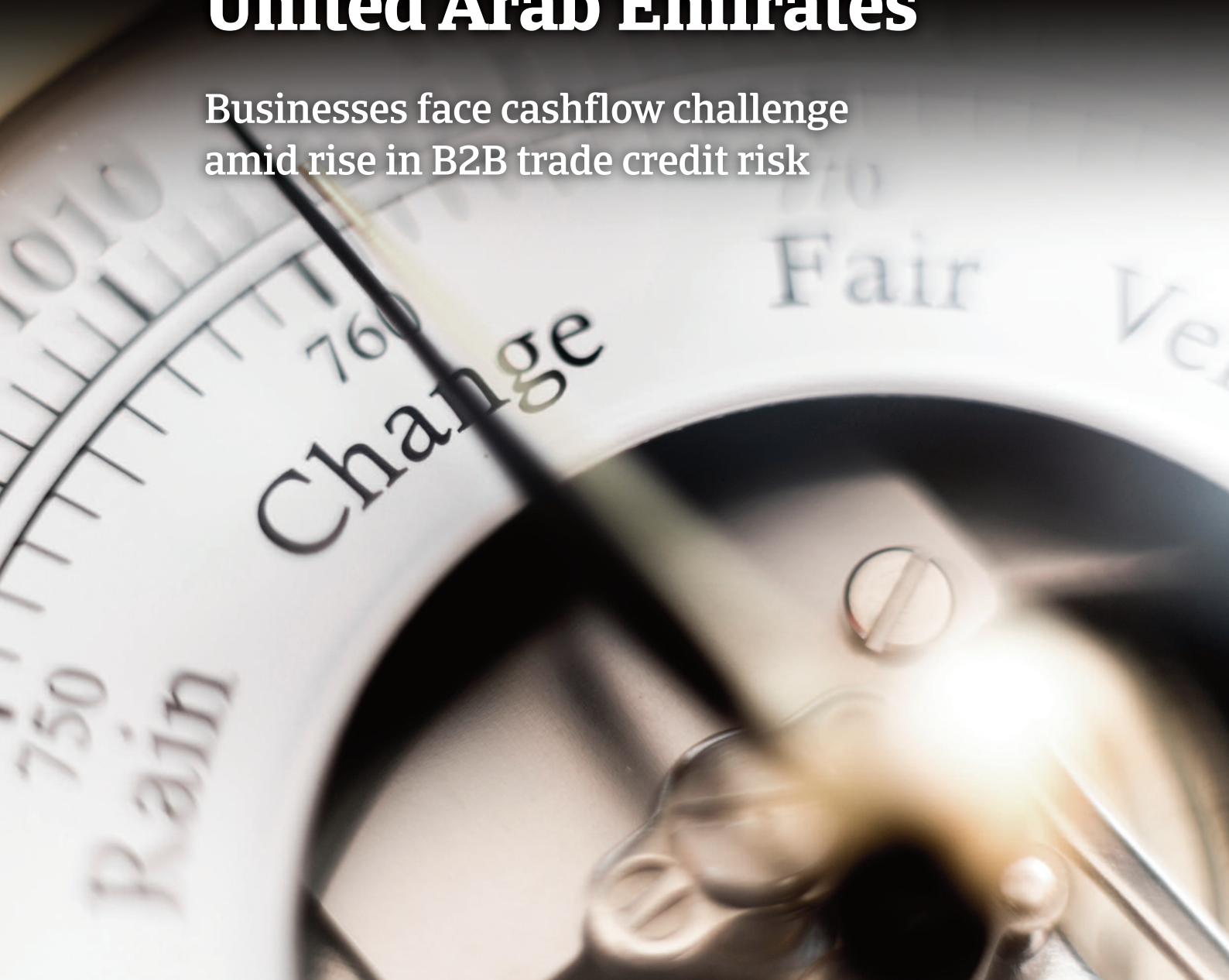




Key trends for B2B payments and cash flow

United Arab Emirates

Businesses face cashflow challenge
amid rise in B2B trade credit risk





Rupa Jagannathan
Managing Director Middle East
commented on the report

“ Whilst there’s a general mood of optimism for the year ahead with businesses in the United Arab Emirates and also the other GCC countries, growth opportunities do come with inherent risks. Credit insurance provides businesses with the confidence to offer competitive levels of credit and venture into new markets without being held back by risk aversion.

Credit insurers not only have access to information on millions of companies worldwide and but also have real time data on non-payments. Protecting cash flow from the risk of non-payment is important for all businesses. Credit insurance not only provides businesses with market intelligence but also helps businesses thrive in what can be an increasingly competitive and uncertain environment

”

About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times.

However, the survey also has a strong focus on the challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

The results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for the United Arab Emirates. Sector focus: agri-food, chemicals/pharma and transport.

The survey was conducted between the end of Q2 and the beginning of Q3 2023, and findings should therefore be viewed with this in mind.



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B2B payment trends and cash flow

Businesses face cashflow challenge amid rise in B2B trade credit risk

Sales transacted on credit by companies polled in the United Arab Emirates remained steady during the past year. They currently average 49% of all B2B sales, highlighting the important role trade credit plays for companies in the United Arab Emirates. This is particularly so in the transport sector, probably a reflection of the strategic location in a global transportation hub. Payment terms were relaxed during the past 12 months, now standing at an average 69 days from invoicing, 10 days longer than last year. Significantly, 48% of transport companies said they extended their terms. Adherence to company standards and aligning terms with suppliers were the main factors in setting payment terms.

Our survey found clear evidence of the financial challenges which currently face many businesses in the United Arab Emirates. The level of bad debts written off as uncollectable rose to an average 11% of all B2B invoiced sales, up from 8% last year. These figures represent a severe threat to profitability, and there was also concern expressed that late payments have increased to now affect more than half of all B2B invoiced sales. The two main reasons for late payments reported by companies polled in the United Arab Emirates are invoice disputes and temporary liquidity issues suffered by B2B customers.

Another indicator of cashflow issues was a substantial 75% surge in the number of businesses polled, particularly in the chemicals and transport sectors, who reported waiting more than 90 days to collect payments. The average Days-Sales-Outstanding (DSO) among companies polled in the United Arab Emirates now stands at more than 100 days. This deterioration of DSO prompted businesses in the United Arab Emirates to implement a range of measures to mitigate liquidity shortage risk. The agri-food sector opted mostly for delaying payments to their own suppliers, while many companies in the transport sector looked to short-term finance to bolster resilience.

These measures were mostly taken within the framework of in-house retention and management of customer credit risk. 78% of companies polled in the United Arab Emirates said they preferred this approach of setting aside funds to cover potential losses, particularly in the transport sector. This was often complemented by the practice of factoring, allowing them to optimise cashflow while still retaining control over credit risk. In contrast, many businesses polled in the chemicals sector told us they had explored the benefits of trade credit insurance as a risk mitigation strategy, shifting to this more strategic approach due to changing market dynamics.

Key figures and charts on the following pages

Key survey findings

- Sales on credit stand at 49% of all B2B sales in the United Arab Emirates, highlighting the key role trade credit plays in the market. The transport sector is the most dynamic, probably due to the strategic location of the United Arab Emirates as a global transportation hub.
- Payment terms were relaxed during the past year, now averaging 69 days from invoicing, 10 days longer than previously. This trend was driven by large chemicals and transport companies in the United Arab Emirates. Terms were mostly set in adherence to company standards and in alignment with terms granted by suppliers.
- Financial challenges facing companies polled in the United Arab Emirates are highlighted by bad debts affecting 11% of all B2B invoiced sales, up from 8% last year. There was also an upward trend in late payments, now impacting more than half of all B2B sales.
- 75% more companies polled in the United Arab Emirates than last year had to wait more than 90 days for payments from B2B customers. This led to a strong focus on Days-Sales-Outstanding (DSO), which exceeded an average of 100 days from invoicing.
- Companies polled in the United Arab Emirates responded with various strategies to manage liquidity risks and cashflow problems. The agri-food and chemicals sectors delayed payments to their own suppliers, while transport businesses looked to short-term finance to boost resilience.
- In-house retention and management of customer credit risk was the preferred option for 78% of companies polled in the United Arab Emirates. Many businesses in the chemicals sector looked towards using credit insurance as a risk mitigation tool.

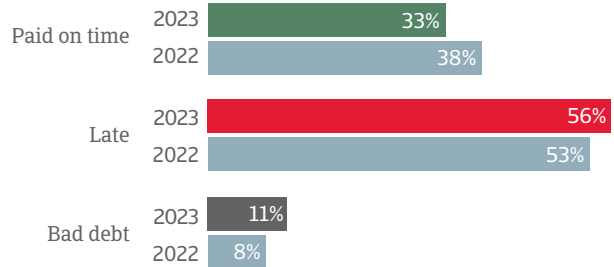




United Arab Emirates

United Arab Emirates

% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer United Arab Emirates – 2023

United Arab Emirates

% of respondents reporting changes in payment duration* over the past 12 months



*average amount of time to get paid from B2B customers

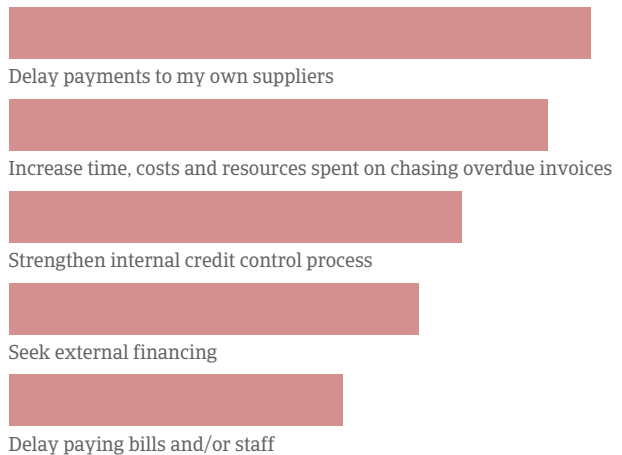
Sample: all survey respondents

Source: Atradius Payment Practices Barometer United Arab Emirates – 2023

United Arab Emirates

Measures put in place to minimise cash flow problems due to payment default of B2B customers

(% of respondents - multiple response question)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer United Arab Emirates – 2023

Survey question

What are the main sources of financing that your company used during the past 12 months?

- 55% Bank loans
- 38% Trade credit
- 37% Equity capital
- 26% Debt securities issued

*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer United Arab Emirates – 2023

Looking ahead

Optimism prevails despite uncertainty for the year ahead

A widespread mood of optimism for the year ahead was reported among companies polled in the United Arab Emirates despite some uncertainties about the global economic landscape. 82% of businesses told us they expect an upswing in demand for their products and services, with the positive sentiment prevalent across all sectors. Transport businesses showed the highest levels of confidence. 68% of businesses in the United Arab Emirates said they anticipate an increase in profit margins during the coming months, but there was more negativity in the agri-food sector due to potential challenges such as price volatility, supply-chain issues and regulatory demands.

The outlook for both Days-Sales-Outstanding (DSO) and B2B payment behaviour was also generally optimistic. 59% of companies polled in the United Arab Emirates expect an improvement in DSO, highlighting their proactive and forward-thinking approach to strategic credit management. This positive mood was particularly prevalent in the transport sector. 41% of businesses said they anticipate no change or a deterioration of DSO. An almost identical verdict was delivered about the prospects for B2B payment behaviour. 60% of businesses polled in the United Arab Emirates believe this will improve, while the remainder expect no change or a worsening of payment behaviour.

Our survey found that the majority of companies polled in the United Arab Emirates, particularly in the agri-food and transport sectors, will continue to prefer in-house retention and management of customer credit risk. This involves setting aside funds to cover potential losses, and will be complemented for a significant number of businesses by the use of letters of credit. In contrast, a substantial number of companies in the chemicals sector told us they are likely to outsource management of customer credit risk to specialised insurers during the coming months. They said this is because they recognise the limitations of self-insurance given sector-specific challenges they expect to face.

Various concerns for the year ahead were expressed by businesses polled in the United Arab Emirates. Anxiety about the pressures of domestic and international competition was widespread, and especially reported in the chemicals sector. Another significant worry is uncertainty about the duration of the global economic downturn, a concern felt acutely by companies in the agri-food sector, which is a central commercial hub for regional food and agriculture supply in the Middle East. The chemicals sector also reported worry about a potential future scarcity of skilled staff and experienced managers.

Key figures and charts on the following pages

Key survey findings

- An increase in demand and therefore sales during the year ahead is expected by 82% of companies polled in the United Arab Emirates. This optimism was expressed across all sectors, and particularly among transport companies.
- The prospects for profit margins are also positive, with 68% of businesses polled in the United Arab Emirates anticipating an improvement in the coming months. There was some concern in the agri-food sector due to potential supply chain challenges.
- 59% of companies polled in the United Arab Emirates said they believe Days-Sales-Outstanding (DSO) will improve, which highlights the forward-thinking approach to strategic credit management, particularly in the transport sector.
- The general mood of optimism for the year ahead was also evident in expectations about B2B payment behaviour. 60% of businesses polled said they anticipate improvement, with the remainder seeing no change or a deterioration.
- Management of customer credit risk will continue to be retained in-house by the majority of companies polled in the United Arab Emirates, complemented by letters of credit. Many chemicals companies said they will look to use credit insurance.
- Uncertainty about the global economic downturn is one of several concerns expressed about the year ahead by businesses in the United Arab Emirates. They also reported anxiety about the pressure of domestic and international competition, as well as the scarcity of skilled staff.





United Arab Emirates

United Arab Emirates

Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

(% of respondents)

Sales



Profit margins



■ Improve
 ■ No change
 ■ Deteriorate

Sample: all survey respondents

Source: Atradius Payment Practices Barometer United Arab Emirates - 2023

United Arab Emirates

Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



■ Improve
 ■ No change
 ■ Deteriorate

Sample: all survey respondents

Source: Atradius Payment Practices Barometer United Arab Emirates - 2023

United Arab Emirates

Looking ahead to the next 12 months: top 3 concerns expressed by businesses polled

(% of respondents - multiple response question)



Domestic/international competitive pressure



Global economic downturn



Scarcity of skilled staff and experienced managers

Sample: all survey respondents

Source: Atradius Payment Practices Barometer United Arab Emirates - 2023

Survey question

How do you expect your average DSO to change over the next 12 months?

(% of respondents)

59% Improve
22% No change
19% Deteriorate

Sample: all survey respondents

Source: Atradius Payment Practices Barometer United Arab Emirates - 2023

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in the United Arab Emirates are the focus of this report, which forms part of the 2023 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 217 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from the United Arab Emirates were surveyed, and the appropriate contacts for accounts receivable management were interviewed
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** 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=217 people were interviewed in total. A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: The survey was conducted between the end of Q2 and the beginning of Q3 2023.

Sample overview – Total interviews = 217

Business sector	Interviews	%
Manufacturing	59	27
Wholesale trade	96	44
Retail trade/Distribution	26	12
Services	36	17
TOTAL	217	100

Business size	Interviews	%
SME: Small enterprises	41	19
SME: Medium enterprises	74	34
Medium Large enterprises	71	33
Large enterprises	31	14
TOTAL	217	100

Industry	Interviews	%
Agri/Food	75	35
Chemicals/Pharma	70	32
Transport	72	33
TOTAL	217	100

Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the 2023 Payment Practices Barometer of Atradius, available at www.atradius.com/publications [Download in PDF format](#) (English only).

Interested in finding out more?

Please visit the Atradius website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

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To find out more about B2B receivables collection practices in the **United Arab Emirates and worldwide**, please visit atradiuscollections.com.

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