

DANMARKS NATIONALBANK

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BANKING AND MORTGAGE LENDING, INTERESTS, JULY 2020

Large fluctuations in rates on corporates for- eign currency deposits

During the last few years, banks' interest rates on corporate deposits in foreign currency have exhibited large fluctuations compared with interest rates on deposits in Danish kroner. Interest rates on foreign currency deposits have been significantly reduced since September 2019 and have been relatively stable since May 2020.

Deposits in Danish kroner make up the largest share

However, the vast majority of corporate deposits (84 per cent) are in Danish kroner. Here, interest rate developments have been less dramatic, although interest rates have been reduced over a longer period.

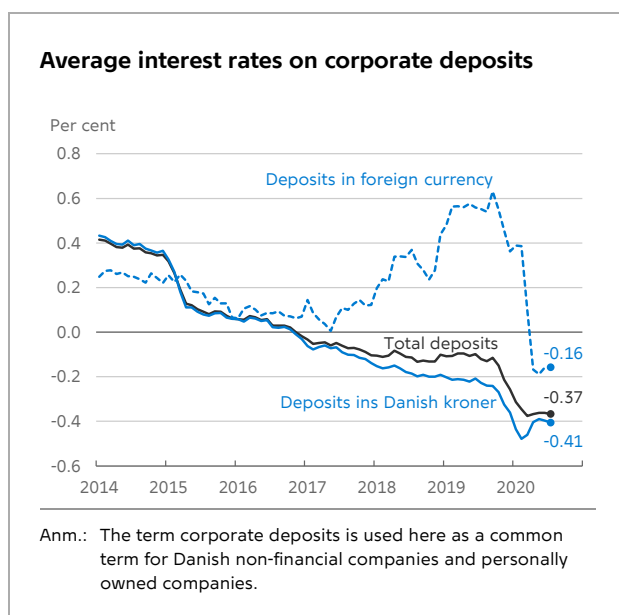
The companies' average interest rates on their total deposits therefore largely reflect the banks' interest rates for the companies' deposits in Danish kroner. The average interest rate on corporate deposits is -0.37 per cent p.a. in July. The current interest rate means that the Danish corporations paid kr. 148 million in July for having their deposits in the banks. In comparison, the interest expense on corporate deposits in September 2019 was kr. 39 million.

Deposit rates reflect monetary policy rates

Deposit rates are set by the banks and reflect, among other things, the monetary policy interest rates set by the central banks in the respective currency areas. The development in the interest rate on deposits in foreign currency is largely driven by the development in the interest rate on deposits in dollars, which at the end of July accounted for 45 per cent of corporate foreign currency deposits. The development in the dollar interest rate is in line with the US Federal Reserve raising the interest rate from the end of 2016 to the beginning of 2019, after which the interest rate was reduced, particularly markedly during the corona crisis in March 2020.

Updated data on prevalence of negative rates

In the autumn of 2020, Danmarks Nationalbank will once again conduct its survey of the prevalence of negative interest rates. Recent study showed that 70 per cent of corporate deposits had negative interest rates in February 2020.


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