COFACE
ECONOMIC PUBLICATIONS

JULY 2019

PAYMENT
SURVEY

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Asia-Pacific Corporate Payment Survey 2019: deteriorating payment trends amid trade war woes

Trade wars, volatile global capital flows, slowing growth in the United States (U.S.) and Europe, Brexit — businesses in the Asia-Pacific (APAC) region had to navigate a number of political, economic, and financial pitfalls last year. To better understand the impact that such events have on companies, Coface conducts annual corporate payment surveys across the world. The 2019 Asia-Pacific Corporate Payment Survey covers nine economies in the APAC region. For the survey, data was collected from over 3,000 companies during the fourth quarter of 2018.

The data gathered from the survey shows that APAC companies were under pressure last year to extend longer payment terms. Average payment terms increased to 69 days in 2018, up from 64 days in 2017. This is in line with trends observed in the APAC region since 2015. Corresponding with the increase in payment terms, average payment delays also increased to 88 days in 2018, compared to 84 days in 2017. The proportion of companies that experienced payment delays exceeding 120 days increased from 16% in 2017 to 20% in 2018. The length of payment delays was highest in China, Malaysia, and Singapore, while the length was lowest in Hong Kong and Japan.

The survey's data also highlights changes across different industries. Average payment delays were highest in the energy, construction, and ICT sectors, with over 20% of companies from those sectors offering payment terms of 120 days or longer. Longer payment delays in 2018 can be largely attributed to customers' financial difficulties. These difficulties are a result of fierce competition impacting margins, as well as a lack of financial resources.

In terms of cash flow risks, Coface's survey considers the ratio of ultra-long payment delays (exceeding 180 days). According to Coface's findings, 80% of ultra-long payment delays (ULPDs) are never paid. When these unpaid ULPDs constitute more than 2% of annual turnover, a company's cash flow may be at risk. The proportion of companies experiencing ULDPs exceeding 2% of annual turnover increased from 26% in 2016 to 33% in 2017, and then to 38% in 2018. Furthermore, the survey's results found a surge in the number of companies stating that they had ULDPs exceeding 10% of annual turnover.