

## LONG-TERM INTEREST RATES

Long-term interest rates are one of the determinants of business investment. Low interest rates encourage investment in new equipment and high interest rates discourage it. Investment is, in turn, a major source of economic growth.

### Definition

Long-term interest rates refer to government bonds with a residual maturity of about ten years. They are not the interest rates at which the loans were issued, but the interest rates implied by the prices at which these government bonds are traded on financial markets. For example if a bond was initially bought at a price of 100 with an interest rate of 9%, but it is now trading at a price 90, the interest rate shown here will be 10% ( $[9/90] \times 100$ ).

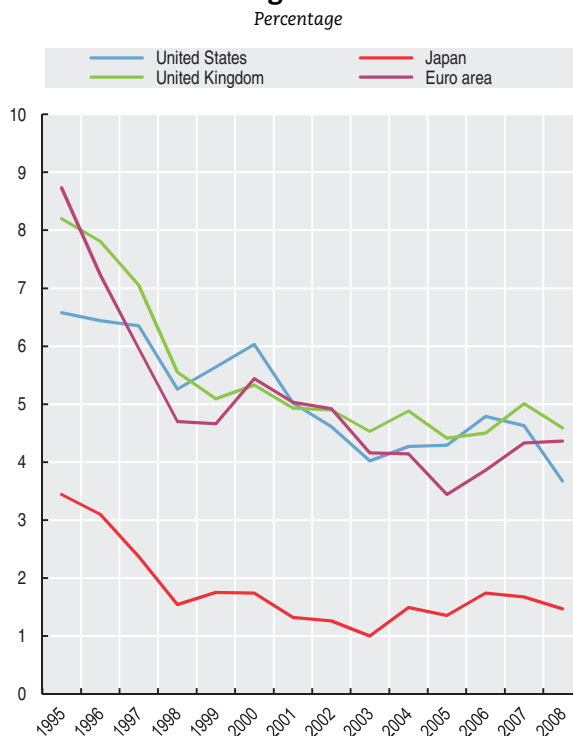
The long-term interest rates shown are, where possible, averages of daily rates. In all cases, they refer to bonds whose capital repayment is guaranteed by governments.

Long-term interest rates are mainly determined by three factors: the price that lenders charge for postponing consumption, the risk that the borrower may not repay the capital, and the fall in the real value of the capital that the lender expects to occur because of inflation during the lifetime of the loan. The interest rates shown here refer to government borrowing and the risk factor is very low. To an important extent the interest rates in this table are driven by the expected rates of inflation.

### Comparability

Comparability of these data is considered to be high. There may be differences, however, in the size of these government bonds outstanding, and in the extent to which these rates are representatives of financial conditions in various countries.

### Evolution of long-term interest rates



StatLink <http://dx.doi.org/10.1787/818846053831>

### Overview

Since 1995 and until the mid-2000s, long-term interest rates have been falling steadily in most OECD countries. For many countries, these long-term interest rates reached an historical low level in 2005. The rebound in long-term interest rates proved short-lived in the United States, the United Kingdom and Japan but more durable in the Euro area.

One of the most striking features of recent trends is the reduction in the variance of interest rates among OECD countries. The convergence of long-term interest rates mainly reflected the increasing integration of financial markets – one aspect of globalisation – and was particularly pronounced among members of the Euro area. Japan and Switzerland are exceptions to this pattern, as their long-term interest rates have remained low throughout the period, rather than converging towards the levels prevailing in most other OECD countries.

### Sources

- OECD (2010), *Main Economic Indicators*, OECD, Paris.

### Further information

#### Analytical publications

- OECD (2008), *Financial Market Trends*, series, OECD, Paris.
- OECD (2008), *OECD Economic Outlook, June No. 83 – Vol. 2008/1*, OECD, Paris.

#### Methodological publications

- OECD (1998), *Main Economic Indicators – Sources and Methods: Interest Rates and Share Price Indices*, OECD, Paris.



Long-term interest rates

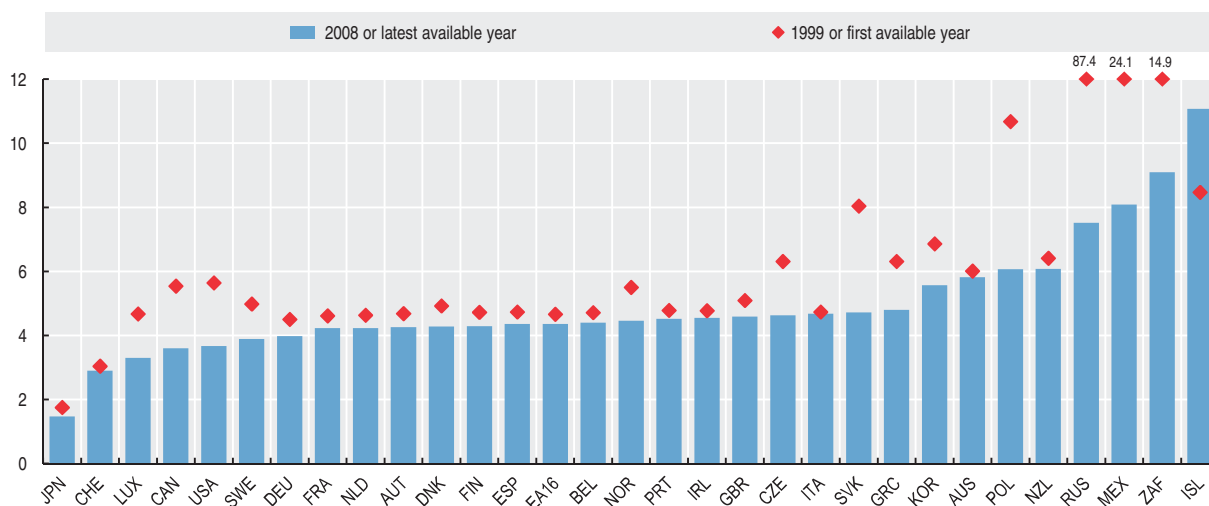
Percentage

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	9.21	8.21	6.95	5.49	6.01	6.31	5.62	5.84	5.37	5.59	5.34	5.59	6.00	5.82
Austria	7.13	6.32	5.68	4.71	4.68	5.56	5.08	4.97	4.15	4.15	3.39	3.80	4.30	4.26
Belgium	7.38	6.30	5.59	4.70	4.71	5.57	5.06	4.89	4.15	4.06	3.37	3.81	4.33	4.40
Canada	8.16	7.24	6.14	5.28	5.54	5.93	5.48	5.30	4.80	4.58	4.07	4.21	4.27	3.60
Czech Republic	..	..	..	..	..	..	6.31	4.88	4.12	4.82	3.54	3.80	4.30	4.63
Denmark	8.27	7.19	6.26	5.04	4.92	5.66	5.09	5.06	4.31	4.30	3.40	3.81	4.29	4.28
Finland	8.79	7.08	5.96	4.79	4.72	5.48	5.04	4.98	4.14	4.11	3.35	3.78	4.29	4.29
France	7.54	6.31	5.58	4.64	4.61	5.39	4.94	4.86	4.13	4.10	3.41	3.80	4.30	4.23
Germany	6.86	6.23	5.66	4.58	4.50	5.27	4.80	4.78	4.07	4.04	3.35	3.76	4.22	3.98
Greece	..	..	..	8.48	6.31	6.11	5.30	5.12	4.27	4.26	3.59	4.07	4.50	4.80
Iceland	9.65	9.24	8.71	7.66	8.47	11.20	10.36	7.96	6.65	7.49	7.73	9.33	9.85	11.07
Ireland	8.23	7.25	6.26	4.75	4.77	5.48	5.02	4.99	4.13	4.06	3.32	3.79	4.33	4.55
Italy	12.21	9.40	6.86	4.88	4.73	5.58	5.19	5.03	4.30	4.26	3.56	4.05	4.49	4.68
Japan	3.44	3.10	2.37	1.54	1.75	1.74	1.32	1.26	1.00	1.49	1.35	1.74	1.67	1.47
Korea	..	..	..	..	..	..	6.86	6.59	5.05	4.73	4.95	5.15	5.35	5.57
Luxembourg	7.23	6.30	5.60	4.73	4.67	5.52	4.86	4.68	3.32	2.84	2.41	3.30	..	..
Mexico	-	34.38	22.45	-	24.13	16.94	13.79	8.54	7.37	7.74	9.28	7.51	7.60	8.09
Netherlands	6.90	6.15	5.58	4.63	4.63	5.41	4.96	4.89	4.12	4.10	3.37	3.78	4.29	4.23
New Zealand	7.78	7.89	7.19	6.29	6.41	6.85	6.39	6.53	5.87	6.07	5.88	5.78	6.26	6.08
Norway	7.43	6.77	5.89	5.40	5.50	6.22	6.24	6.38	5.05	4.37	3.75	4.08	4.77	4.46
Poland	..	..	..	..	..	..	10.68	7.36	5.78	6.90	5.22	5.23	5.48	6.07
Portugal	11.47	8.56	6.36	4.88	4.78	5.60	5.16	5.01	4.18	4.14	3.44	3.91	4.42	4.52
Slovak Republic	..	..	..	..	..	..	8.04	6.94	4.99	5.03	3.52	4.41	4.49	4.72
Spain	11.27	8.74	6.40	4.83	4.73	5.53	5.12	4.96	4.13	4.10	3.39	3.78	4.31	4.36
Sweden	10.24	8.03	6.61	4.99	4.98	5.37	5.11	5.30	4.64	4.43	3.38	3.70	4.17	3.89
Switzerland	4.52	4.00	3.36	3.04	3.04	3.93	3.38	3.20	2.66	2.74	2.10	2.52	2.93	2.90
United Kingdom	8.20	7.81	7.05	5.55	5.09	5.33	4.93	4.90	4.53	4.88	4.41	4.50	5.01	4.59
United States	6.58	6.44	6.35	5.26	5.64	6.03	5.02	4.61	4.02	4.27	4.29	4.79	4.63	3.67
Euro area	8.73	7.23	5.96	4.70	4.66	5.44	5.03	4.92	4.16	4.14	3.44	3.86	4.33	4.36
Russian Federation	..	..	..	..	87.38	35.16	19.38	15.82	9.12	8.29	8.11	6.98	6.72	7.52
South Africa	16.11	15.48	14.70	15.12	14.90	13.79	11.41	11.50	9.62	9.53	8.07	7.94	7.99	9.10

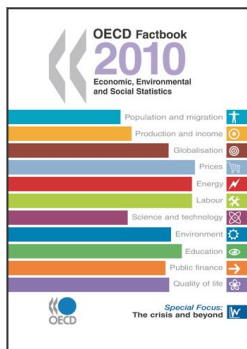
StatLink <http://dx.doi.org/10.1787/824804175268>

Long-term interest rates

Percentage



StatLink <http://dx.doi.org/10.1787/818744665752>



**From:**  
**OECD Factbook 2010**  
Economic, Environmental and Social Statistics

**Access the complete publication at:**  
<https://doi.org/10.1787/factbook-2010-en>

**Please cite this chapter as:**

OECD (2010), "Long-Term Interest Rates", in *OECD Factbook 2010: Economic, Environmental and Social Statistics*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/factbook-2010-33-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.