

Banking credit maintains an upward trend in October

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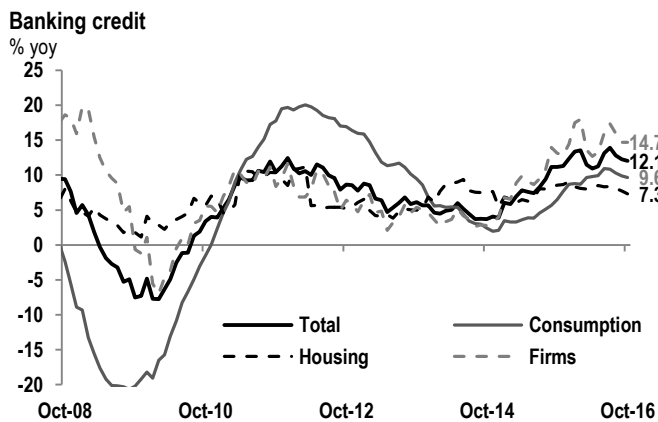
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- Banxico just published its banking credit report for October
- Banking credit expanded 12.1% yoy in real terms, above our 11.6% forecast (previous: 12.3%)
- Year-to-date, credit to the private sector posted a 12.5% growth
- Consumption credit expanded 9.6% yoy in real terms
- Housing credit increased 7.3% yoy, while banking credit to private firms expanded 14.7%
- Non-performing loans stand at 2.6%, below the 3.2% observed in October 2015
- Looking ahead, we believe that private credit will decelerate

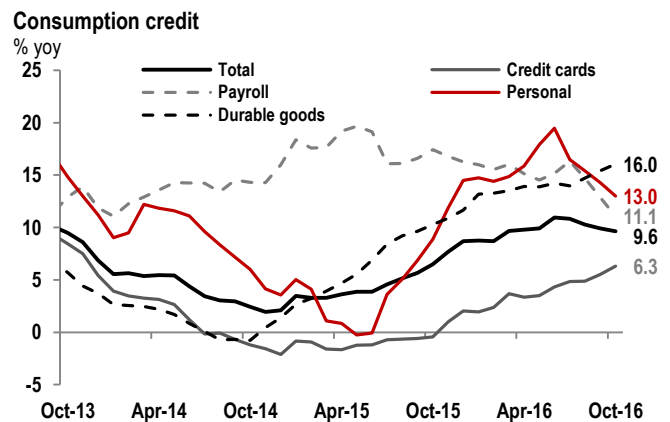
Banxico published its monthly banking credit report. October's report shows that banking credit expanded 12.1% yoy, above our 11.6% forecast (previous: 12.3%). Taking a look at the breakdown, consumption credit climbed 9.6% yoy. Within this component, credit cards increased 6.3% yoy, while personal and payroll credit expanded 13% and 11.1% yoy, respectively. In addition, durable goods credit increased 16%.

Similarly, housing credit posted a 7.3% yoy expansion, as a result of the 9.5% growth in residential housing credit. Moreover, banking credit to private firms grew 14.7% in October. With these results, banking credit to the private sector increased 12.5% year-to-date, compared with the 8.2% observed in the same period of 2015 (refer to the table on the next page).

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Source: Banorte-Ixe with data from Banxico



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Banking credit: October 2016

% yoy

	Oct-16	Sep-16	Oct-15	Jan-Oct, '16	Jan-Oct, '15
Private banking credit	12.1	12.3	11.2	12.5	8.2
Consumption	9.6	9.9	6.5	9.9	4.3
Credit cards	6.3	5.5	-0.5	4.1	-1.0
Payroll	11.1	12.9	17.4	14.7	17.7
Personal	13.0	14.3	8.9	15.6	3.5
Durable goods	16.0	15.4	10.3	14.2	6.4
Auto loans	15.5	14.9	8.5	13.6	3.4
Other durable goods	22.3	22.2	38.0	22.9	69.5
Others	-0.1	-0.6	-1.6	0.8	-7.6
Housing	7.3	7.7	8.6	8.1	7.2
Social interest	-7.2	-6.2	-0.2	-4.6	-6.4
Medium and residential	9.5	9.9	10.0	10.1	9.7
Firms	14.7	14.7	13.1	15.4	9.7
Primary activities	5.3	10.5	20.8	17.5	6.8
Mining	70.9	80.1	32.0	81.7	43.5
Manufacturing industry	4.8	4.8	17.3	9.1	12.6
Construction	9.3	12.4	14.7	14.9	9.8
Services	18.6	16.9	10.2	14.9	8.5
Non-banking financial intermediaries	19.4	22.2	61.9	14.5	34.3

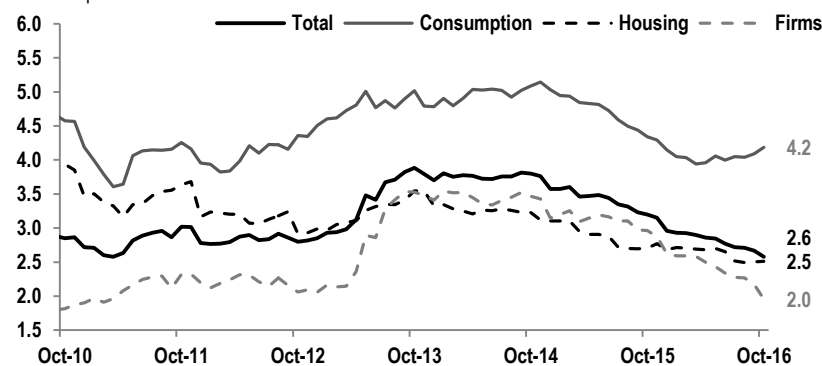
Source: Banxico

Non-performing loans stand at 2.6%, below the 3.2% observed in October

2015. By components, non-performing loans in the consumption segment stood at 4.2%. Credit card NPLs reached 5.3% of total portfolio, while NPLs in payroll, personal, and durable goods credits stood at 3.5%, 5%, and 1.6%, respectively. Moreover, non-performing loans in housing credit stood at 2.5%, while corporate credit NPL's reached 2 % 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.

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