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Asia–Pacific leading Europe in response to global recession, says KPMG International survey

Europe unsure on way forward

Asia-Pacific businesses are using the global recession as an opportunity for major changes to their operations, in anticipation of the emergence of new international markets, while many European businesses are still undecided on how to respond to the recession, a new study from KPMG International has found. “There are a large number of companies in European countries struggling to find a strategy to cope with the downturn”, said László Csaba, Tax Partner at KPMG in Hungary, ex Finance Minister.

Nearly 90 percent of businesses in Japan and 84 percent of businesses in Singapore are planning radical changes to their business models in the next decade. In India the figure is 72 percent and in China it is 66 percent. But among companies in the Czech Republic and the Netherlands, only 20 percent are planning major changes to their businesses, rising to 25 percent in Belgium, 30 percent in Hungary and 42 percent in the UK. The highest proportion in Europe is Ireland, where 63 percent expect radical change.

These figures come from “Never catch a falling knife”, a report of research carried out among over 850 senior decision makers from 29 countries on behalf of KPMG’s Global Tax practice.

Researchers asked business people about their day-to-day experience of the recession, what lessons they are bringing to this recession from their previous experience, and what their plans are for the immediate, and long term future.

“What struck us immediately was the high proportion of people saying that this recession is unique, and there is nothing in their experience to help them. Globally, 15 percent of people took this view. But in Germany and Italy and Hungary the figure was around 40 percent. This suggests that there are a large number of companies in European countries struggling to find a strategy to cope with the downturn,” said László Csaba.

The immediate response from many companies is to cut costs as best they can and wait until markets begin to recover.

According to László Csaba in Europe, many companies are relying on government action to renew their economies, particularly through better regulation of the financial sector. More than a third of

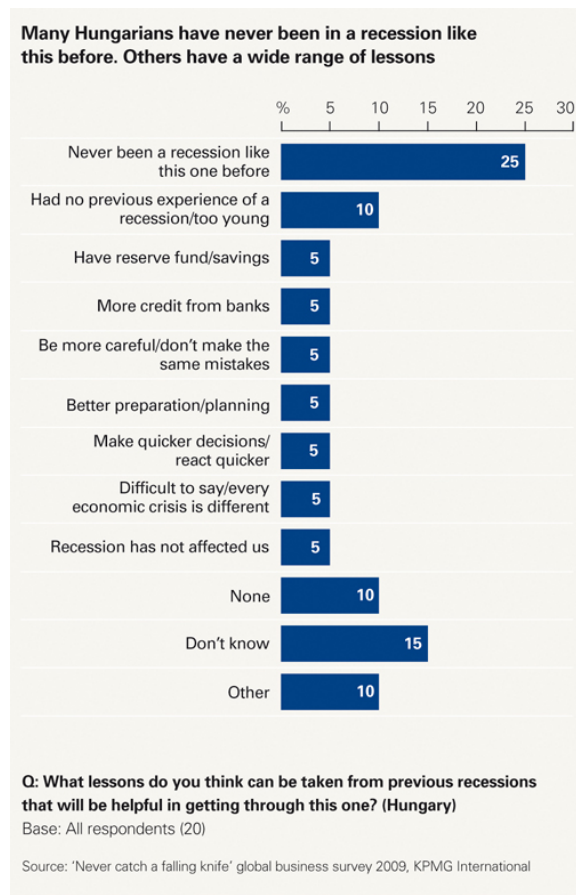
respondents from Luxembourg thought this was a way forward, followed by 28 percent of companies in Spain, 24 percent in the Netherlands and 20 percent in Poland.

But among the Japanese no-one took this view, and in Singapore it was chosen by only eight percent of respondents. The preferred option in these countries is to reduce costs, with the Japanese focusing on better risk management and planning, and many companies from Singapore choosing to ride out the recession through looking after their customers.

“There clearly are companies in Europe planning to adapt to new markets, but the difference in approach between the countries of Europe and those of the Asia Pacific region is marked. Several of the people we spoke to in India, China and Singapore saw today’s problems as nothing new, and simply part of the regular process of renewal and reorganisation that characterises long term economic development” – said Demetrovics Gergely, Tax Partner at KPMG in Hungary.

He added: “One area on which there was a broad consensus is when the world economy will begin to recover. Just over half of companies polled expect a recovery in 2010, with 22 percent saying 2011 and seven percent saying 2012. Only a very pessimistic one percent thought we would still be in recession in 2014.”

Note to editors:



“Never catch a falling knife” is the report of a survey commissioned by KPMG’s Global Tax practice and launched at the 2009 Europe Middle East and Africa Tax Summit in London on June 2-4.

852 senior decision makers were interviewed, representing companies from 29 countries. The companies covered all sectors, and ranged in revenues from US\$250 million, to over US\$ 5 billion.

The Summit is a meeting of KPMG member firms' clients, guests and partners to discuss international business issues with a focus on tax. It is the latest in a series of Tax Summits. Past events have taken place in Lisbon, Barcelona, Mexico City, Beijing, Buenos Aires, Sao Paulo, Singapore and Berlin.

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