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7 September 1982

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Prime Minister <sup>②</sup>

Could I have  
comment from  
Alan  
not

You will probably  
wish to study these  
figures over the weekend

MUS 8/9

*Dear Michael*

At the Seminar on 1 September the Prime Minister asked the Bank to provide a comprehensive schedule of Mexico's due debt repayments and a breakdown of UK exposure to Mexico with a maturity analysis. I enclose a paper prepared here in response to this request. I am sending copies of this letter and its enclosure to Brian Fall (Foreign & Commonwealth Office), John Rhodes (Department of Trade) and John Kerr (HMT).

*Yours sincerely  
T E Allen*

T E Allen  
Private Secretary  
to the Governor

## BANK CLAIMS ON MEXICO AND OTHER DEVELOPING COUNTRIES

Mexico

Mexico's debts to the banks of the major industrialised countries with a breakdown by maturity are shown in the attached table. As well as the principal outstanding a rough estimate of interest due is included. Most of the debt is at floating rates so that the interest has to be based on a forecast of international interest rates. The sensitivity of the numbers to a different outturn for interest rates can be judged from the difference which one percentage point either way would make (1% sensitivity).

The totals are for claims of banks located in the BIS reporting area (which embraces the Group of Ten countries, Switzerland, Austria, Denmark, Ireland and branches of US banks in the main offshore centres), and do not therefore include Mexico's other debts of \$15 billion at end-1981 to official lenders and to banks elsewhere.

In practice much of the outstanding debt would normally be rolled over or replaced, so reducing the net capital repayments but increasing per contra the cost of interest service. Rescheduling would have a similar effect.

The table also shows the claims of the British banks on a consolidated worldwide basis. The clearing banks account for 4/5 of the total. Some of the total is not owed to the Head Offices in London but to branches or subsidiaries abroad - which would include, for example, Crocker National Bank (owned by Midland) and Union Bank (owned by Standard Chartered) both in California. Loans to Mexico by British banks in pesos are insignificant.

Figures for the British banks are also available for mid-1982, but only from London. It will be several weeks before their lending figures to Mexico are available from other centres (mainly North America). These figures are compared in the table with those for end-1981 on the same, London-only, basis.

These show hardly any change in total. The \$1.1 billion in the 0-6 month band at end-1981 will all have run off and just over half has apparently been replaced by new short-term debt in the first half of 1982 (0.2 in the end-1981 6 months-1 year band has fallen into 0-6 months implying new loans of \$0.7 billion). The compensating increase was in the 3-5 year band.


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#### Other countries

Similar figures but without estimates for interest are available for other countries. The annex compares British banks' claims on the largest developing country borrowers with the BIS bank claims as a whole. Most noteworthy is the contrast between the maturity profile of Brazil with Mexico, Venezuela, Argentina and Eastern Europe. Venezuela has traditionally kept her debts very short.

Bank of England

7 September 1982



Secret

BANK LOANS TO MEXICO

\$ billions

	Total	%	0-6 mths	%	6 mths - 1 yr	%	1-2 yrs	%	2-3 yrs	%	3-5 yrs	%	Over 5 yrs	%	Unallo- cated	%
<u>End-1981</u>																
All BIS banks	56.9	100	←	27.7	→	49	4.8	8	←	22.6	→	40	1.9	3		
Interest*	<u>20.4</u>			<u>6.5</u>			<u>3.9</u>			<u>9.8</u>			<u>0.2</u>			
Total estimated debt service	<u>77.3</u>			<u>34.2</u>			<u>8.7</u>			<u>32.4</u>			<u>2.1</u>			
1% sensitivity				0.4			0.3			0.9						
<hr/>																
<u>End-1981</u>																
British banks consolidated worldwide	5.7	100	2.3	40	0.4	7	0.5	9	0.4	7	0.8	14	1.3	23	..	
Interest*	<u>2.1</u>		<u>0.4</u>		<u>0.2</u>		<u>0.4</u>		<u>0.3</u>		<u>0.4</u>		<u>0.4</u>			
Total estimated debt service	<u>7.8</u>		<u>2.7</u>		<u>0.6</u>		<u>0.9</u>		<u>0.7</u>		<u>1.2</u>		<u>1.7</u>			
<hr/>																
British banks London:																
End-1981	3.7	100	1.1	30	0.2	6	0.4	10	0.2	7	0.7	20	1.0	27	..	
Mid-1982	3.8	100	0.9	25	0.1	4	0.4	11	0.3	9	1.0	26	0.9	25	..	

\* Total is the sum of estimated interest due over the whole period of debt outstanding.

## BIS AND BRITISH BANK CLAIMS ON LARGE BORROWERS (END-1981)

\$ billions

(a) = all BIS bank claims

(b) = British banks (consolidated worldwide claims)

		Total	Up to 1 yr	1-2 yrs	Over 2 yrs and unallocated
		%	%	%	%
All developing countries	(a)	347.5 (100)	169.1 (50)	25.7 ( 8)	152.7 (42)
	(b)	37.4 (100)	16.9 (45)	3.3 ( 9)	17.2 (46)
Argentina	(a)	24.8 (100)	11.6 (47)	3.0 (12)	10.3 (41)
	(b)	2.7	1.2	0.3	1.1
Brazil	(a)	52.7 (100)	18.3 (35)	4.3 ( 8)	30.1 (57)
	(b)	4.3	1.2	0.5	2.6
Chile	(a)	10.5	4.2	0.9	5.4
	(b)	0.9	0.2	0.1	0.7
Colombia	(a)	5.4	2.7	0.3	2.5
	(b)	0.4	0.1	..	0.3
Mexico	(a)	56.9 (100)	27.7 (49)	4.8 ( 8)	24.5 (43)
	(b)	5.7	2.7	0.5	2.5
Peru	(a)	4.4	2.7	0.4	1.4
	(b)	0.4	0.2	..	0.2
Venezuela	(a)	26.2 (100)	16.1 (61)	1.7 ( 6)	8.4 (33)
	(b)	2.5	1.4	0.1	1.0
Philippines	(a)	10.2	5.8	0.5	4.0
	(b)	1.5	0.9	0.1	0.5
South Korea	(a)	19.9	11.5	1.3	7.0
	(b)	2.4	0.8	0.3	1.3
Algeria	(a)	8.4	1.5	0.8	6.0
	(b)	0.6	0.1	0.1	0.4
Yugoslavia	(a)	10.7	3.0	0.8	6.9
	(b)	1.3	0.3	0.1	0.9
Greece	(a)	9.8	3.6	0.7	5.5
	(b)	1.0	0.4	0.1	0.5

BIS AND BRITISH BANK CLAIMS ON LARGE BORROWERS (END-1981) (continued)

\$ billions

(a) = all BIS bank claims

(b) = British banks (consolidated worldwide claims)

		Total		Up to 1 yr		1-2 yrs		Over 2 yrs and unallocated	
			%		%		%		%
Eastern Europe	(a)	60.8	(100)	25.6	(42)	6.1	(10)	29.2	(48)
	(b)	6.0		2.3		0.7		3.0	
Bulgaria	(a)	2.4		1.1		0.3		0.9	
	(b)	0.2		0.1		..		0.1	
Czechoslovakia	(a)	3.3		1.2		0.3		1.8	
	(b)	0.3		0.1		..		0.2	
East Germany	(a)	10.7		4.6		1.6		4.5	
	(b)	1.0		0.6		0.2		0.2	
Hungary	(a)	7.7		3.1		0.6		4.1	
	(b)	0.5		0.1		..		0.4	
Poland	(a)	15.3		5.5		1.9		7.9	
	(b)	1.8		0.5		0.2		1.1	
Roumania	(a)	5.1		1.8		0.5		2.8	
	(b)	0.6		0.2		0.1		0.3	
Soviet Union	(a)	16.3		8.2		0.9		7.3	
	(b)	1.6		0.5		0.2		0.9	