

Banking credit to the private sector grew 5.9% yoy in real terms during September

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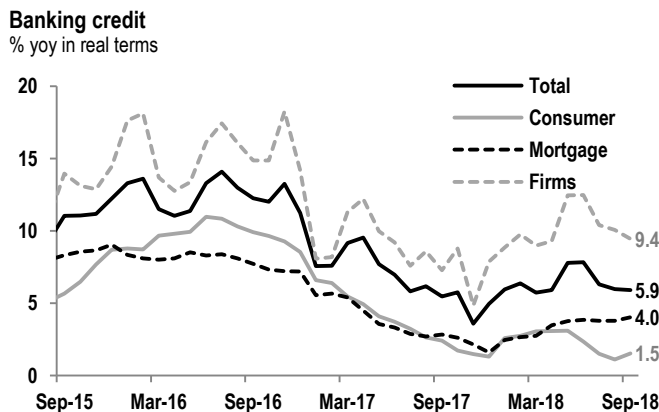
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- Banxico just published its banking credit report for the ninth month of 2018
- Banking credit expanded 5.9% yoy in real terms, in line with our forecast (previous: 6%)
- Consumer credit expanded 1.5%, mortgage loans by 4%, while banking credit to private firms expanded 9.4%
- Non-performing loans stood at 2.5% of the total portfolio, in line with the figures observed in September 2017
- Looking ahead, we believe private credit will maintain an above-average pace of growth relative to GDP

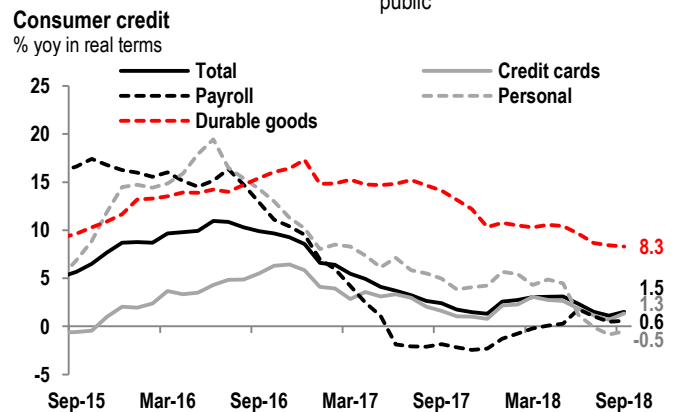
Banxico published its monthly banking credit report. September's report shows that banking credit to the private sector expanded 5.9% yoy, in line with our forecast (previous: 6%). Looking at the breakdown, consumer credit grew 1.5%. Within this component, we highlight the expansion of 8.3% in durable-goods credit. Moreover, payroll and credit card lending expanded 0.6% and 1.3%, respectively. By contrast, personal credits fell 0.5%.

Mortgages posted a 4% expansion, as a result of 5.9% growth in the residential subsector. Moreover, banking credit to private firms rose 9.4%. Taking a look inside, credit to mass-media services sector surged 64.4%, while to the mining industry expanded 21.4%. By contrast, credit to the transportation and storage sector decreased 6.8%, while credit to professional services fell 9.2%.

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Source: Banorte with data from Banxico



Source: Banorte with data from Banxico

Banking credit: September 2018

% yoy in real terms

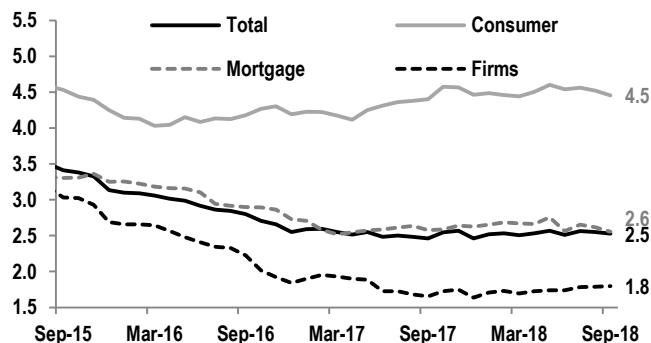
	Sep-18	Aug-18	Sep-17	Jan-Sep, '18	Jan-Sep, '17
Private banking credit	5.9	6.0	5.5	6.4	7.3
Consumer	1.5	1.1	2.4	2.3	4.4
Credit cards	1.3	0.7	1.6	2.0	3.0
Payroll	0.6	0.5	-1.9	0.2	1.3
Personal	-0.5	-0.8	5.0	2.7	6.8
Durable goods	8.3	8.4	14.1	9.7	14.8
Auto loans	9.5	9.6	13.4	10.3	14.2
Other durable goods	-4.4	-3.8	22.0	3.5	21.2
Others	-3.5	-5.5	-10.6	-8.1	-7.0
Mortgage	4.0	3.8	2.8	3.4	4.0
Social interest	-12.5	-12.2	-10.6	-11.5	-10.2
Medium and residential	5.9	5.6	4.6	5.2	6.0
Firms	9.4	10.1	7.3	10.2	9.1
Primary activities	9.2	10.8	6.6	9.2	2.6
Mining	21.4	18.4	-21.5	10.2	-14.3
Construction	7.6	3.7	-13.3	-3.5	-7.9
Utilities	22.4	18.5	-2.2	13.8	-1.2
Manufacturing industry	11.3	17.2	11.5	14.6	11.2
Commerce	-0.4	0.0	10.6	2.9	7.7
Transportation and storage	-6.8	-8.3	25.4	5.3	22.4
Mass media services	64.4	30.7	-0.6	53.5	0.9
Real estate services	8.7	17.4	13.0	14.5	23.5
Professional services	-9.2	-12.8	-2.5	-13.8	18.4
Recreational services	6.3	7.9	13.2	11.6	12.9
Other services	3.5	5.1	5.6	6.7	13.3
Not sectorized	9.3	10.0	9.8	10.0	13.6
Non-banking financial intermediaries	-17.5	-23.2	19.3	-16.1	27.7

Source: Banxico

Non-performing loans represent 2.5% of the total portfolio, in line with the figures in September 2017. By components, non-performing loans in the consumer segment stood at 4.5%. Credit card NPLs reached 5.3%, while payrolls, personal, and durable goods credits stood at 3.1%, 6.2%, and 2.4%, respectively. Moreover, non-performing loans in mortgages stood at 2.6%, while corporate credit reached 1.8% of total portfolio.

Non-performing loans

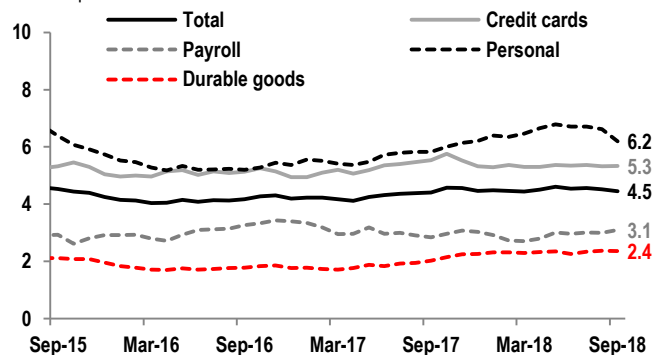
% of total portfolio



Source: Banorte with data from Banxico

Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

Looking ahead, we believe private credit will maintain an above-average pace of growth relative to GDP. In our view, the still low penetration of banking services and the use of new technologies (in particular, smart-phone usage) are supportive structural factors for credit growth. Moreover, consumer fundamentals remain strong, with low levels of unemployment in the formal sector and relatively high wage gains. Additionally, NPL's remain contained, helping institutions to keep deploying their strategies to increase overall penetration. Last but not least, economic activity recovered in 3Q18 when compared to the previous quarter, which coupled with lower local uncertainty, is could continue incentivizing credit growth.

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