

IMF renews Mexico's *Flexible Credit Line* for two more years

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- **The IMF informed today that the Executive Board renewed Mexico's *Flexible Credit Line* (FCL) for two more years**
- **The Executive Board considers that Mexico is still compliant with all the criteria needed to access, if needed, to the resources of the line**
- **The IMF approved Mexico's government request of reducing the total amount under the FCL to US\$61 bn from US\$74bn previously**
- **The institution highlighted the country has solid economic policies and frameworks which have allowed to weather a complex external backdrop**
- **In our view, the successful review of the FCL by the IMF is evidence of the confidence that this institution places in the macroeconomic policies followed by Mexico**

The IMF renewed Mexico's Flexible Credit Line (FCL). The Ministry of Finance and Banxico announced that last Friday, November 22th, the IMF renewed Mexico's Flexible Credit Line for two more years, reaffirming Mexico's continued qualification to access to these resources. It is worth noting that the last renewal of the facility was in November 2017 for a two-year period. As a result, this is the 10th consecutive year in which the IMF grants Mexico access to the facility, with the first line having been approved on April 2009.

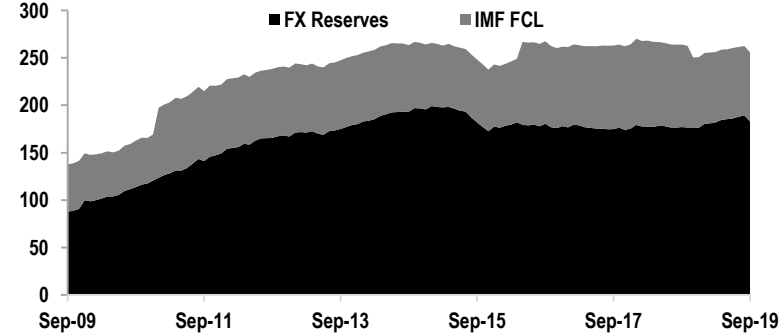
Reduction in borrowing facility at the request of Mexico's authorities. According to the release, the IMF approved a reduction in the total amount available under the FCL and as a result of the petition made by Mexico's authorities last year, going from the current amount of *Special Drawing Rights* (SDR) 53.4762 to 44.5635 billion. At the relevant exchange rates, this would amount to a reduction from around US\$74bn to US\$61bn (see chart below). According to Banxico's press release, this reduction is part of the authorities' strategy to gradually withdraw from the facility amid the strength of economic fundamentals and the external balance of risks. Moreover, the facility is associated with a commitment fee payment that depends on the level of resources relative to the country's quota, and which ranges between 30-60bps per year, among other costs.

The successful review reaffirms the IMF's confidence in Mexico's macroeconomic policies. The decision was highly expected by the market, more so after the comments of the institution on Mexico according to the Article IV. Regarding the reduction in the amount, the IMF also acknowledged that the Mexico's continued implementation of solid economic policies and frameworks has allowed the economy to weather a complex external backdrop.

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International reserves and the Flexible Credit Line

US\$bn



Source: Banxico

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