



Key trends for B2B payments and cash flow

Italy

Insolvency fears spark strong
credit management measures



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 Italy.

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.



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B2B payment trends and cash flow

Insolvency fears spark strong credit management measures

A significant tightening of trade credit policy was adopted by companies polled in Italy amid a tough domestic economic landscape featuring a sharp rise in insolvencies. This was evident in the strong downward trend of sales transacted on credit with B2B customers, which now average 58% of all B2B sales. Another response of Italian businesses to the heightened risk of payment default was granting markedly shorter payment terms to their B2B customers. These now average 43 days from invoicing, although the steel-metals sector bucked the trend by offering more liberal payment terms to remain competitive in international markets.

Our survey found that the most important factor in setting payment terms for companies polled in Italy was the cost of sourcing external funds to fill potential liquidity shortages. A popular way to seek short-term finance, particularly in the machines sector, was through requesting trade credit, a more affordable option than bank borrowing in a period of high interest rates. This revealed that trading on credit with B2B customers still plays a major role for Italian businesses. Other factors in setting payment terms included whether or not a company had credit insurance place, reported mostly by the machines sector.

The stronger impact of customer credit risk felt by Italian companies was highlighted by late payments now affecting 55% of all B2B invoiced sales. The main reason for payment delays was reported to be liquidity shortfalls among customers. There was also a worsening trend for bad debts which now affect 8% of all B2B sales, up from 6% last year. This was further evidence of rising levels of insolvency, even though bad debts halved in the steel-metals sector. The response of businesses polled in Italy to mitigate the problem of late payments was to strengthen internal credit control procedures and more stringent monitoring of customer credit quality.

All these actions taken by companies polled in Italy helped to reduce swings in Days-Sales-Outstanding (DSO). 17% of businesses told us their DSO deteriorated during the past year, while 24% reported improvement. Companies across all sectors acknowledged the importance of a properly conceived receivables management policy. Nearly half of the companies polled, particularly in the agri-food sector, preferred in-house retention and management of customer credit risk. However, many businesses told us this option had the downside of setting aside too much working capital in challenging economic conditions. Our survey found growing appreciation of the benefits of credit insurance, including access to business intelligence, especially across the Italian machines sector.

Key figures and charts on the following pages

Key survey findings

- There was a sharp downward trend in B2B sales transacted on credit by companies polled in Italy during the past 12 months due to a heightened risk of customer payment defaults. They now stand at an average 58% of all B2B sales.
- Payment terms granted to B2B customers shortened markedly in another response of Italian businesses polled to the deteriorating trade credit risk landscape. They now stand at an average 43 days from invoicing, although the steel-metals sector had a more liberal approach.
- The cost of obtaining external funds to fill liquidity gaps was reported to be a key determinant in setting payment terms. The machines sector said industry standard terms were a major factor for them along with whether or not they had credit insurance.
- Late payments now affect an average 55% of all B2B invoiced sales among companies polled in Italy. Bad debts worsened, now standing at 8% of all B2B sales, up from 6% last year. However, they were halved in the steel-metals sector.
- A range of actions were taken by Italian businesses to try to maintain good cashflow. 46% of companies strengthened their credit control process and dedicated extra resources to resolving disputes. This helped to reduce swings of Days-Sales-Outstanding (DSO).
- Almost half of companies polled in Italy opted for in-house retention and management of customer credit risk. Many businesses, though, told us they saw the value in having a credit insurance in place, particularly across the machines sector.

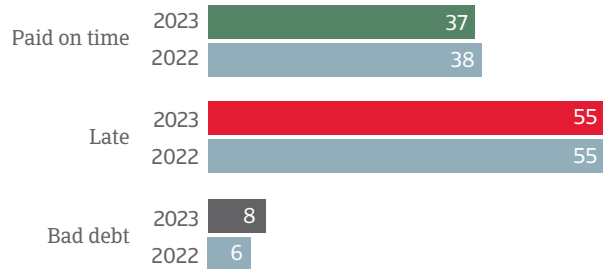




Italy

Italy

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

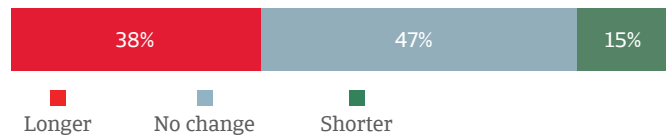


Sample: all survey respondents

Source: Atradius Payment Practices Barometer Italy – 2023

Italy

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



*average amount of time to get paid from B2B customers

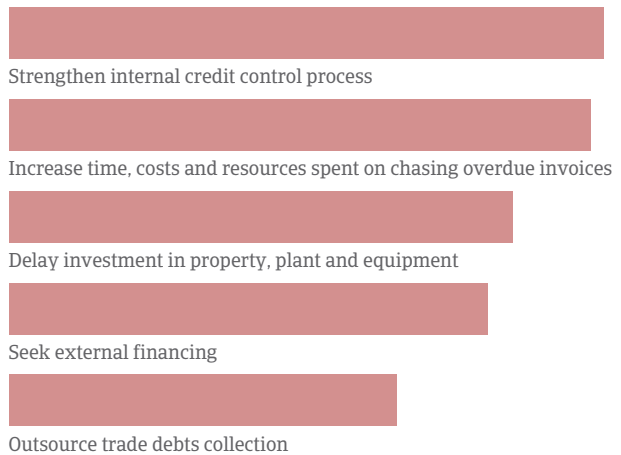
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Italy – 2023

Italy

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 Italy – 2023

Survey question

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

- 39% Bank loans
- 35% Trade credit
- 34% Equity capital
- 34% Debt securities issued
- 30% Internal funds

*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer Italy – 2023

Looking ahead

Business prospects worsen amid uncertain economic outlook

The fragile domestic economy, with inflation slowing only gradually, means companies polled in Italy have a range of fears about the year ahead. Many businesses told us they are concerned that continuing high costs of input for production and energy will put heavy strain on their cost structure. Persistent high inflation is also a key worry in a period of falling household consumption and a weak global economy. Uncertainty was also expressed about the effect of rising interest rates, which companies polled said would very probably mean a slowdown in business investment this year.

Our survey found a pessimistic mood overall about the prospects for both demand and profit margins among businesses polled in Italy. Many companies told us they are concerned they will not be able to generate increased sales and higher revenue to offset the severe pressures facing their cost structure. The agri-food sector, in particular, expressed pessimism about any improvement in demand, while Italian machines companies reported negativity about profit margins. The steel-metals sector bucked the trend, 48% of companies saying they are optimistic about an increase in demand during the coming 12 months.

Similar caution looking ahead was reported by companies polled in Italy about trends for both Days-Sales-Outstanding (DSO) and payment behaviour of B2B customers. 58% of businesses said they expect no change or a deterioration in DSO during the year ahead, with the machines sector especially pessimistic, which may be a warning sign of cashflow problems to come. The remainder of Italian companies anticipate an improvement in DSO. Profound uncertainty was also expressed about payment behaviour, with 61% of businesses polled expecting either no change or a worsening among B2B customers. This reflects widespread anxiety about rising levels of insolvency.

A clear trend was found in our survey about a switch of approach to the crucial issue of customer credit risk. Many companies polled in Italy said they would turn to strategic credit management involving the use of credit insurance. They told us this would have the particular benefit of freeing up working capital to be used in the business, as well as providing access to high quality market intelligence. In contrast, 41% of companies polled expect to continue with in-house retention and management of customer credit risk, which involves setting aside cash reserves to cope with potential losses from payment defaults.

Key figures and charts on the following pages

Key survey findings

- Several major concerns looking ahead to the coming months were reported by companies polled in Italy. There is particular anxiety that high costs of input for production will continue to put severe strain on the cost structure of businesses.
- High energy prices were also cited as a key worry by Italian companies in a period of low domestic demand and global economic uncertainty. Rising interest rates were a further concern that is likely to slow down business investment.
- Widespread pessimism was expressed by companies polled in Italy about the prospects for both demand and profit margins in the year ahead. Only the steel-metals sector bucked the trend, with 48% of businesses positive about improved demand.
- Our survey found mixed feelings about the prospects for Days-Sales-Outstanding (DSO) among Italian companies. 58% of businesses polled expect to see no change or deterioration of DSO, while 42% anticipate some improvement.
- A similar verdict was reported concerning the outlook for payment behaviour of B2B customers in the year ahead. 61% of companies in Italy told us they anticipate no change or a worsening of the situation, which reflects fears there will be rising levels of insolvency.
- 41% of businesses polled in Italy said they would continue with in-house retention and management of customer credit risk in the year ahead. However, many companies told us they are likely to turn towards the benefits of having credit insurance.





Italy

Italy

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 Italy - 2023

Italy

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

(% of respondents)



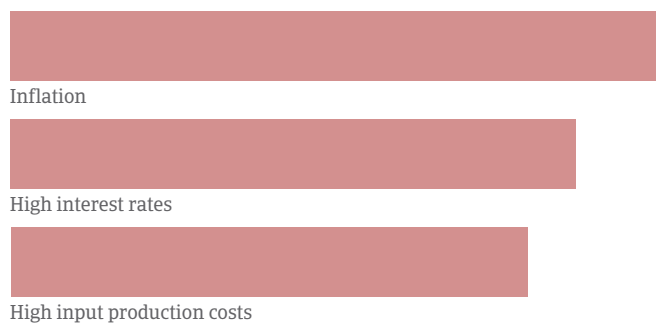
■ Improve ■ No change ■ Deteriorate

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

Italy

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 Italy - 2023

Survey question

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

(% of respondents)

42% Improve
34% No change
24% Deteriorate

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

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Italy 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 212 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Italy 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=212 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 = 212

Business sector	Interviews	%
Manufacturing	53	25,0
Wholesale	114	53,8
Retail trade / Distribution	32	15,1
Services	13	6,1
TOTAL	212	100

Business size	Interviews	%
SME: Small enterprise	40	18,9
SME: Medium enterprise	64	30,2
Medium Large enterprise	78	36,8
Large enterprise	30	14,2
TOTAL	212	100

Agri/Food	72	34,0
Machines	64	30,2
Steel/metals	76	35,8
TOTAL	212	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).

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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 **Italy and worldwide**, please visit atradiuscollections.com.

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