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The banks operating in Estonia paid interest of 0.06% a year on money held by households on accounts as demand deposits both in the second quarter of 2022 and at the end of the year. The average interest rate on a housing loan was 1.91% in the middle of the year however, and 3.48% at the end of the year. This means that the interest rate on demand deposits remained unchanged in the second half of the year, while the average interest rate on housing loans rose by 1.57 percentage points.

The gap between the interest rates charged by banks for loans and those paid on deposits widened substantially during the half year. The average rate for a housing loan exceeded the rate on demand deposits by 1.85 percentage points in the middle of last year, but by the end of the year this had widened to 3.42 points.

The gap between the average interest rate on term deposits and the rate for loans has also widened a long way. The average interest rate on term deposits rose by 0.49 percentage point in the second half of last year, but by the end of the year the gap between the average interest rate on housing loans and the rate for term deposits had increased from 1.16 percentage points to 2.24 points.

The picture was similar for businesses. The average interest rate on demand deposits rose by 0.12 percentage point in the second six months of the year and the interest rate on term deposits rose by 1.04 points. The rise in the average interest rate on corporate loans was much greater though at 1.67 percentage points.

Loan interest rates mostly rose because the six-month Euribor rose. At the end of June 2022 it was 0.26%, but at the end of the year it was 2.69%. The loan-to-deposit ratio of the banks operating in Estonia was 89% at the end of the year, meaning the banks had taken in more in deposits than they had given out in loans.