



Micro businesses still de-leveraging

(19 December 2012 – Australia) Micro Australian businesses with revenues of between A\$1-5 million continue to deposit more into the banking system than they borrow, according to the latest research from industry analysts East & Partners.

East’s November Deposit Funding & Debt Index shows that for every dollar they borrow from the banking system, Micro Businesses are currently depositing \$2.78 in deposits, giving them a DFDI ratio of 2.78.

The ratio for Micro Businesses began 2012 at 2.40, indicating that this segment of Australian business continues to de-leverage.

The Micro trend is in direct contrast to the behaviour of large institutional businesses, or those with annual revenues of A\$530 million or more. The DFDI for the Institutional segment has fallen from 0.48 in January to 0.45 in November, meaning that they are currently borrowing more than twice the amount they have on deposit.

DFDI ratios for the other two segments surveyed by East & Partners – the SME segment (A\$5-20 million) and corporate (A\$20-530 million) – are also falling, suggesting that they have also reached a turning point in the de-leveraging process which began with the Global Financial Crisis.

“The Ratio” Business Deposit Balances / Business Lending Balances by Segment

Segment	Jan 2012	Apr 2012	Jul 2012	Oct 2012
Micro Business	2.40	2.51	2.70	2.78
SME	2.36	2.46	2.51	2.44
Corporate	0.89	0.88	0.86	0.86
Institutional	0.48	0.47	0.45	0.45

Source: East & Partners’ Deposit Funding & Debt Index – November 2012

Lachlan Colquhoun, East & Partners Head of Market Research, said there were several factors driving the behaviour of Micro businesses.

“Continued aggressive deposit marketing by banks, tight access to credit and a depressed appetite for borrowing continue to ensure that Micro businesses deposit more than they borrow,” said Colquhoun.

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“Their DFDI ratio has continued to rise while others have fallen, and it will be interesting to see how long that pattern persists into 2013.”

“Business depositors across the board are also chasing the best rates, with an increasing 63.4 percent of all deposit volumes on three month tenor.”

About East & Partners’ Deposit Funding & Debt Index

A monthly analysis across Australia’s total business and consumer deposit and lending markets, enhancing data provided by 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 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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