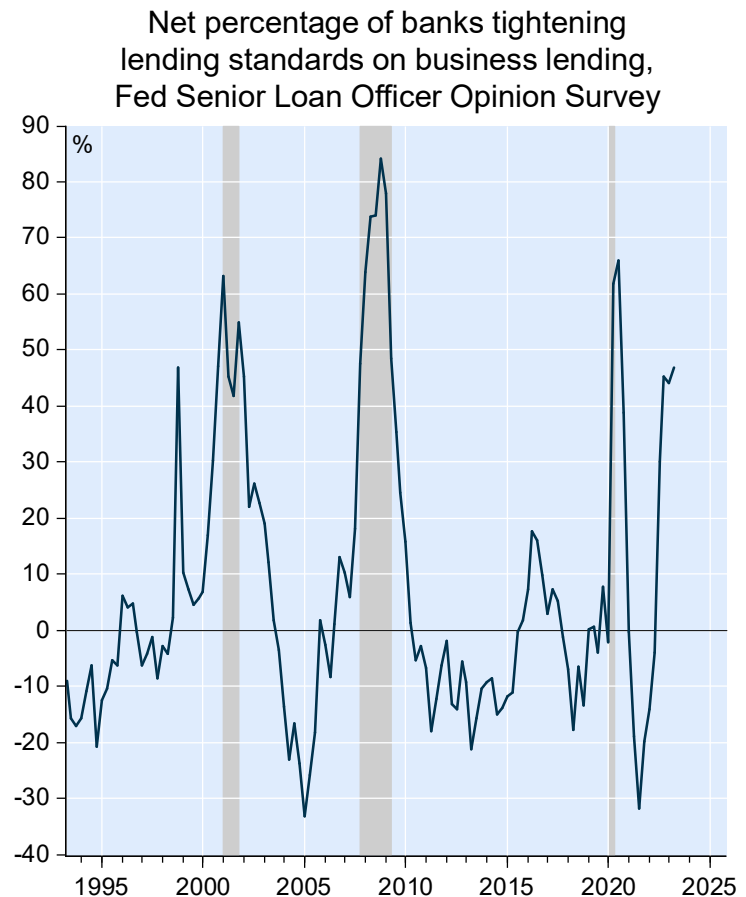
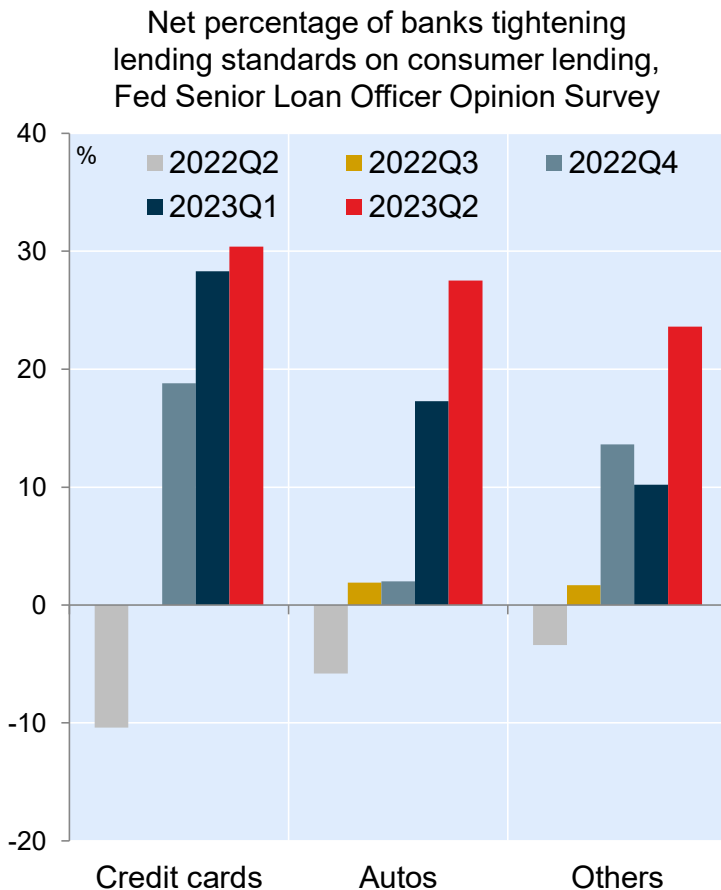


## U.S. Watch

By Jocelyn Paquet

It's been nearly a month since Silicon Valley Bank collapsed and yet uncertainty still hangs over the American banking system. Just last week, the FDIC was forced to take control of First Republic, formalizing the second largest bank failure in U.S. history. And despite the relative calm observed last Friday and today, it remains difficult to state with any degree of certainty if the worst is now behind us. Whether or not this is the case, recent events are likely to have a negative impact on the real economy. To be sure, the turmoil of the past few weeks has resulted in a significant rise in financing costs for banks and it seems this increase is now being passed on to customers through tighter credit conditions. At least that is what the most recent edition of the Fed's Senior Loan Officer Survey suggests. As today's Hot Chart shows, the survey signaled the broadest tightening in lending standards on both consumer and business loans since the pandemic. That's without accounting for the fact that the survey may not have captured the full extent of the squeeze, as questionnaires were completed between March 27 and April 7, i.e. long before the collapse of First Republic. In any case, the decline in banks' willingness to lend increases the chances that the U.S. economy will slip into recession in the coming months and certainly argues for a pause in the Fed's monetary tightening cycle.

### U.S. : Credit conditions tightening amid banking woes



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