

Financial Systems

Credit to the private sector: 2014 closes with growth of 8.2%; housing and corporate credit continue to make progress

Sirenia Vázquez / Mariana A. Torán / Saidé A. Salazar

In December 2014, credit granted by commercial banks to the private sector posted nominal annual (YoY) growth of 8.2% (4.0% in real terms)¹, higher than in November 2014 (7.9%) although less than at the end of the previous year (9.5%). Thus, in 2014, credit granted to the private sector recorded an average YoY growth rate of 8.4%, less than the 10.6% average for 2013.

Consumption: maintains its November growth rate, but with persistent deceleration in some important segments

At the end of 2014, consumer credit registered nominal YoY growth of 5.5% (1.4% in real terms), practically unchanged from the previous month (5.4%) and well under the 10.6% recorded at the end of 2013. Over the course of 2014, consumer credit grew at an average nominal YoY rate of 7.7%, nearly half its rate in 2013 (14.8%). This result was due to falls in the growth rate in the balance of credit cards (CC) and personal loans, offset by progress in payroll loans and credits to buy durable consumer goods. Borrowing through CC (43.4% of the consumer portfolio) is continuing its negative trend, falling from a 2.5% growth rate in November to 1.9% in December, the lowest rate of the year. With this result, the average growth of the CC component in 2014 came to 5.1%, almost a third of the average growth over 2013 (14.8%). Personal loans (18.9% of the portfolio) decelerated by 0.7pp from the previous month, falling from 8.2% to 7.5%, although this reduction was less than in earlier months (since July they have been shrinking at a rate of 1.3pp and between October and November the reduction was 2.3pp).

Meanwhile, payroll loans (22.6% of consumer credit) increased sharply between November and December, rising from 16.2% to 17.9%, coming in higher than at the close of 2013 (16.3%). The average growth of this component in 2014 was also higher than the year before (17.3% vs. 16.6% in 2013), and remained as the component which contributed most to the consumption portfolio, accounting for 3.4pp of the total average growth of 7.7% in 2014. A second segment that performed positively was credit for durable consumer goods (10.0% of the consumer portfolio), which grew at a nominal YoY rate of 4.5%, the biggest growth since December 2012. This growth was the result of the 120.5% YoY increase in credit for moveable property, which represents 0.8% of the current consumer portfolio, and a lower fall in automotive credit (-0.1% vs. -0.8% in November).

The progress made in some consumer credit components may be related to the growth in formal employment – measured in terms of the number of workers registered with the IMSS – which recorded a 4.3% increase at the end of 2014, the biggest of the year. As we mentioned in our latest **Mexico Banking Outlook**, a larger number of formal workers may mean more potential clients for the banking sector, in particular for payroll loans, since this is an entry-level product. Nevertheless, other consumer credit components have maintained their negative direction, linked to the still-weak progress being made in domestic consumption. For instance, ANTAD sales grew at a nominal YoY rate of 5.4% in December, less than its 6.6% result in November, whereas the retail sales indicator published by INEGI registered a deceleration of 3.1pp between October and November 2014, slumping from a real annual growth rate of 5.0% to 1.9% (with seasonally adjusted series). Therefore, if we are to see

¹ These figures include credit to non-banking financial intermediaries. Excluding this segment, growth was 8.0%.

higher growth rates in all consumer credit components, it is important that the progress made in bringing jobs into the formal sector is also supported by higher incomes, since this will help to drive the domestic market and demand for credit.

Companies: 8.9% growth at the end of the year, with increases in most sectors of economic activity

Credit to companies closed 2014 with a nominal YoY growth rate of 8.9% (4.7% in real terms), one of the biggest rises of the year, and slightly higher than in December 2013 (8.8%). However, average growth in 2014 was 7.9%, below the 8.5% we saw in 2013. This latter figure is explained by the ups and downs throughout the year, in particular the slowdowns in the first and third quarters. Given that this segment has a 51.2% share of the current balance of credit to the private sector, its contribution to growth had the biggest impact, accounting for 4.5pp of the total growth of 8.2%.

Loans to firms from all sectors of economic activity registered positive variations, and in sectors such as mining and construction the negative trend seems to have reversed. Among the best performers were agriculture and livestock, mining and construction, with nominal YoY growth rates of 3.5%, 61.3% and 3.0% respectively (vs. rates of 1.7%, 46.8% and 1.0% in November). The manufacturing sector edged down slightly, closing the year with a growth rate of 7.9% vs. 8.4% in November, although it performed better than in previous months (between April and October it grew at a rate of 2.1%). Credit to companies in the services sector, the sector with the highest share of the company portfolio (52.9%), moved forward 0.6pp from the month before (11.0% vs. 11.6%) and accounted for 6pp of the total growth of 8.9%.

Positive performance from credit to the business sector seems to be a reflection of a gradual improvement in economic activity. The IGAE, for example, registered in October and November 2014 a YoY growth rate of 2.8%, which compares favourably with the growth of 1.9% and 2.1% in August and September respectively, and even more so with the 0.4% growth in November 2013.

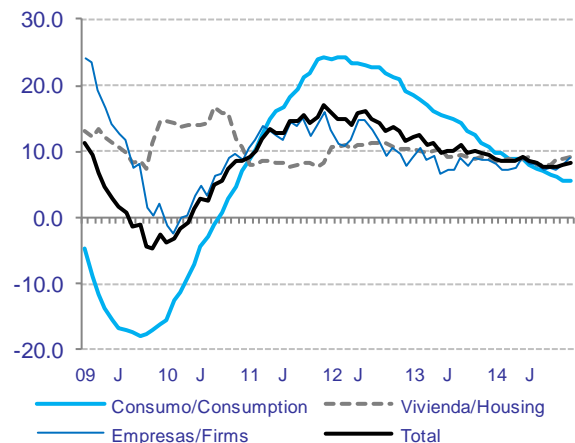
Housing: increase of 9.0%. Credit to middle-income and residential housing sticks to double-digit growth rates at the end of 2014

In December 2014, credit to housing grew at a nominal YoY rate of 9.0% (4.8% in real terms), slightly higher than the figures posted in October and November (8.8%). The portfolio's average growth in 2014 was 8.6%, below the 9.5% average in 2013. This is the result of better performance in the middle-income and residential housing portfolio, particularly at the end of the year, with double-digit figures since October, leading to 10.9% growth by the end of 2014, the highest since October 2012. Meanwhile, the social housing portfolio fell 0.4% YoY, which contrasts with the 11.7% growth rate at the end of the previous year. Just as with consumer and company credit, credit for housing is expected to continue to show stronger performance as the recovery in economic activity consolidates and the labour market strengthens.

Credit: figures and statistics

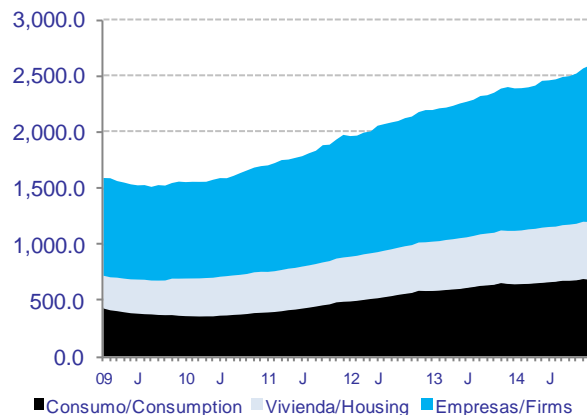
- In December 2014, the nominal rate of growth in credit originated by commercial banks to the private sector was 8.2%.
- Growth by the principal categories was as follows: consumption, 5.5%; housing, 9.0%; and companies, 8.9%.
- In December 2014, credit granted by commercial banks to the private sector posted nominal annual (YoY) growth of 8.2%, higher than in November 2014 (7.9%) although less than the same month in 2013 (9.5%).

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



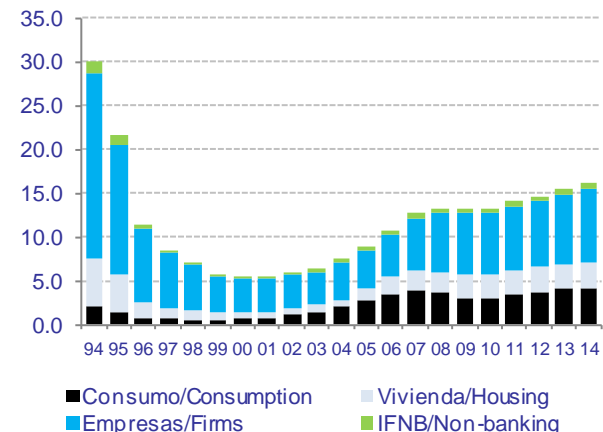
Source: BBVA Research with data from Bank of Mexico

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



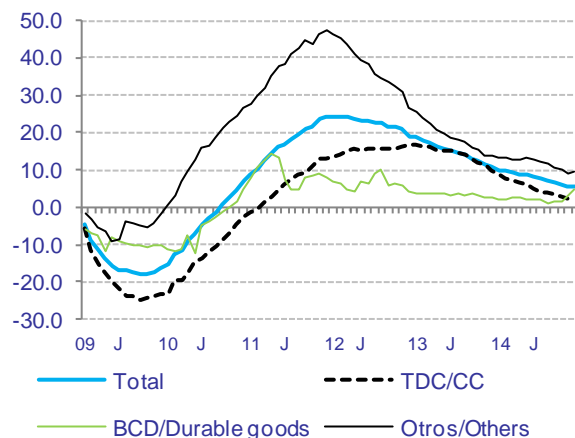
Source: BBVA Research with data from Bank of Mexico

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



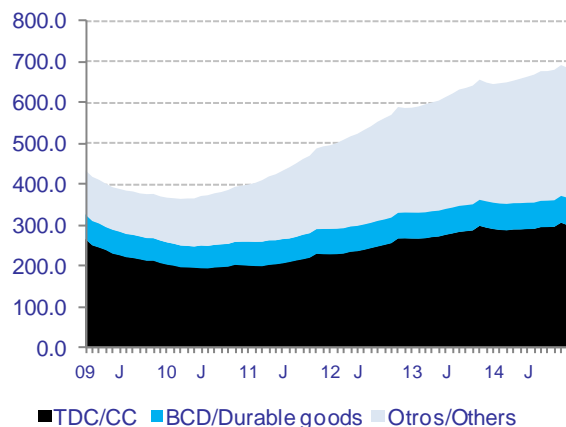
Source: BBVA Research with data from Bank of Mexico and INEGI

Figure 4
Consumer credit
Nominal annual % change



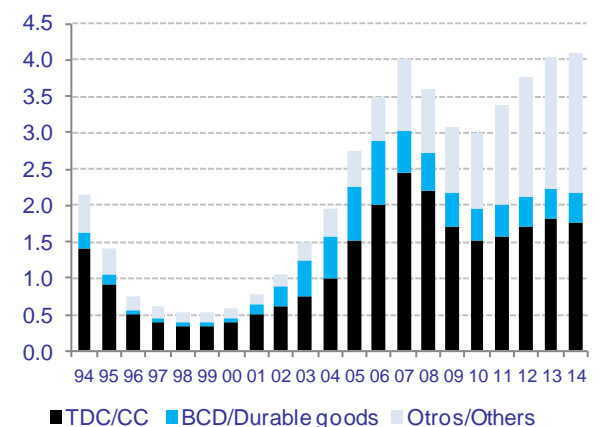
Source: BBVA Research with data from Bank of Mexico

Figure 5
Consumer credit
Balance in billions of current pesos



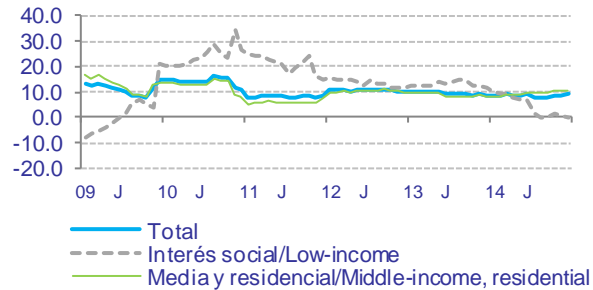
Source: BBVA Research with data from Bank of Mexico

Figure 6
Consumer Credit
% of GDP



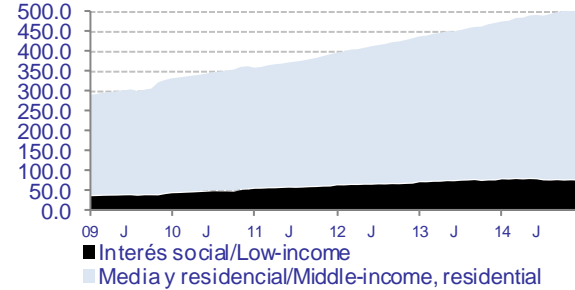
Source: BBVA Research with data from Bank of Mexico and INEGI

Figure 7
Housing credit
Nominal annual % change



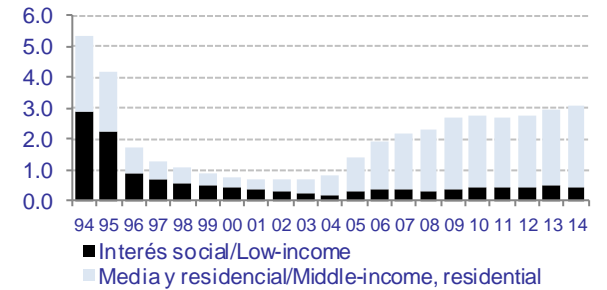
Source: BBVA Research with data from Bank of Mexico

Figure 8
Housing credit
Balance in billions of current pesos



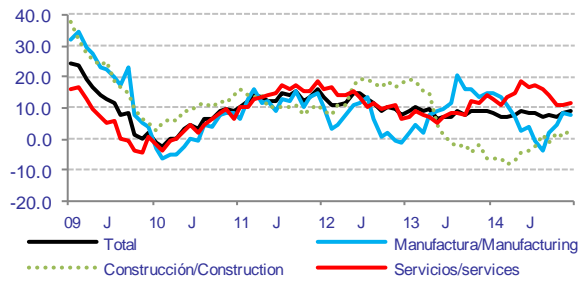
Source: BBVA Research with data from Bank of Mexico

Figure 9
Housing credit
% of GDP



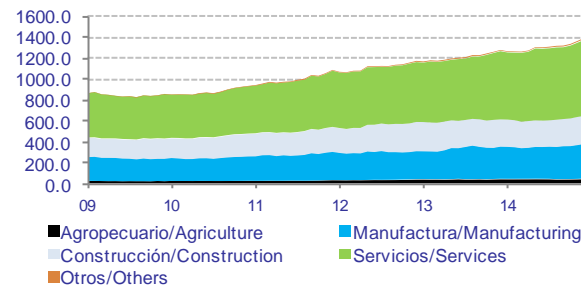
Source: BBVA Research with data from Bank of Mexico and INEGI

Figure 10
Credit to firms
Nominal annual % change



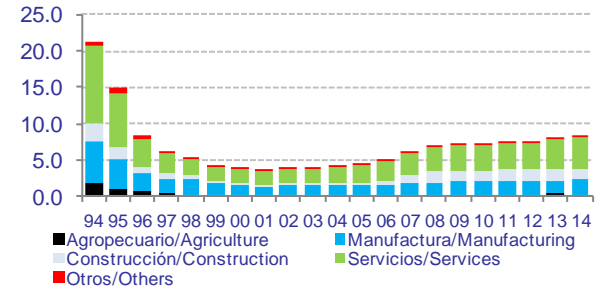
Source: BBVA Research with data from Bank of Mexico

Figure 11
Credit to firms
Balance in billions of current pesos



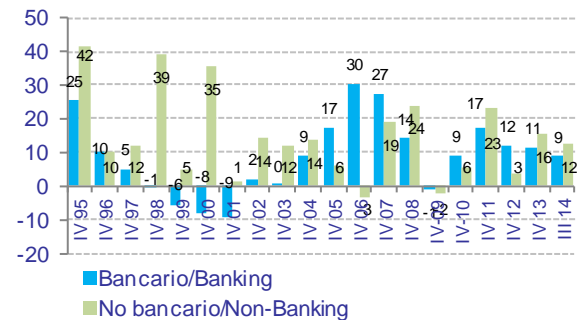
Source: BBVA Research with data from Bank of Mexico

Figure 12
Credit to firms
% of GDP



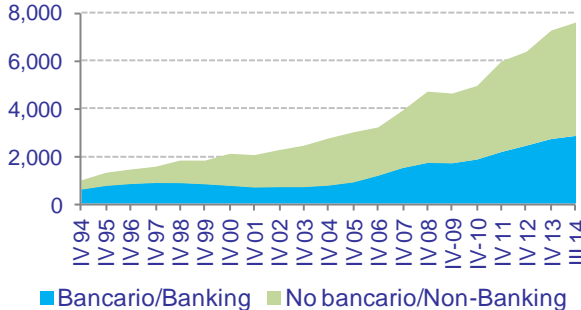
Source: BBVA Research with data from Bank of Mexico and INEGI

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



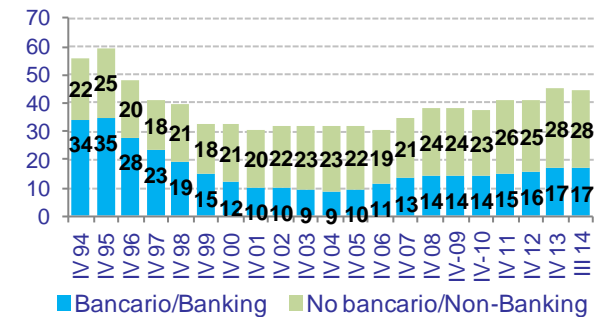
Source: BBVA Research with data from Bank of Mexico

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



Source: BBVA Research con with data from Bank of Mexico

Figure 15
Banking and non-banking credit
% of GDP



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

CREDITO BANCARIO Y NO BANCARIO AL SECTOR PRIVADO (FIN DE PERIODO) / BANK AND NON BANK FINANCE TO THE PRIVATE SECTOR (END OF PERIOD)

Versión Amplia de Financiamiento no Bancario (Consumo y Empresas) / Broad version of non banking finance

	Saldos mmp de septiembre 2014 / Balance in September 2014 billion pesos												Saldos en mmp corrientes / Outstanding balance in current billion pesos													
	Consumo / Consumption				Vivienda / Housing				Empresas / Firms				Consumo / Consumption				Vivienda / Housing				Empresas / Firms					
	Total	Bancario**	No Bancario**	Total	Bancario	No Bancario	Total	Bancario	No Bancario	Total	Bancario	No Bancario	Total	Bancario	No Bancario	Total	Bancario	No Bancario	Total	Bancario	No Bancario	Total	Bancario	No Bancario	Total	Bancario
IV 94	5,765	3,520	2,245	295	279	16	817	595	222	4,652	2,645	2,007	IV 94	998	609	389	51	48	3	141	103	38	805	458	347	
IV 95	4,995	2,901	2,093	179	163	16	865	638	227	3,951	2,100	1,850	IV 95	1,314	763	551	47	43	4	228	168	60	1,039	553	487	
IV 96	4,315	2,506	1,809	124	108	16	907	642	265	3,284	1,756	1,528	IV 96	1,450	842	608	42	36	5	305	216	89	1,103	590	513	
IV 97	4,026	2,276	1,750	119	91	28	884	619	265	3,023	1,565	1,457	IV 97	1,565	885	680	46	35	11	344	241	103	1,175	609	567	
IV 98	3,955	1,906	2,049	113	74	39	878	555	324	2,964	1,277	1,687	IV 98	1,824	879	945	52	34	18	405	256	149	1,367	589	775	
IV 99	3,514	1,603	1,911	120	74	46	844	475	369	2,550	1,054	1,496	IV 99	1,820	830	990	62	39	24	437	246	191	1,321	546	778	
IV 00	3,730	1,356	2,374	139	86	53	803	358	445	2,788	911	1,877	IV 00	2,105	765	1,340	79	49	30	453	202	251	1,573	514	1,059	
IV 01	3,482	1,180	2,302	176	110	66	818	291	526	2,489	778	1,710	IV 01	2,052	695	1,357	104	65	35	482	172	310	1,466	469	1,009	
IV 02	3,629	1,140	2,489	234	141	93	865	257	609	2,530	742	1,789	IV 02	2,260	710	1,550	146	88	58	539	160	379	1,576	462	1,113	
IV 03	3,775	1,098	2,677	276	190	86	910	215	695	2,589	694	1,895	IV 03	2,445	711	1,734	179	123	56	590	139	450	1,677	449	1,227	
IV 04	4,033	1,139	2,895	379	268	111	978	206	772	2,676	665	2,012	IV 04	2,747	776	1,972	258	182	76	666	141	526	1,823	453	1,370	
IV 05	4,265	1,292	2,974	525	391	134	1,034	258	776	2,705	643	2,063	IV 05	3,002	909	2,093	370	275	95	728	182	546	1,904	452	1,452	
IV 06	4,378	1,620	2,758	665	535	130	1,137	333	804	2,576	752	1,824	IV 06	3,207	1,186	2,020	487	392	95	833	244	589	1,887	551	1,336	
IV 07	5,151	1,987	3,164	759	647	112	1,357	381	975	3,035	958	2,077	IV 07	3,914	1,510	2,405	577	492	85	1,031	290	741	2,306	728	1,579	
IV 08	5,807	2,128	3,679	718	604	113	1,373	403	970	3,717	1,120	2,596	IV 08	4,701	1,723	2,978	581	489	92	1,111	326	785	3,009	907	2,102	
IV-09	5,511	2,036	3,475	629	488	140	1,392	424	968	3,490	1,123	2,367	IV-09	4,621	1,707	2,914	527	410	118	1,167	356	812	2,926	942	1,984	
IV-10	5,640	2,128	3,513	631	487	144	1,455	452	1,003	3,554	1,189	2,365	IV-10	4,938	1,863	3,075	553	427	126	1,274	395	878	3,111	1,041	2,070	
IV 11	6,570	2,402	4,168	718	581	137	1,533	471	1,062	4,319	1,350	2,969	IV 11	5,971	2,183	3,788	652	528	124	1,393	428	965	3,925	1,227	2,698	
IV 12	6,761	2,599	4,162	804	670	134	1,606	497	1,109	4,350	1,431	2,919	IV 12	6,364	2,446	3,918	757	631	126	1,512	468	1,044	4,095	1,347	2,748	
IV-13	7,408	2,784	4,624	868	715	153	1,638	515	1,123	4,902	1,554	3,348	IV-13	7,250	2,725	4,525	849	699	150	1,603	504	1,099	4,798	1,521	3,276	
III-13	7,128	2,737	4,391	858	715	143	1,663	514	1,149	4,606	1,557	3,049	III-13	6,839	2,626	4,213	823	687	137	1,596	494	1,102	4,420	1,446	2,974	
III-14	7,587	2,857	4,730	893	735	157	1,719	531	1,188	4,975	1,591	3,385	III-14	7,587	2,857	4,730	893	735	157	1,719	531	1,188	4,975	1,591	3,385	
	Tasa de crecimiento real anual / Annual real rate of growth, %												Tasa de Crecimiento Nominal Anual / Nominal annual growth rate, %													
IV 95	-13.4	-17.6	-6.7	-39.5	-41.7	-2.8	5.9	7.1	2.5	-15.1	-20.6	-7.8	IV 95	31.7	25.3	41.7	-8.1	-11.3	-47.8	60.8	62.8	55.5	29.1	20.7	40.1	
IV 96	-13.6	-13.6	-13.6	-30.3	-33.5	-3.3	4.8	0.6	16.6	-16.9	-16.4	-17.4	IV 96	10.3	10.3	10.4	-11.0	-15.1	-31.9	33.9	28.5	49.1	6.1	6.7	5.4	
IV 97	-6.7	-9.2	-3.3	-4.3	-15.7	72.1	-2.5	-3.5	-0.1	-7.9	-10.8	-4.6	IV 97	8.0	5.1	11.9	10.8	-2.5	99.1	12.8	11.6	15.6	6.5	3.2	10.4	
IV 98	-1.8	-16.3	17.1	-5.3	-18.8	38.5	-0.6	-10.4	22.3	-2.0	-18.4	15.7	IV 98	16.5	-0.7	38.9	12.3	-3.6	64.2	17.9	6.3	45.1	6.3	-3.2	37.3	
IV 99	-11.1	-15.9	-6.7	6.7	0.4	18.9	-3.9	-14.4	14.1	-14.0	-17.5	-11.3	IV 99	-0.2	-5.5	4.8	19.9	12.7	33.5	7.9	-3.9	28.1	-3.4	-7.3	-0.4	
IV 00	6.1	-15.4	24.2	15.8	16.1	15.2	-4.9	-24.6	20.4	9.3	-13.5	25.4	IV 00	15.6	-7.8	35.3	26.1	26.5	25.5	3.6	-17.8	31.2	19.1	-5.8	36.7	
IV 01	-6.6	-13.0	-3.0	26.2	27.6	23.7	1.9	-18.7	18.4	-10.7	-14.6	-8.9	IV 01	-2.5	-9.1	1.2	31.7	33.2	29.2	6.3	-15.1	23.6	-6.8	-10.8	-4.9	
IV 02	4.2	-3.4	8.1	33.1	28.0	41.8	5.8	-11.9	15.6	1.7	-4.6	4.5	IV 02	10.2	2.1	14.3	40.7	35.3	49.9	11.9	-6.9	22.2	7.5	0.8	10.5	
IV 03	4.0	-3.7	7.5	17.9	34.4	-7.2	5.2	-16.2	14.2	2.3	-6.6	6.0	IV 03	8.2	0.2	11.8	22.6	29.8	-3.5	9.4	-12.9	18.8	6.4	-2.9	10.3	
IV 04	6.8	3.7	8.1	37.2	41.0	28.9	7.4	-4.0	11.0	3.4	-4.2	6.1	IV 04	12.4	9.0	13.7	44.3	48.3	35.6	13.0	1.0	16.7	8.7	0.8	11.6	
IV 05	5.8	13.4	2.7	38.7	46.1	21.0	5.8	25.1	0.6	1.1	-3.3	2.5	IV 05	9.3	17.2	6.2	43.3	50.9	25.0	9.3	29.3	3.9	4.5	-0.1	6.0	
IV 06	2.6	25.4	-7.2	26.6	36.9	-3.2	9.9	28.9	3.6	-4.8	17.0	-11.6	IV 06	6.8	30.5	-3.5	31.7	42.4	0.8	14.4	34.1	7.8	-0.9	21.8	-8.0	
IV 07	17.6	22.6	14.7	14.1	21.1	-14.3	19.3	14.6	21.3	17.8	27.3	13.9	IV 07	22.1	27.3	19.0	18.4	25.6	-11.1	23.8	18.9	25.9	22.2	32.1	18.2	
IV 08	12.7	7.1	16.3	-5.5	-6.6	1.4	1.2	5.7	-0.6	22.5	17.0	25.0	IV 08	20.1	14.1	23.9	0.7	-0.5	8.0	7.8	12.6	5.9	30.5	24.6	33.2	
IV-09	-5.1	-4.3	-5.5	-12.4	-19.2	24.1	1.4	5.2	-0.2	-6.1	0.2	-8.8	IV-09	-1.7	-0.9	-2.2	-9.3	-16.3	28.5	5.0	9.0	3.4	-2.8	3.8	-5.6	
IV-10	2.4	4.5	1.1	0.4	-0.2	-2.8	4.5	6.5	3.7	1.8	5.9	-0.1	IV-10	6.9	9.1	5.5	4.9	4.2	7.3	9.1	11.2	8.2	6.3	10.5	4.3	
IV 11	16.5	12.9	18.7	13.7	19.2	5.0	5.4	4.2	5.9	21.5	13.6	25.5	IV 11	20.9	17.2	23.2	18.0	23.8	-1.4	9.4	8.2	9.9	26.2	17.9	30.3	
IV 12	2.9	8.2	-0.1	12.1	15.4	-2.0	4.8	5.6	4.4	0.7	6.0	-1.7	IV 12	6.6	12.1	3.4	16.1	19.5	1.5	8.5	9.4	8.1	4.3	9.8	1.8	
IV-13	9.6	7.1	11.1	7.9	6.6	14.2	2.0	3.6	1.3	12.7	8.6	14.7	IV-13	13.9	11.4	15.5	12.2	10.9	18.7	6.1	7.7	5.3	17.2	12.9	19.2	
III-14	6.4	4.4	7.7	4.0	2.8	10.1	3.4	3.2	3.4	8.0	5.5	9.2	III-14	10.9	8.8	12.3	8.4	7.1	14.8	7.7	7.6	7.8	12.6	10.0	13.8	
	Estructura Porcentual del Saldo / Percentage structure of balance, %												Proporción del PIB / As ratio of GDP, %													
IV 94	100.0	61.1	38.9	100.0	94.5	100.0	72.9	27.1	100.0	56.9	43.1	IV 94	56.1	34.2	21.8	2.9	0.2	8.0	5.8	2.2	45.3	25.7	19.5			
IV 95	100.0	58.1	41.9	100.0	91.2	8.8	100.0	73.7	26.3	100.0	53.2	46.8	IV 95	59.5	34.6	25.0	2.1	1.9	0.2	10.3	7.6	2.7	47.1	25.0	22.1	
IV 96	100.0	58.1	41.9	100.0	87.0	13.0	100.0	70.8	29.2	100.0	53.5	46.5	IV 96	48.0	27.9	20.1	1.4	1.2	0.2	10.1	7.1	2.9	36.5	19.5	17.0	
IV 97	100.0	56.5	43.5	100.0	76.6	23.4	100.0	70.1	29.9	100.0	51.8	48.2	IV 97	41.1	23.3	17.9	1.2	0.9	0.3	9.0	6.3	2.7	30.9	16.0	14.9	
IV 98	100.0	48.2	51.8	100.0	65.7	34.3	100.0	63.1	36.9	100.0	43.1	56.9	IV 98	39.8	19.2	20.6	1.1	0.7	0.4	8.8	5.6	3.3	29.8	12.8	17.0	
IV 99	100.0	45.6	54.4	100.0	61.8	38.2	100.0	56.3	43.7	100.0	41.3	58.7	IV 99	32.9	15.0	17.9	1.1	0.7	0.4	7.9	4.4	3.5	23.8	9.9	14.0	
IV 00	100.0	36.3	63.7	100.0	62.0	38.0	100.0	44.6	55.4	100.0	32.7	67.3	IV 00	32.6	11.8	20.7	1.2	0.8	0.5	7.0	3.1	3.9	24.3	8.0	16.4	
IV 01	100.0	33.9	66.1	100.0	62.7	37.3	100.0	35.6	64.4	100.0	31.3	68.7	IV 01	30.3	10.3	20.0	1.5	1.0	0.6	7.1	2.5	4.6	21.7	6.8	14.9	
IV 02	100.0	31.4	68.6	100.0	60.3	39.7	100.0	29.7	70.3	100.0	29.3	70.7	IV 0													