

# Trigger rates for deposit switching continue to fall

(2 August 2012 – Australia) The latest research from industry consultants East & Partners has found that the rate at which both business and consumer customers are prepared to switch their deposits between banks are now almost identical.

East's Deposit Funding & Debt Index has shown that retail customers will switch their deposit accounts for a rate that is 0.08 percent better than the one they are currently getting while business customers will change for a rate that's 0.07 percent better. These rate figures have not only become much more aligned but they have also dropped significantly in the past year. In June 2011, retail customers wouldn't look to switch deposit accounts unless the rate was 0.21 percent better than what they currently had, business customers needed the rate to be 0.39 percent better than their current one for them to switch.

Institutional customers have a significantly lower threshold for switching, with a deposit account rate only having to be 0.06 percent better to initiate a switch. SME customers on the other hand won't look to change deposit account unless the rate of the new account is 0.10 percent better.

Further highlights of this monthly bank 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

## *Rate Differential Required for Customers to Switch On Call Deposit Provider*

Segment	Rate Required to Switch	
	April 2012	May 2012
Micro Business	+0.10	+0.09
SME	+0.11	+0.10
Corporate	+0.09	+0.08
Institutional	+0.08	+0.06
<b>TOTAL</b>	+0.09	+0.07

*Source: East & Partners' Deposit Funding & Debt Index – June 2012*

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East & Partners' Head of Client Development David Brown commented, "With continuing volatility in equity and real-estate markets cash deposits are still considered one of the safest and highest returning current investments available. With increased deposit volumes in both business and retail, the market is more competitive than ever and this has opened the doors to a myriad of products that ensure ease of switching of deposits particularly in the HYOD At Call space."

### **About East & Partners' Deposit Funding & Debt Index**

A monthly analysis across Australia's total business and consumer deposit and lending markets, enhancing data sourced from APRA. The ADI data is overlaid 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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