Australian Trade Finance Markets

Market Analysis Report
August 2011

Institutional, Corporate and SME Markets

east&partners

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Introduction

This is the sixteenth report in a six-monthly series of market monitors examining and forecasting demand for banking services and product within Australia's Trade Finance markets.

Many East & Partners' clients continue to refocus on Trade Finance in response to customer concerns that they have been "left alone" for too long, with their trade service needs treated as non-priority by service providers for several years. There continues to be strong evidence of pent-up demand for refreshed service and product offerings by trade customers. As a result, these needs are assuming more strategic importance to the customer. At the same time, providers are refocussing on Trade and looking to more customer intuitive ways of structuring the business including the integration of their Trade offerings alongside Cash and Payments and in many instances Foreign Exchange solutions. These dynamics have been reinforced by customer experiences during the GFC and their appetite for more focussed and available debt financing.

This market analysis program is designed to deliver quality market intelligence to bank clients for application by them in Trade Finance account management, business development and market strategy formulation.

In addition to the core multiclient content of the program, clients are also able to add proprietary questions to each six-monthly interview sweep, using the vehicle of this ongoing research as a means of both adding valuable supplementary material to their use of the service and the generation of tactical information solutions as required.

The program has historically focussed on the market's two key enterprise segments: the first segment consisting of corporate enterprises (businesses turning over A$20 to A$530 million per annum); the second segment being the Top 500 institutional market (customers turning over in excess of A$530 million per annum).

We have in this sixteenth round of the program, for the seventh time, added complete coverage of the SME segment (A$5-20m turnover enterprises) in response to client needs for detailed analytics on what is the largest segment by customer numbers in the Trade Finance markets.

The report delivers key findings from the fifteenth round of customer interviews executed during July 2011, along with presentation of detailed, supporting data.

All client proprietary question analysis is subject to separate reporting with individual clients. Only active trade finance customers are screened for full interview

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Methodology

The fieldwork for this sixteenth round of the Australian Trade Finance Markets Program took place in July 2011 with again a very pleasing level of target customer participation being achieved. The geographical distribution of this market sample is as follows.

TABLE A
Geographical Distribution – Institutional Market

	% of Institutions	
	Feb 11	**Aug 11**
	(N: 363)	(N: 364)
New South Wales	47.4	47.8
Victoria	30.0	29.7
Queensland	11.0	10.9
Western Australia	8.8	9.1
South Australia	1.4	1.1
Other	1.4	1.4
TOTAL	100.0	100.0

TABLE B
Geographical Distribution – Corporate Market

	% of Corporates	
	Feb 11	**Aug 11**
	(N: 686)	(N: 689)
New South Wales	43.8	44.0
Victoria	29.3	29.6
Queensland	10.1	10.3
Western Australia	8.1	8.4
South Australia	3.5	3.3
Other	5.2	4.4
TOTAL	100.0	100.0

TABLE C
Geographical Distribution – SME Market

	% of Total	
	Feb 11 (N: 799)	**Aug 11** (N: 798)
New South Wales	40.9	41.1
Victoria	26.8	27.0
Queensland	13.8	13.7
Western Australia	9.4	9.6
South Australia	5.8	5.6
Other	3.3	3.0
TOTAL	100.0	100.0

All enterprises were interviewed on a direct basis using the structured Interview Questionnaire, reproduced here as Appendix I, through the individual holding primary responsibility for decision making over the organisation's Trade Finance service relationships.

TABLE D
Interviewee Distribution – Institutional Market

	% of Institutions	
	Feb 11 (N: 363)	**Aug 11** (N: 364)
Group / Corporate Treasurer	52.9	54.1
Trade Officer	24.8	25.0
Chief Financial Officer	18.7	17.9
Finance Director / Manager	3.6	3.0
TOTAL	100.0	100.0

TABLE E
Interviewee Distribution – Corporate Market

	% of Corporates	
	Feb 11 (N: 686)	**Aug 11** (N: 689)
Chief Financial Officer	57.9	56.6
Group / Corporate Treasurer	19.8	21.0
Trade Officer	14.6	14.7
Finance Director / Manager	7.7	7.7
TOTAL	100.0	100.0

TABLE F
Interviewee Distribution – SME Market

	% of SMEs	
	Feb 11 (N: 799)	**Aug 11** (N: 798)
Finance Director / Manager	63.1	61.6
Chief Financial Officer	19.3	19.5
Group / Corporate Treasurer	10.1	10.8
Trade Officer	7.5	8.1
TOTAL	100.0	100.0

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Industry sector distribution of these three segments directly reflects the population/universe distribution. This sixteenth research sweep covered 364 from the Top 500 institutions on the basis of their currently engaging Trade Finance services, 689 current corporate and 798 SME trade clients.

Non-completions and rejections in each segment came to a pleasingly low 10.6 percent in the institutional segment, 9.8 percent amongst corporate customers and 16.0 percent amongst SME trade customers, a clear reflection of the market's current high level of interest and/or concern with their Trade Finance service arrangements.

TABLE G
Industry Sector Distribution – Institutional Market

	% of Institutions	
	Feb 11	**Aug 11**
	(N: 363)	(N: 364)
Agriculture, Forestry and Fishing	3.0	3.3
Mining	9.9	9.9
Manufacturing	20.7	20.3
Electricity, Gas and Water Supply	1.9	1.6
Construction	4.4	4.4
Wholesale Trade	12.7	12.9
Retail Trade	7.4	7.4
Accommodation, Cafes and Restaurants	0.6	0.5
Transport and Storage	5.5	5.8
Communication Services	1.4	1.4
Finance and Insurance	13.6	13.2
Property and Business Services	8.5	9.1
Government Administration and Defence	1.9	1.9
Education	—	—
Health and Community Services	—	—
Cultural and Recreational Services	—	—
Personal and Other Services	8.5	8.3
TOTAL	100.0	100.0

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TABLE H
Industry Sector Distribution – Corporate Market

	% of Corporates	
	Feb 11	**Aug 11**
	(N: 686)	(N: 689)
Agriculture, Forestry and Fishing	7.6	7.8
Mining	7.9	8.0
Manufacturing	17.6	17.3
Electricity, Gas and Water Supply	1.6	1.5
Construction	6.1	6.2
Wholesale Trade	13.7	13.9
Retail Trade	13.0	13.2
Accommodation, Cafes and Restaurants	1.7	1.5
Transport and Storage	4.1	4.3
Communication Services	1.2	1.2
Finance and Insurance	5.2	5.1
Property and Business Services	14.3	14.8
Government Administration and Defence	1.2	1.0
Education	—	—
Health and Community Services	—	—
Cultural and Recreational Services	—	—
Personal and Other Services	4.8	4.2
TOTAL	100.0	100.0

TABLE I
Industry Sector Distribution – SME Market

	% of SMEs	
	Feb 11 (N: 799)	**Aug 11** (N: 798)
Agriculture, Forestry and Fishing	8.7	8.9
Mining	1.2	1.4
Manufacturing	7.8	7.6
Electricity, Gas and Water Supply	0.4	0.4
Construction	3.9	4.1
Wholesale Trade	30.5	30.8
Retail Trade	18.8	18.8
Accommodation, Cafes and Restaurants	1.1	1.0
Transport and Storage	2.3	2.5
Communication Services	0.4	0.4
Finance and Insurance	3.7	3.4
Property and Business Services	10.7	11.0
Government Administration and Defence	0.9	1.1
Education	—	—
Health and Community Services	—	—
Cultural and Recreational Services	—	—
Personal and Other Services	9.6	8.6
TOTAL	100.0	100.0

Appendix I

Questionnaire

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East & Partners Pty Ltd, a leading specialist market research firm in the business, corporate and investment banking markets of Asia Pacific, works across 11 countries in the region delivering both multi-client and proprietary market analysis services to financial services providers.

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East's multi-client demand research and consulting work has enabled the firm to work with virtually every major bank within the region and international clients based in North America and Europe.

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