

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, FEBRUARY 2018

Falling interest rates on deposits with agreed maturity

In February, private customers' interest rate on deposits with agreed maturity was 0.33 per cent on average. The interest rate has fallen 1.3 percentage points since the beginning of 2014.

Deposits with agreed maturity are deposits that have a fixed maturity on establishment. For example, it might be a deal with a bank to place kr. 100,000 on a locked account for two years. This will typically yield a higher rate of interest compared to having the amount on a payroll account.

The amount of deposits with agreed maturity has

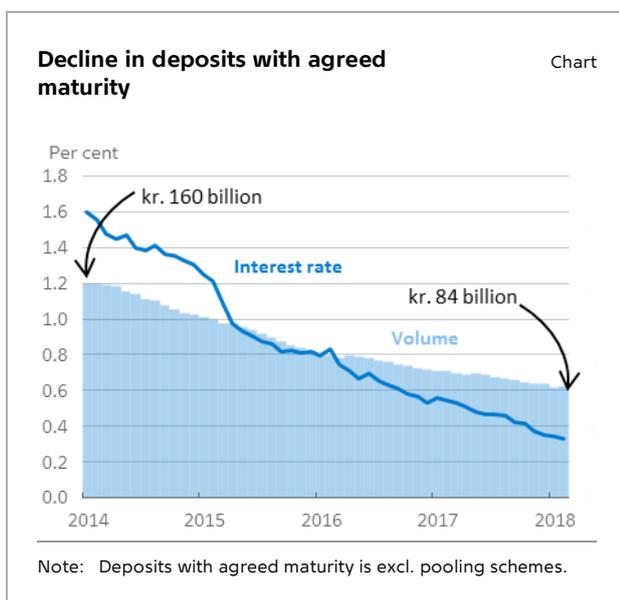
also decreased. In February it was kr. 84 billion. This is a decline of kr. 76 billion (48 per cent) since the beginning of 2014.

However, there are still private customers who create new deposits with agreed maturity – in 2017 an average of just over kr. 682 million per month. In 2014, the average was kr. 3.9 billion.

The decline in private customers' use of deposits with agreed maturity by should be viewed in the context of the small interest rate gain compared to more liquid deposits, which predominantly attract an interest rate of zero per cent. A deposit with agreed maturity of kr. 100,000 will on average yield a return of kr. 330 per year before tax.

The banks' need to attract funding through deposits with agreed maturity has diminished concurrently with new options available for financing and increasing deposits on e.g. payroll accounts.

Placement of deposits in pooling schemes or purchase of securities, such as investment funds shares, are some of the alternative options private customers have. However, the return and associated risk depend on the underlying investments, and therefore the return varies. The alternatives have seen increasing popularity in recent years.



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