

Banking credit keeps gathering pace in March

- Today, Banxico published its banking credit report for March 2023
- Banking credit increased 5.6% y/y in real terms, accelerating for a second consecutive month
- Performance was mostly positive. Consumer loans rose 10.3% (previous: 9.6%), still leading. Mortgages accelerated to 4.5% (previous 3.9%), with corporate loans stable at 3.3%
- Non-performing loans (NPLs) remained at 2.3%. In the detail, mortgages and corporates were unchanged at 2.5% and 2.1%, respectively. The index for consumption decreased by 10bps to 2.9%
- We maintain a positive view on loans in the short-term, supported by economic strength, solid fundamentals, and favorable trends in the medium-term

Credit adds a year with positive annual rates. Banking credit to the non-financial private sector increased 5.6% y/y in real terms in March (see [Chart 1](#)), adding two months of improvements and above our forecast. In our opinion the result is favorable. We believe credit was supported by: (1) Strong consumption fundamentals, particularly employment; (2) continued business appetite to invest, triggered mainly by nearshoring; and (3) an additional moderation in [annual inflation](#), declining to 6.85% in the period. Nevertheless, we cannot rule out that higher rates, in tandem with an increase in risk perception globally, could have dampened loan demand.

Consumer credit remained as the most dynamic at 10.3% y/y (previous: 9.6%). Inside, four out of five categories showed a higher expansion rate than the previous month, as seen in [Chart 2](#). Categories with the largest acceleration were durable goods at +6.4% (previous: +4.8%) and payrolls at +10.1% (previous: +9.2%). On the contrary, ‘others’ moderated to +4.7% (previous: +8.5%). Corporate credit was unchanged at 3.3%. Looking at the breakdown, 6 of 13 categories showed higher growth ([Table 1](#)). As such, those with the most substantial improvements were real estate services (at 12.9% from 5.6%) and transportation (at 4.7% from -0.9%). On the contrary, sectors with the largest deterioration were mass media (at -29.4% from -7.2%) and primary activities (at -1.5% from 1.5%). Finally, mortgages were also higher at 4.5% (previous: 3.9%). Inside, the residential component rose 4.9% (previous: 4.4%), while low-income housing remained in negative territory at -4.2% (previous: -7.9%).

Non-performing loans unchanged, representing 2.3% of the aggregate portfolio. Inside ([Chart 3](#)), we highlight stability in mortgages and corporates at 2.5% and 2.1%, in the same order. For its part, consumption NPLs decreased by 10bps, standing at 2.9%. We consider that low delinquencies, as well as their stability, suggest a proactive management of loan portfolios by financial institutions. Hence, we consider that credit expansion is happening responsibly.

April 28, 2023

www.banorte.com
@analisis_fundam

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research
and Financial Markets Strategy
juan.alderete.macal@banorte.com

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

Document for distribution among the
general public

Credit will maintain its strength in coming months. In our view, these results are favorable, consistent with [a good performance of the Mexican economy](#). Considering some timely signals, it is very likely that credit will maintain a strong position in coming months. Some of the factors that should provide support include: (1) A favorable arithmetic effect from [a further decline in annual inflation](#); (2) our expectation that consumer fundamentals will remain solid, particularly employment –which is key for people to access financing; and (3) continued interest in [nearshoring](#)-related projects, where we see very relevant momentum in categories such as construction (+163.6% y/y) within corporate loans. Meanwhile, mortgages have also shown signs of acceleration in recent reports, although we believe this has not fully translated to activity.

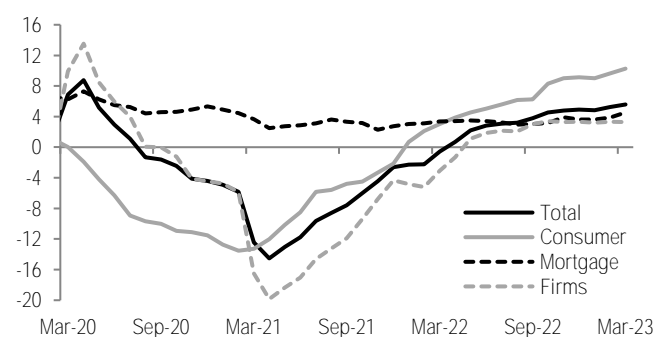
In addition, the environment for the sector has improved at the margin since the last report, recognizing greater calm in markets following concerns about the US and European banking sectors. While we did not expect a major effect on local credit –noting important regulatory differences and adequate capitalization and liquidity levels, above regulatory minimums among local financial institutions– we believe that the potential for a distortion has diminished. However, we recognize two relevant risks: (1) That the high cost of financing could dampen loan demand, especially considering that [we do not anticipate cuts from Banxico for the remainder of the year](#); and (2) that NPLs rise if a deeper economic slowdown materializes, with some signs that households have increased their overall leverage.

Banking credit % y/y in real terms

	Mar-23	Feb-23	Mar-22	Jan-Mar'23	Jan-Mar'22
Private banking credit	5.6	5.2	-0.6	5.2	-1.7
Consumer	10.3	9.6	3.0	9.6	1.9
Credit cards	14.6	14.0	3.3	13.8	1.8
Payroll	10.1	9.2	3.8	8.9	3.5
Personal	6.5	5.9	1.1	6.7	-1.4
Durable goods	6.4	4.8	-0.9	5.0	-1.2
Auto loans	6.1	4.1	-5.5	4.2	-6.0
Other durable goods	8.1	8.5	30.6	8.6	32.4
Others	4.7	8.5	21.4	8.2	22.8
Mortgage	4.5	3.9	3.4	4.0	3.2
Low-income housing	-4.2	-7.9	-14.8	-6.5	-15.7
Medium and residential	4.9	4.4	4.4	4.5	4.3
Firms	3.3	3.3	-3.1	3.3	-4.4
Primary activities	-1.5	1.5	2.9	0.5	1.8
Mining	-7.4	-6.2	2.5	-4.3	-3.8
Construction	163.6	165.0	-27.4	160.5	-26.1
Utilities	-0.4	0.6	-6.0	0.0	-7.3
Manufacturing industry	3.9	3.1	-3.9	3.7	-5.1
Commerce	3.3	3.4	-1.8	3.3	-4.6
Transportation and storage	4.7	-0.9	-4.1	0.4	0.1
Mass media services	-29.4	-7.2	6.9	-17.4	-1.2
Real estate services	12.9	5.6	-7.9	8.9	-8.1
Professional services	17.5	12.5	-6.8	14.9	-6.5
Lodging services	-0.2	0.1	-6.6	-0.1	-5.6
Other services	11.1	10.9	4.4	10.1	2.1
Not sectorized	5.8	4.0	-2.5	4.7	-1.5
Non-banking financial intermediaries	34.3	28.9	-11.7	27.6	-16.4

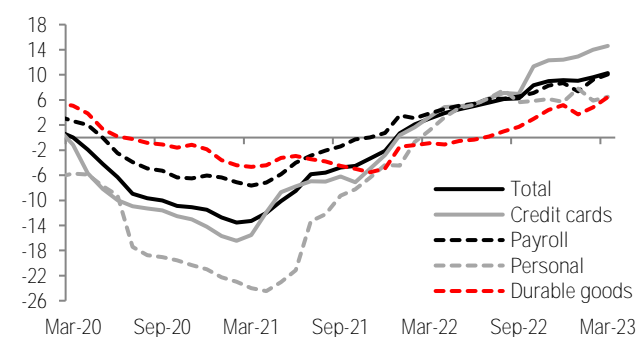
Source: Banxico

Chart 1: Banking credit % y/y in real terms



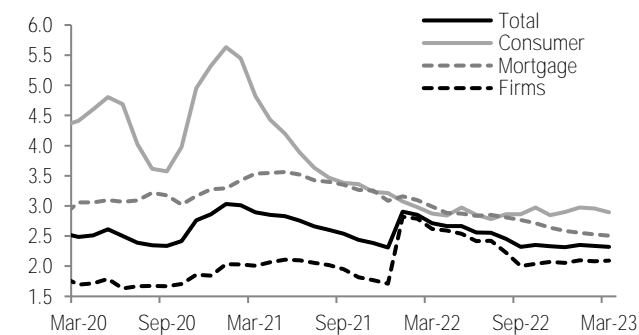
Source: Banorte with data from Banxico

Chart 2: Consumer credit % y/y in real terms



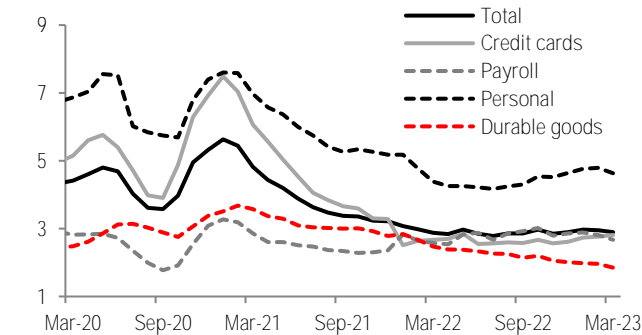
Source: Banorte with data from Banxico

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

Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, 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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V. since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmin Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalia Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Strategist, Equity	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
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
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roldan.ferrer@banorte.com	(55) 1670 - 1899