

## Banking credit – The recovery continued in January, especially for consumer loans

- Today, Banxico published its banking credit report for January 2022
- Banking credit declined 1.8% y/y in real terms, better than the -2.7% of the previous month and our -1.9% forecast. This suggests a modest improvement in loans, positive considering a slight deterioration in the backdrop during the month
- Corporate credit maintained the largest contraction at -4.2%, remaining as the most impacted. Mortgages came in at +2.8% and consumer loans managed to return to positive territory at +0.8% after 21 months with an annual contraction
- Non-performing loans (NPLs) rose to 2.5% of the total portfolio. Consumer loans were unchanged at 3.2%, with mortgages and corporates increasing at the margin to 1.9% and 3.2%, respectively
- We expect banking credit to keep recovering in the short-term, in part with a more modest drag from lower annual inflation. However, performance will remain tied to the pandemic, as well as some other risks

**Banking credit continues improving at the start of 2022.** Commercial banking credit to the private non-financial sector contracted 1.8% y/y in real terms in the first month of 2022 (see [Chart 1](#)). This was practically in line with our expectation at -1.9%, but markedly better than the -2.7% of the previous month. Although figures remain under pressure from base effects, performance suggests a slight acceleration in the pace of the improvement. As such, we believe a more vigorous recovery has extended through the last five months. We also highlight that the result was positive considering a more challenging backdrop in terms of the virus, which seems to have triggered greater uncertainty across consumers and businesses (using survey-based data). The effect from annual inflation is favorable, with a decrease of 28bps to 7.07%. In this context, corporate loans fell 4.2% y/y in real terms, likely impacted by the abovementioned factors. Looking at the breakdown, 6 out of 13 sectors worsened relative to December (see [Table 1](#)). Those with the largest impact were mining (-5.6% from 2.7%), transportation (2.6% from 5.1%) and real-estate services (-8.2% from -7.0%). On the contrary, the most notable improvements were in mass media (2.9% from -3.2%), commerce (-5.2% from -6.9%) and primary activities (0.6% from -0.9%).

Mortgages came in at 2.8% from 2.7% in December. Inside, low-income housing credit worsened to -17.5% (previous: -16.0%), with residential higher at 4.0% (previous: 3.8%). Consumer loans stood at 0.8% from -2.1%, back in positive territory for the first time in 21 months. Details were favorable ([Chart 2](#)), with improvements across all categories. As such, we highlight payroll loans (3.5% from 0.8%), credit cards (0.4% from -2.8%), durable goods (-1.6% from -4.9%), and personal loans (-3.2% from -4.4%). In addition, ‘others’ rocketed to 17.0% (previous: 7.3%).

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www.banorte.com  
@analisis\_fundam

Francisco Flores  
Director of Economic Research, Mexico  
francisco.flores.serrano@banorte.com

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

Winners of the award for best economic forecasters for Mexico in 2021, granted by *Refinitiv*



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We think the improvement in this sector was positive –and the driver behind most of the increase in total credit– considering an impact to fundamentals –especially [employment levels](#)– and prevailing price pressures, especially at the [core component](#). As a result, the increase might be explained by a more favorable outlook.

**Non-performing loans rise to 2.5% of the portfolio.** This represents a 20bps increase relative to the previous month. Inside, NPLs for consumer loans were unchanged at 3.2% ([Chart 3](#)). Mortgages were higher to 3.2% (previous: 3.1%), with corporates also worse at 1.9% (previous: 1.7%). We believe the adjustment is small and not at all a cause of concern, as levels remain quite low and manageable for banks. In this sense, cooperation between financial entities and regulators –such as the *National Banking and Securities Commission* (CNBV in Spanish), MoF and Banxico– will continue to be key to maintain and bolster the health of the system.

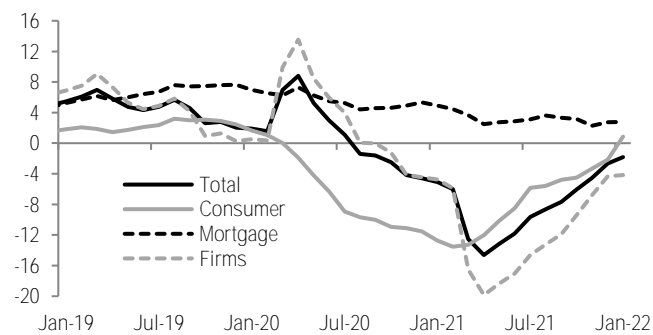
**We expect an upward trend in credit to continue, albeit with some risks ahead.** The last five months have shown a faster-than-expected recovery, suggesting that credit might be on pace to return to positive territory in a couple of months. However, and as portrayed by corporate loans, dynamism remains tied to economic activity and overall pandemic trends. As such, this is still the main challenge ahead. In addition, other key risks include: (1) Prevailing price pressures; (2) the tightening cycle from Banxico, resulting in higher interest rates; and (3) the pace of improvement in fundamentals (*e.g.* employment and remittances). Despite of this, we expect the overall trend to stay on the upside, with a more favorable base as annual inflation begins to moderate, along more outright dynamism in loans. By sectors, this is likely to be reflected in further improvements along consumer and corporate credit, still with the most room to make after the pandemic shock. Meanwhile, mortgages will probably remain more stable. On the health of the financial system, timely actions from regulators –as well as of other public and private institutions– reinforce the commitment of maintaining solid fundamentals.

Banking credit  
% y/y in real terms

	Jan-22	Dec-21	Jan-21	Jan-Dec'21	Jan-Dec'20
Private banking credit	-1.8	-2.7	-5.1	-8.7	1.2
Consumer	0.8	-2.1	-12.7	-8.2	-6.1
Credit cards	0.4	-2.8	-15.7	-9.4	-8.0
Payroll	3.5	0.8	-6.3	-3.7	-2.0
Personal	-3.2	-4.4	-22.3	-16.6	-12.9
Durable goods	-1.6	-4.9	-3.6	-4.2	1.2
Auto loans	-6.6	-7.6	-7.0	-7.7	-0.6
Other durable goods	33.6	14.4	30.7	27.7	21.7
Others	17.0	7.3	-13.6	-1.5	-4.9
Mortgage	2.8	2.7	4.9	3.3	5.6
Social interest	-17.5	-16.0	-15.2	-17.0	-11.2
Medium and residential	4.0	3.8	6.4	4.6	7.0
Firms	-4.2	-4.3	-4.7	-12.2	2.8
Primary activities	0.6	-0.9	-6.5	-6.8	4.8
Mining	-5.6	2.7	-31.6	-30.4	-5.8
Construction	-15.8	-16.7	-13.8	-16.9	-11.5
Utilities	-6.5	-6.7	-0.6	-8.3	3.9
Manufacturing industry	-6.1	-5.2	-6.4	-16.0	-0.1
Commerce	-5.2	-6.9	-15.2	-16.1	-6.2
Transportation and storage	2.6	5.1	-6.9	-11.8	3.7
Mass media services	2.9	-3.2	-8.1	-18.7	18.6
Real estate services	-8.2	-7.0	-0.7	-13.8	11.7
Professional services	-5.5	-4.5	-21.8	-13.5	-17.0
Recreational services	-3.2	-2.7	11.2	-5.4	20.6
Other services	0.6	-0.6	12.1	-6.2	14.3
Not sectorized	2.4	2.1	11.6	4.0	-0.2
Non-banking financial intermediaries	-17.3	-22.7	-25.5	-31.7	-4.6

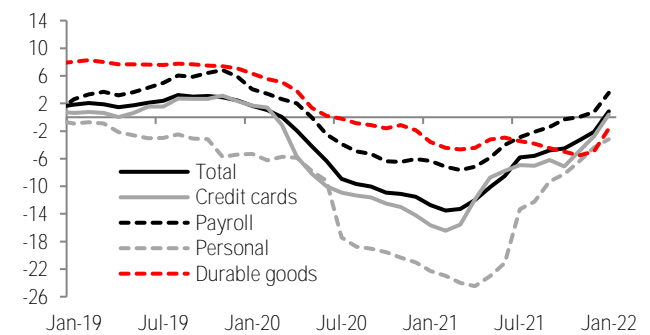
Source: Banxico

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



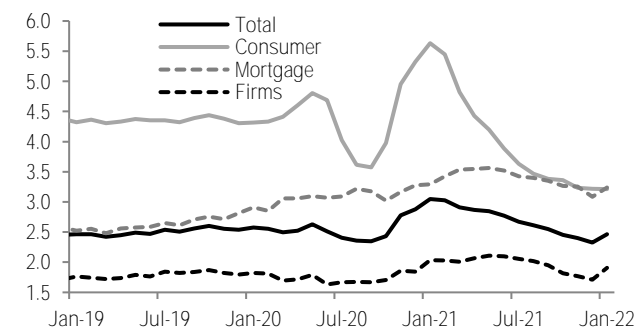
Source: Banorte with data from Banxico

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



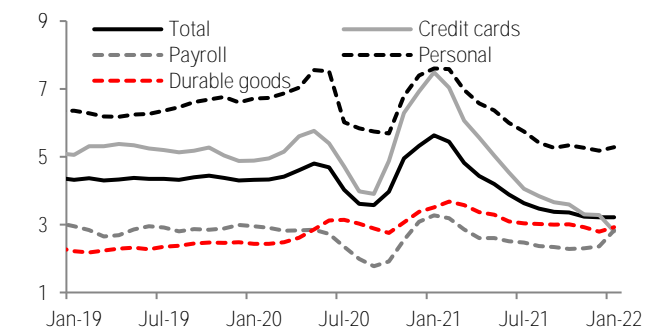
Source: Banorte with data from Banxico

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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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, José Luis García Casales, Yazmín Selene Pérez Enríquez, José Itzamna Espitia Hernández, Carlos Hernández García, Paola Soto Leal, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Daniela Olea Suárez, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo and Isaías Rodríguez Sobrino, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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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	alejandropadilla@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
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
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manueljimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Analyst, 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	Analyst	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 2755
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	alejandrocervantes@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
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.cebaldos@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	osvaldo.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.rolan.ferrer@banorte.com	(55) 1670 - 1899