

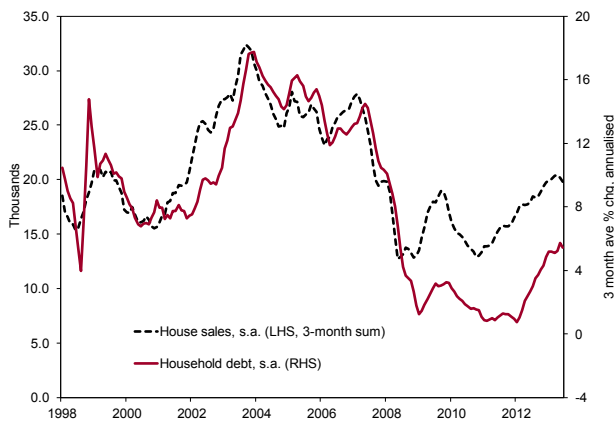
Credit Check

31 July 2013

Private sector credit, June

	Mth % chg (s.a.)		Ann % chg	
	Jun-13	May-13	Jun-13	Jun-12
Agri	-0.4	0.5	4.4	3.1
Business (ex agri)	0.2	0.1	1.6	3.8
Household	0.4	0.5	5.1	1.8
Total private sector*	0.3	0.4	4.1	2.5

* 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.

Domestic credit growth


Private sector credit growth slowed a little in June on the back of surprisingly weak agricultural credit growth and marginally slower household borrowing.

Agri credit declined for the first time since July 2011. Given the signs that the sector's fortunes are turning up we were a little surprised. It may be that repayment of working capital extended during the drought is having a bigger impact on agri credit growth than we allowed for. Once this dynamic works its way through, Fonterra's 2013/14 milk price forecast (\$7.00 as at end of May, \$7.50 now), stronger rural confidence, and higher farm turnover all point to demand for farm credit picking up again.

There was comparatively little change in the pace of household or other business borrowing from last month. Household credit slowed a little, while business credit growth picked up a touch but remains weak, much as it has been for the most part since late last year.

The latest month aside, the trend in household credit growth has continued to firm recently, in spite of recent signs that housing turnover has slowed and the value of mortgage approvals has flattened off. The inference is that existing borrowers may be starting to pay off debt at a slower rate. If so, this would be yet another sign that saving/debt repayment is becoming less of a priority for households, and that spending is coming back into vogue.

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