

# DANMARKS NATIONALBANK

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## BANKING AND MORTGAGE LENDING, BALANCES, JANUARY 2020

# Reduced interest rate sensitivity for agriculture

The agricultural industry's bank and mortgage debt with a variable interest rate has been reduced by kr. 36 billion, corresponding to 13 per cent, the last five years. At the end of January 2020, it was down to kr. 250 billion. The decrease is due to, among other things, increasing instalments. Variable rate loans now amount to 83 per cent of the industry's total bank and mortgage debt of kr. 301 billion.

### Increased market share for fixed-rate loans

While the agricultural sector has reduced its variable interest bank and mortgage credit debt, it has increased the fixed-rate mortgage credit debt. This is in line with the low interest rates and differentiated administration fee rates, which have made fixed-rate mortgage credit loans more attractive. Over the past

five years, fixed-rate debt has thus increased by kr. 20 billion, corresponding to 62 per cent.

### The sector is sensitive to interest rate changes

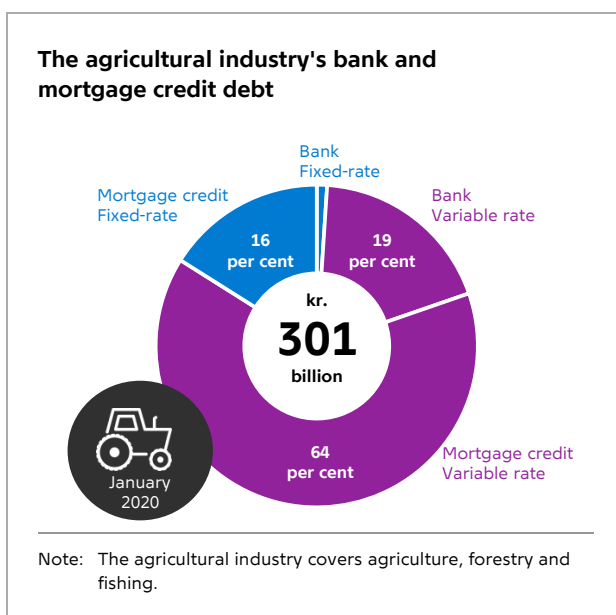
The agricultural sector will be noticeably affected by interest rate hikes due to the high proportion of variable rate loans. However, the fall in the proportion of these loans means that parts of the industry are less interest-rate sensitive than before.

### Reduced lending to sole proprietors and unincorporated partnerships

The Danish agricultural industry is typically organised as sole proprietors or unincorporated partnerships (SPUPs). This is also reflected in the distribution of bank and mortgage debt where SPUPs account for 85 per cent. The remaining 15 per cent of the debt belongs to non-financial corporations (NFCs).

Over the past five years, lending to SPUPs operating in the agricultural industry has fallen by kr. 25 billion, or 9 per cent. In comparison, lending to NFCs has increased by almost kr. 8 billion, corresponding to a 24 per cent increase. This development reflects, among other things, a general trend in the agricultural industry, where the number of SPUPs has decreased, while the number of NFCs has increased.

The agricultural industry accounts for 17 per cent of the total bank and mortgage lending to SPUPs and NFCs.



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