



Atradius Payment Practices Barometer

Slovakia

Focus on B2B payment practices in the agri-food, consumer durables and steel/metals industries



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As businesses emerge from the cloud of the economic downturn and seek new growth opportunities, they can benefit from the business intelligence and credit assessments that a credit insurer can provide.
”

Tomas Mezirka
Atradius Country Manager for Slovakia

Credit insurance widespread

The Slovak economy is enjoying a fairly robust rebound from the pandemic economic crisis, with most analysts predicting growth of above 5% by the end of 2022. Domestic demand has increased as vaccines have been rolled out and lockdowns lifted.

This promising outlook is reflected in the results of this year's Payment Practices Barometer Survey where most of the businesses we polled reported a decline in the total percentage of late payments. However, the improvements in payment practices may also be explained in the widespread adoption of trade credit insurance. 65% of the Slovakian agri-food industry told us they protected their books with credit insurance this year, a large increase on last year's 43%. At the same time both payment defaults and write-offs declined.

The businesses we polled in the survey this year work in three of Slovakia's major industries: agri-food, consumer durables and steel/metals. The country's GDP growth outlook can be seen reflected in their own growth predictions, where at least around three-quarters anticipate growth and, in consumer durables, 94% believe their business will grow next year.

Virtually all of Europe's economies should fully rebound from the effects

of the pandemic next year. However, the positivity in this outlook and the optimism expressed by the businesses we interviewed is tempered by concerns over downside risks. These centre on whether the pandemic can be successfully contained and whether its impacts on the global and domestic economy will continue to cause distress next year.

We do expect to see an uptick in insolvencies as further fiscal support packages are removed. Additionally, some businesses might struggle to cope with pandemic-reshaped supply chains, changes in customer demand and rising cost inflation. In this heightened risk environment businesses can protect their accounts receivable – and even viability – through a credit insurance policy. Credit insurance will give them security against bad debts, but also protect them from the threat of increased credit management costs. Most businesses have told us that that the longer an invoice is overdue, the more it costs to collect the debt. As businesses emerge from the cloud of the economic downturn and seek new growth opportunities, they can benefit from the business intelligence and credit assessments that a credit insurer can provide.



Payment practices in Slovakia

Businesses polled across Slovakia told us they transacted a higher proportion of their B2B sales on credit over the past year. This amounts to 56%, up from last year's 45%. Businesses offered credit most often to stimulate sales growth, mainly by encouraging repeat business with existing customers. The most common reason for credit refusals was the cost of trade receivables management.

Despite the increase in the use of credit, payment defaults declined. 43% of the total value of the B2B invoices were reported overdue this year, (compared to 49% last year). Write-offs saw a big drop year-on-year, down to 3% from 7% last year.

The majority of businesses in Slovakia retain credit risk in-house, using their own funds to offset bad debts and relying on internal resources to manage credit accounts. The latter was reported by 80% of businesses polled. Sending overdue payment reminders was the most frequently used credit management technique. However, for a significant number of businesses, retaining credit risk in house proved be costly, as they incurred increased administrative, collections and capital costs. In addition, this approach did not prove successful in containing DSO (Days Sales Outstanding). Increases were reported by more than 60% of respondents, whose liquidity was tied up in long outstanding receivables of high value.

To free-up liquidity for business operations, businesses needed to strengthen their credit control processes. For the self-insured majority, this involved increasing the time, resources and costs spent on chasing up unpaid invoices. Rising credit management costs may in part explain why so many businesses expressed interest in the more cost-effective solutions offered by trade credit insurance, telling us they were considering taking out a policy next year.

The vast majority of the businesses we spoke to across Slovakia (nearly 70%) expressed concern over the health of the domestic economy over the coming months. In particular, they pointed to potential delays in a rebound from the pandemic economic crisis for certain industries. Despite this, most businesses polled across the country told us that they believe their customers' payment practices will improve over the coming months. They believe this will drive an increase in trading on credit, which is seen as a way to stimulate sales growth.

Looking at the lasting implications of the pandemic, 74% of businesses told us that they have permanently integrated some digital innovations, and 70% said that they will need to adapt to the reshaping of supply chains.



Agri-food

Late payments and cash flow

Increase in late payments put pressure on liquidity

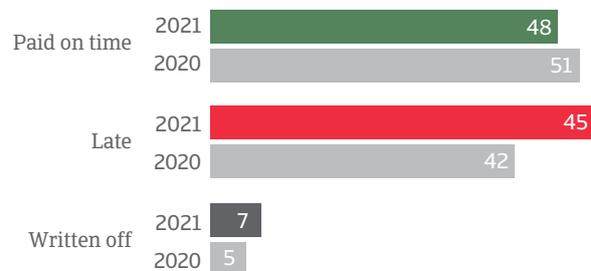
62% of the agri-food businesses we polled in Slovakia reported no change in customer payment practices this year (compared to 53% last year). 36% reported deterioration, telling us that it took them longer to convert invoices into cash (similar to last year). 2% reported improved payment practices (significantly fewer than last year's 11%).

Late payments affect 45% of the total value of the B2B invoices issued in the industry (slightly up from last year's 42%). Write-offs increased to 7%, up from last year's 5%. These increases in late payments and bad debts point to higher pressure on the liquidity position of much of the industry compared to last year.

In an attempt to improve invoice collection, 58% of the industry spent more time and employed more staff to chase overdue invoices. A large proportion also delayed suppliers in a bid to protect cash flow.

Agri-food industry in Slovakia

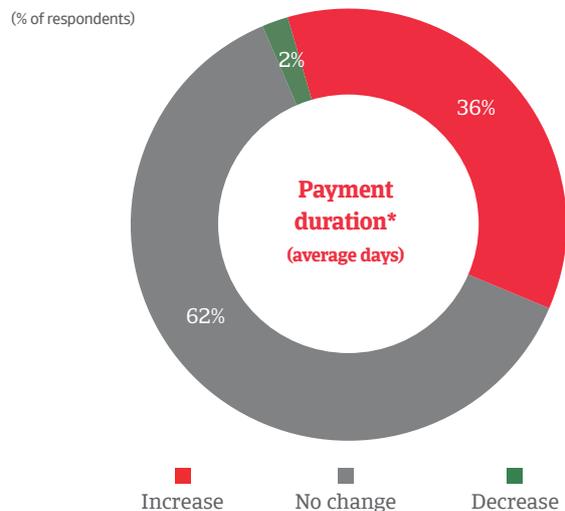
% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2021/2020)



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

Agri-food industry in Slovakia

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** Strengthen internal credit control process
- #2** Increase time, costs and resources spent on chasing overdue invoices
- #3** Delay payments to my own suppliers



Agri-food

Approach to credit management and DSO

Industry acknowledges value of credit insurance

65% of the Slovakian agri-food industry told us they protected their books with credit insurance this year, a large increase on last year's 43%. A similar percentage (64%) reported also relying on their internal resources for credit management (up from last year's 47%). The latter often included offering discounts for early payment of invoices, in addition to monitoring debts and sending late payment reminders.

However, outside of these approaches, 56% of the businesses we polled told us they preferred to sell on a cash basis to protect liquidity. This is an increase on the 50% reporting the same last year.

Among the businesses retaining credit risk in-house, 47% revealed they had experienced an increase in administrative costs associated with managing their credit accounts. Most of this was spent on overdue invoice collection efforts, although several also recorded an increase in the costs associated with financing to maintain liquidity.

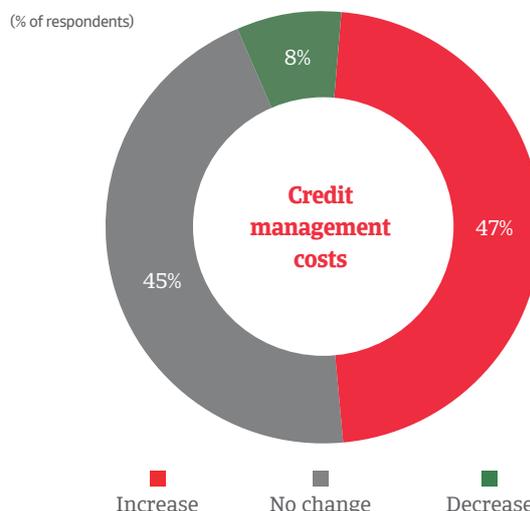
Redoubling of credit management effort planned

When asked about the coming months, most businesses told us they plan to retain and manage credit risk internally (as reported by nearly 60% of respondents, up from last year's 47%). Credit insurance has also seen an increase in interest. 48% told us they plan to take out a policy, up from 43% who told us the same one year ago, further demonstrating the increased appetite for credit insurance seen in this industry.

Increased effort to avoid exposure to credit risk will include reductions of credit risk concentrations, request for payment guarantees and increased use of trade receivables securitisation. When asked about their DSO predictions, 53% of respondents expect it to remain stable over the coming months, 44% expect it to deteriorate and 3% expect it to improve.

Agri-food industry in Slovakia

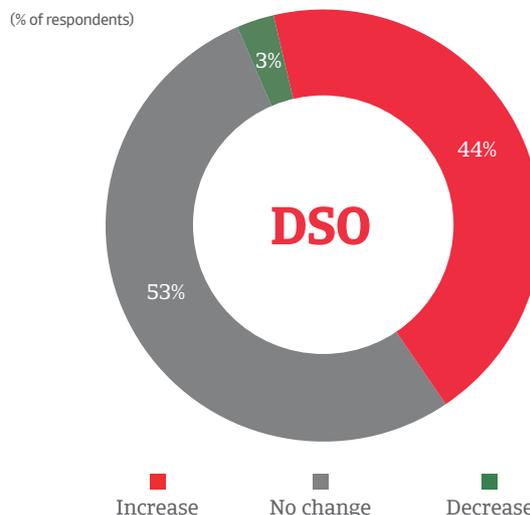
change in credit management costs (2021/2020)



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

Agri-food industry in Slovakia

expected DSO changes over the next 12 months



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



Agri-food

2022 industry outlook

2022 health of domestic economy worries industry

Looking ahead into 2022, 56% of the businesses polled in the Slovakian agri-food industry expressed concern over the health of the domestic economy. For many these concerns are prompted by the slow recovery of specific industries, in particular the hospitality sector, which form part of agri-food's wider value chain. Despite these worries, however, the majority of the industry expressed optimism about business growth. 76% of respondents predict growth next year, with only 18% expecting a decline and the remainder staying unchanged.

40% of the businesses we spoke to expect B2B trade credit to be used more frequently next year, largely as a way to support customer cash flow. 32% believe that trading on credit will continue at the same pace.

When asked about the pandemic's impacts on their business, 58% told us they had permanently adopted digital technology. 56% said they will need to adapt to the pandemic-triggered reshaping of supply chains. A significant number of businesses (52%) told us they would continue to enable working from home.

SURVEY QUESTION

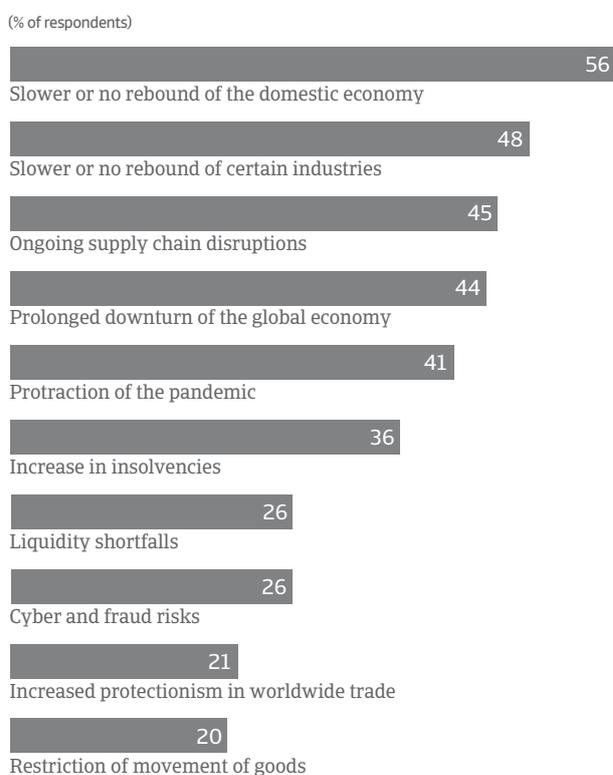
The pandemic has affected businesses significantly. Which of the following do you expect to become a permanent change in the way you do business?
(ranking by % of respondents)

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



Agri-food industry in Slovakia

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

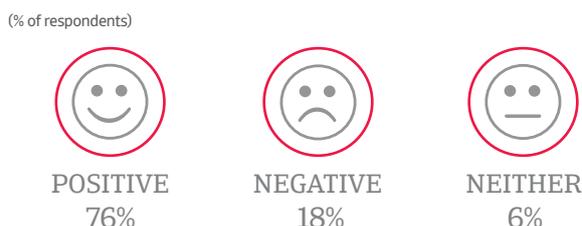


Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Agri-food industry in Slovakia

how businesses feel about their possible growth in 2022



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Consumer durables

Late payments and cash flow

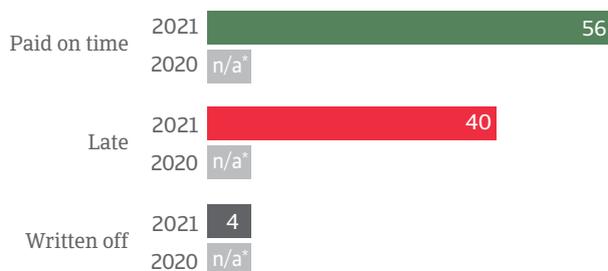
Late payments affect two in five invoices

Late payments currently affect 40% of the total value of B2B invoices issued in the Slovakian consumer durables industry. Write-offs currently stand at 4% of the total value of invoices. 50% told us that their customers' payment practices did not change compared last year, although 46% reported deterioration. Only 4% reported improvement and told us they cashed in overdue invoices earlier than last year.

To reduce the weight of trade receivables in their books, 56% of the businesses polled in the industry told us they spent more time and additional resources on trying to collect unpaid invoices. A similar percentage reported accessing external financing to support their cash flow.

Consumer durables industry in Slovakia

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



*n/a = not available

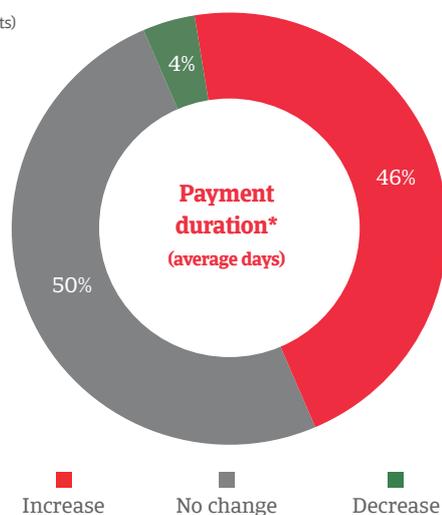
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Consumer durables industry in Slovakia

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 Pursue external financing
- #3 Strengthen internal credit control process

Consumer durables

Approach to credit management and DSO

Internal credit risk management is most common, but proves costly

81% of the Slovakian consumer durables industry relies on internal resources to manage credit risk. However, 56% of respondents told us they use trade credit insurance to manage credit risk, with a significant proportion telling us they found this approach to be more cost-efficient.

Among the businesses managing credit risk in-house, 73% focused on reducing risk concentrations as an important factor in maintaining business viability. A large proportion also cited a range of debt collection techniques, including sending invoice payment reminders to defaulting customers. Many businesses also reported using trade receivables securitisation to protect their liquidity.

It is worth noting that the vast majority of businesses that opted for internal credit risk management told us they incurred increased administrative costs over the past year (77%). Most of this was spent on the collection of outstanding receivables from defaulting customers. 71% of respondents also reported increases in capital costs as they sought external financing to maintain cash flow.

Increasing appetite for credit insurance

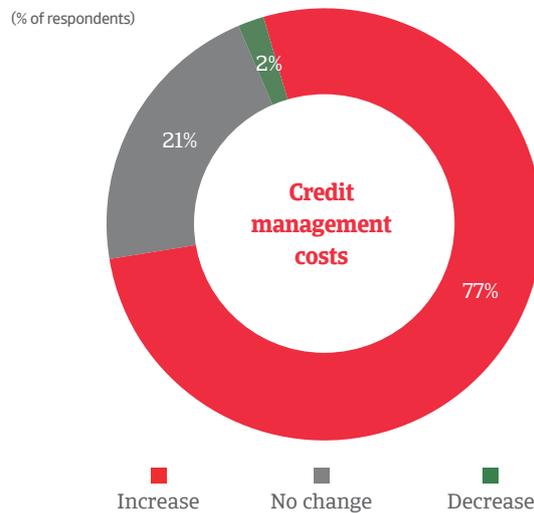
Over the coming months, 67% of the consumer durables industry plans to demand payment in cash. However, a significant number of respondents said they would continue using trade receivables securitisation and rely on in-house credit risk management resources (self-insurance). The latter plans to offer discounts for early payment of invoices more often.

Interestingly, for an industry mostly relying on self-insurance, the survey results show an increasing appetite for trade credit and the use of trade debt collection agencies. 60% of respondents reported this.

The industry's DSO predictions are downbeat. 54% expects deterioration. Just 4% anticipates improvement. The remaining 42% expects DSO to remain stable.

Consumer durables industry in Slovakia

change in credit management costs (2021/2020)

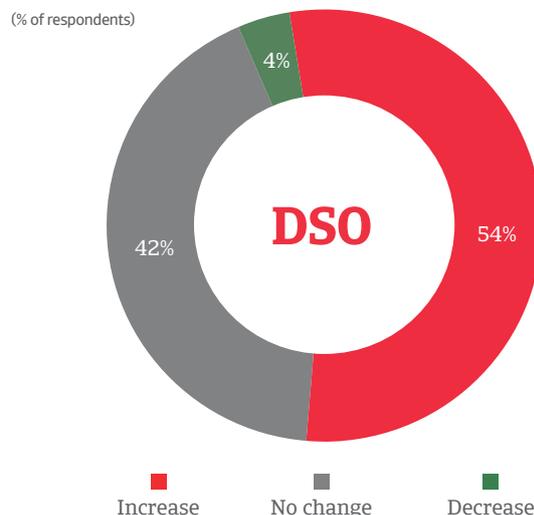


Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Consumer durables industry in Slovakia

expected DSO changes over the next 12 months



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Consumer durables

2022 industry outlook

Strong business optimism prevails

Looking ahead into 2022, 94% of the businesses polled in the Slovakian consumer durables industry is optimistic about their business growth over the coming months. This optimistic outlook may reflect the greater role that trade credit is predicted to play in the industry's B2B transactions over the coming months.

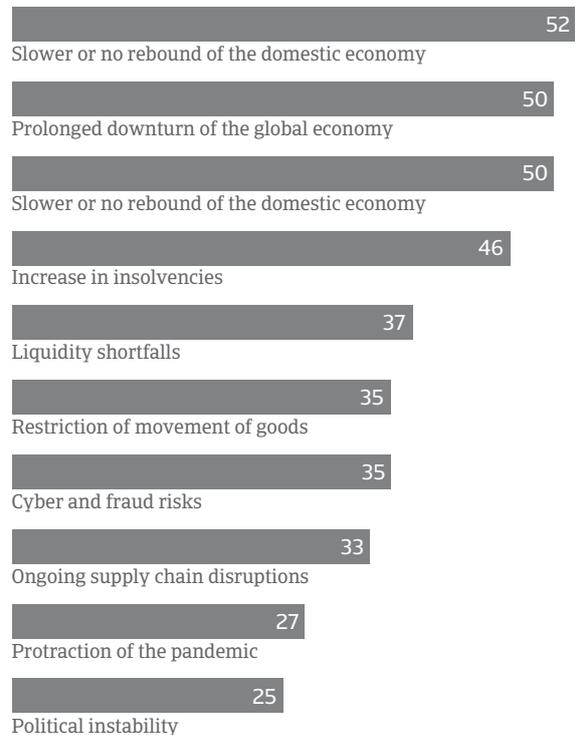
However, over half of the businesses polled believe that the largest downside risks to this positive outlook might be a slow recovery of the industries they most often trade with. Their major concern is that a prolonged downturn of the global economy would lead to a slow or no rebound of the domestic economy and trigger an increase in insolvencies.

Interestingly, when asked to indicate which of the pandemic-induced changes in the way they do business will become a permanent feature most told us that they will need to adapt to the reshaping of supply chains (67%). Running a close second, 65% told us they will continue to use the digital technology they adopted during the pandemic.

Consumer durables industry in Slovakia

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 Facing supply chains reshaping
- #2 Increased digitalisation
- #3 Facing customer demand changes

Consumer durables industry in Slovakia

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

Huge increase in frequency of late payments

A huge number of businesses in Slovakia's steel/metals industry experienced a deterioration in customer payments behaviour this year. 78% reported an increase in late payments, up from 47% last year. Improvement was reported by just 4% of businesses (a drop from last year's 13%). 18% reported no change (down from 40% last year).

However, interestingly, this increase in the frequency of late payments was not reflected in the total value of the overdue invoices. 43% of the total value of B2B invoices was reported overdue this year, a big drop on last year's 74%. In addition, the proportion of bad debts written off has gone up over the past year. This now stands at 2% of the total value of the industry's B2B invoices (from just over 1% last year). This big improvement in the total value of overdue invoices is likely to be due to the industry's trade debts collection effort. These measures were put in place to mitigate the adverse impact of year-on-year DSO increases reported by a staggering 81% of businesses in the industry.

The efforts to strengthen internal credit control procedures this year involved primarily increasing the amount of time and resources spent on chasing overdue invoices (88% of respondents) and pursuing of additional financing from external sources (85%). However, businesses also reported delaying investment in property, plant and equipment, as well as laying off staff.

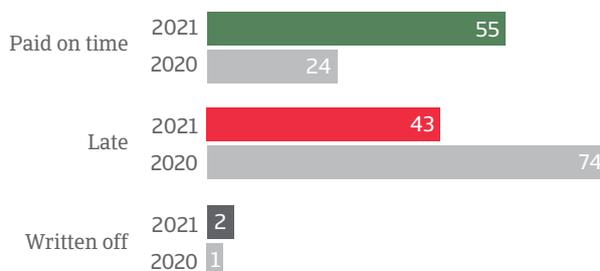
SURVEY QUESTION

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 Pursue external financing
- #3 Delay investment in property, plant and equipment

Steel/Metals industry in Slovakia

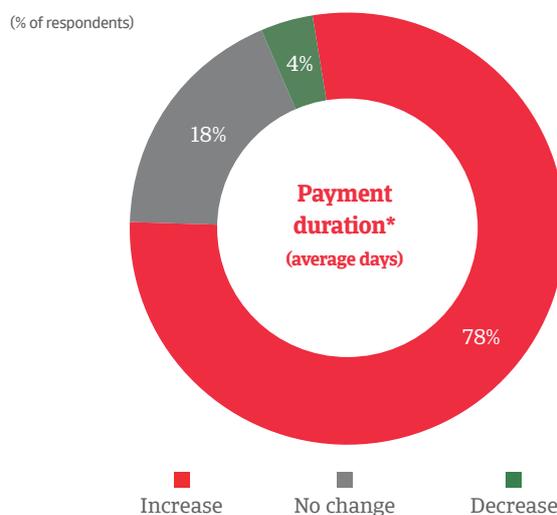
% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2021/2020)



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

Steel/Metals industry in Slovakia

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

Steel/Metals

Approach to credit management and DSO

Soaring cost of in-house credit risk management

Almost all of the businesses we polled in the Slovakian steel/metals industry (91%) told us that their approach to credit risk management focuses on in-house retention and management of customer credit risk. Within this approach, their primary concern is to avoid credit risk concentrations in their books. Besides this, businesses told us they more often sent invoice payment reminders to defaulting customers. A large number also reported using trade receivables securitisation to prop up cash flow levels.

Perhaps not surprisingly, the vast majority of businesses managing credit risk internally told us that over the past year they incurred increased administrative costs (reported by 89%). Cost increases most often related to collection efforts, alongside capital costs associated with external financing.

87% plans on using credit insurance

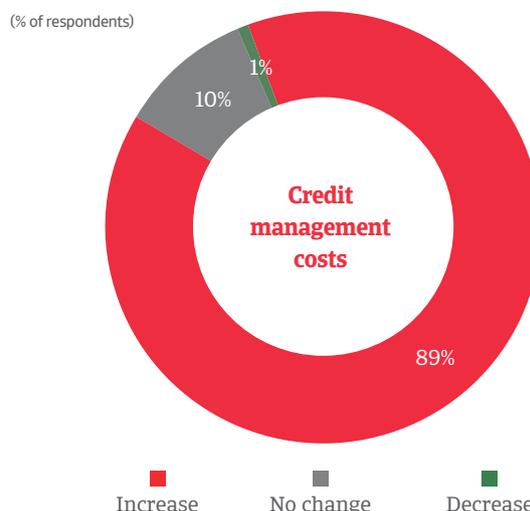
87% plans to protect their accounts receivable with trade credit insurance next year. This is the same as the percentage of businesses planning to manage credit risk in-house. These high figures strongly suggest the industry is planning to devote increased attention to credit management over the coming months.

Indeed, 90% of businesses told us they plan to increase their internal focus on credit management through an increased use of techniques such as sending outstanding invoice reminders and outsourcing trade debt collection to specialist agencies, especially for long outstanding invoices more than 90 days overdue. Letters of credit and trade receivables securitisation are also options that the industry is considering using next year.

These measures are aimed at reducing the weight of trade receivables on the industry's books. They are likely to be prompted by concerns about potential increases to DSO, cited by 82% of the businesses we polled.

Steel/Metals industry in Slovakia

change in credit management costs (2021/2020)

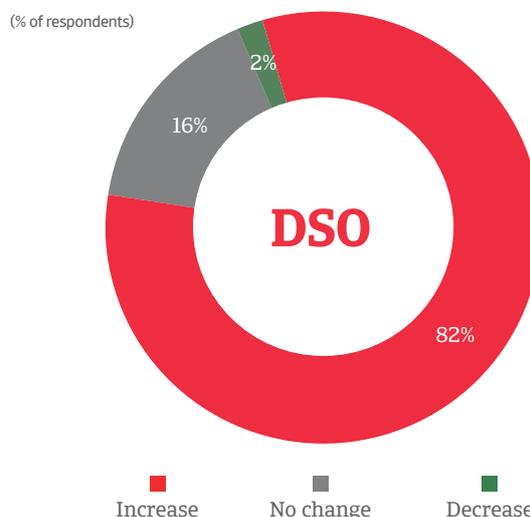


Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Steel/Metals industry in Slovakia

expected DSO changes over the next 12 months



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Steel/Metals

2022 industry outlook

Despite economic concerns, confidence is high

Looking ahead into 2022, 88% of the industry expressed concern over the health of the domestic economy. Businesses told us they are especially concerned over continuing economic stress in the industries they trade with.

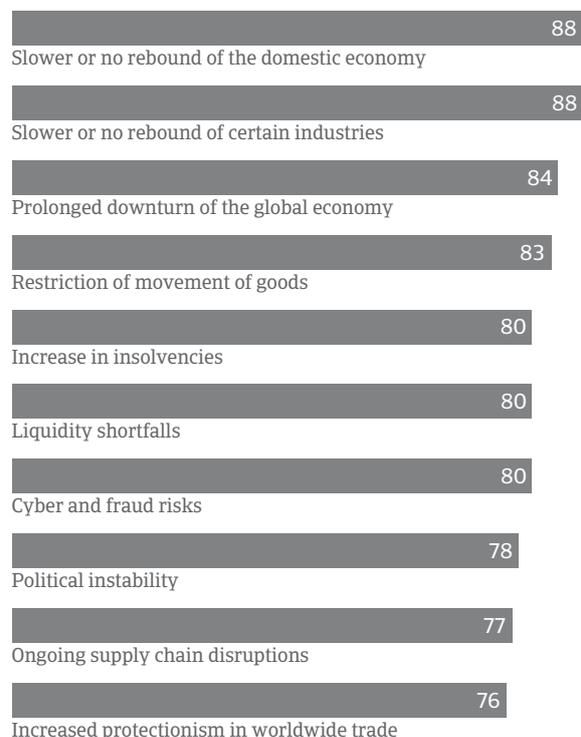
However, despite these concerns, confidence is very high. Almost all businesses polled are confident that their business will grow over the coming months. 72% expects credit trading to become more frequent over the coming months, in a bid to stimulate customer demand.

When asked to identify any possibly permanent impacts of the pandemic, 91% pointed to increased digitalisation and its role in supporting remote working. 85% mentioned digitalising their approach to credit risk management. A large proportion mentioned reshaped supply chains.

Steel/Metals industry in Slovakia

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

Steel/Metals industry in Slovakia

how businesses feel about their possible growth in 2022

(% 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 Increased digital credit risk management
- #3 Facing supply chains reshaping



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 Slovakia. 200 companies from the Slovakian agri-food, consumer durables and steel/metals industries 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.

Slovakia - total interviews 200

Industries surveyed			
Agri-food			
Consumer durables			
Steel/Metals			
Sector			
Companies interviewed	Agri-food (%)	Consumer durables (%)	Steel/Metals (%)
Manufacturing	70	60	88
Wholesale trade	24	17	9
Retail trade/Distribution	5	21	2
Services	2	2	1

Company size			
Companies interviewed	Agri-food (%)	Consumer durables (%)	Steel/Metals (%)
Micro enterprises	11	19	82
SME - Small enterprises	20	10	2
SME - Medium enterprises	27	69	16
Large enterprises	42	2	0

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
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