

PAYMENT SURVEY



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Asia Payment Survey 2022: Asian companies face rising credit risks despite shorter payment delays

The year 2021 was characterised by a stop-start economic recovery amid new COVID-19 variant outbreaks, prompting companies in Asia-Pacific to remain accommodative in the provision of credit terms. Average payment terms increased from 68 days in 2020 to 71 in 2021, as more companies provided longer credit terms, according to the 2022 Asia Corporate Payment Survey. Out of 13 sectors, only textile and energy reported a shortening of credit terms amid rising input prices, especially for energy and fibres, exerting greater cost pressure on these two sectors.

Improved economic conditions in 2021 contributed to a notable fall in the duration of payment delays across Asia-Pacific, dropping from 68 days on average in 2020 to 54 days in 2021, the lowest level in 5 years. The share of respondents experiencing overdue payment remained stable at 64% vs. 65% in the previous year. Among the nine economies covered, payment delays shortened the most in Malaysia and Singapore. By contrast, China was the only country that recorded a rise in payment delays, and was also the country with the longest average payment delay.

However, the survey highlighted some concerns. The share of respondents that mentioned an increase in the amount of overdue went up to

35% in 2021, against 31% in the preceding year. Furthermore, more companies reported ultra-long payment delays (ULPDs) of more than 10% of annual turnover, with this increase driven largely by China where the already high share of 27% in 2020 grew to 40% in 2021. The proportion of ULPDs slightly increased in Australia and India, while it stabilized or declined in the other six economies, with a significant drop in Hong Kong. The large majority of ULPDs are never paid, and therefore, cash-flow risks tend to increase when these ULPDs account for over 2% of a company's annual turnover.

While the majority of respondents showed optimism about the economic outlook, with 71% expecting economic growth to improve in 2022, there are growing downside risks to growth. Continued supply chain disruptions, escalation in geopolitical tensions, elevated commodities prices, and rising interest rates, have dampened business expectations of more companies, with fewer respondents anticipating improved sales and cash flow for the coming year.

The Coface 2022 Asia Corporate Payment Survey was conducted between November 2021 and February 2022. It covered almost 2,800 companies from nine markets and 13 sectors located in the Asia-Pacific region.