Atradius
Managing risk, enabling trade

Spring 2015


# Atradius Payment Practices Barometer

## International survey of B2B payment behaviour
## Survey results for Italy

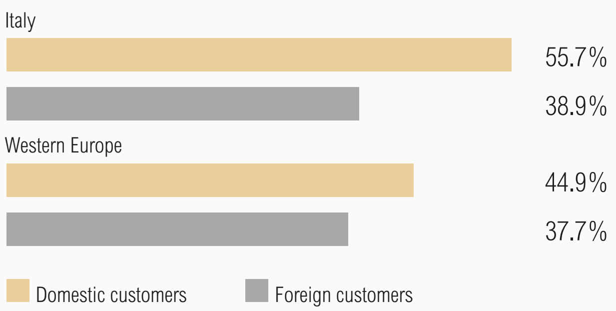
# Survey results for Italy

## Sales on credit terms

On average, 55.7% of the total value of domestic B2B sales in Italy was transacted on credit terms (the average for Western Europe is 44.9%). According to this finding, in Western Europe, Italy is the third most inclined country to use trade credit in domestic sales, after Denmark (70.5%) and Greece (65.1%). In 2014, the proportion of domestic credit-based sales in the country dropped. In 2015 however, this percentage has increased markedly (by 15 percentage points, nearly five times more than the survey average increase).

In contrast, Italian respondents appear to be less prone to sell on credit to their B2B customers abroad. Italian respondents reported that 38.9% of their foreign B2B sales was made on credit. This stronger aversion to the risk of using trade credit in foreign B2B transactions is consistent with the average stance registered in Western Europe (37.7% of the total value of foreign B2B sales in Western Europe is made on credit). One year ago, similar to what was observed domestically, Italy saw a drop in the proportion of sales on credit to foreign customers. This was followed by a marked increase in 2015 (by 12 percentage points, four times more than the survey average increase).

### Proportion of sales made on credit to total B2B sales of respondents in Italy




Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – Spring 2015

More information in the Statistical appendix

## Average payment term

As already seen in past surveys, Italian respondents are more likely to give longer payment terms to domestic than to foreign B2B customers. This is a characteristic that Italy shares with other countries in Southern Europe, such as Greece and Spain. With an average of 55 days to pay invoices (from the invoice due date) Italy offers the second longest domestic average payment term after Greece (69 days). This is three weeks longer than the survey average (34 days).

One year ago, the average domestic payment term in Italy was markedly shorter, but in the 2015 survey they extended again. Foreign B2B customers of Italian respondents are given an average of 46 days to pay invoices. This is well above the average for Western Europe (32 days). In contrast to what was observed domestically, this average term decreased steadily in 2014, and remains consistent with the average of one year ago.

## Overdue B2B invoices

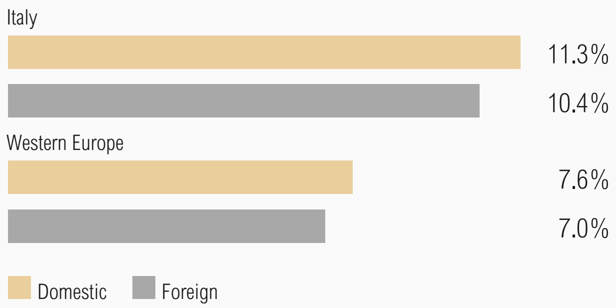
Just over half (50.2%) of the total value of domestic B2B invoices in Italy remained outstanding past the due date. This is the highest proportion of domestic overdue levels across the countries surveyed, and well above the average for Western Europe 40.2%. Over the past two years, there was an increase in the level of overdue domestic payment in Italy (by around 13 percentage points). This is consistent with the upward trend observed in Western Europe. Foreign B2B customers of Italian respondents appear to pay past due invoices in a more timely manner than domestic customers.

On average, 44.5% of the total value of foreign invoices went past the due date. This is again the highest proportion of overdue foreign invoices across the countries surveyed, and notably above the 35.4% average for Western Europe. This percentage rose markedly (by 13 percentage points) over the past two years; twice as much as the average increase of 6.4 percentage points in Western Europe.

Not surprisingly, these levels of late payment have a heavy impact on the average time it takes respondents to cash in on their sales on credit. This is reflected in the Days Sales Outstanding

(DSO) figure posted by Italian respondents, averaging 72 days. This is the same as that observed in Greece, and 24 days longer than the average for Western Europe (48 days). This is likely to reflect a higher average proportion of delinquent invoices (unpaid after 90 days past due) in Italy (averaging 10% of the receivables value, particularly on the domestic market) than in Western Europe overall (7%).

Average proportion of B2B invoices unpaid 90+ days after due date




Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – Spring 2015

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### Average payment delay

On the Italian domestic market, overdue invoices are paid by domestic B2B customers, on average, 32 days after the due date. This is the longest average payment delay across the countries surveyed, and is 10 days above the average for Western Europe. Over the past two years, however, this indicator has decreased steadily, suggesting a slight improvement in invoice payment (timing) in Italy. Foreign past due payments, in contrast, are made slightly faster than domestic ones.

On average, foreign payment delays recorded by Italian respondents average 29 days. This is once more the longest average delay across the countries surveyed, and is around nine days above the average for Western Europe. As carrying outstanding receivables implies financial and administrative costs, which may have a significant impact on cash flow and profits, most of the Italian respondents (29%, the average for Western Europe is 24%) indicated cost containment to be the biggest challenge to business profitability this year.

This is consistent with the survey pattern, suggesting this is a common issue for businesses in Western Europe. A way of keeping late payment costs under control is managing receivables efficiently. In Italy, the percentage of respondents considering this as the greatest challenge to business profitability in 2015 is nearly twice that of Western Europe (7.6%).

### Key payment delay factors

Most of the respondents in Italy (nearly 73.0%) reported that late payment from domestic B2B customers is mainly attributable to insufficient availability of funds. This is the highest percentage of respondents citing this reason across the countries surveyed, and it is notably above the 51.4% of respondents in Western Europe. In 2014, this percentage dropped notably, returning this year to the level of two years ago. Tightly linked to the insufficient availability of funds (and contrary to the survey pattern), formal insolvency of the buyer is the second most often cited reason for domestic payment delay. This was reported by nearly 25% of Italian respondents (well above the 18.5% average in Western Europe). Like in France, this highlights a difficult domestic business climate in Italy.

Payment delays from foreign B2B customers are most frequently due to the inefficiencies of the banking system and the complexity of the payment procedure (around 25% of respondents each, almost in line with the average for Western Europe). This percentage remained steady compared to two years ago, suggesting this is still an issue for foreign trade relations of respondents in Italy and in Western Europe.

### Uncollectable accounts

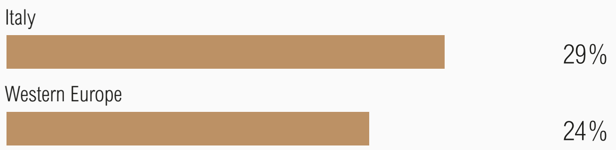
An average of 2.5% of the B2B receivables of survey respondents in Italy was reported as being uncollectable. This is more than twice the average for Western Europe (1.2%). Consistent with the

survey pattern, domestic write-offs outweigh foreign ones. Uncollectable domestic B2B receivables came most often from the construction and consumer durables sectors.

Foreign B2B write-offs were primarily reported for the construction, chemicals, consumer durables and electronics sectors. For 66.0% of Italian respondents (compared to 66.4% in Western Europe) B2B receivables were mainly due to the customer being bankrupt or out of business. Failure of collection attempts were reported by more respondents in Italy (34.5%) than in Western Europe (25.1%). Write-offs due to the high costs of pursuing trade debts were reported by more than one in four Italian respondents (27.1% of Italian respondents, compared to 16.4% in Western Europe).

For more insights into the B2B receivables collections practices in Italy, please see the Global Collections Review by Atradius Collections (free download after registration), available from April 21st 2015 on www.atradiuscollections.com.

Top challenge to business profitability in 2015: cost containment




Sample: companies interviewed (active in domestic and foreign markets)
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## Payment practices by industry

Survey respondents in Italy reported granting trade credit terms mainly to B2B customers belonging to these sectors: chemicals, construction, construction materials, consumer durables, electronics, financial services, business services, textiles and services. On the domestic market, the most relaxed payment terms (averaging 60 days from the invoice date) were given to B2B customers in the construction sector, which had the highest overdue payment levels (50.2%). Customers in the chemicals and consumer durables sectors took the longest time to pay past due invoices (around 35 days).

Liquidity constraints was the most often cited reason for domestic payment delays in the textile (over 90% of respondents) and electronics sectors (78%). Over the coming 12 months, a marked deterioration in customers payment practices is expected in the domestic chemicals sector (30% of respondents). A slight deterioration is expected in the construction materials (50%) and consumer durables sectors (46%). Foreign B2B customers in the textile sector are given the longest terms to pay invoices (averaging47 days), and generate the highest overdue payment levels, most often due to financial stress (83% of respondents). However, customers in the consumer durables sector take the longest to pay past due invoices (on average 36 days).

Over the coming 12 months, most of the respondents in Italy (nearly three in five) expect a slight deterioration of foreign payment behavior in the construction materials sector. The same (thing) is expected by 34% of respondents in relation to the construction sector and by 30% in the textile sector.

To learn more about the Survey design of the Atradius Payment Practices Barometer, please see the report for the region.

If after reading this report you would like **more information about protecting your receivables against payment default** by your customers you can visit the Atradius website or if you have more specific questions, please leave a message and a product specialist will call you back.

## Statistical appendix



The Statistical appendix to this report is part of the Spring 2015 Payment Practices Barometer of Atradius (survey results for Western Europe) available at www.atradius.com/Publications/Payment Practices Barometer. This appendix is available for download in PDF format (English only).

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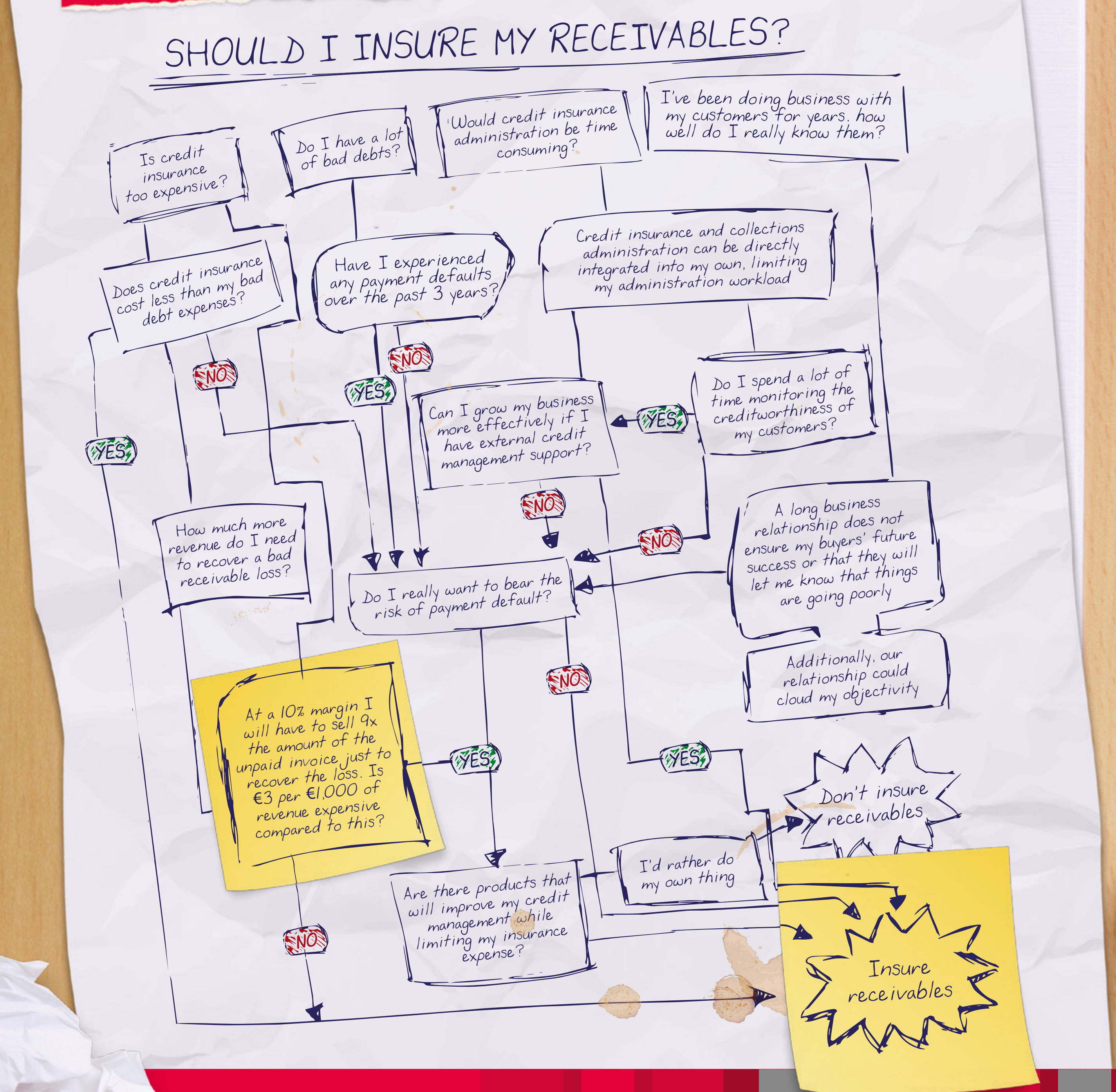
# Don't overcomplicate your decision about whether to use credit insurance





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