

Banking Watch

US

7 June 2011
Economic Analysis

US

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Consumer Credit: Monthly Situation Report

- Total outstanding consumer credit increased by \$6.25bn MoM (BBVA: \$6.2bn), representing the first YoY expansion of total consumer credit in 25 months. Strong MoM growth of nonrevolving credit and less sharp declines in revolving credit contributed to the result.
- In terms of major holders, finance companies surprised strongly to the downside this month, which we attribute to weak auto sales in April resulting from supply chain disruptions to foreign automobile manufacturers. Bank and ABS Issuer credit remain on an improving trend.

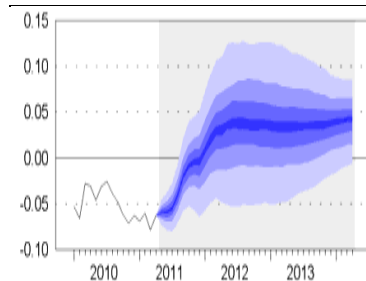
Breakdown of the Recent Data

We should mention again at this point that the first YoY expansion of total consumer credit is slightly deceptive given the immense growth of government consumer credit in the past two years. Our preferred measure of consumer credit extracts out government and nonfinancial business and is still declining MoM, although it is forming a bottom and we expect increases later in the year. This expansion of consumer credit by financial firms should marginally support consumption in 2011H2.

On the Horizon for Consumer Credit

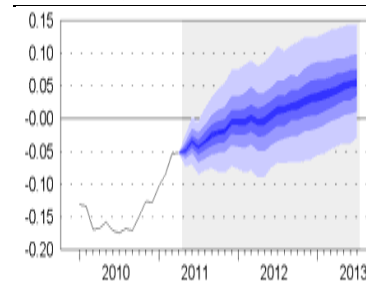
Nonrevolving credit grew at a YoY rate about half of its historical average, but at a rate similar to the average during June 2006 to June 2007. The time period is not comparable to now, but it is instructive of the generally strong growth of nonrevolving credit in the latest data. While revolving credit is around \$183bn below its peak, nonrevolving credit is now \$28.8bn above its peak. Despite the higher level of consumer credit formation, activity is still degraded compared to the pre-crisis era, but it is suggestive of an improving trend.

Chart 1
Commercial Banks, YoY %, NSA



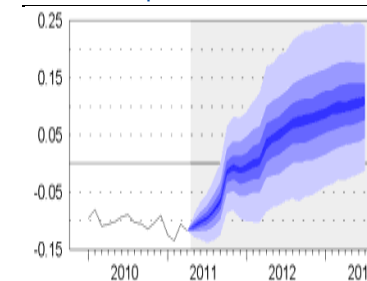
Source: BBVA Research. Note: FASB-adjusted

Chart 2
ABS Issuers, YoY %, NSA



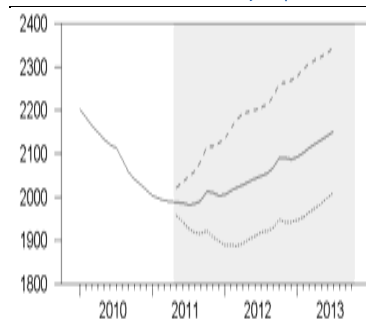
Source: BBVA Research. Note: FASB-adjusted

Chart 3
Finance Companies, YoY %, NSA



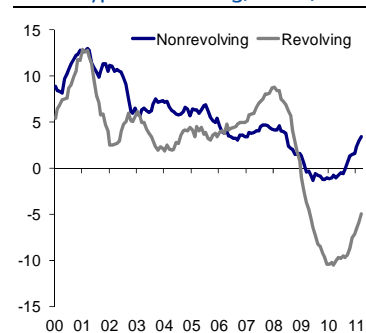
Source: BBVA Research. Note: FASB-adjusted

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	-6.27%	-6.93%
ABS Issuers	-5.29%	-6.38%
Finance Comp.	-11.68%	-8.99%
Total	-7.47%	-7.26%

Note: Total excludes government and nonfinancial business

Source: BBVA Research