

Banking credit to the private sector grew 6% yoy in real terms during August

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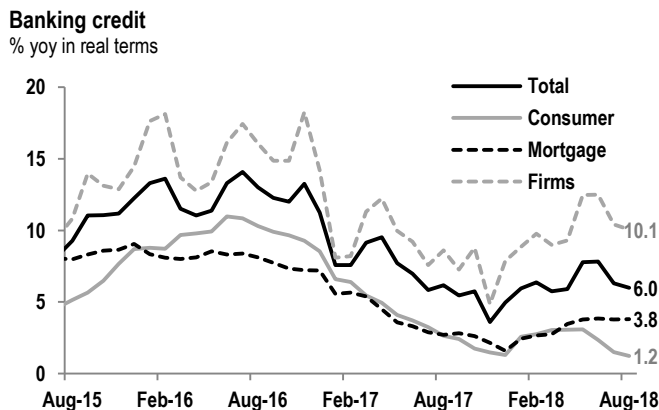
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- **Banxico just published its banking credit report for the eighth month of 2018**
- **Banking credit expanded 6% yoy in real terms, below our 6.8% forecast (previous: 6.3%)**
- **Consumer credit expanded 1.2% yoy during the month**
- **Mortgage loans increased 3.8% yoy, while banking credit to private firms expanded 10.1%**
- **Non-performing loans stood at 2.5% of the total portfolio, in line with the figures observed in August 2017**
- **Looking ahead, we believe that private credit will continue to growth**

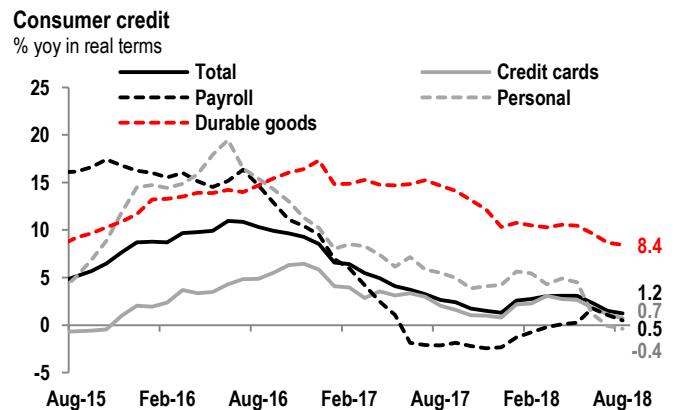
Banxico published its monthly banking credit report. August's report shows that banking credit to the private sector expanded 6% yoy, below our 6.8% forecast (previous: 6.3%). Looking at the breakdown, consumer credit grew 1.2% yoy. Within this component, we highlight the expansion of durable goods credit, which increased 8.4% yoy. Moreover, payroll and credit card lending expanded 0.5% and 0.7% yoy respectively. By contrast, personal credits fell 0.4%.

Mortgages posted a 3.8% yoy expansion, as a result of the 5.6% growth in residential mortgages. Moreover, banking credit to private firms rose 10.1% in August. Taking a look inside, credit to the mass media services sector grew 30.7%, while mining industry credit expanded 18.4%. By contrast, credit to the transportation and storage sector decreased 7.8% yoy, while credit to professional services fell by 18.3% yoy.

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Source: Banorte with data from Banxico



Source: Banorte with data from Banxico

Banking credit: August 2018

% yoy in real terms

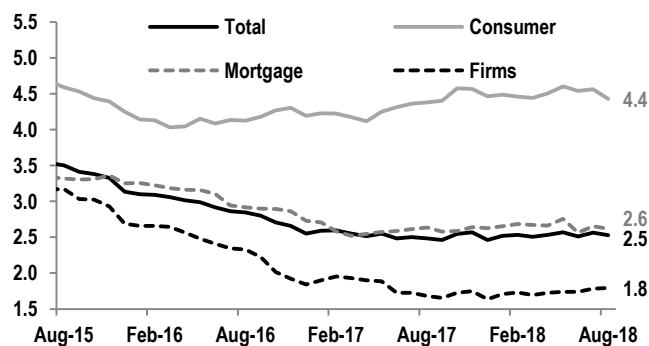
	Aug-18	Jul-18	Aug-17	Jan-Aug, '18	Jan-Aug, '17
Private banking credit	6.0	6.3	6.2	6.5	7.5
Consumer	1.2	1.5	2.6	2.4	4.6
Credit cards	0.7	1.1	2.0	2.1	3.2
Payroll	0.5	1.1	-2.1	0.2	1.7
Personal	-0.4	-0.1	5.5	3.1	7.1
Durable goods	8.4	8.7	14.6	9.9	14.9
Auto loans	9.6	9.7	13.9	10.4	14.4
Other durable goods	-3.8	-1.9	22.9	4.6	21.1
Others	-5.5	-8.3	-11.4	-8.6	-6.5
Mortgage	3.8	3.8	2.7	3.3	4.2
Social interest	-12.2	-11.7	-11.1	-11.4	-10.2
Medium and residential	5.6	5.5	4.5	5.1	6.2
Firms	10.1	10.4	8.6	10.3	9.4
Primary activities	11.4	10.4	4.4	9.3	2.1
Mining	18.4	17.1	-16.5	8.9	-13.3
Construction	-4.2	-1.3	-13.8	-6.7	-7.2
Utilities	18.1	19.0	-1.8	12.6	-1.1
Manufacturing industry	14.4	18.8	9.6	14.3	11.2
Commerce	2.5	0.8	10.1	4.1	7.3
Transportation and storage	-7.8	-10.5	30.5	7.1	22.0
Mass media services	30.7	47.1	18.5	51.9	1.1
Real estate services	20.3	17.5	16.3	16.0	25.0
Professional services	-18.3	-18.2	14.8	-15.7	21.6
Recreational services	8.8	6.6	13.1	12.5	12.8
Other services	6.4	5.3	3.7	7.4	14.3
Not sectorized	10.0	9.4	10.4	10.0	14.1
Non-banking financial intermediaries	-23.2	-19.7	18.3	-15.9	28.9

Source: Banxico

Non-performing loans represent 2.5% of the total portfolio, in line with the figures observed in August 2017. By components, non-performing loans in the consumer segment stood at 4.4%. Credit card NPLs reached 5.3% of total portfolio, while NPLs in payroll, personal, and durable goods credits stood at 3%, 6.2%, and 2.4%, respectively. Moreover, non-performing loans in mortgages stood at 2.6%, while corporate credit NPL's reached 1.8% of total portfolio.

Non-performing loans

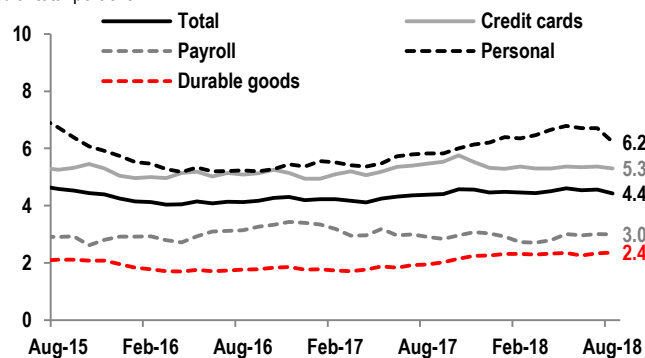
% of total portfolio



Source: Banorte with data from Banxico

Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

Looking ahead, we believe that private credit will continue to grow. It is likely that banking credit will continue to be driven by formal job creation. In addition, the downward trend in inflation will result in a significant recovery of banking credit measured in real terms, which will result in credit outperforming Mexico's economic growth.

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