

Banking Watch

US

6 May 2011
Economic Analysis

US

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Consumer Credit: Monthly Situation Report

- Total outstanding consumer credit increased by \$6bn MoM, which is roughly unchanged from one year ago and slightly above consensus' expectations. On a nonseasonally-adjusted basis, total and major holders of credit declined MoM.
- Revolving credit is staging a relatively robust recovery, but it remains nearly \$177.5bn down from its peak level in 2008. Nonrevolving credit is perking up via sustained positive YoY growth rates, but it is subdued compared to post-1980 growth rates.

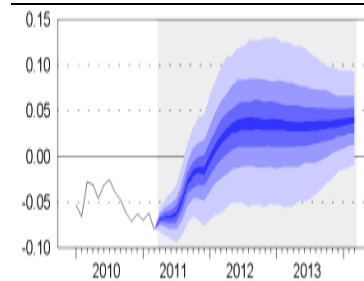
Breakdown of the Recent Data

The data is arriving largely in-line with our expectations, although the model for ABS issuers anticipates something of a lower trend relative to the recent recovery. Given that we are more than a year away from changes to FASB accounting standards that seriously affected the consumer credit data, we will probably have a stronger read on the data moving forward. We still expect limited credit card usage given savings rates of 5-6% and more persistent reliance on cash. Credit excluding government is still declining.

On the Horizon for Consumer Credit

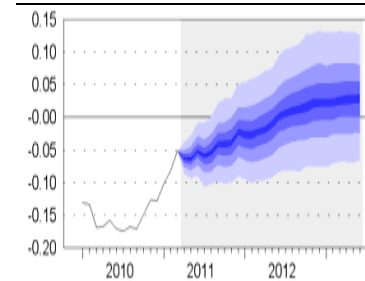
Our forecasts and the unfolding data remain consistent with a return to positive YoY growth by 2012. More rapid payroll growth and refreshed bank balance sheets represent upside risks to the forecasts. Very rapid consumer credit growth would become an issue with the Federal Reserve's monetary policy, but this does not appear likely for several months. Even with stronger employment growth, consumer credit will filter through to real activity with a considerable lag, more so for securitized issuance outstanding.

Chart 1
Commercial Banks, YoY %, NSA



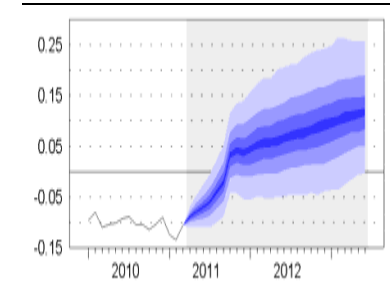
Source: BBVA Research. Note: FASB-adjusted

Chart 2
ABS Issuers, YoY %, NSA



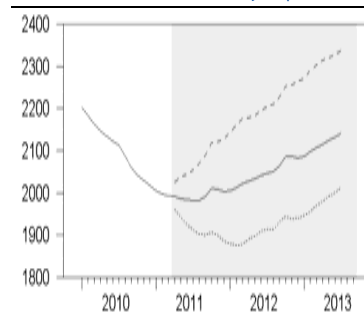
Source: BBVA Research. Note: FASB-adjusted

Chart 3
Finance Companies, YoY %, NSA



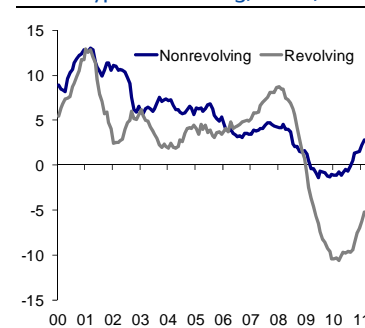
Source: BBVA Research. Note: FASB-adjusted

Chart 4
Consumer Credit Ex Gov't, In \$bn



Source: BBVA Research. Note: FASB-adjusted

Chart 5
Credit Type Outstanding, YoY %, SA



Source: Federal Reserve

Chart 6
Summary Table, YoY %, NSA, FASB-adj.

Category	Actual	Predicted
Banks and Thrifts	-7.93%	-7.60%
ABS Issuers	-5.14%	-4.96%
Finance Comp.	-10.61%	-10.70%
Total	-7.86%	-7.66%

Note: Total excludes government and nonfinancial business

Source: BBVA Research