# Banking credit maintains its expansion in September, with corporate loans accelerating

October 31, 2022

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- **Today, Banxico published its banking credit report for September 2022**
- **Banking credit accelerated once again, climbing 3.9% y/y in real terms, slightly better than anticipated**
- **Inside, the three categories grew. We highlight corporate loans at 3.0% (previous: 2.1%), while consumer continued its expansion at 6.2%. Finally, mortgages were more stable at 3.0%**
- **Non-performing loans (NPLs) improved again, standing at 2.3% of the total (previous: 2.5%). Corporate loans fell from 2.2% to 2.0%; while mortgages and consumption were unchanged at 2.8% and 2.9%, respectively**
- **We still expect credit to remain on the upside, supported by resilient domestic demand. However, mixed effects from inflation and higher borrowing costs could hinder some if its dynamism going forward**

**Banking credit continues to improve in September.** Banking credit to the non-financial private sector increased 3.9% y/y in real terms in September (see Chart 1), higher than our estimate (3.6%) and up 58bps relative to the previous month. This result was helped by a positive base effect, adding a sixth month of positive rates. We believe that the behavior of credit continues to be favored both by the dynamism of domestic demand and by the strength of consumer fundamentals. In that sense, signs in the labor market continue to be encouraging. On the contrary, limitations for consumption are still present, with their direct consequences on credit not being entirely clear at the moment. Such limitations include: (1) Inflationary pressures; (2) the deterioration of the real wages; and (3) further tightening by Banxico. As such, while some evidence suggests that families may be turning to credit to smooth out consumption patterns, we believe more detailed data is necessary to prove this hypothesis.

By components, consumer loans continued to expand, rising 6.2% y/y (previous: +6.1%), as seen in Chart 2. Inside, relative to the behavior seen in previous months, there is a notable slowdown in both personal loans at +5.5% from +7.6%, and in credit cards +6.9% from +7.1%. However, there were still relevant increases in durable goods at +1.6% (previous: +1.0%) and payroll loans at +6.6% (previous: +7.1%). Lastly, ‘others’ accelerated from 13.2% to 20.1%.

Corporate loans accelerated relative to the previous month to+3.0% from +2.1%. Behavior inside was again skewed upwards, as seen in Table 1. Hence, the result was driven to a greater extent by mass media with +643bps (+11.5% from +5.0%) and to a lesser extent by mining with +201bps (+2.3 % from +0.3%). On the contrary, items with the largest slowdowns were lodging and primary activities at +1.3% (previous: +4.3%) and +8.8% (previous: 9.2%), respectively. Finally, mortgages ended a two-month moderation with an increase of +3.0% (previous: +2.9%). In particular, low-income housing fell -9.7% (previous: -11.1%), while residential stood at +3.7% (previous: +3.7%).

**Non-performing loans represent 2.3% of the total portfolio, lower by 20bps.** Inside (Chart 3), NPLs for corporate loans decreased by 20bp, to 2.0% from 2.2%. Meanwhile, mortgages and consumer NPLs were unchanged at 2.8% and 2.0%, respectively. This is the second consecutive month that the ratio has fallen, which confirms that credit activity within the financial system remains healthy and stable.

**Despite the headwinds, credit will continue its recovery trend in the remainder of the year.** Based on our base scenario for the country's activity, households and companies will continue to face pressures in their consumption, investment and spending due to the current inflationary cycle and the increase in the central bank's reference rate. Despite the latter, we believe that domestic demand will maintain some dynamism, especially through services, which in turn will be favored by a positive base effect.

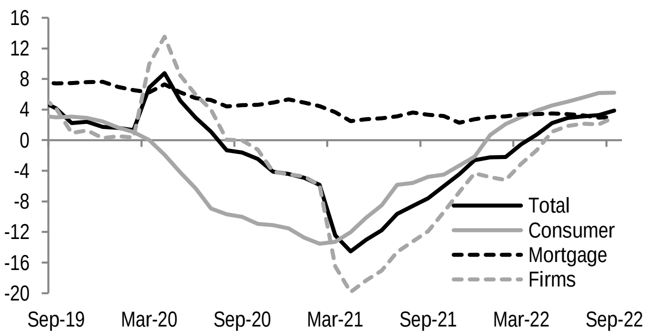
Said performance will be driven by the strength of income (in the case of households) and the slack in the economy (in the case of investment). In this context, although we continue to classify inflation and monetary tightening as the main constraints on activity, we do not expect their impact to be high enough to be reflected in a contraction in activity and/or in banking credit in the remainder of 2022. What we do not rule out regarding demand for consumer and corporate loans are changes related to their amount, period and, mainly, destination –this helped by higher level of credit personalization, less time in paperwork and more channels to request it. More importantly, these changes should not imply risks of higher NPLs. In this regard, our estimate is that the index will follow a stable trend with marginal adjustments and without any significant deterioration. Finally, regarding mortgages, we do not rule out that it could be indirectly boosted by the new facilities that *Infonavit* has established –such as an increase in the age limit for granting mortgages or new options to join credits–, and thereby reduce the effects from price pressures.

Banking credit
% y/y in real terms

| | Sep-22 | Aug-22 | Sep-21 | Jan-Sep'22 | Jan-Sep'21 |
|---|---|---|---|---|---|
| Private banking credit | 3.9 | 3.3 | 3.1 | 2.9 | -7.6 |
| Consumer | 6.2 | 6.1 | 5.6 | 5.0 | -4.8 |
| Credit cards | 6.9 | 7.1 | 6.3 | 5.4 | -6.2 |
| Payroll | 6.6 | 6.2 | 6.2 | 5.4 | -1.4 |
| Personal | 5.5 | 7.6 | 6.3 | 5.2 | -9.3 |
| Durable goods | 1.6 | 1.0 | 0.2 | -0.3 | -4.5 |
| Auto loans | -2.9 | -3.7 | -4.3 | -4.9 | -7.7 |
| Other durable goods | 30.9 | 31.7 | 29.9 | 29.6 | 23.5 |
| Others | 20.1 | 13.2 | 15.4 | 23.6 | 6.2 |
| Mortgage | 3.0 | 2.9 | 3.3 | 3.4 | 3.3 |
| Low-income housing | -9.7 | -11.1 | -10.7 | -12.8 | -16.1 |
| Medium and residential | 3.7 | 3.7 | 4.0 | 4.3 | 4.6 |
| Firms | 3.0 | 2.1 | 2.2 | 1.9 | -11.9 |
| Primary activities | 8.8 | 9.2 | 7.2 | 6.0 | -3.9 |
| Mining | 2.3 | 0.3 | 1.8 | -6.1 | -21.1 |
| Construction | -4.1 | -5.5 | -6.9 | -7.0 | -17.3 |
| Utilities | 0.6 | -0.6 | -0.4 | -1.1 | -10.0 |
| Manufacturing industry | 3.4 | 1.6 | 0.1 | -0.8 | -16.3 |
| Commerce | 0.2 | -0.4 | -0.7 | 0.9 | -14.3 |
| Transportation and storage | 7.5 | 6.5 | 8.0 | 9.6 | -9.1 |
| Mass media services | 11.5 | 5.0 | 8.2 | 18.7 | -16.6 |
| Real estate services | 3.0 | 3.1 | 2.4 | 0.5 | -16.3 |
| Professional services | 3.4 | 1.7 | 4.2 | 4.5 | -8.7 |
| Lodging services | 1.3 | 4.3 | 5.6 | 2.4 | -6.9 |
| Other services | 4.6 | 4.5 | 6.4 | 5.1 | -5.7 |
| Not sectorized | 2.1 | 2.2 | 4.0 | 2.3 | 4.1 |
| Non-banking financial intermediaries | 12.2 | 9.7 | 2.4 | 3.2 | -21.6 |

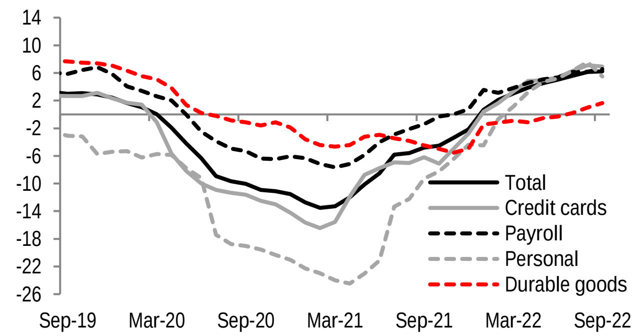
Source: Banxico

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



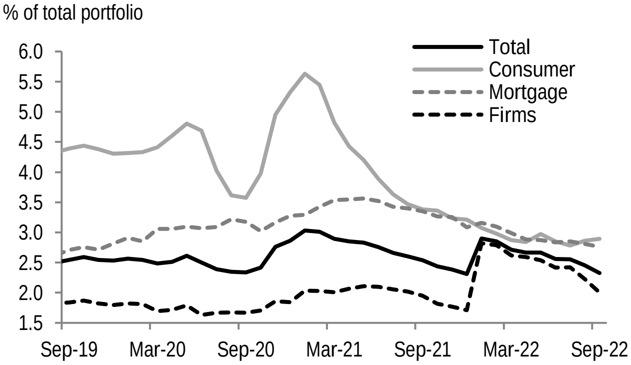

Source: Banorte with data from Banxico

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



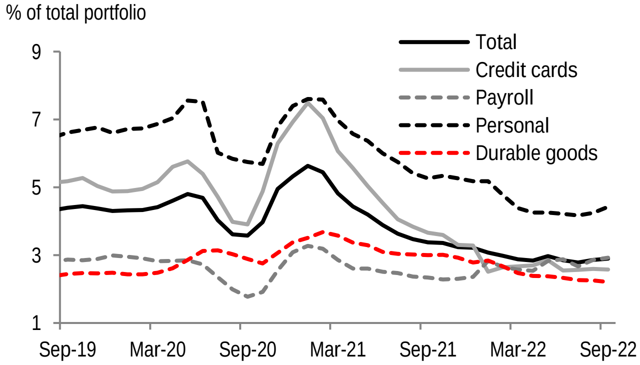

Source: Banorte with data from Banxico

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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