



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

Hong Kong / Paris, May 31, 2016

Coface Asia-Pacific Corporate Payment Survey: No Improvement in 2015

Coface's annual survey traces the evolution of corporate payments in eight countries and 11 sectors in the Asia-Pacific region. The survey was conducted in Australia, China, Hong Kong, India, Japan, Singapore, Taiwan, and Thailand, with 2,793 respondents.

- **85% offer credit terms to their customers**
- **70% experienced overdues, reporting no improvement over 2014**
- **56% believe the global economy is unlikely to pick up in 2016**
- **Deterioration was noted in India, China and Singapore, while other countries were stable in terms of payment experience**
- **The riskiest sectors are construction, industrial machinery and electronics, automotive and transportation, and metals**

Strongest deterioration in India, China, and Singapore

Approximately 70% of companies experienced overdue payments in 2015. The main reasons were "customer financial difficulties" (52%), "fierce competition impacting margins" (35.6%) and "lack of financing resources" (26.4%).

In India, 84% of respondents faced overdue issues. There was a marked increase in respondents (32% vs. 24% in 2014) with more than 2% of their annual sales involved in ultra-long overdue issues.¹ The problem of non-performing assets is likely to reduce the lending capacity and profitability of banks – which means that some companies could suffer from tightening bank credit controls. The slower than expected implementation of reforms is clouding the medium term outlook.

China's overall corporate payment experience remained weak, with 80% of respondents reporting overdues in 2015. Over 20% noted average overdue times of more than 90 days, the highest among the countries surveyed. In addition to the unsolved issues of high leveraging and overcapacity in many sectors, downwards pressure on the RMB and stock market volatility are further concerns for the Chinese market in 2016.

Singapore also saw a sharp increase in respondents (35% vs. 23% in 2014) with more than 2% of their annual sales involved in ultra-long overdue issues. In addition, more companies (14% vs.

¹ According to Coface's experience, approximately 80% of ultra-long overdue amounts (i.e. 180 days or more) are not paid back at all. When over 2% of a company's total annual sales is involved in ultra-long overdues, the company's liquidity can become an issue, putting its ability to repay suppliers into question.



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

10% in 2014) reported average overdue times of more than 90 days and increases in overdue amounts (49% vs. 35% in 2014). Singapore, as the Asian base for the world's leading commodities companies, is now also facing low commodity prices and mounting global uncertainties.

“Asian companies have been facing significant financial stress from overdues, compounded by the squeeze on profit margins due to industrial overcapacity, soft demand and steeper business competition in recent years. It is not expected that the situation will improve in 2016,” said Jackit Wong, Asia Pacific Economist of Coface.

Japan, Hong Kong and Taiwan: Corporate payments stabilized but slower growth expected

Company payment experience remained fairly stable in Japan and Abenomics appear to be losing steam. This is evidenced by the weaker cyclical indicators from retail sales, industrially produced exports in the first quarter and the 0.3% year-on-year decline in the core consumer price index. Coface remains cautious and expects the Japanese economy to grow by 0.5% in 2016, the same as in 2015.

Companies in Hong Kong adopted a more prudent approach to credit in 2015, with fewer respondents offering sales on credit (69.4% vs. 76.8% in 2014) and a slight decrease in average credit terms. As a result, overall company payment experience has stabilized. With the continued growth of economic integration between Hong Kong and China, it is widely expected that any economic ‘shock’ from China has an impact on Hong Kong’s economic growth. Hong Kong’s externally-oriented economic growth is expected to slow to 1.5% in 2016, down from 2.4% in 2015.

Taiwan’s overall company payment experience improved. Fewer respondents (11.8% vs. 21.2% in 2014) reported average overdue times of more than 90 days and there was a clear fall in the percentage of companies (10.2% vs. 15.1% in 2014) with over 2% of their annual sales involved in ultra-long overdue issues. Economic recovery in the US and the Eurozone will probably mitigate the adverse impacts from China on Taiwan’s highly export-dependent economy. Coface expects a modest improvement in economic growth in 2016, at 1.2% compared to 0.8% in 2015.

Overdue issues intensifying in some sectors

Construction was the most at-risk sector in the Asia Pacific region in 2015. This segment reported the most companies with sales impacted by ultra-long overdues. Construction companies also saw an increase in average overdues of more than 90 days and in overdue amounts. The outlook for the construction sector in 2016 is likely to remain weak. Headwinds originating from the economic slowdown in China (the region’s largest economy), combined with structural reforms and uncertainties around the timetable of the US rate hike, are likely to weigh on the region’s economic outlook, dampening sentiments for both private investment and consumer home purchasing.



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

However, the continuing environment of low (if not lower) interest rates in the region could somewhat bolster purchasing intentions. Ongoing public infrastructure projects could also provide a cushion to the construction sector.

Industrial machinery and electronics had the highest percentage of respondents (78% vs. 70% in 2014) experiencing overdue issues in 2015. This year is likely to remain difficult. The industrial machinery segment is pro-cyclical and demand will probably remain dormant, due to sluggish trade growth, China's economic rebalancing towards services, and weak capital spending against the backdrop of the 'Japanization' of the global economy. At the same time, slowing inflation (if not deflation) will probably cause stress on prices, squeezing profit margins. As a result, it would not be surprising to see some companies within this segment resorting to the defensive strategy of mergers and acquisitions (M&As) to strength their market power.

The **automotive and transportation** sector saw a worrying deterioration in overdue issues during 2015 compared to 2014. More companies reported an increase in overdue amounts (35% vs. 31% in 2014) and suffered from ultra-long overdue issues (23%, vs. 14% in 2014). However, demand will probably benefit from the rise in the middle income class and the regional environment of low interest rates. A boost in Chinese demand, emanating from temporary tax cuts on vehicles with engines of 1.6 litres or less, will probably add some energy to the sector this year.

There were no improvements for the **metals** sector in 2015. The outlook for 2016 is negative, stemming from subdued Chinese and global demand, significant overcapacities, and low prices amid market disequilibrium. Restructuring in this sector is likely to kick start in 2016, commencing with the closure of zombie steel companies in China and the rise of M&A activities.

NORTH AMERICA MEDIA CONTACT: Sue Hinton – sue.hinton@coface.com - +1 212 389 6484

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 2015, the Group, supported by its 4,500 staff, posted a consolidated turnover of €1.490 billion. Present directly or indirectly in 99 countries, Coface protects transactions of 40,000 companies in more than 200 countries. Each quarter, Coface publishes assessments of country risk for 160 countries, based on its unique knowledge of company payment behavior and on the expertise of its 340 underwriters located close to clients and their debtors. In France, Coface manages export public guarantees on behalf of the French State. Learn more at www.coface.com. Coface SA. is listed on Euronext Paris – Compartment A, ISIN: FR0010667147 / Ticker: COFA.

APPENDIX

Key figures by country and sector

Economy	Overdue issues in 2015 vs. 2014 (% of respondents)						Coface assessment	
	Overdue issues over the past 12 months		Increase in overdue amounts over the last year		More than 2% of their total annual turnover in ultra-long overdue issue*		Country	Business Climate
	2015	2014	2015	2014	2015	2014		
Australia	66.8%	73.5%	15.2%	23.4%	9.7%	16.6%	A2	A1
China	80.6%	79.8%	58.1%	56.4%	33.4%	29.8%	A4	B
Hong Kong	53.6%	55.4%	20.6%	18.4%	23.9%	32.9%	A1 (Negative watch list)	A2
India	84.0%	85.7%	10.0%	24.6%	32.0%	24.1%	A4	B
Japan	45.4%	43.4%	21.7%	17.4%	2.9%	7.0%	A2	A1
Singapore	80.7%	85.1%	49.3%	34.9%	35.2%	23.3%	A1	A1
Taiwan	48.6%	47.9%	18.3%	18.5%	10.2%	15.1%	A1 (Negative watch list)	A2
Thailand	96.6%	88.8%	34.3%	41.8%	7.0%	19.2%	A4	A3
APAC 8**	69.8%	69.9%	36.9%	36.8%	24.2%	24.9%		

*Ultra-long overdue issues refer to those last 180 days or more.

**APAC 8 refers to the overall results for the 8 selected economies in the Asia Pacific region.

CORPORATE DEFAULT PROBABILITY

A1: VERY LOW
A2: LOW
A3: ACCEPTABLE
A4: QUITE ACCEPTABLE
B: SIGNIFICANT
C: HIGH
D: VERY HIGH

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

Sectors	Overdue issues over the past 12 months		Increase in overdue amounts over the last year		Ultra-long overdue issues*			Coface barometer**
	2015	2014	2015	2014	Rank		vs. 2014	
					2015	2014		
Automotive and transportation	70.8%	69.2%	35.1%	31.2%	6	11	Deteriorated	●
Chemicals	75.0%	75.2%	41.0% 	39.7%	10	7	Improved	●
Construction	72.5% 	76.8%	49.1%	38.8%	1	8	Deteriorated	●
Household electronics***	69.0%	69.6%	32.8%	36.2%	5	2	Improved	●  ●
Industrial machinery & electronics***	77.7% 	69.6%	44.3% 	43.6%	2	3	Deteriorated	●  ●
IT-Telecom***	74.3%	78.1%	29.8% 	36.4%	7	5	Improved	●  ●
Metals	68.5%	64.7%	40.3% 	34.6%	8	10	Stabilised	●
Paper-wood	73.9%	73.9%	41.5% 	29.4%	9	4	Improved	●
Pharmaceuticals	62.5% 	70.4%	23.3%	38.3%	4	6	Improved	●
Retail	64.3%	62.2%	28.0% 	29.5%	11	9	Improved	●  ●
Textile-clothing	60.0%	63.9%	37.2%	32.1%	3	1	Improved	●
Total	69.8%	69.8%	36.9%	36.8%			Deteriorated	

***For coface barometer, these three sectors are categorised as the Information and Communication Technologies (ICT), according to Coface.

Source: Coface Survey 2015

 Low risk	 Medium risk	 High risk	 Very high risk
 The risk has improved		 The risk has deteriorated	