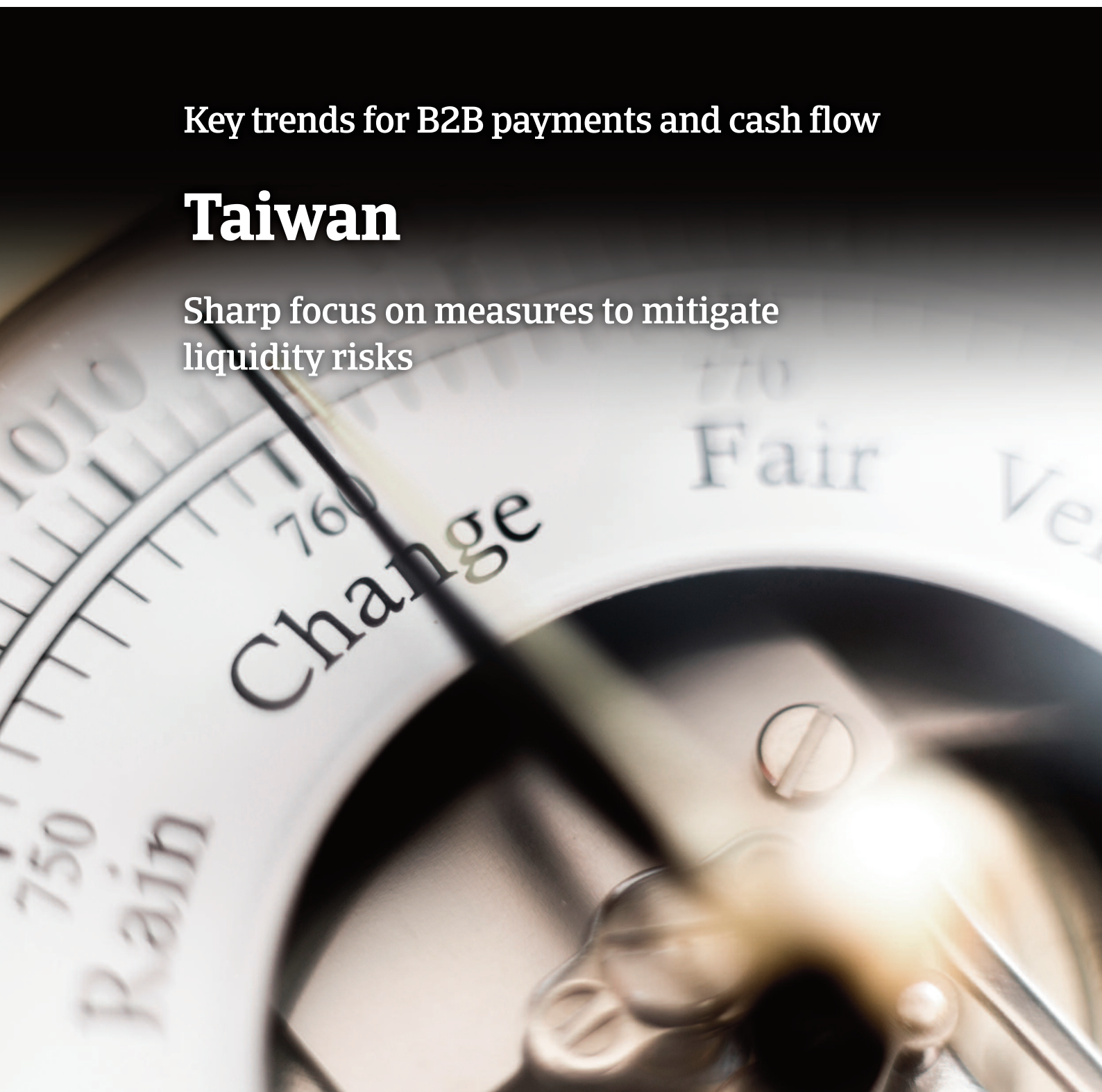




Key trends for B2B payments and cash flow

# Taiwan

Sharp focus on measures to mitigate liquidity risks





Vincent Ku  
CEO for Atradius in Hong Kong,  
South Korea and Taiwan  
commented on the report

“Taiwan is an export-orientated economy, for the first time we see a big drop in demand for consumer electronics which has resulted in a big decrease in exports since September 2022.

Our biggest trading partner China is suffering an economic downturn, while higher energy costs and interest rates are the two factors causing an unstable macroeconomic environment. The expected insolvency rate in Europe and the USA is going higher and real cases of filing insolvency have been increasing since the fourth quarter of 2022 worldwide. No doubt this is a difficult year for Taiwan and the majority of companies spend more time collecting overdue payments.

From the survey, we know more than 65% of companies polled are expecting an increase in demand and the high inventory issue will be solved gradually in 2024.

”

## About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times.

However, the survey also has a strong focus on the challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

The results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for Taiwan. Sector focus: chemicals, electronics/ICT, and transport .

The survey was conducted between the end of Q2 and the beginning of Q3 2023, and findings should therefore be viewed with this in mind.



## In this report

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## B2B payment trends and cash flow

### Sharp focus on measures to mitigate liquidity risks

Sales transacted on credit with B2B customers experienced a sharp downward trend during the past year among companies polled in Taiwan. These now average 45% of all B2B sales. The main reason for this decline is a downturn in Taiwan's exports due to a challenging economic landscape which includes tightening financial conditions, a global semiconductor downcycle, and a tightening grip on real incomes worldwide. The prospects of future growth in China being less dynamic may also have had an impact. However, companies in the Taiwan transport and storage sector bucked the general downward trend with an increase in B2B sales made on credit.

A striking difference across sectors in Taiwan towards setting payment terms was found in our survey. As a proactive measure to mitigate against the risk of late payments, many companies opted to tighten payment terms, with the average across Taiwan now 45 days from invoicing. This is one week shorter than last year. However, there was a substantial increase in businesses polled in the transport sector who offered significantly longer payment terms, more than 90 days from invoicing. The main factors in setting payment terms were adherence to company standards, particularly in the electronics/ICT sector, the availability and cost of capital, and alignment with terms set by suppliers.

The struggle for Taiwan businesses to maintain cashflow was evident in our survey. There was a notable 85% increase in the number of companies polled who had to wait significantly longer to collect overdue payments from B2B customers compared to last year. The urgency of the issue, particularly in the chemicals sector, was highlighted by the finding that a substantial 54% of all B2B invoices are now affected by late payments. Bad debts showed a slight decrease to 6% of all B2B invoices, down from 8%. Meanwhile, 55% of companies polled in the transport sector reported a deterioration in Days-Sales-Outstanding (DSO). All this prompted a range of measures to strengthen credit control procedures.

More time and resources were spent on chasing unpaid invoices, and short-term finance was sought through bank loans and trade credit to boost financial resilience. For the majority of companies polled in Taiwan these actions were taken within the framework of in-house retention and management of customer credit risk, particularly in the electronics/ICT and transport sectors. These companies prefer to set aside funds to cover potential losses and often also resort to factoring to optimise cashflow. In contrast, the Taiwan chemicals sector more often looked to the benefits of credit insurance as a risk mitigation strategy.

### Key figures and charts on the following pages

### Key survey findings

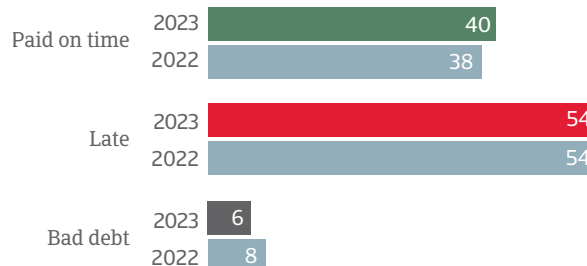
- There was a sharp downward trend in sales transacted on credit during the past year by companies polled in Taiwan, with 45% of all B2B sales now made on credit. This was the result of a difficult international trading landscape, including a global semiconductor downcycle.
- Payment terms across all companies polled in Taiwan now average 45 days from invoice, one week shorter than last year. However, in the transport sector payment terms were significantly lengthened to more than 90 days by many businesses.
- Several criteria for setting payment terms were reported, with adherence to company standards particularly prevalent in the electronics/ICT sector. The availability and cost of capital was another major factor, as well as aligning payment terms with suppliers.
- Amid a severe challenge to maintain cashflow there was an 85% increase in the number of Taiwan companies who took significantly longer to collect overdue payments. Late payments now affect 54% of all B2B invoices, but bad debts dropped slightly to 6% of B2B invoices. Disputes over invoices was cited as the main reason for late payments.
- Businesses in Taiwan also had a strong focus on Days-Sales-Outstanding (DSO), with a range of measures adopted to mitigate potential liquidity risks. More time and resources were spent on chasing unpaid invoices as part of improved credit control procedures. Financial resilience was boosted by seeking bank loans and trade credit.
- In-house retention and management of customer credit risk was the prevailing mitigation strategy among companies polled in Taiwan. The use of factoring to optimise cashflow was also popular, while many businesses in the chemicals sector turned to the benefits of credit insurance.



# Taiwan

## Taiwan

% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)

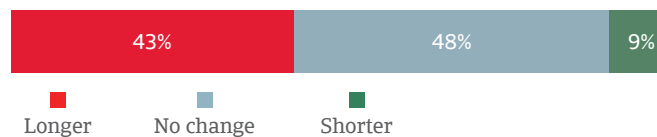


Sample: all survey respondents

Source: Atradius Payment Practices Barometer Taiwan – 2023

## Taiwan

% of respondents reporting changes in payment duration\* over the past 12 months



\*average amount of time to get paid from B2B customers

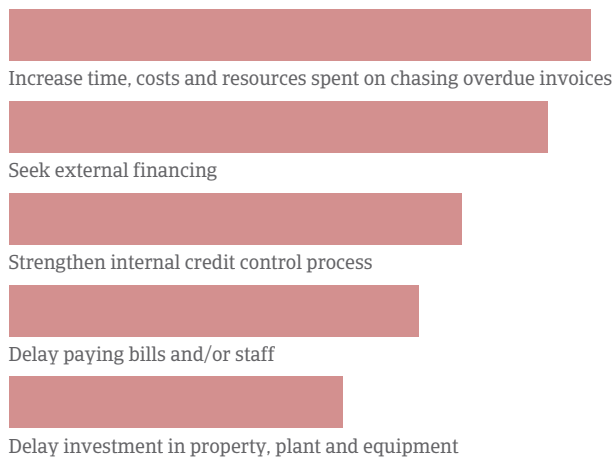
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Taiwan – 2023

## Taiwan

Measures put in place to minimise cash flow problems due to payment default of B2B customers

(% of respondents - multiple response question)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer Taiwan – 2023

### Survey question

What are the main sources of financing that your company used during the past 12 months?

- 52% Bank loans
- 46% Trade credit
- 40% Equity capital
- 26% Internal funds

\*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer Taiwan – 2023

# Looking ahead

## Widespread optimism despite downside risks on the horizon

A widespread mood of optimism was expressed about the year ahead by Taiwan businesses despite some concerns about the global economic landscape. 66% of companies polled said they anticipate increasing demand for their products and services, this positivity particularly evident in the chemicals sector. A more cautious feeling about future sales was found in the electronics/ICT sector, reflecting a softening of global demand in that area. 61% of businesses surveyed in Taiwan also told us they expect profit margins to increase during the coming months. The chemicals sector was again particularly optimistic, probably due to demand for specialised chemical products and their effective cost management strategies.

Companies polled in Taiwan also reported a positive outlook for both Days-Sales-Outstanding (DSO) and B2B payment behaviour. 48% of businesses said they anticipate an improvement in DSO during the coming 12 months, which suggests a proactive and forward-thinking approach to strategic credit management. The Taiwan chemicals sector was again notably upbeat. 38% of companies expect no change in DSO, while only a small percentage think it will deteriorate. 50% of businesses told us they anticipate improvement in B2B payment behaviour in the year ahead, while 31% expect to see no change.

The proactive nature of Taiwan business is illustrated by a wide-ranging approach to its management of customer credit risk. 56% of companies polled across all sectors said they will retain and manage the issue in-house during the year ahead, leveraging their expertise and resources. However, they said they will also augment their internal efforts by exploring the option of outsourcing customer credit risk to specialised insurance providers. The chemicals sector particularly expressed an interest in using credit insurance, while also looking to securitisation and letters of credit. The range of measures underscores a determination to fortify financial stability and liquidity management.

Concern about a prolonged global economic downturn is among several worries for the year ahead reported by companies polled in Taiwan. This anxiety is shared across all industries, while the electronics/ICT and chemicals sector have particular concern about a continuing volatility in energy costs. This would pose significant challenges given their reliance on energy-intensive processes. Although inflation has shown a downward trend, this remains a worry for many Taiwan companies. The fragmentation of global trade is also a point of concern, while Taiwan's role in the global tech manufacturing supply chain further complicates strategic considerations.

## Key figures and charts on the following pages

### Key survey findings

- The mood of optimism found among Taiwan businesses was clearly evident in our survey. 66% of companies polled expect an increase in demand during the coming year, with particularly positivity in the chemicals sector.
- A similar sunny outlook was reported about profit margins. 61% of businesses polled said they anticipate an increase in profitability in the months ahead, with the chemicals sector again especially optimistic due to effective cost management strategies.
- 48% of companies polled in Taiwan expect an improvement in Days-Sales-Outstanding during the coming 12 months, reflecting a forward-thinking approach to strategic credit management. 38% of businesses anticipate no change in DSO.
- B2B payment behaviour, a key indicator, is expected to improve in the year ahead by 50% of companies polled in Taiwan. A further 31% of businesses anticipate no change in payment behaviour, with a consequent beneficial effect for DSO.
- Our survey found a significant likely move towards the use of credit insurance as Taiwan companies take a proactive approach to the issue of managing customer credit risk. The chemicals sector particularly reported this, complimenting it with securitisation and letters of credit.
- Several major concerns for the year ahead were expressed by companies polled in Taiwan, including the impact of a prolonged global economic downturn. Volatility of energy costs is another major worry, especially in the electronics/ICT and chemicals sectors, while the fragmentation of global trade is a further anxiety.





# Taiwan

## Taiwan

Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

(% of respondents)

Sales



Profit margins



■ Improve   
 ■ No change   
 ■ Deteriorate

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Taiwan - 2023

## Taiwan

Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



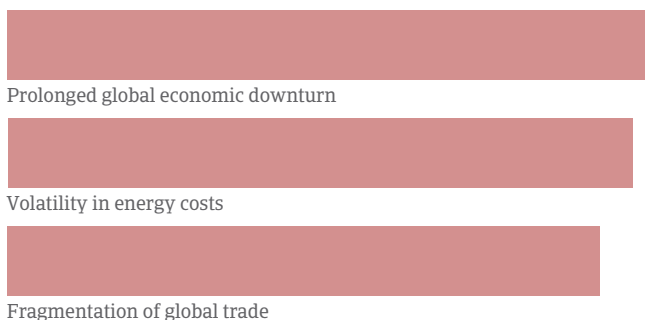
■ Improve   
 ■ No change   
 ■ Deteriorate

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Taiwan - 2023

## Taiwan

Looking ahead to the next 12 months: top 3 concerns expressed by businesses polled

(% of respondents - multiple response question)



Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Taiwan - 2023

### Survey question

**How do you expect your average DSO to change over the next 12 months?**

(% of respondents)

**48%** Improve  
**38%** No change  
**14%** Deteriorate

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Taiwan - 2023

## Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Taiwan are the focus of this report, which forms part of the 2023 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 258 interviews in total. All interviews were conducted exclusively for Atradius.

### Survey scope

- **Basic population:** Companies from Taiwan were surveyed, and the appropriate contacts for accounts receivable management were interviewed
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** Companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact, and for quota control, was conducted at the beginning of the interview.
- **Sample:** N=258 people were interviewed in total. A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: The survey was conducted between the end of Q2 and the beginning of Q3 2023.

### Sample overview – Total interviews = 258

Business sector	Interviews	%
Manufacturing	132	51
Wholesale trade	35	13
Retail trade/Distribution	44	17
Services	47	19
<b>TOTAL</b>	<b>258</b>	<b>100</b>

Business size	Interviews	%
SME: Small enterprises	25	10
SME: Medium enterprises	113	44
Medium Large enterprises	85	32
Large enterprises	35	11
<b>TOTAL</b>	<b>258</b>	<b>100</b>

Industry	Interviews	%
Chemicals	85	33
Electronics/ICT	94	36
Transport	79	31
<b>TOTAL</b>	<b>258</b>	<b>100</b>

## Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the 2023 Payment Practices Barometer of Atradius, available at [www.atradius.com/publications](http://www.atradius.com/publications) [Download in PDF format](#) (English only).

## Interested in finding out more?

Please visit the [Atradius](http://Atradius) website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

Follow us to stay up to date with our latest releases by [subscribing](#) to notifications of our Publications, and receive weekly emails with alerts to when new reports are published.

To find out more about B2B receivables collection practices in **Taiwan and worldwide**, please visit [atradiuscollections.com](http://atradiuscollections.com).

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