

March 13, 2023 – Economic Commentary

Turmoil in the banking industry will dominate the economic discussion this week, not only in the US. The immediate question/concern is whether the Federal Reserve will change its stance on proceeding with further interest rate increases in order to reduce inflationary pressures. This question, in turn, is now formulated against a backdrop of potential negative economic effects from the disruption of and scrutiny into the operation of large and small banks around the country, as well as banks outside the United States. Although there is actually little direct link at the moment between bank equity prices and bank appetite for risk or ability to make loans, it would be disingenuous not to acknowledge a chilling effect on bank operations from the (overdone) crisis in confidence. Furthermore, it is hard to measure the impact of the current news cycle on consumer confidence and consumer spending. Consumer and Producer inflation numbers released this week will illuminate the degree to which the Fed is between a rock and a hard place.

Data to Watch:

1. US CPI for February, released Tuesday, March 14
2. US Retail Sales for February, released Wednesday, March 15
3. US Industrial Production for February, released Friday, March 17

Suggested Reading:

[Why Russia has such a strong grip on Europe's nuclear power](#)

[Silicon Valley Bank collapse 'could force central bank to stop interest rate rises'](#)

[Fed's magical accounting could save banks but doom rate increases](#)

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