

# Banking credit – 10.9% growth in May displays the recovery of Mexico’s banking industry

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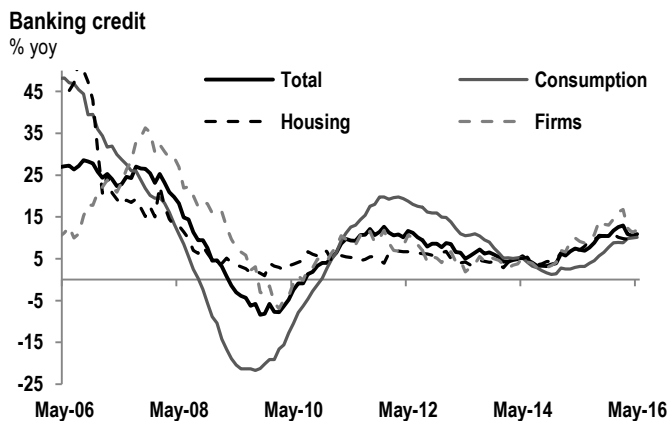
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- Banxico just published its banking credit report for May
- Banking credit expanded 10.9% yoy in real terms in May, above the 10.5% observed in the previous month (Banorte-Ixe: 10.4%)
- Year-to-date, credit to the private sector posted a 11.6% growth
- Consumption credit expanded 10.1% yoy in real terms
- Housing credit increased 10.2% yoy, while banking credit to private firms expanded 11.9%
- Non-performing loans stand at 2.9%, below the 3.5% observed in May’15

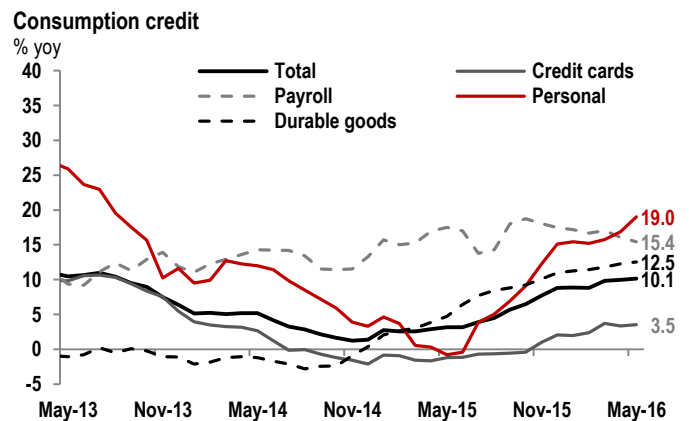
**Banxico published today its monthly banking credit report.** Today’s report shows that banking credit in May expanded 10.9% yoy, above the 10.5% observed in the previous month (Banorte-Ixe: 10.4%). Taking a look at the breakdown, consumption credit edged-up 10.1% yoy. Within this component, we highlight that in the last 7 months, credit cards posted a positive growth rate, with a 3.5% yoy increase in May, after 16 consecutive months in contraction. Moreover, personal and payroll credit increased 19% and 15.4% yoy respectively, while durable goods credit edged-up to 12.5% from 12.3% in April.

Similarly, housing credit increased 10.2% yoy, as a result of the 12.8% expansion in residential housing credit. Moreover, banking credit to private firms grew 11.9% in May. With these results, banking credit to the private sector posted a 11.6% growth in the first five months 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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Source: Banorte-Ixe with data from Banxico



Source: Banorte-Ixe with data from Banxico

**Banking credit: May 2016**

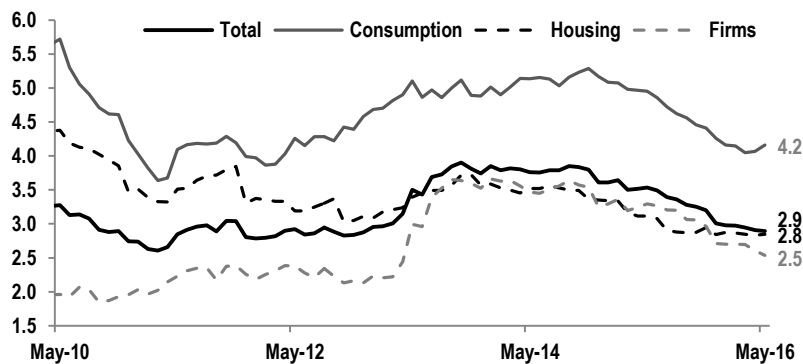
|   | May-16      | Apr-16      | May-15     | Jan-May, '16 | Jan-May, '15 |
|---|-------------|-------------|------------|--------------|--------------|
| <b>Private banking credit</b>               | <b>10.9</b> | <b>10.5</b> | <b>7.1</b> | <b>11.6</b>  | <b>6.7</b>   |
| <b>Consumption</b>                          | <b>10.1</b> | <b>10.0</b> | <b>3.2</b> | <b>9.5</b>   | <b>2.8</b>   |
| Credit cards                                | 3.5         | 3.4         | -1.2       | 3.0          | -1.2         |
| Payroll                                     | 15.4        | 16.1        | 17.5       | 16.5         | 16.1         |
| Personal                                    | 19.0        | 16.9        | -0.8       | 16.5         | 1.6          |
| Durable goods                               | 12.5        | 12.3        | 4.7        | 11.9         | 3.3          |
| Auto loans                                  | 11.7        | 11.3        | 1.0        | 10.8         | -1.1         |
| Other durable goods                         | 21.0        | 22.4        | 72.7       | 23.8         | 99.6         |
| Others                                      | 1.3         | 4.9         | -6.8       | 1.1          | -11.8        |
| <b>Housing</b>                              | <b>10.2</b> | <b>9.8</b>  | <b>7.1</b> | <b>9.9</b>   | <b>6.7</b>   |
| Social interest                             | -5.0        | -4.5        | -2.7       | -3.3         | -3.2         |
| Medium and residential                      | 12.8        | 12.2        | 9.0        | 12.3         | 8.6          |
| <b>Firms</b>                                | <b>11.9</b> | <b>11.3</b> | <b>9.1</b> | <b>13.6</b>  | <b>8.4</b>   |
| Primary activities                          | 19.6        | 22.5        | 1.6        | 21.4         | 1.4          |
| Mining                                      | 78.5        | 77.1        | 70.7       | 89.2         | 54.7         |
| Manufacturing industry                      | 11.3        | 8.8         | 10.2       | 10.2         | 9.9          |
| Construction                                | 15.9        | 15.9        | 10.1       | 14.7         | 7.1          |
| Services                                    | 9.4         | 9.2         | 8.5        | 13.4         | 8.3          |
| <b>Non-banking financial intermediaries</b> | <b>6.5</b>  | <b>8.4</b>  | <b>7.1</b> | <b>6.1</b>   | <b>10.2</b>  |

Source: Banxico

**Non-performing loans stand at 2.9%, below the 3.5% observed in May 2015.** By components, non-performing loans in the consumption segment stood at 4.2%. Credit card NPLs reached 5.5% of total portfolio, while NPLs in payroll, personal and durable goods credits stand at 2.9%, 5.2%, and 1.8%, respectively. Moreover, non-performing loans in housing credit stood at 2.8%, while corporate credit NPL's reached 2.5% 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 five months 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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