

PAYMENT SURVEY



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China Payment Survey 2022: Longer payment delays and rising credit risks in some sectors

The Coface China Corporate Payment Survey 2022, in which 1,000 companies participated, shows that fewer firms encountered payment delays in 2021, but those that did reported longer periods of overdue payments than in the previous year. The average payment delay rose from 79 days in 2020 to 86 days in 2021. Firms in 9 out of 13 sectors reported an increase in payment delays, led by agri-food, which recorded a large 43-day increase, followed by wood, transport, and textile. The top reason for payment delays was customers' financial difficulties, which were caused by competition-related pressures on margins, and, increasingly, by higher raw material prices and slowing domestic economic growth.

More firms with payment delays also noted that overdue had increased (36% to 42% in 2021), with the vast majority of them domestic-oriented. Reasons for payment delays in these cases were linked to a subdued domestic economic situation and customers' tight liquidity conditions.

There was also a higher share of companies reporting ultra-long payment delays (ULPDs), which are payments overdue by more than six months, rising from 15% to 19% in 2021. More worrying, there was notable increase in those

facing ULPDs exceeding 10% of their annual turnover, jumping from 27% in 2020 to 40% in 2021. Coface's experience shows that 80% of ULPDs are never paid, suggesting that when ULPDs make up a sizeable share of annual turnover, the company's cash flow will be at risk. In this group, construction remained the sector with the largest share (56%) of firms with ULPDs exceeding 10% of turnover amid a property market downturn. Agri-food was ranked second with 47%, up sharply from 20% in 2020.

Average credit terms in China remained stable (77 days) in 2021, but there is variation across sectors. Agri-food and energy reported the strongest tightening, both cutting payment terms by 23 days, reflecting increasing credit risks linked to rising raw material prices. The ongoing pandemic and tight supply conditions kept companies cautious on credit management.

With China's economic growth projected to slow in 2022, the share of respondents expecting an improvement in sales and cash flow was lower. Companies highlighted macro risks such as rising raw material prices, weakening domestic market demand, and the continuation of the pandemic. The survey was conducted between November 2021 and January 2022.