



Atradius Payment Practices Barometer

International survey of B2B payment behaviour
Survey results for Hong Kong

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 Hong Kong

The greatest challenge to business profitability this year

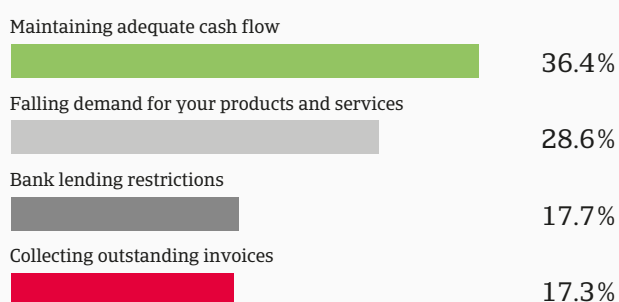
As a small, open economy, Hong Kong is more susceptible than most to variations in global economic and financial conditions, although domestic demand is stable and exports are robust, although perhaps not as fast as in recent years. The economy is expected to expand by 3% to 4% in 2014, after growth of 2.9% in 2013. This would still be slightly lower than the average growth of 4.5% over the past decade, but all in all, their economy remains robust and varied enough to maintain healthy growth.

However, Moody's has issued warnings to Hong Kong's Banking sector during 2014, notably to Hong Kong branches of Chinese banks, warning them about overexposure to the fluctuations in the mainland economy due to their depleted capitalisation at the hands of increased lending.

Respondents to our survey indicated that their biggest challenge to profitability this year would be maintaining adequate cash flow, with 37.4% stating this to be the case. Hong Kong's response rate was the third highest of all nations surveyed in Asia Pacific, after Taiwan and China. The average response rate for maintaining adequate cash flow in the Asia Pacific region was 35.6%, higher than the 32.4% rate in Europe and the 31% rate in the Americas.

The second biggest challenge facing respondents was bank lending restrictions, which impacted 17.7% of respondents in Hong Kong. This was slightly less than the 18.8% of respondents in India and comparable to the 17.8% of respondents in Singapore, but higher than the 14% average for the Asia Pacific region. This is likely to be due to the new found conservatism in the banking sector following Moody's warnings.

The greatest challenge to business profitability this year – Hong Kong



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

More information in the [Statistical appendix](#)

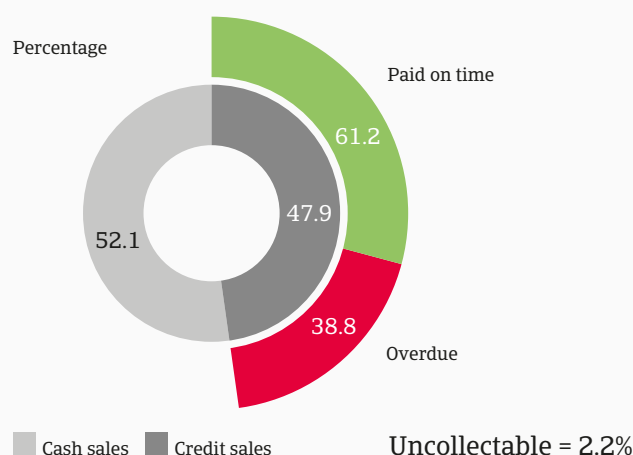
Past due and uncollectable receivables

Overdue invoices prove a common issue for many respondents in the region. Across Asia Pacific, 36.2% of the total value of invoices issued by respondents remained unpaid at the due date, with figures in the Americas and Europe more or less the same. Singapore came in highest in the region at 41.5%, significantly above average, but Hong Kong was not far behind, with 38.9% of receivables value unpaid by the due date.

Despite this, Hong Kong's respondents fared well in collecting overdue receivables with one of the lowest percentages, 4.3%, of monies more than 90 days overdue. Uncollectable debt, sat right at the regional average at 2.2%.

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 Hong Kong lose 51.2% of the receivables which are unpaid at 90 days past due. By country, this is the fourth highest of the countries surveyed in the Asia Pacific region.

Average total value of B2B receivables by payment timing in Hong Kong



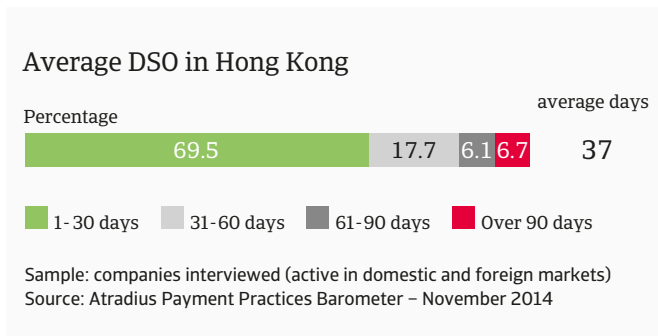
Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – November 2014

More information in the [Statistical appendix](#)

Days Sales Outstanding – DSO

With the exception of China at 78.9%, respondents from Hong Kong were most fearful of the threat posed to the sustainability of their businesses by DSO, with 74% citing discomfort as early as thirty days, somewhat higher than the regional average of 70.85%. This is likely to be as a result of the Chinese attitude to trading on credit, where it is still approached with caution. It's unlikely to be a coincidence that respondents from nations closest to China – Hong Kong and Taiwan – become concerned earlier on in the receivables period.

Across the region, average payment terms are 34 days, whilst average DSO sits at 54 days – a difference of 20 days. 69.5% of Hong Kong's respondents stated that their DSO was 0-30 days, whilst the overall average DSO for Hong Kong was 37 days, both of which place it at the better end of the regional spectrum. India had the highest DSO of 65 days, whilst Australia enjoyed the lowest DSO at 31 days.



More information in the [Statistical appendix](#)

Main reasons for late payment from B2B customers

49.5% of respondents in Hong Kong experienced late domestic payments due to insufficient availability of funds, slightly more than the regional average of 47.3% and more or less aligned with the rest of the region, except for Japan, as the most frequent reason for not getting paid. The second most frequently cited reason for payment delays was disputes over the quality of goods provided. The 38.73% response rate was higher than all but that of Taiwan at 46.73%. The regional average was 31.98%.

In terms of foreign trade, 38.64% of Hong Kong's respondents said the same – insufficient availability of funds was the critical reason for late payments, the highest in the region amongst all those surveyed, compared to a regional average of 34.52%. 34.09% cited payment complexity as the biggest problem. The response rate in Hong Kong was closer to that of the Americas (33.51%) than that of Asia Pacific (39.97%). The average rate for Europe was 23.9%.

Credit management policies used by respondents

Respondents from Hong Kong were the third least likely to have policies in place to mitigate the risk of payment default, at 71.65% slightly below the regional average of 72.14%.

Consistent with regional averages, the most popular credit management practice used in Hong Kong is checking buyer's credit-worthiness. This is done by 42.65% of Hong Kong's respondents. The second most preferred option was monitoring buyer credit risks, which is done by 41.18% of respondents compared to the regional average of 48.88%.

In terms of payment methods Hong Kong's respondents favour electronic transfers and expect their use to increase by 31.82%. But this was the second lowest response rate, behind Japan at 19.88% falling below the regional average of 41.06%.

Respondents from Hong Kong foresee the biggest increase in the use of Paypal, with 50% predicting greater use, putting them in line with Singapore as the second highest in the region behind Indonesia at 57.14%. The regional average was 47.01%. This is likely to be due to the prevalence of internet purchasing and the security offered by the PayPal service.

Most often used credit management policies in Hong Kong



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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