

Economic Analysis

Weekly Focus: Consumer Credit and Inventories

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January's Consumer Credit Likely to Reflect Healthy Spending Habits

Consumer credit for January (Monday) is expected to show another strong month of activity. In December, total consumer credit outstanding jumped by \$21.3 billion, as consumers took on additional debt to fuel their holiday shopping sprees. Revolving consumer credit, the component that monitors credit card spending, was up a solid \$5.8 billion and has generally been on the rise since last March. Nonrevolving credit, i.e. auto and student loans, increased by \$15.4 billion, accounting for 73% of the change in outstanding total consumer credit in December. We expect consumer credit data for January to be in line with previously-released consumption indicators. For example, retail sales in January were higher than expected, with auto sales making a comeback as the leading component. After two consecutive months of decline, Autodata reported that auto sales in January reached 17.6 million units, up 1.4% MoM, driven by cheap fuel, employment growth and low interest rates. Better economic conditions have led to favorable financing conditions for willing consumers, which should be reflected in Monday's consumer credit report.

Businesses Likely to Continue Inventory Liquidation

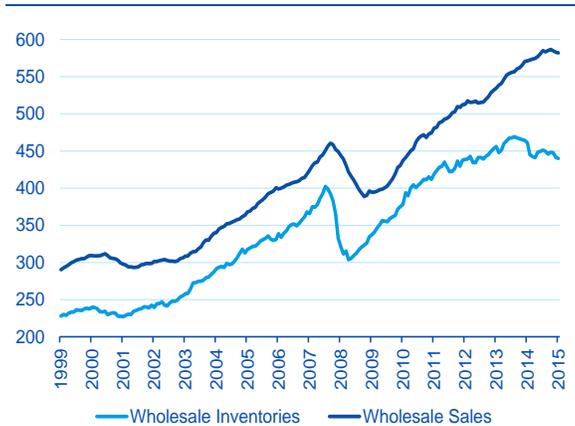
It's a very slow economic week, so we'll focus on another lagged and oft-ignored indicator — **wholesale trade (for January, Wednesday)**. Inventories shrunk throughout the final quarter of 2015, with declining stocks of both durable and nondurable goods; however, preliminary revisions to 4Q15 GDP revealed that they had dragged down growth less than initially estimated. In the first half of 2015, wholesalers accumulated more inventories relative to sales, prompting businesses to reduce their stockpiles before year-end. This is likely to continue through the beginning of this year, as implied by the inventory/sales ratio, which reached 1.32 in December — its highest level since 2009

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



Source: FRB, Autodata & BBVA Research

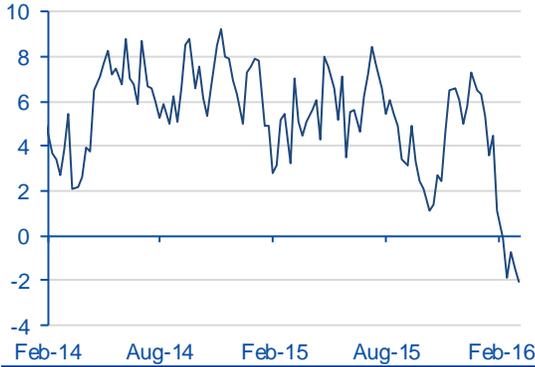
Graph 2
Wholesale Inventories and Sales
(SA \$Bn)



Source: Census Bureau & 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)



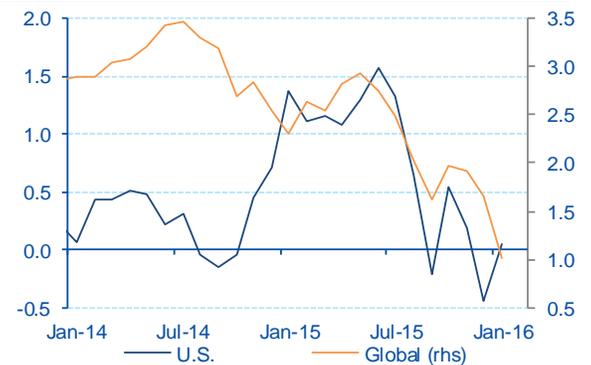
Source: Bloomberg & BBVA Research

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



Source: BBVA Research & BEA

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



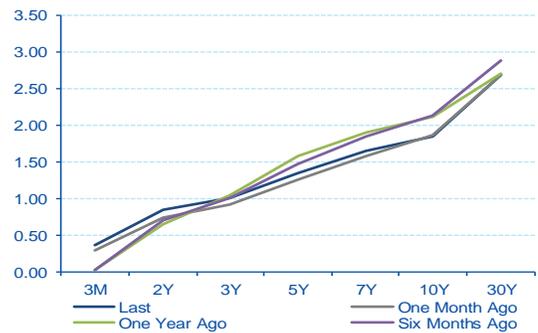
Source: BBVA Research

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
7-Mar	Federal Reserve Consumer Credit Total Net Change SA	JAN	18.49	16.50	21.27
8-Mar	NFIB Small Business Optimism Index	FEB	93.80	94.20	93.90
9-Mar	Merchant Wholesalers Inventories Total Monthly % Change	JAN	-0.16	-0.20	-0.10
10-Mar	US Initial Jobless Claims SA	MAR 5	270.00	275.00	278.00
10-Mar	US Continuing Jobless Claims SA	FEB 27	2240.00	0.00	2257.00
11-Mar	US Import Price Index by End Use All MoMNSA	FEB	-0.75	-0.80	-1.10

Economic Outlook

	2015		2016		2014	2015	2016	2017
	3Q	4Q	1Q	2Q				
Real GDP (% SAAR)	2.0	0.7	2.8	3.3	2.4	2.4	2.5	2.4
CPI (YoY %)	0.1	0.5	1.1	1.1	1.6	0.1	1.3	1.9
CPI Core (YoY %)	1.8	2.0	2.1	2.1	1.7	1.8	2.0	1.9
Unemployment Rate (%)	5.2	5.0	5.0	4.9	6.2	5.3	4.8	4.6
Fed Target Rate (eop, %)	0.25	0.50	0.50	0.75	0.25	0.50	1.00	2.00
10Yr Treasury (eop, % Yield)	2.17	2.24	2.09	2.17	2.21	2.24	2.32	2.88
US Dollar/ Euro (eop)	1.12	1.09	1.05	1.06	1.23	1.09	1.11	1.16
Core Logic Home Prices (YoY %)	4.86	5.51	5.31	4.89	7.69	4.99	4.79	4.22

Fun Fact

When astronaut Scott Kelly returned to Earth from the International Space Station last Wednesday, NASA discovered he had grown two inches taller during his year in orbit. By Friday, he was back to his original height. (CNN, March 2016)

Recent Publications

- [Payrolls Grow, Participation Rate Up in February](#) (March 4, 2016)
- [U.S. Housing Market Outlook First Quarter 2016](#) (March 3, 2016)
- [U.S. Presidential Election Chartbook](#) (March 2, 2016)
- [4Q15 GDP Unexpectedly Revised Upward to 1.0%](#) (February 26, 2016)
- [Auto Dealerships: Destined for Disruption](#) (February 24, 2016)
- [U.S. Auto Industry Chartbook](#) (February 22, 2016)
- [U.S. Economic Outlook: 1Q16](#) (February 19, 2016)
- [Core Inflation Hits Four-Year High in January](#) (February 19, 2016)
- [Recession Looming for Texas Economy](#) (February 18, 2016)
- [FOMC Minutes: Details Reveal Increased Uncertainty among Members](#) (February 17, 2016)
- [Oil Prices: Black Gold or a Black Hole?](#) (February 12, 2016)
- [January Retail Sales Provide Strong Start to 1Q16](#) (February 12, 2016)
- [Yellen's Testimony Highlights Growing Concerns](#) (February 10, 2016)
- [U.S. Recession Probability Rises to 25%](#) (February 5, 2016)
- [Payrolls Soft but UR at Record Low in January](#) (February 5, 2016)
- [Senior Loan Officer Survey, January 2016](#) (February 2, 2016)

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