

Banking credit improves modestly in January

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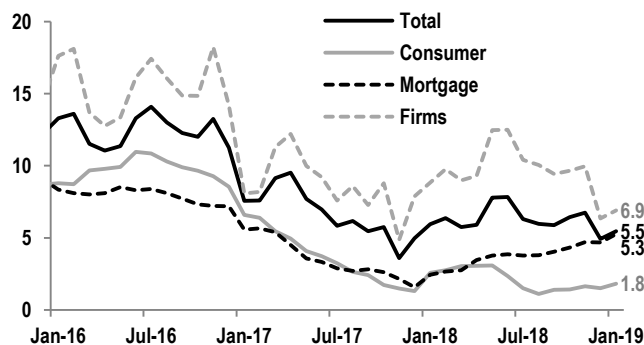
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- **Banxico just published its banking credit report for January 2019**
- **Banking credit expanded 5.5% yoy in real terms, practically in line with our forecast and improving relative to the previous month**
- **Consumer credit expanded 1.8%, mortgage loans by 5.7%, while credit to private firms picked-up to 6.9%**
- **Non-performing loans remain at 2.5% of the portfolio, with a slight improvement in consumer loans (to 4.3%) but with an equal-sized increase in corporates (to 1.8%)**
- **We continue expecting a mild deceleration in credit growth during 2019**

Banxico published its monthly banking credit report. January's report showed that banking credit to the private sector expanded 5.5% yoy, virtually equal to our forecast of 5.6% (previous: 4.9%). After last month's deceleration, this indicator suggests a relative rebound in credit flows during the month. Nevertheless, growth in the annual comparison remains below the 6% average increase in 4Q18. Taking a look at the breakdown, consumer credit grew 1.8%. Within this component, durable-goods credit remains vigorous at 8%, to a great extent supported by auto loans. We also observed an improvement in payroll loans, with the annual rate picking up to 2.6% from 1.1% in the previous month. Mortgages posted a 5.3% expansion, with the residential sector at 7.2% and social-interest still plunging at a double-digit pace (-12.5%). Credit to private grew 6.9%, highlighting the acceleration in manufacturing as it recovered to +12.5%, reinforcing the more positive signal from trade balance figures. Utilities keep growing strongly (21.1%), while professional services extended their weakness at -10.3%.

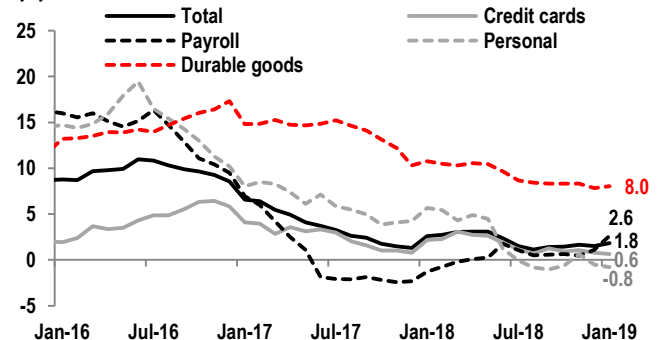
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Banking credit
% yoy in real terms



Source: Banorte with data from Banxico

Consumer credit
% yoy in real terms



Source: Banorte with data from Banxico

Banking credit: January 2019

% yoy in real terms

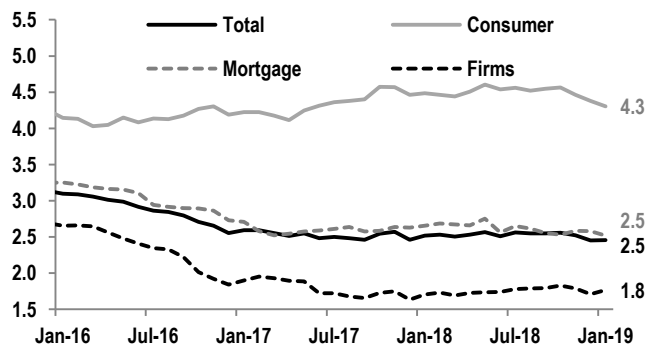
	Jan-19	Dec-18	Nov-18	2018	2017
Private banking credit	5.5	4.9	6.7	6.3	6.6
Consumer	1.8	1.5	1.6	2.1	3.6
Credit cards	0.6	0.8	1.1	1.7	2.5
Payroll	2.6	1.1	0.5	0.4	0.4
Personal	-0.8	-0.5	0.6	1.9	6.1
Durable goods	8.0	7.8	8.3	9.3	14.0
Auto loans	8.6	8.5	9.2	9.9	13.5
Other durable goods	2.0	0.1	-0.9	2.2	19.6
Others	0.5	-0.6	-3.6	-6.6	-8.7
Mortgage	5.3	4.7	4.7	3.7	3.5
Social interest	-12.5	-12.8	-12.4	-11.8	-10.5
Medium and residential	7.2	6.5	6.6	5.5	5.4
Firms	6.9	6.4	10.0	9.8	8.6
Primary activities	10.4	6.6	11.9	9.5	3.9
Mining	14.1	13.4	26.2	12.3	-14.1
Construction	-3.0	-3.3	-2.4	-3.7	-9.4
Utilities	21.1	26.0	24.8	16.6	-1.1
Manufacturing industry	12.5	9.6	14.7	14.1	10.7
Commerce	1.3	0.2	-1.4	1.9	7.9
Transportation and storage	3.8	0.7	-0.6	3.9	23.4
Mass media services	-1.0	-4.9	35.0	45.8	6.3
Real estate services	5.6	5.1	7.1	12.4	20.9
Professional services	-10.3	-9.5	-5.8	-13.8	9.3
Recreational services	14.8	13.0	15.2	12.2	13.3
Other services	-8.9	-6.7	1.8	5.1	10.8
Not sectorized	-1.9	-3.5	2.6	7.9	13.2
Non-banking financial intermediaries	10.3	7.4	-1.5	-12.0	21.3

Source: Banxico

Non-performing loans unchanged. NPL's have remained stable and low since the start 2017, without changes with respect to the previous month and at 2.5% of the portfolio. By components, non-performing loans in the consumer segment fell for a third straight month, to 4.3%, low in 1.5 years and driven by all categories except payrolls, which remained unchanged. Non-performing loans also stood at 2.5%, while corporates increased only 10bps to 1.8%.

Non-performing loans

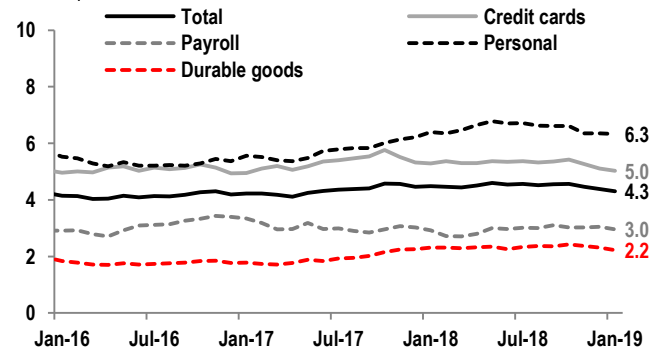
% of total portfolio



Source: Banorte with data from Banxico

Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

We continue expecting a mild moderation in credit growth during 2019. In our view, the likely deceleration in economic activity will also translate to lower dynamism in credit this year. In this respect, today's report is consistent with our expectation of lower growth, estimated at 1.5% yoy in 2019 from 2% in the previous year. Given that the sector has been growing at elevated rates in recent years, we believe it will decelerate at the margin. Nevertheless, it is worth noting that NPL's remain very low, suggesting that there is room for the sector to keep growing at a relatively vigorous pace given that this provides degrees of freedom to financial institutions to increase penetration and market share. Moreover, further support could be provided by some of the recently announced measures to boost the financial system, in particular the development of a platform for transactions on mobile devices and/or the Internet and to increase competition in payroll loans. For details, see: "*Government announces measures to boost Mexico's financial system*", January 8, 2019, <[pdf](#)>.

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