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FOR IMMEDIATE RELEASE

Slowdown fast tracks business problems

CANSTAR CANNEX releases *business banking star ratings* report today.

With sales, profitability, job security and business confidence at record lows, business has every right to be nervous about the year ahead.

As the credit crisis deepens, new challenges are being thrown up to the business sector, said financial products research firm, CANSTAR CANNEX which has just released its latest *business banking star ratings* report.

“Small businesses looking for new or additional finance are now having to jump through extraordinary hoops to access funds,” CANSTAR CANNEX financial analyst Peter Arnold said.

“This suggests banks are anticipating a further slowdown in the domestic economy and are putting measures in place to protect against the downside impact of defaults.”

Despite official cash rate reductions, and business lending base rates coming down, some businesses may find themselves paying higher rates than they would have a few months ago, due to the increase in the perceived risk of their business.

“This is not across the board but very much on an individual case-by-case basis,” Mr Arnold said.

“Areas such as commercial property, retail and hospitality face the prospect of paying more for funding, as economic pressure continues.”

Growth figures from CANSTAR CANNEX show demand for overdrafts has grown to over 22%, up from 7.68% this time last year. Term loans are still growing a rate of 12% but are down from 39% last year.

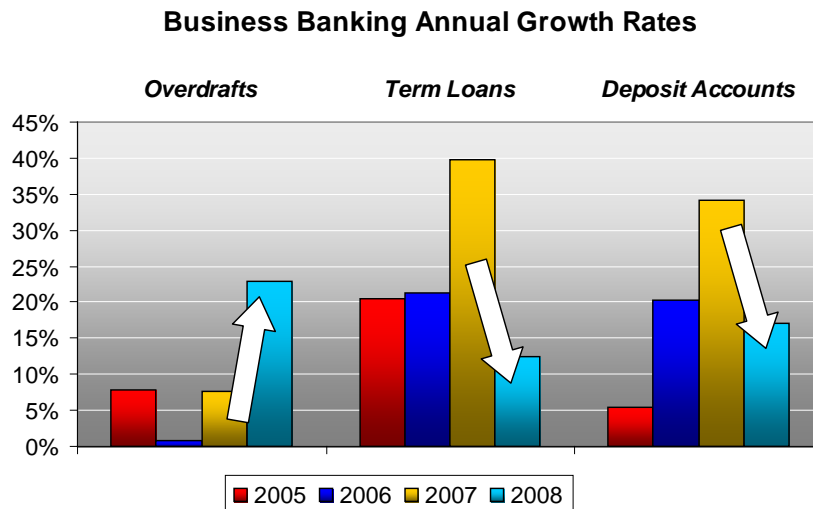
“This spike in the demand for overdrafts suggests many businesses are using this avenue of credit as a lifeline in their attempts to plug cashflow holes,” Mr Arnold said.

“It’s not surprising to see a halving in the growth of term loans, following reports of tightened lending conditions and businesses thinking twice about taking on more debt at the moment.”

Refinancing is emerging as the critical challenge to business this year, according to CANSTAR CANNEX.

“Certainty of funding is now becoming more important than price, and banks are reining in the amount of leverage they have been willing to tolerate in the past,” Mr Arnold said.

“The downside is that fewer companies accessing capital can have the effect of hastening a recession.”



Source: CANSTAR CANNEX Feb 2009

CANSTAR CANNEX figures show that the business banking sector is still growing, albeit at a slower rate. This positive growth reinforces the strength and resilience of the Australian banking system.

In the wake of the financial meltdown, financial institutions are continuing to compete for customers and there is still an excellent range of business products on offer, according to CANSTAR CANNEX.

For its latest business banking star ratings report, CANSTAR CANNEX looked at over 290 term loans, 52 overdrafts, 50 credit cards and 71 deposit accounts.

The range of rates and fees varies greatly between products and the full star ratings comparison can be downloaded on www.canstarcannex.com.au

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About CANSTAR CANNEX:

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CANSTAR CANNEX customers use the extensive database for competitor analysis as well as a means of disseminating their product range. This information is also distributed to print and electronic media for publication and to Agents, Accountants, Brokers and Internet Portals for use in advising their clients.

What are the CANSTAR CANNEX star ratings?

CANSTAR CANNEX researches, compares and rates the suite of banking and insurance products listed below. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR CANNEX website at www.canstarcannex.com.au if you would like to view the latest star ratings reports of interest.

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