

Banking credit growth stabilizes at the start of the year

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Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com

- Today, Banxico published its banking credit report for January 2023
- Banking credit increased by 4.8% y/y in real terms, moderating slightly vs the previous month, although still rather positive
- Inside, performance was mixed. Consumer loans slowed down an inch to 9.0% (previous: 9.1%); similarly, corporates loans were also slightly more modest at 3.2% (previous 3.3%). Finally, mortgages were unchanged at 3.6%
- Non-performing loans (NPLs) had a slight deterioration, coming in at 2.4%. In the detail, corporates and mortgages remained unchanged at 2.1% and 2.6%, respectively. Consumption increased by 10bps to 3.0%
- We maintain a positive outlook regarding credit in 1Q23, with some favorable factors in play. However, we remain attentive to inflationary pressures, as well as additional monetary tightening

Credit adds ten months with positive annual rates. Banking credit to the non-financial private sector increased 4.8% y/y in real terms in the first month of the year (see [Chart 1](#)), slightly lower than our estimate and 8bps below December's figure. With this result, credit breaks with twenty months of improvements (since May 2021). However, we believe this is not necessarily negative, considering that the result is partly affected by [higher inflation](#) relative to the previous month. In this context, both drivers to the upside and downside remain in play, such as the ones associated with prices. While pressures may be driving households to take out loans to smooth their spending –particularly considering start-of-the-year expenses–, businesses may be less willing to take on additional debt. Moreover, the effect of the 20% increase in the minimum wage may be mixed, not ruling out that some of those additional resources are destined to pay off existing credits.

By components, once again the category with the highest growth was consumer loans at 9.0% y/y, decelerating marginally vs December's print (9.1%). While all categories were positive, four out of the seven items showed smaller expansion rates relative to the previous month (as seen in [Chart 2](#)). In this regard, we highlight the moderation in durable goods at +3.6% (from 5.2%) and in payroll loans at +7.4% (from 8.7%). On the contrary, personal loans had a notable increase, coming in at 7.7% (+20bps). Regarding corporates, these also moderated slightly, standing at 3.2% from 3.3%. Inside, 7 of the 13 items also had lower growth rates (see [Table 1](#)). As such, the largest deterioration came in mass media, at -11.9% from +2.8%, followed by commerce at +3.7% from +5.2%. Meanwhile, construction improved sharply, standing at 155.2% (previous: 136.0%), followed by mining at +1.5% (previous: -11.2%). Lastly, mortgages remain stable at 3.6%, with growth rates oscillating between 3.0% and 3.9% since last September. Inside, the residential component rose 4.1% (previous: 4.2%), while low-income housing improved from -9.1% to -7.4%.

Non-performing loans increase marginally, representing 2.4% of the total portfolio. Inside ([Chart 3](#)), we highlight stability in corporates and mortgages at

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2.1% and 2.6% each. For its part, consumption NPLs increased by 10bps, standing at 3.0%. Although this represents a deterioration compared to the previous month, in our opinion it is not a sign of concern, considering that the non-performing portfolio of this category has remained in a stable range of 2.8%-3.0% since February 2022. Hence, we consider that credit expansion is happening responsibly, reflecting good credit performance by consumers and businesses, along good risk management by banks and the financial system in general.

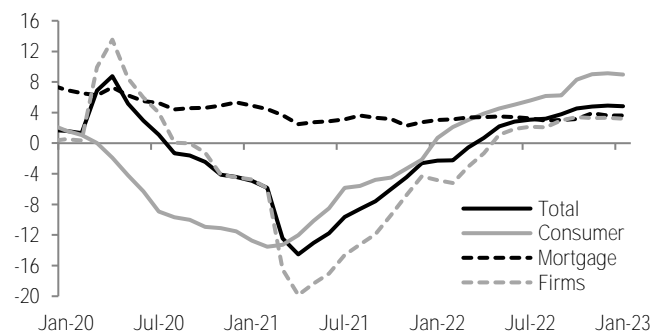
Credit will likely maintain a positive performance in the short-term. Today's results confirm that credit growth remains constant, albeit at a slower pace. However, for the rest of the quarter we do not rule out an acceleration, –especially in consumption loans, once households overcome January's budget restrictions. However, we believe that inflationary pressures will continue, representing both challenges and opportunities. With this, both households and companies may find themselves in need of take a loan to avoid restrictions on their spending and/or on their investments in the immediate future –the latter especially in the case of companies. In addition, we remain attentive to existing slack in the Mexican economy, which could stop playing a key role for the expansion of credit in the short-term, bearing in mind that the direct effects of the pandemic on activity have mostly faded. On the other hand, for the rest of the quarter we continue to see the labor market and wages as driver for credit, providing households security and flexibility to better manage their cash flows and/or income. In the case of corporate loans, we remain attentive to risks from higher interest rates, albeit with nearshoring possibly offsetting for some of their negative effects. Finally, we believe that for mortgages, the effect from higher financing costs may be compensated by the natural demand for housing, limiting the magnitude of a possible decline.

Banking credit
% y/y in real terms

	Jan-23	Dec-22	Jan-22	2022	2021
Private banking credit	4.8	4.9	-2.3	2.1	-8.6
Consumer	9.0	9.1	0.7	5.3	-8.2
Credit cards	12.9	12.4	0.4	6.4	-9.4
Payroll	7.4	8.7	3.5	5.7	-3.7
Personal	7.7	5.7	-4.5	3.8	-16.6
Durable goods	3.6	5.2	-1.5	0.8	-4.2
Auto loans	2.6	1.4	-6.5	-3.7	-7.7
Other durable goods	8.7	27.3	34.1	30.3	27.7
Others	11.6	12.8	18.2	18.5	-1.5
Mortgage	3.6	3.6	3.0	3.3	3.3
Low-income housing	-7.4	-9.1	-15.8	-12.5	-17.0
Medium and residential	4.1	4.2	4.1	4.1	4.6
Firms	3.2	3.3	-4.8	0.4	-12.2
Primary activities	1.3	1.8	1.0	3.2	-6.8
Mining	1.5	-11.2	-8.9	-4.0	-30.4
Construction	155.2	136.0	-23.4	35.8	-16.9
Utilities	-0.1	-3.6	-7.6	-3.8	-8.2
Manufacturing industry	3.7	4.0	-5.8	2.2	-16.0
Commerce	3.7	5.2	-5.5	0.4	-16.1
Transportation and storage	-2.2	-3.8	3.0	-3.3	-11.8
Mass media services	-11.9	2.8	-2.2	8.7	-18.7
Real estate services	8.2	9.1	-8.8	-1.1	-13.8
Professional services	15.7	13.2	-7.7	1.3	-13.5
Lodging services	-1.6	-3.3	-3.5	-5.7	-5.4
Other services	8.3	5.5	0.7	5.2	-6.2
Not sectorized	4.3	10.4	-0.3	2.1	4.0
Non-banking financial intermediaries	19.8	18.9	-17.1	-0.9	-23.5

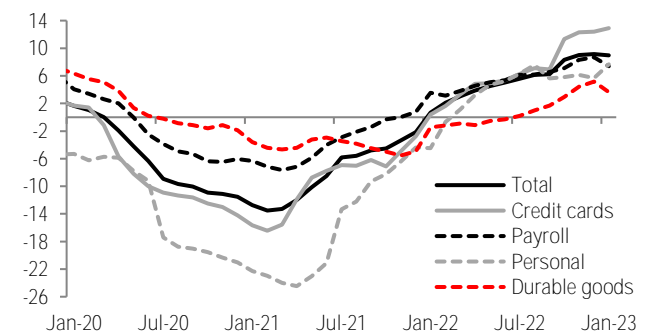
Source: Banxico

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



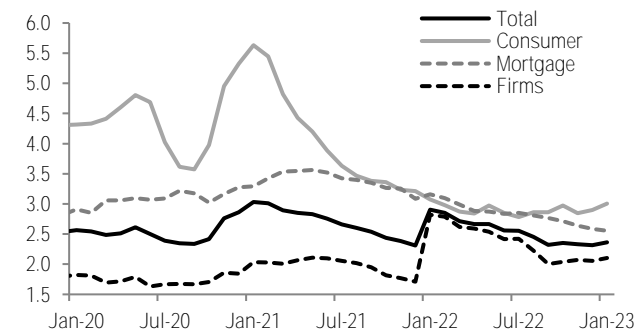
Source: Banorte with data from Banxico

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



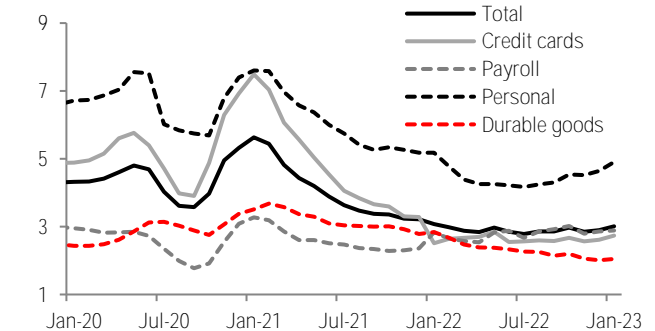
Source: Banorte with data from Banxico

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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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000

Economic Research

Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katía Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707

Market Strategy

Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
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Fixed income and FX Strategy

Leslie Thalia Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaias Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144

Equity Strategy

Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Strategist, Equity	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746

Corporate Debt

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

Quantitative Analysis

Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suárez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	oswaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roldan.ferrer@banorte.com	(55) 1670 - 1899