

# Banking credit to the private sector grew 7.8% yoy in real terms during June

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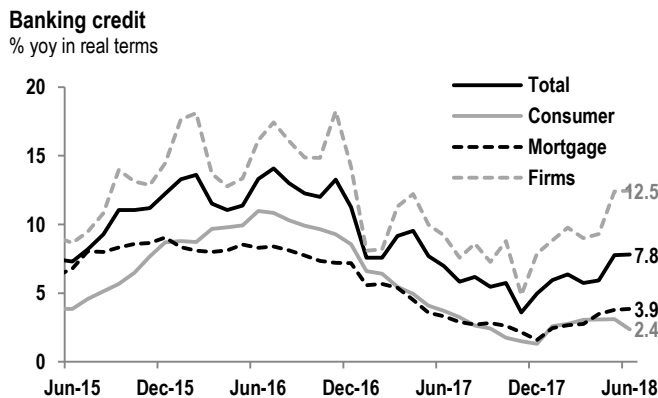
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- Banxico just published its banking credit report for the sixth month of 2018
- Banking credit expanded 7.8% yoy in real terms, above our 7.3% forecast (previous: 7.8%)
- Consumer credit expanded 2.4% yoy during the month
- Mortgage loans increased 3.9% yoy, while banking credit to private firms expanded 12.5%
- Non-performing loans stood at 2.5% of the total portfolio, in line with the figures observed in June 2017
- Looking ahead, we believe that private credit will continue to grow

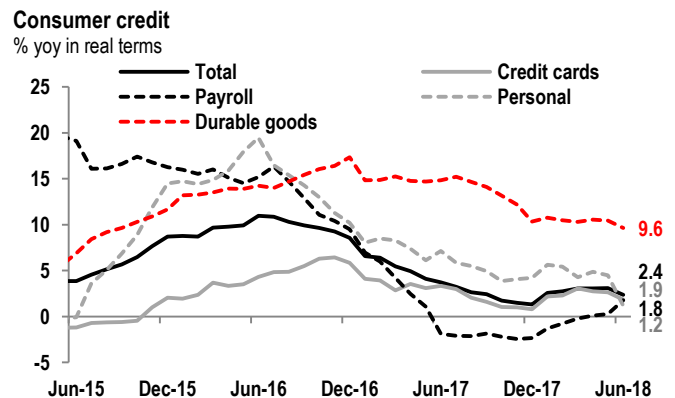
**Banxico published its monthly banking credit report.** June's report shows that banking credit to the private sector expanded 7.8% yoy, above our 7.3% forecast (previous: 7.8%). Looking at the breakdown, consumer credit grew 2.4% yoy. Within this component, we highlight the expansion of durable goods credit, which increased 9.6% yoy. Moreover, payroll and credit card lending expanded 1.8% and 1.9% yoy respectively. In addition, personal credits rose 1.2%.

Mortgages posted a 3.9% yoy expansion, as a result of the 5.6% growth in residential mortgages. Moreover, banking credit to private firms rose 12.5% in June. Taking a look inside, credit to the mass media services sector grew 48.1%, while mining industry credit expanded 2.5%. By contrast, credit to the construction sector decreased 4.4% yoy, while credit to professional services fell by 15.4% yoy.

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Source: Banorte with data from Banxico



Source: Banorte with data from Banxico

**Banking credit: June 2018**

% yoy in real terms

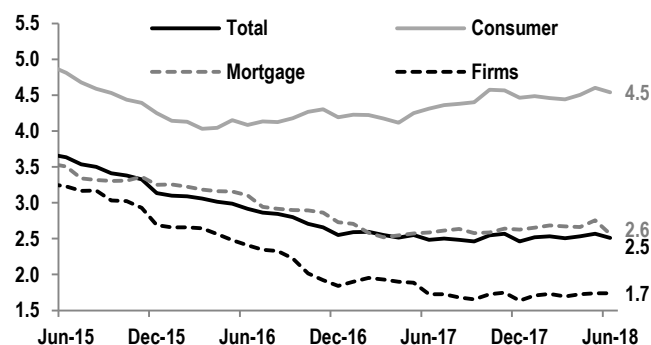
	Jun-18	May-18	Jun-17	Jan-Jun, '18	Jan-Jun, '17
<b>Private banking credit</b>	7.8	7.8	7.0	6.6	8.1
<b>Consumer</b>	2.4	3.1	3.7	2.8	5.2
Credit cards	1.9	2.6	3.3	2.5	3.5
Payroll	1.8	0.3	-1.9	0.0	3.0
Personal	1.2	4.5	7.1	4.3	7.6
Durable goods	9.6	10.4	14.8	10.4	14.9
Auto loans	10.4	11.0	14.2	10.6	14.4
Other durable goods	1.5	4.7	21.7	7.3	20.5
Others	-8.0	-7.4	-7.4	-9.2	-5.3
<b>Mortgage</b>	3.9	3.8	3.3	3.2	4.7
Social interest	-11.1	-10.8	-10.6	-11.2	-9.9
Medium and residential	5.6	5.5	5.2	4.9	6.7
<b>Firms</b>	12.5	12.4	9.2	10.3	9.8
Primary activities	11.6	12.6	-0.3	8.8	1.9
Mining	25.0	14.7	-20.1	6.3	-11.9
Construction	-4.4	-3.7	-13.0	-8.8	-5.0
Utilities	16.5	13.1	-4.5	9.8	-0.6
Manufacturing industry	18.3	17.7	9.1	13.3	12.4
Commerce	3.1	2.0	11.3	5.0	6.5
Transportation and storage	-0.4	19.9	33.8	13.7	19.1
Mass media services	48.1	57.7	12.5	58.0	-2.7
Real estate services	16.1	15.5	24.8	14.4	27.6
Professional services	-15.4	-18.4	18.0	-14.9	23.5
Recreational services	15.0	20.4	13.7	15.0	12.7
Other services	19.8	16.6	11.3	10.3	16.8
Not sectorized	12.1	11.0	12.9	10.2	15.1
<b>Non-banking financial intermediaries</b>	<b>-14.1</b>	<b>-20.9</b>	<b>23.3</b>	<b>-14.0</b>	<b>33.1</b>

Source: Banxico

**Non-performing loans represent 2.5% of the total portfolio, in line with the figures observed in June 2017.** By components, non-performing loans in the consumer segment stood at 4.5%. Credit card NPLs reached 5.3% of total portfolio, while NPLs in payroll, personal, and durable goods credits stood at 3%, 6.7%, and 2.3%, respectively. Moreover, non-performing loans in mortgages stood at 2.6%, while corporate credit NPL's reached 1.7% of total portfolio.

**Non-performing loans**

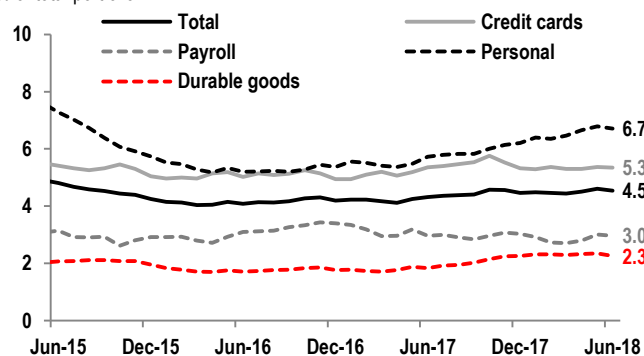
% of total portfolio



Source: Banorte with data from Banxico

**Non-performing loans: Consumer credit**

% of total portfolio



Source: Banorte with data from Banxico

**Looking ahead, we believe that private credit will continue to grow.** It is likely that banking credit will continue to be driven by formal job creation. In addition, the downward trend in inflation will result in a significant recovery of banking credit measured in real terms, which will result in credit outperforming Mexico's economic growth.

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