



Italy: insolvencies again on the rise after years of decreases

Atradius Payment Practices Barometer



trading
partners**Top 5**

Germany
France
United States
Spain
United Kingdom

Source: WTEEx

exports

Top 5

Machinery including computers
Vehicles
Electrical machinery, equipment
Pharmaceuticals
Plastics, plastic articles

Source: WTEEx

imports

Top 5

Mineral fuels including oil
Vehicles
Machinery including computers
Electrical machinery, equipment
Pharmaceuticals

Source: WTEEx

In Italy, business insolvencies are expected to increase in 2019, by about 4%. This is due to economic stagnation, increased political uncertainty and tighter credit conditions. Liquidity problems of Italian businesses are being exacerbated by poor payment behaviour from customers. This puts strain on cash flow, especially for smaller suppliers.



Massimo Mancini, Atradius Country Manager for Italy commented on the report



Business failures in the eurozone are forecast to increase 1.2% this year as growth decelerates due to political uncertainty and the weaker external environment. The industrial sector downturn is the chief cause of strain on economic growth, and is putting the brakes on the downward insolvency trend seen since the end of the credit crisis.

As to Italy, we expect a 4% increase in business failures this year, mainly driven by the worsening of the global trade environment caused by the ongoing tension of trade relationships. In such challenging economic times, therefore, it is essential that businesses perform a thorough assessment of the risk of payment default from customers and focus sales on those offering good prospects for business growth.

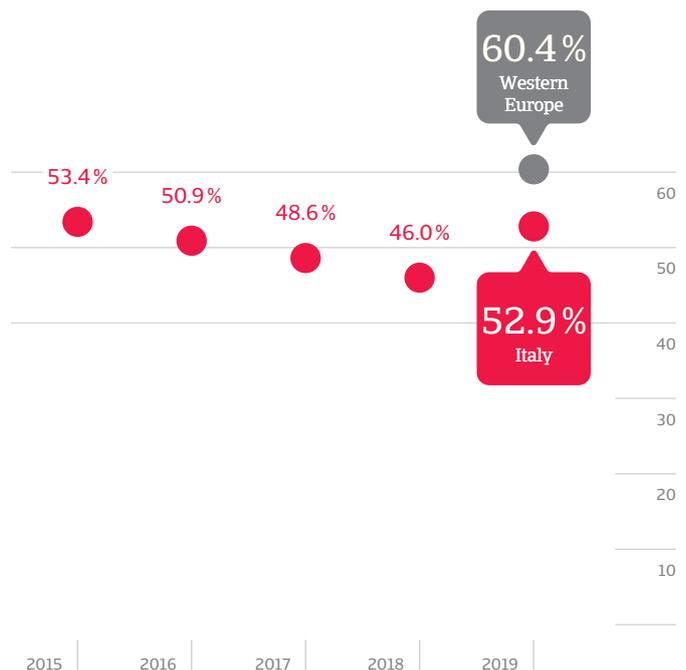
In this regard, commercial credit insurance increasingly becomes a strategic tool in insuring that suppliers reach the above-mentioned goals. In fact, there is no other credit management tool that provides the same level of information about your customers' creditworthiness and protection should they fail to pay you.



Italy trades more on credit terms with their B2B customers than one year ago

Based on survey findings in Italy, 52.9% of the total value of the respondents' B2B sales was made on credit (up from 46.0% one year ago). This is below the 60.4% regional average. The increased use of B2B trade credit is most probably a reflection of the difficult insolvency environment for Italian businesses, with suppliers lending part of their liquidity resources to customers in the form of trade credit. In addition, a more extensive use of trade credit may signal the need of businesses to boost sales on the domestic market, now that household consumption is subdued, and remain competitive on foreign markets. This is particularly crucial now that the country has lost market share abroad, due to the economic slowdown in some of its main export destinations and the persisting uncertainties about the global trade policy.

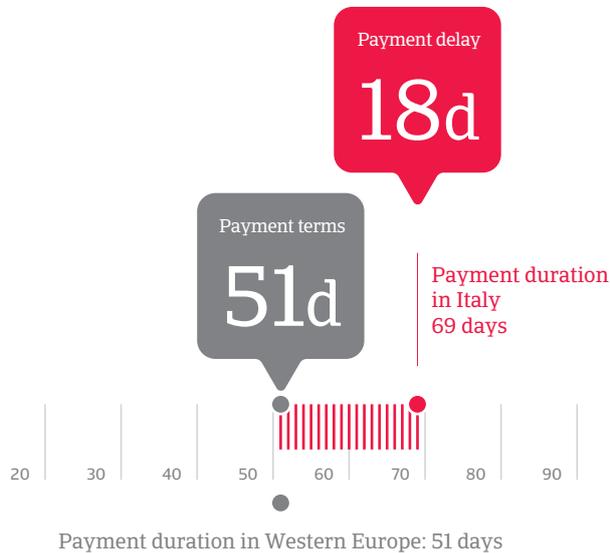
Proportion of total B2B sales made on credit in Italy



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



Payment duration in Italy



d = average days

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

Source: Atradius Payment Practices Barometer – October 2019

B2B customers of respondents in Italy are given longer than last year to pay invoices

Consistent with being more inclined to trade on credit with B2B customers than last year, Italian respondents set more relaxed payment terms for settlement of invoices. This is in line with survey respondents' more liberal trade credit policies, which appear to include extra time to pay as an incentive factor to boost sales. Based on survey results, most Italian respondents (80%) requested payment from customers on average 51 days from invoicing (longer than the average 46 days of last year). These are notably above the 34 days average for Western Europe.

Heightened perception of credit risk due to a challenging insolvency environment

Italian respondents apply diverse credit management techniques to mitigate customer credit risk and trade off the costs for the benefits of their increased sales on credit. The most often-applied credit management technique is the assessment of the creditworthiness of the prospective customers, prior to any trade credit decision. Based on survey findings, far more respondents in Italy (42%) than in Western Europe (35%) apply this technique. In addition to this, 29% of respondents reserve against the risk of bad debt, monitor the buyer's credit risk and perform dunning activities (outstanding invoice reminders). A standout finding is that far more respondents in Italy

(27%) than in Western Europe (19%) request secured forms of payment from their B2B customers. This reflects a heightened perception of customer credit risk, particularly now that liquidity problems of Italian businesses are still exacerbated by continuing poor payment behaviour, particularly from domestic customers.

Respondents take longer than last year to turn overdue invoices into cash

Based on survey findings in Italy, nearly one-third (31.3%) of the total value of the B2B invoices issued by respondents over the past year remained unpaid at the due date. This is above the 28.9% average for Western Europe. Compared to the same survey period one year ago, the proportion of invoices paid on time from B2B customers of Italian respondents increased to 65% from 57% last year. Despite this, respondents turn overdue invoices into cash later than last year (on average 72 days from invoicing up from 70 days). This is most probably a reflection of an increase in long-term outstanding invoices. This variation is in contrast with survey findings for Western Europe, where the average payment duration decreased to 51 days down from 57 days last year.

Respondents in Italy experienced late payments from B2B customers more often than their peers in Western Europe

Over the past year, respondents in Italy appear to have experienced late payments from B2B customers significantly more often than their peers in Western Europe. Fewer respondents in Italy reported this as having no impact on the business (26%) than in Western Europe (42%). In particular, more respondents in Italy (36%) than in Western Europe (26%) needed either to take corrective measures aimed at safeguarding

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46%
of respondents in Italy
(compared to 36% in Western Europe) expect late payments from B2B customers to increase significantly over the coming months.

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31%

of the respondents in Italy (compared to 25% in Western Europe) believe that access to bank financing will be tighter over the coming months.

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their cash flow or to delay payments to their suppliers. 28% of respondents, compared to 19% at regional level, needed to pursue additional financing from external sources to make up for liquidity shortages arising from late payment of invoices. When it comes to the collection of long-term past due invoices, respondents in Italy seem to be less successful than last year. Survey findings reveal an increase in the proportion of B2B receivables written off as uncollectable, amounting to 2.1% of the total value of B2B invoices (up from 1.7% last year). This is in line with the 2.2% average for Western Europe. Lower efficiency in collection of overdue receivables can severely affect businesses and impact profits.

One quarter of respondents in both Italy and in Western Europe, expect B2B customers' payment practices to deteriorate over the coming months

55% of survey respondents in Italy (and in Western Europe) believe their B2B customers' payment practices will not markedly change over the coming months. 25% of Italian respondents, in contrast, expect their B2B customers' payment behaviour to deteriorate over the same period. This opinion is shared by the same percentage of survey respondents at regional level. The expected deterioration in late payments is forecast to result in an increase in the proportion of long-term outstanding invoices. To strengthen their credit management and protect business profitability against trade credit risk, far more respondents in Italy (46%) than in Western Europe (26%) plan to offer discounts for early payment of invoices. 44% of respondents (compared to 31% in Western Europe) will monitor the buyer's credit risk on a more regular basis. More respondents in Italy (31%) than in Western Europe (25%) believe

that access to bank financing will be tighter over the coming months. Among respondents who share this opinion, 35% (above the 27% at regional level) plan on reacting to tighter financing conditions by cutting operational costs. For 33% of Italian respondents (the same percentage as at regional level) more difficult access to bank financing will cause delays in business investment or lead to a reduction of the workforce through layoffs or hire freezes.



Massimo Mancini, Atradius Country Manager for Italy commented on the report

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Businesses need to be able to take on risk to grow sales and enter new export markets, while at the same time protecting their trade receivables to ensure a stable cash flow and ultimately their profitability.

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Overview of payment practices in Italy

By business sector

B2B customers in the Italian machines sector are given the longest to settle invoices

Based on survey findings in Italy, B2B customers of respondents from the machines sector are given the longest payment terms, averaging 63 days from invoicing. Average payment terms across the other sectors surveyed in Italy range from a high of 60 days in the ICT/electronics sectors to a low of 36 days in the metals sector.

The transport sector in Italy records the highest proportion of write-offs

The transport sector in Italy recorded the highest proportion of B2B receivables written off as uncollectable (4.2%). This is in line with the deterioration of trade credit risk observed in the sector. Across the other sectors surveyed in the country, the average proportion of uncollectable B2B receivables ranges from 3.5% in the metals sector, to 1.4% in the agri-food sector.

ICT/electronics sector takes the longest to cash in past due payments

Credit risk deteriorated in the Italian transport sector over the past year, due to a sizeable decrease in timely payments (51.7% of invoices paid on time compared to 68.0% last year). In this sector, overdue payments amount to 42% of the total value of issued invoices. Across the other sectors surveyed in the country, the percentage of overdue invoices ranges from an average of 37% in consumer durables sector to 26.0% in the machines sector. Invoice-to-cash turnaround increased significantly over the past year in the agri-food (to 67 days up from 62 last year), in the consumer durables (to 79 days from up 77 last year) and in the ICT/electronics sector (to 75 days from up 67 last year).

Atradius · Key Findings

85%
of respondents in Italy reported to have been significantly impacted by late payments from their B2B customers.

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

Overview of payment practices in Italy

By business size

SMEs in Italy granted the longest average payment terms for B2B customers

Respondents from Italian SMEs extended the longest payment terms to B2B customers, averaging 56 days from invoicing. Micro enterprises offered average payment timings at 48 days and SMEs at 31 days.

B2B customers of Italian micro enterprises pay invoices far more slowly than one year ago

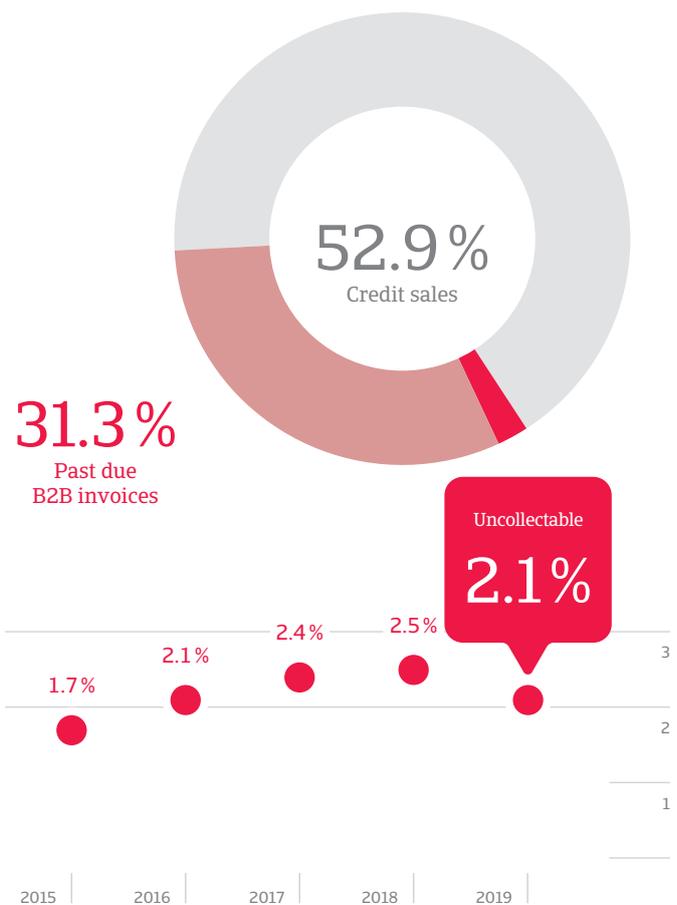
Survey findings reveal that 40% of the total value of B2B invoices issued by large enterprises in Italy are overdue (no variation compared to one year ago). Despite a decrease in the proportion of invoices paid on time (to 57% from 60% last year) respondents from large enterprises in Italy, collect overdue invoices significantly quicker than last year (on average within 55 days from invoicing down from 80 last year). Respondents from SMEs are able to cash in overdue payments, on average 76 days from invoicing, down from 79 last year. In contrast, respondents from micro enterprises recorded longer invoice-to-cash turnaround timings (on average 62 days from invoicing, up from 55 days last year).

Italian SMEs took the longest to collect long overdue receivables

With an average of 2.6% of B2B invoices written off as uncollectable (up from 1.7% last year), SMEs in Italy appear to be the slowest when it comes to collecting long overdue payments (over 90 days past due). This is most probably a reflection of an increase in long-term outstanding invoices. Large enterprises write off 1.2% of receivables as uncollectable (down from 1.9% last year). For micro enterprises, this is 1.5% (stable compared to one year ago).

Uncollectable B2B receivables in Italy

(% 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, Greece, Ireland, Italy, Spain, Sweden, Switzerland, The Netherlands and United Kingdom) 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, Greece, Ireland, Italy, Spain, Sweden, Switzerland, The Netherlands and United Kingdom) 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%
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%
United Kingdom	223	8.0%
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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SURVEY RESULTS

STATISTICAL APPENDIX

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

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