

Banking credit – 10.5% yoy real growth reflects the recovery of domestic demand

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- **Banxico just published its banking credit report**
- **Banking credit expanded 10.5% yoy in September, significantly above the 8.8% observed in Aug'14**
- **Consumption credit expanded 5.7% yoy in real terms**
- **Housing credit increased 10.2% yoy in real terms, while corporate credit expanded 14.1%**
- **Non-performing loans stand at 2.8%, below the 3.3% observed last year**

Banxico published today its monthly banking credit report. Today's report shows that banking credit in September expanded 10.5% yoy, significantly above the 8.8% observed in August'14, and above the average expansion in the area of 7.5% yoy observed so far this year. Taking a look at the breakdown, consumption credit expanded 5.7% yoy. Within this component, credit cards decreased 0.6% yoy, while personal and payroll credit increased 7% and 18% yoy respectively. Moreover, credit for durable goods edged-up 8.8% yoy. Finally, housing credit increased 10.2% yoy, while corporate credit grew 14.1%.

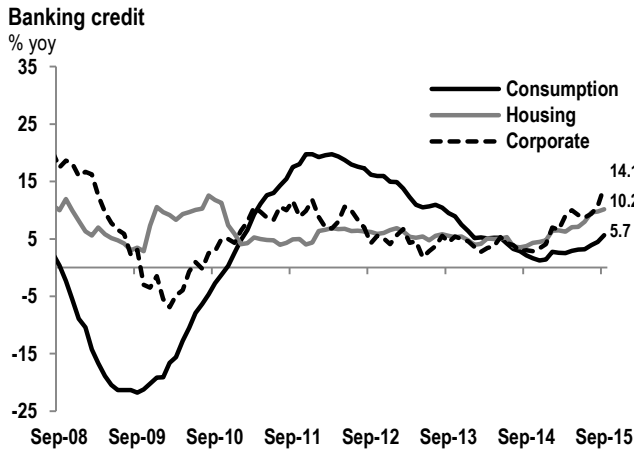
Banking credit in September

% yoy in real terms	Sep-15	Aug-15	Jul-15	Sep-14	Jan-Sep, '15	Jan-Sep, '14	3m-average
Total credit	10.5	8.8	7.7	3.3	7.5	4.4	9.0
Consumption	5.7	4.5	3.9	2.2	3.5	4.2	4.7
Credit cards	-0.6	-0.6	-0.7	-0.7	-1.0	1.8	-0.6
Payroll	18.0	14.3	16.7	11.5	16.3	13.1	16.3
Personal	7.0	5.0	0.5	7.2	2.3	10.3	4.2
Durables	8.8	8.4	7.7	-2.5	5.3	-1.8	8.3
Housing	10.2	9.8	9.6	3.7	7.9	4.4	9.9
Companies	14.1	10.7	9.4	3.0	9.4	3.7	11.4

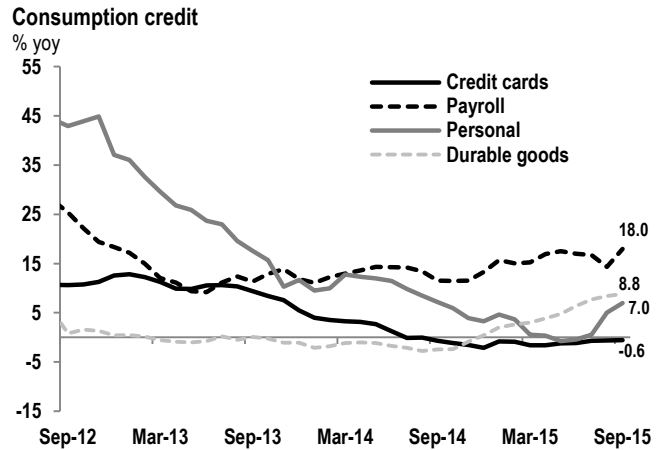
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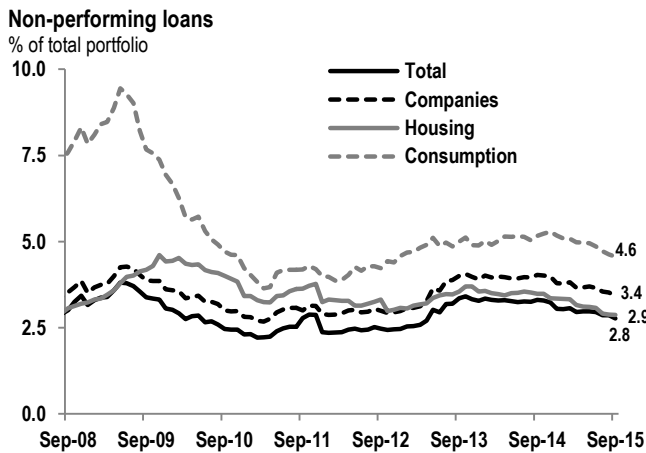
Non-performing loans stand at 2.8%, below the 3.3% observed in September'14. By components, non-performing loans in the consumption segment stood at 4.6% in September. Credit card NPLs reached 5.3% of total portfolio, while NPLs in payroll, personal and durable goods credits are at 2.9%, 6.2%, and 2.3%, respectively. Moreover, non-performing loans in housing credit stood at 2.9%, while corporate credit NPL's reached 3.4% of total portfolio.



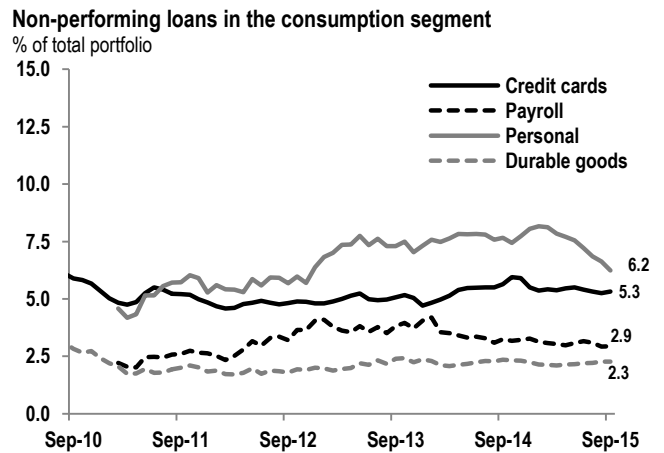
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We believe the better growth prospects for private credit will continue in 2H15. Year-to-date, we have seen a significant spike in private banking credit, given the more visible recovery of the Mexican economy, which has resulted in an increased credit demand by the private sector and greater credit supply by private banks, 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. In this context, we believe that the upward trend in private loans will continue during the second half of 2015, and will sustain part of the recovery in the Mexican economy.

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