

# Banking credit decelerated further in December

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- **Banxico just published its banking credit report for December 2019**
- **Banking credit expanded 2.0% yoy in real terms, below our 3.1% forecast and the 2.8% of the previous month**
- **Looking at the breakdown, consumer (+2.4%) and corporates (+0.3%) decelerated, while mortgages were unchanged at 7.6%**
- **Non-performing loans improved to 2.5% from 2.6% in the previous month, with consumption down but mortgages higher**
- **We continue to expect credit to accelerate in 2020, mainly supported by a more favorable economic backdrop**

**Banking credit decelerates in December.** In particular, banking credit to the private sector expanded 2.0% y/y in real terms, below our 3.1% estimate. With today's print, credit has lost further steam relative to the acceleration of the previous month, now at its lowest since September 2010. In this context, inflation in December showed a 14bps reduction relative to November, which should have helped today's figure at the margin.

Consumer credit expanded 2.4%, decelerating relative to the 2.9% previously. Inside, only personal credit stands in contraction (-5.4%), while durable goods as the most dynamic subsector (+7.1%). We also highlight the performance in payroll credit, expanding 5.8%. Mortgages advanced 7.6% (previous: 7.6%), driven by favorable dynamics in the residential sector (+8.7%) while low-income housing continues moderating its pace of decline (-5.4%), adding now eight months of improvement.

On the flip-side, credit to corporates grew only 0.3%, lowest since July 2010. Taking a look at the breakdown, 8 out of the 13 sectors were lower relative to November, with a considerable slowdown in commerce (-2.5%, previous: +2.4) and lodging services (+7.6%, previous: +11.3%). On the contrary, those with the most significant acceleration were mass media (+29.6%, previous: 10.6%) and mining (-12.7%, previous: -17.6%). In this context, these figures seem to contrast somewhat with the implied acceleration in activity during the period according to the [4Q19 GDP release](#). Moreover, we expect that stronger growth this year would support a relative rebound in credit.

**Non-performing loans improve to 2.5% of the portfolio from 2.6% in the previous month.** This development was driven by better dynamics within consumer credit NPLs, which decreased from 4.4% in November to 4.3%. Meanwhile, the measure for corporates was unchanged at 1.8%, still the sector with the best performance. Lastly, mortgages NPLs showed a slight up-tick from 2.7% to 2.8%. Overall, we continue to believe these levels are consistent with healthy dynamics.

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**We continue to expect an acceleration of credit growth in 2020.** Despite the deceleration observed at the end of the year which resulted in banking credit to be at its lowest level since late 2010, signals stemming from the real economy seem to show a more favorable outlook, particularly for economic activity. In this regard, we expect a rebound this year, supported by: (1) A higher expectation of GDP growth in 2020; (2) a relatively stable behavior of headline inflation; and (3) a reduction in financing costs, derived from reference rate cuts by Banxico. The latter, in tandem with announcements of investment projects from both the public and private sector, should be net positive for credit, particularly for corporates which saw the steepest deceleration. Last but not least, we maintain our assessment that the banking sector remains healthy, as judged by low levels of non-performing loans and positive growth despite the moderation in activity.

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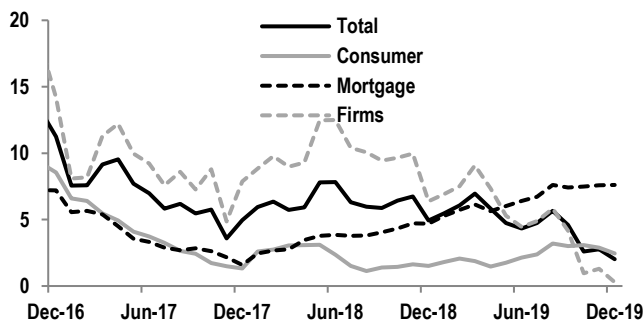
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**Banking credit**  
% y/y in real terms

	Dec-19	Nov-19	Dec-18	2019	2018
<b>Private banking credit</b>	<b>2.0</b>	<b>2.8</b>	<b>4.9</b>	<b>4.6</b>	<b>6.3</b>
<b>Consumer</b>	<b>2.4</b>	<b>2.9</b>	<b>1.5</b>	<b>2.3</b>	<b>2.1</b>
Credit cards	2.3	3.1	0.8	1.6	1.7
Payroll	5.8	6.8	1.1	4.7	0.4
Personal	-5.4	-5.7	-0.5	-2.8	1.9
Durable goods	7.1	7.4	7.8	7.7	9.3
Auto loans	5.6	5.9	8.5	7.1	9.9
Other durable goods	25.3	25.1	0.1	14.5	2.2
Others	7.3	6.7	-0.6	2.7	-6.6
<b>Mortgage</b>	<b>7.6</b>	<b>7.6</b>	<b>4.7</b>	<b>6.6</b>	<b>3.7</b>
Social interest	-5.4	-6.1	-12.8	-9.3	-11.8
Medium and residential	8.7	8.8	6.5	8.2	5.5
<b>Firms</b>	<b>0.3</b>	<b>1.3</b>	<b>6.4</b>	<b>4.8</b>	<b>9.8</b>
Primary activities	7.4	9.0	6.8	10.6	9.5
Mining	-12.7	-17.6	12.4	-0.8	11.6
Construction	-8.5	-7.8	-3.3	-6.9	-3.7
Utilities	2.2	3.9	18.4	9.2	11.1
Manufacturing industry	-3.5	-1.9	9.6	4.9	14.2
Commerce	-2.5	2.4	2.9	4.1	2.5
Transportation and storage	-6.8	-6.2	-1.1	-1.0	3.8
Mass media services	29.6	10.6	-4.8	7.8	45.9
Real estate services	4.2	5.3	7.3	5.6	13.4
Professional services	-0.8	-0.8	-9.8	0.8	-13.5
Recreational services	7.6	11.3	13.7	16.6	13.5
Other services	6.3	4.0	0.5	2.4	13.6
Not sectorized	-14.1	-15.0	-3.3	-11.1	7.9
<b>Non-banking financial intermediaries</b>	<b>-3.9</b>	<b>-0.6</b>	<b>7.2</b>	<b>8.3</b>	<b>-12.0</b>

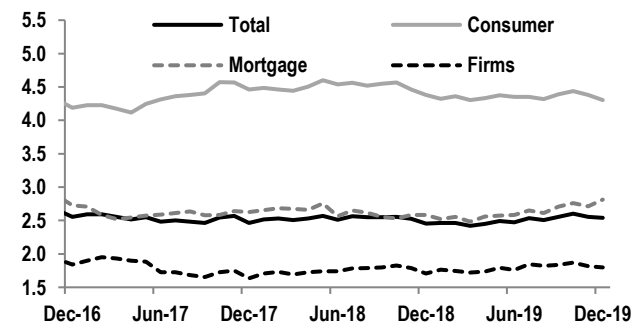
Source: Banxico

**Chart 1: Banking credit**  
% y/y in real terms



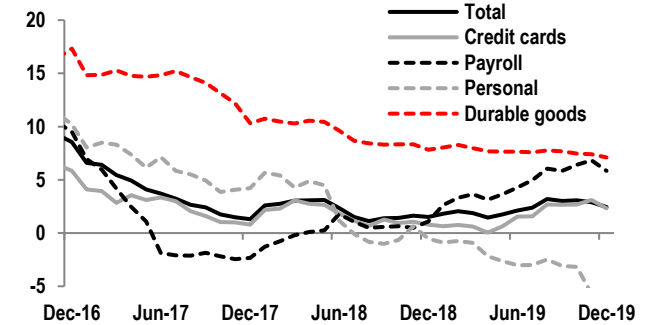
Source: Banorte with data from Banxico

**Chart 3: Non-performing loans**  
% of total portfolio



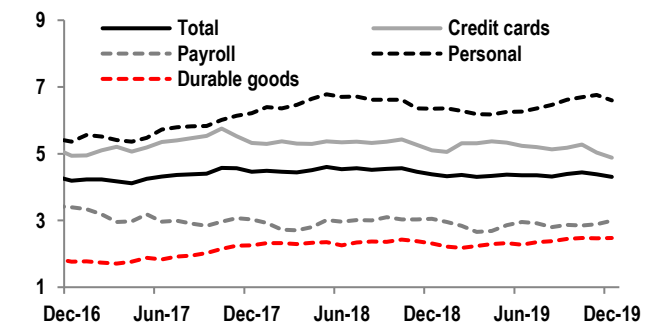
Source: Banorte with data from Banxico

**Chart 2: Consumer credit**  
% y/y in real terms



Source: Banorte with data from Banxico

**Chart 4: Non-performing loans: Consumer credit**  
% of total portfolio



Source: Banorte with data from Banxico

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