

Are Foreign Banks Out-Competing U.S. Banks in the U.S. Market?

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Abstract

The market share of foreign-owned banks (subsidiaries, branches, and agencies) in the United States grew dramatically during the 1980s and early 1990s, amid fears that foreign banks were out-competing U.S.-owned banks in their home market. However, more recent data show that growth of the market share of foreign-owned banks has slowed substantially. Furthermore, the data show that foreign-owned banks in the U.S. have persistently exhibited lower profit rates than counterpart U.S.-owned banks, subsidiaries of foreign banks have operated less efficiently than U.S.-owned banks, and in the last few years the credit quality of foreign banks plunged below that of U.S.-owned banks.

These findings call into question fears about foreign banks out-competing U.S. banks in the U.S. market and suggest that, despite having captured a substantial share of U.S. banking business, further penetration of the U.S. banking market by foreign-owned banks is far from certain.

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