

Commercial Enterprises Reveal Appetite for Debt

(Sydney – 24th August 2003) Businesses in Australia's commercial sector are showing an increasing appetite for purchasing debt products from their banks and this trend is set to expand even further in 2004, according to banking research and analyst firm East & Partners.

East's latest 'Australian Commercial Treasury Banking Markets' survey reveals take-up of debt products by enterprises in the A\$20 – 100 million turnover market segment has escalated rapidly over the past 12 months.

Usage of 'Overdraft Facilities' jumped from 80.6 percent in the survey conducted in July 2002 to 84.8 percent in the latest results – an increase of almost six percent.

Take-up of 'A\$ Term Loans' has increased more dramatically over the past 12 months with 66.5 percent of the commercial sector saying they use these products compared with 61.9 percent a year ago – a 7.5 percent growth.

Indicating that much of the business carried out in the commercial sector occurs within Australia, usage of 'Foreign Currency Term Loans' has increased relatively marginally, from 11.2 percent in July 2002 to 12.8 percent in the latest survey.

"Commercial enterprises' growing appetite for debt products is very good news for Australia's major banks," East & Partners principal analyst Paul Dowling said.

"If Australia's housing market starts to soften, as many analysts are predicting, demand for business debt will go a long way to replacing softer demand for housing debt from the retail markets.

"Commercial businesses are already lifting their demand for Overdraft and A\$ Term Lending products. We see this trend continuing well into 2004 in response to historically low levels of capital expenditure from the sector, conservative gearing, and low interest rates," Mr Dowling said.

"Increasingly the power house of the Australian economy, these middle market businesses are looking to catch up their historically low levels of debt consumption in a competitive, low interest rate environment."

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