

Banking Watch

US

24 October 2011
Economic Analysis

US

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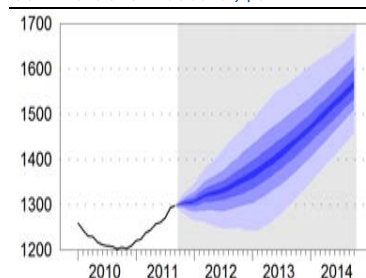
Bank Credit and Deposits: Monthly Situation Report

- C&I loans slowed in September growing by \$5bn MoM as expected. Consumer credit was once again muted in September, but is still improving compared to 2010. Given current constraints on consumers, we only expect around \$5bn in growth until yearend.
- Small time and savings deposits returned to less extreme growth, gaining \$26bn MoM, which is nearly four times less than in the previous month. Volatility in deposit categories decreased compared to August, although deposit growth remains high in transaction accounts.

Commercial and Industrial (C&I)

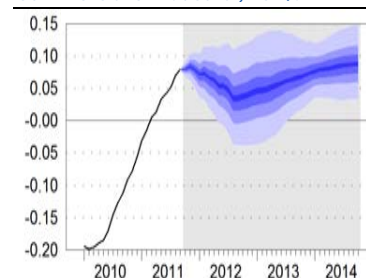
C&I loans followed its extraordinary growth in August with a much slower rate in September. Preliminary data for October may indicate an upward surprise relative to our forecast. The main sense that the C&I data is delivering now is that we are perhaps at a turning point in growth. Turning points are always difficult to predict, but C&I growth rates of 10% seem out of proportion with the degree of economic activity occurring within the last few months and that expected for the next several months. The upside should therefore be limited.

Chart 1
Commercial & Industrial, \$bn



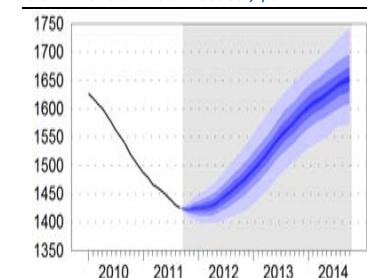
Source: BBVA Research

Chart 2
Commercial & Industrial, YoY%



Source: BBVA Research

Chart 3
Commercial Real Estate, \$bn

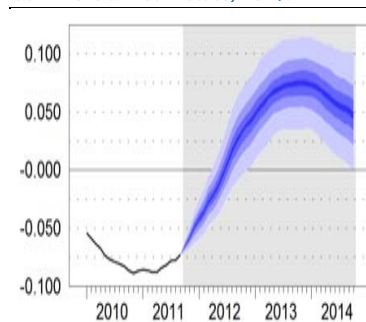


Source: BBVA Research

Commercial Real Estate (CRE)

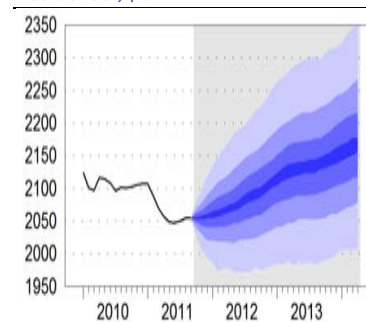
CRE's long slide is finally showing a clear escape path from its trough in terms of YoY rates. However, MoM we are still witnessing declines. Asset quality for CRE at commercial banks is generally improving, with delinquency and charge-off rates showing QoQ declines. However, both remain elevated compared to historical averages. Interest in CRE projects is increasing in select markets, but this interest is not yet widespread enough to make a dent in outstanding lending.

Chart 4
Commercial Real Estate, YoY%



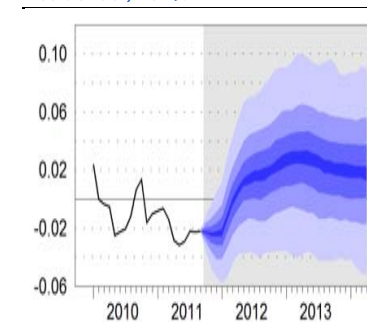
Source: BBVA Research

Chart 5
Residential, \$bn



Source: BBVA Research

Chart 6
Residential, YoY%



Source: BBVA Research

Residential

Given muted figures for new and existing home sales and housing prices, growth in outstanding residential lending remains morose. HELOCs are decaying slowly, while closed-end loans remain largely constant. Recent initiatives announced today to tweak mortgage modification programs will do little to spur mortgage growth in the near term. Federal Reserve actions to reinvest principle of maturing securities into agency mortgage-backed securities will aim to tie down mortgage spreads.

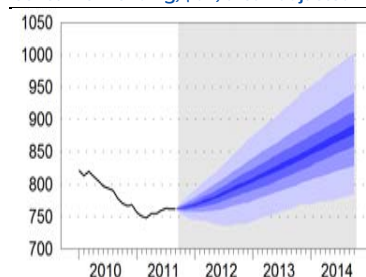
Consumer Credit

Consumer credit is not declining and is therefore not at present a drag on consumption. Given uncertainties about payroll growth and the chance of a recession, appetite to add consumer debt is still not strong. Even so, latest statistics on credit card direct mailings and credit card asset quality show a combination of fiercer competition between card offerings and improved trends for delinquencies and charge-offs. These trends confirm our expectation of future positive YoY consumer credit growth for 2012.

Deposits

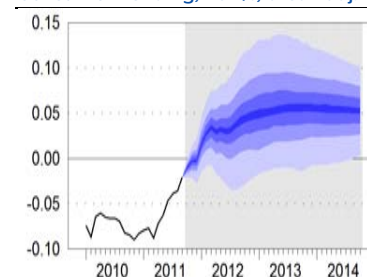
The divide in large time growth rates between foreign and domestic commercial banks continues, but less dramatically than in August. Transactions deposits grew by \$18bn MoM, slower than in the previous few months. Total deposit growth is robust and a radical change from extremely slow total deposit growth several months ago during more auspicious economic growth expectations. Swings in deposits will not be as large as August unless a risk scenario emerges.

Chart 7
Consumer Lending, \$bn, break-adjusted



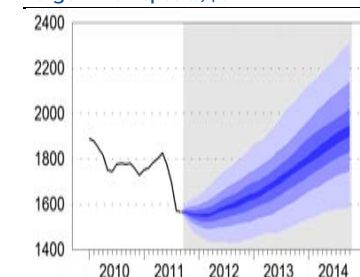
Source: BBVA Research

Chart 8
Consumer Lending, YoY%, break-adj.



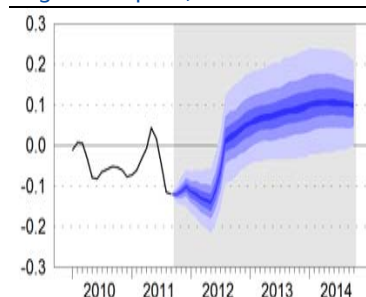
Source: BBVA Research

Chart 9
Large Time Deposits, \$bn



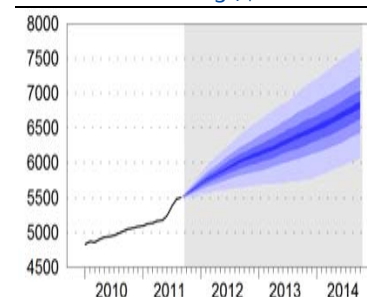
Source: BBVA Research

Chart 10
Large Time Deposits, YoY%



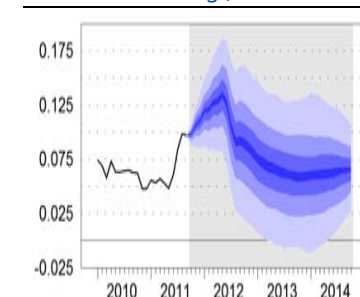
Source: BBVA Research

Chart 11
Small Time and Savings, \$bn



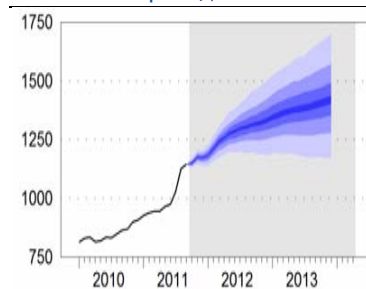
Source: BBVA Research

Chart 12
Small Time and Savings, YoY%



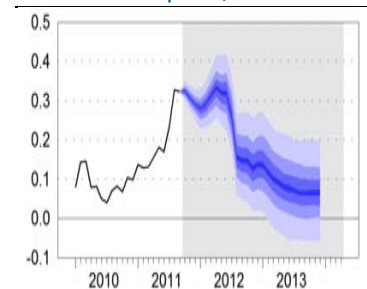
Source: BBVA Research

Chart 13
Transactions Deposits, \$bn



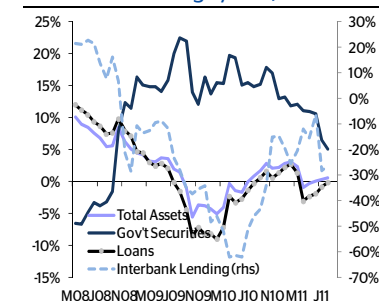
Source: BBVA Research

Chart 14
Transactions Deposits, YoY%



Source: BBVA Research

Chart 15
Commercial Banking System, YoY%



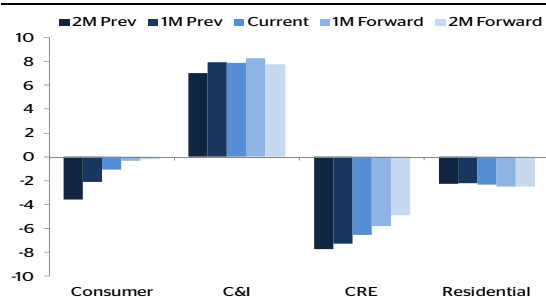
Source: Federal Reserve

Table 1
Banking System Update

	Consumer	C&I	CRE	Residential	Small Time / Savings	Large Time	Transactions
Deviation	0.0	-0.6	0.3	-0.2	-1.0	2.3	4.2
2M Prev	-3.9	5.1	-7.8	-2.2	8.4	-4.6	23.5
1M Prev	-3.6	7.0	-7.7	-2.2	9.9	-11.6	32.8
Actual	-2.1	7.9	-7.3	-2.4	9.7	-11.9	32.3
Predicted	-2.0	8.5	-7.6	-2.2	10.7	-14.2	28.1
Next Month	-1.1	7.9	-6.5	-2.3	9.8	-12.1	32.3
2M Forward	-0.3	8.3	-5.8	-2.5	10.6	-11.3	30.7
3M Forward	-0.2	7.8	-4.9	-2.5	11.0	-10.3	29.1

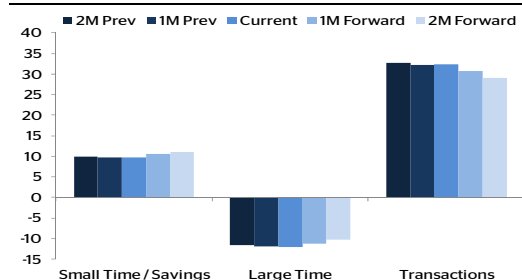
Source: BBVA Research

Chart 16
Credit Growth Snapshot, YoY%



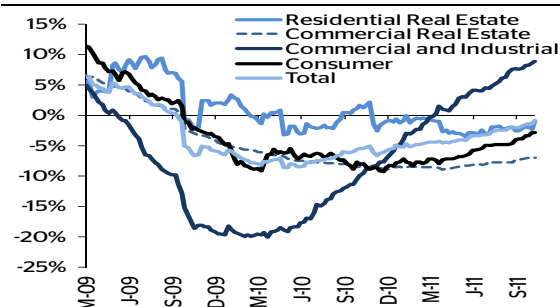
Source: BBVA Research

Chart 17
Deposit Growth Snapshot, YoY%



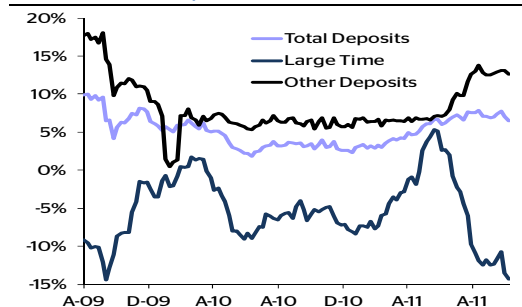
Source: BBVA Research

Chart 18
Commercial Bank Loans, YoY%



Source: Federal Reserve; Note: Consumer break-adjusted for FASB

Chart 19
Commercial Bank Deposits, YoY%



Source: Federal Reserve