



B2B payment practices trends China

How companies manage B2B payment risk
and its impact on cash flow



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 the 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 China.

Interview period: Q3 2024. The findings should therefore be viewed with this in mind.



| In this report

B2B payment risk management DSO management ramped up in China to mitigate risk of cash crunches	4
Key figures and charts	5
Looking ahead Optimism high among Chinese companies despite economic challenges	6
Key figures and charts	7
Survey design	8

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China

B2B payment risk management

DSO management ramped up in China to mitigate risk of cash crunches

A clear finding from our survey is that most Chinese companies across industries are seeing either stable or improved payment behaviour from their B2B customers on credit. Almost 50% of businesses tell us there is no significant change in customer payment practices, notably in the energy/fuel sector, although they do also report ongoing issues with payment delays. Otherwise, invoices are generally being settled more quickly, although some businesses in the electronics/ICT industry note slower payments. Overall, late payments affect just over one-third of invoices in B2B trade, while bad debts stand at an average 3% of all B2B credit invoices. Chinese energy/fuel companies appear to be hardest hit by bad debts, suffering consequent financial strain.

Several reasons for late payments from B2B customers are cited by Chinese companies in our survey. These include customer cash flow issues, invoice disputes, and administrative inefficiencies in the payment process. All this leads to invoices being turned into cash on average three weeks beyond the due date and causing 42% of businesses, mostly in the energy/fuel sector, to incur temporary liquidity crunches. To mitigate the risk from this, 35% of Chinese businesses delay payments to their suppliers, despite the potential for a domino effect through the supply chain, while others defer investment plans and resort to bank or supplier credit.

Nearly half of companies in our survey, notably in the energy/fuel industry, tell us they are ramping up debt collection efficiency. 40% of companies say that mitigating large swings of Days Sales Outstanding (DSO) is proving a key factor in achieving greater financial resilience. This enables them to strike a balance between safeguarding financial health while pursuing sales growth, building customer relationships and maintaining a competitive edge. In this context, selling on credit remains important for Chinese businesses, with an average 47% of all B2B sales being transacted on credit. Payment terms remain steady at an average 40 days from invoicing, primarily set to reflect company norms.

Another significant change of approach among companies in China has been strengthening their strategic credit risk management framework. 83% of businesses, especially in the electronics/ICT sector, tell us they have moved away from in-house retention and management of customer

Key survey findings

- Almost half of Chinese companies tell us there has been no significant change in B2B customer payment behaviour during the past 12 months, notably in the energy/fuel sector. Among the rest, most businesses say invoices are being settled more quickly, although some in the electronics/ICT industry report slower payments.
- Late payments currently affect, on average, just over one third of invoices issued by Chinese companies in B2B trade. Bad debts stand at an average 3% of all B2B sales on credit, with energy/fuel businesses the hardest hit.
- The main reasons cited by Chinese companies for late payments are B2B customer cashflow issues, invoice disputes, and administrative inefficiencies in the payment process. Overdue invoices are turned into cash on average three weeks beyond the due date, and 42% of businesses tell us this causes cashflow problems.
- Various strategies are used to mitigate the risk of liquidity crunches stemming from late payments. These include delaying investment plans, delaying payments to suppliers, and resorting to bank credit. Improved debt collection efficiency has also boosted financial resilience by reducing large swings in Days Sales Outstanding (DSO).
- Selling on credit remains important for Chinese companies, particularly in the automotive industry, with 47% of all B2B sales currently transacted on credit. Payment terms remain steady, set at an average 40 days from invoicing, a policy primarily tailored to company norms.
- 83% of companies, especially in the electronics/ICT industry, have strengthened their strategic credit risk management framework, shifting away from in-house retention to an approach where credit insurance plays a pivotal role. Letters of credit are another popular tool credit management tool, often used in international trade.

credit risk to more strategic approach where credit insurance plays a pivotal role. This shift recognises the limitations of relying solely on reserve funds to cover unexpected losses or large write-offs, as well as the potential hindrance of holding cash idle rather than using it for investment and expansion. A large number of companies also use letters of credit as a credit management tool, particularly for individual transactions in international trade.

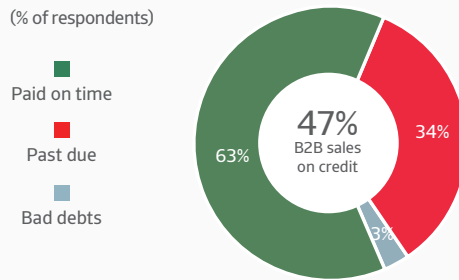
Key figures and charts on the following pages



China

B2B payment practices trends in China

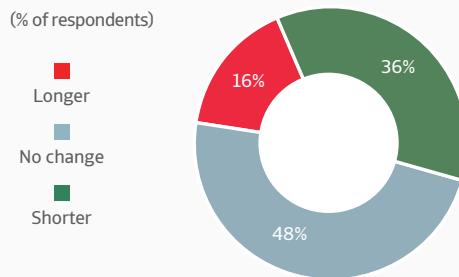
% of B2B invoices paid on time, past due and bad debts



Sample: all survey respondents
Source: Atradius Payment Practices Barometer China – 2024

B2B payment practices trends in China

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

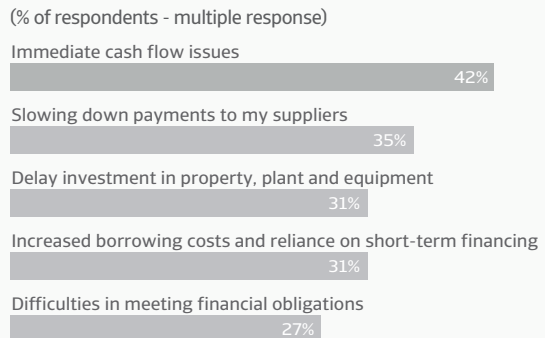


*average amount of time to get paid from B2B credit customers

Sample: all survey respondents
Source: Atradius Payment Practices Barometer China – 2024

B2B payment practices trends in China

Over the past 12 months, have late payments from your B2B customers led your company to experience any of the following situations?



Sample: all survey respondents
Source: Atradius Payment Practices Barometer China – 2024

B2B payment practices trends in China

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

- 62% Bank loans
- 58% Trade credit
- 39% Invoice financing
- 25% Internal funds

(% of respondents - multiple response)

Sample: all survey respondents
Source: Atradius Payment Practices Barometer China – 2024

China

Looking ahead

Optimism high among Chinese companies despite economic challenges

A positive mood about the prospects for both B2B customer payment behaviour and Days Sales Outstanding (DSO) is evident in our survey of companies in China. 60% of businesses, particularly in the energy/fuel industry, tell us they anticipate improved invoice payment timings during the year ahead. One-third of companies, almost equally split between the automotive and electronics/ICT sectors, foresee no significant change in payment practices. Similar optimism is expressed about debt collection efficiency. 63% of businesses anticipate improved DSO in the coming year, notably in the energy/fuel sector, while 30% expect no significant change. Only a small minority of companies see a worsening of DSO on the horizon.

There is more guarded optimism about the outlook for insolvency trends in the 12 months ahead among businesses in China. A stable rate of insolvencies is expected by 66% of companies in our survey, chiefly in the automotive industry. However, 28% of businesses tell us they anticipate a negative trend of insolvencies, especially in the energy/fuel sector. This is due to concern about the industry's vulnerability to external market shocks as well as its high operational costs and substantial debt levels. In contrast, energy/fuel companies are prevalent among the 68% of Chinese businesses who anticipate a surge in demand for their products and services in the year ahead. 62% of companies also expect improved profitability in the coming months.

Uncertainty about the state of the domestic economy is the major concern looking ahead for companies in China. They tell us they are worried about a marked slowdown amid frail domestic demand, although external demand remains resilient. This anxiety is felt in both the short-term and long-term across all sectors. Another key concern is that of market saturation, again reported among all the industries of our survey. Intense competition makes it difficult for businesses to grow their market share, a worry most frequently expressed in the electronics/ICT sector which operates in a highly challenging environment where new products are constantly being introduced.

Several other significant anxieties are expressed by Chinese companies, notably those of customer acquisition challenges and environmental and sustainability issues. The electronics/ICT sector is particularly concerned about customer acquisition challenges as they navigate a complex landscape of shifting consumer preferences, global trade dynamics as well as market saturation and rapid

Key figures and charts on the following pages

Key survey findings

- Most Chinese businesses are optimistic about the outlook for B2B customer payment behaviour. 60% of companies, particularly in the energy/fuel sector, anticipate improved invoice payment timings, while one-third do not foresee any significant change in customer payment practices.
- Days Sales Outstanding (DSO) is expected to improve in the coming year by 63% of Chinese companies, mainly in the energy/fuel industry, helping them maintain liquidity. 30% of businesses, chiefly in the automotive sector, do not anticipate any significant change in debt collection efficiency.
- 66% of companies in China say they expect the rate of business insolvencies to remain stable in the year ahead, particularly in the automotive industry. A negative trend in insolvencies is anticipated by 28% of businesses, chiefly in the energy/fuel industry due to its vulnerability to external market shocks.
- A surge in demand for their products and services is expected by 68% of Chinese companies in the coming months, optimism notable in the energy/fuel sector. There is also a positive mood about profitability, with 62% of businesses confident about improved profits, again particularly in the energy/fuel industry.
- The primary concern looking ahead for companies in China revolves around the marked slowdown in the domestic economy amid frail domestic demand. Market saturation is another key worry across various industries in both the short-term and long-term, but particularly in the electronics/ICT sector.
- Other significant anxieties expressed by Chinese businesses include customer acquisition challenges and environmental and sustainability concerns. The latter are of paramount importance across all industries, but especially profound in the energy/fuel sector during transition to a low-carbon economy.

technological change. The increasing awareness of climate change, regulatory pressures and consumer demand for eco-friendly products are among the reasons why environmental and sustainability concerns are of paramount importance for all sectors in China. This is especially expressed by the energy/fuel industry due to their significant environmental footprint and the high stakes involved in transitioning to a low-carbon economy.

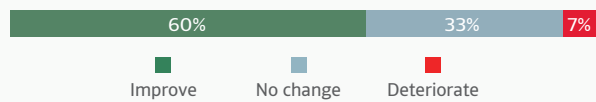


China

B2B payment practices trends in China

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

(% of respondents)



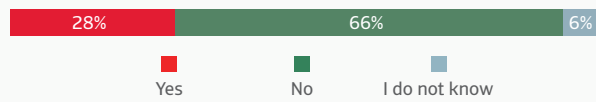
Sample: all survey respondents

Source: Atradius Payment Practices Barometer China – 2024

B2B payment practices trends in China

Do you see an increased insolvency risk for your customers in the next 12 months?

(% of respondents)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer China – 2024

B2B payment practices trends in China

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

- 63% Improve
- 30% No change
- 7% Deteriorate

(% of respondents)

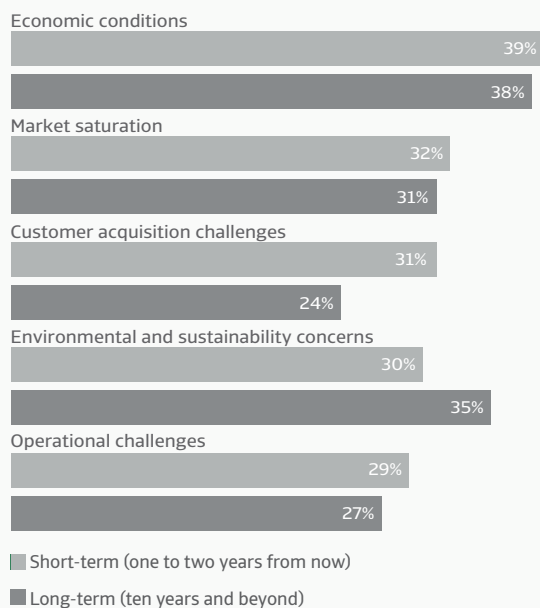
Sample: all survey respondents

Source: Atradius Payment Practices Barometer China – 2024

B2B payment practices trends in China

Looking ahead: top 5 concerns expressed by businesses polled

(% of respondents - multiple response)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer China – 2024

Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in China are the focus of this report, which forms part of the 2024 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 305 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from China 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:** 305 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: Q3 2024. The findings should therefore be viewed with this in mind.

Sample overview – Total interviews = 305

Business sector	Interviews	%
Manufacturing	221	73
Wholesale trade	10	3
Retail trade/Distribution	37	12
Services	37	12
TOTAL	305	100
Business size	Interviews	%
SME: Small enterprises	13	4
SME: Medium enterprises	41	13
Medium Large enterprises	155	51
Large enterprises	96	32
TOTAL	305	100
Industries	Interviews	%
Energy/Fuel	116	38
Electronics/ICT	114	37
Automotive	75	25
TOTAL	305	100

Methodological note

Last year different industries were included in the survey for China. This makes year-on-year comparisons unfeasible for certain topics for the current year. For a detailed overview of last year's survey results for China please refer to the specific report available on the [Atradius website](#).

Interested in finding out more?

Please visit the [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.

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