

Banking credit – 8.4% yoy growth in 2015 reflects the better growth dynamics of domestic demand

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- **Banxico just published its banking credit report**
- **Banking credit expanded 11.7% yoy in real terms in December, above the 10.4% observed in the previous month**
- **In this context, the banking credit to the private sector expanded 8.4% yoy in real terms in 2015 (monthly average), compared with the 4.2% growth observed in 2014**
- **Consumption credit expanded 8.8% yoy in real terms in December**
- **Housing credit increased 10.9% yoy in real terms, while corporate credit expanded 14.5% in December**
- **Non-performing loans stand at 2.5%, below the 3% observed in Dec'14**

Banxico published today its monthly banking credit report. Today's report shows that banking credit in December expanded 11.7% yoy, above the 10.4% observed in the previous month. Taking a look at the breakdown, consumption credit expanded 8.8% yoy. Within this component, we highlight that in the last 2 months credit cards posted a positive 2.1% yoy increase, after 16 consecutive months in contraction. Moreover, personal and payroll credit increased 15.1% and 17.5% yoy respectively. Similarly, credit for durable goods edged-up 11% yoy. Finally, housing credit increased 10.9% yoy, while corporate credit grew 14.5%. In this context, the banking credit to the private sector expanded 8.4% yoy in real terms during 2015 (monthly average), compared with the 4.2% growth observed in 2014.

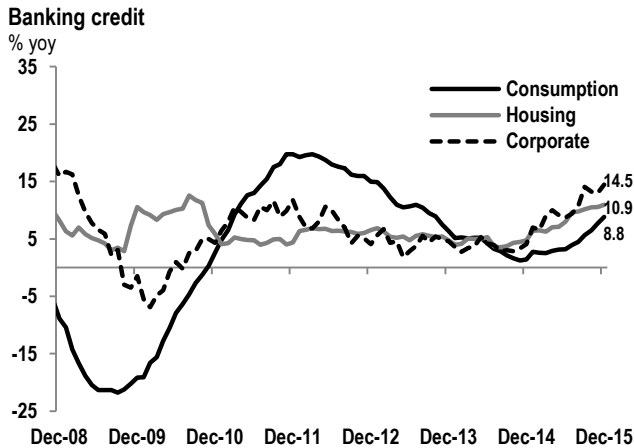
Banking credit in December

% yoy in real terms	Dec-15	Nov-15	Oct-15	Dec-14	2015	2014	3m-average
Total credit	11.7	10.4	10.4	3.9	8.4	4.2	10.9
Consumption	8.8	7.7	6.5	1.4	4.5	3.5	7.7
Credit cards	2.1	1.0	-0.4	-2.1	-0.5	0.9	0.9
Payroll	17.5	18.1	18.7	13.3	16.5	12.8	18.1
Personal	15.1	12.3	9.1	3.3	5.0	8.8	12.2
Durables	11.0	10.1	9.2	0.4	6.5	-1.6	10.1
Housing	10.9	10.6	10.5	4.8	8.6	4.4	10.7
Companies	14.5	13.0	13.2	4.1	10.5	3.6	13.6

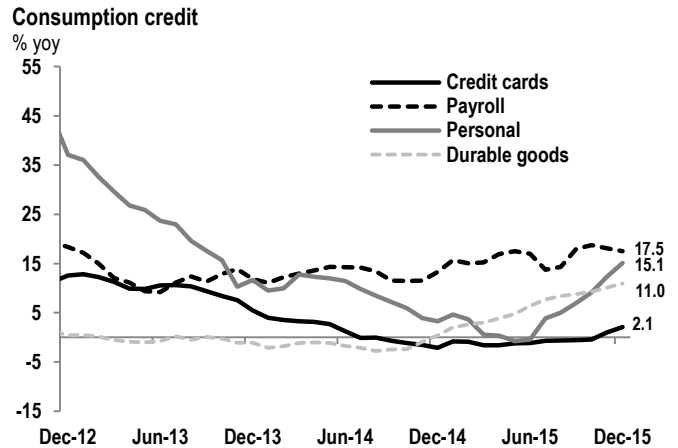
Source: Banxico

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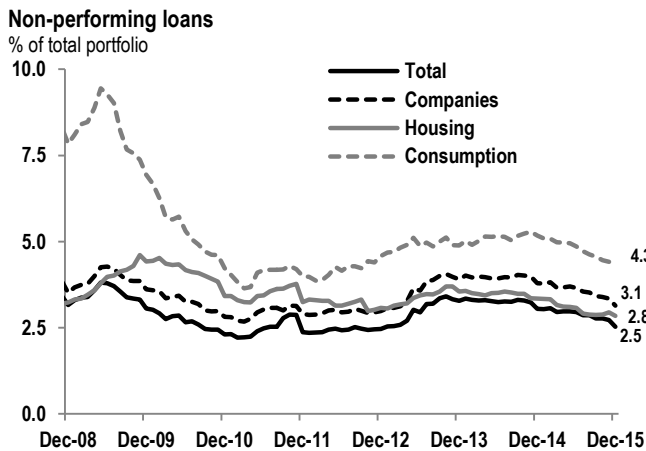
Non-performing loans stand at 2.5%, below the 3% observed in December'14. By components, non-performing loans in the consumption segment stood at 4.3% in December. Credit card NPLs reached 5% of total portfolio, while NPLs in payroll, personal and durable goods credits are at 2.9%, 5.5%, and 2.1%, respectively. Moreover, non-performing loans in housing credit stood at 2.8%, while corporate credit NPL's reached 3.1% of total portfolio.



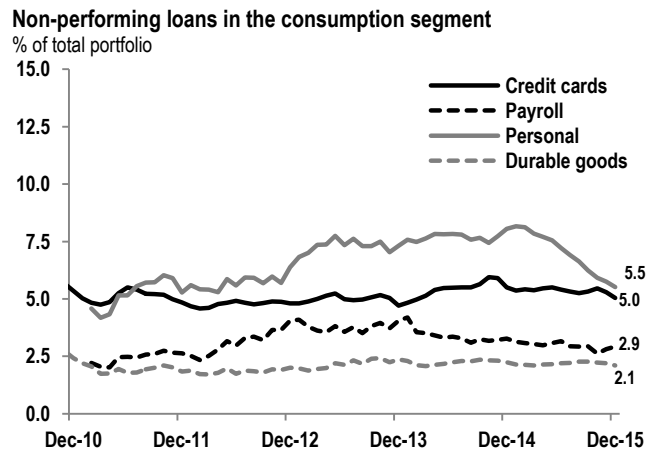
Source: Banorte-Ixe with data from Banxico



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We believe the better growth prospects for private credit will continue in 1Q16. In 2015, we observed a significant spike in private banking credit, given the more visible recovery of the Mexican economy, which has resulted in an increased credit demand by the private sector and greater credit supply by private banks, which has also reflected in the recent recovery in consumption credit. Moreover, the upward trend in payroll and durable goods credit displays the better growth dynamics in the Mexican formal labor market. In this context, we believe that the upward trend in private loans will continue during the first quarter of 2016.

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