

Banking credit grew 6.3% yoy in real terms during February

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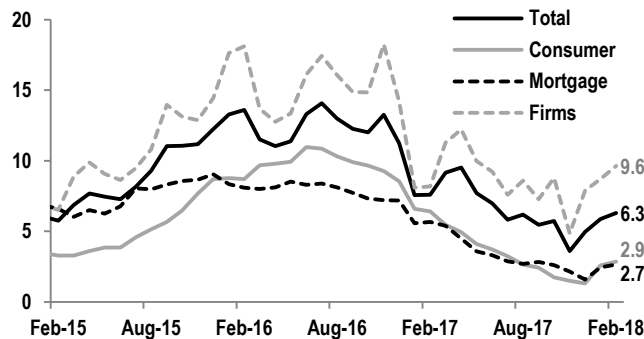
- Banxico just published its banking credit report for the second month of 2018
- Banking credit expanded 6.3% yoy in real terms, marginally above our 6.1% forecast (previous: 5.9%)
- Consumer credit expanded 2.9% yoy in real terms during the month
- Mortgage loans increased 2.7% yoy, while banking credit to private firms expanded 9.6%
- Non-performing loans stood at 2.5%, below the 2.6% observed in February 2017
- Looking ahead, we believe that private credit will continue to grow at a moderate pace

Banxico published its monthly banking credit report. February's report shows that banking credit expanded 6.3% yoy, marginally above our 6.1% forecast (previous: 5.9%). Looking at the breakdown, consumer credit grew 2.9% yoy. Within this component, we highlight the expansion of durable goods credit, which increased 10.5% yoy. Moreover, personal and credit card lending expanded 5.9% and 2.3% yoy respectively. However, payroll credit decreased 0.8%.

Mortgages posted a 2.7% yoy expansion, as a result of the 4.3% growth in residential mortgages. Moreover, banking credit to private firms rose 9.6% in February. Taking a look inside, credit to the mass media services sector grew 64.8%, while manufacturing industry credit expanded 11.1%. On the other hand, construction credit decreased 12.3% yoy, while credit to the mining sector was reduced by 5.8% yoy.

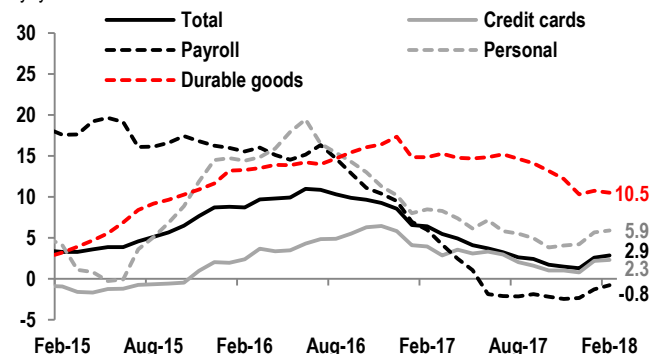
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Banking credit
% yoy in real terms



Source: Banorte with data from Banxico

Consumer credit
% yoy in real terms



Source: Banorte with data from Banxico

Banking credit: February 2018

% yoy in real terms

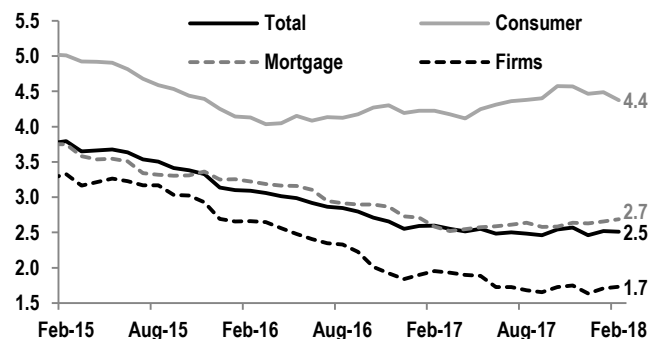
	Feb-18	Jan-18	Feb-17	Jan-Feb, '18	Jan-Feb, '18
Private banking credit	6.3	5.9	7.6	6.1	7.6
Consumer	2.9	2.6	6.4	2.7	6.5
Credit cards	2.3	2.2	3.9	2.3	4.0
Payroll	-0.8	-1.3	6.0	-1.0	6.5
Personal	5.9	5.7	8.5	5.8	8.3
Durable goods	10.5	10.7	14.9	10.6	14.8
Auto loans	10.5	10.6	14.4	10.6	14.5
Other durable goods	10.5	11.9	19.8	11.2	19.0
Others	-10.4	-11.9	-2.2	-11.2	-2.2
Mortgage	2.7	2.5	5.7	2.6	5.6
Social interest	-11.1	-11.8	-9.6	-11.5	-9.2
Medium and residential	4.3	4.2	7.9	4.3	7.8
Firms	9.6	8.7	8.2	9.2	8.1
Primary activities	8.5	4.5	2.7	6.5	3.9
Mining	-5.8	-9.7	-8.5	-7.8	-7.2
Construction	-12.3	-12.0	-0.3	-12.2	0.0
Utilities	4.8	1.6	1.0	3.2	1.4
Manufacturing industry	11.1	8.1	11.4	9.6	10.8
Commerce	6.9	8.8	3.5	7.9	2.6
Transportation and storage	16.8	16.4	18.1	16.6	16.6
Mass media services	64.8	87.8	-31.6	75.7	-28.2
Real estate services	13.8	11.4	26.7	12.6	26.8
Professional services	-12.6	-10.8	28.4	-11.7	27.3
Recreational services	13.7	12.2	14.3	12.9	13.8
Other services	15.1	14.4	14.7	14.8	14.6
Not sectorized	8.2	8.8	15.6	8.5	14.7
Non-banking financial intermediaries	-6.0	1.7	26.6	-2.2	27.2

Source: Banxico

Non-performing loans stand at 2.5%, below the 2.6% observed in February 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 2.9%, 6.4%, and 2.3%, respectively. Moreover, non-performing loans in mortgages stood at 2.7%, while corporate credit NPL's reached 1.7% of total portfolio.

Non-performing loans

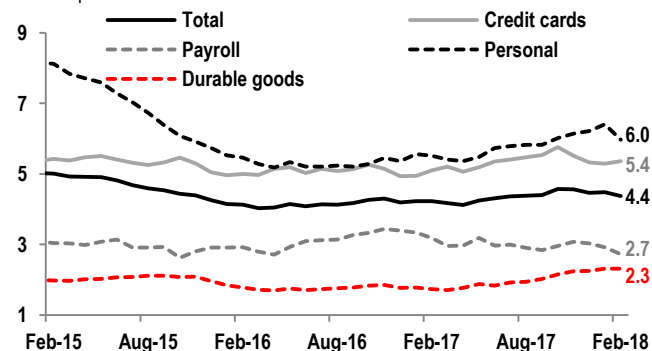
% of total portfolio



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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