

Debt Demand Now Fragile Even In Middle Markets

(22 August 2011 – Australia) Planned borrowing among middle market Australian corporate businesses over the next 6 months is decreasing as more and more companies report they are unsure about whether or not they will borrow funds, research from East & Partners' latest Corporate Banking Markets report has shown.

East & Partners Corporate Banking report has found that over the last three years there has been a significant drop of 14 percent in the total number of businesses who have planned borrowing in the six months following each round of interviews.

From 70.1 percent in July 2008 down to 56.1 in the latest round of research, corporate businesses are increasingly hesitant when it comes to debt funding their businesses, a trend that has been evident amongst small business for some time now. The proportion of middle market companies reporting that they are unsure if they will conduct any additional borrowing has trebled from 7.9 percent in July 2008 to 24.2 percent in July 2011.

By far the most common application for any additional debt funding given by those companies still looking to borrow remains working capital, with a significant 74.6 percent of companies nominating this as their primary funding application.

"Although SMEs have been showing depressed demand for borrowings for some time now, this has been more a case of these businesses definitely not looking to borrow. To see this middle market segment now developing a real lack of sureness about their near term borrowing plans is concerning as it has been a strong predictor of actual borrowing volumes going forward" commented Paul Dowling, East & Partners' Principal Analyst.

"This is a very important component of Australia's economy. The 11,500 companies in this segment represent 40 percent of total business lending volume and has been the only segment showing signs of growing appetite for credit over the past year," Mr Dowling added.

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About East & Partners' Australian Corporate Banking Markets report

A six monthly analysis of treasury, financial markets, debt, corporate finance & advisory and working capital product engagement by Australian corporate businesses with an annual turnover of A\$20-530 million.

The program provides market share analyses by primary and secondary banker, weighted share of wallet, share of customer mind and panel positioning. Also monitored are corporate borrowing expectations, individual and market wide importance ratings for product and relationship banking attribute, including individual bank Relationship Manager performance, together with bank-by-bank satisfaction ratings.

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