



Bulgaria: payment delays due to insufficient availability of funds

Atradius Payment Practices Barometer

GDP
(millions euro)

€ 53,459.68

GDP growth rate
(2018 est.)

3.6 %

Export annual growth rate
(2018 est.)

4.1 %

Imports annual growth rate
(2018 est.)

3.7 %

Sources: Oxford Economics, MIT OEC

export sectors

Top5

Machinery/Electrical

Metals

Mineral Products

Textiles

Vegetable Products

export destinations

Top5

Germany

Italy

Turkey

Romania

Greece

Of the Eastern European countries surveyed, Bulgaria had the second lowest proportion of B2B sales on credit. Respondents in the country said that they mainly opt for trade credit because of established, long-term business relationships. Trust and convenience were also frequently mentioned. The proportion of past due B2B receivables is the lowest in the region but the impact of overdues cannot be neglected.

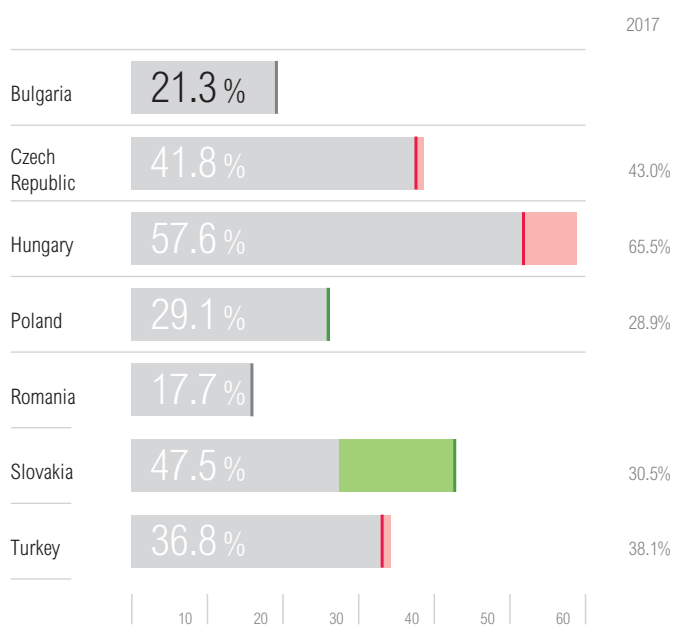
Bulgaria had the highest percentage of respondents stating that payment delays were a consequence of insufficient availability of funds. Only domestic B2B receivables were written off as uncollectable and the main reason thereof is the customer going bankrupt or out of business.

Selling on credit because of long-term relationships with B2B customers

Respondents in Bulgaria have one of the least credit friendly stances in Eastern Europe. On average, only 21.3% of respondent's sales are made on credit. This compares to 36.9% at the regional level. Similarly to their peers in the region, Bulgarian respondents are more comfortable selling on credit to domestic than to foreign B2B customers (24.5% versus 18.1%).

Trust, convenience and standard business practice - were often mentioned by Bulgarian respondents as reasons why they would trade on credit with their domestic B2B customers. Respondents in the country also highlighted that the relationship with their customers weighs heavily in this decision – long-term customers are more likely to be offered credit terms. Not providing credit to domestic B2B customers is usually associated with poor payment behaviour or the financial weakness of the customer (as mentioned by 27.9% and 25.6% of respondents respectively).

Proportion of total B2B sales made on credit



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – September 2018

» *We trade on credit with companies we trust and with whom we have been working since our inception.*«

Survey respondent · Food sector

Bulgarian respondents said that it is common to trade on credit with B2B customers abroad. This and the wish to expand internationally are the main reasons for respondents in the country to grant trade credit to B2B customers abroad. Companies in Bulgaria mainly refrain from providing credit terms to foreign B2B customers because of high economic and political risk in the customer's country (mentioned by 25.8% of respondents) and because of high currency risk (35.5%).

» *We trade on credit because this is a common practice in most Western European countries and the company needs to work that way.*«

Survey respondent · Metals sector



The highest DSO in Eastern Europe

The majority of Bulgarian respondents (76.9%) have reported being paid late by their domestic and foreign B2B customers in 2018. This is below the regional average of 80.7%. Significantly more respondents in the country reported late payments from their domestic B2B customers than from their B2B customers abroad. (83.0% versus 70.7%).

Bulgaria had the lowest proportion of overdue B2B invoices in Eastern Europe. This stands at 22.9% and is well below the regional average of 35.9%. However, on average, a much higher proportion of domestic than foreign B2B invoices are unpaid by the due date.

In 2018, the average Days Sales Outstanding (DSO) figure recorded in Bulgaria is 79 days. This is the highest DSO in the region and well above the 59 days average for the region overall. Despite an already high DSO, 19.8% of respondents said that they foresee a slight increase in their company's DSO over the coming 12 months. 71.9% do not expect any changes while 4.7% said that they expect a slight decrease.

Payment delays due to insufficient availability of funds

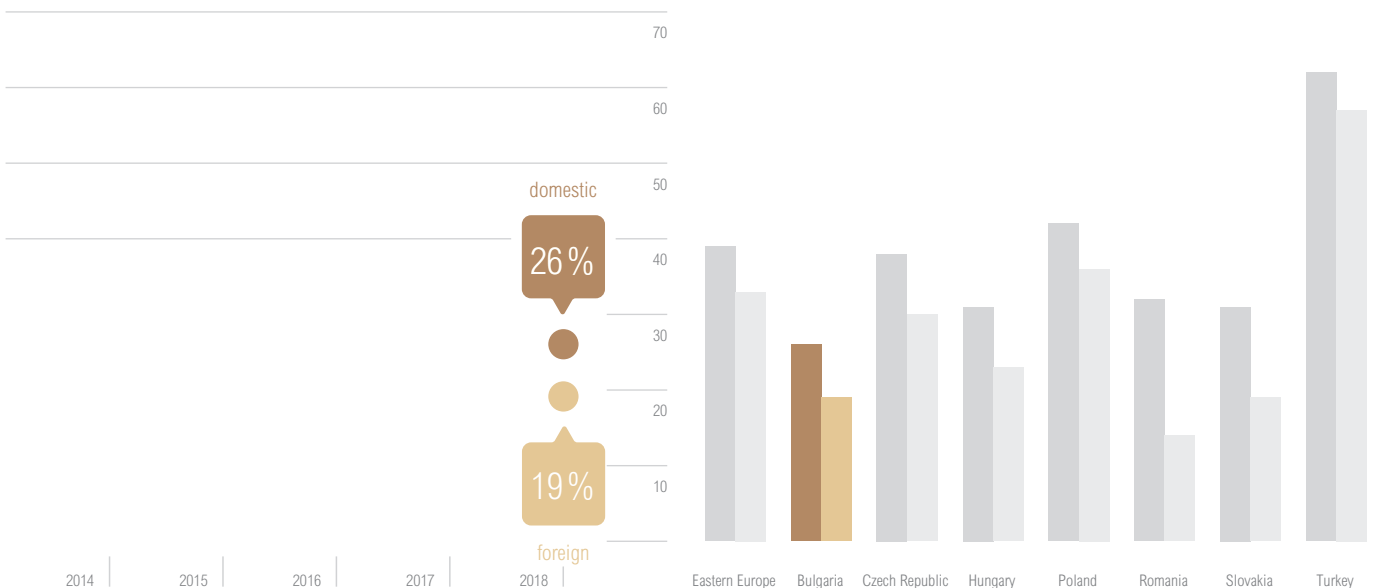
The average payment terms in Bulgaria are slightly higher than the regional average. Domestic B2B customers of Bulgarian respondents are given, on average, 39 days to settle invoices. Foreign B2B customers are given shorter payment terms, on average, 34 days.

59.2% of respondents said that they are not likely to differentiate payment terms by domestic or foreign customer. Of those who mentioned that they differentiate, 23.9% said that they would give their domestic B2B customers more time to settle invoices. 16.9% said that they give domestic B2B customers less time to pay. The main reasons for differentiating payment terms in Bulgaria are internal policies, the financial risk related to the export transaction, industry practices and domestic payment terms directed by law.

Respondents in Bulgaria did not report major differences in payment delays between domestic and foreign customers. Domestic B2B customers delay payments, on average, by 9 days and foreign B2B customers by 10 days. Based on the survey findings, the average payment duration in Bulgaria is 47 days. This compares to 55 days in Eastern Europe overall.

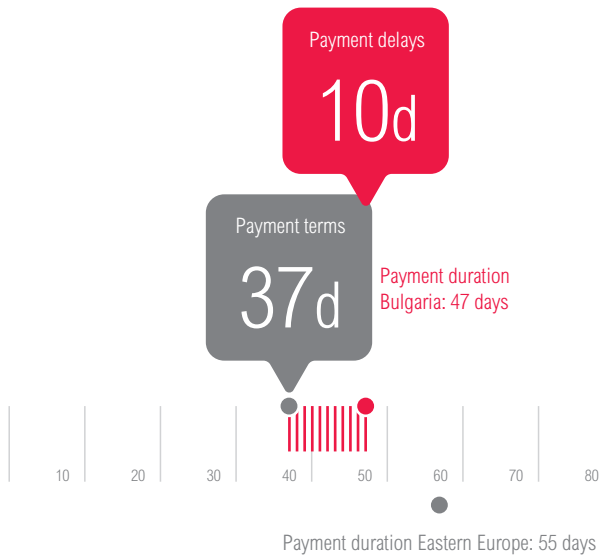
Past due B2B receivables in Bulgaria

(avg. %)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – September 2018

Payment duration in Bulgaria



d = average days

Sample: companies interviewed (active in domestic and foreign markets)

Source: Atradius Payment Practices Barometer – September 2018

Bulgaria had the highest percentage of respondents who reported payment delays because of insufficient availability of funds. A high 92.3% stated this in regards to domestic payment delays and 64.3% in regards to foreign payment delays. The second most frequently mentioned reason for domestic payment delays mentioned by respondents in the country is buyers using outstanding invoices as a form of financing (14.5% of respondents stated this). The second most frequently mentioned reason for payment delays by foreign B2B customers was the complexity of the payment procedure, cited by 21.4% of Bulgarian respondents.

The majority of respondents in Bulgaria (72.4%) said that payment delays did not have a significant impact on their businesses. Of the respondents that reported to have been affected, 12.4% said that they needed to postpone payments to their own suppliers and 11.9% that they lost revenue.

Faster payments after invoicing B2B customers online

65.8% of Bulgarian respondents said that they are already invoicing their domestic and foreign B2B customers online and 4.6% said that they intend to start doing so in 2018. In contrast, 29.6% of respondents in the country said that they are not using e-invoicing. There were no respondents who tried out this method of payment and then stopped. 56.3% of respondents said that e-invoicing led to faster payments. In contrast, only 1% noticed a slowdown in speed-of-payment. 43.0% said that e-invoicing did not have a noteworthy effect on payment duration.



56.3% of Bulgarian respondents said that after invoicing their B2B customers online, they received payments faster.



import sectors

Top5

Machinery/Electrical
 Mineral Products
 Chemicals
 Metals
 Transportation

A 'hard landing' in China considered the most significant risk to global growth

Bulgarian respondents have been asked to rank the following risks from the most significant to the least significant: US protectionism turning into a trade war, Fed policy becoming misguided, a 'hard landing' in China and geopolitical risk. While US protectionism turning into a trade war was the most frequently cited risk in Eastern Europe overall, in Bulgaria, a 'hard landing' in China is considered the biggest threat to global economic growth by the most respondents. 28.7% said this as the most significant risk and an additional 24.9% that it's an important risk – though not the most significant one. US protectionism turning into a trade war was the second most significant risk in the ranking by respondents in Bulgaria (27.6% stated this).

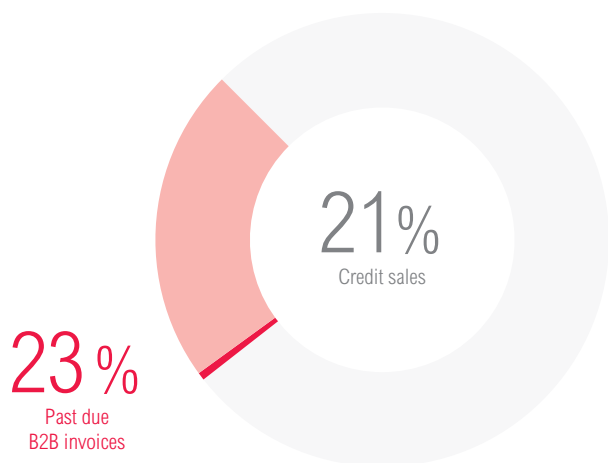
import destinations

Top5

Germany
 Russia
 Italy
 Romania
 Turkey

Uncollectable B2B receivables in Bulgaria

(% of total value of B2B receivables)



Payment behaviour of B2B customers in agriculture expected to worsen

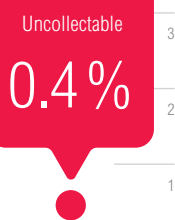
Looking at the average payment terms by sector, domestic and foreign B2B customers in the construction materials and in the machines sector are given the longest payment terms (on average, 52 days and 48 days respectively). In contrast, B2B customers in the textiles sector (on average, 26 days) were given the shortest payment terms.

Bulgarian respondents said that in 2018, B2B customers in the agriculture and consumer durables sectors took the longest time to settle invoices. These paid on average, 16 days late and 6 days late respectively. Similarly to what was stated for the country overall, the main reason for domestic and foreign payment delays was insufficient availability of funds. 86.0% of respondents in the agriculture sector and 88.0% in the consumer durables sector stated this.

67.0% of respondents in the agriculture sector and 71.0% in the consumer durables sector do not foresee any changes in the payment behaviour of their B2B customers in the coming 12 months. If changes are expected, in the agriculture sector, 25.0% of respondents said that they expect deterioration, while 8.0% expect improvement. Respondents in the consumer durables sector are more optimistic, with 18.0% expecting improvement and a lower 12.0% expecting deterioration.



B2B customers in the agriculture sector generated some of the longest payment delays and the main reason seems to be insufficient availability of funds.



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – September 2018

Old debt, often uncollectable debt

The average proportion of uncollectable B2B receivables in Bulgaria is 0.4%, one of the lowest in the region next to that of Romania. Only domestic B2B receivables were written off as uncollectable.

Uncollectable receivables originated most often from B2B customers in construction, consumer durables, food, business services and services. 63.5% of Bulgarian respondents said that the main reason for writing off B2B receivables as uncollectable is the customer going bankrupt or out of business. A high percentage of respondents (31.3%) stated old age of the debt as the main reason for write-offs.

Survey design for Eastern Europe

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the "Atradius Payment Practices Barometer". In this report focusing on Eastern Europe, which is part of the 2018 edition of the Atradius Payment Practices Barometer, companies from 7 countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey) have been surveyed.

Using a questionnaire, Ilisia Research conducted a net of 1,447 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

Survey scope

- Basic population: companies from 7 countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey) were monitored. The appropriate contacts for accounts receivable management were interviewed.
- Selection process – Internet survey: 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=1,447 people were interviewed in total (approximately n=200 people per country). In each country a quota was maintained according to four classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q2 of 2018.

Sample overview – Total interviews = 1,447

Country	n	%
Bulgaria	200	13.8%
Czech Republic	202	14.0%
Hungary	203	14.0%
Poland	216	14.9%
Romania	201	13.9%
Slovakia	201	13.9%
Turkey	224	15.5%

Industry	n	%
Manufacturing	463	32.0%
Wholesale trade/ Retail trade / Distribution	435	30.1%
Services	549	37.9%

Business size	n	%
Micro enterprise	560	38.7%
SME (Small/Medium enterprise)	788	54.5%
Large enterprise	99	6.8%

It may occur that the results are a percent more or less than 100%. This is the consequence of rounding off the results. Rather than adjusting the outcome so that it totalled 100%, we have chosen to leave the individual results as they were to allow for the most accurate representation possible.

Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Eastern Europe. This is part of the September 2018 Payment Practices Barometer of Atradius, available at

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SURVEY RESULTS

SURVEY DESIGN

STATISTICAL APPENDIX

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For more **insights into the B2B receivables collection practices** in Bulgaria and worldwide, please see the Global Collections Review by Atradius Collections (free download after registration), available on www.atradius-collections.com

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