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# Monthly Report on Banking and the Financial System

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## 1. Banking and Financial System

### Traditional banking deposits regained momentum in May.

In May 2026, the balance of traditional bank deposits (demand + time deposits) reached a real annual growth of 2.2% (6.3% nominal), exceeding both the growth observed in April (1.6%) and the average recorded in Q1 2026 (1.3%). Demand deposits contributed 1.2 percentage points (pp) to the growth observed in the fifth month of the year, while time deposits contributed 1.0 pp.

Bank deposit growth continues to reflect the negative impact of the exchange rate appreciation, which reduced growth by 1.5 percentage points in May. Once this effect is factored in, real annual growth in May would be 3.7% (7.7% nominal), exceeding the average of 3.4% (7.7% nominal) observed in Q1 2026.

In May, **demand deposits recorded a real annual growth of 1.8%** (5.8% nominal), the highest rate so far in 2026, but still below the average observed in Q4 2025 (of 2.1%). After adjusting for the accounting effect of the exchange rate, the real growth observed in May (3.2%) managed to exceed the average observed in Q1 2026 (3.0%).

By depositor type, mixed performance continues. Demand deposits from individuals registered real annual growth of 3.6% in May, slowing compared to April (5.0%), while deposits from other financial intermediaries went from 4.4% growth in April to a 7.6% contraction in May. The slower growth in these two segments was offset by the stronger performance of corporate deposits, whose real annual growth increased from 1.3% in April to 4.8% in May, and by a recovery in deposits from the non-financial public sector, which went from a 15.3% contraction to a 9.4% contraction.

The lower growth of liquid balances in the case of households (46.2% of demand deposit balances) would be associated with a better performance of formal employment (1.5% annually in May, higher than the average of 1.1% in Q1 2026).In the case of businesses (38.2% of demand deposit balances), the slower growth rate would continue to be associated with weak revenue generation. For example, the indicator for revenue from the supply of goods and services in Q1 2026 (latest data available) averaged a 1.4% decline, less than the 1.1% growth observed in the previous quarter. For financial institutions, the reduction in their balances would be associated with lower intermediation activity, and for the non-financial public sector, the

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improvement in their deposits would be attributable to a reallocation of balances from longer-term deposits.

In May, **term deposits registered a real annual variation of 3.0%** (growth of 7.0% nominal)**,** This represents a slight improvement over the previous month (2.8%) and surpasses the average observed in Q1 2026 (2.1%). Even after discounting the effect of exchange rate appreciation, the performance remains strong. With this accounting effect removed, real growth in May reached 4.5%, slightly higher than the result achieved in April (4.4%) and greater than the average observed in Q1 2026 (4.2%).

By depositor, a strong recovery is observed in the time deposit balances of individuals. The real annual growth rate increased from 4.9% in April to 6.3% in May; the figure observed in May is, in turn, higher than that observed in Q1 2026 (2.0%). Meanwhile, the time deposit balances of companies, the non-financial public sector, and other financial intermediaries (OFIS) slowed. For companies, real growth in the fifth month of the year registered a rate of 0.9%, significantly lower than the 5.6% observed in the immediately preceding month, although higher than the average for the first quarter of the year, when this segment of time deposits registered a contraction of 0.7%. For the non-financial public sector, the growth rate observed in May is significantly lower than that of April (from 50.8% to -6.2%). In the case of OFIs, as with demand deposits, the lower dynamism would be associated with a slowdown in their intermediation activity.

**Holding shares in debt investment funds** moderated slightly in May, reaching a real annual growth rate of 6.0% (10.2% nominal), lower than the growth observed the previous month (6.6% real) and notably below the average recorded in Q1 2026 (8.9% real). With this result, savings in these types of instruments continue to moderate, maintaining their growth below double digits for the fourth consecutive month. This slowdown reflects both a lower relative attractiveness compared to other savings instruments and a moderation in income growth for individuals, which limits the proportion that can be allocated to investing or saving. As a result, total deposits (traditional plus investment funds) grew by 3.2% in May (7.3% nominal), marginally lower than the average recorded in Q1 2026 of 3.3% (7.6% nominal).

## Bank lending continues to grow moderately, although signs of a slowdown persist.

In May 2026, the outstanding loan portfolio granted by commercial banks to the non-financial private sector (NFPS) registered real annual growth of 1.5% (5.5% nominal), higher than the 1.3% recorded the previous month and in line with the dynamism recorded during Q1 2026 (1.6% real annual growth). The dynamism observed in the outstanding loan portfolio was driven by a 1.8 percentage point contribution from consumer credit, while mortgage and business loans contributed 0.2 and -0.5 percentage points, respectively.

In May, **outstanding consumer credit** achieved real annual growth of 7.0% (11.2% nominal), higher than the 6.8% observed the previous month. The growth observed in the fifth month of the

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year is, in turn, lower than the average rate recorded in Q1 2026, which stood at 7.4% in real terms. After eliminating the effect of inflation, credit card lending contributed 2.7 percentage points to the dynamism recorded in May, credit for the acquisition of durable consumer goods (ABCD) contributed 2.0 percentage points, payroll loans 1.2 percentage points, and personal loans contributed 0.9 percentage points, while other consumer loans contributed the remaining 0.2 percentage points.It should be noted that the growth observed in this portfolio presents a base effect due to the consolidation of a neobank from March 2026 onwards. Discounting this effect, the real growth recorded in the fifth month of the year would be 6.1%, accentuating the signs of slowdown shown from March 2026 onwards.

The **credit segment for the acquisition of durable consumer goods** (21.4% of consumer credit) further moderated its dynamism, registering an annual real growth rate of 9.7% (14.0% nominal), the lowest growth rate in the last 36 months. The segment that showed the greatest slowdown was that associated with auto loans, while the segment related to the acquisition of movable goods continues to significantly reduce its dynamism.

**Auto loans** (89.3% of the total ABCD portfolio balance) continue to show reduced dynamism, registering a real annual variation of 10.9% in May. With this, the real growth rate for the fifth month of the year continues its downward trend observed since the last quarter of 2025 and is, in turn, lower than the average rate of 13.0% in Q1 2026, reflecting to a greater extent the signs of economic slowdown observed from the second half of 2025.

The segment of **personal property** registered a real annual growth rate of just 0.4%, lower than the growth recorded the previous month when this credit segment grew at a rate of 1.1%, and significantly lower than the average dynamism observed in Q1 2026 (of 3.0%). The slowdown observed in the ABCD portfolio suggests a weakening of household incomes, which discourages demand for medium-term financing and spending on non-essential goods.

Meanwhile, the segment of **credit cards** achieved real annual growth of 7.5% (11.8% nominal), exceeding the performance shown in April when the growth rate was 7.1%. This put the real annual growth rate recorded in the fifth month of the year above the average rate for this type of loan in the first quarter of 2026, when the real balance expanded at a rate of 6.5%.However, it should be noted that the growth observed in this portfolio has a base effect due to the consolidation of a neobank from March 2026. Discounting this effect, the average growth of Q1 2026 would have been 5.8%, while the result for May would be slightly lower (5.4%), showing, although to a lesser extent, the slowdown in this portfolio.

The **payroll and personal loans** showed mixed performance compared to the previous month. Payroll loans registered a real annual rate of 5.2% in May (9.3% nominal), higher than the 4.7% average during Q1 2026, while personal loans saw their real annual growth slow from 6.3% in April to 6.0% in May (10.1% nominal). This indicates a greater slowdown in personal loan growth, as the rate recorded in May is lower than the 7.3% average during the first quarter of 2026, marking the eighth consecutive month of declining growth.

The strong performance observed in payroll loans could be linked to the fact that formal employment has stopped slowing down, registering an annual growth rate of 1.5% in May, higher than the 1.1% observed in the first quarter of 2026 and significantly higher than the average growth rate for 2025, which was 0.5%. Furthermore, the improvement in real wages observed in May may also have contributed to the performance of this portfolio, although to a lesser extent.

**The outstanding housing loans** recorded a real annual growth rate of 1.0% (4.9% nominal), significantly higher than the 0.5% recorded the immediately preceding month and in line with the 1Q26 average rate of 0.9%.

By credit segment, the outstanding balance of credit for middle-income and residential housing (96.0% of the total outstanding balance of housing credit) registered a real growth rate of 0.7% in May (4.7% nominal), lower than the 1.0% observed the previous month and slightly below the average for Q1 2026 (0.9% real). Meanwhile, credit for social housing registered an expansion at a real annual rate of 6.4%, the largest since April 2014.

The moderate dynamism observed in housing credit is mainly explained by the weak performance of labor market indicators and the limited reduction in long-term interest rates. Given that housing credit lags behind formal employment trends, the observed demand appears to be reflecting the employment conditions recorded in the fourth quarter of 2024, when employment growth rates began to decline, averaging 1.1%. Meanwhile, real wages registered an annual growth rate of 2.5% in May 2026, still below the average rate observed in the first quarter of 2026 (3.0% annually) and, in turn, lower than the average rate observed during 2025, when such growth was 3.4%.

Additionally, mortgage interest rates have shown some downward rigidity, such that implied portfolio rates remain close to 10.0% annually. These factors suggest that, in the short term, demand for housing credit will continue to decelerate as formal employment growth rates remain low in 2025.continue This is reflected in the fact that the recovery of real wages will moderate and there will not be a significant decrease in long-term interest rates.

For their part, **outstanding business credit** (52.4% of the outstanding portfolio in the SPNF) partially contained its slowdown and registered a year-on-year change in real terms of -0.9% (3.0% nominal) in May. With the May figure, this portfolio has now experienced five consecutive months of negative real growth rates. Meanwhile, the Global Business Confidence Opinion Index (IGOEC) registered 48.2 points in May, 0.2 points lower than the indicator for April 2016, marking 15 consecutive months below the 50-point threshold.

By sector, in May, the services sector (56.9% of the total) contributed 1.3 percentage points to the growth rate of outstanding business loans; the construction sector increased its contribution to 0.5 percentage points, while the remaining sectors (agriculture, mining, electricity, water and gas, and manufacturing) subtracted 2.5 percentage points from the overall growth rate due to the continued reduction in their loan balances. Furthermore, the May figure marks the sixth consecutive month that credit to the manufacturing sector has reduced the overall loan portfolio growth, although to a greater extent (-1.8 percentage points vs. -1.4 percentage points in Q1

2026). The metal industry, non-metallic products, and transportation equipment were the subsectors that most significantly detracted from portfolio growth.

**In its composition by coins,** it is noteworthy that the outstanding loan portfolio in local currency (76.9% of outstanding business loans) achieved real growth of 2.4% in May (6.4% nominal), higher than the rate observed the previous month (2.1%) but lower than the average real growth rate recorded during Q1 2026 (3.8%). Meanwhile, the outstanding loan portfolio in foreign currency registered a real growth rate of -11.0%, a greater contraction than the previous month (-10.6%), but less than that observed during Q1 2026 (-13.9%).

As observed in recent months, exchange rate behavior dampened the dynamism of the foreign currency portfolio, since without taking into account the effect of the exchange rate appreciation, the real growth rate for May would have been -0.1%, the first negative growth rate since April 2022, and significantly lower than the 1.5% average for Q1 2026. That is, the accounting effect of the exchange rate appreciation on the foreign currency portfolio reduced 10.9 pp to dynamism. It should be noted that the portfolio in foreign currency represents 23.1% of the business portfolio.

For the total outstanding corporate loan portfolio, after adjusting for the accounting effect of the exchange rate, a real annual growth rate of 1.8% was observed in May, equal to the real growth recorded the previous month and below the 3.2% observed in Q1 2026. The slowdown observed in the different portfolios reflects both the weakness of domestic demand, due to lower economic activity and a labor market with a slow recovery, and lower private investment; therefore, it is expected that credit to companies will continue to show moderate growth in the coming months.

## Trade uncertainty and security challenges moderate the dynamism of regional credit in Q1 2026

With information from Report on Regional Economies According to the Bank of Mexico (Banxico), in the first quarter of 2026, financial services in Mexico showed differentiated behavior between regions.[1], strongly influenced by uncertainty, trade tensions and the perception of insecurity.

In the **north region,** a rebound in demand for and placement of productive credit was observed, particularly in the commercial and logistics services sectors. However, the expectation of a weakening in manufacturing activity led to a decrease in credit demand from industrial supplier companies.

In the **north-central region,** the appreciation of the peso against the dollar stimulated demand for foreign currency for import operations. However, demand for credit for productive investment

[1] *Regionalization in the report: the North includes Baja California, Chihuahua, Coahuila, Nuevo León, Sonora and Tamaulipas; the North Central includes Aguascalientes, Baja California Sur, Colima, Durango, Jalisco, Michoacán, Nayarit, San Luis Potosí, Sinaloa and Zacatecas; the Central includes Mexico City, State of Mexico, Guanajuato, Hidalgo, Morelos, Puebla, Querétaro and Tlaxcala; and the South includes Campeche, Chiapas, Guerrero, Oaxaca, Quintana Roo, Tabasco, Veracruz and Yucatán.*

was limited due to uncertainty surrounding trade tensions with the United States, geopolitical conflicts, and security incidents.

In the **center region,** the positive economic performance of some entities boosted consumer and business financing. Furthermore, reduced trade uncertainty with the United States led to a resurgence in applications for previously postponed productive loans. Conversely, loan applications for the construction sector were affected by the complexity of construction permitting processes. Increased regulation of Fintech companies temporarily limited their operations.

Finally, in the **south region,** an increasing use of credit lines was observed among companies engaged in the trade of durable consumer goods (ABCD), along with an expansion of financing in the agricultural sector in Chiapas. In contrast, the pace of credit acquisition slowed due to uncertainty surrounding the review of the USMCA and the Middle East conflict, leading companies to postpone machinery purchases and infrastructure projects.

Outstanding commercial bank lending to private non-financial companies contracted in the northern and central regions, while it continued to expand in the north-central and southern regions, albeit at a moderate pace. At the close of Q1 2026, the dynamism observed nationwide showed a slowdown compared to the previous quarter, falling from a real annual growth rate of 1.4% to -0.5%.

The northern region (22% of the total) registered a real annual contraction of -3.43% in Q1 2026, the first negative result recorded since Q4 2021; in second place was the central region (52% of the total) with a negative growth rate of -1.25% at the end of the quarter, the first negative result recorded since Q2 2023. It was followed by the north-central region (17% of the total) which registered a rate of 2.1% and finally the southern region (8% of the total) with a growth of 7.6%.

By sector of activity, a negative growth rate is observed in the current portfolio of the **industrial sector** in all regions of the country except the southern region, which also shows a slowdown in the rate; the northern region (from 0.4 to -9.2%), north-central region (from 0.2 to -0.2%), central region (from -2.6 to -5.7%) and southern region (from 5.5 to 3.5%) when compared to Q4 2025. For its part, the **services sector** shows lower growth rates in three regions: north-central (from 5.9% to 4.4%), central (from 2.4% to 1.7%), and southern (from 13.3% to 10.4%). Conversely, the northern region registered an increase in this sector (from 1.2% to 1.5%). Finally, the **agricultural sector** showed a favorable performance, exhibiting expansion in all regions.

## 2. Financial Markets

### Artificial intelligence funding: the position of international organizations.

Artificial intelligence (AI) and its potential benefits have become a major driver of the rise in risk asset prices in recent months. However, beyond its role in price movements, the financing of this dominant factor also has implications for financial markets and, more broadly, for the entire financial system.

According to Goldman Sachs, the cost of the infrastructure behind AI over the next five years will reach $7 trillion, and the cash flows of the companies involved are no longer sufficient to finance it.*Bloomberg*, the cash flow of major technology companies that own and operate data centers to provide “cloud” and artificial intelligence services (Amazon, Google, Meta, Microsoft and Oracle or*hyperscalers*) fell from USD 250 billion to around USD 190 billion between Q4 2024 and Q4 2025 and is estimated to fall to around USD 70 billion by the end of 2026. This is due to the increasingly high amounts of capital expenditure (CapEx) needed to finance the construction of data centers and other infrastructure related to its activity.

Faced with insufficient cash flow, the*hyperscalers,*And infrastructure providers associated with them have turned to debt markets for financing, to such an extent that in 2025 the amount issued reached around USD 400 billion, a 179% increase compared to the 2020-2024 average, according to the BIS. That is, companies seem to be in a race for AI leadership in which they are unwilling to fall behind, despite the uncertainty surrounding the realization and monetization of the benefits of this new technology.

In this context, in recent weeks, both the BIS and the IMF have highlighted the risks posed by this high concentration of investment in AI. In particular, the BIS has identified a set of “pressure points” whose effects on the stability of the financial system could be exacerbated, given existing vulnerabilities, in the presence of **catalysts** such as a tightening of financial conditions or a collapse in AI investment.

Among the “pressure points” are, first, the uptick in inflation. As discussed last month in this publication (https://www.bbvaresearch.com/publicaciones/mexico-reporte-mensual-de-banca-y-sistema-financiero-junio-2026/The effects of the closure of the Strait of Hormuz for several weeks will still take time to dissipate and may translate into more persistent inflation and even risks of unanchoring expectations.

The second point of pressure is the weak fiscal position facing nations. As a result of recent shocks (e.g., COVID, the war in Ukraine) and the lack of progress in fiscal consolidation, the average primary deficit adjusted for the economic cycle for developed countries rose from 1.1% of GDP in the last decade to 1.9% of GDP between 2022 and 2025. Meanwhile, this figure increased from 0.1% to 1.8% of GDP, on average, for emerging market nations.

Additionally, the increase in interest rates above the nominal growth rate of most economies forces nations to further reduce their spending in order to maintain a stable total debt-to-GDP ratio in the medium term.

The third pain point is precisely the sustainability risks of the current AI investment boom. Increased competitive pressure from companies to raise their capital expenditures (CapEx) is driving even higher expectations for AI monetization, so a shortfall in these expectations could transform the current investment boom into a collapse with consequences for the economy as a whole.

Additionally, bottlenecks in terms of electrical capacity and availability of advanced semiconductors can put pressure on the prices of these inputs, which in turn can feed back into inflation or even be an additional factor to increase investment itself in order to release these bottlenecks.

All these “pressure points” can be amplified, according to the BIS, by a set of **vulnerabilities of the financial system.** First, there is the higher proportion of equity investments relative to wealth held by US retail investors. In fact, both the first and last quintiles of wealth distribution show a 10% increase in equity holdings between the last quarter of 1998 and the last quarter of 2025. Given that US stocks represent about 64% of the capitalization of global stock indices, a sharp correction in the US stock markets would spread rapidly.

The second vulnerability lies in the fixed income market, given the high level of debt issued by both the*hyperscalers*, as well as by companies associated with the development of AI infrastructure and the circular financing between them. An abrupt correction in US stock markets, triggered by the aforementioned factors, could in turn lead to a tightening of credit conditions, given the predominance of these players and their suppliers in the fixed-income market. The BIS emphasizes that, while a simultaneous correction in fixed-income and equity markets is uncommon, there are reasons to believe that this risk is significant.

The third vulnerability is associated with financing through non-bank financial intermediaries, and in particular, private equity financing, which has increased concentration risks. According to the BIS, private equity lending to the information technology and AI sectors has quadrupled in the last five years and represents approximately 15% of its portfolio.

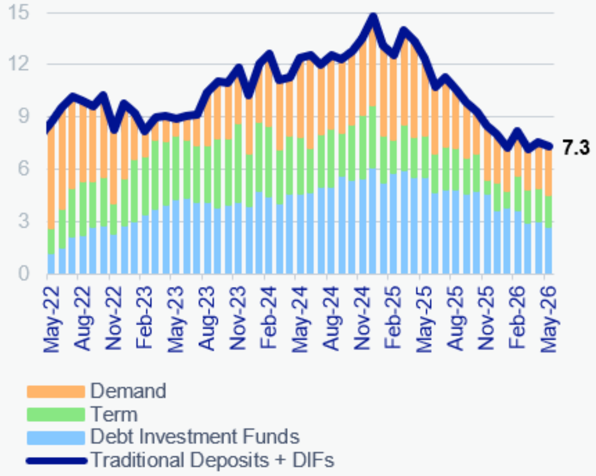
Thus, high expectations regarding the future productivity benefits of AI have increased investment in its development, and all possible instruments are being used to finance it. This financing presents significant challenges for the financial system, as it faces unprecedented circumstances beyond the amounts involved, such as the high degree of interconnectedness between infrastructure developers and AI providers, as well as the involvement of non-bank financial institutions (NBFIs) in providing financing.

Looking ahead, it will be important to pay attention to inflation behavior and how AI companies monetize their services, especially given the vulnerabilities present in the current context of high uncertainty.

# Deposits: Graphics

### TOTAL DEPOSITS

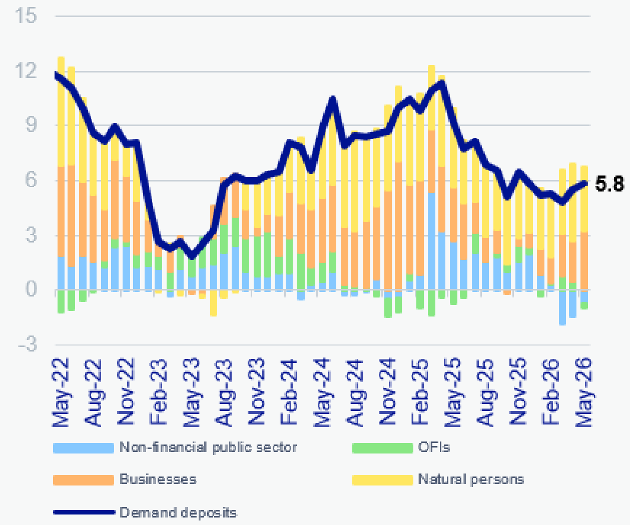
(ANNUAL NOMINAL VAR,%)




Source: BBVA Research with data from Banxico

### DEMAND DEPOSITS

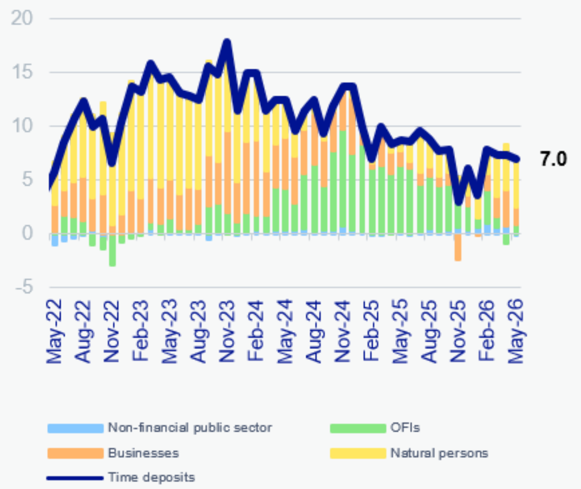
(ANNUAL NOMINAL VAR,%)




Source: BBVA Research with data from Banxico

### TERM DEPOSITS

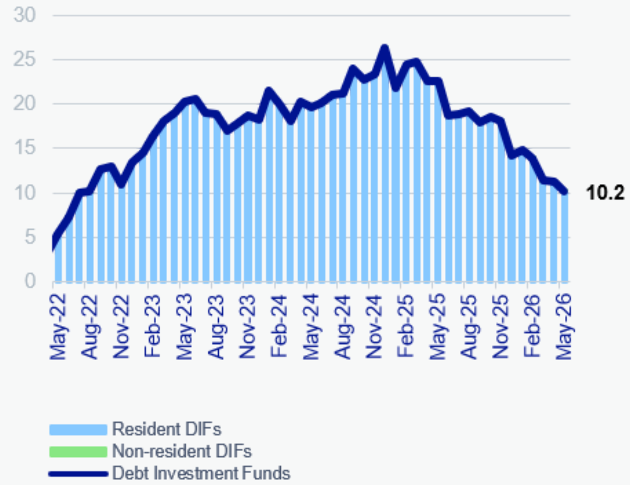
(ANNUAL NOMINAL VAR,%)




Source: BBVA Research with data from Banxico

### DEBT INVESTMENT FUNDS (DIFs)

(ANNUAL NOMINAL VAR,%)




Source: BBVA Research with data from Banxico

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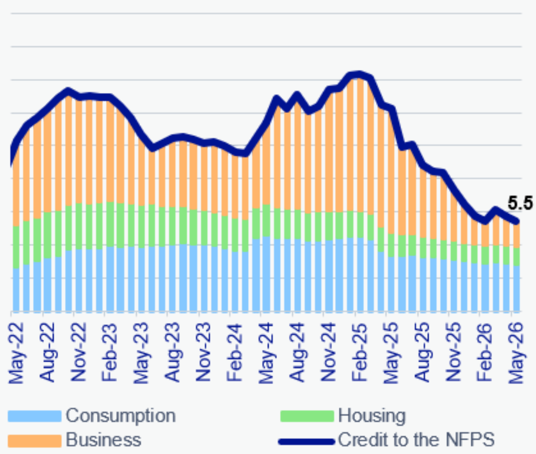
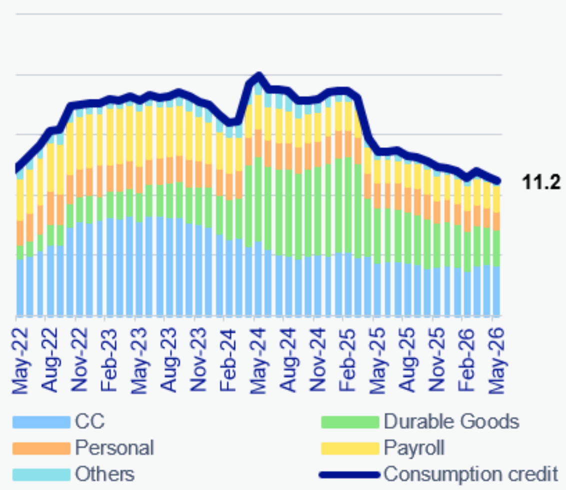
# Credit: Graphics

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



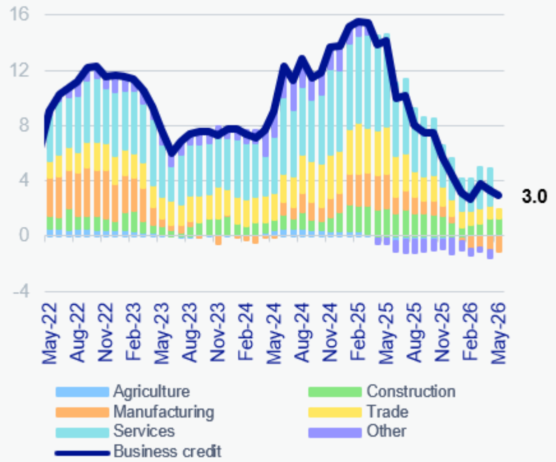

Source: BBVA Research with data from Banxico

### OUTSTANDING CONSUMER CREDIT
(ANNUAL NOMINAL VAR,%)



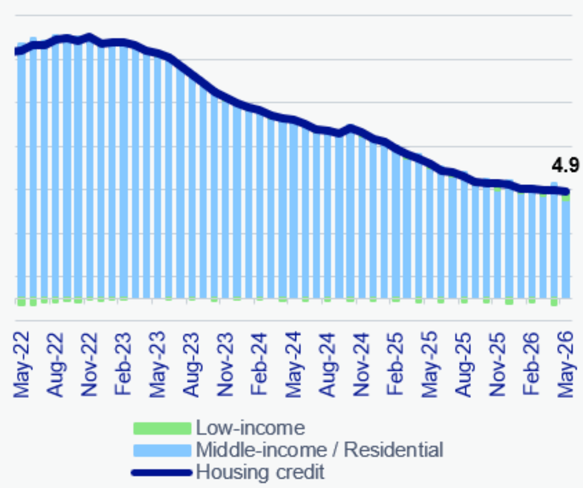

Source: BBVA Research with data from Banxico

### OUTSTANDING BUSINESS CREDIT
(ANNUAL NOMINAL VAR,%)




Source: BBVA Research with data from Banxico

### OUTSTANDING HOUSING LOAN
(ANNUAL NOMINAL VAR,%)




Source: BBVA Research with data from Banxico

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