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FOR IMMEDIATE RELEASE

Payment performance deteriorates in Q3 2017
Cashflow woes for construction firms worsen in Q3 2017
 - Singapore Commercial Credit Bureau

Singapore, 03 October 2017 – Payment performance of local firms took a slip in Q3 2017 as slow payments have risen across all sectors. According to Singapore Commercial Credit Bureau (SCCB), slow payments rose to slightly more than two-fifths of total payment transactions while prompt payments registered less than half of the total payment transactions.

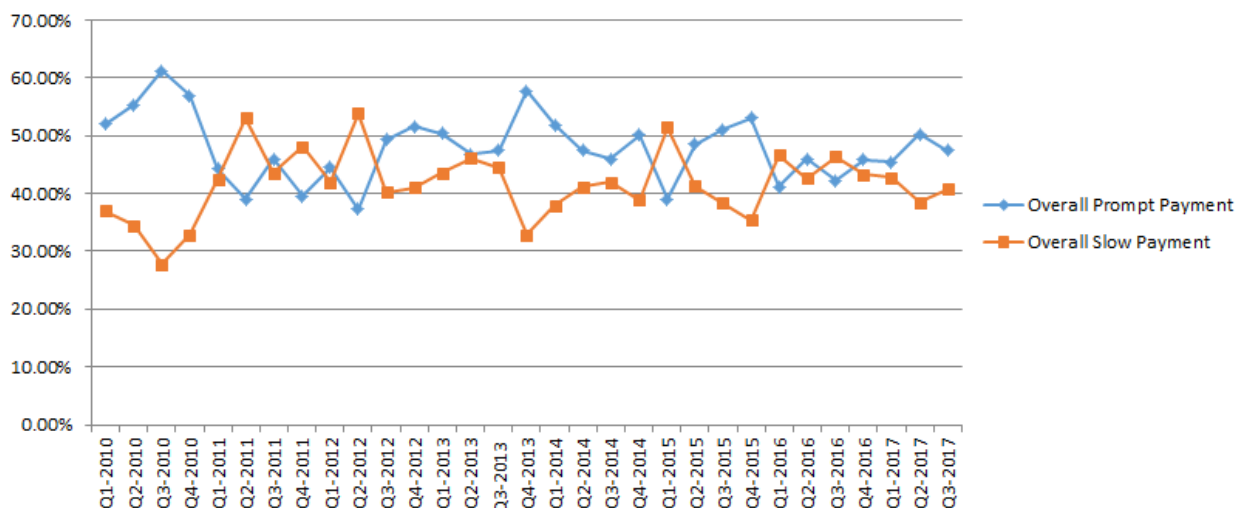
On a quarter-on-quarter (q-o-q) basis, slow payments have increased marginally by 2.28 percentage points from 38.47 per cent in Q2 2017 to 40.75 per cent in Q3 2017. Year-on-year (Y-o-y), slow payments have improved moderately, falling by 5.62 percentage points from 46.37 per cent in Q3 2016 to 40.75 per cent in Q3 2017.

Prompt payments have dropped by 2.88 percentage points from 50.31 per cent in Q2 2017 to 47.43 per cent in Q3 2017 on a q-o-q basis. Y-o-y, prompt payments climbed by 5.25 percentage points from 42.18 per cent in Q3 2016 to 47.43 per cent in Q3 2017.

Partial payments inched up slightly by 0.60 percentage points from 11.22 per cent in Q2 2017 to 11.82 per cent in Q3 2017. Y-o-y partial payments climbed marginally by 0.37 from 11.45 per cent in Q3 2016 to 11.82 per cent in Q3 2017.

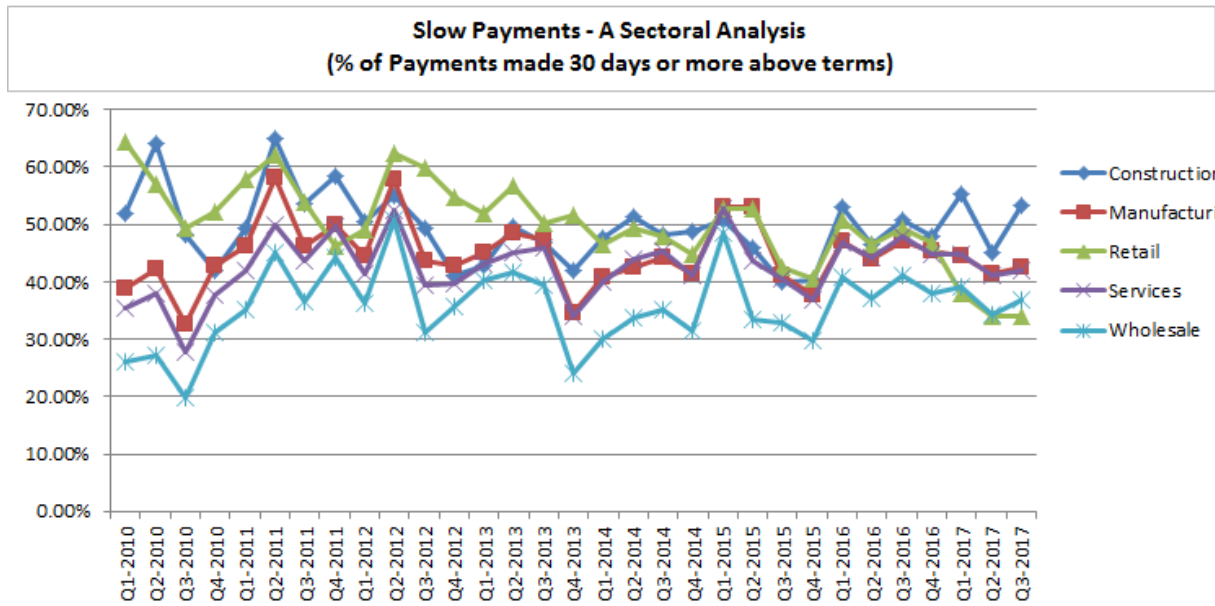
Singapore Payment Performance

Overall Payment Performance (Q1 2010 to Q3 2017)



From a sectoral perspective, q-o-q slow payments have deteriorated across all five industries. This stands in contrast to Q2 2017 when all five industries experienced improvements in slow payments. However, y-o-y slow payments have improved across 4 of five industries. Construction sector is the only sector registering a y-o-y increase in slow payments in Q3 2017.

Sector	% of Slow Payments			Percentage-Point Change	
	Q3 2017	Q2 2017	Q3 2016	Q-o-q	Y-o-y
Construction	53.30	45.16	50.82	+8.14	+2.48
Manufacturing	42.49	41.37	47.13	+1.12	-4.64
Retail	33.96	33.94	49.35	+0.02	-15.39
Services	42.06	41.01	48.01	+1.05	-5.95
Wholesale	36.95	34.41	41.16	+2.54	-4.21



Construction

For the seventh straight quarter, the construction sector has recorded the highest proportion of payment delays since Q1 2016. SCCB notes that the latest reading of slow payments within the construction sector is also the second highest since Q3 2012, accounting for more than half of total payment transactions.

- ❖ Q-o-q slow payments jumped significantly by 8.14 percentage points from 45.16 per cent in Q2 2017 to 53.30 per cent in Q3 2017.
- ❖ The heavy construction sub-sector accounted for the steepest increase in slow payments, up by 11.25 percentage points from 45.96 per cent in Q2 2017 to 57.21 per cent in Q3 2017. This was followed by special trade contractors which saw a 9.20 percentage point jump from 42.76 per cent in Q2 2017 to 51.96 per cent in Q3 2017. Meanwhile, payment delays within the building construction sector increased by 6.07 percentage points from 47.74 per cent in Q2 2017 to 53.81 per cent in Q3 2017.
- ❖ On a y-o-y basis, slow payments climbed moderately by 2.48 percentage points from 50.82 per cent in Q3 2016 to 53.30 per cent in Q3 2017.

Manufacturing

As with Q2 2017, the manufacturing sector registered the second highest proportion of payment delays attributed largely to dampened activities within the transportation equipment sub-sector and marine and offshore engineering segment.

- ❖ Slow payments increased marginally by 1.12 percentage points from 41.37 per cent in Q2 2017 to 42.49 per cent in Q3 2017.
- ❖ Manufacturers of transportation equipment accounted for the highest proportion of slow payments for the fourth consecutive quarter since Q4 2016, up by 3.78 percentage points from 52.28 per cent in Q2 2017 to 56.06 per cent in Q3 2017. This is followed by manufacturers of lumber and wood products where slow payments climbed by 12.73 percentage points from 41.07 per cent in Q2 2017 to 53.80 per cent in Q3 2017. Manufacturers of furniture and home furnishing registered the third highest proportion of payment delays, up by 11.31 percentage points from 40.22 per cent in Q2 2017 to 51.53 per cent in Q3 2017.
- ❖ Meanwhile, manufacturers of fashion apparels and accessories recorded the steepest increase in payment delays, up by 15.08 percentage points from 32.22 per cent in Q2 2017 to 47.30 per cent in Q3 2017.
- ❖ On a y-o-y basis, slow payments fell by 4.64 percentage points from 47.13 per cent in Q3 2016 to 42.49 per cent in Q3 2017.

Retail

On the other end of the spectrum, retail firms registered the lowest proportion of payment delays due to an uptick in spending of discretionary items.

- ❖ Payment delays inched up marginally by 0.02 percentage points from 33.94 per cent in Q2 2017 to 33.96 per cent in Q3 2017 on a q-o-q basis.
- ❖ Retailers of building materials and garden supplies registered the highest proportion of payment delays, up by 23.54 percentage points from 30.56 per cent in Q2 2017 to 54.10 per cent in Q3 2017. This is followed by retailers of automotive dealers and fashion apparels and accessories which registered 45.68 per cent and 45.06 per cent of payment delays respectively.
- ❖ On a y-o-y basis, slow payments dropped significantly by 15.39 percentage points from 49.35 per cent in Q3 2016 to 33.96 per cent in Q3 2017.

Services

The services sector registered the third highest proportion of payment delays for Q3 2017.

- ❖ Q-o-q slow payments climbed by 1.05 percentage points from 41.01 per cent in Q2 2017 to 42.06 per cent in Q3 2017.
- ❖ The consumer services sector recorded the highest proportion of payment delays, up by 13.85 percentage points from 39.15 per cent in Q2 2017 to 53.0 per cent in Q3 2017. This is followed by the recreational services sector where slow payments jumped by 0.32 percentage points from 51.11 per cent in Q2 2017 to 51.43 per cent in Q3 2017. The corporate services sector registered the third highest proportion of payment delays, up by 4.84 percentage points from 42.64 per cent in Q2 2017 to 47.48 per cent in Q3 2017.
- ❖ On a y-o-y basis, slow payments fell by 5.95 percentage points from 48.01 per cent in Q3 2016 to 42.06 per cent in Q3 2017.

Wholesale Trade

The wholesale trade sector registered the second lowest proportion of payment delays owing to robust growth in the water transport and electronics segments.

- ❖ Q-o-q payment delays climbed moderately by 2.54 percentage points from 34.41 per cent in Q2 2017 to 36.95 per cent in Q3 2017 on a q-o-q basis.
- ❖ Slow payments by wholesalers of durable goods increased by 2.61 percentage points from 34.25 per cent in Q2 2017 to 36.86 per cent in Q3 2017. Payment delays by wholesalers of non-durable goods also rose by 2.28 percentage points from 34.86 per cent in Q2 2017 to 37.14 per cent in Q3 2017.
- ❖ On a y-o-y basis, slow payments within the wholesale trade sector decreased markedly by 4.21 percentage points from 41.16 per cent in Q3 2016 to 36.95 per cent in Q3 2017.

“The cashflow woes faced by construction companies have been exacerbated by the fact that payment is often made in progress and based upon completion of certain project milestones. This is especially the case for contracts which run over extended periods of time. Hence, despite the slight improvements in construction activities over the recent months, payment performance within this sector has remained particularly weak.” said Ms. Audrey Chia, D&B Singapore’s Chief Executive Officer.

“While there may be various reasons for local firms to defer payment to their suppliers or business partners, it all boils down to exercising good credit vigilance and proper negotiation to ensure that the credit terms extended to customers are in sync with those extended to suppliers. Good cashflow forecasting would also enable firms to determine and better decide on whether they should make capital investments in advance as this will ultimately affect the ability of firms to pay their creditors.” 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 refers to when 90% or more of total bills are paid within the agreed payment terms. Slow payment refers to when less than 50% of total bills are paid within the agreed terms. Partial payment refers to when between 50% and 90% of total bills are paid within the agreed payment 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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