



Atradius Payment Practices Barometer

International survey of B2B payment behaviour
Survey results for China

Survey design for Asia Pacific

Survey objectives

For internationally active companies, it is vital to have good knowledge of the payment practices of potential customers in countries they do or plan to do business with, as miscalculation may result in serious cashflow problems. This applies to big as well as small companies. Big companies are particularly hit by poor payment behaviour due to the volume of their international transactions. Smaller companies often learn the hard way early in their international endeavours that they have incorrectly estimated the payment practices of their international business partners.

Atradius is conducting regular reviews of corporate payment practices through a survey called the “Atradius Payment Practices Barometer”. Using the questionnaire Conclusr conducted a netto of 1,692 interviews in Asia and the Pacific. The interviews were all conducted exclusively for Atradius and there was no combination of topics.

Survey scope

- Basic population: companies from 8 countries were monitored (Australia, China, Hong Kong, India, Indonesia, Japan, Singapore and Taiwan). The appropriate contacts for accounts receivable management were interviewed.
- Selection process:
Internet survey: companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact and for quota control was conducted at the beginning of the interview.
- Sample: N=1,692 people were interviewed in total (approximately n=200 people per country). In each country, a quota was maintained according to three classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 12 minutes duration.

Sample overview – Total interviews = 1,692

Country	n	%
Australia	213	12.6
China	219	12.9
Hong Kong	220	12.9
India	208	12.3
Indonesia	207	12.3
Japan	208	12.3
Singapore	208	12.3
Taiwan	209	12.4
Industry	n	%
Manufacturing	605	35.8
Wholesale / Retail / Distribution	490	29.0
Services	597	35.2
Business size	n	%
Micro-enterprises	572	33.8
SMEs (Small/Medium enterprises)	857	50.7
Large enterprises	263	15.5

It may occur that the results are a percent more or less than 100% when calculating the results. This is the consequence of rounding off the results. Rather than adjusting the outcome so that it totalled 100%, we have chosen to leave the individual results as they were to allow for the most accurate representation possible.

Survey results for China

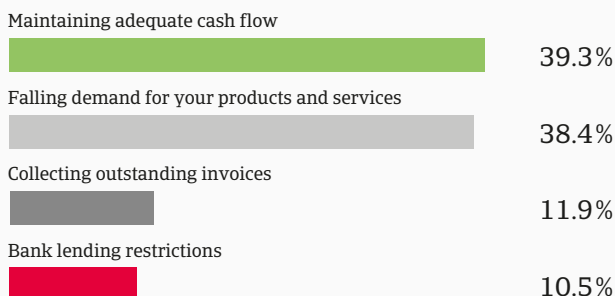
The greatest challenge to business profitability this year

Today, China is one of the world's top exporters and is attracting record amounts of foreign investment. In turn, it is investing billions of dollars abroad. The collapse in international export markets that accompanied the global financial crisis of 2009 initially hit China hard, but its economy was among the first in the world to rebound, quickly returning to growth and in 2011 overtaking Japan to become the world's second-largest economy. By 2012, however, the debt crisis in the Eurozone - one of the biggest markets for Chinese goods - was beginning to impact China's growth and it has slowed in recent years. Nonetheless, GDP was forecast for 2014 at 7.5% and although revisions have seen this drop to 7.3% due to poor levels of investment and industrial production, it still remains comparatively high when compared with other Asia Pacific nations.

China is a major consumer of energy, second only to the USA and is the world's biggest producer and consumer of coal. It spends billions of dollars in pursuit of foreign energy supplies, particularly to support their manufacturing based economy and motor industry, which has grown rapidly in recent years alongside consumer earnings, as many Chinese become car owners for the first time.

Against this backdrop, Chinese respondents to our survey stated that maintaining adequate cash flow was the biggest challenge to their business profitability this year. At 39.3%, this came in behind only Taiwan, at 43.5% and sat above the average of 35.6% for the Asia Pacific region. In second place, Chinese respondents chose falling demand for products and services at 38.4%. This could be attributable to a number of things, not least that, as average incomes increase and align more closely with those in more developed economies, demand for manufacturing, in particular, could drop off as savings to businesses decrease.

The greatest challenge to business profitability this year – China



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – November 2014

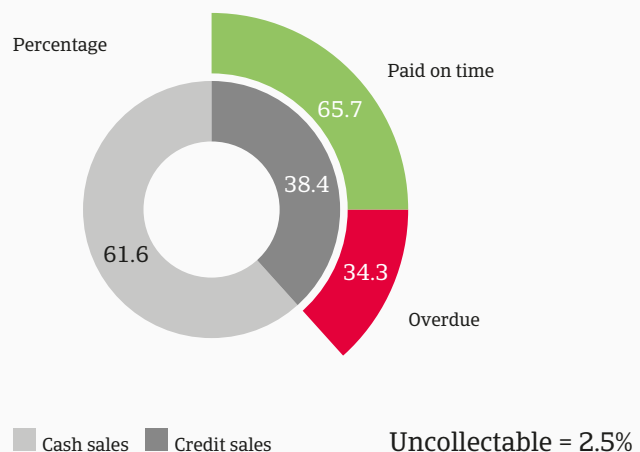
More information in the [Statistical appendix](#)

Past due receivables and uncollectables

Chinese respondents seemed to have fewer problems with past due receivables and uncollectable debt amongst those we surveyed. At due date, 34.3% of Chinese receivables were due, against an average of 36.2% for the Asia Pacific region. At 90 days past due, 3.9% of Chinese debts were still outstanding versus the average of 4.4%, although at uncollectable stage, China's result crept up the table to third place, neck and neck with Australia, at 2.5%.

Also of note, by comparing the percentage of receivables that remained outstanding after 90 days past due to that of the uncollectable receivables, we can conclude that on average, businesses in China lose 64.1% of those receivables which remain unpaid at 90 days overdue. By country, this is the highest across the entire Asia Pacific region and contrasts sharply with the result of Japan, at 20%, the lowest score.

Average total value of B2B receivables by payment timing in China



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – November 2014

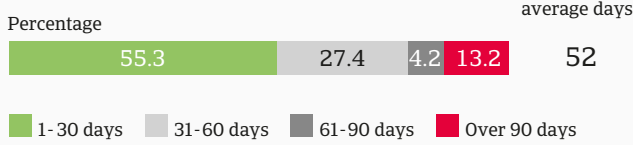
More information in the [Statistical appendix](#)

Days Sales Outstanding – DSO

DSO for Chinese respondents came in at 52 days, slightly below the regional average of 54 days. It is worth noting, however, that the average payment term in the region is 34 days, which means that Chinese businesses are waiting, on average, 18 days beyond due date, to get paid by their customers. For Chinese businesses this is likely to be particularly disconcerting, due to the relative infancy in the use of trade credit in the region, a fact which is further highlighted by their low tolerance of DSO over thirty days. 78.9% of Chinese respondents said that DSO levels became of concern to sustainability of their business at thirty days, a figure far higher than any other amongst those surveyed. The average for Asia Pacific was 70.85%, with Japanese respondents most relaxed about it, at 61.2%.



Average DSO in China



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – November 2014

More information in the [Statistical appendix](#)

Main reasons for late payment from B2B customers

The main reason cited by Chinese respondents for late domestic payment was insufficient availability of funds and this was far higher than the response from any other nation. 67.12% of respondents stated that this was a problem, versus a regional average for Asia Pacific of 47.25%.

For foreign payments, insufficient funding dropped to number three, with Chinese respondents prioritising the complexity of payment in top place at 55.9%, the highest in the survey, versus the average of 39.97%. The latter is likely to be due to cultural and language differences in international trade. In second place, respondents cited dispute over quality of goods as the main issue, with 46.47% stating this to be a key reason for late payment.

Credit management policies used by respondents

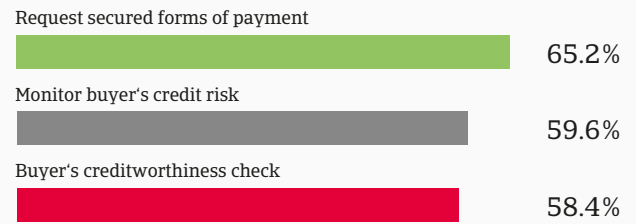
Chinese respondents were second most likely in Asia Pacific to use a means of mitigating the risk of payment default. 83.26% of those we surveyed said they used some form of protection, second only to India at 85.35% and versus an average of 72.14%. Of the methods in place to protect their businesses, the most popular amongst Chinese respondents was requesting secured forms of payment, the leading nation to do so at 65.17% with Indonesia in second place at 60.93%.

In alignment with their peers in other nations in doing so, however, the Chinese were also most likely to monitor buyer's credit risk – 59.55% versus 48.88% on average - and to check their buyer's creditworthiness – 58.43% against the average of 51.93%. In short, all of the credit management tools employed by the Chinese respondents point to a cautious approach to trading on credit, something which is still relatively new to many Chinese businesses.

In terms of actual payment, Chinese respondents were most keen on electronic transfer, at 69.86% with cheque and cash in second and third place. They were also amongst the biggest users of cash, almost neck and neck with Indonesia at 69.86% and 69.90% respectively, and behind only Taiwan at 73.34%.

Looking ahead, it seems that most Chinese respondents felt that electronic transfers, PayPal and credit card use would all increase in the future, a signal that they too are fully embracing the opportunities afforded by online transactions in their trade transactions.

Most often used credit management policies in China



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – November 2014

More information in the [Statistical appendix](#)

Survey results by country, industry and business size

The findings related to each of the countries surveyed across Asia Pacific are presented in the Statistical Appendix which also features results by industry and business size. The latter, at an overall survey level, are displayed next to the related tables in the Statistical Appendix to this report. The regional report of this edition of the Atradius Payment Practices Barometer, as well as its Statistical Appendix, are available for free and downloadable on the atradius.com website.

If you would like more information about protecting your receivables against payment default by your customers you can visit the [Atradius website](#) or if you have more specific questions, please [leave a message](#) and a product specialist will call you back.

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The [Statistical appendix](#) to this report is part of the November 2014 Payment Practices Barometer of Atradius (survey results for Asia Pacific) available at www.atradius.com/Publications/Payment Practices Barometer. This appendix is available for download in PDF format (English only).

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