Managing risk, enabling trade

May 2015

Atradius Payment Practices Barometer

International survey of B2B payment behaviour
Survey results for Turkey

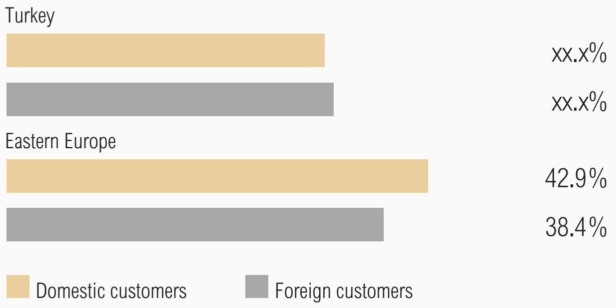
Survey results for Turkey

Sales on credit terms

Survey respondents in Turkey reported that, on average, 50.3% of the total value of their domestic B2B sales was transacted on credit. This is above the 42.9% average for Eastern Europe (average for Western Europe is 44.9%).

The Turkish respondents' openness to using trade credit on the domestic market is significantly higher than that shown in transactions with B2B customers abroad. About 30.5% of the total value of foreign B2B sales was made on credit terms, which is below the 38.4% average for the region (average for Western Europe is 37.7%). It is worth noting that, of all the countries surveyed in Eastern Europe, Turkey shows the strongest preference for using trade credit domestically than internationally.

Proportion of sales made on credit to total B2B sales of respondents in Turkey



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – May 2015

More information in the Statistical appendix

Over the past two years, the proportion of domestic B2B credit-based sales in Turkey grew steadily (by 7 percentage points in total). This is in contrast to the overall survey pattern, which shows a significant drop (by 10.5 percentage points) in domestic B2B sales made on credit in Eastern Europe over the same time frame. Foreign B2B credit sales in Turkey appear to be more volatile, after they suffered a marked decrease in 2014 and a slight increase again this year. This fluctuation does not match the overall survey trend, which points to a steady drop (by 13.4 percentage points) in foreign credit-based transactions in Eastern Europe over the past two years.

Average payment term

The payment terms given by Turkish respondents to their domestic B2B customers, averaging 47 days from the invoice date, appear to be the longest extended in Eastern Europe. This average figure is nearly three weeks longer than the survey average of 30 days. The average for Western Europe is also shorter (34 days). Over the past two years, the domestic payment terms in Turkey increased by an average of five days.

In contrast, payment terms granted to foreign B2B customers, are significantly shorter than those given on the domestic market. They average 37 days and are once more the most relaxed in Eastern Europe, above the average for the region (31 days). Over the past two years, there has been almost no change in the average payment terms given by Turkish respondents to their B2B customers abroad.

Overdue B2B invoices

Despite the significant amount of time given to pay invoices, a sizeable proportion of the total value of domestic B2B receivables in Turkey (55.2%) was overdue. This is the highest proportion of overdue domestic invoices in Eastern Europe, a percentage markedly above the 41.2% average for the region (average for Western Europe is 40.2%). Over the past two years, there has been a significant upswing in domestic overdue payments in Turkey (by around 23 percentage points). This increase is twice as high as the rate of late domestic payments observed in Eastern Europe, which has seen an upward trend.

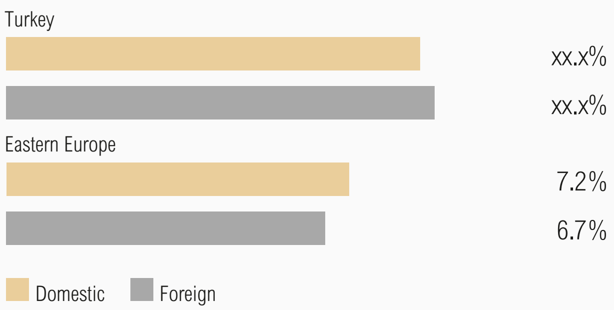
Foreign B2B customers of respondents in Turkey appear to pay past due invoices faster than domestic customers do. On average, only 49.8% of the total value of foreign invoices went past due. Once more, this is the lowest proportion of foreign overdue invoices of all the countries surveyed, and notably below the 34.2% average for Eastern Europe (average for Western Europe

is 35.4%). Over the past two years, similar to what was observed on the domestic market, the level of foreign overdue payments in Turkey increased substantially (by around 23 percentage points). This increase is again twice as high as that observed in Eastern Europe.

When it comes to delinquency rates (invoices unpaid 90+ days after the due date), Turkey records the highest figures in Eastern Europe. 13.4% of domestic and 14.8% of foreign B2B invoices became delinquent, and are likely to turn into collection cases. Both figures are markedly above the averages for Eastern Europe, with 7.2% domestic and 6.7% foreign delinquent invoices. The averages for Western Europe are 7.6% domestic and 7% foreign.

The levels of late payment in Turkey are reflected in the Days Sales Outstanding (DSO) figure posted by respondents in the country, averaging 59 days. This is consistent with the average for Eastern Europe (average for Western Europe is 48 days).

Average proportion of B2B invoices unpaid 90+ days after due date



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

Domestic B2B customers of respondents in Turkey settle their past due payments, on average, just over one month after the due date. This means that suppliers in Turkey receive payments on domestic B2B invoices around 80 days after the invoice date. This is the longest average payment duration across the countries surveyed in Eastern Europe, and is nearly one month longer than the average for the region. Over the past two years, however, this time period decreased significantly (by almost two weeks). Turkish suppliers receive payments on foreign past due invoices, on average, around 10 days earlier than for domestic B2B invoices. Once more this is the longest foreign payment duration observed in Eastern Europe. Over the past two years, this timing remained relatively unchanged.

With such long waiting times to receive payments on B2B invoices, it is no surprise that respondents in Turkey are highly concerned about the financial balance of their businesses. When asked to indicate the greatest challenges to business profitability in 2015, respondents in Turkey indicated the collection of outstanding invoices and a likely fall in demand for their products and services. In the first case, the percentage of respondents is above that in Eastern Europe overall (16% of respondents in Turkey versus 12% in Eastern Europe).

Key payment delay factors

Most of the respondents in Turkey (nearly 57.5%) reported that domestic late payment of B2B invoices is mainly attributable to insufficient availability of funds. The percentage of respondents citing this reason, which is the same as that recorded in Poland, is consistent with that for Eastern Europe (60%). 51.4% of respondents in Western Europe cited this delay factor as well. Over the past two years, the percentage of Turkish respondents citing insufficient availability of funds remained substantially stable. The second most often reported reason for domestic payment delays in Turkey is the perception that B2B customers use outstanding invoices as a form of financing (32.6% of respondents). This is in line with the figure for Eastern Europe (34.8%) and slightly higher than the average for Western Europe (34%).

Similarly, payment delays from foreign B2B customers were most frequently attributed to a lack of liquidity (just over 36.6% of respondents). This is below the overall figure for Eastern Europe (41.4%) and higher than the overall figure for Western Europe (29.4%). Over the past two years, this response rate decreased

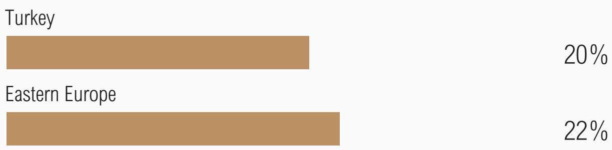
steadily. Interestingly, the second most often reported reason for foreign payment delays in Turkey (36.6% of respondents versus 20.1% in Eastern Europe, and 22.2% in Western Europe) refers to the inefficiencies of the banking system. In contrast to the survey pattern, this shows that the second most frequent reason for foreign payment delays is the perception that B2B customers use outstanding invoices as a form of alternative financing.

Uncollectable accounts

An average of 2% of the B2B receivables in Turkey was reported as uncollectable. This is twice the 1.1% average for Eastern Europe (average for Western Europe stands at 1.2%). Uncollectable B2B receivables were primarily attributed to the construction, food and services sectors. For most of the respondents in Turkey (53.8%), B2B receivables were mainly uncollectable due to the failure of collection attempts. This compares to 38.3% of respondents in Eastern Europe and 25.1% of respondents in Western Europe. Notably more respondents in Turkey (27%) than in Eastern Europe (21%) said that the debt could not be collected as it was too old.

For more insights into the B2B receivables collections practices in Turkey, please see the Global Collections Review by Atradius Collections (free download after registration), available from May 19, 2015 on www.atradiuscollections.com.

Top challenge to business profitability in 2015: falling demand of products and services



Sample: companies interviewed (active in domestic and foreign markets)
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Payment practices by industry

Domestic B2B customers are given payment terms in line with the average for the country in almost all of the industries Turkish respondents trade in. Exceptions to this are the construction and the consumer durables sectors, where payment terms are much shorter (averaging around 65 days). The highest levels of overdue payment are found in the domestic agriculture sector (nearly 60%), which records the longest payment delays (averaging 39 days).

The domestic construction materials sector records the highest rates of late payment due to customers' financial difficulties. Respondents in Turkey expect that, over the next 12 months the payment behaviour of domestic B2B customers will deteriorate mostly in the agriculture and food sectors.

In terms of their foreign trade relations, respondents in Turkey give above-average payment terms (45 days) to B2B buyers in the machines sector. Despite being granted the most relaxed terms for invoice payment, the machines sector generates the most foreign payment delays. However, foreign late payments due to customers' financial stress occur most often in the services sector while late payments caused by the inefficiencies of the banking system in the agriculture sector. Most of the respondents in Turkey expect the payment behaviour of foreign customers in the agriculture sector to deteriorate over the next 12 months.

To learn more about the Survey design of the Atradius Payment Practices Barometer, please see the report for the region.

If after reading this report you would like **more information about protecting your receivables against payment default** by your customers you can visit the Atradius website or if you have more specific questions, please leave a message and a product specialist will call you back.

Statistical appendix

The Statistical appendix to this report is part of the May 2015 Payment Practices Barometer of Atradius (survey results for Eastern Europe) available at www.atradius.com/Publications/Payment Practices Barometer. This appendix is available for download in PDF format (English only).

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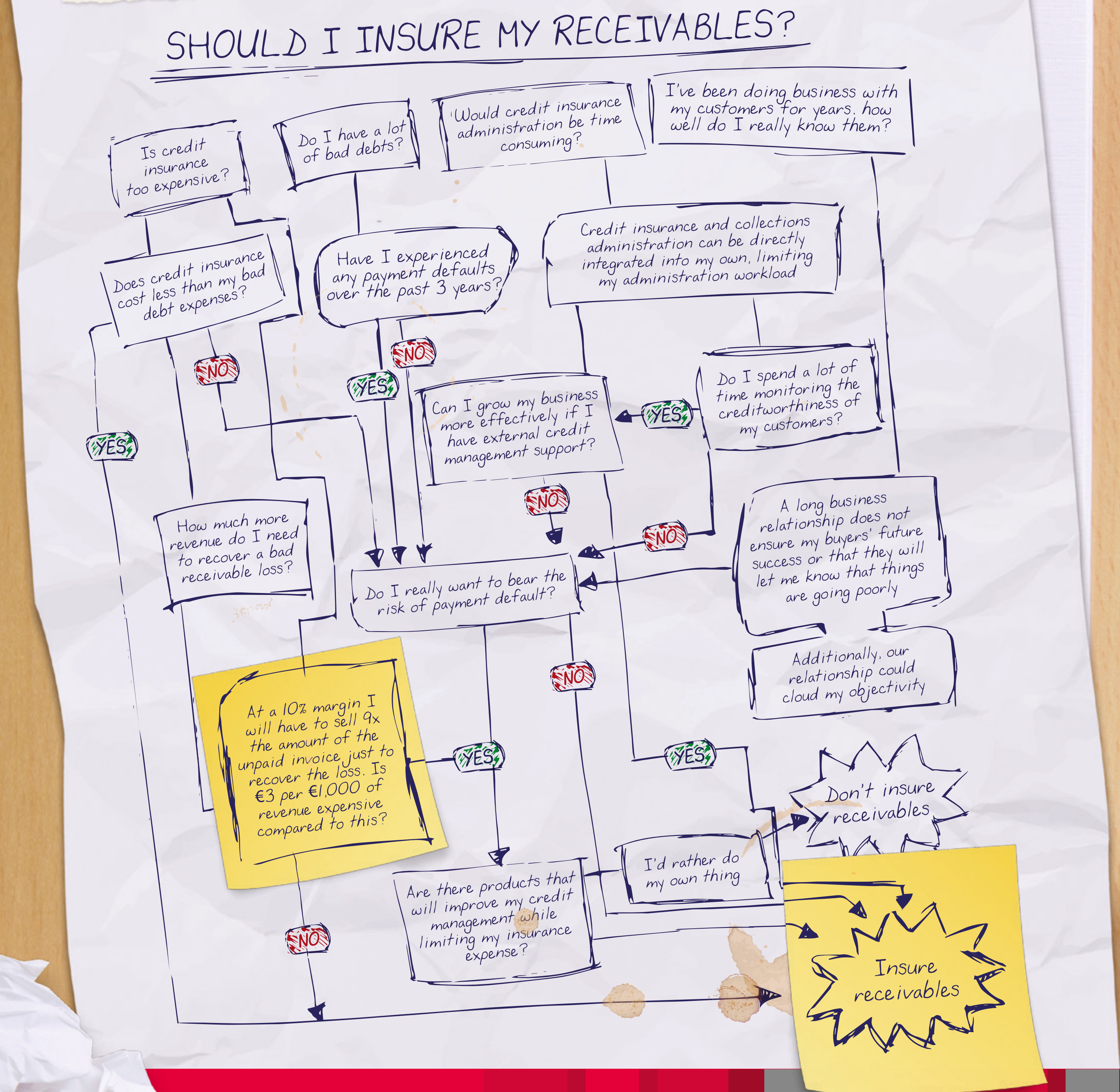
Don't overcomplicate your decision about whether to use credit insurance



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