

SURVEY



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Asia Corporate Payment Survey 2016: tail risks are on the rise

Coface conducts an annual survey to examine corporate payment trends and experiences in eight selected economies⁽¹⁾ in the Asia Pacific (APAC) region. Our corporate payment survey for 2016 showed that non-payment risks escalated on the back of financial stress and a looser approach to credit controls.

Across the eight APAC economies in our survey, the number of respondents offering sales on credit show a slight decrease compared to 2015. Those that did significantly ramped up their credit terms from 55 to 59 days. Only half of the respondent companies checked and monitored buyer credit worthiness in 2016, while one third monitored buyer track records. In addition, there was a notable decline in respondents requesting secured forms of payment. This is a reflection of a looser approach to credit risks.

Aggravated tail risks are only to be expected. There was a lengthening in the average overdue days for invoices compared to 2015. Moreover, a considerably larger number of respondents

reported suffering from ultra-long overdue amounts which exceeded 2% of their total annual turnover. According to Coface's experience, roughly 80% of ultra-long overdues will not be paid at all. When over 2% of total annual turnover is tied up in ultra-long overdues, a company may encounter cash-flow shortfalls if non-payment risks materialize, leading to tighter liquidity and financial difficulties.

While the situation deteriorated across the region, some geographical differences were apparent. The most noticeable deterioration of non-payment risks was in China, followed by Thailand and, to a lesser extent, Australia. The situation stabilised in India – albeit from a low base – and Japan. Taiwan, Singapore and Hong Kong all benefitted from overall improvements in non-payment risks.

Construction was the worst performer for the second consecutive year. The main headwinds originate from the economic slowdown in China, combined with uncertainties surrounding monetary and fiscal policies in the US.



2
CORPORATE PAYMENT
SURVEY results
for Asia Pacific

4
SECTORIAL
analysis

9
APPENDIX 1:
country files

13
APPENDIX 2:
payment survey
background

1/ Australia, China, Hong Kong, India, Japan, Singapore, Taiwan, and Thailand.