

Mexico City, April 11<sup>th</sup>, 2016.

## THE MINISTRY OF FINANCE AND PUBLIC CREDIT ANNOUNCES THE USE OF THE 2015 BANCO DE MEXICO'S OPERATING SURPLUS OF PS. 239 BILLION

- ***Today, Banco de México (Banxico) announced the delivery of Ps. 239,093.8 million to the Federal Government on account of their operating surplus, corresponding to the 2015 fiscal year.***
- ***In accordance with the Federal Budget and Fiscal Responsibility Law (LFPRH), these resources will be used to reduce debt and improve the financial position of the Federal Government.***
- ***70 percent of the total amount, equivalent to Ps. 167 billion, will be used to repurchase Federal Government debt and to reduce the issuance of Federal Government debt during 2016.***
- ***Of the remaining 30 percent, which totals Ps. 71.7 billion, Ps., 70 billion will be deposited into the Budgetary Revenues Stabilization Fund (FEIP); and approximately Ps. 1.7 billion (USD 97 million) will be used to pay pending contributions to international organizations. This constitutes a capital investment for the Federal Government.***
- ***The receipt of the operating surplus will be reflected in an improvement of the Public Sector Borrowing Requirements (PSBR) and the Historical Balance of the Public Sector Borrowing Requirements (HBPSBR).***
- ***Moreover, the Federal Government continues to analyze the instruments at its disposal to support Petróleos Mexicanos. The characteristics of that support will be released in the following days.***

Today, Banco de México (Banxico) announced that the operating surplus of the fiscal year 2015 was Ps. 239,093.8 million. According to the Article 55 of the Law of Banco de Mexico, it will be delivered to Federal Government no later than April of the immediate fiscal year to which the surplus corresponds.

The operating surplus revenue of Banxico is a non-recurring income. Therefore, resulting from the initiative of the President Enrique Peña Nieto, in 2015 the Congress approved an amendment to the LFPRH, which establishes a specific destination for Banxico's operating surplus that ensures a responsible use of these resources:

- I. At least 70 percent must be allocated to the amortization of Federal Government public debt of prior fiscal years or to the reduction of the amount of financing required to cover the budget deficit that, as the case may be, has been approved for the fiscal year of the surplus receipt, or a combination of both concepts, and
- II. The remaining amount of the operating surplus, must be used to strengthen the Budgetary Revenue Stabilization Fund or to increase assets to improve the financial position of the Federal Government.

The Federal Budget and Fiscal Responsibility Law (LFPRH) states that the Ministry of Finance must disclose the specific application of the resources from the operating surplus, if any, received from Banxico, as well as the resulting reduction it generated in the Historical Balance of the Public Sector Borrowing Requirements (HBPSBR) in the last quarterly report of the corresponding fiscal year.

Additionally, in order to increase transparency and provide timely information regarding the use of the 2015 operating surplus, the Ministry of Finance will include the progress of the implementation of the operating surplus and its benefit to public finances in each Quarterly Report on the Economic Situation and Public Finance presented to Congress.

The Ministry of Finance announces that the strategy that will be implemented for the use of 70 percent of Banxico's operating surplus, will consider the following three elements:

- 1) *Decrease in debt issuance in the local market.*

The Federal Government will reduce the amount of debt issuance scheduled for the rest of the year in the amount of at least Ps. 64 billion. The Ministry of Finance will announce the adjustments to the amounts for the auction of government securities through the modification of the issuance program for the second quarter of 2016. This modification will be released in the last week of April and shall become effective on Tuesday, May 3<sup>rd</sup>. Subsequently, the Government Securities Auction Programs for the third and fourth quarters will be announced in due time and will be compatible with the reduction announced.

- 2) *Repurchases of government securities.*

The Federal Government will carry out a series of repurchases of government securities during the rest of the year for an amount of up to 103 billion pesos.

The Ministry of Finance will release through Banxico the respective announcements, which will specify the type of instrument, the amounts and issues involved. Similarly,

the results of these transactions will be published in a timely manner by the Central Bank and the Ministry of Finance.

3) *Transparency and Communication of Actions*

The Ministry of Finance will inform, in a timely manner, on the progress of the implementation of the operating surplus and its benefit for public finances. As noted, changes to the government securities auction program for the second quarter will be released in late April and the Ministry of Finance will announce in due time the characteristics of the repurchase program of government securities.

Meanwhile, progress in implementing the 2015 operating surplus will be announced in each of the Quarterly Reports on the Economic Situation and Public Finance presented to Congress.

Regarding the remaining 30 percent of the surplus, Ps. 70 billion will be used to strengthen the financial position of the Federal Government through a contribution to the Budgetary Revenues Stabilization Fund. The remaining amount, approximately Ps. 1.7 billion (USD 97 million), will be used to pay pending contributions to international organizations such as the World Bank, the Inter-American Development Bank and the North American Development Bank, among others. These contributions constitute a capital investment that strengthens the financial position of the Federal Government.

The actions enlisted ensure that these non-recurrent resources are allocated to reduce debt and improve the financial position of the Federal Government, strengthening macroeconomic fundamentals.

According to the principles of government accounting, Banxico's operating surplus will be recorded as a revenue of the Federal Government. As a result of this operation, both PSBR and HBPSBR will show a decrease in 2016.

The responsible use of resources from the operating surplus of Banxico, strengthens public finances and macroeconomic conditions for the benefit of Mexican families.

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