

## Media Release

# Ten Years in Trade – Australian Export/Import Finance Evolution

(30 March 2016 – Australia) Trade Finance markets will experience an extended period of turbulent change if the last ten years are anything to go by, new East & Partners (E&P) research shows.

In 2006, preceding the Global Financial Crisis (GFC), Australian exporters and importers were characterised by significantly different trade profiles, product demand and service expectations relative to today.

As of 2016, CFOs and corporate treasurers display a fundamental shift in precedence towards innovative eTrade solutions, better value for money, best of breed trade advice, risk advice and customer service.

"In the last ten years we have witnessed a real trend towards relationship driven interactions in trade, evidenced by a higher importance placed on both industry knowledge and the quality of bank's trade account officers," stated Martin Smith, E&P Head of Markets Analysis.

"That's reflected in market share results. HSBC is no longer bracketed with Citigroup as a major international bank focused mainly on the institutional segment, but instead a key competitor to market leader ANZ. NAB has traditionally benefited from a dominant transaction banking underpinning, especially in the SME segment, yet this is no longer converting into growth in trade. Westpac and CBA have achieved stand out market share growth in the last three years," he said.

Despite competitive pitching and customer churn intentions reaching a record high, average wallet share has surprisingly improved. Pricing competitiveness is a key focus area, with several providers seeking to develop a greater presence through lower interest and transactional fees at a time when margins are tightening, volumes are down and revenue pools have dwindled.

The same headwinds dragging international trade volumes lower in the last six months continue to be present. Namely these threats include commodity market price volatility and oversupply, the avoidance of a 'hard landing' in China amid decelerating economic growth, instability in emerging markets and the threat of a 'Brexit' from the EU.

Factors such as iron ore and oil prices harmed global exporter confidence and sentiment, forcing trade finance providers to become 'leaner and meaner'. Exporters and importers have reacted, with a concerted shift away from traditional Letters of Credit among the Top 500 enterprises by revenue to Open Account financing.

81 percent of trade volumes for the institutional segment are transacted on Open Account terms, representing a 38 percent increase in the last ten years. Letter of Credit usage has almost halved over the same period for the segment, from 28 percent to 15 percent.

Mid-market risk profiles are also changing at a rapid rate. On average, half of the Corporate segments trade volumes are Letter of Credit denominated (51 percent), an increase of 15 percent since 2004.

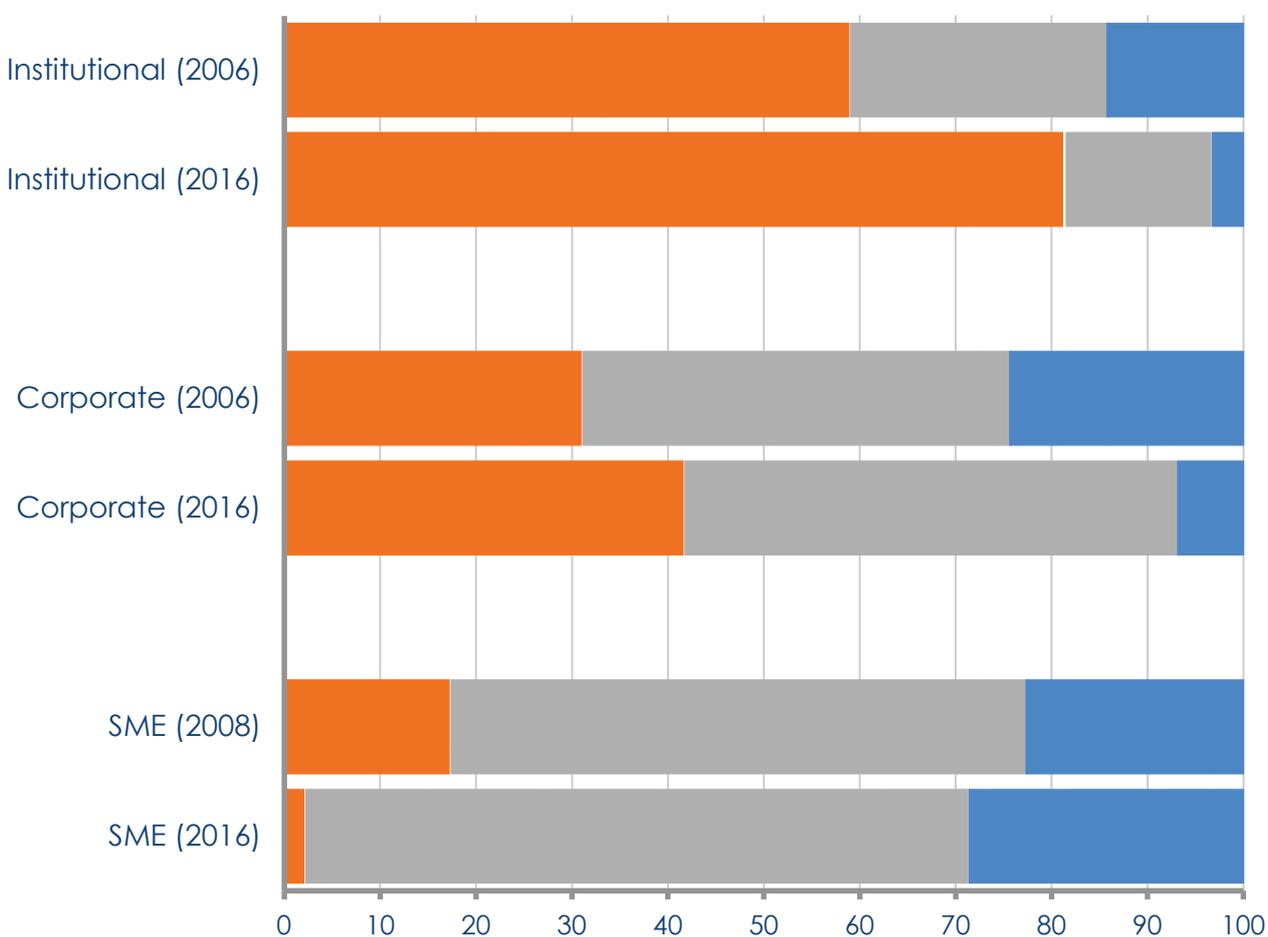
"With a higher number of firms switching from 'import only' to 'exporting and importing', there's a clear opportunity for the Bank that gets the service offering right for growing exporters," said Smith.

"That includes recruiting the best people and building large and trusted knowledge bases across industries."

## Trade Finance Account Behaviour

Average % of Customer's Trade Business

■ Open Account ■ Letter of Credit ■ Documentary Bill for Collection



Source: E&P Trade Finance Program (N: 1,867)

## About the East & Partners Trade Finance Program

Market share, wallet share, mind share and customer satisfaction key performance indicators are derived from up to 2,000 direct interviews with a national representative sample of Australian importers and exporters. Conducted biannually and running continuously since 2004, E&P's robust research methodology provides scope for extensive reanalysis by state and sector.

E&P's proprietary primary research tracks trending analytics including customer churn intentions, competitive pitching, trade product demand, eTrade solutions experiences, key drivers of customer needs and several other crucial metrics. Market wide business segment coverage includes:

- » Institutional – A\$725 million plus
- » Corporate – A\$20-725 million
- » SME – A\$5-20 million

East & Partners is Asia-Pacific's leading specialist business banking market research and analysis firm. East & Partners delivers both bespoke and multi-client research programs and consulting services to client banks and financial services providers across the institutional, corporate, SME, business, investment and financial services markets.

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

### Media Relations

Nehad Kenanie  
t: 02 9004 7848  
m: 0402 271 142  
e: [nehad.k@east.com.au](mailto:nehad.k@east.com.au)

### Client Services and Development

Sian Dowling  
t: 02 9004 7848  
m: 0420 583 553  
e: [sian.d@east.com.au](mailto:sian.d@east.com.au)



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