

Banking credit in July maintains an upward trend

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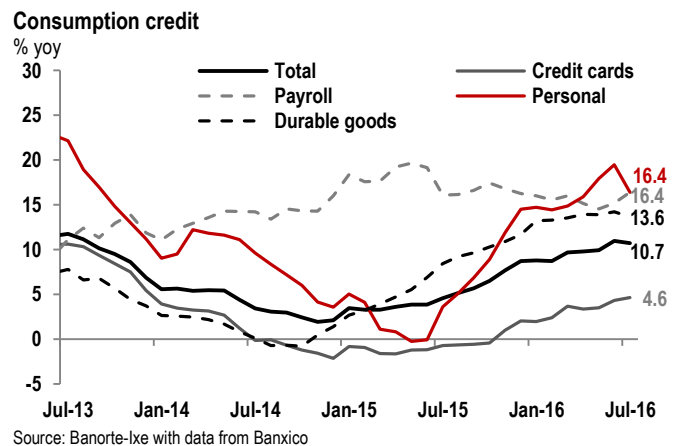
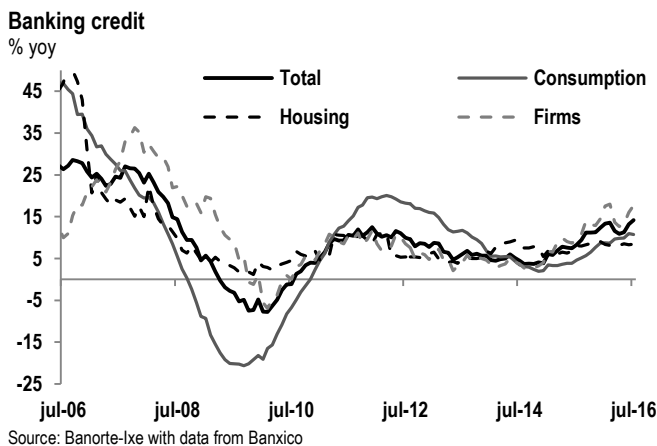
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- Banxico just published its banking credit report for July
- Banking credit expanded 14.2% yoy in real terms, above the 13.2% observed in June
- Year-to-date, credit to the private sector posted a 12.6% growth
- Consumption credit expanded 10.7% yoy in real terms
- Housing credit increased 8.5% yoy, while banking credit to private firms expanded 17.7%
- Non-performing loans stand at 2.7%, below the 3.3% observed in July 2015
- We believe that the better growth prospects for private credit will continue throughout the second half of the year

Banxico published its monthly banking credit report. July's report shows that banking credit expanded 14.2% yoy, above the 13.2% observed in the previous month. Taking a look at the breakdown, consumption credit edged-up 10.7% yoy. Within this component, credit cards increased 4.6% yoy, while personal and payroll credit expanded 16.4% yoy. Durable goods credit edged-up 13.6% from 14.2% yoy.

Similarly, housing credit increased 8.5% yoy, as a result of the 10.6% expansion in residential housing credit. Moreover, banking credit to private firms grew 17.7% in July. With these results, banking credit to the private sector posted a 12.6% growth in the first seven months of the year, compared with the 7.1% increase observed in the same period of 2015 (refer to the table on the next page).

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Banking credit: July 2016

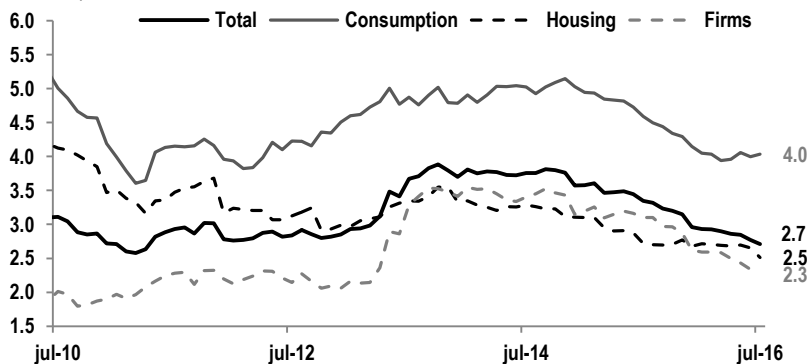
	Jul-16	Jun-16	Jul-15	Jan-Jul, '16	Jan-Jul, '15
Private banking credit	14.2	13.2	8.3	12.6	7.1
Consumption	10.7	11.0	4.6	9.8	3.7
Credit cards	4.6	4.3	-0.7	3.4	-1.2
Payroll	16.4	15.2	16.1	15.5	18.2
Personal	16.4	19.5	3.6	16.3	2.0
Durable goods	13.6	14.2	8.4	13.7	5.0
Auto loans	11.8	11.7	4.7	11.1	0.3
Other durable goods	21.5	21.8	54.4	23.2	85.1
Others	2.6	3.9	-4.9	1.0	-9.7
Housing	8.5	8.3	8.0	8.3	6.7
Social interest	-5.1	-5.2	0.1	-3.9	-8.7
Medium and residential	10.6	10.4	9.4	10.2	9.7
Firms	17.7	16.0	9.5	15.5	8.5
Primary activities	18.4	19.3	5.9	20.6	2.6
Mining	72.5	75.8	24.8	84.6	51.0
Manufacturing industry	12.2	10.9	12.8	10.6	10.7
Construction	17.8	20.7	11.3	16.2	8.1
Services	17.2	13.1	7.3	13.9	7.9
Non-banking financial intermediaries	22.9	15.2	34.9	13.9	25.5

Source: Banxico

Non-performing loans stand at 2.7%, below the 3.3% observed in July 2015. By components, non-performing loans in the consumption segment stood at 4%. Credit card NPLs reached 5.1% of total portfolio, while NPLs in payroll, personal, and durable goods credits stand at 3.1%, 4.8%, and 1.5%, respectively. Moreover, non-performing loans in housing credit stood at 2.5%, while corporate credit NPL's reached 2.3% of total portfolio.

Non-performing loans

% of total portfolio



Source: Banorte-ixe with data from Banxico

We believe the better growth prospects for private credit will continue throughout the second half of the year. We have observed a significant surge in private banking credit, given the more visible recovery of Mexico's domestic demand, which has resulted in an increased credit demand by the private sector and greater credit supply by private banks.

Moreover, the upward trend in payroll and durable goods credit displays the better growth dynamics in the Mexican formal labor market, partially derived from the *Labor Reform* approved in 2014. Additionally, credit cards have maintained an upward trend in the first half of 2016, after 16 months in contraction. On the other hand, lower levels in NPLs will have a positive impact on the private credit growth dynamics. In this context, we believe that the upward trend in private loans will remain throughout the year.

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