

January 2011

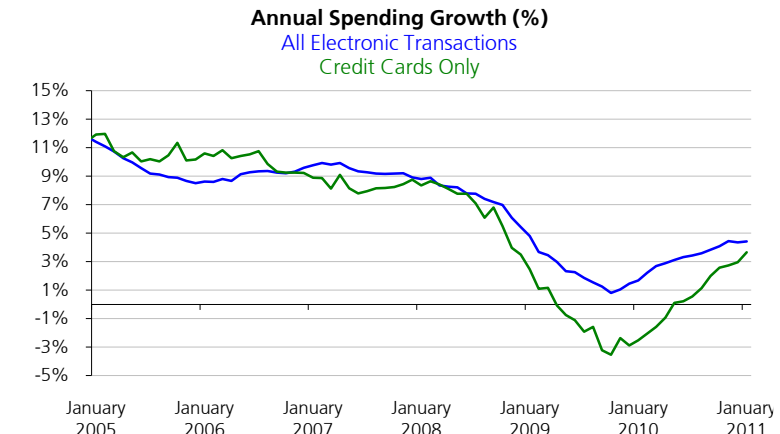
January shows sharp – but predictable – falls

Executive Summary

If there's anything in the payments industry as inevitable as a spending spike in December, it's the subsequent trough in January.

Transactions

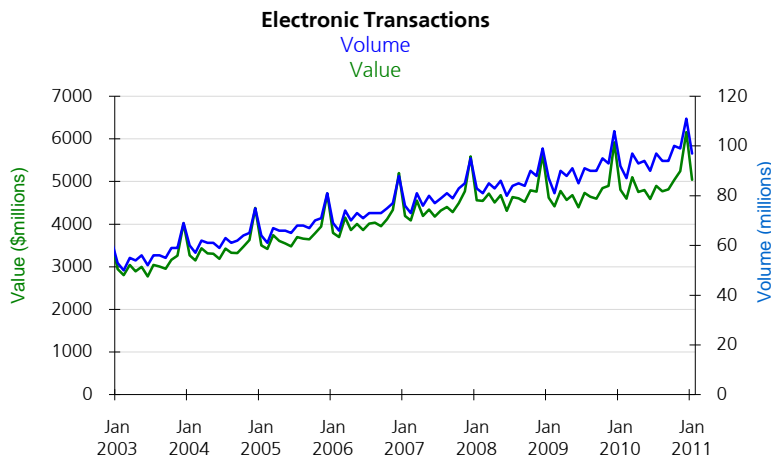
Comparing the last month in 2010 to the first in 2011, spend was off just short of \$1.12 billion (or 18.14%) – a record single month fall in value – to \$5.04 billion (green line in the chart below). But, to some extent, those numbers masks the two key measures of annual growth which are showing relatively strong returns. Firstly when we compare January 2011 with January 2010, spend is up 4.9%. The second – and probably the most indicative measure – is on the rolling year spend. In the 12 months to the end of January 2011 the total value of electronic transactions (which includes all transactions on debit, credit and charge cards at New Zealand



merchants) came to \$59.8 billion. Compared to the previous rolling year that represents growth of 4.4% (blue line, chart above). While that's nowhere near the records we were seeing prior to the global downturn, the NZ market is well into recovery mode with solid upward movements since we hit an annual growth low of 0.8% in October 2009.

The green line in the chart above tracks annual growth in

the value of spending on credit cards (which bore the brunt of a reduction in consumer spending through the course of 2009). But returning consumer confidence is pushing spend up with the total value of credit card spending for the past 12 months reaching just over \$29.3 billion. That is growth of 3.65% which, while below the number for total electronic spending, still demonstrates solid upward movements since record lows of October 2009.



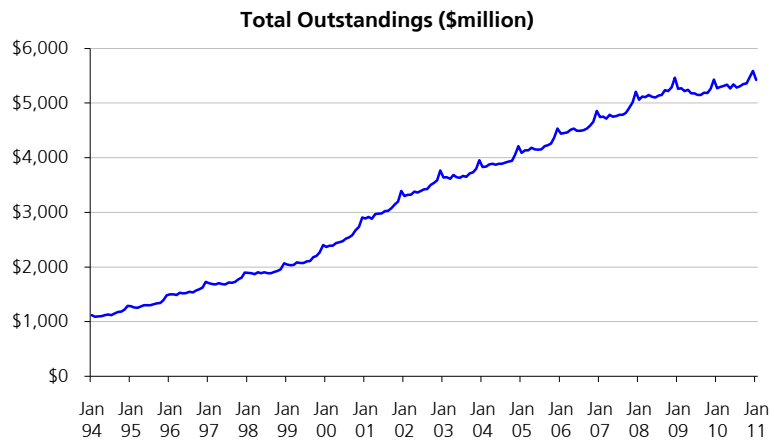
Looking at credit card spending for the month of January, spend came off December's 24 month high by just under 20%, down to \$2.27 billion (but that's still up over 7% on January 2010).

Balances

When we look at spending on credit cards, its vital to also get a sense of what's happening with lending on these cards. After all, credit cards are

increasingly a way to spend (as opposed to a way of borrowing).

January tends to see a fall in total outstandings, driven primarily by spend reductions and the RBNZ numbers for January 2011 brought no surprises. The amount outstanding on all credit cards fell by \$161 million (the largest single month reduction since January 2009) for the month to \$5.43 billion (chart right).



Credit Limits and Utilisation

Total credit limits fell away a little in January 2011 down \$16 million to \$17.6 billion. On an

annualised measure, it means that credit limits grew only 0.6% over the past 12 months. Utilisation, which is a measure of the proportion of the credit

limit being used by a balance, sits at 30.77%. This figure continues to remain stable given it tends to be something issuing banks actively manage.

The statistics in this paper are sourced from Statistics NZ and the RBNZ's monthly release of payments data. They do not represent MasterCard financial performance.

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