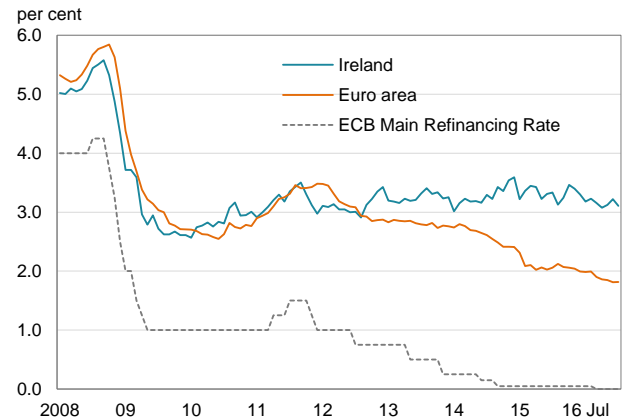


Retail Interest Rates – July 2016

Key Developments in Loans

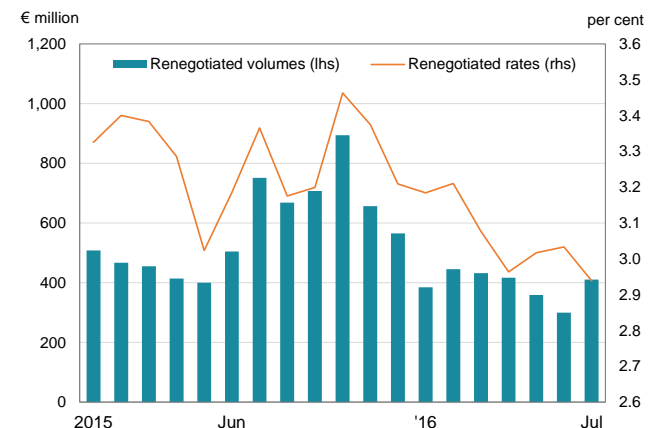
- The rate on all new floating rate loan agreements for house purchase¹ (including renegotiations) was 3.11 per cent in July 2016, corresponding to a 23 basis point decline over the past twelve months. The equivalent euro rate was 1.82 per cent (Chart 1).
- Excluding renegotiations, new mortgage agreements amounted to €453 million in the month, bringing total new mortgage agreements, over the past twelve months, to €4.5 billion. The weighted average interest rate on all pure new mortgage agreements, once renegotiations are excluded, declined 28 basis points over this period and stood at 3.49 per cent in July.
- Variable rate mortgages accounted for approximately two-thirds of all new mortgage agreements in Ireland over the past year, for both principal dwelling house (PDH) and buy-to-lets (BTL). This is significantly above the equivalent euro area share.
- Renegotiated loans for house purchase totalled €410 million in July 2016 (Chart 2), with variable rate products accounting for the majority of renegotiated contracts. The weighted average interest rate for renegotiated mortgages was 2.94 per cent in July.
- Supplementary quarterly data, however, allows us to examine variation within the variable rate category and across PDH and BTL properties.
- The most pronounced fall in PDH mortgage rates over the year, was observed for standard variable rate

Chart 1: Interest rates on new floating rate loan agreements to households for house purchase



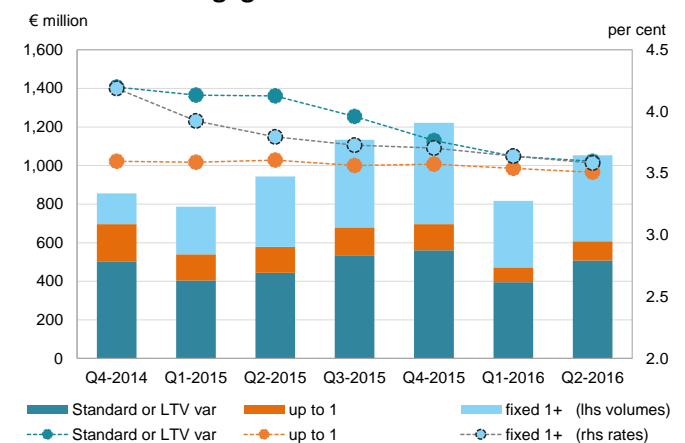
Source: Retail Interest Rates [Table B.2.1](#) and [SDW](#)

Chart 2: Renegotiated household loans for house purchase



Source: Retail Interest Rates [Table B.2.2](#)

Chart 3: PDH mortgage interest rates and volumes³



Source: Retail Interest Rates [Table B.3.1](#)

¹ Floating rates include variable and up to 1 year initial rate fixation loans.

mortgages, which fell by 53 basis points to 3.60 per cent at end-Q2 2016 (Chart 3). Fixed rate PDH mortgage rates also declined, with rates fixed for 1-3 years falling by 26 basis points over the same period. The share of fixed PDH mortgages increased over the year and accounted for just over 40 per cent of all new PDH mortgages in Q2 2016.

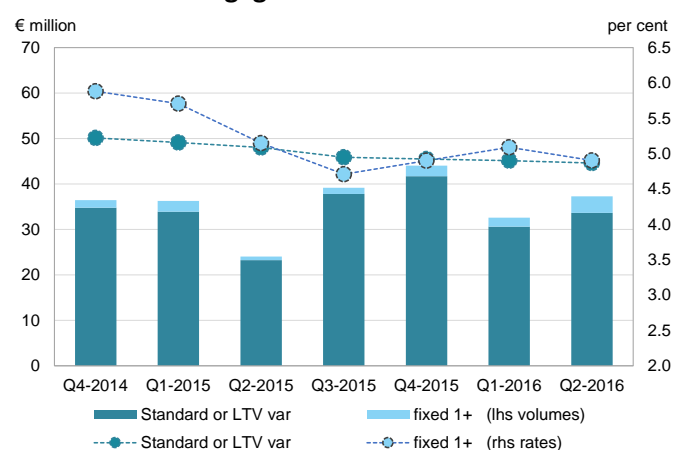
- Both **fixed and floating BTL mortgage rates** declined over the year to end-Q2 2016 (Chart 4). Fixed BTL rates declined by 25 basis points to 4.90 per cent over the period. Variable rates for BTLs also declined, falling by 22 basis points to 4.87 per cent over the year.

Key Developments in Deposits

- **Interest rates on household term deposits** remained subdued in July 2016, at 0.15 per cent (Chart 5). This represented a 13 basis point decline over the year for depositors. While equivalent euro area rates had a slightly larger decline of 17 basis points over the same period, they remain somewhat higher at 0.53 per cent.
- **New business NFC term deposits** fell by 7 basis point over the year to stand at 0.06 per cent in July. Corresponding NFC term deposits for the euro area fell by 18 basis point over the year, but recorded a slightly higher rate of 0.18 per cent (Chart 5).
- **The loan to deposit spread remained relatively stable** in recent months but fell by 28 basis point to stand at 347 basis points in July (Chart 6).² The recent decline relates to falling rates on mortgage loans with a floating or up to one year initial fixation rate.

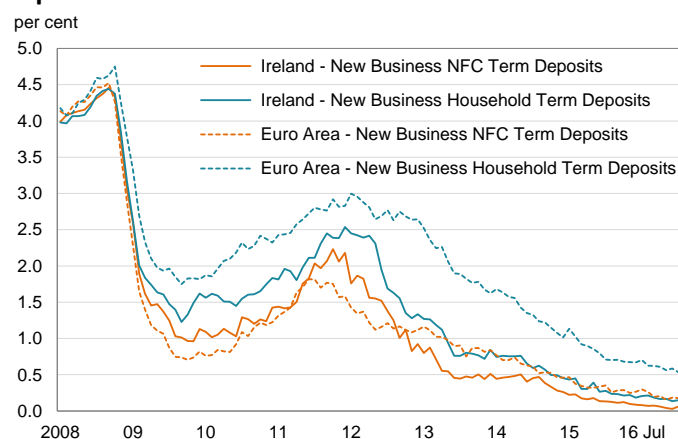
² The loan to deposit spread is the difference between new business term deposits and the weighted average rate on new business loans to households for either house purchase or consumer purposes, with a floating or up to one year initial fixation rate.

Chart 4: BTL mortgage interest rates and volumes³



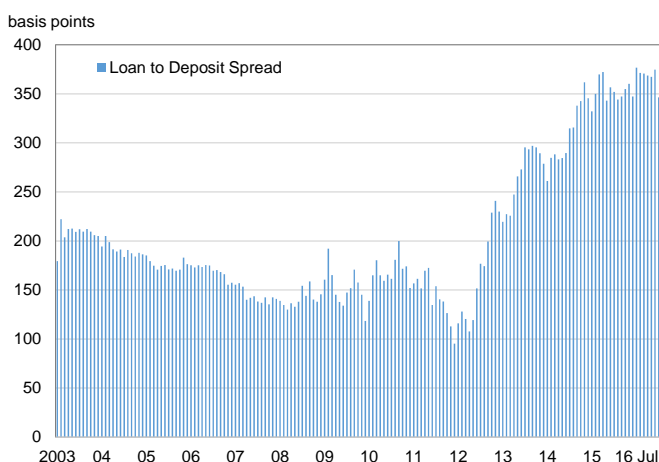
Source: Retail Interest Rates [Table B.3.1](#)

Chart 5: Interest rates on household & NFC term deposits



Source: Retail Interest Rates [Table B.2.1](#) and [SDW](#)

Chart 6: Loan-to-Deposit spread



Source: Retail Interest Rates [Table B.2.1](#)

³ Refers to the volume of new business mortgages drawn down over the respective quarter. See Note 1.

Note 1:

Interest rates and new business volumes are collected from credit institutions with a significant level of lending or deposit business with households or non-financial corporations (NFCs). The sample is monitored to ensure compliance with ECB Regulation.

Monthly *Retail Interest Rate Statistics* in Tables B.1.1 to B.2.2 cover all euro-denominated lending to, and deposits from, households and NFCs in the euro area. New business is defined as any new agreement during the month between the customer and the credit institution. This agreement covers all financial contracts that specify the interest rate for the first time, including any renegotiation of existing business (excluding automatic renewals). These statistics are compiled under ECB Regulation and are comparable across the euro area.

Quarterly *Retail Interest Rate Statistics* in Table B.3.1 cover all euro and non-euro denominated mortgage lending in the Republic of Ireland only. New business refers to new mortgage lending drawdowns during the quarter, broken down by type of interest rate (i.e. fixed, tracker and SVR). These statistics are not compiled under ECB MFI interest rate Regulation.

Note 2:

There are a number of factors that can lead to differences between *Retail Interest Rate* statistics and interest rates advertised by resident credit institutions. These include renegotiated loans, the inclusion of home improvement loans, and the underlying statistical compilation methodology.

Note 3:

In January 2015, a number of enhancements to the calculation of the national weighted average interest rates and national total business volumes were introduced under ECB Guideline (ECB/2014/15). As a result of these enhancements, data have been recalculated for previous reference periods in order to ensure a consistent compilation of data across time.

Recent data are often provisional and may be subject to revision.

For further detail please see the [Retail Interest Rates](#) webpage for:

- An extensive set of [Retail Interest Rate Tables](#);
- [Retail Interest Rate Statistics Explanatory Note](#);
- Previous *Interest Rate Statistical Releases* can be found [here](#).