



AB Svensk Exportkredit
Export Credit Trends Survey June 2017

Strong Swedish exports



SEK's Export Credit Trends Survey June 2017

This ninth issue of the Export Credit Trends Survey presents the findings from interviews conducted with more than 200 Swedish exporters. Two main trends:



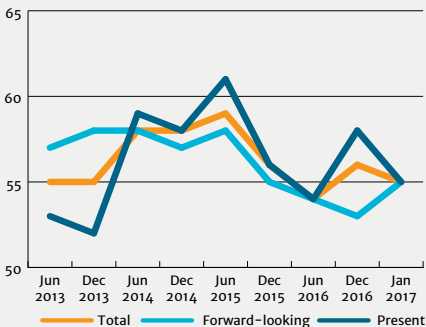
Compared with last autumn, an increasing number of exporters have noted a rising order intake and the proportion of companies who intend to expand their workforce has increased substantially.



For the first time since 2013, the percentage of companies who plan to recruit in Sweden is higher than the percentage planning to recruit abroad.

EXPORT CREDIT INDEX

55



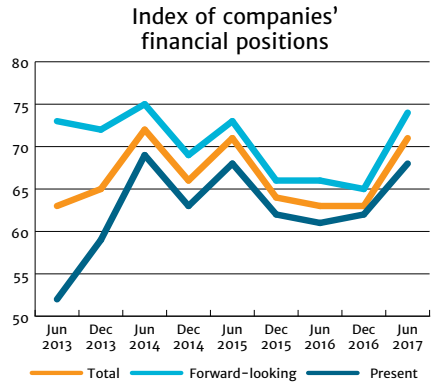
The Export Credit Index

ECI includes questions about the financial situation of the companies, the cost of financing, and the need for and access to funding. ECI is a weighted index where over 50 indicates improvement. ECI is 55 (58 last autumn), which still is an improvement. The slightly lower outcome is based on the fact that large companies are less positive than before and that companies think that access and conditions has improved to a lesser extent than previously. The next section presents the subindex. Responses are reported from larger and smaller companies, SMEs. The distinction between large and smaller companies is at a turnover of SKR 250 million.



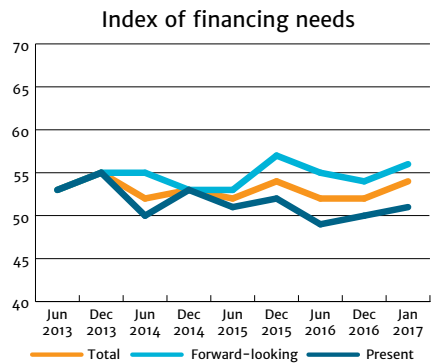
Exporters' financial positions remain strong

An increasing number of exporters feel stronger financially and larger companies in particular have noted improved financial position. Moreover, a rising proportion of all companies responded that the forthcoming year would result in further strengthening. Almost all (96 percent) of companies reported stable or improved liquidity. SMEs were most optimistic and the percentage expecting improved liquidity rose from around 30 percent to more than 50 percent.



Stable financing needs for exporters

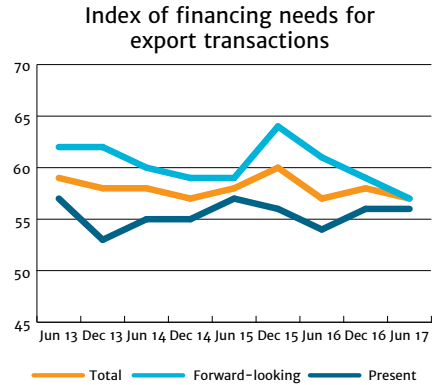
The index score for exporters' financing needs is currently 51. This represents a slight increase on the autumn. Looking ahead, large companies posted a slight increase in terms of the expected need for financing. SMEs were less optimistic and their score decreased to 52. Gearing remained stable for all groups in the survey and is expected to remain stable over the next 12 months.





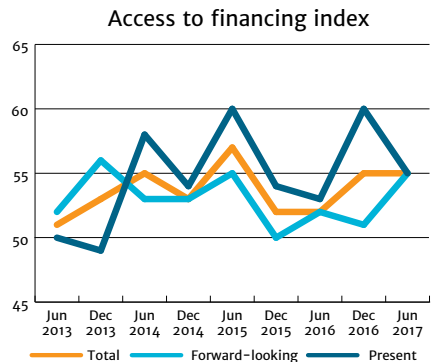
Improved financing conditions for buyers

Companies report no changes in the need for export financing. We expect the declining trend since the end of 2015 to continue, with fewer companies than before expecting an increased need for financing. One plausible explanation is that exporters have noted improved possibilities for their customers to secure financing to buy the exporters' products. One in four companies assess their customers' possibilities for financing as improved, which can be compared with just 9 percent in the autumn survey.



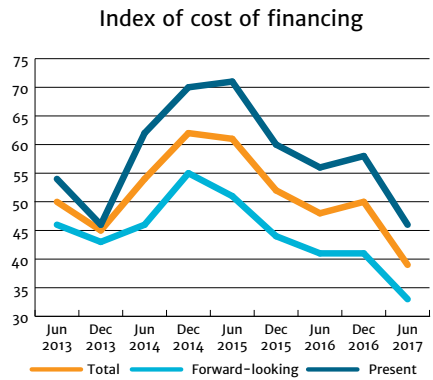
Favorable access to financing

The access to financing index scored 55, slightly down on the autumn. While the proportion of exporters that experienced improved financing possibilities through the bank and capital markets was lower, the trend should be viewed with consideration for the increase last autumn. Most companies still deem access to finance as unchanged or improved. Only a few (5 percent) of companies perceived financing conditions as weaker. Looking ahead, companies remain optimistic, primarily regarding access to capital market financing.



Rising financing costs

The cost of financing index dropped to 46, indicating raised financing costs. The reason for the decline in the index is that one quarter of the companies reported higher financing costs which is a larger proportion than previously. In parallel, market indices such as iTraxx continue to report decreasing financing costs and the majority of the companies in our survey also noted declining or unchanged financing costs. In line with expectations of rising interest rates, 38 percent of companies expected financing costs to rise within one year.



SEK's macroeconomic insights: Improving global economic outlook

The Swedish export industry stands strong and has been unaffected by any political uncertainty in the macro environment. On the contrary, the global economy has normalized and almost all countries have noted positive growth. This also means that inflation is being created, but considerable differences in capacity utilization mean that inflation and interest rates are rising at different paces. Despite global growth generating investments that benefit Swedish exporters, the underlying rate of inflation remains low. The minor positive change in inflation has primarily been driven by energy prices, which now seem to be trending stably. Long-term market interest rates are expected to increase slightly, although the European Central Bank (ECB) is expected to continue to pursue an expansionary monetary policy that keeps the short-term interest rate low. In Sweden, the Riksbank is not expected to raise the repo rate from the current level of negative 0.5 percent until mid-2018.

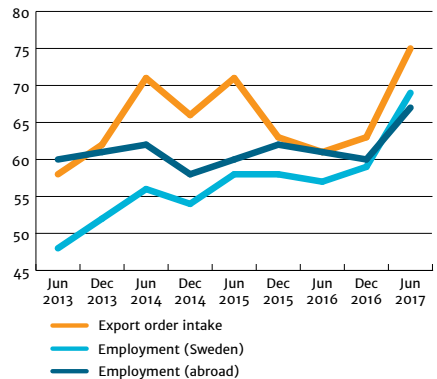
There is uncertainty regarding fiscal stimulus measures in the US. Should these fail to materialize, no significant increase in the long-term interest rates can be expected. The Swedish krona is well below its historical average against the dollar, which indicates that, in the long term, the krona will strengthen against the dollar in parallel with the Riksbank adopting a less expansive monetary policy.

Additional survey insights

Strong export order intake and employment figures

Both larger companies and SMEs experienced rising export order intakes over the last six months. The index has the highest score since the survey began in 2013. Looking forward, the index is even higher. Companies have a positive future outlook, especially SMEs. Historically, there is a strong correlation between export order intake and employment, and the percentage of companies recruiting has risen considerably to 68. This applies particularly to SMEs, for which the index rose to 73. For the first time since 2013, the percentage of companies who plan to recruit in Sweden is higher than the percentage planning to recruit abroad.

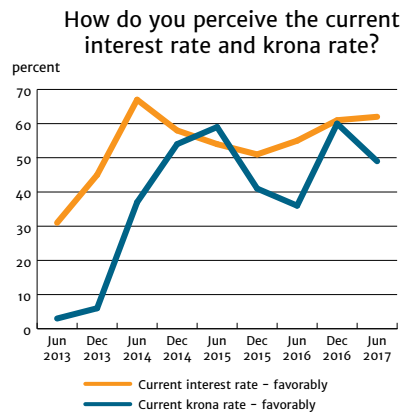
Export order intake index compared with employment (Sweden and abroad)





Toward higher interest rates and a stronger Swedish Krona

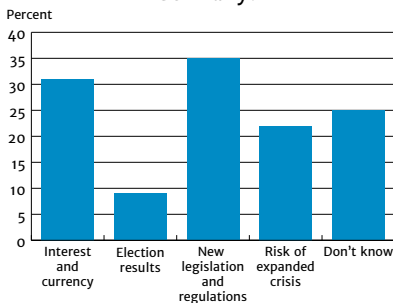
The survey findings show that the number of companies that consider the current interest rate favorable has remained stable. As in the past, a majority of exporters expect the rate to remain unchanged over the next 12 months. In the autumn, the percentage of companies that deemed the krona rate advantageous was on a record level, however, this has since declined to 49 percent. The percentage of companies that expect the Swedish krona to strengthen over the next 12 months has increased. A realignment toward what exporters consider a normal exchange rate with the dollar appears to have started.



Increasing focus on other aspects than European elections

Although political uncertainty has not completely disappeared, it has abated slightly. The election results in the Netherlands, the UK and mainly France have moderated the acute risk in Europe. However, companies do not seem to assess the European election results as being of particular significance to their operations. When asked whether the German election would impact exports to Germany, only a few thought the election results would impact their exports to the country. Instead, new legislation and regulation followed by interest and exchange rates are considered to have the greatest impact on companies' exports. A third of the companies responded that new legislation and regulation impact exports, while about the same number of respondents deemed interest and exchange rates to have most influence on their exports to Germany. The findings reflect the significance of an increasingly regulated macro environment, where the focus on such factors as money laundering, sustainability, reporting and capitalization plays an ever increasing role.

What has most impact on exports to Germany?



The percentage exceeds 100% due to multiple choice questions.



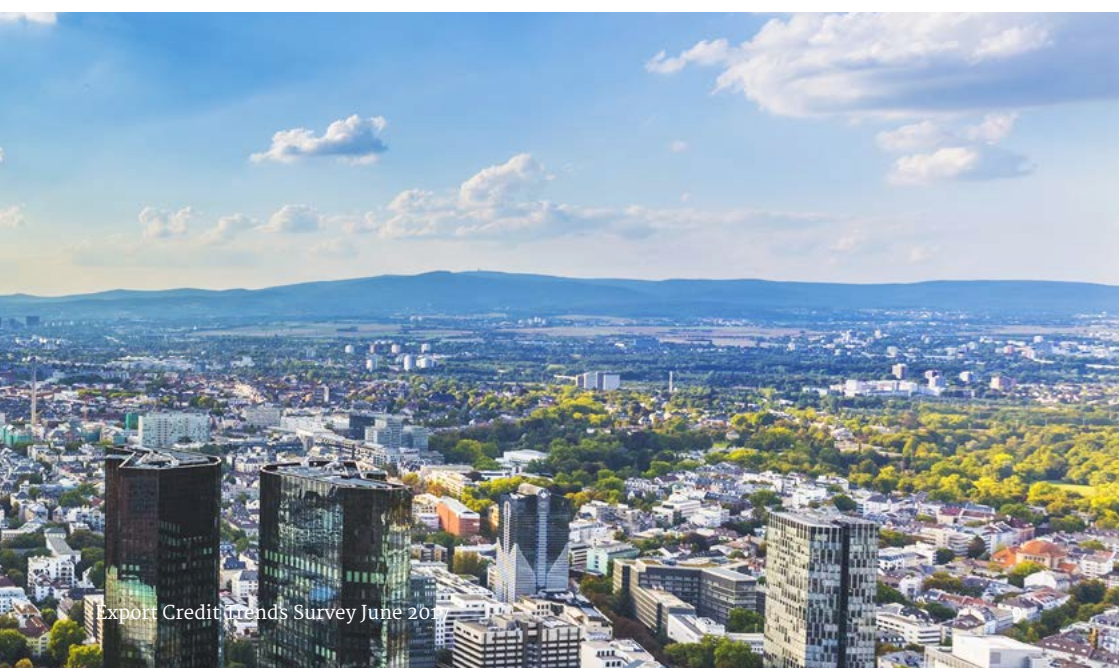
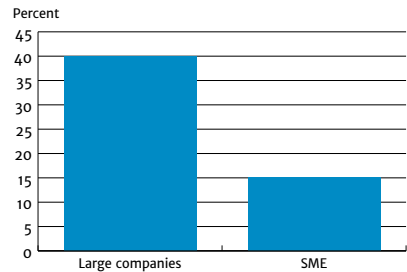
From CSR requirements to to global sustainability targets

Many companies are integrating sustainability aspects in their business processes, but it is still mainly large companies that are spearheading this trend. Half of the large companies and one third of smaller companies stated that they have procedures for setting CSR requirements. This was a decline compared with the autumn survey.

SMEs rarely refuse export transactions because a party has failed to comply with the CSR requirements imposed by the transaction, since only 3 percent say this has occurred over the past six months. Among large companies, 13 percent claim to have declined a transaction for this reason.

In this year's survey, we also included a question regarding Agenda 2030, the global sustainable development goals. Among large companies, 40 percent stated they had completed a review of the goals that are important to the company's operations. The corresponding figure for small companies was 15 percent. This shows that the business community have taken note of Agenda 2030 and initiated efforts aimed at the companies helping to reach the global sustainability goals.

Percentage of companies that have reviewed Agenda 2030 based on their operations





Sammanställning av resultat

	SMEs			Large companies		
	Current	Forward looking	Total	Current	Forward looking	Total
ECI	55 (55)	57 (55)	56 (55)	56 (59)	54 (52)	55 (56)
Companies' financial position	65 (63)	80 (66)	73 (64)	70 (62)	71 (64)	70 (63)
Financing needs	52 (52)	52 (58)	52 (55)	51 (49)	58 (52)	54 (50)
Financing needs for export transactions	54 (53)	59 (60)	57 (57)	57 (58)	56 (59)	57 (58)
Access to financing	58 (56)	58 (52)	58 (54)	54 (62)	54 (50)	54 (56)
Cost of financing	42 (46)	35 (45)	39 (46)	48 (63)	31 (40)	40 (51)
Export orders	76 (62)	82 (76)	79 (69)	75 (63)	75 (71)	75 (67)
Cash position	68 (68)	75 (62)	71 (65)	69 (61)	67 (63)	68 (62)
Gearing	60 (54)	60 (56)	60 (55)	58 (55)	56 (57)	57 (56)
Access to financing via the capital/ credit market	60 (59)	61 (51)	60 (55)	56 (67)	56 (50)	56 (58)
Access to financing via banking market	56 (54)	56 (53)	56 (53)	52 (56)	52 (51)	52 (53)
	Sweden	Abroad	Total	Sweden	Abroad	Total
Recruitment plans	79 (66)	67 (63)	73 (65)	63 (55)	67 (58)	65 (57)

	Total		
	Current	Forward looking	Total
ECI	55 (58)	55 (53)	55 (56)
Companies' financial position	68 (62)	74 (65)	71 (63)
Financing needs	51 (50)	56 (54)	54 (52)
Financing needs for export transactions	56 (56)	57 (59)	57 (58)
Access to financing	55 (60)	55 (51)	55 (55)
Cost of financing	46 (58)	33 (41)	39 (50)
Export orders	75 (63)	77 (72)	76 (68)
Cash position	69 (63)	70 (63)	69 (63)
Gearing	59 (55)	58 (56)	58 (56)
Access to financing via the capital/ credit market	57 (64)	57 (50)	57 (57)
Access to financing via banking market	54 (55)	54 (51)	54 (53)
	Sweden	Abroad	Total
Recruitment plans	69 (59)	67 (60)	68 (59)

Methodology and data

The target group is exporters with a minimum export volume of Skr 25 million and whose exports account for at least 50 percent of their sales. The population, which comprises 2,175 companies, is divided into large companies and SMEs. Companies with a minimum of Skr 250 million in sales, and exports accounting for at least 50 percent of their sales, are classified as large companies. The companies are selected randomly by Statistics Sweden based on the VAT register. All companies with export sales of more than Skr 2 billion are also added to the selection. This ensures that the survey includes companies that are significant for Swedish exports. The survey is statistically assured. A total of 210 companies responded to the survey, 110 of which were large companies and 100 of which were SMEs.

The overall response rate was 49 percent. The interviews were conducted by Markör Marknad & Kommunikation AB between April 18 and May 16.

About AB Svensk Exportkredit

AB Svensk Exportkredit provides finance for Swedish exports. We lend direct to Swedish exporters and help Swedish exporters win export business by offering financing to their customers. We have a strong international network and extensive experience of international financing. The officially supported export credits system means buyers of Swedish exports can see the total cost of their investment. Moreover, export credit financing can offer buyers extended credit periods. SEK is a long-term partner. We are wholly owned by the Swedish government and have a public policy assignment to promote Swedish exports through financing. Our sustainability efforts are important and our assessments ensure that our clients comply with all international standards and guidelines. In 2016, SEK lent a total of Skr 54.8 billion.

SEK

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