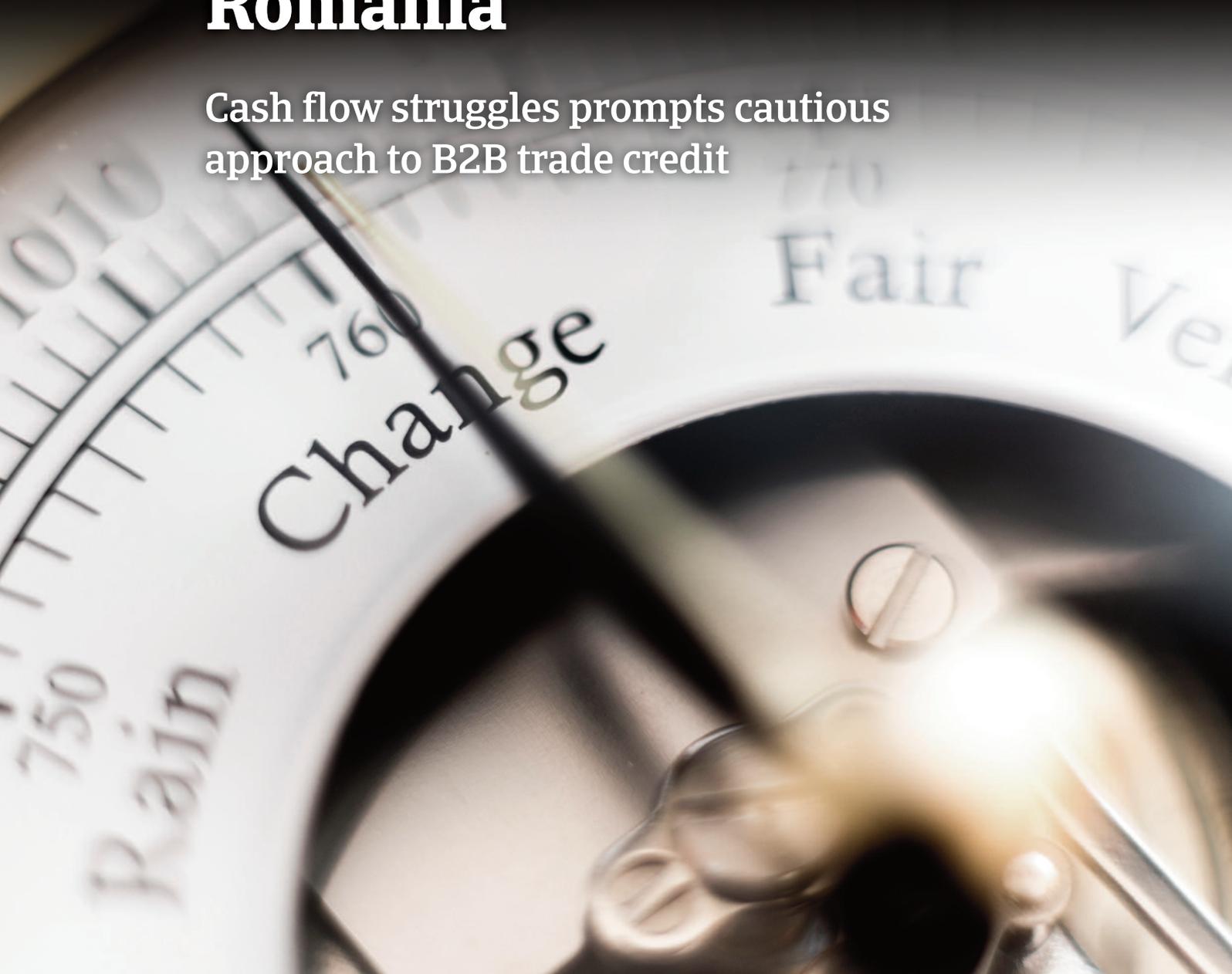




Key trends for B2B payments and cash flow

Romania

Cash flow struggles prompts cautious approach to B2B trade credit





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 Romania.

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



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B2B payment trends and cash flow

Cash flow struggles prompts cautious approach to B2B trade credit

A prudent approach to the use of trade credit in B2B transactions was evident among companies polled in Romania. Our survey found that an average 45% of all B2B sales were made on credit, with 55% of sales transacted on a cash basis. There was particular caution about granting trade credit in the steel-metals sector, probably reflecting the current uncertain economic and business landscape. Payment terms were set at an average of 36 days from invoicing by companies polled in Romania, with 53% of companies polled reporting no significant change to terms granted to B2B customers during the past 12 months, although longer payment terms were found in the transport sector. The main factors in setting payment terms was the cost of seeking external finance along with profit margins.

Late payments affected almost 50% of B2B invoiced sales during the past year, which may explain the highly risk-averse approach to the use of trade credit in B2B sales found among businesses in Romania. The steel-metals sector was particularly hit by late payments. However, 41% of companies polled, notably in the construction sector, said they had to wait nearly one month longer than last year to be paid by B2B customers. The chief reason for late payments from B2B customers was temporary liquidity shortfalls, but in the steel-metals sector the main factor was invoice disputes amid B2B customer insolvencies. Bad debts now affect an average 5% of all invoiced B2B sales.

To minimise the risk of incurring severe liquidity issues amid late or non-payment by B2B customers, companies polled in Romania took a wide range of measures. 41% of businesses told us they most often slowed down payment to their own suppliers. This was particularly reported by the construction sector, and a clear signal of financial distress. Companies in the steel-metals sector said they also slowed down payments of bills and staff. This approach was complemented by spending extra time and resources to chase overdue invoices, and one consequence was a slight improvement in Days-Sales-Outstanding (DSO), which for many companies meant reduced need to borrow to withstand potential liquidity gaps due to the impact of customer credit risk on the business. When external finance was required, the most popular choice among companies surveyed in Romania was bank loans, especially among construction companies.

56% of companies polled in Romania told us they preferred to opt for in-house retention and management of customer credit risk during the past 12 months to speed up cash inflow and maintain sufficient liquidity levels to run the business.

Key survey findings

- Our survey revealed a prudent approach to selling on credit among companies polled in Romania. An average 45% of B2B sales were transacted on credit during the past year, with 55% on a cash basis. The steel-metals sector had the least dynamic policy.
- Payment terms now average 36 days from invoicing among businesses polled in Romania. The construction sector had the most stringent policy, while transport companies had the most lenient. The main factor in setting payment terms was the cost of external finance.
- 41% of companies polled in Romania said it took one month longer than last year to be paid by B2B customers. Late payments now affect nearly half of all B2B sales on credit, with the steel-metals sector particularly affected. Bad debts stand at 5% of all B2B sales.
- A range of actions were taken to avoid liquidity problems. 41% of businesses polled in Romania slowed down payments to suppliers, a clear sign of financial distress and need to keep cash in-house. Others also slowed down payments of bills and staff.
- Another popular measure employed by businesses in Romania was spending extra time and resources on chasing unpaid invoices. Along with shortened payment terms this helped to improve Days-Sales-Outstanding (DSO) and avoid the need to seek external finance.
- In-house retention and management of customer credit risk was the preferred option of 56% of companies polled in Romania, especially in the steel-metals sector. Transport businesses reported using factoring, while there was also appetite shown for a strategic approach to credit management involving the use of credit insurance.

This was especially common among businesses in the steel-metals sector. However, outsourcing the management of customer credit risk to a credit insurer was also a popular move among businesses polled in Romania, with benefits such as gaining access to valuable business intelligence. This approach was less popular among Romanian transport companies, who told us they opted most often for factoring.

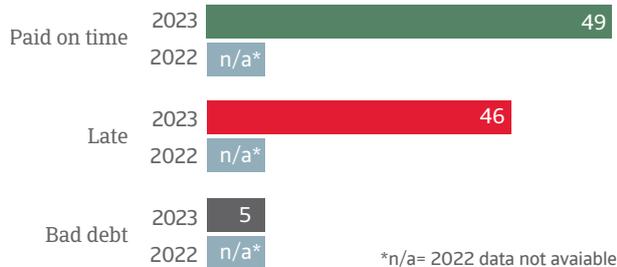
Key figures and charts on the following pages



Romania

Romania

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

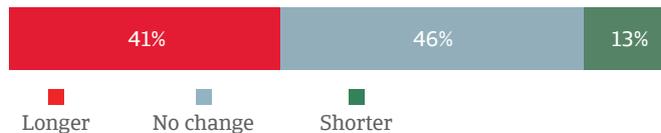


Sample: all survey respondents

Source: Atradius Payment Practices Barometer Romania – 2023

Romania

% 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 Romania – 2023

Romania

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 Romania – 2023

Survey question

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

- 36% Bank loans
- 36% Trade credit
- 35% Equity capital
- 17% Debt securities issued

*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer Romania – 2023

Looking ahead

High pressure on operating costs and inflation worries companies in Romania

As they look to the year ahead, companies polled in Romania are significantly concerned about the volatile trend in the cost of raw materials and of input for production. The cost of energy and commodities were most often cited by companies polled, a particular worry for companies in the Romanian agri-food sector. Across various sectors of Romania's market, businesses surveyed told us this uncertain cost trend would make budgeting difficult, having the potential to seriously dent profit margins in the coming months. Despite its gradual softening, the threat of persistent inflation was another key anxiety expressed in our survey, particularly the impact of energy inflation on businesses' operating costs. Companies are concerned that the pass-through of higher costs on to consumers through higher prices would further strain the outlook for the recovery of the domestic economy. Companies polled said they expected inflationary pressure would continue for much of the year.

Our survey found a vastly differing mood about the prospects for demand and profit margins across the various sectors polled. Overall, 51% of businesses expect demand to rise during the coming year, with the steel-metals and transport sectors anticipating a slight rebound in sales. In contrast, construction companies are far more pessimistic about both demand and future profit margins. 59% of businesses polled said they expect no change or even a worsening of profit margins in the next 12 months, which tallies with the worries expressed about production input costs and persistent inflation. However, the steel-metals sector said it anticipates a brighter outlook.

A similarly mixed mood, with markedly different outlooks across sectors, was also evident about the prospects for B2B customer payment behaviour and Days-Sales-Outstanding (DSO). Among companies polled in Romania, it was once again the steel-metals sector which expressed most optimism about an improvement in payment behaviour during the coming 12 months. They also reported optimism about DSO for the year ahead. Construction companies generally said they anticipate no change in either area, but businesses in the transport sector told us they expect a deterioration of B2B customer payment behaviour. They also said this could cause DSO to worsen and potentially trigger financial distress.

Companies polled in Romania said they expect in-house retention and management of the risk of B2B customer payment default to continue to be their main credit management tool during the year ahead.

Key figures and charts on the following pages

Key survey findings

- Volatility in the cost of raw materials was the major concern for the year ahead reported by companies polled in Romania. They told us this makes it difficult to budget and has the potential to dent profit margins. High inflation and energy costs were two other areas of anxiety across all sectors.
- Cautious confidence about the prospects for demand during the next 12 months was expressed by businesses surveyed in Romania. 51% of companies expect demand to rise, with the steel-metals and transport sector anticipating a rebound in sales.
- Less optimism was found concerning the outlook for profit margins. 59% of companies polled in Romania expect no change or a worsening of profit margins during the year ahead, reflecting worry about the price of commodities, particularly in the construction sector.
- Our survey found a very mixed mood about the trend of B2B customer payment behaviour for the year ahead, with marked differences across the various sectors. Steel-metals companies polled in Romania were the most optimistic about improvement.
- The steel-metals sector also reported the most positivity concerning prospects for Days-Sales-Outstanding (DSO) among Romanian businesses. Transport companies expect a deterioration of DSO, which may trigger financial distress.
- In-house retention and management of customer credit risk is expected to remain the most common approach during the year ahead for the majority of companies polled in Romania. However, exporters in the steel-metals sector told us they were actively considering outsourcing the issue to a credit insurer.

This was reported across all sectors, and would be complemented by frequent use of letters of credit, particularly among exporters who had struggled with structural weaknesses and sharp energy price rises. However, they also told us that letters of credit were costly to obtain, and 45% of exporters polled said they would consider outsourcing customer credit risk to a credit insurer. This was particularly reported in the steel-metals sector.



Romania

Romania

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

(% of respondents)

Sales



Profit margins



■ Improve
 ■ No change
 ■ Deteriorate

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

Romania

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

(% of respondents)



■ Improve
 ■ No change
 ■ Deteriorate

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

Romania

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 Romania - 2023

Survey question

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

(% of respondents)

45% Improve
41% No change
14% Deteriorate

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

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Romania 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 231 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Romania 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=231 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 = 231

Business sector	Interviews	%
Manufacturing	84	36
Wholesale trade	47	21
Retail trade/Distribution	32	14
Services	68	29
TOTAL	231	100

Business size	Interviews	%
SME: Small enterprises	54	23
SME: Medium enterprises	69	30
Medium Large enterprises	70	30
Large enterprises	38	17
TOTAL	231	100

Construction	70	30
Metals	80	35
Transport	81	35
TOTAL	231	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).

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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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