

Financial Systems

Banking deposits: back to double-digit growth

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The nominal annual growth rate of traditional banking deposits (demand + term) in October 2014 was 12.4%, representing an increase of 3.5pp (percentage points) over the month before. This growth was driven by the acceleration in both components, demand and term deposits, whose contributions to traditional banking deposits came to 10.9pp and 1.5pp respectively (vs 8.6 and 0.3pp the month before). Thus, demand deposits accounted for 87.9% of the growth in traditional banking deposits (vs 96.6% the previous month), whereas term deposits represented 12.1% (vs 3.4% the previous month). The recovery in the rate of growth of traditional banking deposits may be a response to the relative improvement seen recently in economic activity, as reflected in the Global Economic Activity Indicator (IGAE) which in September reported an annual percentage variation of 2.9%, 1.7pp above the figure posted the month before. Similarly, the Industrial Activity Indicator reported a growth rate in September of 2.9% and in October of 2.1%, both figures higher than the 1.1% recorded in August.¹

Demand deposits: greater momentum, led by corporates

In October 2014, nominal annual growth rate of demand banking deposits was 18.5%, a 4.0pp rise over the month before (July 16.8%, August 15.5%, September 14.5%). This growth was mainly driven by corporate deposits, which raised their contribution to the growth of demand deposits from 5.6pp to 8.8pp. They were followed by individuals, as a segment, which accounted for 5.5pp (vs 4.0pp recorded the month before) and the segment of financial intermediaries, with 1.7pp (vs 1.0pp the previous month). Of all the demand deposit components, it was the non-financial public sector which displayed least momentum, reducing its share in growth from 3.5pp in September to 2.9pp in October. The average nominal annual percentage variation in demand deposits in the first ten months of the year came to 15.6%, 6.8pp above the figure over the same period the year before. The monthly average of daily demand deposit balances in October posted nominal annual growth of 17.4% (vs 17.7% the month before).²

Term deposits: the corporate segment was the main driver

In October 2014 the nominal annual growth rate of term deposits was 3.6%, representing an increase of 2.9pp from the month before. This growth was mainly driven by the corporate segment, whose share in the growth of term deposits rose to -1.9pp, from the -3.2pp it posted in September.³ It was followed by the individuals segment, making up 3.9pp (vs 3.4pp recorded the previous month) and the non-financial public sector, with a contribution of -0.2pp (vs -0.4pp the month before). The component showing the least momentum, of all those making up term deposits, was that of financial intermediaries, which reported a marginal improvement in its share of growth, edging up from 0.8pp to 0.9pp. The average nominal annual percentage variation in term deposits in the first ten months of the year came in at 3.3%, 2.9pp below the same period in 2013. The monthly average of daily term deposits in October registered a nominal annual growth rate of 1.4% (vs 2.6% in September).² Growth in corporate deposits, both demand and term, may be reflecting greater revenue flows, which is consistent with the latest figures on retail sales published by the INEGI and the sales recorded by stores belonging to ANTAD. The former recorded nominal annual growth of 4.5% in September (vs 4.4% in August), while the latter grew by a nominal annual rate of 6.5% in October (vs 2.3% in September).¹

¹ Original series.

² Information about the nominal annual growth rate of the monthly average of daily deposit balances comes from the report on multiple banking resource deposits published by the central bank (Bank of Mexico). The information on the nominal annual growth rate of end-of-month deposits is published in the central bank's CF77 report (monetary aggregates including the public sector).

³ Figures updated since our previous flash.

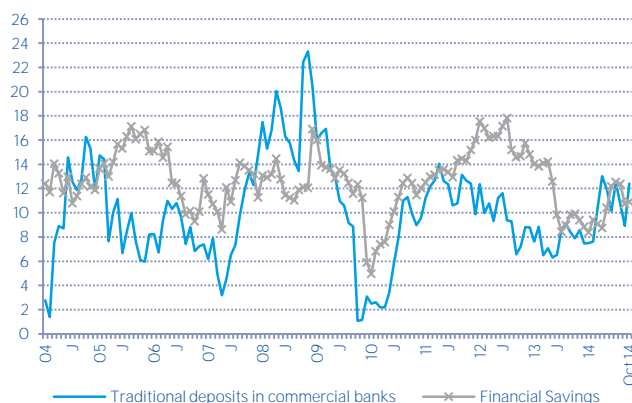
Debt mutual funds: first fall in the rate of growth since April

The nominal annual growth rate of the balance of securities held by debt mutual funds was 8.6% in October 2014, 2.0pp below the result for September. The October figure represented the first slide in the growth rate since April. As pointed out in previous reports, it is likely that the loss of momentum in the balance of securities held by debt funds is associated with the recovery in short- and long-term government debt yields over the last few months.⁴ The component which contributed most to the growth rate was the balance of government stocks held, at 7.7pp, followed by banking securities (0.9pp). Ownership of shares of other debt mutual funds reported a contribution of 0.3pp, whereas private paper ownership reported a contribution of -0.2pp. The average nominal annual growth rate over the first ten months of the year came to 6.3%, 7.9pp below the results for the same period last year.

Financial Savings (FS): holding to double-digit growth

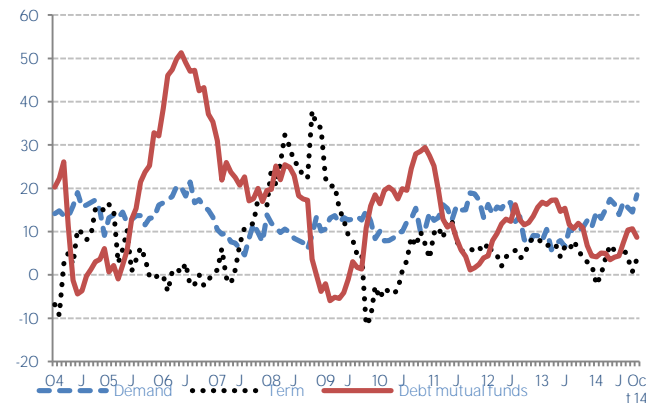
In October, nominal annual growth rate in Financing Savings (FS) was 10.9%, a reduction of 0.2pp from the month before. The average annual growth rate in the first ten months of the year was 10.5%, 1.1pp below the same period in 2013. FS as a category includes all savings instruments, whether banking or non-banking.

Figure 1
Traditional deposits in commercial banks and financial savings, nominal annual % change



Source: BBVA Research with data from Bank of Mexico.

Figure 2
Demand and term deposits by commercial banks and debt mutual funds, nominal annual % change



Source: BBVA Research with data from Bank of Mexico.

⁴ For example, the average rate of 28-day Cetes rose by 13 basis points (bp) between August and October 2014. The average rate of fixed rate 10-year government bonds rose by 43bp over the same period.

Deposits: figures and statistics

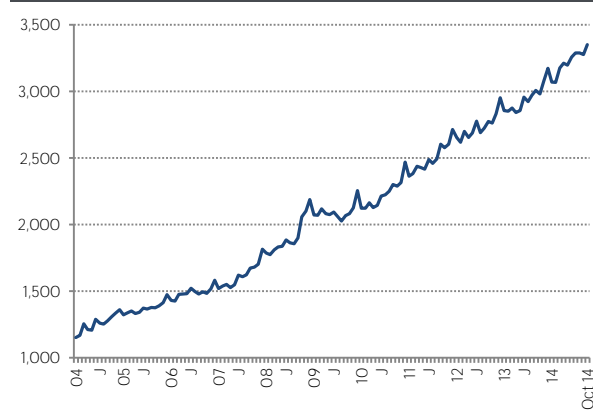
- In October 2014 the nominal annual growth rate of traditional banking deposits (demand + term) was 12.4%.
- In that month demand deposits grew at an annual nominal rate of 18.5%, while term deposits increased by 3.6%.
- Financial Savings, which includes all savings instruments, banking and non-banking, grew by an annual nominal rate of 10.9%.

Figure 1
Traditional Deposits (demand + term)
Nominal annual % change



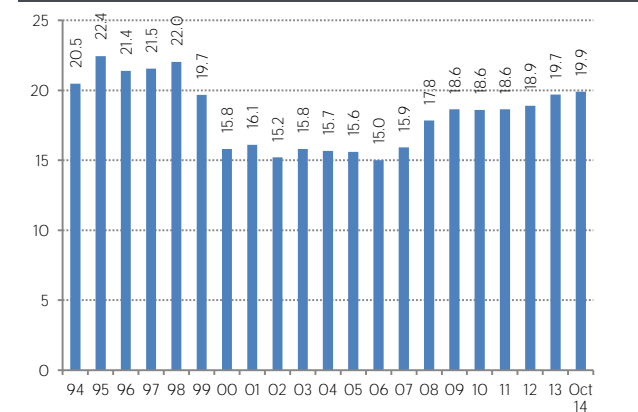
Source: BBVA Research with data from Bank of Mexico.

Figure 2
Traditional Deposits in Commercial Banking
Balance in billions of current pesos



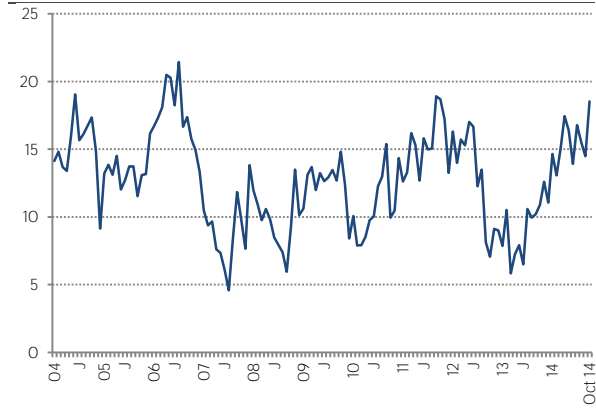
Source: BBVA Research with data from Bank of Mexico.

Figure 3
Traditional Deposits in Commercial Banking
% of GDP



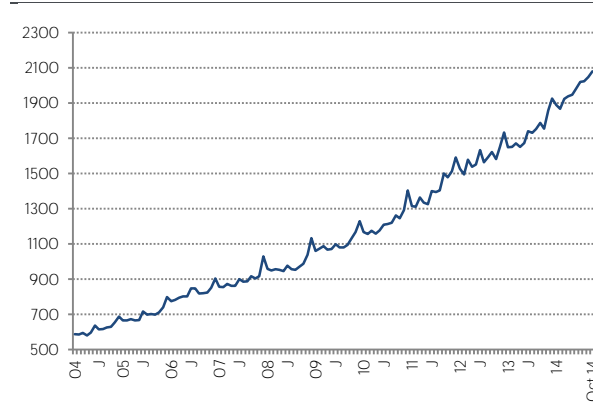
Source: BBVA Research with data from Bank of Mexico & INEGI.

Figure 4
Demand deposits
Nominal annual % change



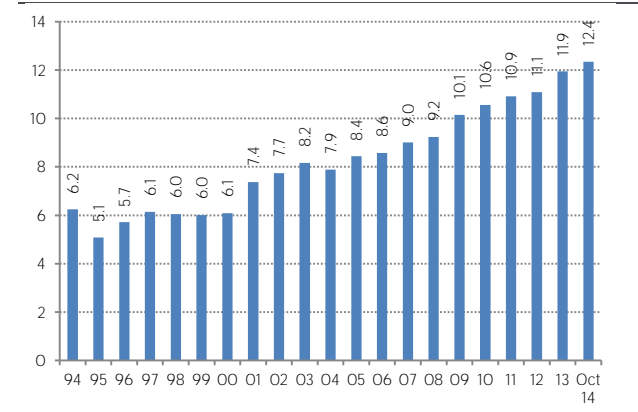
Source: BBVA Research with data from Bank of Mexico.

Figure 5
Demand deposits
Balance in billions of current pesos



Source: BBVA Research with data from Bank of Mexico.

Figure 6
Demand deposits
% of GDP



Source: BBVA Research with data from Bank of Mexico and INEGI.

Figure 7
Term deposits
Nominal annual % change



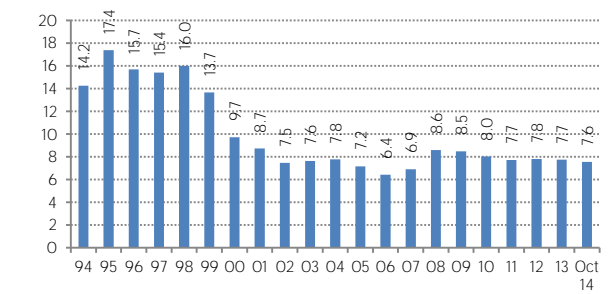
Source: BBVA Research with data from Bank of Mexico.

Figure 8
Term deposits
Balance in billions of current pesos



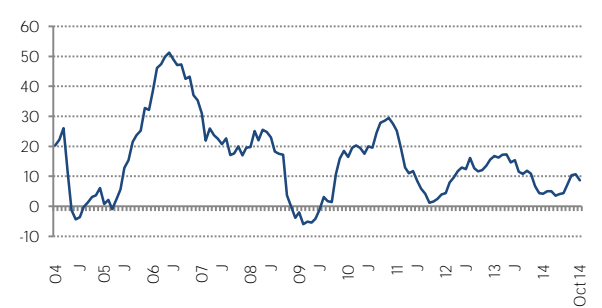
Source: BBVA Research with data from Bank of Mexico.

Figure 9
Term deposits
% of GDP



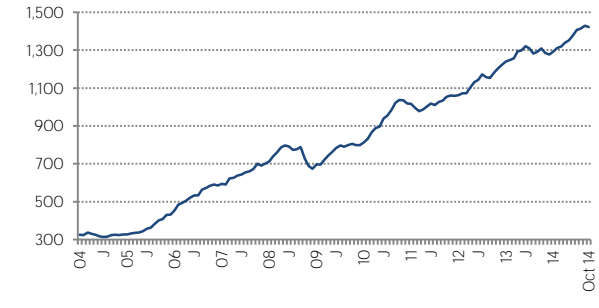
Source: BBVA Research with data from the Bank of Mexico and INEGI.

Figure 10
Debt Mutual Funds
Nominal annual % change



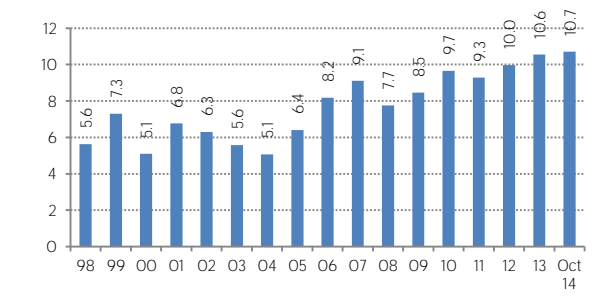
Source: BBVA Research with data from Bank of Mexico.

Figure 11
Debt Mutual Funds
Balance in billions of current pesos



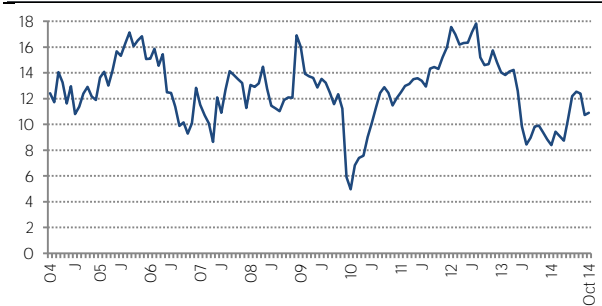
Source: BBVA Research with data from Bank of Mexico.

Figure 12
Debt Mutual Funds
% of GDP



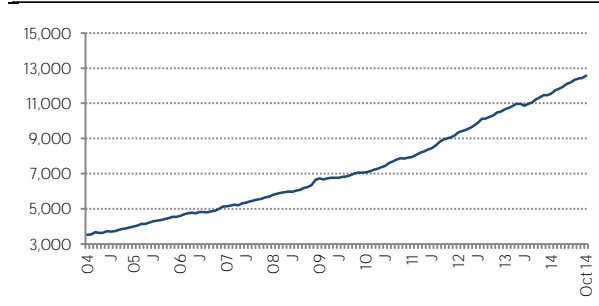
Source: BBVA Research with data from Bank of Mexico and INEGI.

Figure 13
Financial Savings: M4a - notes and coins
Nominal annual % change



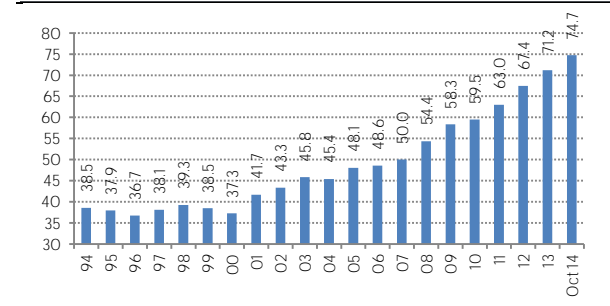
Source: BBVA Research with data from Bank of Mexico.

Figure 14
Financial Savings: M4a - notes and coins
Balance in billions of current pesos



Source: BBVA Research with data from Bank of Mexico.

Figure 15
Financial Savings: M4a - notes and coins
% of GDP



Source: BBVA Research with data from Bank of Mexico and INEGI.

