

Atradius Payment Practices Barometer 2023

Key trends for B2B payments and cash flow

## Asia

Focus on credit management  
to enhance liquidity resilience



## About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times.

However, the survey also has a strong focus on the challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

The results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for Asia. Sector focus: agri-food, chemicals, consumer durables, electronics/ICT, machines, steel/metals, textiles/clothing and transport.

The survey was conducted between the end of Q2 and the beginning of Q3 2023, and findings should therefore be viewed with this in mind.





**Andreas Tesch**  
Chief Market Officer of Atradius N.V.  
commented on the report

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“The global trade landscape is currently displaying signs of recovery, with an expected growth rate of more than 3% in 2024 following a downward trend this year. Although this is a positive development, the recovery remains cautious in scale and may arrive more slowly in some regions than others. This could well be the case with economies in Asia, where an overall 6% drop in B2B trading on credit was reported last year, although with some significant market-specific differences.

Varying degrees of deceleration are likely to continue during the coming months. This is primarily due to the ongoing underperformance of exports, which is expected to persist in the short-term for Asian companies. The strict monetary policies in their major export destinations, such as the United States and the European Union, are likely to result in an extended period of weak growth and possibly even a mild recession across many markets in these regions. This, in turn, would further reduce demand for imports from Asia. The ongoing sluggishness in external demand is projected to have a cascading effect on labour markets and investment, weakening the domestic resilience shown by many Asian economies this year.

Despite this, our survey found an encouraging level of optimism among Asian businesses about future prospects, with 70% of companies polled saying they anticipate an increase in demand for products and services over the coming months. It also showed that companies in the region are clearly focused on withstanding the impact of deteriorating business-to-business (B2B) payment practices. On a global level, we predict that insolvencies in 2024 rise by 19% compared to this year.

While the landscape varies from market to market, a common denominator is the widespread attention that Asian businesses place on maintaining strong cashflow and liquidity. Specifically, our survey identified a proactive and forward-thinking approach by Asian businesses to managing customer credit risk, with robust measures implemented to mitigate cashflow risks across various Asian economies.

Half of the businesses in the region told us they increased efforts to collect overdue B2B invoices during the past 12 months. This policy was complemented in each market by specific credit risk management tactics. These

stronger credit management efforts had a positive impact, with late payments across Asia declining 12% from last year, and now affecting 44% of all B2B invoiced sales. Bad debts also declined slightly, to stand at 5% of all B2B invoiced sales down from last year's 7%. This highlights the adaptability of companies amid the current turbulent economic climate, in which it is imperative to conduct a thorough assessment of the risks involved in trading on credit with B2B customers.

Within this context, the adoption of strategic credit management becomes paramount to ensure liquidity resilience. The flexible approach demonstrated by Asian businesses, which involves trade credit insurance for 47% of companies polled, is particularly relevant because they can capitalise on opportunities presented by a growing market while still protecting themselves from potential risks associated with extending credit.

The adaptability to incorporate trade credit insurance as part of their risk management framework demonstrates Asian businesses' resilience and forward-thinking approach to business operations.”





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# B2B payment trends and cash flow

## Focus on credit management to enhance liquidity resilience

There was a widely varying approach to trading on credit with B2B customers among companies polled in Asia as they charted a path through the current turbulent economic period. A slight downward overall trend was reported across the region, with sales transacted on credit now averaging 49% of all B2B sales, approximately 6% lower than last year. However, our survey found vast market-specific differences. Singapore experienced a significant 40% decrease in B2B sales transacted on credit, and Taiwan showed a 14% decline. In sharp contrast, Vietnam recorded a 16% increase, while China and India displayed resilience with steady increases of 10% and 6% respectively. A stable trend was found in Hong Kong and Indonesia.

The challenging global trading landscape prompted many businesses polled across Asia to significantly lengthen payment terms granted to B2B customers. This policy helps to navigate cashflow difficulties, but also increases the potential for delayed payments. Across the region, payment terms now average 60 days from invoicing, although again we found striking variations among the markets polled. Hong Kong and India offered B2B customers payment terms averaging 66 days or over 100 days respectively, followed by China at 47 days. Conversely, the figure was 36 days in Singapore and 34 days in Vietnam. Days-Sales-Outstanding (DSO) remained almost stable across the region during the past 12 months, with the average now standing at a staggering 100 days. Notably, by market, there are many sector-specific instances where this metric deteriorated significantly during the past year. This, in turn, created concerns about funds being tied up in long overdue receivables and unavailable for operational or investment purposes.

This rising potential for delayed payments and worsening DSO was addressed by many companies polled across Asia with a sharp focus on strengthening credit management strategies. Half of the businesses in the region told us they increased efforts to collect overdue B2B invoices during the past 12 months, with a striking 76% escalation in Singapore. This policy was complemented in each market by specific credit risk management tactics. Overall, stronger credit management efforts had a positive impact, with late payments across Asia declining 12% from last year and now affecting 44% of all B2B invoiced sales. Bad debts also declined slightly, to stand at 5% of all B2B invoiced sales down from last year's 7%.

A notable 77% of companies surveyed in Asia said they opted for in-house retention and management of customer credit risk. However, many of these businesses also told us they had concerns about not having sufficient funds to cover larger than anticipated losses and write-offs, with the potential to

## Key survey findings

- In response to economic challenges, Asian companies diversified payment options in business-to-business (B2B) trade over the past year. 49% sales were made on credit, 51% on a cash basis to avoid the risk of customer payment default.
- Longer payment terms were granted to B2B customers by companies who opted to sell on credit, also as a method to help customers navigate cashflow difficulties. These terms now average 60 days from invoicing across the region.
- This policy resulted in a longer payment collection cycle, evident in a deterioration of Days-Sales-Outstanding (DSO). 53% of companies polled in Asia took notably longer to receive payment of overdue invoices. Across the region, many businesses reported an average DSO of 100 days.
- One consequence of this was a much sharper focus on credit management strategies. Half of the businesses polled in Asia increased efforts to collect overdue B2B invoices. When seeking short-term finance to ease liquidity worries, the preferred choices were bank loans and seeking trade credit from suppliers.
- Some success was reported following these actions, with a significant 12% decrease in the proportion of overdue invoices across Asia. Late payments currently affect 44% of all B2B invoices, while bad debts represent 5% of all B2B invoices, down from 7% last year.
- 77% of companies polled across Asia told us they opted for in-house retention and management of customer credit risk. However, concern was widely expressed about this strategy, particularly the ability to cope with a significant write-off potentially threatening business viability. Some businesses outsourced the issue to credit insurers for controlled risk and extended credit periods.

harm their financial health and stability. As a result, these companies chose to complement self-insurance with outsourcing credit risk to a specialised credit insurer. They said this allowed them to extend credit periods at controlled risk. Our survey found that letters of credit were another frequently used tool across the Asia region as a secure payment method for international transactions.

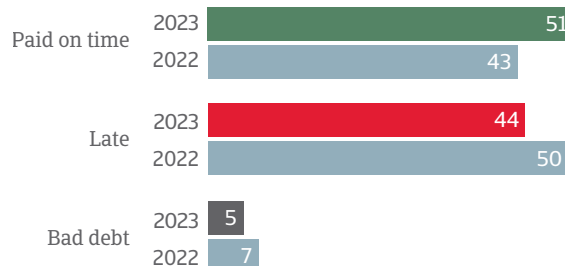
## Key figures and charts on the following pages



# Asia

## Asia

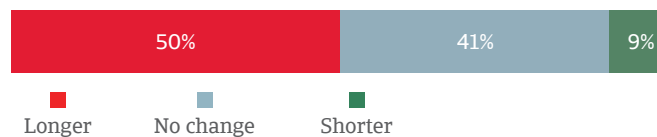
% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)



Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Asia – 2023

## Asia

% of respondents reporting changes in payment duration\* over the past 12 months



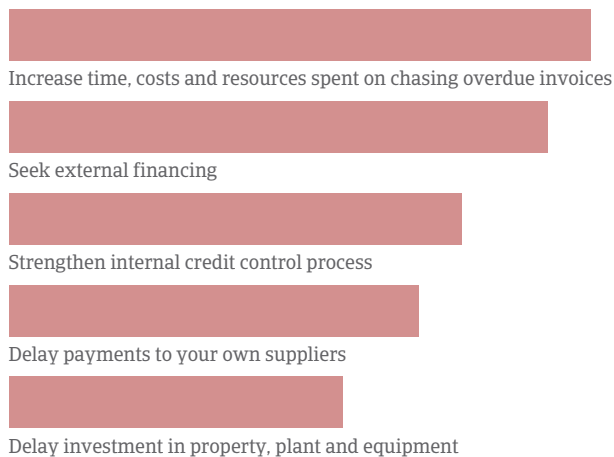
\*average amount of time to get paid from B2B customers

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Asia – 2023

## Asia

Measures put in place to minimise cash flow problems due to payment default of B2B customers

(% of respondents - multiple response question)



Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Asia – 2023

### Survey question

What are the main sources of financing that your company used during the past 12 months?

- 58% Bank loans
- 53% Trade credit
- 43% Equity capital
- 31% Internal funds

\*multiple response question

Sample: all survey respondents (% of respondents)  
Source: Atradius Payment Practices Barometer Asia – 2023



# Looking ahead

## Global economy uncertainties spark concern about business profitability

Anxiety about a potentially prolonged global economic downturn is the major concern for the year ahead expressed by companies polled across Asia. It casts a shadow of uncertainty for businesses across the region, particularly in Vietnam. Another pressing worry is persistent inflation fuelled by volatile energy and commodity prices as businesses consider the impact on their operations and growth strategies. Interest rate fluctuations are also a concern reported by companies, along with potential cashflow issues and liquidity shortfalls. A further worry, particularly among businesses polled in China, is the heightened competitive pressures faced when trading, particularly in international markets.

Amid this range of worries our survey nevertheless found optimism for the year ahead about the outlook for demand, and therefore sales. 70% of companies polled across Asia said they anticipate an increase in demand for products and services, the positive mood particularly evident in Singapore. A more cautious stance was reported about the prospects for profit margins during the coming 12 months. 56% of businesses polled across the region expect an upturn in profitability, although those in China have a notably more pessimistic perspective.

An improvement in Days-Sales-Outstanding (DSO) is anticipated by 57% of companies surveyed across Asia. This represents a notable increase from the previous year, and probably reflects the sharper focus placed on credit management strategies to mitigate the potential adverse impact of payment default risks from B2B customers. Expectations of future DSO improvement were especially evident in Vietnam. Our survey found also a some optimism about the outlook for B2B payment behaviour. 52% of businesses polled anticipate an improvement during the coming months, with particular pessimism expressed by companies in China.

Our survey found that 59% of businesses across Asia will continue with a policy of in-house retention and management of customer credit risk, which involves setting aside funds to cover potential losses. However, the stronger focus on credit management means companies will use other tools as part of a more comprehensive overall approach. To minimise the risk of B2B customer payment default in international transactions many businesses will favour letters of credit. Outsourcing risk to a credit insurer will also continue to play a key role within this strategy, along with factoring.

To gain deeper insights into market-specific survey findings, please refer to individual reports comprising the 2023 edition of the Atradius Payment Practices Barometer for Asia.

## Key figures and charts on the following pages

### Key survey findings

- Widespread concern about the effects of a global economic downturn was expressed by companies polled in Asia. There was also anxiety reported about heightened competitive pressures for those operating in international markets, especially among businesses in China.
- Another major worry for Asian companies is inflation, prompted by volatile energy and commodity prices. This was a particular concern in Vietnam. Uncertainty about interest rates was a further anxiety for businesses affected by liquidity shortfalls.
- Despite these concerns there was a positive outlook for demand in the year ahead, with 70% of companies polled anticipating a boost in sales, particularly in Singapore. More caution was expressed about profit margins, with 56% of businesses expecting an increase.
- 57% of companies polled across the region are optimistic that Days Sales Outstanding (DSO) will improve during the coming months. This probably stems from the stronger focus on credit management strategies, especially in Vietnam.
- A more negative mood was found about the prospects for B2B customer payment behaviour in the year ahead. 52% of companies polled expect improvement, a significant decline from a year ago, especially among businesses in China.
- In-house retention and management of customer credit risk will remain the preferred option during the coming months for 61% of companies polled in Asia. Many businesses said they will complement this approach with credit insurance, while letters of credit will be used to minimize the risk of payment default in international transactions.





# Asia

## Asia

Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

(% of respondents)

Sales



Profit margins



■ Improve   
 ■ No change   
 ■ Deteriorate

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Asia - 2023

## Asia

Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



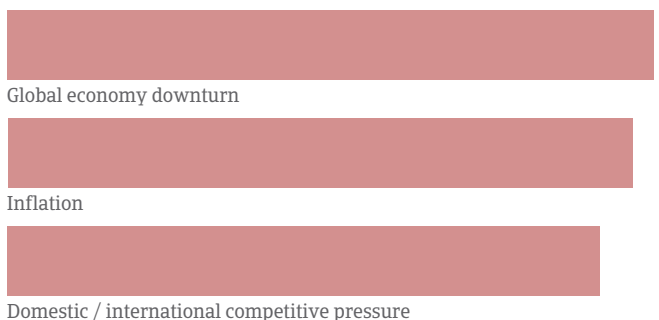
■ Improve   
 ■ No change   
 ■ Deteriorate

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Asia - 2023

## Asia

Looking ahead to the next 12 months: top 3 concerns expressed by businesses polled

(% of respondents - multiple response question)



Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Asia - 2023

### Survey question

**How do you expect your average DSO to change over the next 12 months?**

(% of respondents)

**58%** Improve  
**32%** No change  
**10%** Deteriorate

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Asia - 2023



## Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Asia (China, Hong Kong, Taiwan, Singapore, India, Indonesia, Vietnam and Japan) are the focus of this report, which forms part of the 2023 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 1,800 interviews in total.

All interviews were conducted exclusively for Atradius.

### Survey scope

- **Basic population:** Companies from Asia were surveyed, and the appropriate contacts for accounts receivable management were interviewed
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** 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=1,800 people were interviewed in total. A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: The survey was conducted between the end of Q2 and the beginning of Q3 2023.

### Sample overview – Total interviews = 1,800

Business sector	Interviews	%
Manufacturing	761	42
Wholesale trade	452	25
Retail trade/Distribution	412	23
Services	175	10
<b>TOTAL</b>	<b>1,800</b>	<b>100</b>

Business size	Interviews	%
SME: Small enterprises	262	15
SME: Medium enterprises	677	38
Medium Large enterprises	602	33
Large enterprises	259	14
<b>TOTAL</b>	<b>1,800</b>	<b>100</b>

## Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the 2023 Payment Practices Barometer of Atradius, available at [www.atradius.com/publications](http://www.atradius.com/publications) [Download in PDF format](#) (English only).

## Interested in finding out more?

Please visit the [Atradius](http://Atradius) website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

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To find out more about B2B receivables collection practices in **Asia and worldwide**, please visit [atradiuscollections.com](http://atradiuscollections.com).

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Atradius

**Atradius N.V.**  
David Ricardostraat 1 · 1066 JS Amsterdam  
Postbus 8982 · 1006 JD Amsterdam  
The Netherlands

Phone: +31 20 553 9111

[info@atradius.com](mailto:info@atradius.com)  
[atradius.com](http://atradius.com)