

Banking Watch US

8 September 2011 **Economic Analysis**

Consumer Credit: Monthly Situation Report

- Total outstanding consumer credit increased \$12.0bn MoM in July (BBVA: \$7.0bn), while June's MoM change was revised down from \$15.5bn to \$11.3bn. Revolving credit declined by \$3.4bn after two months of growth, and nonrevolving credit increased by \$15.4bn.
- Credit from commercial banks increased but at a slower pace than in the past three months, while credit from finance companies accelerated. ABS issuer credit continued to fall, however YoY declines have lessened considerably since the beginning of 2011.

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US

Breakdown of the Recent Data

Non-seasonally-adjusted consumer credit data are arriving largely in-line with our forecasts, however some model adjustments were made to reflect downward revisions to the economic outlook. As expected, total outstanding consumer credit continues to grow on a MoM and YoY basis, even when excluding significant growth in government credit (which likely distorted our estimate for the month). Credit from commercial banks and finance companies increased again in July, while ABS issuer credit maintained a steady decline.

Commercial Banks, YoY %, NSA

Chart 1



Source: BBVA Research. Note: FASB-adjusted



Chart 3 Finance Companies, YoY %, NSA 0.25 0.20 0.15 0.10 0.05 0.00 -0.05 -0.10 -0.15 2010 2011 2012 2013

Source: BBVA Research. Note: FASB-adjusted

Summary Table, YoY %, NSA, FASB-adi,

-5.05%

-4.99%

-9.92%

Actual Predicted

-3.51%

-5.17%

-10.40%

-5.47%



-6.14% Total

Chart 6

Category

ABS Issuers

Finance Comp.

Banks and Thrifts

Note: Total excludes government and nonfinancial business

00 01 02 03 04 05 06 07 08 09 10 11 Source: BBVA Research Source: BBVA Research. Note: FASB-adjusted Source: Federal Reserve

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On the Horizon for Consumer Credit

Despite two consecutive months of arowth, revolving credit declined in July as consumer activity weakened. Discouraging economic data continue to suggest signs of a double-dip, and revolving credit levels are dangerously close to falling back below prerecession lows. On the other hand, nonrevolving credit continues to surpass historical highs, up \$15.4bn from a \$8.8bn increase last month. July's mismatch in consumer credit activity furthers existing uncertainties regarding the current economic recovery.