

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, JULY 2019

Declining interest rate gains by locking in savings

Danish individuals' interest on deposits that are tied up for shorter or longer periods averaged 0.22 per cent in July. The interest rate on this type of deposit has fallen by 1.1 percentage points since the beginning of 2015. By comparison, the Danish monetary-policy interest rates have remained unchanged since the beginning of 2016.

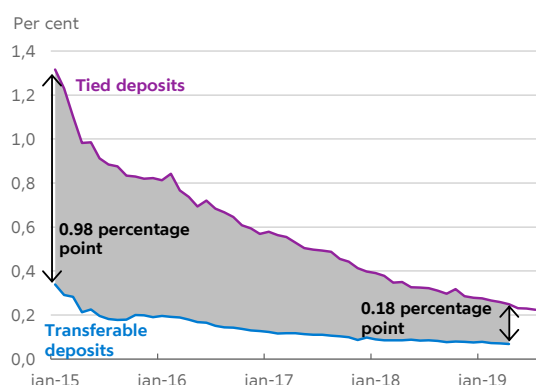
Tied deposits come in the form of either time deposits or deposits redeemable at notice. Time deposits are deposits that are tied up for a shorter or longer period, for example these can be child savings or savings accounts with a two year maturity. Deposits redeemable at notice are typically savings

accounts where the customer for example must notify it a month before they want the deposit paid.

What is particularly noteworthy about the decline is that the interest rate on tied deposits has fallen more than the interest rate on untied deposits, so-called transferable deposits, which are for example payroll accounts. As a result, the benefit of tying savings has fallen over recent years. The interest rate on transferable deposits has in recent years moved very close to zero, but without becoming negative.

Although the benefit of tying the savings has fallen, it still remains a way to achieve a positive interest rate on the savings. Thus, new time deposits created in July had an average interest rate of 0.41 per cent.

Danish private customers' profits from tying deposits have fallen over the past few years



Note.: Transferable deposits have been corrected for credit-related deposits through Danmarks Nationalbank's biannual statistics; newest figures are from April. Tied deposits are time deposits and deposits redeemable at notice.

Falling interest rates and declining popularity

While interest rates on tied deposits have fallen, the value placed on this type of deposit have almost halved for private individuals. The contribution has gone from kr. 167 billion in January 2015 to kr. 104 billion in July 2019. By comparison, private Danes have increased their total savings in the banks from kr. 641 billion to kr. 787 billion in the same period.

Until June, individuals did not pay negative interest on their deposits, while 55 per cent of deposits from businesses had a negative interest rate, and only a limited proportion had a positive interest rate.

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