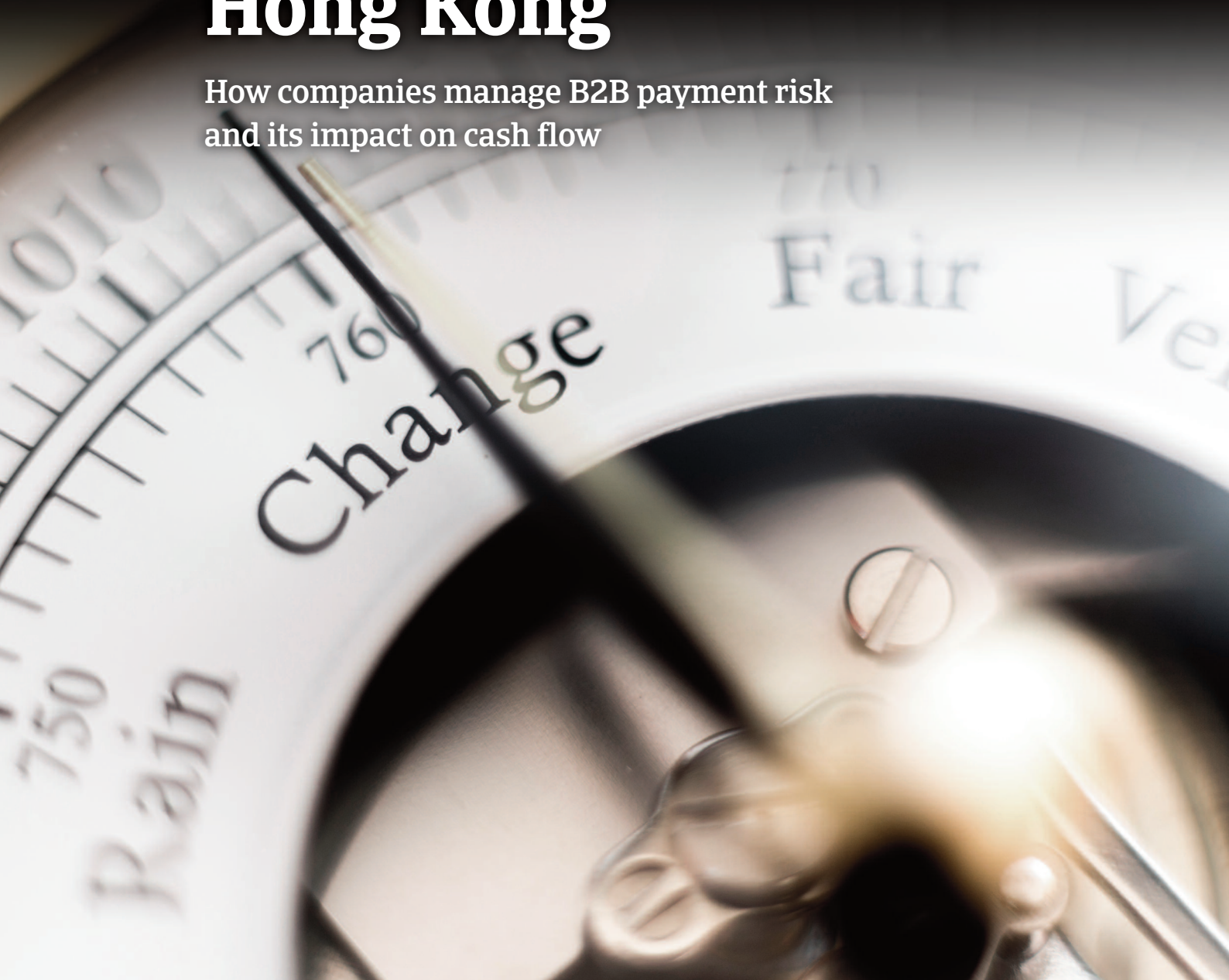




B2B payment practices trends Hong Kong

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 Hong Kong.

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



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Hong Kong

B2B payment risk management

B2B customer cashflow problems spark concern over late payments

While 63% of companies in Hong Kong report stable payment behaviour from their B2B customers, delays in payment remain a problem for many businesses across our survey. Steady payment practices are particularly evident in the electronics/ICT sector, but some consumer durables companies tell us they had to wait longer than last year to collect payments. Overall, an average 52% of sales being made on credit to B2B customers in Hong Kong are not currently paid by the due date. Bad debts written off as uncollectable stand at an average 4% of all B2B invoices, prompting significant financial strain for businesses.

The major reason for late payments, cited by 40% of Hong Kong companies, is cash flow troubles among B2B customers, causing concern that difficulties faced by one firm could spread more broadly through an industry. Overdue invoices are turned into cash on average one month beyond the due date, which affects business liquidity. Businesses tell us they respond by delaying payments to their own suppliers, risking a domino effect through a sector, and by deferring investments. To bridge cashflow gaps, most companies in Hong Kong say they rely on external financing, and one common strategy is invoice discounting. 53% of companies, particularly in the electronics/ICT industry, resort to bank loans.

Hong Kong companies trading on credit with B2B customers are adopting a balanced strategy to protect their financial health and profitability while still pursuing sales growth and encouraging repeat business. They have expanded their B2B trade credit offerings, and in the past 12 months conducted an average of 57% of all B2B sales on credit. However, to reduce risk, this approach is complemented by a significant shortening of payment terms. Invoices are now due within a 39-day average from being issued. These payment policies mostly reflect company norms, but are also customised to suit specific customer relationships, a tailored approach allowing more effective credit risk management.

Days Sales Outstanding (DSO) has remained steady for 58% of businesses in Hong Kong during the past year, perhaps reflecting a measured approach to credit risk management found in our survey. Many companies in the electronics/ICT sector, for example, say they opt for a combination of self-insurance, which involves setting aside

Key survey findings

- Payment practices of B2B customers have remained stable for 63% of companies in Hong Kong during the past year, particularly in the electronics/ICT sector. A deterioration in payment behaviour is most evident in the consumer durables industry.
- Our survey finds that, on average, 52% of B2B sales transacted on credit by businesses in Hong Kong are currently not being paid by the due date. Bad debts written off as uncollectable stand at an average 4% of all B2B invoices, putting a strain on business finance.
- The main reasons for slow payments are cashflow limitations of B2B customers and inefficient payment processes. It takes an average one month beyond the due date to convert invoices into cash. Nearly one-third of Hong Kong companies respond by slowing down payments to their own suppliers, while others defer investments.
- To bridge liquidity gaps most Hong Kong companies businesses rely on external financing. 63% of companies say they use invoice discounting, while 53% resort to bank loans. Days Sales Outstanding (DSO) has remained steady for 58% of businesses in the past year.
- 57% of all B2B sales by Hong Kong companies are currently made on credit, an increase on the previous year, as they pursue sales growth. To balance this approach payment terms have been significantly shortened to stand at an average 39 days from invoicing.
- Many businesses in Hong Kong, especially in the electronics/ICT sector, tell us they manage customer credit risk with a combination of self-insurance and transferring risk to an insurance company. Factoring, securitisation, and letters of credit are other widespread credit management tools being used.

their own funds to cover potential credit losses, and transferring customer credit risk to an insurance company. In this way, reserve funds provide a buffer against smaller, more frequent losses, while insurance coverage helps protect against larger, less predictable losses. This approach allows them to balance cost control with comprehensive risk management. Factoring, securitisation and letters of credit are other widespread credit management tools used by Hong Kong companies.

[Key figures and charts on the following pages](#)

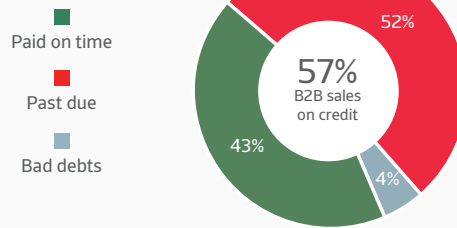


Hong Kong

B2B payment practices trends in Hong Kong

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

(% of respondents)



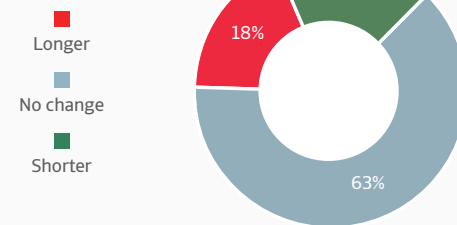
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Hong Kong – 2024

B2B payment practices trends in Hong Kong

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

(% of respondents)



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

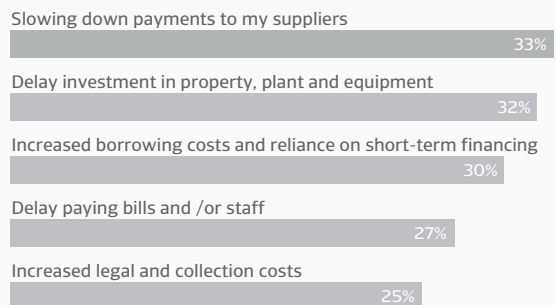
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Hong Kong – 2024

B2B payment practices trends in Hong Kong

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

(% of respondents - multiple response)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer Hong Kong – 2024

B2B payment practices trends in Hong Kong

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

- 66% Trade credit
- 66% Invoice financing
- 53% Bank loans
- 42% Internal funds

(% of respondents - multiple response)

Sample: all survey respondents

Source: Atradius Payment Practices Barometer Hong Kong – 2024

Hong Kong

Looking ahead

Widespread optimism despite geopolitical and economic worries

A positive mood about the outlook for the year ahead is clear in our survey of Hong Kong companies. 48% of businesses tell us they anticipate an improvement in B2B customer payment behaviour during the year ahead, especially in the electronics/ICT sector. Many companies in the textile-clothing industry foresee no significant change in payment practices, while only a minority expect a deterioration. The logical consequence of this is that 41% of businesses in Hong Kong also expect improvement in Days Sales Outstanding (DSO) during the coming months, against notably in the electronics/ICT industry. A possible worsening of DSO is anticipated only by a minority in the consumer durables sector.

There is also optimism about the prospects for insolvency rates among companies in Hong Kong, with 64% anticipating that these will remain unchanged in the year ahead. However, 34% of businesses, especially in the consumer durables sector, are more pessimistic and expect a negative trend in insolvencies. The overall positive mood is enhanced by 67% of companies anticipating a surge in demand for their products and services during the next 12 months, particularly in the electronics/ICT industry. Meanwhile, 61% of Hong Kong businesses tell us they expect to achieve higher profitability, and only a minority foresee a decrease in profits.

Our survey also finds that companies in Hong Kong have a variety of concerns looking ahead despite the generally optimistic environment. One major worry is about how shifting domestic and global economic conditions could impact on their businesses, notably a reduction in consumer spending and demand. The textile-clothing and consumer durables sectors are both highly sensitive to this. One in three Hong Kong businesses are also anxious about financial constraints such as a lack of capital, limited financing, and insufficient cash flow. These issues are especially critical for companies in the textile-clothing industry, where rapid fluctuations in consumer demand can quickly strain cash flow.

Further concerns for Hong Kong businesses, both in the short-term and long-term, surround geopolitical risks that create disruptions in global operations and market stability. Supply chain issues and operational inefficiencies which affect productivity are also a worry in the electronics/ICT and consumer durables sectors. Intensifying competition due to

Key survey findings

- Almost half of Hong Kong businesses expect an improvement in B2B customer payment behaviour during the year ahead, notably in the electronics/ICT sector. Most textile-clothing companies anticipate no significant change, while only a minority of businesses believe payment practices will deteriorate.
- 41% of Hong Kong companies, particularly in the electronics/ICT industry, anticipate that faster payment collection will improve Days Sales Outstanding (DSO) in the coming months. Concern that DSO will deteriorate is most acutely felt among consumer durables businesses.
- There is also a positive outlook on insolvency risks in our survey. 64% of companies expect the rate of insolvencies to remain unchanged during the year ahead. 34% of businesses, chiefly in the consumer durables sector, tell us they expect a negative trend in businesses insolvencies.
- A surge in demand for their products and services is anticipated by 67% of Hong Kong companies, notably in the electronics/ICT industry. This sector is also highly optimistic about achieving higher profitability. Overall, 61% of businesses expect improved profits in the coming 12 months.
- Amid this optimism there are concerns for Hong Kong businesses. One in three companies are anxious about challenging domestic and global economic conditions that could reduce consumer spending and demand. There is also worry about financial constraints, such as a lack of capital and insufficient cash flow.
- Several other worries are also prominent. Geopolitical risks are creating disruptions in global operations and market stability, while operational inefficiencies and supply chain issues are affecting productivity. Market saturation is intensifying competition, and human resources challenges are acutely felt by electronics/ICT business.

market saturation is another widespread anxiety, while challenges in human resource limitations are acutely felt in the electronics/ICT industry. Additionally, companies in Hong Kong tell us that refining customer acquisition strategies and strengthening client relationships is essential for achieving sustained growth and maintain a competitive edge in an evolving business landscape.

Key figures and charts on the following pages

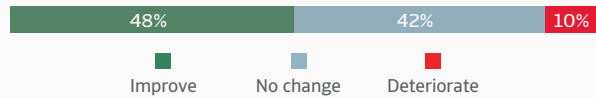


Hong Kong

B2B payment practices trends in Hong Kong

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 Hong Kong – 2024

B2B payment practices trends in Hong Kong

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 Hong Kong – 2024

B2B payment practices trends in Hong Kong

Looking ahead: top 5 concerns expressed by businesses polled

(% of respondents - multiple response)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer Hong Kong – 2024

B2B payment practices trends in Hong Kong

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

- 40% Improve
- 46% No change
- 14% Deteriorate

(% of respondents)

Sample: all survey respondents

Source: Atradius Payment Practices Barometer Hong Kong – 2024

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 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 241 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:** 241 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 = 241

Business sector	Interviews	%
Manufacturing	110	46
Wholesale trade	41	17
Retail trade/Distribution	85	35
Services	5	2
TOTAL	241	100
Business size	Interviews	%
SME: Small enterprises	14	6
SME: Medium enterprises	67	27
Medium Large enterprises	81	34
Large enterprises	79	33
TOTAL	241	100
Industries	Interviews	%
Consumer Durables	117	49
Electronics + ICT	94	39
Textiles + Clothing	30	12
TOTAL	241	100

Methodological note

Last year different industries were included in the survey for Hong Kong. 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 Hong Kong 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.

To find out more about B2B receivables collection practices in Hong Kong and worldwide, please visit atradiuscollections.com.

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