B.1 Total Assets of Financial Institutions

$ billion

At end of	Jun 98	Jun 99	Jun 00	Mar 01	Jun 01	Sep 01	Dec 01	Mar 02	Jun 02
Reserve Bank (RBA)	48.8	49.0	54.1	58.9	60.9	59.2	61.8	59.5	57.9
Banks (other than RBA)	586.4	649.0	731.0	797.5	807.3	829.7	835.0	856.4	944.7
Other authorised deposit-taking institutions (ADIs)									
Permanent building societies	11.8	12.9	12.7	13.0	13.1	12.2	12.4	12.6	12.1
Credit co-operatives	18.2	20.0	21.5	23.5	23.9	24.7	24.2	25.2	23.5
Total (ADIs)	616.4	681.8	765.3	834.0	844.4	866.6	871.7	894.2	980.3
Registered Financial Corporations (RFCs)									
Money market corporations	67.6	60.9	63.7	85.2	81.2	90.9	86.0	82.0	85.5
Finance companies	43.7	47.2	44.3	45.9	47.9	46.2	47.1	44.8	43.3
General financiers	16.7	18.3	20.7	22.3	24.2	25.4	27.6	28.6	26.8
Pastoral finance companies	3.5	4.0	5.9	7.0	10.2	11.4	13.0	12.3	11.5
Total RFCs	131.6	130.4	134.6	160.4	163.6	174.0	173.8	167.6	167.0
Life offices and superannuation funds									
Life insurance offices	148.2	163.4	173.5	171.5	175.8	168.8	176.6	176.7	..
Superannuation funds	202.0	235.9	286.5	294.4	306.9	290.8	302.8	303.9	..
Total life offices and superannuation	350.2	399.3	460.1	465.9	482.7	459.5	479.4	480.6	..
Other managed funds									
Cash management trusts	18.7	21.5	24.8	27.5	28.7	29.1	30.1	29.2	..
Common funds	6.8	7.6	7.4	7.7	8.1	8.1	7.9	8.0	..
Friendly societies	6.8	6.4	5.9	5.6	5.5	5.5	5.5	5.5	..
Public unit trusts	73.4	94.0	108.8	117.6	121.9	118.7	131.6	132.3	..
Other financial institutions									
General insurance offices	65.0	67.7	73.7	77.5	75.8	79.3	79.7	79.7	..
Securitisation vehicles	33.2	45.4	65.0	77.0	84.8	90.8	97.3	106.4	..
Total (of above institutions)	1 350.9	1 503.1	1 699.6	1 832.0	1 876.5	1 890.9	1 938.7	1 963.0	..

Sources: ABS; APRA; RBA

APPENDIX C

MAIN TYPES OF FINANCIAL INSTITUTIONS as at December 2001

Type of Institution	Main Supervisor/ Regulator	Main Characteristics	No. of Active Groups[a]	Total Assets ($b)
Banks	APRA	Provide a wide range of financial services to all sectors of the economy, including (through subsidiaries) funds management and insurance services. Foreign banks authorised to operate as branches in Australia are required to confine their deposit-taking activities to wholesale markets.	52	835[b]
Non-bank financial intermediaries				
Building societies	APRA	Building societies raise funds primarily by accepting deposits from households, provide loans (mainly mortgage finance for owner-occupied housing) and payments services. Traditionally mutually owned institutions, building societies increasingly are issuing share capital.	17	12
Credit unions	APRA	Mutually owned institutions, credit unions provide deposit, personal/housing loan, and payment services to members.	201	25
Money market corporations ('merchant banks')	ASIC[c]	Operate primarily in wholesale markets, borrowing from, and lending to, large corporations and government agencies. Other services, including advisory, relate to corporate finance, capital markets, foreign exchange and investment management.	40[d]	86
Finance companies (including general financiers)	ASIC[c]	Provide loans to households and small-to medium-sized businesses. Finance companies raise funds from wholesale markets and, using debentures and unsecured notes, from retail investors.	73[d]	88
Securitisers		Special purpose vehicles that issue securities backed by pools of assets (eg mortgage-based housing loans). The securities are usually credit enhanced (eg through use of guarantees from third parties).	113	97

Type of Institution	Main Supervisor/ Regulator	Main Characteristics	No. of Active Groups[a]	Total Assets ($b)
Funds managers and insurers				
Life insurance companies	APRA[e]	Provide life, accident and disability insurance, annuities, investment and superannuation products. Assets are managed in statutory funds on a fiduciary basis, and are mostly invested in equities and debt securities.	33	188
Superannuation and approved deposit funds (ADFs)	APRA	Superannuation funds accept and manage contributions from employers (incl. self-employed) and/or employees to provide retirement income benefits. Funds are controlled by trustees, who often use professional funds managers/advisers. ADFs are generally managed by professional funds managers and, as with super funds, may accept superannuation lump sums and eligible redundancy payments when a person resigns, retires or is retrenched. Superannuation funds and ADFs usually invest in a range of assets (equities, property, debt securities, deposits).	11 072[f]	331
Management companies (public unit trusts)	ASIC[c]	Unit trusts pool investors' funds, usually into specific types of assets (eg equities, property, money market investments, mortgages, overseas securities). Most unit trusts are managed by subsidiaries of banks, insurance companies or merchant banks.	97	152
Trustee companies (common funds)	State authorities	Trustee companies pool into common funds money received from the general public, or held on behalf of estates or under powers of attorney. Funds are usually invested in specific types of assets (eg money market investments, equities, mortgages).	13	8
Friendly societies	APRA	Mutually owned co-operative financial institutions offering benefits to members through a trust-like structure. Benefits include investment products through insurance or education bonds; health; funeral; accident; sickness; or other benefits.	38	6
General insurance companies	APRA[e]	Provide insurance for property, motor vehicles, employers' liability, etc. Assets are invested mainly in deposits and loans, government securities and equities.	97	64

a Subsidiaries of an institution undertaking the same activity are treated as part of a single group.

b Refers only to the Australian banking operations and does not include assets of banks' overseas branches or domestic and foreign non-bank subsidiaries. Banks' global consolidated group assets (for all locally incorporated and foreign bank branches) at December 2001 were $1130 billion.

c ASIC does not conduct prudential supervision of these institutions, but does regulate certain aspects of their operations (eg compliance with the fundraising and securities licensing provisions of the Corporations Law).

d As from December 1999, groups with total assets below $50 million are not included.

e State Government-owned insurance offices are not covered by Commonwealth legislation, nor supervised by APRA.

f Includes assets in life office statutory funds, but excludes pooled superannuation trusts, non-regulated public sector funds and self-managed superannuation funds (which have less than five members); self-managed funds are regulated by the Australian Taxation Office. Total superannuation assets were estimated to be around $528 billion as at December 2001.

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),[1] 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.[2]

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
Total	**100**	**12.3**

Source: RBA, based on bank lending data

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.

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[(a)]
Per cent of households

	Home owners			Renters
	Owned outright	Mortgage	Total	
1981	35.7	35.5	73.2[(b)]	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 8¾ 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[(a)]
March 2002

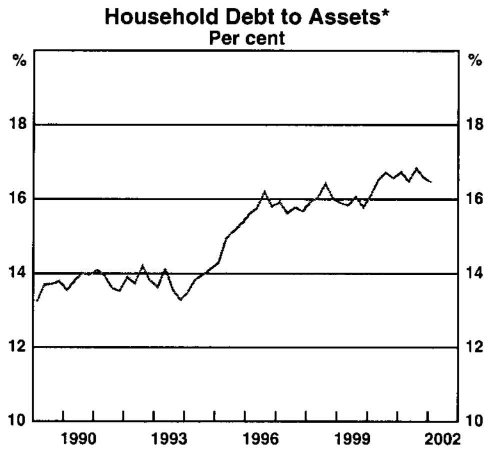
			Growth (per cent)	
	Level $ billion	**Share of total** Per cent	**Year to March**	**Annual average 1990–2002**
Housing	2 056	60.9	20.3	8.7
Consumer durables	182	5.4	10.5	5.2
Financial assets	1 136	33.7	9.5	8.7
– Superannuation and life offices	535	15.9	5.9	10.9
– Equities and unit trusts	260	7.7	18.3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

(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 16½ per cent in March 2002 (Graph A1). ✯

Graph A1



* Includes unincorporated enterprises
Sources: ABS; RBA