

PAYMENT SURVEY

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China Payment Survey 2021: Shorter credit terms for most sectors except construction, food and automotive

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The onset of the COVID-19 pandemic in 2020 increased the level of uncertainty regarding the business outlook, pushing Chinese companies to tighten their credit management tools as part of the efforts to improve cash-flow positions and remain viable in a difficult economic environment. Coface's 2021 China Corporate Payment Survey shows that payment terms shortened by 11 days on average in 2020, falling to 75 days, while the distribution of credit terms leaned towards a shorter rather than longer period. The proportion of respondents offering average credit terms between 31 and 60 days increased from 20% to 30% in 2020, coinciding with the decline of those offering above 120 days to only 13%.

The survey also highlighted that fewer companies experienced payment delays in 2020, partly because of tighter credit terms, but possibly also due to government policy support, including tax relief, loan guarantees and loan interest waivers. Despite the difficult context, firms in 11 out of 13 sectors reported a decline in payment delays. There was no change in retail, while construction saw an increase in overdue payments.

In terms of average payment delays (days), construction and energy were well above the average in 2020. More concerning, however, was a significant increase in the proportion of firms in these two sectors that reported Ultra-Long Payment Delays (ULPDs, over 180 days) exceeding 10% of their annual turnover, hinting at serious cash-flow risks and matching recent data on Chinese bond defaults.

With the economic recovery extending into early 2021, companies are more optimistic about the outlook for sales and cash-flows for the year ahead. However, the recovery has not been sufficiently broad-based and remains uneven across sectors. Firms also benefited from greater fiscal and monetary support measures last year, which are expected to be further tapered this year. Coface expects an increase in bond defaults and insolvencies in 2021, especially among sectors that accumulated higher cash-flow risks in 2020 amid a slowdown in credit growth. The 2021 China Corporate Payment Survey was conducted between February and April this year, and surveyed over 600 companies across 13 broad sectors located in mainland China.

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.

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