

Banking Watch

US

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Economic Analysis

US

Kim Fraser
kim.fraser@bbvacompass.com

Consumer Credit: Monthly Situation Report

- Total outstanding consumer credit increased by \$5.1bn MoM (BBVA: \$5.2bn) in May, mostly due to a surprising jump in revolving credit which increased by \$3.3bn after declining for the previous 4 months. Nonrevolving credit continued to increase at a slower MoM pace.
- Commercial bank credit increased for the second consecutive month, however YoY declines remain large. Credit from finance companies and ABS issuers continues to decline MoM, but we expect levels to rebound after the effects of the auto supply chain disruptions dissipate.

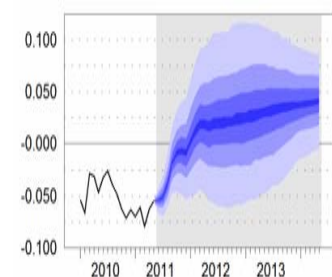
Breakdown of the Recent Data

Total outstanding consumer credit increased for the eighth consecutive month on a MoM basis and for the second month YoY. Negative MoM growth of credit from finance companies and ABS issuers was offset by growth of commercial bank credit as well as significant growth of government consumer credit. Excluding government credit, actual YoY data on a non-seasonally adjusted basis are consistent with our forecasts.

On the Horizon for Consumer Credit

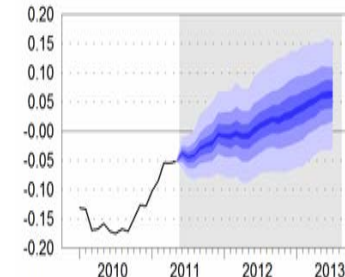
Surprisingly, revolving credit jumped in May for the first time in 2011, indicating that personal spending may be rebounding as consumers become more willing to take on debt. Although revolving credit is still far below pre-recession levels, nonrevolving credit continues to surpass its historical highs. Looking forward, lack of growth in the job market and rising commodity prices are likely to contribute to weak consumer data, however increased credit activity suggests some improvements for 2H11.

Chart 1
Commercial Banks, YoY %, NSA



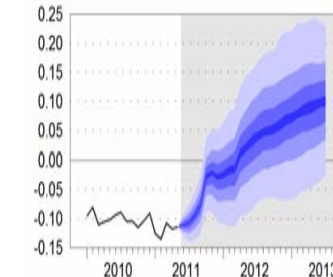
Source: BBVA Research. Note: FASB-adjusted

Chart 2
ABS Issuers, YoY %, NSA



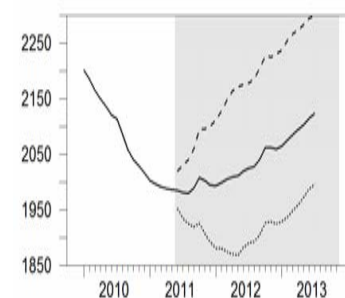
Source: BBVA Research. Note: FASB-adjusted

Chart 3
Finance Companies, YoY %, NSA



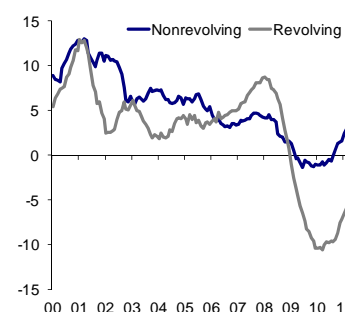
Source: BBVA Research. Note: FASB-adjusted

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	-5.96%	-6.01%
ABS Issuers	-4.81%	-5.15%
Finance Comp.	-10.93%	-11.33%
Total	-6.80%	-7.00%

Note: Total excludes government and nonfinancial business

Source: BBVA Research

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