

Banking Analysis

# Revolving consumer credit growth hits post-crisis high in February

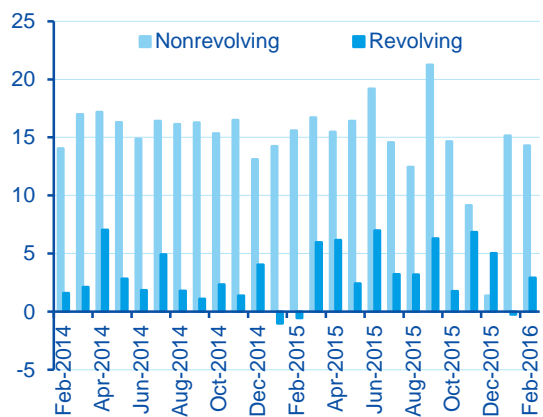
Filip Blazheski

- **Consumer credit increased more than expected, while the January figure was revised upward**
- **Revolving credit was 5.7% higher year-on-year, the most since August 2008**
- **Consumer credit growth is expected to remain solid with higher growth rates for revolving credit and lower for nonrevolving credit compared to last year**

Consumer credit in February increased \$17.2 billion (seasonally adjusted), which was more than the expected \$14 billion. The initially low January increase of \$10.5 billion was revised up to respectable \$14.9 billion. Total outstanding consumer credit in February was 6.7% higher than at the same time last year.

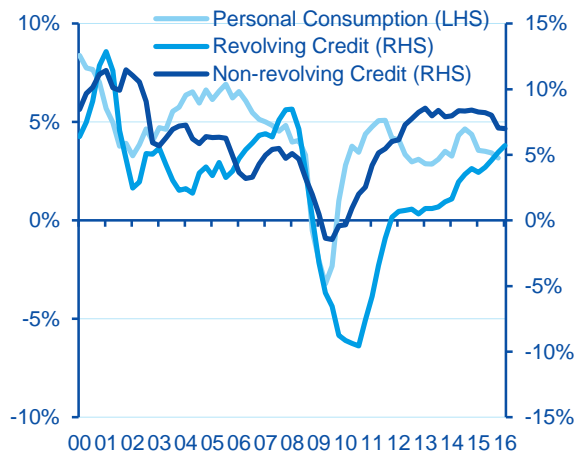
As is usually the case, most of the gains were in nonrevolving credit (Chart 1), up \$14.3 billion to achieve 7% YoY growth, predominantly due to auto and student loans (which are released quarterly). While the rate of nonrevolving credit growth is expected to remain relatively high this year, we expect it to decelerate slightly. The rate of growth of student loans outstanding has been in decline since 2011 and is likely to remain so. We also expect a slowdown in the rate of growth of auto sales, while the uptick in auto loan delinquencies is likely to decrease the banks' willingness to lend. The fact that non-revolving credit has grown faster than personal consumption for more than four years (Chart 2) could also support the adjustment – the largest such stretch of time in the last 60 years has been less than six years (July 1998 – April 2004).

Chart 1  
**Consumer Credit Outstanding**  
\$ Billion MoM Change SA



Source: Federal Reserve Board & BBVA Research

Chart 2  
**Personal Consumption and Consumer Credit**  
% YoY (3Q15 Extrapolated for Consumer Credit)



Source: Federal Reserve Board & BBVA Research

Revolving credit, predominantly credit card debt, increased \$2.9 billion, reaching 5.7% on a YoY basis. This is the strongest growth rate since August 2008 and reflects improved consumer confidence supported by the solid labor market. Unlike nonrevolving credit, we expect revolving credit to grow faster this year due to solid consumer confidence and expectations for spending growth. The latest Senior Loan Officer Survey showed that banks are continuing to ease credit standards and credit limit terms and conditions for credit cards, which will also support the increase in this type of credit.

**DISCLAIMER**

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research U.S. on behalf of itself and its affiliated companies (each BBVA Group Company) for distribution in the United States and the rest of the world and is provided for information purposes only. Within the US, BBVA operates primarily through its subsidiary Compass Bank. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document have been gathered or obtained from public sources, believed to be correct by the Company concerning their accuracy, completeness, and/or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.