

# Banking credit posted a 7.8% annual real increase in February

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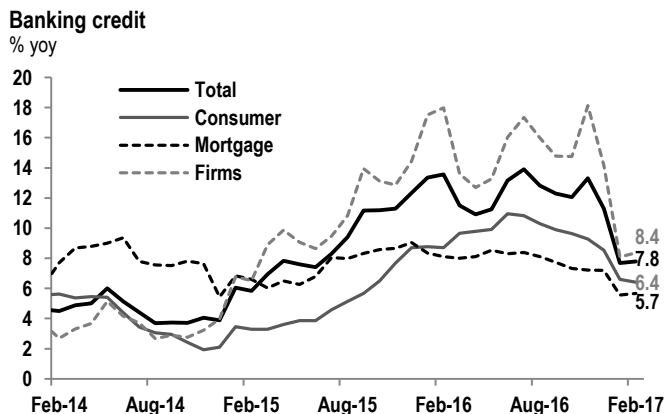
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- Banxico just published its banking credit report for the second month of 2017
- Banking credit expanded 7.8% yoy in real terms, above our 6.7% forecast (previous: 7.7%)
- Consumer credit expanded 6.4% yoy in real terms
- Mortgage loans increased 5.7% yoy, while banking credit to private firms expanded 8.4%
- Non-performing loans stand at 2.5%, below the 2.9% observed in February 2016
- Looking ahead, we believe that private credit will continue to grow at a more moderate pace

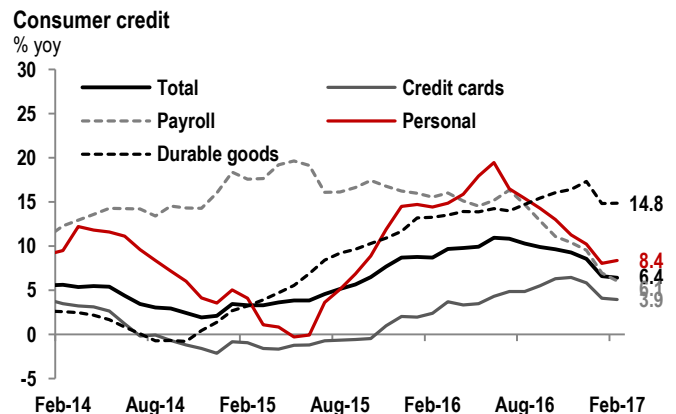
**Banxico published its monthly banking credit report.** February's report shows that banking credit expanded 7.8% yoy, above our 6.7% forecast (previous: 7.7%). Taking a look at the breakdown, consumer credit grew 6.4% yoy. Within this component, we highlight the growth of durable goods credit, which increased 14.8% yoy. Moreover personal and payroll credit expanded 8.4% and 6.1% yoy respectively. In addition, credit card lending increased 3.9%.

Moreover, housing credit posted a 5.7% yoy expansion, as a result of the 7.9% growth in residential housing credit. Moreover, banking credit to private firms grew 8.4% in February. Taking a look at the breakdown, credit to the manufacturing industry grew 11.2%, while services credit expanded 10.6%. On the other hand, construction and mining credits decreased by 1.2% and 1.1% respectively.

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Source: Banorte-ixe with data from Banxico



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### Banking credit: February 2017

% yoy

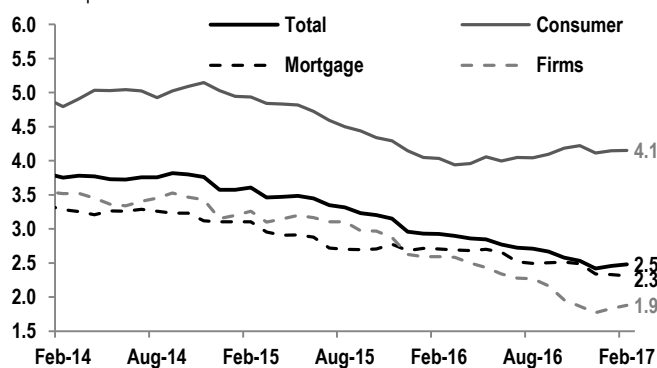
|   | Feb-17      | Jan-17      | Feb-16      | Jan-Feb, '17 | Jan-Feb, '16 |
|---|-------------|-------------|-------------|--------------|--------------|
| <b>Private banking credit</b>               | <b>7.8</b>  | <b>7.7</b>  | <b>13.6</b> | <b>7.7</b>   | <b>13.5</b>  |
| <b>Consumer</b>                             | <b>6.4</b>  | <b>6.6</b>  | <b>8.7</b>  | <b>6.5</b>   | <b>8.7</b>   |
| Credit cards                                | 3.9         | 4.1         | 2.4         | 4.0          | 2.2          |
| Payroll                                     | 6.1         | 7.0         | 15.5        | 6.5          | 15.8         |
| Personal                                    | 8.4         | 8.0         | 14.4        | 8.2          | 14.6         |
| Durable goods                               | 14.8        | 14.8        | 13.3        | 14.8         | 13.2         |
| Auto loans                                  | 14.4        | 14.5        | 12.4        | 14.5         | 12.3         |
| Other durable goods                         | 19.8        | 18.2        | 24.6        | 19.0         | 26.1         |
| Others                                      | -2.1        | -2.1        | -2.9        | -2.1         | -1.5         |
| <b>Mortgage</b>                             | <b>5.7</b>  | <b>5.6</b>  | <b>8.1</b>  | <b>5.6</b>   | <b>8.2</b>   |
| Social interest                             | -9.6        | -8.9        | -2.3        | -9.2         | -1.9         |
| Medium and residential                      | 7.9         | 7.7         | 9.8         | 7.8          | 9.9          |
| <b>Firms</b>                                | <b>8.4</b>  | <b>8.1</b>  | <b>18.0</b> | <b>8.2</b>   | <b>17.8</b>  |
| Primary activities                          | 3.2         | 5.2         | 19.9        | 4.2          | 22.4         |
| Mining                                      | -1.1        | 3.0         | 103.9       | 0.9          | 97.8         |
| Manufacturing industry                      | 11.2        | 10.1        | 11.6        | 10.6         | 12.3         |
| Construction                                | -1.2        | 0.1         | 15.6        | -0.5         | 13.8         |
| Services                                    | 10.6        | 10.0        | 18.5        | 10.3         | 18.1         |
| <b>Non-banking financial intermediaries</b> | <b>31.6</b> | <b>32.6</b> | <b>17.5</b> | <b>32.1</b>  | <b>16.1</b>  |

Source: Banxico

**Non-performing loans stand at 2.5%, below the 2.9% observed in February 2016.** By components, non-performing loans in the consumer segment stood at 4.1%. Credit card NPLs reached 5.1% of total portfolio, while NPLs in payroll, personal, and durable goods credits stood at 3.2%, 5.3%, and 1.5%, respectively. Moreover, non-performing loans in housing credit stood at 2.3%, while corporate credit NPL's reached 1.9% of total portfolio.

#### Non-performing loans

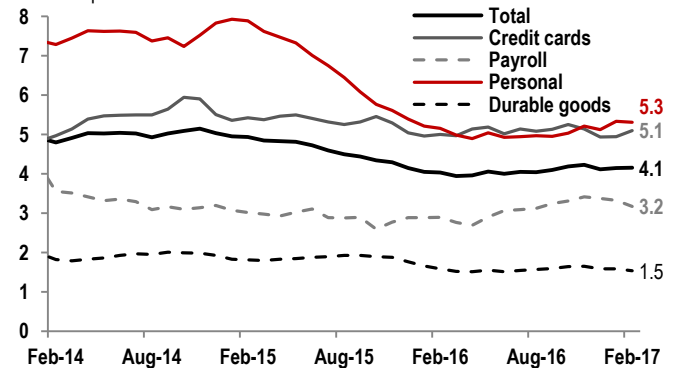
% of total portfolio



Source: Banorte-ixe with data from Banxico

#### Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte-ixe with data from Banxico

**Looking ahead, we believe that private credit will continue to grow at a more moderate pace.** We believe that bank lending will continue to be driven by formal job creation, albeit at a lower rate than in the previous year –largely due to uncertainty surrounding the policies that the new US administration may enact–. However, it will continue to show a positive performance. In addition, changes in the annual growth rate will be more moderate as a result of a high base of comparison in 2016.

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