

## Banking credit – The recovery trend continues, with all categories higher

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- Today, Banxico published its banking credit report for March 2022
- Banking credit fell 0.6% y/y in real terms, better than the previous figure (-2.2%) but lower than our 0.2% estimate. Despite of this, we believe the result is favorable, extending the trend of recovery
- Inside, both mortgages (+3.4%) and consumer loans (+2.8%) remain positive, in line with the recovery of the economic activity. Meanwhile, corporate loans stood in negative territory at -3.3%, but improving vs. the previous month
- Non-performing loans (NPLs) fell 10bps, now representing 2.8% of the total. Inside, consumer loans (3.0%) did not report changes, while mortgages (3.0%) and business (2.7%) decreased marginally
- We believe that credit will continue to recover, driven by domestic demand and the performance of some fundamentals. However, there is some uncertainty on the pace of recovery given the persistence of inflation and expectations about the restrictive policy by central bank

**Banking credit continues to improve in March.** Banking credit to the non-financial private sector fell 0.2% y/y in real terms in the third month of 2022 (see [Chart 1](#)), helped by a positive base effect. As such, it was better than the figure of the previous month at -2.2%, but lower than our estimate at +0.2%. With these figures, credit continues with its trend of recovery, which we consider is quite positive, especially when considering the negative impact of annual inflation, which increased by 17bps to 7.45%. In our opinion, the main drivers behind this performance would be: (1) A rebound in [economy activity](#) in 1Q22, especially in the services sector; and (2) a recovery in [employment in February and March](#), with both factors boosted in turn by the fall in contagions after reaching a peak by mid to late January.

By components, corporate loans fell 3.3% y/y, which represented an improvement of 170bps vs. the previous month. Looking at the breakdown, 9 of the 13 sectors picked up relative to February (see [Table 1](#)). Items with the greatest improvements were commerce (-3.3% from -6.9%), construction (-12.2% from -15.7%) and real estate services (-6.2% from -8.8%). In contrast, from sectors with declines, we highlight mining (-5.9% from -4.8%) and professional services (-5.4% from -4.9%). On the other hand, mortgages rose 3.4% (previous 3.1%), maintaining some stability. By items, ‘low-income housing’ fell to -15.0% (previous: -13.9%), while ‘residential’ increased to -4.4% from -4.1%.

Consumer loans increased to 2.8% from 2.1%, adding three months in positive territory. Inside, behavior was mixed, but with an upward bias, ([Chart 2](#)). In that regard, we highlight credit cards (3.3% from 1.8%) –with five months of improvements–, and personal loans (1.1% from -0.4%) –showing their first positive rate since November 2018–. At the margin, ‘others’ moderated, albeit remaining quite high still at 21.1% (previous: 28.5%).

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All in all, we believe that this component shows good dynamism considering the persistence of price pressures. As such, it seems to be benefiting from an improvement in people's perception over the economic and epidemiological backdrop, thus supporting the recovery of domestic demand.

**Non-performing loans better at the margin, standing at 2.8% of the total portfolio.** This represents a fall of 10bps vs. the previous month. Inside, ([Chart 3](#)), consumer loans were unchanged at 3.0%. Meanwhile, indices for corporates and mortgages fell marginally, at 2.7% (previous: 2.8%) and 3.0% (previous: 3.1%), respectively. We consider that the moderation in the rate is positive, especially after having increased at the start of the year. In this sense, we continue to believe that the system remains well capitalized and with strong foundations for its functioning.

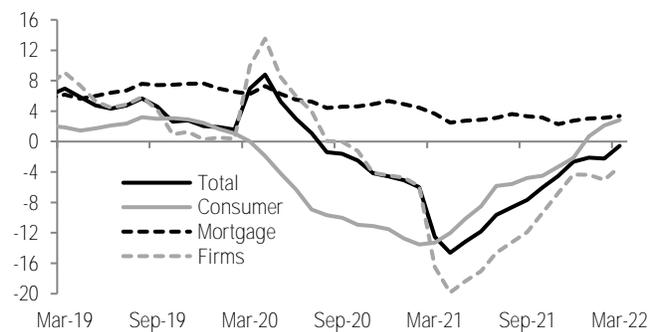
**The pace of the recovery could moderate in the coming months amid further headwinds.** Even though economic activity managed to resume its recovery in 1Q22, the outlook ahead seems to be more challenging. The headwinds come both from abroad –with shortages of raw materials, high input costs and ongoing disruptions in supply chains– and from within the country, with expectations of high inflation for the rest of the year. Therefore, and considering that credit dynamics remains highly linked to the performance of activity, this could imply a moderation in the pace of the recovery, especially for consumption and corporate loans. On top of the latter, another possible obstacle is the monetary restriction by Banxico given the increase in the cost of credit. Nevertheless, we expect that the improvement in fundamentals, along with a more favorable epidemiological outlook, could compensate for these factors, helping to consolidate the recovery of the sector. Also important, we believe that the health of the financial system continues to be sound, which should also support the granting of loans going forward.

Banking credit  
% y/y in real terms

	Mar-22	Feb-22	Mar-21	Jan-Mar'22	Jan-Mar'21
Private banking credit	-0.6	-2.2	-12.5	-1.6	-8.0
Consumer	2.8	2.1	-13.3	1.9	-13.2
Credit cards	3.3	1.8	-15.5	1.8	-15.9
Payroll	3.8	3.1	-7.7	3.5	-7.0
Personal	1.1	-0.4	-24.0	-1.2	-23.1
Durable goods	-1.8	-1.6	-4.7	-1.7	-4.2
Auto loans	-6.5	-6.5	-8.5	-6.6	-7.8
Other durable goods	30.1	32.5	33.0	32.2	31.7
Others	21.1	28.5	-9.5	22.3	-13.0
Mortgage	3.4	3.1	3.7	3.2	4.3
Low-income housing	-15.0	-13.9	-16.7	-14.6	-16.0
Medium and residential	4.4	4.1	5.1	4.2	5.8
Firms	-3.3	-5.0	-16.5	-4.3	-9.3
Primary activities	1.6	1.3	-12.5	1.1	-8.5
Mining	-5.9	-4.8	-47.0	-5.5	-38.2
Construction	-12.2	-15.7	-16.2	-14.7	-14.9
Utilities	-5.3	-7.6	-6.8	-6.5	-3.0
Manufacturing industry	-5.8	-6.7	-22.2	-6.3	-12.6
Commerce	-3.3	-6.9	-20.5	-5.2	-17.0
Transportation and storage	2.2	0.8	-18.8	1.8	-11.5
Mass media services	3.3	2.1	-31.1	2.7	-18.2
Real estate services	-6.2	-8.8	-14.6	-7.8	-7.1
Professional services	-5.4	-4.9	-20.8	-5.3	-21.4
Recreational services	-3.9	-3.7	-9.0	-3.7	2.7
Other services	2.7	0.2	-9.0	1.1	4.0
Not sectorized	-1.5	0.0	2.6	0.3	8.5
Non-banking financial intermediaries	-2.3	-33.5	-37.6	-22.1	-30.2

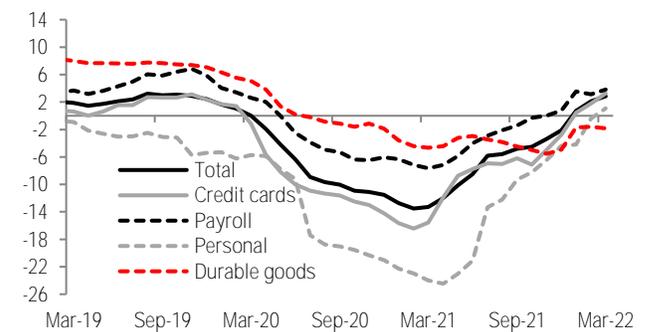
Source: Banxico

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



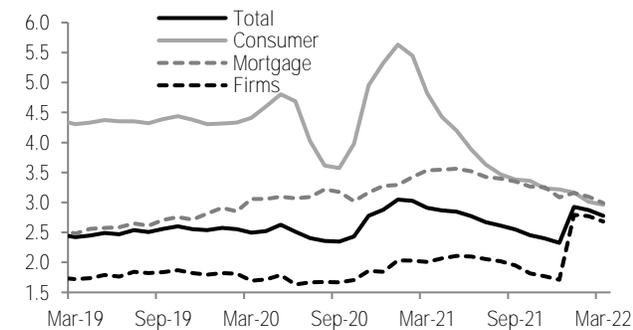
Source: Banorte with data from Banxico

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



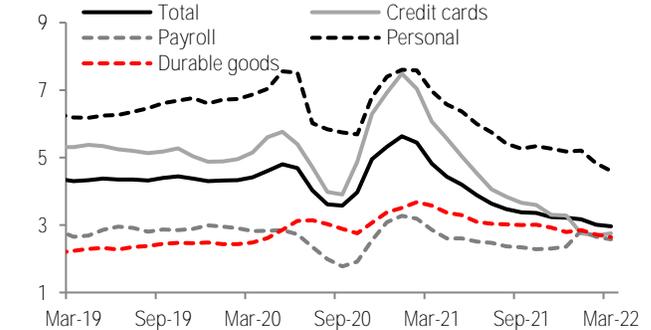
Source: Banorte with data from Banxico

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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