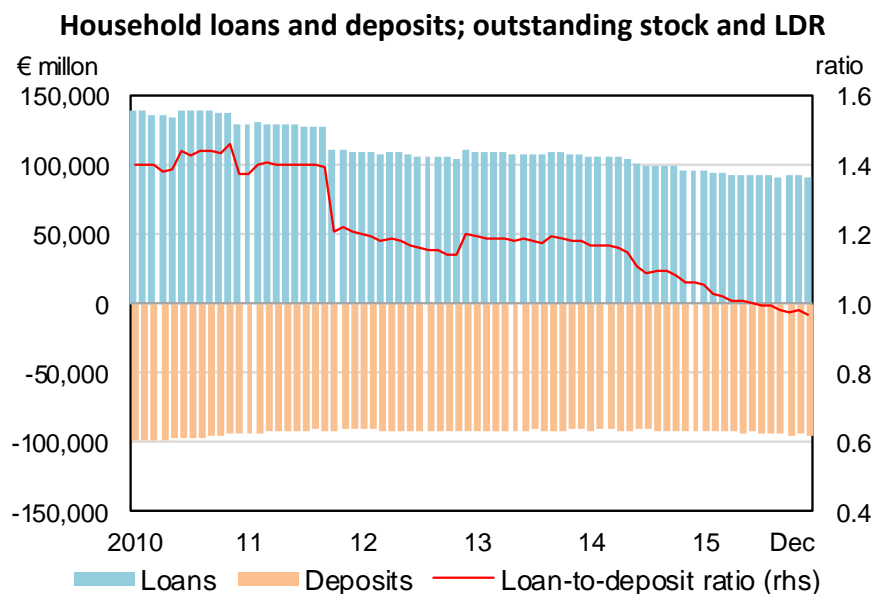


Money and Banking Statistics – December 2015

Irish households were net funders of the Irish banking system for the sixth consecutive month in December 2015. This means that deposits held by Irish banks from households have exceeded on-balance sheet loans owed by households since July 2015. This is the first time the value of outstanding loans fell below the level of deposits held since the late 1990s.

Irish banks' held €2.8 billion more household deposits than loans in the month, which is a sharp reversal of the position in early-2009, when household loans exceeded deposits by €53.5 billion. The lower LDR reflects both debt reduction and recent deposit accumulation by households. However, asset sales and population changes in the banking sector have also had a significant impact and drive the trend in the LDR over time. It should be noted that much of this debt is still owed by the household sector, but the creditor is no longer the banking sector.

For further detail, see the [Money and Banking](#) tables.



Developments in Household credit and deposits

- **Loans to households adjusted for loans sales and securitisations**, declined 3.7 per cent in December.¹
- **Loans for house purchase**, which account for 84 per cent of on-balance sheet household loans, remained broadly static in recent years. In December, mortgage draw-downs marginally exceeded loan repayments, recording a net increase of €28 million (Chart 1).
- In annual terms however, the stock of housing loans declined at a rate of 2.6 per cent. Households repaid more debt than was drawn-down over 2015, and recorded net repayments of €2 billion in the year.
- **Non-housing loans** declined by 4 per cent, on an annual basis in December. While annual repayments continue to exceed drawdowns, there appears to be a slowdown when compared to the large net repayments recorded during 2014.
- During the month, repayments on non-housing loans exceeded draw-downs by €115 million. This reverses the net increase in loan draw-downs of the previous month, which may reflect seasonal effects (Chart 1).
- **Deposit flows from households** increased by €3 billion, or 3.3 per cent in annual terms in December (Chart 2). This is the strongest growth since late-2008. Households continue to deposit high volumes into overnight accounts, which grew by €7.7 billion over the twelve months of 2015. Agreed maturity deposits, however, declined by €5.2 billion over the year.
- Over the month, household deposits increased by €485 million; the largest December inflow since 2011. This increase follows a large withdrawal in November, which is consistent with past trends (Chart 2).

Chart 1: Loans to Households; developments in net flows

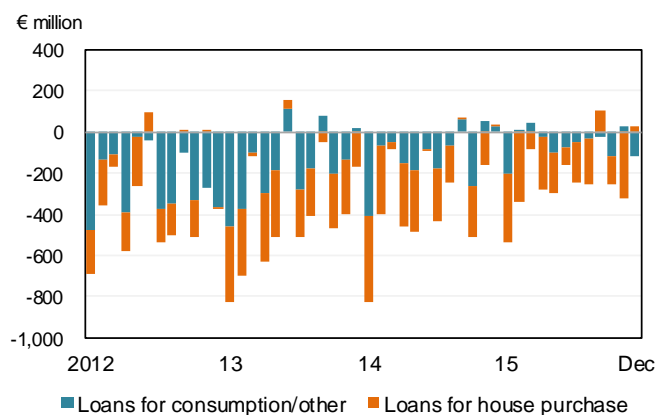


Chart 2: Deposits from Households; developments in net flows, and annual rate of change

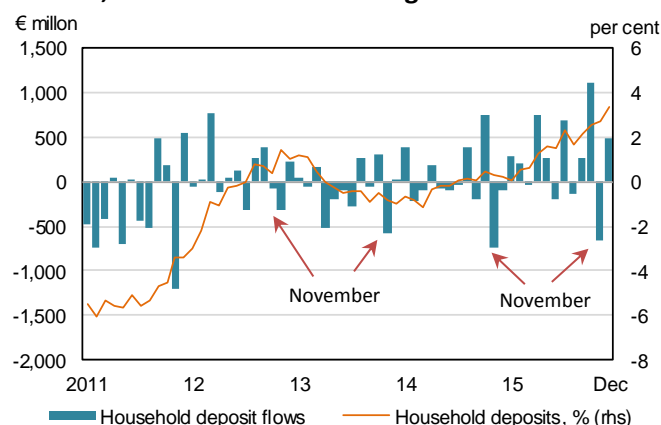
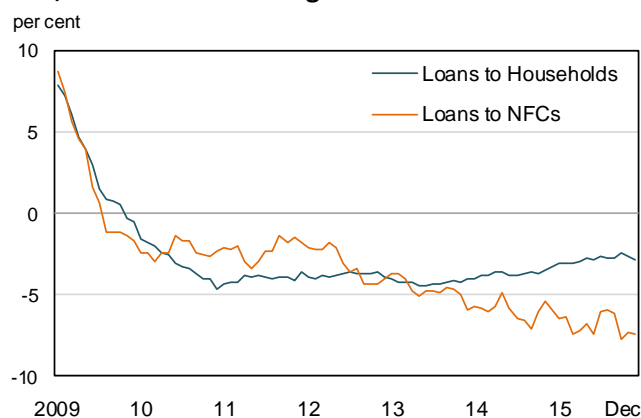


Chart 3: Loans to Households and NFCs; on-balance sheet, annual rate of change



¹ See Note 2 on page 5.

Developments in NFC credit and deposits

- In contrast to households, banks hold more non-financial corporate (NFC) loans than NFC deposits.
- **Lending to NFCs** recorded an annual decline of 7.4 per cent in December. However, there are some interesting developments in NFC loan maturities (Chart 4). NFCs repaid €4.1 billion more than was drawn-down over 2015; mainly related to short-term loans (including overdrafts). In contrast, medium-term loans (one to five years) recorded consistent positive annual growth in each of the past 12 months, which follows over four years of net repayments.
- Over the month, NFCs repaid €1.1 billion more than was drawn-down. This follows a large net monthly increase in November and appears seasonal in nature. The decrease in December was driven by short-term loans, with net repayments of €1 billion recorded.
- **NFC deposits** increased by a €378 million in December; November recorded the largest outflow since March 2010 (Chart 5).
- Annual growth remained positive, but noticeably lower than the highs registered in early-2015. Deposits increased by €2.9 billion, or 7.3 per cent over the year, mainly driven by overnight deposits.

Developments in other counterparty sectors

- The **Irish private sector** has been the main driver of net lending trends since early-2014 (Chart 6). Despite NFCs and households representing 88 per cent of private-sector loans, affiliate developments with other financial intermediaries (OFIs) has been the main contributor to negative growth throughout 2015. In December, this transaction falls out, giving rise to a less negative annual rate of change.

Chart 4: Loans to NFCs; net flows (12-month sum) by original maturity category

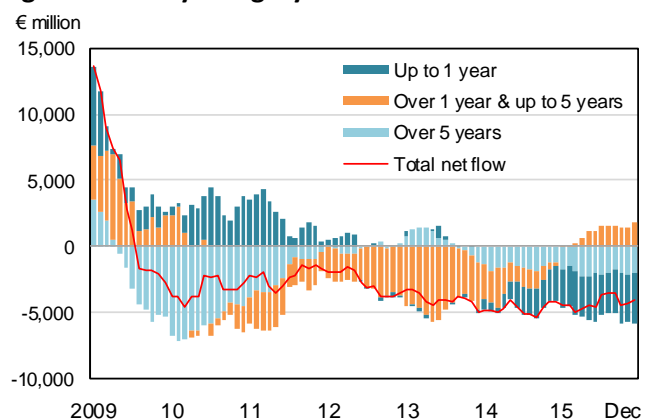


Chart 5: Deposits from NFCs; developments in net flows, and annual rate of change

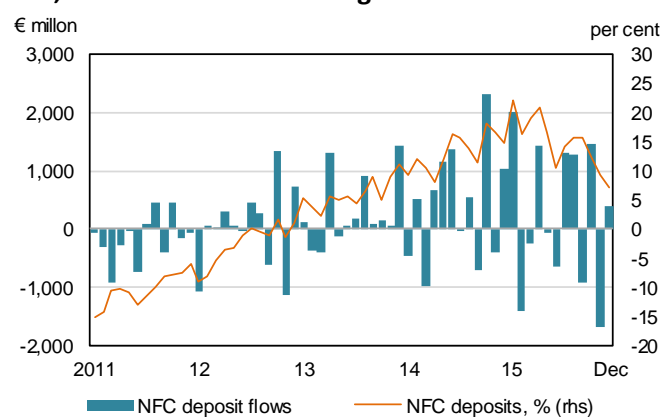
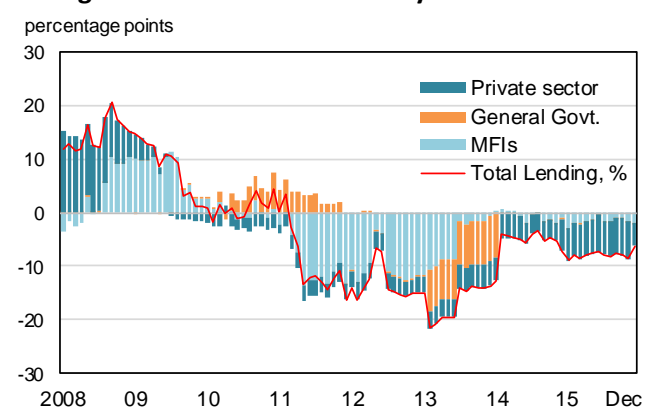
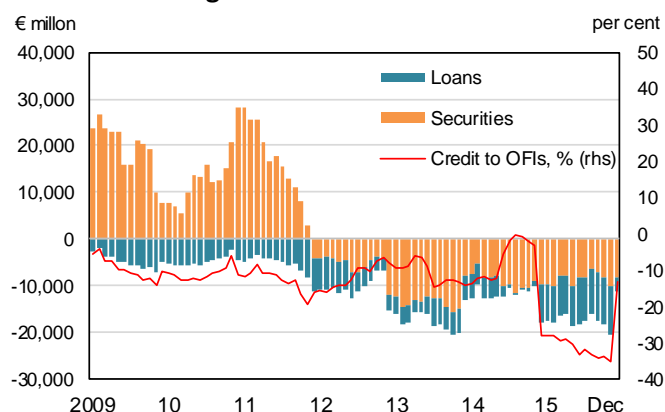


Chart 6: Contributions of Irish resident counterparts to annual growth in loans advanced by Irish banks



- **Loan repayments from OFIs** exceeded drawdowns by €839 million in December. In annual terms, lending declined by 13.4 per cent, compared to 35.4 per cent in November; due to base effects of the inter-affiliate position (Chart 7).
- Credit institutions' holdings of **debt and equity securities in OFIs** accounted for 69 per cent of credit to OFIs. Security holdings increased by €69 million over the month but remained negative over the whole of 2015 (Chart 7). Securities are mostly held in financial vehicle corporations, which are classified as OFIs.
- **In deposit terms, OFIs** withdrew €1 billion from Irish banks in December. However, in annual terms, OFI deposits increased 10.3 per cent, reversing the negative trend of the previous year, due to base effects of the inter-affiliate position.
- **Irish banks' borrowings from the Central Bank** as part of Eurosystem monetary policy operations rose by €470 million in December. The outstanding stock of Central Bank borrowings was €10.7 billion, with the domestic market banks accounting for 94 per cent.

Chart 7: Credit to OFIs; net flows (12-month sum), and annual rate of change



Note 1:

Money and Banking statistics cover all credit institutions resident in Ireland. This includes licensed banks, building societies and, since January 2009, credit unions. A resident office means an office or branch of the reporting institution which is located in the Republic of Ireland. Data are reported in respect of resident office business only. Recent data are often provisional and may be subject to revision. For further detail please see the [Money and Banking](#) webpage for;

- An extensive set of [Money and Banking Tables](#);
- A list of [Irish Resident Credit Institutions](#);
- [Money and Banking statistics Explanatory Note](#).

Note 2:

This measure of lending includes repayments on serviced loans which no longer appear on the balance sheet due to derecognition and transfer. See [Table A.6](#).

Keywords:

Money and Banking Statistics, Irish Financial Statistics, Loans, Deposits, Household Debt, LDR, Mortgage, Repayments