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USA – 3Q21

Macroeconomic Outlook Report

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Index

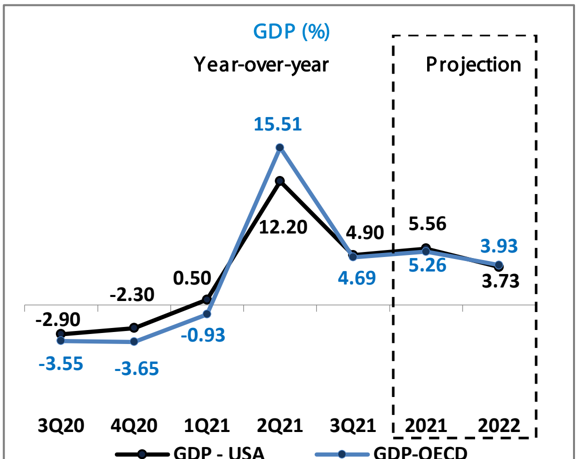
1. General Outlook

US Macroeconomic overview

During the third quarter of 2021, the US economy slowed down owing to a resurgence of Covid-19 cases which hampered private consumption. The proportion of the total population fully vaccinated continued to rise steadily while the massive fiscal stimulus was progressively withdrawn despite new additional public spending being yet to come. Inflationary pressures held back the recovery while low interest rates were maintained.

United States Macroeconomic overview

- In the third quarter of the year, the y/y GDP growth rate of the US stood at a 4.90% rate, following a deceleration of 7.30 p.p. with respect to 2Q21. However, when compared to the previous year quarter, growth increased by 7.80 p.p.. The growth of the US economy was higher than that of the OECD, which reached 4.69% in 3Q21.
- On its December update, the OECD improved its outlook for the US economy, predicting a 5.56% y/y GDP growth rate for 2021 and 3.73% growth for 2022.
- Economic developments were mainly marked by the contraction of private consumption as well as investment. In this context, domestic demand decelerated by 7.90 p.p. relative to the previous quarter, down to a 5.90% rate. This relapse was due to a resurgence of COVID-19 cases resulting in new restrictions and delays in the reopening of establishments in some parts of the country besides persistent supply disruptions causing growth to moderate. Moreover, the external demand also held back, with imports growth overpassing exports.



Source: Bureau of Economic Analysis and OECD. Projections from OECD December.

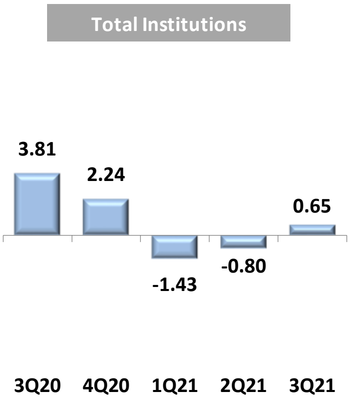
- During the third quarter of 2021, inflation increased by 0.39 p.p. compared to the previous quarter, recording a 5.43% rate. The FED policy targets to maintain low interest rates although it is anticipated that asset purchases will gradually and predictably decline over the ensuing months as recovery gains pace.
- With respect to the previous quarter, in 3Q21 the unemployment rate decreased by 0.80 p.p., down to a 5.10% rate. However, it should be noted that despite the recovery experienced by the labor market during this quarter, unemployment still remains above pre-pandemic levels. The data also reflect the uneven recovery across labor market sectors.
- Dow Jones and S&P 500 Index closed the quarters with good results, mainly driven by Government stimulus. Dow Jones and S&P increased by 800 points and 10 points respectively from the previous quarter.
- As far as the exchange rate is concerned, the US Dollar appreciated against the Euro with respect to the previous quarter, with the quarterly average exchange rate standing at 1.18$/€ in 3Q21.

Banking sector

During the third quarter of 2021, the US financial institutions once again registered an acceleration in the y/y growth rate of loans and leases in comparison to the previous quarter, up to a positive rate of 0.65%. The ratio of non-performing loans for all institutions declined with respect to the previous quarter, down to 0.94%. However, the y/y growth rate of deposits accelerated, reaching a 11.98% rate. The efficiency ratio of the US financial system registered a decrease compared to 3Q20, down to 60.92%, driven by y/y increase in gross margin higher than the year-on-year growth in operating expenses. As for the number of institutions, it decreased by 0.75% in comparison to the previous quarter.

Banking sector

NET LOANS AND LEASES (% Year-over-Year)



Source: Federal Deposit Insurance Corporation.

- The loans and leases y/y growth rate in the US financial system grew by 1.45 p.p. with respect to the previous quarter, up to a 0.65% rate.
- This performance was the result of the acceleration in the y/y growth rate of loans and leases granted by Commercial Banks, which recorded a 1.41 p.p. growth, up to a 0.54% rate. Similarly, Saving Institutions registered an increase of 2.07 p.p. in their y/y loans and leases growth rate, reaching 2.36%.
- By segment, real estate loans represented 56.19% of total loans, followed by commercial and industrial loans (24.32%) and consumer loans (19.48%).
- The ratio of non-performing loans (NPL) for all institutions stood at 0.94% after a 0.07 p.p. decline compared to the previous quarter.
- The NPL ratio of Commercial Banks decreased by 0.06 p.p. down to 0.85%, whereas that of Saving Institutions increased by 1.35 p.p. up to 2.26% rate.
- The NPL ratio decreased for all loan segments (C&I, Consumer, Real Estate), with real estate loans experiencing the sharpest decrease (0.09 p.p.) when compared to the previous quarter.
- Regarding total deposits, their y/y growth rate rose by 1.54 p.p. in the third quarter of the year relative to the previous one, up to a 11.98% rate. This increment was motivated by the increases in both Commercial Banks deposits (1.59 p.p.) and Saving Institutions deposits (0.76 p.p.).
- During this period, the efficiency ratio of the US financial system improved after experiencing a 0.74 p.p. decreased with respect to the same quarter of the previous year, recording a 60.92% ratio. This fall was the result of the y/y increase in gross margin (2.24%) higher than the year-on-year growth in operating expenses (1.00%).
- In turn, the number of institutions within the US financial system decreased by 0.75% in the third quarter of the year compared to the previous one, resulting in 37 less institutions. Moreover, the number of employees stood at 2,056,573 people, 2,141 employees less than in the previous quarter and it recorded a y/y growth rate of -0.74%.

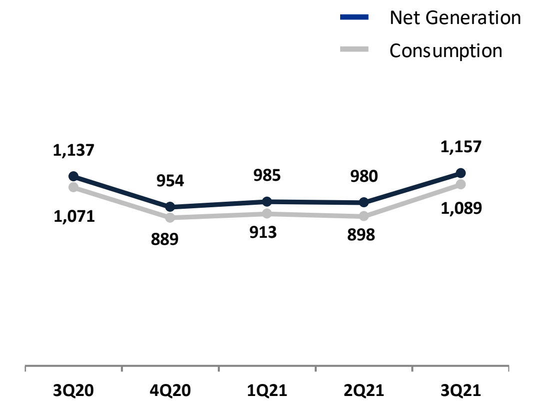
Other sectors: Energy

During the third quarter of 2021, net generation of electricity in the US stood at 1,156,664 GWh, whereas national consumption reached 1,089,018 GWh, remaining below production. Energy prices increased by 6.56% when compared to the previous quarter, up to 11.63$/Kwh. In addition, gas production continued above the volume of domestic consumption, while the former indicator increased, and the latter decreased when compared to the same quarter of the previous year.

Energy sector

- In the third quarter of the year, net electricity consumption experienced an increase when compared to 3Q20, up to a total of 1,089,018 GWh. Moreover, net energy generation also increased, rising by 1.73% up to 1,156,664 GWh.
- As far as energy prices in the US are concerned, they increased relative to the previous quarter by 6.56%, standing at 11.63$/KWh.
- Oil consumption exceeded its production during this period. Furthermore, oil production experienced a y/y a rise of 2.72%, while consumption increased by 10.09% with respect to the same quarter of the previous year.
- Gas production stood above the volume of domestic consumption. In addition, domestic gas production rose by 4.38% whereas gas consumption decreased by 2.48%, when compared to the same quarter of the previous year.

NATIONAL ELECTRICITY CONSUMPTION (TWh)



Source: EIA.

2. International Overview

LatAm

During the third quarter of 2021, all the countries analysed continued with their economic recovery after the acceleration experienced in the second quarter of the year. This was mainly due to the progress in vaccination, although growth rates were reduced compared to the previous quarter. The unemployment rates registered a decrease compared to the previous quarter, although they remained above the levels before the pandemic, and inflation rates increased in most countries.

Macroeconomic Overview

- During the third quarter of 2021, the economic recovery was consolidated in the countries studied, all of which achieved a positive year-on-year GDP growth rate. However, all reduced their year-on-year growth rate compared to the previous quarter. Peru was the country whose year-on-year growth rate decreased the most, declining by 30.43 p.p., although it should be noted that its growth in the second quarter had been the most pronounced (41.88%). Chile was the country that reduced its rate the least compared to the previous quarter, falling by only 0.16 p.p. to 17.34%, which was the highest rate of the group.
- In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has improved its forecasts for the Latin American economy in 2021, placing the region's growth at 5.90%. In addition, growth of 2.90% is expected for 2022. This is mainly due to the progress in global immunization that has been developing during the third quarter of 2021. However, according to the IFM, this expansion will not be enough to return to pre-covid levels in the medium term since the persistent social impacts and the damaged labour market after the crisis will continue to hamper the recovery. In its December update, the OECD improved its forecasts from September for Argentina and lowered them for Brazil and Mexico for 2021. In addition, it placed the year-on-year GDP growth of these three countries for 2022 below the OECD average.
- As for inflation, all the countries studied registered increases in their inflation rate compared to the previous quarter except Mexico, which lowered its index to 5.80%. Colombia was the country with the lowest inflation rate, at 4.31%. Meanwhile, Argentina was the country that experienced the highest growth in its inflation rate compared to 2Q21, increasing by 2.33 p.p. up to a rate of 50.73%, registering the highest inflation rate of this group of countries again.
- During the third quarter of 2021, the labour market continued to recover from the economic consequences of the pandemic. Most countries recorded falls in their unemployment rate compared to 2Q21, although they are still far from their pre-covid levels. In this context, Brazil was positioned as the country with the highest unemployment rate, with a figure of 13.13%. On the other hand, Mexico recorded the lowest unemployment rate of the countries studied, at 4.02%.

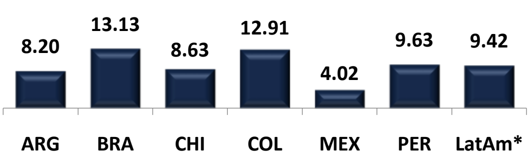
Financial Sector

- With regards to their rating, all Latin American countries maintained their ratings constant in the third quarter of the year except for Peru, which fell from a Fitch rating of BBB+ to BBB during this period. This rating considers that, despite the country having a good credit quality and an adequate capacity to meet its financial obligations, this capacity could be affected by exposure to adverse economic conditions.
- With regard to economic policies, the introduction of additional stimulus is more limited than during the previous year, facing tightening global financial conditions and rising inflation. Thus, despite the effectiveness of the policies already promoted, the public accounts of these countries have deteriorated, leading to public debt increases of up to 75.4% of regional GDP at the end of the third quarter. According to the World Bank, Latin America has been the hardest hit region by the pandemic, most countries in the region will not be able to fully reverse the 6.7% contraction of their GDP in 2020 in the near future.
- All the countries analysed, except Argentina and Brazil, increased their pace of lending compared to the previous quarter. Mexico continued to register the lowest year-on-year growth, with a contraction of -1.94%. Regarding deposits, all countries stood at a positive year-on-year growth during the period, although half of them, Argentina, Brazil and Peru, decreased their rate compared to the previous quarter. Chile showed the largest increase in its rate, after an acceleration of 6.48 p.p. compared to 2Q21.

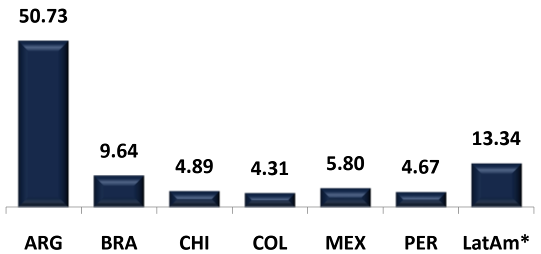
GDP 3Q21 (% year-on-year growth rate)

Argentina 11.87%
Brazil 4.03%
Chile 17.34%
Colombia 12.93%
Mexico 5.22%
Peru 11.45%
LatAm* 10.47%

UNEMPLOYMENT RATE 3Q21 (%)



INFLATION RATE 3Q21 (%)

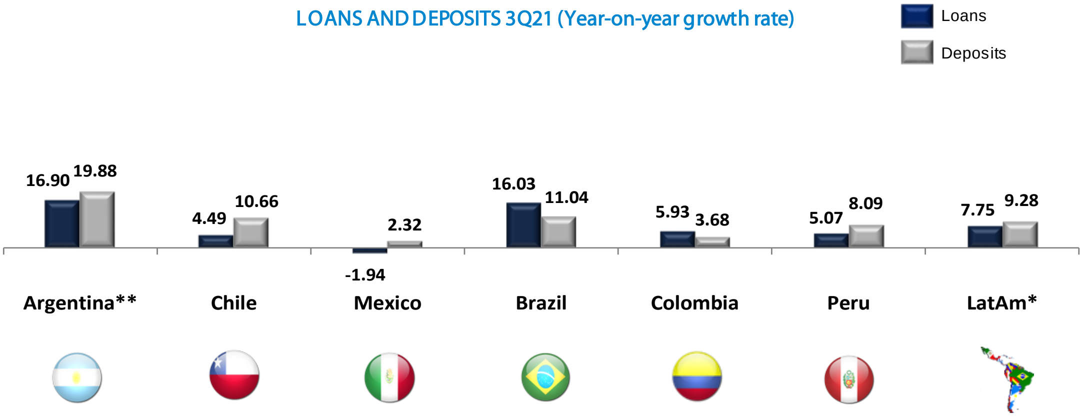


LONG TERM RATINGS 3Q21

	MOODY'S		S&P		FITCH	
Argentina	Ca	–	CCC+	–	CCC	–
Brazil	Ba2	–	BB-	–	BB-	–
Chile	A1	–	A	–	A-	–
Colombia	Baa2	–	BB+	–	BB+	–
Mexico	Baa1	–	BBB	–	BBB-	–
Peru	Baa1	–	BBB+	–	BBB	▼

▲ Increase since 2Q21
– Constant since 2Q21
▼ Decrease since 2Q21

LOANS AND DEPOSITS 3Q21 (Year-on-year growth rate)



*Latin America figures calculated as an average including Argentina, Brazil, Chile, Colombia, Mexico and Peru.
**Most updated figures available at the date of the release correspond to 2Q21.

OECD & China

The recovery of economic activity in OECD countries continued in the third quarter of 2021. Advances in the vaccination process meant that the GDP growth rate of these countries remained in positive values. However, a downward revision of the OECD's future growth forecasts was carried out, especially for 2022, due to the increase in COVID-19 cases.

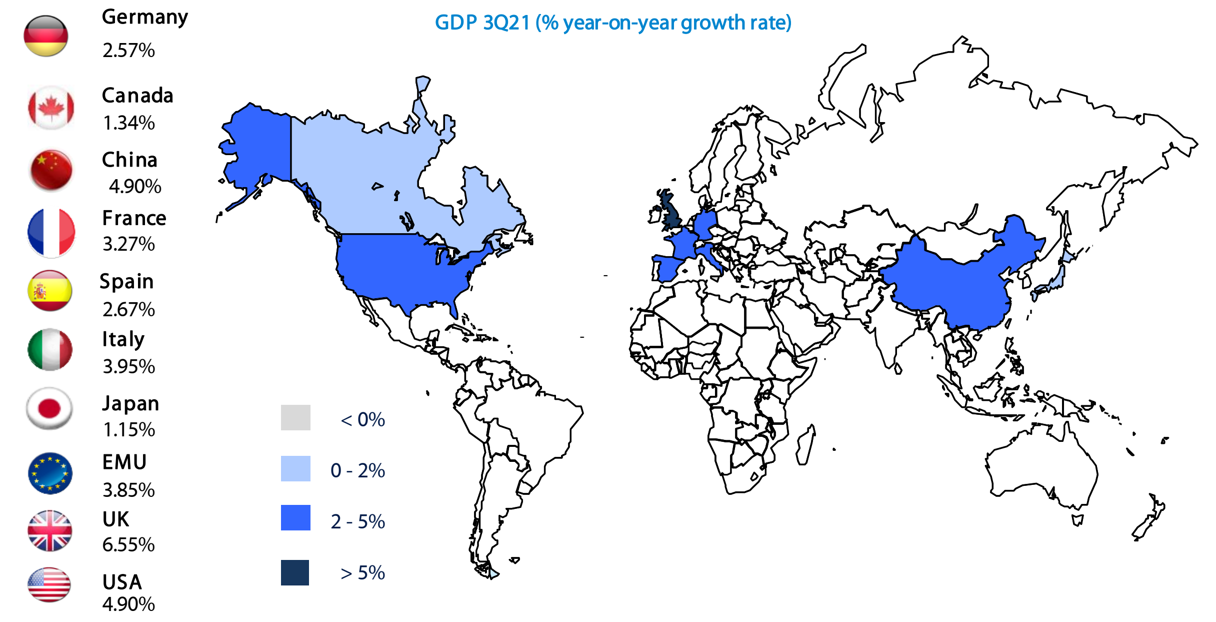
Macroeconomic Overview

- In the third quarter of 2021, the Eurozone continued to recover with a positive year-on-year GDP growth rate (3.85%), although lower than that of the last quarter, which registered a more pronounced year-on-year acceleration (14.38%). Consequently, the OECD December forecasts have announced expected year-on-year GDP growth for 2021 and 2022 to be of 5.17% and 4.32%, respectively, slightly lowered from its September forecasts. However, the European Commission expects a positive evolution of the economy marked by an effective strategy of containment of the virus and progress with vaccines, with most member states reaching pre-pandemic GDP levels by the end of 2021. Among the countries analysed in the region, all registered positive year-on-year GDP growth rates during the third quarter of the year, highlighting those of France and Italy which were the highest (3.27% and 3.95%, respectively).
- The United States consolidated its recovery of economic activity in this period with another positive year-on-year GDP growth rate of 4.90%, although it also experienced a decrease of 7.30 p.p. compared to 2Q21. The OECD reduced its forecasts in its December publication, expecting a growth of the US economy of 5.56% in 2021 and 3.73% in 2022. Meanwhile, the United Kingdom recorded the largest decline in GDP during this period compared to the previous quarter, although it remained at a positive rate of 6.55%. Consequently, the OECD estimates growth of 6.92% by 2021 and 4.75% by 2022. These forecasts were also lower than those of September, especially that of 2022, which stood at 5.22%.
- China also recorded a lower GDP growth rate during the third quarter compared to 2Q21, declining by 12.13 p.p. to a rate of 4.90%, the same as the one obtained in 3Q20. In its December forecasts, the OECD estimates growth of 8.15% and 5.06% for 2021 and 2022, respectively. Japan recorded the only increase in the GDP rate compared to 2Q21, which rose by 0.65 p.p. to 1.15%. In turn, the OECD estimates a growth of its GDP of 1.84% and 3.41% for 2021 and 2022.
- Regarding international trade, the G20 recorded a stagnation in merchandise trade, although it remained at high levels due to rising commodity prices. High shipping costs coupled with increased international mobility have meant faster growth in international trade of services, where exports approached pre-covid levels. The Regional Comprehensive Economic Partnership (RCEP), which will enter into force on January 1, 2022, will have the potential to spur investment and boost economic recovery among the countries of the Association of Southeast Asian Nations (ASEAN). On the other hand, the ratification of the CAI agreement between the EU and China remains paralyzed since May 2021 due to lack of consensus and recent political tensions.
- Year-on-year inflation growth in 3Q21 increased in all economies studied in the report compared to 3Q20 except for China, which was also the only country that decreased its rate compared to 2Q21. The EMU registered an acceleration of 3.70 p.p. compared to the same period last year. On the other hand, the labour market continued to improve during this period, with all the countries analysed, except for China, registering lower unemployment rates than in the same quarter of the previous year. Compared to 2Q21, all countries except France and Canada experienced falls in their unemployment rates.

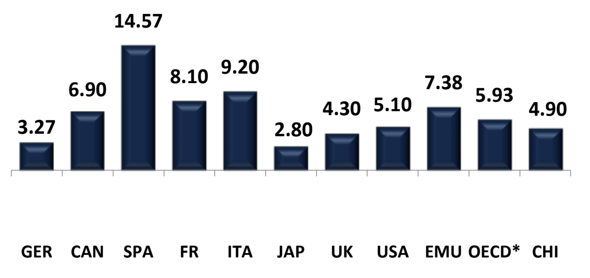
Financial Sector

- The only country analysed to change any of its ratings was Italy, which went up from a Fitch BBB- rating to BBB.
- Regarding the economic policies of the different countries, it seems that the shared objective of the Fed and the ECB to keep interest rates close to 0.00% will not be maintained in the coming months. While the ECB has reiterated its intention to keep interest rates stable and continue with the PEPP, the Fed expects interest rates to rise up to three times during 2022.
- During this period, year-on-year credit growth compared to 3Q20 decelerated in all countries except Germany and Canada, with China being the country with the highest growth rate (11.44%). As for deposits, they decreased for all countries compared to 3Q20. France recorded the second highest year-on-year growth rate (6.25%) behind China (8.65%).

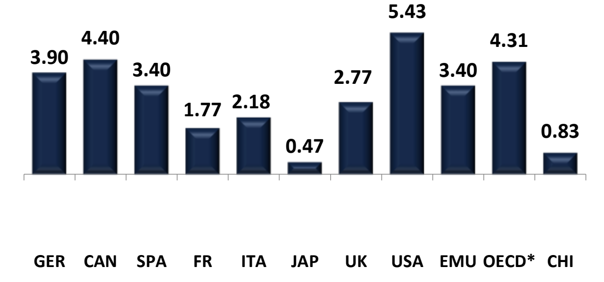
GDP 3Q21 (% year-on-year growth rate)



UNEMPLOYMENT RATE 3Q21 (%)



INFLATION RATE 3Q21 (%)

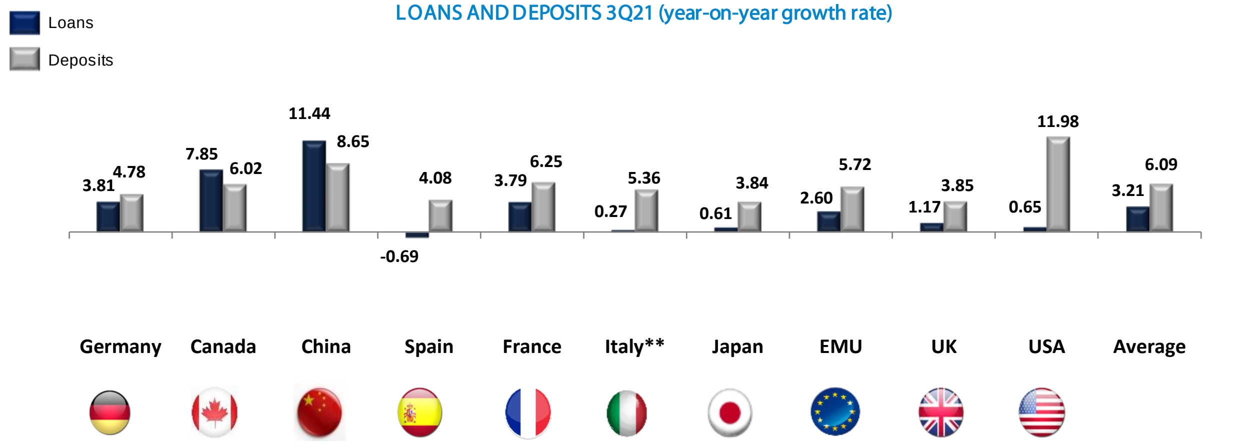


LONG TERM RATINGS 3Q21

	MOODY'S		S&P		Fitch	
Germany	Aaa	–	AAA	–	AAA	–
Canada	Aaa	–	AAA	–	AA+	–
China	A1	–	A+	–	A+	–
Spain	Baa1	–	A	–	A-	–
France	Aa2	–	AA	–	AA	–
Italy	Baa3	–	BBB	–	BBB	▲
Japan	A1	–	A+	–	A	–
UK	Aa3	–	AA	–	AA-	–
USA	Aaa	–	AA+	–	AAA	–

▲ Increase since 2Q21
– Constant since 2Q21
▼ Decrease since 2Q21

LOANS AND DEPOSITS 3Q21 (year-on-year growth rate)



*OECD aggregate data for 3Q21
**Latest available data at publication date corresponds to 2Q21

3. US Macroeconomic overview

As a result of a smothered private consumption derived from new surges of Covid cases and its variants, as well as a population still reluctant to get fully vaccinated, economic recovery in the United States slowed down during the third quarter. The labour market continued its gradual but sustained recovery whereas inflation gained momentum.

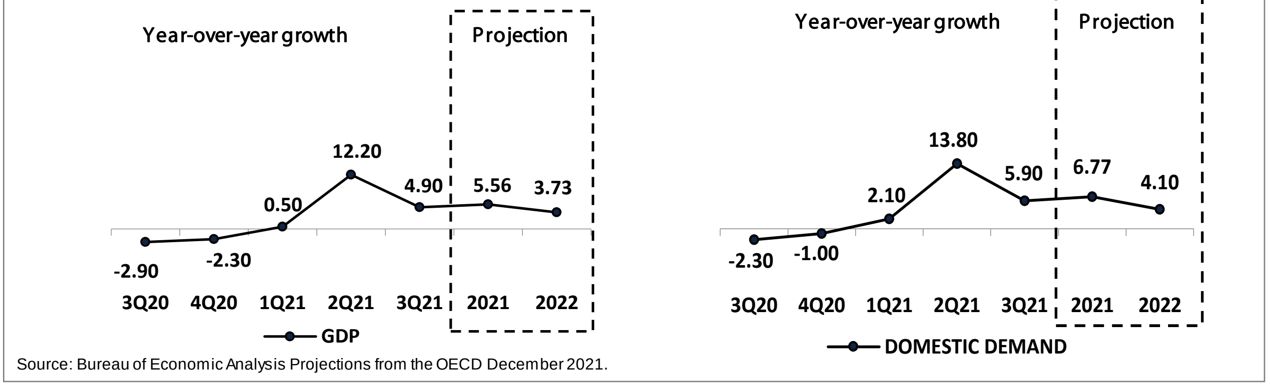
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	3Q20	4Q20	1Q21	2Q21	3Q21	2021	2022
GDP	**-2.90**	**-2.30**	**0.50**	**12.20**	**4.90**	**5.56**	**3.73**
DOMESTIC DEMAND	-2.30	-1.00	2.10	13.80	5.90	**6.77**	**4.10**
HOUSEHOLD CONSUMPTION	-2.80	-2.40	2.10	16.20	7.00	**7.97**	**3.83**
PUBLIC CONSUMPTION	2.10	1.20	1.30	-0.10	0.60	**1.52**	**2.63**
GROSS FIXED CAPITAL FORMATION	-4.70	2.40	3.20	20.80	6.90	**6.41**	**3.80**
EXTERNAL DEMAND							
EXPORTS	-14.90	-10.70	-7.40	18.60	5.50	**3.79**	**3.42**
IMPORTS	-8.30	0.30	6.20	30.60	12.90	**13.45**	**6.02**
INFLATION							
CPI	**1.25**	**1.22**	**1.81**	**5.04**	**5.43**	**4.60**	**4.78**
LABOUR MARKET							
UNEMPLOYMENT RATE	**8.80**	**6.70**	**6.20**	**5.90**	**5.10**	**5.44**	**3.85**
EMPLOYMENT	**-7.41**	**-5.53**	**-4.61**	**10.11**	**4.76**	**3.09**	**2.75**

Source: : Bureau of Economic Analysis, Bureau of Labor Statistics, OECD December forecast.

- During the third quarter of 2021, United States' GDP interannual growth stood at 4.90%, falling by 7.30 p.p. compared to the previous quarter. The slow down in the economic recovery was essentially due to persistent supply chain issues alongside a marked deceleration in consumer spending. Despite recovery holding back, OECD growth forecast is optimistic, envisioning a 5.56% rate in 2021 and a 3.73% rate in 2022.
- Accumulated excess savings from earlier stimulus measures and a surge of Covid-19 cases continued to hinder household consumption, smothering hence the driving factor of economic growth. Besides, pandemic-related fiscal measures announced in 2020 and early 2021 have now largely expired, although additional monetary policy is expected to provide substantial support to the economic recovery.
- According to the OECD, inflation has spiked, with particularly strong growth in components related to motor vehicles and energy. There are also signs of emerging inflationary pressures due to rising housing rents and wage pressures in some sectors. It is anticipated that inflation will recede somewhat from its current elevated level, with a gradual abatement of supply shortages related to motor vehicles and energy; reducing price pressures in these components. Labour market recovery continues to progress, although employment levels have slowed down as a result of a decline in non-farm payrolls jobs. Nevertheless, unemployment rate continued its downward trend following a gradual and sustained recovery.
- Trade growth was still substantial during the third quarter with imports interannual growth registering significant figures as well as exports. However, world supply disruptions have made a dent in global trade recovery, lowering pace growth while fueling inflation.

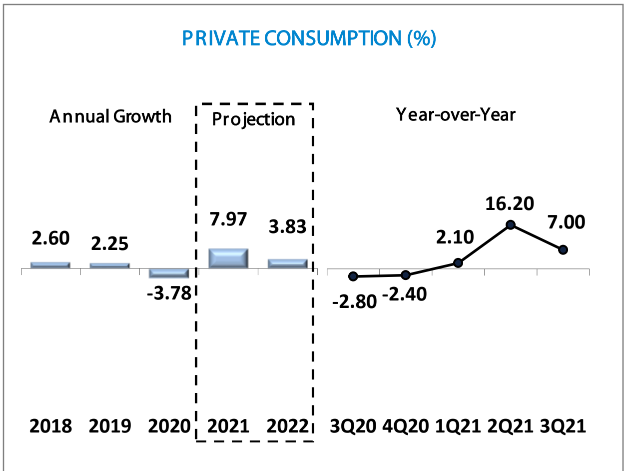
GDP and domestic demand interannual growth (%)



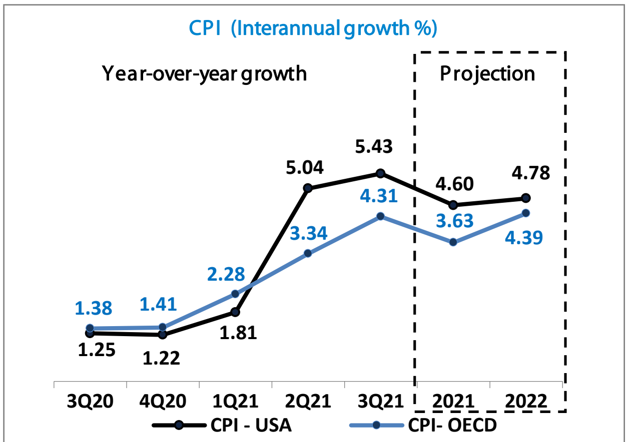
Source: Bureau of Economic Analysis Projections from the OECD December 2021.

In the third quarter of 2021, private consumption decreased its y/y growth rate compared to the previous quarter. In turn, inflation rate continued its raising trend, reaching a 5.43% rate. Regarding bond yields, long term yields stood higher than in 2020. As a consequence of this behaviour, the US Government seem prone to maintain low interest rates, albeit by reducing purchases of Treasury securities.

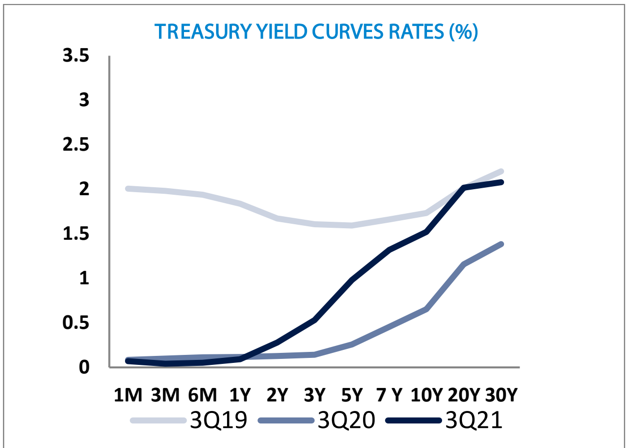
- During the third quarter of the year, private consumption decreased its recovery, reaching an 7.00% y/y growth rate, decreasing by 9.20 p.p. when compared to the previous quarter.
- The OECD forecast for private consumption predicts a sustained boost on the year-over-year growth rate of 7.97% for 2021. However, it expects private consumption to reduce significantly in 2022, down to a 3.83% rate. This forecast was undercut with the one released in December 2021 as the ongoing withdrawal of fiscal support is dampening economic growth.
- In 3Q21, the year-on-year growth rate of the US Consumer Price Index rose by 0.39 p.p., increasing for the second consecutive quarter, up to a 5.43%. The US CPI was above the OECD average inflation rate in the third quarter of 2021 (4.31%).
- The FED maintains that to avoid sustained periods of unusually low or high inflation, a fundamental aspect of its monetary policy framework is for longer-term inflation expectations to be well anchored at the 2% longer-run inflation objective.
- According to the OECD, the inflation rate in 2021 will remain well above 2020 levels. Moreover, it will rise to 4.78% in 2022.
- Despite this inflationary rise, according to the Federal Reserve, the policy will continue to keep interest rates close to 0%, although it has also opened the door to lowering the level of monetary expansion.
- All bond yields of US Treasury bonds with maturities lower than 7 years presented interest rates in 3Q21 lower than 1%.
- When compared to 3Q19, bond yields declined for all maturities with the exemption of 20 years yields, with the largest variation corresponding to 1M, 3M and 6M maturities.
- When compared to the same quarter of 2020, bond yields increased for maturities higher than 2Y.
- The Fed's policy on Treasury Bonds is based on tapering government bond purchases as the recovery becomes entrenched.



Source: : Bureau of Economic Analysis. Projections: OECD December 2021.

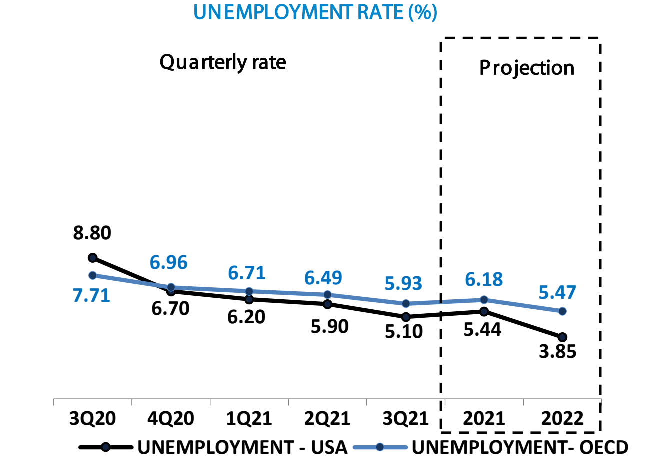


Source: Bureau of Labor Statistics and OECD. Projections: OECD December 2021.

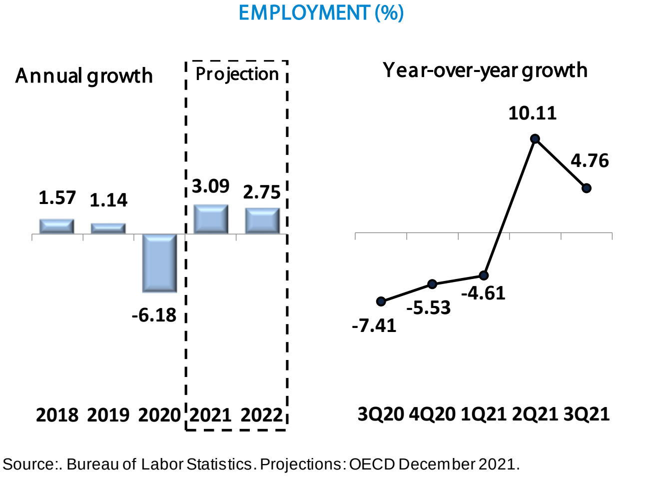


Source: U.S. Department of the Treasury.

Regarding the labour market, during the third quarter of 2021, the unemployment rate decreased compared to the previous quarter, standing at a 5.10% rate. Yet, in year-over-year terms, unemployment decreased strongly by 3.70 p.p. However, when it comes employment, the y/y growth rate decreased alongside economic activity as it reached a 4.76% rate in the third quarter of 2021.



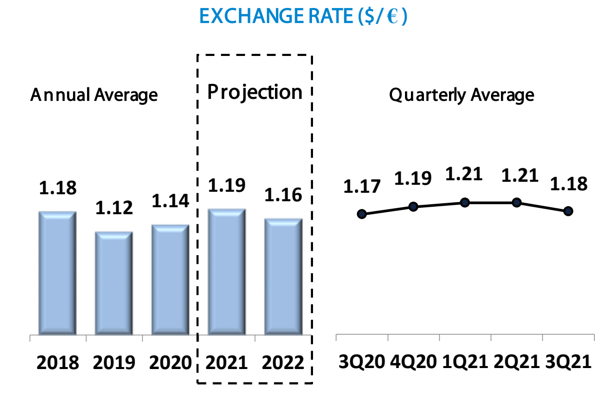
Source: Bureau of Labor Statistics and OECD. Projections: OECD December 2021.
Note: Annual rates refer to the annual average of the quarterly rate.



Source:. Bureau of Labor Statistics. Projections: OECD December 2021.

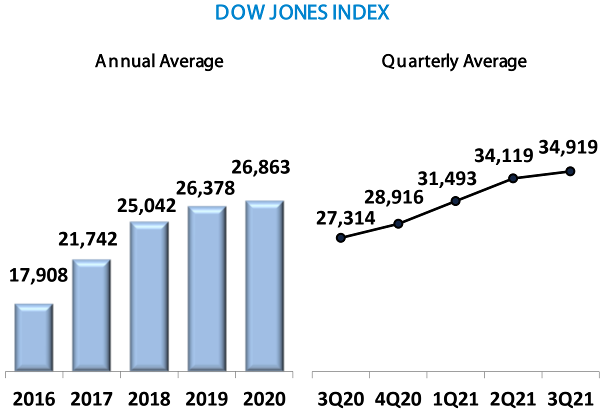
- In the third quarter of the year, the unemployment rate pursued its downward trend, standing at a 5.10% rate. Furthermore, it fell by 3.70 p.p. relative to the same quarter of the previous year. The unemployment rate was lower than that of the OECD (5.93%) in 3Q21, following the trend of the last four quarters.
- The gradual easing of measures against pandemic alongside supplementary supportive fiscal policies will give oxygen to the labour market during 2022. Accordingly, the OECD projects an unemployment rate of 5.44% in 2021 and 3.85% in 2022.
- According to the OECD, the labour recovery has been uneven across sectors, where more service-oriented jobs still face some challenges. Even so, earlier stimulus checks, supplementary unemployment benefit payments and expanded benefit coverage should drive unemployment close to pre-pandemic levels by 2022.
- These targeted measures will drive unemployment rate to a substantial lower scenario than the average OECD countries do.
- On the other hand, the employment growth rate decreased compared to the previous quarter to 4.76% year-on-year.
- However, during the third quarter of the year, the employment y/y growth rate pursued positive levels for the second time of the year, following a positive recovery.
- On its December forecast, the OECD has worsened its projections for the United States employment growth rate in 2021, following increasing wages pressures alongside further resurgence of Covid variants, predicting hence a 3.09% growth. For 2022, they expect the y/y employment growth rate to stand at 2.75%.

- During the third quarter of 2021, the euro depreciated against the US dollar when compared to the previous quarter. Therefore, the average quarterly exchange rate stood at 1.18 $/€.
- The OECD expects the annual average dollar/euro exchange rate to stand at 1.19 $/€ for 2021 and slightly lower for 2022 standing at 1.16 $/€ , with the US dollar depreciating against the euro with respect to 2020.

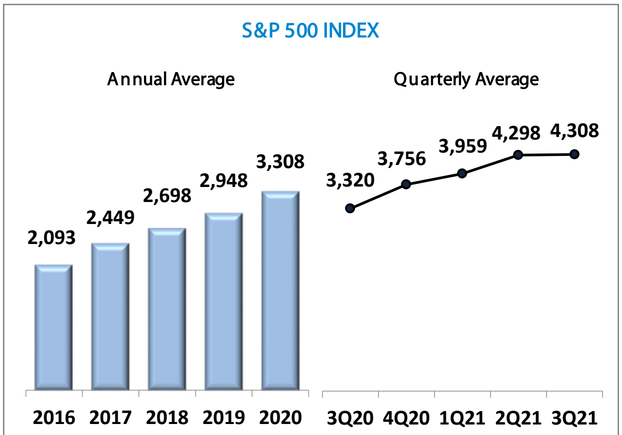


Source: European Central Bank

- In the third quarter of 2021, the Dow Jones Index recorded a quarterly average of 34,919 points. Therefore, the Index increased 800 points relative to the previous quarter.
- Furthermore, the S&P 500 Index stood at a quarterly average of 4,308 points in 3Q21, increasing by 10 points with respect to the second quarter of 2021.



Source: Federal Reserve.



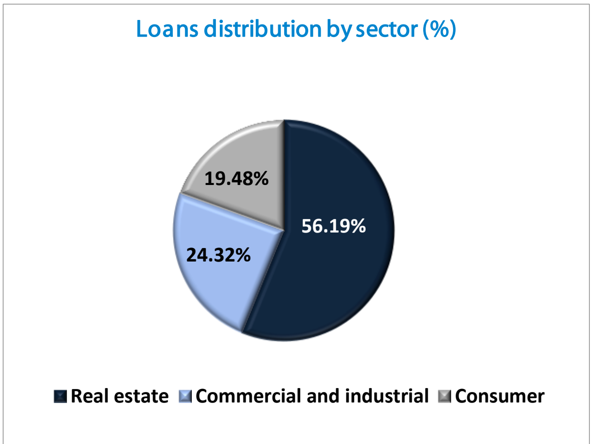
Source: Federal Reserve.

4. Banking sector: general overview

Loans and leases

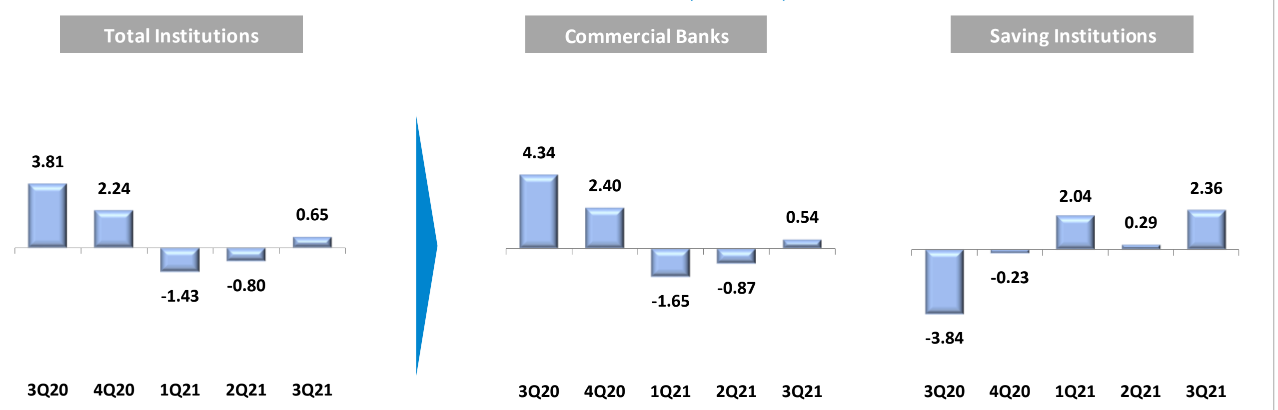
During the third quarter of 2021, the y/y growth rate of loans and leases of financial institutions increased when compared to the previous quarter, up to a rate of 0.65%. The distribution of total loans by segment remained similar to the second quarter of 2021, with real estate loans representing 56.19% of total loans.

- During the third quarter of 2021, the loans and leases growth rate of the US financial system increased by 1.45 p.p. with respect to the previous quarter, up to a 0.65 % rate, recording hence positive levels for the first time in the year.
- This performance was mainly driven by the acceleration in the y/y growth rate of loans and leases granted by Commercial Banks, which rise by 1.41 p.p., to a 0.54% rate.
- Moreover, the y/y growth rate of loans and leases of Saving Institutions increased by 2.07 p.p., up to a 2.36% rate, maintaining positive figures for the third consecutive year.
- As far as the distribution of total loans by segment is concerned, it remained quite close to the previous quarter one.



Source: Federal Deposit Insurance Corporation.

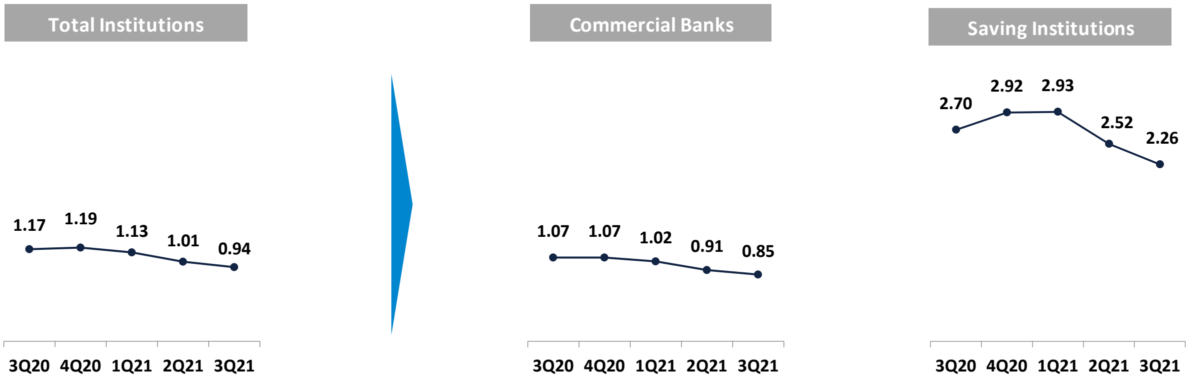
- Real estate loans represented the largest share over total loans, accounting for 56.19% of them, followed by commercial and industrial loans, with a 24.32% share. The remaining 19.48% of loans corresponded to consumer loans.
- When compared to the second quarter of 2021, the y/y growth rate of real estate loans increased by 0.76 p.p., registering a 0.73% rate. Moreover, the y/y growth rate of commercial and industrial loans increased, rising by 1.72 p.p., up to -11.66%. Consumer loans experienced also an increase in their y/y growth rate of 1.97 p.p., up to a 5.09% rate.



Source: Federal Deposit Insurance Corporation.

- In the third quarter of 2021, the ratio of non-performing loans over total loans (NPL ratio) for all institutions stood at 0.94%, following a decrease of 0.07 p.p. when compared to the previous quarter.
- Regarding the NPL ratio of Commercial Banks, it decreased by 0.06 p.p. with respect to 2Q21, reaching a 0.85% ratio.
- The NPL ratio of Saving Institutions decreased by 0.26 p.p., down to a 2.26% rate, continuing with the previous quarter trend.
- By loan segment, the NPL ratio experienced the sharpest decline for consumer real estate loans with a 0.09 p.p. fall, down to a 1.36% ratio, followed by commercial and industrial loans with a 0.07 p.p. fall, down to a 0.75% ratio. The NPL ratio of consumer loans decreased by 0.03 p.p., recording a 0.60% ratio.

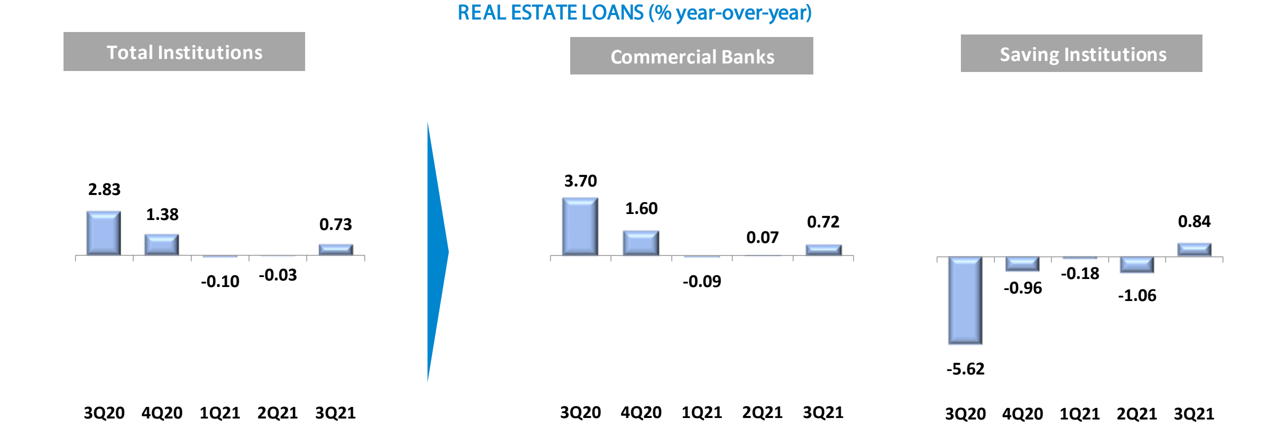
NON-PERFORMING LOANS RATIO - TOTAL LOANS (%)



Source: Federal Deposit Insurance Corporation.

Real Estate loans

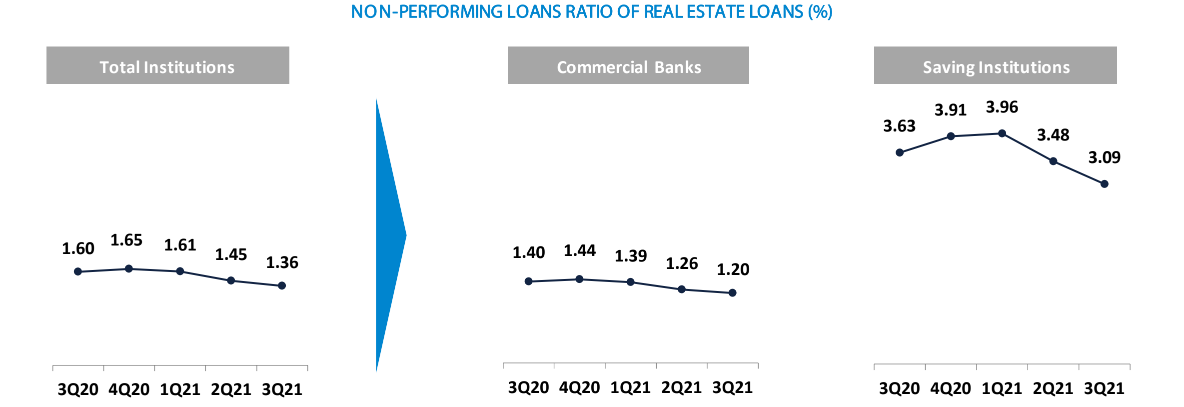
During the third quarter of the year, the y/y growth rate of real estate loans accelerated by 0.76 p.p., up to a 0.73% rate. This increase was the result of the rise experienced by the y/y growth of real estate loans granted by Commercial Banks as well as for Saving Institutions.



Source: Federal Deposit Insurance Corporation.

- The y/y growth rate of real estate loans of all institutions experienced a 0.76 p.p. increase when compared to the previous quarter, reaching positive values and recording a y/y growth rate of 0.73%.
- This behavior was driven by the increase in the y/y growth rate of real estate loans of Commercial Banks, which rise by 0.66 p.p. with respect to 2Q21, recording a 0.72% rate, standing at positive figures.
- Moreover, the y/y growth rate of real estate loans granted by Saving Institutions recorded a 1.90 p.p. rise, breaking with negative trend from past quarters and standing at a 0.84% rate.

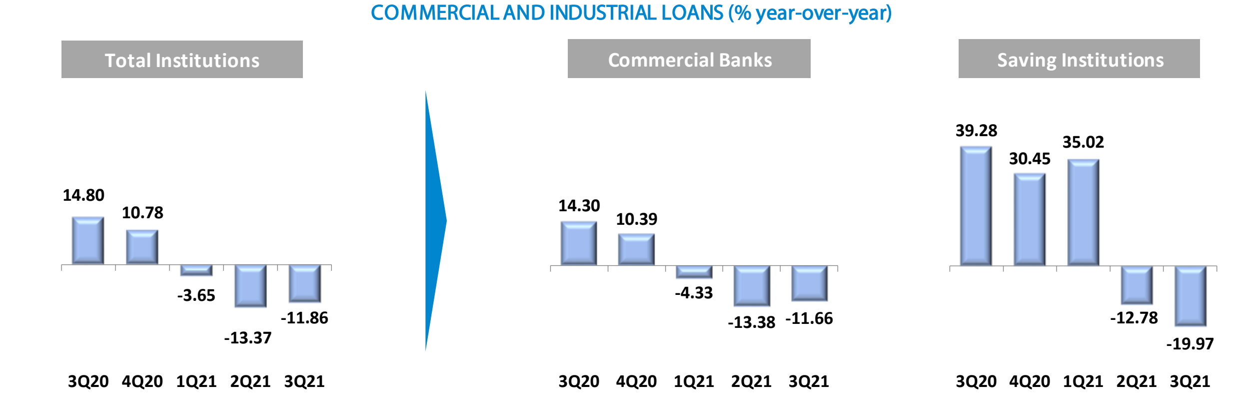
- During the third quarter of 2021, the NPL ratio of real estate loans of all institutions fell by 0.09 p.p. down to a 1.36% ratio, pursuing its downward trend.
- By type of entity, the NPL ratio of Commercial Banks declined by 0.06 p.p., registering a 1.20% ratio. The NPL ratio of Saving Institutions decreased by 0.39 p.p. down to a 3.09% ratio, still significantly higher than that of Commercial Banks.



Source: Federal Deposit Insurance Corporation.

Commercial & Industrial loans

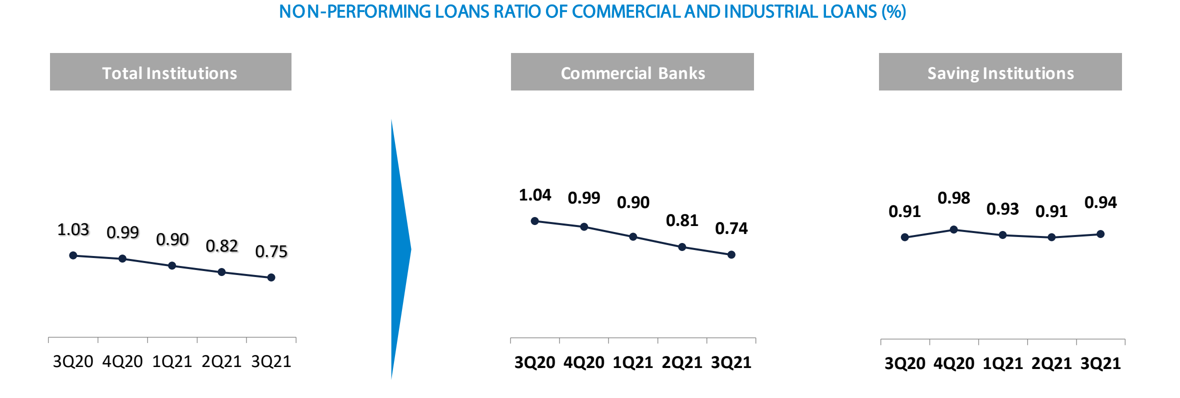
The commercial and industrial loans y/y growth rate accelerated during the third quarter of 2021 relative to the previous quarter, up to a rate of -11.86%. This result was mainly driven by the increase in the y/y growth rate of commercial and industrial loans granted by Commercial Banks.



Source: Federal Deposit Insurance Corporation.

- During the third quarter of 2021, the y/y growth rate of commercial and industrial loans increased by 1.51 p.p. relative to the previous quarter, up to -11.86%, although recording the third negative rate registered in a row.
- This behavior was a consequence of the acceleration experienced by the y/y growth rate of commercial and industrial loans granted by Commercial Banks, which rose by 1.72 p.p., registering a -11.66% rate.
- In turn, regarding commercial and industrial loans granted by Saving Institutions, they decreased by 7.19 p.p., down to a -19.97% y/y growth rate.

- In the third quarter of 2021, the NPL ratio for commercial and industrial loans of all institutions declined by 0.07 p.p. compared to the previous quarter, down to a 0.75% ratio.
- This performance was driven by the decrease recorded in the NPL ratio of loans granted by Commercial Banks, which fell by 0.07 p.p. down to a 0.74%, whereas loans granted by Saving institutions rose by 0.03 p.p. up to a 0.94% ratio.

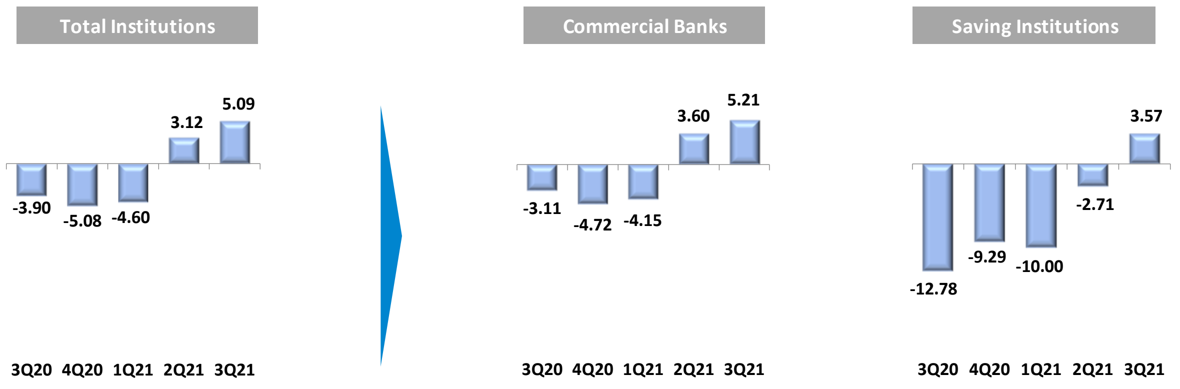


Source: Federal Deposit Insurance Corporation.

Consumer loans

The consumer loans y/y growth rate increased during 3Q21 with respect to the previous quarter, up to a rate of 5.09%. This behavior was the result of the increase in the y/y growth rate of consumer loans of Commercial Banks and Saving Institutions.

CONSUMER LOANS (% year-over-year)

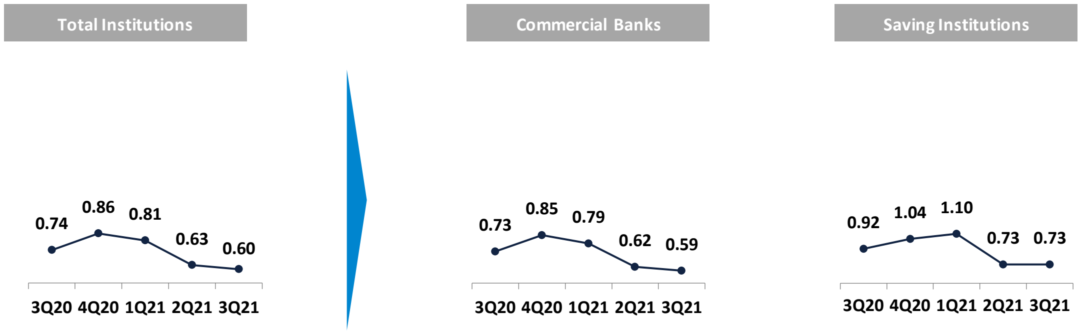


Source: Federal Deposit Insurance Corporation.

- In the third quarter of the year, the y/y growth rate of consumer loans of all institutions rose by 1.97 p.p., up to a 5.09% ratio, maintaining positive figures for the second time in a year.
- This behavior was the result of the increase experienced by consumer loans of Commercial Banks with respect to the previous quarter, which increased by 1.61 p.p., recording a 5.21% rate.
- In the same line, the y/y growth rate of consumer loans of Saving Institutions rise by 6.29 p.p. when compared to 2Q21, up to a 3.57% rate.

- During the third quarter of 2021, the NPL ratio of consumer loans fell by 0.03 p.p. relative to 2Q21, down to a 0.60% ratio.
- This performance was driven by the decline recorded by the NPL ratio of consumer loans granted by Commercial Banks (-0.03 p.p.), which registered a 0.59% ratio.
- Regarding the NPL ratio of consumer loans granted by Saving Institutions remained unchanged from the previous quarter at 0.73%.

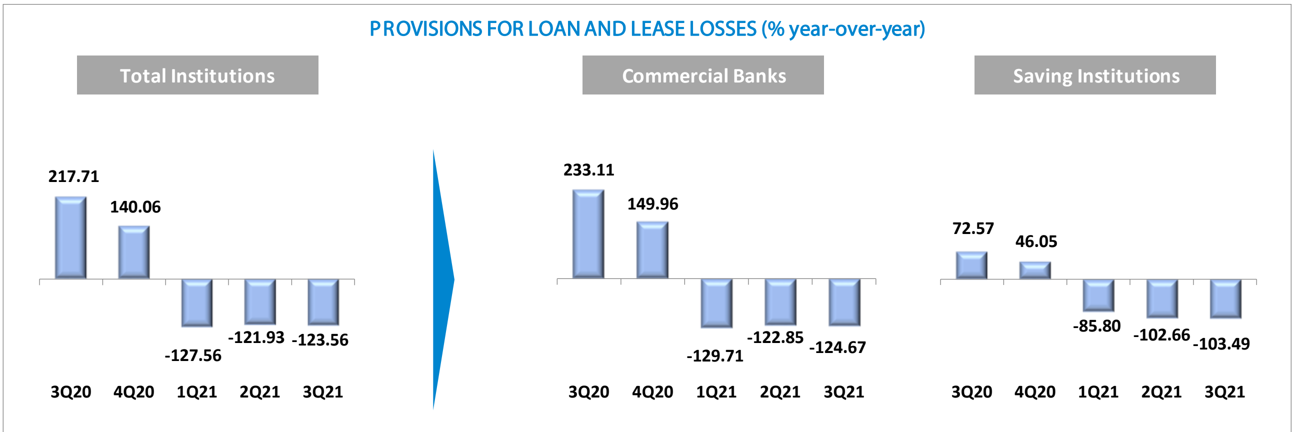
NON-PERFORMING LOANS RATIO OF CONSUMER LOANS (%)



Source: Federal Deposit Insurance Corporation.

Provisions for loan and lease losses

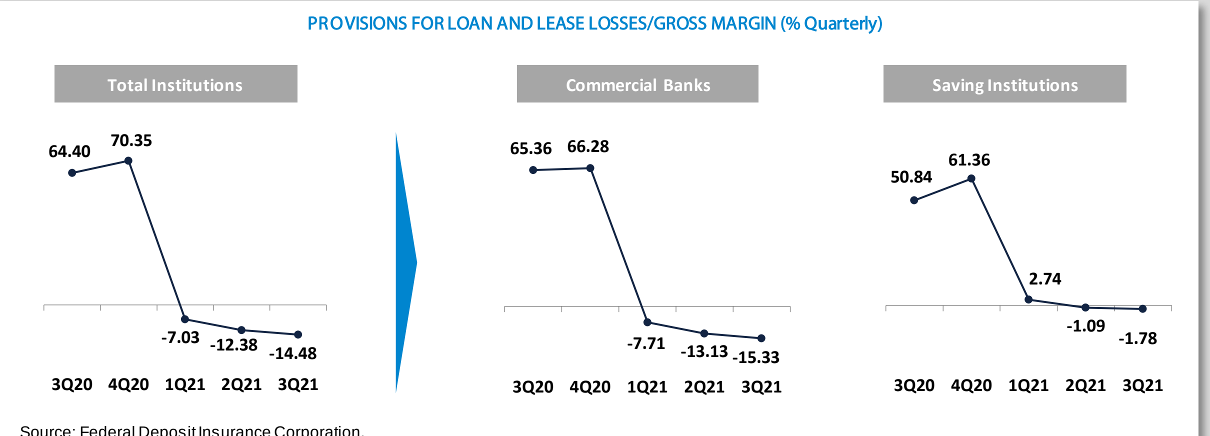
In the third quarter of 2021, provisions for loan and lease losses recorded a y/y growth rate of -123.56%, after decelerating compared to the previous quarter. Both Commercial Banks and Saving Institutions recorded declines in the y/y growth rates of their provisions for loan and lease losses.



Source: Federal Deposit Insurance Corporation.

- During 3Q21, the volume of provisions for loan and lease losses decreased with respect to the previous quarter, recording a y/y growth rate of -123.56%, which was 1.63 p.p. below the one recorded during 2Q21.
- According to Standard and Poor's, the negative levels of provisions registered in 3Q21 can be explained by the improvement in the economic activity, which motivated American banks to gradually release some of the provisions they built up during 2020 as a response to the Covid-19 economic crisis.
- Commercial Banks experienced a slightly decrease in the y/y growth rate of their provisions for loan and lease losses, falling by 1.82 p.p., down to -124.67%, while Saving Institutions slowed down their provisions, decreasing by 0.82 p.p. down to a -103.49%.

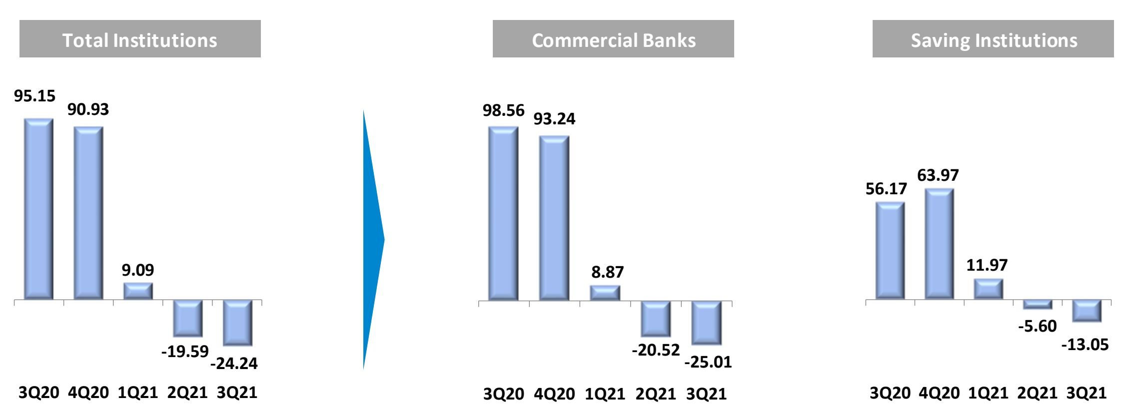
- As far as the provisions for loan and lease losses over gross margin ratio is concerned, it decreased by 2.11 p.p. during the third quarter of the year, recording a -14.48% ratio.
- In the case of provisions for loan and lease losses over gross margin in Commercial Banks, this ratio fell by 2.20 p.p. compared to the previous quarter, down to a -15.33%. Furthermore, the ratio for Saving Institutions declined by 0.70 p.p., down to a -1.78% ratio.



Source: Federal Deposit Insurance Corporation.

- In the third quarter of 2021, the y/y growth rate of loan loss allowances of all institutions declined by 4.65 p.p. when compared to the previous quarter, down to -24.24% rate. This behavior was driven by the decrease in the y/y growth rate of loan loss allowances of both Commercial Banks and Saving Institutions.
- On one hand, the y/y growth rate of loan loss allowances of Commercial Banks declined by 4.49 p.p. and recorded a -25.01% rate.
- On the other hand, Saving Institutions registered the sharpest fall, declining by 7.45 p.p. in their y/y growth rate, reaching a -13.05% rate.

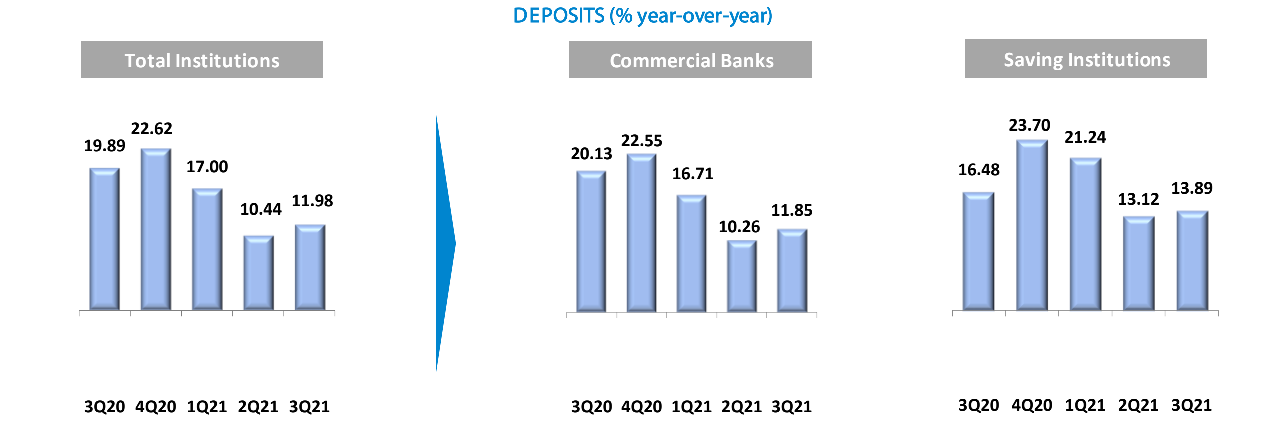
LOAN LOSS ALLOWANCES (% year-over-year)



Source: Federal Deposit Insurance Corporation.

Deposits

During the third quarter of the year, the y/y growth rate of deposits accelerated compared to the previous quarter, up to a 11.98% rate. This performance was driven by the rise in the y/y growth rate of both Commercial Banks and Saving Institutions deposits, with the former experiencing the largest increase.

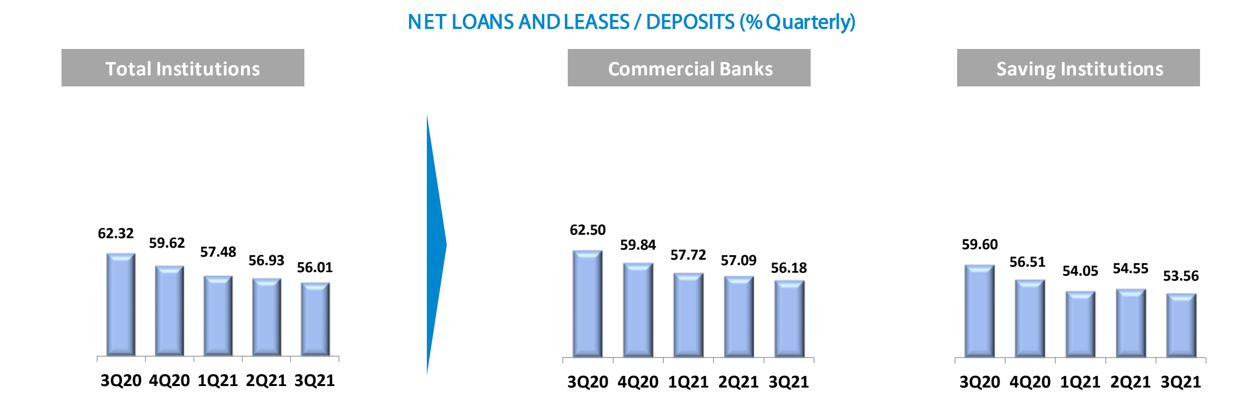


Source: Federal Deposit Insurance Corporation.

- In the third quarter of the year, the total deposits y/y growth rate increased by 1.54 p.p. with respect to the previous quarter, up to a 11.98% rate.
- One of the reasons of this acceleration lies in the increment in the y/y growth rate of Commercial Bank deposits, which increased by 1.59 p.p., up to a 11.85% rate.
- Moreover, Saving Institutions registered a rise of 0.76 p.p. in their deposit y/y growth rate when compared to 2Q21, reaching a 13.89% rate.
- However, the y/y growth rate of deposits decreased for both institutions relative to the same quarter of the previous year, falling by 8.28 p.p. for Commercial Banks and 2.59 p.p. in the case of Saving Institutions.

LTD ratio

In the third quarter of the year, the LTD ratio registered a decrease relative to the same quarter of the previous year and reached a 56.01% ratio. This outcome was the result of the higher increase experienced by deposits than the one recorded by loans compared to the third quarter of 2020.



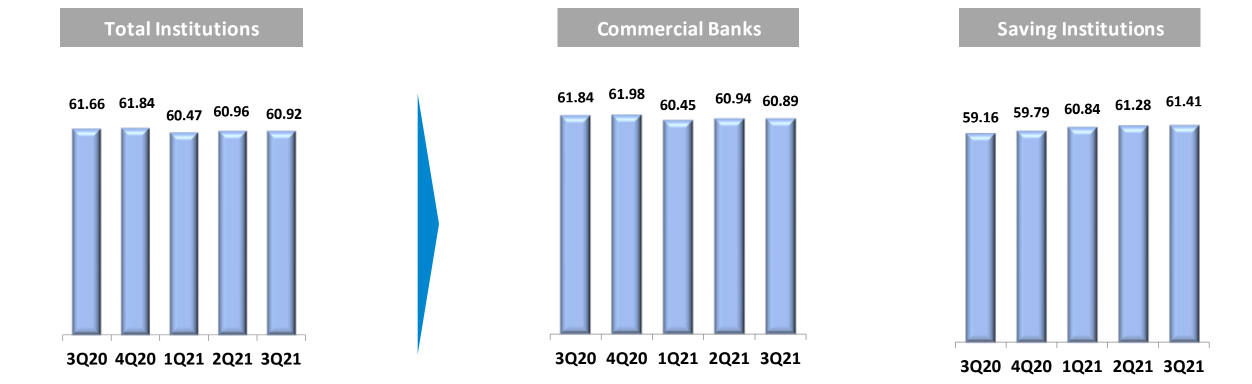
Source: Federal Deposit Insurance Corporation. Own calculations.

- During the third quarter of the year, the loans to deposits (LTD) ratio of American institutions decreased by 6.30 p.p. when compared to the same quarter of the previous year, down to a 56.01% ratio.
- This outcome was the result of the bigger increase experienced by deposits (11.98%) than the rise experienced by loans (0.65%) compared to the third quarter of 2020.
- In the case of Commercial Banks, the LTD ratio registered a decline of 6.32p.p. relative to 3Q20, reaching a 56.18% ratio. Similar to the overall LTD performance, this ratio was the result of the smoother acceleration recorded by loans and leases (0.54%) than the increase recorded in the y/y growth rate of deposits (11.85%).
- Moreover, Saving Institutions experienced a decrease in their LTD ratio of 6.03 p.p., down to a ratio of 53.56%, following an acceleration in their loans (2.36%) that was lower than that of deposits (+13.89%).

Efficiency

In the third quarter of the year, the efficiency ratio of US financial institutions improved with respect to the same quarter of the previous year, declining down to a 60.92% ratio. This performance was the result of the fall in the efficiency ratio of Commercial Banks, while the efficiency ratio of Saving Institutions increased.

EFFICIENCY RATIO (%)

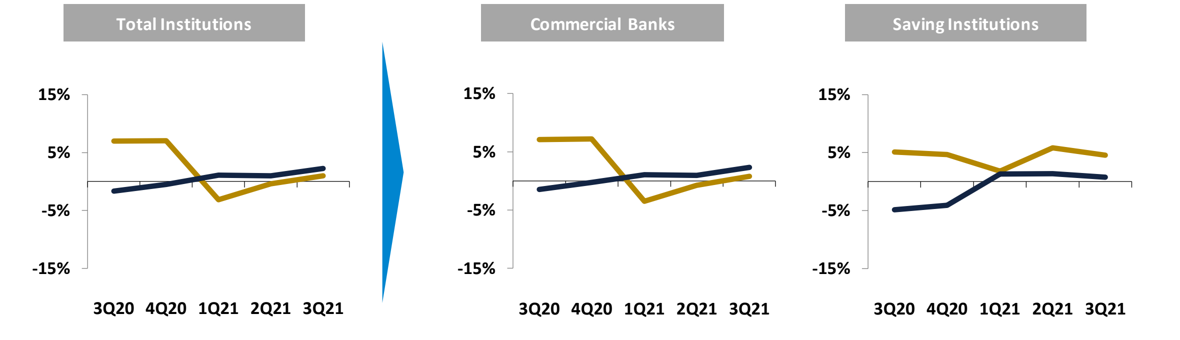


Source: Federal Deposit Insurance Corporation. Own calculations.

- During 3Q21, the efficiency ratio of the US financial system experienced a 0.74 p.p. decrease with respect to the same quarter of the previous year, down to a 60.92% ratio. This decline was driven by the higher y/y growth rate of gross operating margin (2.24%) than that of operating expenses (1.00%).
- Besides, when compared to the previous quarter, the efficiency ratio also fell, decreasing by 0.04 p.p..
- In the case of Commercial Banks, the efficiency ratio also decreased by 0.95 p.p. relative to the same quarter of the previous year, while that of Saving Institutions deteriorated, increasing by 2.25 p.p.. Thus, Commercial Banks recorded a 60.89% ratio, whereas Saving Institutions registered at 61.41%.

- In the third quarter of the year, the gross margin of all institutions recorded a y/y growth rate of 2.24%, registering a higher rate than operating expenses, which stood at a 1.00% rate.
- This result was driven by the increase in the y/y growth rate of the gross margin of both Commercial Banks (+3.80 p.p.) and Saving Institutions (+5.61 p.p.) when compared to the same quarter of the previous year. These growth rates moved up to 2.34% and 0.73% rate, respectively.
- Moreover, Commercial Banks declines in their operating expenses y/y growth rates with respect to 3Q20, falling by 6.34 p.p., down to a 0.77% rate, while the rate of Saving Institutions decreased by 0.55 p.p. and stood at 4.57%.

GROSS MARGIN AND OPERATING EXPENSES (% growth from quarter of previous year)

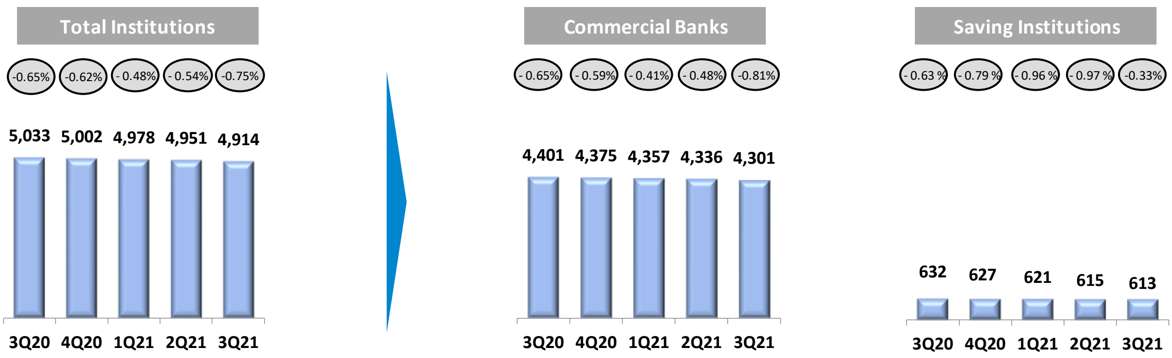


Source: Federal Deposit Insurance Corporation.

Institutions and employees

During the third quarter of the year, the number of institutions in the US financial system decreased, following the downward trend of the previous quarters. When compared to 2Q21, the number of financial institutions decreased to 4,914 (-0.75%). Moreover, the y/y growth rate of the number of employees decelerated with respect to the previous quarter.

NUMBER OF INSTITUTIONS

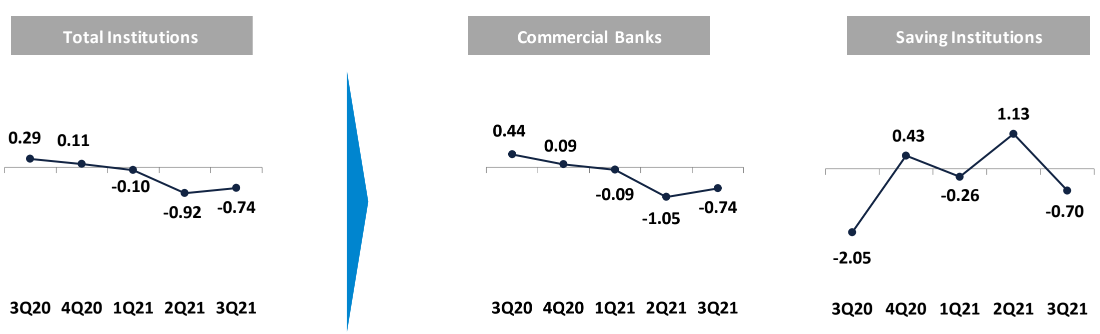


Source: Federal Deposit Insurance Corporation. Quarterly % changes above the chart.

- The number of institutions within the US financial system decreased by 0.75% in the third quarter of the year with respect to the previous one, resulting in 37 less institutions and a total of 4,914.
- In turn, the number of Commercial Bank financial institutions decreased by 0.81%, with a total of 4,301 institutions in the third quarter of the year, 35 less than in the previous quarter. Therefore, the downward trend which started in 2009 continued.
- The number of Saving Institutions fell by 2 institutions, suffering a 0.33% reduction relative to the previous quarter, down to 613.

- In the third quarter of the year, the number of employees in the US financial system reached 2,056,573 people, recording a y/y growth rate of -0.74%. Furthermore, when compared to the previous quarter, the number of employees decreased by 2,141 people.
- This decrease was driven by the negative y/y growth rates of the number of employees recorded by Commercial Banks for the third consecutive quarter (-0.74%), which had a total of 1,936,788 employees.
- In addition, relative to the previous quarter, the number of employees decreased in absolute terms for Commercial Banks (-1,399 employees), while it also fell down for Saving Institutions (-742 employees).

NUMBER OF EMPLOYEES (% year-over-year)



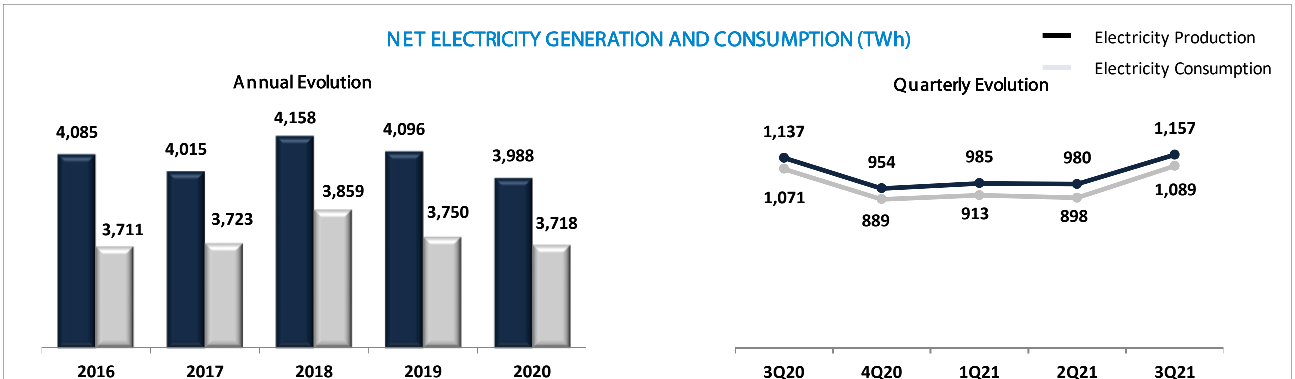
Source: Federal Deposit Insurance Corporation.

5. Energy sector

In the third quarter of 2021, net electricity generation in the US reached 1,156,664 GWh, standing above national electricity consumption, which increased up to 1,089,018 GWh compared to 3Q20. Energy prices increased by 6.56% relative to 2Q21, up to 11.63$/KWh. Moreover, gas production continued to be above the volume of domestic consumption during this period, whereas domestic oil consumption exceeded production.

- During the third quarter of the year, net national electricity consumption saw an increase when compared to the same quarter of the previous year, registering a total amount of 1,089,018 GWh. In addition, the net energy generation also increased, rising by 1.73%, up to 1,156,664 GWh. Regarding energy prices in the US in 3Q21, they increased more relative to the previous quarter (6.56%) but grew also considerably with respect to the same period of the previous year (+5.53%), up to 11.63$/KWh.
- With respect to the different sources of energy generation, hydroelectric and fuel & gas registered the highest decline in production relative to 3Q20 (-11.16% and -3.12% respectively). In turn, coal energy generation rose significantly by 13.30%. Fuel and gas were once again the main sources of energy generation, representing 42.81% of the total energy produced during this period.

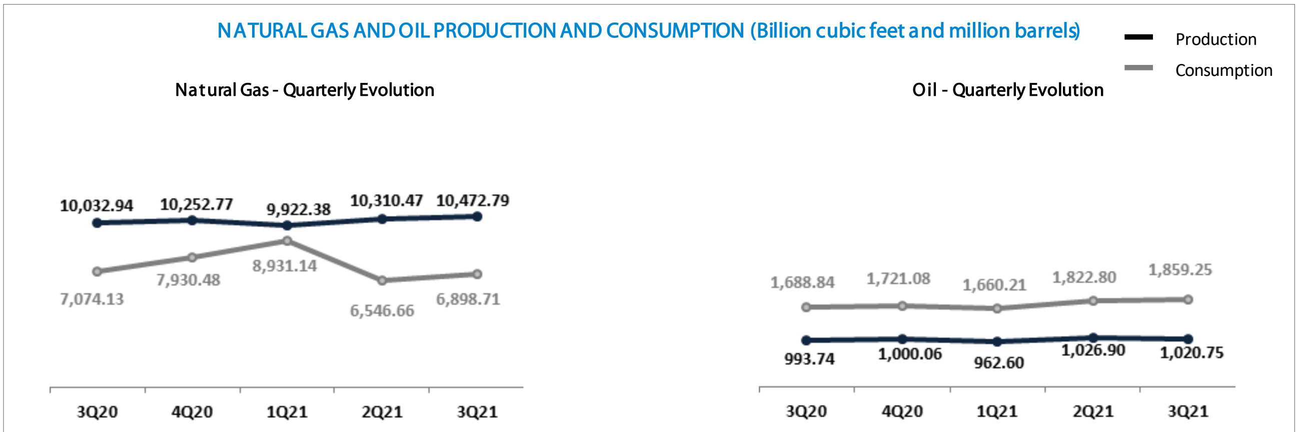
NET ELECTRICITY GENERATION AND CONSUMPTION (TWh)



Source: EIA. Consumption data corresponds to retail sales to ultimate customers of electricity.

- Gas production levels continued to be above the volume of domestic consumption. Domestic gas production in the US had a y/y increase of 4.38%, whereas consumption went down by 2.48% when compared to the same quarter of the previous year.
- Regarding the gas consumption mix, pipeline & distribution and lease & plant consumptions increased, whereas vehicle, electric power, industrial and residential consumption declined when compared with 3Q20.
- As far as oil is concerned, domestic consumption exceeded its production during this period. Moreover, oil production in the US experienced a y/y growth of 2.72%, whereas consumption increased by 10.09% relative to 3Q20.

NATURAL GAS AND OIL PRODUCTION AND CONSUMPTION (Billion cubic feet and million barrels)



Source: EIA


116.71
38.2%: 119.29
51.25%: 108.98
61.6 %: 99.19
104.19
86.72
72.48

6. Appendix

SOURCES

MACROECONOMIC OVERVIEW

- Bureau of Labor Statistics:
  http://www.bls.gov
- Bureau of Economic Analysis:
  http://www.bea.gov
- Federal Reserve USA:
  http://www.federalreserve.gov/
- International Monetary Fund (IMF):
  http://www.imf.org
- World Bank (WB):
  www.worldbank.org
- Organisation for Economic Co-operation and Development, OECD:
  http://www.oecd.org/home/
- European Central Bank:
  http://www.ecb.int/ecb/html/index.es.html
- Central Bank of the Republic of Argentina:
  www.bcra.gov.ar
- Central Bank of Chile:
  www.bcentral.cl
- Central Bank of Brasil:
  www.bcb.gov.br
- National Administrative Department of Statistics of Colombia (DANE):
  http://www.dane.gov.co/
- Bank of the Republic of Colombia:
  http://www.banrep.gov.co/
- Central Bank of Venezuela:
  www.bcv.org.ve
- Central Reserve Bank of Peru:
  www.bcrp.gob.pe
- BBVA Research:
  http://www.bbvaresearch.com/KETD/ketd/esp/index.jsp

FINANCIAL SECTOR

- Federal Deposit Insurance Corporation:
  http://www.fdic.com

Appendix

GLOSSARY

- **Efficiency Ratio:** Non-interest expense - amortization of intangible assets / (net interest income + non-interest income).
- **Operating Expense**: Total non-interest expense.
- **Gross Margin**: Net interest income + non-interest income.
- **Non-Performing Loans Ratio**: Non-performing loans / net loans and assets.
- **Non-Performing Loans Coverage Ratio**: Loan loss allowance / non-performing loans.
- **Tier 1 Common Ratio**: (Tier 1 capital - qualifying subordinate debt and redeemable preferred stock - qualifying non-controlling interests in consolidated subsidiaries) / Total risk-weighted assets.
- **Return On Equity (ROE)**: Net Income / equity.
- **Return On Assets (ROA)**: Net income / average total assets.

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