

# Banking credit edges-down again in June

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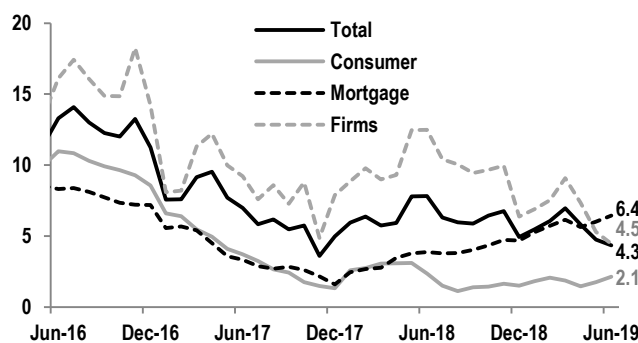
- **Banxico just published its banking credit report for June 2019**
- **Banking credit expanded 4.3% yoy in real terms, below both our 4.9% forecast and the 4.7% of the previous month**
- **Consumer credit expanded 2.1%, mortgage loans grew 6.4%, while credit to corporates edged-down to +4.5%**
- **Non-performing loans stood at 2.5% for a second consecutive month, with all components unchanged**
- **Credit figures are consistent with the deceleration in economic activity, although the relative stability of consumer credit should help private consumption in coming months**

**Banxico published its monthly banking credit report.** June's report showed that banking credit to the private sector expanded 4.3% yoy in real terms, below our forecast of 4.9% (previous: 4.7%). With today's print, credit now adds three months in deceleration, even with a favorable effect in the month given an additional decrease in inflation. Taking a look at the breakdown, consumer credit grew 2.1%. Within this, durable-goods credit remains high at 7.6%. We also observed a good performance in payroll loans, with the annual rate at 4.3%. By contrast, only personal credits stood in contraction, falling 3.0%.

Mortgages posted a 6.4% expansion, with the residential sector at 8.0% and social-interest moderating its pace of decline, now falling at 9.7%, its best performance since February 2017. Corporate credit grew 4.5%, with the highest advance in lodging services (+23.6%), professional (+8.0%) and utilities (+7.9%). On the contrary, the ones with the steepest contractions were construction (-10.4%) and mining (-2.7%). The former now adds 9 months in decline, while the latter has only fallen in the last two months.

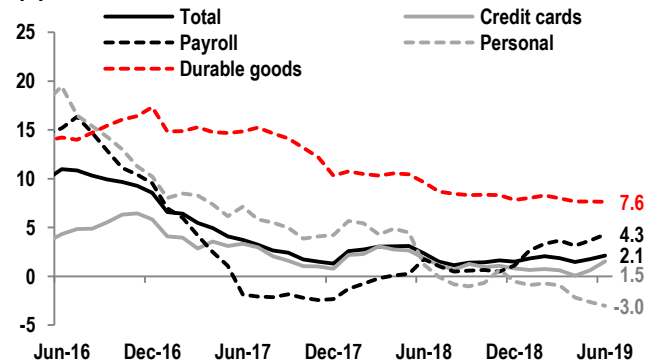
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**Banking credit**  
% yoy in real terms



Source: Banorte with data from Banxico

**Consumer credit**  
% yoy in real terms



Source: Banorte with data from Banxico

### Banking credit: June 2019

% yoy in real terms

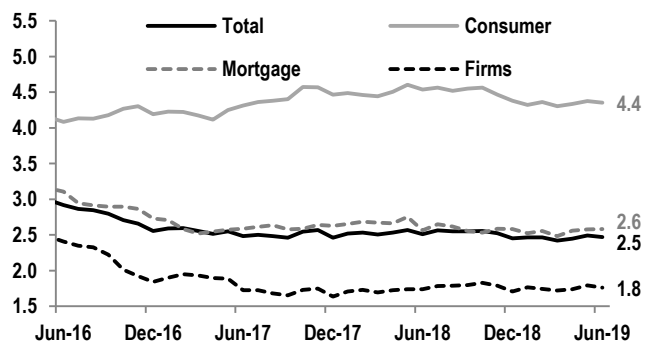
|   | Jun-19     | May-19      | Jun-18       | Jan-Jun '19 | Jan-Jun '18  |
|---|------------|-------------|--------------|-------------|--------------|
| <b>Private banking credit</b>               | <b>4.3</b> | <b>4.7</b>  | <b>7.8</b>   | <b>5.5</b>  | <b>6.6</b>   |
| <b>Consumer</b>                             | <b>2.1</b> | <b>1.7</b>  | <b>2.3</b>   | <b>1.8</b>  | <b>2.8</b>   |
| Credit cards                                | 1.5        | 0.6         | 1.9          | 0.7         | 2.5          |
| Payroll                                     | 4.3        | 3.7         | 1.8          | 3.5         | 0.0          |
| Personal                                    | -3.0       | -2.6        | 1.2          | -1.7        | 4.3          |
| Durable goods                               | 7.6        | 7.6         | 9.6          | 7.9         | 10.4         |
| Auto loans                                  | 7.1        | 7.4         | 10.4         | 7.9         | 10.6         |
| Other durable goods                         | 13.5       | 10.2        | 1.5          | 7.3         | 7.3          |
| Others                                      | 2.3        | 3.2         | -8.0         | 0.5         | -9.2         |
| <b>Mortgage</b>                             | <b>6.4</b> | <b>6.0</b>  | <b>3.9</b>   | <b>5.9</b>  | <b>3.2</b>   |
| Social interest                             | -9.7       | -10.9       | -11.1        | -11.5       | -11.2        |
| Medium and residential                      | 8.0        | 7.7         | 5.6          | 7.6         | 4.9          |
| <b>Firms</b>                                | <b>4.5</b> | <b>5.3</b>  | <b>12.5</b>  | <b>6.7</b>  | <b>10.3</b>  |
| Primary activities                          | 10.6       | 10.3        | 11.3         | 10.6        | 8.7          |
| Mining                                      | -2.7       | -3.4        | 23.7         | 7.8         | 4.9          |
| Construction                                | -10.4      | -9.3        | -1.7         | -5.7        | -7.9         |
| Utilities                                   | 7.9        | 10.3        | 14.3         | 12.2        | 7.8          |
| Manufacturing industry                      | 4.4        | 4.8         | 19.8         | 8.5         | 13.6         |
| Commerce                                    | 3.3        | 7.0         | 2.7          | 6.1         | 4.9          |
| Transportation and storage                  | -0.2       | -2.3        | 0.2          | -0.6        | 14.2         |
| Mass media services                         | 13.2       | 2.4         | 48.0         | 4.2         | 58.0         |
| Real estate services                        | 0.5        | 6.3         | 19.9         | 7.9         | 14.8         |
| Professional services                       | 8.0        | 11.9        | -15.8        | 1.1         | -14.6        |
| Recreational services                       | 23.6       | 15.4        | 11.1         | 17.8        | 15.3         |
| Other services                              | 4.1        | -0.6        | 18.3         | 0.1         | 13.2         |
| Not sectorized                              | -12.8      | -10.9       | 12.1         | -6.9        | 10.2         |
| <b>Non-banking financial intermediaries</b> | <b>7.1</b> | <b>13.2</b> | <b>-13.6</b> | <b>13.1</b> | <b>-13.9</b> |

Source: Banxico

**Non-performing loans remain quite healthy.** NPLs stood at 2.5%, in line with last month's print. All components were unchanged relative to May, with consumer loans at 4.4%, mortgages at 2.6%, and corporates at 1.8%, persistently with the lowest NPLs.

#### Non-performing loans

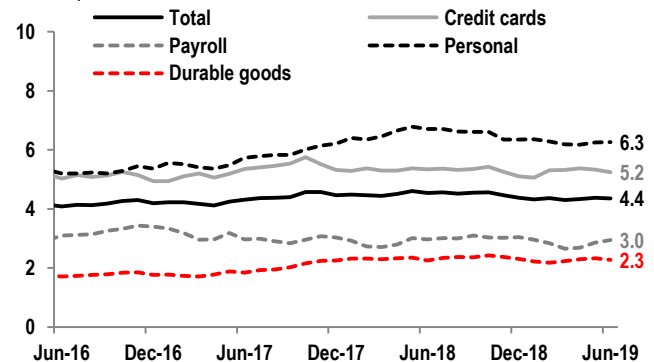
% of total portfolio



Source: Banorte with data from Banxico

#### Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

**Credit growth reflecting lower economic activity.** Recent figures, both hard and soft data, show a deceleration in economic activity. This seems to be increasingly displayed in credit figures. However, the stability within the consumer portfolio should help private consumption in coming months. In addition, our expectation that inflation will reestablish its downward path during the second half of the year will likely serve as an additional support in real terms. In our view, the banking sector is in a healthy position as judged by low levels of non-performing loans. Going forward, we expect credit to remain favorable, growing at about 2x the speed of nominal GDP, with room to increase penetration and a positive factor behind the relative resiliency in consumption.

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|             |   |
|-------------|---|
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