

Macro Roundup Article

Headline: [Global Views: A Headwind, Not a Hurricane](#)

Article Link: <https://www.gspublishing.com/content/research/en/reports/2023/03/27/ac70941b-15c0-42f0-92c9-c4c41124ef89.html>

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Tweet: Jan Hatzius @GoldmanSachs thinks the credit contraction increases the odds of a recession inside of the next 12 months to 35%, well below the consensus of 60%.

Summary: We have estimated the impact of tighter credit in three ways. The first is an accounting exercise that makes judgmental assumptions about new credit extension by banks with less than \$250bn in assets and suggests a 0.25pp hit to growth. The second is an extension of our financial conditions impulse model that adds a role for bank lending standards and delivers a 0.5pp hit to growth. The third is a review of the academic literature on the effects of declines in both bank stock prices and accounting measures of equity capital on loan growth and GDP, which implies a 0.3-0.5pp hit to growth. On the back of these estimates, we have reduced our Q4/Q4 growth forecast by 0.4pp (from 1.5% to 1.1%).

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Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Other Source, Theory

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