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PAYMENT SURVEY

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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.