

The month of August brought a moderating influence to banking activity, with consumers in particular leveling off in their pursuit of new credit.

The American Banker Index of Banking Activity (IBA) registered a 56.3 reading in the month, essentially unchanged from July.

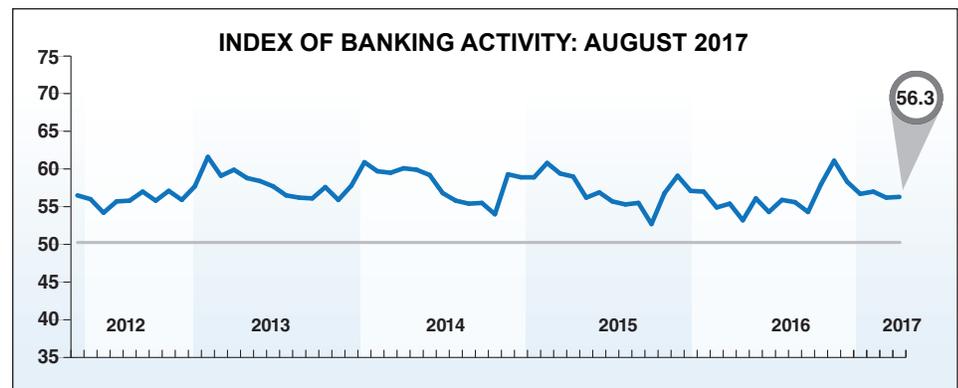
The index was boosted by improved readings in the components that track loan delinquencies (consumer and commercial). Both those components moved well above the 50-point line, to 55.5 and 58.2 respectively, breaking an extended series of declines that had put them very close to contraction levels.

The lift provided by those components was offset, however, by similar-sized declines in the consumer loan application and approval components. The retreat here was not surprising: these two components have consistently seen declines in August, albeit often from higher July levels.

On a regional level, the loss of momentum was most pronounced in the West, while the Northeast, Midwest and South all held to levels in line with last month. ■

August IBA at 56.3

Pressure on delinquency-related indicators abates; consumer applications and approvals both moderate, particularly in the West



Index	August Index	July Index	% Point Change	Change/Rate of Change	Trend	Trend Duration (months)
IBA	56.3	56.2	0.0	Unchanged	Expansion	63
Consumer Loan Applications	53.3	58.3	-5.0	Slower	Expansion	7
Commercial Loan Applications	57.6	56.5	1.1	Faster	Expansion	19
Consumer Loan Approvals	52.9	56.8	-4.0	Slower	Expansion	7
Commercial Loan Approvals	56.9	57.0	-0.2	Unchanged	Expansion	19
Consumer Loan Rejections	54.5	57.3	-2.8	Slower	Expansion	34
Commercial Loan Rejections	58.9	55.4	3.5	Faster	Expansion	34
Consumer Loan Delinquencies	55.5	52.2	3.3	Faster	Expansion	19
Commercial Loan Delinquencies	58.2	53.5	4.7	Faster	Expansion	63
Consumer and Commercial Loans Outstanding	70.5	65.4	5.1	Faster	Expansion	63
Pricing on New Consumer Loans	57.4	58.9	-1.5	Slower	Expansion	12
Pricing on New Commercial Loans	60.1	61.4	-1.3	Slower	Expansion	11
Consumer and Commercial Deposit Pricing	42.0	40.1	1.9	Slower	Contraction	13
Consumer and Commercial Checking Accounts	63.4	61.5	1.9	Faster	Expansion	63
Staffing Level	49.1	51.0	-1.9	From Expansion	Contraction	1
Business Conditions	55.6	57.6	-2.0	Slower	Expansion	8
Real Estate Conditions	54.2	56.8	-2.6	Slower	Expansion	7

ABOUT THE INDEX OF BANKING ACTIVITY

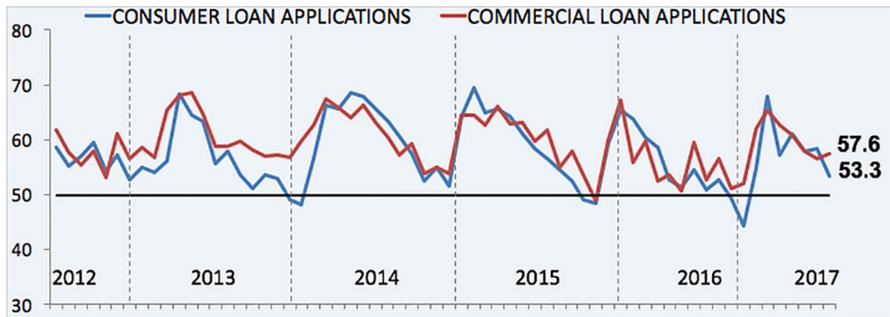
The Index of Banking Activity is a composite index of business conditions in the U.S. banking sector. It is a result of the monthly SourceMedia Research "Banking Activity Survey" of more than 300 banking executives from banks of all sizes. The index comprises a number of selected sub-indicators that summarize various business activities in banking, such as loan activity, loan pricing, deposit account activity, staffing, and business and real estate conditions. Each sub-indicator is based on survey responses that describe a change from the previous month (e.g., higher, lower, or no change). Respondents are also asked to elaborate on any of the changes and provide their opinions.

For each sub-indicator, a diffusion index is produced by calculating the sum of percentages of those indicating "higher" (for positive sub-indicators) and "lower" (for negative sub-indicators) and half of those indicating the "same." A reading of over 50 indicates an expansion relative to the prior month, and a reading below 50 indicates a contraction.

INDEX OF BANKING ACTIVITY

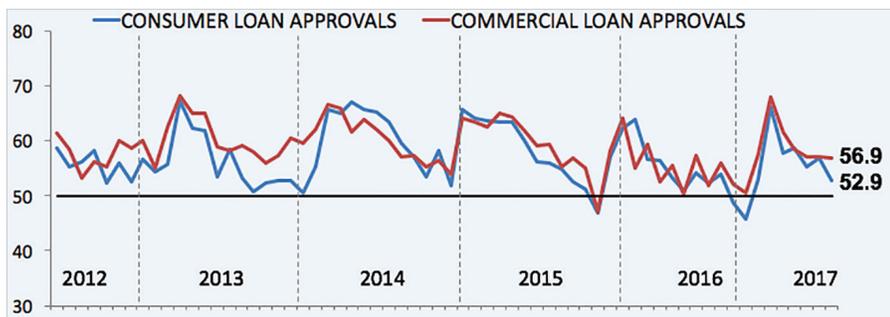
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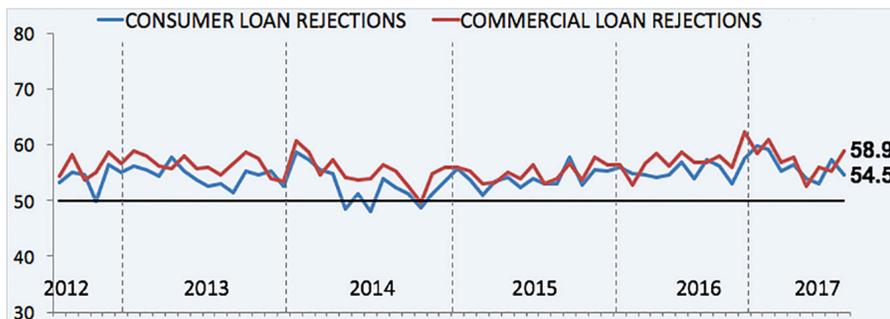
► Loan Applications

A steady month-over-month reading on the commercial side points to continued modest growth in commercial application activity. On the consumer side, as noted above, applications dipped close to the unchanged mark month-over-month, the weakest reading since January.



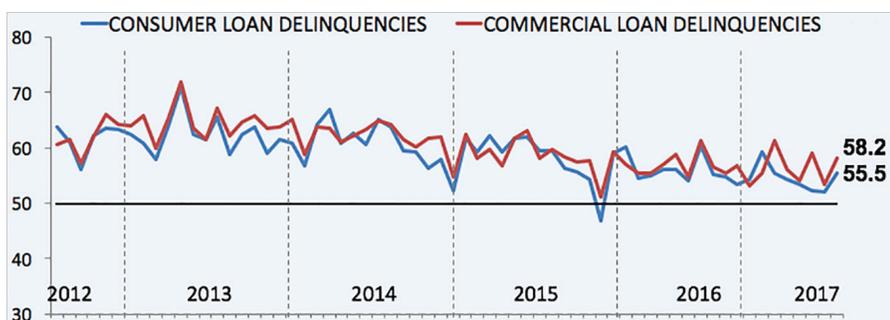
► Loan Approvals

The trend here is directionally similar to applications but both commercial and consumer approvals tallied readings that were just a bit lower than their application counterparts.



► Loan Rejections*

Rejection trends remain relatively favorable (rejections are a contrary indicator, meaning that a higher score indicates lender willingness to turn down applications.) In months where application activity loses steam, a solid reading here suggests that lenders are not yet stretching to generate business.



► Loan Delinquencies*

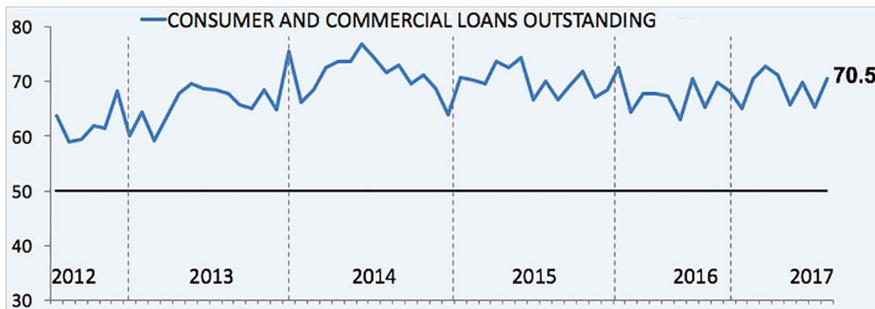
The first solid signal in some time here, as both the consumer and commercial delinquency components put up stronger readings. Of course, one month does not make — or break — a trend, so these indicators still bear close watching.

*Note: When survey respondents report increases in contrary indicators (delinquencies, rejections, and deposit pricing) the composite index numbers drop, reflecting worsening business conditions. Contrary indicators are thus calculated inversely to quantify this effect.

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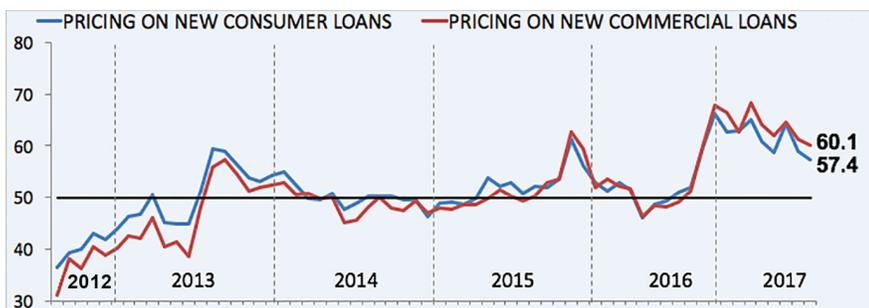
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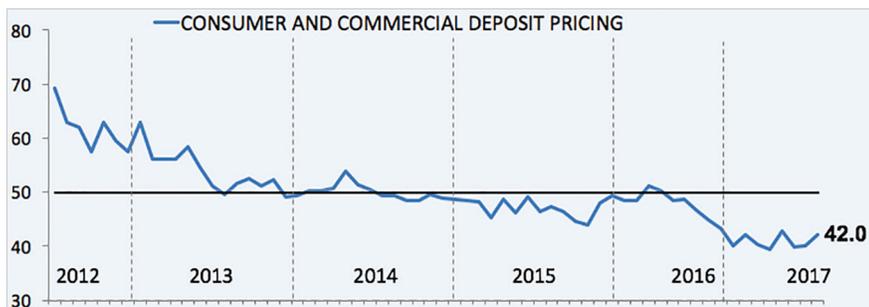
► Loans Outstanding

The day may come when this indicator yields something other than a strongly positive reading. But this is not that day.



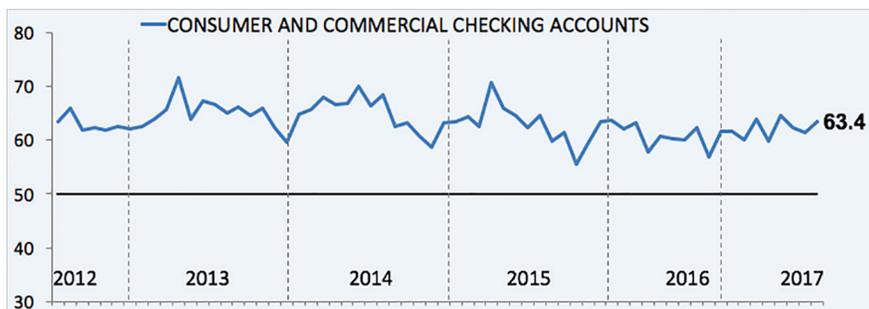
► Pricing On New Loans

Loan pricing has been a bright spot for banks all year and the sentiment appears to remain relatively positive here although both of these components have retreated a bit from their 2017 highs.



► Deposit Pricing*

The flip side of the pricing story — deposit pricing has been pressured all year and several respondents said they had stepped up promotional activity in the month in an effort to attract deposits.



► Checking Accounts

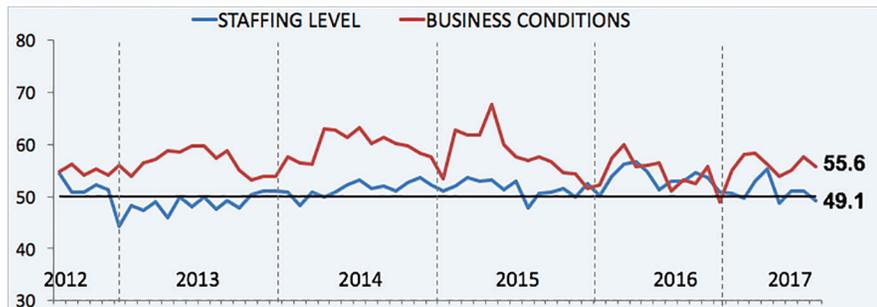
The consistent counterpart to loans outstanding — new account generation has been one of the most reliably positive trends tracked by the IBA.

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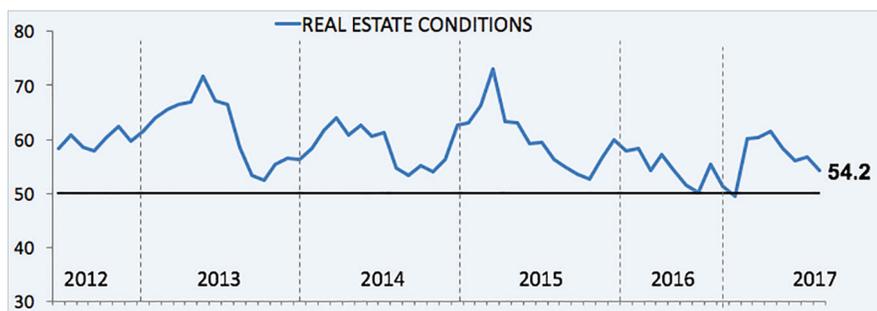
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► Staffing & Business

Some modest signs of deterioration here as staffing moved just into contraction territory and the momentum in business conditions showed signs of moderating in several markets. August marked the third consecutive month that the Midwest turned in a sub-50 score here.



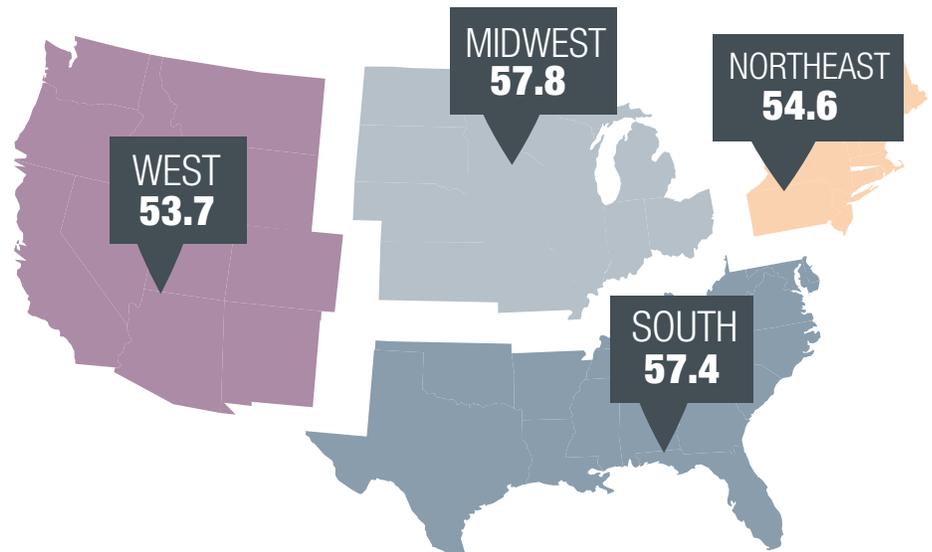
► Real Estate

Tight correlation here with the business conditions component. Respondents who provided commentary on their local real estate markets were largely split between those enjoying increases in activity and those where prices for real estate were cited as hampering market activity.

IBA BY REGION

► **Northeast:** An interesting month for the region despite little change at the composite level. The Northeast turned in one of the stronger scores for real estate conditions. At the same time, component readings suggest a modest decline in consumer applications but an increase in rejections, which if repeated next month could point to tightening of credit.

► **Midwest:** Generally solid metric across the board in the Midwest with the above-mentioned exception of staffing, which has pointed to contraction all summer. The region also posted the strongest improvement in terms of delinquencies.



► **South:** The one region to enjoy strong readings in loan applications, with both the consumer and commercial sides extending a solid summertime run. The South remains the region where deposit pricing seems to be under the most intense upward pressure.

► **West:** Some indications of momentum loss here, with the consumer loan application and approval components both tailing off in the month. Whether that reflects a late-summer swoon or something more troubling will bear watching in the coming month.