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COFACE ECONOMIC PUBLICATIONS

PAYMENT SURVEY

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Poland Payment Survey 2024: Shorter payment delays amid improving economy

The ninth edition of Coface's survey on payment experience in Poland was carried out in October 2024 with 336 companies participating in the study. Poland's economic growth have been gradually increasing thanks to the recovery of household consumption. This trends is opposed to the contraction that had been recorded a year before due to the surge of inflation at that time. Nevertheless, consumers remain price sensitive. Relatively high interest rates encouraged them to increase their savings which results in a limited consumption acceleration. Furthermore, the Polish economy has been suffering from weak external demand, including especially the main foreign trade destination, i.e. the struggling German industry. However as household consumption takes a 57% share in Poland's nominal GDP, it drives the economic activity. Coface estimates GDP growth in Poland to reach a solid 3.0% in 2024, and then accelerate to 3.5% in 2025.

Improving economic growth has been transferred also to the general picture on payment liquidity in Poland which remains favourable. Our study shows that Polish companies experienced average payment delays of 46.2 days, i.e. 2.5 days less than in our previous survey. The extended delays that widened to above 50 days after a due time were recorded by transportation, textile-clothing and chemicals. While concerns on insufficient demand apply to all of them, they also suffered from specific challenges. Chemicals have not recovered yet from adverse conditions for energy-intensive sectors. Textile-clothing was significantly impacted by a series of minimum wages increases. And transports suffered from labour shortages, fierce competition and reduced demand especially due to the strong exposition of Polish carriers to Western European markets. The latter sector recorded the longest payment delays among all sectors reaching nearly 62 days. It corresponds with the 'very high' Coface risk assessment of Poland's transport sector as well as the highest increase (+56% year-over-year) of business insolvencies among all sectors in Poland in Jan-Sep 2024.

According to our survey, all sectors anticipate that the amount of outstanding receivables will increase in the coming months. Yet, a bulk of them expect also the improvement or at least stable economic environment. On the microeconomic side, stronger GDP growth is only a partial relief. Companies' concerns include the economic and business uncertainty, pressure on margins amid strong competition and weak external demand as well as high operational costs, including double-digit wage growth. While a brighter view on 2025 was expressed by survey's participants, a still increasing number of business insolvencies (+23% year-over-year in Jan-Sep 2024) indicates that the payment overdues and business challenges could still lead to failures.

coface FOR TRADE

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PAYMENT TERMS[1]: LONGER CREDIT PERIODS

- Short payment terms still dominate the Polish business landscape: 40% of surveyed companies impose average payment terms of up to 30 days.

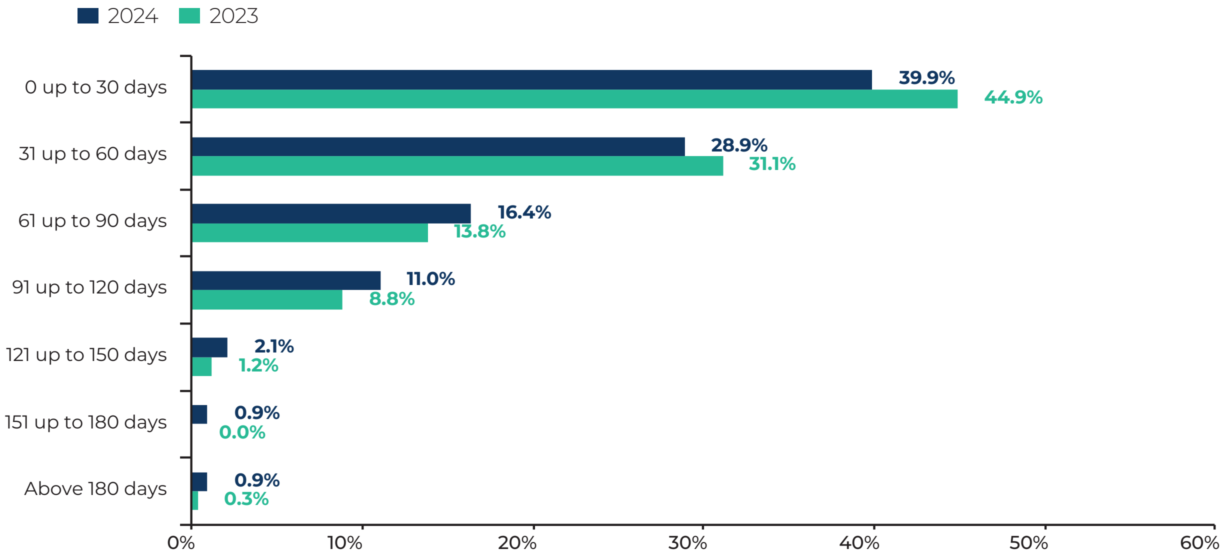
- Compared with our previous survey[2], the share of companies offering payment terms between 0 and 90 days slightly increased. They were still the bulk in 2024, however their share decreased to 85.1%, from 89.7% a year before. Less than 1% of surveyed companies offered payment terms exceeding 6 months.

- Average payment terms increased by 3.8 days, from 42.4 days in 2023 to 46.2 days in 2024.

- In a sectoral breakdown, the most restrictive sectors (those with a majority of sales on short payment terms of up to 30 days) are energy (54%), pharmaceuticals (50%) and textile-clothing (48%).

PAYMENT TERMS
in transports widened by
19 days
since last year

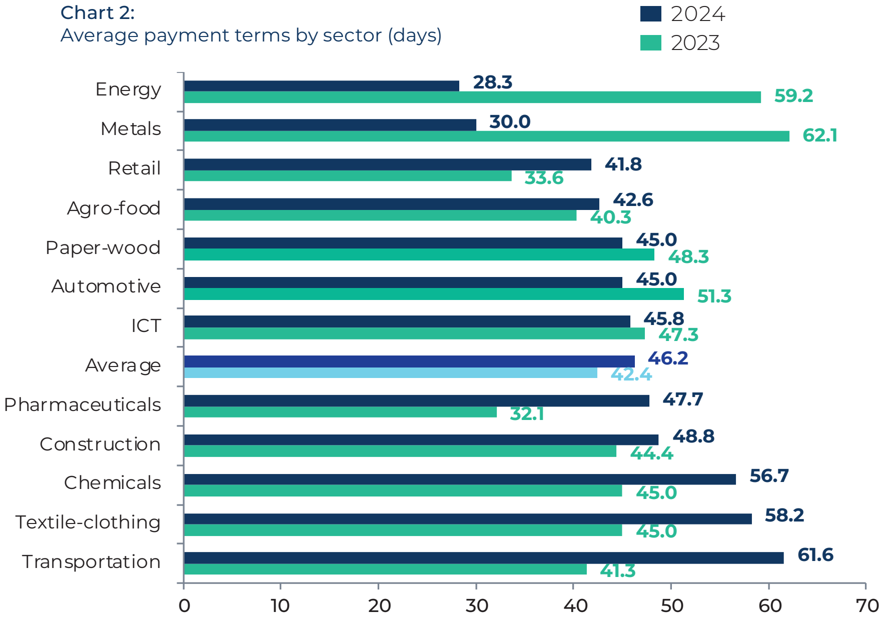
Chart 1:
Payment terms in Poland



Source: Coface Payment Survey

1 Payment term – the time frame between when a customer purchases a product or service and when the payment is due.
2 Poland Corporate Payment Survey 2023: Slightly shorter payment delays but not for all sectors, December 2023

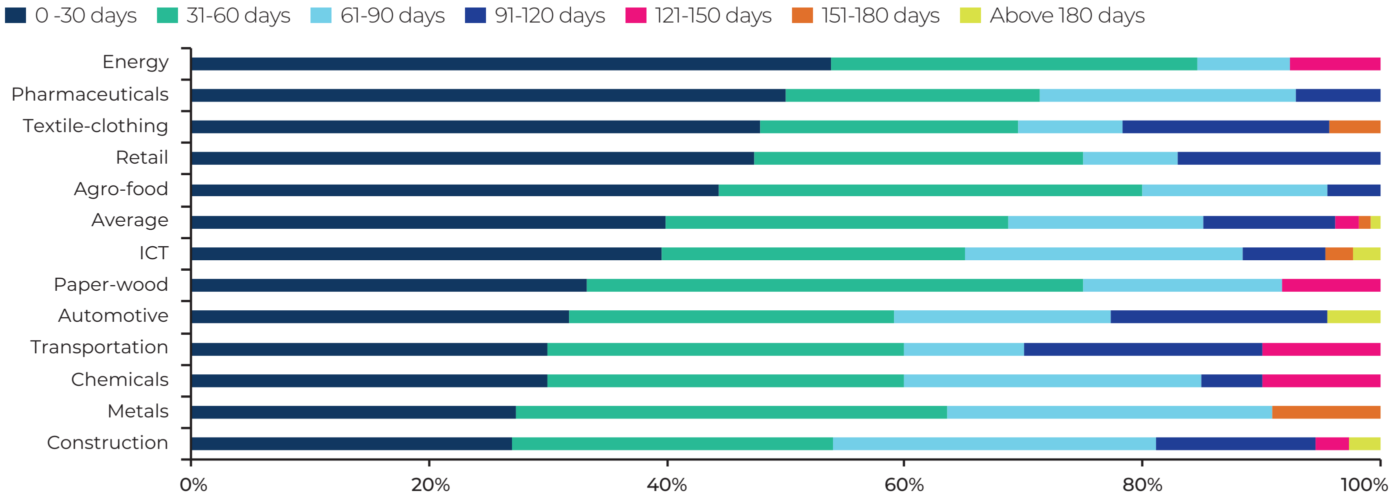
Chart 2:
Average payment terms by sector (days)



Source: Coface Payment Survey

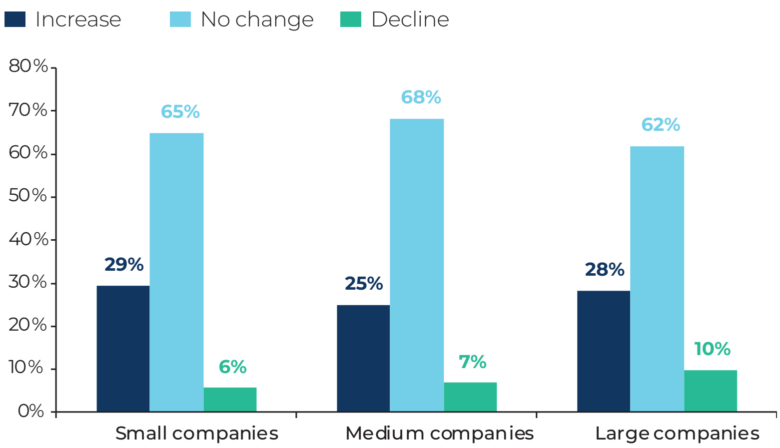
- Sectors that are the most generous in offering long average payment terms include transportation (30% with payment terms of more than 90 days) and automotive (23%). Seven out of twelve sectors reported a lengthening of payment terms compared with the previous survey, including transportation, which reported the widest extension of payment terms, by 20 days.
- Most businesses in Poland expect that payment terms will not change in the next six months. This applies to about two-third of companies, regardless of the size of their clients. On the other hand, payment terms granted to small clients are expected to increase by 29% of surveyed companies.

Chart 3:
Payment terms in 2024 by sectors (days)



Source: Coface Payment Survey

Chart 4:
Expected developments in payment terms, by size of companies' counterparties



Source: Coface Payment Survey

Payment terms in Poland range from 28 days in energy to 62 days in transports

2 PAYMENT DELAYS[3] DIFFER AMONG SECTORS

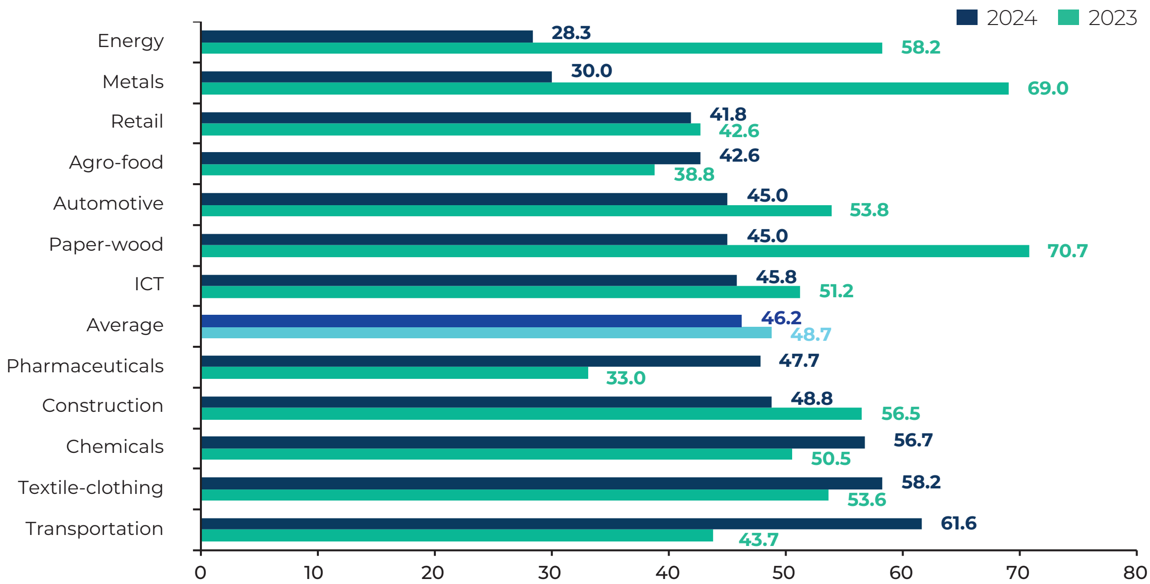
- Payment delays appear to be standard practice in Polish business. 60.1% of surveyed companies declared that they experienced payment delays from their counterparts in the previous 6 months. This is a significant increase compared with the previous survey where 49.3% of companies declared that they had experienced delays.

- Average payment delays reached 46.2 days, 2.5 days shorter than reported in the previous survey. Average payment delays have been gradually decreasing since 2021 (48.0 days), although companies do not benefit anymore from the wide scale of support measures that had been introduced during the pandemic.

- 73% of surveyed companies experienced average payment delays of up to 60 days. Delays between 60 and 150 days were reported by 26%, and long delays of above 150 days by less than 2%. Compared with the previous survey, minor changes were observed in this area: 60.2% of companies experienced payments made more than 30 days after the original due date, down from 65.5%.

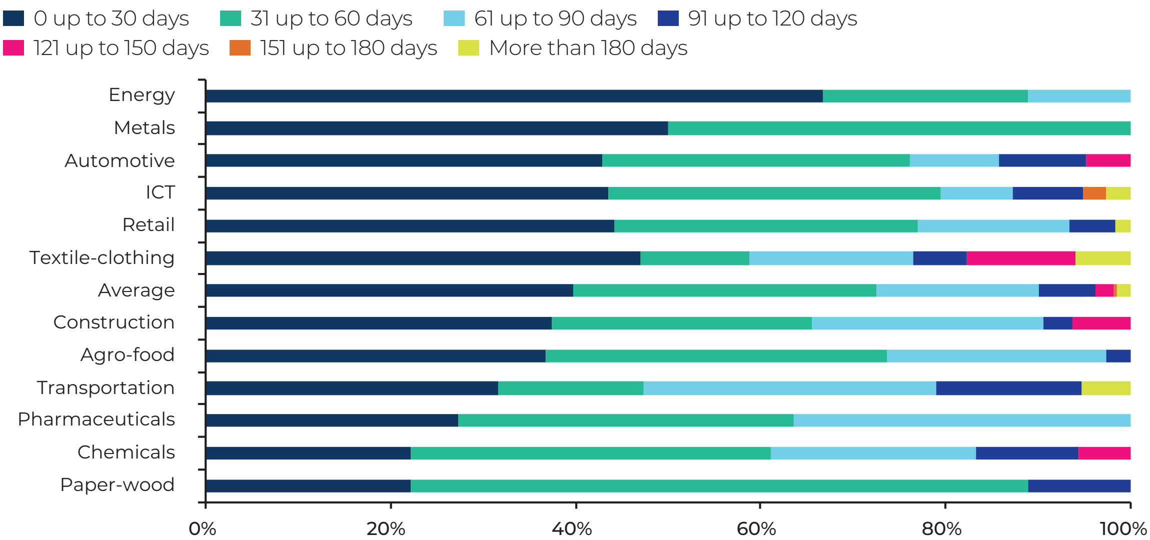
- On a sectoral level, the longest payment delays were experienced by the transportation and textile-clothing sectors, at an average of 61.6 days and 58.2 days, respectively. Four out of twelve sectors reported longer delays compared with

Chart 5:
Average payment delays by sectors (days)



Source: Coface Payment Survey

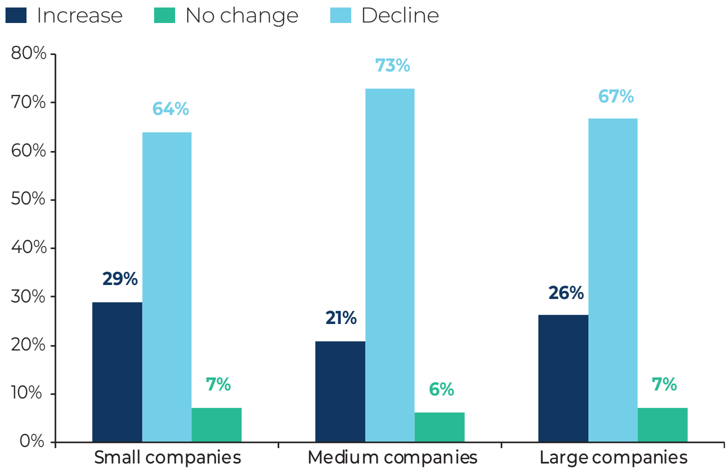
Chart 6:
Payment delays in 2024 by sectors



Source: Coface Payment Survey

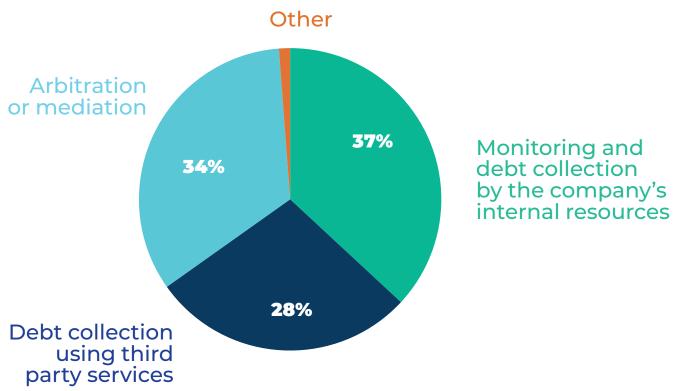
3 Payment delay – the period between the payment due date and the date the payment is made.

Chart 7:
Expected developments in outstanding receivables, by size of companies' counterparts



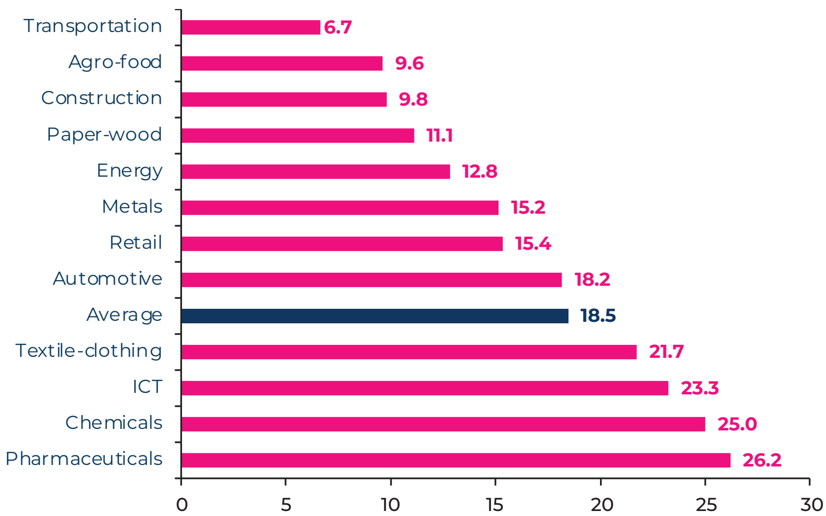
Source: Coface Payment Survey

Chart 8:
The most effective action in case of non-payment



Source: Coface Payment Survey

Chart 9:
Expected increase in the size of outstanding receivables over the next six months (a difference between replies of expected increase and decline; figures in balance points)



Source: Coface Payment Survey

2023. The largest improvement in the shortening of payment delays was recorded by the metals sector (a decrease by 39 days). On the other hand, the biggest increase in payment delays was recorded by the transportation sector (an increase of 17.9 days). The shortest delays were reported by the energy sector (28.3 days).

- In line with the decrease in average payment delays, this time, long payment delays of over six months accounted for a lower share of companies' turnover. Although the share dropped this year, it has remained at a high level compared with prior years. Indeed, these overdue payments represented more than 10% of turnover for nearly 15% compared to 18% of surveyed companies in 2023 vs. 21% in 2022, 5.4% in 2021, 11% in 2020, 16% in 2019, 15% in 2018, 18% in 2017 and 21% in 2016.

- Due to the lack of payment, companies have had to act against debtors. Internal resources for monitoring and debt collection were the most effective (as indicated by 37% of companies). Arbitration and mediation actions were used by 34% of companies, while third party services (such as debt collection and external lawyers) took the share of 28%.

- The level of outstanding receivables is expected to stabilize: 68% of surveyed companies do not expect changes in the next six months. However, as challenges are not expected to disappear rapidly even despite strengthening economic growth, among the remaining part of surveyed entities, a much greater share of companies (25%) expects to see an increase in outstanding receivables compared with those who forecast a decline (7%). Moreover, companies anticipate more specifically a growing number of payment delays from small clients, with 29% expecting them.

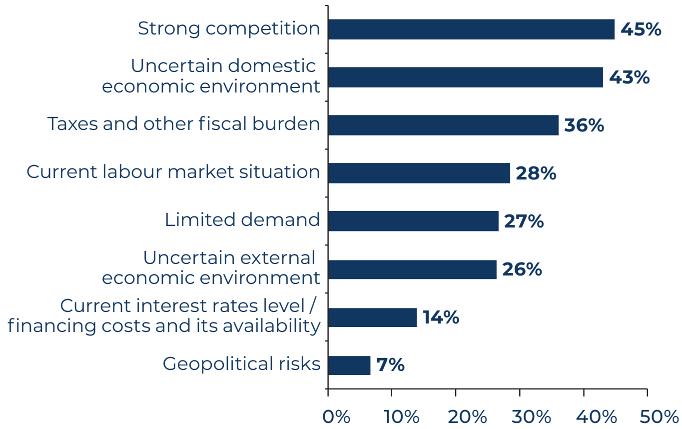
- Examining the results by sector, all sectors (without exception) expect an increase in payment delays over the next six months. The pharmaceuticals and chemicals sectors have the largest share of companies expecting that the amount of outstanding receivables will grow.

Payment delays in transports increased by 18 days in one year

3 EXPECTATIONS: STRONGER ECONOMIC GROWTH LEADS TO IMPROVED BUSINESS OUTLOOK

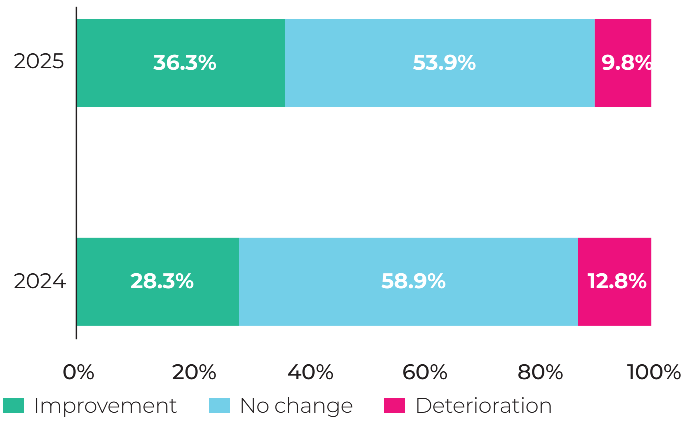
- In 2024 the fierce competition that companies in Poland experienced became the biggest obstacle in their business activity. However uncertain economic environment, especially domestic one despite its gradual rebound, was also a concern for businesses. Moreover, as usual, taxes and other fiscal burdens were often reported by companies as an ongoing obstacle. On the other hand, financing costs and the access to it were mentioned as a barrier by only 14% companies. This constitutes a noticeable finding given that the Polish central bank stopped the process of monetary easing in October 2023 which locked interest rates on relatively high levels in the entire year of 2024.

Chart 10:
Obstacles to business activity
(several answers possible)



Source: Coface Payment Survey

Chart 12:
Assessment of companies' profitability
(gross profitability indicator) changes
in 2024 and 2025 compared with the previous year

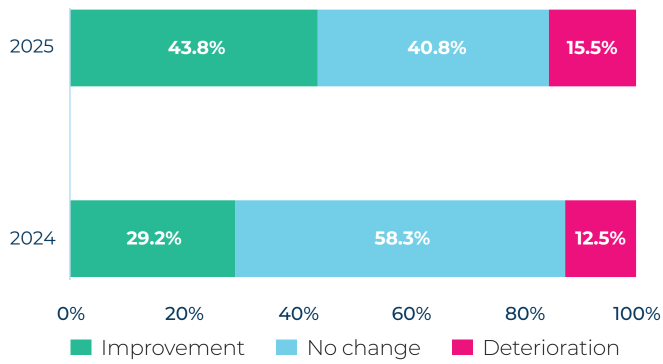


Source: Coface Payment Survey

- According to the Coface forecast, the Polish economy is expected to record relatively solid GDP growth of 3.0% in 2024 thanks to the recovery of household consumption. The further strengthening of growth should be experienced in 2025, with GDP growth reaching 3.5% what will be supported by another component of domestic demand, i.e. growing fixed asset investments. As a result, companies turn to be more optimistic regarding their business activity. While 41% of them do not expect change in 2025, almost 44% of surveyed companies anticipate an improvement, i.e. much higher than the assessment made for 2024 (29%).

- The favourable economic activity should also contribute to the improvement of businesses' profitability in 2025. It is expected by 36% of surveyed companies while 54% of them stated that it will remain on a similar level. Labour costs remain to take a significant share of companies operational costs however that factor will not be as strong as in 2024. Lower inflation softens employees' pressure on growing compensation. On the other hand, companies' margins are likely to rebound only partially as increasing minimum wage and strong competition will limit their surge.

Chart 11:
Assessment of business activity in 2024 and 2025 compared with the previous year



Source: Coface Payment Survey

44% of companies expect that business activity in 2025 will improve compared with 2024

APPENDIX

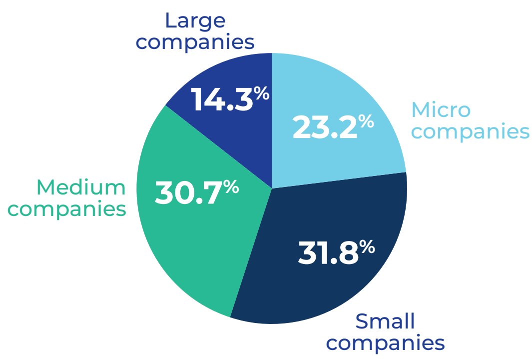
A TOTAL OF

336

COMPANIES PARTICIPATED
IN THE PAYMENT SURVEY

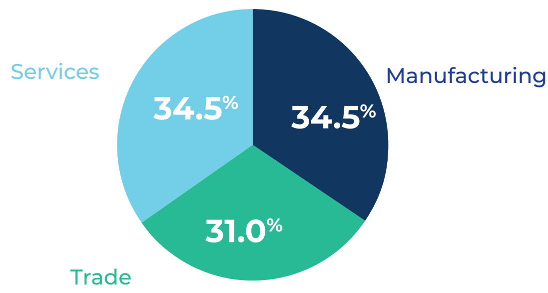
Who were the respondents?

SIZE OF COMPANIES BY TURNOVER



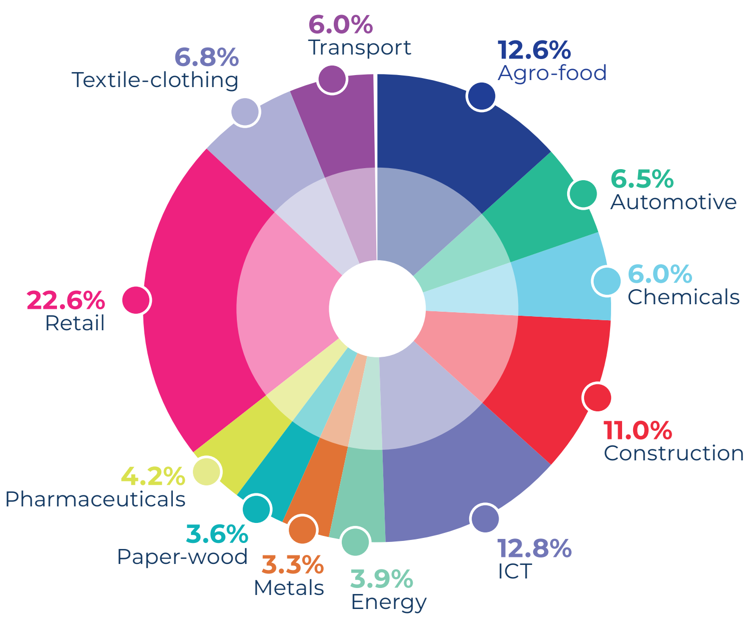
Source: Coface Payment Survey

THE MAIN BUSINESS ACTIVITY



Source: Coface Payment Survey

SECTORS OF SURVEYED COMPANIES



Source: Coface Payment Survey

GLOSSARY

PAYMENT TERM
The time frame between when a customer purchases a product or service and when the payment is due.

PAYMENT DELAY
The period between the payment due date and the date the payment is made.

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