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Managing risk, enabling trade

Atradius Payment Practices Barometer 2023

Key trends for B2B payments and cash flow

Singapore

Downbeat exports outlook poses challenge for B2B trading on credit

Maria Sandhu
CEO for Atradius in Singapore
commented on the report

“*Businesses in Singapore remain fairly optimistic about the year ahead, despite taking action to mitigate potential non-payments, by reducing sales transacted on credit.*

Nevertheless, to remain competitive, whilst at the same time maximising sales and market expansion opportunities, it is important to remain agile with your sales terms.

Companies can position themselves competitively by providing credit terms whilst concurrently protecting their balance sheet against potential losses, through the use of Trade Credit Insurance.”

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 Singapore. Sector focus: chemicals, electronics/ICT, and steel/metals.

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

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B2B payment trends and cash flow

Downbeat exports outlook poses challenge for B2B trading on credit

The crucial finding of our survey is that B2B sales on credit dropped sharply among Singapore companies during the past 12 months. Transactions on credit now average just 32% of all B2B invoiced sales, compared to 52% last year. This significant decrease was particularly evident in the electronics/ICT sector, signalling the impact of global fluctuations on the industry and concern about sluggish export markets and weakening domestic demand. It highlights the severe challenges facing the Singapore economy, although one bright spot was above average trade credit figures reported by wholesale enterprises in the chemicals sector.

A slight relaxation of payment terms was offered to B2B customers by companies polled in Singapore. These terms currently average 36 days from invoicing, three days longer than last year. This trend was driven mostly by medium to large electronics/ICT distributors to counter a decline in trade and enhance their competitiveness in a challenging market landscape. In contrast, the chemicals sector granted shorter terms to B2B customers to expedite cash inflows. The key factors in setting payment terms were adherence to industry-standard terms, aligning with terms received from suppliers, the cost and availability of capital, the credit capacity of customers, and profit margins.

There was a notable decrease in late payments and bad debts due to the significant decline in B2B selling on credit. Late payments now affect just 28% of all B2B invoiced sales in Singapore, while bad debts stand at 3% of all B2B sales compared to 9% last year. The chemicals sector bucked this trend, however, with higher-than-average bad debt figures. Day-Sales-Outstanding (DSO) was also stabilised, but many companies polled in Singapore nevertheless implemented measures to mitigate customer credit risk. These included seeking external finance through bank loans or supplier credit, strengthening credit control procedures, deferring investments and delaying payments to suppliers.

In-house retention and management of customer credit risk remains the prevailing approach of businesses polled in Singapore. Companies in the steel/metals sector tend to complement this strategy with the use of letters of credit, while those in the chemicals sector often turn to factoring to provide an additional layer of security. By contrast, many businesses in the electronics/ICT sector told us they acknowledged the benefits of outsourcing customer credit risk to specialized insurers. This placed high value on having access to external expertise while navigating the complexities of credit risk management in a challenging economic environment.

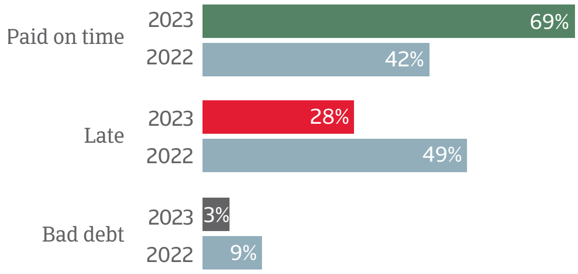
Key figures and charts on the following pages

Key survey findings

- A sharp drop in B2B selling on credit among companies in Singapore was the key finding of our survey. Sales transacted on credit now average just 32% of all B2B sales, compared to 52% last year. The electronics/ICT sector showed especially decreased dynamism, highlighting concern about negative prospects for exports.
- The length of payment terms offered to B2B customers was slightly relaxed by businesses polled in Singapore. These now average 36 days from invoicing, three days longer than last year, a trend driven mostly by the electronics/ICT sector to counter a decline in trade.
- Various factors for the setting of payment terms were reported by companies polled in Singapore. These included industry standard terms, aligning with supplier terms, the cost and availability of capital, and profit margins.
- There was a significant fall in the level of late or non-payments as a result of the drop in B2B sales on credit. Late payments now affect just 28% of all B2B invoiced sales, while bad debts stand at 3% of all B2B sales, down from 9% last year. Invoice disputes and temporary liquidity issues among customers were the main reasons for late payments.
- Days-Sales-Outstanding (DSO) was stabilised for many companies polled in Singapore due to the reduction in B2B sales on credit. Measures to mitigate cashflow problems included seeking external finance and delaying investments and payment to suppliers.
- Customer credit risk was retained and managed in-house by the majority of companies polled in Singapore, particularly in the steel/metals sector, who complemented it with letters of credit. Many businesses in the electronics/ICT sector said they opted for using credit insurance and the value of obtaining external expertise.

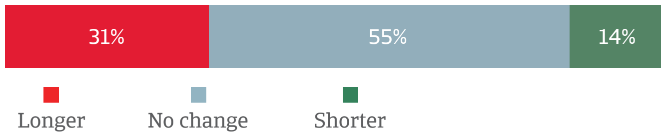
Singapore

Singapore
% 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 Singapore – 2023

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

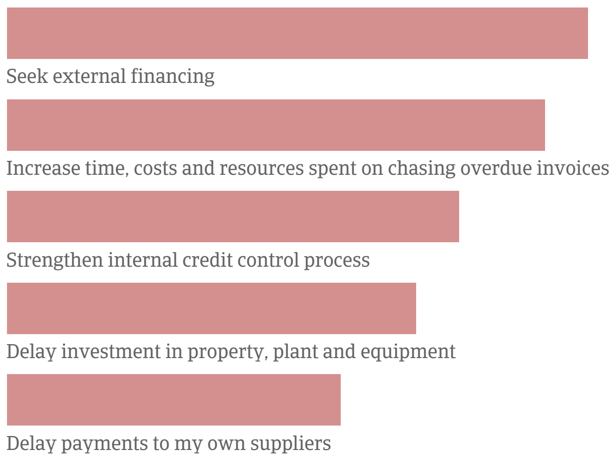


*average amount of time to get paid from B2B customers

Sample: all survey respondents
Source: Atradius Payment Practices Barometer Singapore – 2023

Singapore
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 Singapore – 2023

Survey question

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

- 72% Bank loans
- 66% Trade credit
- 42% Internal funds
- 41% Equity capital

*multiple response question

Sample: all survey respondents (% of respondents)
Source: Atradius Payment Practices Barometer Singapore – 2023

Looking ahead

Bright outlook despite concern over volatile interest rates

The vast majority of Singapore companies expressed optimism about prospects for the year ahead despite persistently challenging external conditions affecting the local economy. A remarkable 92% of businesses polled said they expect an increase in demand for their products and services, a positive mood found across all sectors of the market. There was a little more caution reported about profit margins, but 67% of companies anticipate growth in profitability during the coming months. The least positive about a rise in profits are businesses in the electronics and ICT sectors.

A mixed sentiment was found in our survey about the outlook for both Days-Sales-Outstanding (DSO) and B2B payment behaviour among businesses in Singapore. 52% of companies said they believe there will be an improvement in DSO during the months ahead, a reflection of their proactive and forward-thinking approach to strategic credit management. The chemicals sector reported particular optimism. However, 41% of businesses foresee no change in DSO and only a small percentage anticipate a deterioration. B2B payment behaviour is expected to improve by only 41% of companies polled in Singapore, while 52% said they do not envisage any change in the year ahead.

In-house retention and management of customer credit risk will remain the preferred approach in the coming months for 84% of companies surveyed in Singapore, especially those in the steel/metals and electronics and ICT sectors. Many businesses within these industries also told us they were considering an expansion in their use of letters of credit as a means of mitigating customer credit risk on their operations. However, a notable 57% of companies polled in Singapore also expressed a growing interest in outsourcing the management of customer credit risk to specialized insurers. This trend was particularly reported across the chemicals sector.

Volatile interest rates are a particular concern for companies polled in Singapore as they look to navigate a challenging economic landscape in the year ahead. This was expressed by businesses across all sectors, with anxiety that a combination of high interest rates, a sluggish property market and weakened export flows will have an adverse effect on demand. Our survey also found unease about the prospect of an extended global downturn, especially in the electronics/ICT and steel/metals sectors. Concern about Singapore's growth outlook was another issue, with worries expressed that this could cause cashflow issues and potential liquidity shortfalls. This was particularly reported in the electronics/ICT sector.

Key figures and charts on the following pages

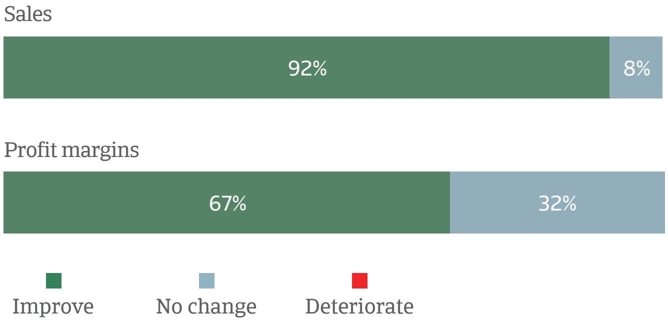
Key survey findings

- Amid the current challenging economic landscape there is a remarkable level of optimism for the year ahead, with 92% of companies polled in Singapore anticipating an increase in demand. This positive outlook was found across all sectors.
- Slightly more caution was reported about the prospects for profit margins. 67% of businesses polled in Singapore expect an improvement in profitability in the year ahead, although some concern was expressed in the electronics and ICT sectors.
- Days-Sales-Outstanding (DSO) is expected to improve during the coming months by 52% of companies polled in Singapore, reflecting a forward-thinking approach to strategic credit management. 41% of businesses anticipate no change in DSO.
- A mixed mood was found in our survey about the outlook for B2B payment behaviour in the year ahead. 41% of businesses polled believe there will be an improvement, but 52% of companies expect no change in payment behaviour.
- 84% of companies polled in Singapore said they will continue with in-house retention and management of customer credit risk in the next 12 months, complementing it with letters of credit. 57% of businesses told us they will show a growing interest in outsourcing management of customer credit risk to specialized insurers.
- The chief concern expressed for the year ahead by companies polled in Singapore is the impact of volatile interest rates, which could weaken domestic demand. Anxiety was also reported about the global economic downturn and a subdued growth outlook which could cause cashflow issues and liquidity shortfalls.

Singapore

Singapore
Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

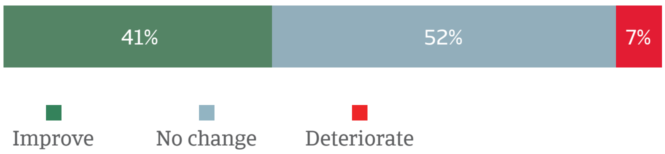
(% of respondents)



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

Singapore
Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



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

Singapore
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 Singapore - 2023

Survey question

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

(% of respondents)

52% Improve
41% No change
7% Deteriorate

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

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Singapore 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 216 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=216 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 = 216

Business sector	Interviews	%
Manufacturing	50	23
Wholesale trade	42	19
Retail trade/Distribution	49	23
Services	75	35
TOTAL	**216**	**100**

Business size	Interviews	%
SME: Small enterprises	21	10
SME: Medium enterprises	73	33
Medium Large enterprises	84	39
Large enterprises	38	18
TOTAL	**216**	**100**

Industry	Interviews	%
Chemicals	61	28
Electronics/ICT	78	36
Steel/metals	77	36
TOTAL	**216**	**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).

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