

Mexico

Banking Watch

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Economic Analysis

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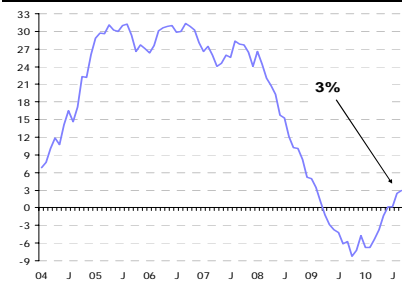
Bank Credit: Monthly Situation Report

- In September 2010, the real annual balance of outstanding commercial bank lending to the private sector grew by 3%, and it has been growing in monthly terms since April
- Lending to companies and for housing continue to grow, at 3% and 11.8% respectively.
- Consumer credit continues to show signs of recovery and increased in monthly terms from April to September 2010.

Total outstanding credit to the private sector

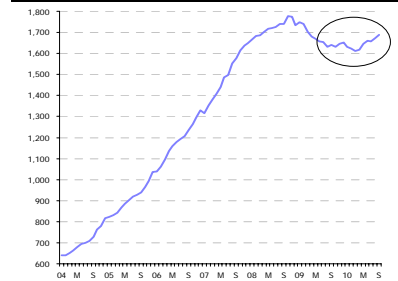
In September 2010, real annual growth in outstanding bank lending to the private sector was 3%. The rate was lower in the preceding month (2.4%) and negative in the same month in 2009 (-5.7%). The final part of chart 2 shows the increase in the balance of commercial bank lending to the private sector in real terms since April 2010. Furthermore, from March 2010 to September 2010, there was a 4.8% real increase in the balance. This confirms the recovery of lending to the private sector since the start of the second quarter.

Chart 1
Total Credit % real annual change



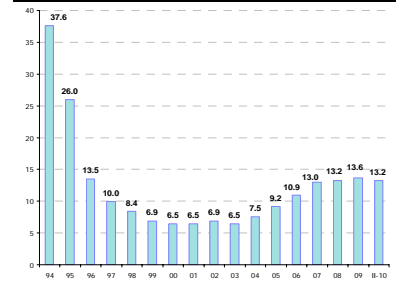
Source: BBVA Research with Bank of Mexico data

Chart 2
Total Credit Figures in constant September 2010 thousand million pesos



Source: BBVA Research with Bank of Mexico data

Chart 3
Total Credit % GDP

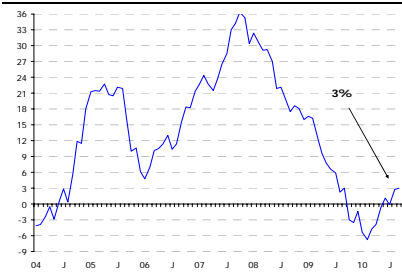


Source: BBVA Research with Bank of Mexico and INEGI data

Corporate Lending

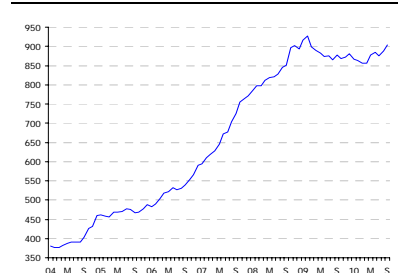
In September 2010, real annual corporate lending growth was 3%. Growth recorded in the previous month was lower (2.7%), while it was slightly higher (3.1%) in the same month of 2009. This form of lending has also been recovering since April this year: it is directly related to levels of economic activity and its growth follows several months of GDP growth. As a result, this form of lending will be more active as the economic recovery in GDP becomes consolidated.

Chart 4
Corporate Lending % real annual change



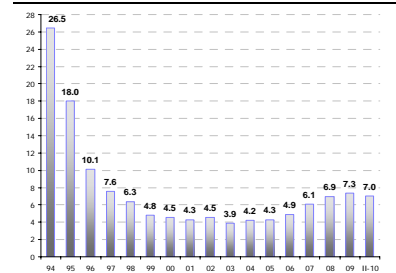
Source: BBVA Research with Bank of Mexico data

Chart 5
Lending to Companies: Balances in thousand million constant pesos in September 2010



Source: BBVA Research with Bank of Mexico data

Chart 6
Corporate Lending % GDP

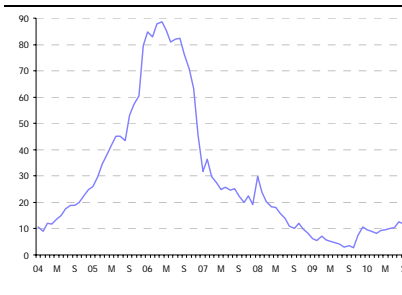


Source: BBVA Research with Bank of Mexico and INEGI data

Residential Mortgage Lending

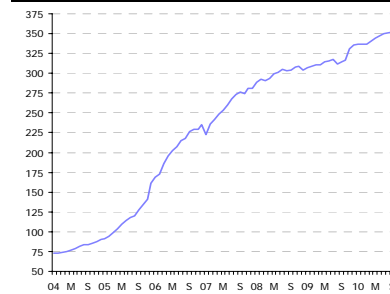
Mortgage lending continued to grow rapidly in real terms at 11.8% in September 2010. This rate was slightly lower than the preceding month (12.6%) but higher than the same month in 2009 (3.5%). It is worth noting that the actual growth rate in this form of lending will fall sharply in November this year as a result of the transfer of the outstanding housing lending portfolio denominated in UDIS investment units to the peso lending portfolio in November 2009. This lending portfolio transfer created a mathematical effect which will disappear twelve months after it occurred.

Chart 7
Residential Mortgage Lending % real annual change



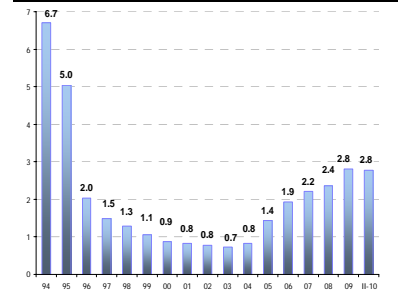
Source: BBVA Research with Bank of Mexico data

Chart 8
Residential Mortgage Lending: Balances in thousand million constant pesos in September 2010



Source: BBVA Research with Bank of Mexico data

Chart 9
Residential Mortgage Lending % GDP

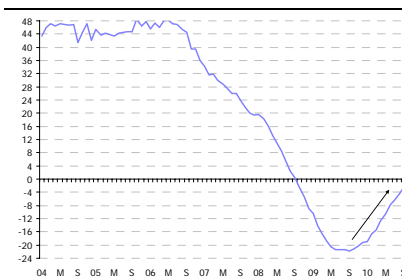


Source: BBVA Research with Bank of Mexico and INEGI data

Consumer credit

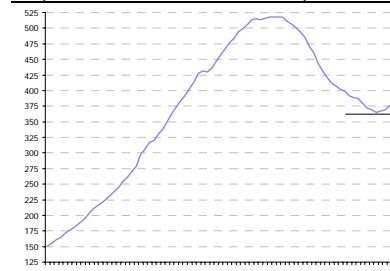
In September 2010, the annual real growth rate of consumer credit was negative, at -2.7; however, this was lower than in the preceding month (-4.7%). The rate in September 2010 contrasts sharply with the rate in September 2009 (-21.8%) when there was a sharp deterioration in this form of lending. The improved performance of consumer credit is due to the Other consumer credit category, which includes Payroll lending, which grew rapidly, and Card lending and Lending for consumer durables, which deteriorated more slowly.

Chart 10
Consumer Credit. % real annual change



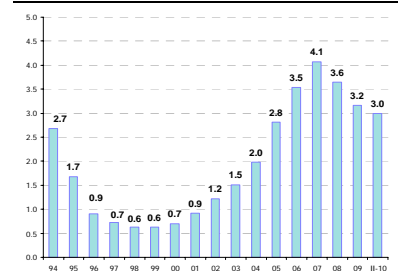
Source: BBVA Research with Bank of Mexico data

Chart 11
Consumer Credit. Figures in constant September 2010 thousand million pesos



Source: BBVA Research with Bank of Mexico data

Chart 12
Consumer Credit. % GDP

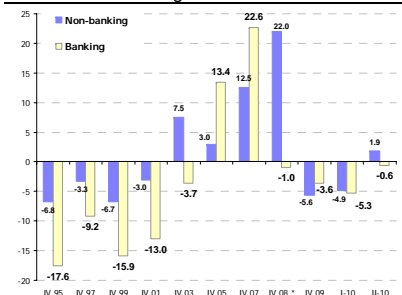


Source: BBVA Research with Bank of Mexico data

Bank Lending: contribution to growth by components

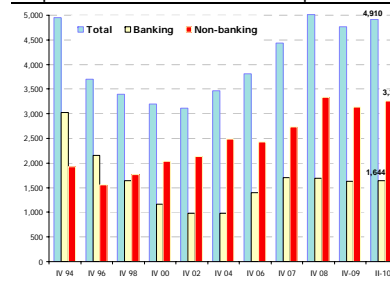
The breakdown by components of the 3% total growth in bank lending to the private sector in September 2010 was as follows: residential mortgage lending contributed +2.3 percentage points (pp) of the 3.0 pp total increase in lending; corporate lending accounted for +1.6 pp; while lending to non-bank financial intermediaries (NBFIs) made a negative contribution (-0.2 pp), as did consumer credit (-0.6 pp).

Chart 13
Total Finance (banking + non-banking) % real annual change



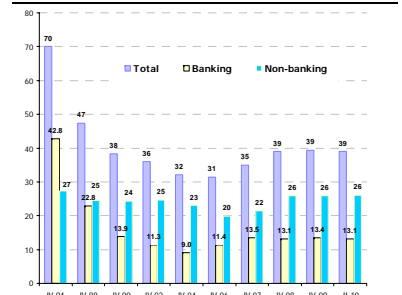
Source: Bank of Mexico

Chart 14
Total Finance Figures in constant September 2010 thousand million pesos



Source: Bank of Mexico

Chart 15
Total Finance % GDP



Source: Bank of Mexico and INEGI

