

Supporting the Economy



The nation's largest banks have been a key source of support during the pandemic, including by greatly increasing credit to households and businesses

\$8.3 Trillion

The nation's largest banks have extended more than \$8.3 trillion of credit to the U.S. economy as of the end of 2020, up 10 percent from the preceding year.

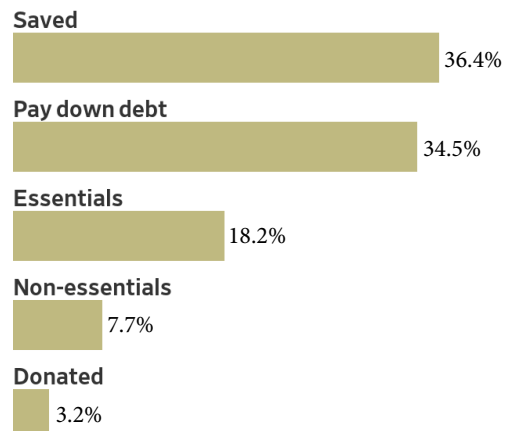
In a modern economy, banks provide credit to the economy in three important ways:

- Direct loans, such as business and consumer loans;
- Purchasing securities, such as corporate bonds and U.S. Treasuries that support borrowing by the government and corporations through public markets. This went a long way in 2020 toward funding enhanced unemployment benefits, emergency programs, and other aspects of the government's pandemic response; and
- Through repurchase agreements, or "repo," lending that is backed or "collateralized" by securities.

When looking at trends in total credit, it is important to not just think about supply, but also demand.

- In terms of business lending, demand was strong at the beginning of the pandemic, but waned as the year progressed and companies raised more funding from public markets.
- For consumers, demand plummeted from the start and only slightly recovered.
- Indeed, the U.S. saw an unprecedented increase in the personal saving rate from 7 percent pre-pandemic to more than 33 percent at its peak.
- A survey by the Federal Reserve Bank of New York showed that the most common use of COVID-19 stimulus payments was to increase savings or pay down debt.

How households spent their first stimulus check



Note: Data based on 1,408 respondents
Source: New York Fed Survey of Consumer Spending, June Special Module

“ Banks have increased lending, absorbed a surge of deposits, and worked constructively with borrowers. They have also provided access to substantial lines of credit for corporate borrowers and played a significant role in supporting small businesses via the Paycheck Protection Program. ”

– Federal Reserve Board, [Supervision and Regulation Report](#), November 2020

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