P R E S S R E L E A S E

Press release **22 April 2013**

Survey reveals corporate overdue payment in Asia Pacific region deteriorated in 2012

- Companies are less optimistic about recovery of global economy in 2013 -

A survey of corporate credit risks management in Asia Pacific region was conducted in the fourth quarter of 2012 by Coface, a leading global credit insurance group. The survey revealed that corporate payment experience in the region generally worsened. Companies in Australia, China and India suffered more non-payment. Sectors of building & construction, IT, ISP & data processing, textile, clothing & shoes and household electric & electronic appliances are at higher risk. Companies in the region are less optimistic about recovery of global economy in 2013.

Corporate overdue increases compared to 2011

According to the survey, 67% of the interviewed enterprises reported overdue in 2012, a 2 % increase compared to 2011. Among those that reported overdue, 43% expressed the overdue amount was higher than last year which is quite alarming as only 29% reported the same in 2011. Comparing all countries participating in the survey, most companies in Australia reported overdue (83%) and more companies in China reported the actual overdue amount had increased (56%).

In our experience, companies with more than 2% of long overdue accounts against turnover could have liquidity problem and have high risk of non-payment to their suppliers. In India, 60% of companies with overdue have more than 2% of their receivables are overdue for 6 months or longer which is the highest among other countries.

'The corporate payment experience in Asia Pacific region deteriorated in 2012. Not only more companies reported overdue, more companies reported the actual overdue amount had increased which is not a good signal. The economic slowdown in global economy continued to hit the companies in Asia Pacific region in 2012 as the EU and US markets are still the largest exporting markets for Asia, particularly for China, Hong Kong, Taiwan and Singapore.

In China, SMEs also faced several shocks in 2012, notably substantial wage pressures and problems of access to finance. In Australia, the high Australian dollar made Australian goods more expensive to sell in both export and domestic markets. Some large failures also made a wide domino effect on non-payment in Australia. In India, high inflation has forced the central bank to keep monetary policy tight and therefore Indian businesses rely heavily on supplier's credit to finance their operations. Debt management and refinance are critical for Indian companies in tough economic conditions.

'Coface also recorded a significant growth of payment incidents in these three countries in 2012.' said Richard Burton, CEO of Coface for Asia Pacific Region.

Does more credit offered automatically increase overdue?

Companies in the region who offered credit sales to their buyers increased from 76% in 2011 to 82% in 2012. Market competition is still the main reason of offering credit sales but more and more buyers asked for credit terms because of their tight liquidity. Even the confidence level decreases, companies still offer credit terms in order to win business against competition.

Among all countries, companies in Taiwan and Japan are most aggressive in offering credit terms. 42% of Japanese companies and 48% of Taiwanese companies offered 90 days or more as their average credit terms. 58% of Japanese companies and 48% of Taiwanese companies have more than 75% of credit sales in their annual turnover. Even though, about 90% of companies in Japan and Taiwan were able to control their overdue debt below 2% of their turnover and kept an average overdue days below 60 days, demonstrating the best credit control in the region.

Companies in Hong Kong and Singapore are less aggressive in offering credit terms. Majority of them offered less than 30 days as their average credit terms. However, 49% of Hong Kong companies and 53% of Singapore companies had more than 2% of their receivables overdue for 6 months or longer, which is quite high compared to the Asia Pacific average of 37%. Moreover, the number of companies reporting average overdue days of more than 60 days in these two markets is also higher than the regional average of 29%.

'Companies in Hong Kong and Singapore are usually SMEs and are less aware of the importance of receivables protection in their financial management. Conversely, the usage rate of credit management tools by companies in Taiwan and Japan reached 80% and 100% respectively, reflecting companies in Taiwan and Japan put more investment in credit management to minimize their bad debt risk. Even though they are aggressive in granting credit to their buyers, they are able to keep their receivables and average overdue days at a very low level.

Receivables are as important as other assets and sometimes the largest one of a company. Offering credit sales certainly is an effective way to win business. However, without proper credit control, it will create siginificant impact to the financial condition of a company. It is also encouraging to see that the usage of credit insurance increased from 18% to 24% in 2012.' said Burton.

Risky industries : building & construction, IT & data processing, textile, clothing & shoes and household electric & electronic appliances

The survey also reveals that the overdue situation, overdue trend, average overdue days and more than 6-month overdue ratio of companies in building & construction, IT, ISP & data processing, textile, clothing & shoes and household electric/ electronic appliances industries are at higher risk comparing to other industries.

Building & construction : In China, Singapore and Hong Kong authorities have taken measures to cool down the property market in fear of formation of a speculative bubble coupled with the rise of discontent among a high and growing proportion of the population unable to finance a home. The sector is highly sensitive to government policy and financial market. Construction related to public work and infrastructure development is less volatile in view of continuous expansionary policies and re-establishment after natural disasters in many Asian countries. Oversupply in sectors of building materials (steel, coal and cement) should also be monitored.

IT, ISP & data processing : The sector is characterised of over-competition and slim margins as most of the companies in this sector are SME's. The market is vulnerable to continuous evolution of information technology.
Textile, clothing & shoes : The sector is a traditional risky sector as demand for consumer goods is easily affected by economic downturn. The recovery of EU and US markets is critical as still a majority of companies relies on export to these markets. Competition in domestic market is also very intense in this sector.

Household electric & electronic appliances : The sector is highly export oriented in the region. Except high end products like smart-phones and tablets, medium to low end appliances are badly hit by slow demand in export market, high competition, fast changing technology trend and rising production costs.

Companies in Asia Pacific region are less optimistic about global economy

69% of the respondents believe the slowdown of the economy will not end in 2013, reflecting a less optimistic view on the global recovery. Companies in Australia, China and Japan are less favourable about recovery of both global and local economy.

'The unsolved situation of debt crisis in the Euro zone and the slow recovery of the US market made most companies doubtful about the recovery in 2013. Most of them are putting much hope on local monetary policies, improvement in access of finance, industry incentive program, local infrastructure projects and recovery of property markets.

'We expect global growth to be stable in 2013 at 2.7%. GDP growth is going to be driven by emerging countries and Asia in particular. Some large emerging markets will benefit from lagged effects of 2012 accommodative economic policies indeed, along with robust domestic demand. On the other side, the Euro zone with -0.4% remains a drag for global growth. We still expect the US growth to reach 1.5% this year contributed by the improvement in private investment and consumption recovery.' said Burton.

This survey was conducted in the 4th quarter of 2012 with responses from 2,274 companies of all sizes and industries in Australia, China, Hong Kong, India, Japan, Singapore and Taiwan. This survey aimed at providing a broad understanding of the status of payment experiences, payment trends and credit risk management practices in companies in the Asia Pacific Region.

About Coface
The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export. In 2012, the Group posted a consolidated turnover of €1.6 billion. 4,400 staff in 66 countries provide a local service worldwide. Each quarter, Coface publishes its assessments of country risk for 158 countries, based on its unique knowledge of companies' payment behaviour and on the expertise of its 350 underwriters located close to clients and their debtors.
In France, Coface manages export public guarantees on behalf of the French state.
Coface is a subsidiary of Natixis, corporate, investment management and specialized financial services arm of Groupe BPCE.

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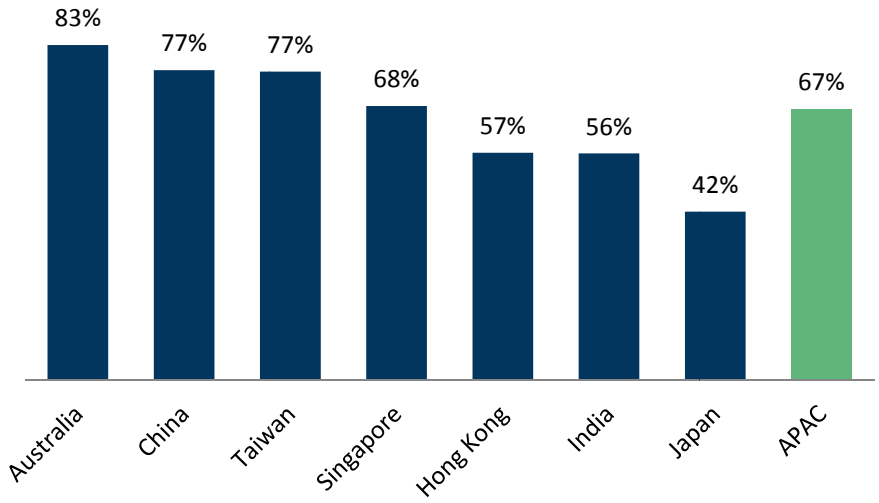
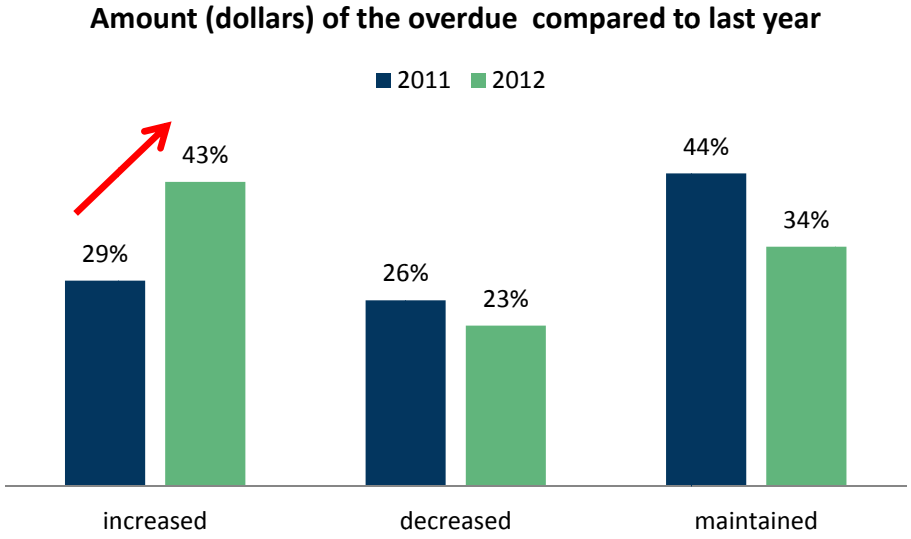
Appendix 1 : Overdue situation in Asia Pacific Region in 2012

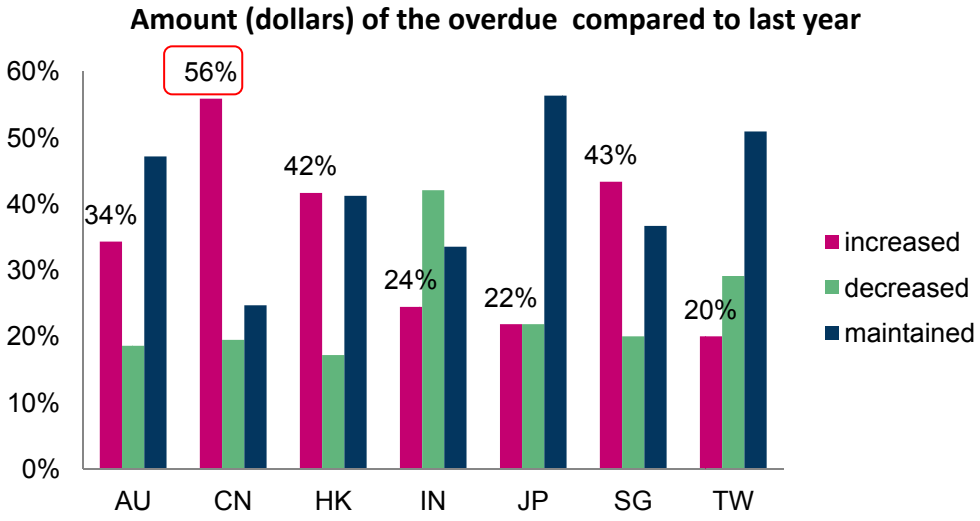
Any overdue in sales during the last 12 months

Percentage of companies experienced overdue in 2012

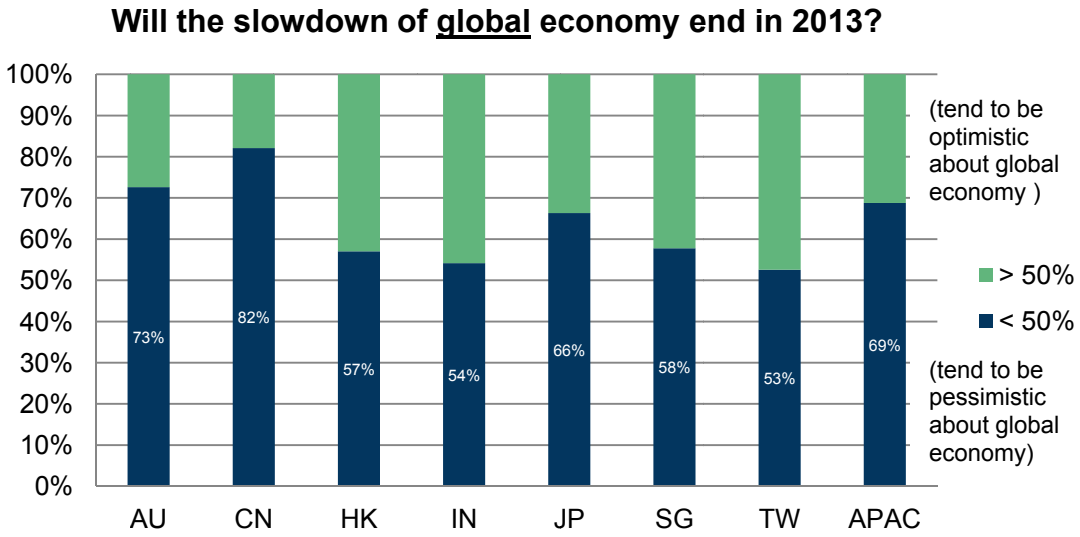


Appendix 2 : Comparison of overdue amount





Appendix 3 : Views on global economy in 2013



Appendix 4 : Coface country risk assessment and 2013 GDP forecast

Asia	Coface Country Risk Assessment	2013 GDP forecast
Australia	A2	2.3
China	A3	8.5
Hong Kong	A1	2.2
India	A4	6
Japan	A1	0.7
Singapore	A1	3.4
Taiwan	A1	2
Malaysia	A2	5
New Zealand	A2	2.9
South Korea	A2	3.9
Thailand	A3	5
Indonesia	A4	6.5
Philippines	B	2.7
Vietnam	C	5.7