

Big U.S. Banks Cut Loans to Record Low, Again, as Deposits Jump

April 15, 2021

SMITH
SHELLNUT
WILSON

INVESTMENT COUNSEL
AND MANAGEMENT

The 25 biggest U.S. banks collectively reduced their loan holdings by 8% in the year through March, according to the Federal Reserve's latest weekly survey.

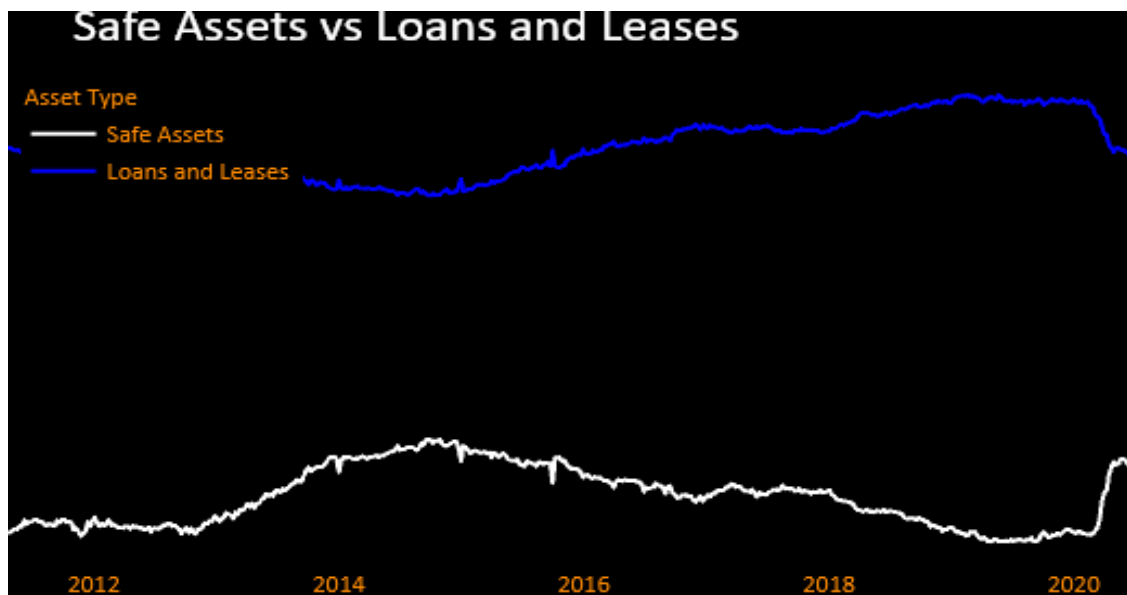
Total loans fell by \$447 billion to \$5.45 trillion, Fed data show. Meanwhile, total deposits, which provide the funds that banks lend out to borrowers, jumped 16% to \$10.13 trillion. Their combined loan-to-deposit ratio now sits at 53.9%, the lowest reading in 36 years of weekly Fed data.

Had the largest U.S. banks maintained their lending level of this time last year, they'd have an additional \$1.37 trillion of loans on their books today.

Some highlights of all U.S. banks' holdings:

The share of safe assets -- virtually risk-free investments such as cash, Treasuries and securities effectively guaranteed by the U.S. government -- slipped to 35.6% in the week that ended March 31 from 36.0% the previous week.

Total assets ticked down slightly to \$20.91 trillion from \$21.04 trillion.

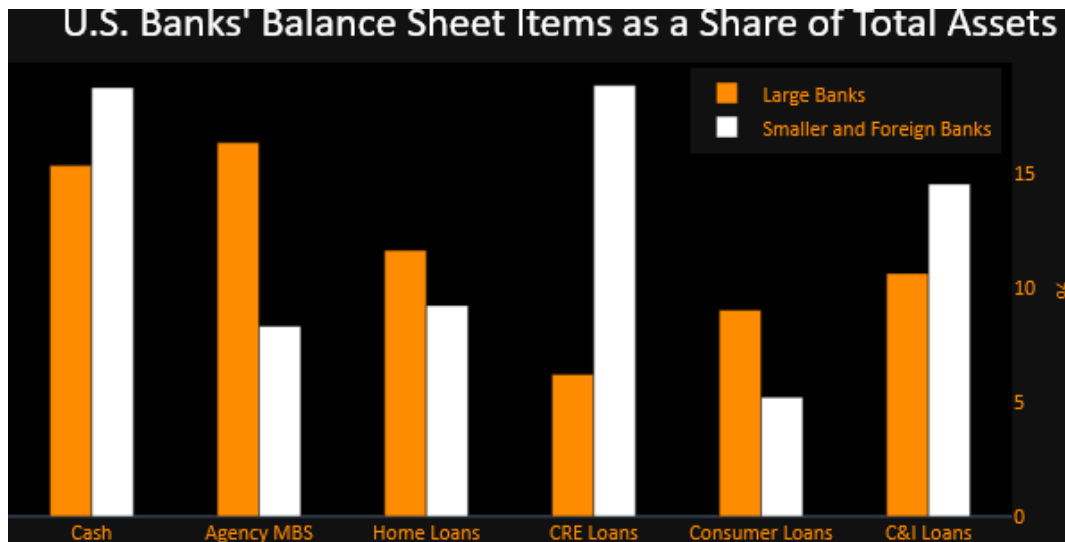


Loans across the U.S. banking industry comprise less than half of their total assets, continuing a post-pandemic trend.

Safe-Assets-v-Loans
Source: Federal Reserve

SSW Research Department
Ray Thompson
Office: (601) 605-1776
Email: rayt@ssw1776.com
website: www.ssw1776.com

The Fed also reported the assets of large, small and foreign-related U.S. lenders. Here's how their balance sheets compare on selected parameters:



Banks-comparison

Source: Federal Reserve

Here's how big banks' balance sheets have changed since the Fed's previous weekly report:

BALANCE SHEET ITEM	THIS WEEK, \$ BN	PREV WEEK, \$ BN	% OF TOTAL ASSETS, LATEST WEEK	% OF TOTAL ASSETS, YEAR BEFORE	% PT CHANGE FROM 5Y AVG
Cash	1839.8	1860	15.3	10.7	4
Agency Mortgage-Backed Securities	1968.4	1970.6	16.3	14.4	2.4
Residential Real Estate Loans	1400.1	1411.2	11.6	13.1	-3
Commercial Real Estate Loans	749.7	749.7	6.2	6.8	-1.1
Consumer Loans	1079.9	1074.3	9	9.9	-1.4
Commercial and Industrial Loans	1282.7	1292.9	10.6	13.8	-1.9

Here's how smaller and foreign-related banks' balance sheets have changed since the previous report:

BALANCE SHEET ITEM	THIS WEEK, \$ BN	PREV WEEK, \$ BN	% OF TOTAL ASSETS, LATEST WEEK	% OF TOTAL ASSETS, YEAR BEFORE	% PT CHANGE FROM 5Y AVG
Cash	1653.7	1770.2	18.7	17.2	2.6
Agency Mortgage-Backed Securities	737.3	724.8	8.3	7	1.2
Residential Real Estate Loans	818.7	813.4	9.2	9.8	-1
Commercial Real Estate Loans	1665.8	1663.8	18.8	19.1	-0.8
Consumer Loans	459.6	457.9	5.2	5.5	-0.5
Commercial and Industrial Loans	1284	1291.3	14.5	14.7	0.4

Source: Bloomberg News

SMITH SHELLNUT WILSON

INVESTMENT COUNSEL AND MANAGEMENT

SSW Research Department
 Ray Thompson
 Office: (601) 605-1776
 Email: rayt@ssw1776.com
 website: www.ssw1776.com