



Singapore: improvements but the impact of late payment still felt

Atradius Payment Practices Barometer



Key figures

GDP
(millions euro)

€ 280,639.28

GDP growth rate
(2018 est.)

3.0%

Export annual growth rate
(2018 est.)

3.1%

Imports annual growth rate
(2018 est.)

3.1%

Sources: Oxford Economics, MIT OEC

export sectors

Top5

Machinery/Electrical
Chemicals
Miscellaneous
Mineral Products
Plastics/Rubbers

export destinations

Top5

China
Hong Kong
Malaysia
Indonesia
USA

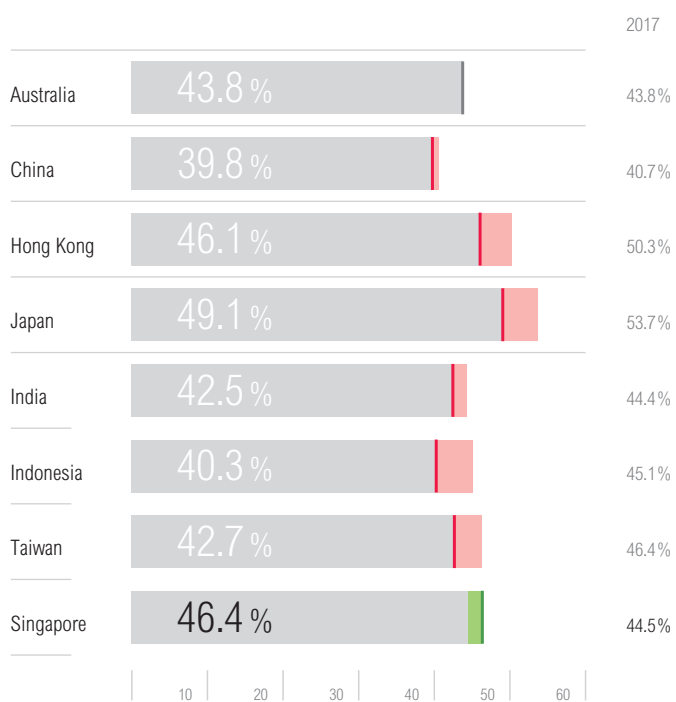
Singapore is the only country surveyed in Asia Pacific in which sales on credit terms did not decrease in 2018. Respondents here reported a faster invoice to cash turnaround as a result of shorter payment terms and decreased payment delays. However, despite improvements, the vast majority of respondents reported frequent late payments by their B2B customers. The need to correct cash flow and to pursue additional financing were some major consequences of overdue B2B invoices.

Trading on credit because it's common practice

After a steep decrease from 54.5% in 2016 to 44.5% in 2017, the average proportion of B2B sales made on credit increased again this year to 46.4%. Unlike other Asia Pacific countries surveyed, Singapore is the only one in which an increase in sales on credit terms was seen.

When asked why they opted for trade credit, respondents in Singapore mentioned the same reasons in regards to both their domestic and foreign B2B customers: credit sales are common practice, it is important to nurture business relationships and develop new ones and it is more convenient to trade on credit.

Proportion of total B2B sales made on credit (avg. %)



» *We trade on credit because this is the usual way in Singapore.*«

Survey respondent · Consumer durables sector

Looking at reasons why they would refuse to grant credit terms to their domestic B2B customers, 50% of respondents mentioned the customer's poor payment behaviour, 25% a lack of information on their customers' business and payment performance and 25% high economic or political risk. This latter was also the top reason why respondents would refrain from offering credit terms to B2B customers abroad (mentioned by 68.2%). Another frequent reason for not selling on credit with B2B customers abroad is high currency risk (mentioned by 40.9%).

» *It is more convenient to pay for our business services using credit than any other payment methods and we have trust in our customers to make prompt payment.*«

Survey respondent · Business services sector

Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – May 2018



Frequent late payments by B2B customers

The average frequency of late payment dropped to 91.1% from 93.6% in 2017. This is the third consecutive year with a decrease. Still, Singapore remains one of the countries where the vast majority of respondents reported being impacted by payment delays. Among the Asia Pacific countries surveyed, only India had a higher percentage.

On average, 38.4% of invoices are paid late. This reflects a decrease from 44.9% in 2017 and is one of the lowest percentages of overdue B2B invoices in Asia Pacific.

In 2018, the average Days Sales Outstanding (DSO) figure recorded in Singapore is 42 days, one day longer than in 2017. Most respondents in Singapore (56.4%) do not expect any changes in their company's DSO over the coming 12 months. Of those who foresee a change, 24.9% expect a slight increase and 13.7% a slight decrease.

The fastest invoice to cash turnaround in Asia Pacific

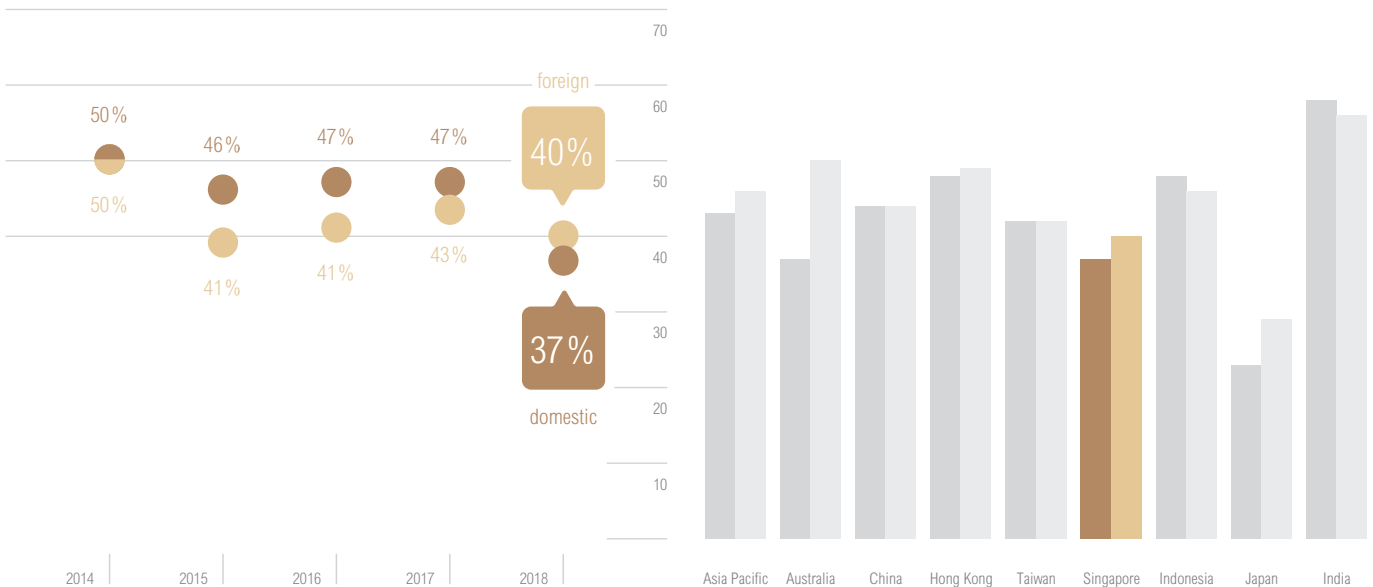
In 2017, respondents in Singapore gave their B2B customers significantly shorter payment terms than in 2016 (on average, 25 days to domestic B2B customers and 24 days to foreign B2B customers). In 2018, however, payment terms have increased again; domestic B2B customers are asked to settle their invoices, on average, within 27 days and foreign B2B customers within 28 days.

Confirming the above, 49% of respondents in Singapore stated that they are not likely to differentiate payment terms between domestic and foreign B2B customers. Of the ones who mentioned a differentiation, 30% said that they are likely to give their domestic B2B customers shorter average payment terms and 22% that they are likely to give their foreign B2B customers less time to settle payments. The main reasons for differentiating payment terms in Singapore are internal policies, industry practices and the economic situation.

According to the survey findings, payment delays in Singapore have decreased significantly in 2018. A 10 day decrease was reported in regards to domestic B2B customers (who delayed payments, on average 14 days) and a four day decrease in respect to B2B customers abroad (on average, 16 days).

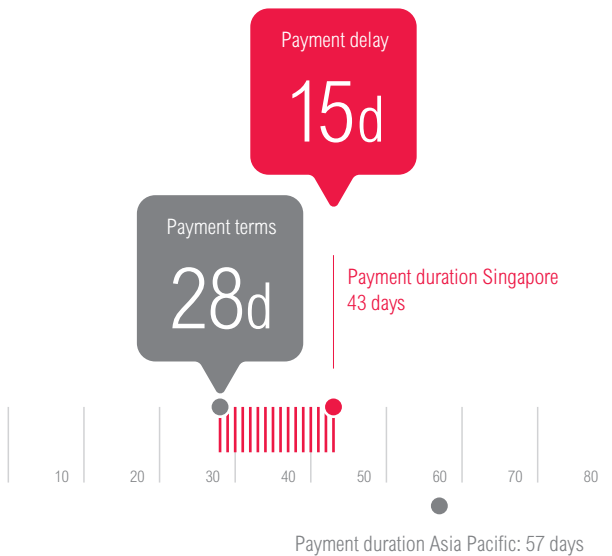
Past due B2B receivables in Singapore

(avg. %)



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – May 2018

Payment duration in Singapore



d = average days

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

Source: Atradius Payment Practices Barometer – May 2018

As a result of shorter payment terms and decreased payment delays, Singapore's average payment duration dropped from 46 days in 2017 to 43 days this year. In 2018, Singapore is the country in which it takes the shortest time to convert B2B invoices into cash; two weeks less than what was reported at regional level.

In Singapore, domestic payment delays occurred mainly because of insufficient availability of funds and the buyer using outstanding invoices as a form of financing. The first reason was cited by 41.5% of respondents while the latter by 33.3%. Payment delays from B2B customers abroad occurred most often because of the inefficiencies of the banking system and the complexity of the payment procedure (mentioned by 37.4% and 34.2% of respondents respectively).

Asked about the impact of overdue B2B invoices over the past 12 months, 27.5% of respondents said that this was not significant. However, 26.4% said that they needed to take specific measures to correct cash flow and 19.7% that they needed to pursue additional financing. For 16.6% of suppliers in the country, overdue B2B invoices led to revenue loss.

E-invoicing: used by the majority of respondents

In Singapore, the government has made e-invoicing mandatory for their suppliers since May 2008. Interestingly, based on our survey findings, 24.9% of respondents said that they are not invoicing their B2B customers electronically. The majority of respondents (54.2%) are already making use of e-invoicing and 19.0% said that they intend to start doing so in 2018.

Asked about the effect of e-invoicing on payment duration, the majority (57.8%) believe that after invoicing electronically, they received payments quicker. In contrast, 7.4% said that they have experienced a slowdown and 34.9% that there was no noteworthy effect on payment duration.



57.8% of respondents in Singapore said that after invoicing their B2B customers electronically, they received payments quicker.



import sectors

Top5

Machinery/Electrical
Mineral Products
Miscellaneous
Transportation
Stone/Glass

Protectionist measures also felt in Singapore

When asked if they expect turnover changes based on trade uncertainty and global protectionist measures, 37.9% of respondents in Singapore said that they do not expect to be impacted over the coming 12 months. Of those who expect a change for the worse, 26.9% foresee a negative effect of up to 10%. A lower but notable percentage (19.8%) expect losses between 10% and 20%. Only 3% of respondents said that they expect that the developments due to protectionist measures around the globe will have a positive effect on their businesses.

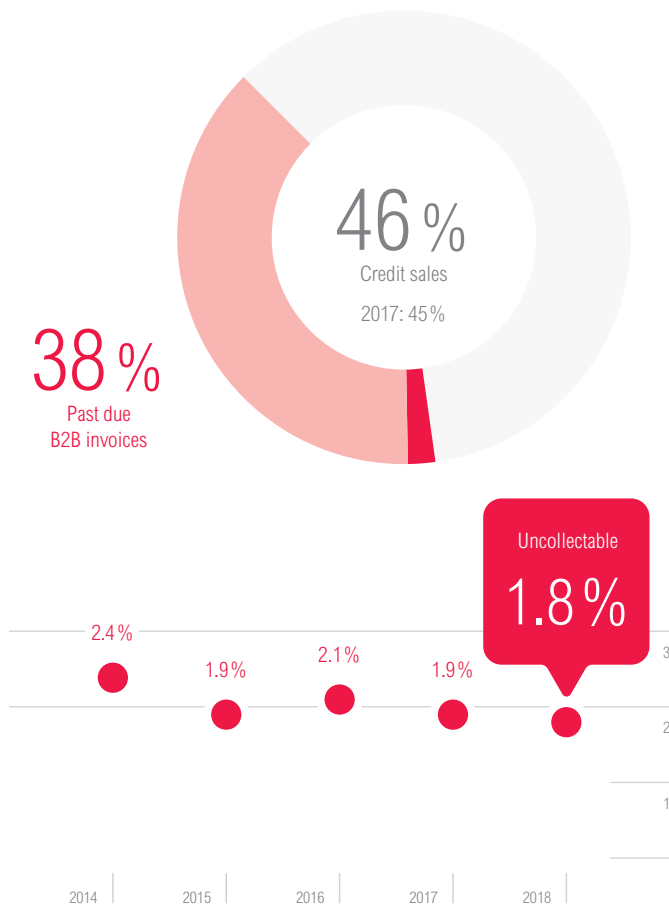
import destinations

Top5

China
Malaysia
USA
Japan
South Korea

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 2018

Old age of the debt – a top reason for write-offs after bankruptcy

In 2018, the average proportion of uncollectable receivables in Singapore remained stable at 1.8% (1.9% in 2017). Domestic B2B receivables were written off significantly more often than foreign B2B receivables.

Uncollectable receivables originated most often from B2B customers in consumer durables, construction, business services and services. A common problem in the entire region – the customer going bankrupt or out of business – was also the main reason for write-offs in Singapore (mentioned by 45.2% of respondents). The second most frequently reported reason for write-offs is the old age of the debt, stated by 37.4% of respondents in the country.

Construction and consumer durables generated payment delays again

In 2018, the average payment terms given in Singapore stand at 28 days. B2B customers in the transport and chemicals sectors enjoyed payment terms longer than the country average (35 days and 31 days respectively). In contrast, B2B customers in the food sector are being asked to pay much faster (on average, within 16 days).

Similarly to what was observed in 2017, B2B customers in the construction and consumer durables sectors generated some of the longest payment delays. B2B customers in these sectors, paid on average 24 and 19 days after the due date. The main reasons behind the payment delays in the construction sector are insufficient availability of funds (reported by 46% of respondents) and the buyer using outstanding invoices as a form of financing (mentioned by 43%). The same main reasons have been reported by 35% of respondents in the consumer durables sector.

Looking ahead, most respondents in Singapore (47% and 44% respectively) do not foresee any changes in the payment behaviour of their B2B customers in the construction and consumer durables sectors.



The main reasons behind the payment delays in the construction sector are insufficient availability of funds and the buyer using outstanding invoices as a form of financing.

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 2018 edition of the Atradius Payment Practices Barometer, companies from eight countries (Australia, China, Hong Kong, India, Indonesia, Japan, Singapore and Taiwan) have been surveyed.

Using a questionnaire, Conclusr Research conducted a net of 1,697 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=1,697 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 2018.

Sample overview – Total interviews = 1,697

Country	n	%
Australia	205	12.1
China	224	13.2
Hong Kong	210	12.4
India	212	12.5
Indonesia	213	12.6
Japan	212	12.5
Singapore	210	12.4
Taiwan	211	12.4
Industry	n	%
Manufacturing	661	38.9
Wholesale trade/ Retail trade / Distribution	499	29.4
Services	537	31.6
Business size	n	%
Micro enterprises	568	33.5
SME (Small/Medium enterprises)	824	48.6
Large enterprises	305	18.0

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.

Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Asia Pacific. This is part of the May 2018 Payment Practices Barometer of Atradius, available at

www.atradius.com/publications

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SURVEY RESULTS

SURVEY

STATISTICAL APPENDIX

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