The Global Credit Crisis

Is the worst yet to come?

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1 Introduction

1.1 Background

In 2007, the first wave of what has come to be known as the credit crisis hit global financial markets. The credit crisis, which was triggered by a surge in defaults on sub-prime loans, primarily in the US, has created a great deal of concern about the quality of the collateralized debt instruments (CDOs) into which they had been packaged and sold to investors. With no buyers, values tumbled and many CDOs lost almost all of their value practically overnight creating huge losses for financial institutions and other investors who had invested in them. The lack of trust in the financial markets resulted in tremendous stress on liquidity and an overall more restrictive credit environment. The ripple effect of the sub-prime/credit crisis is just beginning and threatens a wide range of businesses throughout the world.

The survey was undertaken to get an indication of the current and potential impact of the credit crisis on businesses across the world and how companies plan on managing their receivables in an environment in which it is likely that the focus on quality receivables management practices will be highlighted. Businesses in 14 countries around the world (Belgium, Denmark, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom, Australia and New-Zealand, Mexico and the United States) were asked about their impressions of the effects of the global credit crisis and their views on its possible future impact.

1.2 Survey Sponsorship

Atradius
The survey was sponsored by Atradius Credit Insurance one of the world's leading credit insurance companies with more than 160 points of service in 40 countries. As a credit insurer, Atradius stakes its livelihood on maintaining a high level of awareness about issues that can reduce a buyer's ability to pay for the products or services that it has purchased on credit.

Credit Research Foundation CRF
In the United States, the survey was performed in cooperation with the Credit Research Foundation, the foremost non-profit, member-supported, education, and research organization dedicated to the credit and financial management community. CRF emphasizes the role of education and research activities to aid business credit, accounts receivable and customer financial managers.

Heliview
The survey was implemented and the global results, including analysis of raw data and production of graphs, were compiled by Heliview. Heliview offers information in order to optimise diverse business processes. Heliview supplies marketing research solutions and organizes conferences. Having offices in both Belgium and the Netherlands, Heliview is able to cover the entire Benelux region.

2 Summary

- Larger companies are more often impacted by the credit crisis than smaller companies. This may reflect a number of potential contributing factors. The most evident by the survey results is the more frequent use of receivables securitization to improve cash flow. Other contributing factors may include a broader customer portfolio and geographic spread of their businesses. All of these factors increase the opportunity for larger companies to be impacted.

- Geographically, companies in the United States (68%) have been most impacted by the credit crisis. Mexican businesses were impacted almost as frequently (60%) as companies in the United States. This to a great extent reflects the importance of the United States as a trading partner for Mexico. Approximately 80% of Mexican exports are sold to the United States.

- Other countries that have shown a relatively widespread exposure to the credit crisis include Italy (58%), the UK (46%), Spain (44%), and Australia/New Zealand (43%). Factors that may be contributing to these results include reliance on the building and construction or the financial services industry for GDP growth, a relatively large percentage of GDP tied to trade with the United States or heavy use of receivables securitization.

- Sweden expressed a very low amount of impact from the credit crisis (7%). This largely reflects the less frequent use (4%) of receivables securitisation in Sweden.

- Businesses in the Energy sector have been most frequently impacted (51%) by the credit crisis. This largely reflects the more frequent use of receivables securitization of companies in this industry.

- Other industries experiencing a relatively high frequency of impact include Conglomerates, Consumer Goods and Building Supply & Construction all with 45% of responding companies having experienced an impact from the credit crisis.

- Direct exposure to sub-prime lending is higher in Europe (14%) than in the United States (9%)

- Only 28% of businesses in Europe stated they have an indirect exposure to sub-prime lending compared to 31% overall. Mexico (51%) and the United States (46%) had the greatest exposure while Sweden (10%) and the Netherlands (15%) the least amount of exposure.

- Securitization of receivables is most prominent in Australia and the United Kingdom and to a slightly lesser degree in Mexico and Spain. In Switzerland and Denmark only one in ten companies securitizes its receivables, in Sweden just one in 25.

- By industry, securitization of receivables is most prominent in the Basic Materials and Energy industries. Absent the addition of other factors weighing on industry growth, a return to confidence of the secondary financing markets should likewise improve growth opportunities for companies in these industries.

- Tightening of credit markets has been most pronounced in Mexico where 69% of companies have experienced both short- and long-term tightening. A relatively high percentage of companies in Italy and Spain have also experienced tightening credit markets. At the other end of the spectrum, more than 80% of companies in Sweden and more than 70% of companies in the Netherlands and Denmark reported no tightening of credit markets. On average there has been slightly more tightening of short-term credit.

- By industry, the Agricultural industry has experienced the least tightening of credit markets while the Energy industry has experienced the most tightening.

- Looking forward, all markets except Spain are expecting more short-term than long-term tightening of credit markets. The United States has the highest expectation of tightening with short-term market tightening expected by more than 90% of respondents. Sweden and the Netherlands again have the lowest expectations of tightening.

- On average only about 38% of the companies surveyed have adjusted their credit extension practices as a result of the credit crisis. Companies in Mexico have made the most adjustments both in extending more liberal credit terms and also in extending more conservative credit terms.

- Companies in Italy are the most critical of the central banks' efforts to curb the impact of the credit crisis. 62% of Italian respondents said that the central banks are not doing enough to stimulate credit market liquidity. By industry, Consumer Goods companies are the most critical. This was the only industry in which more than 50% believed that central banks are not doing enough to stimulate liquidity.

- The overwhelming sentiment is that either national or global economies will slow in 2008. However in Sweden (34%) and in the Netherlands (25%) a reasonably significant number of companies are not expecting any economic slowdown in 2008.

- Approximately 65% of all companies anticipate a small number of bank failures as a result of the credit crisis.

- In all countries, more companies are expecting an impact on their company and industry, going forward, than have already experienced an impact. Companies in the United States are almost unanimous with 90% of respondents anticipating a future impact. Companies in Sweden and the Netherlands have the lowest expectations of a future impact resulting from the credit crisis.

- The United States is by far expected to suffer the most from the credit crisis in the next 12 months.

- Businesses sectors that are expected to suffer most over the coming twelve months are the Building Supply & Construction, Industrial & Manufacturing and Consumer Goods industries.

3 Survey design

3.1 Research approach

A net number of 2502 online interviews were conducted exclusively for this topic. There was no combination of topics.

3.2 Population

The survey population consists of all establishments in the aforementioned countries (Belgium, Denmark, France, Germany, Italy, The Netherlands, Spain, Sweden, Switzerland, the United Kingdom, Australia and New-Zealand, Mexico and the US). The population is divided into two categories based on annual gross sales:

Below €10 million
€10 Million and more

3.3 Sample

3.3.1 Response overview

The respondents are business professionals who sell products and services on credit or rely on the credit markets to create liquidity for their companies to grow.

Response overview Credit Crisis Survey	
Interviews started	21280
Interviews stopped	1618
Screen outs (does not meet criteria)	12457
Quota full	4703
Net sample	**2502**

3.3.2 Sample description and sample size

In the table below the distribution of the sample is presented.

	Total annual gross sales					
	Below €10 Million		€10 Million and more		Total	
Country	N	%	n	%	n	%
Europe	626	33%	1264	67%	1890	100%
Belgium	69	33%	137	67%	206	100%
Denmark	50	32%	105	68%	155	100%
France	68	33%	140	67%	208	100%
Germany	69	33%	141	67%	210	100%
Italy	68	32%	143	68%	211	100%
The Netherlands	70	33%	140	67%	210	100%
Spain	63	31%	140	69%	203	100%
Sweden	50	32%	105	68%	155	100%
Switzerland	46	39%	72	61%	118	100%
UK	73	34%	141	66%	214	100%
Australia / New Zealand	51	34%	101	66%	152	100%
Mexico	45	30%	107	70%	152	100%
US	14	5%	294	95%	308	100%
Total	**736**	**29%**	**1766**	**71%**	**2502**	**100%**

3.3.3 Sample overview

Business sector (n=2418)	n	%
Agriculture	42	2%
Basic Materials	32	1%
Building Supply and construction	231	10%
Conglomerate	35	1%
Consumer Goods	190	8%
Distribution & Wholesale	235	10%
Energy	64	3%
Entertainment	82	3%
Healthcare	149	6%
Industrial and manufacturing	326	13%
Services	701	29%
Technology	160	7%
Telecommunications	64	3%
Transportation	107	4%
Key geographical areas of operation (n=2422) Multiple response	**n**	**%**
Global	666	27%
USA	254	10%
Europe	1383	57%
Asia	70	3%
North & South America	148	6%
Africa	37	2%
Australia / New Zealand	136	6%

3.3.4 Mode of sampling and source of address data

The research has been executed by means of an a-select stratified sample; i.e. interviews are not randomly divided across sectors and employee classes, but according to a preset division.
Within these divided sections a random selection has been made.

The sources used for the address information are Panelclix, SSI, Toluna and CRF.

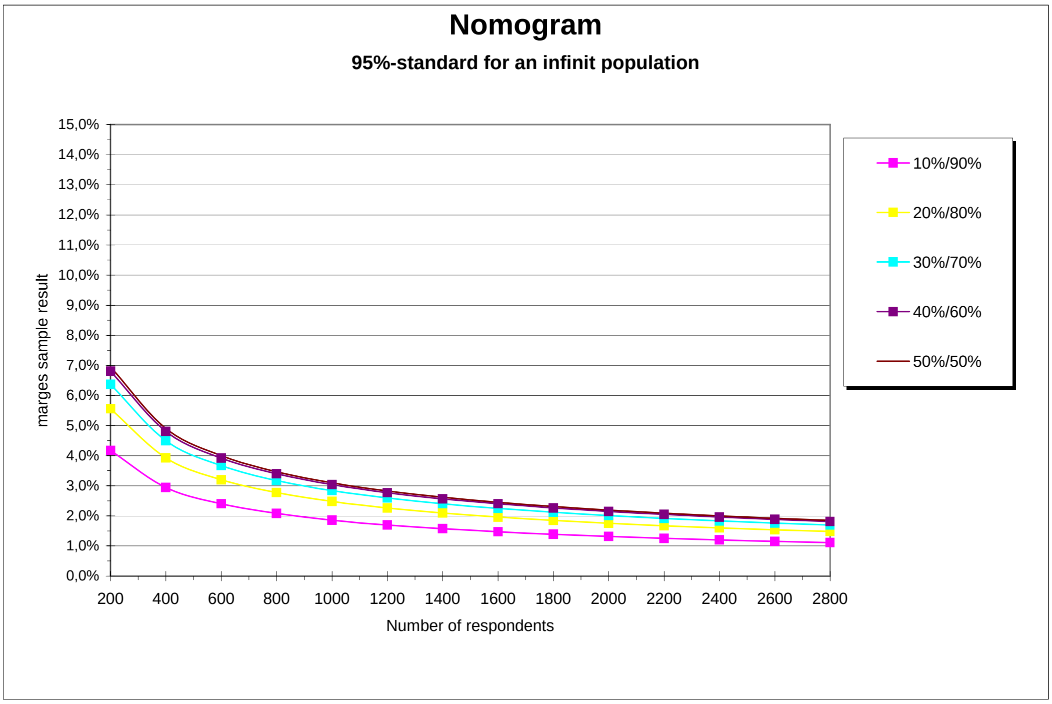
3.3.5 Reliability

The interview results are due to sample margins. For the interpretation of the results this has to be taken into consideration. Therefore one can make use of the following formula for the 95%-reliability intervals. The formula for calculating the borders of these intervals is:

$$margin = 1{,}96\ x\sqrt{\left(\frac{PxQ}{n-1}\right)}$$

P = sample result
Q = 1 - P
n = number of respondents

Based upon this calculation a 95% probability can be assessed as to how much higher or lower the actual values might be. In the nomogram below the accuracy margins for the sample results can be read.



The nomogram shows that a sample of 2502 interviews with an interview result of 10% (or 90%) has a margin of above or below 1.2%. This means that if a similar survey is conducted there is a 95% certainty that the outcome will be within the range of 8.8% to 11.2%. In other words, in "reality" the outcome of a similar survey will almost certainly be between 8.8% and 11.2%.

Suppose that the next measurement, with an equal amount of interviews, will lead to an outcome of 20%. In that case, the real percentage (see nomogram) will be between 18.4% and 21.6% (20% +/- 1.6%). The range mentioned above, and the range found as a result, do not overlap. This entails that the difference between the first percentage (10%) and second percentage (20%) is significant from a statistical point of view. A difference between the mean percentages is statistically significant, when the ranges do not overlap.

Tables that show the average scores, also show the standard error. On every average score the above and below margin (with a 95% norm) is made up of twice the standard error. So if f.e. 3.6 is the average score and the standard error is 0.2 then the actual value will be, with 95% certainty, between 3.2 and 4 (3.6 +/- 2 x 0.2).

If the next measurement would result in f.e. of 4.7 with a standard error of 0.2 then the actual score will be within the range of 4.3 to 5.1 (4.7 +/- 2 x 0.2). This range (4.3 – 5.1) and the range mentioned above (3.2 – 4.0) do not overlap. This means that the difference of the first score (3.6) and the second score (4.7) is statistically significant.

3.3.6 Weighting factors

Within the scope of the comparability of the results between the different countries in the sample an equal proportion of establishments with higher and lower annual gross sales has been striven for:

Below €10 million	30%
€10 Million and more	70%

As shown in the sampling description (§3.3.2) within this survey a disproportionate sampling has been applied: the division of the actual sampling does not exactly match the desired division. Hence in calculating the percentages in tables and figures weighting factors have been used to correct the differences between the countries.

3.3.7 Screening question

The following screening question has been applied to ensure that the respondent is informed well enough to participate:

> *This study concerns the effects of the worldwide credit crisis and the impact it has on organizations worldwide. Are you involved in the financial decision making within your company?*

3.4 Fieldwork

3.4.1 Questionnaire

A structured questionnaire was built to monitor the respondents' perceived exposure to, impact from and actions to protect themselves against credit crisis related disruptions to their business.

3.4.2 Pilot Phase

Before the actual start of the survey the questionnaire was extensively tested for length, consistency and validity. As an outcome of these test, no changes needed to be made to the questionnaire.

3.4.3 Code of conduct

All interviews were conducted in conformity to the ESOMAR and MOA codes for marketing research and the WPR (Personal Registration Law). No information can be given about who gave what answer. Therefore, all answers are anonymous.

3.5 Data processing

3.5.1 Assimilation of the open questions

Using the software package SPSS the survey results were analysed and assimilated into charts and summaries. At the end of the survey the text answers in the category 'other', were categorized using the existing codes or given a new code. Answers that were unfit to categorize are represented in the so called open answer charts. Missing values are not taken into account in the survey results and are considered normally divided.

3.6 Project coordination

The overall coordination is the Senior Analyst's responsibility. Aiding him are qualified analysts who are responsible for the quality control of the fieldwork, the statistical analysis and the report.

3.7 Remarks with regard to the survey and the report

The answers and opinions of the respondent are generalized according to the population, but one should take into account that the interpretation of the answers is based on interview data and that the respondent's answers could deviate from factual reality. Additionally, survey results might be based on answers given by a small number of respondents. These answers should be considered as an indication.

When reporting the results where the scale or questions allows for a single answer, it may occur that the results are a percent more or less then a 100%. This is the consequence of rounding off the results. We have chosen not to adjust the results to present an outcome that would fit to 100%, so that the individual results will be as exact as possible.

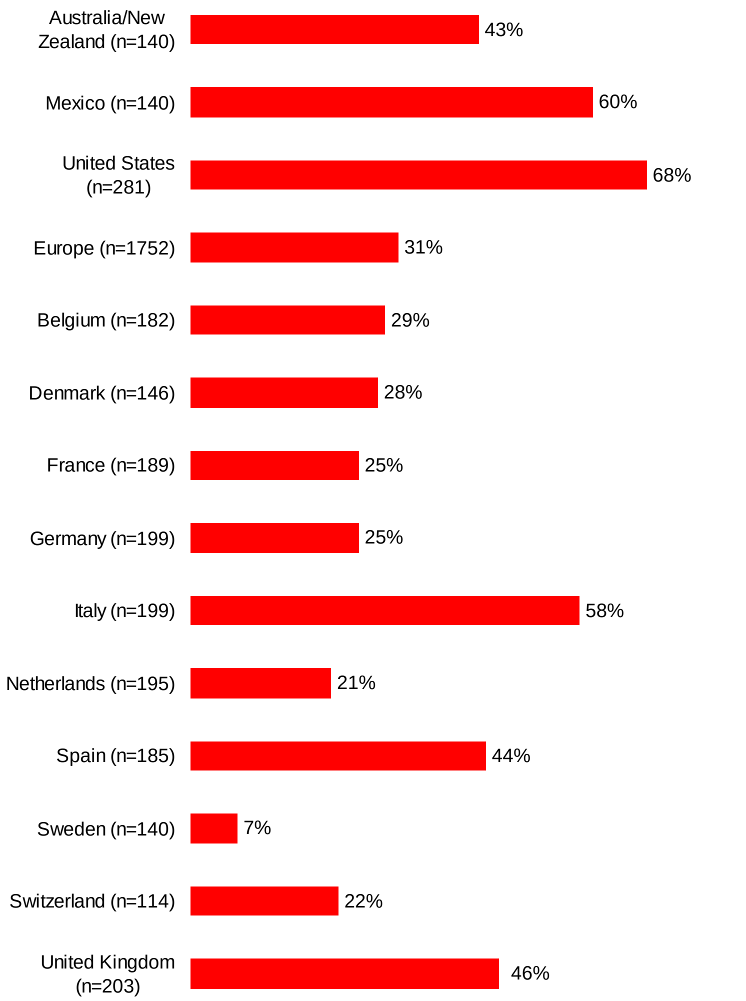
4 Results in detail

In the summer of 2007 the sub-prime mortgage meltdown in the United States began a crisis on financial markets worldwide. So far the crisis has resulted in financial setbacks of some major companies, especially in the financial services sector. Some analysts predict the credit crisis will ultimately cause a worldwide recession in 2008. This report determines the sentiment on this subject of business professionals who sell products and services on credit or rely on the credit markets to create liquidity for their companies to grow.

4.1 Current situation worldwide

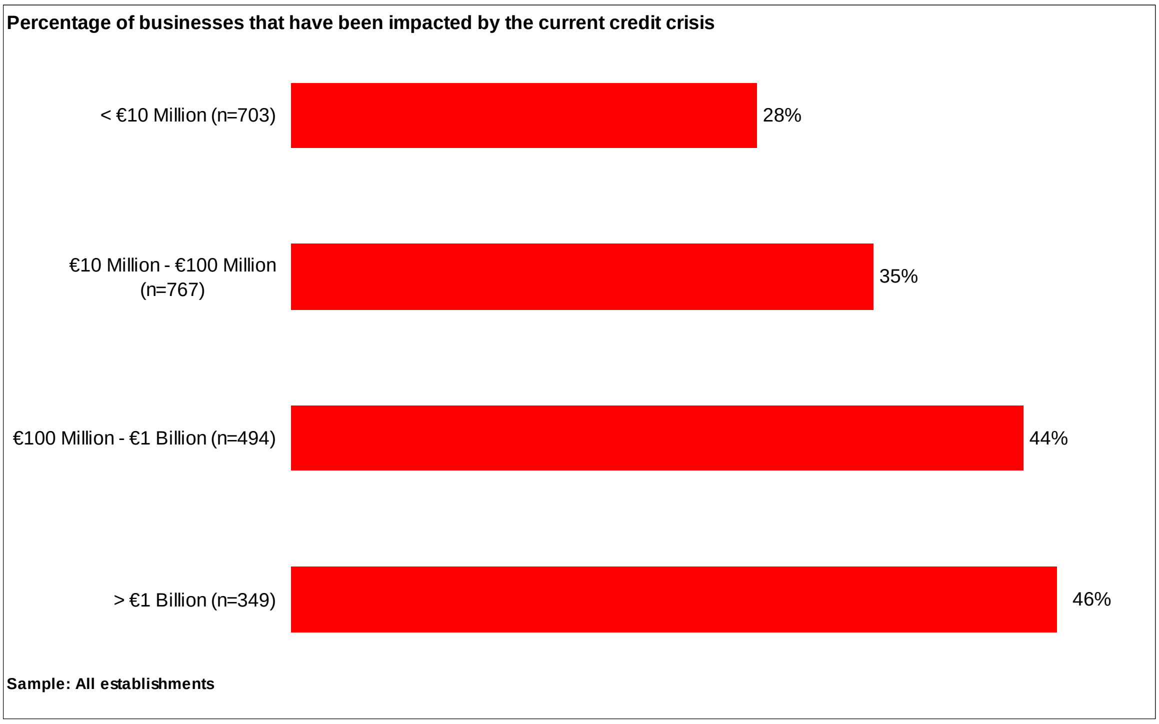
In general about one third (36%) of all the responding companies in this survey have experienced some impact from the credit crisis. The graph below gives and indication of the breadth of impact the credit crisis has had across the globe. Thus far, the impact has been greatest in the United States and Mexico. In Europe the impact has been felt most in Italy, the United Kingdom and Spain. In Sweden the impact of the credit crisis has been the lowest of all countries investigated.

Percentage of businesses that have been impacted by the current credit crisis

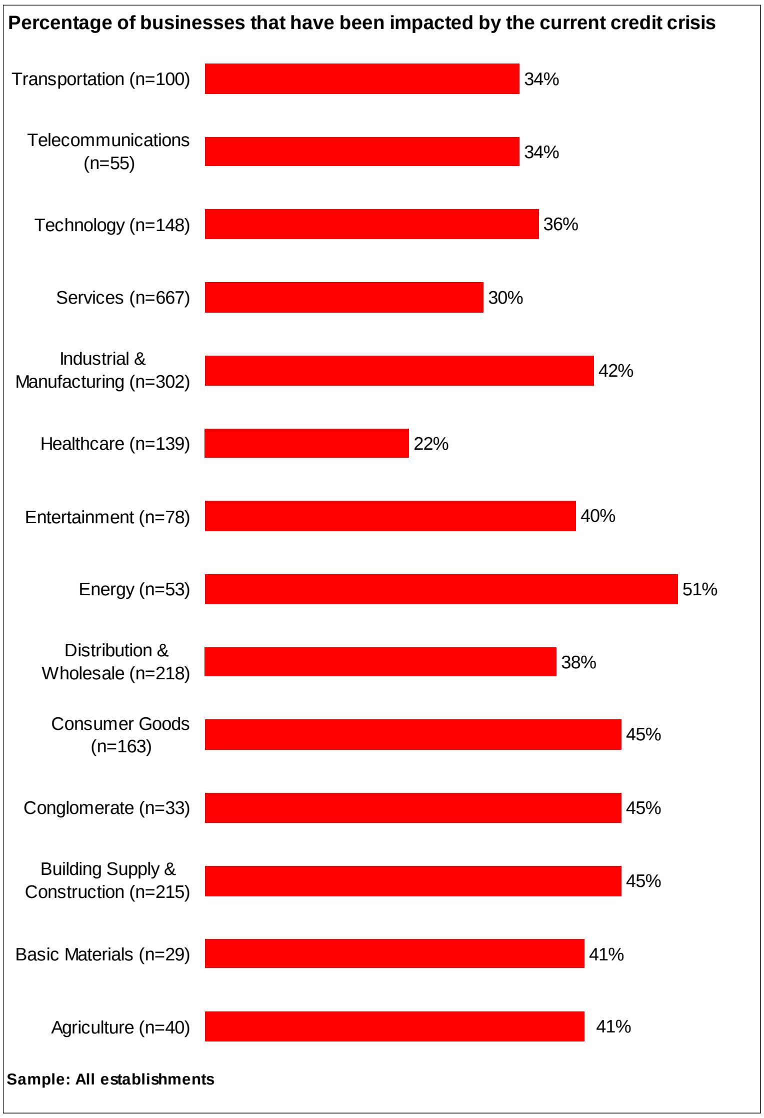


Sample: All establishments

When looking at annual gross sales larger companies are more likely to have been impacted by the credit crisis. Less than 30% of small companies (less than €10 million annual gross sales) reported an impact, versus almost half of all 'big' companies (more than €1 billion annual gross sales).



The following graph shows the impact of the credit crisis per industry. Establishments in the energy industry have been especially impacted whereas companies in the health care industry and the services industry reported a relatively low frequency of impact.



4.2 Causes and effects

The main cause of a credit crunch is a reduction in the market prices of previously 'overvalued' financial assets. The current credit crisis was set in motion by a rapid acceleration in defaults on mortgages in the United States; largely sub-prime. (Sub-prime mortgages are typically characterized as adjustable rate loans with introductory rates that are below the prime rate. After a specified time, often two to three years, the mortgages adjust to market rates. Market rates are normally higher than the earlier introductory rate.) This has resulted in a spike in mortgage defaults.

Sub-prime mortgage loans were securitized and resold throughout the financial services industry worldwide. Their value deflated to nearly worthless practically overnight creating very cautious trading environments, particularly for debt instruments into which these sub-prime loans might have been packaged. As it was unclear which assets they were in, this caused a lack of trust in financial markets and much of the interbank loan activity grinded to a halt until central banks intervened and created liquidity.

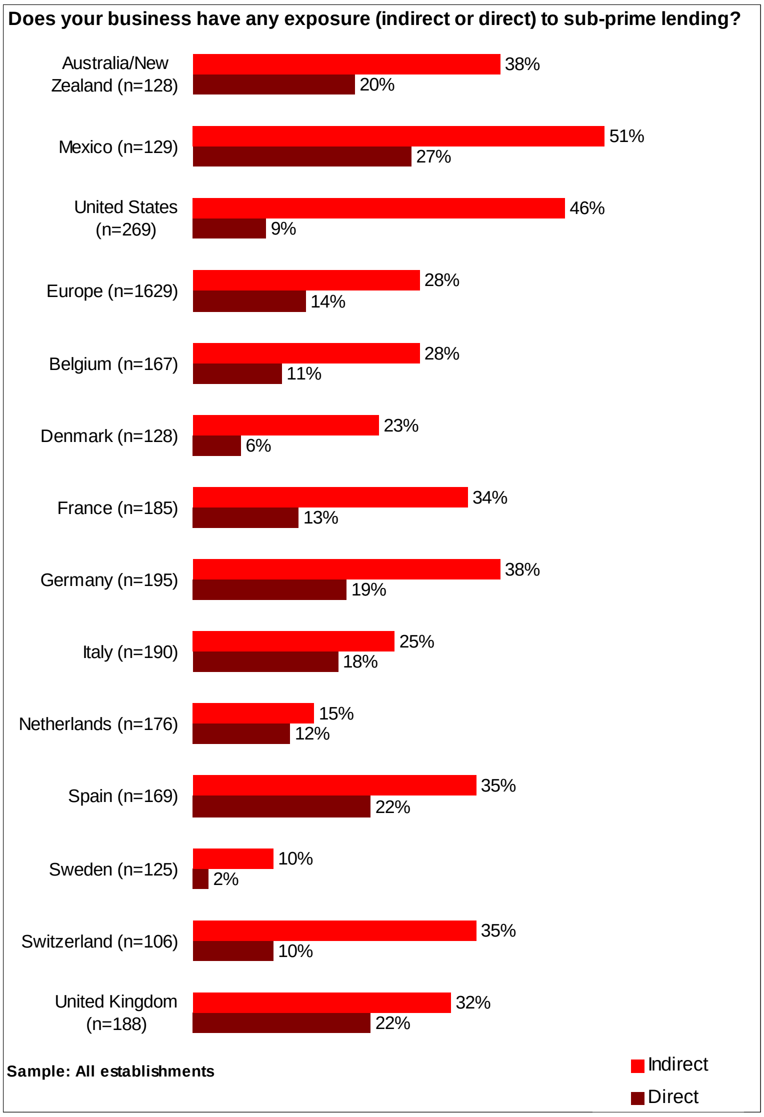
The following graphs show the degree to which businesses are exposed to sub-prime lending (directly and indirectly) and the degree to which they securitize their own receivables. The latter gives an indication of the vulnerability of the economy to possible impacts of the credit crisis.

4.2.1 Sub-prime lending

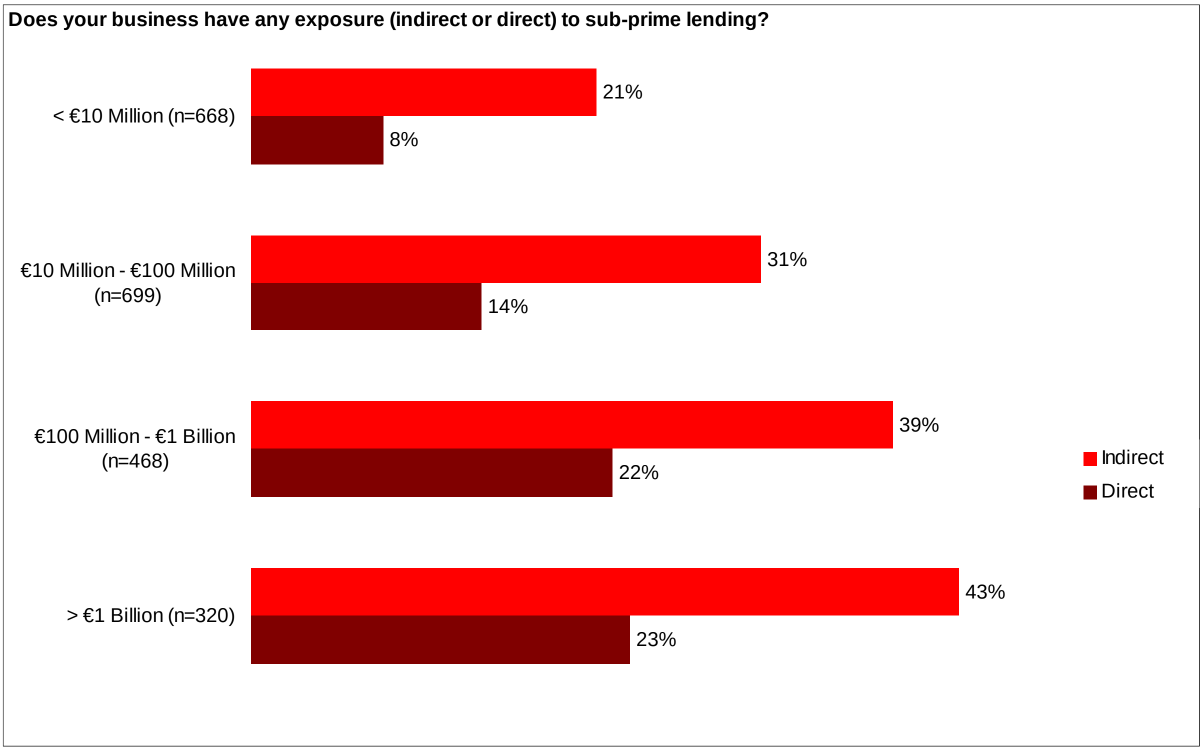
About one third (31%) of all companies in the countries investigated are indirectly exposed to sub-prime lending, whereas about one in eight (15%) are directly exposed. US and Mexican companies in particular face indirect exposure. The fact that direct exposure is higher in most European countries than in the US might be seen as quite remarkable considering the bulk of the sub-prime mortgage defaults are occurring in the US and because many of the securities these loans are packaged into probably originated from US mortgage companies and other US financial institutions. Some explanations for this however may be investments by European companies in US securities offering higher returns and more frequent use of secondary financial markets to securitize receivables by European countries.

Although 58% of Italian companies indicated they have been impacted by the credit crisis, (See chart in Section 4.1) the frequency with which they reported exposure to sub-prime lending is not unusually high. This is particularly the case when looking at the frequency of indirect exposure which is below average. This suggests that, in Italy in particular, companies are recognizing the ripple effect that the credit crisis is beginning to show on the global economy. It is anticipated that this ripple will expand in 2008.

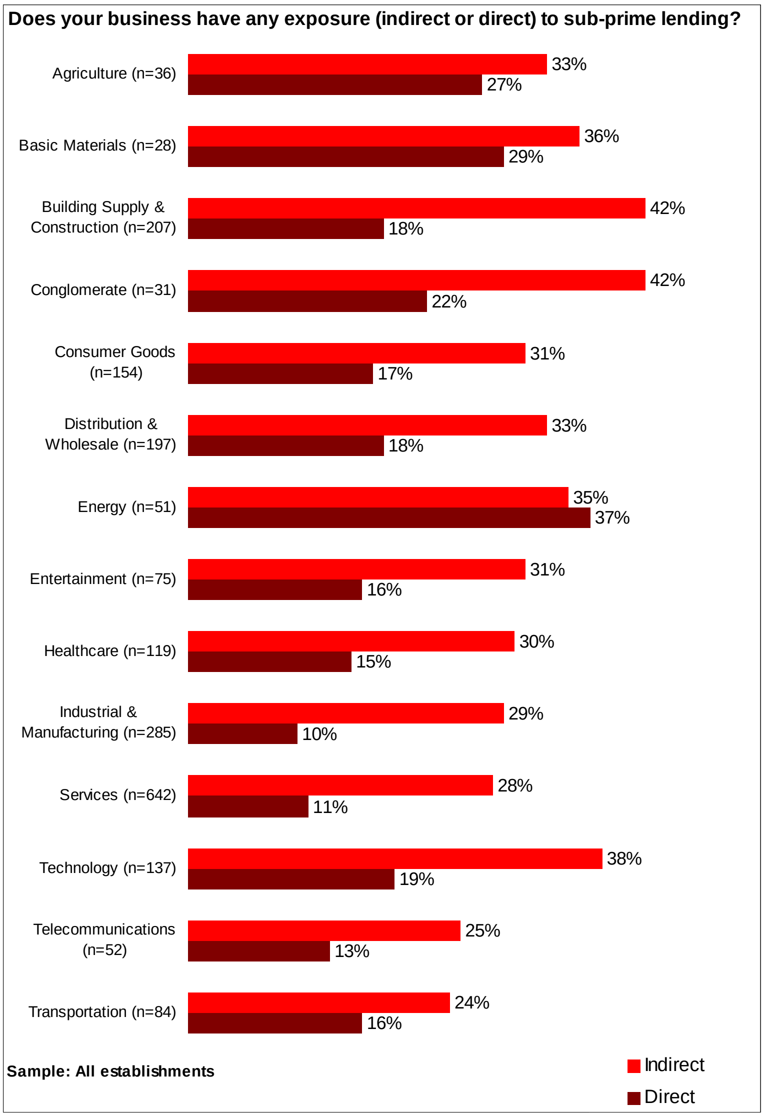
German companies report a relatively high exposure to sub-prime lending compared to the impact of the credit crisis reported in Germany. The same holds for French companies. This result may reflect exposure to the above noted investment risks, while conversely reflecting that these countries, on a percentage of trade basis, do not rely too heavily on trade with the US to drive their economies.



Thus far, larger companies have been more often directly as well as indirectly exposed to sub-prime lending than smaller companies. The responses here somewhat mirror the responses about securitization and highlight the link between the two.

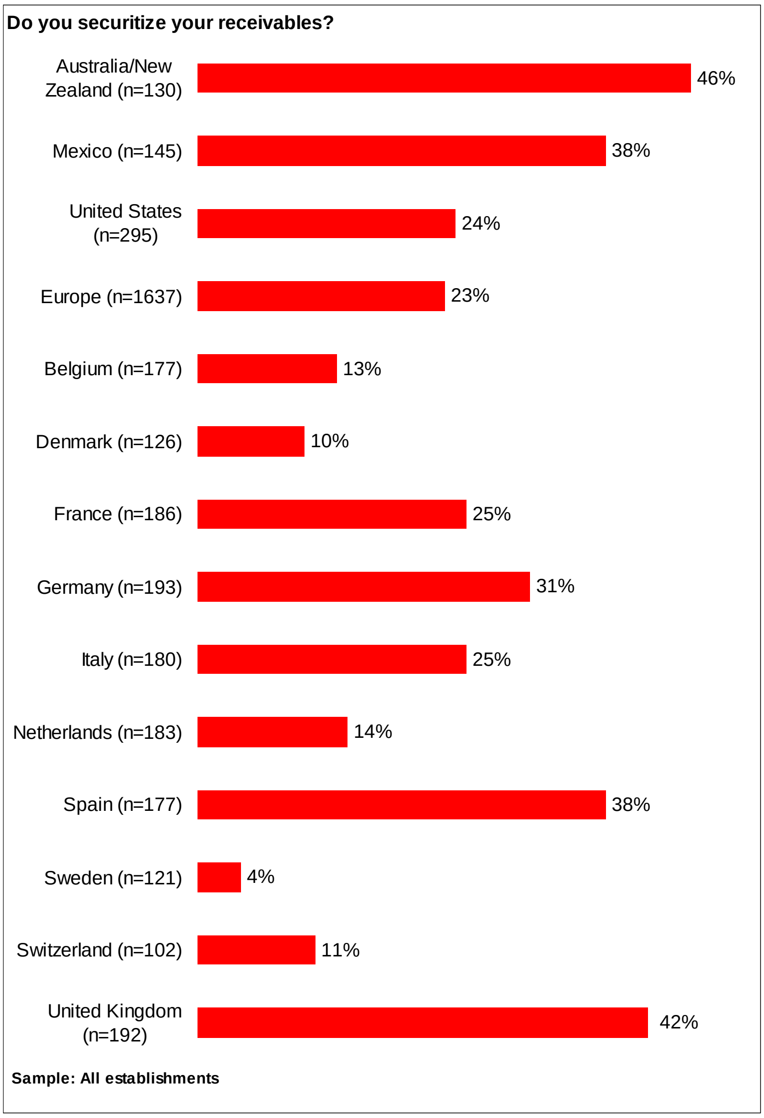


When looking at exposure per industry conglomerates and establishments in the building supply & construction industries have the highest rate of indirect exposure to sub-prime lending. Energy reports a relatively high indirect exposure, but a very high direct exposure to sub-prime lending. The basic materials and agriculture industries are also relatively often directly exposed to sub-prime lending. Frequency of exposure is largely tied to the securitization of receivables (See Section 4.2.2) where reduced demand for commercialized debt obligations has limited the refinancing options available to many companies. However this explanation does not follow suit for the agriculture industry. For agriculture, the availability and cost of loans available to finance their businesses is likely the driving force for their responses.

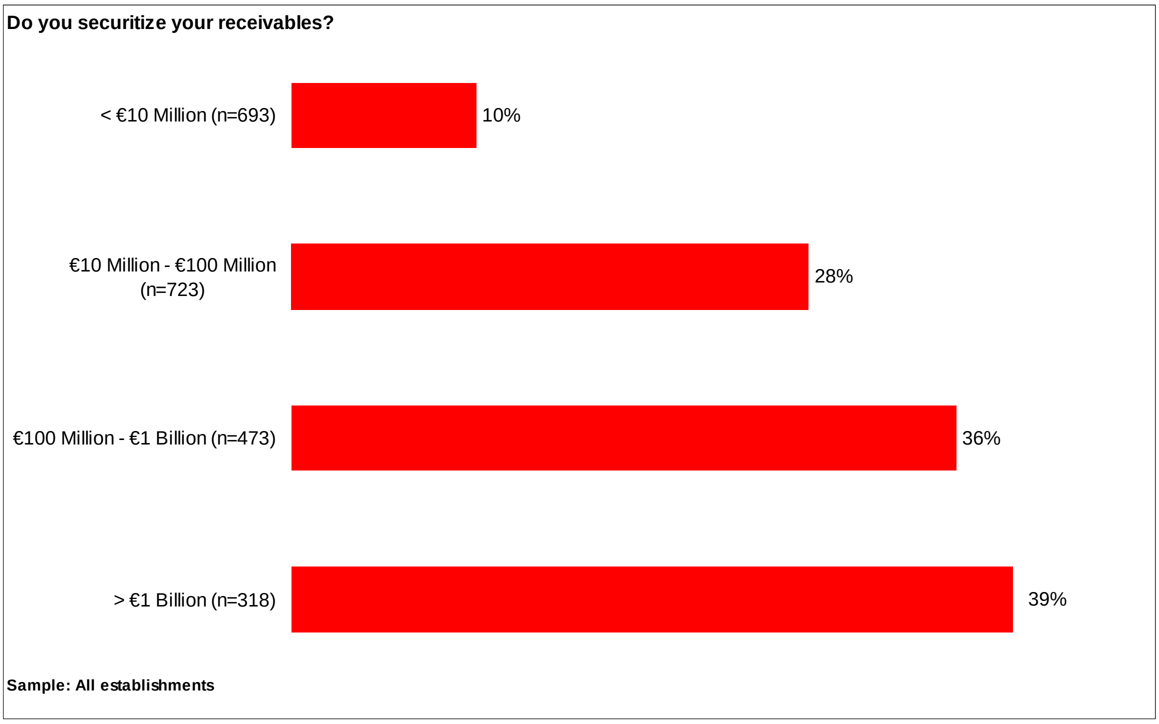


4.2.2 Securitization

Securitization of receivables is most prominent in Australia and the United Kingdom and to a slightly lesser degree in Mexico and Spain. In Switzerland and Denmark only one in ten companies securitizes its receivables, in Sweden just one in 25.

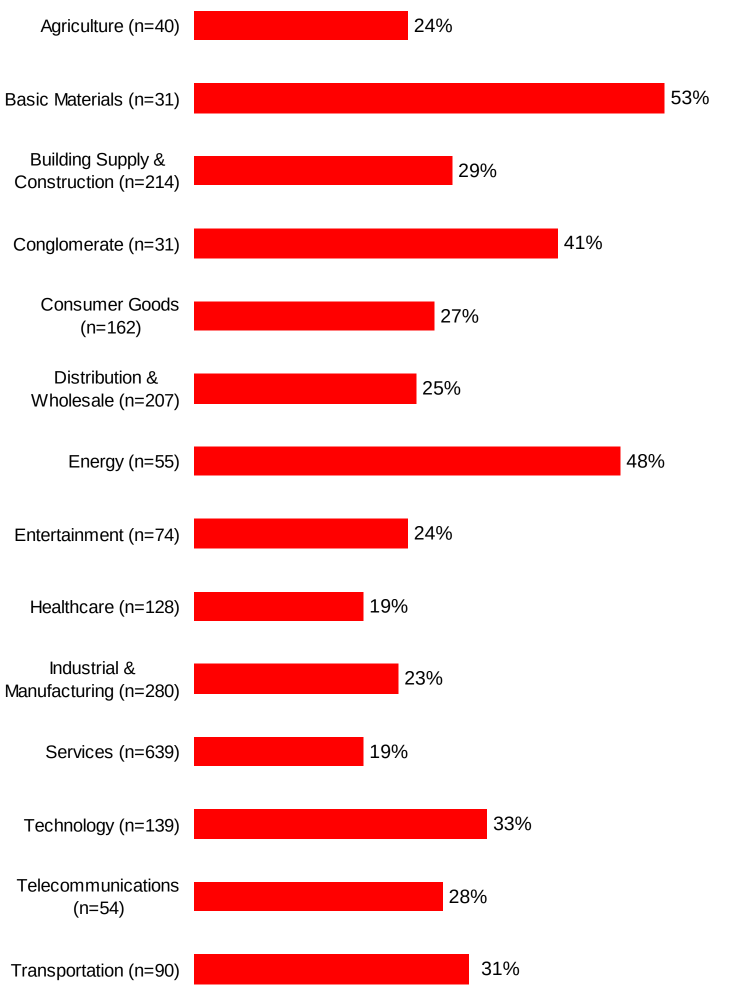


Thus far, the degree to which companies securitize their receivables increases as annual gross sales rise. This again strengthens the argument that companies that securitize their receivables are more likely to be impacted by the credit crisis.



Securitization of receivables occurs most often in the basic materials and energy industries. (Conglomerates also showed a relatively high frequency of use of receivables securitization.) Absent the addition of other factors weighing on industry growth, a return to confidence of the secondary financing markets should likewise improve growth opportunities for companies in these industries.

Do you securitize your receivables?

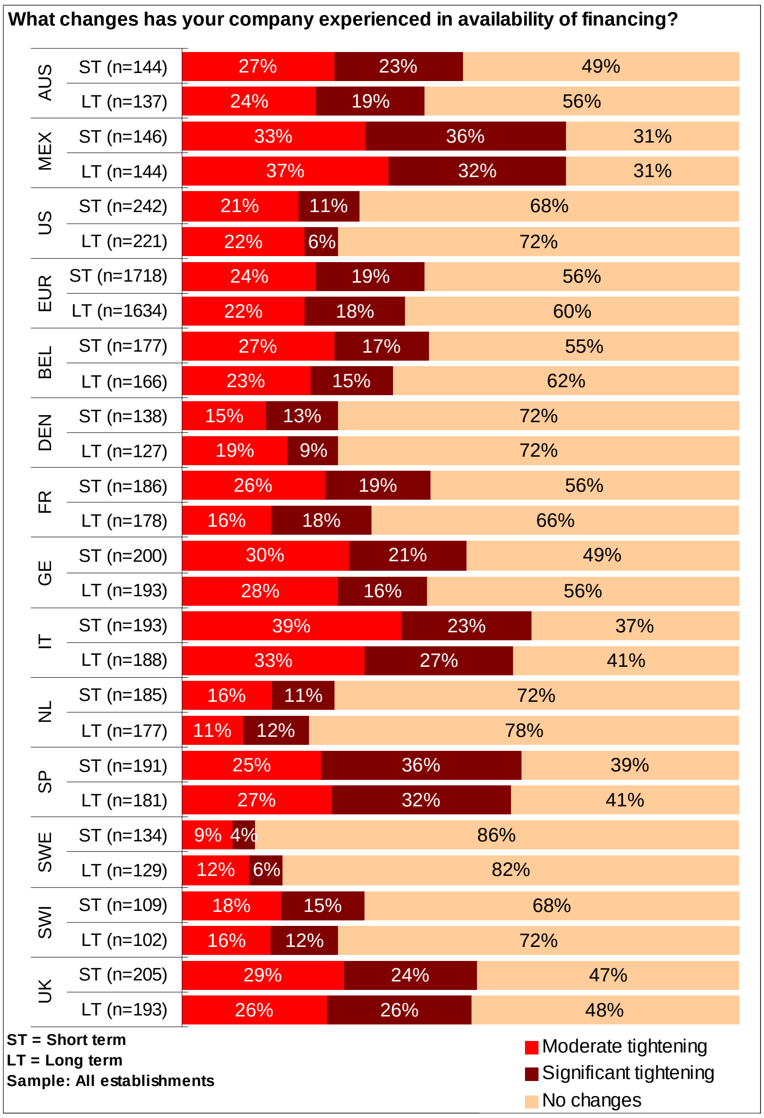


Sample: All establishments

4.2.3 Tightening credit markets

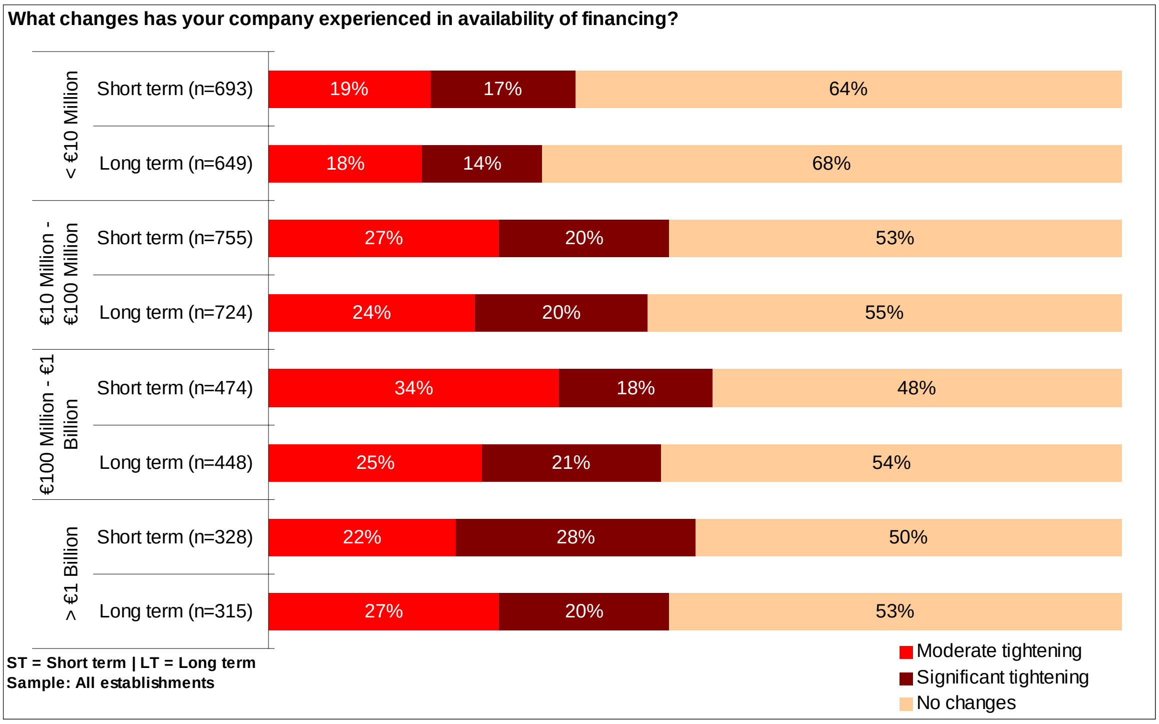
One of the characteristics of a credit crunch is often a sudden reduction in the availability of financing or a sudden increase in the cost of obtaining a loan from the banks. The following graphs show the degree to which companies worldwide have experienced a tightening of credit markets since the onset of the current credit crisis (summer 2007). Within this period of time a distinction is made between short-term (ST) and long-term (LT) effects.

Mexican, Spanish and Italian companies have experienced the most tightening when it comes to the availability of short- and long-term financing. While the impact of the credit crisis is relatively large in the US, it is quite remarkable that US companies report a relatively small experience with tightening financial markets. To a lesser degree, the same holds for companies from Australia and New Zealand. Perhaps moves by central banks to stabilize financial markets and improve access to credit are achieving the desired results in these markets.



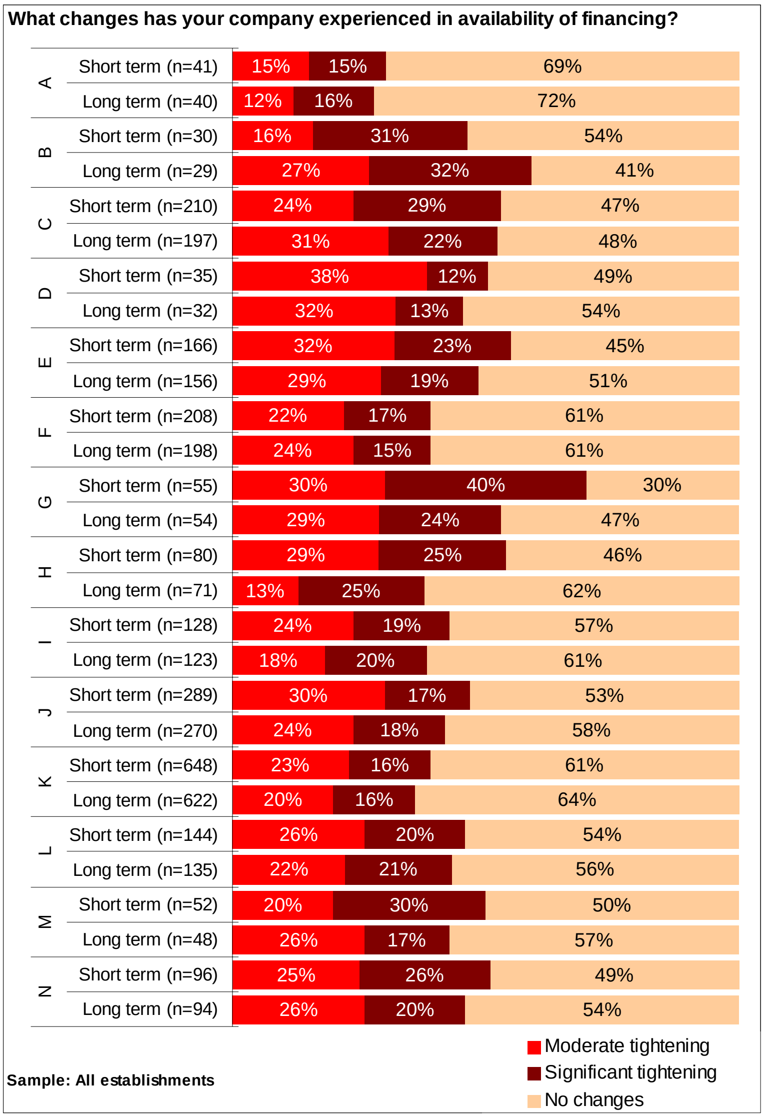
The graph below shows that fewer smaller companies (less than €10 million annual gross sales) have experienced changes in the availability of financing. The differences however are far less pronounced then they are on a country by country basis.

The short-term impact has been more prevalent, but only marginally.



The following graph shows the changes in the availability of financing experienced per industry. Tightening of short-term credit markets has been most notable in the energy sector. Long-term tightening has been most notable in the basic materials sector. Both of these sectors tend to be capital intensive industries that are relatively highly reliant on the credit markets for financing their operations.

A	Agriculture	H	Entertainment
B	Basic Materials	I	Healthcare
C	Building Supply & Construction	J	Industrial & Manufacturing
D	Conglomerate	K	Services
E	Consumer Goods	L	Technology
F	Distribution & Wholesale	M	Telecommunications
G	Energy	N	Transportation

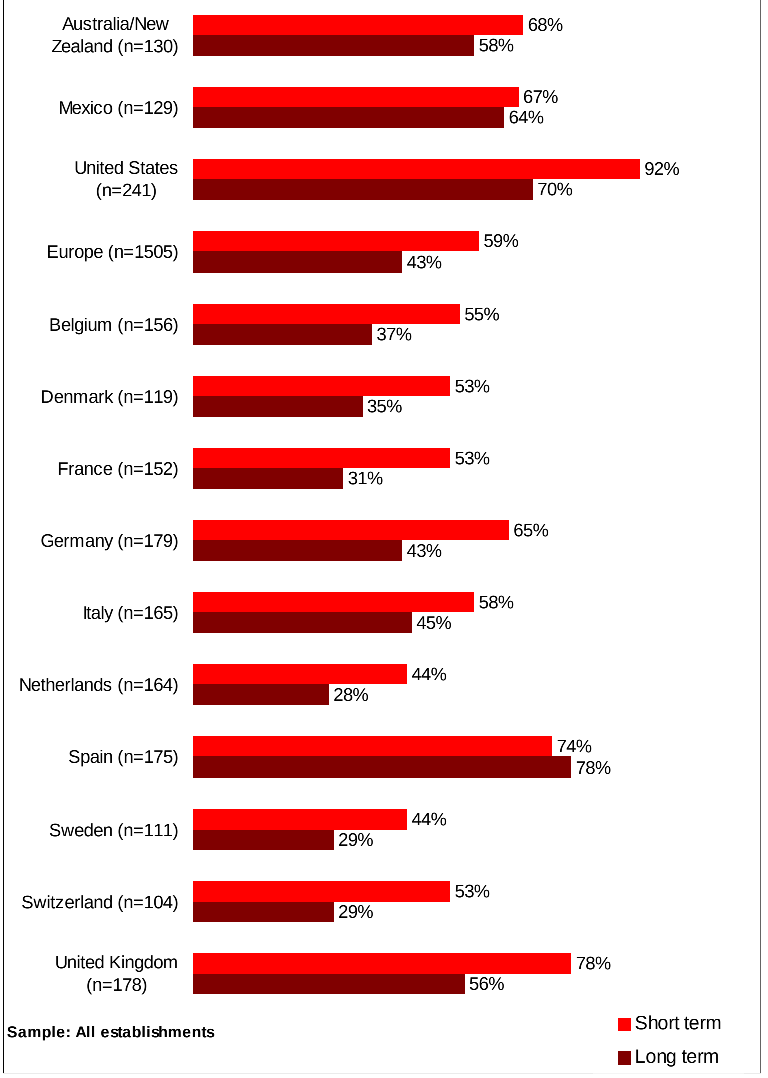


The graph below shows respondents' expectations of tightening financial markets in the next year by country. A very large number of US companies (92%) expect the short-term financial markets in the US will tighten over the next twelve months. The same holds for three quarters of all British and Spanish companies and two thirds of Australian, Mexican and German companies.

Expectations of tightening long-term credit markets are highest in Spain, which at the same time is the only country where there is a greater expectation of long-term tightening than of short-term credit market tightening.

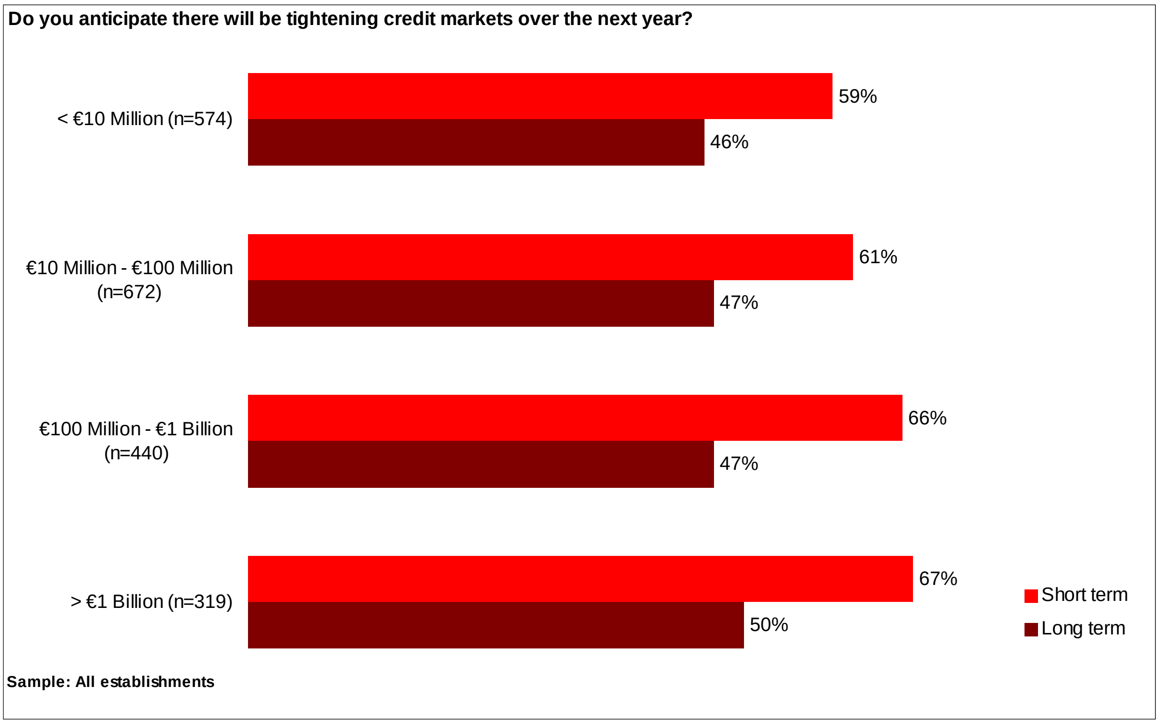
In Italy, though approximately half of respondents anticipate further tightening of credit markets, it appears that companies believe the bulk of the tightening has already occurred (See Section 4.2.3). Conversely, in a number of other countries like the US, Spain and the United Kingdom companies are anticipating that the worst is yet to come.

Do you anticipate there will be tightening credit markets over the next year?

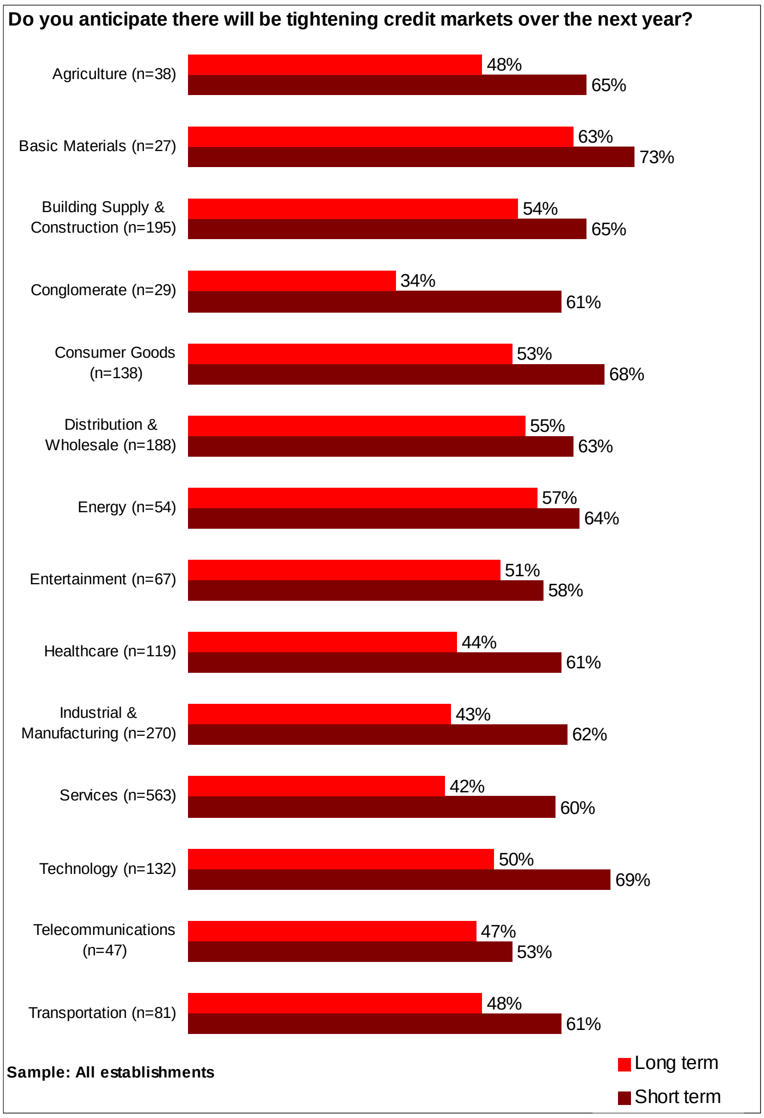


Sample: All establishments

The expectation of tightening credit markets over the next year is slightly higher among larger companies.

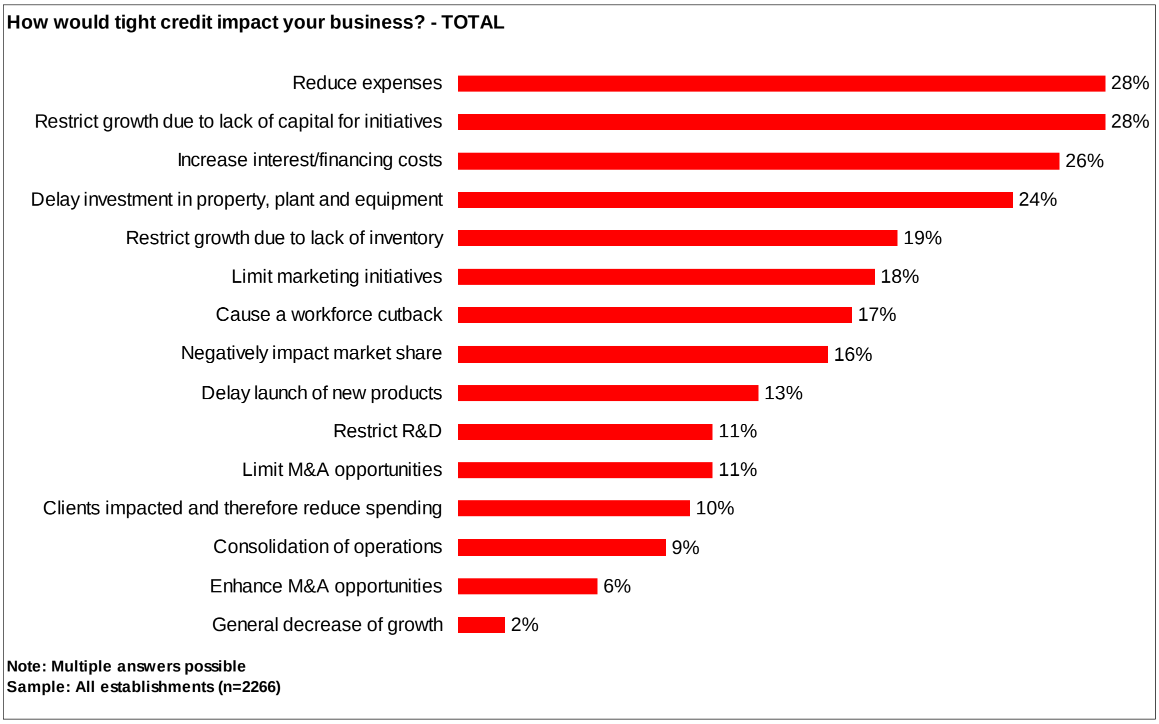


All industries expect more tightening of short-term credit markets than long-term markets. Conglomerates however, have a particularly low expectation of tightening of long-term credit markets in 2008.



Tightening financial markets as a result of a credit crisis have both direct and indirect effects which can negatively impact the growth of national and/or global economies. The following graph shows that a reduction of expenses and restriction of growth due to a lack of capital available for growth initiatives are considered, by the survey respondents, to be the most notable expected impacts of tightening financial markets (both by 28% of companies). Further on rising financing costs and delays in investments in property, plant and equipment are expected by approximately 25% of companies.

Countries in which companies are most likely to cut back on their expenses as financial markets tighten are Italy (41%) and Belgium (39%). Countries in which companies are most likely to suffer restrictions to growth due to insufficient capital available for growth initiatives include Mexico (50%) and Spain (39%).

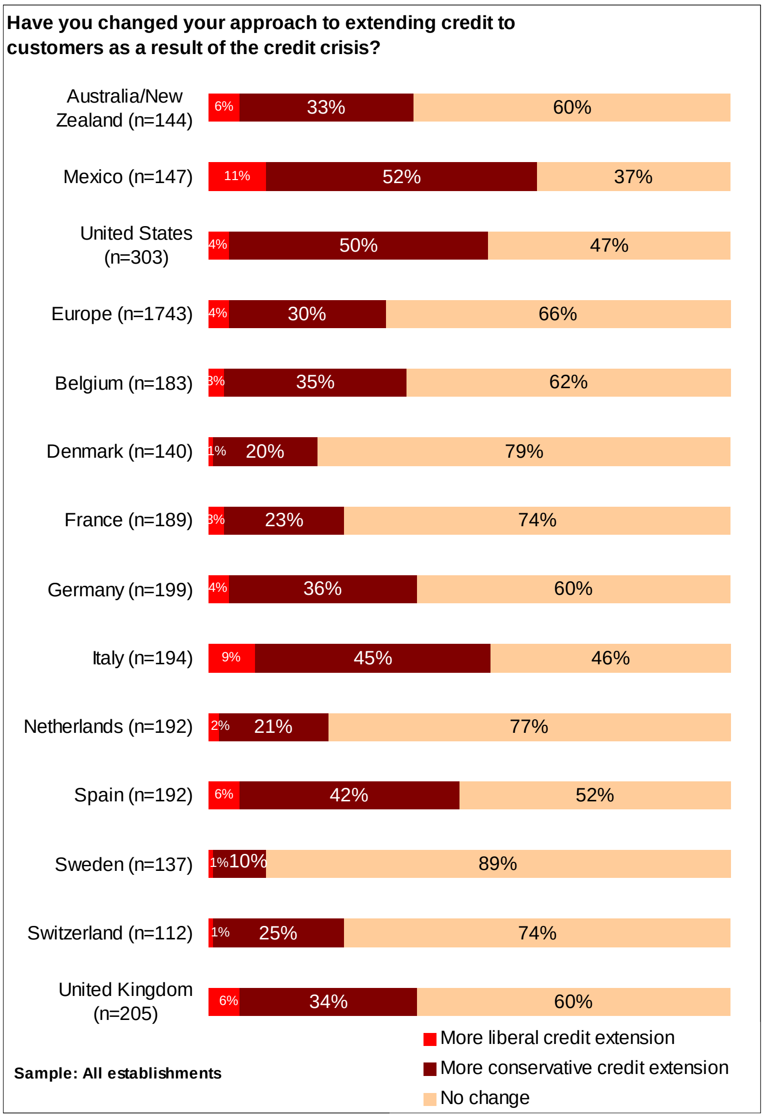


See Appendix A for the impact of tight credit per country

4.2.4 Credit extension

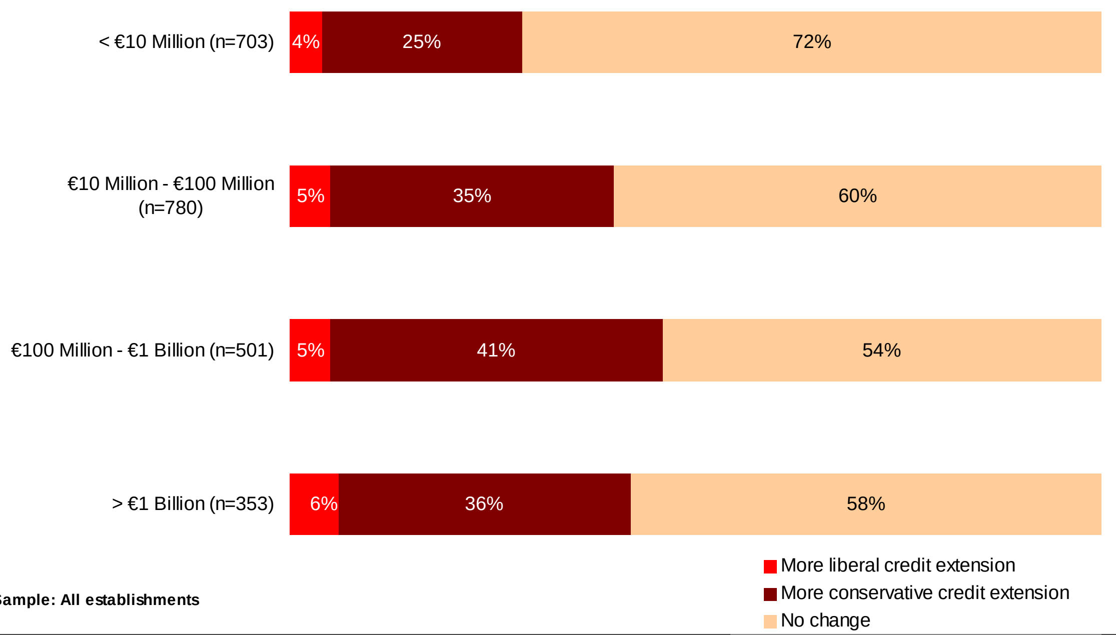
As a result of the credit crisis and accompanying tightening financial markets, companies may adjust their own approach to extending credit to customers. The graph below shows that credit extension practices have been changed, in particular, in countries where effects of the credit crisis have been the most severe (US, Mexico, Spain and Italy).

The changes are mainly towards a more conservative approach to extending credit in all countries. However some companies have become more liberal allowing buyers additional payment flexibility. About one in ten Mexican and Italian companies have become more liberal in credit extension. It is notable that Mexico has the most companies that have changed their credit extension practices to offer both more liberal (11%) and more conservative (52%) credit terms.



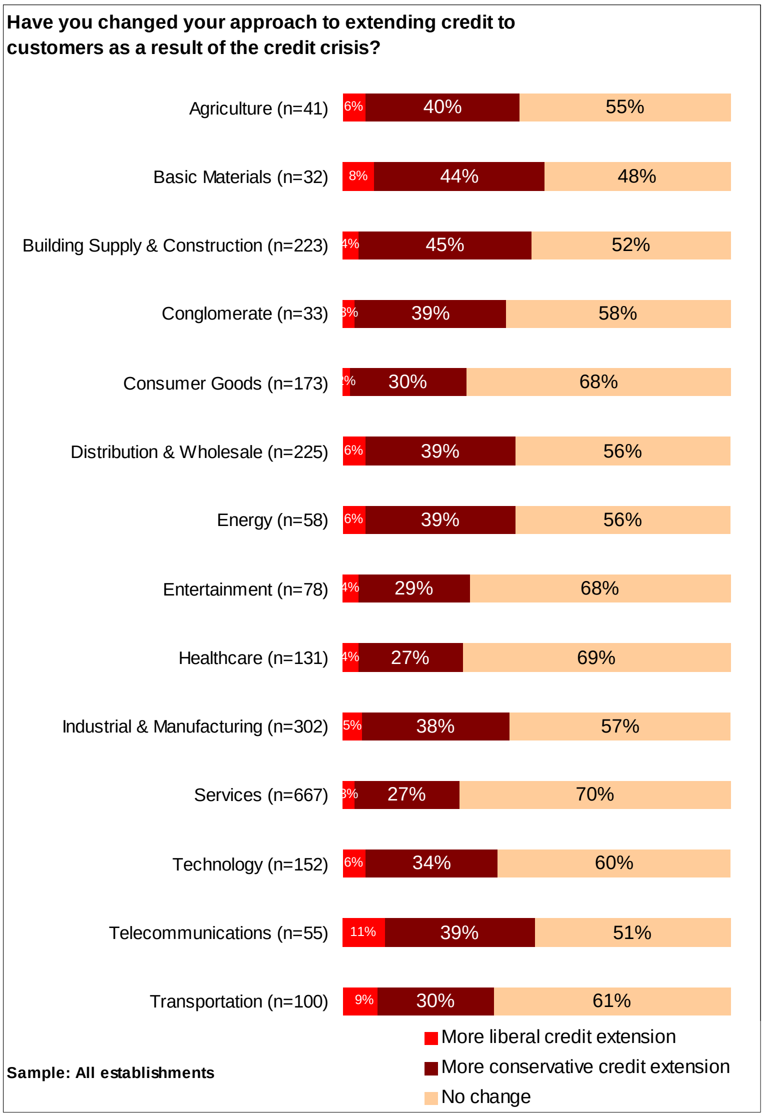
About 70% of small companies have not changed their credit extension policy as a result of the credit crisis. Larger companies have changed their policy more often.

Have you changed your approach to extending credit to customers as a result of the credit crisis?



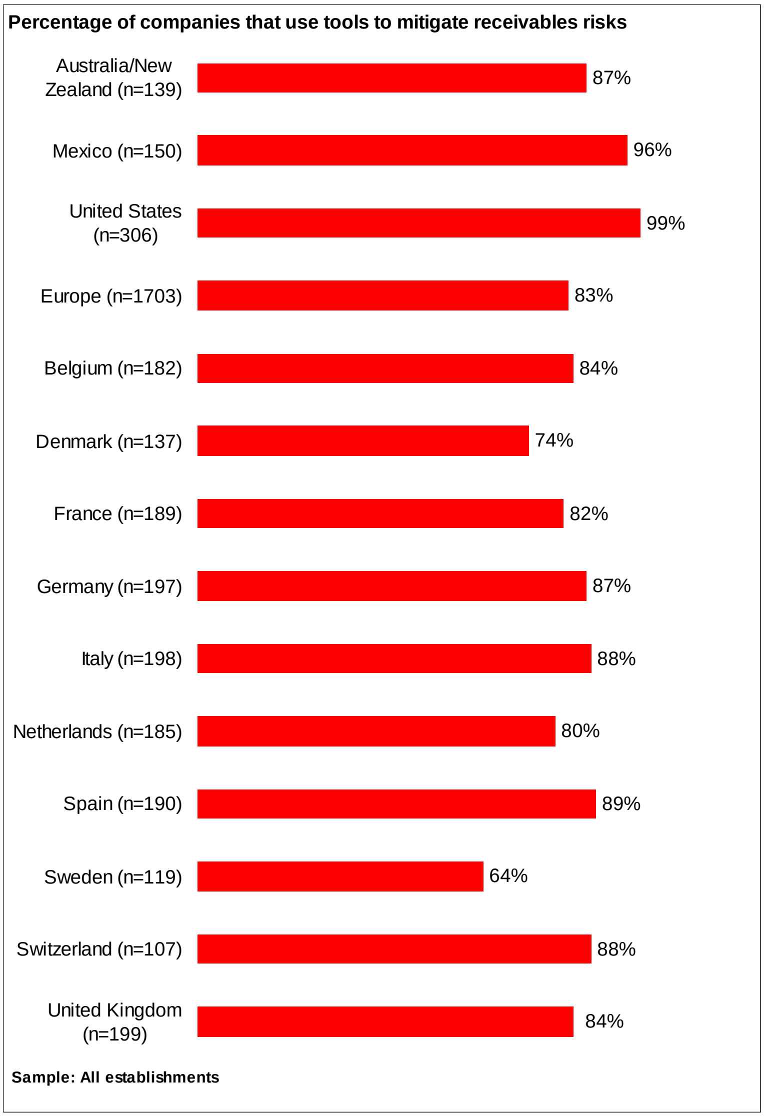
Sample: All establishments

The graph below shows that the approach to extending credit to customers has been changed in particular in basic materials, building supply & construction and telecommunications companies with telecommunications companies the most likely to provide more liberal credit terms. Service, healthcare, Entertainment and Consumer Goods companies are the least likely to have changed their approach to extending credit.



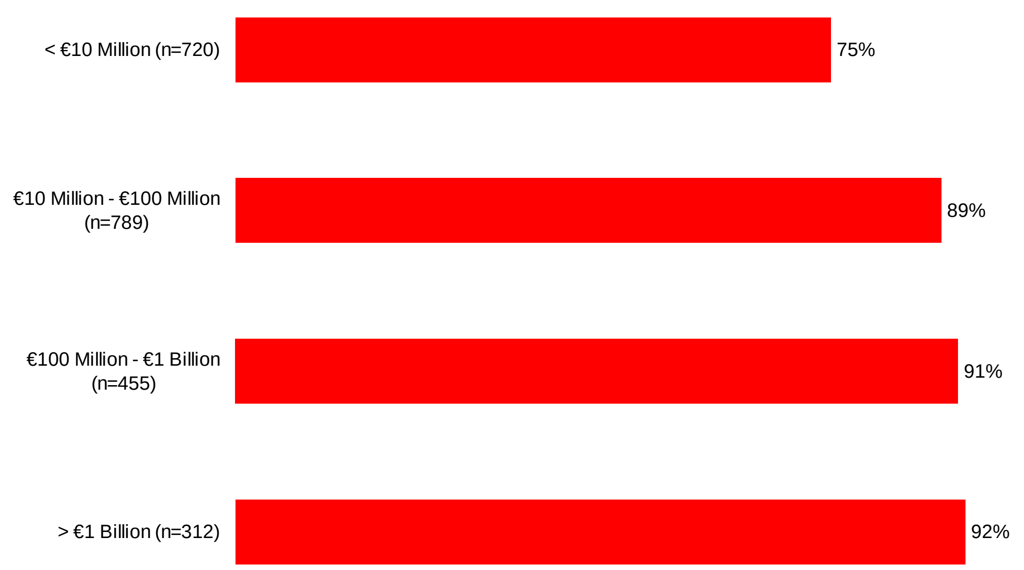
4.2.5 Mitigation of receivables risks

The graph below shows the degree to which companies use tools to reduce their risks on receivables. Almost all US and Mexican companies use at least one type of tool, while in Sweden and Denmark the application of tools to protect against receivables risks is lowest.



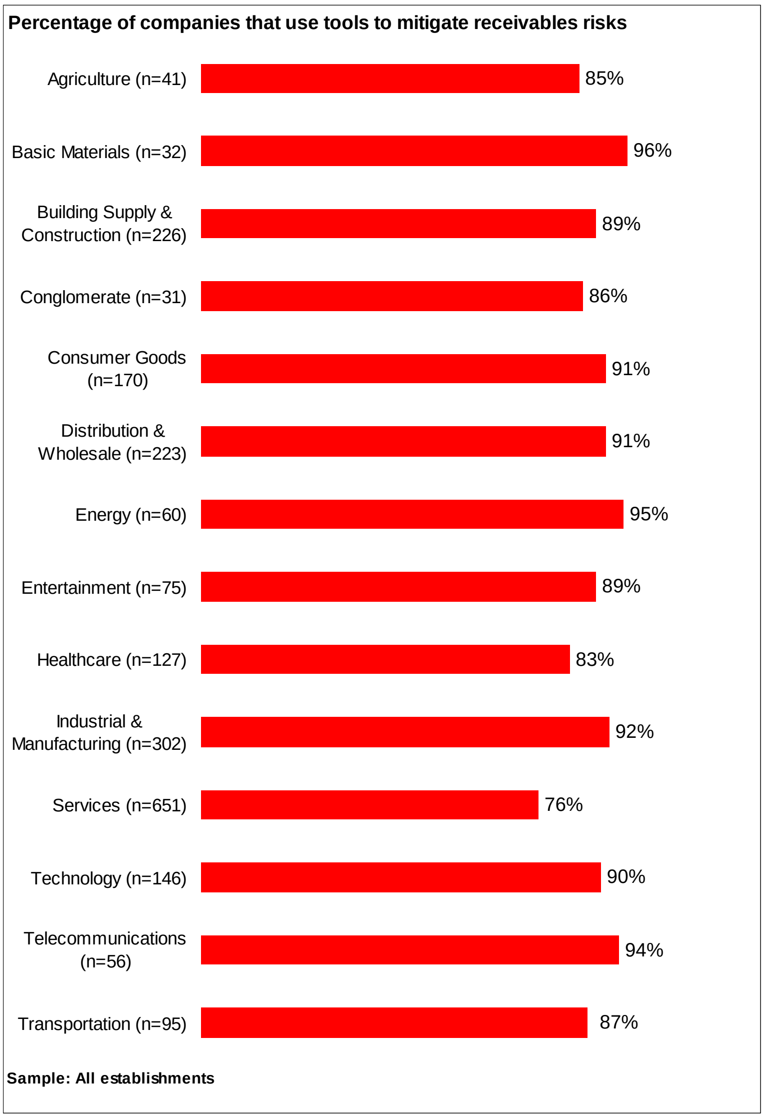
Three quarters of all small companies (less than €10 million annual gross sales) use tools to mitigate receivables risks versus roughly 90% of larger companies (more than €10 million).

Percentage of companies that use tools to mitigate receivables risks



Sample: All establishments

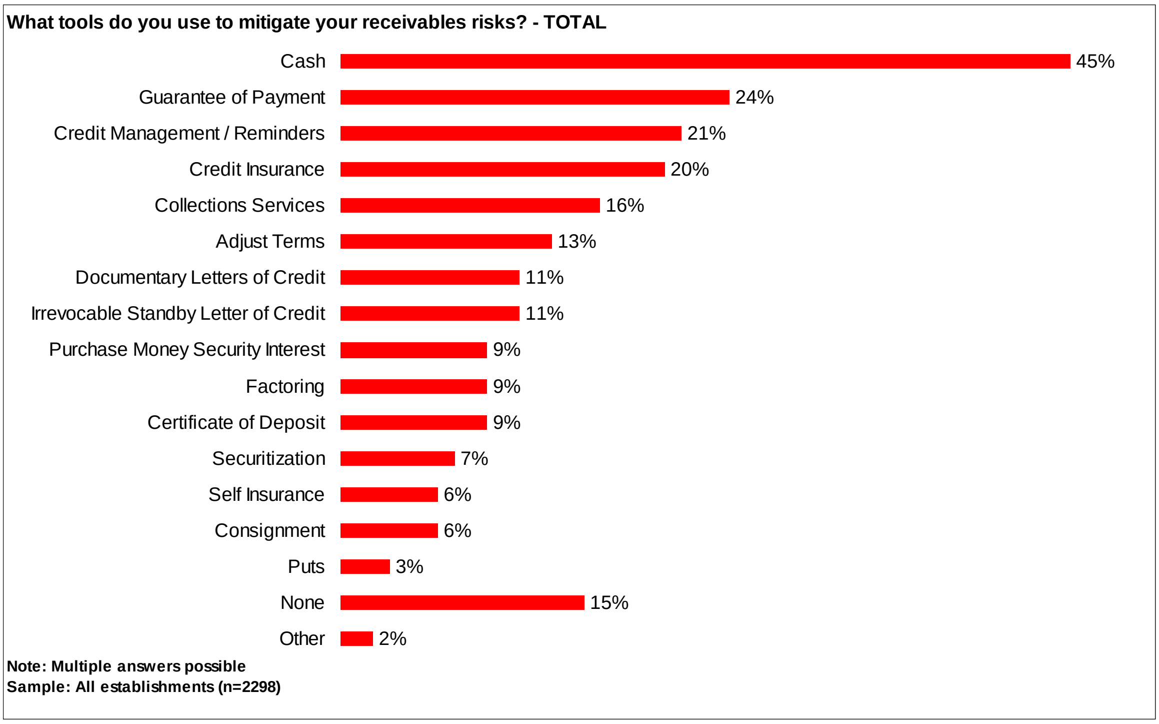
The following graph shows the degree of mitigation per industry. Service companies stand out as the industry that makes the least use of tools to mitigate receivables risks.



Cash payment (including cash in advance, cash with order and cash on delivery) stands out as the best method of protection against receivables risks. This is particularly prevalent in the US (86%), Switzerland (54%) and Mexico (57%). No other tool is being used by more than 25% of responding companies. 15% of companies are not using any risk mitigation tools at all.

Mexican companies also reported the most frequent use of guarantees of payment (43%) and credit insurance (32%). Other countries with a high percentage of credit insurance use by respondents include Spain (30%), Italy (24%), Germany (23%), the United States (23%), the United Kingdom (21%) and Australia and New Zealand (21%)

Further on collection services are the main tool for Dutch companies (26%). Credit management is by far the most popular in the United States (56%), followed by Australia and New Zealand (31%) and Switzerland (30%)



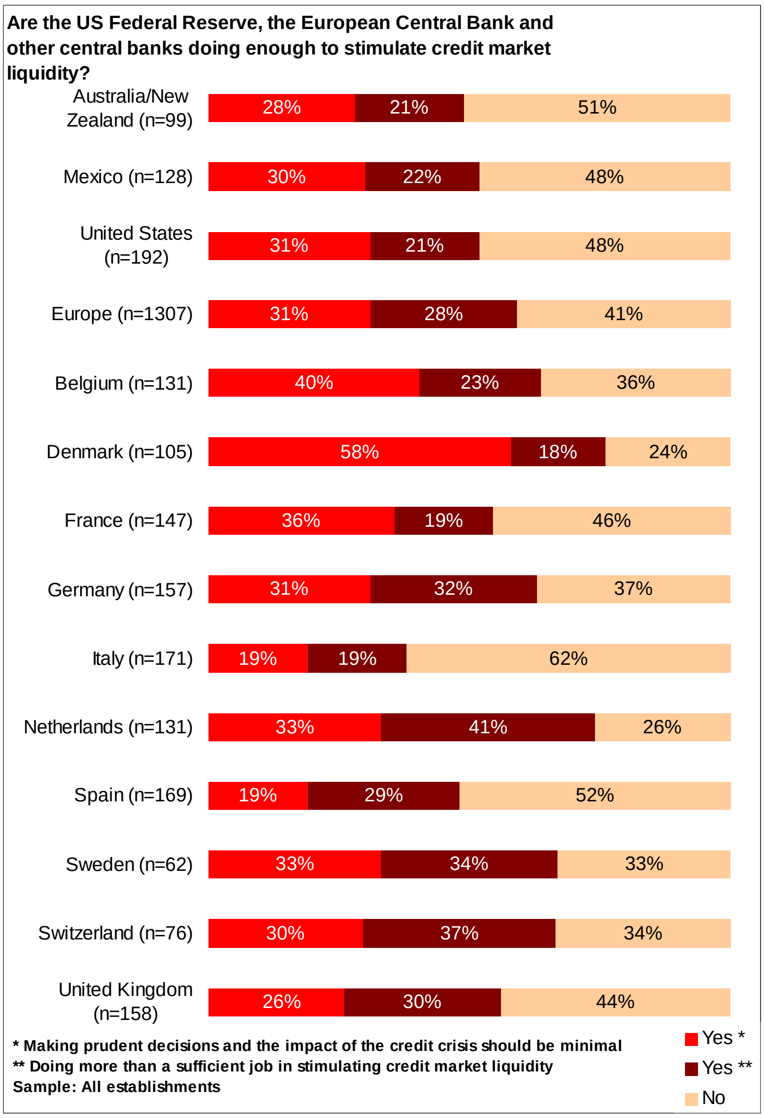
See Appendix B for the tools used per industry and per country

4.2.6 Federal banks

Next to the tools and measures companies can take themselves against tightening financial markets and receivables risks, central banks (for example the US Federal Reserve and the European Central Bank) can influence financial markets by raising or lowering interest rates and directly lending to financial institutions. The graph below shows the degree to which companies in the surveyed countries think central banks are doing enough to stimulate credit market liquidity.

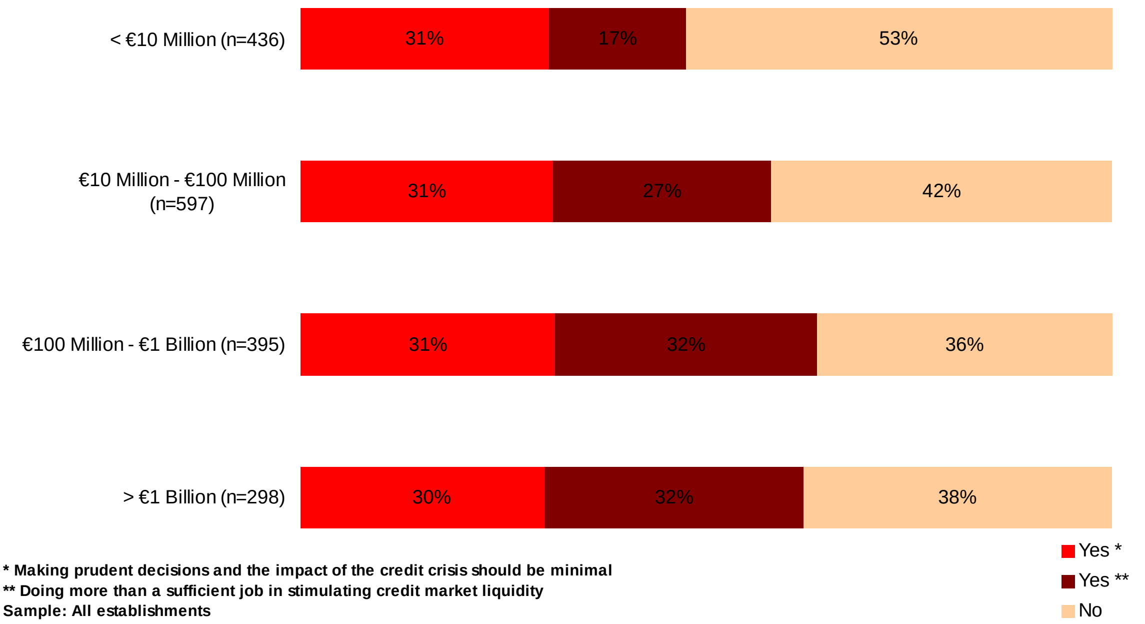
In general more than half of all companies think that the central banks are doing a sufficient job stimulating credit liquidity; 31% think the impact of the credit crisis should be minimal as a result of the actions by central banks, 26% think they are doing a sufficient job of stimulating market liquidity.

Italian companies are most critical of the policies of central banks, followed by Spanish, Australian/New Zealand, Mexican and US companies.



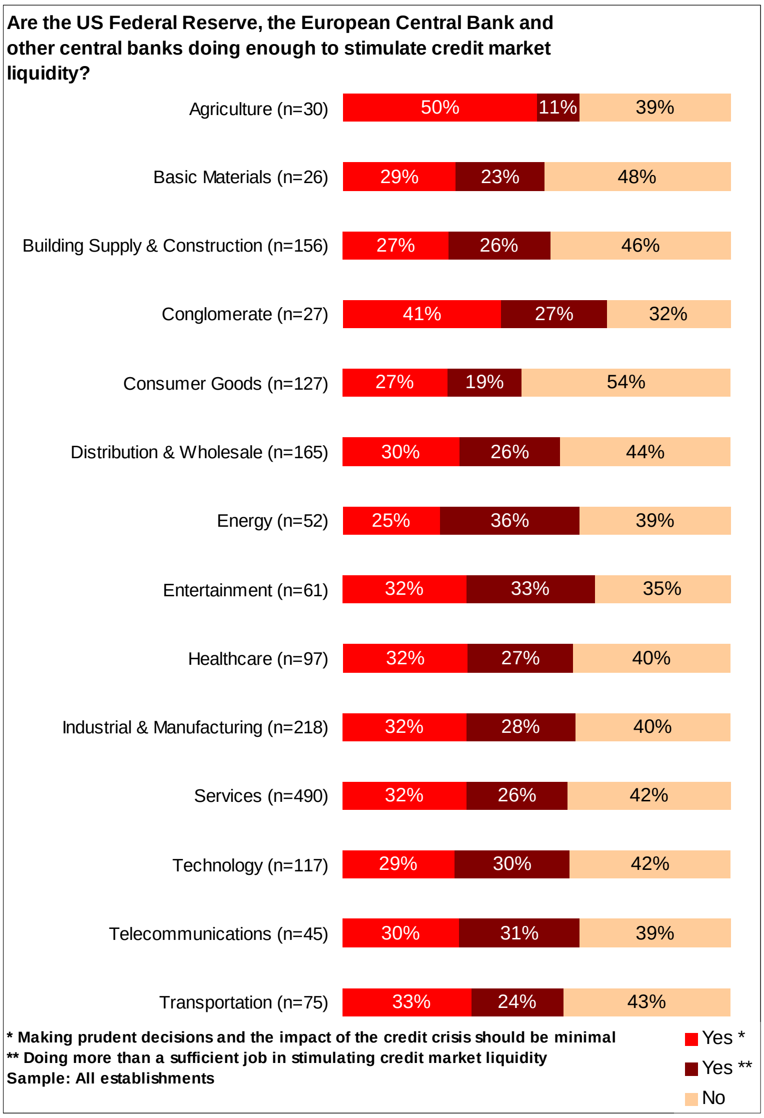
Smaller companies tend to be less critical of the efforts of the central banks to increase market liquidity. 40% of small companies (less than €10 million in revenues) said the central banks were not doing enough to stimulate credit market liquidity versus 53% of companies with revenues in excess of €10 million.

Are the US Federal Reserve, the European Central Bank and other central banks doing enough to stimulate credit market liquidity?



* Making prudent decisions and the impact of the credit crisis should be minimal
** Doing more than a sufficient job in stimulating credit market liquidity
Sample: All establishments

Establishments from the consumer goods industry are the least satisfied with the efforts of central banks with regard to the effects of the credit crisis. Conglomerates are the most satisfied.



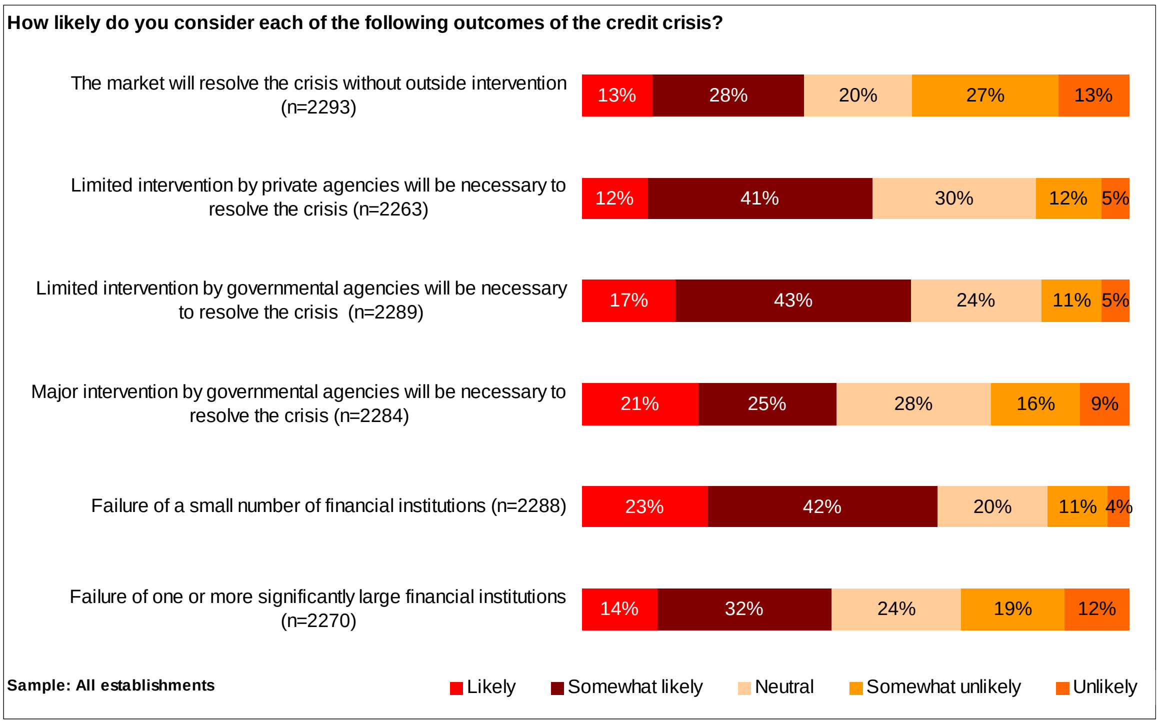
4.3 A look into the future

4.3.1 Possible outcomes

The following range of possible outcomes of the current credit crisis was evaluated by companies in all countries:

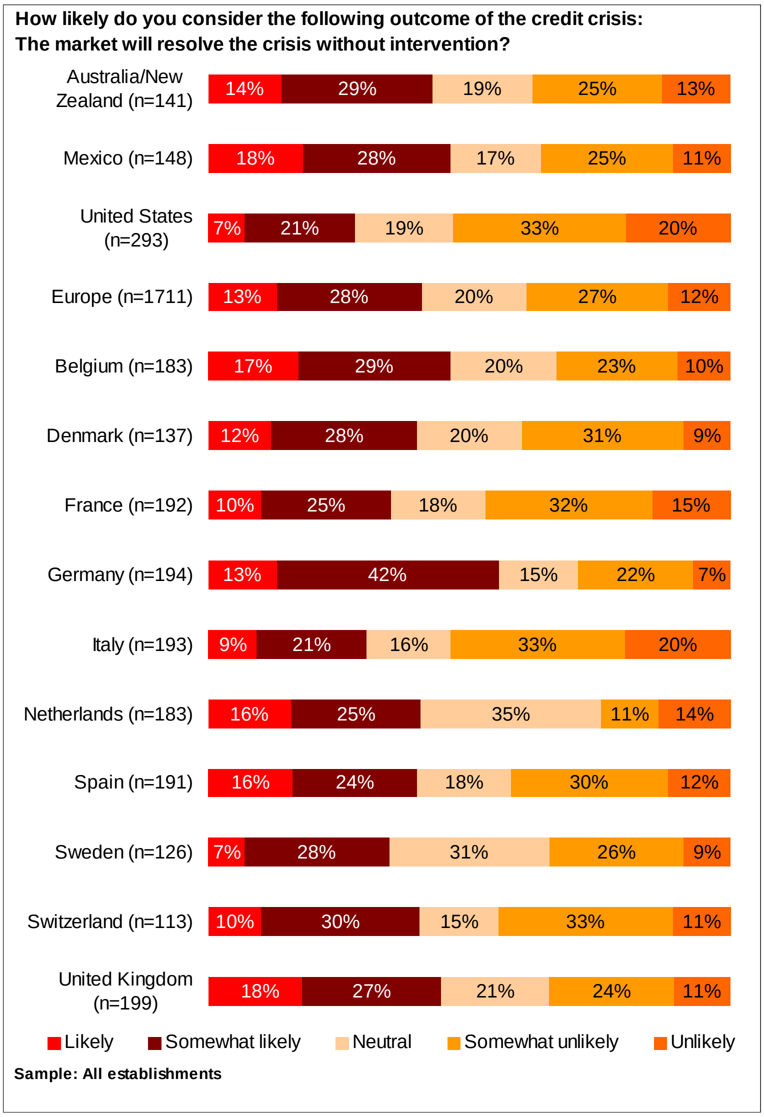
- The market will resolve the crisis without outside intervention;
- Limited intervention by private agencies will be necessary to resolve the crisis;
- Limited intervention by governmental agencies will be necessary to resolve the crisis;
- Major intervention by governmental agencies will be necessary to resolve the crisis;
- Failure of a small number of financial institutions;
- Failure of one or more significantly large financial institutions.

As can be seen in the graph below, globally the scenario in which a small number of financial institutions will fail is seen as most likely. This is the case in all countries with the exception of the Netherlands and Belgium, where a limited intervention of governmental agencies is considered to be the most likely outcome and Mexico and Italy where major governmental intervention is seen as most likely.

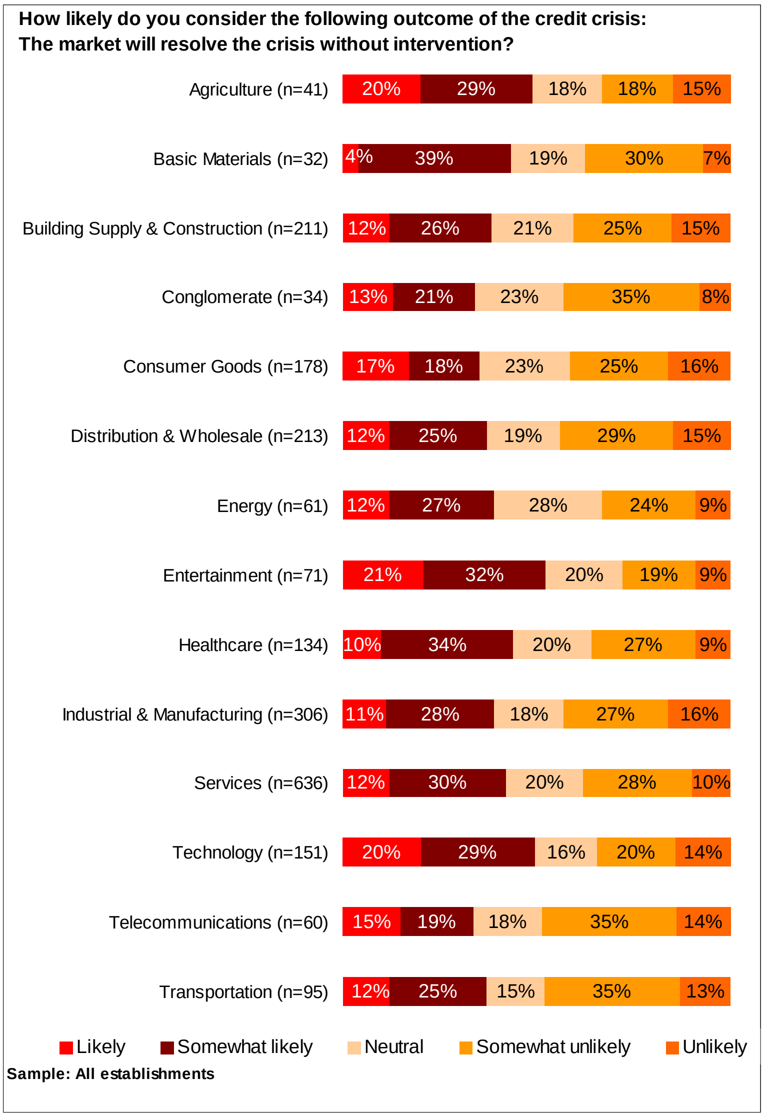


More than half of all German companies think there is a genuine possibility that the crisis will be resolved without any intervention. Surprisingly a substantial percentage of Mexican companies (46%) think this outcome is at least somewhat likely.

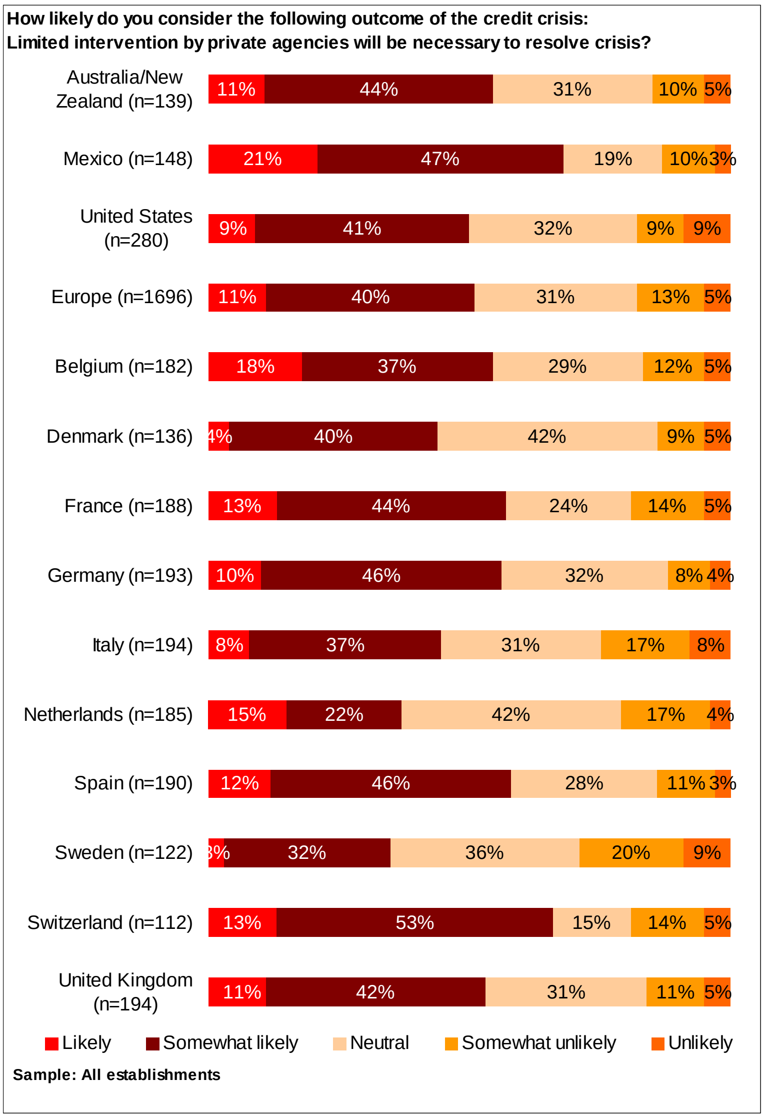
US, Italian and to a slightly lesser extent French and Swiss companies have the least confidence that the crisis will be resolved without intervention.



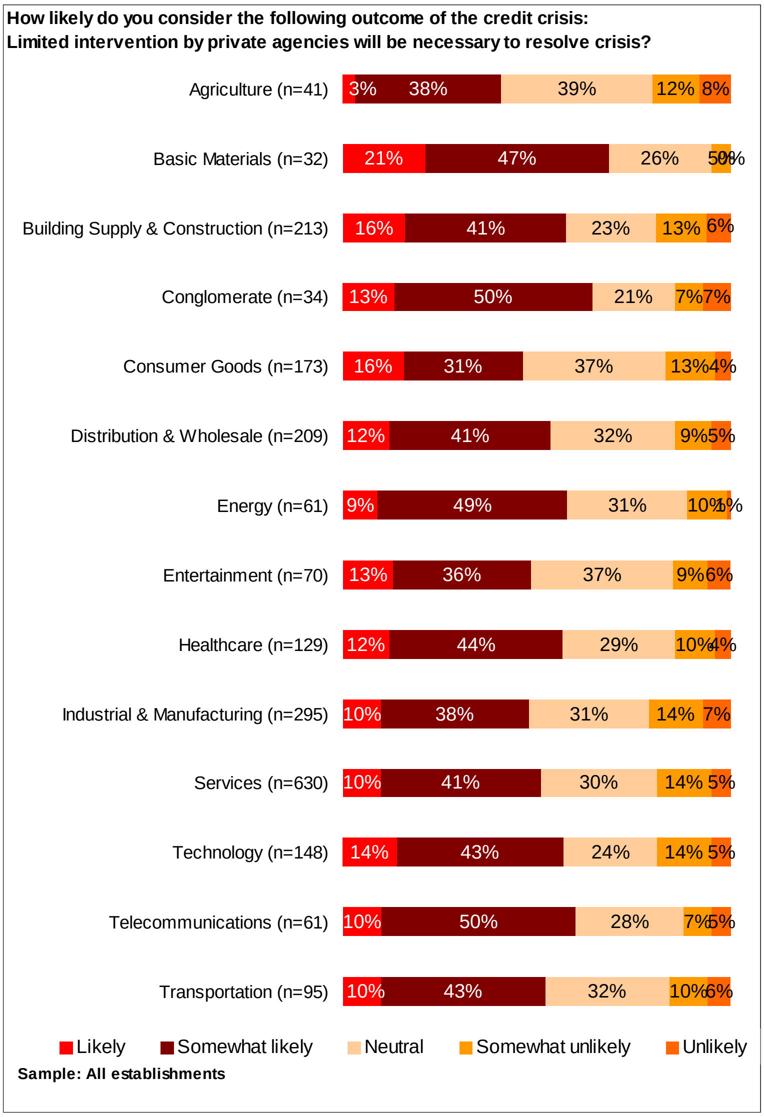
The entertainment and technology industries are quite optimistic that an unaided ending to the credit crisis can be achieved. In transportation and telecommunications this outcome is seen as less likely.



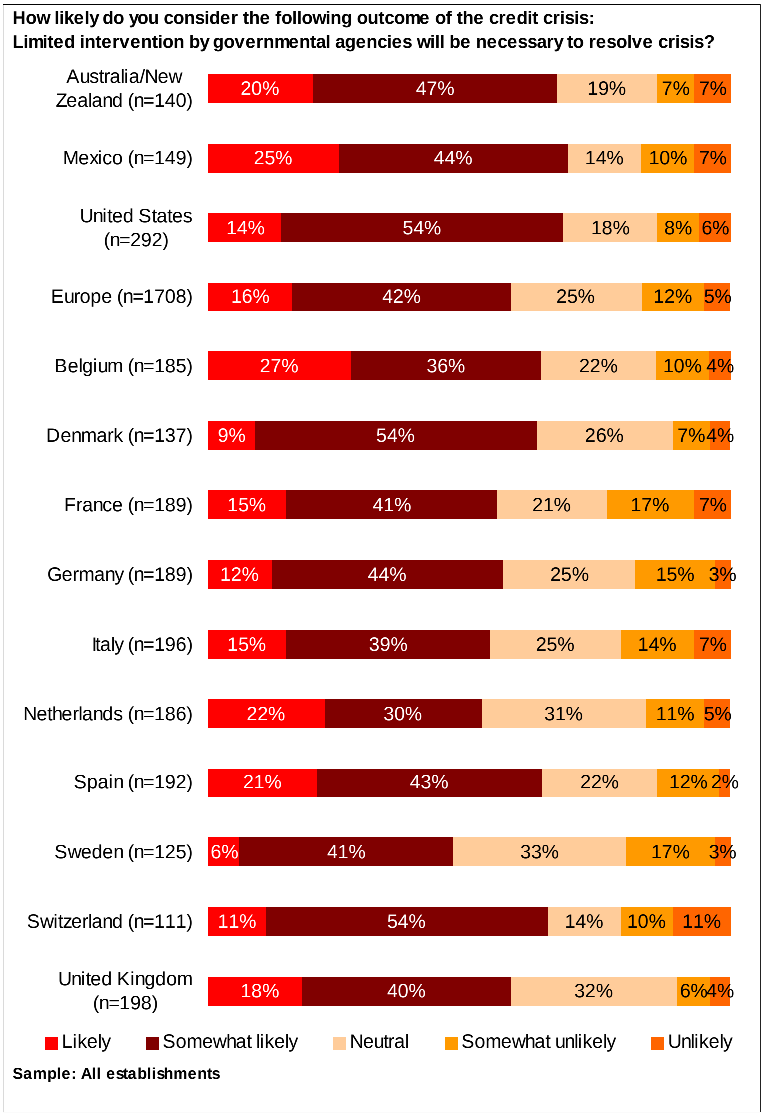
At least two thirds of Mexican and Swiss companies think that a limited intervention of private agencies could be necessary to resolve the current credit crisis. Swedish and Italian companies have the lowest confidence in this outcome.



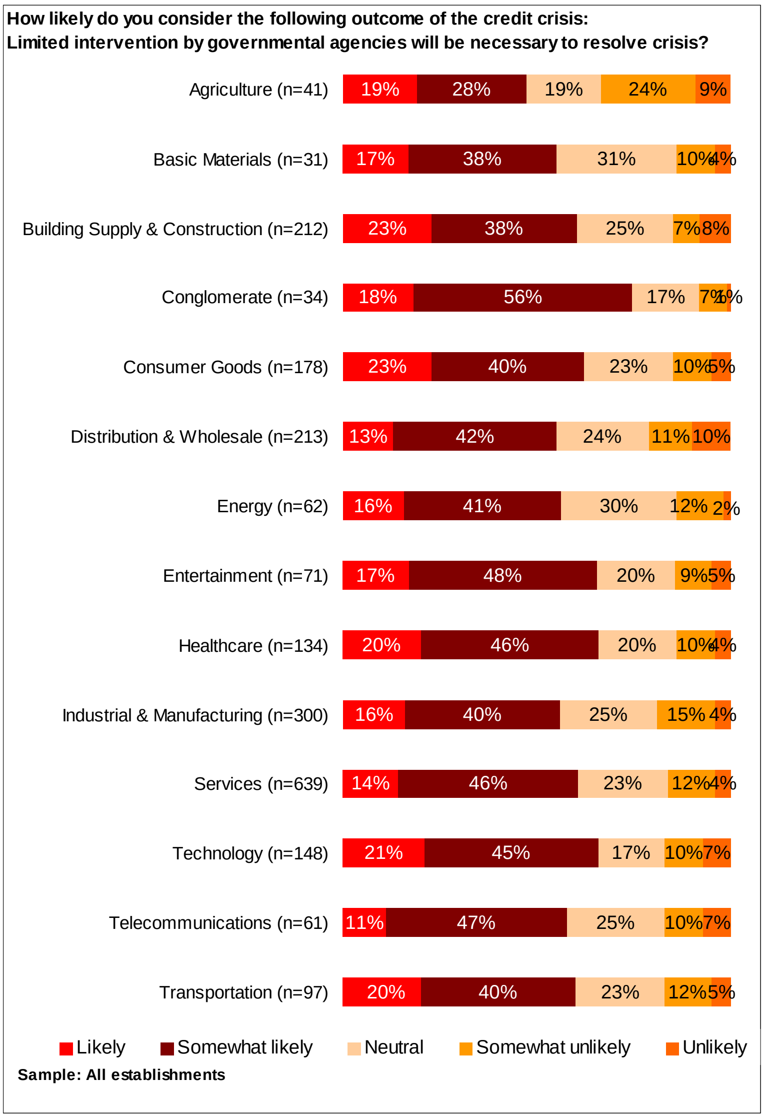
A large percentage of establishments in all industries think that a limited intervention of private agencies could resolve the crisis. Basic materials companies and conglomerates however are the most optimistic about this outcome.



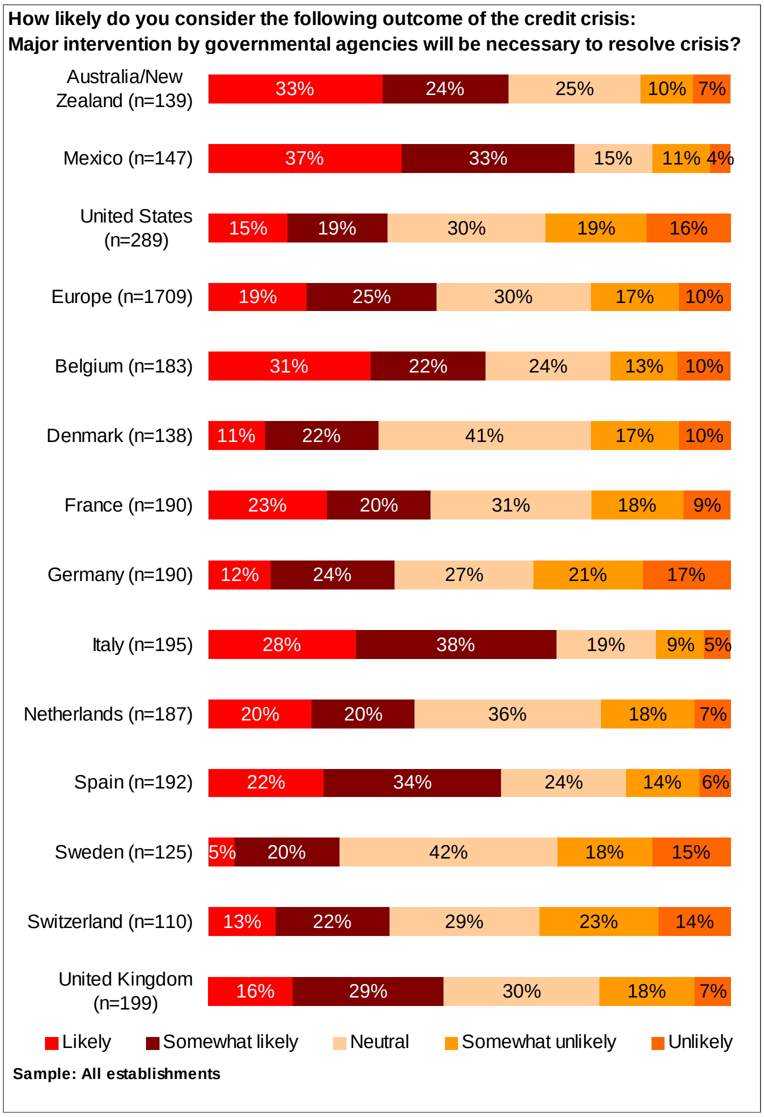
Compared to intervention of private agencies there seems to be a stronger belief that limited intervention by governmental agencies will be required to resolve the credit crisis. In almost all countries limited governmental intervention is seen as a more likely measure to end the credit crisis than a major intervention. Sweden is the only country in which fewer than 50% of respondents believe this is a likely or somewhat likely outcome.



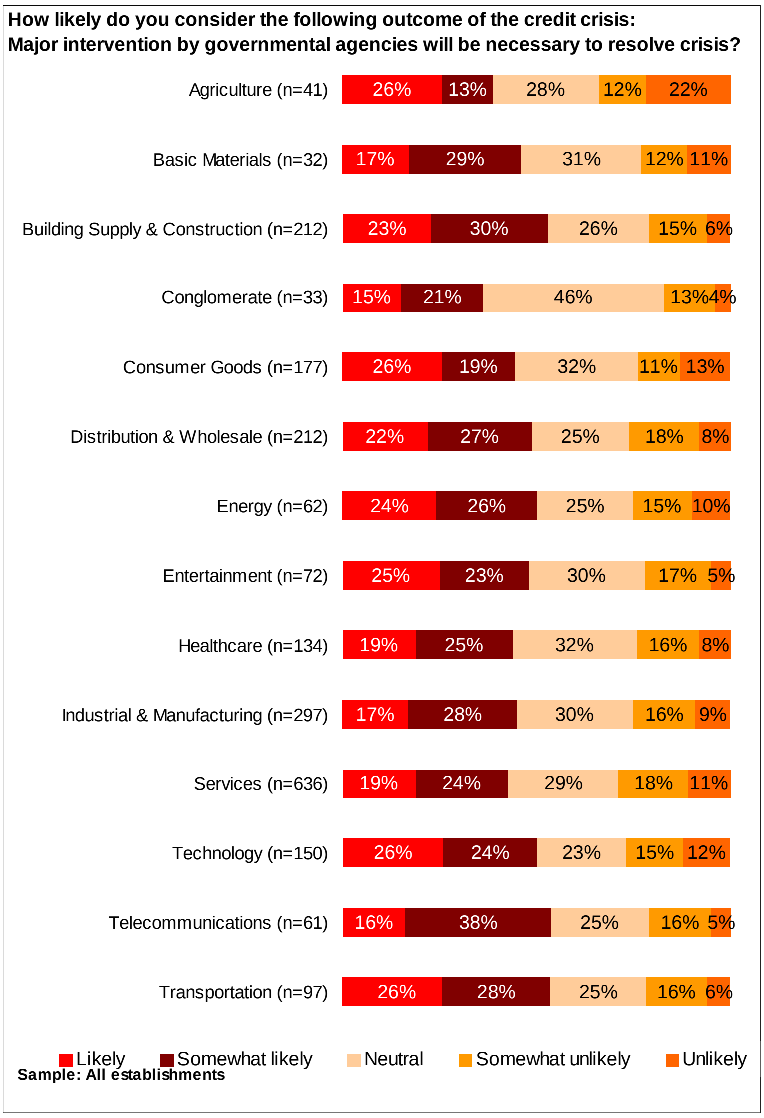
About one third of companies in the agriculture industry think that it is unrealistic that limited intervention of governmental agencies will lead to an ending of the credit crisis. Conglomerates, on the other hand, are very optimistic that limited intervention will resolve the crisis.



Italian and Mexican companies are most inclined to believe that major government intervention will be required to resolve the credit crisis. In Germany, the US and Switzerland respondents had a mixed view on governments playing a more pronounced role in resolving the credit crisis. Approximately as many companies think that major intervention on the part of the government will be likely as those that think it is unlikely.

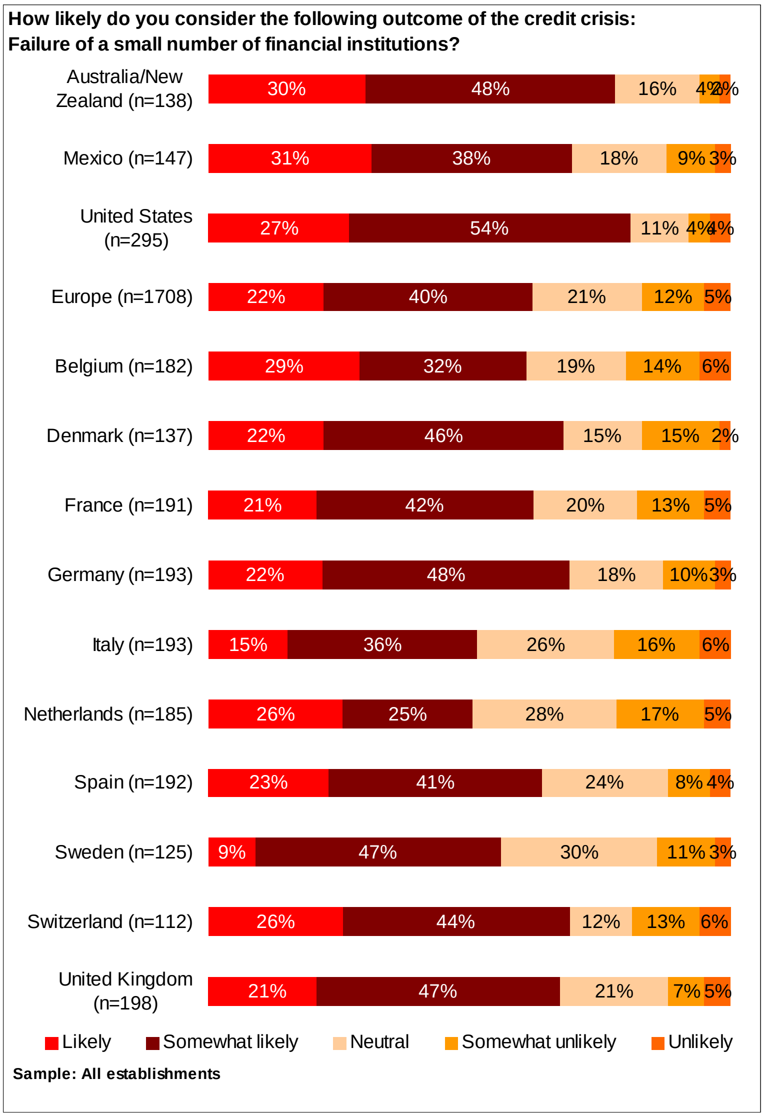


By industry, the opinion that an ending of the credit crisis through a major governmental intervention is fairly uniform: about half of the establishments think such an outcome is likely. Only with conglomerates and agricultural companies was this outcome considered likely by less than 40% of respondents.



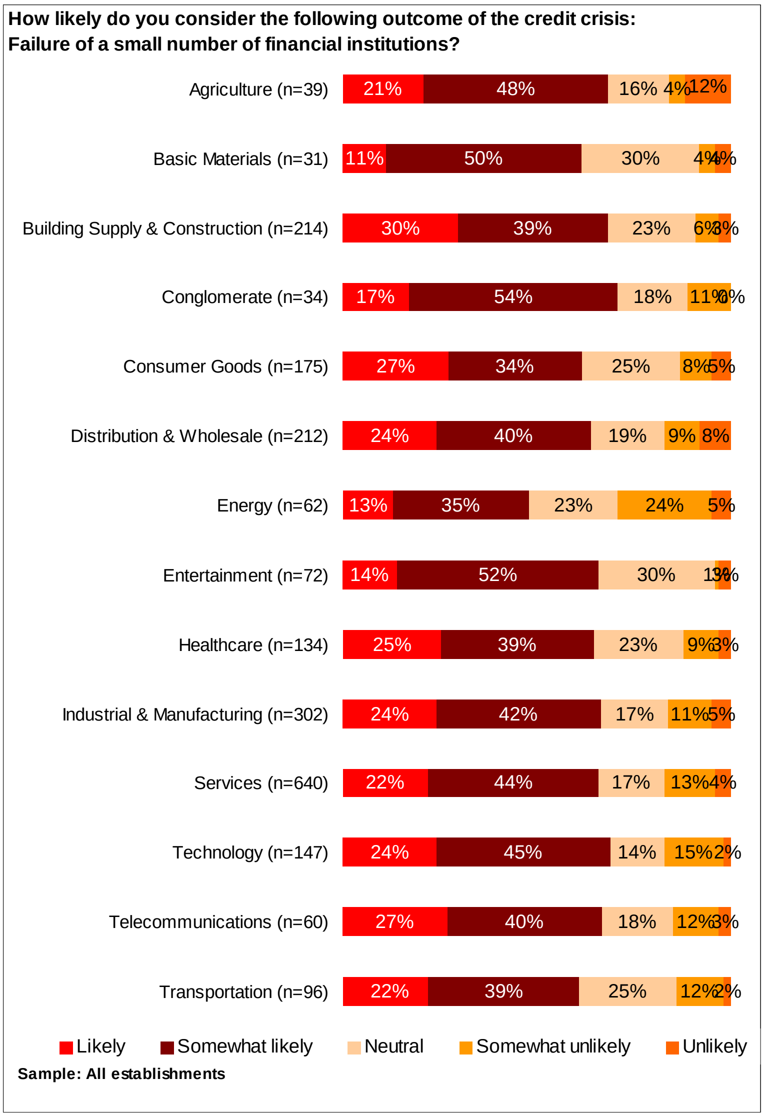
As stated before, in most countries failure of a small number of financial institutions is seen as the most realistic outcome of the credit crisis. Companies in the US (81%) and Australia/New Zealand (78%) expressed the strongest expectations of this outcome and at least 50% of companies in all countries think this is a realistic outcome.

Interestingly in Italy, where the impact of the crisis is considered relatively high, 22% of companies think it is unlikely or somewhat unlikely that a small number of financial institutions will fail. Along with the Netherlands, this is the highest percentage of all the countries in the survey.



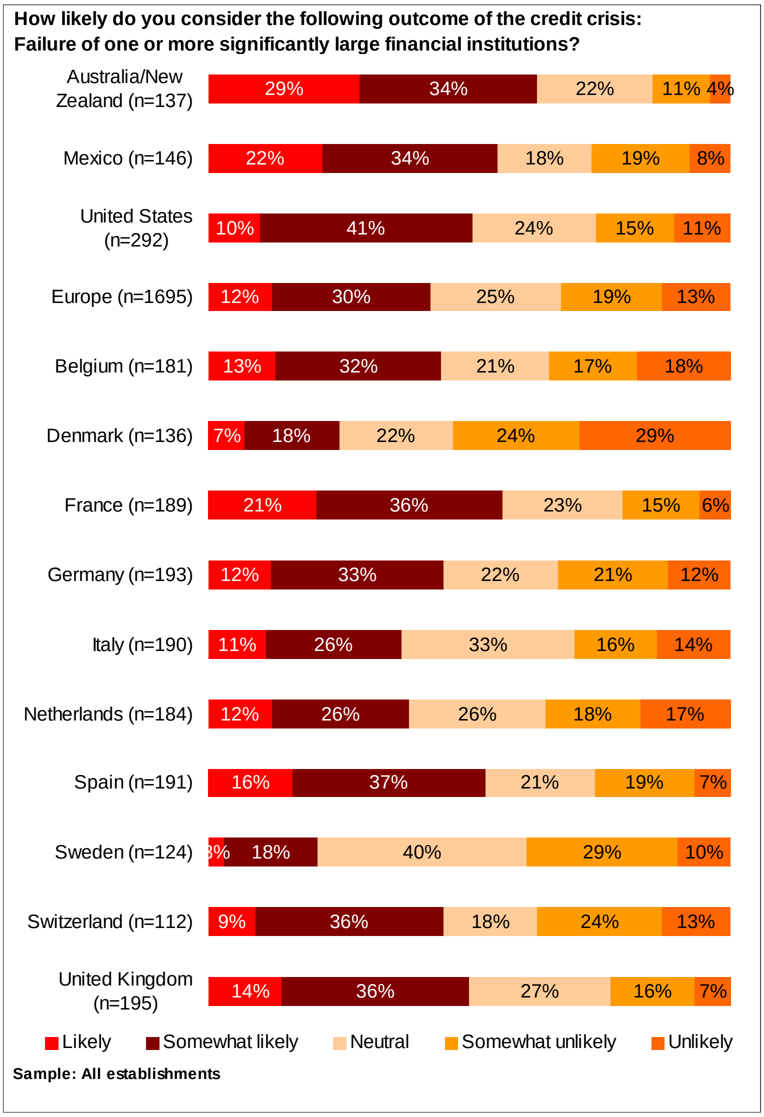
In the energy sector 29% of responding companies think that the failure of a small number of financial institutions is an unlikely or somewhat unlikely outcome.

On average only 15% think this outcome is unlikely or somewhat unlikely.



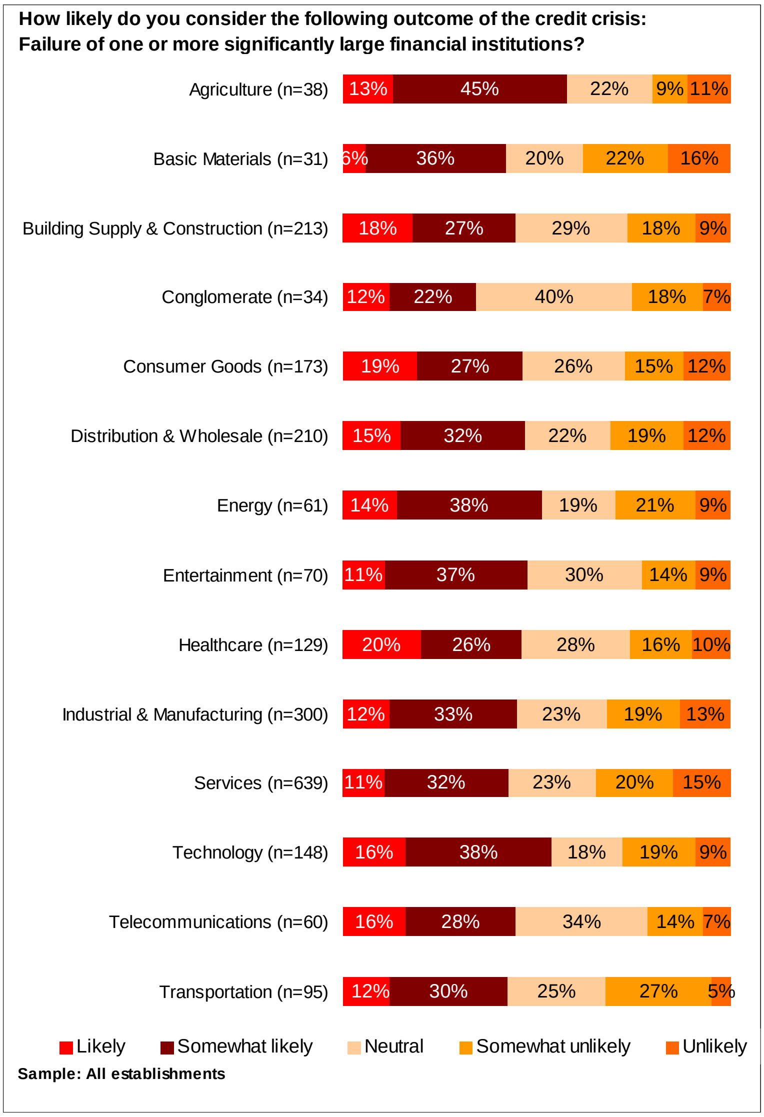
Failure of one or more significantly large financial institutions as an outcome of the credit crisis is, in comparison to the other countries investigated, seen as most likely by companies in Australia/New Zealand, Mexico and France. In France, the well publicized discovery of trading fraud at Société Générale earlier this year may have had an influence on the results with regard to this outcome.

More than half of all Danish companies think it is unlikely that one or more significantly large companies will fail.



The agriculture industry provides the most support for the statement that failure of one or more large financial institutions could be an outcome of the credit crisis.

The basic materials industry expressed the strongest opinion that this outcome is unlikely.



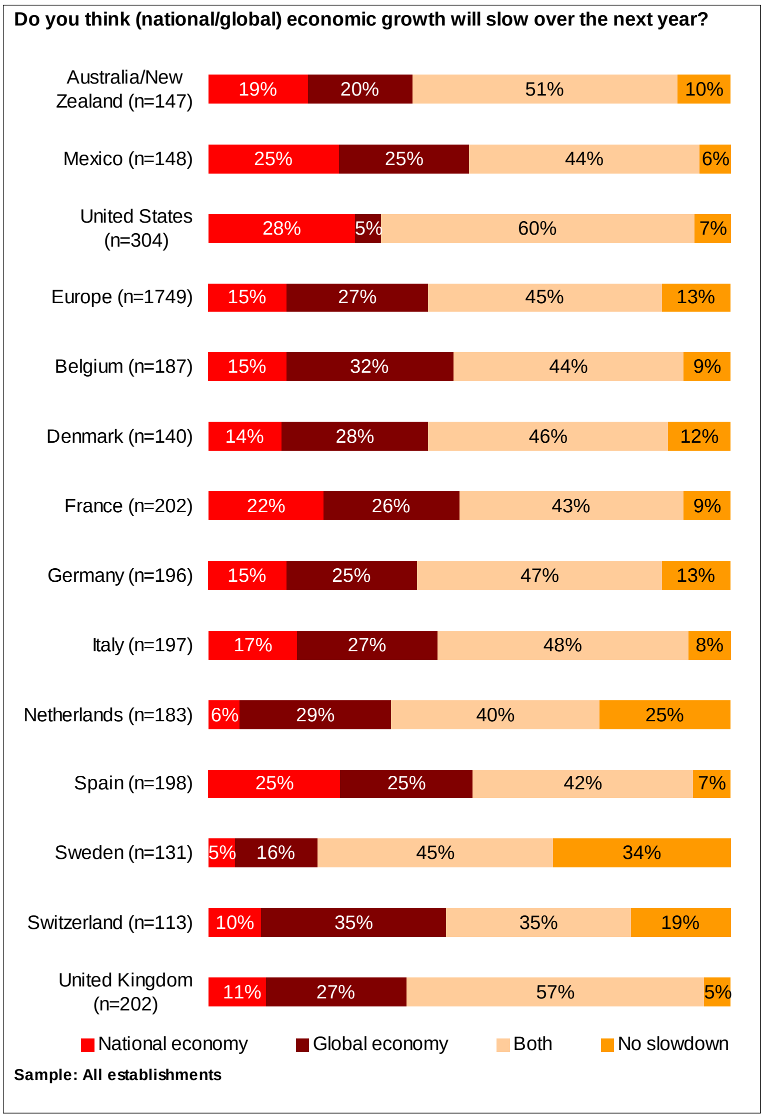
4.3.2 Slowdown of economic growth

The general expectation of companies worldwide is that economies will slow over the next 12 months; only 12% of all companies do not expect any slowdown during this period.

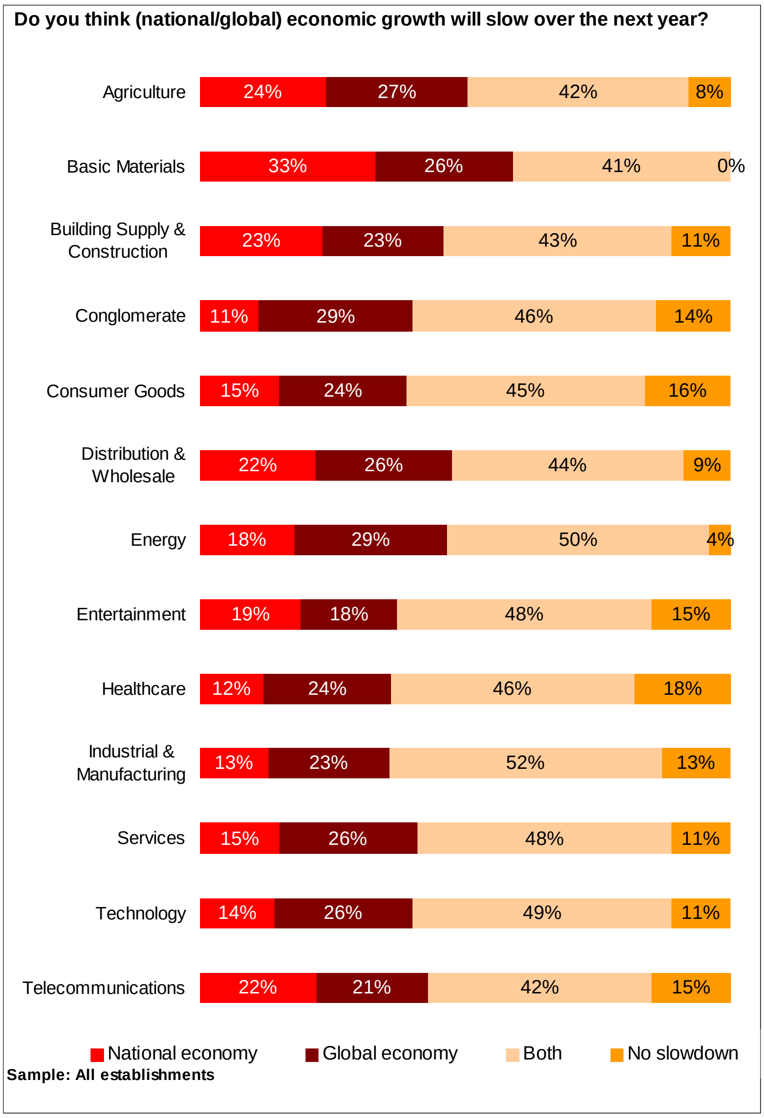
About one in six companies (17%) expect a slowdown of only the national economy, a quarter (25%) expect a slowdown of the global economy and a little less than half expect a slowdown of both the national and the global economy (46%).

The expectation of a slowdown is highest in the United Kingdom, Mexico, the United States, Spain, Italy, France and Belgium (All more than 90%) and lowest is Sweden (34%) and the Netherlands (25%).

About a quarter or more of US, Spanish and Mexican companies only expect a national slowdown. A global slowdown is expected most by companies in the United Kingdom.



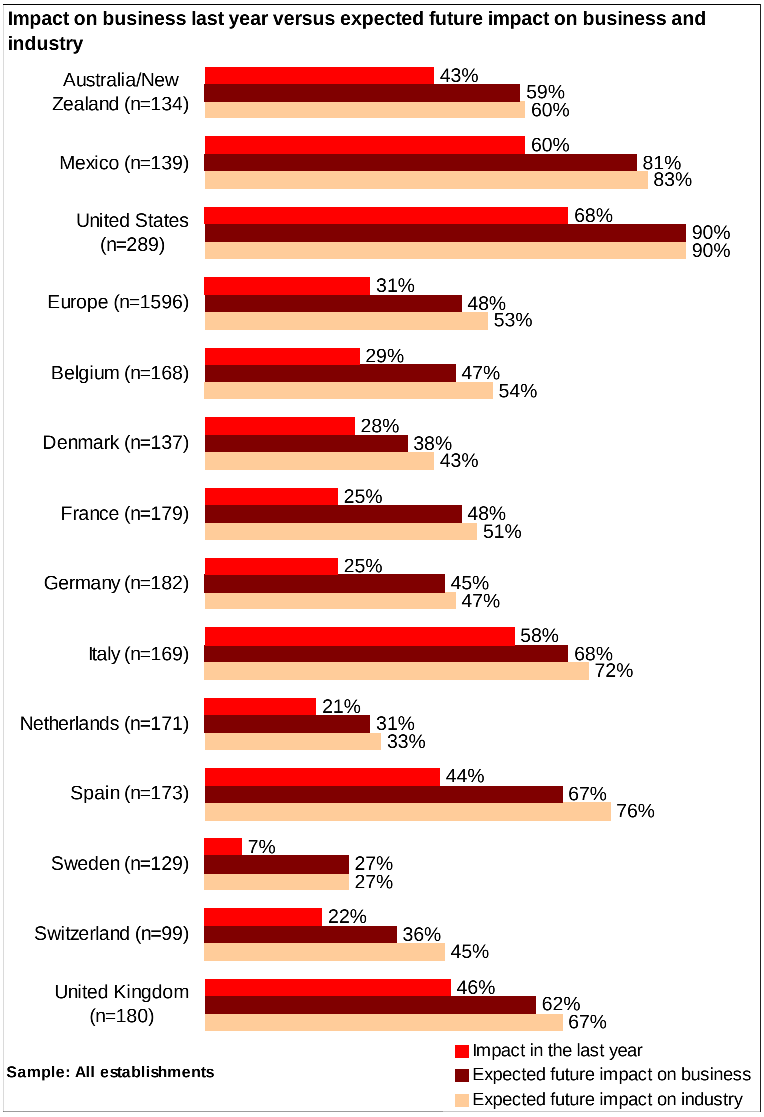
In the basic materials and energy industries practically all establishments expect economic growth to slow nationally and/or globally. Approximately 40% to 50% of respondents in all industries expect both national and global economies to slow.



4.3.3 Future impact on business and industry

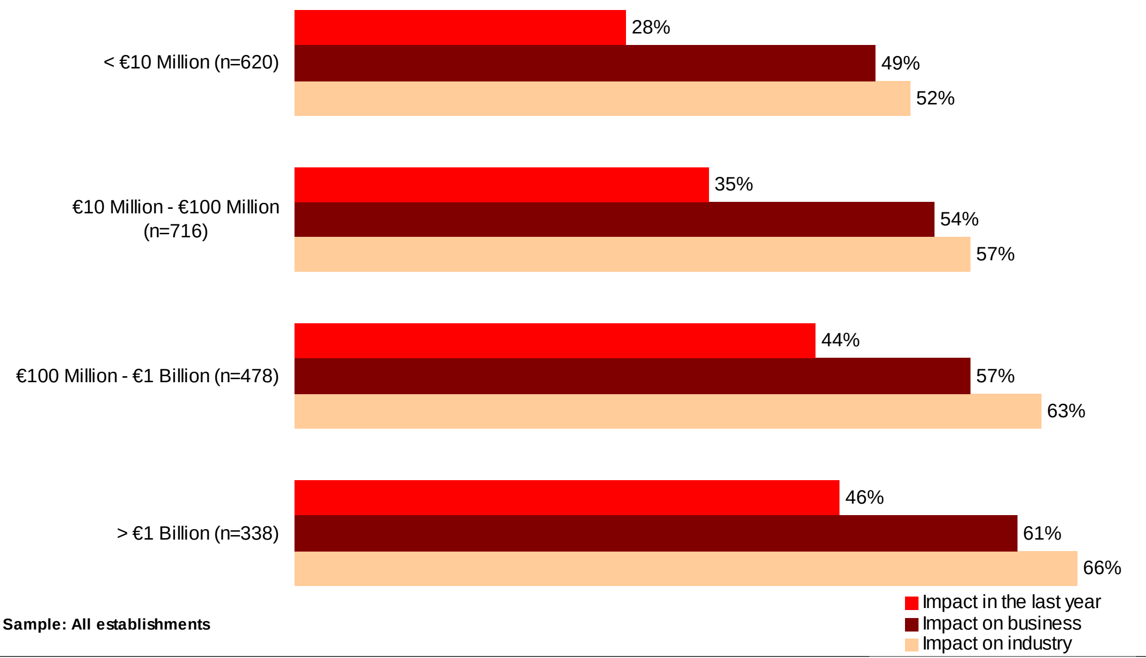
In all countries surveyed more companies are expecting an impact from the credit crisis, both to their business and to their industry, than have already experienced an impact. In many cases the difference is substantial. Even in Sweden, which has consistently reported the least impact, there is a pronounced increase in the number of companies expecting an impact in the future. This confirms that the business world is bracing itself for a future blow. The greatest impact of course is expected by companies in the US and in Mexico which sells 80% of its exports to the US. Expectations in Spain, the UK and Italy are not far behind in respect to their being a greater impact on the horizon. Spain and the UK may have some sub-prime issues of their own to manage. Both have seen a large part of their growth in the building and construction area and you can add the importance of the financial sector to the economy in the UK. Italy may feel more vulnerable as its economy has long been considered one of the more fragile in the EU and because of the current instability of the government which is in the midst of forced elections of a new government. Conversely, the Netherlands does not expect much change at all.

In general the number of companies that expect an impact on the industry in which they operate is higher than the number that expect an impact on their company. In some countries however, like the US and Sweden, there is no measurable difference.



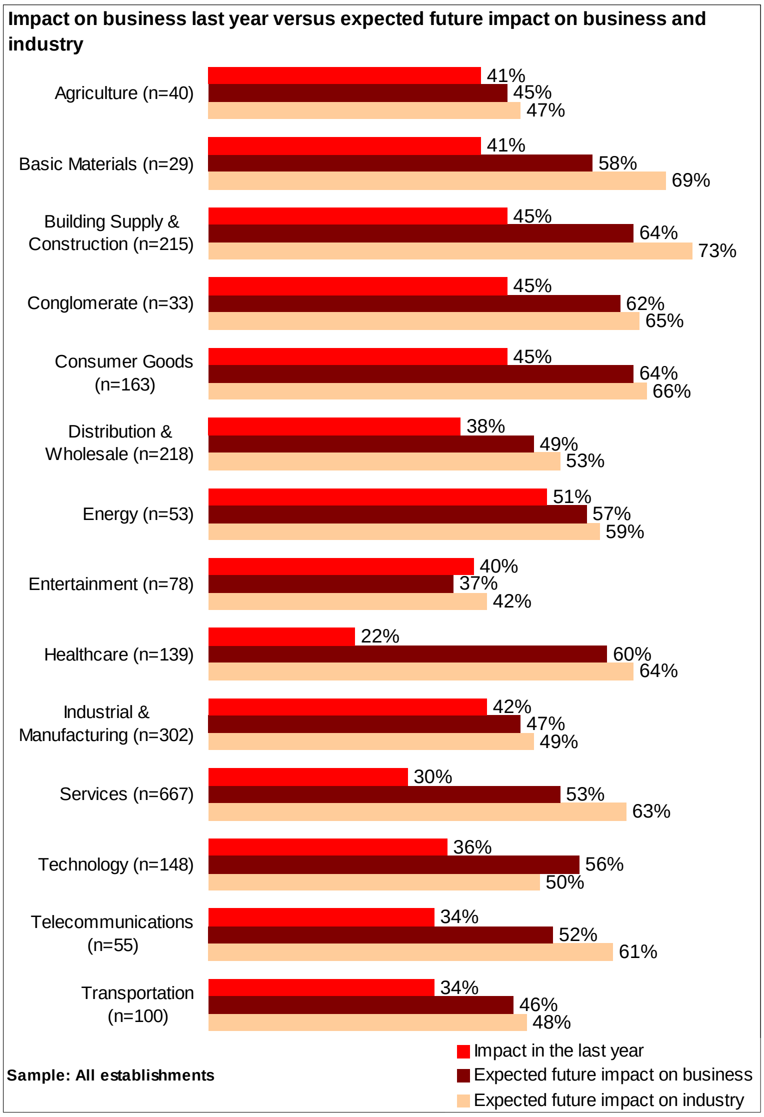
In general the expected impact on the industry and the business rises with annual gross sales. We would expect that larger companies are therefore doing more to protect themselves.

Impact on business last year versus expected future impact on business and industry



Sample: All establishments

The graph below shows that in almost all industries, with the exception of entertainment, more companies are anticipating a future impact on their business from the credit crisis than were impacted last year. This suggests that the entertainment industry may have experienced an early impact and that the future will therefore not be measurably different. Agricultural, energy and industrial & manufacturing companies and conglomerates also don't demonstrate a big increase in the number of companies anticipating an impact from the credit crisis on their businesses or their industry in the future compared to the past.



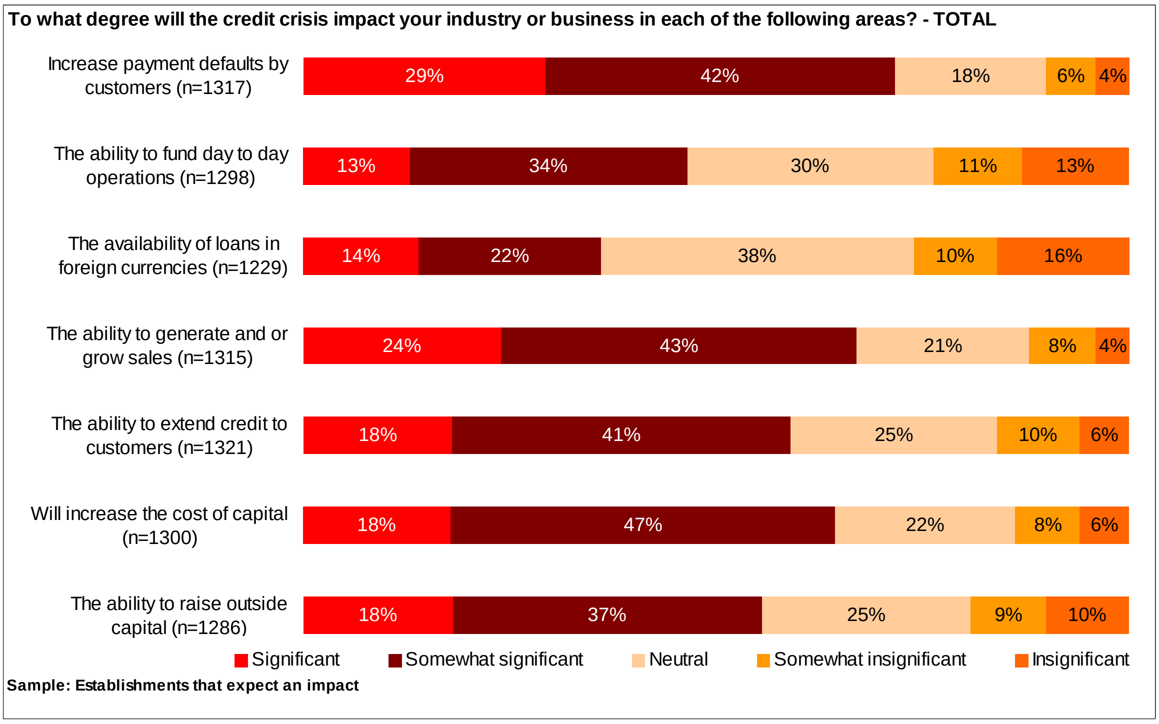
Companies that expect an impact on their industry or business in the near future were asked to what degree they think the credit crisis will have an impact on several areas.

An increase in payment defaults by customers is seen as the biggest potential impact of the credit crisis. A decrease in the ability to generate and/or grow sales and an increase in the cost of capital are also seen as important possible effects of the crisis.

The Mexicans have a relatively high expectation of an increase in payment defaults (80% significant or somewhat significant), an impact on the ability to raise outside capital (69% significant or somewhat significant) and an impact on the availability of loans in foreign currencies (52% significant or somewhat significant). (See Appendix B)

A few other notable expectations include:

France: an impact on the ability to fund day to day operations	60% significant or somewhat significant
Spain: an impact on the ability to fund day to day operations	58% significant or somewhat significant
UK: an impact on the ability to extend credit to customers	67% significant or somewhat significant
Germany: an impact on ability to raise outside capital	72% significant or somewhat significant
Italy: an increase in the cost of capital	71% significant or somewhat significant
Australia: an increase in the cost of capital	78% significant or somewhat significant

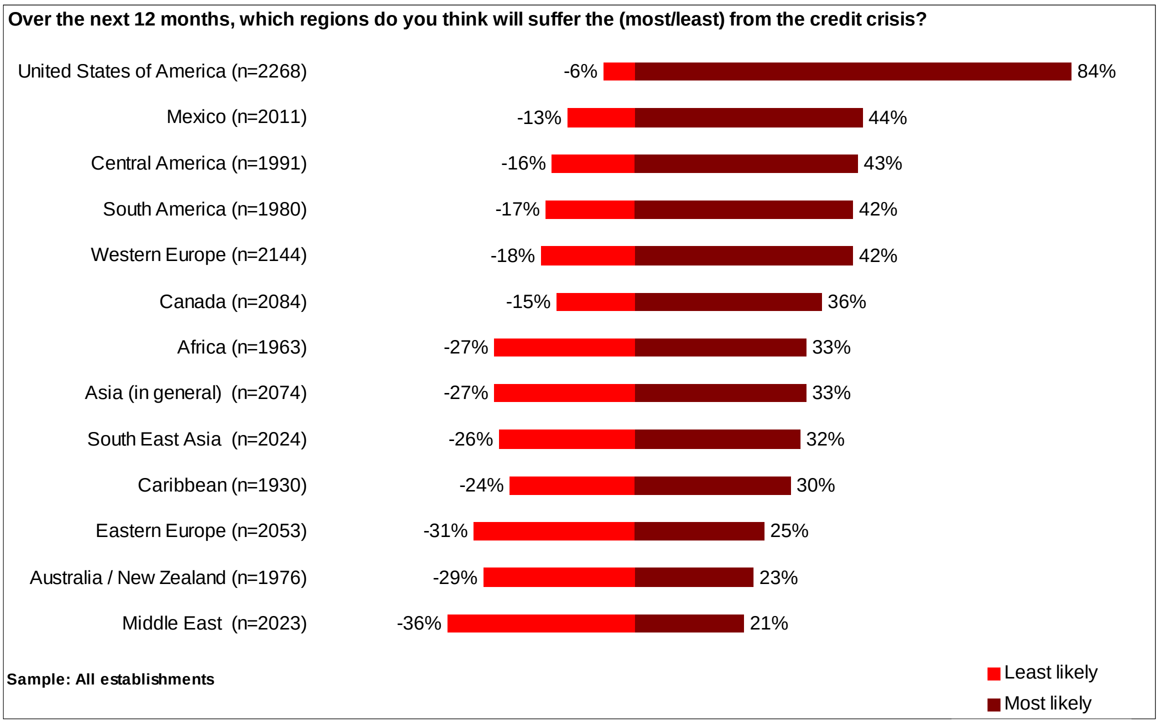


See Appendix C for the impact in the concerning areas per country

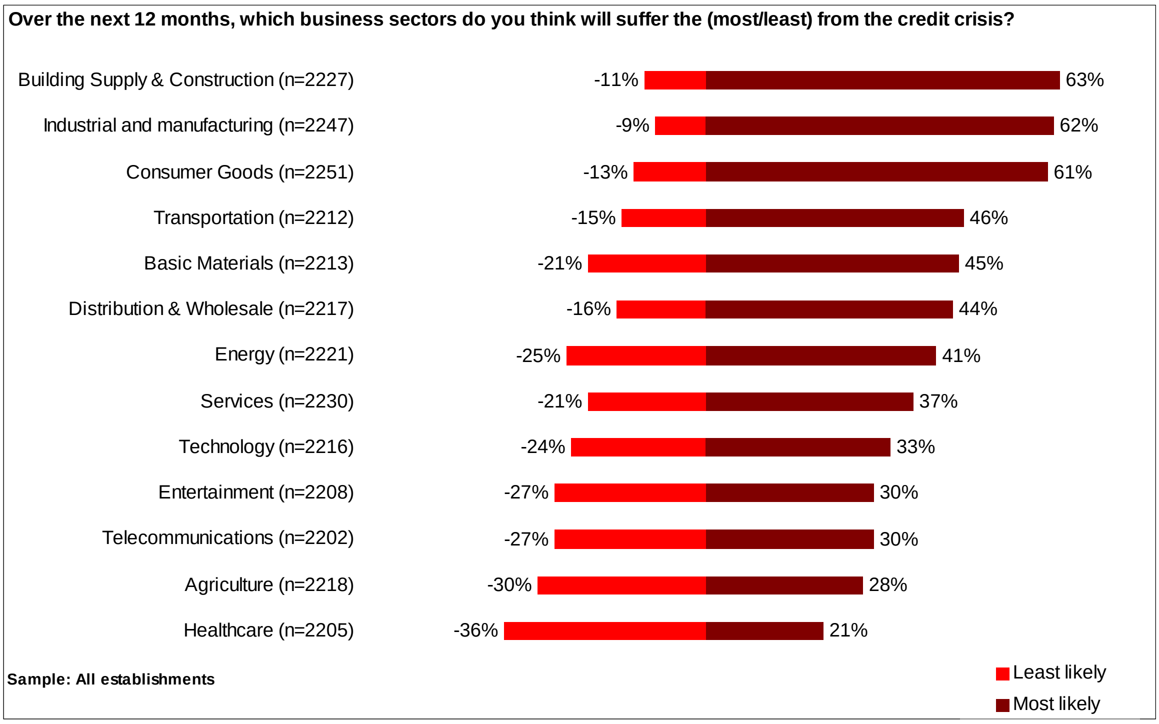
4.3.4 Regions and businesses where impact is expected

The graph below shows that in general the United States is expected to suffer the most from the credit crisis in the next 12 months. This is followed by the rest of the Americas except Canada and Western Europe. In respect to Canada, this is somewhat interesting because the US is Canada's biggest trading partner.

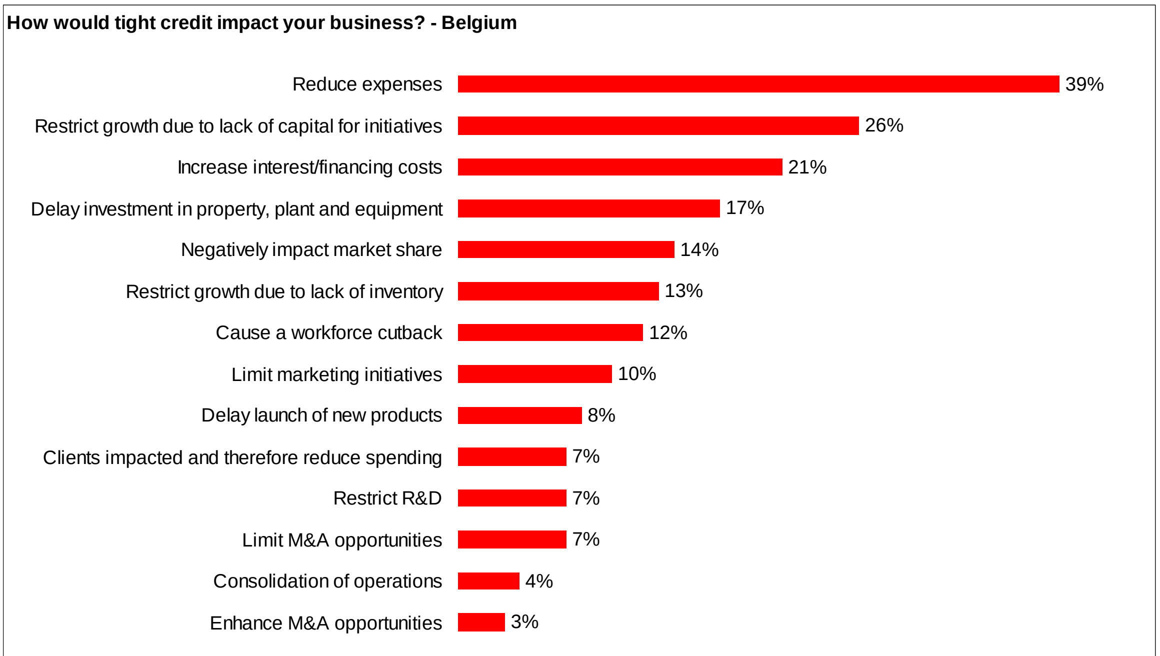
At the other end of the spectrum, Australia/New Zealand is expected to suffer from the credit crisis by a quite low percentage of respondents. This response contrasts the expectations of companies in Australia/New Zealand and appears to highlight some significant misconceptions about the potential exposure to the credit crisis of companies in these two countries.



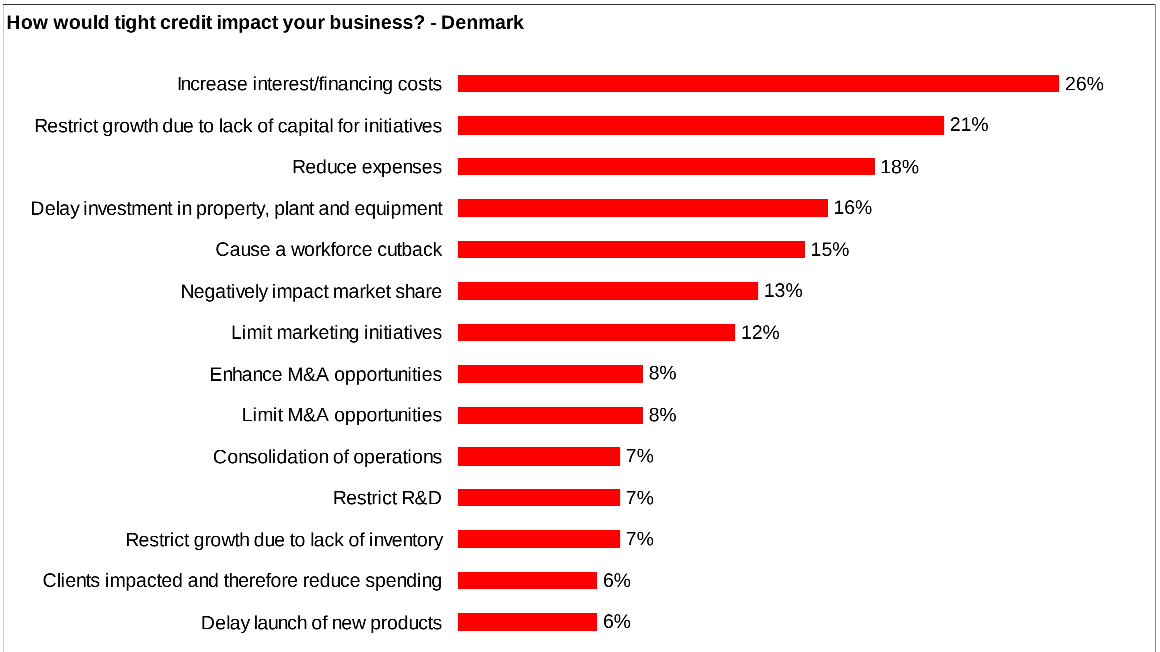
Business sectors that are expected to suffer most over the coming twelve months are the building supply & construction, manufacturing and consumer goods industries. While this doesn't represent a departure from the responses about having been impacted by the credit crisis, it does show an escalation going forward.



Appendix A - The impact of tight credit on business per country



Note: Multiple answers possible
Sample: All establishments (n=191)

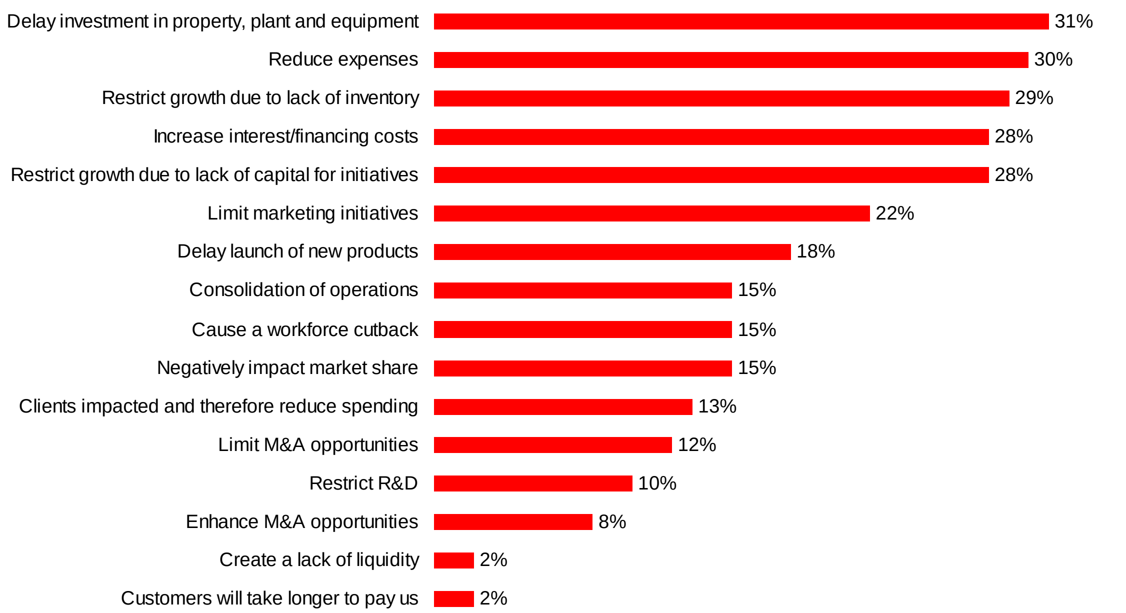


Note: Multiple answers possible
Sample: All establishments (n=128)

How would tight credit impact your business? - France

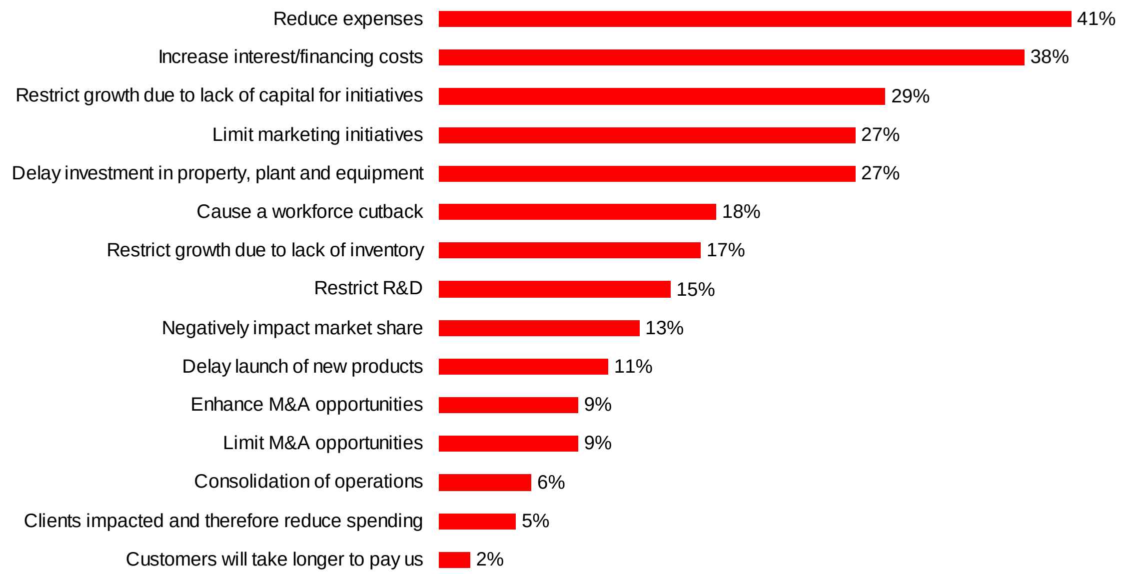
Note: Multiple answers possible
Sample: All establishments (n=185)

How would tight credit impact your business? - Germany



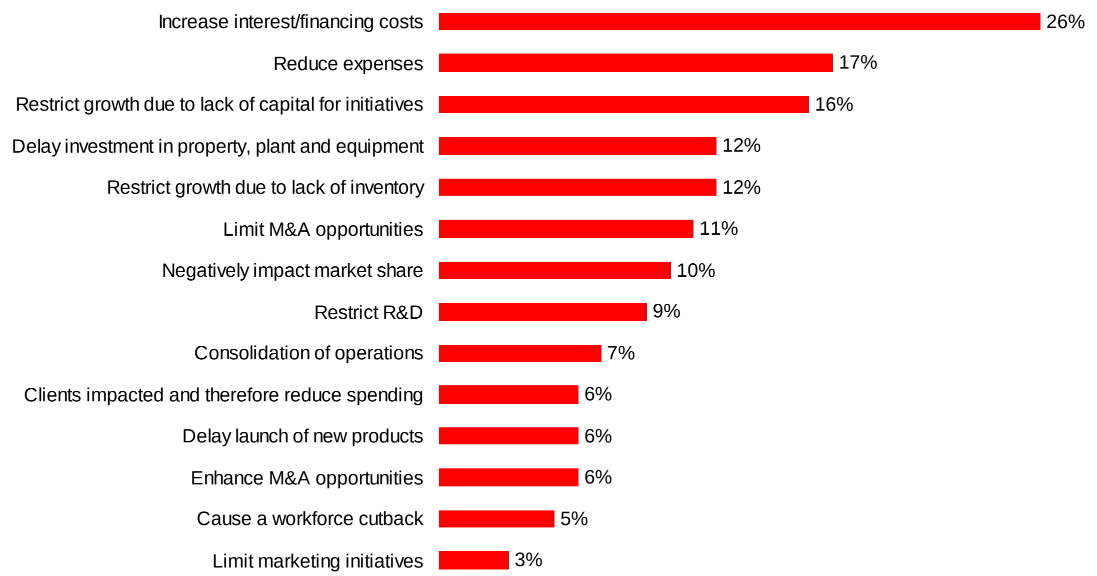
Note: Multiple answers possible
Sample: All establishments (n=192)

How would tight credit impact your business? - Italy

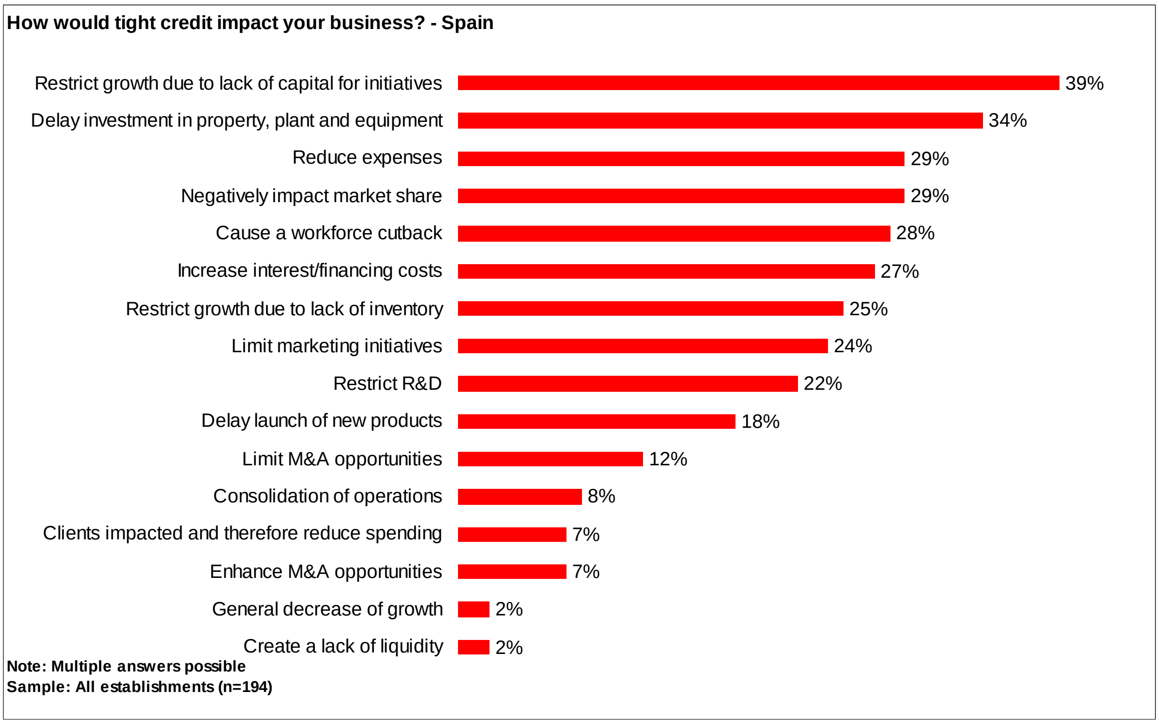


Note: Multiple answers possible
Sample: All establishments (n=192)

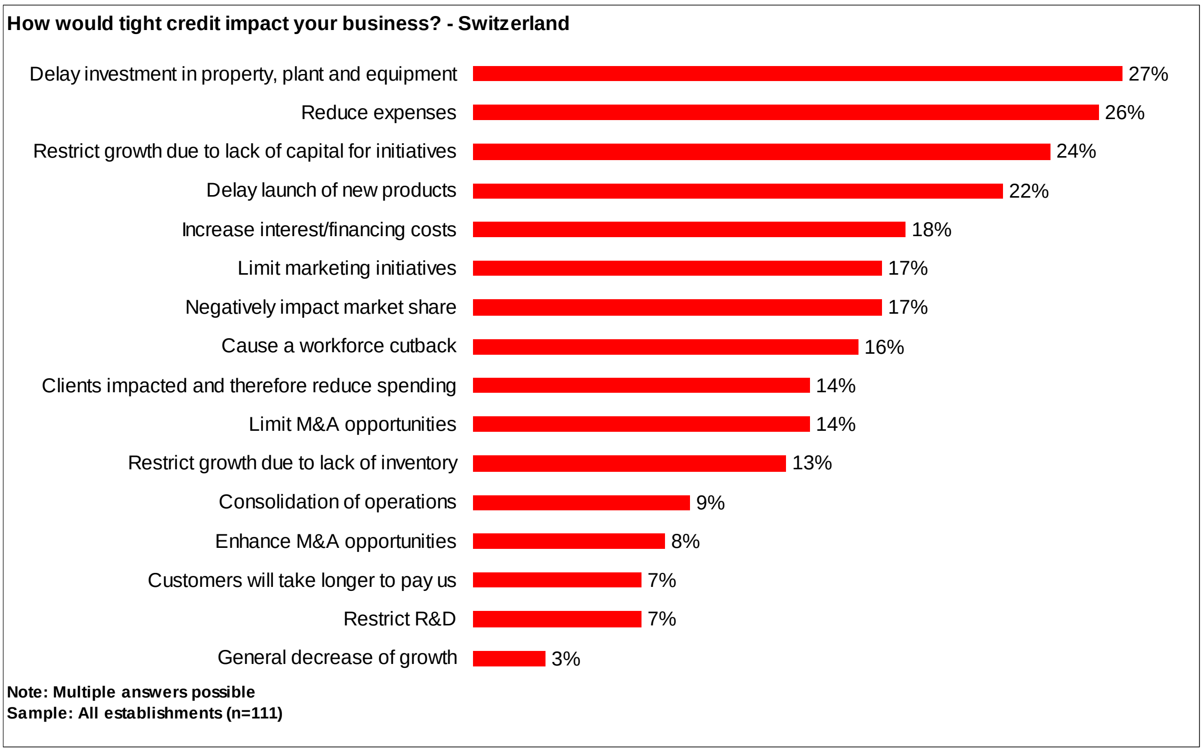
How would tight credit impact your business? - The Netherlands

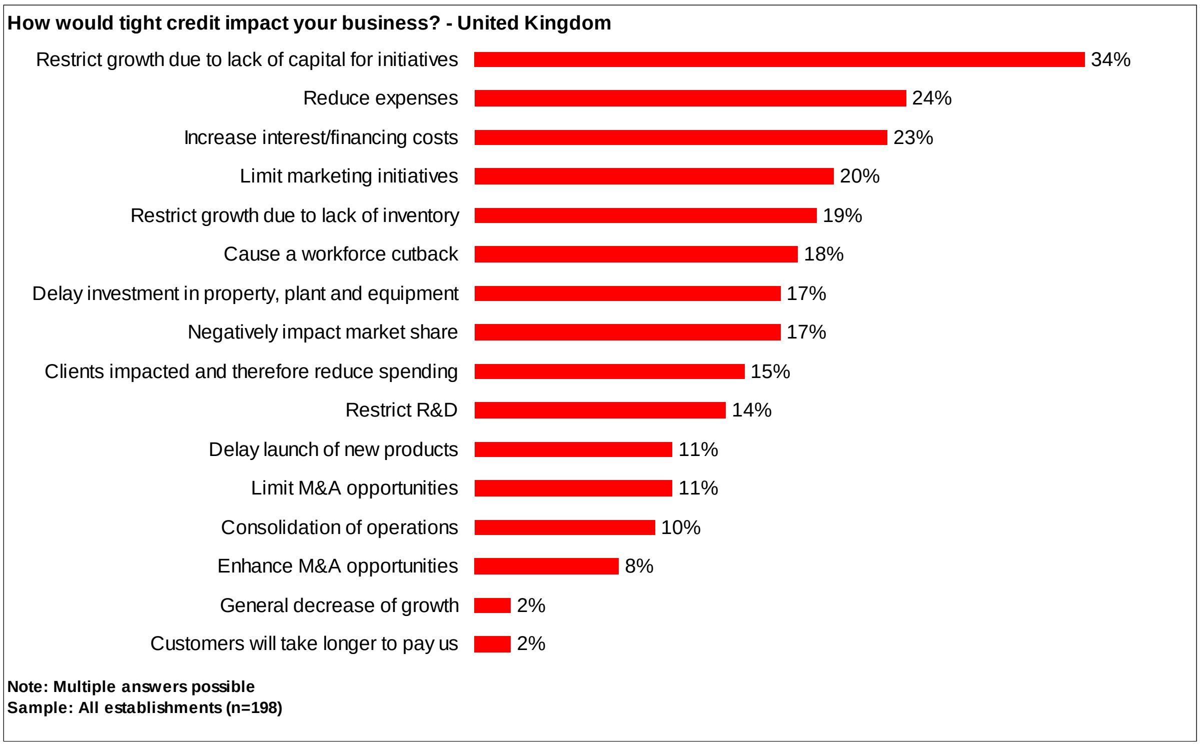


Note: Multiple answers possible
Sample: All establishments (n=187)


How would tight credit impact your business? - Spain
Restrict growth due to lack of capital for initiatives 39%
Delay investment in property, plant and equipment 34%
Reduce expenses 29%
Negatively impact market share 29%
Cause a workforce cutback 28%
Increase interest/financing costs 27%
Restrict growth due to lack of inventory 25%
Limit marketing initiatives 24%
Restrict R&D 22%
Delay launch of new products 18%
Limit M&A opportunities 12%
Consolidation of operations 8%
Clients impacted and therefore reduce spending 7%
Enhance M&A opportunities 7%
General decrease of growth 2%
Create a lack of liquidity 2%
Note: Multiple answers possible
Sample: All establishments (n=194)


How would tight credit impact your business? - Sweden
Restrict growth due to lack of capital for initiatives 29%
Increase interest/financing costs 22%
Delay investment in property, plant and equipment 22%
Limit marketing initiatives 19%
Cause a workforce cutback 17%
Delay launch of new products 11%
Limit M&A opportunities 11%
Negatively impact market share 11%
Reduce expenses 10%
Restrict R&D 9%
Consolidation of operations 7%
Restrict growth due to lack of inventory 6%
Enhance M&A opportunities 5%
Clients impacted and therefore reduce spending 3%
General decrease of growth 3%
Note: Multiple answers possible
Sample: All establishments (n=127)


How would tight credit impact your business? - Switzerland
Delay investment in property, plant and equipment 27%
Reduce expenses 26%
Restrict growth due to lack of capital for initiatives 24%
Delay launch of new products 22%
Increase interest/financing costs 18%
Limit marketing initiatives 17%
Negatively impact market share 17%
Cause a workforce cutback 16%
Clients impacted and therefore reduce spending 14%
Limit M&A opportunities 14%
Restrict growth due to lack of inventory 13%
Consolidation of operations 9%
Enhance M&A opportunities 8%
Customers will take longer to pay us 7%
Restrict R&D 7%
General decrease of growth 3%
Note: Multiple answers possible
Sample: All establishments (n=111)


How would tight credit impact your business? - United Kingdom
Restrict growth due to lack of capital for initiatives 34%
Reduce expenses 24%
Increase interest/financing costs 23%
Limit marketing initiatives 20%
Restrict growth due to lack of inventory 19%
Cause a workforce cutback 18%
Delay investment in property, plant and equipment 17%
Negatively impact market share 17%
Clients impacted and therefore reduce spending 15%
Restrict R&D 14%
Delay launch of new products 11%
Limit M&A opportunities 11%
Consolidation of operations 10%
Enhance M&A opportunities 8%
General decrease of growth 2%
Customers will take longer to pay us 2%
Note: Multiple answers possible
Sample: All establishments (n=198)

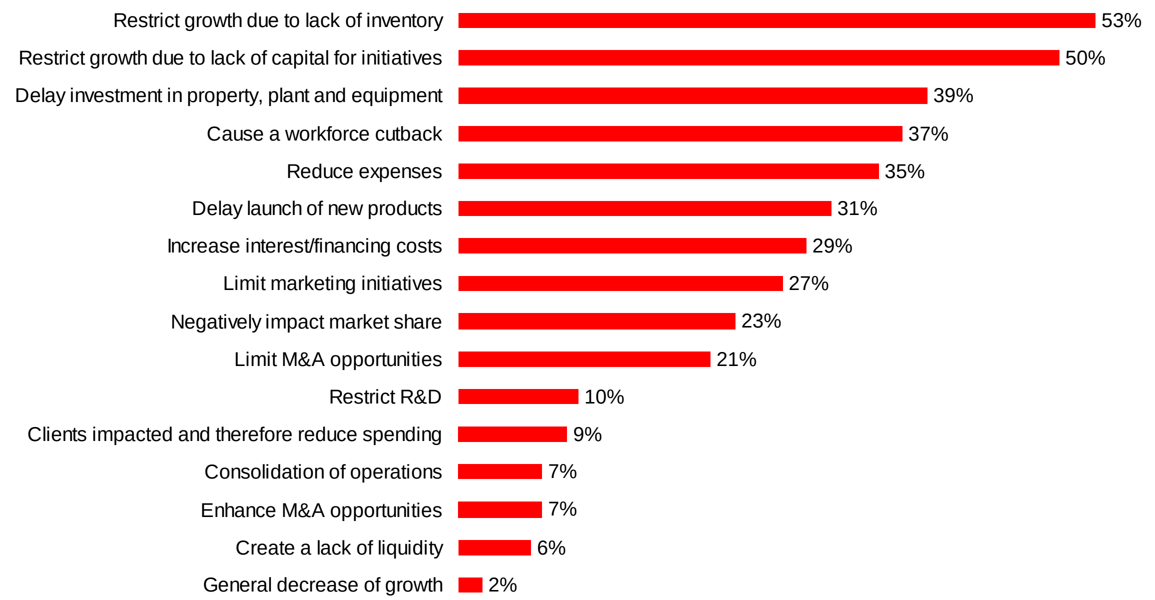
How would tight credit impact your business? - Europe

Note: Multiple answers possible
Sample: All establishments (n=1706)

How would tight credit impact your business? - Australia / New Zealand

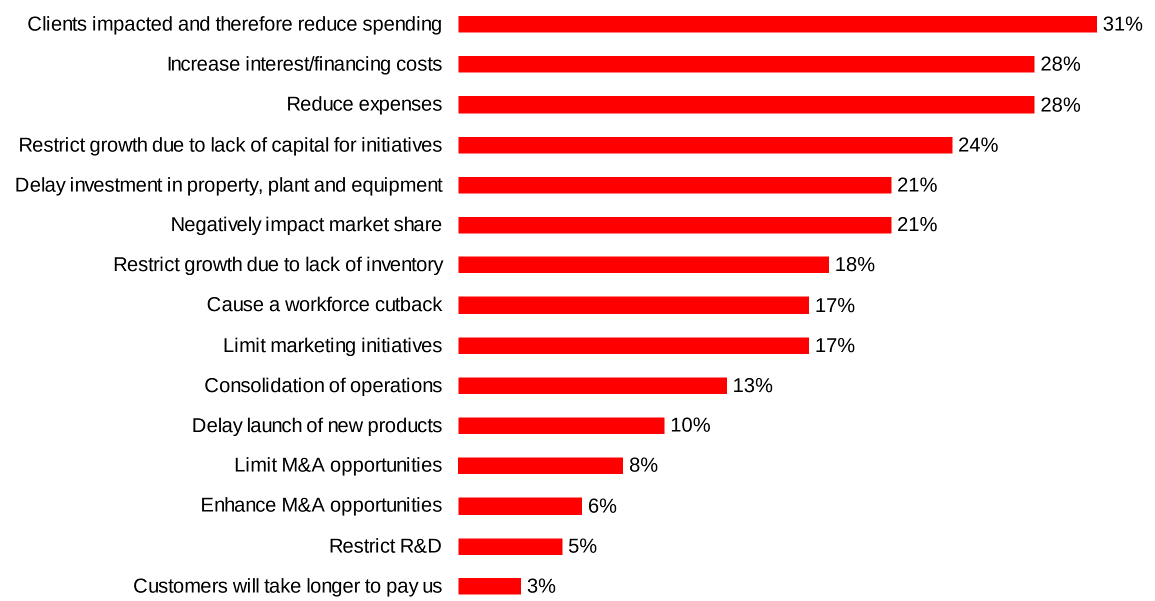
Note: Multiple answers possible
Sample: All establishments (n=138)

How would tight credit impact your business? - Mexico



Note: Multiple answers possible
Sample: All establishments (n=150)

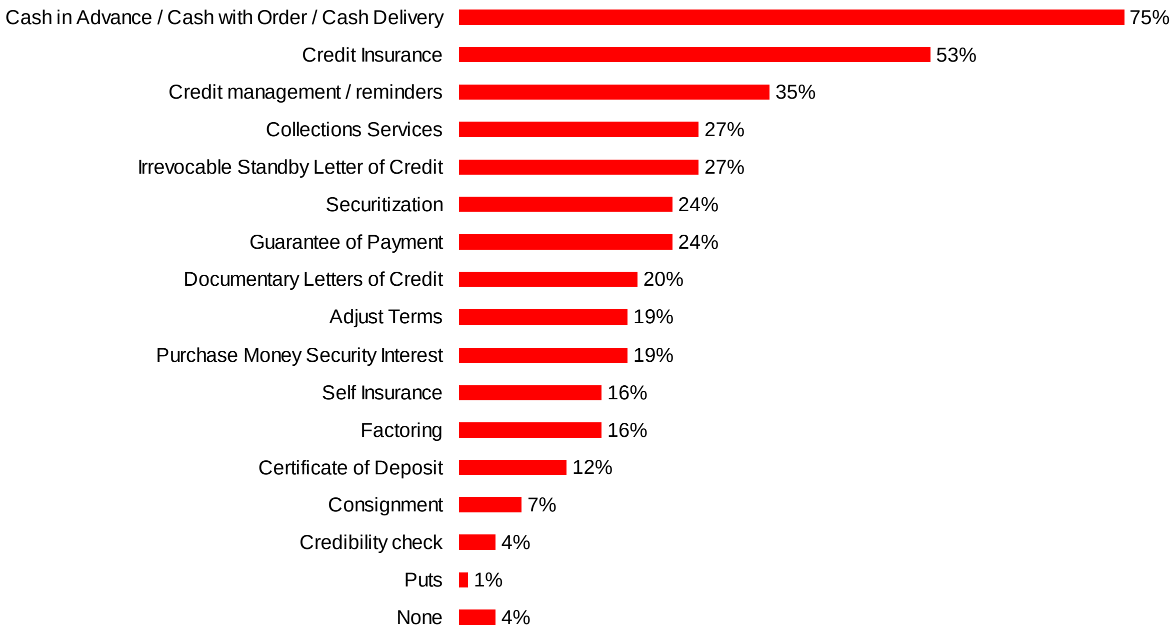
How would tight credit impact your business? - United States



Note: Multiple answers possible
Sample: All establishments (n=272)

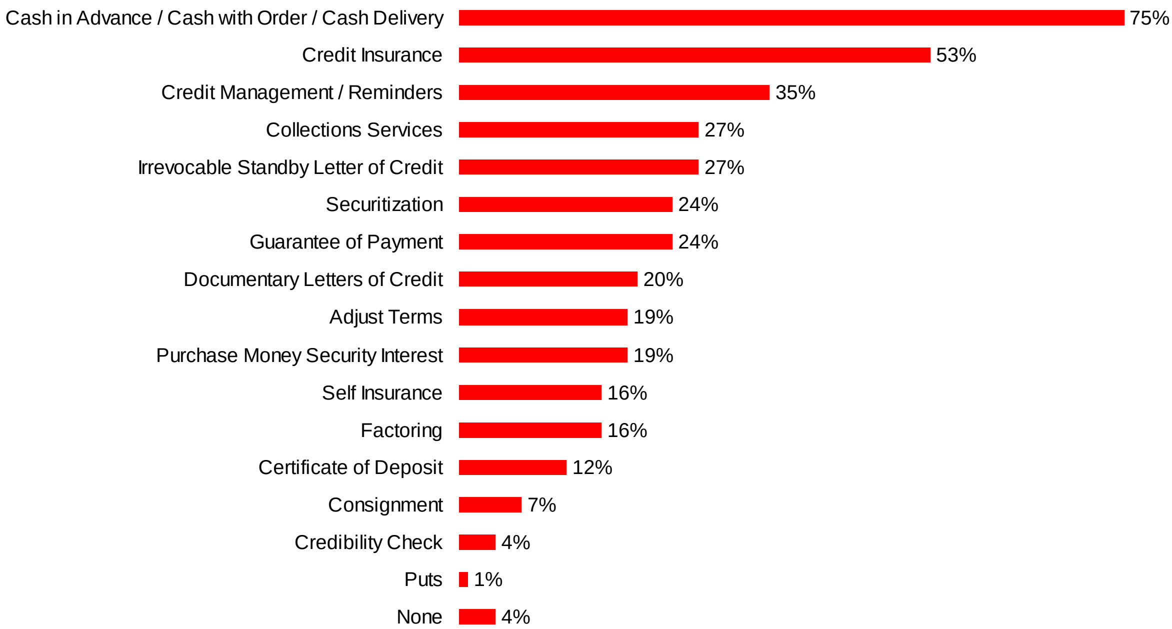
Appendix B - Tools used to mitigate receivables risks per industry and per country

What tools do you use to mitigate your receivables risks? - Basic materials



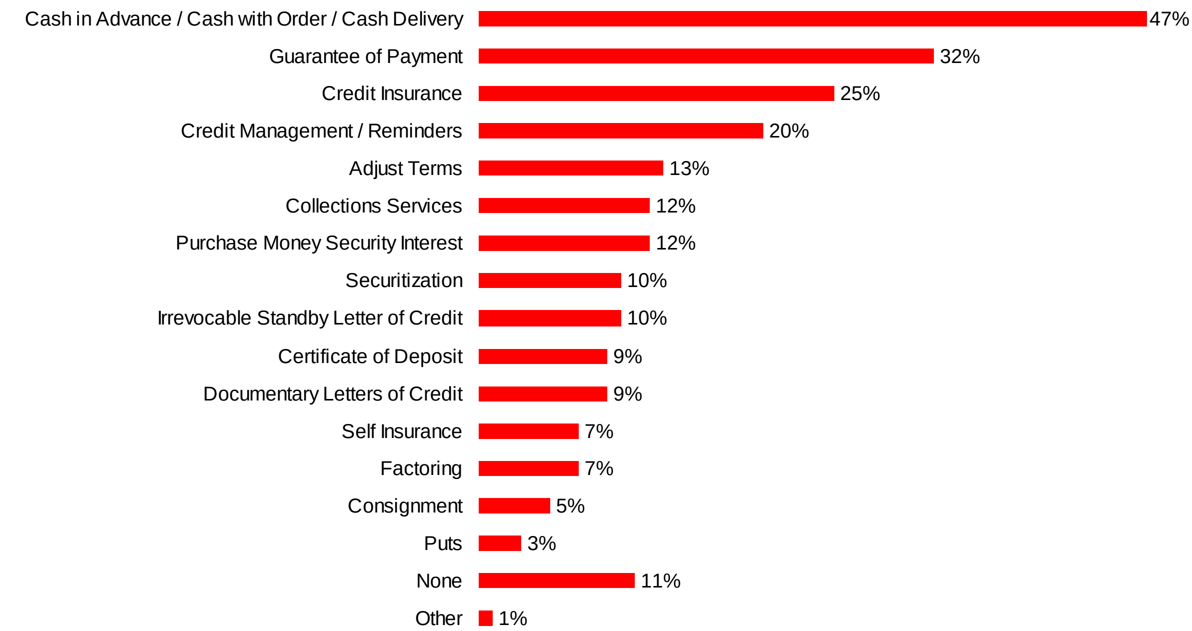
Note: Multiple answers possible
Sample: All establishments (n=32)

What tools do you use to mitigate your receivables risks? - Basic materials



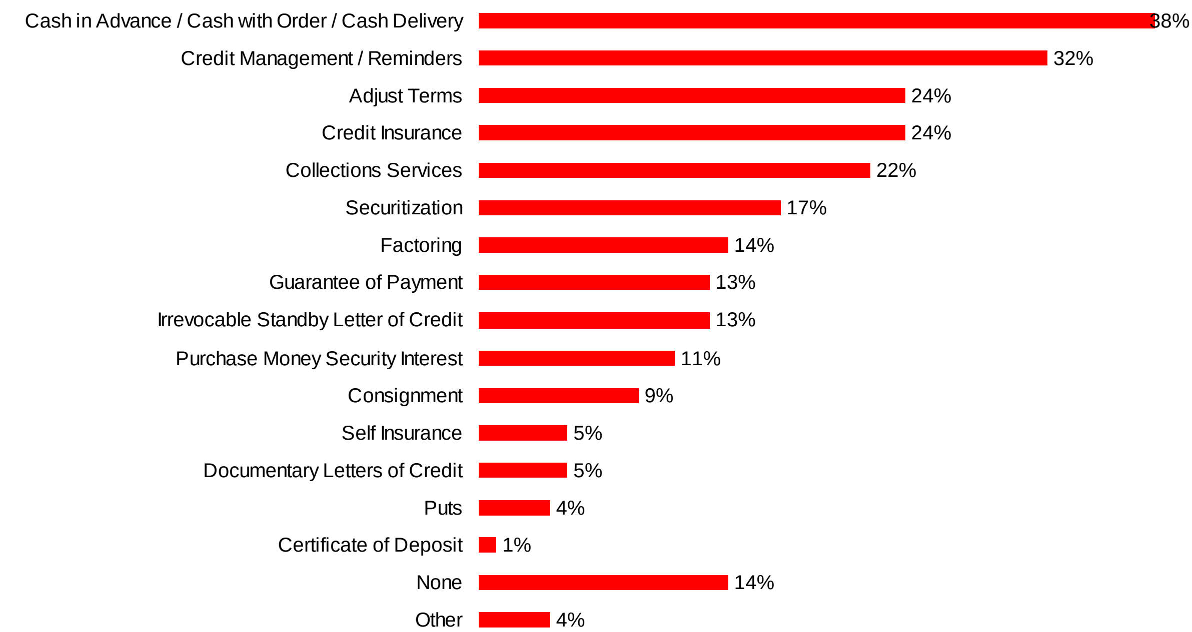
Note: Multiple answers possible
Sample: All establishments (n=32)

What tools do you use to mitigate your receivables risks? - Building supply and construction

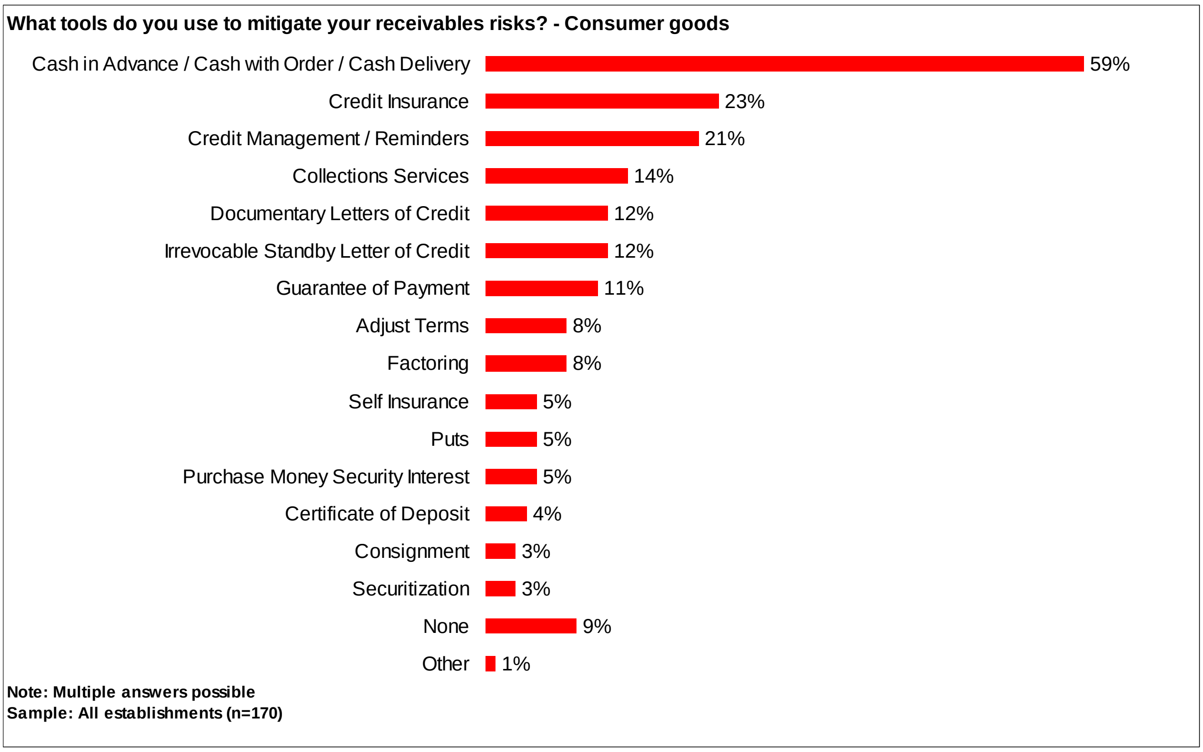


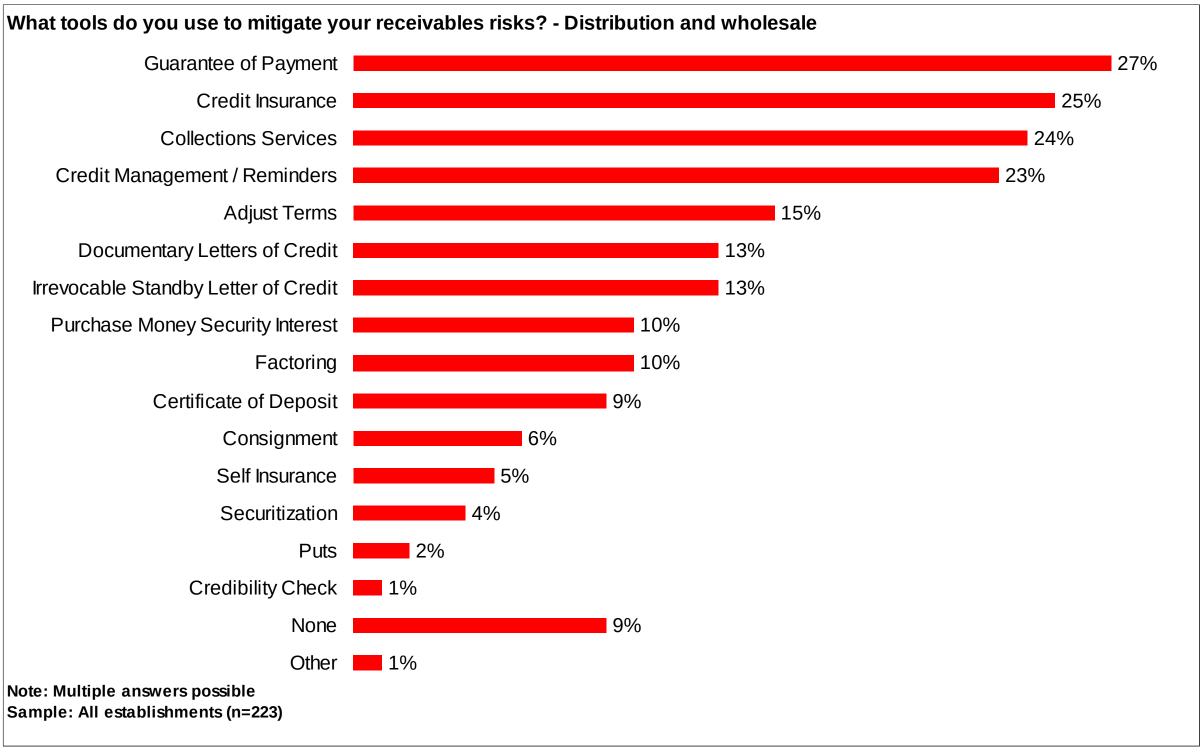
Note: Multiple answers possible
Sample: All establishments (n=226)

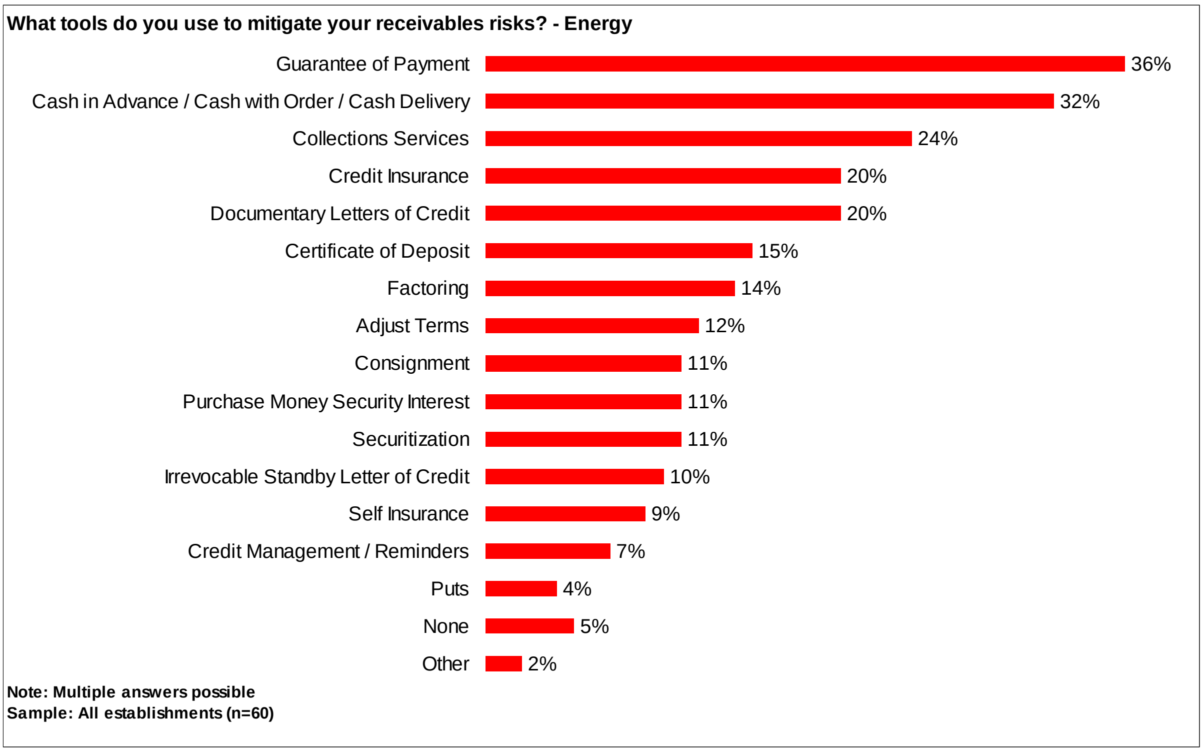
What tools do you use to mitigate your receivables risks? - Conglomerate

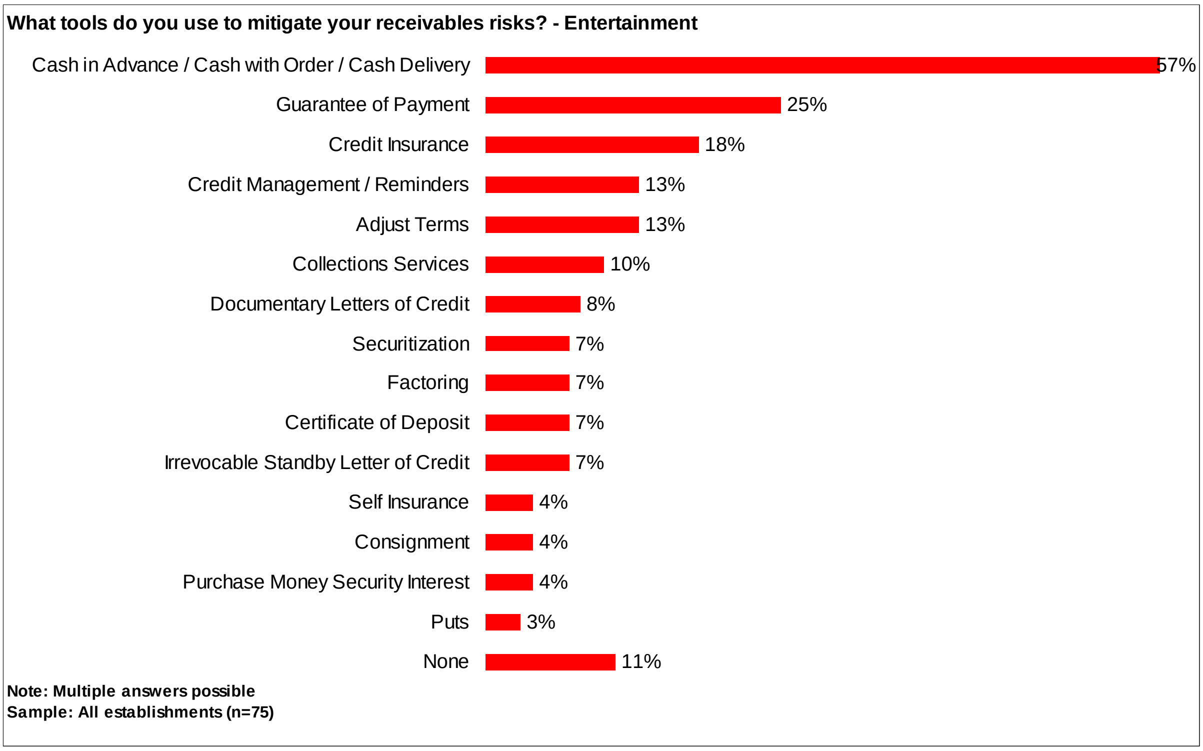


Note: Multiple answers possible
Sample: All establishments (n=31)

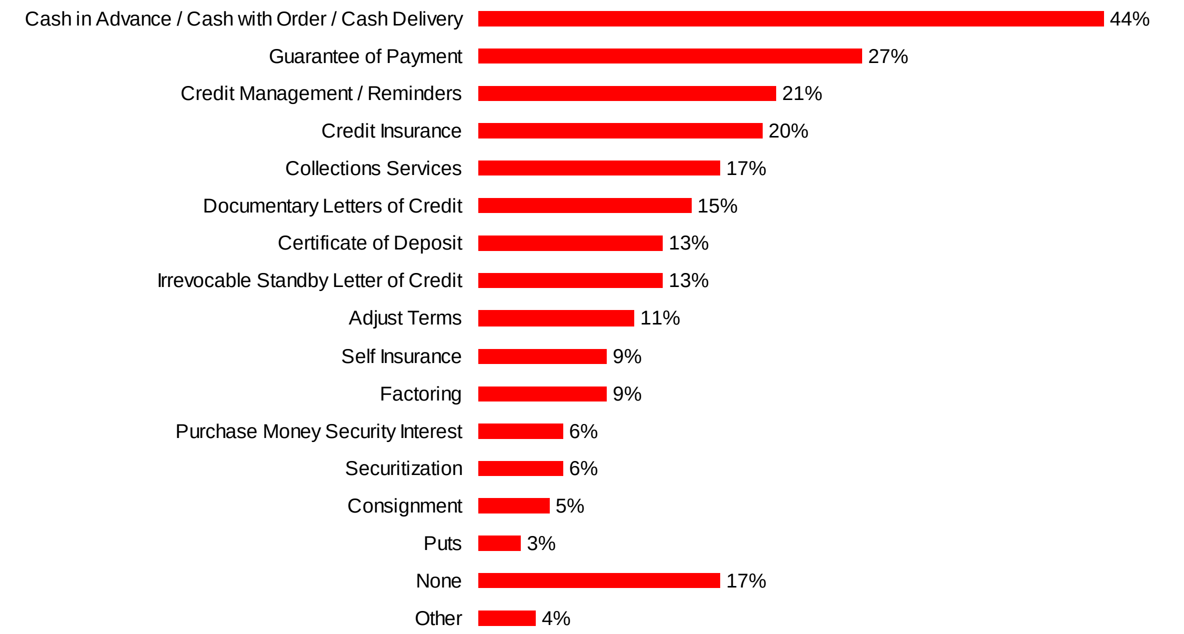

What tools do you use to mitigate your receivables risks? - Consumer goods
Cash in Advance / Cash with Order / Cash Delivery 59%
Credit Insurance 23%
Credit Management / Reminders 21%
Collections Services 14%
Documentary Letters of Credit 12%
Irrevocable Standby Letter of Credit 12%
Guarantee of Payment 11%
Adjust Terms 8%
Factoring 8%
Self Insurance 5%
Puts 5%
Purchase Money Security Interest 5%
Certificate of Deposit 4%
Consignment 3%
Securitization 3%
None 9%
Other 1%
Note: Multiple answers possible
Sample: All establishments (n=170)


What tools do you use to mitigate your receivables risks? - Distribution and wholesale
Guarantee of Payment 27%
Credit Insurance 25%
Collections Services 24%
Credit Management / Reminders 23%
Adjust Terms 15%
Documentary Letters of Credit 13%
Irrevocable Standby Letter of Credit 13%
Purchase Money Security Interest 10%
Factoring 10%
Certificate of Deposit 9%
Consignment 6%
Self Insurance 5%
Securitization 4%
Puts 2%
Credibility Check 1%
None 9%
Other 1%
Note: Multiple answers possible
Sample: All establishments (n=223)


What tools do you use to mitigate your receivables risks? - Energy
Guarantee of Payment 36%
Cash in Advance / Cash with Order / Cash Delivery 32%
Collections Services 24%
Credit Insurance 20%
Documentary Letters of Credit 20%
Certificate of Deposit 15%
Factoring 14%
Adjust Terms 12%
Consignment 11%
Purchase Money Security Interest 11%
Securitization 11%
Irrevocable Standby Letter of Credit 10%
Self Insurance 9%
Credit Management / Reminders 7%
Puts 4%
None 5%
Other 2%
Note: Multiple answers possible
Sample: All establishments (n=60)

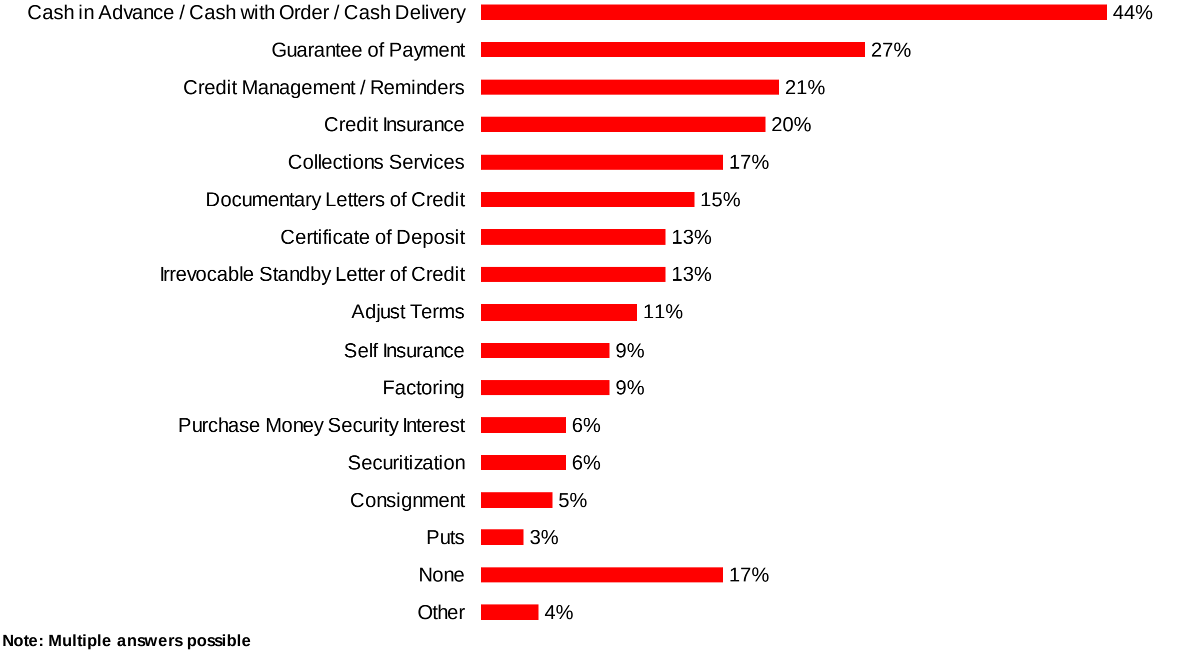

What tools do you use to mitigate your receivables risks? - Entertainment
Cash in Advance / Cash with Order / Cash Delivery 57%
Guarantee of Payment 25%
Credit Insurance 18%
Credit Management / Reminders 13%
Adjust Terms 13%
Collections Services 10%
Documentary Letters of Credit 8%
Securitization 7%
Factoring 7%
Certificate of Deposit 7%
Irrevocable Standby Letter of Credit 7%
Self Insurance 4%
Consignment 4%
Purchase Money Security Interest 4%
Puts 3%
None 11%
Note: Multiple answers possible
Sample: All establishments (n=75)

What tools do you use to mitigate your receivables risks? - Healthcare

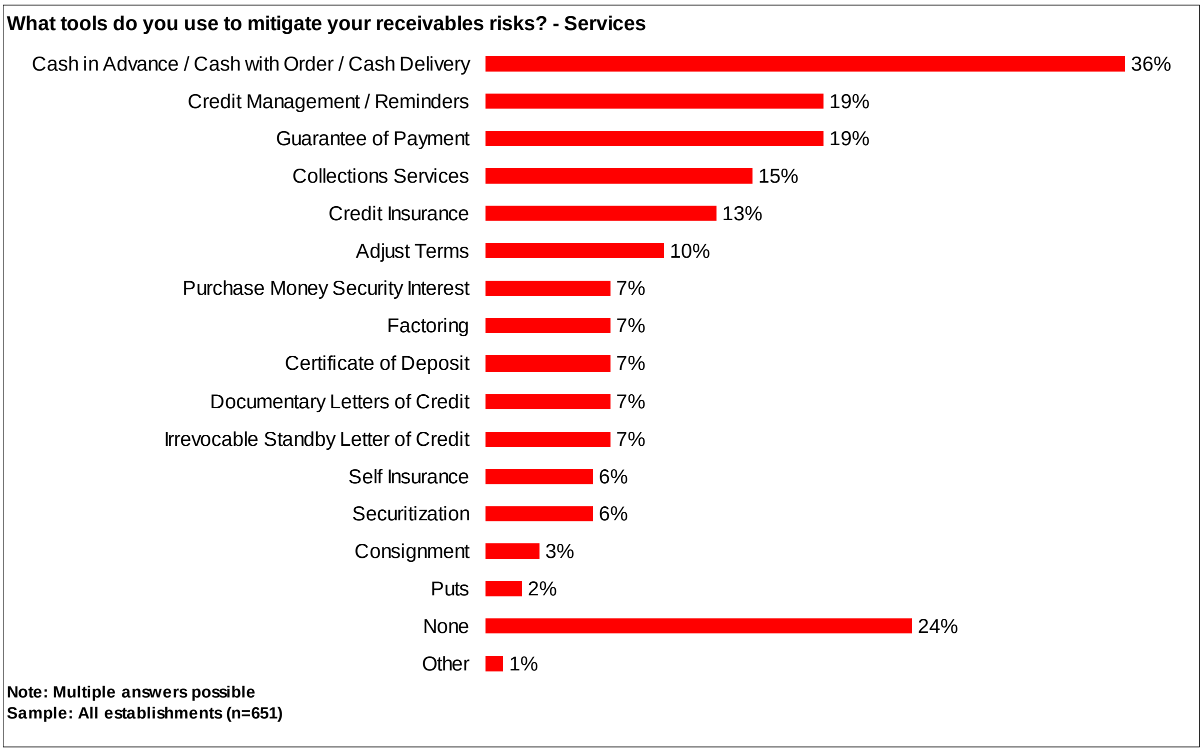


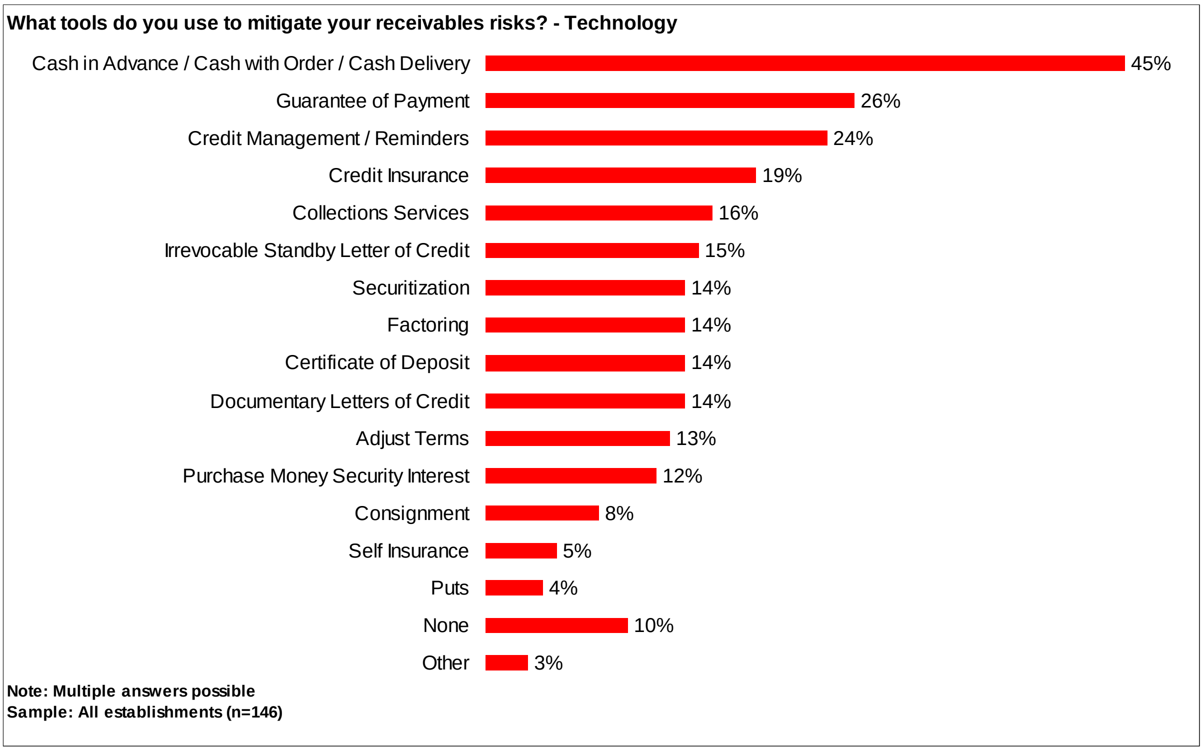
Note: Multiple answers possible
Sample: All establishments (n=127)

What tools do you use to mitigate your receivables risks? - Healthcare

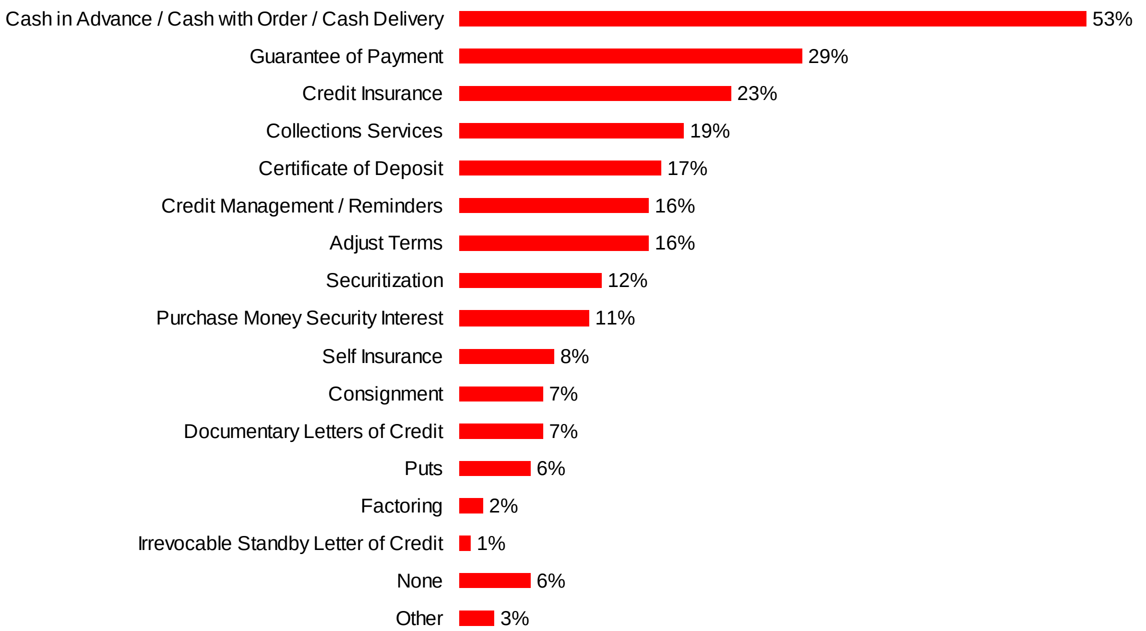


Note: Multiple answers possible
Sample: All establishments (n=127)


What tools do you use to mitigate your receivables risks? - Services
Cash in Advance / Cash with Order / Cash Delivery 36%
Credit Management / Reminders 19%
Guarantee of Payment 19%
Collections Services 15%
Credit Insurance 13%
Adjust Terms 10%
Purchase Money Security Interest 7%
Factoring 7%
Certificate of Deposit 7%
Documentary Letters of Credit 7%
Irrevocable Standby Letter of Credit 7%
Self Insurance 6%
Securitization 6%
Consignment 3%
Puts 2%
None 24%
Other 1%
Note: Multiple answers possible
Sample: All establishments (n=651)

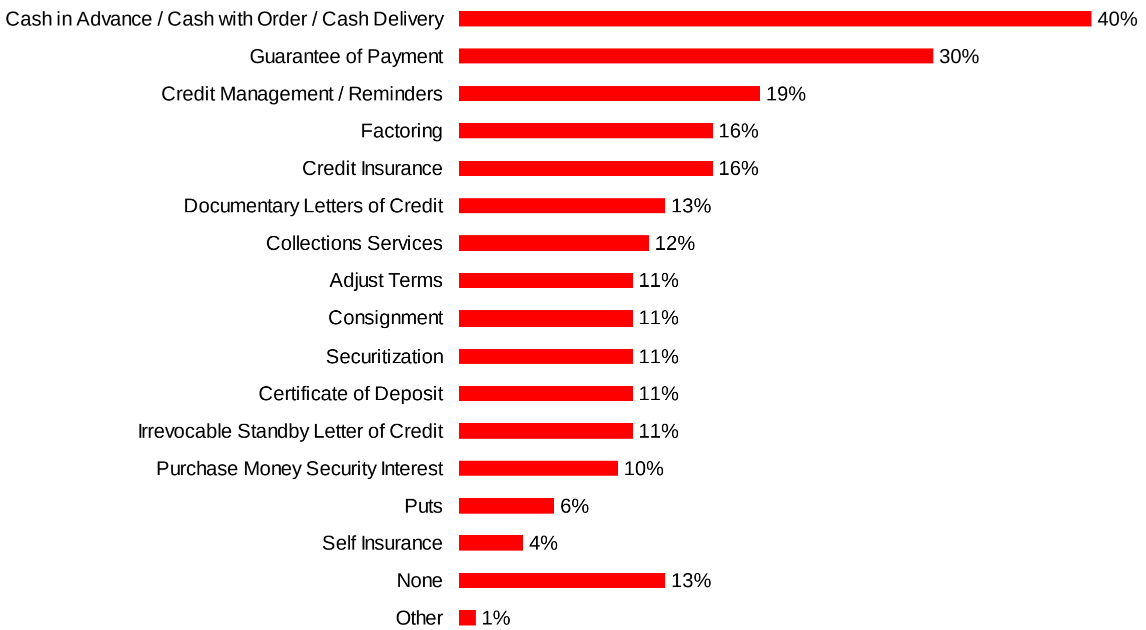

What tools do you use to mitigate your receivables risks? - Technology
Cash in Advance / Cash with Order / Cash Delivery 45%
Guarantee of Payment 26%
Credit Management / Reminders 24%
Credit Insurance 19%
Collections Services 16%
Irrevocable Standby Letter of Credit 15%
Securitization 14%
Factoring 14%
Certificate of Deposit 14%
Documentary Letters of Credit 14%
Adjust Terms 13%
Purchase Money Security Interest 12%
Consignment 8%
Self Insurance 5%
Puts 4%
None 10%
Other 3%
Note: Multiple answers possible
Sample: All establishments (n=146)

What tools do you use to mitigate your receivables risks? - Telecommunications

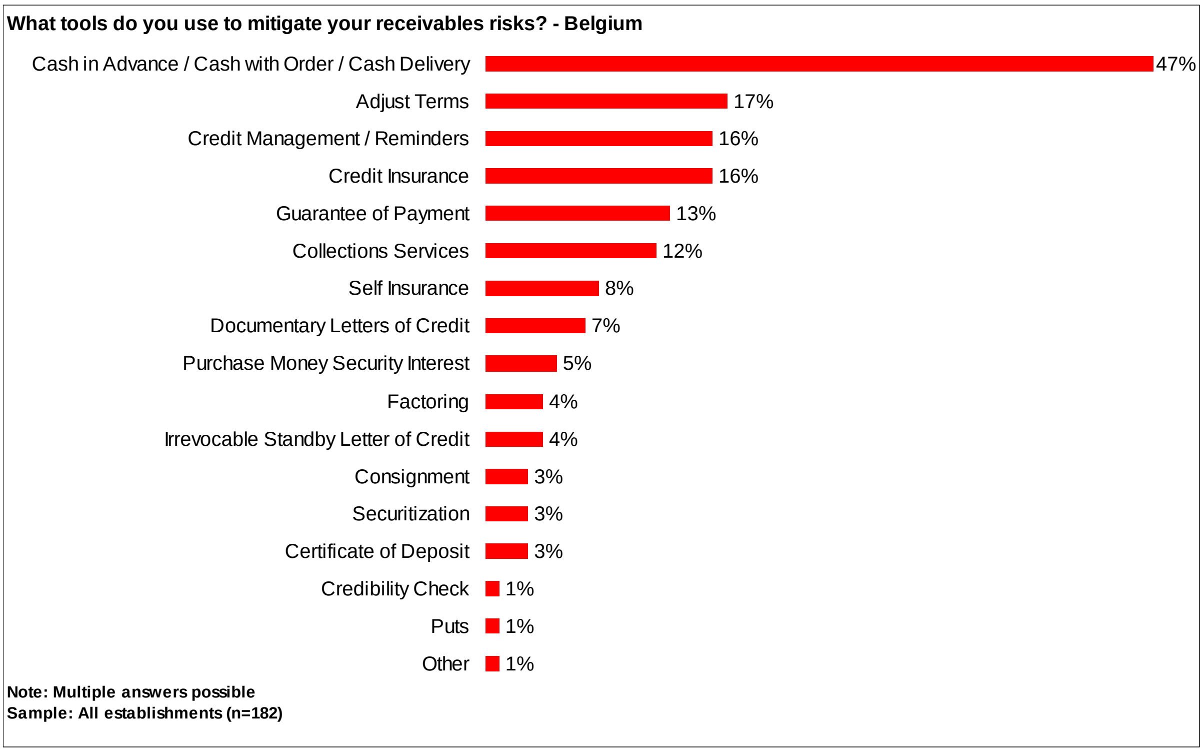


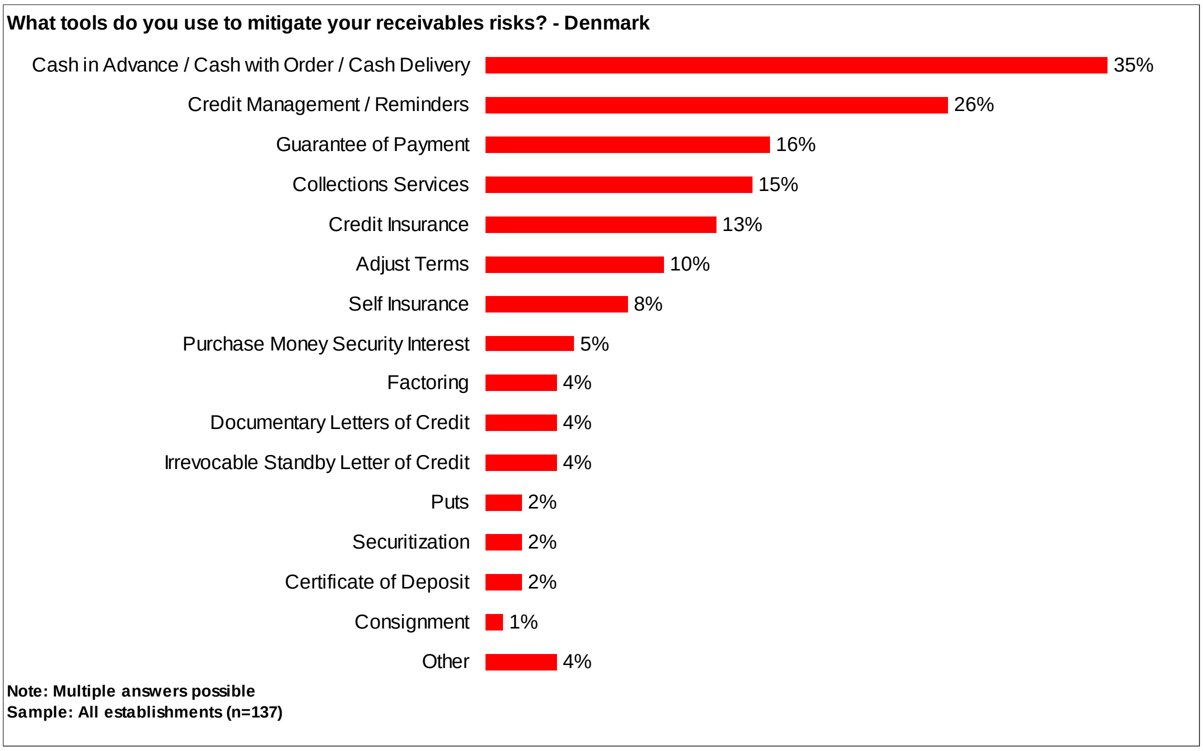
Note: Multiple answers possible
Sample: All establishments (n=56)

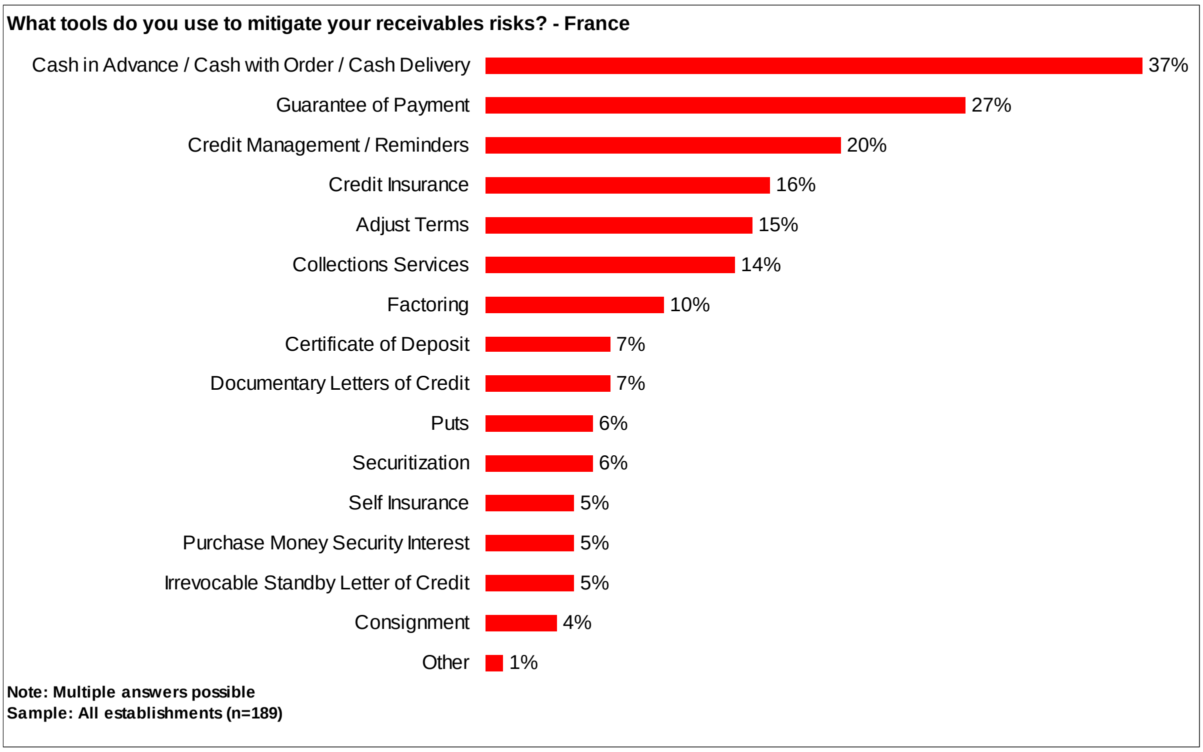
What tools do you use to mitigate your receivables risks? - Transportation

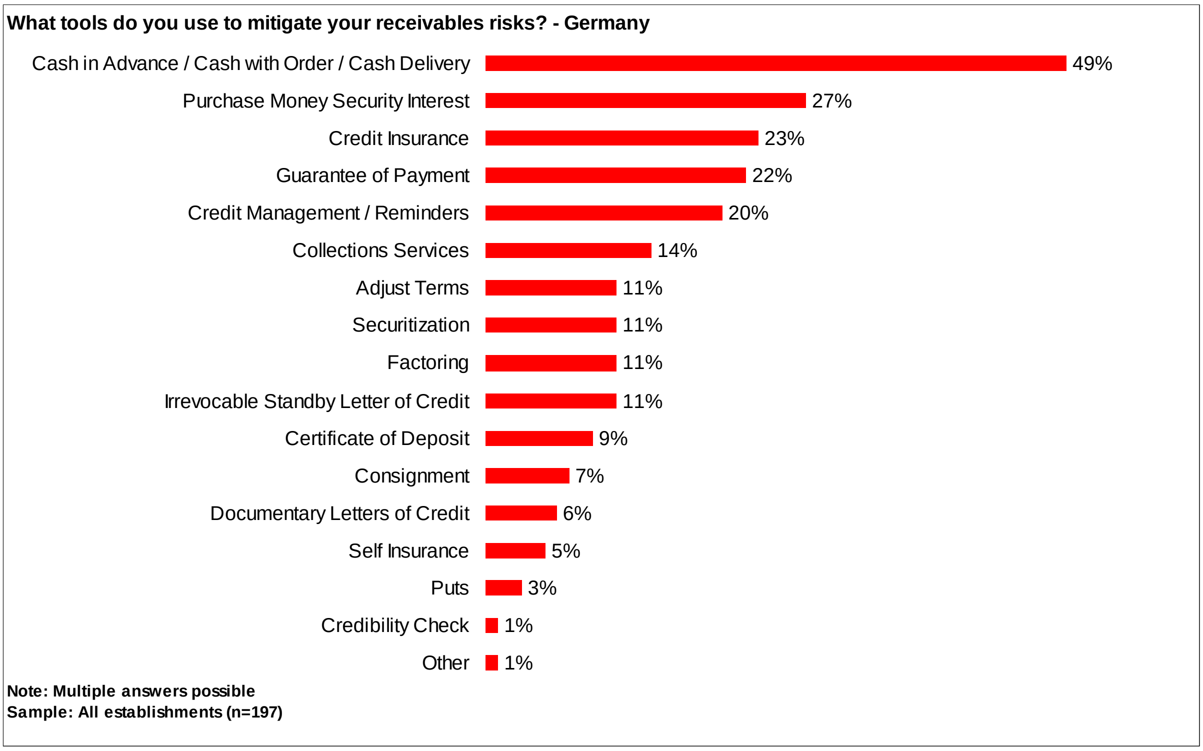


Note: Multiple answers possible
Sample: All establishments (n=95)

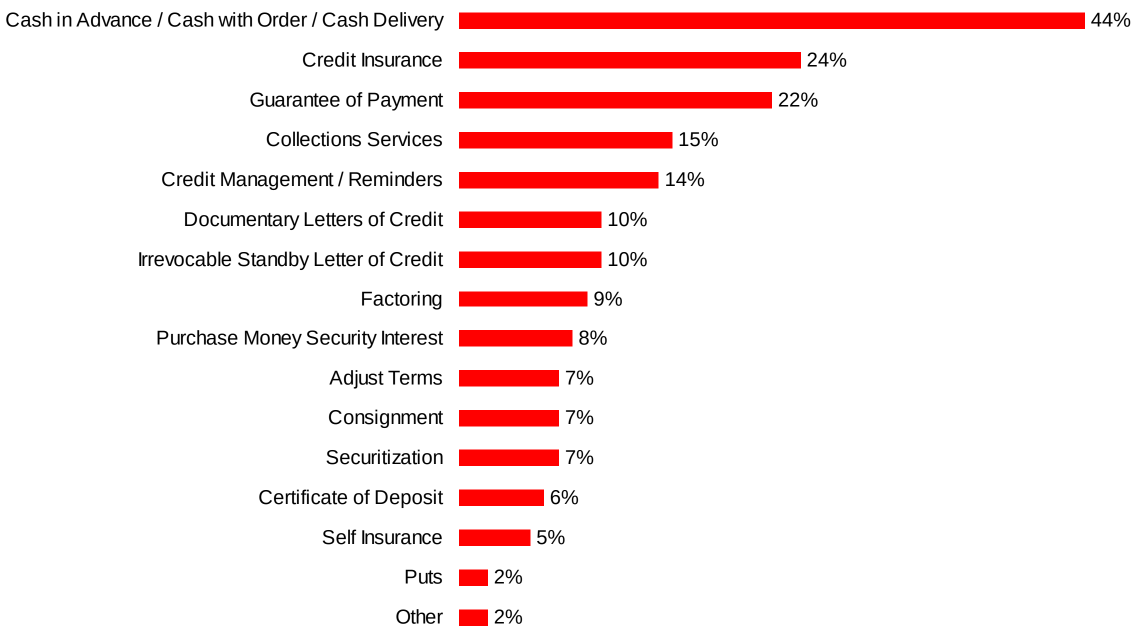

What tools do you use to mitigate your receivables risks? - Belgium
Cash in Advance / Cash with Order / Cash Delivery 47%
Adjust Terms 17%
Credit Management / Reminders 16%
Credit Insurance 16%
Guarantee of Payment 13%
Collections Services 12%
Self Insurance 8%
Documentary Letters of Credit 7%
Purchase Money Security Interest 5%
Factoring 4%
Irrevocable Standby Letter of Credit 4%
Consignment 3%
Securitization 3%
Certificate of Deposit 3%
Credibility Check 1%
Puts 1%
Other 1%
Note: Multiple answers possible
Sample: All establishments (n=182)


What tools do you use to mitigate your receivables risks? - Denmark
Cash in Advance / Cash with Order / Cash Delivery 35%
Credit Management / Reminders 26%
Guarantee of Payment 16%
Collections Services 15%
Credit Insurance 13%
Adjust Terms 10%
Self Insurance 8%
Purchase Money Security Interest 5%
Factoring 4%
Documentary Letters of Credit 4%
Irrevocable Standby Letter of Credit 4%
Puts 2%
Securitization 2%
Certificate of Deposit 2%
Consignment 1%
Other 4%
Note: Multiple answers possible
Sample: All establishments (n=137)


What tools do you use to mitigate your receivables risks? - France
Cash in Advance / Cash with Order / Cash Delivery 37%
Guarantee of Payment 27%
Credit Management / Reminders 20%
Credit Insurance 16%
Adjust Terms 15%
Collections Services 14%
Factoring 10%
Certificate of Deposit 7%
Documentary Letters of Credit 7%
Puts 6%
Securitization 6%
Self Insurance 5%
Purchase Money Security Interest 5%
Irrevocable Standby Letter of Credit 5%
Consignment 4%
Other 1%
Note: Multiple answers possible
Sample: All establishments (n=189)

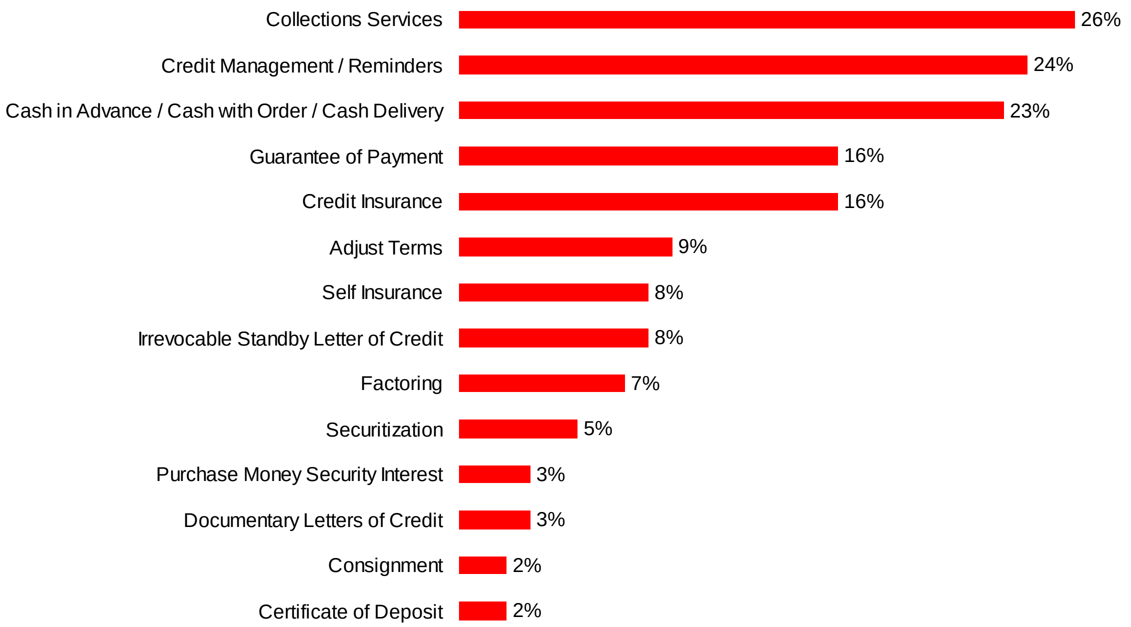

What tools do you use to mitigate your receivables risks? - Germany
Cash in Advance / Cash with Order / Cash Delivery 49%
Purchase Money Security Interest 27%
Credit Insurance 23%
Guarantee of Payment 22%
Credit Management / Reminders 20%
Collections Services 14%
Adjust Terms 11%
Securitization 11%
Factoring 11%
Irrevocable Standby Letter of Credit 11%
Certificate of Deposit 9%
Consignment 7%
Documentary Letters of Credit 6%
Self Insurance 5%
Puts 3%
Credibility Check 1%
Other 1%
Note: Multiple answers possible
Sample: All establishments (n=197)

What tools do you use to mitigate your receivables risks? - Italy



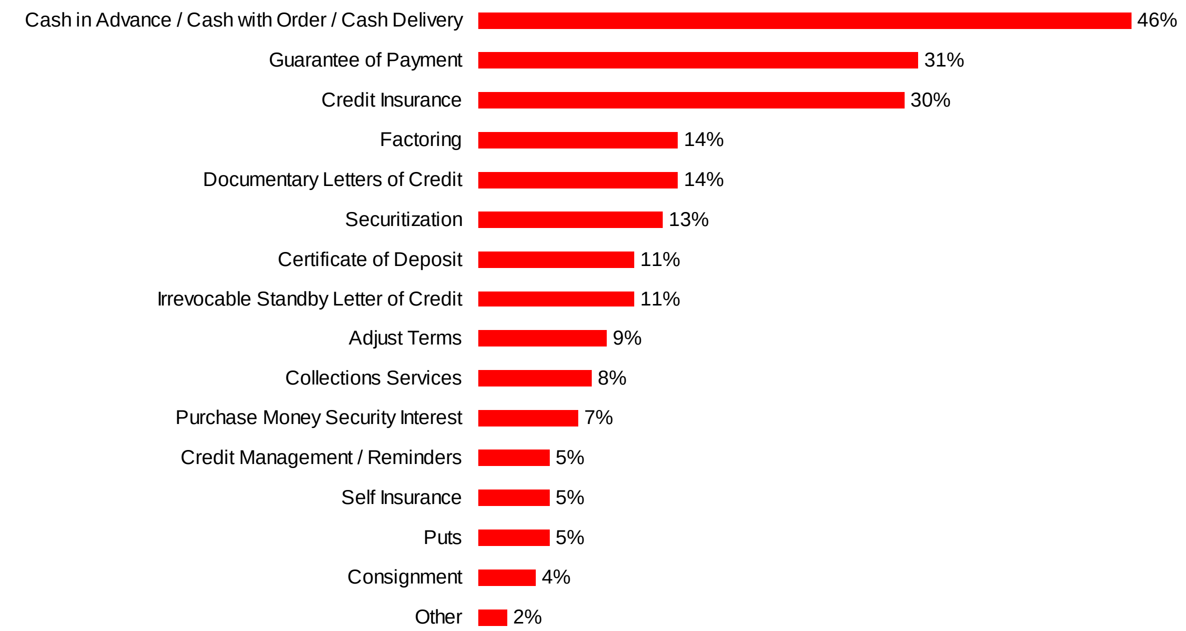
Note: Multiple answers possible
Sample: All establishments (n=198)

What tools do you use to mitigate your receivables risks? - The Netherlands



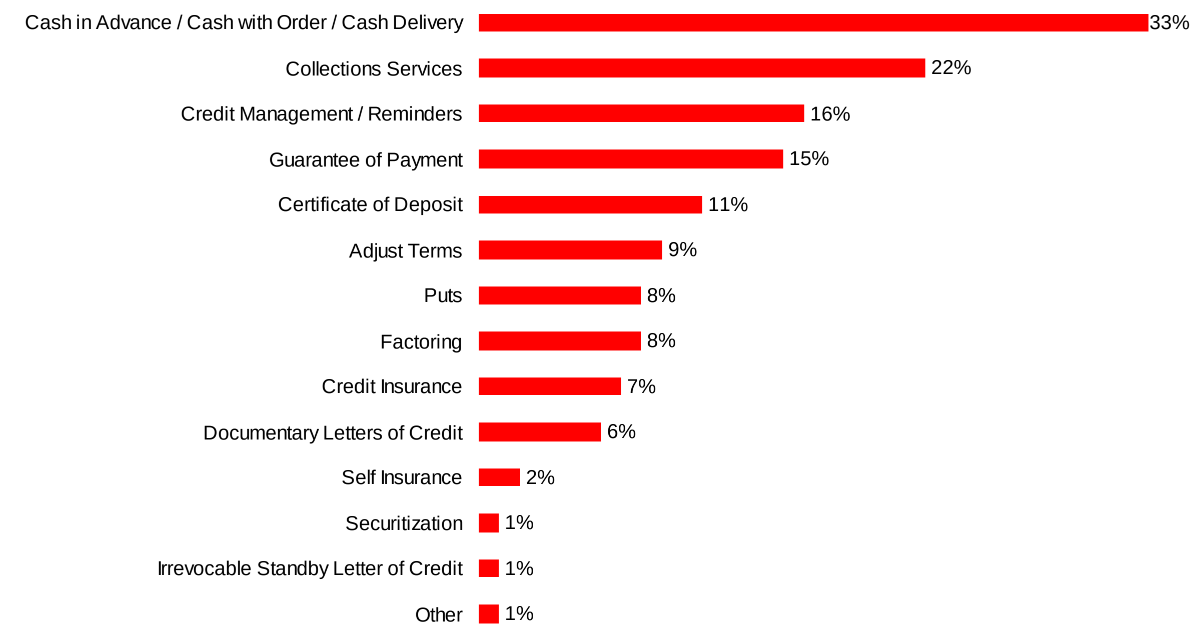
Note: Multiple answers possible
Sample: All establishments (n=185)

What tools do you use to mitigate your receivables risks? - Spain



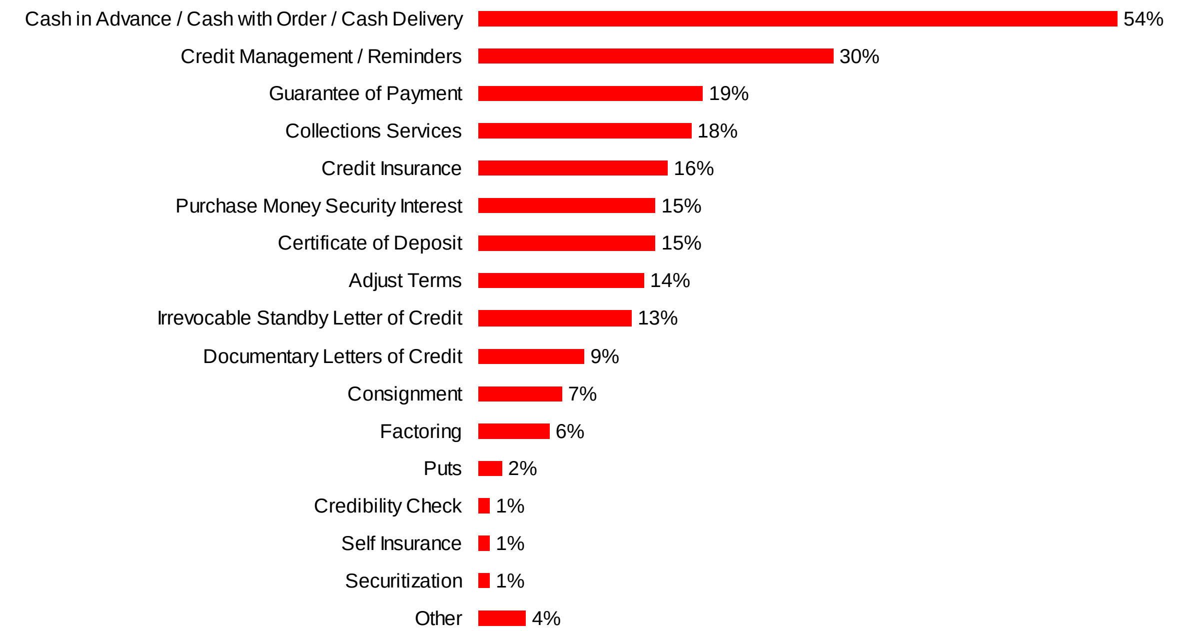
Note: Multiple answers possible
Sample: All establishments (n=190)

What tools do you use to mitigate your receivables risks? - Sweden



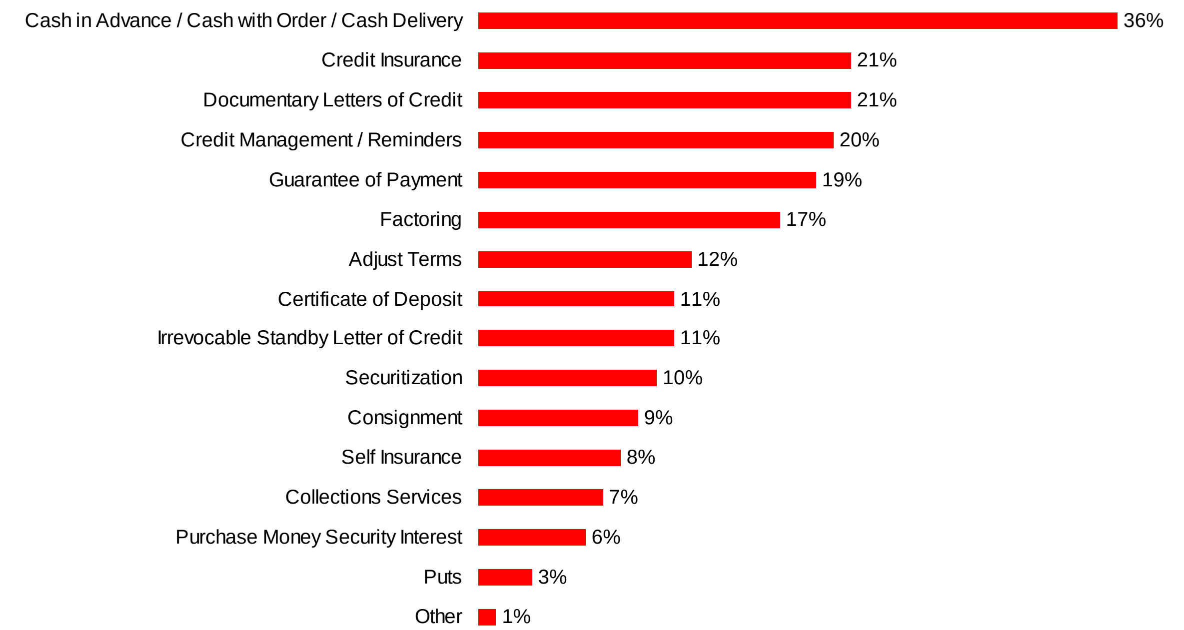
Note: Multiple answers possible
Sample: All establishments (n=119)

What tools do you use to mitigate your receivables risks? - Switzerland

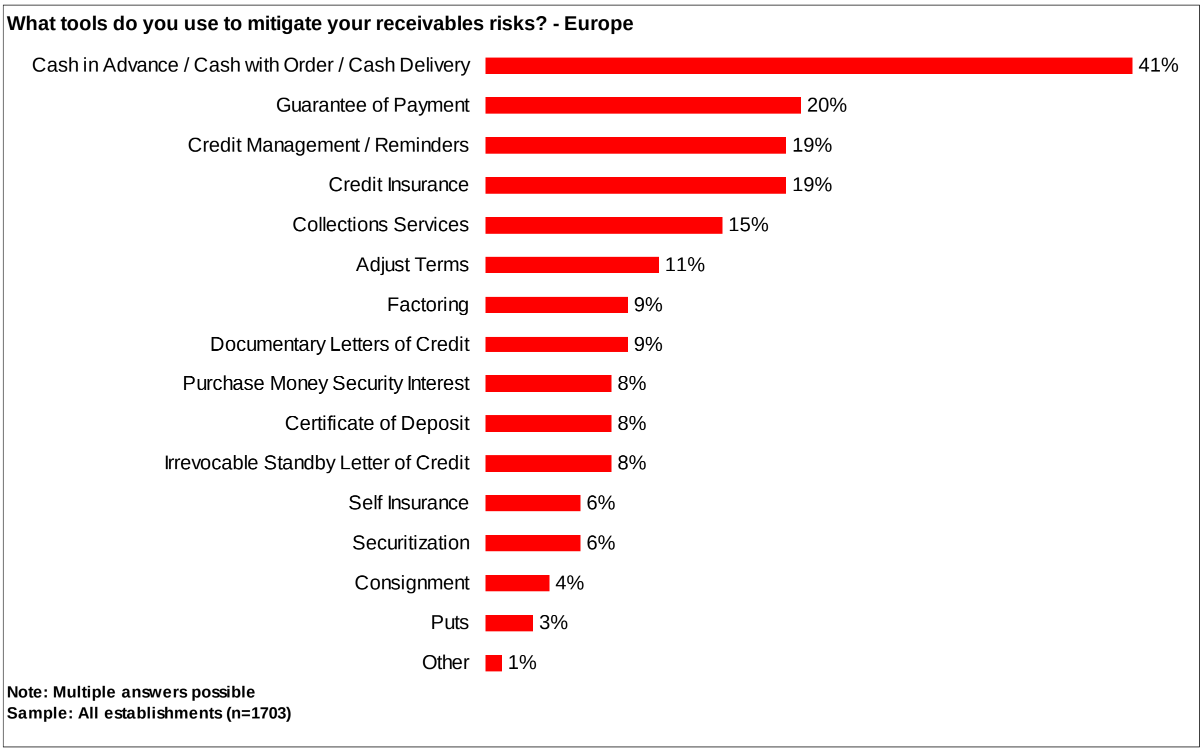


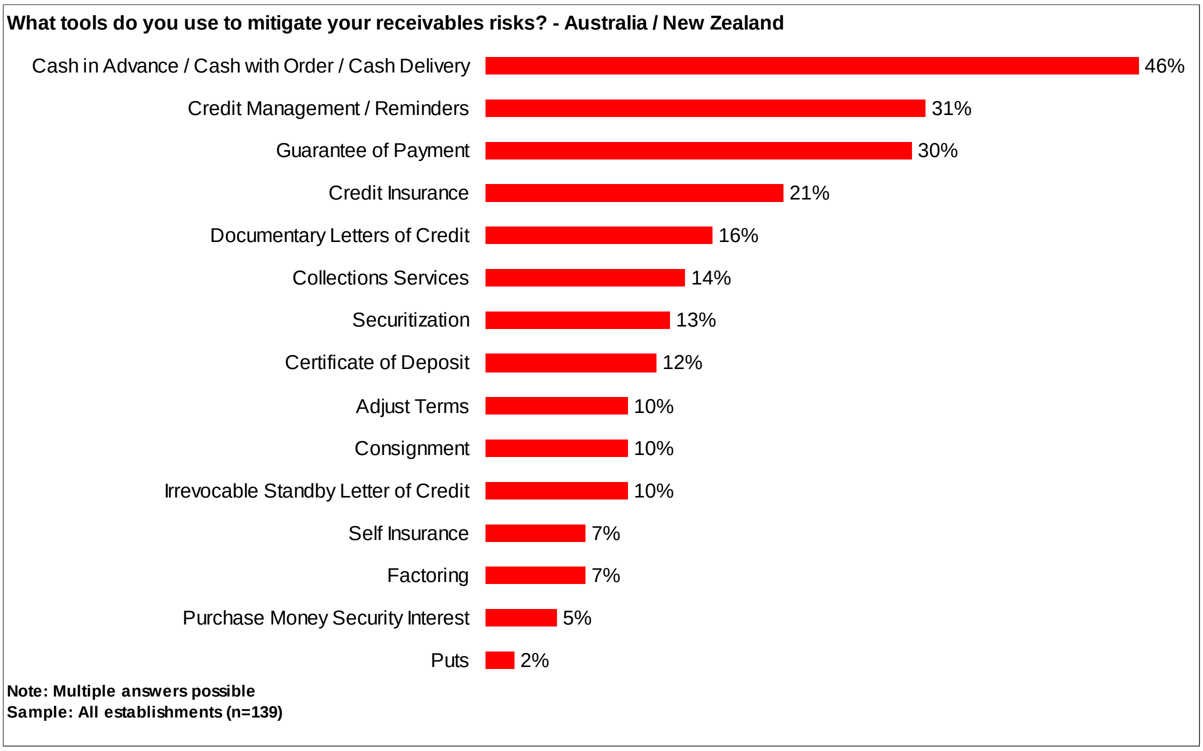
Note: Multiple answers possible
Sample: All establishments (n=107)

What tools do you use to mitigate your receivables risks? - United Kingdom

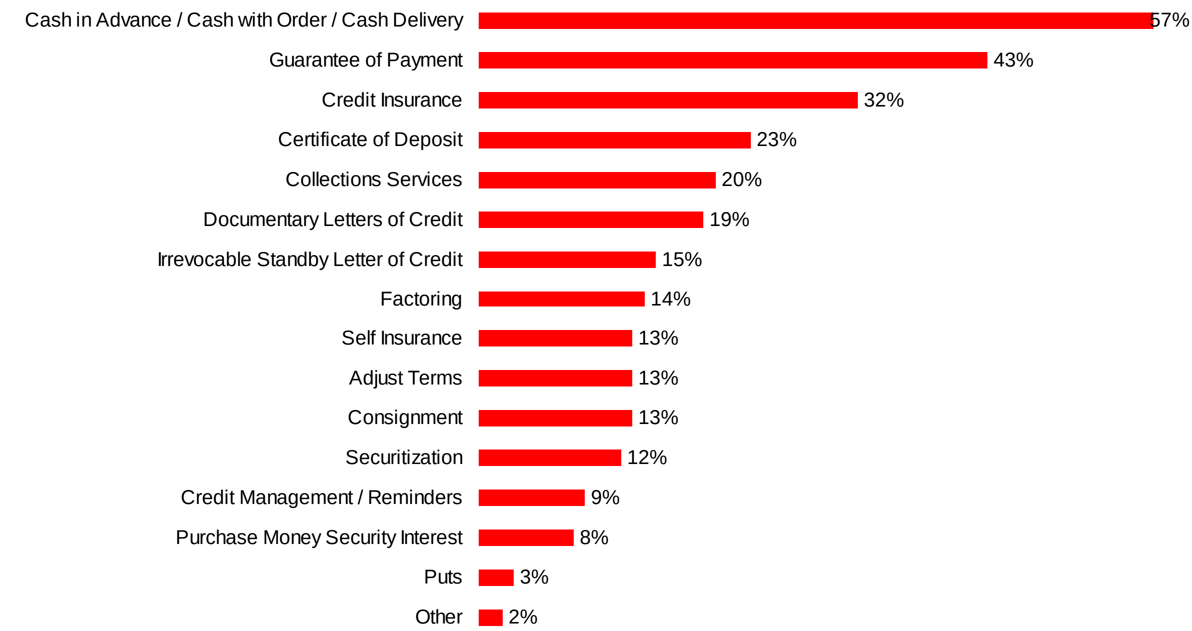


Note: Multiple answers possible
Sample: All establishments (n=199)


What tools do you use to mitigate your receivables risks? - Europe
Cash in Advance / Cash with Order / Cash Delivery 41%
Guarantee of Payment 20%
Credit Management / Reminders 19%
Credit Insurance 19%
Collections Services 15%
Adjust Terms 11%
Factoring 9%
Documentary Letters of Credit 9%
Purchase Money Security Interest 8%
Certificate of Deposit 8%
Irrevocable Standby Letter of Credit 8%
Self Insurance 6%
Securitization 6%
Consignment 4%
Puts 3%
Other 1%
Note: Multiple answers possible
Sample: All establishments (n=1703)

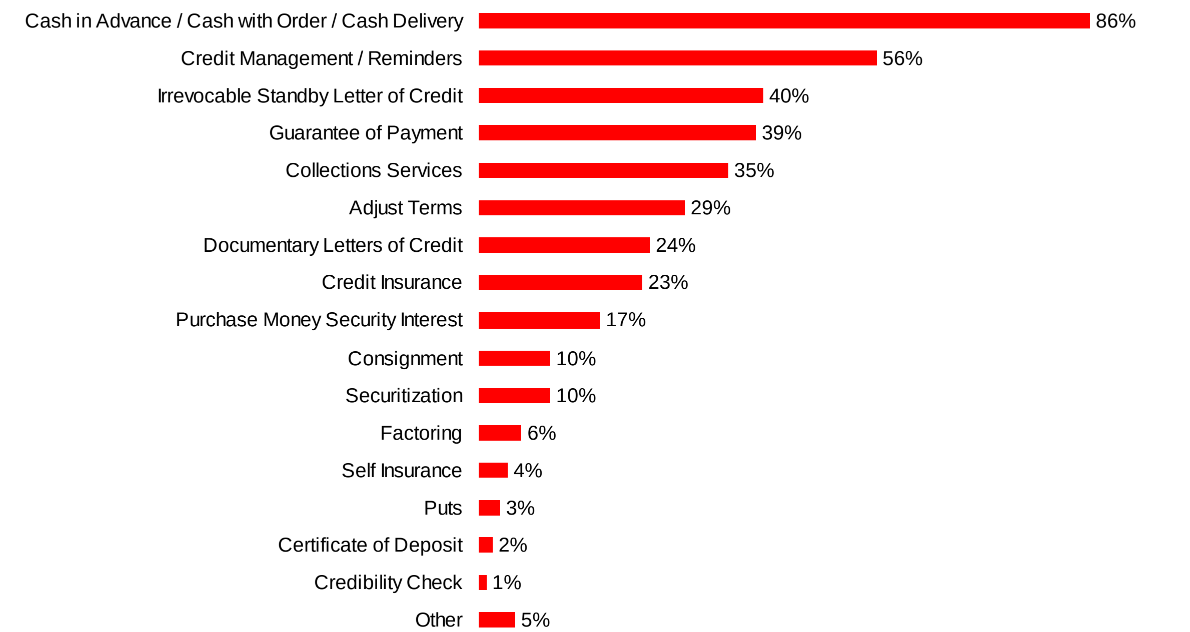

What tools do you use to mitigate your receivables risks? - Australia / New Zealand
Cash in Advance / Cash with Order / Cash Delivery 46%
Credit Management / Reminders 31%
Guarantee of Payment 30%
Credit Insurance 21%
Documentary Letters of Credit 16%
Collections Services 14%
Securitization 13%
Certificate of Deposit 12%
Adjust Terms 10%
Consignment 10%
Irrevocable Standby Letter of Credit 10%
Self Insurance 7%
Factoring 7%
Purchase Money Security Interest 5%
Puts 2%
Note: Multiple answers possible
Sample: All establishments (n=139)

What tools do you use to mitigate your receivables risks? - Mexico



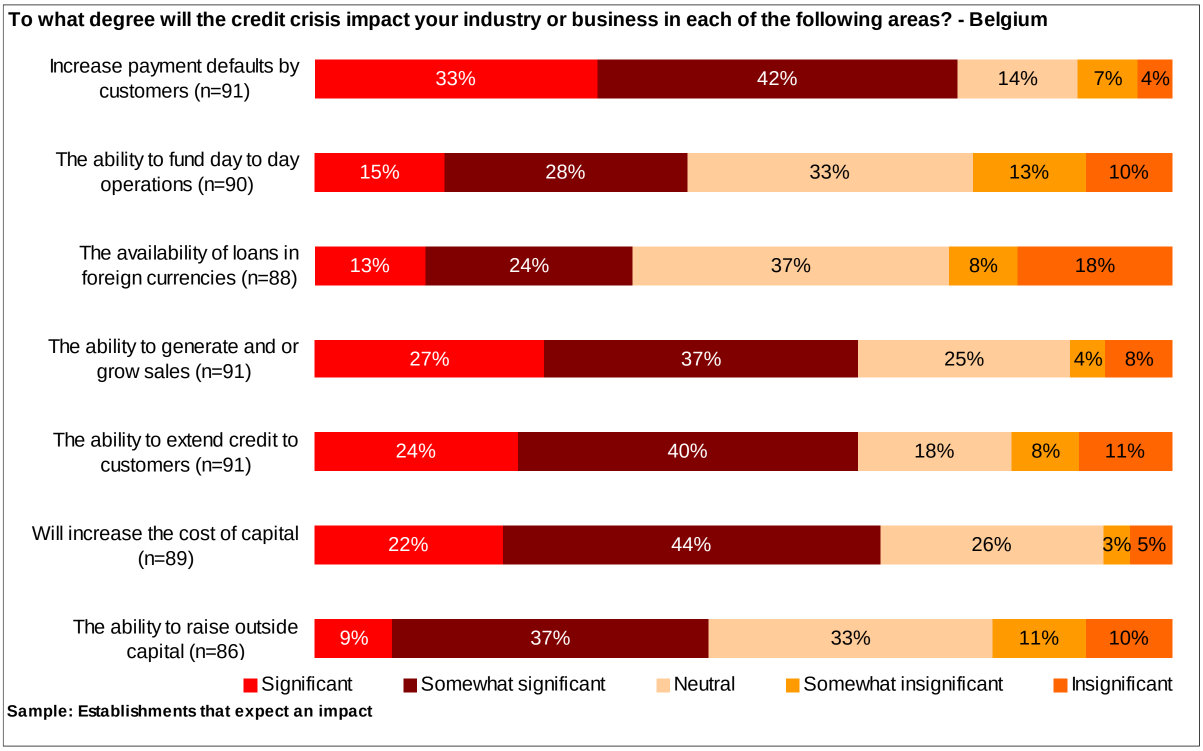
Note: Multiple answers possible
Sample: All establishments (n=150)

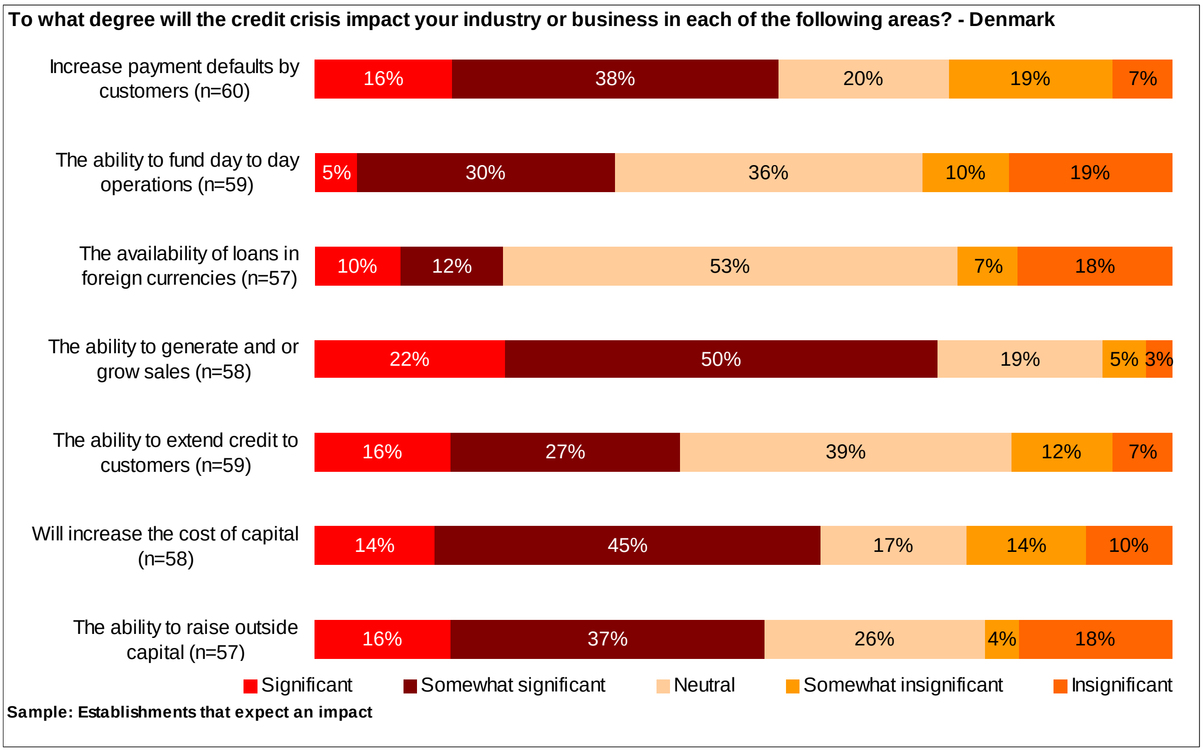
What tools do you use to mitigate your receivables risks? - United States



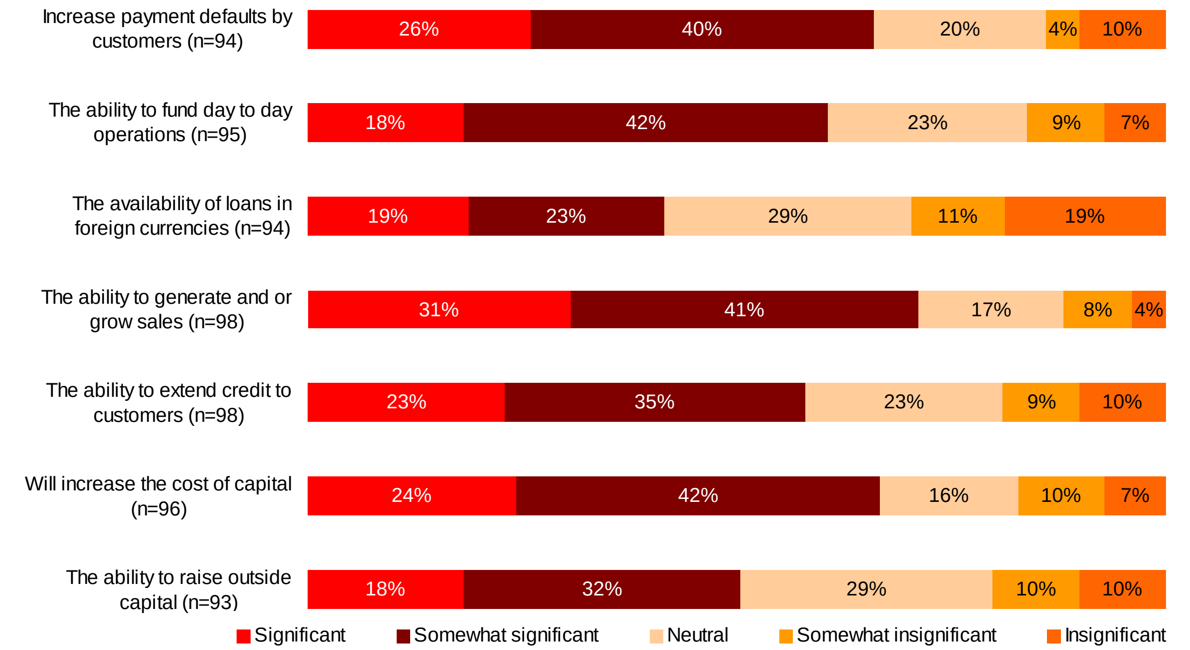
Note: Multiple answers possible
Sample: All establishments (n=306)

Appendix C - The impact of the credit crisis in several areas per country



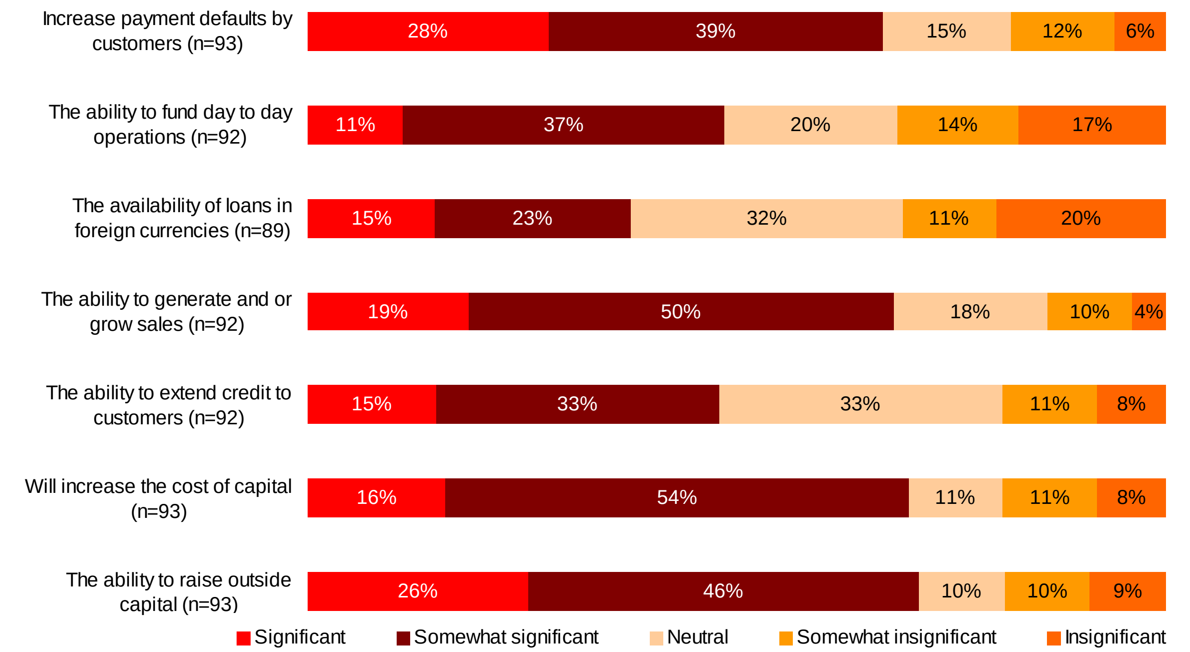


To what degree will the credit crisis impact your industry or business in each of the following areas? - France

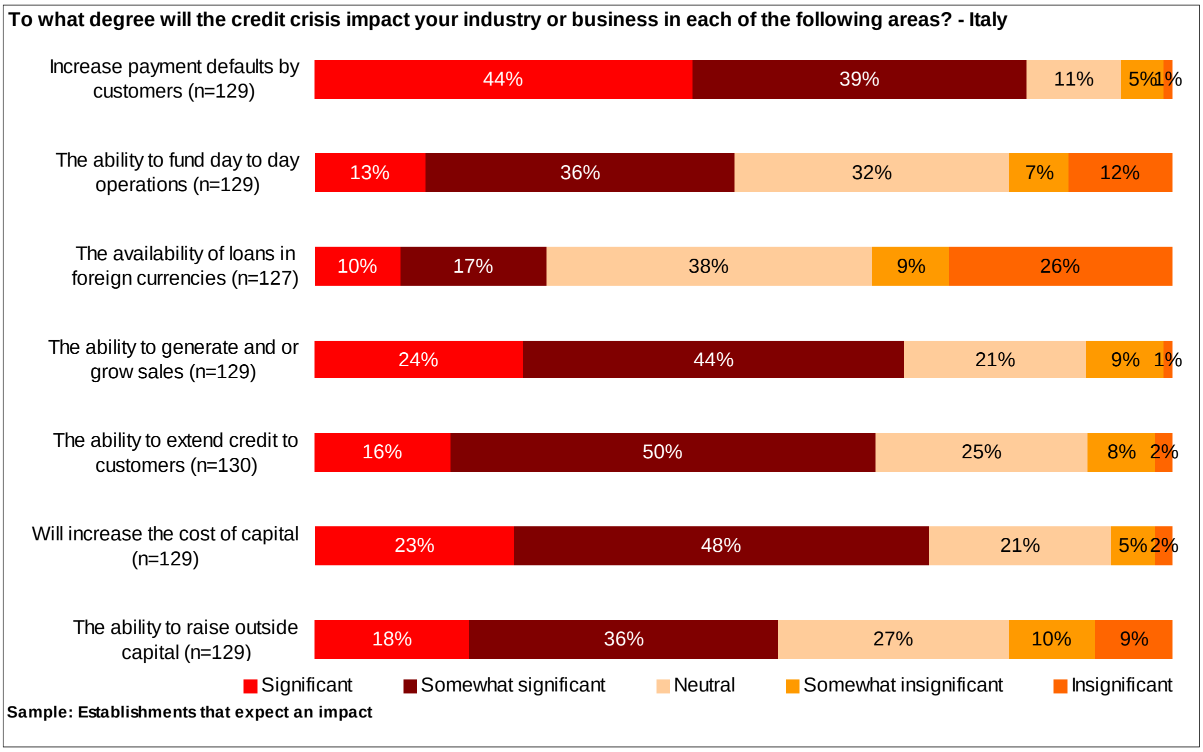


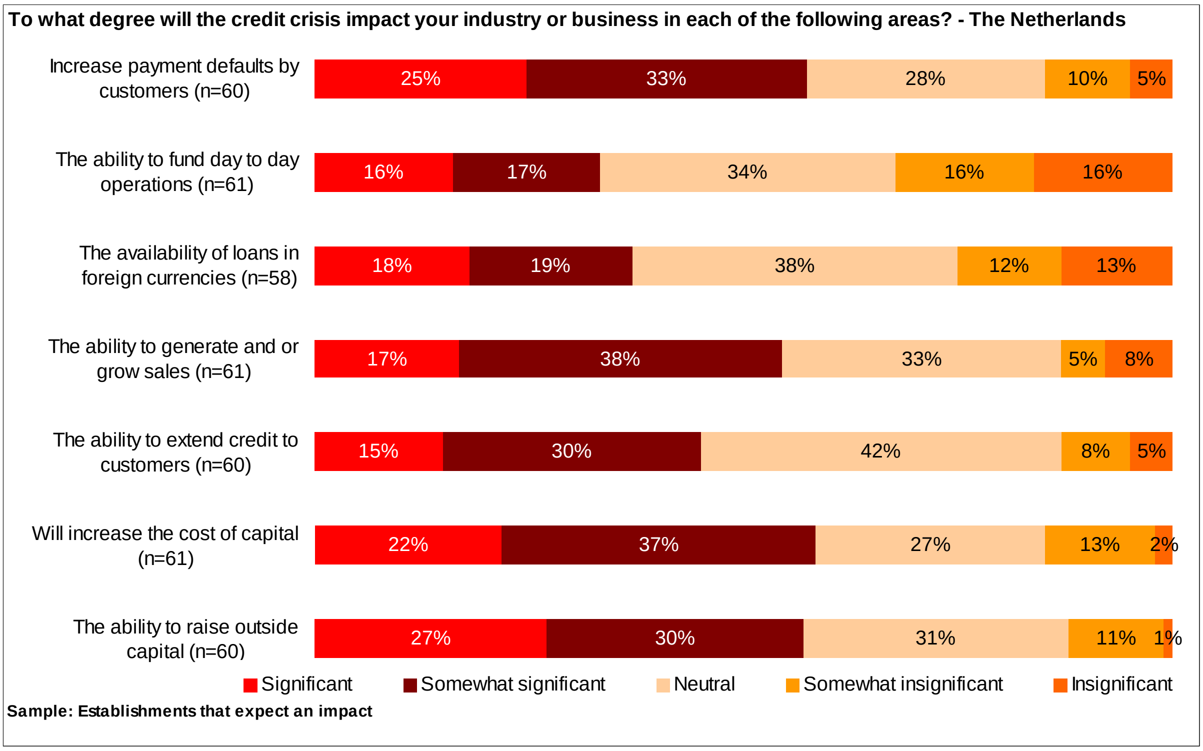
Sample: Establishments that expect an impact

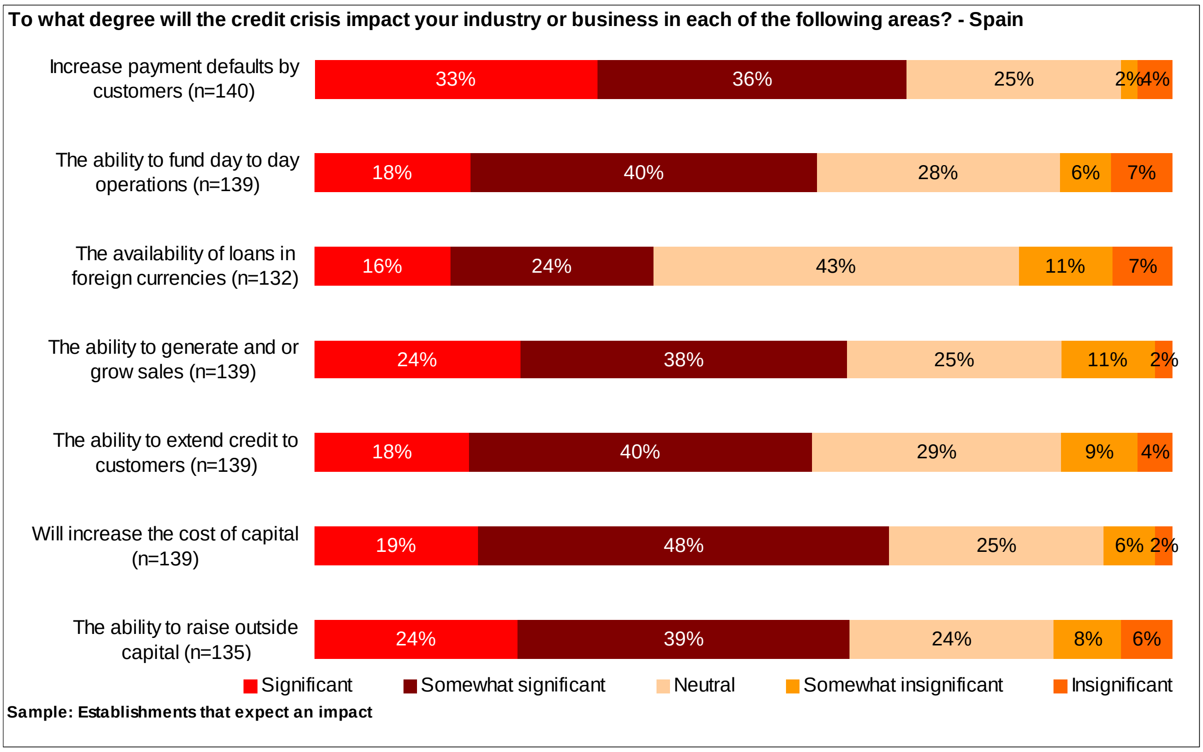
To what degree will the credit crisis impact your industry or business in each of the following areas? - Germany

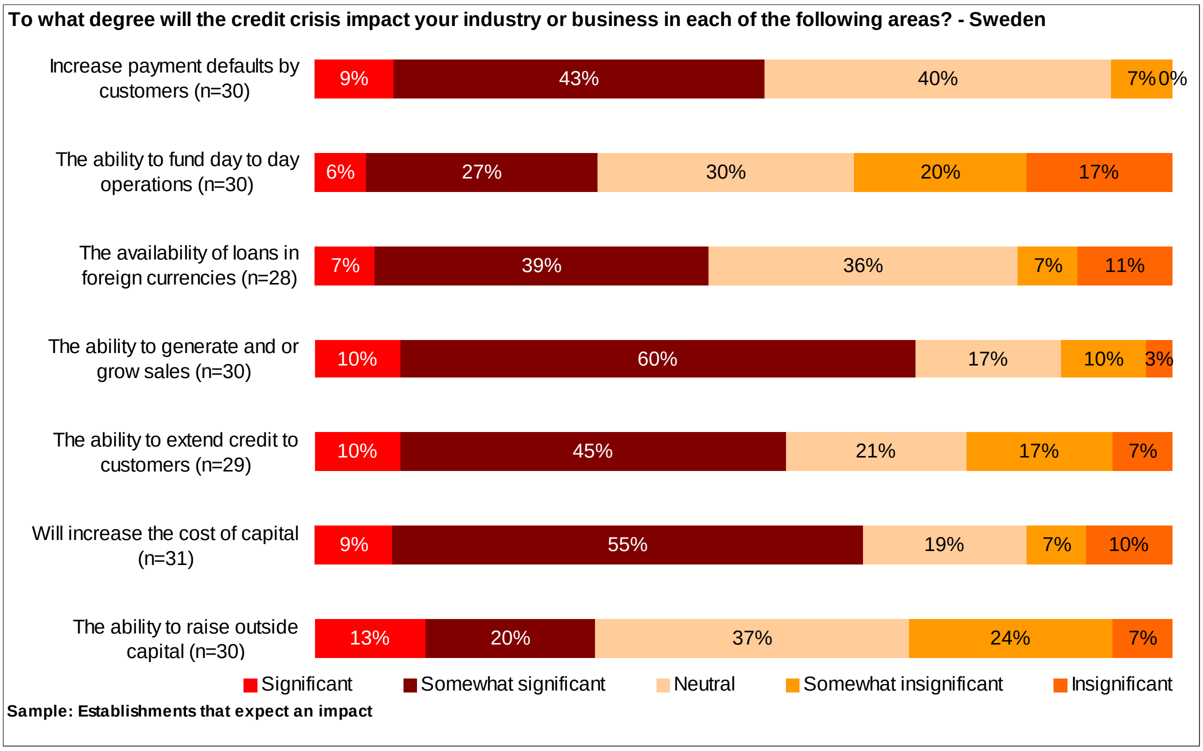


Sample: Establishments that expect an impact

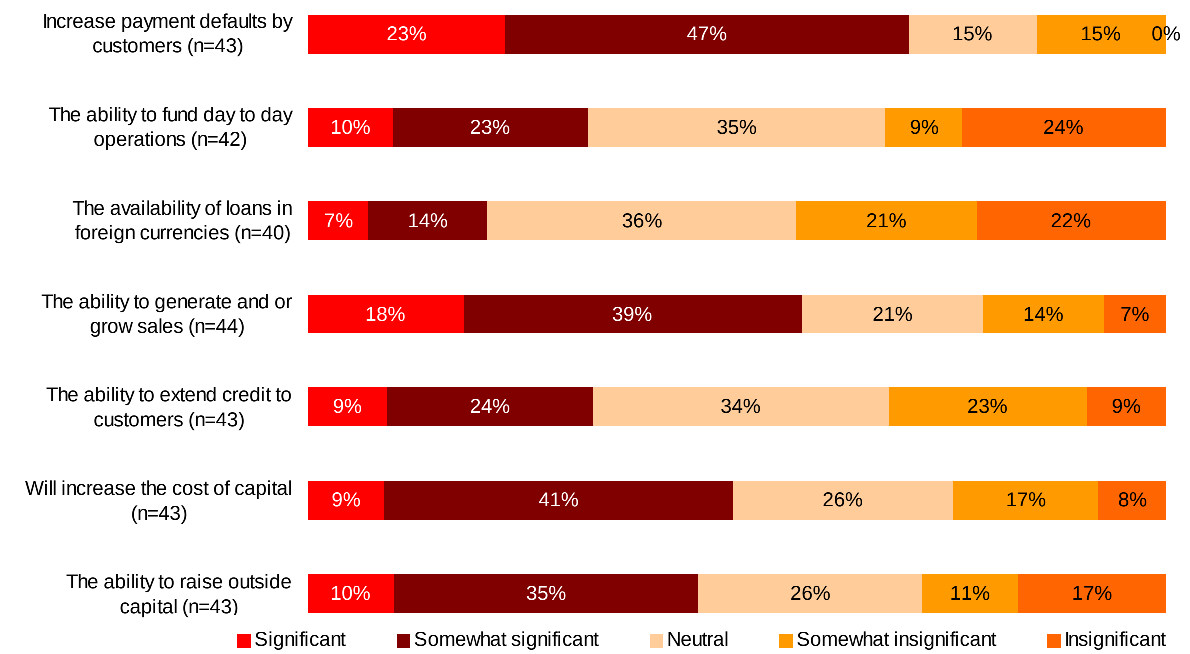

To what degree will the credit crisis impact your industry or business in each of the following areas? - Italy
Increase payment defaults by customers (n=129)
44%
39%
11%
5%
1%
The ability to fund day to day operations (n=129)
13%
36%
32%
7%
12%
The availability of loans in foreign currencies (n=127)
10%
17%
38%
9%
26%
The ability to generate and or grow sales (n=129)
24%
44%
21%
9%
1%
The ability to extend credit to customers (n=130)
16%
50%
25%
8%
2%
Will increase the cost of capital (n=129)
23%
48%
21%
5%
2%
The ability to raise outside capital (n=129)
18%
36%
27%
10%
9%
Significant
Somewhat significant
Neutral
Somewhat insignificant
Insignificant
Sample: Establishments that expect an impact


To what degree will the credit crisis impact your industry or business in each of the following areas? - The Netherlands
Increase payment defaults by customers (n=60)
25%
33%
28%
10%
5%
The ability to fund day to day operations (n=61)
16%
17%
34%
16%
16%
The availability of loans in foreign currencies (n=58)
18%
19%
38%
12%
13%
The ability to generate and or grow sales (n=61)
17%
38%
33%
5%
8%
The ability to extend credit to customers (n=60)
15%
30%
42%
8%
5%
Will increase the cost of capital (n=61)
22%
37%
27%
13%
2%
The ability to raise outside capital (n=60)
27%
30%
31%
11%
1%
Significant
Somewhat significant
Neutral
Somewhat insignificant
Insignificant
Sample: Establishments that expect an impact


To what degree will the credit crisis impact your industry or business in each of the following areas? - Spain
Increase payment defaults by customers (n=140)
33% 36% 25% 2% 4%
The ability to fund day to day operations (n=139)
18% 40% 28% 6% 7%
The availability of loans in foreign currencies (n=132)
16% 24% 43% 11% 7%
The ability to generate and or grow sales (n=139)
24% 38% 25% 11% 2%
The ability to extend credit to customers (n=139)
18% 40% 29% 9% 4%
Will increase the cost of capital (n=139)
19% 48% 25% 6% 2%
The ability to raise outside capital (n=135)
24% 39% 24% 8% 6%
Significant
Somewhat significant
Neutral
Somewhat insignificant
Insignificant
Sample: Establishments that expect an impact

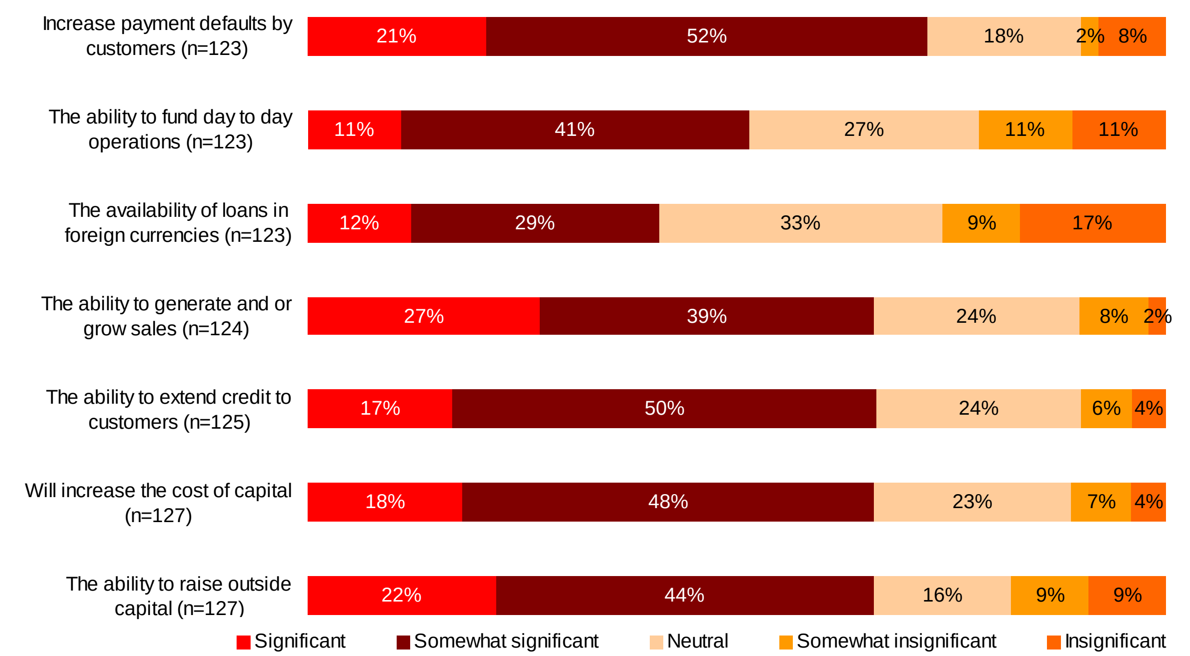

To what degree will the credit crisis impact your industry or business in each of the following areas? - Sweden
Increase payment defaults by customers (n=30)
9% 43% 40% 7% 0%
The ability to fund day to day operations (n=30)
6% 27% 30% 20% 17%
The availability of loans in foreign currencies (n=28)
7% 39% 36% 7% 11%
The ability to generate and or grow sales (n=30)
10% 60% 17% 10% 3%
The ability to extend credit to customers (n=29)
10% 45% 21% 17% 7%
Will increase the cost of capital (n=31)
9% 55% 19% 7% 10%
The ability to raise outside capital (n=30)
13% 20% 37% 24% 7%
Significant
Somewhat significant
Neutral
Somewhat insignificant
Insignificant
Sample: Establishments that expect an impact

To what degree will the credit crisis impact your industry or business in each of the following areas? - Switzerland

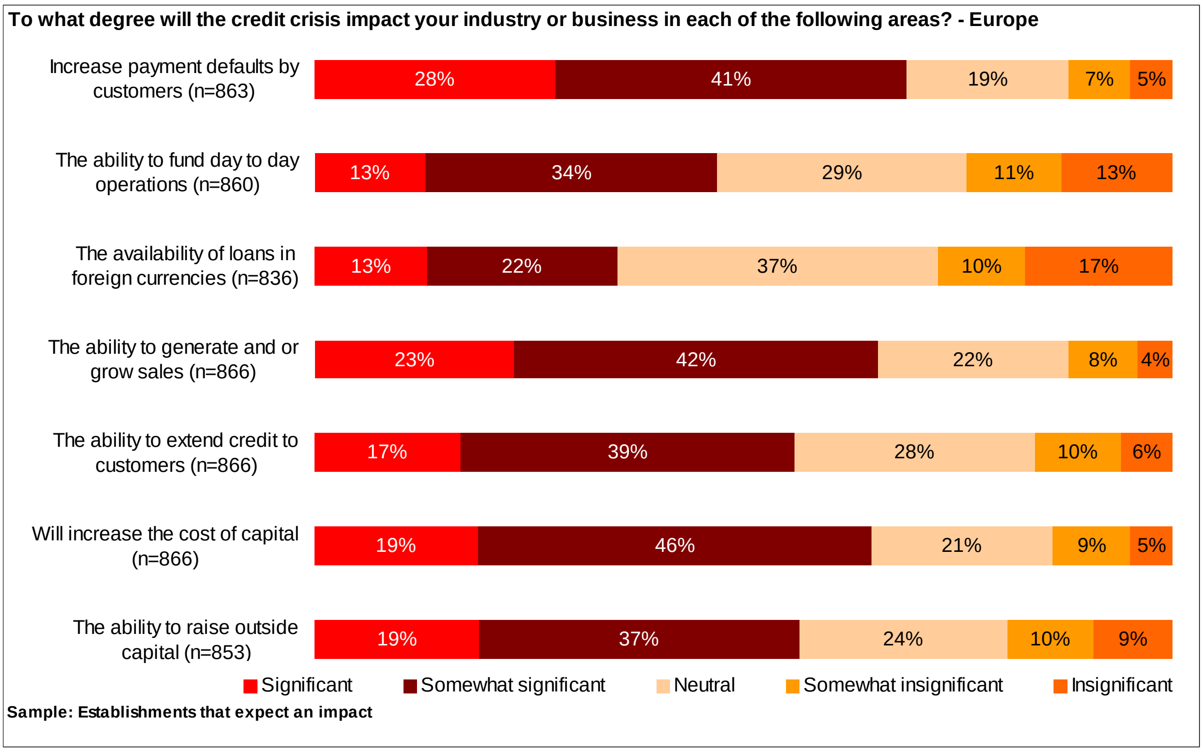


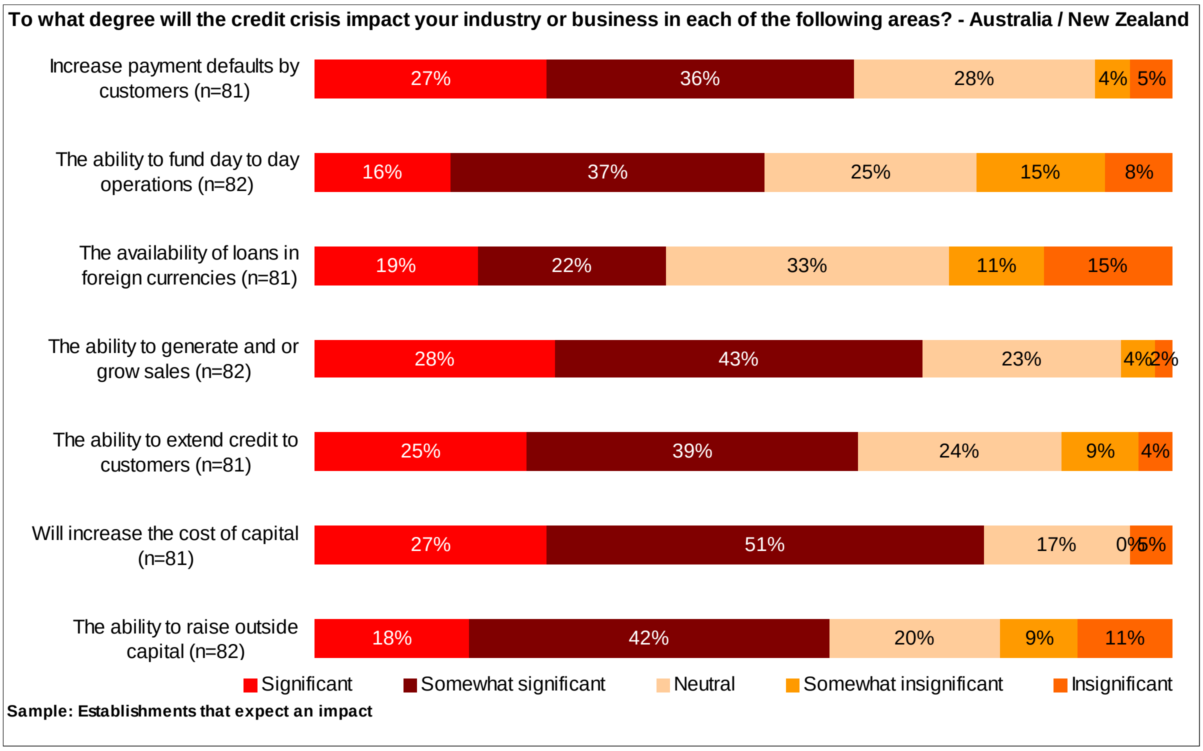
Sample: Establishments that expect an impact

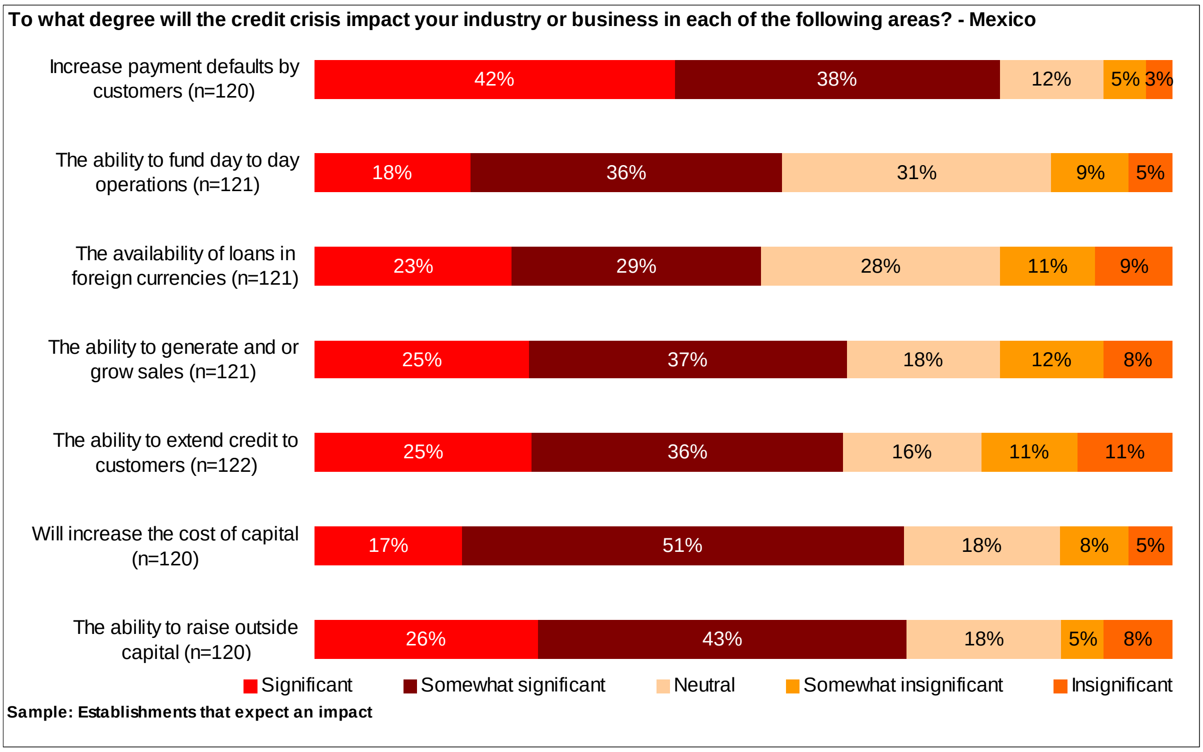
To what degree will the credit crisis impact your industry or business in each of the following areas? - United Kingdom

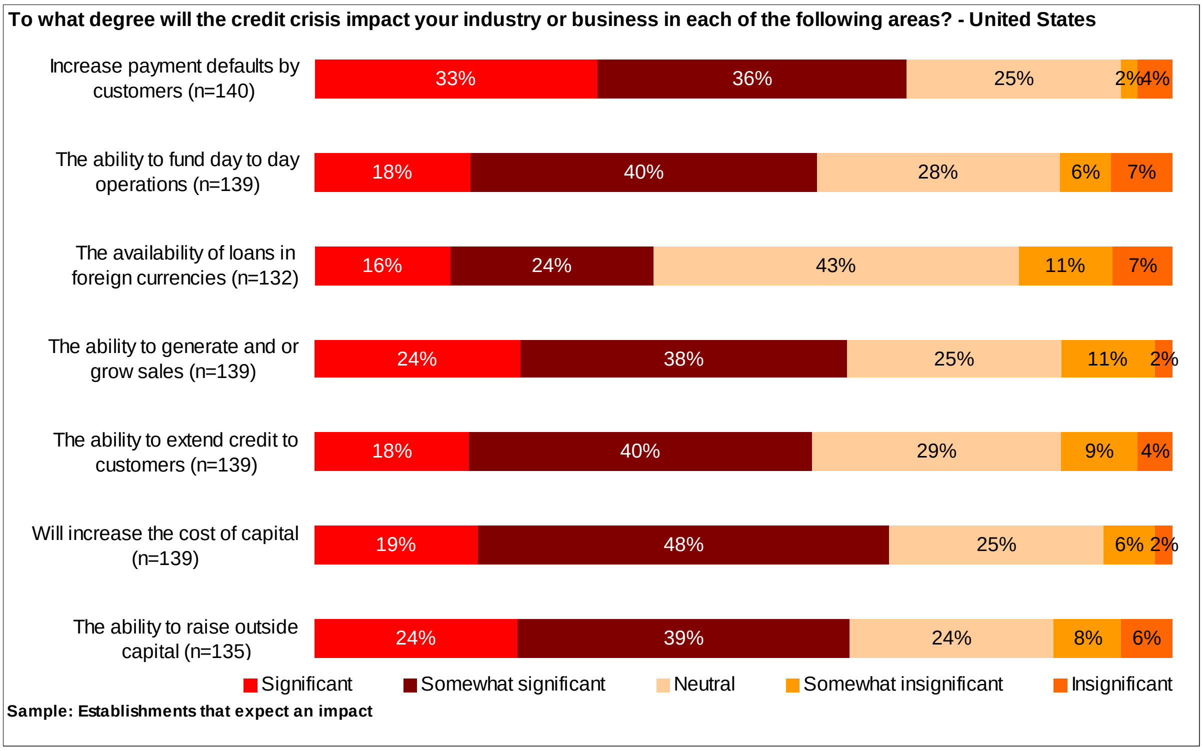


Sample: Establishments that expect an impact


To what degree will the credit crisis impact your industry or business in each of the following areas? - Europe
Increase payment defaults by customers (n=863)
28% 41% 19% 7% 5%
The ability to fund day to day operations (n=860)
13% 34% 29% 11% 13%
The availability of loans in foreign currencies (n=836)
13% 22% 37% 10% 17%
The ability to generate and or grow sales (n=866)
23% 42% 22% 8% 4%
The ability to extend credit to customers (n=866)
17% 39% 28% 10% 6%
Will increase the cost of capital (n=866)
19% 46% 21% 9% 5%
The ability to raise outside capital (n=853)
19% 37% 24% 10% 9%
Significant
Somewhat significant
Neutral
Somewhat insignificant
Insignificant
Sample: Establishments that expect an impact


To what degree will the credit crisis impact your industry or business in each of the following areas? - Australia / New Zealand
Increase payment defaults by customers (n=81)
27% 36% 28% 4% 5%
The ability to fund day to day operations (n=82)
16% 37% 25% 15% 8%
The availability of loans in foreign currencies (n=81)
19% 22% 33% 11% 15%
The ability to generate and or grow sales (n=82)
28% 43% 23% 4% 2%
The ability to extend credit to customers (n=81)
25% 39% 24% 9% 4%
Will increase the cost of capital (n=81)
27% 51% 17% 0% 5%
The ability to raise outside capital (n=82)
18% 42% 20% 9% 11%
Significant
Somewhat significant
Neutral
Somewhat insignificant
Insignificant
Sample: Establishments that expect an impact


To what degree will the credit crisis impact your industry or business in each of the following areas? - Mexico
Increase payment defaults by customers (n=120)
42%
38%
12%
5%
3%
The ability to fund day to day operations (n=121)
18%
36%
31%
9%
5%
The availability of loans in foreign currencies (n=121)
23%
29%
28%
11%
9%
The ability to generate and or grow sales (n=121)
25%
37%
18%
12%
8%
The ability to extend credit to customers (n=122)
25%
36%
16%
11%
11%
Will increase the cost of capital (n=120)
17%
51%
18%
8%
5%
The ability to raise outside capital (n=120)
26%
43%
18%
5%
8%
Significant
Somewhat significant
Neutral
Somewhat insignificant
Insignificant
Sample: Establishments that expect an impact


To what degree will the credit crisis impact your industry or business in each of the following areas? - United States
Increase payment defaults by customers (n=140)
33%
36%
25%
2%
4%
The ability to fund day to day operations (n=139)
18%
40%
28%
6%
7%
The availability of loans in foreign currencies (n=132)
16%
24%
43%
11%
7%
The ability to generate and or grow sales (n=139)
24%
38%
25%
11%
2%
The ability to extend credit to customers (n=139)
18%
40%
29%
9%
4%
Will increase the cost of capital (n=139)
19%
48%
25%
6%
2%
The ability to raise outside capital (n=135)
24%
39%
24%
8%
6%
Significant
Somewhat significant
Neutral
Somewhat insignificant
Insignificant
Sample: Establishments that expect an impact

Appendix D - Country Summaries

Belgium

In general, companies in Belgium responded near the European average in almost all situations. A fairly low percentage of respondents securitize their receivables and therefore tight credit may have a limited impact on their operations from the financing standpoint. They are more likely to be indirectly impacted by customers having credit crisis related problems. This is largely demonstrated by their relatively high expectations that the most significant impact of the credit crisis will be an increase in payment defaults by customers.

Survey responses of Belgian companies:

- 29% have been impacted by the credit crisis – this is at about the European average of 31%.
- Only 11% have direct exposure to sub-prime lending but 28% have indirect exposure.
- Only 13% securitize receivables – average in Europe is 23% - overall average is 25%.
- 62% and 55% have not experienced any tightening of long- and short-term credit markets respectively – these results put Belgium at the European averages of 60% and 56% respectively.
- Belgium's expectations of tightening credit markets are at approximately the same level as Denmark and below the European average.
- 62% of companies have not changed their approach to extending credit – average in Europe is 66% - overall average is 61%.
- 40% of Belgian companies think the central banks are making prudent decisions in their efforts to stimulate credit market liquidity and that the credit crisis should be minimal - only Denmark has a more positive view in this respect.
- While, on average, Belgian responses on the most likely outcomes of the credit crisis fall slightly above the European average, the strongest expectations are that limited intervention by government agencies will be needed, followed fairly closely by expectations of the failure of a small number of financial institutions.
- Again, there is little difference between the expectations of Belgium and European countries, on average, when it comes to slowing national and global economies. 15% anticipate national slowing and 44% both a national and a global economic slowdown as a result of the credit crisis.
- Past and future impact of the credit crisis on business and industry is consistent with the European average.
- In Belgium, tight credit's biggest impact would be to reduce expenses – only Italian companies expressed this opinion more frequently.
- The most likely impacts of the credit crisis on the respondents' businesses or industries are expected to be an increase in payment defaults by customers with 75% of Belgian respondents saying this is a significant or somewhat significant risk – only Italian and Mexican companies were more concerned about this risk.

Denmark

On average, companies in Denmark expect a relatively modest impact on their business as a result of the credit crisis. While responses in Denmark often tracked near the average for Europe, when they did diverge from the average it was normally to the side of less rather than more of an impact. While the response about changes in credit extension practices may suggest that companies are paying less attention than in other markets, most other responses suggest that on average they are paying attention to credit crisis and sub-prime developments. The most indicative example of why companies in Denmark are less inclined to believe the credit crisis will have a significant impact on them probably lies in the low direct exposure to sub-prime and low amount of securitization of receivables. This puts them at a lower risk than countries with higher levels of securitization of receivables and sub-prime exposure.

Survey responses of Danish companies:

- 28% have been impacted by the credit crisis – not far below the European average of 31%.
- Only 6% have direct exposure to sub-prime lending – second lowest overall. 23% have indirect exposure to sub-prime lending third lowest overall – 28% is average for Europe.
- Only 10% securitize receivables – second lowest overall - average in Europe is 23% - overall average is 25%.
- 72% have not experienced any tightening of long- or short-term credit markets – only Sweden's and the Netherlands's responses were lower.
- Denmark's expectations of future tightening of long-term credit markets fall at the median of European countries.
- Only 21% have changed their approach to extending credit – only companies in Sweden have changed their credit approach less - Average in Europe is 34% - overall average is 39%.
- Danish businesses are the most positive about the efforts the central banks have made to stimulate credit market liquidity - 76% believe the central banks are doing enough to stimulate credit market liquidity.
- While the Danish companies feel most strongly that a small number of financial institutions will fail as a result of the credit crisis they stood out in their belief that it is unlikely that one or more significantly large financial institutions will fail.
- Past and future impact of the credit crisis on business and industry is slightly below the average for Europe.
- 28% anticipate a slowdown in the global economy – 46% anticipate a slowdown in both the national and global economies – expectations in Denmark are consistent with the European average.
- The biggest impact of tight credit on businesses in Denmark is expected to be an increase in interest/financing costs.
- The most significant impact of the credit crisis on the respondents' business or industry is expected to be in the ability to generate or grow sales - 72% of respondents said there would be a significant or somewhat significant impact in this area.

France

The French attitude about the credit crisis is often laissez faire. For the most part it has been business as usual in France with little changes in credit practices. Use of receivables securitization in France suggests that there will not be a particularly strong direct impact from the credit crisis, but the indirect impact, like in many other markets, should be more significant resulting in a slowing economy. In this respect the greatest concerns revolve around the ability to grow sales. These concerns along with concerns about rising payment defaults and expectations of the need for government intervention to resolve the credit crisis suggest that while reactions thus far may have been limited, the French are anticipating difficult times on the horizon.

Survey responses of French companies:

- 25% have been impacted by the credit crisis – this is below the European average of 31% with only three other countries having lower impact rates.
- 13% have direct exposure to sub-prime lending, average for Europe, but 34% have indirect exposure which, though not particularly high, is above the average for Europe of 28%.
- 25% securitize receivables – average in Europe is 23% - overall average is 25%.
- 66% have not experienced any tightening of long-term credit markets – while not remarkable, this is higher than the average for Europe of 60%.
- 53% of companies in France expect tightening in the availability of short-term financing and 31% expect long-term credit markets to tighten in 2008 – these are fairly optimistic responses for these categories.
- 74% of companies have not changed their approach to extending credit – average in Europe is 66% - overall average is 61%.
- France's opinions about the efforts made by central banks to stimulate credit market liquidity are not remarkably high or low - 46% think central banks are not doing enough while 36% think the central banks are making prudent decisions in their efforts to stimulate credit market liquidity.
- French companies are quite negative on a soft landing to the credit crisis. After the United States and Italy, France felt most strongly that the market would not resolve the crisis without intervention. Despite this they don't feel strongly that limited or major intervention from government agencies is needed to resolve the crisis. They feel most strongly that a small number of financial institutions will fail.
- For European responses, a relatively high 22% of French companies expect the national economy to slow in 2008. Add an additional 43% who think both the national and global economy will slow and you find that in Europe, only the UK and Spain have stronger opinions of a slowing national economy.
- Past impact of the credit crisis 25% is a little below the 31% average for Europe - future impact on business 48% and industry 51% is consistent with the European average of 48% and 53% respectively.
- In France, tight credit's biggest impact would be to reduce expenses.
- The most likely impacts of the credit crisis on the respondents' business or industry is expected on their ability to generate and/or grow sales - 72% of French respondents say this is a significant or somewhat significant risk. An increase in payment defaults and an increase in the cost of capital – both 66% - were also considered to be fairly significant risks.

Germany

German companies appear to be fairly relaxed about the credit crisis. Despite having higher than average exposure to factors, like securitization of receivables, that might be considered high risk to tightening credit and the credit crisis, German companies maintained an average response rate across most topics. In some ways German companies regard the potential impact of the credit crisis less seriously than other countries. German companies also tend to have the broadest range of potential and expected impacts of the credit crisis and tight credit. This leads to lower result rates for each than were reported in other countries that had more concentrated responses.

Survey responses of German companies:

- 25% have been impacted by the credit crisis – this is below the European average of 31% with only three other countries having lower impact rates.
- Direct exposure to sub-prime lending is a little above average for European countries – indirect exposure is the highest amongst all European countries.
- 31% securitize receivables – average in Europe is 23% - overall average is 25% - in Europe, only companies in the UK and Spain securitize receivables more than German companies.
- There is nothing significant in respect to changes in tightening of credit markets in Germany.
- Expectations of tightening short-term credit markets in 2008 are higher than in all other European countries but the UK and Spain.
- German companies fall near the average for European countries in respect to changing corporate policies relating to credit extension to customers.
- German companies fall near the average for European countries in respect to their opinions of the actions of central banks to stimulate credit market liquidity.
- German companies are the most optimistic that the credit crisis will be resolved without intervention
- Expectations of slowing economies in 2008 fall in line with the average for Europe.
- Past impact of the credit crisis 25% is below the 31% average for Europe - future impact on business 45% and industry 47% is more in line with the European averages of 48% and 53% respectively.
- Unlike most other countries, no one impact of the credit crisis stands out in Germany. A delay in investment in property, plant and equipment 31%, reduced expenses 30%, restricted growth due to a lack of inventory 29%, increased interest/financing costs 28% and restricted growth due to a lack of capital for initiatives 28% can all be considered significant concerns.
- Again multiple concerns had similar response levels when it came to the potential impact they might have on the business of the respondents. The percentage of companies stating that a significant or somewhat significant impact would be felt from an increase in payment defaults by customers 67%, the ability to raise outside capital 72%, the ability to generate and/or grow sales 69% and an increase in the cost of capital 70% are relatively comparable.

Italy

Though Italian companies don't appear to have a particularly high level of exposure to business practices that would result in a direct exposure or impact from the credit crisis and tightening credit markets, they seem to be experiencing a disproportionate impact. In addition, they have a pretty strong concern about its future impact. It is clear that Italy is anticipating an above average fallout from the credit crisis and you would therefore anticipate companies in Italy will take appropriate measures to protect themselves from potential losses. To a certain extent this is already evidenced by the number of companies adapting more conservative credit extension policies.

Survey responses of Italian companies:

- 58% have been impacted by the credit crisis – far more than any other country in Europe where the average is 31% - only the United States 68% and Mexico 60% noted a higher level of impact.
- Exposure to sub-prime lending is about average for European countries.
- 25% securitize receivables – average in Europe is 23% - overall average is 25%.
- No other country in Europe has experienced tightening of credit markets more than Italy – only Mexico has experienced tightening more.
- Expectations of tightening credit markets in 2008 essentially mirror the average for Europe.
- Italian companies are more likely to have changed to a more conservative credit extension policy 45% than companies in any other country surveyed in Europe – the average in Europe is 30%.
- Italian companies are more critical of the efforts made by central banks to stimulate credit market liquidity than companies in any other country - 62% said not enough is being done by central banks to stimulate credit market liquidity - Spain and Australia/New Zealand were next most critical with 52% and 51% respectively.
- Along with the US, Italy is the most negative about the possibility of a soft landing to the credit crisis. The two felt most strongly that the market would not resolve the crisis without intervention - Italian companies also stood out, along with Mexico, in its concern that major intervention on the part of government agencies would be necessary to resolve the credit crisis.
- There is little difference between Italian and European expectations when it comes to slowing national and global economies - 17% anticipate national slowing and 48% both a national and a global economic slowdown as a result of the credit crisis.
- Italian companies have already been impacted by the credit crisis far more than companies in any other European country - the UK and Spain are the only other countries in Europe where the anticipated future impact matches Italy.
- In Italy, tight credit's biggest impact would be to reduce expenses 41% and to increase interest/financing costs 38% - these were the highest response rates for these categories of any country.
- Italian companies feel very strongly that the credit crisis will increase payment defaults by customers 83% - Other areas of particular concern include an increase in the cost of capital 71% and the ability to generate and/or grow sales 68%.

The Netherlands

On average companies in the Netherlands don't anticipate a significant impact on their business or national economy as a result of the credit crisis. Overall, Dutch companies appear relatively unconcerned about the credit crisis. Sweden is the only country from which companies expressed, as frequently, such a low impact and potential impact from the credit crisis. However should there be an impact, expectations are that it will be most significant in the ability to raise outside capital, in the ability to generate or grow sales and through an increase in customer payment defaults.

Survey responses of Dutch companies:

- Only 21% have been impacted by the credit crisis - less than all countries except Sweden.
- Only 12% have direct and 15% have indirect exposure to sub-prime lending.
- Only 14% securitize receivables – average in Europe is 23% - overall average is 25%.
- 78% and 72% have not experienced any tightening of long- and short term credit markets respectively – only in Sweden was there a higher percentage of companies that did not experience any tightening.
- In respect to future tightening of credit markets the Dutch have the lowest expectations of long- and short-term tightening.
- Only 23% have changed their approach to extending credit – average in Europe is 34% - overall average is 39%.
- Only 26% don't believe the central banks are doing enough to stimulate credit market liquidity – only Denmark is more optimistic.
- On average the Dutch are fairly non-committal regarding opinions of potential outcomes of the credit crisis. The Netherlands had the highest percentage of companies of all countries giving a neutral response to all potential outcomes. Like the majority of countries however the Dutch believe the most likely outcomes were that limited intervention on the part of the government would be needed and that a small number of financial institutions would fail.
- 25% anticipate no economic slowdown as a result of the credit crisis – more than all other countries except Sweden. 46% anticipate a slowdown either in only the Netherlands or in both the Netherlands and the global economy – lower than all but Switzerland.
- Past and future impact of the credit crisis on business and industry is lower than all but Sweden.
- In the Netherlands, tight credit's biggest impact would be to increase interest/financing costs.
- The likely impacts of the credit crisis on the respondents' business or industry is expected to be an increase in the cost of capital, in the ability to raise outside capital, through an increase in customer payment defaults and in the ability to generate or grow sales.

Spain

Companies in Spain make use of the financial markets for securitizing their receivables more than almost all other countries. On average, they have already experienced credit crisis related impediments more than most other countries and have therefore felt a greater impact from the credit crisis than most. This impact is expected to grow more so than most other countries as well. Their concerns about growing payment defaults and an increase in the cost of capital are fairly warranted based on these factors and because their economy relies heavily on the building and construction industry, which is expected to slow in 2008.

Survey responses of Spanish companies:

- 44% have been impacted by the credit crisis – third most in Europe where the average is 31% - overall average is 38% - only Italy 58%, the UK 46%, the United States 68% and Mexico 60% noted a higher level of impact.
- Spanish companies share the highest rate of direct exposure 22% to sub-prime lending in Europe with the UK – globally, only Mexico has a higher direct exposure to sub-prime. Indirect exposure of countries in Europe is second only to Germany.
- 38% securitize receivables – more than all other countries except the UK in Europe and Australia/New Zealand - average in Europe is 23% - overall average is 25%.
- In Europe, only Italy 61% has experienced tightening of the availability of financing more than Spain 60% – the average for Europe is about 42% - Mexico 69% is the only other country with a higher experience of tightening.
- Expectations of tightening long-term credit markets in 2008 are higher than in all other countries. Expectations of tightening short-term credit markets are higher than in all other European countries except the UK – Spain is the only country in which long-term tightening is expected by more respondents than tightening of short-term credit markets.
- Spanish companies are more likely to have changed to a more conservative credit extension policy 45% than companies in any other country surveyed in Europe except companies from Italy – the average in Europe is 30%.
- Spanish companies are fairly critical of the efforts made by central banks to stimulate credit market liquidity – only Italian companies are more critical.
- Spain's expectations about the outcome of the credit crisis do not stand out – the strongest responses are for limited intervention by government agencies and the failure of a small number of financial institutions - these opinions are in line with the majority of countries.
- Spanish companies have a relatively high expectation of a slowdown in the national economy 25% (highest) in Europe – second only to the United States overall. Expectations of the national or both the national and global economy slowing are second to the UK in Europe.
- Spanish companies' expectations are amongst the highest when it comes to past and anticipated future impacts of the credit crisis.
- A restriction in growth due to a lack of capital for initiatives 39% is considered to be the most likely impact of tight credit followed by a delay in investment in property, plant and equipment 34%.
- An increase in payment defaults by customers 69% and an increase in the cost of capital 67% are believed to potentially have the most significant impact on companies in Spain.

Sweden

On average, companies in Sweden have experienced the least impact from the credit crisis and anticipate the least impact on their business and national economy as a result of the credit crisis. Swedish companies appear unconcerned about the credit crisis. This may be due to the low level of receivables securitization, the trading practices or the trading partners of the companies surveyed, but all in all Swedish companies expressed the lowest expectations of being impacted by the credit crisis.

Survey responses of Swedish companies:

- Only 7% have been impacted by the credit crisis – far less than all countries.
- Only 2% have direct and 10% have indirect exposure to sub-prime lending - average in Europe is 14% and 28% respectively.
- Only 4% securitize receivables – average in Europe is 23% - overall average is 25%.
- 82% and 86% have not experienced any tightening of long- and short-term credit markets respectively - lowest amount of tightening in survey.
- In respect to future tightening the Swedes virtually match the Dutch with the lowest expectations of long- and short-term tightening
- Only 11% have changed their approach to extending credit – fewest in survey - average in Europe is 34% - overall average is 39%.
- 33% don't believe the central banks are doing enough to stimulate credit market liquidity – relatively optimistic viewpoint with only Denmark and the Netherlands holding more optimistic viewpoints.
- Sweden's responses do not suggest a strong leaning towards any of the potential outcomes of the credit crisis. The only response to strike any type of a chord was that of the failure of a small number of financial institutions.
- 34% anticipate no economic slowdown as a result of the credit crisis – more than all other countries - combining the responses for a slowdown in the national economy as well as those for a slowdown in both the national and global economies, Switzerland and the Netherlands are the only countries with lower expectations of a slowdown in the local economy.
- Past and future impact of the credit crisis on business and industry is lowest of all countries surveyed – only the Netherlands comes close in expected future impact.
- In Sweden, tight credit's biggest impact would be to restrict growth due to a lack of capital for initiatives
- The most significant impacts of the credit crisis on the respondents' business or industry is expected to be in the ability to generate or grow sales - 70% of respondents said there would be a significant or somewhat significant impact in this area – an increase in the cost of capital was also noted by 64% of respondents.

Switzerland

Despite having a strong banking community and the announcement of meaningful sub-prime related losses by at least one of the major Swiss banks, the tone in Switzerland is optimistic about the credit crisis. Despite the prominence of the banking segment there is a low use of securitization of receivables. The housing segment in Switzerland is also fairly regulated and therefore not as exposed to sub-prime. It may be that these factors dominate their perception that the Swiss economy will be one of the stalwarts throughout this crisis.

Survey responses of Swiss companies:

- Only 22% have been impacted by the credit crisis - less than all countries except Sweden and the Netherlands.
- Only 10% have direct exposure to sub-prime lending – below average for Europe - but 35% have indirect exposure – above average for Europe.
- Only 11% securitize receivables – average in Europe is 23% - overall average is 25%.
- Swiss companies are relatively unlikely to have experienced changes in the availability of financing – approximately 70% have experienced no change in the availability of financing.
- A relatively low percentage of Swiss companies expect tightening of long-term credit markets - the percentage that expect short-term credit markets to tighten is close to the average for Europe.
- Only 26% have changed their approach to extending credit – average in Europe is 34% - overall average is 39%.
- 34% don't believe the central banks are doing enough to stimulate credit market liquidity – relatively optimistic viewpoint with only Denmark, Sweden and the Netherlands holding more optimistic viewpoints.
- The Swiss feel most strongly that limited intervention on the part of private or government agencies will be needed to resolve the credit crisis and that a small number of financial institutions will fail.
- 19% anticipate no economic slowdown as a result of the credit crisis – more than all other countries except Sweden and the Netherlands. The Swiss also have low expectations of a slowdown in the national economy. When combining the responses for a slowdown in the national economy with those for a slowdown in both the national and global economies, only the Netherlands has lower expectations of a slowdown in the national economy. .
- Past and future impact of the credit crisis on business and industry most closely resembles that of Denmark – it is below the average for Europe.
- In Switzerland, tight credit's biggest impact would be to delay investment in property, plant and equipment 27% and to reduce expenses 26% - other notable responses include restricting growth due to lack of capital for initiatives 24% and delays in the launch of new products 22%.
- The most significant impact on Swiss companies and industry is likely to be an increase in payment defaults by customers – this was noted by 70% of respondents in Switzerland.

The United Kingdom

Companies in the United Kingdom, on average, have already experienced credit crisis related impediments more than most other countries. They are also anticipating a greater impact from the credit crisis in the future. The countries reliance on the financial and property sectors for a great deal of their growth highlights part of the reason why the UK has the highest direct exposure to sub-prime in Europe. As these industries slow in 2008 there will have to be a significant pickup in other sectors to bolster the economy. This is unlikely and it appears UK companies are bracing for the worst.

Survey responses of UK companies:

- 46% have been impacted by the credit crisis – second most in Europe where the average is 31% - only Italy 58% the United States 68% and Mexico 60% noted a higher level of impact.
- UK companies share the highest rate of direct exposure 22% to sub-prime lending in Europe with Spain – globally, only Mexico has a higher direct exposure to sub-prime.
- 42% securitize receivables – average in Europe is 23% - overall average is 25% - only Australian/New Zealand companies are more inclined to securitize receivables than UK companies.
- On average, 53% of UK companies have experienced tightening of the availability of financing – the average for Europe is about 42%.
- Expectations of tightening short-term credit markets in 2008 is higher than in all other European countries
- UK companies fall near the average for European countries in respect to changing corporate policies relating to credit extension to customers.
- UK companies fall near the average for European countries in respect to their opinions of the actions of central banks to stimulate credit market liquidity.
- UK companies expect the most likely outcome of the credit crisis will be the failure of a small number of financial institutions. This opinion however is in line with the majority of countries.
- UK companies have the highest expectations of slowing economies in 2008 of all European countries – 57% anticipate both a national and global economic slowdown – this was more than every other country except the United States.
- Past impact of the credit crisis 46% is higher than all European countries except Italy – expected future impact on business 62% and industry 67% is higher than all countries in Europe except Italy and Spain.
- A restriction in growth due to a lack of capital for initiatives 34% is considered to be the most likely impact of tight credit.
- 73% of UK companies believe an increase in payment defaults by customers would have the most significant impact on them. However, the ability to generate and/or grow sales 66%, the ability to extend credit to customers 67%, the ability to raise outside capital 66% and an increase in the cost of capital 66% were also fairly significant concerns.

Australia/New Zealand

Companies in Australia and New Zealand appear to be getting thrashed relatively badly by tightening credit markets and the ripple effect of sub-prime lending. They are quite critical of the efforts made thus far to stimulate credit market liquidity largely because of the importance it plays in their business operations. Companies here securitize receivables more than in any other country surveyed. They don't however appear to be doing much about it. There have not been any unusual amounts of change in their credit procedures so it's possible that they are not being critical enough of the potential for an increase in bad debts. We would anticipate that looking forward greater caution will be practiced here to ensure receivables and profitability.

Survey responses of Australian/New Zealand companies:

- 43% have been impacted by the credit crisis – the overall average is 38%.
- Australia/New Zealand have the third highest indirect exposure to sub-prime lending of all countries surveyed.
- 46% of companies in Australia/New Zealand securitize receivables – this is the most of all countries surveyed.
- A little less than half of companies in Australia/New Zealand have experienced tightening of short- or long-term financing – not much higher than the overall average of about 43%.
- Expectations of tightening short-term credit markets in 2008 are relatively high - expectations of long-term credit markets tightening are not quite as high but at 58% only Mexico 64%, the US 70% and Spain 78% are higher.
- Australian/New Zealand companies fall near the overall average in respect to changing corporate policies relating to credit extension to customers.
- Australian/New Zealand companies are fairly critical of the efforts made by central banks to stimulate credit market liquidity – only Italian companies are really more critical – there is no meaningful difference between Australia/New Zealand and Spain.
- Companies in Australia/New Zealand feel more strongly than any other country surveyed that one or more significantly large financial institutions will fail as a result of the credit crisis.
- Only the United States and the UK have higher expectations of both a national and global economic slowdown.
- Although the past impact of the credit crisis is fairly high, expectations of a future impact on the business and industry of companies in Australia/New Zealand is not remarkably high.
- The most notable impact of tight credit in Australia/New Zealand is expected to be a reduction in expenses
- An increase in the cost of capital is expected to be the most significant impact of the credit crisis on businesses in Australia/New Zealand.

Mexico

In general, companies in Mexico are experiencing a more pronounced impact from the credit crisis than companies in the US. While this might be surprising at first glance, if you look at the importance of the US to Mexico's economy – 80% of Mexican exports are sold to the US – you realize the significance of a US slowdown on Mexico. Add their reliance on the financial markets to finance their growth and you get a high risk business environment. More than any other country surveyed, companies in Mexico need to protect themselves against the risks inherent in this credit crisis.

Survey responses of Mexican companies:

- 60% have been impacted by the credit crisis – second only to the United States.
- Mexico has the highest rate of exposure to both direct and indirect sub-prime lending.
- 38% of companies in Mexico securitize receivables – only companies in Australia/New Zealand 46% and the UK 42% are more likely to securitize receivables.
- Mexican companies have experienced the most tightening of financing of all countries – 69% have experienced either moderate or significant tightening in both short- and long-term financing – the average for Europe is about 42% - the overall average is 43%.
- Expectations of tightening short-term credit markets in 2008 are relatively high - expectations of long-term credit markets tightening are not quite as high but at 64% only the US 70% and Spain 78% are higher.
- 52% of companies in Mexico have become more conservative in their extension of credit – this is the most of any country – the 37% that have made no changes is the lowest of any country.
- Almost half 48% of companies in Mexico don't think the Federal Reserve and other central banks are doing enough to stimulate credit market liquidity. This response (fourth most) is consistent with that of the United States.
- Companies in Mexico topped all countries in their belief that both limited intervention on the part of private agencies and major intervention of government agencies will be needed to resolve the credit crisis.
- Mexican companies have a relatively high expectation of a slowdown in the national economy 25% (second highest) and either the national or both the national and global economy (third highest).
- Mexican companies are second only to the United States in their expectations of a future impact on their business and industry as a result of the credit crisis.
- Mexican companies had very high response rates on restricted growth due to a lack of inventory 53% and restricted growth due to a lack of capital for initiatives 50% as the most likely impacts of tight credit.
- An increase in payment defaults by customers is expected to be the most significant impact of the credit crisis on businesses in Mexico.

The United States

As the originating country, expectations of the impact of the credit crisis and sub-prime lending are naturally the highest here. While it is not surprising to see high levels of past and anticipated future impact it is unusual to see that there has been a relatively small impact on the availability of financing, particularly since the respondents from the US were mostly larger companies. (Larger companies tend to be impacted more than smaller companies, particularly in the early stages of a credit crisis) Outside of that, the tendency of US responses to be towards the extreme is in line with what would be expected. We would expect larger companies to take greater precautions than smaller US companies, which could lead to growing insolvencies, particularly among small and mid-sized companies.

Survey responses of US companies:

- 68% have been impacted by the credit crisis – the most of any country.
- Direct exposure to sub-prime lending in the United States is surprisingly very low 9%. However indirect exposure 46% is higher than every country except Mexico.
- 24% of US companies securitize receivables – average in Europe is 23% - overall average is 25%.
- US companies are relatively unlikely to have experienced changes in the availability of financing – approximately 70% have experienced no change in the availability of financing.
- Expectations of tightening short-term credit markets at 92% of companies is far and away the highest level in the survey with the UK at 78% of companies a distant second – the 70% of companies expecting long-term credit market tightening is second only to Spain 78%.
- 50% of companies in the US have become more conservative in their extension of credit – this is the most of any country except Mexico – the 47% that have made no changes is comparatively low (third lowest).
- Almost half 48% of companies in the United States don’t think the Federal Reserve and other central banks are doing enough to stimulate credit market liquidity. This response is consistent with that of Mexico (fourth most).
- US companies have very little confidence in the markets ability to resolve the credit crisis without intervention. They feel fairly strongly that a small number of financial institutions will fail with 27% saying it is likely and 54% saying it is somewhat likely. Both the somewhat likely and combined percentages were the highest of all countries.
- US companies have the highest expectations of slowing economies in 2008 – 88% anticipate either a national or both a national and global economic slowdown.
- The US has experienced the greatest impact from the credit crisis thus far and 90% of US companies surveyed expect an impact on their business and industry in the future.
- Companies in the United States believe that tight credit will most likely impact their clients’ ability to buy their products or services, increase interest/financing costs and reduce expenses.
- The most likely impact of the credit crisis on businesses in the United States would be an increase in payment defaults by customers – an increase in the cost of capital was a close second.

For additional information about this survey or to speak with Atradius about how you can protect your company against payment default risks contact:

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