

Banxico will transfer about US\$13.9bn to the federal government

April 11, 2016

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- Banco de México announced the amount of its operating surplus, which in 2015 amounted to MXN239.1bn (~US\$13.9bn)
- This amount will be transferred to the Federal Government
- According to Article 19a of the *Federal Budget and Fiscal Responsibility Law*, the government should allocate 70% to reduce public debt and the rest to stabilization funds
- We are now expecting an announcement from the MoF with specific details on the allocation of resources
- In our opinion, this allocation will be in line with the commitment shown by the government with sound public finances

Banxico determined its operating surplus for the fiscal year 2015. Net income for the year amounted to MXN378.2bn (~US\$22bn). From this amount, the board of governors decided to allocate MXN109.1bn (~US\$6.3bn) to increase the capital reserve to achieve an objective of capital plus reserves of MXN118.5bn (~US\$6.9bn). In addition, it was decided to increase the asset revaluation reserve in MXN30bn (+US\$1.7bn) to a total amount of MXN60.9bn (~US\$3.5bn). Taking these factors into account, the operating surplus amounted to MXN239.1bn (~US\$13.9bn), which will be transfer to the Federal Government in accordance with Article 55 of the Law of Banco de México.

We are now expecting an announcement from the MoF with specific details on the allocation of resources. According to Article 19a of the *Federal Budget and Fiscal Responsibility Law*, at least 70% (~ 167.4mmp) should be allocated to the amortization of the public debt of the Federal Government or reducing the amount of funding needed to cover the approved deficit. The remaining amount (~71.7mmp) will be deposit in the stabilization funds. In this context, we believe that the announcement of the Ministry of Finance include: (1) The specific items of public debt to be reduced, possibly including the announcement of a reduction in the debt ceiling; (2) the amount of resources to be allocated to Pemex; and (3) the amount to be allocated to the corresponding stabilization fund. In our opinion, the allocation of resources coming from Banxico will continue to show the commitment of the government with sound public finances.

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