

# Banking credit –7.7% yoy growth in July, explained by the recovery of the formal labor market

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- Banxico just published its banking credit report
- Banking credit expanded 7.7% yoy in July, above the 4.1% observed in Jul'14
- Consumption credit expanded 3.9% yoy in real terms
- Housing credit increased 9.6% yoy in real terms, while corporate credit expanded 9.5%
- Non-performing loans stand at 2.9%, below the 3.3% observed last year

**Banxico published today its monthly banking credit report.** Today's report shows that banking credit in July expanded 7.7% yoy, above the 4.1% observed in July'14. Taking a look at the breakdown, consumption credit expanded 3.9% yoy. Within this component, credit cards decreased 0.7% yoy, while personal credit increased 0.5% yoy, and payroll credit increased 16.7%. Moreover, credit for durable goods edged-up 7.7% yoy. Finally, housing credit increased 9.6% yoy, while corporate credit grew 9.5%.

## Banking credit in July

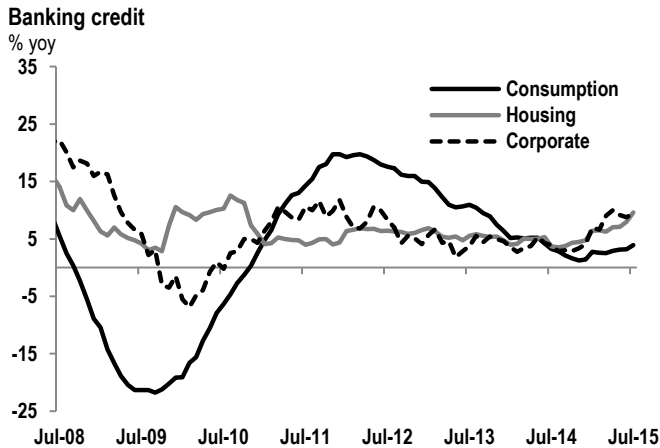
% yoy in real terms	Jul-15	Jun-15	May-15	Jul-14	Jan-Jul, '15	Jan-Jul, '14	3m-average
Total credit	7.7	6.9	7.1	4.1	6.9	4.7	7.3
Consumption	3.9	3.2	3.2	3.2	3.0	4.7	3.4
Credit cards	-0.7	-1.2	-1.2	-0.1	-1.1	2.5	-1.0
Payroll	16.7	17.0	17.5	14.2	16.3	13.3	17.1
Personal	0.5	-0.4	-0.8	9.8	1.2	11.1	-0.2
Durables	7.7	6.4	4.7	-2.1	4.3	-1.6	6.3
Housing	9.6	8.0	7.1	3.7	7.3	4.6	8.2
Companies	9.5	8.8	9.1	3.9	8.6	3.9	9.1

Source: Banxico

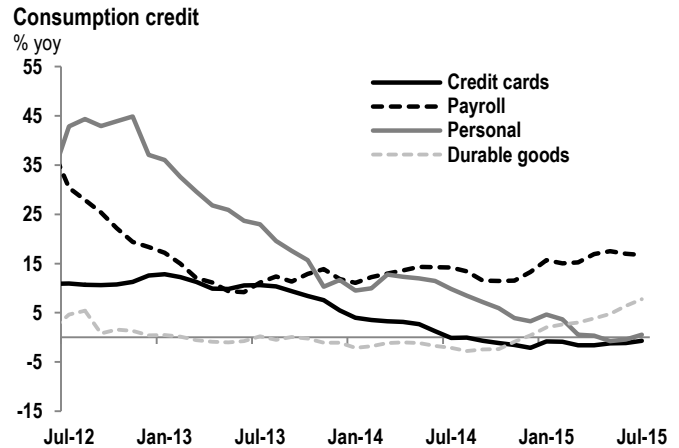
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**Non-performing loans stand at 2.9%, below the 3.3% observed in July'14.**

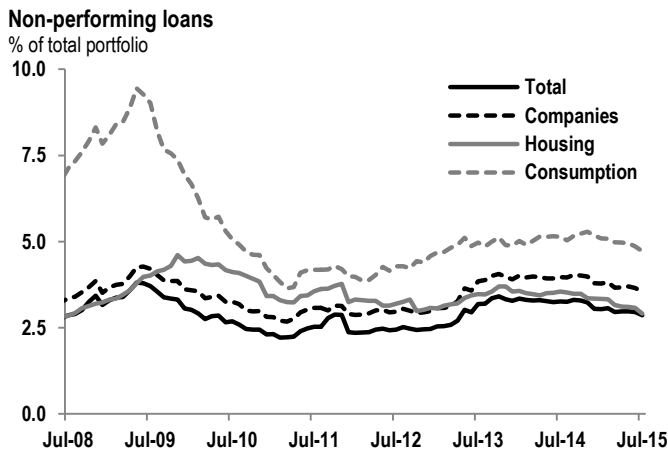
By components, non-performing loans in the consumption segment stood at 4.7% in July. Credit card NPLs reached 5.3% of total portfolio, while NPLs in payroll, personal and durable goods credits are at 3.1%, 6.9%, and 2.2%, respectively. Non-performing loans in housing credit stand at 2.9%, while corporate credit NPL's reached 3.5% of total portfolio.



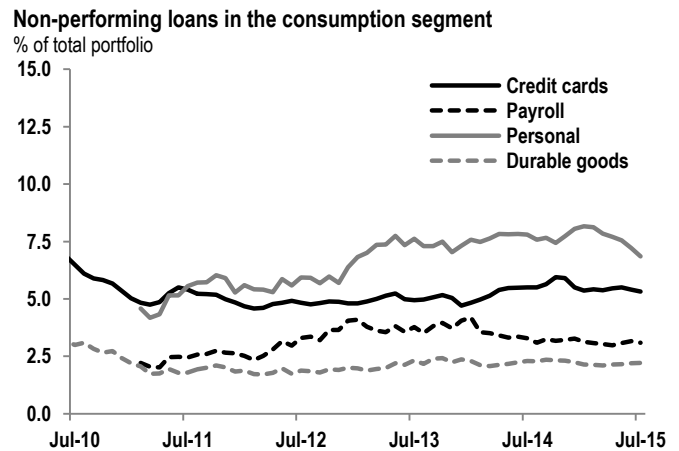
Source: Banorte-Ixe with data from Banxico



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**We believe the better growth prospects for private credit will continue in 2H15.**

Year-to-date, we've seen 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, 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 second half of 2015, and will sustain part of the recovery in the Mexican economy.

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