

# DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, BALANCES, JULY 2018

## The agricultural sector has mainly variable rate mortgage loans

The Danish agricultural sector has been challenged by a particularly warm and dry summer. At the same time it accounts for a large amount of the total outstanding bank and mortgage loans. By the end of July the sectors outstanding loans amounted to kr. 312 billion, corresponding to 19 per cent of the outstanding loans to non-financial corporations and self-employed individuals. For a number of small and medium-sized banks as well as mortgage banks, lending to the agricultural sector constitutes more than 40 per cent of their total corporate loans.<sup>1</sup>

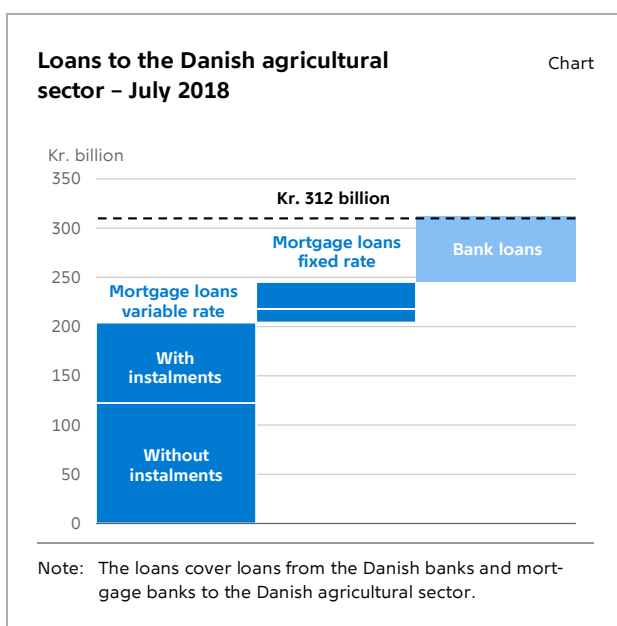
Loans from mortgage banks (mortgage loans) account for 79 per cent of total loans to the agricultural sector while bank loans account for the remaining 21 per cent. Variable rate with repayment and variable interest-only mortgages account for 26 and 39 per cent of total outstanding loans respectively while fixed rate with repayment and fixed rate interest-only mortgages account for 9 and 4 per cent respectively.

During the past years the agricultural sector has switched from variable interest-only mortgages and bank loans to fixed rate mortgages and variable rate mortgages with repayment. Lending to the agricultural sector has been stable the past few years.

The low interest rate environment coupled with the large amount of variable rate loans has contributed to low financing costs for the agricultural sector during the past years. This means, however, that potential interest rate increases will have a negative financial impact on the sector.

The agricultural sector and its industries have the highest share of variable interest loans compared to any other industry in Denmark. Some industries, however, use mainly bank loans for financing and are therefore as interest sensitive as the agricultural sector, or more.

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<sup>1</sup> Banks are classified as small and medium-sized according to The Danish Financial Supervisory's groupings. Medium-sized banks correspond to group 2 while small banks correspond to groups 3 and 4.