



## Irish banking lending growing durably again

*Today's Money and Banking statistics show Irish household deposits continue to grow robustly, up 4.1% in the year to October to €159bn. Lending to households was up 2.8% to €103bn, split between 2.6% growth in mortgage lending to €85bn and a 3.6% rise in other household lending to €18bn. Despite weak housing market liquidity, the quantum of first-time-buyers taking on fresh mortgage debt is now sufficiently large to offset repayments by existing homeowners. A key part of this process is that Irish house prices are now 14% above peak Celtic Tiger levels, the average mortgage drawdown now €308,000 vs €270,000 in 2008. Nonetheless, the growth in lending is still being exceeded by household incomes and deposits - so the process of deleveraging is continuing. In Q2 2024, the Irish household debt to disposable income ratio was 92%, its lowest level since at least the turn of the century.*

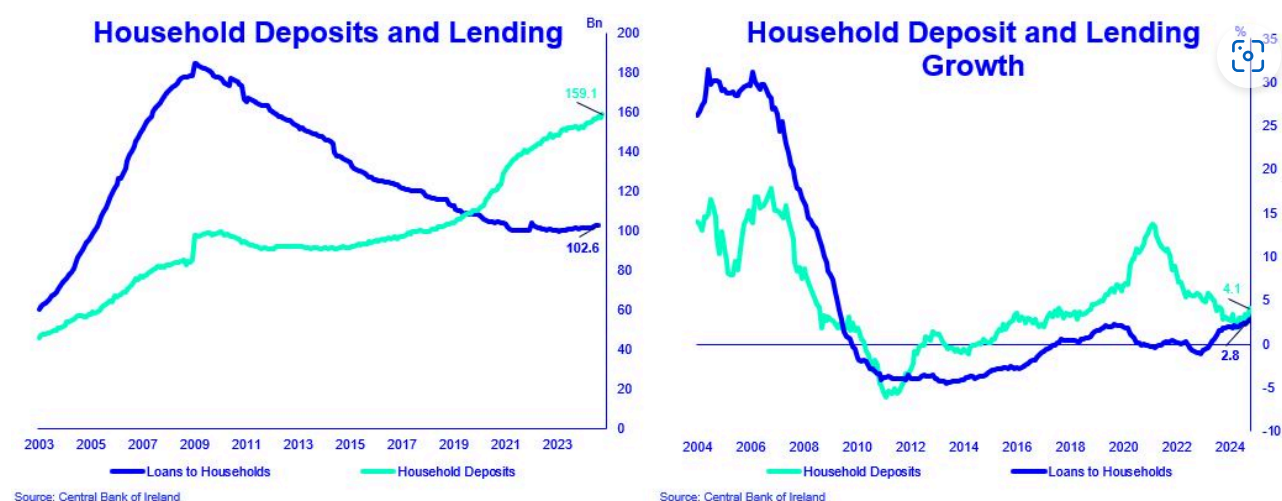
**Household deposits growing rapidly by 4%:** Today's Central Bank of Ireland data shows that household deposits in the Irish banking system grew by 4.1% in the year to October, to a fresh record high of €159bn (see charts below). There is no sign excess savings built-up during the Covid-19 pandemic have been drawn down. Rather, the household savings ratio was 15.1% in Q2 2024, down only slightly from 15.9% in Q2 2023. Hence, the growth of Irish household deposits remains faster than for the euro area household sector aggregate (3.3%).

**Flow of savings into fixed-term deposits slowing:** The stock of household overnight deposits in October was €138.5bn, down 1.6% on the year, but still representing 87% of the €159bn aggregate. In contrast, deposits with agreed maturity up to two-years were €12.7bn in October, more than double (up 163%) the €4.8bn recorded one year ago. However, the pace of accumulation into fixed-term deposits appears to be slowing as the ECB has cut interest rates. There were €583m of inflows into fixed-term deposits in the month of October, the smallest figure since August 2023.

**Lending to households growing durably by 2.8%:** The stock of Irish mortgage lending grew by 2.6% to €85.4bn in October - the fastest pace of expansion since 2009. This growth reflects that Irish house prices are now 14% above peak Celtic Tiger era levels, and comes despite weak housing market liquidity. The flow of fresh mortgage debt being taken on by first-time-buyers is now sufficiently strong to offset repayments by existing homeowners. Similarly, consumer credit and other personal lending was also up 3.6% on the year to €17.9bn. Total lending was up 2.8% to €103bn.

**Household and corporate sectors still deleveraging:** Bank lending to Irish households may be expanding in nominal terms, but is still being outpaced by the growth of deposits and incomes. Hence, the ratio of Irish household debt to disposable incomes was 92% in Q2 2024, its lowest level since the series began in 2002, albeit still slightly above the euro area aggregate figure of 83%. Similarly, bank lending to non-financial corporates (NFCs) was €29.9bn in October, up 3% on the year, but was less than half of the €85.4bn (up 6% on the year) of deposits held by NFCs in the banking system.

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