

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, JULY 2018

Interest rate drops more for consumer credit than for housing loans

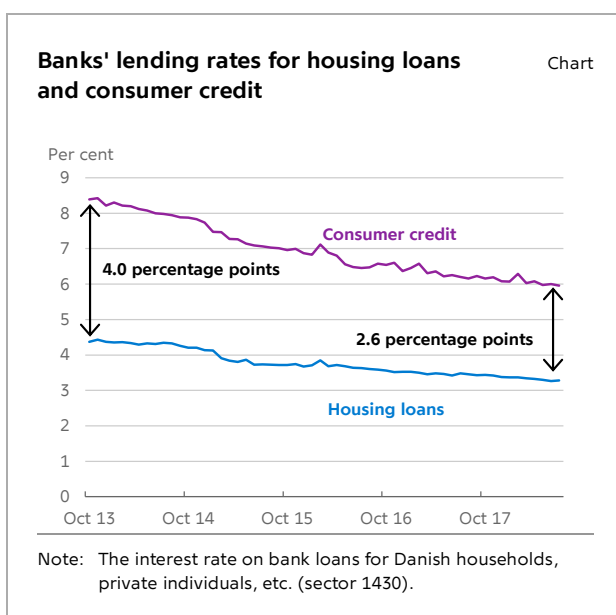
The banks' interest rate on consumer credit for Danish private customers has reached a historical low. In comparison with other types of bank loan the interest rate on consumer credit has decreased the most. The interest rate on consumer credit has on average decreased by 0.5 percentage points every year since October 2013 while the interest rate on housing loans has decreased by 0.23.¹

The interest rate on consumer credit is above the interest rate on housing loans. This is related to the higher risk on consumer credit which is usually unsecured. Even though banks' total outstanding

amount of housing loans is around 2.5 times the amount of consumer credit the loss on consumer credit is still higher than that on housing loans.

Danmarks Nationalbank's lending survey – which does not distinguish between housing loans and consumer credit – suggests that the decrease in interest rates is caused, among other things, by competition between banks. The banks' replies to the survey show that the loan prices have been eased while the overall credit standards have been tightened. A reason for the tightening is the banks' risk assessment of their customers.

Banks have increased their total outstanding consumer credit from kr. 114 billion to kr. 121 billion between October 2013 and July 2018. Consumer credit is also provided by non-bank lenders. But the scale of these loans is rather limited.



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¹ The interest rate on consumer credit is only available since October 2013.