



# Atradius Payment Practices Barometer

International survey of B2B payment behaviour  
Survey results for Hong Kong

## Survey results for Hong Kong

### Sales on credit terms

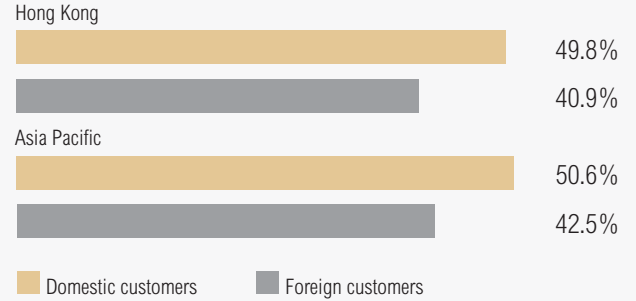
After India, Hong Kong seems to be the second-most inclined country in Asia Pacific to use trade credit in either domestic or foreign B2B transactions. 96% of the Atradius survey respondents in Hong Kong reported having granted trade credit to their B2B customers over the past year. This compares to 98% of respondents in India and 91% of respondents in Asia Pacific overall.

This frequent use of trade credit in B2B transactions in Hong Kong and India, likely reflects both working capital financing conditions and the types of firms in these countries (there is a prevalence of small firms strongly dependant on trade credit as a less costly source of short-term financing than bank borrowing).

Consistent with the survey pattern, respondents in Hong Kong seem to be more likely to sell on credit to B2B customers domestically than abroad. Domestic B2B credit-based sales in Hong Kong average 49.8% of the total value of local sales to B2B customers. This figure is almost in line with the 50.6% average of Asia Pacific. Credit-based sales to B2B customers abroad average 40.9% of the total value of Hong Kong respondents' exports. Moreover, this figure is consistent with the average of Asia Pacific (42.5%). Except for the results in Australia, the overall survey results suggest an inconsistent perception of payment default risks arising from domestic and foreign B2B trade.

Over the past year, the average proportion of domestic B2B sales made on credit in Hong Kong remained substantially steady. This is in contrast to the average 3.2 percentage point increase recorded in Asia Pacific over the same time frame. At the same time, the proportion of credit-based sales to foreign B2B customers recorded an average 10 percentage point decrease. Once more, this is in contrast to the 5.5 percentage point increase recorded at regional level. The variation in foreign trade on credit likely reflects the economic slowdown in China, which has largely impacted Hong Kong's export flows. However, these are expected to pick up in H2 of 2015, spurred by the continued economic recovery in the US and growth in some of the key emerging economies.

### Proportion of sales made on credit to total B2B sales of respondents in Hong Kong



Sample: companies interviewed (active in domestic and foreign markets)  
Source: Atradius Payment Practices Barometer – October 2015

More information in the [Statistical appendix](#)

### Average payment term

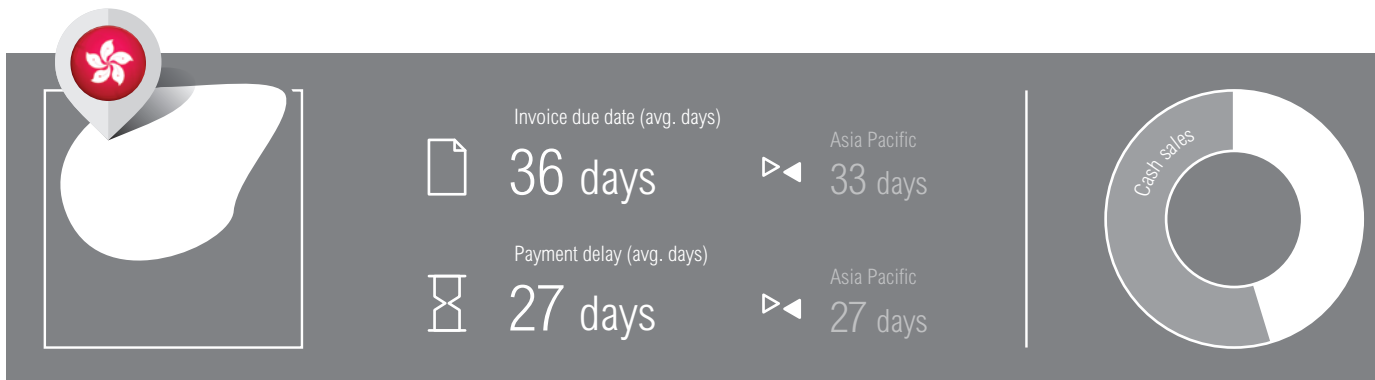
Domestic B2B customers of respondents in Hong Kong are given an average of 34 days from the invoice date to pay invoices. Over the past two years, this term increased by an average of 10 days, and it is now in line with the average of Asia Pacific (33 days).

The payment term granted to foreign B2B customers by respondents in Hong Kong averages 37 days from the invoice date (same as in Taiwan). This is four days longer than the average term for the region, and significantly longer than two years ago (by an average of 10 days).

### Overdue B2B invoices

92.1% of respondents in Hong Kong (compared to 90.2% of respondents in Asia Pacific) reported having experienced invoice late payment from their B2B customers over the past year.

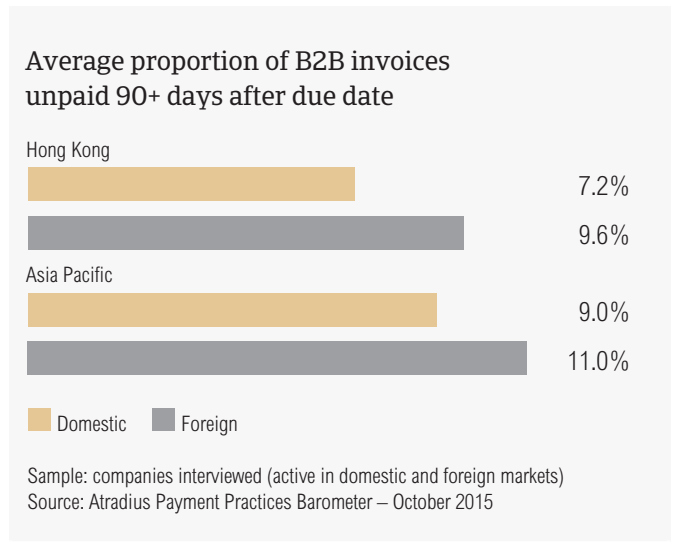
Respondents' domestic B2B customers paid invoices late almost as often as foreign customers did. More specifically, an average of 51.3% of the total value of domestic and 50.3% of the total value of foreign B2B invoices were still unpaid at the due date. Both



averages for Hong Kong, however, are higher than the averages for Asia Pacific (44.8% domestic and 45.2% foreign).

Receivables which remained unpaid after 90 days past the due date averaged 7.2% of the total value of domestic and nearly 10% of the total value of foreign B2B invoices (the averages for Asia Pacific were 8.8% domestic and 11% foreign). These long outstanding receivables are very likely to turn into bad debts and write-offs.

An indication of the length of payment delay by some of the domestic and foreign B2B customers of respondents in Hong Kong is given by the Days Sales Outstanding (DSO) figure. This averages 36 days and is in line with the 35 days regional average. This finding suggests that businesses interviewed in Hong Kong, alongside those in countries with an average DSO lower or equal to the average for the region, collect invoices of higher value quicker than small value invoices.



More information in the [Statistical appendix](#)

### Average payment delay

Domestic B2B customers of respondents in Hong Kong settle their overdue payments, on average, 25 days after the due date. Foreign past due invoices are paid by customers, on average, not later than 29 days. Both figures are in line with the regional averages (25 days domestic and 28 days foreign). B2B suppliers in Hong Kong, therefore, receive payment on past due domestic B2B invoices, on average, around 60 days after invoicing, and on foreign invoices after about 66 days from the invoice date. Survey averages: 59 days domestic and 61 days foreign.

Similarly to what was observed in China, over the past two years both the average domestic and foreign payment delay figures in Hong Kong did not vary as notably as did the volume and value of domestic and foreign invoices paid late. These latter registered an average 10% increase over the same time frame. B2B customers of respondents in Hong Kong seemed to delay payments due to a number of reasons, which will be expanded on further in this report (see below 'Key payment delay factors').

The cost of carrying overdue trade debts, can have a negative impact on profitability. This may be the reason why cost containment is regarded by the highest percentage of the respondents in Hong Kong (24%, consistent with the 23.0% of respondents in Asia Pacific) as one of the biggest challenges to business profitability this year. This opinion is shared by respondents in China, Taiwan and Japan.

The collection of outstanding invoices and bank lending restrictions are considered to be the main challenges to business profitability in 2015. 11.3% of respondents in Hong Kong (above the 9.8% of respondents in the region) cited collection of outstanding invoices while 9.3% (versus 6.9% in the region) bank lending restrictions.

### Key payment delay factors

Most of the respondents in Hong Kong (nearly two in five) indicated that late payment from domestic and foreign B2B customers is mainly due to liquidity issues. These response rates for Hong Kong are below those for the region (46.3% and 34.5% of respondents in relation to domestic and foreign late payments



respectively). The most often reported reason for payment delays from domestic and foreign B2B customers is the perception that trade credit is used as a source of short-term financing, alternative to bank borrowing. Just over 27% of respondents, consistent with the survey average, cited this payment delay factor in relation to both domestic and foreign late payments.

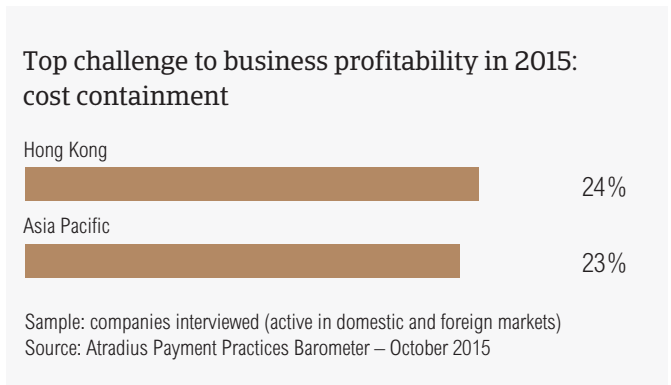
### Uncollectable accounts

2.3% of the average total value of B2B receivables in Hong Kong was reported by respondents as uncollectable. This is above the 2.0% regional average and is the highest in the region. Consistent with the survey pattern, domestic write-offs outweigh foreign ones. This is likely to reflect cultural and language differences faced by international traders when collecting accounts in foreign markets.

Domestic and foreign uncollectable B2B receivables were primarily reported as originating from the consumer durables, food and business services sectors.

For most of the respondents in Hong Kong (44.4%), B2B receivables went uncollected due to the customer being bankrupt or out of business (survey rate: 54.4% of respondents) and because the customer could no longer be located (survey rate: 35.5%). One in three respondents said that B2B receivables had to be written off as uncollectable due to the failure of collection attempts (compared to 38.6% of respondents in Asia Pacific).

To learn more about the B2B receivables collections practices in Hong Kong, please see the Global Collections Review by Atradius Collections (free download after registration), available from 28 October 2015 on [www.atradiuscollections.com](http://www.atradiuscollections.com).



More information in the [Statistical appendix](#)

### Payment practices by industry

Survey respondents in Hong Kong reported granting trade credit terms mainly to B2B customers belonging to the construction, consumer durables, electronics, food, textiles, services (financial, business services and services in general) sectors. Domestically, the longest payment terms, averaging 40 days from the invoice date, are given to B2B customers in the construction and consumer durables sectors. The most relaxed payment terms in foreign B2B trade on credit (averaging 53 days) are granted to customers in the textiles sector.

Despite the lenient payment terms granted, domestic and foreign B2B customers in the consumer durables sector generated the highest levels of past due payments. Around 55% of the total value of B2B invoices, most often from customers abroad, were paid late.

For around 55% of respondents, liquidity issues were the most frequently reported reason for domestic and foreign payment delays in the business services sector. For one in three respondents, this is the same reason for domestic payment delay in the consumer durables, food and textiles sectors.

Over half of the respondents in Hong Kong expect the payment behaviour of domestic B2B customers will remain unchanged over the next 12 months. One in three anticipates a worsening, most notably in the textiles, construction and consumer durables sectors. An improvement in payment behaviour of domestic customers, mainly in the food sector, is expected by one in six respondents.

Nearly half of the respondents in Hong Kong do not anticipate any significant change in the payment behaviour of foreign B2B customers over the coming 12 months. Around 30% of the respondents anticipate a worsening, most likely in the construction, consumer durables and textiles sectors. An improvement in foreign payment behaviour, mainly in the food and chemicals sectors, is expected by one in four respondents.

For more insights into the overall payment practices in each of the countries surveyed in Asia Pacific, please refer to the respective country reports which form, along with the regional report, the 2015 edition of the Atradius Payment Practices Barometer for Asia Pacific.

Free download on [www.atradius.com](http://www.atradius.com) – [Reports & advice section](#).

To learn more about the Survey design of the Atradius Payment Practices Barometer, please see the [report for the region](#).

If after reading this report you would like **more information about protecting your receivables against payment default** by your customers you can visit the [Atradius website](#) or if you have more specific questions, please [leave a message](#) and a product specialist will call you back.



## Statistical appendix

Asia Pacific: proportion of total B2B sales made on credit	3
Average payment terms recorded in Asia Pacific (average days)	4
Asia Pacific: proportion of domestic and foreign past due B2B invoices	5
Asia Pacific: main reasons for payment delays by domestic B2B customers	6
Asia Pacific: main reasons for payment delays by foreign B2B customers	7
Average DSO recorded in Asia Pacific	8
The greatest challenge to business profitability in 2015 for respondents in Asia Pacific	9

The [Statistical appendix](#) to this report is part of the October 2015 Payment Practices Barometer of Atradius (survey results for Asia Pacific) available at <https://group.atradius.com/reports-and-advice/>. This appendix is available for download in PDF format (English only).

Connect with Atradius  
on Social Media



### Disclaimer

This report is provided for information purposes only and is not intended as a recommendation as to particular transactions, investments or strategies in any way to any reader. Readers must make their own independent decisions, commercial or otherwise, regarding the information provided. While we have made every attempt to ensure that the information contained in this report has been obtained from reliable sources, Atradius is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this report is provided 'as is', with no guarantee of completeness, accuracy, timeliness or of the results obtained from its use, and without warranty of any kind, express or implied. In no event will Atradius, its related partnerships or corporations, or the partners, agents or employees thereof, be liable to you or anyone else for any decision made or action taken in reliance on the information in this report or for any consequential, special or similar damages, even if advised of the possibility of such damages.

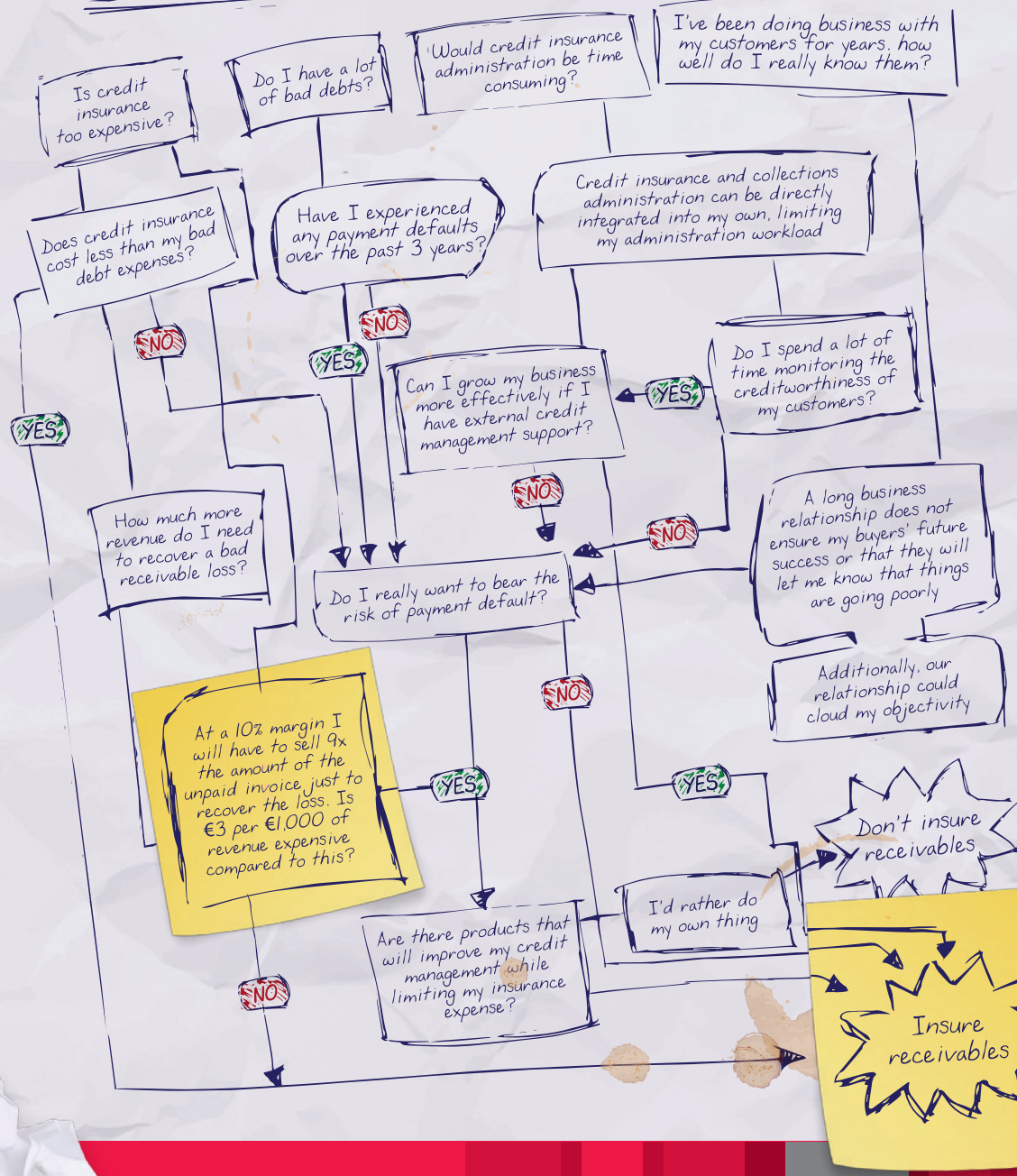
Copyright **Atradius N.V.** 2015

If you've found this report useful, why not visit our website [www.atradius.com](http://www.atradius.com), where you'll find many more Atradius publications focusing on the global economy, including country reports, industry analysis, advice on credit management and essays on current business issues.

On Twitter? Follow @Atradius or search #atradiusppb to stay up to date with the latest edition.

# Don't overcomplicate your decision about whether to use credit insurance

## SHOULD I INSURE MY RECEIVABLES?



Managing risk, enabling trade

credit insurance | debt collection | business information

Atradius N.V.  
 David Ricardostraat 1 · 1066 JS Amsterdam  
 Postbus 8982 · 1006 JD Amsterdam  
 The Netherlands  
 Phone: +31 20 553 9111

info@atradius.com  
 www.atradius.com