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PANORAMA

ASIA CORPORATE PAYMENT SURVEY

May 2016

COFACE ECONOMIC PUBLICATIONS

By Coface Asia Pacific Economist



Coface conducts an annual survey to examine corporate payment trends and experiences in 8 selected economies¹ in the Asia Pacific region.

In 2015, credit extension practices remained largely in-line with those seen in previous years, although there were some signs of more prudent credit control. Nevertheless, overdue payment risks appear to have increased, adding to financial pressures on Asian companies. Overdue issues varied across different sectors, while the construction, industrial machinery & electronics and automotive & transportation sectors saw a deterioration in ultra-long overdue issues.

Construction appeared to be the most at risk sector in the Asia Pacific region. Its outlook for 2016 will probably remain subdued. Buying confidence is weak in both the private investment

and household sectors, against the backdrop of mounting global uncertainties. The next most vulnerable sector is that of industrial machinery & electronics. The squeeze on profit margins (due to increasing pressure on prices amid slowing inflation) could result in sector consolidations, if some companies within the segment resort to defensive strategies, using mergers and acquisitions (M&As) to strength their market power. The automotive and transportation sector saw a worrying deterioration in overdue issues in 2015, but we consider the non-payment risks to be manageable, due to buoyant demand which is benefitting from the rise of the middle income classes and the regional environment of low interest rates.

The pharmaceuticals sector is, unsurprisingly, a bright spot. Corporate payment experience in 2015 showed a clear improvement and the medium term outlook is positive,

with a structural increase in regional demand backed by the continuing rise of the middle classes and the ageing population. That being said, calls from both the government and the public for more affordable medicine could lead to intensifying price pressures.

On an economy by economy analysis, company payment experience improved in Australia and stabilised in Hong Kong and Japan. China, India and Singapore saw deteriorations in ultra-long overdue issues².

2016 is set to be a challenging year. Just over half of the companies surveyed remain cautious, viewing that the global economy is unlikely to pick up in 2016. With mounting global uncertainties, especially with the slowdown of growth in China (the region's largest economy), overall company payment experience in the 8 selected regional economies is likely to remain weak.

¹ The 8 economies are Australia, China, Hong Kong, India, Japan, Singapore, Taiwan, and Thailand.

² Thailand and Taiwan were the only economies with uncertain assessments. Despite the challenging economic situation, the survey findings showed improvements.

MAY 2016

ASIA CORPORATE PAYMENT SURVEY: OVERDUE ISSUES VARIED, ACROSS DIFFERENT SECTORS AND ECONOMIES

BY OUR ECONOMIST



JACKIT WONG
Economist, Asia Pacific
Based in Hong Kong

« With mounting global uncertainties linked to China’s growth moderation, the fiscal difficulties experienced by oil exporting countries and US monetary normalisation, overall company payment experience in Asia is likely to remain weak in 2016. »

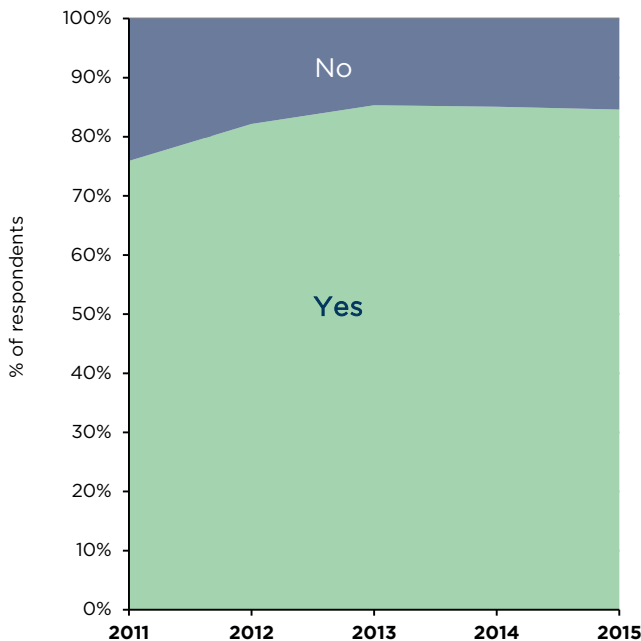
1 CORPORATE PAYMENT SURVEY RESULTS

In 2015, credit extension practices across the 8 economies surveyed in the Asia Pacific region have remained largely in line with those seen in previous years - albeit with some signs of more prudent credit control.

As seen over the past few years, the vast majority of respondent companies (84.6%), across the 8 economies in the Asia Pacific region, offered sales on credit terms to their customers in 2015 (Graph 1). This was primarily due to market competition (48.6%) and

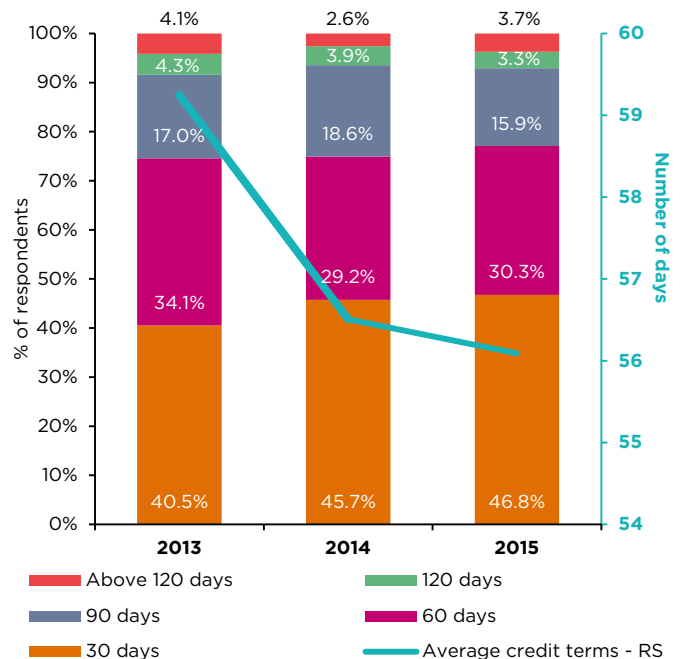
confidence in the paying ability of their customers (26.0%). It is worthy of note that a growing number of respondents (13.5% vs. 12.6% in 2014) said that offering sales on credit terms was the result of requests from customers suffering from tight liquidity.

Graph 1:
Did respondents offer credit sales to their customers during the past 12 months?



Source: Coface Survey 2015

Graph 2:
Average credit terms (from date of invoice) offered to customers during the last 12 months



Source: Coface Survey 2015

In 2015, around half of the respondent companies checked and monitored buyer credit worthiness, while slightly more than a third monitored buyer track records. This is similar to the survey results from recent years.

More respondent companies (77.1% in 2015 vs. 74.9% in 2014) granted average credit terms of 60 days or below. Unexpectedly, slightly more respondents (3.7%

in 2015 vs. 2.6% in 2014) offered average credit periods of 120 days or more (Graph 2). Overall, the average credit terms offered decreased for the third consecutive year, to 56 days in 2015 (compared to 57 days in 2014 and 59 days in 2013). In addition, there was a notable increase in respondents (45.4% vs. 43.3% in 2014) requesting secured forms of payment. All of this signals a slightly more prudent approach to credit control.

Overdue payment risks appear to have increased, adding to financial pressures on Asian companies.

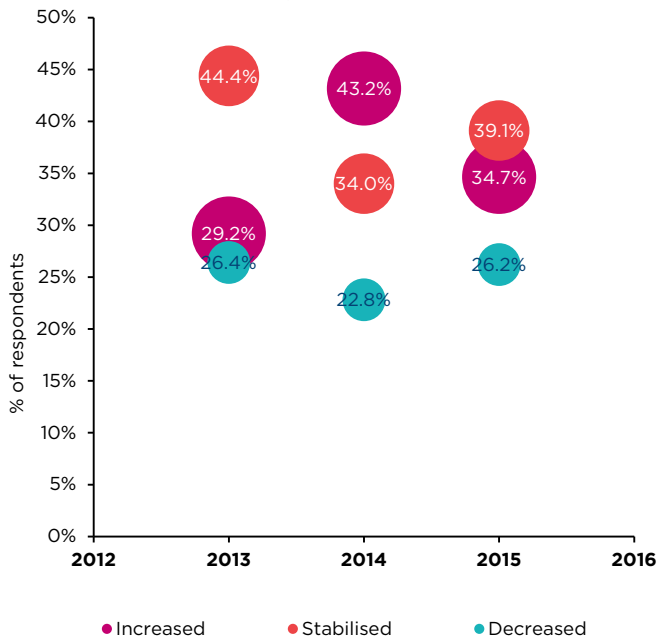
As seen in previous years, approximately 7 out of 10 respondent companies experienced overdue payments in 2015. The main reason behind these overdue payments continued to be “customer financial difficulties” (52.0% vs. 51.4% in 2014), primarily driven by “fierce competition impacting margins” (35.6% vs. 41.3% in 2014), but increasingly led by “lack of financing resources” (26.4% vs. 22.8% in 2014).

As concerns overdue amounts, no improvements were observed in 2015. Fewer respondents (21.2% vs.

25.5% in 2014) reported a decrease in overdue amounts; but on a positive note, there was only a modest increase in the percentage of respondents (36.9% vs. 36.8% in 2014) with an increase in overdue amounts (Graph 3).

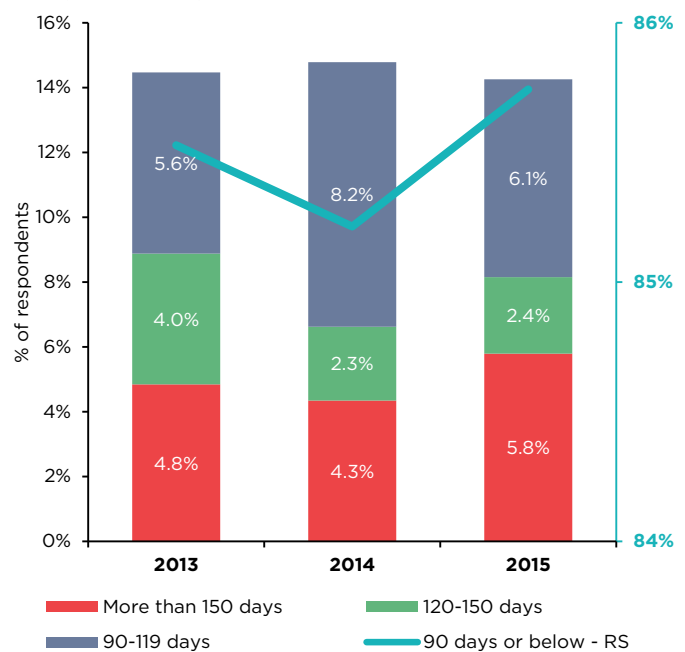
In 2015, the majority of respondent companies (85.7%) reported average overdue times of 90 days or below, similar to in previous years. Nevertheless, there was an increase in respondents (5.8% vs. 4.3% in 2014) with average overdue times of more than 150 days (Graph 4).

Graph 3: Compared with the previous year, the overdue amount (in dollars) has:



Source: Coface Survey 2015
*The higher the percentage of respondents, the larger the circle size.

Graph 4: Average overdue days of credit sales



Source: Coface Survey 2015

According to Coface's experience, approximately 80% of ultra-long overdue amounts (i.e. 180 days or more) are not paid back at all. When over 2% of a company's total annual turnover is in ultra-long overdues, the company's liquidity can become an issue, with its ability to repay suppliers in question.

In 2015, marginally fewer respondents (24.2% vs. 24.9% in 2014) said that ultra-long overdue amounts exceeded 2% of their total annual turnover. However, an analysis of the details shows that risks have actually been increasing, as more respondents (5.1%

vs. 3.4% in 2014) reported that ultra-long overdue amounts accounted for more than 10% of their total annual turnover (Graph 5). This significantly reduces cash flow, the lifeblood of a business.

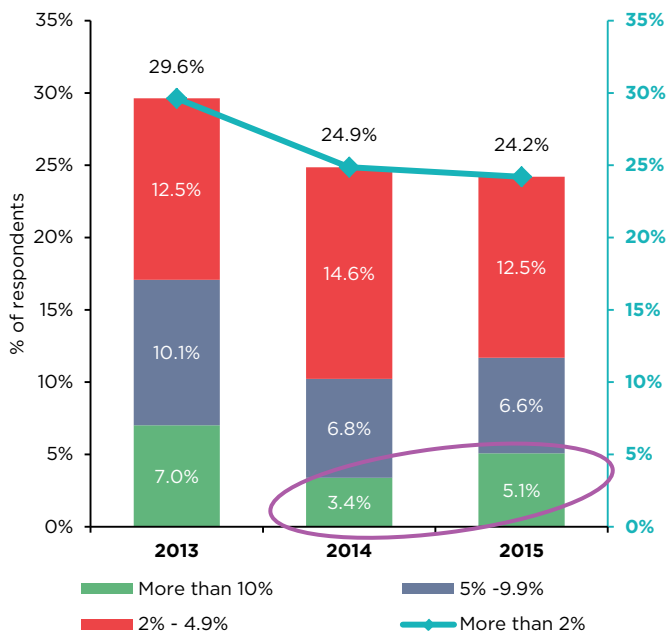
Asian companies have been facing significant financial stress when these ultra-long overdue amounts are not repaid - compounded by the squeeze on profit margins owing to industrial overcapacity, subdued demand and keener business competition in recent years.

The use of credit management tools reduces the risks of non-payment, to a certain extent, while amicable negotiations remain the most effective solutions for non-payment.

To reduce the risks of non-payment, the majority of Asian companies (65.3% vs. 63.5% in 2014) utilised credit management tools. Credit agency reports and recommendations (33.3%) continued to be the most popular tool, followed by trade credit insurance (22.6%), debt collection (19.8%) and factoring (14.4%).

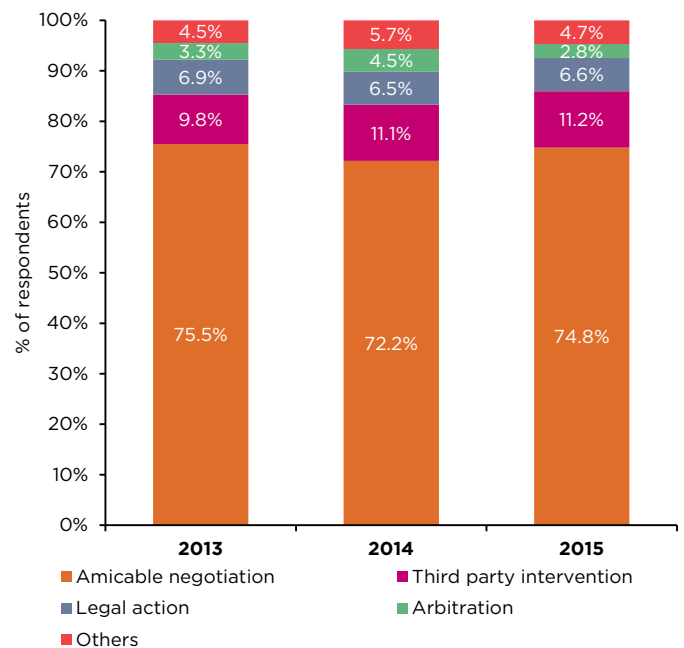
As concerns solutions for non-payments, the majority of respondent companies (74.8% vs. 72.2% in 2014) continue to favour amicable negotiations (i.e. repayment schedules) as the most effective tool, while some prefer third party intervention and legal actions (Graph 6).

Graph 5:
Percentage of ultra-long overdue amounts (more than 180 days) in annual turnover



Source: Coface Survey 2015

Graph 6:
The most effective actions in case of non-payment



Source: Coface Survey 2015

More than half consider that the global economy is unlikely to pick up in 2016.

Looking ahead, 56.0% of respondents consider that the global economy is unlikely to pick up in 2016, in line with Coface's predictions. This cautious stance could suggest a more prudent approach to credit control when offering sales on credit. 2016 is set to be a challenging year, with mounting global uncertainties

linked to China's growth moderation, the fiscal difficulties experienced by oil exporting countries and US monetary normalisation. Taking these factors into consideration, overall company payment experience in the 8 selected regional economies is likely to remain weak.

2

SECTORIAL ANALYSIS

Across sectors, offering sales on credit terms continued to be a common business practice, although the average credit terms varied.

Among the 11 sectors analysed in the survey, IT-telecoms was the one with the highest percentage of respondents offering sales on credit terms (90.3%), with 4.1% more respondents doing so in 2015 than in 2014. This was closely followed by chemicals (88.9%) and paper-wood (88.6%), while the lowest percentage

was found in retail - with 76.2% of respondents providing sales on credit terms (Table 1). This shows that offering sales on credit terms is a common business practice across the various sectors in the 8 selected economies in the Asia Pacific region.

Table 1: % of respondents offering sales on credit terms over the past 12 months by sector

Rank*	Rank*		Sector	% of respondents	Variation**
	2015	2014			
1	5	IT-telecom	90.3%	4.1%	
2	1	Chemicals	88.9%	-2.1%	
3	2	Paper-wood	88.6%	-1.6%	
4	3	Metals	87.7%	-0.2%	
5	4	Industrial machinery & electronics	87.4%	0.1%	
6	8	Automotive and transportation	86.9%	4.9%	
7	10	Pharmaceuticals	83.3%	4.2%	
8	6	Household electronics	83.2%	-2.8%	
9	7	Construction	82.6%	-2.6%	
10	9	Textile-clothing	78.2%	-1.8%	
11	11	Retail	76.2%	-1.8%	
		Total	84.6%	-0.5%	

*The higher the percentage of respondents offering sales on credit terms, the higher the ranking.

**Variation refers to the difference of % of respondents offering sales on credit terms over the past 12 months between our 2015 and 2014 survey.

Source: Coface Survey 2015

The average credit terms offered across sectors did, however, vary - from 49 days in the retail sector, up to 63 days in the industrial machinery & electronics sector. The overall average for 2015 was 56 days. When comparing the average credit terms offered in 2015 to 2014, the pharmaceuticals, chemicals and IT-

telecom sectors provided notably shorter average credit terms in 2015, while the construction sector offered significantly longer ones (Table 2). This is, in part, a reflection of the changes in credit control and liquidity conditions within these sectors in 2015.

Table 2: Average credit terms (in number of days) by sector

Rank*	Rank*		Sector	% of respondents	Variation**
	2015	2014			
1	1	Industrial machinery & electronics	63	-2	
2	3	Automotive and transportation	60	-2	
3	7	Household electronics	59	2	
3	10	Construction	59	11	
5	7	Paper-wood	58	1	
6	6	Metals	57	-1	
7	2	Pharmaceuticals	55	-8	
7	4	IT-telecom	55	-5	
9	4	Chemicals	54	-6	
10	9	Textile-clothing	53	1	
11	11	Retail	49	3	
		Total	56	-1	

*The longer the average credit terms offered, the higher the rank.

**Variation refers to the difference of average credit terms between 2015 and 2014.

Source: Coface Survey 2015

Overdue issues deteriorated in 3 sectors, but improved or stabilised in others.

Sectors	Overdue issues in 2015 vs. 2014 (% of respondents)							Coface barometer**
	Overdue issues over the past 12 months		Increase in overdue amounts over the last year		Ultra-long overdue issues*		vs. 2014	
	2015	2014	2015	2014	Rank 2015	Rank 2014		
Automotive and transportation	70.8%	69.2%	35.1%	31.2%	6	11	Deteriorated	●
Chemicals	75.0%	75.2%	41.0%	39.7%	10	7	Improved	●
Construction	72.5%	76.8%	49.1%	38.8%	1	8	Deteriorated	●
Household electronics***	69.0%	69.6%	32.8%	36.2%	5	2	Improved	● ●
Industrial machinery & electronics***	77.7%	69.6%	44.3%	43.6%	2	3	Deteriorated	● ●
IT-Telecom***	74.3%	78.1%	29.8%	36.4%	7	5	Improved	● ●
Metals	68.5%	64.7%	40.3%	34.6%	8	10	Stabilised	●
Paper-wood	73.9%	73.9%	41.5%	29.4%	9	4	Improved	●
Pharmaceuticals	62.5%	70.4%	23.3%	38.3%	4	6	Improved	●
Retail	64.3%	62.2%	28.0%	29.5%	11	9	Improved	● ●
Textile-clothing	60.0%	63.9%	37.2%	32.1%	3	1	Improved	●
Total	69.8%	69.8%	36.9%	36.8%			Deteriorated	

*The higher the percentage of respondents suffering from ultra-long overdue amounts exceeding 2% of annual turnover, the higher the rank and thus the more vulnerable the sector. This percentage of respondents with ultra-long overdues in 2015 was compared to 2014, to give a 3 level assessment: Deteriorated, Stabilised and Improved.

**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 - This barometer refers to Emerging Asia (Last update: April 2016).

***For coface barometer, these three sectors are categorised as the Information and Communication Technologies (ICT), according to Coface.

Source: Coface Survey 2015

● Low risk

● Medium risk

● High risk

● Very high risk

The risk has improved

The risk has deteriorated

Construction: Risks intensifying with weak outlook

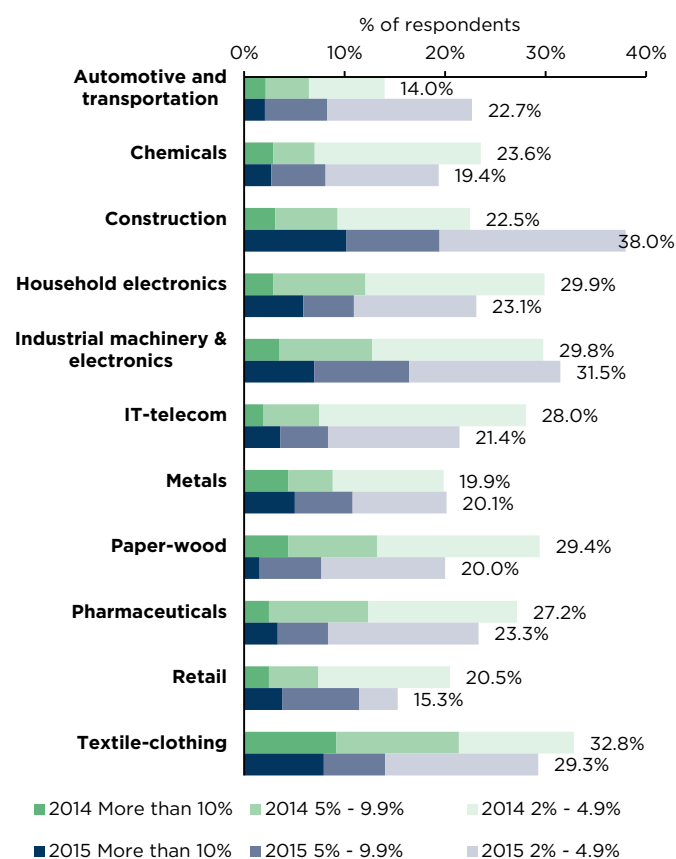
Construction was the most at risk sector in the Asia Pacific region in 2015, despite fewer respondents (72.5% vs. 76.8% in 2014) having overdue issues. The three key reasons were:

- (i) A significantly higher percentage of respondents (38.0% vs. 22.5% in 2014) reported ultra-long overdue issues concerning more than 2% of their turnover³. Of these, just over a quarter had more than 10% of their turnover involved in ultra-long overdue issues (Graph 7). This sharp deterioration led to construction being the most vulnerable sector in 2015 (in terms of the percentage of respondents with more than 2% of total annual turnover involved in ultra-long overdue issues).
- (ii) A greater percentage of respondents (25.9% vs. 14.0% in 2014) from the construction sector suffered from average overdue periods of more than 90 days. Of these companies, half (13.0% vs. 5.4% in 2014) faced even longer average overdue periods - of over 150 days (Graph 8).

- (iii) A higher percentage increase (49.1% vs. 38.8% in 2014) experienced a rise in overdue amounts in 2015.

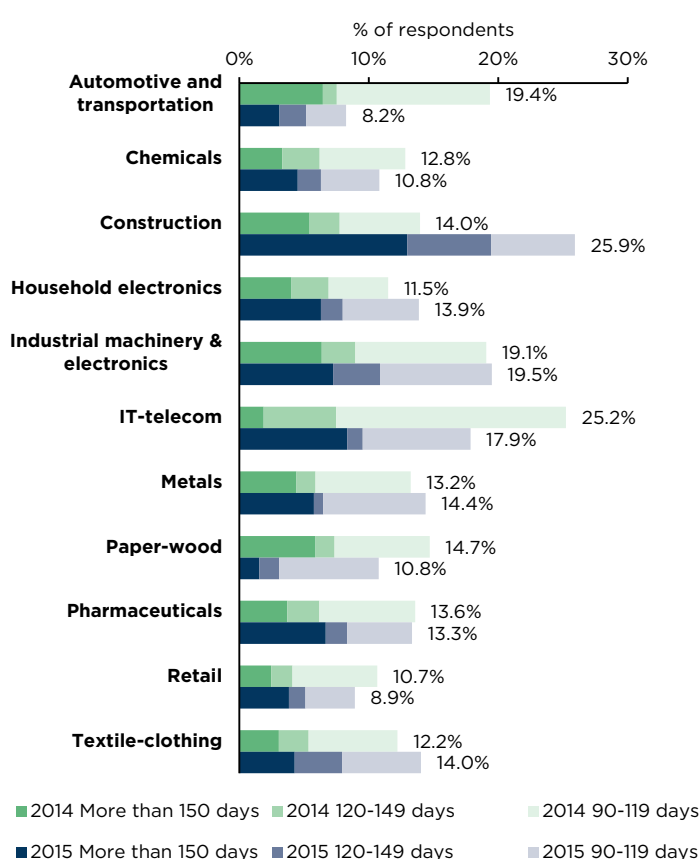
In 2016, the outlook for the construction sector is likely to remain weak. Headwinds originating from the economic slowdown in China (the region's largest economy), combined with structural reforms and uncertainties around the timetable of the US rate hike, are likely to weigh on the region's economic outlook, dampening sentiments for both private investment and consumer home purchasing. In addition to this, construction is one of the most indebted sectors⁴, which further limits scope for private investment. As household debt remains high in some Asian countries - such as Australia, Thailand and Singapore, as well as Malaysia and South Korea (not in our survey) - this somewhat reduces the capacity for home purchasing. That being said, the continuing environment of low (if not lower) interest rates in the region could somewhat bolster purchasing intentions. Ongoing public infrastructure projects could also provide a cushion to the construction sector.

Graph 7:
Total annual turnover in ultra-long overdues (% of respondents), by sector



Source: Coface Survey 2015

Graph 8:
Average overdue times of more than 90 days (% of respondents), by sector



Source: Coface Survey 2015

³ According to Coface's experience, approximately 80% of ultra-long overdues (i.e., those of 180 days or more) are not repaid back at all. When a company has more than 2% of its total annual turnover involved in ultra-long overdue issues, its liquidity can be an issue and its ability to repay suppliers could be questioned.

⁴ Bornhorst F. and Ruiz Arranz M. (2011): "Growth and the Importance of Sequencing Debt Reduction across Sectors", Jobs and Growth: Supporting the European Recovery, Chapter 2, International Monetary Fund.

Industrial machinery & electronics: No light at the end of the tunnel as yet

Closely following the construction sector, industrial machinery & electronics is the next most vulnerable.

- (i) 31.5% of companies reported more than 2% of their turnover in ultra-long overdues.
- (ii) 19.5% of respondents noted average overdue times of more than 90 days.
- (iii) 44.3% saw an increase in overdue amounts in 2015 (vs 43.6% in 2014). Across all sectors, it was industrial machinery & electronics that had the highest percentage of respondents (77.7% vs. 69.6% in 2014) experiencing overdue issues in 2015. The across sector average was 69.8%, with the lowest being for the textile-clothing sector, at 60%.

2016 is likely to be another difficult year for the industrial machinery & electronics sector. The

industrial machinery segment is pro-cyclical and demand will probably remain dormant, due to sluggish trade growth, China's economic rebalancing towards services and weak capital spending against the backdrop of the Japanisation of the world economy⁵. At the same time, slowing inflation (if not deflation) will probably cause stress on prices, squeezing profit margins. As a result, it would not be surprising to see some companies within this segment resorting to the defensive strategy of mergers and acquisitions (M&As) to strength their market power.

In April 2016, Coface downgraded information and communication technologies (ICT) in emerging Asia to high risk, from medium risk, mainly due to the electronics segment⁶. The two main factors triggering this downgrade are (i) some signs of saturation in the Chinese market - which has been the key driver for global sales, and (ii) keener market competition, which is squeezing the segment's margin.

Automotive and transportation: Risks deteriorating but manageable

The automotive and transportation sector saw a worrying deterioration in overdue issues during 2015 compared to 2014. More companies reported an increase in overdue amounts (35.1% vs. 31.2% in 2014) and there was a clear percentage increase in respondents from this sector (22.7% vs. 14.0% in 2014) suffering from ultra-long overdue issues. Nevertheless, we consider the non-payment risks in this sector to be manageable, for three reasons:

- (i) For companies reporting a deterioration in ultra-long overdue issues (14.4% vs. 7.4% in 2014), they mainly concerned 2% to 4.9% of their turnover. This appears to be relatively less worrying, considering the sector's long production cycle.

- (ii) There was a marked improvement in average overdue times, with a sharp percentage decline in respondents (8.2% vs. 19.4% in 2014) suffering from an average overdue period of more than 90 days.

- (iii) Demand will probably benefit from the rise in the middle income class and the regional environment of low interest rates. Furthermore, a boost in Chinese demand (emanating from tax cuts on vehicles with engines of 1.6 litres or less, effective from Oct 1, 2015 to the end of 2016) will probably add some colour to the sector this year.

Metals: Still very risky

Metals, a very high risk sector, saw no improvements in 2015. Not only were more respondents (68.5% vs. 64.7% in 2014) from the metals sector faced with overdue issues, but there was a notable percentage increase in those suffering from an increase in overdue amounts in 2015 (40.3% vs. 34.6% in 2014). Meanwhile, many metals companies continued to struggle with ultra-long overdue issues. 20.1% (vs. 19.9% in 2014) had ultra-long overdues accounting for more than 2% of their turnover, while for 5.0% (vs. 4.4% in 2014) they weighed over 10% of turnover.

The metals sector will probably continue to face challenges. The outlook for 2016 is negative, stemming from (i) subdued Chinese and global demand, (ii) significant overcapacities and (iii) low prices amid market disequilibrium. Restructuring in this sector is likely to kick start in 2016, commencing with the closure of zombie steel companies in China and the rise of M&A activities.

⁵ For more details, please refer to [Country Risk Barometer Q1 2016](#).

⁶ For more details, please refer to [Barometer of sector risks - April 2016](#).

Textile-clothing and household electronics: challenging but improving

In 2015, fewer respondents from the textile-clothing (29.3% vs. 32.8% in 2014) and household electronics (23.1% vs. 29.9% in 2014) sectors suffered from ultra-long overdue issues. Nevertheless, these two sectors remained among the five riskiest sectors (out of 11) in 2015. Textile-clothing saw a substantial percentage increase in respondents (37.2% vs. 32.1% in 2014) with a rise in overdue amounts. The household electronics sector showed a considerable percentage increase in respondents (6.3% vs. 4.0% in 2013) suffering from average overdue times of more than 150 days.

Looking ahead, the textile-clothing and household electronics sectors are likely to remain on a

challenging path, with increasing stress on prices (amid slowing inflation - if not deflation), resulting in a squeeze on profit margins. In the 8 surveyed economies in the Asia Pacific region, rising wages and fast fashion will probably weigh on the textile-clothing sector. Meanwhile, sluggish demand (amid market saturation and keener market competition), is likely to set a challenging path for the household electronics sector. Some elements of the manufacturing process are expected to continue to shift to other countries in the region with lower labour costs, such as Cambodia, Myanmar, the Philippines and Vietnam.

Chemicals, IT-telecom, paper-wood and retail: improvements - but uncertainties remain

The fact that few respondents from the chemicals, IT-telecom, paper-wood and retail sectors suffered from ultra-long overdue issues in 2015, indicates signs of improvement.

The retail sector appeared to be the least vulnerable sector, with the lowest percentage of respondents (15.3%) across all sectors reporting more than 2% of their total annual turnover in ultra-long overdue issues - although considerably more respondents (3.8% vs. 2.5% in 2014) struggled with ultra-long overdues accounting for more than 10% of their total annual turnover. The outlook for 2016 remains cautiously optimistic, against the backdrop of the region's burgeoning middle classes. Nevertheless, external headwinds and the high level of household debt in some of the region's economies - such as Malaysia (though not included in the survey), Taiwan and Thailand, where household debt exceeded 80% of GDP in 2014- will add downside risks to the near-term outlook.

The chemicals, paper-wood and IT-telecom sectors showed improvements, although some risks remain. 41% of respondents from the chemical sector suffered from an increase in overdue amounts in 2015 (compared to 39.7% in 2014). Low oil prices should, however, provide a buffer to this sector in 2016. In the paper-wood sector, there was a substantial percentage increase in respondents (41.5% vs. 29.4% in 2014) noting a growth in overdue amounts in 2015. Nevertheless, demand for tissue papers and packaging, due to the expansion of the middle classes, will help outweigh the adverse impacts of digitalisation on the printing and publishing segments in 2016. For the IT-telecoms sector, non-payment risks appear to have increased, with a higher percentage of respondents (8.3% vs. 1.9% in 2014) suffering average overdue times of more than 150 days in 2015. Slower growth in demand and keener market competition in this sector will probably lead to M&A activities.

Pharmaceuticals: Unsurprisingly, a bright spot

The pharmaceuticals sector clearly demonstrated an improvement in corporate payments in 2015. Not only did fewer respondents (62.5% vs. 70.4% in 2014) report overdue issues in 2015, but significantly less (23.3% vs. 38.3% in 2014) noted an increase in overdue amounts. Furthermore, there was a fall in the percentage of respondents (23.3% vs. 27.2%) suffering from ultra-long overdue issues. Despite this, it should be noted that there was a slight percentage increase in companies (3.3% vs. 2.5% in 2014) where ultra-long overdues accounted for more than 10% of their annual turnover and visibly more respondents (6.7%, vs. 3.7%

in 2014) suffered from average overdue times of over 150 days.

Going forward, the pharmaceuticals sector is likely to enjoy a buoyant increase in regional demand, with the continuing expansion of the middle class and ageing populations. Nevertheless, companies in this sector will probably be faced with intensifying price pressures, as governments and the public lobby for more affordable medicine.

3 ECONOMY BY ECONOMY ANALYSIS

AUSTRALIA

Australia: Improvements, with downside risks

Coface assessment					
Country risk: A2		Business climate: A1			
Key corporate payment survey results	2013	2014	2015	2015 vs. 2014*	vs. APAC**
Credit sales and terms					
Sales on credit terms (% of respondents)	92.6%	81.9%	89.4%	Increased	Above
Average credit terms (days)	41	38	35	Decreased	
Overdue issues (% of respondents)					
Overdue experience over the last 12 months	85.1%	73.5%	66.8%	Improved	Better
Increase in overdue amounts over the last year	23.0%	23.4%	15.2%	Improved	Better
Average overdue times of more than 90 days	9.5%	7.4%	4.8%	Improved	Better
Ultra long overdue amounts exceeded more than 2% of annual turnover	23.0%	16.6%	9.7%	Improved	Better
Overall***				Improved	
Key economic indicators	2013	2014	2015	2016 (f)	
Real GDP growth (%)	2.0%	2.6%	2.5%	2.4%	
Inflation (% average)	2.4%	2.5%	1.6%	2.1%	

(f): forecast

*2015 vs. 2014: By comparing the country survey results of 2015 to 2014, we assign a 3-level rating: Improved; Stabilised; Deteriorated.

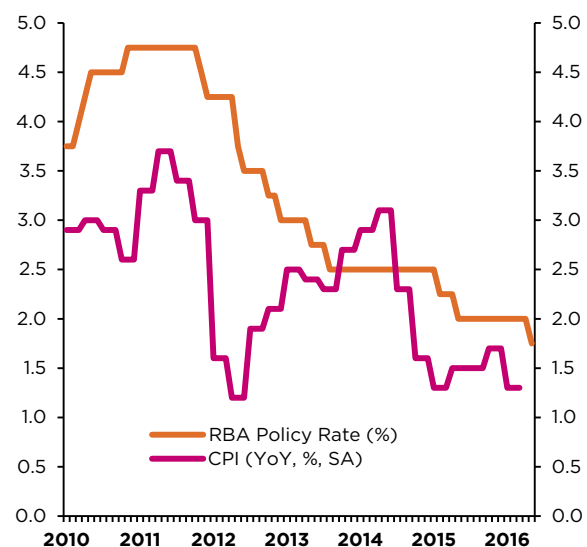
**Vs. APAC: By comparing the country survey results with the average of the 8 selected Asia Pacific countries in 2015, we assign a 3-level rating: Better, Neutral, Worse.

***Overall results are assessed based on both survey results and Coface claims experience in 2015.

In 2015, more of the respondent companies from Australia offered sales on credit terms, albeit with a decrease in overall average credit terms. The overall corporate payment experience in Australia improved, with fewer respondents faced with overdue and ultra-long overdue issues. This was a marked improvement, especially against the backdrop of the slowing domestic economy and the rout of commodities.

Looking forward, Coface forecasts that the Australian economy will grow at a similar pace in 2016 as in 2015. This is in line with the overall predictions of Australian respondents, as just over half (53%) do not expect the Australian economy to improve. Downside risks will probably stem from low international commodity prices and the economic slowdown in China – Australia's biggest trading partner. Slowing inflation will probably provide room for the Reserve Bank of Australia (RBA) to maintain its accommodative stance to supporting the economy (Graph 9). On May 3, 2016, the RBA cut its policy rate by 25 basis points, to an all-time low of 1.75%, to support necessary economic adjustments amid lower than expected inflationary pressures.

Graph 9:
Australia's consumer price index (YoY, %, SA) and policy rate (%)



Source: CEIC (Last update: April 27, 2016)

CHINA

China: Rebalancing the challenges

Coface assessment

Country risk: **A4** (downgraded from A3 in June 2015)

Business climate: **B**

Key corporate payment survey results	2013	2014	2015	2015 vs. 2014*	vs. APAC**
Credit sales and terms					
Sales on credit terms (% of respondents)	91.8%	89.6%	89.2%	Steady	Above
Average credit terms (days)	66	63	66	Increased	
Overdue issues (% of respondents)					
Overdue experience over the last 12 months	81.7%	79.8%	80.6%	Stabilised	Worse
Increase in overdue amounts over the last year	44.9%	56.4%	58.1%	Deteriorated	Worse
Average overdue times of more than 90 days	17.7%	19.7%	21.0%	Deteriorated	Worse
Ultra long overdue amounts exceeded more than 2% of annual turnover	33.3%	29.8%	33.4%	Deteriorated	Worse
Overall***	Deteriorated				
Key economic indicators					
Real GDP growth (%)	2013	2014	2015	2016 (f)	
	7.7%	7.3%	6.9%	6.5%	
Inflation (% average)	2.6%	2.0%	1.5%	1.8%	

(f): forecast

*2015 vs. 2014: By comparing the country survey results of 2015 to 2014, we assign a 3-level rating: Improved; Stabilised; Deteriorated.

**Vs. APAC: By comparing the country survey results with the average of the 8 selected Asia Pacific countries in 2015, we assign a 3-level rating: Better, Neutral, Worse.

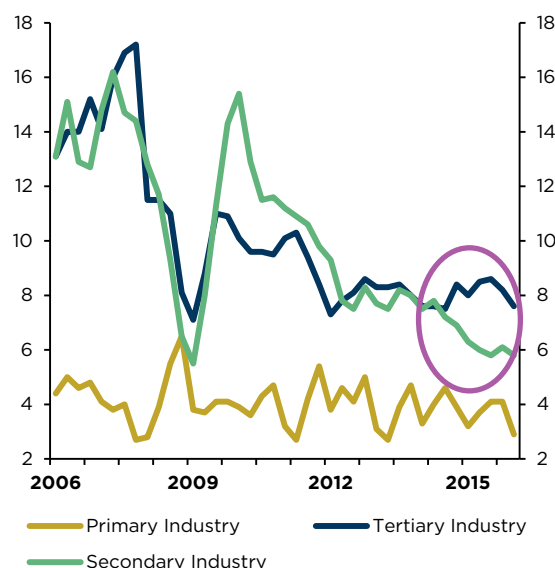
***Overall results are assessed based on both survey results and Coface claims experience in 2015.

In China, the provision of sales on credit terms continued to be common business practice in 2015. Average credit terms offered rose to 66 days in 2015, up from 63 days in 2014. With the country's structural rebalancing and economic slowdown, the overall corporate payment experience in China⁷ remained weak. Despite a similar percentage of respondents facing overdue issues over the past three years, more and more respondents reported growth in overdue amounts and average overdue periods of more than 90 days. In addition to this, there was a marked percentage increase in respondents with over 2% of their annual turnover involved in ultra-long overdue issues, which added to financial pressure on companies.

The Chinese economy is expected to grow by 6.5% in 2016 - down from the 6.9% noted in 2015. This is in line with the overall expectations of Chinese respondents, as the majority (68.8%) do not anticipate that the economy will improve. The country's structural rebalancing is likely to continue, with support from both expansionary monetary and fiscal policies. The growth rate of tertiary industries will probably continue to surpass that of secondary industries (Graph 10).

Graph 10:

China's quarterly real GDP growth (YoY, %), by industry



Source: CEIC (Last update: April 16, 2016)

⁷ For more details, please refer to [China Corporate payment survey](#).

HONG KONG

Hong Kong: Prudent adjustments

Coface assessment

Country risk: A1 (under negative watch list in January 2016)

Business climate: A2

Key corporate payment survey results	2013	2014	2015	2015 vs. 2014*	vs. APAC**
Credit sales and terms					
Sales on credit terms (% of respondents)	68.2%	76.8%	69.4%	Decreased	Below
Average credit terms (days)	48	50	49	Steady	
Overdue issues (% of respondents)					
Overdue experience over the last 12 months	52.6%	55.4%	53.6%	Improved	Better
Increase in overdue amounts over the last year	37.8%	18.4%	20.6%	Deteriorated	Better
Average overdue times of more than 90 days	12.2%	17.7%	15.8%	Improved	Neutral
Ultra long overdue amounts exceeded more than 2% of annual turnover	35.5%	32.9%	23.9%	Improved	Neutral
Overall***	Stabilised				
Key economic indicators					
Real GDP growth (%)	2013	2014	2015	2016 (f)	
	3.1%	2.5%	2.4%	1.5%	
Inflation (% average)	4.3%	4.4%	3.0%	3.0%	

(f): forecast

*2015 vs. 2014: By comparing the country survey results of 2015 to 2014, we assign a 3-level rating: Improved; Stabilised; Deteriorated.

**Vs. APAC: By comparing the country survey results with the average of the 8 selected Asia Pacific countries in 2015, we assign a 3-level rating: Better, Neutral, Worse.

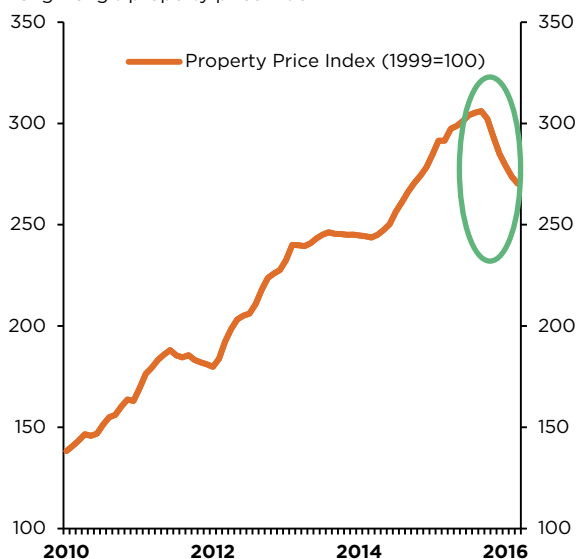
***Overall results are assessed based on both survey results and Coface claims experience in 2015.

Companies in Hong Kong adopted a more prudent approach to credit in 2015, with fewer respondents offering sales on credits (69.4% vs. 76.8% in 2014) and a slight decrease in average credit terms (49 days, vs. 50 days in 2014). As a result, overall company payment experience in Hong Kong stabilised. Fewer companies were faced with overdue issues - and in particular ultra-long overdues (23.9% vs. 32.9% in 2014).

With the continued growth of economic integration between Hong Kong and China, it is widely perceived that any economic 'shock' from China has a level of impact on Hong Kong's economic growth. More than half of the respondent companies from Hong Kong (58%) do not expect the economy to improve in 2016. With mounting external uncertainties, in addition to adjustments to local home prices (Graph 11), Hong Kong's externally-oriented economic growth is expected to slow to 1.5% in 2016, down from 2.4% in 2015.

Graph 11:

Hong Kong's property price index



Source: CEIC (Last update: April 29, 2016)

INDIA

India: Rising tail risks masked by strong growth prospects

Coface assessment

Country risk: A4

Business climate: B

Key corporate payment survey results	2013	2014	2015	2015 vs. 2014*	vs. APAC**
Credit sales and terms					
Sales on credit terms (% of respondents)	80.7%	94.0%	91.2%	Decreased	Above
Average credit terms (days)	44	49	43	Decreased	
Overdue issues (% of respondents)					
Overdue experience over the last 12 months	63.3%	85.7%	84.0%	Improved	Worse
Increase in overdue amounts over the last year	21.1%	24.6%	10.0%	Improved	Better
Average overdue times of more than 90 days	9.7%	9.6%	8.0%	Improved	Better
Ultra long overdue amounts exceeded more than 2% of annual turnover	30.0%	24.1%	32.0%	Deteriorated	Worse

Overall***

Deteriorated

Key economic indicators	2013/14	2014/15	2015/16 (f)	2016/17 (f)
Real GDP growth (%)	6.9%	7.3%	7.2%	7.2%
Inflation (% average)	10.0%	5.9%	5.4%	5.5%

(f): forecast

*2015 vs. 2014: By comparing the country survey results of 2015 to 2014, we assign a 3-level rating: Improved; Stabilised; Deteriorated.

**Vs. APAC: By comparing the country survey results with the average of the 8 selected Asia Pacific countries in 2015, we assign a 3-level rating: Better, Neutral, Worse.

***Overall results are assessed based on both survey results and Coface claims experience in 2015.

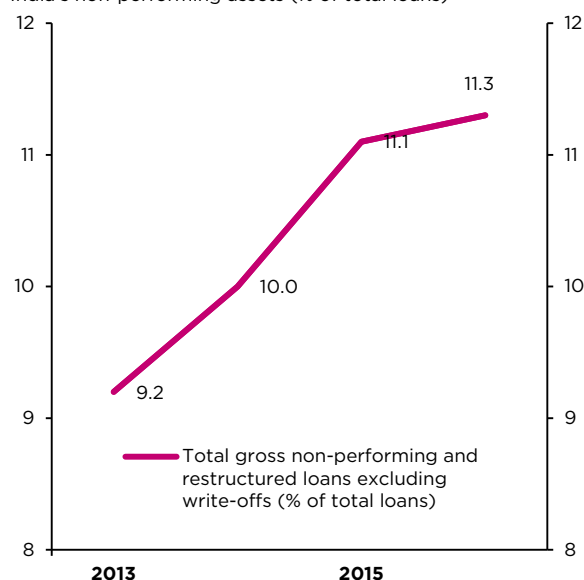
In India, most respondent companies offered sales on credits in 2015, although the average credit terms offered decreased significantly, to 43 days, down from 49 days in 2014. This prudent credit approach resulted in a somewhat improved company payment experience. Slightly fewer respondents (although still more than 8 in 10 corporates), faced overdue issues in 2015, while considerably less reported growth in overdue amounts (10.0% vs. 24.6% in 2014) and in average overdue times of more than 90 days (8.0% vs. 9.6% in 2014). Conversely, there was a marked percentage increase in respondents (32.0% vs. 24.1% in 2014) with more than 2% of their annual turnover involved in ultra-long overdue issues. This indicates a surge in tail risks, with more companies facing greater financial stress due to ultra-long overdue issues.

Indian respondent companies appeared to be optimistic, with 84.0% expecting economic growth to accelerate in 2016. Accommodative monetary policies, slowing inflation and the improved transmission of policy rate reductions to lending rates should help to bolster strong growth prospects for India.

Nevertheless, the problem of non-performing assets (Graph 12) will probably reduce the lending capacity and profitability of banks - which means that some companies could suffer from tightening bank credit

controls. In addition to this, the slower than expected implementation of reforms will probably cloud the medium term outlook.

Graph 12:
India's non-performing assets (% of total loans)



Source: Reserve Bank of India (Last update: February 11, 2016)

JAPAN

Japan: Abenomics in doubts

Coface assessment		Business climate: A1			
Country risk: A2 (downgraded from A1 in March 2016)					
Key corporate payment survey results	2013	2014	2015	2015 vs. 2014*	vs. APAC**
Credit sales and terms					
Sales on credit terms (% of respondents)	84.0%	87.9%	87.5%	Steady	Above
Average credit terms (days)	67	68	76	Increased	
Overdue issues (% of respondents)					
Overdue experience over the last 12 months	36.0%	43.4%	45.4%	Deteriorated	Better
Increase in overdue amounts over the last year	12.5%	17.4%	21.7%	Deteriorated	Better
Average overdue times of more than 90 days	5.6%	10.5%	10.1%	Stabilised	Better
Ultra long overdue amounts exceeded more than 2% of annual turnover	8.3%	7.0%	2.9%	Improved	Better
Overall***					Stabilised
Key economic indicators					
Real GDP growth (%)	2013	2014	2015	2016 (f)	
	1.6%	-0.1%	0.5%	0.5%	
Inflation (% , average)	0.4%	2.7%	0.9%	0.6%	

(f): forecast

*2015 vs. 2014: By comparing the country survey results of 2015 to 2014, we assign a 3-level rating: Improved; Stabilised; Deteriorated.

**Vs. APAC: By comparing the country survey results with the average of the 8 selected Asia Pacific countries in 2015, we assign a 3-level rating: Better, Neutral, Worse.

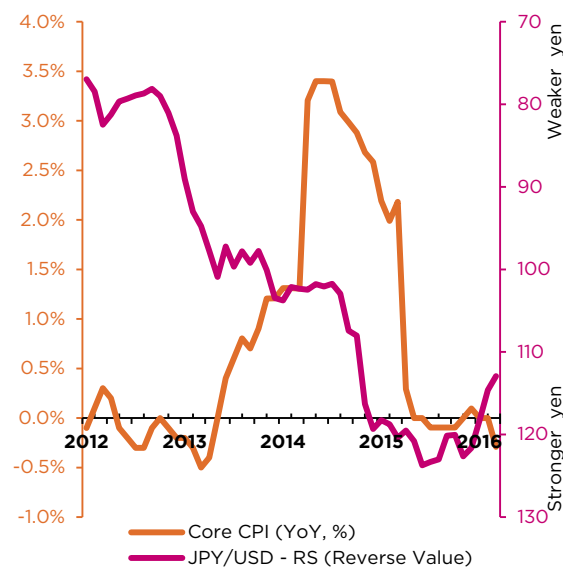
***Overall results are assessed based on both survey results and Coface claims experience in 2015.

Offering sales on credit terms is a common business practice in Japan. Respondent companies in the survey markedly loosened their average credit terms in 2015, to 76 days, up from 68 days the year before. Despite this apparently looser approach to credit control, overall company payment experience remained fairly stable. Slightly more respondents were faced with overdue issues (45.4% vs. 43.4% in 2014) and reported growth in overdue amounts (21.7% vs. 17.4% in 2014). Marginally fewer respondents (10.1%, vs. 10.5% in 2014) experienced overdue periods of more than 90 days. A bright spot is the notably lower percentage of respondents (2.9% vs. 7.0% in 2014) with ultra-long overdue issues.

Abenomics appear to be losing steam. This is evidenced by the weaker cyclical indicators from retail sales, industrially produced exports in the first quarter and the 0.3% year-on-year decline in the core consumer price index (Graph 13) which focuses on fresh food prices, (and which the Bank of Japan is trying to push towards a target of 2%). Japanese respondent companies still see some hope in Abenomics, with over half (58.6%) expecting to see the economy improving in 2016. Coface remains cautious and expects the Japanese economy to grow by 0.5% in 2016 - the same as in 2015.

Graph 13:

Japan's core consumer price index (YoY, %) vs. JPY/USD



Source: CEIC (Last update: April 28, 2016)

SINGAPORE

Singapore: Caution - headwinds

Coface assessment

Country risk: A1

Business climate: A1

Key corporate payment survey results	2013	2014	2015	2015 vs. 2014*	vs. APAC**
Credit sales and terms					
Sales on credit terms (% of respondents)	83.1%	89.1%	94.3%	Increased	Above
Average credit terms (days)	50	54	55	Steady	
Overdue issues (% of respondents)					
Overdue experience over the last 12 months	76.1%	85.1%	80.7%	Improved	Better
Increase in overdue amounts over the last year	39.6%	34.9%	49.3%	Deteriorated	Worse
Average overdue times of more than 90 days	20.8%	10.5%	14.1%	Deteriorated	Neutral
Ultra long overdue amounts exceeded more than 2% of annual turnover	45.3%	23.3%	35.2%	Deteriorated	Worse
Overall***	Deteriorated				

Key economic indicators	2013	2014	2015	2016 (f)
Real GDP growth (%)	4.4%	2.9%	2.0%	2.0%
Inflation (% average)	2.4%	1.0%	-0.5%	1.0%

(f): forecast

*2015 vs. 2014: By comparing the country survey results of 2015 to 2014, we assign a 3-level rating: Improved; Stabilised; Deteriorated.

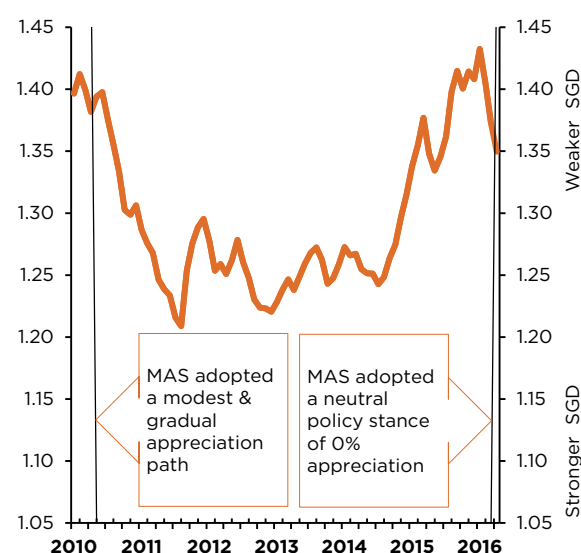
**Vs. APAC: By comparing the country survey results with the average of the 8 selected Asia Pacific countries in 2015, we assign a 3-level rating: Better, Neutral, Worse.

***Overall results are assessed based on both survey results and Coface claims experience in 2015.

More of the Singaporean respondent companies (94.3% vs. 89.1% in 2014) offered sales on credit terms in 2015. There was a small increase in average credit terms, to 55 days, compared to 54 days in 2014. At first glance, this slight relaxation in credit control appears not to have harmed overall company payments, with fewer respondents faced with overdue issues in 2015 (80.7% vs. 85.1% in 2014). The survey details revealed that a much higher number of Singaporean companies suffered from a surge in non-payment issues, which placed them under increased financial pressure. There was a sharp percentage increase in respondents (35.2% vs. 23.3% in 2014) with more than 2% of their annual turnover involved in ultra-long overdue issues. Furthermore, a higher percentage of companies (14.1% vs. 10.5% in 2014) reported average overdue times of more than 90 days, while far more noted a growth in overdue amounts (49.3% vs. 34.9% in 2014).

2016 is set to be another challenging year for the small and externally-oriented Singaporean economy. Singapore, also the Asian base for the world's leading players in the commodities market, is now faced with a backdrop of low commodity prices and mounting global uncertainties. The majority of Singaporean respondents (68.2%) believe that the economy is unlikely to pick up in 2016, despite fiscal and pre-emptive monetary (Graph 14) measures.

Graph 14: SGD/USD and Monetary Authority of Singapore (MAS)'s policy stance



Source: CEIC, MAS (Last update: April 25, 2016)

TAIWAN

Taiwan: Slight rebound following a steep fall

Coface assessment

Country risk: **A1** (under negative watch list in January 2016) Business climate: **A2**

Key corporate payment survey results	2013	2014	2015	2015 vs. 2014*	vs. APAC**
Credit sales and terms					
Sales on credit terms (% of respondents)	86.6%	74.8%	75.5%	Steady	Below
Average credit terms (days)	69	71	64	Decreased	Above
Overdue issues (% of respondents)					
Overdue experience over the last 12 months	56.1%	47.9%	48.6%	Stabilised	Better
Increase in overdue amounts over the last year	19.3%	18.5%	18.3%	Stabilised	Better
Average overdue times of more than 90 days	13.6%	21.2%	11.8%	Improved	Better
Ultra long overdue amounts exceeded more than 2% of annual turnover	15.9%	15.1%	10.2%	Improved	Better
Overall***	Uncertain				
Key economic indicators					
Real GDP growth (%)	2.2%	3.8%	0.8%	2016 (f)	1.2%
Inflation (% average)	0.8%	1.2%	-0.3%	2016 (f)	1.0%

(f): forecast

*2015 vs. 2014: By comparing the country survey results of 2015 to 2014, we assign a 3-level rating: Improved; Stabilised; Deteriorated.

**Vs. APAC: By comparing the country survey results with the average of the 8 selected Asia Pacific countries in 2015, we assign a 3-level rating: Better, Neutral, Worse.

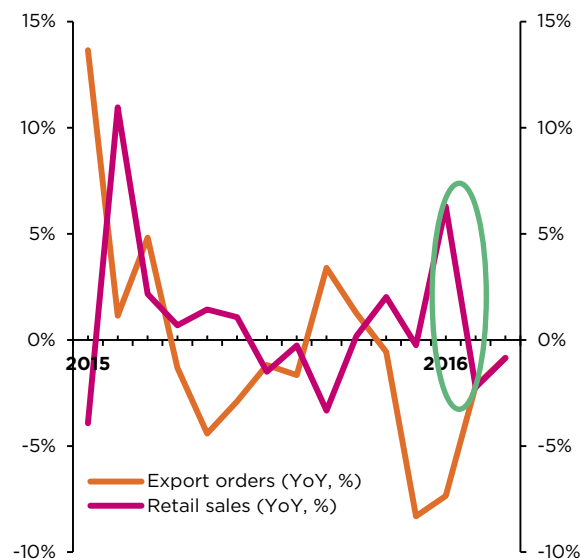
***Overall results are assessed based on both survey results and Coface claims experience in 2015.

In 2015, the average credit terms offered by the survey's Taiwanese respondent companies decreased significantly, to 64 days, down from 71 days the previous year. This reflects a more cautious approach to credit control. Taiwan's overall company payment experience subsequently improved, with a clear fall in the percentage of companies (10.2% vs. 15.1% in 2014) with over 2% of their annual turnover involved in ultra-long overdue issues. In addition, far fewer respondents (11.8% vs. 21.2% in 2014) reported average overdue times of more than 90 days.

After a steep fall in economic activity, Taiwanese respondent companies remained cautious, with only 22.7% anticipating economic improvements in 2016. The mild uptick in export orders and retail sales in the first quarter of 2016 (Graph 15) supports our forecast that Taiwan will probably see a modest improvement in economic growth in 2016, at 1.2%, compared to 0.8% in 2015. Economic recovery in the US and the Eurozone will probably mitigate the adverse impacts from China on Taiwan's highly export-dependent economy. Nevertheless, this slight rebound, after the steep fall experienced, probably means another tough year for Taiwan companies.

Graph 15:

Taiwan's export orders (YoY, %) and retail sales (YoY, %)



Source: CEIC (Last update: April 22, 2016)

THAILAND

Thailand: Still facing headwinds

Coface assessment

Country risk: A4

Business climate: A3

Key corporate payment survey results

Credit sales and terms

Sales on credit terms (% of respondents)

2014

2015

2015 vs. 2014*

vs. APAC**

Average credit terms (days)

46

35

Increased
Decreased

Above

Below

Overdue issues (% of respondents)

Overdue experience over the last 12 months

88.8%

96.6%

Deteriorated

Worse

Increase in overdue amounts over the last year

41.8%

34.3%

Improved

Neutral

Average overdue times of more than 90 days

3.8%

2.0%

Improved

Better

Ultra long overdue amounts exceeded more than 2% of annual turnover

19.2%

7.0%

Improved

Better

Overall***

Uncertain

Key economic indicators

2013

2014

2015

2016 (f)

Real GDP growth (%)

2.8%

0.9%

2.8%

3.0%

Inflation (% average)

2.2%

1.9%

-0.9%

1.5%

(f): forecast

*2015 vs. 2014: By comparing the country survey results of 2015 to 2014, we assign a 3-level rating: Improved; Stabilised; Deteriorated.

**Vs. APAC: By comparing the country survey results with the average of the 8 selected Asia Pacific countries in 2015, we assign a 3-level rating: Better, Neutral, Worse.

***Overall results are assessed based on both survey results and Coface claims experience in 2015.

Looking ahead, the majority of the respondents from Thailand (64.9%) believe that the economy is likely to improve in 2016. This is in line with Coface's expectations.

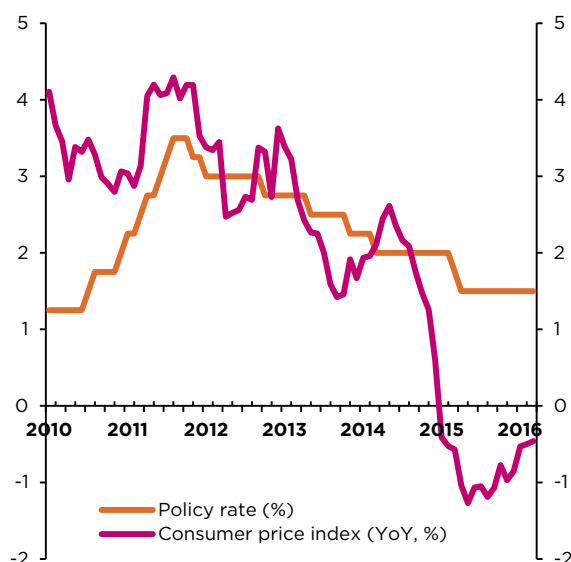
The Thai economy is forecast to grow at a modestly faster pace this year, at 3.0%, compared to 2.8% in 2015. This forecast is supported by (i) expansionary monetary policies amid deflation (which will probably fall well below the Bank of Thailand's target range of

1% to 4%) (Graph 16) and (ii) fiscal stimuli, with some mega public-private partnership projects such as the Mass Rapid Transit network (pink line, yellow line and extension of the blue line) to be kick-started this year.

That being said, the risks are likely to remain on the downside, as cyclical indicators, such as the private investment index and customs exports (Graph 17), did not pick up in Q1 2016 compared to 2015. This was in part due to the "Japanisation" of the global economy.

Graph 16:

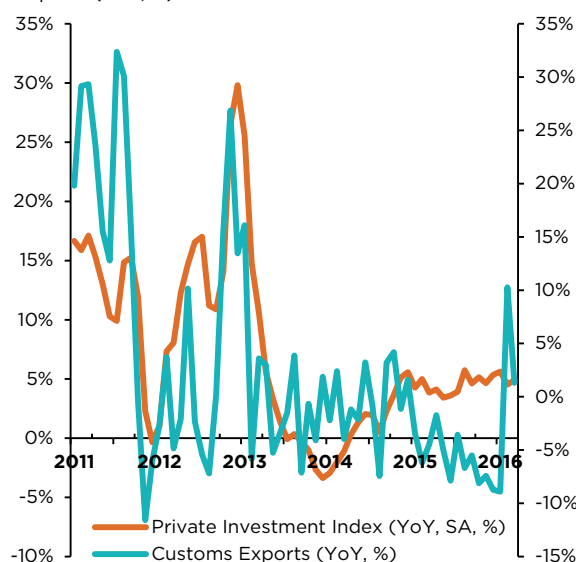
Thailand's consumer price index (YoY, %) vs. policy rate (%)



Source: CEIC (Last update: April 22, 2016)

Graph 17:

Thailand's private investment index (YoY, %, SA) and customs exports (YoY, %)



Source: CEIC (Last update: April 29, 2016)

SUMMARY

Economy	Overdue issues in 2015 vs. 2014 (% of respondents)						Coface assessment	
	Overdue issues over the past 12 months		Increase in overdue amounts over the last year		More than 2% of their total annual turnover in ultra-long overdue issue*		Country	Business Climate
	2015	2014	2015	2014	2015	2014		
Australia	66.8%	73.5%	15.2%	23.4%	9.7%	16.6%	A2	A1
China	80.6%	79.8%	58.1%	56.4%	33.4%	29.8%	A4	B
Hong Kong	53.6%	55.4%	20.6%	18.4%	23.9%	32.9%	A1 (Negative watch list)	A2
India	84.0%	85.7%	10.0%	24.6%	32.0%	24.1%	A4	B
Japan	45.4%	43.4%	21.7%	17.4%	2.9%	7.0%	A2	A1
Singapore	80.7%	85.1%	49.3%	34.9%	35.2%	23.3%	A1	A1
Taiwan	48.6%	47.9%	18.3%	18.5%	10.2%	15.1%	A1 (Negative watch list)	A2
Thailand	96.6%	88.8%	34.3%	41.8%	7.0%	19.2%	A4	A3
APAC 8**	69.8%	69.9%	36.9%	36.8%	24.2%	24.9%		

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

**APAC 8 refers to the overall results for the 8 selected economies in the Asia Pacific region.

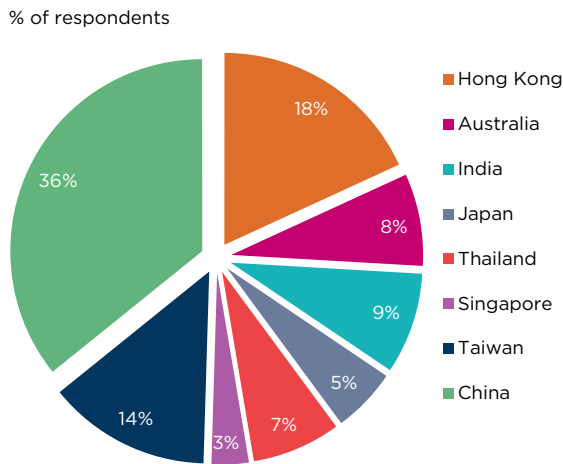
APPENDIX: PAYMENT SURVEY BACKGROUND

Coface began conducting annual surveys on business payment experience in China in 2003. In 2011, the survey was expanded to include selected economies in the Asia Pacific region.

In 2015, the survey covered 8 economies - namely Australia, China⁸, Hong Kong, India, Japan, Singapore, Taiwan and Thailand, with the aim of understanding corporate credit management practices and payment experiences. Data collection was conducted during the fourth quarter of 2015 and valid responses were received from 2,793 companies.

Just over two-thirds of respondent companies are located in China (36%), Hong Kong (18%) and Taiwan (14%), while the remaining third are from Australia, India, Japan, Singapore and Thailand (Graph A1).

Graph A1:
Respondents by country

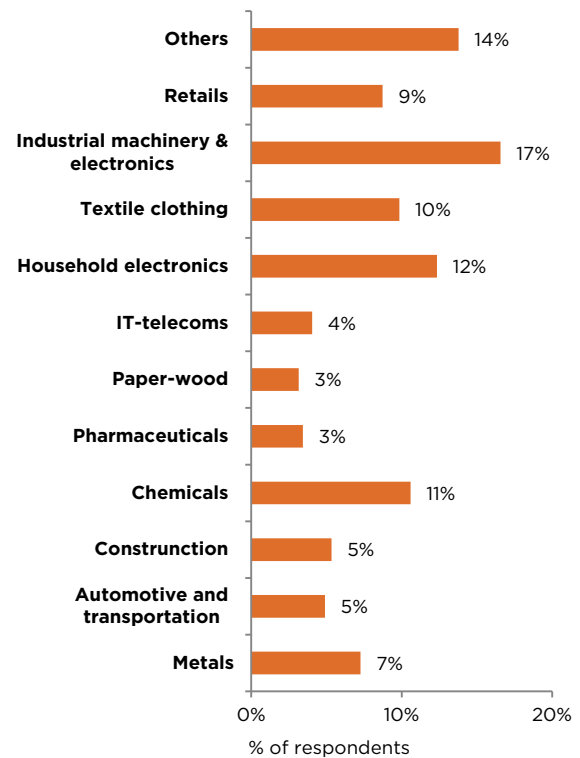


Source: Coface Survey 2015

The respondent companies are from a variety of industries (Graph A2), with the five most represented sectors being industrial electronics (17%), household electronics (12%), chemicals (11%), textile clothing (10%) and retail (9%).

The majority of the respondent companies are engaged in manufacturing activities (66%), while those engaged in trading activities account for 28% and other business activities, 6%. 63% of companies focus on their domestic markets, while the remaining 37% target foreign markets.

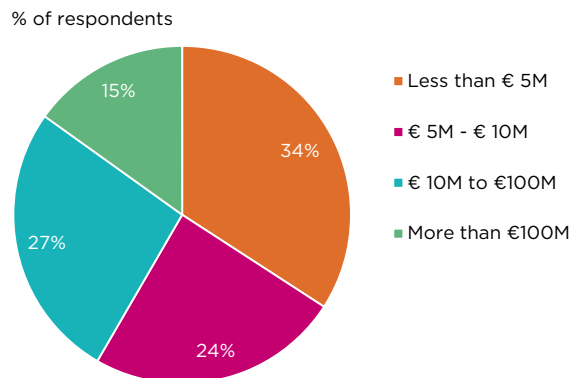
Graph A2:
Respondents by sector



Source: Coface Survey 2015

The companies surveyed cover a wide range of business sizes (Graph A3), with 34% having estimated sales revenues of less than €5 million and 15% with revenues of over €100 million.

Graph A3:
Respondents by estimated sales revenues in 2015



Source: Coface Survey 2015

⁸ Coface has published a separate report on China corporate payment survey in March 2016.

RESERVATION

This document is a summary reflecting the opinions and views of participants as interpreted and noted by Coface on the date it was written and based on available information. It may be modified at any time. The information, analyses and opinions contained in the document have been compiled on the basis of our understanding and interpretation of the discussions. However Coface does not, under any circumstances, guarantee the accuracy, completeness or reality of the data contained in it. The information, analyses and opinions are provided for information purposes and are only a supplement to information the reader may find elsewhere. Coface has no results-based obligation, but an obligation of means and assumes no responsibility for any losses incurred by the reader arising from use of the information, analyses and opinions contained in the document. This document and the analyses and opinions expressed in it are the sole property of Coface. The reader is permitted to view or reproduce them for internal use only, subject to clearly stating Coface's name and not altering or modifying the data. Any use, extraction, reproduction for public or commercial use is prohibited without Coface's prior agreement. Please refer to the legal notice on Coface's site.

COFACE SA
1, place Costes et Bellonte
92270 Bois-Colombes
France

www.coface.com

