

SMEs return to Equipment Financing

(8 July 2013 – Australia) Australian Small and Medium Sized Enterprises (SMEs) are reversing last year's declines and forecasting encouraging growth of 4.8 percent in their asset financing volumes over 2013, according to the latest research from industry analysts East & Partners.

East's annual Asset & Equipment Finance Markets report shows that while SME volumes were in negative territory last year – falling 1.3 percent – they are rebounding as businesses take steps to improve their cash flows and remove assets from their balance sheets. SMEs were the only segment to post negative volume growth last year.

The 4.8 percent growth for the SME segment compares to whole-of-market forecast growth of 6.6 percent, with the Corporate segment – comprising enterprises turning over A\$20-720 million a year – the most bullish with a 8.7 percent forecast increase. The average forecast increase across all segments for 2013 is 6.6 percent, against growth of 1.3 percent last year.

SMEs are also reporting that as a proportion of their total borrowings, asset and equipment finance will move from 24.1 percent in 2012 to 25.5 percent. This is against a total market average of 22.8 percent.

Across the total market, cash flow continues to be the most important driver for equipment financing demand and is increasing in importance, cited by 68.8 percent of businesses compared with 62.2 percent last year.

Removing assets from the balance sheet is the second ranked driver, but the percentage of businesses identifying this as a driver fell from 27.9 percent last year to 23.5 percent.

The age of existing equipment increased as a driver, moving from 18.8 to 22.9 percent.

Lachlan Colquhoun, Head of Market's Analysis at East & Partners, said the SME data was consistent with other trends East was seeing in its research, suggesting that SME growth was one of the major themes of 2013.

"We continue to see signs that the SME segment is starting to stir, and move out of the defensive and de-leveraging mode it has been in following the Global Financial Crisis and its aftermath," said Colquhoun.

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“SMEs also overwhelmingly prefer their equipment finance provider to be their principal lender, so banks prepared to support SMEs with lending can look for some cross sell opportunities with equipment finance.”

Asset Financing Volume Change – last and coming years

	Average Financing Volume % Change	
	Last Year	Coming Year
Micro Business	3.8	6.4
SME	(1.3)	4.8
Corporate	1.4	8.7
Institutional	2.2	6.8
TOTAL	1.3	6.6

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

A yearly demand research service covering the entire Australian business 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 a structured national sample of over 1,250 commercial customers of lease and asset financing nationally.

Note: Business Market Segments

- › Institutional – A\$720 million plus
- › Corporate – A\$20-720 million
- › SME – A\$5-20 million
- › Micro – A\$1-5 million

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