

**EXECUTIVE  
BOARD  
MEETING**

SM/20/160  
Supplement 1

October 20, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Mexico—Staff Report for the 2020 Article IV Consultation—Informational Annex**

Board Action:	Executive Directors' <b>consideration</b> (Formal)
Tentative Board Date:	<b>Monday, November 2, 2020</b>
Publication:	Yes*
Questions:	Mr. Goyal, WHD (ext. 36875)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—European Investment Bank, Food and Agriculture Organization, Inter-American Development Bank, Organisation for Economic Cooperation and Development, United Nations Development Programme, World Food Programme, World Trade Organization

**\*Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the document will be published.**





# MEXICO

## STAFF REPORT FOR THE 2020 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

October 19, 2020

Prepared By

The Western Hemisphere Department  
(in consultation with other departments)

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## FUND RELATIONS

(As of August 31, 2020)

**The 2020 Article IV discussions were held in Mexico City during September 21–October 1.** The mission comprised Rishi Goyal (head), Swarnali Ahmed Hannan, Kevin Wiseman (WHD), Carolina Claver (LEG), Dimitris Drakopoulos (MCM), Mehdi Raissi (FAD), and Misa Takebe (SPR). Krishna Srinivasan (WHD) joined the concluding meetings. Alfonso Guerra and Andrea Arevalo Arroyo (OED) also participated. The mission met with Bank of Mexico Governor Díaz de León, Finance Secretary Herrera, Labor Secretary Alcalde, other senior officials, and private sector representatives. Balazs Csonto (formerly SPR) provided inputs, and Juan Pablo Cuesta and Javier Ochoa (WHD) helped prepare the report.

Mexico has accepted the obligations of Article VIII, sections 2, 3, and 4. Comprehensive economic data are available for Mexico on a timely basis. It subscribes to the SDDS, and economic data are adequate to conduct surveillance.

**Membership Status:** Joined December 31, 1945

<b>General Resources Account:</b>	<b>SDR Million</b>	<b>Percent of Quota</b>
Quota	8,912.70	100.00
Fund holdings of currency	6,803.22	76.33
Reserve position in Fund	2,109.51	23.67
New Arrangement to Borrow	121.19	

<b>SDR Department:</b>	<b>SDR Million</b>	<b>Percent of Allocation</b>
Net cumulative allocation	2,851.20	100.00
Holdings	2,919.02	102.38

**Outstanding Purchases and Loans:** None

**Latest Financial Arrangements:**

<b>Type</b>	<b>Arrangement Date</b>	<b>Expiration Date</b>	<b>Amount Approved (SDR Million)</b>	<b>Amount Drawn (SDR Million)</b>
FCL	Nov. 22, 2019	Nov. 21, 2021	44,563.50	0.00
FCL	Nov. 29, 2017	Nov. 21, 2019	53,476.20 <sup>1</sup>	0.00
FCL	May 27, 2016	Nov. 28, 2017	62,388.90	0.00
FCL	Nov 26, 2014	May 26, 2016	47,292.00	0.00
FCL	Nov. 30, 2012	Nov. 25, 2014	47,292.00	0.00
FCL	Jan. 10, 2011	Nov. 29, 2012	47,292.00	0.00
FCL	Mar. 25, 2010	Jan. 09, 2011	31,528.00	0.00
FCL	Apr 17, 2009	Mar. 24, 2010	31,528.00	0.00

<sup>1</sup> Access was reduced from 62,388.90 to 53,476.20 SDR million on November 26, 2018.

**Projected Payments to the Fund** (SDR million):

	2020	2021	Forthcoming 2022	2023	2024
Principal					
Charges / Interest	0.00	0.04	0.04	0.04	0.04
Total	0.00	0.04	0.04	0.04	0.04

**Exchange Rate Arrangement:** Mexico's de-jure and de-facto exchange rate arrangements are free-floating. Mexico maintains an exchange system that is free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions.

**Article IV Consultation:** The last Article IV consultation was concluded by the Executive Board on November 4, 2019. The staff report was published as IMF Country Report No. 19/336.

**Technical Assistance**

Year	Dept.	Purpose
2020	FAD	Fiscal Framework and Council
2018	FAD	Public Investment Management Assessment
2018	FAD	Tax policy and Compliance
2018	FAD	Fiscal Transparency Evaluation
2017	STA	Government Financial Statistics
2017	FAD	Tax policy
2017	MCM	Central Securities Depositories
2017	FAD	Revenue Administration
2016	FAD	Revenue Administration
2015	STA	Balance of Payments
2015	FAD	Supervision of Subnational Finances
2014	FAD	Tax Policy and Compliance
2014	FAD	Treasury
2014	STA	Sectoral Balance Sheets
2014	STA	National Accounts
2014	STA	Balance of Payments
2013	MCM	Post-FSAP Follow Up
2012	FAD	Pension and Health Systems
2012	FAD	Tax Regimes for PEMEX

**Resident Representative:** None

## RELATIONS WITH THE WORLD BANK

<https://www.worldbank.org/en/country/mexico>

## STATISTICAL ISSUES

<b>I. Assessment of Data Adequacy for Surveillance</b>
<p><b>General:</b> Data provision is adequate for surveillance.</p>
<p><b>National accounts:</b> The national accounts statistics generally follow the recommendations of the <i>System of National Accounts, 2008 (2008 SNA)</i>. Source data and statistical techniques are sound and most statistical outputs sufficiently portray reality. A broad range of source data are available, with economic censuses every five years and a vast program of monthly and annual surveys. For most surveys, scientific sampling techniques are used. Nonetheless, most samples exclude a random sample of small enterprises. Some statistical techniques need enhancement. For example, taxes and subsidies on products at constant prices are estimated by applying the GDP growth rate, a deviation from best practice.</p> <p>The 2014 data ROSC reassessment found that national accounts statistics are generally of a high quality, adequate to conduct effective surveillance and adequately meet users' needs. Since 2010, Mexico has made significant improvements on the methodological and dissemination aspects of data quality. Nevertheless, areas for further improvement and refinement exist, in particular, on the resources devoted to collecting state and local government source data and seasonally-adjusted data, explaining data revisions, and on compiling data on changes in inventories and on the volume of taxes on products.</p> <p>INEGI publishes annual and quarterly GDP statistics and sectoral accounts and balance sheets.</p>
<p><b>Prices:</b> The concepts and definitions for both the CPI and PPI meet international standards. The PPI is based on 2012 weights and covers about 80 percent of Mexican production. It excludes trade and some services.</p>
<p><b>Government finance statistics:</b> The authorities compile fiscal statistics following national concepts, definitions, and classifications that make international comparison difficult. These fiscal statistics are comprehensive and timely, except for the subnational sector. Moreover, pension liabilities are partially reported, while government securities are only reported at face value. The new government accounting law mandates accounting standards that follow international standards for all levels of government, and that consider the information needs of international organizations and national accounts. A full adoption of uniform accounting standards at the sub-national level will be crucial to obtain a precise measure of public fixed investment in national accounts, among others.</p> <p>The authorities have reported GFS time series data for 2008 to 2019 to the IMF's annual GFS database. The official debt statistics do not include the stock of T-bonds issued to Banxico for liquidity management purposes. Furthermore, the accounting practices adopted by the federal government and Banxico differ. Finally, the authorities should consider reporting the HBPSBR debt statistics in gross terms for international comparisons.</p>

**Monetary and financial statistics:** The methodological foundations of monetary statistics are generally sound. Availability of data on other financial intermediaries such as insurance companies and pension funds allow for the construction of a financial corporation's survey with full coverage of the Mexican financial system, which is published on a monthly basis in International Financial Statistics.

**Financial sector surveillance:** Mexico is reporting Financial Soundness Indicators (FSIs) for Deposit Takers and other financial corporations on a monthly basis, as well as five additional encouraged indicators regarding household debt service, market liquidity, and residential real estate markets. No FSIs are reported on the non-financial corporations sector. Mexico reports data on some key series and indicators to the Financial Access Survey (FAS), including gender disaggregated data on the use of basic financial services and the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) of the U.N. Sustainable Development Goals.

**External sector statistics (ESS):** The quality of ESS has improved. In 2017, Banco de Mexico migrated balance of payment and international investment statistics to the *sixth edition of the Balance of Payments and International Investment Position Manual (BPM6)* and adopted a structure consistent with *BPM6* in national publications. The authorities strengthened their data collection and compilation system for foreign direct investment, financial derivatives, bank accounts used in foreign exchange operations, capital account, financial intermediation services indirectly measured, and private sector debt. Recent improvements include better coverage of nonbank financial intermediaries. There are ongoing efforts to compile manufacturing services on physical inputs own by others, and to improve the coverage and level of detail of capital account transactions and nonfinancial private sector transactions and positions.

## II. Data Standards and Quality

Mexico observes the Special Data Dissemination Standards (SDDS) and its metadata are posted on the Dissemination Standards Bulletin Board (DSBB). In a number of cases, the periodicity and timeliness of disseminated data exceed SDDS requirements.

A data ROSC update was completed on June 24, 2015 and was published as IMF Country Report No. 15/176.

Mexico: Table of Common Indicators Required for Surveillance

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As of October 13, 2020							
	Date of latest observation	Date received	Frequency of Data <sup>7</sup>	Frequency of Reporting <sup>7</sup>	Frequency of Publication <sup>7</sup>	Data Quality-Methodological Soundness <sup>8</sup>	Data Quality Accuracy and Reliability <sup>9</sup>
Exchange Rates	Oct. 2020	Oct. 2020	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	Oct. 2020	Oct. 2020	W	W	W		
Reserve/Base Money	Oct. 2020	Oct. 2020	D	D	D	LO, O, O, LO	LO, O, O, O, O
Broad Money	Aug. 2020	Sep. 2020	M	M	M		
Central Bank Balance Sheet	Oct. 2020	Oct. 2020	W	W	W		
Consolidated Balance Sheet of the Banking System	Aug. 2020	Sep. 2020	M	M	M		
Interest Rates <sup>2</sup>	Oct. 2020	Oct. 2020	D	D	D		
Consumer Price Index	Sep. 2020	Oct. 2020	Bi-W	Bi-W	Bi-W	O, O, LNO, O	LO, LNO, O, O, LNO
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> -Gen. Government <sup>4</sup>	Aug. 2020	Sep. 2020	M	M	M	LO, LNO, LNO, O	O, O, O, O, O
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> -Central Government	Aug. 2020	Sep. 2020	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	Aug. 2020	Sep. 2020	M	NA	M		

**Mexico: Table of Common Indicators Required for Surveillance (concluded)**

External Current Account Balance		Q2 2020	Aug. 2020	Q	Q	Q	LO, LO, LNO, LO	LO, O, O, O, LO
Exports and Imports of Goods and Services		Aug. 2020	Sep. 2020	M	M	M		
GDP/GNP		Q2 2020	Aug. 2020	Q	Q	Q	O, O, O, LO	LO, O, LO, LO, O
Gross External Debt		Q1 2020	Jun. 2020	Q	Q	Q		
International Investment Position <sup>6</sup>		Q1 2020	Jun. 2020	Q	Q	Q		

<sup>1</sup> Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

<sup>2</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes, and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Includes external gross financial asset and liability positions vis-à-vis nonresidents.

<sup>7</sup> Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).

<sup>8</sup> Reflects the assessment provided in the data ROSC completed on July 2014, except consumer prices which is based on the ROSC completed on 2012. For the dataset corresponding to the variable in each row, the assessment indicates whether international standards concerning (respectively) concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).

<sup>9</sup> Same as footnote 8, except referring to international standards concerning source data, assessment and validation of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs, and revision studies.