

## Financial Systems

## Banking deposits: less momentum, and mainly from term deposits

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In September 2014 the nominal annual growth rate of traditional banking deposits (demand + term) was 8.8%, representing a reduction of 2.0 percentage points (pp) from the previous month. This reduction was driven mainly by the deceleration seen in term deposits, whose share in the growth of traditional banking deposits fell to 0.2pp from 1.6pp in August. The contribution of demand deposits to the growth of traditional banking deposits shrank too, although to a lesser extent, edging down from 9.1pp to 8.6pp. Thus, term deposits made up 1.9% of the growth rate in traditional banking deposits (vs. 14.6% in the previous month), whereas demand deposits represented 98.1% (vs. 85.4% a month earlier). The drop in the growth rate of traditional banking deposits may be in response to the execution of investment plans by companies, as shown in the recovery of the Gross Fixed Investment Indicator, which posted an annual growth rate of 4.3% in August (0.4% in May, 2.3% in June and 3.0% in July).<sup>1</sup>

### Demand deposits: corporates and public sector diminish most

In September 2014 nominal annual growth rate of demand banking deposits was 14.5%, a reduction of 1.1pp over the month before (June 13.9%, July 16.8%, August 15.5%). This fall was mainly caused by deposits from companies and the public sector; the share of the former in the growth of demand deposits decreased to 5.6pp from 6.4pp in August, whereas the participation of the public sector shrank to 3.5pp from 4.1pp the month before. Meanwhile, the financial intermediaries segment reported a drop of 0.3pp in its participation in the growth of demand deposits, slipping from 1.3pp in August to 1.0pp in September. Of all the components of demand deposits, only private individuals showed an improvement, with a share of 4.0pp in the demand deposit growth rate (vs. 3.7pp the month before).<sup>2</sup> The average nominal annual percentage variation in demand deposits in the first nine months of this year was 15.3%, 6.7pp higher than the same period last year. The monthly average of daily demand deposits balances in September recorded a nominal annual growth rate of 17.7% (vs. 18.8% the month before).<sup>3</sup>

### Term deposits: the corporate segment drove the fall

September 2014 saw the nominal annual growth rate of term deposits slowed to 0.4%, a 3.4pp reduction from the previous month. This decrease was principally driven by the companies segment, whose participation in the growth of term deposits fell to -2.5pp, down from -0.7pp in August. The public sector and the individuals segment also reduced their participation in the term deposits' growth rate: the share of the former shrank to -0.4pp from 0.3pp reported in August, while the share of the individuals segment decreased to 3.4pp from 4.0pp the month before. Of all the segments making up term deposits, only financial intermediaries improved, increasing their share from -0.5pp in August to 0.2pp in September.<sup>2</sup> The average nominal annual percentage variation in term deposits in the first nine months of this year was 3.3%, 3.2pp below the same period in 2013. The monthly average of daily term deposits balances in September reported a nominal annual growth rate of 2.6% (vs. 3.6% from the previous month).<sup>3</sup>

<sup>1</sup> Original series.

<sup>2</sup> Deposit amounts by segments (individuals, companies, non-financial public sector and NBFIs) are published by the central bank, Bank of Mexico, (Banxico) as part of its information about commercial banking resources and obligations. For this reason, the sum may differ slightly from the total, which is also published by the central bank, in its monetary aggregates information.

<sup>3</sup> Information about the nominal annual growth rate of the monthly average of daily deposit balances comes from the report on multiple banking resource deposits published by the central bank. The information on the nominal annual growth rate of end-of-month deposits is published in the central bank's CF77 report (monetary aggregates including the public sector).

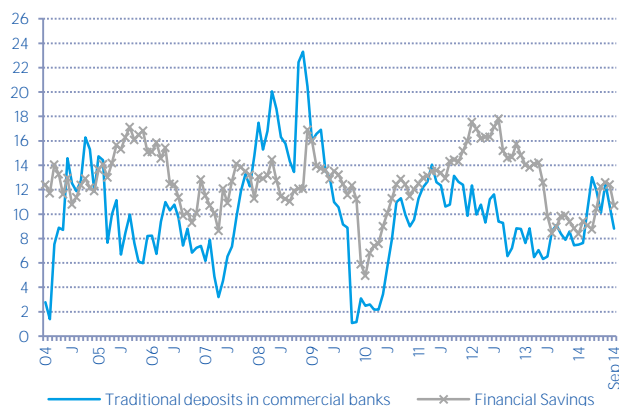
### Debt mutual funds: the double-digit growth rate continues

In September 2014 the nominal annual growth rate of the balance of securities held by debt mutual funds was 10.7%, 0.3pp above the result for August, and the highest figure since October 2013. Even though debt mutual fund balances are sticking to a double-digit growth rate, their speed of growth has slowed when compared with previous months (in June the growth rate on debt mutual fund balances was 4.4%, in July 7.5% and in August 10.4%). This moderation in the growth of the balance of securities held by debt mutual funds may be linked to the slight recovery in short- and long-term government interest rates in recent months.<sup>4</sup> The component contributing most to the growth rate was the balance of government stocks held, at 11.2pp, followed by mutual fund stocks (0.4pp). Banking securities ownership made a contribution of -0.8pp, and private paper holdings -0.2 pp. The average nominal annual growth rate in the first nine months of the year was 6.1%, 8.6pp below the result in the same period last year.

### Financial Saving (FS): growth tapers

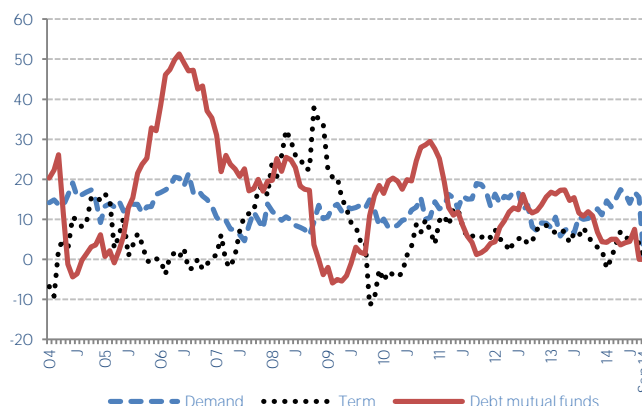
Nominal annual growth rate of Financial Savings (FS) in September 2014 was 10.7%, representing a fall of 1.7pp from the month before. The average nominal annual growth rate in the first nine months of the year was 10.4%, 1.3pp below the same period in 2013. FS as a category includes all savings instruments, whether banking or non-banking.

Figure 1  
Traditional deposits in commercial banks and financial savings, nominal annual % change



Source: BBVA Research with data from Bank of Mexico.

Figure 2  
Demand and term deposits by commercial banks and debt mutual funds, nominal annual % change



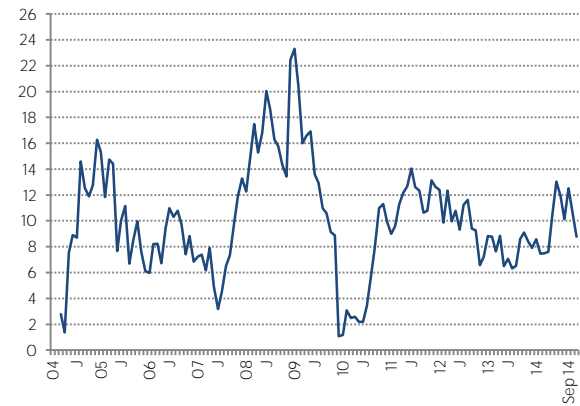
Source: BBVA Research with data from Bank of Mexico.

<sup>4</sup> For example, the average rate of 28-day Cetes rose by 13 basis points (bp) between August and October 2014. The average rate of fixed rate 10-year government bonds rose by 43bp over the same period.

# Deposits: figures and statistics

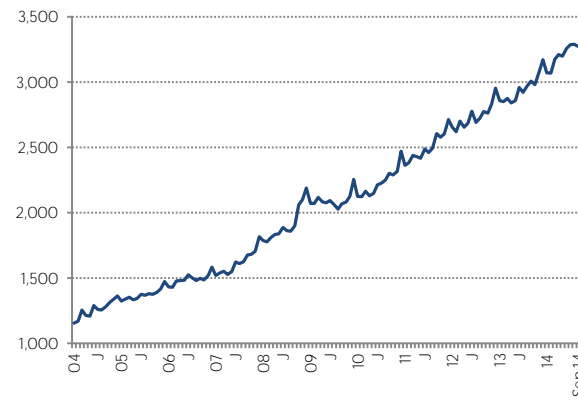
- In September 2014 the nominal annual growth rate of traditional banking deposits (demand + term) was 8.8%.
- In that month demand deposits grew at a nominal annual rate of 14.5% while term deposits increased by 0.4%.
- Financial Savings, which includes all savings instruments, banking and non-banking, grew by a nominal annual rate of 10.7%.

Figure 1  
Traditional Deposits (demand + term)  
Nominal annual % change



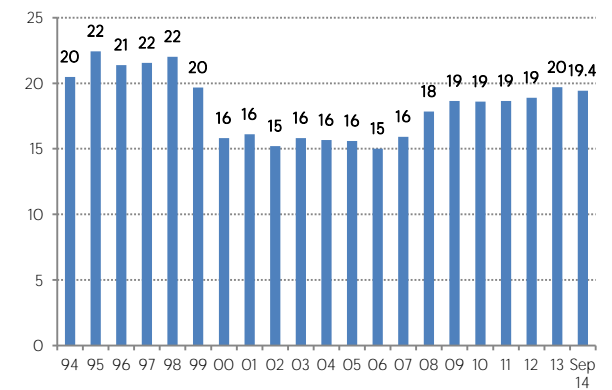
Source: BBVA Research with data from Bank of Mexico.

Figure 2  
Traditional Deposits in Commercial Banking  
Balance in billions of current pesos



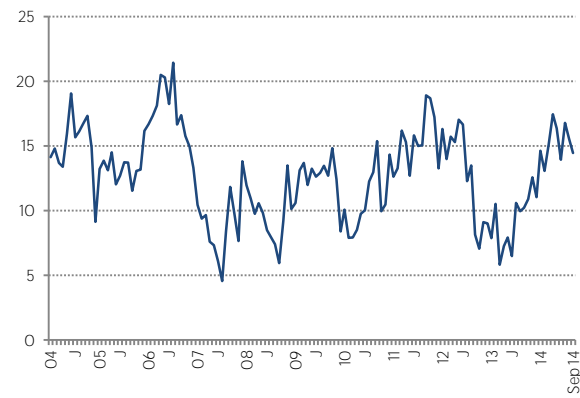
Source: BBVA Research with data from Bank of Mexico.

Figure 3  
Traditional Deposits in Commercial Banking  
% of GDP



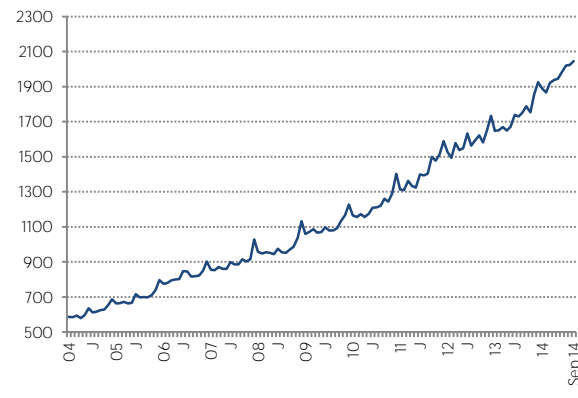
Source: BBVA Research with data from the central bank & INEGI

Figure 4  
Demand Deposits  
Nominal annual % change



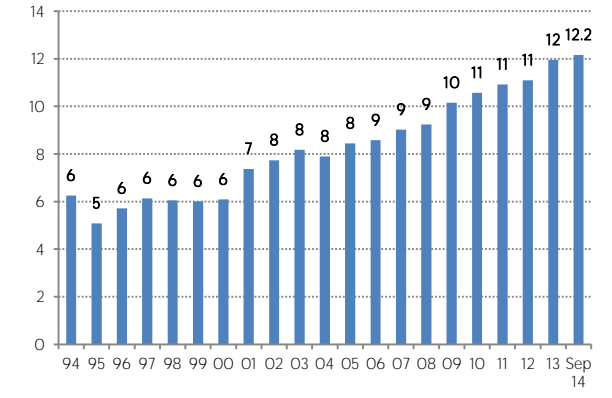
Source: BBVA Research with data from Bank of Mexico.

Figure 5  
Demand Deposits  
Balance in billions of current pesos



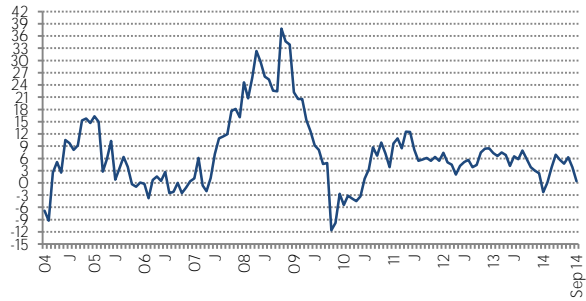
Source: BBVA Research with data from Bank of Mexico.

Figure 6  
Demand deposits  
% of GDP



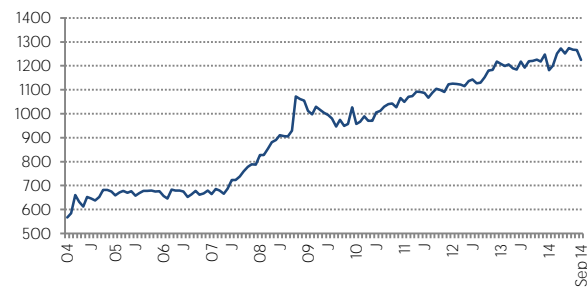
Source: BBVA Research with data from the central bank & INEGI

Figure 7  
Term Deposits  
Nominal annual % change



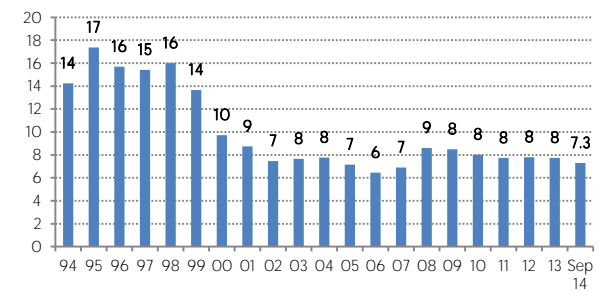
Source: BBVA Research with data from Bank of Mexico.

Figure 8  
Term Deposits  
Balance in billions of current pesos



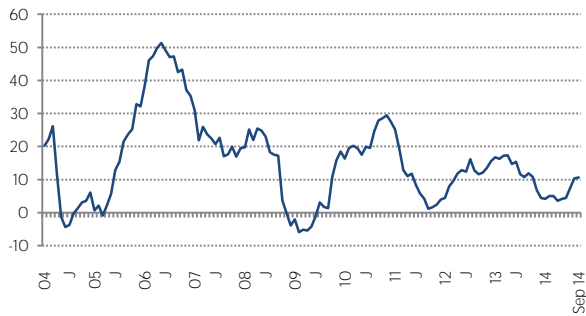
Source: BBVA Research with data from Bank of Mexico.

Figure 9  
Term Deposits  
% of GDP



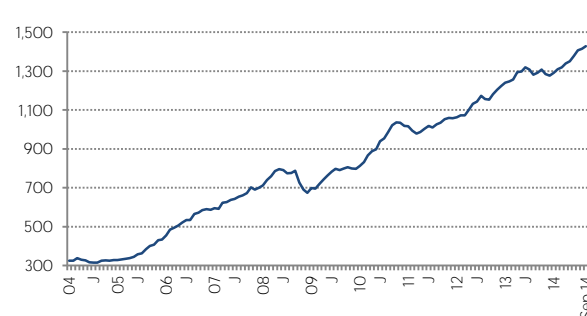
Source: BBVA Research with data from Bank of Mexico & INEGI

Figure 10  
Debt Mutual Funds  
Nominal annual % change



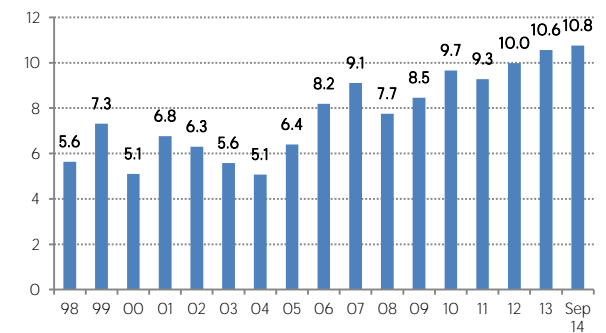
Source: BBVA Research with data from Bank of Mexico.

Figure 11  
Debt Mutual Funds  
Balance in billions of current pesos



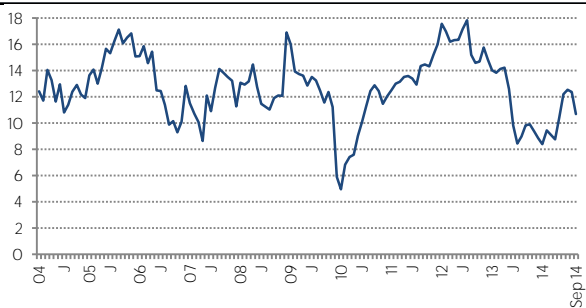
Source: BBVA Research with data from Bank of Mexico.

Figure 12  
Debt Mutual Funds  
% of GDP



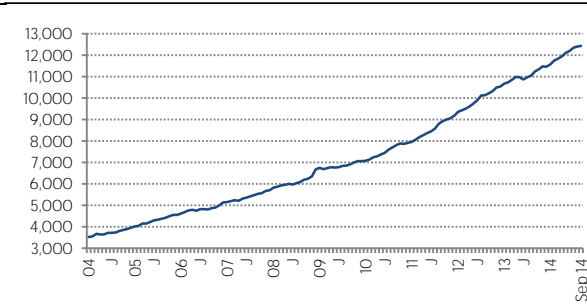
Source: BBVA Research with data from Bank of Mexico & INEGI

Figure 13  
Financial Savings: M4a - notes and coins  
Nominal annual % change



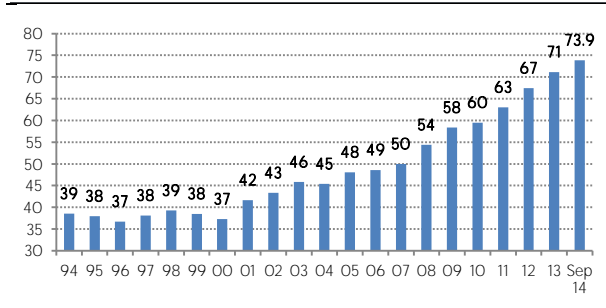
Source: BBVA Research with data from Bank of Mexico.

Figure 14  
Financial Savings: M4a - notes and coins  
Balance in billions of current pesos



Source: BBVA Research with data from Bank of Mexico.

Figure 15  
Financial Savings: M4a - notes and coins  
% of GDP



Source: BBVA Research with data from Bank of Mexico & INEGI



