

## KEY POINTS

### Personal finance commitments

- The seasonally adjusted series for the value of total personal finance commitments increased by 3.5% in September 2010 to be 8.6% higher than a year ago.
- Fixed lending commitments fell by 1.0%, while revolving credit commitments remained flat (0.0%).

### Commercial finance commitments

- The seasonally adjusted series for the value of total commercial finance commitments increased by 2.7% in September, although commitments were 12.6% lower than a year ago.
- Revolving credit commitments rose by 0.8% and fixed lending commitments rose by 0.5%.

### Lease finance commitments

- The total value of lease finance commitments rose by 0.2% in September (seasonally adjusted), to be 5.6% higher than at the same time last year.

### Owner occupied housing commitments

- The value of owner-occupied housing finance remained increased by 0.6% in September, but remained significantly down (20.8%) on the level of a year ago.

## Implications

- The increase in commercial finance was only the second rise in the past five months and is an early sign that businesses may be starting to expand their capital base. While one number does not make a trend, it is consistent with a picture of improving growth in the economy and the strong upturn in business investment that is projected over the next twelve to eighteen months.
- Owner-occupied housing finance remains subdued in line with the recent decline in housing approvals. The negative influences of rising interest rates and higher house prices (which together are reducing affordability) and the winding back of policy stimulus are still clearly weighing on housing finance demand.
- The increase in the seasonally adjusted value of personal finance commitments of 3.5% in September follows declines in the previous two months. While consumers continue to exhibit a degree of caution in their spending, the strong labour market appears to have had an offsetting positive influence on personal credit growth in September.

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

