



Atradius Payment Practices Barometer

Sweden

Focus on B2B payment practices
in the construction materials, consumer durables
and steel /metals industries



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“*Overall Sweden has a fairly strong appetite for credit insurance and is used by three in five of the businesses we polled across the country. The strong credit management processes and payment guarantees that credit insurance provides may be why the majority of businesses reported containing DSO.*”

Peter Boberg
Country Director for Sweden

Use of trade credit widespread

The Swedish economy is rebounding. Most projections predict GDP growth to reach between 3% and 4% by the end of 2021. Business confidence is high with the vast majority of businesses in the industries we polled, consumer durables, steel/metals and construction materials, expecting growth next year. The insolvency forecast is low and business confidence may be further buoyed by the fact that government stimulus packages will continue until the end of Q4 in 2021.

However, when we dig deeper into the experiences of the individual industries we surveyed for this year's Payment Practices Barometer Survey, some results stand out. For example, the 14% write-off rate reported in Sweden's consumer durables industry is by far the highest reported for the same industry across the markets we surveyed in Europe. This may be partly explained by the high percentage of businesses in the industry choosing to manage credit risk in-house and possibly struggling to contain credit debts.

Overall Sweden has a fairly strong appetite for credit insurance and is used by three in five of the businesses we polled across the country. The strong credit management processes and payment guarantees that credit insurance provides may be why the

majority of businesses reported containing DSO (Days Sales Outstanding).

Interestingly, the majority of businesses that opted to retain credit risk in-house told us they had experienced an increase in credit management costs this year. As payments behaviour deteriorates, credit management can become more expensive as more resources are employed to collect unpaid invoices. This is where credit insurance can make real difference. The policy will not creep up in price the longer an invoice remains unpaid and professional debt collection services are included in the price of the policy. Businesses can plan and take strategic decisions more easily as they will know in advance that their invoices will be paid and that their credit insurance costs will be specific small percentage of that. This removes uncertainty and can help with both confidence and strategy.

Although any continuing impacts of the pandemic present a downside risk to businesses, confidence remains strong and the insolvency forecast is low. A large percentage plans to use credit insurance next year and a rebound from the pandemic economic downturn is anticipated.



Payment practices in Sweden

The results of this year's Payment Practices Survey in Sweden have revealed a widespread use of trade credit, particularly as a tool to drive business. 51% of all sales involved trade credit (chiefly on the domestic market). More businesses told us they accepted requests for trade credit (40%) than those who reported refusals (19%). Businesses most often accepted requests for trade credit to boost sales with existing customers (49%) or to win new customers (44%). In addition, and possibly reflecting the current trends favouring credit use, 47% of the businesses polled told us they increased payment terms this year. In contrast, 7% told us they shortened the terms offered to customers. 49% told us they adjusted terms to help them manage cash flow and credit decisions were often based on the availability and cost of funds needed to finance credit sales. Perhaps reflecting the increase in payment terms, 52% of businesses polled told us that it took them longer to convert invoices to cash than last year. 4% told us they were paid more quickly.

60% of the total value of all of the B2B invoices issued in the sectors we polled were reported overdue in Sweden this year. 15% of all invoices were more than 90 days overdue and 14% were written off.

Longer payment timings from B2B customers affected nearly 60% of the total value of the B2B invoices issued by the businesses we polled. B2B invoices still outstanding after 90 days and beyond represent slightly one fourth of this value. On average, 1% only of these long outstanding accounts were cashed in. The rest was written off as uncollectable.

The use of trade credit insurance is widespread in Sweden, with three in five of the businesses we polled reporting its use (61%). It is likely that many businesses use both credit insurance as well as relying on their internal resources to manage their credit sales as 81% reported self-insurance. 64% of businesses told us they offer discounts for early payment of invoices. The same percentage told us they

outsourced B2B debt collection to specialist agencies. In addition, 64% resorted to bank guarantees, most often in the form of letters of credit.

On the whole, these measures appear to have been successful in managing DSO. 52% reported they were able to contain DSO, compared to those reporting deterioration (40%). Perhaps reflecting the 81% managing trade credit in-house, 69% reported a year-on-year rise in the cost of credit administration and 51% reported increased trade debt collection costs, especially long outstanding ones. Businesses told us that their attempts to release liquidity tied-up in overdue receivables involved increasing the amount of time and resources spent on chasing unpaid invoices. They also described strengthening their internal credit control procedures, as well as pursuing additional sources of financing from banks, factors, and others.

Looking ahead into 2022, most businesses expect to see an increase in the frequency of credit sales, largely as a way of providing short-term finance for customers, and nearly one third told us they plan to take out a credit insurance policy. 54% of businesses expect their customers' payment practices to improve over the coming months, 43% expect no change and the remainder deterioration.

Despite buoyant confidence in their future growth over the coming months (90% feels positive), businesses we spoke to in Sweden are conscious that downside risks remain. Nearly half of the businesses polled expressed concern over the health of the domestic economy, warning that this could delay or even hampering growth in certain industries.

Reflecting on the impact of the pandemic on their operations, 55% of businesses told us that their ability to address changes to customer demand will become a permanent feature in their operations. The same percentage told us they accelerated the adoption of digitalisation during the pandemic.



Construction materials

Late payments and cash flow

Huge swing towards late payments

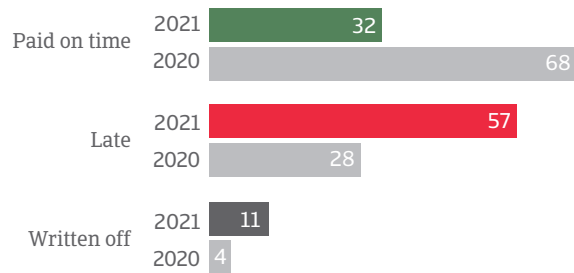
Sweden's construction materials industry experienced a huge year-on-year deterioration in payments behaviour. 64% reported an increase in payment delays this year, compared to just 19% last year. 28% of respondents reported no change (last year this was 62%) and 8% reported an improvement in invoice-to-cash turnaround (last year 19%).

57% of the total value of B2B invoices were reported overdue this year, up from last year's 28%. In addition, the proportion of bad debts written off increased to 11%, up from 4% last year. Unsurprisingly given these statistics, 55% reported a deterioration in DSO, up from 32% one year ago.

In an attempt to prop up liquidity, 45% reported accessing additional funding. 28% reported the same last year. However, to remedy liquidity shortages quickly, many told us they delayed investment in the property, plant and equipment of the business

Construction materials industry in Sweden

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



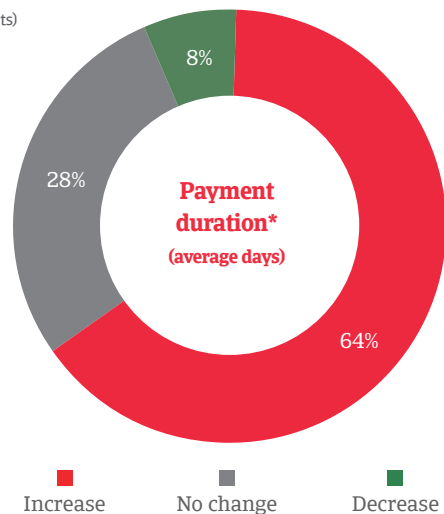
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Construction materials industry in Sweden

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** Pursue external financing
- #2** Strengthen internal credit control process
- #3** Delay investment in property, plant and equipment



Construction materials

Approach to credit management and DSO

Increase in take up of credit insurance

69% of the industry benefitted from the use of trade credit insurance this year, an increase on the 52% who used credit insurance last year. A similar percentage (72%) told us they retained and managed credit risk in-house this year, a large increase on last year's 32%.

A commonly used form of credit risk management was the sending of overdue invoice reminders. This was reported by 66% of respondents (up from 41% last year). The use of professional B2B debt collectors was reported by 57% (27% last year). 70% of the industry used banking tools such as letters of credit (up from 31% last year).

The majority of businesses that opted for internal credit risk management told us that over the past year they incurred increased administrative costs associated with in-house credit risk management (60%). 52% of these reported increases in the costs associated with the collection of long-term outstanding receivables (more than 90 days overdue). 49% reported increased costs associated with financing to support their cash flow while waiting for payment from their customers.

Majority expects DSO deterioration

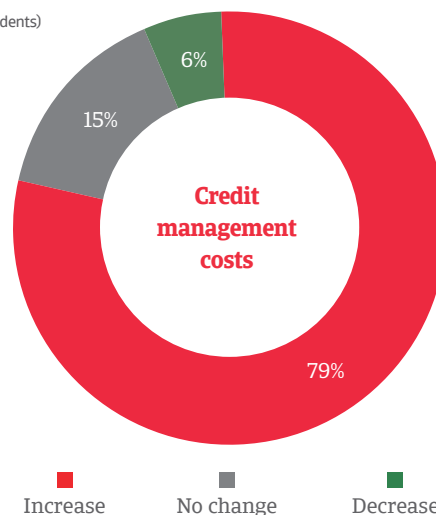
Looking ahead at the coming months, 58% expect DSO to deteriorate, 37% anticipates no change and only a small minority expect improvement.

70% of the industry intends to retain its current approach to credit management. In addition to this, 58% of the industry plans to retain and manage customer credit risk internally. For a large part this will involve offering discounts to encourage early payment of invoices. 49% told us they would additionally use bank instruments, such as letters of credit and 48% plan to use payment guarantees. 46% told us they intend to take out a credit insurance policy over the coming months and 57% intend to use factoring.

Construction materials industry in Sweden

change in credit management costs (2021/2020)

(% of respondents)



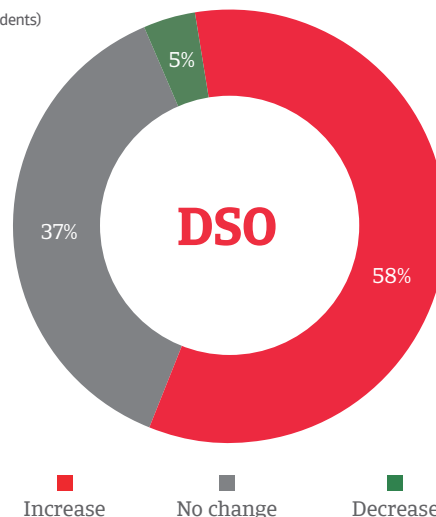
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Construction materials industry in Sweden

expected DSO changes over the next 12 months

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021



Construction materials

2022 industry outlook

Uncertainties surround economic forecast for next year

88% of the industry feels positive about the potential for growth next year, although 40% expressed concern over the health of the domestic economy and potential ongoing risks caused by ongoing pandemic impacts.

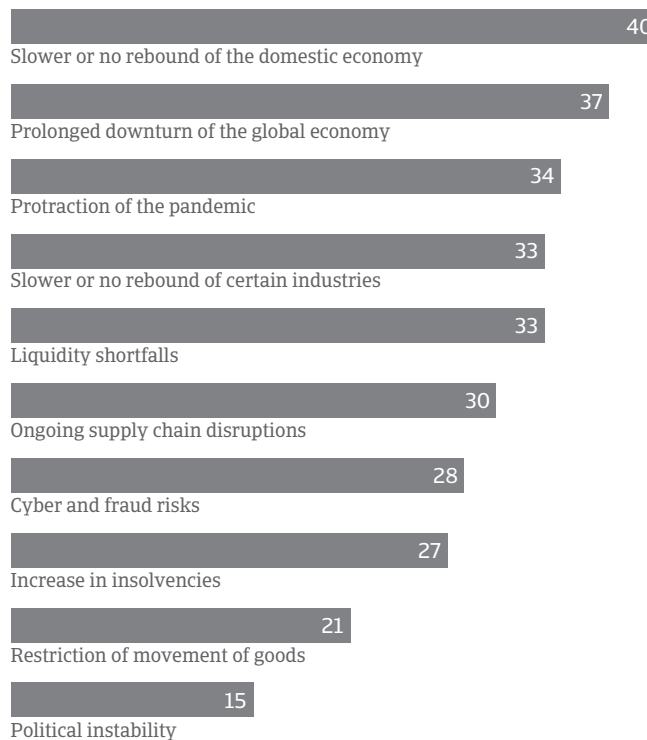
Nearly half of the of the businesses polled expect B2B credit sales to become more frequent to allow customers in financial distress additional time to pay for their purchases on credit terms (49%).

When asked to indicate which changes adopted during the pandemic will become a permanent feature of the way they do business, more than half of the respondents cited increased adoption of digital technology (52%). 51% told us they had increased the use of digital tools for credit risk management and 49% mentioned their ability to meet changes in customer demand induced by the pandemic.

Construction materials industry in Sweden

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

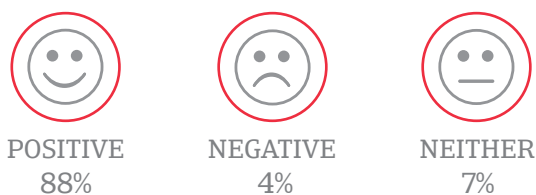
The pandemic has affected businesses significantly. Which of the following do you expect to become a permanent change in the way you do business? (ranking by % of respondents)

- #1 Increased digitalization
- #2 Increased digital credit risk management
- #3 Facing customer demand changes

Construction materials industry in Sweden

how businesses feel about their possible growth in 2022

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Consumer durables

Late payments and cash flow

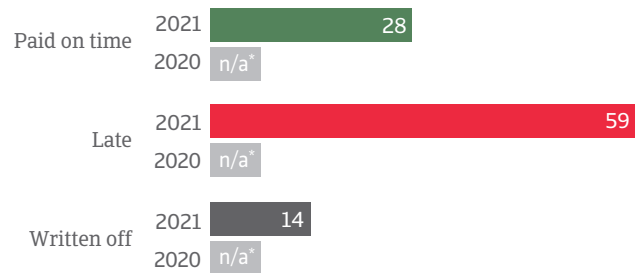
Highest right-off rate of industry in Europe

40% of the consumer durables industry reported an increase in late payments this year. For 55% of the businesses polled, invoice-to-cash turnaround remained stable and for 5% it shortened compared to one year ago. Late payments currently affect 59% of the total value of B2B invoices issued by consumer durables businesses. Most notable, however, is the write-off rate. 14% of the total value of B2B invoices in the Sweden consumer durables industry were written off this year. This compares to just 4% to 7% written off by the industry in the other countries we polled in Europe. Such a high rate is likely to have put a lot of pressure on the liquidity position of Swedish consumer durables businesses. This may also partly explain why 52% told us they did not increase the use of trade credit this year.

Perhaps in a bid to reduce the percentage of write-offs, 60% of the industry told us they had increased the amount of time and resources spent on chasing overdue invoices. 48% reported strengthening their credit control processes and 40% sought external financing.

Consumer durables industry in Sweden

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



*n/a = not available

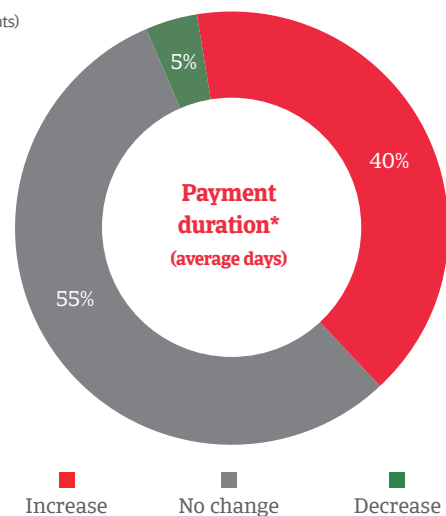
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Consumer durables industry in Sweden

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** Strengthen internal credit control process
- #3** Pursue external financing

Consumer durables

Approach to credit management and DSO

Majority opt to manage debt in-house

The vast majority of consumer durables businesses told us they opted to retain and manage the risk of payment default in-house this year (82%). For most this involved setting aside bad debt reserves to mitigate the adverse impact of potential losses. 72% told us they most often offered discounts to encourage customers to pay invoices earlier than due. In addition, 69% told us they adjusted payment terms in an attempt to reduce the time-lag between paying suppliers and receipt of payment from customers. 68% of the industry used credit insurance this year. This may explain why a significant number of the businesses we spoke to told us they were able to contain costs associated with external financing.

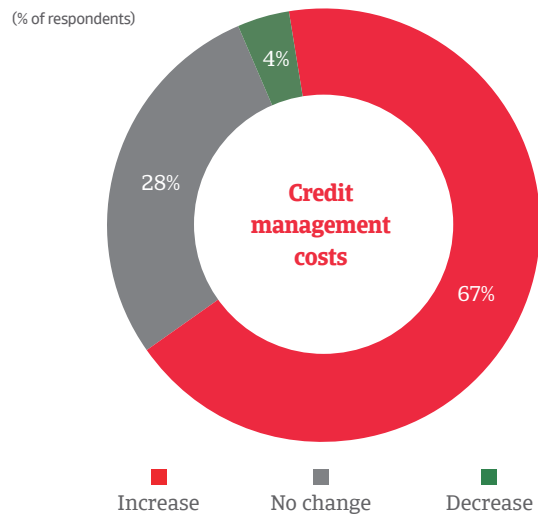
In contrast, the amount businesses spent on credit risk management and debt collection increased, possibly in a bid to try and recoup the high percentage of unpaid invoices. 67% spent more administrative tasks related the management of a credit department and 49% spent more on debt collection this year compared to last year. These increases in credit risk management costs can pose a threat to business profitability if they are not offset by increased sales revenue.

Industry reveals appetite for credit insurance

The majority of businesses we spoke to intend to use credit insurance next year (57%) and most of these believe they will be able to contain or reduce DSO. This contrasts with the businesses that plan to retain credit risk in-house next year, where the majority believe they will not be able to contain DSO. 48% of these businesses plan to spend more time and resources on invoice collection, including sending reminders for overdue invoices, as well as adjusting payment terms. The same percentage also plan to try and improve their liquidity by using factoring alongside requests for payment in cash and payment guarantees.

Consumer durables industry in Sweden

change in credit management costs (2021/2020)

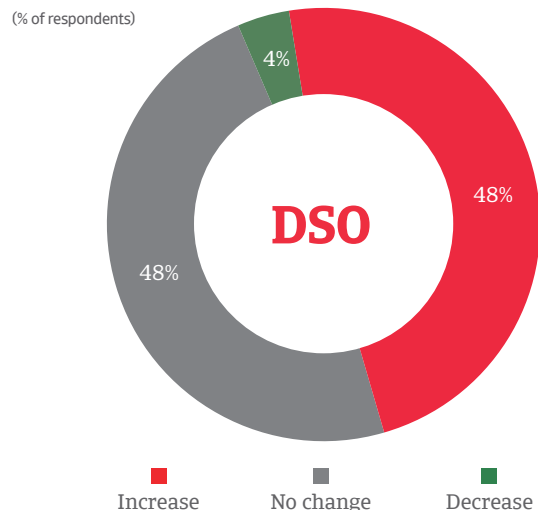


Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Consumer durables industry in Sweden

expected DSO changes over the next 12 months



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021



Consumer durables

2022 industry outlook

Growth optimism widespread

Despite their difficulties in collecting invoices this year, 87% anticipate business growth next year. The confidence is tempered slightly by the 45% that expressed concern over the health of the domestic economy, pointing to the downside risks that the pandemic continues to pose.

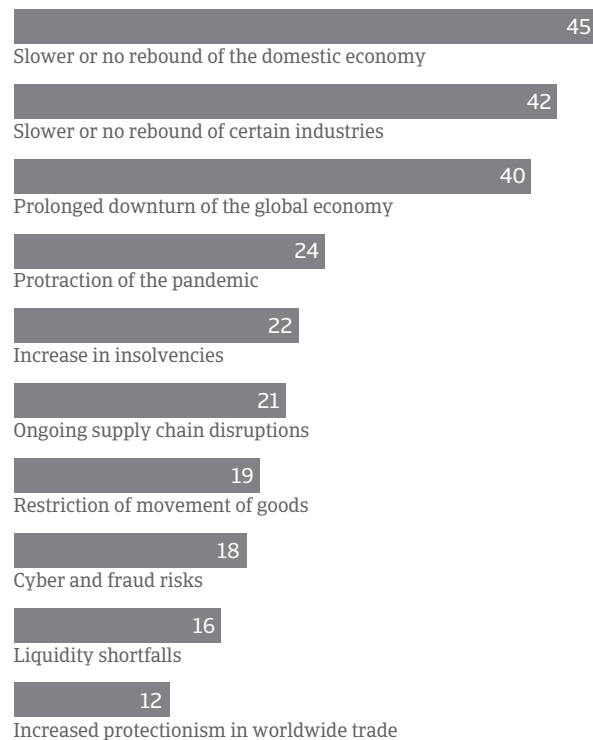
Most of the businesses polled believe trade credit will play a bigger role in their B2B relationships next year, although 49% actually anticipate a deterioration in payment practices, with only 5% predicting improvement. This is consistent with concerns over recovery across certain industries causing liquidity shortfalls. The majority told us they intend to offer credit to allow their customers more time to pay.

When assessing the impacts of the pandemic on their business, 64% reported adopting digital technology and 52% said there had been changes to customer demand. A significant number told us they were facing long-term changes to their supply chains.

Consumer durables industry in Sweden

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

Consumer durables industry in Sweden

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

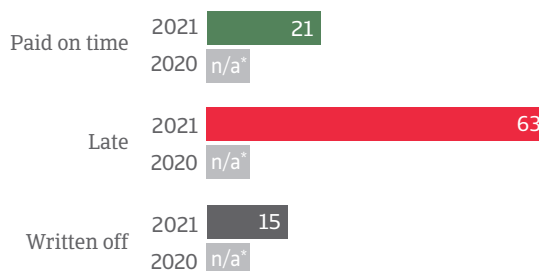
Three-fifths of all invoices overdue

63% of all invoices in the Swedish steel/metals industry were reported overdue this year. 15% were written off, putting a huge strain on liquidity. While this is the highest percentage of write-offs among the steel/metals businesses we polled in Europe, it is not a complete outlier (Italy reported 14% write-offs and Switzerland 13% for example). 51% of businesses told us that their customers' payment practices deteriorated compared to last year and 49% said payment practices had remained stable.

56% of the industry told us that they increased the time and resources they spent on trying to collect unpaid invoices. 48% told us they strengthened their credit control process, and 41% resorted to external financing.

Steel/metals industry in Sweden

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



*n/a = not available

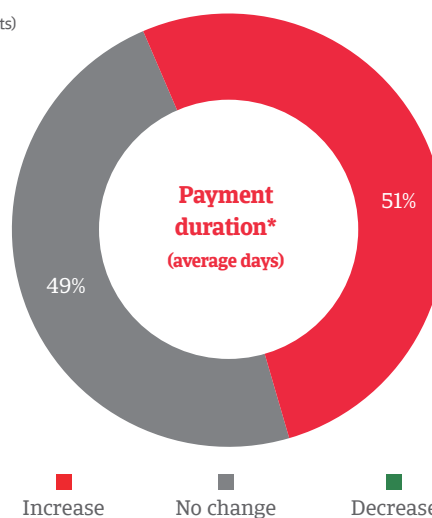
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Steel/metals industry in Sweden

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** Strengthen internal credit control process
- #3** Pursue external financing

Steel/metals

Approach to credit management and DSO

4 in 5 businesses spent more on credit management this year

89% of the industry opted to manage credit risk in-house this year. 71% adjusted payment terms, where possible negotiating longer terms with supplier and shorter terms with customers in a bid to maximise cash flow. 71% also outsourced collections to professional B2B trade debt collectors and 59% sent invoice payment reminders to defaulting customers.

68% were prepared to reduce part of their profits in order to guarantee a speedy payment by offering discounts for early settlement of invoices. The same percentage used factoring for the same reason. 79% of those that opted for reliance on in-house resources told us they spent more on credit risk management this year. Much of the cost was accrued in attempting to collect long overdue invoices.

In contrast 48% of the industry reported using trade credit insurance. For these businesses there was no increase in costs associated with credit management or debt collection, and many acknowledged the cost-effectiveness of this approach.

Industry swing in favour of credit insurance

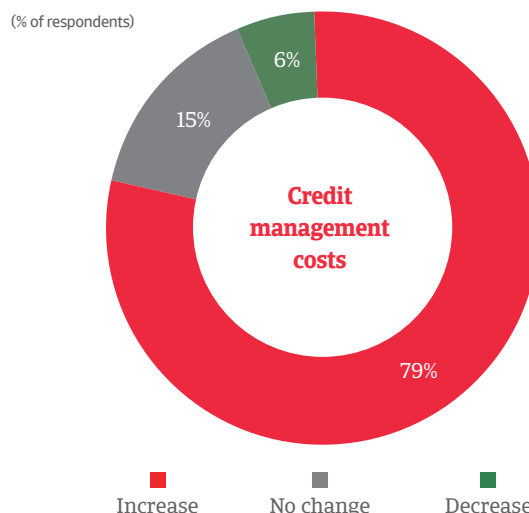
Perhaps in response to increase in credit management costs and high write-off rate, the majority of businesses we polled told us they intend to take out a credit insurance policy next year. 73% told us they plan to continue using, or even increase the use of credit insurance over the coming months.

Fewer businesses polled (68%) told us they will continue to retain credit risk in-house and many reported an intention to increase efforts to reduce concentrations of customer credit risk in their books. Requesting cash payments more often, using factors and outsourcing trade debt collection is also in the future plans of a significant number of businesses (47% in each case).

Despite these plans to contain overdue receivables, the industry is fairly divided in their DSO predictions. 50% anticipate deterioration, 47% no year-on-year change and 3% predict improvement.

Steel/metals industry in Sweden

change in credit management costs (2021/2020)

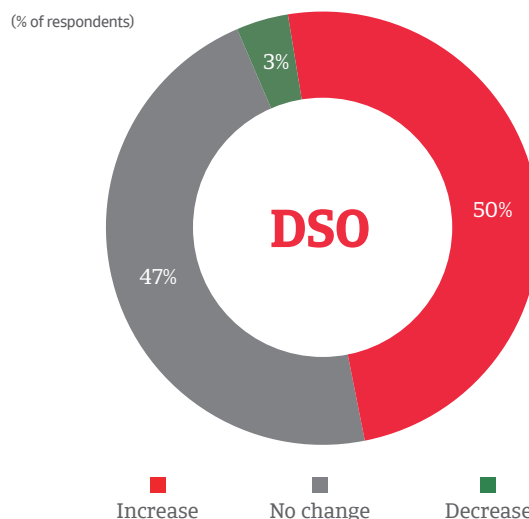


Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Steel/metals industry in Sweden

expected DSO changes over the next 12 months



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Steel/metals

2022 industry outlook

Business confidence is strong

94% of the Swedish steel/metals industry is confident about growth next year. However, 62% acknowledges the highest downside risk to next year's outlook is represented by uncertainty over the domestic economy. 47% is concerned about a slow rebound of the industries most been severely hit by the pandemic.

Interestingly, industry opinion was divided over the future role of trade credit in B2B trade. 27% believes it will increase to stimulate demand, and the same percentage believes it will decrease due to a potential higher risk of customer payment default. For those anticipating an increase in the use of trade credit, 23% believe it will be used mainly as a way to provide short-term finance to customers in financial distress.

Looking ahead 64% believes changes to customer demand will become a permanent feature of the way they do business, 47% cited the adoption of digitalisation and 44% e-commerce.

Steel/metals industry in Sweden

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



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

SURVEY QUESTION

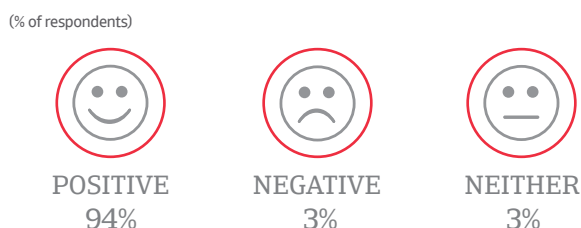
The pandemic has affected businesses significantly. Which of the following do you expect to become a permanent change in the way you do business? (ranking by % of respondents)

- #1 Facing customer demand changes
- #2 Increased digitalisation
- #3 E-commerce



Steel/metals industry in Sweden

how businesses feel about their possible growth in 2022



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

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 Sweden. 200 companies from the Swedish construction materials, 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.

Sweden - total interviews 200

Industries surveyed

Construction materials
Consumer durables
Steel/metals

Sector	Construction materials (%)	Consumer durables (%)	Steel/metals (%)
Companies interviewed			
Manufacturing	67	9	12
Wholesale trade	15	10	79
Retail trade/Distribution	9	76	9
Services	9	4	0

Company size	Construction materials (%)	Consumer durables (%)	Steel/metals (%)
Companies interviewed			
Micro enterprises	0	0	0
SME - Small enterprises	37	24	14
SME - Medium enterprises	16	51	83
Large enterprises	46	25	3

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

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