



Italy: still the highest DSO in Western Europe

Atradius Payment Practices Barometer



GDP
(billions euro)

€ 1,758.02

GDP growth rate
(2018 est.)

1.2%

Export annual growth rate
(2018 est.)

1.5%

Imports annual growth rate
(2018 est.)

2.3%

Sources: Oxford Economics, MIT OEC

export sectors

Top5

Machinery/Electrical
Chemicals
Transportation
Metals
Textiles

export destinations

Top5

Germany
France
USA
United Kingdom
Spain

In 2018, the average payment duration in Italy improved after respondents here gave shorter payment terms and reported shorter payment delays by their B2B customers. The proportion of past due B2B invoices is stable at 43.9%. However, the country had the highest percentage of respondents who stated that their businesses have been impacted by overdue invoices. To manage this impact, 21.6% of Italian respondents had to take specific measures to correct cash flow and to postpone payments to their own suppliers while 18.4% had to request a bank overdraft extension. Despite a significant decrease in 2018, at 74, the average DSO figure in Italy remains the highest in the region.

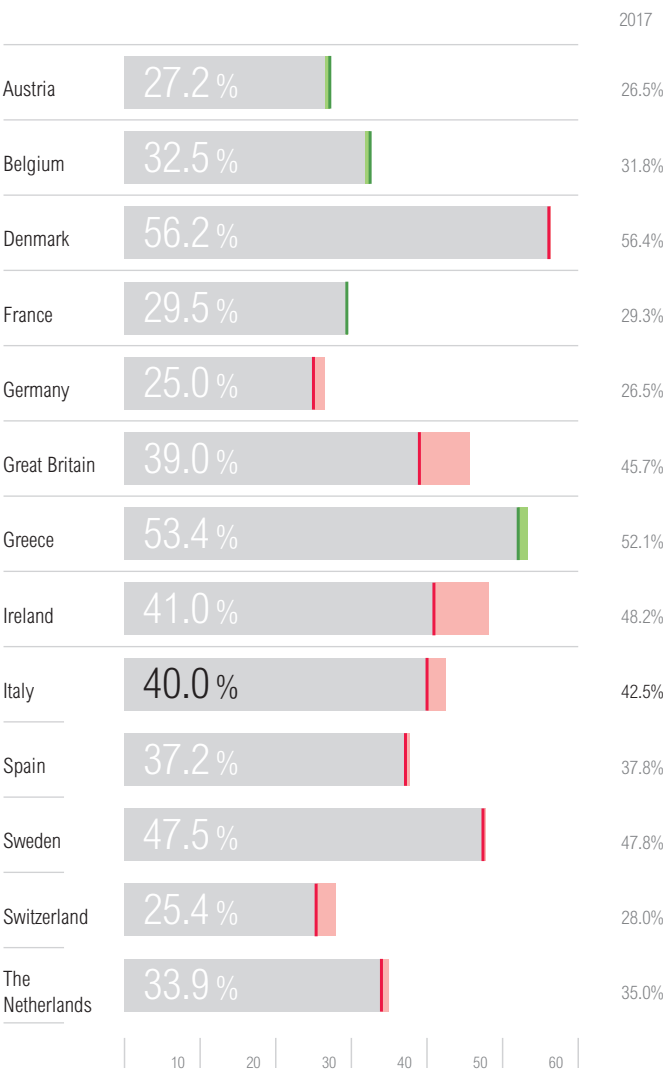
Fewer B2B sales made on credit

In 2018, the proportion of B2B sales transacted on credit decreased slightly to 40.0% from 42.5% in 2017. This is the fourth consecutive year with a decline. Purchases of domestic B2B customers are more likely to be made on credit: 49.2% of B2B transactions on credit are domestic and a lower 30.8% are foreign.

Similarly to what was stated in the region overall, respondents in Italy are granting credit to trustworthy customers with whom they have established long-term business relationships and because of their desire to increase sales both domestically and internationally. Credit sales are also considered common practice in the industries in which the survey respondents operate.

» *We grant trade credit because this can increase sales.*«

Proportion of total B2B sales made on credit



64.3% of Italian respondents said that if a domestic buyer exhibits poor payment behaviour, they would not offer credit terms. 50.0% said that they would not offer credit terms to a domestic buyer if its financials are not good. In terms of foreign B2B customers, 50.0% of Italian suppliers said that they would not offer credit if they lacked information on the customer's business and payment performance. The second most frequently mentioned reason for not offering credit was high economic or political risk in the customer's country (mentioned by 28.6% of respondents).

» *We have long-term customers and granting credit so far has led to successful cooperation.*«

Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – October 2018



A lower DSO but still the highest in the region

In 2018, 87.2% of respondents in Italy reported late payments by their B2B customers. This percentage is in line with the regional average and is stable compared to 2017; when it stood at 86.7%. Payment delays occurred far more often with domestic B2B customers than with B2B customers abroad (91.1% versus 83.3%).

The proportion of past due B2B invoices in Italy is stable at 43.9% after 43.1% in 2017. This is slightly higher than the regional average of 41.8%. Domestic B2B customers had a slightly higher default rate than foreign B2B customers did (45.7% versus 42.0%).

In 2018, the average Days Sales Outstanding (DSO) figure recorded in Italy is 74 days, 11 days shorter than in 2017. Despite the decrease, Italy still has the highest DSO in the region, significantly higher than the average of 44 days for the region overall. When asked about the expected DSO trend over the next 12 months, 61.0% of respondents said that they do not foresee any changes. However, 22.6% expect an increase while 16.4% a decrease.

75.3% of Italian respondents felt the impact of overdue B2B invoices

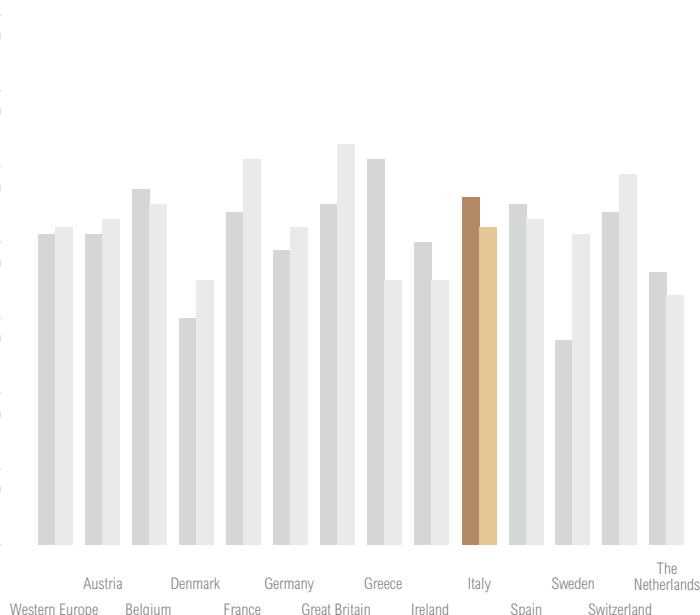
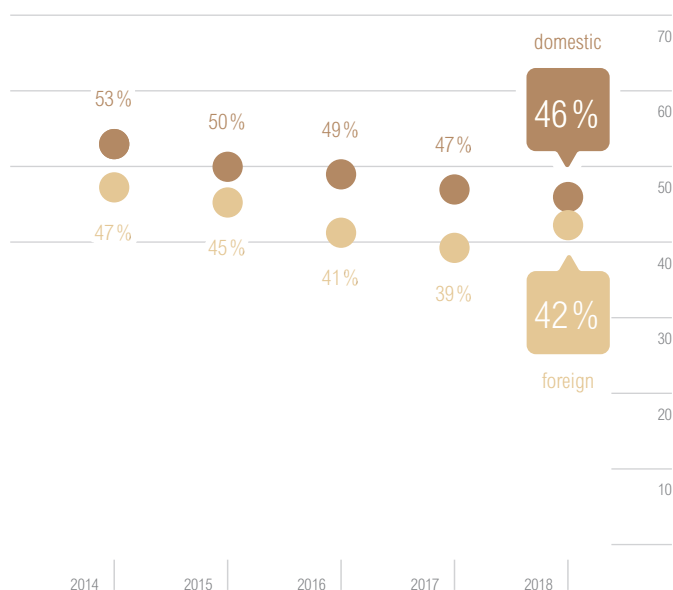
Despite a significant decrease in 2018, Italian respondents still give some of the longest payment terms in Western Europe. Domestic B2B customers in Italy were given, on average, 51 days to settle payments (56 days in 2017). Foreign B2B customers were asked to pay within 36 days on average (44 days in 2017).

Confirming the above, 37.1% of Italian respondents said that they are more likely to give their domestic B2B customers a longer time to settle invoices. A slightly lower percentage, 35.7% said that they are inclined to give their domestic B2B customers a shorter time for payment while 27.3% said that they would not differentiate payment terms between domestic and foreign customers. The main reasons for differentiating payment terms in Italy are internal policies, industry practices and the economic situation in the export country.

In 2018, payment delays in Italy decreased slightly. More specifically, respondents here said that their domestic B2B customers delayed payments 28 days on average (three days less than 2017) and foreign B2B customers 25 days on average (no change when compared to 2017).

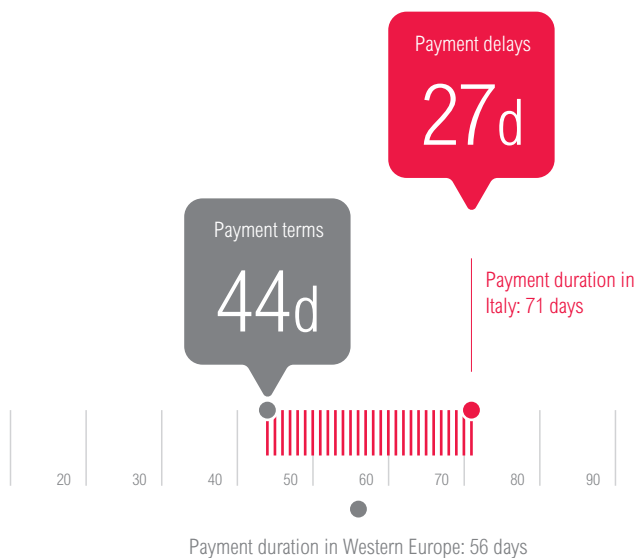
Past due B2B receivables in Italy

(avg. %)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – October 2018

Payment duration in Italy



d = average days

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

Source: Atradius Payment Practices Barometer – October 2018

Based on the decreases in average payment terms and payment delays, Italy's average payment duration dropped from 78 days in 2017 to 71 days in 2018. This is the second longest payment duration after that of Greece, and 15 days longer than in Western Europe overall.

Payment delays in Italy occurred mainly because of insufficient availability of funds. 63.6% of the respondents stated this regarding domestic payment delays and 31.6% regarding foreign payment delays. While this is the same reason as in 2017, fewer respondents stated this in 2018. The second most cited reason for domestic payment delays is the buyer using outstanding invoices as a form of financing, mentioned by 21.6% of respondents. In regards to foreign B2B customers, the second most frequently mentioned reason for payment delay is the complexity of the payment procedure (mentioned by 30.7% of respondents).

Asked whether overdue B2B invoices affected their businesses over the past 12 months, most respondents in Italy mentioned an impact. 21.6% of respondents said that they needed to postpone payments to their own suppliers and another 21.6% that they needed to take specific measures to correct cash flow. 16.8% of respondents said that overdue invoices led to revenue loss. Only 24.7% of suppliers in Italy responded that there was no significant impact on their businesses over the past 12 months.

Interested in adopting e-invoicing in 2018

The majority of respondents in Italy (63.0%) are invoicing their domestic and foreign B2B customers online. In contrast, a much lower 13.3% said that they are not invoicing electronically. Of the Western European countries surveyed, Italy had the highest percentage of respondents (23.2%) who stated that while they are not invoicing their B2B customers electronically, they intend to start doing so in 2018. Of the respondents who are already using this method of invoicing, 51.9% said that electronic invoices accelerated payments. 42.1% did not notice a noteworthy effect on payment duration and only 6.0% noticed a slowdown in payments.



Of the Western European countries surveyed, Italy had the highest percentage of respondents who said that they would start invoicing electronically in 2018.



import sectors

Top5

Machinery/Electrical
Chemicals
Transportation
Mineral Products
Metals

import destinations

Top5

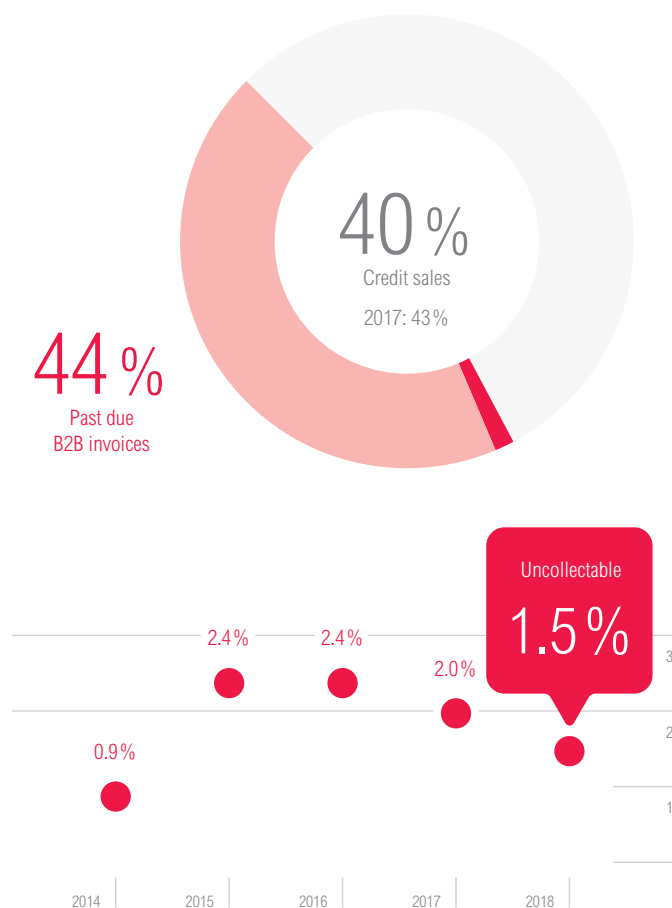
Germany
France
China
The Netherlands
Spain

Concerned about US protectionism and Fed policy becoming misguided

Italian respondents have been asked to rank these risks from the most significant to the least significant: US protectionism turning into a trade war, Fed policy becoming misguided, a 'hard landing' in China and geopolitical risk. Like the bulk of their peers in Western Europe, Italian respondents believe US protectionism turning into a trade war poses the biggest risk to global trade growth over the coming six months. 35.1% of respondents stated this. Another 30.4% of respondents feel that this is a significant risk but not be the most significant one. Misguided Fed policy was seen as the second most significant risk (25.7% of Italian respondents).

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 2018

A decrease in uncollectable receivables

The proportion of uncollectable receivables in Italy dropped to 1.5% after 2.0% in 2017. This is the second consecutive year with a decrease, and the proportion of uncollectable receivables in Italy is now only slightly higher than the 1.3% reported in the region overall. 1.4% of domestic B2B receivables and 0.3% of foreign B2B receivables were written off as uncollectable.

Uncollectable receivables in Italy originated most often from B2B customers in the construction, consumer durables, business services and services sectors. The main reason why B2B receivables were uncollectable was bankruptcy. 60.9% of respondents stated this reason, an increase compared to 2017 (54.0%). Other frequently cited reasons for write-offs are the failure of collection attempts and the high cost of pursuing debtors (reported by 34.1% and 31.2% respectively).

Delays despite already long payment terms

As mentioned before, in 2018, the average payment terms given by Italian respondents stand at 44 days and are some of the longest in the region. Despite this, B2B customers in the paper and transport sectors enjoyed even longer average payment terms (68 days and 60 days respectively). B2B customers in the agriculture sector are being asked to pay much faster (on average, within 39 days).

Despite average payment terms of 49 days, B2B customers in the construction sector generated some of the longest delays. B2B customers in this sector paid on average, 27 days after the due date and the main reason for delays was insufficient availability of funds (mentioned by 79.0% of respondents). Another problematic sector was consumer durables, where B2B customers paid, on average 30 days late. The main reason behind the delays was, once more, insufficient availability of funds, cited by 42.0% of Italian respondents.

Most respondents in the previously mentioned sectors do not expect changes in the payment behaviour of their B2B customers over the coming 12 months. Of those expecting changes, 38.0% of respondents in the construction sector foresee deterioration and only 6.0% improvement. Only 23.0% of respondents in consumer durables expect deterioration while 27.0% expect improvement.



B2B customers in the consumer durables sector generated some of the longest payment delays and the main reason for these was insufficient availability of funds.

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 2018 edition of the Atradius Payment Practices Barometer, companies from 13 countries (Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Ireland, Italy, Spain, Sweden, Switzerland and the Netherlands) have been surveyed.

Using a questionnaire, Ilisia 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 13 countries (Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Ireland, Italy, Spain, Sweden, Switzerland and the Netherlands) 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 four classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q2 of 2018.

Sample overview – Total interviews = 2,770

Country	n	%
Austria	218	7.9%
Belgium	208	7.5%
Denmark	213	7.7%
France	215	7.8%
Germany	213	7.7%
Great Britain	215	7.8%
Greece	200	7.2%
Ireland	229	8.3%
Italy	214	7.7%
Spain	212	7.7%
Sweden	214	7.7%
Switzerland	213	7.7%
The Netherlands	206	7.4%
Business size	n	%
Micro-enterprises	915	33.0%
SMEs (Small/Medium enterprises)	1,533	55.3%
Large enterprises	322	11.6%
Industry	n	%
Manufacturing	797	28.8%
Wholesale / Retail / Distribution	855	30.9%
Services	1,118	40.4%

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.

Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Western Europe. This is part of the October 2018 Payment Practices Barometer of Atradius, available at

www.atradius.com/publications

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SURVEY RESULTS

SURVEY DESIGN

STATISTICAL APPENDIX

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