Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Statistical Release

Retail Interest Rates – January 2023

09 March 2023

Household Lending Interest Rates

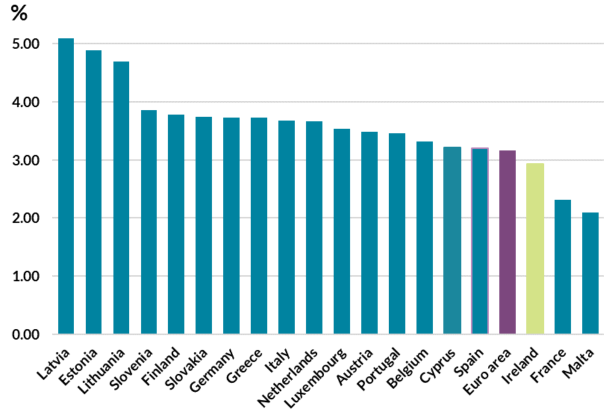
- The **weighted average interest rate on new Irish mortgage agreements**[1] at end January 2023 was 2.93 per cent (Chart 1), an increase of 24 basis points compared to the previous month and up 17 basis points in annual terms. In the same period, the equivalent euro area average rose by 20 basis points to 3.16 per cent (Table 1). As at end-January, the rate in Ireland remained below the euro area average (Chart 1).
- The **weighted average interest rate on new fixed rate mortgage agreements,** which constitute the majority (92%) of the total new mortgage agreements, was 2.82 per cent in January. This represents an increase of 21 basis points from December and 23 basis points higher on an annual basis.
- **The total volume of pure new mortgage agreements** amounted to €755 million in January, a 40 per cent decrease on the previous month, and an increase of 42 per cent in annual terms (Chart 2).
- **Renegotiated mortgages** totalled €365 million in January (93% within the fixed rate category), compared to €390 million recorded in December. The associated weighted average fixed interest rate was 2.96 per cent in January 2023.
- The interest rate on **new consumer loans** fell by 39 basis points to 7.40 per cent in January. The total volume of new consumer loans was €229 million in January, representing an increase of 20 per cent in annual terms.

Table 1: Weighted average interest rates for house purchase (excluding renegotiations), January 2023

	Interest Rate (%)	M-o-M Change (bps)	Y-o-Y Change (bps)	Volume (€m)
New mortgage agreements	2.93	24	17	755
of which				
- fixed rate mortgage agreements	2.82	21	23	693
- variable rate mortgage agreements	4.14	29	60	61
New mortgage agreements - Euro area average	3.16	20	185	40,968

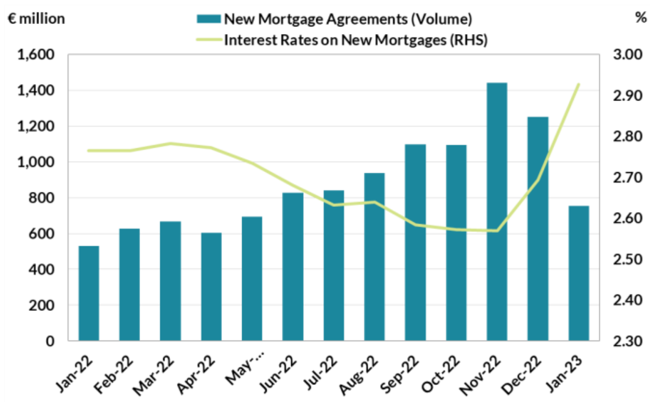
Sources: Retail Interest Rates Table B.2.1, and SDW

Chart 1: Weighted average interest rates on new lending for house purchase across the euro area, January 2023



Source: Retail Interest Rates Table B.2.1, and SDW

Chart 2: Volume and interest rate of new mortgage agreements (excluding renegotiations)



Sources: Retail Interest Rates Table B.2.1, and SDW

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

Non-Financial Corporations Lending Rates

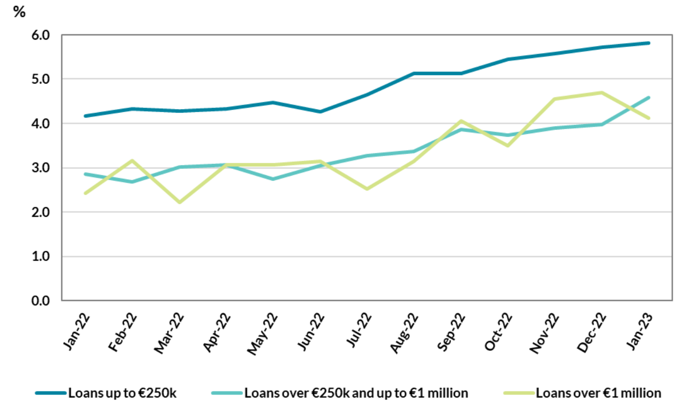
- **NFC overdrafts** stood at €6,750 million at end-January, an increase of 49.5 per cent from January 2022. The associated weighted average interest rate was 4.51 per cent.
- **New NFC loan agreements** reached €1,471 million in January, 5 per cent lower than January 2022. The weighted average interest rate was 4.27 per cent in January, up from the previous year (2.56 per cent). The equivalent rate in the euro area stood at 3.60 per cent in January.
- New **NFC loans of up to €250k** amounted to €109 million in January, with the associated weighted average interest rate at 5.81 per cent. There were €67 million new **NFC loans of over €250k and up to €1 million** newly agreed in January, with a weighted average interest rate of 4.59 per cent.
- The volume of **new NFC loans of over €1 million**, which account for 88% of all new NFC loans, equalled €1,295 million in January, a decrease of 4.4 per cent compared to Janaury 2022. The weighted average interest rate on this instrument category was 4.12 per cent in January (Chart 3).

Household and Non-Financial Corporations Deposit Rates

- Interest rates on **household overnight deposits** stood at 0.03 per cent in January 2023 (Chart 4). Interest rates on **new household deposits with agreed maturity** rose to 0.71 per cent in January in Ireland. The equivalent rate in the euro area was 1.64 per cent.

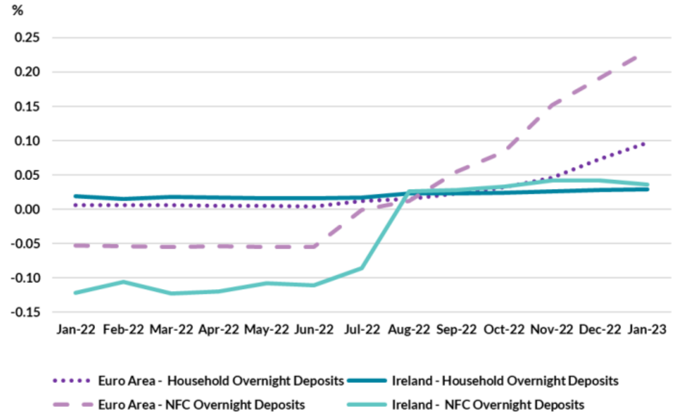
- Interest rates on **NFC overnight deposits** stood at 0.04 per cent in January 2023. Interest rates on **new NFC deposits with agreed maturity** was 1.92 per cent in January. The corresponding rate in the euro area was 2.01 per cent.

Chart 3: Interest rates of new NFC loan agreements, by loan size



Sources: Retail Interest Rates [Table B.2.1]

Chart 4: Overnight Deposit interest rates; Ireland and Euro Area



Sources: Retail Interest Rates Table B.1.1, and SDW

Box A: Interest Rates on Outstanding Mortgage Loans held in Non-Bank Entities

The monthly *Retail Interest Rate Statistics* are compiled using data collected from a sample of Irish resident credit institutions only, in accordance with the relevant ECB Regulation. The Central Bank recently conducted a data collection exercise from non-bank entities[A] relating to their outstanding stock of Private Dwelling Household (PDH) mortgage loans and the interest rates applied to these loans. The data were reported with reference to end-December 2022, and are shown in Table A. As is the case with all interest rates reported in the *Retail Interest Rate Statistics*, weighted averages can mask the underlying distribution of interest rates among the population of loans in each category. The Central Bank is conducting further work to explore the distributional characteristics in greater detail, and will provide an update in due course.

Table A: Total PDH Mortgage Lending by Non-Banks, as at end-Dec 2022

	Non-Banks			Banks[B]
	Outstanding Amount (€000's)	Number of Accounts	Interest rate (%)	Interest rate (%)
Variable	5,999,059	43,460	4.57	3.50
Tracker	6,593,186	38,151	3.14	3.23
Fixed	6,920,954	33,648	2.23	2.69
Total	**19,512,200**	**115,259**	**3.26**	**2.93**

- Among the non-bank entities, 38 per cent of all PDH mortgage loans were on a variable rate at end-December 2022, 33 per cent on a tracker rate, and 29 per cent on a fixed rate.
- The weighted average interest rate on all non-bank mortgages was 3.26 per cent at end-December, while a rate of 4.57 per cent was reported for the cohort of mortgages on a variable interest rate. Comparable figures reported by banks were 2.93 per cent and 3.50 per cent for total mortages and variable rate mortgages, respectively.
- In value terms, the non-bank entities accounted for 20 per cent of all outstanding (bank and non-bank) PDH mortgage loans, while their share of variable rate loans was 36 per cent.

[A] The reporting population is the non-bank entities that report the quarterly Mortgage Arrears Statistics. Non-bank entities are comprised of Retail Credit Firms and Credit Servicing Firms.
[B] The outstanding value of bank-held mortgage loans, and the corresponding interest rates, are published in Table B.3.1 on the website.

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.