

Banking credit – 12.2% growth in 1Q16 continue to reflect the recovery of credit to the private sector

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- Banxico just published its banking credit report
- Banking credit expanded 11.1% yoy in real terms in March, below the 12.9% observed in the previous month (Banorte-Ixe: 12.4%)
- In this context, the credit to the private sector posted a 12.2% growth in 1Q16, compared with the 6.2% increase observed in the same period of 2015
- Consumption credit expanded 9.8% yoy in real terms in the third month of the year
- Housing credit increased 9.7% yoy, while banking credit to private firms expanded 12.7% in March
- Non-performing loans stand at 2.5%, below the 3% observed in Mar'15

Banxico published today its monthly banking credit report. Today's report shows that banking credit in March expanded 11.1% yoy, below the 12.9% observed in the previous month (Banorte-Ixe: 12.4%). Taking a look at the breakdown, consumption credit edged-up 9.8% yoy. Within this component, we highlight that in the last 5 months credit cards posted a positive growth rate, with a 3.7% yoy increase in March, after 16 consecutive months in contraction (Jul-2014 to Oct-2015). Moreover, personal and payroll credit increased 15.8% and 17.1% yoy respectively. Similarly, credit for durable goods edged-up 11.8% yoy. Finally, housing credit increased 9.7% yoy, while banking credit to private firms grew 12.7% in March. With these results, banking credit to the private sector posted a 12.2% growth in 1Q16, compared with the 6.2% increase observed in the same period of 2015, as shown in the table below.

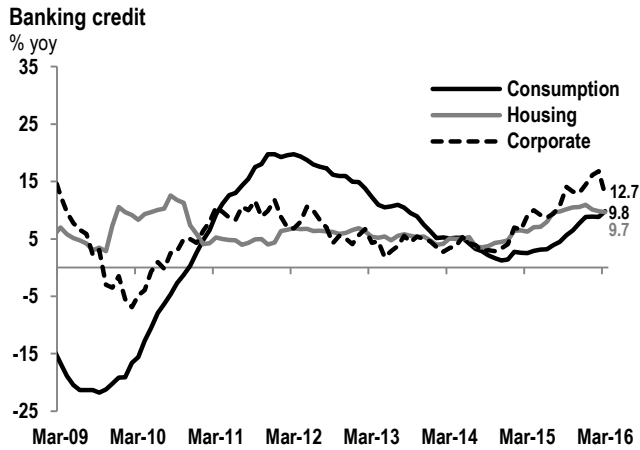
Banking credit in March 2016

% yoy in real terms	Mar-16	Feb-16	Jan-16	Mar-15	1Q16	1Q15	3m-average
Total credit	11.1	12.9	12.6	6.8	12.2	6.2	12.2
Consumption	9.8	8.8	8.9	2.5	9.2	2.6	9.2
Credit cards	3.7	2.4	2.0	-1.6	2.7	-1.1	2.7
Payroll	17.1	16.7	17.2	15.2	17.0	15.3	17.0
Personal	15.8	15.2	15.4	0.5	15.5	2.9	15.5
Durables	11.8	11.5	11.2	3.0	11.5	2.6	11.5
Housing	9.7	9.8	10.1	6.2	9.9	6.4	9.9
Companies	12.7	16.8	16.1	9.0	15.2	7.5	15.2

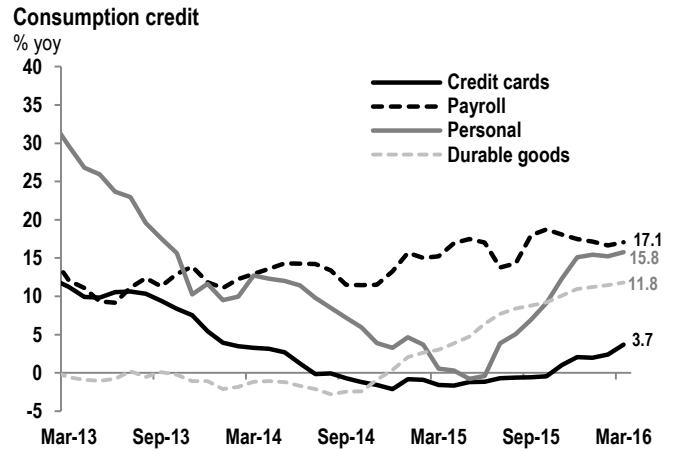
Source: Banxico

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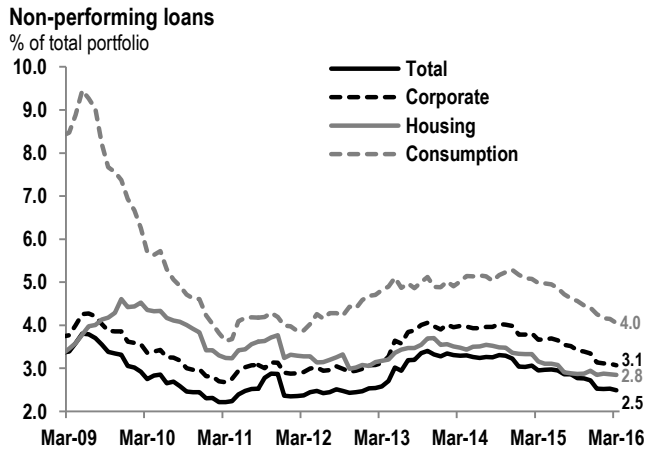
Non-performing loans stand at 2.5%, below the 3% observed in March 2015. By components, non-performing loans in the consumption segment stood at 4% in March. Credit card NPLs reached 5% of total portfolio, while NPLs in payroll, personal and durable goods credits are at 2.8%, 5.1%, and 1.8%, respectively. Moreover, non-performing loans in housing credit stood at 2.8%, while corporate credit NPL's reached 3.1% of total portfolio.



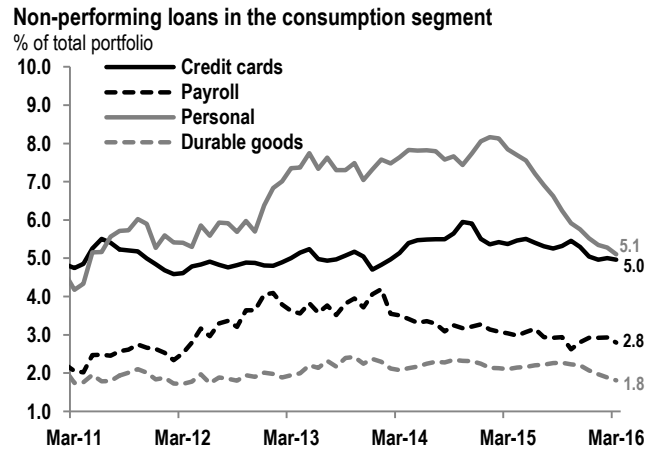
Source: Banorte-Ixe with data from Banxico



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We believe the better growth prospects for private credit will continue in 1H16. 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, which has also reflected in the recent recovery in consumption credit. 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 quarter 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 during the first half of 2016.

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