

4-16-1997

Mexico Financial Briefs: Tokyo Bond Issues, Overdue Debt, Home Ownership

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

Recommended Citation

LADB Staff. "Mexico Financial Briefs: Tokyo Bond Issues, Overdue Debt, Home Ownership." (1997).
<https://digitalrepository.unm.edu/sourcemex/3727>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Mexico Financial Briefs: Tokyo Bond Issues, Overdue Debt, Home Ownership

by LADB Staff

Category/Department: Mexico

Published: 1997-04-16

Finance Secretariat places new bonds on Tokyo market

In early April, the Finance Secretariat (SHCP) successfully placed the equivalent of 100 billion yen (US\$800 million) in five-year bonds on the Tokyo financial markets. The bonds were placed by Nikko Securities, one of Japan's leading financial institutions. This was the Mexican government's second issue on the Japanese Samurai bond market during 1997. In February of this year, Mexico issued 50 billion yen (US\$400 million) in seven-year bonds on the same market. According to financial analysts, the Japanese capital market remains an attractive place for the President Ernesto Zedillo's administration to raise funds, largely because of declining interest rates and the availability of longer-term maturities.

These analysts said the Zedillo administration will use the proceeds obtained from the two issues in the Tokyo market to refinance about US\$1.4 billion in debt that is due to mature this year. So far this year, the government has raised about US\$3 billion on international capital markets. Of this total, US\$1 billion was used to retire debt owed to the US and another US\$590 million to make a payment to the International Monetary Fund (IMF). The Mexican government will probably issue another US\$3 billion in bonds during the rest of 1997, which would be used to retire existing debt to the IMF. Mexico is due to pay about US\$2.4 billion to the IMF in 1997.

Some analysts suggest the government may delay placement of these new bonds until the second half of 1997, including two pending issues of US\$300 million on Japanese and European markets. A key reason for the delay, they said, is uncertainty leading up to the mid-term congressional and state elections on July 6.

Overdue debt more than triples in six months

According to the official savings-protection agency (Fondo de Proteccion al Ahorro, FOBAPROA), overdue debt owed by Mexican borrowers has grown to 164 billion pesos (US\$20.8 billion). The statistics were revealed during testimony by FOBAPROA officer Oscar Medina Mora before members of the Senate and Chamber of Deputies.

The hearing was attended by legislators from the governing Institutional Revolutionary Party (PRI), the opposition National Action Party (PAN), and the Democratic Revolution Party (PRD), as well as representatives from debtor-rights groups such as El Barzon. Medina said the latest overdue-debt estimate, which is owed principally to 12 commercial banks, is more than three times higher than the 50.5 billion pesos (US\$6.4 billion) owed as of September 1996. The legislators expressed strong concerns that the Zedillo administration's efforts to address the problem of overdue debt has focused principally on providing assistance to banking institutions while neglecting the needs of debtors.

Meantime, representatives of El Barzon said they have received assurances from Antonio del Valle, president of the Asociacion de Banqueros de Mexico (ABM), that the ABM will maintain an open dialogue with debtors on ways to reduce overdue debt. Del Valle replaced Jose Madariaga Lomelin as ABM president in March of this year. "The conditions are ripe to resume dialogue with the bankers," said Antonio Ramirez Cuellar, director of the Mexico City chapter of El Barzon. Ramirez raised the possibility that a new debt- restructuring program could be completed by May or June.

Government announces new home construction, purchase program

In early April, President Zedillo announced a new financing scheme to promote the construction and purchase of 250,000 housing units in 12 states, and in Mexico City, during 1997. According to Zedillo, the program is expected to promote total investments of 27 billion pesos (US\$3.43 billion) from government and private sources. As part of the program, the administration has committed 600 million pesos (US\$76 million) for direct subsidies to assist low-income workers with the purchase of a home.

The scheme is expected to benefit 50,000 families. This assistance will be provided initially in 12 states and in Mexico City, which have passed the necessary reforms to the mortgage regulations to allow the financing scheme to go forward. The 12 states are Mexico, Chiapas, Colima, Durango, Morelos, Nayarit, Puebla, Sonora, Tamaulipas, Tlaxcala, Yucatan, and Zacatecas. Speaking to reporters, Finance Secretary Guillermo Ortiz said the government would eventually like to extend the program to the entire country.

As part of the program, the Zedillo administration has also announced a plan to provide loan guarantees to construction companies to build several thousand low-cost homes. The administration said this initiative is expected to create 1.25 million jobs in the construction industry. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on April 16, reported at 7.88 pesos per US\$1.00] (Sources: Excelsior, 04/03/97, 04/09/97; El Economista, Novedades, The News, 04/09/97; La Jornada, 04/11/97; El Universal, 03/11/97, 04/09/97; El Financiero International, 04/14/97)

-- End --