

Banking credit moderates its pace of growth in April

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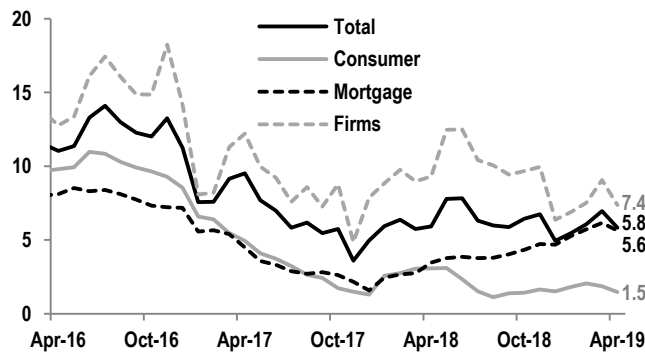
- **Banxico just published its banking credit report for April 2019**
- **Banking credit expanded 5.8% yoy in real terms, below both our 6.5% forecast and the 7.0% seen in the previous month**
- **Consumer credit expanded 1.5%, mortgage loans grew 5.6%, while credit to corporates picked-up 7.4%**
- **Non-performing loans stood at 2.4% of the portfolio, with a slight increase in mortgage loans**
- **Today’s report is consistent with the possibility of a deceleration in credit due to a moderation in economic activity, and which could eventually have an effect in consumption growth**

Banxico published its monthly banking credit report. April’s report showed that banking credit to the private sector expanded 5.8% yoy in real terms, below our forecast of 6.5% (previous: 7.0%). With today’s print, credit broke with four months accelerating, partly explained by the pickup of inflation during the month. Taking a look at the breakdown, consumer credit grew 1.5%. Within this, durable-goods credit remains high at 7.7%. We also observed a good performance in payroll loans, with the annual rate at 3.2%. By contrast, only personal credits stood in contraction territory, falling 2.2% in the month.

Mortgages posted a 5.6% expansion, with the residential sector at 7.4% and social-interest declining at a double-digit pace for the 25th consecutive month. Corporate credit grew 7.4%, with the highest increases in professional services (+13.5%), utilities (+13.2%) and lodging services (+13.0%). On the contrary, the only ones falling were construction (-6.6%) and transportation (-2.2%). The former now adds 7 months in decline, while the latter has shown a more mixed performance since the beginning of the year.

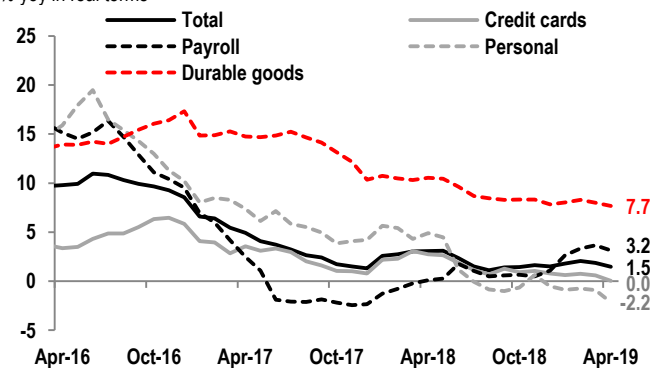
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Banking credit
% yoy in real terms



Source: Banorte with data from Banxico

Consumer credit
% yoy in real terms



Source: Banorte with data from Banxico

Banking credit: April 2019

% yoy in real terms

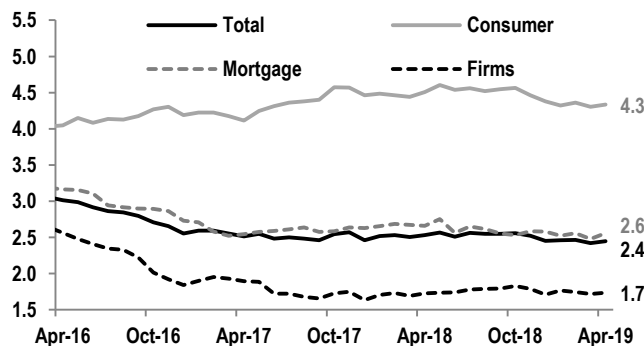
| | Apr-19 | Mar-19 | Apr-18 | Jan-Apr '19 | Jan-Apr '18 |
|---|-------------|-------------|--------------|-------------|--------------|
| Private banking credit | 5.8 | 7.0 | 5.9 | 6.1 | 6.0 |
| Consumer | 1.5 | 1.9 | 3.1 | 1.8 | 2.9 |
| Credit cards | 0.0 | 0.6 | 2.7 | 0.5 | 2.6 |
| Payroll | 3.2 | 3.7 | 0.1 | 3.2 | -0.5 |
| Personal | -2.2 | -0.9 | 4.9 | -1.2 | 5.1 |
| Durable goods | 7.7 | 8.0 | 10.6 | 8.0 | 10.5 |
| Auto loans | 7.7 | 8.1 | 10.9 | 8.3 | 10.6 |
| Other durable goods | 7.7 | 6.2 | 6.7 | 5.0 | 9.5 |
| Others | 2.2 | -4.4 | -9.7 | -0.5 | -9.9 |
| Mortgage | 5.6 | 6.1 | 3.5 | 5.7 | 2.8 |
| Social interest | -11.9 | -11.4 | -10.8 | -12.0 | -11.4 |
| Medium and residential | 7.4 | 7.9 | 5.2 | 7.5 | 4.6 |
| Firms | 7.4 | 9.1 | 9.3 | 7.7 | 9.2 |
| Primary activities | 8.4 | 12.2 | 10.3 | 10.3 | 7.1 |
| Mining | 6.6 | 17.6 | 8.0 | 14.5 | -1.9 |
| Construction | -6.6 | -2.4 | -8.6 | -3.5 | -11.0 |
| Utilities | 13.2 | 15.0 | 8.1 | 14.2 | 5.5 |
| Manufacturing industry | 5.9 | 11.6 | 13.5 | 10.5 | 11.0 |
| Commerce | 8.9 | 7.8 | 4.3 | 6.7 | 6.3 |
| Transportation and storage | -2.2 | 1.1 | 17.4 | -0.4 | 16.8 |
| Mass media services | 5.3 | 5.1 | 47.1 | 2.3 | 60.7 |
| Real estate services | 9.3 | 10.1 | 11.8 | 10.0 | 12.9 |
| Professional services | 13.5 | -5.0 | -19.2 | -2.5 | -13.4 |
| Recreational services | 13.0 | 20.8 | 18.2 | 16.8 | 14.9 |
| Other services | 5.8 | 6.4 | 4.8 | -0.3 | 10.2 |
| Not sectorized | -9.9 | -5.1 | 10.2 | -4.2 | 9.4 |
| Non-banking financial intermediaries | 16.2 | 16.5 | -23.3 | 14.6 | -12.2 |

Source: Banxico

Non-performing loans remain at healthy levels. NPLs stood at 2.4% in line with the latest month. By components, consumer loans were also unchanged at 4.3%. Non-performing loans on mortgages edged up to 2.6% from 2.5%, while corporates remained flat at 1.7%, persistently with the lowest NPLs.

Non-performing loans

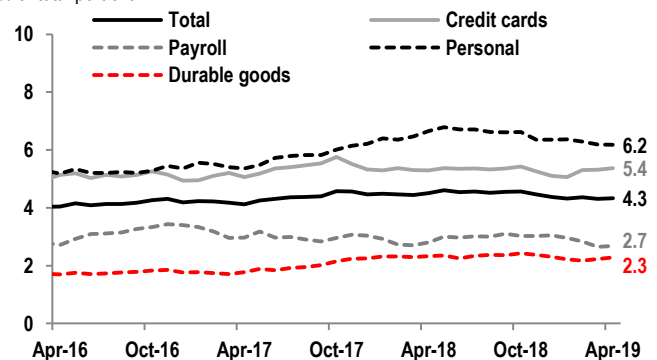
% of total portfolio



Source: Banorte with data from Banxico

Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

Credit growth could decelerate on the back of lower economic activity. In line with recent activity figures that have shown a relative deceleration, credit has also moderated its advance. In this respect, we still believe that dynamism will resent this backdrop. Nevertheless, our expectation that inflation will reestablish its downward path during the second half of the year will likely support growth in real terms. Moreover, the banking sector is in a healthy position as judged by low levels of non-performing loans. In this context, year-to-date growth stands at 6.1%, largely in line with the 6.0% advance in the same period of 2018. Going forward, we expect credit to remain favorable, growing at about 2x the speed of nominal GDP, with room to increase penetration and a positive factor behind the relative resiliency in consumption.

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| | |
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