

Economic Analysis

Weekly Focus: Consumer Credit and JOLTS

Kim Chase

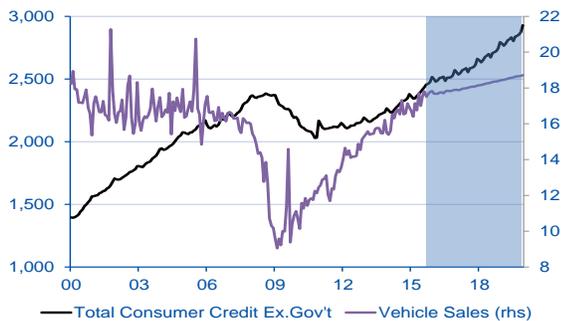
Increased Demand for Auto Loans Expected to Drive Consumer Credit in July

Consumers are the driving force of the economy right now, and **July's consumer credit report (Tuesday)** will provide additional details on the health of the consumer sector. Total outstanding consumer credit has been increasingly dominated by student loan debt (which is mostly government issued), somewhat exaggerating the amount of credit that consumers are willing to take on. Excluding the government component, consumer credit has recovered to its pre-crisis peak. However, most of this is due to a massive acceleration in nonrevolving credit (i.e. student loans) beginning in late 2010. Revolving credit (i.e. credit cards) has recovered less than 50% towards its pre-recession peak. This highlights the underlying uncertainty we have seen among consumers – even though they are spending at a healthy pace for the recovery, there is still some hesitance in taking on significant debt to fuel additional purchases. The consumer credit report is lagged a few months, yet we expect the data to confirm what we already know about consumer activity this summer – relatively healthy spending and increased demand for bigger ticket items, such as vehicles. Auto sales in July jumped 3.3%, and thus we expect that auto loan demand also increased for the month. This will help lift nonrevolving consumer credit aside from the usual push from student loans.

JOLTS Data to Confirm Ongoing Improvement in the Labor Market

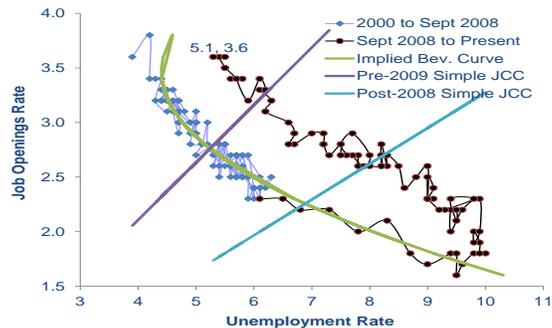
The **JOLTS report (Wednesday)** is another lagged data series but has become extremely relevant in the past year. Janet Yellen and her FOMC colleagues have emphasized their data-dependent strategy for monetary policy accommodation, focusing on labor market indicators outside of the usual nonfarm payrolls and unemployment rate. JOLTS data have certainly shown significant improvement throughout the past twelve months or so, and signs of structural unemployment are slowly fading. The National Beveridge Curve, which highlights the number of vacant jobs as a share of the labor force, is gradually moving back to its pre-crisis trend. Still, the Fed has many lingering concerns related to this outward shift in the Beveridge Curve, including elevated long-term unemployment and skill mismatches of potential employees. The ongoing decline in labor force participation is troublesome for potential growth, yet the rapid decline in the unemployment rate towards the Fed's "natural rate" (and now at 5.1%) should be enough motivation to at least begin the normalization process.

Graph 1
Consumer Credit & Auto Sales
(NSA \$Bn & SAAR Million Units)



Source: FRB, Autodata, & BBVA Research

Graph 2
National Beveridge Curve



Source: BLS & BBVA Research

Economic Trends

Graph 3
BBVA USA Weekly Activity Index (3 month % change)



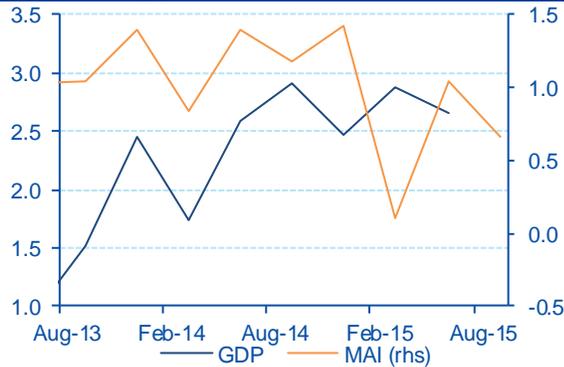
Source: BBVA Research

Graph 4
BBVA USA Surprise Activity Index & Dow Jones (Index 2009=100 & eop)



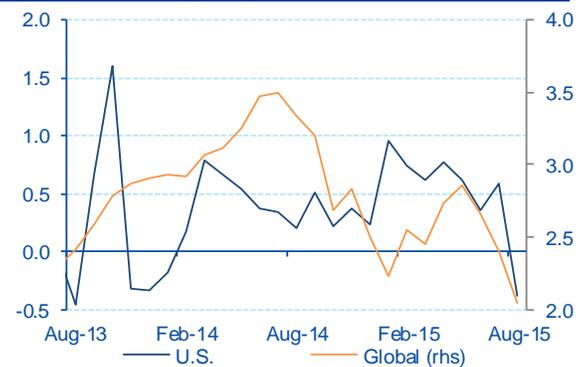
Source: Bloomberg & BBVA Research

Graph 5
BBVA USA Monthly Activity Index & Real GDP (4Q % change)



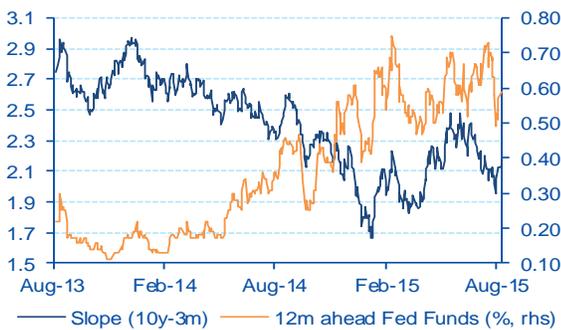
Source: BBVA Research & BEA

Graph 6
BBVA USA Risk Index (> 0 = increasing risk)



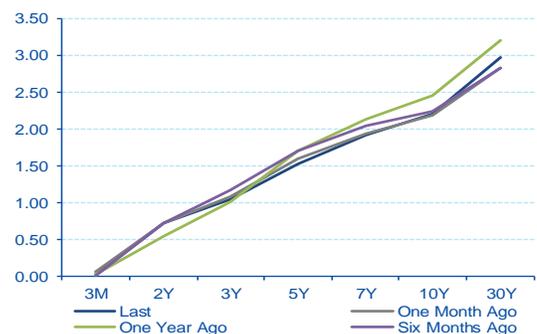
Source: BBVA Research

Graph 7
Fed Futures & Yield Curve Slope (% & 10year-3month)



Source: Haver Analytics & BBVA Research

Graph 8
U.S. Treasury Yield Curve (% p.a.)



Source: Haver Analytics & BBVA Research

Week Ahead Economic Calendar

Date	Event	Period	BBVA	Consensus	Previous
8-Sep	NFIB Small Business Optimism Index	AUG	95.00	96.00	95.40
8-Sep	Federal Reserve Consumer Credit Total Net Change SA	JUL	19.50	18.55	20.74
9-Sep	US Job Openings By Industry Total SA	JUL	5313.00	5285.00	5249.00
10-Sep	US Initial Jobless Claims SA	SEP 5	275.00	275.00	282.00
10-Sep	US Continuing Jobless Claims SA	AUG 29	2265.00	2250.00	2257.00
10-Sep	US Import Price Index by End Use All MoM NSA	AUG	-1.00	-1.65	-0.90
10-Sep	Merchant Wholesalers Inventories Total Monthly % Change	JUL	0.20	0.30	0.90
11-Sep	US PPI Final Demand MoM SA	AUG	-0.10	-0.10	0.20
11-Sep	US PPI Final Demand Less Foods and Energy MoM SA	AUG	0.00	0.10	0.30
11-Sep	University of Michigan Consumer Sentiment Index	SEP P	92.30	91.20	91.90

Economic Outlook

	2015				2014	2015	2016	2017
	1Q	2Q	3Q	4Q				
Real GDP (% SAAR)	0.6	3.7	2.4	3.0	2.4	2.5	2.8	2.8
CPI (YoY %)	-0.1	0.0	0.3	1.2	1.6	0.3	1.8	2.1
CPI Core (YoY %)	1.7	1.8	1.8	1.7	1.7	1.7	1.8	2.0
Unemployment Rate (%)	5.6	5.4	5.2	5.1	6.2	5.3	4.9	4.6
Fed Target Rate (eop, %)	0.25	0.25	0.50	0.50	0.25	0.50	1.50	2.50
10Yr Treasury (eop, % Yield)	2.04	2.36	2.33	2.53	2.21	2.53	2.72	3.64
US Dollar/ Euro (eop)	1.08	1.12	1.05	1.07	1.23	1.07	1.13	1.20
Core Logic Home Prices (YoY %)	4.96	5.80	6.05	5.85	7.55	5.76	4.40	2.45

Fun Fact

Based on 2012-13 tax returns, Texas had the largest net migration of any state, with the majority of migrants hailing from California. (IRS, August 2015)

Recent Publications

[August Employment Report Supports a September Rate Hike, but There's No Guarantee](#) (September 4, 2015)

[Commercial Banking after the Crisis](#) (September 3, 2015)

[Heightened Bond Liquidity Risk is the New Normal](#) (September 3, 2015)

[Consumption Still in the Driver's Seat for GDP](#) (August 27, 2015)

[Housing Rises to New Heights in July](#) (August 25, 2015)

[U.S. Real GDP Growth Nowcast: 1.14% for 3Q15](#) (August 24, 2015)

[U.S. Oil & Gas Industry Chartbook](#) (August 24, 2015)

[U.S. Economic Outlook 3Q15](#) (August 20, 2015)

[FOMC Minutes: Committee in Preparation Talks for Impending First Rate Hike](#) (August 19, 2015)

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