EDWARD CONARD

TOP TEN The New York Times BESTSELLER

Macro Roundup Article

Headline: Private Credit Growth and Monetary Policy Transmission

Article Link: https://www.federalreserve.gov/econres/notes/feds-notes/private-credit-growth-and-monetary-policy-transmission-20240802.html

Author(s)	Ahmet Degerli and Phillip Monin
Publication	Federal Reserve Board
Publication Date	August 06, 2024

Tweet: .@FederalReserve analysis notes direct lending assets have risen from $340B in Dec. ‘21 to $751B in June ‘23, and finds that “the effects of monetary policy transmission through private credit may be muted.”

Summary: Private credit refers to direct lending to businesses by nonbank institutions. Although private credit accounts for a relatively small share of the total outstanding debt of private companies, at around 15%, it has experienced substantial growth since the GFC and has become an increasingly important source of credit for businesses, with aggregate outstanding volumes comparable to leveraged loans and high-yield corporate bonds. We find that monetary policy transmission through private credit may be muted relative to bank C&I lending and public bond markets due to resilient credit supply. Direct lending has performed well in both easing and tightening monetary policy environments. Private credit fundraising appears strong when policy is tightening, suggesting that the availability of credit remains solid. Finally, high levels of dry powder – capital commitments mainly from institutional investors with long time horizons – provide a buffer against shocks. Private credit fund returns and capital raising remain relatively resilient during policy tightening cycle.

Related Articles: Where Are All the Defaults? and Private Credit: Characteristics and Risks and The Secular Decline of Bank Balance Sheet Lending

Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Op-Ed/Blog Post

Permalink: https://www.edwardconard.com/macro-roundup/federalreserve-analysis-notes-direct-lending-assets-have-risen-from-340b-in-dec-21-to-751b-in-june-23-and-finds-that-the-effects-of-monetary-policy-transmission-throug?view=detail

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/08/22668-private-credit-growth-and-monetary-policy-transmission-featured-thumbnail-image.png