

# Banking Watch

Mexico

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Economic Analysis

Mexico

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## The number of credit cards approaches its all-time high, with changes in the behavior of holders

(Half-yearly report on bank credit cards)

- At the close of 2011 the number of bank credit cards issued numbered 24.7 million, an annual increase of 10.1%. There has been consistent growth since the second quarter of 2010.
- Use of credit cards as a means of payment is growing, as the number of customers who pay off their card in full at the end of the month has increased (40.7% of all credit cards are paid up), as has the amount of interest-free credit granted via credit cards (15.8% of the total).
- These changes show a shift in how credit card holders are using their cards.

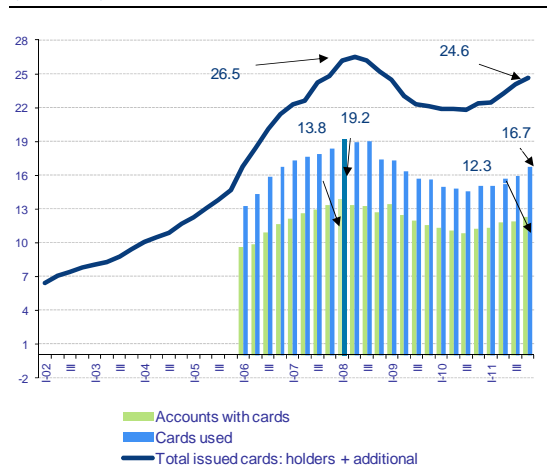
The Bank of Mexico (Banxico) has published two statistical series on the number of bank credit cards in the country. Both series show that in 2011 there was a significant growth in the number of cards. This was a factor in boosting consumer finance granted via cards.

### Credit cards issued

The oldest series published by Banxico on the number of credit cards is Credit Cards Issued (TDC-E), which is quarterly and presents data starting with the first quarter of 2002. Since 2006 Banxico complemented the quarterly information from the TDC-E series by incorporating data on the number of credit cards used (TDC-U) and the number of accounts with credit cards (C-TDC). These accounts refer to the credit card contracts.

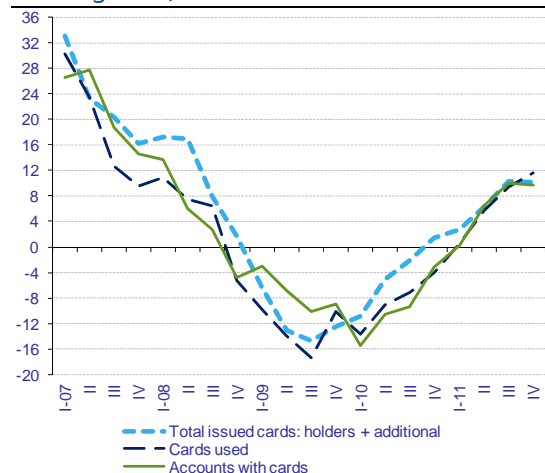
As can be seen in Chart 1, the first quarter of 2008 registered the highest ever number of credit cards among bank customers. The 2009 recession significantly affected the credit granted via cards and the number of cards posted negative growth until 4Q10 in the case of cards issued (TDC-E) and until 1Q11 for cards used (TDC-U) and card accounts (C-TDC). Chart 2 indicates that in the last quarter of 2011 the annual growth rates in TDC-E, TDC-U and C-TDC was 10.1%, 11.5% and 9.7% respectively. In other words, throughout 2011 there was a steady and general increase in the number of cards.

Chart 1  
**Number of bank credit cards  
 (millions)**



Source: BBVA Research with Bank of Mexico data.

Chart 2  
**Number of bank credit cards  
 Annual growth, %**



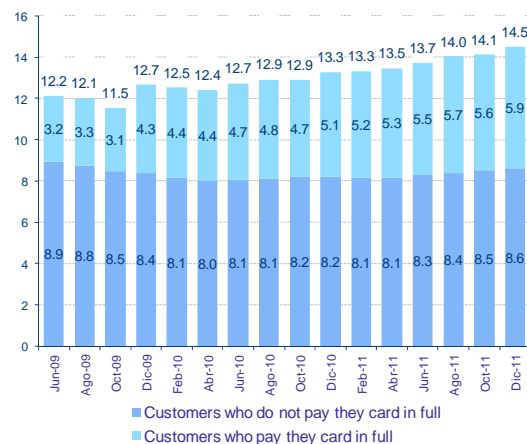
Source: BBVA Research with Bank of Mexico data.

It is important to note that although the number of credit cards at the end of 2011 was still below the figure for 1Q08, it is approaching this all-time high. At the same time, in the last quarter of 2011 the growth of credit cards issued (TDC-E) and credit card accounts (C-TDC) stabilized, while the number of credit cards used (the TDC-U series) increased (Chart 2).

## Basic Credit Card Indicators (IBTC)

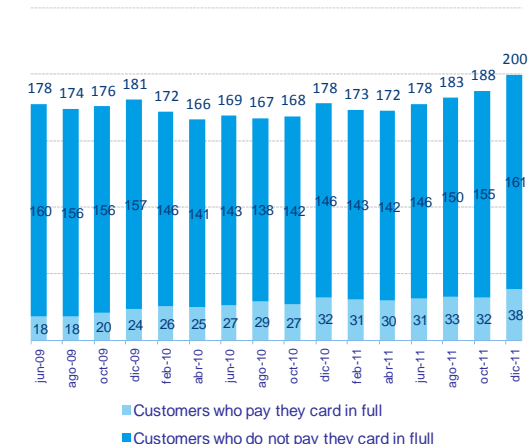
The other series of statistics published by Banxico comes from the two-monthly report called Basic Credit Card Indicators (IBTC) that the central bank began to publish in June 2009 to comply with the mandate on this subject issued under the Transparency and Regulation of Financial Services Act. This two-monthly information published by Banxico only refers to credit cards for natural persons who are also up-to-date with their payments. These characteristics mean that the statistics of the TDC-E series are different from the IBTC data.

Chart 3  
**Number of bank credit cards  
 Total customers, paid-up and not paid-up  
 Two-monthly figures in million units**



Source: BBVA Research with Bank of Mexico data.

Chart 4  
**Credit via bank credit cards  
 (balance in current MXN billion)**



Source: BBVA Research with Bank of Mexico data.

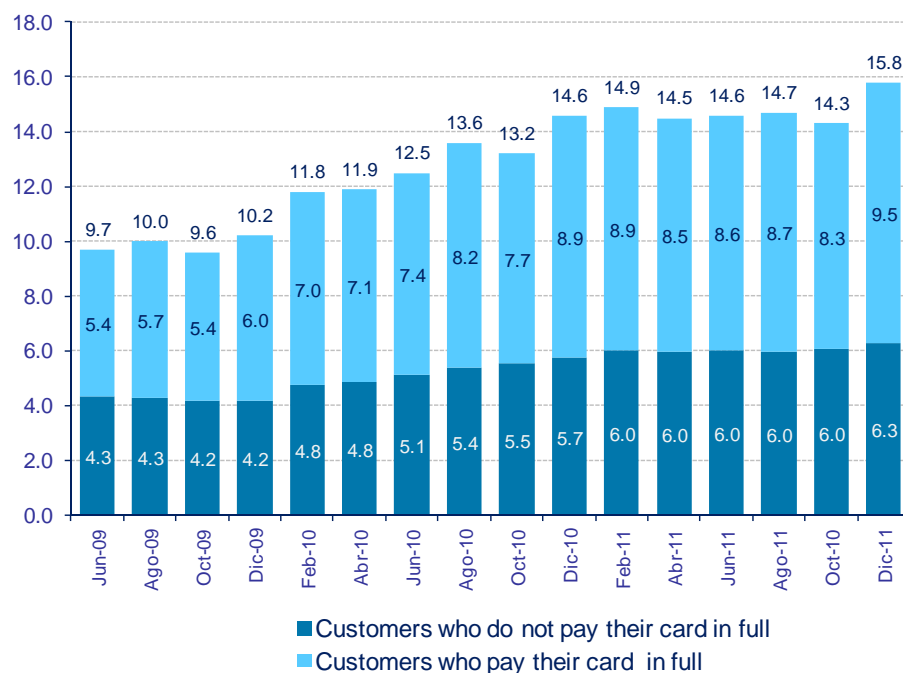
The IBTC information shows that the number of cards held by natural persons who are up to date with payments increased by 9% in December 2011 on the same month in 2010. As shown by the figures in Chart 3, this rate of growth implies that the number of such cards increased by nearly 1.2 million in this period, from 13.3 million at the end of 2010 to 14.5 million in December 2011. Of this increase, 0.4 million corresponded to cards handled by customers who are not paid-up (who do not pay in full at the end of the month), while the remaining 0.8 million came from customers who are paid-up (who pay in full). Customers who are paid up amount 40.7% of the total number of cards, compared with 38.3% in December 2010.

The total balance of credit cards at the close of 2011 amounted to MXN 199.7 billion (Chart 4), which reflects a real increase of 8.1% with respect to the amount recorded in December 2010. In this case, the balance of customers who are paid up represents 19.3% (compared with 18% in December 2010).

The IBTC data also indicate that interest-free credit has increased as a proportion of total credit granted through credit cards. In December 2010 the percentage was 14.6% and this increased to 15.8% at the end of 2011 (Chart 5). Of this 15.8%, 6.5 percentage points (pp) correspond to purchases made by customers who are not paid up (above the 5.7 pp recorded in December 2010), and 9.5 pp from customers who are paid up (their contribution in December 2010 was 8.9 pp).

Chart 5

Interest-free credit as a proportion of the total credit balance granted through credit cards, %



Source: BBVA Research with Bank of Mexico data.

Among the main factors boosting growth in the number of credit cards in 2011 was GDP growth, as well as the increase in the total number of workers who are registered at the IMSS or in formal employment. In 2011 output grew by 3.9%, while formal employment grew by 4.3% as an annual average. While these macroeconomic variables continue to grow, the prospects for growth in household income will remain favorable and the banking institutions will continue to issue credit cards, given that the macroeconomic risk factors are in check.

Moreover, recent credit card indicators, showing growth in the number of customers who pay them off in full and the increased proportion of interest-free credit granted, suggest that credit cards are increasingly being used not only as a source of finance but also as a means of payment.

**References:**

*Basic Credit Card Indicators. Data as of December 2011.* Bank of Mexico. Available at: <http://www.banxico.org.mx/sistema-financiero/publicaciones/reporte-de-tasas-de-interes-efectivas-de-tarjetas-/reporte-tasas-interes-efectiv.html>

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