



Sweden: open-for-business and fairly confident

Atradius Payment Practices Barometer





Survey results for Sweden

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 Sweden.



Peter Boberg, Country Director for Sweden, commented on the report:

“

Sweden has followed its own path during the COVID-19 pandemic and, although more people are working from home than before, the country has avoided the lockdowns seen elsewhere in Europe.

So far, this is translating into business confidence and an economy that is faring well compared to others in Europe. However, Swedish trade is not immune from the pandemic impacts. Swedish exporters, in particular will still be exposed to the risk of their customers becoming insolvent.

Credit insurance is already widely used throughout the country and it remains one of the best tools available to protect businesses against the risk of bad debts.

”

Key takeaways

Trade credit widely used in Sweden, largely to grow domestic sales

67% of the total value of sales in Sweden use credit and 50% of survey respondents say they use it to stimulate domestic sales.

Payment terms rise rapidly on last year's figures

Payment terms in Sweden have grown from a pre-pandemic average of 28 days, to 37 days this year. Survey respondents said they lengthened terms to encourage both export and domestic sales.

Businesses experience increase in late payments

After the start of the pandemic, the total value of overdue invoices increased to nearly 30%. This is a big increase on last year's 20%, although it is still a lot lower than the regional average of 47%.

Industry in Sweden fares better than Western European peers

Despite the increase in customer payment defaults following the onset of the pandemic, most of the businesses polled in Sweden fared better than their regional counterparts.

Business confidence remains largely upbeat

More businesses in Sweden expressed optimism about the domestic economy, global economy and international trade than pessimism.

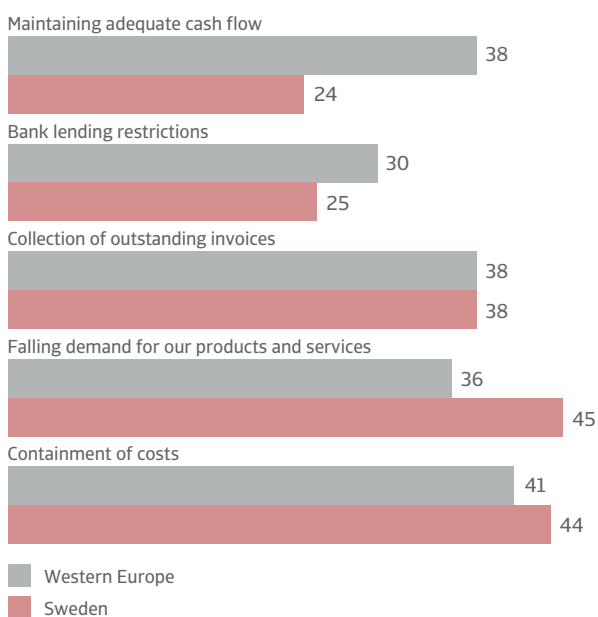


Will Sweden's open-for-business approach pay off in the long run?

Sweden's approach to managing the pandemic has differed from its peers across Western Europe. It has not practised lockdowns or stay at home orders, preferring to issue recommendations rather than restrictions for its citizens. The majority of schools and businesses have remained open. However, this does not automatically translate into an economy untouched by COVID-19. By comparing this year's Payment Practices Barometer Survey results with last year's pre-pandemic results we can see clear pandemic-related trends. Payment terms and late payments both increased year-on-year. More staff were laid off from Sweden's businesses than the average for Western Europe. 50% of respondents expressed optimism about the domestic economy, fewer than the regional average of 57%. However, Sweden has also experienced the lowest GDP contraction in the region.

By enabling businesses to remain open, the Swedish government has not needed to implement socio-economic measures such as job retention schemes or bankruptcy prevention measures. This could account for the slightly higher percentages of workforce layoffs among those we polled and the more subdued attitudes towards the domestic economy. In addition, many businesses in Sweden are dependent on export trade and international supply chains, both of which will have been impacted by the pandemic. Moving forward, economists as well as health experts will be watching the Swedish model with interest.

Sweden: top 5 challenges to business profitability in 2021



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – November 2020

Main survey results for Sweden

Trade credit widely used in Sweden, largely to grow domestic sales

Trade credit is involved 67% of the total value of B2B sales of respondents to the Payments Practices Barometer survey in Sweden. This is significantly higher than the 55% average for Western Europe. 29% of the businesses surveyed told us that the total value of sales they transacted on credit increased by 40% since the onset of the pandemic. For 65% there was no change. The remainder reported a decrease in the total value of sales made on credit.

50% of businesses reported they most often accepted trade credit requests from SMEs to encourage sales on the domestic market (regional average: 53%). 33% granted trade credit to provide financial support to customers facing liquidity shortages (regional average: 19%).

Businesses told us they refused credit requests from businesses of all sizes due to a deterioration of the customer's creditworthiness. This was reported by 46% of respondents in Sweden and 45% in the region. On average, credit refusals corresponded to 48% of the total B2B sales value.

Payment terms significantly longer than pre-pandemic figures

A vast majority of businesses surveyed in Sweden (71%) reported setting payment terms of up to 30 days on average. This is a lower than last year's figure of 88%. 9% set payment terms from 31 to 60 days and 16% set terms from 61 to 90 days (a rise on last year's 4%). The remaining 4% set payment terms at 90 days and above (slightly up on last year's 2%). 37% of respondents reported granting longer payment terms following the onset of the pandemic, up to 20 days longer (regional average: 47%).

This can be seen in the country's 37-day average for payment terms; significantly longer than last year's 28 days. 39% of businesses told us the main reason for granting more time to pay invoices was to encourage sales on the domestic market (regional average: 32%), 31% did so to encourage exports (higher than the 20% average in Western Europe). For 55% of the businesses surveyed, payment terms remained stable. Only 8% of respondents shortened their terms, and those that did cut them by an average of 15 days.

Over the coming months 50% of the businesses surveyed in Sweden plan to continue applying the same trade credit policy they used during the pandemic (regional average: 31% in WE). This includes granting longer periods to pay invoices and offering more trade credit in a bid to stimulate exports (reported by 35% of respondents in Sweden, 23% in Western Europe) and to stimulate domestic sales (33% in Sweden and 31% in the region).



45%

of businesses in Sweden believe a fall in demand presents the greatest threat to profitability next year (regional average: 36%).

This is followed by containment of costs, reported by 44% in Sweden and 41% in Western Europe.

Atradius Payment Practices Barometer – November 2020

■ **Businesses experience increase in late payments**

Following the onset of the pandemic, the total value of overdue invoices increased to nearly 30% (regional average: 47%). Last year this value was around 20%. This increase in late payments can lead to a significant increase in the financing and administrative costs associated with carrying trade debts, corresponding to an average 50% increase year-on-year. Survey respondents told us they cashed in overdue invoices three weeks past the due date on average. This is consistent with regional averages.

An average of 5% of the total value of B2B receivables was written off as uncollectable following the onset of the pandemic, less than the 7% average recorded for Western Europe. In addition, 4% of the total value of receivables was still outstanding at 90 days. On average businesses lost 80% of the value of the receivables that were not paid within 90 days.

65% of the businesses surveyed in Sweden reported DSO increases of up to 10% (regional average: 57%). 32% reported increases of more than 10% (regional average: 37%). Only 3% of businesses reported shorter DSO compared to before the pandemic.

■ **Industry in Sweden fares better in general than Western European peers**

Despite the increase in customer payment defaults following the onset of the pandemic, most of the businesses polled in Sweden fared better than their regional coun-

terparts. 58% reported cash flow to be unaffected (regional average: 37%). 42% reported a negative impact on revenue (regional average: 51%). 39% reported no impact on revenue (regional average: 27%), 19% reported a positive impact (regional average: 22%).

44% reported a negative impact on sales volume (regional average: 45%). 37% no impact (30% in WE), 19% positive (24% in WE). As for profitability, 34% reported a negative impact (regional average: 37%), 45% no impact (regional average: 34%), and 21% reported a positive impact (regional average: 29%). 29% reported a negative impact on the cost of capital (regional average: 31%), 52% reported no impact (regional average: 39% in WE), and 20% reported a positive impact (regional average: 29%). However, despite this overall positive picture, many businesses surveyed in Sweden told us they needed to take protective measures to minimise liquidity shortages and contain operating costs. 34% spent more time, costs and resources on chasing outstanding invoices (regional average: 37%). 32% laid off staff.

The regional average for staff lay-offs in the region was 28%. This suggests that the impact on the labour market was a little stronger in Sweden than on average in Europe).

■ Most businesses report no change in credit assessment and management policies

We asked businesses in Sweden what type of credit information sources they used to evaluate potential default risks both before and after the onset of the pandemic. 43% said that prior to the pandemic, they normally relied on credit reports issued by specialist agencies, higher than the regional average of 25%. This is followed by 42% who told us they used bank references last year (regional average: 39%). Following the pandemic outbreak, 60% of the businesses polled told us that they did not change their approach to customer credit quality assessments (regional average: 51%). Just over a quarter of respondents (27%), told us that they sourced credit information directly from their customers more frequently after the start of the pandemic (regional average: 38%). 20% also sought trade references (regional average: 18%). After the economic downturn, businesses surveyed in Sweden reported they focused on the following areas when assessing customer creditworthiness: profitability and ability to generate cash. Looking ahead businesses plan to continue with this focus.

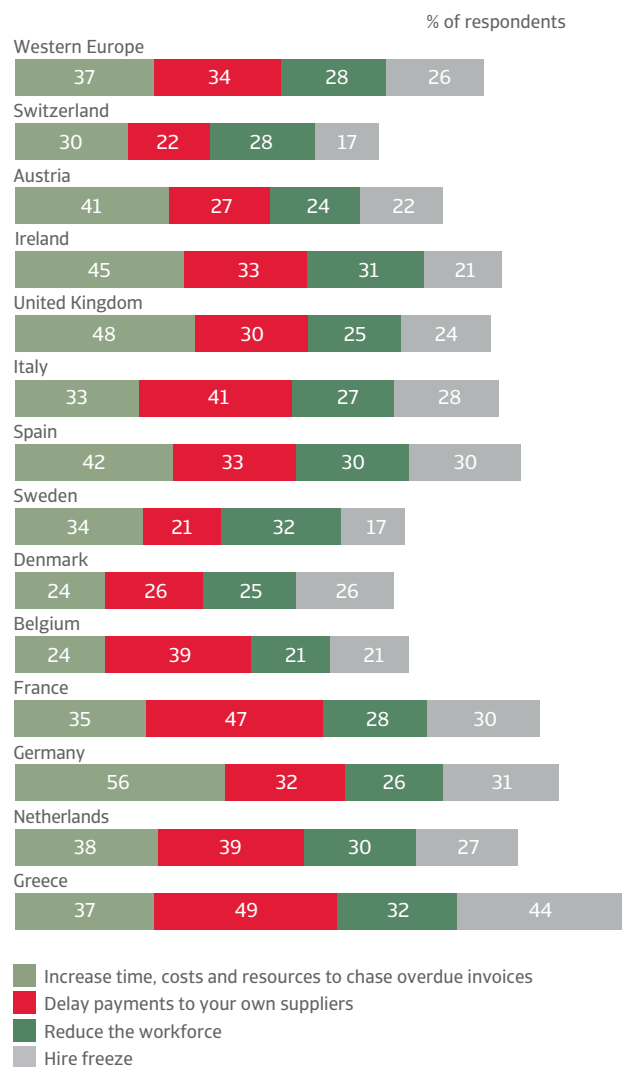
45% of businesses told us that they most often sent outstanding invoice reminders to defaulting customers than before the onset of the pandemic, (regional average: 50%). 43% reported using credit insurance last year (regional average: 45%). Following the outbreak of the pandemic a significant majority of businesses started using self-insurance for the first time. This was reported by 73% of respondents in Sweden, compared to 47% in Western Europe. 66% sent overdue invoices earlier to collection (regional average: 30%). 57% began to request letters of credit (regional average: 36%), and 54% turned to factoring (regional average: 37%). Over the coming months 41% told us they plan to offer discounts for early payment of invoices (regional average: 47%) and 39% said they will send overdue invoices for collection earlier than before (regional average: 45%).

■ Business confidence remains largely upbeat

50% of respondents are optimistic about the recovery and future growth of the domestic economy in Sweden, significantly more than 27% that expressed pessimism. (Regional averages: 57% optimistic about own domestic economies, 27% pessimistic). 42% of respondents anticipate growth in the global economy (regional average: 45%) whereas 33% expects to see this decline. 52% of businesses in Sweden expects international trade to grow, versus 29% that expects to see this decline. 49% of Western Europe expects international trade to grow.

32% of the businesses we polled are optimistic about the outlook for their customers' creditworthiness, with 28% expressing pessimism. This is a little closer than the averages for the region where 47% expect customer creditworthiness to improve and 22% expect it to decline. 45% of businesses in Sweden believe a fall in demand presents the greatest threat to profitability next year (regional average: 36%) This is followed by containment of costs, reported by 44% in Sweden and 41% in Western Europe.

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

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



Late payments and cash flow

- Late payments in the chemicals industry affect 36% of the total value of B2B invoices (up from last year's 16%). 27% of respondents reported having to wait longer to cash in overdue invoices, up to 25 days on average. For 53% of respondents, there was no change in average invoice-to-cash turnaround, while the remainder cashed in overdue invoices earlier than before the pandemic.
- Average DSO increases of up to 10% were reported by 70% of respondents. 25% reported increases of above 10%. Currently DSO stands at an 87-day average. This compares to the 83-day average seen in Western Europe.
- 22% of the industry told us their cash flow was negatively affected by the outbreak of the pandemic (regional average: 39%). 30% reported a negative impact on revenue (regional average: 53%).
- Late payments caused 25% of respondents to increase the amount of time and resources spent on chasing unpaid invoices (regional average: 39%). 23% pursued additional financing from external sources (regional average: 27%).

Approach to credit quality assessments

- After the onset of the economic crisis, businesses did not change the way they approached customer credit assessments. Information provided by customers, trade references and credit reports issued by specialist agencies are now the most common sources for creditworthiness checks in the industry.
- Respondents told us they prioritise evaluating their customers' ability to generate cash and financial flexibility. Over the coming months, they also plan to monitor their customers' borrowing capacity more closely.

Approach to credit management

- Respondents told us that, following the pandemic outbreak, they began to offer discounts for early payment and requested payment guarantees. They also sent overdue payment reminders more frequently. Over the coming months, they plan to increase the outsourcing of debt collection to specialist agencies.

- 18% of respondents expects customer creditworthiness to improve over the coming months (regional average: 49%). 5% expects deterioration (regional average: 22%). The remainder anticipates no change.
- 68% of the industry believes the greatest challenge to profitability in 2021 to will be a fall in demand (regional average: 34%). Disruptions to supply chains follow suit (58% of respondents in Sweden, compared to 30% in the region).

2021 industry outlook

- 56% of the chemicals industry expects the domestic economy to improve over the coming months (regional average 58%). 39% expects it to deteriorate (regional average: 29%). 51% believes the global economy will grow, while 42% expects it to decline. However, 49% predicts a decline in international trade (36% in the region) and 41% an improvement.



Late payments and cash flow

- Late payments in the construction materials industry affect 28% of the total value of B2B invoices. 19% of respondents reported having to wait longer to cash in overdue invoices, up to 25 days on average. However, for 62%, there was no change in the average invoice-to-cash turnaround. The remainder reported cashing in overdue invoices earlier than they did before the pandemic.
- Average DSO increases of up to 10% were reported by 65% of construction materials businesses. Increases of DSO above 10% were reported by 32%. Currently DSO stands at a 40-day average (regional average: 91 days).
- 37% of respondents told us the economic crisis had a negative impact on their revenue (regional average: 47%). 20% reported a negative impact on cash flow (regional average: 32%).
- 45% of the industry laid off staff (regional average: 34%). 43% told us they spent more time, cost and resources chasing unpaid invoices (regional average: 33%).

Approach to credit quality assessments

- After the onset of the pandemic, the industry did not change its approach to credit assessments. Credit information sourced directly from the customer, as well as bank references and credit reports issued by specialist agencies are the most commonly used sources of credit information in the industry.
- Businesses in the industry prioritise evaluating the customer's financial flexibility and ability to generate cash. They plan to continue with this approach next year.

Approach to credit management

- The industry told us they strengthened their credit management practices by sending overdue invoices earlier to collection, resorting to factoring and adjusting payment terms more frequently than before the pandemic. Over the coming months, they plan to make use of diverse credit management tools and techniques to minimise the impact of credit risk, employing to credit insurance more often than in the past.
- 27% expects customers' creditworthiness to improve next year. 44% expects it to deteriorate. At regional level, 39% are optimistic and 28% pessimistic.
- 56% of the construction materials industry considers containment of costs to present the greatest challenge to profitability in 2021 (regional average: 49%). Both a fall in demand and difficulties in collecting outstanding invoices rank second were cited by 41% of respondents (compared to 34% and 42% respectively at regional level).

2021 industry outlook

- 37% expects the domestic economy to improve over the next six months (regional average: 51%). 27% expects it to deteriorate. 30% expects the global economy to improve and 34% expects deterioration. However, 49% expects international trade to improve, while 29% expects it to get worse.



Atradius · Key Findings

45%

of businesses in Sweden believe a fall in demand presents the greatest threat to profitability next year. This compares to 36% in Western Europe. Containment of costs ranks second, reported by 44% in Sweden and 41% in Western Europe.

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Late payments and cash flow

- Late payments in the transport industry affect 37% of the total value of B2B invoices (compared to last year's 25%). 53% of respondents reported they had to wait longer to cash in overdue invoices, up to 10 days on average. For 26%, there was no change in average invoice-to-cash turnaround. 21% said that they cashed in overdue invoices earlier than before the pandemic.
- 44% of businesses reported DSO increases of up to 10%, while 55% reported increases of more than 10% compared to before the pandemic. Currently DSO stands at a 155-day average (compared to the 134-day industry average in Western Europe).
- 62% of respondents told us the economic crisis had a negative impact on their revenue (57% of respondents in the region). 34% reported a negative impact on cash flow (regional average: 40%).
- To contain liquidity shortages, 35% of businesses told us they increased the time, costs and resources spent on chasing unpaid invoices (regional average: 34%). 32% delayed payments to suppliers (regional average: 30%).

Approach to credit quality assessments

- In response to the recession, the industry told us they paid closer attention to evaluating credit information sourced directly from the customer, as well as credit reports issued by specialist agencies. This, alongside customers' financial statements, bank and trade references and are now the most commonly used sources of credit information.
- Priority is given to evaluating the customer's past payment history, financial flexibility and profitability. This approach will remain unchanged over the coming months, but businesses in the industry told us that a stronger focus will be placed on the customer's past payment history.

Approach to credit management

- Following the onset of the economic crisis, businesses told us they strengthened their credit management approach by practising self-insurance, adjusting payment terms, offering discounts for early payment of invoices and requesting payment guarantees from their customers more often than in the past. Over the coming months, the industry will continue with this approach and will reduce reliance on single buyers as well.
- 48% of respondents from the Swedish transport industry expect their B2B customers' creditworthiness to improve (regional average: 40%). 22% expects deterioration over the coming months (regional average: 29%).

- 44% of respondents believe that a fall in demand presents the greatest challenge to profitability next year (regional average: 32%). Containment of costs ranks second (reported by 38% of respondents, compared to the 41% regional average).

2021 industry outlook

- 71% of respondents expect the domestic economy to improve over the coming months (regional average: 52%). 19% expects it to get worse. 62% expressed optimism about the outlook for the global economy with just 15% expressing pessimism. A similar trend can be seen with attitudes towards international trade: 77% optimistic, 14% pessimistic.



Late payments and cash flow

- Late payments in the paper industry affect 23% of the total value of B2B invoices. 35% of respondents told us they had to wait longer to cash in overdue invoices, up to 15 days on average. For 60% of respondents there was no change in average invoice-to-cash turnaround, while the remainder said that they cashed in overdue invoices earlier than before the pandemic.
- 74% of businesses reported DSO increases of up to 10%, while 23% reported increases of more than 10% compared to before the pandemic. Currently DSO stands at a 110-day average.
- 49% of industry respondents told us the economic crisis had a negative impact on their revenue, while the remainder said their revenue was unaffected. 25% managed to contain the negative impact on cash flow, and 52% reported no impact at all.
- To contain operating costs, 31% of businesses told us they enacted hire freezes, 28% told us that their business was not significantly impacted by the economic crisis.

Approach to credit quality assessments

- Businesses told us they did not change their approach to customer credit assessments following the pandemic outbreak. This includes bank references, credit reports by specialist agencies and credit information obtained directly from the customer. This approach will remain the same over the coming months.
- The industry gives priority to evaluating the customer's past payment history and profitability. This approach will remain unchanged over the coming months, but will be complemented by assessments of the customer's borrowing capacity.

Approach to credit management

- Following the onset of the economic crisis, survey respondents told us they strengthened their credit management practices by sending outstanding invoice reminders and practising self-insurance more often than prior to the pandemic. Over the coming months, businesses told us they plan to continue with this approach.
- (42%) of respondents expect their customers' creditworthiness to improve over the coming months. 7% expects deterioration.
- 42% of respondents believe that effective collection of outstanding invoices presents the greatest challenge to profitability next year. Fall in demand ranks second (reported by 40% of respondents).

2021 industry outlook

- 63% of respondents expects the domestic economy to improve over the coming months. 26% expects it to get worse. 53% anticipates growth in the global economy while 34% expects it to decline. Similar opinions are expressed over international trade with 50% expecting it to get better and, 29% predicting it to get worse.



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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