

Banking credit grows 7.1% yoy in real terms in June

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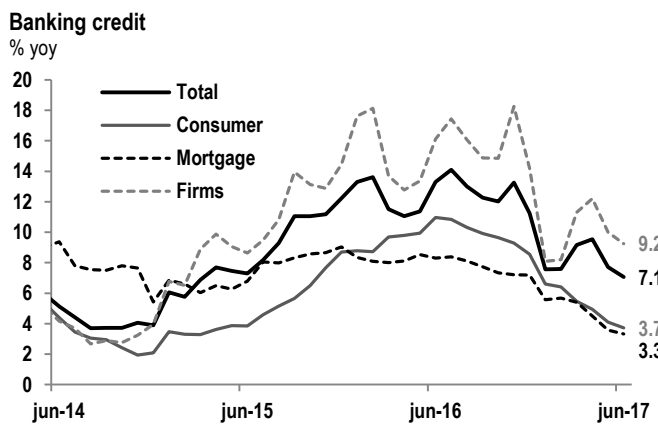
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- Banxico just published its banking credit report for the sixth month of 2017
- Banking credit expanded 7.1% yoy in real terms, below our 8.1% forecast (previous: 7.7%)
- Consumer credit expanded 3.7% yoy in real terms
- Mortgage loans increased 3.3% yoy, while banking credit to private firms expanded 9.2%
- Non-performing loans stand at 2.3%, below the 2.8% observed in June 2016
- Looking ahead, we believe that private credit will continue to grow at a moderate pace

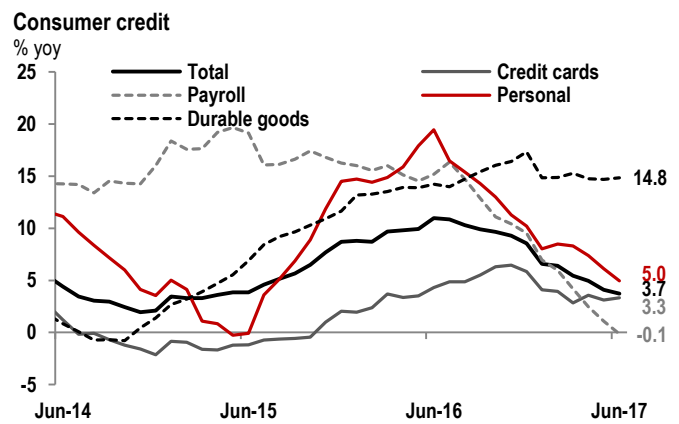
Banxico published its monthly banking credit report. June's report shows that banking credit expanded 7.1% yoy, below our 8.1% forecast (previous: 7.7%). Looking at the breakdown, consumer credit grew 3.7% yoy. Within this component, we highlight the growth of durable goods credit, which increased 14.8% yoy. Moreover, personal and credit card lending expanded 5% and 3.3% yoy respectively. However, payroll credit decreased 0.1%.

Housing credit posted a 3.3% yoy expansion, this as a result of the 5.2% growth in residential housing credit. Moreover, banking credit to private firms grew 9.2% in June. Taking a look at the breakdown, credit to the services sector grew 15.9%, while manufacturing industry credit expanded 9%. On the other hand, construction credit decreased by 5.7% yoy, while mining credit fell 3.6% yoy.

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Source: Banorte-Ixe with data from Banxico



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Banking credit: June 2017

% yoy

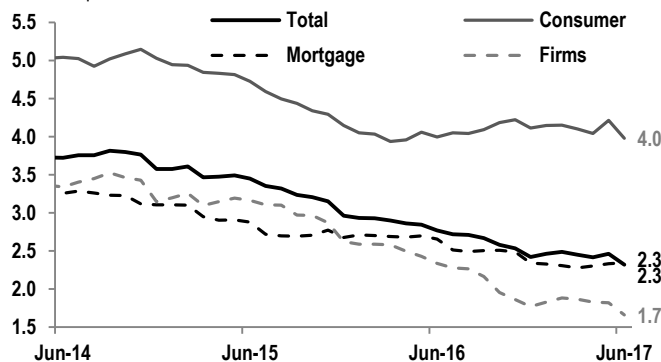
	Jun-17	May-17	Jun-16	Jan-Jun, '17	Jan-Jun, '16
Private banking credit	7.1	7.7	13.3	8.1	12.3
Consumer	3.7	4.1	11.0	5.2	9.7
Credit cards	3.3	3.1	4.3	3.5	3.2
Payroll	-0.1	1.1	15.2	3.3	15.4
Personal	5.0	6.1	19.5	7.2	16.2
Durable goods	14.8	14.7	14.2	14.9	13.7
Auto loans	14.2	14.1	13.6	14.4	12.9
Other durable goods	21.7	21.4	21.8	20.5	23.5
Others	-7.4	-8.6	4.2	-5.3	1.0
Mortgage	3.3	3.6	8.3	4.7	8.2
Social interest	-10.6	-10.7	-5.2	-9.9	-3.7
Medium and residential	5.2	5.6	10.4	6.7	10.2
Firms	9.2	10.0	16.1	9.8	15.3
Primary activities	-0.6	1.3	19.8	2.0	21.1
Mining	-3.6	3.2	75.9	-0.6	86.8
Manufacturing industry	9.0	12.0	10.7	12.3	10.3
Construction	-5.7	-3.2	20.4	-1.7	15.9
Services	15.9	14.5	13.2	13.5	13.3
Non-banking financial intermediaries	26.6	33.6	20.4	33.6	12.6

Source: Banxico

Non-performing loans stand at 2.3%, below the 2.8% observed in June 2016. By components, non-performing loans in the consumer segment stood at 4%. Credit card NPLs reached 5.1% of total portfolio, while NPLs in payroll, personal, and durable goods credits stood at 3.2%, 4.5%, and 1.6%, respectively. Moreover, non-performing loans in housing credit stood at 2.3%, while corporate credit NPL's reached 1.7% of total portfolio.

Non-performing loans

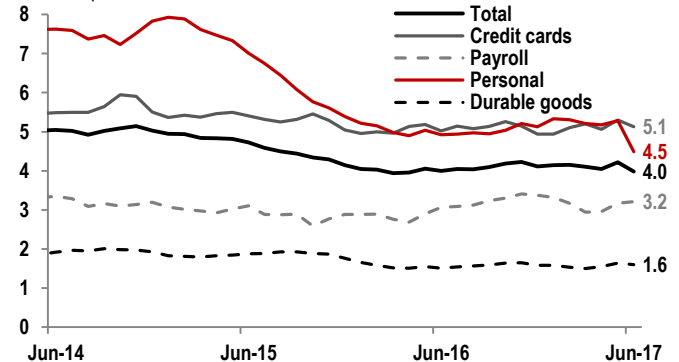
% of total portfolio



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 –largely due to the uncertainty surrounding the policies that the new US administration may enact–. However, it will continue to show a positive performance. In addition, changes in the annual growth rate will be more moderate, due to a higher base of comparison in 2016.

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