

Rates up, but small businesses still growing

(Australia – 1 May 2008) The latest release of East & Partners' SME Banking Markets report shows that while interest rate increases have undoubtedly affected small to medium size enterprises, demand for lending and enthusiasm for growth remains strong.

The report into banking for Small to Medium enterprises with a turnover of A\$1-20 million shows that one in three businesses have felt the RBA rate rises in the last six months, flow through to their interest rates on loans.

However, SMEs have certainly been prepared for rate rises on their loans with a large proportion still unaffected due to fixed rate products. It seems that despite 12 consecutive interest rate rises in Australia, many businesses still have an appetite to borrow. Over three quarters (77.1 percent) of small businesses are looking to borrow more in the next six months, despite being faced with the potential of higher rates. While this projected borrowing is down on previous years, it still indicates a positive business outlook.

The fact that so many businesses are looking to borrow more, irrespective of rising interest rates, provides a clear sign as to the strength of the domestic economy. Of the businesses planning to borrow, three in every four plan to borrow to satisfy working capital requirements and fund growth.

External factors are, however, a cause for concern among businesses. East & Partners' financial markets analyst, Peter Drennan, said "Our research has found that a major cause for concern for small businesses is their access to credit due to the current credit crunch."

He added "While access to credit could lead to a decrease in borrowings, businesses are still looking to borrow in order to grow".

The banks will look to reap the rewards of ongoing demand for lending, with the NAB being well positioned in the SME segment. Nearly 30 percent of all small businesses think of NAB first when it comes to buying debt products.

East & Partners Pty Ltd

Level 39, 2 Park St Sydney NSW 2000 Australia

p: +61 2 9004 7848 **f:** +61 2 9004 7070

www.east.com.au

ABN: 76 072 374 406

About East & Partners' SME Markets Report

East & Partners' SME Banking Markets Report is a six-monthly research service designed to deliver bank market share, wallet share, customer satisfaction, mind share, engagement and churn analysis for banking products among small to medium enterprises turning over A\$1 to 20 million per annum. The report is based on interviews with a structure sample of 1,500 SME enterprises.

For more information please contact:

Tanya Glazer
Marketing Communications
East & Partners
t: 02-9004 7848
m: 0404 474 446
e: tanya.g@east.com.au