

Contact:
 Eugene Zachariah, Marcom & Product Development
 eugene.tan@dnb.com.sg
 +65 6439 6670/+65 9478 5568

FOR IMMEDIATE RELEASE

Prompt payments dive into near double-dip as local firms turn in weaker payment performance in Q1 2015

-Singapore Commercial Credit Bureau

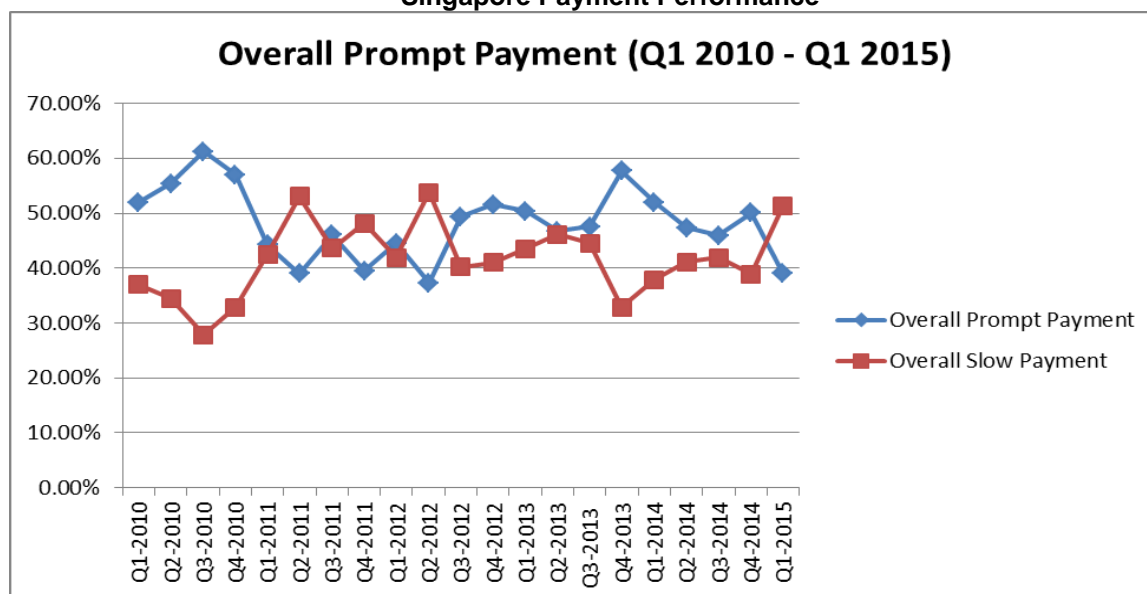
Singapore, 06 April 2015 – Payment performance of local firms took an unprecedented turn for the worse following an upswing in Q4 2014. The latest figures ended hopes of further improvement from a slightly better payment performance in Q4 2014 as overall payment promptness took a dive into a near double-dip last quarter. Less than two-fifths of payment transactions were prompt while payment delays made up slightly more than half of the payment transactions in Q1 2015. The weaker showing stands in contrast to Q4 2014 when prompt payments accounted for nearly 50 per cent of the payment transactions and slow payments less than 40 per cent of payment transactions.

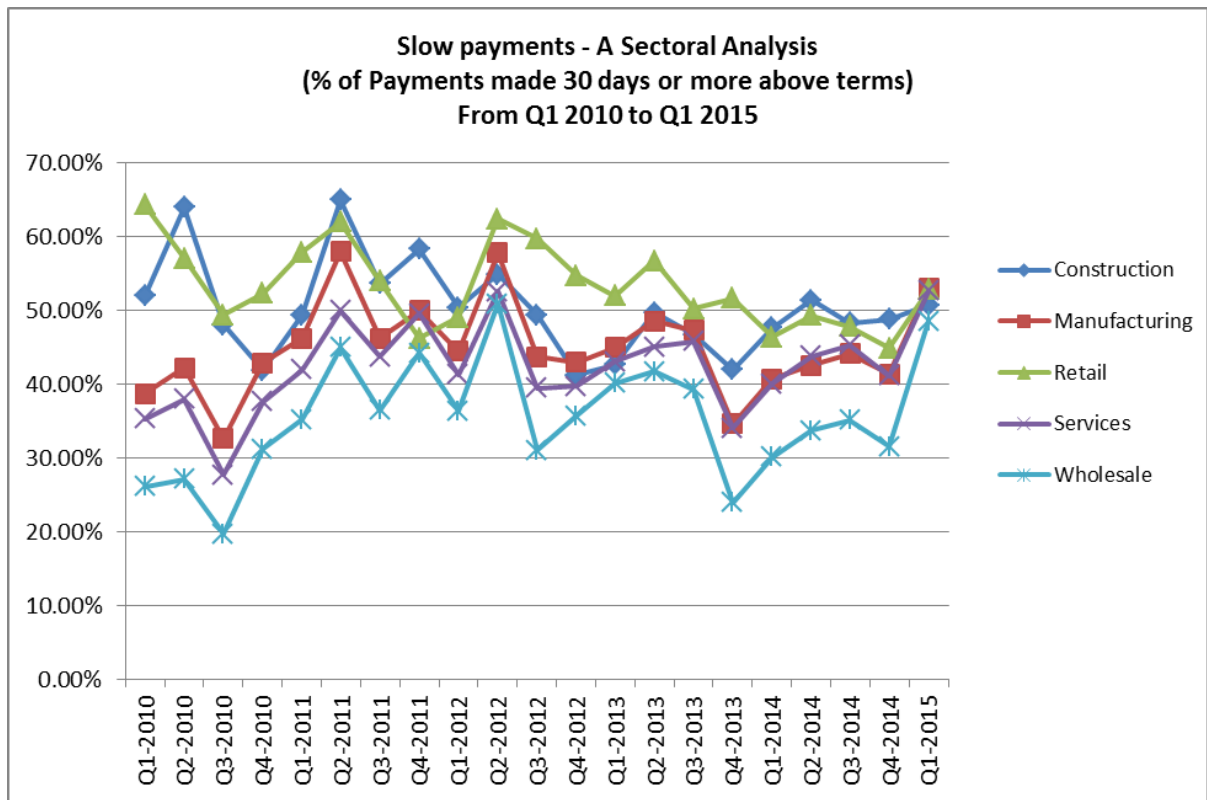
According to Singapore Commercial Credit Bureau (SCCB)'s latest payment statistics, overall prompt payments tumbled significantly by 11.03 percentage points from 50.07 per cent in Q4 2014 to 39.04 per cent in Q1 2015. The latest reading marks the lowest prompt payments made in nearly three years since Q2 2012 when prompt payments registered 37.3 per cent. On a year-on-year (y-o-y) basis, prompt payments also decreased markedly by 12.88 percentage points from 51.92 per cent in Q1 2014 to 39.04 per cent in Q1 2015.

Overall slow payments have also deteriorated as payment delays rose significantly by 12.52 percentage points from 38.89 per cent in Q4 2014 to 51.41 per cent in Q1 2015. As with prompt payments, slow payments have hit a near 3-year high, posting 51.41 per cent last quarter. On a y-o-y basis, slow payments surged by 13.08 percentage points from 37.88 per cent in Q1 2014 to 51.41 per cent in Q1 2015.

Meanwhile, partial payments slipped marginally by 1.48 percentage points from 11.03 per cent in Q4 2014 to 9.55 per cent in Q1 2015. Y-o-y, partial payments also fell slightly by 0.65 percentage points from 10.20 per cent in Q1 2014 to 9.55 per cent in Q1 2015.

Singapore Payment Performance





From a sectoral perspective, payment performance has declined with all five industries experiencing an increase in proportion of slow payments q-o-q. This stands in contrast to Q4 2014 when only 1 of five industries experienced an increase in slow payments. On a y-o-y basis, slow payments increased significantly across all sectors.

Sector	% of Slow Payments			Percentage-Point Change	
	Q1 2015	Q4 2014	Q1 2014	Q-o-q	Y-o-y
Construction	50.78%	48.82%	47.66%	+1.96	+3.12
Manufacturing	53.06%	41.37%	40.74%	+11.69	+12.32
Retail	52.82%	44.86%	46.42%	+7.96	+6.40
Services	52.64%	41.15%	40.06%	+11.49	+12.58
Wholesale	48.56%	31.53%	30.11%	+17.03	+18.45

The manufacturing sector recorded the highest proportion of slow payments, rising by 11.69 percentage points from 41.37 per cent in Q4 2014 to 53.06 per cent in Q1 2015. According to SCCB, manufacturers of petroleum and coal products, primary metals and transportation equipment registered the slowest payments at 59.51 per cent, 59.09 per cent and 58.30 per cent respectively. Due to a contraction within the electronics segment, slow payments within the electronics sub-sector experienced the largest increase by 11.87 percentage points from 37.92 per cent to 49.79 per cent in Q2 2015. Y-o-y, slow payments within the sector surged significantly by 12.32 percentage points from 40.74 per cent in Q1 2014 to 53.06 per cent in Q1 2015. According to a recent report released by the Economic Development Board (EDB), local manufacturing output fell by 3.6 per cent year-on-year in February this year.

Owing to a decline in payment performance of the wholesale trade of both durable and non-durable goods, the wholesale sector posted the steepest increase in proportion of slow payments, rising by 17.03 percentage points from 31.53 per cent in Q4 2014 to 48.56 per cent in Q1 2015 q-o-q. SCCB notes that payment delays for the wholesale trade of durable goods increased by 18.45 percentage points from 31.81 per cent in Q4 2014 to 50.26 per cent in Q1 2015, while that of non-durable goods rose by 19.01 percentage points from 30.51 per cent in Q4 2014 to 49.52 per cent last quarter. On a y-o-y basis, payment delays have also risen sharply by 18.45 percentage points from 30.11 per cent in Q1 2014 to 48.56 per cent in Q1 2015.

In light of a moderation in the growth of consumer-related services and a dip in tourism arrivals in recent months, payment delays within the services sector took a turn for the worse after experiencing the sharpest decline in Q4 2014. According to SCCB, the services sector posted the third largest increase in payment delays this quarter, rising 11.49 percentage points from 41.15 per cent in Q4 2014 to 52.64 per cent in Q1 2015. The hotels and accommodation segment, amusement and recreation services and personal services accounted for the largest proportion of payment delays at 64.86 per cent, 61.51 per cent and 54.45 per cent respectively. On a y-o-y basis, payment delays within the services sector rose sharply by 12.58 percentage points from 40.06 per cent in Q4 2014 to 52.64 per cent in Q1 2015.

Meanwhile, the retail sector posted the fourth largest increase in payment delays as slow payments climbed moderately by 7.96 percentage points from 44.86 per cent in Q1 2014 to 52.82 per cent in Q1 2015. Retailers of food, building materials and garden supplies, furniture and home furnishing stores saw the largest increase in payment delays at 55.62 per cent, 55.40 per cent and 52.83 per cent respectively. Due to tepid growth in motor vehicle sales, automotive dealers experienced the largest increase in slow payments by 16.37 percentage points from 29.84 per cent in Q4 2014 to 46.21 per cent in Q1 2015. Y-o-y, slow payments within the retail sector rose by 6.40 percentage points from 46.42 per cent in Q4 2014 to 52.82 per cent in Q1 2015.

Despite the sustained decline in payment performance, the construction sector experienced the smallest increase in slow payments, inching slightly upwards by 1.96 percentage points, from 48.82 per cent in Q4 2014 to 50.78 per cent in Q1 2015. This was largely due to the marginal decreases in payment delays seen in both building construction and heavy construction segments. According to SCCB, slow payments within the building construction sector fell by 0.64 percentage points from 49.07 per cent in Q4 2014 to 48.83 per cent in Q1 2015. Moving in a similar direction, slow payments within the heavy construction sub-sector slipped by 1.15 percentage points from 50.58 per cent in Q4 2014 to 49.43 per cent in Q1 2015. The slightly better showing was due to a step-up in activity in non-residential projects and infrastructural works in healthcare. However, these improvements were weighed down by the increase in slow payments seen in special trade contractors, rising slightly by 1.63 percentage points from 47.66 per cent in Q4 2014 to 49.29 per cent in Q1 2015. On a y-o-y basis, payment delays climbed by 3.12 percentage points from 47.66 per cent in Q1 2014 to 50.78 per cent in Q1 2015.

"The latest payment performance for Q1 is certainly one of the worst quarters we have seen since Q2 2012 when slow payments were at a historical high of 53.80 per cent. Last quarter, the manufacturers have also overtaken the construction sector as the slowest paymaster with payment delays accounting for more than half of the payment transactions for the first time in nearly three years. With prompt and partial payments on the decline last quarter, the overall weak payment performance marks a difficult time for cash-strapped local firms in fulfilling their debt obligations with their creditors." commented Ms. Audrey Chia, D&B Singapore's Chief Executive Officer.

"As sales revenue will likely be severely impacted in times of low market confidence, it would be prudent for local firms to exercise greater credit vigilance in extending the appropriate credit terms to their business partners. This may involve applying various stress tests and promoting a strong culture of sound and consistent risk management strategies to ensure the long-term survivability of their business." added Ms. Chia.

Commentary

D&B Singapore compiles the figures by monitoring more than 1.5 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.

Contact Information

Eugene Z.

Marcom & Product Development

DID: +65 6439 6670

HP: +65 9478 5568

Email: Eugene.tan@dnb.com.sg