

Mexico

Banking Watch

February 16, 2011

Economic Analysis

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

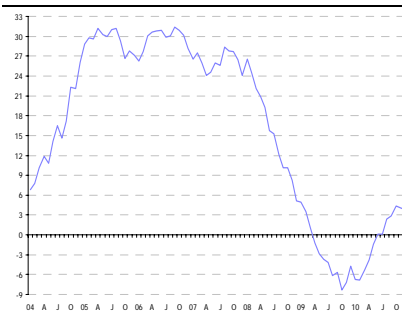
Bank Credit: Monthly Situation Report

- In December 2010 the real annual growth rate of the current lending portfolio of commercial banks to the private sector was 3.8%, the seventh consecutive month of real positive annual growth rates
- As in the previous month, in December lending for housing, companies and consumption all grew
- Demand for bank lending will increase at higher rates as GDP grows and the outlook for employment improves consumer expectations and increases the financing needs of companies and families

Total outstanding credit to the private sector

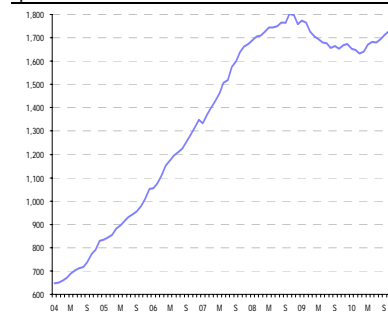
In December 2010, real annual growth in outstanding bank lending to the private sector was 3.8%. This rate was lower than in the preceding month (4.1%) but higher than the same month of 2009 (-4.8%). Since June 2010, commercial bank lending has been increasing in real terms as a result of a return to economic growth in the country. As a result, expected GDP and employment growth in 2011 will continue to be key drivers of expansion in the various categories of credit to the private sector.

Chart 1
Total Credit. % real annual change



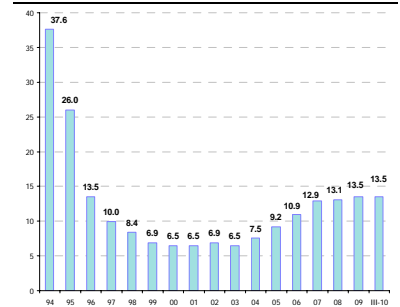
Source: BBVA Research with Bank of Mexico data

Chart 2
Total Credit. Figures in billion constant pesos of December 2010



Source: BBVA Research with Bank of Mexico data

Chart 3
Total Credit % GDP

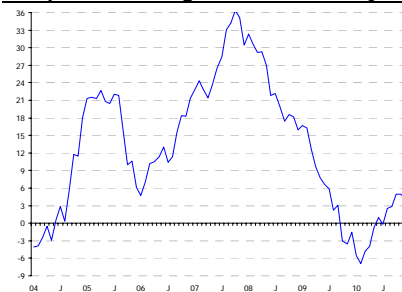


Source: BBVA Research with Bank of Mexico and INEGI data

Corporate Lending

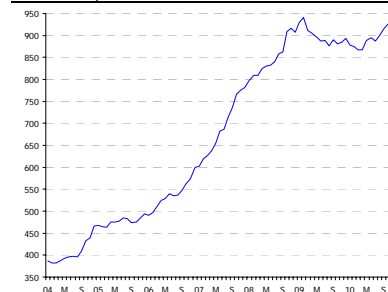
In December 2010, the real annual increase in lending to companies was 4.3%. This increase was lower than the preceding month (5%) but higher than the same month of 2009 (-1.5%). The GDP growth observed so far -which is expected to continue in the future- will overcome the effects of the 2009 recession in terms of a greater number of new investment projects resulting in companies having greater needs for working capital. These factors will create the conditions for credit to companies to increase more rapidly than it has been doing over recent months.

Chart 4
Corporate lending. % real annual change



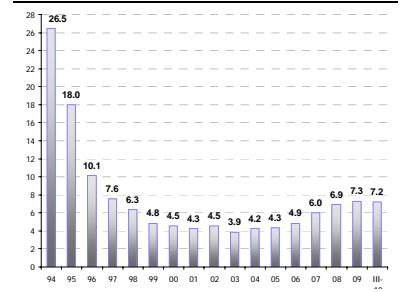
Source: BBVA Research with Bank of Mexico data

Chart 5
Corporate lending Balance in billion constant pesos of December 2010



Source: BBVA Research with Bank of Mexico data

Chart 6
Corporate lending % GDP

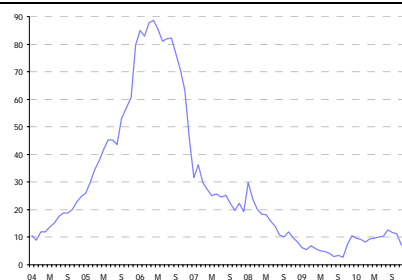


Source: BBVA Research with Bank of Mexico and INEGI data

Residential mortgage lending

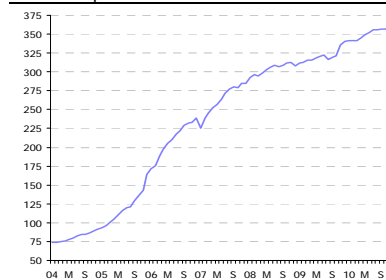
In December 2010, real annual mortgage lending growth was 5.9%. This rate was lower than for the preceding month (7.4%) and for the same month of 2009 (10.6%). It should be remembered that from October to November 2009 the balance of current residential lending in pesos increased because of the transfer to it of residential bank lending denominated in UDI investment units, and this had previously been counted separately from lending in pesos. This lending portfolio transfer temporarily increased the growth rate of residential lending, generating a statistical effect which has now worked through.

Chart 7
Mortgage lending % real annual change



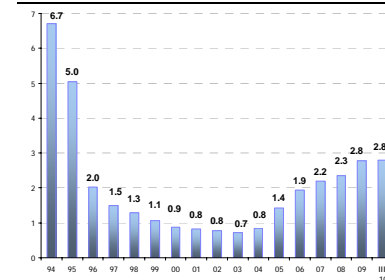
Source: BBVA Research with Bank of Mexico data

Chart 8
Mortgage Lending Balances in billion constant pesos of December 2010



Source: BBVA Research with Bank of Mexico data

Chart 9
Mortgage lending % GDP

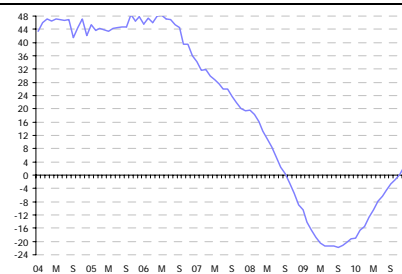


Source: BBVA Research with Banco de Mexico and INEGI data

Consumer finance

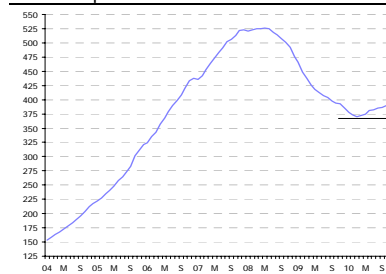
In December 2010, the real annual increase in consumer lending was positive at 2.6%. This rate of growth was higher than in the preceding month (+0.3%) and the same month in 2009 (-19.1%). The contribution to growth by components was as follows: Other consumer lending contributed 6.3 percentage points (pp) of the 2.6 pp growth in consumer credit; lending for consumer durables contributed 0.0 pp; credit cards made a negative contribution at -3.7 pp. In other words, there has been a significant increase in the heading lending for consumer durables, which grew at an annual real rate of 21.4% in December 2010.

Chart 10
Consumer finance. % real annual change



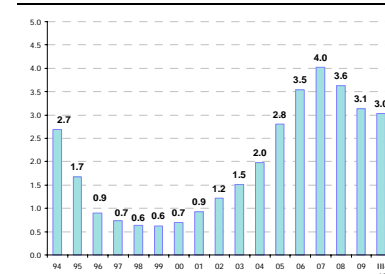
Source: BBVA Research with Bank of Mexico data

Chart 11
Consumer finance. Figures in billion constant pesos of December 2010



Source: BBVA Research with Banco de Mexico data

Chart 12
Consumer finance. % GDP

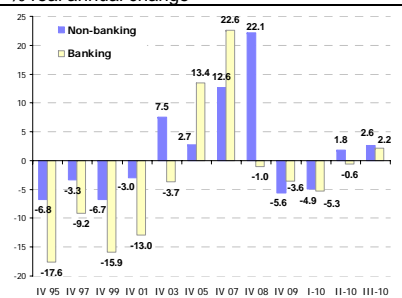


Source: BBVA Research with Bank of Mexico data

Bank Lending: contribution to growth by components

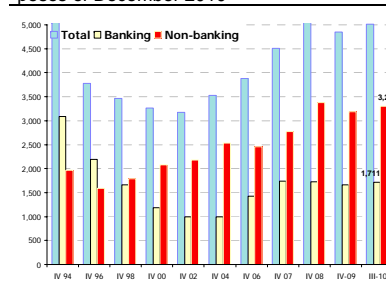
The breakdown by components of the 3.8% total growth in bank lending to the private sector in December 2010 was as follows: corporate lending contributed 2.3 percentage points (pp) of the 3.8 pp of total lending growth; residential mortgage lending contributed 1.2 pp; and consumer finance contributed 0.6 pp. In turn, lending to non-bank financial intermediaries (which only represents around 3% of total lending) made a negative contribution (-0.3 pp). The contribution of consumer credit increased from 0.1 pp in November to 0.6 pp in December 2010.

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



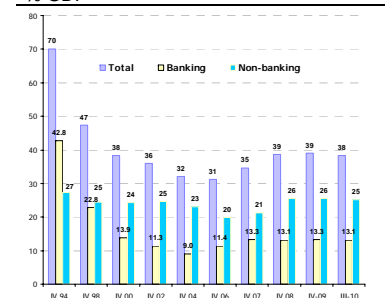
Source: Bank of Mexico

Chart 14
Total finance Figures in billion constant pesos of December 2010



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 December 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
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	29	-13.1	5.7	-12.9	-18.9	151.5
IV 00	514	56	69	359	26	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	1759	476	308	907	68	5.2	-8.9	8.2	15.9	-18.4
IV 09	1675	385	341	893	56	-4.8	-19.1	10.6	-1.5	-16.8
I-10	1634	370	341	868	56	-5.3	-15.6	8.3	-4.8	-10.1
II	1683	381	352	895	54	0.1	-7.9	10.0	1.0	-9.5
III	1712	387	357	915	54	2.9	-2.7	11.8	2.8	-6.9
IV	1739	395	361	932	51	3.8	2.6	5.9	4.3	-8.9
	Monthly balance in billions of December 2010 pesos					Real annual % change				
	Total	Consumer	Housing	Firms	NBFE*	Total	Consumer	Housing	Firms	NBFE*
2009	1773	467	311	929	66	4.9	-10.4	6.3	16.7	-17.1
F	1766	448	313	940	65	3.5	-14.2	5.6	16.3	-18.0
M	1727	438	315	912	62	1.0	-16.7	7.0	12.6	-22.2
A	1705	426	315	903	60	-1.2	-18.9	5.8	9.7	-23.6
M	1693	418	319	896	61	-2.8	-20.4	5.1	7.8	-26.8
J	1680	413	320	887	60	-3.7	-21.3	4.7	6.6	-26.5
J	1677	408	322	889	59	-4.2	-21.3	4.2	5.8	-29.8
A	1656	404	316	877	58	-6.1	-21.3	3.0	2.2	-31.6
S	1664	397	319	890	57	-5.7	-21.8	3.5	3.1	-31.9
O	1654	394	321	882	57	-8.3	-21.2	2.9	-3.0	-30.5
N	1669	393	336	884	56	-7.2	-20.2	7.3	-3.5	-27.2
D	1675	385	341	893	56	-4.8	-19.1	10.6	-1.5	-16.8
2010	1653	378	341	878	56	-6.8	-19.1	9.7	-5.5	-14.5
F	1646	374	341	875	56	-6.8	-16.6	9.2	-6.9	-14.0
M	1634	370	341	868	56	-5.3	-15.6	8.3	-4.8	-10.1
A	1641	372	345	868	56	-3.8	-12.7	9.4	-3.9	-7.1
M	1669	374	349	889	56	-1.4	-10.5	9.6	-0.7	-6.7
J	1683	381	352	895	54	0.1	-7.9	10.0	1.0	-9.5
J	1679	382	355	887	55	0.1	-6.3	10.3	-0.2	-6.5
A	1695	386	356	899	54	2.4	-4.7	12.6	2.5	-7.0
S	1712	387	357	915	54	2.9	-2.7	11.8	2.8	-6.9
O	1726	389	357	925	54	4.4	-1.2	11.3	5.0	-5.1
N	1737	394	361	928	54	4.1	0.3	7.4	5.0	-3.3
D	1739	395	361	932	51	3.8	2.6	5.9	4.3	-8.9
	Annual average balance					Average real annual growth rates				
	Total	Consumer	Housing	Firms	NBFE*	Total	Consumer	Housing	Firms	NBFE*
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	1,695	416	321	898	60	-2.9	-18.9	5.5	6.1	-25.2
2010	1,684	382	351	897	55	-0.5	-7.9	9.6	-0.1	-8.3
	% of GDP					% breakdown				
	Total	Consumer	Housing	Firms	NBFE*	Total	Consumer	Housing	Firms	NBFE*
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	12.9	4.0	2.2	6.0	0.6	100.0	31.2	17.0	46.8	5.0
IV 08	13.4	3.6	2.3	6.9	0.5	100.0	27.1	17.5	51.6	3.9
IV 09	13.5	3.1	2.8	7.3	0.5	100.0	23.0	20.3	53.3	3.4
I-10	13.2	3.0	2.8	7.0	0.4	100.0	22.6	20.9	53.1	3.4
II	13.1	3.0	2.7	7.0	0.4	100.0	22.6	20.9	53.2	3.2
III	13.5	3.0	2.8	7.2	0.4	100.0	22.6	20.8	53.5	3.1

*NBFE: Non bank financial entities
Source: Banco de México

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Bank and Non Bank Loans to the Private Sector

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

	Balance in billions of November 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	5,046	3,081	1,965	259	244	14	715	521	194	4,072	2,316	1,757
IV 95	4,372	2,540	1,832	156	143	14	757	558	199	3,459	1,839	1,620
IV 96	3,777	2,194	1,584	109	95	14	794	562	232	2,874	1,537	1,338
IV 97	3,524	1,992	1,532	104	80	24	774	542	232	2,646	1,370	1,276
IV 98	3,462	1,668	1,794	99	65	34	769	486	283	2,594	1,118	1,477
IV 99	3,076	1,403	1,673	105	65	40	739	416	323	2,232	922	1,310
IV 00	3,265	1,187	2,078	122	76	46	703	313	389	2,441	798	1,643
IV 01	3,048	1,033	2,015	154	97	57	716	255	461	2,179	681	1,497
IV 02	3,177	998	2,179	205	124	81	757	225	533	2,215	650	1,565
IV 03	3,305	961	2,343	242	166	75	797	188	609	2,266	607	1,659
IV 04	3,531	997	2,534	332	234	97	856	181	675	2,343	582	1,761
IV 05	3,734	1,131	2,603	460	342	118	906	226	679	2,368	563	1,806
IV 06	3,875	1,418	2,457	582	468	114	995	291	704	2,298	658	1,639
IV 07	4,507	1,739	2,768	664	567	97	1,188	334	854	2,655	838	1,817
IV 08	5,101	1,722	3,380	628	388	240	1,202	353	849	3,272	981	2,291
IV 09	4,850	1,660	3,190	550	305	246	1,221	371	850	3,079	984	2,095
I-10	4,851	1,623	3,228	526	291	235	1,249	372	876	3,076	959	2,117
II	4,992	1,676	3,316	540	302	237	1,273	382	891	3,179	992	2,187
III	5,008	1,711	3,297	543	308	235	1,275	386	889	3,191	1,018	2,173
	% breakdown											
	Total	Bank	Non bank	Total	Bank	Non bank	Total	Bank	Non bank	Total	Bank	Non bank
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	30.3	69.7	100.0	74.4	25.6	100.0	25.0	75.0	100.0	23.8	76.2
IV 06	100.0	36.6	63.4	100.0	80.4	19.6	100.0	29.3	70.7	100.0	28.7	71.3
IV 07	100.0	38.6	61.4	100.0	85.4	14.6	100.0	28.1	71.9	100.0	31.6	68.4
IV 08	100.0	33.8	66.2	100.0	61.8	38.2	100.0	29.4	70.6	100.0	30.0	70.0
IV 09	100.0	34.2	65.8	100.0	55.3	44.7	100.0	30.4	69.6	100.0	32.0	68.0
I-10	100.0	33.5	66.5	100.0	55.4	44.6	100.0	29.8	70.2	1		