Section 2

The articles in this section are in the series of signed articles on monetary and general economic topics introduced in the autumn 1969 issue of the Bank's Bulletin. Any views expressed in these articles are not necessarily those held by the Bank and are the personal responsibility of the authors.

Irish Retail Interest Rates in a Euro Area Perspective

by Joe McNeill[1]

ABSTRACT

The availability of reliable and timely interest rate statistics is essential for monetary policy decision-making and analysis. In this context, the ECB adopted Regulation ECB/2001/18, which establishes a framework for collecting harmonised interest rate data for loans and deposits vis-à-vis households and non-financial corporations. Data collected on this new basis are now available for the euro area and for Member States, including Ireland.

This paper examines the methodology underpinning the new interest data and looks at a number of conceptual issues, which arise. It also makes a preliminary assessment of how the first results for Ireland compare with euro-area averages. This shows that rates on loans to households compare favourably with the exception of overdrafts, which are substantially higher than euro-area averages. Loans to business are somewhat higher than euro-area averages, while deposit rates are lower across all instrument categories.

Introduction

Since January 1999, a set of ten retail bank interest rates for the euro area has been published in the ECB Monthly Bulletin. These data are compiled on the basis of existing national statistics. While this approach has ensured the availability of some retail interest rate data following the introduction of the euro, the underlying data are compiled according to different methodologies. As such, there are significant differences in the definitions and interpretation of rates reported by Member States.[2] These rates need to be interpreted carefully, therefore, with the focus on the development of rates over time, rather than their level. While the ECB has advised caution on the usefulness of these rates, they have in reality been widely used and, in many cases, misinterpreted. To overcome these problems, work has been ongoing since 1999, on the development of a detailed set of euro-area rates on retail deposits and lending, which are harmonised as far as possible across all Member States. This culminated in the adoption of Regulation ECB/2001/18[3] (hereafter, referred to as the Regulation) by the ECB in December 2001, concerning statistics on interest rates applied by monetary financial

1 The author is a Senior Statistician in the Statistics Department. The views expressed in this article are the personal responsibility of the author and are not necessarily those held by the CBFSAI or the ECB. The author would like to thank Peter Charleton and John Kelly for helpful comments, and colleagues in the Statistics Department who helped to compile the statistical tables.

2 Further information is available from the ECB website: www.ecb.int under ‘statistics’, ‘retail interest rates’.

3 The Regulation came into force on 31 January 2002, and is binding on all Member States participating in Monetary Union.

institutions (MFIs) to loans and deposits vis-à-vis households and non-financial corporations (NFCs). The Regulation establishes a framework, whereby detailed monthly data are collected on a harmonised basis for new business and outstanding amounts, commencing with data for January 2003. This provides key indicators of retail financial market conditions for each Member State and for the euro area as a whole.

The availability of reliable and timely interest rate statistics is essential for monetary policy decision-making and analysis. In this context, the provision of comparable retail rates across Member States will significantly enhance analysis and decision-making in a number of policy areas, including the following:

- assessment of the pass-through of changes in official interest rates and market rates to lending and deposit rates faced by households and NFCs;
- monitoring structural developments in the banking and financial systems and financial stability issues; and
- analysis of how interest rates have converged across the euro area. This is particularly relevant in the context of a single market with no restriction on capital flows. In this regard, the data collected should cast some light on the integration of the retail banking market following the move to a single euro area monetary policy and highlight the divergences, which remain.

The provision of detailed interest rate data across a range of loan and deposit instruments represented a significant challenge. A great deal of work has been undertaken at the ECB level, within national central banks (NCBs) and by the respondent banks to produce a set of high quality comparable data. While there will always be some national peculiarities, the data published have undergone an extensive series of quality assessments both at the euro area and at national level, to ensure the highest degree of comparability. Detailed tables are now available for the euro area and for Member States.[4]

These data cover the months from January to September 2003, and allow some preliminary comparisons across Member States. However, it is premature to draw definitive conclusions at this stage, due to the short time-series available, and the usual 'teething difficulties' associated with a survey of this complexity. In this context, it is felt that the first results for January and February for Ireland, may not be as soundly based as data for later months, when the survey was more firmly established. Detailed analysis, including country-by-country comparisons must, therefore, await a longer time-series. This analysis can be

4 For reasons of confidentiality, some Member States have opted to publish fewer than the 45 indicators listed in the Regulation.

undertaken in the coming months when the requisite data are available to users.

This paper aims to give a broad outline of the principles and concepts underlying the Interest Rate Regulation and to draw some tentative conclusions regarding the Irish data. Section 1 deals with the survey methodology, while Section 2 highlights some conceptual issues, which need to be understood when interpreting the data, and offers some observations on the early results.

Section 1 — Methodology

1.1 Definitions and Coverage

The Regulation covers all MFI interest rates on euro-denominated loans and deposits *vis-à-vis* households and NFCs for both new business transactions and for outstanding stocks. The rates collected are classified by instrument category rather than by individual products, due to difficulties in defining a range of products that could be considered representative, given the differences in the banking industry across Member States.

To ensure consistency with other statistics, the Interest Rate Regulation is based on existing statistical frameworks, namely the European System of Accounts (ESA 95) and the ECB's MFI balance sheet statistics.[5] The Regulation is binding on Member States within the euro area. MFI interest rate statistics cover euro-denominated deposits by and loans to households and NFCs resident in the euro area. While respondent banks report loans and deposits for all customers within the euro area, retail banking is predominantly domestic in Ireland. Households and NFCs are defined in accordance with ESA 95 — see Box 1 below. For households, this definition is broader than personal loans/deposits including, for instance, loans/deposits to self-employed and partnerships.

The data collected include interest rates and volumes for both new business and outstanding amounts, classified by deposit and loan instrument categories. A total of 45 interest rate indicators are collected, most of which relate to new business transactions during the month. A more limited set of interest rate indicators is collected for the outstanding stock of loans and deposits at each month end. The full list of the instrument categories specified in the Regulation, are included in the tables published for the euro area — see Annex 1. For Ireland, certain new business instrument categories with small volumes of transactions are aggregated for publication purposes. Moreover, no data are reported for repurchase agreements between banks and households or NFCs, as these are non-existent in Ireland.

5 These are collected according to the classification principles set out in Regulation No. 2423/2001 of the ECB, concerning the consolidated balance sheet of the MFI sector (ECB/2001/13).

Box 1: ESA 95 Definitions

ESA 95 defines the household sector as follows:

- individuals or groups of individuals whose principal function is consumption;
- persons living permanently in institutions who have little or no autonomy of action or decision in economic matters (e.g., members of religious orders, patients in hospitals, prisoners, residents of retirement homes, etc.);
- individuals or groups whose principal function is consumption and who produce goods or non-financial services exclusively for their own final use;
- sole proprietorships and partnerships without independent legal status – other than those treated as quasi-corporations[6] – which are market producers; and
- non-profit institutions serving households.

Non-financial corporations include the following entities:

- private and public corporations which are market producers principally engaged in the production of goods and non-financial services;
- private co-operatives and partnerships recognised as legal entities which are market producers principally engaged in the production of goods and non-financial services;
- public producers which by virtue of special legislation are recognised as independent legal entities and which are market producers principally engaged in the production of goods and non-financial services;
- non-profit organisations or associations serving non-financial corporations, which are recognised as independent legal entities and which are market producers principally engaged in the production of goods and non-financial services;
- holding corporations where the preponderant activity is the production of goods and non-financial services; and
- private and public quasi-corporations that are market producers principally engaged in the production of goods and non-financial services.

1.2 Reporting Population

The methodology for selecting and maintaining the reporting population is outlined in Annex 1 of the Regulation. While some countries chose to survey the entire reporting population (i.e., a census approach), Ireland opted to conduct a stratified sample survey.

Where sample surveys are adopted, the ECB has imposed the following minimum standards to ensure the quality and comparability of data:

- coverage of 30 per cent of the reporting population with a minimum sample size of 100; or
- coverage of 75 per cent of the stock of euro-denominated loans and deposits *vis-à-vis* households and NFCs.

6 Quasi-corporations keep a complete set of accounts and have no independent legal status. However, they have an economic and financial behaviour that is different to that of their owners and similar to that of corporations. Therefore they are deemed to have autonomy of decision-making.

Ireland has opted to collect data on the basis of the latter criterion. The sample chosen corresponds to the largest institutions within each instrument category, which was considered the most appropriate approach for countries, where a small number of institutions are dominant. Seventeen institutions[7] submit returns each month and these provide comprehensive coverage (exceeding 90 per cent of stocks in most cases) for all instrument categories specified in the Regulation.

1.3 Aggregation

Three levels of aggregation are required for each instrument category — by the institutions involved, by the NCBs and by the ECB. Each MFI surveyed reports rates and volumes on all deposit and loan instrument categories for which they conduct business. Each instrument category may include a number of products and rates — in this case the MFI reports a weighted average rate for all products within the relevant category.

Next, the NCB aggregates data from respondents to derive national rates and volumes. Survey data are grossed-up in accordance with balance sheet weightings to generate national volumes.

The ECB carries out the final level of aggregation of national data at instrument category level to derive euro-area interest rate statistics. For all outstanding amount categories and for new business categories covering overnight deposits and deposits redeemable at notice, weighting information is derived from the size of the corresponding MFI balance sheet item in each Member State. For other new business items, weighting is based on the volumes reported by NCBs.

1.4 Types of Rate

In compiling interest rate statistics, the aim is to identify rates actually paid and received by banks' customers. Consequently, the rates collected represent those rates that are individually agreed between the credit institution and the customer. These may differ from advertised rates, insofar as customers may be able to negotiate better terms or conditions than those advertised. The rates quoted are annualised — i.e., they are quoted in percentages per annum and take into account the frequency of interest payments.

Two options are presented for annualising interest rates — an algebraic formula leading to an annualised agreed rate (AAR) or successive approximations resulting in a narrowly defined effective rate (NDER). These are described in Box 2 below. While there are some theoretical differences, the method of annualisation makes no significant differences to the rates reported. For Ireland, the AAR is used for all instrument categories except loans to households for house purchase, for which an NDER is calculated.

7 The institutions are listed in Annex 2. The sample population will be refreshed periodically to take account of new entrants and departures from the MFI population.

Box 2: Annualisation of Interest Rates

AAR

The *annualised agreed rate* is defined in paragraph 1 of Annex II to ECB/2001/18 as the interest rate that is individually *agreed* between the reporting agent and the household or non-financial corporation for a deposit or loan, converted onto an annual basis and quoted as a percentage per annum. The AAR covers all interest payments on deposits and loans, but no other charges that may apply.

An AAR is distinct from an advertised nominal rate, as the customer might be able to negotiate with the credit institution or other institution better terms and conditions than those advertised. An AAR reflects the creditworthiness and other qualities of the customer (in respect of loans) and the solvency and other qualities of the credit institution as determined by the customer (in respect of deposits). The AAR is influenced by the budget, capital or other constraints faced by the credit institution in granting loans and taking deposits, including competition with other types of financial institution and product. It is a result of the demand and supply conditions in the deposit and loan markets.

The AAR should be applied in cases where the interest payments that are agreed between the credit institution or other institution and the customer are capitalised at regular intervals within a year, for example per month or per quarter, rather than per annum:

$$x = \left(1 + \frac{r_{ag}}{n}\right)^n - 1, \text{ with:}$$

x as the annualised agreed rate,

r_{ag} as the interest rate per annum that is agreed between the reporting agents and the household or non-financial corporation for a deposit or loan where the dates of the interest capitalisation of the deposit and all the payments and repayments of the loan are at regular intervals within the year, and

n as the number of interest capitalisation periods for the deposit and the loan per year, i.e., 1 for yearly payments, 2 for semi-annual payments, 4 for quarterly payments and 12 for monthly payments.

NDER

The *narrowly defined effective rate* measures the the interest rate, on an annual basis, that equalises the present value of all commitments other than charges (deposits or loans, payments or repayments, interest payments), future or existing, agreed by the reporting agents and the household or non-financial corporation. The NDER is equivalent to the interest rate component of the annual percentage rate of charge (APRC) as defined in Article 1(2)(e) of Council Directive 87/102/EEC of 22 December 1986 for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit as last amended by Directive 98/7/EC of the European Parliament and of the Council. The only difference between the NDER and the AAR is the underlying method for annualising interest payments. The NDER uses successive approximation and can therefore be applied to any type of deposit or loan, whereas the AAR uses the algebraic formula defined above and is therefore only applicable to deposits and loans with regular capitalisation of interest payments.

APRC

ECB/2001/18 requires in paragraphs 9 to 11 of Annex II to the Regulation that reporting agents provide for new business in respect of consumer credit and loans to households for house purchases the annual percentage rate of charge (APRC) as defined in Article 1(2)(e) of Council Directive 87/102/EEC. The APRC covers the ''total costs of the credit to the consumer'', which comprise an interest rate component and a component of other (related) charges, such as the cost of inquiries, administration, preparation of the documents, guarantees, credit insurance, etc. The composition of the component of other charges may vary across countries, because the definitions in Council Directive 87/102/EEC are differently applied, and because national financial systems and the procedure for securing credits differ. In Ireland for instance, the national legislation requires the exclusion of mortgage protection insurance as a relevant charge from the APRC. Moreover, for mortgage rates, calculations are based on the assumption that interest rates charged will revert to the standard variable rates after the expiry of any initial preferential rate or short-term fixed rate. For the purposes of MFI interest rate statistics, the definition of the component of other charges has not been harmonised, other than what is laid down in the EU Consumer Directive. However for MFI interest rate statistics, the calculation of the NDER or the AAR on new loans for housing and consumption purposes must be on the same basis as the APRC calculation, thereby providing an estimate of non-interest charges. For Ireland, the NDER must be used for new housing loans as the APRC calculations are compiled in accordance with the national legislation i.e., assuming that current variable rates will apply after the expiry of any initial preferential rate or short-term fixed rate. The APRC can change from month to month as a result of changes in the interest rate component or changes in the component of other charges, or both. The APRC should not be lower than the AAR or NDER as it includes charges in addition to the interest rate component.

For all but two of the instrument categories defined in the Regulation, the rate reported relates to the interest component only — i.e., it excludes any additional charges that might be imposed. Two additional series are requested for loans for consumer credit and for house purchase, based on an *annual percentage rate of charge (APRC)* calculation. In addition to the interest rate component, this also covers any other charges imposed by the lending institution, and is calculated in accordance with Council Directive 87/102/EEC as amended, concerning consumer credit. The APRC calculation is also discussed in Box 2. The difference between the AAR/NDER and the APRC gives a measure of the level of non-interest charges applied by lending institutions.

1.5 Business Coverage

Interest rate data are collected for outstanding amounts and for new business. Outstanding amounts are defined as the stock of all deposits placed by households and NFCs with credit and other institutions, and the stock of all loans granted by credit or other institutions to their customers. Statistics on outstanding amounts provide information on interest paid and received by households and NFCs, allowing analysis of the interest rate burden of these sectors. Interest rates on new business reflect the rates laid down in new agreements. These rates are useful in

analysing the pass-through of changes in official rates and market rates to lending and deposit rates faced by households and NFCs. New business covers all financial contracts that reflect for the first time the interest rates on deposits or loans, and all re-negotiations of existing contracts. Contracts that occur automatically without active involvement of the customer are excluded.[8] These data reflect the demand and supply conditions in the loan and deposit markets at the time of the agreement, including competition with other financial institutions and products.

1.6 Instrument Categories

Forty-five instrument categories are reported, of which two thirds refer to new business. Interest rates are collected for instrument categories instead of individual products, due to the difficulties of selecting a sample of products that are representative or even available across all Member States. While interest rates on typical retail products may be easier to interpret, the selection of broad instrument categories was deemed more appropriate for any comparison of rates across Member States.

Fourteen categories are covered for outstanding amounts, while new business data are collected for 29 instrument categories. APRCs are further required for two new business categories, namely loans to households for consumption and for house purchase.

Time Bands and Periods of Fixation

Depending on the instrument category, MFI interest rates provide a breakdown by original maturity, period of notice or initial period of fixation of rates. All instrument categories for outstanding amounts are classified according to original maturity.

Period of notice is defined as the time between the holder giving notice to redeem an instrument into cash and the date when it can be converted into cash without incurring a penalty.

Statistics on new business also provide a breakdown between fixed rate and variable rate loans to households and NFCs. However, because of national differences in retail banking, there is no common view on the period of fixation that classifies a lending rate as fixed or variable. Interest rates, which are fixed for one year or less and then variable, may be considered as

8 For purposes of interest rate statistics, if the bank sends notification that a contract is due to expire, and offers the existing terms for a further period, then this is deemed new business, as the customer is actively involved. New business excludes arrangements, however, where the original contract specifies the terms that will be offered when the contract expires, and where these new terms are applied automatically without any involvement by the customer. In the case of overdrafts, overnight deposits and deposits redeemable at notice, however, new business is defined as the outstanding stock at the end of the reporting period.

fixed in one Member State and variable in another depending on the lending practice. To overcome this problem, the *initial period of fixation* was introduced as the breakdown for new business lending. This gives an indication of variability of rates at euro area level, without prejudicing whether the loan is defined as fixed or variable at national level.

For household consumption purposes, three periods of fixation are defined:

- variable rate and up to (and including) one year fixation;
- over one year and up to (and including) five years fixation; and
- over five years initial fixation.

For house purchase, the latter category is further sub-divided into loans of five to ten year fixation, and loans fixed for more than ten years. This reflects the longer maturity profile of housing loans.

Size Categories for Non-Financial Corporations

Loans to larger firms tend to dominate weighted average rates for NFCs, though their significance will vary from Member State to Member State. Small firms are, however, important in the transmission of monetary policy, insofar as they have limited access to capital markets, and are more vulnerable to changes in lending rates. Larger firms are, in general, able to negotiate rates that are closer to market rates. There are a number of ways of defining the size of NFCs – e.g., by turnover or by number of employees. Instead of using firm size, it was decided that for the purposes of euro-area interest rate statistics, the size of the loan was more relevant. Data on loan size are easier to collect, and a link between the loan size and rates charged has been confirmed by a number of Member States. It is important to note, however, that the size of the loan is only one of a number of criteria taken into account when negotiating the rate.

Two size criteria are used for new business loans to NFCs – up to €1 million and over €1 million for a single new business transaction. While loans of €1 million may appear large in an Irish context, this amount is relatively small in many other Member States. No breakdown by size is collected for deposits.

1.7 Treatment of Specific Products

A number of methodological issues arise, regarding the treatment of specific products in the interest rate statistics. Some examples are given below:

Credit Card Balances – For credit card balances, the concept of new business is extended to the whole stock i.e., to outstanding

amounts. However, only interest-bearing balances are included with bank overdrafts. Credit institutions, are required, therefore, to exclude from overdrafts the portion of credit card balances, for which no interest is charged each month.

Overdraft Rates – All bank overdrafts are included regardless of whether they are within or beyond any agreed limits. Penalties are generally applied where the overdraft exceeds agreed limits. These may include an interest rate component, a component of other charges, or both. Interest rates on overdrafts include only the interest rate component of any penalty applied.

Tracker Bonds – Due to certain features of this product (including capital certainty, the lack of any secondary market and the imposition of penalties if liquidated prior to an agreed date), tracker bonds are regarded as deposits in money and banking statistics. As the actual return on tracker bonds is not determined until maturity, the interest rate that is included in the outstanding amount and new business reports is zero per cent. The only exception is where a tracker bond matures on the reporting date – in that case the actual return on the product is included when calculating the rates on outstanding amounts for that particular date.

Treatment of Taxes and Subsidies – The statistics reflect what reporting agents pay on deposits and receive for loans. Following this principle, rates are recorded on a gross basis before tax, since pre-tax interest rates reflect the interest paid and received by reporting agents.

Securitisation of Mortgage Loans by a Credit Institution – When a credit institution securitises mortgage loans, these loans disappear from the balance sheet and are also removed from the interest rate statistics.

Section 2 – Conceptual Issues and Interpretation of Data

2.1 Conceptual Issues

Publication of national and euro-area data follow the format of the Regulation tables as far as possible. For Ireland, certain instrument categories are combined for publication, however, where there are concerns about confidentiality. This applies primarily to instrument categories where very small volumes are reported – largely those instrument categories with longer initial periods of fixation. When analysing the data, the following points need to be borne in mind:

- loans for consumer credit and other loans to households are combined on the outstanding amounts form but identified separately for new business. The split between loans for consumer credit and loans for other purposes

is not always straightforward for respondents in Ireland and, consequently, needs to be treated with caution;

- overdrafts are included in the *loans up to one year category* for outstanding amounts, but identified as a separate indicator under new business. Any comparison of rates needs to take account of this;
- when analysing loans to NFCs by size, it is worth noting that a number of factors other than the size of the loan will influence the interest rates charged. These include the size of firm and the credit risk involved, the type of project financed and the availability of collateral;
- loans for non-housing purposes, which are secured on residential property are generally classified as non-housing loans, but this information is not always available to respondents. Where these *equity-release* type loans are separately identifiable, they have the effect of lowering average rates for non-housing loans; and
- new business loans capture the full amount specified in any new agreement between the bank and the customer, regardless of the actual amount drawn down. For outstanding amounts, however, only the amount actually drawn down is reported.

Moreover there are a number of conceptual issues, which also need to be understood when analysing the MFI interest rate data. Some examples are included below, all of which are relevant for Ireland.

- volumes of new business reported in accordance with the Regulation may not, in some instances, reflect the underlying economic reality. This is particularly true for new business deposits with agreed maturity up to one year, where it is not uncommon for large sums of money to be placed on deposit for quite short periods and renewed a number of times each month, with each new arrangement negotiated separately. Consequently, this deposit will be recorded as new business several times within a particular month. For loans, the amount agreed in a contract may not be drawn down at all, or may only be partially drawn down. New business volumes may, therefore, be higher than changes in the stock of loans or deposits over the relevant month due to the definitions applied under the Regulation. A similar issue arises for housing loans. Within the term of a typical Irish mortgage, there can be a number of re-negotiations between short periods of fixation and variable rates. Each is recorded as new business, although there is no actual increase in lending by the credit institution. Care needs to be exercised, therefore, in interpreting the volumes of new business associated with these instrument categories;

- loans to NFCs are broken down by size of loan, but not by size of firm. Any analysis of loans by firm size, can only be undertaken by assuming that a close correlation between the loan size and size of the borrower exists. Different concentrations of larger corporations may help to explain some of the variations in national rates;
- in Ireland, there are some differences in the classification of demand deposits between the MFI balance sheet and the interest rate survey. While all demand deposits are classified as redeemable at notice in the euro-area balance sheet statistics, some have been included as overnight deposits when deriving weighted average interest rates. Ways of resolving this issue are being examined at present; and
- the published tables provide data on both volumes and rates, for major categories of borrowers and depositors, making it possible to derive information and to analyse spreads between deposit and lending rates. However, it is not possible to properly evaluate bank margins without full information on all balance sheet instruments.

2.2 First Results

Tables 1 and 2 below, present data for the first nine months of 2003 for Ireland. Euro-area tables are appended as Annex 1.[9] Over time, these data will allow detailed analysis as to why rates for various instrument categories and for Member States diverge from euro-area norms. However, it is considered unwise to draw any definitive conclusions at this stage, given that only a short time-series is available, and because surveys of this complexity usually require some time to *bed-down*. Nevertheless, some preliminary observations are offered below. These observations are confined to Irish data in the context of euro-area averages. There has not been sufficient time to consider data from other Member States, in any detail. However, a cursory examination of these data would indicate significant differences between countries, with all showing positive and negative divergences from euro-area averages for different instrument categories.

9 Interest rate data for other Member States of the euro area are available on the websites of the respective NCBs.

Table 1: Retail Interest Rates and Volumes on Outstanding Amounts for Ireland

	2003								
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
DEPOSITS									
Households									
With agreed maturity									
– Up to 2 years	**2·61**	**2·71**	**2·45**	**2·34**	**2·28**	**2·10**	**1·98**	**1·98**	**1·96**
	15,164	*15,176*	*14,461*	*14,907*	*15,312*	*14,887*	*15,385*	*15,839*	*16,211*
– Over 2 years	**2·57**	**2·63**	**2·23**	**2·24**	**2·21**	**2·17**	**2·12**	**2·09**	**2·11**
	3,487	*3,658*	*3,937*	*4,080*	*4,256*	*4,371*	*4,683*	*4,798*	*4,789*
Non-financial corporations									
With agreed maturity									
– Up to 2 years	**2·79**	**2·64**	**2·49**	**2·44**	**2·44**	**2·16**	**2·11**	**2·07**	**2·05**
	10,752	*11,849*	*11,871*	*12,068*	*11,493*	*12,436*	*11,339*	*11,670*	*11,872*
– Over 2 years	**3·19**	**2·99**	**3·04**	**3·12**	**3·07**	**2·94**	**3·02**	**2·87**	**2·86**
	821	*839*	*882*	*1,225*	*1,246*	*1,253*	*1,064*	*1,123*	*1,124*
LOANS									
Households									
For house purchase									
– Up to 1 year	**4·86**	**4·90**	**4·80**	**4·46**	**4·71**	**4·54**	**4·32**	**4·22**	**4·18**
	944	*936*	*740*	*546*	*739*	*699*	*728*	*771*	*835*
– Over 1 and up to 5 years	**5·17**	**5·05**	**4·94**	**4·77**	**4·68**	**4·39**	**4·25**	**4·17**	**4·08**
	5,287	*5,429*	*5,544*	*5,646*	*5,874*	*5,635*	*5,833*	*6,010*	*6,143*
– Over 5 years	**4·39**	**4·39**	**4·24**	**4·22**	**4·20**	**3·87**	**3·75**	**3·75**	**3·71**
	37,633	*38,257*	*38,381*	*38,570*	*39,948*	*40,603*	*41,840*	*42,734*	*43,957*
For consumer credit and other loans									
– Up to 1 year	**8·87**	**8·94**	**9·36**	**9·31**	**9·59**	**9·58**	**9·40**	**9·62**	**9·64**
	4,635	*4,894*	*4,307*	*4,174*	*3,975*	*3,774*	*3,836*	*3,787*	*3,900*
– Over 1 and up to 5 years	**8·07**	**7·84**	**7·59**	**7·49**	**7·40**	**7·40**	**7·35**	**7·24**	**7·20**
	3,908	*4,324*	*4,890*	*5,255*	*5,329*	*5,500*	*5,558*	*5,340*	*5,327*
– Over 5 years	**5·69**	**5·64**	**5·48**	**5·12**	**5·37**	**5·14**	**5·04**	**5·05**	**4·97**
	5,993	*5,746*	*6,596*	*6,583*	*6,011*	*5,978*	*6,010*	*6,008*	*5,895*
Non-financial corporations									
– Up to 1 year	**5·79**	**5·74**	**5·79**	**5·66**	**5·63**	**5·42**	**5·33**	**5·24**	**5·26**
	14,381	*13,326*	*12,154*	*12,279*	*11,751*	*12,337*	*11,882*	*12,061*	*12,445*
– Over 1 and up to 5 years	**5·48**	**5·72**	**5·58**	**5·47**	**5·32**	**5·29**	**5·11**	**4·86**	**4·68**
	14,608	*16,017*	*15,632*	*15,923*	*16,249*	*16,440*	*16,847*	*17,142*	*17,748*
– Over 5 years	**5·42**	**5·30**	**5·06**	**4·97**	**4·86**	**4·72**	**4·63**	**4·50**	**4·49**
	19,862	*19,964*	*23,535*	*23,488*	*24,106*	*24,835*	*24,890*	*25,377*	*25,725*

Note: Rates are in bold in percentages per annum; volumes are in italics in € million.

Table 2: Retail Interest Rates and Volumes on New Business for Ireland

	2003								
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
DEPOSITS									
Households									
– Overnight*	**0·46**	**0·49**	**0·49**	**0·49**	**0·47**	**0·27**	**0·22**	**0·25**	**0·28**
	8,007	*8,515*	*8,627*	*8,729*	*8,783*	*8,952*	*9,374*	*9,466*	*9,314*
– With agreed maturity	**2·48**	**2·34**	**2·20**	**2·12**	**2·09**	**1·77**	**1·70**	**1·70**	**1·70**
	6,807	*9,732*	*10,175*	*10,511*	*10,291*	*10,496*	*11,493*	*9,946*	*11,032*
– Redeemable at notice*	**1·51**	**1·40**	**1·31**	**1·26**	**1·27**	**0·97**	**0·93**	**0·91**	**0·91**
	26,128	*26,374*	*26,567*	*26,362*	*26,153*	*26,604*	*25,957*	*26,150*	*25,985*
Non-financial corporations									
– Overnight	**0·30**	**0·32**	**0·18**	**0·19**	**0·21**	**0·15**	**0·19**	**0·19**	**0·16**
	7,973	*7,391*	*7,290*	*7,379*	*7,336*	*7,801*	*8,015*	*8,194*	*8,475*
– With agreed maturity	**2·54**	**2·48**	**2·25**	**2·22**	**2·14**	**1·95**	**1·84**	**1·88**	**1·86**
	7,613	*9,545*	*10,533*	*10,389*	*9,491*	*12,587*	*13,359*	*11,255*	*13,180*
LOANS									
Households									
Bank overdraft*	**12·77**	**12·94**	**12·55**	**12·73**	**12·71**	**12·99**	**12·81**	**12·81**	**12·84**
	1,922	*1,962*	*1,980*	*1,984*	*1,981*	*1,861*	*1,846*	*1,859*	*1,911*
For consumption purposes									
– Floating rate and up to 1 year initial rate fixation	**5·88**	**5·98**	**5·82**	**6·30**	**6·33**	**5·29**	**5·74**	**5·99**	**5·95**
	427	*202*	*239*	*197*	*206*	*238*	*198*	*137*	*177*
– Over 1 year initial rate fixation	**8·27**	**7·96**	**7·91**	**7·52**	**7·55**	**7·47**	**7·76**	**7·30**	**7·82**
	156	*167*	*145*	*198*	*194*	*168*	*162*	*201*	*145*
For house purchases									
– Floating rate and up to 1 year initial rate fixation	**4·08**	**4·28**	**4·03**	**4·00**	**3·90**	**3·68**	**3·57**	**3·55**	**3·53**
	2,561	*2,195*	*2,452*	*2,024*	*1,999*	*2,851*	*2,396*	*1,883*	*1,932*
– Over 1 year initial rate fixation	**4·50**	**4·47**	**4·27**	**4·14**	**4·12**	**3·92**	**3·76**	**3·76**	**3·81**
	497	*535*	*554*	*640*	*753*	*691*	*634*	*760*	*631*
For other purposes	**5·56**	**5·51**	**5·42**	**5·20**	**4·92**	**4·87**	**4·95**	**4·85**	**5·09**
	168	*411*	*222*	*264*	*370*	*296*	*378*	*402*	*502*
Non-financial corporations									
Bank overdraft*	**7·54**	**7·32**	**7·23**	**7·13**	**7·01**	**6·85**	**6·77**	**6·64**	**6·69**
	3,751	*3,916*	*4,057*	*4,037*	*3,930*	*4,089*	*3,943*	*3,815*	*3,994*
Other loans up to €1 million									
– Floating rate and up to 1 year initial rate fixation	**5·39**	**5·35**	**5·25**	**5·15**	**5·09**	**4·80**	**4·55**	**4·54**	**4·66**
	641	*605*	*485*	*544*	*562*	*482*	*563*	*473*	*517*
– Over 1 and up to 5 years initial rate fixation	**5·75**	**6·32**	**6·13**	**5·39**	**5·71**	**5·46**	**4·96**	**4·83**	**4·54**
	382	*251*	*214*	*225*	*177*	*172*	*119*	*100*	*214*
– Over 5 years initial rate fixation	**5·00**	**5·11**	**5·11**	**5·03**	**4·88**	**4·54**	**4·18**	**4·62**	**4·53**
	135	*112*	*85*	*124*	*99*	*106*	*158*	*84*	*62*
Other loans over €1 million									
– Floating rate and up to 1 year initial rate fixation	**4·73**	**4·77**	**4·81**	**4·55**	**4·48**	**4·05**	**4·15**	**4·24**	**4·43**
	621	*1,462*	*1,477*	*913*	*997*	*1,206*	*1,260*	*1,576*	*1,017*
– Over 1 and up to 5 years initial rate fixation	**4·37**	**4·75**	**4·80**	**4·33**	**4·39**	**4·17**	**4·34**	**3·15**	**4·04**
	424	*367*	*391*	*344*	*96*	*193*	*156*	*346*	*352*
– Over 5 years initial rate fixation	**5·24**	**4·27**	**4·25**	**4·51**	**4·08**	**3·78**	**3·88**	**4·38**	**3·79**
	97	*84*	*167*	*108*	*66*	*107*	*105*	*169*	*185*
APRC for loans to households									
For consumption purposes	**6·82**	**6·80**	**6·73**	**7·00**	**7·01**	**6·16**	**6·86**	**6·85**	**6·99**
For house purchases purposes	**4·16**	**4·59**	**4·08**	**4·10**	**4·01**	**3·73**	**3·62**	**3·64**	**3·62**

Note: Rates are in bold in percentages per annum; volumes are in italics in € million.
*For these categories, new business is defined as outstanding amounts.

The preliminary observations, below, will be examined in more detail in the coming months:

- first data indicate that the level of non-interest charges imposed is low for Ireland relative to most other Member States. For consumption loans, APRCs in Ireland generally include non-interest charges of less than 0·2 percentage points, compared with average charges of circa 0·6 to

0·7 percentage points in the euro area. Non-interest charges are also lower for housing loans in Ireland;

- there are fundamental differences in the mortgage market in Ireland compared to other countries where longer-term fixed rate products predominate. In Ireland, the large majority of new mortgages are variable or fixed for one year. There should be a close correspondence between rate changes and movements in ECB rates, therefore, as has been shown to be the case in the period for which data are available. Rates on housing loans for Ireland compare favourably to other Member States for both variable and fixed rates — variable rates are of the order of 0·1 percentage points lower. In addition, only minimal non-interest charges are levied for housing loans. This indicates a competitive market with customers well informed about rate changes. In other Member States, mortgages are generally fixed for longer terms. Accordingly, movements in new business rates are more likely to mirror changes in the bond markets for the majority of mortgages in these countries;

- rates for variable-rate loans to households for non-housing purposes are generally lower than euro-area averages. While fixed-rate loans for these instrument categories are higher, volumes are relatively small. These non-housing categories include some *equity-release* type loans, which will lower the average rates reported. Data are not collected separately for these *equity-release* type loans, so it is not possible to quantify their effect. Rates for consumption loans are volatile with no discernable patterns emerging either in Ireland or the euro area. Nevertheless, Irish rates compare favourably, even before non-interest charges are included;

- deposit rates in Ireland are low compared with other countries. This is true for all deposit instrument categories. The inclusion of tracker bonds at zero per cent in deposits with agreed maturity over two years implies a downward bias for this instrument category. However, rates on deposits redeemable at notice in Ireland are around 1 percentage point lower than euro-area averages for deposits redeemable at notice up to three months. This may reflect the dispersed nature of the deposit market, and a high degree of inertia on the part of bank customers. For many people, the size of deposits held means it is probably not worthwhile to seek higher returns, when rates are very low. Moreover, the level of competition from other products, such as money market funds, is greater in a number of other Member States. Nevertheless, the data does indicate that it is possible for some customers to negotiate rates higher than those

generally quoted. Deposit rates have fallen significantly in 2003, more or less in line with changes in ECB rates;

- overdraft rates are significantly higher for both households and business in Ireland — around 3 percentage points on average for households and 1·25 percentage points for NFCs. It should be noted that overdraft rates include any interest penalties imposed, and that there are significant differences regarding the availability of overdrafts between countries. The wide availability of overdrafts in Ireland is not replicated in all Member States. Interest-bearing credit card balances, for which high rates generally apply, are also included with overdrafts. For Irish households, bank overdraft rates would appear to have risen marginally during the first seven months of 2003, even though ECB rates have fallen. This may be attributable to pressures on bank margins, from an inability to cut all deposit rates, which were already close to zero. Any changes in the availability of overdraft facilities by banks will also influence the weighted average rate; and
- rates on loans to businesses are generally higher in Ireland both for loans under €1 million and loans over €1 million. Differences are mostly of the order of 0·5 to 1 percentage point. It is difficult to pinpoint reasons for this. While average loan sizes may influence the rates charged, this information is not available from the survey.

Conclusion

The interest rate survey is now firmly established, and will provide high quality data on a harmonised basis for the euro area and Member States. A monthly time-series, commencing with January 2003 data has been published, and new data will be released each month. Not only will this be beneficial for monetary policy decision-making and analysis, but it will also enhance transparency for bank customers. It is considered too early to draw definitive conclusions from the results circulated to date. Detailed analysis can be undertaken next year, when a more extensive time-series is available.

Nevertheless, the following tentative observations are proffered. In general, lending rates to households in Ireland, compare favourably with euro-area averages for both housing and other loans — but not for overdrafts. This is not surprising, as most borrowing in Ireland is at variable rates in a period when rates are at historically low levels. In contrast, a much higher percentage of borrowing in the euro area is fixed for specific periods. Mortgage rates, in particular, reflect low short-term market rates, whereas continental mortgages are more closely related to bond yields. With mortgages to Irish residents, totalling €51 billion at end-September 2003, this represents a major element of banks'

balance sheets, and the dominant financial commitment of households. In addition, non-interest charges levied by lending institutions are significantly lower in Ireland.

Loans to enterprises in Ireland are generally between 0·5 and 1 percentage point higher, than average rates across the euro area. Overdrafts for business are also dearer by around 1.25 percentage points. Household overdrafts are circa 3 percentage points higher than euro-area averages and have, in fact, increased marginally this year.

Conversely, deposit rates are generally below euro-area averages, to a significant degree. Rates for deposits with agreed maturity over two years include large amounts of tracker bonds at zero per cent, however, which brings down the weighted average rate for this instrument category.

While we do not have sufficiently detailed information to undertake cross-country comparisons, preliminary data indicate a rather varied pattern, with all countries showing positive and negative divergences from euro-area averages. The retail banking industry in the euro area remains essentially national, therefore, with full integration still a long way off.

Annex 1

Table 1: Rates on New Business — Euro Area

%	2003								
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
DEPOSITS									
Households									
Overnight	0·88	0·90	0·86	0·83	0·84	0·76	0·68	0·68	0·68
With agreed maturity									
Up to 1 year	2·57	2·44	2·34	2·25	2·23	2·00	1·91	1·91	1·87
Over 1 and up to 2 years	2·83	2·74	2·62	2·63	2·48	2·31	2·19	2·20	2·18
Over 2 years	3·27	2·98	2·85	2·89	2·72	2·69	2·43	2·60	2·51
Redeemable at notice									
Up to 3 months' notice	2·28	2·27	2·23	2·24	2·18	2·15	2·07	1·93	1·93
Over 3 months' notice	3·27	3·23	3·19	3·14	3·10	3·01	2·93	2·88	2·85
Non-financial corporations									
Overnight	1·18	1·20	1·15	1·12	1·08	1·00	0·88	0·89	0·87
With agreed maturity									
Up to 1 year	2·71	2·63	2·50	2·43	2·43	2·10	2·02	2·02	2·00
Over 1 and up to 2 years	3·42	2·92	2·50	2·40	2·35	2·19	2·14	2·28	2·31
Over 2 years	4·22	3·72	3·41	3·28	2·95	3·03	2·71	3·55	3·64
Repos	2·69	2·68	2·57	2·48	2·46	2·14	2·03	1·97	2·00
LOANS									
Households									
Bank overdraft	9·88	10·27	10·02	9·89	9·86	9·89	9·76	9·74	9·75
For consumption:									
Floating rate and up to 1 year initial rate fixation	7·23	7·64	7·27	7·44	7·63	7·10	7·23	7·69	7·37
Over 1 year and up to 5 years initial rate fixation	7·37	7·15	7.00	6·99	6·98	6·94	7·04	6·84	6·89
Over 5 years initial rate fixation	8·36	8·37	8·28	8·32	8·34	8·28	8·20	8·28	8·04
For house purchases:									
Floating rate and up to 1 year initial rate fixation	4·44	4·27	4·13	4·07	3·93	3·80	3·68	3·64	3·63
Over 1 year and up to 5 years initial rate fixation	4·77	4·59	4·41	4·32	4·29	4·16	3·92	3·96	4·10
Over 5 years and up to 10 years initial rate fixation	5·38	5·19	5·04	5·00	4·94	4·76	4·64	4·69	4·81
Over 10 years initial rate fixation	5·27	5·10	5·05	5·03	4·91	4·78	4·68	4·69	4·75
For other purposes:									
Floating rate and up to 1 year initial rate fixation	4·94	4·63	4·73	4·71	4·44	4·12	4·11	4·13	3·98
Over 1 year and up to 5 years initial rate fixation	5·60	5·62	5·31	5·30	5·35	4·97	4·95	5·00	5·00
Over 5 years initial rate fixation	5·51	5·42	5·37	5·33	5·32	4·91	4·98	4·98	5·11
Non-financial corporations									
Bank overdrafts	6·20	6·14	6·05	5·85	5·81	5·68	5·56	5·47	5·46
Loans other than bank overdrafts up to an amount of €1 million									
Floating rate and up to 1 year initial rate fixation	4·88	4·74	4·55	4·57	4·47	4·20	4·15	4·17	4·08
Over 1 year and up to 5 years initial rate fixation	5·26	5·07	5·03	4·89	4·86	4·60	4·59	4·65	4·79
Over 5 years initial rate fixation	5·06	5·10	5·11	5·04	4·96	4·89	4·73	4·77	4·76
Loans other than bank overdrafts over an amount of €1 million									
Floating rate and up to 1 year initial rate fixation	3·70	3·62	3·56	3·49	3·40	3·14	3·07	3·18	3·11
Over 1 year and up to 5 years initial rate fixation	3·80	4·02	3·86	3·69	3·57	3·39	3·14	3·41	3·32
Over 5 years initial rate fixation	4·63	4·55	4·46	4·58	4·36	4·18	4·00	4·36	4·28
APRC for loans to households									
For consumption	8·22	8·22	8·05	8·15	8·16	8·02	7·92	8·04	8·01
For house purchases	4·98	4·88	4·70	4·67	4·56	4·42	4·33	4·41	4·41

Table 2: Volumes of New Business — Euro Area

€ million	2003								
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
DEPOSITS									
Households									
Overnight	1,094,283	1,103,412	1,116,383	1,129,531	1,138,350	1,155,417	1,190,624	1,189,734	1,190,512
With agreed maturity									
Up to 1 year	116,919	106,050	116,304	113,806	108,179	107,275	115,659	96,717	109,750
Over 1 and up to 2 years	5,743	3,418	3,449	3,206	2,918	2,621	3,027	2,965	3,058
Over 2 years	9,103	9,112	7,108	7,009	8,579	7,581	6,645	5,574	6,175
Redeemable at notice									
Up to 3 months' notice	1,376,716	1,390,718	1,403,111	1,411,779	1,417,298	1,431,640	1,440,743	1,448,021	1,447,850
Over 3 months' notice	102,424	101,311	99,821	97,214	95,866	94,415	92,335	90,743	89,950
Non-financial corporations									
Overnight	525,999	523,042	532,837	539,385	546,586	563,706	555,551	551,916	572,955
With agreed maturity									
Up to 1 year	154,794	136,969	147,908	145,776	150,471	177,426	196,102	175,843	177,340
Over 1 and up to 2 years	881	507	731	500	356	581	1,480	427	451
Over 2 years	2,150	1,503	3,594	2,290	1,716	2,882	2,020	5,330	1,537
Repos	182,394	167,199	179,894	184,455	155,714	150,566	160,118	111,157	151,899
LOANS									
Households									
Bank overdraft	179,214	177,440	178,287	176,069	173,452	177,708	174,335	173,189	175,056
For consumption:									
Floating rate and up to 1 year initial rate fixation	7,680	5,847	6,815	6,459	5,796	6,721	6,375	4,859	5,876
Over 1 year and up to 5 years initial rate fixation	9,536	10,640	11,614	10,994	10,761	10,490	12,892	9,172	11,825
Over 5 years initial rate fixation	4,507	4,981	5,813	6,021	5,302	5,582	6,634	5,100	6,393
For house purchases:									
Floating rate and up to 1 year initial rate fixation	18,496	18,149	19,206	18,994	18,759	21,818	24,770	14,357	18,471
Over 1 year and up to 5 years initial rate fixation	6,724	6,203	7,110	8,240	8,192	8,309	10,334	7,570	8,494
Over 5 years and up to 10 years initial rate fixation	8,571	6,914	8,648	10,267	8,218	8,423	11,005	9,354	10,498
Over 10 years initial rate fixation	7,531	7,900	8,004	8,611	8,131	8,817	11,274	8,612	9,255
For other purposes:									
Floating rate and up to 1 year initial rate fixation	24,621	18,835	22,393	17,162	17,959	19,750	19,910	14,195	18,951
Over 1 year and up to 5 years initial rate fixation	2,950	2,815	3,344	3,287	2,893	3,085	3,534	2,435	2,927
Over 5 years initial rate fixation	3,669	3,716	4,157	3,810	3,554	4,016	3,758	2,967	3,840
Non-financial corporations									
Bank overdrafts	491,447	485,534	479,153	479,230	478,702	484,497	474,640	467,507	469,876
Loans other than bank overdrafts up to an amount of €1 million									
Floating rate and up to 1 year initial rate fixation	58,583	56,924	63,016	60,060	59,185	58,643	65,217	42,144	58,591
Over 1 year and up to 5 years initial rate fixation	7,131	6,408	7,933	8,305	6,604	6,317	7,837	5,551	5,312
Over 5 years initial rate fixation	5,544	5,017	5,294	4,376	4,045	4,001	4,621	3,758	4,075
Loans other than bank overdrafts over an amount of €1 million									
Floating rate and up to 1 year initial rate fixation	133,066	118,878	127,189	125,762	112,748	150,378	134,437	102,016	119,051
Over 1 year and up to 5 years initial rate fixation	15,623	16,145	16,886	14,576	15,537	14,990	15,461	9,309	10,763
Over 5 years initial rate fixation	9,384	9,323	10,223	10,251	12,477	11,684	13,122	8,166	11,719

Table 3: Rates on Outstanding Amounts — Euro Area

% per annum	2003								
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
DEPOSITS									
Households									
With agreed maturity:									
Up to 2 years	2·63	2·55	2·44	2·38	2·33	2·17	2·07	2·03	2·00
Over 2 years	3·60	3·68	3·54	3·54	3·47	3·47	3·43	3·42	3·44
Non-financial corporations									
With agreed maturity:									
Up to 2 years	2·81	2·73	2·60	2·52	2·50	2·25	2·23	2·19	2·23
Over 2 years	4·64	4·73	4·66	4·62	4·50	4·45	4·40	4·26	4·33
Repos	2·77	2·69	2·52	2·44	2·42	2·19	2·08	2·05	2·04
LOANS									
Households									
For house purchases:									
Up to 1 year	5·51	5·49	5·47	5·41	5·34	5·32	5·22	5·12	5·06
Over 1 year and up to 5 years	5·41	5·43	5·36	5·26	5·22	5·13	5·07	4·99	4·95
Over 5 years	5·58	5·62	5·55	5·49	5·44	5·40	5·31	5·25	5·24
For consumer credit and other loans:									
Up to 1 year	8·59	8·69	8·64	8·53	8·52	8·47	8·36	8·31	8·33
Over 1 year and up to 5 years	7·51	7·53	7·42	7·45	7·34	7·37	7·27	7·23	7·26
Over 5 years	6·24	6·23	6·17	6·10	6·09	6·03	5·96	6·06	6·00
Non-financial corporations									
Up to 1 year	5·25	5·18	5·00	4·89	4·83	4·72	4·60	4·53	4·55
Over 1 year and up to 5 years	4·83	4·82	4·68	4·61	4·56	4·46	4·32	4·21	4·19
Over 5 years	5·20	5·26	5·12	5·03	4·94	4·90	4·81	4·75	4·75

Table 4: Volumes for Outstanding Amounts — Euro Area

€ billion	2003								
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
DEPOSITS									
Households									
With agreed maturity:									
Up to 2 years	567·96	558·73	552·54	549·03	545·99	536·20	534·35	531·62	528·24
Over 2 years	582·56	587·15	586·01	585·42	585·11	584·74	585·35	585·68	585·82
Non-financial corporations									
With agreed maturity:									
Up to 2 years	239·02	239·97	243·83	242·28	251·15	247·10	251·57	257·14	251·78
Over 2 years	54·03	53·68	53·96	53·74	52·55	54·13	55·07	57·50	58·09
Repos	110·71	108·14	102·65	101·81	102·46	91·53	90·87	90·01	85·79
LOANS									
Households									
For house purchases:									
Up to 1 year	16·20	16·28	15·85	15·57	15·83	16·36	16·02	16·20	16·40
Over 1 year and up to 5 years	65·86	66·19	67·53	67·98	68·32	67·94	68·72	69·06	69·60
Over 5 years	2,074·44	2,086·25	2,103·16	2,114·16	2,129·44	2,145·18	2,166·63	2,179·99	2,188·67
For consumer credit and other loans:									
Up to 1 year	248·13	247·24	245·67	245·15	242·66	249·87	243·85	239·69	245·07
Over 1 year and up to 5 years	264·82	265·91	267·47	268·74	269·95	268·20	269·77	268·54	269·78
Over 5 years	600·32	602·87	598·40	600·61	602·74	606·20	612·05	614·16	614·65
Non-financial corporations									
Up to 1 year	941·01	937·75	930·26	932·44	926·81	941·43	929·27	919·91	915·49
Over 1 year and up to 5 years	475·62	480·20	482·71	485·66	483·95	482·42	488·60	493·77	497·18
Over 5 years	1,396·72	1,402·03	1,412·99	1,421·27	1,431·62	1,436·38	1,442·67	1,449·13	1,451·59

Annex 2 — Contributing MFIs

The seventeen institutions surveyed are:

1. ACC Bank plc
2. AIB Finance Limited
3. Allied Irish Banks plc
4. Anglo Irish Bank Corporation plc
5. Bankinter SA
6. Barclays Bank plc
7. The Governor and Co. of the Bank of Ireland
8. Bank of Scotland (Ireland) Limited
9. Depfa-Bank Europe plc
10. EBS Building Society
11. First Active plc
12. ICS Building Society
13. Irish Life and Permanent plc
14. Irish Nationwide Building Society
15. National Irish Bank Limited
16. Northern Rock plc
17. Ulster Bank Ireland Limited

Annex 3 — Deposit and Loan Definitions

Deposits

Overnight deposits are defined as deposits which are convertible into currency and/or which are transferable on demand by cheque, banker's order, debit entry or similar means, without significant delay, restriction or penalty. All overnight deposits are covered, whether interest bearing or not. For overnight deposits, the concept of new business is extended to the whole stock.

Deposits with agreed maturity are non-transferable deposits, which cannot be converted into currency before an agreed fixed term or where penalties are imposed on the holder for conversion to currency before the agreed fixed term. Financial products with roll-over provisions must be classified according to the earliest maturity.

Deposits redeemable at notice are non-transferable deposits without any agreed maturity, which cannot be converted into currency without a period of prior notice, before which the conversion is not possible, or is only possible with a penalty. For deposits redeemable at notice, the concept of new business is extended to the whole stock.

Repos are defined as the counterpart of cash received in exchange for securities/gold by reporting agents under a firm commitment to repurchase the same securities at a fixed price on a specified future date. There are no repo transactions for households or NFCs in Ireland.

Loans

Loans are defined as funds lent by reporting agents to borrowers, which are not evidenced by documents or are represented by a single document (even if it has become negotiable). Three types of loans are collected for households on the new business return:

- ***Loans for consumer credit*** — loans granted for personal use in the consumption of goods and services.
- ***Loans for house purchase*** — credit invested for the purposes of investing in housing, including building and home improvements. This includes lending secured on residential property that are used for housing purposes and where identifiable, any other personal loans or loans secured against other forms of asset for housing purposes. It should be noted that loans secured against residential property, and used for non-housing purposes, should be included elsewhere — either under loans for consumer credit or loans for other purposes.
- ***Other loans to households*** — covers credit granted for purposes such as debt consolidation, business, education, etc.

Overdrafts – for MFI interest rate purposes, bank overdrafts are included as a separate instrument on the new business return.[10] These refer to utilised facilities granted to customers on accounts, which show frequent fluctuations between debit and credit balances. Usually the credit institution defines an upper limit for overdrafts. All overdrafts must be included in the interest rate return, whether within or beyond the agreed limit. Generally, penalties are applied if the overdraft is extended beyond the agreed limit. These penalties may include an interest rate component, other charges, or a combination of both. Only interest rate penalties are covered in the survey. For overdrafts, the concept of new business is extended to the whole stock.

10 Overdrafts are included with loans up to one year for calculating rates on outstanding amounts.