

## Financial Systems

## Credit to the private sector: growth steadies at 7.7%, supported by credit to companies

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In September 2014 credit granted by commercial banks to the private sector posted a nominal annual growth of 7.7% (3.3% in real terms)<sup>1</sup>. This growth was slightly higher than in August 2014 (7.6% with figures revised by Banxico), but less than the same month in the previous year (9.8%). In the first nine months of 2014 credit granted to the private sector increased by an average of 8.5%, less than the average for the same period in 2013 (10.9%).

### Consumption: higher growth in durable goods lending, while all other segments continue to decelerate

At the close of September 2014, consumer credit posted nominal annual growth of 6.5% (2.2% in real terms), below the figure for the previous month (7.1%) and less than the 13.2% rate achieved in September 2013. Between January and September, consumer credit grew at an average nominal annual rate of 8.4%, little more than half the rate of the same period in 2013 (15.8%).

Most of the consumer credit components are still decelerating, keeping the trend they have shown throughout the year. Growth performance in credit card (CC) loans (43.3% of the consumption portfolio) dropped, from 4.1% in August to 3.5% in September, the lowest rate so far this year. Payroll loans (22.1% of consumer credit) grew less in September, at 16.2% vs. 18.1% in August. This segment continues to be the biggest contributor to the consumption portfolio, with 3.3pp of the total 6.5%. Personal loans (19.6% of the portfolio) slowed by 1pp from the month before, from 13.0% to 12.0%, and were the second biggest contributors to growth, with 2.2pp.

The only component of consumer credit that accelerated was durable consumer goods (9.7% of the consumption portfolio), which rose at a nominal annual rate of 1.6% (vs. +1.2% in August). Such expansion was the result of the annual 73.9% growth in credit to moveable property (0.7% of the current consumer portfolio), which served to offset the 1.3% fall in automotive loans.

The performance of consumer credit at the close of the third quarter is a signal of the slow growth in domestic demand and workers' income. For example, according to INEGI data, in August (most recent figures available) retail sales grew at an annual rate of 4.4% (vs. 1.2% the month before anterior)<sup>2</sup>; nevertheless, the September figures reported by the ANTAD show an annual growth of only 2.3% in total sales (vs. 8.2% in August and 5.4% in July). In addition, the average daily wage of workers with social security (workers from private companies registered at IMSS) showed a real annual growth of 0.4% in September, less than the rates in July and August (0.6% and 0.5% respectively), even though the number of workers accelerated by 4.1% in the same month. Thus, incomes and the domestic market both need to grow more robustly in order to see greater momentum in all the components of the consumer portfolio.

### Companies: slight rise of 7.3%, with mixed performances, depending on economic activity

In September credit to companies grew at a nominal annual rate of 7.3% (3.0% in real terms), representing a marginal increase over the month before, although below the 8.0% reached in September 2013. The average growth in the first

<sup>1</sup> These figures include credit to non-banking financial intermediaries. Excluding this segment, growth was 7.3%.

<sup>2</sup> Original figures

nine months of the year was 7.8%, less than the 8.4% in the same period last year. This segment contributed most to the portfolio's growth as a whole, adding 3.7pp to the 7.7% total.

By activity sector of registered companies, the results were mixed. The mining and manufacturing sectors grew at rates of 9.2% and 0.4% respectively, after posting falls of 9.7% and 4.6% the month before. Credit to mining had not shown a positive result since October 2013. Balances from the agriculture sector portfolios, together with those from construction and services, showed lower growth than those in the previous month: 0.3%, -3.7% and 16.1% respectively (vs. 3.5%, -1.1% and 17.4% respectively).

Business credit behaviour may be associated, in the first place, with the mixed performances seen recently in certain sectors of economic activity. For example, IGAE figures in August showed a monthly drop in some activity sectors, like agriculture (-0.4%, seasonally adjusted (sa)) and services (-0.2%, sa), while the industrial sector grew at a monthly rate of 0.48% sa. Secondly, it is likely that companies are making use of the liquidity they accumulated during the second half of 2013 and the first half of 2014 before taking out or rolling over loans, which is reflected in the nominal annual drop of 7.5% in term deposits by companies during September.

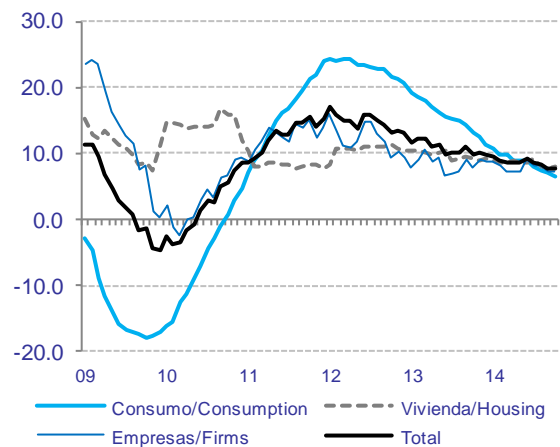
### Housing: 8.1% growth, boosted by the middle-income and residential segments

In September 2014, credit to housing grew at a nominal annual rate of 8.1% (3.7% in real terms), higher than the figure the previous month (7.8%). The average growth of the portfolio in the first nine months of the year was 8.5%, less than the same period the previous year (9.7%). The growth was the result of an increase in the middle-income and residential housing portfolio (from 9.4% in August to 9.8% in September) and of a slight deepening in the fall of the social housing portfolio (from -0.1% to -0.4%).

# Credit: figures and statistics

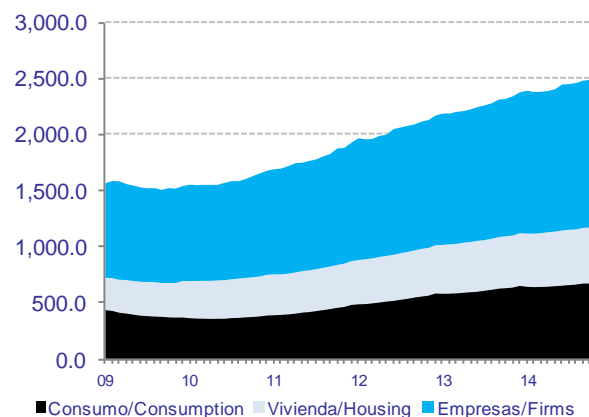
- In September 2014 the nominal annual growth rate of performing loans (PL) granted by commercial banks to the private sector was 7.7%.
- Growth by its main categories was as follows: consumption, 6.5%; housing, 8.1%; and companies, 7.3%.
- The nominal YoY growth rate of total credit granted by commercial banks to the private sector in September 2014 was almost the same than the month before (7.6%) but lower than the same month in 2013 (9.8%).

Figure 1  
PL by commercial banks to the private sector  
Nominal annual % change



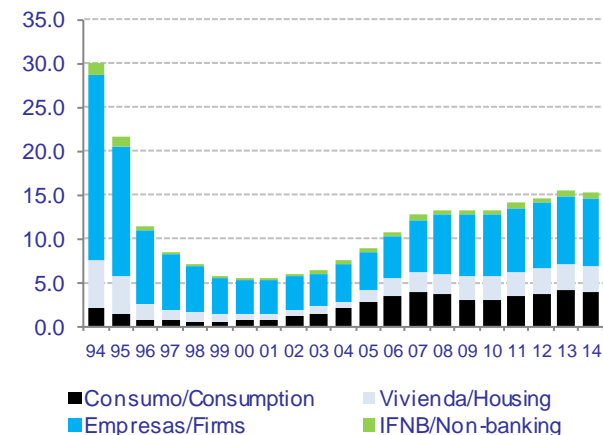
Source: BBVA Research with data from Bank of Mexico

Figure 2  
PL by commercial banks to the private sector  
Balance in billions of current pesos



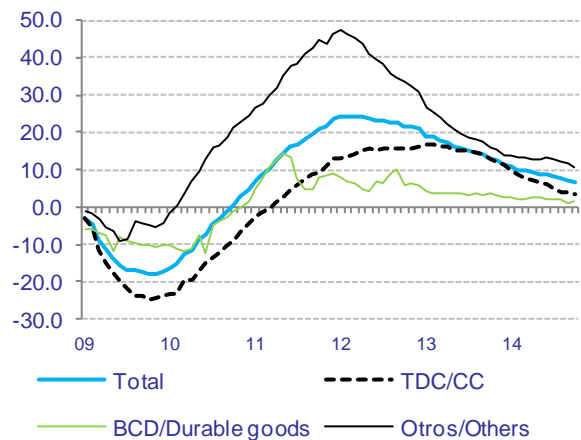
Source: BBVA Research with data from Bank of Mexico

Figure 3  
PL by commercial banks to the private sector  
% of GDP



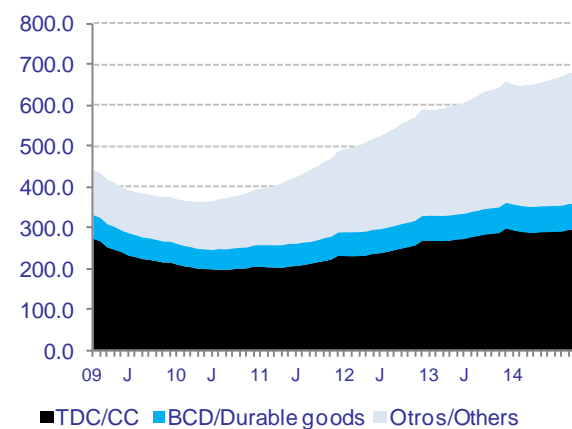
Source: BBVA Research with data from Bank of Mexico and INEGI

Figure 4  
Consumer credit  
Nominal annual % change



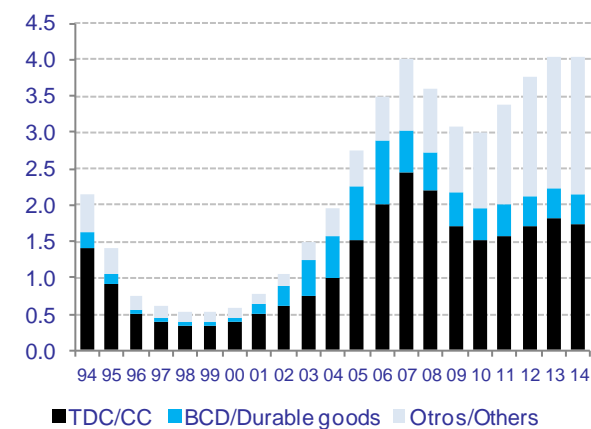
Source: BBVA Research with data from Bank of Mexico

Figure 5  
Consumer credit  
Balance in billions of current pesos



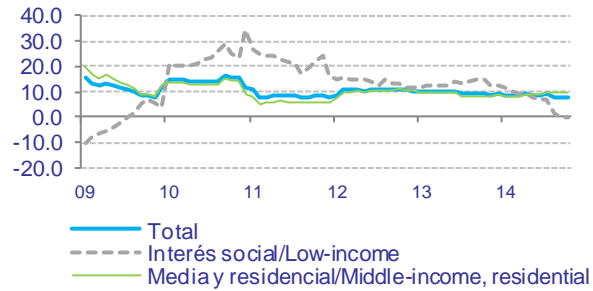
Source: BBVA Research with data from Bank of Mexico

Figure 6  
Consumer Credit  
% of GDP



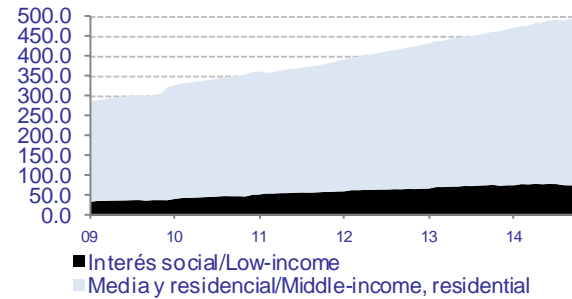
Source: BBVA Research with data from Bank of Mexico and INEGI

Figure 7  
**Housing credit**  
**Nominal annual % change**



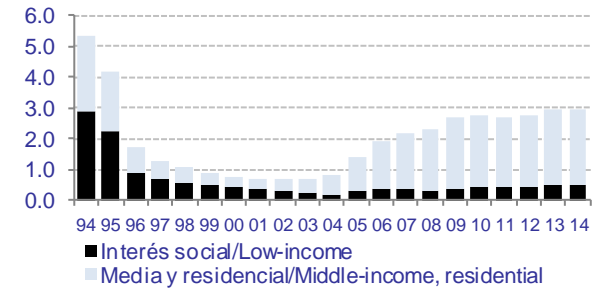
Source: BBVA Research with data from Bank of Mexico

Figure 8  
**Housing credit**  
**Balance in billions of current pesos**



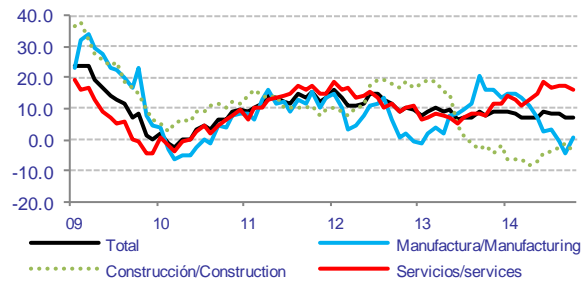
Source: BBVA Research with data from Bank of Mexico

Figure 9  
**Housing credit**  
**% of GDP**



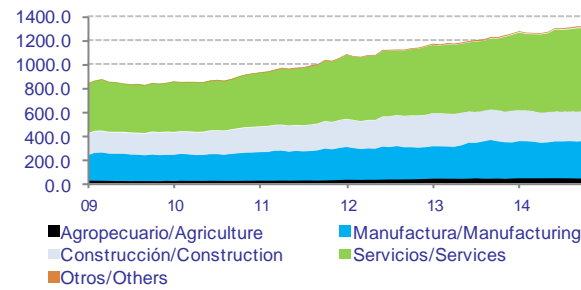
Source: BBVA Research with data from Bank of Mexico and INEGI

Figure 10  
**Credit to firms**  
**Nominal annual % change**



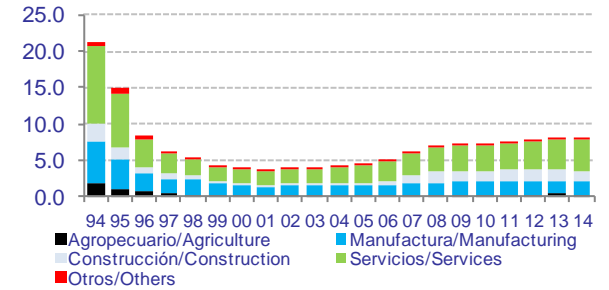
Source: BBVA Research with data from Bank of Mexico

Figure 11  
**Credit to firms**  
**Balance in billions of current pesos**



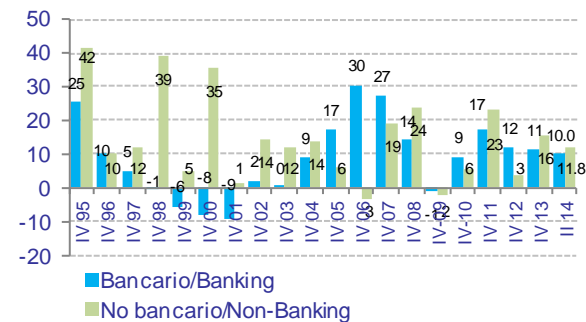
Source: BBVA Research with data from Bank of Mexico

Figure 12  
**Credit to firms**  
**% of GDP**



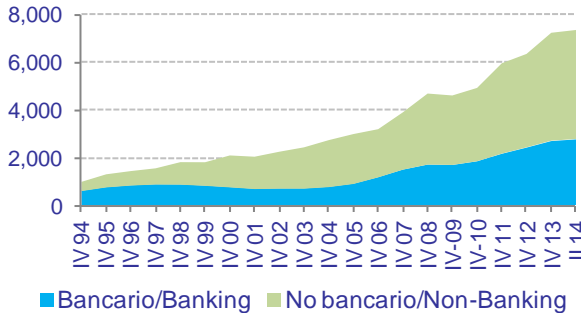
Source: BBVA Research with data from Bank of Mexico and INEGI

Figure 13  
**Banking and non-banking credit**  
**Nominal annual % change**



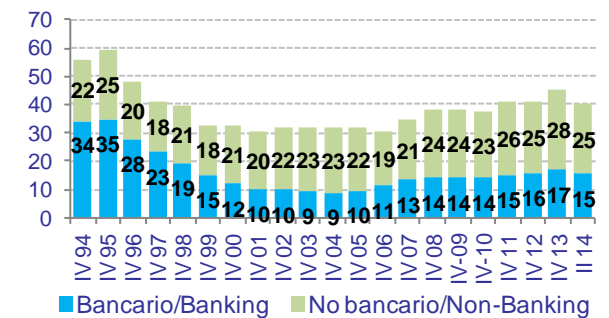
Source: BBVA Research with data from the central bank

Figure 14  
**Banking and non-banking credit**  
**Balance in billions of current pesos**



Source: BBVA Research with data from the central bank

Figure 15  
**Banking and non-banking credit**  
**% of GDP**



Source: BBVA Research with data from the central bank and INEGI



