

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, MARCH 2021

Continued low rates on corporate bank debt

Over an extended period, interest rates on corporate bank debt have been declining. In March 2021, the average interest rate was 2.37 per cent, while it was above 4 per cent just seven years ago. However, the average interest rate on corporate debt increased marginally in March 2021.

Interest payments halved over the past seven years

The falling interest rates have had a natural effect on companies' current interest payments. In March 2021, companies thus paid kr. 809 million in interest on their banking debt. Interest payments have been almost halved from March 2014 when the monthly interest payment amounted to kr. 1,477 million. During the same period, the companies' banking debt has been reduced by roughly 6 per cent.

New loans reduce the average interest rate

The declining interest rate on corporate bank debt is partly due to the fact that new bank loans, which have a relatively lower interest rate than the older loans, will, in time, account for a larger share of total lending. For example, the interest rate on companies' new and renegotiated bank loans (excluding overdrafts) averaged 1.79 per cent in March 2021. In addition, the banks' ongoing adjustment of interest rates on existing loans, without there being a definite renegotiation of the customer's loan agreement, also affects the average interest rate.

Difference in interest rates on small and large loans

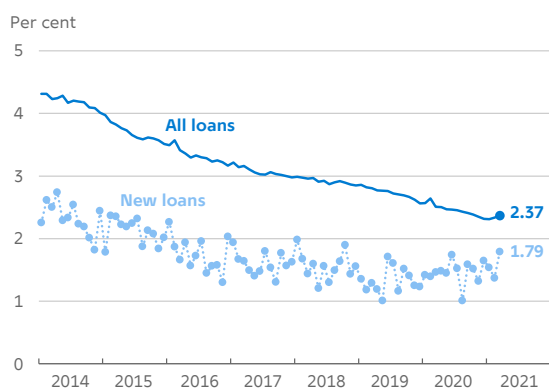
The average interest rate on companies' new loans covers relatively large differences in interest rates. The interest rate on new loans greater than kr. 7.5 million, for example, averaged 1.60 per cent in March 2021, while the interest rate on loans below kr. 7.5 million was 2.35 per cent.

By virtue of their size, loans larger than kr. 7.5 million make up the majority of the new bank debt. Therefore, the interest rate on large loans, in particular, has a greater effect on the overall interest rate development for new loans.

Majority of loans in kroner

The majority of companies' bank debt is in kroner (85 per cent). The average interest rate on companies' bank debt therefore closely tracks the interest rate on debt in kroner. Corporate bank debt in foreign currency consists mainly of euro and dollars.

Corporate lending rate almost halved in seven years



Note: The term 'companies' here covers Danish non-financial corporations and personally owned companies.

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