Alert about increase in overdue portfolio in financial institutions

More than a year after the confinement due to the pandemic began in Mexico, there are companies that face liquidity problems and worrying levels of indebtedness, in addition they do not have credit insurance and this means that they have a high probability that they will begin to fail in their Payments.

June 17, 2021 3 min read

This article was translated from our Spanish edition using AI technologies. Errors may exist due to this process.

The recovery of the Mexican economy is progressing slowly but, although there is reactivation in most of the country's productive sectors, there is a risk that there will be two or three surprises of significant increases in past due loans in financial institutions.

The general director of Atradius Seguros de Crédito, Karel Van Laack, explained that, more than a year after the confinement due to the pandemic began in Mexico, there are companies that face liquidity problems and worrying levels of indebtedness, in addition they do not have insurance credit and this means that they have a high probability that they will begin to fail in their payments.

Regardless of the sector, the biggest problems are faced by those companies that did not prepare and operate without credit insurance that allows them to assess whether or not they have "good clients" to provide financing and to assess default risks.

He recalled that in 2020, the banks provided facilities for companies to delay the payments of their debts, but since September of that year they began to require them to pay off the loans, with the disadvantage that some will not be able to meet their obligations.

“Something that we are seeing with great interest is the development of the overdue portfolio of banks in Mexico, I am afraid that they will give us two or three surprises, not the large banks that are very well capitalized, but there are financial institutions that do not have sufficient capital to be able to face the increase of the past due portfolio ”, commented Van Laack.

Although in general the banks are in good capitalization levels, “I am not sure that the amount of loans that will not be paid will not be so great that they will not cause surprises,” he said.

He added that Mexico had been in recession since before the pandemic; In 2020, due to COVID-19, it registered a drop of 8.5% and in 2021 the recovery is progressing slowly and much of its recovery will depend on factors such as the vaccination process against the SARS-CoV-2 virus.

Photo: Envatoelements

“We come from a deep bottom, we cannot claim victory, because although we are going up there are many challenges and after the fall of 2020 it was impossible for the Mexican economy not to grow,” said Van Laack.

In 2020 all sectors were affected, although some more than others such as construction, tourism, entertainment and restaurants; The same happened with companies: there were some that had credit insurance, while others did not, which caused greater damage due to the economic crisis.

In this 2021, in particular, the industries or segments of the Mexican economy with very strong interaction with the United States are the ones that will most quickly benefit from the economic development of the US market.

https://www.entrepreneur.com/article/374938