



Atradius Payment Practices Barometer

International survey of B2B payment behaviour
Survey results for Hungary



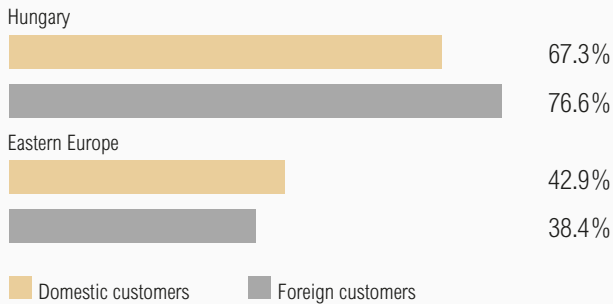
Survey results for Hungary

Sales on credit terms

Of all the countries surveyed in Eastern Europe, Hungary appears to be the most inclined to use trade credit in B2B transactions. At the same time, the country is showing a stronger preference for trading on credit with foreign customers than with domestic ones. An average of 76.6% of the total value of foreign B2B sales in Hungary was transacted on credit, versus 67.3% of domestic sales.

Both averages for the country are notably higher than those for Eastern Europe (42.9% domestic and 38.4% foreign) and Western Europe (44.9% domestic and 37.7% foreign). Moreover, the stronger preference shown by Hungarian respondents to sell on credit terms internationally is in contrast with the overall survey pattern, which indicates a greater likelihood to use trade credit in domestic rather than in foreign trade relations. Slovakia, which shows no clear preference in this respect, is an exception to this.

Proportion of sales made on credit to total B2B sales of respondents in Hungary



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 proportion of B2B credit-based sales in Hungary's domestic market varied widely. After a sharp decrease (around 25 percentage points) at the beginning of 2014, it increased again markedly in the same period of this year. This

fluctuation is in contrast to the overall survey pattern, which highlights a sharp and steady drop in domestic credit-based sales in Eastern Europe over the past two years. Foreign B2B sales on credit in Hungary followed the same pattern.

Average payment term

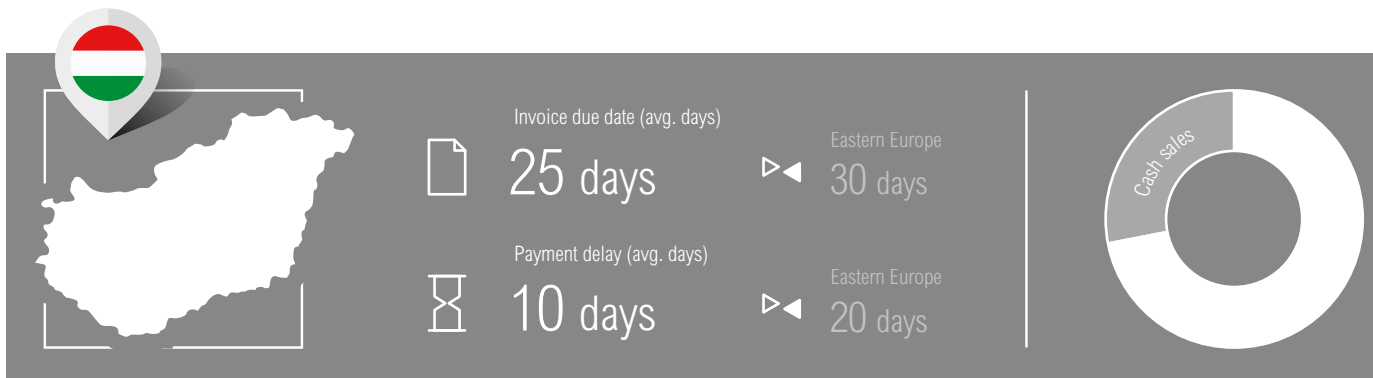
Domestic B2B customers of respondents in Hungary are given an average of 24 days from the invoice date to pay invoices. This term, which is the same as that recorded in Poland, decreased on average by seven days over the past two years, and is now six days shorter than the average for Eastern Europe (the average payment term for Western Europe is 34 days).

Foreign B2B customers of respondents in Hungary are given a little longer to settle their trade debts. The average payment term is 27 days, four days shorter than the average for Eastern Europe (the average for Western Europe stands at 32 days). Once more, this term does not differ from that observed in Poland. Over the past two years, the average payment term given to foreign customers in Hungary decreased by five days.

Overdue B2B invoices

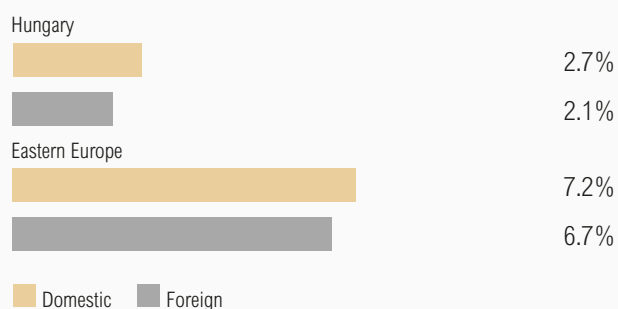
Domestic B2B invoices in Hungary are more likely to be paid late than are foreign invoices. An average of 27.3% of the total value of B2B domestic invoices and 19.4% of foreign ones was paid after the due date. Both figures are the lowest of all the countries surveyed in Eastern Europe, and are significantly below the survey 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, consistent with the survey pattern, Hungary saw a slight increase (2.4 percentage points) in domestic overdue payment levels. Foreign overdue levels remained relatively stable over the same time frame. Both figures are markedly lower than the averages for Eastern Europe (around 11 percentage point increase in domestic and foreign late payment rates). The averages for Western Europe point to increases in overdue invoices; more specifically, an increase of 10 percentage points in domestic invoices, and 6.4 percentage points in foreign invoices.



Domestic delinquency rates in Hungary, appear to be almost as high as foreign ones and are the lowest of all the countries surveyed in Eastern Europe. 2.7% of the total value of domestic B2B receivables were reported to be delinquent, and are likely to turn into collection cases. This percentage is significantly below the averages for Eastern Europe (7.2%) and Western Europe (7.6%). Foreign delinquency rates average 2.1% of the total value of foreign B2B receivables. This compares to the 6.7% average for Eastern Europe and 7% average for Western Europe. The delinquency rates in Hungary fluctuated markedly over the past two years, showing a decrease at the beginning of 2014, followed by a slight increase in the same period of this year.

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](#)

Invoice late payment (domestic and foreign) is reflected in the Days Sales Outstanding (DSO) figure posted by Hungarian respondents, averaging 80 days (nearly one month longer than two years ago). This is significantly above the 59 day average for Eastern Europe (average for Western Europe stands at 48 days). At the same time, it is the longest of all the countries surveyed in Eastern Europe, along with that recorded in Poland.

Given the above observations, it comes as no surprise that a higher proportion of respondents in Hungary (19%) than in East-

ern Europe (12%) considers the collection of outstanding invoices as one of the greatest challenges to business profitability in 2015. 11% of respondents in Western Europe also reported this challenge.

Average payment delay

Domestic B2B customers of respondents in Hungary pay their overdue invoices, on average, around 10 days after the due date. This is well below the survey average for Eastern Europe, highlighting an average payment delay of around 20 days. This means that, on average, Hungarian suppliers receive payment on B2B invoices around 34 days after the invoice date. The average for Eastern Europe is around 50 days, and for Western Europe 56 days. Payment on foreign past due B2B invoices is received by respondents almost within the same time frame.

The domestic and foreign average payment delay in Hungary fluctuated markedly over the past two years. The result is that now suppliers interviewed in Hungary receive payment on B2B invoices from both domestic and foreign customers earlier than they did two years ago.

Key payment delay factors

78.6% of the companies surveyed in Hungary (60% in Eastern Europe and 51.4% in Western Europe) reported that domestic late payment is most often due to B2B customers' liquidity issues. This is the highest percentage of respondents citing this reason of all the countries surveyed in Eastern Europe.

For 64.7% of respondents in the country (41.4% in Eastern Europe and 37% in Western Europe), this is the most frequent reason for foreign payment delays as well. The percentage of Hungarian respondents reporting late payments on domestic B2B invoices due to customers' financial difficulties fell sharply at the beginning of 2014, and increased again markedly this year. Foreign overdue payment rates due to the same reason remained substantially steady over the same time frame.



Uncollectable accounts

Respondents in Hungary reported to have written off around 1% of the total value of their B2B receivables as uncollectable. This is in line with the average for Eastern Europe (average for Western Europe is 1.2%). Consistent with observations in Europe, domestic write-offs outweigh foreign ones.

Hungarian respondents reported that uncollectable domestic B2B receivables originated most often from the construction and machines sectors. The machines sector, in particular, generated a lot of uncollectable receivables arising from foreign trade. The majority of Hungarian respondents (65%) said that B2B receivables were uncollectable because the customer filed for bankruptcy or went out of business. 56.6% of respondents reported this in Eastern Europe, as did 66.4% of respondents in Western Europe.

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

Top challenge to business profitability in 2015: collection of outstanding invoices



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 Hungary reported granting trade credit terms mainly to B2B customers belonging to the following sectors: agriculture, chemicals, construction, machines, metals, transport and services. Invoice payment terms extended to B2B customers in these sectors do not significantly exceed the average payment term recorded in the country.

Domestic and foreign customers in the metals sector are reported to be the slowest payers, generating a proportion of overdue invoices above the country average (around 40% of the sectors' credit sales value is past due). Late payments due to liquidity issues occur most often in the domestic transport sector (68% of respondents) and from foreign customers in the agriculture sector.

Over the coming 12 months, most of the respondents in Hungary (30%) expect the payment behaviour of B2B customers in the metals sector to improve slightly. Hungarian respondents do not expect any significant changes in the payment practices of B2B customers in other sectors to which they most often sell on credit.

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. This appendix is available for download in PDF format (English only).

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