

## Banking credit maintains an upward trend

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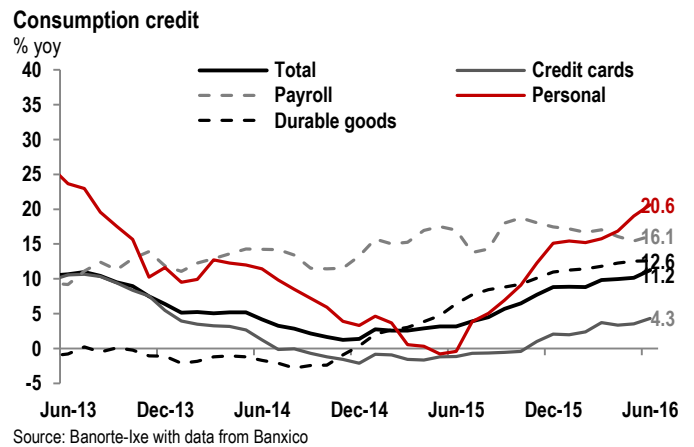
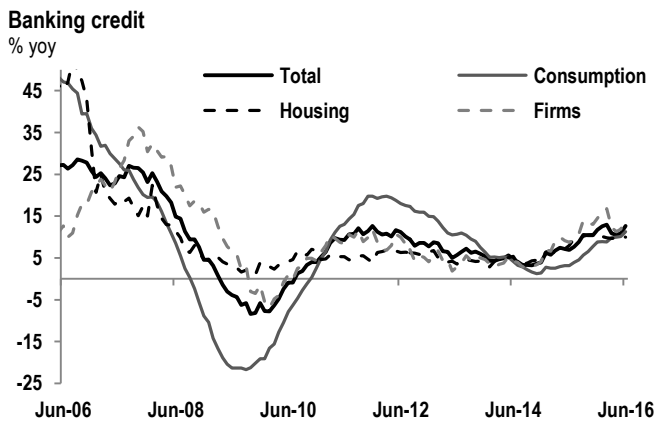
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- Banxico just published its banking credit report for June
- Banking credit expanded 12.7% yoy in real terms, above the 10.9% observed in May (Banorte-Ixe: 10.4%)
- Year-to-date, credit to the private sector posted a 11.7% growth
- Consumption credit expanded 11.2% yoy in real terms
- Housing credit increased 10% yoy, while banking credit to private firms expanded 14.5%
- Non-performing loans stand at 2.8%, below the 3.5% observed in June 2015
- We believe that the better growth prospects for private credit will continue in the second half of the year

**Banxico published its monthly banking credit report.** June's report shows that banking credit expanded 12.7% yoy, above the 10.9% observed in the previous month (Banorte-Ixe: 10.4%). Taking a look at the breakdown, consumption credit edged-up to 11.2% yoy from 10.1% in May. Within this component, credit cards increased 4.3% yoy, while personal and payroll credit expanded 20.6% and 16.1% yoy, respectively. Durable goods credit edged-up to 12.6% from 12.5% yoy.

Similarly, housing credit increased 10% yoy, as a result of the 12.5% expansion in residential housing credit. Moreover, banking credit to private firms grew 14.5% in June. With these results, banking credit to the private sector posted a 11.7% growth in the first half of the year, compared with the 6.7% increase observed in the same period of 2015 (refer to the table on the next page).

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**Banking credit: June 2016**

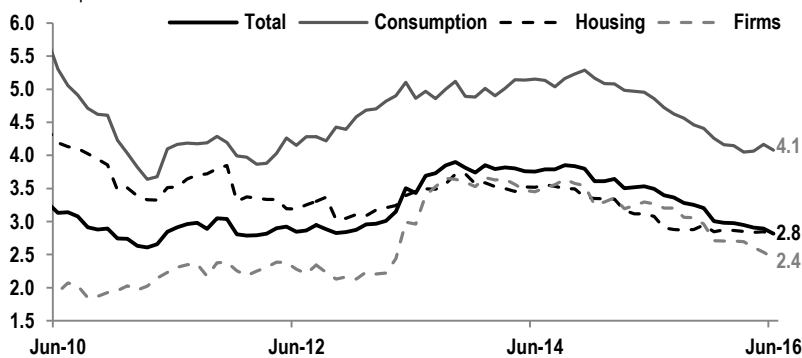
	Jun-16	May-16	Jun-15	Jan-Jun, '16	Jan-Jun, '15
<b>Private banking credit</b>	<b>12.7</b>	<b>10.9</b>	<b>6.9</b>	<b>11.7</b>	<b>6.7</b>
<b>Consumption</b>	<b>11.2</b>	<b>10.1</b>	<b>3.2</b>	<b>9.8</b>	<b>2.9</b>
Credit cards	4.3	3.5	-1.2	3.2	-1.2
Payroll	16.1	15.4	17.0	16.4	16.3
Personal	20.6	19.0	-0.4	17.2	1.3
Durable goods	12.6	12.5	6.4	12.0	3.8
Auto loans	11.7	11.7	3.0	10.9	-0.5
Other durable goods	21.8	21.0	62.3	23.5	91.9
Others	6.1	1.3	-10.4	1.9	-11.6
<b>Housing</b>	<b>10.0</b>	<b>10.2</b>	<b>8.0</b>	<b>9.9</b>	<b>6.9</b>
Social interest	-5.0	-5.0	-3.9	-3.6	-3.3
Medium and residential	12.5	12.8	10.3	12.3	8.9
<b>Firms</b>	<b>14.5</b>	<b>11.9</b>	<b>8.7</b>	<b>13.8</b>	<b>8.4</b>
Primary activities	19.2	19.7	5.3	21.0	2.1
Mining	75.8	78.5	67.4	86.8	56.9
Manufacturing industry	10.8	11.3	12.5	10.3	10.3
Construction	19.1	16.5	10.0	15.6	7.6
Services	13.5	9.2	6.5	13.4	8.0
<b>Non-banking financial intermediaries</b>	<b>11.2</b>	<b>6.5</b>	<b>4.1</b>	<b>7.0</b>	<b>9.1</b>

Source: Banxico

**Non-performing loans stand at 2.8%, below the 3.5% observed in June 2015.** By components, non-performing loans in the consumption segment stood at 4.1%. Credit card NPLs reached 5% of total portfolio, while NPLs in payroll, personal, and durable goods credits stand at 3.1%, 4.9%, and 1.8%, respectively. Moreover, non-performing loans in housing credit stood at 2.8%, while corporate credit NPL's reached 2.4% of total portfolio.

**Non-performing loans**

% of total portfolio



Source: Banorte-ixe with data from Banxico

**We believe the better growth prospects for private credit will continue in 2H16.** We have observed a significant surge in private banking credit, given the more visible recovery of Mexico's domestic demand, which has resulted in an increased credit demand by the private sector and greater credit supply by private banks.

Moreover, the upward trend in payroll and durable goods credit displays the better growth dynamics in the Mexican formal labor market, partially derived from the *Labor Reform* approved in 2014. Additionally, credit cards have maintained an upward trend in the first half of 2016, after 16 months in contraction. On the other hand, lower levels in NPLs will have a positive impact on the private credit growth dynamics. In this context, we believe that the upward trend in private loans will remain throughout the year.

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