

Use of brokers in the Asset & Equipment finance space declining

(10 October 2011 – Australia) The use of brokers in sourcing Equipment and Asset Finance (EF) solutions has experienced a mixed few years since 2008, East & Partners' latest Asset and Equipment Finance Markets report has shown.

Across all market segments the use of brokers in sourcing EF and Asset Financing solutions has fallen since 2008 despite a brief increase seen in the Micro business and SME segments in 2010 that saw a jump of 6.3 percent and 2.6 percent respectively in the use of brokers before falling away again this year.

Both the Corporate and Institutional sectors have seen a steady decline in the use of brokers in EF related solutions, with the former down from 29.9 percent to 19.6 percent and the latter 7 percent to 4.4 percent since 2008.

East's research has shown that the total use of brokers in sourcing EF solutions across the whole market is 36 percent; this is down from 40 percent three years ago.

Paul Dowling, East & Partner's Principal Analyst commented "This trend in businesses reducing their engagement with the broker channel reflects three key influences. First, customer perceptions around where credit availability has existed over the past year; namely with the end lender. Secondly bank cross sell behaviour during the GFC and the active leveraging of all credit relationships to secure greater customer wallet has had an effect of reducing intermediation in the EF markets and thirdly a severe rationalisation of third party channels combined with lenders' focussing on credit quality rather than volume for its own sake."

"Both key drivers of market health – some lenders withdrawing from the EF market and depressed customer demand for asset financing solutions mainly driven by a lack of forward business confidence, have conspired to cause a significant contraction in lending volumes over this past year. Providers with appetite and a strong credit positioning are performing very well as a result", added Mr Dowling.

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About East & Partner's Australian Asset and Equipment Finance Markets report

A yearly demand research service covering the entire Australian market, from enterprises with an annual turnover of A\$1 million upward.

The Asset and Equipment Finance Markets report monitors market share, share of wallet, supplier share of mind, importance ratings, customer satisfaction with service performance, switching intentions and growth expectations and is based on direct interviews with in excess of 1,250 commercial customers of lease and asset financing nationally.

Note: Business Depositor Segments

- Institutional – A\$530 million plus
- Corporate – A\$20-530 million
- SME – A\$5-20 million
- Micro – A\$1-5 million

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