



Switzerland: insolvencies grow amid a sharper focus on credit management

Atradius Payment Practices Barometer





imports

Top 5

Precious metals and gemstones
 Products of the chemical and pharmaceutical industry
 Machines, appliances, electronics
 Vehicles
 Jewelry

Source: The Swiss Federal Statistical Office

trading partners

Top 5

Germany
 United States
 China
 France
 India

Source: WTEEx

exports

Top 5

Chemicals and pharmaceutical products
 Precious metals and gemstones
 Machine, appliances, electronics
 Watches
 Precision instruments and equipment

Source: The Swiss Federal Statistical Office



In 2019, another 4% increase is expected in Swiss insolvencies. Next year, we expect to see some stabilisation of insolvencies at high levels, with a -1% change forecast. Risks – especially external demand and capacity constraints – remain to the downside.



**Mathias Freudenreich,
Country Manager of Atradius Switzerland**



Western Europe faces a 2.7% increase in insolvencies this year as economic growth decelerates and the manufacturing sector struggles amid lower global trade. Switzerland is contributing significantly to the region's upward trend, as the number of Swiss business insolvencies has been constantly increasing since the aftermath of the eurozone debt crisis.

The increase in insolvencies expected in Switzerland this year marks another year of record-high business failures in the country, and puts a strain on businesses financial stability. Adding to this is the strength of the Swiss currency, which is particularly challenging for the construction sector and Swiss exporters, the latter of which comprises two-thirds of Swiss GDP.

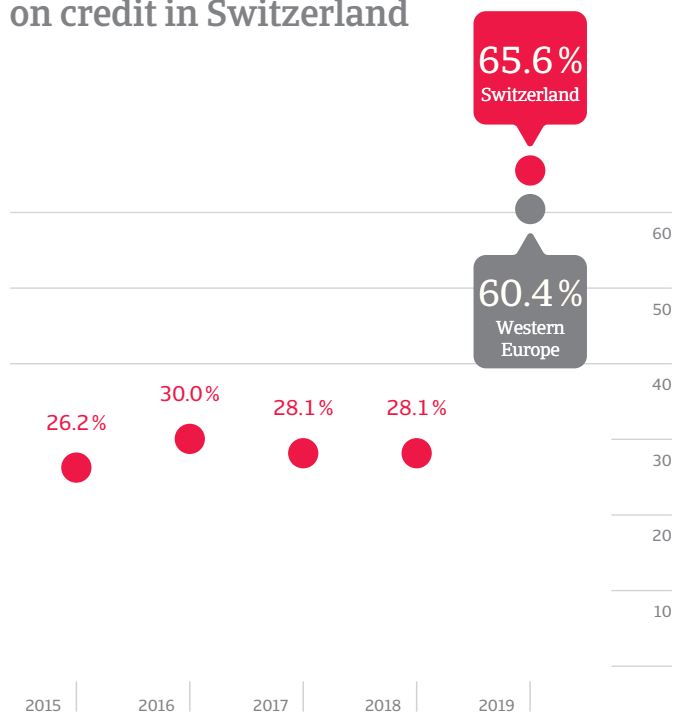


B2B credit-based sales in Switzerland increased significantly over the past year

Respondents to our Payment Practices Barometer Survey in Switzerland reported 65.6% of B2B sales were made on credit in 2019 (a significant increase on last year, which averaged 28.1%). This puts Switzerland first among the countries surveyed in Western Europe, ahead of Austria (65.3%, up from 29.5% last year) and Germany (59.3% up from 24.7% one year ago). In Western Europe overall, credit-based sales increased to 60.4% from 41.4% last year.

The increased use of B2B trade credit might reflect the need of businesses to boost sales on foreign markets, to offset the negative impact the strong Swiss franc has on export flows. Domestically, it may also reflect the current insolvency environment, where further business failures are expected. In this regard, B2B trade credit plays a chiefly financial role, with suppliers providing liquidity to their customers in the form of deferred payment.

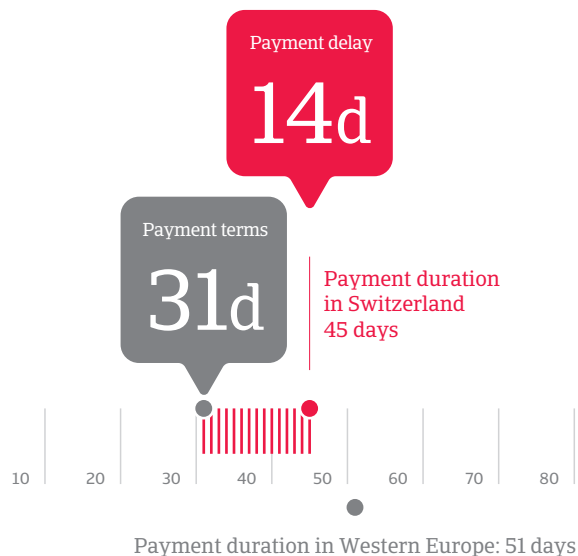
Proportion of total B2B sales made on credit in Switzerland



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



Payment duration in Switzerland



d = average days

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

Source: Atradius Payment Practices Barometer – October 2019

Collection of overdue invoices in Switzerland way less successful than last year

27.4% of the total value of B2B invoices issued by survey respondents in Switzerland over the past year remained outstanding past the due date. This compares to the 28.9% average for Western Europe. Despite increased timely payments from B2B customers (69.2% of invoices paid on time, up from 57.1% one year ago), respondents in Switzerland do not turn overdue invoices into cash earlier than last year (on average within 45 days from invoicing as one year ago). This is in contrast with survey findings at regional level, where average invoice-to-cash turnaround decreased to 51 days down from 57 days last year. More respondents in Switzerland (50%), than in Western Europe (42%), reported no significant impact on business arising from late payments. This suggests Swiss respondents have a sharp focus on the management of receivables. Despite this, survey findings in Switzerland highlight a significant increase in the proportion of write-offs of uncollectable accounts, currently averaging 2.3% of the total value of B2B receivables (up from less than 1% last year). This compares to a 2.2% average for Western Europe. This signals significantly lower efficiency in collection of overdue accounts compared to the same survey period last year.

Swiss B2B customers are offered longer credit terms than last year

Compared to the same survey period last year, survey respondents in Switzerland grant longer for the settlement of B2B invoices. Average payment terms recorded in Switzerland stand at 31 days from invoicing (up from 27 days last year). These compare to a 34 days average for the region.

Swiss businesses perform credit checks more often than their peers in Western Europe

The most common credit management technique in Switzerland is the assessment of a customer's creditworthiness prior to any trade credit decision. More respondents in Switzerland (38%) perform credit checks than in Western Europe (35%). Once an invoice becomes overdue, 37% of the respondents in Switzerland (far more than the 28% in Western Europe) engage in dunning activities (outstanding invoice reminders). Likewise, far more survey respondents in Switzerland (31%), than in Western Europe (24%) reserve against bad debts.



Swiss economic growth is expected to slow down in 2019, as external demand from the Eurozone and the US has weakened and investment growth decreases

Source: Atradius Country report Switzerland 2019

Far more respondents in Switzerland than in Western Europe pessimistic about B2B trend of customers' payment practices over the coming months

More Swiss respondents expect B2B payment practices to deteriorate over the coming months (25%) than those expecting an improvement (16%). 59% of Swiss survey respondents believe their B2B customers' payments will not change significantly over the coming months. 55% of respondents in Western Europe share the same opinion. To protect their business from the risk of payment default, 34% of Swiss survey respondents will either perform customers' credit quality checks more often, or will increase buyers' credit risk monitoring. More respondents in Switzerland (28%) than in Western Europe (25%) believe access to bank financing will be tighter over the coming months. Should access to finance become difficult, 37% of respondents in Switzerland (compared to 28% in Western Europe) say they will cut operational costs, while 33% of respondents (30% in Western Europe) will have to reduce the workforce through layoffs or hire freezes.



Mathias Freudenreich,
Country Manager of Atradius Switzerland

“

Looking ahead, we forecast some stabilisation of insolvencies at high levels in Switzerland. As our survey shows, businesses are concerned about a deterioration of their B2B payment practices and are working to protect themselves from payment default risks, striving to grow the business despite the number of challenges they face.

”



Overview of payment practices in Switzerland

By business sector

B2B customers in the Swiss agri-food sector are extended the longest payment terms

Survey findings in Switzerland reveal that respondents from the agri-food sector extended the longest payment terms to their B2B customers (averaging 54 days from invoicing). Average payment terms across the other sectors surveyed in Switzerland range from 39 days in the consumer durables sector, to 22 days in the ICT/electronics sector.

Trade credit risk has significantly deteriorated in the Swiss construction sector

Over the past year trade credit risk in the Swiss construction sector has significantly deteriorated to the point where nearly one third of the total value of B2B invoices remained unpaid at the due date. In the construction and agri-food sectors the average invoice to cash turnaround increased significantly over the past year. The Swiss ICT/electronics sector recorded the greatest improvement in customers' payment speed compared to one year ago. The consumer durables sector recorded the lowest proportion of past due B2B invoices to a low of 18%.

Proportion of receivables written off as uncollectable is highest in construction sector

The Swiss construction sector recorded the highest proportion of B2B receivables written off as uncollectable (2.7% up from 1.2% last year). Across all other sectors surveyed in Switzerland, the proportion of overdue B2B invoices written off as uncollectable ranges from 2.6% in both the ICT/electronics sector, to 2.0% in the machines sector. At the lower end of the scale, the consumer durables sector recorded an average of 1.8% of receivables written off as uncollectable (up from less than 1.1% last year).



Overview of payment practices in Switzerland

By business size

Average payment terms granted to B2B customers from respondents from all business sizes are consistent with the country average

Respondents from micro enterprises in Switzerland extended the longest payment terms to B2B customers, averaging 32 days from invoicing. In contrast, large enterprises offered payment terms to B2B customers averaging 31 days and SMEs 30 days from the invoice date.

Swiss micro enterprises cash in overdue invoices later than one year ago

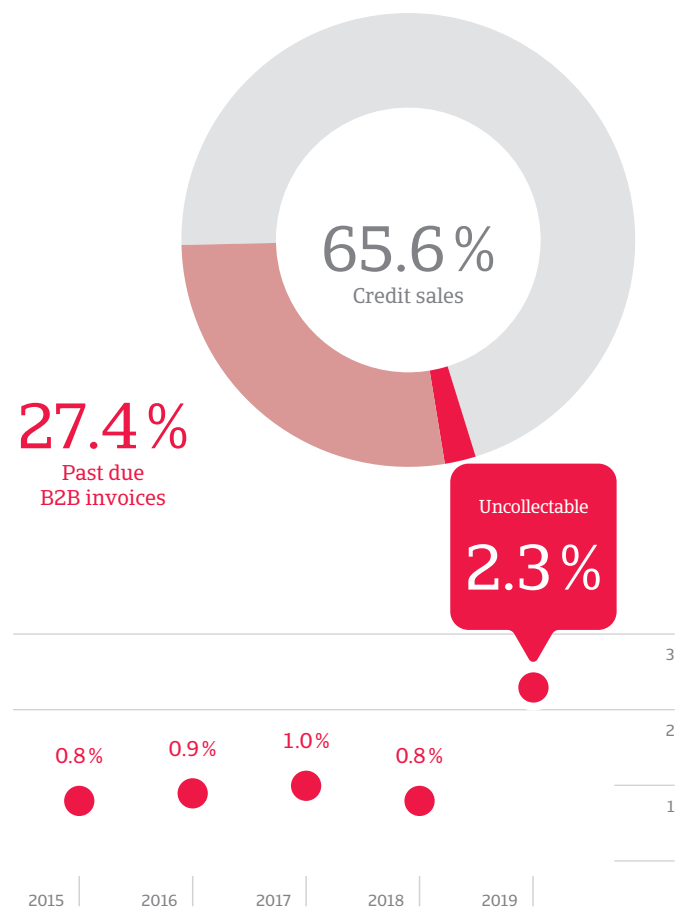
Swiss micro enterprises cash in past due payments notably later than one year ago (on average with 47 days from invoicing, up from 40 days last year), and 25% of invoices are past due payments. In contrast, the payment behaviour of B2B customers of Swiss large enterprises improved markedly over the past year. The proportion of invoices paid on time increased to 66% from 36% one year ago. Swiss large enterprises also collect payment of past due invoices earlier than last year (on average with 45 days from invoicing down from 51 last year). Similarly, SMEs display a shorter invoice-to-cash turnaround than last year (on average 44 days from invoicing, down from 49 last year). This is likely to have been triggered by an increase in on time payments to 68% of the total value of B2B invoices, up from 53% last year.

Swiss large enterprises recorded the highest rate of receivables written off as uncollectable

With 3.1% of B2B invoices written off as uncollectable (up from less than 1% last year), large enterprises in Switzerland display notably much lower efficiency than last year when it comes to collecting long-term overdue payments. The average for SMEs is 2.5% (up from 1.1% last year) and 1.8% for micro enterprises (up from less than 1% last year).

Uncollectable B2B receivables in Switzerland

(% of total value of B2B receivables)



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



Survey design for Western 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 Western Europe, which is part of the 2019 edition of the Atradius Payment Practices Barometer, companies from thirteen countries (Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Ireland, Italy, Spain, Sweden, Switzerland and the Netherlands) 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 2.770 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

Survey scope

- Basic population: companies from thirteen countries (Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Ireland, Italy, Spain, Sweden, Switzerland and the Netherlands) 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=2.770 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 = 2.770

| Country | n | % |
|--|-------|-------|
| Austria | 221 | 8.0% |
| Belgium | 216 | 7.8% |
| Denmark | 200 | 7.2% |
| France | 209 | 7.6% |
| Germany | 210 | 7.6% |
| Great Britain | 223 | 8.0% |
| Greece | 200 | 7.2% |
| Ireland | 204 | 7.3% |
| Italy | 225 | 8.1% |
| Spain | 229 | 8.3% |
| Sweden | 214 | 7.7% |
| Switzerland | 209 | 7.7% |
| The Netherlands | 210 | 7.6% |
| Industry | n | % |
| Manufacturing | 945 | 34.1% |
| Wholesale trade/ Retail trade / Distribution | 1,526 | 55.1% |
| Services | 299 | 10.8% |
| Business size | n | % |
| Micro enterprises | 936 | 33.8% |
| SME (Small/Medium enterprises) | 946 | 34.8% |
| Large enterprises | 945 | 31.4% |

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 or advice 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 Western Europe. This is part of the October 2019 Payment Practices Barometer of Atradius, available at 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 Switzerland** and worldwide, please see the International Debt Collections Handbook by Atradius Collections (free download after registration), available on 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
P.O. Box 8982 · 1006 JD Amsterdam
The Netherlands
Phone: +31 20 553 9111

info@atradius.com
www.atradius.com