

Monthly Report on Banking and the Financial System

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1. Banking and the Financial System

Traditional bank deposits are losing dynamism, reflecting the slowdown in sight deposits

In May 2025, the balance of traditional bank deposits (sight + term) reached a real annual growth rate of 4.4% (9.0% nominal), below the 6.1% recorded in the previous month and lower than the average recorded in the first four months of the year (6.6%). Sight deposits contributed 3.0 pp to the growth observed in May, while term deposits contributed 1.4 pp. In the fifth month of the year, the accounting effect of the depreciation of the exchange rate positively impacted dynamism, so that after adjusting for this effect, the real annual growth rate in May was 2.7%, lower than the average seen in the first four months of 2025 (3.6%).

In the fifth month of the year, sight deposits registered real annual growth of 4.6% (9.2% nominal), the lowest rate observed in 2025. When discounting the accounting effect of the depreciation of the exchange rate, the growth observed in May (2.8%) is also the lowest observed so far this year.

By holder, a generalized decrease in the growth of balances can be observed. In the case of individuals, the real annual growth rate declined from 6.7% in April to 4.8% in May; for companies, the rate fell from 5.2% to 3.4%; for the non-financial public sector, it was down from 25.4% to 19.2%; and in the case of other financial intermediaries, the contraction deepened from -9.6% in April to -15.1% in May.

The slowing dynamism in liquid balances in the non-financial private sector (companies and individuals) could be associated with a weakness in income. In particular, in the trade sector, the indicator of income from the supply of goods and services showed declines at an annual rate in April (-2.8% for wholesale trade and -3.6% for retail trade), while the same indicator for the services sector registered an annual growth rate of 3.4% in the same month; below the average of 4.5% observed in 1Q25.

In the case of individuals, the indicators of growth in formal employment and real wages continue to weaken. For formal employment, the annual growth rate of persons registered with the IMSS in May was 0.1%, below the already weak growth recorded in the first four months of the year

(which averaged 0.6%). The salaries of these workers grew at a real rate of 3.1% in May, below the average of 3.4% recorded in the first four months of the year.

Term deposits grew at a real annual rate of 4.1% (8.7% nominal) in May 2025, below the growth rate observed in the preceding month (4.3%) and the average recorded in the first four months of 2025 (4.9%). When adjusting for the accounting effect of the exchange rate, real growth in May was 2.4%, equal to the average for 1Q25. By holder, companies' balances continue to lose momentum, registering a real annual change of -0.4% in May while individual holdings saw a fall of 2.2%.

In addition to the negative effect associated with an environment of falling interest rates, the weakness in income generated by economic agents could be incentivizing the reallocation of their term savings to more liquid instruments in order to finance recurring expenditure. Meanwhile, the term balances of other financial intermediaries regained some dynamism: the non-financial public sector registered real annual growth of 5.3%, higher than the rate observed in the preceding month (-2.5%), while the balance of other financial intermediaries saw an increase in real annual growth from 25.6% in April to 29.3% in May. However, this rebound was not sufficient to compensate for the slowdown observed in the overall holdings of the private sector.

From now on, traditional deposits and their components are expected to continue to slow, as a result of the fall in interest rates as well as the weakness in income generated by economic agents, amid an ongoing decline in indicators of economic activity and employment.

Bank credit to the non-financial private sector continues to slow

In May 2025, the real annual growth rate of the balance of the portfolio of outstanding loans granted by commercial banks to the non-financial private sector (NFPS) stood at 7.4% (12.2% nominal). This was lower than the rate recorded in the preceding month (8.2% real), and the average observed in the first four months of 2025 (9.6%). Loans to companies contributed 4.9 pp to real annual growth in May, while the consumer and housing portfolios contributed 2.2 pp and 0.4 pp, respectively.

When discounting the accounting effect of the exchange rate, the loss of dynamism is also evident, as the annual real rate went from 6.3% in April to 5.7% in May. In other words, in the fifth month of the year, the depreciation of the exchange rate contributed 1.7 pp to annual credit growth, below the average of 2.6 pp observed in the first four months of the year.

In May, outstanding consumer credit saw real annual growth of 8.8% (13.6% nominal), falling below the double-digit growth rates that had been in place for 26 months for the first time since March 2023. Loans for the acquisition of durable consumer goods (ADCG) contributed 3.6 pp to the real growth rate observed in May, while credit granted through cards accounted for 2.7 pp; payroll loans contributed 0.9 pp, personal loans 1.3 pp and other consumer loans 0.3 pp.

The credit segment for the acquisition of durable consumer goods (ADCG; 20.9% of consumer credit) remains the main driver of consumer credit dynamism, although it is already showing signs of slowing down. The real annual growth rate of the two segments making up this portfolio (automotive and movable property) decreased with respect to the previous month.

In the case of loans granted to the automotive sector, the real annual rate went from 21.6% in April to 20.3% in May. In the short term, this portfolio could experience a greater slowdown, as the automobile retail sales indicator registered a sharp drop in June (-12.2% at an annual rate, which compares negatively with the average growth of 1.3% recorded in the first four months of the year). Meanwhile, the real annual growth rate of loans granted for the acquisition of movable property decreased from 11.0% in April to 9.6% in May, falling below the double-digit growth rate observed since November 2024.

The second largest contributor to growth in April was the credit card segment (36.1% of outstanding consumer credit), whose balance saw a real annual increase of 7.4% (12.1% nominal), down from April (9.5% real) and marking the lowest real growth rate recorded since September 2022. The credit card portfolio is starting to reflect the slowdown in private consumption, which contracted by 0.9% on average between January and April (latest available information). The dynamism of this portfolio is expected to continue to moderate as the weaker performance of wages and employment negatively impacts household income.

The outstanding balances of the payroll and personal loan portfolios also lost dynamism in May. Payroll loans registered real annual growth of 3.7% (8.3% nominal), lower than the figure of 4.7% seen in the previous month, while the real annual growth rate for personal loans went from 9.2% in April to 8.3% in May (13.1% nominal).

In both cases, the rate recorded in May is below the average real annual growth recorded in the first four months of 2025 (5.2% for payroll loans and 10.0% for personal loans). These two portfolios most closely reflect the slowdown in formal employment and real wages. In the first case, the annual growth rate in May was zero (0%), while the daily wage associated with IMSS insurance in May grew at a real rate of 3.1%, below the average observed between January and April this year (3.6%).

Outstanding housing credit (21.0% of the current NFPS portfolio) registered a real annual growth rate of 1.7% (6.2% nominal) in May, the lowest growth rate recorded since December 2017. The outcome for May mainly reflects the slowdown in credit balances for middle-income residential housing (96.2% of the total housing credit balance), whose growth rate went from 2.8% in April to 1.8% in May. By contrast, the performance of the social housing portfolio picked up, with the real annual rate moving from a fall of 9.0% in April to modest growth of 0.3% in May, which was not sufficient to compensate for the lower expansion rate in mortgage loans for the acquisition of middle-income residential housing. The weaker dynamism of the mortgage loan portfolio continues to reflect the slowdown in formal employment and wage indicators and is likely to deepen in the coming months due to the lagged effect of these variables on demand for mortgage loans.

Meanwhile, outstanding loans to companies (53.7% of the current NFPS portfolio) registered growth of 9.2% in real terms (14.0% nominal) in May, down on the rate recorded in April (9.6% real) and the average for the first four months of the year (10.8%).

By sector of activity, the services sector (55.2% of the total) contributed 7.4 pp to the growth rate of the portfolio of outstanding loans to companies in May, while the manufacturing and construction sectors maintained their contribution to growth (at 1.6 pp and 1.2 pp respectively). In May, the credit balances for most of the different economic sectors recorded lower growth rates compared with the previous month and the real annual growth rate is already declining in two sectors in particular (the agricultural sector: -9.2% and electricity, gas and water: -3.3%), although the small share held by these sectors in the total portfolio reduces the overall impact of this slowdown (together they account for just 4.6% of the portfolio of outstanding loans to companies).

In terms of currency composition, it should be noted that the outstanding portfolio in domestic currency (D.C.; 74.4% of outstanding loans to companies), achieved real growth of 4.8% in May, marginally below the 4.9% achieved in April. Meanwhile, the outstanding portfolio in foreign currency (F.C.) grew at an annual rate of 25.1%, discounting the inflation effect. However, also discounting the accounting effect of the depreciation of the exchange rate, the annual change amounted to 9.2%, lower than the 9.5% recorded in April.

More moderate growth can be observed for the total portfolio of loans to companies when adjusting for the accounting effect of the exchange rate, as the real annual rate would fall from 9.2% to 5.9%, slightly below the average growth of 6.1% recorded in the first four months of 2025 (excluding the accounting effects of inflation and the exchange rate). In other words, in May, the accounting effect of the exchange rate contributed 3.3 pp to growth at an annual rate.

Some indicators that anticipate the demand for loans to companies continue to show signs of weakness. In particular, the decline in the gross fixed capital formation indicator deepened at an annual rate in May (with a change of -12.5% in April, higher than the average of -4.9% observed in 1Q25). In addition, as the exchange rate valuation effect continues to fade and the slowdown in economic activity and employment affects companies' income, demand for loans to companies is expected to moderate further in the short term, which is reflected in more subdued growth rates in the outstanding loan portfolio for this segment.

Financial savings and financing in Mexico showed good dynamism at the end of 2024

Based on information from the Financial Savings and Financing Report [in Mexico](#) published by the National Banking and Securities Commission (CNBV), at the end of the fourth quarter of 2024 financial savings had accumulated a balance of 32.7 trillion pesos and registered a real annual growth rate of 8.1%.

Domestic savings (79.3% of the total), comprising deposits made by intermediaries and holdings of fixed-income securities and trust certificates, registered a balance of 26.1 trillion pesos, and a real annual growth rate of 7.9%. Within domestic savings, bank deposits reported a balance of 12.6 trillion pesos as of 4Q24, which implied a real annual growth rate of 6.9%, with this type of deposit being the most relevant component of total deposits. Holdings of fixed-income securities and trust certificates increased by 8.9% in real annual terms. Institutional investors present a higher growth rate than individuals (11.5% vs 3.5%), driven mainly by the growth in investment funds and Siefors.

Foreign savings, on the other hand, registered a balance of 6.7 trillion pesos, and a real annual growth rate of 8.9%. A breakdown of foreign savings by the sector they finance shows that foreign resources financing the public sector amounted to 4.5 trillion pesos, with a real annual growth rate of 8.4%, while foreign resources financing the private sector stood at 2.1 trillion pesos, with a real annual growth rate of 10.0%.

The balance of total financing granted to the public and private sectors was 33.8 trillion pesos at the end of 4Q24, with a real annual growth rate of 9.7%. Domestic financing grew at a real annual rate of 8.6%, while foreign financing grew at a higher rate of 16.9%. In the breakdown of domestic financing, the issuance of domestic debt and trust certificates stands out, with a balance of 17 trillion pesos, followed by the total credit portfolio, with a balance of 11.9 trillion pesos.

Among the sources of domestic financing for the private sector, credit granted by commercial banks stands out, growing at a real annual rate of 9.0% in 4Q24. For the public sector, the main source of domestic financing was the issuance of securities, which increased at a real annual rate of 10.5% in the reference period.

Trade tensions and the associated uncertainty, among the main challenges for the local financial system

The Financial System Stability Board (CESF) has updated [its balance of risks](#). The statement notes that due to the prevalence of trade tensions and geopolitical conflicts worldwide, the outlook for the global economy is subject to a high level of uncertainty and a slowdown is anticipated in 2025 and 2026. Among the global risks that could have an impact on financial stability, the CESF stresses the possibility that economic activity will slow more than expected or remain weak for a prolonged period; the resurgence of inflationary pressures at the global level that could lead to lower-than-expected monetary easing; and uncertainty in the economic, financial, and political spheres that could have negative implications for the functioning of the financial markets.

In the domestic environment, while economic activity continues to grow at a low rate in 2Q25, a complex international context is reflected in high levels of uncertainty and downside risks to economic growth. The CESF points out that although the sovereign credit rating remains in

investment grade territory, the rating agencies have reiterated the challenge posed by U.S. trade policy.

At the end of the second quarter of the year, the Mexican banking system continues to show a solid position, with capital and liquidity levels above regulatory minimums, which gives it sufficient capacity to preserve its stability and proper functioning in the face of adverse situations and periods of stress. The CESF mentions that some non-bank financial intermediaries could present financial vulnerabilities on an individual basis. However, they do not represent a systemic risk as they account for a small part of the system and have limited interconnection with other intermediaries.

2. Financial Markets

Complacency in the financial markets in the face of renewed tariff threats?

Last week, the U.S. President announced a series of new trade measures for several countries ahead of the expiration of the extension announced on April 9. However, the reaction of the markets differs enormously from what happened after so-called "*Liberation Day*". This is not because agreements have been reached or because tariff rates have been reduced, as in some cases, such as Brazil, the opposite has happened.

In this context, it is worth asking whether financial market participants have developed a degree of complacency given the U.S. President's tendency to extend the measures initially announced, and what risks could be incurred from such a stance.

Indeed, unlike the S&P500's 12.3% drop and the dollar's 0.8% depreciation six days after the April 2 announcement, in July, the vast majority of risk assets maintained their gains and even reached new highs. This was the case of the S&P500 and Nasdaq indices, which reached new all-time highs just one and seven days, respectively, after July 9, the expiration date of the tariff extension announced on April 2. This puts the return of each index with respect to their low for the year to date (reached on April 8) at 25.7% and 34.0%, respectively.

The other major stock market indices showed similar trends, with rises of 23.9% and 23.7% recorded by the benchmarks for this asset class on a global level and for emerging markets (EM), respectively. In the case of the IPyC, even though a 30% tariff rate was announced for Mexican products on July 12, the increase compared with April 8 amounts to 12.3%.

In the government debt market, the yield to maturity of the 10-year bond increased by 14 basis points between July 9 and July 16, marking a different performance compared with the 21 bp rise recorded seven days after the April 2 announcements.

A similar trend can also be observed in the corporate debt market. Spreads on Treasuries are near their 10-year lows for both investment-grade (0.8%) and speculative-grade (3.0%) bonds.

This stands in sharp contrast to the levels of 4.6 and 1.1% for speculative-grade and investment-grade bond spreads, respectively, that were seen following the April 2 announcement.

Meanwhile, in the foreign exchange market, the dollar strengthened by 0.5% against the currencies of emerging market countries and by 0.6% against the currencies of developed countries between July 9 (the expiration date of the extension) and July 16. This behavior contrasts with the dollar's fall of 0.9% seven days after the announcement on April 2, even more so if we consider that this was the beginning of a depreciation that reached 4.1% in April. It should be noted that this depreciation was among the 5% of highest monthly depreciations seen in the last ten years.

The described behavior of risk assets suggests that market participants are assuming that the tariff measures will not come into force soon, either because of additional extensions or due to trade agreements that will impose tariffs that are closer to the rates they initially expected. It could even be said that recent levels of stock markets, yields, and corporate spreads are based on the expectation that tariff measures and their associated uncertainty will have marginal effects on inflation and growth expectations.

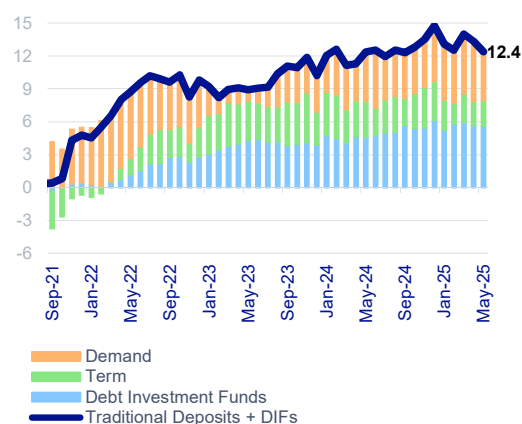
This stance is risky, as the losses that could occur in the event that the tariffs materialize and expectations change could be even higher than those observed in April and their probability of occurrence could be even greater. It suffices to note that the tariff extension announced on April 2 came after the S&P 500 had registered a fall of 12.1%.

In other words, it seems that one of the factors that may have influenced the decision to postpone the tariffs in April was the adverse effect on financial markets and, particularly, on U.S. assets. On this occasion, the market seems to expect a similar outcome, even though risk assets are showing strength and growth that are far from the caution suggested by the uncertainty of the current environment.

Deposits: Charts

COMMERCIAL BANK TOTAL DEPOSITS

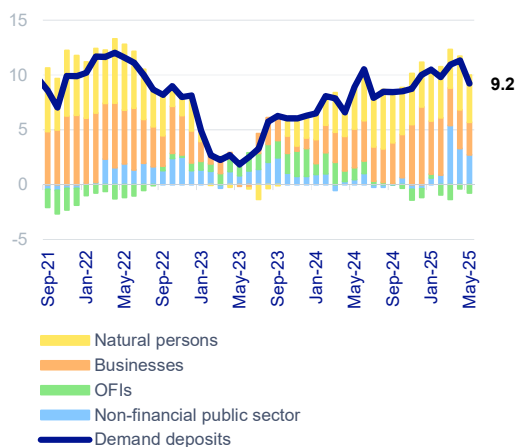
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

SIGHT DEPOSITS

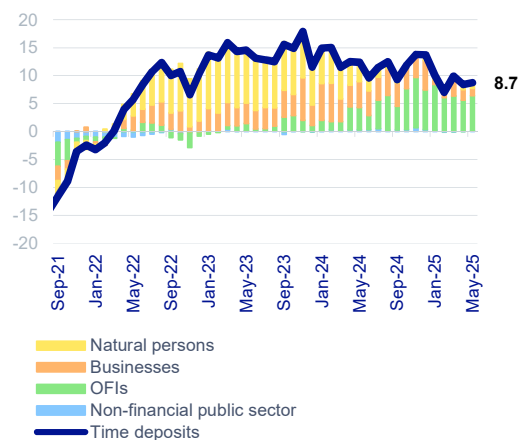
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

TERM DEPOSITS

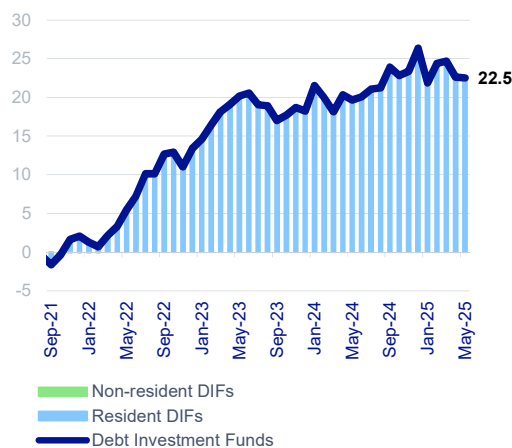
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

DEBT INVESTMENT FUNDS (FIDs)

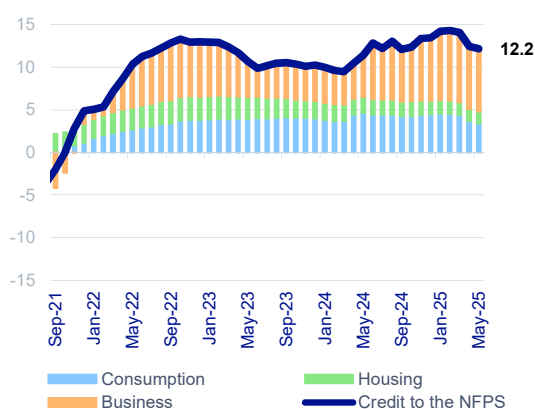
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

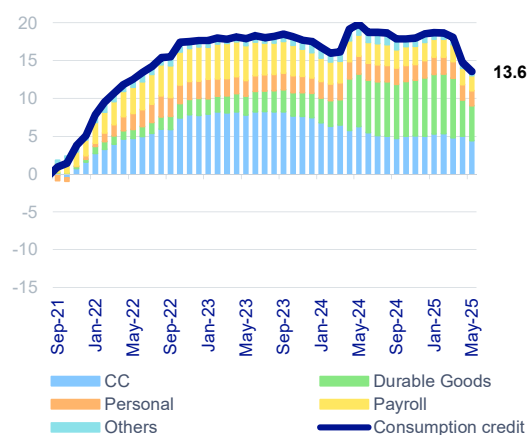
Credit: Charts

OUTSTANDING BANK CREDIT TO THE SPNF
(NOMINAL ANNUAL CHANGE, %)



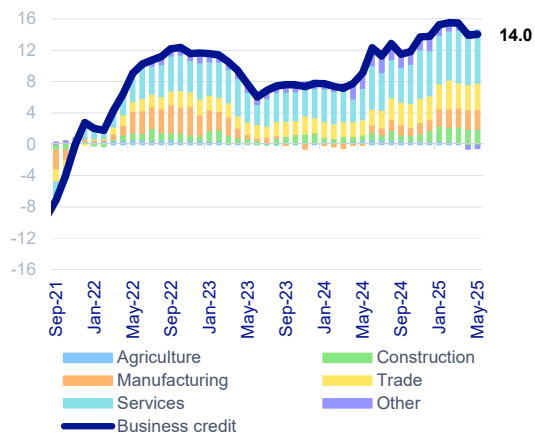
Source: BBVA Research with data from Banxico

OUTSTANDING CONSUMER CREDIT
(NOMINAL ANNUAL CHANGE, %)



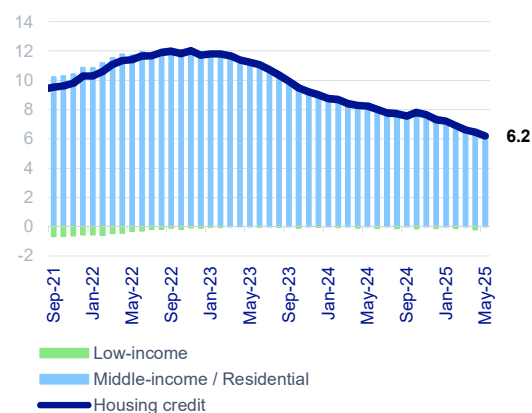
Source: BBVA Research with data from Banxico

OUTSTANDING LENDING TO COMPANIES
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

OUTSTANDING MORTGAGE LOANS
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

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