

Financial Systems

Credit to the private sector: growth moderates in February 2015 to 8.9%

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In February 2015, credit granted by commercial banks to the private sector posted nominal annual growth of 8.9% (5.7% in real terms)¹, less than in January 2015 (9.5%). This was a consequence of a lower rate of growth in consumer and corporate lending than the previous month, and because the rate of housing lending was unchanged. This demonstrates that the recovery seen in credit since 4Q14 is still not robust. However, in comparison with the year before, credit is performing relatively well, since the rate seen this month was higher than in February 2014 (8.7%). Furthermore, in the first two months of 2015, average nominal YoY growth was 9.2%, higher than the average growth of 8.9% over the same period in 2014.

Consumption: slow growth in the main segments

In February 2015, consumer credit registered nominal annual growth of 5.7% (2.6% in real terms), slightly less than the preceding month (5.9%), and well below the rate in February 2014 (9.7%). This performance was the result of slow growth rates in several segments. Payroll credit (23.2% of the consumption portfolio) registered a nominal annual growth rate of 18.5%, below the rate of 19.2% recorded the previous month, but above that for the same month the year before (17.0%). This segment's contribution to growth in consumer credit remains the largest, making up 3.8pp (percentage points) of the total 5.7%. The second largest contribution (1.3pp) was from the Personal Loans segment, which showed nominal annual progress of 6.8%, below the 7.9% growth of January 2015 and the lowest since February 2012, when the central bank started to publish this data. Credit card lending (42.7% of the portfolio) made the third largest contribution (0.9pp), growing at 2.1% in nominal annual terms, practically unchanged from the month before (2.2%), and still well below the rate in February 2014 (7.1%). The Durable Consumer Goods credit segment (10.2% of the portfolio) was alone in showing progress, increasing from a nominal YoY growth of 5.2% in January 2015 to 5.7% in February. This figure is more than double that of February 2014 (2.3%) and is the highest since November 2012. The former was the result of an annual increase of 127.6% in loans for moveable property (0.9% of the portfolio), and of a 0.8% growth rate in automotive credit (9.3% of the portfolio), higher than January's 0.3% growth rate. The Other Non-Revolving credit segment (5.0% of the portfolio) was the only one to register a fall (of 15.0% at a YoY nominal rate), holding to the negative trend it showed in 2014, when it reported annual average growth of -10.6%. As a result, its contribution to growth was a negative 0.9pp.

The performance of consumer credit in February could be a sign of the moderate progress seen recently in certain components of economic activity, such as consumption and employment. ANTAD sales are a sign of this, showing a small reverse, slowing from a nominal annual rate of 9.5% in January to 8.7% in February.² Turning to employment, the total number of workers registered at IMSS improved marginally between January and February, with annual rates of growth of 4.5% and 4.6% respectively. However, the average daily taxable wage, both in nominal and real terms, has grown more slowly during these first months of the year. Whereas in January this wage rose in nominal and real annual terms by 4.3% and 1.2% respectively, in February this growth shrank slightly to 4.1% and 1.0%. If the modest performance shown by the labour market and domestic demand continue unchanged, the rates of growth of consumer credit may remain similarly mild.

¹ These figures include credit to non-banking financial intermediaries. Excluding this segment, growth was 9.0%.

² Original figures.

Companies: better performance than in 2014, but slower growth than in January

In February 2015, credit to companies grew at a nominal annual rate of 9.8% (6.6% in real terms), lower than the 10.3% of the previous month and once again below double digits, although its performance was better than the same month last year (7.1%). This segment's share of total growth in the credit portfolio remains the largest, accounting for 5.0pp of the total rate of 8.9%.

By economic activity, in the case of those companies registered, performance was mixed. Loans to manufacturing (24.4% of the corporate loan portfolio) and agricultural sectors (3.9% of the portfolio) posted increases of 12.4% and 7.0% respectively, higher than their respective January 2015 rates of 11.0% and 5.5%. Meanwhile, credit to companies in the services sector (52.3% of the portfolio) moderated its growth a little from the preceding months, reporting 11.0% (vs. 11.6%), although this was slightly higher than in the same month in 2014 (10.8%). Finally, the mining and construction sectors recorded a lower rate of increase than the previous month: 77.9% and 2.5% respectively in February vs. 79.0% and 5.8% in January. However, if compared with last year, there has been a notable improvement, since in the same month of 2014 these sectors were posting falls of 27.6% and 6.4% respectively.

As with consumer credit, the recent performance of credit to business could be a reflection of the moderate performance of economic activity at the start of the year. After relatively positive growth of both the IGAE and industrial production in December 2014, compared to previous months (3.2% and 3.0% respectively in December 2014, vs. 2.0% and 1.9% in November 2014), these indicators started 2015 in sluggish form, with YoY rates in January of 2.0% and 0.3% respectively.³ For these reasons, if the corporate lending portfolio is to return to double-digit growth rates and stay there throughout the year, there needs to be a clear improvement in general economic activity.

Housing: 9.7% growth holds into February

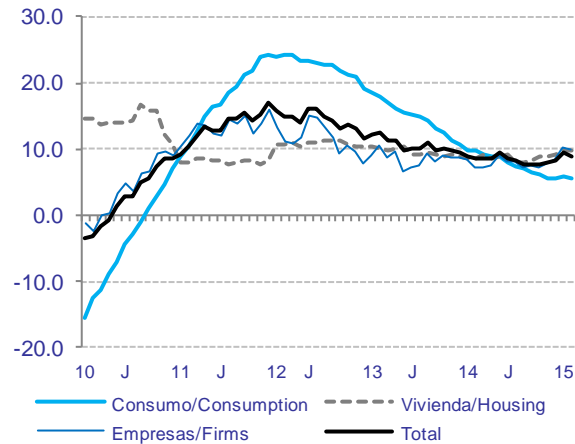
In February 2015, credit to housing grew by 9.7% at a nominal annual rate (6.5% in real terms), without changes from the growth rate seen in January 2015, and 1.1pp higher than growth in February 2014 (8.6%). This was a consequence of the marginal increase in the middle-income and residential housing portfolio (85.0% of the total housing portfolio), edging up from 11.7% in January to 11.8% in February, the highest since October 2010 (14.6%). This growth was negatively offset by a 0.8% fall in the social housing portfolio, the third consecutive reduction in this segment. As with consumer and corporate credit, housing credit will strengthen its growth provided that economic activity recovers and as long as this recovery is accompanied by visible improvements in the labour market.

³ Original figures.

Credit: figures and statistics

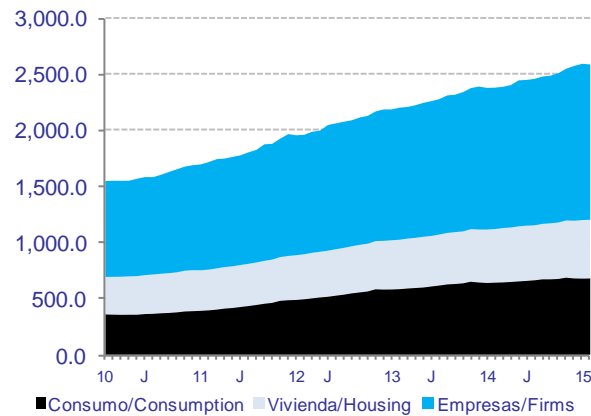
- In February 2015 performing loans (PL) granted by commercial banks to the private sector registered nominal YoY growth of 8.9%
- Growth by the principal categories was: consumption, 5.7%; housing, 9.7%; and corporates, 9.8%
- In February, the nominal annual growth rate of credit originated by commercial banks to the private sector was lower than in the previous month (9.5%) but higher than in the same month in 2014 (8.7%)

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



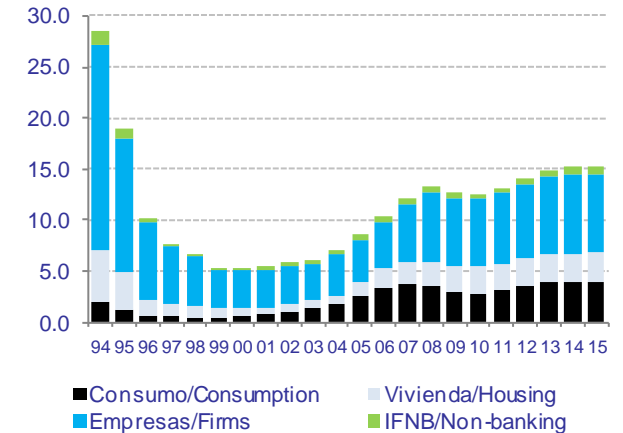
Source: BBVA Research with data from Bank of Mexico

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



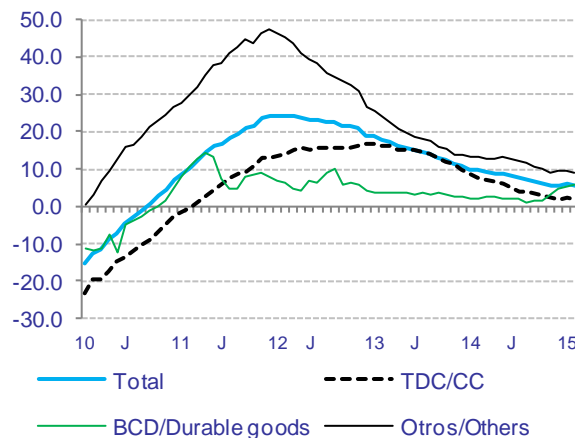
Source: BBVA Research with data from Bank of Mexico

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



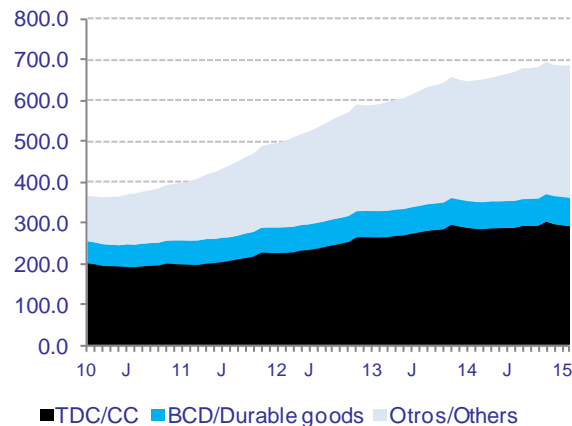
Source: BBVA Research with data from Bank of Mexico and INEGI
*Data for 2015 reflects credit balance in February 2015 as a percentage of 4Q-14 GDP.

Figure 4
Consumer credit
Nominal annual % change



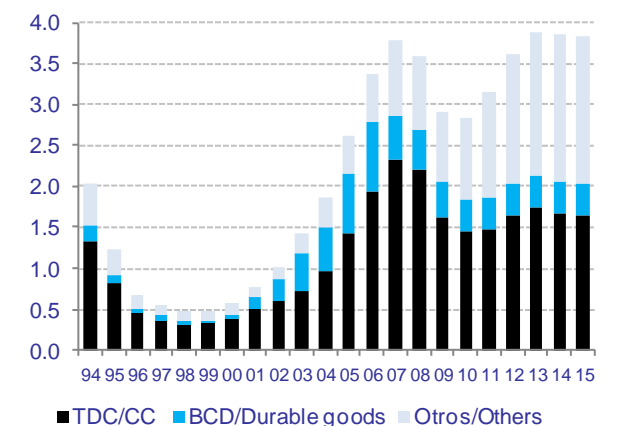
Source: BBVA Research with data from Bank of Mexico

Figure 5
Consumer credit
Balance in billions of current pesos



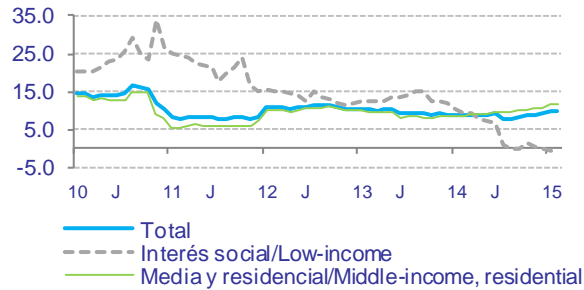
Source: BBVA Research with data from Bank of Mexico

Figure 6
Consumer Credit
% of GDP*



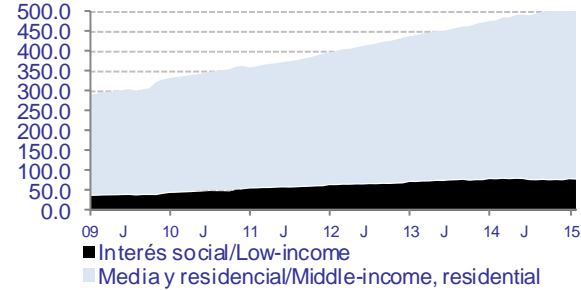
Source: BBVA Research with data from Bank of Mexico and INEGI
*Data for 2015 reflects credit balance in February 2015 as a percentage of 4Q-14 GDP.

Figure 7
Housing credit
Nominal annual % change



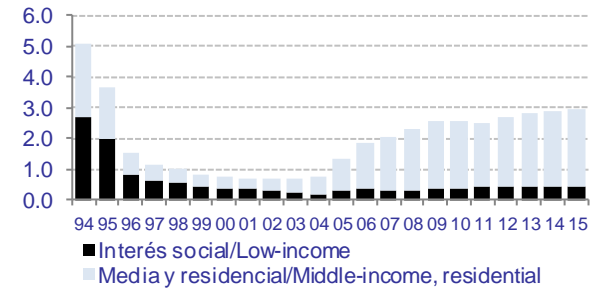
Source: BBVA Research with data from Bank of Mexico

Figure 8
Housing credit
Balance in billions of current pesos



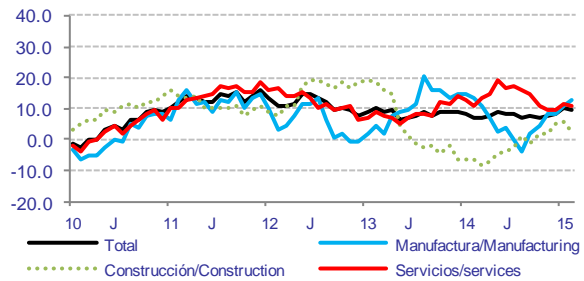
Source: BBVA Research with data from Bank of Mexico

Figure 9
Housing credit
% of GDP*



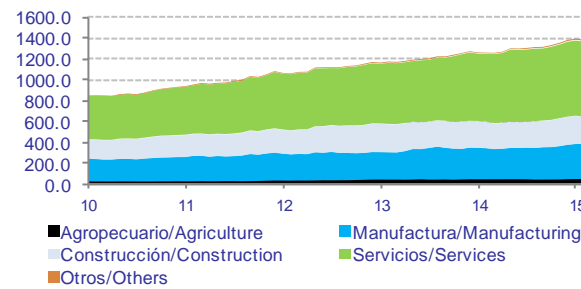
Source: BBVA Research with data from Bank of Mexico and INEGI
 *Data for 2015 reflects credit balance in February 2015 as a percentage of 4Q-14 GDP.

Figure 10
Credit to firms
Nominal annual % change



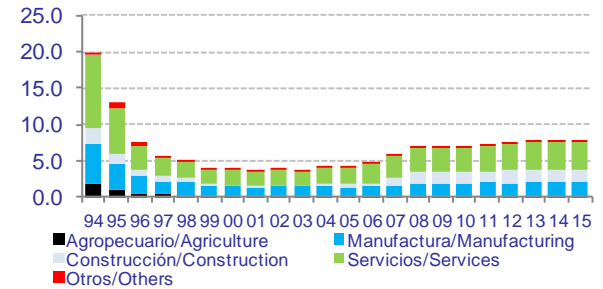
Source: BBVA Research with data from Bank of Mexico

Figure 11
Credit to firms
Balance in billions of current pesos



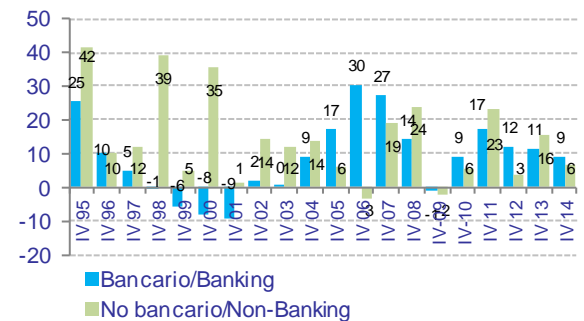
Source: BBVA Research with data from Bank of Mexico

Figure 12
Credit to firms
% of GDP*



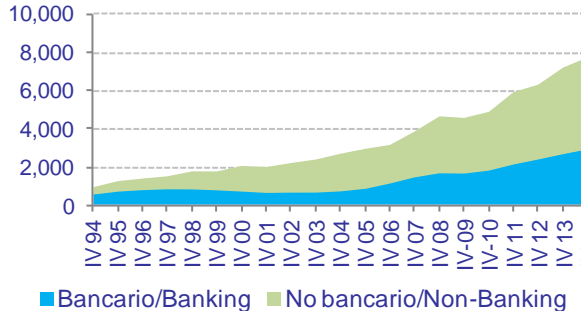
Source: BBVA Research with data from Bank of Mexico and INEGI
 *Data for 2015 reflects credit balance in February 2015 as a percentage of 4Q-14 GDP.

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



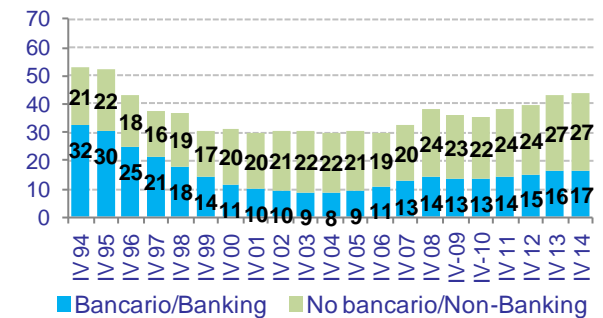
Source: BBVA Research with data from Bank of Mexico

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



Source: BBVA Research 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

