

## MEDIA RELEASE

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### **Borrowing intentions of Top 500 companies continue to fade as a result of global economic concerns**

The borrowing intentions of Australia's top 500 corporations continues to fade under the pressure of a strengthening Australian dollar and concerns about the prospects for global economic recovery, according to the latest JPMorgan and East & Partners Survey.

The joint JPMorgan and East & Partners survey, titled *Australian Corporate Banking Quarterly Survey (Volume IV: September, 2003)*, asks Australia's Top 500 corporations, the commercial sector (A\$20-1000m annual turnover) and small companies their opinions on credit re-pricing, banking relationships and their future intentions to borrow and repay debt.

"The survey found that Australia's **major corporations** are outright cancelling their borrowing intentions rather than simply deferring debt funded projects with further slippage in the 12-month intention to borrow data coming from a high of 34.2 per cent in November last year to a 22 per cent low in August this year," said Brian Johnson, JPMorgan's Banking Analyst.

"This is to be expected given that the survey took place amidst the recent rebound in the Australian dollar, increasing expectations of interest rate rises, and growing cynicism regarding prospects for global economic recovery in the wake of rising US employment.

"In contrast, the forward borrowing intentions of the **commercial sector** remain extremely high given a strong domestic economy, the perceived increased spending power afforded by a stronger Australian dollar and the cumulative impact of many years of lagging capital," he added.

"The survey also showed that these same companies are generally lowly geared and very few companies, either Top 500 or smaller companies, are anticipating paying down their debt in the next 12 months."

The survey found that Westpac continues to be the preferred bank in the corporate segment.

"Westpac continues to dominate the Top 500 corporate segment with CBA and NAB regaining some recent market share slippage at the expense of declining market share for ANZ. In the commercial segment, NAB and CBA continue to dominate with WBC and ANZ losing market share," said Mr Paul Dowling, Principal Analyst of East & Partners."

"Australian business banking markets are set to be more competitive than ever. The survey revealed that account churn levels are increasing and average account lifetimes are consequently dropping. In this environment, the winners will be those banks that are able to deepen relationships with existing customers.

"While the banks view client service as a key differentiator, the latest results show that market share positioning and share of customer wallet are being strongly influenced by increasing corporate appetite for new products and service solutions."

The survey also found that Australia's commercial sector is showing a growing demand for e-banking and debt products.

"Transaction banking has become the bellwether of a client's primary relationship banker and e-banking solutions have served to accelerate this trend," said Mr Dowling.

"At the same time, the survey reveals that the take-up of debt products by commercial enterprises has escalated rapidly over the last 12 months and this is expected to continue well into 2004 in response to historically low levels of capital expenditure, conservative gearing and low interest rates. This is potentially good news for Australia's major banks," he concluded.

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**About East and Partners:** East and Partners has been researching the Australian and Asia Pacific corporate banking and project finance markets for a decade. The company's ongoing research delivers comprehensive insights into customer satisfaction levels, account penetration and market share. Information about East & Partners is available on the internet at [www.east.com.au](http://www.east.com.au).