

I NOVEMBER 1976

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TO DIRECTOR

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THE FOLLOWING IS ATTACHMENT TO 1 NOV MESSAGE FROM MR. DONALD SYVRUD TO TREASURY DEPARTMENT FOR ATTENTION OF UNDER SECRETARY YEO, MR. SAM CROSS AND MR. F.L. WIDMAN.

SUBJECT: FOREIGN EXCHANGE DEVELOPMENTS IN 1976.

INTRODUCTION

1. THIS PAPER TRACES THE BANK OF MEXICO'S (BOM) FOREIGN EXCHANGE RESERVE POSITION AND INTERVENTION DATA FOR 1976, RECONCILES CHANGES IN THE RESERVE POSITION WITH INTERVENTION DATA, AND PROJECTS THE BORROWING REQUIREMENTS AND FOREIGN EXCHANGE AVAILABILITIES FOR THE REMAINDER OF 1976.

FOREIGN EXCHANGE RESERVES

2. THE BANK OF MEXICO'S GROSS FOREIGN EXCHANGE RESERVES AS OF OCTOBER 29, 1976, TOTALLED 778 MILLION, A DECLINE OF 797 MILLION SINCE DECEMBER 30, 1975. THE COMPOSITION OF GROSS RESERVES ON THE BASIS OF PRELIMINARY DATA ARE: GOLD, 264; IMF, 0; SDRS, 50;

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E.O. 12958 Sec. 3.6

MR 95-2; *8; Treasury Lt 3/7/96

By Lt NARA Date 5/30/96

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EX, 444; US TREASURY BILLS, 19; ACCEPTANCES, 1; NET BILATERAL PAYMENTS POSITION, 19; SEE TABLE 1.

(IF THE GOLD HOLDINGS ON OCTOBER 28 WERE VALUED AT A CONSTANT PRICE OF \$42.22 PER OUNCE, THE SAME VALUE AS OF DECEMBER 30, 1975, THE CHANGE IN GROSS FOREIGN EXCHANGE RESERVES WOULD AMOUNT TO \$955 MILLION).

THE BANK OF MEXICO'S NET FOREIGN EXCHANGE RESERVE POSITION, TAKING THE U.S. TREASURY SWAP INTO ACCOUNT, WAS \$436 MILLION ON OCTOBER 29. THIS TREASURY SWAP WILL BE PAID ON NOVEMBER 5, TO BE COVERED BY AN EQUAL DOLLAR AMOUNT DRAWN FROM THE IMF. (SDR 134 MILLION OF THE FIRST CREDIT TRANCHE AND SDR 185 MILLION OF THE COMPENSATORY FINANCING FACILITY ON NOVEMBER 1 AND 3).

3. INCLUDING THE SWAP AS A LIABILITY (SWAPS BEING PESO OBLIGATIONS ARE NOT A LEGAL FOREIGN EXCHANGE LIABILITY OF THE BANK OF MEXICO), THE DECLINE IN THE NET FOREIGN EXCHANGE POSITION OF THE BANK THROUGH OCTOBER 29 AMOUNTED TO \$1320 MILLION, AN AVERAGE OF \$132 MILLION PER MONTH.

4. THESE GROSS AND NET FOREIGN EXCHANGE POSITIONS ARE CONSISTENT WITH THOSE PROVIDED WEEKLY.

NET FOREIGN EXCHANGE MARKET INTERVENTION

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5. DURING THE FIRST TEN MONTHS OF 1976 - TO OCTOBER 29, THE BANK OF MEXICO'S FOREIGN EXCHANGE OPERATIONS RESULTED IN NET SALES OF \$3400 MILLION. MONTHLY INTERVENTION DATA, SHOWING THE NET PURCHASES AS SALES TO THE PRIVATE SECTOR AND TO PUBLIC SECTOR ENTERPRISES, ARE INCLUDED IN TABLE 2.

6. THE ACCUMULATED INTERVENTION DATA ARE CONSISTENT WITH THOSE PROVIDED ON A DAILY BASIS.

RECONCILIATION OF RESERVE AND INTERVENTION DATA

7. THE KEY TO RECONCILING THE DIFFERENCES BETWEEN CHANGES IN RESERVE DATA AND INTERVENTION DATA IS AN UNDERSTANDING THAT THE MEXICAN ECONOMY OPERATES VIRTUALLY ON A TWO CURRENCY BASIS-DOLLARS AND PESOS. THERE IS COMPLETE CONVERTIBILITY BETWEEN THE TWO CURRENCIES AT ALL STAGES. INDIVIDUALS AND FIRMS, FOREIGN OR DOMESTIC, MAY HOLD PESO OR DOLLAR DENOMINATED ACCOUNTS IN COMMERCIAL BANKS. COMMERCIAL BANKS IN TURN MAY HOLD PESO OR DOLLAR DENOMINATED ACCOUNTS AT THE BANK OF MEXICO. THE ONLY LIMITATION ON COMMERCIAL BANKS IS THAT THEY ARE REQUIRED TO BALANCE THEIR FOREIGN EXCHANGE POSITIONS EACH DAY. PUBLIC ENTERPRISES ALSO HOLD DOLLAR DENOMINATED AS WELL AS PESO DENOMINATED ACCOUNTS AT THE BANK OF MEXICO.

8. MOST OF THE DIFFERENCES BETWEEN RESERVE AND INTERVENTION

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DATA ARE ATTRIBUTABLE TO FREE CONVERTIBILITY AND THE RIGHT TO HOLD DOLLAR DENOMINATED ACCOUNTS IN THE BANK OF MEXICO. MANY OF THE TRANSACTIONS OF THE BANKS OR THE PUBLIC ENTERPRISES ARE MERELY "TRANSFERS" FROM THEIR PESO ACCOUNT TO THEIR DOLLAR ACCOUNT (OR VICEVERSA) IN THE BANK OF MEXICO. SUCH A TRANSFER WOULD INVOLVE A BANK OF MEXICO SALE OF DOLLAR FOR PESO (OR VICEVERSA) AND WOULD THUS BE INCLUDED IN INTERVENTION DATA. THE TRANSACTION WOULD ALSO INCREASE (OR REDUCE) THE BANK OF MEXICO'S DOMESTIC DOLLAR LIABILITIES (TO THE BANK OR ENTERPRISE) BUT IT WOULD NOT AFFECT ITS GROSS FOREIGN EXCHANGE HOLDING.

9. IF THE COMMERCIAL BANK (OR PE) SIMULTANEOUSLY REQUESTED A TRANSFER FROM ITS PESO ACCOUNT TO ITS DOLLAR ACCOUNT AND REQUESTED PAYMENT OF THE DOLLARS TO A U.S. BANK, THIS TRANSACTION, "FOREIGN EXCHANGE DRAFTS AND PAYMENT ORDERS" INVOLVES BOTH INTERVENTION (A BANK OF MEXICO'S SALE OF DOLLARS FOR PESOS) AND A RESERVE LOSS (A REDUCTION IN THE BANK OF MEXICO'S DOLLAR LIABILITY TO THE BANK AND A SIMILAR REDUCTION IN THE FOREIGN EXCHANGE ASSETS).

10. IF THE COMMERCIAL BANK (OR PE) REQUESTS A TRANSFER FROM ITS DOLLAR ACCOUNT IN THE BANK OF MEXICO TO A FOREIGN BANK, THERE IS NO PESO-DOLLAR TRANSACTION AND THUS NO INTERVENTION, BUT THE BANK OF MEXI-

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CO AGAIN DRAWS DOWN ITS FOREIGN EXCHANGE RESERVES TO MAKE THE PAYMENT ABROAD - AGAIN REDUCING ITS DOLLAR LIABILITY TO THE MEXICAN BANK. THE BANK OF MEXICO REFERS TO THIS TRANSACTION AS "TRANSACTIONS IN U.S. DOLLARS ONLY".

11. COMPARISON OF CHANGES IN NET FOREIGN EXCHANGE RESERVE POSITION THROUGH OCTOBER 29 (\$1320 MILLION PER PARA. 3) WITH NET INTERVENTION DATA (\$3400 MILLION PER PARA. 5) RESULTS IN A DIFFERENCE OF \$2,080 MILLION. PRECISE DATA TO RECONCILE THIS DIFFERENCE FOR THE ENTIRE YEAR ARE NOT READILY AVAILABLE, BUT WITH A MAJOR EFFORT COULD BE PULLED TOGETHER FROM DAILY WORKSHEETS. IN RECOGNITION OF THE NEED TO BEGIN RECONCILING RESERVE AND INTERVENTION DATA THE BANK OF MEXICO INITIATED ON SEPTEMBER 16 A DAILY SUMMARY WHICH FACILITATED THIS RECONCILIATION. THESE DATA FOR SEPTEMBER 16 TO OCTOBER 19 ARE INCLUDED IN TABLE 3.

12. FAIRLY ACCURATE DATA ON NET CHANGES IN FOREIGN EXCHANGE RESERVES OF THE BANK OF MEXICO ARE AVAILABLE DAILY THROUGH CALCULATION OF THE THREE TRANSACTIONS DESCRIBED IN PARAGRAPHS 8-10 ABOVE.

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BOTH THE COMMERCIAL BANKS AND THE PUBLIC ENTERPRISES ENGAGE IN ALL THREE OF THE TRANSACTIONS DESCRIBED ABOVE.

13. ANOTHER APPROACH TO EXPLAINING THE DIFFERENCE BETWEEN INTERVENTION AND RESERVE DATA IS TO EXAMINE THE OPERATIONS OF THE COMMERCIAL BANKS AND PUBLIC ENTERPRISES SEPARATELY. THE COMMERCIAL BANKS ARE REQUIRED TO DEPOSIT IN THE BANK OF MEXICO AN AVERAGE OF 75 PER CENT OF THEIR DOLLAR LIABILITIES. THE BANK OF MEXICO RECORDS THESE DOLLAR DENOMINATED DEPOSITS AS FOREIGN EXCHANGE LIABILITIES TO THE COMMERCIAL BANKS. THROUGH OCTOBER 28, THESE LIABILITIES INCREASED BY \$700 MILLION (FROM 7.5 MILLION ON DECEMBER 30, 1975 TO 708 MILLION ON OCTOBER 28). ASSUMING THIS AMOUNT AS A BANK OF MEXICO FOREIGN EXCHANGE LIABILITY, NET FOREIGN EXCHANGE RESERVES DECLINED \$2,039 MILLION (FROM \$1567 MILLION ON DECEMBER 30, TO A NEGATIVE \$295 MILLION ON OCTOBER 29, INCLUDING A \$177 MILLION ADJUSTMENT FOR THE CHANGE IN THE GOLD VALUATION SYSTEM).

14. TAKING ALL KNOWN ITEMS INTO ACCOUNT, WE CAN EXPLAIN \$2,020 MIL-

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LION OF THE \$3,400 MILLION NET INTERVENTION LOSS, MOST OF THE REMAINING \$1,380 MILLION IS ATTRIBUTABLE TO THE BANK OF MEXICO'S TRANSACTIONS WITH THE PUBLIC ENTERPRISES. WHEN A PUBLIC ENTERPRISE BORROWS DOLLARS FOR THE SPECIAL TRUST FUND, THE PROCEEDS ARE DEPOSITED IN A DOLLAR ACCOUNT IN A FOREIGN BANK TO THE ACCOUNT OF THE BANK OF MEXICO (AS A TRUSTEE). TO THE EXTENT THAT THE GOVERNMENT OF MEXICO AUTHORIZES DELIVERY OF THOSE DOLLARS TO PUBLIC ENTITIES, FOR PAYMENT OF IMPORTS OR DEBT SERVICES, THE TRANSACTION IS A "US DOLLAR ONLY" TRANSACTION, WITH NO INTERVENTION INVOLVED. TO THE EXTENT THAT THE GOVERNMENT OF MEXICO AUTHORIZES DELIVERY OF THE DOLLAR PROCEEDS FOR EXPENDITURES IN MEXICO, THE DOLLARS ARE CONVERTED INTO PESOS AND ARE INCLUDED IN THE INTERVENTION DATA AS A PURCHASE OF DOLLARS FOR PESOS. TO THE EXTENT THAT THE DOLLARS REMAIN ON ACCOUNT AT THE BANK OF MEXICO, THEY REMAIN AS A LIABILITY. ALL THESE TRANSACTIONS FROM BEGINNING TO END, ARE SIMULTANEOUSLY REGISTERED IN MEMORANDA ACCOUNTS.

15. DATA ON BANK OF MEXICO TRANSACTION WITH PUBLIC ENTERPRISES ARE NOT READILY AVAILABLE. A MAJOR EFFORT WOULD BE REQUIRED TO SUMMARIZE THE INCREASE IN BANK OF MEXICO USE OF TRUST FUND DOLLAR RESOURCES.

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16. IN SUM, NET FOREIGN RESERVES HAVE DECLINED BY \$3,400 MILLION DURING THE YEAR TO OCTOBER 29. GROSS RESERVES HAVE DECLINED BY \$955 MILLION, AND FOREIGN EXCHANGE LIABILITIES HAVE INCREASED BY THE DIFFERENCES, OF WHICH 365 MILLION SWAP TO THE U.S. TREASURY, \$700 MILLION LIABILITY TO THE COMMERCIAL BANKS AND \$1,380 MILLION LIABILITY TO THE PUBLIC ENTERPRISES.

PROJECTIONS FOR NOVEMBER AND DECEMBER

17. THE CRITICAL UNKNOWN IN PROJECTING THE BANK OF MEXICO'S FOREIGN EXCHANGE REQUIREMENTS AND AVAILABILITIES FOR THE REMAINDER OF 1976 IS THE LEVEL OF SPECULATIVE CAPITAL OUTFLOW RESULTING FROM A LACK OF CONFIDENCE. ON THE ASSUMPTION OF NO SPECULATIVE CAPITAL OUTFLOW AND, BASED ON THE BEST AVAILABLE DATA ON THE TREND OF THE CURRENT ACCOUNT AND REASONABLE ASSUMPTIONS REGARDING CAPITAL ACCOUNT MOVEMENTS, THE BANK OF MEXICO PROJECTS A \$204 MILLION NET INFLOW FOR THE FINAL TWO MONTHS OF 1976. THE PROJECTIONS AND THE ASSUMPTIONS ON WHICH THE PROJECTIONS ARE MADE ARE SHOWN IN TABLE 5.

18. THE BANK OF MEXICO IS PROJECTING A CURRENT ACCOUNT DEFICIT FOR THE LAST TWO MONTHS OF \$450 MILLION. THIS IS BASED ON A FORECAST DEFICIT FOR 1976 OF \$2,997 BILLION, OF WHICH \$2,103 MILLION

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IS A PRELIMINARY ACTUAL THROUGH AUGUST. FOR THE FINAL FOUR MONTHS THE BANK OF MEXICO EXPECTS A SMALLER (\$225 MILLION) MONTHLY DEFICIT THAN DURING THE EARLIER EIGHT MONTHS (263 MILLION), BUT STILL BIGGER THAN THE FIRST QUARTER (\$212 MILLION).

19. PUBLIC SECTOR CAPITAL ACCOUNT TRANSACTIONS ARE PROJECTED BY THE FINANCE MINISTRY TO RESULT IN A NEW INFLOW OF \$654 MILLION, WITH AMORTIZATIONS OF \$800 MILLION AND BORROWING OF \$1,454 MILLION. THIS LATTER INCLUDES AN \$800 MILLION CREDIT ARRANGED BY THE BANK OF AMERICA F.O.V. LATE NOVEMBER OR EARLY DECEMBER.

20. PRIVATE SECTOR CAPITAL ACCOUNT TRANSACTIONS BOTH LONG AND SHORT TERM, ARE ASSUMED TO BE IN BALANCE FOR THE REST OF THE YEAR WITH AMORTIZATIONS OF \$577 MILLION OFFSET BY BORROWING OF A SIMILAR AMOUNT. GIVEN THE EXCEPTIONALLY TIGHT MONETARY SITUATION, TO BE DESCRIBED LATER, THIS ASSUMPTION SEEMS REALISTIC.

21. FINALLY, THE U.S. TREASURY SWAP IS DUE FOR REPAYMENT ON NOVEMBER 5, TO BE COVERED BY DRAWINGS FROM THE IMF OF A SIMILAR AMOUNT ON NOVEMBER 2 AND 4.

THE KEY UNKNOWN IS THE AMOUNT OF SPECULATIVE CAPITAL FLIGHT BASED ON THE CONFIDENCE FACTOR.

LIST OF TABLES

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1. FOREIGN EXCHANGE RESERVES
DEC, 1975 - OCT, 28, 1976, BY MONTH
(MILLIONS OF US DOLLARS)
2. NET FOREIGN EXCHANGE INTERVENTION
FROM END OF DEC, 1975 TO OCT, 29, 1976, BY MONTH, WITH BREAK-
DOWN OF NET PUBLIC SECTOR AND PRIVATE SECTOR OPERATIONS,
(MILLIONS OF US DOLLARS)
3. RECONCILIATION OF FOREIGN EXCHANGE RESERVE CHANGES AND NET
INTERVENTION
DATA SEPT, 17 TO OCT, 29, 1976 (TO BE POUCHED)
(MILLIONS OF US DOLLARS)
4. BALANCE OF PAYMENTS 1976, BY QUARTER
ACTUAL TO FIRST SEMESTER 1976 AND PROJECTIONS FOR
SECOND SEMESTER 1976,
(MILLIONS OF US DOLLARS)
5. PROJECTED FOREIGN EXCHANGE
REQUIREMENTS AND AVAILABILITIES, NOVEMBER AND DECEMBER 1976,
(MILLIONS OF US DOLLARS)
6. FOREIGN EXCHANGE RESERVE
SEPT, 17 - OCT, 28, 1976 (TO BE POUCHED)

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TABLE NO. 1

	DEC. 75	JAN. 76	FEB.	MAR.	APR. (#)	
GOLD	154.6 (#)	152.0 (#)	152.0 (#)	152.0 (#)	396.1	
IMF	118.0	118.0	118.0	118.0	118.0	
SDR	100.9	100.8	100.8	99.7	99.3	
FOREIGN EXCHANGE	1,111.8	1,041.7	1,196.9	1,114.3	853.8	
NET BILATERAL AGREEMENT	46.6	18.2	25.0	30.6	41.3	
U.S. TREASURY BILLS	13.2	6.5	9.1	7.8	5.6	
ACCEPTANCES	30.1	13.9	24.5	20.0	23.0	
	-----	-----	-----	-----	-----	
GROSS FOREIGN EXCHANGE RESERVES	1,575.2	1,451.1	1,626.3	1,542.4	1,537.1	
	<u>MAY</u>	JUN	JUL	AUG	SEPT	OCT
<i>Gold</i>	396.1	<u>396.1</u>	364.5	337.0	361.8	264
<i>IMF</i>	118.0	118.0	118.0	118.0	113.1	-----

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SDR
FX

98.8	98.3	98.4	98.7	49.1	50
896.1	1,039.5	754.5	750.3	530.5	444
18.5	29.9	38.6	46.3	11.6	19
10.4	10.0	5.7	13.4	11.6	19
61.2	75.7	15.2	----	----	----

GROSS FOREIGN

EXCHANGE RESERVES

1,599.1	1,767.5	1,394.9	1,363.7	1,077.7	778
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CHANGE IN GROSS RESERVES

(#) GOLD IS VALUED AT 42.22 / OZ

(##) GOLD IS VALUED AT 90 PERCENT OF THE AVERAGE U.S. DOLLAR MARKET PRICE FOR THE PRECEDING THREE MONTHS OR OF THE MOST RECENT DATE, WHICHEVER IS LESS.

(###) FIGURES AS OF END OF MONTH

SOURCE: BANK OF MEXICO, CLASSIFIED REPORTS.

TABLE NO. 2

NET FOREIGN EXCHANGE PURCHASES AND SALES

(INTERVENTION) BY MONTH, JANUARY - OCTOBER,

1976, WITH PUBLIC AND PRIVATE SECTOR OPERATIONS.

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MONTH	PRIVATE	PUBLIC	TOTAL
JANUARY	MINUS 188	PLUS 5	MINUS 183
FEBRUARY	MINUS 259	PLUS 258	MINUS 1
MARCH	MINUS 371	PLUS 232	MINUS 139
APRIL	MINUS 514	PLUS 191	MINUS 323
MAY	MINUS 29	MINUS 176	MINUS 205
JUNE	MINUS 173	MINUS 316	MINUS 489
JULY	MINUS 255	MINUS 133	MINUS 388
AUGUST	MINUS 541	PLUS 55	MINUS 486
SEPTEMBER	MINUS 256	MINUS 41	MINUS 297
OCTOBER##	MINUS 637	MINUS 249	MINUS 886
	MINUS 3,223	MINUS 174	MINUS 3,397

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INCLUDES AN ESTIMATE FOR OCTOBER 29,

TABLE 4
QUARTERLY FORECAST OF THE MEXICAN BALANCE OF PAYMENTS 1/
MILLIONS OF DOLLARS



BP

	JANUARY MARCH#	APRIL JUNE#	JULY AUGUST	SEPTEMBER DECEMBER	TOTAL
I. BALANCE ON GOODS & SERVICES	-635.1	-874.0	-594.4	-893.6	-2 997.1
A. EXPORT OF GOODS & SERVICES	1 704.8	1 827.0	1 170.6	2 062.0	6 764.4
1. MERCHANDISE	781.0	879.5	465.5	1 134.5	3 260.5
2. SILVER	35.6	38.7	27.0	62.0	163.3
3. TOURISM	237.6	202.8	152.4	200.0	792.8
4. INTERNATIONAL TRAVEL	23.8	25.1	18.0	33.1	100.0
5. FRONTIER TRANSACTIONS	391.2	405.1	310.0	381.6	1 487.2
6. IN-BOND ASSEMBLY PLANTS	125.2	154.4	102.7	142.3	524.6
7. OTHER	110.4	121.4	95.0	108.5	435.3
B. IMPORTS OF GOODS & SERVICES	2 339.9	2 701.0	1 765.0	2 955.6	9 761.5

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BP-2

July-Aug *Sept-Dec* *Total*

	<i>July-Aug</i>	<i>Sept-Dec</i>	<i>Total</i>		
1. MERCHANDISE	1 433.4	1 656.8	1 100.0	1 810.0	6 000.2
A) PUBLIC SECTOR	560.8	525.4	350.0	572.0	2 008.2
B) PRIVATE SECTOR	872.6	1 131.4	750.0	1 238.0	3 992.0
2. TOURISM	70.6	118.2	90.0	101.3	380.1
3. INTERNATIONAL					
TRAVEL	23.7	47.1	24.0	83.0	127.8
4. FRONTIER					
TRANSACTIONS	257.3	264.9	181.0	226.3	929.5
5. DIVIDENDS &					
INTEREST	198.9	204.5	120.0	240.0	763.4

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			<i>July-Dec</i>	<i>Sept-Dec</i>	
6. INTEREST ON					
OFFICIAL DEBTS	239.0	280.3	150.0	355.0	1 024.3
7. OTHER	117.0	129.2	100.0	190.0	536.2
II. LONG-TERM	1 038.5	800.9	600.0	1 308.6	3 748.2
III. CHANGE IN THE BANK OF					
MEXICO'S					
RESERVES 2/	403.4	-73.1	5.6	415.0	750.9

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#PRELIMINARY

1/ ASSUMES A 4.5 PERCENT GROWTH RATE.

2/ INCREASE IN INTERNATIONAL ASSETS AND/OR CAPITAL OUTFLOWS.

TABLE 4

(CONT.)

FOREIGN DEBT SERVICE OF THE PUBLIC SECTOR.

(MILLIONS OF DOLLARS)



Debt Service

	1976		1977	
	SEPT-DEC	JAN-JUN	JUL-DEC	
TOTAL	2 035.0	3 662.2	3 794.2	
A. LONG TERM	755.0	1 530.0	1 722.0	
INTEREST	355.0	830.0	770.0	
AMORTIZATION	400.0	700.0	952.0	
B. SHORT TERM	1 280.0	2 132.2	2 072.2	
INTEREST	80.0	180.0	120.0	
AMORTIZATION	1 200.0	1 952.2	1 952.2	

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TABLE 5

NOVEMBER-DECEMBER 1976

I. OUTFLOWS

U.S. DLS.

MILLION

A. CURRENT ACCOUNT DEFICIT

450

B. PUBLIC DEBT PAYMENTS

800

B.1 LONG TERM

200

To be rolled over - (F.1)

B.2	SHORT TERM	600	
C.	PRIVATE DEBT (TOTAL)	577	
D.	U.S. TREASURY SWAP	365	
E.	SUB-TOTAL	2,192	
II. INFLOWS			
F.	PUBLIC SECTOR DEBT	1,454	
F.1	LONG TERM	854	
F.2	SHORT TERM	600	
G.	PRIVATE SECTOR DEBT	577	
H.	I.M.F.	365	
I.	SUB-TOTAL	2,396	
J.	TOTAL (II - I)	PLUS 204	
K.	ERRORS AND OMISSIONS	N.A.	

*estimated 1/6 of Post D
" 127 a long D*

*double of roll overs
good roll overs?*

NOTES AND ASSUMPTIONS FOR TABLE 5

I. OUTFLOWS.

A. CURRENT ACCOUNT DEFICIT. - ON BASIS OF AN ESTIMATED CURRENT ACCOUNT DEFICIT OF U.S. \$2,997.1 FOR 1976, AND 893.4 FOR THE 4 MONTH PERIOD, SEPTEMBER-DECEMBER 1976, FOR 2 MONTH PERIOD NOVEMBER-DECEMBER A DEFICIT IS ESTIMATED AT US \$450 MILLION. THE DEFICIT IS BASED ON BANK OF MEXICO'S FIGURES AND DEFINITIONS, WHICH DIFFER

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FROM THE IMF ESTIMATES DUE TO NETTING OF REMITTANCES OF PROFITS AND DIVIDENDS AND INVESTMENTS OF THESE. THERE IS ALSO A DIFFERENCE OF APPROXIMATELY 300 MILLION IN THE ESTIMATES,

B. SUM OF B.1 AND B.2.

B.1. . ON BASIS OF BALANCE OF PAYMENTS ESTIMATES FOR 1976, U.S. \$200 MILLION REPRESENTS PROJECTED AMORTIZATIONS OF PUBLIC SECTOR EXTERNAL DEBT,

B.2. ESTIMATES BASED ON BALANCE OF PAYMENTS FIGURES.

C. IT IS ASSUMED THAT:

I) OUT OF TOTAL PRIVATE SECTOR EXTERNAL SHORT-TERM DEBT ESTIMATED AT US \$2,703 MILLION AS OF JUNE 30, 1976, 1/6 FALLS DUE ON THE 2 MONTH PERIOD AMOUNTING TO US \$450 MILLION.

II) AVERAGE MATURITY OF PRIVATE SECTOR LONG-TERM DEBT IS 5 YEARS; OUT OF A TOTAL OF US \$3,867 MILLION OUTSTANDING AS OF JUNE 30, 1976, IT IS ESTIMATED THAT US \$770 FALLS DUE IN 1976, AND OUT OF THAT, US \$127 MILLION IS DUE IN NOV-DEC 1976.

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THEREFORE, 450 PLUS 127 EQUALS 577 MILLION.

*Total net benefits
Nov-Dec 76*

D. PAYMENT OF U.S. TREASURY SWAP.

F. RESULT OF F.1 AND F.2

F.1 HALF OF A TOTAL NET INFLOW OF US\$1,308.6 INCLUDED IN BALANCE OF PAYMENTS ESTIMATES FOR 4 MONTH PERIOD SEPTEMBER-DECEMBER 1976, PLUS US \$200 TO BE AMORTIZED (SEE B.1).

*25
200
85*

F.2 IT IS ASSUMED THAT ALL SHORT-TERM PUBLIC SECTOR DEBT IS ROLLED OVER.

G. IT IS ASSUMED THAT ALL PRIVATE SECTOR DEBT (SHORT AND LONG TERM) IS ROLLED OVER (SEE C ABOVE).

H. I.M.F. DRAWINGS ON FIRST CREDIT TRANCHE AND COMPENSATORY FINANCING FACILITY.

E-2. IMPDET.

No Fed swap in estimates.

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