

DANMARKS NATIONALBANK

1 JULY 2019

BANKING AND MORTGAGE LENDING, INTERESTS, MAY 2019

Halt in business deposits with negative interest rates

After several years where businesses have paid negative interest rates on an increasing share of their deposits, the level now appears to have peaked. In October 2018 56 per cent of deposits from businesses had a negative interest rate, that share decreased to 53 per cent in April 2019.

The banks' interest rate policy in relation to using negative interest rates on business deposits has generally remained unchanged over the past year. The negative rates have been introduced for business deposits in most large and medium-sized banks and mostly affects large customers with large deposits, however the limits vary slightly between banks.

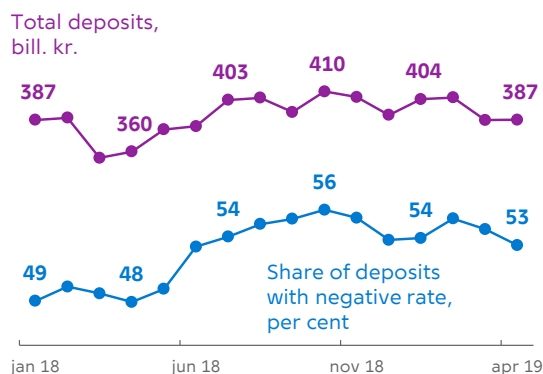
Often, the rates is agreed in a negotiation between the depositor and the bank.

Hence, the decrease in the share of business deposits with negative interest rates over the past few months is not caused by a change in the banks' interest rates. Rather, businesses have reduced their deposits with the banks from kr. 410 billion in October 2018 to kr. 387 billion in April 2019, and it appears that the companies have reduced their deposits mostly on there negative rate accounts. This development seems to be caused mostly by large business.

In some cases, businesses choose to hold deposits even if they pay negative rates. The reason is that businesses hold deposits to be able to carry out transactions. And as the economy grows, and the need for transactions thus increases, the need for deposits will also increase. As the spread between deposit and bond rates narrows, the costs of e.g. holding deposits relative to bonds or servicing existing debt decrease. Hence, it is more attractive to hold liquid deposits than the less liquid alternatives.¹

This information stems from Danmarks Nationalbank's semi-annual survey of negative lending rates. In April 2019 the survey covered 18 of the largest banks, corresponding to around 97 pct. of the total deposits from Danish companies.²

The share of corporate loans with negative interest rates has fallen slightly from the peak



Anm.: Data for total deposits from Danish sole proprietors, unincorporated partnerships and non-financial corporations in large and medium-sized banks.

[CLICK HERE FOR FURTHER INFORMATION](#)

¹ Pedersen, Erik Haller and Jonas Ladegaard Hensch, Low interest rates boost bank deposits, Danmarks Nationalbank Analysis, no. 9, July 2018 ([link](#)).

² See all published figures from the survey here ([link](#)).