How Has C&I Lending Responded to Previous Market Shocks?

*Line draws, loan growth spike dramatically in March*

The advent of COVID-19 has introduced market volatility not seen since the Great Recession. AFS – through our Business Intelligence programming – has comprehensive historical data on commercial lending. We have collected loan-level data on business banking, middle market, commercial real estate, and large corporate lending since 2003, providing in-depth insight into trends in risk, pricing, and performance of commercial credit.

AFS is committed to helping banks navigate through uncertain times. Contact us today to learn how our Business Intelligence Solutions can support your product management, modelling, and portfolio management needs.

Doug Skinner, Director
dskinner@afsvision.com

Jeremy Chalson, Sr. Analyst
jchalson@afsvision.com

www.afsvision.com

C&I Line of Credit Utilization
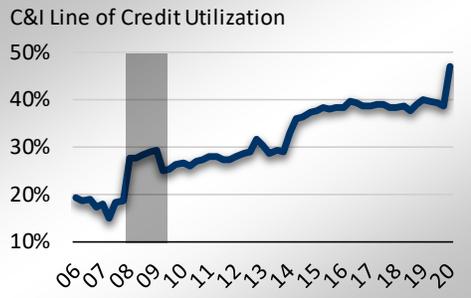
In 2009, lenders tightened underwriting standards to reduce risk and conserve capital.
Entering 2020, commercial banks are far better capitalized and poised to continue lending to creditworthy borrowers.

C&I Annual Growth Rate (Seasonally Adjusted)

Problem loan levels peaked approximately eighteen months after the peak of the last crisis.
There is a strong, positive correlation between the BBB corporate yield spread[3] and the level of non-investment grade non-performing loans.

During the 2008 financial crisis, some industries drew rapidly under lines of credit.
Line usage spiked sharply in 1Q2020 as borrowers stockpiled cash and braced for disruptions in cash flow.[1]

Avg Commitment Size (Mil.) C&I Lines of Credit
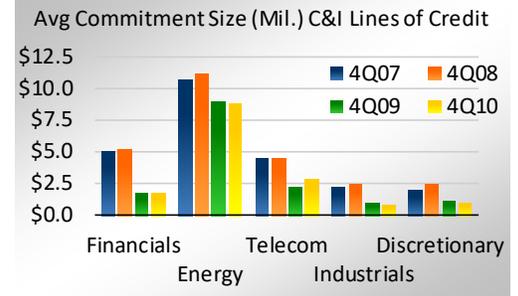
As the economy struggled to emerge from the 2007 recession, bank lending contracted.
Loan growth in March 2020 exceeded 200% on an annualized basis, with emerging fiscal stimulus programs poised to further boost the flow of credit.[2]
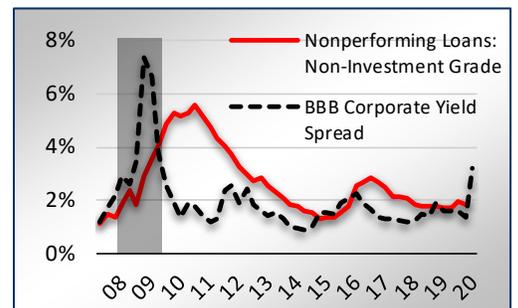
1. Data from AFS Business Intelligence programs unless otherwise noted.
2. Source: Federal Reserve H.8 data series.
3. Calculated as the difference between the BBB US Corporate Index Effective Yield and the US 10-Year Treasury Yield.