

### SWEDISH EXPORTERS WELL POSITIONED BUT FACING SUBDUED DEMAND

Geopolitical unrest and weaker international demand are suppressing the outlook for exports. Overall, however, the corporate sector is well positioned and there are a number of factors benefitting Swedish exporters. Should current concerns lessen, there are prospects for increased international demand. The good financing opportunities and weaker krona will then be of real benefit to Swedish businesses. The overall export credit index remains at 58, reflecting a good financing climate.



#### OUTLOOK CLOUDED BY GEOPOLITICAL RISKS

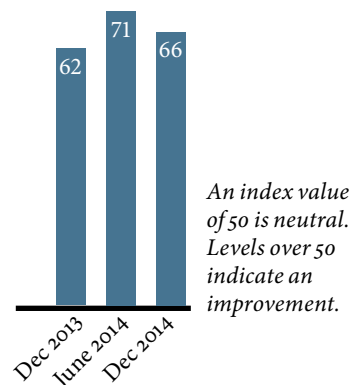
TWO OUT OF THREE of the companies asked by SEK’s Export Credit Trends Survey say their business has been adversely affected by increased geopolitical turmoil. Companies have been mainly impacted by the unrest in Russia and Ukraine. It is difficult to know exactly how much business has been affected, but we can affirm that the turmoil is hitting Swedish companies’ opportunities to export. Our survey finds that export orders have also been suppressed compared with the June survey. But compared with a year ago export orders still have improved.

#### SWEDISH KRONA HELPING EXPORT INDUSTRY

THE WEAKENING OF the Swedish krona is acting as a shock absorber as global demand has deteriorated. Exporters have been pleasantly surprised by the continued weakening of the krona. Compared with a year ago, when only 6 percent of companies viewed the krona as advantageous, more than 50 percent of companies now consider the krona to be of benefit.

*The Export Credit Trends Survey is published twice a year. You can find out more about the Export Credit Trends Survey on page 12.*

#### COMPANIES' EXPORT ORDERS INDEX VALUE



# 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.

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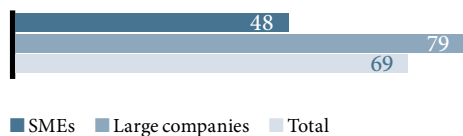


**GEOPOLITICAL UNREST AFFECTS SWEDISH EXPORTS**

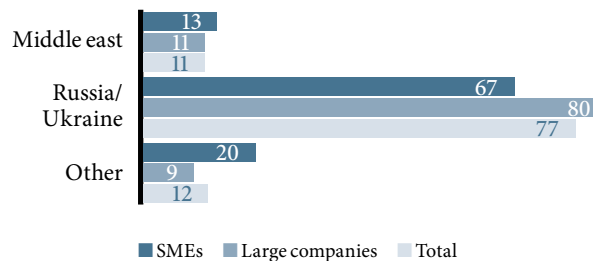
The global economy is facing tougher conditions. Since the summer, many leading indicators have been showing a downward trend and growth in the second and third quarters has been much weaker in many parts of the world, particularly in Western Europe. This has led to most forecasters revising their global growth assumptions down.

Our new survey confirms these more uncertain economic conditions. Two out of three companies say their business has been adversely affected by increased geopolitical turmoil. We do not know precisely how business has been impacted for these companies, but large firms have been hit more than small and medium-sized enterprises (SMEs). Some 80 percent of those large corporations surveyed say their business has been negatively affected by increased geopolitical unrest. Half of SMEs report they have been hit by developments of global events. Of those companies adversely affected by increased geopolitical unrest, the factor having the greatest impact on businesses is the conflict between Russia and Ukraine.

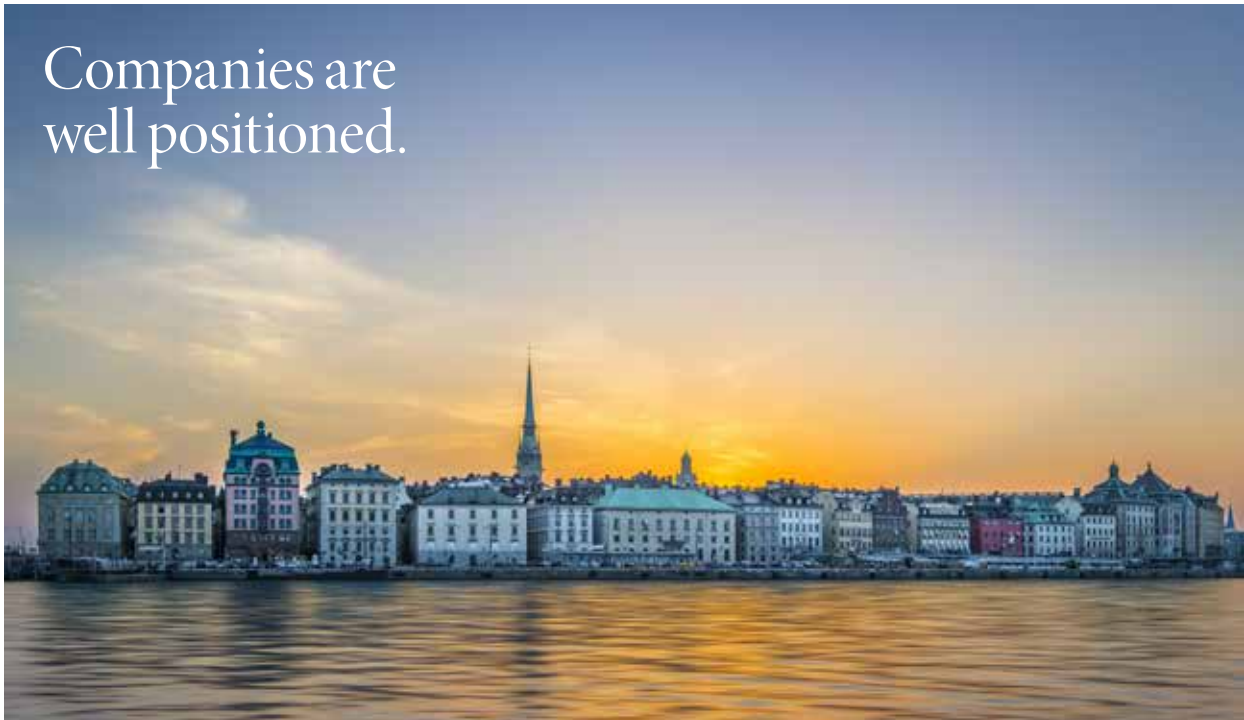
**IN YOUR EXPERIENCE, HAS ANY ASPECT OF YOUR BUSINESS BEEN DIRECTLY NEGATIVELY AFFECTED BY GEOPOLITICAL UNREST? – SHARE YES**  
PERCENT



**WHAT GEOPOLITICAL UNREST HAS AFFECTED YOUR BUSINESS THE MOST?**  
PERCENT



## Companies are well positioned.



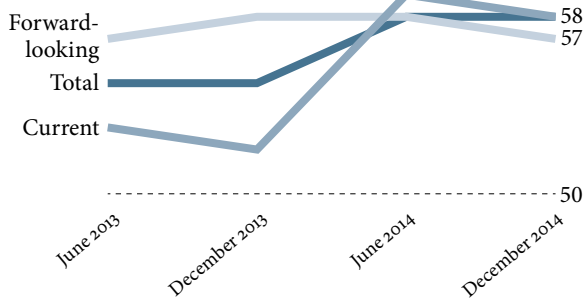
Exports to Russia account for only two percent of Sweden's total exports, but despite this our survey shows that the majority of companies' business operations are being hit. This probably relates to Sweden's key export destinations in Europe being more affected, which has knock-on effects for Swedish export opportunities to sell to these countries. Germany is Sweden's second-largest export destination and Finland is Sweden's third-largest. These countries have a higher percentage of international trade with Russia. In addition, many Swedish multinational companies are active in geopolitical difficult markets which imply that increased uncertainty leads to companies being more cautious. It is likely one reason why large companies have been more negatively affected by increased geopolitical risks. The more uncertain economic conditions are also confirmed by other surveys, which have shown more negative trends over the autumn. For instance, Business Sweden's latest Export Managers' Index showed a pronounced fall in export demand from Central and Eastern Europe. Demand from Western Europe also showed significantly weaker development.

### **CORPORATE SECTOR WELL POSITIONED**

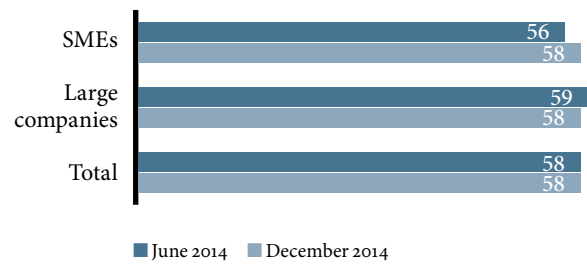
The Swedish corporate sector is well positioned. Our combined export managers' index, the ECI, remains at 58, unchanged from our survey in the spring. This index is made up of 5 sub-indices: companies' financial position, financing needs, export finance needs, financing opportunities and financing terms. The overall impression is similar to that seen in our latest survey, but unlike that survey, not all elements of the index have improved. Companies' financing and export finance needs remain at around the same level as six months ago. The financial position of companies has continued to improved, albeit not at the same rate as in the summer. However, the index remains at a high level.

Companies' financing opportunities have continued to improve, although to a lesser extent than before. The sub-index that has increased substantially compared with the survey in the spring is that for companies' financing terms. A reason for this, of course, is the further cut in interest rates and the benefit to companies from the lower rate.

**EXPORT CREDIT INDEX, ECI**  
INDEX VALUE



**EXPORT CREDIT INDEX, ECI**  
INDEX VALUE



It is interesting to note that the gap between the combined ECI score for large companies and SMEs has decreased. ECI scores are now at the same level for large corporations and SMEs. There was previously a relatively large difference in access to financing which was the reason for the discrepancy, but this gap has now closed.

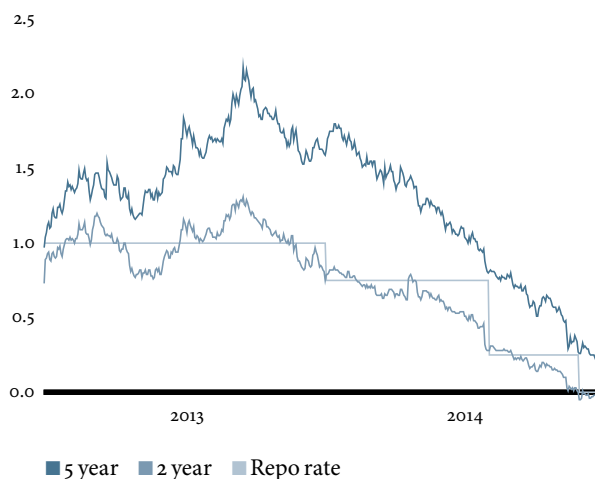
### BUSINESS SECTOR BENEFITTING FROM DECREASE IN INTEREST RATES

Our survey in the spring clearly indicated that companies had been pleasantly surprised by the decrease in interest rates that we have seen over the past year. A year ago, the expectation among businesses was that interest rates would continue to rise, whereas we have in fact seen a considerable fall in rates. This fall has continued with the Riksbank cutting the rate to zero at its meeting in mid-October, while bond yields have reached new lows.

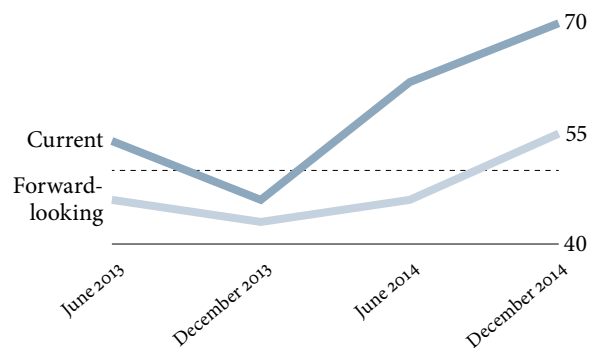
It is clear from our survey that the fall in interest rates has benefitted companies. The index for financing terms has improved considerably.

Previous surveys have shown businesses to be pessimistic about future developments and expected interest rate hikes. The index score has been under 50, indicating that more companies expected financing terms to deteriorate going forward. This has meant that over the past year businesses have been pleasantly surprised by the low interest rate environment.

**INTEREST RATES**  
PERCENT



**COST OF FINANCING**  
INDEX VALUE



However, paradoxically, the situation is now the opposite. Now that the key interest rate is at zero, businesses expect even better financing terms as they look ahead. There is therefore a slight risk that companies have now been lulled into the idea of permanently low interest rates, which could backfire if interest rates rise or if margins in the banking, credit and capital markets increase. But this also means that businesses are accepting the recent indications from both the ECB and the Riksbank of a likelihood of more expansive measures.

The results of the survey confirm that the Riksbank's interest rate policy and the subsequent decrease in long-term rates are resulting in lower costs for companies. This strengthens the overall impression of a well-functioning capital market in Sweden. The Riksbank cut the interest rate because of the low rate of inflation. The household sector has also clearly benefitted from the interest rate decrease. In this respect, the Riksbank and other organizations have been concerned about the household sector's overreliance on credit. However, the corporate sector has been more restrictive and investment growth has been very low. The Riksbank has probably done what it can to contribute to better conditions for businesses. It is now international demand that is lacking, which the Riksbank is unable to do anything about.

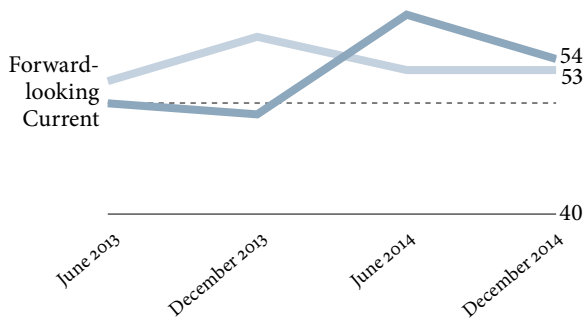
### **DIFFERENCES IN FINANCING TERMS HAVE DECREASED**

This survey shows something of a new trend in terms of the differences in companies' financing opportunities. Previously, SMEs have been constantly disappointed by a deterioration in access to finance, both via the credit/bond market and banking markets. In all of our previous surveys, SMEs expected access to improve going forward. But it is only now that we are seeing some improvement. While the index score is just over 50, this is a considerable improvement on the score of 45 six months ago. This new trend is a positive development: it is the first time that we have seen SMEs not experiencing a deterioration in financing opportunities.

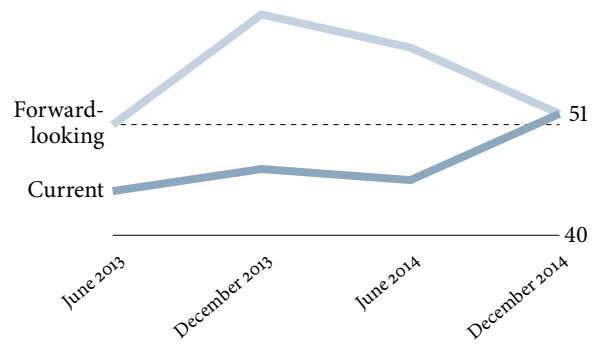
Meanwhile, this index score has declined slightly for large companies. Here we find that, since the start of SEK's Export Credit Trends Survey in spring 2013, large corporations have experienced a constant improvement in access to finance. In contrast to the score for SMEs, this index has been persistently over 50 for large companies. While the index has dipped slightly from the previous survey, it is worth noting that this is because the percentage of large companies experiencing further improvement has decreased. The percentage experiencing a deterioration remains unchanged at a very low level.



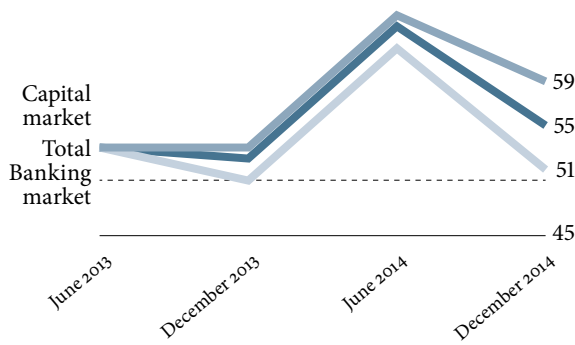
**ACCESS TO FINANCING**  
INDEX VALUE



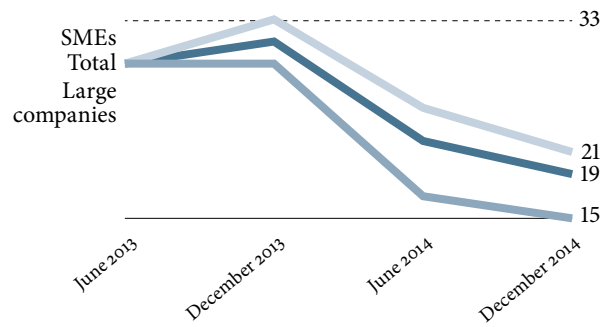
**ACCESS TO FINANCING - SME**  
INDEX VALUE



**ACCESS TO FINANCING - LARGE COMPANIES**  
INDEX VALUE



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



Overall, lower financing costs and good access to finance mean that companies are well positioned for potential export sales and investments. This also strengthens the overall impression that access to capital market financing remains good. Despite the remaining differences between large corporates and SMEs, it is still positive that the negative trend for SMEs has been broken. This points to a general improvement in the financing climate.

In addition to asking about access to financing, our survey also enquires about factors that are important in winning export sales. The responses show the importance of access to financing, which is viewed by companies as one of the three key factors in securing an export sale, besides demand. It is therefore positive that companies are enjoying good financing opportunities. We also note that the percentage of companies that have had to turn down an export order has decreased over the past year. This is probably due to both improved access to finance and, of course, more favorable financing terms.

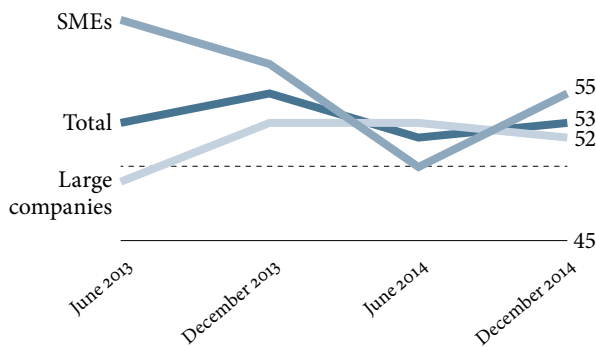
## EXPORT FINANCING DEPENDENT ON ORDER LEVELS

While access to finance has improved, there is no benefit in having good financing opportunities if there is no need for financing. We note a slight indication of companies' financing needs having increased since our survey in the spring. It is mainly SMEs that have experienced an increased need for financing. In the spring survey the index score was under 50, which suggested that the need for financing of operating activities had decreased. However, companies expected a slight increase in their financing needs over the coming 12 months. It now appears they were right, as their financing needs have indeed grown. Meanwhile, large companies' financing needs are relatively unchanged, with an index score of just over 50.

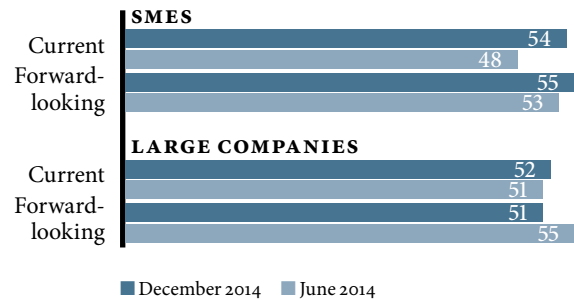
Financing needs relating to export sales have been higher than for financing needs relating to operating activities, and this applies to all companies, irrespective of size. One reason may be that companies have trimmed their business operations, cut costs and focused on improving their balance sheets. This is in tandem with the survey results regarding the financial position of companies, which has gradually improved.

While the need for export finance has grown, companies have overestimated their need for financing in all the periods measured by our survey so far. But this, of course, is because anticipated financing needs are linked to expectations regarding the development of export order levels. And this is due to companies having also consistently overestimated the development of export orders. It is, of course, logical that export finance is dependent on export orders. It is therefore positive that export orders are still increasing, despite the index declining slightly in December, which is probably the result of less encouraging global economic conditions.

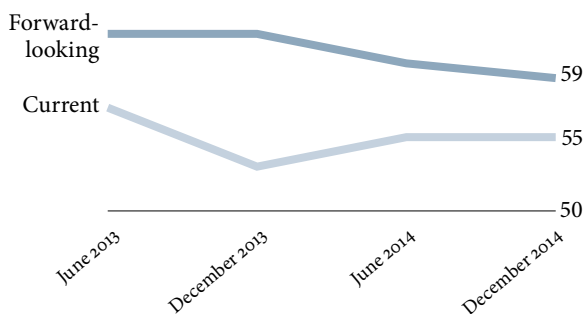
**COMPANIES' FINANCING NEEDS**  
INDEX VALUE



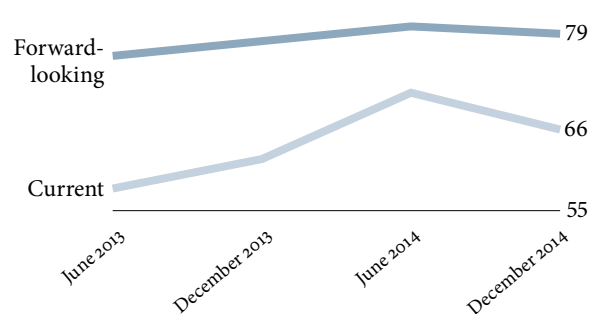
**COMPANIES' FINANCING NEEDS**  
INDEX VALUE



**COMPANIES' EXPORT FINANCING NEEDS**  
INDEX VALUE



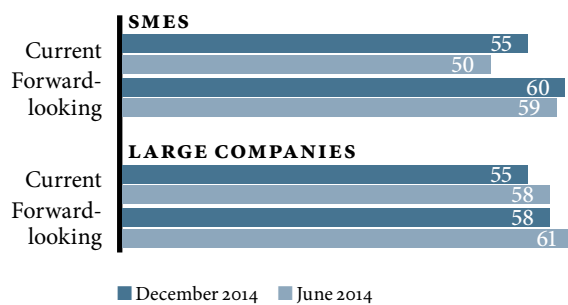
**COMPANIES' EXPORT ORDERS**  
INDEX VALUE



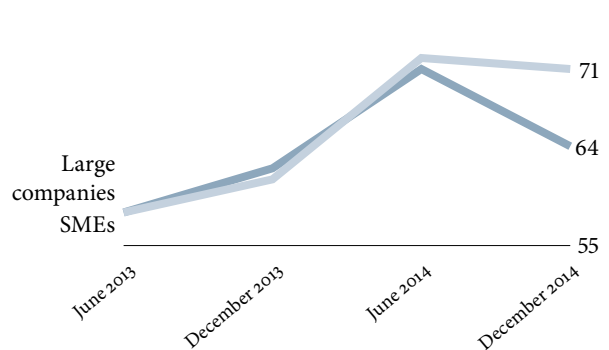


The smaller companies are more optimistic about export orders.

**COMPANIES' EXPORT FINANCING NEEDS**  
INDEX VALUE



**EXPORT ORDERS, CURRENT**  
INDEX VALUE



Looking at the breakdown between large and small/medium-sized exporter, we can distinguish a few differences in export financing needs. Large exporters have become slightly more cautious since the spring. While the index shows a score of over 50 and therefore indicates a continued increased need, the index has fallen slightly, which points to a somewhat more subdued need for export finance. Meanwhile, SMEs have seen their export financing needs grow.

The same pattern emerges when we compare export order levels. SMEs have probably not been affected to the same extent as large exporters by the downturn in global demand, and this is also a trend we are seeing with regard to geopolitical unrest, which is having a greater impact on large companies. We note that the percentage of companies that have experienced an increase in order bookings has declined, while the percentage of companies seeing a decline in orders has increased. Among SMEs, the percentage of companies experiencing growth in orders is marginally lower than in the spring, but is still at a high level. In addition, the percentage of companies whose order bookings have declined remains unchanged. It is positive that SMEs are still optimistic, but there is a risk that large corporations have come further in this process and in the longer term are leading the way towards a climate of slightly worse demand for SMEs as well.

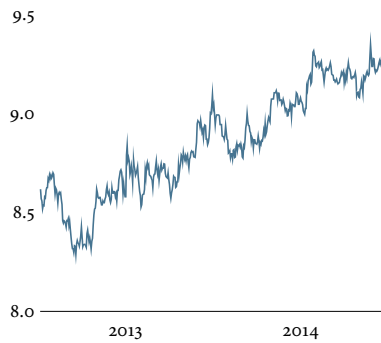


## SWEDISH KRONA PROVIDING SUPPORT

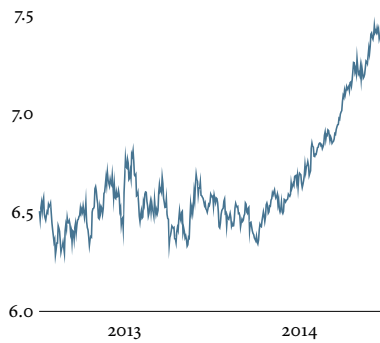
Despite slightly tougher conditions, we also note that Swedish exporters are well positioned. According to our survey, they are generally enjoying a healthy financial position, good opportunities to obtain finance and record-low interest rates. In addition to this, the further weakening of the Swedish krona is helping exporters in the tougher operating environment. This is positive for exporters.

The krona has declined by 16 percent in value against the dollar since the start of 2014, losing 12 percent in the past six months. The Swedish krona has lost 10 percent against sterling and 4 percent against the euro since the beginning of the year. The weaker krona is beneficial for exporters. The percentage of companies that view the value of the krona as an advantage has risen sharply in the latest survey.

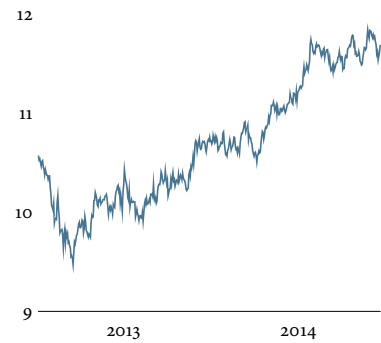
SEK PER EUR



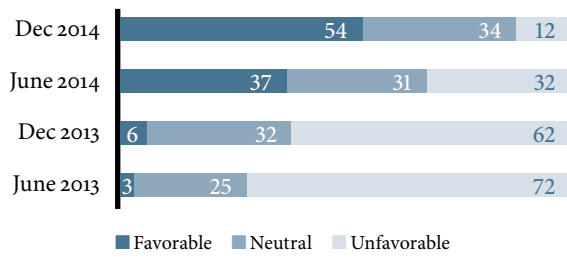
SEK PER USD



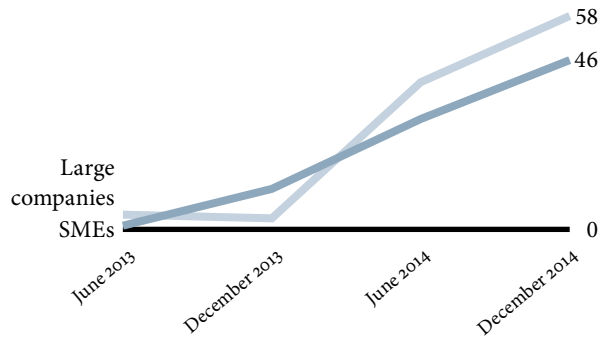
SEK PER GBP



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

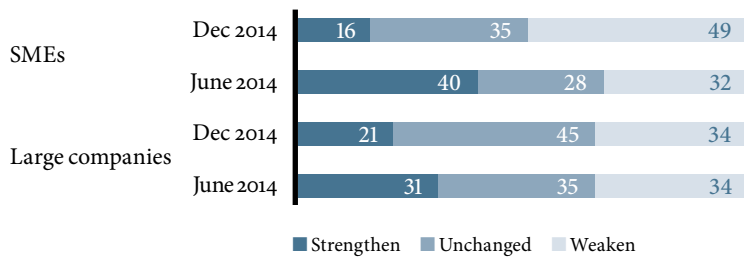


**IMPORTANCE OF KRONA FOR EXPORT SALES -  
SHARE WHO VIEW THE KRONA AS FAVORABLE  
PERCENT**



The situation was quite different one year ago, when the majority of exporting companies in our survey viewed the krona as unfavorable. Furthermore, expectations of a weaker krona were low. So the Swedish currency's decline in value has been a pleasant surprise for many exporters. It is interesting to note that, despite the further weakening of the krona over the past six months, the percentage of companies expecting a strengthening of the krona has decreased, particularly among smaller firms. It is clear that the change in the direction of the Riksbank's monetary policy over the past six months has led businesses to expect the krona to remain weak.

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



Overall, there are a number of positive factors for Swedish exporters; a weak krona, a low interest rate environment and good financing opportunities. Provided that geopolitical risks abate and international demand picks up, there are good prospects for Swedish exporters.

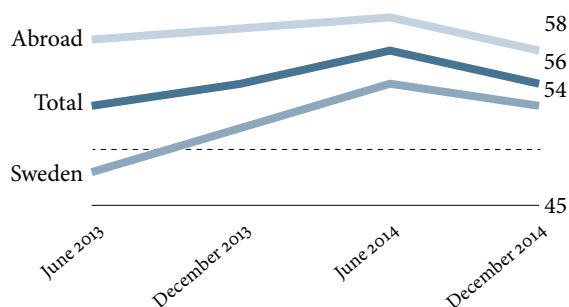


**MORE MODEST JOB GROWTH**

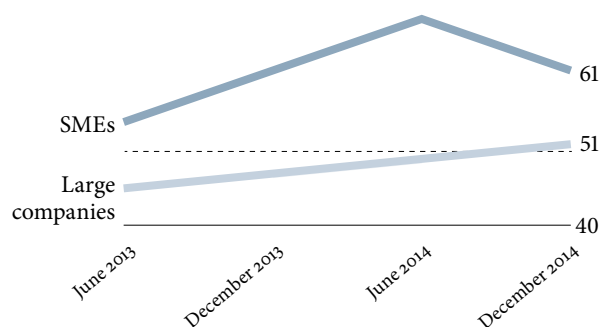
The number of jobs in the export sector should continue to rise over the next year, although companies have become more cautious on the outlook for jobs. This is in tandem with more sluggish export orders and increased geopolitical risks. Businesses are still expected to increase their number of employees, but the index has fallen slightly since the spring. This is mainly because of a decline in the percentage of companies that are expected to hire. However, fewer companies are expected to cut their number of employees. This is a further sign that corporations are consolidating their position.

Something that denotes a positive trend and marks a difference from previous surveys is the index for the employment plans of major corporations in Sweden, which is showing a score of over 50 for the first time since our survey began in spring 2013. This can hopefully be interpreted as a sign that the major staff reductions by large corporations are now over, following staff reductions by a number of large companies this autumn.

**COMPANIES' HIRING PLANS**  
INDEX VALUE



**COMPANIES' HIRING PLANS IN SWEDEN**  
INDEX VALUE



SMEs remain more positive on job growth than large firms. However, the index has fallen more for SMEs. The percentage of SMEs that are expected to increase the number of staff in Sweden has fallen from 44 percent to 35 percent, while the percentage that are expected to cut their number of employees has risen from 8 percent to 13 percent. A positive factor in this negative trend, however, is that the index levels are still relatively high and indicate continued job growth rather than job cuts.

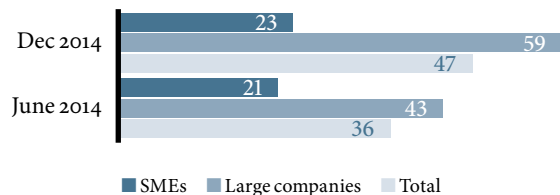
### SUSTAINABILITY IMPORTANT IN EXPORT SALES

Sustainability<sup>1</sup> is a significant trend and a vital part of many companies’ business operations. The importance of sustainability issues in export sales is also growing. Our survey shows the same patterns as previously, with sustainability requirements being mainly included routinely in exports sales by large corporations. The percentage of large companies imposing sustainability requirements has also risen from just over 40 percent to just under 60 percent. In total, around one in three companies routinely impose sustainability requirements in export sales.

Among those firms that responded that they do not impose sustainability requirements in export sales, an increasing number of SMEs report they are planning to routinely stipulate sustainability requirements. This provides some hope that we will see the figure for this question increase going forward.

There are also more large corporations than SMEs that have had to turn down an export sale for sustainability reasons. This may be due to large firms having a clearer process for sustainability requirements for exports. It may also be because large companies are more frequently active than SMEs in difficult export markets in which sustainability issues such as corruption and human rights breaches commonly occur.

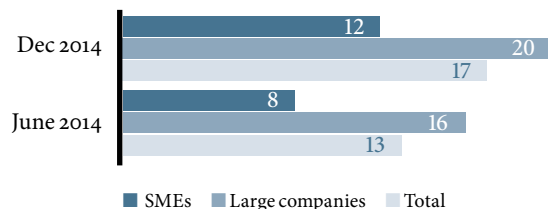
**DOES YOUR COMPANY IMPOSE REGULAR SUSTAINABILITY REQUIREMENTS FOR EXPORT TRANSACTIONS? – SHARE YES PERCENT**



**IF NO, WILL THE COMPANY CHANGE ITS SUSTAINABILITY POLICY SO THAT IT BECOMES A PART OF THE BUSINESS PROCESS? – SHARE YES PERCENT**



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



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

## 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 216 companies responded to the survey, 121 of which were large companies and 95 of which were SMEs. The overall response rate was 49 percent.

The interviews were conducted by Markör Marknad och Kommunikation between October 27 and November 17, 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	58 (54)	58 (59)	58 (56)	58 (61)	57 (57)	58 (59)	58 (59)	57 (58)	58 (58)
Index on companies' financial position	66 (66)	71 (79)	68 (73)	62 (71)	68 (74)	65 (72)	63 (69)	69 (75)	66 (72)
Index on financing needs	54 (48)	55 (53)	55 (50)	52 (51)	51 (55)	52 (53)	53 (50)	53 (55)	53 (52)
Index on financing needs for export transactions	55 (50)	60 (59)	57 (54)	55 (58)	58 (61)	56 (59)	55 (55)	59 (60)	57 (58)
Index on access to financing via capital/ credit market and banking market	51 (45)	51 (57)	51 (51)	55 (64)	55 (51)	55 (57)	54 (58)	53 (53)	53 (55)
Index on cost of financing	67 (62)	59 (47)	63 (54)	71 (61)	53 (45)	62 (53)	70 (62)	55 (46)	62 (54)
Index on export orders	71 (72)	82 (86)	76 (79)	64 (71)	77 (77)	70 (74)	66 (71)	79 (80)	72 (76)
Index on cash position	62 (62)	69 (78)	66 (70)	65 (67)	70 (68)	68 (68)	64 (65)	70 (72)	67 (68)
Index on indebtedness	55 (67)	57 (62)	56 (64)	56 (53)	62 (57)	59 (55)	55 (58)	60 (59)	58 (58)
	<b>Sweden</b>	<b>Abroad</b>	<b>Total</b>	<b>Sweden</b>	<b>Abroad</b>	<b>Total</b>	<b>Sweden</b>	<b>Abroad</b>	<b>Total</b>
Index on hiring plans	61 (68)	64 (76)	63 (72)	51 (49)	54 (57)	53 (53)	54 (56)	58 (62)	56 (59)

*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. Exports have though gradually improved from low levels but growth has remained subdued. In the Export Credit Trends Survey we see a mixed picture. The difficulties facing the export industry are increased geopolitical unrest and a weaker global demand but the possibilities are the companies' good financial position, favorable financial conditions and a weak krona.

## 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. SEK's role is to strengthen the Swedish export sector by providing financing solutions. Export credits are as important now as they were in 1962, when SEK was founded, 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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