

Banking credit to the private sector grew 7.7% yoy in real terms during May

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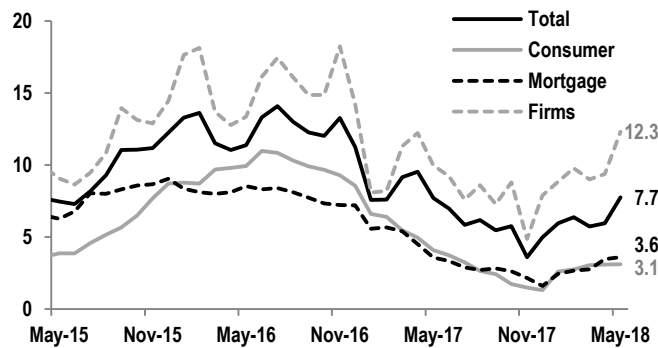
- Banxico just published its banking credit report for the fifth month of 2018
- Banking credit expanded 7.7% yoy in real terms, above our 6.4% forecast (previous: 6%)
- Consumer credit expanded 3.1% yoy during the month
- Mortgage loans increased 3.6% yoy, while banking credit to private firms expanded 12.3%
- Non-performing loans stood at 2.6% of the total portfolio, in line with the figures observed in May 2017
- Looking ahead, we believe that private credit will continue to grow

Banxico published its monthly banking credit report. May's report shows that banking credit to the private sector expanded 7.7% yoy, above our 6.4% forecast (previous: 6%). Looking at the breakdown, consumer credit grew 3.1% yoy. Within this component, we highlight the expansion of durable goods credit, which increased 10.5% yoy. Moreover, personal and credit card lending expanded 4.5% and 2.6% yoy respectively. In addition, payroll credit rose 0.3%.

Mortgages posted a 12.3% yoy expansion, as a result of the 5.3% growth in residential mortgages. Moreover, banking credit to private firms rose 12.3% in May. Taking a look inside, credit to the mass media services sector grew 56.8%, while mining industry credit expanded 17.8%. On the other hand, construction credit decreased 6.7% yoy, while credit to professional services fell by 3.3% yoy.

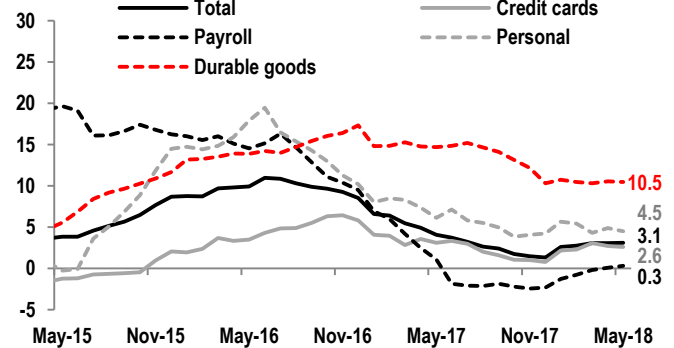
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Banking credit
% yoy in real terms



Source: Banorte with data from Banxico

Consumer credit
% yoy in real terms



Source: Banorte with data from Banxico

Banking credit: May 2018

% yoy in real terms

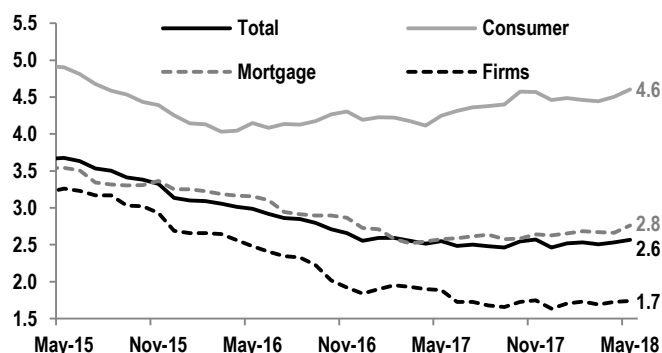
	May-18	Apr-18	May-17	Jan-May, '18	Jan-May, '17
Private banking credit	7.7	6.0	7.7	6.4	8.3
Consumer	3.1	3.1	4.1	2.9	5.5
Credit cards	2.6	2.7	3.1	2.6	3.5
Payroll	0.3	0.1	1.1	-0.4	4.1
Personal	4.5	4.9	6.1	5.0	7.7
Durable goods	10.5	10.6	14.7	10.5	14.9
Auto loans	11.0	10.9	14.1	10.7	14.4
Other durable goods	4.7	6.7	21.4	8.5	20.2
Others	-7.4	-9.7	-8.6	-9.4	-4.9
Mortgage	3.6	3.5	3.6	3.0	4.9
Social interest	-10.8	-10.8	-10.7	-11.3	-9.8
Medium and residential	5.3	5.2	5.6	4.7	7.0
Firms	12.3	9.4	10.0	9.9	9.9
Primary activities	10.9	8.6	1.0	7.5	2.4
Mining	17.8	11.2	-10.8	4.1	-10.2
Construction	-6.7	-11.3	-10.7	-10.8	-3.3
Utilities	11.2	9.0	-2.1	7.7	0.2
Manufacturing industry	16.1	11.8	12.2	11.7	13.1
Commerce	3.6	6.0	9.2	6.0	5.5
Transportation and storage	18.2	15.1	14.4	16.4	16.1
Mass media services	56.8	46.3	18.1	59.7	-5.3
Real estate services	16.2	12.0	29.2	14.3	28.2
Professional services	-3.3	-4.9	19.8	-9.0	24.6
Recreational services	17.6	14.2	8.1	13.9	12.6
Other services	14.5	-0.8	13.6	7.6	18.0
Not sectorized	7.8	10.2	15.8	9.1	15.6
Non-banking financial intermediaries	-18.1	-23.3	34.2	-13.4	35.3

Source: Banxico

Non-performing loans stand at 2.6% of the total portfolio, in line with the figures observed in May 2017. By components, non-performing loans in the consumer segment stood at 4.6%. Credit card NPLs reached 5.3% of total portfolio, while NPLs in payroll, personal, and durable goods credits stood at 3%, 6.9%, and 2.3%, respectively. Moreover, non-performing loans in mortgages stood at 2.8%, while corporate credit NPL's reached 1.7% of total portfolio.

Non-performing loans

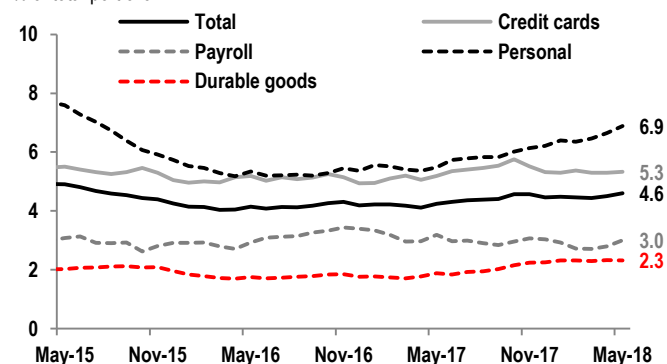
% of total portfolio



Source: Banorte with data from Banxico

Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

Looking ahead, we believe that private credit will continue to grow. It is likely that banking credit will continue to be driven by formal job creation. In addition, the downward trend in inflation will result in a significant recovery of banking credit measured in real terms, which will result in credit outperforming Mexico's economic growth.

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