

Banking credit grows 5.9% yoy in real terms during July

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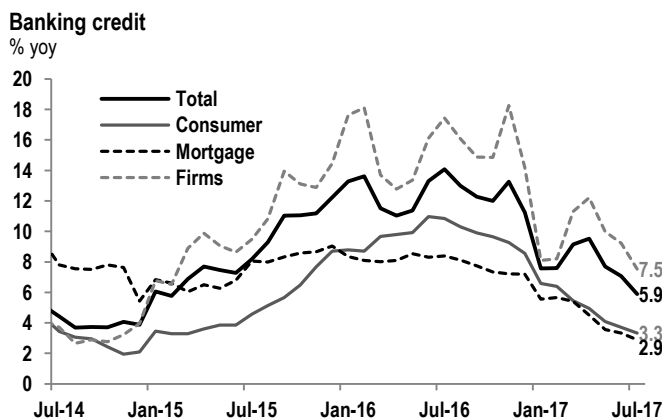
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- Banxico just published its banking credit report for the seventh month of 2017
- Banking credit expanded 5.9% yoy in real terms, below our 6.5% forecast (previous: 7.1%)
- Consumer credit expanded 3.3% yoy in real terms
- Mortgage loans increased 2.9% yoy, while banking credit to private firms expanded 7.5%
- Non-performing loans stand at 2.3%, below the 2.7% observed in July 2016
- Looking ahead, we believe that private credit will continue to grow at a moderate pace

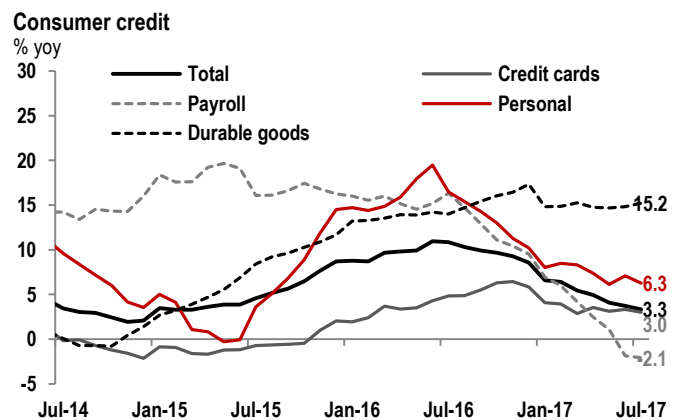
Banxico published its monthly banking credit report. July's report shows that banking credit expanded 5.9% yoy, below our 6.5% forecast (previous: 7.1%). Looking at the breakdown, consumer credit grew 3.3% yoy. Within this component, we highlight the growth of durable goods credit, which increased 15.2% yoy. Moreover, personal and credit card lending expanded 6.3% and 3% yoy respectively. However, payroll credit decreased 0.1%.

Housing credit posted a 2.9% yoy expansion, as a result of the 4.7% growth in residential housing credit. Moreover, banking credit to private firms grew 7.5% in July. Taking a look at the breakdown, credit to the services sector grew 13%, while manufacturing industry credit expanded 5.8%. On the other hand, construction credit decreased by 5.7% yoy, while both credit to the mining and construction sectors fell 4.1% yoy.

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Source: Banorte-Ixe with data from Banxico



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Banking credit: July 2017

% yoy

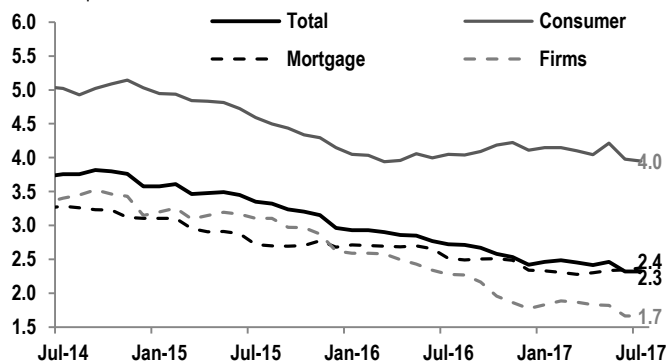
	Jul-17	Jun-17	Jul-16	Jan-Jul, '17	Jan-Jul, '16
Private banking credit	5.9	7.1	14.1	7.8	12.6
Consumer	3.3	3.7	10.8	4.9	9.8
Credit cards	3.0	3.3	4.9	3.4	3.4
Payroll	-2.1	-1.9	16.3	2.3	15.5
Personal	6.3	7.1	16.5	7.4	16.3
Durable goods	15.2	14.8	14.0	14.9	13.7
Auto loans	14.5	14.2	13.4	14.4	13.0
Other durable goods	23.2	21.7	21.5	20.9	23.2
Others	-8.9	-7.4	2.9	-5.8	1.2
Mortgage	2.9	3.3	8.4	4.4	8.3
Social interest	-10.8	-10.6	-5.1	-10.1	-3.9
Medium and residential	4.7	5.2	10.5	6.4	10.2
Firms	7.5	9.2	17.4	9.5	15.6
Primary activities	0.8	-0.5	18.8	1.8	20.8
Mining	-4.1	-3.8	74.6	-1.2	85.0
Manufacturing industry	5.8	9.1	12.1	11.3	10.5
Construction	-4.1	-5.7	17.8	-2.1	16.2
Services	13.0	15.8	16.3	13.4	13.8
Non-banking financial intermediaries	21.8	27.2	26.7	31.8	14.7

Source: Banxico

Non-performing loans stand at 2.3%, below the 2.7% observed in July 2016. By components, non-performing loans in the consumer segment stood at 4%. Credit card NPLs reached 5.2% of total portfolio, while NPLs in payroll, personal, and durable goods credits stood at 3%, 4.5%, and 1.7%, respectively. Moreover, non-performing loans in housing credit stood at 2.4%, while corporate credit NPL's reached 1.7% of total portfolio.

Non-performing loans

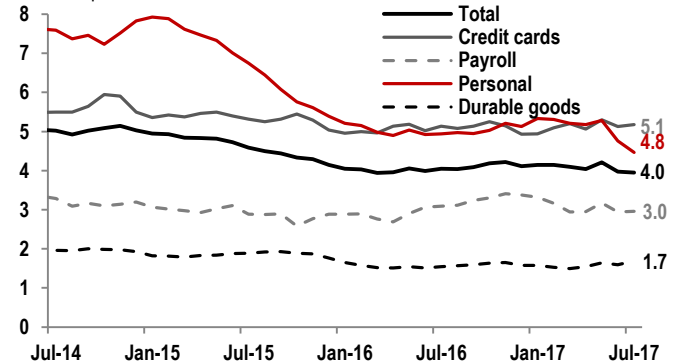
% of total portfolio



Source: Banorte-ixe with data from Banxico

Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte-ixe with data from Banxico

Looking ahead, we believe that private credit will continue to grow at a more moderate pace. It is likely that bank lending will continue to be driven by formal job creation, albeit at a lower rate than in the previous year, mainly due to a higher base of comparison in 2016. However, credit growth will continue to outperform economic growth.

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