

Banking Watch

US

26 April 2011
Economic Analysis

US

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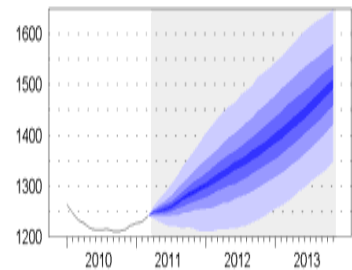
Bank Credit and Deposits: Monthly Situation Report

- C&I loans from commercial banks surged \$11.6bn MoM, representing a 0.7% YoY rate (BBVA: 0.0%). This is the first serious positive YoY growth rate of any credit category since the crisis. C&I grew in March at a healthy MoM annualized rate of around 11.3%.
- Large time deposits surprised strongly to the upside, triggering a higher medium-term forecast that brings forward a return to more normal nominal YoY growth in total deposits. Transactions deposits remain volatile and growing at rapid YoY rates.

Commercial and Industrial (C&I)

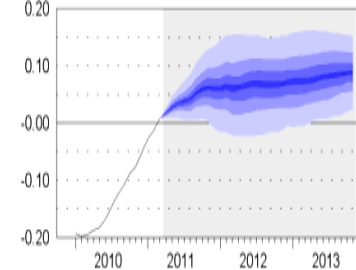
C&I increased in March by a significant amount, although future data revisions may mar this result. November registered a surprising increase that was subsequently reversed through revisions. Although C&I credit grew rapidly, hiring remains sluggish and suggestive of slow C&I credit growth moving forward. It is encouraging, however, that this credit category is positive on a YoY basis for the first time since the financial crisis. All other credit categories are not recovering as fast as C&I credit.

Chart 1
Commercial & Industrial, \$bn



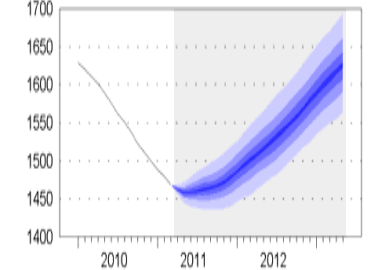
Source: BBVA Research

Chart 2
Commercial & industrial, YoY%



Source: BBVA Research

Chart 3
Commercial Real Estate, \$bn

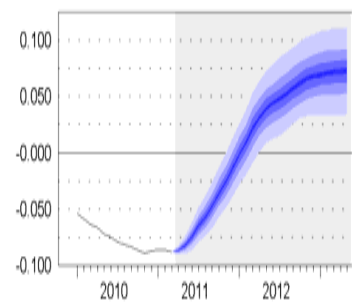


Source: BBVA Research

Commercial Real Estate (CRE)

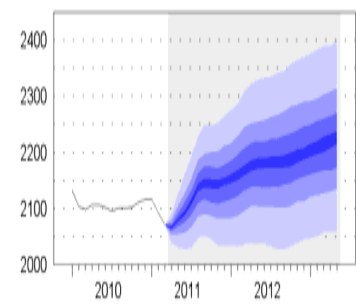
CRE's YoY growth rates are consistent with the immediate forecast of the model, but it has established a longer bottom than we anticipated. We remain focused on a return to YoY growth in 2012. CRE returns are rebounding from the crisis and the extent to which lending will respond to this rebound effect remains to be seen. Our longer-term forecasts are for slow growth in CRE credit after this rebound effect. This is a result of excess inventory and weak service sector employment. Vacancy rates are evolving as expected.

Chart 4
Commercial Real Estate, YoY%



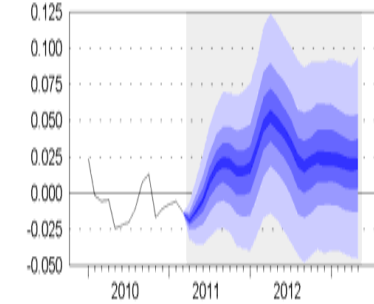
Source: BBVA Research

Chart 5
Residential, \$bn



Source: BBVA Research

Chart 6
Residential, YoY%



Source: BBVA Research

Residential

Residential growth declined by slightly more than predicted by the model. We see a rocky next 12 months for residential credit as the banking system surfs along twin impulses of refinancing and foreclosures. Housing activity indicators still reveal a lack of demand for mortgages and commercial banks' balance sheets still carry elevated mortgage delinquency rates. Mortgage rates will also face headwinds from expected Federal Reserve tightening next year.

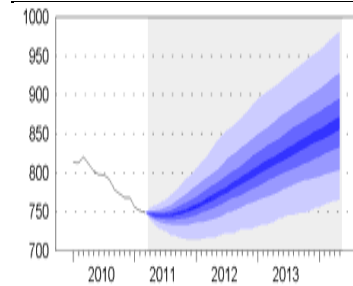
Consumer Credit

Nearly a year after the implementation of accounting changes that caused a structural break in the data, we will now see unadulterated YoY growth rates moving forward. Consumer credit at commercial banks will continue to decline at a YoY rate, although we expect this to ameliorate over the next several months. Auto loans in the financial system are perking up, while credit card usage has been curtailed compared to the pre-crisis era. More employment and consumer confidence represent upside risks to the forecast.

Deposits

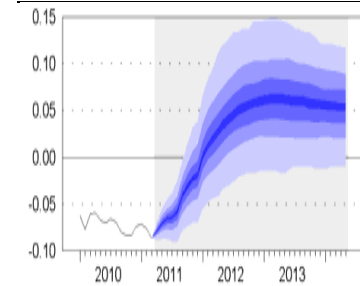
Deposit growth appears slowly groping its way back to its long-run average nominal YoY growth rate. However, small time and savings deposits have slowed over the past few months, while large time deposits are strengthening. Overall deposit growth is still low, but not at extremely (close to historic) slow YoY growth rates of previous months. Transactions deposits within the banking system are flourishing. In the longer run, we do not expect transaction deposits to sustain this present growth rate.

Chart 7
Consumer Lending, \$bn, break-adjusted



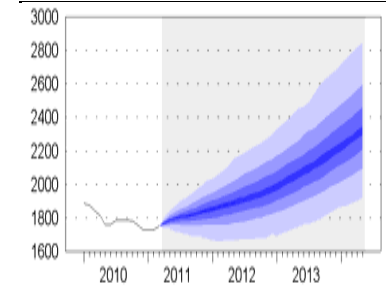
Source: BBVA Research

Chart 8
Consumer Lending, YoY%, break-adj.



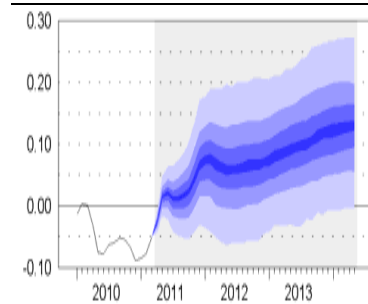
Source: BBVA Research

Chart 9
Large Time Deposits, \$bn



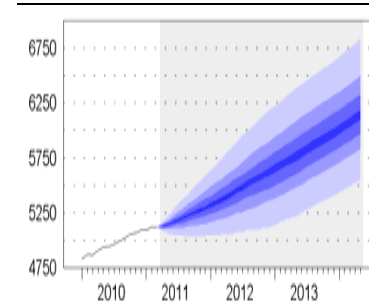
Source: BBVA Research

Chart 10
Large Time Deposits, YoY%



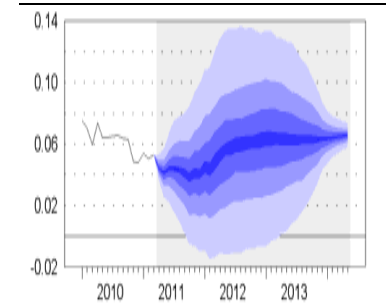
Source: BBVA Research

Chart 11
Small Time and Savings, \$bn



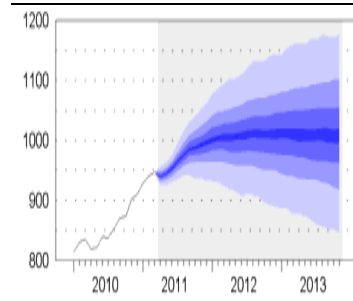
Source: BBVA Research

Chart 12
Small Time and Savings, YoY%



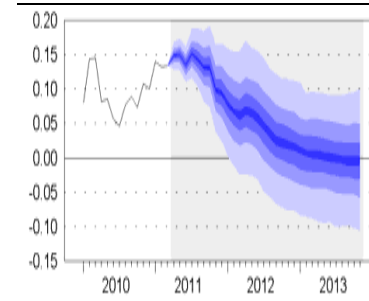
Source: BBVA Research

Chart 13
Transactions Deposits, \$bn



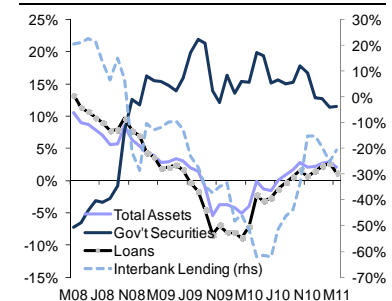
Source: BBVA Research

Chart 14
Transactions Deposits, YoY%



Source: BBVA Research

Chart 15
Commercial Banking System, YoY%



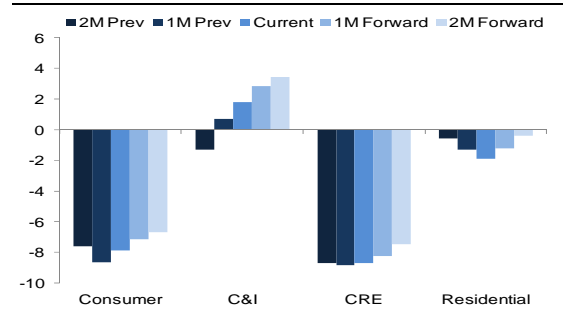
Source: Federal Reserve

Table 1
Banking System Update

	Consumer	C&I	CRE	Residential	Small Time / Savings	Large Time	Transactions
Deviation	0.1	0.7	-0.6	0.4	-0.6	1.3	1.0
2M Prev	-7.2	-2.8	-8.6	-0.8	5.4	-8.5	14.1
1M Prev	-7.6	-1.3	-8.7	-0.6	5.1	-7.7	13.2
Actual	-8.6	0.7	-8.8	-0.9	5.3	-5.0	13.4
Predicted	-8.7	0.0	-8.3	-1.3	5.9	-6.4	12.4
Next Month	-7.9	1.8	-8.7	-1.9	4.4	-2.6	14.9
2M Forward	-7.2	2.8	-8.2	-1.2	4.1	1.4	15.0
3M Forward	-6.7	3.4	-7.4	-0.4	4.4	2.0	13.6

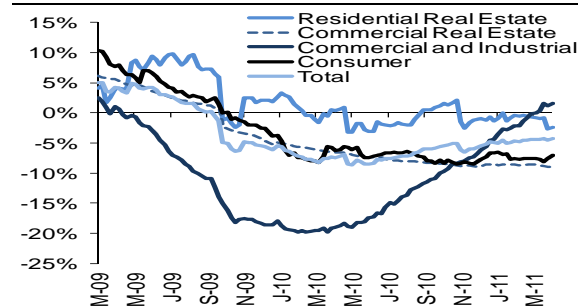
Source: BBVA Research

Chart 16
Credit Growth Snapshot, YoY%



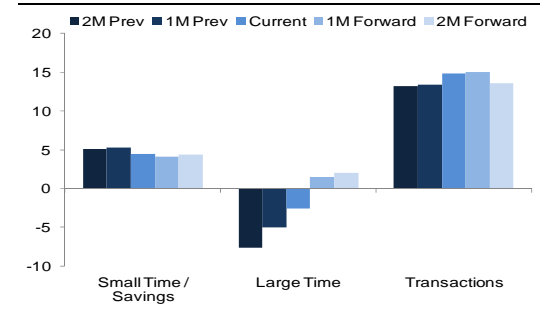
Source: BBVA Research

Chart 18
Commercial Bank Loans, YoY%, Consumer break-adjusted



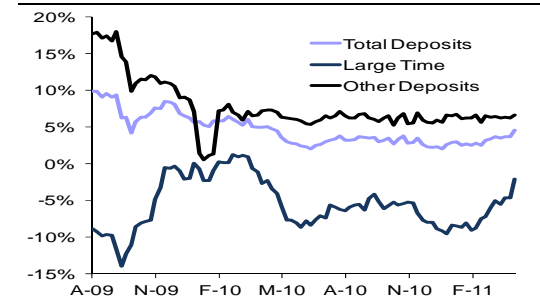
Source: Federal Reserve

Chart 17
Deposit Growth Snapshot, YoY%



Source: BBVA Research

Chart 19
Commercial Bank Deposits, YoY%



Source: Federal Reserve