

Banking Watch

Mexico

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Economic Analysis

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What lies behind the Mexican financial system's progress in the World Economic Forum's Index of Financial Development 2011?

- In the most recent 2011 Financial Development Report, the Global Economic Development Index score of the 57 countries analyzed the previous year fell by an average of 0.03 points. Compared with this, Mexico improved its score by 0.09 points and rose to 41st place among the 60 countries in 2011 from a position of 43rd among 57 countries in 2010.
- Mexico improved its score in four of the seven pillars of the Global Financial Development Index in 2011 on its 2010 figure: Pillar 1, Institutional Environment (3.7 vs 3.5 points); Pillar 2, Business Environment (4.1 vs 3.9 points); Pillar 4, Financial Banking Services (2.8 vs 2.6 points); and Pillar 7, Financial Access (3.1 vs 3.0 points). It maintained its rating in two of the pillars (Pillar 5, Non-Banking Financial Services, 2.0 points; and Pillar 6, Financial Markets, 1.6 points) and fell back in one (Pillar 4, Financial stability, 4.8 vs 5.0). Within the Financial Services pillar there were notable improvements in the variables measuring private credit bureau coverage and non-performing bank loans to total loans, both classified as "development advantages" for the financial system; while there was a drop in the relative position with respect to bank overhead costs, public ownership of banks and bank operating costs to assets, all of them classified as "development disadvantages."
- Despite the fact that Mexico's position fell from 15th to 21st place in the Financial Stability pillar, the FDR highlights this pillar of the financial system as "an area of considerable strength for Mexico." In the other pillars, Mexico's position is below 30th place, so under the FDR's criteria they are areas in which there is an opportunity for the financial system to improve. The FDR highlights the pillar of Banking Financial Services, in which Mexico rose from 52nd place to 47th, as an element of the system with room for significant improvement, as it considers it "small and inefficient." This is the pillar in which Mexico occupies the lowest position.
- However, Mexico is one of the 10 countries that improved the most their overall position in the Global Financial Development Index this year, together with seven other countries identified by BBVA Research as the emerging economies that are leading economic growth (EAGLEs and EAGLE's Nest): the Philippines, Peru, South Korea, Poland, South Africa, China and Brazil. Colombia and Peru are two other countries in Latin America that BBVA Research has identified as emerging economies that are leading growth. They improved their position with respect to the previous Report.

1. Some background on the Financial Development Report

The World Economic Forum (WEF) published the first Financial Development Report (FDR) in 2008. Financial Development is defined as the factors, policies and institutions that lead to effective financial intermediation and markets, as well as deep and broad access to capital and financial services. The definition therefore covers the basic factors that support a financial system, including the institutional and business environment, the financial intermediaries and markets through which the diversification of risks and efficient capital assignment takes place; and the results of this intermediation process, which includes ease of access to capital.

The seven pillars making up the Global Financial Development Index currently measure 122 variables; 32 of the variables are measured qualitatively through the Executive Opinion Survey that the WEF carries out each year, while the rest are measured quantitatively using various local and international sources (BIS, IMF, World Bank, etc.). The three pillars in which most qualitative variables are used are the Institutional Environment (18), Business Environment (9) and Financial Access (5). (For more details, see Appendix with the WEF information on Mexico.)

In 2008 the Report measured the financial development of 52 countries. Since then 8 countries have been added, so that in 2011 the financial systems of 60 countries were analyzed: Denmark, Jordan and Bangladesh were added in 2009; Morocco and Romania in 2010; and Ghana, Tunisia and Tanzania in 2011.

The Financial Development Index has not only extended the sample of countries analyzed, but also adjusted some parameters used in the methodology, although the organization of the seven pillars of financial development has been maintained. The most significant adjustment took place in 2009, when variables were introduced to the 7th pillar to measure access to financial services and capital by individuals and small companies, there was a refinement of various measurements in pillars 4, 5 and 6 of financial intermediation, and a measure of commitment to WTO agreement on trade in services was added.¹ That year, the average score of the 52 countries analyzed in 2008 fell by 29 basis points in the 2009 measurement (Table 1). In addition, Hong Kong, Singapore and Australia took the place of Canada, Japan and Germany in the group of 5 countries with the most developed financial systems, and together with the United States and the United Kingdom, they have remained in this group until 2011 (although only Hong Kong and the United States improved their score with respect to 2010) (Table 2).

For 2011, the average score in the Global Financial Development Index was lower than in 2010, but not only because the three countries that were added had low scores in their systems; in 2011 the indicator had an average value for the original group of 52 countries of 3.74 points, slightly below the value of 3.76 points in 2010 and 3.77 in 2009 (Table 1).

Table 1

Score in the Global Financial Development Index of the countries analyzed in the WEF Financial Development Report: comparison by year and sample

Sample	Average score			
	2011	2010	2009	2008
60 countries analyzed in 2011	3.67			
57 countries analyzed in 2010	3.72	3.75		
55 countries analyzed in 2009	3.75	3.77	3.79	
52 countries analyzed in 2008	3.74	3.76	3.77	4.06

Source: BBVA Research, using data from the WEF Financial Development Reports for 2011, 2010 and 2009.

¹ For more details, see the Financial Development Report 2009 (WEF).

Table 2

The ten countries with the highest score in the Global Financial Development Index 2011

Category	2011		2010		Change 2011-2010	
	Score	Position	Score	Position	Score	Position
Hong Kong	5.16	1	5.04	3	0.12	-2
United States	5.15	2	5.12	1	0.03	1
United Kingdom	5.00	3	5.06	2	-0.06	1
Singapore	4.97	4	5.03	4	-0.06	0
Australia	4.93	5	5.01	5	-0.08	0
Canada	4.86	6	4.98	6	-0.12	0
The Netherlands	4.71	7	4.73	7	-0.02	0
Japan	4.71	8	4.67	9	0.04	-1
Switzerland	4.63	9	4.71	8	-0.08	1
Norway	4.52	10	4.31	15	0.21	-5

Note: A negative change in position over 2011-2010 indicates a rise in the ranking.

Source: BBVA Research, using data from the WEF Financial Development Reports for 2011 and 2010.

2. Mexico's scores improved in 4 of the 7 Financial Development pillars

In 2011, Mexico improved on its 2010 score in four of the seven pillars that make up the Global Financial Development: Pillar 1, Institutional Environment (3.7 vs 3.5 points); Pillar 2, Business Environment (4.1 vs 3.9 points); Pillar 4, Financial Banking Services (2.8 vs 2.6 points); and Pillar 7, Financial Access (3.1 vs 3.0 points). In contrast, it maintained its score in two of the pillars (Pillar 5, Non-banking financial services, 2.0 points; and Pillar 6, Financial Markets, 1.6 points) and fell back in one (Pillar 3, Financial Stability, 4.8 vs 5.0). Despite these changes, because the WEF classifies those elements in which a country obtains a score that puts it among the top 30 countries in the ranking as "development advantages", and the elements in which it obtains a score that puts it among the lower rankings are classified as "development disadvantages," only the Financial Stability pillar is deemed an area of strength for the financial system (Table 3; see the Appendix with WEF information for Mexico for more details).

Table 3

Score for Mexico in the WEF Financial Development Report by pillar: 2011 vs 2010

Category	2011		2010		Change 2011-2010	
	Score	Position	Score	Position	Score	Position
Overall	3.2	41	3.1	43	0.1	-2
Pillar 1: Institutional environment	3.7	45	3.5	48	0.2	-3
Pillar 2: Business environment	4.1	44	3.9	46	0.2	-2
Pillar 3: Financial stability	4.8	21	5	15	-0.2	6
Pillar 4: Banking fin. services	2.8	47	2.6	52	0.2	-5
Pillar 5: Non-banking fin. services	2	34	2	39	0	-5
Pillar 6: Financial markets	1.6	43	1.6	47	0	-4
Pillar 7: Financial access	3.1	39	3	42	0.1	-3

Note: A negative change in position over 2011-2010 indicates a rise in the ranking.

Source: BBVA Research, using data from the WEF Financial Development Reports for 2011 and 2010.

Banking Financial Services (47th): Within this pillar, the subpillars that measure size and financial information disclosure (which measures private bureau coverage and public credit registry coverage) showed increases of 0.2 and 0.6 points respectively; while the score for the subpillar of the efficiency index remained constant at 3.80, a fall from 57th to 59th place in the ranking. Within the efficiency index subpillar, the Non-performing bank loans to total loans item improved from 3.40 in 2009 to 2.80 in 2010, when this variable was measured for the indicator. It remains as a "development advantage" (18th place). In terms of the other components, all of them considered "development disadvantages," the position in the aggregate profitability indicator remained constant (57th), with the score up from 1.3 to 1.9. In contrast, there were falls in the ranking in bank overhead costs (59th, second from bottom), public ownership of banks (31st) and bank operating costs to assets (47th). It is important to point out that the WEF states that the Mexican banking system requires further attention, as it considers it "small (51st) and inefficient (52nd)," and this is the pillar in which Mexico occupies the lowest position in relative terms.

Institutional Environment (45th place): The higher score in this pillar is due to increases in the subpillars that measure **financial sector liberalization** (0.5 points), **corporate governance** (0.8 points) and **legal and regulatory issues** (0.1 points), which offset the slight reduction in the subpillar measuring **contract enforcement** (down 0.1 points). It is worth noting that the corporate governance and legal and regulatory issues subpillars are mainly measured through the Executive Opinion Survey.

Business Environment (44th place): This pillar contains four subpillars that are related to human capital, taxes, infrastructure and the cost of doing business. Mexico's scores in the first three subpillars increased by 0.2, 0.7 and 1.2 points respectively. In contrast, the score for the cost of doing business fell slightly (down 0.1 points). Of note once more in this respect is the weight of the opinion variables in the subpillars that showed the highest scores.

Financial Access (39th place): This pillar has a component that measures **commercial access** and another that measures **retail access**. In commercial access, which is measured mainly through qualitative variables, Mexico's score improved by 0.3 points. Retail access, which is measured using variables collected by the CGAP through its Financial Access Report among financial authorities, remained at the same level as the previous year. However, in the variables **within the retail access subpillar**, Mexico obtained a "development advantage" score in the total number of point-of-sale devices, with a score that puts it among the top 30 countries in the ranking for this variable.

Non-Banking Services (34th) and Financial Markets (43rd): Although Mexico has maintained its overall scores for these two pillars, the variables that measure the activity of **IPOs, insurance and derivatives markets deteriorated**. In contrast, the scores for those that measure **M&A activity and bond market development improved**, while those that measure securitization, the foreign exchange markets and equity market development remained constant.

Financial stability (21st): Mexico is among the 32 countries with the lowest score in this indicator. With a drop from 4.98 points in 2010 to 3.81 points in 2011, Mexico's position fell from 15th to 21st in the Financial Stability pillar, but this continues to be a characteristic of the financial system that the Report highlights as "an area of considerable strength for Mexico." **Within this pillar**, the subpillars measuring **currency stability and risk of sovereign debt crisis both posted an increase of 0.10 points**. In contrast, the indicator that measures banking system stability fell by 0.6 points. Within the latter subpillar, the Financial Stress Index and the Tier 1 capital ratio (using data from 2009 and 2010) were the only ones that fell with respect to the score of the previous year. However, Mexico's score means that the two variables can still be identified as a "development advantage" with respect to other countries.

3. Mexico's scores compared with other emerging countries

Although 2011 was a year in which the main financial systems deteriorated on average with respect to 2010, many emerging countries such as Mexico had higher scores. In fact, **among the 10 countries that improved their scores from 2011 to 2010, besides Mexico, are 7 other countries that by the size of their economies and growth rates have been identified by BBVA Research as likely to make a significant contribution to the world economy over the next 10 years** (Table 4). The 10 countries currently making up the group of EAGLEs (emerging and growth-leading economies) are: China, India, Brazil, Indonesia, South Korea, Russia, Mexico, Egypt, Taiwan and Turkey. The 12 countries that currently make up the EAGLE's Nest group are: Thailand, Nigeria, Poland, Colombia, South Africa, Malaysia, Vietnam, Pakistan, Bangladesh, the Philippines, Argentina and Peru.² **The average score of the 9 countries in the EAGLE group analyzed in the FDR increased by 0.1 points, from 3.38 in 2010 to 3.39 in 2011.³ At the same time, the average score of the 12 countries in the EAGLE's Nest group over this period increased by 0.4 points from 3.07 to 3.11.** It is worth noting that Mexico's score is slightly under that of the EAGLEs group and higher than

² For more details on the methodology used to classify the economies as EAGLE and EAGLE's Nest, see García Herrero, A., Navia, D. and Nigrinis, M. (2011), "Las Economías Emergentes que Liderarán el Crecimiento. EAGLEs," ICE La Nueva Geografía de la Internacionalización, March-April 2011. No. 859. New approaches and changes in these classifications can be consulted at www.bbva-research.com

³ Taiwan is the only country in BBVA Research's EAGLE group that has still not been analyzed in the RSF.

the EAGLE's Nest group. The FDR also stresses that among the 20 countries with the highest ranking financial systems there are 3 emerging countries that make up part of the group of economies monitored regularly by BBVA Research: Malaysia (EAGLE's Nest, ranked 16, with an improvement in its score of 0.1 points with respect to 2010); South Korea (EAGLE, ranked 18); and China (EAGLE, ranked 19).

Other countries in Latin America examined by the FDR that improved their scores on the previous measurement were Brazil (EAGLE), Chile, Colombia (EAGLE's Nest) and Peru (EAGLE's Nest), which posted the biggest improvement. Mexico's score is 0.5 points lower than that of Brazil and Chile, which are the two highest ranked in the Global Financial Development Index, and the same as Peru. In contrast, Argentina, Panama and Venezuela had scores that are 0.1 points lower in 2011 than in 2010 (Table 5).

Table 4

The ten countries that improved their score most in the Global Financial Development Index 2011

Country	Position	Score	Change 2011-2010		BBVA Research classification
			Position	Score	
57 countries analyzed both years			-0.3	-0.3	N/A
Norway	N/A	10	0.21	0.21	--
The Philippines	10	44	0.16	0.16	EAGLE's Nest
Peru	44	40	0.15	0.15	EAGLE's Nest
South Korea	40	18	0.13	0.13	EAGLE
Hong Kong	18	1	0.12	0.12	--
Poland	1	33	0.12	0.12	EAGLE's Nest
South Africa	33	29	0.11	0.11	EAGLE's Nest
Mexico	29	41	0.09	0.09	EAGLE
China	41	19	0.09	0.09	EAGLE
Brazil	19	30	0.08	0.08	EAGLE

Note: A negative change in position over 2011-2010 indicates a rise in the ranking.

Source: BBVA Research, using data from the WEF Financial Development Reports for 2011 and 2010 and García-Herrero, Navia and Nigrinis (2011).

Table 5

Latin American countries analyzed in the Financial Development Report 2011: overall score in the index and ranking out of 60 countries

Country	Score	Position	Change 2011-2010		BBVA Research classification
			Score	Position	
Brazil	3.61	30	0.08	-2	EAGLE
Chile	3.61	31	0.08	1	--
Panama	3.28	37	-0.05	-2	--
Peru	3.16	40	0.15	-8	EAGLE's Nest
Mexico	3.16	41	0.09	-2	EAGLE
Colombia	3.09	45	0.07	-2	EAGLE's Nest
Argentina	2.69	53	-0.09	1	EAGLE's Nest
Venezuela	2.44	59	-0.11	3	--

Note: A negative change in position over 2011-2010 indicates a rise in the ranking.

Source: BBVA Research, using data from the WEF Financial Development Reports for 2011 and 2010 and García-Herrero, Navia and Nigrinis (2011).

Evaluation

Against a background in which economies monitored by the FDR posted average falls in their scores, Mexico increased its score and rose by two positions in the ranking of the Global Financial Development Index. It is among the 10 countries that recorded the biggest increases in their scores. The FDR points out that Financial Stability "continues to be an area of considerable strength for Mexico," even though Mexico's position in this pillar fell from 15th to 21st. In the other pillars, Mexico's position defines them as areas for improvement in the future. In particular, the FDR states that the Mexican banking system needs to be improved as it is "small and inefficient," despite the higher score in the Banking Financial Services pillar.

The adoption of Basil III capital adequacy criteria and stricter rules to force banks to build up preventive reserves for the loans they grant, creates incentives for banks to maintain healthier credit portfolios. This will help to maintain, or even improve, Mexico's Financial Stability score.

The universal bank penetration policies designed to give people greater access to bank accounts have an important weight in the FDR. The various measures that have recently been promoted to ensure that more people are paid their wages or government welfare benefits into bank accounts and use them to acquire goods and services in retail outlets that accept payment with cards could have a favorable impact on Mexico's score in the Banking Financial Services and Financial Access pillars.

Appendix

Mexico's score in the WEF Financial Development Report: 2011 vs 2010

Pillar	Code	Variable	Executive Opinion Survey?	Weight in Global Index (%)	Development advantage?	Score 11	Rank 11	Score 10	Rank 10	Variation Score 11-10	Variation Rank 11-10
Global index				100.00		3.2	41	3.1	43	0.10	-2
1st pillar: Institutional environment				14.29		3.7	45	3.5	48	0.20	-3
Financial sector liberalization				25.00		3.8	75	3.3	42	0.50	33
		1.01 Capital account liberalization				1.10	37	1.20	36	-0.10	1
		1.02 Commitments to WTO agreement on trade in services				16.70	50	13.70	47	3.00	3
		1.03 Domestic financial sector liberalization			Yes	1.00	30	1.00	33	0.00	-3
Corporate governance				25.00		4.10	44	3.30	42	0.80	2
		1.04 Extent of incentive-based compensation	Yes			3.90	44	5.60	51	-1.70	-7
		1.05 Efficacy of corporate boards	Yes			4.40	42	4.10	51	0.30	-9
		1.06 Reliance on professional management	Yes			4.10	44	3.80	52	0.30	-8
		1.07 Willingness to delegate	Yes			3.60	41	3.30	47	0.30	-6
		1.08 Strength of auditing and reporting standards	Yes			4.80	38	4.70	39	0.10	-1
		1.09 Ethical behavior of firms	Yes			3.70	43	3.60	46	0.10	-3
		1.1 Protection of minority shareholders' interests	Yes			4.10	39	4.10	43	0.00	-4
Legal and regulatory issues				25.00		3.20	48	3.10	48	0.10	0
		1.11 Burden of government regulation	Yes			2.90	40	2.70	42	0.20	-2
		1.12 Centralization of economic policymaking	Yes		Yes	3.20	29	3.00	32	0.20	-3
		1.13 Regulation of securities exchanges	Yes			3.80	48	3.80	47	0.00	1
		1.14 Property rights	Yes			4.00	43	3.90	46	0.10	-3
		1.15 Intellectual property protection	Yes			3.20	44	3.10	43	0.10	1
		1.16 Diversion of public funds	Yes			2.80	45	2.80	45	0.00	0
		1.17 Public trust in politicians	Yes			2.20	45	2.20	41	0.00	4
		1.18 Corruption perceptions index	Yes			3.10	47	3.30	44	-0.20	3
		1.19 Strength of legal rights index				6.00	34	4.00	40	2.00	-6
		1.2 Central bank transparency				7.00	33	7.00	33	0.00	0
Contract enforcement				25.00		3.70	44	3.80	42	-0.10	2
		1.21 Effectiveness of law-making bodies	Yes			2.30	56	2.50	50	-0.20	6
		1.22 Judicial independence	Yes			3.20	49	3.20	48	0.00	1
		1.23 Irregular payments in judicial decisions	Yes			3.00	51	3.00	51	0.00	0
		1.24 Time to enforce a contract			Yes	415.00	21	415.00	20	0.00	1
		1.25 Number of procedures to enforce a contract				38.00	42	36.00	39	2.00	3
		1.26 Strength of investor protection index			Yes	6.00	24	6.00	21	0.00	3
		1.27 Cost of enforcing contracts				32.00	48	32.00	46	0.00	2
2nd pillar: Business environment				14.29		4.10	44	3.90	46	0.20	-2
Human capital				25.00		3.70	49	3.50	50	0.20	-1
		2.01 Quality of management schools	Yes		Yes	4.50	30	4.50	31	0.00	-1
		2.02 Quality of math and science education	Yes			2.80	55	2.60	54	0.20	1
		2.03 Extent of staff training	Yes			3.80	42	3.80	42	0.00	0
		2.04 Local availability of specialized research & training services	Yes			4.50	33	4.30	38	0.20	-5
		2.05 Brain drain and ease of hiring foreign labor	Yes			3.70	40	3.50	46	0.20	-6
		2.06 Tertiary enrollment				27.20	48	26.90	46	0.30	2
Taxes				25.00		4.70	39	4.00	43	0.70	-4
		2.07 Irregular payments in tax collection	Yes			4.50	37	4.60	37	-0.10	0
		2.08 Distortive effect of taxes and subsidies on competition	Yes			3.80	48	3.70	47	0.10	1
		2.09 Marginal tax variation			Yes	5.50	27	1.30	23	4.20	4
		2.1 Time to pay taxes				347.00	49	517.00	50	-170.00	-1
Infrastructure				25.00		3.40	45	2.20	45	1.20	0
		2.11 Quality of overall infrastructure	Yes			4.20	39	3.90	42	0.30	-3
		2.12 Quality of telephone infrastructure	Yes			6.10	40	6.10	38	0.00	2
		2.13 Internet users				31.00	47	21.70	47	9.30	0
		2.14 Broadband Internet subscriptions				10.00	32	7.00	33	3.00	-1
		2.15 Telephone lines				17.50	41	19.00	40	-1.50	1
		2.16 Mobile telephone subscriptions				80.60	52	69.40	49	11.20	3
Cost of doing business				25.00		4.50	43	4.90	36	-0.40	7
		2.17 Cost of starting a business				11.20	42	10.70	39	0.50	3
		2.18 Cost of registering property				5.30	43	5.20	42	0.10	1
		2.19 Cost of closing a business				18.00	41	18.00	39	0.00	2
		2.2 Time to start a business			Yes	9.00	20	13.00	21	-4.00	-1
		2.21 Time to register property				74.00	54	74.00	48	0.00	6
		2.22 Time to close a business			Yes	1.80	24	1.60	21	0.20	3

Note: An individual variable by which a country receives a score that places it within the top 30 in the ranking is identified as a "development advantage;" other scores are identified as "development disadvantages." The "development advantages" for 2011 are highlighted in bold
Source: BBVA Research, using data from the WEF Financial Development Reports for 2011 and 2010

Appendix

Mexico's score in the WEF Financial Development Report: 2011 vs 2010 (cont.)

Pillar	Code	Variable	Executive Opinion Survey?	weight in Global Index (%)	Development advantage?	Score 11	Rank 11	Score 10	Rank 10	variation Score 11-10	variation Rank 11-10
3rd pillar: Financial stability				14.29		4.80	21	5.00	15	-0.20	6
Currency stability				30.00		4.70	15	4.60	17	0.10	-2
	3.01	Change in real effective exchange rate (REER)				-0.50	45	-1.20	43	0.70	2
	3.02	External vulnerability indicator			Yes	43.20	16	40.00	14	3.20	2
	3.03	Current account balance to GDP				-0.90	31	-1.00	33	0.10	-2
	3.04	Dollarization vulnerability indicator			Yes	9.30	28	11.40	28	-2.10	0
	3.05	External debt to GDP (developing economies)			Yes	23.00	7	22.10	6	0.90	1
	3.06	Net international investment position to GDP (adv ec.)				N.D.	N.D.	N.D.	N.D.	N.D.	N.D.
Banking system stability				40.00		4.70	20	5.30	12	-0.60	8
	3.07	Frequency of banking crises				2.00	38	2.00	35	0.00	3
	3.08	Financial strengths indicator			Yes	6.00	10	6.00	10	0.00	0
	3.09	Aggregate measure of real estate bubbles			Yes	6.30	7	6.30	7	0.00	0
	3.1	Financial Stress Index			Yes	-0.80	25	4.80	21	-5.60	4
	3.11	Tier 1 capital ratio			Yes	10.00	30	13.50	5	-3.50	25
	3.12	Output loss during banking crises				37.00	33	37.00	30	0.00	3
Risk of sovereign debt crisis				30.00		5.00	29	4.90	33	0.10	-4
	3.13	Local currency sovereign rating				14.00	31	15.00	31	-1.00	0
	3.14	Foreign currency sovereign rating				12.00	33	12.00	34	0.00	-1
	3.15	Aggregate macroeconomic indicator			Yes	5.60	17	5.00	31	0.60	-14
	3.16	Manageability of public debt			Yes	36.70	18	39.10	22	-2.40	-4
	3.17	Credit default swap spreads			Yes	140.70	25	134.30	30	6.40	-5
4th pillar: Banking financial services				14.29		2.80	47	2.60	52	0.20	-5
Size index				40.00		1.20	51	1.00	53	0.20	-2
	4.01	Deposit money bank assets to GDP				38.30	48	33.50	47	4.80	1
	4.02	Central bank assets to GDP				n/a	n/a	n/a	n/a	n/a	n/a
	4.03	Financial system deposits to GDP				23.10	52	22.10	50	1.00	2
	4.04	M2 to GDP				54.90	40	30.50	56	24.40	-16
	4.05	Private credit to GDP				27.60	49	23.50	50	4.10	-1
	4.06	Bank deposits to GDP				22.70	56	21.90	53	0.80	3
	4.07	Money market instruments to GDP			Yes	0.00	27	0.00	24	0.00	3
Efficiency index				40.00		3.80	52	3.80	50	0.00	2
	4.08	Aggregate profitability indicator				1.90	57	1.30	57	0.60	0
	4.09	Bank overhead costs				20.90	59	20.90	57	0.00	2
	4.1	Public ownership of banks				4.60	31	3.30	24	1.30	7
	4.11	Bank operating costs to assets				3.30	47	3.10	44	0.20	3
	4.12	Nonperforming bank loans to total loans			Yes	2.80	18	3.40	18	-0.60	0
Financial information disclosure				20.00		3.90	18	3.30	21	0.60	-3
	4.13	Private credit bureau coverage			Yes	98.10	14	77.50	14	20.60	0
	4.14	Public credit registry coverage			Yes	0.00	26	0.00	24	0.00	2
5th pillar: Non-banking financial services				14.29		2.00	34	2.00	39	0.00	-5
IPO activity				25.00		1.50	39	1.60	27	-0.10	12
	5.01	IPO market share			Yes	0.80	18	0.90	24	-0.10	-6
	5.02	IPO proceeds amount				0.10	31	0.10	39	0.00	-8
	5.03	Share of world IPOs			Yes	0.30	30	0.20	40	0.10	-10
M&A activity				25.00		1.90	31	1.40	43	0.50	-12
	5.04	M&A market share			Yes	0.90	19	0.50	25	0.40	-6
	5.05	M&A transaction value to GDP				2.40	39	1.60	49	0.80	-10
	5.06	Share of total number of M&A deals				0.40	31	0.40	31	0.00	0
Insurance				25.00		1.80	49	2.10	45	-0.30	4
	5.07	Life insurance density				0.90	36	0.90	39	0.00	-3
	5.08	Non-life insurance density				1.00	46	1.10	43	-0.10	3
	5.09	Real growth of direct insurance premiums				0.00	42	0.00	18	0.00	24
	5.1	Life insurance coverage			Yes	0.90	18	0.90	77	0.00	-59
	5.11	Non-life insurance coverage			Yes	1.10	17	1.20	16	-0.10	1
	5.12	Relative value-added of insurance to GDP				0.30	55	0.30	54	0.00	1
Securitization				25.00		2.90	16	2.90	19	0.00	-3
	5.13	Securitization to GDP			Yes	0.70	16	1.30	28	-0.60	-12
	5.14	Share of total number of securitization deals			Yes	1.60	9	1.30	11	0.30	-2

Note: An individual variable by which a country receives a score that places it within the top 30 in the ranking is identified as a "development advantage;" other scores are identified as "development disadvantages." The "development advantages" for 2011 are highlighted in bold
Source: BBVA Research, using data from the WEF Financial Development Reports for 2011 and 2010

Appendix

Mexico's score in the WEF Financial Development Report: 2011 vs 2010 (cont.)

Pillar	Code	Variable	Executive Opinion Survey?	Weight in Global Index (%)	Development advantage?	Score 11	Rank 11	Score 10	Rank 10	Variation Score 11-10	Variation Rank 11-10
6th pillar: Financial markets				14.29		1.60	43	1.60	47	0.00	-4
Foreign exchange markets				20.00		1.30	27	1.30	23	0.00	4
	6.01	Spot foreign exchange turnover			Yes	0.30	23	0.40	22	-0.10	1
	6.02	Outright forward foreign exchange turnover			Yes	0.20	28	0.10	32	0.10	-4
	6.03	Foreign exchange swap turnover			Yes	0.40	21	0.50	21	-0.10	0
Derivatives markets				20.00		1.40	28	1.50	29	-0.10	-1
	6.04	Interest rate derivatives turnover: Forward rate agreements				0.00	31	0.10	24	-0.10	7
	6.05	Interest rate derivatives turnover: Swaps			Yes	0.10	23	0.20	21	-0.10	2
	6.06	Interest rate derivatives turnover: Options			Yes	0.00	23	0.10	21	-0.10	2
	6.07	Foreign exchange derivatives turnover: Currency swaps			Yes	0.30	23	0.00	34	0.30	-11
	6.08	Foreign exchange derivatives turnover: Options			Yes	0.10	23	0.10	26	0.00	-3
Equity market development				30.00		1.50	45	1.50	47	0.00	-2
	6.09	Stock market turnover ratio				47.80	33	37.50	39	10.30	-6
	6.1	Stock market capitalization to GDP				64.70	38	51.50	39	13.20	-1
	6.11	Stock market value traded to GDP				23.20	36	17.20	36	6.00	0
	6.12	Number of listed companies per 10,000 people				0.00	52	0.00	50	0.00	2
Bond market development				30.00		2.10	28	2.00	32	0.10	-4
	6.13	Private domestic bond market capitalization to GDP			Yes	16.10	25	17.70	23	-1.60	2
	6.14	Public domestic bond market capitalization to GDP				22.00	35	22.80	32	-0.80	3
	6.15	Private international bonds to GDP				5.60	34	6.10	30	-0.50	4
	6.16	Public international bonds to GDP			Yes	4.20	27	5.00	22	-0.80	5
	6.17	Local currency corporate bond issuance to GDP			Yes	1.00	14	0.50	27	0.50	-13
7th pillar: Financial access				14.29		3.10	39	3.00	42	0.10	-3
Commercial access				50.00		3.10	46	2.80	52	0.30	-6
	7.01	Financial market sophistication			Yes	4.90	33	4.60	37	0.30	-4
	7.02	Venture capital availability			Yes	2.50	44	2.30	48	0.20	-4
	7.03	Ease of access to credit			Yes	3.40	32	2.50	46	0.90	-14
	7.04	Financing through local equity market			Yes	3.50	50	3.00	49	0.50	1
	7.05	Ease of access to loans			Yes	2.40	49	2.40	48	0.00	1
	7.06	Foreign direct investment to GDP				1.80	34	2.50	42	-0.70	-8
Retail access				50.00		3.10	26	3.10	23	0.00	3
	7.07	Market penetration of bank accounts			Yes	109676.30	20	109676.30	20	0.00	0
	7.08	Commercial bank branches			Yes	14.70	29	14.70	29	0.00	0
	7.09	Total number of ATMs				44.80	31	44.80	31	0.00	0
	7.1	Total number of point of sale (POS) devices			Yes	592.10	24	592.10	33	0.00	-9
	7.11	Loan accounts at MFIs			Yes	42.70	3	21.00	4	21.70	-1

Note: An individual variable by which a country receives a score that places it within the top 30 in the ranking is identified as a "development advantage;" other scores are identified as "development disadvantages." The "development advantages" earned in 2011 are highlighted in bold

Source: BBVA Research, using data from the WEF Financial Development Reports for 2011 and 2010