

Banking credit – 10.6% yoy growth in October reflects the better growth dynamics of domestic demand

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- **Banxico just published its banking credit report**
- **Banking credit expanded 10.6% yoy in real terms in October, marginally above the 10.5% observed in the previous month**
- **Consumption credit expanded 6.5% yoy in real terms**
- **Housing credit increased 10.5% yoy in real terms, while corporate credit expanded 13.5%**
- **Non-performing loans stand at 2.8%, below the 3.3% observed last year**

Banxico published today its monthly banking credit report. Today's report shows that banking credit in October expanded 10.6% yoy, marginally above the 10.5% observed in the previous month, and significantly above the 7.8% yoy average expansion observed this year. Taking a look at the breakdown, consumption credit expanded 6.5% yoy. Within this component, credit cards decreased 0.4% yoy, while personal and payroll credit increased 9.1% and 18.7% yoy respectively. Moreover, credit for durable goods edged-up 9.2% yoy. Finally, housing credit increased 10.5% yoy, while corporate credit grew 13.5%.

Banking credit in October

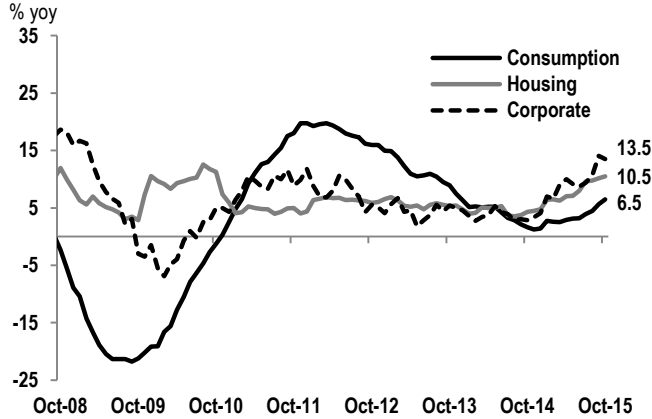
% yoy in real terms	Oct-15	Sep-15	Aug-15	Oct-14	Jan-Oct, '15	Jan-Oct, '14	3m-average
Total credit	10.6	10.5	8.8	3.3	7.8	4.3	10.0
Consumption	6.5	5.7	4.5	1.7	3.8	4.0	5.6
Credit cards	-0.4	-0.6	-0.6	-1.2	-1.0	1.5	-0.5
Payroll	18.7	18.0	14.3	11.5	16.5	12.9	17.0
Personal	9.1	7.0	5.0	5.9	3.0	9.9	7.0
Durables	9.2	8.8	8.4	-2.4	5.7	-1.9	8.8
Housing	10.5	10.2	9.8	4.3	8.2	4.4	10.1
Companies	13.5	14.1	10.7	2.8	9.8	3.6	12.8

Source: Banxico

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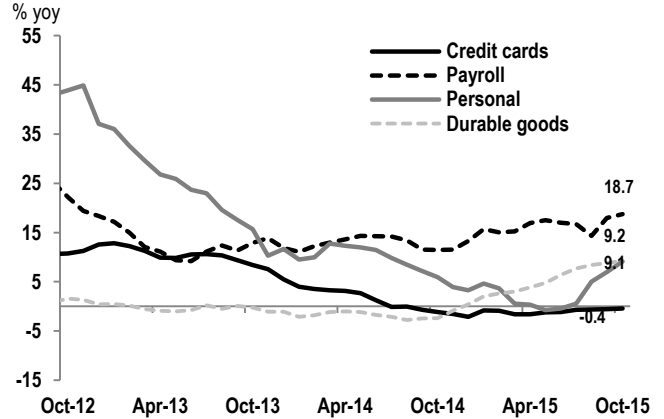
Non-performing loans stand at 2.8%, below the 3.3% observed in October'14. By components, non-performing loans in the consumption segment stood at 4.5% in October. Credit card NPLs reached 5.5% of total portfolio, while NPLs in payroll, personal and durable goods credits are at 2.6%, 5.9%, and 2.2%, respectively. Moreover, non-performing loans in housing credit stood at 2.9%, while corporate credit NPL's reached 3.4% of total portfolio.

Banking credit



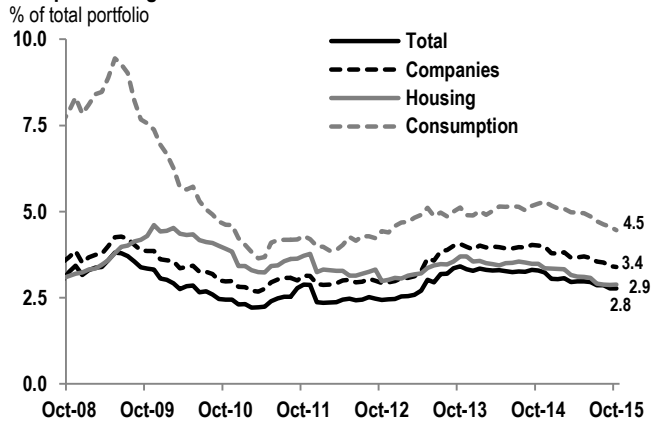
Source: Banorte-Ixe with data from Banxico

Consumption credit



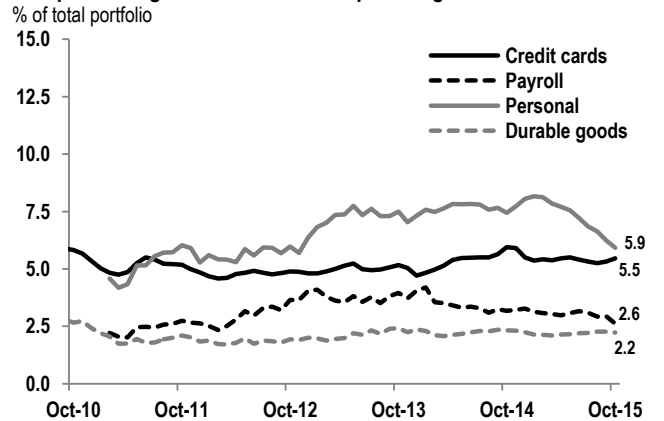
Source: Banorte-Ixe with data from Banxico

Non-performing loans



Source: Banorte-Ixe with data from Banxico

Non-performing loans in the consumption segment



Source: Banorte-Ixe with data from Banxico

We believe the better growth prospects for private credit will continue in 4Q15. Year-to-date, we have 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, which has 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 fourth quarter of 2015, and will continue during the first quarter of 2016.

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