

Mexico

Economic Watch

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Economic Analysis

Eduardo Torres
e.torres@bbva.bancomer.com

Fernando Balbuena Campuzano
fernando.balbuena@bbva.bancomer.com

Mortgage loans and housing finance Monthly Situation Report

- **In January 2011, the number of mortgage loans increased 20.7% on a yearly rate and 37% in the amount measured in nominal terms**
- **At the beginning of 2011, the trend of recovery strengthens in the housing sector that began in the second half of 2010**
- **We estimate that in 2011 the number of mortgage loans nationally will grow by around 10% a year and total lending will increase by between 15-20% in nominal terms**

Upturn in bank mortgage lending

In January 2011, the number of mortgage loans granted by commercial banks increased 20.7% on a yearly rate and 37% in the amount in nominal terms. This contrasts with the figures of public institutions (drop of 25.5% YoY in the number of loans), where, at least in the case of the Infonavit, was due to a delay in registering loans; this means that authorized loans were not formalized before the end of the month.

It is notable the recovery in the housing sector by commercial banks at the beginning of 2011, not only by its magnitude, but also by the recovery signals in the confidence. The segments catered for by commercial banks are mainly middle and high-income earners, who were those most affected in 2009 and part of 2010. Thus the upturn is a good indicator suggesting a gradual return of consumer confidence.

On the other hand, there has been a general recovery in the housing sector since the second half of 2010, not only with respect to mortgage lending, but also in terms of housing construction starts and construction loans (received by constructors to build homes). January figures, for construction loans, were up 11% in real terms on a yearly basis. In other words, the figures on the supply side are also consistent with a scenario of recovery in the housing sector.

Finally, there is a gap in the results presented by the Infonavit (which contributed close to three quarters of the loans granted in the month), between the number of loans granted and authorized. According to the figures published in the Monthly Results Report of February 2011, if we consider only the granted loans, the advanced (as of February 20) in the Annual Operating Program was 96%, but if we include the authorized loans, it was 151%.

Thus, we can anticipate that despite the gap in the number of loans granted by public institutions in January, since February credit figures, nationwide, will reflect once again the trend of recovery showed by the housing sector since the second half of 2010. We expect that in 2011 the number of mortgage loans will increase at an annual rate of around 10%, and between 15-20% in terms of the amount of lending in nominal terms.

Table 1
Mortgage lending
Number and amount of loans

	Number of loans (thousands)			Amount of lending (billion Pesos)		
	10-ene	11-ene	%annual change	10-ene	11-ene	%annual change
Public	29.4	21.9	-25.4	7.54	6.13	-21.6
Infonavit	27.2	21.2	-22.2	6.49	5.78	-14.0
Fovissste	2.1	0.7	-66.0	1.05	0.35	-68.0
Private	4.6	4.8	5.0	2.84	3.80	29.3
Banks	3.8	4.6	20.7	2.69	3.69	32.2
Sofoles	0.814	0.254	-68.8	0.15	0.11	-24.1
Subtotal	34.0	26.8	-21.3	10.38	9.93	-7.6
Co-finance	1.1	0.9	-21.3	—	—	—
Total	32.9	25.9	-21.3	10.38	9.93	-7.6

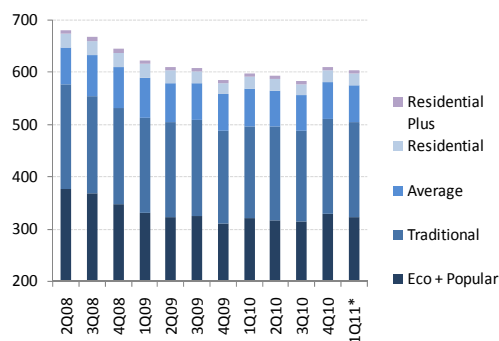
Source: BBVA Research with data from ABM, AHM and AMFE

Table 2
Mortgage lending by segment
Number of loans

	Loans (thousands)			Change %		
	09-ene	10-ene	11-ene	2010/2009	2011/2010	2011/2009
Total	34.2	32.9	25.9	-4.1	-21.2	-24.5
Economy + Popular (up to 350,000)	21.2	19.6	14.5	-7.6	-26.2	-31.9
Traditional (up to 610,000)	7.9	7.8	6.5	-1.3	-15.9	-17.0
Average (up to 1.3 million)	3.7	3.7	2.9	-0.5	-22.7	-23.0
Residential (up to 2.6 million)	1.1	1.4	1.5	21.5	9.7	33.3
Residential Plus (over 2.6 million)	0.3	0.4	0.5	31.7	23.1	62.2

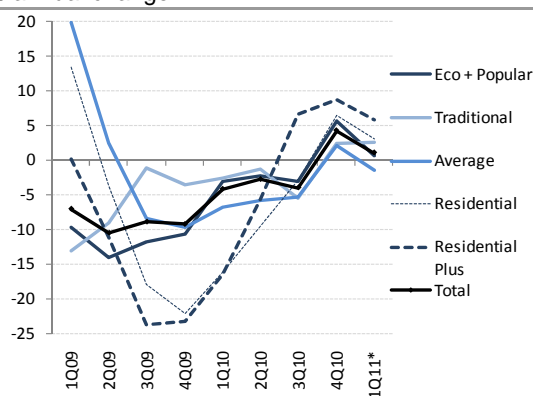
Note: Figures for 2011 are estimates
Source: BBVA Research

Chart 1
Number of loans by segment
Thousands, annualized figures



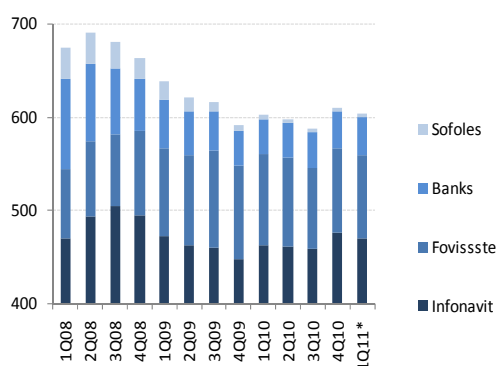
*January figures
Source: BBVA Research

Chart 2
Number of loans by segment
% annual change



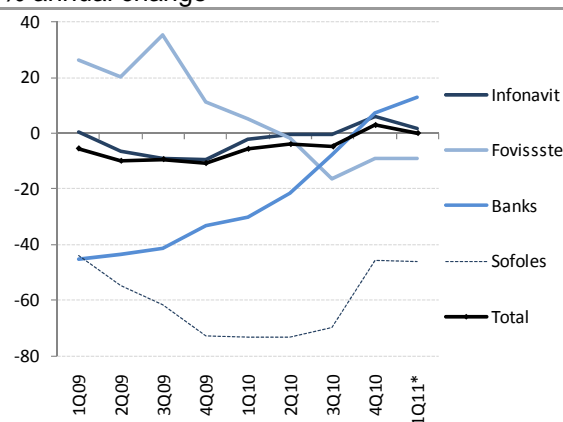
*January figures
Source: BBVA Research

Chart 3
Number of loans by institution
Thousands, annualized figures



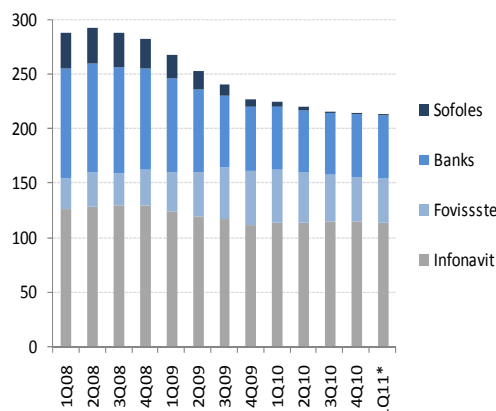
Note: for banks only includes the open market
*January figures
Source: BBVA Research with ABM and AHM data

Chart 4
Number of loans by institution
% annual change



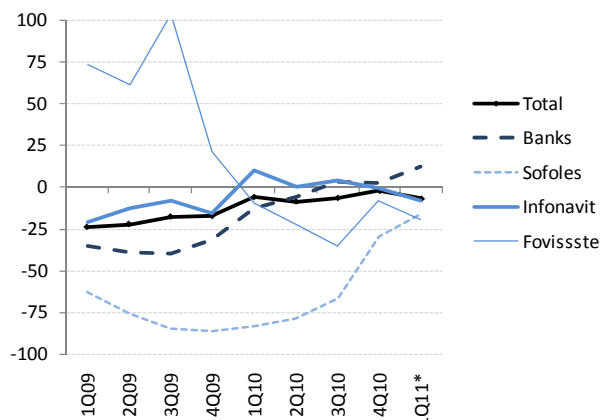
*January figures
Source: BBVA Research with ABM and AHM data

Chart 5
Amount of lending by institution
Billion pesos at 2011 prices, annualized figures



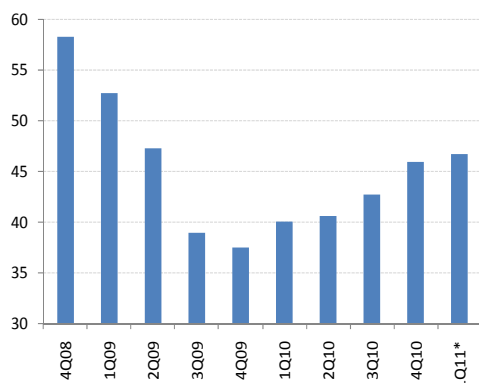
*January figures
Source: BBVA Research with AHM data

Chart 6
Amount of lending by institution
% real annual change



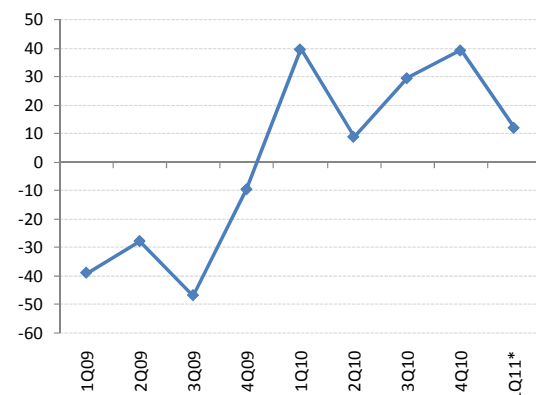
*January figures
Source: BBVA Research with AHM data

Chart 7
Construction loans
Billion pesos at 2011 prices, annualized figures



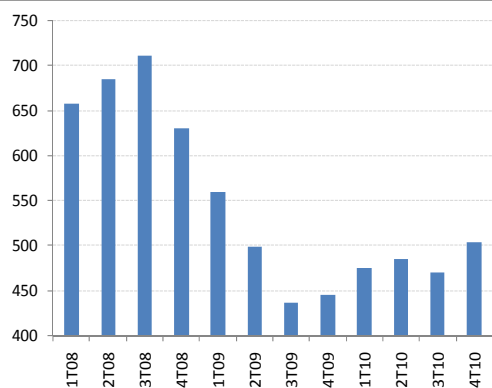
*January figures
Source: BBVA Research with AHM data

Chart 8
Construction loans
% real annual change



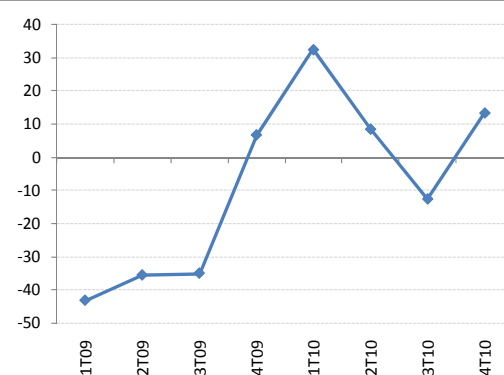
*January figures
Source: BBVA Research with AHM data

Chart 9
Housing starts: Single Housing Register (RUV)
Thousands, annualized figures



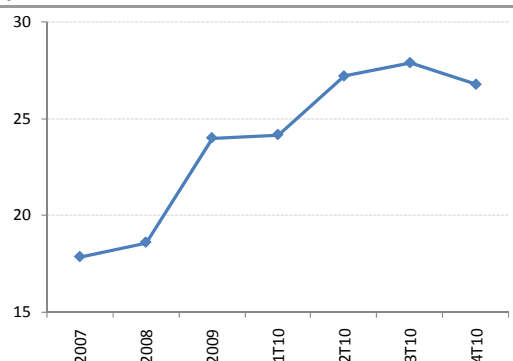
Source: BBVA Research with Infonavit data.

Chart 10
Housing starts: Single Housing Register (RUV)
% real annual change



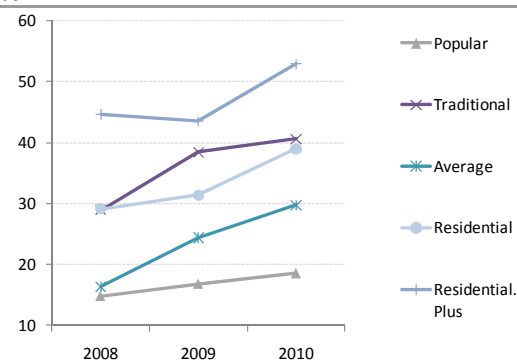
Source: BBVA Research with Infonavit data.

Chart 11
Existing Housing: Infonavit
%



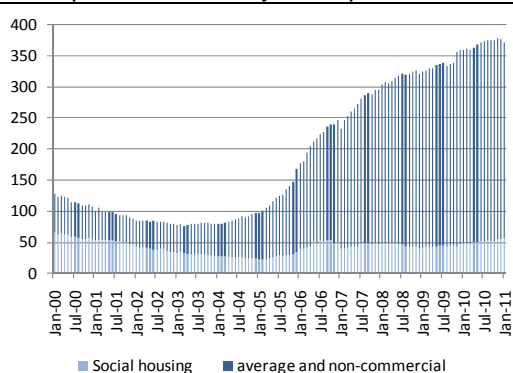
Source: BBVA Research with Infonavit data.

Chart 12
Existing housing by segment: Infonavit
%



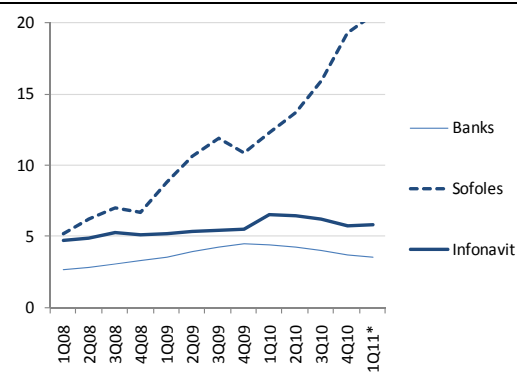
Source: BBVA Research with Infonavit data.

Chart 13
Commercial banks: balance of mortgage portfolio
Billion pesos at January 2011 prices



Source: BBVA Research with Banxico data

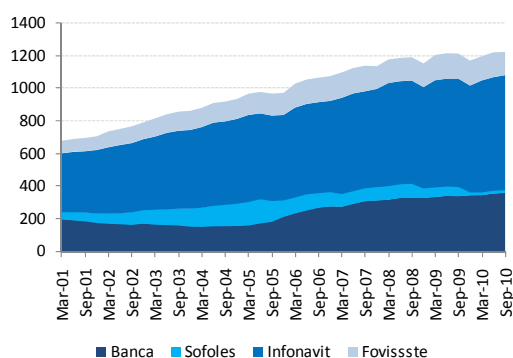
Chart 14
Commercial banks: mortgage default ratio
%



*January figures

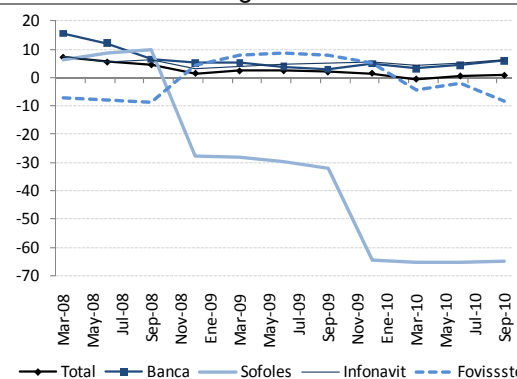
Source: BBVA Research based on Banxico figures

Chart 15
Balance of housing loans portfolio
Billion pesos at 2010 prices



Source: BBVA Research with CNBV data

Chart 16
Balance of housing loans portfolio
Real annual % change



Source: BBVA Research with CNBV data

Table 3

Number of mortgage loans by state

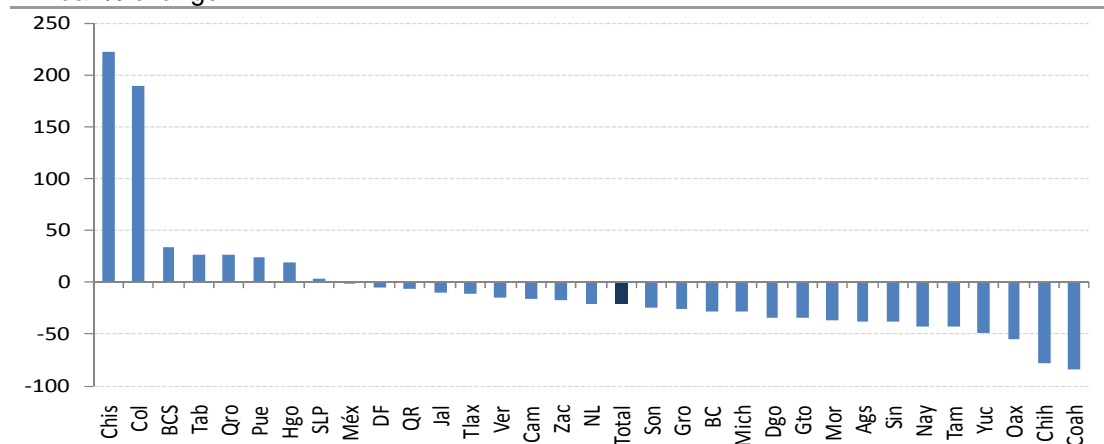
	Infonavit			Fovissste			Bancos			Sofoles			Total		
	Var. %		Jan-10	Var. %		Jan-10	Var. %		Jan-10	Var. %		Jan-10	Var. %		Jan-10
	Jan-10	Jan-11 anual		Jan-10	Jan-11 anual		Jan-10	Jan-11 anual		Jan-10	Jan-11 anual		Jan-10	Jan-11 anual	
Ags	676	389	-42.5	31	7	-77.4	92	106	15.2	26	11	-58.2	825	513	-37.8
BC	1,597	1,161	-27.3	70	11	-84.3	132	149	12.9	43	10	-76.7	1,842	1,331	-27.7
BCS	151	257	70.2	40	30	-25.0	50	52	4.0	13	0	-100.0	254	339	33.6
Cam	116	83	-28.4	2	1	-50.0	23	36	56.5	3	2	-41.4	144	122	-15.5
Coah	1,810	190	-89.5	41	19	-53.7	137	122	-10.9	20	0	-100.0	2,008	331	-83.5
Col	264	879	233.0	9	0	-100.0	40	52	30.0	10	3	-69.2	323	934	189.4
Chis	211	994	371.1	93	65	-30.1	39	62	59.0	4	0	-100.0	347	1,121	222.7
Chih	1,372	167	-87.8	36	12	-66.7	154	173	12.3	22	1	-95.5	1,584	353	-77.7
DF	494	516	4.5	156	10	-93.6	433	524	21.0	33	5	-84.7	1,116	1,055	-5.4
Dgo	427	266	-37.7	12	12	0.0	39	41	5.1	5	0	-100.0	483	319	-34.0
Gto	1,309	872	-33.4	219	22	-90.0	160	234	46.3	36	7	-80.3	1,724	1,135	-34.1
Gro	166	210	26.5	127	2	-98.4	44	47	6.8	14	0	-100.0	351	259	-26.2
Hgo	227	319	40.5	55	16	-70.9	29	44	51.7	7	2	-72.7	318	381	19.7
Jal	2,436	2,291	-6.0	162	24	-85.2	451	499	10.6	108	24	-77.8	3,157	2,838	-10.1
Méx	1,690	1,881	11.3	361	122	-66.2	186	221	18.8	53	55	4.4	2,290	2,279	-0.5
Mich	616	417	-32.3	27	16	-40.7	121	132	9.1	29	1	-96.6	793	566	-28.6
Mor	318	258	-18.9	185	33	-82.2	55	71	29.1	10	0	-100.0	568	362	-36.3
Nay	307	183	-40.4	33	11	-66.7	38	28	-26.3	9	2	-78.4	387	224	-42.2
NL	3,788	2,780	-26.6	30	28	-6.7	455	633	39.1	139	36	-74.1	4,412	3,477	-21.2
Oax	215	81	-62.3	10	5	-50.0	29	30	3.4	4	0	-100.0	258	116	-55.0
Pue	654	851	30.1	42	12	-71.4	117	158	35.0	14	6	-57.6	827	1,027	24.2
Qro	352	508	44.3	29	13	-55.2	126	147	16.7	28	10	-64.0	535	678	26.8
QR	795	715	-10.1	50	21	-58.0	86	143	66.3	32	25	-22.3	963	904	-6.1
SLP	426	439	3.1	16	5	-68.8	98	133	35.7	20	3	-84.6	560	580	3.7
Sin	960	495	-48.4	28	38	35.7	106	159	50.0	21	0	-100.0	1,115	692	-37.9
Son	1,065	765	-28.2	29	41	41.4	93	96	3.2	21	7	-67.4	1,208	909	-24.8
Tab	192	252	31.3	6	7	16.7	44	56	27.3	6	0	-100.0	248	315	27.1
Tam	1,931	1,040	-46.1	23	21	-8.7	140	142	1.4	26	2	-92.3	2,120	1,205	-43.2
Tlax	92	94	2.2	5	1	-80.0	15	7	-53.3	3	0	-100.0	115	102	-11.6
Ver	1,484	1,263	-14.9	148	110	-25.7	186	188	1.1	33	20	-38.8	1,851	1,581	-14.6
Yuc	1,002	481	-52.0	37	3	-91.9	60	85	41.7	9	0	-100.0	1,108	569	-48.6
Zac	99	91	-8.1	6	3	-50.0	25	22	-12.0	9	0	-100.0	139	116	-16.7
ND	0	0	---	0	0	---	0	0	---	2	22	---	2	22	---
Total	27,242	21,188	-22.2	2,118	721	-66.0	3,803	4,592	20.7	814	254	-68.8	33,977	26,755	-21.3

Source: BBVA Research

Chart 17

Number of mortgage loans by state: January 2011

Annual % change



Source: BBVA Research

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