

# Banking Watch

March 7, 2011

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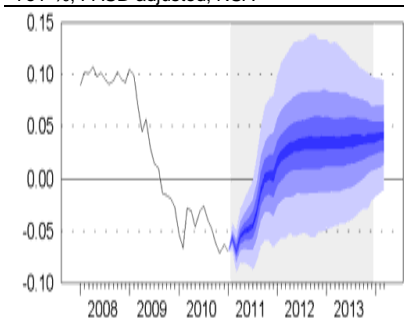
## Consumer Credit: Monthly Situation Report

- Headline consumer credit declines -1.43% YoY, a \$5.0bn MoM change (BBVA: -1.31% YoY, \$4.95bn MoM)
- Finance companies, revolving credit data revised down as expected, government consumer credit increases 70.8% YoY by \$24.8bn
- New car loan-to-value is at a record-low; as expected, data revisions reveal that revolving credit continues to languish

### Breakdown of the Recent Data

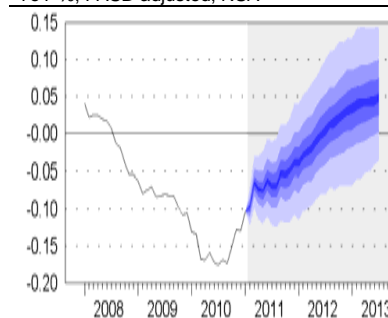
The results of today's consumer credit release confirm that last month's jump in finance company credit is largely the result of a \$25bn divestment from banks to nonbanks. As a result, our data is now break-adjusted for this event and the model results are consistent with reality. The Fed revised down last month's finance company data by \$5bn, a confirmation of our suspicions on seasonal adjustment effects during December. Nonrevolving credit grew robustly MoM by \$9.2bn, but revolving credit declined MoM, suggesting last month's data is a blip.

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



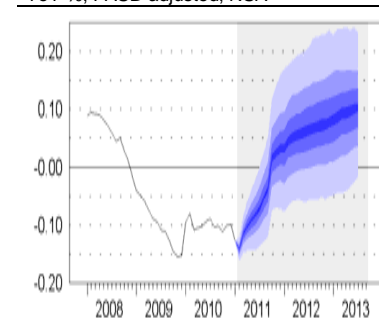
Source: BBVA Research

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



Source: BBVA Research

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

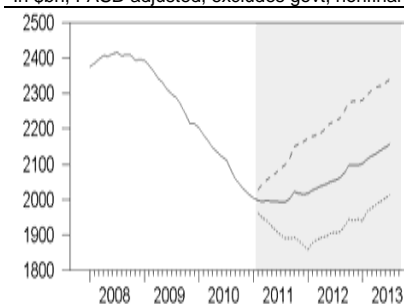


Source: BBVA Research

### On the Horizon for Consumer Credit

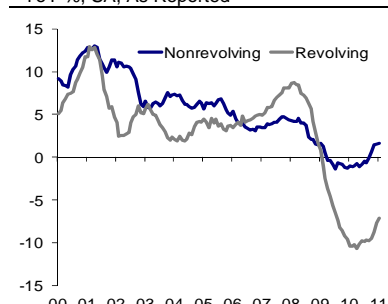
Total seasonally-adjusted consumer credit has increased MoM for the past four months, but this is entirely due to government. The loan-to-value for new cars is at the lowest level on record (80), which means high standards for asset-backed securities going forward. If loan standards remain so pristine, it will still take several months for ABS outstanding to respond in terms of YoY growth rates. As the forecasts for the three major holders stand today, consumer credit will move along an improving trend over 2011. In terms of levels, we expect consumer credit to remain largely flat over 2011.

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	-6.95%	-6.06%
ABS Issuers	-10.36%	-10.24%
Finance Comp.	-12.74%	-12.81%
Total	-9.12%	-8.64%

Note: Total excludes government and nonfinancial business

Source: BBVA Research

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