

Banking credit accelerates in July

August 30, 2019

- **Banxico just published its banking credit report for July 2019**
- **Banking credit expanded 4.7% yoy in real terms, above both our 4.4% forecast and the 4.3% of the previous month**
- **Consumer credit expanded 2.4%, mortgage loans grew 6.7%, while credit to corporates edged-up 4.9%**
- **Non-performing loans stood at 2.5% for a third consecutive month, with only a marginal uptick in mortgage NPLs**
- **Credit figures remain resilient, with a favorable growth outlook towards the end of the year**

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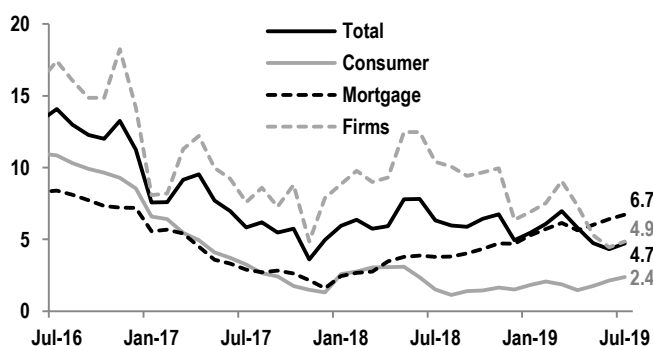
Banxico published its monthly banking credit report. July’s report showed that banking credit to the private sector expanded 4.7% yoy in real terms, below forecast of 4.4% forecast (previous: 4.3%). With today’s print, credit now breaks with three months decelerating, driven in part by lower inflation coupled with higher dynamism across all sectors.

Taking a look at the breakdown, consumer credit grew 2.4%. Within, durable-goods credit remains high at 7.6%. We also observed a positive performance in payroll loans, with the annual rate at 5.0%. By contrast, only personal credit contracted (-3.0%). Mortgages expanded 6.7%, with the residential sector at 8.2% and social-interest moderating again its pace of decline, now falling at 8.6%.

Corporate credit grew 4.9%, with the highest advance in mass media (+25.6%), lodging services (+21.1%), and utilities (+9.2%). On the contrary, the only ones in contraction were construction (-10.4%) and real estate services (-0.5%). The former now adds 10 months in decline, while the latter was probably impacted by the lack of dynamism within construction.

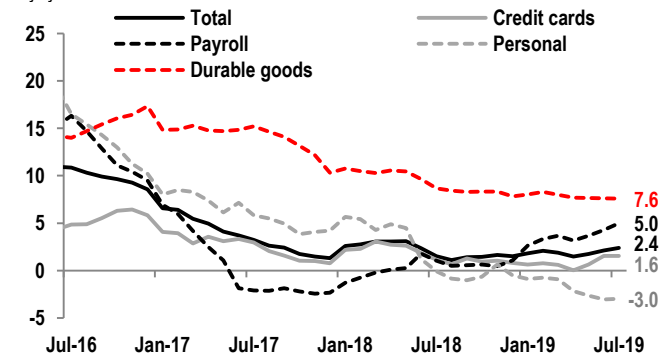
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Banking credit
% yoy in real terms



Source: Banorte with data from Banxico

Consumer credit
% yoy in real terms



Source: Banorte with data from Banxico

Banking credit: July 2019
% yoy in real terms

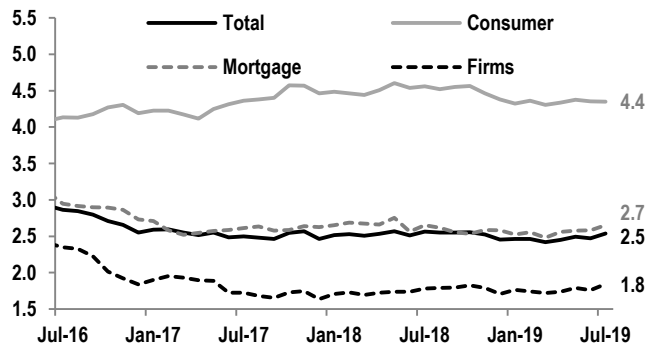
	Jul-19	Jun-19	Jul-18	Jan-Jul '19	Jan-Jul '18
Private banking credit	4.7	4.3	6.3	5.4	6.6
Consumer	2.4	2.1	1.5	1.9	2.6
Credit cards	1.6	1.5	1.1	0.8	2.3
Payroll	5.0	4.3	1.1	3.7	0.1
Personal	-3.0	-3.0	-0.1	-1.9	3.6
Durable goods	7.6	7.6	8.7	7.8	10.1
Auto loans	6.8	7.1	9.7	7.8	10.5
Other durable goods	16.8	13.5	-1.9	8.6	5.9
Others	3.9	2.2	-8.3	1.0	-9.1
Mortgage	6.7	6.4	3.8	6.0	3.3
Social interest	-8.6	-9.9	-11.7	-11.1	-11.3
Medium and residential	8.2	8.0	5.5	7.7	5.0
Firms	4.9	4.4	10.4	6.5	10.3
Primary activities	10.7	10.9	10.6	10.7	9.0
Mining	5.0	-3.2	17.1	7.2	6.5
Construction	-10.5	-10.6	6.0	-6.5	-6.0
Utilities	9.2	7.9	11.0	11.8	8.3
Manufacturing industry	0.8	4.5	21.8	7.4	14.8
Commerce	5.5	3.3	-1.0	6.0	4.0
Transportation and storage	6.8	1.2	-10.5	0.8	10.0
Mass media services	25.6	13.1	47.1	7.3	56.3
Real estate services	-0.5	-0.1	16.4	6.4	15.0
Professional services	4.0	7.1	-16.7	1.2	-14.9
Recreational services	21.1	23.5	8.4	18.2	14.3
Other services	5.9	4.1	18.8	0.9	14.0
Not sectorized	-14.5	-12.8	9.4	-8.0	10.0
Non-banking financial intermediaries	10.2	7.1	-19.7	12.7	-14.8

Source: Banxico

Non-performing loans remain quite healthy. NPLs stood at 2.5%, in line with the last two months. Two out of the three components were unchanged relative to June, with consumer loans at 4.4% and corporates at 1.8%, persistently with the lowest NPLs. Mortgages NPLs rose marginally to 2.7% from 2.6%.

Non-performing loans

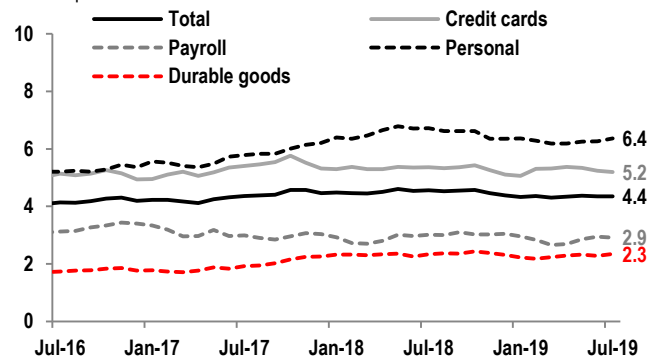
% of total portfolio



Source: Banorte with data from Banxico

Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

Credit growth remains resilient. Even though today's print was positive, we believe credit is likely to grow at a more modest pace on a full-year basis, dragged by the deceleration in economic activity and formal job creation. We highlight some encouraging signs within the report, such as the trend in mortgages, which now adds 6 consecutive months gathering pace. We believe that credit could once again grow at more elevated rates towards the end of the year, supported by: (1) A gradual improvement in economic dynamism; (2) lower inflation –which we now expect at 3.3% by year-end from 3.5% previously–; and (3) lower borrowing costs could incentivize additional spending and/or investment, triggering an increase in credit demand, based on our forecast of additional easing from the central bank. In our view, the banking sector remains in a healthy position, as judged by low levels of non-performing loans and resilient credit growth despite the moderation in activity. Going forward, we expect credit to remain this way, growing about 2x the speed of nominal GDP, with still ample room to increase penetration levels.

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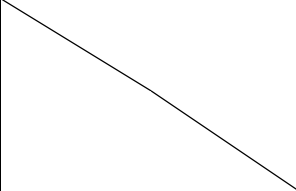
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