

## Macro Roundup Article

**Headline:** [Dollar Deleveraging](#)

**Article Link:** <https://fedguy.com/dollar-deleveraging/>

Author(s)	Joseph Wang
Publication	Fed Guy Blog
Publication Date	September 05, 2023

**Tweet:** Off-shore non-bank dollar credit is contracting at a rate not seen since the financial crisis as higher US interest rates increase funding costs for foreign borrowers. This may slow global growth. @FedGuy12

**Summary:** While bank lending plateaued in the U.S., off-shore dollar bank lending has actually contracted outright at a rate not seen since the 2008 financial crisis. Data as of 2023Q1 indicates a year over year decline of \$325b in loans with the bulk of the decline concentrated in lending to emerging markets. This is likely due to both supply and demand factors, where borrowers pull back due to higher rates and banks reduce lending due to lower profitability. A similar trend is observed on-shore, where bank lending has been growing at a very sluggish rate. Note that foreign banks may not have access to dollar liquidity backstops like FHLB lending and the discount window, so they may be more cautious than U.S. banks. The reduction in dollar credit is likely contributing to the global manufacturing slump and will remain a significant headwind to global growth.

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**Primary Topic:** Business Cycle

**Topics:** Business Cycle, GDP, Growth, Monetary Policy, Op-Ed/Blog Post

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