

# **Late payments and debt queues among Hungarian companies**

*Summary in English*

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## Late payments and debt queues among Hungarian companies

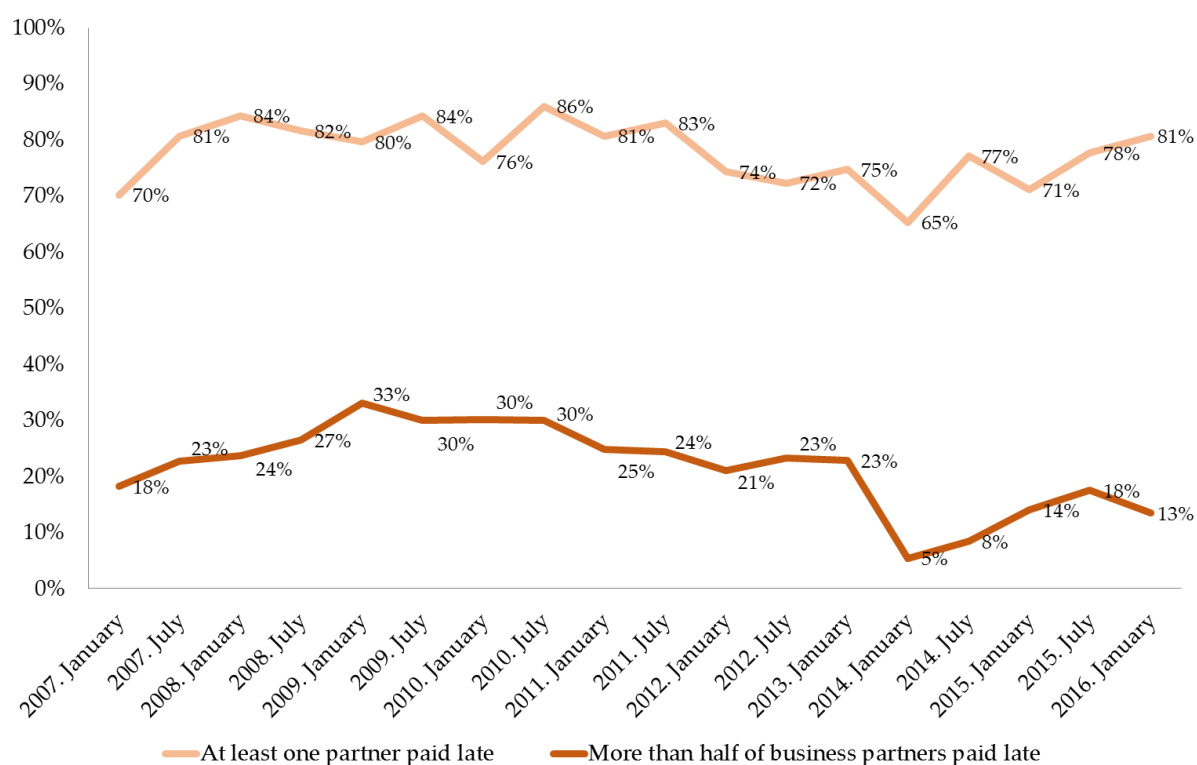
A recent analysis from the Institute for Economic and Enterprise Research (IEER) of the Hungarian Chamber of Commerce and Industry (HCCI) examined the experiences of late payment and debt queues of domestic enterprises. The results are based on data from the IEER January 2016 Quarterly Business Climate Survey during which we asked 400 domestic enterprises about the topic. The results show that 81% of businesses had at least one business partner that paid late in 2015, while 45% of respondents themselves owed to their suppliers at least once in the period under review. The highest proportion of late payments was among small businesses and the construction sector. From the combined results of the last few years, though, it appears that the situation of companies in terms of late payments has improved: the number of business partners paying late has declined on average as well as the amounts outstanding. The proportion of companies that could not pay their suppliers on time at least once because of a late payment by their customers is also in decline, as well as, compared to previous years, the proportion of respondents who feel that the debt queue problem is worsening.

Within the framework of the January quarterly business climate survey from the HCCI Institute for Economic and Enterprise Research (IEER), the institute interviewed 400 domestic companies about the topic of late payments and debt queues. Below are presented the results for January and the subsequent changes in comparison with previous years.

The majority of companies surveyed (81%) had at least one business partner which in the second half of 2015 paid late several times, representing a slight increase compared to previous years. At the same time however the proportion of firms with more than half of their business partners paying late has decreased: in January 2016 it was 13% of companies, in July 2015 it was 17%, while a year ago 14% of respondents reported this (see Figure 1).

The scope of the companies concerned were similar than in previous years. The companies most affected were small businesses with less than 50 employees, 86% of which was associated with a partner who paid late. Looking at the data by sector, it can be said that among the surveyed companies the most affected are engaged in construction or retail. On average 27% of partners paid late on more than one occasion in the case of the former while for the latter it was 21%. In addition, the results show that in the case of purely domestic-owned firms the rate of late paying business partners were on average higher (22%) than for partly foreign-owned (14%) and purely foreign-owned (19%) companies. For those companies with a negative assessment of their current and expected business situations the proportion of late paying partners was on average higher (34% and 43%) than those companies with a satisfactory (21% and 23%) or good (23% and 17% respectively) current and future business situation assessment.

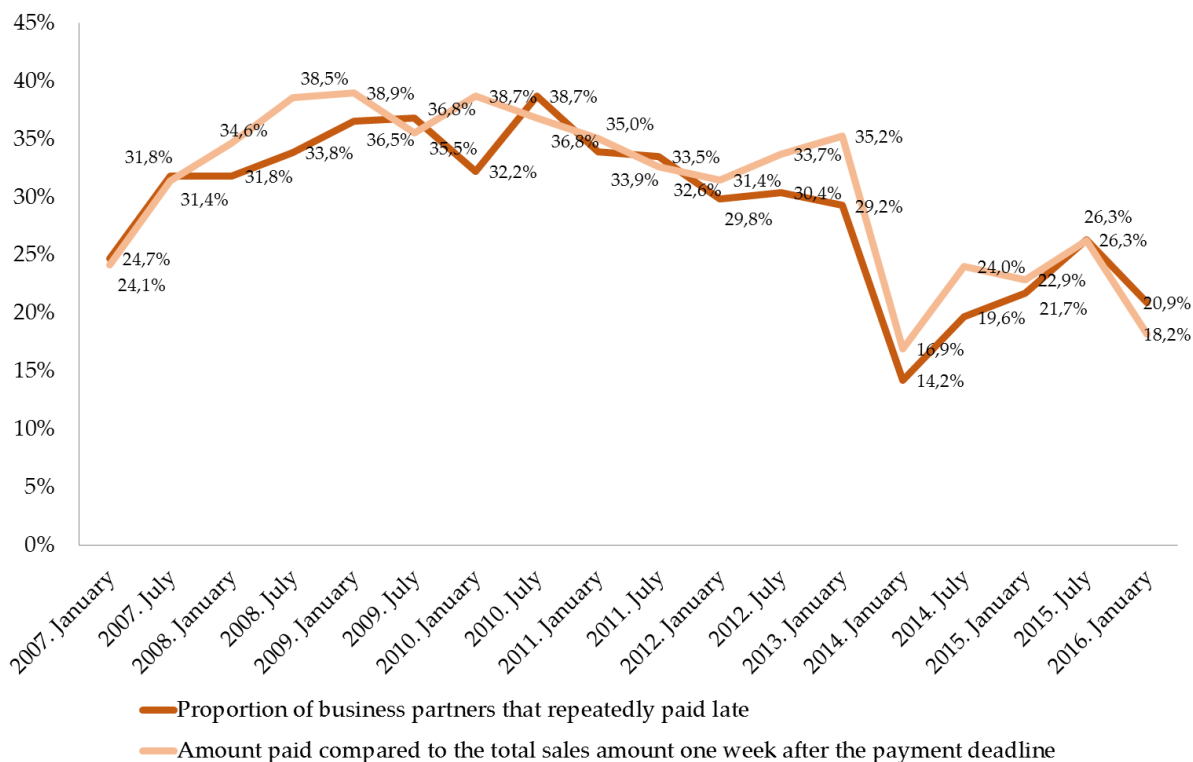
**Figure 1: Proportion of firms experiencing late payments, 2007-2016**



Source: IEER, 283>N>408

For 80% of the companies surveyed, a part of the payments for a product sold was received more than a week after the due date, with companies affected having 32% of the total amount of the sale paid late on average. Looking at all respondents it can be said that on average 21% experienced late payments with their partners, while the proportion of amounts paid beyond the deadline compared to the total sales amount was 18%, which represents a decrease in the last two years, particularly in the case of the recent indicator (see Figure 2).

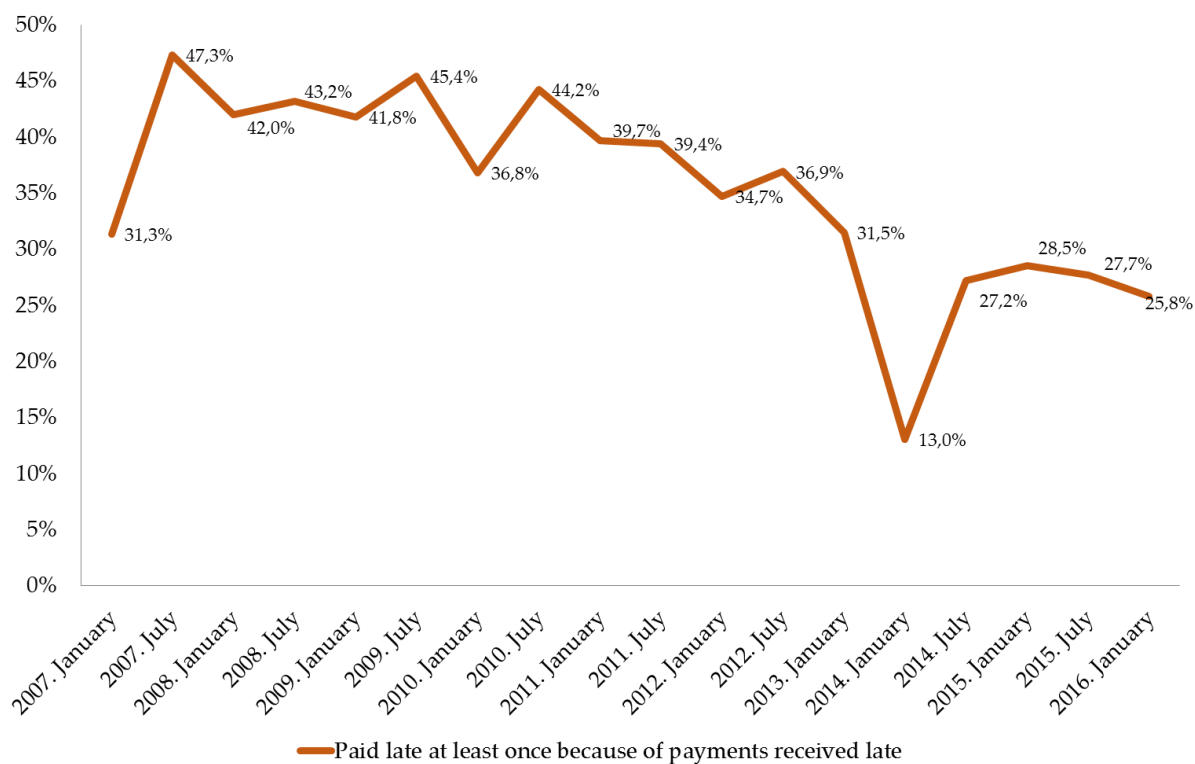
**Figure 2: Proportion of late paying partners and the average rates of amounts paid late, 2007-2016**



Source: IEER, 283>N>408

The proportion of companies that could not pay their suppliers on time at least once due to a late payment by customers has also declined. While the number of these firms was 29% a year ago, in July 2015 it was 28%, and in January 2016 some of 26% of businesses reported that such a case occurred during the previous year (see Figure 3). The ratio of companies within a debt queue is significantly lower for large corporations at 13%, while for SMEs it was 33% and among small businesses it was 45%. In terms of economic sector those operating in the construction industry had the highest proportion of companies unable to pay on time because a late payment of their business partners (33%).

**Figure 3: Proportion of companies paying late at least once due to payments received late, 2007-2016**



Source: IEER, 283>N>408

Over the last half year 45% of companies surveyed experienced at least once that they were unable to pay their suppliers on time because they themselves hadn't been paid, while a year ago this rate was similarly 44%, and in July 2015 it was slightly better at 41%. In this case also the rate was relatively higher for small enterprises and among construction companies.

The severity of the debt queue problem in the three-month period prior to the survey was unchanged according to 55% of respondent companies, 12% said that it decreased, while 7% said it increased. The proportion of companies reporting that the debt queue problem has worsened has overall decreased compared to those experienced in the last year (in January 2015 it was 10%, and in July 2015 it was 15%). The problem is perceived worse among SMEs and among the companies with a negative assessment of their business situation.