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Banking credit surprises with a significant acceleration, highlighting corporate loans

- **Today, Banxico published its banking credit report for June 2024**
- **Banking credit grew 7.5% y/y in real terms, higher than both our forecast (5.9%) and the figure from the previous month (6.4%)**
- **Corporate loans led the expansion at 7.0%, its highest expansion since May 2020. On the contrary, consumer loans (+13.1%) and mortgages (+2.9%) moderated at the margin, although still quite positive**
- **Non-performing loans (NPLs) added a fourth month unchanged, representing 2.2% of the total loan book. Its three components were also flat, with consumption at 2.9%, mortgages at 2.6%, and corporate at 1.8%**
- **We believe credit will keep increasing during the second half of the year. Growth will be set by factors such as a strong labor market and the effect of nearshoring, among others. However, given challenging bases, lower expansion rates are likely**

Credit accelerates sharply in June. Banking credit to the non-financial private sector grew 7.5% y/y in real terms (see Chart 1), above our estimate (5.9%) and at its highest since April 2020. So far this year, the rate of expansion has averaged 6.0%, above what was seen in the same period in 2023 (5.3%). Regarding today's result, some drivers include: (1) New large investments from businesses; (2) a positive seasonality with the start of summer sales; (3) a solid labor market that we anticipate continued in the month –focusing on June's report at the end of the week; and (4) an additional moderation in core inflation.

By components, consumer loans grew 13.1% (previous: 14.5%). Inside, its five items moderated, as shown in Chart 2. In detail, we highlight the deceleration on credit cards (9.2% from 11.5%) –after twenty months with double-digit expansions– and on personal loans (8.9% from 9.9%). Meanwhile, payroll and durable goods loans showed more marginal slowdowns, of 3bps and 4bps, respectively. Corporate loans posted their largest expansion since May 2020, at +7.0% (previous: 4.2%). This is a surprising result considering that it marked an acceleration for a third consecutive month. Inside, nine of the thirteen sectors had higher rates relative to the previous month. We highlight a substantial acceleration in mining (42.2% from 13.5%). Other sectors with relevant upticks include 'other services' (10.4% from 4.8%) and transportation (16.9% from 11.9%). On the contrary, negative rates were seen in mass media (-2.0% from 1.1%) and manufacturing (-0.9% from -4.9%). Mortgages were a bit more stable, moderating from 3.4% to 2.9%. Inside the residential category came in at 3.3% (previous: 3.6%), with low-income housing still at in negative territory at -7.2% (previous: -2.2%). For further details, please refer to Table 1.

Non-performing loans unchanged, representing 2.2% of the total portfolio. The metric stood at 2.2% for a fourth consecutive month and below 2.5% for the last twenty-two months (Chart 3). Inside, all-three indexes were flat. The index for corporates came in at 1.8%, with mortgages at 2.6%, and consumer at 2.9%. In our opinion, these figures show that banking credit keeps sound indicators and notable stability.


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We keep expecting a positive trend in coming months. Based on our estimates, credit in general has room to continue its expansion in the rest of the year, with the caveat that lower rates may prevail. Several drivers will remain in place, including: (1) Resilience in consumption, supported by the strength of the labor market; (2) continued interest in projects related to nearshoring, reflected in the strong expansion on sectors such as construction and logistics; and (3) the possibility of lower interest rates as Banxico resumes its easing cycle.

Regarding consumer loans, an important element to ponder is that the base effect will be more challenging in this second half of the year. As we have mentioned before, consumption fundamentals will be key to maintaining credit growth. However, our expectations regarding the deceleration in economic activity makes us think that household spending decisions, especially on durable goods, may be dampened.

Regarding mortgages, we do not expect significant changes over the trend that has prevailed over the last few years –with growth supported by the residential sector. Nevertheless, we will be closely following the housing plan from the coming federal administration. According to what has been mentioned in recent months, this will include –as soon as 2025– the construction of low-income housing and/or affordable mortgages for young people. Although this type of social policy may not have a direct effect on the banking credit portfolio, we do not rule out that the expectation of a greater supply in the real estate market, will encourage the search for mortgage in general.

Finally, on corporate loans, we believe that the trend of recent months (which we believe is explained by nearshoring) will prevail in the short-term, and that this will naturally expand to more and more sectors. However, we recognize that the end of the federal and local administration could imply temporary slowdowns in some investments at the MSME level –particularly in related contractors. However, these could be reactivated rather fast with the start of the new administrations.

Banking credit

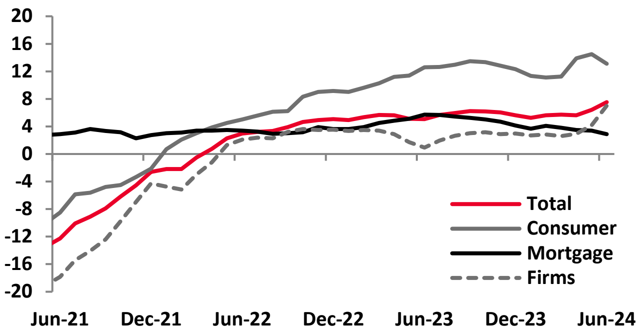
% y/y in real terms

	Jun-24	May-24	Jun-23	Jan-Jun'24	Jan-Jun'23
Private banking credit	**7.5**	**6.4**	**5.1**	**6.0**	**5.3**
Consumer	**13.1**	**14.5**	**12.6**	**12.6**	**10.7**
Credit cards	9.2	11.5	16.8	11.3	14.8
Payroll	5.3	5.5	11.1	5.9	9.9
Personal	8.9	9.9	7.4	9.1	6.8
Durable goods	36.6	37.0	10.7	26.3	7.1
Auto loans	43.2	43.7	11.6	31.5	6.9
Other durable goods	3.4	3.9	6.6	1.5	7.8
Others	23.8	28.9	13.5	26.1	10.2
Mortgage	**2.9**	**3.4**	**5.7**	**3.6**	**4.6**
Low-income housing	-7.2	-2.2	-4.9	-4.2	-5.6
Medium and residential	3.3	3.6	6.2	3.9	5.1
Firms	**7.0**	**4.2**	**0.9**	**3.7**	**2.6**
Primary activities	8.0	6.0	-4.7	1.3	-1.1
Mining	42.2	13.5	-3.3	23.1	-3.6
Construction	1.1	-0.2	-2.2	0.2	-1.4
Utilities	215.3	211.7	183.1	108.9	164.9
Manufacturing industry	-0.9	-4.9	-3.5	-4.7	0.5
Commerce	6.6	6.8	5.6	6.8	3.9
Transportation and storage	16.9	11.9	4.7	8.5	2.5
Mass media services	-2.0	1.1	-28.7	-2.3	-22.7
Real estate services	9.1	4.7	7.6	8.0	9.5
Professional services	21.8	22.5	10.0	18.3	9.8
Lodging services	10.5	3.9	-2.4	0.4	-0.2
Other services	10.4	4.8	11.2	7.2	16.2
Not sectorized	9.6	11.7	8.0	8.9	5.8
Non-banking financial intermediaries	**8.7**	**6.8**	**32.6**	**20.2**	**30.4**

Source: Banxico

Chart 1: Banking credit

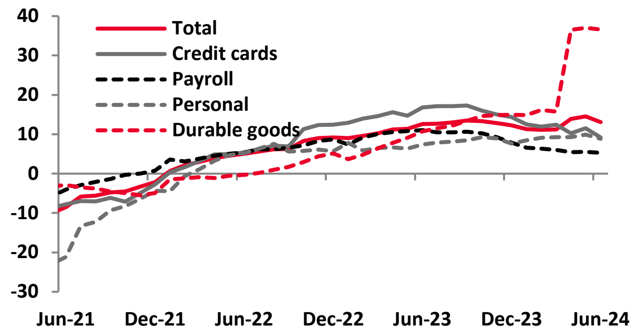
% y/y in real terms



Source: Banorte with data from Banxico

Chart 2: Consumer credit

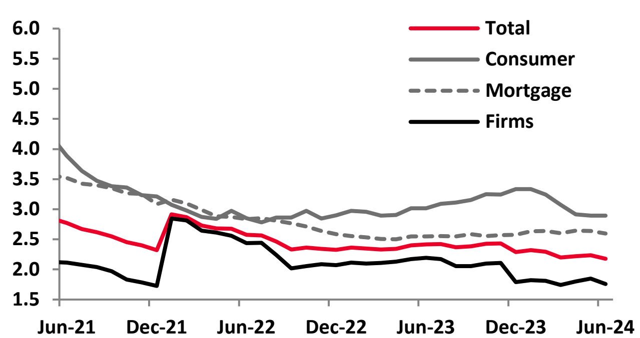
% y/y in real terms



Source: Banorte with data from Banxico

Chart 3: Non-performing loans

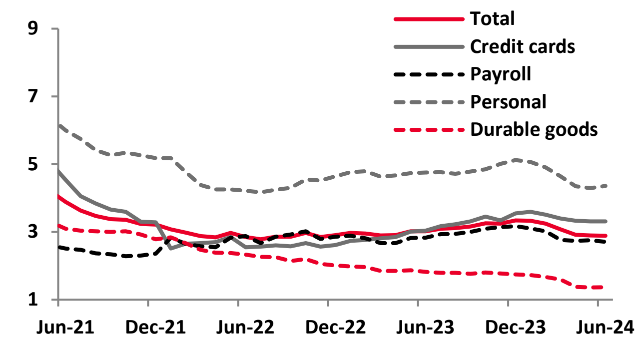
% of total portfolio



Source: Banorte with data from Banxico

Chart 4: Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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