PRESS RELEASE

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Turkey Payment Survey 2019: better picture in payment term but companies remain cautions regarding economic prospects

Right after the recession that the economy went into during the second half of 2018 the private sector remains mixed in terms of the economic outlook.

Payment terms: shorter terms reflect preference for liquidity

The deterioration of cash flow has slowed down and fewer companies expressed tougher conditions while making their payments. Nowadays, the average payment term offered by Turkish companies to their clients stood nearly at 85 days in the domestic market and at 69 days in export markets (vs 108 days in 2017).

Still, the average payment period remains long on an international scale. Companies are gradually changing their terms of payment to their customers. In Turkey only 40% of companies request to their export clients that payments to be made within 60 days. This falls even lower at 33% in domestic market.

Key factors pushing companies to sell with term are mentioned as the liquidity squeeze of domestic clients and competition on the export markets. Credit continues to remain as an issue for the Turkish corporate sector despite recent improvement.

Regarding the future payment experience, companies seem to have a more cautious view. Indeed, 46% of surveyed companies expect payment terms to lengthen in the domestic market in 2020, while 45% of companies expect longer terms in export markets. These ratios are however very close for those who expect payment terms to remain flat on the domestic (45%) and export market (44%).

Companies remain cautions regarding economic prospects, especially in paper, pharmaceutical, metal and construction sectors

In the past two years, payment delays have declined for Turkish companies. It averages 41 days in the domestic market and 58 days in export sales.

In case that the receivables cannot be collected in the domestic market, 40% cover the loss from the own resources while 28% take banking loans. More than a third of companies (37%) request to their customers a down payment. For Turkish companies, the use of credit insurance is not an automatic process even its action is well-known of a majority (62%). Only 26% use it against potential non-payment by their customers.

Despite recent economic recovery, many companies (44%) still expect economic conditions will deteriorate in Turkey in 2020. Paper, pharmaceutical, metals, construction are among the most pessimistic sectors. Tougher conditions to access to financing and narrower domestic demand are considered among the factors which would weigh on the payment capacity of the companies. Despite these challenges, willingness to do new investments in 2020 remains high for some sectors such as pharmaceutical and agri-food. On the export side, automotive companies look comparatively more cautious with nearly 20% reporting lower export revenues expectations for 2020, above the survey average of 9%.

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