Atradius Payment Practices Barometer 2023

Key trends for B2B payments and cash flow

Hungary

Rise in payment defaults despite more stringent B2B trade credit policy

About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times.

However, the survey also has a strong focus on the challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

The results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for Hungary.

The survey was conducted between the end of Q1 and mid Q2 2023, and findings should therefore be viewed with this in mind.

In this report

Disclaimer

B2B payment trends and cash flow

Rise in payment defaults despite more stringent B2B trade credit policy

An average 10% decrease in the proportion of B2B sales transacted on credit by companies polled in Hungary represented the sharpest drop across all markets surveyed in Eastern Europe. This was probably a reflection of subdued domestic economic activity, although trade credit still plays a vital role among Hungarian companies, comprising an average 46% of all the country's B2B sales. It is also an important source of short-term finance with 50% of Hungarian companies polled requesting trade credit from suppliers for that reason. However, our survey found that 45% of companies received less than they requested, signalling an increased aversion to risk when trading on credit.

The stronger risk aversion was also evident in a slight shortening of payment terms granted to B2B customers, now standing at an average of 41 days from invoicing, down from a 43-day average last year. Despite a more stringent trade credit policy undertaken by companies surveyed in Hungary, they were hit harder by late payments than a year ago. Our survey found an average 20% increase in overdue B2B invoices during the past year, with late payments now affecting an average of 40% of the total value of B2B sales on credit. The Hungarian construction sector was particularly affected. Payment practices of Hungarian companies' B2B customers deteriorated significantly during the past 12 months, with significant numbers of companies polled waiting on average 69 days from invoicing to collect payment, compared to 41 days last year.

This posed a danger of serious cashflow problems and Hungarian companies responded by spending more time and internal resources on chasing unpaid invoices, which meant higher credit management costs. This stronger focus on credit control and improved efficiency in collection of long-term overdue payments meant 55% of businesses polled in Hungary said they were able to contain large swings of Days Sales Outstanding (DSO), thus minimising the risk of incurring severe liquidity shortages. It also contributed to keeping the level of bad debts under control, these now standing at 5% of all B2B sales on credit. Another frequent action taken to ease liquidity issues, especially in the transport sector, was slowing down payments to suppliers.

60% of companies polled in Hungary told us they took these measures to improve cashflow within the framework of in-house retention and management of customer credit risk. Although this is the most frequent approach to credit risk management, our survey found some of degree of openness to other techniques and tools to deal with customer credit risk. For example, 44% of businesses in the Hungarian machinery sector told us they opted for a more strategic approach involving the use of credit insurance. For many companies this was complemented by the use of factoring to free up liquidity for use in business operations in a difficult economic climate and tough trading landscape.

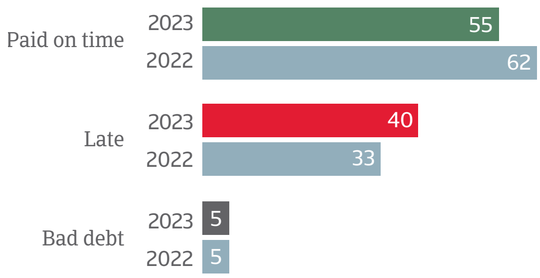
Key survey findings

- A 10% drop in B2B sales on credit reported by companies polled in Hungary was the sharpest decrease across Eastern Europe during the past year. Sales made on credit now average 46% of all B2B sales. Trade credit was also an important source of short-term finance, with 50% of businesses requesting it.
- Slightly shorter payment terms were granted by businesses in Hungary, now standing at a 41-day average, compared to 43 days last year. A key factor in setting payment terms was profit margins in a period of subdued domestic economic activity.
- There was a 20% increase in overdue invoices during the past year, and these now average 40% of the total value of B2B sales on credit. Our survey found significantly poorer payment practices, with 70% of companies polled saying it took much longer to collect overdue payments. The average wait to be paid was 69 days.
- Thanks to a strong focus on settling invoice disputes and improved collection efficiency 55% of companies polled in Hungary said they contained large swings of Days Sales Outstanding (DSO). This contributed to keeping bad debts stable at 5% of all B2B sales on credit, thus containing the risk of incurring severe liquidity bottlenecks jeopardising business activity.
- The construction industry in Hungary told us the main reason for late payments from B2B customers was temporary liquidity shortfalls, while the machinery sector cited insolvency proceedings involving the customer. 33% of companies polled said they spent more time and resources on chasing unpaid invoices.
- 60% of businesses in Hungary said they opted for in-house retention and management of customer credit risk. 44% of companies polled in the machinery sector told us they opted for a more strategic credit management approach involving credit insurance.

Key figures and charts on the following pages

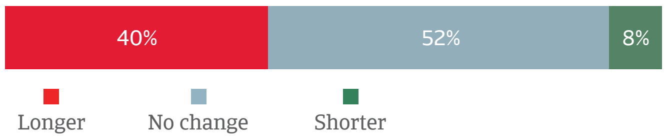
Hungary

Hungary
% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer Hungary – 2023

Hungary
% of respondents reporting changes in payment duration* over the past 12 months

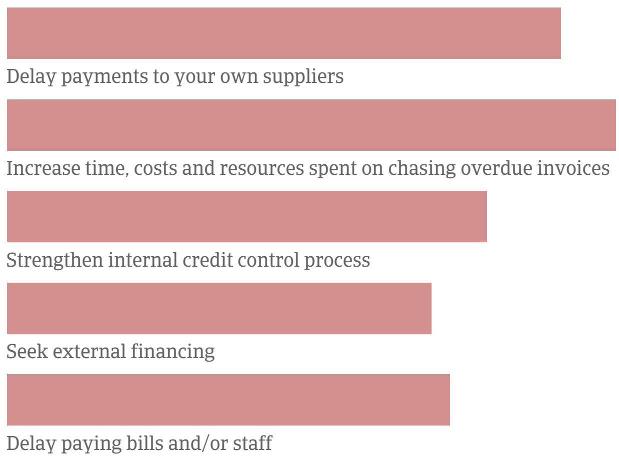


*average amount of time to get paid from B2B customers

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Hungary – 2023

Hungary
Measures put in place to minimise cash flow problems due to payment default of B2B customers

(% of respondents - multiple response question)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer Hungary – 2023

Survey question

What are the main sources of financing that your company used during the past 12 months?

- 50% Trade credit
- 34% Equity capital
- 29% Internal funds
- 25% Bank loans

*multiple response question

Sample: all survey respondents (% of respondents)
Source: Atradius Payment Practices Barometer Hungary – 2023

Looking ahead

Widespread worry about persistent inflation affects the long-term outlook for the economy

Anxiety about the ongoing impact of inflation is the primary concern of companies polled in Hungary about the year ahead. This was clearly expressed, even though a gradual easing of inflationary pressure in the Hungarian economy has already begun. Businesses polled said a particular concern was the effect of inflation on production costs that cannot be fed through to price-sensitive customers. They also fear that tight monetary policy designed to curb inflation will further weaken economic activity. High energy costs was another area of concern, while the construction sector reported worry about the volatile costs of production input materials and resources.

Our survey found a striking lack of confidence among companies polled in Hungary about the prospects for demand and therefore sales in the coming 12 months, a reflection of the widespread concern about inflation. Hungarian businesses reported the most negativity among all markets surveyed across Eastern Europe, with the transport sector anticipating a significant decrease in demand for its services. However, the construction sector does expect a slight increase in output at the end of the year. There was a little more optimism about profit margins for the year ahead, with 26% of companies anticipating improvement and 54% expecting no change.

There was also a generally cautious mood expressed about the outlook for B2B customer payment practices. 50% of companies polled in Hungary said they believe there will be no change during the coming 12 months, while 30% told us they expect an improvement. These figures were in line with their peers across Eastern Europe, although construction companies anticipate a slight deterioration of B2B customers' payment behaviour. This scepticism was clearly reflected in expectations among Hungarian businesses about Days Sales Outstanding (DSO) for the year ahead. 55% of companies polled anticipate no change in DSO, while the remainder reported no clear-cut opinion. The machinery sector expects a slight worsening, signalling potential cash flow issues incurred by the sector in the months ahead.

In-house retention and management of customer credit risk will continue to be the most frequent tool employed by companies polled in Hungary for dealing with credit management. However, our survey found a growing appetite for a more strategic approach to credit management involving the use of credit insurance. This was particularly reported by companies in the construction sector who acknowledged the benefit for improved cashflow and DSO from enhanced credit risk management procedures. They also told us it would allow cash otherwise put aside to cope with bad debts to be used in the business. A greater role in the mix of credit management tools will also be taken by factoring.

Key survey findings

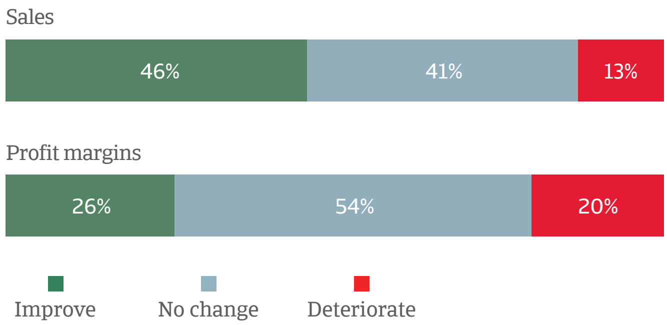
- Persistent record-high Inflation is the number one concern for companies polled in Hungary, particularly the potential impact on production costs that cannot be passed through to price-sensitive customers. Energy costs are another significant worry.
- Less confidence about prospects for demand in the year ahead was found among businesses in Hungary than other countries surveyed across Eastern Europe. There was more positivity in the construction sector, but the transport industry anticipates waning demand.
- 54% of companies polled in Hungary anticipate there will be no change in profit margins during the coming months, while 26% expect an improvement. The figures reflect anxiety about the volatility of energy and production input costs in the coming months.
- A similar mood was expressed among businesses in Hungary concerning the outlook for B2B customer payment behaviour in the year ahead. 50% of companies believe there will be no alteration, and 30% anticipate improvement. The construction sector was most negative.
- Our survey suggests companies in Hungary are relatively positive about the immediate prospects for Days Sales Outstanding (DSO). 55% of businesses polled expect no significant change of an already improved situation, while there was no clear-cut opinion among the remainder.
- While the majority of Hungarian businesses said they will continue with in-house retention and management of customer credit risk, many companies in the construction sector told us they intend to take a more strategic approach involving credit insurance during the coming months, which may be complemented with the use of factoring.

Key figures and charts on the following pages

Hungary

Hungary
Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

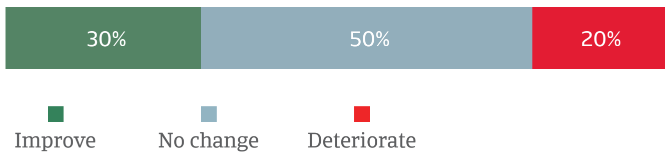
(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer Hungary - 2023

Hungary
Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

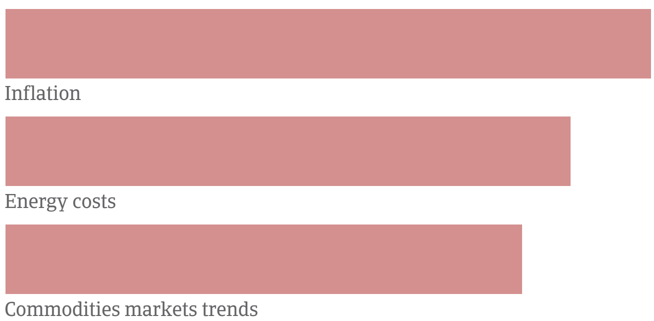
(% of respondents)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer Hungary - 2023

Hungary
Looking ahead to the next 12 months: top 3 concerns expressed by businesses polled

(% of respondents - multiple response question)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer Hungary - 2023

Survey question

How do you expect your average DSO to change over the next 12 months?

(% of respondents)

22% Improve
55% No change
23% Deteriorate

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Hungary - 2023

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Hungary are the focus of this report, which forms part of the 2023 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 210 interviews in total.
All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Hungary were surveyed, and the appropriate contacts for accounts receivable management were interviewed.
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **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=210 people were interviewed in total.
  A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration.
  Interview period: The survey was conducted between the end of Q1 and mid Q2 2023.

Sample overview – Total interviews = 210

Business sector	Interviews	%
Manufacturing	122	58
Wholesale trade	30	14
Retail trade/Distribution	25	12
Services	33	16
TOTAL	**210**	**100**
Business size	**Interviews**	**%**
SME: Small enterprises	33	17
SME: Medium enterprises	42	21
Medium Large enterprises	93	41
Large enterprises	42	21
TOTAL	**210**	**100**
Construction	27	13
Machines	86	41
Transport	97	46
TOTAL	**210**	**100**

Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the 2023 Payment Practices Barometer of Atradius, available at www.atradius.com/publications
Download in PDF format (English only).

Interested in finding out more?

Please visit the Atradius website where you can find a wide range of up-to-date publications. Click here to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

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