Some loosening of purse strings

Contributed by JGFR
Monday, 24 April 2006
Last Updated Monday, 24 April 2006

Consumer credit activity is set to rise in the coming months following weak demand in the past two quarters.

Some loosening of purse strings

Consumer credit activity is set to rise in the coming months following weak demand in the past two quarters. Some 6.5 million people expect to borrow by way of a personal loan, overdraft, credit/charge card or car-financing plan with the FAB Consumer Credit Index up from 82.5 in December to 88.8 currently and up from a very weak 78.2 in March 2005.

The FAB indices for personal loans, overdrafts and car financing plans are all up slightly with only card borrowing remaining broadly flat as people continue to resist impulse buying by plastic card.

Fewer people (an estimated 2.5 million) intend to take out a car-financing plan in the latest survey compared to March 2005 (estimated 2.8 million) suggesting car showrooms will have to work harder this spring than last spring with attractive deals to win business.

Overall some 1.3 million households are running into debt, little changed from March 2005. Among all people expecting to borrow by personal loan around a fifth are among households running into debt â€“ up from 15% in December. Some of this rise in personal loan demand may be among people who have consolidated other debts. The proportion of indebted households expecting to borrow by overdraft and credit cards has noticeably reduced since December.

Some 60% of people living in households falling into debt intend to repay or pay down debt this quarter â€“ similar to past quarters. Overall the proportion of people intending to repay debt (31%) has fallen slightly this quarter compared to 33% last December and 32% a year ago.
Since the Bulletin began five years ago there has been a rise in the average number of people intending repaying debt â€“ up from some 12.5 million to 15 million - in line with the higher overall level of debt outstanding.