Banking analysis

Consumer credit breaks records in March

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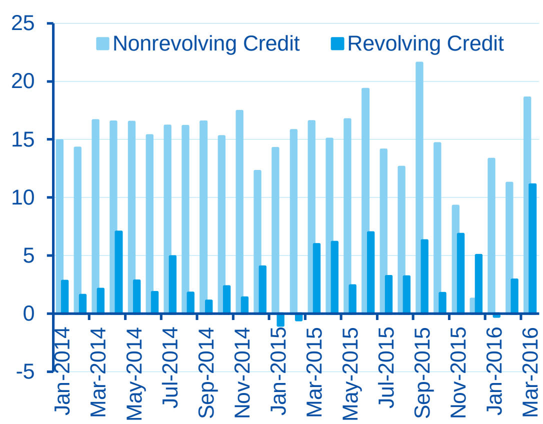
- **Consumer credit increased $29.7 billion MoM – the highest rate in more than 5 years**
- **Revolving credit was 6.2% higher YoY, whereas nonrevolving was up 6.8%**
- **Consumer credit growth is expected to remain solid with higher growth rates for revolving and lower for nonrevolving credit compared to last year**

Consumer credit in March increased $29.7 billion (seasonally adjusted), which was more than the consensus expectations of $15.8 billion and the largest monthly change since a structural break in the series back in late 2010. This reflects a QoQ annualized growth rate of 10%, and the last time consumer credit grew this fast was in the second half of 2001. February's $17.2 billion increase was revised down to $14.1 billion, which is small compared to the large gain made in March, but did not diminish the impressiveness of the latest report. Total outstanding consumer credit in March was 6.6% higher than at the same time last year.

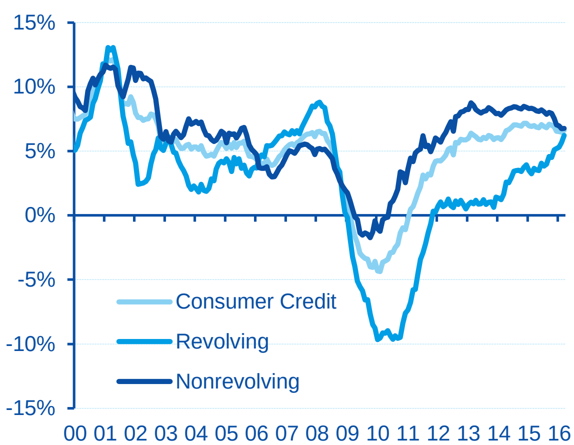
Both revolving and nonrevolving credit advanced solidly in March (Chart 1). Nonrevolving credit increased $18.6 billion to hit 6.8% YoY growth, predominantly due to strength in auto loans. Auto loans increased 8.2% YoY in 1Q16 compared to 8.4% in 4Q15, while student loans increased 6.2% YoY in 1Q16 compared to 6.7% in 4Q15. We expect nonrevolving loan growth to decelerate throughout the year (Chart 2) due to the continued decline in the growth of student loans outstanding and an expected slowdown in the rate of growth of auto sales. That said, nonrevolving loan growth is still expected to remain solid, supported by relatively low interest rates. We expect revolving credit (primarily credit cards) to grow faster this year compared to last due to solid consumer confidence and the healthy labor market. The latest Senior Loan Officer Survey showed that banks are continuing to ease credit standards for credit cards, which will further support this type of lending.

Chart 1
Consumer credit outstanding
$ Billion MoM change SA



Source: Federal Reserve Board & BBVA Research

Chart 2
Consumer credit
% YoY



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