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Poland Payment Survey 2023: Slightly shorter payment delays but not for all sectors

The eighth edition of Coface's survey on payment experience in Poland was carried out in October 2023 with 341 companies participating in the study. At that time, the economic situation was relatively gloomy with negative growth rates recorded consecutively in the first and second quarter of 2023. There has been economic improvement in the last months of this year, however, it has been slow and gradual as the regional environment remains adverse. Coface estimates GDP growth in Poland to reach only 0.6% in 2023, and then accelerate to 2.8% in 2024, which would still be below the potential growth rate of the Polish economy.

Despite economic challenges and fading resilience to various headwinds, the general picture on payment liquidity in Poland remains favourable. Our study shows that Polish companies experienced average payment delays of 48.7 days, i.e. 3 days less than in our previous survey. Average payment delays dropped close to the level recorded in 2020 (48.0 days), but this time companies have not benefited from the wide scale of support measures that had been introduced during the pandemic. Although the average shows a shortening of payment delays, it was not the case in all sectors, as energy-intensive ones recorded longer

overdue. Those include paper-wood, metals and energy, while textile-clothing and ICT also reported longer payment delays as they face eroded consumer disposable income, with households focusing mostly on spending on daily necessities and not durable goods. On the other hand, the largest improvement in the shortening of payment delays was recorded in the agri-food sector, while the shortest payment delays were reported by pharmaceuticals.

According to our survey, all sectors anticipate that the amount of outstanding receivables will increase in the coming months. This reflects the fact that the macroeconomic improvement is transferred to microeconomics with a delay. Although the Polish economy already started improving in late 2023, companies still reported various crucial challenges that they experienced, including limited demand and fiscal burden, while high costs still reduce their profits. Furthermore, even if the domestic economy recovers in 2024, the slowdown (if not recession) in Western Europe in the first half of the year could have adverse effects on the baseline scenario related to economic and business activity.

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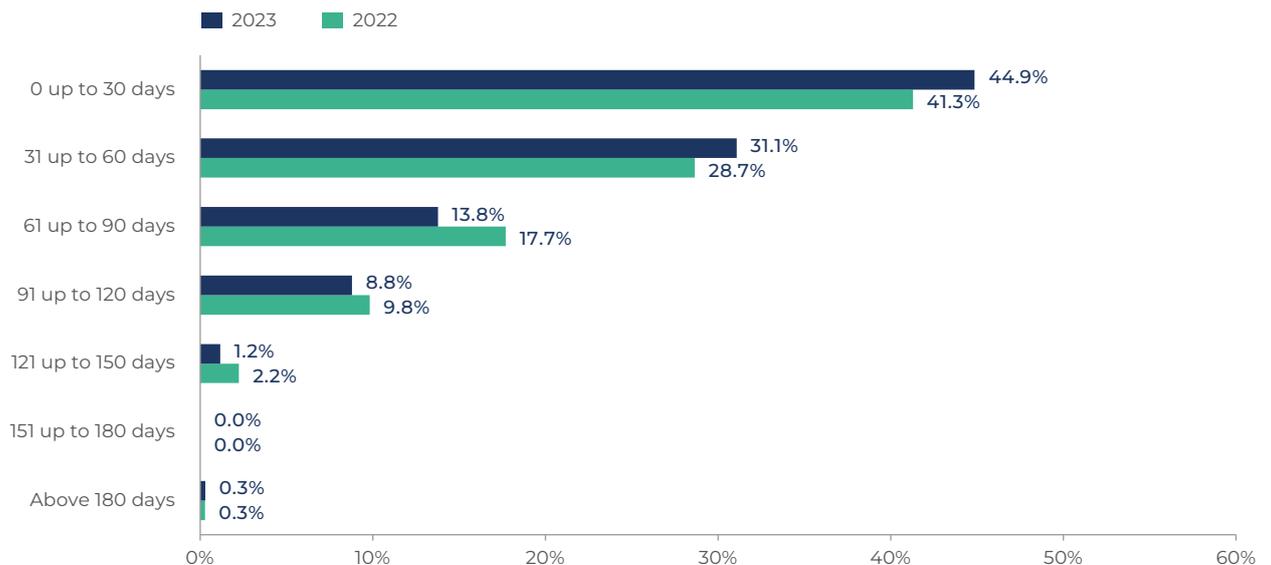


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1 PAYMENT TERMS¹: LESS GENEROUS CREDIT PERIODS

- Short payment terms dominate the Polish business landscape: 45% of surveyed companies impose average payment terms of up to 30 days.
- Average payment terms decreased by 3.8 days, from 46.2 days in 2022 to 42.4 days in 2023.
- Compared with our previous survey², the share of companies offering payment terms between 0 and 90 days slightly increased. They were still the bulk in 2023, with the share growing to 89.7%, from 87.6% a year before. Less than 1% of surveyed companies offered payment terms exceeding 6 months.

Chart 1
Average credit periods



Source: Coface Payment Survey

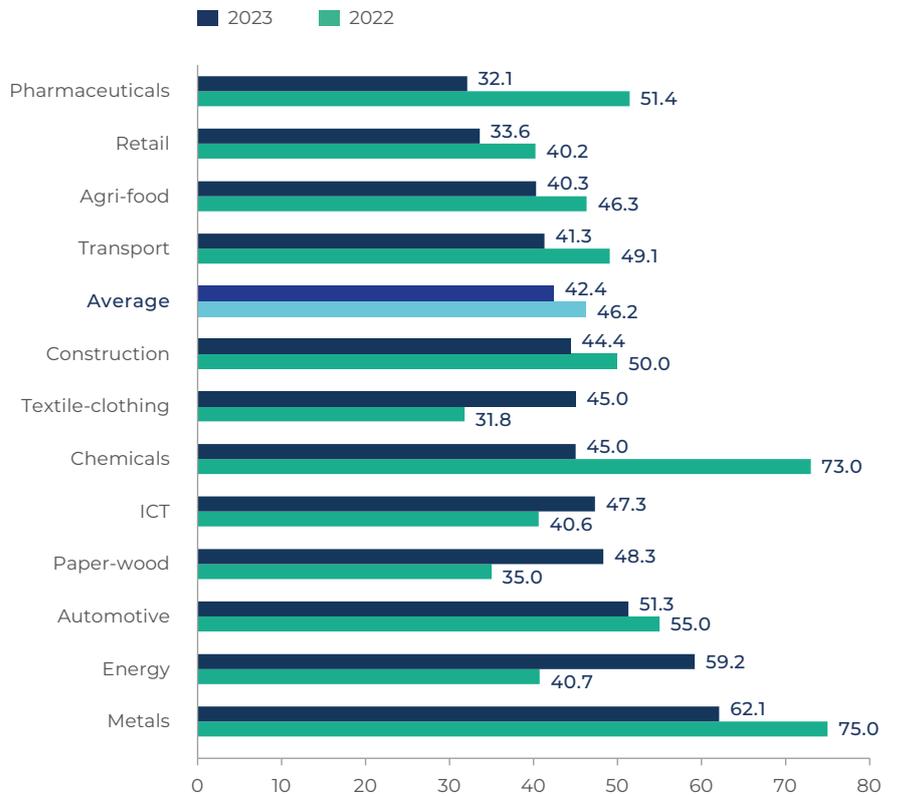
¹ Payment term – the time frame between when a customer purchases a product or service and when the payment is due.
² Poland Corporate Payment Survey 2023: Stock building makes payment delays shorter but only temporarily, December 2022

- In a sectoral breakdown, the most restrictive sectors (those with a majority of sales on short payment terms of up to 30 days) are retail (63%), pharmaceuticals (50%) and construction (47%).
- Sectors that are the most generous in offering long average payment terms include automotive (21% with payment terms of more than 90 days), energy (17%), chemicals and metals (each 14%). Only four out of twelve sectors reported a lengthening of payment terms compared with the previous survey, including energy, which reported the widest extension of payment terms, by 18 days.



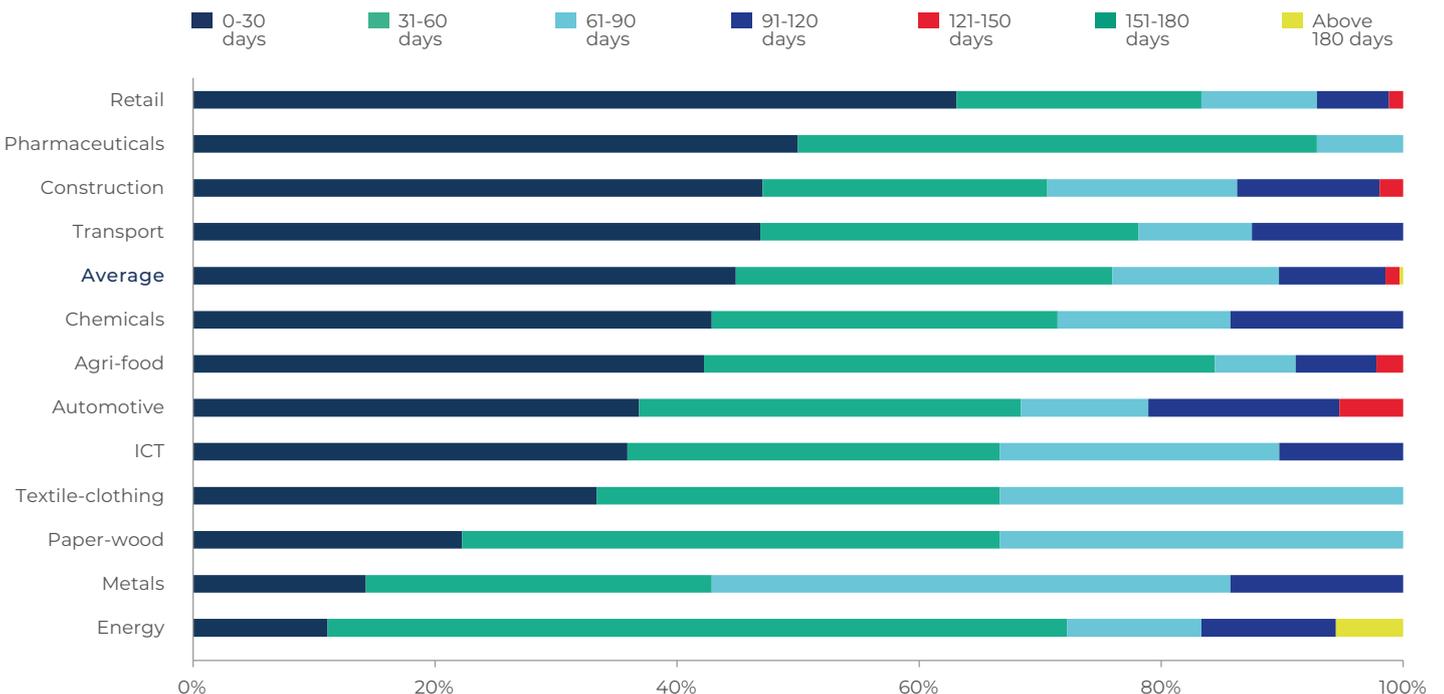
Payment terms in the energy sector widened by 18 days since last year

Chart 2
Hypothetical payment terms (days)



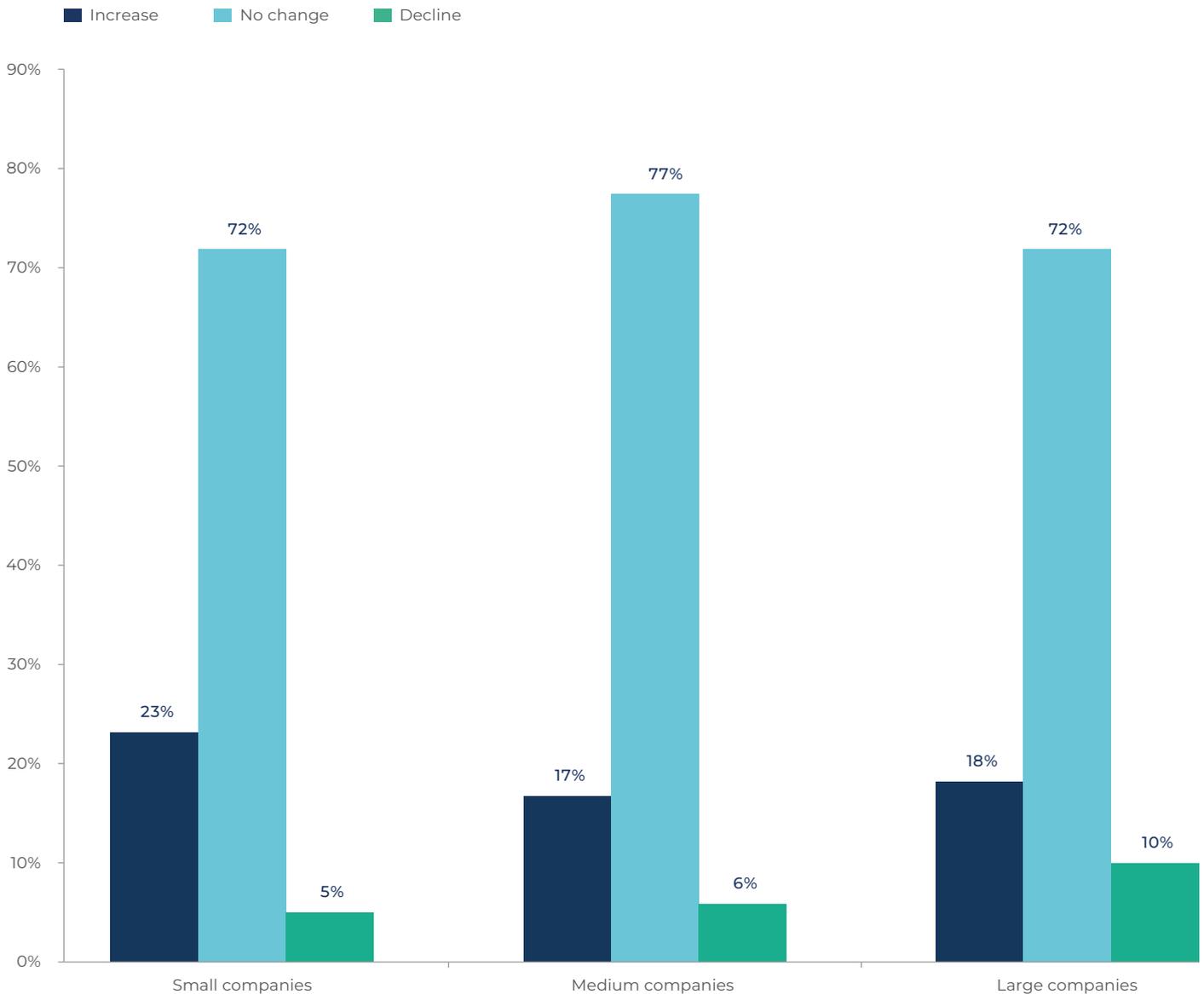
Source: Coface Payment Survey

Chart 3
Average payment terms in sectors



Source: Coface Payment Survey

Chart 4
Expected development in payment terms,
by size of companies' counterparties



Source: Coface Payment Survey

- Most businesses in Poland expect that payment terms will not change in the next six months. This applies principally to medium- and large-sized clients, but a majority also replied similarly for smaller counterparties. On the other hand, payment terms granted to small clients are expected to increase by 23% of surveyed companies.



Payment terms in Poland range from 32 days in pharmaceuticals to 62 days in metals

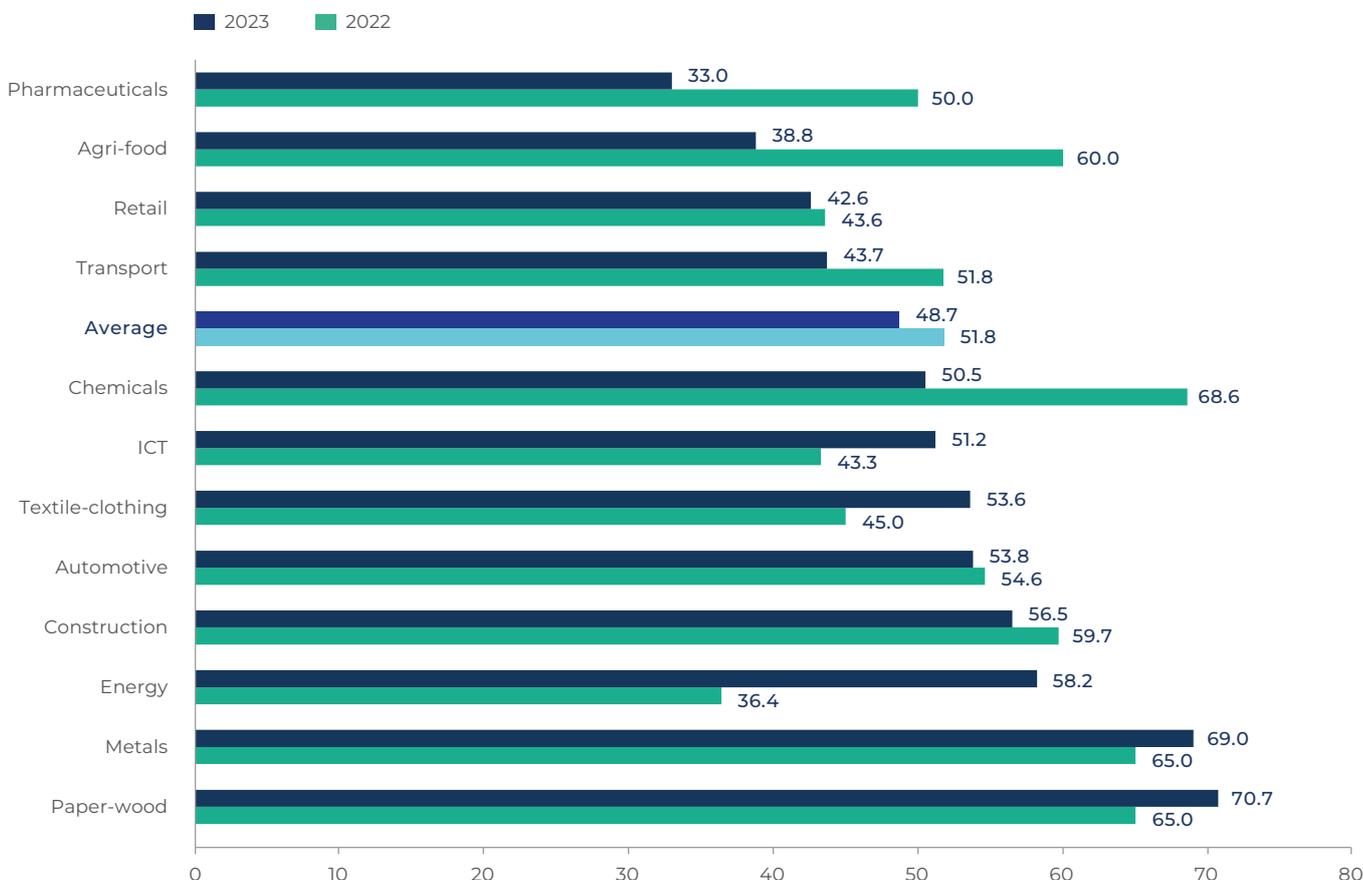
2 PAYMENT DELAYS³: DIFFER AMONG SECTORS

- Payment delays appear to be standard practice in Polish business. 49.3% of surveyed companies declared that they experienced payment delays from their counterparts in the previous 6 months. Nevertheless, this is a significant decrease compared with the previous survey where 61.2% of companies declared that they had experienced delays.
- Average payment delays reached 48.7 days, 3 days shorter than reported in the previous survey. They dropped close to the level recorded in 2020 (48.0 days), but this time, companies have not benefited from the wide scale of support measures that had been introduced during the pandemic.
- 68% of surveyed companies experienced average payment delays of up to 60 days. Delays between 60 and 150 days were reported by 31%, and long delays of above 150 days by less than 1%. Compared with the previous survey, minor changes were observed in this area: 65.5% of companies experienced payments made more than 30 days after the original due date, down from 69.4%.



Payment delays in the energy sector increased by 22 days in one year

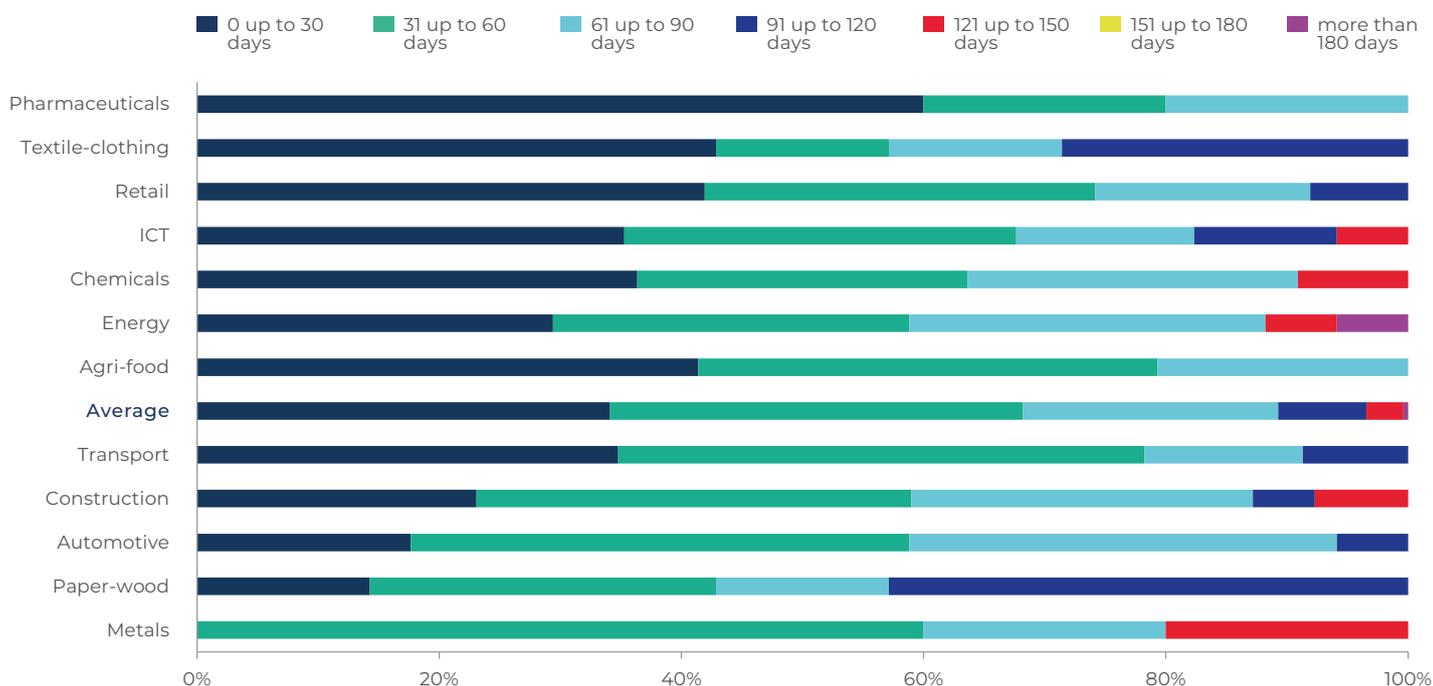
Chart 5
Average payment delays (days)



Source: Coface Payment Survey

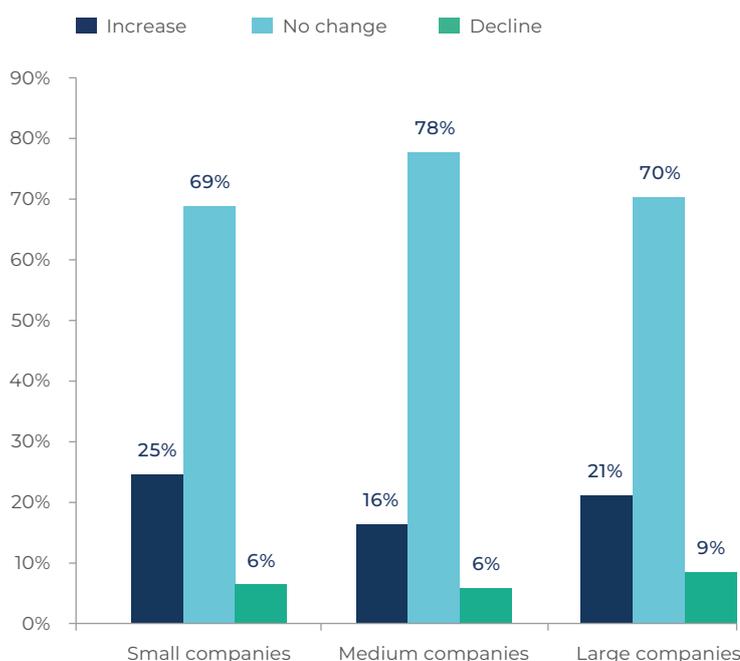
³ Payment delay – the period between the payment due date and the date the payment is made.

Chart 6
Average payment delays in sectors



Source: Coface Payment Survey

Chart 7
Expected developments in payment terms,
by size of companies' counterparties

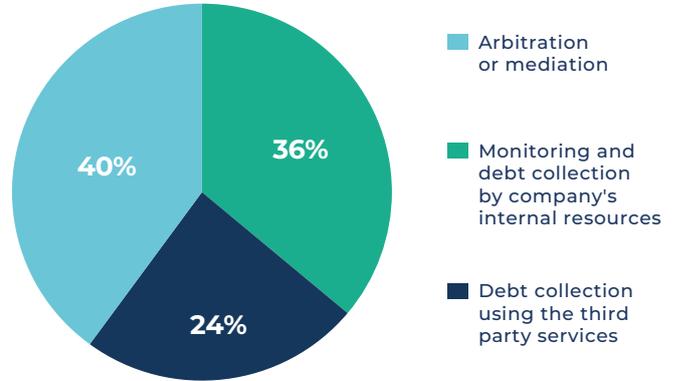


Source: Coface Payment Survey

- On a sectoral level, the longest payment delays were experienced by the paper-wood and metals sectors, at an average of 70.7 days and 69.0 days, respectively. Five out of twelve sectors reported longer delays compared with 2022. The largest improvement in the shortening of payment delays was recorded by the agri-food sector (a decrease by 21 days). On the other hand, the biggest increase in payment delays was recorded by the energy sector (an increase of 21.8 days), while other energy-intensive sectors, including metals and paper-wood, also suffered from longer delays. The shortest delays were reported by pharmaceuticals (33.0 days).
- In line with the decrease in average payment delays, this time, long payment delays of over six months accounted for a lower share of companies' turnover at 17.6%. Although the share dropped this year, it has remained at a high level compared with prior years. Indeed, these overdue payments represented more than 10% of turnover for 21% of surveyed companies in 2022, vs. 5.4% in 2021, 11% in 2020, 16% in 2019, 15% in 2018, 18% in 2017 and 21% in 2016.

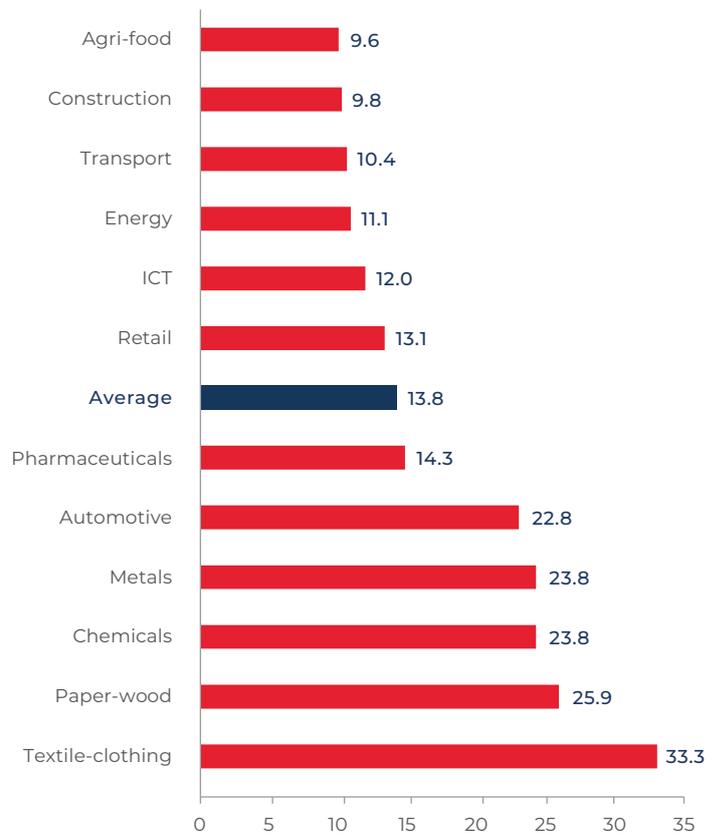
- Due to the lack of payment, companies have had to act against debtors. Arbitration and mediation actions were the most effective (as indicated by 40% of companies). Internal resources for monitoring and debt collection were used by 36% of companies, while third party services (such as debt collection and external lawyers) make up the remaining share of 24%.
- The level of outstanding receivables is expected to stabilize: 72% of surveyed companies do not expect changes in the next six months. However, as challenges are not expected to disappear rapidly - along with pressure on margins, among the remaining part of surveyed entities, a much greater share of companies (21%) expects to see an increase in outstanding receivables compared with those who forecast a decline (7%). Moreover, companies anticipate more specifically a growing number of payment delays from small clients, with 25% expecting them.
- Examining the results by sector, all sectors (without exception) expect an increase in payment delays over the next six months, which is in line with the most negative outlook in Coface payment surveys that began in a previous edition. The textile-clothing and paper-wood sectors have the largest share of companies expecting an increase in outstanding receivables.

Chart 8
The most effective action in the case of non-payment



Source: Coface Payment Survey

Chart 9
Expected changes in the size of outstanding receivables over the next six months (figures in balance points)



Source: Coface Payment Survey

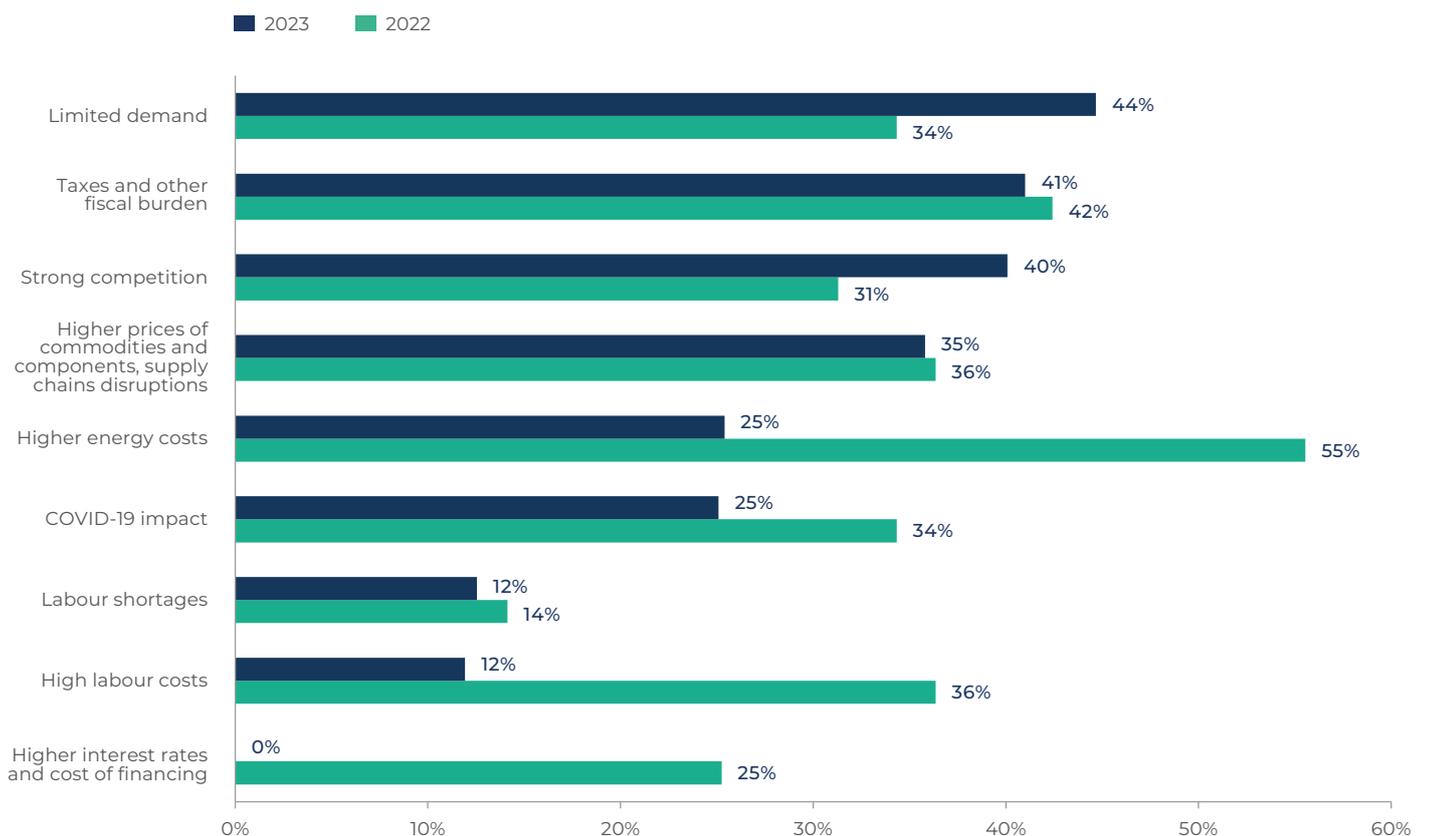


One-third of paper-wood companies reported payments overdue of over 3 months

3 EXPECTATIONS: REBOUNDED ECONOMY BRINGS IMPROVED OUTLOOK

- In the course of 2023, high energy costs ceased to be the biggest obstacle for companies, as was the case in the previous survey. However, reduced demand, both internal and external, became the most important limitation to business activity. Moreover, as usual, taxes and other fiscal burdens were often reported by companies as an ongoing obstacle. On the other hand, higher interest rates were not mentioned this time, illustrating companies' relative resilience to external financing costs and the process of monetary easing that the Polish central bank already initiated in September 2023.
- Companies in Poland have adapted relatively well to doing business during an ongoing war in neighbouring Ukraine. However, it still affects business activity. Higher costs, supply chain disruptions, as well as a drop in revenues, were still mentioned the most often. Compared with the previous survey, more companies experienced the inflow of the Ukrainian workforce, which could at least partly address domestic labour shortages.

Chart 10
Obstacles to business activity (several answers possible)



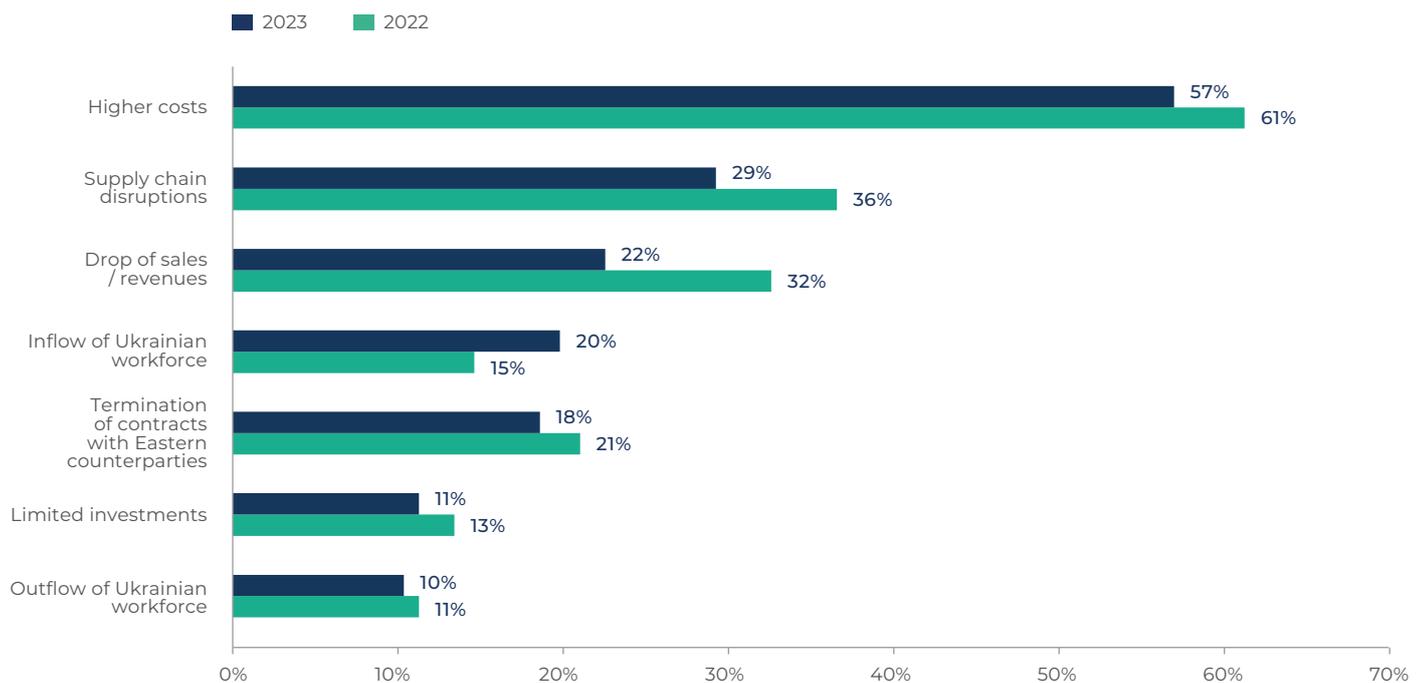
Source: Coface Payment Survey



44% of companies reported that reduced demand limits their business activity

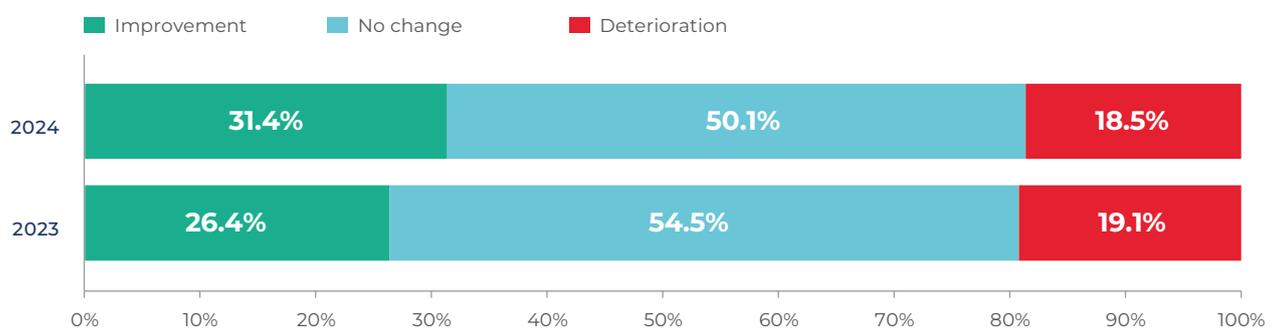
- According to the Coface forecast, the Polish economy is expected to record weak GDP growth of 0.6% in 2023 mainly due to the deterioration experienced in the first half of the year, but the situation already started improving in the last months of 2023. The recovery should be experienced in 2024, with GDP growth reaching 2.8%. As a result, companies became slightly more optimistic regarding their business activity. While half of them expect no change in 2024, almost a third of surveyed companies anticipate an improvement, i.e. higher than the assessment made for 2023 (26%).

Chart 11
Impact of war in Ukraine on companies' business activity (several answers possible)



Source: Coface Payment Survey

Chart 12
Assessment of business activity in 2023 and 2024 compared with the previous year



Source: Coface Payment Survey

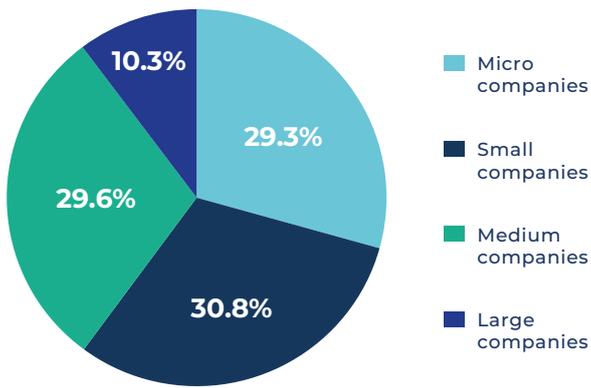


31% of companies expect that business activity in 2024 will improve compared with 2023

APPENDIX

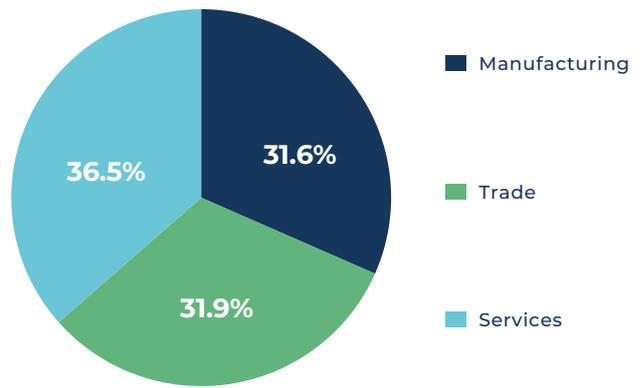
A TOTAL OF 341 COMPANIES PARTICIPATED IN THE PAYMENT SURVEY. WHO WERE THE RESPONDENTS?

Chart 13
Size of companies by turnover



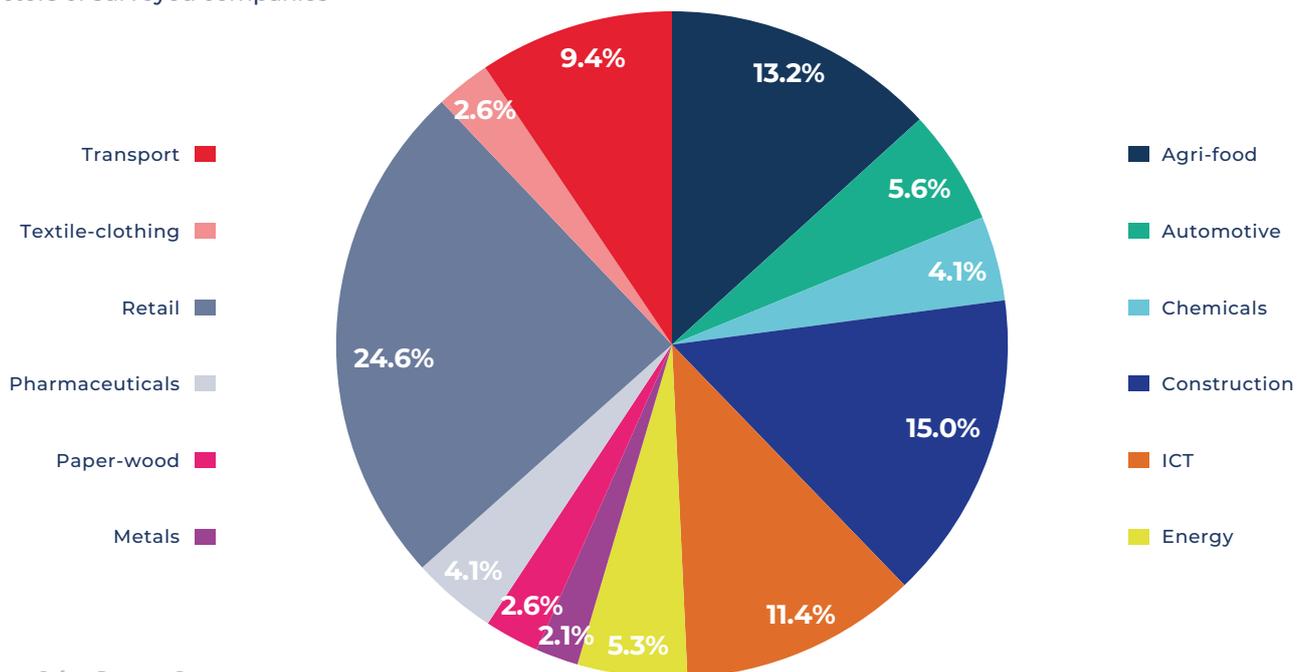
Source: Coface Payment Survey

Chart 14
The main business activity



Source: Coface Payment Survey

Chart 15
Sectors of surveyed companies



Source: Coface Payment Survey

GLOSSARY



PAYMENT TERM

The time frame between when a customer purchases a product or service and when the payment is due.

PAYMENT DELAY

The period between the payment due date and the date the payment is made.

DISCLAIMER

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