



Retail Interest Rates: June 2015

Key Developments

- Table 1 illustrates **sectoral lending rates to resident small to medium size enterprises¹**. Rates extended to the real estate sector, which represents the largest SME category, declined by some 75 basis points in Q2 2015. More generally, **falling interest rates have been observed across a range of sectors in the second quarter**, with construction and manufacturing both recording falls of more than 20 basis points in their respective new business rates. Despite this trend, rates increased by 22 basis points for the Hotels & Restaurants sector over the same period.
- Variable rate new housing loans** (excluding renegotiations) averaged 4.13 per cent over Q2 2015 (Table 2), remaining broadly unchanged from Q1 2015. The latest data show that for primary dwelling mortgages, new business **fixed rates are below standard variable rates** across all fixation categories following recent declines. While SVR rates have remained stable in Q2, **fixed rate pricing on new business mortgage contracts has declined**. In terms of new business PDH contracts, fixed rates have declined by nearly 20 basis points for both the 1-3 and over 5 years categories compared to Q1. In a similar fashion, fixed rates on BTL mortgages, declined by 125 basis points for the 3-5 year fixation cohort.
- Rates on new business term deposits continued to decline** in June 2015 (Chart 1). Rates applicable to NFCs decreased by 5 basis points to 0.13 per cent, while the corresponding rates for households fell by 13 basis points to stand at 0.31 per cent.

Table 1: Sectoral SME Lending Rates (as of June 2015)

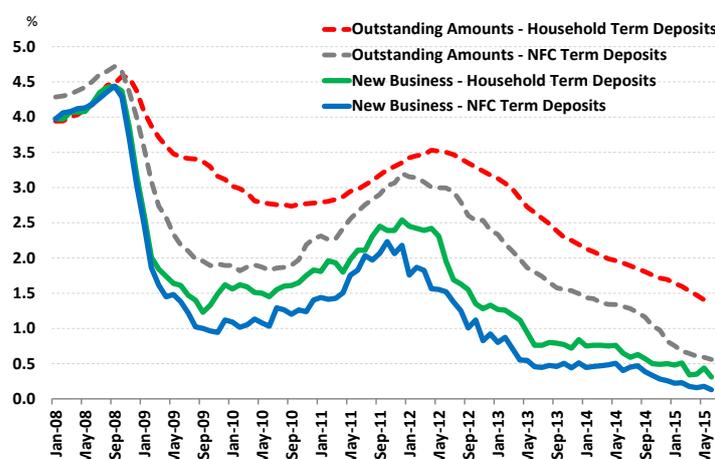
	New Business	Outstanding Amounts
Primary Industries	5.16	4.33
Manufacturing	4.26	3.91
Electricity, Gas, Steam and Air Conditioning Supply	3.04	3.96
Water Supply, Sewerage, Waste Management and Remediation	4.53	2.98
Construction	6.39	3.99
Wholesale/Retail Trade & Repairs	5.31	3.40
Transportation and Storage	6.26	3.91
Hotels and Restaurants	4.33	2.97
Information and Communication	4.87	3.90
Financial Intermediation (Excl. Monetary Financial Institutions)	4.93	1.09
Real Estate, Land and Development Activities	3.49	2.55
Business and Administrative Services	5.46	3.81
Other Community, Social and Personal Services	4.12	3.53
Education	5.12	4.05
Human Health and Social Work	4.10	3.20

Table 2: Mortgage Rates (as of June 2015)

	New Business		Outstanding Amount	
	Primary Dwelling House	Buy-to-Let	Primary Dwelling House	Buy-to-Let
Standard or LTV Variable	4.13	5.09	4.10	4.24
Tracker Mortgages*	n/a*	n/a	1.05	1.02
Fixed Rate				
- 1 to 3 years	3.80	5.35	4.08	4.78
- 3 to 5 years	3.87	5.07	4.24	4.86
- over 5 years	3.70	5.50	3.52	4.00

*no active market

Chart 1: Interest Rates on Household and NFC term Deposits



¹SME lending rates presented refer to drawn down loans only and not contracts agreed in principle.

- Rates on **outstanding tracker mortgages** which account for almost half of all housing loans were 1.05 and 1.02 per cent for principal dwelling and buy-to-let loans respectively, at end June 2015.
- Interest rates on **outstanding loans for house purchase** were broadly unchanged at 2.66 per cent at end-June 2015.
- The rate on **new floating rate loan agreements² for house purchase** (which includes renegotiations), was 3.38 per cent at end-June 2015, representing an increase of 7 basis points over the month. The equivalent euro rate was 2.02 per cent. Irish rates have decoupled from their traditional correlation with the MRO benchmark (Chart 2).
- The new business **loan-to-deposit spread** for households has remained elevated for the last number of months (Chart 3). The loan to deposit spread increased by some 7 basis points over the month to June 2015, predominately driven by falling deposit rates. Spreads have increased from circa 100 basis points in April 2012 to **367 basis points at end June 2015**.

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

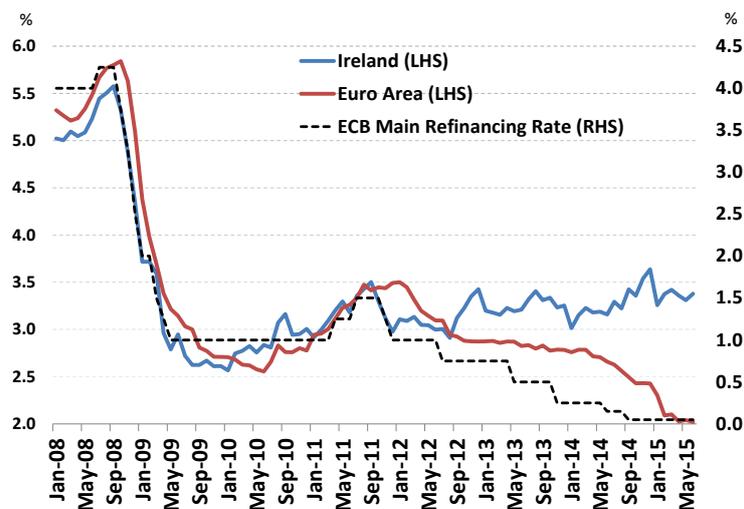
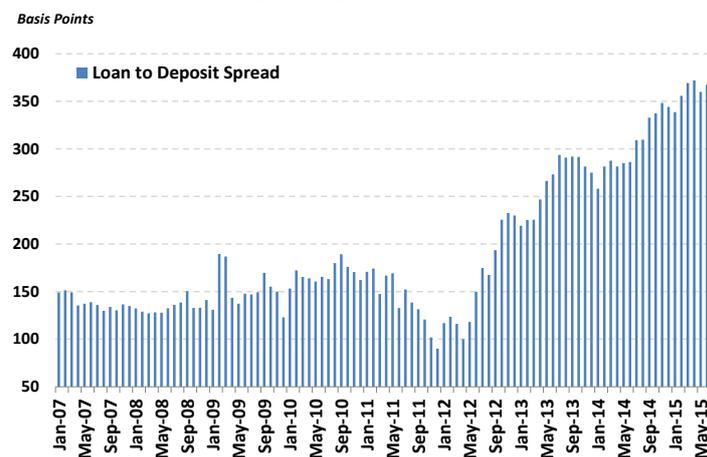


Chart 3: Loan to Deposit Spread for Domestic Banks³



² Floating rates include variable rates and loans with an initial fixation up to one year.

³ 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.

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.