

## The IMF renews Mexico's Flexible Credit Line for a new two-year term

- The Foreign Exchange Commission (FEC) and the IMF announced on Friday that the Fund successfully completed the renewal of a two-year arrangement regarding the FCL
- The amount agreed upon stands at close to US\$50 billion (SDR 35.7 billion), continuing with the previous strategy of gradually decreasing the FCL after a pause last year due to heightened uncertainty
- This approval, along with a healthy buffer of international reserves and a solid macroeconomic framework continue to underpin Mexico's policy toolbox

### Mexico's Flexible Credit Line gets renewed by the IMF for two more years.

The Foreign Exchange Commission (FEC), composed by officials from the Ministry of Finance and Banxico, announced on Friday that the IMF's Executive Board has successfully completed a new arrangement regarding Mexico's Flexible Credit Line (FCL) program. This marks a new two-year term approval, as the last complete revision happened on November 2019 –with the usual 1-year revision taking place on November 2020–. This marks the 9<sup>th</sup> time the IMF has approved an agreement, spanning a little over 12 years as the first agreement was ratified in 2009. As such, the buffer was set at 35.7 billion *Special Drawing Rights* (SDR), equivalent to nearly US\$50 billion. As has been in previous occasions, government officials stated the intention to treat the arrangement as precautionary. The IMF quotes several factors as being drivers for the renewal, including strong macroeconomic and institutional policy frameworks, a flexible exchange rate regime, credible inflation-targeting framework, and a well-regulated financial sector.

**The policy of reducing the FCL continues after a pause in 2020.** Since 2017, the Mexican government started a gradual unwind of the FCL as part of a more efficient asset and liability management from the government. We should recall that this practice was stopped in 2020 amid heightened uncertainty due to the pandemic. Nevertheless, and as the recovery started and policy frameworks have remained resilient, this gives space for the reductions to continue. In addition, statements suggest that this trend should continue in the following years.

**The arrangement continues to support Mexico's policy toolbox.** On top of building upon US\$198.8 billion in international reserves, this action solidifies Mexico's external position. In particular, the IMF stated that “...authorities have successfully maintained external, financial, and fiscal stability, despite the pandemic-related challenges...”. However, considering market conditions, the Fund also states that “...the Mexican economy remains exposed to external risks, including from renewed waves of the COVID-19 pandemic, as well as international financial volatility...”. As such, the FCL serves to act as an additional shield in supporting the macroeconomic strategy by the government. We believe this announcement, while expected, further supports the external stance of our country, maintaining its appeal for both FDI and other type of investments.

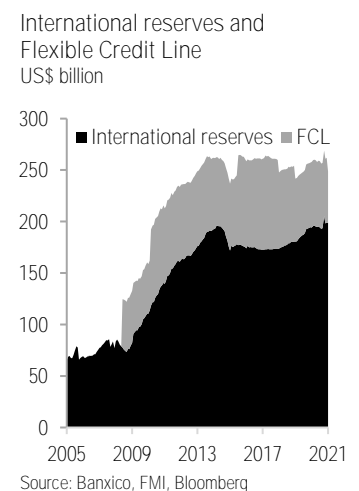
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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez and Gerardo Daniel Valle Trujillo, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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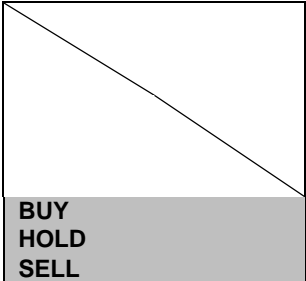
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