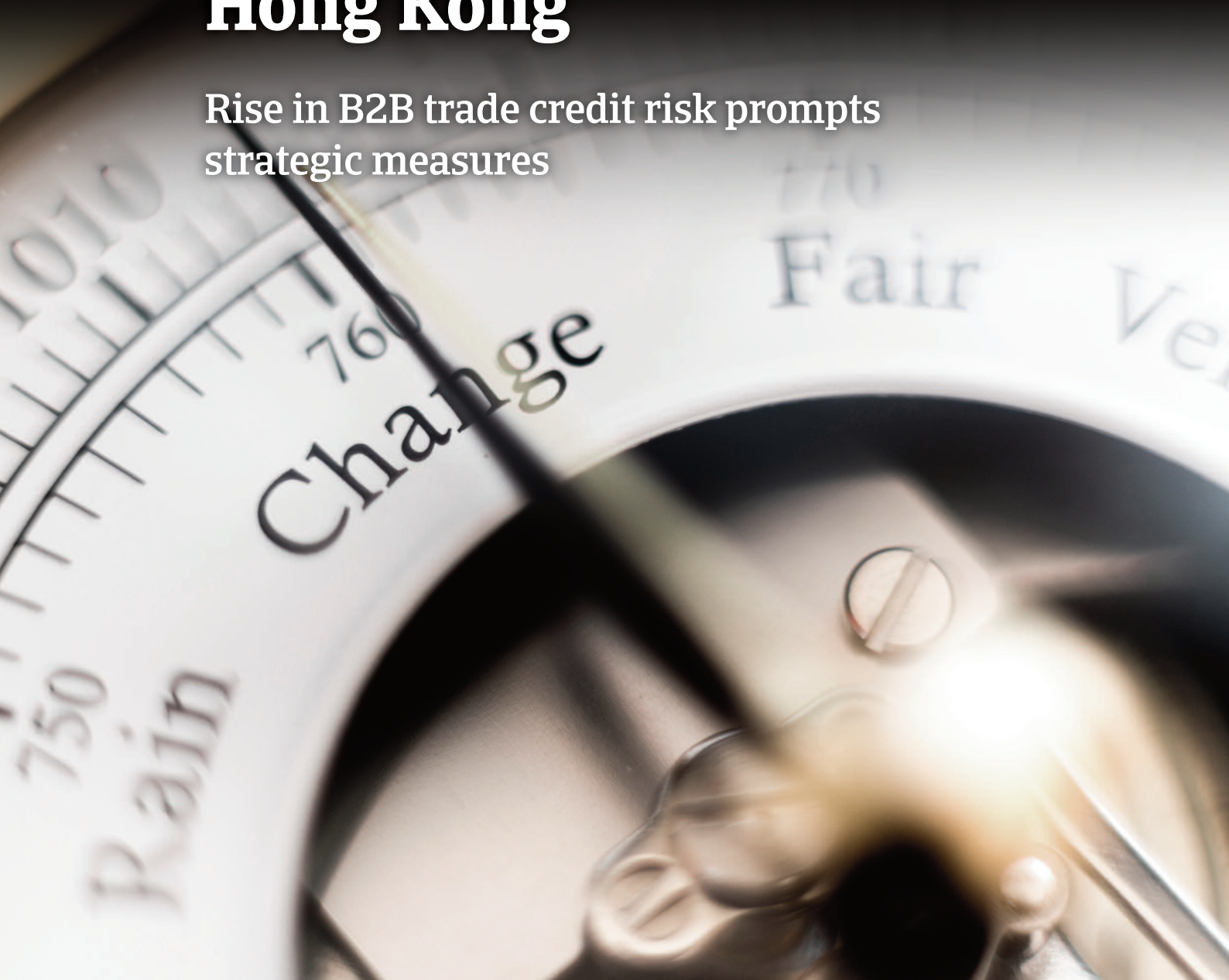




Key trends for B2B payments and cash flow

# Hong Kong

Rise in B2B trade credit risk prompts  
strategic measures



## 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 Hong Kong. Sector focus: consumer durables, electronics and ICT, textile-clothing.

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.





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# B2B payment trends and cash flow

## Rise in B2B trade credit risk prompts strategic measures

Trade credit remains an important factor for businesses in Hong Kong, with 48% of all B2B sales transacted on credit during the past year. Although this overall level remained stable, various sectors showed different trends. Large consumer durables companies reported a higher number of B2B credit sales, while there was an 18% dip in the electronics/ICT industry. Our survey also found an interesting shift in payment terms offered to B2B customers. These terms now average 66 days from invoicing, nearly one month longer than last year, and appear to be a strategic response to maintain sales and to remain competitive. This may explain why adherence to industry standards was the most significant criteria cited for setting length of payment terms.

The struggle to manage cashflow for companies in Hong Kong is highlighted by our survey finding of a 26% increase in the number of companies waiting longer to collect overdue payments from B2B customers than last year. This worrying trend explains why late payments now affect a significant 60% of all B2B invoices. The level of bad debts is also a concern, currently impacting 9% of all B2B invoices, up from 6% last year. Disputes with customers was cited as the main reason for late payments by many businesses polled in Hong Kong, while the electronics/ICT sector reported that insolvency among B2B customers was another major factor.

Another indicator of the soaring B2B trade credit risk affecting companies in Hong Kong was a deterioration in Days-Sales-Outstanding (DSO), with 55% of businesses polled saying their DSO either worsened or did not change during the past year. Many businesses in Hong Kong responded by making control of DSO an urgent priority, implementing a range of measures. One prevalent tactic that showed some success was offering discounts for early payment of invoices. Another popular move was to seek external financing, either through equity capital or traditional bank loans. Companies in the electronics/ICT sector said they slowed down payments to their own suppliers and often requested trade credit in preference to bank loans.

All these measures to mitigate potential liquidity problems were taken within an overall strengthening of the credit control process of Hong Kong companies, who used a variety of approaches tailored to their sector. In-house retention and management of customer credit risk was the preferred option in the consumer durables and textile/clothing industries, which involved setting aside funds to cover potential losses. Faced with the significant

## Key survey findings

- Trade credit continues to be a significant factor for Hong Kong companies, with 48% of B2B sales transacted on credit during the past year. Trends varied across different industries. There was a higher percentage of trading on credit among large consumer durables companies, but an 18% fall in the electronics/ICT sector.
- The length of payment terms increased in Hong Kong during the past year, now averaging 66 days from invoicing, an increase of nearly one month. The main drivers of this were medium-large electronics/ICT companies and the consumer durables sector.
- There was a 26% increase in Hong Kong companies polled who had to wait longer to collect overdue payments from B2B customers. Late payments affected 60% of all B2B invoices, while bad debts rose to 9% of all B2B invoices, up from 6% last year. The key reason for late payments was cited as invoice disputes.
- A deterioration of Days Sales Outstanding was another consequence of the surge in late payments. Companies polled in Hong Kong responded by trying to accelerate cash inflow to improve DSO, with discounts for early payment of invoices a popular tactic.
- Other strategic measures were also taken by Hong Kong businesses. The consumer durables and textile/clothing sectors sought external finance through equity capital and bank loans. Companies in the electronics/ICT industry tended to slow down payments to their own suppliers and looked to trade credit for short-term finance.
- Companies polled in Hong Kong took a variety of approaches to the management of customer credit risk. In-house retention and management of this issue was popular in the consumer durables and textile/clothing sectors while electronics/ICT businesses looked more towards credit insurance.

impact of trade credit risk, businesses in the Hong Kong electronics/ICT sector said they looked to the benefits of credit insurance, a shift in strategy which highlights the evolving nature of risk management in response to changing market dynamics.

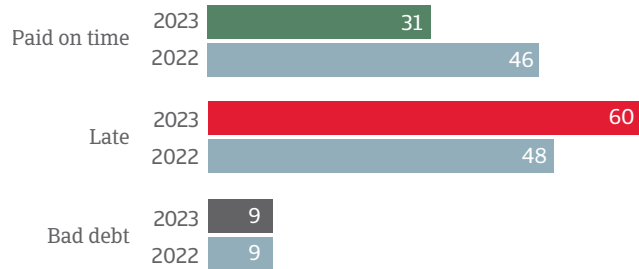
**Key figures and charts on the following pages**



# Hong Kong

## Hong Kong

% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)

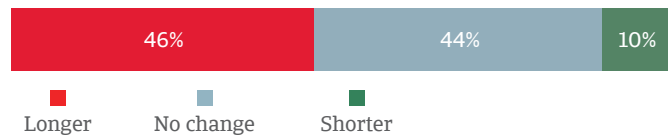


Sample: all survey respondents

Source: Atradius Payment Practices Barometer Hong Kong – 2023

## Hong Kong

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



\*average amount of time to get paid from B2B customers

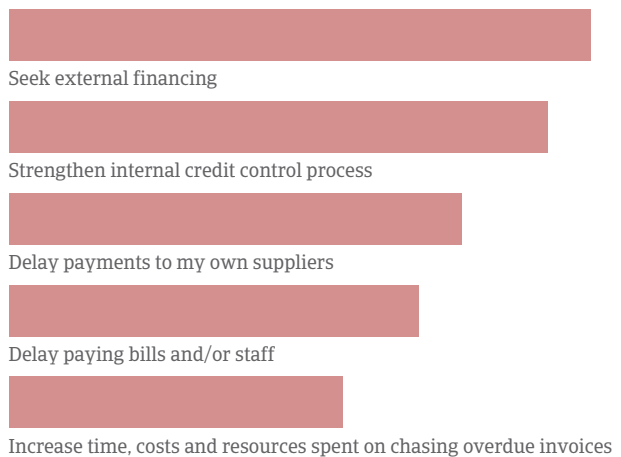
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Hong Kong – 2023

## Hong Kong

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 Hong Kong – 2023

### Survey question

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

- 52% Trade credit
- 45% Equity capital
- 39% Debt securities issued
- 33% Bank loans

\*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer Hong Kong – 2023

# Looking ahead

## Positive outlook prevails despite global supply chain worries

Despite a challenging landscape for international trade, our survey found a generally optimistic mood for the year ahead among companies in Hong Kong. 59% of businesses polled said they anticipate an increase in demand and therefore sales during the coming months, particularly in the consumer durables and textile/clothing sectors. A less positive verdict was given across the electronics/ICT industry, where companies were also pessimistic about the prospects for profit margins. Overall, only 42% of companies polled expect an increase in profitability, while the remainder believe there will be no change or a decrease.

There was also a positive feeling expressed concerning the outlook for Days-Sales-Outstanding (DSO) in the next 12 months. 50% of companies polled in Hong Kong anticipate there will be an improvement in DSO, reflecting their proactive and forward-thinking approach to strategic credit management. This is particularly so in the consumer durables sector. 35% of businesses expect no change in DSO and only a small number believe it will deteriorate. B2B payment behaviour is also expected to improve by 51% of Hong Kong companies polled, while 49% anticipate no change or a potential worsening.

A variety of approaches to credit risk management will be taken during the year ahead by companies polled in Hong Kong. 51% of businesses told us they will address potential liquidity concerns through in-house retention and management of customer credit risk, especially in the textile/clothing sector. Many companies in that industry also said they will show interest in using letters of credit to mitigate the risk of cash flow issues. In contrast, a significant number of businesses polled in the Hong Kong consumer durables sector said they will be likely to outsource management of customer credit risk to specialised insurers.

Several major concerns about the year ahead were expressed by companies polled in Hong Kong, including the potential for prolonged disruptions to global supply chains. This is felt most acutely in the consumer durables and textile/clothing sectors, a reflection of Hong Kong's heavy reliance on international trade. Another significant worry is the possibility that heightened geopolitical tensions will affect business, especially in the electronics/ICT sector. A further substantial risk factor across all industries is the pressure that would be imposed by an escalating trade conflict between the US and China, while companies in the electronics/ICT sector also reported anxiety about the impact of any instability of the Hong Kong dollar.

**Key figures and charts on the following pages**

## Key survey findings

- Optimism was widespread among companies polled in Hong Kong about the prospects for demand in the year ahead. 59% of businesses expect an increase in demand and therefore sales, particularly in the consumer durables and textile/clothing sectors.
- More caution was expressed on the outlook for profit margins. 42% of companies polled in Hong Kong said they anticipate a rise in profitability, while the rest expect no change or a decrease. The most negative were electronics/ICT businesses.
- 50% of companies polled reported positivity about improvement in Days-Sales-Outstanding (DSO) during the coming months, which reflects the proactive approach to strategic credit management among Hong Kong businesses. 35% of companies expect no change in DSO.
- Our survey found a similarly optimistic mood about the prospects for B2B payment behaviour in the year ahead. 51% of companies polled in Hong Kong anticipate improvement, while 49% expect no change or a worsening of payment behaviour.
- In-house retention and management of customer credit risk will remain the preferred option for 51% of Hong Kong companies in the next 12 months, with significant interest also expressed in letters of credit. Many businesses in the consumer durables sector anticipate turning towards the use of credit insurance.
- The chief concern looking ahead for companies polled in Hong Kong is a prolonged disruption to global supply chains, particularly in the textile/clothing sector. Another significant worry is the potential impact of heightened geopolitical tensions. Anxiety was also expressed about the trajectory of US-China trade relations.





# Hong Kong

## Hong Kong

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

(% of respondents)

Sales



Profit margins



■ Improve   
 ■ No change   
 ■ Deteriorate

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

## Hong Kong

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

(% of respondents)



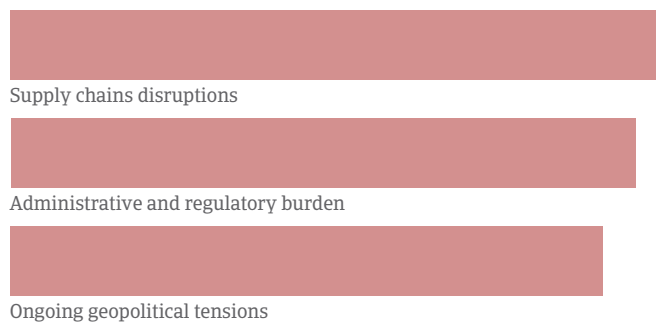
■ Improve   
 ■ No change   
 ■ Deteriorate

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

## Hong Kong

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 Hong Kong - 2023

### Survey question

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

(% of respondents)

**51%** Improve  
**35%** No change  
**14%** Deteriorate

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

## Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Hong Kong 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 212 interviews in total.

All interviews were conducted exclusively for Atradius.

### Survey scope

- **Basic population:** Companies from Hong Kong 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=212 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 = 212

| Business sector           | Interviews | %          |
|---------------------------|------------|------------|
| Manufacturing             | 32         | 15         |
| Wholesale trade           | 58         | 27         |
| Retail trade/Distribution | 78         | 37         |
| Services                  | 44         | 21         |
| <b>TOTAL</b>              | <b>212</b> | <b>100</b> |

| Business size            | Interviews | %          |
|--------------------------|------------|------------|
| SME: Small enterprises   | 38         | 16         |
| SME: Medium enterprises  | 72         | 24         |
| Medium Large enterprises | 71         | 34         |
| Large enterprises        | 31         | 26         |
| <b>TOTAL</b>             | <b>212</b> | <b>100</b> |

| Industry            | Interviews | %          |
|---------------------|------------|------------|
| Consumer Durables   | 68         | 32         |
| Electronics and ICT | 74         | 35         |
| Textiles/clothing   | 70         | 33         |
| <b>TOTAL</b>        | <b>212</b> | <b>100</b> |

## 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](http://www.atradius.com/publications) [Download in PDF format](#) (English only).

## Interested in finding out more?

Please visit the [Atradius](http://Atradius) website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

Follow us to stay up to date with our latest releases by [subscribing](#) to notifications of our Publications, and receive weekly emails with alerts to when new reports are published.

To find out more about B2B receivables collection practices in **Hong Kong and worldwide**, please visit [atradiuscollections.com](http://atradiuscollections.com).

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