

## KEY POINTS

### Personal finance commitments

- The seasonally adjusted series for the value of total personal finance commitments declined by 0.4% in October 2010 to be 7.9% higher than a year ago.
- Revolving credit commitments fell by 2.5% while fixed lending commitments rose by 1.9%.

### Commercial finance commitments

- The seasonally adjusted series for the value of total commercial finance commitments increased by 5.2% in October, to be 12.3% higher than a year ago.
- Revolving credit commitments rose by 17.4% and fixed lending commitments rose by 0.3%.

### Lease finance commitments

- The total value of lease finance commitments rose by 3.1% in October (seasonally adjusted), to be 9.5% higher than at the same time last year.

### Owner occupied housing commitments

- The value of owner-occupied housing finance remained increased by 2.8% in October, to be down 15.8% on the level of a year ago.

## Implications

- The increase in commercial finance was the third rise in the past four months and indicates that businesses may be starting to expand their capital base. The further rise is also consistent with the strong upturn in business investment that is projected over the next twelve to eighteen months.
- The decrease in the seasonally adjusted value of personal finance commitments of 0.4% in October follows declines in two of the previous three months. This highlights the inherent level of consumer caution and the reluctance by consumers to take on debt which are key features of the current economic environment.
- The stronger growth in owner-occupied housing finance is an encouraging development, although lending finance for housing remains significantly lower than a year ago. Growth in October also pre-dates last month's rise in the official cash rate and the subsequent rise in the average standard variable mortgage rate.

# Lending Finance – October 2010

ECONOMIC ALERT

13 December 2010

**Chart: Annual growth in the value of personal finance and commercial finance commitments**

