

“LACK OF INTERNAL SAVING, ONE OF THE CAUSES OF THE 1994 CRISIS” – LUIS TÉLLEZ

- *The Afores have given the market extraordinary liquidity*
- *The workers who started contributing after the 1997 reform will start retiring by 2021: Dr. Karam.*

Cancún, Q. Roo, May 31, 2012 – “Among other benefits for the country, the reform of the pension system in 1997 enabled significantly increasing internal savings, the low level of which was one of the factors that caused the 1994 crisis,” said the President of the Mexican Stock Exchange, Luis Téllez.

While speaking in the 2012 FIAP Seminar “Opportunities and Challenges of the Individually Funded Systems in a Globalized World,” Téllez said that in our country we realized in the mid-90s that one of the ways of promoting internal saving for facing financial crises and boosting economic growth was to switch to an individually funded pension system, like Chile had done years before.

Referring to the pensions system, he said: “The Afores have given the Mexican market extraordinary liquidity, which it never had before. Some years ago, 85% of share placements were performed by foreign investors and 15% by Mexican investors. Today, 55% of placements are performed by local investors and the rest by foreign investors.” He also commented that with the reform, the resources of savers had been managed professionally by the Mexican pension funds. “They have been a very important source of funds and have enabled financing several types of financial instruments that contribute to the economic development of the country.”

Finally, while discussing transactions on the stock exchange, he said that daily transactions had increased by 82%, and highlighted the fact that “some of the important institutional stakeholders in the stock market are the Afores.”

On the other hand, in his speech, Daniel Karam, the Director General of the Mexican Institute of Social Security, expressed his concern regarding the fact that “by 2021, the first workers who contributed to the IMSS under the individually funded system introduced in the reform of the pension system in 1997 will start retiring, and practically three quarters of them will do so with the minimum guaranteed pension, unless replacement rates are improved.”

The Director also expressed his concern that this first generation of retirees would be able to retire under the best health conditions. “To achieve this, our task is to ensure that workers have proper medical attention, with prevention policies to ensure the best physical condition, generating policies that protect the income of pensioners.”