

# Banking credit slowed down in September

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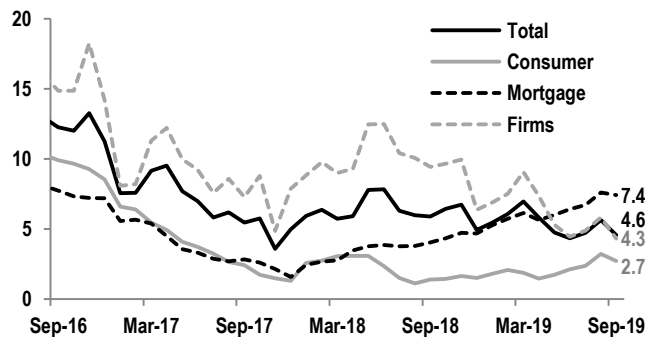
- **Banxico just published its banking credit report for September 2019**
- **Banking credit expanded 4.6% yoy in real terms, below both our 6.0% forecast and the 5.6% of the previous month**
- **Looking at the breakdown, all components were weaker relative to August. In particular, mortgages grew 7.4%, while consumer and corporate credit expanded 2.7% and 4.3%, respectively**
- **Non-performing loans increased marginally, to 2.6% from 2.5%, with upward adjustments in consumer and mortgages NPLs**
- **Despite today’s print, some key drivers suggest the possibility that the outlook for credit growth is improving**

**Banking credit decelerates in September.** In particular, banking credit to the private sector expanded 4.6% yoy in real terms during the ninth month of the year, below our 6.0% estimate. With today’s print, credit now breaks with two months accelerating in the annual comparison. Credit levels in the month declined despite a marginal improvement in inflation, in line with the implicit deceleration in activity in the period as implied by the 3Q19 GDP report.

Consumer credit expanded 2.7%. Inside, only personal credits stand in contraction (-3.1%), while durable goods continue to be the most dynamic subsector (+7.7%). Mortgages advanced 7.4%, driven by favorable performance of the residential sector (+8.7%) while social interest housing continues to moderating its decline (-6.8%), adding now five months of improvement. Credit to corporates grew 4.3%, driven by the expansion in lodging services (+16.8%) and primary activities (+12.3%). On the flip side, we highlight the fall in construction (-9.7%) and mining (-16.5%), sectors which have also been among the weakest in terms of activity.

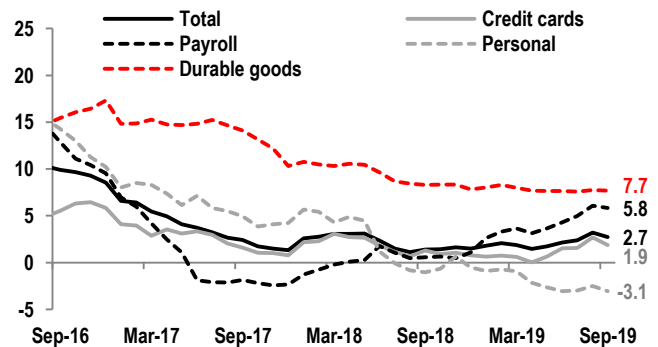
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**Banking credit**  
% yoy in real terms



Source: Banorte with data from Banxico

**Consumer credit**  
% yoy in real terms



Source: Banorte with data from Banxico

### Banking credit: September 2019

% yoy in real terms

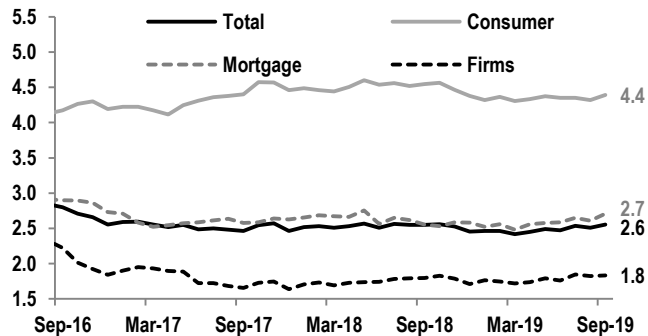
	Sep-19	Aug-19	Sep-18	Jan-Sep '19	Jan-Sep '18
<b>Private banking credit</b>	<b>4.6</b>	<b>5.6</b>	<b>5.9</b>	<b>5.4</b>	<b>6.4</b>
<b>Consumer</b>	<b>2.7</b>	<b>3.2</b>	<b>1.4</b>	<b>2.2</b>	<b>2.3</b>
Credit cards	1.9	2.7	1.3	1.1	2.0
Payroll	5.8	6.1	0.6	4.2	0.2
Personal	-3.1	-2.5	-1.0	-2.1	2.6
Durable goods	7.7	7.8	8.3	7.8	9.7
Auto loans	6.6	6.8	9.5	7.5	10.3
Other durable goods	21.6	19.7	-4.4	11.2	3.5
Others	4.2	4.4	-3.5	1.8	-8.1
<b>Mortgage</b>	<b>7.4</b>	<b>7.6</b>	<b>4.0</b>	<b>6.3</b>	<b>3.4</b>
Social interest	-6.8	-7.5	-12.5	-10.3	-11.5
Medium and residential	8.7	9.0	5.9	8.0	5.2
<b>Firms</b>	<b>4.3</b>	<b>5.8</b>	<b>9.4</b>	<b>6.1</b>	<b>10.2</b>
Primary activities	12.3	12.3	9.3	11.1	9.2
Mining	-16.5	5.8	21.4	4.1	9.4
Construction	-9.7	-5.4	2.3	-6.5	-4.1
Utilities	6.8	10.3	14.5	11.1	9.2
Manufacturing industry	5.6	6.8	11.7	7.2	14.7
Commerce	4.8	4.3	0.3	5.6	3.2
Transportation and storage	-1.2	5.1	-6.4	1.0	5.7
Mass media services	-0.3	5.0	64.4	6.0	53.5
Real estate services	5.9	2.0	9.8	5.9	15.0
Professional services	4.1	1.4	-14.3	1.3	-15.0
Recreational services	16.8	23.3	9.0	18.7	13.1
Other services	6.1	6.4	18.6	2.0	15.2
Not sectorized	-15.6	-13.6	9.3	-9.5	10.0
<b>Non-banking financial intermediaries</b>	<b>7.1</b>	<b>11.9</b>	<b>-17.3</b>	<b>12.0</b>	<b>-16.1</b>

Source: Banxico

**Non-performing loans remain healthy despite a modest uptick.** NPLs stood at 2.6%, 5bps above the previous month's figure. Two out of three components rose marginally, with consumer loans at 4.4% (previous: 4.3%) and mortgages at 2.7% (previous: 2.6%). Corporates NPLs stood at 1.8%, persistently with the lowest NPLs.

#### Non-performing loans

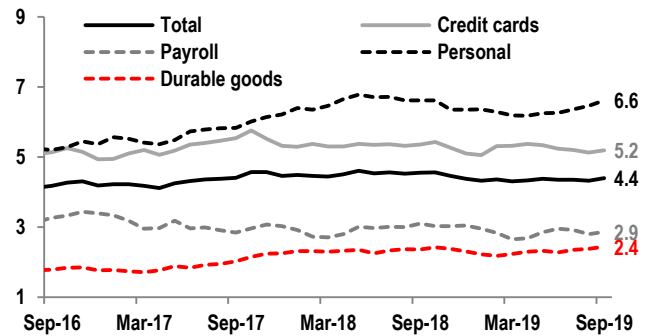
% of total portfolio



Source: Banorte with data from Banxico

#### Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

**The outlook for credit growth seems to be improving.** Despite today's print, we continue believing that conditions for credit growth are gradually getting more favorable. In particular, low inflation should continue to foster better performance, while the trend in wages could also provide an additional boost. One additional factor that could be favorable is the Federal Government's plan to provide more credit for categories such as consumption and mortgages, at least indirectly. While we continue to expect credit to grow less than the 6.3% expansion of 2018, we now believe the gap will be closer than previously anticipated, based on our expectation of (1) Stable inflation for the remainder of the year; (2) a recovery in economic activity at the end of the year; and (3) lower borrowing costs, driven by reference rate cuts by the central bank, which are likely to continue for the rest of the year and in 2020. Last but not least, we maintain our assessment that the banking sector remains healthy, as judged by low levels of non-performing loans and resilient credit growth despite the moderation in activity.

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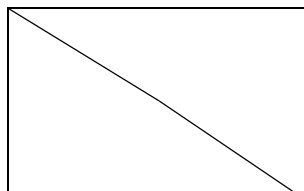
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