

Mexico

Banking Watch

November 3, 2010

Economic Analysis

Francisco Javier Morales E.
fj.morales@bbva.bancomer.com

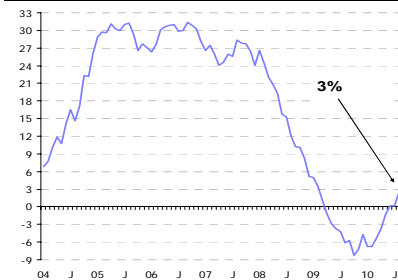
Bank Credit: Monthly Situation Report

- In September 2010, the real annual balance of outstanding commercial bank lending to the private sector grew by 3%, and it has been growing in monthly terms since April
- Lending to companies and for housing continue to grow, at 3% and 11.8% respectively.
- Consumer credit continues to show signs of recovery and increased in monthly terms from April to September 2010.

Total outstanding credit to the private sector

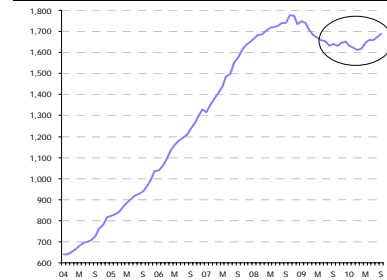
In September 2010, real annual growth in outstanding bank lending to the private sector was 3%. The rate was lower in the preceding month (2.4%) and negative in the same month in 2009 (-5.7%). The final part of chart 2 shows the increase in the balance of commercial bank lending to the private sector in real terms since April 2010. Furthermore, from March 2010 to September 2010, there was a 4.8% real increase in the balance. This confirms the recovery of lending to the private sector since the start of the second quarter.

Chart 1
Total Credit % real annual change



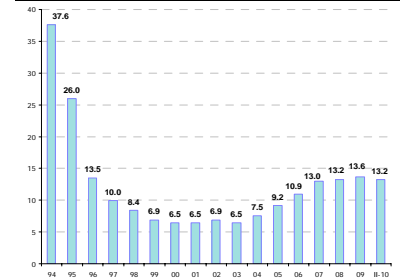
Source: BBVA Research with Bank of Mexico data

Chart 2
Total Credit Figures in constant September 2010 thousand million pesos



Source: BBVA Research with Bank of Mexico data

Chart 3
Total Credit % GDP

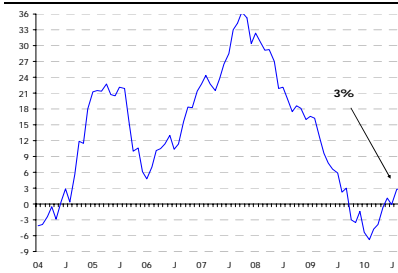


Source: BBVA Research with Bank of Mexico and INEGI data

Corporate Lending

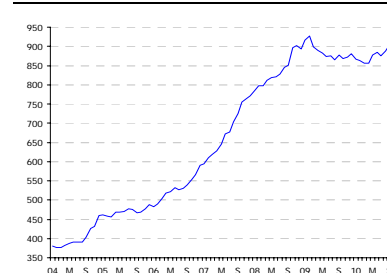
In September 2010, real annual corporate lending growth was 3%. Growth recorded in the previous month was lower (2.7%), while it was slightly higher (3.1%) in the same month of 2009. This form of lending has also been recovering since April this year: it is directly related to levels of economic activity and its growth follows several months of GDP growth. As a result, this form of lending will be more active as the economic recovery in GDP becomes consolidated.

Chart 4
Corporate Lending % real annual change



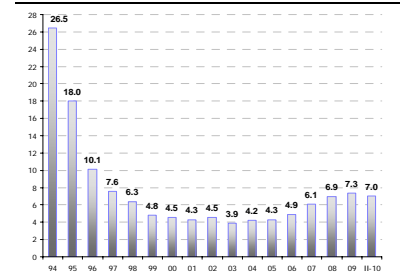
Source: BBVA Research with Bank of Mexico data

Chart 5
Lending to Companies: Balances in thousand million constant pesos in September 2010



Source: BBVA Research with Bank of Mexico data

Chart 6
Corporate Lending % GDP

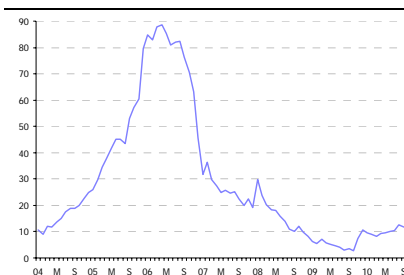


Source: BBVA Research with Bank of Mexico and INEGI data

Residential Mortgage Lending

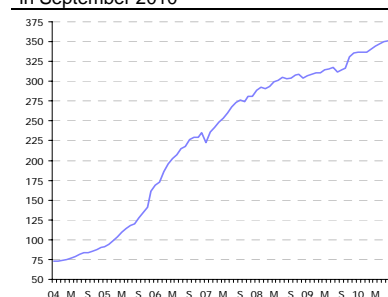
Mortgage lending continued to grow rapidly in real terms at 11.8% in September 2010. This rate was slightly lower than the preceding month (12.6%) but higher than the same month in 2009 (3.5%). It is worth noting that the actual growth rate in this form of lending will fall sharply in November this year as a result of the transfer of the outstanding housing lending portfolio denominated in UDIS investment units to the peso lending portfolio in November 2009. This lending portfolio transfer created a mathematical effect which will disappear twelve months after it occurred.

Chart 7
Residential Mortgage Lending % real annual change



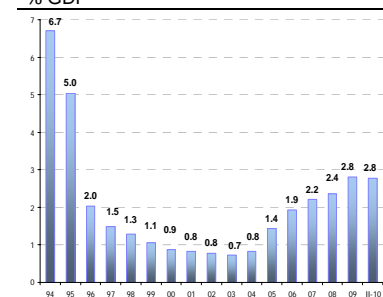
Source: BBVA Research with Bank of Mexico data

Chart 8
Residential Mortgage Lending: Balances in thousand million constant pesos in September 2010



Source: BBVA Research with Bank of Mexico data

Chart 9
Residential Mortgage Lending % GDP

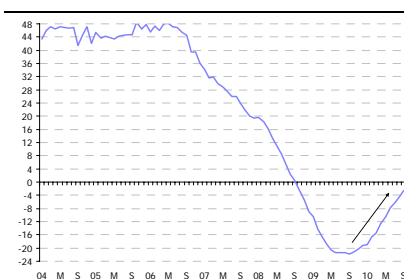


Source: BBVA Research with Bank of Mexico and INEGI data

Consumer credit

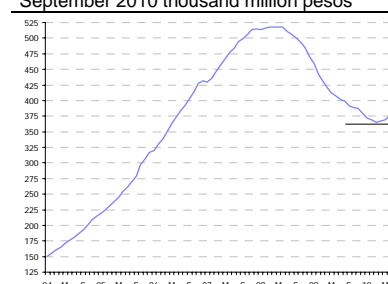
In September 2010, the annual real growth rate of consumer credit was negative, at -2.7; however, this was lower than in the preceding month (-4.7%). The rate in September 2010 contrasts sharply with the rate in September 2009 (-21.8%) when there was a sharp deterioration in this form of lending. The improved performance of consumer credit is due to the Other consumer credit category, which includes Payroll lending, which grew rapidly, and Card lending and Lending for consumer durables, which deteriorated more slowly.

Chart 10
Consumer Credit. % real annual change



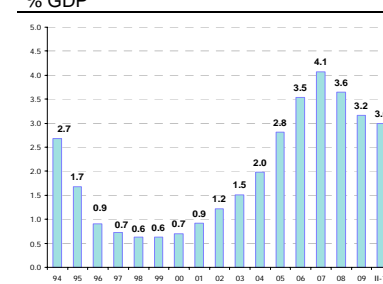
Source: BBVA Research with Bank of Mexico data

Chart 11
Consumer Credit. Figures in constant September 2010 thousand million pesos



Source: BBVA Research with Bank of Mexico data

Chart 12
Consumer Credit. % GDP

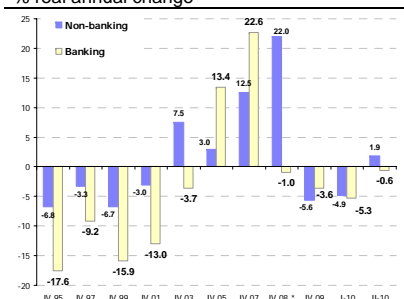


Source: BBVA Research with Bank of Mexico data

Bank Lending: contribution to growth by components

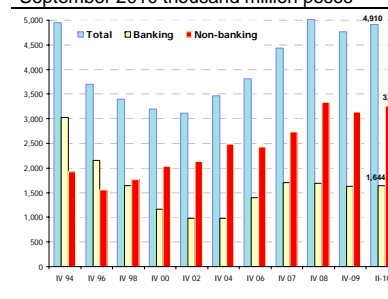
The breakdown by components of the 3% total growth in bank lending to the private sector in September 2010 was as follows: residential mortgage lending contributed +2.3 percentage points (pp) of the 3.0 pp total increase in lending; corporate lending accounted for +1.6 pp; while lending to non-bank financial intermediaries (NBFIs) made a negative contribution (-0.2 pp), as did consumer credit (-0.6 pp).

Chart 13
Total Finance (banking + non-banking) % real annual change



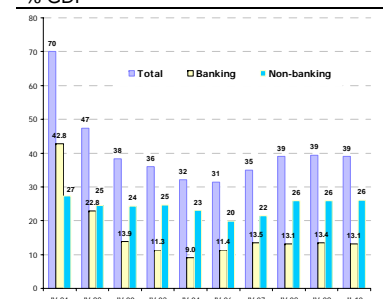
Source: Bank of Mexico

Chart 14
Total Finance Figures in constant September 2010 thousand million pesos



Source: Bank of Mexico

Chart 15
Total Finance % GDP



Source: Bank of Mexico and INEGI

Commercial Banks: Performing Loans to the Mexican Private Non Banking Sector

Balance in billions of September 2010 pesos

Real annual % change

	Total	Consumer	Housing	Firms	NBFE*		Total	Consumer	Housing	Firms	NBFE*
IV 94	2516	180	448	1770	118	na	na	na	na	na	na
IV 95	1481	96	287	1024	74	-41.1	-46.8	-36.0	-42.2	-37.2	
IV 96	829	55	124	620	30	-44.0	-42.0	-56.7	-39.5	-60.0	
IV 97	663	49	99	504	12	-20.0	-12.4	-20.6	-18.7	-59.5	
IV 98	571	43	88	431	10	-13.9	-12.0	-11.1	-14.6	-14.5	
IV 99	497	45	77	349	26	-13.1	5.7	-12.9	-18.9	151.5	
IV 00	514	56	69	359	29	3.4	23.3	-9.2	2.9	14.0	
IV 01	521	74	66	343	38	1.3	32.5	-5.5	-4.4	28.2	
IV 02	565	99	64	371	31	8.5	34.8	-2.8	7.9	-18.9	
IV 03	613	143	68	368	33	8.6	43.6	7.1	-0.6	8.8	
IV 04	773	203	85	435	49	26.1	42.2	24.8	18.0	48.4	
IV 05	982	300	153	461	67	27.1	47.8	79.6	6.1	35.8	
IV 06	1258	408	223	560	67	28.1	36.0	45.7	21.3	-0.2	
IV 07	1561	488	266	730	78	24.1	19.4	19.3	30.4	15.7	
IV 08	1734	469	304	894	67	5.2	-8.9	8.2	15.9	-18.4	
IV 09	1652	380	336	882	56	-4.7	-19.1	10.6	-1.4	-16.8	
I-10	1612	364	337	856	55	-5.3	-15.6	8.3	-4.7	-10.1	
II	1660	375	348	884	54	0.2	-7.9	10.0	1.1	-9.5	

Monthly balance in billions of September 2010 pesos

Real annual % change

2009	1748	460	307	916	65	4.9	-10.4	6.3	16.7	-17.1	
F	1741	442	308	927	64	3.5	-14.2	5.6	16.3	-18.0	
M	1702	432	311	899	61	1.0	-16.7	7.0	12.6	-22.2	
A	1681	420	311	891	60	-1.2	-18.9	5.8	9.7	-23.6	
M	1669	412	314	883	60	-2.8	-20.4	5.1	7.8	-26.8	
J	1657	407	316	874	59	-3.7	-21.3	4.7	6.6	-26.5	
J	1653	402	318	876	58	-4.2	-21.3	4.2	5.8	-29.8	
A	1632	399	312	865	57	-6.1	-21.3	3.0	2.2	-31.6	
S	1640	392	315	877	57	-5.7	-21.8	3.5	3.1	-31.9	
O	1630	389	316	869	56	-8.3	-21.2	2.9	-3.0	-30.5	
N	1645	387	331	871	55	-7.2	-20.2	7.3	-3.5	-27.2	
D	1652	380	336	882	56	-4.7	-19.1	10.6	-1.4	-16.8	
2010	1631	372	337	867	55	-6.7	-19.1	9.7	-5.4	-14.5	
F	1624	369	337	864	55	-6.7	-16.6	9.2	-6.8	-14.0	
M	1612	364	337	856	55	-5.3	-15.6	8.3	-4.7	-10.1	
A	1619	367	340	857	55	-3.7	-12.7	9.4	-3.8	-7.1	
M	1647	369	345	878	56	-1.3	-10.5	9.6	-0.6	-6.7	
J	1660	375	348	884	54	0.2	-7.9	10.0	1.1	-9.5	
J	1656	376	350	875	54	0.2	-6.3	10.3	-0.1	-6.5	
A	1672	380	351	888	53	2.4	-4.7	12.6	2.7	-7.0	
S	1689	381	352	903	53	3.0	-2.7	11.8	3.0	-6.7	

Annual average balance

Average real annual growth rates

2005	863	248	112	445	58	29.4	45.1	46.2	17.9	38.9	
2006	1,120	357	196	502	65	29.7	44.5	77.6	12.7	11.7	
2007	1,413	452	246	644	71	26.2	26.8	25.8	28.3	10.7	
2008	1,619	393	284	793	149	15.1	-12.0	15.9	23.6	107.2	
2009	1,671	410	316	886	59	-2.9	-18.9	5.5	6.1	-25.2	

% of GDP

% breakdown

IV 94	37.6	2.7	6.7	26.5	1.8	100.0	7.1	17.8	70.4	4.7	
IV 95	26.0	1.7	5.0	18.0	1.3	100.0	6.5	19.4	69.2	5.0	
IV 96	13.5	0.9	2.0	10.1	0.5	100.0	6.7	15.0	74.7	3.6	
IV 97	10.0	0.7	1.5	7.6	0.2	100.0	7.3	14.9	76.0	1.8	
IV 98	8.4	0.6	1.3	6.3	0.2	100.0	7.5	15.4	75.4	1.8	
IV 99	6.9	0.6	1.1	4.8	0.4	100.0	9.1	15.4	70.3	5.2	
IV 00	6.5	0.7	0.9	4.5	0.4	100.0	10.8	13.5	69.9	5.7	
IV 01	6.5	0.9	0.8	4.3	0.5	100.0	14.2	12.6	66.0	7.3	
IV 02	6.9	1.2	0.8	4.5	0.4	100.0	17.6	11.3	65.7	5.4	
IV 03	6.5	1.5	0.7	3.9	0.4	100.0	23.3	11.1	60.1	5.4	
IV 04	7.5	2.0	0.8	4.2	0.5	100.0	26.3	11.0	56.3	6.4	
IV 05	9.2	2.8	1.4	4.3	0.6	100.0	30.6	15.6	47.0	6.8	
IV 06	10.9	3.5	1.9	4.9	0.6	100.0	32.5	17.7	44.5	5.3	
IV 07	13.0	4.1	2.2	6.1	0.6	100.0	31.2	17.0	46.8	5.0	
IV 08	13.5	3.6	2.4	6.9	0.5	100.0	27.1	17.5	51.6	3.9	
IV-09	13.6	3.2	2.8	7.3	0.5	100.0	23.0	20.3	53.3	3.4	
I-10	13.3	3.0	2.8	7.1	0.5	100.0	22.6	20.9	53.1	3.4	
II	13.2	3.0	2.8	7.0	0.4	100.0	22.6	20.9	53.2	3.2	

*NBFE Non bank financial entities

Source: Banco de México

Bank and Non Bank Loans to the Private Sector

Broad version of non bank financing (loans to consumers and firms)

Balance in billions of September 2010 pesos

	All Categories			Consumer			Housing			Firms		
	Total	Bank	Non bank	Total	Bank	Non bank	Total	Bank	Non bank	Total	Bank	Non bank
IV 94	4,951	3,023	1,928	254	240	14	702	511	190	3,995	2,272	1,724
IV 95	4,289	2,492	1,798	153	140	13	743	548	195	3,393	1,804	1,589
IV 96	3,706	2,152	1,554	107	93	14	779	551	228	2,820	1,508	1,312
IV 97	3,458	1,955	1,503	102	78	24	759	532	227	2,596	1,344	1,252
IV 98	3,397	1,637	1,760	97	64	33	754	476	278	2,545	1,097	1,449
IV 99	3,018	1,377	1,642	103	64	39	725	408	317	2,190	905	1,285
IV 00	3,204	1,164	2,039	120	74	45	689	307	382	2,395	783	1,612
IV 01	2,991	1,013	1,977	151	95	56	702	250	452	2,137	668	1,469
IV 02	3,117	979	2,138	201	121	80	743	220	523	2,173	638	1,535
IV 03	3,242	943	2,299	237	163	74	782	185	597	2,224	596	1,628
IV 04	3,464	978	2,486	325	230	95	840	177	663	2,299	571	1,728
IV 05	3,669	1,109	2,560	451	336	115	888	222	667	2,330	552	1,778
IV 06	3,815	1,391	2,424	571	459	112	977	286	691	2,268	646	1,622
IV 07	4,434	1,706	2,728	652	556	95	1,165	328	838	2,618	822	1,795
IV 08	5,017	1,689	3,328	616	381	235	1,179	346	833	3,222	962	2,260
IV-09	4,770	1,629	3,142	540	299	241	1,198	364	834	3,033	966	2,067
I-10	4,771	1,592	3,179	516	286	230	1,225	365	860	3,030	941	2,089
II	4,910	1,644	3,266	530	297	233	1,249	374	874	3,131	973	2,158

% breakdown

IV 94	100.0	61.1	38.9	100.0	94.5	5.5	100.0	72.9	27.1	100.0	56.9	43.1
IV 95	100.0	58.1	41.9	100.0	91.2	8.8	100.0	73.8	26.2	100.0	53.2	46.8
IV 96	100.0	58.1	41.9	100.0	87.0	13.0	100.0	70.8	29.2	100.0	53.5	46.5
IV 97	100.0	56.5	43.5	100.0	76.6	23.4	100.0	70.1	29.9	100.0	51.8	48.2
IV 98	100.0	48.2	51.8	100.0	65.7	34.3	100.0	63.1	36.9	100.0	43.1	56.9
IV 99	100.0	45.6	54.4	100.0	61.8	38.2	100.0	56.3	43.7	100.0	41.3	58.7
IV 00	100.0	36.3	63.7	100.0	62.0	38.0	100.0	44.6	55.4	100.0	32.7	67.3
IV 01	100.0	33.9	66.1	100.0	62.7	37.3	100.0	35.6	64.4	100.0	31.3	68.7
IV 02	100.0	31.4	68.6	100.0	60.3	39.7	100.0	29.7	70.3	100.0	29.3	70.7
IV 03	100.0	29.1	70.9	100.0	68.8	31.2	100.0	23.6	76.4	100.0	26.8	73.2
IV 04	100.0	28.2	71.8	100.0	70.6	29.4	100.0	21.1	78.9	100.0	24.8	75.2
IV 05	100.0	30.2	69.8	100.0	74.4	25.6	100.0	25.0	75.0	100.0	23.7	76.3
IV 06	100.0	36.5	63.5	100.0	80.4	19.6	100.0	29.3	70.7	100.0	28.5	71.5
IV 07	100.0	38.5	61.5	100.0	85.4	14.6	100.0	28.1	71.9	100.0	31.4	68.6
IV 08	100.0	33.7	66.3	100.0	61.8	38.2	100.0	29.4	70.6	100.0	29.9	70.1
IV-09	100.0	34.1	65.9	100.0	55.3	44.7	100.0	30.4	69.6	100.0	31.8	68.2
I-10	100.0	33.4	66.6	100.0	55.4	44.6	100.0	29.8	70.2	100.0	31.1	68.9
II	100.0	33.5	66.5	100.0	56.0	44.0	100.0	30.0	70.0	100.0	31.1	68.9

% of GDP

IV 94	70.1	42.8	27.3	3.6	3.4	0.2	9.9	7.2	2.7	56.6	32.2	24.4
IV 95	71.4	41.5	29.9	2.6	2.3	0.2	12.4	9.1	3.2	56.5	30.0	26.5
IV 96	57.3	33.3	24.0	1.7	1.4	0.2	12.0	8.5	3.5	43.6	23.3	20.3
IV 97	49.2	27.8	21.4	1.5	1.1	0.3	10.8	7.6	3.2	37.0	19.1	17.8
IV 98	47.4	22.8	24.6	1.4	0.9	0.5	10.5	6.6	3.9	35.5	15.3	20.2
IV 99	39.6	18.0	21.5	1.4	0.8	0.5	9.5	5.3	4.2	28.7	11.9	16.8
IV 00	38.3	13.9	24.4	1.4	0.9	0.5	8.2	3.7	4.6	28.6	9.4	19.3
IV 01	35.3	12.0	23.3	1.8	1.1	0.7	8.3	3.0	5.3	25.2	7.9	17.3
IV 02	36.1	11.3	24.7	2.3	1.4	0.9	8.6	2.5	6.0	25.1	7.4	17.8
IV 03	32.4	9.4	22.9	2.4	1.6	0.7	7.8	1.8	6.0	22.2	5.9	16.2
IV 04	32.0	9.0	23.0	3.0	2.1	0.9	7.8	1.6	6.1	21.3	5.3	16.0
IV 05	32.5	9.8	22.7	4.0	3.0	1.0	7.9	2.0	5.9	20.6	4.9	15.7
IV 06	31.3	11.4	19.9	4.7	3.8	0.9	8.0	2.3	5.7	18.6	5.3	13.3
IV 07	35.0	13.5	21.5	5.1	4.4	0.8	9.2	2.6	6.6	20.7	6.5	14.2
IV 08	39.0	13.1	25.9	4.8	3.0	1.8	9.2	2.7	6.5	25.0	7.5	17.6
IV-09	39.4	13.4	25.9	4.5	2.5	2.0	9.9	3.0	6.9	25.0	8.0	17.1
I-10	39.4	13.2	26.3	4.3	2.4	1.9	10.1	3.0	7.1	25.0	7.8	17.3
II	39.1	13.1	26.0	4.2	2.4	1.9	9.9	3.0	7.0	24.9	7.7	17.2