

# Banking credit accelerates in March

April 30, 2019

- **Banxico just published its banking credit report for March 2019**
- **Banking credit expanded 7.0% yoy in real terms, above our 5.7% forecast and stronger than the 5.5% of the previous month**
- **Consumer credit expanded 2.0%, mortgage loans grew 6.1%, while credit to corporates picked-up 8.7%**
- **Non-performing loans improved at the margin to 2.4% of the portfolio, with a slight improvement in consumer loans**
- **We expect credit growth could decelerate on more modest economic activity but could be compensated by our expectation of lower inflation ahead**

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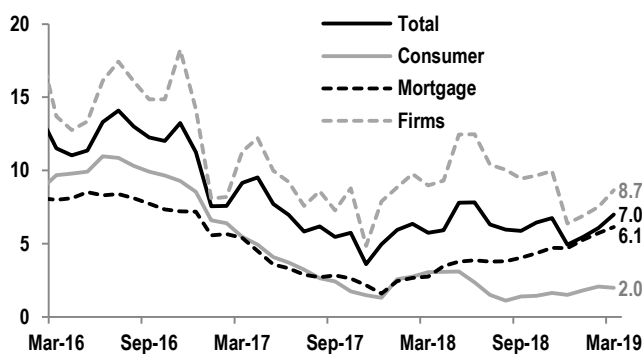
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**Banxico published its monthly banking credit report.** March’s report showed that banking credit to the private sector expanded 7.0% yoy in real terms, above our forecast of 6.2% (previous: 6.1%). With today’s print, credit adds four months in expansion, partly explained by inflation’s downward path. Taking a look at the breakdown, consumer credit grew 2.0%. Within this component, durable-goods credit remains high at 8.0%, once again to a great extent supported by auto loans. We also observed an additional improvement in payroll loans, with the annual rate picking up to 3.7% from 3.3% in the previous month. Mortgages posted a 6.1% expansion, with the residential sector at 7.9% and social-interest declining at a double-digit pace but improving at the margin (-11.4%). Credit to corporates grew 8.7%, highest since November 2018. Manufacturing and mining continue leading to the upside as they expanded 11.6% and 17.6%, respectively. Utilities remain positive (15.2%), while professional services extended their weakness at -4.7%.

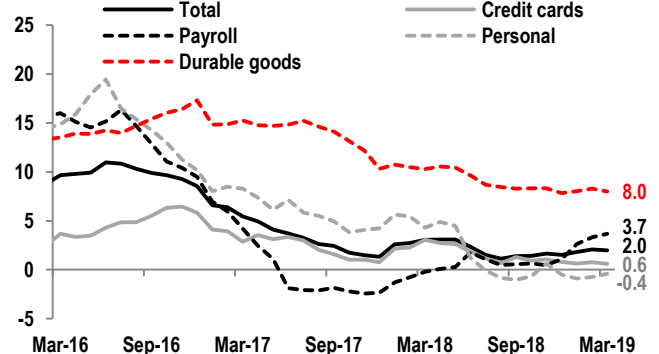
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**Banking credit**  
% yoy in real terms



Source: Banorte with data from Banxico

**Consumer credit**  
% yoy in real terms



Source: Banorte with data from Banxico

### Banking credit: March 2019

% yoy in real terms

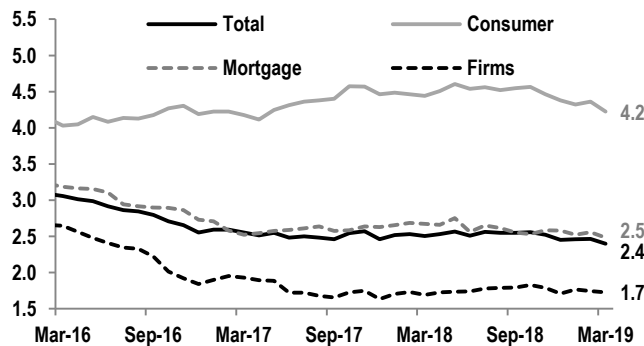
	Mar-19	Feb-19	Mar-18	Jan-Mar '19	Jan-Mar '18
<b>Private banking credit</b>	<b>7.0</b>	<b>6.1</b>	<b>5.7</b>	<b>6.2</b>	<b>6.0</b>
<b>Consumer</b>	<b>2.0</b>	<b>2.1</b>	<b>3.1</b>	<b>2.0</b>	<b>2.8</b>
Credit cards	0.6	0.8	3.1	0.7	2.5
Payroll	3.7	3.3	-0.2	3.2	-0.7
Personal	-0.4	-0.7	4.3	-0.7	5.1
Durable goods	8.0	8.3	10.3	8.1	10.5
Auto loans	8.1	8.7	10.4	8.5	10.5
Other durable goods	6.2	4.1	8.7	4.1	10.4
Others	-4.3	-0.3	-7.5	-1.4	-10.0
<b>Mortgage</b>	<b>6.1</b>	<b>5.7</b>	<b>2.8</b>	<b>5.7</b>	<b>2.6</b>
Social interest	-11.4	-12.4	-11.8	-12.1	-11.6
Medium and residential	7.9	7.6	4.5	7.6	4.4
<b>Firms</b>	<b>8.7</b>	<b>7.5</b>	<b>9.0</b>	<b>7.7</b>	<b>9.2</b>
Primary activities	12.2	10.0	7.3	10.9	6.1
Mining	17.6	19.0	1.6	17.4	-5.2
Construction	-2.4	-1.9	-11.2	-2.5	-11.9
Utilities	15.2	14.4	6.2	14.6	4.7
Manufacturing industry	11.6	12.1	10.5	12.1	10.1
Commerce	7.8	6.4	6.2	6.0	6.9
Transportation and storage	1.0	-2.4	17.1	0.2	16.6
Mass media services	5.1	-0.2	49.5	1.3	65.9
Real estate services	10.0	11.5	14.9	10.2	13.3
Professional services	-4.7	-6.7	-12.0	-6.7	-11.6
Recreational services	20.8	17.7	14.5	18.0	13.8
Other services	0.3	-7.7	5.5	-4.4	12.1
Not sectorized	-5.1	0.3	10.5	-2.3	9.1
<b>Non-banking financial intermediaries</b>	<b>29.8</b>	<b>16.1</b>	<b>-18.5</b>	<b>18.3</b>	<b>-7.9</b>

Source: Banxico

**Non-performing loans keep improving.** NPL's improved to 2.4% from 2.5%, its best level since 2007. By components, consumer loans were better at 4.2% from 4.4% in the previous month. Non-performing loans on mortgages were also lower at 2.5% from 2.6%, while corporates remained unchanged at 1.7%, still with the lowest NPLs.

#### Non-performing loans

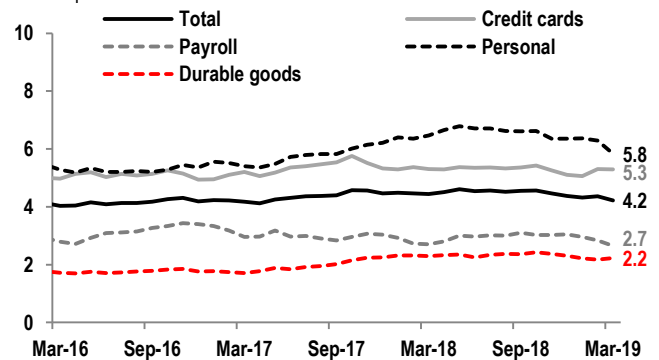
% of total portfolio



Source: Banorte with data from Banxico

#### Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

**Credit growth could decelerate on lower economic activity.** In line with the 1Q19 GDP report released earlier today, the economy seems to be decelerating. In this respect, we believe that credit growth could moderate as it resents this lower dynamism. Nevertheless, our expectation that inflation will reestablish its downward path during the second half of the year will likely support growth in real terms. Moreover, the banking sector is in a healthy position as judged by low levels of non-performing loans. In this context, year-to-date growth stands at 6.2%, even surpassing the 6.0% advance observed in the same period of 2018. Going forward, we expect this credit to remain favorable at about 2x the advance of nominal GDP, still with room to increase penetration and a positive factor behind the resiliency in consumption.

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