



# **Turkey: uncertain economic outlook weakens business sentiment**

**Atradius Payment Practices Barometer**



exports  
partners

Top 5

Germany  
United Kingdom  
Italy  
Iraq  
Spain

Source: WTEEx

exports

Top 5

Vehicles

Machinery including computers

Iron, steel

Knit or crochet clothing, accessories

Electrical machinery, equipment

Source: WTEEx

Turkish business insolvencies remain on an elevated level, with 80% of newly established businesses failing in the first three years. It is expected that business insolvencies will increase this year, especially in the property, construction and energy sectors. That said, it must be also underlined that even in industries severely affected by the current situation there are still many strong and resilient companies.



**Taner Isik, Atradius Country Manager for Turkey, commented on the report**

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*Turkey officially entered a recession last year. However a promising Q4 is projected for the end of 2019, which may result in overall annual economic growth of about -0.8%. Despite weak economic indicators and an uncertain outlook, Turkey appears to have some room for anti-cyclical policy, which could limit any long-lasting negative impact of the recession. Maintaining tight domestic monetary policy should also eventually bring down inflation. The current overall market expectation for inflation is about 14%, and the currency is expected to remain relatively stable, with no sudden spikes as we had observed last year. In the coming years, the Turkish economy could emerge stronger.*

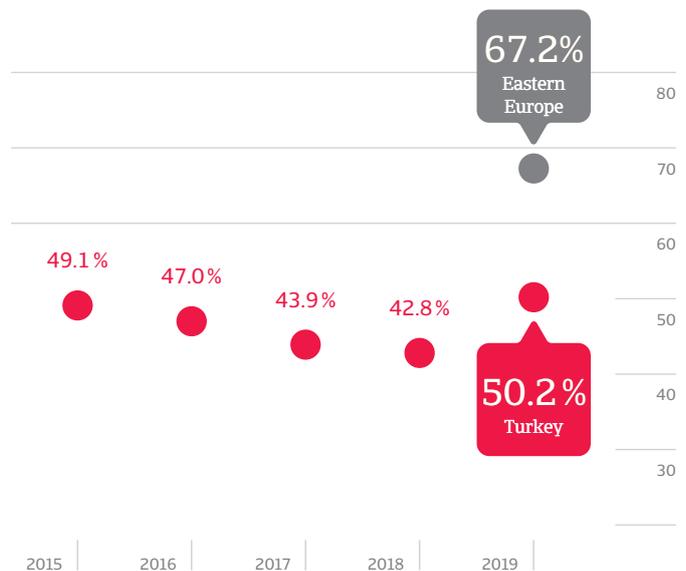
*Our survey findings show Turkish businesses have a heightened perception of risk arising from trading on credit terms. This is not surprising considering the current economic conditions in the country, and in light of the uncertainties affecting global trade and the Turkish economy.*

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### Modest increase in use of trade credit in Turkey reflects weak domestic demand and reduced competitiveness of exporters

The proportion of credit sales to B2B customers by Turkish survey respondents increased to 50.2% from 42.8% last year. This increase is the smallest of the countries surveyed in Eastern Europe. This might be a reflection of the sharpest decline in domestic demand since the second half of last year. It may also be connected to reduced dynamic export flows due to limited competitiveness in foreign markets, which in turn is caused by the high inflation rate and the volatility of the Turkish currency. As a result, in some major industries such as the construction and energy sectors, payment behaviour has already deteriorated, with extended payment terms and an increased number of payment delays.

### Proportion of total B2B sales made on credit in Turkey



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



## Payment duration in Turkey



d = average days

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

Source: Atradius Payment Practices Barometer – September 2019

### B2B customers of Turkish respondents enjoy the most relaxed credit periods in Eastern Europe

In such a challenging business environment, Turkish suppliers are attempting to stimulate sales growth by giving their B2B customers longer to settle invoices than last year. Average payment terms recorded in Turkey stand at 59 days from invoicing (up from 50 days last year). These are the longest observed in Eastern Europe and compare to a 37 days average for the region.

### Turkish respondents are far more inclined to request payment on cash from B2B customers than their peers in Eastern Europe

Consistent with the bleak credit risk outlook for Turkey, far more respondents in Turkey (44%) request payment on cash from B2B customers, than in Eastern Europe (32%). In contrast, fewer respondents in Turkey (32%) than in Eastern Europe (39%) assess the prospective buyer's creditworthiness prior to any trade credit decision. This may explain why far more respondents in Turkey (33%) than in Eastern Europe (22%) reserve against bad debts to ensure financial stability of the business should the assessment of the buyer's creditworthiness prove inaccurate. A standout finding is that more respondents in Turkey (26%) than in Eastern Europe (18%)

offer discounts for early settlement of B2B invoices, thereby avoiding the financing costs arising from the granting of trade credit.

### Turkey records the highest level of business insolvencies in Eastern Europe

41.5% of the total value of B2B invoices issued by Turkish respondents over the past year was past due. This is the highest figure recorded in Eastern Europe. In line with improved payment behaviour from customers, resulting in increased timely payments (53.1% of invoices paid on time compared to 40.3% one year ago), respondents in Turkey turn overdue invoices into cash significantly earlier than last year (87 days down from 92 days last year). However, to manage potential liquidity issues arising from late payments, 42% of Turkish respondents needed to delay payment to their own suppliers. 35% of respondents requested a bank overdraft extension, while 33% either pursued additional financing from external sources or took measures to correct cash shortfalls. A standout survey finding in Turkey is the marked increase in the proportion of write-offs of uncollectible accounts, currently averaging 2.7% of the total value of B2B receivables (up from 1.9% last year). This is the highest figure across all the countries surveyed in Eastern Europe and compares to a 1.6% regional average. This finding points to inefficiencies in collection of overdue accounts, ultimately eroding business profitability.

### Turkish respondents are much more worried about a deterioration of their customers' payment practices than their peers in Eastern Europe

Fewer respondents in Turkey (21%) than in Eastern Europe (60%) believe their B2B customers' payment practices will not change over the coming months. In particular, Turkish respondents expecting customers' payment practices to improve are far fewer (31%) than those expecting a deterioration (48%) ultimately leading to more receivables being written off as uncollectable. Amid concerns over tighter financial conditions in the coming months, 66% of Turkish respondents said that difficult access to bank financing would cause them to reduce their workforce and delay business investment due to lack of capital.

agri-food



51%

of the total value of B2B invoices in the Turkish agri-food sector remained unpaid at the due date.



## Overview of payment practices in Turkey

By business sector

### **B2B customers in the Turkish consumer durables sectors are given the longest payment terms**

Turkish respondents from the consumer durables sector extended the longest payment terms to their B2B customers (averaging 73 days from invoicing). Average payment terms across the other sectors surveyed in Turkey range from 63 days in the construction sector to 52 days in the services sector. Respondents in the Turkish agri-food sector granted the shortest average payment terms to their B2B customers (49 days).

### **Trade credit risk is highest in the Turkish agri-food sector**

Over the past year, trade credit risk in Turkey has significantly deteriorated in the agri-food sector, where over half of the total value of invoices remained unpaid at the due date. The services sector recorded the greatest improvement in customers' payment speed over the past year. There was no change in the credit risk trend in the machines sector over the same period. However, as mentioned earlier, business insolvencies are expected to increase this year, especially in the property, construction and energy sectors.

### **Proportion of uncollectable receivables is highest in the machines sector**

The ICT/electronics, agri-food and chemicals sectors in Turkey recorded the highest proportion of B2B receivables written off

as uncollectable (3.5%, 3.2% and 3.1% respectively). At the lower end of the scale, the services sector recorded an average of 2.1% of receivables written off as uncollectable.

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*Regardless of the challenging times, businesses can take advantage of the opportunities offered by trading on credit, and can mitigate non-payment risks with appropriate credit management. Atradius in Turkey supports its customers in the effective management of their receivables, giving them more control over their balance sheets and enabling them to grow safely and profitably.*

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**Taner Isik,**  
**Atradius Country Manager for Turkey**



# Overview of payment practices in Turkey

## By business size

### Large enterprises granted the longest average payment terms for B2B customers

Respondents from large enterprises in Turkey extended the longest payment terms to B2B customers. In contrast, micro enterprises offered the shortest average payment terms to B2B customers (averaging 68 days and 55 days from the invoice date, respectively).

### Turkish micro enterprises and SMEs are the swiftest to cash in overdue invoices

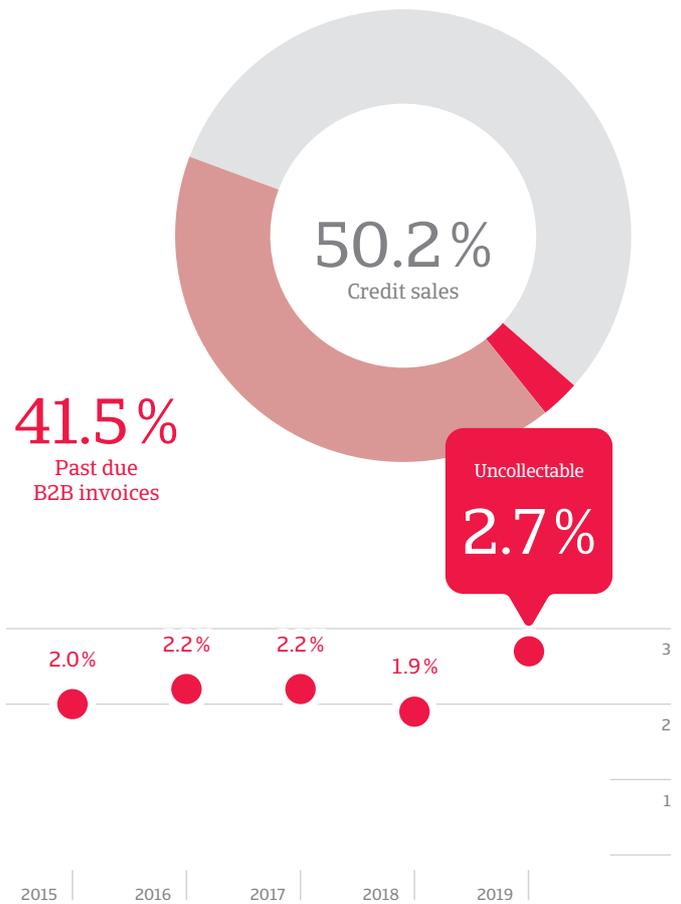
Over the past year, both micro enterprises and SMEs in Turkey recorded the highest increase in the proportion of B2B invoices paid on time (+14% on average). Because of this improvement, both Turkish micro enterprises and SMEs are now the swiftest to collect payment of past due invoices (on average with 86 days from invoicing). Despite this, an average of 41% of the total value of B2B invoices issued by micro enterprises and SMEs in Turkey is past due. In contrast, it takes large enterprises on average 85 days from invoicing to cash in overdue invoices, (up from 71 day last year).

### Large enterprises in Turkey recorded the highest rate of uncollectable receivables

Due to the significant lengthening of their invoice to cash turnaround process, Turkish large enterprises have a markedly worse track record when it comes to collecting overdue payments, with 3.1% of B2B invoices written off as uncollectable. The average for both SMEs and micro enterprises is 2.7%.

## Uncollectable B2B receivables in Turkey

(% of total value of B2B receivables)



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

**Atradius · Key Findings**

**60%**

of suppliers surveyed in Turkey (20% in Eastern Europe) believe customer payment practices will change over the next months.

Atradius Payment Practices Barometer – September 2019

# Survey design for Eastern 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 Eastern Europe, which is part of the 2019 edition of the Atradius Payment Practices Barometer, companies from seven countries (Czech Republic, Hungary, Poland, Slovakia, Turkey, Bulgaria and Romania) 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 1.516 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

## Survey scope

- Basic population: companies from seven countries (Czech Republic, Hungary, Poland, Slovakia, Turkey, Bulgaria and Romania) 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=1,516 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 = 1,516

Country	n	%
Poland	214	13.6%
Czech Republic	266	17.5%
Hungary	206	14.0%
Slovakia	201	13.2%
Turkey	222	14.6%
Bulgaria	206	13.8%
Romania	200	13.2%
Industry	n	%
Manufacturing	587	38.7%
Wholesale trade/ Retail trade / Distribution	841	55.5%
Services	88	5.8%
Business size	n	%
Micro enterprises	615	40.6%
SME (Small/Medium enterprises)	493	32.5%
Large enterprises	408	26.9%

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 Eastern Europe. This is part of the September 2019 Payment Practices Barometer of Atradius, available at

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For more **insights into the B2B receivables collection practices in Turkey** and worldwide, please see the Global Collections Review by Atradius Collections (free download after registration), available on [www.atradiuscollections.com](http://www.atradiuscollections.com)

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