

Mexico

# Banking Watch

19 January, 2011

**Economic Analysis**

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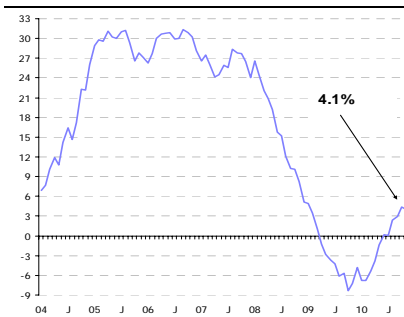
## Bank Credit: Monthly Situation Report

- In November 2010, the real annual rate of the balance of outstanding commercial bank lending to the private sector grew by 4.1%, and it has been growing in monthly terms since April.
- In November the categories of residential mortgage lending and corporate lending continued to show positive real growing rates and in that month consumer finance continued to notch up a positive real annual growing rate.
- GDP growth and employment are the main factors that continue to drive the revival of private sector lending

**Total outstanding credit to the private sector**

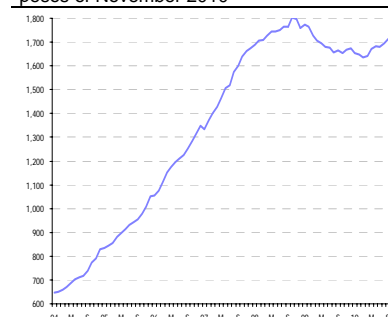
In Nov-10, the real annual growing rate in outstanding bank lending to the private sector was 4.1%. This rate was lower than in the preceding month (4.4%) and higher than the same month of 2009 (-7.2%). Following the recession in 2009, the bank's total lending showed negative growing rates from Apr-09 to May-10, and it began to grow again on Jun-10. Thus, in the 6 months from Jun-10 to Nov-10 it the new phase of bank lending expansion has been consolidated. Private sector lending will grow in line with GDP and employment.

Chart 1  
**Total Lending. % real annual change**



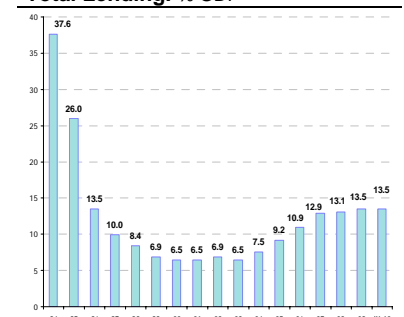
Source: BBVA Research with Bank of Mexico data

Chart 2  
**Total Lending. Figures in billion constant pesos of November 2010**



Source: BBVA Research with Bank of Mexico data

Chart 3  
**Total Lending. % GDP**

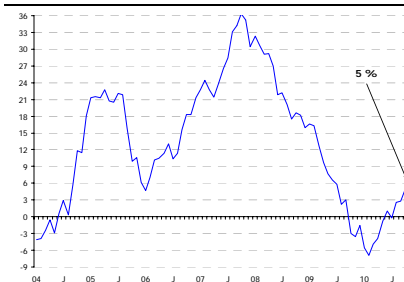


Source: BBVA Research with Bank of Mexico and INEGI data

**Corporate Lending**

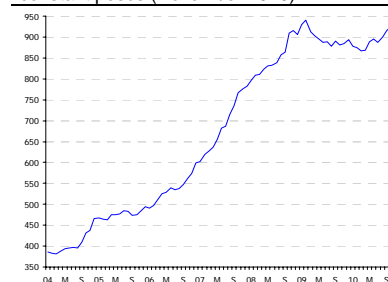
In Nov-10, the real annual growing rate of corporate lending was 5%, which was equal to the previous month's rate and higher than that of the same month in 2009 (-3.5%). Corporate bank lending stopped deteriorating in May-10 and its revival significantly helped total lending to also do so. It is noteworthy that GDP growth generates new investment opportunities for companies, which can be exploited by bank lending. Thus, the improved economic environment allows corporate lending demand to increase.

Chart 4  
**Corporate lending. % real annual change**



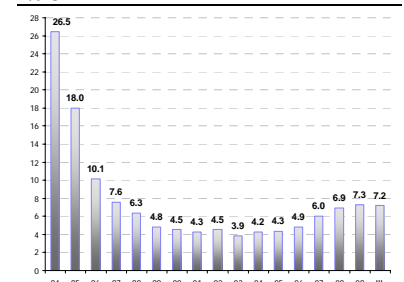
Source: BBVA Research with Bank of Mexico data

Chart 5  
**Corporate lending Balance in billions of constant pesos (November 2010)**



Source: BBVA Research with Bank of Mexico data

Chart 6  
**Corporate lending % GDP**

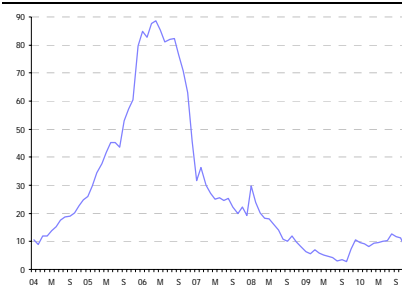


Source: BBVA Research with Bank of Mexico and INEGI data

**Mortgage lending**

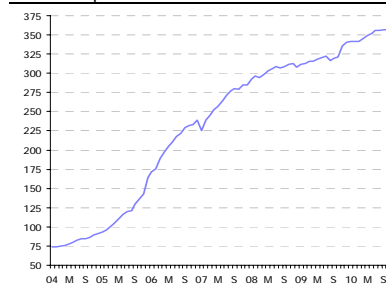
In Nov-10, the real annual growing rate for residential mortgage lending was 7.4%, lower than the previous month (11.3%) and the same month in 2009 (7.9%). The growing rate of residential mortgage lending fell from Oct-10 to Nov-10 because the arithmetic effect ended in this last month that caused the current mortgage lending portfolio in UDIs to be transferred to the current mortgage lending portfolio in pesos that various banks held in Nov-09. This allows us to anticipate that the growing rate of mortgage lending that will be observed in the near future will be more moderate than that observed in the first ten months of 2010.

Chart 7  
**Mortgage lending. % real annual change**



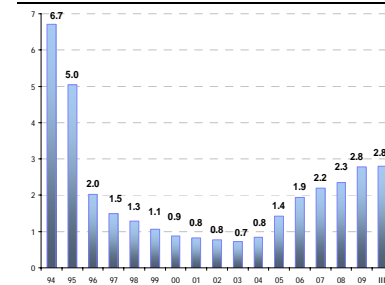
Source: BBVA Research with Bank of Mexico data

Chart 8  
**Mortgage Lending Balances in billion constant peso in November 2010**



Source: BBVA Research with Bank of Mexico data

Chart 9  
**Mortgage lending. % GDP**

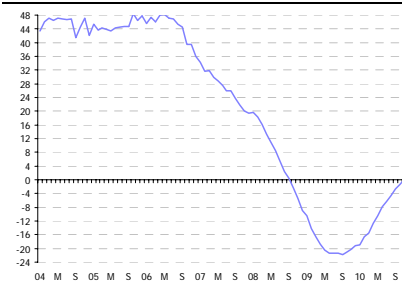


Source: BBVA Research with Bank of Mexico and INEGI data

**Consumer finance**

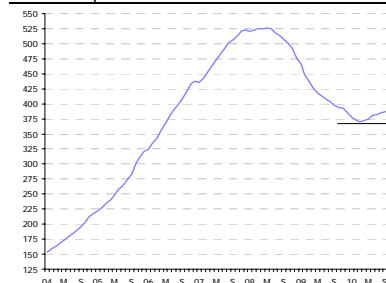
In Nov-10, the real annual consumer finance growing rate was positive at 0.3%. This rate contrasts with the negative rates of the previous month (-1.2%) and the same month in 2009 (-20.2%). From Oct-08 this lending began to notch up negative growing rates and continued to do so until Oct-10. The positive growth figure of Nov-10, along with the monthly increase in its balance that started from Apr-10 and is shown in chart 11 is another indicator referring to the recovery process taking place with consumer finance, which will remain based on economic growth.

Chart 10  
**Consumer finance. % real annual change**



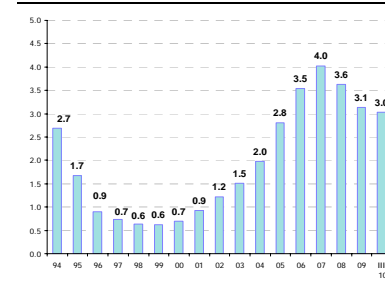
Source: BBVA Research with Bank of Mexico data

Chart 11  
**Consumer finance. Figures in billion constant pesos of November 2010**



Source: BBVA Research with Bank of Mexico data

Chart 12  
**Consumer finance. % GDP**

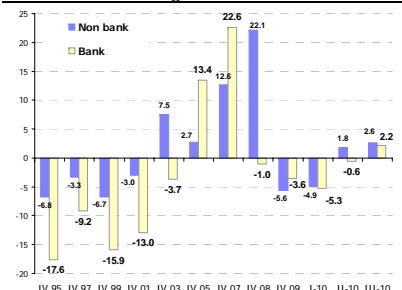


Source: BBVA Research with Bank of Mexico data

**Bank Lending: Contribution to growth by components**

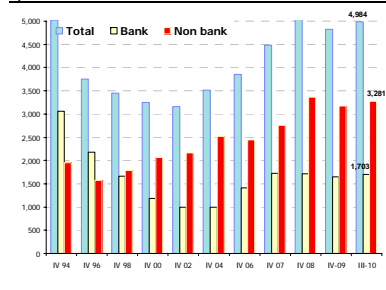
The breakdown by components of the 4.1% total growth in bank lending to the private sector in Nov-2010 was as follows: corporate lending contributed 2.6 percentage points (pp) of the 4.1 pp of total lending growth, residential mortgage lending contributed 1.5 pp and consumer finance contributed 0.1 pp. In turn, lending to NBFIs (non-bank financial intermediaries, which only represented 3.1% of total lending) had a negative contribution (-0.1 pp). In the coming months the positive contribution of consumer finance will increase.

Chart 13  
**Total finance (banking + non-banking). % real annual change**



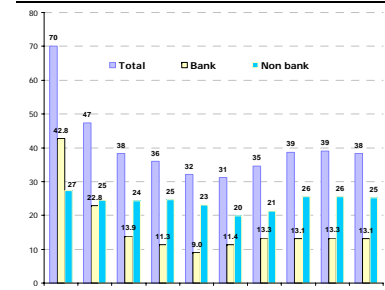
Source: Bank of Mexico

Chart 14  
**Total finance. Figures in billion constant pesos of November 2010**



Source: Bank of Mexico

Chart 15  
**Total finance % GDP**



Source: Bank of Mexico and INEGI

## Commercial Banks: Performing Loans to the Mexican Private Non Banking Sector

Balance in billions of November 2010 pesos						Real annual % change				
	Total	Consumer	Housing	Firms	NBFE*	Total	Consumer	Housing	Firms	NBFE*
IV 94	2516	180	448	1770	118	na	na	na	na	na
IV 95	1481	96	287	1024	74	-41.1	-46.8	-36.0	-42.2	-37.2
IV 96	829	55	124	620	30	-44.0	-42.0	-56.7	-39.5	-60.0
IV 97	663	49	99	504	12	-20.0	-12.4	-20.6	-18.7	-59.5
IV 98	571	43	88	431	10	-13.9	-12.0	-11.1	-14.6	-14.5
IV 99	497	45	77	349	26	-13.1	5.7	-12.9	-18.9	151.5
IV 00	514	56	69	359	29	3.4	23.3	-9.2	2.9	14.0
IV 01	521	74	66	343	38	1.3	32.5	-5.5	-4.4	28.2
IV 02	565	99	64	371	31	8.5	34.8	-2.8	7.9	-18.9
IV 03	613	143	68	368	33	8.6	43.6	7.1	-0.6	8.8
IV 04	773	203	85	435	49	26.1	42.2	24.8	18.0	48.4
IV 05	982	300	153	461	67	27.1	47.8	79.6	61.1	35.8
IV 06	1258	408	223	560	67	28.1	36.0	45.7	21.3	-0.2
IV 07	1561	488	266	730	78	24.1	19.4	19.3	30.4	15.7
IV 08	1759	476	308	907	68	5.2	-8.9	8.2	15.9	-18.4
IV 09	1675	385	341	893	56	-4.8	-19.1	10.6	-1.5	-16.8
I-10	1634	370	341	868	56	-5.3	-15.6	8.3	-4.8	-10.1
II	1683	381	352	895	54	0.1	-7.9	10.0	1.0	-9.5
III	1712	387	357	915	54	2.9	-2.7	11.8	2.9	-6.9
Monthly balance in billions of November 2010 pesos						Real annual % change				
2009	1773	467	311	929	66	4.9	-10.4	6.3	16.7	-17.1
F	1766	448	313	940	65	3.5	-14.2	5.6	16.3	-18.0
M	1727	438	315	912	62	1.0	-16.7	7.0	12.6	-22.2
A	1705	426	315	903	60	-1.2	-18.9	5.8	9.7	-23.6
M	1693	418	319	896	61	-2.8	-20.4	5.1	7.8	-26.8
J	1680	413	320	887	60	-3.7	-21.3	4.7	6.6	-26.5
J	1677	408	322	889	59	-4.2	-21.3	4.2	5.8	-29.8
A	1656	404	316	877	58	-6.1	-21.3	3.0	2.2	-31.6
S	1664	397	319	890	57	-5.7	-21.8	3.5	3.1	-31.9
O	1654	394	321	882	57	-8.3	-21.2	2.9	-3.0	-30.5
N	1669	393	336	894	56	-7.2	-20.2	7.3	-3.5	-27.2
D	1675	385	341	893	56	-4.8	-19.1	10.6	-1.5	-16.8
2010	1653	378	341	878	56	-6.7	-19.1	9.7	-5.5	-14.5
F	1646	374	341	875	56	-6.8	-16.6	9.2	-6.9	-14.0
M	1634	370	341	868	56	-5.3	-15.6	8.3	-4.8	-10.1
A	1641	372	345	868	56	-3.8	-12.7	9.4	-3.9	-7.1
M	1670	374	349	889	56	-1.4	-10.5	9.6	-0.7	-6.7
J	1683	381	352	895	54	0.1	-7.9	10.0	1.0	-9.5
J	1679	382	355	887	55	0.1	-6.3	10.3	-0.2	-6.5
A	1695	386	356	899	54	2.4	-4.7	12.6	2.5	-7.0
S	1712	387	357	915	54	2.9	-2.7	11.8	2.9	-6.9
O	1726	389	357	926	54	4.4	-1.2	11.3	5.0	-5.4
N	1737	394	361	928	54	4.1	0.3	7.4	5.0	-3.7
Annual average balance						Average real annual growth rates				
2005	863	248	112	445	58	29.4	45.1	46.2	17.9	38.9
2006	1,120	357	196	502	65	29.7	44.5	77.6	12.7	11.7
2007	1,413	452	246	644	71	26.2	26.8	25.8	28.3	10.7
2008	1,619	393	284	793	149	15.1	-12.0	15.9	23.6	107.2
2009	1,695	416	321	898	60	-2.9	-18.9	5.5	6.1	-25.2
% of GDP						% breakdown				
IV 94	37.6	2.7	6.7	26.5	1.8	100.0	7.1	17.8	70.4	4.7
IV 95	26.0	1.7	5.0	18.0	1.3	100.0	6.5	19.4	69.2	5.0
IV 96	13.5	0.9	2.0	10.1	0.5	100.0	6.7	15.0	74.7	3.6
IV 97	10.0	0.7	1.5	7.6	0.2	100.0	7.3	14.9	76.0	1.8
IV 98	8.4	0.6	1.3	6.3	0.2	100.0	7.5	15.4	75.4	1.8
IV 99	6.9	0.6	1.1	4.8	0.4	100.0	9.1	15.4	70.3	5.2
IV 00	6.5	0.7	0.9	4.5	0.4	100.0	10.8	13.5	69.9	5.7
IV 01	6.5	0.9	0.8	4.3	0.5	100.0	14.2	12.6	66.0	7.3
IV 02	6.9	1.2	0.8	4.5	0.4	100.0	17.6	11.3	65.7	5.4
IV 03	6.5	1.5	0.7	3.9	0.4	100.0	23.3	11.1	60.1	5.4
IV 04	7.5	2.0	0.8	4.2	0.5	100.0	26.3	11.0	56.3	6.4
IV 05	9.2	2.8	1.4	4.3	0.6	100.0	30.6	15.6	47.0	6.8
IV 06	10.9	3.5	1.9	4.9	0.6	100.0	32.5	17.7	44.5	5.3
IV 07	12.9	4.0	2.2	6.0	0.6	100.0	31.2	17.0	46.8	5.0
IV 08	13.4	3.6	2.3	6.9	0.5	100.0	27.1	17.5	51.6	3.9
IV 09	13.5	3.1	2.8	7.3	0.5	100.0	23.0	20.3	53.3	3.4
I-10	13.2	3.0	2.8	7.0	0.4	100.0	22.6	20.9	53.1	3.4
II	13.1	3.0	2.7	7.0	0.4	100.0	22.6	20.9	53.2	3.2
III	13.5	3.0	2.8	7.2	0.4	100.0	22.6	20.8	53.5	3.1

\*NBFE: Non bank financial entities  
Source: Banco de México

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## Bank and Non Bank Loans to the Private Sector

Broad version of non bank financing (loans to consumers and firms)

Balance in billions of November 2010 pesos												
	All Categories			Consumer			Housing			Firms		
	Total	Bank	Non bank	Total	Bank	Non bank	Total	Bank	Non bank	Total	Bank	Non bank
IV 94	5,021	3,066	1,955	257	243	14	712	519	193	4,052	2,304	1,748
IV 95	4,350	2,527	1,823	156	142	14	753	556	198	3,441	1,830	1,612
IV 96	3,759	2,183	1,576	108	94	14	790	559	231	2,860	1,529	1,331
IV 97	3,507	1,982	1,524	104	79	24	770	539	231	2,633	1,364	1,269
IV 98	3,445	1,660	1,785	98	65	34	765	483	282	2,582	1,112	1,469
IV 99	3,061	1,396	1,665	105	65	40	735	414	322	2,221	918	1,303
IV 00	3,249	1,181	2,068	121	75	46	699	312	387	2,429	794	1,635
IV 01	3,033	1,028	2,005	153	96	57	712	254	458	2,168	678	1,490
IV 02	3,161	993	2,168	204	123	81	754	224	530	2,204	647	1,557
IV 03	3,289	957	2,332	240	165	75	793	187	606	2,255	604	1,651
IV 04	3,513	992	2,521	330	233	97	852	180	672	2,331	579	1,752
IV 05	3,715	1,125	2,590	458	340	117	901	225	676	2,357	560	1,797
IV 06	3,856	1,411	2,445	579	466	113	990	290	700	2,286	655	1,631
IV 07	4,484	1,730	2,754	661	564	97	1,182	332	850	2,642	834	1,808
IV 08	5,076	1,713	3,363	625	386	239	1,196	351	845	3,256	976	2,280
IV-09	4,826	1,652	3,175	548	303	244	1,215	361	846	3,064	979	2,085
I-10	4,827	1,615	3,213	524	290	234	1,243	370	872	3,061	954	2,107
II	4,967	1,667	3,300	537	301	236	1,266	380	887	3,164	987	2,177
III	4,984	1,703	3,281	540	306	234	1,268	384	885	3,175	1,013	2,162
% breakdown												
IV 94	100.0	61.1	38.9	100.0	94.5	5.5	100.0	72.9	27.1	100.0	56.9	43.1
IV 95	100.0	58.1	41.9	100.0	91.2	8.8	100.0	73.8	26.2	100.0	53.2	46.8
IV 96	100.0	58.1	41.9	100.0	87.0	13.0	100.0	70.8	29.2	100.0	53.5	46.5
IV 97	100.0	56.5	43.5	100.0	76.6	23.4	100.0	70.1	29.9	100.0	51.8	48.2
IV 98	100.0	48.2	51.8	100.0	65.7	34.3	100.0	63.1	36.9	100.0	43.1	56.9
IV 99	100.0	45.6	54.4	100.0	61.8	38.2	100.0	56.3	43.7	100.0	41.3	58.7
IV 00	100.0	36.3	63.7	100.0	62.0	38.0	100.0	44.6	55.4	100.0	32.7	67.3
IV 01	100.0	33.9	66.1	100.0	62.7	37.3	100.0	35.6	64.4	100.0	31.3	68.7
IV 02	100.0	31.4	68.6	100.0	60.3	39.7	100.0	29.7	70.3	100.0	29.3	70.7
IV 03	100.0	29.1	70.9	100.0	68.8	31.2	100.0	23.6	76.4	100.0	26.8	73.2
IV 04	100.0	28.2	71.8	100.0	70.6	29.4	100.0	21.1	78.9	100.0	24.8	75.2
IV 05	100.0	30.3	69.7	100.0	74.4	25.6	100.0	25.0	75.0	100.0	23.8	76.2
IV 06	100.0	36.6	63.4	100.0	80.4	19.6	100.0	29.3	70.7	100.0	28.7	71.3
IV 07	100.0	38.6	61.4	100.0	85.4	14.6	100.0	28.1	71.9	100.0	31.6	68.4
IV 08	100.0	33.8	66.2	100.0	61.8	38.2	100.0	29.4	70.6	100.0	30.0	70.0
IV-09	100.0	34.2	65.8	100.0	55.3	44.7	100.0	30.4	69.6	100.0	32.0	68.0
I-10	100.0	33.5	66.5	100.0	55.4	44.6	100.0	29.8	70.2	100.0	31.2	68.8
II	100.0	33.6	66.4	100.0	56.0	44.0	100.0	30.0	70.0	100.0	31.2	68.8
III	100.0	34.2	65.8	100.0	56.7	43.3	100.0	30.3	69.7	100.0	31.9	68.1
% of GDP												
IV 94	70.1	42.8	27.3	3.6	3.4	0.2	9.9	7.2	2.7	56.6	32.2	24.4
IV 95	71.4	41.5	29.9	2.6	2.3	0.2	12.4	9.1	3.2	56.5	30.0	26.5
IV 96	57.3	33.3	24.0	1.7	1.4	0.2	12.0	8.5	3.5	43.6	23.3	20.3
IV 97	49.2	27.8	21.4	1								