

Banking credit – February’s figures continue to reflect the recovery of credit to the private sector

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- **Banxico just published its banking credit report**
- **Banking credit expanded 12.8% yoy in real terms, above the 12.4% observed in the previous month, but in line with our forecast**
- **Consumption credit expanded 8.8% yoy in real terms**
- **Housing credit increased 9.8% yoy in real terms, while banking credit to private firms expanded 16.4% in February**
- **Non-performing loans stand at 2.5%, below the 3.1% observed in Feb’15**

Banxico published today its monthly banking credit report. Today’s report shows that banking credit in February expanded 12.8% yoy, above the 12.4% observed in the previous month, but in line with our forecast. Taking a look at the breakdown, consumption credit expanded 8.8% yoy. Within this component, we highlight that in the last 4 months credit cards posted a positive growth rate, with a 2.4% yoy increase in February, after 16 consecutive months in contraction (Jul-2014 to Oct-2015). Moreover, personal and payroll credit increased 15.2% and 16.7% yoy respectively. Similarly, credit for durable goods edged-up 11.5% yoy. Finally, housing credit increased 9.8% yoy, while banking credit to private firms grew 16.4%, its highest level since 2009.

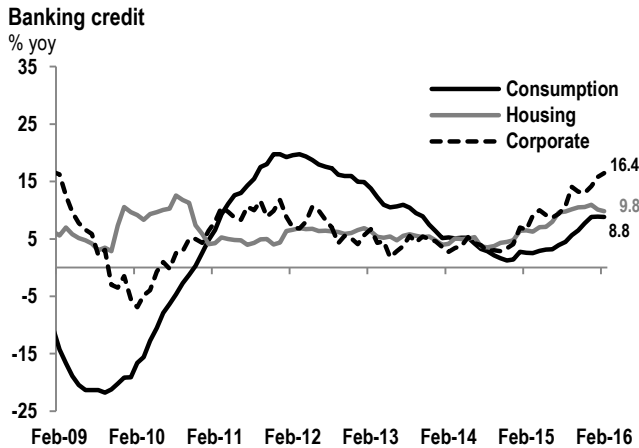
Banking credit in February 2016

% yoy, in real terms	Feb-16	Jan-16	Dec-15	Feb-15	Jan-Feb, '16	Jan-Feb, '14	3m-average
Total credit	12.8	12.4	11.6	5.8	12.6	6.0	12.2
Consumption	8.8	8.9	8.8	2.6	8.9	2.7	8.8
Credit cards	2.4	2.0	2.1	-0.9	2.2	-0.9	2.1
Payroll	16.7	17.2	17.5	15.0	16.9	15.4	17.1
Personal	15.2	15.4	15.1	3.7	15.3	4.2	15.2
Durables	11.5	11.2	11.0	2.6	11.3	2.3	11.2
Housing	9.8	10.1	10.9	6.5	10.0	6.5	10.3
Companies	16.4	15.8	14.2	6.6	16.1	6.8	15.5

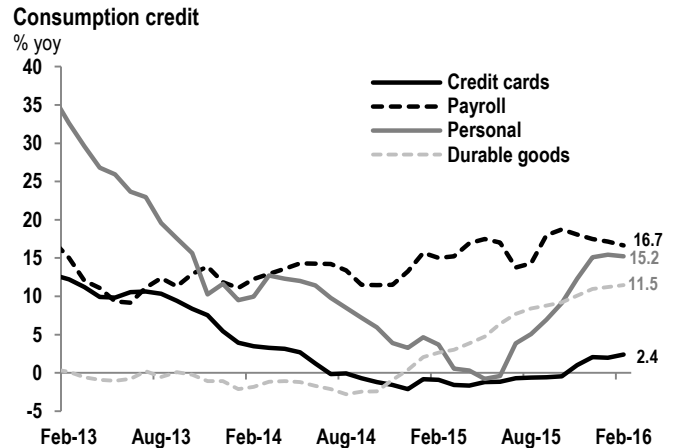
Source: Banxico

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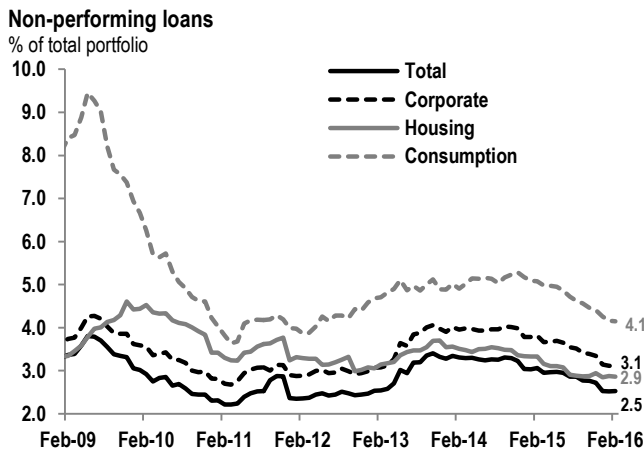
Non-performing loans stand at 2.5%, below the 3.1% observed in February'15. By components, non-performing loans in the consumption segment stood at 4.1% in February. Credit card NPLs reached 5% of total portfolio, while NPLs in payroll, personal and durable goods credits are at 2.9%, 5.3%, and 1.9%, respectively. Moreover, non-performing loans in housing credit stood at 2.9%, while corporate credit NPL's reached 3.1% of total portfolio.



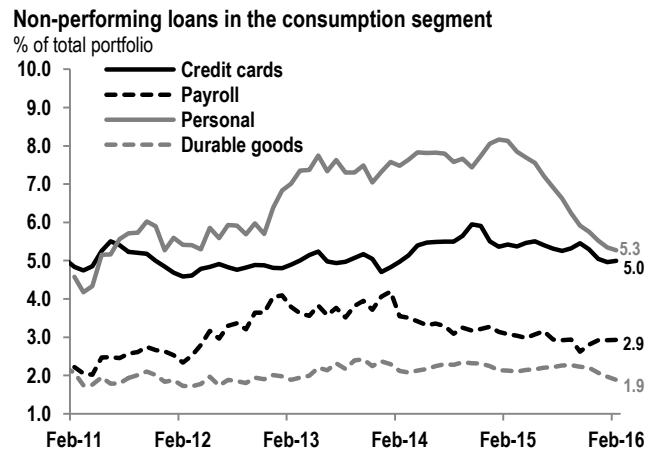
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We believe the better growth prospects for private credit will continue in 1H16. In 2015, we observed a significant surge in private banking credit, given the more visible recovery of the Mexican economy, which has resulted in an increased credit demand 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 first half of 2016.

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