Money and Credit - April 2020

Our monthly Money and Credit statistical release is made up of three parts: broad money and credit, lending to individual and lending to businesses.

Published on 02 June 2020

Overview

These monthly statistics on the amount of, and interest rates on, borrowing and deposits by households and businesses are used by the Bank's policy committees to understand economic trends and developments in the banking system.

Key points:

- UK households and businesses are continuing to increase their deposits in banks and building societies. Sterling money holdings of households, non-financial businesses, and financial businesses rose by £37.3 billion in April, following an increase of £67.3 billion in March.
- Households and private businesses have been repaying loans from banks, on net, but corporates have accessed significant funds through corporate bond and commercial paper issuance. Households repaid £7.4 billion of consumer credit, on net, in April, the largest net repayment since the series began.
- The cost of credit fell in April. For individuals, effective rates on overdrafts fell 15 percentage points. The interest rate on new fixed-rate mortgages was little changed, but floating-rate mortgage borrowing rates fell by 46 basis points. The interest rate paid on new borrowing by businesses fell by 10 basis points, with larger falls on rates for SMEs.

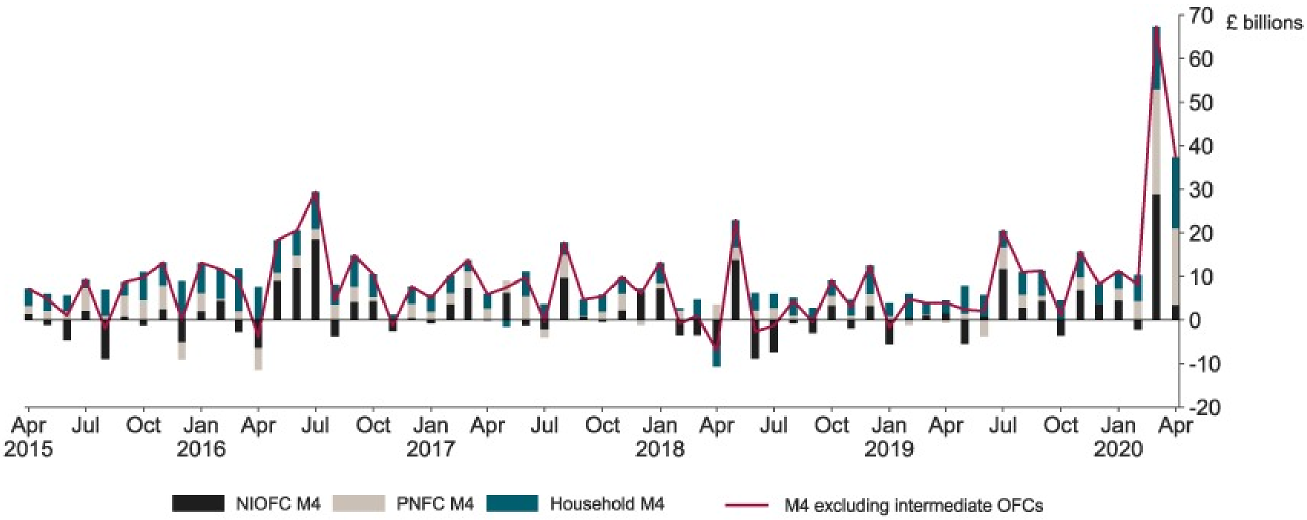
References in the text point to the summary tables below. For further statistics, please see our interactive charts and Bankstats tables.

Headline money and lending (M&C Table J)

The amount of additional money deposited in banks and building societies by private sector companies and households rose strongly again in April (Chart 1). The increase was smaller than in March, but still the second highest increase on record and strong relative to recent history. These additional sterling deposit 'flows' by households, private non-financial businesses (PNFCs) and financial businesses (NIOFCs), known as M4ex, rose by £37.3 billion in April. The strength was driven by households and PNFCs. The increase was smaller than in March, when money increased by £67.3 billion. The rise in money in both March and April was very strong relative to recent history: in the six months to February 2020, the average monthly increase was £9.3 billion.

Households and PNFCs have also been repaying loans. Households repaid £6.9 billion of debt in April, and PFCs repaid £1.0 billion. But corporates have been raising funds from other sources: PNFC net finance raised remained strong at £16.3 billion in April.

Chart 1: Broad money by sector
Seasonally adjusted



Lending to and deposits from businesses

Businesses borrowing from banks (M&C Tables F-I):

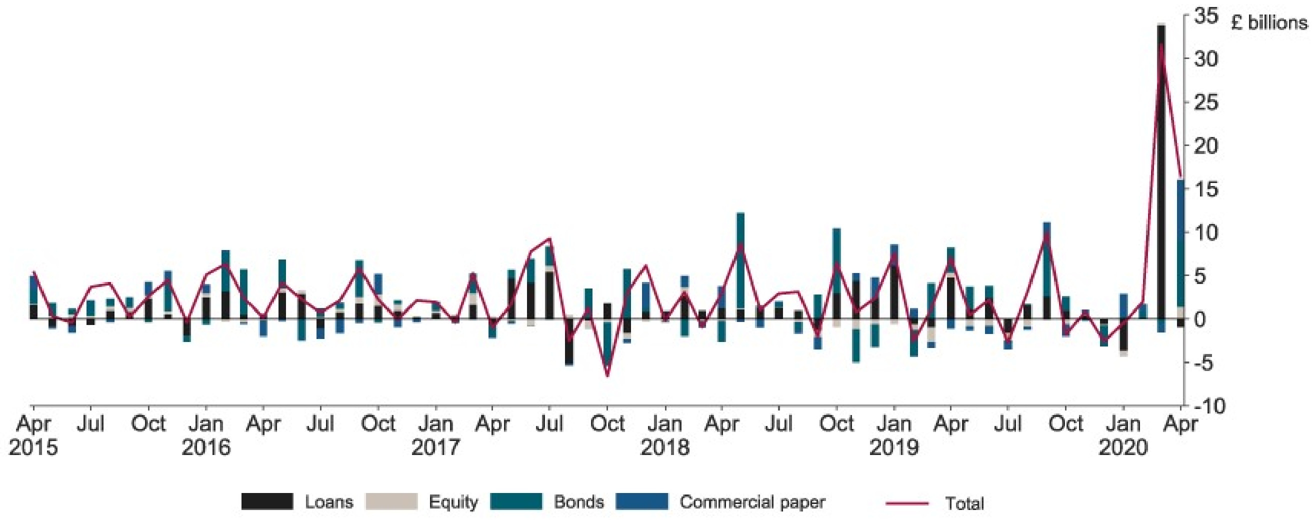
UK private sector businesses raised a total of £16.3 billion from banks and financial markets in April, down from £31.6 billion in March (Chart 2). Within this, UK businesses repaid £1.0 billion of bank loans (Chart 2), following borrowing of £33.8 billion in March. Net finance raised has been strong for the past two months: between September 2019 and February 2020, net finance raised averaged £1.3 billion per month.

Private sector businesses of all sizes borrowed little extra from banks in April. Small and medium sized businesses drew down an extra £0.3billion in loans from banks, on net, a similar amount as in March. The annual growth rate of borrowing by SMEs was 1.2%, in line with the growth rate since mid 2019. Large private-sector businesses repaid £1.1 billion of loans in April. But strength in borrowing by the public administration and defence industry meant total borrowing by large businesses was £12.9 billion in April. While this total is very strong by historical standards, it is down from £32.4 billion in March. The annual growth rate of borrowing by all large businesses increased to 15.4%, much stronger than the growth rate of around 5% in late 2019.

Market Finance (M&C Table F):

Businesses can also raise funds from financial markets (via instruments such as bonds and commercial paper, or with equity). In April, firms raised £16.1 billion from financial markets, on net, the highest amount raised since June 2009 and significantly stronger than the previous six month average of £23 million. Within this, firms issued £7.7 billion of bonds, £7.0 billion of commercial paper (including funds raised through the Covid Corporate Financing Facility), and £1.4 billion of equity.

Chart 2: Net financed raised by PNFCs[1]
Seasonally adjusted



1. There is a discrepancy between the total of net finance raised and its components due to the seasonal adjustment methodology.

The cost of borrowing from banks fell for PNFCs in April. The actual, 'effective', interest rate paid on new borrowing by PNFCs fell to 2.26%, 30 basis points lower than in February 2020, and the lowest rate since December 2010,. The effective rate on new loans to SMEs fell by 52 basis points in April, to 2.49%. This is the lowest rate paid by SMEs since at least 2016, when the series began, and compares with a 3.44% interest rate on new borrowing in February. The decline will partly reflect the lower cost of borrowing under the Coronavirus Business Interruption Loan Scheme (CBILS)),

Businesses deposits with banks (M&C Tables F-I):

UK businesses' deposits in all currencies rose by £25.2 billion in April. That was a little less than the £33.8 billion increase in deposits in March, but significantly greater than usual. In the six months to February 2020, corporate deposits rose by an average of £34 million per month.

Effective rates on new time deposits for PNFCs were broadly unchanged in April at 0.37%, while rates on outstanding sight and time deposits fell 6 basis points and 15 basis points, to 0.26% and 0.56% respectively.

Lending to individuals

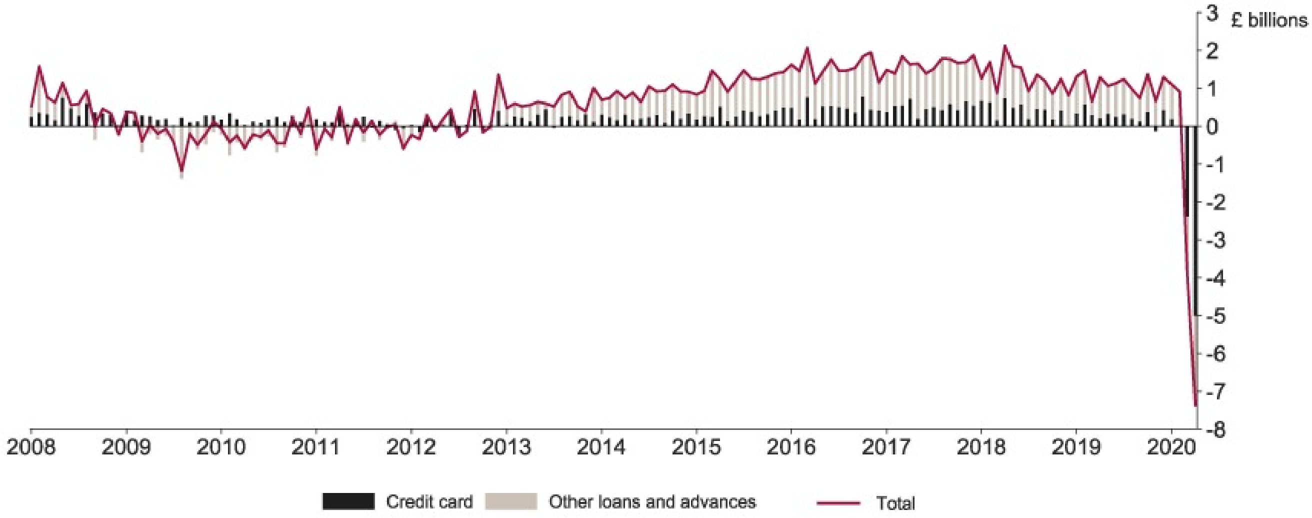
Consumer credit (M&C Tables B and C):

Households have reduced the amount they are borrowing in consumer credit as spending has fallen with COVID-19. New gross borrowing fell to £11.8 billion in April, roughly half its February level. Repayments on consumer borrowing have also fallen sharply, by 19% since February, reflecting payment holidays. On net, the larger fall in gross borrowing meant people repaid £7.4 billion of consumer credit in April, double the repayment in March, which itself was a record repayment (Chart 3). The extremely weak net flows of consumer credit meant that the annual growth rate fell below zero in April, to -0.4%, the weakest since August 2012.

The majority (£5.0 billion) of net consumer credit repayments were on credit cards, while £2.4 billion of other loans were also repaid in April. The annual growth rate of credit card lending was negative for the second month running, falling to -7.8%, compared with 3.5% in February before borrowing fell. Growth in other loans and advances remained positive, at 3.1%. But this was weak relative to the recent past: in February, the growth rate was 6.8%.

The all-in cost of overdraft borrowing fell sharply in April, as lenders removed overdraft fees, and held rates low. The effective rate on overdrafts (including fees) was 10.93% in April, around 15 percentage points lower than in March. There were small changes in the rate charged on other products: for example, credit card borrowing rates rose by 13 basis points, to 18.54%.

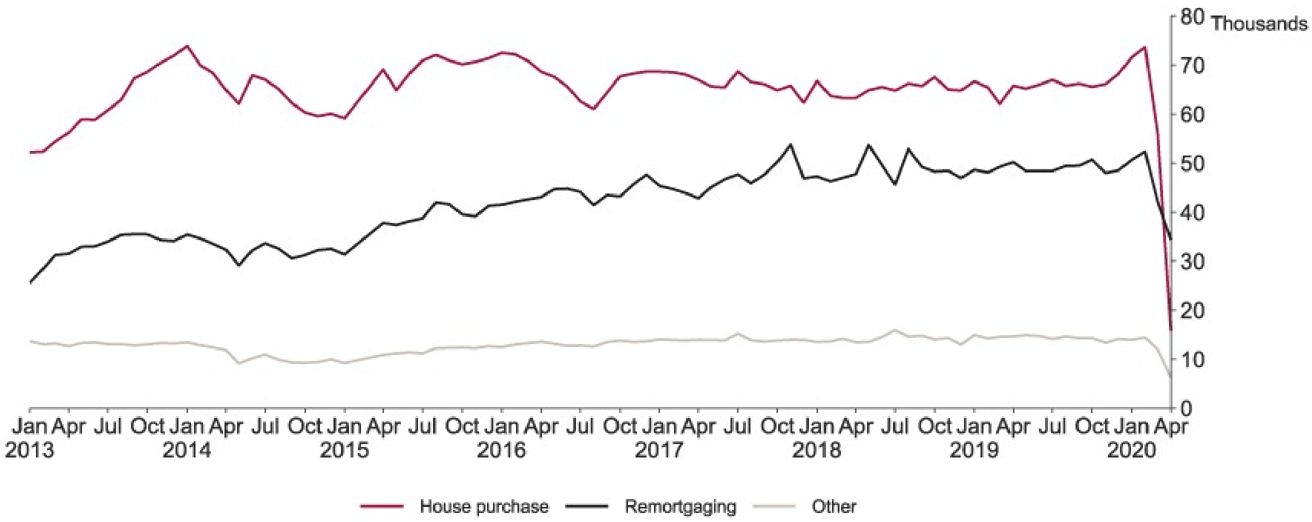
Chart 3: Consumer credit
Seasonally adjusted



Mortgage lending (M&C Tables D and E):

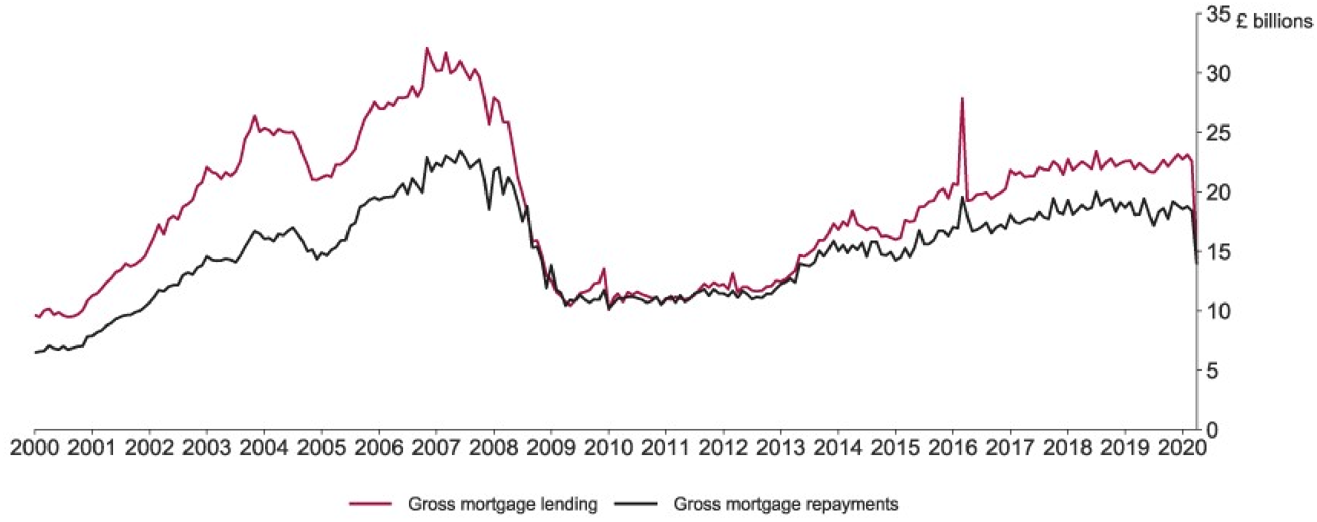
Weakness in the housing market associated with COVID-19 was reflected in weak mortgage market activity in April. The number of mortgage approvals for house purchase fell sharply on the month, to 15,800, around 80% below the February level (Chart 4). This was around half the number of approvals as the trough during the financial crisis, and the lowest since the series began in 1993. Approvals for remortgage (which include remortgaging with a different lender only) have fallen by less, to 34,400, 34% lower than in February.

Chart 4: Mortgage approvals
Seasonally adjusted



Lending has also fallen sharply. Gross (new) mortgage borrowing fell to £14.4 billion, 38% lower than in February (Chart 5). Repayments on mortgage lending also fell sharply, to £13.9 billion, 26% lower than in February. This reflects a sharp fall in full repayments of loans, as well as the effect of payment holidays. The sharper fall in gross lending than repayments means that net mortgage borrowing fell, and was only £0.3 billion in April compared to an increase of £4.3 billion in February. This was the lowest net increase since December 2011.

Chart 5: Gross new mortgage lending and repayments
Seasonally adjusted



The interest rates on fixed-rate mortgages, which account for 98% of new mortgage borrowing, were little changed in April. The rate paid by individuals on floating-rate mortgage borrowing fell a little further in April, however, as the MPC's March Bank Rate cuts continued to pass through. The effective interest rate paid on the stock of floating-rate mortgages fell 46 basis points, to 2.39%, the lowest rate since this series began in 2016; and the rate on new floating-rate loans fell 35 basis points to 1.48%.

Households' deposits (M&C Table J):

Households' deposits increased strongly again in April, by £16.2 billion. In the six months to February 2020, household deposits rose by an average of £5.0 billion per month. The increase in April was primarily driven by a £10.5 billion increase in interest-earning deposits. Non-interest earning deposits rose by £4.2 billion, while £800 million of savings were withdrawn from ISA accounts.

The interest rate paid on individuals' new time deposits fell 15 basis points in April to 0.98%. Within this, rates on fixed-rate bonds fell 12 basis points, and ISA rates fell 16 basis points. Effective rates on sight deposits fell slightly to 0.41%.

Queries

If you have any comments or queries about this release please email dsd_ms@bankofengland.co.uk.

Next release date: 29 June 2020

More information

Summary tables - April 2020 (XLSX 0.2MB)

Highs and lows - April 2020 (PDF 0.1MB)

View interactive charts

Further details about our data

Sign up for latest updates

BANK OF ENGLAND