



The Netherlands: how do businesses react to the rise in payment default risk?

Atradius Payment Practices Barometer





trading partners

Top 5

- Germany
- Belgium
- United Kingdom
- France
- United States

Source: Statistics Netherlands

exports

Top 5

- Machines and transport equipment
- Chemical products
- Mineral fuels
- Food and live animals
- Manufactured products

Source: Statistics Netherlands

imports

Top 5

- Machines and transport equipment
- Mineral fuels
- Chemical products
- Manufactured products
- Food and live animals

Source: Statistics Netherlands

GDP growth in the Netherlands is expected to slow to 1.7% in 2019. After several years of sharp decreases in insolvencies, this year is likely to mark a turning point. Business failures are expected to rise by 3% in 2019 and 1% in 2020.



Tom Kaars Sijpesteijn, Atradius Country Manager for the Netherlands commented on the report

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Our survey shows that over 60% of businesses interviewed in the country believe the payment practices of their B2B customers will not change significantly over the coming months. This opinion is likely to be a reflection of the currently robust Dutch economy, where growth is supported by high consumer confidence, a strong labour market and increasing purchasing power.

However, the risks have clearly increased and the economic climate has undeniably deteriorated. Global GDP growth is forecast to slow to 2.6% this year, with the escalation of the US-China trade war as the main culprit. World trade growth continues to decelerate, and the outlook remains bleak.



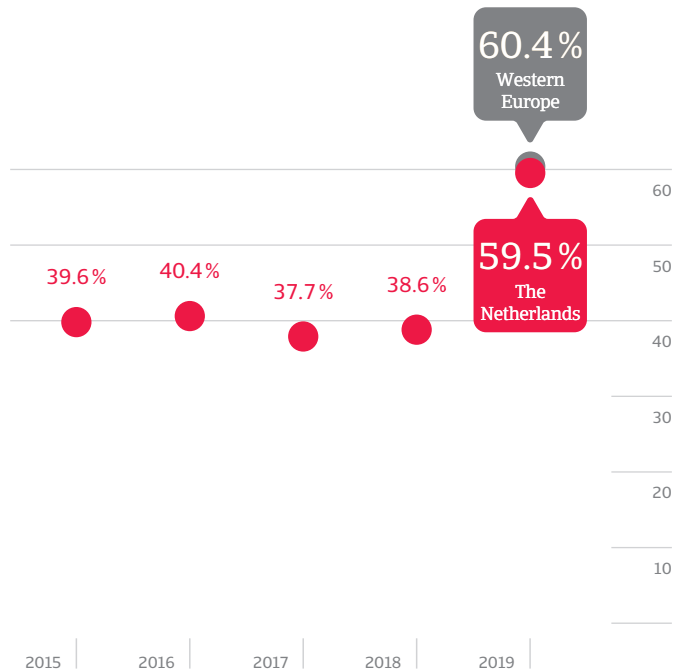
Dutch survey respondents sell more on credit to B2B customers than one year ago

Based on survey findings in the Netherlands, respondents transacted 59.5% of B2B sales on credit (up from 38.6% last year). This compares to a 60.4% for Western Europe. The increased use of trade credit in B2B transactions by Dutch businesses appears to be consistent with both resilient domestic demand and their need to support export sales. This is particularly the case now that weak global trade is beginning to impact the Dutch manufacturing sector.

Dutch survey respondents are reluctant to increase the time given to B2B customers to settle invoices

Average payment terms recorded in the Netherlands stand at 28 days from invoicing (27 days last year). These are below the 34-day average for Western Europe. Dutch survey respondents appear reluctant to give B2B customers longer to settle invoices than last year. This is likely to be down to a combination of uncertainty over trade policy, higher global fi-

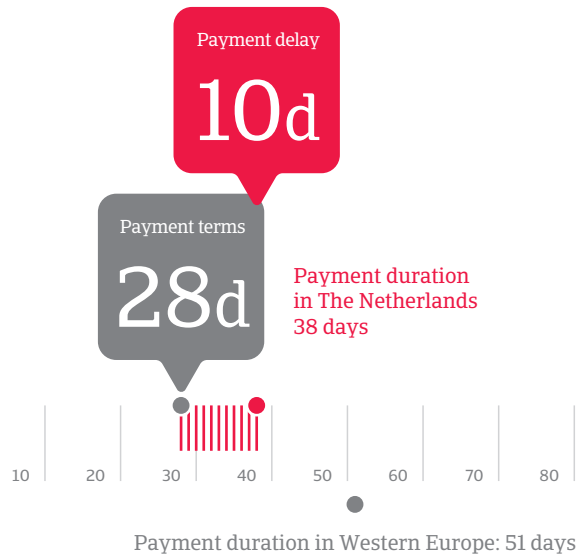
Proportion of total B2B sales made on credit in the Netherlands



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – October 2019



Payment duration in the Netherlands



d = average days

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

Source: Atradius Payment Practices Barometer – October 2019

financial headwinds and the current economic scenario, which is forecast to cause an increase in insolvencies in the Netherlands. More relaxed payment timings could increase the risk of not getting paid on time, due to the expected worsening of B2B customers' payment practices over the coming months.

Dutch perception of trade credit risk is higher than one year ago

Consistent with the increase in the use of B2B credit with conservative credit terms, along with heightened perceptions of insolvency risk arising from selling on credit in challenging times, Dutch respondents focus on the protection of their business from payment default from customers. The survey shows that, prior to any trade credit decision, the majority of Dutch respondents (28%) perform an assessment of the creditworthiness of prospective buyers. This is lower than the average for Western Europe (35%). Once the invoice becomes overdue, 27% of Dutch respondents undertake dunning activities (outstanding invoice reminders). To collect long overdue receivables, 25% of survey respondents in the Netherlands engage a collections agency. This is far more than in Western Europe (18%).

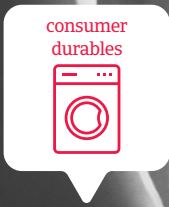
Collection of long-term overdue receivables in the Netherlands is less efficient than last year

23.6% of the total value of B2B invoices issued by respondents in the Netherlands over the past year remained outstanding at the due date. This is the second lowest figure recorded in Western Europe (28.9%), after Denmark (20.3%). In line with improved payment practices from B2B customers, resulting in increased timely payments (74.2% of invoices paid on time compared to 65.7% last year), respondents in the Netherlands cash in overdue invoices earlier than one year ago (38 days down from 41 days last year). This variation is consistent with observations for the region overall, where payment duration decreased on average to 51 days down from 57 days last year. Consistent with their sharp focus on receivables' management, most of the respondents in the Netherlands (57%, compared to 42% in Western Europe) reported no significant impact on business arising from late payments from customers. In contrast, 25% of Dutch respondents (versus 26% in Western Europe) reported they needed to take specific measures to make up for liquidity constraints arising from untimely settlement of invoices. Compared to the same survey period one year ago, Dutch respondents appear to be less efficient when it comes to the collection of long-term past due invoices. Survey findings reveal that the proportion of write-offs of uncollectable accounts increased to 1.3% (up from less than 1% last year). This compares to a 2.2% average for Western Europe.

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25%
of Dutch respondents (versus 26% in Western Europe) reported they needed to take specific measures to make up for liquidity constraints arising from untimely settlement of invoices.

Atradius Payment Practices Barometer – October 2019



60 days

is the average time it takes payments in the Dutch consumer durables sector. Non-payments in this sector are expected to level off this year.

Atradius Market Monitor Consumer Durables - The Netherlands 2019

1 in 2 Dutch respondents plan on increasing the efficiency of their receivables collection efforts over the coming months

61% of survey respondents in the Netherlands (55% in Western Europe) believe their B2B customers' payment practices will not change significantly over the coming months. In contrast, 19% of respondents expect their B2B customers' payment behaviour to deteriorate over the same time frame. In particular, the expected deterioration is forecast to result in an increase in long-term overdue invoices (over 90 days past due) and ultimately in higher average days sales outstanding (DSO). To strengthen their receivables management and improve protection of business profitability against the risk of insolvency from customers, 54% of Dutch respondents plan on performing checks of their customers credit quality more often. 50% plan on undertaking dunning activities on a more regular basis to increase the efficiency of collection of overdue receivables. 46% of Dutch respondents believe access to bank financing will not be more difficult over the coming months. However, 22% of respondents do not share this opinion and say that tighter financing conditions will cause them to delay business investment (49% of respondents, compared to 33% in Western Europe).



Tom Kaars Sijpesteijn, Atradius Country Manager for the Netherlands commented on the report

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The effects of the global slowdown are being felt in all regions worldwide, including Western Europe. Here, also due to the economic contraction in Germany, it seems inevitable that the number of bankruptcies will increase over the coming months. This will also be the case for the Netherlands, as the Dutch industry is facing headwinds. In these challenging times, there are still opportunities though and appropriate credit management helps mitigate non-payment risks, enabling safe and profitable business growth.

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Overview of payment practices in the Netherlands

By business sector

B2B customers in the Dutch agri-food sector are given the longest to settle invoices

Based on survey findings in the Netherlands, the longest payment terms to B2B customers are found in the agri-food sector (on average 35 days from invoicing). Average payment terms across the other sectors surveyed in the Netherlands range from 28 days in the transport sector, to 25 days in both the ICT and electronics sectors. At the lower end of the scale is the consumer durables sector, which is given an average of 15 days to settle invoices.

Both the Dutch ICT and machines sectors record the highest proportion of write-offs

The ICT/electronics and the machines sectors in the Netherlands recorded the highest proportion of B2B receivables written off as uncollectable (2.2% each). In contrast, over the past year there was a significant improvement in the collection of overdue receivables in the consumer durables sector, with a corresponding decrease of write-offs to less than 1% of the B2B sales on credit. Also the services sector in the Netherlands records on average <1% of receivables written off as uncollectable.

Trade credit risk deteriorated in the Dutch transport sector over the past year

With an average of 31% of the total value of invoices remaining unpaid at the due date, the Dutch agri-food sector has the greatest proportion of late B2B payments in the Netherlands. Across the other sectors surveyed in the country, the percentage of overdue invoices ranges from an average of 28% in both the construction and consumer durables sectors to 18% in the services sector. The credit risk trend in the Dutch transport sector deteriorated over the past year, due to a sizeable decrease in the proportion of timely payments (70.8% of invoices paid on time compared to 77.5% last year).

Atradius · Key Findings

54%
of the suppliers surveyed in the Netherlands (compared to 31% in Western Europe) plan on increasing customers' creditworthiness checks over the coming months.

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The graphic features a blue-tinted background image of two men in business attire. A white circle with a red 'Y' logo is in the top left corner. The text is overlaid in white and bold.

Overview of payment practices in the Netherlands

By business size

Dutch large enterprises granted the longest average payment terms for B2B customers

Respondents from large enterprises in the Netherlands extended the longest payment terms to B2B customers, averaging 31 days from invoicing. Micro enterprises offered average payment timings at 28 days, and SMEs at 26 days.

B2B customers of Dutch large enterprises pay invoices far quicker than last year

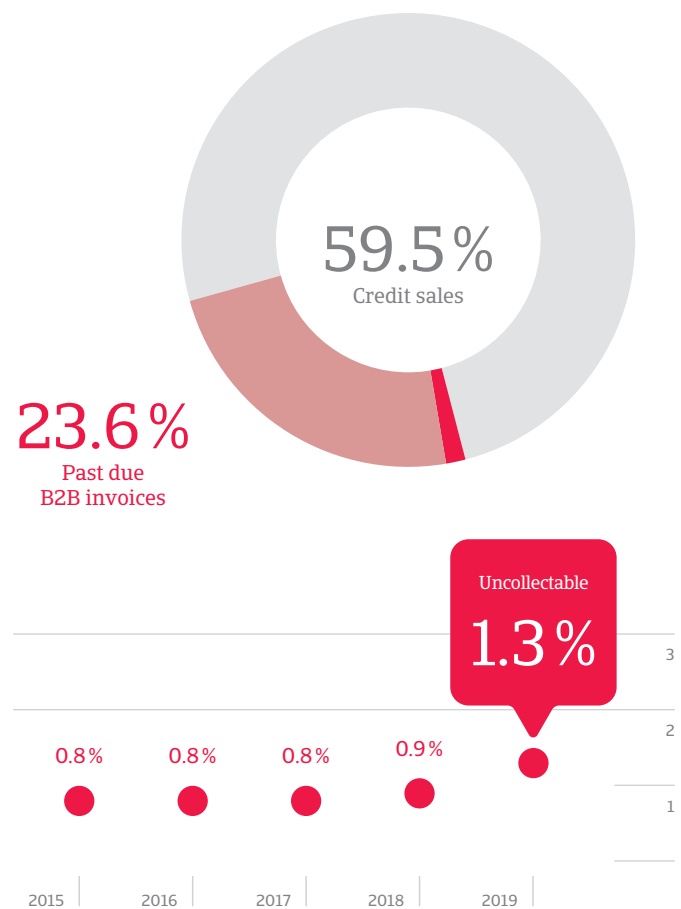
Payment practices of B2B customers of Dutch large enterprises has improved significantly. Compared to one year ago, the proportion of invoices paid on time has increased by 10%. Due to this improvement, Dutch large enterprises are now able to collect past due invoices far earlier than last year (on average within 41 days from invoicing down from 75 last year). The time it takes Dutch SMEs to cash in past due payments averages 37 days from invoicing (stable compared to last year). Micro enterprises are the slowest in collecting past due payments, with an invoice-to-cash turnaround at 36 days from invoicing (up from 33 days last year).

Dutch large enterprises take the longest time to collect receivables over 90 days overdue

Despite being the swiftest in cashing in overdue invoices, with an average of 2.9% of B2B invoices written off as uncollectable (up from 2% last year), Dutch large enterprises appear to be markedly less efficient than last year when it comes to collecting long overdue payments (over 90 days past due). SMEs record an average of 1.7% of receivables written off as uncollectable (up from 1.1% last year), and micro enterprises at less than 1% (steady compared to one year ago).

Uncollectable B2B receivables in the Netherlands

(% of total value of B2B receivables)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – October 2019



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 2019 edition of the Atradius Payment Practices Barometer, companies from thirteen countries (Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Ireland, Italy, Spain, Sweden, Switzerland and the Netherlands) have been surveyed. Due to a change in research methodology for this survey, for some of the current results, no year-on-year comparison is feasible.

Using a questionnaire, Conclusr Research conducted a net of 2.770 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

Survey scope

- Basic population: companies from thirteen countries (Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Ireland, Italy, Spain, Sweden, Switzerland and the Netherlands) were monitored. The appropriate contacts for accounts receivable management were interviewed.
- Selection process – Internet survey: companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact and for quota control was conducted at the beginning of the interview.
- Sample: N=2.770 people were interviewed in total (approximately n=200 people per country). In each country, a quota was maintained according to three classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q3 of 2019.

Sample overview – Total interviews = 2.770

Country	n	%
Austria	221	8.0%
Belgium	216	7.8%
Denmark	200	7.2%
France	209	7.6%
Germany	210	7.6%
Great Britain	223	8.0%
Greece	200	7.2%
Ireland	204	7.3%
Italy	225	8.1%
Spain	229	8.3%
Sweden	214	7.7%
Switzerland	209	7.7%
The Netherlands	210	7.6%
Industry	n	%
Manufacturing	945	34.1%
Wholesale trade/ Retail trade / Distribution	1,526	55.1%
Services	299	10.8%
Business size	n	%
Micro enterprises	936	33.8%
SME (Small/Medium enterprises)	946	34.8%
Large enterprises	945	31.4%

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

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Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Western Europe. This is part of the October 2019 Payment Practices Barometer of Atradius, available at www.atradius.com/publications

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For more **insights into the B2B receivables collection practices in the Netherlands** and worldwide, please see the International Debt Collections Handbook by Atradius Collections (free download after registration), available on www.atradiuscollections.com

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