



Key trends for B2B payments and cash flow

China

Cash flow issues spark stronger
credit management action





Hong Lin
General Manager
for Atradius in China
commented on the report

“The uncertainty of the global economy has made Chinese companies increasingly concerned about trade stability. More than half of the companies surveyed expect downstream demand to stagnate or decline.

Managing cash flow has become a more important topic in corporate credit management. Whether the company manages it itself or entrusts a third party such as a credit insurance company, the purpose is to ensure the safety of cash flow.

Our survey presents the current situation faced by companies in different industries in managing accounts receivable and their expectations for the future. I believe that it will be of reference value to your company's business.



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 China. Sector focus: agri-food, chemicals and pharma.

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.



In this report

| | |
|---|---|
| B2B payment trends and cash flow | 4 |
| Cash flow issues spark stronger credit management action | |
| Key figures and charts | 5 |
| Looking ahead | 6 |
| Cautious optimism amid concern over global economic downturn | |
| Key figures and charts | 7 |
| Survey design | 8 |

Disclaimer

This publication is provided for information purposes only and is not intended as investment advice, legal advice or as a recommendation as to particular transactions, investments or strategies to any reader. Readers must make their own independent decisions, commercial or otherwise, regarding the information provided. While we have made every attempt to ensure that the information contained in this publication has been obtained from reliable sources, Atradius is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this publication is provided 'as is', with no guarantee of completeness, accuracy, timeliness or of the results obtained from its use, and without warranty of any kind, express or implied. In no event will Atradius, its related partnerships or corporations, or the partners, agents or employees thereof, be liable to you or anyone else for any decision made or action taken in reliance on the information in this publication or for any loss of opportunity, loss of profit, loss of production, loss of business or indirect losses, special or similar damages of any kind, even if advised of the possibility of such losses or damages.

Copyright Atradius N.V. 2023

B2B payment trends and cash flow

Cash flow issues spark stronger credit management action

The growing importance of trade credit for Chinese companies is highlighted by a remarkable 10% increase in B2B sales transacted on credit during the past year. This upward trend was driven particularly by the pharmaceutical sector, which reflects the substantial influence of Chinese businesses in this industry across the global market. An average 56% of all B2B sales are currently made on credit. To minimise the risk of liquidity shortages this might cause, the length of payment terms was shortened by many companies and these now average 47 days from invoicing. This policy was especially adopted in the agri-food sector, but longer payment terms, averaging 63 days from invoicing, helped to boost sales growth in the pharmaceutical industry.

Our survey found an increasing number of companies in China facing cashflow challenges due to poorer payment practices of their B2B customers. 22% more companies polled than last year reported this concern, with temporary liquidity issues cited as the main reason for payment delays in B2B trading. Businesses in the Chinese pharmaceuticals sector told us the primary factor for payment delays was the financial distress of B2B customers. This, in turn, led to complex and time-consuming insolvency legal procedures which further exacerbated delays in payments.

A variety of measures were taken to address potential liquidity risks arising from this worsening of B2B customer payment practices. 51% of companies polled in China said they delayed payments to their own suppliers, and many businesses invested extra time and resources in chasing unpaid invoices as well as strengthening their credit control process. This proactive response showed swift benefits with a decrease in the proportion of late payments affecting Chinese businesses in B2B credit transactions. Late payments now impact an average 37% of all B2B invoices, while bad debts were stable, affecting 4% of all B2B invoices. The strategy was also instrumental in stabilising Days-Sales-Outstanding (DSO) for 57% of companies polled in China, although there was a notable deterioration of DSO across the pharmaceuticals sector.

In-house retention and management of customer credit risk was a popular option among companies polled in China as they worked to protect cashflow and a strong liquidity position. However, concerns were expressed about this policy reducing the amount of cash available for day-to-day business purposes, and about whether enough funds could be put aside to cover the potential losses of a large write-off. A different strategy was taken by many companies in the pharmaceuticals sector, who outsourced credit risk

Key survey findings

- Companies polled in China reported a significant 10% year-on-year increase in B2B sales on credit, now accounting for 56% of all sales transacted by Chinese businesses in B2B trade. The pharmaceutical sector plays a key role in this upward trend.
- Payment terms were tightened by Chinese businesses to minimise the risk of liquidity shortages. These now average 47 days from invoicing, two weeks shorter than last year. Terms in the agri-food sector are even shorter, at an average 34 days from invoicing, but in the pharmaceutical sector they average 63 days.
- 22% more Chinese companies than last year reported cashflow challenges due to poorer B2B customer payment practices. Temporary liquidity issues were the primary cause of payment slowdowns, while the pharmaceuticals sector saw financial distress and insolvency of B2B customers as significant factors.
- To mitigate liquidity risks stemming from poorer B2B customer payment practices, 51% of Chinese companies delayed supplier payments, invested in invoice follow-up, and improved credit control procedures. This resulted in a reduced rate of late payments, now impacting 37% of B2B invoices on average. Bad debts remained stable, affecting 4% of all B2B invoiced sales.
- These strategies also delivered stability of Days-Sales-Outstanding (DSO) for 57% of businesses polled in China. However, a significant number of businesses in the pharmaceuticals industry experienced a notable deterioration of DSO. When in need of short-term finance, 85% of Chinese companies opted for bank loans.
- Various approaches were taken among Chinese companies to the management of customer credit risk. Many chose to retain and manage the issue in-house, but across the pharmaceuticals sector there was a widespread preference to outsource the credit risk management to an insurer.

management to specialist credit insurers. They said this gave them access to business expertise and a degree of flexibility that suits an ever-changing and dynamic market landscape. The blend of approaches highlights the adaptability and forward-thinking attitude of Chinese companies in strategic credit management.

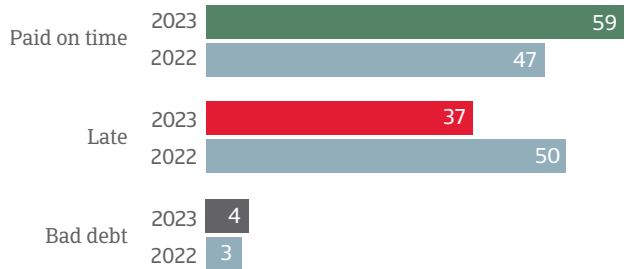
Key figures and charts on the following pages



China

China

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

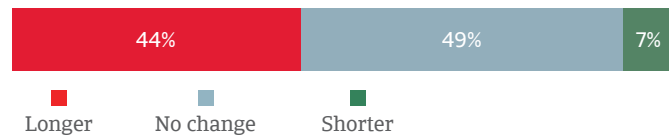


Sample: all survey respondents

Source: Atradius Payment Practices Barometer China – 2023

China

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



*average amount of time to get paid from B2B customers

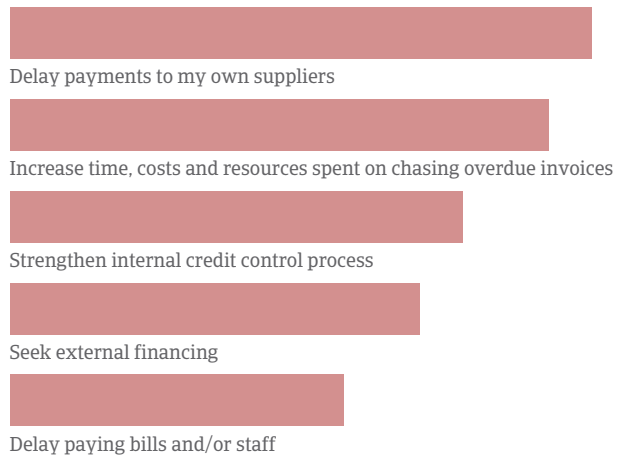
Sample: all survey respondents

Source: Atradius Payment Practices Barometer China – 2023

China

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 China – 2023

Survey question

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

- 85% Bank loans
- 38% Trade credit
- 24% Internal funds
- 10% Equity capital

*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer China – 2023

Looking ahead

Cautious optimism amid concern over global economic downturn

The potential for a prolonged global economic downturn is the major concern for the year ahead among companies polled in China. Businesses in the agri-food and pharmaceuticals sectors are particularly uneasy about this, worried about an impact on demand and also on international market stability. Another widespread anxiety is about ongoing high inflation and how it might disrupt the overall trading environment and the financial situation of B2B customers by eroding purchasing power, increasing costs, and affecting debt burdens. Companies in the Chinese chemicals sector said their primary concern was the relentless competitive pressures faced on both the domestic and international fronts.

This concern about future changes in global trade dynamics in the year ahead was reflected in our survey finding that 54% of Chinese businesses anticipate either a decrease or no change in demand for their products and services. The mixed mood was particularly evident in the pharmaceuticals sector which could suffer because many other international markets may be looking to become self-sufficient in pharmaceutical production. However, 46% of Chinese companies do expect an increase in demand and therefore sales, especially in the chemicals sector amid China's shift towards a more consumer-led economy and a growing desire for high-value added products offered by the sector.

A more optimistic mood was found among companies polled in China about the prospects for Days-Sales-Outstanding (DSO) during the coming months. 38% of businesses said they expect DSO to improve, and with it a boost to their financial health. This was particularly expressed in the chemicals sector. 47% of companies polled said they anticipate no change in DSO. The outlook for B2B payment behaviour is also generally positive, with 70% of businesses believing it will either improve or show no change. A degree of pessimism was reported on the expectations for profit margins in the year ahead, with a significant 69% of companies polled anticipating no change or a decrease in profitability, particularly in the pharmaceuticals sector.

Our survey found that a flexible approach to credit risk management will continue among Chinese businesses as they adopt a variety of strategies during the 12 months ahead. 46% of companies polled, mostly in the chemicals sector, expressed a preference for addressing potential liquidity concerns by outsourcing credit risk management to a specialist insurer. Meanwhile, 36% of businesses said they would retain and manage customer credit risk in-house, particularly in the agri-food sector. A significant number of pharmaceutical companies told us they were interested in securitisation as a credit management tool.

Key figures and charts on the following pages

Key survey findings

- The major concern for Chinese companies during the coming months is the impact that global economic uncertainty could have on international market stability. Persistent high inflation potentially disrupting the financial stability of B2B customers is another worry, while competitive pressures are a particular anxiety in the chemicals sector.
- A mixed verdict was found about prospects for demand in the year ahead. 46% of companies polled in China are optimistic there will be an increase in sales, especially in the chemicals sector. 54% expect no change or a drop in demand.
- There was a less positive outlook for profit margins in the coming 12 months among Chinese businesses, particularly in the pharmaceuticals sector. 69% of companies polled expect no change or a decrease in profitability.
- 38% of businesses polled anticipate an improvement in Days-Sales-Outstanding (DSO) in the year ahead, while 47% expect no change of this indicator. These figures reflect the forward-thinking approach to strategic credit management among Chinese companies.
- Our survey also found a generally optimistic mood about the prospects for B2B payment behaviour. 70% of companies polled said they expect no change or an improvement during the year ahead, while 30% believe it will deteriorate.
- Amid a flexible approach to credit risk management 46% of businesses polled in China will outsource the issue to a specialist credit insurer, particularly in the chemicals sector. 36% said they would prefer in-house retention and management of customer credit risk, while there was also widespread interest in securitisation.





China

China

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 China - 2023

China

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 China - 2023

China

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 China - 2023

Survey question

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

(% of respondents)

38% Improve
47% No change
15% Deteriorate

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

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in China 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 211 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from China 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=211 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 = 211

| Business sector | Interviews | % |
|---------------------------|------------|------------|
| Manufacturing | 105 | 50 |
| Wholesale trade | 39 | 18 |
| Retail trade/Distribution | 53 | 25 |
| Services | 14 | 7 |
| TOTAL | 211 | 100 |

| Business size | Interviews | % |
|--------------------------|------------|------------|
| SME: Small enterprises | 22 | 10 |
| SME: Medium enterprises | 71 | 34 |
| Medium Large enterprises | 90 | 43 |
| Large enterprises | 28 | 13 |
| TOTAL | 211 | 100 |

| Industry | Interviews | % |
|--------------|------------|------------|
| Agri/Food | 70 | 33 |
| Chemicals | 69 | 33 |
| Pharma | 72 | 34 |
| TOTAL | 211 | 100 |

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 [Download in PDF format](#) (English only).

Interested in finding out more?

Please visit the 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.

Follow us to stay up to date with our latest releases by [subscribing](#) to notifications of our Publications, and receive weekly emails with alerts to when new reports are published.

To find out more about B2B receivables collection practices in **China and worldwide**, please visit atradiuscollections.com.

For China atradius.cn

Email: info.cn@atradius.com

On LinkedIn? Follow [Atradius Asia](#)

Follow Atradius on
Social Media



@Atradius



Atradius



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
atradius.com