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COFACE ECONOMIC PUBLICATIONS

PAYMENT SURVEY

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China Payment Survey 2025: Longer payment terms helped mitigate increases in payment delays

While suppliers extended longer payment terms on average, growing caution was evident as fewer companies were willing to offer credit sales. Coface's 2025 China Corporate Payment Survey revealed that only 65% of respondents provided payment terms, down from 79% in 2023 and below the pre-pandemic average of 74%. This decline reflected waning optimism about economic reopening, alongside rising concerns over the ongoing property market crisis, sluggish domestic demand, and excess production capacity.

Despite this growing caution, average payment terms lengthened from 70 days in 2023 to 76 days in 2024. Deflationary pressures and strained profitability have led more customers to seek credit facilities, while increased use of risk management tools have given suppliers some comfort to accommodate these requests.

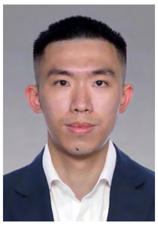
As payment terms lengthened, fewer respondents reported payment delays in 2024. Only 44% of respondents reported overdue payments, down from 62% in 2023. The duration of delays also remained stable, increasing slightly from 64 days in 2023 to 65 days in 2024. However, when combined with longer payment terms, the average days sales outstanding (DSO) rose from 133 days in 2023 to 141 days in 2024, indicating extended collection periods.

Ultra-long payment delays (ULPDs, exceeding 180 days) also worsened, with nearly half of affected respondents reporting delays exceeding 2% of annual turnover, up from 33% in 2023. This trend highlighted heightened non-payment risks, as Coface's experience suggested that 80% of such delays were ultimately uncollectible.

Credit risks still varied across industries. The wood industry faced the longest payment delays, dragged by muted furniture demand amid prolonged housing market crisis, while the automotive sector saw cash flow cycles lengthened due to financial strains on car dealers. The construction sector reduced payment delays by 15 days, though its DSO remained among the highest due to persistent liquidity challenges for local governments and property developers.

Looking ahead, most respondents expected late payment trends to remain stable over the next six months, though more anticipated improvement (29%) than deterioration (12%), buoyed by government stimulus measures. Sector-wise, pharmaceuticals remained the most optimistic (83%), driven by aging population demand, followed by metals, which may benefit from stimulus expectations. Textiles remained the most pessimistic, though moderating raw material costs could offer some relief. Fierce competition and slowing demand were identified as the top risks for 2025, with excessive production capacity and potential trade barriers posing ongoing challenges.

coface FOR TRADE



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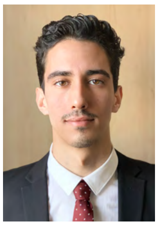

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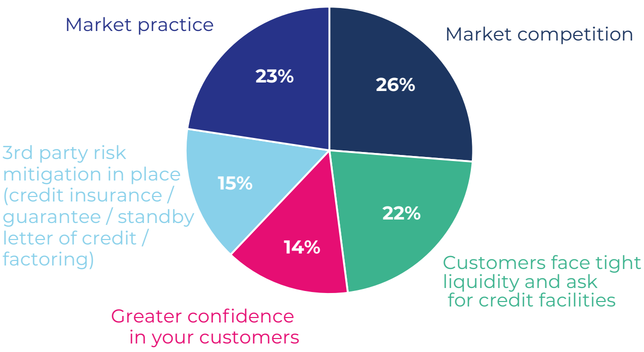
PAYMENT TERMS[1]: LONGER PAYMENT TERMS TO ACCOMMODATE CLIENT NEEDS, DESPITE GROWING SUPPLIER CAUTION

- The share of respondents offering payment terms declined significantly in 2024, dropping to 65% from 79% the previous year. The brief rebound in 2023 reflected fading supplier optimism about economic recovery, which turned out to be weaker than expected. This ratio was also below the pre-pandemic average of 74% (2015-2019), underscoring growing caution among suppliers amid China's structural economic challenges to revitalize consumer market and stabilize housing market.

- Among companies offering credit sales, market competition (26%) and market practices (23%) remained the primary reasons **(Chart 1)**. However, profitability pressures in a deflationary environment led more customers to request credit facilities (rising to 22% in 2024 from 14% in 2023). In the meantime, fewer respondents voluntarily extended credit terms due to confidence in clients' repayment abilities (down to 14% from 16%). Against such a backdrop, more businesses have turned to third-party risk mitigation tools, which may provide some comfort for suppliers to accommodate client needs.

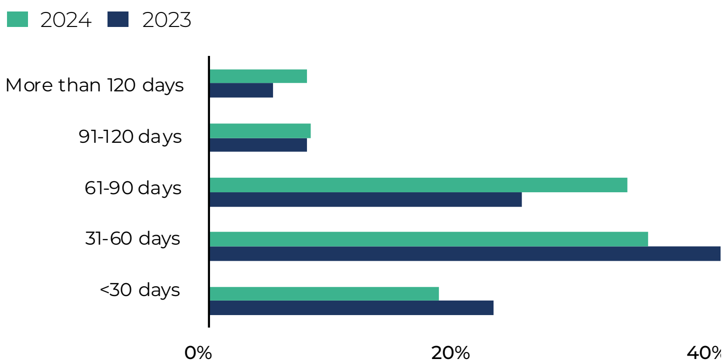
- Despite reduced willingness to offer credit sales, businesses generally extended payment terms in 2024. The average total payment terms increased from 70 days in 2023 to 76 days in 2024. The term structure remained relatively stable **(Chart 2)**, with 65% of respondents offering usual length of 31-90 days. However, more companies offered terms of 61-90 days compared to 31-60 days. Longer payment terms exceeding 90 days

Chart 1:
Percentage of respondents citing the factor as reason for offering payment terms



Source: Coface Payment Survey

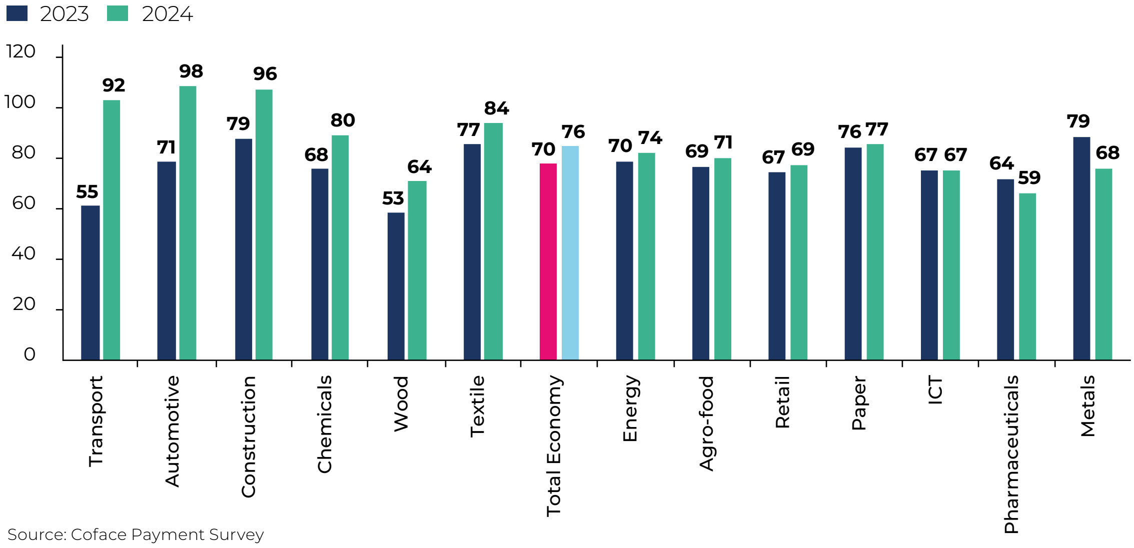
Chart 2:
Percentage of respondents offering payment terms for this duration



Source: Coface Payment Survey

1 Payment term refers to the time frame between when a customer purchases a product or service, and when the payment is due, as reported by our respondents on average.

Chart 3:
Average payment terms by sectors (in days)



Source: Coface Payment Survey

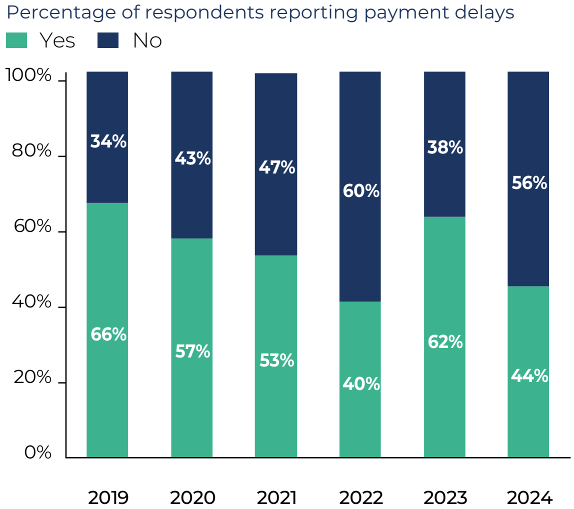
remained rare, reflecting continued caution about market uncertainty that could negatively impact buyers' repayment abilities.

- 10 of Coface's 13 sectors extended payment terms in 2024 **(Chart 3)**. The transport and automotive sectors have seen the largest increases, at 37 days and 27 days respectively, making them the most generous in offering credit sales. The construction sector also maintained long payment terms to accommodate the cash-strapped property developers. In contrast, the metals (-11 days) and pharmaceutical (-5 days) sectors were the only two to shorten payment terms in 2024.

- Looking ahead, most respondents expected payment terms to remain unchanged over the next six months. However, in the paper and textile sectors, over 60% of respondents anticipated longer payment terms. This could be driven by buyers pressuring these industries to extend payment facilities due to tight liquidity conditions, which was already evident in 2024. And with such pressure and still unfavorable demand outlook for downstream distributors, more suppliers in these sectors may turn to third-party risk mitigation tools in 2025 to hedge against potential losses.

2 PAYMENT DELAYS[2]
EXTENDED COLLECTION PERIOD FOR SUPPLIERS

Chart 4:
Percentage of respondents reporting payment delays



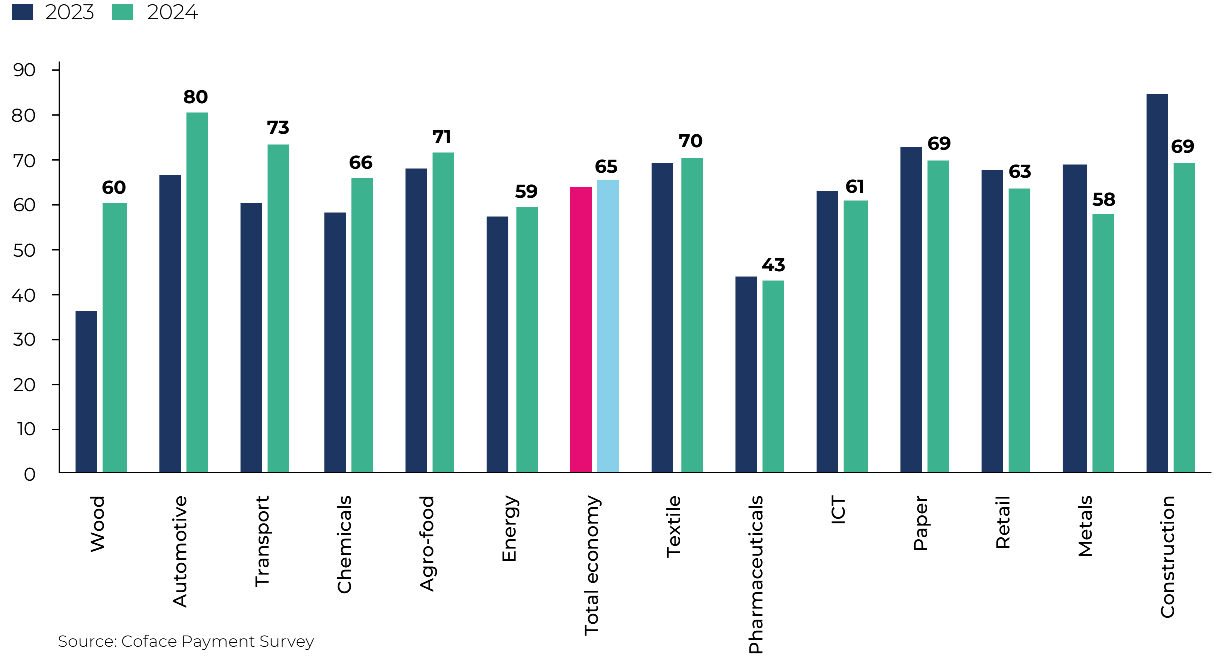
Source: Coface Payment Survey

- As suppliers offered longer payment terms, few respondents reported payment delays in 2024 **(Chart 4)**. The share of respondents reporting past dues considerably reduced from 62% in 2023 to 44% in 2024.

- But the decrease in the frequency of payment delays may not necessarily equate to an improvement in companies' cash flow position. Payment delays, measured by the number of days, have remained roughly stable, with a small increase from 64 days in 2023 to 65 days in 2024 **(Chart 5)**. But this came against the backdrop of longer payment terms offered by suppliers, which lengthened by 6 days on average from 2023 to 2024. If payment delays are added to payment terms, the total average waiting time between

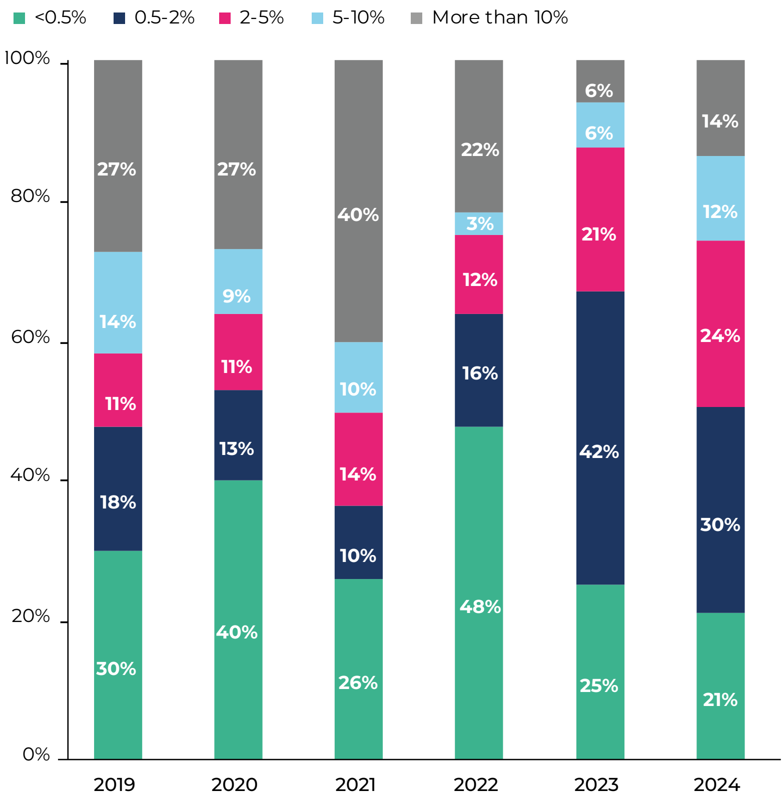
2 Payment delay refers to the period between the payment due date and the date the payment is made, as reported by our respondents on average.

Chart 5:
Average payment delays by sector (days)



Source: Coface Payment Survey

Chart 6:
Ultra-long payment delays as a % of turnover



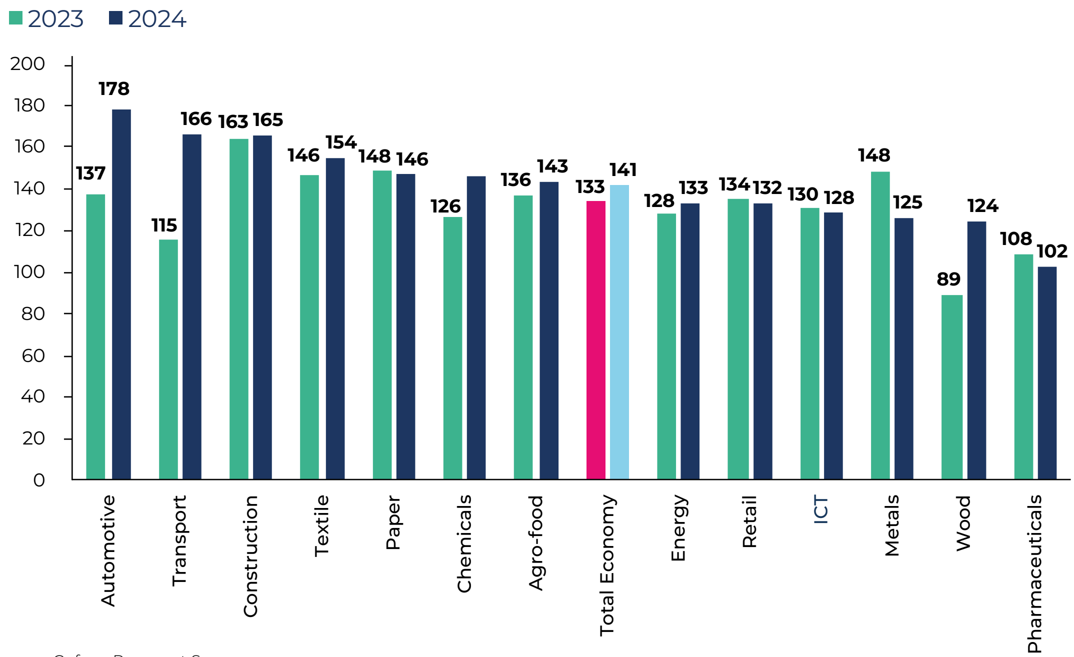
Source : Coface Payment Survey

products delivery and payment collection, known as days sales outstanding (DSO), increased from 133 days in 2023 to 141 days in 2024, indicating an extended collection period from a year ago **(Chart 7)**.

- In addition, among respondents that experienced ultra-long payment delays (ULPDs, above 180 days), almost half reported late payment worth at more than 2% of annual turnover **(Chart 6)**. This proportion was significantly up from 33% in 2023 and implied a rise in non-payment risk. Based on Coface's practical experience, 80% of such delays, above 180 days and exceeding 2% of suppliers' annual turnover, were not able to be collected. Worse yet, there have been a quarter of correspondents facing ULPDs of more than 5% of annual turnover, which more than doubled from 2023.

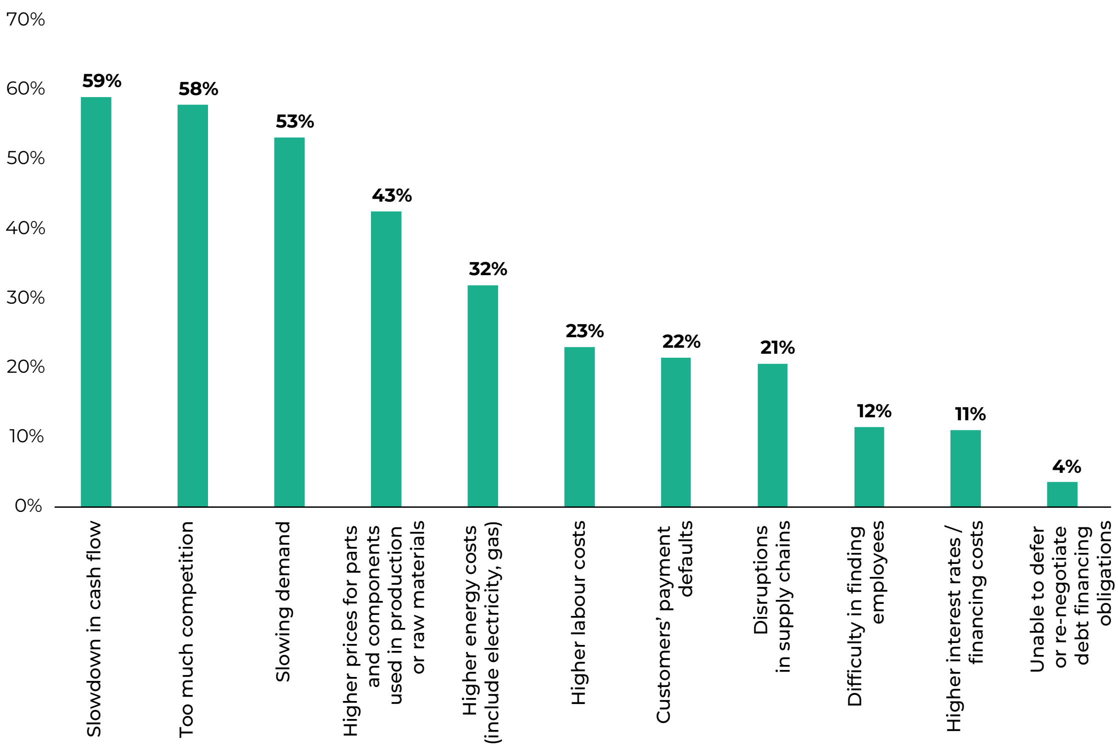
- By sector, the wood industry has experienced the most significant extension in payment delays, primarily driven by the prolonged housing market crisis that suppressed furniture demand. This has also led to a significantly longer settlement cycle for the sector. Meanwhile, the automotive sector faced similar challenges, with both payment delays and cash flow cycles becoming much lengthier. This was largely attributed to the financial burden on car dealers, who were grappling with losses and capital constraints amid an ongoing discount war aimed at reducing inventory. These challenges persisted despite improved sales in the second half of 2024, supported by trade-in subsidies nationwide.

Chart 7:
Average days sales outstanding by sector



Source : Coface Payment Survey

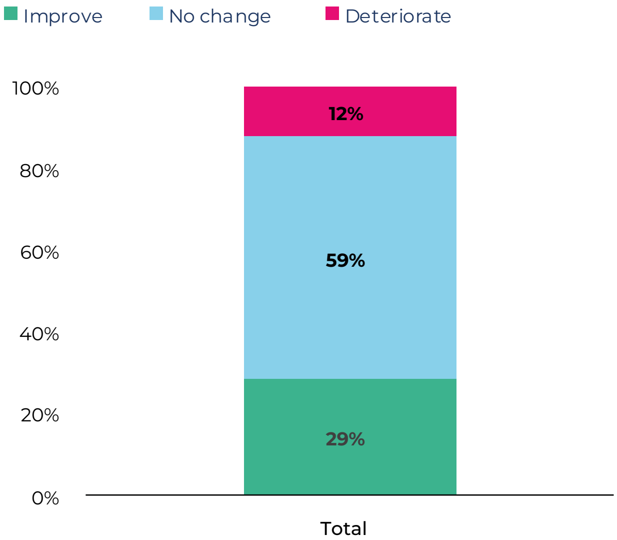
Chart 8:
Percentage of respondents citing the factor as reason for customer financial difficulties



Source : Coface Payment Survey

- To the opposite, the construction sector has shown the most noticeable reduction in payment delays, which dropped by 15 days. However, this improvement was largely attributed to more lenient payment terms extended by suppliers within the industry. When combining the duration of payment delays and payment terms, the days sales outstanding (DSO) for the construction sector remained largely unchanged from 2023. The sector continued to have one of the longest DSO among Coface's 13 sectors, reflecting persistently tight liquidity conditions for the downstream. For local governments, repayment capabilities remained constrained by their substantial debt burdens, which have been further exacerbated by declining land sales. Meanwhile, housing developers may see marginal improvements in their financial conditions, supported by stimulus-driven increases in sales. However, the overall financial health of these developers remained fragile, as housing sales were still less than half of the peak levels recorded during 2020-2021.

Chart 9:
Late payment trends expectations in next 6 months



Source: Coface Payment Survey

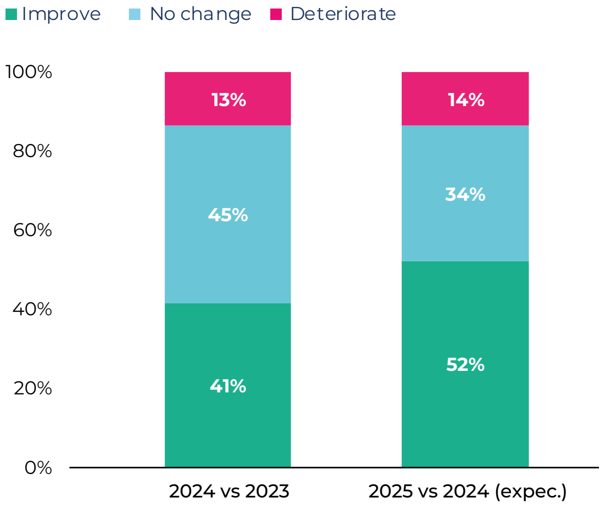
- More than half of the respondents cited slowing cash flow, weakening demand, and intense competition as the primary drivers of customers' financial distress **(Chart 8)**. Despite a recovery in exports in 2024, the persistent softness in domestic conditions has more than offset the boost from external demand. While policymakers have strategically shifted more support toward stimulating demand in the second half of 2024, such measures have so far been limited to specific durable goods, failing to provide a strong boost to the broader economy. This narrow-based demand recovery has done little to alleviate the excess production capacity across a wide range of sectors, including consumer goods, construction-related materials, and machinery and transportation equipment (see: Made in China: How China Can Deal with Its Industrial Overcapacity).

- The resulting inventory burden has intensified price competition among producers, who were resorting to price cuts to stimulate sales. This dynamic has in turn contributed to a second consecutive annual decline in the producer price index, which fell by 1.1% in 2024. Against this backdrop of subdued pricing pressure, costs have remained a relatively insignificant burden for Chinese companies. Less than a quarter of respondents identified labour costs as a primary reason for customers' financial difficulties, while only 11% cited financing challenges as a key factor.

- Looking ahead, the majority of respondents anticipated no change in late payment trends over the next six months **(Chart 9)**. However, more respondents expected an improvement (29%) rather than a deterioration (12%), reflecting a generally optimistic outlook toward future payment behaviour. That said, companies in the construction and textile sectors exhibited greater caution, with diffusion indices of -10 and -6, respectively, likely driven by uncertain demand prospects. For the construction sector, the ongoing housing market crisis remained a primary concern, while the textile sector has been facing dual challenges – domestically, shifting household preferences are prioritizing precautionary savings over spending, while externally, rising tariffs are adding further pressure.

3 ECONOMIC EXPECTATIONS
COMPETITION TO REMAIN INTENSE AS OVERCAPACITY PRESSURE PERSISTS

Chart 10:
Business activity assessment



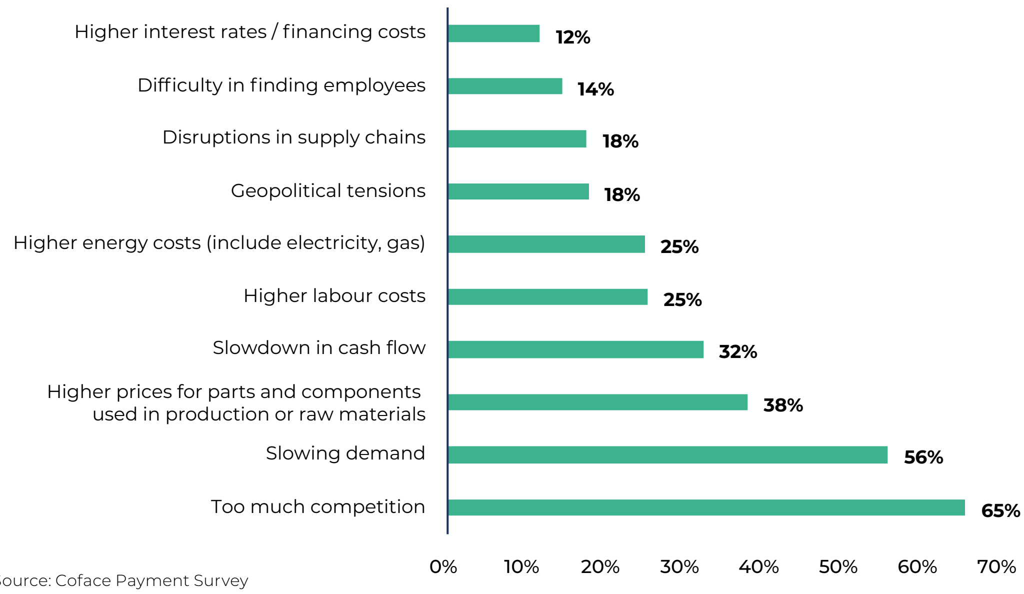
Source: Coface Payment Survey

- Less than half of the respondents reported improved business conditions in 2024 compared to 2023 **(Chart 10)**, as the initial boost from reopening demand faded. Nevertheless, respondents remained optimistic about the economic outlook over the next 12 months, with more than half expecting business conditions to improve in 2025. Government stimulus efforts may have bolstered confidence among companies. However, this optimism could be overstated, as stimulus measures have been relatively restrained so far, and tariff risks for trade sectors remain a looming challenge.

- By sector, pharmaceuticals remained the most optimistic industry (83%), driven by structural demand from an aging population. However, ongoing drug pricing reforms—such as government-led centralized purchasing to reduce public health spending—have eroded profitability. Metals ranked second in optimism (72%), likely fuelled by hopes for stimulus measures. Yet, this sentiment may be excessive, as muted demand from the housing construction sector may continue to weigh on real demand. Additionally, rising tariffs between the U.S. and China could exacerbate challenges for metals like steel and aluminium that are subject to higher tariffs. Textiles remained the most pessimistic sector, though fewer respondents expected the outlook to worsen compared to last year, as textile firms may find some relief from moderating raw material costs, with prices for cotton and oil expected to trend lower.

- Fierce competition remained the top risk facing corporate operations in 2025 **(Chart 11)**, highlighting the persistent challenge of China's excessive production capacity. Slowing demand ranked as the second-largest risk, particularly for export-oriented firms, which could face heightened trade barriers under a second Trump presidency. It remained unclear whether government efforts to stimulate domestic demand will be sufficient to offset the shortfall in external demand. At the same time, regulations aimed at curbing production capacity expansion have been approached cautiously, as such measures could also weigh on near-term economic growth. The sustained gap between supply and demand is likely to push Chinese companies to continue engaging in price competition to drive sales, further intensifying market pressures.

Chart 11:
Percentage of respondents citing the factor as risks to companies operations in 2025



Source: Coface Payment Survey

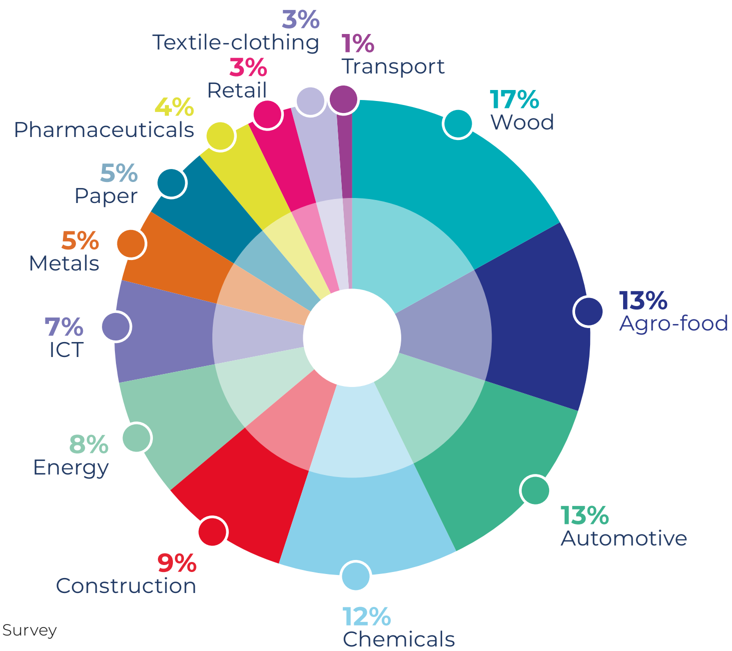
APPENDIX

A TOTAL OF

1,016

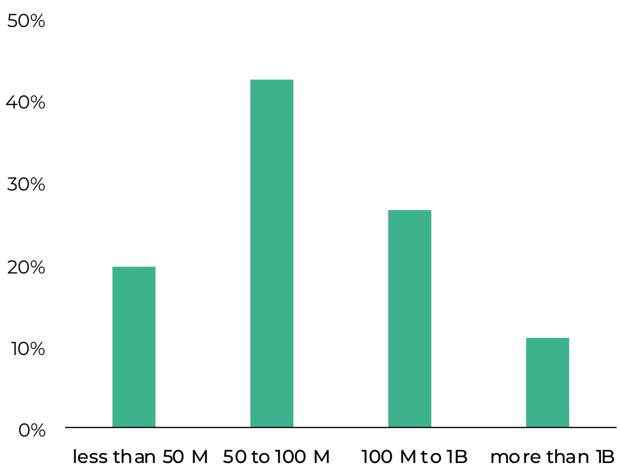
COMPANIES PARTICIPATED
IN THE PAYMENT SURVEY

Which of the following best describes your company's industry?



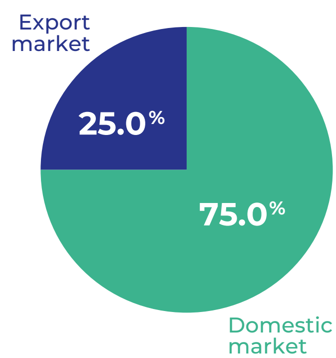
Source: Coface Payment Survey

For 2024, what is your company's estimated sales revenue (CNY)?



Source: Coface Payment Survey

What is the main market for your business activity?



Source: Coface Payment Survey

GLOSSARY

PAYMENT TERM
The time frame between when a customer purchases a product or service and when the payment is due.

PAYMENT DELAY
The period between the payment due date and the date the payment is made.

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