



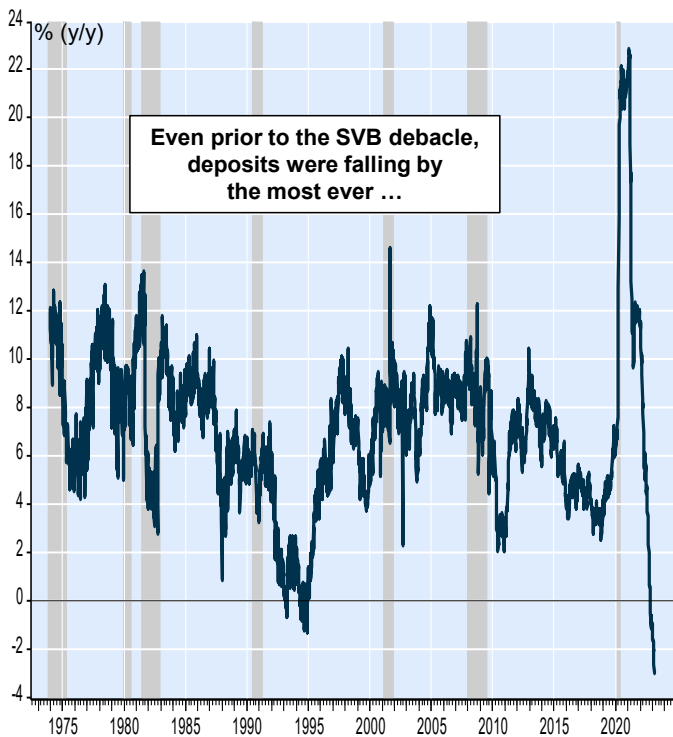
U.S. Watch

By Stéfane Marion

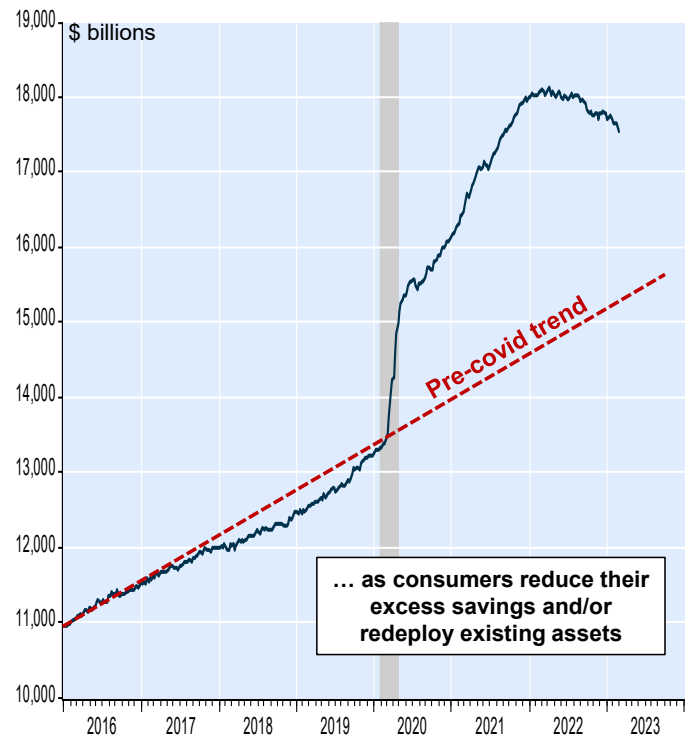
The most recent weekly update released last Friday by the Federal Reserve for US commercial banks' assets and liabilities showed an erosion of deposits that predates the SVB debacle. As today's Hot Chart shows, deposits suffered an unprecedented year/year contraction of 3% as of March 8, 2023. Even after this decline, the level of deposits (\$17,556 billion) remains 11% above its pre-COVID trend. An important issue for financial institutions and central banks in the coming months is the behaviour of consumers with regard to the use of their excess savings, which remains important according to our calculations (about 4% of GDP in the US and 12% in Canada). A further erosion of deposits would be equivalent to a tightening of financial conditions through a reduction in credit availability.

U.S.: Deposits at commercial banks were declining before SVB

Change in weekly deposits at U.S. commercial banks
(as of March 8, 2023)



Level of deposits vs. pre-covid trend
(as of March 8, 2023)



NBF Economics and Strategy (data via Federal Reserve)

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