



Retail Interest Rates – September 2022

9 November 2022

Key Developments in Loans

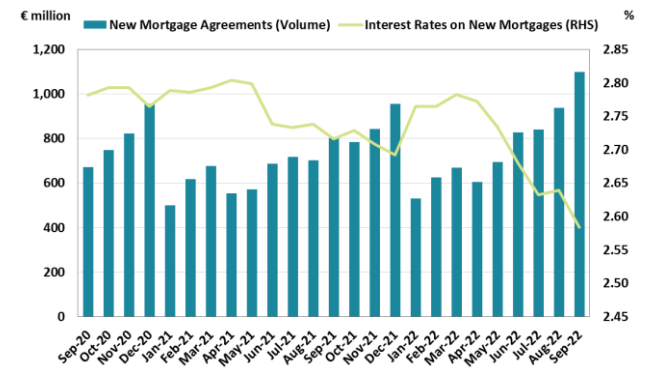
- The **weighted average interest rate on new Irish mortgage agreements**¹ in September 2022 decreased by 6 basis points to 2.58 per cent from August (Chart 1). In the same period, the equivalent euro area average rose by 19 basis points to 2.40 per cent. Cross-country differences continue to be observed (Chart 2). As at end-September, the rate in Ireland moved closer to the euro area average.
- The **weighted average interest rate on new fixed rate mortgage agreements**, which constitute the majority (91%) of the total new mortgages, was 2.46 per cent in September. This represents a decrease of 3 basis points on a monthly basis and of 14 basis points on a yearly basis.
- As regards **new variable rate mortgage agreements**, the weighted average interest rate increased to 3.78 per cent in September. This equates to an increase of 1 basis point in monthly terms and of 53 basis points in annual terms. The shift away from variable to fixed rate mortgages in recent years has implied higher volatility in the variable rate category.
- **The total volume of pure new mortgage agreements** amounted to €1,099 million in September (Chart 1), an increase of 17 per cent on the previous month and of 37 per cent on the previous year.
- **Renegotiated mortgages** reached €675 million in September (95% pertaining to fixed rate mortgages) from €437 million in August (Chart 3). The associated weighted average interest rate increased to 2.87 per cent.
- The interest rate on **new consumer loans** rose by 10 basis points to 7.56 per cent in September. The volume of new consumer lending (including renegotiations) totalled €186 million in September; up by 27 per cent from September 2021 and marginally down from August (Chart 4).

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

	Interest Rate (%)	M-o-M Change (bps)	Y-o-Y Change (bps)	Volume (€m)
New mortgage agreements	2.58	-6	-14	1,099
<i>of which</i>				
- fixed rate mortgage agreements	2.46	-3	-14	998
- variable rate mortgage agreements	3.78	1	53	101
New mortgage agreements - Euro area average	2.40	19	113	57,022

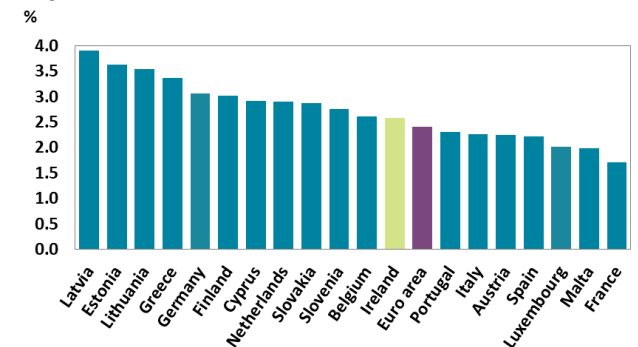
Sources: Retail Interest Rates [Table B.2.1](#), and [SDW](#)

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, September 2022



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

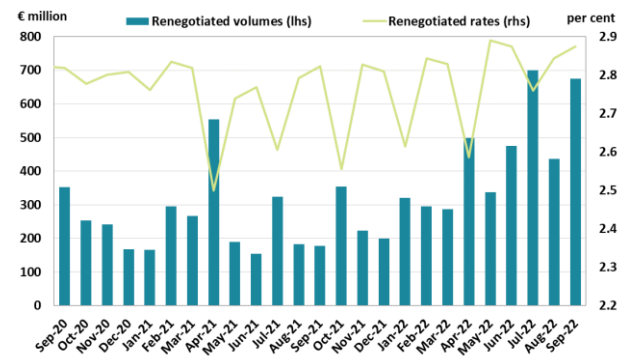
¹ Rates and volumes quoted on this page exclude renegotiations unless otherwise stated.

- **New NFC loan agreements** reached €1,496 million in September, 209 million higher than August. The weighted average interest rate moved to 4.11 per cent in September, up from the previous month (3.30 per cent) and the previous year (2.59 per cent). The equivalent rate in the euro area also recorded an increase in both month-on-month and year-on-year terms, standing at 2.41 per cent in September.
- **New NFC loans of up to €250k** amounted to €93 million in September, with the associated weighted average interest rate broadly unchanged at 5.13 per cent. There were €95 million **NFC loans of over €250k and up to €1 million** newly agreed in September, with a weighted average interest rate up to 3.86 per cent (Chart 5).
- The volume of **new NFC loans of over €1 million**, which account for 87% of all new NFC loans, equalled €1,308 million in September, increasing by 16 per cent vis-à-vis August and by 15 per cent vis-à-vis September 2021. The weighted average interest rate on this instrument category reached 4.05 per cent in September.
- **NFC overdrafts** stood at €6,652 million² at end-September, resulting in a decline from August (-16%). The relative weighted average interest rate was 3.61 per cent.

Key Developments in Deposits

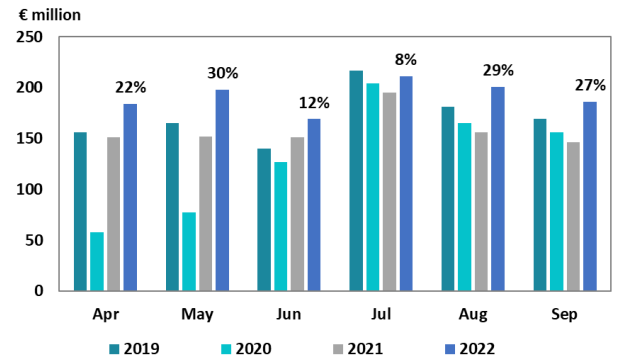
- **Interest rates on new household deposits with agreed maturity** rose to 0.17 per cent in September in Ireland. The equivalent rate in the euro area was 0.69 per cent.
- Interest rates on **new NFC term deposits** in Ireland went up to 0.82 per cent in September. Corresponding NFC term deposit rates for the euro area was 0.74 per cent.

Chart 3: Renegotiated loans for house purchase



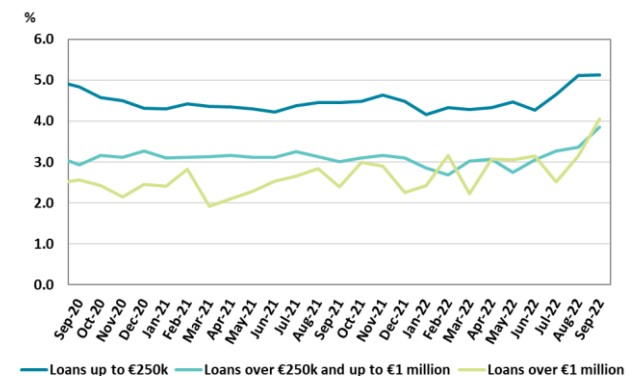
Source: Retail Interest Rates [Table B.2.2](#)

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 new NFC loan agreements, by loan size



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

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.