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www.ixe.com.mx
@analisis_fundam

Francisco Flores
Economist, Mexico
francisco.flores.serrano@banorte.com

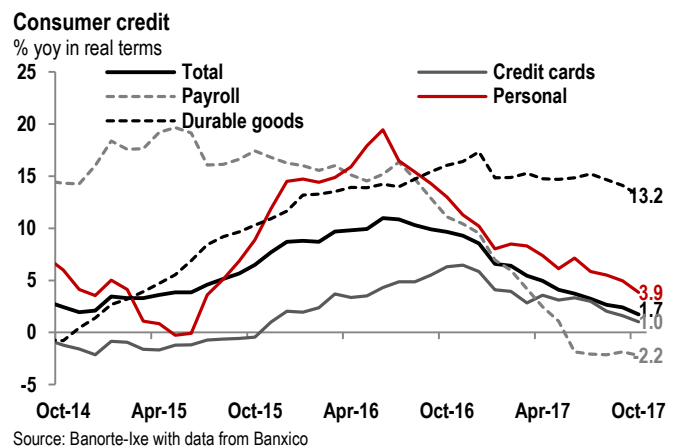
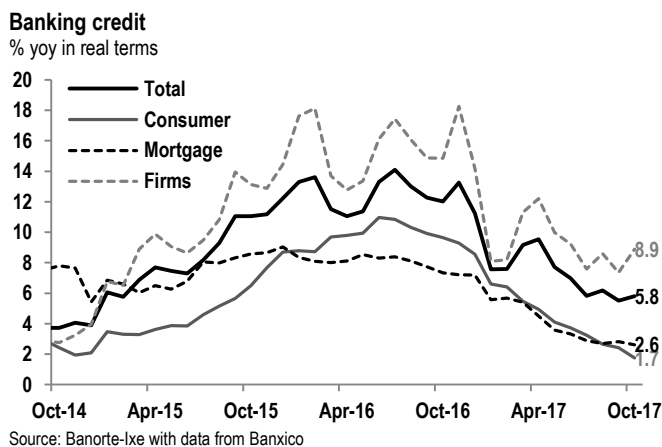
Banking credit grows 5.8% yoy in real terms during October

- Banxico just published its banking credit report for the tenth month of 2017
- Banking credit expanded 5.8% yoy in real terms, above our 5.1% forecast (previous: 5.5%)
- Consumer credit expanded 1.7% yoy in real terms
- Mortgage loans increased 2.6% yoy, while banking credit to private firms expanded 8.9%
- Non-performing loans stand at 2.4%, below the 2.6% observed in October 2016
- Looking ahead, we believe that private credit will continue to grow at a moderate pace

Banxico published its monthly banking credit report. October's report shows that banking credit expanded 5.8% yoy, above our 5.1% forecast (previous: 5.5%). Looking at the breakdown, consumer credit grew 1.7% yoy. Within this component, we highlight the expansion of durable goods credit, which increased 13.2% yoy. Moreover, personal and credit card lending expanded 3.9% and 1% yoy respectively. However, payroll credit decreased 2.2%.

Mortgages posted a 2.6% yoy expansion, as a result of the 4.3% growth in residential mortgages. Moreover, banking credit to private firms rose 8.9% in October. Taking a look inside, credit to the services sector grew 11.3%, while manufacturing industry credit expanded 12.3%. On the other hand, construction credit decreased 2.3% yoy

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Banking credit: October 2017

% yoy in real terms

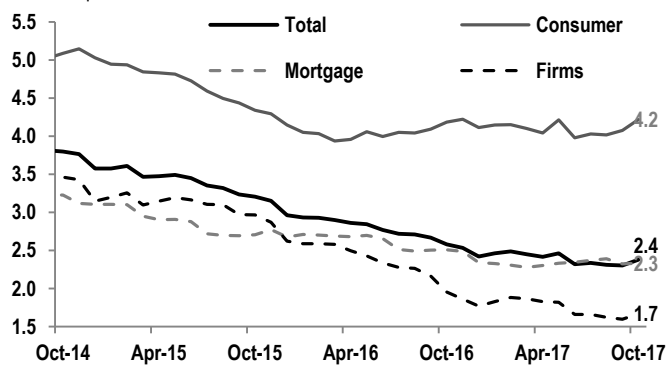
	Oct-17	Sep-17	Oct-16	Jan-Oct, '17	Jan-Oct, '16
Private banking credit	5.8	5.5	12.0	7.1	12.5
Consumer	1.7	2.4	9.7	4.1	9.9
Credit cards	1.0	1.6	6.3	2.8	4.1
Payroll	-2.2	-1.9	11.1	0.9	14.7
Personal	3.9	5.0	13.0	6.5	15.6
Durable goods	13.2	14.1	16.0	14.6	14.2
Auto loans	12.6	13.4	15.5	14.1	13.6
Other durable goods	19.1	22.0	22.3	21.0	22.9
Others	-11.8	-10.6	0.1	-7.5	1.0
Mortgage	2.6	2.8	7.3	3.9	8.1
Social interest	-10.7	-10.6	-7.2	-10.3	-4.6
Medium and residential	4.3	4.6	9.5	5.8	10.1
Firms	8.9	7.3	14.9	9.1	15.5
Primary activities	9.1	6.9	5.7	3.3	17.5
Mining	2.6	-7.4	70.9	-1.6	81.8
Manufacturing industry	12.3	11.0	5.5	11.2	9.2
Construction	-2.3	-2.7	9.5	-2.4	14.8
Services	11.3	9.5	18.2	12.7	14.9
Non-banking financial intermediaries	3.4	19.6	13.6	25.0	15.1

Source: Banxico

Non-performing loans stand at 2.4%, below the 2.6% observed in October 2016. By components, non-performing loans in the consumer segment stood at 4.2%. Credit card NPLs reached 5.4% of total portfolio, while NPLs in payroll, personal, and durable goods credits stood at 2.9%, 5.1%, and 1.9%, respectively. Moreover, non-performing loans in mortgages stood at 2.3%, while corporate credit NPL's reached 1.7% of total portfolio.

Non-performing loans

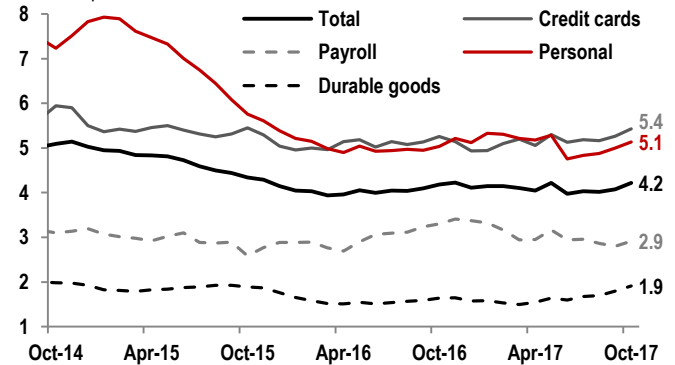
% of total portfolio



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. It is likely that bank lending will continue to be driven by formal job creation, albeit at a lower rate than in the previous year, mainly due to a higher base of comparison in 2016. However, credit growth will continue to outperform economic growth.

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katía Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454