



NEWS RELEASE

Contact: Roslyn Whitehurst
Public Relations
714 830 5578
roslyn.whitehurst@experian.com

New Experian Study Analyzes Hurricane Katrina's Effect on Small Business

*Report to track outstanding payable balances of 635,000 hurricane-affected businesses and
chart progress of recovery*

Costa Mesa, Calif., Nov. 1, 2005 – Experian[®], a global information solutions company, today announced results of a new study that examines the effects of Hurricane Katrina on businesses in the Gulf States. The study, based on 635,000 businesses from Experian's business information database, showed that commercial properties in the Gulf States had as much as \$40 billion in payables outstanding at the time Hurricane Katrina struck the region.

Additionally, businesses in the counties and parishes that the Federal Emergency Management Agency (FEMA) declared as the most impacted by the hurricane had an estimated \$7 billion in outstanding balances.

"The hurricane's impact on cash flow and outstanding debt has significant implications for the local economy and for the suppliers depending on that revenue," said Tapan Datta, Experian's global economic advisor, Business Strategies. "Tracking changes in outstanding payables should provide a good barometer of which businesses are recuperating and how quickly the region is likely to recover."

From an industry sector standpoint, the study showed that professional and business services firms were the hardest hit by the disaster and owed the most (\$8.8 billion, or 22 percent of the total). Other industry groups significantly affected were retail trade (\$8 billion, or 20.2 percent), wholesale trade (\$5.9 billion, or 14.7 percent) and construction (\$5.7 billion, or 14.2 percent) businesses.

Industry segment	SIC code range	Outstanding balance %
Professional and business services	70–89	22.02%
Retail trade	52–59	20.16%
Wholesale trade	50–51	14.67%
Construction	15–17	14.20%
Manufacturing	20–39	13.81%
Transportation and public utilities	40–49	6.39%
Agriculture, forestry and fishing	01–09	3.77%
Finance, insurance and real estate	60–67	3.70%
Mining	10–14	0.72%
Public administration	91–97	0.54%

The study also showed that the hurricane affected more small businesses (businesses with fewer than 50 employees) than any other business segment. Experian's trade data, which is aggregated from accounts receivable information provided by more than 4,000 contributors, showed that 72 percent of the outstanding balances were owed by this segment of businesses. Companies with fewer than 50 employees are most vulnerable to any business interruption, and the information from the study suggests that suppliers to these businesses may be affected by this perceived vulnerability. Additionally, Experian's research shows that 31 percent of the outstanding balances were associated with the smallest business segment — those with five or fewer employees.

“Small businesses rely heavily on local customers,” said Dan Meder, senior director of Commercial Credit Solutions for Experian's Business Information Solutions. “The success of small firms in getting back on their feet, and thus able to meet their obligations, will be highly correlated to the ability of the local economy to recover.”

One contributing factor to the risk of repayment for these outstanding balances is the age of the business. Additional data points uncovered by Experian's study indicate that more than 50 percent of the businesses in the area have been established for less than five years and therefore may not have the financial stability to weather the aftermath of this disaster. This information leads to the conclusion that many of these businesses may have the most difficulty getting back on their feet.

However, the study also suggests that construction firms in the area may represent the best hope for recovery. According to Experian's research, 11 percent of the outstanding payables are owed by construction-related businesses. Given the massive rebuilding effort under way, this segment has greater potential for a strong recovery.

In the coming months, Experian will announce updates to this study reporting on the progress of the region and its recovery efforts. Additionally, in late November, Experian plans to publish the complete study, which will provide a detailed analysis of the following areas:

- Outstanding balances in FEMA disaster zone by parish and county
- Outstanding balances by segment SIC code
- Outstanding balances by percentage for businesses ranked by size and number of employees

For more information on Experian's business information, please visit www.experian.com.

About Experian Business Strategies

Business Strategies is a consultancy group with an international team of more than 300 researchers, analysts and consultants generating insight and advice on a wide range of business, marketing and public policy issues.

About Experian

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For more information, visit the company's Web site at www.experian.com.

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