

Banking credit – Still in negative territory, but reaffirming its trend of improvement

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- Today, Banxico published its banking credit report for February 2022
- Banking credit fell 1.7% y/y in real terms, better than the previous figure of -2.1%, but lower than our -1.2% forecast. Despite of this, the figure represents an improvement in loan dynamism, partly due to a more favorable context
- Inside, corporate loans remained in negative territory at -5.2%. Consumer loans and mortgages were positive, with the former still gaining momentum at +2.0% and the latter continuing with a stable trend at +3.1%
- Non-performing loans (NPLs) stood at 2.9%. By categories, both consumer loans (3.1%) and mortgages (3.1%) corrected lower at the margin, while corporates were unchanged at 2.8%
- We expect credit to continue recovering, despite the persistence of high inflation, the restrictive monetary policy cycle, and the increase of global risks. However, dynamism would probably come from better fundamentals for the demand and still with a boost from abroad

Banking credit continues its recovery. Banking credit to the non-financial private sector decreased 1.7% y/y in real terms, in February (see [Chart 1](#)), aided by a positive base effect and coming in higher than the previous figure at -2.1%, although lower than our -1.2% forecast. With these figures, the trend of recovery, which initiated six months ago, continues. We believe that the fall in the pace of improvement is a reflection of the [higher levels of annual inflation](#), limiting credit, considering an impact of +21bps as it increased to 7.28%. On the other hand, we believe that performance is partially justified by the better conditions related to the level of ‘Omicron’ contagions –which maintained a downward trend throughout February– which boosted economic activity.

By components, corporate loans fell 5.2% y/y, which represented a decline of 59bps vs. the previous month. In detail, 8 of the 13 sectors weakened relative to January (see [Table 1](#)). The most impacted were transportation (0.6% from 2.1%), recreational services (-5.2% from -3.9%) and commerce (-6.6% from -5.5%). In contrast, items with the greatest improvements were professional services (-4.7 from -5.8%), primary activities (1.1% from -0.2%) and construction (-15.2% from -16.1%). Regarding mortgages, the increase was marginal, coming in at 3.1% from 3.0%, and continuing with a stable trend. By items, ‘low-income housing’ improved to -13.9% (previous: -14.7%) and ‘residential’ was unchanged at 4.1%.

Consumer loans came in at 2.0% from 0.7%, remaining in positive territory for a second month in a row. Inside, behavior was positive with practically all categories reporting improvements ([Chart 2](#)). We highlight personal loans (-0.5% from -2.3%), credit cards (1.7% from 0.4%), and payroll (3.1% from 2.3%).

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Finally, ‘others’ showed a significant increase of 28.4% from 17.5% in the previous month. We believe that the strength of this component is important considering that inflation remains high, although probably benefiting from a [recovery in employment](#) and greater mobility at a national scale.

Non-performing loans remain at 2.9% of the total portfolio. Consumer and mortgages reported a marginal improvement, both falling to 3.1% from 3.2%, in January ([Chart 3](#)). Meanwhile, corporates remained flat at 2.8%. Despite the upward revision in figures for the previous month, levels of the three components and the headline index remain within tight ranges, leading us to believe that the adjustment should not represent a warning sign.

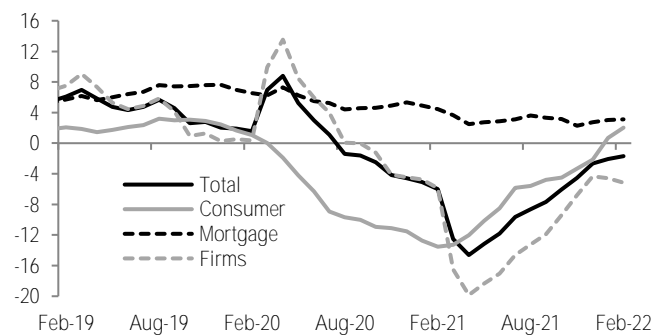
Going forward, we expect dynamism to increase, although risks remain. We consider that there are various risks that could limit the growth of fundamentals, with the possibility of gaining higher relevance in the coming months and maybe impacting the performance of credit. Among them, we highlight inflationary pressures both domestically and internationally, increases to Banxico’s reference rates, discovery of new variants of COVID-19, and further impacts of the geopolitical conflict in Ukraine. Nevertheless, considering that the sector has lagged, we expect dynamism of banking credit to continue improving, based on the reactivation of employment, the impulse of domestic demand, and on the strength of households’ incomes due to higher remittances and transfers from social programs. In this sense, we think that consumer loans would remain as the main driver for the recovery, with corporate credit supporting it to a lesser extent, given an extension of nearshoring plans and other expansion projects. Lastly, in the medium-term and given the restrictive cycle of the central bank, it is possible that mortgages remain as the most stable, suffering to a lesser extent from this factor and the above-mentioned inflationary pressures.

Banking credit
% y/y in real terms

	Feb-22	Jan-22	Feb-21	Jan-Feb'22	Jan-Feb'21
Private banking credit	-1.7	-2.1	-6.0	-1.9	-5.5
Consumer	2.0	0.7	-13.5	1.4	-13.1
Credit cards	1.7	0.4	-16.4	1.1	-16.1
Payroll	3.1	2.3	-7.1	2.7	-6.7
Personal	-0.5	-2.3	-23.0	-1.4	-22.6
Durable goods	-1.7	-1.7	-4.4	-1.7	-4.0
Auto loans	-6.5	-6.7	-8.0	-6.6	-7.5
Other durable goods	32.0	34.1	31.4	33.1	31.1
Others	28.4	17.5	-15.8	22.9	-14.7
Mortgage	3.1	3.0	4.5	3.1	4.7
Low-income housing	-13.9	-14.7	-16.2	-14.3	-15.7
Medium and residential	4.1	4.1	6.0	4.1	6.2
Firms	-5.2	-4.6	-5.9	-4.9	-5.3
Primary activities	1.1	0.2	-6.3	0.6	-6.4
Mining	-6.5	-6.4	-33.9	-6.5	-32.8
Construction	-15.2	-16.1	-14.8	-15.7	-14.3
Utilities	-7.5	-6.9	-1.4	-7.2	-1.0
Manufacturing industry	-7.1	-6.5	-7.5	-6.8	-7.0
Commerce	-6.6	-5.5	-15.1	-6.1	-15.1
Transportation and storage	0.6	2.1	-7.9	1.3	-7.4
Mass media services	2.6	2.5	-11.3	2.5	-9.7
Real estate services	-9.0	-8.6	-5.1	-8.8	-3.0
Professional services	-4.7	-5.8	-21.5	-5.3	-21.7
Recreational services	-5.2	-3.9	8.0	-4.6	9.6
Other services	0.3	0.2	11.7	0.3	11.9
Not sectorized	0.0	2.4	12.0	1.2	11.8
Non-banking financial intermediaries	6.6	-19.4	-27.1	-6.7	-26.3

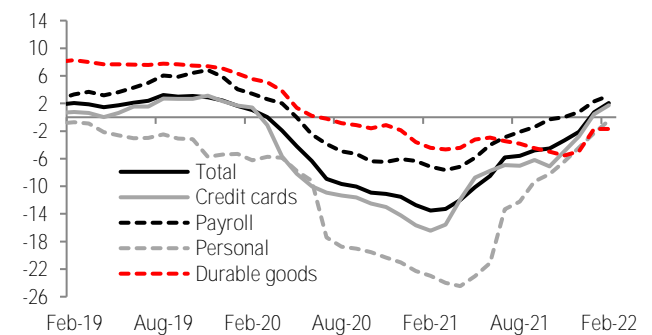
Source: Banxico

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



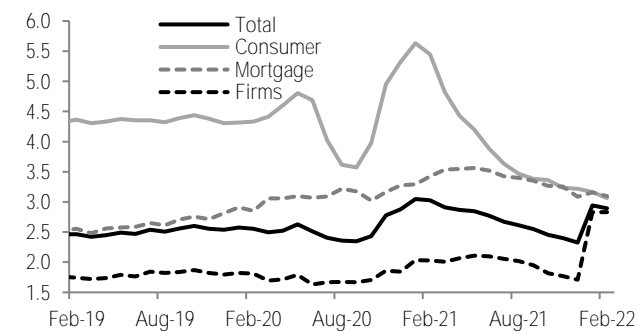
Source: Banorte with data from Banxico

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



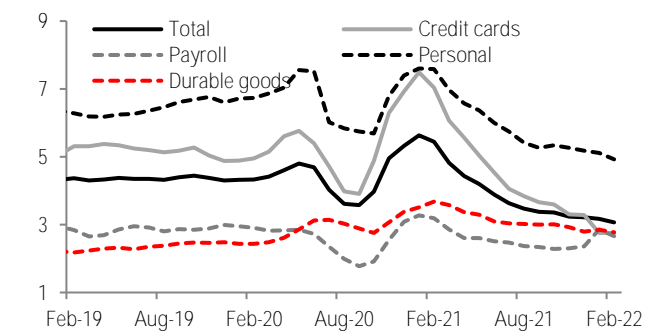
Source: Banorte with data from Banxico

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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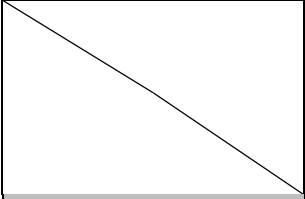
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