



Retail Interest Rates – May 2022

13 July 2022

Key Developments in Loans

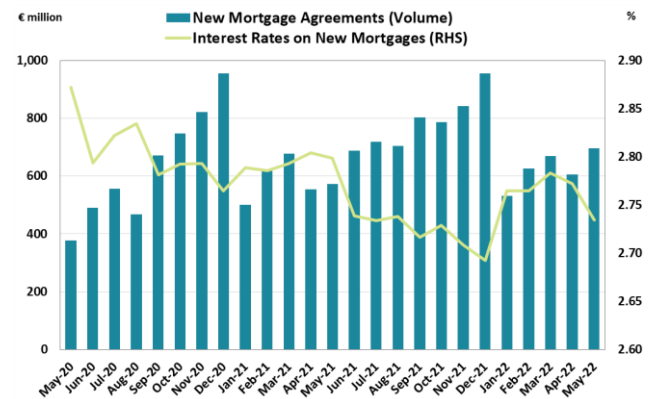
- The **weighted average interest rate on new Irish mortgage agreements**¹ was 2.73 per cent in May 2022, down 7 basis points on May 2021 (Table 1 & Chart 1). The average for the euro area rose to 1.76 per cent in May, although the rate varied considerably across countries (Chart 2).
- The **weighted average interest rate on new fixed rate mortgage agreements**, which account for the majority (83 per cent) of all new agreements, was 2.55 per cent in May. This equates to a decrease of 9 basis points on May 2021 and down 4 basis point on the previous month.
- For **new variable rate mortgage agreements**, the weighted average interest rate increased 11 basis points to 3.66 per cent in May. The increased use of fixed rate mortgages in recent years has resulted in higher volatility in the variable rate mortgage category.
- The **total volume of new mortgage agreements** amounted to €695 million in May 2022 (Chart 1). This represents an increase of 21 per cent on May 2021 and an increase of 15 per cent on the previous month.
- **Renegotiated mortgages** amounted to €337 million in May (Chart 3). The weighted average interest rate for all renegotiated mortgages was 2.89 per cent in May, up from 2.59 per cent the previous month.
- The average interest rate on **new consumer loans** was 7.38 per cent in May 2022. The volume of **new consumer lending** (including renegotiations) stood at €198 million in May 2022; an increase of 30 per cent on May 2021 (Chart 4).

Table 1: Weighted average interest rates for house purchase (excluding renegotiations), May 2022

	Interest Rate (%)	M-o-M Change (bps)	Y-o-Y Change (bps)	Volume (€m)
New mortgage agreements	2.73	-4	-7	695
of which				
- fixed rate mortgage agreements	2.55	-4	-9	577
- variable rate mortgage agreements	3.66	11	27	118
New mortgage agreements - Euro area average	1.76	17	49	77,317

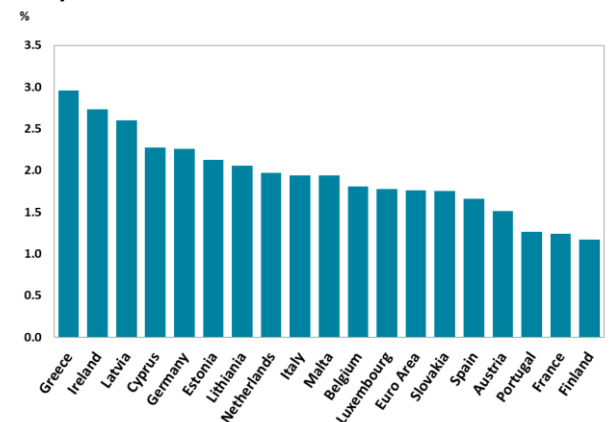
Sources: Retail Interest Rates [Table B.2.1](#), and [SDW](#)

Chart 1: Volume and interest rate of new mortgage agreements (excluding renegotiations)



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

Chart 2: Weighted average interest rates on lending for house purchase across the euro area, May 2022



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

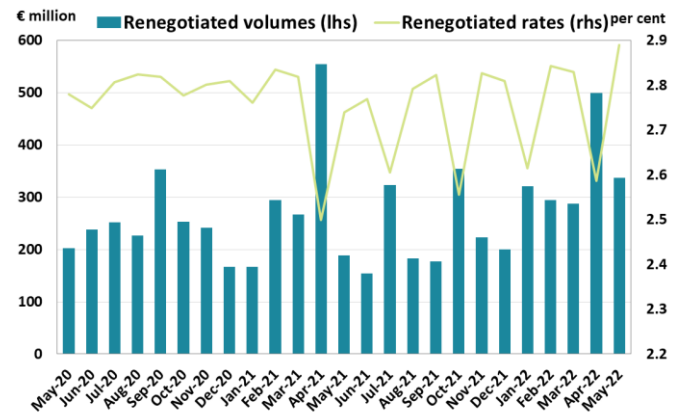
¹ Rates and volumes quoted on this page exclude renegotiations unless otherwise stated.

- **Total NFC loan agreements** were €1,049 million in May 2022, an increase of 11 per cent compared to May 2021.
- There were €115 million in **NFC loans of up to €250k** agreed in May. The weighted average interest rates on new NFC loans of up to €250k was 4.47 per cent (Chart 5). The equivalent euro area rate was 1.98 per cent.
- For **new NFC loans of over €250k and up to €1 million**, the volume of new lending amounted to €75 million in May, which was €28 million (or 27 per cent) lower than in May 2021. The weighted average interest rate stood at 2.75 per cent in May (Chart 5), with the equivalent euro area rate at 1.60 per cent.
- For **new NFC loans of over €1 million**, which represent the vast majority of new NFC loans, the volume of new lending amounted to €860 million in May. The weighted average interest rate stood at 3.06 per cent in May (Chart 5). The equivalent euro area rate was 1.31 per cent.
- **NFC overdrafts** were 137 per cent higher in year-on-year terms in May, at €5,472 million². The weighted average interest rate stood at 3.65 per cent.

Key Developments in Deposits

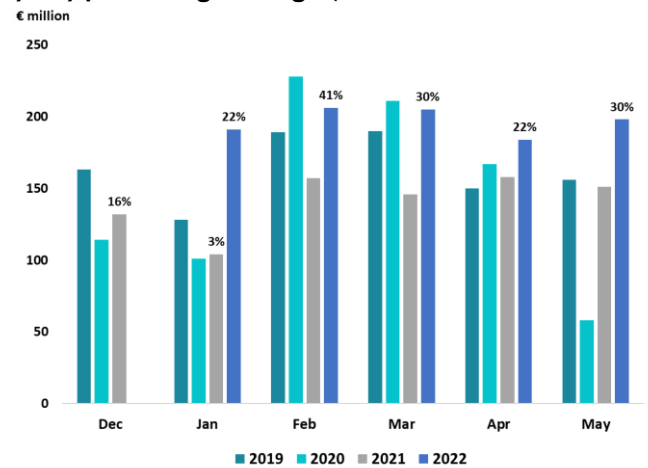
- **Interest rates on new household term deposits** stood at 0.03 per cent in May. The equivalent euro area rate was 0.25 per cent.
- Interest rates on **new NFC term deposits** in Ireland stood at -0.13 per cent in May. Corresponding NFC term deposit rates for the euro area stood at -0.24 per cent.

Chart 3: Renegotiated loans for house purchase



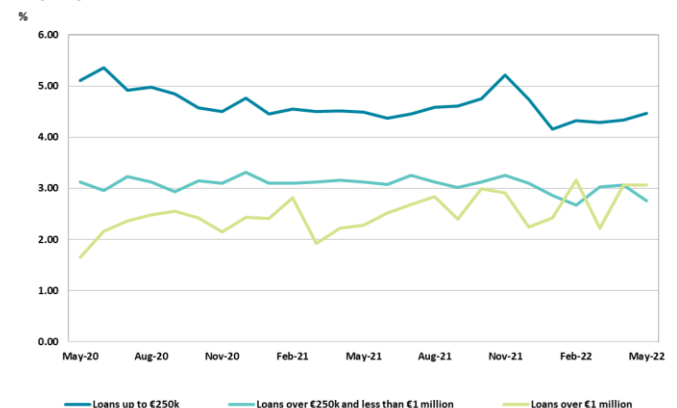
Source: Retail Interest Rates [Table B.2.2](#)

Chart 4: New consumer credit agreements (including y-o-y percentage changes)



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

Chart 5: Interest rates of NFC loan agreements, by loan size



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

² Overdrafts include revolving loans and extended credit card debt.

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:

The retail interest rate statistics are compiled using a sampling method as outlined in the relevant ECB Regulation and Guideline. The sampling methodology is refined and enhanced over time to maintain alignment with relevant international standards and maintain a quality

sampling approach. In such situations, revised methodology will be applied to historic data to ensure a consistent and coherent compilation of data across time and to allow for time series analysis. The period of revisions will be determined by the impact, feasibility and cost of undertaking the revision. Occasions when methodological revision have occurred are:

- Enhancements to the calculation of the national weighted average interest rates and national total business volumes have been introduced in ECB Guideline (ECB/2014/15) on monetary and financial statistics. These enhancements introduced in the Guideline involve changes to the sampling methods. The changes made contribute to a further harmonization of the data compilation process thus improving cross-country data comparison. The changes apply for reference period December 2014. As a result of these enhancements, data have been recalculated, as per the requirements of Guideline ECB/2014/15, for previous reference periods.
- Changes applied to reduce the maximum grossing factor used in estimating total population data. The changes reduce the potential volatility caused by irregular high grossing factors. The impact of the change is largely confined to new business loans to NFCs, with some minor changes to new business consumer loans. The changes apply from reference period April 2021. Data for previous reporting periods have been recalculated back to January 2019.

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](#).

Note 4:

Statistical classification of sole proprietors

In line with their treatment in ESA 2010, the Central Bank has harmonised the treatment of sole proprietors as reported by reporting agents across various datasets. This has resulted in a movement of loans and deposits from the NFC to the Household sector. These amendments were made in February 2022 with respect to reference data from January 2021.

Specifically, these changes result in an increase in loan and deposit volume amounts reported vis-à-vis the household sector, and a decline in balances reported vis-à-vis the NFC sector. This applies to both outstanding and new lending volumes in Tables B.1.2 and Table B.2.1.

For lending rates, this change means that both the aggregate interest rates on NFC loan agreements and on non-mortgage household loans has slightly reduced. The reason for this is that, in general, loans to sole proprietors typically attract a higher average interest rate than NFC loans, and therefore excluding them from the NFC category results in a slight reduction in the aggregated NFC interest rate.

Additionally, the interest rate on loans to sole proprietors is typically lower than the average interest rate on non-mortgage household loans, and therefore including them results in a reduction in the aggregated interest rate on household loans ‘for other purposes’ in Table B.2.1, and on household ‘consumer loans and other loans’ in Table B.1.2.

Treatment of securitised loans

As a result of an update to the ECB Regulation on the balance sheet items of credit institutions and of the monetary financial institutions sector (recast) (ECB/2021/2), there have been changes to how certain securitised loans are required to be classified for the purposes of statistical reporting. The following treatment, allowed under the previous Regulation ECB/2013/33, is no longer permitted: ‘MFIs [...] may be allowed by their NCB to exclude from the stocks [...] any

loans disposed of by means of a securitisation in accordance with national practice [...]’.

The removal of this derogation from the updated Regulation ECB/2021/2 results in an increase in the reported volume of outstanding house purchase loans in Table B.1.2.