

KEY POINTS

Total finance commitments

- The seasonally adjusted value of total finance commitments (personal, commercial, lease and housing) declined by 6.2% in September 2011 to be 4.4% higher than a year ago.

Personal finance commitments

- The seasonally adjusted value of total personal finance commitments fell by 2.5% in September 2011 to be 8.4% lower than a year ago.
- Revolving credit commitments fell 7.3%, while fixed lending commitments rose 1.7%.

Commercial finance commitments

- The seasonally adjusted value of total commercial finance commitments declined by 10.0% in September to be 6.7% 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 increased by 1.3% in September (seasonally adjusted), to be 5.4% higher than at the same time last year.

Owner occupied housing commitments

- The value of owner-occupied housing finance increased by 0.7% in September, to be 6.7% higher than the level of a year ago.

Implications

- The weakness in private sector credit indicates that domestic financial conditions are continuing to exert a significant restraint on the economy.
- The fall in finance commitments in September was largely driven by 10.0% decrease in lending to the commercial sector following growth of 7.7% in the previous month. While business credit has the potential to be volatile on a monthly basis, it indicates that businesses may still be funding a large part of investment using internal cash flows/equity.
- The subdued growth in owner-occupied housing finance is consistent with recent subdued updates on housing approvals and activity. The level of owner occupied housing finance remains well down (15.5%) on the most recent high point of September 2009.
- The fall in personal finance commitments in September, was the steepest since February and reflects on-going consumer caution and the reluctance by consumers to take on debt. Despite the Westpac- Melbourne Institute Consumer Sentiment Index registering an improvement in consumer confidence in November, there is the risk that uncertainty about the global growth outlook and volatility in financial markets could weigh further on personal finance credit demand in coming months.

Lending Finance – September 2011

ECONOMIC ALERT

14th November 2011

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

