

Why today feels uncomfortably like 2008 — and where it differs

By Jesper Rangvid

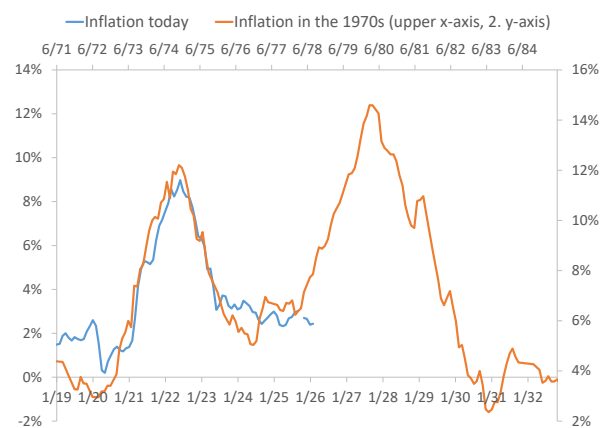
In the run-up to the financial crisis in 2008, bad loans were granted by shadow banks—financial entities outside the regulated banking sector but with links to regulated banks. As losses in shadow banks accumulated, they ended up on the books of regulated banks. This was not supposed to happen, but it did, fuelling the financial crisis and, eventually, the worst recession since the Great Depression of the 1930s. In the run-up, oil prices skyrocketed, contributing to rising inflation, which led central banks to raise policy rates. This looks eerily similar to today. Credit has expanded rapidly in financial entities (private credit funds) outside the regulated banking system. Oil prices are rising fast, and inflation is likely to follow. When this happens, central banks will raise interest rates, leading to further losses in private credit funds. Fortunately, along other dimensions, there are also important differences from the pre-2008 developments.

I have at times drawn attention to the striking similarities between inflation developments in the 1970s and today. The last time I did so was last autumn ([link](#)), and the first time in early 2023 ([link](#)). In between, I have occasionally dusted off the graph, as it is so fascinating. The updated plot is in Figure 1.

During recent months, inflation developments have been more muted than at similar points during the 1970s' inflationary period, but as Trump's war in the Middle East pushes up oil prices, inflation will soon follow. This week, the OECD warned that

US inflation could reach 4.2% in 2026 ([link](#)), almost 2 percentage points above its latest reading. Not a pleasant thought.

Figure 1. US inflation (annual percentage change in CPI) from Jan. 2019 to Feb. 2026 (lower x-axis and left-hand y-axis) and from June 1971 to Dec. 1984 (upper x-axis and right-hand y-axis).
Source: FRED of St. Louis Fed and J.Rangvid.



Given the striking similarities between inflation developments today and in the 1970s, many people have circulated graphs like these, including superstar economists like Blanchard ([link](#)), Cochrane ([link](#)), and others. Hence, today I will focus on some other striking similarities that fewer people seem to pay attention to, but which may be just as important. That is, the run-up to the financial crisis in 2008.

The 2008 global financial crisis

Many factors contributed to the 2008 financial crisis, making it challenging to summarise it briefly—the financial crisis committee I chaired produced a 488-page report ([link](#)). However, for my purposes here, it suffices to recall a few of the more important points.

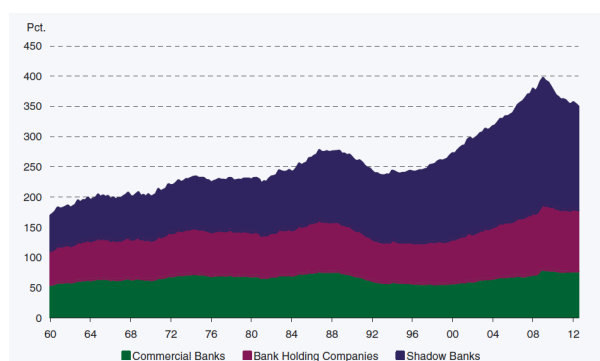
Credit expansion outside the regulated banking system

Credit expanded rapidly, particularly in shadow banks. Shadow banks are financial institutions that grant loans but are not subject to the same strict regulation as “ordinary” regulated banks.

Figure 2, which is taken from the Rangvid report ([link](#)), shows how the liabilities of US banks—split into commercial banks, bank holding companies, and shadow banks—developed before, and immediately after, the financial crisis of 2008.

Figure 2. *Liabilities of US banks as a percent of US GDP. 1960-2012.*

Source: The Rangvid report ([link](#)).



Shadow banks expanded rapidly before the financial crisis. In aggregate, they amounted to around 100% of US GDP in the late 1990s. By 2008, just before the financial crisis, they had grown to more than 200% of GDP.

Structured credit products—central to the expansion of shadow banking—grew markedly, rising from about USD 500 billion in 2000 to roughly USD 3 trillion in 2006, as we documented in the Rangvid report.

Who bought these products and thereby provided the funds to finance all these loans granted by shadow banks? Investors who

were attracted by the seemingly high returns the loans were supposed to provide.

Rating agencies played an important role, assigning favourable ratings to the structured credit products that shadow banks issued, promising what appeared to be superior risk–return trade-offs. It is rare that there are free lunches in financial markets, but investors appeared to think so in this case and chased them.

When lending grows rapidly, poor lending follows. A significant fraction of the loans were low-quality, so-called subprime loans. Eventually, it became clear that lending standards had been poor, and defaults accumulated. Rating agencies had not done their jobs properly.

Unregulated banks had unknown ties to regulated banks

Many shadow banks had ties (liquidity lines, credit lines) to regulated banks, meaning that losses in shadow banks ended up on the balance sheets of regulated banks. This was not supposed to happen, but it did.

Regulated banks were not robust enough to absorb those losses, that is, they were not sufficiently capitalised. As nobody knew which regulated banks were exposed to which shadow banks, and to what extent, trust between banks evaporated. Liquidity in the banking system froze because nobody knew who would be next in line.

The result was the global financial crisis.

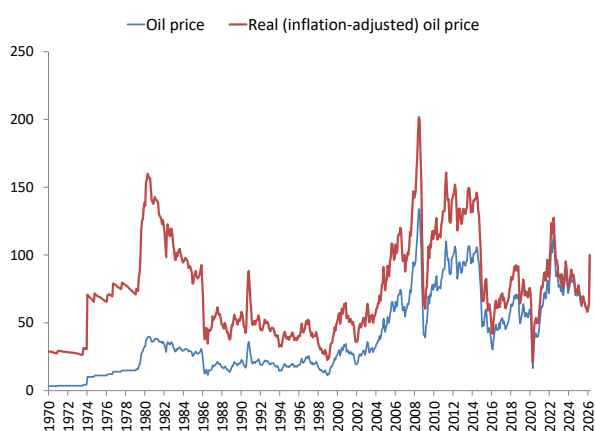
Oil prices rose (a lot)

During the run-up to the crisis, oil prices rose dramatically, increasing from USD 20 per barrel in early 2002 to USD 75 in 2006, before surging to more than USD 130 per barrel just before the crisis intensified in

autumn 2008. Figure 3 shows these developments. Eventually, as a result of the crisis, oil prices collapsed, falling to around USD 40 per barrel during the most intense phase of the crisis in autumn/winter 2008–2009.

Figure 3. Oil price (West Texas Intermediate) in US dollar. Real oil price is the oil price measured in 2026 dollars, Monthly data. 1970 – March 2026.

Source: FRED of St. Louis Fed and J.Rangvid.



Interest rates rose, asset bubbles burst

As economic activity, stock prices, house prices, oil prices, and ultimately inflation increased in the run-up to the crisis, the Fed began raising interest rates. This pushed up interest rates on mortgage contracts with adjustable rates.

House prices had shown bubble-like behaviour before the crisis, partly fuelled by low interest rates. As interest rates rose, homeowners started to default and house prices plummeted. The crisis became real.

Today

There are several worrying similarities between the situation leading up to the financial crisis in 2008 and today.

Credit expansion outside regulated banks

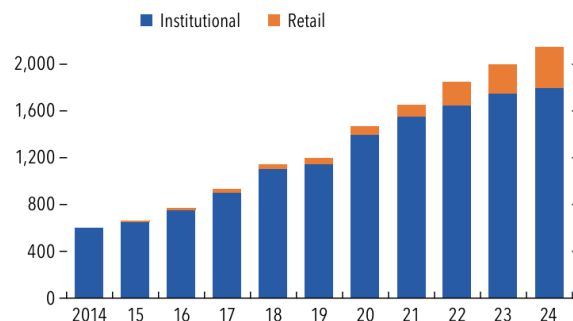
Back then, we talked about shadow banks. Today, we talk about private credit funds.

Private credit consists of loans to corporations extended by financial entities (private credit funds) outside the regulated banking system, but with ties to regulated banks.

Private credit has expanded rapidly. According to the IMF, assets under management by private credit funds have increased fourfold over the past decade, from around USD 500 billion ten years ago to more than USD 2,000 billion, as Figure 4 shows. That corresponds to a growth rate of around 15% per year, vastly outpacing, for example, economic growth.

Figure 4. Assets under management for private credit funds, USD billion.

Source: IMF, GFS Oct. 2024, Fig. 1.14.



Investors have chased private credit funds, as returns were expected to be strong, like they chased structured credit products before the financial crisis.

And, as we know, when credit grows rapidly, poor-quality lending follows. We have started to see cracks on the surface. Several credit funds have run into trouble.

Credit funds have unknown ties to regulated banks

Back then, shadow banks had ties to regulated banks. When losses accumulated,

they ended up on the balance sheets of regulated banks.

On average, private credit funds have not borrowed heavily from banks. However, some funds are more leveraged than others, and the extent of their ties to regulated banks is not entirely clear. In its 2024 Global Financial Stability Report, which examined private credit funds, the IMF wrote ([link](#)): “The interconnections and potential contagion risks among many large financial institutions arising from exposures to the asset class are poorly understood and highly opaque.”

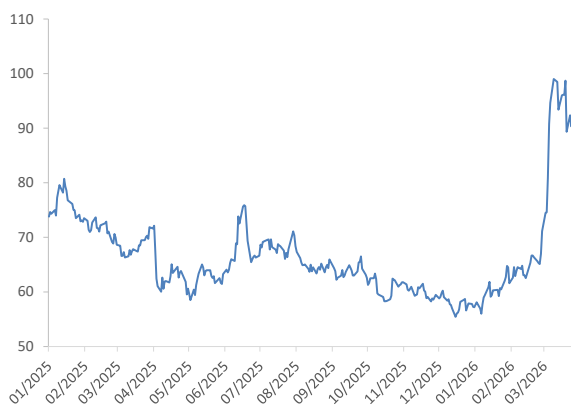
Oil prices have risen sharply

Here we are. Oil prices have surged in recent weeks.

The long-term movements were shown in Figure 3. The short-term movements are in Figure 5, which presents daily changes in oil prices since early last year. The sharp increase from around USD 60 per barrel to more than USD 100 per barrel, driven by Trump’s Iran war, is remarkable.

Figure 5. Oil price (West Texas Intermediate) in US dollar. Daily data. 1 January 2025 – 27 March 2026.

Source: FRED of St. Louis Fed and J.Rangvid.



The reasons why oil prices have risen are different today than before the financial

crisis. Back then, the increase was largely demand-driven: the economy was strong, pushing up demand for oil, which eventually resulted in higher prices. Today, it is supply-driven: oil cannot pass through the Strait of Hormuz, reducing supply and immediately raising prices. However, in the end, the outcome is the same: oil prices rise, and by a significant amount.

Interest rates may rise

With such a sharp increase in oil prices, there is a real risk that inflation will rise. Consequently, there is also a real risk that central banks will have to increase interest rates.

Last autumn, we saw influential figures such as J.P. Morgan’s Jamie Dimon warn about “cockroaches” among private credit loans ([link](#)), and an IMF Director losing sleep over the risks posed by private credit funds ([link](#)). At that time, we expected the Fed to lower rates in 2026, providing some relief to weaker borrowers in private credit funds.

Now, markets expect the Fed to raise rates. This means that these weaker borrowers will face higher interest costs, clearly worsening their credit outlook, and consequently that of the funds. It is therefore no great surprise that investors have begun heading for the exit from private credit funds. However, the door is narrow—not everyone can get out.

Before the financial crisis, housing prices had entered bubble territory. Today, we are worried that AI stocks may be in a similar bubble ([link](#)). Back then, housing prices plummeted as the crisis unfolded. Whether stocks will follow the same path if economic conditions deteriorate significantly remains uncertain.

It is a messy situation.

Conclusion, and differences from 2008

I will not hide that I am somewhat concerned. There are simply too many similarities with 2008.

Importantly, however, there are also significant differences, and we should end by noting them.

First, while private credit has been growing rapidly, the total amount appears to be smaller than the volume of credit extended by shadow banks before the financial crisis. Shadow banking liabilities surged by roughly 100% of U.S. GDP in the run-up to 2008, whereas private credit funds now total about USD 2 trillion—less than 10% of GDP. That said, the expansion of private credit funds is comparable in scale to the pre-crisis growth of structured credit products.

Second, a key problem at that time was that regulated banks ran into difficulty because losses in unregulated banks ended up on their balance sheets, and because they were not sufficiently robust. Fortunately, regulation has been strengthened since the financial crisis, and banks are, I would argue, more resilient today. Even if losses from private credit funds were to spill over onto regulated banks' balance sheets, banks should be better able to absorb them.

Third, the housing market was in a bubble before the financial crisis, and its collapse triggered a severe recession. Today, while stocks may be in bubble territory, the recession that followed the bursting of the dot-com bubble was relatively mild. The same could occur again if a stock market bubble were to burst ([link](#)).

What, then, is the overall conclusion? The situation is worrying, and there is a significant risk that the global economy will

suffer—potentially more than mildly—if oil prices remain elevated for some time, whether because the Iran war continues or because it takes time for supply to return even after it ends. Combined with hidden risks in an unregulated private credit market and elevated stock prices, the risk of a recession is real. However, I would still be surprised if this were to result in a downturn comparable to that of 2008.