



P R E S S R E L E A S E

Hong Kong, March 31, 2017

Coface Survey: Corporate Payments Improved in China in 2016 with the Exception of Ultra-Long Overdues

A Coface survey of 1,017 Chinese companies on corporate credit risk management reveals that corporate payments improved in 2016, with only 68% of the companies experiencing overdue payments in 2016, compared to the 5-year average of 80%. Additionally, fewer respondents reported an increase in overdue amounts. But the percentage of companies experiencing ultra-long overdues amounting to more than 2% of annual sales was a worrying 35.7%.

The number of companies that reported average overdues of 90 days or more in 2016 rose to 26.3% compared to 21.0% in 2015. There was also a particularly sharp increase in respondents (15.9% vs. 9.9% in 2015) with average overdues of more than 150 days (graph 1.)

Coface's experience has shown that approximately 80% of ultra-long overdue amounts (180 days or more) are not paid back at all. When over 2% of a company's total annual revenue is involved in ultra-long overdues, liquidity can become an issue and the ability to repay suppliers is questionable.

A higher percentage of respondents (35.7% vs.33.4% in 2015) indicated that ultra-long overdue amounts accounted for over 2% of their total annual sales. In addition, there was an increase in companies (10.9% vs. 8.7% in 2015) with ultra-long overdue amounts accounting for more than 10% of their total annual sales (graph 2.) This significantly reduces cash flow, the lifeblood of a business.

High Risk Sectors: Construction, Chemicals, Industrial Machinery & Electronics

Among the 11 sectors analysed in the survey, ultra-long overdue issues deteriorated in six: chemicals, industrial machinery & electronics, IT-telecom, metals, pharmaceuticals, and retail (graph 3.)

Metals, a very high risk sector over the past few years, showed some signs of improvement, boosted by restructuring and a rebound in metal prices. Many of the companies in this sector are continuing to struggle with ultra-long overdues – although fewer were faced with ultra-long overdues that accounted for over 10% of their turnover.

Risks of non-payment remained steady in the household electric & electronic appliances sector, while improvement was seen in automotive & transportation, construction, paper-wood and textile-clothing.

Despite some relief, construction remained China's most at-risk sector in 2016, with 45.9% of companies (the highest percentage of respondents across all sectors) reporting 2% or more of their turnover in ultra-long overdues. This will be another challenging year for highly indebted construction corporates, due to tighter monetary and credit conditions.

The improvements in the automotive & transportation sector that were seen last year, stemming from government tax incentives to boost car sales, are probably temporary. There is likely to be a bumpy road ahead, due to stronger market competition, lower demand for cars, and the rising costs of raw materials.

Coface has conducted the corporate credit management survey in China since 2003. The 2016 survey is the 14th edition and surveyed 1,017 companies from different sectors between October and November 2016. The survey provides a better understanding of China-based company payment experiences and their credit management practices.

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About Coface

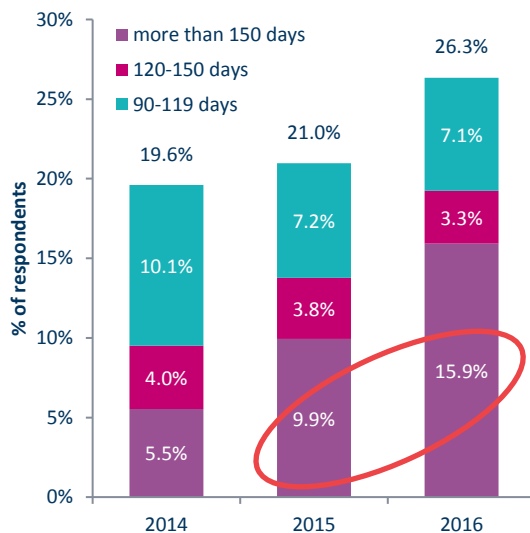
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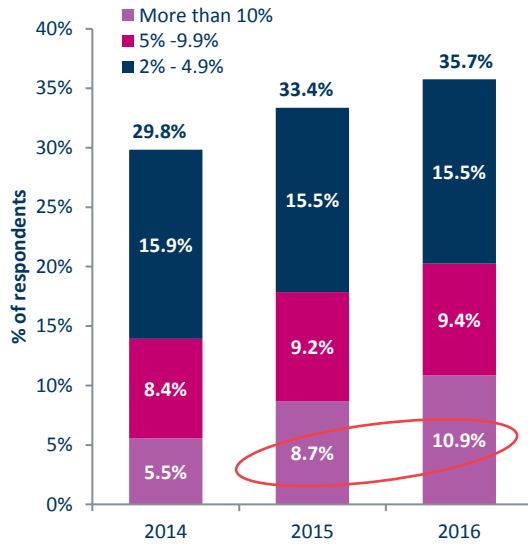


Graph 1: Average overdue days of credit sales



Source: Coface Survey 2016

Graph 2: Percentage of ultra-long overdue amounts (more than 180 days) in annual sales



Source: Coface Survey 2016

Graph 3 : Ultra-long overdue issues deteriorated in 6 sectors, but improved or stabilized in others .

Sector	Overdue issues in 2016 (% of respondents)		Coface barometer**
	Overdue issues over the past 12 months	More than 2% of their total annual turnover in ultra-long overdue issue*	
Automotives and transportation	71.8%	26.8%	●
Chemicals	90.2%	33.8%	●
Construction	66.1%	45.9%	●
Household electrics / electronic appliances	61.5%	33.3%	●
Industrial machinery & electronics	73.4%	43.9%	●
IT-telecom	55.7%	40.9%	●
Metals	64.6%	38.7%	● ↗ ●
Paper-Wood	77.8%	14.3%	●
Pharmaceuticals	78.6%	45.5%	●
Retail	63.0%	28.3%	●
Textile-Clothing	63.0%	13.8%	●
Total	67.9%	35.7%	

*Ultra-long overdue issues refer to those last 180 days or more.

**Coface's assessments are based on the financial data published by listed companies. Our statistical credit risk indicator simultaneously summarises changes in 4 financial indicators: turnover, profitability, net indebtedness and cash flow, completed by the claims recorded through our network. (Last update: March 2017).

● Low	● Medium	● High	● Very high	↗ The risk has improved	↘ The risk has deteriorated
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