

Banking Watch

January 7, 2011

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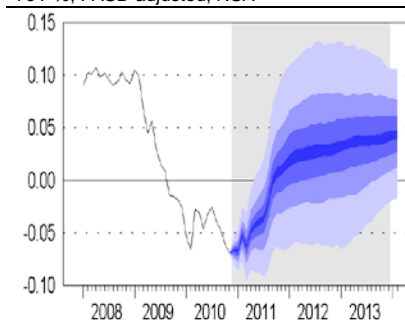
Consumer Credit: Monthly Situation Report

- Headline consumer credit declines -2.2% YoY, a \$1.35bn MoM change (BBVA: -2.3% YoY, \$1.7bn MoM); light revisions to the data
- Nonrevolving credit outstanding increases MoM for the third time in a row; revolving credit still declining, but at a slower rate
- Total consumer credit ex-government and nonfinancial business is still on track for a recovery in 2011H2

Breakdown of the Recent Data

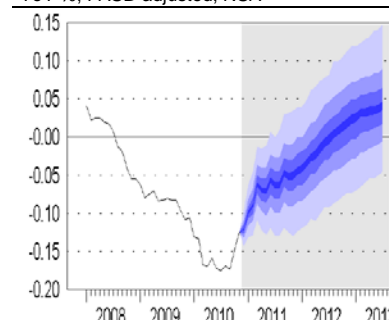
Government consumer credit finally took a breather this month and increased only \$3bn MoM, compared to an average monthly increase of \$28.3bn over the past three months. Revolving consumer credit declined MoM by \$4.2bn, representing a YoY decline of -8.9%, which is an improvement over the narrow range of the past few months. Increases in auto sales are likely proving a slight lift to nonrevolving credit, which is now solidly in positive YoY growth territory. Consumer credit overall is still suggestive of deleveraging and slow hiring remains an impediment to a rapid turnaround in credit.

Chart 1
Commercial Banks
YoY %, FASB-adjusted, NSA



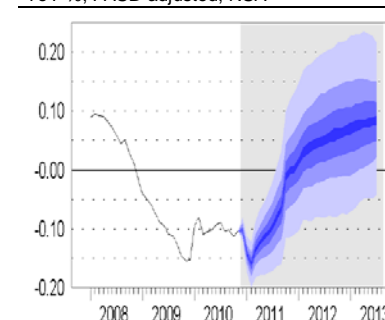
Source: BBVA Research

Chart 2
Asset-Backed Securities Issuers
YoY %, FASB-adjusted, NSA



Source: BBVA Research

Chart 3
Finance Companies
YoY %, FASB-adjusted, NSA

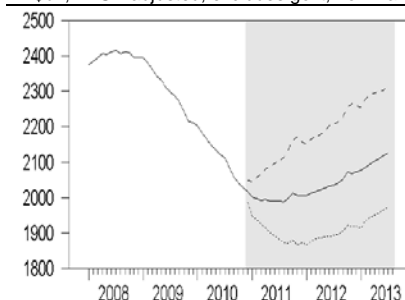


Source: BBVA Research

On the Horizon for Consumer Credit

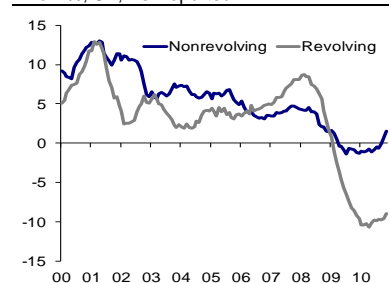
ABS Issuers continue to improve at a rapid clip, but at the end of the day this category offers the least long-term upside due to changes in regulation and prevailing market conditions. A more robust wholesale money market would provide some extra boost. Medium-term forecasts for finance companies could revisit some seasonality adjustment problems witnessed last month. Commercial bank credit, still somewhat uncertain due to FASB changes, appears to begin an improving trend over the course of the next few months.

Chart 4
Total Credit, Seasonally-Adjusted
In \$bn, FASB-adjusted, excludes govt, nonfinan.



Source: BBVA Research

Chart 5
Credit Type Outstanding
YoY %, SA, As Reported



Source: Federal Reserve

Table 1
Summary Table
YoY %, FASB-adjusted, NSA

Category	Actual	Predicted
Banks	-6.94%	-7.19%
ABS Issuers	-12.46%	-13.03%
Finance Comp.	-10.39%	-10.83%
Total	-8.34%	-9.50%

Note: Total excludes government and nonfinancial business

Source: BBVA Research

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