

Debt a tough proposition in Asia

(4 June 2009 – Asia) Asia's biggest institutions are finding that obtaining debt in the current market is a tough proposition, with debt covenants and security requirements weighing heavily on banking relationships, according to East & Partners latest research report.

While big businesses are still able to obtain debt from their banks, they are being imposed with restrictions on their businesses and are required to bring more security to the table in order to secure debt.

East & Partners' May 2009 Asian Institutional Transaction Banking Markets research into the banking relationships of big business in Asia shows that the key transaction banking relationship has been overrun by the difficulties in securing debt.

At 43.8 percent, nearly half of all big businesses in Asia want just one thing more than anything from their transaction bank. That is, to relax debt covenants & security requirements that have become prominent since the global financial crisis set in. To put this in context, just one year ago, no institution at all had this issue top of mind.

East & Partners financial markets analyst, Peter Drennan, said "the increase in debt covenants and security requirements reflects the experiences in Australia. While debt may be generally available, banks have become more risk averse and are loading debt facilities with onerous requirements".

"While interest rates might be falling, debt covenants and added security requirements are adding to the overall cost of debt, even for big businesses", Mr Drennan added.

The extent of the problem that increased debt requirements are causing comes through in how institutions rate some of their key banking products.

Liquidity Management and Short Term Debt are now rated as the key products in transaction banking, indicating that institutions are most concerned with being able to fund their ongoing operations.

"There are clear opportunities to stand out from the crowd and understand what businesses are really looking for in obtaining debt", Mr Drennan said.

"Satisfaction ratings for banks in these two key debt products have fallen over the last six months, indicating that there is a clear gap between what institutions require and what banks are willing to offer", Mr Drennan added.

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About East & Partners' Asian Institutional Transaction Banking Markets Program

East & Partners' Asian Institutional Transaction Banking Markets Report is an ongoing six-monthly research service designed to deliver accurate market intelligence on Asia's Institutional transaction banking markets. The report provides a range of relevant analytics including clear measures of competitive market share, customer churn and mind share. It also includes extensive analysis of product and service satisfaction.

The report is based on interviews with the Top 100 companies by revenue in each of the following markets: Singapore, Hong Kong, Malaysia, India, Indonesia, Philippines, South Korea, Taiwan, Thailand and China.

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