

Economic Watch

Mexico

23 de agosto de 2011
Economic Analysis

Eduardo Torres
e.torres@bbva.bancomer.com

Home loans and finance

Gradual reactivation of the mortgage market

- Bank lending continues strong: 19% real increase in the first half of the year
- Indicators such as lending for existing homes and construction loans suggest that housing construction is lagging behind loans
- At the current rate, the industry could close the year with close to 640,000 loans granted in 2011, an increase of nearly 5% on the 2010 figure.

The mortgage market is returning to normal

After a slow start to the year, the mortgage market has been recovering strength. At the close of the first six months it was already showing clear signs of improvement, with a 6.7% real increase in the amount loaned. In terms of the number of loans, the figures are at practically the same level as in the same period in 2010 (271,000 individual loans granted).

Commercial banks have been the main driving force with an increase of 8.1% year-on-year in the number of loans and 19% in the amount in real terms. Among public institutions, Infonavit has practically recovered with respect to the previous year, with nearly the same number of loans (down only 0.9% year-on-year) and an increase of 4.7% in the amount in real terms. In the case of Fovissste, lending is also recovering, although at a slower pace; in terms of the amount of lending, there was a fall of -3.7% in real terms on the 2010 figure.

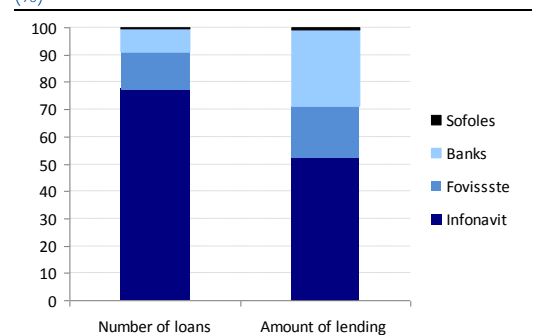
Measured by number of loans granted, Infonavit's share of the market is 75%, although in terms of the amount the share falls to 50%. In contrast, Fovissste's share is 10% in number of loans but 18% in the amount lent. Banks had a market share of 30% in the total amount lent and 12% in the number of loans. This situation reflects the market served by each institution: Infonavit concentrates its efforts on the lower-income population; while the average wage of members of Fovissste (and thus the volume of loans granted) is greater than that of people registered in the IMSS. Banks tend to serve the population with average and high incomes. The share of the Sofoles in the mortgage market is of under 1%, both in terms of the number of loans granted and the amount.

Table 1
Mortgage lending
Number and amount of loans, annual aggregate

	Number of loans (thousands)			Amount of lending (billion pesos)		
	10-Jun	11-Jun	Annual %	10-Jun	11-Jun	Annual real
			change			% change
Public	249.8	242.7	-2.8	68.98	72.95	2.4
Infonavit	217.2	215.2	-0.9	51.53	55.60	4.5
Fovissste	32.7	27.5	-15.8	17.45	17.35	-3.7
Private	36.6	37.4	2.2	26.10	31.75	17.9
Banks	33.2	35.8	8.1	25.21	30.97	19
Sofoles	3.4	1.5	-55	0.89	0.78	-15.4
Subtotal	286.4	280.1	-2.2	95.08	104.70	6.7
Co-finance (-)	15.3	9.2	-39.9	---	---	---
Total	271.1	270.9	-0.1	95.08	104.70	6.7

Source: BBVA Research with data from ABM, AHM and AMFE

Chart 1
Relative share of each institution in the lending market (%)

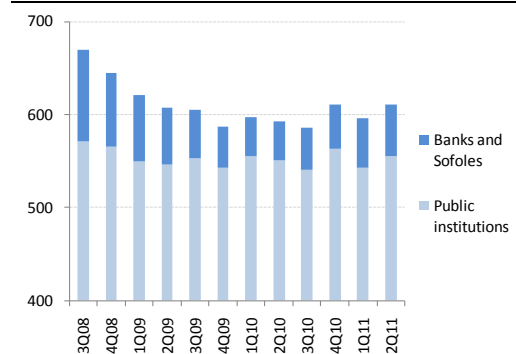


Figures as of June 2011

Source: BBVA Research with data from ABM, AHM and AMFE

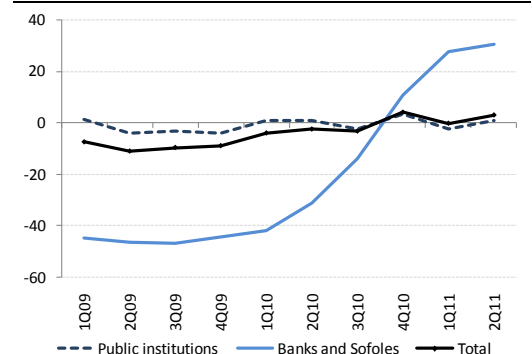
As of the close of June 30, 2011, the industry was issuing loans at a rate of around 610,000 per year, the same level as at the close of 2010. As lending by public institutions returns to normal, the figure could reach close to 640,000 homes at the end of the year. This would still be under the figure for 2008, when the number of loans granted amounted to almost 650,000.

Chart 2
Number of loans by institution
Thousands, annualized figures



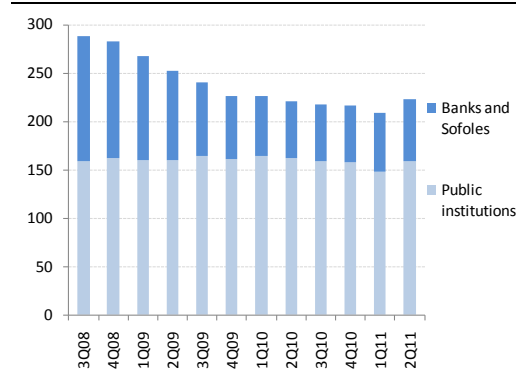
Source: BBVA Research with data from ABM, AHM and AMFE

Chart 3
Number of loans by institution
Annual % change, annualized figures



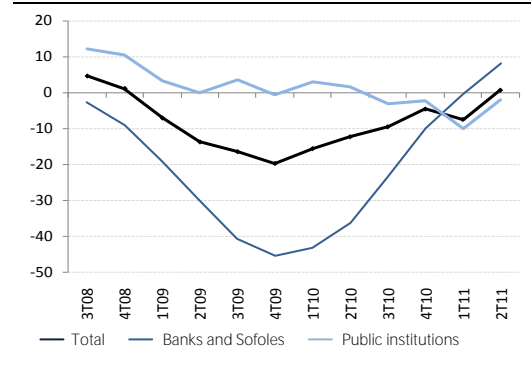
Source: BBVA Research with data from ABM, AHM and AMFE

Chart 4
Amount of lending by institution
Billion pesos, 2011 prices, annualized figures



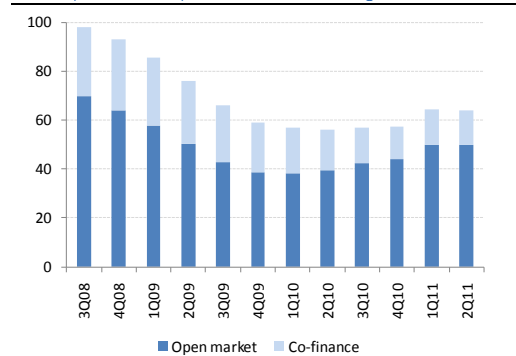
Source: BBVA Research with data from ABM, AHM and AMFE

Chart 5
Amount of lending by institution
Real annual % change



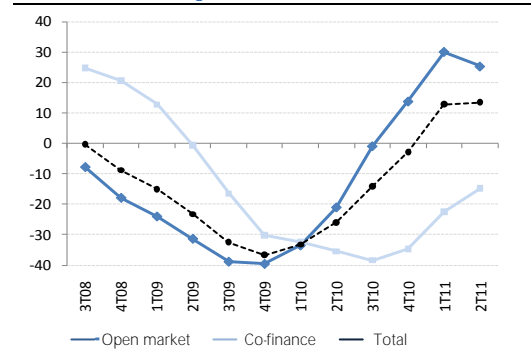
Source: BBVA Research with data from ABM, AHM and AMFE

Chart 6
Amount of loans granted by commercial banks
Billion pesos, 2011 prices, annualized figures



Source: BBVA Research with ABM data

Chart 7
Amount of loans granted by commercial banks
Real annual % change



Source: BBVA Research with ABM data

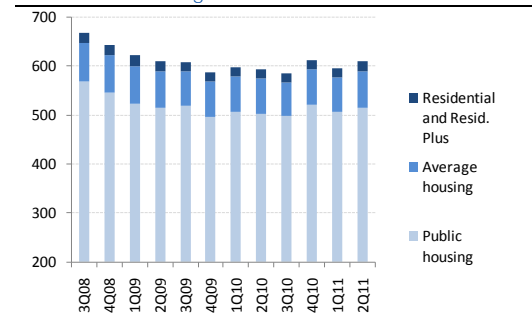
The results for the first half of the year reflect the increase in the banking business, with higher rates of growth in the medium and high-income segments.

Table 2
Amount of loans granted by commercial banks
Billions of pesos, 2011 prices, annualized figures

	Loans (thousands)		Change %
	Jun-10	Jun-11	
Total	271.2	270.9	-0.1
Economical + Popular (up to 350,000)	150.4	155.1	3.1
Traditional (up to 610,000)	82.2	74.1	-9.8
Average (up to 1.3 million)	30.4	31.8	4.7
Residential (up to 2.6 million)	6.7	7.9	17.4
Residential Plus (over 2.6 million)	1.4	1.9	32.3

Source: BBVA Research

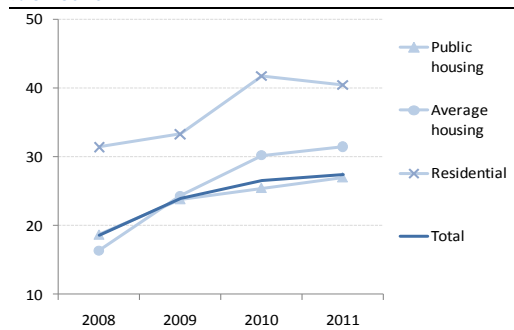
Chart 8
Amount of loans granted by commercial banks
Annual real % change



Note: The "Public Housing" segment includes Inexpensive, Popular and Traditional housing
Source: BBVA Research

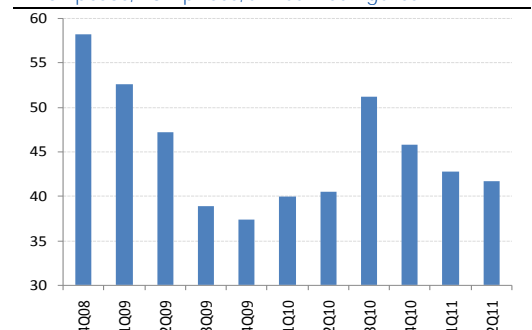
The increase in loans granted for existing housing has gathered pace from 26% in 2010 to nearly 30% in 2011. Particularly in the case of housing for low and medium-income households this could reflect the fact that loans have been granted at a faster rate than construction, as suggested by the slowdown in construction loans.

Chart 9
Existing housing: Infonavit
% of loans



Source: BBVA Research with Infonavit data

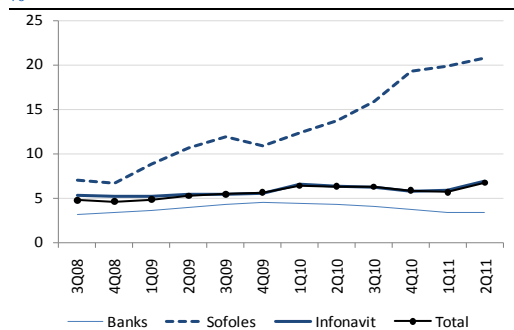
Chart 10
Construction loans
Billion pesos, 2011 prices, annualized figures



Source: BBVA Research with AHM and AMFE data

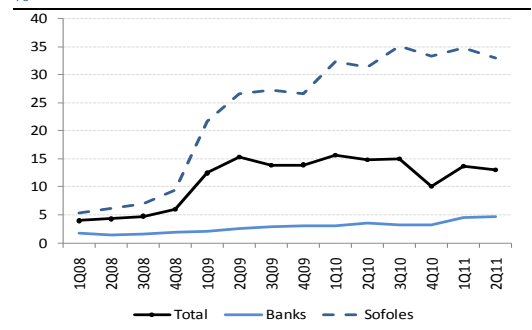
In both mortgage lending and lending for housing construction (construction loans), the banks' non-performing portfolio is at low levels despite the increase in lending.

Chart 11
Mortgage default rate
%



Source: BBVA Research with AHM and AMFE data

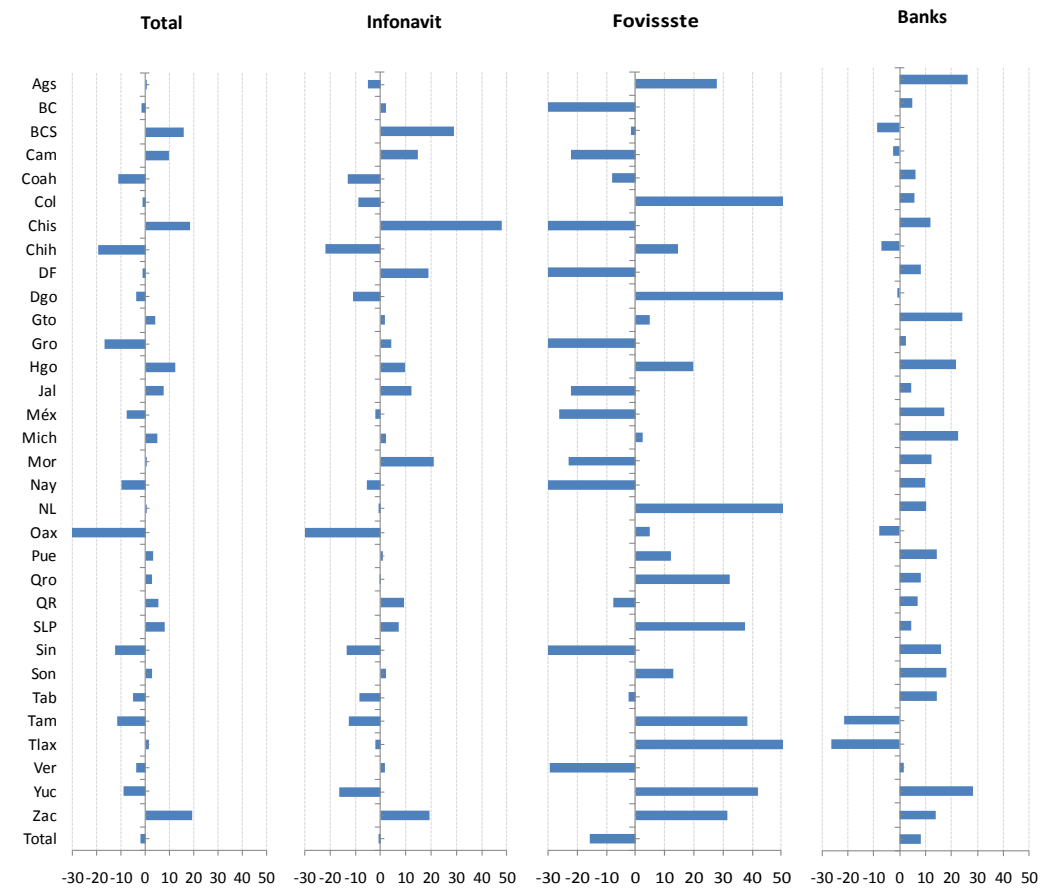
Chart 12
Construction-loan default rate
%



Source: BBVA Research with AHM and AMFE data

There has been a general increase at the regional level in mortgage lending by banks. Although there is more variation in the case of public institutions, in some cases they are growing at double-digit rates.

Chart 13
Number of mortgage loans by state



Source: BBVA Research with AHM data

Disclaimer

This document was prepared by Banco Bilbao Vizcaya Argentaria's BBVA Research Department and by BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, on its own behalf and is provided for information purposes only. The opinions, estimates, predictions, and recommendations appearing in this document are for the date that appears herein, and therefore may change as a result of market fluctuations. The opinions, estimates, forecasts and recommendations included herein are based on information obtained from reliable sources; however, BBVA gives no guarantee, whether express or implicit, about the accuracy, completeness or correctness of such information. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.