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Media Release

Top 500 plan to slow borrowings

(26 November 2012 – Australia) Large Australian corporates have indicated significantly lower borrowing intentions over the next six months, according to new research from leading industry analysts East & Partners, following a period of sustained demand as lenders have chased high quality credits.

East's most recent survey of the banking and borrowing intentions of Australia's Top 500 corporates shows that the percentage of respondents reporting no planned borrowings in the next six months is at 45.8 percent, up from 39.9 percent in the previous survey in April this year.

At the same time, the number of Top 500 corporates reporting a planned increase in borrowings fell to 40.2 percent from 42.4 percent in the six month period.

Over the last two years, the Top 500 have shown a wide swing in borrowing intentions, from a low of 35.8 percent in October 2010 to a high of 55.2 percent in April 2011.

One of the main reasons for this is a decline in the need for refinancing, which has fallen from 34 percent in October 2010 to just 20.2 percent in October this year.

The Top 500 report reveals the two biggest reasons for borrowing are balance sheet/capital management and working capital needs (34.8 percent and 37.1 percent respectively).

Reasons for Planned Borrowing	% of Total	
	October 2010 (N: 162)	October 2012 (N: 178)
Working capital to fund growth	22.2	37.1
Balance sheet / capital management needs	43.2	34.8
Capital expenditure	8.6	22.5
Business acquisition	7.4	21.9
Refinancing	34.0	20.2
Special development projects	3.7	5.6
Release capital / equity from the business	1.2	1.1
Other	6.2	2.2

Note: sums to over 100 percent due to multiple responding
Source: East & Partners Australian Institutional Banking Markets Report — October 2012

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Lachlan Colquhoun, Head of Markets Analysis at East & Partners commented: "The research reflects a return to some caution from institutional borrowers on issues such as increased leverage and growth. It has been a rollercoaster over the last few years and while, at some points, it has seemed that the world was out of the woods an air of caution would seem to have returned. In Australia, this is largely driven by uncertainty over Chinese growth and the sustainability of the resources boom.

"Given the anaemic credit demand among SME and micro businesses which East is seeing in its other research programs, any slowdown in borrowings from institutions must be a concern for issues of confidence and growth in the wider economy. If these intentions are to flow through, growth could be problematic in 2013."

About East & Partners' Australian Institutional Banking Markets report

East & Partners' Institutional Banking Markets report is a six-monthly research service delivering market share, wallet share, customer satisfaction, mind share, customer engagement and churn analysis for banking products among institutional enterprises turning over A$530 million + per annum. The report is based on direct interviews with the top 500 businesses in Australia.

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