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# A comparison between bank rates in Spain and in the euro area

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## 1. INTRODUCTION

The European Central Bank (ECB) and the Eurosystem national central banks (NCBs) have recently begun to publish new interest rate statistics for all the countries of the euro area relating to the retail deposit and lending rates of monetary financial institutions (MFIs) (1). This information, suitably extended to include data on the outstanding amounts of these instruments as well as new business, enables the levels of these variables to be compared across Member States on a homogenous basis that was previously unavailable.

It should be pointed out that, currently, only a short run of data is available (the new series go back to the beginning of 2003), and that some residual heterogeneity persists, despite the drive for harmonisation. However, in future these data may be used to assess the degree of integration and competition in different segments of the Spanish and euro area banking markets.

This study makes a first approximation to some of these questions. More specifically, the prices, outstanding amounts and new business of Spanish and euro area MFIs for lending and deposit transactions in 2003 are compared. The interest rates analysed refer, unless expressly stated otherwise, to effective rates, which do not include charges. For those instruments for which it is possible, a comparison is also made of the charges applied in each case. These are approximated by the spread between the "annual percentage rates" (APRs), the calculation of which takes these expenses into consideration, and the effective rates (2).

Following this introduction the article is divided into four sections. In the first two sections the differences between the Spanish and euro area markets in relation to lending and deposit transactions are compared. Section four examines charges, while section five sets out the main conclusions.

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(1) For further details of the content of this new source of information, see Departamento de Estadística y Central de Balances (2003), an article only available in Spanish.

(2) The details of these definitions are to be found in Departamento de Estadística y Central de Balances (2003), an article only available in Spanish.

Table 1

## Lending rates (new business) (a)

%

	Euro area						
	Spain	Weighted mean (b)	Simple mean	Standard deviation	Coeff. of variation	25th per-centile	75th per-centile
<b>To households</b>							
Bank overdraft	12.98	9.84	9.80	2.68	0.27	7.77	11.11
Lending for house purchase							
<i>Initial rate fixation up to 1 year</i>	3.59	3.87	3.98	0.47	0.12	3.72	4.20
<i>Initial rate fixation over 1 and up to 5 year</i>	3.60	4.23	4.50	0.93	0.21	4.01	4.53
<i>Initial rate fixation over 5 and up to 10 year</i>	5.95	4.94	5.47	1.62	0.30	4.74	5.41
<i>Initial rate fixation over 10 years</i>	4.27	4.90	4.77	0.44	0.09	4.58	5.07
Consumer credit							
<i>Initial rate fixation up to 1 year</i>	8.12	7.42	7.46	2.30	0.31	5.56	9.45
<i>Initial rate fixation over 1 and up to 5 year</i>	7.46	6.91	7.48	1.78	0.24	6.24	8.39
<i>Initial rate fixation over 5 years</i>	7.35	8.18	7.48	1.79	0.24	6.11	8.69
Other lending							
<i>Initial rate fixation up to 1 year</i>	4.65	4.32	4.76	1.14	0.24	3.99	5.00
<i>Initial rate fixation over 1 and up to 5 year</i>	5.23	5.20	5.51	1.43	0.26	4.71	5.74
<i>Initial rate fixation over 5 years</i>	5.51	5.20	5.40	1.69	0.31	4.63	5.24
<b>To non-financial corporations</b>							
Bank overdraft	17.17	5.72	6.62	3.51	0.53	4.75	6.88
Other loans up to €1 million							
<i>Initial rate fixation up to 1 year</i>	4.21	4.34	4.38	0.76	0.17	3.84	4.74
<i>Initial rate fixation over 1 and up to 5 year</i>	4.42	4.86	5.00	0.77	0.15	4.41	5.41
<i>Initial rate fixation over 5 years</i>	4.33	4.90	5.02	0.93	0.19	4.58	5.10
Other loans over €1 million							
<i>Initial rate fixation up to 1 year</i>	3.09	3.29	3.45	0.42	0.12	3.12	3.60
<i>Initial rate fixation over 1 and up to 5 year</i>	3.19	3.52	3.74	0.40	0.11	3.44	4.10
<i>Initial rate fixation over 5 years</i>	3.86	4.35	4.12	0.44	0.11	3.98	4.33

Sources: ECB and Banco de España.  
(a) Average monthly data for 2003. Effective interest rates (not including charges).  
(b) Weighted by volume.

## 2. LOANS AND CREDITS

Table 1 summarises the information available on lending rates in 2003 in Spain and in the euro area, in accordance with the breakdown offered by the new statistics. In the case of the euro area, both the simple mean and the volume-weighted mean are shown. Unless otherwise indicated, the analysis is based on the latter type of mean, which is considered more representative. In addition, two measures of the dispersion across the euro area countries are presented (the standard deviation and the coefficient of variation), as well as the 25th and 75th percentiles of the related distributions. The information on volumes of new business is shown in Table 2, with the same breakdown as in Table 1.

### 2.1. Loans to households

The new interest rate statistics classify loans to households into four categories: bank overdrafts, lending for house purchase, consumer credit and other lending. In terms of outstanding amounts, the financing extended by MFIs to households represents around half of all the funds supplied to the non-financial private sector. By instrument, lending for house purchase has the highest relative importance, both in Spain and in the euro area, accounting for around 67% of loans to households (see Chart 1). However, there are certain differences between these two geographical areas as regards the other categories. Whereas, in Spain, bank overdrafts represent only 0.2% of the funds ob-

Table 2

## Volume and percentage structure of loans (new business) (a)

% and EUR millions

	Spain	Euro area
<b>To households</b>		
Bank overdraft (OUTSTANDING AMOUNT in millions of euro)	681.3	175,099.4
Lending for house purchase (in millions of euro)	8,599.1	46,304.3
<i>Initial rate fixation up to 1 year</i>	79.0	43.1
<i>Initial rate fixation over 1 and up to 5 year</i>	18.6	17.8
<i>Initial rate fixation over 5 and up to 10 year</i>	0.8	20.6
<i>Initial rate fixation over 10 years</i>	1.5	18.5
Consumer credit (in millions of euro)	2,926.8	22,809.1
<i>Initial rate fixation up to 1 year</i>	44.0	27.5
<i>Initial rate fixation over 1 and up to 5 year</i>	35.8	47.7
<i>Initial rate fixation over 5 years</i>	20.2	24.8
Other lending (in millions of euro)	3,843.6	26,748.7
<i>Initial rate fixation up to 1 year</i>	80.7	73.8
<i>Initial rate fixation over 1 and up to 5 year</i>	14.2	12.3
<i>Initial rate fixation over 5 years</i>	5.2	13.9
<b>To non-financial corporations</b>		
Bank overdraft (OUTSTANDING AMOUNT in millions of euro)	1,498.5	476,964.0
Other loans up to €1 million (in millions of euro)	26,625.2	69,428.3
<i>Initial rate fixation up to 1 year</i>	92.1	84.3
<i>Initial rate fixation over 1 and up to 5 year</i>	6.9	9.4
<i>Initial rate fixation over 5 years</i>	1.0	6.3
Other loans over €1 million (in millions of euro)	33,140.5	152,533.0
<i>Initial rate fixation up to 1 year</i>	74.5	83.4
<i>Initial rate fixation over 1 and up to 5 year</i>	17.7	9.3
<i>Initial rate fixation over 5 years</i>	7.8	7.4
Sources: ECB and Banco de España.		
(a) Average monthly data for 2003.		

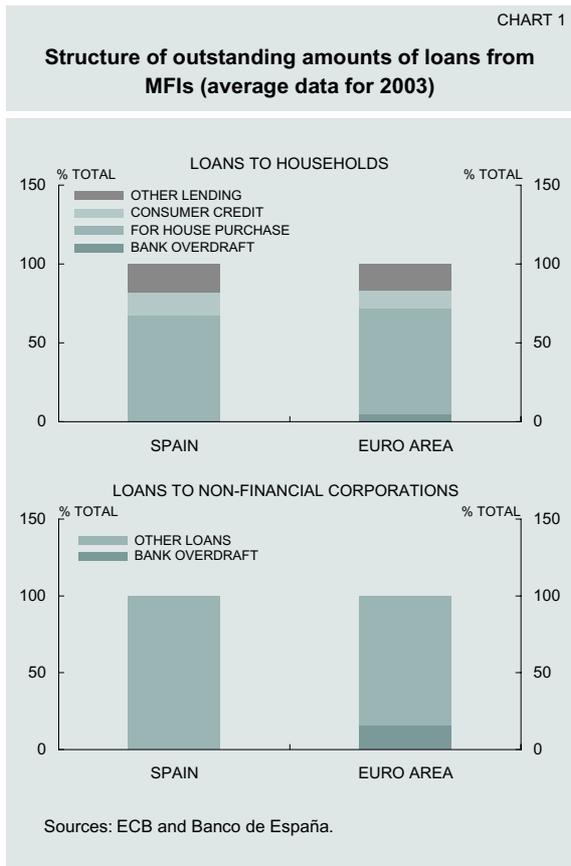
tained by households, in the euro area this proportion is 5%. Accordingly, the other two categories have a somewhat higher weight in Spain.

### 2.1.1. Bank overdrafts

The interest rates applied to overdrafts by Spanish MFIs are well above the average euro area levels (see Table 1). While the average rate on these transactions was 13% in Spain, during the period analysed, in the euro area it was 9.8%. This difference reflects the fact that in Spain, in contrast to the rest of the euro area, these transactions are not really conceived of as an alternative means of financing on normal terms, but as a marginal instrument (for example, in Spain, unlike in other countries, the limit on funds available through this kind of transaction is not normally fixed by contract).

### 2.1.2. Lending for house purchase

The statistics distinguish between loans for house purchase according to whether their period of initial rate fixation is: up to one year; over one and up to five years; over five and up to ten years; over 10 years. The distribution by initial rate fixation shows that in Spain new business in 2003 was concentrated in the segment "up to one year", which accounted for almost 80% of the total volume (see Table 2). This characteristic reflects the high weight of floating rate agreements in Spain and the widespread use of short-term reference rates in this kind of transaction [see Álvarez and Gómez de Miguel (2003)]. The next segment (initial rate fixation of over one and up to five years), principally relating to housing renovation, accounted for 19%, while the relative importance of the other two brackets (initial rate fixation of over 5 years), which include fixed



rate loans, was residual. In the euro area, by contrast, the distribution by initial rate fixation was more uniform although, as in the case of Spain, the first bracket accounted for the highest percentage (43%).

As for interest rates, in the brackets that are actually relevant in Spain (initial rate fixation of up to five years), financing costs for households were lower in Spain than on average in the euro area (see Table 1), with a spread of 28 basis points (bp) in the bracket in which most of the volume of new business is located (initial rate fixation of up to one year). This evidence would seem to point to a higher degree of competition in Spain than in the other euro area countries in this market segment, which has recently been characterised by a high degree of buoyancy. In 2003, lending for house purchase grew in Spain at rates of close to 20% year-on-year, while in the euro area it increased at a rate of 7%.

### 2.1.3. Consumer credit and other lending

There is also a greater preference in Spain, than in the euro area, for linking to short-term interest rates in the case of consumer credit, although the difference is somewhat less pronounced than in the case of lending for house

purchase (see Table 2). In Spain in 2003, 44% of new business in this segment was concentrated in the bracket "initial rate fixation of up to one year", while in the euro area this bracket only accounted for 28% of new business, the most popular bracket being "over one year and up to five years" (48% against 36% in Spain). Other lending is also concentrated in the shorter periods of initial rate fixation, both in the domestic market and in the euro area, the percentage of new business in the interval "up to one year" being 81% and 74%, respectively.

The average interest rates applied by Spanish institutions to consumer credit and other lending generally stood above the euro area weighted average (see Table 1), with spreads that reached a high of 70 bp in the case of the bracket "up to one year" for consumer credit.

However, it is more complicated to draw conclusions on the relative degree of banking competition in this case owing to the fact that the transactions grouped under this heading are probably highly diverse. For example, one factor that affects the cost of a loan is the existence of collateral, but there is no information available on the relative importance of the latter in the various countries. This diversity is, in any case, apparent in the high levels of the dispersion statistics for these forms of financing, which have one of the highest values among the various categories considered (actually double the level of dispersion of the interest rates on loans for house purchase in the most representative segments).

As might be expected, both in Spain and in the euro area, the cost of consumer credit was significantly higher than that of lending for house purchase, with a spread of more than 3 percentage points. This reflects the higher risk associated with these transactions.

## 2.2. Loans to non-financial corporations

Transactions for the financing of non-financial corporations are classified, in the new interest rate statistics, as either bank overdrafts or other loans, the latter being divided in turn, according to the amount of the transaction, into loans of up to €1 million and loans of over €1 million. There are significant differences between Spain and the euro area in the composition of bank finance to firms according to this classification. In the euro area, bank overdrafts represent around 16% of total MFI lending to non-financial corporations, while this proportion is only 0.4% in Spain (see Chart 1).

### 2.2.1. Overdrafts

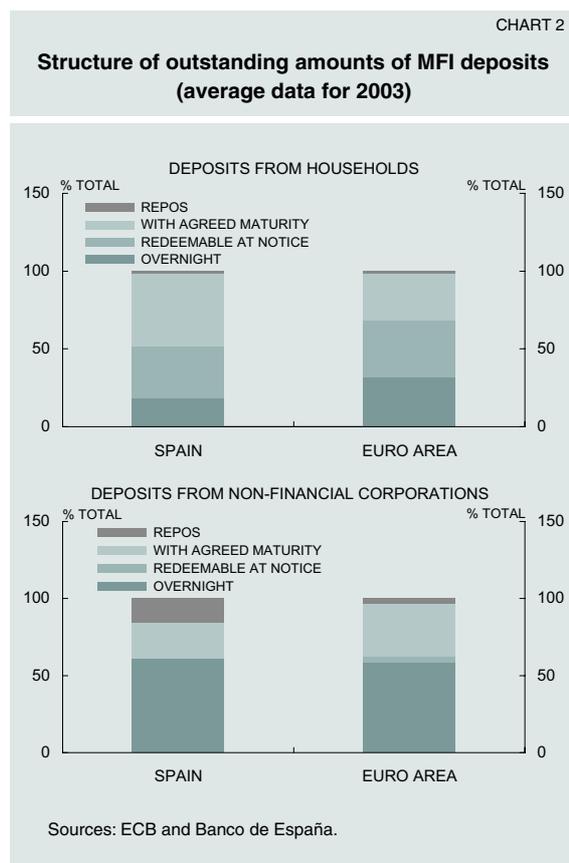
As in the case of households, the interest rates that Spanish institutions charge on overdrafts were much higher than the euro area average levels (see Table 1). Whereas in Spain they were 17.2%, on average in the euro area they were around 6%. Also, the uniqueness of the Spanish level is highlighted when the dispersion of this category of loans is compared for the sample including Spain (3.5 in terms of the standard deviation) and excluding Spain (1.2). As mentioned in the case of households, this form of financing is, in Spain, hardly comparable with the rest of Europe, as is clear from its completely marginal weight in the liabilities of the sector (see Chart 1).

### 2.2.2. Other loans

As regards other loans, the average interest rates applied by Spanish MFIs were, for all the categories considered, below the average euro area levels, with spreads ranging from 13 bp in the case of loans up to €1 million in the category of initial rate fixation of up to 1 year, to 57 bp on loans for amounts of up to €1 million euro with initial rate fixation of over 5 years (see Table 1).

Analysis of the volumes shows that in Spain low-value transactions at very short maturities (where the spreads over the euro area are smallest) were much more important than on average in the euro area countries (see Table 2). Thus, in the segment of loans of less than €1 million with interest rate fixation of up to one year, the volume of new business of Spanish institutions represented 42% of the euro area total. This behaviour may, at least in part, reflect what is probably a greater weight of trade-bill discounting by non-financial corporations in Spain, and the lower relative importance of overdrafts. This characteristic would also help to explain the lower levels of interest rates in the national statistics in relation to euro area data, given the smaller risk of this type of instrument which incorporates additional collateral.

Meanwhile, the comparison of interest rates according to the size of the loan shows that, both in Spain and in the euro area, the costs associated with higher value transactions (more than €1 million) are smaller than those for smaller amounts, with spreads in both cases of between 50 bp and 130 bp according to the maturity (see Table 1). This characteristic presumably reflects the higher credit quality of the firms that request larger volumes of financing which one would expect, in principle, to be the larger ones. Also, the negotiating power of the latter



would probably also be higher, due to their easier access to alternative sources of financing such as fixed-income and equity issuance and loans from non-resident institutions. Indeed, this may be one of the factors explaining why this category, among all the types of lending reported by the institutions, has the narrowest dispersion of interest rates across countries, with a standard deviation of only 0.4, which would seem to indicate that the cross-border competition is particularly intense in this area of business.

## 3. DEPOSITS

The analysis in this section is based on Tables 3 and 4. These have a similar design to Tables 1 and 2, discussed in the previous section, but relate instead to MFIs' liabilities-side transactions. The composition, by sector, of the outstanding amount of deposits has a similar structure in Spain to that in the euro area. Around 80% of deposits are held by households, in contrast to lending, where the sectoral breakdown is more balanced.

### 3.1. Deposits from households

As regards the liabilities-side transactions of MFIs with households, the categories of in-

Table 3

## Interest rates on deposits (new business) (a)

%

	Spain	Euro area					
		Weighted mean (b)	Simple mean	Standard deviation	Coeff. of variation	25th percentile	75th percentile
<b>From households</b>							
Overnight	0.75	0.77	0.66	0.34	0.51	0.42	0.93
Redeemable at notice							
up to 3 months	0.29	2.15	1.65	0.81	0.49	1.04	2.10
over 3 months	...	2.98	2.40	0.47	0.20	2.12	2.73
With agreed maturity							
Up to 1 year	2.08	2.10	2.11	0.23	0.11	2.04	2.16
Over 1 and up to 2 years	2.07	2.37	2.45	0.37	0.15	2.14	2.70
Over 2 years	2.17	2.65	2.52	0.92	0.37	2.21	3.04
<b>From non-financial corporations</b>							
Overnight	0.73	1.00	0.96	0.56	0.59	0.61	1.26
With agreed maturity							
Up to 1 year	2.17	2.24	2.23	0.11	0.05	2.17	2.29
Over 1 and up to 2 years	2.16	2.45	2.44	0.31	0.13	2.23	2.58
Over 2 years	2.63	3.37	2.62	0.78	0.30	2.29	3.09
<b>Households and non-financial corporations</b>							
Repos	2.27	2.25	2.29	0.20	0.09	2.16	2.34

Sources: ECB and Banco de España.  
(a) Average monthly data for 2003. Effective interest rates (not including charges).  
(b) Weighted by volume.

strument defined by the new interest rate statistics are overnight deposits, deposits redeemable at notice and deposits with agreed maturity. In the case of repos, data are available in Spain that break down new business by sector but, since these operations are very rare in the rest of the euro area, this information is not available for all the euro area countries. As a result, the comparison of repo interest rates and volumes can only be made for the non-financial private sector as a whole.

There are certain differences between Spain and the euro area as regards the structure of the composition by instrument of the liabilities of MFIs vis-à-vis households, in terms of outstanding amounts (see Chart 2). In Spain, the weight of overnight deposits (18%) is significantly lower than in the euro area as a whole (31%), while deposits with agreed maturity have a larger share in Spain (46%) than in the euro area (30%). The rela-

tive importance of deposits redeemable at notice (savings deposits, in the case of Spain), which are very similar to overnight deposits, but distinguished by the fact that cheques cannot be drawn on them, is rather similar in the two areas, representing around 35%. The lower weight in Spain of overnight deposits may be related to the greater relative importance of cash in circulation and the lesser acceptance of cheques as means of payment.

### 3.1.1. *Overnight deposits and deposits redeemable at notice*

Overnight deposits in Spain are remunerated at very similar rates to the euro area average (see Table 3). By contrast, in Spain the interest rates on deposits redeemable at notice were clearly below the euro area average. However, the comparison is more complicated in this case as a consequence of the

Table 4

**Volume and percentage structure of deposits (new business) (a)**

% and EUR millions

	Spain	Euro area
<b>From households</b>		
Overnight (OUTSTANDING AMOUNT in millions of euro)	73,674.5	1,222,545.5
Redeemable at notice (OUTSTANDING AMOUNT in millions of euro)	135,626.5	1,430,018.2
With agreed maturity (millions of euro)	20,560.3	118,367.8
<i>Up to 1 year</i>	89.1	91.8
<i>Over 1 and up to 2 years</i>	3.8	2.5
<i>Over 2 years</i>	7.1	5.8
<b>From non-financial corporations</b>		
Overnight (OUTSTANDING AMOUNT in millions of euro)	71,939.1	580,845.5
Redeemable at notice (OUTSTANDING AMOUNT in millions of euro)	...	36,472.7
With agreed maturity (millions of euro)	10,719.5	170,645.6
<i>Up to 1 year</i>	91.2	97.9
<i>Over 1 and up to 2 years</i>	2.0	0.4
<i>Over 2 years</i>	6.8	1.8
<b>Repos with households and non-financial corporations (millions of euro)</b>	<b>100,775.3</b>	<b>158,358.0</b>

Sources: ECB and Banco de España.  
(a) Average monthly data for 2003.

different weight of other elements, such as charges, the existence of remuneration in the form of draws or gifts and whether or not direct debit and standing order facilities are provided. In fact, Spanish savings deposits are, to some extent, a kind of hybrid between overnight deposits and deposits redeemable at notice.

The existence of a relatively large dispersion in the euro area of the interest rates on overnight deposits and deposits redeemable at notice should be mentioned, which probably reflects the existence of national specifics such as, for example, the legal restrictions on some countries relating to the terms of remuneration, or the different cash services associated with these accounts.

### 3.1.2. Deposits with agreed maturity

This category has three interest rate fixation brackets: "up to 1 year", "over 1 and up to 2 years" and "over 2 years". The most representative segment in terms of transactions is the first one, which accounted for 89% thereof in the case of Spain and 92% in that of the euro area (see Table 4). However, it should be noted that the greater relative im-

portance of this bracket partly reflects the higher turnover in these transactions.

As regards the remuneration of deposits with agreed maturity in the most representative bracket (up to one year), interest rates in Spain were close to average euro area levels (see Table 3). Moreover, the dispersion across countries in this category was low, which would seem to indicate the homogeneous nature of these products at the euro area level. The interest rates in the other categories were somewhat lower in Spain than the euro area average.

Finally, it should be noted that the volume of new business was high in Spain relative to the euro area, with new deposits with agreed maturity in Spain accounting for around 20% of those of the euro area.

### 3.2. Deposits from non-financial corporations

In terms of outstanding amounts, the relative importance of repos in the liabilities of MFIs vis-à-vis non-financial corporations is higher in Spain (16%) than in the euro area (3%) (see Chart 2), whereas the opposite is true in the case of deposits with agreed ma-

Table 5

**Lending rates and charges (new business) (a)**

%

	Euro area						
	Spain	Weighted mean (d)	Simple mean	Standard deviation	Coeff. of variation	25th percentile	75th percentile
<b>Loans to households (effective rate) (b)</b>							
<i>Lending for house purchase</i>	3.61	4.35	4.19	0.48	0.11	3.80	4.50
<i>Consumer credit</i>	7.73	7.36	7.81	1.70	0.22	6.56	9.40
<b>Loans to households (APR) (c)</b>							
<i>Lending for house purchase</i>	3.75	4.55	4.45	0.55	0.12	4.16	4.77
<i>Consumer credit</i>	8.42	8.02	8.42	1.88	0.22	7.15	10.04
<b>APR-effective rate spread</b>							
<i>Lending for house purchase</i>	0.13	0.21	0.26	0.23	0.90	0.07	0.41
<i>Consumer credit</i>	0.68	0.66	0.61	0.45	0.74	0.17	0.87

Sources: ECB and Banco de España.  
(a) Average monthly data for 2003.  
(b) Charges not included.  
(c) Annual percentage rate. Includes charges.  
(d) Weighted by volume.

turity. The weight of overnight deposits, meanwhile, is very similar in Spain and the euro area (around 60%). As regards interest rates and volumes of new business, the information available refers only to overnight deposits and deposits with agreed maturity. As mentioned above, there is no sectoral breakdown for repos.

### 3.2.1. Overnight deposits

Overnight deposits from corporations were remunerated at a lower rate in Spain than in the euro area (see Table 3). Also, as in the case of overnight deposits from households, the dispersion of interest rates across countries was high.

### 3.2.2. Deposits with agreed maturity

As regards deposits with agreed maturity, the marked preference for the short-term is notable both in Spain and in the euro area (see Table 4). In both cases the bracket "up to 1 year" accounts for more than 90% of the transactions, but it should be recalled that the higher turnover of this instrument distorts the results in its favour. In Spain, this type of transaction is remunerated at a very similar rate to the euro area average (see Table 3). Also, the dispersion of the interest rates across countries is very moderate.

### 3.3. Repos

The interest rates on repos between MFIs and households and non-financial corporations stood in Spain at around the euro area average level (see Table 3). However, it should be noted that only 6 countries report information on this item and that more than 60% of all the business in the area is channelled through Spain.

## 4. COMPARISON WITH CHARGES INCLUDED

In the foregoing sections the information used relates to effective interest rates, not including other charges. These rates are available with a greater level of detail than APRs, which do include these expenses. The information available on these latter rates (in relation to loans for house purchase and consumer credit) can be used to compare charges in Spain and in the euro area. These are approximated as the difference between the APR and the effective rates.

As seen in Table 5, in the case of lending for house purchase, charges in Spain were around 13 bp in annual terms, while in the euro area as a whole they were somewhat higher (up to 21 bp). However, it should be noted that the variability of these charges across countries is very high, there being countries in which they are practically zero and others in which they are almost one percentage point.

The charges on consumer credit are higher than those on lending for house purchase (reflecting at least in part, the shorter maturities of such transactions, since the charges are presented in annualised terms). The APR-effective rate spreads on consumer credit stood, on average in the euro area, at 66 bp, generally being, in all countries, higher than those applied to loans for house purchase. In the Spanish market, charges represent around 70 bp of the APRs, which is slightly higher than the euro area average.

Comparing the cost of loans in terms of APR, in Spain and the euro area, shows that charges tend to accentuate the differences seen in effective rates. Thus, in the case of lending for house purchase, in which the effective rates were below the euro area average, the difference in terms of APRs is even greater. In consumer credit, for which the effective rates in Spain were higher, the differentials were somewhat wider when APRs were considered. Therefore, the qualitative conclusions drawn from the comparison for loans for house purchase and consumer credit between the Spanish data and the euro area average in terms of effective rates are not altered if the total cost of transactions, including charges, is considered.

## 5. CONCLUSIONS

The new statistics on bank interest rates are a significant advance in terms of the financial information available, since the harmonised definitions used facilitate comparisons between euro area countries. It should be noted however, that the short length of the available series and the persistence of some heterogeneity in certain instruments, reflecting the idiosyncrasies of the countries, is still hampering the drawing of final conclusions on the degree of integration and competition in bank services markets. In any case, the article identifies some characteristic features of these issues that may be relevant, although they should be treated with due caution.

In some segments the degree of integration attained appears to be relatively high, e.g. in the case of loans to non-financial corporations, particularly where the transaction amount exceeds €1 million, and in that of shorter-term deposits from corporations. For all these instruments the interest rates are similar in all the countries of the area. On the other hand, there are other segments in which the degree of dispersion of the prices negotiated is high (bank overdrafts, overnight deposits and consumer credit and other lending to households), but the heterogeneity of the operations with these instruments makes it difficult to assess such differences in terms of the integration of these markets.

As regards the degree of competition, it is significant that in the segment of loans for house purchase, where the demand for funds has grown much more in Spain than in the euro area as a whole, costs of financing in Spain were below the euro area average in 2003, both in terms of effective rates and of APRs, which also take into account the effect of other charges.

As for the structure of business, a characteristic of the Spanish market that is seen in practically all the instruments is the predominance of short interest fixation periods. This has significant implications for the monetary transmission mechanism and for the sensitivity of the private sector's debt burden to changes in the cost of financing.

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