

## Corporate borrowing intentions fall sharply

(30 July 2009 – Australia) East & Partners' latest Corporate Banking Markets Report shows a major decline in planned borrowing intentions amongst Australian Corporates.

In July 2009, just over half of all Corporates (businesses turning over between A\$20 and A\$340 million per annum) said they plan to borrow in the next six months. This is in stark contrast to the 77.6 percent of Corporates that said they were planning to borrow in January 2009. As a result, the number of businesses firmly saying they will not be borrowing over the next six months has sharply risen.

"There appears to be two dynamics currently in play that are significantly affecting planned borrowing intentions amongst Australian Corporates. The cost and availability of debt coupled with the backdrop of the current economic environment are resulting in the change of business borrowing behaviour" said East & Partners' head of market analysis Robert Morgan.

"The fall in borrowing intentions is particularly concerning at a time when the economy needs as much of a stimulus as possible. One of the main reasons businesses look to borrow is to fund growth so a fall in borrowing intentions would suggest that growth aspirations have been temporarily curtailed," Mr Morgan added.

The upside for the banks is that their business customers in the Corporate segment continue to get stickier with churn intentions falling dramatically. Back in July 2008, just under half of all Corporates reported the likelihood of changing their bank as being unlikely or definitely not. However, in East's latest report an incredible 83.4 percent now say it is unlikely or highly unlikely that they will change their primary banker in the next six months.

"As funding conditions have become more difficult, businesses are looking to stick with their current provider. In part, this is due to businesses hoping that their existing relationship will help their quest to secure funding. This obviously presents a real opportunity for the banks to get closer to their business customers and, over the long term, ensure these relationships become more profitable to them," Mr Morgan concluded.

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## About East & Partners' Corporate Banking Markets Report

East & Partners Corporate Banking Markets Report is an ongoing six-monthly research service designed to deliver a range of analytics including bank market share, customer satisfaction, mind share, engagement and appetite for debt, balance sheet and treasury products among companies turning over A\$20 to 340 million per annum. Each report is based on direct interviews with a structured, natural sample of +/- 880 Corporate businesses.

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