



Slovakia: a lower proportion of overdue B2B receivables but increasing DSO

Atradius Payment Practices Barometer

GDP
(millions euro)

€ 2970.57

GDP growth rate
(2018 est.)

3.2 %

Export annual growth rate
(2018 est.)

4.1 %

Imports annual growth rate
(2018 est.)

4.2 %

Sources: Oxford Economics, MIT OEC

export sectors

Top5

Machinery/Electrical

Transportation

Metals

Plastics/Rubbers

Mineral Products

export destinations

Top5

Germany

Czech Republic

France

Austria

United Kingdom

According to the Atradius findings, 2018 is the third consecutive year in which Slovakia increased its proportion of B2B sales made on credit. Respondents here reported late payments less frequently, a much lower proportion of past due B2B invoices than one year ago and a faster invoice to cash turnaround.

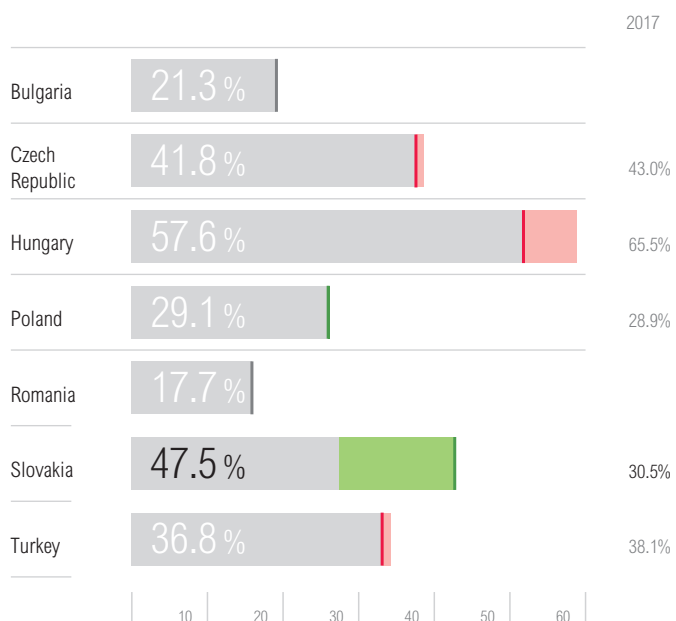
However, despite improvements, there was an increase in DSO and 27.5% of respondents reported that their businesses have been impacted by late payments.

A steep increase in credit sales

Together with their peers in Hungary, respondents in Slovakia are the most inclined to sell on credit terms in 2018. In contrast to Hungary, where the proportion of total B2B credit sales dropped this year, respondents in Slovakia increased their credit sales significantly. This is the third consecutive year with an increase, and the average proportion of B2B sales made on credit reached 47.5% in 2018 after 30.5% in 2017. Slovakian respondents however are clearly less comfortable selling on credit to foreign B2B customers than to domestic B2B customers (44.1% and 50.9% respectively).

Based on the survey findings, domestic credit sales are mostly to reward long-term business relationships and to attract new customers. Considered common practice in Slovakia, credit sales are also seen as a way to access the market and as a means to facilitate sales. Poor payment behaviour is the main reason for 21.1% of respondents to refuse credit terms.

Proportion of total B2B sales made on credit



Survey respondent - Chemicals sector

» *We trade on credit with our domestic B2B customers because we have a good relationship and we trust them.*«

The main reasons for granting trade credit to foreign B2B buyers mirror those of domestic B2B customers - to reward loyal customers and to attract new business. The lack of information on the customer's business or payment performance would cause respondents in Slovakia to refrain from selling on credit to their foreign B2B customers (mentioned by 12.8% of respondents).

» *We trade on credit with our foreign B2B customers because of their good payment behaviour.*«

Survey respondent - Electronics sector

Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – September 2018



Expecting further deterioration in DSO

75.9% of respondents in Slovakia have reported frequent late payments by their domestic and foreign B2B customers, a decrease of five percentage points compared to 2017. This was the most significant decrease across the region. Domestic B2B customers have been reported to pay late more frequently than foreign B2B customers do (86.3%; compared to 65.4%).

In 2018, the proportion of overdue B2B invoices in Slovakia dropped significantly by almost 17 percentage points. More specifically, from 41.5% in 2017 to a low 25.1% this year. This is by far the biggest change in the region and one of the lowest proportions of past due B2B invoices across the Eastern European countries surveyed.

After a slight decrease from 39 days in 2016 to 38 days in 2017, the average Days Sales Outstanding (DSO) figure increased again this year to 43 days. This may be due to an increase in payments made more than 90 days past the invoice due date by both domestic and foreign B2B customers. 19.8% of Slovakian respondents said that they foresee a slight increase in their company's DSO in the coming 12 months. The majority of respondents (72.6%) however, do not expect any changes.

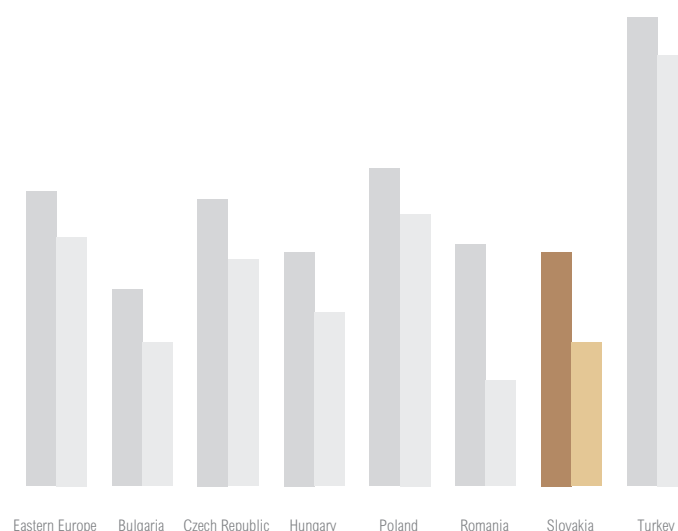
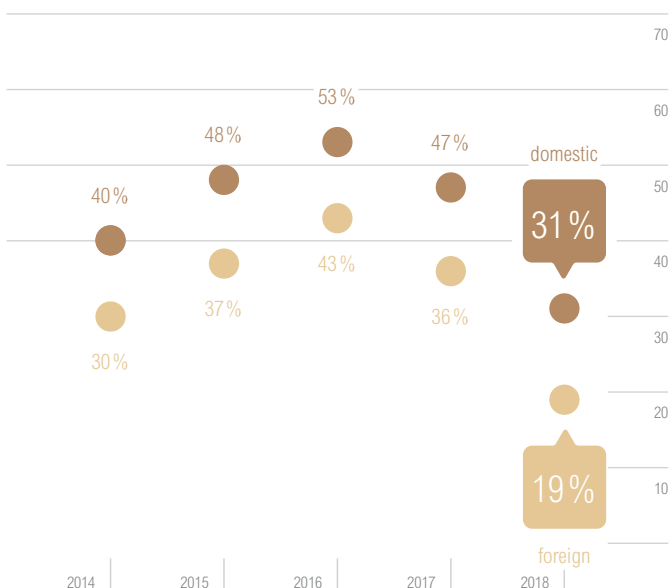
A faster invoice to cash turnaround

Payment terms have decreased this year for both domestic and foreign B2B customers in Slovakia. Domestic B2B customers are given, on average, 30 days to settle their invoices; three days shorter than in 2017. Foreign B2B customers are given, on average, 33 days to fulfil their payment obligations; five days shorter than in 2017.

79.4% of respondents in Slovakia stated that they are not likely to differentiate payment terms between domestic and foreign B2B customers. This is the highest percentage in Eastern Europe. Of those who mentioned a differentiation, 12.2% said that they are likely to give their domestic B2B customers longer payment terms while 8.4% are likely to give their domestic B2B customers shorter payment terms. The main reasons for differentiating payment terms in Slovakia are internal policies, domestic payment terms directed by law and industry practices.

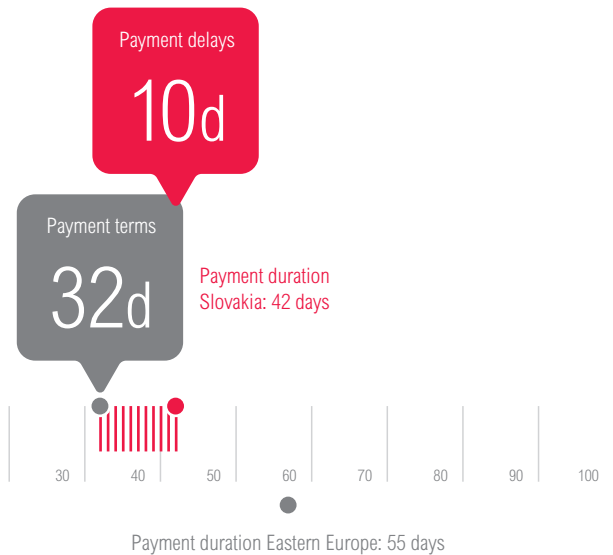
In 2018, the average payment delay by domestic B2B customers decreased by six days (to 12 days on average) and by three days for foreign B2B customers (on average, 9 days). Based on the decreases in average payment terms and payment delays, the average payment duration in Slovakia dropped from 51 days in 2017 to 42 days this year. This means a faster invoice to cash turnaround for respondents in the country.

Past due B2B receivables in Slovakia (avg. %)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – September 2018

Payment duration in Slovakia



d = average days

Sample: companies interviewed (active in domestic and foreign markets)

Source: Atradius Payment Practices Barometer – September 2018

Domestic payment delays occurred mainly because of insufficient availability of funds (reported by 64.0% of Slovakian respondents) and buyers using outstanding invoices as a form of financing (42.1% of respondents). The percentage of respondents who reported this latter reason increased significantly in 2018 and is much higher than in the region overall (30.9%). Only the Czech Republic had a higher percentage of respondents (57.0%) citing buyers using outstanding invoices as a form of financing as a top reason for domestic payment delays.



For 89.2% of respondents in Slovakia VAT fraud has not impacted the payment behaviour of their buyers. This may reflect that buyers involved in VAT fraud do not want to draw attention to their business.

Looking at the main reasons for payment delays by foreign B2B customers, 61.3% of Slovakian respondents reported buyers using outstanding invoices as a form of financing. The percentage of respondents stating this almost doubled compared to 2017 (32.0%) and is by far the highest in the region. The second most frequently reported reason for payment delays from B2B customers abroad is insufficient availability of funds, cited by 32.3% of respondents.

The majority of Slovakian respondents (72.5%) said that payment delays did not have a significant impact on their businesses. 11.1% said that payment delays led to postponing their own payments to suppliers and 8.8% had to request a bank overdraft extension. For 8.2% of Slovakian suppliers, overdue invoices caused revenue loss.

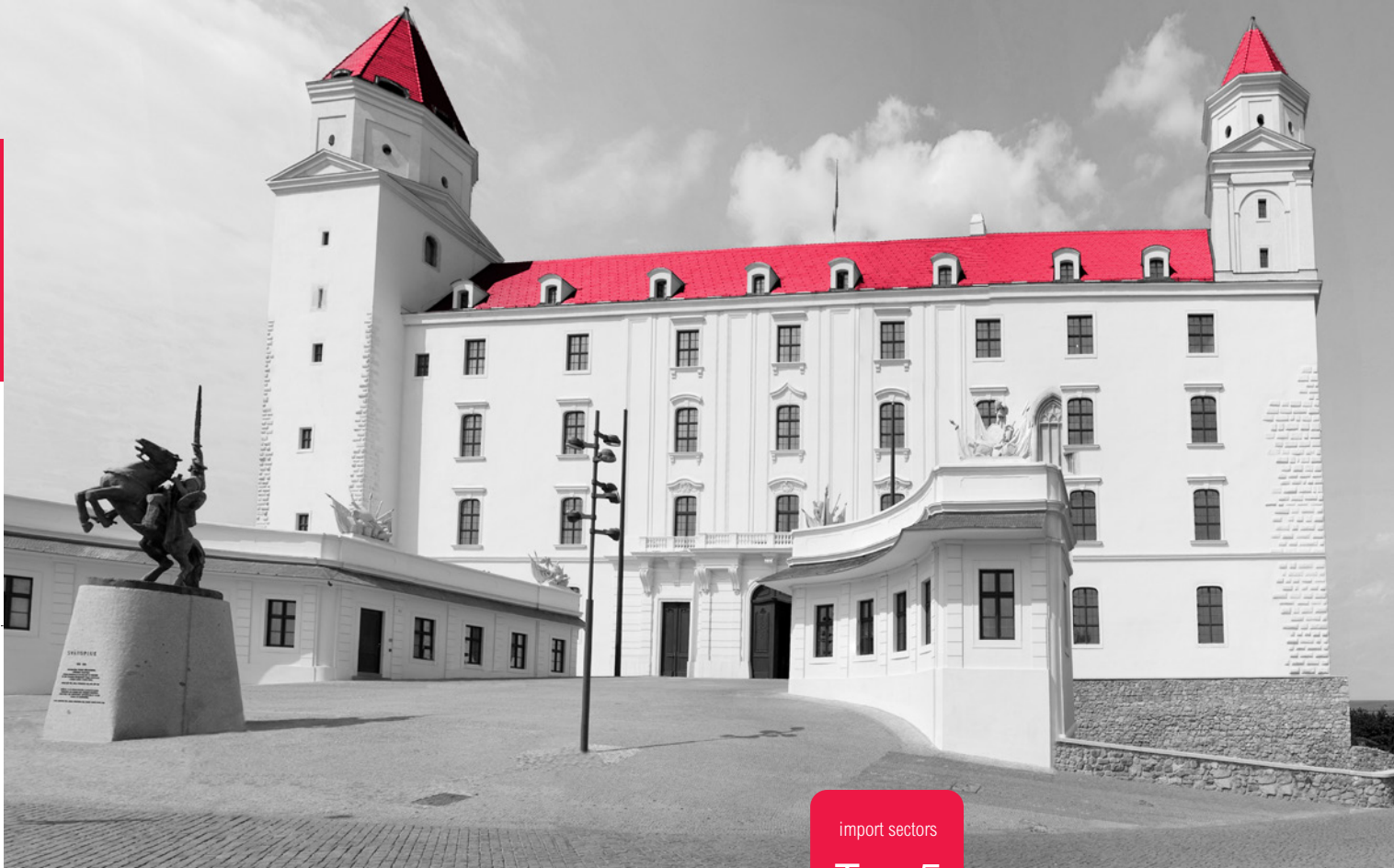
Respondents in Slovakia mostly invoice electronically

The majority of respondents in Slovakia (70.2%) said that they are invoicing their B2B customers electronically. In contrast, 27.9% said that they are not invoicing electronically. 1.5% of respondents who said that they are not using electronic invoices but they intend on doing so in 2018. Only 1% said that they are no longer sending invoices online.

58.1% of Slovakian respondents said they don't believe e-invoicing has a noteworthy effect on payment duration. 41.9% said that e-invoicing led to faster payments by their B2B customers. No respondents experienced a slowdown in payments after invoicing online.



27.9% of Slovakian respondents said that they intend to convert to paperless invoicing in 2018.



import sectors

Top5

Slovakia also worried about US protectionism and China's 'hard landing'

Along with their peers in Eastern Europe, respondents in Slovakia were asked to rank in order of significance the following potential risks to global economic growth: US protectionism turning into a trade war, misguided Fed policy, China's 'hard landing' and geopolitical risk. After Turkey, Slovakia had the second highest percentage of respondents (42.8%) who believe that US protectionism is the most significant risk to global growth. Another 25.9% of respondents in the country agree that – while US protectionism may not be the biggest risk to global growth – it is definitely a significant risk. A low 12.9% of Slovakian respondents disagree with this opinion and consider US protectionism to be the least significant risk to global development. This was also the lowest percentage in the region. 42.0% of respondents in Slovakia (versus 22.0% at regional level) consider China's 'hard landing' the biggest risk to global growth.

Machinery/Electrical
Transportation
Metals
Mineral Products
Miscellaneous

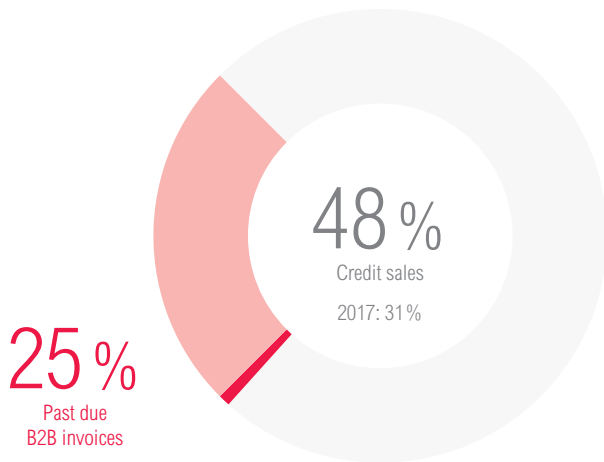
import destinations

Top5

Germany
Czech Republic
China
Poland
South Korea

Uncollectable B2B receivables in Slovakia

(% of total value of B2B receivables)



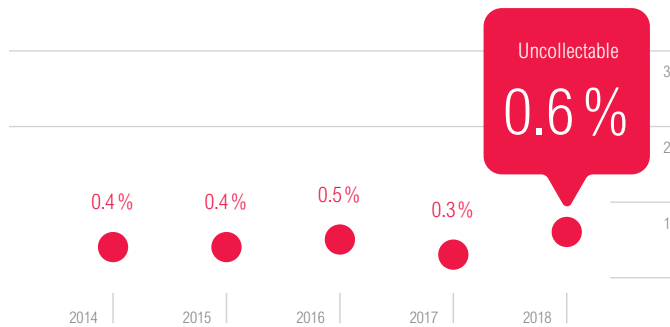
Uncollectable receivables originated most often from B2B customers in the chemicals, construction, consumer durables, machines, transport and services sectors. The main reason for write-offs is the same as the one reported in all the other Eastern European countries surveyed - the customer going bankrupt or out of business – mentioned by 76.4% of respondents. Slovakia had the highest percentage of respondents in the region to mention this. The second most frequently mentioned reason for write-offs was the inability to locate the customer (cited by 23.6% of respondents).

Optimistic about their buyers' payment behaviour in the coming 12 months

In 2018, B2B customers in the metals and transport sectors enjoyed longer average payment terms (51 days and 41 days respectively) than the country average of 32 days. In contrast, B2B customers in business services are being asked to pay much faster (on average, within 23 days).

Suppliers in Slovakia reported that B2B customers in the construction and machines sectors are some of the slowest payers. B2B customers in these sectors, paid on average 16 and seven days after the due date. The main reasons for payment delays in the construction sector are insufficient availability of funds (reported by 54.0% of respondents) and buyers using outstanding invoices as a form of payment (mentioned by 49.0% of Slovakian respondents). Respondents in the machines sector reported slow payment for the same reasons (67.0% mentioned insufficient availability of funds and 54.0% buyers using outstanding invoices as a form of financing).

Looking ahead, most respondents in Slovakia do not expect changes in the payment behaviour of their B2B customers in the construction and machines industries. Those who foresee changes are mainly optimistic; 25.0% of respondents in the construction sector and 18.0% in the machines sector expect a slight improvement in the coming 12 months.



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – September 2018

Slovakian respondents struggling with bankruptcy the most

In 2018, the average proportion of uncollectable receivables in Slovakia doubled compared to last year and stands at 0.6%. Despite the increase, Slovakia still has one of the lowest proportions of uncollectable receivables of the Eastern European countries surveyed. Domestic B2B receivables were written off significantly more often than foreign B2B receivables.



B2B customers in the machines sector were some of the slowest payers.

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 2018 edition of the Atradius Payment Practices Barometer, companies from 7 countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey) have been surveyed.

Using a questionnaire, Ilisia Research conducted a net of 1,447 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

Survey scope

- Basic population: companies from 7 countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey) 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=1,447 people were interviewed in total (approximately n=200 people per country). In each country a quota was maintained according to four classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q2 of 2018.

Sample overview – Total interviews = 1,447

Country	n	%
Bulgaria	200	13.8%
Czech Republic	202	14.0%
Hungary	203	14.0%
Poland	216	14.9%
Romania	201	13.9%
Slovakia	201	13.9%
Turkey	224	15.5%

Industry	n	%
Manufacturing	463	32.0%
Wholesale trade/ Retail trade / Distribution	435	30.1%
Services	549	37.9%

Business size	n	%
Micro enterprise	560	38.7%
SME (Small/Medium enterprise)	788	54.5%
Large enterprise	99	6.8%

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.

Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Eastern Europe. This is part of the September 2018 Payment Practices Barometer of Atradius, available at

www.atradius.com/publications

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



SURVEY RESULTS

SURVEY DESIGN

STATISTICAL APPENDIX

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.

Copyright [Atradius N.V.](#) 2018

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 Slovakia and worldwide, please see the Global Collections Review by Atradius Collections (free download after registration), available on www.atradius-collections.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
www.atradius.com