



Retail Interest Rates: November 2015

Key Developments

- New business **loan-to-deposit spreads¹ for households have risen sharply** since 2012, reflecting declining deposit rates in conjunction with relatively stable loans rates (Chart 1). Spreads peaked in April 2015 at 373 basis points. More recently, spreads have eased somewhat, declining to 339 basis points in August 2015. **Despite this recent downward trend, the loan to deposit spread increased by 2 basis points over the month in November 2015, to stand at 351 basis points.**
- **The rate on new floating rate loan agreements² for house purchase (which includes renegotiations), was 3.4 per cent at end-November 2015, representing a decrease of 6 basis points over the month.** The equivalent euro rate was 2.05 per cent (Chart 2). In general, an increasing proportion of new mortgage contracts are fixed rate products.
- **Rates on outstanding term deposits continued to decline** in November 2015 (Chart 3). Rates applicable to NFCs decreased by 2 basis points to 0.39 per cent, while the corresponding rates for households fell by 6 basis points to stand at 1.07 per cent. **New business deposit rates also declined** for NFCs, with rates declining by 3 basis points to 0.09 per cent at end-November.

¹ 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.

² Floating rates include variable rates and loans with an initial fixation up to one year.

Chart 1: Loan to Deposit Spread for Domestic Banks

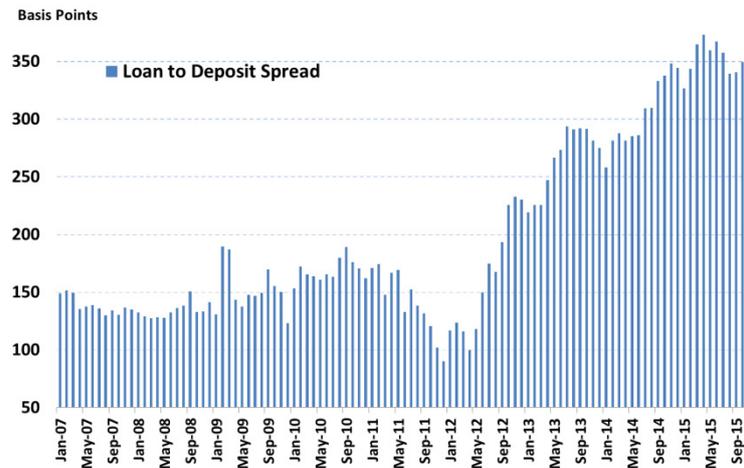


Chart 2: Interest Rates on new floating rate loans agreements to Households for house purchase

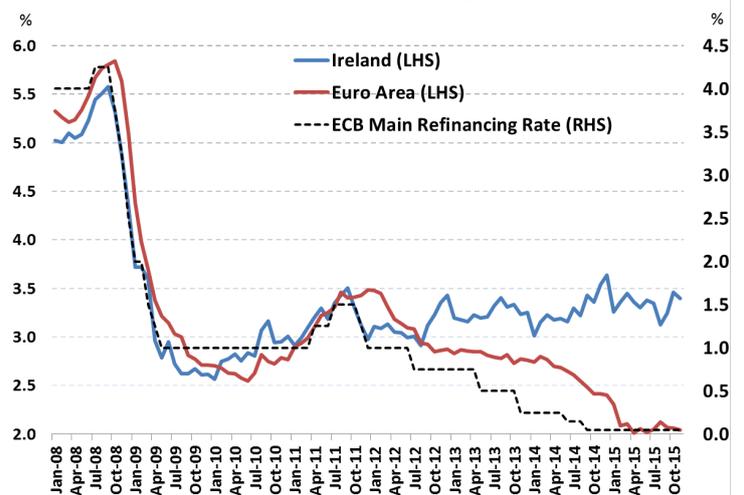
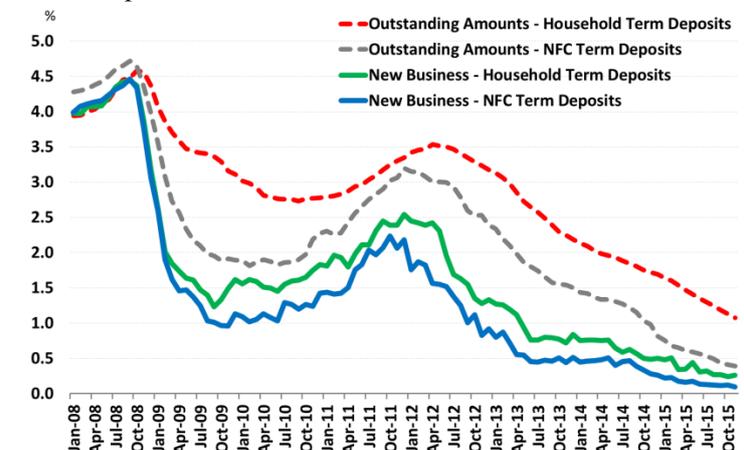


Chart 3: Interest Rates on Household and NFC term Deposits



- In November 2015, the volume of renegotiated loans for house purchase stood at €656m, decreasing by almost €238m compared to the previous month (Chart 4). Renegotiated interest rates pertaining to house purchase loans have remained within the relatively narrow range of 3.1 to 3.5 per cent since December 2014. Nevertheless, in October 2015 the renegotiated interest rate for house purchase loans increased by 26 basis points to 3.46 per cent. At end-November, the equivalent renegotiated interest rate declined to 3.38 per cent.**
- Mortgage interest rates generally declined over the third quarter of 2015.** Fixed rates on new business buy-to-let mortgages declined by the largest margin over that period. **New business fixed interest rates are currently below standard or LTV variable** for all instrument categories (Table 1). During the third quarter of 2015, variable PDH rates declined by 17 basis points while the corresponding BTL rates declined by some 14 basis points.

Chart 4: Renegotiated Loans

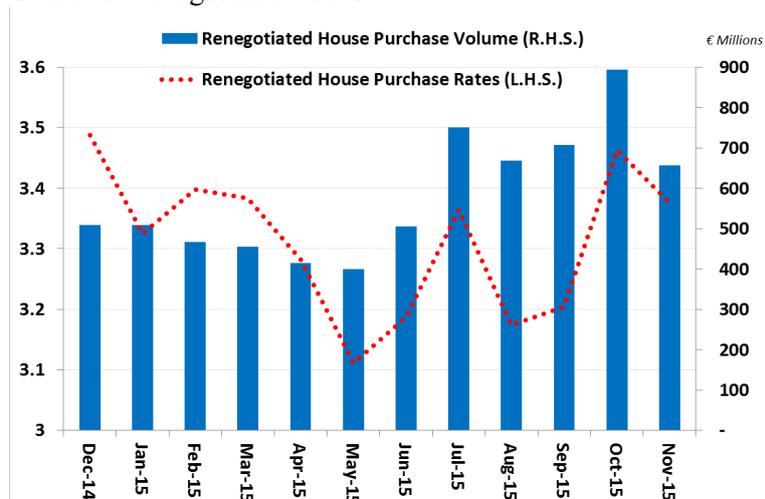


Table 1: Mortgage Rates (as of September 2015)

	New Business		Outstanding Amount	
	Primary Dwelling House	Buy-to-Let	Primary Dwelling House	Buy-to-Let
Standard or LTV Variable	3.96	4.95	4.08	4.60
Tracker Mortgages*	n/a*	n/a*	1.06	1.09
Fixed Rate				
- 1 to 3 years	3.70	4.76	3.93	4.94
- 3 to 5 years	3.70	4.66	4.13	4.81
- over 5 years	3.76	n/a*	3.38	3.94

*no active market

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.