

Banking credit improves modestly in February

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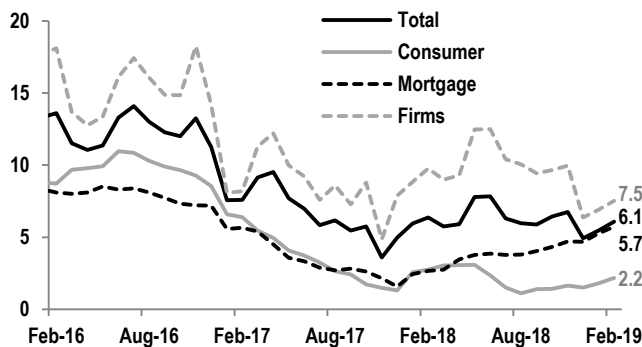
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- **Banxico just published its banking credit report for February 2019**
- **Banking credit expanded 6.1% yoy in real terms, above our 5.7% forecast and better than the 5.5% of the previous month**
- **Consumer credit expanded 2.2%, mortgage loans grew by 5.7%, while credit to private firms picked-up to 7.5%**
- **Non-performing loans improved at the margin to 2.4% of the portfolio, with a slight improvement in corporate loans**
- **We expect credit growth to remain strong despite a likely moderation when compared to the previous year due to the deceleration of economic activity**

Banxico published its monthly banking credit report. February’s report showed that banking credit to the private sector expanded 6.1% yoy in real terms, slightly above our forecast of 5.7% (previous: 5.5%). With today’s print, credit adds two months in expansion territory, partly explained by inflation’s downward path, but also by a higher-than-expected pace of economic growth at the start of the year. Taking a look at the breakdown, consumer credit grew 2.2%. Within this component, durable-goods credit remains vigorous at 8.3%, to a great extent supported by auto loans. We also observed an improvement in payroll loans, with the annual rate picking up to 3.3% from 2.6% in the previous month. Mortgages posted a 5.7% expansion, with the residential sector at 7.6% and social-interest still plunging at a double-digit pace (-12.4%). Credit to corporates grew 7.5%, highlighting strength in manufacturing and mining as they expanded 12.1% and 19.0%, respectively. Utilities keep growing strongly (15.4%), while professional services extended their weakness at -8.8%.

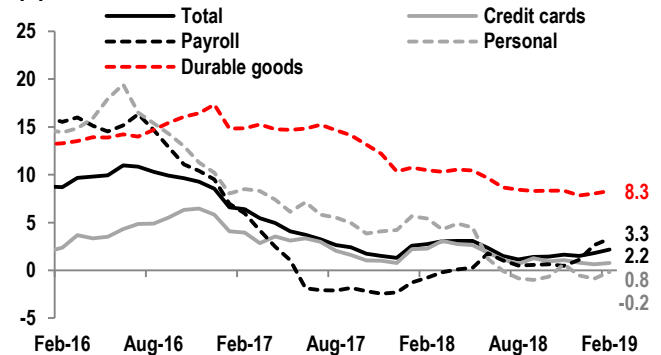
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Banking credit
% yoy in real terms



Source: Banorte with data from Banxico

Consumer credit
% yoy in real terms



Source: Banorte with data from Banxico

Banking credit: February 2019

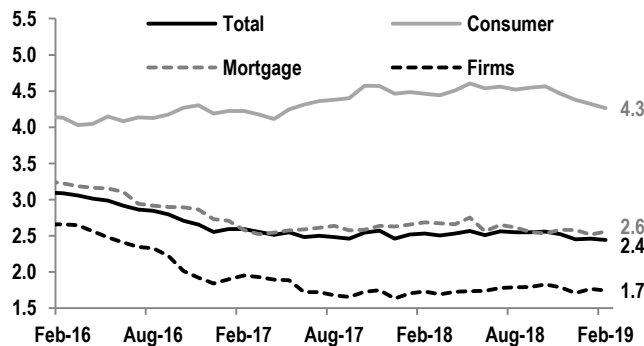
% yoy in real terms

	Feb-19	Jan-19	Feb-18	Jan-Feb '19	Jan-Feb '18
Private banking credit	6.1	5.5	6.4	5.8	6.2
Consumer	2.2	1.8	2.7	2.0	2.7
Credit cards	0.8	0.6	2.3	0.7	2.2
Payroll	3.3	2.6	-0.8	3.0	-1.0
Personal	-0.2	-0.9	5.4	-0.5	5.5
Durable goods	8.3	8.0	10.5	8.2	10.6
Auto loans	8.7	8.6	10.5	8.6	10.6
Other durable goods	4.1	2.0	10.5	3.1	11.2
Others	-0.3	0.5	-10.5	0.1	-11.2
Mortgage	5.7	5.3	2.7	5.5	2.6
Social interest	-12.4	-12.5	-11.1	-12.5	-11.5
Medium and residential	7.6	7.2	4.3	7.4	4.3
Firms	7.5	6.9	9.8	7.2	9.3
Primary activities	10.1	10.6	7.4	10.4	5.5
Mining	19.0	15.7	-6.3	17.3	-8.3
Construction	-1.9	-3.0	-12.3	-2.5	-12.2
Utilities	15.4	15.4	5.5	15.4	4.0
Manufacturing industry	12.1	12.5	11.7	12.3	10.0
Commerce	6.4	3.8	6.0	5.1	7.3
Transportation and storage	-2.6	1.9	17.8	-0.4	16.4
Mass media services	-0.2	-1.0	64.9	-0.6	75.8
Real estate services	10.2	7.7	13.7	9.0	12.5
Professional services	-8.8	-10.6	-12.6	-9.7	-11.4
Recreational services	17.7	15.5	13.3	16.6	13.4
Other services	-7.0	-5.2	16.5	-6.1	15.6
Not sectorized	0.3	-1.9	8.1	-0.8	8.5
Non-banking financial intermediaries	16.3	10.3	-6.0	13.2	-2.1

Source: Banxico

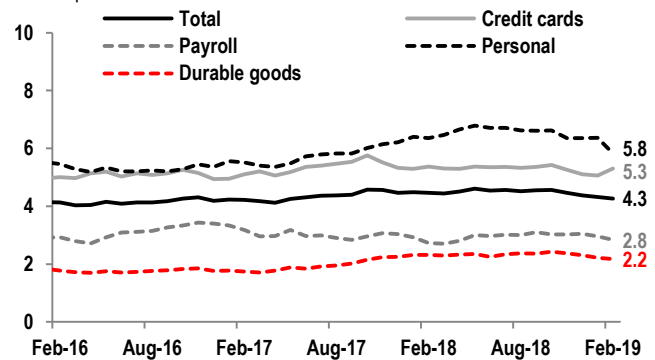
Non-performing loans improving at the margin. NPL's improved to 2.4% from 2.5%, its best level since 2007. By components, non-performing consumer loans stood at 4.3%, unchanged from the previous month but better than the 4.5% seen in the previous year. Non-performing loans on mortgages picked-up slightly from 2.5% to 2.6%, while corporates decreased in the same magnitude to 1.7%, still with the banking sector's 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

We continue expecting a mild moderation in credit growth during 2019. In our view, the likely deceleration in activity will translate to lower dynamism in credit this year. In this context, year-to-date growth stands at 5.8%, below the 6.2% observed in the previous year. Going forward, we expect this trend to continue. Despite of the latter, we believe the expansion rate with respect to economic activity will remain high and at healthy levels. It is also worth noting that NPL's remain very low, suggesting that there is ample room for the sector to keep growing at a relatively vigorous pace, as this provides more degrees of freedom to financial institutions to increase penetration and market share.

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