

# MarketDesk U.S. Lending Standards Indicator

12-Month Forecast of Changes in Bank Lending Standards

Bank Lending

**Current Takeaway** Macro conditions warrant further tightening of bank lending standards over the next 12 months; Expect U.S. loan growth to slow

## Overview of Indicator

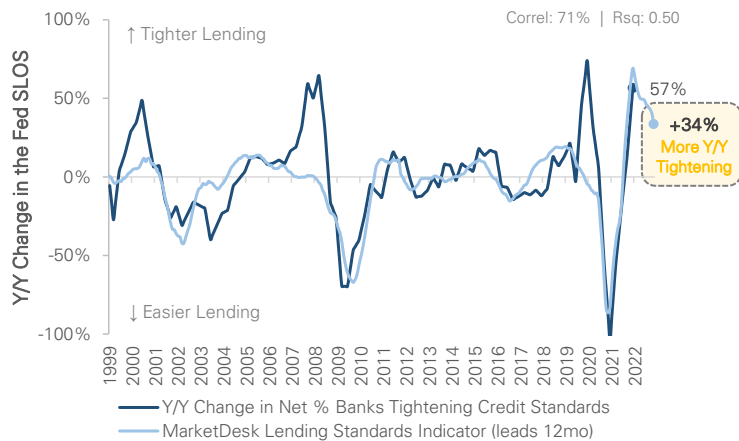
The *Senior Loan Officer Opinion Survey (SLOS)* on Bank Lending Practices is a quarterly survey conducted by the Federal Reserve. The survey gathers key information on lending practices as well as changes in the supply of credit and demand for loans. A key measure watched by economists and policymakers is the net % of banks tightening their lending standards. All else equal, tighter (easier) lending leads to lower (higher) loan growth, which leads to slower (higher) economic growth. The MarketDesk U.S. Lending Standards Indicator is a combination of six macro inputs that historically exhibit a high statistical correlation with U.S. banks lending practices and risk tolerance.

## How to Use

The MarketDesk U.S. Lending Standards Indicator is built to forecast the directional trend and year-over-year change in the net % of banks tightening lending standards. The indicator should be used as a leading indicator to assess the level of future credit growth and economic activity over the next 12 months. In general, periods of easier (tighter) lending practices would suggest risk-on (risk-off) portfolio positioning.

**Figure 72 – Y/Y Change in Net % Tightening vs MarketDesk Y/Y Indicator**

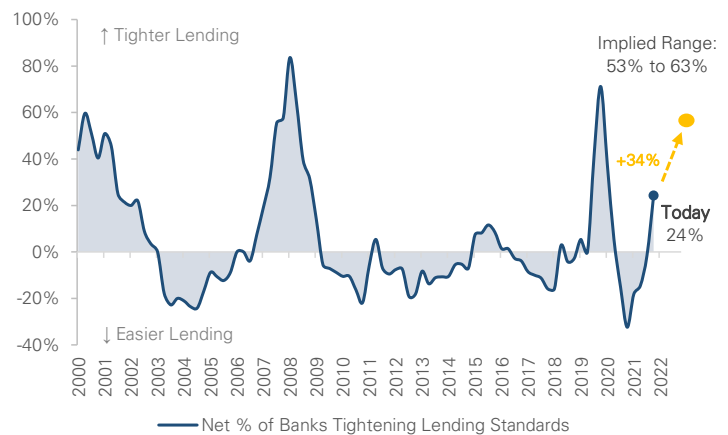
Historical relationship over the last 20 years



Source: www.QuantPack.com, Federal Reserve

**Figure 73 – Net % of Banks Tightening Lending Standards & Forecast**

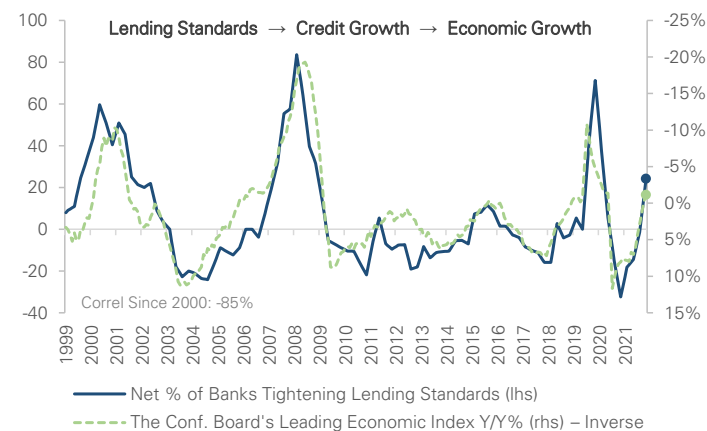
Based on the Senior Loan Officer Opinion Survey from the Federal Reserve



Source: www.QuantPack.com, Federal Reserve

**Figure 74 – Historical Lending Conditions & U.S. Economic Growth**

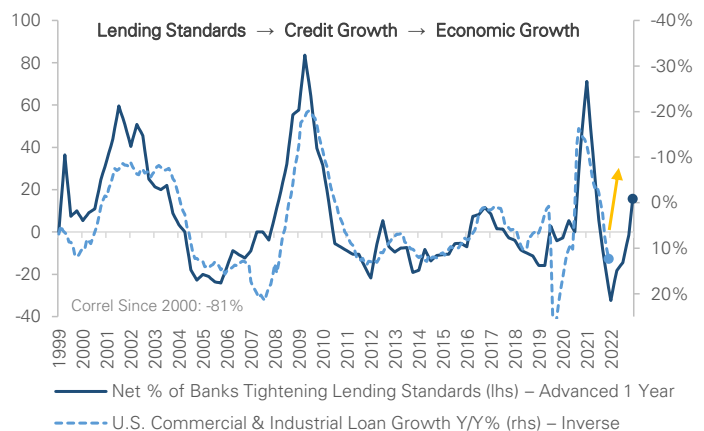
Lending conditions are key to U.S. economic growth



Source: www.QuantPack.com, Federal Reserve, The Conference Board

**Figure 75 – Historical Lending Standards & U.S. Loan Growth**

Bank Lending Standards lead U.S. loan growth by 12-months



Source: www.QuantPack.com, Federal Reserve

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