

## SMEs' interest rates on the rise

(23 April 2009 – Australia) An extraordinary 68.8 percent of SME companies said they experienced an increase in their loan interest rate over the last six months according to East & Partners' latest SME Banking report for April 2009. Conversely, during the same six month timeframe, no SME interviewed reported a decreased lending rate.

The number of SMEs reporting an interest rate increase in East's latest SME report is over double the number that reported an increase twelve months ago and has occurred despite a series of unprecedented rate cuts by the Reserve Bank of Australia.

"The bottom line is that funding is becoming more expensive for SME business bank customers despite a backdrop of central rate decreases and federal government rhetoric insisting that rate cuts be passed on to the customer." Peter Drennan, East & Partners' Financial Markets Analyst, said.

The cost of credit, along with general confidence levels in the economy, is clearly having an impact on SME's borrowing intentions at a time when the government is trying to stimulate the economy. The latest report shows that only 51.1 percent of SMEs are now looking to borrow in the next six months, a sharp decline from twelve months ago when 77.1 percent of SMEs were looking to borrow.

"The significance in the fall in SME borrowing intentions lies in the fact that the vast majority of these borrowings are used to fund business growth. Clearly, if intended borrowings are on the decline then growth is not possible for these businesses", Mr Drennan commented.

"For their part, SME businesses are watching with interest to see how their banks will react to both the political pressure on banks and the growing dissatisfaction amongst businesses from the small end of town. Many of these businesses are hoping these influences will soon bring about a change to funding conditions", Mr Drennan concluded.

### 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](http://www.east.com.au)

ABN: 76 072 374 406

### **About East & Partners' SME Banking Markets Program**

East & Partners' SME Banking Markets Report is an ongoing 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 structured sample of 1500 SME enterprises.

For more information, please contact:

Peter Drennan  
Financial Markets Analyst  
East & Partners  
t: 02 9004 7848  
m: 0433 437 321  
e: [peter.d@east.com.au](mailto:peter.d@east.com.au)