

Trends in Personal Credit & Deposits – Q2 2016

Key Developments

- Loans for principal dwelling houses (PDHs) increased by €72 million during Q2 2016 (Chart 1). Overall, lending for house purchase declined by €261 million during the same period; driven by net repayments in buy-to-let (BTLs) mortgages. In annual terms, loans for house purchase declined by 2 per cent.
- Within the mortgage loan categories, **floating-rate PDH loans decreased by 3.6 per cent in the second quarter of 2016. By contrast, fixed-rate loans increased by 32 per cent in the second quarter of the year** (Chart 2) although the size of the increase reflects a low stock level.¹ These developments reflect the low interest rate environment where fixed-rate mortgages are more profitable.²
- While household credit continued to decline, household deposits increased by €2.6 billion (3 per cent) over the four quarters to Q2 2016 (Chart 3).

Chart 1: Loans for house purchase; quarterly developments in net flows and annual rate of change

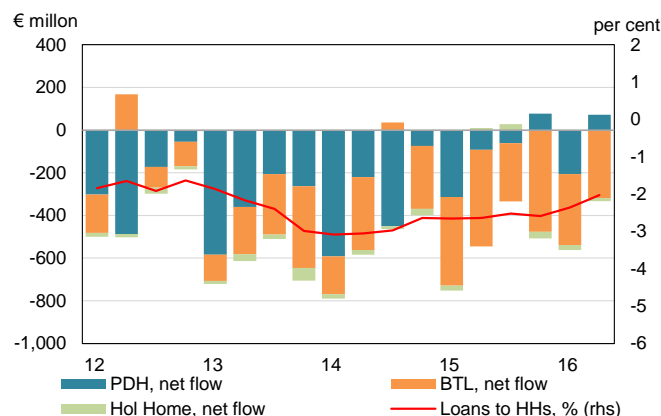


Chart 2: Contributions of PDH and BTL, floating and fixed rate loans to annual growth in mortgages

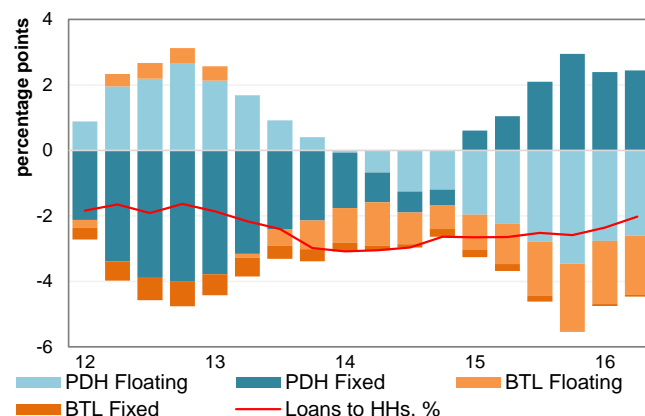
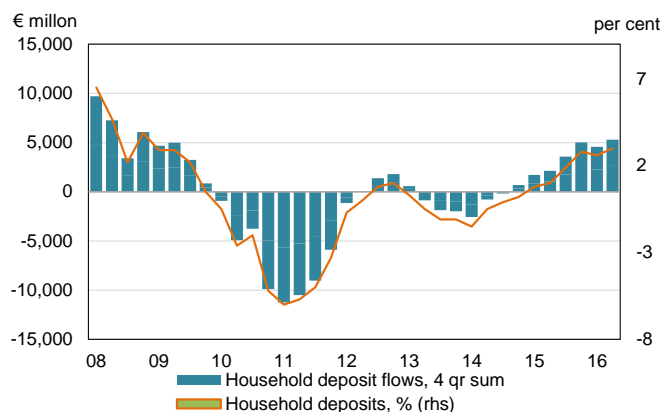


Chart 3: Household deposits; net flows (4-qr sum) and annual rate of change



¹ Fixed rate loans account for just 10 per cent of total loans for house purchase. The large annual growth rate recorded at end-Q2 2016 is due to the low level of stock.

² See [Retail Interest Rates release](#) for more information.

Developments in PDH Loans

- While total loans for house purchase declined by 2 per cent over the year, this masks divergent trends in the PDH and BTL markets. **PDH loans decline by 0.2 per cent, while BTL loans recorded a more substantial decline of 8.9 per cent.**
- The move from floating to fixed rate PDH loans continued. **In Q2 2016, PDH fixed rate loans recorded year-on-year increase of €1.8 billion (31.8 per cent).**
- **Loans fixed for over one and up to three years again drove positive net flows in PDH loans during Q2 2016** (Chart 4). This category increased by €226 million during the quarter; equal to 5.4 per cent of outstanding stock in this category at end-Q2. In annual terms, this category of loans increased by 62.6 per cent.
- **Meanwhile, floating rate mortgages on PDHs declined by €2 billion (3.6 per cent) in the year to end-Q2 2016.** Tracker mortgages contributed slightly more (4.5 per cent) to this reduction than standard variable rate mortgages (3.7 per cent). PDH loans fixed for up to one year³ increased on an annual basis by 9.8 per cent.

Chart 4: PDH fixed and floating rate loans; quarterly developments in net flows and net position

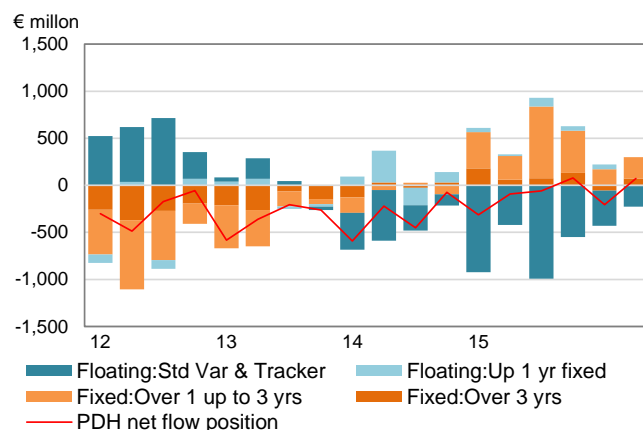


Chart 5: BTL fixed and floating rate loans; quarterly developments in net flows and net position

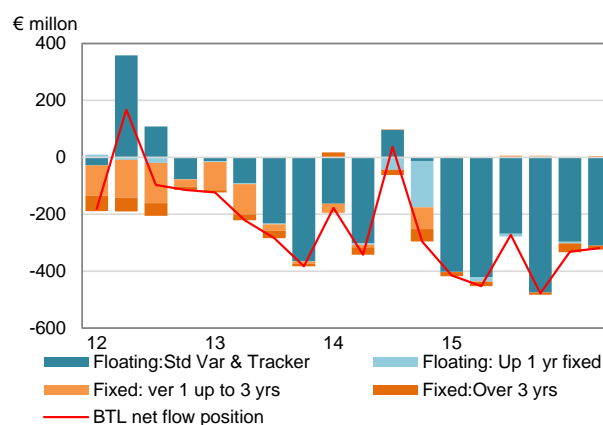
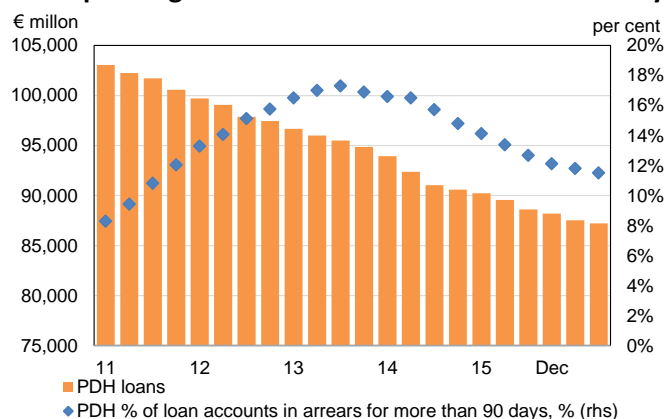


Chart 6: PDH mortgages; outstanding amounts and corresponding level of arrears over 90 days⁴



Developments in Mortgage Arrears

⁴ Note: The outstanding amounts and level of arrears are sourced from two different data sources; [personal credit tables](#) and the [mortgage arrears data](#), respectively. These datasets are not directly comparable due to differences in reporting population.

Developments in BTL Loans

- **BTL mortgages recorded an annual decline of 8.9 per cent** in Q2 2016, with net repayments of €1.4 billion during the year. Within the BTL mortgage market, floating rate loans fell by 8.8 per cent while fixed rate loans fell by 24.6 per cent. The fall in fixed rate loans was predominantly driven by large declines in loans fixed for over three years or more. It is important to note, however, that BTL fixed rate mortgages account for just 1 per cent of the total BTL loan stock.

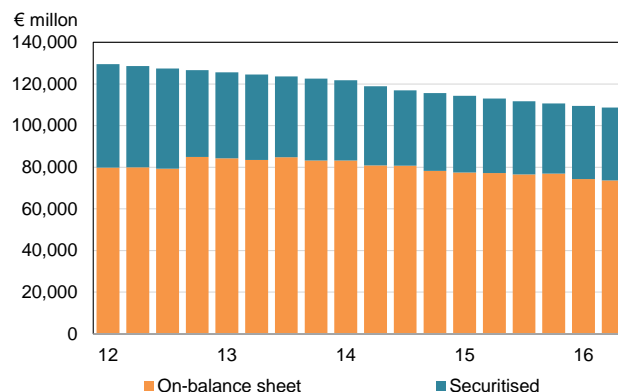
³ Floating rate loans include loans fixed for up to one year.

- The level of mortgage arrears continues to improve, with **11.5 per cent of total loans for PDHs in arrears of over 90 days at end-Q2 2016** (Chart 6). BTL mortgages, however, had a higher level of arrears over 90 days, at 24.1 per cent.

Developments in Securitised Loans

- **The total outstanding stock of securitised loans stood at €35 billion at end-Q2 2016** (Chart 7); an increase of €5 million over the quarter. Total household loans, including both on-balance sheet and securitised mortgages, stood at €108.7 billion at end-Q2 2016.

Chart 7: Outstanding stock of on-balance sheet and securitised mortgages



Further information

The extensive set of Private Credit Statistics tables, along with a detailed set of explanatory notes is available at: <http://www.centralbank.ie/polstats/stats/cmab/Pages/HouseholdCredit.aspx>.

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Keywords:

Money and Banking Statistics, Irish Financial Statistics, Loans, Deposits, Credit, Mortgage, Repayments, Arrears, Tracker, Interest rate