

## Banking credit continued to grow at a healthy pace in April

- Today, Banxico published its banking credit report for April 2024
- Banking credit grew 5.6% y/y in real terms, moderating at the margin (previous: 5.7%) and slightly below our estimate (5.7%)
- Inside, there was an acceleration in consumer (13.9%) and corporate loans (2.9%), up +260bps and +30bps, respectively. On the contrary, mortgages moderated to 3.5% (previous: 3.8%)
- Non-performing loans (NPLs) were unchanged, representing 2.2% of the total book. The metric for corporates came in at 1.8% (+10bps), with mortgages flat at 2.6%, while the one for consumer loans improved by 20bps to 2.9%
- We believe conditions remain in place for an extension of the positive trend for credit in coming months, supported by strong employment levels and continued interest on nearshoring. However, a slower easing cycle from Banxico and a more challenging outlook in terms of economic activity in 2H24 could imply a moderation in the pace of growth

**Credit continues to grow, with positive signs in the breakdown.** Banking credit to the non-financial private sector grew 5.6% y/y in real terms (see [Chart 1](#)), slightly below our estimate (5.7%). The result was practically in line with the print seen in March (5.7%), which we believe is rather positive. In our opinion, the drivers behind this performance include: (1) Continued appetite to start investment projects by MSMEs due to nearshoring; and (2) diverging trends in consumption –reflecting some seasonal adjustments after the Easter holidays, but still also a high demand for some durable goods –especially autos.

By components, consumer loans remained as the most dynamic, up by 13.9% (previous: 11.2%), its strongest expansion since July 2021. Inside, performance was mixed, with two of the five items showing larger rates vs. the previous month, as shown in [Chart 2](#). The acceleration was seen in durable goods (36.5% from 15.8%) and in 'others' (31.8% from 24.0%). On the contrary, the moderation centered in credit cards (10.2% from 12.4%) and payrolls (5.5% from 6.0%). Corporate loans also accelerated, although still more modest at 2.9% (previous: 2.6%). Inside, eight of its thirteen sectors had greater growth than in the previous month, highlighting utilities (192.5% from 11.0%) and primary activities (2.6% from -1.4%). On the contrary, negative rates prevailed in 'other services' (-2.6% from 6.1%) and mass media (-4.7% from 1.7%) and construction (-0.3% from 1.0%). Finally, mortgages came in at 3.5% (previous: 3.8%). The residential category was lower in the margin at 3.9% (previously 4.0%), with low-income housing at -6.7% from -2.1%. For further details, please refer to [Table 1](#).

**Non-performing loans unchanged, representing 2.2% of the total portfolio.** With this, the index now adds 20 months below 2.5% ([Chart 3](#)). The result is explained by: (1) A 20bps improvement in the consumer metric, coming in at 2.9%; (2) no changes in mortgages at 2.6%; and (3) a deterioration of 10bps in corporate loans, standing at 1.8%. As we have mentioned previously, we consider that this index shows that credits in the country maintains a dynamic and prudent performance, allowing economic agents to smooth their expenses and fund their investments in an orderly manner.

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**Francisco José Flores Serrano**  
Director of Economic Research,  
Mexico  
francisco.flores.serrano@banorte.com



**Yazmín Selene Pérez Enríquez**  
Senior Economist, Mexico  
yazmin.perez.enriquez@banorte.com



**Cintia Gisela Nava Roa**  
Senior Economist, Mexico  
cintia.nava.roa@banorte.com



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**We believe credit will continue growing, despite some headwinds in the horizon.** Considering today's results, as well as the recent trend, we believe credit growth rates could moderate in coming months, facing a more challenging base effect. In addition, we recognize some adverse factors which could also impact performance, including both the possibility of a slower easing cycle and a likely deceleration of economic activity in 2H24. Nevertheless, strength in consumption fundamentals –markedly employment– and continued interest from firms to keep investing to take advantage of the nearshoring wave, all this in an environment of prudent management by banks and regulators, will continue to push loans higher. In this sense, we continue expecting an expansion in credit in 2024 of around 6% y/y in real terms.

Focusing on drivers and risks for each sector, we start with consumer loans. In our view, higher-than-expected inflation in services represents both risks and opportunities, with some consumers opting to increase their debt levels to continue financing their spending, while other may hold back their outlays due to this. Nevertheless, low prices and higher availability of some goods may also result in higher spending in these categories or resources being freed-up to use in other situations. Turning to corporates, we believe MXN strength will likely keep driving investment in imported machinery and equipment, with financing need for such acquisitions. However, a high interest rate environment will likely dampen some of the optimism in this front. Finally, on housing, imbalances remain between supply and demand, and with no structural changes in sight, the current trend will likely continue.

## Banking credit

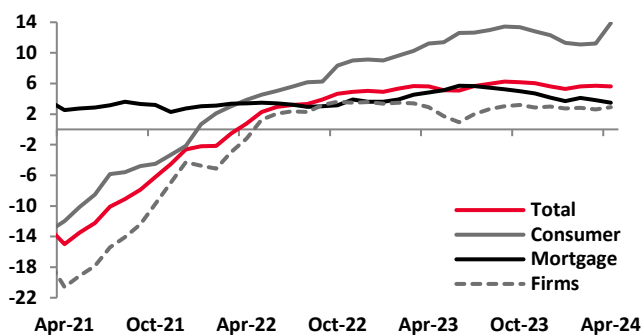
% y/y in real terms

	Apr-24	Mar-24	Apr-23	Jan-Apr'24	Jan-Apr'23
<b>Private banking credit</b>	<b>5.6</b>	<b>5.7</b>	<b>5.6</b>	<b>5.6</b>	<b>5.4</b>
<b>Consumer</b>	<b>13.9</b>	<b>11.2</b>	<b>11.2</b>	<b>11.9</b>	<b>10.0</b>
Credit cards	10.2	12.4	15.6	11.8	14.3
Payroll	5.5	6.0	10.6	6.1	9.3
Personal	9.3	9.2	6.7	9.0	6.7
Durable goods	36.5	15.8	7.8	20.9	5.7
Auto loans	43.5	18.9	7.8	25.2	5.1
Other durable goods	2.2	0.7	7.8	0.4	8.4
Others	31.8	24.0	8.6	26.0	8.3
<b>Mortgage</b>	<b>3.5</b>	<b>3.8</b>	<b>4.8</b>	<b>3.8</b>	<b>4.2</b>
Low-income housing	-6.7	-1.2	-5.8	-3.9	-6.4
Medium and residential	3.9	4.0	5.3	4.1	4.7
<b>Firms</b>	<b>2.9</b>	<b>2.6</b>	<b>2.9</b>	<b>2.8</b>	<b>3.3</b>
Primary activities	2.6	-1.4	-0.6	-1.4	0.4
Mining	17.9	16.2	-7.3	20.9	-4.9
Construction	-0.3	1.0	-2.7	0.2	-1.0
Utilities	192.5	11.0	164.5	48.7	161.4
Manufacturing industry	-5.0	-6.1	-0.5	-5.5	2.6
Commerce	6.6	6.9	3.0	6.9	3.5
Transportation and storage	8.2	5.3	3.1	5.6	1.1
Mass media services	-4.7	1.7	-23.8	-3.1	-19.0
Real estate services	6.3	7.8	11.7	8.6	9.6
Professional services	20.6	20.4	6.1	16.5	10.6
Lodging services	0.6	-1.2	1.4	-2.9	0.3
Other services	-2.6	6.1	24.7	7.1	16.7
Not sectorized	12.8	5.1	6.0	8.0	5.0
<b>Non-banking financial intermediaries</b>	<b>7.7</b>	<b>44.2</b>	<b>32.6</b>	<b>27.0</b>	<b>28.9</b>

Source: Banxico

Chart 1: Banking credit

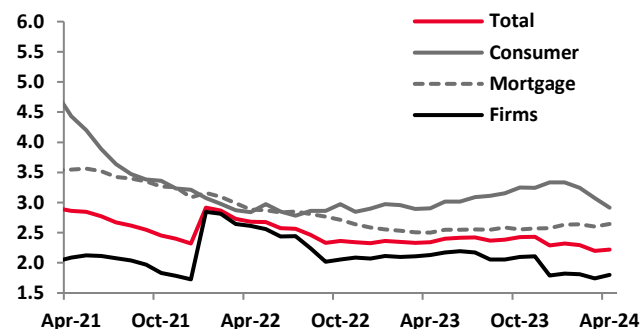
% y/y in real terms



Source: Banorte with data from Banxico

Chart 3: Non-performing loans

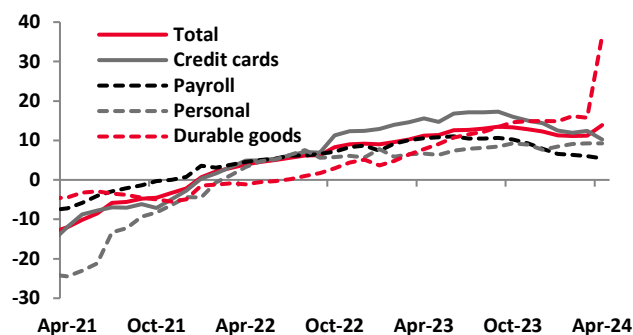
% of total portfolio



Source: Banorte with data from Banxico

Chart 2: Consumer credit

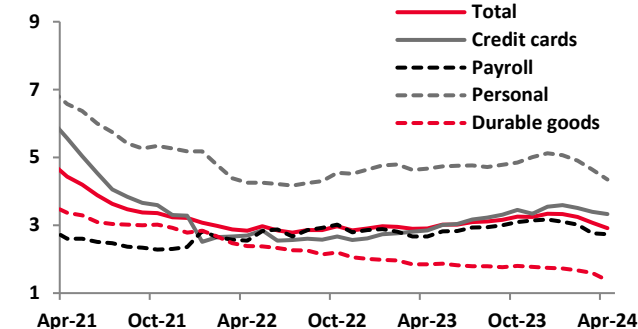
% y/y in real terms



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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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 Thalía 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, Marcos Saúl García Hernández, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, Jazmin 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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**Raquel Vázquez Godínez**  
Assistant  
raquel.vazquez@banorte.com  
(55) 1670 - 2967



**María Fernanda Vargas Santoyo**  
Analyst  
maria.vargas.santoyo@banorte.com  
(55) 1103 - 4000 x 2586

#### Economic Research



**Juan Carlos Alderete Macal, CFA**  
Executive Director of Economic Research and  
Market Strategy  
juan.alderete.macal@banorte.com  
(55) 1103 - 4046



**Yazmín Selene Pérez Enríquez**  
Senior Economist, Mexico  
yazmin.perez.enriquez@banorte.com  
(55) 5268 - 1694

#### Market Strategy



**Santiago Leal Singer**  
Director of Market Strategy  
santiago.leal@banorte.com  
(55) 1670 - 1751



**José Itzamna Espitia Hernández**  
Senior Strategist, Equity  
jose.espitia@banorte.com  
(55) 1670 - 2249



**Leslie Thalía Orozco Vélez**  
Senior Strategist, Fixed Income and FX  
leslie.orozco.velez@banorte.com  
(55) 5268 - 1698



**Juan Carlos Mercado Garduño**  
Strategist, Equity  
juan.mercado.garduno@banorte.com  
(55) 1103 - 4000 x 1746

#### Quantitative Analysis



**Alejandro Cervantes Llamas**  
Executive Director of Quantitative Analysis  
alejandro.cervantes@banorte.com  
(55) 1670 - 2972



**José De Jesús Ramírez Martínez**  
Senior Analyst, Quantitative Analysis  
jose.ramirez.martinez@banorte.com  
(55) 1103 - 4000



**Andrea Muñoz Sánchez**  
Strategist, Quantitative Analysis  
andrea.muñoz.sanchez@banorte.com  
(55) 1105 - 1430



**Alejandro Padilla Santana**  
Chief Economist and Head of  
Research  
alejandro.padilla@banorte.com  
(55) 1103 - 4043



**Itzel Martínez Rojas**  
Analyst  
itzel.martinez.rojas@banorte.com  
(55) 1670 - 2251



**Francisco José Flores Serrano**  
Director of Economic Research, Mexico  
francisco.flores.serrano@banorte.com  
(55) 1670 - 2957



**Cintia Gisela Nava Roa**  
Senior Economist, Mexico  
cintia.nava.roa@banorte.com  
(55) 1105 - 1438



**Marissa Garza Ostos**  
Director of Equity Strategy  
marissa.garza@banorte.com  
(55) 1670 - 1719



**Carlos Hernández García**  
Senior Strategist, Equity  
carlos.hernandez.garcia@banorte.com  
(55) 1670 - 2250



**Marcos Saúl García Hernández**  
Analyst, Fixed Income, FX and Commodities  
marcos.garcia.hernandez@banorte.com  
(55) 1670 - 2296



**Ana Gabriela Martínez Mosqueda**  
Strategist, Equity  
ana.martinez.mosqueda@banorte.com  
(55) 5261 - 4882



**José Luis García Casales**  
Director of Quantitative Analysis  
jose.garcia.casales@banorte.com  
(55) 8510 - 4608



**Daniel Sebastián Sosa Aguilar**  
Senior Analyst, Quantitative Analysis  
daniel.sosa@banorte.com  
(55) 1103 - 4000 x 2124



**Lourdes Calvo Fernández**  
Analyst (Edition)  
lourdes.calvo@banorte.com  
(55) 1103 - 4000 x 2611



**Katia Celina Goya Ostos**  
Director of Economic Research,  
Global  
katia.goya@banorte.com  
(55) 1670 - 1821



**Luis Leopoldo López Salinas**  
Economist, Global  
luis.lopez.salinas@banorte.com  
(55) 1103 - 4000 x 2707



**Víctor Hugo Cortes Castro**  
Senior Strategist, Technical  
victorh.cortes@banorte.com  
(55) 1670 - 1800



**Hugo Armando Gómez Solís**  
Senior Analyst, Corporate Debt  
hugo.gomez@banorte.com  
(55) 1670 - 2247



**Gerardo Daniel Valle Trujillo**  
Analyst, Corporate Debt  
gerardo.valle.trujillo@banorte.com  
(55) 1670 - 2248



**Paula Lozoya Valadez**  
Analyst, Equity  
paula.lozoya.valadez@banorte.com  
(55) 1103 - 4000 x 2060



**Miguel Alejandro Calvo Domínguez**  
Senior Analyst, Quantitative Analysis  
miguel.calvo@banorte.com  
(55) 1670 - 2220



**Jazmin Daniela Cuautencos Mora**  
Strategist, Quantitative Analysis  
jazmin.cuautencos.mora@banorte.com  
(55) 1670 - 2904