



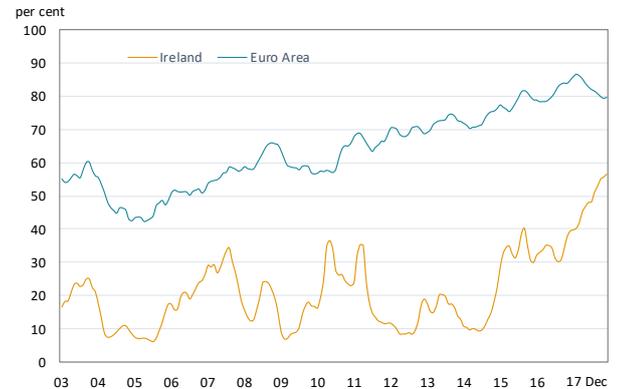
Retail Interest Rates – December 2017

09 February 2018

Key Developments in Loans

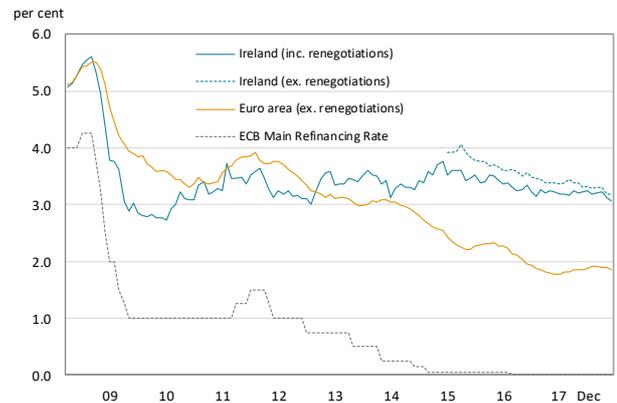
- **The share of fixed rate mortgages** continues to increase, accounting for 57 per cent of new agreements over the three months to December 2017. The share of euro area fixed rate mortgages over the same three months remains higher at 80 per cent (Chart 1).
- **The weighted average interest rate on new variable rate mortgage agreements** (excluding renegotiations) stood at 3.26 per cent in December (Chart 2). The rate on all new agreements, fixed and variable (excluding renegotiations), stood at 3.18 per cent. The equivalent euro area rate was 1.79 per cent.
- **The volume of new mortgage agreements** (excluding renegotiations) amounted to €680 million in December 2017, bringing new agreements for the twelve months of 2017 to €6.5 billion. This compares with new mortgage agreements of €5 billion over 2016 as a whole.
- Quarterly data¹ show a decrease in **standard variable rates for new PDH mortgages** of 8 basis points over the past year. Rates stood at 3.32 per cent in Q4 2017 (Chart 3). Fixed rate PDH mortgage rates also recorded a decline, with rates fixed for 1-3 years falling by 19 basis points over the same period, to 3.08 per cent at the end of Q4 2017.
- **The share of fixed rate PDH mortgages (greater than 1 year) in new mortgage draw-downs** increased in Q4 2017, accounting for 64 per cent of new draw-downs, compared to 41 per cent during Q4 2016.

Chart 1: New mortgage agreements: Share of fixed rate mortgages (3-month rolling average)



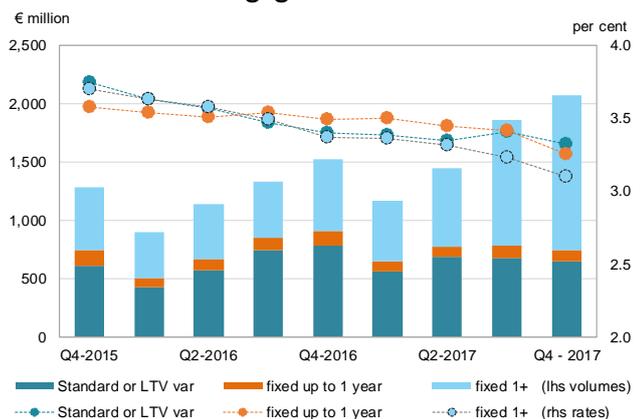
Sources: Retail Interest Rates [Table B.2.1](#), and [SDW](#)

Chart 2: Interest rates on new floating rate loan agreements to households for house purchase



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

Chart 3: PDH mortgage interest rates and volumes²



Source: Retail Interest Rates [Table B.3.1](#)

¹ Quarterly data provide further breakdown by mortgage product and property type.

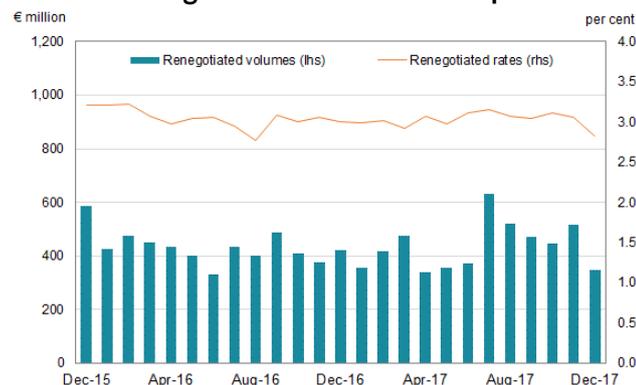
² Refers to the volume of new business mortgages drawn down over the respective quarter. See Note 1.

- **New variable BTL mortgage rates** stood at 4.70 per cent in Q4 2017, a decrease of 1 basis point from Q4 2016. Fixed rate BTL mortgages increased by 21 basis points to 4.86 per cent over the same period. The majority of BTL lending is at variable rates - these accounted for 85 per cent of new draw-downs in Q4 2017.
- **Total renegotiated mortgages** amounted to €346 million in December (Chart 4). The renegotiations concluded in December were split almost evenly between fixed and variable rates. The weighted average interest rate for renegotiated mortgages was 2.83 per cent in December.

Key Developments in Deposits

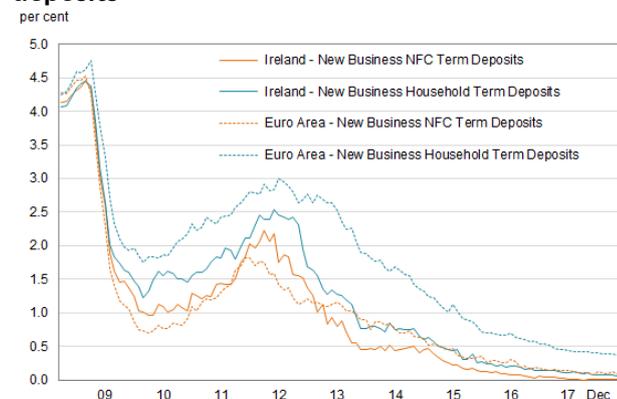
- **Interest rates on new household term deposits** have remained unchanged in recent months, and stood at 0.07 per cent in December (Chart 5). This represented a 3 basis point decline over the last twelve months. Equivalent euro area rates had a decline of 8 basis points over the same period, but remain marginally higher at 0.37 per cent.
- **New business NFC term deposits** have remained broadly unchanged over the last twelve months, and stood at 0.02 per cent in December. Corresponding NFC term deposit rates for the euro area fell by 5 basis points over the same period, to 0.08 per cent in December (Chart 5).
- **The loan to deposit spread** stood at 357 basis points in December (Chart 6)³, a decrease of 20 basis points on the previous month, owing to a decrease in lending rates to households for house purchase and other non-consumption purposes.

Chart 4: Renegotiated loans for house purchase



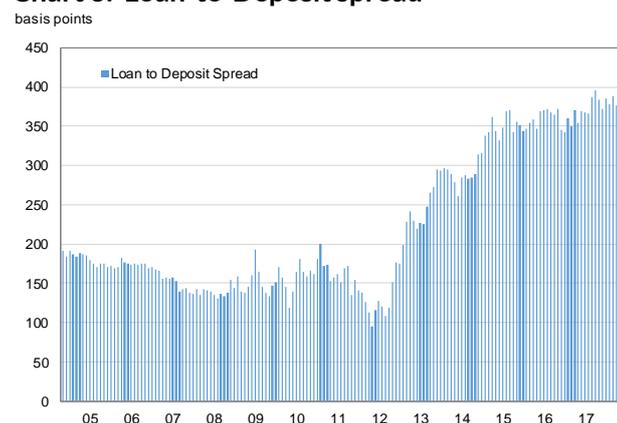
Source: Retail Interest Rates [Table B.2.2](#)

Chart 5: Interest rates on household & NFC term deposits



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

Chart 6: Loan-to-Deposit spread



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

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 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](#).