



Retail Interest Rates – December 2015

Key Developments

- Interest rates on new business mortgages<sup>1</sup> generally declined over the fourth quarter of 2015. Standard variable rates on new business mortgages for primary dwellings declined by the largest margin over that period. **SVR rates were some 20 basis points lower at end-December 2015 compared to end September 2015, having steadily declined from 4.2 per cent in the final quarter of 2014.** New business 1-3 year fixed interest rates are currently below standard or LTV variable rates for both PDH and BTLs (Table 1). Conversely, BTL rates on mortgages fixed for over 3 years increased by a significant 45 basis points over the last quarter of 2015, reversing the decline observed in the previous quarter.
- Mortgage rates on **outstanding amounts declined for all PDH categories in the fourth quarter of 2015.** The largest decline was noted for SVRs, falling 11 basis points, reflecting developments in the new business cohort. In terms of BTLs variable rates increased by 6 basis points while rates fixed for three years or more rose by 21 basis points over the fourth quarter.
- During the last quarter of 2014, 61 per cent of all new business mortgages were variable interest rate products. However, **the proportion of new business variable rate mortgages has declined significantly** over the last number of quarters to end-December 2015 (Chart 1). The ratio of fixed versus variable rate mortgages has shifted to approximately 50-50 from Q2 onwards. This change reflects consumers' preference for cheaper fixed rate products currently on offer.

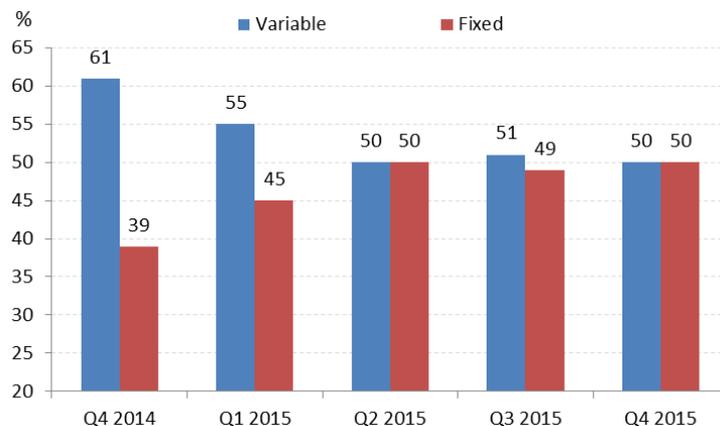
Table 1: New Business - Mortgage Rates  
(as of December 2015)

	SVR	1-3 year fixed	>3 year fixed
<b>Principal Dwelling Houses</b>			
Dec-14	4.20	4.25	4.07
Mar-15	4.13	3.93	3.92
Jun-15	4.13	3.80	3.79
Sep-15	3.96	3.70	3.80
Dec-15	3.76	3.67	3.79
<b>Buy-to-Let</b>			
Dec-14	5.22	5.70	6.24
Mar-15	5.16	5.65	6.01
Jun-15	5.09	5.35	5.11
Sep-15	4.95	4.76	4.66
Dec-15	4.92	4.75	5.11

Table 2: Outstanding Amounts - Mortgage Rates  
(as of December 2015)

	SVR	Tracker	1-3 year fixed	>3 year fixed
<b>Principal Dwelling Houses</b>				
Dec-14	4.18	1.03	4.51	3.99
Mar-15	4.26	1.05	4.18	4.03
Jun-15	4.10	1.05	4.08	3.95
Sep-15	4.07	1.07	3.93	3.86
Dec-15	3.96	1.07	3.83	3.79
<b>Buy-to-Let</b>				
Dec-14	4.53	1.09	5.33	4.62
Mar-15	4.52	1.09	5.08	4.60
Jun-15	4.39	1.09	4.97	4.49
Sep-15	4.55	1.09	4.79	4.08
Dec-15	4.61	1.1	4.68	4.29

Chart 1: Share of fixed versus variable interest rates for new business mortgages<sup>2</sup>



<sup>1</sup> New business mortgages refer to actual drawdowns over the quarter, and exclude renegotiated contracts.

<sup>2</sup> Refers to the volume of new business mortgages drawn down over the respective quarter.

- **€565m of loans for house purchase were renegotiated during December 2015**, a decrease of €91m compared to the previous month (Chart 2). **Renegotiated interest rates for house purchase loans have remained within the relatively narrow range of 3.1 to 3.5 per cent** since December 2014. Renegotiated interest rates for house purchase loans have declined from 3.46 per cent at end-October to 3.2 per cent at end-December 2015.
- **Rates on household term deposits continued to decline** in December 2015 (Chart 3). New business household deposit rates decreased by 5 basis points to 0.21 per cent at end-December. The corresponding deposit rate for outstanding amounts fell by 5 basis points to 1.02 per cent over the same period. **NFC term deposit rate, for both new business and outstanding amounts, remained stable in December** following recent declines.
- **The rate on new floating rate loan agreements<sup>3</sup> for house purchase (which includes renegotiations), was 3.3 per cent** at end-December 2015, representing a decrease of 10 basis points over the month. The equivalent euro rate was 1.99 per cent (Chart 4). In general, an increasing proportion of new mortgage contracts are fixed rate products.

Chart 2: Renegotiated Loans

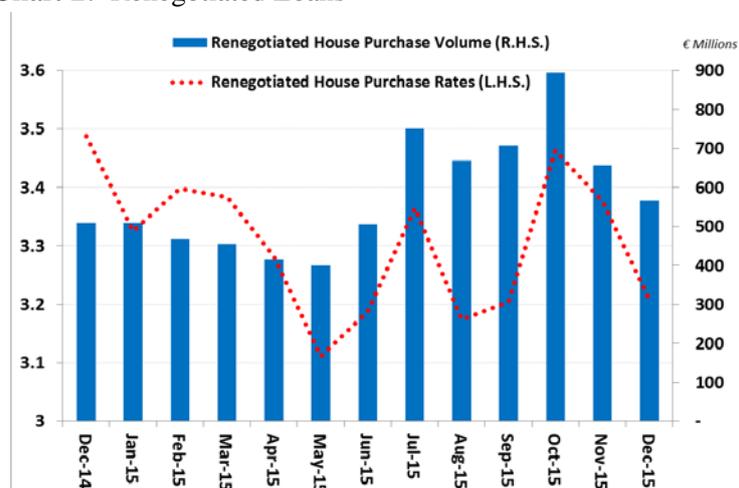


Chart 3: Interest Rates on Household and NFC term Deposits

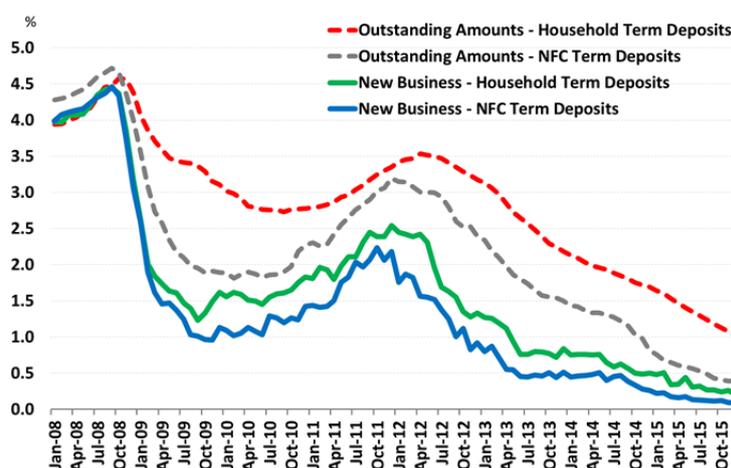
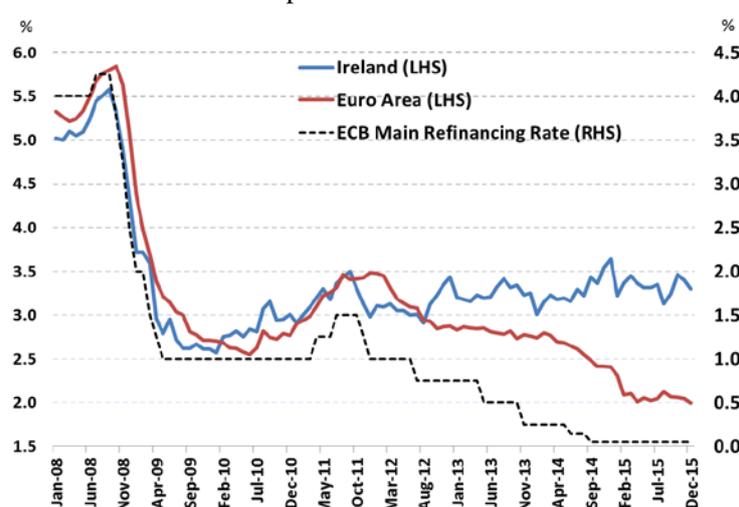


Chart 4: Interest Rates on new floating rate loans agreements to Households for house purchase



<sup>3</sup> Floating rates include variable rates and loans with an initial fixation up to one year.

**Note:**

A number of 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 as of January 2015 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 in order to ensure a consistent and coherent compilation of data across time and to allow for time series analysis. The extensive set of [Retail Interest Rate Statistics](#) tables are available on the Central Bank of Ireland website.

Retail Interest Rate Statistics cover all euro-denominated lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month, while interest rates applicable to new business volumes cover all new loan and deposit business agreed during the month.

For retail interest rate statistics purposes, new business is defined as any new agreement between the customer and the credit institution. This agreement covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, including any renegotiation of existing deposits and loans. Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business. New business volumes have been exceptionally low in various instrument categories during the last number

of months. Low volumes of this nature can result in increased volatility within the interest rate series.

New loan agreements to households for house purchase with either a floating or initial rate fixation period of up to one year are broader in scope than just 'new mortgages', issued at variable interest rates. There are a number of factors that can lead to differences between MIR statistics and interest rates advertised by resident credit institutions, including renegotiated loans, the inclusion of home improvement loans, and the underlying MIR compilation methodology. New data on mortgage interest rates are available, and outlined above, these rates are not part of the MIR framework and represent drawdowns broken down by type of interest rate (i.e. Fixed, Tracker and SVR). These data will be available on a quarterly basis.