Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Statistical Release

Retail Interest Rates – March 2023

10 May 2023

Household Lending Interest Rates

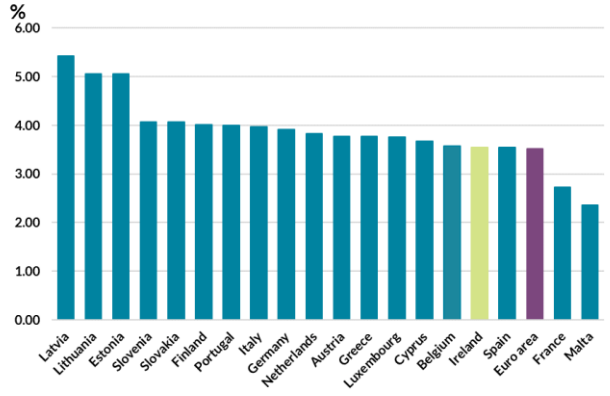
- The **weighted average interest rate on new Irish mortgage agreements**[1] at end March 2023 was 3.54 per cent (Chart 1), an increase of 62 basis points compared to the previous month and up 76 basis points in annual terms. In the same monthly period, the equivalent euro area average rose by 19 basis points to 3.52 per cent (Table 1). As at end-March, the rate in Ireland stood marginally above the euro area average, by 2 basis points (Chart 1).
- The **weighted average interest rate on new fixed rate mortgage agreements,** which constitute the majority (89%) of the total new mortgage agreements, was 3.44 per cent in March. This represents an increase of 61 basis point from February and 84 basis points higher on an annual basis.
- **The total volume of pure new mortgage agreements** amounted to €732 million in March, a 31 per cent decrease on the previous month, and an increase of 9 per cent in annual terms (Chart 2).
- **Renegotiated mortgages** totalled €427 million in March (95% within the fixed rate category), compared to €412 million recorded in February. The associated weighted average fixed interest rate was 3.21 per cent in March 2023.
- The interest rate on **new consumer loans** decreased by 51 basis points to 7.47 per cent in March when compared to the previous month. The total volume of new consumer loans was €269 million in March, representing an increase of 31 per cent in annual terms.

Table 1: Weighted average interest rates for house purchase (excluding renegotiations), March 2023

	Interest Rate (%)	M-o-M Change (bps)	Y-o-Y Change (bps)	Volume (€m)
New mortgage agreements	3.54	62	76	732
of which				
- fixed rate mortgage agreements	3.44	61	84	649
- variable rate mortgage agreements	4.38	6	74	83
New mortgage agreements - Euro area average	3.52	19	206	47,302

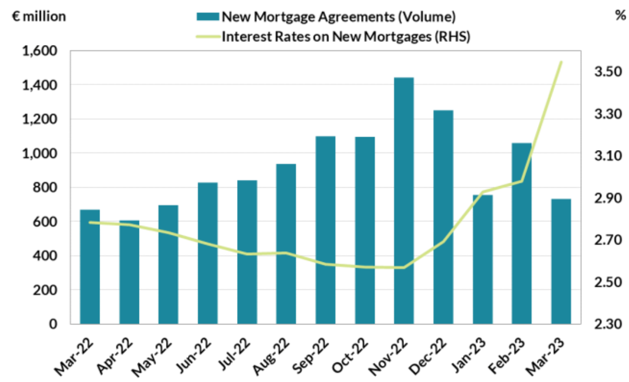
Sources: Retail Interest Rates Table B.2.1, and SDW

Chart 1: Weighted average interest rates on new lending for house purchase across the euro area, March 2023



Source: Retail Interest Rates Table B.2.1, and SDW

Chart 2: Volume and interest rate of new mortgage agreements (excluding renegotiations)



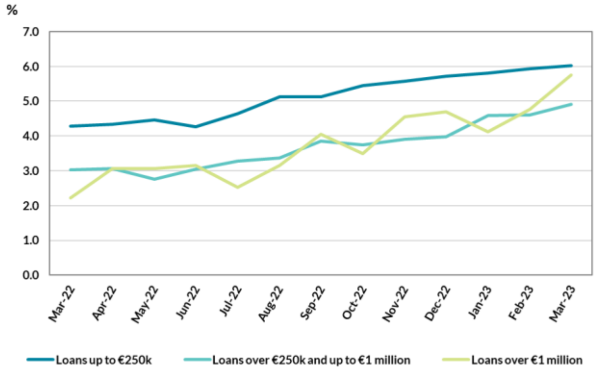
Sources: Retail Interest Rates Table B.2.1, and SDW

[1] Rates and volumes quoted on this page exclude renegotiations unless otherwise stated.

Non-Financial Corporations Lending Rates

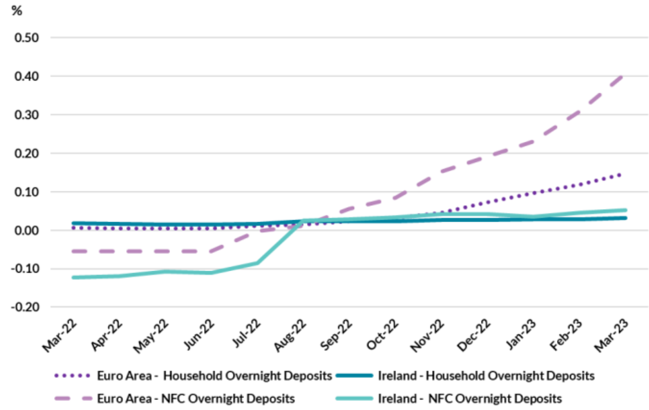
- **NFC overdrafts** stood at €6,790 million[2] at end-March, an increase of 46 per cent from March 2022. The associated weighted average interest rate was 4.57 per cent.
- **New NFC loan agreements** increased to €1,450 million in March, 13 per cent lower than March 2022. The weighted average interest rate was 5.72 per cent in March, up from the previous year (2.39 per cent). The equivalent rate in the euro area rose to 4.21 per cent in March.
- New **NFC loans of up to €250k** amounted to €138 million in March, with the associated weighted average interest rate at 6.02 per cent. There were €90 million worth of new **NFC loans of over €250k and up to €1 million** newly agreed in March, with a weighted average interest rate of 4.91 per cent.
- The volume of **new NFC loans of over €1 million**, which account for 84% of all new NFC loans, equalled €1,222 million in March, a decrease of 17 per cent compared to March 2022. The weighted average interest rate on this instrument category was 5.75 per cent in March (Chart 3). This reflects a year-on-year increase of 353 basis points.

Chart 3: Interest rates of new NFC loan agreements, by loan size



Sources: Retail Interest Rates [Table B.2.1]

Chart 4: Overnight Deposit interest rates; Ireland and Euro Area



Sources: Retail Interest Rates [Table B.1.1], and [SDW]

Household and Non-Financial Corporations Deposit Rates

- Interest rates on **household overnight deposits** stood at 0.03 per cent in March 2023 (Chart 4). Interest rates on **new household deposits with agreed maturity** rose to 1.14 per cent in March in Ireland. The equivalent rate in the euro area was 2.11 per cent.

- Interest rates on **NFC overnight deposits** stood at 0.05 per cent in March 2023. Interest rates on **new NFC deposits with agreed maturity** rose to 2.30 per cent in March. The corresponding rate in the euro area was 2.57 per cent.

[2] Overdrafts include revolving loans and extended credit card debt.

Box A: Interest Rates on Outstanding Mortgage Loans held in Non-Bank Entities

The monthly *Retail Interest Rate Statistics* are compiled using data collected from a sample of Irish resident credit institutions only, in accordance with the relevant ECB Regulation. The Central Bank recently conducted a second data collection exercise from non-bank entities[1] relating to their outstanding stock of Primary Dwelling Home (PDH) mortgage loans and the weighted average interest rates applied to these loans. The data were reported with reference to end-March 2023, and are shown in Table A.As is the case with all interest rates reported in the *Retail Interest Rate Statistics*, weighted averages can mask the underlying distribution of interest rates among the population of loans in each category. The Central Bank is conducting further work to explore the distributional characteristics in greater detail, and will provide an update in due course.

Table A: Total PDH Mortgage Lending by Non-Banks, as at end-March 2023

	Total Non-Banks			Banks[2]
	Outstanding Amount (€000's)	Number of Accounts	Non-Banks Interest rate (%)	Interest rate (%)
Variable	5,842,181	42,362	5.12	3.64
Tracker	6,390,765	36,994	4.25	4.37
Fixed	7,051,820	34,500	2.27	2.72
Total	**19,284,766**	**113,856**	**3.79**	**3.20**

- The cohort of non-bank entities can be further disaggregated into those that are initiating new mortgage loans and those that hold mortgage loans but are not actively lending. The weighted average interest rate on all outstanding mortgage loans for the "lending non-banks" was 2.66 per cent, and for the "non-lending non-banks" it was 4.47 per cent, at end-March 2023.
- The weighted average interest rate on variable rates for the "lending non-banks" was 3.73 per cent, and for the "non-lending non-banks" was 5.36 per cent, at end-March 2023.
- Among the non-bank entities, 37 per cent of all PDH mortgage loan accounts were on a variable rate at end-March 2023, 33 per cent on a tracker rate, and 30 per cent on a fixed rate. Fixed rate mortgages account for 80 per cent of mortgages among the "lending non-banks", while variable and tracker rates dominate among the "non-lending non-banks", with a share of 45 per cent each.
- "Non-Lending non-banks" account for €12 billion of outstanding PDH mortgage lending and 80,032 accounts, while "lending non-banks" account for €7.2 billion and 33,824 accounts.[3]

[1] The reporting population is the non-bank entities that report the quarterly Mortgage Arrears Statistics. Non-bank entities are comprised of Retail Credit Firms and Credit Servicing Firms.
[2] The outstanding value of bank-held mortgage loans, and the corresponding interest rates, are published in Table B.3.1 on the website.
[3] Statistical confidentiality rules prevent publication of further disaggregation of lending/non-lending non- banks by interest rate type.

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:

The retail interest rate statistics are compiled using a sampling method as outlined in the relevant ECB Regulation and Guideline. The sampling methodology is refined and enhanced over time to maintain alignment with relevant international standards and maintain a quality sampling approach. In such situations, revised methodology will be applied to historic data to ensure a consistent and coherent compilation of data across time and to allow for time series analysis. The period of revisions will be determined by the impact, feasibility and cost of undertaking the revision. Occasions when methodological revision have occurred are:

- 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 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.

- Changes applied to reduce the maximum grossing factor used in estimating total population data. The changes reduce the potential volatility caused by irregular high grossing factors. The impact of the change is largely confined to new business loans to NFCs, with some minor changes to new business consumer loans. The changes apply from reference period April 2021. Data for previous reporting periods have been recalculated back to January 2019.

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.

Note 4:

Statistical classification of sole proprietors

In line with their treatment in ESA 2010, the Central Bank has harmonised the treatment of sole proprietors as reported by reporting agents across various datasets. This has resulted in a movement of loans and deposits from the NFC to the Household sector. These amendments were made in February 2022 with respect to reference data from January 2021.

Specifically, these changes result in an increase in loan and deposit volume amounts reported vis-à-vis the household sector, and a decline in balances reported vis-à-vis the NFC sector. This applies to both outstanding and new lending volumes in Tables B.1.2 and Table B.2.1.

For lending rates, this change means that both the aggregate interest rates on NFC loan agreements and on non-mortgage household loans has slightly reduced. The reason for this is that, in general, loans to sole proprietors typically attract a higher average interest rate than NFC loans, and therefore excluding them from the NFC category results in a slight reduction in the aggregated NFC interest rate.

Additionally, the interest rate on loans to sole proprietors is typically lower than the average interest rate on non-mortgage household loans, and therefore including them results in a reduction in the aggregated interest rate on household loans ‘for other purposes’ in Table B.2.1, and on household ‘consumer loans and other loans’ in Table B.1.2.

Treatment of securitised loans

As a result of an update to the ECB Regulation on the balance sheet items of credit institutions and of the monetary financial institutions sector (recast) (ECB/2021/2), there have been changes to how certain securitised loans are required to be classified for the purposes of statistical reporting. The following treatment, allowed under the previous Regulation ECB/2013/33, is no longer permitted: ‘MFIs […] may be allowed by their NCB to exclude from the stocks […] any loans disposed of by means of a securitisation in accordance with national practice […]’.

The removal of this derogation from the updated Regulation ECB/2021/2 results in an increase in the reported volume of outstanding house purchase loans in Table B.1.2.