

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, FEBRUARY 2019

Low Danish deposit and lending rates for corporations

In Denmark, interest rates on corporate loans and deposits are low compared to the rates in the euro area. The relatively low rates should be seen in the light of the fact that Danish monetary policy rates are slightly lower and have been low for a longer time. The monetary policy rates in Denmark are set by Danmarks Nationalbank and are one of the tools for securing the Danish fixed exchange rate policy vis-à-vis the euro. Also, the Danish deposit rates for corporations have continued to decline, while interest rates in other countries have stabilised to a greater extent.

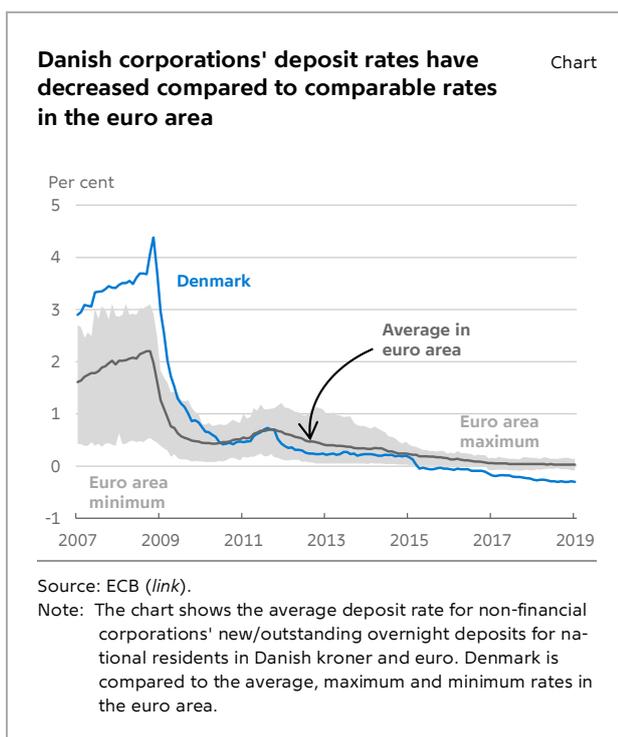
The interest rates for corporations' deposits in Danish banks are lower than similar deposit rates in banks in euro area countries for most types of deposits. As an example, the rate on an overnight deposit for a corporation was -0.30 per cent in a Danish bank in January 2019, while it averaged 0.03 per cent in the euro area. So, on average, interest costs are higher for a corporation placing kroner in Danish bank than for a corporation placing euro in a bank in a euro area country.

Despite the negative deposit rates, Danish corporations have increased their deposits. This may be attributable to increasing economic activity and lack of more attractive alternatives.¹

Furthermore, lending rates for Danish corporations are typically lower than in the euro area countries. Thus, the average interest cost is lower for a corporation borrowing kroner in a Danish bank than for a corporation borrowing euro in a bank in the euro area.

The difference in bank interest rates may also be due to other factors that have not been corrected for, e.g. national differences in market conditions, risks for banks and corporations as well as the composition of the deposit and lending products.

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¹ Cf. Danmarks Nationalbank, Business deposits grow despite negative interest, *Danmarks Nationalbank Statistics, (Banking and mortgage lending, interests, November 2018)*, December 2018 ([link](#)) and Erik Haller Pedersen and Jonas Ladegaard Hensch, Low interest rates boost bank deposits, *Danmarks Nationalbank Analysis*, no. 9, July 2018 ([link](#)).