

## Credit growth continued in August, with a slight improvement in NPLs

- Today, Banxico published its banking credit report for August 2023. Credit accelerated to 6.0% y/y in real terms, stringing 17 months in positive territory
- Inside, growth was generalized and with improvements in two of the three sectors. Consumer loans increased 12.9%, while corporates rose 2.7%, with mortgages moderating, although still up 5.5%
- Non-performing loans (NPLs) declined, standing at 2.3%. Both corporates and mortgages decreased, by 10bps and 20bps, respectively. The index for the consumer loans was unchanged
- Going forward we remain optimistic about credit growth, although we recognize that in the short-term there may be a moderation in the pace of expansion. However, strength in economic activity should prove enough of a driver to keep pushing the expansion

**Loans keep accelerating, supported by strong economic conditions.** Banking credit to the non-financial private sector rose 6.0% y/y in real terms (see [Chart 1](#)). As such, loans have registered growth rates between 4%-6% in the last eleven months, situation which we believe is highly positive. Analyzing the factors that directly influence credit demand, we mostly find favorable signs for its growth, among which we highlight strong economic activity, fostering a tight labor market. On the other hand, we do not rule out that given high interest rates, some investment or mortgage projects and/or purchases of durable goods are being postponed. On short-term drivers, a slight pickup in inflation along a modest depreciation of the MXN may have driven some loans.

**Consumer loans remain as the main driver, up 12.9% y/y.** Inside, only two of the five categories accelerated vs. the previous month, as seen in [Chart 2](#). As such, we highlight durable goods (at 12.0% from 11.6%) –boosted entirely by auto loans–, while ‘others’ climbed 14.7% (previous: 10.1%). Remaining items were unchanged. Corporates loans grew 2.7% up from 2.0% in July. 8 of the 13 components showed an acceleration relative to the previous month, with professional services (22.4% from 17.5%) and construction (-0.2%; previous: -3.6%) showing the most progress. Finally, mortgages moderated to 5.5% (previous: 5.7%). Both the residential and low-income categories slowed down, coming in at 5.9% (from 6.0%) and -4.5% (from -2.1%), respectively. For more details see [Table 1](#).

**Non-performing loans represented 2.3% of the total portfolio.** They improved by 8bps relative to the previous month ([Chart 3](#)). Inside, two of the three categories declined, with corporates at 2.0% (-20bps) and mortgages at 2.5% (-10bps). Lastly, the index for consumer loans stood at 3.1%. The fact that NPLs have remained rather stable for the past 12 months –hovering between 2.3% and 2.4%– in a context of high credit growth suggests a responsible management by the different players involved, including financial institutions and regulators.

**We maintain an optimistic view on banking credit growth going forward.** We anticipate positive trend will continue in the following months, based on: (1) Constructive expectations on household consumption, with fundamentals strengthening further, mainly [employment](#); (2) relative stability in mortgage rates, despite an increase in those other financial instruments; and (3) resilience in some industry sectors which are still in need of credit despite higher borrowing costs.



Yazmín Selene Pérez Enríquez  
Senior Economist, Mexico  
[yazmin.perez.enriquez@banorte.com](mailto:yazmin.perez.enriquez@banorte.com)




[@analisis\\_fundam](http://www.banorte.com/analisiseconomico)

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



#1 OVERALL FORECASTER - MEXICO

Document for distribution among the general public



As such, we reiterate that consumer loans will continue to be the main driver. In this regard, some pressures on inflation –especially towards the end of the year– could translate into additional financing needs for households, especially considering higher spending in the season. Furthermore, as commented in the [previous report](#), we believe that the demand for autos will continue to increase, driving loan growth. Regarding mortgages, we anticipate some stability with signs of resilience considering that there are several limitations, such as: (1) Higher costs of construction inputs; and (2) the decrease in the supply of low-income housing. Finally, regarding on corporates, the main drag, in our opinion, is the current level of interest rates. Thus, and considering that [we expect to remain higher for longer](#), a moderation in its pace of growth would be a likely outcome. Finally, we do not rule out that the current strength of the MXN may be partially offsetting some investment deferrals as key purchases are made to take advantage of the situation.

## Banking credit

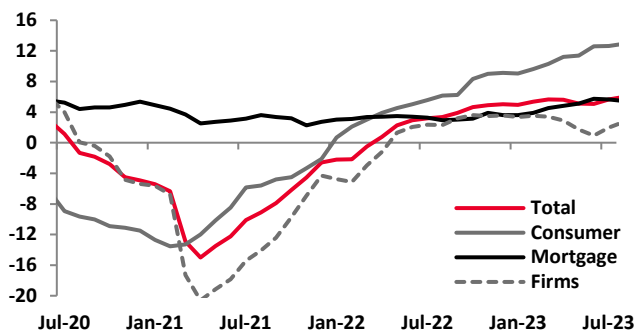
% y/y in real terms

	Aug-23	Jul-23	Aug-22	Jan-Aug'23	Jan-Aug'23
<b>Private banking credit</b>	<b>6.0</b>	<b>5.7</b>	<b>3.3</b>	<b>5.4</b>	<b>0.9</b>
<b>Consumer</b>	<b>12.9</b>	<b>12.6</b>	<b>6.1</b>	<b>11.2</b>	<b>3.9</b>
Credit cards	17.2	17.2	7.1	15.4	4.2
Payroll	10.5	10.5	6.2	10.0	4.7
Personal	7.9	7.9	7.6	7.1	2.8
Durable goods	12.0	11.6	1.0	8.3	-0.6
Auto loans	13.9	12.8	-3.7	8.5	-5.2
Other durable goods	3.1	5.4	31.7	6.9	30.7
Others	14.7	10.1	13.2	10.8	19.3
<b>Mortgage</b>	<b>5.5</b>	<b>5.7</b>	<b>2.9</b>	<b>4.9</b>	<b>3.2</b>
Low-income housing	-4.5	-2.1	-11.1	-5.0	-13.7
Medium and residential	5.9	6.0	3.7	5.3	4.2
<b>Firms</b>	<b>2.7</b>	<b>2.0</b>	<b>2.3</b>	<b>2.6</b>	<b>-0.8</b>
Primary activities	-4.3	-5.6	4.5	-2.1	3.5
Mining	6.4	8.2	6.8	-0.7	-2.4
Construction	-0.2	-3.6	-3.1	-1.5	-4.1
Utilities	-8.1	179.1	122.9	116.2	-8.6
Manufacturing industry	-3.0	-1.9	5.2	-0.2	0.1
Commerce	6.8	4.1	0.3	4.3	-1.2
Transportation and storage	4.6	3.2	-4.7	2.8	-1.6
Mass media services	-17.7	-11.2	7.1	-20.7	4.5
Real estate services	10.2	8.2	2.9	9.4	-4.2
Professional services	22.4	17.5	-0.7	12.4	-1.4
Lodging services	-5.4	-5.1	-2.9	-1.5	-4.5
Other services	15.8	13.6	10.1	15.8	7.4
Not sectorized	9.0	7.0	2.2	6.4	0.7
<b>Non-banking financial intermediaries</b>	<b>26.5</b>	<b>34.1</b>	<b>6.8</b>	<b>30.4</b>	<b>-7.5</b>

Source: Banxico

Chart 1: Banking credit

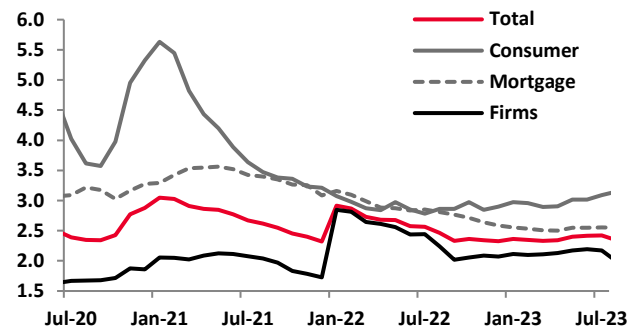
% y/y in real terms



Source: Banorte with data from Banxico

Chart 3: Non-performing loans

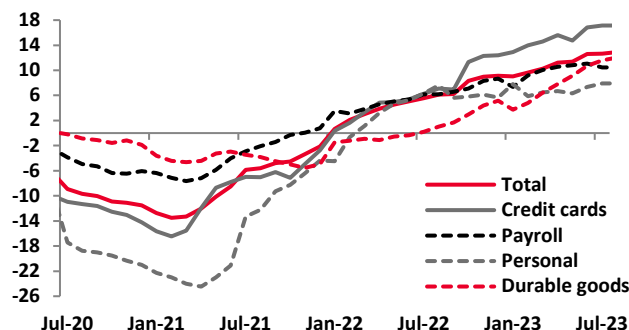
% of total portfolio



Source: Banorte with data from Banxico

Chart 2: Consumer credit

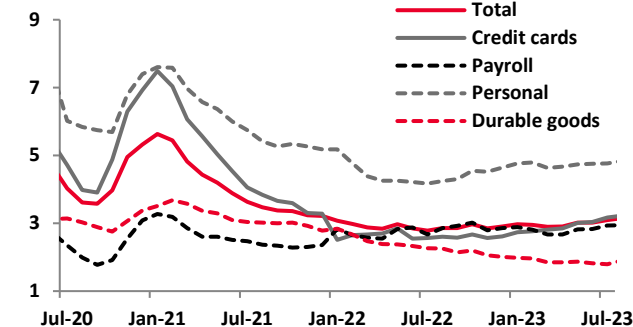
% y/y in real terms



Source: Banorte with data from Banxico

Chart 4: Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

## 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, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora 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 up dated. 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.*

# Directory

Research and Strategy



**Raquel Vázquez Godínez**  
Assistant  
raquel.vazquez@banorte.com  
(55) 1670 - 2967



**María Fernanda Vargas Santoyo**  
Analyst  
maria.vargas.santoyo@banorte.com  
(55) 1103 - 4000 x 2586

## Economic Research



**Juan Carlos Alderete Macal, CFA**  
Executive Director of Economic Research and Market Strategy  
juan.alderete.macal@banorte.com  
(55) 1103 - 4046



**Yazmín Selene Pérez Enríquez**  
Senior Economist, Mexico  
yazmin.perez.enriquez@banorte.com  
(55) 5268 - 1694

## Market Strategy



**Manuel Jiménez Zaldívar**  
Director of Market Strategy  
manuel.jimenez@banorte.com  
(55) 5268 - 1671



**José Itzamna Espitia Hernández**  
Senior Strategist, Equity  
jose.espitia@banorte.com  
(55) 1670 - 2249



**Leslie Thalía Orozco Vélez**  
Senior Strategist, Fixed Income and FX  
leslie.orozco.velez@banorte.com  
(55) 5268 - 1698



**Juan Carlos Mercado Garduño**  
Strategist, Equity  
juan.mercado.garduno@banorte.com  
(55) 1103 - 4000 x 1746

## Quantitative Analysis



**Alejandro Cervantes Llamas** Executive  
Director of Quantitative Analysis  
alejandro.cervantes@banorte.com  
(55) 1670 - 2972



**José De Jesús Ramírez Martínez**  
Senior Analyst, Quantitative Analysis  
jose.ramirez.martinez@banorte.com  
(55) 1103 - 4000



**Andrea Muñoz Sánchez**  
Analyst, Quantitative Analysis  
andrea.muñoz.sanchez@banorte.com  
(55) 1103 - 4000



**Alejandro Padilla Santana**  
Chief Economist and Head of Research  
alejandro.padilla@banorte.com  
(55) 1103 - 4043



**Itzel Martínez Rojas**  
Analyst  
itzel.martinez.rojas@banorte.com  
(55) 1670 - 2251



**Francisco José Flores Serrano**  
Director of Economic Research, Mexico  
francisco.flores.serrano@banorte.com  
(55) 1670 - 2957



**Cintia Gisela Nava Roa**  
Senior Economist, Mexico  
cintia.nava.roa@banorte.com  
(55) 1103 - 4000



**Marissa Garza Ostos**  
Director of Equity Strategy  
marissa.garza@banorte.com  
(55) 1670 - 1719



**Carlos Hernández García**  
Senior Strategist, Equity  
carlos.hernandez.garcia@banorte.com (55) 1670 - 2250



**Isaías Rodríguez Sobrino**  
Analyst, Fixed Income, FX and Commodities  
isaias.rodriguez.sobrino@banorte.com  
(55) 1670 - 2144



**Lourdes Calvo Fernández**  
Analyst (Edition)  
lourdes.calvo@banorte.com  
(55) 1103 - 4000 x 2611



**Katia Celina Goya Ostos**  
Director of Economic Research, Global  
katia.goya@banorte.com  
(55) 1670 - 1821



**Luis Leopoldo López Salinas**  
Economist, Global Internacional  
luis.lopez.salinas@banorte.com  
(55) 1103 - 4000 x 2707



**Víctor Hugo Cortes Castro**  
Senior Strategist, Technical  
victorh.cortes@banorte.com  
(55) 1670 - 1800



**Hugo Armando Gómez Solís**  
Senior Analyst, Corporate Debt  
hugoa.gomez@banorte.com  
(55) 1670 - 2247



**Gerardo Daniel Valle Trujillo**  
Analyst, Corporate Debt  
gerardo.valle.trujillo@banorte.com  
(55) 1670 - 2248



**Miguel Alejandro Calvo Domínguez**  
Senior Analyst, Quantitative Analysis  
miguel.calvo@banorte.com  
(55) 1670 - 2220



**Jazmin Daniela Cuautencos Mora**  
Strategist, Quantitative Analysis  
jazmin.cuautencos.mora@banorte.com  
(55) 1103 - 4000