



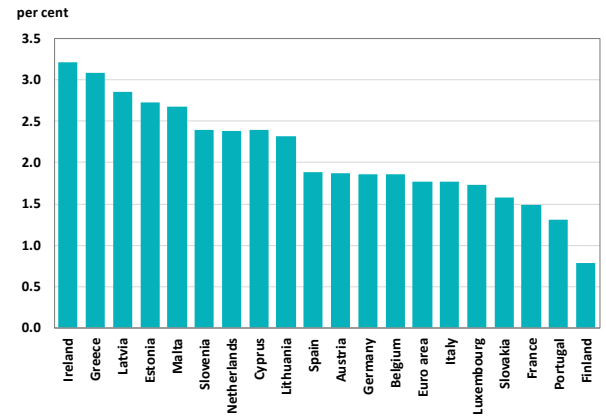
Retail Interest Rates – July 2018

14 September 2018

Key Developments in Loans

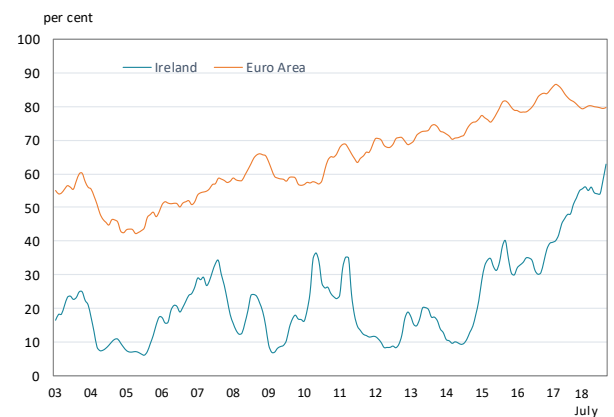
- There was a 34 per cent year-on-year increase in new mortgage agreements* in the 12 months to July 2018. The **volume of new mortgage agreements*** amounted to €864 million in July 2018, bringing total new agreements to €7.7 billion over the past twelve months.
- Ireland continued to have the highest **average interest rate*** across the euro area on all new mortgages agreed in July, at 3.21 per cent. The rate varied considerably across countries, with the average for the euro area being 1.77 (Chart 1).
- **Fixed rate mortgages** accounted for 63 per cent of new agreements over the three months to July 2018 compared with 80 per cent of new agreements over the same period in the euro area (Chart 2). The **average fixed rate*** for the year to date stands at 3.11 per cent.
- Monthly data for July show a **weighted average interest rate on new variable rate mortgage agreements*** of 3.25 per cent (Chart 3), a decrease of 4 basis points on the previous month. New business rates averaged 3.29 per cent over the first seven months of 2018. The average new business rate in 2017 as a whole was 3.38 per cent.
- **Outstanding renegotiated mortgages** amounted to €603 million in July (Chart 4), with fixed rate products accounting for 56 per cent of renegotiations. The weighted average interest rate for renegotiated mortgages was 2.95 per cent in July.
- In the first seven months of 2018, the **volume of new NFC loans of over €1 million fell** by 2 per cent compared with the same period in 2017. The weighted average interest rate in July 2018 was 1.78 per cent compared to 2.26 per cent in July 2017.

Chart 1: Average interest rates on all new mortgage agreements (excluding renegotiations) across Euro area countries, July 2018



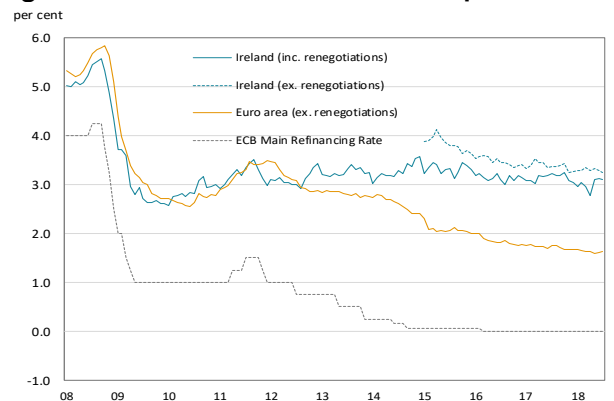
Sources: [SDW](#)

Chart 2: New mortgage agreements: Share of fixed rate mortgages (3-month rolling average)



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

Chart 3: Interest rates on new variable rate loan agreements to households for house purchase



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

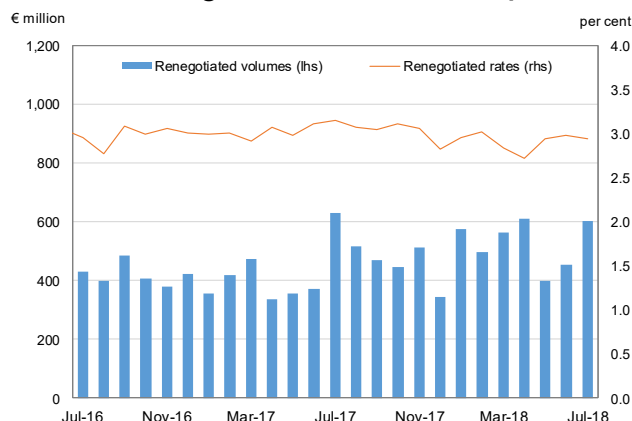
*Rates and volumes quoted exclude renegotiations unless otherwise stated

- **New business rates for NFC loans under €1 million**, which includes the majority of SME loans, recorded a weighted average interest rate of 4.20 per cent in July 2018, an increase of 5 basis points on the previous month.

Key Developments in Deposits

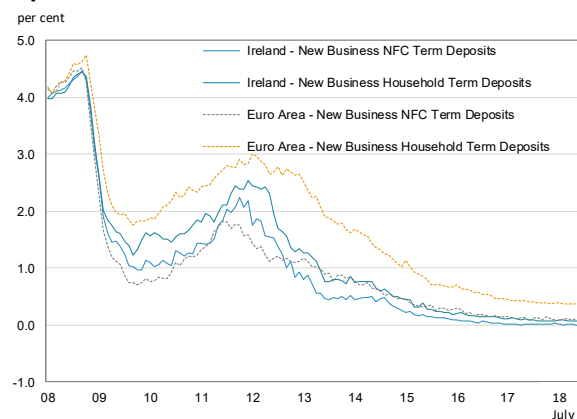
- **Interest rates on new household term deposits** remained low in July, at 0.04 per cent (Chart 5). This represented a 4 basis point decline over the last twelve months. Equivalent euro area rates experienced a decline of 5 basis points over the same period, but remain marginally higher at 0.35 per cent.
- **New business NFC term deposits** fell by 1 basis point over the last twelve months, and stood at 0.01 per cent in July. Corresponding NFC term deposit rates for the euro area fell by 1 basis point over the same period, to 0.11 per cent (Chart 5).
- **The household loan to deposit spread** stood at 392 basis points in July (Chart 6)¹, a decrease of 4 basis points on the previous month.

Chart 4: Renegotiated loans for house purchase



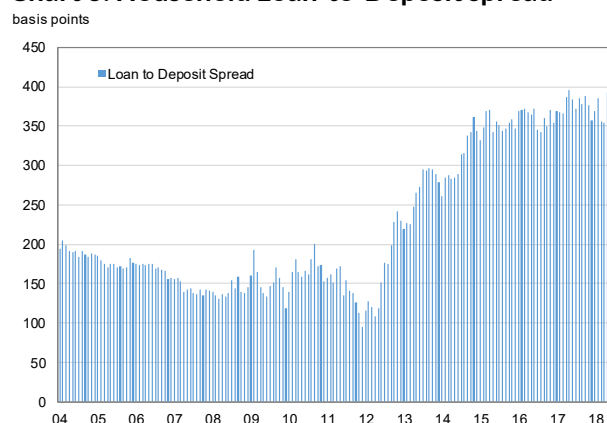
Source: Retail Interest Rates [Table B.2.2](#)

Chart 5: Interest rates on household & NFC term deposits



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

Chart 6: Household Loan-to-Deposit spread



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

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.

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](#).