

Banking credit accelerates in May, with notable dynamism in consumer and corporate loans

- Today, Banxico published its banking credit report for May 2024
- Banking credit grew 6.4% y/y in real terms, with a relevant acceleration vs the previous month (5.6%) and above our estimate (5.7%)
- Inside, two of the three items were higher, noting consumer (14.5%) and corporate loans (4.2%). Meanwhile, mortgages were more stable (3.4%)
- Non-performing loans (NPLs) were unchanged, representing 2.2% of the total book. Its three components posted the same levels as in the previous month. As such, the index for corporates stood at 1.8%, with mortgages at 2.6%, and consumer at 2.9%
- We identify factors that could support the positive trend in consumer loans in the short-term. Nevertheless, the outlook for corporate credit and mortgages is facing more headwinds, although we expect growth rates similar to those seen so far this year to continue

Credit continues to show notable strength, with consumer loans underpinning their performance. Banking credit to the non-financial private sector grew 6.4% y/y in real terms (see [Chart 1](#)), above our estimate (5.7%). So far this year, the expansion rate has averaged 5.7%, slightly above what was seen in the same period in 2023 (5.3%) and with our expectation of an additional acceleration in the remainder of the year. Regarding today's result, which surprised to the upside, some drivers include: (1) A positive seasonality in household consumption due to *Mother's Day* and *Hot Sale* discount promotions; (2) strength of the labor market, with job creation resuming in the month, especially in the formal sector –which means that a greater percentage of the population has the possibility of obtain credit in the banking sector; and (3) the need from MSMEs to continue or initiate investment projects associated to nearshoring and infrastructure government projects.

By components, consumer loans increased by 14.5% (previous: 13.9%). Inside, performance was skewed to the upside, with three of the five items showing larger rates vs. the previous month, as shown in [Chart 2](#). The acceleration centered in credit cards (11.5% from 10.2%). Personal loans came in at 9.9% from 9.3%, while gains on durable goods were more modest, at 37.0% from 36.5%. We highlight autos (43.7% from 43.5%) –which continued with adjustments related to the incorporation of a non-bank's portfolio to a commercial bank. Corporate loans accelerated for a third month in a row, at 4.2% (previous: 2.9%). Inside, ten of the thirteen sectors had greater growth compared to the previous month. We highlight progress in utilities (211.5% from 192.5%) and other services (4.8% from -2.6%). On the contrary, moderations were seen in mining (13.4% from 17.9%) and real state services (4.5% from 6.3%). Lastly, mortgages slowed down once again, from 3.5% to 3.4%. The residential category was lower at the margin at 3.6% (previously 3.9%), with low-income housing still in negative territory, although improving to -2.2% from -6.7%. 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 21 months below 2.5% ([Chart 3](#)). The result reflected stability in all three subcategories. As such, the index for corporates came in at 1.8%, with mortgages at 2.6%, and consumer at 2.9%. In our opinion the current expansion has been managed responsibly and prudently, consistent with the associated demand from economic activity and a favorable outlook.



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We anticipate growth in credit in 2024 around 5.8% y/y in real terms, with consumption taking the lead. For the rest of the year, we believe there is still room for portfolio growth. This is based on different factors, among which we highlight: (1) The strength of employment; (2) the acceleration of wages; and (3) the boost due to the nearshoring and FDI –at least in specific categories. Therefore, our expectation is that on average during the year, credit will expand around 5.8% y/y in real terms.

Regarding consumer loans, it is likely that there will be a moderation in rates given a more challenging base effect. There could be a divergence between categories. Both ‘durable goods’ and ‘others’ would concentrate the dynamism, with the former driven by the positive effect in auto sales. In this regard, the expectation of vehicle sales remains positive for 2024, with the *Mexican Association of Automotive Distributors* (AMDA for this Spanish acronym) anticipating a 10% y/y expansion. So far this year (Jan-Apr) 59.1% of vehicles have been sold through financing, with the 60-month-loan currently prevailing. According to Guillermo Rosales, executive president of AMDA, Mexico is increasingly closer to reaching 70% of sales via financing, which in his opinion is an ideal level for the acquisition of new units.

Regarding mortgages, based on the current INFONAVIT qualification score system, 10 million people have the option of having a loan with this institute (an increase of approximately 50% vs the last five years). This is relevant for the banking sector since it may induce demand for mortgage loans under the co-financing modality.

Lastly, regarding the dynamism of corporate loans, demand in the south of the country for this type of credit is increasing according to Emmanuel González, president of the *Association of Non-Banking Credit Institutions* (ASOFOM for its Spanish acronym). The boost comes from the effect of the Tren Maya and the Interoceanic Corridor of the Isthmus of Tehuantepec. This trend is focused on MSMEs and covers several productive sectors, among which tourism and commerce stand out.

Banking credit

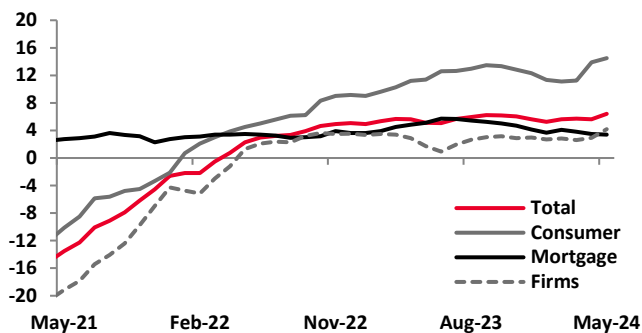
% y/y in real terms

	May-24	Apr-24	May-23	Jan-May'24	Jan-May'23
Private banking credit	6.4	5.6	5.1	5.7	5.3
Consumer	14.5	13.9	11.4	12.4	10.3
Credit cards	11.5	10.2	14.7	11.7	14.4
Payroll	5.5	5.5	10.8	6.0	9.6
Personal	9.9	9.3	6.4	9.2	6.6
Durable goods	37.0	36.5	9.1	24.2	6.4
Auto loans	43.7	43.5	9.6	29.0	6.0
Other durable goods	3.9	2.2	6.8	1.1	8.1
Others	28.9	31.8	14.6	26.6	9.6
Mortgage	3.4	3.5	5.1	3.7	4.4
Low-income housing	-2.2	-6.7	-3.1	-3.6	-5.7
Medium and residential	3.6	3.9	5.5	4.0	4.9
Firms	4.2	2.9	1.7	3.1	3.0
Primary activities	6.1	2.6	-3.8	0.0	-0.4
Mining	13.4	17.9	1.5	19.3	-3.6
Construction	-0.2	-0.3	-2.1	0.1	-1.2
Utilities	211.5	192.5	161.7	86.9	161.5
Manufacturing industry	-5.0	-5.0	-3.1	-5.5	1.4
Commerce	6.8	6.6	3.7	6.9	3.5
Transportation and storage	11.9	8.2	6.0	6.8	2.0
Mass media services	0.6	-4.7	-30.7	-2.5	-21.4
Real estate services	4.5	6.3	11.2	7.7	9.9
Professional services	23.2	20.5	6.7	17.8	9.8
Lodging services	3.9	0.7	0.3	-1.6	0.3
Other services	4.8	-2.6	19.3	6.6	17.2
Not sectorized	11.7	12.8	7.0	8.8	5.4
Non-banking financial intermediaries	6.8	7.6	34.3	22.6	30.0

Source: Banxico

Chart 1: Banking credit

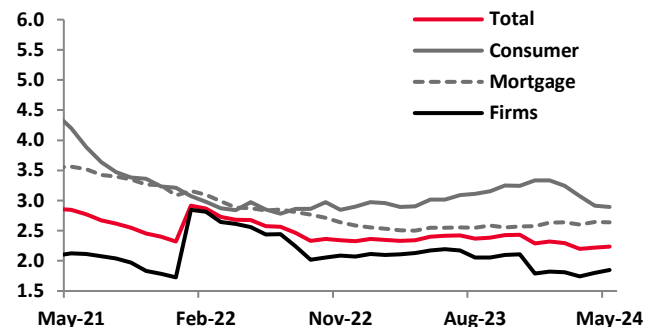
% y/y in real terms



Source: Banorte with data from Banxico

Chart 3: Non-performing loans

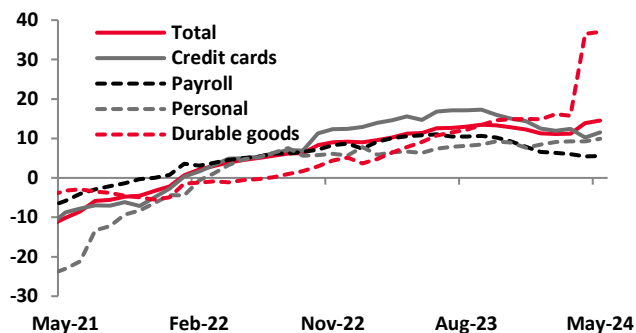
% of total portfolio



Source: Banorte with data from Banxico

Chart 2: Consumer credit

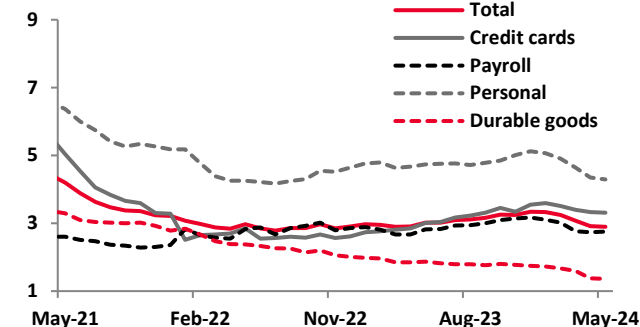
% y/y in real terms



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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