

## KEY POINTS

### Total finance commitments

- The seasonally adjusted value of total finance commitments (personal, commercial, lease and housing) increased by 5.2% in August 2011 to be 18.1% higher than a year ago.

### Personal finance commitments

- The seasonally adjusted value of total personal finance commitments rose by 2.1% in August 2011 to be 1.1% lower than a year ago.
- Fixed lending commitments rose by 0.9% in August and revolving credit commitments rose by 0.9%.

### Commercial finance commitments

- The seasonally adjusted value of total commercial finance commitments increased by 7.9% in August to be 29.5% higher than a year ago.
- Revolving credit commitments rose by 2.9% and fixed lending commitments rose by 1.6%.

### Lease finance commitments

- The total value of lease finance commitments increased by 6.6% in August (seasonally adjusted), to be 6.4% higher than at the same time last year.

### Owner occupied housing commitments

- The value of owner-occupied housing finance increased by 0.6% in August, to be 5.9% higher than the level of a year ago.

## Implications

- The rise in finance commitments in August was largely driven by a 7.9% increase in lending to the commercial sector. This follows growth of 5.0% in the previous month and is an indicator that businesses are starting to increase their borrowings to fund a lift in investment spending.
- The further growth in owner-occupied housing finance most likely reflects modest recent falls in house prices improving affordability. Nevertheless, the level of owner occupied housing finance remains subdued, and is still well down (16.2%) on the most recent high point of September 2009. This is consistent with a number of indicators which continue to point to subdued conditions in the housing sector.
- Personal finance commitments were surprisingly solid, rising by 2.2% in August, although the value of commitments remains below the level of year ago reflecting on-going consumer caution and the reluctance by consumers to take on debt. Consumer sentiment surveys such as the Westpac- Melbourne Institute Consumer Sentiment Index point to consumer confidence remaining weak. There is the risk that uncertainty about the global growth outlook and volatility in financial markets could weigh further on consumer confidence and in turn personal finance credit demand.

# Lending Finance – August 2011

ECONOMIC ALERT

17<sup>th</sup> October 2011

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

