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Media Release

‘Peripheral’ mining services driving demand for credit

(3 July 2012 – Australia) The resource states of Western Australia and Queensland have increased their share of overall business lending balances by a substantive amount and now account for 13.2 percent and 19.7 percent respectively of total business loan balances, new research from East & Partners has shown.

While the major banks have traditionally avoided large, mono-line lending to the big resource houses, these new numbers show that the mining services companies and those supplying the mining houses, are borrowing large sums from their banks. The demand for credit from these companies, often SME’s, is a complete contrast to their peer group which is currently showing very low, and decreasing levels of credit demand.

These low borrowing intentions among non mining/resources companies (6.1 percent of all businesses have planned new borrowings in the next six months) have coincided with further declines in forecast gearing ratios.

Further highlights of the report include:

- Business Deposit/Lending Volumes by Segment
- Term vs On Call Deposits Volumes by Segment
- Term Deposit Tenures
- Business Churn Levels in On Call Deposits by Segment
- Business Deposit Balances/Business Lending Balances – Major Banks
- Total Deposit/Total Lending Market Share – Major Banks
- Lending and Deposit Ratios

East & Partners’ Head of Client Development David Brown commented, “East has identified this rapid growth occurring in both Queensland and Western Australian Micro and SME businesses, which really started in late 2009. Initially beginning with business very directly connected to the resources “boom”, we have seen a significant “trickle through” effect into a wider and wider hinterland of businesses around the resource and mining sector in both states.”

“Without this broadly based growth story surrounding resources, demand for business credit nationally would be even flatter than it is. Based on borrowing intentions from suppliers to the mining houses, especially SMEs, we see this appetite for debt funded engagement with the “boom” continuing at the lower end of the business market”, Mr Brown added.

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About East & Partners' Deposit Funding & Debt Index

A monthly analysis across Australia's total business and consumer deposit and lending markets, based on data sourced from APRA. The ADI data is overlayed with a set of demand-side analyses based on East & Partners' continuous whole-of-market customer research programs to produce the Index's set of ratio indicators. The Index focuses on critical market measures including business versus retail deposit volume ratios, the ratio of deposit versus lending by bank by market segment, deposit market share and the total market deposit funding index.

Also reported each month are unique segmentations based on depositor size and, importantly given BASEL III's impact, the Index also splits On Call and HYOD deposit volumes by segment from Term Deposits across 3, 6 and 12 month tenures – hot and sticky deposit business flows, tied versus free deposit balances, deposit churn forecasts and rate triggers for depositor switching.

Note: Business Depositor Segments:
› Institutional – A$530 million plus
› Corporate – A$20-530 million
› SME – A$5-20 million
› Micro – A$1-5 million

For more information or for further interview based insights from East & Partners on this DFDI Index, please contact:

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