



Key trends for B2B payments and cash flow

Ireland

Trade credit risk concern as bad debt levels soar



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 Ireland.

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



In this report

B2B payment trends and cash flow Trade credit risk concern as bad debt levels soar	4
Key figures and charts	5
Looking ahead Economic headwinds remain a worry but outlook is optimistic	6
Key figures and charts	7
Survey design	8

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B2B payment trends and cash flow

Trade credit risk concern as bad debt levels soar

The trade credit risk landscape worsened significantly during the past year across all sectors polled in Ireland, payment delays increasing by 20% and bad debts rising to almost double the previous level. Late payments now affect an average 58% of all B2B invoiced sales, posing a clear threat to business liquidity. The situation was even worse regarding the level of bad debts written off as uncollectable, which now average 15% of all B2B invoiced sales, and came most often at the end of insolvency proceedings. Companies in the energy-fuel subsector of the Irish chemicals industry were strongly affected, but financial distress was widely evident.

These stark trends occurred even though the appetite for selling on credit remained steady among companies polled in Ireland and they employed a far more liberal trade credit policy. Sales transacted on credit with B2B customers now average 52% of all B2B sales, showing that it still plays a major role for Irish businesses. Many companies polled said they used trade credit as a means to obtain short-term finance in preference to less affordable bank loans. Payment terms were significantly relaxed, rising to an average 62 days from invoicing, while SME manufacturers offered terms averaging 84 days.

A key factor in setting payment terms among businesses polled in Ireland is the average time gap between payment to suppliers and being paid by their B2B customers. Waiting time increased sharply to an average of 50 days, compared to 20 days last year. This put strains on cashflow and liquidity, prompting a range of actions in response by companies polled in Ireland. 53% said they spent more time and resources to manage customer credit risk and resolve unpaid invoices, particularly in the chemicals sector. Thorough credit checks on new and existing B2B customers was the preferred option in the transport sector.

Another impact of the deteriorating credit risk landscape for companies polled in Ireland was a worsening of Days-Sales-Outstanding (DSO). Many businesses responded by improving debt collection efficiency to protect cashflow and minimise the need for external borrowing. Around 60% of businesses polled said they opted for in-house retention and management of customer credit risk, setting aside cash reserves to cope with potential payment defaults even though the money could not then be used in business operations. The alternative of outsourcing the issue to a credit insurer was most popular in the transport sector, while securitization was often a choice for large chemicals/fuel companies.

Key figures and charts on the following pages

Key survey findings

- Selling on credit continues to play a significant role for companies polled in Ireland. An average 52% of all B2B sales were transacted on credit during the past year despite falling exports to the UK affecting external demand.
- A sharp upward trend saw payment terms granted to B2B customers almost double in length. They now stand at an average 62 days from invoicing while payment terms offered by Irish SME manufacturers rose to 84 days from invoicing.
- The time gap between paying suppliers and collecting payment from B2B customers was the key factor for companies polled in Ireland when setting their payment terms. The average waiting time increased considerably to 50 days compared to just 20 days last year.
- Late payments increased by 20% during the past 12 months and now affect an average 58% of all B2B invoiced sales. The situation with bad debts was even more concerning for businesses in Ireland, the level now standing at 15% of all B2B invoiced sales.
- In response to the impact of late payments and bad debts, 53% of companies polled in Ireland spent significantly more time and resources on resolving unpaid invoices. The chemicals sector reported this particularly, while the transport sector focused on a strengthened credit control process.
- 60% of businesses polled in Ireland opted for in-house retention and management of customer credit risk. Outsourcing the issue to a credit insurer was popular in the transport sector while securitization was used by chemical/fuels companies.

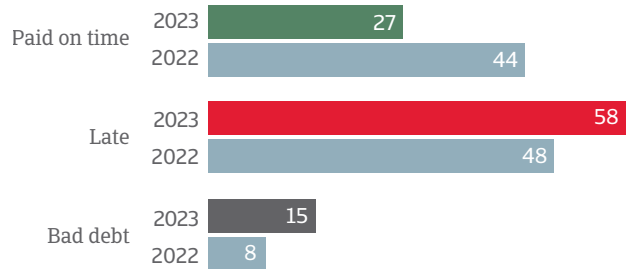




Ireland

Ireland

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

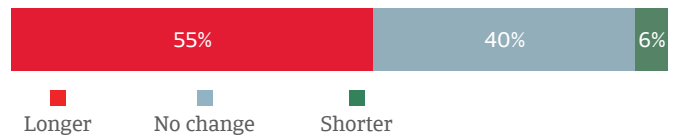


Sample: all survey respondents

Source: Atradius Payment Practices Barometer Ireland – 2023

Ireland

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



*average amount of time to get paid from B2B customers

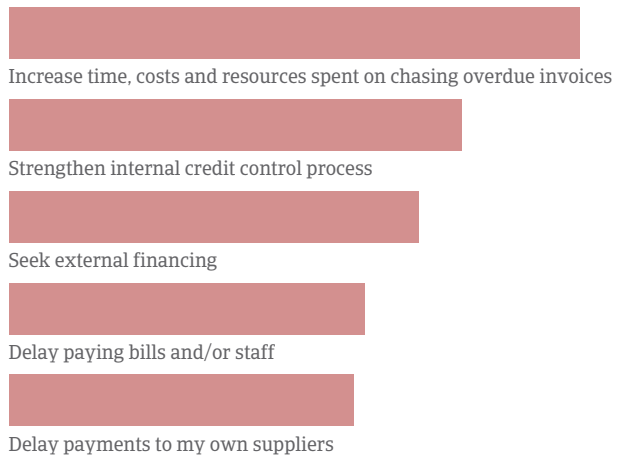
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Ireland – 2023

Ireland

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 Ireland – 2023

Survey question

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

- 47% Trade credit
- 45% Equity capital
- 35% Debt securities issued
- 32% Bank loans

*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer Ireland – 2023

Looking ahead

Economic headwinds remain a worry but outlook is optimistic

A range of concerns still cloud the outlook for companies polled in Ireland amid a generally optimistic economic forecast. Many businesses told us they fear that the legacy of high energy prices will feed into non-energy sectors and put a heavy strain on cost structures. There is anxiety, too, that persistently high interest rates will mean further headwinds for the Irish economy. Companies polled also said the liberal payment terms widely offered to B2B customers to remain competitive in domestic and international markets could bring cashflow issues and liquidity shortfalls, and even threaten the viability of the business.

Our survey found a positive mood among companies polled in Ireland about the prospects for demand in the year ahead. 71% of businesses told us they anticipate an increase in demand and a consequent boost for sales. Optimism was expressed across all sectors, but particularly among transport equipment manufacturers. 55% of companies polled said they expect an increase in profit margins during the coming 12 months. However, many businesses reported pessimism because they will have to pass on high production costs to the market and thus jeopardise the possibility of winning increased revenues.

Confidence about the prospects for payment behaviour of B2B customers was widely reported by companies polled in Ireland. 64% of businesses told us they anticipate an improvement during the coming 12 months, although the construction sector bucked the trend by expressing pessimism about better payment practices. 32% of companies polled in Ireland also told us they expect an improvement in Days-Sales-Outstanding (DSO) in the year ahead, with businesses in the transport sector particularly optimistic in this regard.

60% of businesses polled in Ireland said they anticipate taking the option of in-house retention and management to deal with the issue of customer credit risk. This involves blocking up working capital to cover potential losses from B2B payment defaults and reducing cash available for day-to-day business operations. Many companies also told us they would resort to factoring during the months ahead. Less attention was placed on the alternative approach of strategic credit management involving credit insurance, but companies polled in the transport sector said they would use this tool to protect themselves from the risk of B2B customer payment default in the year ahead.

Key figures and charts on the following pages

Key survey findings

- Several factors continue to cause concern for companies polled in Ireland amid a generally upbeat mood. Many businesses reported worry about soaring interests and a fear that high energy costs will affect non-energy sectors.
- Anxiety was expressed looking ahead about domestic and international competitive pressures as well as the possibility of a global economic downturn. Access to finance was a further concern reported across all sectors.
- 71% of companies polled in Ireland said they expect an increase in demand during the coming 12 months with a consequent boost for sales. 55% of businesses also anticipate rising profit margins in the year ahead.
- There was widespread optimism about an improvement in payment behaviour of B2B customers. 64% of companies polled in Ireland said they expect this, although pessimism was reported across the construction sector.
- A positive verdict was expressed as well about the prospects for Days-Sales-Outstanding (DSO) in the year ahead. 32% of businesses polled in Ireland anticipate an improvement, with the transport sector particularly optimistic.
- In-house retention and management of customer credit risk will be the preferred option looking ahead for 60% of Irish companies polled. However, many businesses in the transport sector told us they would be looking towards taking up credit insurance.





Ireland

Ireland

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 Ireland - 2023

Ireland

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

(% of respondents)



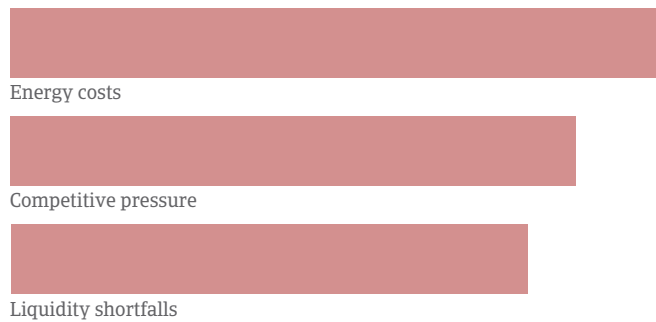
■ Improve
 ■ No change
 ■ Deteriorate

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

Ireland

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 Ireland - 2023

Survey question

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

(% of respondents)

32% Improve
59% No change
9% Deteriorate

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

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Ireland 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 211 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Ireland 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=211 people were interviewed in total. A quota was maintained according to three 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 the beginning of Q2 2023.

Sample overview – Total interviews = 211

Business sector	Interviews	%
Manufacturing	73	35
Wholesale trade	63	30
Retail trade/Distribution	23	11
Services	52	24
TOTAL	211	100
Business size	Interviews	%
SME: Small enterprises	40	19
SME: Medium enterprises	71	34
Medium Large enterprises	70	33
Large enterprises	30	14
TOTAL	211	100
Chemicals (energy, fuel)	73	35
Construction	67	32
Transport	71	33
TOTAL	211	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 **Ireland and worldwide**, please visit atradiuscollections.com.

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Atradius
David Ricardostraat 1 · 1066 JS Amsterdam
Postbus 8982 · 1006 JD Amsterdam
The Netherlands
Phone: +31 20 553 9111

info@atradius.com
atradius.com