



# *Harry's Take*

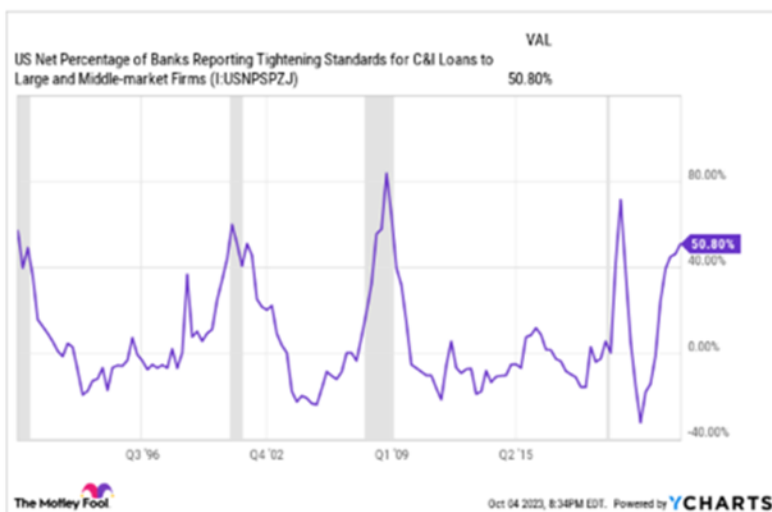
October 10, 2023

## **Banks Are Raising Lending Standards as Into Past Recessions**

If our economy is going to have a wonderful soft landing, it's news to the banks. They are doing what they always do toward the end of an expansion. They have started tightening the lending standards, which means fewer loans, and those fewer loans only add to the challenges of an economy that is already slowing.

This chart tells the story. From 1999 into 2000, up to 60% of banks raised (tightened) their lending standards. Right as the stock market was peaking and starting to fall in late 2007, the banks started tightening rapidly again, affecting up to 82% of banks. A greater recession followed. In 2020, banks reacted after the sudden COVID shock and raised standards 72% that time.

## Banks Tightening Lending Standards as in 1999-2000, 2008, and 2020



US NET PERCENTAGE OF BANKS REPORTING TIGHTENING STANDARDS FOR C&I LOANS TO LARGE AND MIDDLE-MARKET FIRMS DATA BY YCHARTS. GRAY AREAS DENOTE U.S. RECESSIONS.

Source: <https://www.fool.com/investing/2023/10/08/great-depression-money-supply-trouble-for-stocks/>

[www.hsdent.com](http://www.hsdent.com)

Since late 2021, 50.8% of banks have reported tightening standards (so far), and the recession hasn't even started yet... In fact, a recession likely still is a few months or more away. I'm betting, of course, that this final downturn will be greater and more like a short depression. So, it's likely even more than 82% of banks will raise their lending standards this time...

The warning signs keep building, but the calls for a soft landing continue as well. The truth is that even a soft landing at first will slow the economy enough to start triggering debt defaults and falling home and stock prices. There has never been a major bubble burst that wasn't followed by a depression.

It's not going to be weak consumer spending that primarily drives this downturn and next crash. It will be the bursting of the final and largest bubble, stupid!

Hence, I see no chance for a soft landing.

Harry

Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).