

Economic Watch

Mexico

May 23, 2011
Economic Analysis

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Home loans and finance Monthly Situation Report

- **Public institutions have lagged behind slightly in the mortgage lending market in 2011, although there are signs that they will recover in the second quarter**
- **In contrast, commercial lending has grown strongly, reflecting a more favorable economic climate this year**
- **Construction loans have been growing for three quarters, after a major contraction in 2009 and part of 2010**

Mixed signs: mortgage lending starts slowly, but construction loans up

An initial look at the figures for construction loans and mortgages in the first quarter of 2011 show mixed signs in home finance: while construction loans are up, mortgages lag behind, though there is a big difference between public institutions and commercial banks in mortgages. However, a more detailed examination explains these differences and offers an outlook that is more in line with the current context of Mexico's economic recovery.

The mortgage market contracted by an annual 15.3% in the first quarter in number of loans granted and 11.8% in value, in real terms. However, most of this can be explained by the delay in delivering funds linked to subsidy programs, administrative questions (changes in the operational rules of some programs and new protocols for exchanging information between institutions). In particular, in the case of Infonavit, which accounts for the bulk of lending by public institutions (84% in 1Q10 and 95% in 1Q11), the indicators show that the financing conditions have returned to normal in the second quarter (at the close of April, counting loans on the point of being granted, the figure was 106% up on target).

The figures for the public institutions contrast with commercial bank lending, which in the first quarter increased by an annual 9.5% in terms of the number of loans granted and 22.4% in the amount of lending in real terms. The increase was mainly reflected in loans using the banks' own funds, in other words those that were not linked to co-financing programs. These "open market" loans grew at an annual 25% in the first quarter, both in terms of number and amount.

It is also worth pointing out that the increase in bank lending is reflected at the higher-end Residential and Residential Plus segments, which has performed better than low-income housing. The figures are consistent with the general context of recovery in the economy and consumer confidence at the start of the year.

With respect to construction loans, the figures corresponding to the first quarter confirm the recovery. There have now been three consecutive quarters of annual growth (although the starting point was low, and the amounts are still far from those achieved in 2008).

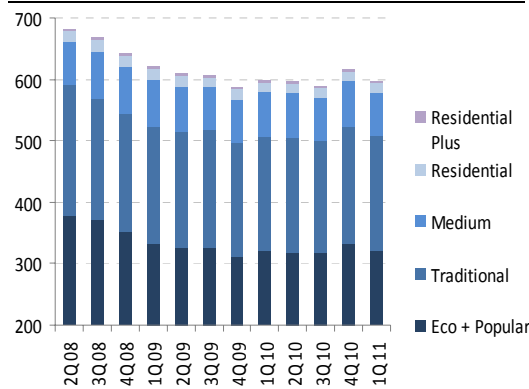
We maintain our outlook for a recovery in the housing market in 2011, with growth of the order of 10% in the number of loans and between 10-15% in the amount.

Table 1
Mortgage lending
Number and amount of loans, annual aggregate

| | Number of loans (thousands) | | | Amount of lending (billion pesos) | | |
|----------------|-----------------------------|--------------|--------------|-----------------------------------|--------------|--------------|
| | Annual % | | | Real annual | | |
| | Mar-10 | Mar-11 | change | Mar-10 | Mar-11 | % change |
| Public | 122.9 | 98.0 | -20.3 | 33.63 | 25.48 | -23.6 |
| Infonavit | 103.3 | 93.9 | -9.1 | 24.26 | 24.30 | 1.0 |
| Fovissste | 19.6 | 4.1 | -78.9 | 9.37 | 1.18 | -87.3 |
| Private | 17.4 | 17.7 | 1.7 | 12.22 | 14.64 | 20.7 |
| Banks | 15.4 | 16.9 | 9.5 | 11.73 | 14.24 | 22.4 |
| Sofoles | 2.0 | 0.8 | -59.3 | 0.49 | 0.40 | -19.2 |
| Subtotal | 140.3 | 115.7 | -17.5 | 45.85 | 40.11 | -11.8 |
| Co-finance (-) | 7.9 | 3.5 | -55.2 | -- | -- | -- |
| Total | 132.4 | 112.1 | -15.3 | 45.85 | 40.11 | -11.8 |

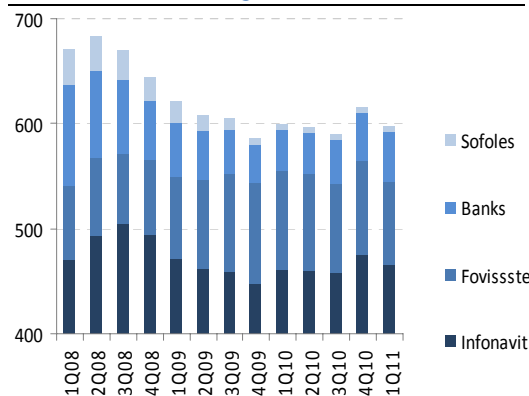
Source: BBVA Research with data from ABM, AHM and AMFE

Chart 1
Number of loans by segment
Thousands, annualized figures



Source: BBVA Research

Chart 3
Number of loans by institution
Thousands, annualized figures



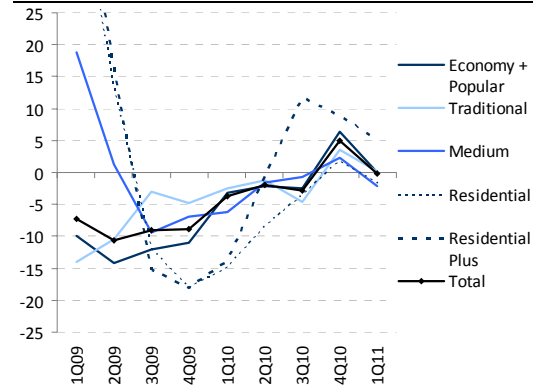
Note: the private sector only includes the open market
Source: BBVA Research with ABM and AHM data

Table 2
Mortgage lending by segment
Number of loans, annual aggregate

| | Loans (thousands) | | | % change | | |
|--------------------------------------|-------------------|--------|--------|-------------|-------------|-------------|
| | | | | 2010 / 2009 | 2011 / 2010 | 2011 / 2009 |
| | Mar-09 | Mar-10 | Mar-11 | | | |
| Total | 118.0 | 132.4 | 112.1 | 12.2 | -15.3 | -5.0 |
| Economy + Popular (up to 350,000) | 63.5 | 74.4 | 64.9 | 17.2 | -12.6 | 2.3 |
| Traditional (up to 610,000) | 36.2 | 38.6 | 31.5 | 6.4 | -18.2 | -13.0 |
| Medium (up to 1.3 million) | 14.6 | 15.5 | 11.8 | 6.6 | -24.0 | -19.0 |
| Residential (up to 2.6 million) | 3.1 | 3.3 | 3.2 | 6.5 | -5.1 | 1.1 |
| Residential Plus (> 2.6 million) | 0.6 | 0.7 | 0.7 | 9.9 | 4.2 | 14.6 |

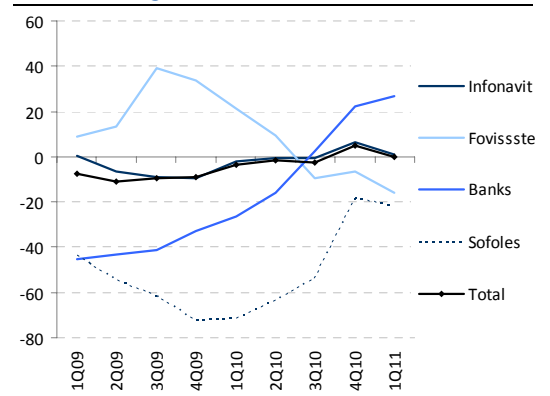
Note: Figures for 2011 are estimates
Source: BBVA Research

Chart 2
Number of loans by segment
% annual change



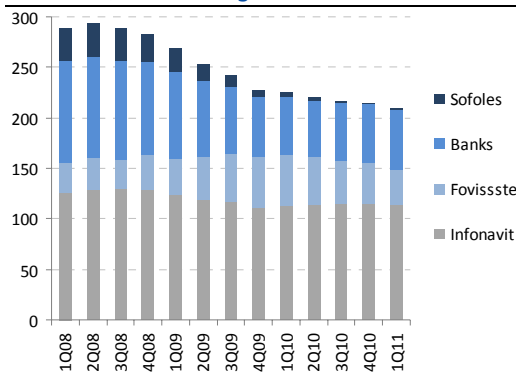
Source: BBVA Research

Chart 4
Number of loans by institution
% annual change



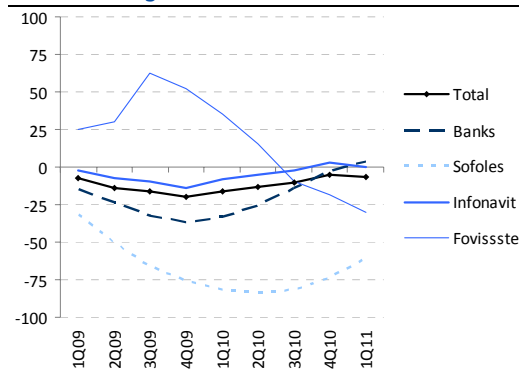
Source: BBVA Research with ABM and AHM data

Chart 5
Amount of loans by institution
Thousands, annualized figures



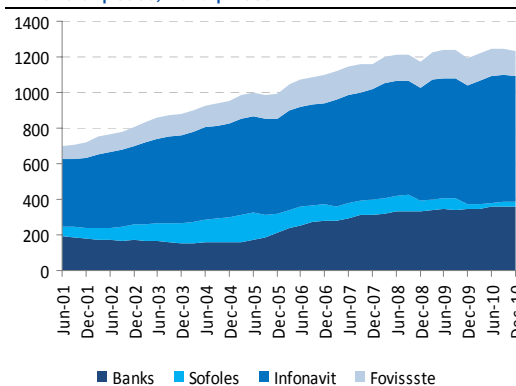
Source: BBVA Research with ABM and AHM data

Chart 6
Amount of lending by institution
% annual change



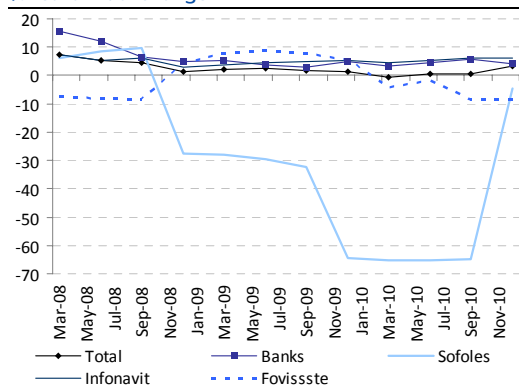
Source: BBVA Research with ABM and AHM data

Chart 7
Balance of residential mortgage portfolio
Billions of pesos, 2010 prices



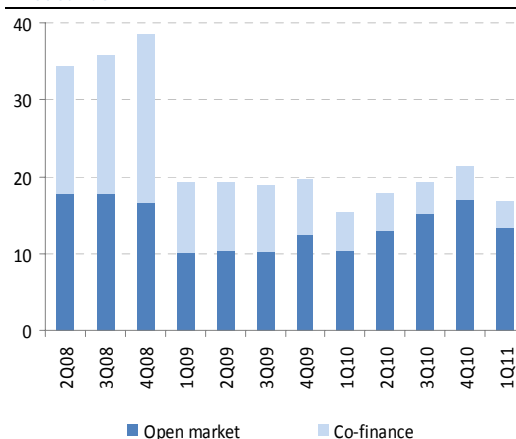
Source: BBVA Research with CNBV data

Chart 8
Balance of residential mortgage portfolio
% real annual change



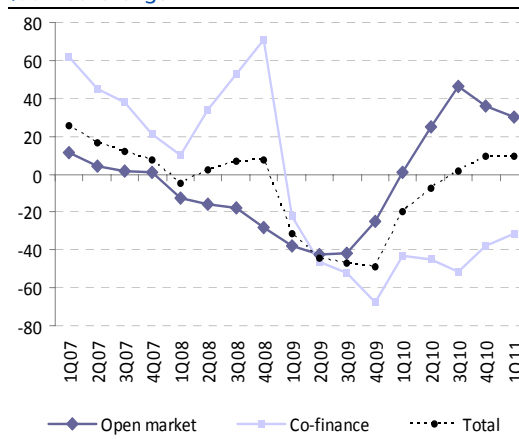
Source: BBVA Research with CNBV data

Chart 9
Number of loans granted by commercial banks
Thousands



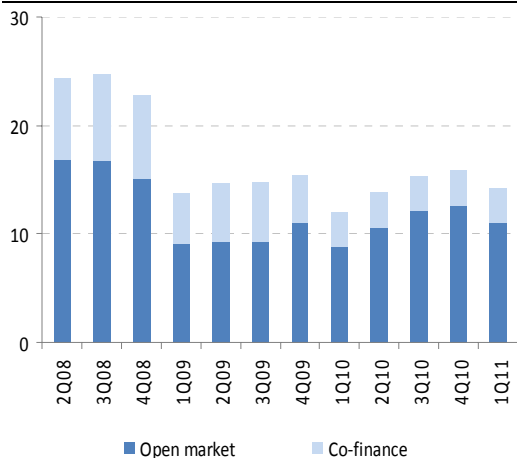
Source: BBVA Research with ABM data

Chart 10
Number of loans granted by commercial banks
% annual change



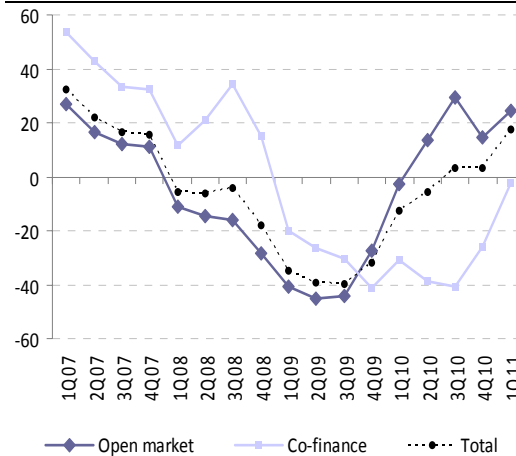
Source: BBVA Research with ABM data

Chart 11
Amount of loans granted by commercial banks
Billions of pesos, 2011 prices



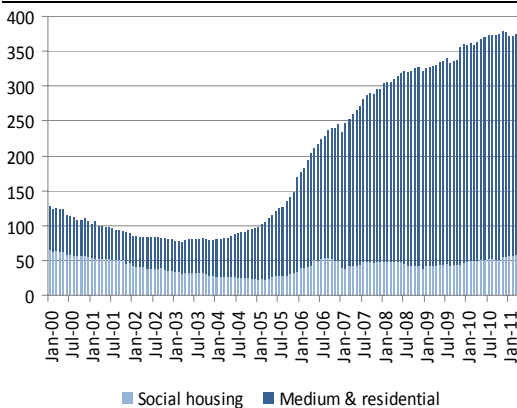
Source: BBVA Research with ABM data

Chart 12
Amount of loans granted by commercial banks
% annual change



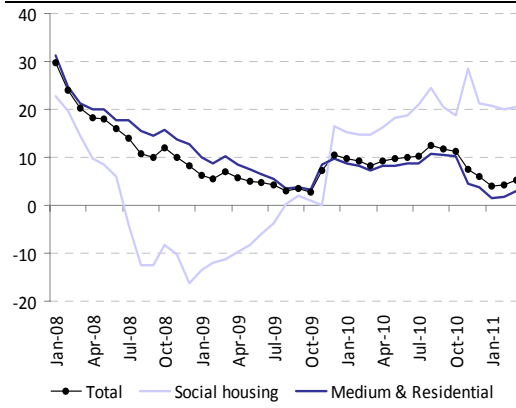
Source: BBVA Research with ABM data

Chart 13
Balance of the commercial bank loan portfolio
Billions of pesos, 2011 prices



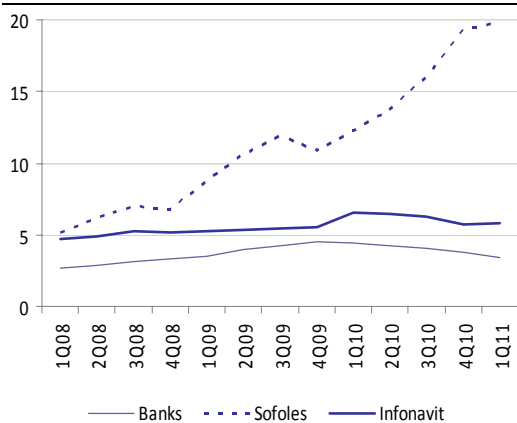
Source: BBVA Research with Banxico data

Chart 14
Balance of the commercial bank loan portfolio
% real annual change



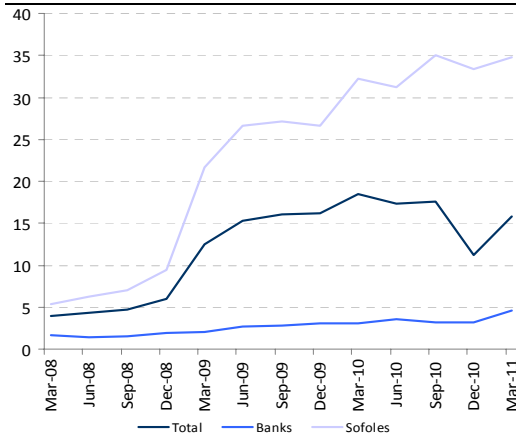
Source: BBVA Research with Banxico data

Chart 15
Mortgage default rate
%



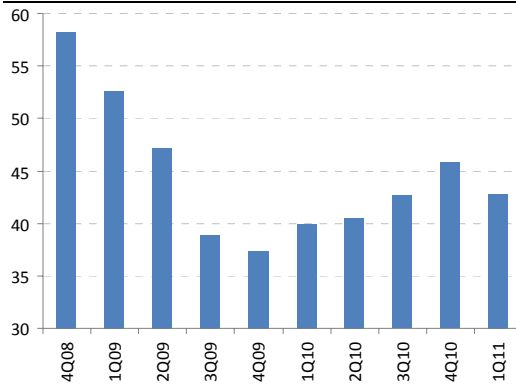
Source: BBVA Research with AHM and AMFE data

Chart 16
Construction-loan default rate
%



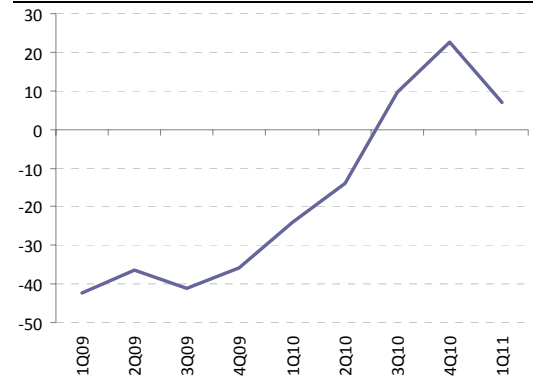
Source: BBVA Research with AHM and AMFE data

Chart 17
Construction loans
Billion pesos at 2011 prices, annualized figures



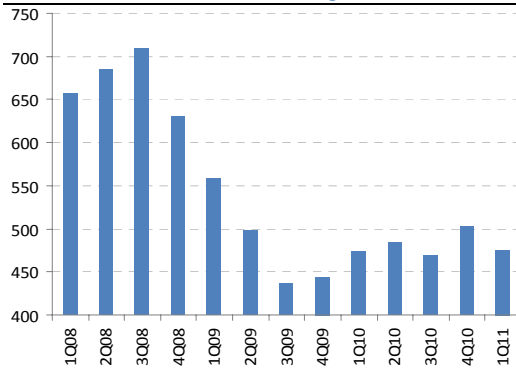
Source: BBVA Research with AHM data

Chart 18
Construction loans
% real annual change



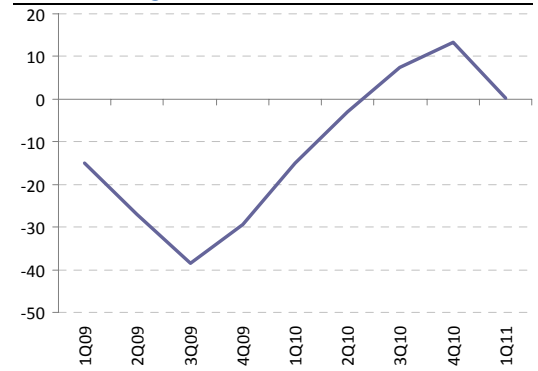
Source: BBVA Research with AHM data

Chart 19
Housing starts (RUV figures)
Thousands of homes, annualized figures



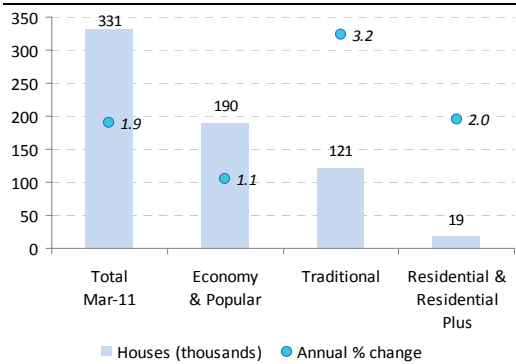
Source: BBVA Research with RUV data

Chart 20
Housing starts (RUV figures)
% annual change



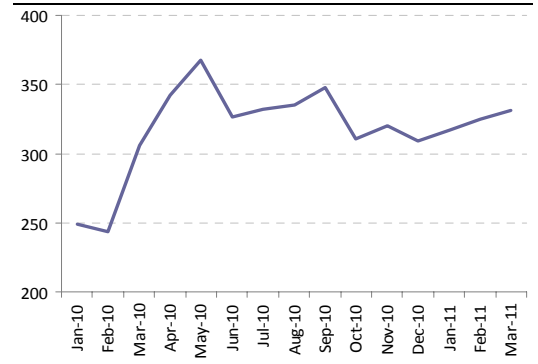
Source: BBVA Research with RUV data

Chart 21
Housing stock by segment (RUV)
Thousands and annual change



Source: BBVA Research with Infonavit data

Chart 22
Housing stock (RUV)
Thousands



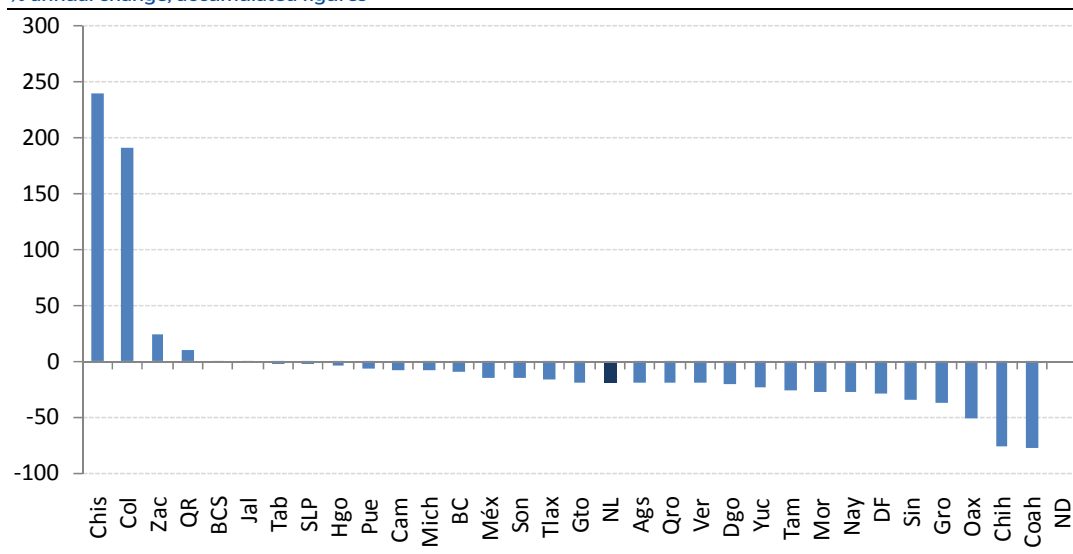
Source: BBVA Research with Infonavit data

Table 3:
Number of mortgage loans by state

| | Infonavit | | | Fovissste | | | Banks | | | Sofoles | | | Total | | |
|--------------|----------------|---------------|-------------|---------------|--------------|--------------|---------------|---------------|------------|--------------|--------------|--------------|----------------|----------------|--------------|
| | | Var. % | | | Var. % | | | Var. % | | | Var. % | | | Var. % | |
| | Mar-10 | Mar-11 anual | | Mar-10 | Mar-11 anual | | Mar-10 | Mar-11 anual | | Mar-10 | Mar-11 anual | | Mar-10 | Mar-11 anual | |
| Ags | 2,117 | 1,753 | -17.2 | 191 | 92 | -51.8 | 285 | 357 | 25.3 | 46 | 20 | -56.5 | 2,639 | 2,222 | -15.8 |
| BC | 5,559 | 5,527 | -0.6 | 376 | 45 | -88.0 | 495 | 517 | 4.4 | 184 | 46 | -75.0 | 6,614 | 6,135 | -7.2 |
| BCS | 583 | 884 | 51.6 | 269 | 110 | -59.1 | 216 | 192 | -11.1 | 0 | 0 | --- | 1,068 | 1,186 | 11.0 |
| Cam | 557 | 558 | 0.2 | 71 | 9 | -87.3 | 76 | 98 | 28.9 | 1 | 4 | 300.0 | 705 | 669 | -5.1 |
| Coah | 5,836 | 960 | -83.6 | 229 | 73 | -68.1 | 454 | 497 | 9.5 | 5 | 1 | -80.0 | 6,524 | 1,531 | -76.5 |
| Col | 1,084 | 3,688 | 240.2 | 71 | 29 | -59.2 | 132 | 142 | 7.6 | 0 | 3 | --- | 1,287 | 3,862 | 200.1 |
| Chis | 853 | 4,266 | 400.1 | 315 | 146 | -53.7 | 163 | 198 | 21.5 | 1 | 0 | -100.0 | 1,332 | 4,610 | 246.1 |
| Chih | 5,151 | 816 | -84.2 | 264 | 58 | -78.0 | 719 | 635 | -11.7 | 36 | 4 | -88.9 | 6,170 | 1,513 | -75.5 |
| DF | 3,301 | 3,251 | -1.5 | 1,982 | 142 | -92.8 | 2,401 | 2,249 | -6.3 | 76 | 31 | -59.2 | 7,760 | 5,673 | -26.9 |
| Dgo | 1,556 | 1,260 | -19.0 | 124 | 79 | -36.3 | 152 | 155 | 2.0 | 0 | 0 | --- | 1,832 | 1,494 | -18.4 |
| Gto | 4,695 | 3,858 | -17.8 | 463 | 135 | -70.8 | 637 | 869 | 36.4 | 46 | 33 | -28.3 | 5,841 | 4,895 | -16.2 |
| Gro | 677 | 699 | 3.2 | 560 | 56 | -90.0 | 173 | 176 | 1.7 | 1 | 0 | -100.0 | 1,411 | 931 | -34.0 |
| Hgo | 1,839 | 2,157 | 17.3 | 580 | 175 | -69.8 | 157 | 194 | 23.6 | 13 | 7 | -46.2 | 2,589 | 2,533 | -2.2 |
| Jal | 8,049 | 9,070 | 12.7 | 714 | 138 | -80.7 | 1,713 | 1,767 | 3.2 | 187 | 64 | -65.8 | 10,663 | 11,039 | 3.5 |
| Méx | 8,795 | 8,861 | 0.8 | 2,911 | 1,108 | -61.9 | 860 | 944 | 9.8 | 261 | 193 | -26.1 | 12,827 | 11,106 | -13.4 |
| Mich | 2,395 | 2,313 | -3.4 | 293 | 107 | -63.5 | 421 | 542 | 28.7 | 7 | 6 | -14.3 | 3,116 | 2,968 | -4.7 |
| Mor | 1,289 | 1,332 | 3.3 | 1,055 | 301 | -71.5 | 199 | 241 | 21.1 | 9 | 1 | -88.9 | 2,552 | 1,875 | -26.5 |
| Nay | 989 | 888 | -10.2 | 299 | 46 | -84.6 | 123 | 115 | -6.5 | 21 | 12 | -42.9 | 1,432 | 1,061 | -25.9 |
| NL | 12,712 | 10,302 | -19.0 | 232 | 128 | -44.8 | 1,628 | 1,965 | 20.7 | 366 | 120 | -67.2 | 14,938 | 12,515 | -16.2 |
| Oax | 680 | 331 | -51.3 | 164 | 33 | -79.9 | 114 | 116 | 1.8 | 0 | 1 | --- | 958 | 481 | -49.8 |
| Pue | 2,966 | 3,034 | 2.3 | 371 | 99 | -73.3 | 493 | 571 | 15.8 | 13 | 15 | 15.4 | 3,843 | 3,719 | -3.2 |
| Qro | 2,634 | 2,210 | -16.1 | 270 | 90 | -66.7 | 482 | 558 | 15.7 | 33 | 27 | -18.2 | 3,419 | 2,885 | -15.6 |
| QR | 2,536 | 3,492 | 37.7 | 470 | 103 | -78.1 | 402 | 438 | 9.0 | 105 | 80 | -23.8 | 3,513 | 4,113 | 17.1 |
| SLP | 1,958 | 2,159 | 10.3 | 156 | 33 | -78.8 | 434 | 455 | 4.8 | 16 | 5 | -68.8 | 2,564 | 2,652 | 3.4 |
| Sin | 3,028 | 2,039 | -32.7 | 528 | 118 | -77.7 | 424 | 529 | 24.8 | 4 | 3 | -25.0 | 3,984 | 2,689 | -32.5 |
| Son | 4,840 | 4,233 | -12.5 | 267 | 102 | -61.8 | 305 | 374 | 22.6 | 97 | 26 | -73.2 | 5,509 | 4,735 | -14.0 |
| Tab | 1,070 | 1,095 | 2.3 | 97 | 17 | -82.5 | 176 | 237 | 34.7 | 3 | 3 | 0.0 | 1,346 | 1,352 | 0.4 |
| Tam | 6,467 | 4,875 | -24.6 | 219 | 84 | -61.6 | 549 | 488 | -11.1 | 27 | 15 | -44.4 | 7,262 | 5,462 | -24.8 |
| Tlax | 464 | 428 | -7.8 | 44 | 13 | -70.5 | 38 | 24 | -36.8 | 0 | 0 | --- | 546 | 465 | -14.8 |
| Ver | 4,962 | 4,268 | -14.0 | 957 | 400 | -58.2 | 662 | 804 | 21.5 | 55 | 39 | -29.1 | 6,636 | 5,511 | -17.0 |
| Yuc | 3,077 | 2,519 | -18.1 | 343 | 47 | -86.3 | 242 | 317 | 31.0 | 1 | 0 | -100.0 | 3,663 | 2,883 | -21.3 |
| Zac | 510 | 736 | 44.3 | 51 | 22 | -56.9 | 87 | 103 | 18.4 | 0 | 0 | --- | 648 | 861 | 32.9 |
| ND | 0 | 0 | --- | 0 | 0 | --- | 0 | 0 | --- | 0 | 0 | --- | 0 | 0 | --- |
| Total | 103,229 | 93,862 | -9.1 | 14,936 | 4,138 | -72.3 | 15,412 | 16,866 | 9.4 | 1,614 | 807 | -50.0 | 135,191 | 115,625 | -14.5 |

Source: BBVA Research with AHM data

Chart 23
Lending by state: February 2011
% annual change, accumulated figures



Source: BBVA Research with AHM data

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