US

Banking Watch

April 7, 2011

Consumer Credit: Monthly Situation Report

- Headline consumer credit declines -0.65% YoY, a $7.62bn MoM change (BBVA: -0.85% YoY, $2.5bn MoM) at high end of consensus
- ABS issuers surprise to the upside, but we expect continued YoY declines for the rest of the year; high auto and student loan availability
- Fed axes loan-to-value and car loan financing data detail due to "deterioration" in the statistical basis of the data

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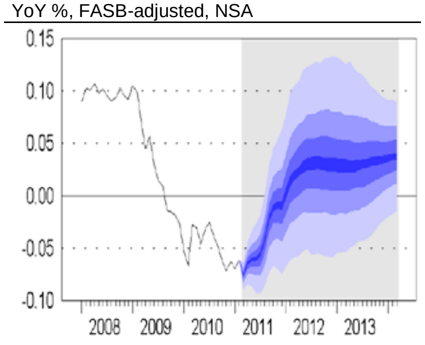
Breakdown of the Recent Data

On a non-seasonally-adjusted basis, only savings institutions and the Federal government increased MoM in February, suggesting that some of the surprise today is related to seasonality adjustments. Our own estimates, based on non-seasonally-adjusted data, are arriving largely in-line with our forecasts. Consumer credit at ABS issuers surprised to the upside, but within our upper bound. In the most recent FOMC minutes, the Fed noticed the availability of student and auto loans. Data from SIFMA on ABS issuance reveals slightly stronger growth in this segment, but it is nothing very extreme at present.

On the Horizon for Consumer Credit

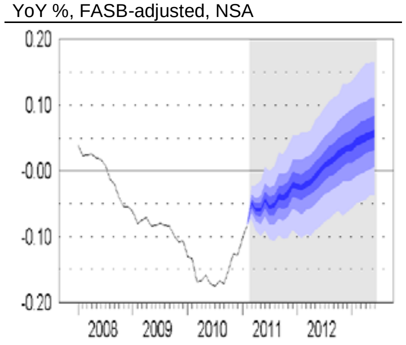
As such, we will keep a close watch on ABS, although we still expect continued YoY declines in this category for the rest of the year and into 2012. Nonrevolving credit is picking up notably at a 2.3% YoY rate, which is a positive development. Interestingly, the Fed decided to suspend its reporting of loan-to-value and amount financed for new cars due to a degradation of the statistical basis for this series. This suggests that there are material changes occurring in the market for auto loans and nonrevolving credit that the Fed is reviewing closely.

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



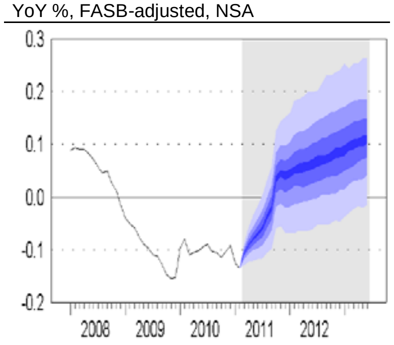
Source: BBVA Research

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



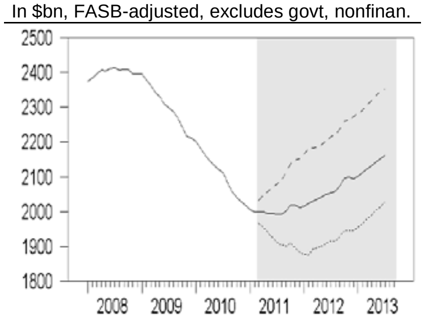
Source: BBVA Research

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



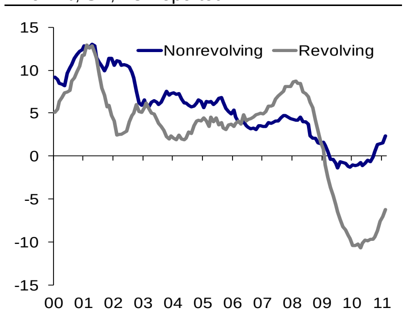
Source: BBVA Research

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	-6.14%	-5.63%
ABS Issuers	-8.32%	-9.75%
Finance Comp.	-13.49%	-14.23%
Total	-8.50%	-8.65%

Note: Total excludes government and nonfinancial business

Source: BBVA Research