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# 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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| Author(s) | Manuel Abecasis |
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**Tweet:** .@GoldmanSachs estimates that tighter financial conditions and lending standards will generate “a roughly 0.2pp drag on GDP growth next year, down from around 1.0pp in 2023 and 1.2pp in 2022.”

**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.

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**Primary Topic:** Business Cycle

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

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