

# Banking Watch

## US

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Economic Analysis

US

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### Consumer Credit: Monthly Situation Report

- Total outstanding consumer credit jumped for the second consecutive month, up \$19.3bn in December following an increase of \$20.4bn in November. Nonrevolving credit grew by \$16.5bn, a faster pace compared to the previous month, while revolving credit slowed.
- Credit from commercial banks increased \$18.2bn, mostly on the revolving side, pushing YoY growth into positive territory. Finance and government credit increased \$3.8bn and \$8.8bn, respectively, while ABS issuer credit declined for the first time in four months.

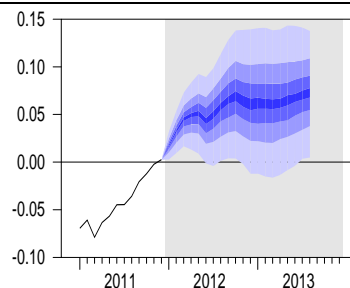
#### Breakdown of the Recent Data

The latest data mark the largest two-month gain in seasonally-adjusted (SA) consumer credit in more than a decade. As expected, nonrevolving credit appears to be driving growth. However, we continue to suspect that seasonal issues are playing a deceiving role. Non-seasonally-adjusted (NSA) consumer credit increased significantly (\$33.1bn) compared to the SA figure, highlighting our concern that the data are presenting misleading trends. Excluding government, NSA nonrevolving credit is at the same level as it was a year ago.

#### On the Horizon for Consumer Credit

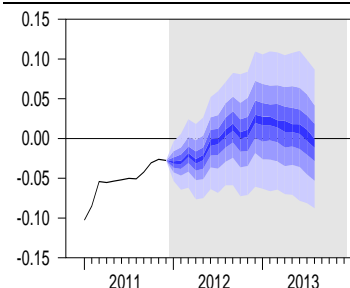
The 4Q11 holiday season influenced recent gains in total consumer credit, and we expect that the data will adjust in 1Q12. The personal savings rate increased in December and likely reflected a reduced willingness to take on additional credit card debt. Declines in consumer confidence and modest earnings growth should limit growth of revolving credit. However, nonrevolving credit may remain high if strong auto demand continues. Looking forward, we maintain our cautious outlook until gains appear to extend into the longer term.

Chart 1  
Commercial Banks, YoY %, NSA



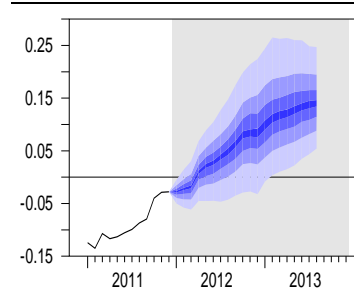
Source: BBVA Research. Note: FASB-adjusted

Chart 2  
ABS Issuers, YoY %, NSA



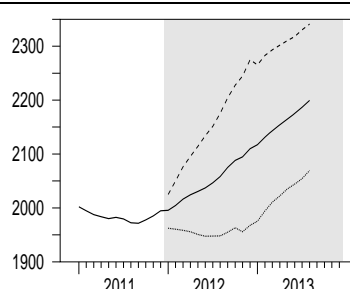
Source: BBVA Research. Note: FASB-adjusted

Chart 3  
Finance Companies, YoY %, NSA



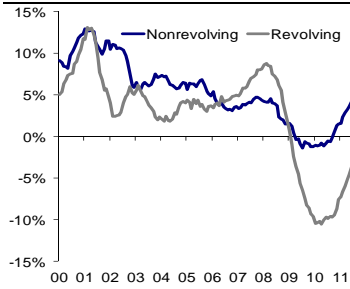
Source: BBVA Research. Note: FASB-adjusted

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	0.60%	0.00%
ABS Issuers	-2.76%	-1.92%
Finance Comp.	-2.77%	-3.88%
Total	-0.97%	-1.32%

Note: Total excludes government and nonfinancial business

Source: BBVA Research