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Fed Survey: Nearly one fifth of banks report weaker loan demand

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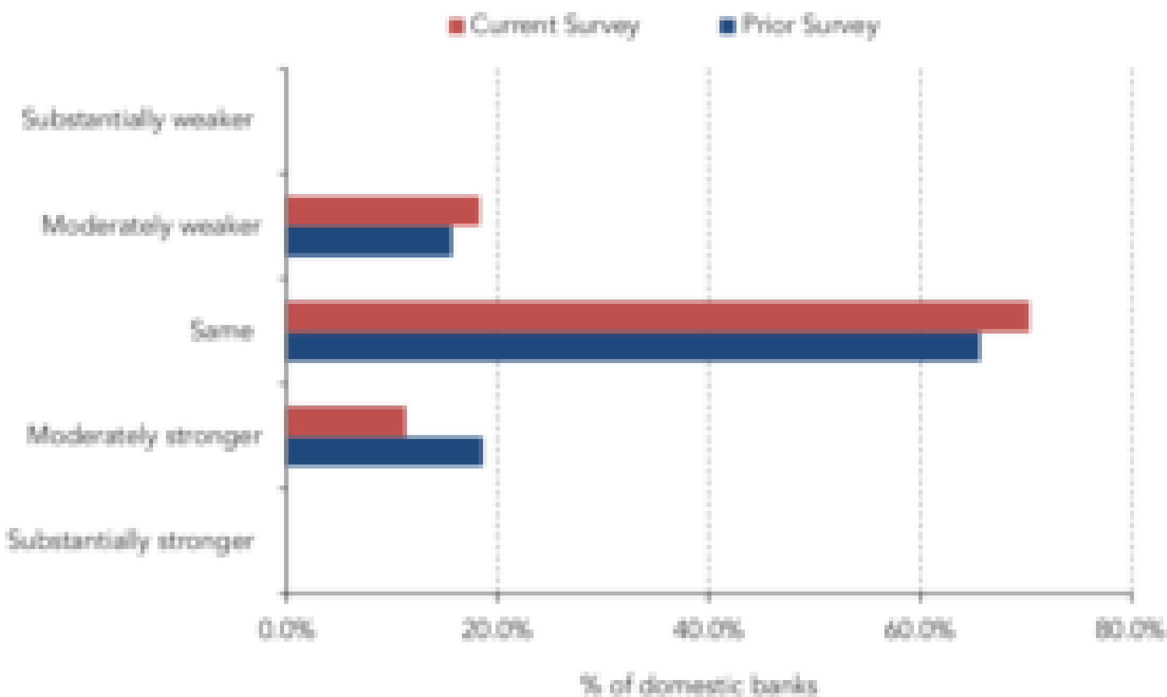

The majority of banks reported lending standards remained unchanged in today's release of the Federal Reserve Senior Loan Officer Opinion Survey. 13% reported easing and only one bank reported tightening on terms to large firms. 60% said that more aggressive competition from other banks or non-bank lenders (other financial intermediaries or the capital markets) was a 'very important' driver behind easing. Competition among lenders played a role in loan demand too as 18% of domestic banks surveyed reported that loan demand from large and middle market firms with annual sales of US$50m or more has been weaker in the last three months. This figure is up slightly from 16% of the respondents in the prior survey. Nearly one quarter reported that customer borrowing shifting from their bank to other bank or nonbank sources because these other sources became more attractive was a 'very important' driver behind weaker demand. Also notable, nearly one fifth said demand was moderately stronger in the prior survey. This figure is down to 11% in the current survey. For firms with sales below US$50m, 12% of banks reported moderately weaker loan demand while 10% of banks reported strengthening demand.

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