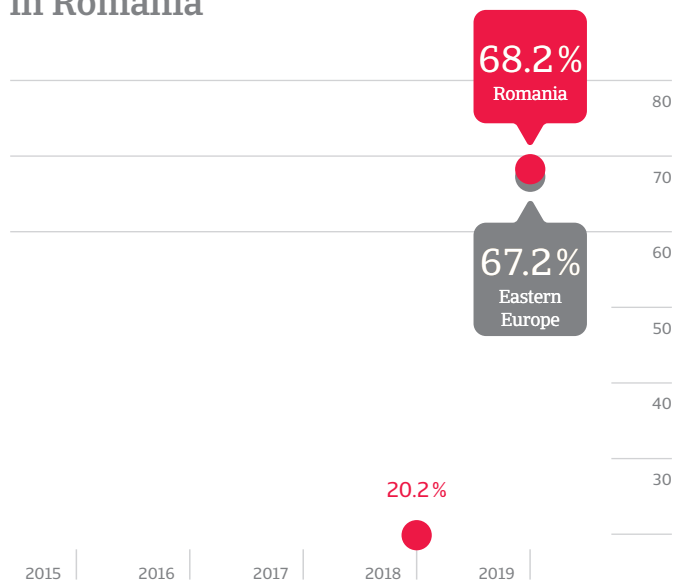
The Romanian Payment Practices survey reflects this, and sheds light on a substantially increased offering of customer credit from Romanian suppliers to boost sales abroad and to sustain domestic demand. To protect themselves from payment default from customers, Romanian suppliers largely opt for self-insurance.

”

### Marked increase in use of trade credit in Romania likely to reflect efforts to stimulate B2B sales on foreign markets

Over the past year, respondents in Romania made 68.2% (up from 20.2% last year) of the sales to their B2B customers on credit (average for Eastern Europe: 67.2%). This is the sharpest year-on-year increase observed across all the countries surveyed in Eastern Europe. The significantly wider use of trade credit from Romanian respondents is likely to be a reflection of markedly higher private consumption on the domestic market, as well as of efforts from Romanian exporters to stimulate sales abroad. This in order to offset the slowdown in export growth (-3.2% compared to one year ago) which is having a negative impact on the performance of trade and industry.

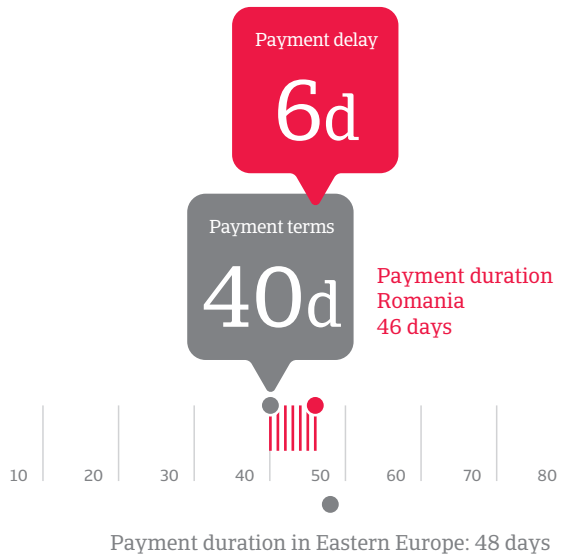
### Proportion of total B2B sales made on credit in Romania



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer – September 2019



## Payment duration in Romania



d = average days  
 Sample: companies interviewed (active in domestic and foreign markets)  
 Source: Atradius Payment Practices Barometer – September 2019

### B2B customers of Romanian respondents are given more time to pay invoices than one year ago

Suppliers surveyed in Romania reported that B2B customers are given on average one week longer than last year to settle invoices. The majority of respondents (62%) granted payment terms averaging up from 30 days, while a sizeable 30% extended longer payment terms (ranging from 31 to 60 days). This averages 40 days credit (up from 34 days last year). This is the second longest credit period observed in Eastern Europe and is above the 37 days regional average.

### Romanian respondents the most likely to self-insure in Eastern Europe

Self-insurance appears to be the most common credit management technique in Romania. 40% of suppliers interviewed in the country reported to have opted for retaining the risk of customer payment default. This compares to 20.3% of respondents in Eastern Europe, and is the highest in the region. Before making any trade credit decision, 37% of suppliers surveyed in Romania carry out credit checks on prospective customers, while 26% of respondents make trade decisions based on the need for security of payment, thus preferring to request payment in cash from their B2B customers. This finding confirms that settling payment on cash is still a very

common payment method in Eastern Europe. It accounts for a large proportion of B2B transactions in both Romania and the Czech Republic. However, once respondents in Romania have finalised the transaction on credit, they focus strongly on dunning activities (outstanding invoice reminders). This was reported by 25% of respondents, compared to 36% in Eastern Europe. When asked to indicate which credit management technique they are going to perform more often over the coming months, Romanian respondents said they will carry out more regular checks of their customers' credit quality (42% of respondents), increase dunning activity (39%) and sell more on cash terms (35%).

### Customers' late payment causing ripple effect throughout the Romanian supply chain

Survey findings in Romania showed an improvement in the average time it takes Romanian respondents to cash in past due invoices. This now occurs at 45 days from invoicing, down from 47 days last year. Despite this improvement, reflecting an average 10% increase in on time payments over the past year, around 20% of the total value of B2B invoices (domestic and foreign) issued by Romanian respondents over the past year was reported to be past due. To handle liquidity shortfalls arising from late payments and lessen the financial pressure on the business, respondents in Romania delayed payments to their own suppliers. This was reported by 30% of respondents. Half of respondents, however, reported no significant impact on their business arising from late payments. This finding may reflect Romanian respondents' clear tendency to self-insure.

### Romanian respondents largely anticipate no change in customer payment practices and foresee increased difficulty in accessing bank financing over the coming months

3 in 5 respondents in Romania believe the payment practices of their B2B customers will not change over the coming months. However, more respondents anticipate improvement (28%), than those anticipating deterioration (12%). This latter 12% predict the increase in long-term overdue invoices will negatively affect DSO (Days Sales Outstanding). The recently introduced tax on bank assets is expected to have negative repercussions on the ability of banks to finance businesses. Suppliers surveyed in Romania have expressed concern about increasing difficulties in fulfilling their financing needs over the coming months. Should this be the case, respondents in Romania reported they would be forced to cut on-costs to offset an increase in capital costs, chiefly by delaying investments in the growth of the business.

construction



# 120 days

Payment terms lasting as long as 120 days in the Romanian construction sector are fairly common.



## Overview of payment practices in Romania

By business sector

### Longest payment terms found in the Romanian construction sector

Respondents in the construction sector grant the longest payment terms in Romania (averaging 45 days from invoicing) although terms lasting as long as 120 days are fairly common. Both the chemicals and metals sectors follow, with payment terms averaging 41 days alike, with the longest terms averaging 68-80 days. Respondents in the food part of the agri-food sector set the shortest average payment terms (32 days down from 30 days one year ago). Payment terms for seeds, crop inputs and other chemicals used in agriculture are often a lot longer – frequently up to 300 days.

### Trade credit risk is highest in the Romanian chemicals sector

Trade credit risk is highest in the chemicals sector, where over 22% of the total value of B2B invoices remained unpaid at the due date. Speed of payments from B2B customers improved markedly in the ICT/electronics sector, with on time payments averaging 80% of the total value of B2B invoices issued by respondents (up from 61% last year). In the Romanian metals sector long-term outstanding invoices increased over the past year.

### Highest proportion of uncollectable receivables in the metals sector

The metals sector in Romania recorded the highest proportion of B2B receivables written off as uncollectable (3.6% up from less than 1% last year). The construction sector follows at 1.52%. The chemicals and transport sectors can be found at the lower end of the scale, with an average of less than 1% of receivables written off as uncollectable.

“

*As the economic climate becomes more risky and unstable, a solid risk assessment is much more complex than in the past. Managing the risk of customers' payment default to safeguard cash flow and avoid severe liquidity issues is needed to grow the business confidently.*

”

**Cristian Tusan,**  
Atradius Country Manager for Romania



# Overview of payment practices in Romania

## By business size

### SMEs in Romania set the longest average payment terms for B2B customers

Respondents from Romanian SMEs extended the longest average payment terms to B2B customers (averaging 41 days). Large enterprises offered the shortest payment terms, on average 34 days from the invoice date.

### Large enterprises are the fastest to turn overdue invoices into cash

Consistent with the improvement in the average time it takes Romanian respondents to cash in past due invoices, large Romanian enterprises are now the quickest in collecting past due payments. This occurs on average 35 days after invoicing, compared to 37 days last year. In contrast, it takes SMEs and micro enterprises longer to cash in overdue invoices (47 days and 43 days respectively).

### Large enterprises are less efficient in collecting long-term outstanding receivables than last year

Despite being the fastest in collecting past due payments, large enterprises in Romania do not display a similar efficiency when it comes to collecting long-term outstanding receivables. Over the past year, large enterprises in Romania recorded an increase in write offs of uncollectable accounts (2.0% compared to 1.6% last year). Both micro enterprises and SMEs also saw an increase in the proportion of receivables written off as uncollectable (by 1.2% up from less than 1% last year).

**Atradius · Key Findings**

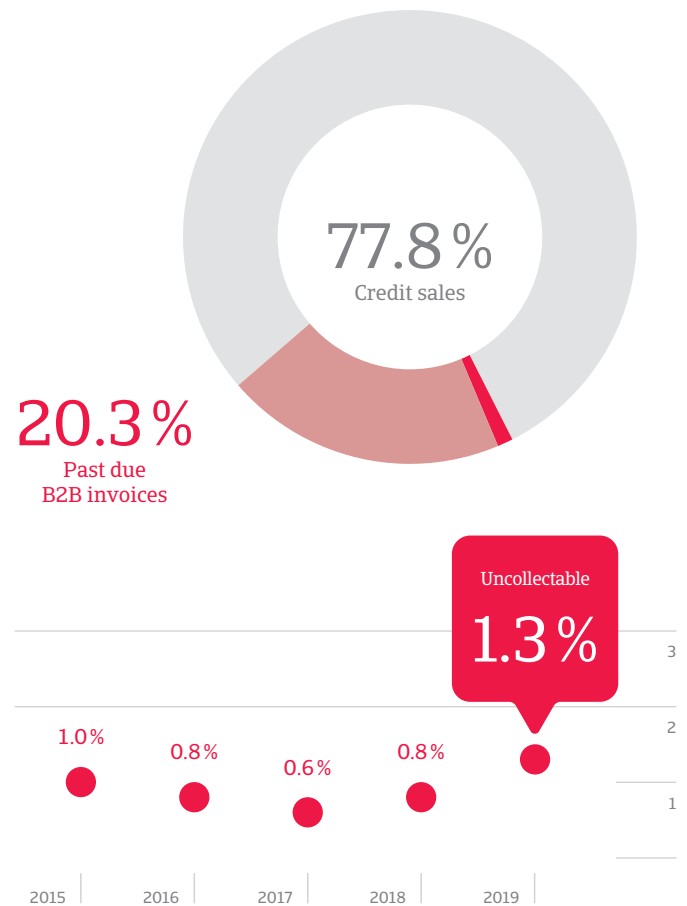
**40%**

of suppliers interviewed in Romania reported to have opted for retaining the risk of customer payment default.

Atradius Payment Practices Barometer – September 2019

## Uncollectable B2B receivables in Romania

(% of total value of B2B receivables)



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer – September 2019

# Survey design for Eastern Europe

## Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the 'Atradius Payment Practices Barometer'. In this report focusing on Eastern Europe, which is part of the 2019 edition of the Atradius Payment Practices Barometer, companies from seven countries (Czech Republic, Hungary, Poland, Slovakia, Turkey, Bulgaria and Romania) have been surveyed. Due to a change in research methodology for this survey, for some of the current results, no year-on-year comparison is feasible.

Using a questionnaire, Conclusr Research conducted a net of 1.516 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

## Survey scope

- Basic population: companies from seven countries (Czech Republic, Hungary, Poland, Slovakia, Turkey, Bulgaria and Romania) were monitored. The appropriate contacts for accounts receivable management were interviewed.
- Selection process – Internet survey: 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=1,516 people were interviewed in total (approximately n=200 people per country). In each country a quota was maintained according to three classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q3 of 2019.

## Sample overview – Total interviews = 1,516

Country	n	%
Poland	214	13.6%
Czech Republic	266	17.5%
Hungary	206	14.0%
Slovakia	201	13.2%
Turkey	222	14.6%
Bulgaria	206	13.8%
Romania	200	13.2%
Industry	n	%
Manufacturing	587	38.7%
Wholesale trade/ Retail trade / Distribution	841	55.5%
Services	88	5.8%
Business size	n	%
Micro enterprises	615	40.6%
SME (Small/Medium enterprises)	493	32.5%
Large enterprises	408	26.9%

It may occur that the results are a percent more or less than 100%. This is the consequence of rounding off the results. Rather than adjusting the outcome so that it totalled 100%, we have chosen to leave the individual results as they were to allow for the most accurate representation possible.

## Disclaimer

This report is provided for information purposes only and is not intended as a recommendation as to particular transactions, investments or strategies in any way to any reader. Readers must make their own independent decisions, commercial or otherwise, regarding the information provided. While we have made every attempt to ensure that the information contained in this report has been obtained from reliable sources, Atradius is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this report is provided 'as is', with no guarantee of completeness, accuracy, timeliness or of the results obtained from its use, and without warranty of any kind, express or implied. In no event will Atradius, its related partnerships or corporations, or the partners, agents or employees thereof, be liable to you or anyone else for any decision made or action taken in reliance on the information in this report or for any consequential, special or similar damages, even if advised of the possibility of such damages.





## Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Eastern Europe. This is part of the September 2019 Payment Practices Barometer of Atradius, available at

[www.atradius.com/publications](http://www.atradius.com/publications)

[Download in PDF format](#) (English only).



### Copyright **Atradius N.V.** 2019

If after reading this report you would like **more information about protecting your receivables against payment default** by your customers you can visit the [Atradius website](#) or if you have more specific questions, please [leave a message](#) and a product specialist will call you back. In the Publications section you'll find many more Atradius publications focusing on the global economy, including country reports, industry analyses, advice on credit management and essays on current business issues.

[Subscribe](#) to notifications of our Publications and receive weekly emails to alert you when a new report is published.

For more **insights into the B2B receivables collection practices in Romania** and worldwide, please see the Global Collections Review by Atradius Collections (free download after registration), available on [www.atradiuscollections.com](http://www.atradiuscollections.com)

Connect with Atradius on Social Media



On Twitter? Follow [@Atradius](#) or search [#atradiusppb](#)



**Atradius N.V.**

David Ricardostraat 1 · 1066 JS Amsterdam

Postbus 8982 · 1006 JD Amsterdam

The Netherlands

Phone: +31 20 553 9111

[info@atradius.com](mailto:info@atradius.com)

[www.atradius.com](http://www.atradius.com)