INTERNATIONAL MONETARY FUND

IMF Country Report No. 19/354

MEXICO

ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE AND CANCELLATION OF CURRENT ARRANGEMENT—PRESS RELEASE; AND STAFF REPORT

November 2019

In the context of the Arrangement Under the Flexible Credit Line and Cancellation of Current Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 22, 2019. Based on information available at the time of these discussions, the staff report was completed on November 8, 2019.
- A **Staff Supplement** of November 11, 2019 on the assessment of the impact of the proposed Flexible Credit Line arrangement on the Fund's finances and liquidity position.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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November 25, 2019

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IMF Executive Board Approves New Two-Year US$61 Billion Flexible Credit Line Arrangement with Mexico

On November 22, 2019, the Executive Board of the International Monetary Fund (IMF) approved a successor two-year arrrangement for Mexico under the Flexible Credit Line (FCL) in an amount equivalent to SDR 44.5635 billion (about US$61 billion[1]) and canceled the previous arrangement. The Mexican authorities stated their intention to treat the arrangement as precautionary.

The previous two-year FCL arrangement for Mexico was approved by the IMF's Executive Board on November 29, 2017 for an original access amount equivalent to SDR 62.3889 billion (about US$86 billion) (see Press Release No. 17/459), which, at the request of the Mexican authorities, was reduced to SDR 53.4762 billion (about US$74 billion) on November 26, 2018 (see Press Release No. 18/440). Mexico's first FCL arrangement was approved on April 17, 2009 (see Press Release No. 09/130), and was renewed on March 25, 2010 (see Press Release No. 10/114), January 10, 2011 (see Press Release No. 11/4), November 30, 2012 (see Press Release No. 12/465), November 26, 2014 (see Press Release No. 14/543), and May 27, 2016 (see Press Release No. 16/250).

Following the Executive Board's discussion on Mexico, Mr. David Lipton, First Deputy Managing Director and Acting Chair, made the following statement:

"Very strong policies and policy frameworks have helped Mexico navigate a complex external environment. Fiscal policy has stemmed the rise in the public debt ratio in the past two years; a very tight monetary policy stance has helped reduce headline inflation to the central bank's target; and financial supervision and regulation are strong. The flexible exchange rate is playing a key role in the economy's adjustment to external shocks.

"The Mexican economy, nonetheless, remains exposed to external risks, including renewed volatility in global financial markets, increased risk premia, and a sharp pull-back of capital from emerging markets, as well as continued uncertainty about Mexico's trade relations with the United States. The new arrangement under the Flexible Credit Line (FCL) will continue

[1] Amount based on the Special Drawing Right (SDR) quote of November 21, 2019 of 1 USD=SDR0.72635.

to play an important role in supporting the authorities' macroeconomic strategy by providing insurance against tail risks and bolstering market confidence.

"The authorities have a successful record of sound policy management and are firmly committed to maintaining prudent policies going forward. They intend to continue to treat the arrangement as precautionary. The lower level of access is appropriate and consistent with the authorities' strategy to gradually phase out Mexico's use of the facility. As external risks facing Mexico recede, they intend to request a further reduction in access under the FCL in the future."

INTERNATIONAL MONETARY FUND

MEXICO

November 8, 2019

ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE AND CANCELLATION OF CURRENT ARRANGEMENT

EXECUTIVE SUMMARY

Context: Mexico's economy has exhibited resilience in the face of a complex external environment. The authorities have responded appropriately to the recent external shocks and demonstrated their commitment to macroeconomic stability. They also remain committed to maintaining very strong policies and policy frameworks going forward. Nevertheless, Mexico's strong trade and financial links to the global economy, and in particular the United States, make it susceptible to changes in investor sentiment.

Risks: Mexico continues to face elevated external risks. The country remains exposed to the risk of renewed financial market volatility and a sharp pull-back of capital from emerging markets. Moreover, uncertainty remains about Mexico's trade relations with the U.S., as the USMCA has not yet been ratified by its North American trading partners. Moreover, tensions with the U.S. heightened in May 2019 when the U.S. threatened to impose tariffs of up to 25 percent on all goods imports from Mexico. The tariffs have been shelved for now, but the threat remains.

Flexible Credit Line (FCL): The authorities are requesting a two-year precautionary FCL arrangement in the amount of SDR 44.5635 billion (500 percent of quota) and the cancellation of the current arrangement, approved on November 29, 2017 (SDR 53.4762 billion, 600 percent of quota, following a reduction in access in November 2018). They consider that in an environment where external risks affecting Mexico remain elevated, an FCL arrangement in the requested amount will play a critical role in supporting their overall macroeconomic strategy, preserving investor confidence, and providing insurance against tail risks. The reduction in the requested level of access from the current FCL arrangement's level is part of the authorities' strategy to continue the gradual phasing out of Mexico's use of the facility. In this connection, they intend to request a further reduction in access to SDR 35.6508 billion (400 percent of quota) at the time of the mid-term review, conditional on a reduction of relevant external risks affecting Mexico during the proposed FCL. In staff's assessment, Mexico continues to meet the qualification criteria for access under the FCL arrangement, and staff supports the authorities' request.

Fund Liquidity: The proposed new commitment and cancellation of the current arrangement would have a net positive impact on the Fund's liquidity position.

Process: An informal meeting to consult with the Executive Board on a possible new FCL arrangement for Mexico was held on November 4, 2019.

Approved By
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This report was prepared by a team comprising Costas Christou (head), Julia Bersch and Christian Saborowski (all WHD); Richard Berkhout (LEG), Balazs Csonto (SPR), Dimitris Drakopoulos (MCM), and Mehdi Raissi (FAD). Juan Pablo Cuesta and Irina Sirbu (WHD) provided excellent assistance.

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CONTEXT

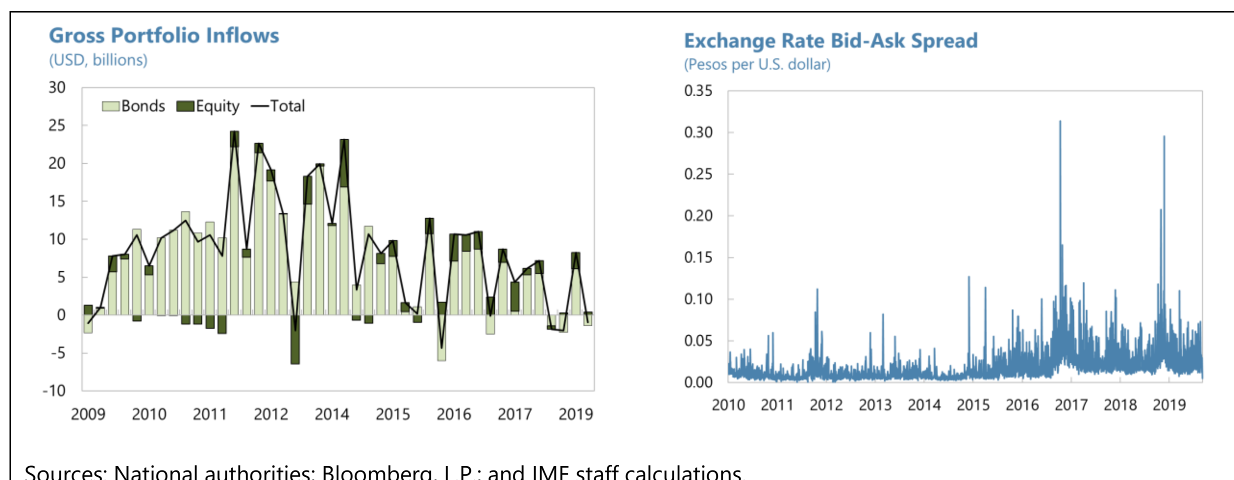
1. Very strong policies and policy frameworks have helped Mexico navigate a complex external environment. Fiscal policy has been successful in stemming the rise in the public debt ratio in the past two years, a very tight monetary policy stance has helped to reduce headline inflation to the central bank's target, and financial supervision and regulation are strong. The flexible exchange rate is playing a key role in the economy's adjustment to external shocks. Mexico's external position is broadly in line with macroeconomic fundamentals and desirable policy settings.

2. But policy uncertainty has weakened the investment climate. Uncertainty has arisen in the context of some decisions by the administration that appeared to weaken policy predictability. These included the cancelation of energy auctions, the renegotiation of pipeline contracts, and a controversial public consultation that led the administration to cancel the construction of a new airport in Mexico City that had already been partially built. Meanwhile, concerns have arisen about the sustainability of drastic budget cuts and their potential impact on human capital and the role of some regulatory agencies and autonomous institutions. An unsettled external environment, slowing global growth and rising financial uncertainty further complicate policymaking and pose risks to the outlook.

3. Despite very strong fundamentals, the Mexican economy remains exposed to external risks. Mexico is deeply integrated into global markets and remains exposed to the risk of renewed financial market volatility. The risks from rising global trade tensions, notably between the U.S. and China, could be mitigated by positive trade diversion effects for Mexico. However, uncertainty about Mexico's trade relations with the U.S. remains as the USMCA has not yet been ratified by Mexico's North American trading partners. Moreover, tensions with the U.S. heightened in May 2019 when the U.S. threatened to impose tariffs of up to 25 percent on all goods imports from Mexico, which was avoided only after a commitment by Mexico to curb migration to the U.S. The tariffs have been shelved for now, but the threat remains.

RECENT DEVELOPMENTS

4. The Mexican economy has slowed sharply while inflation declined. Growth came to a stand-still in the first three quarters of 2019, owing to policy uncertainty, tight monetary conditions, budget under-execution, and a slowdown in global manufacturing growth. Private investment was held back by elevated uncertainty and consumption has started to show signs of weakness. Headline inflation has returned to Banxico's 3 percent target, but notwithstanding a very tight monetary policy stance, core inflation remains stubbornly high at 3.7 percent in October.



Sources: National authorities; Bloomberg, L.P.; and IMF staff calculations.

5. **Asset prices have reflected the increased uncertainty**. The peso has been relatively resilient, strengthening in 2019 relative to regional peers, supported by its high carry. However, sovereign spreads widened against similarly rated issuers as some market participants expected ratings downgrades for Pemex (the state-owned oil and gas company) and the sovereign, while equities dropped in the context of increased policy uncertainty but also weakening economic growth. Fitch downgraded Mexico's BBB+ rating to BBB with a stable outlook in June and reduced Pemex's rating in two steps from BBB+ to non-investment grade (BB+). S&P and Moody's revised their outlook for the sovereign to negative in March and June, respectively.

6. **Mexico's external sector position remains strong.** The current account deficit narrowed sharply to US$3.4 billion in 2019:H1, compared to US$13.8 billion in 2018:H1 and to US$22 billion (1.8 percent of GDP) in 2018 (full year), amid continued robust manufacturing exports and remittances, and weak imports. At end-September 2019, the peso was 2.4 percent stronger in real effective terms relative to its 2018 average. Mexico's net international investment liability position has improved modestly to minus 46.5 percent of GDP in 2018. The country has seen robust FDI inflows over the past few years; however, portfolio inflows have slowed down over the last two years. Both gross external liabilities and external asset holdings have declined somewhat (foreign assets stood at 47 percent of GDP in June 2019). Foreign exchange reserves are adequate according to a range of indicators (Figure 4). Nevertheless, the strong presence of foreign investors leaves Mexico exposed to greater risk in terms of capital flows reversal and increased risk premia.

7. **The financial sector remains sound.** The banking sector is well capitalized and highly profitable. As of June 2019, the sector's Tier-1 capital ratio stood at 14.2 percent and the return on equity at 20.9 percent, while the NPL ratio remained at a near record low of 2.1 percent. Over the past year, commercial bank credit growth to the non-financial corporate sector has slowed from over 11 percent y-o-y to 8.3 percent in September, while consumer credit growth has remained broadly stable at 6.9 percent y-o-y.

OUTLOOK, RISKS, AND POLICIES

8. **Growth is expected to recover as uncertainty subsides.** Economic activity is projected to stagnate in 2019, as an acceleration in public spending can only support a modest growth pick-up during 2019:Q4. Growth would reach 1.3 percent in 2020 as monetary conditions ease, uncertainty gradually subsides, and private consumption recovers. Over the medium-term, growth would gradually converge to 2.4 percent. Headline inflation is expected to remain around Banxico's 3 percent target, while core inflation should reach the headline inflation target by mid-2020.

9. **Mexico continues to face substantial external downside risks.** The risk of renewed volatility in global financial markets, increased risk premia, and a sharp pull-back of capital from emerging markets remains, and Mexico is particularly exposed to this risk due to its high share of non-resident holdings of government paper. Moreover, a fall in global growth or continued uncertainty about Mexico's trade relations with the U.S. could hamper Mexico's growth prospects due to its deep integration into global markets. The updated external economic stress index (ESI) shows that external conditions are comparable to those at the time of the 2018 mid-term review of the FCL (Box 1). The ESI global downside scenario shows that external risks remain elevated, while country-specific external uncertainty further heightens risks. On the domestic front, medium-term growth could be lower, and investors could reconsider Mexico's credit quality, should the administration weaken its commitment to fiscal prudence, strong institutions and a favorable business environment. A Pemex downgrade to non-investment grade by a second major rating agency would lead to selling pressures.

10. **Monetary policy started to ease amid declining inflation.** A very tight monetary policy stance amid a sizeable and widening negative output gap has helped bring headline inflation back to target. However, core inflation remains stubbornly high at 3.7 percent in October—reinforced by strengthening real wage growth and, until recently, buoyant consumption—but weak activity and increasing slack should soften it going forward. Against this backdrop, and given U.S. policy easing, Banxico reduced its policy rate in two 25-basis-point steps in August and September to 7.75 percent.

11. **The authorities remain committed to fiscal prudence, but additional measures are needed to stabilize the public debt ratio.** In 2019, staff expects the Public Sector Borrowing Requirement (PSBR) to reach 2.8 percent of GDP—slightly above the 2.5 percent target—owing to revenue underperformance amid slowing growth. For 2020, the authorities target a deficit of 2.6 percent of GDP, which appropriately balances fiscal prudence with the need to avoid a contractionary policy stance in the context of a large negative output gap. However, reaching the announced medium-term fiscal targets would require additional measures of some 1.5 percent of GDP by 2024; and even more ambitious medium-term targets would be needed to put the public debt ratio on a downward path.

12. **The authorities are planning to raise tax revenues and improve the efficiency of public spending.** Mexico stands out compared to its peers with only 13 percent of GDP in non-oil tax revenue; thus leaving scope to boost tax revenue and increase progressivity. The authorities do not envisage significant changes to the tax system in the next couple of years, except for measures to

aid in collecting VAT from digital service providers while also strengthening tax administration; however, they do plan a broader tax reform to become effective in 2022. Moreover, they are working on enhancing expenditure efficiency by centralizing public procurement and consolidating social programs and various government agencies to generate savings. Strengthening the fiscal framework is also among the authorities' priorities.

Box 1. The Calculation of the External Economic Stress Index

The external economic stress index (ESI) for Mexico was initially presented in Mexico's staff report on the arrangement under the Flexible Credit Line, November 2014. Its methodology is explained in *Flexible Credit Line—Operational Guidance Note*, IMF Policy Paper, August 2018. The calculation of the index required three main choices: (i) selection of relevant external risks, (ii) selection of proxy variables capturing these risks, and (iii) choice of weights for these variables. The updated index is presented below using the same model and proxy variables as for the 2017 FCL request and the 2018 review, while the weights have been updated.

Risks. Mexico's exports, remittances, and inward FDI are closely related to U.S. economic developments. The open capital account and the significant stock of debt and equity portfolio investment expose Mexico to changes in global financial conditions. Finally, oil trade and fiscal revenues depend on world energy price developments.

Variables. Risks to exports, remittances and inward FDI are all proxied by U.S. growth. Risks to debt and equity portfolio flows are proxied by the change in the U.S. Treasury 10-year yield and the emerging market volatility index (VXEEM), respectively. Risks to the oil industry are proxied by the change in world oil prices.

Weights. The weights were estimated using balance of payment and international investment position data, all expressed in shares of GDP. The weight on U.S. growth (0.52) corresponds to the sum of exports, FDI, and remittances; the weights on the change in the U.S. long-term yield (0.33) and the VXEEM (0.13) correspond to the stocks of foreign debt and equity; and the weight on the change in the oil price (0.03) corresponds to oil exports.

Baseline scenario. This scenario corresponds to the WEO projections for U.S. growth, oil prices, and the U.S. 10-year bond yield. The VXEEM projections are in line with the VIX futures as of October 7, 2019.

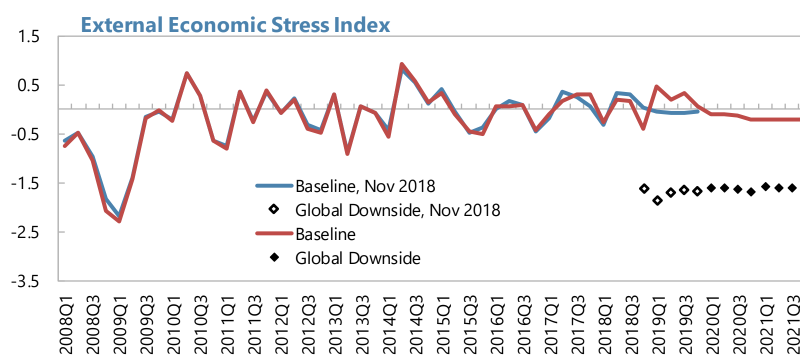
Global downside scenario. The downside scenario is based on the scenario of tighter global financial conditions in the April 2018 WEO, and would be broadly consistent with the current global tail risks relevant for Mexico: an abrupt deterioration in global market sentiment (e.g., triggered by geopolitical tensions), leading to a 100 basis point increase in the U.S. term premium, higher global risk premia, and a cumulative reduction of U.S. growth by 0.74 percentage point as well as lower oil prices by 6 percent over the next two years relative to the baseline WEO projection.[1] The scenario also assumes a surge in global financial market volatility, with the VXEEM rising by 3 standard deviations (for comparison, the VXEEM increased by 4 standard deviations in both 2008:Q4 and 2011:Q3). Against this backdrop, and the associated disruptions to financial flows, the risk premia for Mexico could increase and rollover rates decline.

[1] As at the mid-term review of the current arrangement, the quantitative downside scenario from the April 2018 WEO continues to be used as the global downside scenario, as subsequent WEOs have focused on either more specific quantified scenarios (e.g., the impact of Brexit or reshoring by advanced economies) or quantified scenarios that eventually have become part of the baseline (e.g., trade tensions between China and the U.S.). The global adverse scenario that was used at the approval of the current arrangement in November 2017 was based on the October 2017 GFSR. It was consistent with a global financial downturn, including higher risk premia, falling asset prices, and increased volatility, which would cause a reduction in U.S. growth and a drop in the U.S. 10-year yield (driven by a flight to safety). The April 2018 WEO instead explored the downside risks of tighter global financial conditions, triggered by an inflation surprise in the U.S., leading to a faster-than-expected decompression of the U.S. term premium and an increase in the U.S. 10-year yield of 76 and 51 basis points in the first and second year, respectively, following the shock.

Box 1. The Calculation of the External Economic Stress Index (concluded)

Country-specific external downside scenario. The ESI global downside scenario shows that external risks remain elevated, and comparable to those in November 2018, reflecting an uncertain global risk environment. Moreover, country-specific uncertainties remain high, in particular, regarding Mexico's trade relations with the United States, as the USMCA has not yet been ratified by Mexico's trading partners and the U.S. threatened in May 2019 to impose tariffs of up to 25 percent on all goods imported from Mexico. Against this backdrop, and given rising global trade tensions, Mexico could be affected by the imposition of tariffs and non-tariff barriers, as well as an abrupt drop in FDI, as foreign investors could re-organize their global supply chains (especially in export-oriented sectors)[2] or hold-off on planned investments. The current ESI is not designed to reflect these country-specific uncertainties. Nevertheless, staff is of the view that a combination of global risks and country-specific uncertainties remains elevated and has somewhat deteriorated compared to the November 2018 assessment.

The global downside scenarios are illustrated in the chart by dots, which represent the level to which the index would fall if the described shocks materialized in any given quarter.



[2] There is some evidence that in the short-term Mexico has benefitted somewhat from trade diversion in the context of trade tensions between the U.S. and China. However, this could be offset by the negative impact of trade tensions on global growth and trade as well as their potentially disruptive effect on global supply chains over the longer term.

THE FLEXIBLE CREDIT LINE, ACCESS CONSIDERATIONS AND REVIEW OF QUALIFICATION

13. The FCL has served the Mexican economy well, providing insurance against external tail risks. The previous FCL arrangements have complemented Mexico's very strong policies and policy frameworks, and its international reserves. Over the past several years, Mexico has successfully weathered several bouts of volatility, including the episode during end-2016/early-2017 and heightened tensions between Mexico and the U.S. after the U.S. threatened in May 2019 to impose tariffs of up to 25 percent on all good imports from Mexico. The FCL arrangement has been effective in bolstering market confidence, and the authorities believe that the arrangement will continue to protect Mexico against external tail risks. At the same time, they remain committed to continue enhancing Mexico's resilience to external shocks by pursuing a prudent fiscal stance that is aimed at keeping the public-debt-to-GDP ratio broadly stable, and through continued anchoring of inflation expectations and strong oversight of the domestic financial system.

14. The authorities consider their request for a new two-year FCL arrangement at a lower level of access consistent with their gradual exit strategy from the FCL. In their view, global risks remain elevated, including continued uncertainty about Mexico's trade relations with the U.S. and rising global trade tensions. The authorities are also concerned about a renewed surge in capital flow volatility or a rapid rebalancing of investor portfolios away from emerging markets. In their view, a renewal of the FCL arrangement for the next two years would help limit the risk that disruptive financial conditions and trade developments would halt Mexico's economic recovery. In addition, the reduction in the requested level of access to 500 percent of quota is an integral part of the authorities' strategy to continue phasing out Mexico's use of the facility, which was initiated at the time of the mid-term review of the current FCL arrangement, with a reduction in access from 700 percent to 600 percent of quota. In this connection, the authorities reaffirmed that Mexico does not intend to make permanent use of the FCL and will continue to treat the arrangement as precautionary. They intend to request a further reduction in access to Fund resources to 400 percent of quota at the time of the mid-term review of the new arrangement, conditional on a reduction of external risks facing Mexico. This intention is also consistent with their gradual exit strategy.

A. Access Considerations

15. Staff's estimates indicate that financing needs would be substantial should external risks materialize. The adverse scenario assumes renewed volatility in global financial markets, and increased risk premia leading to a sharp pull-back of capital from emerging market economies as well as intensified global trade tensions and a significant decline in global growth, affecting Mexico through both trade and financial channels. A materialization of those risks would lead investors to reconsider their investments in Mexico. Inward FDI flows would decline as multinational firms reconsider the setup of their production chains. The associated confidence and growth shocks would lead to a reduction in portfolio inflows while domestic institutional investors would increase the share of foreign assets in their portfolios. At the same time, the positive impact of an exchange rate depreciation on the current account would initially (within the scenario's one-year projection horizon) be more than offset by a decline in net exports due to a disruption of global trade and the global growth slowdown.

16. Access at 500 percent of quota could be justified under a plausible tail risk scenario (Box 2). As global and country-specific risks remain elevated, the magnitude of the simulated shock is projected to be comparable to the current arrangement, except for a smaller reduction in FDI inflows. In addition, Mexico would be expected to contribute more to the adjustment by drawing increasingly on its own foreign exchange reserves, which is consistent with the authorities' gradual exit strategy. The assumed reserve drawdown is $15–19 billion (compared with $10–14 billion in the current arrangement), which would still ensure sufficient (and credible) buffers in light of uncertainty inherent in the estimation of the various balance of payments risks. As the Mexican peso remains the second most widely traded emerging market currency, a strong reserve cover remains crucial in the current environment.

B. Review of Qualification

17. Mexico continues to meet the qualification criteria for an FCL arrangement according to staff's assessment (Figure 3). The authorities have continued to implement, and have a sustained track record of implementing, very strong policies amid very strong economic fundamentals and institutional policy frameworks. Monetary policy is guided by a credible inflation-targeting framework in the context of a flexible exchange rate regime, while fiscal policy has been guided by the fiscal responsibility law.

- **Sustainable external position.** The external current account deficit is low, is envisaged to remain moderate over the medium term, and the external position is broadly in line with medium-term fundamentals and desirable policies. The updated external debt sustainability analysis (Figure 5) continues to show that Mexico's external debt is relatively low (35.9 percent of GDP at end-June 2019) and would increase only slightly to around 40 percent of GDP over the medium term. Net foreign assets are projected to remain at around minus 46 percent of GDP through 2024.

- **Capital account position dominated by private flows.** The bulk of Mexico's external debt is owed to private creditors. Private portfolio flows (debt and non-debt creating) and FDI continue to be large relative to the overall balance of payments flows. In total, public flows accounted for only around a fifth of Mexico's direct, portfolio and other asset and liability flows on average over the last three years.[1]

- **Track-record of steady sovereign access to international capital markets at favorable terms.** Notwithstanding recent rating and outlook changes, Mexico remains among the highest-rated emerging markets by major rating agencies. Mexico's sovereign bond (EMBIG) spread and five-year CDS spreads have partially reversed their increases that peaked in the run-up to the July 2018 elections; they now stand at 315 and 89 basis points, respectively (as of November 4th, 2019). Although spreads are higher than in the past, Mexico continues to successfully place sovereign bonds in international capital markets at favorable terms. The public sector issued or guaranteed external bonds or disbursements of public and publicly-guaranteed external commercial loans in international markets during each of the last five years, in a cumulative amount over that period equivalent to nearly 1,600 percent of Mexico's Fund quota. Mexico did not, in staff's assessment, lose market access at any point in the last 12 months.

[1] Public flows are defined as net asset and liability flows related to the domestic public sector. Total public flows are calculated as the sum of the absolute values of reserve assets flows and general government and central bank portfolio as well as general government and central bank other asset and liability flows. Total flows are calculated as the sum of the absolute values of direct, portfolio, and other asset and liability flows as well as the absolute value of net reserve asset flows.

Box 2. Illustrative Adverse Scenario[1]

Access in the amount of SDR 44.5635 billion (500 percent of quota) can be justified under a plausible downside scenario, illustrating the potential impact on Mexico's balance of payments of adverse shocks associated with renewed volatility in global financial markets, and increased risk premia leading to a sharp pull-back of capital from emerging market economies, intensified global trade tensions, and a significant decline in global growth affecting Mexico through both trade and financial channels. While external risks remain elevated (see Box 1), the assumed impact of this illustrative adverse scenario is more contained than under the current arrangement. Specifically, as FDI flows as well as residents' foreign portfolio and other investment flows were relatively resilient over the last few years against the backdrop of elevated external volatility, the impact of the adverse shock on these flows is assumed to be smaller. At the same time, rollover rates remain around or above the 25th percentile in past crisis episodes, in line with the current arrangement. Furthermore, the scenario assumes a larger drawdown of foreign exchange reserves as part of the authorities' exit strategy and supported by Mexico's comfortable reserve position and the increased swap line of the U.S. Treasury with Mexico from US$3 billion to US$9 billion.

Use of reserves. A sizeable drawdown of reserves, of $15-19 billion, is assumed in the downside scenario, somewhat higher than the amount assumed in the current arrangement. Reserve adequacy in terms of the ARA metric would be 109.3 percent in 2020 and 105.8 percent in 2021. Remaining within the range for the reserve adequacy level would be desirable to ensure sufficient (and credible) buffers to deal with potential shocks facing the Mexican economy going forward.

Current account. Under this scenario, the positive impact on the current account following an exchange rate depreciation would initially be more than offset by a decline in net exports due to a decline in global growth and a disruption in Mexico's trade—possibly following the imposition of non-tariff barriers, increases in tariffs, or weakened external demand. With the USMCA yet to be ratified and heightened trade tensions following the U.S. threats to impose tariffs of up to 25 percent on all goods imports from Mexico in May 2019, the risk of an abrupt change in Mexico's trade relations with the U.S. remains elevated. Therefore, a moderate deterioration of the current account (0.23 percent of GDP) is assumed in this scenario, as in the mid-term review of the current arrangement. This widening in the current account deficit would be temporary and the current account would improve over time benefitting from the full effect of the exchange rate depreciation.

Foreign direct investment. A 40 percent drop in net FDI inflows is assumed compared to the previous three years' average (somewhat smaller than the 50–60 percent drop assumed in the current arrangement, but higher than in the 2014 arrangement). As a significant share of FDI is related to export-oriented production facilities serving the North American market, a slowdown in U.S. imports and exports due to trade barriers would discourage FDI. However, the impact is assumed to be more contained than a year ago, as FDI flows have been relatively resilient over the last few years notwithstanding elevated external uncertainty. At the same time, the shock is somewhat higher than in the 2014 arrangement as the 2014 adverse scenario did not yet include trade-related risks.

Gross equity portfolio inflows. A loss of confidence, like a surge in global financial volatility and heightened risk aversion would lead to a reduction of equity holdings by foreign investors. The same shock (1.6 standard deviations) is assumed as for the current arrangement.

Foreign currency-denominated debt. The scenario assumes a rollover rate of 80 percent of FX debt coming due, unchanged from the current arrangement, as the risk of foreign investors reducing exposure to Mexico remains very high.

Resident portfolio outflows. Uncertainties about the exchange rate could also lead to temporary capital flight by residents. The same shock (1.6 standard deviations) as for the current arrangement is assumed. The shock is similar in magnitude to the experience in mid-2013, when residents increased their foreign asset holdings in response to the taper tantrum.

Peso-denominated debt. The assumed rollover rate of 71 percent is unchanged from the current arrangement. Although the peso strengthened following the Mexican elections, it came under renewed pressure following the tariff threats in May and in July-August 2019. To this end, a sharp depreciation following an abrupt change in trade relations that would question Mexico's prospects could lead to a reduction of foreign investors' holdings of local currency debt.

Box 2. Illustrative Adverse Scenario[1] (continued)

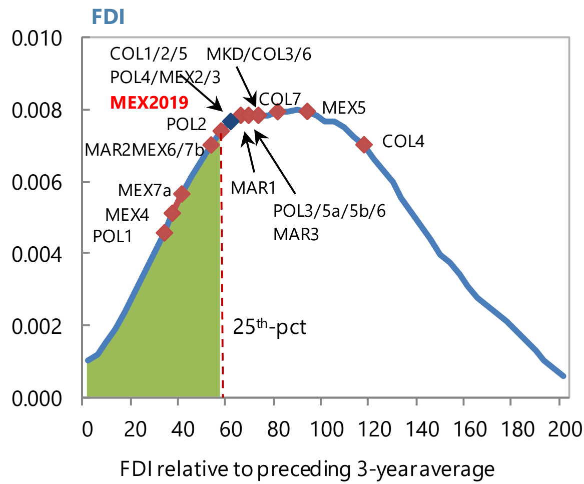
Mexico: External Financing Requirements and Sources

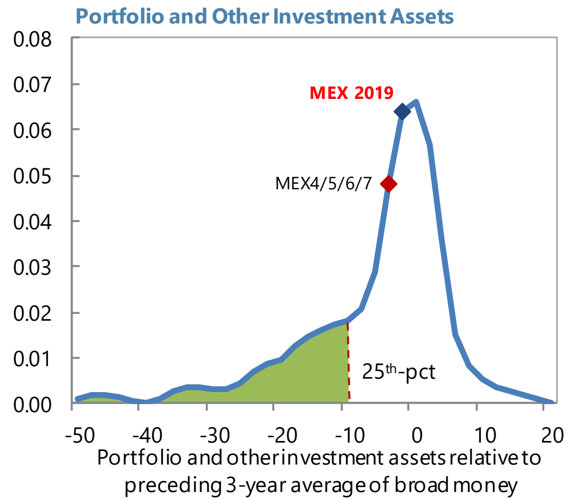
(In billions of U.S. dollars)

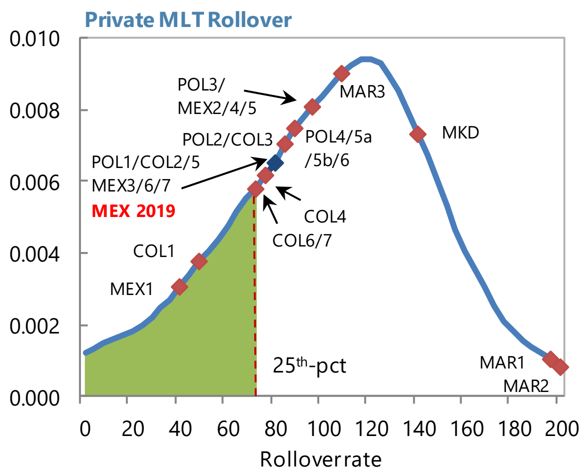
	2018	2019	2020 Proj.	2021 Proj.	Adverse 2020	Contribution to Gap	Adverse 2021	Contribution to Gap	Current Rollover /Shock	2018 Rollover /Shock	2017 Rollover /Shock	2016 Rollover /Shock	2014 Rollover /Shock
Gross external financing requirements	**96.6**	**97.4**	**108.5**	**115.2**	**96.7**	**-11.8**	**99.1**	**-16.1**					
Current account deficit	22.0	14.0	20.3	22.7	23.3	3.0	25.8	3.1	0.23% of GDP shock	0.23% of GDP shock	0.45% of GDP shock	No net shock	No net shock
Amortization of Bonds and Loans	73.7	81.7	86.5	89.5	86.5		89.5						
Public sector MLT coming due	24.4	17.9	17.3	25.5	17.3		25.5						
FX denominated bonds	2.6	6.8	6.9	10.4	6.9		10.4						
Local currency bonds	9.0	4.7	5.7	11.3	5.7		11.3						
FX Bank Financing	12.8	6.4	4.7	3.9	4.7		3.9						
Private sector MLT amortization	6.0	8.6	13.1	6.6	13.1		6.6						
FX denominated bonds	3.2	4.3	8.8	2.2	8.8		2.2						
Bank Financing	2.9	4.2	4.3	4.4	4.3		4.4						
Short term debt coming due	43.2	55.2	56.0	57.3	56.0		57.3						
Public sector	15.6	19.5	18.4	18.0	18.4		18.0						
FX denominated	3.3	4.2	4.2	4.2	4.2		4.2						
Local Currency	12.3	15.3	14.3	13.8	14.3		13.8						
Private sector	16.2	24.1	25.6	27.1	25.6		27.1						
Trade credit	11.4	11.7	12.0	12.3	12.0		12.3						
Change in international reserves	0.9	1.6	1.8	3.1	-13.0	-14.8	-16.1	-19.2	USD 15-19 bn	USD 14 bn	USD 10-14 br	USD 5bn	USD 19-20 bn
Available external financing	**96.6**	**97.4**	**108.5**	**115.2**	**35.3**	**73.2**	**37.8**	**77.4**					
Net FDI inflows	26.7	26.6	29.1	31.6	17.3	11.8	17.3	14.3	60%	50%	40%	50%	90%
Equity Portfolio Inflows	2.4	2.5	2.0	2.0	-9.3	11.3	-9.3	11.3	1.6 std dev = USD 11.3bn	1.6 std dev = USD 10.7bn	1.6 std dev = USD 9.3bn	1.6 std dev = USD 9.3bn	1.5 std dev = USD 8.7bn
Financing through Bonds and Loans	84.7	95.5	101.7	105.1	68.8		70.6						
Public sector MLT financing	30.2	27.7	27.9	36.6	14.3		20.1						
FX denominated bonds	11.5	11.8	12.4	16.9	5.5	6.9	8.2	8.6	80%	80%	80%	80%	95%
Local currency bonds	7.3	9.4	10.7	15.8	4.0	6.7	7.9	7.8	71%	71%	71%	71%	85%
FX Bank Financing	11.4	6.5	4.8	3.9	4.8		3.9						
Private sector MLT financing	-0.8	11.9	16.4	9.9	10.4		5.2						
FX denominated bonds	-3.3	6.7	11.1	4.5	7.0	4.1	1.7	2.8	80%	80%	80%	80%	95%
FX Bank Financing	2.5	5.2	5.3	5.4	3.4	1.9	3.5	1.9	80%	80%	80%	80%	95%
Short-term financing	55.2	56.0	57.3	58.6	44.1		45.2						
Public sector	19.5	18.4	18.0	17.4	14.2		13.9						
FX denominated	4.2	4.2	4.2	4.2	4.2		4.2						
Local Currency	15.3	14.3	13.8	13.3	10.1	3.7	9.7	3.6	71%	71%	71%	71%	90%
Private sector	24.1	25.6	27.1	28.6	20.4	6.8	21.6	7.1	80%	80%	80%	80%	90%
Trade credit	11.7	12.0	12.3	12.6	9.5	2.7	9.7	2.8	80%	80%	80%	80%	90%
Other flows	-17.1	-27.3	-24.3	-23.6	-41.5		-40.8						
Residents' foreign portfolio & other investment	-18.7	-16.3	-16.7	-17.1	-33.9	17.2	-34.3	17.2	1.6 std dev = USD17.2bn	1.6 std dev = USD23.9bn	1.6 std dev = USD25.1bn	1.6 std dev = USD 25.1bn	1.5 std dev = USD 23.6bn
Financing Gap (USD billions)						**61.4**		**61.4**					
SDR (1.37699130154595 USD/SDR, Oct. 18, 2019)						44.6		44.6					
Percent of quota						500		500					
Memorandum items													
Reserves (in billions of U.S. dollars)	176	178	180	183	165		164						
(percent of ARA)	120	117	114	113	109		106						

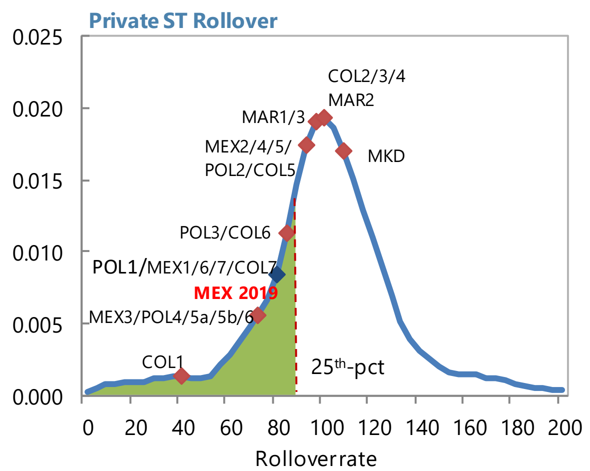
Sources: Mexican authorities and IMF staff estimates.

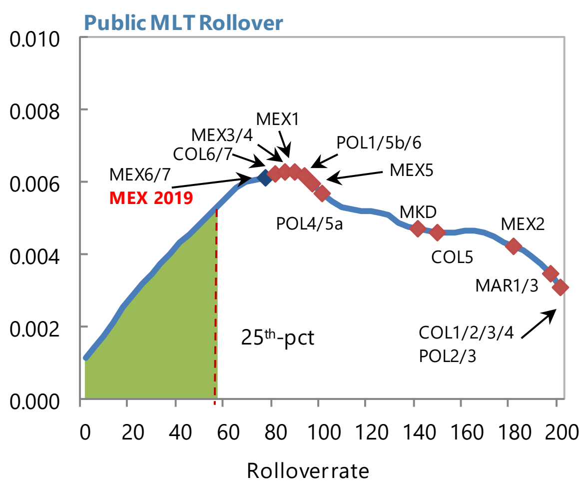
Box 2. Illustrative Adverse Scenario[1] (concluded)

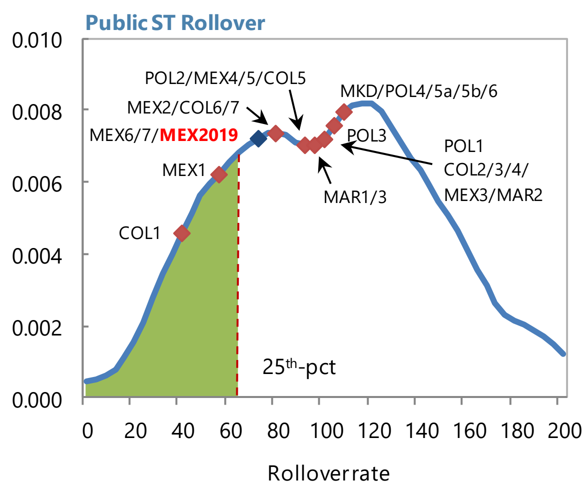












Source: IMF staff calculations.

1/ The countries shown are previous FCL/PCL/PLL arrangements, numbered consecutively by country. MEX2019 is the current FCL arrangement.

- **Relatively comfortable international reserve position.** Gross international reserves reached US$182.9 billion at end-September 2019, compared to US$176.6 billion at end-October 2017, just before the current FCL arrangement was approved. This level is comfortable relative to standard reserve coverage indicators (Figure 4). Mexico's reserves have exceeded 100 percent of the ARA metric in each of the last three years. Mexico and the United States also updated their exchange stabilization agreement and increased the potential size of the U.S. Treasury's swap line with Mexico from US$3 billion to US$9 billion in October 2018. This facility will continue to be complemented by a swap line of US$3 billion with the Federal Reserve.

- **Sustainable public debt position and sound public finances.** Fiscal policy remains prudent and is underpinned by the rules in the fiscal responsibility law. The authorities adhered to their 2018 PSBR target of 2.5 percent but are expected to narrowly miss the same target in 2019. Targets of 2.6 percent next year and 2.2–2.4 percent over the medium-term are expected to keep the public-debt-to-GDP ratio broadly stable. An updated debt sustainability analysis shows that the debt trajectory is overall robust to standard shocks (Figure 7). The debt projection is sensitive to growth, exchange rate fluctuations, interest rates, and the evolution of oil prices, but debt would remain contained even under severe negative shocks. The effects on debt and financing needs would be larger if several plausible additional risks (e.g., paragraph 9) materialize simultaneously. Staff assesses Mexico's public debt to be sustainable with high probability.

- **Low and stable inflation in the context of a sound monetary and exchange rate policy framework**. Supported by tight monetary policy, headline inflation converged back to the 3 percent target, after having exceeded it for some time due to a series of shocks, including to energy prices and the exchange rate. However, core inflation remains high but is expected to slow down. Medium-term inflation expectations remain close to the target, pointing to the credibility of monetary policy. Mexico has maintained single digit inflation over the past five years.

- **Sound financial system and the absence of solvency problems that may threaten systemic stability.** As of June 2019, the banking system's Tier-1 capital ratio stood at 14.2 percent, unchanged compared to a year ago, and provisioning at 149.2 percent of non-performing loans is high. Corporate balance sheets remain resilient to exchange rate shocks, helped by both natural and financial hedges. The broader financial system is also sound. Private pension funds, which hold assets of about 16 percent of GDP, have a conservative investment profile. Capital in the insurance sector also exceeds the minimum requirements, and all insurance companies comfortably satisfy the capital requirements under the Solvency II regime. Real estate investment trusts have grown since 2011, but remain small and are financed mostly by equity, with new statutory limits on their leverage. The 2016 FSAP and the 2019 Article IV consultation did not highlight significant solvency risks or recapitalization needs.

- **Effective financial sector supervision.** The 2012 FSAP concluded that banking supervision in Mexico was effective. Mexico adopted the Basel III capital rules in 2013, and the Basel Committee assessed it as compliant in 2015. Liquidity coverage ratio (LCR) minimum requirements have been in place since January 2015. The 2016 FSAP found that significant

progress had been achieved in strengthening financial sector prudential oversight and noted that the authorities have made several improvements to address past recommendations, including updates to the supervisory framework and tools and strengthening the legal framework for financial groups. Past FSAPs have recommended several areas for further progress, especially to strengthen the governance of the supervisory agencies and IPAB. The 2019 Article IV consultation with Mexico did not raise substantial concerns regarding the supervisory framework.

- **Data transparency and integrity.** The overall quality of Mexican data continues to be high and adequate to conduct effective surveillance as described in the June 2015 data ROSC update. Mexico remains in observance of the Special Data Dissemination Standards (SDDS).
- **Track record.** Mexico continues to have a sustained track record of implementing very strong policies, including according to staff's assessment that all relevant core indicators were met in each of the five most recent years.

18. International indicators of institutional quality show that Mexico has around average government effectiveness. The institutional quality of economic policy is underpinned by the inflation-targeting framework (anchored by a strong, independent central bank), the fiscal responsibility law, and the effective prudential and regulatory framework for financial supervision. According to the 2018 Worldwide Governance Indicators, Mexico's government effectiveness ranks at the 48th percentile among all countries. A weaker area continues to be the control of corruption. A constitutional reform created the National Anti-Corruption System (NACS), which provides an updated framework to the federal government to investigate, prosecute, and sanction corrupt activity in Mexico. The reform includes measures to increase transparency requirements in the use of public funds, and the appointment of an anti-corruption prosecutor. With most of the elements of the NACS now formally in place, the focus is moving towards effective implementation, prevention and enforcement. Separately, the authorities are in the process of following-up on the technical recommendations of the 2018 Fund staff-led assessment of Mexico's anti-money laundering framework through legislation currently pending before Congress. The Financial Intelligence Unit is taking the lead on following-up on effectiveness-related recommendations, notably by generating a larger number of financial disseminations.

19. The Mexican authorities have a strong track record in responding to significant shocks, owing to very strong fiscal and monetary institutional frameworks. Mexico has been able to navigate successfully a complex external environment in recent years. The flexible exchange rate has been playing a key role in helping the economy adjust to external shocks, with no incidences of interventions in the foreign exchange market in 2018 and 2019. Fiscal policy remains prudent, and monetary policy has kept inflation expectations anchored close to the inflation target. The current fiscal framework is anchored in the 2006 fiscal responsibility law, which was strengthened in 2014, and contributes to the accountability and transparency of fiscal policy. The 2014 reform of the fiscal responsibility law defined the Public Sector Borrowing Requirements as a fiscal target and set a cap on the real rate of growth of structural current spending. Targets for the state-owned companies PEMEX and CFE were also introduced. Moreover, as noted in the staff report for the 2019 Article IV

consultation, the authorities are planning to further strengthen the fiscal framework as part of the 2021 budget following a broad consultation with stakeholders. The central bank has been independent from the government since 1994, with a constitutional mandate to maintain the currency's purchasing power. It formally adopted an inflation-targeting framework in 2001, although inflation targets have been set since 1996. Regarding policy cyclicality, fiscal policy was strongly expansionary in the aftermath of the global financial crisis and in the presence of a large negative output gap. In recent years, fiscal policy was generally contractionary in the context of a closed or even positive output gap. Furthermore, the authorities reacted appropriately to the major oil price and production shock by raising non-oil revenues as part of the fiscal reform in 2013/14. The central bank increased the policy rate by 525 bps during December 2015—December 2018 amid a series of inflationary shocks, succeeding in bringing inflation down to target from recent peaks and anchoring inflation expectations close to the target.

IMPACT ON FUND FINANCES, RISKS, AND SAFEGUARDS

20. The lower access of the proposed new FCL arrangement compared to the current one would have a net positive impact on Fund liquidity. The approval of the proposed arrangement of 500 percent of quota (SDR 44.5635 billion) and cancellation of the current one (SDR 53.4762 billion; 600 percent of quota) would increase the Fund's Forward Commitment Capacity.

21. Mexico's capacity to repay the Fund remains strong. The authorities have, as with previous FCL arrangements, stated that they intend to treat the proposed arrangement as precautionary. Even if a full drawing under the arrangement were to be made, several factors would mitigate risks to the Fund, including Mexico's adequate buffers, very strong policies, and the credibility of its policy framework. In a scenario of full disbursement in 2019, total external debt would initially climb to 42.4 percent of GDP, and slightly increase afterwards before gradually declining over the medium term (Table 10). Debt service to the Fund would peak at about SDR 23.6 billion (about 2.2 percent of GDP) in 2023. Moreover, Mexico has demonstrated an excellent track record of meeting its obligations to the Fund.

22. FCL safeguards procedures are underway. The authorities have provided authorization for the central bank's external auditors to hold discussions with FIN staff. In addition, staff has obtained copies of the central bank's audited financial statements and the management letter for FY2018. Once completed, the results of the procedures will be included in the 2020 Article IV staff report for Mexico.

STAFF APPRAISAL

23. Mexico continues to benefit from the FCL arrangement. The country has weathered well bouts of volatility, while the FCL arrangement has supported market confidence by providing a reassuring signal on the strength of Mexico's institutions and policies, and has provided insurance against tail risks.

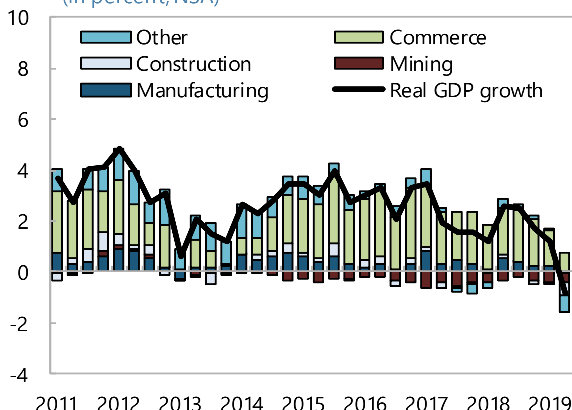
24. Staff's assessment is that Mexico continues to meet the qualification criteria for access to FCL resources. In the 2019 Article IV consultation with Mexico completed on November 4, 2019, the Fund noted that Mexico has very strong policies, policy frameworks, and economic fundamentals. The authorities have a successful record of sound policy management and are firmly committed to maintaining prudent policies going forward.

25. Staff considers that access at 500 percent of quota is appropriate given the current risk environment. Uncertainties surrounding Mexico's external environment remain elevated. These include renewed volatility and increased risk premia in global financial markets, leading to a sharp pull-back of capital from emerging market economies, uncertainty about Mexico's trade relations with the U.S., as well as risks from rising global trade tensions and a significant decline in global growth. The proposed new FCL arrangement would continue to support the authorities' overall economic strategy and supplement Mexico's external buffers by providing insurance against tail risks. Staff supports the authorities' view that the proposed access under the FCL is consistent with their gradual exit strategy, which also foresees their intention to request a reduction in access to 400 percent of quota at the time of the mid-term review of the arrangement, conditional on a reduction in external risks affecting Mexico.

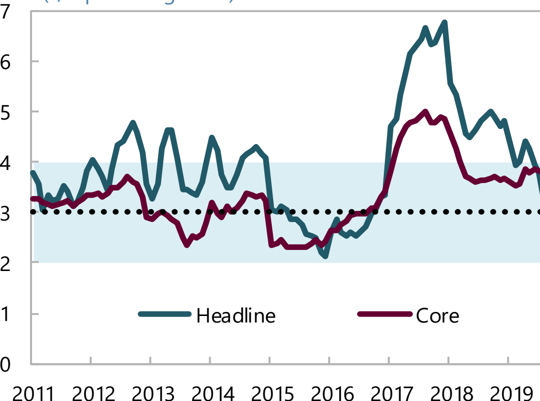
26. Staff judges the risks to the IMF arising from the proposed FCL arrangement to be manageable. While the requested amount remains substantial, the authorities have an excellent policy implementation track record, and they intend to maintain a very strong policy framework. Risks to the Fund are further contained by the authorities' intent to treat the FCL arrangement as precautionary, Mexico's strong repurchase record with the Fund, and its manageable external debt service profile even if the full amount of the FCL were to be drawn.

Figure 1. Mexico: Recent Economic Developments

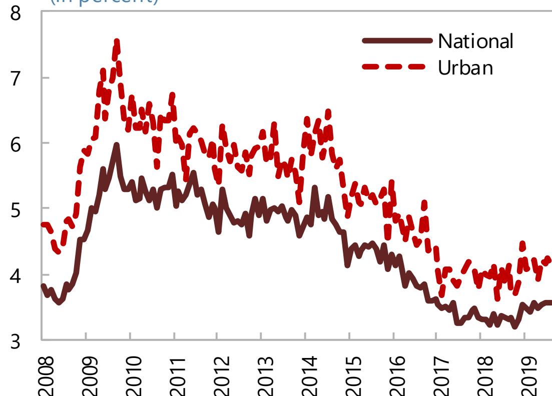
Growth has been decelerating amid weakening services and manufacturing as well as falling oil production.



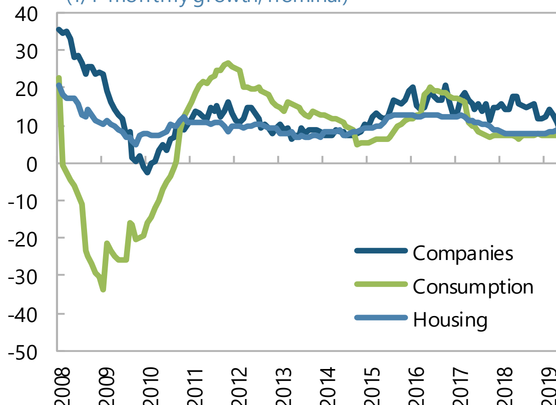
Headline inflation came down mainly due to lower food and domestic fuel prices.



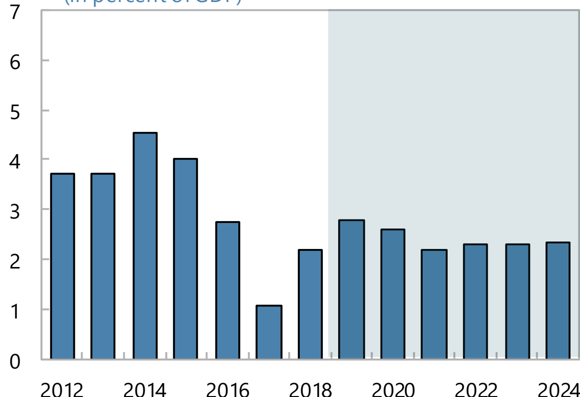
Unemployment recently has started to tick up but remains close to record lows.



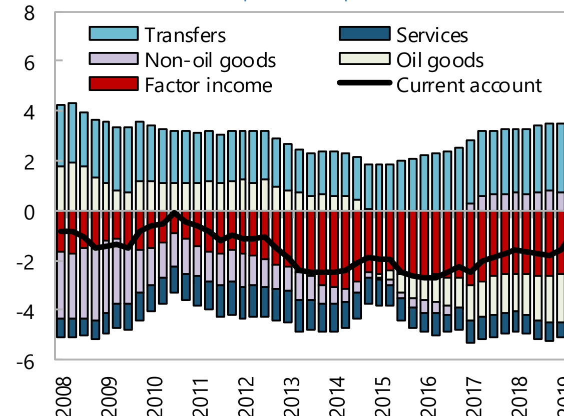
Household credit growth remains stable while corporate credit growth is slowing.



The fiscal deficit is projected to stabilize at 2.4 percent in the medium term.



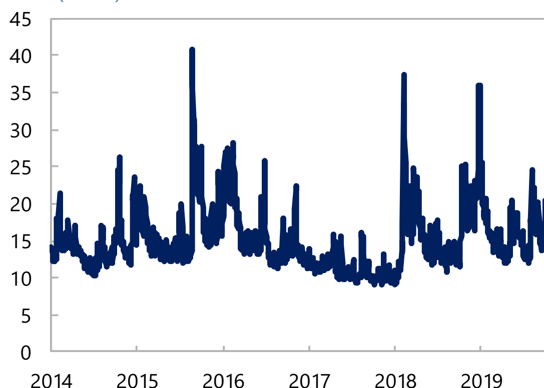
The current account deficit has declined.



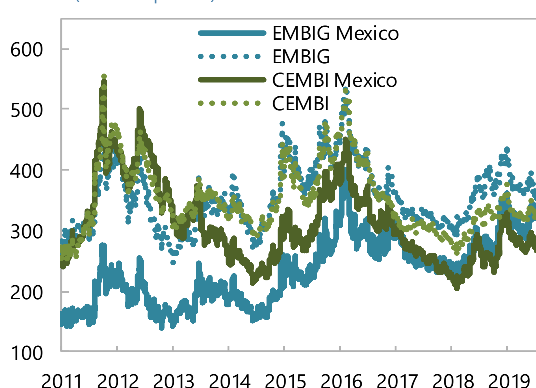
Sources: National authorities; Haver Analytics; Bloomberg; and IMF staff calculations.

Figure 2. Mexico: Recent Financial Developments

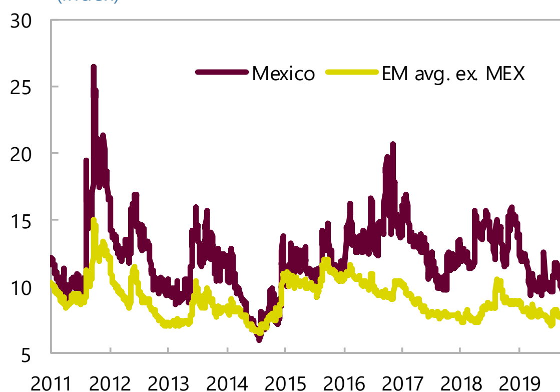
Stock market volatility has remained contained...



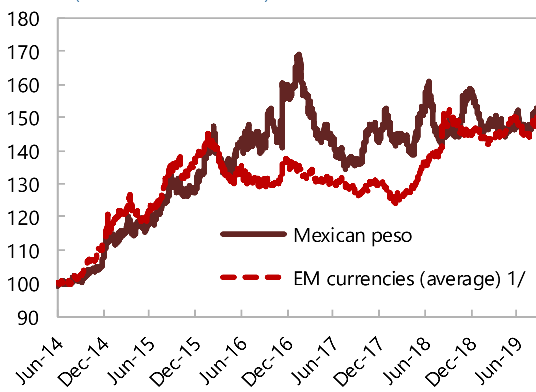
... along with corporate and sovereign risk premia...



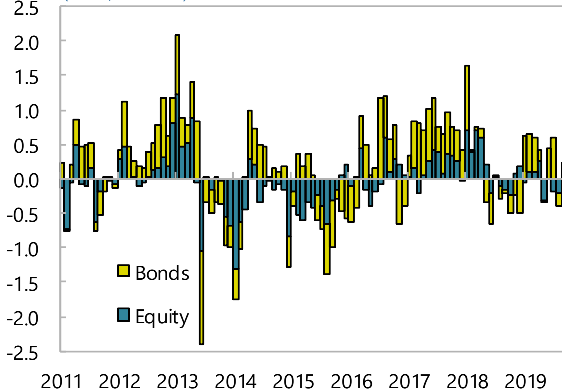
...and volatility in foreign exchange markets.



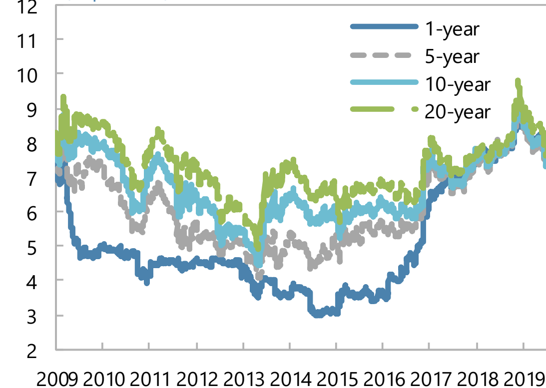
The peso fluctuated around a stable level.



ETF and mutual fund inflows into Mexican equity turned modestly negative, while bond flows held up.

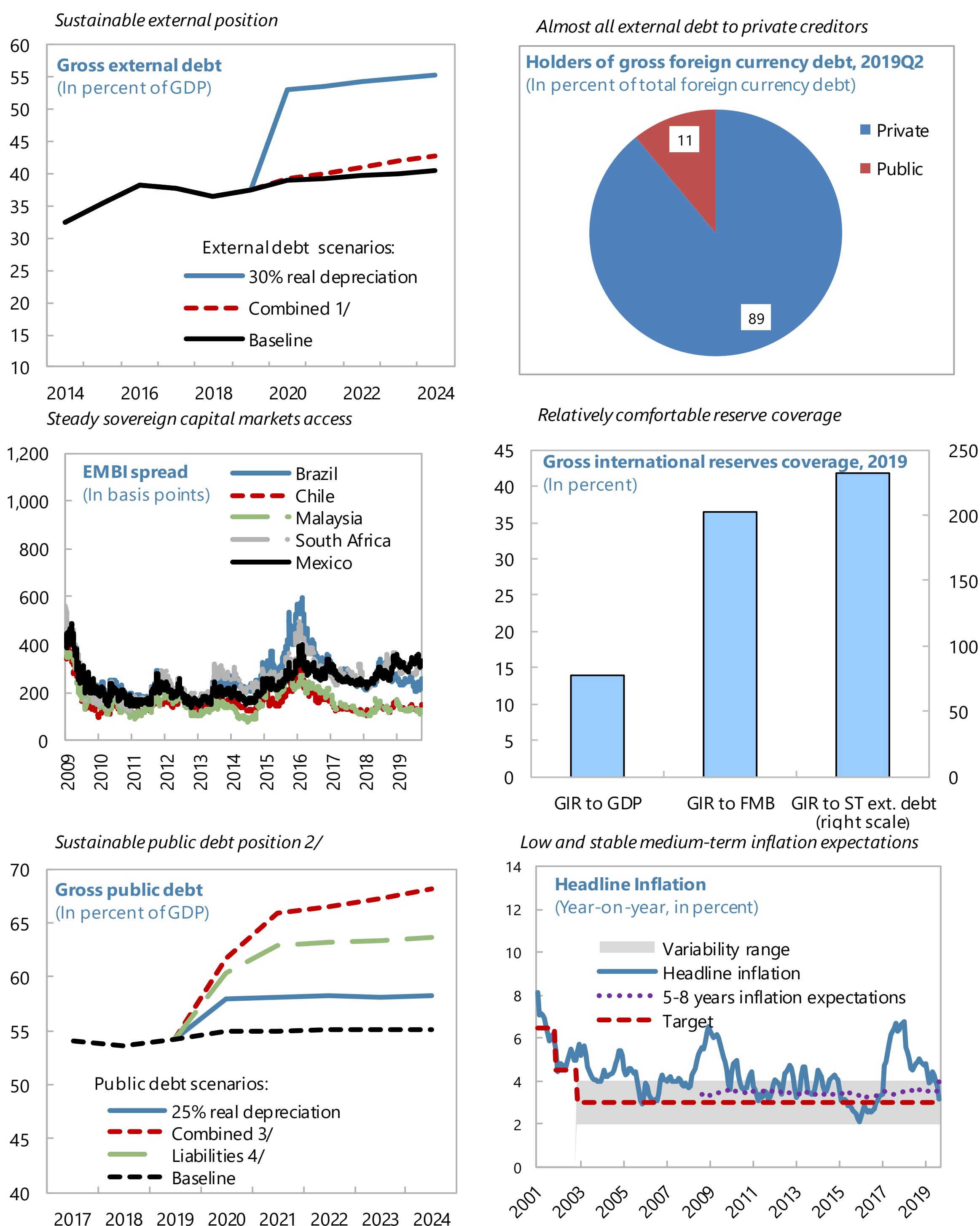


Yields on local-currency government bonds have decreased.



Sources: National authorities; Haver Analytics; EPFR; INS; Bloomberg; and IMF staff calculations.
1/ Includes Brazil, Chile, Colombia, Czech Republic, India, Indonesia, Korea, Poland, Russia, Thailand, and Turkey.

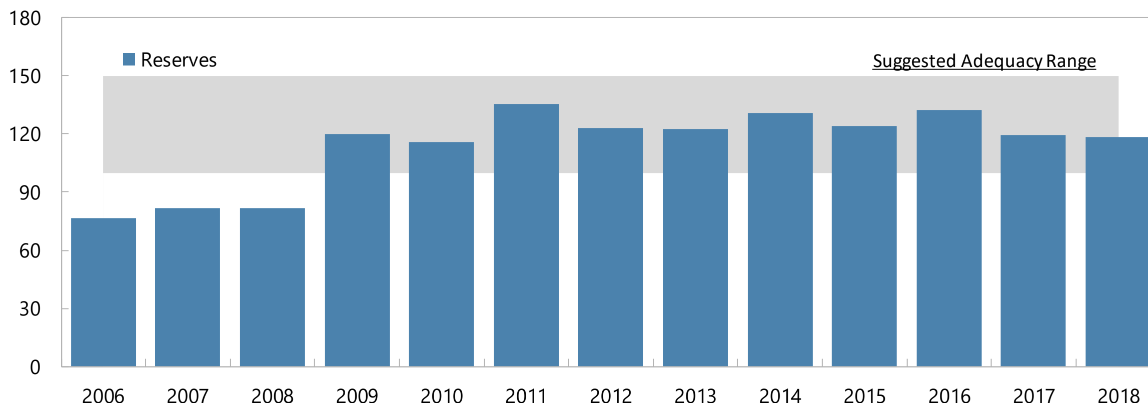
Figure 3. Mexico: Qualification Criteria



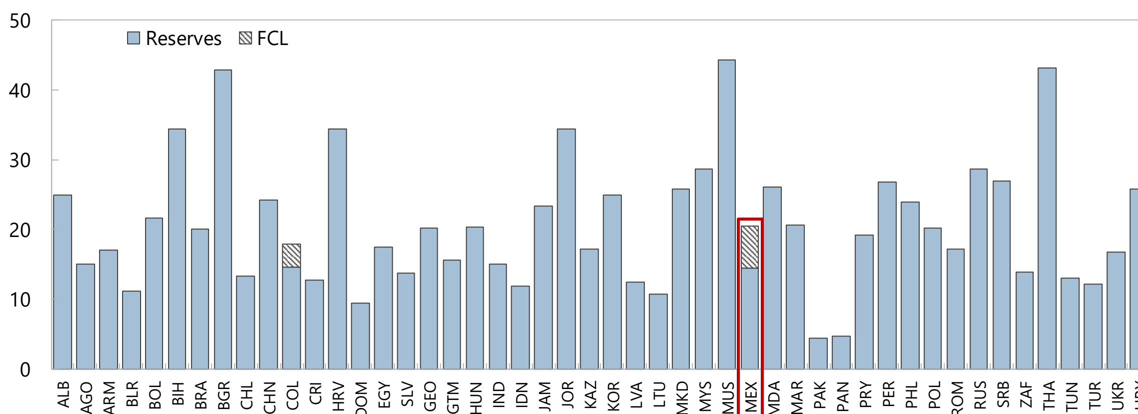
Sources: Bloomberg L.P., Datastream, EMED, Haver Analytics, and Fund staff estimates.
1/ Combined permanent 1/4 standard deviation shocks applied to interest rate, growth, and current account balance.
2/ Not taking into account offsetting measures required under the balanced budget rule.
3/ Combined 1 standard deviation reduction in GDP growth for two years, permanent 200bp shock applied to real interest rate, 25 percent real depreciation and 1/2 standard deviation shock to the primary balance for two years.
4/ One-time increase in non-interest expenditures equivalent to 10 percent of banking sector assets.

Figure 4. Mexico: Reserve Coverage in an International Perspective, 2018 1/

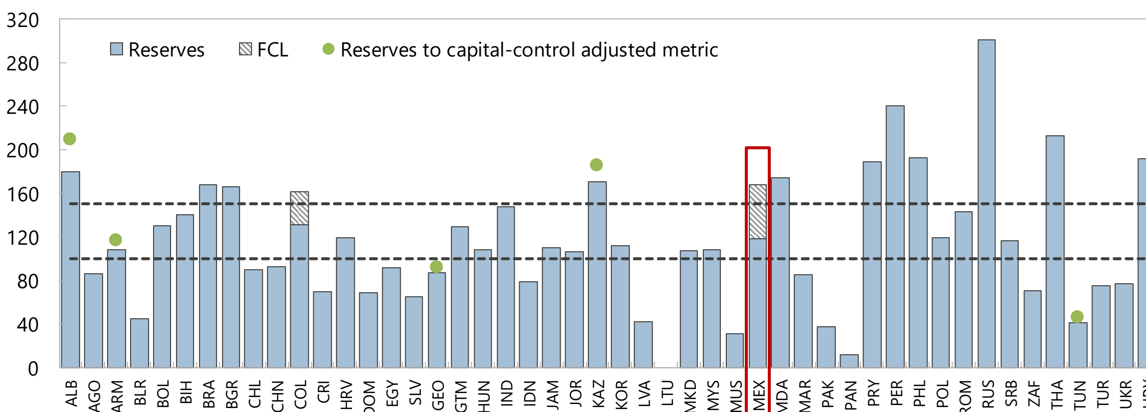
Reserves
(In percent of ARA Metric 1/)



Reserves
(In percent of GDP)



Reserves to ARA Metric 1/
(Adequacy range: 100-150%)

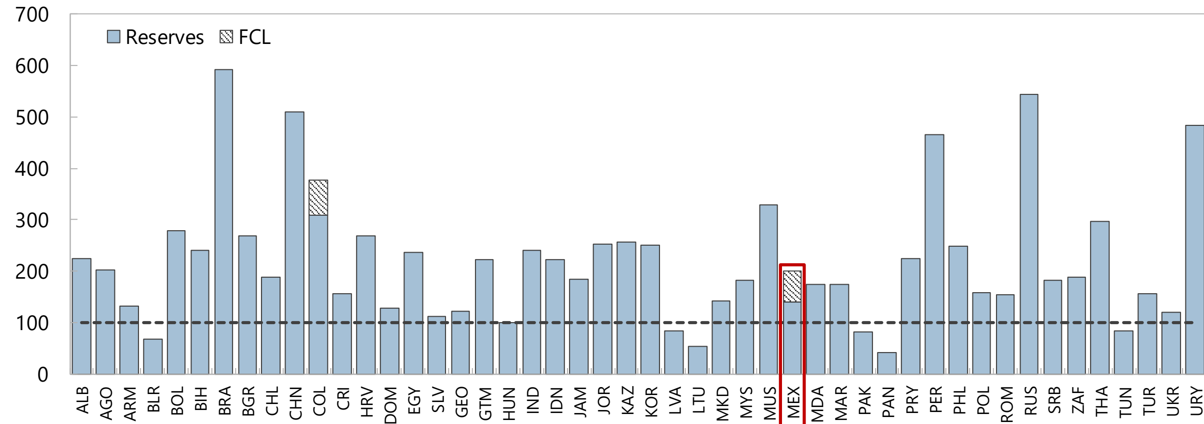


Sources: World Economic Outlook, Balance of Payments Statistics Database; and, IMF staff estimates

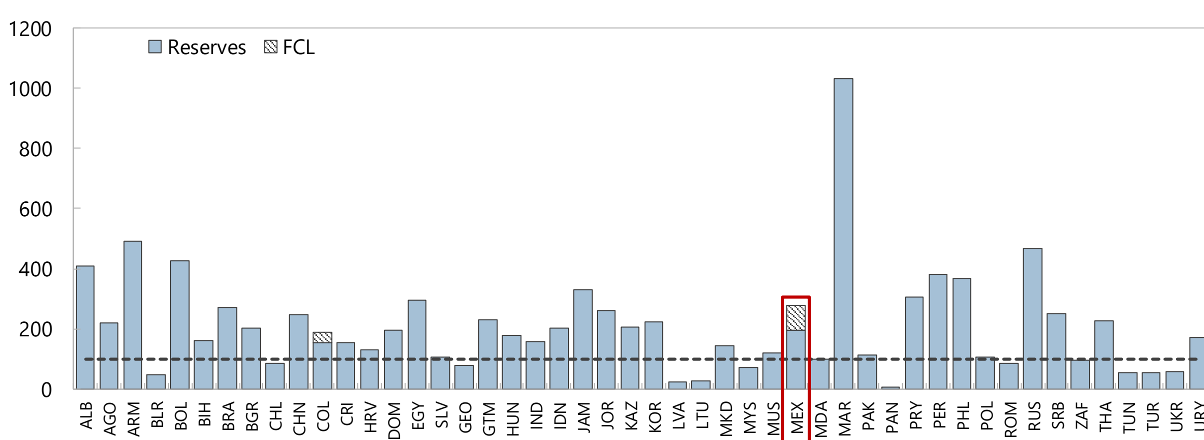
1/ The assessing reserve adequacy (ARA) metric for emerging markets comprises four components reflecting potential balance of payment drains: (i) export income, (ii) broad money, (iii) short-term debt, and (iv) other liabilities. The weight for each component is based on the 10th percentile of observed outflows from emerging markets during exchange market pressure episodes, distinguishing between fixed and flexible exchange rate regimes.

Figure 4. Mexico: Reserve Coverage in an International Perspective, 2018 (concluded)

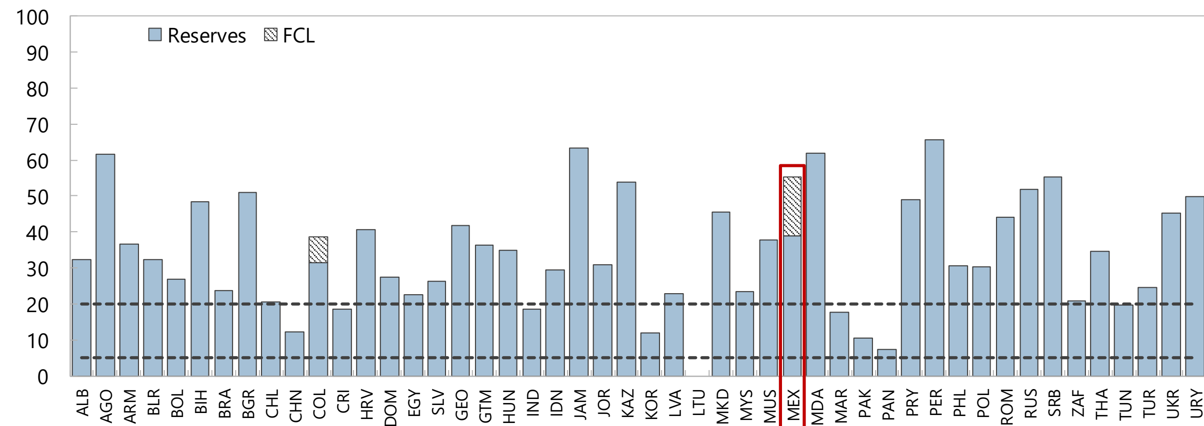
Reserves to 3M Imports
(Adequacy range: > 100%)



Reserves to Short-Term Debt
(Adequacy range: >100%)



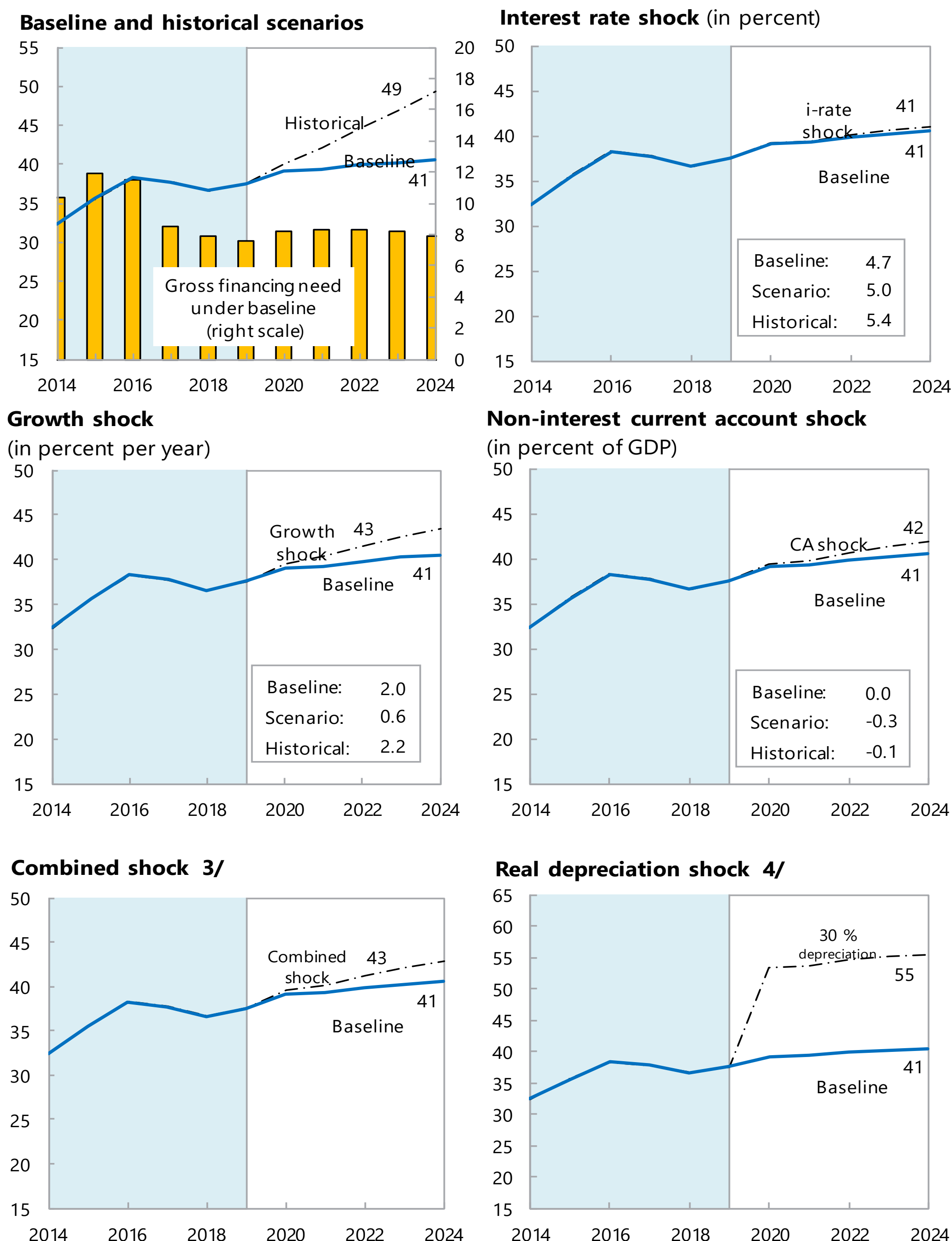
Reserves to Broad Money
(Adequacy range: 5-20%)



Sources: World Economic Outlook, Balance of Payments Statistics Database; and, IMF staff estimates.

Figure 5. Mexico: External Debt Sustainability: Bound Tests 1/ 2/

(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2020.

Figure 6. Mexico: Public Sector Debt Sustainability Analysis (DSA)—Baseline Scenario

(in percent of GDP unless otherwise indicated)

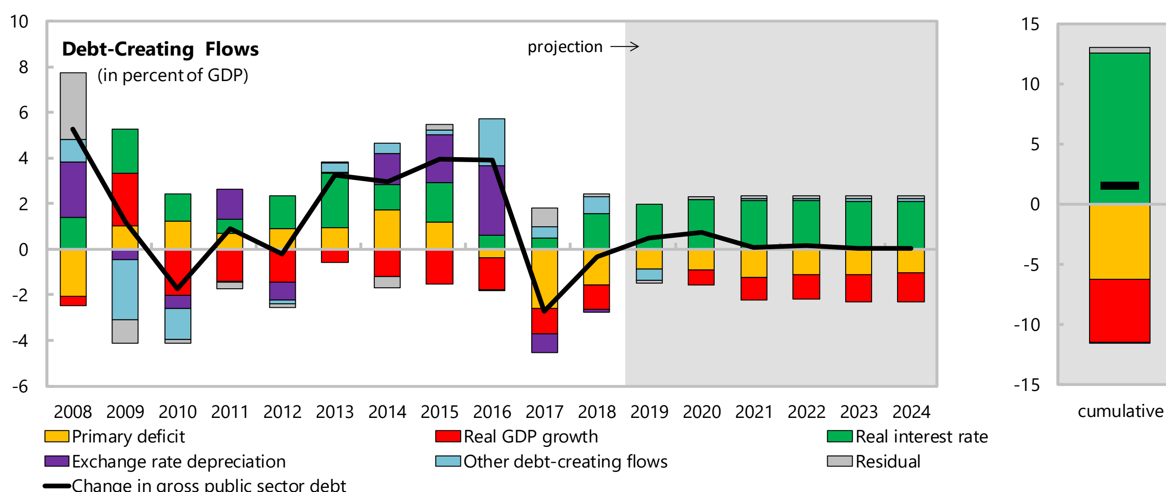
Debt, Economic and Market Indicators [1/]

	Actual			Projections					
	2008-2016 [2/]	2017	2018	2019	2020	2021	2022	2023	2024
Nominal gross public debt	46.4	54.0	53.7	54.2	54.9	55.0	55.1	55.2	55.2
Public gross financing needs	11.6	7.5	7.8	10.6	9.9	9.9	10.3	10.5	10.1
Real GDP growth (in percent)	2.1	2.1	2.1	0.0	1.3	1.9	2.1	2.3	2.4
Inflation (GDP deflator, in percent)	4.3	6.7	5.0	3.9	3.1	3.0	3.0	3.0	3.0
Nominal GDP growth (in percent)	6.5	8.9	7.2	3.9	4.5	5.0	5.1	5.4	5.4
Effective interest rate (in percent) [4/]	7.7	7.8	8.2	7.7	7.4	7.2	7.1	7.0	7.0

As of October 31, 2019		
Sovereign Spreads		
EMBIG (bp) 3/		296
5Y CDS (bp)		92
Ratings	Foreign	Local
Moody's	A3	A3
S&Ps	BBB+	A-
Fitch	BBB	BBB

Contribution to Changes in Public Debt

	Actual			Projections							
	2008-2016	2017	2018	2019	2020	2021	2022	2023	2024	cumulative	debt-stabilizing primary balance [9/]
Change in gross public sector debt	2.2	-2.7	-0.3	0.5	0.7	0.1	0.1	0.0	0.1	1.5	
Identified debt-creating flows	2.1	-3.6	-0.4	0.6	0.6	0.0	0.0	-0.1	-0.1	1.1	
Primary deficit	0.6	-2.6	-1.6	-0.9	-0.9	-1.2	-1.1	-1.1	-1.0	-6.2	1.0
Primary (noninterest) revenue and grants	24.0	24.3	23.2	22.5	22.0	22.1	22.2	22.2	22.4	133.5	
Primary (noninterest) expenditure	24.6	21.7	21.6	21.7	21.1	20.9	21.1	21.1	21.4	127.2	
Automatic debt dynamics [5/]	1.5	-1.4	0.4	2.0	1.5	1.1	1.0	0.9	0.8	7.4	
Interest rate/growth differential [6/]	0.5	-0.6	0.5	2.0	1.5	1.1	1.0	0.9	0.8	7.4	
Of which: real interest rate	1.4	0.5	1.6	2.0	2.2	2.1	2.1	2.1	2.1	12.6	
Of which: real GDP growth	-0.9	-1.1	-1.1	0.0	-0.7	-1.0	-1.1	-1.2	-1.3	-5.2	
Exchange rate depreciation [7/]	0.9	-0.8	-0.1	…	…	…	…	…	…	…	
Other identified debt-creating flows	0.0	0.5	0.8	-0.5	0.0	0.1	0.1	0.1	0.1	0.0	
Interest revenues	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-1.9	
Change in assets	0.3	0.8	1.1	-0.2	0.4	0.4	0.4	0.4	0.4	1.8	
Residual [8/]	0.1	0.8	0.1	-0.1	0.1	0.1	0.1	0.1	0.1	0.5	



Source: IMF staff.

1/ Public sector is defined as the central government, state-owned enterprises, public sector development banks, and social security funds. Excludes local governments.

2/ Based on available data.

3/ EMBIG.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as $[(r - \pi(1+g) - g + ae(1+r)]/(1+g+\pi+g\pi))$ times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

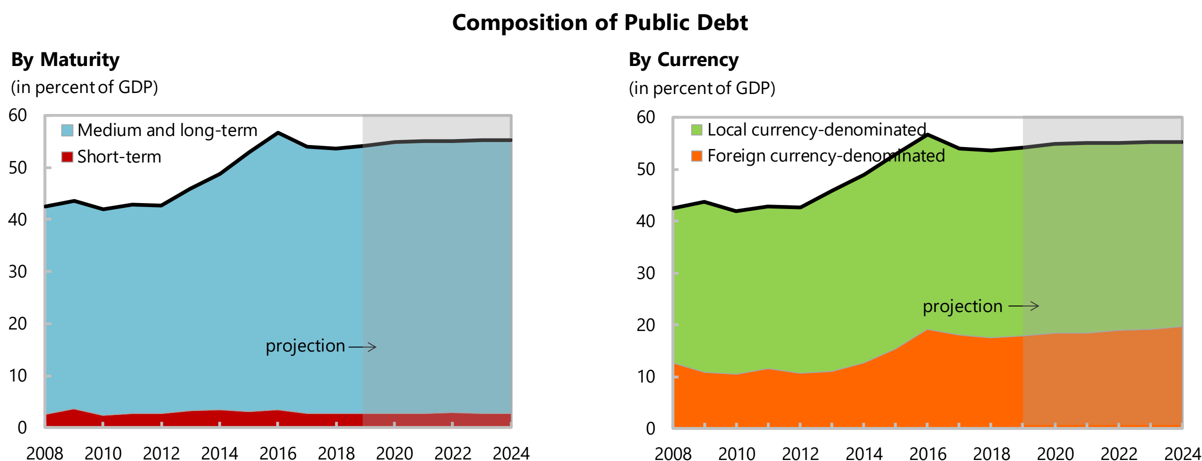
6/ The real interest rate contribution is derived from the numerator in footnote 5 as $r - \pi(1+g)$ and the real growth contribution as -g.

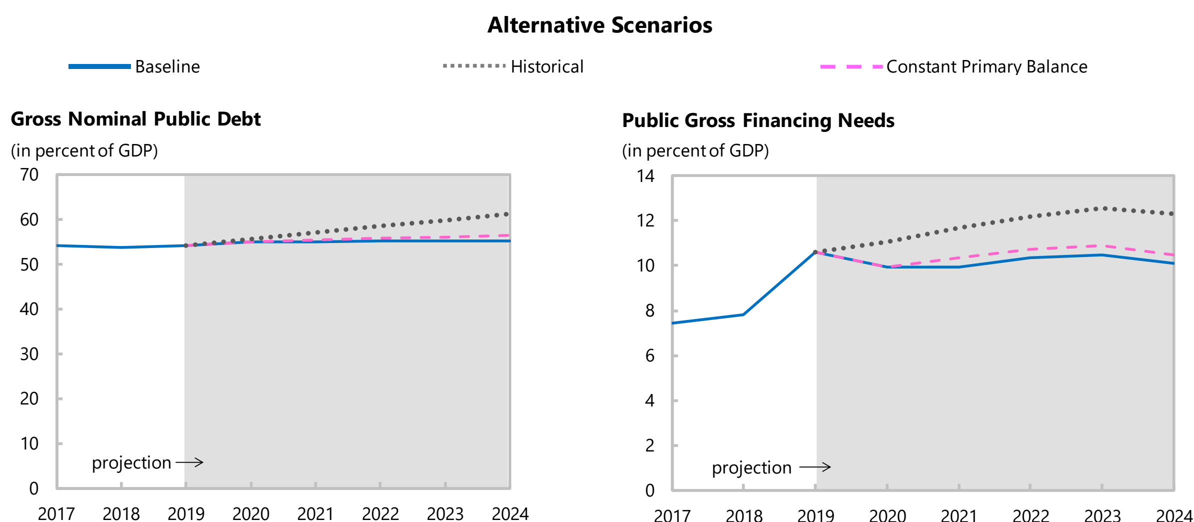
7/ The exchange rate contribution is derived from the numerator in footnote 5 as $ae(1+r)$.

8/ Includes interest revenues (if any). For projections, includes exchange rate changes during the projection period.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure 7. Mexico: Public DSA—Composition of Public Debt and Alternative Scenarios





Underlying Assumptions

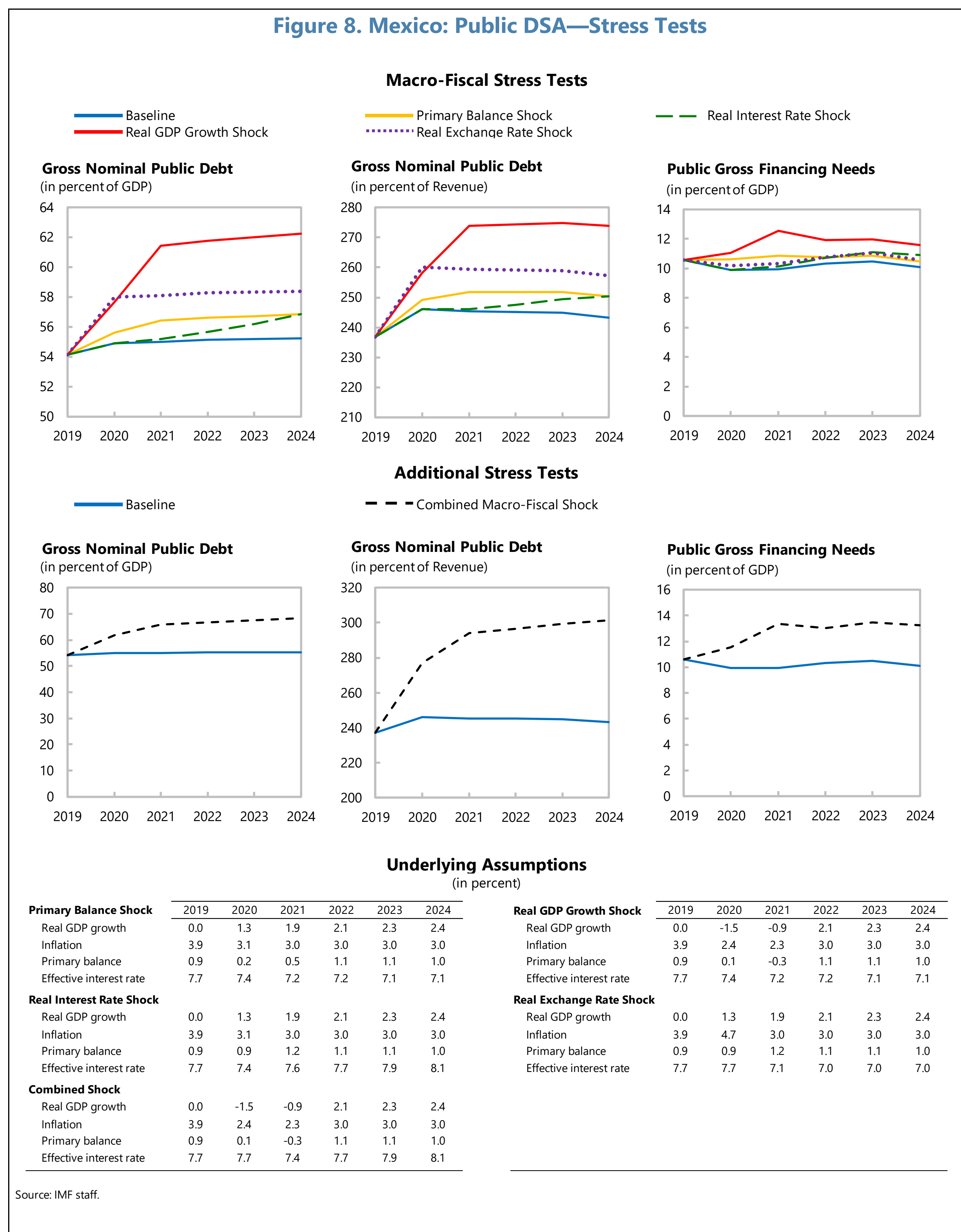
(in percent)

Baseline Scenario	2019	2020	2021	2022	2023	2024
Real GDP growth	0.0	1.3	1.9	2.1	2.3	2.4
Inflation	3.9	3.1	3.0	3.0	3.0	3.0
Primary Balance	0.9	0.9	1.2	1.1	1.1	1.0
Effective interest rate	7.7	7.4	7.2	7.1	7.0	7.0
Constant Primary Balance Scenario						
Real GDP growth	0.0	1.3	1.9	2.1	2.3	2.4
Inflation	3.9	3.1	3.0	3.0	3.0	3.0
Primary Balance	0.9	0.9	0.9	0.9	0.9	0.9
Effective interest rate	7.7	7.4	7.2	7.1	7.0	7.0

Historical Scenario	2019	2020	2021	2022	2023	2024
Real GDP growth	0.0	2.2	2.2	2.2	2.2	2.2
Inflation	3.9	3.1	3.0	3.0	3.0	3.0
Primary Balance	0.9	-0.3	-0.3	-0.3	-0.3	-0.3
Effective interest rate	7.7	7.4	7.0	6.8	6.6	6.5

Source: IMF staff.

Figure 8. Mexico: Public DSA—Stress Tests



Underlying Assumptions
(in percent)

Primary Balance Shock	2019	2020	2021	2022	2023	2024
Real GDP growth	0.0	1.3	1.9	2.1	2.3	2.4
Inflation	3.9	3.1	3.0	3.0	3.0	3.0
Primary balance	0.9	0.2	0.5	1.1	1.1	1.0
Effective interest rate	7.7	7.4	7.2	7.2	7.1	7.1
Real Interest Rate Shock						
Real GDP growth	0.0	1.3	1.9	2.1	2.3	2.4
Inflation	3.9	3.1	3.0	3.0	3.0	3.0
Primary balance	0.9	0.9	1.2	1.1	1.1	1.0
Effective interest rate	7.7	7.4	7.6	7.7	7.9	8.1
Combined Shock						
Real GDP growth	0.0	-1.5	-0.9	2.1	2.3	2.4
Inflation	3.9	2.4	2.3	3.0	3.0	3.0
Primary balance	0.9	0.1	-0.3	1.1	1.1	1.0
Effective interest rate	7.7	7.7	7.4	7.7	7.9	8.1

Real GDP Growth Shock	2019	2020	2021	2022	2023	2024
Real GDP growth	0.0	-1.5	-0.9	2.1	2.3	2.4
Inflation	3.9	2.4	2.3	3.0	3.0	3.0
Primary balance	0.9	0.1	-0.3	1.1	1.1	1.0
Effective interest rate	7.7	7.4	7.2	7.2	7.1	7.1
Real Exchange Rate Shock						
Real GDP growth	0.0	1.3	1.9	2.1	2.3	2.4
Inflation	3.9	4.7	3.0	3.0	3.0	3.0
Primary balance	0.9	0.9	1.2	1.1	1.1	1.0
Effective interest rate	7.7	7.7	7.1	7.0	7.0	7.0

Source: IMF staff.

Table 1. Mexico: Selected Economic, Financial, and Social Indicators

GDP per capita (U.S. dollars, 2018)	9,786.1	Poverty headcount ratio (% of population, 2018) 1/	41.9
Population (millions, 2018)	124.7	Income share of highest 20 perc. / lowest 20 perc. (2018)	9.7
Life expectancy at birth (years, 2017)	74.9	Adult literacy rate (2018)	95.4
Infant mortality rate (per thousand, 2018)	11.0	Gross primary education enrollment rate (2017) 2/	105.8

II. Economic Indicators

					Proj.	
	2015	2016	2017	2018	2019	2020
	(Annual percentage change, unless otherwise indicated)					
National accounts (in real terms)						
GDP	3.3	2.9	2.1	2.1	0.0	1.3
Consumption	2.6	3.6	2.8	2.4	0.1	1.7
Private	2.7	3.7	3.2	2.3	0.1	1.8
Public	1.9	2.6	0.7	3.0	0.3	1.1
Investment	4.3	1.4	-1.6	0.3	-3.9	-0.5
Fixed	5.0	1.0	-1.6	0.9	-4.5	0.1
Private	8.9	1.4	0.4	1.2	-3.8	0.2
Public	-10.7	-0.8	-11.9	-0.9	-9.2	-1.0
Inventories 3/	-0.1	0.1	0.0	-0.1	0.1	-0.1
Exports of goods and services	8.4	3.6	4.2	5.9	3.1	2.2
Imports of goods and services	5.9	2.8	6.4	5.9	0.2	2.1
GDP per capita	2.2	1.8	1.1	1.1	-1.0	0.4
External sector						
External current account balance (in percent of GDP)	-2.6	-2.2	-1.7	-1.8	-1.1	-1.6
Exports of goods, f.o.b. 4/	-4.1	-1.7	9.5	10.1	2.1	1.8
Export volume	7.6	2.5	3.8	6.3	3.1	2.1
Imports of goods, f.o.b. 4/	-1.2	-2.1	8.6	10.4	0.8	3.4
Import volume	6.2	2.9	6.2	6.3	0.4	2.1
Net capital inflows (in percent of GDP)	-1.9	-3.0	-2.5	-2.6	-1.2	-1.7
Terms of trade (improvement +)	-4.2	0.7	3.1	-0.3	-1.3	-1.6
Gross international reserves (in billions of U.S. dollars)	177.6	178.0	175.4	176.4	178.0	179.8
Exchange rates						
Real effective exchange rate (CPI based, IFS) (average, appreciation +)	-10.4	-12.9	2.3	0.1	...	...
Nominal exchange rate (MXN/USD) (end of period, appreciation +)	-16.9	-20.5	4.6	0.5	...	...
Employment and inflation						
Consumer prices (end-of-period)	2.1	3.4	6.8	4.8	3.1	3.0
Core consumer prices (end-of-period)	2.4	3.4	4.9	3.7	3.6	3.0
Formal sector employment, IMSS-insured workers (average)	4.3	3.8	4.4	4.1	4.5	...
National unemployment rate (annual average)	4.3	3.9	3.4	3.3	3.5	3.5
Unit labor costs: manufacturing (real terms, average)	2.7	5.1	2.2	3.2	...	...
Money and credit						
Financial system credit to non-financial private sector 5/	14.8	16.5	10.8	8.8	6.9	7.5
Broad money	12.2	12.3	11.2	5.5	4.9	5.5
Public sector finances (in percent of GDP) 6/						
General government revenue	23.5	24.6	24.7	23.5	22.9	22.3
General government expenditure	27.5	27.4	25.7	25.7	25.7	24.9
Overall fiscal balance	-4.0	-2.8	-1.1	-2.2	-2.8	-2.6
Gross public sector debt	52.8	56.8	54.0	53.7	54.2	54.9
Memorandum items						
Nominal GDP (billions of pesos)	18,551.5	20,118.1	21,911.9	23,491.5	24,403.4	25,495.6
Output gap	0.5	0.8	0.3	0.3	-1.2	-1.2

Sources: World Bank Development Indicators, CONEVAL, National Institute of Statistics and Geography, National Council of Population, Bank of Mexico, Secretariat of Finance and Public Credit, and Fund staff estimates.

1/ CONEVAL uses a multi-dimensional approach to measuring poverty based on a "social deprivation index," which takes into account the level of income; education; access to health services; to social security; to food; and quality, size, and access to basic services in the dwelling.
2/ Percent of population enrolled in primary school regardless of age as a share of the population of official primary education age.
3/ Contribution to growth. Excludes statistical discrepancy.
4/ Excludes goods procured in ports by carriers.
5/ Includes domestic credit by banks, nonbank intermediaries, and social housing funds.
6/ Data exclude state and local governments and include state-owned enterprises and public development banks.

Table 2. Mexico: Statement of Operations of the Public Sector, Authorities' Presentation 1/
(In percent of GDP)

	2016	2017	2018	Proj. 2019	2020	2021	2022	2023	2024
Budgetary revenue, by type	**24.1**	**22.6**	**21.8**	**21.7**	**21.2**	**21.4**	**21.4**	**21.5**	**21.7**
Oil revenue	3.9	3.8	4.2	3.8	3.8	3.9	3.9	3.9	4.1
Non-oil tax revenue	13.5	13.0	13.0	13.2	13.4	13.4	13.5	13.5	13.6
Non-oil non-tax revenue 2/	6.7	5.8	4.6	4.7	4.0	4.0	4.1	4.1	4.1
Budgetary revenue, by entity	**24.1**	**22.6**	**21.8**	**21.7**	**21.2**	**21.4**	**21.4**	**21.5**	**21.7**
Federal government revenue	17.8	17.5	16.5	16.4	15.6	15.6	15.7	15.7	15.9
Tax revenue, *of which:*	13.5	13.0	13.0	13.2	13.4	13.4	13.5	13.5	13.6
Excises (including fuel)	2.0	1.7	1.5	1.9	1.9	1.9	1.9	2.0	2.0
Nontax revenue	4.3	4.5	3.4	3.2	2.2	2.2	2.2	2.2	2.3
Public enterprises	6.3	5.1	5.3	5.3	5.6	5.8	5.8	5.8	5.8
PEMEX	2.4	1.8	1.9	1.9	2.2	2.4	2.4	2.4	2.4
Other	3.9	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Budgetary expenditure	**26.6**	**23.7**	**23.8**	**23.8**	**23.3**	**23.0**	**23.2**	**23.3**	**23.6**
Primary	24.2	21.2	21.2	20.8	21.0	21.2	21.7	22.0	22.3
Programmable	20.7	17.6	17.3	17.1	17.3	17.4	18.0	18.3	18.5
Current	14.8	14.0	14.2	14.3	14.5	14.5	14.7	14.9	15.2
Wages	5.5	5.2	5.2	5.1	5.2	5.2	5.2	5.2	5.2
Pensions 3/	3.2	3.2	3.4	3.7	3.8	4.0	4.2	4.4	4.6
Subsidies and transfers	3.4	2.9	2.7	2.8	2.8	2.8	2.8	2.8	2.8
Other	2.7	2.7	2.9	2.7	2.7	2.5	2.5	2.5	2.5
Capital	5.9	3.6	3.1	2.9	2.8	2.9	3.3	3.3	3.4
Physical capital	3.6	2.6	2.6	2.6	2.6	2.9	3.2	3.3	3.3
Financial capital 4/	2.3	1.0	0.4	0.2	0.2	0.1	0.1	0.1	0.1
Nonprogrammable	3.6	3.6	3.9	3.7	3.7	3.7	3.7	3.7	3.8
Of which: revenue sharing	3.4	3.5	3.6	3.7	3.6	3.6	3.6	3.6	3.6
Interest payments	**2.4**	**2.4**	**2.6**	**2.9**	**2.9**	**2.9**	**2.9**	**2.9**	**2.9**
Unspecified measures	**0.0**	**0.0**	**0.0**	**0.0**	**-0.6**	**-1.0**	**-1.5**	**-1.5**	**-1.6**
Traditional balance	**-2.5**	**-1.1**	**-2.1**	**-2.0**	**-2.1**	**-1.7**	**-1.8**	**-1.8**	**-1.9**
Adjustments to the traditional balance	**-0.3**	**0.0**	**-0.1**	**-0.8**	**-0.5**	**-0.5**	**-0.5**	**-0.5**	**-0.5**
Public Sector Borrowing Requirements	**2.8**	**1.1**	**2.2**	**2.8**	**2.6**	**2.2**	**2.3**	**2.3**	**2.4**
Memorandum items									
Structural current spending 5/	11.1	10.1	9.9						
Structural current spending real growth (y/y, in percent)	-5.0	-6.6	-0.2						

Sources: Ministry of Finance and Public Credit; and IMF staff estimates.

1/ Data exclude state and local governments, and include state-owned enterprises and public development banks.

2/ Includes revenues from the oil-price hedge for 0.6 percent of GDP in 2015 and 0.3 percent of GDP in 2016; and Bank of Mexico's operating surplus transferred to the federal government for 0.2 percent of GDP in 2015, 1.2 percent of GDP in 2016, and 1.5 percent of GDP in 2017.

3/ Includes social assistance benefits.

4/ Due to lack of disaggregated data this item includes both financing and capital transfers.

5/ The 2014 amendment to the FRL introduced a cap on the real growth rate of structural current spending set at 2.0 percent for 2015 and 2016, and equal to potential growth thereafter. Structural current spending is defined as total budgetary expenditure, excluding: (i) interest payments; (ii) non-programable spending; (iii) cost of fuels for electricity generation; (iv) public sector pensions; (v) direct physical and financial investment of the federal government; and (vi) expenditure by state productive enterprises and their subsidiaries.

Table 3. Mexico: Statement of Operations of the Public Sector, GFSM 2014 Presentation 1/

(In percent of GDP)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
				Proj.					
Revenue	**24.6**	**24.7**	**23.5**	**22.9**	**22.3**	**22.4**	**22.5**	**22.5**	**22.7**
Taxes	**13.5**	**13.0**	**13.0**	**13.2**	**13.4**	**13.4**	**13.5**	**13.5**	**13.6**
Taxes on income, profits and capital gains	7.1	7.1	7.1	7.0	7.0	7.0	7.1	7.1	7.1
Taxes on goods and services	6.0	5.4	5.4	5.7	5.8	5.9	5.9	6.0	6.0
Value added tax	3.9	3.7	3.9	3.8	3.9	3.9	3.9	4.0	4.0
Excises	2.0	1.7	1.5	1.9	1.9	1.9	1.9	2.0	2.0
Taxes on international trade and transactions	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other taxes	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Social contributions	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**
Other revenue	**9.0**	**9.6**	**8.3**	**7.5**	**6.8**	**6.9**	**6.9**	**6.8**	**7.0**
Property income 2/	4.1	4.6	3.5	3.1	2.3	2.2	2.2	2.2	2.3
Other	4.8	5.0	4.9	4.3	4.5	4.6	4.6	4.6	4.6
Total expenditure	**27.4**	**25.7**	**25.7**	**25.7**	**24.9**	**24.6**	**24.8**	**24.8**	**25.1**
Expense	**24.7**	**24.1**	**24.1**	**23.9**	**23.7**	**23.5**	**23.8**	**23.9**	**24.2**
Compensation of employees	3.5	3.4	3.4	3.3	3.4	3.4	3.4	3.4	3.4
Purchases of goods and services	3.8	3.3	3.6	3.3	3.3	3.1	3.1	3.1	3.1
Interest 3/	3.3	4.0	4.1	4.0	3.8	3.8	3.7	3.7	3.7
Subsidies and transfers	2.0	1.7	1.8	1.6	1.6	1.7	1.6	1.7	1.6
o/w fuel subsidy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants 4/	8.6	8.3	8.2	8.3	8.3	8.2	8.2	8.2	8.3
Social benefits	3.2	3.2	3.4	3.7	3.8	4.0	4.2	4.4	4.6
Other expense	0.2	0.1	-0.4	-0.3	-0.5	-0.6	-0.4	-0.6	-0.6
Net acquisition of nonfinancial assets 5/	**2.7**	**1.6**	**1.6**	**1.8**	**1.8**	**2.1**	**2.4**	**2.5**	**2.4**
Unspecified measures	**0.0**	**0.0**	**0.0**	**0.0**	**-0.6**	**-1.0**	**-1.5**	**-1.5**	**-1.6**
Gross Operating Balance	**-0.1**	**0.6**	**-0.6**	**-1.0**	**-1.4**	**-1.1**	**-1.3**	**-1.3**	**-1.5**
Overall Fiscal Balance (Net lending/borrowing)	**-2.8**	**-1.1**	**-2.2**	**-2.8**	**-2.6**	**-2.2**	**-2.3**	**-2.3**	**-2.4**
Primary net lending/borrowing	**0.4**	**2.6**	**1.6**	**0.9**	**0.9**	**1.2**	**1.1**	**1.1**	**1.0**
Memorandum items									
Primary expenditure	24.0	21.7	21.6	21.7	21.1	20.9	21.1	21.1	21.4
Current expenditure	24.7	24.1	24.1	23.9	23.1	22.5	22.3	22.3	22.6
Structural fiscal balance	-3.9	-2.3	-2.4	-2.8	-2.5	-2.1	-2.2	-2.3	-2.4
Structural primary balance 6/	-0.8	1.4	1.4	0.9	1.0	1.4	1.2	1.1	1.0
Fiscal impulse 7/	-0.8	-2.2	-0.1	0.5	-0.1	-0.4	0.2	0.1	0.1
Gross public sector debt 8/	56.8	54.0	53.7	54.2	54.9	55.0	55.1	55.2	55.2
In domestic currency (percentage of total debt)	66.3	66.7	67.5	67.0	66.6	66.4	65.6	65.3	64.4
In foreign currency (percentage of total debt)	33.7	33.3	32.5	33.0	33.4	33.6	34.4	34.7	35.6
Net public sector debt 9/	48.7	45.8	44.9	45.9	46.6	46.7	46.9	46.9	47.0

Sources: Ministry of Finance and Public Credit; and Fund staff estimates and projections.
1/ Data exclude state and local governments, and include state-owned enterprises and public development banks.
2/ Includes revenues from the oil-price hedge for 0.6 percent of GDP in 2015 and 0.3 percent of GDP in 2016, treated as revenues from an insurance claim. It includes also Bank of Mexico's operating surplus transferred to the federal government for 0.2 percent of GDP in 2015, 1.2 percent of GDP in 2016, and 1.5 percent of GDP in 2017.
3/ Interest payments differ from official data due to adjustments to account for changes in valuation and interest rates.
4/ Includes transfers to state and local governments under revenue-sharing agreements with the federal government.
5/ This category differs from official data on physical capital spending due to adjustments to account for Pidiregas amortizations included in budget figures and the reclassification of earmarked transfers to sub-national governments.
6/ Adjusting revenues for the economic and oil-price cycles and excluding one-off items (e.g. oil hedge income and Bank of Mexico transfers).
7/ Negative of the change in the structural primary fiscal balance.
8/ Corresponds to the gross stock of public sector borrowing requirements, calculated as the net stock of public sector borrowing requirements as published by the authorities plus public sector financial assets.
9/ Corresponds to the net stock of public sector borrowing requirements (i.e., net of public sector financial assets) as published by the authorities.

Table 4a. Mexico: Summary Balance of Payments
(In billions of U.S. dollars)

	2016	2017	2018	2019 (Proj.)	2020	2021	2022	2023	2024
Current account	**-24.2**	**-20.1**	**-22.0**	**-14.0**	**-20.3**	**-22.7**	**-25.4**	**-28.1**	**-31.2**
Merchandise goods trade balance	-13.1	-11.0	-13.6	-7.9	-15.9	-18.2	-20.5	-22.1	-22.1
Exports, f.o.b. 2/	373.9	409.4	450.7	460.3	468.4	489.5	518.4	553.2	592.8
o/w Manufactures	335.9	364.3	397.3	412.3	427.0	450.0	472.8	503.8	544.1
o/w Petroleum and derivatives 1/	18.8	23.7	30.6	26.7	26.2	26.8	27.6	29.3	30.7
Imports, f.o.b. 2/	387.1	420.4	464.3	468.2	484.3	507.7	539.0	575.3	614.9
o/w Petroleum and derivatives 1/	31.6	42.0	53.8	45.8	42.9	42.0	42.5	43.6	45.2
Services, net	-9.0	-9.9	-8.9	-6.8	-7.0	-7.4	-8.0	-8.5	-9.1
Primary income, net	-29.3	-29.4	-32.2	-32.9	-32.4	-33.9	-35.6	-37.9	-42.1
Secondary income (mostly remittances), net	27.1	30.1	32.9	33.7	35.0	36.8	38.7	40.4	42.2
Capital Account, net	**0.0**	**0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-0.1**
Financial Account (Net lending (+)/Net borrowing (-))	**-32.7**	**-33.5**	**-31.4**	**-14.1**	**-20.3**	**-22.7**	**-25.4**	**-28.2**	**-31.2**
Foreign direct investment, net	-30.4	-29.6	-26.7	-26.6	-29.1	-31.6	-33.5	-35.1	-36.9
Net acquisition of financial assets	6.0	3.4	10.8	11.2	10.7	11.1	11.5	11.9	12.3
Net incurrence of liabilities	36.4	32.9	37.5	37.9	39.8	42.7	44.9	47.0	49.2
Portfolio investment, net	-28.1	-10.2	-8.3	-12.0	-16.4	-6.8	-14.3	-14.2	-14.2
Net acquisition of financial assets	1.5	13.8	1.2	3.0	4.0	4.0	2.5	2.0	2.0
Net incurrence of liabilities	29.7	24.0	9.5	15.0	20.4	10.8	16.8	16.2	16.2
Public Sector	21.4	5.8	10.7	9.7	15.6	6.0	12.0	11.4	11.4
o/w Local currency domestic-issued bonds	-1.5	-0.3	0.1	4.7	10.1	-0.5	6.0	5.5	5.5
Private sector	8.3	18.3	-1.2	5.3	4.8	4.8	4.8	4.8	4.8
Securities issued abroad	-1.2	7.9	-3.6	2.8	2.8	2.8	2.8	2.8	2.8
Equity	9.5	10.3	2.4	2.5	2.0	2.0	2.0	2.0	2.0
Pidiregas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives, net	-2.2	3.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Other investments, net	28.3	8.0	2.6	22.9	23.4	12.7	18.7	16.5	14.8
Net acquisition of financial assets	24.8	5.5	9.3	25.0	25.5	14.7	20.8	18.6	16.8
Net incurrence of liabilities	-3.5	-2.4	6.7	2.0	2.0	2.0	2.0	2.0	2.0
Change in Reserves Assets	-0.1	-4.8	0.5	1.6	1.8	3.1	3.6	4.6	5.1
Total change in gross reserves assets	0.4	-2.6	0.9	1.6	1.8	3.1	3.6	4.6	5.1
Valuation change	0.6	2.2	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Errors and Omissions	**-8.5**	**-13.6**	**-9.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
International Investment Position, net	**-532.1**	**-558.6**	**-568.2**	**-582.3**	**-602.6**	**-625.4**	**-650.8**	**-679.0**	**-710.2**
Memorandum items									
Hydrocarbons exports volume growth (in percent)	2.0	1.2	1.8	-5.4	4.1	7.6	4.4	6.0	3.7
Non-hydrocarbons exports volume growth (in percent)	2.6	3.9	6.4	3.3	2.1	3.5	4.2	4.5	4.6
Hydrocarbons imports volume growth (in percent)	16.5	14.9	4.8	-9.2	0.2	2.2	2.1	2.3	2.1
Non-hydrocarbons imports volume growth (in percent)	2.6	5.9	6.4	0.7	2.2	3.7	4.3	4.6	4.6
Crude oil export volume (in millions of bbl/day)	1.2	1.2	1.2	1.1	1.2	1.2	1.3	1.4	1.4
Gross international reserves (in billions of U.S. dollars)	178.0	175.4	176.4	178.0	179.8	182.9	186.5	191.1	196.3
Gross domestic product (in billions of U.S. dollars)	1,077.9	1,157.7	1,220.7	1,263.3	1,302.0	1,359.5	1,419.9	1,485.8	1,555.8

Sources: Bank of Mexico, National Institute of Statistics and Geography, and Fund staff estimates.
1/ Crude oil, derivatives, petrochemicals, and natural gas.
2/ Excludes goods procured in ports by carriers.

Table 4b. Mexico: Summary Balance of Payments
(In percent of GDP)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
				Proj.					
Current account	**-2.2**	**-1.7**	**-1.8**	**-1.1**	**-1.6**	**-1.7**	**-1.8**	**-1.9**	**-2.0**
Merchandise goods trade balance	-1.2	-0.9	-1.1	-0.6	-1.2	-1.3	-1.4	-1.5	-1.4
Exports, f.o.b. 2/	34.7	35.4	36.9	36.4	36.0	36.0	36.5	37.2	38.1
o/w Manufactures	31.2	31.5	32.6	32.6	32.8	33.1	33.3	33.9	35.0
o/w Petroleum and derivatives 1/	1.7	2.0	2.5	2.1	2.0	2.0	1.9	2.0	2.0
Imports, f.o.b. 2/	35.9	36.3	38.0	37.1	37.2	37.3	38.0	38.7	39.5
o/w Petroleum and derivatives 1/	2.9	3.6	4.4	3.6	3.3	3.1	3.0	2.9	2.9
Services, net	-0.8	-0.9	-0.7	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6
Primary income, net	-2.7	-2.5	-2.6	-2.6	-2.5	-2.5	-2.5	-2.6	-2.7
Secondary income (mostly remittances), net	2.5	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Capital Account, net	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial Account (Net lending (+)/Net borrowing (-))	**-3.0**	**-2.9**	**-2.6**	**-1.1**	**-1.6**	**-1.7**	**-1.8**	**-1.9**	**-2.0**
Foreign direct investment, net	-2.8	-2.6	-2.2	-2.1	-2.2	-2.3	-2.4	-2.4	-2.4
Net acquisition of financial assets	0.6	0.3	0.9	0.9	0.8	0.8	0.8	0.8	0.8
Net incurrence of liabilities	3.4	2.8	3.1	3.0	3.1	3.1	3.2	3.2	3.2
Portfolio investment, net	-2.6	-0.9	-0.7	-1.0	-1.3	-0.5	-1.0	-1.0	-0.9
Net acquisition of financial assets	0.1	1.2	0.1	0.2	0.3	0.3	0.2	0.1	0.1
Net incurrence of liabilities	2.8	2.1	0.8	1.2	1.6	0.8	1.2	1.1	1.0
Public Sector	2.0	0.5	0.9	0.8	1.2	0.4	0.8	0.8	0.7
o/w Local currency domestic-issued bonds	-0.1	0.0	0.0	0.4	0.8	0.0	0.4	0.4	0.4
Private sector	0.8	1.6	-0.1	0.4	0.4	0.4	0.3	0.3	0.3
Securities issued abroad	-0.1	0.7	-0.3	0.2	0.2	0.2	0.2	0.2	0.2
Equity	0.9	0.9	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Pidiregas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives, net	-0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investments, net	2.6	0.7	0.2	1.8	1.8	0.9	1.3	1.1	1.0
Net acquisition of financial assets	2.3	0.5	0.8	2.0	2.0	1.1	1.5	1.2	1.1
Net incurrence of liabilities	-0.3	-0.2	0.5	0.2	0.2	0.2	0.1	0.1	0.1
Change in Reserves Assets	0.0	-0.4	0.0	0.1	0.1	0.2	0.3	0.3	0.3
Total change in gross reserves assets	0.0	-0.2	0.1	0.1	0.1	0.2	0.3	0.3	0.3
Valuation change	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and Omissions	**-0.8**	**-1.2**	**-0.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
International Investment Position, net	**-49.4**	**-48.2**	**-46.5**	**-46.1**	**-46.3**	**-46.0**	**-45.8**	**-45.7**	**-45.6**

Sources: Bank of Mexico, National Institute of Statistics and Geography, and Fund staff estimates.
1/ Crude oil, derivatives, petrochemicals, and natural gas.
2/ Excludes goods procured in ports by carriers.

Table 5. Mexico: Financial Soundness Indicators
(In percent)

	2016	2017	2018	2019	Latest data available 1/
Capital Adequacy					
Regulatory capital to risk-weighted assets	14.9	15.6	15.9	15.7	June
Regulatory Tier 1 capital to risk-weighted assets	13.2	14.2	14.2	14.2	June
Capital to assets	9.9	10.4	10.7	10.7	June
Gross asset position in financial derivatives to capital	91.8	71.1	63.3	52.3	June
Gross liability position in financial derivatives to capital	96.5	76.0	63.9	53.3	June
Asset Quality					
Nonperforming loans to total gross loans	2.1	2.1	2.1	2.1	June
Provisions to Nonperforming loans	157.1	154.8	152.4	149.2	June
Earnings and Profitability					
Return on assets	1.7	2.0	2.2	2.3	June
Return on equity	16.3	19.6	20.9	20.9	June
Liquidity					
Liquid assets to short-term liabilities	42.4	42.2	42.3	40.2	June
Liquid assets to total assets	31.4	32.0	31.6	30.5	June
Customer deposits to total (noninterbank) loans	88.9	91.4	89.3	88.7	June
Trading income to total income	4.4	5.0	4.5	5.3	June

Sources: Financial Soundness Indicators.
1/ End of period.

Table 6. Mexico: Financial Indicators and Measures of External Vulnerabilities

	2016	2017	2018	2019	Latest data available
Financial market indicators					
Exchange rate (per U.S. dollar, period average)	18.7	18.9	19.2	19.3	Sep-19
(year-to-date percent change, + appreciation)	-17.8	-1.4	-1.7	-1.1	Sep-19
28-day treasury auction rate (percent; period average)	4.1	6.7	7.6	8.0	Sep-19
EMBIG Mexico spread (basis points; period average)	303.5	256.0	272.8	320.9	Sep-19
Sovereign 10-year local currency bond yield (period average)	6.2	7.2	7.9	7.8	Sep-19
Stock exchange index (period average, year on year percent change)	3.8	7.5	-3.8	-11.1	Sep-19
Financial system					
Bank of Mexico net international reserves (US$ billion)	176.5	172.8	174.8	176.4	Proj.
Financial system credit on non-financial private sector (year on year percent change) 1/	16.5	10.8	8.8	6.9	Proj.
Nonperforming loans to total gross loans (deposit takers)	2.1	2.1	2.1	2.1	Jun-19
External vulnerability indicators					
Gross financing needs (billions of US$) 2/	123.9	95.4	96.6	97.4	Proj.
Gross international reserves (end-year, billions of US$) 3/	178.0	175.4	176.4	182.9	Sep-19
Change (billions of US$)	0.4	-2.6	0.9	3.3	Sep-19
Months of imports of goods and services	5.1	4.6	4.2	4.2	Proj.
Months of imports plus interest payments	4.8	4.4	4.0	4.0	Proj.
Percent of broad money	48.6	41.1	39.0	37.2	Proj.
Percent of portfolio liabilities	39.9	35.2	36.5	35.7	Proj.
Percent of short-term debt (by residual maturity)	236.0	246.6	227.3	229.6	Proj.
Percent of ARA Metric 4/	134.8	121.9	119.9	117.5	Proj.
Percent of GDP	16.5	15.2	14.4	14.4	Jun-19
Gross total external debt (in percent of GDP)	38.3	37.7	36.6	37.5	Proj.
Of which: In local currency	9.5	9.3	8.9	9.0	Proj.
Of which: Public debt	25.9	25.6	25.1	25.0	Proj.
Of which: Private debt	12.4	12.1	11.5	12.5	Proj.
Financial sector	1.4	1.2	1.7		
Nonfinancial sector	11.0	10.9	9.8		
Gross total external debt (billions of US$)	412.6	436.6	446.7	474.2	Proj.
Of which: In local currency	102.1	107.2	108.5	113.2	Proj.
Of which: Public debt	278.7	296.6	306.0	315.8	Proj.
Of which: Private debt	133.9	140.0	140.7	158.4	Proj.
Financial sector	15.5	14.0	20.6		
Nonfinancial sector	118.5	126.0	120.1		
External debt service (in percent of GDP)	10.8	8.4	7.7	8.0	Proj.

Sources: Bank of Mexico, National Banking and Securities Commission, National Institute of Statistics and Geography, Ministry of Finance and Public Credit, and Fund staff estimates.

1/ Includes domestic credit by banks, nonbank intermediaries, and social housing funds.

2/ Corresponds to the sum of the current account deficit, amortization payments, and the change in gross international reserves.

3/ Excludes balances under bilateral payments accounts. For 2009, includes the allocation of SDR 2.337 billion in the general allocation implemented on August 28, 2009, and another SDR 0.224 billion in the special allocation on September 9.

4/ The ARA metric was developed by the Strategy and Policy Review Department at the IMF to assess reserve adequacy. Weights to individual components were revised in December 2014 for the whole time series.

Table 7. Mexico: Baseline Medium-Term Projections

	2016	2017	2018	2019	2020	2021	2022	2023	2024
				Proj.					
National accounts (in real terms, contributions to growth) 1/									
GDP	2.9	2.1	2.1	0.0	1.3	1.9	2.1	2.3	2.4
Consumption	2.8	2.2	1.9	0.1	1.3	1.6	1.8	1.9	2.0
Private	2.5	2.1	1.5	0.1	1.2	1.4	1.6	1.7	1.8
Public	0.3	0.1	0.4	0.0	0.1	0.2	0.2	0.2	0.2
Investment	0.3	-0.4	0.1	-0.8	-0.1	0.3	0.3	0.4	0.4
Fixed	0.2	-0.3	0.2	-0.9	0.0	0.3	0.3	0.4	0.4
Private	0.3	0.1	0.2	-0.7	0.0	0.2	0.2	0.3	0.3
Public	0.0	-0.4	0.0	-0.3	0.0	0.1	0.1	0.1	0.1
Inventories	0.1	0.0	-0.1	0.1	-0.1	0.0	0.0	0.0	0.0
Exports of goods and services	1.2	1.4	2.1	1.1	0.8	1.4	1.6	1.8	1.8
Oil exports	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Non-oil exports	1.2	1.4	2.1	1.2	0.8	1.3	1.6	1.8	1.8
Imports of goods and services	1.0	2.2	2.1	0.1	0.8	1.4	1.6	1.8	1.8
Oil imports	0.1	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Non-oil imports	0.9	2.1	2.1	0.2	0.8	1.3	1.6	1.8	1.8
Net exports	0.2	-0.8	0.0	1.1	0.0	0.0	0.0	0.0	0.0
Consumer prices									
End of period	3.4	6.8	4.8	3.1	3.0	3.0	3.0	3.0	3.0
Average	2.8	6.0	4.9	3.7	3.1	3.0	3.0	3.0	3.0
External sector									
Current account balance (in percent of GDP)	-2.2	-1.7	-1.8	-1.1	-1.6	-1.7	-1.8	-1.9	-2.0
Non-hydrocarbon current account balance (in percent of GDP)	-1.1	-0.2	0.1	0.4	-0.3	-0.6	-0.7	-0.9	-1.1
Exports of goods, f.o.b.	-1.7	9.5	10.1	2.1	1.8	4.5	5.9	6.7	7.2
Imports of goods, f.o.b.	-2.1	8.6	10.4	0.8	3.4	4.8	6.2	6.7	6.9
Terms of trade (improvement +)	0.7	3.1	-0.3	-1.3	-1.6	-0.3	-0.2	0.0	0.2
Crude oil export price, Mexican mix (US$/bbl)	35.8	46.4	61.7	57.9	54.5	52.0	51.3	51.4	52.0
Non-financial public sector									
Overall balance	-2.8	-1.1	-2.2	-2.8	-2.6	-2.2	-2.3	-2.3	-2.4
Primary balance	0.4	2.6	1.6	0.9	0.9	1.2	1.1	1.1	1.0
Saving and investment 2/									
Gross domestic investment	23.8	23.0	22.7	21.7	21.2	20.7	20.2	19.8	19.5
Fixed investment	22.9	22.1	22.1	20.9	20.4	20.0	19.6	19.2	18.8
Public	3.5	3.1	3.1	2.9	2.8	2.8	2.7	2.7	2.6
Private	19.4	19.1	19.0	18.1	17.7	17.2	16.9	16.5	16.2
Gross domestic saving	21.5	21.2	20.9	20.6	19.7	19.1	18.5	18.0	17.5
Public	0.8	2.0	0.9	0.1	0.2	0.6	0.4	0.4	0.3
Private	20.7	19.2	20.1	20.5	19.5	18.5	18.1	17.6	17.2
Memorandum items									
Financial system credit to non-financial private sector	16.5	10.8	8.8	6.9	7.5	8.9	9.1	9.3	9.4
Output gap (in percent of potential GDP)	0.8	0.3	0.3	-1.2	-1.2	-1.0	-0.7	-0.2	0.0
Total population	1.0	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.8
Working-age population 3/	1.6	1.6	1.5	1.5	1.4	1.3	1.3	1.2	1.1

Sources: Bank of Mexico, National Institute of Statistics and Geography, Ministry of Finance and Public Credit, Bloomberg, and IMF staff projections.
1/ Contribution to growth. Excludes statistical discrepancy.
2/ Reported numbers may differ from authorities' due to rounding.
3/ Based on United Nations population projections.

Table 8. Mexico: Monetary Indicators 1/
(In billions of Pesos)

	2015	2016	2017	2018	Proj. 2019
Banco de México					
Net foreign assets	3,019	3,619	3,392	3,408	3,410
Net international reserves	3,074	3,682	3,457	3,471	3,473
Gross international reserves	3,075	3,683	3,458	3,472	3,474
Reserve liabilities	1	1	1	1	1
Other net foreign assets	-55	-63	-65	-63	-63
Net domestic assets	-1,777	-2,198	-1,846	-1,794	-1,654
Net domestic credit	-1,293	-1,413	-1,627	-1,622	-1,622
Net credit to non-financial public sector	-1,543	-1,221	-1,516	-1,525	-1,584
Credit to non-financial private sector	0	0	0	0	0
Net credit to financial corporations	250	-192	-112	-97	-38
Net claims on other depository corporations	250	-192	-112	-97	-38
Net claims on other financial corporations	0	0	0	0	0
Capital account	419	715	153	113	-33
Other items net	-66	-70	-65	-59	-65
Monetary base	1,242	1,420	1,546	1,674	1,756
Other Depository Corporations					
Net foreign assets	6	23	92	-31	-33
Foreign assets	700	650	771	860	903
Foreign liabilities	694	627	679	892	935
Net domestic assets	6,304	7,079	7,805	8,238	9,149
Net credit to the public sector	2,835	2,854	3,071	3,190	3,500
Claims on non-financial public sector	3,217	3,272	3,526	3,688	3,988
in pesos	3,115	3,120	3,374	3,528	3,819
in FX	103	152	152	160	168
Liabilities to the nonfinancial public sector	382	418	455	498	488
Credit to the private sector	4,432	5,215	5,896	6,304	6,741
Local Currency	3,843	4,499	5,173	5,538	5,930
Foreign Currency	589	716	723	766	812
Net credit to the financial system	475	878	967	937	814
Other	-1,438	-1,868	-2,128	-2,194	-1,907
Liabilities to the private sector	6,310	7,102	7,898	8,206	8,259
Liquid liabilities	5,675	6,345	7,079	7,406	7,605
Local currency	5,294	5,780	6,384	6,788	654
Foreign currency	381	565	694	617	857
Non liquid liabilities	635	757	819	801	819
Local currency	604	730	786	765	38
Foreign currency	31	26	33	36	0
Total Banking System					
Net foreign assets	3,025	3,642	3,484	3,377	3,378
Net domestic assets	4,527	4,880	5,959	6,444	7,495
Liquid liabilities	6,917	7,766	8,625	9,080	10,015
Non-liquid liabilities	635	757	819	801	857
Memorandum items					
Monetary base (percent change)	16.8	14.4	8.8	8.3	4.9
Currency in circulation (percent change)	17.2	16.0	8.8	8.9	4.9
Broad money (percent change)	12.2	12.3	11.2	5.5	4.9
Bank credit to the non-financial private sector (growth rate)	15.6	17.7	13.0	6.9	6.9
Bank credit to the non-financial private sector (as percent of GDP)	23.9	25.9	26.9	26.8	27.6

Source: Bank of Mexico, National Institute of Statistics and Geography and Fund staff estimates.
1/ Data of the monetary sector are prepared based on the IMF's methodological criteria and do not necessarily coincide with the definitions published by Bank of Mexico.

Table 9. Mexico: External Debt Sustainability Framework

(In percent of GDP, unless otherwise indicated)

	Actual					10-Year	10-Year	Projections						
	2014	2015	2016	2017	2018	Historical Average	Standard Deviation	2019	2020	2021	2022	2023	2024	Debt-stabilizing non-interest current account 6/
1 **Baseline: External debt**	32.4	35.6	38.3	37.7	36.6			**37.5**	**39.0**	**39.3**	**39.9**	**40.2**	**40.5**	**-2.4**
2 Change in external debt	1.4	3.2	2.7	-0.6	-1.1			0.9	1.5	0.2	0.6	0.4	0.3	
3 Identified external debt-creating flows (4+8+9)	-1.7	2.0	0.6	-4.0	-2.5			-1.1	-1.1	-1.2	-1.2	-1.2	-1.2	
4 Current account deficit, excluding interest payments	0.3	0.9	0.4	-0.1	-0.1			-0.8	-0.3	-0.1	0.0	0.2	0.3	
5 Deficit in balance of goods and services	-64.9	-71.1	-76.0	-77.4	-80.5			-78.8	-78.5	-78.8	-80.0	-81.7	-83.5	
6 Exports	31.9	34.5	37.0	37.8	39.3			38.8	38.4	38.5	39.0	39.8	40.7	
7 Imports	-33.1	-36.6	-39.0	-39.6	-41.2			-40.0	-40.1	-40.3	-41.0	-41.9	-42.7	
8 Net non-debt creating capital inflows (negative)	-2.2	-2.5	-2.9	-2.9	-2.2			-2.2	-2.2	-2.2	-2.2	-2.2	-2.3	
9 Automatic debt dynamics 1/	0.2	3.6	3.1	-0.9	-0.2			1.9	1.4	1.1	1.0	0.9	0.8	
10 Contribution from nominal interest rate	1.6	1.7	1.9	1.9	1.9			1.9	1.8	1.8	1.8	1.7	1.7	
11 Contribution from real GDP growth	-0.8	-1.2	-1.1	-0.8	-0.8			0.0	-0.5	-0.7	-0.8	-0.9	-0.9	
12 Contribution from price and exchange rate changes 2/	-0.5	3.1	2.4	-2.0	-1.3			...	...	...	...	...	...	
13 Residual, incl. change in gross foreign assets (2-3) 3/	3.0	1.1	2.1	3.4	1.4			2.0	2.6	1.5	1.8	1.6	1.4	
External debt-to-exports ratio (in percent)	101.7	103.1	103.5	99.8	93.1			96.7	101.7	102.1	102.1	101.1	99.4	
Gross external financing needs (in billions of US dollars) 4/	136.7	139.9	123.5	98.0	95.7			95.7	106.7	112.1	117.3	121.8	122.4	
in percent of GDP	10.4	12.0	11.5	8.5	7.8			7.6	8.2	8.2	8.3	8.2	7.9	
Scenario with key variables at their historical averages 5/								**37.5**	**40.1**	**42.1**	**44.5**	**46.9**	**49.3**	**-0.4**
Key Macroeconomic Assumptions Underlying Baseline														
Real GDP growth (in percent)	2.8	3.3	2.9	2.1	2.1	2.2	2.8	0.0	1.3	1.9	2.1	2.3	2.4	
GDP deflator in US dollars (change in percent)	0.3	-13.8	-10.5	5.2	3.2	-0.8	9.2	3.5	1.7	2.5	2.3	2.3	2.3	
Nominal external interest rate (in percent)	5.2	4.7	4.8	5.2	5.2	5.4	0.5	5.3	5.0	4.8	4.7	4.6	4.5	
Growth of exports (US dollar terms, in percent)	5.0	-3.6	-1.3	9.8	9.7	5.2	12.9	2.2	1.9	4.6	6.0	6.7	7.2	
Growth of imports (US dollar terms, in percent)	5.1	-1.5	-1.8	9.0	9.7	4.9	12.8	0.5	3.5	4.9	6.2	6.8	6.9	
Current account balance, excluding interest payments	-0.3	-0.9	-0.4	0.1	0.1	-0.1	0.5	0.8	0.3	0.1	0.0	-0.2	-0.3	
Net non-debt creating capital inflows	2.2	2.5	2.9	2.9	2.2	2.3	0.6	2.2	2.2	2.2	2.2	2.2	2.3	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period, excluding reserve accumulation.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Table 10. Mexico: Capacity to Repay Indicators 1/

	2018	2019	2020	2021	2022	2023	2024
Exposure and Repayments (in SDR millions)							
GRA credit to Mexico	0.0	44,563.5	44,563.5	44,563.5	44,563.5	22,281.8	0.0
(In percent of quota)	(0.0)	(500.0)	(500.0)	(500.0)	(500.0)	(250.0)	(0.0)
Charges due on GRA credit 2/	0.0	222.8	1,270.5	1,358.6	1,359.2	1,269.3	338.0
Debt service due on GRA credit 2/	0.0	222.8	1,270.5	1,358.6	1,359.2	23,551.0	22,619.7
Debt and Debt Service Ratios 3/							
In percent of GDP							
Total external debt	36.6	42.4	43.8	43.8	44.2	42.3	40.5
Public external debt	25.1	29.8	30.2	29.4	29.0	26.4	23.9
GRA credit to Mexico	0.0	4.9	4.7	4.5	4.4	2.1	0.0
Total external debt service	7.7	8.0	7.9	8.3	7.8	9.8	9.0
Public external debt service	4.4	4.1	4.0	4.4	3.9	6.0	5.2
Debt service due on GRA credit	0.0	0.0	0.1	0.1	0.1	2.2	2.0
In percent of Gross International Reserves							
Total external debt	253.3	300.8	316.9	325.7	336.7	329.1	321.1
Public external debt	173.5	211.8	218.6	218.4	220.7	205.2	189.8
GRA credit to Mexico	0.0	34.4	34.2	33.8	33.3	16.3	0.0
In percent of Exports of Goods and Services							
Total external debt service	19.6	20.7	20.6	21.6	19.9	24.7	22.0
Public external debt service	11.1	10.5	10.3	11.4	9.9	15.1	12.7
Debt service due on GRA credit	0.0	0.1	0.4	0.4	0.3	5.6	5.0
In percent of Total External Debt							
GRA credit to Mexico	0.0	11.4	10.8	10.4	9.9	5.0	0.0
In percent of Public External Debt							
GRA credit to Mexico	0.0	16.3	15.7	15.5	15.1	8.0	0.0

Sources: Mexican authorities, Finance Department, World Economic Outlook, and IMF staff estimates.

1/ Assumes full drawings under the FCL upon approval. The Mexican authorities have expressed their intention to treat the arrangement as precautionary.
2/ Includes surcharges under the system currently in force and service charges.
3/ Staff projections for external debt ratios (to GDP, gross international reserves, and exports of goods and services) adjusted for the impact of the assumed FCL drawing.

Appendix I. Letter from the Authorities Requesting an FCL Arrangement

Mexico City, November 8, 2019

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street NW
Washington, DC 20431

Dear Ms. Georgieva,

For many years, the United Mexican States (Mexico) has been implementing very strong economic policies that have promoted macroeconomic stability and anchored confidence in the country's economic outlook.

At the same time, the Mexican economy remains prone to tail risks arising from external economic developments given its openness to foreign trade and financial flows and, in particular, the active participation of non-resident investors in Mexican financial markets. We remain exposed to a significant decline in global growth, renewed volatility in global financial markets, increased risk premia, and a sharp pull-back of capital from emerging markets. Moreover, the possibility of trade tensions affecting Mexico remains a key downside risk. In this regard, it is worth nothing the pending ratification of the United States-Mexico-Canada Agreement, the potential imposition of tariffs on Mexican exports, and spillovers from political and geopolitical risks. The country also faces the risk of further disruptions to financial flows in case of a sudden and severe decrease in risk appetite for emerging markets.

For these reasons, we hereby notify our decision to cancel the current arrangement and request a successor 24-month Flexible Credit Line (FCL) arrangement for Mexico, with access at 500 percent of Mexico's quota, or SDR 44.5635 billion. Such cancellation shall solely be effective upon approval of the referred successor arrangement. We believe that the above-mentioned access level will play a critical role in insuring our economy against severe tail risk events. As it has been done since the first FCL arrangement in 2009, we intend to treat this arrangement as precautionary and do not intend to make permanent use of this facility. The buffers Mexico has been building over the last years as part of its macroeconomic policy framework would allow us to continue phasing out Mexico's use of the FCL. Accordingly, conditional on a reduction of external risks facing Mexico, we intend to request a

reduction in access to Fund resources to 400 percent of quota at the time of the mid-term review by the Executive Board under the successor arrangement requested hereby.

Our economic policies will continue to preserve economic and financial stability while strengthening our buffers.

- On fiscal policies, we remain committed to fiscal prudence and to at least stabilize the public debt ratio. In 2019, the Public Sector Borrowing Requirement (PSBR) is expected to reach 2.7 percent of GDP, slightly above the 2.5 percent target, owing to revenue underperformance due to weak growth. For 2020, we target a PSBR of 2.6 percent of GDP that balances fiscal prudence with the need to avoid a contractionary policy stance given the large negative output gap that we currently estimate. Over the medium term, our target for fiscal deficits of 2.2–2.4 percent of GDP should stabilize the public debt to GDP ratio.

- Our monetary policy continues to be underpinned by an inflation-targeting regime, which has effectively anchored medium and long-term inflation expectations. Our monetary stance has been successful in bringing headline inflation back to the 3-percent target, and we have reduced the policy rate by a cumulative 50 basis points since August 2019. We will maintain a prudent monetary policy stance and, under the current environment of uncertainty, will follow closely incoming data and relevant economic developments to attain our main objective of a low and stable inflation.

- The flexible exchange rate regime will continue to act as the key shock absorber during periods of global financial turmoil. We have not intervened in the foreign exchange market since late 2017 and would only do so to prevent disorderly market conditions.

- We are fostering a reform agenda to strengthen the rule of law and the efficiency of public expenditure, particularly on infrastructure, to spur private investment and ultimately raise potential GDP growth. We also initiated a package of reforms to strengthen financial deepening and inclusion.

- The financial sector remains sound, underpinned by a strong regulatory framework. Banks are profitable, well capitalized, liquid, and resilient to credit and market risks. Insurance companies are also well capitalized, while pension funds maintain conservative investment profiles. Our banking sector is compliant with Basel III risk-based capital standards and liquidity requirements. Furthermore, in light of the presence of foreign banks in our financial system, we continue to monitor cross-border exposures closely, including home-host supervisory colleges, and maintain an active involvement in international regulatory forums.

In sum, as Executive Directors acknowledged in the latest Article IV consultation, Mexico's policies and institutional frameworks remain very strong. Economic policies have responded in a timely and appropriate manner to both the global financial crisis and more recent shocks, as well as to support economic activity. We are maintaining the same strategy in the future, reacting as needed within this

framework to any future shocks that may arise. The insurance against tail risks, which would be covered by the successor FCL arrangement, will support the continued building of buffers, just as the current arrangement contributed to sustain a high degree of confidence in our economy. The IMF's support through the FCL is thus an essential part of our strategy, and we greatly appreciate this support.

Sincerely yours,

/s/

Arturo Herrera Gutiérrez
Secretary of Finance and Public Credit

/s/

Alejandro Díaz de León Carrillo
Governor of Banco de México

INTERNATIONAL MONETARY FUND

MEXICO

ASSESSMENT OF THE IMPACT OF THE PROPOSED ARRANGEMENT UNDER THE FLEXIBLE CREDIT LINE ON THE FUND'S FINANCES AND LIQUIDITY POSITION

November 11, 2019

Approved By
Andrew Tweedie (FIN) and Vikram Haksar (SPR)

Prepared by the Finance and Strategy, Policy, and Review Departments (in consultation with other departments).

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INTRODUCTION

1. This note assesses the impact of the proposed Flexible Credit Line (FCL) arrangement for Mexico on the Fund's finances and liquidity position, in accordance with the policy on FCL arrangements.[1] The proposed arrangement would cover a 24-month period and, as was the case for previous FCL arrangements with Mexico, the authorities intend to treat the arrangement as precautionary.

2. The proposed access would be in an amount of SDR 44.56 billion (500 percent of quota), representing a further reduction compared with the current FCL arrangement. This would continue the gradual reduction in access under the current FCL arrangement—initially SDR 62.39 billion (700 percent of quota) upon approval of the arrangement in November 2017, reduced to SDR 53.48 billion (600 percent of quota) at the mid-term review in November 2018. In line with the authorities' FCL exit strategy, they have also indicated their intention to request, at the time of the mid-term review of the proposed arrangement, a further reduction in access to 400 percent of quota, conditional on a reduction of external risks facing Mexico. The current FCL arrangement would be cancelled upon approval of the proposed arrangement.

BACKGROUND

3. Mexico has not made purchases under any of its FCL arrangements over the past decade (Annex I). Since the global financial crisis, Mexico has had seven FCL arrangements, including the existing arrangement. Mexico has a history of strong performance under earlier Fund arrangements and an exemplary record of meeting its obligations to the Fund. All of Mexico's FCL arrangements have remained precautionary.

4. Mexico's very strong policies and policy frameworks, complemented by the successive FCL arrangements, have supported market confidence in a challenging external environment.[2] Economic growth was robust during 2010–18, helped by relatively strong demand from the United States, to which Mexico's economy is closely connected, and robust private consumption growth underpinned by steady wage growth and rising employment. Mexico has been resilient in the past few years to several bouts of market volatility associated with shifts in global risk aversion, uncertainty regarding the outcome of trade negotiations with the U.S. and Canada, and domestic policy uncertainty. These factors have, however, contributed to a slowdown in the economy and real GDP is projected to remain broadly unchanged in 2019.

[1] See *GRA Lending Toolkit and Conditionality—Reform Proposals* (3/13/09) and *Flexible Credit Line (FCL) Arrangements,* Decision No.14283-(09/29), adopted March 24, 2009 as amended by Decision No. 14714-(10/83), adopted August 30, 2010; the *Fund's Mandate—The Future Financing Role: Reform Proposals* (http://www.imf.org/external/np/pp/eng/2010/062910.pdf, 6/29/2010) and *the IMF's Mandate—The Future Financing Role: Revised Reform Proposals and Revised Proposed Decisions* (http://www.imf.org/external/np/pp/eng/2010/082510.pdf, 8/25/2010); *Review of the Flexible Credit Line, the Precautionary and Liquidity Line, and the Rapid Financing Instrument—Specific Proposals* (http://www.imf.org/external/np/pp/eng/2014/043014.pdf, 5/1/2014 and Decision No. 15593-(14/46)).

[2] Mexico - 2019 - Staff Report for the Article IV Consultation (SM/19/242).

Table 1. Mexico: External Debt and Debt Services, 2014–19[1/]

	2014	2015	2016	2017	2018	2019 2/
	(In billions of US dollars)					
Total external debt	426.1	416.3	412.6	436.6	446.7	474.2
Public	287.3	281.0	278.7	296.6	306.0	315.8
Private	138.7	135.3	133.9	140.0	140.7	158.4
Total external debt service	126.3	125.0	116.4	97.0	94.0	101.3
Public	85.5	82.0	74.4	58.3	53.2	51.2
Private	40.8	43.0	41.9	38.7	40.8	50.1
	(In percent of GDP)					
Total external debt	32.4	35.6	38.3	37.7	36.6	37.5
Public	21.9	24.0	25.9	25.6	25.1	25.0
Private	10.6	11.6	12.4	12.1	11.5	12.5
Total external debt service	9.6	10.7	10.8	8.4	7.7	8.0
Public	6.5	7.0	6.9	5.0	4.4	4.1
Private	3.1	3.7	3.9	3.3	3.3	4.0
Memorandum item						
Public external debt service in percent of exports	20.4	20.3	18.7	13.3	11.1	10.4

Sources: Mexican Authorities and IMF Staff Estimates.

[1/] End of period, unless otherwise indicated.

[2/] Assumed potential disbursement under the proposed FCL and related interest are not included.

5. Total external and public debt levels remain moderate and are expected to remain stable over the medium term under the baseline. Mexico's external debt has been broadly stable around 36–38 percent of GDP over the past 4 years (Table 1), remaining at modest levels compared to other emerging markets. External public debt accounts for about 25 percent of GDP. Gross public debt is estimated to have increased from 49 percent of GDP at end-2014 to nearly 54 percent of GDP at end-2018, of which about one third was denominated in foreign currency. The public debt-to-GDP ratio is projected to edge up slightly in the next two years and would broadly stabilize at around 55 percent of GDP over the medium term under the baseline scenario. Debt sustainability analyses suggest that both external and public debt would remain manageable under a range of standardized scenarios.

THE NEW FLEXIBLE CREDIT LINE ARRANGEMENT—IMPACT ON THE FUND'S FINANCES AND LIQUIDITY POSITION

6. The proposed FCL arrangement would be among the largest Fund commitments to date and, if drawn, would result in a record high credit exposure in nominal terms. The Fund's commitment under the proposed FCL arrangement would be surpassed only by its commitments to Mexico under previous FCL arrangements. The full amount of access proposed would be available throughout the arrangement period in one or multiple purchases.[3] If the full amount available under the proposed FCL arrangement were drawn, Mexico's outstanding use of Fund resources would reach SDR 44.5635 billion, the largest credit exposure in the Fund's history.[4] Relative to quota, however, the size of the arrangement would be significantly less than the 2018 arrangement for Argentina and arrangements for several earlier euro area exceptional access cases such as Greece, Ireland, and Portugal.

7. If Mexico were to purchase the full amount available under the proposed FCL arrangement, the Fund's exposure relative to Mexico's relevant economic indicators would remain moderate and Mexico's debt burden manageable over the medium term:[5]

- Mexico's external debt is projected to remain moderate, though with Fund credit representing a non-trivial share. Total external debt would rise to about 42.3 percent of GDP initially, and public external debt would rise to close to 29.8 percent of GDP, with Fund credit representing almost 4.8 percent of GDP (Table 2). Mexico's outstanding use of GRA resources would account for almost 11.4 percent of total external debt, 16.2 percent of public external debt. In addition, Fund credit would account for more than a third of Mexico's gross international reserves.

- External debt service would increase over the medium term but remain manageable under staff's medium-term macro projections (Table 2). Mexico's projected debt service to the Fund would peak in 2023 at about SDR 23.55 billion, or nearly 2.2 percent of GDP.[6] In terms of exports of goods and services, debt service to the Fund would peak at about 5.5 percent. Public external

[3] If the full amount is not drawn in the first year of the arrangement, subsequent purchases can only be made following completion of a review of Mexico's continued qualification for the FCL arrangement.

[4] The largest GRA credit exposure has been SDR 31.914 billion to Argentina since mid-July 2019, out of a total commitment of SDR 40.714 billion under the current Stand-By Arrangement. The largest previous GRA credit exposure was SDR 23.359 billion to Brazil in 2003.

[5] As with other precautionary arrangements, the baseline indicators should be interpreted with caution. The economic situation could be considerably weaker in circumstances where Mexico chooses to draw under its FCL arrangement, and the indicators would be affected in such a scenario.

[6] The projected figures on debt service used in this report are calculated assuming that full amount available under the arrangement is purchased upon approval of the arrangement, and that all repurchases are made as scheduled.

debt service would peak at almost 15 percent of exports of goods and services and debt service to the Fund would then account for about 36.9 percent of total public external debt service.[7]

Table 2. Mexico: Capacity to Repay Indicators, 2018–24[1/]

	2018	2019	2020	2021	2022	2023	2024
Exposure and Repayments (in SDR millions)							
GRA credit to Mexico	0.0	44,563.5	44,563.5	44,563.5	44,563.5	22,281.8	0.0
(In percent of quota)	(0.0)	(500.0)	(500.0)	(500.0)	(500.0)	(250.0)	(0.0)
Charges due on GRA credit 2/	0.0	222.8	1,270.5	1,358.6	1,359.2	1,269.3	338.0
Debt service due on GRA credit 2/	0.0	222.8	1,270.5	1,358.6	1,359.2	23,551.0	22,619.7
Debt and Debt Service Ratios 3/							
In percent of GDP							
Total external debt	36.6	42.4	43.8	43.8	44.2	42.3	40.5
Public external debt	25.1	29.8	30.2	29.4	29.0	26.4	23.9
GRA credit to Mexico	0.0	4.9	4.7	4.5	4.4	2.1	0.0
Total external debt service	7.7	8.0	7.9	8.3	7.8	9.8	9.0
Public external debt service	4.4	4.1	4.0	4.4	3.9	6.0	5.2
Debt service due on GRA credit	0.0	0.0	0.1	0.1	0.1	2.2	2.0
In percent of Gross International Reserves							
Total external debt	253.3	300.8	316.9	325.7	336.7	329.1	321.1
Public external debt	173.5	211.8	218.6	218.4	220.7	205.2	189.8
GRA credit to Mexico	0.0	34.4	34.2	33.8	33.3	16.3	0.0
In percent of Exports of Goods and Services							
Total external debt service	19.6	20.7	20.6	21.6	19.9	24.7	22.0
Public external debt service	11.1	10.5	10.3	11.4	9.9	15.1	12.7
Debt service due on GRA credit	0.0	0.1	0.4	0.4	0.3	5.6	5.0
In percent of Total External Debt							
GRA credit to Mexico	0.0	11.4	10.8	10.4	9.9	5.0	0.0
In percent of Public External Debt							
GRA credit to Mexico	0.0	16.3	15.7	15.5	15.1	8.0	0.0

Sources: Mexican authorities, Finance Department, WEO, and IMF staff estimates.

[1/]Assumes full drawing under the FCL arrangement upon approval. The Mexican authorities have expressed their intention to treat the arrangement as precautionary.

[2/] Includes surcharges under the system currently in force and service charges.

[3/] Staff projections for external debt ratios (to GDP, gross international reserves, and exports) adjusted for the impact of the assumed FCL drawing.

8. **The approval of the proposed FCL arrangement and cancellation of the existing one would have a positive net impact on the Fund's liquidity as measured by the forward commitment capacity (FCC)**. As noted above (¶2), access under the proposed FCL arrangement would be lower than under the existing arrangement. Commitments for the new arrangement would continue to be covered in full from quota resources, with the cancellation of the existing arrangement freeing up SDR 53.48 billion, and SDR 44.56 billion committed upon approval of the

[7] For a broader analysis of public and external debt sustainability, see Annex III, 2019 Article IV report (SM/19/242).

proposed arrangement. Accordingly, other things equal, the positive net impact of the proposed FCL arrangement on the FCC would be SDR 8.91 billion (Table 3).

9. If a drawing were made, the proposed FCL arrangement could have a large impact on the Fund's financing mechanism. A single drawing by Mexico for the full amount under the proposed FCL arrangement would be by far the largest single purchase in the Fund's history and accordingly represent the largest funding requirement from participants in the Fund's Financial Transactions Plan (FTP). Accordingly, all remaining FTP members would be expected to participate.[8]

Table 3. Mexico: Impact on GRA Finances

(Millions of SDR, unless otherwise noted)

	as of 11/01/2019
Liquidity measures	
Forward Commitment Capacity (FCC) before approval 1/	185,800
FCC on approval 2/	194,713
Change in percent	4.8
Prudential measures	
Fund GRA commitment to Mexico including credit outstanding	
in percent of current precautionary balances	251.8
in percent of total GRA credit outstanding 3/	65.3
Fund GRA credit outstanding to top five borrowers	
in percent of total GRA credit outstanding 3/	86.2
in percent of total GRA credit outstanding including Mexico's assumed full drawing	87.5
Mexico's projected annual GRA charges for 2019 in percent of the Fund's residual burden sharing capacity	132
Memorandum items	
Fund's precautionary balances (FY19)	17,700
Fund's Residual Burden Sharing Capacity 4/	169.0

Sources: Finance and IMF staff estimates.

1/ The FCC is defined as the Fund's stock of usable resources less undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, less repayments of borrowing due one year forward, less a prudential balance. The FCC does not include resources from currently unactivated lines of credit, including the New Arrangements to Borrow or bilateral commitments from members to boost IMF resources.

2/ Current FCC minus access under the proposed arrangement plus the quota-financed portion of the arrangement being cancelled. The arrangement to be canceled was approved after the February 2016 de-activation of the NAB and is, as the proposed successor arrangement, fully financed with quota resources. The concomitant cancellation of the existing arrangement and approval of the proposed arrangement improves the FCC as the access amount for the proposed arrangement is lower.

3/ As of October 17, 2019.

4/ Burden-sharing capacity is calculated based on the floor for remuneration at 85 percent of the SDR interest rate. Residual burden-sharing capacity is equal to the total burden-sharing capacity minus the portion being utilized to offset deferred charges and takes into account the loss in capacity due to nonpayment of burden sharing adjustments by members in arrears.

[8] If Mexico were to draw under the FCL, it would automatically be excluded from the list of members in the FTP, which currently comprises 52 participants.

10. If the resources available under the FCL arrangement were fully drawn, the GRA credit exposure to Mexico would be a large share of the Fund's outstanding credit (Table 3).

- Fund credit to Mexico would represent 65.3 percent of total GRA credit outstanding as of October 17, 2019, and 39.5 percent of GRA credit outstanding including Mexico's purchase. It would also be the single largest Fund exposure. The concentration of Fund credit among the top five users of GRA resources would increase marginally to about 87.5 percent, from 86.2 percent as of October 17, 2019. However, the lending concentration to the Fund's top two borrowers would increase more significantly, from 59.4 percent to 67.8 percent.
- Relative to the Fund's current level of precautionary balances, potential GRA exposure to Mexico would be substantial. Fund credit to Mexico would be about 2.5 times the Fund's current precautionary balances.
- Were Mexico to accrue arrears on charges after drawing under the proposed arrangement, charges for Mexico would substantially exceed the Fund's limited capacity to absorb charges in arrears through the burden-sharing mechanism.

ASSESSMENT

11. The proposed FCL arrangement would have a significant but manageable impact on the Fund's finances. On approval of the proposed new FCL arrangement, the Fund's liquidity position would increase as the cancellation of Mexico's existing FCL arrangement would more than offset the liquidity effect from the proposed new arrangement. However, a single drawing for the full amount of Mexico's proposed FCL arrangement would be by far the largest single purchase in the Fund's history and would have a large impact on the Fund's financing mechanism. Given a highly uncertain global growth outlook that is subject to elevated downside risks, there is a potential for an increased demand for Fund resources, and it remains essential to continue monitoring the Fund's liquidity position closely.

12. If drawn in full, Mexico's FCL arrangement would become the Fund's largest credit exposure, but risks to the Fund are mitigated by several factors. Mexico intends to treat the proposed FCL arrangement—like its predecessors—as precautionary. The risks from the Fund's potential credit exposure to Mexico are mitigated by Mexico's adequate buffers and the overall credibility of the country's policy framework, notwithstanding recent policy uncertainty that has weakened the investment climate and new priorities that have created fiscal challenges. Mexico has a sustained track record of implementing very strong policies, including during the global financial crisis, and the authorities are committed to continue to implement very strong policies in the future and to further enhance Mexico's resilience to external shocks. Also, while Mexico's overall external debt and debt service ratios would deteriorate assuming full drawing under the proposed arrangement, they would generally remain in the range of recent exceptional access cases, though external public debt service relative to exports would be relatively high. Looking ahead, a further mitigating factor is the authorities' intention to request, at the time of the mid-term review of the proposed arrangement, a reduction in access to 400 percent of quota, conditional on a reduction of external risks facing Mexico. Overall, Mexico's capacity to repay is projected to remain strong.

Annex I. History of Arrangements with the IMF

This annex provides a brief overview of Mexico's Fund arrangements from 1983 to present.

Mexico has an exemplary track record of meeting its obligations to the Fund under past purchasing arrangements. Mexico had several Fund arrangements in the 1980s and 1990s and fully repaid its remaining outstanding credit in 2000 (Table I.1).

From 1983 to 2000, Mexico had two arrangements under the Extended Fund Facility (EFF) and three Stand-By Arrangements (SBAs). Under the two most recent SBAs:

- In February 1995, the Fund approved an SBA equivalent to SDR 12.1 billion (688 percent of quota) to support Mexico's adjustment program to deal with a major financial and economic crisis. Under that arrangement, Mexico made purchases totaling SDR 8.8 billion, and its outstanding credit peaked at SDR 10.6 billion (607 percent of quota) at end-1995 (Figure I.1). After regaining access to international capital markets in the second half of 1996, Mexico made sizable advance repurchases.
- In July 1999, an SBA equivalent to SDR 3.1 billion was approved as the recovery in economic performance was disrupted by unsettled conditions in international capital markets. Solid performance under the program supported by this SBA allowed Mexico to fully repay all its outstanding obligations to the Fund through a series of advance repurchases before the SBA expired in November 2000.

Since the global financial crisis, Mexico has had seven FCL arrangements,[1] but made no drawings.

- April 17, 2009: approval of a one-year FCL arrangement equivalent to SDR 31.5 billion to support Mexico's economic policies and bolster confidence during the crisis.
- March 25, 2010: approval of a successor FCL arrangement on identical terms.
- January 10, 2011: approval of a two-year FCL arrangement with access increased to SDR 47.3 billion.
- November 30, 2012: approval of a two-year successor FCL arrangement for the same access.
- November 26, 2014: approval of a two-year successor FCL arrangement for the same access.
- May 27, 2016: approval of a two-year FCL arrangement with access increased to SDR 62.389 billion.
- November 29, 2017: approval of a two-year successor FCL arrangement for the same access. Access under this arrangement was reduced to SDR 53.4762 billion at the time of the mid-term review concluded on November 26, 2018.

[1] Upon approval of a new FCL arrangement, the member's existing unexpired FCL arrangement is cancelled.

Annex Table I.1. Mexico: IMF Financial Arrangements, 1983–2018
(In millions of SDR)

Year	Type of Arrangement	Date of Arrangement	Date of Expiration or Canellation	Amount of New Arrangement	Amount Drawn	Purchases	Repurchases	Fund Exposure 1/
1983	EFF	1-Jan-83	31-Dec-85	3,410.6	2,502.7	1,003.1	0.0	1,203.8
1984						1,203.8	0.0	2,407.5
1985						295.8	0.0	2,703.3
1986	SBA	19-Nov-86	1-Apr-88	1,400.0	1,400.0	741.4 2/	125.4	3,319.3
1987						600.0	280.0	3,639.3
1988						350.0	419.0	3,570.3
1989	EFF	26-May-89	25-May-93	3,729.6	3,263.4	943.0 3/	639.6	3,873.6
1990						1,608.4	877.1	4,604.9
1991						932.4	807.4	4,729.9
1992						233.1	636.1	4,327.0
1993						0.0	841.7	3,485.2
1994						0.0	841.0	2,644.2
1995	SBA	1-Feb-95	15-Feb-97	12,070.2	8,758.0	8,758.0	754.1	10,648.1
1996						0.0	1,413.6	9,234.5
1997						0.0	2,499.2	6,735.2
1998						0.0	783.7	5,951.5
1999	SBA	07-Jul-1999	30-Nov-2000	3,103.0	1,939.5	1,034.4	3,726.7	3,259.2
2000						905.1	4,164.3	0.0
...								
2009	FCL	17-Apr-2009	16-Apr-2010	31,528.0	0.0	0.0	0.0	0.0
2010	FCL	25-Mar-2010	09-Jan-2011	31,528.0	0.0	0.0	0.0	0.0
2011	FCL	10-Jan-2011	09-Jan-2013	47,292.0	0.0	0.0	0.0	0.0
2012	FCL	30-Nov-2012	29-Nov-2014	47,292.0	0.0	0.0	0.0	0.0
2014	FCL	26-Nov-2014	25-Nov-2016	47,292.0	0.0	0.0	0.0	0.0
2016	FCL	27-May-2016	26-May-2018	62,389.0	0.0	0.0	0.0	0.0
2017	FCL	29-Nov-2017	28-Nov-2019	62,389.0	0.0	0.0	0.0	0.0
2018	FCL 4/	26-Nov-2018	28-Nov-2019	53,476.2	0.0	0.0	0.0	0.0

Source: Finance Department.

1/ As of end-December.

2/ Includes a first credit tranche purchase of SDR 291.4 million.

3/ Includes a purchase of SDR 453.5 million under the Compensatory Financing Facility.

4/ This is not a new arrangement but rather a reduction in access under the 2017 FCL arrangement.