

Banking credit moderates for a second consecutive month

June 28, 2019

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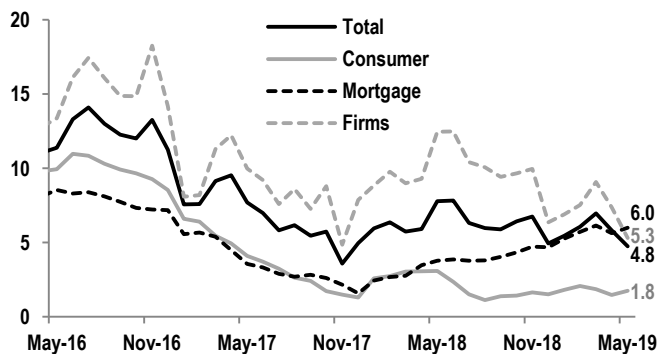
- **Banxico just published its banking credit report for May 2019**
- **Banking credit expanded 4.8% yoy in real terms, below both our 6.1% forecast and the 5.8% of the previous month**
- **Consumer credit expanded 1.8%, mortgage loans grew 6.0%, while credit to corporates edged-down to +5.3%**
- **Non-performing loans marginally increased to 2.5% from 2.4% in the previous month, higher in both corporates and consumption**
- **Credit figures are consistent with the deceleration in economic activity, although the relative stability of consumer credit should help private consumption in coming months**

Banxico published its monthly banking credit report. May’s report showed that banking credit to the private sector expanded 4.8% yoy in real terms, below our forecast of 6.1% (previous: 5.8%). With today’s print, credit now adds two months in deceleration, even with a favorable effect in the last month given a decrease in inflation. Taking a look at the breakdown, consumer credit grew 1.8%. Within this, durable-goods credit remains high at 7.7%. We also observed a good performance in payroll loans, with the annual rate at 3.7%. By contrast, only personal credits stood in contraction, falling 2.6%.

Mortgages posted a 6.0% expansion, with the residential sector at 7.7% and social-interest declining at a double-digit pace for the 26th consecutive month. Corporate credit grew 5.3%, with the highest advance in lodging services (+14.9%), professional (+13.0%) and utilities (+10.9%). On the contrary, the ones with the steepest contractions were construction (-9.3%) and transportation (-2.2%). The former now adds 8 months in decline, while the latter has shown a more mixed performance since the start of the year, shifting down in the last few months.

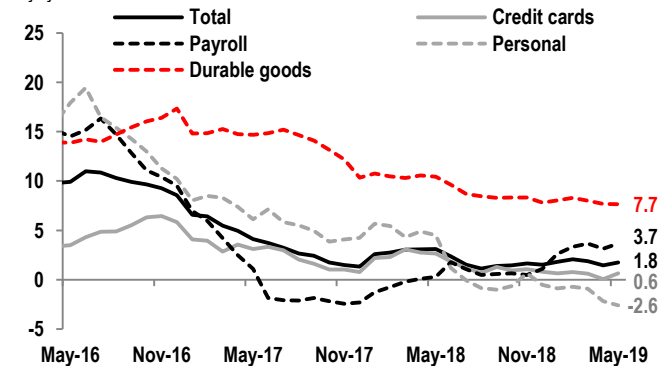
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Banking credit
% yoy in real terms



Source: Banorte with data from Banxico

Consumer credit
% yoy in real terms



Source: Banorte with data from Banxico

Banking credit: May 2019
% yoy in real terms

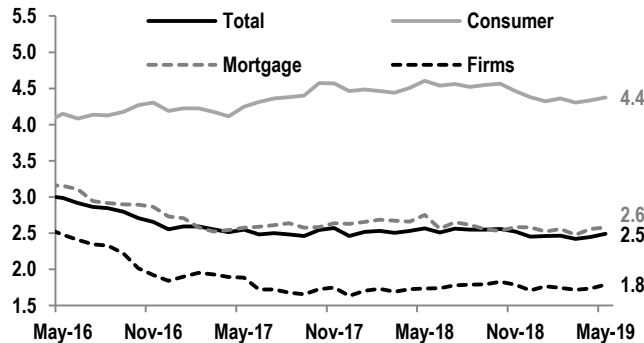
	May-19	Apr-19	May-18	Jan-May '19	Jan-May '18
Private banking credit	4.8	5.8	7.8	5.8	6.4
Consumer	1.8	1.5	3.1	1.8	2.9
Credit cards	0.6	0.0	2.6	0.5	2.6
Payroll	3.7	3.2	0.3	3.3	-0.4
Personal	-2.6	-2.2	4.5	-1.5	4.9
Durable goods	7.7	7.7	10.4	7.9	10.5
Auto loans	7.4	7.7	11.0	8.1	10.7
Other durable goods	10.2	7.7	4.7	6.0	8.5
Others	3.3	2.1	-7.4	0.2	-9.4
Mortgage	6.0	5.6	3.8	5.8	3.0
Social interest	-11.0	-11.9	-10.8	-11.8	-11.3
Medium and residential	7.7	7.4	5.5	7.6	4.8
Firms	5.3	7.4	12.5	7.2	9.9
Primary activities	9.2	8.6	12.7	10.1	8.2
Mining	-0.2	6.6	14.7	11.2	1.4
Construction	-9.3	-6.6	-1.0	-4.7	-9.1
Utilities	10.9	13.0	10.4	13.4	6.5
Manufacturing industry	4.2	6.0	17.4	9.2	12.3
Commerce	7.3	8.8	1.9	6.8	5.3
Transportation and storage	-2.2	-2.1	20.8	-0.7	17.6
Mass media services	2.0	5.3	57.7	2.3	60.0
Real estate services	6.4	9.8	17.1	9.4	13.8
Professional services	13.0	14.1	-18.3	0.3	-14.3
Recreational services	14.9	13.1	21.6	16.4	16.2
Other services	-0.9	4.8	21.0	-0.8	12.3
Not sectorized	-10.9	-9.9	11.0	-5.6	9.7
Non-banking financial intermediaries	13.2	16.3	-20.9	14.4	-14.0

Source: Banxico

Non-performing loans remain quite healthy. NPLs stood at 2.5% slightly higher than the 2.4% of the last month. By components, consumer loans were marginally higher at 4.4% (previous: 4.3%). Non-performing loans on mortgages stood at 2.6%, while corporates edged up to 1.8% from 1.7%, persistently with the lowest NPLs.

Non-performing loans

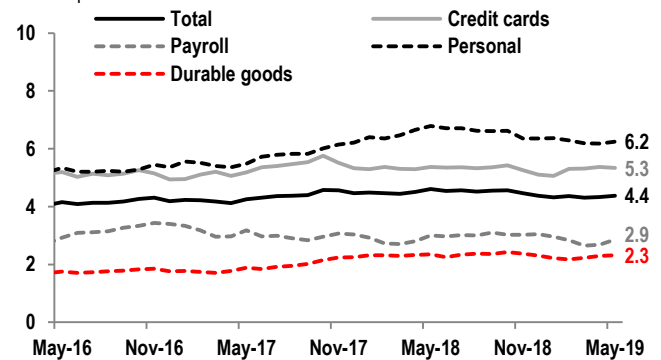
% of total portfolio



Source: Banorte with data from Banxico

Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

Credit growth reflecting lower economic activity. Recent figures, both hard and soft data, show a deceleration in economic activity. This seems to be increasingly displayed in credit figures. However, the stability within the consumer portfolio should help private consumption in coming months. In addition, our expectation that inflation will reestablish its downward path during the second half of the year will likely serve as an additional support in real terms. In our view, the banking sector is in a healthy position as judged by low levels of non-performing loans. Going forward, we expect credit to remain favorable, growing at about 2x the speed of nominal GDP, with room to increase penetration and a positive factor behind the relative resiliency in consumption.

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