

US Banking Watch

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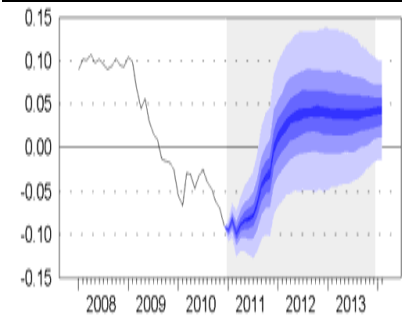
Consumer Credit: Monthly Situation Report

- Headline consumer credit declines -1.6% YoY, a \$6.1bn MoM change (BBVA: -1.8% YoY, \$2.3bn MoM)
- Divestments by banks to nonbanks make the new data questionable; finance companies register \$27.5bn MoM NSA increase
- Although revolving seasonally-adjusted credit increased MoM, keep in perspective the overall decline excluding gov't and nonfinancials

Breakdown of the Recent Data

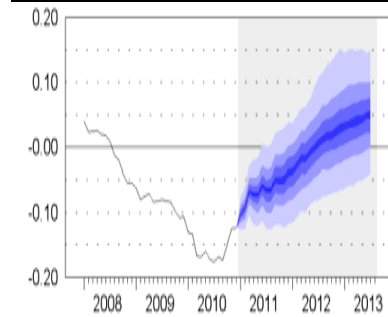
The Federal Reserve recently reported in the H8 Release that commercial banks divested \$25.8bn in consumer loans to nonbanks, a factor we expected to show up in next month's G19 Release. Our suspicion is that this data reflects that change: we witnessed sharp upside and downside surprises for finance companies and banks, respectively. However, we have not yet adjusted the data for this "merger" effect. Next month's data should give us a clearer view if our suspicions are correct. As the data remains unadjusted now, we see a clear 12th month effect in the forecasts.

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



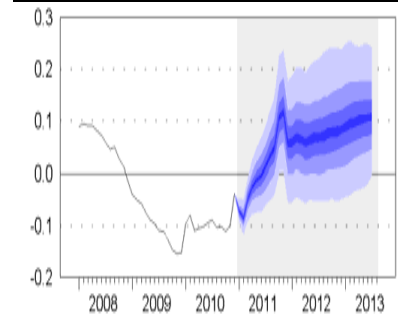
Source: BBVA Research

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



Source: BBVA Research

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

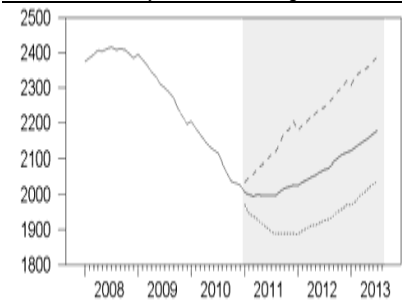


Source: BBVA Research

On the Horizon for Consumer Credit

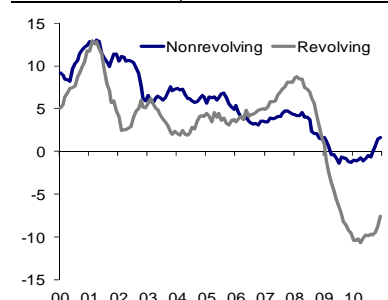
December is one of the biggest months for seasonal adjustment. The overall trend when excluding nonfinancial business and government through our seasonal adjustment reveals a continued decline in total credit. The Nov-Dec not-seasonally-adjusted increase in revolving credit was bigger now than last year, but not bigger than recent memory. The average 2000-7 Nov-Dec NSA change is \$22.6bn, so the latest data (\$19.4bn) is about 86% of the average, implying a fairly-lean consumer moving forward. We still expect YoY declines across all three major holders of consumer credit.

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 and Thrifts	-6.90%	-6.69%
ABS Issuers	-12.40%	-12.13%
Finance Comp.	-3.86%	-10.21%
Total	-7.66%	-8.87%

Note: Total excludes government and nonfinancial business

Source: BBVA Research

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