

## Banking credit moderated further in January due to an unfavorable seasonality

- Today, Banxico published its banking credit report for January 2024. Credit grew 5.3% y/y in real terms
- This marked its third month with a slowdown, with all components decelerating. Consumer loans came in at 11.3% (previous: 12.3%), mortgages at 3.7% (previous: 4.1%) and corporate loans at 2.7% (previous: 3.0%)
- Non-performing loans (NPLs) stood unchanged, representing 2.3% of total loans. The index for corporate loans rose to 1.9% (+10bps), with the metrics for consumer loans and mortgages stable at 3.3% and 2.6%, respectively
- Going forward, the outlook for credit still suggests an expansion. Nevertheless, we do not rule out a deceleration due to a more challenging base effect and an economic slowdown later in the year. We remain attentive to Banxico's easing cycle, inflationary pressures, and household consumption decisions

**A moderation at the beginning of the year.** Banking credit to the non-financial private sector grew 5.3% y/y in real terms (see [Chart 1](#)), lower than in December (5.6%). In line with expectations, the effect of January's 'uphill battle' (*cuesta de enero*, in Spanish) skewed credit demand downwards. On the other hand, we consider that the good performance of fundamentals may have limited its impact. The labor market continues to point towards tightness, as reflected in [a lower unemployment rate](#) and higher average wages. On the other hand, the [acceleration of price pressures](#) could be net negative for credit, with consumers delaying their purchasing decisions.

By components, consumer loans rose 11.3% (previous: 12.2%), third month lower in annual terms. Inside, four out of the five categories saw lower growth, as seen in [Chart 2](#). In order of relevance, credit cards grew +12.5% (previous: +14.4%), payrolls +6.6% (previous: +7.9%), and others +27.2% (previous: +28.8%). On the contrary, personal loans accelerated to +8.4% (previous: +7.7%). Corporate loans decelerated marginally to 2.7% (previous: 3.0%), with only four of thirteen sectors accelerating. In detail, we highlight mass media at -2.3% (previous: -17.5%) and non-sectorized at +7.0% (previous: -0.4%). In contrast, mining at +18.2% (previous: +35.1%) and construction at -0.1% (previous: +3.3%) deteriorated. Finally, mortgages came in at +3.7% (previous: +4.1%). The slowdown was concentrated in the residential category at +4.0% (previous: +4.5%), contrasting with progress in low-income housing at -2.9% from -5.0%. For more details see [Table 1](#).

**Non-performing loans unchanged, representing 2.3% of the total portfolio.** This marks 17 months below 2.5% ([Chart 3](#)). Corporates loans deteriorated by 10bps, to 1.9%. Meanwhile, the consumer and mortgages remained without changes, at 3.3% and 2.6%, respectively. As mentioned in previous reports, we believe that NPL stability reflects that credit demand continues to be responsible, while supply has been responsibly managed by the lenders.

**Going forward, the outlook remains favorable.** Several drivers in place last year continue so far in 2024. As of today, we don't see a disruptive change that could shift the short-term trend in credit. Therefore, we continue estimating a moderation in the pace of growth, in turn linked to a challenging base effect and, to a lesser extent, on our view of more modest economic growth later in the year.



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On each component, consumer credit will remain as the most dynamic, especially in the first half of the year. An important driver will be the improvement in households' disposable income, allowing for higher leverage. Specifically, key factors include relevant wages adjustments –boosted by the minimum wage revisions in a tighter labor market–, an increase in government transfers, and resilience in remittances. On the other hand, analyzing retail chains' strategic decisions (supermarkets and department stores) –addressed in their 4Q23 reports– consumer confidence is favorable. Plans to open new branches remain elevated, recognizing an increase in the average ticket and number of purchases, as well as the positive performance of sales campaigns and discounts. These companies remain optimistic about the resilience of the consumer, especially in the medium- and high-end segments. Among the headwinds, we note: (1) The possibility that Banxico's easing cycle will be slower and/or of a smaller magnitude than initially anticipated; (2) that a possible rebound in inflation could be a relevant curb.

Turning to corporate loans, the main limitation is that the high level of interest rates remains for longer, reacting to a longer restrictive monetary policy cycle. However, we believe that: (1) The boost for nearshoring is already evident in certain sectors; and (2) Mexican peso strength could compensate –at least partially– for this, increasing MSME's appetite to purchase machinery and equipment to launch investment and/or expansion projects. Finally, mortgages will likely be more stable. We still are paying attention to supply, aware of at least two issues: (1) Its gap with demand in terms of prices –especially in the three main cities of the country; and (2) higher costs of main inputs.

## Banking credit

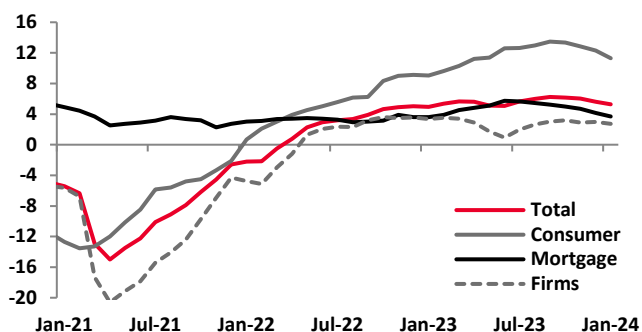
% y/y in real terms

	Jan-24	Dec-23	Jan-23	2023	2022
<b>Private banking credit</b>	5.3	5.6	4.9	5.6	2.2
<b>Consumer</b>	11.3	12.3	9.0	11.8	5.3
Credit cards	12.5	14.4	12.9	15.5	6.4
Payroll	6.6	7.9	7.4	9.8	5.7
Personal	8.4	7.7	7.8	7.6	3.8
Durable goods	14.9	15.0	3.7	10.4	0.8
Auto loans	18.4	18.2	2.6	11.4	-3.7
Other durable goods	-1.4	-0.1	9.2	5.3	30.3
Others	27.2	28.8	11.7	14.8	18.5
<b>Mortgage</b>	3.7	4.1	3.6	4.8	3.3
Low-income housing	-2.9	-5.0	-7.4	-4.7	-12.5
Medium and residential	4.0	4.5	4.1	5.2	4.1
<b>Firms</b>	2.7	3.0	3.4	2.7	0.6
Primary activities	-3.1	-1.4	1.5	-2.1	3.3
Mining	18.2	35.1	1.1	10.8	-3.8
Construction	-0.1	3.3	0.0	-0.1	-3.8
Utilities	-5.5	-4.6	153.6	50.2	35.7
Manufacturing industry	-5.2	-4.1	3.9	-1.8	2.2
Commerce	7.3	6.7	3.3	5.3	0.3
Transportation and storage	4.4	6.2	-2.2	4.6	-3.3
Mass media services	-2.3	-17.5	-13.7	-21.3	8.6
Real estate services	9.7	9.4	8.4	9.9	-1.1
Professional services	13.3	14.5	14.8	13.2	1.3
Lodging services	-7.0	-7.0	0.0	-2.3	-5.5
Other services	12.8	16.7	10.7	16.0	7.9
Not sectorized	7.0	-0.4	4.3	5.7	2.2
<b>Non-banking financial intermediaries</b>	23.3	19.2	19.8	28.2	-0.9

Source: Banxico

**Chart 1: Banking credit**

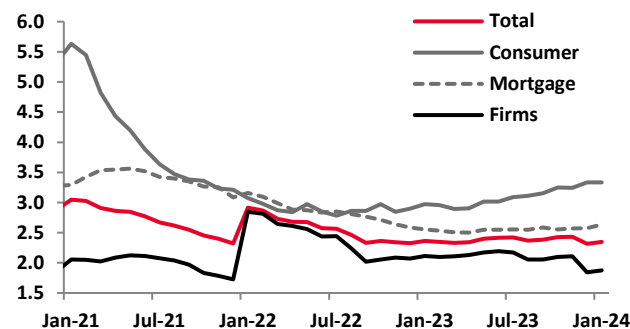
% y/y in real terms



Source: Banorte with data from Banxico

**Chart 3: Non-performing loans**

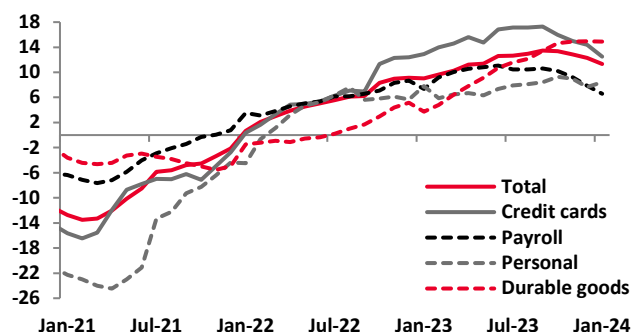
% of total portfolio



Source: Banorte with data from Banxico

**Chart 2: Consumer credit**

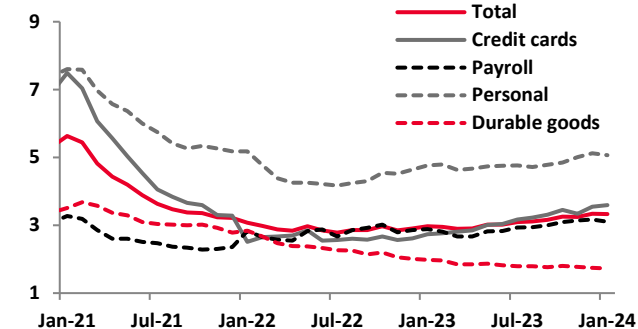
% y/y in real terms



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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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Jazmín Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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