

Macro Roundup Article

Headline: [There Is No US Deposit Flight](#)

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Tweet: [@rbtrmstrng](#) notes despite headlines of deposit flight US bank deposits are a third higher than they were relative to 2020 but bank deposit rates will compress bank margins.

Summary: There are 16 trillion dollars of deposits in domestic banks. US bank deposits are a third higher than they were at the start of 2020, which makes worries about a banking system liquidity crisis seem a little overwrought (though, to be fair, it is changes in liquidity, not absolute liquidity levels, that matter most to markets). There was a one-time outflow of about \$185bn, or about 3 per cent of small banks' deposits. The next week, however, small bank deposits were stable. US banks do not seem to have a deposit outflow problem. The problem we worry about (to return to a theme we have banged on about for some weeks now) is not deposits flows but deposits costs. The concern is that until a few weeks ago businesses and households were doing what they usually do, and sleepily ignoring the rate they were earning on their bank accounts. Then stupid SVB went and woke everyone up. Already, deposit rates had been rising slowly (from roughly nothing), and may accelerate now, crimping bank margins even as the economy slows.

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Primary Topic: Business Cycle

Topics: Banking, Business Cycle, Factoid, GDP, Monetary Policy, Op-Ed/Blog Post, Opinion

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