



Retail Interest Rates: August 2015

Key Developments

- Chart 1 depicts the volume and corresponding interest rates applicable to renegotiated loans to households for house purchase. Renegotiated household interest rates **have remained broadly stable** since December 2014, albeit, presenting a marginal downward trend since the beginning of year. **The volume of renegotiated household loans for house purchase has increased by over €350 million since May 2015, standing at €751 million at end-July.** Nevertheless, the pronounced increase in the volume of renegotiated loans observed in July 2015 coincided with a perceptible increase in the corresponding interest rate applied to renegotiated household loans. **In August 2015, the volume of renegotiated loans declined to circa €668m, while the corresponding interest rate fell by 21 basis points to 3.17 per cent.**
- The loan to deposit spread is the difference between new business term deposits and the weighted average rate on new business loans to Households for either house purchase or consumer purposes, with a floating or up to one year initial fixation rate. The new business **loan-to-deposit spread for households has remained elevated** for the last number of months (Chart 2). The loan to deposit spread decreased by some 5 basis points over the month to August 2015, predominately driven by a fall in the weighted average interest rate on household loans. **Spreads have increased from circa 100 basis points in April 2012 to 350 basis points at end August 2015.**

Chart 1: Renegotiated Loans

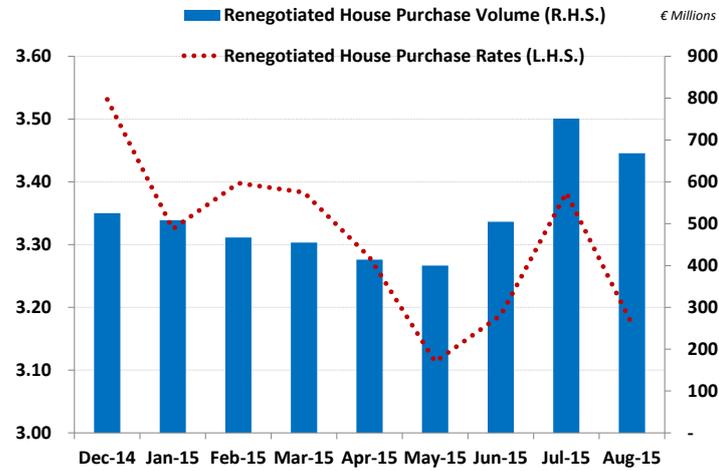


Chart 2: Loan to Deposit Spread for Domestic Banks

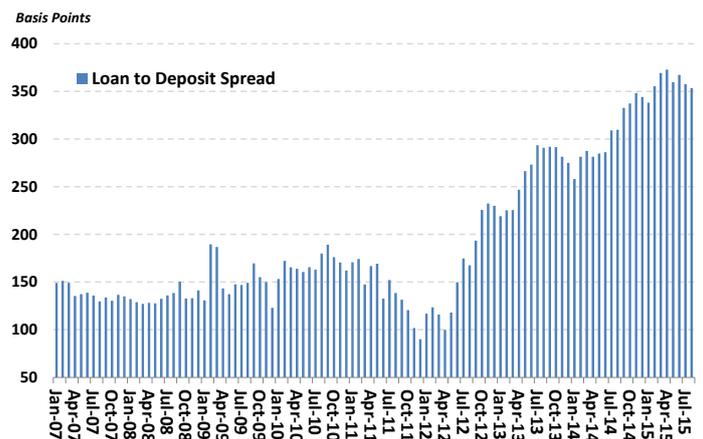
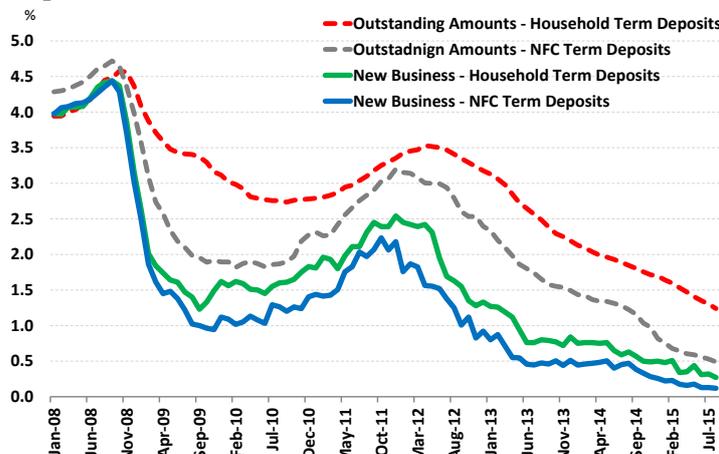


Chart 3: Interest Rates on Household and NFC term Deposits



- **Rates on outstanding term deposits continued to decline** in August 2015 (Chart 3). Rates applicable to NFCs decreased by 4 basis points to 0.49 per cent, while the corresponding rates for households fell by 6 basis points to stand at 1.24 per cent. **New business deposit rates also declined**, with household rates falling by 5 basis points to 0.27 per cent in August.
- Interest rates on **outstanding loans for house purchase** were unchanged at 2.66 per cent at end-August 2015.
- The rate on **new floating rate loan agreements¹ for house purchase** (which includes renegotiations), was 3.15 per cent at end-August 2015, representing a decrease of 20 basis points over the month. The equivalent euro rate was 2.11 per cent. Irish rates have decoupled from their traditional correlation with the MRO benchmark (Chart 4).

Chart 4: Interest Rates on new floating rate loans agreements to Households for house purchase

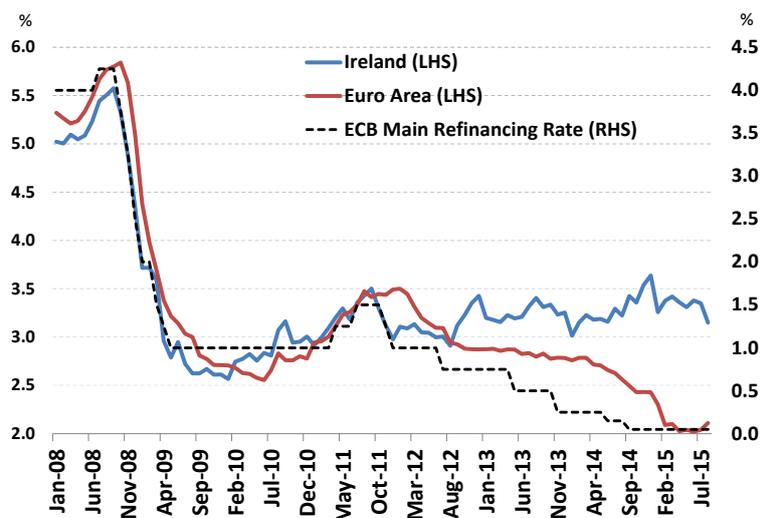


Table 1: Mortgage Rates (as of June 2015)

	New Business		Outstanding Amount	
	Primary Dwelling House	Buy-to-Let	Primary Dwelling House	Buy-to-Let
Standard or LTV Variable Tracker Mortgages*	4.13	5.09	4.10	4.24
Fixed Rate				
- 1 to 3 years	3.80	5.35	4.08	4.78
- 3 to 5 years	3.87	5.07	4.24	4.86
- over 5 years	3.70	5.50	3.52	4.00

*no active market

¹ Floating rates include variable rates and loans with an initial fixation up to one year.

Note:

A number of enhancements to the calculation of the national weighted average interest rates and national total business volumes have been introduced in ECB Guideline (ECB/2014/15) on monetary and financial statistics. These enhancements introduced in the Guideline involve changes to the sampling methods. The changes made contribute to a further harmonization of the data compilation process thus improving cross-country data comparison. The changes apply as of January 2015 for reference period December 2014. As a result of these enhancements, data have been recalculated, as per the requirements of Guideline ECB/2014/15, for previous reference periods in order to ensure a consistent and coherent compilation of data across time and to allow for time series analysis. The extensive set of [Retail Interest Rate Statistics](#) tables are available on the Central Bank of Ireland website.

Retail Interest Rate Statistics cover all euro-denominated lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month, while interest rates applicable to new business volumes cover all new loan and deposit business agreed during the month.

For retail interest rate statistics purposes, new business is defined as any new agreement between the customer and the credit institution. This agreement covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, including any renegotiation of existing deposits and loans. Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business. New business volumes have been exceptionally low in various instrument categories during the last number

of months. Low volumes of this nature can result in increased volatility within the interest rate series.

New loan agreements to households for house purchase with either a floating or initial rate fixation period of up to one year are broader in scope than just 'new mortgages', issued at variable interest rates. There are a number of factors that can lead to differences between MIR statistics and interest rates advertised by resident credit institutions, including renegotiated loans, the inclusion of home improvement loans, and the underlying MIR compilation methodology. New data on mortgage interest rates are available, and outlined above, these rates are not part of the MIR framework and represent drawdowns broken down by type of interest rate (i.e. Fixed, Tracker and SVR). These data will be available on a quarterly basis.