

Banking credit keeps growing in September, with stable NPLs

- Today, Banxico published its banking credit report for September 2023. Credit grew 5.8% y/y in real terms
- Inside, we note an acceleration in two of the three sectors, being consumer loans (13.5%), and corporates (2.3%). Mortgages expanded 5.2%, moderating relative to the previous month
- Non-performing loans (NPLs) were unchanged at 2.4%. Both consumer and mortgages increased by 10bps to 3.2% and 2.6%, respectively, corporates stood at 2.1%
- Credit will continue growing in the coming months, driven by strong economic activity. However, we do not rule out a divergence in the pace of expansion across sectors, with corporates likely moderating, while consumer loans could remain relatively high

Credit accelerates for a third consecutive month. Banking credit to the non-financial private sector rose 5.8% y/y in real terms (see [Chart 1](#)). This result was better than the previous month's expansion of 5.5%. However, we must note that there were some revisions to the time series. As such, the 12-month average expansion stands at 5.2%. In the period, economic activity [likely grew further](#), highlighting as some of the drivers: (1) Support of consumption fundamentals, noting [relevant wage gains](#); and (2) a relevant expansion in construction, which could have a positive spillover effect on other categories. In addition, the figure is supported by an additional decline in [annual inflation](#) given its favorable arithmetic effect. However, we do not rule out that higher interest rates, along other challenges for economic activity, could have limited a further expansion.

Positive rates continue in all sectors, with consumer and corporate loans accelerating. Consumer loans grew 13.5% (previous: 13.0%). All five items inside showed a higher expansion rate vs. the previous month, as seen in [Chart 2](#). Categories with some the largest acceleration were durable goods at 13.4% (previous: 12.2%) –driven by autos– and personal loans at 8.4% (previous: 8.1%). Corporate loans climbed 2.3% (from 1.9%), with eight of the thirteen categories showing a better performance than in the previous month. As such, those with the most substantial improvements were mining at 39.4% (previous: 6.4%), transportation at 9.1% (previous: 4.5%) and lodging at -3.1% (previous: -7.2%). On the contrary, sectors with the largest deteriorations were mass media at -23.2% (previous: -17.8%) and professional services at 18.7% (previous: 22.2%). Finally, mortgages moderated, up 5.2% (previous: 5.5%). The low-income housing component improved from -4.5% to -2.7%. However, the residential category came in at 5.6% from 5.9%. For more details see [Table 1](#).

Non-performing loans represented 2.4% of the total portfolio. As such, this metric added a fifth month at the same level ([Chart 3](#)). Looking at the breakdown, two of the three categories deteriorated at the margin, with consumer loans at 3.2% (+10bps) and mortgages at 2.6% (+10bps). Finally, the corporate loans were unchanged at 2.1%. We consider that low delinquency levels, as well as stability in them, suggest a good management of loan portfolios by financial institutions. Hence, we believe that expansion in credit is happening responsibly manner.



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#1 OVERALL FORECASTER - MEXICO

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We reiterate our favorable view on banking credit in coming months. Considering that the outlook for activity in the last quarter of the year remains positive and has domestic demand as its main protagonist, we anticipate that part of said dynamism will be reflected in the performance of loans. In detail, consumption will likely keep growing at double-digit figures in the remainder of the year, being the main driver. Regarding corporate credit, the outlook is more uncertainty, with some negative factors in play (*e.g.* higher interest rates for longer, a modest depreciation of the Mexican peso, and uncertainty about the performance of industry in the US, among others), while others remain positive (*e.g.* upward trend in construction, nearshoring efforts). Meanwhile, for mortgages, that the natural demand for homes will continue to support the sector, giving stability to growth rates.

Finally, regarding Hurricane Otis in Guerrero, we don't anticipate a negative effect on NPLs in the short-term. The plan announced by the *Comisión Nacional Bancaria y de Valores* (Banking and Securities Commission) –which issued a special accounting criteria to all banking institutions and other non-financial entities– would stop these consequences by providing credit payment facilities to people who lived or have or had its job in the affected region. In general terms, anyone who requests it will be offered a partial or total deferral of payments for up to six months and maintain interest-free balances on mortgages, auto loans, personal loans, payroll loans, credit cards, microcredits, etc. According to the *Asociación de Bancos de México* (National Bank Association) *"...the support offered may differ according to the implementation mechanics of each of the credit institutions and the particular conditions of each borrower..."*.

Banking credit

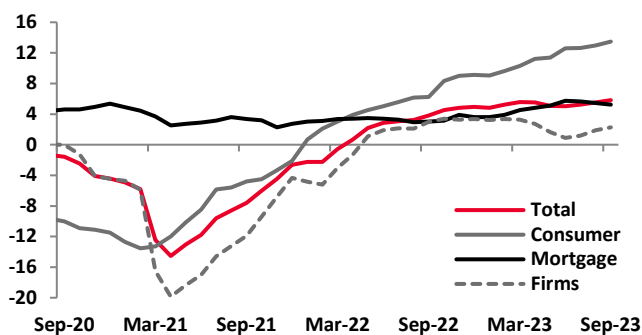
% y/y in real terms

	Sep-23	Aug-23	Sep-22	Jan-Sep'23	Jan-Sep'22
Private banking credit	5.8	5.5	3.8	5.3	1.2
Consumer	13.5	13.0	6.2	11.5	4.1
Credit cards	17.3	17.2	6.9	15.6	4.5
Payroll	10.6	10.5	6.6	10.1	4.9
Personal	8.4	8.1	5.6	7.2	3.2
Durable goods	13.4	12.2	1.7	8.9	-0.3
Auto loans	15.5	13.9	-2.9	9.3	-5.0
Other durable goods	3.4	3.8	31.5	6.6	30.8
Others	17.8	14.7	20.1	11.6	19.3
Mortgage	5.2	5.5	3.0	4.9	3.2
Low-income housing	-2.7	-4.5	-9.7	-4.8	-13.3
Medium and residential	5.6	5.9	3.7	5.3	4.1
Firms	2.3	1.9	3.0	2.3	-0.5
Primary activities	-5.0	-4.4	4.5	-2.4	3.6
Mining	39.4	6.4	-2.6	3.6	-2.5
Construction	1.6	0.1	-3.3	-1.1	-4.1
Utilities	-6.4	-8.1	127.6	88.3	5.8
Manufacturing industry	-4.6	-3.0	7.4	-0.7	0.9
Commerce	7.1	6.5	2.1	4.5	-0.9
Transportation and storage	9.1	4.5	-7.6	3.5	-2.2
Mass media services	-23.2	-17.8	22.8	-21.0	6.5
Real estate services	11.9	10.5	3.8	9.8	-3.3
Professional services	18.7	22.2	3.3	13.1	-0.9
Lodging services	-3.1	-7.2	-8.2	-2.0	-4.9
Other services	15.8	15.8	8.6	15.8	7.5
Not sectorized	7.6	9.0	2.1	6.5	0.9
Non-banking financial intermediaries	26.1	26.9	9.1	29.9	-5.7

Source: Banxico

Chart 1: Banking credit

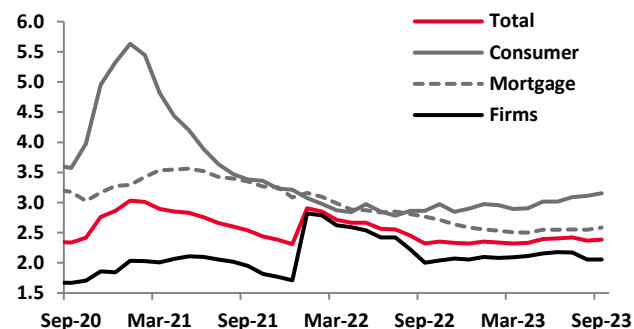
% y/y in real terms



Source: Banorte with data from Banxico

Chart 3: Non-performing loans

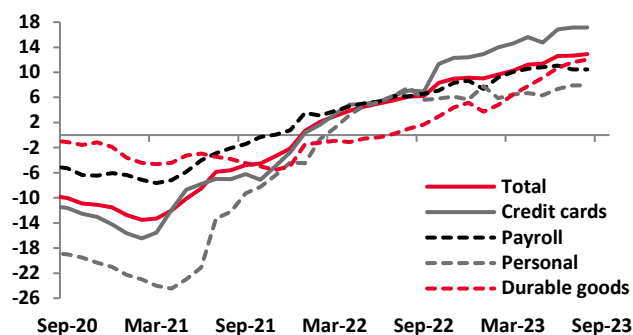
% of total portfolio



Source: Banorte with data from Banxico

Chart 2: Consumer credit

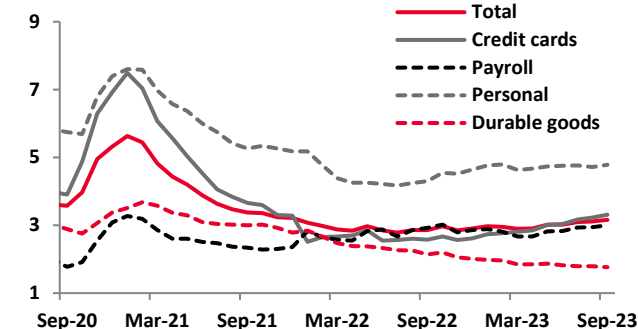
% y/y in real terms



Source: Banorte with data from Banxico

Chart 4: Non-performing loans: Consumer credit

% of total portfolio



Source: Banorte with data from Banxico

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