

Banking Watch

US

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Economic Analysis

US

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Consumer Credit: Monthly Situation Report

- Seasonally-adjusted (SA) consumer credit grew \$17.8bn in January following greater-than-expected increases of \$20.0bn and \$16.3bn in November and December, respectively. Nonrevolving credit jumped \$20.7bn, offsetting a \$2.9bn decline on the revolving side.
- Credit from commercial banks and finance companies both declined for the first time in three months (-\$11.6bn and -\$1.3bn, respectively), and ABS issuer credit fell \$1.1bn. Government credit continues to drive nonrevolving credit, jumping \$27.9bn in January.

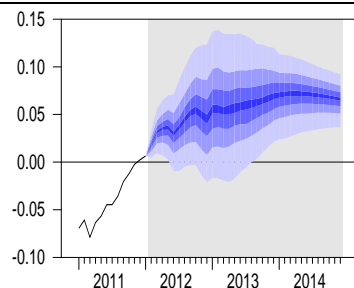
Breakdown of the Recent Data

Total outstanding consumer credit surpassed expectations in January for the third consecutive month. However, our suspicions of seasonal effects are becoming clearer as we see bigger discrepancies between SA and NSA data. NSA nonrevolving credit growth was more than 50% higher compared to the SA data, while NSA revolving credit declines were nearly six times larger. Excluding government, NSA nonrevolving credit has increased only \$3.0bn since March 2011, furthering our concerns that the consumer credit situation is not yet out of the woods.

On the Horizon for Consumer Credit

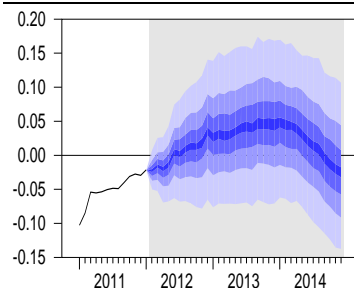
Gradual improvements in labor market conditions, gains in consumer confidence, and strong auto demand are helping to boost consumer lending. Despite the monthly drop in revolving credit, YoY growth has accelerated slightly into positive territory. We expect that this modest trend will continue throughout 2012, an encouraging sign for consumer activity. Nonrevolving credit growth has reached the highest YoY rate since September 2005, yet we remain cautious of the strong government influences.

Chart 1
Commercial Banks, YoY %, NSA



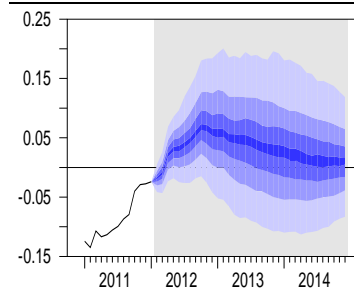
Source: BBVA Research. Note: FASB-adjusted

Chart 2
ABS Issuers, YoY %, NSA



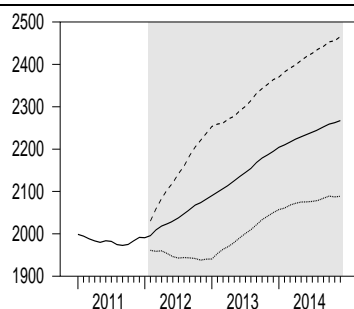
Source: BBVA Research. Note: FASB-adjusted

Chart 3
Finance Companies, YoY %, NSA



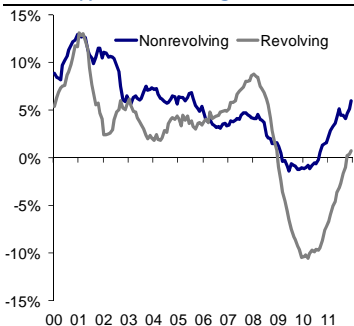
Source: BBVA Research. Note: FASB-adjusted

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	1.14%	1.76%
ABS Issuers	-2.15%	-2.99%
Finance Comp.	-2.41%	-2.73%
Total	-0.45%	-0.40%

Note: Total excludes government and nonfinancial business

Source: BBVA Research