DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, BALANCES, JULY 2021

Fixed rate on increasing part of corporate debt

Danish companies have increased the share of their bank and mortgage debt with fixed interest rates over a number of years. It now accounts for 28.9 per cent. of their total bank and mortgage debt of DKK 1,727 billion, against 19.3 per cent in 2014. Fixed-rate loans amount to DKK 499 billion, of which 41 billion are bank loans.

The main part of Danish companies' bank and mortgage debt still carries variable interest rates. However, the increasing share of fixed-rate debt will, all other things being equal, contribute to companies being less sensitive to short-term interest rate fluctuations.

Development broadly based across industries
The development since 2014 is broad-based, as almost all industries have increased their fixed-rate bank and mortgage debt. However, it is primarily companies within the industries real estate, agriculture and construction that are driving the increase in fixed-rate debt. At the same time, these industries account for a large proportion of mortgages due to their ability to provide real estate as collateral for their loans.
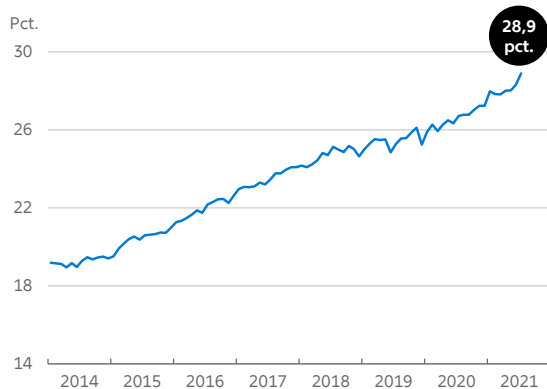
Conversely, the increase in the share of fixed-rate debt has been less marked for industries such as trade and transport, which do not necessarily have the same opportunities to provide collateral in real estate. Debt financing for these industries is, to a greater extent, bank loans, which are most often variable-rate loans.

Companies may have other sources of funding
Bank and mortgage debt constitute a significant part of corporate debt financing. However, larger companies in particular also have other options for financing, for example through intra-group financing or by issuing corporate bonds.

The corporate bond market accounts for about 10 per cent of the outstanding bank and mortgage debt for Danish companies in terms of size. Corporate bonds are most often fixed-rate bonds.

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Fixed-rate bank and mortgage debt has increased by 9.7 percentage points since 2014.

Note: Fixed-rate bank and mortgage debt for companies (non-financial businesses and personally owned businesses). Find figure data here (*link*).