

Macro Roundup Article

Headline: [A Rapid-Finance World Must Ready for a Slow-Motion Banking Crisis](#)

Article Link: https://www.wsj.com/articles/a-rapid-finance-world-must-ready-for-a-slow-motion-banking-crisis-c80a2489?mod=economy_lead_story

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Publication	Wall Street Journal
Publication Date	March 29, 2023

Tweet: [@greg_ip](#) argues that small and medium sized banks could face a "prolonged period of pressure on their deposits" that could reduce the supply of credit to the economy.

Summary: Compared with the past, the bigger problem for banks isn't the asset side of their balance sheets but the liability side. That is in part due to the fiscal and monetary-policy response to the pandemic. The Federal Reserve restarted purchases of bonds, and the Treasury sent big stimulus and other relief payments directly to household bank accounts. As a result, deposits ballooned. The ratio of bank loans to deposits fell to a 50-year low of around 60% in September 2021, Moody's Investors Service said in a report. While a growing share of banks' deposits were uninsured, they were assumed to be relatively "sticky," or less prone to flee than other types of wholesale funding. But social media and smartphone banking apps seem to have changed that. Small and medium-size banks could be in for a prolonged period of pressure on their deposits, which could in turn force them to be acquired, or limit their lending.

Primary Topic: Banking

Topics: Banking, Business Cycle, Op-Ed/Blog Post, Quote

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