

Media Release

SMEs lacking interest in trade finance, report finds

(22 September 2004 – Australia) Less than 16 percent of Australian small to medium enterprises are engaging trade finance products and services despite banks' renewed efforts to sell to the segment, new research from East & Partners has found.

East's Trade Finance Markets report shows only 15.6 percent of SMEs (businesses turning over between A\$5 to 20 million) are currently using banks' trade finance offerings and that almost 40 percent of these are unsatisfied with the service they are currently receiving.

SMEs in the manufacturing, retail, services and building and construction sectors are the major users of trade finance product and services with uptake very low in the rest of the market.

The Big Four domestic majors hold the lion's share of SME banking relationships but do not always own their customers' trade finance business.

For example, Commonwealth Bank is principal transaction banker to 20.9 percent of SMEs interviewed for this program but only 5.5 percent of SMEs with trade finance needs use the CBA's services. Citigroup, on the other hand, has more trade finance customers among the SME segment than it does transaction banking ones.

In the corporate and commercial segments, National Australia Bank, ANZ, Westpac and HSBC are the clear leaders in terms of primary trade finance relationships. ANZ is the standout trade banker among Top 500 companies. Citigroup is also holding onto its position as a major trade finance banker to both market segments.

"Trade finance is back on the agenda for many of the banks and they're working hard to improve their performance in this area, particularly in light of the recently signed US-Australia free trade agreement," East & Partners principal analyst Paul Dowling said.

"The generally low interest in trade finance from Australia's SMEs reflects the fact that most small business activity is focussed on the domestic market. SMEs are also suspicious of banks coming to them with new product and service offerings after being ignored for so long," he said.

"The challenge for banks is to work closely with SMEs, help them develop their business, which could in turn lead to opportunities where trade finance services are required," Mr Dowling said.

Forecast SME Churn in Trade Finance

% of SME Customers Likely to Look at a Change in Trade Financier in the Next 12 Months

Very Likely	17.6
Possibly	22.2
Unlikely	38.9
Definitely No Plans	12.0
Not Sure / Don't Know	9.3

East & Partners Trade Finance Markets Report – August 2004

Expected Churn in Trade Financier

% of Customers Likely to Look at a Change in Trade Financier in the Next 12 Months

	Commercial Market		Corporate Market	
	August 2004	February 2004	August 2004	February 2004
Very Likely	13.4	12.0	7.9	8.8
Possibly	22.3	19.5	19.3	14.8
Unlikely	25.5	23.6	43.3	45.0
Definitely No Plans	35.9	41.4	28.8	30.6
Not Sure / Don't Know	2.9	3.5	0.7	0.8

East & Partners Trade Finance Markets Report – August 2004

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