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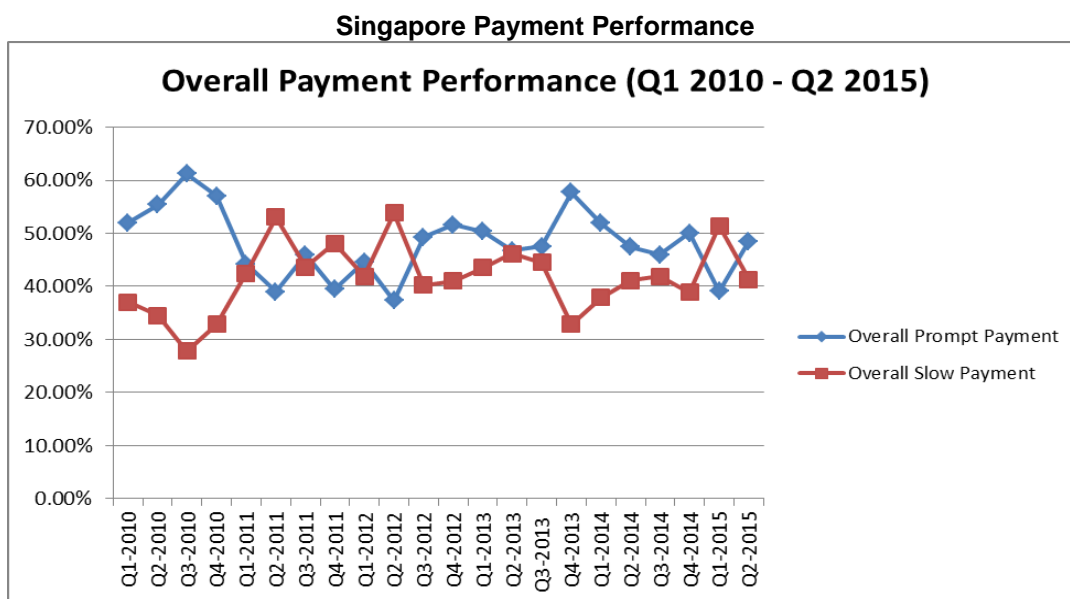
Commercial Payment Performance rebounds in Q2 2015
Decrease in quarter-on-quarter slow payments across all sectors
for the first time in nearly 3 years
-Singapore Commercial Credit Bureau

Singapore, 01 July 2015 – Local payment performance staged a rebound with a higher proportion of prompt and partial payments being made in Q2 2015. The improvement in payment performance marked a reverse in the downtrend seen in Q1 2015 when prompt payments dove into a near double-dip. For Q2 2015, prompt payments accounted for nearly half of the payment transactions made while partial payments accounted for more than one-tenth of payment transactions. Meanwhile, slow payments have also decreased, accounting for slightly more than two-fifths of payment transactions. The better showing stands in contrast to Q1 2015 when prompt payments accounted for less than two-fifths and slow payments made up more than half of the total payment transactions. The improved payment performance comes on the back of a cyclical upturn in the wholesale trade sector and modest expansions in both construction and services sectors.

According to Singapore Commercial Credit Bureau (SCCB)'s latest payment statistics, overall prompt payments have risen markedly by 9.43 percentage points on a quarter-on-quarter (q-o-q) basis from 39.04 per cent in Q1 2015 to 48.47 per cent in Q2 2015. Compared to a year ago, prompt payments have increased marginally by 1.09 percentage points from 47.38 per cent in Q2 2014 to 48.47 per cent Q2 2015. The latest figure marks the second highest reading within a year when prompt payments were at a one-year high of 50.07 per cent in Q4 2014.

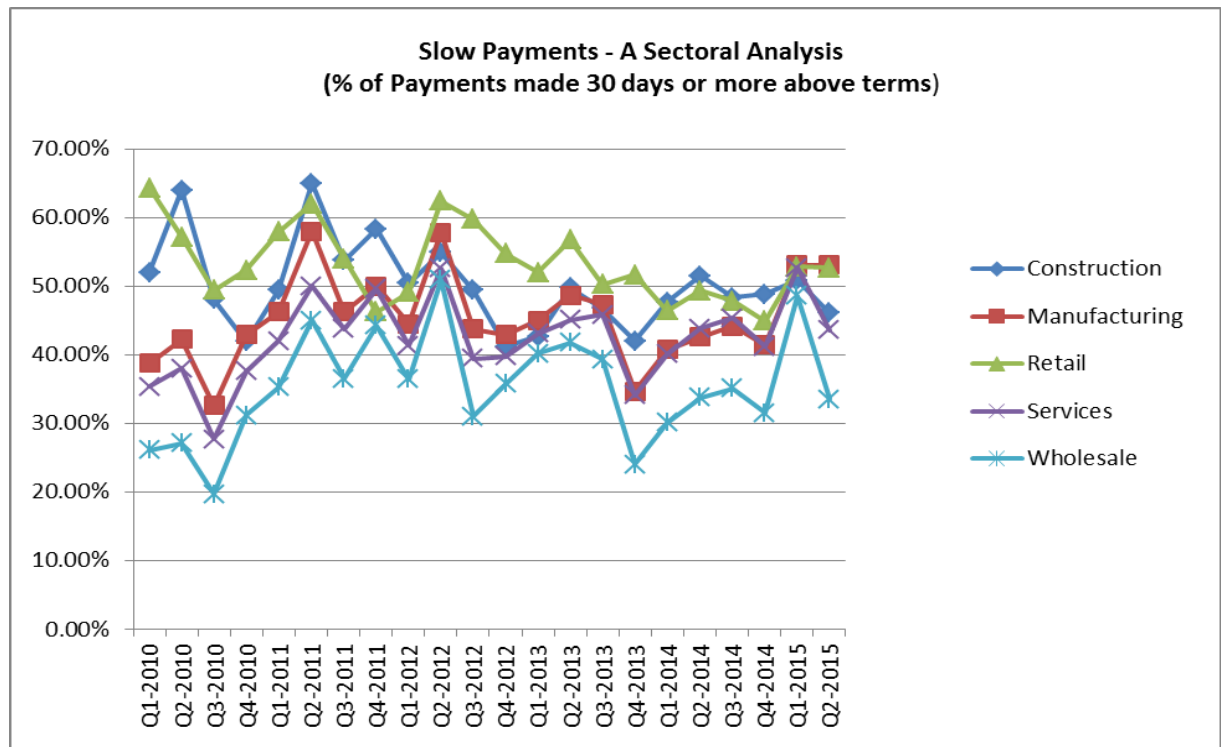
Overall slow payments have also improved as payment delays fell by 10.06 percentage points q-o-q from 51.41 per cent in Q1 2015 to 41.35 per cent in Q2 2015. However, year-on-year (y-o-y) slow payments have inched slightly upwards by 0.25 percentage points from 41.10 per cent in Q2 2014 to 41.35 per cent in Q2 2015.

Following two consecutive quarters of decline, partial payments increased marginally by 0.63 percentage points from 9.55 per cent in Q1 2015 to 10.18 per cent in Q2 2015. Y-o-y, partial payments have moved in the opposite direction, falling by 1.34 percentage points from 11.52 per cent in Q2 2014 to 10.18 per cent in Q2 2015.



From a sectoral perspective, payment performance has improved with all five industries experiencing a decrease in proportion of slow payments q-o-q. This stands in contrast to Q1 2015 when all five industries experienced a rise in slow payments. This also marks the first time in nearly three years when all sectors experienced q-o-q declines in slow payments in Q3 2012. However, on a y-o-y basis, 2 of five industries experienced an increase in slow payments in Q2 2015.

Sector	% of Slow Payments			Percentage-Point Change	
	Q2 2015	Q1 2015	Q2 2014	Q-o-q	Y-o-y
Construction	46.07%	50.78%	51.44%	-4.71	-5.37
Manufacturing	53.05%	53.06%	42.56%	-0.01	+10.49
Retail	52.67%	52.82%	49.29%	-0.15	+3.38
Services	43.56%	52.64%	43.85%	-9.08	-0.29
Wholesale	33.53%	48.56%	33.72%	-15.03	-0.19



Manufacturing

For the second consecutive quarter, the manufacturing sector recorded the highest proportion of slow payments which has remained almost unchanged in Q2 2015.

- According to SCCB, slow payments dipped by a mere 0.01 percentage points from 53.06 per cent in Q1 2015 to 53.05 per cent in Q2 2015 q-o-q.
- Manufacturers of transportation equipment recorded the highest proportion of payment delays at 53.25 per cent owing to weakness in the transport engineering cluster.
- Print and publishing, and petroleum and coal recorded the second and third largest proportion of payment delays at 52.62 per cent and 49.15 per cent respectively.
- Meanwhile, manufacturers of leather and leather products experienced the highest increase in slow payments by 12.03 percentage points from 14.29 per cent in Q1 2015 to 26.32 per cent in Q2 2015

- On a y-o-y basis, payment delays have surged by 10.49 percentage points from 42.56 per cent in Q2 2014 to 53.05 per cent in Q2 2015.

Retail

The retail sector recorded the second highest proportion of slow payments due to modest growth and reduced spending in both discretionary and non-discretionary goods within the sector.

- According to SCCB, slow payments fell slightly by 0.15 percentage points from 52.82 per cent in Q1 2015 to 52.67 per cent in Q2 2015 q-o-q.
- As consumer spending and retail expenditure continued to ease, retailers of food and beverage and general merchandise goods recorded the largest increase in slow payments. Slow payments by retailers of food & beverage increased by 10.07 percentage points from 55.62 per cent in Q1 2015 to 65.69 per cent in Q2 2015, while payment delays by retailers of general merchandise goods increased by 7.67 percentage points from 45.98 per cent in Q1 2015 to 53.65 per cent in Q2 2015.
- On a y-o-y basis, payment delays have increased by 3.38 percentage points from 49.29 per cent in Q2 2014 to 52.67 per cent in Q2 2015.
- The retail sector is the only other sector apart from the manufacturing sector which has experienced a y-o-y increase in payment delays.

Wholesale Trade

The wholesale trade sector experienced the steepest fall in slow payments owing to a turnaround in the wholesale trade of both durable and non-durable goods.

- According to SCCB, slow payments within the wholesale trade sector fell significantly by 15.03 percentage points from 48.56 per cent in Q1 2015 to 33.53 per cent in Q2 2015.
- The wholesale trade of durable goods fell by 16.44 percentage points from 50.26 per cent in Q1 2015 to 33.82 per cent in Q2 2015 while the wholesale trade of non-durable goods fell by 17.0 percentage points from 49.52 per cent in Q1 2015 to 32.52 per cent in Q2 2015.
- On a y-o-y basis, payment delays within the wholesale trade sector fell marginally by 0.19 percentage points from 33.72 per cent in Q2 2014 to 33.53 per cent in Q2 2015.

Services

Due to a slight uptick in both consumer and corporate-related services, the services sector experienced the second highest decrease in slow payments in Q2 2015.

- According to SCCB, q-o-q payment delays fell markedly by 9.08 percentage points from 52.64 per cent in Q1 2015 to 43.56 per cent in Q2 2015.
- The legal services sub-sector recorded the largest fall in slow payments by 16.72 percentage points from 50.18 per cent in Q1 2015 to 33.46 per cent in Q2 2015.
- Backed by resilient demand for architectural engineering services, the engineering services sub-sector experienced the second largest fall in payment delays by 10.30 per cent from 52.65 per cent in Q1 2015 to 42.35 per cent in Q2 2015.
- With the sustained expansion in corporate-facing services, the business services sub-sector recorded the third largest fall in payment delays by 8.52 percentage points from 53.09 per cent in Q1 2015 to 44.57 per cent in Q2 2015.
- On a y-o-y basis, payment delays within the services sector decreased marginally by 0.29 percentage points from 43.85 per cent in Q2 2014 to 43.56 per cent in Q2 2015.

Construction

In light of an expansion in both private and public residential segments, the construction sector saw a decrease in slow payments for the first time in two consecutive quarters since Q3 2014. Last quarter, the construction sector also recorded the smallest increase in payment delays against the other sectors.

- According to SCCB, q-o-q payment delays fell markedly by 4.71 percentage points from 50.78 per cent in Q1 2015 to 46.07 per cent in Q2 2015.
- The improvement in payment performance is largely attributed to a decrease in slow payments by special trade contractors, slipping by 6.24 percentage points from 49.29 per cent in Q1 2015 to 43.05 per cent in Q2 2015.
- Payment delays by the building construction sector fell marginally by 0.32 percentage points from 48.43 per cent in Q1 2015 to 48.11 per cent in Q2 2015, while slow payments within the heavy construction sub-sector decreased by 1.01 percentage points from 49.43 per cent in Q1 2015 to 48.42 per cent in Q2 2015.
- On a y-o-y basis, payment delays within the construction sector decreased significantly by 5.37 percentage points from 51.44 per cent in Q2 2014 to 46.07 per cent in Q2 2015.

“The increase in both prompt and partial payments for Q2 is indicative of improved cashflows of firms and their ability to meet their debt obligations. However, we found the improvements in slow payments across the different sectors to be uneven, with the manufacturers and retailers experiencing only a marginal decrease in payment delays. Incidentally, these were also the only two sectors which had more than half of their payment transactions delayed in Q2.” commented Ms. Audrey Chia, D&B Singapore’s Chief Executive Officer.

“With the ongoing domestic supply side constraints and tepid growth in the external economy, it is unclear if the uptrend will continue into the rest of the year. Moreover, the improvements in payment performance were due to cyclical upswings in certain sectors. It would be prudent for firms to take into account any seasonal fluctuations in managing risks and planning for their cashflows. Proactive management of cashflows is a necessity not just in times of uncertainties but also under buoyant economic conditions.” added Ms. Chia.

Commentary

D&B Singapore compiles the figures by monitoring more than 1.6 million payment transactions of firms operating through its Singapore Commercial Credit Bureau (SCCB). Payment data is contributed to the Bureau by local firms. Prompt payment is classified as when at least 90% of total bills are paid within the agreed payment terms while slow payment is classified as when more than 50% of total bills are paid later than the agreed credit terms.

About Singapore Commercial Credit Bureau

Established in 2005, Singapore Commercial Credit Bureau (SCCB) operates a database of local enterprises and their credit history to provide clients with the insight needed to build trust and improve the quality of business relationships with their customers, suppliers and business partners. SCCB operates under D&B Singapore.

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