

## Australia Risk Climate: Business credit applications drop in April

**21<sup>st</sup> May 2010:** Veda Advantage's Business Credit Demand Index, released today, shows business credit enquiries grew steadily in the first three months of 2010, with business credit applications for the **January to March quarter increasing by an average of 3% over the same period in 2009.**

The January to March quarter saw the first consecutive monthly increases year-on-year since 2007, with January up by 5%, February up by 13%, and March up by 2% year-on-year. **However, inquiries fell in April with a drop of 4.4%** compared to April 2009 and a 1.9% decline compared to the previous month of March 2010. Comparisons between the January to March 2010 quarter and the previous September to December quarter of 2009 also reveal a **14% fall in business credit enquiries.**

Chris Gration, Head of External Relations at Veda Advantage said: "The long-term outlook appears to be positive with the small and medium enterprise business sector showing more robust demand than 12 months ago. However some caution clearly remains in the market, with SME credit demand flattening and even starting to decline again.

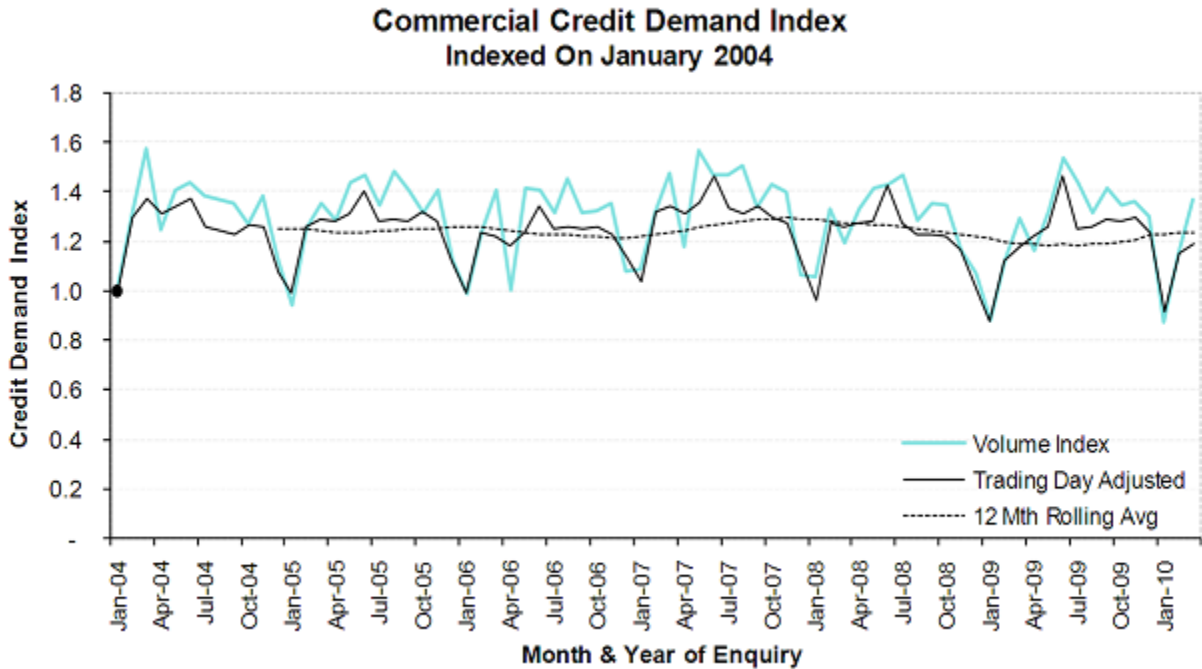
"Government tax incentives for equipment and automotive purchases which ended on December 31 last year buoyed the market substantially, so a drop in business credit demand in the first part of 2010 was expected," he said.

"This flattening in business demand for credit is also congruent with reported drops in business conditions[1] and business confidence[2] in April, 2010, though business confidence remains well above the long term average. While business credit demand appears strong in the first quarter of 2010 with large increases in business credit cards and phone applications, business hesitancy remains around taking on loans. Utility accounts dropped considerably which may indicate some reluctance to expand into new premises," Mr Gration said.

### Data points:

- The first quarter of 2010 saw growth in trade credit, up by 6% year-on-year.
- Business credit cards and telecommunications credit enquiries increased by 7.7% and 9.5% respectively year-on-year.
- Asset finance increased by 2.7% year-on-year.
- Business loans decreased by 0.2% year-on-year.
- Utility accounts decreased by 13.3% year-on-year.
- All states except for South Australia (-1.5%) experienced increases in the first quarter of 2010 year-on-year. Business credit demand in Tasmania and Victoria increased by 6%, Queensland and Western Australia up 5% and New South Wales remained flat.
- In April, trade credit dropped by 2%, business loans by 1.3%, and asset finance by 13% year-on-year.

Business credit accounts covered in this Index include: 30 day loans, hire purchase, lending proposals, commercial rentals, credit cards, bill of sale, utilities, personal commercial loans, real property mortgage, overdraft and more.



Source: Veda Advantage Business Database

[1] The nab business conditions and confidence survey reported in April a 5 point drop in business conditions to an index position just marginally above the long term average <http://www.nab.com.au>

[2] Business confidence fell by three points but still remains at 13 index points well above the long term average.

- Ends-



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**About Veda Advantage [www.vedaadvantage.com](http://www.vedaadvantage.com).**

Veda Advantage has been at the forefront of the information services industry for many decades. Issues such as privacy, data security, fraud and business intelligence are part of our commercial landscape. We provide insights into more than 16.5 million credit active individuals and 4.4 million companies and businesses.

**The Business Credit Demand Index** looked at more than 6.3 million credit enquiries from 2004 to March 31, 2010 registered on Veda Advantage's commercial database predominately from small and medium enterprises. Business CDI measures total Business Credit application activity over each quarter, comparing it with year on year analysis. Business CDI looks at all account types, including 30 day account, hire purchase, lending proposal, real property mortgage, leasing, commercial rental, communication services, credit card premium finance, seven day account, trade finance bill of sale overdraft, personal loan, utilities, cheque wholesale finance, cash on delivery factored account, 60 day account, continuing credit contract, 90 day account, bridging finance, deferred payment debit card.

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