

Banking Watch

Mexico

May 20, 2011
Economic Analysis

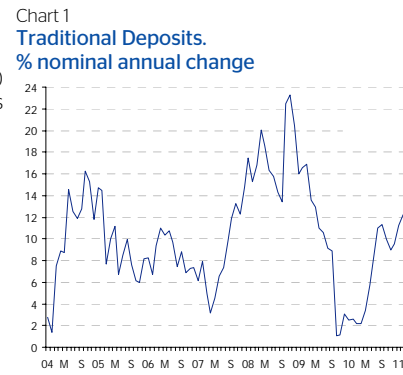
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Bank Deposits: Monthly Situation Report

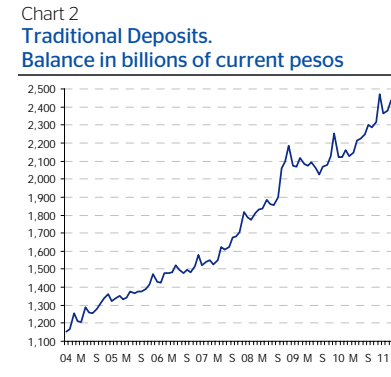
- In March 2011 the annual nominal growth rate of traditional bank deposits was 12.7%.
- Demand and time deposits posted a notable growth, at 16.2% and 8.5% respectively.
- Financial Savings grew at a nominal rate of 13.2%, with the main driver of this increase being its component of public-sector financial instruments

Traditional Commercial Bank Deposits

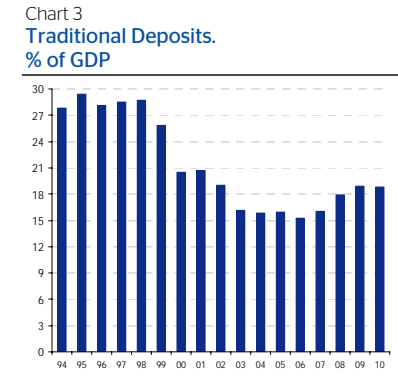
In March 2011, the nominal annual growth in traditional deposits (demand + time deposits) in commercial banks was 12.7%. This rate was higher than in the preceding month (12.2%) as well as in the same month in 2010 (2.2%). Traditional deposits have steadily increased their rate of growth since the second half of 2010. This has been the result of the high rates of growth in demand deposits, as well as the improved performance in time deposits. Among the reasons for this is the strength in economic activity and thus increased income and employment.



Source: BBVA Research with Bank of Mexico data



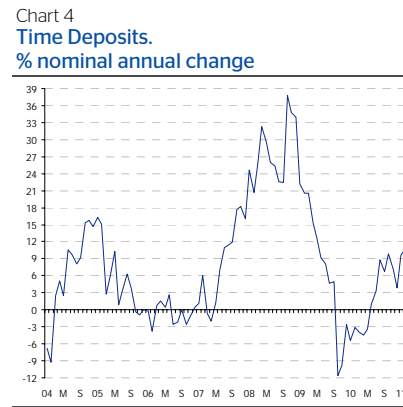
Source: BBVA Research with Bank of Mexico data



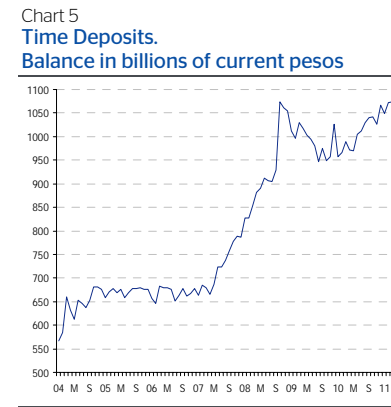
Source: BBVA Research with Bank of Mexico and INEGI data

Time Deposits

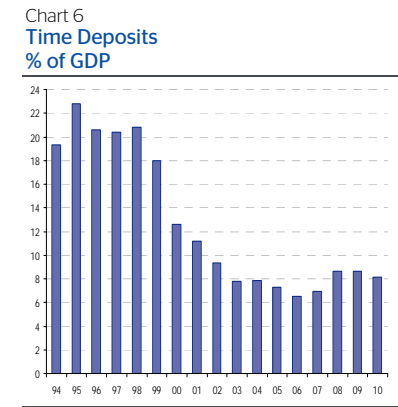
In March 2011 time deposits grew at a nominal annual rate of 8.5%. This was below the level in the preceding month (10.9%) but higher than the same month in 2010 (-3.9%). Chart 5 indicates that these deposits increased significantly starting in the second quarter of 2007, in part boosted by rises in interest rates. In October 2008 bond investment companies registered significant losses, and as a result some of these funds flowed towards time deposits. The recovery in bond investment companies in 2010 affected money flows to time deposits. Their current recovery is due in part to economic growth, as well as to some losses registered recently by these investment companies.



Source: BBVA Research with Bank of Mexico data



Source: BBVA Research with Bank of Mexico data

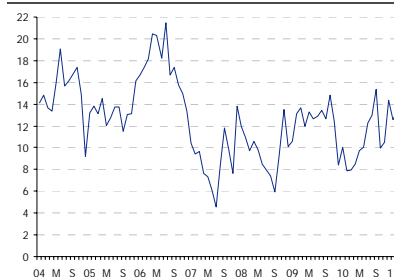


Source: BBVA Research with Bank of Mexico and INEGI data

Demand Deposits

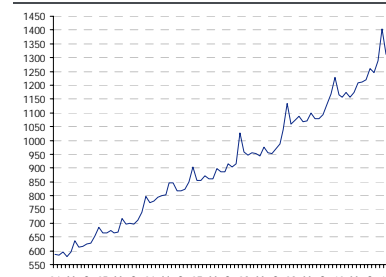
In March 2011 the nominal annual growth rate of demand deposits in commercial banks was 16.2%. This rate was higher than for the preceding month (13.3%) and for the same month in 2010 (7.9%). In fact, March 2011 registered the highest rate of demand-deposit growth since October 2006. This 16.2 pp growth can be broken down as follows by its components: checks in domestic currency accounted for 14.2; current accounts, 3 pp; saving and loan companies 0.1 pp; and foreign-currency checks -1.1 pp.

Chart 7
Demand Deposits.
% nominal annual change



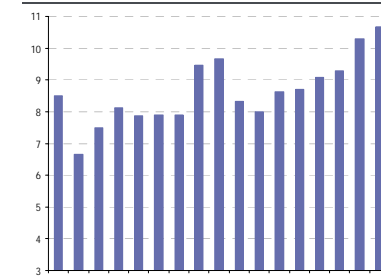
Source: BBVA Research with Bank of Mexico data

Chart 8
Demand Deposits
Balance in billions of current pesos



Source: BBVA Research with Bank of Mexico data

Chart 9
Demand Deposits
% of GDP

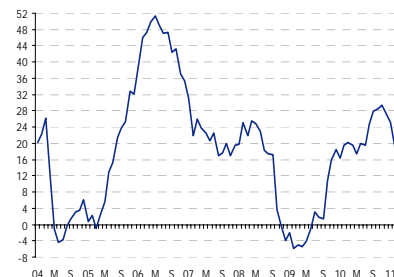


Source: BBVA Research with Banco de México and INEGI data

Bond investment companies

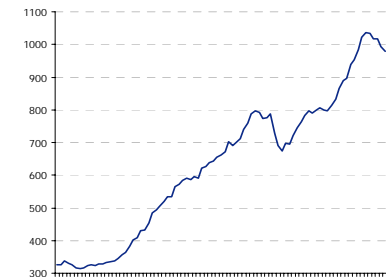
In March 2011, the nominal annual growth of funds deposited in bond investment companies was 12.9%. This rate was lower than in the preceding month (19.5%) and in the same month of 2010 (20.3%). The slower rate of growth was to a certain extent due to the increase in some interest rates from February to March 2011. This was the case of 5-year fixed-interest bonds, 30-year Udibonos and 28-day Cetes. These increases in rates generated losses in the bond investment companies holding these securities in their investment portfolio, thus making them less attractive.

Chart 10
Bond investment companies.
% nominal annual change



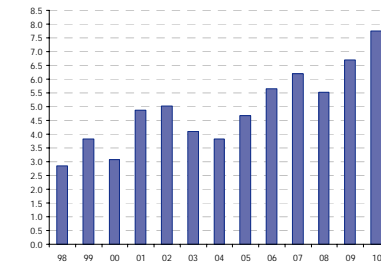
Source: BBVA Research with Bank of Mexico data

Chart 11
Bond investment companies.
Balance in billions of current pesos



Source: BBVA Research with Bank of Mexico data

Chart 12
Bond investment companies.
% of GDP

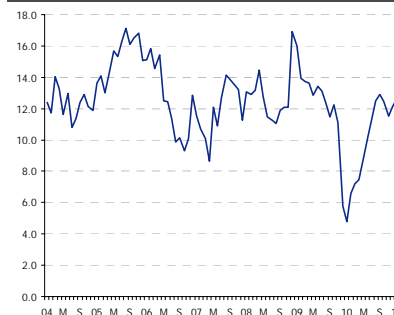


Source: BBVA Research with Bank of Mexico and INEGI data

Financial Savings (savings in banking and non-banking instruments)

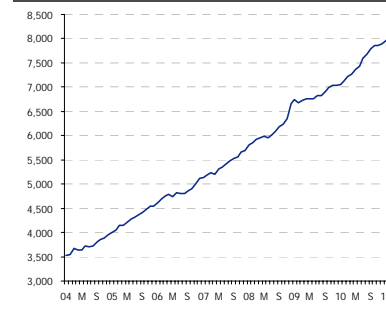
In March 2011, the nominal annual growth rate of financial savings was 13.2%, up on the previous month (13.1%) and on the same month in 2010 (7.2%). The contribution of the components making up this aggregate was as follows: public sector securities accounted for 7 pp of the 13.2 pp growth; savings institutions, 5 pp (commercial banks, 3.8 pp; overseas agencies, 0.6%; development banks, 0.5 pp; savings and loans companies, 0.1 pp); the non-Siefores retirement savings scheme (SAR), 0.9 pp; and private-sector debt securities, 0.3 pp.

Chart 13
Financial Savings
% nominal annual change



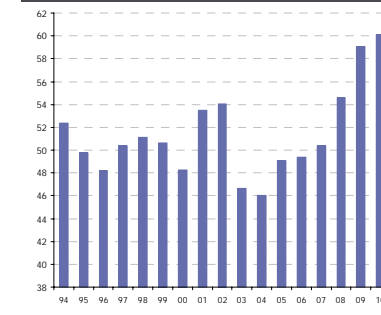
Source: BBVA Research with Banxico data

Chart 14
Financial Savings.
Balance in billions of current pesos



Source: BBVA Research with Banxico data

Chart 15
Financial Savings.
% of GDP



Source: BBVA Research with Banxico data

