COFACE
ECONOMIC PUBLICATIONS

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PAYMENT SURVEY

By Bernard Aw,
Economist Asia Pacific and
Evelyne Banh,
Junior Economist Asia Pacific

Asia Payment Survey 2021: Shorter payment delays amid support measures

More companies in Asia Pacific offered credit facilities in 2020 as competition intensified amid the challenging economic conditions brought on by the COVID-19 pandemic. However, firms had different responses to credit management despite facing similar economic shocks, including reduced demand, displacement of workers, higher material costs, and disruptions to business operations and supply chains. Firms in China, Japan, Singapore and Malaysia reduced payment terms in 2020, while those in Australia, Hong Kong, India and Taiwan increased theirs, according to the latest Coface Asia Corporate Payment Survey. Thailand maintained its payment terms. On average, credit terms in Asia Pacific were broadly stable, inching down from 67 days in 2019 to 66 days in 2020.

Coface's 2021 Asia Corporate Payment Survey, conducted between October 2020 and March 2021, provides insights into the evolution of payment behaviour and credit management practices of over 2,500 companies across Asia Pacific during the pandemic. Respondents came from nine markets and 13 sectors located in the Asia Pacific region.

Despite a weakened economic environment, payment delays improved in 2020, with the average duration of overdue payments falling to a five-year low thanks to strong government policy responses. Shorter payment delays were observed in six of the nine surveyed economies and 10 out of 13 sectors. However, there was a build-up in credit risks in Australia and Hong Kong, with both reporting a strong increase in late payments, and more crucially, a sharp rise in ultra-long payment delays (ULPDs, over 180 days) amounting to over 2% of annual turnover. Meanwhile, the retail, construction, and transport sectors, among the most hard-hit by the pandemic, saw the largest increases in ULPDs exceeding 2% of their annual turnover, indicating an increase in cash-flow risks.

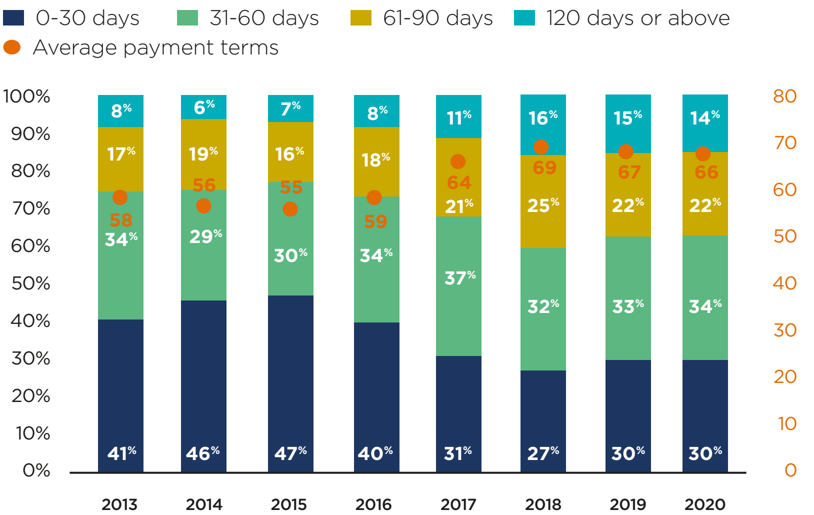
Looking ahead, the economic outlook has brightened in 2021 compared to 2020. Business expectations in sales and cash flows over the next 12 months improved as companies predict the economic recovery to continue in 2021, with Australian firms being the most optimistic. Automotive was the most confident towards the year-ahead sales, followed by energy, metals, paper and pharmaceuticals. However, risks to the recovery remain high amid the emergence of new virus variants, slow vaccination rates, and an unequal recovery across regions and sectors. Consequently, firms, while maintaining their optimism, may increasingly turn to credit management tools such as credit assessments and credit insurance to mitigate cash flow risks.

BERNARD AW
Economist,
Asia Pacific

EVELYNE BANH
Junior Economist,
Asia Pacific

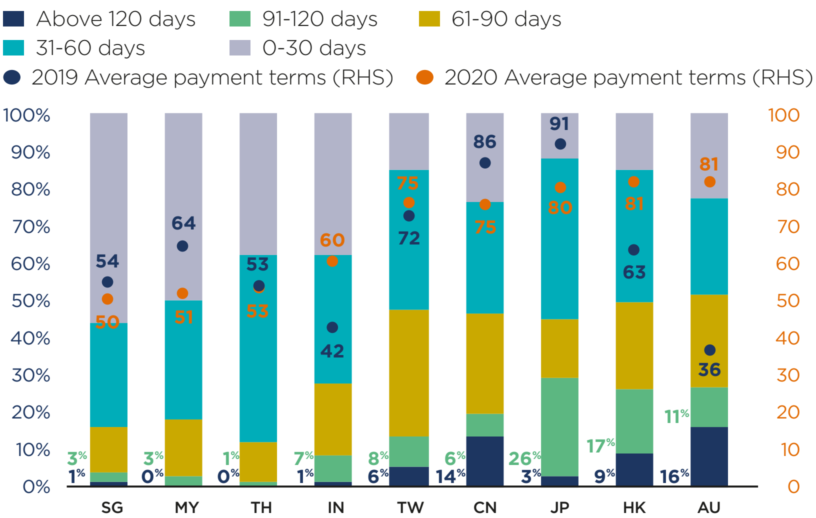
1 **PAYMENT TERMS:** ASIA PACIFIC WAS CAUTIOUS, BUT HONG KONG AND AUSTRALIA WERE MORE GENEROUS WITH CREDIT TERMS

Chart 1:
Payment terms in Asia-Pacific



Source: Coface Payment Survey

Chart 2:
Payment terms by region



Source: Coface Payment Survey

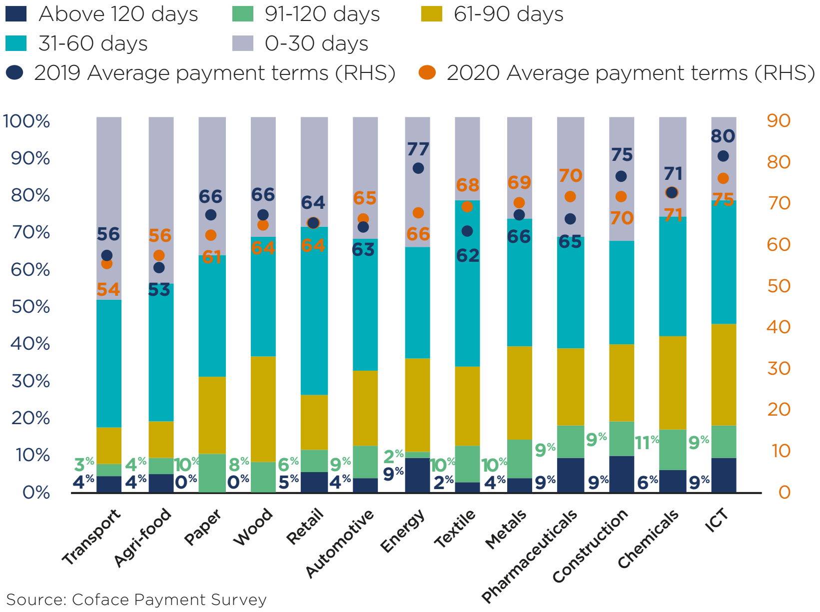
- The number of companies offering credit terms increased in 2020 (83% vs. 80% in 2019) as competition intensified amid a more difficult economic environment because of the COVID-19 pandemic. Market competition was the top reason for respondents that provided payment terms (43.5%), followed by greater confidence in customers' ability to pay (25.9%). More respondents also reported customers' requests for credit facilities to manage tight liquidity conditions (18% vs. 14% in 2019).

- Despite intensified market competition, payment terms were further shortened in 2020 across the region, albeit marginally. Average payment terms decreased to 66 days, down from 67 days in 2019, and extended a downward trend observed since 2018. The proportion of average credit term periods allocated were little changed **(Chart 1)**. That said, the trend within the region was highly differentiated, with four economies reporting an increase in payment terms, four others reporting a decrease, and one unchanged.

- Payment terms were the longest in Australia (81 days) and Hong Kong (81 days), both also experiencing the largest increase compared to 2019. Japan was close behind at 80 days, but down from 91 days in 2019. Payment terms lengthened in Australia (+45 days), Hong Kong (+18 days) and India (+18 days). Japan and China both saw an improvement in payment terms, which shortened by 11 days, while credit terms were stable in other economies **(Chart 2)**.

- The range of average payment terms offered by the nine economies narrowed to 31 days, down from 55 days in 2019, resulting in a near equal split (5 vs. 4) between the credit terms of those above and below the region's average. In terms of credit payment periods, the proportion of respondents offering 120 days and above fell sharply in Japan, from 42% in 2019 to 29% in 2020, while Australia and Hong Kong saw the biggest surge, at 27% and 26% in 2020, up from 0% and 5%, respectively.

Chart 3:
Payment terms by sector



Source: Coface Payment Survey

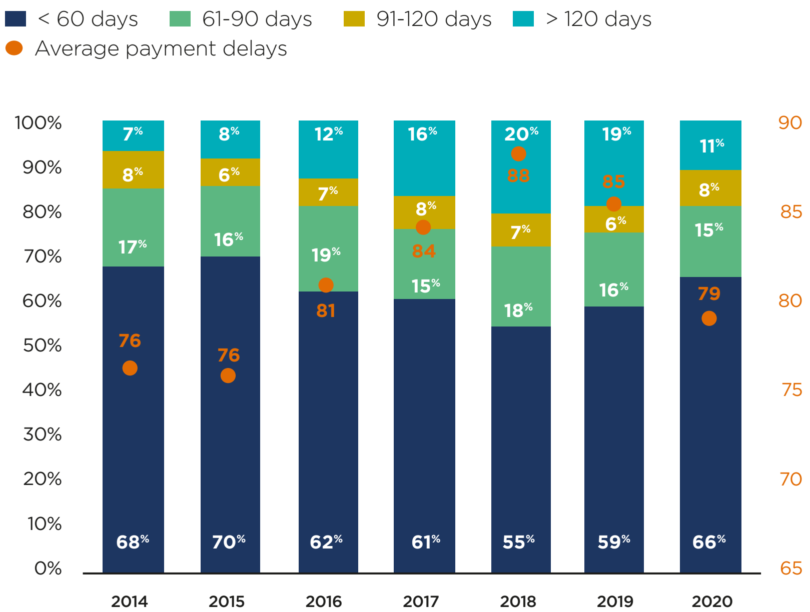
- Divergences between sectors were less apparent, except for ICT and energy. Average payment terms were the longest for ICT, chemicals and construction, with 17-19% of respondents in these three sectors offering payment terms of over 90 days. Conversely, payment terms were the shortest for transport and agri-food, with less than 10% of respondents offering payment terms of over 90 days.

66
DAYS:
Payment terms decreased marginally in 2020 compared to 67 days in 2019

2 PAYMENT DELAYS: SHORTER PERIODS BUT DIFFERENCES OBSERVED ACROSS THE REGION

- Around two-thirds of respondents experienced payment delays in 2020, similar to 2019, although a slightly larger share of firms said that late payments had increased (20% vs. 19% in 2019). The stable trend observed for payment delays despite a weakened economic environment was partially due to robust and coordinated government policy responses to soften the impact of the pandemic on business activity, as well as the shift of companies towards tightening credit management and strengthening cash-flow resiliency. Tighter credit policy was reflected by the average duration of payment delays in Asia Pacific, which fell to 79 days in 2020, down from 85 in 2019, the shortest length since 2015 **(Chart 4)**.

Chart 4:
Payment delays in Asia-Pacific



Source: Coface Payment Survey

- Overdue payments shortened in six of the nine surveyed economies, with Malaysia seeing the largest decline (-24 days), followed by China (-17 days). This decline was accompanied by a drop in the share of companies reporting late payments exceeding 120 days, which fell by 8 percentage points in Asia Pacific. Payment delays were the longest in Hong Kong, China and Australia. The average duration of overdue payments in China shortened from 96 days in 2019 to 79 days in 2020, while the other two economies reported longer payment delays, with Hong Kong recording a large increase, from 55 to 80 days, despite Australia and Hong Kong both increasing credit terms in 2020. Payment delays also lengthened by 10 days in India **(Chart 5)**.

65%
OF RESPONDENTS
Experienced payment delays

- Shorter payment delays were also reflected across sectors, with 10 out of 13 surveyed sectors indicating a decrease in the average duration of overdue payments. The paper, wood and ICT sectors reported the largest drops in late payment periods. Conversely, payment delays lengthened in the automotive, retail and chemicals sectors. The longest payment delays were seen in construction, transport and retail **(Chart 6)**.

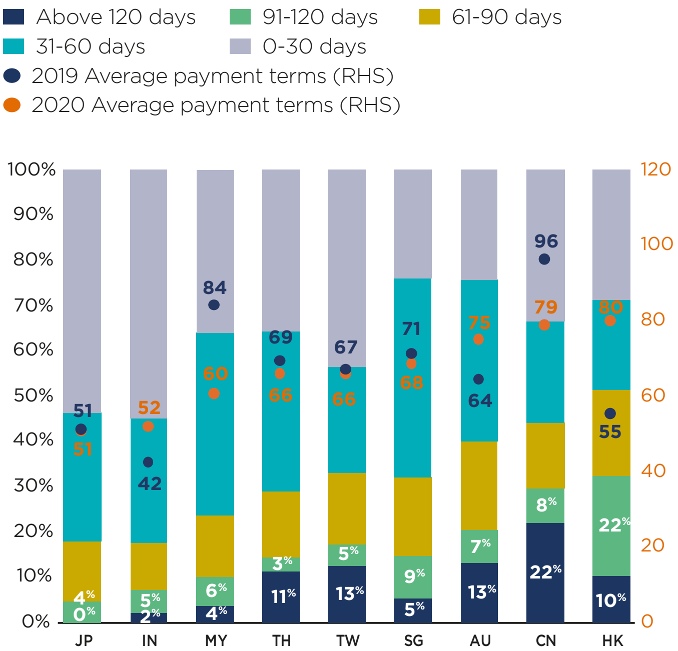
- Coface's experience shows that 80% of ultra-long payment delays (ULPDs, over 180 days) are never paid. Cash-flow risks tend to increase when these ULPDs account for over 2% of a company's annual turnover. The proportion of respondents experiencing ULPDs that exceed 2% of annual turnover fell marginally, from 31% in 2019 to 30% in 2020. This corresponded with a greater decline in companies reporting ULPDs exceeding 5% of annual turnover than the increase in those with ULPDs amounting to between 2% and 5%, suggesting that cash-flow risks have improved slightly **(Chart 7)**.

- Divergences were apparent across economies. Hong Kong and Australia reported a significant increase in ULPDs amounting to over 2% of annual turnover in 2020, increasing by 47 and 33 percentage points (pp) respectively, leading the region. China saw a decrease, from 52% to 47%, but was still well above the regional average of 31%. Four economies reported a drop in ULPDs accounting for over 2% of annual turnover, with Malaysia recording the largest decline (21pp), followed by Thailand (8pp). The highest proportion of firms with ULPDs exceeding 10% of annual turnover were in China (27%), Hong Kong (20%) and Australia (14%) **(Chart 8)**.

- Sectors most impacted by the pandemic experienced an increase in cash-flow risks, with retail (+11pp), construction (+5pp) and transport (+5pp) reporting the largest increase in the share of companies reporting ULPDs over 2% of their annual turnover. Wood (-15pp) and energy (-9pp) recorded the strongest decreases, however, the former also reported the largest rise in the proportion of firms with ULPDs exceeding 10% of annual turnover. The other sectors with the highest share of respondents with ULPDs over 10% of annual turnover were energy (19%), retail (15%), construction (15%), ICT (14%) and transport (13%), but most (except retail) recorded a decline compared to 2019 **(Chart 9)**.

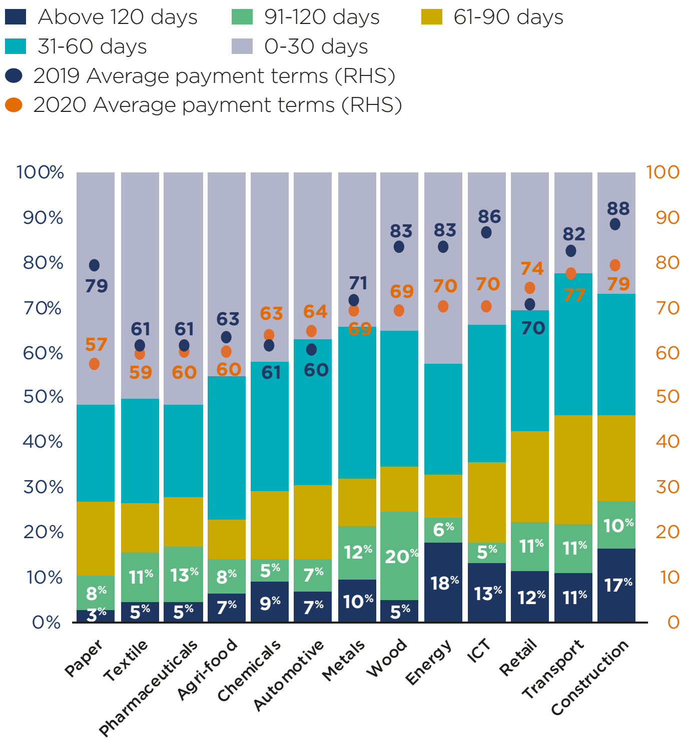
- Payment delays were primarily linked to customers' financial difficulties, reported by 47% of respondents **(Chart 10)**. Customers were facing financial difficulties because of fierce competition impacting margins (35%) and lack of financing resources (22%) **(Chart 11)**. Intense market competition was by far the top reason for customers' financial difficulties in Japan and Taiwan. It was also the main reason in China and India, although the lack of financing resources was also a major reason. In Malaysia and Singapore, a lack of financing resources was the main factor behind customers' financial woes, with lower demand and slower growth also mentioned as key reasons.

Chart 5:
Payment delays by region



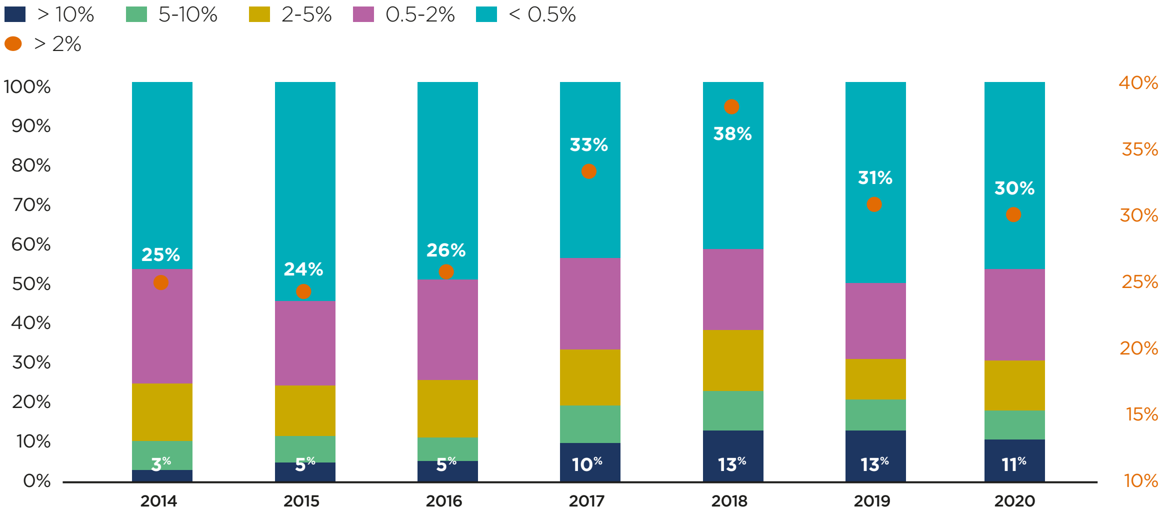
Source: Coface Payment Survey

Chart 6:
Payment delays by sector



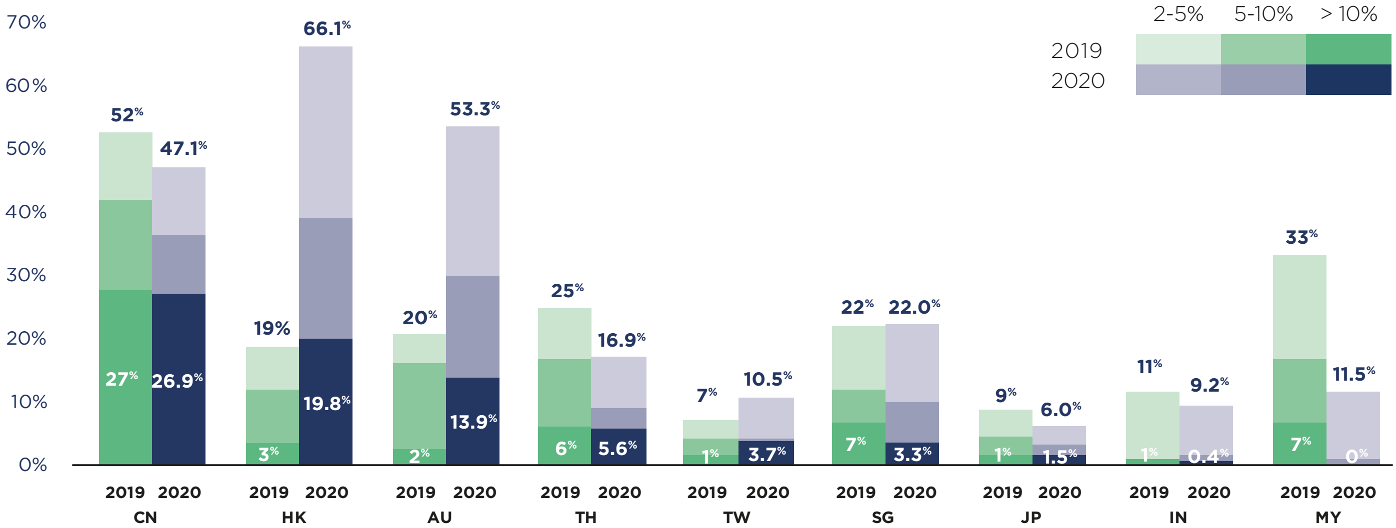
Source: Coface Payment Survey

Chart 7:
ULPDs and annual turnover in Asia Pacific



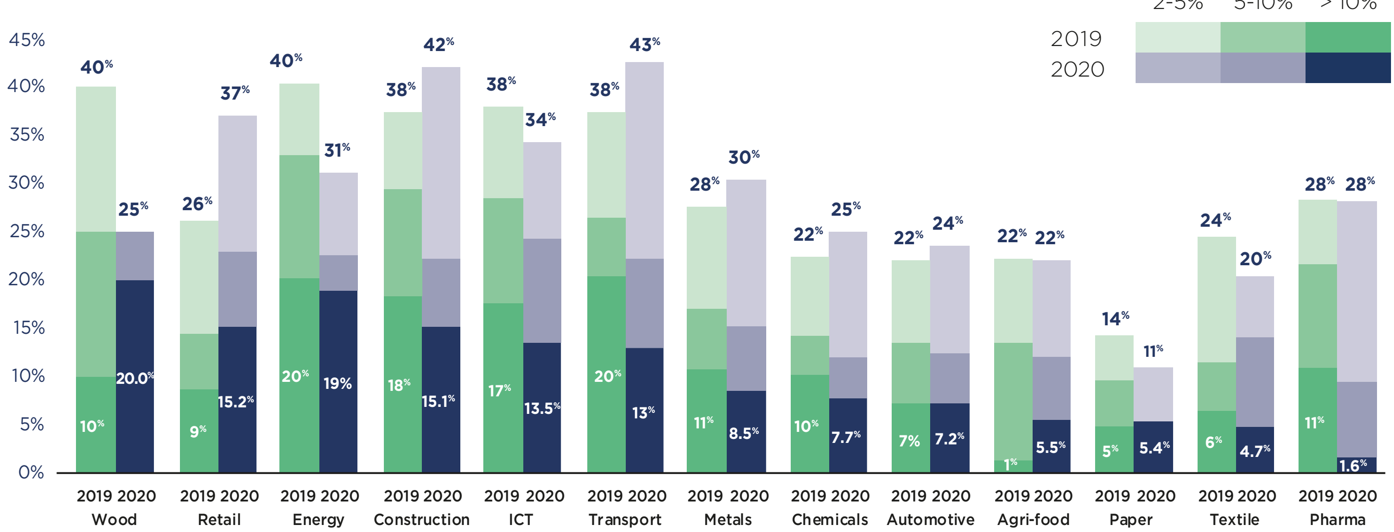
Source: Coface Payment Survey

Chart 8:
ULPDs and annual turnover by region



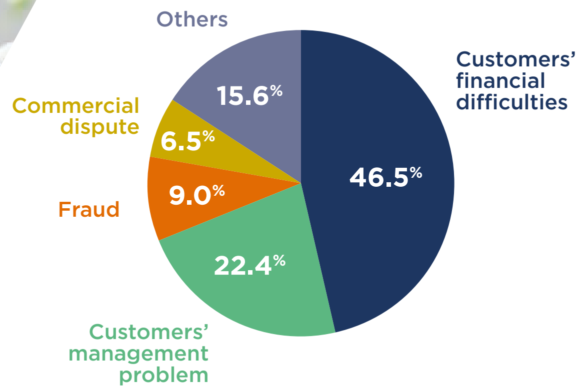
Source: Coface Payment Survey

Chart 9:
ULPDs and annual turnover by sector



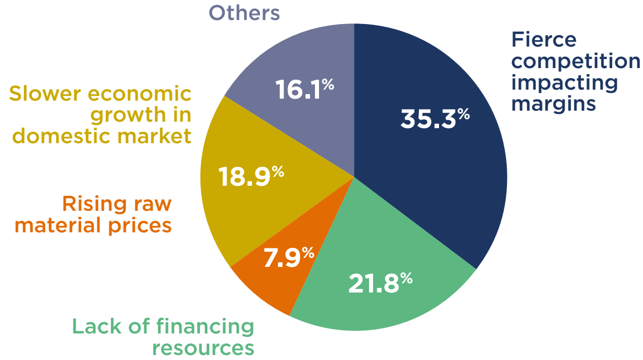
Source: Coface Payment Survey

Chart 10:
Main reason for payment delays?



Source: Coface Payment Survey

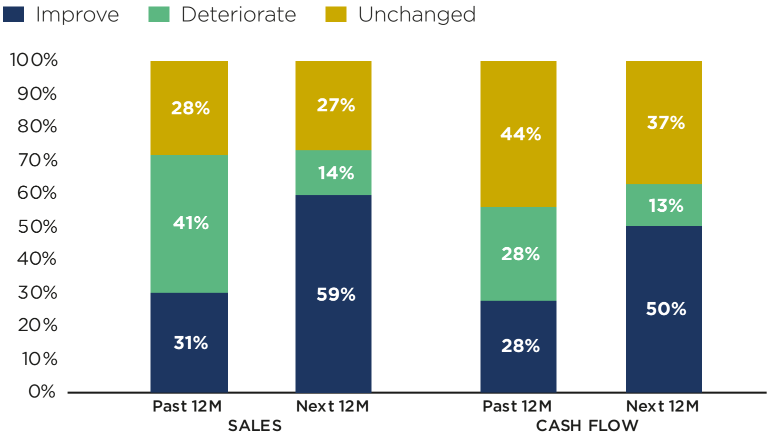
Chart 11 :
Main reason for payment delays?



Source: Coface Payment Survey

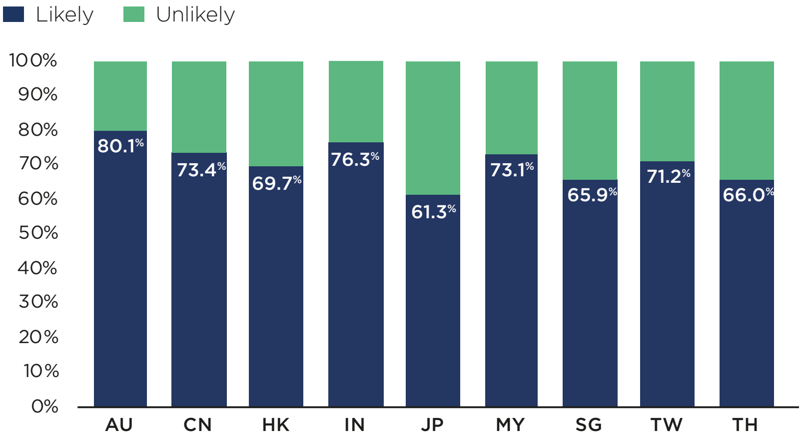
3 ECONOMIC EXPECTATIONS: BRIGHTER OUTLOOK BELIES UNDERLYING RISKS AND UNCERTAINTY

Chart 12 :
Business expectations (% respondents)



Source: Coface Payment Survey

Chart 13 :
Economic growth will improve in 2021 (% respondents)



Source: Coface Payment Survey

- The year 2020 was characterised by the COVID-19 shock on economies and societies. Unlike previous recessions, which were usually more gradual and shallower, the pandemic-related recession was rapid and deep due to the unique features of COVID-19. With robust and coordinated policy responses, an accelerated shift towards digitalisation, and countries reopening parts of their economy after strict lockdown measures, the recovery was quick but uneven. Nevertheless, companies expect the recovery to continue in 2021, with a greater share of respondents anticipating an improvement in sales and cash-flows over the next 12 months **(Chart 12)**.

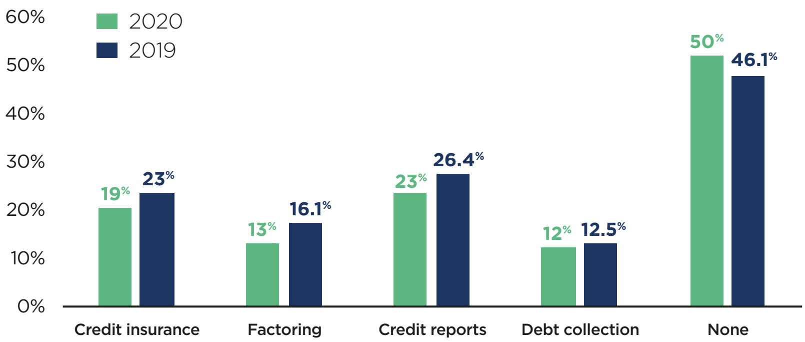
- This optimism is accompanied by expectations that economic growth will improve in 2021. Australian firms were the most optimistic, with 80% of respondents anticipating higher growth, followed by India (76%), China (73%), Malaysia (73%) and Taiwan (71%). On the other hand, only Japan (61%) had less than two-thirds of respondents expecting an improvement in economic growth in 2021 **(Chart 13)**.

- On a sectoral basis, automotive has the highest confidence towards the year-ahead sales, with 66% of respondents expecting an improvement, followed by energy (64%), metals (64%), paper (63%) and pharmaceuticals (61%). The highest proportion of companies anticipating an improvement in cash-flows over the next 12 months were in automotive, agri-food and pharmaceuticals, at 55% each, followed by metals (53%), paper (52%) and chemicals (51%).

- Economic expectations are brighter in 2021 compared to 2020, but risks to the business outlook remain high due to fresh COVID-19 outbreaks, the mutation of new and more transmissible variants, and the unequal recovery across regions and sectors. Facing such uncertainty, the survey indicated that more firms turned to credit management tools to mitigate risks. The proportion of respondents using credit management tools rose from 50% in 2019 to 54% in 2020, with increases reported across most major credit management tools. Credit reports and assessment (26%) remained the most commonly-used credit management tool, followed by credit insurance (23%) **(Chart 14)**.

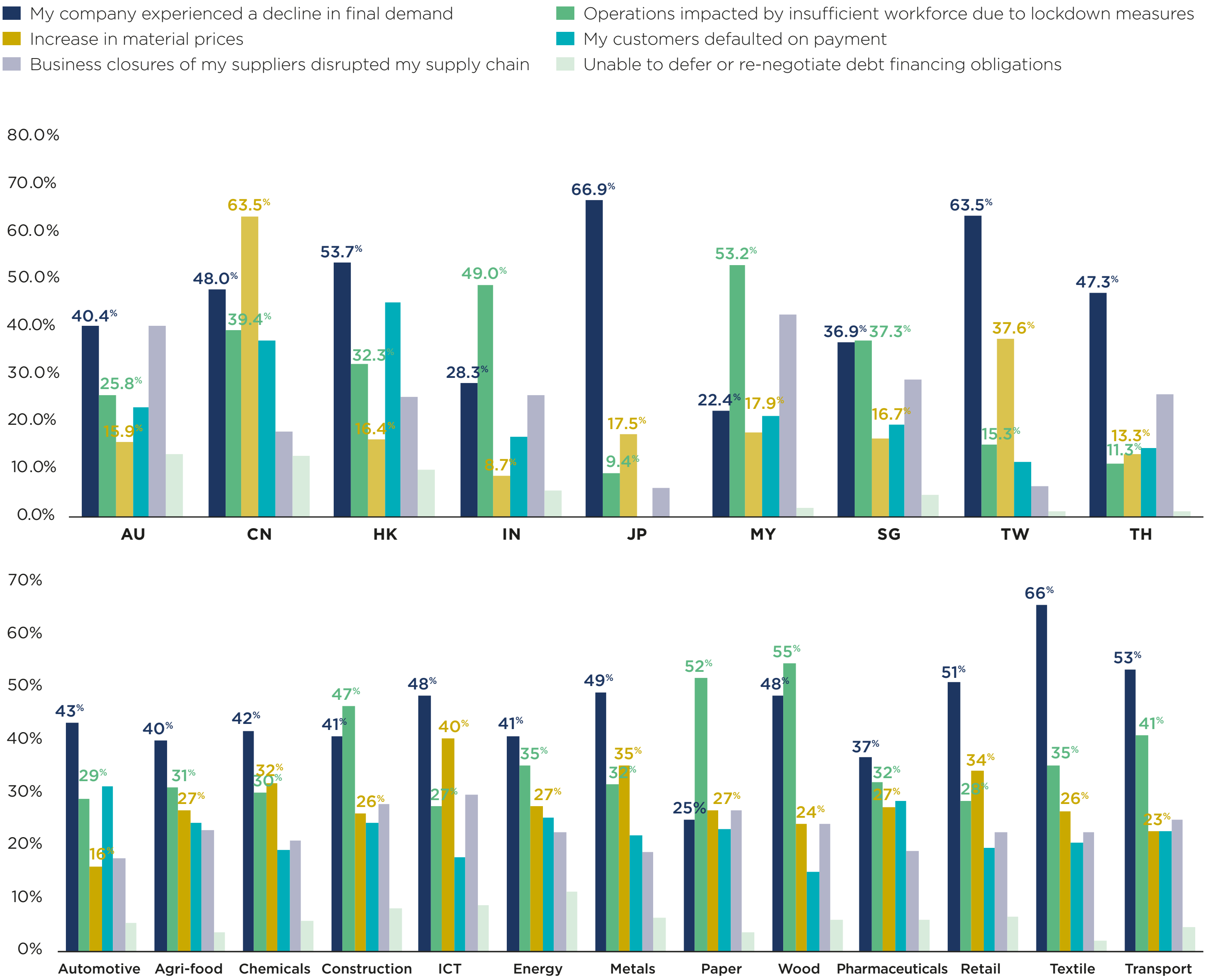
- This year, in a new multiple-answer question, we asked companies to assess the impact of the COVID-19 pandemic on their sales and cash-flows **(Chart 15)**. Their responses reflected the structural differences between economies in the region. In Japan and Taiwan, a reduction in demand was the top reason impacting companies' sales and cash-flows, whereas in China, higher material prices were the most-cited reason. In India, where many companies rely on migrant workers, the top impact was insufficient workforce due to lockdown measures that had disrupted business operations.

Chart 14:
Use of credit management tools



Source: Coface Payment Survey

Charts 15 and 16:
How COVID-19 affected your sales and cash flows in 2021 (multiple answers)



Source: Coface Payment Survey

BOX

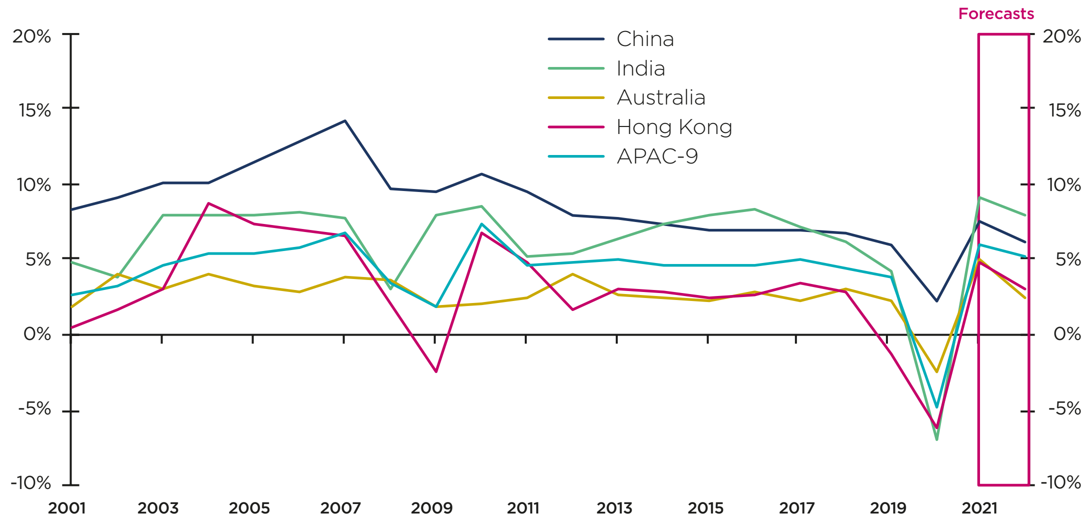
Recovery in 2021 fraught with uncertainty:

With the ongoing shift towards normal business conditions, we expect the region to show positive growth after contracting in 2020. China and Taiwan will build on their gains of last year, while the other seven economies are expected to expand this year. On a GDP-weighted basis, APAC-9 GDP growth is projected at 6.1% in 2021, up from -1.4% in 2020, led by China, which accounted for half of the region's GDP. Excluding China, Coface forecasts APAC-8 growth to increase by a slower 4.7% this year, up from a significantly sharper contraction of -4.8% in 2020.

The pace of expansion will be the fastest in India (+9.0%), which saw the sharpest contraction among the nine surveyed economies in 2020, followed by China (+7.5%), Singapore (+6.3%), Taiwan (+5.6%), Australia (5.0%), Hong Kong (+4.8%), Malaysia (+4.6%), Japan (+2.7%) and Thailand (+2.2%). External demand has been a key driver of the recovery in Asia, as a global shift towards remote work and remote learning drove a global need for information and communication (ICT) equipment. This greatly benefited several economies in this region that are key exporters of ICT products, such as China (+40% YTD), Taiwan (+21% YTD), Malaysia (+28% YTD) and Singapore (+9% YTD). An increase in capital investment also boosted sales of electronic and electrical machinery. However, the recovery in private consumption was much more gradual, lagging behind growth in manufacturing and exports, as labour market improvements remained weak and many parts of Asia Pacific went under renewed restrictions on mobility. Curbs on international travel remained largely in place, which prevented the tourism sector from initiating a recovery.

Our baseline scenario assumes that there will be no new wave of COVID-19 infections in the second half of 2021, and that a ramp-up of vaccination will improve the resilience of the recovery. The caveat is that the current environment remains difficult to predict. Moreover, there are downside risks to the recovery, such as the global semiconductor shortage, which could limit Asian export growth, and rising commodity prices, which could compress corporate margins and weigh on demand.

Chart 15:
Real GDP, annual % change



Sources: Refinitiv Datastream, Coface

PAYMENT SURVEY RESULTS BY ECONOMY

Australia

COFACE ASSESSMENT: A2

	2016	2017	2018	2019	2020	2020 vs. 2019	vs. APAC
Payment terms							
% of respondents offering payment terms	86.5%	85.0%	79.3%	63.6%	74.8%	↗	Below
Average payment terms (days)	39	40	47	36	81	↗	Above
Payment delays							
Experienced payment delays	59.5%	87.1%	73.0%	66.7%	90.7%	↗	Above
Payment delays increased	9.1%	32.4%	29.6%	34.1%	48.5%	↗	Above
Average payment delays of more than 90 days	6.8%	9.5%	12.3%	9.1%	20.4%	↗	Above
Ultra long payment delays > 2% of turnover	13.6%	28.4%	38.3%	20.5%	53.3%	↗	Above
Overall						↗	**Above**

China

COFACE ASSESSMENT: B

	2016	2017	2018	2019	2020	2020 vs. 2019	vs. APAC
Payment terms							
% of respondents offering payment terms	78.0%	73.6%	67.3%	66.2%	67.4%	↗	Below
Average payment terms (days)	66	76	86	86	75	↘	Above
Payment delays							
Experienced payment delays	67.9%	63.8%	62.9%	66.0%	56.8%	↘	Below
Payment delays increased	45.6%	28.6%	40.0%	37.1%	36.3%	↘	Above
Average payment delays of more than 90 days	26.3%	34.4%	38.8%	41.0%	29.5%	↘	Above
Ultra long payment delays > 2% of turnover	35.7%	48.1%	55.3%	52.5%	47.1%	↘	Above
Overall						↘	**Above**

Hong Kong

COFACE ASSESSMENT: A4

	2016	2017	2018	2019	2020	2020 vs. 2019	vs. APAC
Payment terms							
% of respondents offering payment terms	69.4%	75.4%	91.5%	87.1%	88.6%	↗	Above
Average payment terms (days)	49	56	62	63	81	↗	Above
Payment delays							
Experienced payment delays	53.6%	58.2%	68.9%	85.1%	95.5%	↗	Above
Payment delays increased	20.6%	17.7%	23.3%	37.2%	59.4%	↗	Above
Average payment delays of more than 90 days	15.8%	15.9%	11.0%	10.5%	32.3%	↗	Below
Ultra long payment delays > 2% of turnover	23.9%	26.2%	27.4%	18.6%	66.1%	↗	Above
Overall						↗	**Above**

India

COFACE ASSESSMENT: C

	2016	2017	2018	2019	2020	2020 vs. 2019	vs. APAC
Payment terms							
% of respondents offering payment terms	93.7%	94.1%	96.0%	97.5%	95.7%	↘	Above
Average payment terms (days)	53	59	50	42	60	↗	Below
Payment delays							
Experienced payment delays	84.8%	86.8%	82.0%	86.3%	83.3%	↘	Above
Payment delays increased	29.2%	35.7%	20.5%	17.6%	20.0%	↗	Below
Average payment delays of more than 90 days	22.1%	28.6%	23.4%	2.4%	7.2%	↗	Below
Ultra long payment delays > 2% of turnover	29.8%	36.8%	21.0%	11.4%	9.2%	↘	Below
Overall						–	**Below**

BUSINESS DEFAULT RISK

- A1 Very Low
- A2 Low
- A3 Satisfactory
- A4 Reasonable
- B Fairly High
- C High
- D Very High
- E Extreme

Japan

COFACE ASSESSMENT: A2

	2016	2017	2018	2019	2020	2020 vs. 2019	vs. APAC
Payment terms							
% of respondents offering payment terms	90.1%	67.8%	86.4%	87.5%	87.5%	–	Above
Average payment terms (days)	75	98	74	91	80	↘	Above
Payment delays							
Experienced payment delays	46.4%	50.0%	41.8%	41.7%	41.9%	↗	Below
Payment delays increased	17.1%	16.4%	14.6%	12.9%	22.4%	↗	Below
Average overdue times of more than 90 days	8.6%	17.8%	12.2%	4.3%	4.5%	↗	Below
Ultra long overdue amounts > 2% of turnover	8.7%	6.8%	8.5%	8.6%	6.0%	↘	Below
Overall						↗	**Below**

Malaysia

COFACE ASSESSMENT: A4

	2016	2017	2018	2019	2020	2020 vs. 2019	vs. APAC
Payment terms							
% of respondents offering payment terms	--	80.6%	88.9%	92.0%	91.5%	↘	Above
Average payment terms (days)	--	48	68	64	51	↘	Below
Payment delays							
Experienced payment delays	--	20.6%	65.7%	66.5%	69.2%	↗	Above
Payment delays increased	--	21.2%	26.5%	25.6%	12.2%	↘	Below
Average overdue times of more than 90 days	--	6.1%	26.5%	29.3%	10.1%	↘	Below
Ultra long overdue amounts > 2% of turnover	--	9.1%	36.8%	33.1%	11.5%	↘	Below
Overall						↘	**Below**

Singapore

COFACE ASSESSMENT: A3

	2016	2017	2018	2019	2020	2020 vs. 2019	vs. APAC
Payment terms							
% of respondents offering payment terms	89.6%	90.4%	83.7%	86.4%	89.3%	↗	Above
Average payment terms (days)	51	69	54	54	50	↘	Below
Payment delays							
Experienced payment delays	79.2%	72.0%	71.1%	65.0%	59.5%	↘	Below
Payment delays increased	42.6%	29.2%	16.0%	20.1%	13.3%	↘	Below
Average overdue times of more than 90 days	3.3%	22.2%	19.3%	18.7%	14.7%	↘	Below
Ultra long overdue amounts > 2% of turnover	25.0%	44.4%	23.5%	21.6%	22.0%	↗	Below
Overall						↘	**Below**

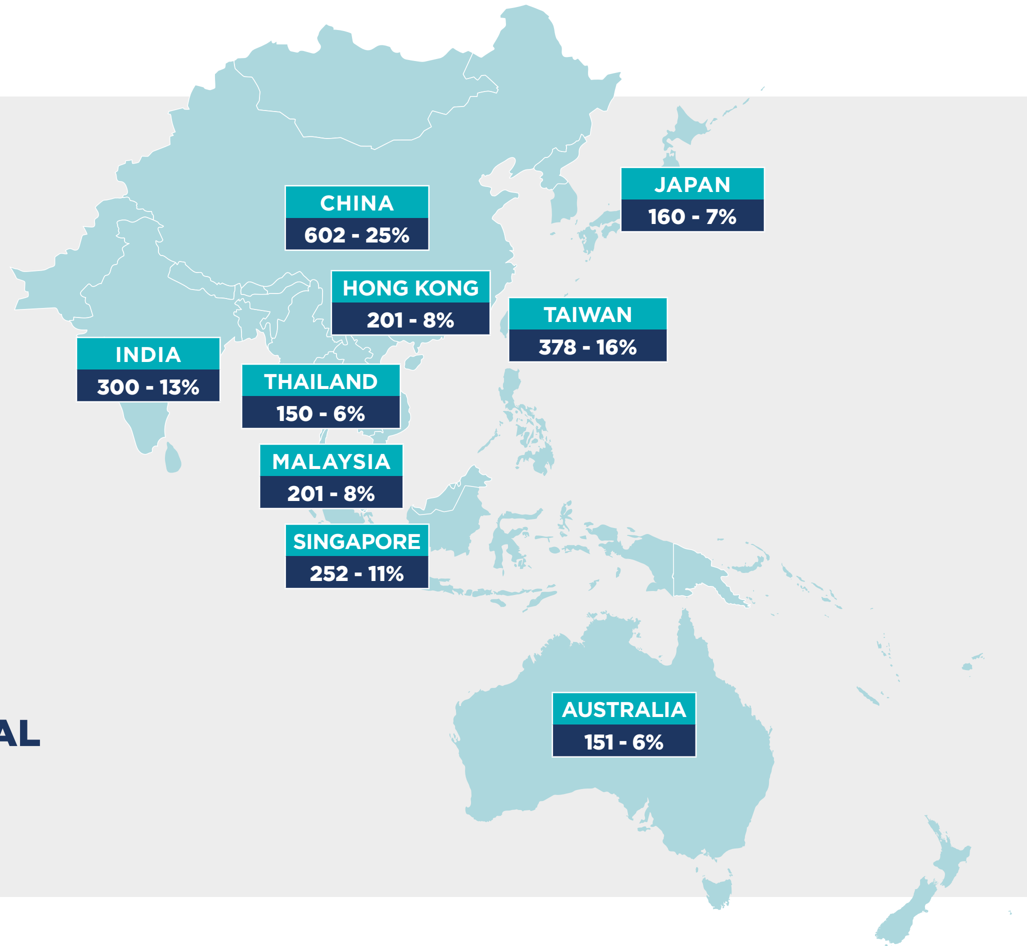
BUSINESS DEFAULT RISK

- A1 Very Low
- A2 Low
- A3 Satisfactory
- A4 Reasonable
- B Fairly High
- C High
- D Very High
- E Extreme

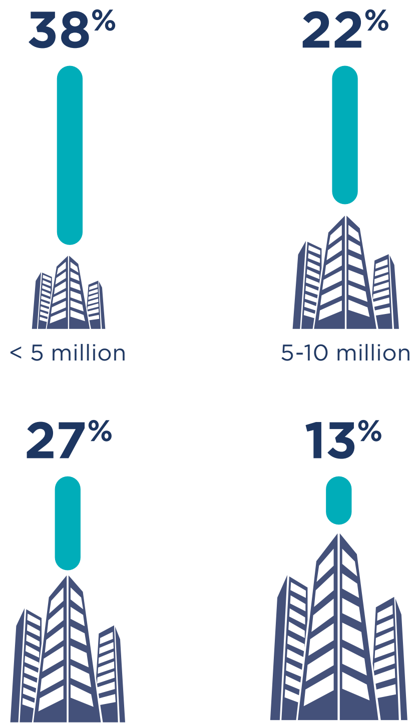
APPENDIX

2,395
COMPANIES

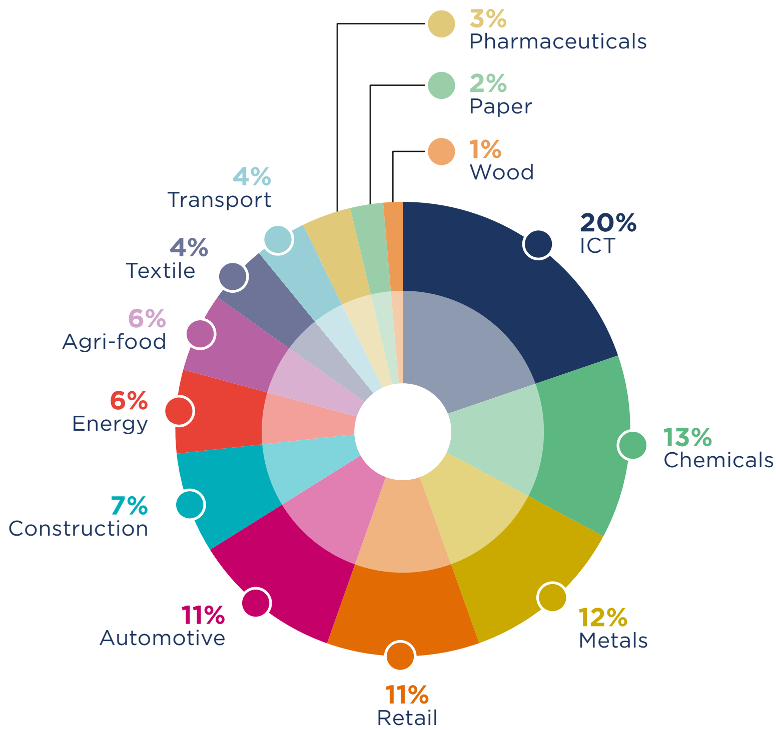
GEOGRAPHICAL DISTRIBUTION



SIZE BY TURNOVER



SECTOR DISTRIBUTION



GLOSSARY

PAYMENT TERM
The time frame between when a customer purchases a product or service and when the payment is due.

PAYMENT DELAY
The period between the payment due date and the date the payment is made.

Code	Country
AU	Australia
CH	China
HK	Hong Kong
IN	India
JP	Japan
MY	Malaysia
SG	Singapore
TW	Taiwan
TH	Thailand

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COFACE SA
1, place Costes et Bellonte
92270 Bois-Colombes
France

www.coface.com