

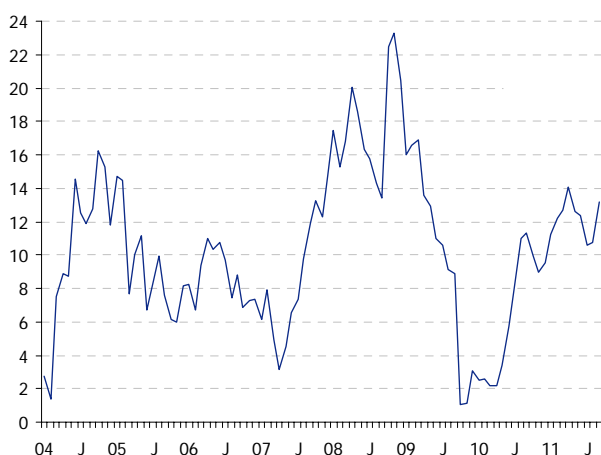
BBVA Research Flash

Mexico

Bank Deposits

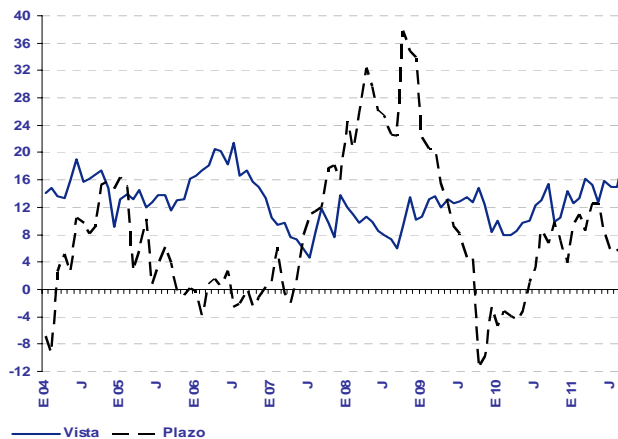
- In September 2011 the annual nominal rate of growth of total bank deposits was 13.2%. This rate was higher than the one of the previous month (10.8%) and also was greater than the one of the same month of 2010 (11.3%).
- The two elements of total bank deposits are demand and time deposits. Note that at present the behavior of these two categories has been different, and the most dynamic component has been demand deposits.
- In September 2011 the annual nominal rate of growth of demand deposits was 19%. This is the highest rate of growth that demand deposits has shown since July 2006 when the annual nominal growth rate was 21.4%. This rate of growth is the consequence of GDP growth and, to some extent, it is also the consequence of the observed lower inflation rate during 2011. Note that a lower inflation rate decreases the opportunity cost of holding liquid financial assets as are demand deposits.
- As a contrast to the dynamic behavior shown by demand deposits, time deposits have grown at a slower rate. This is a consequence of the competition that time deposits faces with other non banking savings instruments, such as debt mutual funds and buy back agreements of public sector securities. Note that some of these non traditional savings instruments are substitutes of time deposits.
- The main factors that at present have allowed for the growth of bank deposits are the positive evolution of GDP and employment as well as the observed lower inflation rate. As long as these positive factors are present the evolution of bank deposits will continue to be positive.

Gráfico 1
Total Deposits of Commercial Banks, Annual nominal rate of growth, %



Source: BBVA Research with data of Bank of Mexico

Gráfico 2
Demanda and Time Deposits, Annual nominal rate of growth, %/l



Source: BBVA Research with data of Bank of Mexico

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