

KEY POINTS

Total finance commitments

- The seasonally adjusted value of total finance commitments (personal, commercial, lease and housing) increased by 10.0% in October 2011 to be 13.5% higher than a year ago.

Personal finance commitments

- The seasonally adjusted value of total personal finance commitments rose by 5.2% in October 2011 to be 1.6% lower than a year ago.
- Revolving credit commitments rose 34.8%, after a 15.1% fall in the previous month. Fixed lending commitments rose 8.0%, after a 6.6% fall in the previous month.

Commercial finance commitments

- The seasonally adjusted value of total commercial finance commitments increased by 16.5% in October to be 22.1% higher than a year ago.
- Revolving credit commitments fell by 15.3%, after a 6.2% rise in the previous month. Fixed lending commitments fell by 7.3%, after an 8.5% rise in the previous month.

Lease finance commitments

- The total value of lease finance commitments declined by 2.4% in October (seasonally adjusted), to be down by 0.6% on the level of a year ago.

Owner occupied housing commitments

- The value of owner-occupied housing finance decreased by 1.2% in October, to be 3.5% higher than the level of a year ago.

Implications

- The rise in finance commitments in October was driven by a 16.5% increase in lending to the commercial sector following a decline of 9.5% in the previous month. While commercial credit has the potential to be volatile on a monthly basis, it points to the emergence of a strengthening in business credit to fund a lift in investment spending.
- The decline in owner-occupied housing finance is consistent with recent subdued updates on housing approvals and finance. The level of owner occupied housing finance remains well down (16.6%) on the most recent high point of September 2009.
- Personal finance commitments recovered ground in October following a steep fall in the previous month. However, the value of commitments is still below the level of a year ago reflecting consumer caution and the reluctance by consumers to take on debt. Moreover, there is the risk that uncertainty about the global growth outlook and volatility in financial markets could weigh on personal finance credit demand in coming months.

Lending Finance – October 2011

ECONOMIC ALERT

13th December 2011

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

