

Bank Watch

August 20, 2010

Bank Savings: Monthly Situation Report

- In June 2010 real annual growth in traditional bank savings was 2.0%
- This was the result of better performance in demand deposit savings (6.3%) and lower deterioration in fixed-term savings (-2.7%)
- Financial Savings, which consist of bank and non-bank savings instruments, grew by 6.1% in real terms

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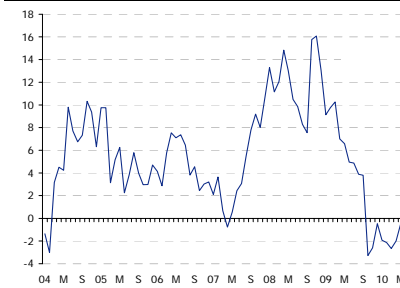
Traditional Savings in Commercial Banking

In June 2010, the volume of real annual growth in traditional savings (fixed-term + demand) in commercial banks was +2.0%. In the preceding month, this rate was negative (-0.5%), whilst it was positive (+5%) in the same month of 2009. In the eight months from Oct-09 to May-10 the real rate of increase was negative, due to the significant decrease in fixed-term deposits and limited growth in demand deposits. In June 2010, the deterioration in fixed-term deposits was lower and demand deposits grew more rapidly. This was reflected in the better performance by traditional savings.

Fixed-term Bank Savings

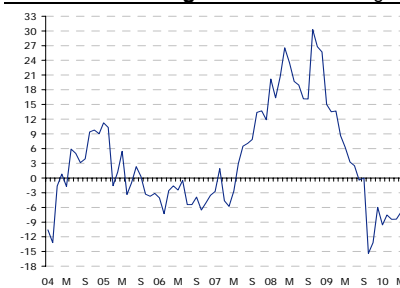
In June 2010, real annual growth in fixed-term savings was negative at -2.7%. In the preceding month, this rate was also negative and the decrease greater (-7%). This contrasts with the same month in 2009, when there was positive growth (+3.3%). As can be seen from Chart 5, in Oct-08 fixed-term savings increased substantially due to an inflow of funds resulting from the capital losses suffered by Bond Holding Companies. The recovery of the Bond Holding Companies and the reduction of GDP in 2009 affected fixed-term savings.

Chart 1
Traditional savings. % real annual change



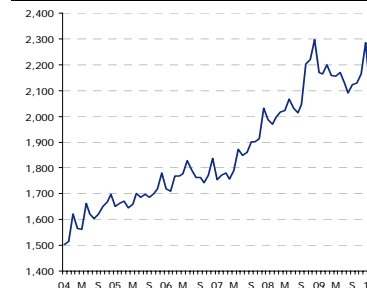
Source: BBVA Research with Banco de Mexico data

Chart 4
Fixed-term savings % real annual change



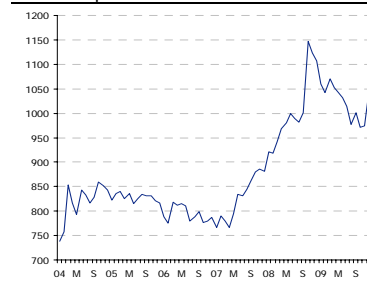
Source: BBVA Research with Banco de Mexico data

Chart 2
Traditional savings. Balance in billion constant pesos of June 2010



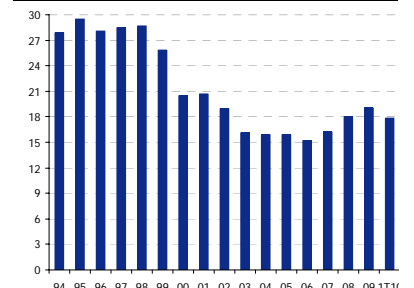
Source: BBVA Research with Banco de Mexico data

Chart 5
Fixed-term savings Balance in billion constant pesos of June 2010



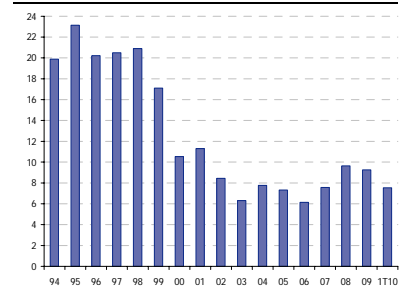
Source: BBVA Research with Banco de Mexico data

Chart 3
Traditional savings. % GDP



Source: BBVA Research with Banco de Mexico and INEGI data

Chart 6
Fixed-term savings % GDP



Source: BBVA Research with Banco de Mexico and INEGI data

Demand-Deposit Bank Savings

In June 2010, real annual growth in demand savings was 6.3%, higher than in the preceding month (5.6%) but lower than in the same month of 2009 (6.5%). The contribution to growth of its components was as follows: checks in domestic currency contributed 4.5 percentage points (pp) of the 6.3 pp growth in demand savings; checking accounts, 1.6 pp; Savings and Loans Companies (SAPs) demand savings, 0.3 pp; and the contribution of checks in foreign currency was -0.3%. The improved performance of GDP seems to be being reflected in a higher growth rate of demand savings.

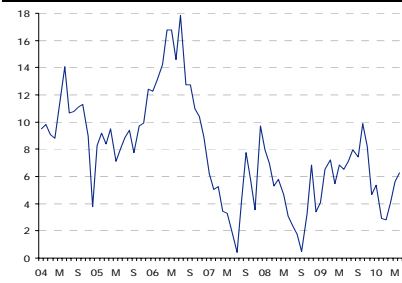
Bond Holding Companies

In June 2010, Bond Holding Companies (HCs) grew at a real annual rate of 15.6%, higher than in the preceding month (13.1%) and the same month in 2009 (-6.4%). It is worth noting that from June 2009 to December 2009 savings with these HCs were practically stable, and their expansion has occurred in 2010. This may be due, among other things, to the increased economic activity and income seen in the first half of the year.

Financial Savings (FS = savings in bank and non-bank instruments)

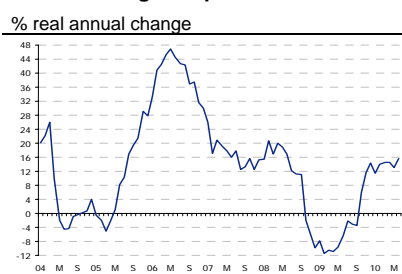
In June 2010, real annual growth in FS was 6.1%, which was higher than in the previous month (4.7%) but lower than in the same month in 2009 (7.3%). Chart 13 shows that the rate of growth in FS has been recovering throughout 2010. Furthermore, the average growth rate was 1.4% in the first quarter of 2010 and 4.6% in the second quarter. The main instrument in the expansion of FS in June 2010 was the issue of public sector bonds. This contributed nearly 70% of FS growth.

Chart 7
Demand savings % real annual change



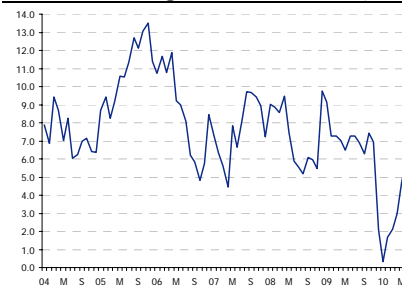
Source: BBVA Research with Banco de Mexico data

Chart 10
Bond Holding Companies % real annual change



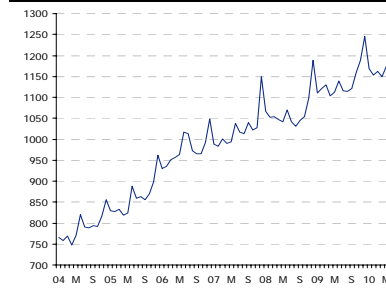
Source: BBVA Research with Banco de Mexico data

Chart 13
Financial savings % real annual change



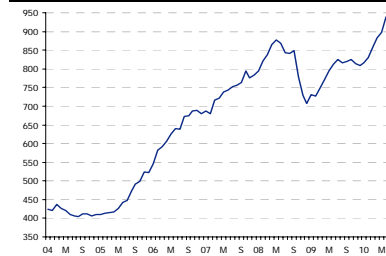
Source: BBVA Research with Banxico data

Chart 8
Demand savings Balance in billion constant pesos of June 2010



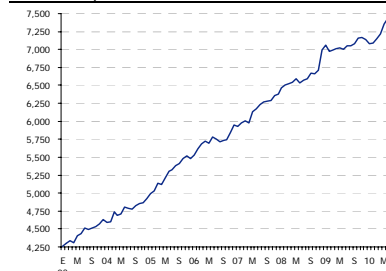
Source: BBVA Research with Banco de Mexico data

Chart 11
Bond Holding Companies Balance in billion constant pesos of June 2010



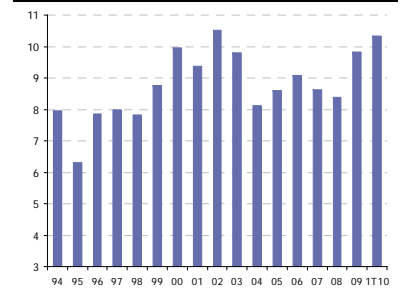
Source: BBVA Research with Banco de Mexico data

Chart 14
Financial savings Balance in billion constant pesos of June 2010



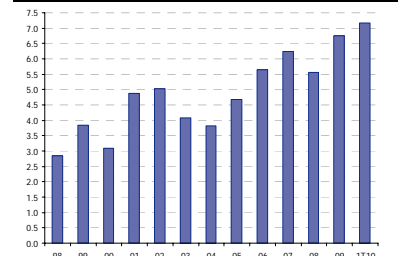
Source: BBVA Research with Banxico data

Chart 9
Demand savings % GDP



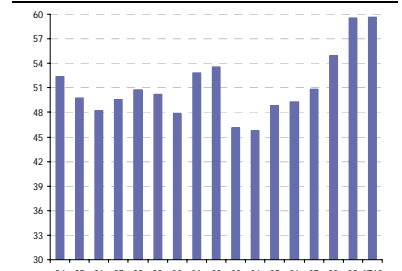
Source: BBVA Research with Banco de Mexico and INEGI data

Chart 12
Bond Holding Companies % GDP



Source: BBVA Research with Banco de Mexico and INEGI data

Chart 15
Financial savings % GDP



Source: BBVA Research with Banxico data

FINANCIAL SAVINGS BY COMPONENTS

| | Balance end of period in billions of June 2010 pesos | | | | | | | | | | | Real annual % change | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | J08 | F | M | A | M | J | J | A | S | O | N | D | J09 | F | M | A | M | J | J | A | S | O | N | D | J10 | F | M | A | M | J | |
| M4 a | 3,533 | 3,718 | 3,850 | 4,297 | 4,488 | 4,906 | 5,226 | 5,808 | 6,310 | 6,763 | 6,825 | 6,856 | 6,866 | 6,885 | 6,939 | 6,870 | 6,917 | 6,936 | 7,003 | 7,020 | 7,070 | 7,413 | 7,458 | 7,371 | 7,383 | 7,392 | 7,413 | 7,389 | 7,439 | 7,426 | 7,452 | 7,533 | 7,555 | 7,582 | 7,499 | 7,502 | 7,552 | 7,617 | 7,764 | 7,840 | |
| - Bills & currency holdings | 214 | 266 | 270 | 283 | 313 | 341 | 371 | 400 | 446 | 475 | 446 | 442 | 433 | 426 | 434 | 428 | 434 | 433 | 429 | 447 | 455 | 512 | 496 | 490 | 483 | 481 | 486 | 479 | 484 | 473 | 466 | 473 | 481 | 537 | 514 | 505 | 505 | 499 | 510 | 508 | |
| = Financial Savings | 3,319 | 3,452 | 3,579 | 4,014 | 4,175 | 4,564 | 4,855 | 5,407 | 5,864 | 6,288 | 6,379 | 6,414 | 6,433 | 6,458 | 6,505 | 6,443 | 6,483 | 6,504 | 6,574 | 6,573 | 6,615 | 6,901 | 6,962 | 6,881 | 6,900 | 6,911 | 6,927 | 6,910 | 6,954 | 6,953 | 6,986 | 7,060 | 7,074 | 7,045 | 6,985 | 6,997 | 7,048 | 7,118 | 7,254 | 7,332 | |
| I. Deposit Institutions | 2,270 | 2,137 | 1,859 | 1,927 | 1,846 | 1,954 | 2,059 | 2,206 | 2,210 | 2,408 | 2,332 | 2,312 | 2,325 | 2,361 | 2,346 | 2,400 | 2,366 | 2,327 | 2,370 | 2,552 | 2,603 | 2,697 | 2,585 | 2,547 | 2,592 | 2,541 | 2,534 | 2,568 | 2,531 | 2,498 | 2,536 | 2,542 | 2,567 | 2,709 | 2,546 | 2,527 | 2,538 | 2,520 | 2,558 | 2,649 | |
| Development banks | 242 | 245 | 251 | 299 | 313 | 325 | 323 | 387 | 323 | 307 | 274 | 270 | 262 | 278 | 260 | 269 | 271 | 246 | 251 | 275 | 306 | 326 | 342 | 310 | 318 | 312 | 313 | 334 | 334 | 339 | 328 | 328 | 320 | 340 | 332 | 327 | 316 | 312 | 317 | 342 | |
| Commercial banks (domestic) | 1,863 | 1,764 | 1,518 | 1,552 | 1,466 | 1,576 | 1,676 | 1,755 | 1,811 | 2,003 | 1,961 | 1,943 | 1,968 | 1,988 | 1,994 | 2,039 | 2,003 | 1,985 | 2,017 | 2,172 | 2,190 | 2,265 | 2,140 | 2,133 | 2,170 | 2,128 | 2,125 | 2,140 | 2,100 | 2,062 | 2,094 | 2,100 | 2,133 | 2,254 | 2,099 | 2,088 | 2,113 | 2,085 | 2,115 | 2,183 | |
| Demand deposits | 511 | 539 | 584 | 710 | 746 | 814 | 845 | 950 | 1,034 | 1,135 | 1,052 | 1,038 | 1,040 | 1,033 | 1,026 | 1,054 | 1,028 | 1,017 | 1,030 | 1,040 | 1,083 | 1,173 | 1,095 | 1,105 | 1,115 | 1,089 | 1,097 | 1,123 | 1,101 | 1,098 | 1,107 | 1,143 | 1,172 | 1,227 | 1,153 | 1,137 | 1,146 | 1,134 | 1,158 | 1,194 | |
| Time deposits | 1,352 | 1,226 | 934 | 841 | 720 | 762 | 831 | 805 | 777 | 869 | 909 | 906 | 929 | 956 | 967 | 985 | 975 | 968 | 987 | 1,132 | 1,108 | 1,092 | 1,046 | 1,028 | 1,056 | 1,038 | 1,028 | 1,017 | 1,000 | 964 | 987 | 958 | 961 | 1,027 | 946 | 950 | 967 | 951 | 957 | 990 | |
| Agencies abroad of commercial banks | 158 | 119 | 84 | 70 | 59 | 42 | 48 | 50 | 59 | 80 | 79 | 81 | 76 | 76 | 73 | 73 | 73 | 77 | 83 | 87 | 88 | 87 | 84 | 85 | 85 | 82 | 77 | 75 | 78 | 78 | 74 | 74 | 74 | 74 | 74 | 72 | 68 | 81 | 84 | 82 | |
| Savings and loans institutions | 7 | 8 | 6 | 7 | 8 | 10 | 12 | 14 | 16 | 18 | 18 | 18 | 18 | 18 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| II. Securities issued by the public sector | 689 | 943 | 1,264 | 1,579 | 1,762 | 1,949 | 2,072 | 2,423 | 2,794 | 2,969 | 3,126 | 3,177 | 3,171 | 3,141 | 3,184 | 3,061 | 3,122 | 3,190 | 3,212 | 3,068 | 3,066 | 3,050 | 3,221 | 3,189 | 3,162 | 3,232 | 3,272 | 3,217 | 3,276 | 3,310 | 3,305 | 3,367 | 3,351 | 3,193 | 3,288 | 3,332 | 3,361 | 3,440 | 3,517 | 3,508 | |
| Federal government securities | 636 | 872 | 1,030 | 1,012 | 1,123 | 1,210 | 1,108 | 1,259 | 1,721 | 1,970 | 2,063 | 2,092 | 2,105 | 2,113 | 2,116 | 2,030 | 2,071 | 2,143 | 2,159 | 2,085 | 2,159 | 2,148 | 2,314 | 2,280 | 2,295 | 2,332 | 2,383 | 2,332 | 2,385 | 2,404 | 2,390 | 2,453 | 2,450 | 2,285 | 2,340 | 2,373 | 2,378 | 2,434 | 2,508 | 2,479 | |
| Central bank bonds | 0 | 0 | 31 | 206 | 216 | 197 | 244 | 279 | 99 | 13 | 13 | 6 | 6 | 4 | 4 | 3 | 3 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| IPAB bonds (Bank savers protection institute) | 0 | 0 | 105 | 213 | 283 | 341 | 471 | 552 | 579 | 626 | 680 | 703 | 686 | 650 | 687 | 651 | 673 | 669 | 676 | 612 | 538 | 543 | 540 | 539 | 499 | 521 | 508 | 503 | 507 | 518 | 527 | 535 | 515 | 522 | 567 | 568 | 582 | 592 | 582 | 602 | |
| Other public sector bonds | 53 | 71 | 98 | 148 | 140 | 201 | 249 | 333 | 395 | 361 | 370 | 376 | 374 | 375 | 377 | 377 | 376 | 376 | 375 | 370 | 367 | 359 | 367 | 368 | 366 | 377 | 380 | 382 | 384 | 387 | 386 | 378 | 384 | 384 | 381 | 391 | 401 | 413 | 426 | 426 | |
| III. Debt securities issued by private firms | 108 | 89 | 126 | 131 | 178 | 227 | 251 | 254 | 284 | 328 | 332 | 338 | 340 | 351 | 352 | 362 | 368 | 365 | 366 | 332 | 323 | 319 | 320 | 312 | 307 | 295 | 284 | 292 | 306 | 306 | 296 | 304 | 305 | 297 | 307 | 301 | 304 | 307 | 309 | 304 | |
| IV. Pension funds outside Mutual Pension Funds | 251 | 282 | 328 | 375 | 388 | 433 | 471 | 521 | 572 | 580 | 586 | 583 | 593 | 601 | 619 | 616 | 623 | 618 | 623 | 618 | 620 | 831 | 833 | 830 | 836 | 840 | 833 | 830 | 839 | 836 | 844 | 841 | 845 | 841 | 837 | 830 | 837 | 845 | 863 | 864 | |
| Financial Savings = I + II + III + IV | 3,318 | 3,451 | 3,578 | 4,013 | 4,173 | 4,562 | 4,853 | 5,404 | 5,860 | 6,285 | 6,375 | 6,410 | 6,429 | 6,455 | 6,501 | 6,439 | 6,479 | 6,500 | 6,571 | 6,569 | 6,611 | 6,898 | 6,959 | 6,878 | 6,897 | 6,908 | 6,924 | 6,907 | 6,951 | 6,950 | 6,980 | 7,054 | 7,068 | 7,039 | 6,979 | 6,991 | 7,041 | 7,112 | 7,247 | 7,326 | |
| Instruments included in Financial Savings | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mutual Pension Funds (MPF) | 104 | 176 | 243 | 353 | 437 | 520 | 589 | 699 | 824 | 914 | 933 | 950 | 953 | 946 | 947 | 903 | 911 | 932 | 927 | 876 | 864 | 969 | 984 | 933 | 995 | 1,019 | 1,026 | 1,029 | 1,045 | 1,057 | 1,086 | 1,095 | 1,115 | 1,127 | 1,130 | 1,155 | 1,179 | 1,186 | 1,202 | 1,254 | |
| Holdings of public sector securities by foreigners | 41 | 16 | 13 | 24 | 24 | 32 | 96 | 135 | 166 | 251 | 294 | 317 | 320 | 311 | 309 | 298 | 343 | 368 | 357 | 310 | 294 | 289 | 306 | 284 | 285 | 285 | 289 | 276 | 284 | 292 | 311 | 325 | 331 | 326 | 352 | 363 | 398 | 444 | 439 | 436 | |
| Debt Mutual Funds | 185 | 265 | 232 | 321 | 394 | 406 | 409 | 523 | 680 | 784 | 793 | 821 | 837 | 865 | 877 | 868 | 844 | 842 | 849 | 778 | 729 | 707 | 731 | 727 | 749 | 770 | 793 | 812 | 825 | 815 | 820 | 825 | 814 | 809 | 815 | 829 | 858 | 883 | 897 | 939 | |
| Total Mutual Funds: Debt + Variable Income | 221 | 311 | 276 | 425 | 443 | 477 | 497 | 617 | 819 | 962 | 964 | 985 | 1,005 | 1,027 | 1,042 | 1,031 | 998 | 995 | 994 | 906 | 853 | 834 | 849 | 840 | 864 | 892 | 922 | 941 | 959 | 958 | 969 | 973 | 970 | 969 | 974 | 995 | 1,038 | 1,068 | 1,091 | 1,131 | |
| Financial Savings without Total Pension Funds | 2,964 | 2,994 | 3,008 | 3,286 | 3,351 | 3,612 | 3,795 | 4,187 | 4,468 | 4,795 | 4,860 | 4,882 | 4,887 | 4,911 | 4,938 | 4,924 | 4,948 | 4,954 | 5,024 | 5,079 | 5,131 | 5,101 | 5,145 | 5,118 | 5,070 | 5,052 | 5,068 | 5,051 | 5,071 | 5,060 | 5,056 | 5,124 | 5,114 | 5,078 | 5,018 | 5,012 | 5,032 | 5,087 | 5,189 | 5,214 | |
| Total Pension Funds (MPF + non-MPF) | 354 | 456 | 570 | 727 | 823 | 951 | 1,058 | 1,217 | 1,393 | 1,490 | 1,515 | 1,529 | 1,543 | 1,544 | 1,563 | 1,515 | 1,531 | 1,546 | 1,547 | 1,491 | 1,480 | 1,797 | 1,814 | 1,759 | 1,827 | 1,856 | 1,856 | 1,856 | 1,881 | 1,889 | 1,924 | 1,930 | 1,954 | 1,961 | 1,960 | 1,979 | 2,009 | 2,024 | 2,058 | 2,112 | |
| Real annual % change | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| M4 a | 5.4 | 5.2 | 3.5 | 11.6 | 4.4 | 9.3 | 6.5 | 11.1 | 8.6 | 7.2 | 8.9 | 8.8 | 8.3 | 9.2 | 7.3 | 5.7 | 5.5 | 5.1 | 6.0 | 6.2 | 5.6 | 9.6 | 9.3 | 7.5 | 7.5 | 7.4 | 6.8 | 7.5 | 7.5 | 7.1 | 6.4 | 7.3 | 6.9 | 2.3 | 0.5 | 1.8 | 2.3 | 3.0 | 4.7 | 6.1 | |
| - Bills & currency holdings | 3.8 | 24.4 | 1.7 | 4.7 | 10.4 | 9.2 | 8.6 | 8.0 | 11.4 | 6.4 | 6.7 | 8.2 | 3.9 | 4.4 | 5.7 | 2.6 | 4.4 | 4.1 | 4.2 | 9.8 | 7.3 | 7.9 | 11.2 | 10.9 | 11.7 | 12.7 | 11.9 | 12.0 | 11.6 | 9.4 | 8.7 | 5.7 | 5.7 | 4.9 | 3.7 | 3.0 | 4.4 | 3.7 | 5.1 | 6.0 | |
| = Financial Savings | 5.5 | 4.0 | 3.7 | 12.2 | 4.0 | 9.3 | 6.4 | 11.4 | 8.4 | 7.2 | 9.0 | 8.9 | 8.6 | 9.5 | 7.4 | 5.9 | 5.5 | 5.2 | 6.1 | 6.0 | 5.5 | 9.7 | 9.2 | 7.3 | 7.3 | 7.0 | 6.5 | 7.3 | 7.3 | 6.9 | 6.3 | 7.4 | 6.9 | 2.1 | 0.3 | 1.7 | 2.1 | 3.0 | 4.7 | 6.1 | |
| I. Deposit Institutions | 3.3 | -5.9 | -13.0 | 3.7 | -4.2 | 5.9 | 5.4 | 7.1 | 0.2 | 9.0 | 11.3 | 9.2 | 8.9 | 13.0 | 10.9 | 8.1 | 8.8 | 5.9 | 5.8 | 14.0 | 15.0 | 12.0 | 10.9 | 10.1 | 11.5 | 7.6 | 8.0 | 7.0 | 7.0 | 7.3 | 7.0 | -0.4 | -1.4 | 0.4 | -1.5 | -0.8 | -2.1 | -0.8 | 0.9 | 3.1 | |
| Development banks | 8.7 | 1.5 | 2.2 | 19.2 | 4.5 | 4.1 | -0.7 | 19.8 | -16.4 | -5.1 | -5.3 | -7.9 | -13.1 | -1.7 | 0.6 | -3.9 | 6.4 | -8.5 | -7.8 | 2.3 | 8.2 | 6.4 | 25.0 | 14.9 | 21.3 | 12.4 | 20.4 | 24.3 | 23.3 | 37.7 | 31.0 | 19.5 | 4.6 | 4.1 | -2.8 | 5.6 | -0.6 | -0.3 | 1.2 | 2.2 | |
| Commercial banks (domestic) | 3.9 | -5.3 | -13.9 | 2.2 | -5.5 | 7.5 | 6.3 | 4.7 | 3.2 | 10.6 | 13.3 | 11.1 | 12.0 | 14.8 | 13.0 | 10.5 | 9.8 | 8.3 | 7.6 | 15.8 | 16.1 | 13.1 | 9.1 | 9.8 | 10.3 | 7.0 | 6.6 | 5.0 | 4.9 | 3.9 | 3.8 | -3.3 | -2.6 | -0.5 | -1.9 | -2.1 | -2.7 | -2.0 | -0.5 | 2.0 | |
| Demand deposits | 0.1 | 5.4 | 8.5 | 21.6 | 5.0 | 9.1 | 3.8 | 12.4 | 8.9 | 9.7 | 8.0 | 7.0 | 5.3 | 5.8 | 4.6 | 3.1 | 2.4 | 1.7 | 0.5 | 3.2 | 6.8 | 3.4 | 4.1 | 6.5 | 7.2 | 5.5 | 6.9 | 6.5 | 7.1 | 8.0 | 7.4 | 9.9 | 8.2 | 4.7 | 5.4 | 2.9 | 2.8 | 4.1 | 5.6 | 6.3 | |
| Time deposits | 5.4 | -9.3 | -23.8 | -9.9 | -14.4 | 5.9 | 9.0 | -3.1 | -3.5 | 11.9 | 20.2 | 16.4 | 20.7 | 26.5 | 23.5 | 19.7 | 19.0 | 16.1 | 16.1 | 30.3 | 26.8 | 25.7 | 15.0 | 13.5 | 13.7 | 8.7 | 6.3 | 3.3 | 2.5 | -0.4 | 0.0 | -15.4 | -13.2 | -6.0 | -9.6 | -7.6 | -8.4 | -8.4 | -7.0 | -2.7 | |
| Agencies abroad of commercial banks | -9.9 | -24.7 | -29.7 | -16.9 | -15.2 | -28.4 | 13.4 | 4.4 | 18.3 | 34.7 | 32.3 | 36.1 | 29.1 | 29.6 | -2.8 | -4.5 | -6.2 | -1. | | | | | | | | | | | | | | | | | | | | | | | |