DANMARKS NATIONALBANK

BANKING AND MORTGAGE LENDING, BALANCES, MAY 2020

Bank loans to NFCs at its lowest for 6 years

Danish non-financial corporations (NFCs) reduced their loans from Danish banks by kr. 12.5 billion in May. This corresponds to a year-on-year credit growth of -1.6 per cent. As a result, total NFC lending is now down to kr. 432 billion. The year-on-year credit growth for NFCs has not been negative since the end of 2017. Although mortgage credit lending to NFCs has been increasing, it has not been enough to offset the decline in bank lending to NFCs.

Decrease across almost every industry
Lending has fallen across virtually every industry. In the few industries where there is no direct decline, there are very small increases.
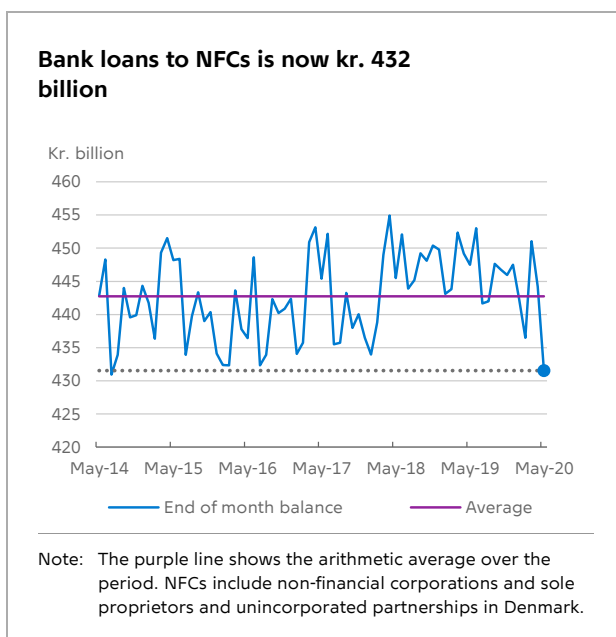
The decreased lending is thus broadly based across industries – including those that have been most severely affected by the corona lockdown, such as the hotel and restaurant, and the transport and freight handling industries.

Potentially opposite effects
The fall in lending covers to potentially opposite effects. On the one hand, the shutdown of the country may have led to a number of NFCs increasing their borrowing in the banks to use as a potential buffer. On the other hand, companies may hold back on new investments due to the combination of lower economic activity and financial uncertainty. However, there may be unutilized credit limits that the NFCs have not used, since the statistics only contains paid out loans.

Increasing borrowing through public funds
A number of companies have been granted loans through the public funds EKF Denmark's Export Credit Agency and Vækstfonden (the Danish state's investment fund). Danish companies had thus borrowed more than kr. 6.7 billion by the end of 22 June 2020 in Danish banks using the public COVID-19 schemes. EKF accounts for DKK 1.4 billion and the Growth Fund for DKK 5.3 billion. In total, 71 companies have been granted a guarantee through EKF, and 209 through Vækstfonden.

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Bank loans to NFCs is now kr. 432 billion

Note: The purple line shows the arithmetic average over the period. NFCs include non-financial corporations and sole proprietors and unincorporated partnerships in Denmark.