



# The global economic crisis

## Core results – United Kingdom

Results August 2009

# 1. Impact of economic crisis on business

1.1 Cash sales – 36% of respondents from the United Kingdom have made no change in their use of cash sales during the economic crisis, whereas companies that did make a change in cash sales mostly increased (38% of respondents) rather than decreased (27%) usage. The majority of the countries surveyed have either made no change in or increased their use of cash sales as a result of the economic crisis.

1.2 Sales on credit terms – 37% of respondents from the UK have increased their use of credit sales during the economic crisis, and almost the same percentage of respondents (38%) have made no change. 26% of UK respondents have decreased their credit sales during the economic downturn. This finding is in line with the tendency towards increasing use of credit sales observed in the majority of the countries surveyed.

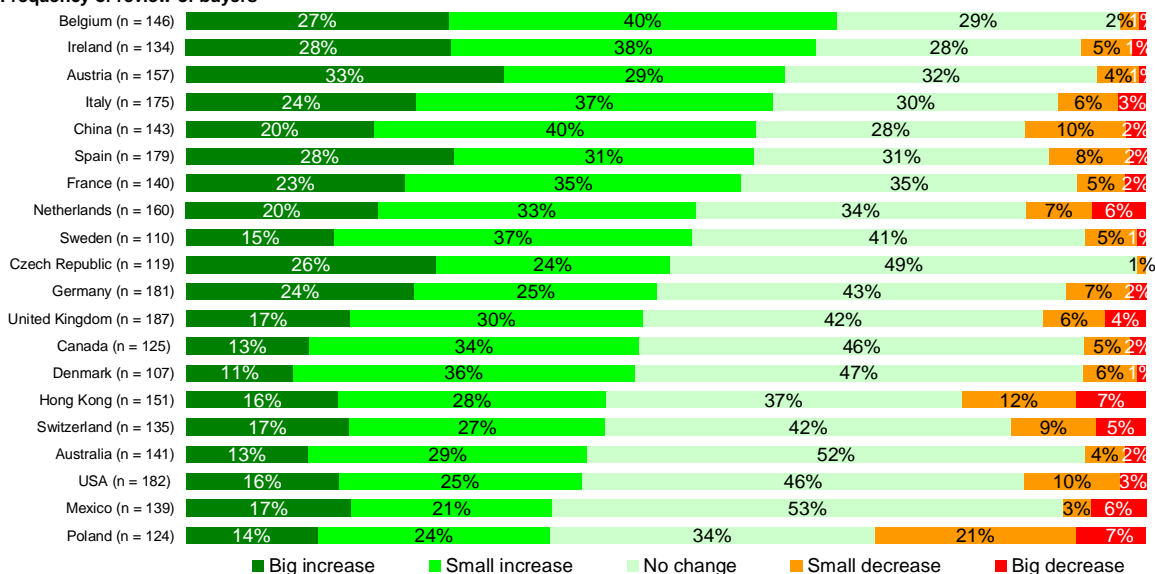
1.3 Number of buyers for whom credit terms have changed - 43% of respondents from the UK have increased the number of buyers for whom they have changed credit terms, and almost the same percentage of respondents (46%) have made no change. Only a relatively small percentage of respondents (12%) have decreased the number of buyers for whom they have changed credit terms. Respondents from all of the countries surveyed, except for Poland, are more inclined to have increased than decreased the number of companies for whom they have changed credit terms.

1.4 Use of outsourced collections services - 49% of respondents from the United Kingdom have made no change in their use of outsourced collections services during the economic crisis. 39% have increased and 12% have decreased their use of outsourced collections services. The observation is consistent across all of the countries in the survey.

1.5 Frequency of buyer reviews - 47% of UK respondents have increased the frequency of their reviews of the creditworthiness of their buyers during the economic crisis, whereas 42% reported no change. Only 10% of respondents from the United Kingdom reported a decrease. The tendency of running more frequent credit checks on buyers during the economic downturn is fairly consistent amongst all 20 countries surveyed.

Extent to which the economic crisis has changed the way business is done, in reference to:

Frequency of review of buyers



Basis: interviewed companies from respective countries  
Source: Heliview Research | Autumn 2009

1.6 Pursuit of new markets or sales channels for products or services - 56% of UK respondents have increased their pursuit of new markets or sales channels for products or services during the economic crisis, whereas 35% have reported no change. With demand in traditional markets expected to be weaker, only a small percentage of respondents from the UK (10%) have decreased their pursuit of new markets or sales channels. More respondents from all of the surveyed countries were inclined to increase their pursuit of new markets or sales channels for products or services during the economic downturn than decrease.

1.7 Focus on customer service - 51% of UK respondents have increased their focus on customer service during the economic crisis, whereas 43% have made no change. In line with the expectation that customer retention is of even greater importance during an economic crisis, only a small percentage of respondents (7%) have decreased their focus on customer service. This finding is consistent with the observations about customer service in all 20 countries.

1.8 Staffing – 42% of respondents from the UK reported no economic crisis motivated change in staffing levels. Companies that have experienced a change in staffing levels reported mostly a decrease (33% of respondents) rather than an increase (25%). Almost all countries surveyed show a general tendency towards no change or a decrease in staffing levels during the economic crisis.

1.9 Use of alternative financing - 53% of respondents from the United Kingdom have made no change in their use of alternative financing during the economic crisis, whereas companies that have changed their use of alternative financing have largely made an increase (34% of respondents) rather than a decrease (12%) in usage. This finding is in line with all 20 countries surveyed, which shows a clear tendency towards no change or an increase in the use of alternative financing during the economic downturn.

## 2. Impact of the economic crisis on the use of risk mitigation instruments

2.1 Credit insurance (whole turnover) - 55% of UK respondents reported no change in their usage of whole turnover credit insurance during the economic crisis, whereas 38% said they are either considering or have begun using it. Only 6% of respondents from companies in the United Kingdom have either scaled back or stopped using this type of insurance. Overall, the majority of respondents in most countries continued their existing practices. For those that have made a change, the general tendency is towards beginning to use whole turnover credit insurance.

2.2 Credit insurance (excess of loss) – An almost similar scenario arises regarding the usage of excess of loss credit insurance coverage: 52% of UK respondents reported no change in their usage of this kind of coverage during the economic crisis, whereas 36% reported that they are either considering or have begun using it. A relatively small percentage of respondents (13%) have either scaled back or stopped using excess of loss credit insurance during the economic crisis. In the majority of countries surveyed, most respondents have made no change in their use of excess of loss credit insurance. If a respondent made a change it was more likely to have been in favour of beginning to use excess of loss credit insurance than to decrease or stop using it.

2.3 Letters of credit – 58% of respondents from the United Kingdom have made no change in their use of letters of credit during the economic crisis, whereas 30% are either considering or have begun using them. 12% of respondents have either scaled back or stopped using letters of credit during the economic crisis. The majority of respondents in almost all of the countries surveyed have made no change in their usage of letters of credit during the economic downturn.

2.4 Credit reports – 57% of respondents from the United Kingdom have made no change in their use of credit reports during the economic crisis, whereas 30% reported they are either considering or have begun using them. Only 13% of respondents have either scaled back or stopped using credit reports during the economic crisis. This finding is in line with the tendency towards no change or beginning to use credit reports observed in all 20 countries surveyed.

2.5 Advance payments – 46% of respondents from the UK have made no change in their use of advance payments during the economic crisis. Almost the same percentage of respondents (44%) are either considering or have begun using them. Only 9% of companies from the United Kingdom have either scaled back or stopped using advance payments during the economic crisis. This finding is in line with the tendency towards no change or beginning to use advance payments observed in all 20 countries surveyed.

2.6 Self insurance - 59% of respondents from the UK have made no change in their use of self insurance during the economic crisis, whereas 31% are either considering or have begun using it. Only 11% of respondents from the United Kingdom have either scaled back or stopped self insuring during the economic crisis. The UK response rate is consistent with those of the majority of countries surveyed showing a strong tendency towards maintaining existing practices but beginning to self insure rather than decreasing or stopping the use of self insurance if a change is deemed necessary.

2.7 Factoring – Though not standing out, respondents from the UK are relatively more inclined than most other markets to begin using factoring. Like in almost every other country surveyed, the majority of respondents (49%) have made no change in their use of factoring during the economic crisis. But 38% are either considering or have begun using it (22% have begun using it). Only 13% of respondents have either scaled back or stopped using factoring during the economic crisis.

## 3. Impact economic crisis on cash flow

When assessing the impact of the following issues on cash flow respondents were not specifically asked whether they have experienced an increase or decrease in the specific issue. This was to allow them to respond more freely to whether they have experienced a change in cash flow. The response about the impact on cash flow does however suggest a certain shift in use of the item in question. For example, a decrease in cash flow would be commonly associated with a reduction in the accessibility of financing while an increase in cash flow would normally be associated with an increase in the availability of financing. In general, an increase in cash flow is more commonly associated with an increase in the all of the items or issues questioned, except for stock/inventory levels, length of time within which customers pay and payment defaults. These three items are more commonly associated with a decrease in cash flow.

**3.1 Accessibility of financing** – 52% of respondents from the United Kingdom have experienced no change in cash flow due to the accessibility of financing during the economic crisis, whereas 29% reported an increase. A decrease in cash flow was reported by 20% of respondents. This finding is in contrast to those of the majority of the countries surveyed, in which, if a change in cash flow due to the accessibility of financing during the economic crisis is experienced, it is more likely to be a decrease than an increase.

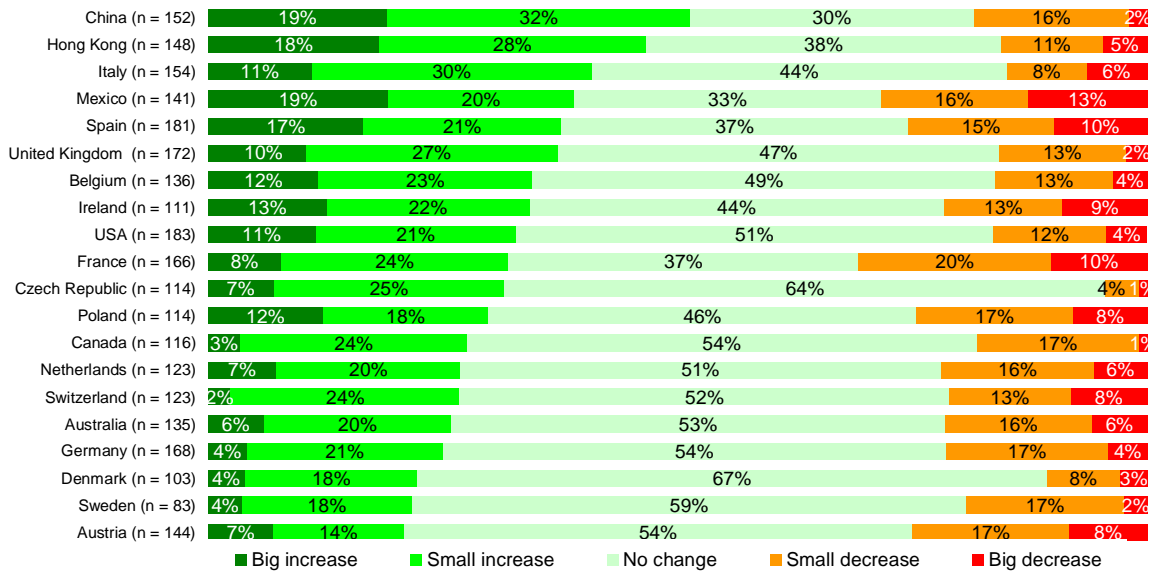
**3.2 Availability of credit insurance on buyers** – 51% of UK respondents reported no change in cash flow due to the availability of credit insurance on buyers during the economic downturn. 30% reported an increase. A relatively small percentage of respondents (19%) have experienced a decrease in cash flow. This finding is in line with the tendency towards no change or an increase in cash flow observed in the majority of the countries surveyed.

**3.3 Availability of credit from suppliers** – 51% of respondents from the UK have experienced no change in cash flow due to the availability of credit from suppliers during the economic crisis. 26% of respondents have enjoyed an increase in cash flow while 23% have suffered a decrease. In a small majority of the 20 countries surveyed a greater number of respondents have experienced a decrease rather than an increase in cash flow as a result of the availability of credit from suppliers.

**3.4 Changes in use of cash sales** – 47% of respondents reported no change in cash flow due to changes in the use of cash sales during the economic crisis. An increase in cash flow was reported by 37% of respondents, whereas 15% reported a decrease. This finding is in line with what was observed in the majority of the countries surveyed.

**3.5 Number of customers** - 35% of respondents from the United Kingdom have experienced no change in cash flow due to the number of customers during the economic crisis. The same percentage of companies reported an increase (fifth highest percentage), whereas 30% reported a decrease. This balanced response is demonstrated in a number of countries, but unlike the UK response, the overall tendency across the 20 countries surveyed is towards a decrease in cash flow due to the number of customers during the economic crisis.

**Extent to which the following factor has impacted cash flow:  
Changes in use of cash sales**



Basis: interviewed companies from respective countries  
Source: Heliview Research | Autumn 2009

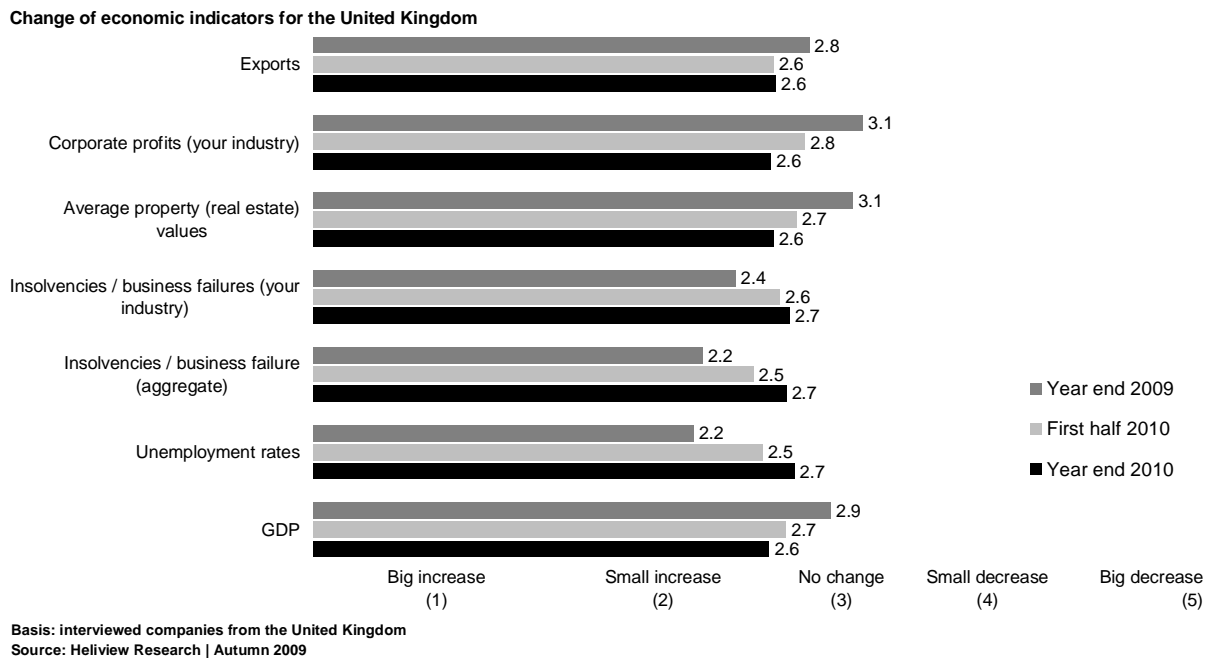
**3.6 Stock/inventory levels** - 40% of UK respondents have experienced no change in cash flow due to stock/inventory levels during the economic crisis. 30% of respondents from companies in the UK have benefitted from an increase in cash flow while 29% have suffered a decrease. While the majority of respondents from most countries have seen no change in cash flow due to stock/inventory levels when a change has occurred, it has more frequently been a decrease in cash flow.

**3.7 Length of time within which customers pay** – 51% of respondents from the UK have seen their cash flow increase as a result of the length of time within which customers have paid their debts. No change in cash flow was reported by 39% of respondents, whereas a relatively small percentage of respondents (11%) reported a decrease. This finding is in line with what has been observed in the majority of the surveyed countries.

**3.8 Payment defaults** – 50% of respondents from the UK have seen an increase in cash flow due to payment defaults during the economic crisis. No change in cash flow was reported by 46% of respondents, whereas only 5% reported a decrease. This finding is consistent with those of the majority of the countries surveyed, which mainly shows an increase in cash flow due to payment defaults during the economic crisis.

## 4. A glance into the future

4.1 Change of economic indicators – The British are fairly optimistic about the future of the country's economy. On average, respondents from the UK predict a flattening of GDP and exports by year end with small improvements beginning in the first half of 2010. A similar trend is anticipated in corporate profits and average property values. Respondents are a little less optimistic about insolvencies and unemployment. The increase in insolvency and unemployment rates are projected to continue, but at a progressively slowing rate over the coming 12 to 18 months.



### 4.2 End of economic crisis

4.2.1 When will the economic crisis end? - Most respondents from the UK (69%) anticipate an end to the economic crisis by year end 2010. This is consistent with most other countries' expectations as well as British expectations about improvement in economic indicators in 2010.

4.2.2 When will business rebound? - Consistent with their expectations about the economic crisis, 69% of respondents from the UK anticipate a rebound in business by year end 2010. This view is shared by most other countries.

4.2.3 Failures of small and mid sized banks and financial institutions – British opinions about failures of small and mid sized banks over the coming months are consistent with those of almost all other countries. 55% of respondents from the United Kingdom expect an increase in failures compared to only 10% that expect a decline.

4.2.4 Failures of large banks and financial institutions – Respondents from the UK are more optimistic about the prospects for large banks and financial institutions than for small and mid sized banks and financial institutions. 39% of respondents from the United Kingdom anticipate an increase in failures of large banks and financial institutions. Despite this positive comparison to small and mid sized financial services companies, in comparison to the responses of other countries, the UK response rate is on the pessimistic side.

4.2.5 Failures of companies in distressed industries – Like almost all of the other countries surveyed the majority of respondents from the United Kingdom (71%) anticipate an increase in failures of companies in distressed industries over the coming months.

4.2.6 Failures of companies in industries that are not distressed – 52% of respondents from the United Kingdom expect failures of companies in industries that are not distressed to increase in the coming months. This is the third highest percentage of the 20 countries surveyed. Only 9% expect failures to decline making The UK one of the least optimistic of the countries in the survey.

4.2.7 Financial stability of your company – Respondents from the UK are some of the most optimistic about the financial stability of their companies of the 20 countries surveyed. 90% of British respondents expect their company's financial condition to stabilize or improve (57% of respondents anticipate stabilization 33% improvement) by year end.

4.2.8 Financial stability of your industry – While slightly less optimistic about the financial stability of their industry than of their own company, respondents from the UK remain some of the most optimistic of the countries surveyed. 81% of respondents either believe the financial stability of their industry will stabilize (52%) or improve (28%).

4.2.9 Financial stability of your customers – Respondents from the United Kingdom are relatively optimistic in their forecasts of the financial stability of their customers. Only 20% of respondents anticipate further deterioration of the financial stability of their customers over the remainder of 2009 (third fewest). 32% anticipate improvement and 47% stabilization. These responses are consistent with the British expectations about the financial stability of their industries.

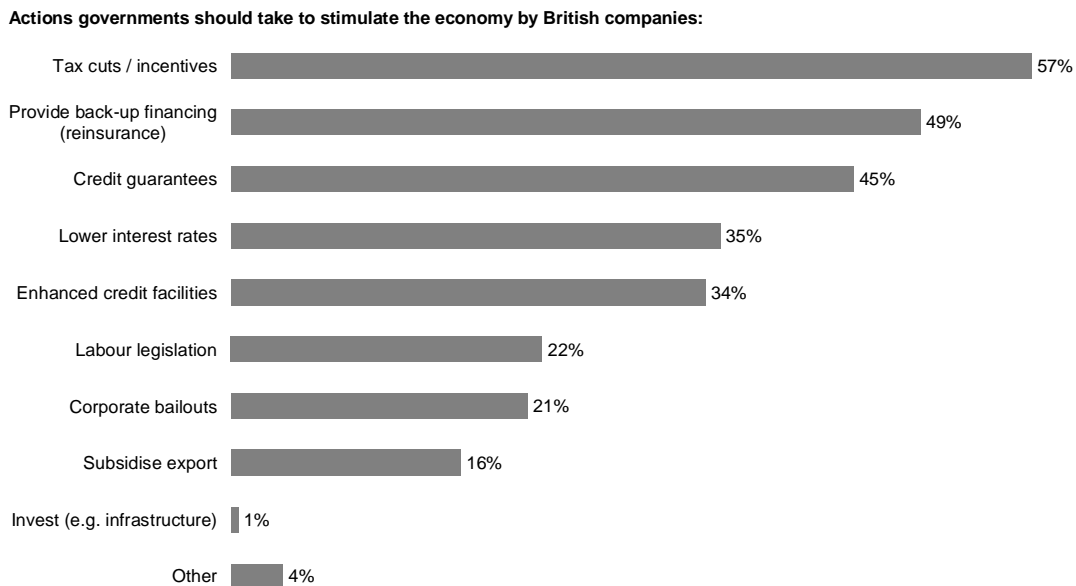
# 5. Government initiatives

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5.1 Are governments doing enough to stimulate the economy? – 26% of respondents from the UK think their government is doing enough to stimulate the economy (fifth most). 48% think the government is making an effort but that the effort has been ineffective (fifth most).

5.2 Impact of government initiatives – 29% of British respondents have used the government’s stimulus programs. Along with Hong Kong, this is the second highest response rate after China’s. 14% said they have enabled them to continue selling products or services on credit and 10% said they have stabilised their status with banks or other sources of financing. 48% of respondents however said that the government’s programmes have had no impact on their company.

5.3 Types of actions governments should take to stimulate the economy – Like in most countries, tax cuts/incentives (57% of respondents) is the most frequently noted action that the government should take to stimulate the economy. However in the UK, this option does not stand out from other actions as prominently as it does in most of the other countries. Other actions considered by more than 30% of respondents include back-up financing or reinsurance (49%), credit guarantees (45%), lower interest rates (45%) and enhanced credit facilities (34%).



Basis: interviewed companies from the United Kingdom (n = 187)  
Source: Heliview Research | Autumn 2009

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