

Open account trade financing prevalent amongst top 500

(7 March 2011 – Australia) Nearly three-quarters of institutional businesses prefer to use open account for their trade finance needs as opposed to letters of credit (LCs), according to East & Partners’ latest Australian Trade Finance Markets report.

The firm’s research shows that of the Top 500 revenue-ranked enterprises in Australia, 72.7 percent of this segment report using open account over LCs, while a further 22.1 percent prefer using a letter of credit for their trade financing needs.

The appetite for open account trade financing, however, significantly diminishes in correlation with the size of the enterprise.

Of businesses in the Corporate segment, 50 percent report open account as their preferred method when engaging in trade finance deals, as opposed to only 5.6 percent of SMEs, who overwhelmingly prefer to use LCs to conduct transactions.

“This trend toward open account trade financing has been in evidence for some time amongst Australian importers and exporters but seems to have received added impetus as a result of credit issues flowing from the GFC.”

“Today, for international traders, it’s all about flexibility in their debt financing, supported by quality risk advice and professional trade relationship management. Liquidity Support is the driving force behind trade finance needs, especially for SMEs, where it accounts for 91.7 percent of all trade finance drivers.”

	% of Trade Customers (N: 1848)		
	Open Account	LCs	Bills for Collection
Institutional Trade Finance Customers	72.7	22.1	5.2
Corporate Trade Finance Customers	50.6	40.7	8.7
SME Trade Finance Customers	5.6	71.5	5.6

(Institutional = \$530 million plus annual turnover; Corporate= \$20-\$530 million annual turnover; SME \$5-\$20 million)

East & Partners Pty Ltd

Level 39, 2 Park St Sydney NSW 2000 Australia

p: +61 2 9004 7848 f: +61 2 9004 7070

www.east.com.au

ABN: 76 072 374 406

About East & Partners' Australian Trade Finance Markets report

East & Partners' Australian Trade Finance report is a six monthly research sweep across the Top 500 institutions and a structured sample of the corporate and SME markets.

Market analytics including market share, share of wallet, product penetration, export/import regions, supplier share of mind and life of service relationship metrics are reported. Customer analytics including bank-by-bank satisfaction performance on key TF related factors, buying and churn behaviour are reported.

For more information please contact:

Kimberley Burgess
Marketing Communications
East & Partners
t: 02 9004 7848
m: 0405 250 796
e: kimberley.b@east.com.au

East & Partners Pty Ltd

Level 39, 2 Park St Sydney NSW 2000 Australia
p: +61 2 9004 7848 f: +61 2 9004 7070
www.east.com.au
ABN: 76 072 374 406