

DANMARKS NATIONALBANK

28 JANUARY 2021

BANKING AND MORTGAGE LENDING, INTERESTS, DECEMBER 2020

Deposit rate averaging -0.07 per cent

In October 2020, the average rate on Danes' ordinary deposits, which can be immediately withdrawn or used for payments, was -0.07 per cent. This means that Danes pay an average of kr. 7 annually to banks for each kr. 10,000 of deposits.

Deposit rate entered negative territory in May 2020

This information is from Danmarks Nationalbank's survey of the average Danish deposit rate, excl. lending-related deposits.¹ The latest survey covers the period March-October 2020² and shows that the average rate on ordinary Danish household deposits first became negative in May 2020, when the rate fell by 0.04 percentage points.

Correlation of prevalence of negative rates

In May, several large banks lowered the threshold for when negative rates kick in for household deposits, including some of the largest Danish banks (Jyske Bank, Sydbank and Spar Nord Bank).

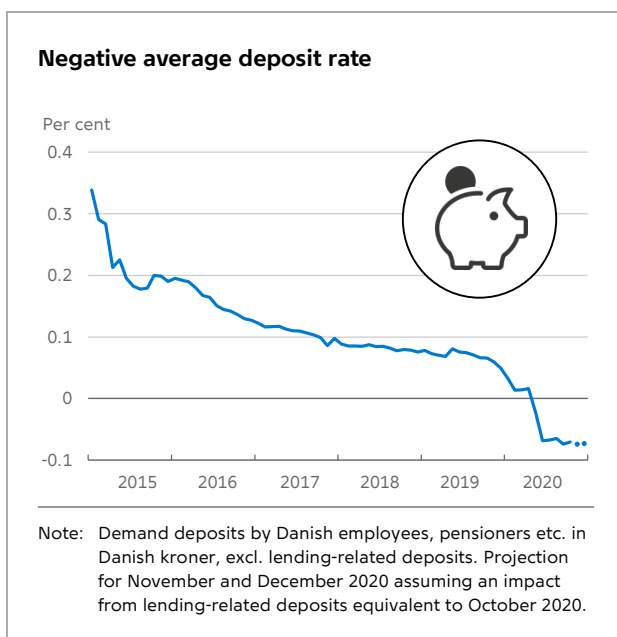
Expected to move further into negative territory

This January, several banks lowered their thresholds, and therefore the average rate is likely to have become more negative than -0.07 per cent. The portion of Danish deposits earning negative interest typically carries a rate of -0.60 per cent. As more banks have lowered the threshold for when negative rates kick in for household deposits, the volume of deposits earning negative interest increases, and the average rate will become more negative.

High-rate lending-related deposits of kr. 75 billion

In October, lending-related deposits accounted for 7.3 per cent of total Danish deposits, or about kr. 75 billion. The rate on lending-related deposits typically reflects the somewhat higher rate of the associated loan. In October, the average rate on Danish lending-related deposits was 2.11 per cent.

In December 2020, the average rate on total Danish deposits, including lending-rated deposits but excluding deposits invested via pooling schemes, was 0.10 per cent.



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¹ Demand deposits that are offset by the undrawn portion of the limit of, e.g., a mortgage-like bank loan, typically earning interest as loans.
² The respondent banks cover 92 per cent of total Danish household demand deposits. Data was compiled in December 2020 following the banks' monthly reporting to Danmarks Nationalbank's statistics for banking and mortgage lending.