

Macro Roundup Article

Headline: [A Status Check on Bank Lending and Bank Balance Sheets](#)

Article Link: <https://www.gspublishing.com/content/research/en/reports/2023/09/26/f4891698-afac-420b-94ae-40e5899f94f9.html>

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Summary: Nominal bank lending growth has slowed from 10% to 2% since the start of this year on a 3-month annualized basis, for two main reasons. First, deposit outflows and higher deposit rates have led banks to reduce lending to a degree roughly in line with the usual historical relationships. Second, recession fears have likely led banks to reduce lending, and we find that banks that built up more provisions for loan losses over the last year have slowed lending by more. We expect the drag on growth from tighter bank lending standards to fade because we expect bank lending standards to remain roughly unchanged in Q3—as fading recession fears and modestly higher bank stock prices roughly offset higher interest rates—and to start to normalize gradually next year. Related: All Clear and Outlook for Regional Banks and Real-Estate Doom Loop Threatens America's Banks

Primary Topic: Business Cycle

Topics: Banking, Business Cycle, GDP, Monetary Policy, Other Source

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