

Banking credit keeps growing, with an acceleration in corporate loans

- Today, Banxico published its banking credit report for July 2023
- Banking credit accelerating at the margin to 5.7% y/y in real terms, quite favorable considering the cumulative expansion so far this year
- Inside, we highlight the increase in corporates loans, up 2.0%, with consumer loans (12.6%) and mortgages (5.7%) stable relative to the previous months
- Non-performing loans (NPLs) remained stable at 2.4%. Inside, consumer and mortgages grew by 10bps each, while corporates were unchanged
- We maintain a favorable expectation on credit in the remainder of the year. We believe dynamism will remain centered on consumer loans, with some risks on the corporate front

Acceleration in the pace of growth in July. Banking credit to the non-financial private sector increased 5.7% y/y in real terms (see [Chart 1](#)). We believe that this result is quite positive given the sixteen months of positive rates and an acceleration relative to June. We consider broad conditions were similar to those seen in June, with the factors supporting growth including: (1) A [moderation in CPI](#); (2) additional discount campaigns (particularly those related to clothing and back-to-school items); and (3) strong [employment](#) figures. However, we think that an environment of high interest rates may be dampening some extra dynamism.

Consumer loans once again grew 12.6% y/y. Inside, three of the five categories accelerated vs. the previous month, as seen in [Chart 2](#). In the detail, we highlight durable goods (at 11.5% from 10.7%), boosted by auto loans. Moreover, credit cards and personal loans rose by 3bps at +17.2% and +7.7%, respectively. Payroll loans decelerated from 11.1% to 10.5%. Mortgages came in at 5.7%, also unchanged vs the previous month. Inside, the residential category grew 6.0%, marginally lower (previous: 6.2%), while low-income improved to -2.1% (previous: -4.9%). Corporate loans increased 2.0% accelerating strongly relative to the 0.9% from June. Inside, only 5 of the 13 components had higher increases vs. the previous figure, highlighting mass media (-12.0% from -28.6%) and mining (7.6% from -3.5%). For more details see [Table 1](#).

Non-performing loans unchanged, representing 2.4% of the total portfolio. This implies a third straight month at that level ([Chart 3](#)). Inside, two of the three categories had marginal increases, with both consumer loans and mortgages higher by 10bps, standing at 3.1% and 2.6%, respectively. Finally, corporates were unchanged at 2.2%. As such, we consider that the ratio remains sound and without pressures, reflecting that: (1) The expansion in credit has been responsible and in compliance with regulations; and (2) good management practices by borrowers.

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Winners of the 2023 award for best Mexico economic forecasters, granted by *Focus Economics*



Document for distribution among the general public

We maintain our favorable view on credit. Based on today's results and considering [our expectations for activity in the second half of the year](#), we believe credit will keep growing. However, the pace could be more modest overall, although not ruling out some volatility for corporates.

In addition, we reaffirm that consumer loans will remain as the most dynamic, with relevant supports prevailing. First, lower inflationary pressures that could encourage households to finance their spending. However, we remain focused on the CPI trajectory –since we anticipate a rebound towards the end of the year on [a more challenging outlook for non-core prices](#). Secondly, the normalization in the supply of should continue supporting the growth of loans for the sector. Lastly, more products or credits with less time to open and fewer requirements, mainly digitally, could also support an additional expansion.

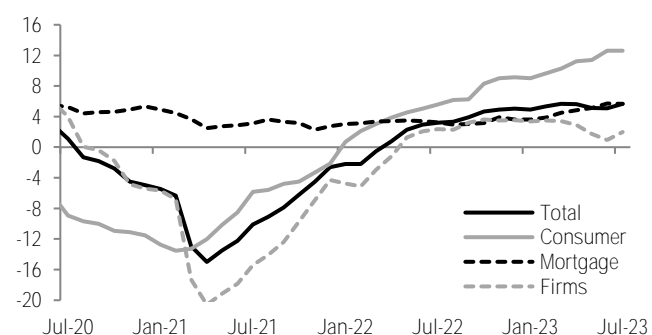
Regarding corporate loans, we believe that the main driver will be high rates, with the easing cycle beginning until 2024. Thus, we do not rule out that the dynamism of these loans could moderate going forward. Lastly, on mortgages, we anticipate some stability, although with a slight skew to the upside, supported by different combinations of public loans and banking credits.

Banking credit % y/y in real terms

	Jul-23	Jun-23	Jul-22	Jan-Jul'23	Jan-Jul'22
Private banking credit	5.7	5.1	3.2	5.3	0.6
Consumer	12.6	12.6	5.6	11.0	3.5
Credit cards	17.2	16.8	6.3	15.1	3.8
Payroll	10.5	11.1	6.2	10.0	4.5
Personal	7.7	7.4	6.3	6.9	2.2
Durable goods	11.5	10.7	0.2	7.7	-0.8
Auto loans	12.8	11.6	-4.3	7.8	-5.4
Other durable goods	4.7	6.6	29.9	7.4	30.5
Others	10.1	13.5	15.4	10.2	20.2
Mortgage	5.7	5.7	3.3	4.8	3.3
Low-income housing	-2.1	-4.9	-10.7	-5.1	-14.1
Medium and residential	6.0	6.2	4.0	5.2	4.3
Firms	2.0	0.9	2.4	2.5	-1.2
Primary activities	-6.2	-4.6	2.9	-1.8	3.4
Mining	7.6	-3.5	5.8	-1.9	-3.7
Construction	-4.2	-2.0	0.6	-1.8	-4.3
Utilities	176.6	183.1	-25.4	166.6	-26.3
Manufacturing industry	-2.6	-3.5	4.1	0.1	-0.6
Commerce	2.8	5.2	1.6	3.6	-1.5
Transportation and storage	2.4	4.7	-1.6	2.4	-1.1
Mass media services	-12.0	-28.6	-3.5	-21.3	4.2
Real estate services	7.4	7.6	1.2	9.2	-5.1
Professional services	16.8	10.2	2.3	10.8	-1.5
Lodging services	-5.5	-2.4	-2.4	-0.9	-4.7
Other services	21.7	11.5	12.2	17.1	7.0
Not sectorized	7.0	8.0	4.0	6.0	0.5
Non-banking financial intermediaries	34.1	32.6	-0.2	31.0	-9.3

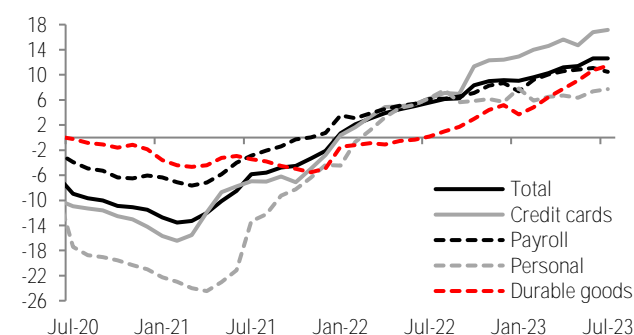
Source: Banxico

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



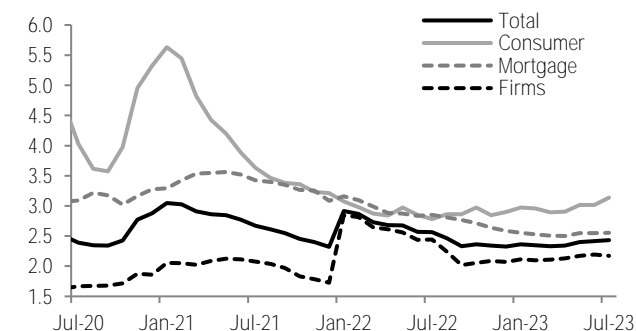
Source: Banorte with data from Banxico

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



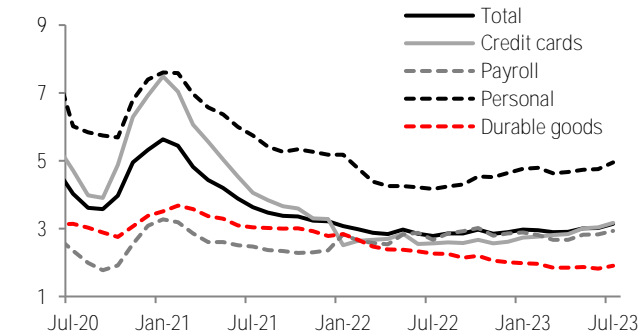
Source: Banorte with data from Banxico

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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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, Juan Carlos Mercado Garduño, 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.

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