

Banking credit keeps growing, still driven by consumer loans

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- Today, Banxico published its banking credit report for June 2023
- Banking credit grew 5.0% y/y in real terms, moderating slightly, but still favorable in our view
- Inside, consumer loans (12.6%) added a fourth month with double-digit growth. Mortgages (5.7%) accelerated once again, while corporate loans declined further, standing at +0.9%
- Non-performing loans (NPLs) were unchanged at 2.4%. Inside, all three components were also flat, with consumer at 3.0%, mortgages at 2.5%, and corporates at 2.2%
- We expect credit to keep growing in coming months, although likely at a more moderate pace. Consumer loans will remain as the driver –with solid fundamentals–, but with higher financing costs possibly having more of an effect on corporates

Moderation in the pace expansion of loans. Banking credit to the non-financial private sector increased 5.0% y/y in real terms (see [Chart 1](#)), in line with our estimate. This is the third consecutive month with a moderation in the pace. Despite the latter, we believe that the sector continues to show positive signs, considering that it totals fifteen consecutive months with positive rates. Regarding some of the drivers, we highlight that: (1) [Inflationary pressures kept moderating](#), especially in the non-core component; (2) the unemployment rate remains at levels below 3.0%; (3) the start of summer sales (*e.g. Hot Sale, Temporada Naranja*); and (4) a better dynamism in economic activity, with implied figures from the [GDP report](#) suggesting a 0.4% m/m, with services leading.

Consumer loans expanded 12.6% y/y (previous: 11.4%). Inside, four of the five categories accelerated vs. the previous month, as seen in [Chart 2](#). In the detail, we highlight credit cards (at 16.8% from 14.7%) and durables goods (at 10.7% from 9.1%). On the other hand, ‘others’ decelerated from 14.6% to 13.5%. Mortgages rose 5.7% (previous: 5.1%). Inside, the residential component climbed 6.2% (previous: 5.5%), while low-income housing fell -4.9% (previous: -3.1%), reversing some recent gains.

Corporate loans moderated again, coming in at 0.9% (previous: 1.6%). Inside, 7 of the 13 categories showed a slowdown relative to the last month, highlight mining (by -3.5% from 1.5%), and real estate (7.3% from 10.9%). On a positive note, public services maintained a substantial expansion up 183.1% (previous: 161.7%). Another sector with a relevant improvement was professional services at 10.9% (previous: 6.9%). For further details see [Table 1](#).

Non-performing loans represent 2.4% of the total portfolio. This was unchanged relative to May ([Chart 3](#)). Inside, the three categories were also flat, with consumer loans at 3.0%, mortgages at 2.5%, and corporates at 2.2%.

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With these results, we believe that credit health indicators remain at a sound level and with remarkable stability. In our opinion, this is a result of a good management of the current portfolio by both institutions and regulators.

We anticipate a slight moderation in the pace of credit expansion. In line with our macroeconomic expectations for the rest of the year, we believe that credit could show more moderate growth rates going forward. In general terms, our outlook for the economy includes: (1) A moderation in the pace of activity in the second half of the year; (2) the reference rate remaining at 11.25%; and (3) mixed inflation dynamics, with favorable base effects through September, but turning more challenging towards December. In this context, we believe that both households and companies will need to continue financing their expenses and investments, albeit still subject to prevailing conditions.

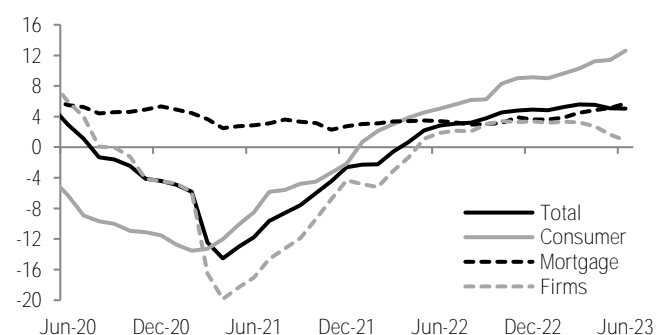
In detail, we believe the slowdown could come mainly from corporates. Although there are favorable factors for the sector (*e.g.* nearshoring), we believe that the financing costs will continue to be decisive, especially as these have adjusted in a greater proportion relative to other sectors. On the other hand, it is difficult to determine what will be the net effect of the MXN appreciation on investment and therefore on loans. On mortgages, we believe that competition in the private sector as well as the diverse loans that are also held jointly with the government will allow the credit to continue with a stable trend. Finally, consumer loans will be the main driver, with resilient fundamentals, mainly formal employment, being key for this.

Banking credit % y/y in real terms

	Jun-23	May-23	Jun-22	Jan-Jun'23	Jan-Jun'22
Private banking credit	5.0	5.1	2.8	5.2	0.1
Consumer	12.6	11.4	5.0	10.7	3.2
Credit cards	16.8	14.7	5.4	14.8	3.4
Payroll	11.1	10.8	5.4	9.9	4.3
Personal	7.4	6.4	5.2	6.8	1.5
Durable goods	10.7	9.1	-0.3	7.1	-0.9
Auto loans	11.6	9.6	-4.9	6.9	-5.6
Other durable goods	6.6	6.8	29.6	7.8	30.7
Others	13.5	14.6	23.6	10.2	21.1
Mortgage	5.7	5.1	3.4	4.6	3.3
Low-income housing	-4.9	-3.1	-12.8	-5.6	-14.6
Medium and residential	6.2	5.5	4.3	5.1	4.3
Firms	0.9	1.6	1.9	2.5	-1.9
Primary activities	-4.0	-3.2	4.6	-0.9	3.5
Mining	-3.5	1.5	-7.9	-3.6	-5.3
Construction	-2.1	-2.1	-27.1	164.9	-26.5
Utilities	183.1	161.7	-2.8	-1.4	-5.1
Manufacturing industry	-3.5	-3.1	4.8	0.5	-1.4
Commerce	5.4	3.9	1.6	3.9	-2.0
Transportation and storage	4.6	5.9	-2.2	2.4	-1.0
Mass media services	-28.6	-30.7	19.9	-22.7	5.5
Real estate services	7.3	10.9	-0.4	9.4	-6.2
Professional services	10.9	6.9	4.7	10.0	-2.1
Lodging services	-2.4	0.2	-4.9	-0.2	-5.1
Other services	9.8	16.9	5.1	13.6	3.8
Not sectorized	8.0	7.0	2.3	5.8	-0.1
Non-banking financial intermediaries	32.6	34.3	0.0	30.4	-10.8

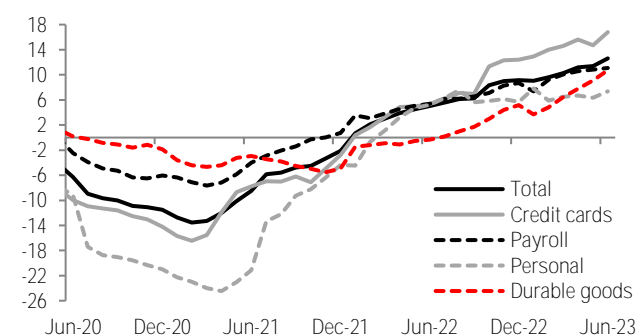
Source: Banxico

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



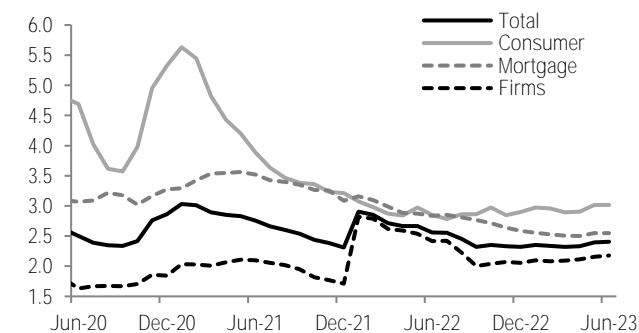
Source: Banorte with data from Banxico

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



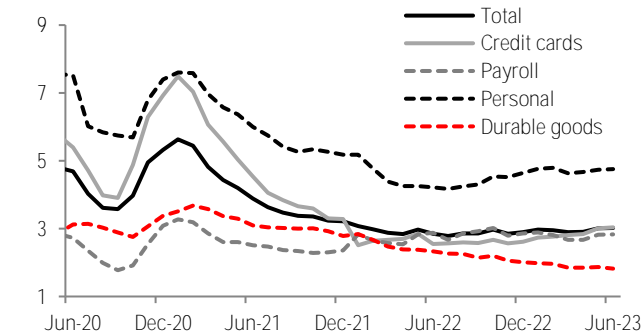
Source: Banorte with data from Banxico

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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