BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

STRICTLY CONFIDENTIAL (FR)
CLASS I - FOMC

TO: Federal Open Market Committee DATE: August 18, 1989

FROM: Normand Bernard NB.

Attached is a memorandum from Messrs. Truman and Cross relating to proposed swap drawings by Mexico for bridge financing. This matter will be discussed at the Committee's meeting on Tuesday. There is also attached a memorandum by Mr. Maroni that provides an update of his earlier memorandum on Mexican developments.

Attachments

August 18, 1989

TO: Federal Open Market Committee

FROM: Edwin M. Truman and Sam Y. Cross

Subject: Swap Drawing by Mexico for Bridge Financing

STRICTLY CONFIDENTIAL (FR)
Class I - FOMC

As was reported to the Committee on July 26 and discussed at the Conference Call on the same date, the U.S. Treasury and the Federal Reserve agreed, in the context of the agreement on July 23 between the commercial banks and the Mexican government on the main points in the financial package, to work with other monetary authorities to develop a short-term bridge financing Facility of up to $2 billion to support Mexico. As was noted at the time, the precise details of the proposed arrangement had not yet been worked out.

This memorandum describes the details of the arrangement and the action that the Committee will be requested to make at its meeting on August 22, 1989. (See also the "Assessment of the Mexican Economic Situation and Prospects" that was distributed to the Committee on July 26. An update of developments since late July, prepared by Yves Maroni of the Board staff, is attached.)

I. Description of the the Proposed Facility

The Facility would provide Mexico with $2 billion in short-term financing in support of its program of economic reform and economic growth. Half of the Facility, or $1 billion, would be provided through a multilateral arrangement in which the Bank for International Settlements (BIS), acting for other Group of Ten central banks, and the Bank of Spain would provide $750 million and the remaining $250 million would be provided in equal shares ($125 million each) by the U.S. Treasury through the Exchange Stabilization Fund (ESF) and by the Federal Reserve. In the Federal Reserve's case it is proposed that a special swap arrangement would be established to provide its portion.[1]

It is proposed that the remaining $1 billion of the Facility be provided through a bilateral arrangement under which the Federal Reserve would provide $700 million under its existing swap arrangement and the Treasury, through the ESF, would provide $300 million as a substitute for its existing swap arrangement.[2] Half of the financing provided under the bilateral arrangement, or $500 million, will be "locked up" in Treasury certificates of indebtedness held at the Federal Reserve Bank of New York and redeemable only to repay the Facility.

The final maturity date of the Facility would be February 15, 1990. The multilateral arrangement would be repaid first on the basis of pari-passu treatment of all creditors in that arrangement, followed by repayment of the bilateral arrangement, which would also be repaid on a pari passu basis.

The identified sources of repayment for the Facility will be Mexico's drawings under the first and second tranches of

1. If Mexico makes purchases from the Fund or receives disbursements under the six policy-based loans before drawing under the Facility, then the amount that Mexico is eligible to draw will be reduced.
2. The Federal Reserve's existing swap arrangement is for $700 million and the ESF's in for $300 million.

the Extended Fund Facility (EFF) of the International Monetary Fund totalling $415.8 million); disbursements under six policy-based loans from the World Bank (totalling $608.0 million); and expected disbursements under World Bank project loans (totalling $391.0 million). These expected sources of repayment amount to $1,414.8 million and do not fully "cover" the $1.5 billion of the Facility for which payment is not otherwise provided. Therefore, Mexico would be required to make up any shortfall on the Maturity Date from its reserves.[3] Finally, if Mexico does not repay the Facility on the Maturity Date, the proceeds of the sale of oil by Petroleos Mexicanos will be automatically paid into an account at the BIS and applied to repayment of the Facility until it is fully repaid.

II. Action by the Committee

It will be proposed on August 22 that the Committee delegate to the Chairman:

1. Final authorization of a special reciprocal currency ("swap") arrangement with the Bank of Mexico of $125 million that shall be available for one drawing and shall expire when fully repaid.
2. Approval of a drawing by the Bank of Mexico on the special swap arrangement.

3. If necessary, however, additional sources of funds are expected to be available at the end of February totalling $207.9 million from a third Mexican drawing from the Fund under the EFF. (Mexico would be required to use those funds, as well as any later drawings on the Fund or disbursements under the World Bank loans, to repay the Facility if it has not otherwise been repaid.)

3. Approval of a drawing of up to $700 million by the Bank of Mexico on the regular swap arrangement.

The Chairman would take these actions as long as the structure of the Facility remains essentially in the form described above.

The reasons for this suggested procedure are, first, a desire to link the establishment and activation of the Facility to the completion, or substantial completion, by Mexico and its bank advisory committee of the term sheet for the financial package. If that process should stall or fail, it would be undesirable to have the authorization for the special swap arrangement already on the record of the FOMC. The Facility may be activated before the end of August, or in the first week of September, but we cannot be certain about the timing. Second, it is convenient to combine the establishment of the special swap arrangement with the activation of that arrangement as well as with the activation of the regular swap arrangement without requiring a special vote of the Committee at a later date.

Attachment

Yves Maroni
August 18, 1989

Update on Economic and Financial Developments in Mexico since Late July 1989

Economic Activity

In the first quarter of 1989, real GDP was 2.1 percent higher than a year earlier. This is a revision from the 1.8 percent increase reported last month.

In January-May, the industrial production index, which has been extensively revised since last month, was 6.7 percent higher than a year earlier. This compares with a revised increase of 6.9 percent for the January-April period over the same period of 1988.

The Bank of Mexico's July survey of manufacturing activity shows that, for the surveyed firms, manufacturing output, seasonally adjusted, was 5 percent higher in June than in May and 7.6 percent higher in the first half than in the same period of 1988. In addition, the output of the surveyed firms was being projected to continue rising in July by perhaps as much as 4 percent above the June level, on a seasonally adjusted basis.

If these trends continue, the government forecast of a 1.5 percent increase in real GDP this year is likely to be substantially exceeded. The increase may be more than 2 percent, some Mexican officials believe.

Prices

In July, the CPI was 1 percent higher than in June and 16.8 percent higher than a year earlier. In comparison, the June CPI was 17.6 percent higher than a year earlier. Partly because of the resurgence in economic activity, the 12-month rate of increase in the CPI is not likely to decline further in the remaining months of the year.

In July, the Producer Price Index was 9.8 percent higher than a year earlier. This is the lowest 12-month increase since this index began to be compiled in 1981.

Exchange Rate

The peso price of the dollar is continuing to slide at the rate of 1 peso per day. Under this policy, it will be 16.6 percent higher at the end of 1989 than a year earlier. With prices in Mexico likely to show a 12-month increase of only slightly more than this, and given the prospective rate of US inflation, a modest real depreciation of the peso against the dollar, perhaps as much as 3-4 percent, is likely to be recorded.

Trade and Current Account

In May, the monthly trade surplus, including the value added by the in-bond assembly industries located near the U.S. border, was about $300 million, compared with about $240 million in April, and an average of $290 million in January-May. Exports were $2.26 billion in May, $100 million higher than in April, mainly because of strength in oil exports and in exports of manufactured goods. The May export level was the highest since March 1984. However, imports continued to increase, and amounted to $1.96 billion for the month, exceeding their most recent monthly high of $1.95 billion recorded last November. The May import level was the highest since December 1981.

In January-May, exports totalled $10.5 billion, compared with $9.8 billion in the same months of 1988, a 7 percent increase, while imports totalled nearly $9 billion, compared with $6.7 billion in the January-May 1988 period, a 34 percent increase. At an annual rate, the trade surplus in January-May was about $3.6 billion; the projection appended to the paper sent to the FOMC on July 26 incorporated a trade surplus of $5.6 billion for the year.

The buoyancy of imports reflects not only the resurgence of economic activity, but also special factors affecting trade in petroleum products that impacted exports as well as imports. One of these factors was a rise in domestic demand for petroleum products, stimulated by the fact that domestic prices of these products have been frozen since December 1987. Another relates to the effects on crude oil production of several years of sharp limitations on exploration and investment in new wells. This has constrained the availability of crude for domestic refining, thereby limiting the supply available for the domestic market and for export.

On the export side, apart from the situation of petroleum products, there has been a noticeable slowdown in the rate of increase in exports of manufactured products. The resurgence of domestic economic activity may have limited the growth of these exports. In addition, the strength of oil export earnings in the first half may be difficult to sustain in the second half. World oil prices were slightly lower in July and early August than on average in the second quarter, and Mexico's average oil export price, which averaged just under $16.30 per barrel in the second quarter, is likely to have been correspondingly lower as well. Given the production constraints already mentioned, an offsetting increase in the volume of oil exported is unlikely.

Largely reflecting these trends in merchandise trade, the current account deficit appears headed for higher levels in 1989 than in 1988. In a speech before the annual Mexican bankers convention, on August 3, Miguel Mancera, Director General of the Bank of Mexico stated that the current account deficit for the first seven months of the year amounted to about $2.5 billion. By comparison, the 1988 current account deficit amounted to $2.9 billion.

Capital Repatriation and International Reserves

The completion of the debt negotiations with the commercial banks on July 23 did much to restore confidence in the peso, at least for the present. Confidence had already begun to return after the government decided, on June 18, to extend the anti-inflation pact for 8 months beyond its original expiration date of July 31. A large repatriation of private capital appears to have taken place since late June, helping to rebuild international reserves. On August 3, Miguel Mancera told the Mexican bankers convention that $2.3 billion in private capital had been repatriated during the first seven months of the year. Given what is known about reserves through May, most of the capital repatriation must have occurred in recent weeks. Mancera added that reserves including gold amounted to $6 billion at the end of July, only about $600 million less than at the end of 1988.

On August 2, new rules concerning taxation of income from deposits and investments held outside Mexico were published. The new rules, which aim to encourage repatriation of private capital, set tax rates on income from capital repatriated after January 1, 1989, at 5 percent, 3.7 percent, and zero, depending on whether the funds were taken abroad before 1985, during 1985, or after 1985. These rates will apply to income earned while the funds were held abroad. They were calculated so as to approximate what the taxpayer would have paid had he held the funds within Mexico. The incentive to repatriate capital that the new rules represent derives from the fact that they remove the uncertainty that existed previously as to whether the tax authorities would consider the entire amount of the repatriated funds as income subject to tax.

Fiscal Performance

In the first half of 1989, the public sector primary fiscal balance, which excludes interest payments, was in surplus by 27 trillion pesos, 50 percent more than was originally projected for this period, and about 7 trillion pesos more than the target specified in the IMF program. This reflected higher revenues and lower expenditures than originally projected. Not only were revenues from petroleum higher, but so were tax collections, as a result of unexpected strength in economic activity.

The overall deficit in the first half was 11 trillion pesos, about 4.4 trillion pesos less than the ceiling for this period specified in the IMF program. Data on the operational deficit, which excludes the inflationary component of interest payments on the peso denominated debt, are not available, but indications are that the ceiling specified in the IMF program for the first half has also been met.

Interest Rates

In the aftermath of Mexico's agreement with foreign commercial banks on its external debt, the decline in domestic interest rates underway since late June accelerated. At the August 15 auction, the rate for 28-day Treasury bills was 34.96 percent, compared with 57.47 percent on June 27. There was a 12-percentage point decline at the July 25 auction alone. The Bank of Mexico put pressure on the commercial banks, which are government-owned, to bid for as large an amount of bills as possible in the July 25 auction, and this pressure may have had some effect in lowering the rate on that day, as shown by the fact that the rate rebounded by 117 basis points at the next auction, on August 1, when Bank of Mexico pressure was absent. However, the August 8 and August 15 auctions were also free of Bank of Mexico interference, and the rate fell by a combined 81 basis points. The rapid decline in interest rates since late June was facilitated by the large purchases of foreign exchange made by the Bank of Mexico in this period as private capital was repatriated in large amounts.

Structural Adjustment

An unpublished report of the Secretariat of Finance that became available this month gives new information on the privatization program. It shows that, between December 1982 and June 30, 1989, the government sold 176 public enterprises and liquidated or dissolved another 315. In addition, at the end of June 1989, 62 enterprises were in process of being sold and 109 more were in process of being liquidated or dissolved.

The new report shows that, in addition to the enterprises sold, liquidated, or dissolved, 75 enterprises have disappeared through mergers and another 27 have been transferred to the states or localities. Altogether, the report states that, of the 1,155 state enterprises that existed in Mexico in December 1982, 593 have been "divested" and another 181 are in process of being divested.

The government is currently working on plans to privatize the Mexican telephone company (TELMEX), but a regulatory framework for the telecommunications industry must be put in place before the sale can proceed. The privatization of the Cananea Mining Company, which has fallen through twice in the past 15 months, is still being considered, and so is a sale to private investors of a majority interest in Mexicana Airlines, which has been repeatedly postponed.

TABLE 1
MEXICO: BASIC DATA

RESTRICTED

Population (mid-1988) 84.5 million
GDP (1988) $189 billion

Population Growth (1979-88) 2.5%
GDP per capita (1988) $2,240

GDP Origin (%)	1978	1987
Agriculture	10.2	8.7
Oil, Gas & Mining	2.7	5.1
Manufacturing	24.8	25.8
Commerce	25.2	27.2
Other	37.1	33.2

Ratios to GDP (%)	1975	1988
Gross Dom. Savings	19.1	18.9
Gross Dom. Investment	24.2	20.5
Net Debt	25.1	47.7
Imports (goods & services)	14.5	18.7

Export Composition (%)	1975	1988
Agriculture & Fishing	26.9	13.9
Oil, Gas & Petrochemicals	13.3	29.2
Metals & Minerals	12.4	6.4
Manufactures	43.9	50.5

Import Composition (%)	1975	1988
Consumer Goods	6.8	10.2
Intermediate Goods	64.4	68.5
Capital Goods	27.7	21.3

Export Destination (%)	1975	1988
U.S.	57	69
EEC	9	11
Japan	4	5

Import Origin (%)	1975	1988
U.S.	62	67
EEC	17	14
Japan	5	6

Political Situation: Presidential and congressional elections held 7/6/88. Opposition made strong showing and claimed voting irregularities. Govt. party has slim majority in lower house. President Salinas took office 12/1/88 for a six-year term.
Current IMF Relations: Three-year, SDR 2,797 million EFF arrangement, and SDR 453.5 million CCFF drawing approved 5/26/89. Up to 30 percent of EFF funds available for debt reduction operations. Latest consultation paper: 5/89.
Current Relations with Banks: In negotiations concluded on July 23, 1989, Mexico and its Bank Advisory Committee reached an agreement in principle on a comprehensive financing package that includes provisions for principal reduction, interest reduction, and new money options.
Current Relations with Official Creditors: Since 7/86, IBRD has approved twelve policy-based loans totaling $4.5 billion in support of wide-ranging structural reforms. Five more policy-based loans totaling about $1.7 billion under preparation. Since 11/88, IDB has approved two agricultural credit loans totaling $340 million.
International Competitiveness: Managed float achieved real depreciation of 44 percent between 6/85 and 3/87. Real appreciation of 25 percent in ensuing 12 months. Peso/dollar rate virtually unchanged for 10 weeks after 18 percent depreciation 12/14/87, then frozen through end-1988. Since 1/1/89, rate crawling by average of 1 peso per day.
History of Debt Reschedulings: None before 8/82. In 8/82, principal payments of public sector debt to foreign banks rolled over for 90 days. Rollover stretched pending restructuring. $23.1 billion public sector debt restructured 8/83, 9/83, 10/83, 12/83, and 2/84. $11.6 billion unguaranteed private debts placed under government plans designed to promote restructuring. Paris Club restructuring of private debts to official creditors ($1.5 billion) agreed in principle 6/83, implemented beginning 3/84. Restructuring of $48.7 billion in public sector debts to banks due in 1985-90 agreed with Bank Advisory Committee 9/84. First phase of agreement signed 3/29/85. Second phase signed 8/29/85. New Paris Club rescheduling of debts to official creditors due from 9/22/86 to 3/31/88 and 60 percent of interest due up to 12/31/87 on such debts agreed 9/86. New restructuring of public sector debts to banks agreed 9/30/86 and signed 3/20/87 extends final maturity on $43.7 billion of such debts to 2006. Repayments begin in 1994. Agreement signed 8/14/87 extends same terms to private unguaranteed debts to banks covered by FICORCA. Paris Club agreed 5/30/89 to reschedule all principal of debts to official creditors due between 6/1/89 and 5/31/92 and 100 percent of interest due in first year, 90 percent in second year, and 80 percent in third year.

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TABLE 2a
MEXICO -- INTERNAL ECONOMIC INDICATORS
(Unless indicated, changes are from previous period)

	1984	1985	1986	1987	1988	1988 Q1	1988 Q2	1988 Q3	1988 Q4	1989 Q1	1989 Q2
Real GDP (% ch.) 1/	3.7	2.7	-3.8	1.5	1.1	1.9	1.1	0.8	0.5	2.1	n.a.
Ind. Production (% ch.) 1/	6.6	5.4	-4.6	4.1	1.2	4.6	0.5	-0.2	-0.1	6.9	n.a.
Wholesale Prices (% ch.) 2/	60.1	61.1	102.3	166.5	37.3	28.1	4.1	0.5	2.4	3.9	4.2
Consumer Prices (% ch.) 2/	59.2	63.7	105.7	159.2	51.7	31.5	7.2	3.2	4.2	5.0	4.1
Interest Rate 3/	47.7	71.2	99.2	121.8	52.3	95.8	40.4	41.9	52.3	47.7	56.8
Effective Annual Yield 3/	59.7	100.0	160.1	220.5	67.0	152.1	48.8	51.0	67.0	59.8	74.4
Money Stock (M1) (% ch.) 4/	62.4	53.5	72.5	129.7	58.1	140.2	137.5	103.0	58.1	32.8	n.a.
Public Sector Def./GDP (%) 5/	8.5	9.6	16.0	16.1	12.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

	1988 July	1988 Aug.	1988 Sep.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May	1989 June	1989 July
Ind. Production (% ch.) 1/	0.0	0.6	-1.1	-0.1	0.4	-0.6	4.8	6.7	9.2	6.9	6.0	n.a.	n.a.
Wholesale Prices (% ch.) 2/	1.5	0.0	-1.1	-0.5	1.3	1.7	1.8	0.8	1.2	1.6	0.8	1.7	n.a.
Consumer Prices (% ch.) 2/	1.7	0.9	0.6	0.8	1.3	2.1	2.4	1.4	1.1	1.5	1.4	1.2	1.0
Annualized % change 6/	25.1	20.2	13.4	9.4	11.2	18.1	26.2	26.3	21.4	16.9	17.0	17.6	15.3
Interest Rate 3/	40.3	41.3	41.9	44.6	49.9	52.3	50.8	49.0	47.7	50.0	52.3	56.8	47.0
Effective Annual Yield 3/	48.6	50.1	51.0	55.0	63.2	67.0	64.6	61.8	59.8	63.3	66.9	74.4	58.7
Money Stock (M1) (% ch.) 4/	133.5	105.7	103.0	93.9	74.1	58.1	50.6	40.0	32.8	23.8	n.a.	n.a.	n.a.

1/ Period average. Percent change from year earlier.
2/ Based on end of period data. Annual data are December over December; quarterly data are end-quarter over end of previous quarter.
3/ Rate for 28-day Treasury bills, based on daily quotations in the secondary market. Data are averages for each month and for the last month of each quarter and year.
4/ Including dollar denominated demand deposits. Percent change from year earlier, based on end of period data.
5/ Overall public sector borrowing requirement. Includes net lending to the private sector by the development banks and official trust funds.
6/ Percent change from three months earlier at an annual rate.

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TABLE 2b
MEXICO -- EXTERNAL ECONOMIC INDICATORS
(Unless indicated, changes are from previous period)

	1984	1985	1986	1987	1988	1988 Q1	1988 Q2	1988 Q3	1988 Q4	1989 Q1	1989 Q2
Exchange Rate 1/	192.6	372.2	925.3	2204.0	2273.0	2273.0	2273.0	2273.0	2273.0	2373.0	2466.0
(% change) 2/	33.8	93.3	148.6	138.2	3.1	3.1	0.0	0.0	0.0	4.4	3.9
Real Exch. Rate Index 3/	97.1	100.0	70.0	64.4	79.6	74.7	80.5	86.3	85.1	83.6	n.a.
(% change)	16.9	3.0	-30.0	-7.9	23.5	14.0	7.8	7.2	-1.5	-1.7	n.a.
Oil Exports ($B) 4/	16.6	14.8	6.3	8.6	6.7	1.8	1.8	1.6	1.5	1.8	n.a.
Exports f.o.b. ($B) 5/	25.4	22.9	17.3	22.3	23.0	5.8	6.0	5.6	5.6	6.1	n.a.
(% change)	10.0	-9.7	-24.4	28.4	3.4	1.2	4.0	-6.5	0.6	7.8	n.a.
Imports f.o.b. ($B)	11.3	13.2	11.4	12.2	18.9	3.7	4.6	5.2	5.4	5.2	n.a.
(% change)	30.9	17.3	-13.5	6.9	54.7	7.2	22.7	12.6	4.9	-4.5	n.a.
Trade Balance ($B) 5/	14.1	9.7	5.9	10.0	4.1	2.0	1.4	0.4	0.2	0.9	n.a.
Current Account ($B)	4.2	1.2	-1.7	4.0	-2.9	0.7	-0.3	-1.5	-1.8	n.a.	n.a.
Total Reserves excl. gold ($B)	7.3	4.9	5.7	12.5	5.3	14.5	12.9	8.6	5.3	5.1	n.a.

	1988 July	1988 Aug.	1988 Sep.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May	1989 June	1989 July
Exchange Rate 1/	2273.0	2273.0	2273.0	2273.0	2273.0	2273.0	2309.0	2341.0	2373.0	2403.0	2436.0	2466.0	2497.0
(% change) 2/	0.0	0.0	0.0	0.0	0.0	0.0	1.6	1.4	1.4	1.3	1.4	1.2	1.3
Oil Exports ($M) 4/	561	593	413	469	482	560	613	553	679	692	n.a.	n.a.	n.a.
Exports f.o.b. ($M) 5/	1,871	2,045	1,686	1,752	1,953	1,932	1,959	1,921	2,197	2,167	2,264	n.a.	n.a.
Imports f.o.b. ($M)	1,596	1,826	1,742	1,739	1,950	1,729	1,664	1,691	1,819	1,925	1,958	n.a.	n.a.
Trade Balance ($M) 5/	276	219	-56	13	4	203	295	230	378	242	307	n.a.	n.a.
Current Account ($M)	- 404	- 425	- 673	- 651	- 710	- 464	- 351	- 387	- 195	- 349	n.a.	n.a.	n.a.
Total Reserves excl. gold ($B)	10.47	10.91	8.59	7.65	5.48	5.28	5.47	5.64	5.10	n.a.	n.a.	n.a.	n.a.

1/ Pesos per dollar at end of period shown. Since 1982, quotations are for the "controlled rate".
2/ Based on end of period data. Monthly change at monthly rate; Quarterly change at quarterly rate.
3/ Index: 1985=100, from IMF "Indicators of Real Effective Exchange Rates". Annual data are averages for years shown; quarterly data are averages for the last month of each quarter.
4/ Crude oil, refined products, natural gas and petro-chemicals.
5/ Including exports of silver and value added by in-bond assembly plants.

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TABLE 3
MEXICO -- EXTERNAL DEBT
(in billions of dollars)

	1982	1983	1984	1985	1986	1987	1988e	1989p
GROSS EXTERNAL DEBT	86.1	93.1	94.9	96.9	101.1	104.0	98.7	100.3
Long Term (incl. IMF)	60.0	82.9	88.5	91.4	95.2	98.2		
Public and guaranteed	51.6	66.9	69.8	72.7	76.0	82.8		
of which from:								
Official sources	7.0	6.7	7.0	8.8	10.7	15.9		
Financial institutions 1/	44.5	59.8	62.6	63.7	64.0	66.6		
Private Unguaranteed	8.1	14.8	16.3	15.8	15.1	10.2		
IMF Credit	0.2	1.3	2.4	3.0	4.1	5.2	4.8	
Short-term (e)	26.2	10.1	6.4	5.5	5.9	5.8		
(Arrears)	3.5	0.5	0.0	0.0	0.0	0.0	0.0	
EXTERNAL ASSETS	2.4	6.4	9.6	7.4	8.2	15.7	8.4	
Bank of Mexico (excl. gold)	0.8	3.9	7.3	4.9	5.7	12.5	5.3	
Commercial Banks	1.4	2.2	1.9	2.1	2.0	2.8	2.6	
Development Banks	0.2	0.3	0.4	0.4	0.5	0.4	0.5	
(Gold in millions of ounces)	2.1	2.3	2.4	2.4	2.6	2.5	2.6	
NET EXTERNAL DEBT	83.7	86.6	85.3	89.5	92.9	88.3	90.3	
TOTAL DEBT SERVICE (e)	16.7	14.9	17.4	15.7	13.0	14.7	14.6	15.9
Amortization (e) 2/	4.5	4.8	5.7	5.5	4.7	6.6	5.7	6.0
Public long-term	3.2	4.8	3.9	3.5	2.7			
Private long-term	1.3	0.0	1.8	2.0	2.0			
Interest	12.2	10.1	11.7	10.2	8.3	8.1	8.9	10.0
Public long-term and IMF	6.2	6.6	7.4	7.5	6.2			
Private long-term (e)	1.6	1.6	2.9	1.9	1.5			
Short-term (e)	4.4	1.9	1.4	0.8	0.6			
MEMORANDUM ITEMS								
Net Debt/GDP (%)	52.9	55.8	51.1	50.5	53.4	48.6	47.7	
Net Debt/Exp. (%) 3/	292.6	302.9	262.6	300.8	392.1	295.3	283.6	
Debt Service/Exp. (%) 3/	58.4	52.2	53.4	52.8	54.8	49.2	45.9	44.2
Interest/Exp. (%) 3/	42.6	35.3	36.0	34.3	35.2	27.1	27.9	27.6
Bank Claims (quarterly):								
All Banks 4/	59.0	62.8	72.3	74.5	74.2	75.8	69.3	67.4
Net, All Banks 4/	48.1	44.8	50.6	52.7	51.3	45.7	44.8	43.4
U.S. Banks 5/	24.4	26.3	26.5	24.9	23.7	22.7	17.9	17.3
U.S. Banks Exposure 5/	24.3	25.4	25.8	24.4	23.5	22.4	17.6	17.0
Bank Claims (semi-annual):								
All Banks 4/	62.9	69.3	70.7	71.7	70.9	69.9	62.8	
(Maturing in 1 year)	29.9	29.4	17.0	20.3	16.5	15.7	13.9	

1/ Includes bonds outstanding totalling $3.7 billion in 1981, $4.1 billion in 1982, $3.8 billion in 1983, $3.3 billion in 1984, $3.1 billion in 1985, and $2.7 billion in 1986.
2/ Data for 1986 and subsequent years exclude debts paid through debt-equity swaps and under debt buy-back arrangements.
3/ Exports of goods and services.
4/ All BIS-reporting banks. Quarterly data are for March 1989; semi-annual data are for December 1988.
5/ Data for 1989 are for March.

August 17, 1989

TABLE 4
MEXICO -- BALANCE OF PAYMENTS
(in billions of dollars)

	1981	1982	1983	1984	1985	1986	1987	1988e	1989p	1990p
CURRENT ACCOUNT	-13.9	-7.0	5.4	4.2	1.2	-1.7	4.0	-2.9	-2.3	-3.5
Trade Balance	-3.1	7.7	14.5	14.1	9.7	5.9	10.0	4.1	5.6	4.6
Exports (f.o.b.) 1/	20.9	22.1	23.1	25.4	22.9	17.3	22.3	23.0	26.4	27.7
Oil and Products 2/	14.6	16.5	16.0	16.6	14.8	6.3	8.6	6.7	8.1	7.8
Other	6.3	5.6	7.1	8.8	8.2	11.0	13.6	16.3	18.3	20.0
Imports (f.o.b.)	-24.0	-14.4	-8.6	-11.3	-13.2	-11.4	-12.2	-18.9	-20.8	-23.1
Services (net)	-11.1	-15.0	-9.4	-10.3	-9.5	-8.0	-6.7	-7.6	-8.5	-8.8
Receipts	9.5	6.5	5.5	7.1	6.8	6.4	7.7	8.8	9.6	10.2
Payments	-20.6	-21.5	-14.9	-17.4	-16.3	-14.4	-14.4	-16.5	-18.1	-19.0
(Interest on Debt)	-9.5	-12.2	-10.1	-11.7	-10.2	-8.3	-8.1	-8.9	-10.0	-10.3
Transfers (net)	0.3	0.3	0.3	0.4	1.0	0.5	0.7	0.6	0.6	0.7
CAPITAL ACCOUNT	23.2	6.8	-1.3	0.0	-1.5	1.8	1.2	-4.1		
Long-term (net)	13.0	8.4	-3.2	-2.3	-10.3	1.1	4.4	-0.6		
Direct Investment 3/	2.5	1.7	0.5	0.4	0.5	1.5	3.3	2.6	2.8	3.0
Other Long-term 4/	10.5	6.7	-3.7	-2.7	-10.8	-0.4	1.1	-3.2		
Short-term (net) 4/	10.2	-8.4	-8.4	-3.6	-1.8	0.7	-3.2	-3.5		
Debt Refinancing 5/	0.0	6.8	10.3	5.9	10.6	0.0	0.0	0.0		
ERRORS AND OMISSIONS	-8.2	-3.1	-1.0	-0.9	-2.1	0.5	0.9	-0.5		
RESERVES AND RELATED ITEMS	-1.1	3.3	-3.1	-3.3	2.4	-0.6	-6.1	7.5		
Gold Valuation Adjustment	-0.1	0.1	0.0	-0.1	0.1	0.4	0.8	0.4		
SDR Allocation	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Change in net reserves	-1.1	3.2	-3.1	-3.2	2.3	-1.0	-6.9	7.1		
MEMORANDUM ITEMS:										
Net Interest Paid	7.0	10.9	9.2	9.6	8.3	6.9	6.2	6.6	7.5	7.7
Reserves/Average Monthly Imports 6/	1.1	0.3	2.0	3.0	2.0	2.6	5.6	1.8		
Current Account/GDP (%)	-9.2	-4.4	3.5	2.5	0.7	-1.0	2.2	-1.5	-1.1	-1.7
Current Acc't/Exp. (%) 6/	-45.9	-24.6	18.9	13.0	4.2	-7.0	13.3	-9.1	-6.3	-9.3
Oil Export Price ($/bbl.)	33.2	28.7	26.8	27.0	25.5	11.8	16.0	12.2	15.0	14.5

1/ Includes non-monetary gold and silver, and value added by in-bond assembly industries.
2/ Includes natural gas and petrochemicals.
3/ Includes undistributed earnings of foreign subsidiaries operating in Mexico.
From 1986, includes debt-equity swaps.
4/ Data for 1982-85 includes payment of debts that were in fact restructured.
5/ Data for 1982 includes past due interest accrued, estimated at $1.5 billion.
6/ Of goods and services.

August 17, 1989

July 19, 1989

Bank Claims on Mexico
(billions of dollars)

I. All BIS Banks (from BIS semiannual "Maturity Survey"), December 1988

	All banks	U.S.[1] banks	Non-U.S. banks
A. Total claims	62.8	17.0	45.8
B. Claims due in one year or less	13.9	5.0	8.9

II. U.S. Banks (from U.S. quarterly "Country Exposure Lending Survey"), March 1989

Note: 109 banks reported exposure to Mexico in March 1989

	All U.S. banks	Nine largest	Next thirteen	All other
A. Total claims	17.3	11.8	2.4	3.1
(as percent of total capital)	(12.6%)	(21.0%)	(10.0%)	(5.5%)
B. Claims due in one year or less	3.9	2.4	0.7	0.8
C. Total exposure	17.0	11.9	2.4	2.7
of which: claims on nonresident offices of banks chartered in the country concerned	0.9	0.5	0.2	0.2

III. Update on Total Claims (from other quarterly data)[2]

	March 1988	June 1988	Sept. 1988	Dec. 1988	March 1989
A. All BIS banks	73.4	70.1	70.4	69.3	67.4
B. U.S. banks	22.5	21.1	20.6	19.0	18.5

[1] Excluding U.S. subsidiaries of foreign banks.

[2] Source: A) BIS Quarterly series; B) Claims on Foreign Countries Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks. For all BIS banks, coverage of the quarterly series was expanded in December 1983 and now exceeds that of the semiannual series. For U.S. banks, the quarterly series shown here differs from the Country Exposure Lending Survey as follows: a) the panel of reporting banks is different; b) the quarterly series shown here does not cover majority-owned foreign subsidiaries of U.S. banks; c) the quarterly series shown here includes local-currency claims on local borrowers. Note that the BIS quarterly data does not net intra-bank claims and liabilities as does the U.S. quarterly series shown here.