



# Brazil: high bankruptcy rate, high uncollectables rate

Atradius Payment Practices Barometer



Key figures

GDP  
(millions euro)

€ 1,618,892.06

GDP growth rate  
(2018 est.)

1.9%

Export annual growth rate  
(2018 est.)

6.2%

Imports annual growth rate  
(2018 est.)

8.5%

Sources: Oxford Economics, MIT OEC

SURVEY RESULTS

SURVEY DESIGN

STATISTICAL APPENDIX

export sectors

Top5

- Mineral Products
- Vegetable Products
- Foodstuff
- Transportation
- Machinery/  
Electrical

export destinations

Top5

- China
- USA
- Argentina
- The Netherlands
- Germany

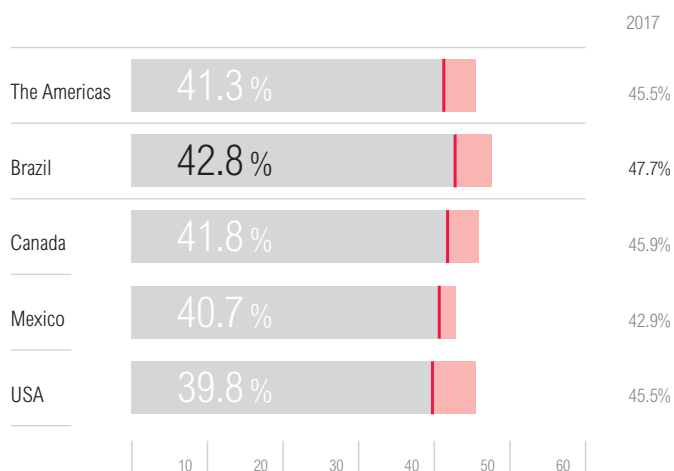
Brazil had the lowest proportion of overdue B2B invoices in the Americas region. However, the percentage of past due invoices increased impacting 82.6% of survey respondents. The main reasons for payment delays are insufficient availability of funds and the complexity of the payment procedure. The proportion of uncollectable B2B receivables stands at a high 2.5% and is largely driven by bankruptcies.

## Credit sales made to enable domestic and international expansion

Historically, respondents in Brazil have been some of the most inclined to sell on credit terms in the Americas region. Despite a decrease of almost five percentage points this year, survey results point to the same open stance with 42.8% of B2B sales made on credit. Respondents are clearly more comfortable selling on credit to domestic B2B customers than to B2B customers abroad (50.0% versus 35.5%).

Credit sales are perceived as a way to ensure cash flow and grow business. Brazilian respondents also use these to nurture long-term business relationships and attract new customers. While very inclined to offer credit to domestic B2B customers, respondents in Brazil said that the financial weakness of the customer and the high economic or political risk in the country would prevent them from selling on credit terms.

### Proportion of total B2B sales made on credit



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer – June 2018

» *Trading on credit is essential for my company, in addition to increasing sales and ensuring cash flow.*«

Survey respondent · Chemicals sector

Brazilian respondents use credit sales with foreign B2B customers to grow the business and nurture long-term business relationships. They believe that it is a way to reward business relationships and attract new customers. They don't offer credit to their foreign B2B customers when there is high economic or political risk in the customer's country and if they lack information on the customer's business or payment performance.

» *We trade on credit to attract new customers from abroad.*«

Survey respondent · Food sector





## A higher proportion of overdue B2B invoices

Respondents in Brazil were less likely to report frequent late payments by their B2B customers (87.9%). The frequency of late payment was much higher with domestic B2B customers.

Like most of their peers in the Americas, respondents in Brazil reported an increase in the proportion of overdue B2B invoices. This expanded from 43.6% in 2017 to 45.5% this year. Despite the increase, Brazil had the lowest proportion of past due B2B invoices in the region.

In 2018, the average Days Sales Outstanding (DSO) figure recorded in Brazil is 31 days. This is one day longer than in 2017 and the lowest DSO in the Americas region. 35.7% of respondents in Brazil said that they do not expect any changes in DSO over the next 12 months. A high percentage (29.1%) foresee a slight increase while 16.8% a slight decrease.

## Domestic buyers are more likely to receive less time to pay

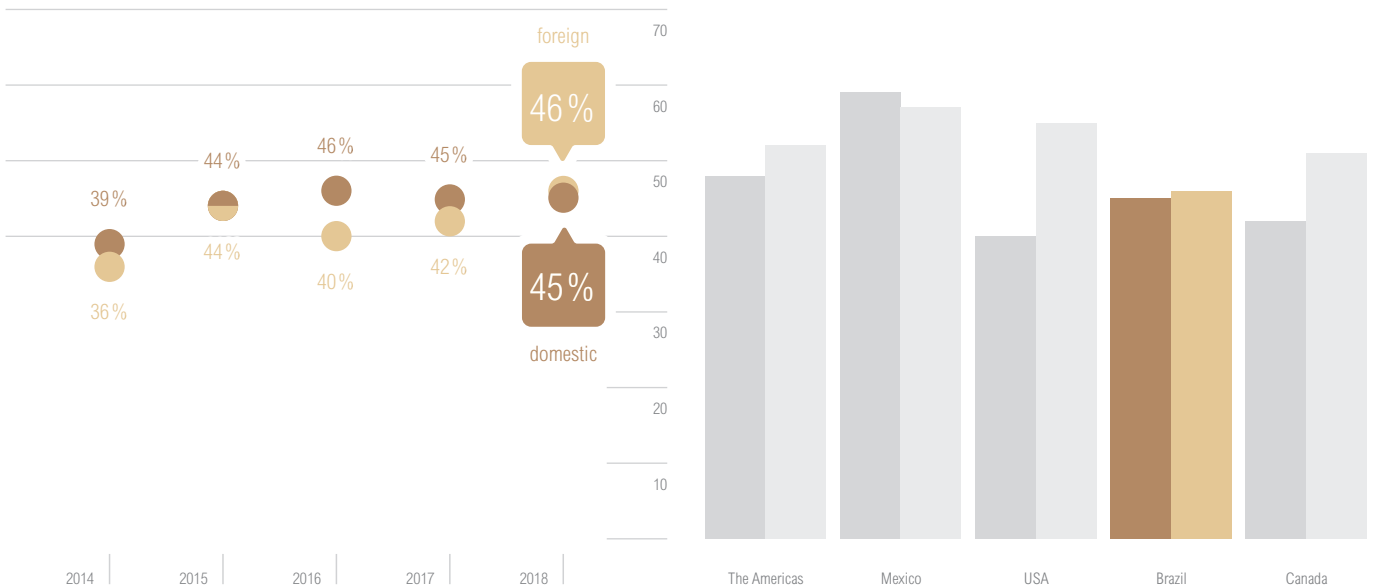
In 2018, average domestic B2B payment terms have not changed compared to last year (31 days). Foreign B2B customers, however, are given 30 days, on average, to fulfil their payment obligations; three days fewer than in 2017.

47.6% of respondents in Brazil stated that they are likely to give their domestic B2B customers less time to pay invoices. A slightly lower percentage (37.2%) said that they are not likely to differentiate payment terms between domestic and foreign B2B customers. The main reasons for differentiating payment terms in Brazil are internal policies and payment terms directed by law.

In 2018, respondents in the country reported that domestic B2B customers delayed payments on average by 30 days, and foreign B2B customers by 34 days. This compares to 30 days and 31 days in 2017. Respondents in the country need on average, 63 days to convert B2B invoices into cash.

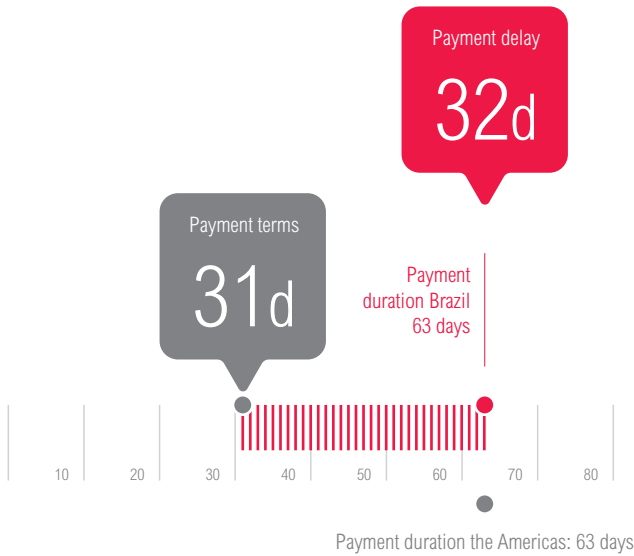
## Past due B2B receivables in Brazil

(avg. %)



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer – June 2018

## Payment duration in Brazil



d = average days  
 Sample: companies interviewed (active in domestic and foreign markets)  
 Source: Atradius Payment Practices Barometer – June 2018

Payment delays by domestic B2B customers occurred mainly due to insufficient availability of funds (cited by 55.8% of respondents). Goods delivered or services provided not corresponding to what was agreed in the contract (23.1% of respondents) was the second most frequent reason for payment delays. Brazil had the highest percentage of respondents in the Americas region who stated insufficient availability of funds as the main reason for payment delays by domestic B2B customers. Payment delays by foreign B2B customers were reported to occur mainly because of insufficient availability of funds (29.1% of respondents mentioned this) and the complexity of the payment procedure (26.2%).

Brazil had the second highest percentage of respondents (24.7%) who stated that payment delays led to revenue loss. Other consequences mentioned were the need to correct cash flow (mentioned by 31.1%), the need to postpone payments (25.8%) and the need to pursue additional finance (25.8%). Only 17.4% of respondents in the country said that payment delays did not have a significant impact on their businesses.

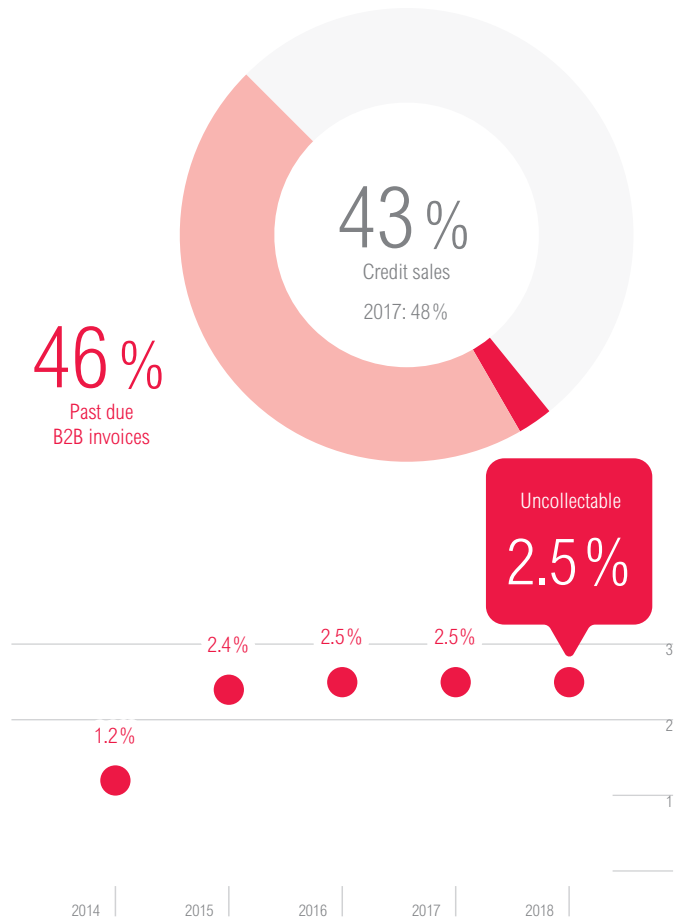
## The highest proportion of uncollectable receivables in the Americas

In 2018, Brazil remains the country with the highest average proportion of uncollectable receivables of the countries surveyed in the region (2.5%). The percentage is unchanged since last year with domestic B2B receivables written off more often than foreign ones.

Uncollectable receivables originated most often from B2B customers in electronics, construction, business services and services. The customer going bankrupt or out of business – a common problem in the entire region – was also the main reason for write-offs in Brazil (mentioned by 54.7% of respondents). This was the highest percentage of respondents mentioning this reason among the countries surveyed.

## Uncollectable B2B receivables in Brazil

(% of total value of B2B receivables)



Sample: companies interviewed (active in domestic and foreign markets)  
 Source: Atradius Payment Practices Barometer – June 2018



import sectors

Top5

Machinery/Electrical  
Chemicals  
Mineral Products  
Transportation  
Miscellaneous

import destinations

Top5

USA  
China  
Germany  
Argentina  
South Korea

## Brazil: bankruptcy proceedings and their effect on companies

Among the four countries surveyed in the Americas, Brazil has the highest percentage of uncollectable receivables. 2.5% of the total value of B2B receivables was written off as uncollectable – no change from last year. The main reason for write-offs remains bankruptcy – and the percentage of respondents stating this went up from 53.4% in 2017 to 54.7% this year.

33.9% of Brazilian respondents believe that the ease of resorting to bankruptcy courts is positive for the viability of companies. 20.2% strongly agree with this statement while 30.3% are neutral. Only 9.2% disagree and 6.4% strongly disagree.

Similar findings were observed in respect to the effect of bankruptcy on the effectiveness of the recovery mechanisms of the creditors. 33.9% of Brazilian respondents said that they agree that the ease of resorting to bankruptcy courts diminishes effectiveness and 14.7% that they strongly agree with this statement. The majority of respondents (34.9%) were neutral. Lower percentages of respondents disagreed (10.6%) or strongly disagreed (6.0%) with this concept.

## B2B customers in the construction sector some of the slowest payers

As mentioned previously, Brazilian respondents give their B2B customers 31 days, on average, to pay invoices. B2B customers in the agriculture sector seem to enjoy longer payment terms (on average, 39 days) while those in the metals sector are being asked to pay faster (on average, within 18 days).

Suppliers in Brazil reported that B2B customers in the consumer durables and the construction sectors have been some of the slowest payers. B2B customers in these sectors, paid on average 60 and 65 days after the due date. The main reasons for the payment delays in the consumer durables sector are insufficient availability of funds (reported by 46% of respondents) and the inefficiencies of the banking system (mentioned by 31% of respondents). The main reasons for delays in the construction sector are insufficient availability of funds (mentioned by 45% of respondents), disputes over the quality of goods and services provided and the inefficiencies of the banking system (both reasons stated by 24% of respondents).

Looking ahead, most respondents in Brazil (45% and 51% respectively) expect an improvement in the payment behaviour of their B2B customers in consumer durables and construction sectors.



*B2B customers in the construction sector have generated some of the longest payment delays; the main reason behind these seems to be insufficient availability of funds.*

## Survey design for the Americas

### 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 the Americas, which is part of the 2018 edition of the Atradius Payment Practices Barometer, companies from 4 countries (Brazil, Canada, Mexico and the US) have been surveyed.

Using a questionnaire, Ilisia Research conducted a net of 858 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

### Survey scope

- Basic population: companies from 4 countries (Brazil, Canada, Mexico and the US) 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=858 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: Q1 of 2018.

### Sample overview – Total interviews = 858

Country	n	%
USA	217	25.3%
Canada	212	24.7%
Mexico	211	24.6%
Brazil	218	25.4%
Industry	n	%
Manufacturing	288	33.6%
Wholesale trade/ Retail trade / Distribution	279	32.5%
Services	291	33.9%
Business size	n	%
Micro enterprise	268	31.2%
SME (Small/Medium enterprise)	449	52.3%
Large enterprise	141	16.4%

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.



## Statistical appendix

Find detailed charts and figures in the Statistical Appendix for the Americas. This is part of the June 2018 Payment Practices Barometer of Atradius, available at

[www.atradius.com/publications](http://www.atradius.com/publications)

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SURVEY RESULTS

SURVEY

STATISTICAL APPENDIX

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For more **insights into the B2B receivables collection practices** in Brazil 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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