

Atradius Payment Practices Barometer June 2022



**United Arab Emirates:
companies strengthen
strategic credit management**

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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.

It contains direct feedback from businesses in a given market or region about how they manage payment default risks related to selling on credit to B2B customers. Topics covered include: payment terms, the time it takes to collect invoices, managing payment delays, the impact of payment delays on business, and expected business trends.

We believe these survey results will offer compelling insights to the markets and regions where you do business.

This is the report for the United Arab Emirates (UAE).

UAE: overview of key survey findings

8% write off

Flexible approach to payment terms as bad debt stabilises

- Trading on credit remains a significant factor among companies polled in the United Arab Emirates, with half of B2B sales made on credit. Our survey found that businesses in the UAE market had a flexible approach to setting payment terms, adjusting to the needs of the customer. The main criteria for setting payment terms are the customary practices of a business, but more UAE companies said they were setting terms according to the credit quality of customers.
- 53% of invoices were reported as overdue, down from last year's 60%, reflecting a slightly improved business condition. Another positive finding was that bad debts written off as uncollectable stabilized in the past year, although there were some signs of financial distress in the steel/metals industry. Companies in the United Arab Emirates market told us that liquidity issues were the biggest reason when customer payment default occurred. Administrative problems and disputes with customers were also cited as factors in payment default.

Optimism for future as companies strengthen strategic credit management

- Deterioration in DSO was reported by businesses across the United Arab Emirates, largely due to a more liberal credit policy. In response, there was a rising use of external collection agencies to mitigate against the impact of worsening DSO. Our survey also found a growing awareness among UAE companies of the need for a strong strategic credit management as an important protective measure of the business profitability and viability. About 15% more businesses polled in the UAE market than in our last survey told us so.
- Our survey found a generally optimistic mood across all the industries in the United Arab Emirates. They expect an increase in trading on credit and said they anticipate improvement in payment practices in the coming year. There was also widespread expectation that DSO would be kept under control. The main concerns reported by UAE companies were to safeguard cash flow levels and the ability to keep pace with rising demand for products and services.

UAE: credit sales and payment terms (B2B)

Half of B2B sales made on credit, chiefly to grow business

- Our survey found that half of the total value of B2B sales in the UAE market were made on credit, which represented no change from last year. An increased uptake of trade credit requests from B2B customers was reported by the agri-food industry, reflecting how it has become an important regional food-processing and trade hub in the Middle East and North Africa (MENA) region. When trade credit requests from B2B customers were rejected, this was chiefly due to an expected higher risk of payment default. Steel/metals businesses told us this most often.
- Several reasons were cited by companies in the United Arab Emirates for B2B trading on credit. For the agri-food industry the main factor was to grow sales by encouraging repeat business with existing customers. The chemicals sector told us they frequently traded on credit terms to allow B2B customers longer time to pay. In contrast, electronics/ICT businesses said they traded on credit with B2B customers mainly to withstand competitive pressures, a reflection of the important role played by this industry in the highly competitive region's commercial hub.

Increased awareness of credit insurance role in setting payment terms

- Companies polled in the United Arab Emirates show a flexible approach to setting payment terms for their B2B customers, with lengthening or shortening the terms according to need. Overall payment terms now average 57 days from invoicing compared to 61 days previously. A tightening of payment terms was reported particularly in the steel/metals sector, which reflects the uncertainties faced by this industry. In contrast, electronics/ICT companies most often reported giving B2B customers longer time to pay invoices, chiefly in a bid to protect their competitive position.
- Customary trade practices remain the main criteria for businesses in the United Arab Emirates to set payment terms for B2B customers, particularly in the agri-food industry. Steel/metals companies opted for a different approach, telling us they consider profit margins when setting payment terms. Our survey also showed that more businesses polled in the UAE market now set payment terms according to the credit quality of their customers.



57 days

(2021: 61 days)

Average payment term extended to B2B customers to pay invoices.

UAE: customer payment default (B2B)

Customer payment default trends downward, while bad debts stabilise

- The amount of unpaid B2B invoices in the United Arab Emirates now averages 53% of the total value of B2B invoices, down from 60% last year. The main reason is that more companies said they spent extra time and resources combatting customer payment default. An exception to the trend was the steel/metals industry, where payment default increased markedly due to factors like higher energy prices and supply chain disruptions. 40% of companies polled in this industry said they needed to strengthen their management of B2B trade credit.
- Bad debts written off as uncollectable appear to have stabilized in the United Arab Emirates, now averaging 8% of all B2B invoices. Signs of financial distress were seen particularly in the steel/metals industry, though, where write-offs increased to 12% of all B2B invoices, the highest figure across all industries polled in the UAE. This may explain why this sector shows the highest percentage of companies requesting cash payments and has the most pressing need to outsource trade debt collection.

Liquidity issues trigger B2B customer payment defaults

- 60% of companies polled in the United Arab Emirates said liquidity issues were the main reason for B2B payment defaults, whether the customers were domestic or foreign. This was reported most often in the consumer durables sector, which reacted by delaying payments to their own suppliers to maintain liquidity levels. Administrative delays in the customer payment process were cited especially by electronics/ICT companies, who dedicated more resources to chasing overdue payments. Disputes with customers were another reason for customer payment default, often prompting offers of discounts for earlier payment.



UAE: impact of customer payment default (B2B)

Variety of measures tried in credit management strategy

- A wide range of protective measures to mitigate against the impact of customer payment default were used by businesses polled in the United Arab Emirates. Whenever possible, UAE companies prefer to request cash payments from B2B customers, which can frequently include the offer of discounts to encourage prompt payment. This technique to speed up invoice-to-cash turnaround was reported particularly in the steel/metals industry.
- Another technique in the credit management strategy of United Arab Emirates companies is to avoid a concentration of customer credit risk on a single large customer or on groups of customers with the same features. This was reported by many companies across all industries polled in the UAE but seems to be most common in the steel/metals industry. Financial statements remain the primary source of customer credit quality assessment.

Concern over DSO deterioration, credit insurance cover a vital tool

- A deterioration of Days-Sales-Outstanding (DSO), the length of time between invoicing and being paid by customers, was reported by many more companies in the United Arab Emirates than a year previously. This was especially so in the agri-food industry which cited a number of reasons. The most significant was that a more liberal credit policy for trusted customers had backfired when these customers, through no fault of their own, started to suffer worsening liquidity issues.
- To mitigate against the impact of swings in DSO, companies polled in the United Arab Emirates used a number of different methods. Among these was an increased use of external collection agencies to improve the collection of long unpaid trade debt. There was also a wide consensus across the industries polled that operating with a credit insurance policy often helps to keep DSO to a minimum.



Average time it takes to convert overdue B2B invoices into cash (year-on-year change)

(% of respondents)

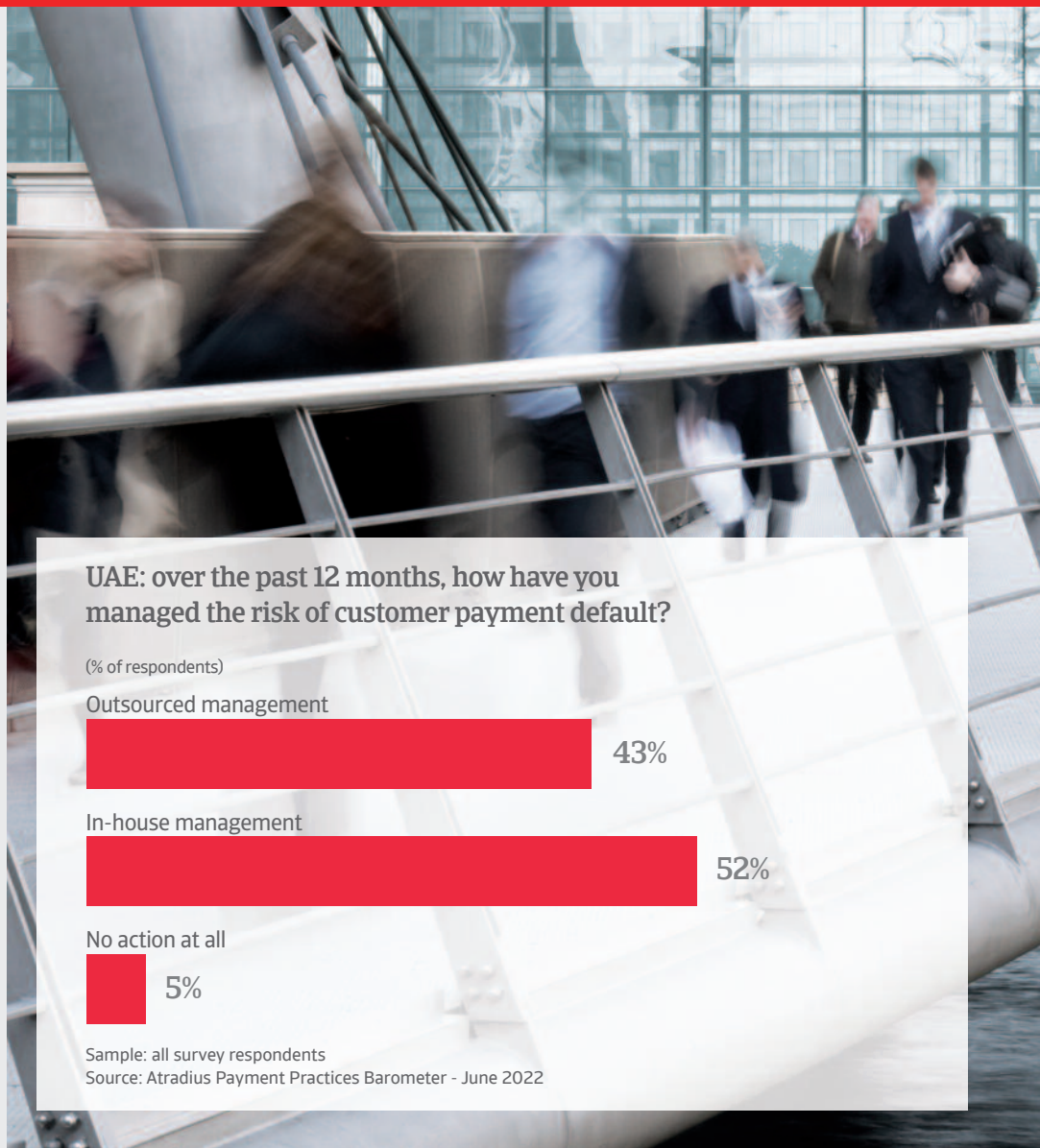


Sample: all survey respondents - Source: Atradius Payment Practices Barometer - June 2022

UAE: management of customer payment default (B2B)

Strategic credit risk management is an urgent priority

- Our survey found that many more businesses in the United Arab Emirates opted to outsource the management of customer credit risk to a credit insurer than did so last year. There was also an increase in those purchasing specific trade finance solutions to complement in-house credit management or insurance. These choices by UAE companies emphasised the need to preserve liquidity and adopt a more proactive approach to managing accounts receivables – although the danger of in-house management is that it can put a strain on company resources and hurt growth.
- Among the broad range of measures to protect the business against customer credit risk, our survey reveals a preference of United Arab Emirates companies (44%) for the use of letters of credit, which offer exporters security of payment. 20% more exporters, however, told us that due to the cost of this solution they opted for the alternative method of outsourcing credit risk management to a credit insurer. The reported benefit of this was more cost-efficient access to credit risk information on potential customers, alongside an enhancement of credit management procedures which helped improve DSO and free up working capital.



UAE: the business outlook (B2B)

Businesses look ahead with optimism, focus on sales expansion

- There is a generally optimistic outlook among businesses in the United Arab Emirates. 71% of companies polled said they expect an increase in trading in credit with B2B customers during the coming months. They believe this will occur due to a continued growth in market share, both domestically and abroad. This positive outlook was recorded across all industries polled – and is backed up by the strong belief that payment practices of B2B customers will improve during the coming months.

Main concern to cope with rising demand as economy rebounds

- Despite the current challenging global economic and trading environment, 39% of the businesses polled in the United Arab Emirates expect to keep DSO under control during the coming months. This reflects the widespread expectation of an overall improvement in B2B payment practices. Companies who anticipate further problems (25%) in collecting overdue payments and managing bad debts told us they would continue using or take up credit insurance during the coming months.
- The primary concern for most companies polled in the United Arab Emirates is to keep pace with rising demand for their products and services as the global economy rebounds. Safeguarding cash flow levels represents another key worry, particularly in the steel/metals industry. There is a strong desire in this sector to contain costs related to customer credit risk management in a period of shrinking profit margins caused by the ongoing impact of geopolitical issues and supply chain disruption.

UAE: top 5 greatest challenges to business profitability in 2022

% of respondents

Keeping pace with rising demand for our products and services



Ongoing impact of pandemic on our business



Falling demand for our products and services



Maintaining adequate cash flow



Containment of costs

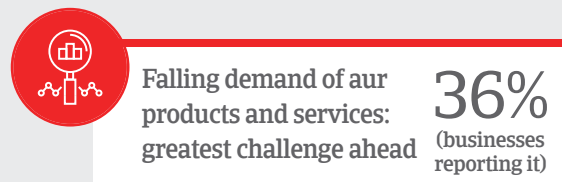
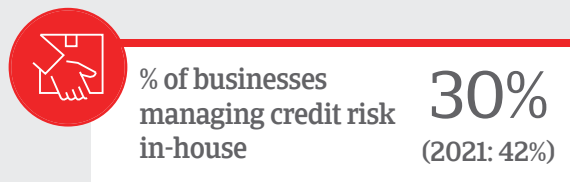
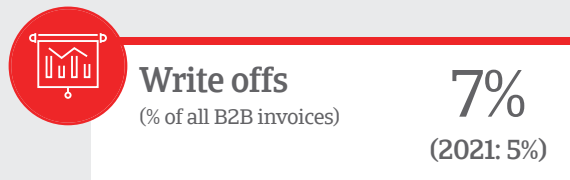
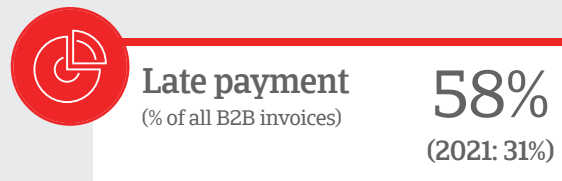
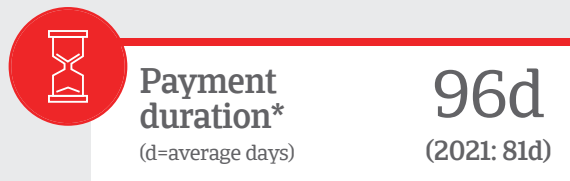
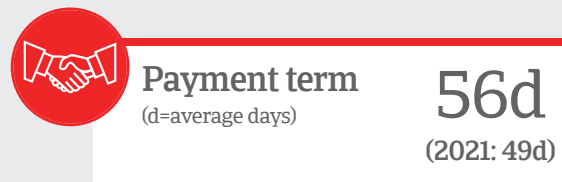
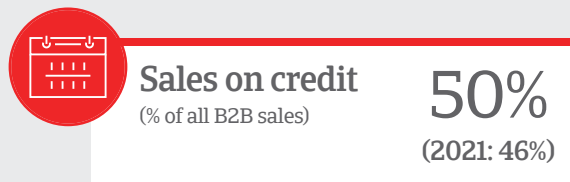


Sample: all survey respondents (multiple choice survey question)

Source: Atradius Payment Practices Barometer - June 2022

UAE: overview of key survey findings by industry

Agri/Food

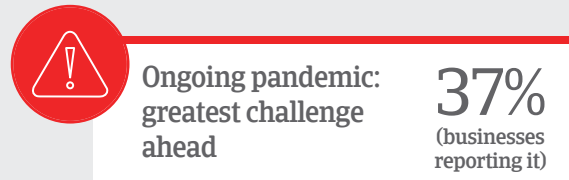
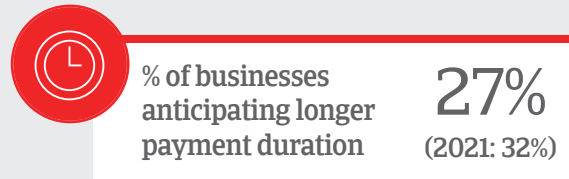
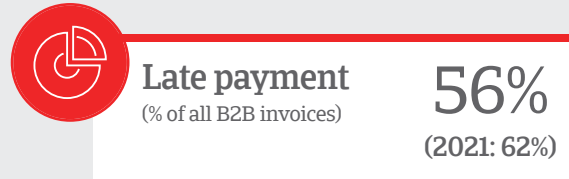
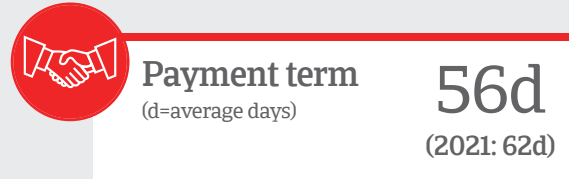
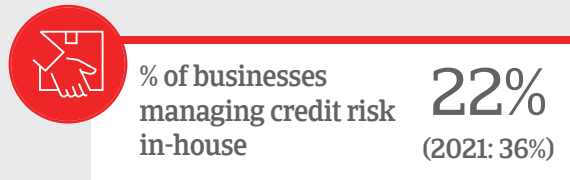
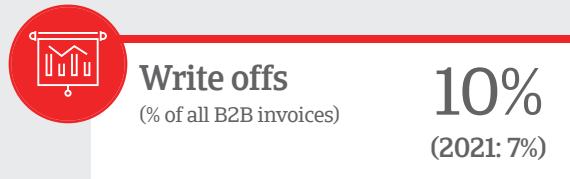
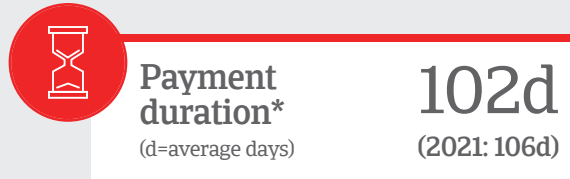
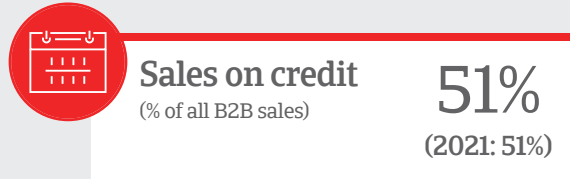


* payment term on the invoice plus any delay.



UAE: overview of key survey findings by industry

Chemicals



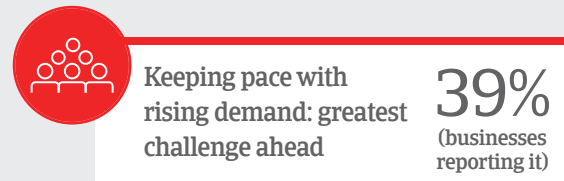
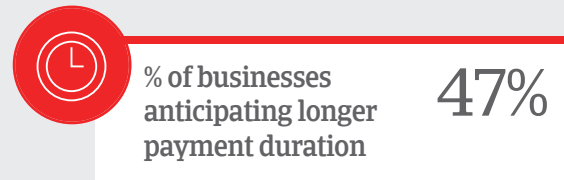
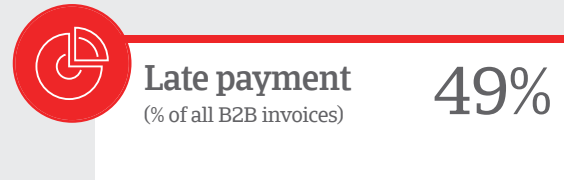
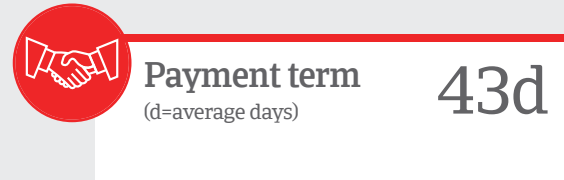
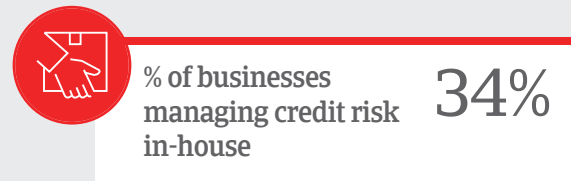
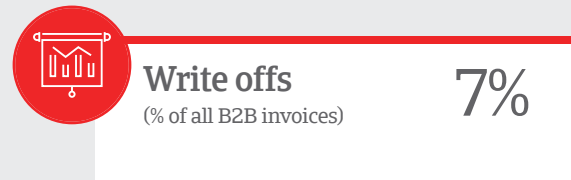
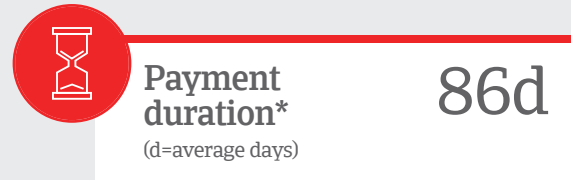
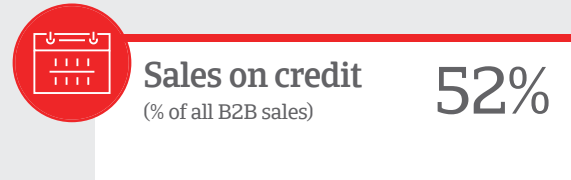
* payment term on the invoice plus any delay.



UAE: overview of key survey findings by industry

Consumer Durables

Data not available for 2021



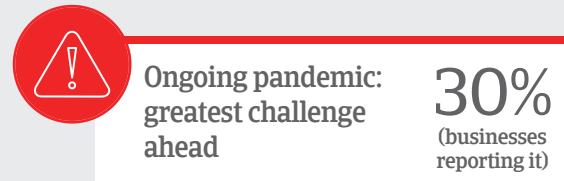
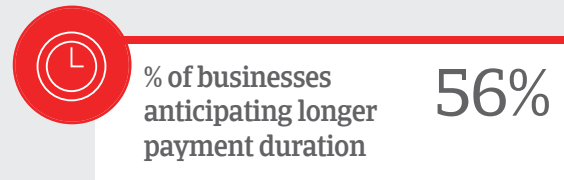
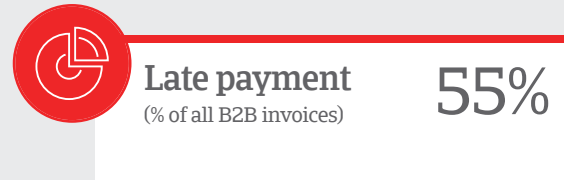
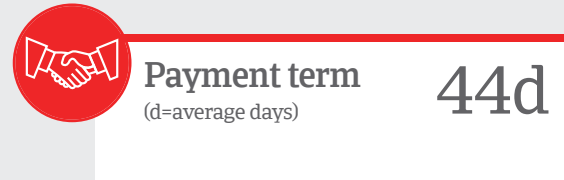
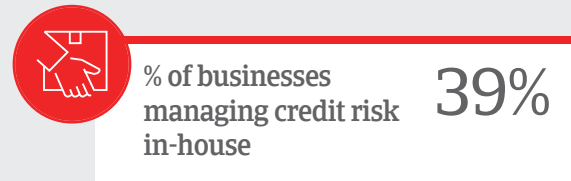
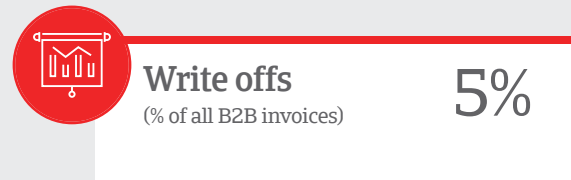
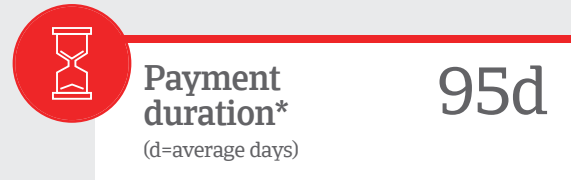
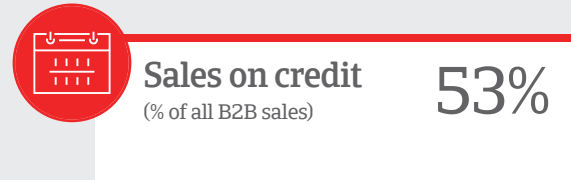
* payment term on the invoice plus any delay.



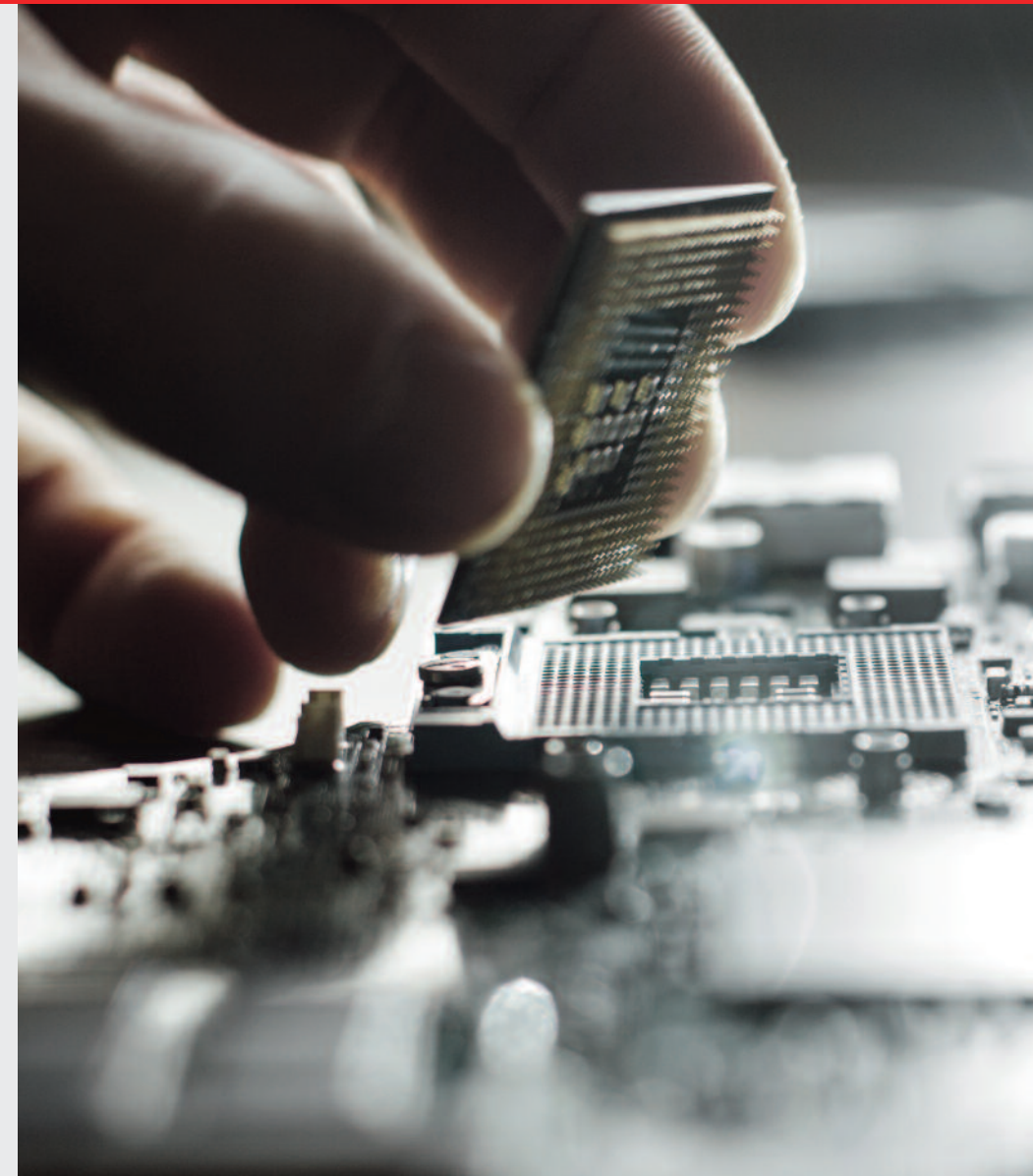
UAE: overview of key survey findings by industry

Electronics/ICT

Data not available for 2021

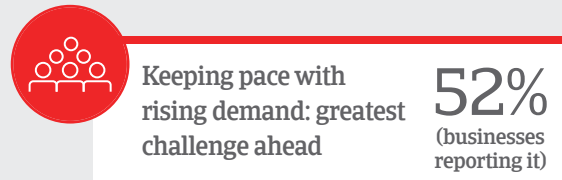
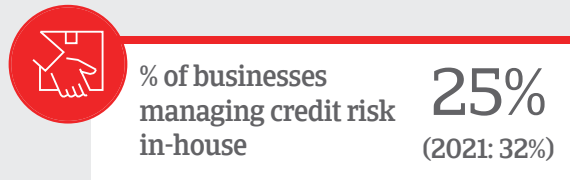
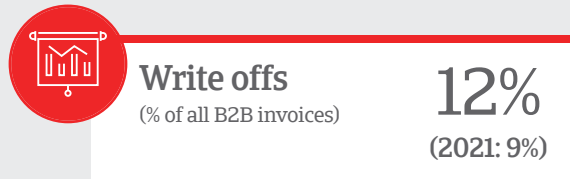
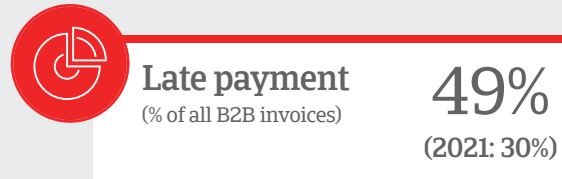
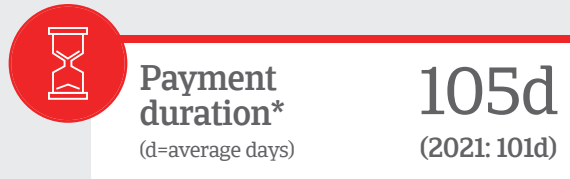
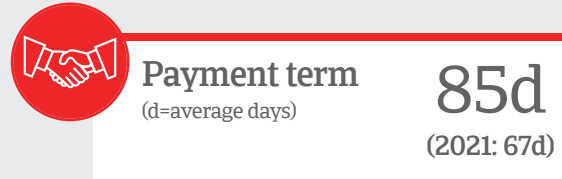
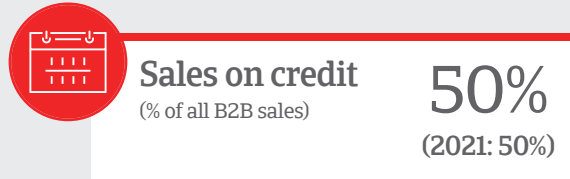


* payment term on the invoice plus any delay.



UAE: overview of key survey findings by industry

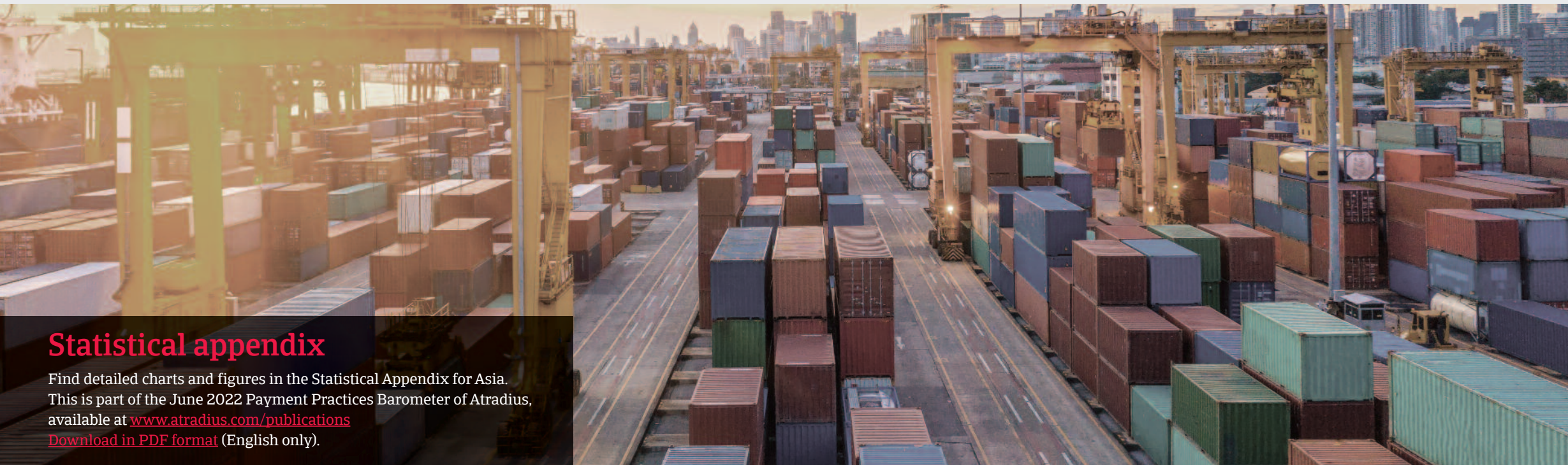
Steel/Metals



* payment term on the invoice plus any delay.



Glossary



Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Asia. This is part of the June 2022 Payment Practices Barometer of Atradius, available at www.atradius.com/publications
[Download in PDF format](#) (English only).

Payment term (credit period, credit term)

The period after delivery or shipment of goods or after rendering of services at the expiry of which invoices are due to be paid.

Overdue invoice (past due invoice, defaulted invoice)

A customer's obligation that has not been paid by its due date.

Write-offs

Overdue invoices that cannot be collected and therefore are treated as bad debts and written off as uncollectable.

Days Sales Outstanding (DSO)

Average time (days) a company takes to convert its credit sales into cash or cash in the outstanding payments from its customers.

Survey design

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. United Arab Emirates companies are the focus of this report, which forms part of the 2022 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 200 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from 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=200 people were interviewed in total. A quota was maintained according to three classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration.
Interview period: Q2 2022.

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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. In the Publications section you'll find many more Atradius publications focusing on the global economy, including country reports, industry analyses, advice on credit management and essays on current business issues.

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For more insights into the B2B receivables collection practices in UAE and worldwide, please go to www.atradiuscollections.com

For UAE <https://atradius.sg/atradius-united-arab-emirates.html>

Email: atradius.asia@atradius.com

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Sample overview – Total interviews = 200

Business sector	Interviews	%
Manufacturing	79	39
Wholesale	34	17
Retail trade / Distribution	52	26
Services	35	18
TOTAL	200	100

Business size	Interviews	%
Micro enterprises	60	30
SME - Small enterprises	30	15
SME - Medium enterprises	70	35
Large enterprises	40	20
TOTAL	200	100

Industry	Interviews	%
Agri/Food	40	20
Chemicals	40	20
Consumer Durables	40	20
Electronics/ICT	40	20
Steel/Metals	40	20
TOTAL	200	100

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