

Monthly Report on Banking and the Financial System

Mariana A. Torán, Iván Martínez Urquijo, Jorge A. Campos Soto

1. Banking and the financial system

Bank deposit growth continues to slow

In June 2025, traditional bank deposits (demand + sight) registered a real annual growth rate of 3.6% (8.0% nominal), below the 4.4% recorded the previous month. With this result, average real growth for 2Q25 was 4.7%, below the 6.0% average achieved in 1Q25. Sight deposits contributed 2.2 pp to the growth observed in June, while term deposits delivered 1.4 pp. In the sixth month of the year, the accounting effect of the depreciation of the exchange rate added 0.4 pp to the rally, so that after adjusting for this effect, the real annual growth rate in June stood at 3.1%, lower than the average seen during the first five months of 2025 (3.4%).

In June, sight deposits achieved real annual growth of 3.3% (7.7% nominal), the lowest figure in the year to date. Stripping out the accounting effect of the exchange rate depreciation, the growth observed in June (2.9%) was similar to that observed in April (2.8%).

By holder, most economic agents witnessed a decline in sight deposit growth. In the case of individuals, the real annual growth rate declined from 4.8% in May to 3.2% in June; for companies, the rate fell from 3.4% to 3.0%; for the non-financial public sector, it was down from 19.2% to 12.1%; and in the case of other financial intermediaries (OFIs), the decline slowed from -15.0% in May to -10.1% in June.

This loss of momentum could be linked to the weakness of the different agents' sources of income. For households, formal employment growth in June was zero, after recording modest growth in the first five months of the year (an average of 0.5% year on year). Real wages were also down (3.7% in 1Q25 vs. 3.2% in 2Q25).

Turning to companies, in the commerce and trade, income ratios from the supply of goods and services were down on average in the first five months of the year (-1.8% for wholesale commerce and -2.3% for retail commerce). This subdued growth in individual income could also be affecting income associated with the non-financial public sector, while also leading to more moderate activity for OFIs.

Term deposits grew at a real annual rate of 4.1% (8.6% nominal) in June 2025, mirroring the growth observed in May. More precisely, average real growth in 2Q25 was 4.2%, below the 5.1% reported in 1Q25. However, when we strip out the accounting effect of the exchange rate, real

growth in June was 3.6%, its highest figure in the year to date. By holder, we saw a mixed bag of results. For individuals, term savings balances managed to slow their descent from -2.2 to -0.4%, while OFIs picked up the pace (from 29.3 in May to 30.3% in June). Conversely, terms balances in the hands of companies and the non-financial public sector took a turn for the worse, in the first case dropping further from -0.4% in May to -2.3% in June, and in the second case slipping from positive growth of 5.3% in May to negative growth of -5.6% in June.

What we have been seeing in recent months is that the prevailing environment of falling interest rates is making it less attractive to hold term deposits, and weak income levels could be encouraging agents to unwind these savings in order to meet their recurring expenses.

Meanwhile, equity holdings in debt mutual funds also slowed significantly in June, having previously rallied strongly during 2024 and in the first half of 2025. More precisely, they closed 2Q25 with a real growth of 13.8%, significantly below the 18.6% average achieved in the first five months of the year.

In all likelihood, traditional deposit-taking and other savings instruments will continue to slow, what with interest rates falling and income growth among economic agents stuttering, as economic and employment indicators continue to deteriorate.

Bank credit to the non-financial private sector loses momentum

In June 2025, the performing loan book granted by commercial banks to the non-financial private sector (NFPS) registered a real annual growth rate of 5.4% (10.0% nominal), the lowest rate recorded since April 2024. This latest figure brings the average real growth in 2Q25 to 7.0%, below the 10.1% average reached in 1Q25. Performing loans to companies added 2.9 pp to the tally, while consumer and housing portfolios contributed 2.2 and 0.3 pp, respectively.

This loss of momentum can also be seen if we strip out the accounting effect of the exchange rate, with the real annual rate dropping from 5.7% in May to 5.0% in June. In other words, in June the exchange rate depreciation contributed 0.7 pp to annual credit growth, below the average of 2.1 pp observed in the previous 12 months, when the local currency began to depreciate. While this 12-month depreciation has continued, its annual impact is now somewhat less.

In June, performing consumer credit reached a real annual growth rate of 8.9% (13.6% nominal), similar to the 8.8% reported the previous month. As a result, performing consumer credit averaged a real annual growth rate of 9.3% in 2Q25, significantly below the 1Q25 average real growth rate of 14.2%. Loans for the acquisition of durable consumer goods (ADCG) contributed 3.5 pp to the real growth rate observed in June, while credit granted through cards accounted for 2.8 pp; payroll loans contributed 0.9 pp, personal loans 1.3 pp, and other consumer loans 0.4 pp.

Credit for the acquisition of consumer durables (20.9% of total consumer credit) remains the segment that is contributing the most to portfolio growth, although in June it continued to show signs of slowing. The two segments that make up this portfolio (automotive and durable goods)

saw their real annual growth rate drop when compared with the previous month. Notably, automotive loans dipped from a real annual growth rate of 20.3% in May to 19.8% in June, while the durable goods segment experienced a gentler drop, with the real growth rate falling from 9.6% in May to 9.4% in June.

The second segment making the highest contribution to growth was credit cards (36.1% of performing consumer credit), where the balance rose 7.7% in real annualized terms (12.3% nominal), slightly above May's figure (7.4% real), bringing average real growth in 2Q25 to 8.2%, falling short of the 9.5% recorded in 1Q25. The cards portfolio continues to show a loss of steam in private consumption, falling by -1.6% in May (latest available information). Moving forward, we expect this portfolio to continue to slow, as wage growth and employment weaken, with the resulting knock-on effect on household income.

The performing balances of the payroll and personal loan portfolios delivered a mixed performance in June. Payroll loans slowed their year-on-year real growth from 3.7% in May to 3.5% in June (8.0% in nominal terms), while personal loans rose from a real annual growth rate of 8.2% in May to 8.7% in June (13.3% in nominal terms).

The figures at the end of June in both cases confirm a slower growth than that observed in the first quarter of the year. More precisely, the average real growth of payroll loans dropped from 5.5% in 1Q25 to 4.0% in 2Q25, while for personal loans it slipped from 10.3% in 1Q25 to 8.7% in 2Q25.

Both portfolios continue to reflect the slowdown in both formal employment and real wages. In the first case, the annual growth rate in 2Q25 was 0.1% below the 0.7% recorded in 1Q25, while the daily wage associated with IMSS insurance in 2Q25 grew at a real rate of 3.2%, below the average observed between January and March of this year (3.7%).

Housing loans (21.1% of the performing portfolio to the NFPS) registered a real annual growth rate of 1.5% (5.9% nominal) in June, the lowest growth rate recorded since November 2009. Average real growth in 2Q25 for this segment stood at 1.9%, also below the average observed in 1Q25 (3.1%). The slowdown observed in the first half of the year is due both to the slump in formal employment and wages (as mentioned earlier) and to a very slow reduction in interest rates for this type of credit.

By type of credit, the June lending figure for medium-income residential housing (96.2% of the total housing credit balance) was up 1.9% in real terms, practically the same as that observed in the previous month. Meanwhile, the low-income housing portfolio fell significantly, dropping from real growth of 0.3% in May to -8.9% in June. Given that the mortgage book takes time to respond to the performance of indicators such as formal employment and wages, it is expected to remain very subdued in the short term.

In June, performing corporate loans (53.2% of the performing portfolio to the NFPS) grew by 5.4% in real terms (10.0% nominal), significantly below the figure reported in May (9.2% real). As a result, average real growth in 2Q25 was 8.1%, falling short of the 11.2% achieved in 1Q25.

By sector of activity, the services sector (55.4% of the total) contributed 5.7 pp to the growth rate of the performing corporate loan book in June, while the manufacturing sector made a quieter contribution of 0.3 pp, and construction added 1 pp to the total. The balances of the other sectors (agriculture, mining, electricity, water and gas, and others) fell during the month, knocking 1.6 pp off the total growth figure. In June, most loan balances across the different sectors of the economy saw slower growth compared with the previous month, with some even posting annual declines.

There was a notable slump in the manufacturing sector, where the performing portfolio registered real annual growth of 1.6% in June, significantly below the average of 7.9% observed between January and May of this year. This reading appears to show that the positive momentum observed in early 2025, as production and sales rallied in response to the looming threat of tariffs, is coming to an end.

In terms of currency composition, it should be noted that the performing portfolio in domestic currency (75.5% of performing credit to companies) achieved real growth of 4.8% in June, matching the May figure. Meanwhile, the performing loan book denominated in foreign currency dipped from a growth rate of 24.4% to 7.4% stripping out the effect of inflation. If we also factor in the accounting effect of the exchange rate depreciation, the annual rate change fell from 9.2% in May to 4.1% in June.

For the total corporate portfolio, when adjusting for the accounting effect of the exchange rate, an even more moderate growth trend emerges, with growth moving from a real annual rate of 5.4% to 4.6%. In other words, in June the accounting effect of the exchange rate contributed 0.8 pp to annual growth, the lowest contribution observed for this accounting effect in the last 12 months.

Some indicators that anticipate the demand for loans to companies continue to show signs of weakness. Notably, the gross fixed capital formation indicator continued to worsen, falling -7.1% in May in annual terms (exceeding the average contraction recorded between January and April of -6.8%). Moreover, the slowdown in economic activity and employment will continue to impact corporate revenues, so moderate growth in the corporate loan book is to be expected in the short and medium term.

Financial savings and financing in Mexico remain buoyant at the end of the first quarter of 2025

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 first quarter of 2025 financial savings had amounted to 33.8 trillion pesos, with a real annual growth rate of 8.8%.

Domestic savings (78.7% of the total), which comprises deposits from intermediaries and holdings of fixed-income securities and stock certificates, amounted to 26.6 trillion pesos, posting a real annual growth rate of 7.0% in March 2025. Within domestic savings, deposits from financial intermediaries stood at 12.7 trillion pesos in 1Q25, giving a real annual growth

rate of 6.1%. Notably, this type of deposit is the main component of domestic savings. Holdings of fixed-income securities and trust certificates increased by 7.8% in real annual terms. Institutional investors continue to register double-digit annual growth rates (14.7% in March 2025), driven mainly by the buoyant state of both mutual and Siefores funds. On the flip side, the balance among individual investors was down -6.1% at the end of 1Q25, amid lower investment by companies and individuals.

Meanwhile, external savings amounted to 7.2 trillion pesos, with a real annual growth rate of 16.2%. Breaking down this figure by the sector they finance, we can observe that external funds financing the public sector came to 5.0 trillion pesos (69.6% of external savings), with real annual growth of 17.7%, while external funds financing the private sector stood at 2.2 trillion pesos, showing real annual growth of 13.0%.

The balance of total financing granted to the public and private sectors was 35.0 trillion pesos at the end of 1Q25, with a real annual growth rate of 9.7%. Domestic financing grew at a real annual rate of 7.5%, while foreign financing grew at a higher rate of 23.5%. In the breakdown of domestic financing, the issuance of domestic debt and trust certificates stands out, with a balance of 17.4 trillion pesos, followed by the total credit portfolio, with a balance of 12.3 trillion pesos.

Among the various sources of domestic financing for the private sector, credit granted by commercial banks stands out, growing at a real annual rate of 8.7% in 1Q25. For the public sector, the main source of domestic financing was the issuance of securities, which increased at a real annual rate of 7.5% in the reference period.

Demand for credit remained unchanged at the end of 2Q25, despite tighter borrowing conditions in some segments

The Bank of Mexico published the 2Q25 update of the [Survey on General Conditions and/or Standards in the Banking Credit Market](#) (EnBan), which shows expectations of credit demand and general conditions and/or credit underwriting standards in the market.

Looking at demand for credit in 2Q25, the banks with the largest market share did not perceive any significant changes in any of the various segments they cater to. However, banks with a smaller market share saw an increase in demand for credit cards and payroll loans, while for the auto loan book they noted an average reduction in demand. Meanwhile, there was no significant change for the remaining segments (large non-financial companies, non-financial SMEs, non-bank financial intermediaries, personal loans and mortgage loans).

As for credit expectations for 3Q25, commercial banks do not expect to see any significant change with regards to the non-financial SME and mortgage segments. The banks with the largest market share foresee an increase in demand for credit from other non-bank financial intermediaries. These larger banks also anticipate a decline in lending to large non-financial companies, with no significant changes in the credit card segment. Conversely, banks with a smaller market share expect to see heavier demand for credit from large non-financial companies

and credit cards, with no significant changes in the segment of other non-bank financial intermediaries.

In 2Q25, commercial banks reported a tightening of general lending and/or credit underwriting standards for the large non-financial corporate and credit card segments, while payroll loans were largely unchanged. The banks with the largest market share reported a greater narrowing for the segments of non-financial SMEs, other non-bank financial intermediaries, auto loans, and personal loans. Meanwhile, banks with smaller market shares saw no significant changes in general lending standards for non-financial SMEs, other non-bank financial intermediaries, auto loans, personal loans, and mortgages.

Looking ahead to 3Q25, commercial banks do not expect to see any meaningful change in the general lending and/or credit underwriting standards for the credit card segment. However, lending standards are expected to tighten for the segments of large non-financial companies and other non-bank financial intermediaries. The banks with the largest market share do not foresee any significant change for the non-financial SMEs segment, although standards for mortgage loans are expected to tighten. Meanwhile, banks with smaller shares of the market estimate a general deterioration in general lending standards for the non-financial SMEs segment and no significant changes in the mortgage portfolio.

Lastly, commercial banks as a whole reported a reduction in the cost of funding, coupled with a worsening in the national and international economic environment and in the sentiment of businesses and households regarding economic activity and employment conditions for households.

2. Financial markets

Will Jackson Hole be the first obstacle to the benign scenario that the financial markets have already priced in?

This summer in the financial markets has been marked by price trends suggesting that investors are pricing in a scenario where the main risks are considered unlikely to materialize. Against this backdrop, the Fed is set to reassess its long-term strategy this coming Friday, and its tone may either reinforce or cast doubt on some of the assumptions underpinning the scenario currently reflected in risk asset prices.

Market participants are pricing in an outlook that is anything but cautious, despite lingering uncertainty over the economic fallout and duration of the tariffs, the extent of the labor market weakness in the United States, and how this situation might impact consumption, coupled with the mid-term implications of fiscal imbalances, geopolitical tensions, and even the likely path of the federal funds rate.

One factor that could be used to justify this dynamic is the rise of artificial intelligence and ensuing investment in the technology sector. While it is undeniable that the main companies linked to this sector have generated strong earnings and promise upside potential that could explain their high

valuations, the truth remains that these stellar earnings are concentrated in just a handful of companies, while the rest of the crowd have delivered a fairly nondescript performance.

Indeed, from December 29, 2023 to date, the share price of the so-called Magnificent 7 (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) are up 79.4%, while the rest of the 493 stocks of the S&P 500 have grown by a more modest 27.9%. What this means is that the ten stocks with the largest market capitalization account for 39.8% of the total value of the S&P 500, the highest concentration in history and 10% higher than in 2001 during the so-called internet bubble.

While artificial intelligence may provide a compelling storyline in the equity market, the case is harder to make in the bonds market, where growth potential matters much less and the regular payment of cash flows is still the main driver. And in this case, we are seeing similar signals. In the third week of August, the spread on US investment-grade corporate bonds narrowed to 75 basis points, their lowest level since 1998, after having widened to around 120 basis points in April amid the trade uncertainty triggered by the so-called ‘liberation day.’

This has taken place despite July’s decline in US employment and the sizable downward corrections for the two preceding months; the drop in consumer spending during the second quarter; and the fact that the trade agreements announced so far point to higher tariffs than anticipated.

In the case of US Treasuries, although long-dated yields began to rise in early 2025, that upward move has since come to a halt. As it happens, the yield on the 30-year point has fallen by 15 basis points from its May peak, and even the 5.1% level reached back then was seemingly disconnected from expectations over the path of the US deficit and debt over the coming years.

Looking at the dollar, the downward trend has stopped and the greenback even registered gains during July and August against other developed market currencies (+1.4%) and emerging market currencies (+1.2%). While the consensus view still points to a weak dollar moving forward, the currency’s stronger performance over the summer—despite expectations of lower interest rates—suggests that the moves seen in April and May were more likely driven by [institutional investors stepping up their dollar hedges](#) than by any collapse of the so-called US exceptionalism narrative.

Moreover, on this particular point, the data on purchases of US assets hardly suggest that their appeal for investors has diminished in any lasting or meaningful way. According to Treasury Department data, while foreign investors sold US assets (equities, government bonds, and corporate bonds) worth \$92 billion in April, their purchases subsequently rose by \$545 billion over the following two months. Even despite the significant drop in major US equity markets in April, in the year to date the performance gap between these markets and the global benchmark for this asset class has narrowed to just over 400 bp.

It is against this backdrop, and following recent pressure from the White House on the US central bank, that the Fed is set to announce its review of the monetary policy framework this coming Friday. Beyond this key issue, the market will be watching for signals regarding the widely anticipated 25 bp cut in the federal funds rate expected in September, as well as any hints of further cuts.

This is significant given that, in recent weeks, the market has raised its expectations over lower rates and is now pricing in a reduction of just over 100 basis points over the next 12 months. All this comes despite the restrictive tone adopted by the Fed chair at the most recent meeting and the July US consumer and producer price data, which came in above expectations.

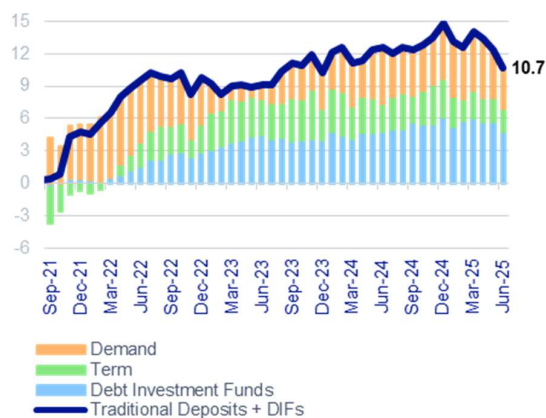
The outlook now priced in by the markets could well have been influenced by the expectation of further cuts in the federal funds rate over the next few months. A more hawkish tone from the Fed chair is likely to challenge the market-implied scenario, which is currently discounting low odds for most of the prevailing risks.

Historically, September and October tend to exhibit high volatility, and the macroeconomic impact of the current administration's tariff measures may begin to materialize gradually. Therefore, if incoming data begin to cast doubt on the assumptions underpinning this scenario, we could soon see significant shifts in global financial asset prices.

Deposits: Charts

COMMERCIAL BANK TOTAL DEPOSITS

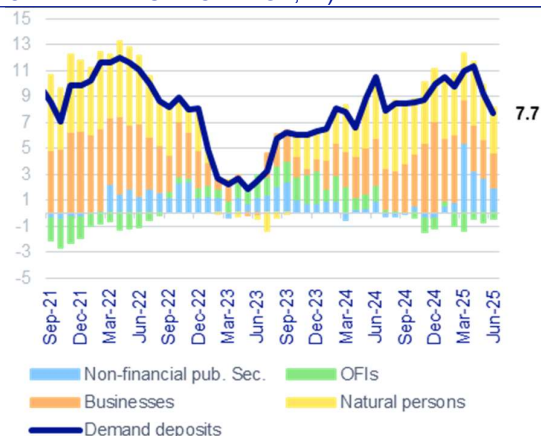
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

SIGHT DEPOSITS

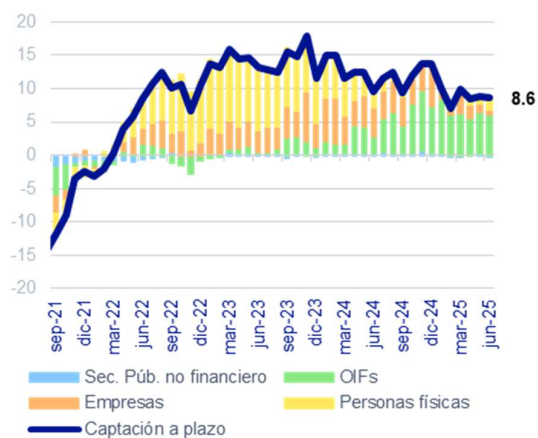
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

TERM DEPOSITS

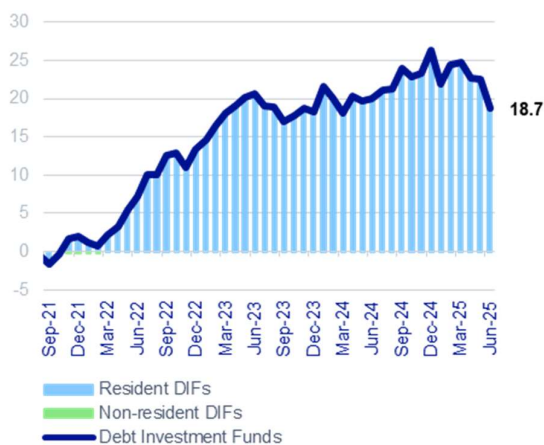
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

DEBT INVESTMENT FUNDS

(NOMINAL ANNUAL CHANGE, %)

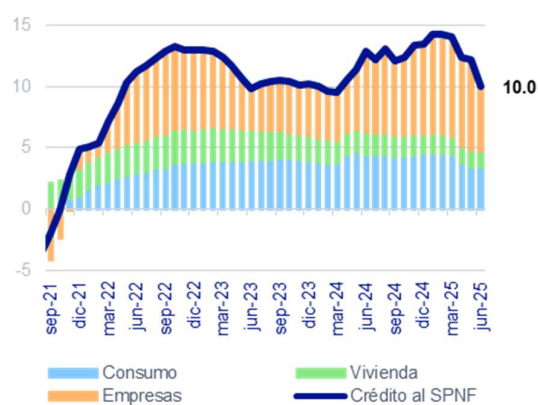


Source: BBVA Research with data from Banxico

Credit: Figures

PERFORMING BANK CREDIT TO THE NFPS

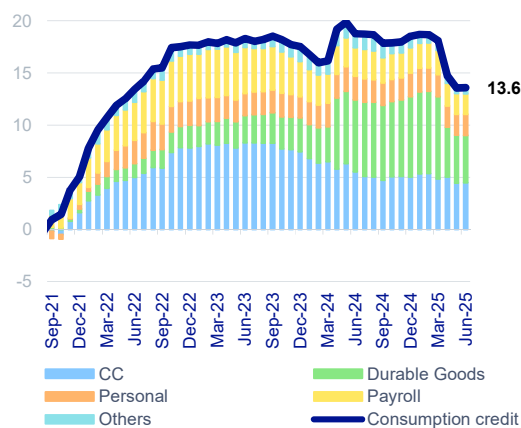
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

PERFORMING CONSUMER CREDIT

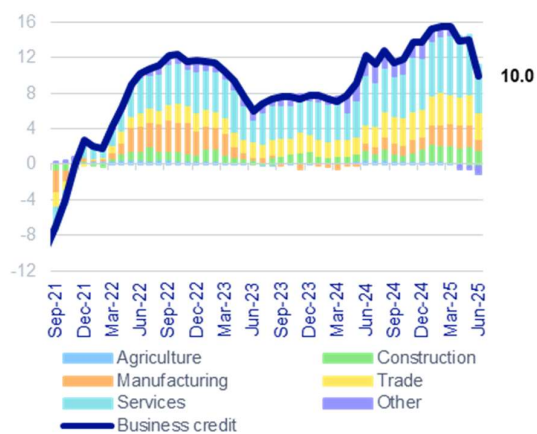
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

PERFORMING CREDIT TO COMPANIES

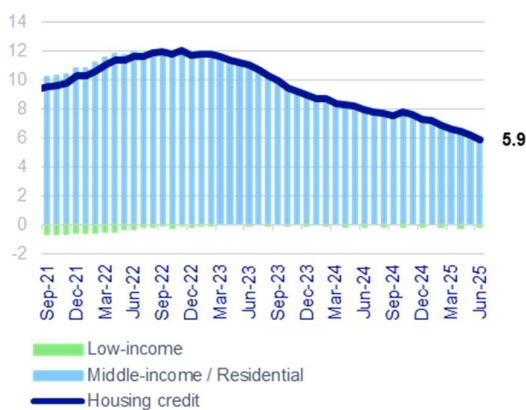
(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

PERFORMING MORTGAGE LOANS

(NOMINAL ANNUAL CHANGE, %)



Source: BBVA Research with data from Banxico

DISCLAIMER

This document does not constitute an “investment recommendation” as defined in Articles 3(1)(34) and (35) of Regulation (EU) 596/2014 of the European Parliament and of the Council on market abuse (“MAR”). In particular, this document does not constitute an “Investment Report” or an “Advertising Communication” within the meaning of Article 36 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (“MiFID II”).

Readers should note that under no circumstances should investment decisions be made based on the contents of this document, and that any persons or entities who may potentially offer them investment products are legally obliged to provide all the information they need to make such decisions.

This document, prepared by the BBVA Research Department, is informative in nature and contains data or opinions as at the date of its publication. These arise from the department's own research or are based on sources believed to be reliable and have not been independently verified by BBVA. BBVA therefore offers no express or implicit guarantee regarding its accuracy, completeness or correctness.

This document and its contents are subject to change without prior notice, depending on variables such as economic context or market fluctuations. BBVA is not responsible for updating this content or for giving notice of such changes.

BBVA accepts no liability for any direct or indirect loss that may result from the use of this document or its contents.

Neither this document nor its contents constitute an offer, invitation, or request to acquire, divest, or obtain any interest in assets or financial instruments, nor can they form the basis for any kind of contract, undertaking or decision.

The information contained in this document is protected by intellectual property laws. The reproduction, processing, distribution, public dissemination, making available, excerpting, reuse, forwarding or use of the document in any way and by any means or process is expressly prohibited, except where legally permitted or expressly authorized by BBVA on its website www.bbvarsearch.com.