

Mancera bankrupts Mexican banking

by Carlos Cota

Not long ago, the Mexican financial daily *El Financiero* leaked the existence of a new financial institution in Mexico, about which the government had maintained "discretion," in order to avoid "misinterpretations." According to *El Financiero*, officials of the Finance Ministry and the nationalized banks said that the new National Prevention Fund (Fonapre) has been operating since the start of this year and that its purpose is to "prevent" financial problems for banks with low profits and a high growth of bad loans.

Technical language aside, Fonapre's function—under the Finance Ministry, the Banco de México and the National Banking and Securities Commission—is to try to prevent a massive bankruptcy of banks, which have been reduced to insolvency by the financial policy of Banco de México (central bank) director Miguel Mancera. According to National Banking Commission figures, by December 1986 the non-performing loan share of the total debt portfolio of Banco Mercantil de México was 7.64%; that of Crédito Mexicano, 5.74%; Banpás, 5.65%; Banca Confía, 4.60%; Central Hipotecario, 3.76%; Banca Cremi, 3.42%.

For their part, the "octopuses" (from before the banking nationalization of 1982), Banamex and Bancomer, only had bad debts of 0.70 and 0.40% respectively, and recorded annual profits of 105 and 107 billion pesos respectively, having managed between them, 69.2% of the profits of the entire Mexican banking system. Banks such as Mercantil de México recorded profits of barely 92.9 million pesos in the same period; Banpás, 9.9 million; Bancrese, 80.1 million; Crédito Mexicano, 174.4; and Somex, which has been a state bank since before the nationalization, had only 2.5 million pesos in profits.

Officials of the nationalized banks have stated that the profits of these banks continued to fall in the first months of 1987 due to the drop in capture of savings.

There are various official explanations for how this situation came about, all valid. Banamex and Bancomer officials say that the banks with low profits are those that "only attracted cheap resources, such as savings deposits and checking accounts, but did not participate in other financial or credit activities, where the higher priced resources are attracted. . . . It is a matter of institutional tradition." I.e., the banks with problems did not have much of a role in the speculative game.

Others say the problems of these banks go back to the "forced mergers" decreed by the Banco de México during the first three years of the present government, when they absorbed huge debts of regional banks that have since vanished. Added to this was the credit squeeze decreed by Banco de México since October 1985, which practically strangled the deposit banks.

According to an analysis of the Inverlat brokerage house, the above-named banks' troubles are because the government has "favored financial above productive investment." Preliminary data from Banco de México for 1986, show that with the tight credit policy there was a repatriation of private capital of some \$1.568 billion, and that \$900 million returned in the first quarter of 1987. Yet, this capital went into speculative financial investment, such as buying government bonds traded on the stock exchange (Treasury Certificates, petrobonds, etc.). Hence, repatriation and "conversion of debt into capital," have provoked an "oversupply of money, while the demand and capture of it by the banking system" have continued to plummet. The figures from the Mexican Banking Association and Banco de México indicate that in December 1985 the commercial banks were running 82.04% of the economy; investment and development banks 7.65%, and the money market (brokerage houses), 10.21%. By December 1986, the proportions were lowered to 72.45% for the first-named, and 8.03% for the second, while the money market climbed to 16.83%. By March 31, 1987, the official preliminary figures indicate a new lowering for commercial banking and investment banking, and an increase for the money markets, which grew to 19.52%.

From the outset of this government, Banco de México director Miguel Mancera's policy has been to give the nationalized banks back to the ex-bankers, or create new institutions for reprivatization in the future. Given the windy protests from the ex-bankers about the creation of Fonapre, it seems that Mancera opposed its creation, since its function "would be to financially subsidize" the "new state companies," which are the "nationalized banks," according to the ex-bankers. In reality, the creation of Fonapre is a measure taken by those who seeing the chain-reaction collapse of the entire financial strategy followed by the Miguel de al Madrid government, already coming down the pike. The Banco de México director wants to bankrupt the nationalized banks, unleashing financial speculation to leave Banamex and Bancomer as the two central commercial banks.

Yet, as the economists at ITAM (a Mancera coven) state, the bullish fever of the stock market is going to cool fast, given its "great vulnerability due to lack of prospects in the real economy which could sustain it." These economists want the government to invent more and more securities for the money market to prop it up. ITAM's analysis starts with the question, "What next?" Various government officials already know that what is next, is the crumbling of the house of cards built by Miguel Mancera.