

AMERICA'S M

THE MOTLEY FOOL A FOOLISH TAKE

An ominous economic sign

John Maxfield
The Motley Fool

An economy is like an engine: Both need fuel to accelerate. An engine needs gasoline, while an economy needs credit.

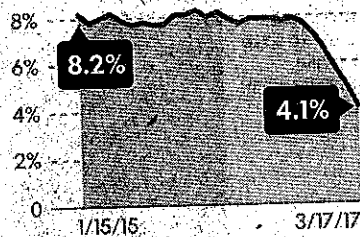
But the Federal Reserve is reporting a rapid deceleration in the growth of bank loans, a principal source of credit, and thereby fuel for the economy.

Total loans at commercial banks in 2015 and 2016 grew on a year-over-year basis each month by around 8%. But starting at the end of last year, the growth rate has steadily dropped. The latest reading showed that total loans at commercial banks expanded at a rate of only 4.1% in March.

It's hard to say for sure what's behind this trend, but it's generally assumed that uncertainty

LOAN GROWTH IS SLOWING

Total loans and leases by U.S. commercial banks, year-over-year change.



SOURCE Federal Reserve's H8 Data

around President Trump's pro-growth agenda could be causing businesses to wait before applying for new loans until the White House puts some legislative wins on the scoreboard. If and when that happens, the downward trend in loan growth could be primed to reverse course.