



## Retail Interest Rates – May 2020

10 July 2020

### Key Developments in Loans

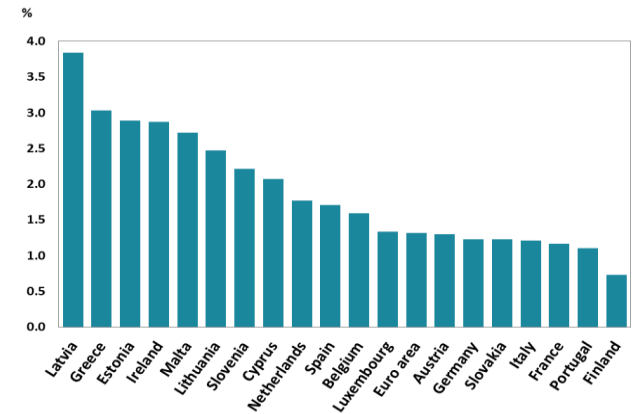
- **The volume of new mortgage agreements<sup>1</sup>** amounted to €377 million in May 2020 (Chart 2), a decrease of 48 per cent on the same month the previous year, and the largest year-on-year decline since the series began.
- Of this, €296 million was agreed in **new fixed rate mortgages**, a decrease of 44 per cent on May the previous year. **New variable rate mortgage agreements** declined by 60 per cent to €81 million in May (Table 1).
- **Fixed rate mortgages** (including renegotiations) accounted for almost three-quarters of **all new agreements** in the three months to May. This compares with 82 per cent of new agreements for the same period in the euro area.
- The **weighted average interest rate on new mortgages agreed** in Ireland stood at 2.87 per cent in May, up 9 basis points on the previous month (Table 1 & Chart 2). The average for the euro area stood at 1.32 per cent in May, although the rate varied considerably across countries. Ireland had the fourth highest mortgage interest rates across the euro area in May (Chart 1).
- The **weighted average interest rate on new fixed rate mortgage agreements** stood at 2.74 per cent in May 2020, an increase of 4 basis points on April (Table 1).
- **New variable rate mortgage weighted average interest rates** stood at 3.37 per cent in May 2020. With lower volumes of agreed variable rate mortgages, the interest rate series can be volatile as rates are weighted by volumes.
- **Renegotiated mortgages** amounted to €203 million in May, up 27 per cent on May 2019 (Chart 3). Fixed rate products accounted for 65 per cent of renegotiations. The weighted average interest rate for all renegotiated mortgages was 2.78 per cent in May 2020.

**Table 1: Weighted average interest rates for house purchase (excluding renegotiations)**

	Interest Rate (%)	M-o-M Change (bps)	Y-o-Y Change (bps)	Volume (€m)
New mortgage agreements	2.87	9	-14	377
<i>of which</i>				
- fixed rate mortgage agreements	2.74	4	-16	296
- variable rate mortgage agreements	3.37	25	8	81
New mortgage agreements - Euro area average	1.32	3	-35	53,295

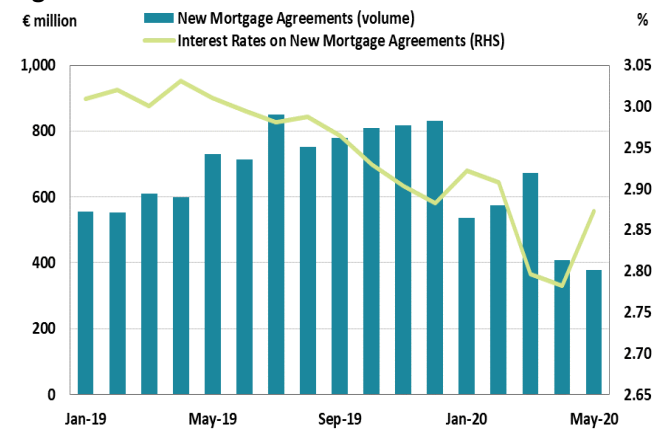
Sources: Retail Interest Rates [Table B.2.1](#), and [SDW](#)

**Chart 1: Weighted average interest rates on lending for house purchase across the euro area, May 2020**



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

**Chart 2: Volume and interest rate of new mortgage agreements**



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

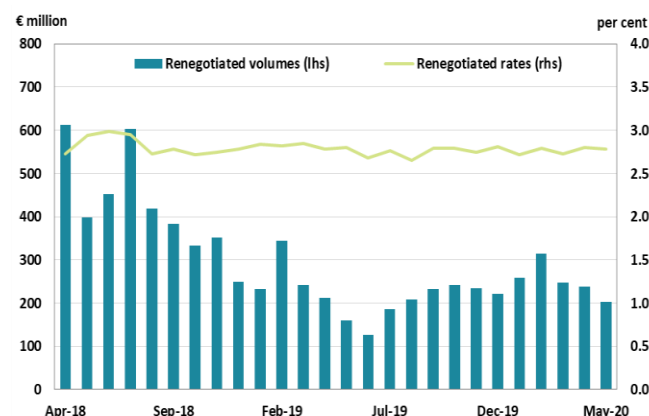
<sup>1</sup> Rates and volumes quoted on this page exclude renegotiations unless otherwise stated.

- **New consumer lending** agreements (including renegotiations) contracted by over 50 per cent in year-on-year terms for a second consecutive month, and stood at €82 million in May 2020 (Chart 4). This represents a decline of €114 million or 58 per cent on the same month the previous year. The average interest rate was 7.27 per cent. The equivalent euro area rate stood at 5.12 per cent in May.
- **Interest rates on new NFC loans of under €250k**, which typically include SME loans, recorded a weighted average interest rate of 5.11 per cent in May 2020, the equivalent euro area rate stood at 1.60 per cent (Chart 5). The volume of new lending in this category stood at €118 million in May, €46 million or 28 per cent lower than in the May 2019.
- **For new NFC loans over €250k (floating rate and up to 1 year interest rate fixation)**, the volume of new lending amounted to €909 million in May, down from €2.2 billion in May the previous year. The weighted average interest rate stood at 1.79 per cent in May.

#### Key Developments in Deposits

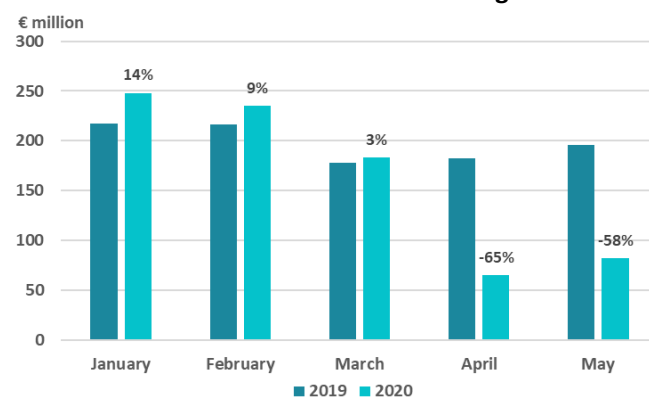
- **Interest rates on new household term deposits** stood at 0.02 per cent in May. Equivalent euro area rates were 0.27 per cent.
- Interest rates on **new business NFC term deposits** in Ireland declined in May, to -0.16 per cent. Corresponding NFC term deposit rates for the euro area stood at -0.10 per cent.

Chart 3: Renegotiated loans for house purchase



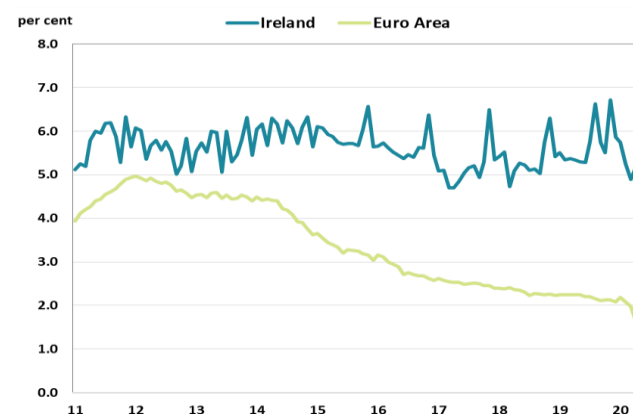
Source: Retail Interest Rates [Table B.2.2](#)

Chart 4: Decline in new consumer credit agreements



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

Chart 5: Interest rate on new NFC agreements of loans up to €250k



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

**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:**

In January 2015, a number of enhancements to the calculation of the national weighted average interest rates and national total business volumes were introduced under ECB Guideline (ECB/2014/15). As a result of these enhancements,

data have been recalculated for previous reference periods in order to ensure a consistent compilation of data across time.

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](#).