COMMENTS TO: “ANÁLISIS DE LA SOSTENIBILIDAD DE LAS FINANZAS PÚBLICAS EN MÉXICO”

IVÁN KATARYNIUK
• ... analyzes fiscal sustainability in Mexico using official forecasts and traditional approaches

• ... estimates the distance to the sustainable primary balance, using different benchmarks, as defined by Blanchard et al. (1990) and Talvi and Vegh (2000)

• ... finds that fiscal policy is sustainable iff:
  • fiscal targets are met AND
  • Mexico does not suffer from a “perfect storm”: scenario with low growth, high interest rates and depreciation of the currency
SUGGESTIONS

• Dealing with historical averages have severe drawbacks. The most important is that recent behavior (such as the improvement in the fiscal balance) might be generated by structural changes, but they might also be the result of cyclical factors or political decisions.

• At this point, the authors should be clear on how they are dealing with this problem. For example, the recent improvement in PB does not look cyclical.

• As a result, I would suggest to use a calculation of the cyclically-adjusted balance, preferably taking into account different elasticities to GDP of revenues and expenditures. Another way forward is to estimate fiscal reactions with some regressions or VARs

• A possible extension to the “stress test” they perform is to look at past episodes: is the scenario resilient to growth/exchange rate/interest rates in some –th percentile?
GRACIAS POR SU ATENCIÓN