Money and Credit - March 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.

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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:

- Sterling money holdings and borrowing both rose to their all-time series highs, of £57.4 billion and £55.3 billion respectively.
- Within that, UK businesses' deposits rose by £34.0 billion and their bank loans borrowing rose by £34.1 billion, also both record increases.
- The interest rate paid on businesses' new borrowing fell by 20 basis points, with SMEs seeing larger falls.
- Mortgage approvals for house purchase fell to 56,200, their lowest level since March 2013.
- The rate on new variable-rate mortgage borrowing fell by 17 basis points in March, while the cost of fixed-rate mortgages was little changed.
- Households repaid £3.8 billion of consumer credit, on net, in March.
- In March, interest rates paid on businesses' new deposits fell by up to 26 basis points, but household deposit rates were little changed.

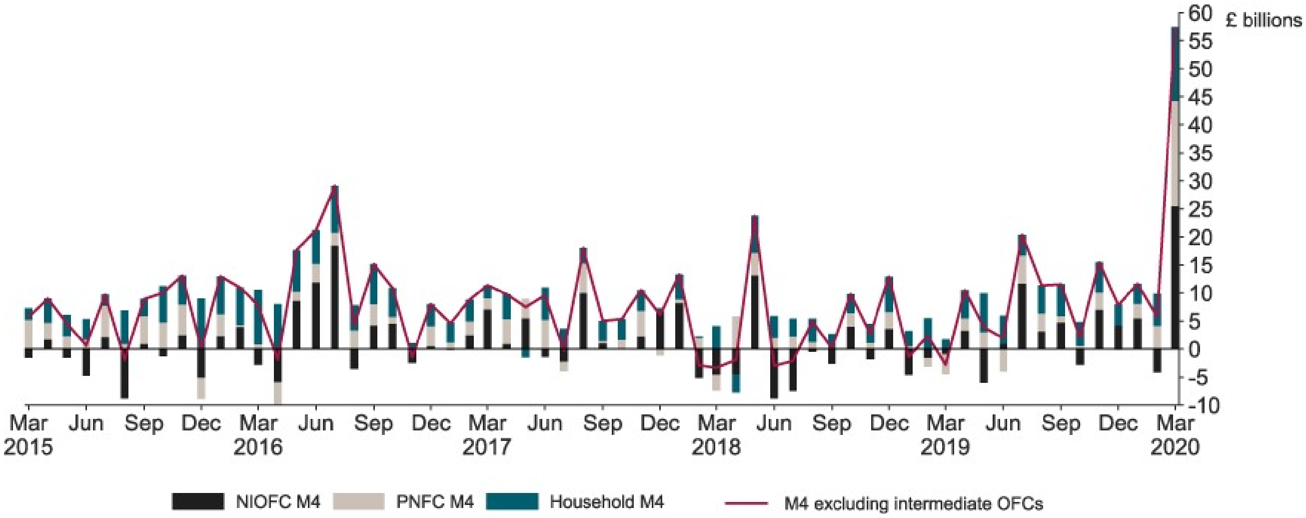
References in the text point to the summary tables below. For further statistics, please see our interactive charts and Bankstats tables.

Broad money and sterling lending to the UK private sector (M&C Table J)

The amount of money deposited with, and borrowed from, banks and building societies by private sector companies and households overall rose very strongly in March. Sterling money holdings by households, non-financial businesses (PNFCs) and non-intermediating financial companies (NIOFCs), known as M4ex, rose by £57.4 billion in March, a series high and far above its previous six-month average of £9.0 billion. Sterling borrowing from banks (M4Lex) rose by £55.3 billion, also a series high and up from its previous six-month average of £5.1 billion.

The strength in money was broad based across sectors, with the largest increases since these series began for households (first published in 1963), PNFCs (1963) and NIOFCs (1998) (Chart 1). In contrast, the strength in borrowing was concentrated among PNFCs and NIOFCs, with record increases in both sectors; households borrowing fell to £1.7 billion in March, its lowest level since April 2016.

Chart 1: Broad money by sector
Seasonally adjusted



Lending to businesses (Tables F-I)

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

UK businesses borrowed an extra £34.1 billion of loans from banks in March (Chart 2). The strength took the annual growth rate of borrowing by UK businesses to 8.2%. Within this, the growth rate of borrowing by large businesses increased sharply, to 11.8%, and growth by SMEs rose to 1.2%, from 0.9% in February.

The actual, 'effective', interest rate paid on new borrowing by PNFCs fell 20 basis points in March to 2.36%, whilst rates on the stock of lending fell 9 basis points to 3.21%. Within this, effective rate for new lending to SMEs fell more sharply, by 43 basis points, to 3.01%.

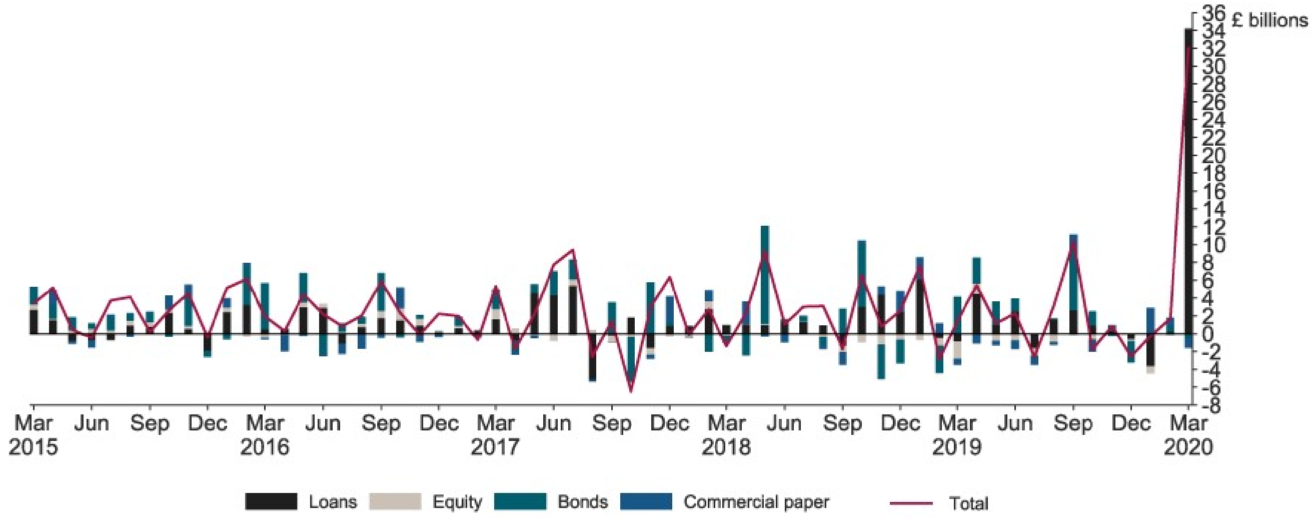
UK businesses' deposits rose by £34.0 billion in March. Changes in deposits and loans were closely correlated across industries.

Effective rates on new time deposits for non-financial businesses fell by 26 basis points to 0.39%, whilst rates on outstanding sight and time deposits fell 9 basis points and 12 basis points, to 0.32% and 0.71% respectively.

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) as well as from banks as loans. In March, firms repaid £1.9 billion to financial markets. This was driven by £1.0 billion net repayment of commercial paper. Firms also made £0.5 billion net repayment of bonds. Net issuance of equity was £0.1 billion.

Chart 2: Net financed raised by PNFCs1
Seasonally adjusted



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

Lending to individuals

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

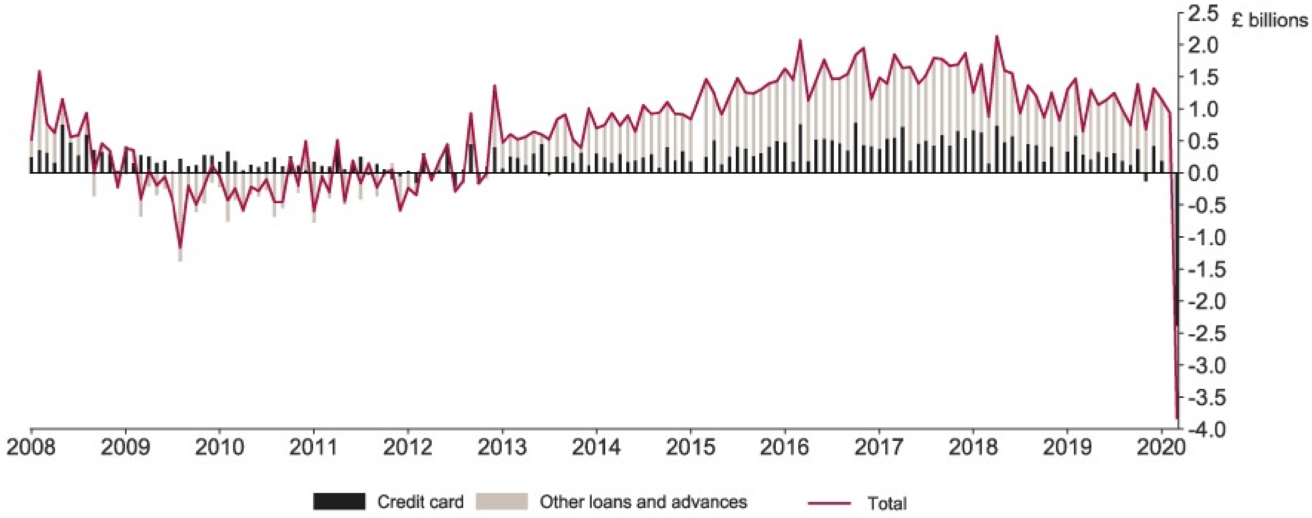
Households repaid £3.8 billion of consumer credit, on net, in March, the largest net repayment since the series began (Chart 3). Within this, credit cards accounted for £2.4 billion of net repayments and other loans and advances accounted for £1.5 billion.

This very weak net lending reflected a larger fall in new borrowing that was partially offset by slightly lower repayments. Gross lending was £5.4 billion weaker than February, while repayments were £1.3 billion lower.

The weak net flows of consumer credit meant that the annual growth rate fell to 3.7% in March, lowest since June 2013. Within this, the annual growth rate of credit card lending fell to -0.3%, the first negative annual growth since the series began. The annual growth rate of other loans and advances fell to 5.6%.

Effective rates on the outstanding stock of credit cards and other personal loans to individuals fell in March. Effective rates on interest bearing credit cards fell 14 basis points to 18.4%, whilst effective rates on personal loans fell 7 basis points to 6.8%.

Chart 3: Consumer credit
Seasonally adjusted

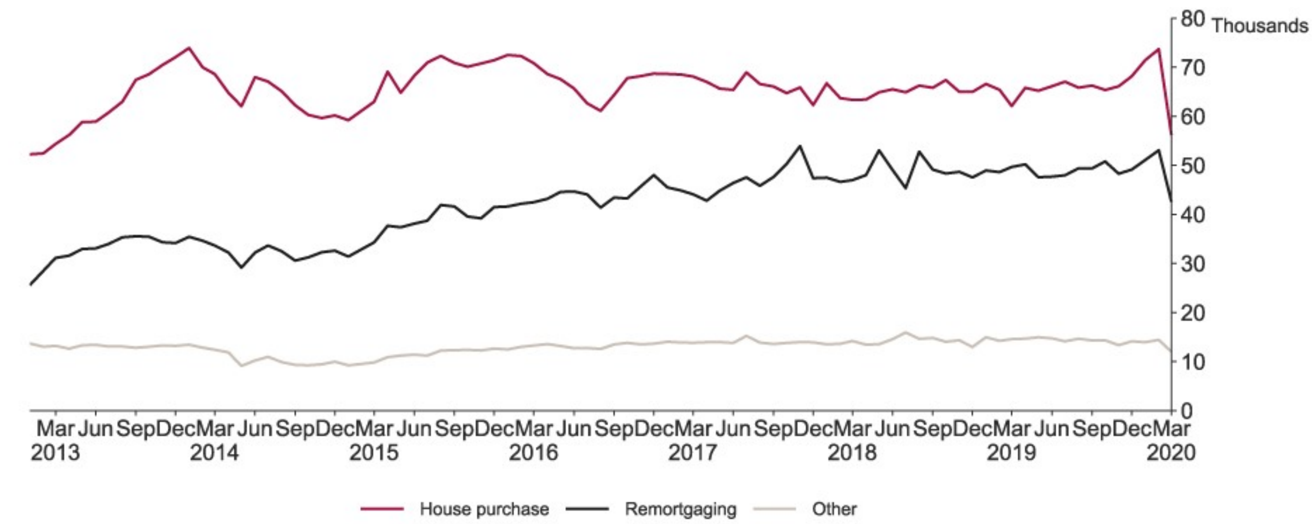


Mortgage lending (M&C Tables D and E):

In the mortgage market, evidence of a decline in housing market activity started to become apparent in March mortgage approval statistics, which fell by just over 20% (Chart 4). This was a broad based fall across reasons for applying for a mortgage. Approvals for house purchase fell by 24% to 56,200, their lowest level since March 2013; and approvals for remortgage fell 20% to 42,600, the fewest since August 2016. 'Other' approvals, which includes for withdrawing equity, fell back 17%, to 12,000.

Mortgage borrowing picked up a little in March, with a net increase of £4.8 billion. The annual growth rate also rose a little, to 3.6%. Mortgage borrowing tends to lag approvals, however, so this strength is likely to reflect strength in approvals in previous months.

Chart 4: Mortgage approvals
Seasonally adjusted



The interest rate paid by individuals on floating-rate mortgage borrowing fell in March following the reductions in Bank Rate on 11 March and 19 March. The effective interest rate paid on the outstanding amount of floating-rate mortgages fell 11 basis points, to 2.85%; and the rate on new floating-rate loans fell 17 basis points to 1.83%. In contrast, the effective rate on fixed-rate mortgages, which account for 98% of new mortgages, remained broadly stable, consistent with much smaller moves in the reference rates these products are priced from.

Households' deposits (M&C Table J):

Households' money holdings increased by £13.1 billion in March, primarily driven by a £8.6 billion increase in interest bearing deposits. Non-interest bearing deposits also rose, by £5.2 billion.

The interest rate paid on new interest bearing time deposits rose 9 basis points in March to 1.13%, but many recently announced changes in deposit rates had not yet taken effect. Interest rates on sight deposits remained broadly unchanged at 0.45%.

Queries

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

Next release date: 2 June 2020

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