

Banking Watch

US

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Economic Analysis

US

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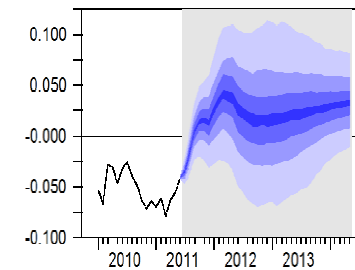
Consumer Credit: Monthly Situation Report

- Total outstanding consumer credit surpassed expectations and increased \$15.5bn MoM in June (BBVA: \$5.0bn), reflecting continued growth in both revolving and nonrevolving credit which increased by \$5.2bn and \$10.3bn, respectively.
- Credit from finance companies increased following 5 months of decline, while ABS issuer credit continued to fall. Commercial bank credit increased for the third consecutive month, despite large YoY declines.

Breakdown of the Recent Data

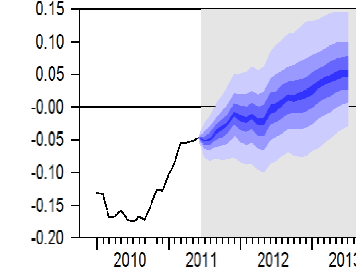
Total outstanding consumer credit surpassed consensus expectations and tripled last month's growth, expanding for the third month YoY. Credit from finance companies rebounded from negative growth, while commercial bank and government credit continued to expand. Despite lasting declines in ABS issuer credit, we expect that trends will revert back to positive growth once consumer spending habits rebound.

Chart 1
Commercial Banks, YoY %, NSA



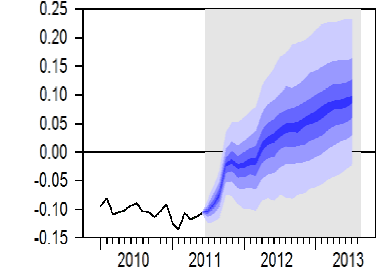
Source: BBVA Research. Note: FASB-adjusted

Chart 2
ABS Issuers, YoY %, NSA



Source: BBVA Research. Note: FASB-adjusted

Chart 3
Finance Companies, YoY %, NSA

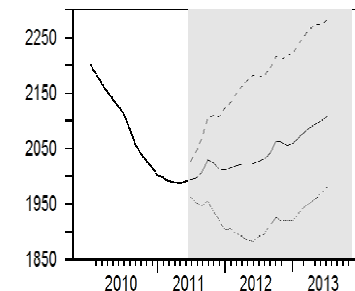


Source: BBVA Research. Note: FASB-adjusted

On the Horizon for Consumer Credit

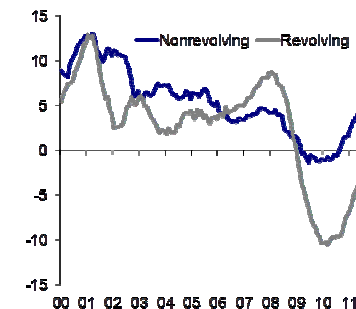
Nonrevolving credit grew substantially in June, up \$10.3bn from a \$1.7bn increase last month, and continues to surpass historical highs. It appears that revolving credit has rebounded from 5-year lows as growth accelerates for the second consecutive month. Although YoY growth is still negative, MoM expansion in revolving credit could signal returns to pre-recession spending levels. Despite reduced personal consumption and weak confidence in recent months, June's consumer credit data indicate that consumers may be willing to take on more debt in 2H11.

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	-5.18%	-5.39%
ABS Issuers	-4.66%	-3.79%
Finance Comp.	-10.67%	-11.08%
Total	-6.29%	-6.28%

Note: Total excludes government and nonfinancial business

Source: BBVA Research