

## Box A: Developments in Household Balance Sheets

Over the past decade household debt levels in Australia have risen from relatively low levels by international standards to be comparable to those in other advanced countries. At the same time there has been strong growth in the value of assets owned by households, although at a somewhat slower pace, such that the ratio of household debt to assets has risen.

The bulk of the increase in household debt over the past decade has been related to housing. Currently, around 84 per cent of household debt is classified as lending for housing (Table A1),<sup>1</sup> comprising lending to owner-occupiers and investors. While owner-occupier mortgages remain the largest single component of household debt, loans for investor housing have grown significantly faster over the past decade than those for owner-occupied housing.<sup>2</sup>

Consequently, the share of investor loans in the total stock of household debt has risen from 9 per cent in 1990 to 26 per cent currently.

The growth in borrowing for owner-occupied housing has reflected an increased number of mortgages (as a result of the increase in the number of households in Australia) but primarily increased loan sizes. The average size of a new loan has risen from around \$74 000 in 1991 to around \$150 000 in 2001. Consequently, over the same period, the average size of all outstanding owner-occupier loans has risen from around \$46 000 to \$128 000.

The growth in borrowing for housing may be somewhat overstated – and lending for other purposes correspondingly understated – as some part of the increase in housing debt is likely to reflect an increasing share of borrowing classified as ‘housing’ being used for other purposes. When reporting lending data, financial institutions are required to classify lending by purpose, rather than by type of security, but this can be difficult to track through time. For example, a borrower redrawing a housing loan to purchase a car does not need to notify the lender of the purpose of the redraw, and hence the funds accessed will generally be classified as lending for housing. With the increased availability of financial products that allow borrowing secured by housing, and the rise in the underlying value of housing assets available to be used as collateral, it seems likely that an increased proportion of the lending classified as housing-related is actually used to finance consumption or to purchase other assets.

**Table A1: Household Debt**  
Per cent

Purpose	Share of total Mar 2002	Annual average growth 1990–2002
Housing	84	14.9
– Owner-occupied	59	13.2
– Investor	26	21.7
Personal	16	8.2
– Credit card	5	13.2
– Other	11	7.0
<b>Total</b>	<b>100</b>	<b>12.3</b>

Source: RBA, based on bank lending data

1. The stock of housing debt comprises loans outstanding from financial intermediaries and the stock of housing loans that have been securitised and hence are not on the books of financial intermediaries.
2. See ‘Recent Developments in Housing: Prices, Finance and Investor Attitudes’, Reserve Bank of Australia *Bulletin*, July 2002, pp 1–6.

**Table A2: Housing Occupancy<sup>(a)</sup>**  
Per cent of households

	<b>Home owners</b>			<b>Renters</b>
	<b>Owned outright</b>	<b>Mortgage</b>	<b>Total</b>	
1981	35.7	35.5	73.2 <sup>(b)</sup>	26.8
1991	43.1	28.5	71.5	28.5
1996	43.7	27.2	70.9	29.1
2001	43.0	28.6	71.6	28.4

(a) Excludes other forms of occupancy

(b) Includes home owners where ownership status not specified

Source: Census of Population and Housing, ABS Cat No 2015.0

Despite the rapid rise in borrowing for housing, home ownership rates have been relatively stable over the past decade (Table A2). Around 70 per cent of the housing stock is owner-occupied, with around 40 per cent being owned outright and 30 per cent owned with a mortgage. The remainder of the housing stock is rented, and hence is predominantly owned by investors. This pattern of home ownership is broadly the same across the capital cities. In non-metropolitan areas, the proportion of households owning their home outright is

slightly higher, and the proportion owning their home with a mortgage slightly lower, than in the capital cities. Around 9 per cent of households own investment property as judged by those who reported rental income in the ABS 1998/99 Household Expenditure Survey.

Primarily reflecting the rise in house prices, the value of housing assets has risen at an annual rate of  $8\frac{3}{4}$  per cent since 1990 with the rate of increase accelerating in recent years (Table A3). The value of assets held in superannuation and direct equity has risen

**Table A3: Household Assets<sup>(a)</sup>**  
March 2002

	<b>Level \$ billion</b>	<b>Share of total Per cent</b>	<b>Growth (per cent)</b>	
			<b>Year to March</b>	<b>Annual average 1990–2002</b>
Housing	2 056	60.9	20.3	8.7
Consumer durables	182	5.4	10.5	5.2
Financial assets	1 136	33.7	9.5	8.7
– Superannuation and life offices	535	15.9	5.9	10.9
– Equities and unit trusts	260	7.7	18.3	11.2
– Currency and deposits	302	8.9	13.4	5.8
– Other	39	1.2	-14.8	1.0
<b>Total</b>	<b>3 375</b>	<b>100.0</b>	<b>15.9</b>	<b>8.5</b>

(a) Includes unincorporated sector, but excludes unfunded superannuation and prepayment of insurance

Sources: ABS, RBA

at a faster pace since 1990 but housing assets still comprise the bulk of household assets.

The value of household assets has grown at a slightly slower pace than household debt over the past decade or so, such that the ratio of household debt to assets has risen from around 14 per cent in 1990 to  $16\frac{1}{2}$  per cent in March 2002 (Graph A1). □

**Graph A1**

