



# Atradius Payment Practices Barometer

International survey of B2B payment behaviour  
Survey results for Czech Republic



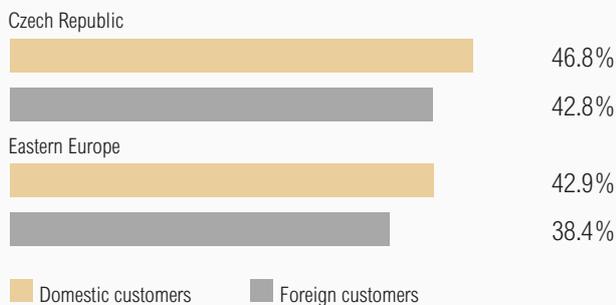
## Survey results for Czech Republic

### Sales on credit terms

Respondents in the Czech Republic show a relatively stronger preference for selling on credit to domestic than to foreign B2B customers. An average of 46.8% of the total value of domestic and 42.8% of the total value of foreign B2B sales were transacted on credit terms.

The average for foreign credit-based sales is higher than that for Eastern Europe (42.9% domestic and 38.4% foreign) and Western Europe (44.9% domestic and 37.7% foreign). This highlights that Czech respondents are more open to using trade credit in foreign B2B transactions than their peers in Europe.

#### Proportion of sales made on credit to total B2B sales of respondents in Czech Republic



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer – May 2015

More information in the [Statistical appendix](#)

Over the past two years, the proportions of domestic and foreign B2B sales transacted on credit terms by Czech respondents fluctuated somewhat. At the beginning of 2014, both proportions recorded a marked year-on-year increase (by an average of 45 percentage points). This may have reflected the return to economic growth experienced by the country in 2014, spurred by a sharp increase in domestic demand which led to a strong growth in exports. However, B2B sales transacted on credit saw a decline in the same period of this year, more marked in respect

to foreign than to domestic sales. Based mainly on robust domestic demand, the Czech Republic's outlook for 2015 is positive in terms of economic growth. This may explain why a lot more respondents in the Czech Republic (36%) than in Eastern Europe (22%) consider a likely fall in demand for their products and services as the greatest challenge to business profitability this year. It is worth noting that the response rate for the Czech Republic is the highest in Eastern Europe. The response rate in Western Europe is 20%.

### Average payment term

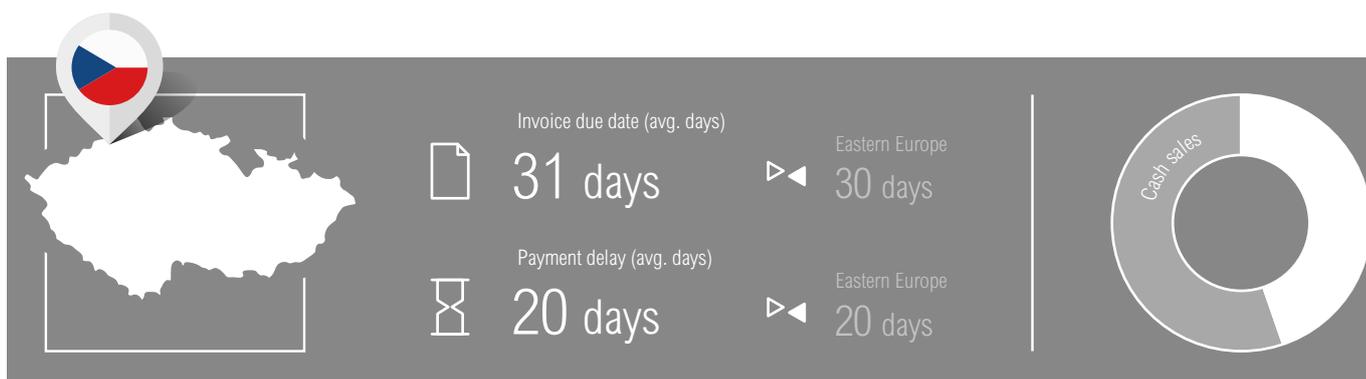
Domestic B2B customers of respondents in the Czech Republic are given an average of 27 days from the invoice date to pay invoices. This term, which is in line with that recorded in Slovakia, decreased by an average of six days over the past two years, and is now three days shorter than the average for Eastern Europe (the average for Western Europe is 34 days).

Foreign B2B customers of Czech respondents are extended, on average, more generous invoice payment terms, averaging 35 days (this average term decreased by around four days in the last two years). Moreover, this average term is four days longer than the average for Eastern Europe (the average for Western Europe stands at 32 days).

### Overdue B2B invoices

In the Czech Republic, late payments on domestic B2B invoices appear to occur more often than on foreign invoices. An average of 42.1% of domestic invoices and 37.3% of foreign ones were not paid within the agreed payment term. Both figures are almost in line with the averages for Eastern Europe (41.2% domestic and 34.2% foreign) and Western Europe (40.2% domestic and 35.4% foreign).

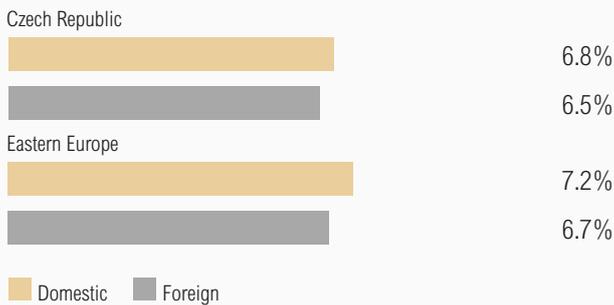
Over the past two years, in line with observations in Eastern Europe, the Czech Republic recorded an increase in domestic and foreign overdue payment levels. Domestically, the rate of late payment increased by 17.2 percentage points, which outweighs the increase in foreign late payment (averaging 11 percentage points). More specifically, the domestic figure is higher, while the



foreign one is in line with the average for Eastern Europe. It is worth noting, however, that the domestic increase is the highest of all the countries surveyed in Eastern Europe. This is likely to stem from a stronger slowdown in the speed of domestic payments than of foreign ones, particularly in the area of payments made within 1 to 30 days past due.

This is below the 59 days average for Eastern Europe (average for Western Europe stands at 48 days).

### Average proportion of B2B invoices unpaid 90+ days after due date



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer – May 2015

More information in the [Statistical appendix](#)

Domestic delinquency rates in the Czech Republic, appear to be almost as high as foreign ones. 6.8% of the total value of domestic B2B receivables were reported to be delinquent, and stand a significant chance of turning into collection cases. This percentage is lower than the averages for Eastern Europe (7.2%) and Western Europe (7.6%). Foreign delinquency rates average 6.5% of the total value of foreign B2B receivables. This compares to the 6.7% average for Eastern Europe and 7% for Western Europe. It is worth noting that, delinquency rates in the Czech Republic remained relatively stable year-on-year at the beginning of 2014, followed by a slight increase, particularly on the domestic market, in the same period of this year.

Invoice late payment (domestic and foreign) is reflected in the Days Sales Outstanding (DSO) figure posted by Czech respondents, averaging 50 days (10 days longer than two years ago).

### Average payment delay

Domestic and foreign B2B customers of respondents in the Czech Republic pay their overdue invoices, on average, around 20 days after the due date. This is in line with the survey average for Europe. This means that the suppliers surveyed in the Czech Republic receive payments on B2B invoices around 51 days after the invoice date. The average for Eastern Europe is around 50 days, and for Western Europe 56 days.

Over the past two years, both the domestic and foreign average payment delay in the Czech Republic remained relatively stable. However, the result is that now Czech respondents receive payments on B2B invoices somewhat earlier than two years ago, particularly from B2B customers abroad.

### Key payment delay factors

In the Czech Republic, the most often reported reason for invoice payment delays is the perception that B2B customers use outstanding invoices as a form of surrogate financing (58% of Czech respondents in relation to domestic customers, and 34.7% in relation to foreign customers). Interestingly, this appears in contrast with observations in both Eastern and Western Europe, where the majority of respondents (60% in Eastern Europe and 51.4% in Western Europe) reported having experienced invoice payment delays most often due to the customers' insufficient availability of funds.

This finding may be read in conjunction with that indicating a strong slowdown in the speed of domestic payments, that was mentioned earlier in this report. More respondents in the Czech Republic (42.2%) than in Eastern Europe (24.2%) reported that domestic payment delays are most often due to the formal insolvency of the buyer. This may still reflect the economic contraction experienced in the country over the past two years. 18.5% of respondents in Western Europe also reported this delay factor. Moreover, 35% of Czech respondents attributed foreign payment delays to the complexity of the payment procedure. This is sig-





nificantly more than in Eastern Europe (13.3%) and in Western Europe (16.3%). According to 33% of Czech respondents, versus 18% in Eastern Europe and 17% in Western Europe, foreign payment delays also occur due to disputes over the quality of goods delivered or services provided.

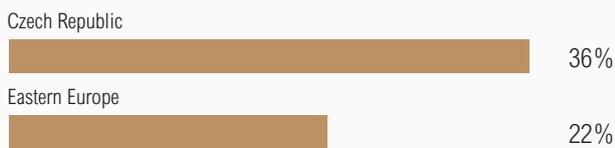
### Uncollectable accounts

The proportion of B2B receivables reported as uncollectable by respondents in the Czech Republic (1.4%) is almost in line with the 1.1% average for Eastern Europe (average for Western Europe is 1.2%). Domestic write-offs outweigh foreign ones. Most of the respondents in the country (30%) reported that uncollectable domestic B2B receivables originate most often from the construction, consumer durables and services sectors.

Foreign B2B write-offs occurred mainly in the construction, machines and transport sectors. The majority of Czech respondents (57%) said that B2B receivables were uncollectable mainly due to the customer going bankrupt or out of business. This response rate is in line with that for Eastern Europe. The second most often cited reason for write-offs is the failure of collections attempts (45.6% of respondents). Fewer respondents in Eastern Europe (38.4%) and in Western Europe (25.1%) reported this reason.

For more insights into the B2B receivables collections practices in the Czech Republic, please see the Global Collections Review by Atradius Collections (free download after registration), available from May 19, 2015 on [www.atradiuscollections.com](http://www.atradiuscollections.com).

#### Top challenge to business profitability in 2015: falling demand of products and services



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer – May 2015

More information in the [Statistical appendix](#)

### Payment practices by industry

Survey respondents in the Czech Republic reported granting trade credit terms mainly to B2B customers belonging to the following sectors: chemicals, construction, consumer durables, food, machines, metals, transport and services. On the domestic market, the payment terms extended to B2B customers in the above mentioned sectors do not differ significantly from the country average. Conversely, foreign customers in the construction and consumer durables sectors are given payment terms above the country average (51 days and 41 days respectively).

Besides registering the longest payment delays, both from domestic and foreign customers, the chemicals sector generates a proportion of overdue invoices (domestic and foreign) which exceed the averages for the country.

However, domestic late payment due to a likely use of outstanding invoices as a form of surrogate financing was reported most often in the transport sector. As far as foreign late payment is concerned, customers in the services sector were reported to be the slowest payers.

Over the coming 12 months, nearly 30% of the respondents in the Czech Republic expect the payment behaviour of domestic B2B customers in the chemicals sector to deteriorate slightly. 27% of respondents expect a slight worsening of the payment behaviour of foreign B2B customers in the metals sector over the same time frame. No significant change is expected in the payment practices of customers in other sectors in the coming 12 months.

To learn more about the Survey design of the Atradius Payment Practices Barometer, please see the [report for the region](#).

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.

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The [Statistical appendix](#) to this report is part of the May 2015 Payment Practices Barometer of Atradius (survey results for Eastern Europe) available at [www.atradius.com/Publications/Payment Practices Barometer](http://www.atradius.com/Publications/Payment Practices Barometer). This appendix is available for download in PDF format (English only).

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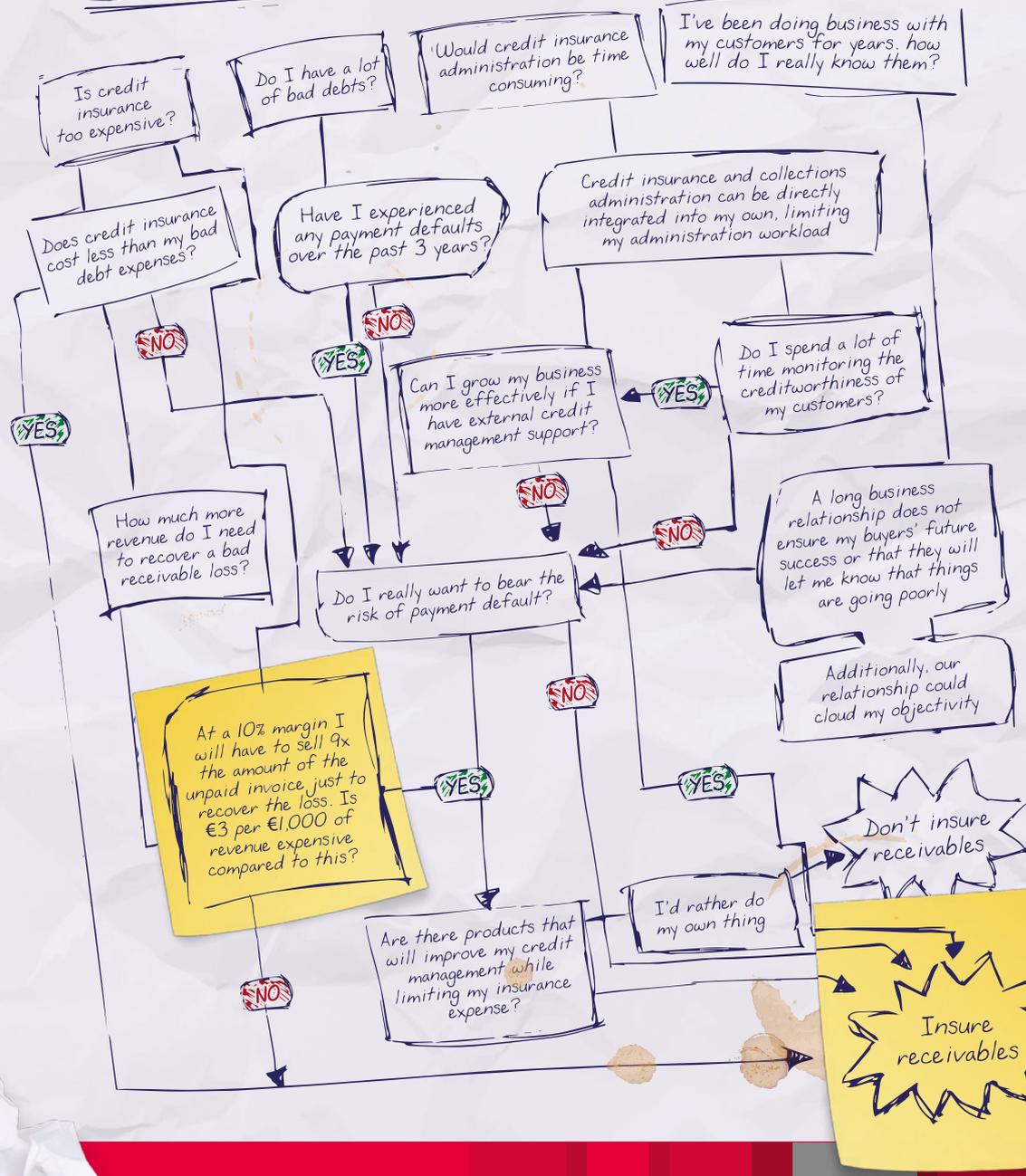
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# Don't overcomplicate your decision about whether to use credit insurance

## SHOULD I INSURE MY RECEIVABLES?



At a 10% margin I will have to sell 9x the amount of the unpaid invoice just to recover the loss. Is €3 per €1,000 of revenue expensive compared to this?

Insure receivables



credit insurance | debt collection | business information

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