

KEY POINTS

Total finance commitments

- The seasonally adjusted series for the value of total finance commitments (personal, commercial, lease and housing) increased by 4.0% in July 2011 to be 4.7% higher than a year ago.

Personal finance commitments

- The seasonally adjusted series for the value of total personal finance commitments rose by 0.5% in July 2011 to be 5.4% lower than a year ago.
- Revolving credit commitments rose by 3.9%, while fixed lending commitments fell by 2.3%.

Commercial finance commitments

- The seasonally adjusted series for the value of total commercial finance commitments increased by 6.1% in July to be 6.8% higher than a year ago.
- Revolving credit commitments rose by 2.2% and fixed lending commitments rose by 0.3%.

Lease finance commitments

- The total value of lease finance commitments increased by 3.4% in July (seasonally adjusted), to be 2.0% lower than at the same time last year.

Owner occupied housing commitments

- The value of owner-occupied housing finance increased by 1.4% in July, to be 5.9% higher than the level of a year ago.

Implications

- The rise in finance commitments in July was driven by a 6.1% increase in lending to the commercial sector. While business credit has the potential to be volatile on a monthly basis (having fallen by the same magnitude in June) it is a possible early indicator that businesses are starting to increase their borrowings to fund a lift in investment spending. Annual growth at 6.8% in July is up from 4.8% in June.
- 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 (17.0%) 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.
- Weakness persists in personal finance growth in line with on-going consumer caution and the reluctance by consumers to take on debt. Uncertainty about the global growth outlook and volatility in financial markets is likely to continue to weigh on consumer confidence and in turn personal finance credit demand.

Lending Finance – July 2011

ECONOMIC ALERT

12th September 2011

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

