

# Banking credit – 10.5% growth in April, in line with our forecast

May 31, 2016

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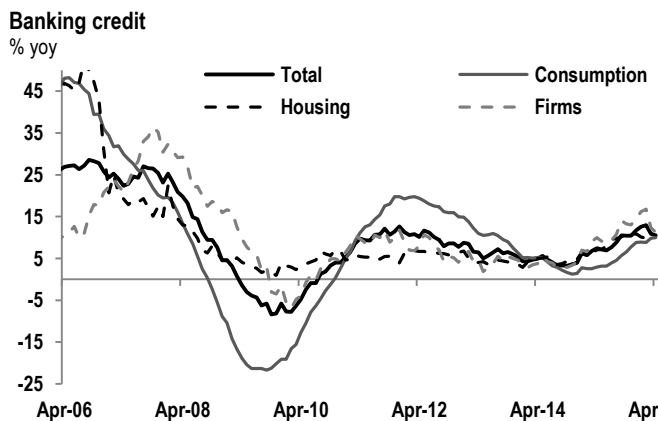
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- Banxico just published its banking credit report
- Banking credit expanded 10.5% yoy in real terms in April, in line with our forecast, but below the 10.9% observed in the previous month
- The credit to the private sector posted a 11.7% growth in the first four months of the year
- Consumption credit expanded 10% yoy in real terms
- Housing credit increased 9.8% yoy, while banking credit to private firms expanded 11.3%
- Non-performing loans stand at 2.9%, below the 3.5% observed in Apr'15

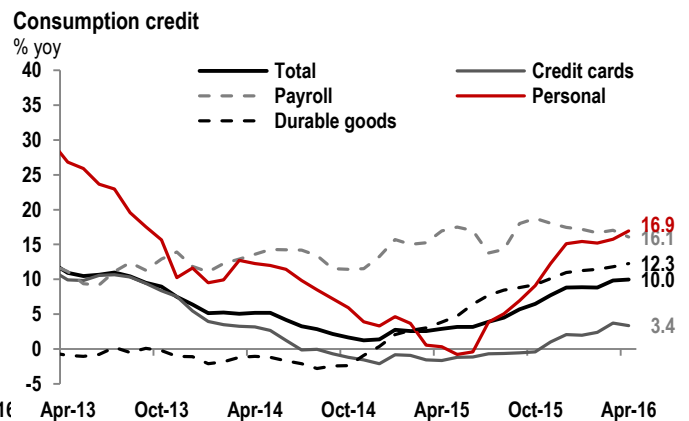
**Banxico published today its monthly banking credit report.** Today's report shows that banking credit in April expanded 10.5% yoy, in line with our forecast, but below the 10.9% observed in the previous month. Taking a look at the breakdown, consumption credit edged-up 10% yoy. Within this component, we highlight that in the last 6 months credit cards posted a positive growth rate, with a 3.4% yoy increase in April, after 16 consecutive months in contraction (Jul-2014 to Oct-2015). Moreover, personal and payroll credit increased 16.9% and 16.1% yoy respectively.

Similarly, credit for durable goods edged-up 12.3% yoy. Finally, housing credit increased 9.8% yoy, while banking credit to private firms grew 11.3% in April. With these results, banking credit to the private sector posted a 11.7% growth in the first four months of the year, compared with the 6.6% increase 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 in April 2016

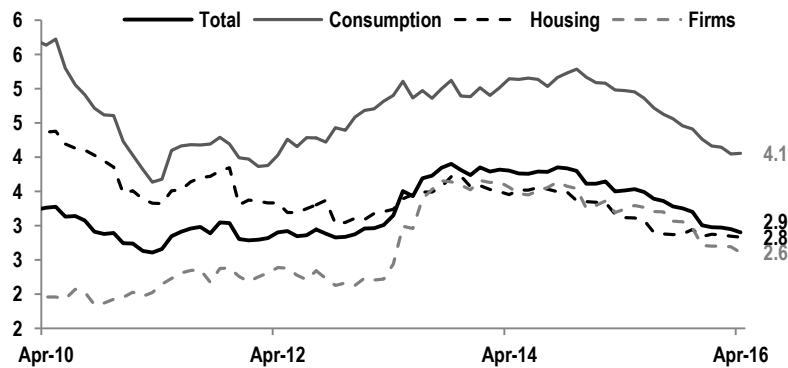
	Apr-16	Mar-16	Apr-15	Jan-Apr, '16	Jan-Apr, '15
<b>Private banking credit</b>	<b>10.5</b>	<b>10.9</b>	<b>7.5</b>	<b>11.7</b>	<b>6.6</b>
<b>Consumption</b>	<b>10.0</b>	<b>9.8</b>	<b>2.9</b>	<b>9.4</b>	<b>2.7</b>
Credit cards	3.4	3.7	-1.6	2.9	-1.2
Payroll	16.1	17.1	16.9	16.7	15.7
Personal	16.9	15.8	0.3	15.8	2.2
Durable goods	12.3	11.8	3.9	11.7	2.9
Auto loans	11.3	10.7	-0.3	10.5	-1.7
Other durable goods	22.4	23.7	88.6	24.5	108.2
Others	4.8	0.8	-7.8	1.0	-13.0
<b>Housing</b>	<b>9.8</b>	<b>9.7</b>	<b>7.1</b>	<b>9.9</b>	<b>6.6</b>
Social interest	-4.5	-3.7	-2.9	-2.9	-3.3
Medium and residential	12.2	12.1	9.0	12.1	8.5
<b>Firms</b>	<b>11.3</b>	<b>12.3</b>	<b>10.0</b>	<b>14.1</b>	<b>8.2</b>
Primary activities	22.8	20.5	0.3	22.0	1.4
Mining	78.9	97.4	57.5	92.7	50.8
Manufacturing industry	8.6	6.0	10.3	9.8	9.8
Construction	16.2	14.6	7.5	14.6	6.4
Services	9.1	12.9	11.2	14.5	8.3
<b>Non-banking financial intermediaries</b>	<b>8.2</b>	<b>6.4</b>	<b>7.6</b>	<b>6.0</b>	<b>11.0</b>

Source: Banxico

**Non-performing loans stand at 2.9%, below the 3.5% observed in April 2015.** By components, non-performing loans in the consumption segment stood at 4.1% in April. Credit card NPLs reached 5.1% of total portfolio, while NPLs in payroll, personal and durable goods credits are at 2.7%, 5%, and 1.8%, respectively. Moreover, non-performing loans in housing credit stood at 2.8%, while corporate credit NPL's reached 2.6% 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.** In 2015, we observed a significant surge in private banking credit, given the more visible recovery of the Mexican economy, 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. Additionally, credit cards have showed a recovery trend in the first four months of 2016, after 16 months in contraction, as shown in the charts above. 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 2016.

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