



Singapore: businesses' cash flow impacted by higher bad debt write offs than last year

Atradius Payment Practices Barometer





exports
Top 5

- Electrical machinery, equipment
- Machinery
- Mineral fuels including oil
- Optical, technical, medical apparatus
- Gems, precious metals

Source: WTEEx

trading partners
Top 5

- China
- Malaysia
- US
- Hong Kong
- Taiwan

Source: Atradius

imports
Top 5

- Electrical machinery, equipment
- Mineral fuels including oil
- Machinery
- Gems, precious metals
- Optical, technical, medical apparatus

Source: WTEEx

Singapore's economy is vulnerable to risks stemming from an escalation of the Sino-US trade dispute and a hard landing of the Chinese economy. Last year, however, the city-state benefitted from robust growth in global trade.



Heike Gerdes,
Country Manager for Singapore
commented on the report



Trade credit is an essential part of today's competitive businesses environment. This is confirmed by survey findings, which highlight the growing use of credit sales by businesses in Singapore.

However, as Singapore is highly vulnerable to changes in the global trading environment and in the trade policies of its major trading partners, it is essential that businesses have a strategy for managing receivables.

Protection of the business against payment defaults by customers helps avoid cash shortfalls and ensures financial soundness, particularly when economic headwinds are strong and unpredictable.

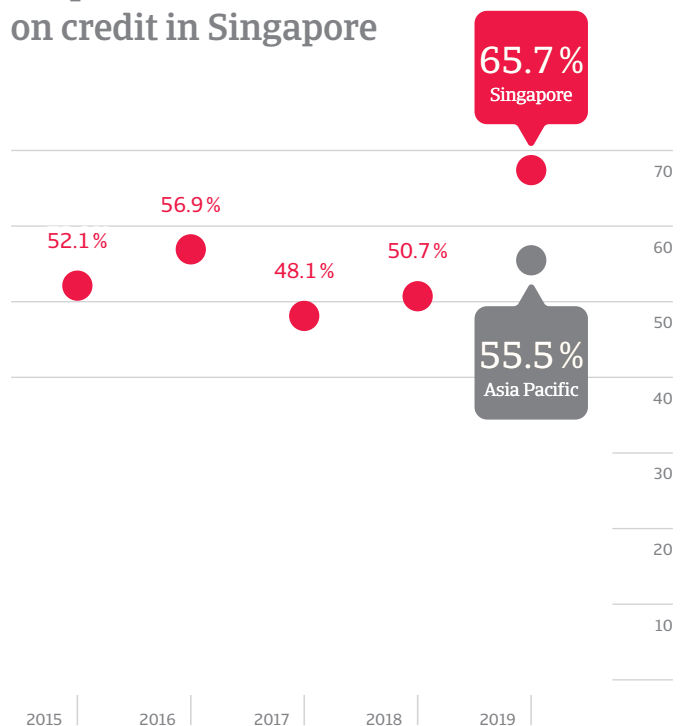


Marked increase in sales to B2B customers made on credit over the past year

Exports and industrial production recorded increases of more than 4% and 7% respectively, and private consumption remained strong. Although the city-state continues to be one of the strongest countries in the world in terms of sovereign risk and macroeconomic fundamentals, economic expansion in Singapore is likely to moderate this year and in 2020. Any destabilising effect, however, should be limited due to Singapore's economic resilience.

Due to its strong dependence on global trade and integration in the Asian supply chain, as well as to its robust domestic demand, trade relations of respondents in Singapore appear to be very dynamic, with heavy use of trade credit in B2B transactions. Current survey data shows a marked 15% increase in the volume of credit-based sales by respondents over the past year. This now amounts to 65.7% of the total value of B2B sales of respondents in the country (up from 50.7% last year). This is well above the 55.5% regional average. On the other hand, 34.3% of B2B sales were made on a cash basis (down from 49.3% one year ago). It is worth noting that, in terms of frequency of use of B2B trade credit, Singapore ranks third among the countries surveyed in Asia Pacific, after Australia (71.5% of credit-based sales) and Japan (67.2%).

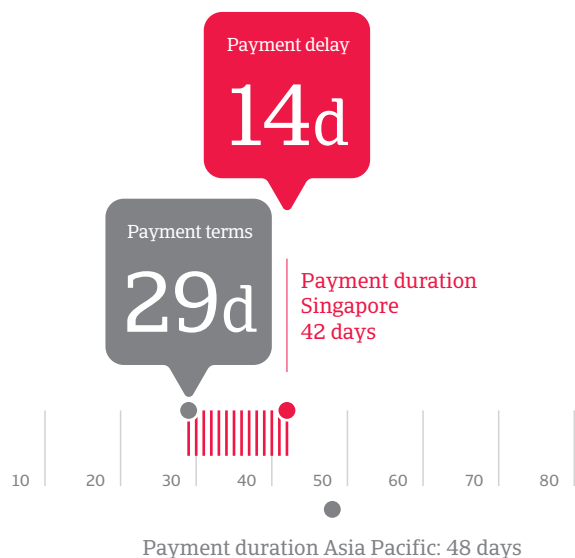
Proportion of total B2B sales made on credit in Singapore



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – May 2019



Payment duration in Singapore



d = average days

Sample: companies interviewed (active in domestic and foreign markets)

Source: Atradius Payment Practices Barometer – May 2019

More relaxed payment terms support the more liberal trade credit policy

Average payment terms extended by Singapore respondents to B2B customers appear to be more relaxed than last year. This may explain the increase in sales referenced earlier. At 29 days, payment terms in Singapore were, on average, two days longer this year than in last year's survey. It is however, a shorter payment term than the average of 32 days for the region. Only Australia (averaging 24 days), China (26 days) and Hong Kong (27 days) have shorter average payment terms.

Singapore respondents the most likely in Asia Pacific to check the buyer's financial profile

Most of respondents in Singapore (53%) reported that the key element of their credit management policy is the assessment of the prospective buyer's financial profile. This is not surprising within the frame of the liberal trade credit policy observed in the country. Singapore's response rate ranks higher than that observed in China (51%). Furthermore, it is markedly below the 39% of respondents at regional level. This signals a very high perception from businesses in both countries of the payment risk arising from trading on credit.

Bad debts written off as uncollectable increased markedly in Singapore over the past year

Payment practices of the B2B customers of respondents in Singapore did not vary significantly over the past year. Survey data highlights that an average of 31.1% of the total value of B2B invoices issued by respondents in Singapore was unpaid by the due date (regional average 29.8%). On average, it took respondents 13 days longer than the invoice due date to collect past due invoices (no marked change over the past year). In order to avoid a liquidity squeeze caused by late payments by their customers, most respondents in Singapore (45%, vs. 39% at regional level) needed to take various measures to reduce cash outflows. Despite these corrective measures, respondents reported financial pressure on the business from bad debts, which had to be written off as uncollectable. Write offs increased to 2.4% of B2B receivables from 1.8% last year. This suggests deterioration in the payment behaviour in the country.

2 in 5 respondents in Singapore expect DSO to deteriorate over the coming months

Most respondents in Singapore (46%) do not expect payment practices of B2B customers to vary over the coming months. 22%, however anticipate improvement. 32% of respondents anticipate an increase in late payments, as well as in long overdue invoices (more than 90 days overdue). 2 in 5 respondents expect this to result in an increase in DSO. To protect the business against the risk of payment default by their customers, most of respondents in Singapore (52%) reported they will check their customers' credit worthiness, and request invoices be paid in cash or cash equivalents more often over the next 12 months to ensure adequate levels of cash flow. Should access to bank financing tighten, 43% said they will take measures to reduce workforce.

Atradius · Key Findings

Write offs in Singapore increased to 2.4% of B2B receivables from 1.8% last year.

Atradius Payment Practices Barometer – May 2019



53%

of respondents in Singapore reported that the key element of their credit management policy is the assessment of the prospective buyer's financial profile.

Overview of payment practices in Singapore

By business sector

Average payment terms longest in the machines and ICT/electronics sectors. Shortest in the wholesale/retail/distribution and construction sectors

On average, respondents from the machines sector extended the longest payment terms to their B2B customers (averaging 43 days from the invoice date). Payment terms in the ICT/electronics sector followed (33 days). Respondents in the wholesale/retail/distribution and the construction sectors set the shortest payment terms, on average (26 days and 27 days respectively).

ICT/electronics sector is hardest hit by late payments of B2B customers

With overdue invoices averaging 41.6% of the total value of B2B invoices, the ICT/electronics sector in Singapore appears to be the most impacted by late payments from B2B customers. The manufacturing sector follows at 35.8%. This compares to an average of 32.1% in the wholesale/retail/distribution sector and 25.5% in the machines sector. At the lower end of the scale, 21.8% of the value of invoices of respondents in the services sector are past due. The average time it takes to convert past due invoices into cash ranges from 55 days from the invoice date in the ICT/electronics sector to 39 days in the services sector.

Uncollectable receivables highest in the construction and lowest in the services sector

The construction sector in Singapore recorded the highest proportion of bad debts written off as uncollectable (3.2%), followed by the manufacturing sector at 2.9%. At the lower end of the scale, the services sector wrote off 1.7% of its B2B receivables as uncollectable.

“

A strategic approach to credit management is a guarantee of problem-free cash flow, no matter how good sales figures are.

”

**Credit manager
Large enterprise - Machinery**



Overview of payment practices in Singapore

By business size

Micro-enterprises in Singapore extended the most relaxed payment terms to B2B customers

Respondents from micro-enterprises in Singapore offered their B2B customers the most relaxed payment terms, averaging 31 days from the invoice date. This emphasises the leverage that the buyer has in the transaction. Payment terms extended by respondents from both SMEs and large enterprises average 28 days.

Large enterprises in Singapore recorded an increase in invoices paid late from B2B customers

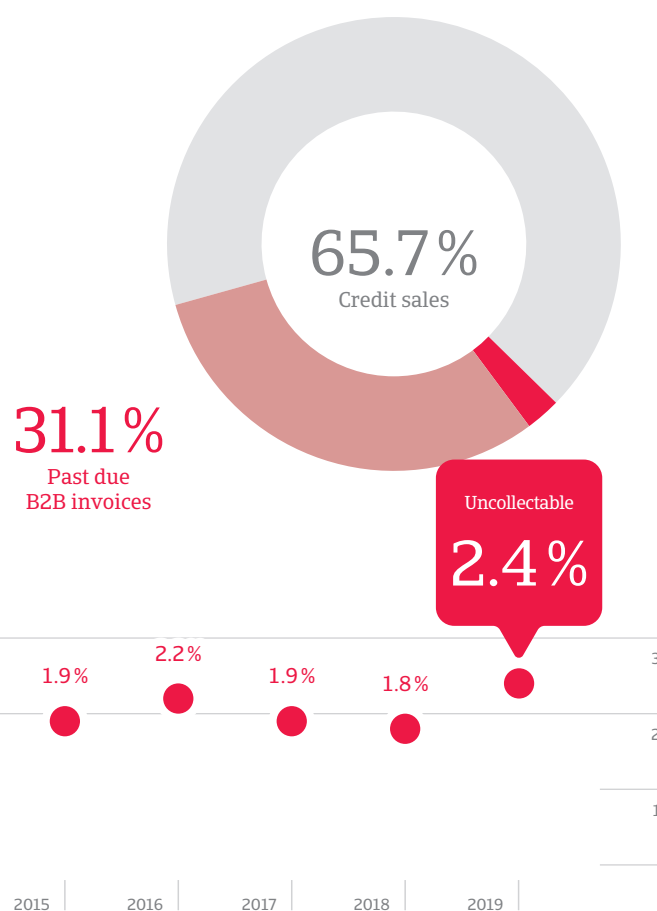
Over the past year, micro-enterprises in Singapore recorded the highest increase in the proportion of B2B invoices paid on time (+11% on average). As a result, overdue invoices now account for 30.8% of the total value of B2B invoices in this business size segment. In contrast, large enterprises in Singapore experienced an average 6% increase in past due B2B invoices over the past year, raising the value of overdue invoices to 33% of the total value of invoices. The average time it takes to convert overdue invoices into cash ranges from 43 days from the invoice date for SMEs and large enterprises to 41 days for micro-enterprises.

Large enterprises in Singapore recorded the highest rate of uncollectable receivables

Large enterprises in Singapore recorded the highest proportion (2.8%) of B2B receivables written off as uncollectable. The average for SMEs is 2.7% and for micro-enterprises 1.4%.

Uncollectable B2B receivables in Singapore

(% of total value of B2B receivables)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – May 2019

Survey design for Asia Pacific

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the 'Atradius Payment Practices Barometer'. In this report focusing on Asia Pacific, which is part of the 2019 edition of the Atradius Payment Practices Barometer, companies from eight countries (Australia, China, Hong Kong, India, Indonesia, Japan, Singapore and Taiwan) have been surveyed. Due to a change in research methodology for this survey, for some of the presents results, no year-on-year comparison is feasible.

Using a questionnaire, Conclusr Research conducted a net of 1,718 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

Survey scope

- Basic population: companies from eight countries (Australia, China, Hong Kong, India, Indonesia, Japan, Singapore and Taiwan) were monitored. 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=1,718 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 15 minutes duration. Interview period: Q1 of 2019.

Sample overview – Total interviews = 1,718

Country	n	%
Australia	219	12.7
China	218	12.7
Hong Kong	209	12.2
India	219	12.7
Indonesia	219	12.7
Japan	212	12.3
Singapore	210	12.4
Taiwan	212	12.3
Industry	n	%
Manufacturing	539	31.4
Wholesale trade/ Retail trade / Distribution	872	50.8
Services	307	17.8
Business size	n	%
Micro enterprises	701	40.8
SME (Small/Medium enterprises)	550	32.0
Large enterprises	467	27.2

It may occur that the results are a percent more or less than 100%. 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.

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Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Asia Pacific. This is part of the May 2019 Payment Practices Barometer of Atradius, available at www.atradius.com/publications

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For more **insights into the B2B receivables collection practices in Singapore** and worldwide, please see the Global Collections Review by Atradius Collections (free download after registration), available on www.atradiuscollections.com

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