



Atradius Payment Practices Barometer

Bulgaria

Focus on B2B payment practices
in the agri-food, chemicals and
transport industries



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“*Businesses retaining credit risk in-house experienced significant increases in the cost of risk management and invoice collection this year. Without insurance, the longer an invoice is overdue, the more it can cost to collect it.*”

Vladimir Vachov
Atradius Country Manager for Bulgaria

Ongoing impacts of pandemic cloud outlook

Bulgaria's GDP is forecast to return to pre-pandemic levels by the end of 2021 and further growth is predicted for 2022, driven largely by consumer demand. Despite this fairly robust outlook, business confidence is muted. Among the three industries we polled in this year's Payment Practices Barometer survey, the transport sector expressed the most confidence in growth, with both agri-food and chemicals trailing behind and showing far less optimism.

Overall, the industries we polled showed a slight increase in the use of credit this year, but this is still far below the volume of transactions traded on a cash basis. This tendency to favour cash over credit may be behind the relatively low take-up of credit insurance among the businesses polled. Of course, businesses trading on cash will not need credit insurance, but beyond that it is possible that businesses without a great deal of experience in trading on credit may be unaware of the benefits that credit insurance can bring.

Certainly, the survey results show that businesses retaining credit risk in-house experienced significant increases in the cost of risk management and invoice collection this year. Without insurance, the

longer an invoice is overdue, the more it can cost to collect it. During periods of poor payments behaviour, collection costs can spiral. However, for the businesses with credit insurance, the costs remain unchanged for the duration of the policy and include professional debt collection services.

If Bulgaria's appetite for trading on credit continues to improve, businesses would be well advised to consider the benefits of trade credit insurance. In addition to safeguarding liquidity, Atradius credit insurance provides policy holders with access to real time information on the creditworthiness of current and potential customers and can be a valuable tool in enabling businesses to take strategic sales decisions and develop growth plans. And, of course, when it comes to managing late payments it can be more cost-effective than businesses that choose to chase unpaid invoices or absorb bad debts in-house.



Payment practices in Bulgaria

The results of this year's Payment Practices Barometer Survey revealed that credit sales in Bulgaria increased slightly to 42% of all B2B sales, up from 40% last year. Trade credit was offered most often to stimulate sales growth and encourage repeat business. Credit requests were most often turned down due to a perception of an increased risk of payment default.

42% of the total value of B2B invoices were reported overdue this year, a small increase on last year's 37%. Long overdue invoices (more than 90 days late) also increased year-on-year from 4% last year to 6% this year. Write-offs were also recorded at 6%, up from 2% last year.

53% of the businesses polled in Bulgaria told us they most often request cash payments from their B2B customers. When it comes to credit risk management, businesses most often opted to mitigate the impact of customer credit risk on the business by setting aside funds to offset potential losses caused by bad debts. Businesses managing credit risk internally most often relied on their own resources to collect trade debts and most frequently sent invoice payment reminders to defaulting customers.

However, for a significant number of the businesses in Bulgaria (48%), reliance on their own credit management resources proved to be more costly than last year, as they incurred increased administrative, collections and finance costs. Besides proving costly, reliance on in-house credit management did not prove significantly effective in containing DSO. 43% reported DSO increases. To free up liquidity, businesses spent more time and resources on chasing overdue payments or turned to external financing to prop up their cash flow.

Looking to 2022, 60% of the businesses we spoke to told us that they are worried about the downside risks associated with the continuation of the pandemic into next year, possibly prolonging the downturn of the global economy and hampering the rebound of the domestic economy. Despite this, however, 53% told us they believe customer payment practices will improve. Perhaps because of this, nearly half told us they intend to offer trade credit more often next year, largely as a way to stimulate sales growth through encouraging repeat business from customers.

Looking at more positive impacts of the pandemic, we asked whether businesses would permanently adopt any new ways of working. 57% told us they had already permanently integrated digital innovation, particularly in terms of e-commerce and enabled their employees to work from home.



Agri-food

Late payments and cash flow

More businesses experience payment delays

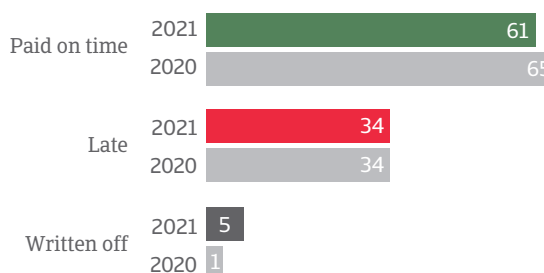
47% of the businesses polled in the Bulgarian agri-food industry reported payment delays this year, an increase on the 35% reporting the same last year. 40% reported no change (compared to 51% last year) and the remaining 13% revealed an improvement in customer payment practices.

In terms of value, late payments affected 34% of the total value of B2B invoices. This is the same as last year. This year-on-year status quo may be a reflection of the high percentage of sales transacted on a cash basis in the industry. That said, businesses wrote off 5% of the total value of invoices this year, compared to just 1% last year.

Perhaps not surprisingly, given the increase in write-offs, 40% of the industry respondents told us they took protective measures to avoid running short of cash. This included delaying payments to suppliers, while increasing efforts to collect unpaid invoices.

Agri-food industry in Bulgaria

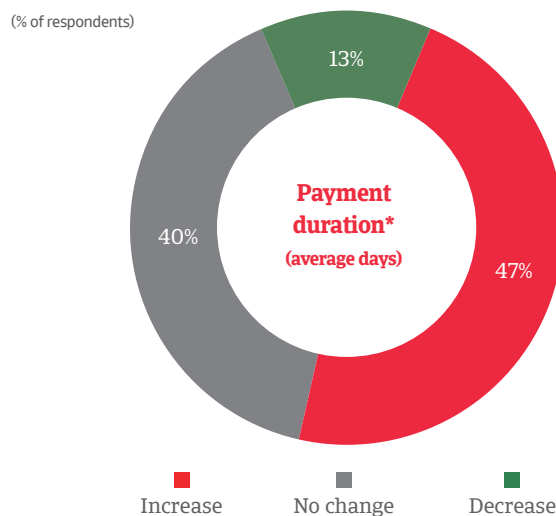
% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2021/2020)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - November 2021

Agri-food industry in Bulgaria

average time it takes to convert overdue invoices into cash (change over the past year)



* Payment term + payment delay

Sample: all survey respondents
Source: Atradius Payment Practices Barometer - November 2021

SURVEY QUESTION

What measures did you put in place to protect your cash flow against customer credit risk?

- #1** Delay payments to my own suppliers
- #2** Increase time, costs and resources spent on chasing overdue invoices
- #3** Strengthen internal credit control process



Agri-food

Approach to credit management and DSO

Cash payments preferred method of payment in industry's B2B trade

The agri-food industry's preference for cash continued this year. Cash payments do not create receivables as payments are received immediately (53% of businesses polled told us so), although extending credit to customer may prevent the risk to lose customers to competitors who do.

When trading on credit, businesses most often send overdue payment reminders (reported by 49%) and offer discounts for early payment (reported by 42%). Just 29% reported outsourcing debt collection to a specialist agency. Businesses seeking liquidity also resorted to trade debt securitisation.

About 40% of the industry told us used trade credit insurance and 40% retained credit risk in-house. 35% of the latter told us they had experienced a significant increase in administrative costs involved in the management of their credit departments.

Increased efforts to collect unpaid invoices and accelerate cash inflows through reliance on internal resources costed more, but helped them decrease costs for external financing, as they were able to finance their operations from their own receivables. That said, in light of the sharp increase in the percentage of write-offs, it is likely that in-house credit departments were not particularly successful at collecting bad debts.

More discounts for early payments

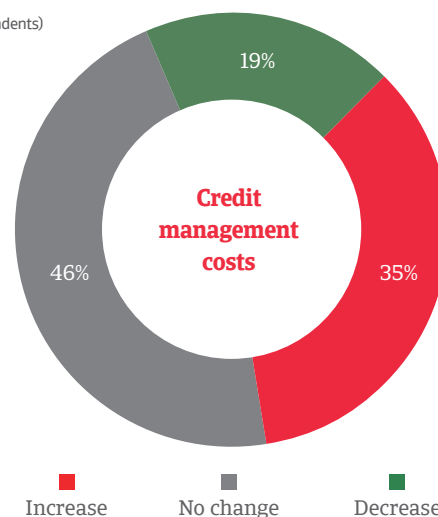
Although the vast majority of respondents told us they plan to retain the same credit management approach next year, nearly 40% told us they plan to offer discounts for early payment more often. 35% plans to retain credit risk in-house and 28% plan to use credit insurance to transfer the risk. Several businesses plan to request payment guarantees more often.

48% expects to see no change in DSO over the coming months. 36% anticipates deterioration and 16% improvement.

Agri-food industry in Bulgaria

change in credit management costs (2021/2020)

(% of respondents)



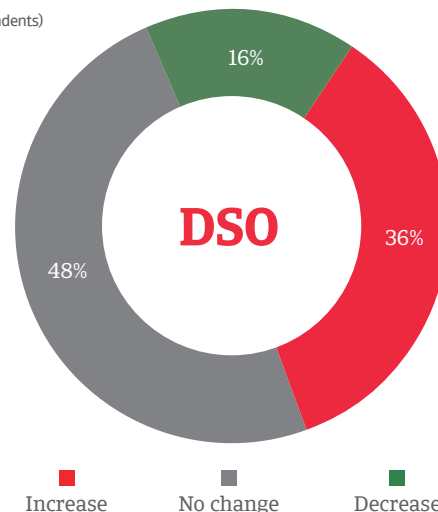
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Agri-food industry in Bulgaria

expected DSO changes over the next 12 months

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021



Agri-food

2022 industry outlook

Concerns over continuation of pandemic in 2022

A significant majority of the industry expressed concerns over the potential for the economic effects of the pandemic to continue next year (85%). These include the worry that the ongoing pandemic could hamper a rebound of the global economy, with inevitable spill overs to the domestic economy, potentially causing instability.

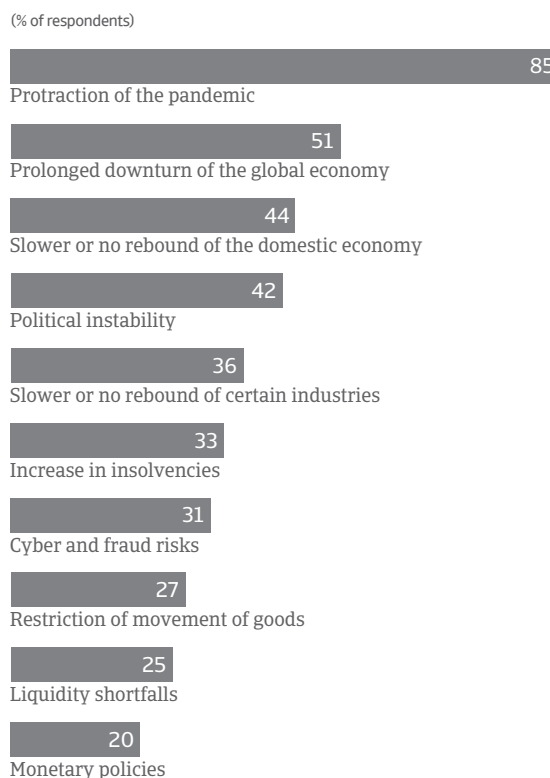
Despite this grim outlook, business confidence in the agri-food industry appears to be cautiously positive. 66% of respondents anticipate growth, with just 18% braced for a decline. The remainder expect to stay the same or are not able to make a prediction.

Perhaps in response to the business optimism, many businesses expect to see an increase in trading on credit over the coming months. 46% believe credit will be offered as a way of stimulating demand.

Reflecting on the long-term impacts of the pandemic, 67% told us they will continue to enable home-working, 49% noted their adoption of digital technology and 44% cited e-commerce.

Agri-food industry in Bulgaria

Looking into 2022: top ten concerns expressed by businesses in the industry



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - November 2021

SURVEY QUESTION

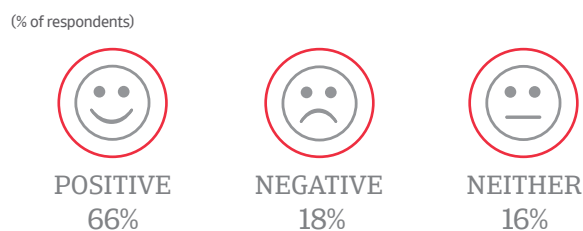
The pandemic has affected businesses significantly. Which of the following do you expect to become a permanent change in the way you do business?
(ranking by % of respondents)

- #1** Home working
- #2** Increased digitalisation
- #3** E-commerce



Agri-food industry in Bulgaria

how businesses feel about their possible growth in 2022



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - November 2021



Chemicals

Late payments and cash flow

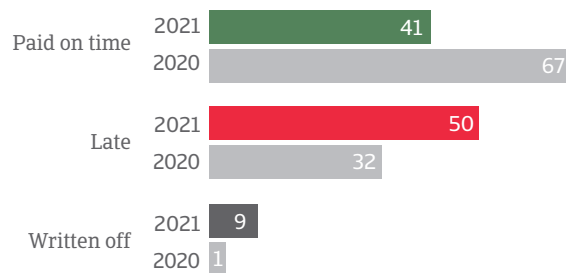
Big increases in late payments and write-offs

Half of the total value of B2B invoices in the chemicals industry was reported overdue this year. This is an increase on the 32% reported last year. Write-offs saw a staggering increase, up to 9% of the total value compared to just 1% last year. In addition, 60% of chemicals businesses told us they had experienced payment delays. Last year, payment delays were reported by 40%. 35% experienced no year-on-year change (compared to 46% last year) and 5% told us their customer payment practices had improved (4% last year).

Such poor payment practices inevitably put pressure on the liquidity position of many businesses in the industry. To address this 50% of respondents sought external financing (up from 32% last year).

Chemicals industry in Bulgaria

% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2021/2020)



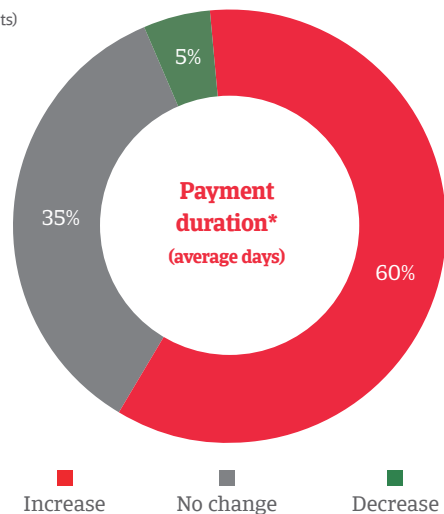
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Chemicals industry in Bulgaria

average time it takes to convert overdue invoices into cash (change over the past year)

(% of respondents)



* Payment term + payment delay

Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

SURVEY QUESTION

What measures did you put in place to protect your cash flow against customer credit risk?

- #1** Pursue external financing
- #2** Increase time, costs and resources spent on chasing overdue invoices
- #3** Strengthen internal credit control process



Chemicals

Approach to credit management and DSO

In-house credit management increases

The majority of businesses in the chemicals sector rely on their own resources for credit risk management. This percentage has also increased year-on-year from 64% to 78%. The number of businesses that protected their accounts receivable with credit insurance plummeted (32% down from last year's 60%). This may be because many businesses were supported by government fiscal measures introduced following the outbreak of the pandemic and therefore did not feel the need to protect their cash flow with credit insurance. It will be interesting to see how the industry responds once government support is phased out.

Businesses opting to retain credit risk in-house use a variety of techniques to mitigate risk. These include setting aside bad debt reserves, employing internal resources to collect debts, sending overdue payment reminders and adjusting payment terms. However, such techniques also come with a cost. 68% of the businesses polled told us they incurred increased costs this year, with the majority spent on collecting outstanding invoices. (25% reported no change and the remaining a decrease). Interestingly, the industry's appetite for accessing cash through financial instruments such as factoring and trade debt securitisation increased rapidly this year (59% versus last year's 46%).

Bad debt reserves provisioning preferred over outsourcing of credit risk management

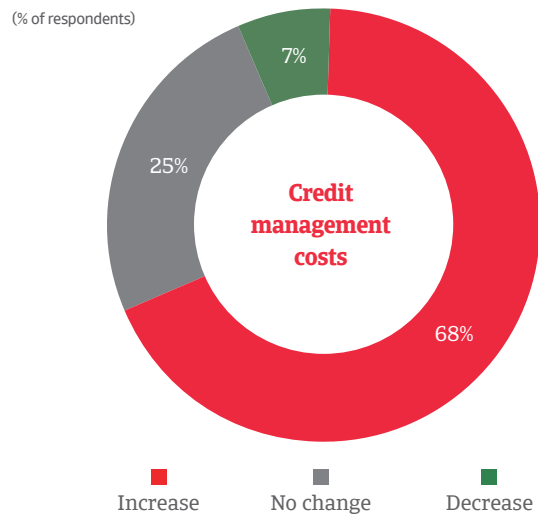
Most of the chemicals businesses told us they plan to continue retaining credit risk internally next year (56% of respondents, down from last year's 64%). This is favoured over credit insurance which is included in next year's plans by 31% of the industry.

Among the businesses retaining credit risk internally, most plan to increase their in-house debt collection efforts with overdue invoice reminders and offering discounts for early payment. A larger proportion of businesses also plan to outsource debt collection to a professional debt collector next year (as reported by 40% compared to 25% last year). Factoring is also appearing more popular with 41% of respondent expressing an interest in using a factor next year, compared to 34% who said the same last year.

These efforts concentrate on reducing the industry's levels of DSO, although predictions remain fairly pessimistic. 59% expect DSO to increase, 27% expect no significant variation and 14% expect it to decrease.

Chemicals industry in Bulgaria

change in credit management costs (2021/2020)

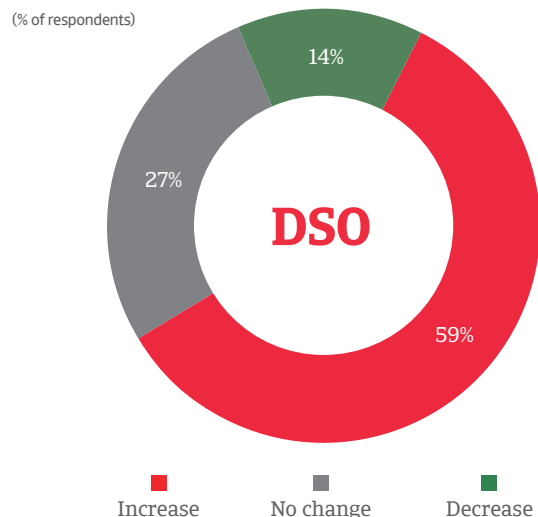


Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Chemicals industry in Bulgaria

expected DSO changes over the next 12 months



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021



Chemicals

2022 industry outlook

Pandemic expected to continue in 2022

Looking ahead into 2022, just over half of the businesses polled in the Bulgarian chemicals industry told us they are worried about the potential for delays to the recovery of the domestic economy (51%). Their concerns centred around the potential for the pandemic supply chains disruptions to result in a long-term reshaping of the way many industries and businesses operate.

Despite these concerns, 74% told us they expect to see growth next year and many businesses plan to offer trade credit more often. 35% plan to use credit to stimulate sales and 31% will use credit to support their customers with a type of short-term finance.

When asked about the impact of the pandemic on their business, 62% told us they will retain the digital innovations they adopted following the outbreak, particularly in terms of e-commerce. In an extension to the industry's supply chain concerns, 44% said that the pandemic had triggered changes to customer demand. Most respondents were uncertain whether these changes were temporary or would become permanent.

Chemicals industry in Bulgaria

Looking into 2022: top ten concerns expressed by businesses in the industry

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

SURVEY QUESTION

The pandemic has affected businesses significantly. Which of the following do you expect to become a permanent change in the way you do business? (ranking by % of respondents)

- #1** Increased digitalisation
- #2** E-commerce
- #3** Facing customer demand changes

Chemicals industry in Bulgaria

how businesses feel about their possible growth in 2022

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021



Transport

Late payments and cash flow

Industry enjoys improvement in payments

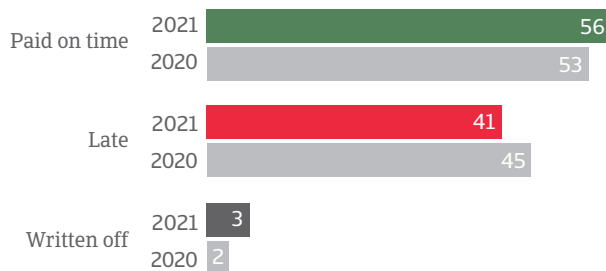
On the whole, the Bulgarian transport industry has seen improvements in payment practices this year. 25% reported a year-on-year reduction in the amount of time they had to wait to turn invoices into cash (this is also an improvement on last year's 18%). Further year-on-year improvements were evident in the percentage of businesses waiting longer for invoices to be paid; 35% compared to 49% last year. 40% of businesses reported no change, more than last year's 33%.

In addition to the volume of businesses reporting improvements, the percentage of overdue invoices also improved. The total value of B2B invoices reported outstanding at the due date this year is 41%, down from last year's 45%. Write-offs remained fairly stable at 3% of the total value of invoices, up slightly from the 2% reported last year.

These improvements in payment practices may be due to the additional measures the industry took to manage risk and collect payments. 44% of respondents told us they spent more time and employed more resources than last year to collect unpaid invoices. 33% pursued additional financing from external sources. 21% told us they requested a bank overdraft extension which is a big increase on the 9% that reported the same last year.

Transport industry in Bulgaria

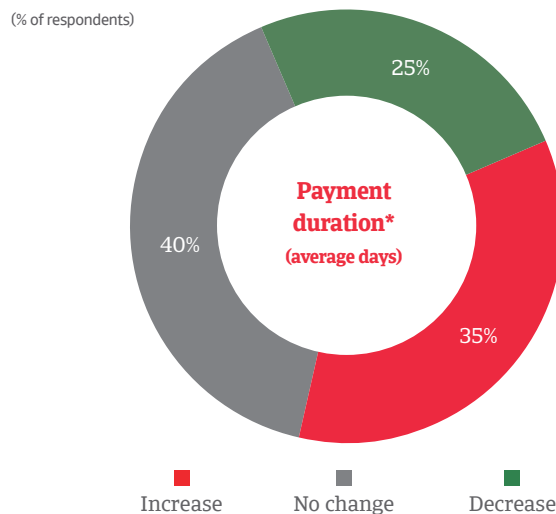
% of the total value of B2B invoices paid on time, overdue and written off as uncollectable (2021/2020)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - November 2021

Transport industry in Bulgaria

average time it takes to convert overdue invoices into cash (change over the past year)



* Payment term + payment delay

Sample: all survey respondents
Source: Atradius Payment Practices Barometer - November 2021

SURVEY QUESTION

What measures did you put in place to protect your cash flow against customer credit risk?

- #1** Increase time, costs and resources spent on chasing overdue invoices
- #2** Pursue external financing
- #3** Delay payments to my own suppliers



Transport

Approach to credit management and DSO

Cash versus credit, evenly split

Half of the Bulgarian transport industry favours cash over credit (51% of respondents). The same percentage opted to manage credit risk in-house this year (slightly down on last year's 56%) and 43% opted to protect their cash flow with trade credit insurance (down on last year's 53%).

Credit management techniques favoured by the industry include overdue invoice payment reminders and discounts for early payment of invoices. Uninsured businesses revealed they had experienced a significant increase in credit management costs. 47% told us they had spent more on external financing and 40% spent more on the administration of their credit departments.

Bad debts provisioning favoured over outsourcing credit risk management in the next months

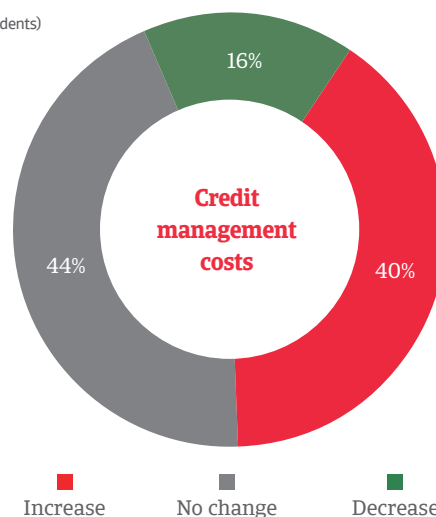
When asked about their credit management plans for the coming months, most businesses said they plan to ask for cash over credit. 30% of the industry told us they will retain credit risk in-house. The primary credit management techniques they plan to use include sending outstanding invoice reminders to defaulting customers, offering discounts for early payment and avoiding credit risk concentrations where possible.

The industry's DSO predictions largely suggest a retention of the status-quo. 23% expect to see deterioration and 26% anticipate improvement.

Transport industry in Bulgaria

change in credit management costs (2021/2020)

(% of respondents)



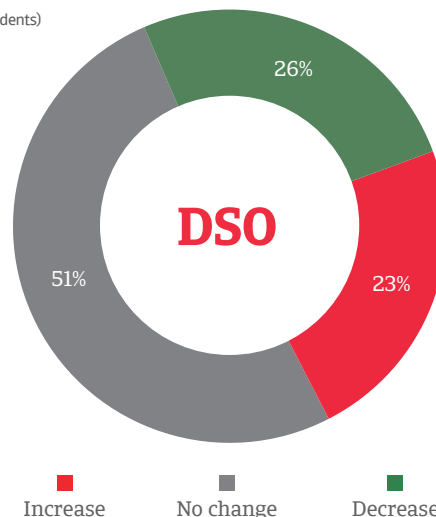
Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021

Transport industry in Bulgaria

expected DSO changes over the next 12 months

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer - November 2021



Transport

2022 industry outlook

Pandemic-led downturn of global and domestic economy worries industry

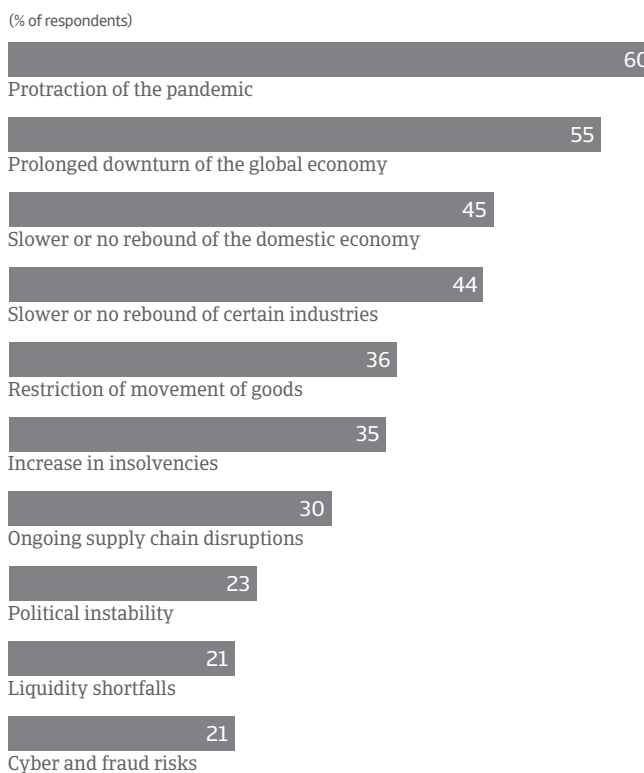
The industry's 2022 outlook is fairly downbeat. A majority (60%) expressed concern about how well the domestic economy could recover from the pandemic and the strain that could present to their industry. Only 43% of the industry feels positive about their growth next year, with 36% having a pessimistic view and 21% unsure.

When asked about trading on credit next year, 35% of respondents said they planned to offer credit in a bid to stimulate sales. 31% told us they planned to offer credit in order to provide a source of short-term finance to customers in financial distress. 24% anticipates no significant change to trading on credit with B2B customers over the coming months.

When asked which of the pandemic-induced changes to the way they do business are likely to be permanently adopted, nearly half told us they will continue using digital technology in their daily operations over the coming months. In particular this relates to the areas of home working and e-commerce.

Transport industry in Bulgaria

Looking into 2022: top ten concerns expressed by businesses in the industry



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - November 2021

SURVEY QUESTION

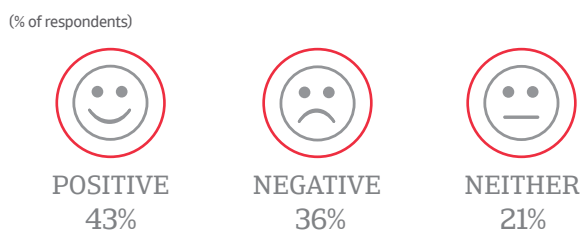
The pandemic has affected businesses significantly. Which of the following do you expect to become a permanent change in the way you do business?
(ranking by % of respondents)

- #1** Increased digitalisation
- #2** Home working
- #3** E-commerce



Transport industry in Bulgaria

how businesses feel about their possible growth in 2022



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - November 2021

Survey design

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the 'Atradius Payment Practices Barometer'. This report, which is part of the 2021 edition of the Atradius Payment Practices Barometer for Europe, focuses on Bulgaria. 200 companies from the Bulgarian agri-food, chemicals and transport industries 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.

The survey was conducted exclusively for Atradius by CSA Research.

Survey scope

- **Basic population:** 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.
- **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=200 people were interviewed in total.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration.
Interview period: Q3 2021.

Bulgaria - total interviews 200

Industries surveyed			
Agri-food			
Chemicals			
Transport			
Sector			
Companies interviewed	Agri-food (%)	Chemicals (%)	Transport (%)
Manufacturing	53	76	21
Wholesale trade	22	10	3
Retail trade/Distribution	18	9	21
Services	7	4	56

Company size			
CCompanies interviewed	Agri-food (%)	Chemicals (%)	Transport (%)
Micro enterprises	47	16	69
SME - Small enterprises	31	10	8
SME - Medium enterprises	13	62	18
Large enterprises	9	12	5

Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the November 2021 Payment Practices Barometer of Atradius, available at www.atradius.com/publications
[Download in PDF format](#) (English only).

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