

Atradius Payment Practices Barometer June 2022



**Singapore: businesses take
hit of increasing write-offs**

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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.

It contains direct feedback from businesses in a given market or region about how they manage payment default risks related to selling on credit to B2B customers. Topics covered include: payment terms, the time it takes to collect invoices, managing payment delays, the impact of payment delays on business, and expected business trends.

We believe these survey results will offer compelling insights into the markets and regions where you do business.

This is the report for Singapore.

Singapore: overview of key survey findings

9% write off

(up 50% from 2021 survey)

Write-offs a big concern amid increased awareness of payment default risk

- Debts written off as uncollectable showed an alarming 50% increase in the Singapore market compared to our past survey, particularly in the local agri-food industry – a sector which has the lowest percentage of businesses who believe in the benefits of strategic credit risk management. Our survey found that payment defaults were caused most often by liquidity problems, customer disputes and administrative inefficiencies – and that companies polled in Singapore spent more time and resources chasing unpaid trade debt arising from trading on credit with B2B customers.
- The main factors for trading on credit reported by businesses in Singapore are the retention of existing customers and a need to defend their competitive position. Our survey found there was a greater perception of the risk of customer payment default and that there was a shorter average time overall for payment of invoices. However, it also reveals that many Singapore companies (35%) are prepared to offer longer terms for payment when they can mitigate the costs involved by having credit insurance.

Credit insurance rises to stabilize DSO amid generally positive outlook

- There was a clear deterioration of DSO in the Singapore market, mainly due to a more liberal credit policy and reduced collection efficiency. This prompted a widespread appreciation across all industries of the need for strong strategic credit risk management. Our survey showed that nearly 30% of the companies in Singapore are choosing to address the issue with in-house management, while the rest are opting for credit insurance or other finance solutions. This trend means companies expect DSO stability in the coming year.
- An optimistic outlook overall was found among the businesses polled in Singapore. The majority (64%) anticipates an increase in trading on credit terms and they also believe that payment practices will improve in the next few months. The impact of pandemic remains a major concern for Singapore companies, along with safeguarding cash flow levels and keeping pace with rising demand for products and services.

Singapore: credit sales and payment terms (B2B)

Half of B2B turnover sold on credit, focus to retain existing customers

- Our survey of the Singapore market reveals a slight drop in the average total value of B2B sales on credit, now at 53% of all B2B sales compared to 59% last year. A significant number of companies said they had rejected B2B trade credit requests in recent months, citing higher risk of payment default, insufficient in-depth risk information on customers, or unsustainable credit management costs. Many other businesses, however, told us they accepted trade credit requests from B2B customers more often, particularly in the electronics/ICT sector, a reflection of growth in exports.
- Retention of B2B customers is the main reason for Singapore companies to trade on credit, a verdict reported most often by businesses in the machines industry. Allowing B2B customers more time to pay is also a driving force for selling on credit, especially noted in the electronics/ICT industry. A desire to defend their competitive position is also a significant motivation for companies to offer B2B trade credit, most often cited by the Singapore chemicals industry.

B2B customers given shorter time to pay, companies grasp benefits of credit insurance

- A stronger perception of customer payment default risk among Singapore companies may explain why they are giving B2B customers shorter time to pay invoices, a change of approach which means payment terms now average 33 days from invoicing compared to 37 days a year ago. In contrast, many businesses told us that to win extra sales they gave B2B customers longer time to pay invoices. This was especially reported by the Singapore agri-food sector, reflecting a hugely competitive trading environment amid the impact of the pandemic and climate change effects.
- Customary trade practices are the main criteria for Singapore businesses to set payment terms for B2B customers, particularly in the electronics/ICT industry. However, what clearly emerges from our survey is the much higher number of electronics/ICT companies (46% up from 35% last year) setting B2B payment terms depending on cost of funds needed while awaiting payments from their B2B customers. This trend is complemented by a reported increasing awareness of the benefits of having credit insurance cover such as easier access to external financing. Businesses across all industries polled in Singapore appear to share this view.



35%
(2021: 15%)

of companies polled in Singapore reported increasing awareness of the benefits of having credit insurance cover such as easier access to external financing.

Singapore: customer payment default (B2B)

B2B bad debts trend upward, collection costs rise too

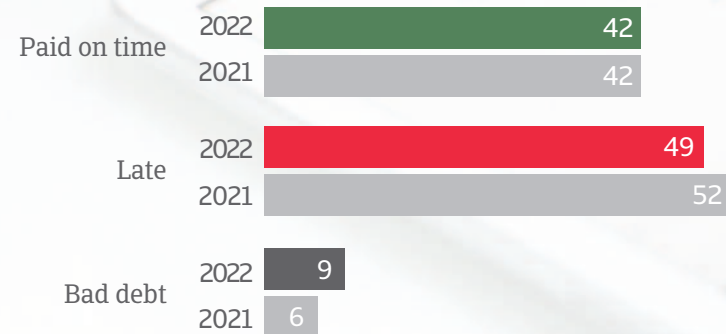
- Our survey reveals a slight decrease in unpaid B2B trade debt, which is now averaging 49% of the total value of B2B invoices compared to 52% last year. This is consistent with the drop in B2B sales made on credit. One exception is the Singapore machines industry, which has suffered severe customer payment default due to the disruptive impact of the pandemic. Nearly half of companies polled in the machines industry said they needed to either strengthen control on B2B trade credit offering or seek external borrowing to finance credit sales.
- Bad debts written off as uncollectable show a striking increase in the Singapore market -- they now average 9% of all B2B invoices, up from 6% last year. Signs of financial distress were seen particularly in the agri-food industry, which had the highest average write-offs across all industries polled in Singapore and increased their use of external collection agencies. The agri-food sector also had the lowest percentage of companies who believed that having credit insurance influences decision-making on longer payment terms, which put them at greater risk of trading with customers who had poor credit quality.

Admin issues and liquidity problems spark B2B payment default

- Dealing with overdue payments from B2B customers has been a headache for businesses in Singapore. 53% said they deployed more time and resources to chase unpaid B2B trade debt due to administrative inefficiencies in the customers' payment process. This was reported especially by construction companies, who said they offered discounts to entice B2B customers for early payment of invoices. Liquidity problems was another reason for payment default reported across all industries polled in Singapore. An exception was the chemicals sector which cited disputes with customers as the main factor.



Singapore: % of the total value of B2B invoices paid on time, overdue and bad debt as uncollectable (2022/2021)



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - June 2022

Singapore: impact of customer payment default (B2B)

Customer credit monitoring eases impact of payment default

- A wide range of protective measures were used by Singapore companies to mitigate the impact of customer payment default. Almost half of businesses polled said they carried out more regular checks of the customer credit quality trend, as well as avoiding credit risk concentration on a single customer or groups of customers with the same features. Both were regarded as crucial to strengthening their credit management process. The primary source of credit assessment used by Singapore companies were bank references and commercial information reports from specialist agencies.
- Another focus of the credit risk management strategy of Singapore companies was a more frequent request for cash payments from their B2B customers on delivery of products and services. This was reported across almost all the industries polled in our survey as a technique to protect liquidity positions from the effects of payment default and bad debts. There was an exception in the machines industry, where a flexible approach to offering payment terms according to need appears to be the preferred option to promote improved liquidity.

Longer invoice-to-cash turnaround sparks cash flow deterioration

- Days-Sales-Outstanding (DSO), the length of time between invoicing and getting paid by customers, deteriorated during the past months for a over half of Singapore businesses. This was especially so in the construction and chemicals industries, severely impacting their liquidity position. Many construction companies reported that a more liberal credit policy towards trusted customers had backfired because, through no fault of their own, these customers had suffered liquidity issues which increased risk of payment default. In the Singapore chemicals sector, DSO deterioration was attributed to significantly reduced efficiency in collection of long unpaid invoices from defaulting customers.
- 46% of companies polled in Singapore reported taking several measures to mitigate against swings in DSO. One shining example is the agri-food industry, where the increased use of external collection agencies to improve long unpaid trade debt collection seems also to have significantly contributed to stabilisation of DSO. Another interesting case is the electronics/ICT sector, which told us that having a credit insurance cover helped them improve DSO and free up working capital.



Average time it takes to convert overdue B2B invoices into cash (year-on-year change)

(% of respondents)



Sample: all survey respondents - Source: Atradius Payment Practices Barometer - June 2022

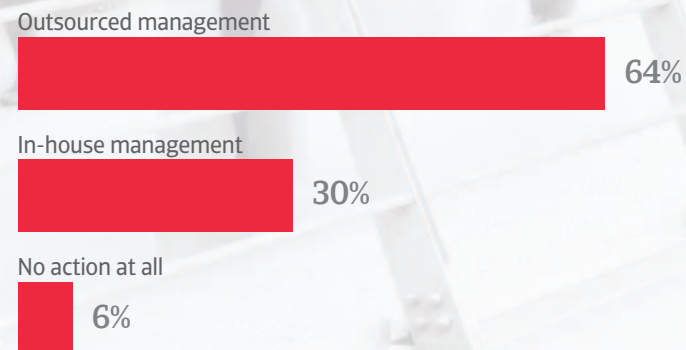
Singapore: management of customer payment default (B2B)

Growing awareness of need for strategic credit risk management

- 30% of companies polled in the Singapore market said they preferred to retain and manage customer credit risk in-house. This choice mainly involves setting aside funds to cover potential bad debts which could otherwise be used in business operations. Our survey found that over 60% polled instead chose to outsource the issue to a credit insurer, or to purchase specific trade finance solutions complementing in-house credit management or insurance. This reveals an increased awareness of the importance of strategic credit management in the current challenging economic and trading conditions.
- Outsourcing credit risk management to a credit insurer was reported by Singapore businesses to have significant benefits, chiefly protection against unexpected losses due to customer payment default and bad debts. Access to in-depth risk information on potential customers, alongside overall enhancement of credit management procedures which helped improve DSO and free up working capital, was also strongly noted across all industries polled in Singapore. Among the trade finance solutions, our survey reveals a preference for a swift invoice-to-cash turnaround, particularly through trade receivables securitisation.

Singapore: over the past 12 months, how have you managed the risk of customer payment default?

(% of respondents)



Sample: all survey respondents (multiple choice survey question)
Source: Atradius Payment Practices Barometer - June 2022

Singapore: the business outlook (B2B)

Positive outlook for B2B trading on credit, chiefly to grow sales

- Despite continuing uncertainty about the disruptive effects of the pandemic, businesses polled in Singapore show some degree of optimism about the outlook for the coming months. A majority of companies across all industries in the Singapore market anticipate an increase in trading on credit terms with B2B customers to grow market, while it is a minority who predict no change in their customary trade credit policy. This positive outlook is backed up by the belief that payment practices of B2B customers will improve during the coming months.

Upward trend of credit insurance take-up enables DSO stabilisation

- This expected improvement in B2B payment practices is a reason why most businesses polled in Singapore do not envisage significant swings of their DSO despite the current challenging trading environment. It may also reflect the significant numbers of companies polled who said they would continue using or take up credit insurance during the coming months, a finding of our survey that was particularly evident in the machines industry.
- The primary concern looking forward for most Singapore companies is the ongoing impact of the pandemic, a view expressed strongly across all industries surveyed except for the electronics/ICT industry. Almost as many businesses, mainly in the machines industry, said the greatest challenge ahead is keeping pace with the rising demand for their products and services as the domestic and global economies try to rebound from the pandemic. Safeguarding cash flow levels represents a key concern across all industries polled, while containment of costs and shrinking of profit margins are also considered to be significant challenges ahead.

Singapore: top 5 greatest challenges to business profitability in 2022

% of respondents

Ongoing impact of pandemic on business



Keeping pace with rising demand for our products and services



Maintaining adequate cash flow



Containment of costs



Shrinking profit margins

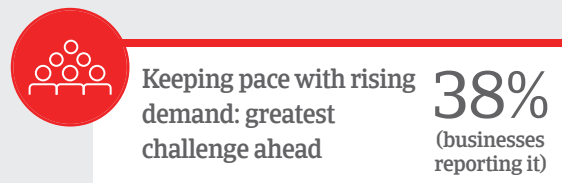
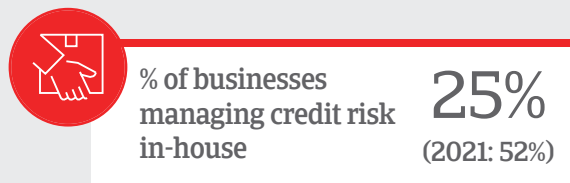
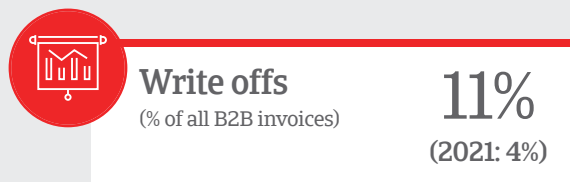
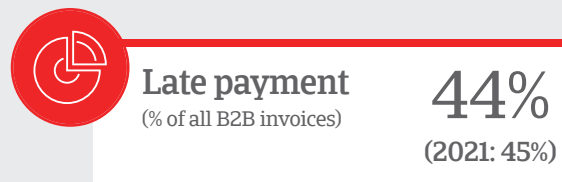
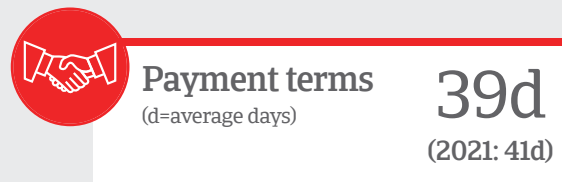
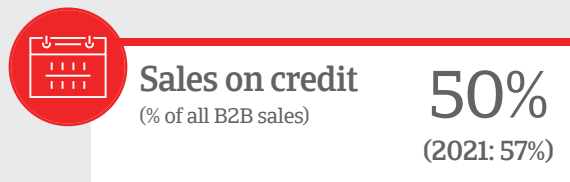


Sample: all survey respondents (multiple choice survey question)

Source: Atradius Payment Practices Barometer - June 2022

Singapore: overview of key survey findings by industry

Agri/Food

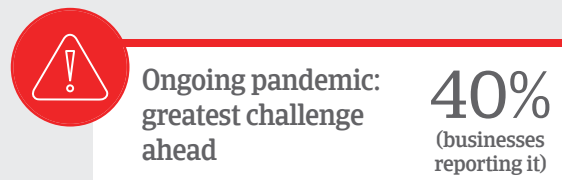
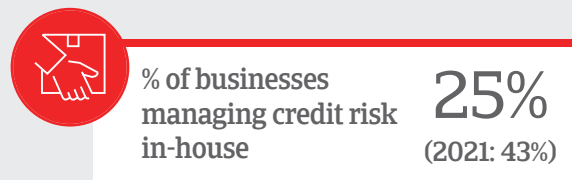
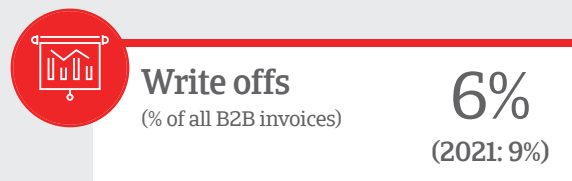
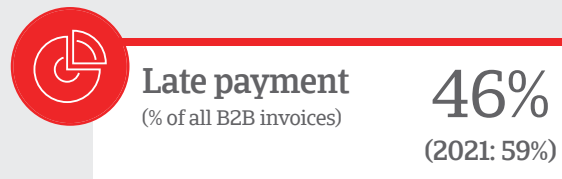
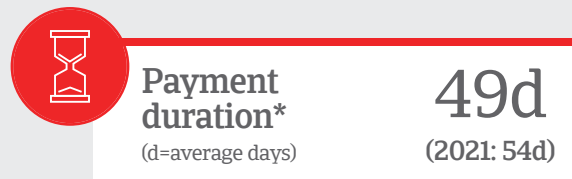
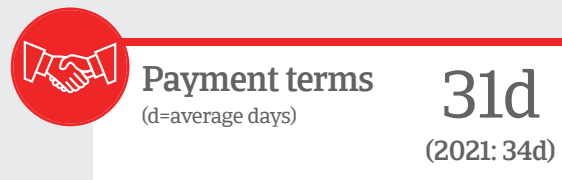
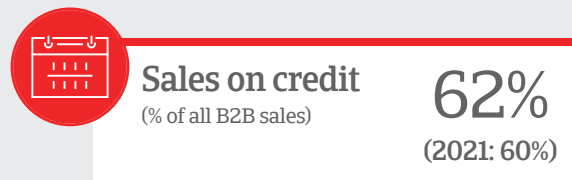


* payment term on the invoice plus any delay.



Singapore: overview of key survey findings by industry

Chemicals

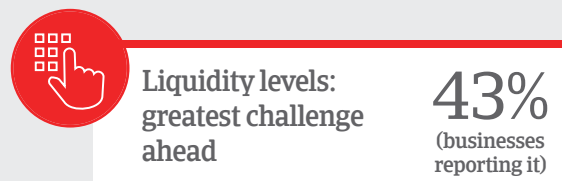
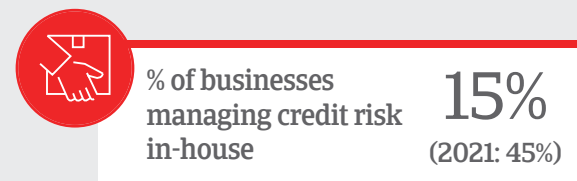
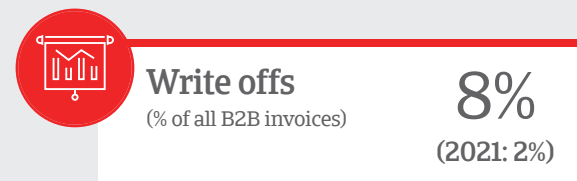
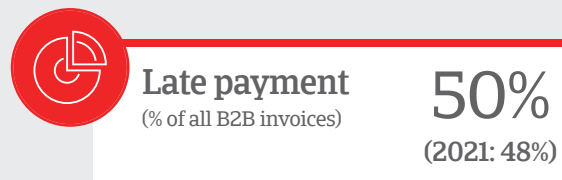
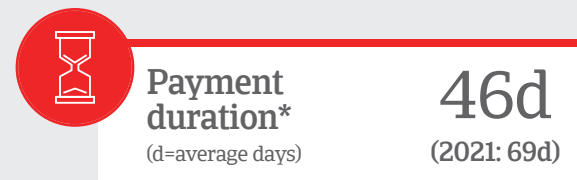
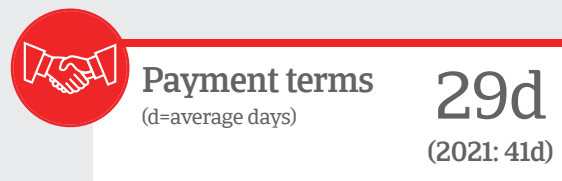
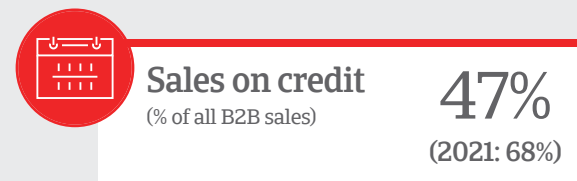


* payment term on the invoice plus any delay.



Singapore: overview of key survey findings by industry

Construction



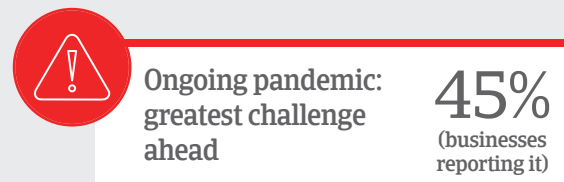
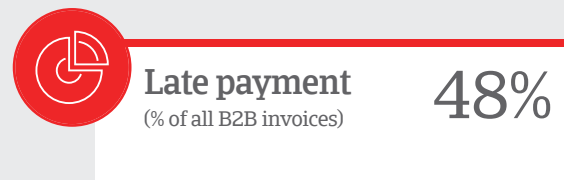
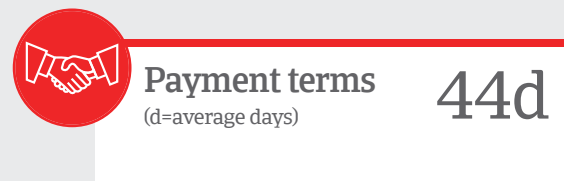
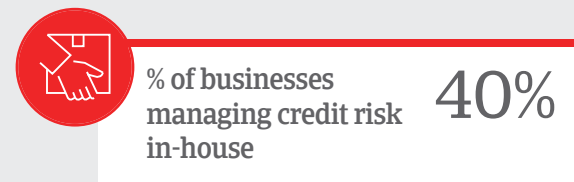
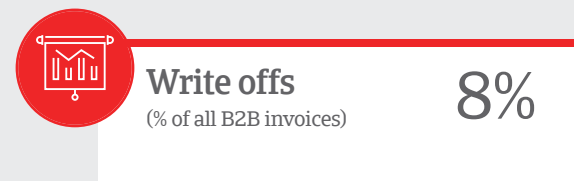
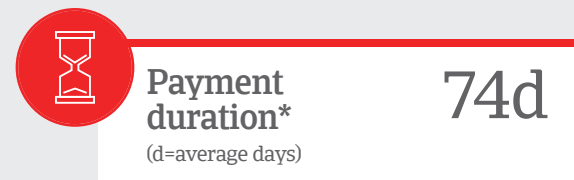
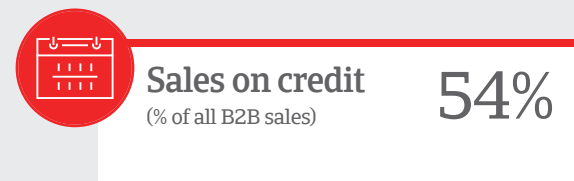
* payment term on the invoice plus any delay.



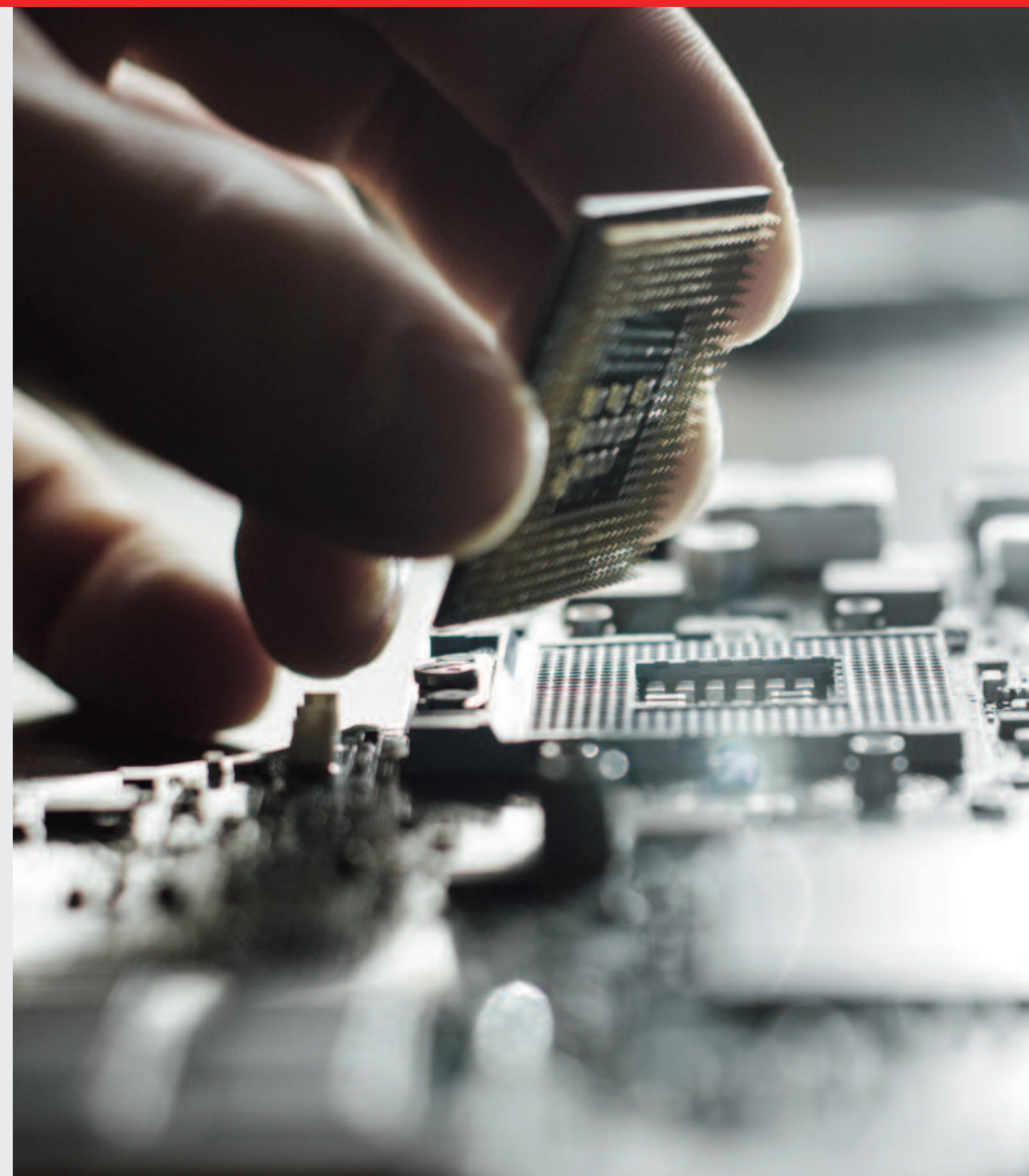
Singapore: overview of key survey findings by industry

Electronics/ICT

Data not available for 2021



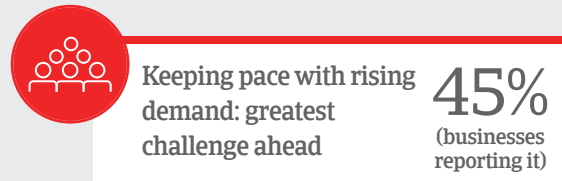
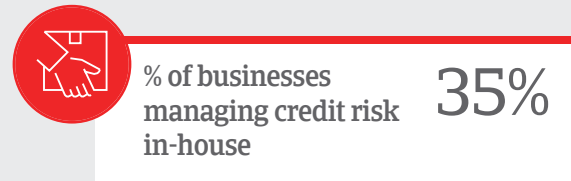
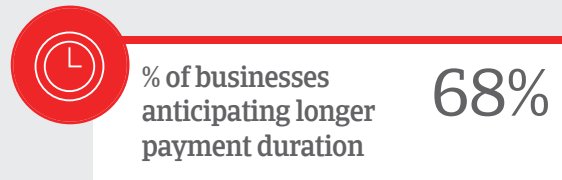
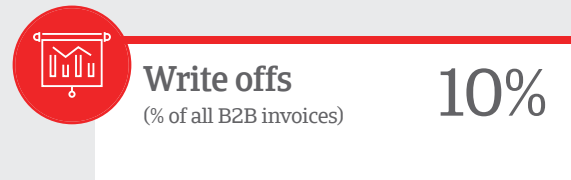
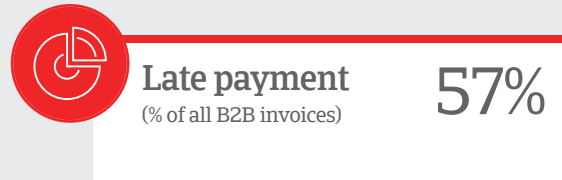
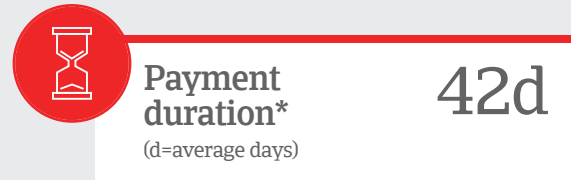
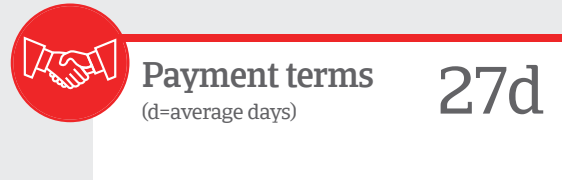
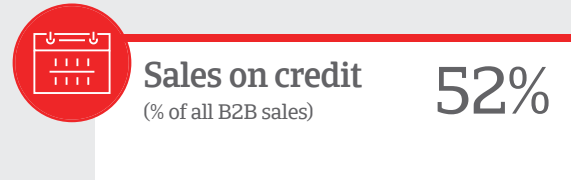
* payment term on the invoice plus any delay.



Singapore: overview of key survey findings by industry

Machines

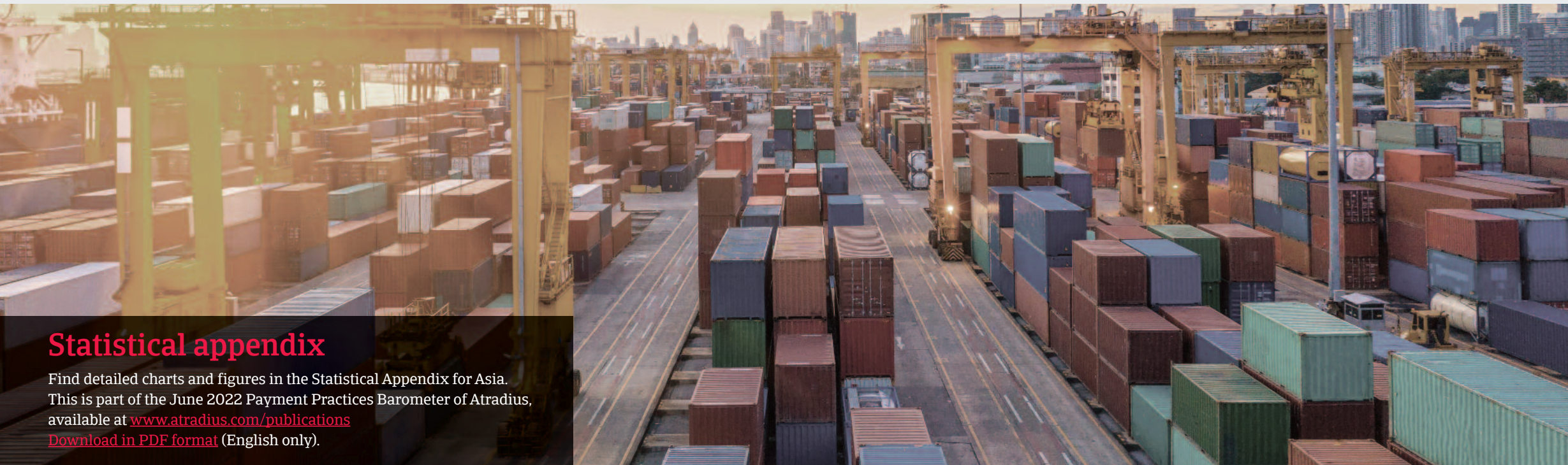
Data not available for 2021



* payment term on the invoice plus any delay.



Glossary



Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Asia. This is part of the June 2022 Payment Practices Barometer of Atradius, available at www.atradius.com/publications.
[Download in PDF format](#) (English only).

Payment term (credit period, credit term)

The period after delivery or shipment of goods or after rendering of services at the expiry of which invoices are due to be paid.

Overdue invoice (past due invoice, defaulted invoice)

A customer's obligation that has not been paid by its due date.

Write-offs

Overdue invoices that cannot be collected and therefore are treated as bad debts and written off as uncollectable.

Days Sales Outstanding (DSO)

Average time (days) a company takes to convert its credit sales into cash or cash in the outstanding payments from its customers.

Survey design

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Singapore companies are the focus of this report, which forms part of the 2022 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 200 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Singapore 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=200 people were interviewed in total. A quota was maintained according to three classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration.
Interview period: Q2 2022.

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If after reading this report 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. In the Publications section you'll find many more Atradius publications focusing on the global economy, including country reports, industry analyses, advice on credit management and essays on current business issues.

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For more insights into the B2B receivables collection practices in Singapore and worldwide, please go to www.atradiuscollections.com

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Sample overview – Total interviews = 200

Business sector	Interviews	%
Manufacturing	101	50
Wholesale	36	18
Retail trade / Distribution	26	13
Services	37	19
TOTAL	200	100
Business size	Interviews	%
SME - Small enterprises	58	29
SME - Medium enterprises	102	51
Large enterprises	40	20
TOTAL	200	100
Industry	Interviews	%
Agri/Food	40	20
Chemicals	40	20
Construction	40	20
Electronics/ICT	40	20
Machines	40	20
TOTAL	200	100

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