

Macro Roundup Article

Headline: **Credit Boom**

Article Link: <https://fedguy.com/credit-boom/#more-5716>

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Tweet: In 2022 banks and credit unions made \$1.5T in loans, an annual rate that's three times higher than the 2018 to 2021 period. High net interest margins have increased the desire of banks to lend. @fedguy12

Summary: The total size of the banking sector was little changed over 2022, but the static surface obscures a boom in lending of epic proportions. Banks changed the composition of their assets by replacing their cash and security holdings with loans to the real economy. Around \$1.2T in loans were made in 2022, a level around three times higher than that of recent years. The same explosive growth is also seen in credit unions, which are functionally similar to small banks. Credit union loans outstanding grew \$0.23T from 2021Q3 to 2022Q3 (Q4 data not available), a level also three times higher than in recent years. Loan growth was strong across categories and appeared to persist despite rising rates. The huge credit growth in 2022 can be likened to the prior fiscal stimulus, with the exception that the money must one day be repaid. Borrowers have \$1.5T more in purchasing power that they did not have before. The need to repay the money may affect their spending decisions and willingness to take on additional debt, but credit cycles can last for years.

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Primary Topic: Business Cycle

Topics: Business Cycle, Factoid, GDP, Op-Ed/Blog Post, Sell-by Date

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