

Banking credit grows 6.2% yoy in real terms during August

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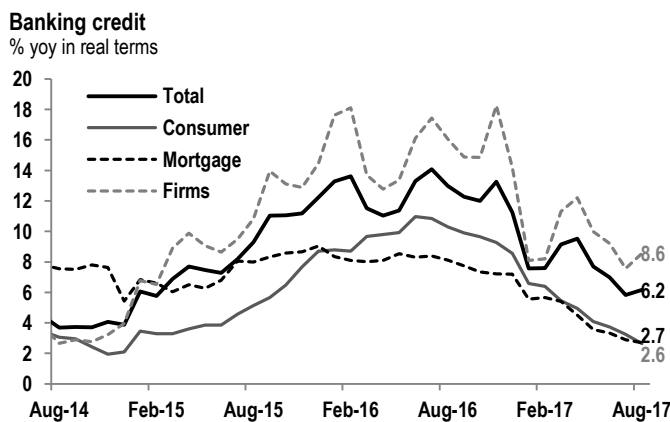
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- Banxico just published its banking credit report for the eighth month of 2017
- Banking credit expanded 6.2% yoy in real terms, above our 5.4% forecast (previous: 5.8%)
- Consumer credit expanded 2.6% yoy in real terms
- Mortgage loans increased 2.7% yoy, while banking credit to private firms expanded 8.6%
- Non-performing loans stand at 2.3%, below the 2.7% observed in August 2016
- Looking ahead, we believe that private credit will continue to grow at a moderate pace

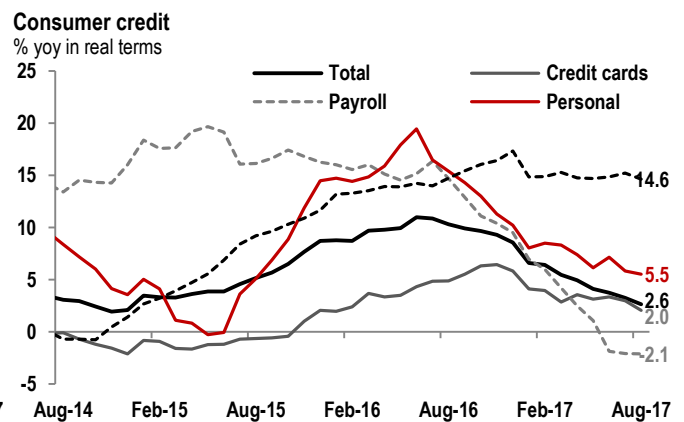
Banxico published its monthly banking credit report. August's report shows that banking credit expanded 6.2% yoy, above our 5.4% forecast (previous: 5.8%). Looking at the breakdown, consumer credit grew 2.6% yoy. Within this component, we highlight the growth of durable goods credit, which increased 14.6% yoy. Moreover, personal and credit card lending expanded 5.2% and 2% yoy respectively. However, payroll credit decreased 2.1%.

Mortgages posted a 2.7% yoy expansion, as a result of the 4.5% growth in residential mortgages. Moreover, banking credit to private firms grew 8.6% in August. Taking a look at the breakdown, credit to the services sector grew 13.4%, while manufacturing industry credit expanded 9.4%. On the other hand, construction credit decreased by 4.6% yoy, while credit to the mining sector fell 2.5% yoy.

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Source: Banorte-Ixe with data from Banxico



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Banking credit: August 2017

% yoy

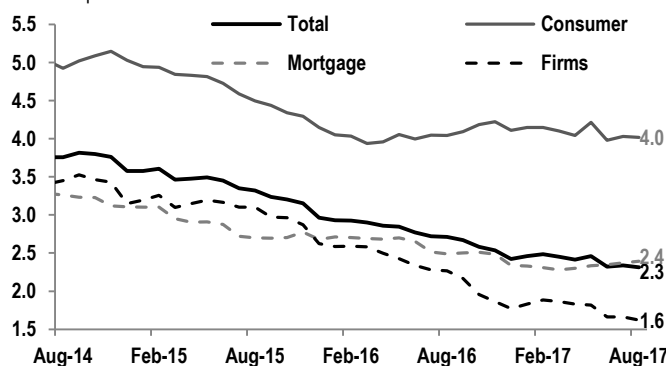
	Aug-17	Jul-17	Aug-16	Jan-Aug, '17	Jan-Aug, '16
Private banking credit	6.2	5.8	13.0	7.5	12.7
Consumer	2.6	3.2	10.3	4.6	9.9
Credit cards	2.0	3.0	4.9	3.2	3.6
Payroll	-2.1	-2.1	14.7	1.7	15.4
Personal	5.5	5.8	15.4	7.1	16.2
Durable goods	14.6	15.2	14.7	14.9	13.9
Auto loans	13.9	14.5	14.1	14.4	13.1
Other durable goods	22.8	23.2	22.1	21.1	23.0
Others	-11.4	-8.9	1.9	-6.5	1.3
Mortgage	2.7	2.9	8.1	4.2	8.2
Social interest	-11.1	-10.8	-5.5	-10.2	-4.1
Medium and residential	4.5	4.7	10.2	6.2	10.2
Firms	8.6	7.6	16.1	9.4	15.6
Primary activities	4.0	1.1	14.8	2.1	20.0
Mining	-2.5	-4.0	73.5	-1.3	83.4
Manufacturing industry	9.4	5.8	8.5	11.1	10.3
Construction	-4.6	-4.6	14.1	-2.6	15.9
Services	13.4	13.2	17.0	13.5	14.2
Non-banking financial intermediaries	17.9	18.5	15.9	28.8	14.9

Source: Banxico

Non-performing loans stand at 2.3%, below the 2.7% observed in August 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 2.9%, 4.9%, and 1.7%, respectively. Moreover, non-performing loans in mortgages stood at 2.4%, while corporate credit NPL's reached 1.6% of total portfolio.

Non-performing loans

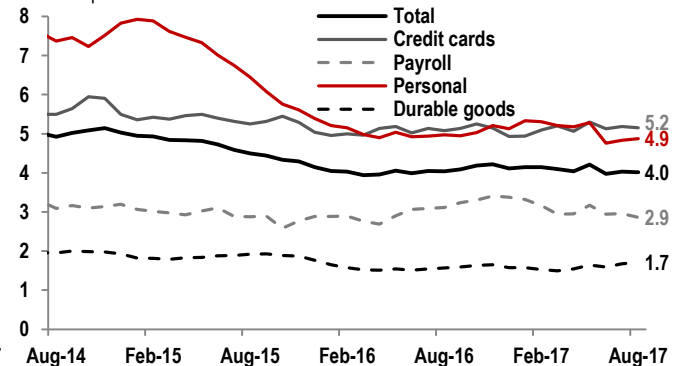
% of total portfolio



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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