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## Headline: Quantifying the Negative Effects of the Banking Crisis on the Economy

**Article Link:** https://apolloacademy.com/quantifying-the-negative-effects-of-the-banking-crisis-on-the-economy/

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**Tweet:** The increase in borrowing costs since the SVB collapse so far is equivalent to ~ 100bps for the banking sector, putting pressure on net interest margins. Torsten Sløk @apolloglobal

**Summary:** Spreads first moved up to a higher level after SVB and then another higher level after FRC, showing that the ongoing banking crisis is having a permanent negative effect on the economy. Put differently, the increase in borrowing costs since SVB failed corresponds to a 200bps permanent Fed hike for regional banks and 50bps permanent Fed hike for large banks. Weighing these estimates together using the shares of loans and leases accounted for by small and large banks, respectively, gives an economy-wide Fed tightening of a bit more than 100bps for the entire banking sector. In short, the jump in funding costs for banks is permanent, and it has become a lot more expensive for many banks to run their business, and the banking crisis is not over.

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