Commercial and industrial (C&I) loans made by large banks have been declining steadily since the beginning of 2001:IIQ because of the slowing economy. During the week of September 11, C&I loans made by all banks increased 1.6%, but they dipped below their earlier levels in the following weeks. The current level, $849 billion, is the lowest weekly level since May 2000.

Large banks’ consumer loans changed very little between April and early September, while those of small banks declined. Tighter lending standards and declining consumer confidence were among the reasons for weak consumer loan demand. In late September–early October, however, consumers made a comeback; in the week of October 10, the total amount of consumer loans reached $559 billion, the highest weekly demand ever recorded.

While coping with the interbank payment problems that hit the industry in the week of September 11, banks increased their cash assets to more normal levels. By the second week of October, banks had about $273 billion in cash assets.

Banks borrowed heavily from various sources in the week of September 11. The first week of the month, their borrowing totaled about $1.022 billion; the next week, it reached an unprecedented $1.147 billion, a 12% increase. By the first week of October, banks’ borrowing stood at $1.047 billion, which is still high by historical standards.