

Inflation causing bank deposits to slow

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The head of the Wisconsin Bankers Association says inflation is causing deposits to slow.

In a recent interview, WBA President and CEO Rose Oswald Poels explained deposit levels were “extremely high” during the COVID-19 pandemic due to various factors.

Some customers simply wanted their money in a safe place, while others were getting pandemic-related federal funds for both individuals and businesses, she said yesterday.

“So as we have seen last year, energy prices going up, interest rates going up, inflation going up as a result of all of that, we have noticed that our deposits are starting to flow out of the bank,” she told WisBusiness.com. “In some cases, it is to maybe chase a higher interest rate somewhere else, but in other cases it really is to pay for everyday needs that consumers and businesses have.”

She referenced the latest federal figures covering the third quarter of 2022, which show total deposits at Wisconsin banks grew just 1.45 percent from the prior quarter, and 3.83 percent year-over-year.

“We’re all paying a little bit more for food, for gas, to heat our homes during this winter — all of that is costing more, so it’s taking a little bit out of people’s savings and they’re needing to spend that as a result,” she said. “We saw the pace of deposits really slow at Wisconsin banks compared to last year, when you look just quarter-over-quarter, they’ve really slowed down compared to what we have been used to.”

Meanwhile, lending rates at Wisconsin banks have been on the rise across various loan categories.

In a recent forecast included in WBA’s latest Wisconsin Economic Report, Oswald Poels noted residential loan demand has “continued to grow at a steady pace”

despite higher interest rates due to home prices falling.

“Commercial lending saw ongoing strong demand year over year with an increase of 10.04%, although the third quarter grew at a slower pace of 2.25% from the prior quarter, signaling business owners’ concerns around inflation, a potential recession, and uncertainty heading into the midterm elections,” she wrote.

See the full sector forecast here:

<https://www.wisbank.com/bankers-are-prepared-for-challenges/>

-By Alex Moe