

Banking credit picked-up again in August

September 30, 2019

- Banxico just published its banking credit report for August 2019
- Banking credit expanded 5.7% yoy in real terms, above both our 5.2% forecast and the 4.7% of the previous month
- Looking at the breakdown, all components were stronger relative to July, highlighting the 7.6% expansion in mortgages, while consumer and corporate credit grew 3.2% and 5.8%, respectively
- Non-performing loans stood at 2.5% for a fourth consecutive month, with marginal improvements in consumer and mortgages NPLs
- Recent dynamics suggest the possibility that the outlook for credit growth is improving

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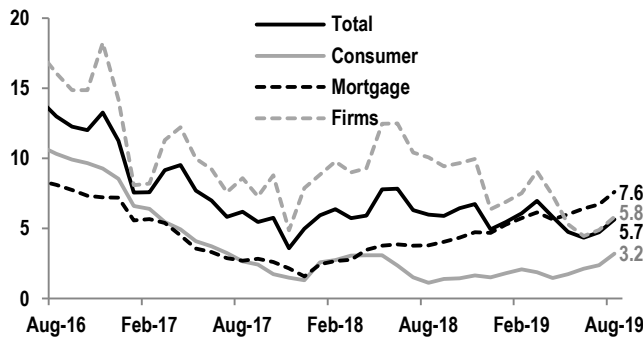
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Banking credit continues to accelerate in August. In particular, banking credit to the private sector expanded 5.7% yoy in real terms during the eighth month of the year, surpassing our 5.2% estimate. With today’s print, credit now adds two months on the upside. As in July, this figure was benefited by an additional decline in inflation in the annual comparison, although there seems that other factors were at play in driving credit higher, such as the advance in real wages –particularly for consumer credit– and an improving outlook in terms of a potential recovery of activity for the remainder of the year –which impacted corporate credit the most, in our view–.

Consumer credit expanded 3.2%, its highest advance in almost two years. Inside, only personal credits stand in negative territory (-2.5%), while durable goods continues to be the most dynamic subsector (+7.8%). Mortgages advanced 7.6%, driven by an uptick in residential (+9.0%) while social interest housing continues to moderate its fall (-7.5%), with the latter now adding four months of improvement. Credit to corporates grew 5.8%, driven by the expansion in lodging services (+23.0%). On the flip side, only construction (-6.6%) and non-sectorized credit (-13.6%) stand in contraction.

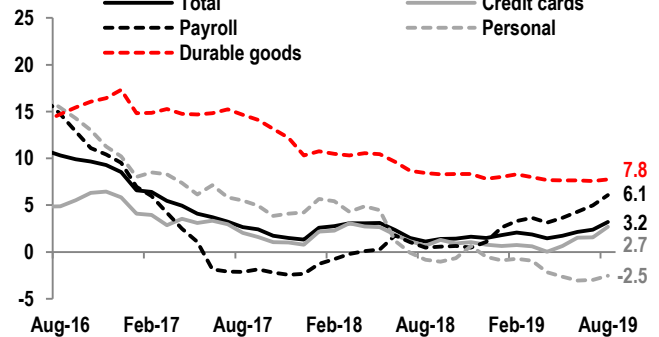
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Banking credit
% yoy in real terms



Source: Banorte with data from Banxico

Consumer credit
% yoy in real terms



Source: Banorte with data from Banxico

Banking credit: August 2019

% yoy in real terms

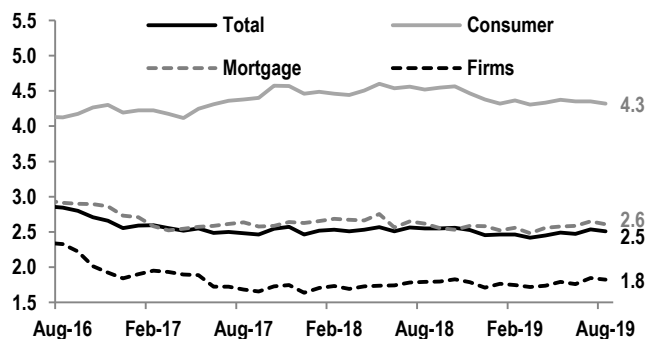
	Aug-19	Jul-19	Aug-18	Jan-Aug '19	Jan-Aug '18
Private banking credit	5.7	4.7	6.0	5.5	6.5
Consumer	3.2	2.4	1.1	2.1	2.4
Credit cards	2.7	1.6	0.7	1.1	2.1
Payroll	6.1	5.0	0.5	4.0	0.2
Personal	-2.5	-3.0	-0.8	-2.0	3.1
Durable goods	7.8	7.6	8.4	7.8	9.9
Auto loans	6.8	6.8	9.6	7.6	10.4
Other durable goods	19.7	16.8	-3.8	10.0	4.6
Others	4.4	3.9	-5.5	1.4	-8.6
Mortgage	7.6	6.7	3.8	6.2	3.3
Social interest	-7.5	-8.5	-12.2	-10.7	-11.4
Medium and residential	9.0	8.2	5.6	7.9	5.1
Firms	5.8	4.9	10.1	6.4	10.3
Primary activities	12.2	10.8	10.8	10.9	9.2
Mining	7.5	5.0	18.4	7.2	8.0
Construction	-6.6	-10.3	3.7	-6.4	-4.8
Utilities	10.8	9.7	10.1	11.8	8.5
Manufacturing industry	6.4	0.8	17.4	7.3	15.1
Commerce	4.3	5.3	0.6	5.7	3.6
Transportation and storage	4.6	6.5	-7.8	1.2	7.4
Mass media services	5.0	25.7	30.7	7.0	51.9
Real estate services	1.7	-0.2	19.7	5.9	15.6
Professional services	2.1	2.9	-16.8	1.1	-15.1
Recreational services	23.0	21.2	9.6	18.9	13.7
Other services	6.7	5.6	20.4	1.6	14.8
Not sectorized	-13.6	-14.5	10.0	-8.7	10.0
Non-banking financial intermediaries	11.9	10.2	-23.2	12.6	-15.9

Source: Banxico

Non-performing loans are still in healthy levels. NPLs stood at 2.5%, in line with the last three months. Two out of three components improved marginally, with consumer loans at 4.3% (previous: 4.4%) and mortgages at 2.6% (previous: 2.7%). Corporates NPLs stood at 1.8%, persistently with the lowest NPLs.

Non-performing loans

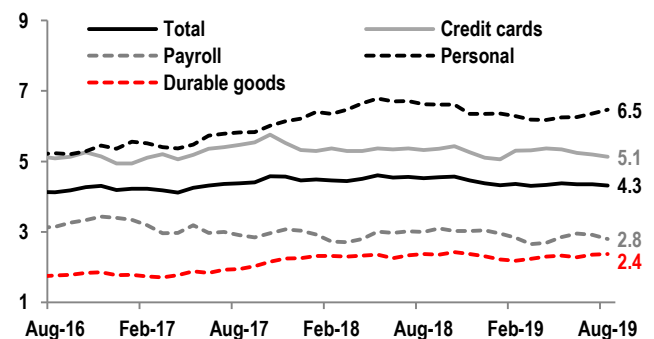
% of total portfolio



Source: Banorte with data from Banxico

Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

The outlook for credit growth seems to be improving. A positive signal during the last few months has been that credit growth has outpaced the improvement in inflation, suggesting that other underlying drivers have also had a better performance. As mentioned previously, among them we highlight wages and expectations of stronger growth. One additional factor that may be having a positive effect is the Federal Government's plan to provide more credit for categories such as consumption and credit, at least in an indirect manner. While we continue to expect credit to grow below the 6.3% expansion of 2018, we now believe that the gap will be closer than previously anticipated, based on our expectation of (1) Stable inflation for the remainder of the year; (2) a recovery in economic activity relative to levels observed during 1H19; and (3) lower borrowing costs, driven by the cuts on the reference rate by the central bank, and which are likely to continue for the rest of the year and in 2020. Last but not least, we maintain our assessment that the banking sector remains in a healthy position, as judged by low levels of non-performing loans and resilient credit growth despite the moderation in activity.

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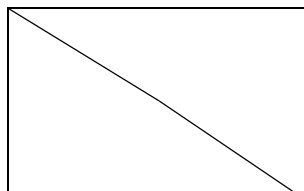
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