

# Banking Watch

## Mexico

July 7, 2011  
Economic Analysis

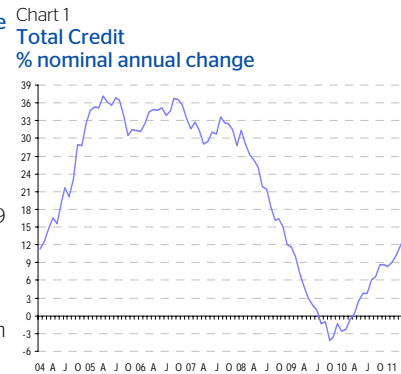
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## Bank Credit: Monthly Situation Report

- In May 2011, the nominal annual growth rate in commercial bank lending to the private sector was 12.9%.
- Consumer credit and corporate lending continued to post two-digit growth rates.
- In addition, consumer lending has grown dynamically, particularly in the months observed in 2011.

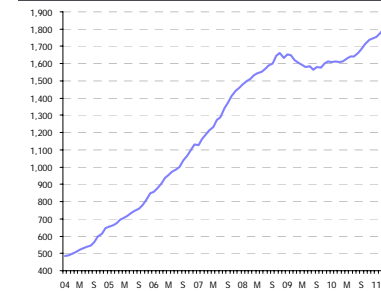
### Total outstanding credit to the private sector

In May 11, nominal annual growth in lending by commercial banks to the private sector was 12.9%. This rate was lower than in the preceding month (13.4%) but higher than in the same month in 2010 (2.5%). Chart 1 shows that once the adverse macroeconomic climate caused by the 2009 recession was over, bank lending to the private sector once again recorded positive growth rates from the second quarter of 2010 onwards. Moreover, the strength of economic activity and employment has been reflected in a two-digit nominal growth rate of credit to the banking sector since February 2011.



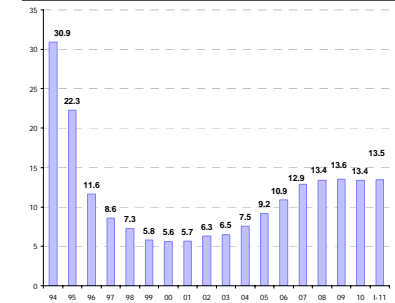
Source: BBVA Research with Bank of Mexico data

### Total Credit Balance in billions of current pesos



Source: BBVA Research with Bank of Mexico data

### Total Credit % of GDP



Source: BBVA Research with Bank of Mexico and INEGI data

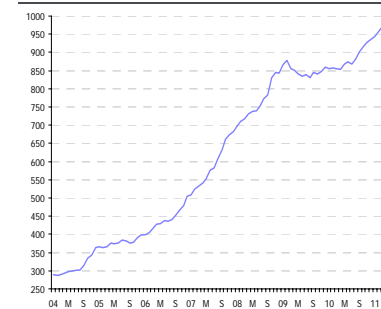
### Corporate Lending

In May 11, the nominal annual growth in bank lending to the corporate sector was 12.4%. This increase was lower than the preceding month (13.4%) but higher than the same month of 2010 (3.2%). The annual corporate lending growth rate is expected to remain high and slow down somewhat in September or October 2011; it was precisely in these months of 2010 when its rate of growth began to pick up. Also, insofar as economic growth continues to consolidate with greater demand for goods and services and companies perceive a favorable climate, demand for credit could increase.



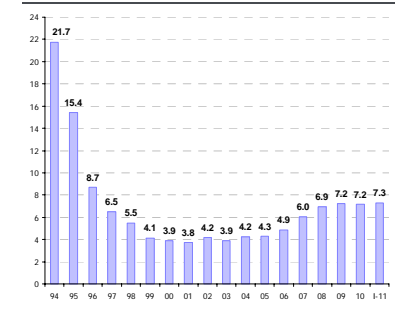
Source: BBVA Research with Bank of Mexico data

### Corporate Lending Balance in billions of current pesos



Source: BBVA Research with Bank of Mexico data

### Corporate Lending % of GDP



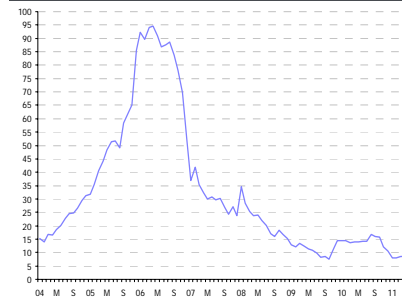
Source: BBVA Research with Bank of Mexico and INEGI data

BBVA Economic Research  
Department

### Residential mortgage lending

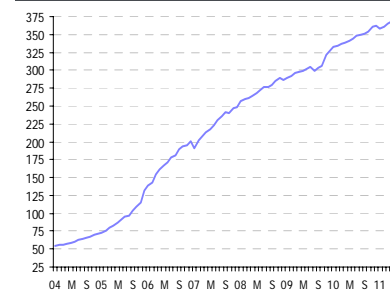
In May 2010, nominal annual mortgage lending growth was 8.2%. This rate was slightly lower than in the preceding month (8.5%) and also lower than in the same month in 2010 (13.9%). It is worth pointing out that during the 2009 recession this credit category continued to grow. Perhaps because of the recession that year, which temporarily reduced formal employment, potential customers of this type of credit became more cautious. Once the perception that no risks exist in the labor market becomes more widespread and employment continues to rise, mortgage lending may grow at a faster rate.

Chart 7  
Residential mortgage lending  
% nominal annual change



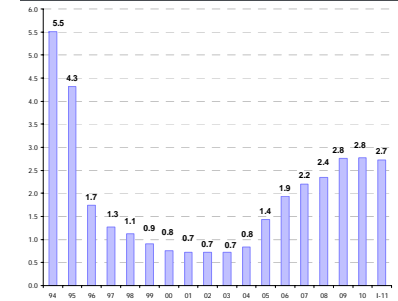
Source: BBVA Research with Bank of Mexico data

Chart 8  
Residential mortgage lending  
Balance in billions of current pesos



Source: BBVA Research with Bank of Mexico data

Chart 9  
Residential mortgage lending  
% of GDP

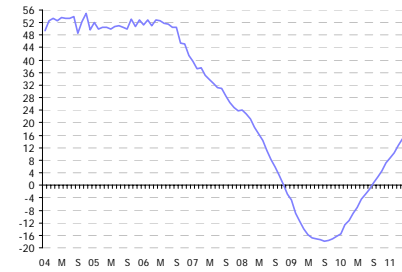


Source: BBVA Research with Bank of Mexico and INEGI data

### Consumer Finance

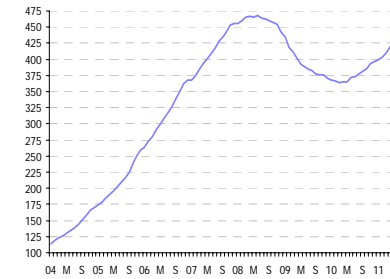
In May 2011, the rate of nominal annual consumer finance growth was 16.3%. This rate was higher than for the preceding month (14.8%) and for the same month in 2010 (-7%). As shown in Chart 1, since this form of credit returned to growth between September 2010 and May 2011, its expansion rate has accelerated. In the first month its nominal annual growth rate was 0.9% and, as mentioned earlier, eight months later it increased to 16.3%. In addition, this positive performance was due to the fact that all consumer lending categories (cards, durable consumer goods and other) already report positive growth rates.

Chart 10  
Consumer Finance  
% nominal annual change



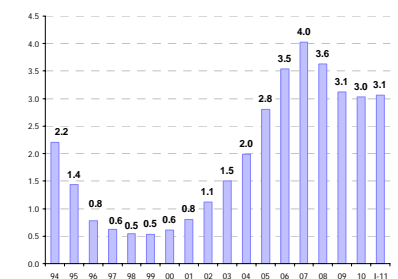
Source: BBVA Research with Bank of Mexico data

Chart 11  
Consumer Finance  
Balance in billions of current pesos



Source: BBVA Research with Bank of Mexico data

Chart 12  
Consumer Finance  
% of GDP

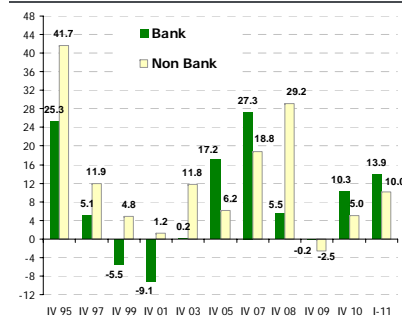


Source: BBVA Research with Bank of Mexico and INEGI data

### Bank Lending: Contribution to growth by components

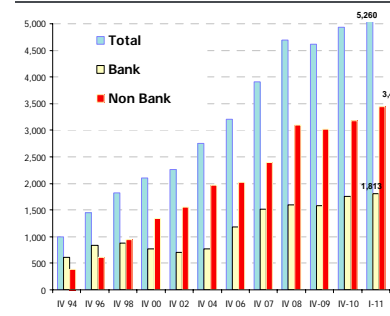
The breakdown by components of total lending to the private sector was as follows: corporate lending accounted for 6.6 percentage points (pp) of the 12.9 pp growth; consumer finance, 3.6 pp; residential mortgage lending, 1.7 pp; and finally, lending by banks to non-bank financial intermediaries (NBFIs), whose share of total lending is 4%, only contributed 0.9 pp. As in the past month, the rate of growth in consumer finance was the highest of the four categories making up total bank credit.

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



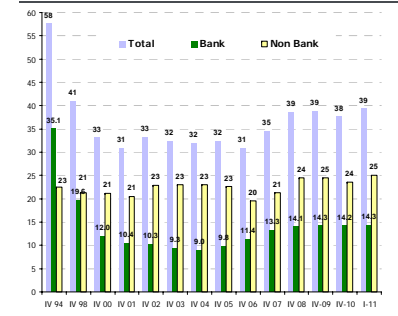
Source: BBVA Research with Banxico data

Chart 14  
Total Finance  
Balance in billions of current pesos



Source: BBVA Research with Banxico data

Chart 15  
Total Finance  
% of GDP



Source: BBVA Research with Banxico data



