Veda Consumer Credit Demand - April to June 2011

Veda's quarterly Consumer Credit Demand Index (CDI), released today, shows consumer credit demand dropped 5.1% since March 2011 but increased 2.8% year-on-year in the April-June quarter.Angus Luffman, Head of Consumer Risk at Veda said: "The April to June quarter closes out what has been a very soft financial year for credit demand. The data in the final quarter reveals some positive trends in certain types of consumer credit, but overall credit demand remains soft and is still behind on pre-GFC levels."Credit cards continue to record weak growth, falling sharply from the previous March quarter to -8.9%. Year-on-year performance saw credit card demand post its second consecutive decrease of 1.2%. All states recorded quarter-on-quarter declines. South Australia recorded the sharpest decline, down 11.4% on the March 2011 quarter, followed by NSW, -10.5%, and VIC, -10.2%."The drop in credit card demand appears to be offset by a rise in consumer demand for debit cards. Other factors potentially contributing to the patchy growth in credit cards include: the impact of the new responsible lending laws on banks conversion rates; and the continuing save not spend' focus of consumers."Personal loans recorded their third straight quarterly increase year-on-year after 11 consecutive decreases dating back to the March quarter of 2008. Personal loans increased 6.9% since June 2010 but were down marginally by -1.1% on the previous quarter. Of the major states, WA posted the strongest year-on-year increase in personal loans, up 8.2%, followed by Queensland, 7.6%, NSW, 7.32% and VIC, 7.06.8%."We are now seeing a trend where those states that once recorded weak results, such as Queensland and SA, are now matching the strength of states such as NSW and WA. Over the life of the Credit Demand Index, personal loans have been a lead indicator in overall consumer credit demand. Signs of continued, renewed growth across all states will be a trend to watch in the near term", said Mr Luffman.Mortgage enquiries declined 17.2% over the period of July 2010 through June 2011.Applications for mortgages decreased 10.8% in the June 2011 quarter compared to the same time last year, posting their 6th consecutive quarterly decrease. The current June quarter however, declined at the lowest rate out of the past six quarters, recording a 6.3% increase since March 2011.All states recorded year-on-year decreases in mortgage demand. Of the major states, Queensland recorded the sharpest decline of -18.4%, followed by WA, -11.7% and VIC, -11.4%. NSW recorded the smallest decline amongst all states, down -5.0%. In contrast, quarterly performance results show all states except Tasmania recorded gains on the March 2011 quarter, with NSW leading at 5.07.7%."The contrast in the yearly and quarterly performance results suggests there is a leveling in mortgage demand, as year-on-year declines are beginning to slow and quarter-on-quarter results show signs of growth", said Mr Luffman.

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