

Greece: cautious on credit but upbeat about 2021

Atradius Payment Practices Barometer



Survey results for Greece

The Atradius Payment Practices Barometer is an annual survey that assesses business payment behaviour throughout the world. The survey explores a range of topics including payment terms, payment delays, credit sales and DSO (Days Sales Outstanding).

The survey provides us with the opportunity to hear directly from businesses and, this year, gives us insight into how businesses are coping with the COVID-19 pandemic and global recession.

In this report, you will find the survey results for Greece.



Gerasimos Tzeis, Country Manager of Atradius Greece, commented on the report:

“

COVID-19 and the recession that followed have had a significant impact on economies throughout the world. Greece was not the exception. However, the country is well-placed for recovery next year, building on the strength of an upward economic trajectory.

Strong supplier-customer communications and relations have had a positive impact during the pandemic, an approach that is expected to continue next year. In a culture that favours cash payments, there is still a degree of reluctance to carry the risks associated with trading on credit.

As Greece starts to trade more on international markets, however, many businesses may benefit from expanding their credit policies and securing their receivables with strong credit management practices such as credit insurance.

”

Key takeaways

Greece leads region in amount of credit refusals

A greater percentage of businesses in Greece than anywhere else in Western Europe turned down requests for trade credit following the onset of the COVID-19 pandemic.

Businesses offer longer payment terms to encourage domestic sales

35% of businesses try to encourage domestic sales with longer payment terms, slightly more than the regional average of 32%.

Overdue invoices increase rapidly following onset of pandemic

Late payments in Greece increased to 48% of the total value of B2B sales (up from last year's 28%). This represents an increase of 71% year-on-year.

More than half of businesses report cash flow difficulties

55% of businesses reported cash flow difficulties and had to take protective measures to contain operating costs and minimise liquidity shortages.

Businesses express optimism over improvement of customer creditworthiness

56% of respondents predict an improvement in customer creditworthiness compared to the regional average of 47%, suggesting a greater sense of optimism among businesses in Greece than their peers in Western Europe.



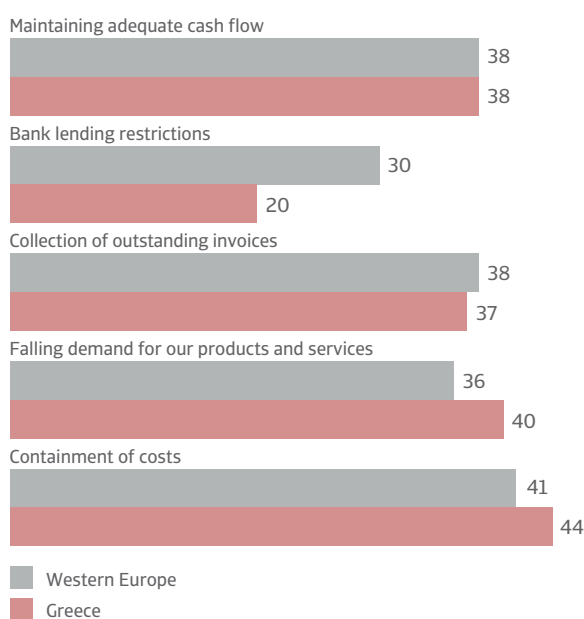
Overall trend for growth persists despite pandemic uncertainties

Over the past few years Greece has been enjoying a relatively strong economic recovery and an overall decrease in insolvencies. At the time of this year's Payment Practices Barometer survey, although many businesses were experiencing cash flow problems, on the whole the country had not experienced such hard lockdown rules as some of its peers in Western Europe. Respondents to the survey reported greater confidence in their customers' creditworthiness for 2021 than many other counties in Europe, and also shared a similarly positive outlook towards the domestic economy.

Comparing the results of this survey to previous years and also other countries in Europe provides an interesting insight. For example, Greece demonstrated a conservative approach to trade credit, turning down more requests for credit than businesses in other countries. This is unsurprising in a nation where cash is king and a large portion of business payments are still made in cash. And although more than half of the businesses we polled reported cash flow problems, a similar percentage said they expect their customers' creditworthiness to improve over the next six months.

The nature of the pandemic means that it is hard to predict what will happen next year, both in terms of the spread of Covid-19 and in the social and economic responses to it. However, despite this uncertainty businesses in Greece remain upbeat and expect the local economy to grow.

Greece: top 5 challenges to business profitability in 2021



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – November 2020

Main survey results for Greece

■ Greece sees the highest percentage of credit refusals in Western Europe

41% of businesses in Greece reported an average 40% increase in the total value of B2B credit sales after the onset of the pandemic. However this is tempered by the fact that credit requests amounting to 30% of the total value of B2B sales were refused. In fact, the percentage of credit refusals was the highest across the whole of the Western Europe region. When businesses turned down credit requests they most often did so due to deterioration in the customer's creditworthiness (47% of the respondents, higher than 26% in the region). Trade credit refusals were also most common within the SME segment.

Trade credit is currently involved in 50% of the B2B sales, below the 55% average for Western Europe. For 43% of the respondents there was no change. A significantly lower percentage of respondents in the country reported a decrease in B2B sales transacted on credit terms (16%).

Businesses reported that they most often accepted credit requests to encourage SME sales on the domestic market (38% of respondents, compared to 53% at regional level). 33% told us they offered credit to stay competitive on the domestic market (regional average: 28%). It's worth noting, however, that 28% said they granted trade credit as a source of short-term finance. This compares to 19% in Western Europe overall, possibly indicating a higher incidence of financial distress among businesses in Greece than in the region overall.

■ Payments terms in Greece closely mirror trade credit behaviour

As with their approach to offering trade credit, businesses in Greece told us that they offered longer payment terms to encourage domestic sales (as reported by 35% of respondents, regional average: 32%). This is followed by 27% who did so to stay competitive on the domestic market (regional average: 19%). 24% of respondents increased payment terms as a way of providing short-term finance (regional average: 23%).

64% of businesses reported setting payment terms of up to 30 days on average. 15% set terms from 31 to 60 days, 10% from 61 to 90 days and the remaining 11% from 90 days and above. Overall, this results in average payment terms of 50 days. 52% of respondents reported granting longer payment terms after the onset of the pandemic, most often up to 30 days longer (higher than the 47% in Western Europe overall). 41% reported no change in their payment terms, while 7% requested shorter terms than before the pandemic, on average 10 days earlier than last year.

Over the coming months, 35% of businesses told us they plan to continue to apply the same trade credit policies as those they adopted during the pandemic.



44%

of the businesses we polled told us the continuation of the economic crisis represents the greatest threat to profitability next year. This is substantially more than the 30% of businesses reporting the same in Western Europe. 41% said that containment of costs is the greatest threat (regional average: 41%).

Atradius Payment Practices Barometer – November 2020

■ Overdue payments increase by 71%

After the onset of the pandemic, late payments in Greece increased to 48% of the total value of B2B sales (up from last year's 28%). This represents an increase of 71% year-on-year and brings with it the financing and administrative costs associated with carrying trade debts. Late payments can be significantly expensive for the supplier.

On average, nearly half of the respondents reported they had to wait longer to cash in overdue invoices, (up to 26 days longer than last year). An average of 6% of the total value of B2B receivables was written off as uncollectable after the onset of the pandemic (7% average for Western Europe). 7% of the total value of receivables was still unpaid at 90 days overdue. This indicates that, on average, businesses in Greece have lost nearly 90% of the value of their B2B receivables that were not paid within 90 days.

The increase in late payments is also reflected in the lengthening of DSO. 48% of the businesses surveyed reported DSO increases of up to 10% (this is lower than 57% average for Western Europe). 43% reported increases of more than 10% (regional average: 37%). Only 9% of businesses reported shorter DSO compared to before the pandemic (regional average: 7%).

■ More than half of businesses report cash flow difficulties

According to 55% of businesses, the increase in customer payment defaults caused cash flow difficulties (regional average: 38%) and led to them taking protective measures to contain operating costs and minimise liquidity shortages. These included delaying payments to suppliers (reported by 49% of respondents, higher than the 34% in Western Europe) and enacting hiring freezes (44%, notably higher than the 26% in the region overall).

In addition, respondents revealed a significant drop in sales volume (as reported by 64%, far higher than the 45% at regional level). This is directly linked to the revenue loss experienced by 69% of respondents, compared to 51% in the region.

When asked if and to what extent the pandemic economic crisis impacted their company profitability this year, far more businesses in Greece (62%) than in the region overall (37%) reported negative impact.

■ Business approach to credit assessments remains constant

We used this survey to ask businesses what type of credit information they used to assess customer creditworthiness. We compared this to last year's data to assess behaviour both before and after the onset of the pandemic.

Most businesses told us that their approach to credit assessments prior to the pandemic did not change after the onset of the economic downturn. They normally relied on financial statements (reported by 43% of businesses), as well as on bank references and information obtained directly from the customer (40% each). Interestingly Greece does not fit into the pattern seen elsewhere in Europe where businesses sought information directly from their customers more frequently than before the pandemic. This is likely to be because the supplier-customer information exchange was already a common business practice before the pandemic hit.

When evaluating credit quality, most businesses told us they focused on their customers' payment histories, profitability and financial flexibility. Over the coming months, respondents told us they will continue monitoring these indicators, in particular the payment histories.

We asked businesses whether the pandemic caused them to change their approach to credit management. The majority did not change their strategy. Prior to the start of the pandemic, the majority of respondents favoured cash payments (as reported by 72%). Following the start of the pandemic, the use of cash has become more frequent (as reported by 34% of respondents). This trend is set to continue over the coming months, 62% of respondents saying this would be their preferred payment method next year. 57% told us they plan to use payment guarantees and 56% intend to offer discounts for early payment of invoices.

■ Businesses in Greece express optimism over improvement of customer creditworthiness

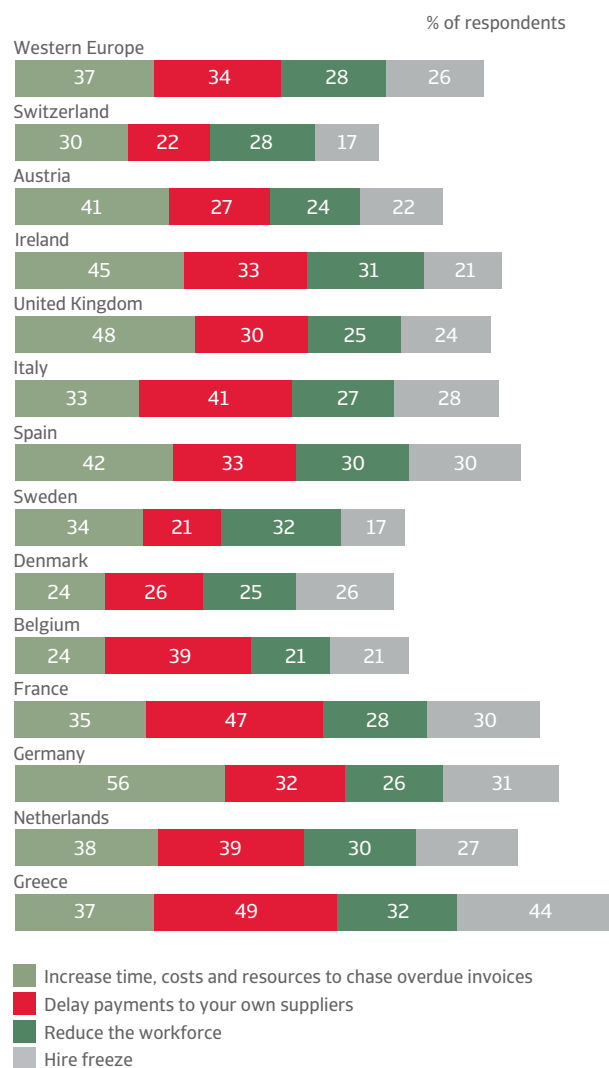
Although the progress of the pandemic will inevitably play a major role in determining the outlook for the recovery and future growth of the economy in Greece, more respondents are optimistic than pessimistic about the improvement of their customers' creditworthiness in 2021. 56% of respondents predict an improvement in customer creditworthiness compared to the regional average of 47%, suggesting a greater sense of optimism among businesses in Greece than their peers in Western Europe. 25% predict deterioration and 19% of respondents foresee no change.

However, this optimism may be a reflection of the fact that 50% of respondents in the country expect the domestic economy to improve as opposed to the 40% expecting it to get worse or the 10% who believe it will remain the same. Less clear-cut is the opinion about the outlook for the recovery of the global economy, where 45% believe it will improve and 44% anticipate the opposite. In terms of international trade, the majority of respondents foresee a brighter future over the coming months (49% optimistic, and 38% pessimistic).

■ Continuation of economic crisis is greatest concern for businesses in Greece

44% of the businesses we polled told us the continuation of the economic crisis represents the greatest threat to profitability next year. This is substantially more than the 30% of businesses reporting the same in Western Europe. 41% said that containment of costs is the greatest threat (regional average: 41%). 37% cite maintaining adequate cash flow and the effective collection of outstanding invoices, this is largely echoed by the same percentage of businesses in the region.

Western Europe: top 4 measures to manage liquidity issues due to the impact of the pandemic



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – November 2020

Greece: impact of the COVID 19-induced economic crisis on industries



Late payments and cash flow

- Late payments in the agri-food industry in Greece affect 50% of the total value of B2B invoices (significantly up from last year's 29%). 50% of respondents reported having to wait longer to cash in overdue invoices, up to 34 days on average. For 42%, there was no change in the average invoice-to-cash turnaround, while only 8% cashed in overdue invoices earlier than they did before the pandemic.
- Average DSO increases of up to 10% were reported by 50% of the industry (regional average: 57%). 44% reported increases of above 10% (regional average: 35%). Currently DSO stands at a 70-day average (well above the 108-day average for Western Europe).
- 56% of businesses told us they experienced cash flow difficulties due to the economic downturn. 29% reported no impact at all (regional average negative impact: 37% and no impact 36%).
- To safeguard liquidity levels, 52% of respondents delayed payments to their own suppliers (regional average: 45%) and 48% enacted hiring freezes (compared to 27% in the region).

Approach to credit quality assessments

- After the start of the recession, the industry told us they requested credit information directly from their customers more often than before. The most frequently used sources for credit assessments are now information provided by the customer alongside its financial statements.
- The Greek agri-food industry prioritises evaluating the customer's past payment history. However, the majority of businesses polled told us they plan to evaluate the customer's financial flexibility more frequently over the coming months.

Approach to credit management

- Following the economic downturn, businesses requested either cash payment or payment guarantees more frequently. They also sent outstanding invoice reminders more often than before the pandemic. Over the coming months, they told us they plan to practise self-insurance or use trade credit insurance to protect their business against bad debt.

- 56% believes their customers' creditworthiness will improve over the next six months, 15% anticipate deterioration while the remainder believe there will be no change. This compares with 54% of respondents in the region expecting improvement and 15% expecting deterioration.
- 50% of businesses consider the effective collection of outstanding invoices to present the greatest challenge to profitability in 2021. This compares to 45% with the same concern at regional level.

2021 industry outlook

- 58% of respondents expect the domestic economy to improve over the next six months (regional average: 57%). 33% expect it to get worse (regional average: 27%). 46% expect the global economy to grow, 42% expect it to decline. 50% foresee improvement in international trade while 33% anticipate deterioration. These opinions are consistent with those expressed by the industry at regional level.



Late payments and cash flow

- Late payments affect nearly 50% of the total value of B2B invoices issued by respondents in the chemicals industry in Greece (significantly up from last year's 30%). 41% of respondents reported having to wait longer to cash in overdue invoices, up to 21 days on average. 46% reported no change in the average invoice-to-cash turnaround, while the remainder cashed in overdue invoices earlier than they did before the pandemic.
- Average DSO increases of up to 10% were reported by 41% of respondents, while 48% reported increases of more than 10%. Currently DSO stands at a 40-day average (over half of with the 83-day regional average).
- 48% of businesses told us that their cash flow was negatively affected after the outbreak of the pandemic (higher than the 39% average for the region). 39% reported a no impact (regional average: 40%).
- To avoid liquidity shortages, businesses most often delayed payments to their suppliers or increased the amount of time, costs and resources spent on chasing unpaid invoices (38% of respondents for each).

Approach to credit quality assessments

- After the economic downturn, businesses in the industry sourced credit information directly from their customers more frequently. This now complements customer financial statements and bank references, which remain the most-used information sources for assessments of creditworthiness.
- The industry prioritises evaluating their customers' financial flexibility and past payment history. This, along with the customers' profitability, will be the key indicators businesses plan to monitor over the coming months.

Approach to credit management

- The Greek chemicals industry told us they relied on payment guarantees more often following the economic crisis, while many began practising self-insurance to protect their business against customer payment default. Over the coming months, 62% of respondents in the industry told us they plan to request payment guarantees more often than they did last year and to speed up the debt collection process.
- 67% of businesses expect their B2B customers' creditworthiness to improve in 2021 (significantly higher than the regional average of 49%). 15% expect deterioration (regional average: 22%).
- 48% considers containment of costs to present the greatest challenge to profitability in 2021 (regional average: 39%). Maintaining adequate cash flow ranks second (reported by 44%, higher than the 41% regional average for the industry).



2021 industry outlook

- 54% expects the domestic economy to improve over the next six months (regional average: 58%). This is significantly more than the 32% expecting it to get worse (regional average: 29%). 46% expects the global economy to improve while 39% expects it to deteriorate. A brighter outlook for international trade is anticipated by 54% of respondents in the industry, compared to 33% who are pessimistic in this regard.



Late payments and cash flow

- Late payments in the Greek consumer durables industry affect 48% of the total value of B2B invoices (this is double compared to last year). 51% of respondents reported having to wait longer to cash in overdue invoices, up to 25 days on average. 39% reported no change in the average invoice-to-cash turnaround, while the remainder cashed in overdue invoices earlier than they did before the pandemic.
- Average DSO increases of up to 10% were reported by 47% of consumer durables businesses. Increases of more than 10% were reported by 39% of businesses. Currently DSO stands at a 46-day average (lower than the regional average of 61 days).
- 75% told us their revenue was negatively affected by the pandemic (regional average: 49%). 13% reported no impact. A similar pattern was seen with cash flow with 69% reporting ill effects (regional average: 42%) and 14% saying they had experienced no impact.
- To safeguard liquidity levels and contain operating costs, 59% of respondents delayed payments to their own suppliers (regional average: 32%) and 57% enacted hiring freezes (compared to 26% in the region).

Approach to credit quality assessments

- Following the onset of the economic crisis, the most commonly used credit information sources in the industry now include: customers' financial statements, bank and trade references, and credit information obtained directly from customers.
- The industry prioritises evaluating customers' past payment histories, alongside profitability and financial flexibility. Survey respondents say this approach will remain unchanged over the coming months.

Approach to credit management

- The industry told us their credit management practices now chiefly include the offering of discounts for early payment of invoices and requests for payment in cash (reported by 55% and 78% respectively). Over the coming months, they plan to continue with this approach in addition to more frequent adjustment of payment terms.
- 47% of industry respondents in Greece (regional average: 50%) believe their B2B customers' creditworthiness will improve over the coming months. 39% believe it will deteriorate (regional average: 23%).
- 55% of respondents in the industry believe that the continuation of the economic crisis presents the greatest challenge to profitability in 2021 (regional average: 26%). Fall in demand (reported by 43%) and containment of costs (also reported by 43%) rank second (regional average 36% and 49% respectively).

2021 industry outlook

- The industry is pessimistic about the outlook for the domestic economy over the coming months, with 53% believing it will deteriorate and 37% it will recover. The same goes for the outlook for both the global economy (53% optimistic, 39% pessimistic) and international trade (53% optimistic, 37% pessimistic).



SERVICES

Late payments and cash flow

- Late payments in the Greek services sector affect 47% of the total value of B2B invoices (compared to last year's 27%). 64% of respondents reported having to wait longer to cash in overdue invoices, up to 21 days on average. For 21%, there was no change and 4% reported cashing in overdue invoices earlier than before the pandemic downturn.
- Average DSO increases of up to 10% were reported by 53% of businesses. Increases of more than 10% were reported by 43% of businesses. Currently DSO in the sector stands at a 56-day average (well below the 92-day average for the sector in Western Europe).
- 39% of the businesses polled told us they experienced cash flow difficulties due to by the economic crisis (regional average: 44%). 68% said that revenue was negatively impacted (regional average: 54%).
- 46% of respondents delayed paying suppliers (regional average: 38%). 43% enacted hiring freezes (regional average: 32%).

Approach to credit quality assessments

- After the onset of the economic crisis, the most commonly used credit quality assessment sources in the industry now include: customers' financial statements, information provided directly by the customer and bank references.
- Businesses in the sector prioritise evaluating the customer's profitability, past payment history and financial flexibility. Survey respondents say they will retain this focus over the coming months alongside evaluating customer debt capacity.

Approach to credit management

- Following the onset of the economic crisis, the sector's primary credit management practices now include: requests of payment in cash (64% of respondents) and outstanding invoice reminders (57%). Over the coming months, businesses told us they plan to continue with this approach alongside regular revision of payment terms.
- 46% of sector respondents believe their B2B customers' creditworthiness will improve over the coming months (regional average: 48%). In contrast, 39% believe it will deteriorate (regional average: 28%).
- According to 53% of the businesses in Greece, maintaining adequate cash flow presents the greatest challenge to profitability in 2021 (higher than the 43% in the region). This is followed by fall in demand (cited by 46%, compared to 36% in the region).

2021 industry outlook

- The services sector is divided about the outlook for the domestic economy over the coming months; 50% told us they expect improvement and 50% deterioration. A brighter outlook is largely anticipated for the global economy (50% optimistic, 42% pessimistic). 54% expressed optimism for the potential growth of international trade with just 32% expressing pessimism.

Survey design for Western 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 Western Europe, which is part of the 2020 edition of the Atradius Payment Practices Barometer, companies from thirteen countries (Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Spain, Sweden, Switzerland, The Netherlands and the United Kingdom) 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.

Using a questionnaire, CSA Research conducted 2,603 interviews. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** companies from thirteen countries (Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Spain, Sweden, Switzerland, The Netherlands and the United Kingdom) were surveyed. 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. It also allows 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=2,603 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:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: Q3 2020.

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Sample overview – Total interviews = 2,603

Country	Interviews	%
Austria	200	8%
Belgium	200	8%
Denmark	200	8%
France	200	8%
Germany	200	8%
Greece	200	8%
Ireland	201	8%
Italy	200	8%
Spain	201	8%
Sweden	200	8%
Switzerland	200	8%
The Netherlands	200	8%
United Kingdom	201	8%

Business sector (total Western Europe)	Interviews	%
Manufacturing	851	32.7
Wholesale trade	661	25.4
Retail trade/Distribution	569	21.9
Services	522	20.1

Business size (total Western Europe)	Interviews	%
Micro enterprises	599	23.0
SME – Small enterprises	775	29.8
SME – Medium enterprises	615	23.6
Large enterprises	614	23.6

Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Western Europe. This is part of the November 2020 Payment Practices Barometer of Atradius, available at

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