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The IMF renewed Mexico's FCL for a new two-year period

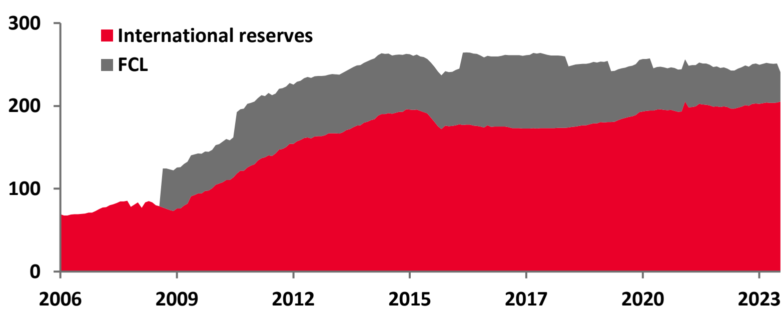
- **Today, the Foreign Exchange Commission and the International Monetary Fund (IMF) announced the successful completion of the renewal of the two-year arrangement on the Flexible Credit Line (FCL)**
- **The amount agreed upon stands close to US$35 billion, continuing the strategy of gradually decreasing the total amount**
- **We believe that the FCL, along with adequate levels of international reserves, support Mexico's external position**

Mexico's Flexible Credit Line has been renewed for two more years. The Foreign Exchange Commission (FEC), integrated by officials from the MoF and Banxico, announced today that the IMF's Executive Board completed a new agreement regarding Mexico's Flexible Credit Line (FCL). Specifically, a new authorization was granted for a two-year period, with the last renewal happening in 2021 –along with the usual mid-term review in 2022. The amount of the FCL was reduced to 26.7 billion Special Drawing Rights (SDR) –which is equivalent to nearly US$35 billion. As in previous occasions, government officials confirmed their intention to use this agreement as a precautionary facility. The IMF once again referred to several factors for the instrument's ratification, including very strong macroeconomic and economic policy fundamentals, a flexible exchange rate regime, a credible inflation-targeting framework, the fiscal responsibility law, and a well-regulated financial sector.

The strategy of a gradual reduction continues. Since 2017 –and excluding 2020 due to the pandemic, and 2022 because of a challenging external outlook– the Mexican government decided to gradually reduce the FCL. This aims to favor a more efficient management of assets and liabilities. In line with this, the IMF mentioned that "…*Mexico remains exposed to elevated external tail risks, albeit lower than in previous years*…", consistent with the decision. In addition, the FEC mentioned that they will continue with the strategy of reviewing the level next year, subject to external conditions faced by our country.

The FCL, along with adequate international reserve levels, support our country's external position. Another relevant stock for macroeconomic strength is the US$205.3 billion in international reserves. It is important to mention that these funds, by themselves, meet traditional sufficiency criteria –such as three months of imports (currently at 2.92 months), as well as more comprehensive indicators, such as the IMF's ARA[1] metric (reaching 1.2x).

International reserves and FCL
US$ billion



Source: Banxico, IMF, Bloomberg

[1] The IMF's 'Assessing Reserve Adequacy' metric has four components: (1) Short-term external debt; (2) M2 money supply; (3) export income; and (4) other liabilities. The measure is adjusted if the country is dollarized, has capital controls and/or if imports or exports commodities. Based on this indicator, a level between 1.0x and 1.5x is consider as adequate.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Analyst Certification.

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	Reference
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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