

### ENCOURAGING TONES FROM THE EXPORT INDUSTRY

Despite the Ukraine crisis and a weak 2013, exporters remain more optimistic. Our survey shows that export orders have risen and businesses expect them to continue increasing. There are a number of reasons for this. One positive factor is that businesses no longer view the krona as a disadvantage, which is a change in trend from previous surveys. In addition, businesses have been pleasantly surprised by an interest rate cut. The overall export credit index has risen from 55 to 58, reflecting a more favorable financial situation for companies and an improved market climate.



### DIFFERENCES IN FINANCING OPPORTUNITIES

**OUR SURVEY SHOWS** that financing is one of the most important factors in securing export orders. But our results show that it is mainly large companies that are enjoying better financing opportunities, while SMEs say access to financing has deteriorated. This poses a risk, as the percentage of SMEs that are expected to increase export orders and hire more staff is greater than the percentage of large companies that are expected to do this. However, those SMEs that do receive financing are experiencing better terms than previously.

### SUSTAINABILITY REQUIREMENTS INCREASING

**JUST UNDER 40 PERCENT** of companies impose regular sustainability requirements in export sales. Among those businesses that do, we are seeing a sharp rise in the percentage of companies planning to further tighten these requirements over the coming year. *Find out more on page 10.*

# 58

SEK's Export Credit Index (ECI) is a composite index consisting of 5 sub-indices that measure companies' financial position, financing needs and opportunities, export financing needs and financing terms.

#### ABOUT THE EXPORT CREDIT TRENDS SURVEY

SEK's Export Credit Trends Survey was first published in June 2013. Its purpose is to increase understanding about Swedish exporters' needs and opportunities for financing, and the implications of these issues for exports. The survey is also an important indicator for the Swedish export economy. An index value of 50 is neutral. Levels over 50 indicate an improvement, whereas levels under 50 indicate a deterioration. The Export Credit Trends Survey is published twice a year. *You can find out more about the Export Credit Trends Survey on page 12.*

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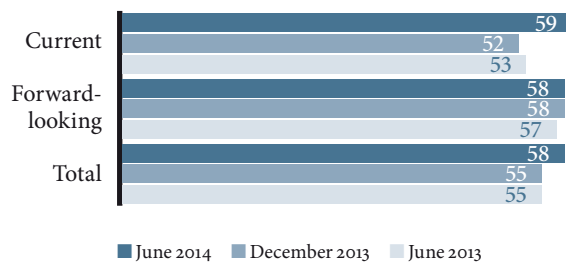


# The export credit index rose to 58 in June.

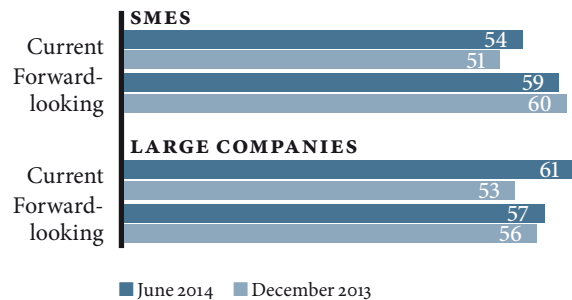
## ECI BOOSTED BY STRONGER COMPANIES AND BETTER MARKET

Our overall export credit index rose to 58 in June from 55 in December of last year. The index is made up of 5 sub-indices; financial position, financing needs, export financing needs, financing opportunities and financing terms. It is clear that most of these sub-indices have improved. Companies are financially stronger, financing costs have improved and there is better access to financing. Export financing needs remain unchanged at a strong level. The index has been boosted by all these factors. Only financing needs scored slightly lower than the previous index. Overall, this indicates that the market is functioning better and that the corporate sector is in good condition. However, the ECI scores diverge for large companies and SMEs. SMEs score less on the index as a result of access to financing and financing needs being lower than expected.

**EXPORT CREDIT INDEX, ECI**  
INDEX VALUE



**EXPORT CREDIT INDEX, ECI**  
INDEX VALUE



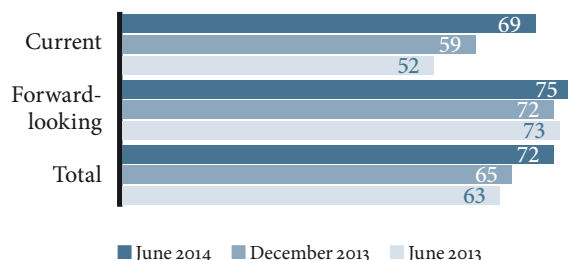


**BETTER FINANCING TERMS AND STRONGER BALANCE SHEETS**

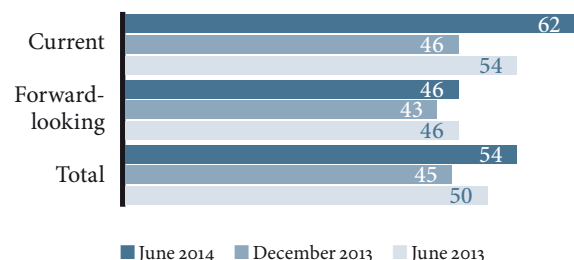
The Swedish export industry has been struggling in recent years, owing to weak international demand combined with a strong krona. At the end of 2013 there was a modest upturn in performance, and the start of 2014 has seen slightly more positive signs. Exports increased 3 percent in the first quarter of this year compared with the same period last year. But businesses have been cautious about investing and have instead tended to continue strengthening their balance sheets, as confirmed by our survey.

Both large firms and SMEs have bolstered their financial position by increasing cash reserves and cutting debt. We note that the percentage of large companies with a strong financial position is higher than the percentage of SMEs. In addition, a higher percentage of SMEs reported weaker cash reserves. The percentage of companies expected to reduce their indebtedness is also higher among large companies. This suggests that larger businesses have a more satisfactory financial position.

**FINANCIAL POSITION**  
INDEX VALUE



**COST OF FINANCING**  
INDEX VALUE



It is interesting to note that businesses believe financing costs have improved over the past six months. There was a substantial improvement on this front, with the index rising to 62 from 46 in the December survey. This is probably the main reason why market rates have fallen once again. The improvement in costs has surprised companies, who in December were predicting that costs would instead rise.

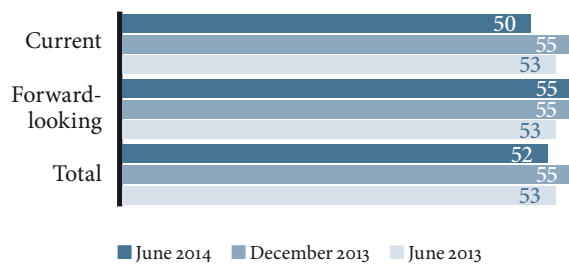
The corporate sector’s strong finances and improved costs are two key indicators that businesses are well positioned.

### LOWER FINANCING NEEDS

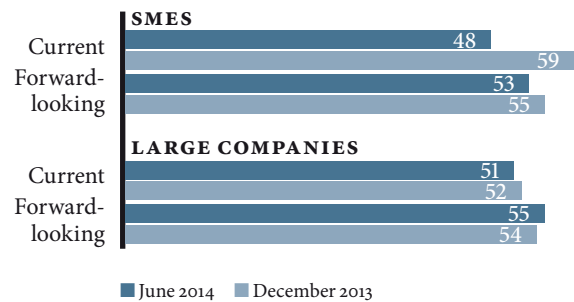
Companies have lower financing needs for their operating activities compared with the previous survey. And these needs are also less than companies had expected six months ago. The percentage of SMEs reporting lower financing needs is higher than those who have seen their financing needs increase, with a pronounced drop in this index score for SMEs from 59 to 48. For large companies the index dipped from 52 to 51. This reduced need for financing may be due to anticipated orders not really meeting companies’ expectations and to businesses focusing on continuing to cut their debt and improving their cash position.

Despite this, the need to finance export orders has continued. A higher percentage of large businesses say they have had a greater need for export finance needs over the past six months, with the index for this rising from 54 to 58. Looking ahead, businesses see an increased need for export finance.

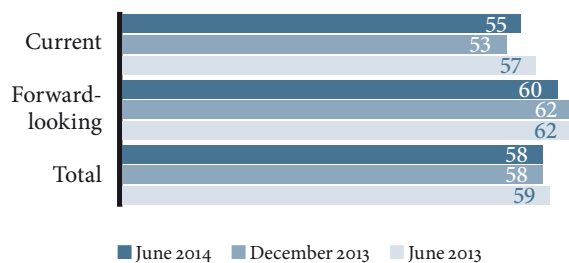
**COMPANIES’ FINANCING NEEDS**  
INDEX VALUE



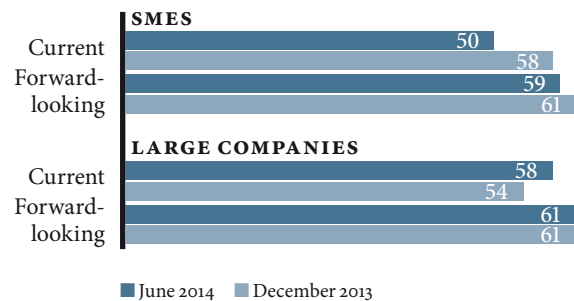
**FINANCING NEEDS**  
INDEX VALUE



**COMPANIES’ EXPORT FINANCING NEEDS**  
INDEX VALUE



**COMPANIES’ EXPORT FINANCING NEEDS**  
INDEX VALUE





## DIVERGING FINANCING OPPORTUNITIES

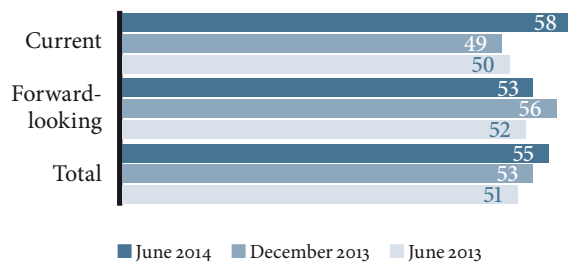
It is important that exporters have access to financing via the capital and credit markets and banking markets in order for exports to gain traction. In our survey, companies report that, beyond general demand, financing is one of the three key factors in securing an export sale.

Access to financing varies significantly between large companies and SMEs. This has been identified in our previous surveys and the trend has strengthened in the latest survey. According to our survey, the need for financing has decreased in particular for smaller companies, but it is concerning that SMEs feel that opportunities for financing have decreased. This is the third survey in a row in which SMEs are reporting a deterioration in financing opportunities. This means the expectations of better access to financing in the last two surveys have not been fulfilled. Looking 12 months ahead, SMEs continue to expect an improvement in financing opportunities.

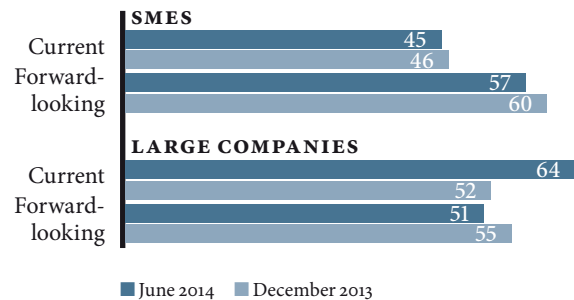
Large businesses, however, are showing the opposite trend, and these companies have been pleasantly surprised by developments. They are experiencing a considerable improvement in access to financing, both via the capital and credit markets and the banking market. This indicates something of a split in the market, with a growing trend for a more favorable situation for large companies over the past six months but a deterioration for SMEs.

It is interesting to note that it is mainly SMEs that are expected to take on staff, and the trend of a deterioration in access to financing for this particular group is therefore concerning from an economic perspective.

**ACCESS TO FINANCING**  
INDEX VALUE



**ACCESS TO FINANCING**  
INDEX VALUE

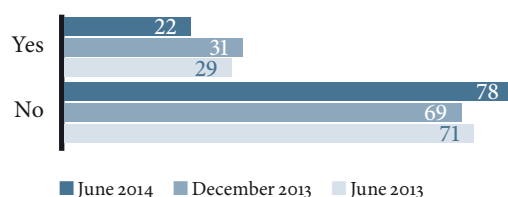


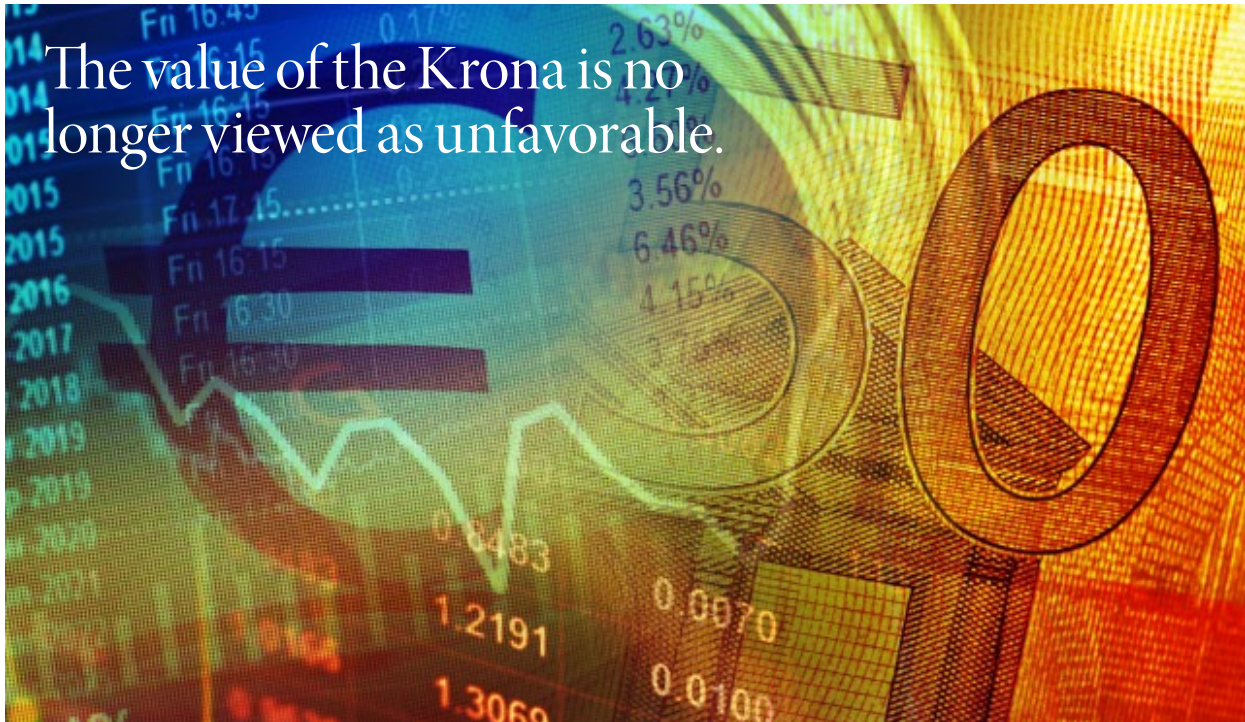


Moreover, one in five companies say they have been forced to turn down an export transaction due to financing reasons in the past six months. This is slightly less than in our last survey, when one in three companies had to turn down an export order. This could be a sign that the cost situation has substantially improved and that access to financing is better, although the latter only applies to large companies. It is positive that fewer deals have had to be turned down, but these still constitute at least 400 transactions. Although we do not know why financing in these cases was not provided or exactly how many transactions were affected or the size of transactions, this indicates that financing is a key factor for the Swedish export market and that many orders, and therefore growth, are being missed out on due to a lack of financing.

**HAS YOUR COMPANY TURNED DOWN AN EXPORT TRANSACTION DUE TO FINANCING REASONS IN THE PAST SIX MONTHS?**

INDEX VALUE



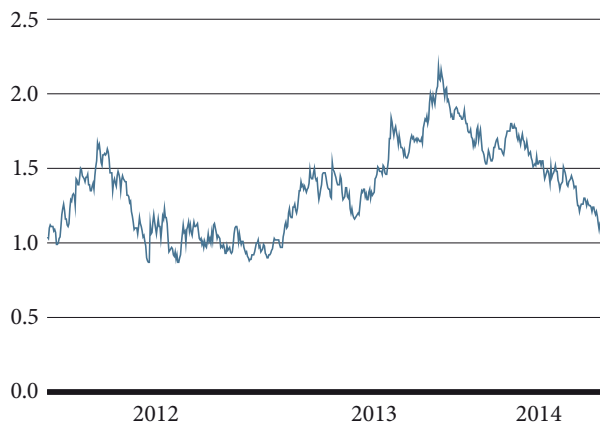


The value of the Krona is no longer viewed as unfavorable.

**POSITIVE CONTRIBUTION FROM KRONA AND INTEREST RATES**

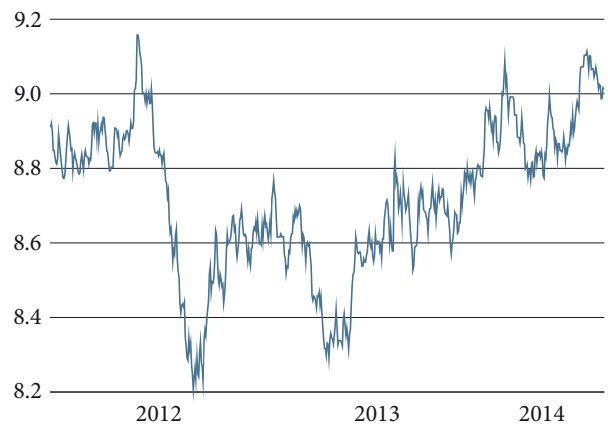
Our survey shows a clear new trend with regard to the krona. In our previous surveys, the majority of companies viewed the value of the krona as a disadvantage. The krona strengthened significantly following the euro crisis, further hampering the competitiveness of Swedish companies. But the krona has weakened over the past year and the results of this are now being seen in our June survey. In June and December of

**GOVERNMENT BOND, 5 YEARS**  
PERCENT



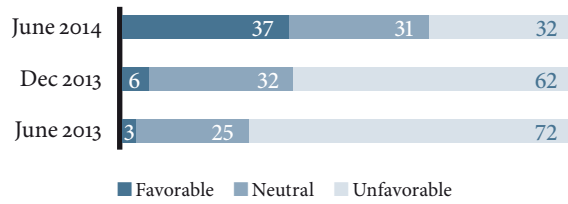
Source: SEK/Macrobond

**SEK PER EUR**  
SEK/EUR

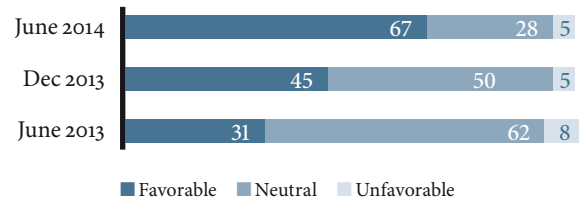


Source: SEK/Macrobond

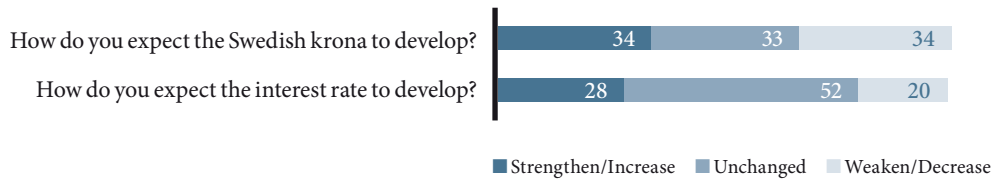
**IMPORTANCE OF KRONA FOR EXPORT SALES. WHAT DO YOU THINK OF THE KRONA'S CURRENT EXCHANGE RATE?**  
PERCENT



**THE IMPORTANCE OF INTEREST RATES FOR EXPORTS – HOW ARE CURRENT INTEREST RATES VIEWED?**  
PERCENT



**EXPECTATIONS ON THE DEVELOPMENT OF THE KRONA AND INTEREST RATES OVER THE NEXT 12 MONTHS**  
PERCENT



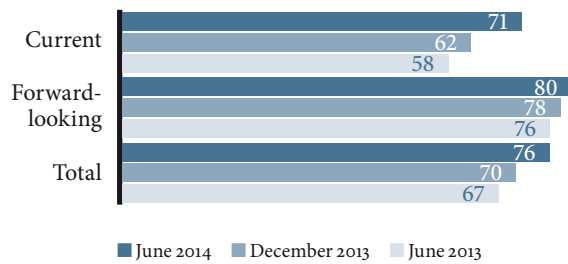
last year, the majority of businesses, particularly larger companies, reported the value of the krona as being a disadvantage. SMEs were less pessimistic, which may be due to smaller companies having a larger proportion of imports and therefore benefitting from a strong krona. The current survey finds that almost 40 percent of businesses report that they view the krona's current exchange rate as beneficial compared with only 6 percent in December. This is a stark improvement and should provide an additional boost for exports going forward. There are still more SMEs that view the krona's current exchange rate as unfavorable rather than favorable, which once again may be due to smaller companies being more dependent on imports than large businesses. All things being equal, a weaker krona makes imports more expensive. Since the bulk of Sweden's exports are generated by large companies, the depreciation of the krona is positive as these large companies view the weaker krona as favorable. Currency is cited by businesses as one of the three most important factors for export sales beyond the general economic conditions.

Another significant difference from the previous survey is that interest rates are now viewed as favorable. Compared with the last survey, more businesses now view interest rates as advantageous. 70 percent of large companies believe interest rates are favorable, compared with less than 50 percent in the previous survey. Of SMEs, just over 60 percent believe interest rates are favorable, compared with only 35 percent in December. The sharp decline in interest rates over the past six months is likely to have surprised companies. Market rates rose dramatically in the spring of last year, hitting businesses, but they have since fallen back and are currently around the same level as at the start of 2013.

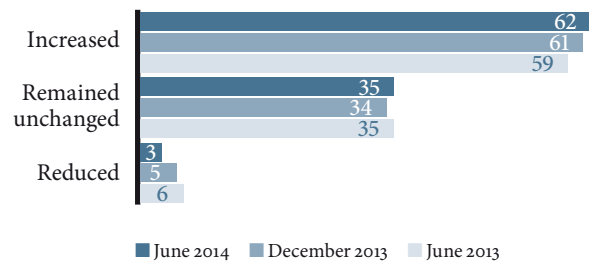
As a result, exporters now have some wind in their sales as demand in Europe appears to have picked up and both the krona exchange rate and interest rates are favorable. However, looking forward, companies expect interest rates to rise, although companies are now less certain about the direction of rates than they were six months ago. The krona is expected to remain more or less unchanged at the current level, although following the recent weakening more companies now expect it to strengthen compared with the last survey.



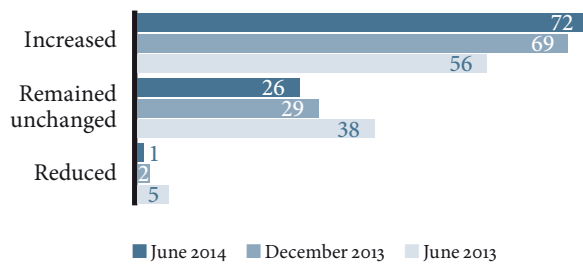
**COMPANIES' VIEW OF EXPORT ORDERS**  
INDEX VALUE



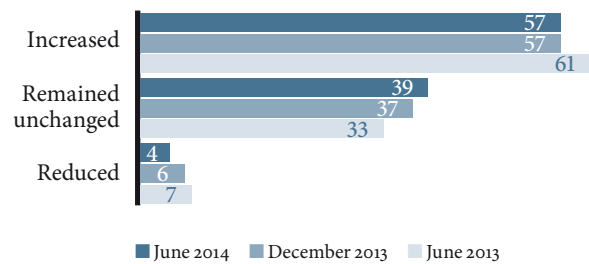
**COMPANIES' EXPECTATIONS (OVER 12 MONTHS) OF EXPORT ORDERS, TOTAL**  
PERCENT



**COMPANIES' EXPECTATIONS (OVER 12 MONTHS) OF EXPORT ORDERS, SMES**  
PERCENT



**COMPANIES' EXPECTATIONS (OVER 12 MONTHS) OF EXPORT ORDERS, LARGE COMPANIES**  
PERCENT



**COMPANIES SEE GROWING DEMAND**

This trend is persisting, with companies reporting that orders have continued to rise over the past six months, just as they did in December and June last year. The index has risen from 62 in December to 71 in this June's survey. But conditions for exporters have been tough in recent years, which means that even positive response to this question do not necessarily mean that conditions are healthy. What is important is that businesses feel demand has improved over the past six months and is expected to continue getting better. This bodes well for the upturn that we saw in the fourth quarter of last year and the first quarter of this year continuing. The percentage of businesses reporting an increase in orders was 60 percent among SMEs and 52 percent of large companies. SMEs are still slightly more optimistic about a continued increase in orders over the next 12 months.

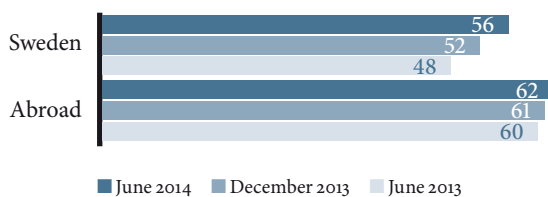


**SMES PROVIDING JOB GROWTH**

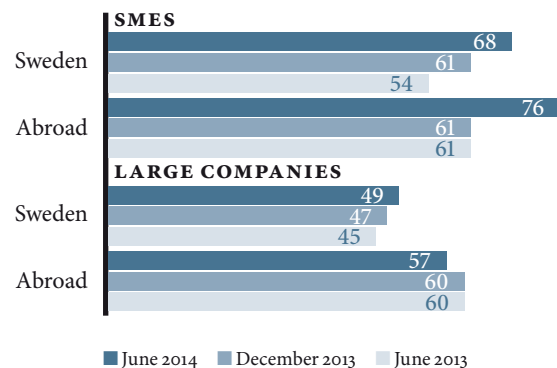
The household sector has been the engine of the Swedish economy in recent years. As a result, GDP growth has averaged 1.8 percent over the past three years, despite a weak export sector, compared with -0.5 percent for the euro economies. The relatively favorable economic position has also contributed to a cautious recovery on the labor market. Employment has risen by an average of 1.3 percent over the past three years. And, according to our survey, companies are continuing to indicate job growth. Once again, it is smaller companies that are most optimistic about the opportunities for job creation, both in Sweden and abroad. The percentage of SMEs that are expected to take on staff in both Sweden and abroad has risen fairly substantially compared with what they anticipated six months ago.

In contrast, large companies have become slightly more cautious with regard to opportunities to hire and create jobs. They have become slightly less pessimistic about the opportunities to create jobs in Sweden, although the index is still under 50 which indicates a greater likelihood of cutbacks than an increase in jobs. Outside Sweden, large companies are still planning to hire but the percentage has declined slightly from December, while the percentage of companies planning to reduce staff has increased slightly. The index has fallen from 60 to 57.

**COMPANIES' HIRING PLANS**  
INDEX VALUE



**COMPANIES' HIRING PLANS**  
INDEX VALUE



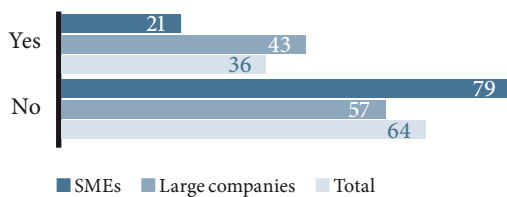
## TIGHTENING OF SUSTAINABILITY REQUIREMENTS

Just over 40 percent of companies say they impose regular requirements regarding sustainability, or corporate social responsibility (CSR)<sup>1</sup>, in export sales. Unsurprisingly, the percentage is lower among smaller companies. However, it is worth noting that the survey indicates a substantial change among customers who respond that they already impose sustainability requirements on a regular basis. The percentage of large companies that have tightened up their requirements over the past six months has increased from 23 percent in the December survey to 49 percent in our latest survey. The percentage of SMEs that have tightened requirements has also risen considerably. The trend becomes even clearer when we ask companies whether they plan to raise requirements over the next 12 months. The percentage of large companies responding that they intend to increase requirements has risen from 25 percent to 69 percent. This is a strong indication that sustainability requirements are becoming increasingly important in export sales. And we are likely to see the trend continuing in this area. Of those companies that do not currently impose sustainability requirements, more now say they plan to introduce such requirements over the next 12 months, although the percentage is still very low.

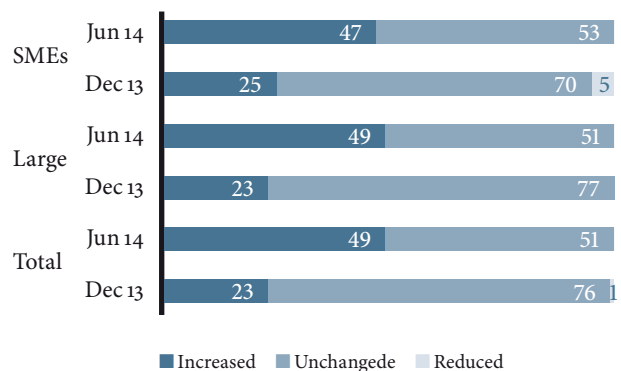
Our survey is indicating that we are moving in the right direction, although there is still a long way to go with over 60 percent of companies not imposing regular sustainability requirements in export sales.

Our survey shows the importance of sustainability requirements and compliance with these by asking whether companies have been forced to turn down an export sale as a result of their sustainability requirements not being met. 17 percent of companies say they have turned down an export sale for these reasons. More large companies have turned down export sales than SMEs. According to our survey, over 300 export sales were turned down.

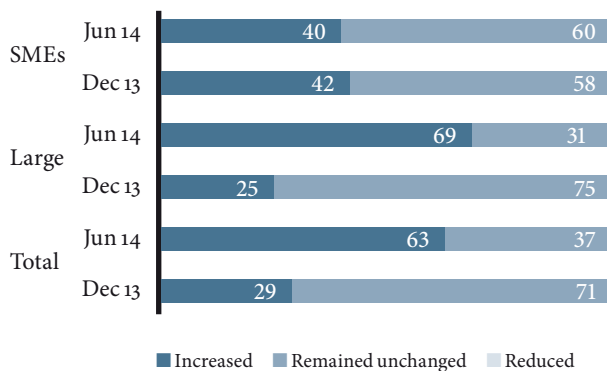
**DOES YOUR COMPANY IMPOSE REGULAR SUSTAINABILITY REQUIREMENTS FOR EXPORT TRANSACTIONS?**  
PERCENT



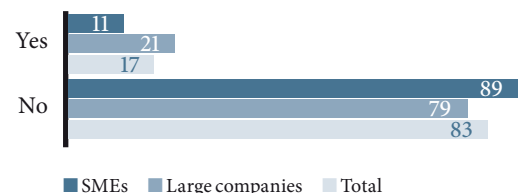
**IF YES, HOW HAVE YOUR CSR REQUIREMENTS FOR EXPORT SALES CHANGED OVER THE PAST SIX MONTHS?**  
PERCENT



**IF YES, HOW WILL YOUR CSR REQUIREMENTS FOR EXPORT SALES CHANGE OVER THE NEXT 12 MONTHS?**  
PERCENT



**HAS YOUR COMPANY TURNED DOWN AN EXPORT SALE FOR SUSTAINABILITY REASONS IN THE PAST SIX MONTHS?**  
PERCENT



<sup>1</sup> Sustainability (CSR): anti-corruption, environment, human rights, labor rights.

## EASE AND COST OF HIRING IS KEY ELECTION ISSUE

SEK's survey also asked companies what political issue they consider to be most important ahead of this autumn's general election. The question asked was: "What political measure would you want Swedish politicians to take to improve conditions for your business to grow in Sweden?" The companies worded their own responses rather than choosing from a range of options. Some companies declined to answer, but there is a clear pattern among the just over 100 answers received.

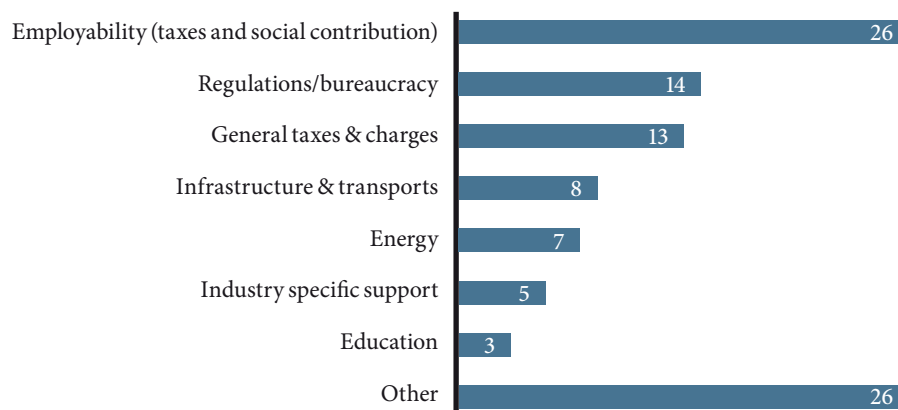
The highest priority for companies is for it to be both easier and less costly to employ staff. Here are some examples of businesses' responses to this question: "We'd like to see lower social contributions as we have so many employees"; "Lower payroll tax"; "Employment tax – social contributions need to be reduced"; "The labor laws could be more flexible, e.g. the Employment Protection Act needs to change"; "Better employment options for companies".

It is clear that the key issue for export companies is for it to be easier and cheaper to hire. After labor costs, issues about regulations and bureaucracy are the second most important topic while general taxes and charges are the third most important, according to the survey. One of this year's most debated issues is school results and education. In the long term, companies could be affected by a lack of skilled labor. However, only three companies in our survey mentioned education and skills as the most important election issue for companies to grow their business in Sweden.

The "other" group contained a number of interesting responses across a range of subjects. They included: "Increased free trade"; "Continued focus on companies' export opportunities. Trust and support from the government are important"; "Banking terms. Profits are too high in the banking sector"; "Promote competition, ensure that Swedish companies are competitive"; "There needs to be a level playing field regarding environmental requirements for production of our products"; "A long-term approach"; "Consistent rules"; "Support small companies."

### WHAT POLITICAL MEASURE WOULD YOU WANT SWEDISH POLITICIANS TO TAKE TO IMPROVE CONDITIONS FOR YOUR BUSINESS TO GROW IN SWEDEN? (OPEN ANSWERS)

NUMBER





## ABOUT THE EXPORT CREDIT TRENDS SURVEY

### *Background and purpose*

The purpose of the Export Credit Trends Survey is to increase understanding about Swedish exporters' financing needs and opportunities, and the implications of these factors for exports. In addition, the Export Credit Trends Survey highlights other factors that may have an effect on companies' export sales, such as sustainable business. SEK aims to increase its analysis of exports due to the importance of exports to Sweden's economy and society.

The survey provides an indication of both financing needs and how the capital markets work. It is therefore also an important economic indicator, with an emphasis on Swedish exports and financing. The survey covers both large and small exporters and our aim for the survey is to help identify the similarities and differences between the financing opportunities that exist for companies of different sizes.

SEK's Export Credit Trends Survey is designed to complement other surveys. We aim to keep the survey simple by asking easily comprehensible questions with as few response options as possible.

The survey aims to be credible and of high quality, and confidentiality is an important part of this. The companies that participate in the survey respond anonymously.

### *Methodology and data*

The target group is all exporting companies with a minimum export volume of Skr 25 million and whose exports account for at least 50 percent of sales. This enables the survey to include companies that are of importance for Swedish exports. The selection of companies is made by Statistics Sweden based on the VAT register.

Companies with at least Skr 250 million in export sales and with exports accounting for at least 50 percent of sales, or export sales of at least Skr 2 billion, are classified as large companies. Companies with between Skr 25 million and Skr 250 million in export sales and with exports accounting for at least 50 percent of sales are classified as small and medium-sized enterprises (SMEs).

In order to increase the likelihood of including the largest companies in the survey, we have chosen to include all companies with export sales of more than Skr 2 billion. For companies with between Skr 25 million and Skr 2 billion in export sales and with exports accounting for at least 50 of sales, a random selection was used.

The Export Credit Trends Survey's main index uses the responses to five questions on companies' financial position, need of and access to financing and the cost of financing. What is known as a diffusion index is calculated for each sub-question using both the current and the forward-looking response. The sub-questions index is then compiled into a main index.

The percentage of positive answers is then used to calculate the diffusion index. This figure is then increased by the percentage of neutral answers ("unchanged") multiplied by 0.5. In accordance with common practice, a neutral position is indicated by an index value of 50. Levels over 50 thus indicate an improvement whereas levels under 50 indicate a deterioration.

This survey is statistically assured. A total of 232 companies responded to the survey, 142 of which were large companies and 90 of which were SMEs. The overall response rate was 51 percent.

The interviews were conducted by Markör Marknad och Kommunikation between April 22 and May 13, 2014. The respondents were exporting companies' chief financial officers or equivalent.

The Export Credit Trends Survey is compiled twice a year, with the next edition due for publication in early December.

## SUMMARY OF RESULTS

	SMEs			Large companies			Total		
	Current	Forward-looking	Total	Current	Forward-looking	Total	Current	Forward-looking	Total
ECI	54 (51)	59 (60)	56 (55)	61 (53)	57 (56)	59 (55)	59 (52)	58 (58)	58 (55)
Index on companies' financial position	66 (54)	79 (79)	73 (66)	71 (61)	74 (68)	72 (65)	69 (59)	75 (72)	72 (65)
Index on financing needs	48 (59)	53 (55)	50 (57)	51 (52)	55 (54)	53 (53)	50 (55)	55 (55)	52 (55)
Index on financing needs for export transactions	50 (53)	59 (64)	54 (59)	58 (54)	61 (61)	59 (57)	55 (53)	60 (62)	58 (58)
Index on access to financing via capital/ credit market and banking market	45 (46)	57 (60)	51 (51)	64 (52)	51 (55)	57 (53)	58 (49)	53 (56)	55 (53)
Index on cost of financing	62 (45)	47 (43)	54 (44)	61 (47)	45 (43)	53 (45)	62 (46)	46 (43)	54 (45)
Index on export orders	72 (61)	86 (84)	79 (72)	71 (62)	77 (75)	74 (69)	71 (62)	80 (78)	76 (70)
Index on cash position	62 (54)	78 (76)	70 (65)	67 (58)	68 (70)	68 (64)	65 (57)	72 (72)	68 (64)
Index on indebtedness	67 (49)	62 (51)	64 (50)	53 (58)	57 (55)	55 (56)	58 (55)	59 (53)	58 (54)
	Sweden	Abroad	Total	Sweden	Abroad	Total	Sweden	Abroad	Total
Index on hiring plans	68 (61)	76 (61)	72 (61)	49 (47)	57 (60)	53 (54)	56 (52)	62 (61)	59 (56)

*Current:* Currently compared with six months ago *Forward-looking:* Expectations for the next 12 months

*Numbers in brackets are from the survey in June.*

## ABOUT SWEDISH EXPORTS

Sweden is a small, open economy and is therefore highly dependent on demand from abroad. Exports account for approximately 50 percent of Swedish GDP. When global demand is weak, the Swedish economy is negatively affected. The Swedish export industry has struggled in recent years. In addition to weak demand from the rest of the world, the export industry has also been negatively impacted by a stronger krona. Swedish growth has instead been propped up by Swedish households. However, there are now some positive signs for the export industry. Swedish exports have started to increase and there are indications of improvements in the global economy.

## ABOUT SEK

The mission of the Swedish Export Credit Corporation (SEK), which is wholly owned by the Swedish state, is to ensure access to financial solutions for the Swedish export industry on commercial terms. SEK provides an advantage and security for its clients through its independence, specialization and its expertise in international financing. Over the 52 years since it was founded, SEK's role has been to strengthen the Swedish export sector by providing financing solutions. Export credits are as important now as they were in 1962 in helping Swedish exporters win export deals. Its complementary role to banks means SEK provides reassurance for companies in both good times and bad.

SEK principally carries out its mission by assisting with end-customer finance, which involves SEK providing lending to the customers of Swedish exporters, and through direct finance, which involves providing lending direct to exporters. Total new lending in 2013 amounted to Skr 55.7 billion.

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*SEK's mission is to ensure access to financial solutions for the Swedish export industry on commercial terms. We provide an advantage and security for our clients through our independence, our specialization and our expertise in international financing.*

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