

Opinion

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Standard & Poor's rating review

Credit rating agency Standard & Poor's (S&P) has recently announced the results of its global review of banks, which includes most New Zealand banks.

To put this context, it's useful to remember that the S&P review is not specific to New Zealand, but applies to banks the world over.

The overall review by S&P has resulted in a minor adjustment in bank credit ratings here. What this outcome suggests is that the banking system in New Zealand is in good shape, remains strong, and is well capitalised and regulated.

Our banking industry has coped well with the volatility in global markets. In its November 2011 Financial Stability Report, the Reserve Bank of New Zealand confirmed that New Zealand banks had increased their capital and liquidity buffers over the past few years. They now have a stronger retail deposit base and their wholesale funding is diversified at longer terms, so there's a reduced need for short-term wholesale funding.

Our banks currently have good market access to overseas markets, and they continue to be well positioned to meet the growth aspirations of their customers.

While funding costs for banks have risen in recent months, primarily because of weaker global financial market conditions, this rating change by itself is not expected to have a significant impact on banks' funding costs.

The banking industry will continue to monitor the market reaction to the rating review.