

# Credit Check

Borrowing trends in the New Zealand economy



28 February 2013

Private sector credit growth slowed a little in January. However that headline masks some divergent details. Household credit continued to grow at a decent clip - it's now up 3.8% over the year, the highest annual growth since late 2008 - though still a far cry from the double-digit rates seen in the 2000s housing boom. By contrast agricultural lending slowed and other business lending declined for the third month running.

These are not the kinds of credit numbers that would spark the use of macro-prudential tools by the RBNZ.

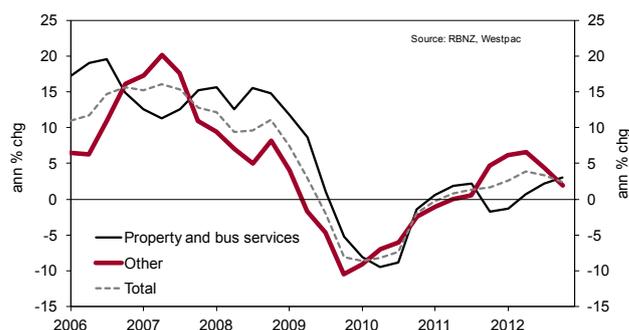
## Credit Growth

	Mth % chg (s.a.)			Ann % chg	
	Jan-13	Dec-12	Nov-12	Jan-13	Jan-12
Agri	0.1	0.5	0.6	4.8	-0.2
Business (ex agri)	-0.1	-0.1	-0.1	2.1	1.6
Household	0.4	0.4	0.5	3.8	1.1
Total private sector*	0.2	0.3	0.3	3.5	1.0

\* The sum of agri, other business, and household lending, this excludes lending to government entities and the financial sector. Includes lending by banks and non-banks.

Agricultural lending has been volatile recently, but non-agricultural business lending has effectively shown zero growth since mid-2012, after growing 2.5% over the first half of last year. Why the slowdown? Breaking down the business lending numbers by sector is suggestive: it shows that lending to the 'property and business services' sector (which includes real estate developers) in fact picked up in the second half of 2012, whereas lending to other sectors lost momentum. (Unfortunately we're unable to dig into the numbers in more detail - a more detailed breakdown is only available for banks, and those numbers have been distorted by the recent registration of the Heartland Building Society as a bank.)

## Business credit growth



That's consistent with other evidence of an increasingly two-speed economy, where the housing market and construction-related activity are picking up but many other businesses are being squeezed by the high NZ dollar and government austerity.

**Felix Delbrück**

Senior Economist

## Westpac Economics Team Contact Details

<b>Dominick Stephens</b> , Chief Economist	Ph: (64-9) 336 5671	dominick_stephens@westpac.co.nz
<b>Michael Gordon</b> , Senior Economist	Ph: (64-9) 336 5670	michael_gordon@westpac.co.nz
<b>Felix Delbrück</b> , Senior Economist	Ph: (64-9) 336 5668	felix_delbruck@westpac.co.nz
<b>Nathan Penny</b> , Economist	Ph: (64-9) 336 5669	nathan_penny@westpac.co.nz

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