



Key trends for B2B payments and cash flow

Bulgaria

Cash flow focus sharpened
by increased credit risk





About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times.

However, the survey also has a strong focus on the challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

The results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for Bulgaria.

The survey was conducted between the end of Q1 and mid Q2 2023, and findings should therefore be viewed with this in mind.



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B2B payment trends and cash flow

Cash flow focus sharpened by increased credit risk

Sales transacted on credit with B2B customers increased by 10% during the past year among companies polled in Bulgaria, particularly in the steel-metals sector. This was probably a reflection of resilient domestic demand as well as rising exports towards the European Union. Despite this upward trend, however, credit-based sales to B2B customers average only 44% of all Bulgaria B2B sales, with the largest proportion of sales transacted on a cash basis. This suggests a clear perception among Bulgarian companies about the risk of late or non-payment arising from B2B trade transactions on credit, and a desire to minimise the impact of risk on the business.

This clear aversion to risk was also evident in tighter payment terms offered to B2B customers across all sectors in Bulgaria. Payment terms now average 29 days from invoicing, compared to 32 days last year. The decision to grant tighter terms was influenced by the time gap between receiving payment from customers and making payments to suppliers, and also by the costs of seeking external finance when rising interest rates have made bank borrowing less affordable. This may explain why 59% of companies polled in Bulgaria relied chiefly on trade credit as a source of working capital during the past 12 months. However, 46% of businesses said suppliers were unable to satisfy their demand for trade credit.

A business climate of financial distress could also be seen in our survey finding of significantly poorer B2B customer payment behaviour. Companies polled in Bulgaria reported an average 20% increase in late payments affecting the business during the past 12 months, with the steel-metals sectors particularly affected, highly likely a reflection of the upward trend of the sector's B2B trade on credit. Overall, late payments affecting companies polled in Bulgaria now stand at 47% of all B2B sales on credit, with the main reason cited as invoice disputes with customers that were highly likely a disguise for liquidity shortfalls. Bad debts remained almost stable, now affecting an average 5% of all B2B sales on credit, up from 4% one year ago. 54% of companies polled in Bulgaria also told us they had been able to contain large swings of Days Sales Outstanding (DSO), while the remaining companies polled said they experienced either improvement or worsening of DSO during the past months.

These developments prompted companies polled in Bulgaria to undertake a range of actions such as stronger credit control procedures and spending more and resources on chasing unpaid invoices, this latter reported by 51% of companies polled in Bulgaria. This incurred higher credit risk management costs, and the measures were mostly taken within the framework of in-house retention of customer credit risk. 60% of businesses took this approach, particularly in the chemicals sector, and complemented it by resorting to factoring and securitisation.

Key figures and charts on the following pages

Key survey findings

- B2B sales transacted on credit increased by 10% among companies polled in Bulgaria during the past year, reflecting some dynamism of domestic and foreign demand. Despite this only 44% of B2B sales were made on credit, signalling a strong perception of the risk of payment defaults in the current challenging economic climate.
- This perception was corroborated by the survey finding of Bulgarian companies granting shorter payment terms to B2B customers, now averaging 29 days. One reason for the more stringent terms was the high cost of borrowing, which may explain why 59% of businesses polled chiefly relied on trade credit as a source of working capital.
- Our survey also found significantly poorer B2B customer payment practices affecting companies polled in Bulgaria. A 20% increase in late payments was reported, particularly in the steel-metals sector. Late payments now affect an average 47% of all B2B sales transacted on credit.
- Bad debts were relatively stable, standing at an average 5% of all B2B sales on credit. This was probably due to sharper collection efficiency, which also had benefits for Days Sales Outstanding (DSO). 54% of companies polled in Bulgaria said they contained large swings of DSO, especially in the transport equipment sector.
- 51% of businesses surveyed in Bulgaria told us they spent more time and resources on chasing unpaid invoices in a bid to improve cashflow. Another method used by many companies was strengthening credit control procedures.
- These actions were mostly taken within the framework of in-house retention and management of customer credit risk. 60% of companies polled in Bulgaria took this approach, which was often complemented by factoring and securitisation. Companies who used credit insurance said they appreciated its access to business intelligence.

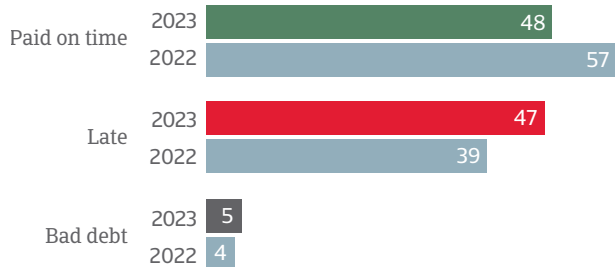
However, companies polled across all sectors told us that when they took up credit insurance they strongly benefited from access to services such as business intelligence, a key factor when the liquidity situation is a major issue for suppliers of trade finance.



Bulgaria

Bulgaria

% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)

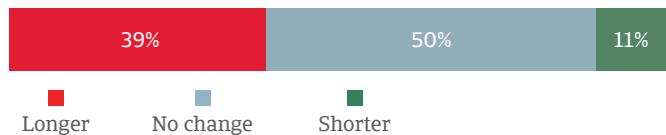


Sample: all survey respondents

Source: Atradius Payment Practices Barometer Bulgaria – 2023

Bulgaria

% of respondents reporting changes in payment duration* over the past 12 months



*average amount of time to get paid from B2B customers

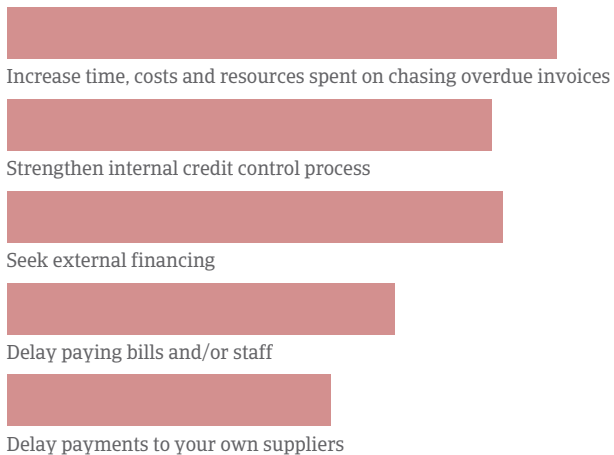
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Bulgaria – 2023

Bulgaria

Measures put in place to minimise cash flow problems due to payment default of B2B customers

(% of respondents - multiple response question)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer Bulgaria – 2023

Survey question

What are the main sources of financing that your company used during the past 12 months?

- 59% Trade credit
- 45% Equity capital
- 40% Bank loans
- 33% Debt securities issued

*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer Bulgaria – 2023

Looking ahead

Strong switch to credit insurance amid payment behaviour concerns

The major concerns about the year ahead expressed by companies polled in Bulgaria are various potential obstacles to business growth. One serious challenge could be tariffs imposed to restrict international trade that would reduce the competitiveness of Bulgarian businesses worldwide. Another particular reason for concern surrounds the possible negative effects of emission reduction targets, which would require significant investment and incur higher costs for companies polled across sectors. Bulgarian companies also reported worry about possible cash flow issues during the coming months, as well as the uncertain trend of inflation and high interest rates, which could put additional strain on business investment and household spending.

However, showing confidence about the outlook for the domestic economy and the purchasing power of households during the coming 12 months, 56% of businesses polled in Bulgaria expect sales to grow during the coming 12 months. 44% of companies expect either no change or a decrease in demand, and scepticism was expressed in the chemicals sector. The outlook for profit margins was not as positive as that for demand. 45% of businesses anticipate no change, while 41% expect an increase. This suggests concern that the impact of inflation on production input costs will continue to be acutely felt, adversely affecting capacity to absorb costs without increasing prices to customers.

Consistent with this concern about the ability to increase profit margins, and therefore having less cash to run the business and meet payment obligations, our survey found pessimism about the prospects for B2B customer payment behaviour. 36% of companies polled in Bulgaria told us they expect a deterioration during the year ahead, particularly reported by the steel-metals sector. 23% of businesses anticipate improvement in payment behaviour, while the remainder said there will be no change. A similar mood was expressed about the outlook for Days Sales Outstanding (DSO), where 31% of companies expect a deterioration, again especially in the steel-metals sector. 26% of businesses anticipate improvement in DSO.

A clear switch towards a more strategic approach to credit risk management was evident in our survey. 47% of companies polled in Bulgaria told us they anticipate doing so in preference to in-house retention and management of the issue. This strategic approach involves the use of credit insurance, with benefits such as access to international business intelligence. Another finding in our survey is that far fewer companies in Bulgaria will resort to factoring and securitisation in the year ahead, only 42% of businesses polled expecting to take this path. However, a widespread use of letters of credit is anticipated to continue.

Key figures and charts on the following pages

Key survey findings

- The greatest challenge looking ahead reported by companies polled in Bulgaria concerns various obstacles to business growth. These include tariffs which restrict international trade, as well as clean energy targets that require major investment.
- Clear confidence was expressed about the prospects for demand in the year ahead by Bulgarian businesses. 56% of companies expect rising demand and sales amid a gradual recovery of the economy and consumer spending power. More scepticism was reported by the chemicals sector.
- There was less optimism on the outlook for profit margins during the coming 12 months. 45% of companies polled in Bulgaria anticipate no change, against 41% who expect improvement. This suggests the impact of inflation on production input costs remains a concern.
- A mixed mood was found in our survey about the trend of B2B customer payment behaviour for the year ahead. 36% of businesses, particularly in the steel-metals sector, believe there will be a deterioration, while 23% anticipate improvement.
- Companies polled in Bulgaria also have a varied view about the prospects for Days Sales Outstanding (DSO). 31% of businesses told us they expect a worsening of DSO, but 26% anticipate improvement, with the remainder saying there will be no change.
- 47% of companies across all sectors in Bulgaria told us they expect to resort to strategic credit management involving the use of credit insurance as their preferred credit risk management option in the year ahead. This compares to 44% that will continue to retain and manage customer credit risk in-house. A wide use of letters of credit is also anticipated by companies polled in Bulgaria.





Bulgaria

Bulgaria

Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

(% of respondents)

Sales



Profit margins



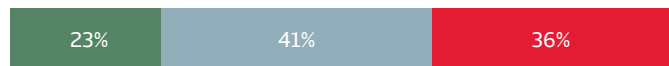
■ Improve
 ■ No change
 ■ Deteriorate

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Bulgaria - 2023

Bulgaria

Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



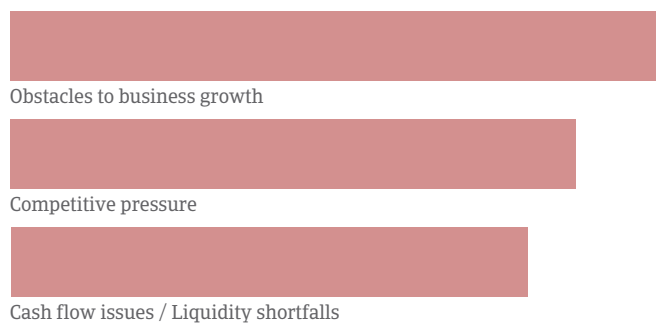
■ Improve
 ■ No change
 ■ Deteriorate

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Bulgaria - 2023

Bulgaria

Looking ahead to the next 12 months: top 3 concerns expressed by businesses polled

(% of respondents - multiple response question)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer Bulgaria - 2023

Survey question

How do you expect your average DSO to change over the next 12 months?

(% of respondents)

26% Improve
43% No change
31% Deteriorate

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Bulgaria - 2023

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Bulgaria are the focus of this report, which forms part of the 2023 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 257 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Bulgaria were surveyed, and the appropriate contacts for accounts receivable management were interviewed.
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us 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=257 people were interviewed in total. A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: The survey was conducted between the end of Q1 and mid Q2 2023.

Sample overview – Total interviews = 257

Business sector	Interviews	%
Manufacturing	183	71
Wholesale trade	19	8
Retail trade/Distribution	32	12
Services	23	9
TOTAL	257	100

Business size	Interviews	%
SME: Small enterprises	26	10
SME: Medium enterprises	82	32
Medium Large enterprises	115	45
Large enterprises	34	13
TOTAL	257	100

Agri/Food	65	31
Construction	70	33
Consumer Durables	76	36
TOTAL	257	100

Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the 2023 Payment Practices Barometer of Atradius, available at www.atradius.com/publications [Download in PDF format](#) (English only).

Interested in finding out more?

Please visit the Atradius website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

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To find out more about B2B receivables collection practices in **Bulgaria and worldwide**, please visit atradiuscollections.com.

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