

Spot FX - the focus for smaller businesses

(10 December 2012 – Australia) Smaller Australian businesses dominate the AUD Spot FX market in terms of both market share and volumes, according to new research from industry consultants East & Partners.

East's most recent Business FX research, conducted in November, shows that the three smallest business segments – Micro, SME and Lower Corporate – together comprise 63.2 percent of the AUD Spot FX market.

The largest of the three sectors are the Lower Corporates, who account for 36.8 percent of AUD Spot volumes.

The larger Upper Corporate and Institutional segment – businesses with revenues of A\$100 million or more – account for 27.9 percent of Spot volumes.

The situation is almost the opposite when looking at non AUD Spot markets, with Institutional clients comprising 42.5 percent of all volumes, which are also around 20 percent higher than AUD Spot.

The research also examined Forward FX, a market in which larger organisations are much more active than Micro and SME businesses.

One feature of interest in the Forward markets was the high level engagement from Lower Corporates in non AUD Forwards, where they comprise 44.3 percent of volumes, just behind Upper Corporates and Institutions with 45.1 percent.

Total percentage of Market Volumes by Market Segment

	% of Total Market		
	A\$ Spot Market	Non-A\$ Spot Market	A\$ Forward Market
Micro Businesses	14.2	6.2	8.3
Small – Medium (SME)	21.1	10.2	14.3
Lower Corporate	36.8	41.1	34.9
Upper Corporate & Institutional	27.9	42.5	42.5

Source: East & Partners Australian Business Foreign Exchange Markets Report – November 2012

Lachlan Colquhoun, Head of Markets Analysis at East & Partners, said the research gave a strong insight into how Australian businesses were approaching FX.

“Smaller businesses, because their needs are less sophisticated and their FX exposure less complex, are more inclined to be heavier users of Spot products,” he said.

“But when it comes to more complex strategies such as currency hedging, the larger organisations are more focussed on this and are naturally bigger users of Forward products.”

Colquhoun said the high levels of Lower Corporate use of non-AUD Forward FX was of keen interest, and showed their increased and active engagement with global economy.

“It might also indicate their perception that the Australian dollar may soon decline in value against other currencies,” he adds.

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About East & Partners' Australian Business Foreign Exchange Markets Report

This ongoing six-monthly market monitor provides benchmarks against which FX providers can measure the success of their service proposition. This standalone report addresses the FX markets across the Micro, SME and Lower Corporate segments.

The program monitors product engagement, performance and behaviours across these core markets, and provides market share and wallet share being achieved by individual providers against market-wide performance.

Note: Market Segments:

Upper Corporate & Institutional – A\$100 million plus

Lower Corporate – A\$20-100 million

SME – A\$5-20 million

Micro – A\$1-5 million

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