

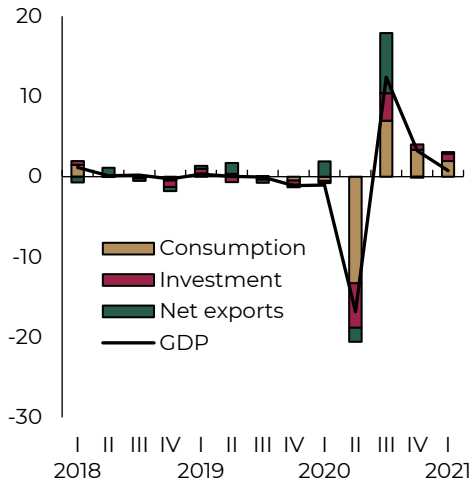


Report on the Public Finances and Public Debt – May 2021

Solid performance of public finances in line with the ongoing economic recovery

Aggregate demand

(% q/q, contribution to the quarterly change)



Source: INEGI.

Economic Activity

- Despite the supply shocks in 1Q21 the economy has shown resilience, underpinning upward revisions to the 2021 GDP growth forecast. Estimates from analysts surveyed by Citibanamex have increased from 3.5% in December 2020 to 5.8% at the end of June 2021.
- In 1Q21 investment came at 5.3% q/q s.a., resulting in three quarters of consecutive growth and a recovery of 92% of its 4Q19 level. The private component outperformed at 6.3% and reached 91% of its 4Q19 level, up from the 65% observed in 2Q20.
- After a rebound in March (2.7% m/m s.a.), economic activity decreased 0.2% m/m s.a. in April, according to the IGAE. Better epidemiologic conditions and the speed up in the vaccination rollout supported services (0.3% m/m s.a.), with seven out of nine subsectors increasing. Hotels and restaurants grew 7.3% m/m, retail sales 4.2% m/m and transportation services 2.8% m/m.

Public Finances

- The ongoing economic recovery and the enhanced taxation framework reflected higher-than-expected revenues in January-May by 142.3 billion (bn) pesos for the Federal Government, with increases in all components.
- Tax revenues excluding excise taxes on fuels were higher than the program in 43.2 bn pesos and grew 5.3% in real terms with respect to January-May 2018.
- Total net expenditure amounted to 2.6 trillion pesos, in line with the calendar. Programmable expenditure was higher than the program by 33.3 bn pesos. Non-programmable expenditure was 37.5 bn pesos lower than the expected, as a result of the reduction in financial cost and debits of previous years by 21.1 and 31.0 bn pesos, respectively.
- As of May, the public deficit was 101.7 bn pesos lower than programmed, a reduction of 27.4% in real terms compared to the same period of 2020.

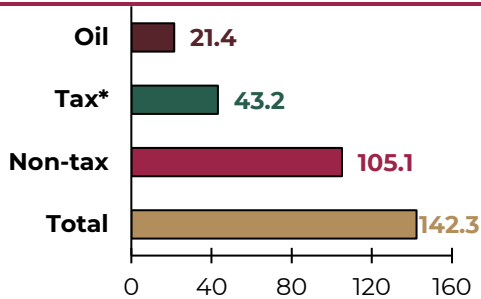
Public Debt

- The Public Sector's total debt stood at 47.7% of GDP in May, consistent with the debt ceilings authorized by the Congress.
- Seven credit rating agencies have reaffirmed the rating of Mexico's sovereign debt above investment grade YTD, highlighting that its track record of prudent macroeconomic policies and the solid performance of public finances have contributed to macroeconomic stability and investor confidence.
- For second consecutive year, Mexico received Global Capital's "Latin American Most Impressive Sovereign Issuer" award, in recognition of financial innovation in sustainable instruments, diversification of the investor base in the most liquid debt markets and its effort to refinance 10 bn dollars in the foreign debt portfolio.

Federal Government's Revenues

better than program

Additional observed revenues vs. budget (billion pesos)



*Excluding Fuel Excise Tax.

Sovereign debt's credit rating

above investment grade

(As of May)

Agency	Grade	Outlook
Fitch	BBB-	Stable
DBRS	BBB	Stable
Morningstar	BBB	Stable
Kroll Bond	BBB	Negative
HR Ratings	BBB+	Negative
Moody's	Baa1	Negative
JCR	A-	Negative
S&P*	BBB	Negative

*/ It was reaffirmed on June 15, outside the reporting period.





Public Sector Financial Situation, January-May

(Billion pesos)

Concept	2020	2021			Real Annual Growth (%)
		Program	Observed ^{p./}	Difference	
	(1)	(2)	(3)	(3-2)	(3/1)
Public balance	-148.2	-214.5	-112.7	101.7	-27.4
Budgetary balance	-175.6	-214.7	-128.5	86.2	-30.2
Budgetary revenues	2,196.2	2,374.5	2,456.5	82.0	6.7
Net budgetary expenditure	2,371.7	2,589.2	2,585.0	-4.2	4.0
Programmable expenditure	1,738.5	1,939.8	1,973.1	33.3	8.3
Non-programmable expenditure	633.3	649.4	611.9	-37.5	-7.8
Entities under indirect budgetary control	27.4	0.3	15.7	15.5	-45.1
Primary balance	39.9	1.4	74.3	72.9	77.4
Public balance by entities	-148.2	-214.5	-112.7	101.7	-27.4
Budgetary balance	-175.6	-214.7	-128.5	86.2	-30.2
Federal Government balance	-115.8	-264.1	-106.5	157.6	-12.2
State productive enterprises	-151.2	-22.3	-95.4	-73.2	-39.8
PEMEX	-171.4	-40.1	-94.7	-54.7	-47.3
CFE	20.2	17.8	-0.7	-18.5	n.s.
Entities under direct budgetary control	91.4	71.6	73.4	1.8	-23.3
IMSS	83.5	72.7	58.6	-14.1	-33.0
ISSSTE	7.9	-1.1	14.8	15.9	78.3
Entities under indirect budgetary control	27.4	0.3	15.7	15.5	-45.1
Memorandum items					
PSBR	-164.1		-214.5		n.s.
Primary PSBR	122.7		111.6		-13.2

Note: Figures may not add up due to rounding.

p./ Preliminary figures.

n.s.: Not significant.

Source: Ministry of Finance.





Public Sector Budgetary Revenues, January-May

(Billion pesos)

Concept	2020	2021			Real Annual Growth (%)
		Program	Observed ^{p/}	Difference	
	(1)	(2)	(3)	(3-2)	(3/1)
Total	2,196.2	2,374.5	2,456.5	82.0	6.7
Oil	186.0	395.4	363.6	-31.8	86.6
Pemex ^{1/}	84.0	271.0	217.8	-53.2	147.5
Federal Government ^{2/}	102.0	124.5	145.9	21.4	36.5
Non-Oil	2,010.2	1,979.0	2,092.9	113.9	-0.6
Federal Government	1,672.6	1,642.4	1,763.3	120.9	0.6
Tax	1,499.4	1,560.0	1,575.8	15.8	0.3
Non-Tax	173.2	82.4	187.5	105.1	3.3
IMSS	159.2	162.4	166.5	4.2	-0.2
ISSSTE	17.1	18.0	17.0	-1.0	-5.4
CFE	161.3	156.3	146.2	-10.2	-13.5

Note: Figures may not add up due to rounding.

p/ Preliminary figures.

1/ Pemex's own revenues include net revenues from domestic and external sales, as well as revenues derived from services and equity contributions, among others.

2/ Includes revenues received by the government through the Mexican Oil Fund and the collection of the income tax from new contracts and allocations in the field of hydrocarbons.

Source: Ministry of Finance.

Public Sector Expenditures, January-May

(Billion pesos)

Concept	2020	2021			Real Annual Growth (%)
		Program	Observed ^{p/}	Difference	
	(1)	(2)	(3)	(3-2)	(3/1)
Total	2,371.7	2,589.2	2,585.0	-4.2	4.0
Programmable expenditure	1,738.5	1,939.8	1,973.1	33.3	8.3
<i>Payment's deferral</i>	0.0	0.0	0.0	0.0	0.0
Operating expenditure	677.9	762.5	760.9	-1.6	7.1
Wages	479.7	520.0	503.2	-16.8	0.1
Other operating expenditure	198.2	242.5	257.7	15.2	24.1
Pensions	385.5	431.7	413.7	-18.0	2.4
Subsidies, transfers and contributions	324.3	356.5	357.9	1.4	5.3
Aid and other expenses	17.2	5.5	15.4	9.9	-14.6
Physical investment	271.9	296.6	257.4	-39.2	-9.6
Financial investment	61.6	87.0	167.7	80.8	159.7
Non-programmable expenditure	633.3	649.4	611.9	-37.5	-7.8
Non-earmarked transfers	402.6	401.4	416.0	14.5	-1.4
Debits from previous years	17.0	32.1	1.1	-31.0	-93.6
Financial cost	213.7	215.9	194.8	-21.1	-13.0

Note: Figures may not add up due to rounding.

p/ Preliminary figures.

Source: Ministry of Finance.





Domestic Public Sector Debt Balances, January-May ^{*/1/}

(Billion pesos)

Concept	Balance Dec '20 ^{p./}	Indebtedness			Adj. ^{2/}	Balance May '21
		Borrowing	Amort.	Net		
1. Net Debt (3-2)	7,598.8					7,838.5
2. Assets ^{3/}	380.6					647.2
3. Gross Debt	7,979.4	1,868.3	1,431.8	436.5	69.8	8,485.7
By Term	7,979.4	1,868.3	1,431.8	436.5	69.8	8,485.7
Long-term	7,404.3	868.2	498.8	369.4	69.9	7,843.6
Short-term	575.1	1,000.0	933.0	67.1	-0.1	642.1
By User	7,979.4	1,868.3	1,431.8	436.5	69.8	8,485.7
Federal Government	7,461.2	1,497.3	1,145.9	351.3	67.6	7,880.1
Long-term	6,909.6	831.7	471.3	360.4	67.6	7,337.6
Short-term	551.5	665.6	674.6	-9.1	0.0	542.5
State productive enterprises	287.4	187.4	112.9	74.5	1.3	363.2
Long-term	275.9	10.0	3.8	6.2	1.3	283.5
Short-term	11.5	177.4	109.2	68.2	0.0	79.7
Development banks	230.8	183.6	172.9	10.7	0.9	242.4
Long-term	218.7	26.5	23.7	2.8	1.0	222.5
Short-term	12.1	157.1	149.2	7.9	-0.1	19.9
By Financing Source	7,979.4	1,868.3	1,431.8	436.5	69.8	8,485.7
Issuance of securities	7,454.3	1,388.9	1,010.9	377.9	61.9	7,894.2
Pension funds SAR	152.7	142.2	144.4	-2.3	4.3	154.7
Commercial banks	54.9	266.6	198.6	68.0	-0.1	122.8
ISSSTE's Obligations by Law ^{4/}	126.5	0.1	11.6	-11.5	3.8	118.8
CFE's Pension Bonds ^{5/}	157.3	0.0	0.0	0.0	0.0	157.3
Others	33.8	70.6	66.3	4.3	-0.1	38.0

Note: Figures may not add up due to rounding.

^{*/} Figures subject to revision due to changes and methodological adjustments.

^{p./} Preliminary figures.

^{1/} It includes the debt of the Federal Government State Productive Enterprises and development banks' availabilities.

^{2/} It corresponds to the inflationary effect and others.

^{3/} It includes the national currency denominated net balance of the Federal Treasury's general account, as well as the State Productive Enterprises and development banks' availabilities.

^{4/} Obligations associated with the new ISSSTE law.

^{5/} Obligations associated with the Federal Government's financial support to CFE due to the savings in their pension obligations, according to the "Agreement on the general provisions concerning the Federal Government's assumption of the Federal Electricity Commission's pension and retirement obligations" published in the Federal Official Gazette on November 14th, 2016.

Source: Ministry of Finance.





External Public Sector Debt Balances, May ^{*/1/}

(Billion dollars)

Concept	Balance Dec '20 ^{p/}	Indebtedness			Adj. ^{2/}	Balance May '21
		Borrowing	Amort.	Net		
1. Net Debt (3-2)	221.5					224.2
2. Assets ^{3/}	2.1					6.1
3. Gross Debt	223.6	22.4	15.9	6.5	0.1	230.3
By Term	223.6	22.4	15.9	6.5	0.1	230.3
Long-term	217.6	13.6	9.3	4.3	0.3	222.1
Short-term	6.1	8.8	6.6	2.2	-0.2	8.1
By User	223.6	22.4	15.9	6.5	0.1	230.3
Federal Government	112.3	10.4	6.6	3.8	0.2	116.3
Long-term	112.3	10.4	6.6	3.8	0.2	116.3
Short-term						
State productive enterprises	100.9	6.9	3.8	3.1	-0.1	103.9
Long-term	97.1	3.3	2.7	0.6	0.1	97.8
Short-term	3.8	3.6	1.1	2.5	-0.2	6.1
Development banks	10.4	5.2	5.5	-0.3	0.0	10.0
Long-term	8.1	0.0	0.1	-0.1	0.0	8.0
Short-term	2.3	5.2	5.4	-0.3	0.0	2.0
By Financing Source	223.6	22.4	15.9	6.5	0.1	230.3
Capital markets	172.5	11.5	8.5	3.0	0.3	175.8
International Financing Institutions	32.8	0.8	0.3	0.5	-0.2	33.1
International trade	6.1	0.5	0.4	0.1	0.0	6.2
Commercial banks	12.0	9.3	6.6	2.7	0.0	14.7
Pidiregas	0.3	0.3	0.1	0.2	0.0	0.5

Note: Figures may not add up due to rounding.

^{*}/Figures subject to revision due to changes and methodological adjustments.

^{p/} Preliminary figures

^{1/} It includes the debt of the Federal Government, State Productive Enterprises and development banks.

^{2/} It corresponds mainly to the effect of the exchange variation, debt repurchase operations and others.

^{3/} It includes the USD denominated net balance of the Federal Treasury's general account as well Pemex, CFE and development banks' availabilities

Source: Ministry of Finance.





Summary of the Main Indicators on Public Finances

(Billion pesos)

Concept	January-May		Growth. % real	Annual			% advance with respect to		
	2020	2021 ^{p/}		2020	2021		2020	2021	
					Program ^{1/}	Estimated ^{2/}		Program ^{1/}	Estimated ^{2/}
1. Budgetary revenues	2,196.2	2,456.5	6.7	5,340.0	5,538.9	5,713.3	41.1	44.3	43.0
2. Tax revenues	1,499.4	1,575.8	0.3	3,338.9	3,533.0	3,601.7	44.9	44.6	43.8
3. Tax revenues without fuels excise tax (IEPS)	1,374.8	1,462.7	1.5	3,039.3	3,181.4	3,280.0	45.2	46.0	44.6
4. Total net expenditure without outlays on financial investments, pension payments, non-earmarked transfers, and financial cost	1,308.2	1,392.8	1.6	3,372.6	3,440.5	3,505.1	38.8	40.5	39.7
5. Total net expenditure without outlays on financial investments, pension payments and non-earmarked transfers	1,522.0	1,587.6	-0.5	4,058.7	4,164.4	4,223.1	37.5	38.1	37.6
6. Total net expenditure without outlays on financial investments	2,310.1	2,417.3	-0.1	5,856.4	6,149.9	6,227.5	39.4	39.3	38.8
7. Total net expenditure	2,371.7	2,585.0	4.0	5,995.0	6,257.1	6,431.5	39.6	41.3	40.2
8. Current structural expenditure	955.8	1,005.5	0.4	2,487.8	2,490.9	2,490.9	38.4	40.4	40.4
9. Primary balance	39.9	74.3	77.4	29.7	6.2	0.3	134.7	-0-	-0-
10. PSBR	-164.1	-214.5	n.a.	-922.8	-842.4	-842.4	17.8	25.5	25.5
11. HBPSBR	11,769.8	12,352.9	0.2	12,082.8	13,404.7	12,970.3	97.4	92.2	95.2
12. Public debt	12,048.1	12,310.8	-2.5	12,017.9	13,101.1	12,870.4	100.3	94.0	95.7

Note: Partial sums may not add up due to rounding.

p./ Preliminary figures.

n.a.: does not apply.

-0-: greater than 500 percent.

1./ Corresponds to the Federal Revenues Law and the Federal Budget for the fiscal year 2020 approved by Congress.

2./ Corresponds to the update of the 2020 public finance estimates.

Source: Ministry of Finance.