



Retail Interest Rates: April 2016

Key Developments

- In general, interest rates on household term deposits have continued to decline** in April 2016 (Chart 1). Rates on new business household deposits decreased by 2 basis points to 0.16 per cent at end-April 2016. The corresponding euro area interest rate fell by 1 basis point to 0.61 per cent over the same period. New business NFC term deposits fell by just 1 basis point over the month to stand at 0.06 per cent in April. **However, NFC term deposits in the euro area rose slightly, increasing by 2 basis points to stand at 0.21 per cent at end-April 2016.**
- The rate on new floating rate loan agreements<sup>1</sup> for house purchase (which includes renegotiations) was 3.08 per cent** at end-April 2016, representing a decrease of 8 basis points over the month. The equivalent euro rate was 1.86 per cent (Chart 2), which decreased by 3 basis points over the same period.
- In April 2016, the volume of renegotiated loans for house purchase stood at circa €416m**, a decrease of €477m since October 2015, when renegotiations peaked at almost €894m (Chart 3). In general, the majority of renegotiated contracts reflect normal market behaviours such as switching between various mortgage products offered by retail banks. **Renegotiated interest rates for house purchase loans decreased by 11 basis points to 2.96 per cent during April 2016.**

Chart 1: Interest Rates on Household & NFC term deposits

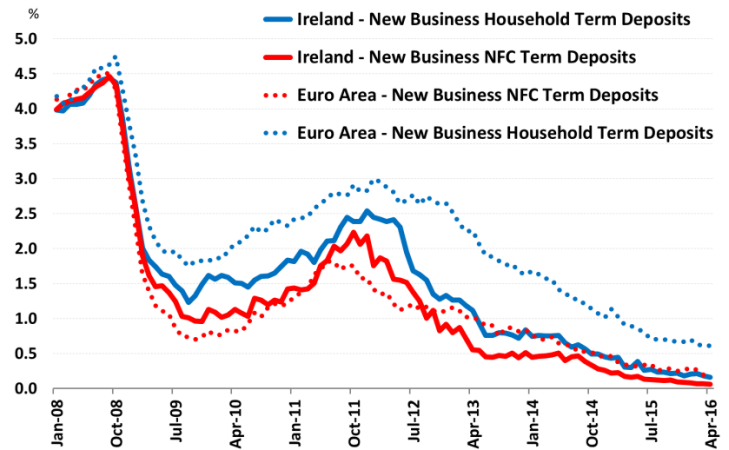


Chart 2: Interest Rates on new floating rate loans agreements to households for house purchase

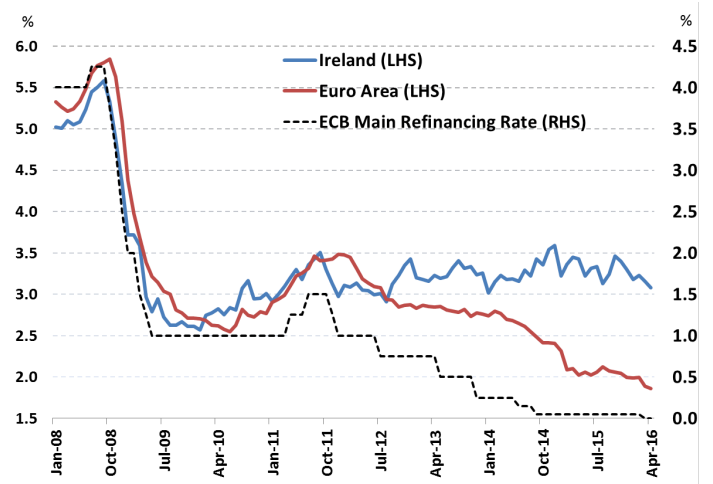
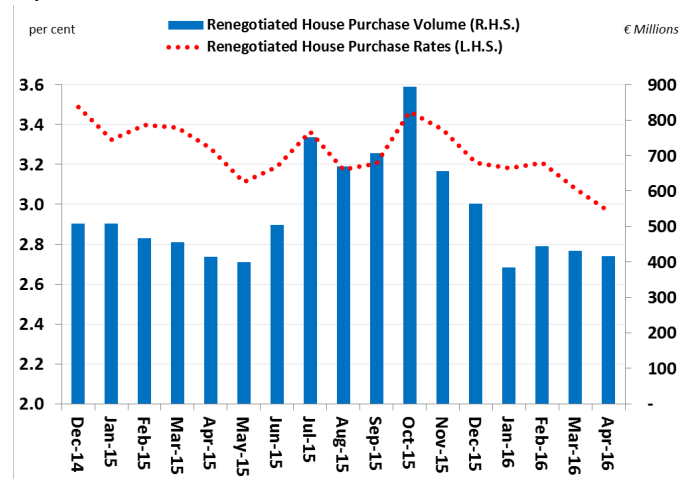


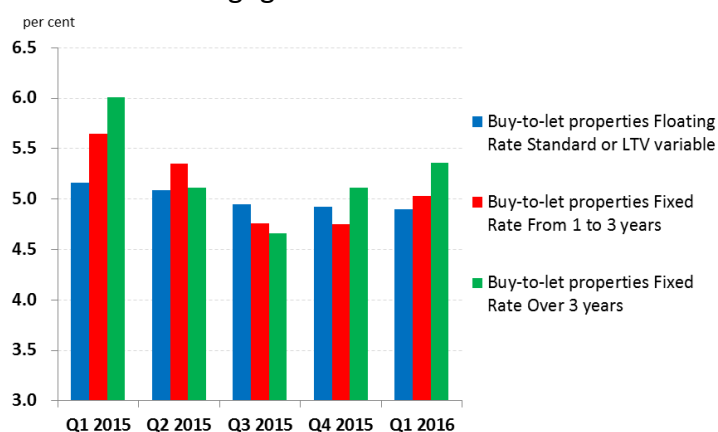
Chart 3: Renegotiated household loans for house purchase



<sup>1</sup> Floating rates include variable rates and loans with an initial fixation up to one year.

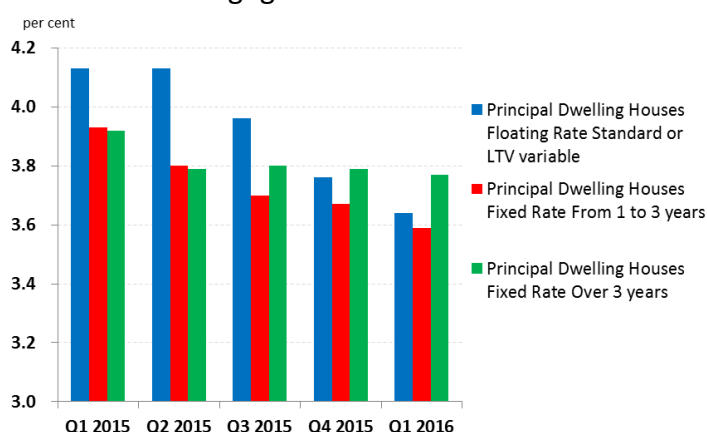
- Fixed and floating Buy-To-Let (BTL) mortgage rates are illustrated in Chart 4. **All BTL mortgage rates declined over the year ending Q1 2016.** BTL rates fixed for over 3 years declined by the largest margin, falling by 65 basis points to 5.36 per cent over the year ending Q1 2016. **Variable mortgage rates for BTLs also declined, falling by 26 basis points to 4.9 per cent** over the year ending Q1 2016.

Chart 4: BTL Mortgage Interest Rates<sup>3</sup>



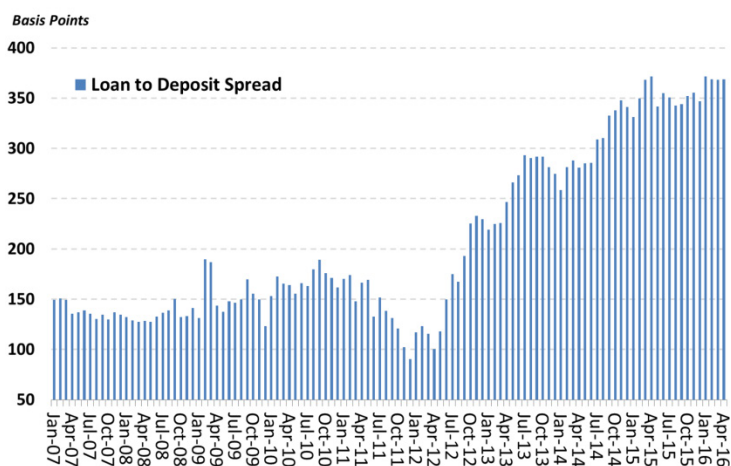
- In terms of Principal Dwelling House (PDH) mortgage rates, the most pronounced fall was observed for **standard variable rate mortgages, which fell by 49 basis points to 3.64 per cent over the year ending Q1-2016** (Chart 5). Fixed rate PDH mortgage rates also declined, with rates fixed for 1-3 years falling by 34 basis points over the same period. **PDH mortgage rates across all instrument categories have declined over the 12 month period ending in the first quarter of 2016.**

Chart 5: PDH Mortgage Interest Rates<sup>3</sup>



- The loan to deposit spread has remained relatively stable** over the month to end-April 2016, increasing by just 1 basis point to stand at 369 basis points. This **modest rise was largely driven by higher interest rates applicable to variable rate loans for consumption purposes.** New business loan-to-deposit spreads<sup>2</sup> for households have risen sharply since 2012, reflecting a combination of declining deposit rates and stable loans rates (Chart 6).

Chart 6: Loan-to-Deposit Spread for Domestic Banks



<sup>2</sup> 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.

<sup>3</sup> Refers to the volume of new business mortgages drawn down over the respective quarter.

**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.