



Atradius Payment Practices Barometer

Ireland

Focus on B2B payment practices
in the construction and steel/metals industries,
and from the services sector



TRADE CREDIT

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“
Even if your business is strong and you won't be directly affected by the removal of government support, you could still be vulnerable to the failures of other businesses.
”

Sheena Bohan
Senior Manager at Atradius Ireland

Business confidence is strong

In this year's Payment Practices Barometer Survey we polled businesses in the construction, steel/metals and services industries about the payments behaviour of their customers. Overall, their story appears to be a positive one. Most reported improvements in the length of time it takes for an invoice to be paid and most recorded a reduction in write-offs compared to last year. The optimistic picture can also be seen in business confidence. Nearly all of the construction businesses we spoke to, for example, predict growth next year.

This echoes GDP forecasts anticipating Ireland's GDP growth will be close to 5% next year.

However, a large proportion of the businesses we spoke to expressed a note of caution, pointing to the ongoing uncertainties surrounding the nature of the pandemic. This is wise. The fact is, there are still many unknowns concerning the pandemic. Although the vaccination programme has had a good effect and lockdowns have been lifted in most of the countries Ireland trades with, we don't know if this is the beginning of the end of the pandemic, or whether new variants of the virus will cause further restrictions and business interruptions. It is important for businesses to be alert to this risk and make contingency survival plans.

The risks facing businesses moving forward are not confined to the evolution of the pandemic. With the removal of government fiscal support, many businesses will struggle next year, and we are expecting a spike in failures. Even if your business is strong and you won't be directly affected by the removal of government support, you could still be vulnerable to the failures of other businesses. If your customer enters insolvency, it is likely they won't be able to pay you. Depending on the size of the debt, this could put your business under pressure.

In any environment where there is a heightened insolvency risk, businesses should take steps to protect themselves from credit risks. This is where credit insurance comes in. It provides the surety that you will be paid and gives you peace of mind that, for you, next year will be business.



Payment practices in Ireland

Over the past year, businesses polled across Ireland told us they transacted a significantly lower proportion of their B2B sales on credit. This amounts to 49% of all B2B sales, down from last year's 58%. When businesses accepted requests for trade credit, they most often reported this was to stimulate sales growth, mainly by encouraging repeat business with existing customers. Requests for trade credit were turned down most often due to poor customer credit quality, representing a higher risk of payment default.

40% of the total value of B2B invoices in Ireland were reported overdue this year, an improvement on last year's 50%. The year-on-year bad debt rate also improved. 8% of the total value of this year's invoices was written off, last year this was 10%.

67% of the businesses we polled opted to mitigate customer credit risk in-house. Ideally this involved setting aside funds to absorb the hit of any bad debts. Businesses also told us they adjusted payment terms and offered discounts to encourage early payment of invoices. As reported by nearly 60% of the businesses polled, in-house management of customer credit risk proved costly. What's more, many businesses faced financing costs increases.

To mitigate impact of customer default risk and contain DSO, 54% of businesses polled across Ireland reported frequent outsourcing of credit risk management through a credit insurance policy. Many businesses revealed they preferred cash to credit (41%).

Looking ahead, most of the businesses we spoke to across Ireland expressed optimism, and predict growth for 2022. Although many businesses believe customer payment practices will improve over the coming months, 42% told us they plan to provide customer credit either as a way to offer finance to customers in financial distress or to stimulate demand. This may reflect the opinion that downside risks remain. The largest of these is the ongoing uncertainty over how much the pandemic will continue to affect the global economy, the Irish economy and certain industries.

When asked which pandemic-induced changes will become a permanent feature of the way they operate, nearly half of the businesses polled across Ireland told us that they have permanently integrated digital innovations, particularly in the areas of home working and e-commerce. Many businesses also told that they had adapted to permanent changes to supply chain.



Construction

Late payments and cash flow

Industry sees improvement in write-offs and late payments

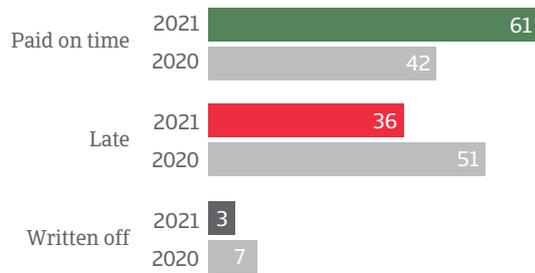
36% of the total value of B2B invoices in the construction industry were reported overdue this year. This is a large improvement on the 51% reported overdue last year. Write-offs amounted to 3% of the total value of B2B invoices, down from last year's 7%.

Improvements were also evident in the average invoice-to-cash turnaround reported by the industry. 51% of the construction businesses we polled told us that it took them longer than last year to cash in overdue invoices, down from last year's 57%. For 44%, invoice-to-cash turnaround remained the same (up from last year's 16%) and for 5% it improved (down from 27% last year).

To prop up cash flow, 54% of the businesses polled told us they pursued additional financing from external sources. 51% increased the amount of time and resources they employed on managing and collecting overdue invoices in-house. 50% told us they had strengthened their credit control processes, including a focus on credit-assessments and the monitoring of credit risk.

Construction industry in Ireland

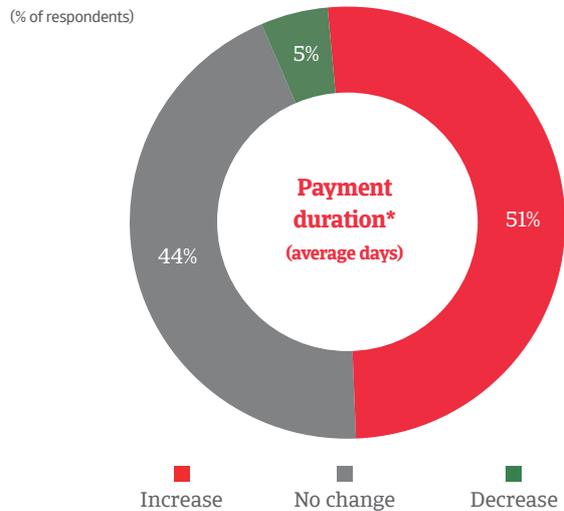
% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2021/2020)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - November 2021

Construction industry in Ireland

average time it takes to convert overdue invoices into cash (change over the past year)



* Payment term + payment delay

Sample: all survey respondents
Source: Atradius Payment Practices Barometer - November 2021

SURVEY QUESTION

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

- #1** Pursue external financing
- #2** Increase time, costs and resources spent on chasing overdue invoices
- #3** Strengthen internal credit control process

Construction

Approach to credit management and DSO

Use of credit insurance surges year-on-year

65% of the construction industry told us they protected their accounts receivable with trade credit insurance this year. This represents a big year-on-year surge, up from 45% reporting the same last year. Survey respondents told us that in addition to protection from credit risks, trade credit insurance enabled them to reduce their bad debt reserves freeing up liquidity for business operations and gave them access to a professional debt collection service as part of their policy.

In addition to an increase in the percentage of businesses using trade credit insurance, the construction industry also revealed an increase in the percentage of businesses relying on their own credit management resources (79% up from last year's 67%). For 69%, this involved setting aside bad debt reserves to mitigate the adverse impact of potential losses. The most commonly used debt collection technique focused on sending invoice payment reminders to defaulting customers. 58% reported complementing their internal debt collection efforts by outsourcing collections to B2B debt collector, especially long outstanding invoices that were harder to collect.

However, three-quarters of the businesses who chose to manage customer default risk in-house told us they incurred increased credit management costs (75%). In addition, 68% reported spending more on external financing.

Majority predicts DSO deterioration

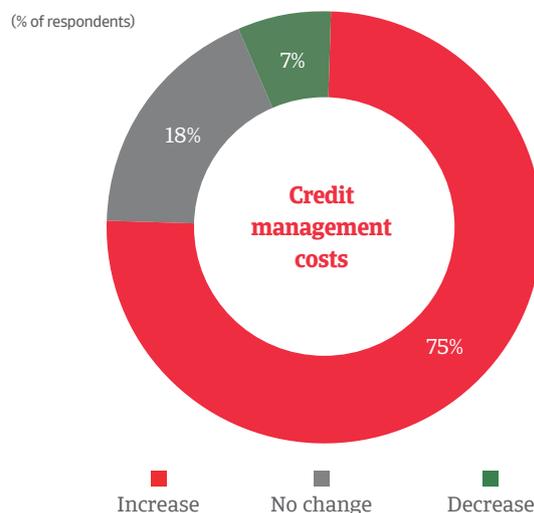
69% of the construction businesses currently managing credit risk in-house, told us they intend to reduce the use of debt collectors next year in favour of managing debt collection internally, including the avoidance of credit risk concentrations.

57% of the industry intends to ask for cash payments more often over the coming months. 53% plan to use credit insurance and 52% told us they intend to access trade receivables securitisation.

Despite these plans to protect their liquidity from late payments, 62% of the industry expected DSO to deteriorate next year, with just 31% predicting levels to remain the same and 7% anticipating improvement.

Construction industry in Ireland

change in credit management costs (2021/2020)

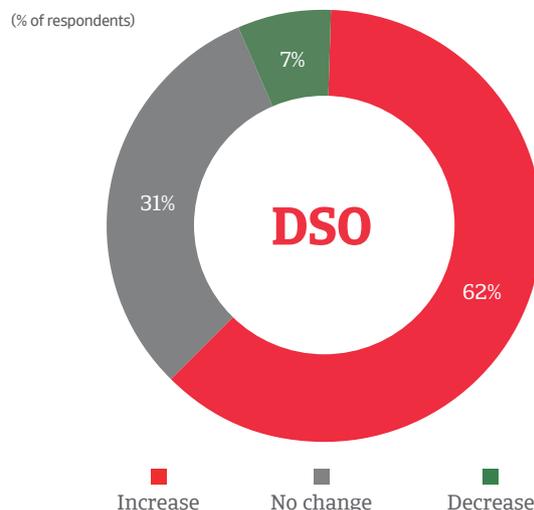


Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Construction industry in Ireland

expected DSO changes over the next 12 months



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021



Construction

2022 industry outlook

Business confidence is strong

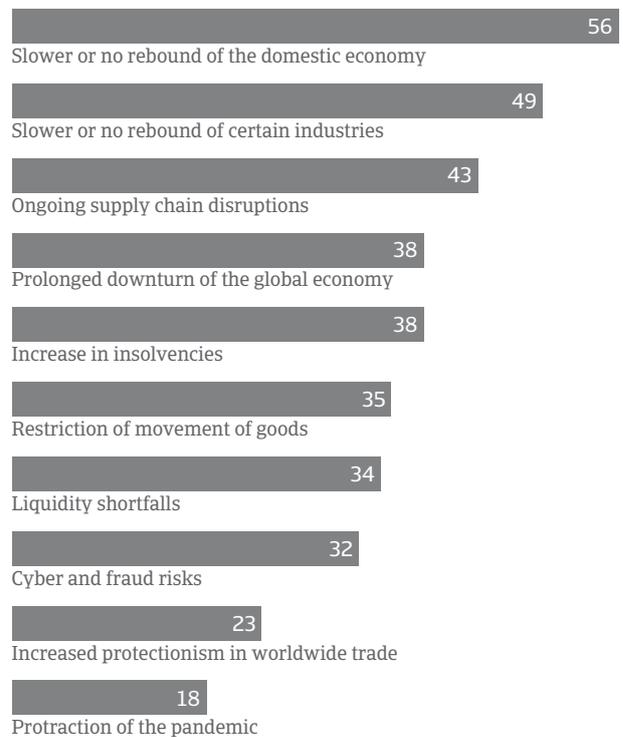
Business confidence is strong, with 79% of the industry predicting growth next year and 50% planning to offer credit in order to give their customers additional time to pay. However, 56% of the industry did express concern over the health of the domestic economy. They pointed to the ongoing uncertainties associated with the pandemic and the potential this may have to hinder the economic rebound or further disrupt supply chains.

When asked whether the pandemic had led to any permanent changes to business operations, 52% told us they had adopted digital technologies and 52% cited increased use of e-commerce. 48% told us they had adapted to changes in customer demand, 46% told us their supply chains had reshaped and 46% said they had increased the use of digital technology for credit risk management.

Construction industry in Ireland

Looking into 2022: top ten concerns expressed by businesses in the industry

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

SURVEY QUESTION

The pandemic has affected businesses significantly. Which of the following do you expect to become a permanent change in the way you do business?

(ranking by % of respondents)

- #1 Increased digitalisation
- #2 E-commerce
- #3 Facing customer demand changes

Construction industry in Ireland

how businesses feel about their possible growth in 2022

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Services

Late payments and cash flow

Payments hold steady amid challenging conditions

Despite the fact that many businesses in the services industry, especially within the hospitality sector, were hit hard during the pandemic lockdowns, the businesses we polled in the Irish services industry did not appear to suffer from a big increase in late payments and write-offs. For example, 59% of the businesses polled reported their invoice-to-cash turnaround remained the same as last year. Just 33% reported longer delays in cashing in invoices (far fewer than the 59% that reported the same last year). 8% reported speedier payments than last year (a greater percentage than the 6% who also reported improvement in last year's survey).

In addition, 34% of the total value of B2B invoices were reported overdue this year, far fewer than the 44% recorded overdue last year. Write-offs also saw a year-on-year improvement, with 3% of the total value of invoices written off this year, compared to 6% last year. What's more 41% of the industry told us that their businesses had not been impacted by B2B late payments.

These fairly positive results are likely to be due to the extensive fiscal support provided by the Irish government. As this government support is withdrawn towards the end of H2 and into next year, the services sector may face an uptick in insolvencies. Some indications of stress in the industry are already evident. One third of the businesses polled told us they had spent more time and resources on managing and collecting invoices this year. In addition, a sizable part of the industry reported they had laid off staff to reduce operational costs.

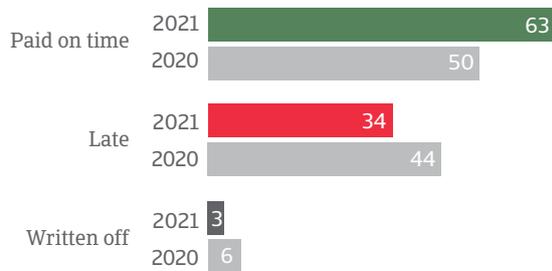
SURVEY QUESTION

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

- #1** Increase time, costs and resources spent on chasing overdue invoices
- #2** Lay off staff
- #3** Strengthen internal credit control process

Services industry in Ireland

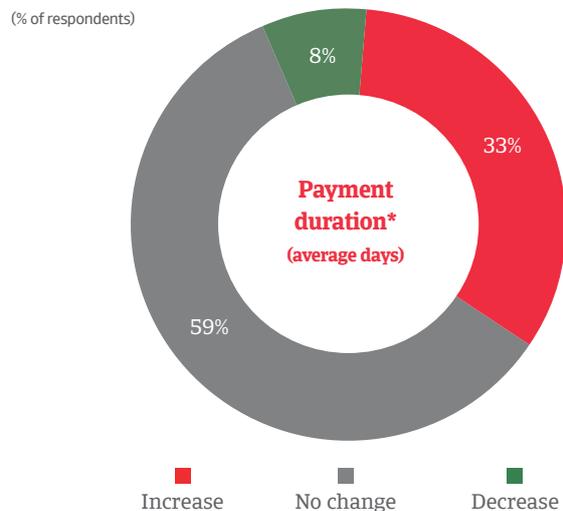
% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2021/2020)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - November 2021

Services industry in Ireland

average time it takes to convert overdue invoices into cash (change over the past year)



* Payment term + payment delay

Sample: all survey respondents
Source: Atradius Payment Practices Barometer - November 2021

Services

Approach to credit management and DSO

Most of industry manages credit in-house

45% of the industry manages customer credit risk through reliance on internal resources, including the use of invoice payment reminders for defaulting customers. 31% of the industry reported outsourcing debt collection to specialist collection agencies. 25% of respondents told us they asked customers for payment in cash and 25% secured their accounts receivable with a credit insurance policy.

Credit insurance will have helped the policy holders contain credit management costs, as they will not have increased as invoices became overdue. 55% of the businesses we surveyed told us they did not experience any increased costs when managing customer credit risk. However, a significant minority revealed they incurred additional costs when sourcing financing from external agencies (28%). In addition, 25% of the businesses polled told us that they spent more on the managing the administrative tasks associated with managing trade credit and overdue receivables this year.

Industry to retain approach to credit management

The majority of the services industry intends to retain their existing approach to credit management next year (as reported by 57%). This includes requesting payment guarantees from B2B customers, offering discounts to encourage early payment of invoices and avoiding credit risk concentrations. Looking ahead, the trend points to a diverse range of approaches to credit risk management. In addition to increasing trade debt collection activities, either in-house or outsourced, this will include increased use of credit controls.

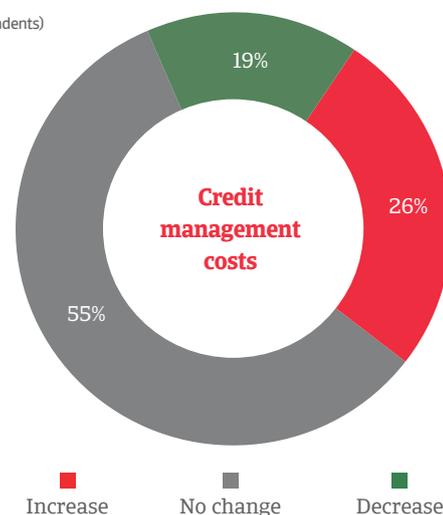
The fact that most of the sector plans to keep their current approach to credit risk management reflects the widespread opinion that payment practices will not change significantly, or even improve, over the coming months. 44% told us they expect payment practices to stay the same and 42% anticipates improvement.

This can also be seen in the sector's DSO predictions. 64% expects their DSO rates to hold steady, with 24% anticipating worsening and 12% expecting improvement.

Services industry in Ireland

change in credit management costs (2021/2020)

(% of respondents)



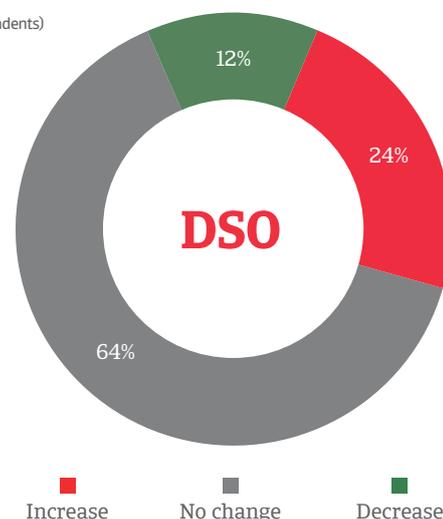
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Services industry in Ireland

expected DSO changes over the next 12 months

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Services

2022 industry outlook

Sector concerned over ongoing pandemic-induced impact on economy in 2022

Looking ahead into 2022, 71% of the Irish services businesses we polled predict business growth next year. Only 9% are pessimistic and 20% does not have a clear-cut opinion. 54% noted the downside risks that the pandemic could still present with the potential for new variants presenting the risk of further lockdowns, which in turn could prolong the downturn of the global economy. A concern expressed by these respondents is that this could delay or even hinder the rebound of certain industries and sectors, especially those most severely hit by the pandemic, such as restaurants, hotels and travel. Interestingly, a sizeable part of the industry also mentioned cyber and fraud risks as one of the greatest risks businesses could face in 2022. This may reflect the rapid digitalisation that many companies underwent following the outbreak of the pandemic.

For 35% of the businesses polled in the sector, trading on credit with B2B customers will play a greater role over the coming months, especially to stimulate demand from customers. However, 32% do not envisage any increase in trading on credit terms, and 33% anticipates a decrease in the use of trade credit over the coming months. For the latter, requests for cash payments will be more frequent whenever possible. When asked to indicate which of the pandemic-induced changes in the way they do business will become a permanent feature in their business: most of the industry (73%) told us that home working will become a permanent feature in their way to do businesses. Same percentage mentioned the continuation of the use of the digital technologies they adopted during the pandemic, including increased online trading.

SURVEY QUESTION

The pandemic has affected businesses significantly. Which of the following do you expect to become a permanent change in the way you do business?

(ranking by % of respondents)

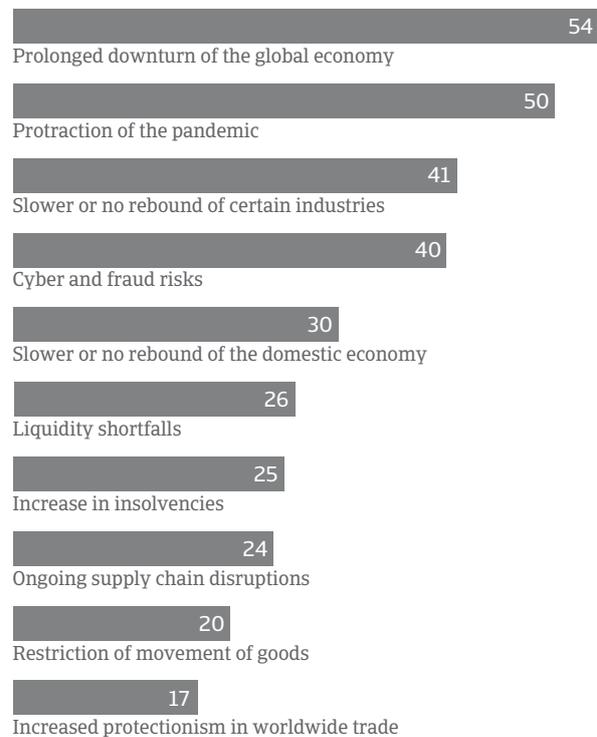
- #1 Home working
- #2 Increased digitalisation
- #3 E-commerce



Services industry in Ireland

Looking into 2022: top ten concerns expressed by businesses in the industry

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Services industry in Ireland

how businesses feel about their possible growth in 2022

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Steel / Metals

Late payments and cash flow

Majority of the industry experience payment delays

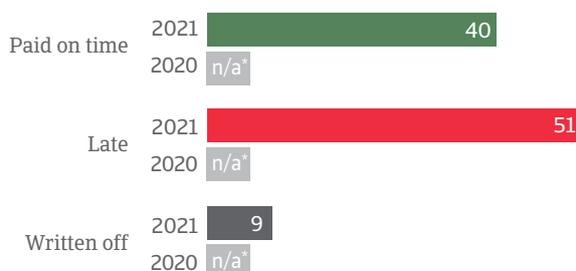
84% of the Irish steel/metals industry reported payment delays this year, possibly as a result of the removal of some pandemic fiscal support measures during H2. 13% reported no change in invoice-to-cash turnaround and 3% told us they cashed in overdue invoices earlier than they did one year ago. 51% of the total value of B2B invoices was reported overdue this year. Write-offs amounted to 9%.

65% told us they increased the amount of time and resources they employed on invoice collection this year. As part of an overall strengthening of credit management, many businesses also told us they improved their customer credit assessments.

A sizeable part of the industry told us they delayed payments to suppliers to preserve liquidity. In addition, many businesses sourced financing to help support their day-to-day operations while waiting for payment from customers.

Steel/ Metals industry in Ireland

% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2021/2020)



*n/a = not available

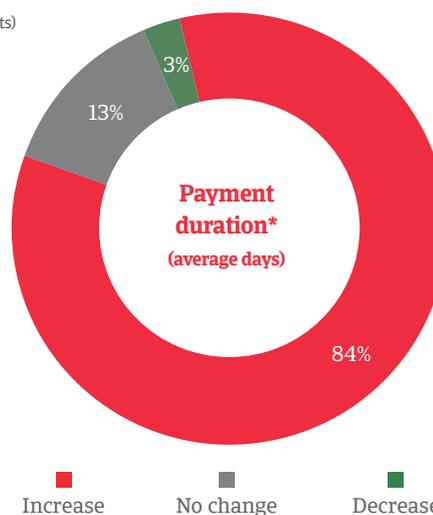
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Steel/ Metals industry in Ireland

average time it takes to convert overdue invoices into cash (change over the past year)

(% of respondents)



* Payment term + payment delay

Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

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 chasing overdue invoices
- #2** Strengthen internal credit control process
- #3** Delay payments to my own suppliers

Steel/Metals

Approach to credit management and DSO

Adjusting payment terms is preferred credit management technique

46% of the industry reported retaining credit risk in-house this year, nearly twice as many as the 25% that reported securing their accounts receivable with credit insurance.

36% of those managing customer credit risk internally, told us they prioritise the adjustment of payment terms among their credit management activities. 34% used overdue invoice payment reminders this year, complementing this by outsourcing debt collection to a professional agency. 30% told us they incurred increased costs associated with trade debt management, especially concerning the collection of long overdue receivables.

Most of the industry expects DSO to worsen over the coming months

The largest part of the industry (87%) confirmed their current approach to the management of customer credit risk will remain the same over the coming months. This favours the use of credit insurance over reliance on in-house resources to manage the risk of payment default from the customer. For those opting for remain uninsured, most plan to minimise credit risk concentrations. A large part of the industry intends to use trade receivables securitisation and factoring over the coming months to help support their liquidity positions.

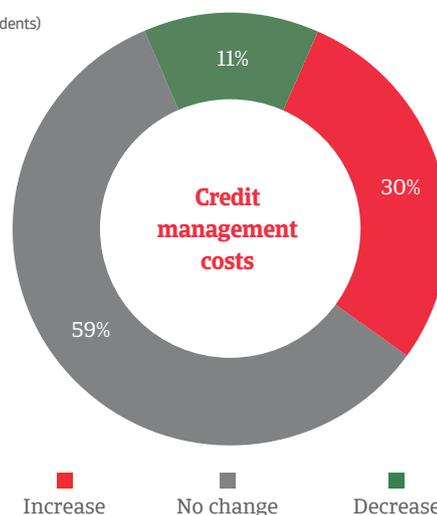
33% will work harder at collecting overdue invoices by sending invoice payment reminders to defaulting customers more often and outsourcing collection efforts to specialist agencies.

Despite these planned efforts, 89% expects their DSO to worsen over the coming months. 8% expect no change and only 3% expects improvement.

Steel/Metals industry in Ireland

change in credit management costs (2021/2020)

(% of respondents)



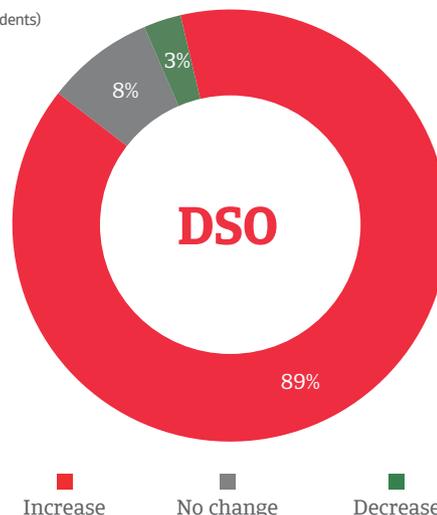
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Steel/Metals industry in Ireland

expected DSO changes over the next 12 months

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Steel / Metals

2022 industry outlook

Strong confidence in growth next year

97% of steel/metals businesses predict growth next year. 42% plan to trade on credit more often next year, with the majority intending to use credit to give their customers more time to pay.

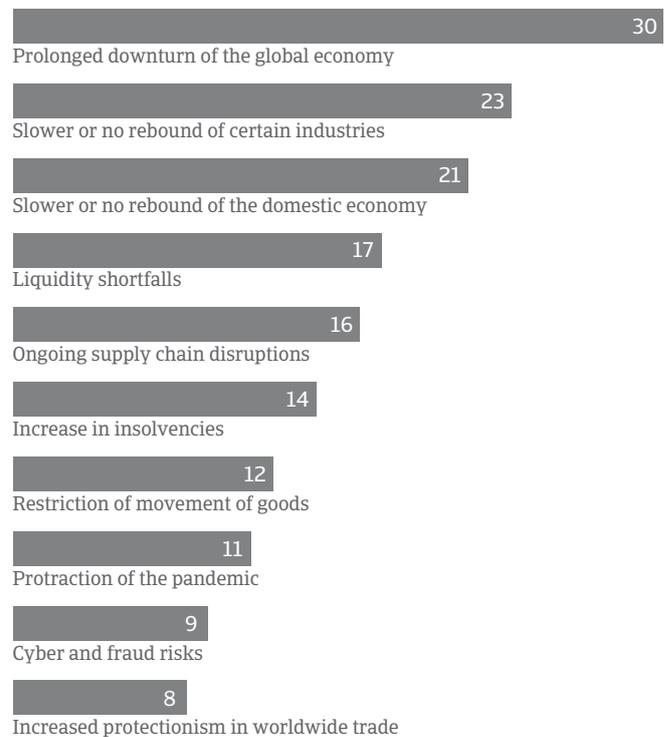
30% of the businesses polled in the Irish steel/metals industry expressed concern over pandemic uncertainties and acknowledged that ongoing outbreaks and new variant lockdowns could result in a prolonged downturn of the global economy. This could delay or even hinder rebound in certain industries, and negatively affect the health of the domestic economy.

When asked about the ongoing effects of the pandemic on their businesses, 41% told us they had adopted new digital technologies, especially in the area of enabling working from home.

Steel/ Metals industry in Ireland

Looking into 2022: top ten concerns expressed by businesses in the industry

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

SURVEY QUESTION

The pandemic has affected businesses significantly. Which of the following do you expect to become a permanent change in the way you do business? (ranking by % of respondents)

- #1 Home working
- #2 Increased digitalisation
- #3 Facing supply chains reshaping

Steel/ Metals industry in Ireland

how businesses feel about their possible growth in 2022

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Survey design

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the 'Atradius Payment Practices Barometer'. This report, which is part of the 2021 edition of the Atradius Payment Practices Barometer for Europe, focuses on Ireland. 200 companies from the Irish construction, steel/metals industries as well as from the services sector have been surveyed. Due to a change in research methodology for this survey, year-on-year comparisons are not feasible for some of the results, although last year's values are used as a benchmark where possible throughout the survey.

The survey was conducted exclusively for Atradius by CSA research.

Survey scope

- **Basic population:** the appropriate contacts for accounts receivable management were interviewed.
- **Sample design:** the Strategic Sampling Plan enables to perform an analysis of country data crossed by sector and company size.
- **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=200 people were interviewed in total.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: Q3 2021.

Ireland - total interviews 200

Industries surveyed			
Construction			
Services			
Steel/Metals			
Sector			
Companies interviewed	Construction (%)	Services (%)	Steel/Metals (%)
Manufacturing	83	5	85
Wholesale trade	7	5	3
Retail trade/Distribution	3	12	7
Services	7	78	5
Company size			
Companies interviewed	Construction (%)	Services (%)	Steel/Metals (%)
Micro enterprises	4	16	0
SME - Small enterprises	10	22	2
SME - Medium enterprises	21	35	30
Large enterprises	65	27	69

Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the November 2021 Payment Practices Barometer of Atradius, available at www.atradius.com/publications [Download in PDF format](#) (English only).

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