

Banking credit growth falls slightly in January, despite stronger corporates

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- **Banxico just published its banking credit report for January 2020**
- **Banking credit expanded 1.9% y/y in real terms, below both our 2.1% forecast and the 2.0% of the previous month**
- **Looking at the breakdown, consumer (+1.6%) and mortgages (+7.0%) decelerated, while corporates edged-up to 0.6%**
- **Non-performing loans climbed back to 2.6% from 2.5% in the previous month, with mortgages slightly higher**
- **We continue to expect credit to accelerate in 2020, mainly on a more favorable economic backdrop**

Banking credit continues to slow down at the start of the year. In particular, banking credit to the private sector expanded 1.9% y/y in real terms, below our 2.1% estimate. In this context, inflation in January showed a 41bps increase relative to December, which may have hindered this month's performance. In this context, we believe more data is needed to confirm whether credit might post a better performance. Nevertheless, given our expectation of an improvement of economic activity in the year, we would expect this to materialize.

Consumer credit expanded 1.6%, decelerating relative to the 2.4% previously. Inside, only personal credit stands in contraction (-5.3%), while durable goods remains as the most dynamic (+6.3%). We also highlight the performance in payroll credit, expanding 4.0%. Mortgages advanced 7.0% (previous: 7.6%), driven by favorable dynamics in the residential sector (+8.2%) while low-income housing stopped moderating its pace of decline (-7.2%), breaking with eight months of improvement and back to August lows.

On the flip-side, credit to corporates grew 0.6%, picking up from the 0.3% from the previous month. Taking a look at the breakdown, only 6 out of the 13 sectors were lower relative to December, with a considerable slowdown in mass media (+24.2%, previous: +30.5) and manufacturing (-6.0%, previous: -3.5%). On the contrary, those with the most significant acceleration were utilities (5.4%, previous: 1.2%) and transportation (-0.4%, previous: -3.8%). In this context, some of these figures seem to suggest a slightly better outlook for economic activity at the start of the year, although with some lingering risks.

Non-performing loans back to 2.6% of the portfolio from 2.5% in December. This was driven by a marginal increase in mortgages NPLs, standing at 2.9% of total loans from 2.8%. This was a result of a pick-up in housing at the margin, from 2.8% to 2.9%. Meanwhile, the measure for corporates was unchanged at 1.8%, still with the best performance. Lastly, consumer credit NPLs stood at 4.3%, in line with December's print. Overall, we continue to believe these levels are consistent with healthy dynamics.

We continue to expect an acceleration of credit growth in 2020. Despite the slow start of the year portrayed in today's report, we need to consider that figures were slightly skewed to the downside given the pick-up in annual inflation. If we exclude for the latter, then the result is consistent with a modest rebound in credit. However, as we move forward, and base-effects become less of an issue, we should be able to gauge more clearly the underlying path behind credit performance. Despite of this, we still expect a rebound in 2020, supported by: (1) A higher expectation of GDP growth; (2) a relatively stable behavior of headline inflation; and (3) a reduction in financing costs as a result of reference rate cuts by Banxico. The latter, in tandem with announcements of investment projects from both the public and private sector, should be net positive for credit, particularly for corporates, which have seen the steepest deceleration. Last but not least, we maintain our assessment that the banking sector remains healthy, as judged by low levels of non-performing loans and positive growth despite the moderation in activity.

Banking credit

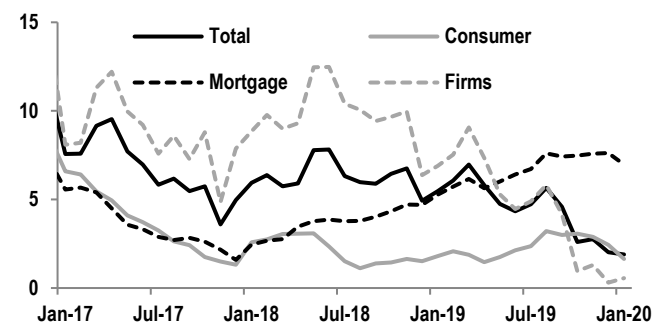
% y/y in real terms

	Jan-20	Dec-19	Jan-19	2019	2018
Private banking credit	1.9	2.0	5.5	4.6	6.3
Consumer	1.6	2.4	1.8	2.3	2.1
Credit cards	1.7	2.3	0.6	1.6	1.7
Payroll	4.0	5.8	2.6	4.7	0.4
Personal	-5.3	-5.4	-0.9	-2.8	1.9
Durable goods	6.3	7.1	8.0	7.7	9.3
Auto loans	4.8	5.6	8.6	7.1	9.9
Other durable goods	24.2	25.3	2.0	14.5	2.2
Others	5.2	7.2	0.4	2.7	-6.6
Mortgage	7.0	7.6	5.3	6.6	3.7
Social interest	-7.2	-5.3	-12.5	-9.3	-11.8
Medium and residential	8.2	8.7	7.2	8.2	5.5
Firms	0.6	0.3	6.9	4.8	9.8
Primary activities	10.3	10.7	10.4	11.2	9.5
Mining	-5.5	-6.5	15.7	0.2	11.6
Construction	-8.5	-8.3	-3.0	-6.9	-3.7
Utilities	5.4	1.2	14.3	9.0	11.1
Manufacturing industry	-6.0	-3.5	12.6	4.9	14.2
Commerce	-2.8	-3.2	3.8	4.0	2.5
Transportation and storage	-0.4	-3.8	2.1	-0.6	3.8
Mass media services	24.2	30.5	-1.0	7.9	45.9
Real estate services	4.3	4.6	9.0	5.7	13.4
Professional services	-5.2	-3.9	-8.6	0.2	-13.5
Recreational services	8.1	5.7	15.8	16.3	13.5
Other services	7.6	7.2	-5.8	2.5	13.6
Not sectorized	-13.0	-13.8	-1.9	-11.0	7.9
Non-banking financial intermediaries	-4.5	-4.3	10.2	8.2	-12.0

Source: Banxico

Chart 1: Banking credit

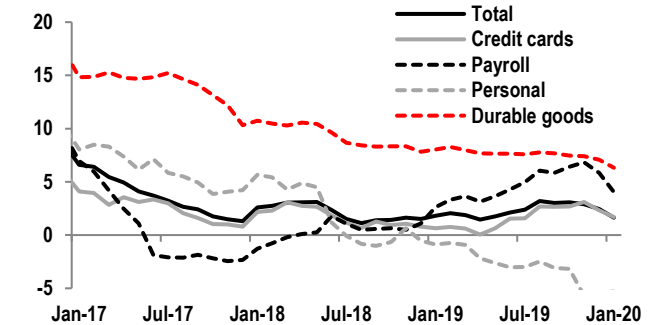
% y/y in real terms



Source: Banorte with data from Banxico

Chart 2: Consumer credit

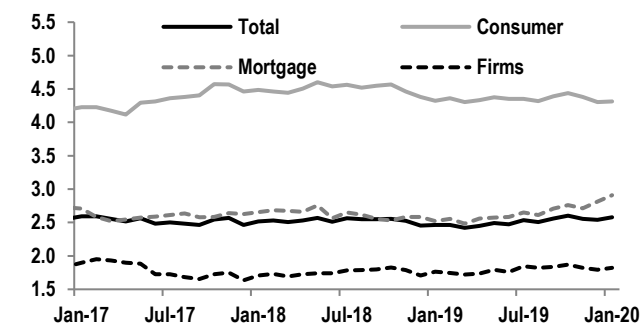
% y/y in real terms



Source: Banorte with data from Banxico

Chart 3: Non-performing loans

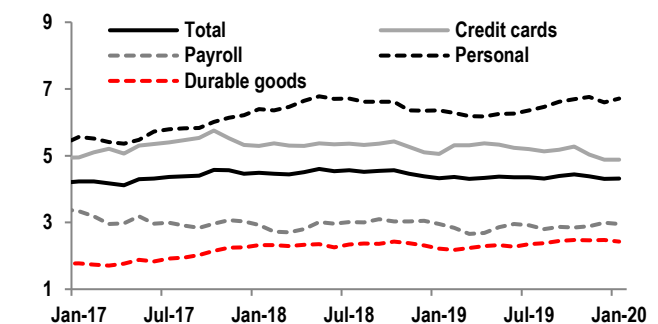
% of total portfolio



Source: Banorte with data from Banxico

Chart 4: Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

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