

Banking credit significantly grew during 2016

January 31, 2017

www.banorte.com
www.ixe.com.mx
@analisis_fundam

Francisco Flores
Economist, Mexico
francisco.flores.serrano@banorte.com

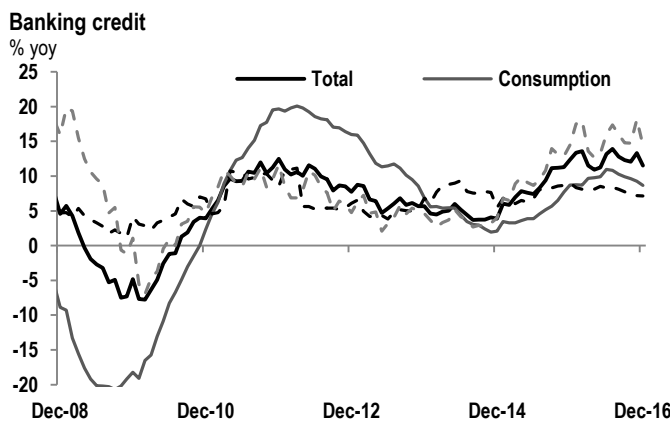
- **Banxico just published its banking credit report for December**
- **Banking credit expanded in December 11.5% yoy in real terms, below our 12.1% forecast (previous: 13.3%)**
- **However, during 2016, credit to the private sector posted a 12.5% growth (2015: 8.8%)**
- **Consumption credit expanded 9.7% yoy in real terms during the year**
- **Housing credit increased 7.9% yoy, while banking credit to private firms expanded 15.5% in 2016**
- **Non-performing loans stand year-end at 2.4%, below the 2.8% observed in 2016**
- **Looking ahead, we believe that private credit will decelerate**

Banxico published its monthly banking credit report. December's report shows that banking credit expanded during the last month of the year 11.5% yoy, below our 12.1% forecast (previous: 13.3%). However, in 2016, credit grew 12.5% vs 8.8% in 2015.

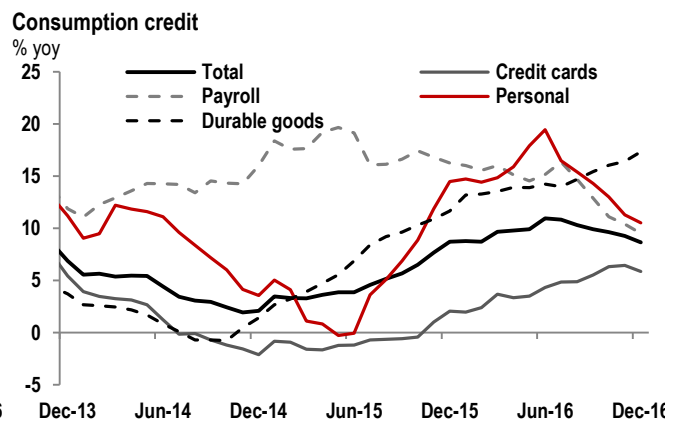
Taking a look at the breakdown, in 2016 consumption credit climbed 9.7% yoy (2015: 5%). Within this component, credit cards increased 4.4% yoy (2015: -0.6%), while personal and payroll credit expanded 14.8% and 13.9% yoy, respectively (2015: 5.1% and 17.5% respectively). In addition, durable goods credit increased 14.7%, significantly more than the 7.3% seen in 2015.

Similarly, housing credit posted a 7.9% yoy expansion (2015: 7.5%), as a result of the 9.9% growth in residential housing credit. Moreover, banking credit to private firms grew 15.5% in the year, more than in 2015 (10.4%).

Document for distribution among public



Source: Banorte-ixe with data from Banxico



Source: Banorte-ixe with data from Banxico

Banking credit: 2016

% yoy

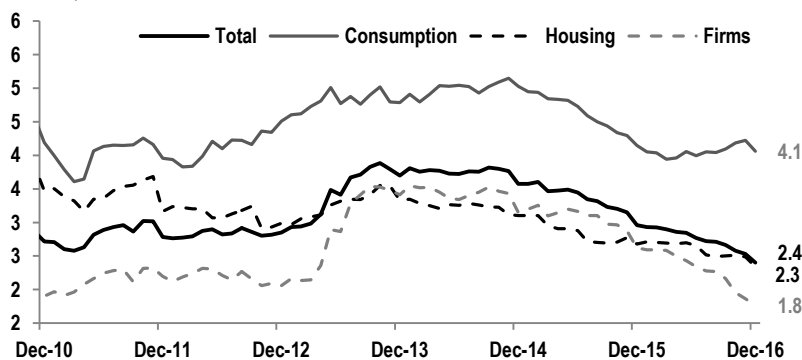
	2016	2015
Private banking credit	12.5	8.8
Consumption	9.7	5.0
Credit cards	4.4	-0.6
Payroll	13.9	17.5
Personal	14.8	5.1
Durable goods	14.7	7.3
Auto loans	14.1	4.5
Other durable goods	22.5	61.0
Others	0.6	-6.1
Housing	7.9	7.5
Social interest	-5.0	-5.6
Medium and residential	10.0	9.9
Firms	15.5	10.4
Primary activities	15.7	9.7
Mining	71.4	48.9
Manufacturing industry	9.7	12.7
Construction	13.6	10.5
Services	15.6	9.2
Non-banking financial intermediaries	12.8	36.1

Source: Banxico

Non-performing loans stand year-end at 2.4%, below the 2.8% observed in the year. By components, during 2016, non-performing loans in the consumption segment stood at 4.1%. Credit card NPLs reached 4.9% of total portfolio, while NPLs in payroll, personal, and durable goods credits stood at 3.4%, 4.9%, and 1.6%, respectively. Moreover, non-performing loans in housing credit finished the year at 2.3%, while corporate credit NPL's reached 1.8% of total portfolio.

Non-performing loans

% of total portfolio



Source: Banorte-ixe with data from Banxico

Looking ahead, banking credit will probably decelerate. We believe that banking credit to the private sector will decelerate and the NPLs will increase during the first quarter of 2017 as a result of 225bps hike in Banxico's reference rate during the last 12 months. However, we believe that credit will continue to support the growth dynamics of both consumption and investment in our country.

Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Francisco José Flores Serrano	Economist, National	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates / Financials/ Mining / Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research Analyst – Airlines / Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454