Technical note

Monthly New Credit Flows Survey

02 June 2023

Please contact the Reserve Bank Data, Statistics and Analytics department (statsunit@rbnz.govt.nz) to discuss the technical note if in any doubt about the meaning.

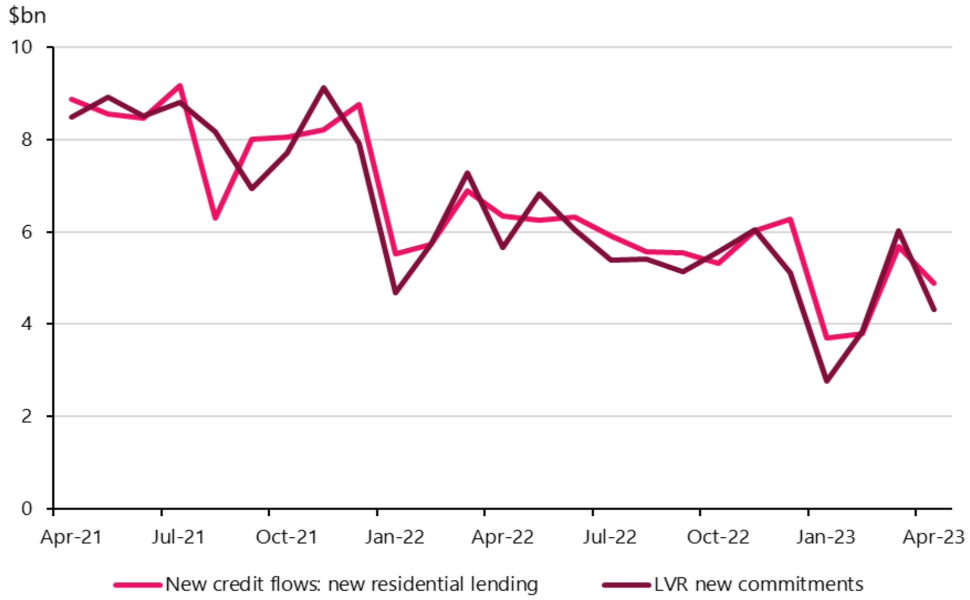
The purpose of the New Credit Flows Survey is to better understand the provision and pricing of lending in the economy. The structure of this survey aligns the reporting categories closely with the Bank Balance Sheet (BBS) Survey, which helps us to understand and interpret lending stock movements, particularly for business and agriculture lending. We already publish new residential mortgage lending by loan-to-value ratio (LVR). Values from the LVR New Commitments Survey will differ from values from the New Credit Flows survey, as outlined below.

The difference between New Credit Flows and LVR New Commitments

The New Credit Flows Survey provides information about new lending that has been drawn down within the reporting month and its associated weighted average interest rates. In the case of a revolving credit facility (i.e. an overdraft or other limit based products), it is captured in the New Credit Flows Survey once a new limit is loaded against a customer's account and is available for use. If there are already facilities loaded and these get increased then only the additional lending amount gets reported.

In the LVR New Commitments Survey, we define new commitments as finalised offers to customers to provide mortgage loans or to increase the loan value of an existing mortgage loan, as evidenced by the loan documents provided to the borrower. This is different from new lending reported in the New Credit Flows Survey, which includes funding that is already made available to the customer.

Fig-1 Comparing LVR new commitments data with NCF new residential lending



The difference between New Credit Flows and Bank Balance Sheet data

The granular data breakdown in the New Credit Flows Survey aligns closely with the reporting categories in the Bank Balance Sheet survey. The definitions in the New Credit Flows survey are consistent with the Bank Balance Sheet survey. New Credit Flows survey capture flow data that occurs during the reporting month or accumulated though the month whereas the Bank Balance Sheet Survey captures stock data i.e. value of loans outstanding 'as at' reporting month.

Currently, the Bank Balance Sheet survey covers 27 registered banks whereas the New Credit Flows survey covers 20 registered banks, of which 13 are locally incorporated and 7 are the branches of the dual registered banks.

What is the difference between flow data and stock data?

Flow data measures the increase over the reporting month e.g. bank customers' requests for new loans or changes to their existing loans during the course of a month (the reference period).

Stock data or 'as at' position shows us the lending values that is accumulated or depleted overtime and can only be measured at a specific period of time i.e. at the end of the reporting month.

Can you add cumulative flows to get a stock position?

No.

Cumulative flows will be different than the change in the 'as at' position, month on month, because the flows are only the increases in lending and do not take into account any changes by the customer to their loans over the same period such as increases in mortgages due to interest charged, and reduction in mortgages due to repayments and other adjustments by customers to their loans over the same period.

Appendix:

New commitment vs drawdowns

Q. A $470,000 new commitment is approved for a property purchase with loan documentation forwarded to the solicitor in June for a settlement date in July.

A. In the LVR New Commitments data the $470,000 is recognised as a new commitment when the loan documents are provided to the borrower via the solicitor so would be reported in the June LVR New Commitments reporting month. And in the New Credit Flows data the $470,000 is recognised as new lending during the reporting month when the amount is drawn down (available for the borrower to use) which would be the July reporting month for the New Credit Flows Survey.

New revolving loan limit approved but not drawn

Q. Customer has an existing $400,000 loan. They request a top-up by $70k bringing their total new loan to $470,000.

A. In the LVR New commitment data $70,000 is recognised as a new commitment and in the New Credit Flow data the $70,000 is recognised as new lending activity.

Treatment of loan top up in Bank Balance Sheet Survey and New Credit Flows Survey

Q. Customer has an existing loan for $500k. On July 2023, they request a top-up by $50k bringing their new total lending to $550k. During July, the customer made a repayment of $100k. At the end of July, the customer paid interest expense of $2.5k on the $450k outstanding balance after the top up and the repayment. Do we report the full $550k as new lending?

A. In the New Credit Flows Survey the new lending ($50k) is to be reported for the July reporting month and the associated weighted average interest rate for that $50k new lending. We do not report the existing loan, interest expense paid or the repayments made in the New Credit Flows Survey.

In the Bank Balance Sheet Survey, the loan amount outstanding after any interest charges and payment deductions is to be reported as the outstanding loan balance for the month of July 2023.