

Banking Watch

US

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Economic Analysis

US

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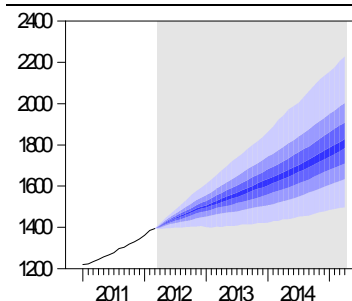
Bank Credit and Deposits: Monthly Situation Report

- Total loan growth surpassed 3.0% YoY in March, suggesting that real bank credit is finally expanding. The pace is expected to strengthen, with continued support from C&I and consumer lending. Real estate remains weak, though YoY mortgage growth should remain positive.
- Uncertainty in the economic outlook has helped keep demand and savings deposits high on a YoY basis, though these trends should soften as the year progresses. By year end, we expect large time deposits to hover near positive YoY growth territory.

Commercial & Industrial (C&I)

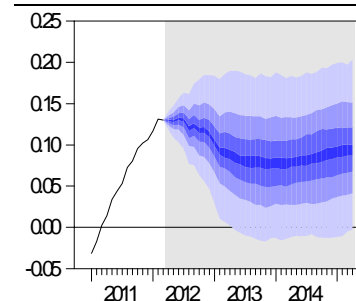
C&I lending finally appears to be slowing down in line with our expectations, however, it is not yet clear whether this is merely due to data revisions or indicative of a continuing trend. The \$11bn gain in March follows an upwardly revised \$22bn jump in February and marks the slowest monthly acceleration in nearly six months. On a YoY basis, C&I credit growth held steady near 13% for the second consecutive month, though we expect that this will be the peak in terms of annual growth.

Chart 1
Commercial & Industrial, \$bn



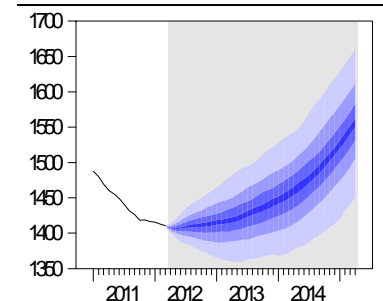
Source: BBVA Research

Chart 2
Commercial & Industrial, YoY%



Source: BBVA Research

Chart 3
Commercial Real Estate, \$bn

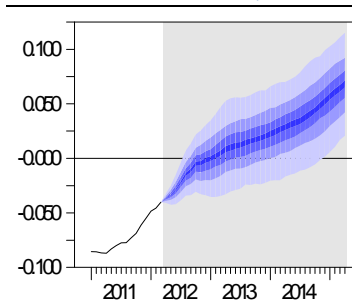


Source: BBVA Research

Commercial Real Estate (CRE)

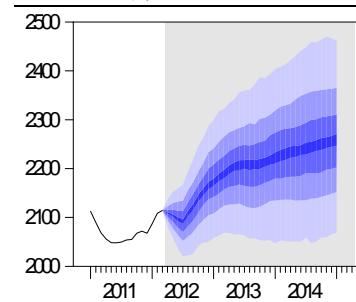
The surprising increase in CRE lending for February was most likely due to a thrift converting to a bank, which often distorts the data. Accordingly, CRE data was revised down more than \$10bn, indicating a larger YoY decline than previously noted. Conditions did improve marginally in March, although lending remains 4% lower compared to 12 months ago. Still, we expect that CRE credit is on the brink of a rebound and should cross into YoY growth territory by mid-2012.

Chart 4
Commercial Real Estate, YoY%



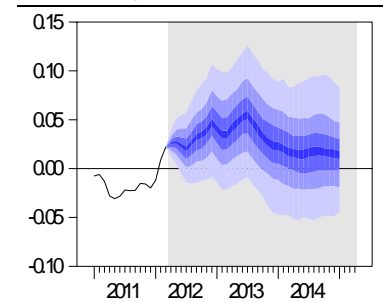
Source: BBVA Research

Chart 5
Residential, \$bn



Source: BBVA Research

Chart 6
Residential, YoY%

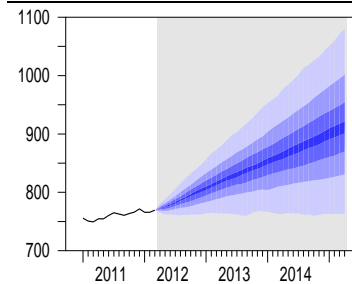


Source: BBVA Research

Residential

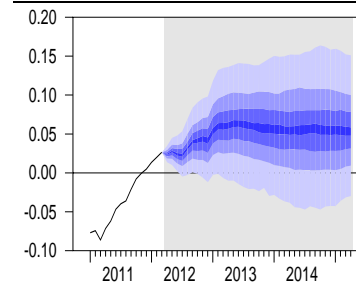
Mortgage lending increased only \$6bn in March following two consecutive months of significant gains. Despite prolonged weakness in residential activity, YoY growth has accelerated. On the downside, general economic momentum appears to be slowing, with signs of weakening employment gains and somewhat mixed consumer confidence reports. This will likely limit home purchases in the near term, and we continue to expect a brief drop in residential lending in the coming months.

Chart 7
Consumer Lending, \$bn, break-adj.



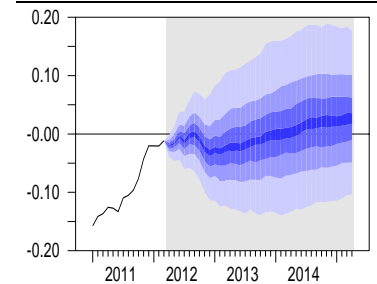
Source: BBVA Research

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



Source: BBVA Research

Chart 9
Domestic Large Time Deposits, YoY%

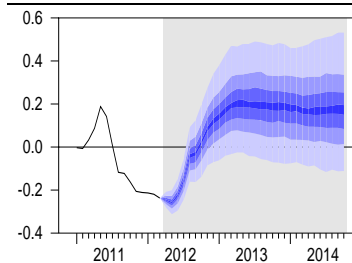


Source: BBVA Research

Consumer Credit

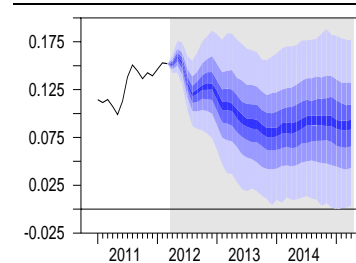
Consumer credit growth accelerated on a YoY basis for the fourth straight month, and the outlook is generally positive. However, we may see a few bumps in the road in the near term as consumers remain hesitant regarding future income. Furthermore, slowing improvements in the job market may keep consumer credit on a flatter trajectory. Levels still have a long way to go to reach the pre-recession peak near \$900bn.

Chart 10
Foreign Large Time Deposits, YoY%



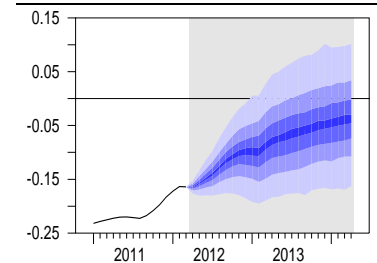
Source: BBVA Research

Chart 11
Savings Deposits, YoY%



Source: BBVA Research

Chart 12
Small Time Deposits, YoY%

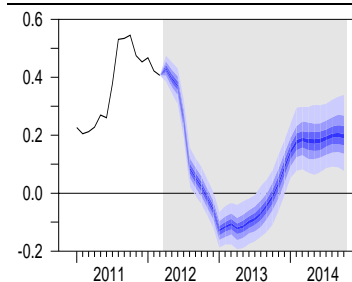


Source: BBVA Research

Deposits

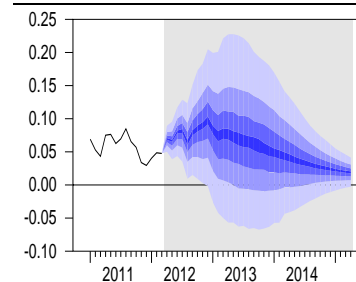
Downward revisions to demand deposits suggest that economic confidence is on the rise, though we expect that further improvements will be limited in the short-term. Likewise, increases in savings deposits should continue at a similar pace. The negative impact of small time and foreign large time on total deposit growth should subside as the year progresses.

Chart 13
Demand Deposits, YoY%



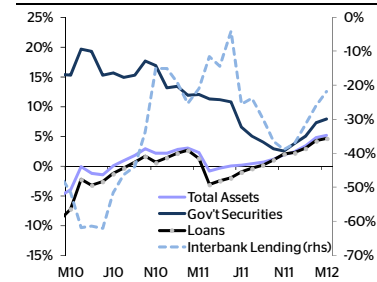
Source: BBVA Research

Chart 14
Checking Deposits, YoY%



Source: BBVA Research

Chart 15
Commercial Banking System, YoY%



Source: Federal Reserve

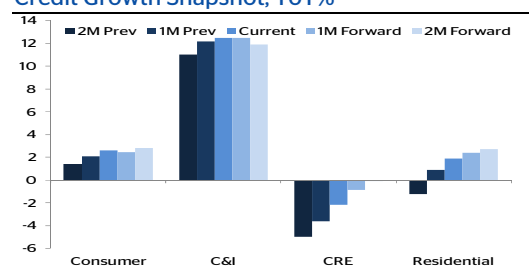
Table 1

Banking System Update

	Consumer	C&I	CRE	Residential	Savings	Small Time	Domestic Large Time	Foreign Large Time	Demand	Checking
Deviation	0.0	0.6	-1.9	-0.5	-0.5	0.6	-0.1	0.4	-6.0	0.8
2M Prev	1.3	11.7	-4.8	-1.2	14.6	-17.2	-2.0	-21.3	46.8	4.0
1M Prev	2.0	13.1	-4.6	0.9	15.3	-16.3	-2.1	-21.9	42.2	4.8
Actual	2.7	13.0	-4.0	1.8	15.2	-16.4	-1.2	-23.7	40.7	5.6
Predicted	2.6	12.5	-2.2	2.2	15.7	-17.0	-1.0	-24.1	46.7	4.8
Next Month	2.4	13.0	-3.7	2.6	15.2	-16.4	-2.0	-24.5	43.3	7.0
2M Forward	2.7	12.9	-3.4	2.7	15.9	-15.8	-1.7	-25.7	39.9	6.7
3M Forward	2.4	13.2	-2.9	2.4	15.2	-14.9	-0.6	-22.4	37.1	8.0

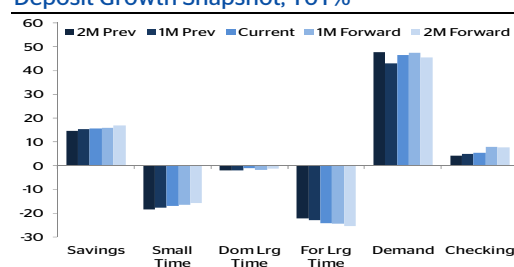
Source: BBVA Research

Chart 16

Credit Growth Snapshot, YoY%


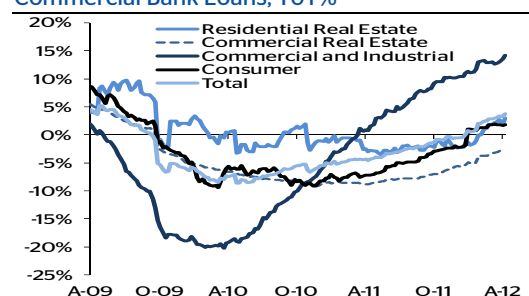
Source: BBVA Research

Chart 17

Deposit Growth Snapshot, YoY%


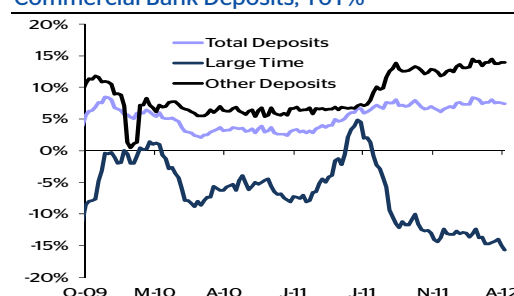
Source: BBVA Research

Chart 18

Commercial Bank Loans, YoY%


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

Chart 19

Commercial Bank Deposits, YoY%


Source: Federal Reserve

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