Mexico

Banking Watch

November 3, 2010

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

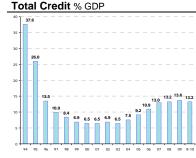


Source: BBVA Research with Bank of Mexico data

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



Source: BBVA Research with Bank of Mexico



Source: BBVA Research with Bank of Mexico and INFGI 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

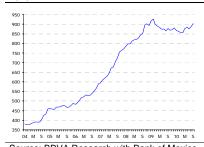
Corporate Lending % real annual change



Source: BBVA Research with Bank of Mexico data

Chart 5

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

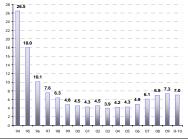


Source: BBVA Research with Bank of Mexico data

Chart 6 Corporate Lending

Chart 3

% 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.

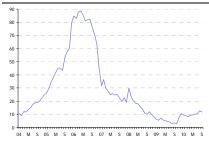
Consumer credit

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.

Bank Lending: contribution to growth by components

The breakdown by components of the 3% % real annual change 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 7
Residential Mortgage Lending % real annual change



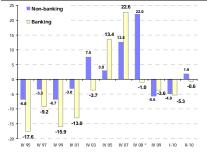
Source: BBVA Research with Bank of Mexico data

Chart 10
Consumer Credit. % real annual change



Source: BBVA Research with Bank of Mexico data

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



Source: Bank of Mexico

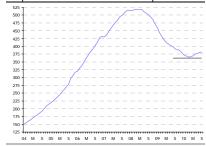
Chart 8
Residential Mortgage Lending:
Balances in thousand million constant pesos



Source: BBVA Research with Bank of Mexico data

Chart 11

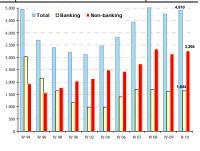
Consumer Credit. Figures in constant
September 2010 thousand million pesos



Source: BBVA Research with Bank of Mexico data

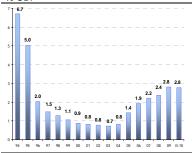
Chart 14

Total Finance Figures in constant
September 2010 thousand million pesos



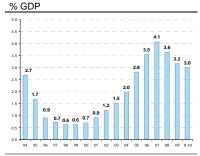
Source: Bank of Mexico

Chart 9
Residential Mortgage Lending
% GDP



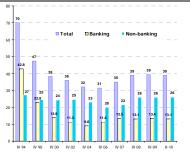
Source: BBVA Research with Bank of Mexico and INEGI data

Chart 12
Consumer Credit.



Source: BBVA Research with Bank of Mexico data

Chart 15 **Total Finance**% GDP



Source: Bank of Mexico and INEGI

BBVA Research **Banking Watch** November 3, 2010

1.724

1,589

1.312

1.252

1 449

1.285

1.612

1,469

1,628

1.778

1,622

1.795

2,260

2.067

2,089

2,158

43.1

46.8

46.5

48.2

58.7

67.3

68.7

70.7

73 2

75.2

76.3

71.5

68.6

70.1

68.2

68.9

68.9

24.4

26.5

20.3

17.8

20.2

16.8

19.3

17.3

17.8 16.2

16.0

15.7

13.3

14.2

17.6

17.1

17.3

17.2

Commercial Banks: Performing Loans to the Mexican Private Non Banking Sector Bank and Non Bank Loans to the Private Sector Broad version of non bank financing (loans to consumers and firms) Balance in billions of September 2010 pesos Real annual % change All Categories Consume Firms Total NRFF Total Consumer Housing Firms NRFF' Total Bank Total Bank Non hank Total Bank Non bank Total Bank Non hank 2516 IV 94 180 1770 IV 94 4.951 3.023 1.928 254 240 190 3.995 2.272 74 -36.0 -42.2 -37.2 4,289 1,798 743 195 IV 95 1481 287 1024 -41.1 -46.8 IV 95 2,492 153 140 13 548 3,393 1,804 55 -44.0 IV 96 3.706 1.554 107 14 551 228 IV 96 829 124 620 30 -42.0 -56.7 -39.5 -60.0 2.152 93 779 2.820 1.508 1.503 24 759 532 227 1.344 IV 97 663 49 99 504 12 -20.0 -12.4-20.6 -18.7-59.5 IV 97 3.458 1.955 102 78 2.596 IV 98 571 43 88 431 10 -130 -12 N -11 1 -146 -145 IV 98 3 397 1 637 1 760 97 64 33 754 476 278 2 545 1.097 IV 99 497 45 77 349 26 -13.1 5.7 -12.9 -18.9 151.5 IV 99 3,018 1.377 1,642 103 64 39 725 408 317 2,190 905 IV 00 514 56 359 29 23.3 IV on 1.164 2.039 120 45 307 382 2.395 783 3.4 -9.2 2.9 14.0 3.204 689 74 32.5 -4.4 151 56 702 250 452 2,137 IV 01 521 343 38 1.3 -5.5 28.2 IV 01 2,991 1,013 1,977 34.8 3.117 2.138 220 2.173 IV 02 IV 02 613 143 368 33 8.6 43.6 7.1 3,242 2,299 237 163 74 782 185 597 2,224 -0.6 8.8 943 596 IV 03 IV 03 773 203 42.2 24.8 48.4 325 95 177 663 571 IV 04 435 26.1 18.0 67 451 888 222 667 153 47.8 3.669 1.109 2.560 336 115 2.330 552 IV 05 982 300 461 27.1 79.6 6.1 35.8 IV 05 IV 06 1258 408 223 560 67 28.1 36.0 45.7 21.3 -0.2 IV 06 3,815 1,391 2,424 571 459 112 977 286 691 2,268 646 488 19.4 19.3 30.4 15.7 IV 07 652 95 1.165 328 838 822 IV 07 1561 266 730 78 24.1 4.434 1.706 2.728 556 2.618 469 346 1734 304 894 67 5.2 -8.9 8.2 15.9 -18.4 5,017 3,328 616 381 235 1,179 833 3,222 962 1652 380 336 882 -4.7 -19.1 10.6 -1.4 IV-09 4.770 1.629 3.142 241 1.198 364 3.033 IV 09 364 337 856 55 8.3 -4.7 -10.1 4,771 516 1,225 I-10 1612 -5.3 -15.6 I-10 1,592 3,179 286 230 365 860 3,030 941 4.910 1.644 3,266 530 297 1.249 374 3,131 973 1660 375 348 884 54 0.2 -7.9 10.0 1.1 -9.5 233 874 % breakdown Monthly balance in billions of September 2010 pesos Real annual % change IV 94 72.9 27.1 100.0 56.9 100.0 61.1 38.9 100.0 94.5 5.5 100.0 -17 1 IV 95 100.0 58 1 41 9 100.0 91.2 8.8 100.0 73.8 26.2 100.0 53.2 1741 442 927 64 3.5 -14.2 16.3 -18.0 IV 96 100.0 58.1 41.9 100.0 87.0 13.0 100.0 70.8 29.2 100.0 53.5 1702 432 311 899 61 1.0 -16.7 7.0 12.6 -22.2 IV 97 100.0 56.5 43.5 100.0 76.6 23.4 100.0 70.1 29.9 100.0 51.8 1681 420 311 891 -1.2 -18.9 5.8 IV 98 100.0 51.8 100.0 34.3 100.0 63.1 36.9 100.0 43.1 1669 412 314 883 60 -2.8 -20.4 5.1 7.8 -26.8 100.0 45.6 54.4 100.0 61.8 38.2 100.0 56.3 43.7 100.0 41.3 IV 99 1657 407 316 874 59 -3.7 -21.3 4.7 6.6 -26.5 100.0 36.3 63.7 100.0 62.0 38.0 100.0 44.6 55.4 100.0 32.7 IV 00 402 318 876 58 -4.2 4.2 5.8 -29.8 100.0 33.9 62.7 37.3 100.0 35.6 64.4 100.0 31.3 1653 -21.3 IV 01 66.1 100.0 1632 399 312 865 57 -6.1 -21 3 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intern debt emitters, non financing companies with own cards and the one 11.1 IV 04 7.5 2.0 0.8 4.2 0.5 100.0 26.3 11.0 56.3 6.4 ** New Current GDP Serie taken since 2003 to estimate credit balance rate compared with GDP IV 05 47.0 10.9 3.5 1.9 4.9 0.6 100.0 32.5 17.7 44.5 5.3 Source: Banco de Mexico and INEGI IV 06

*NBFE: Non bank financial entitie

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