



# HACIENDA

SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO

## 2021 Annual Borrowing Plan

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# Content

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## ABP 2021


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# I. Executive Summary (1/3)


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The Annual Borrowing Plan (ABP) presents the main elements of the **Public Debt Policy** of the Federal Government and the main **Public Sector** debt issuers.



Public Debt Policy aims to guarantee long term **debt sustainability** while covering the Federal Government's financing needs at the **lowest possible cost**, given an **adequate risk level** and more **efficient liquidity management**.



**The Historical Balance of the Public Sector Borrowing Requirements (HBPSBR)** is expected to close at **53.5%** of GDP by the end of 2020.



For 2021, the HBPSBR is estimated to stay beneath 2020's level, maintaining a **stable trajectory** and guarantying its **sustainability in the medium term**.



The **Ministry of Finance and Public Credit** will keep **close coordination** with the main debt issuers of the Public Sector.

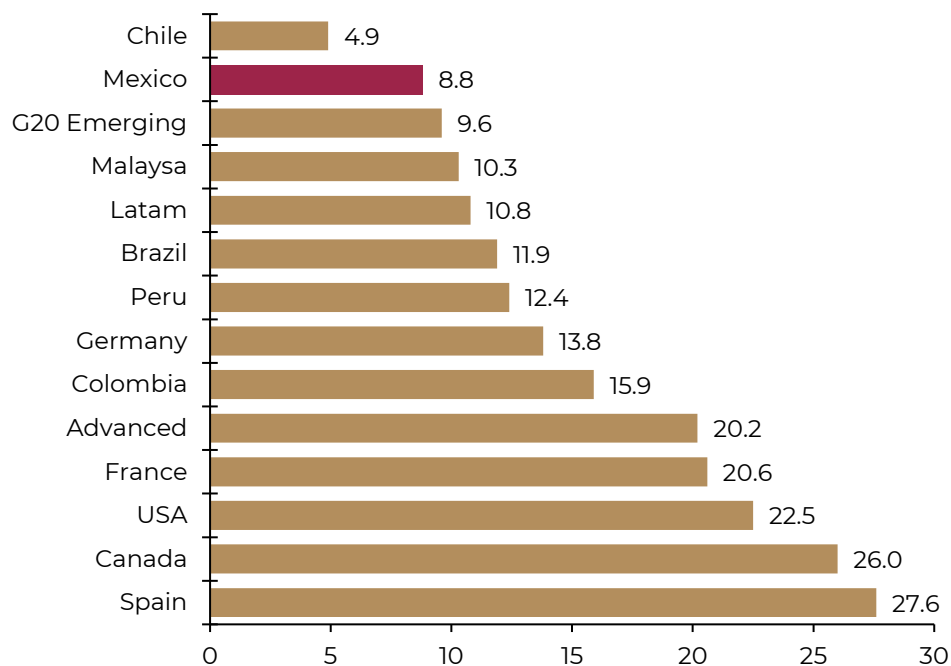
# I. Executive Summary (2/3)

## International Comparison

In the face of the economic challenges of the COVID-19 pandemic, Mexico's public debt behavior in 2020 compares favorably among other emerging and advanced economies.

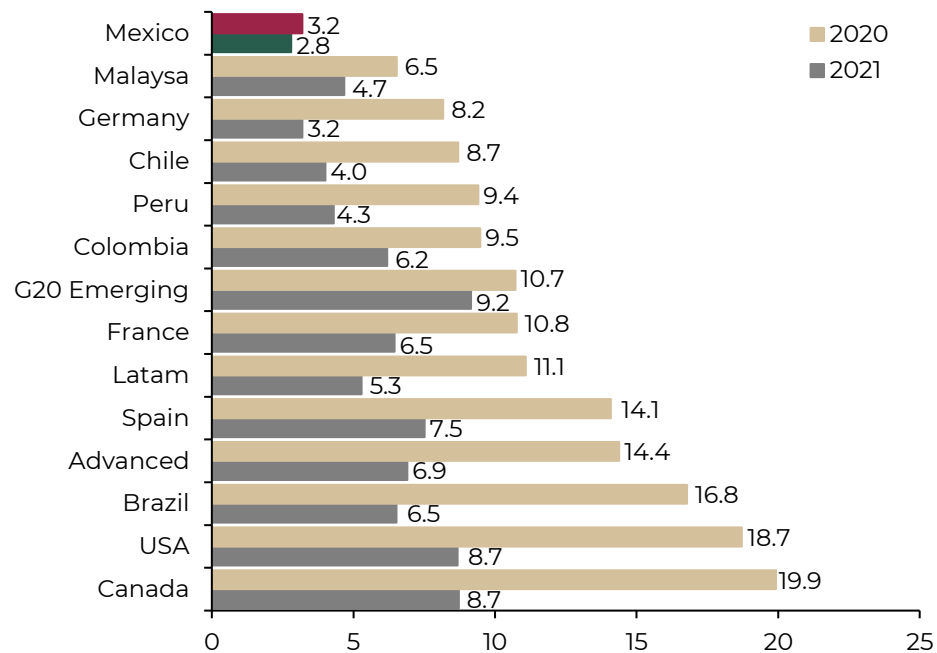
Cautious fiscal and monetary policies in recent years have reassured investor confidence and Mexico's access to global capital markets, even in times of adverse global trends.

**Public Debt Increase Comparison, 2020 (% GDP)**



Source: MoF & IMF, Fiscal Monitor, October 2020.

**Public Deficit Comparison 2020 - 2021 (% GDP)**



Source: MoF & IMF, Fiscal Monitor, October 2020.

# I. Executive Summary (3/3)

## Public Sector Financing Needs

For 2021, Public Sector Financing Needs are estimated to be **14.0%** of GDP.

**2.0 basis points of GDP lower than the estimate for 2020.**

Mainly due to a decrease in maturities as a result of the **liabilities management strategy carried out.**

	2020 <sup>e</sup>		2021 <sup>e</sup>		Change % GDP
	Bn pesos	% GDP	Bn pesos	% GDP	
<b>Total</b>	<b>3,692.20</b>	<b>16.1</b>	<b>3,490.20</b>	<b>14.0</b>	<b>-2.0</b>
<b>Federal Government</b>	<b>2,538.90</b>	<b>11.0</b>	<b>2,312.50</b>	<b>9.3</b>	<b>-1.7</b>
Deficit	711	3.1	700	2.8	-0.3
Amortization	1,827.90	8.0	1,612.50	6.5	-1.5
<b>SOEs<sup>1</sup></b>	<b>240.1</b>	<b>1.0</b>	<b>211.2</b>	<b>0.8</b>	<b>-0.2</b>
Deficit	62.6	0.3	64.2	0.3	0.0
Amortization	177.5	0.8	147	0.6	-0.2
<b>DB<sup>2</sup></b>	<b>624.4</b>	<b>2.7</b>	<b>674.5</b>	<b>2.7</b>	<b>0</b>
TNF <sup>3</sup>	99.8	0.4	81.7	0.3	-0.1
Amortization	524.6	2.3	592.8	2.4	0.1
<b>Others<sup>4,5</sup></b>	<b>288.7</b>	<b>1.3</b>	<b>291.9</b>	<b>1.2</b>	<b>-0.1</b>
Deficit	61.3	0.3	44.7	0.2	-0.1
Amortization	227.4	1.0	247.2	1.0	0.0

Note: Total figures may not add up due to rounding.

1/ State Owned Enterprises (Pemex and CFE).

2/ National Development Banks (Nafin, Banobras, Bancomext and SHF).

3/ Total Net Financing.

4/ Other issuers (FIRA, FONACOT and IPAB).

5/ The total needs of the IPAB in this chart consider a net liquid resource decumulation deficit amortizations.

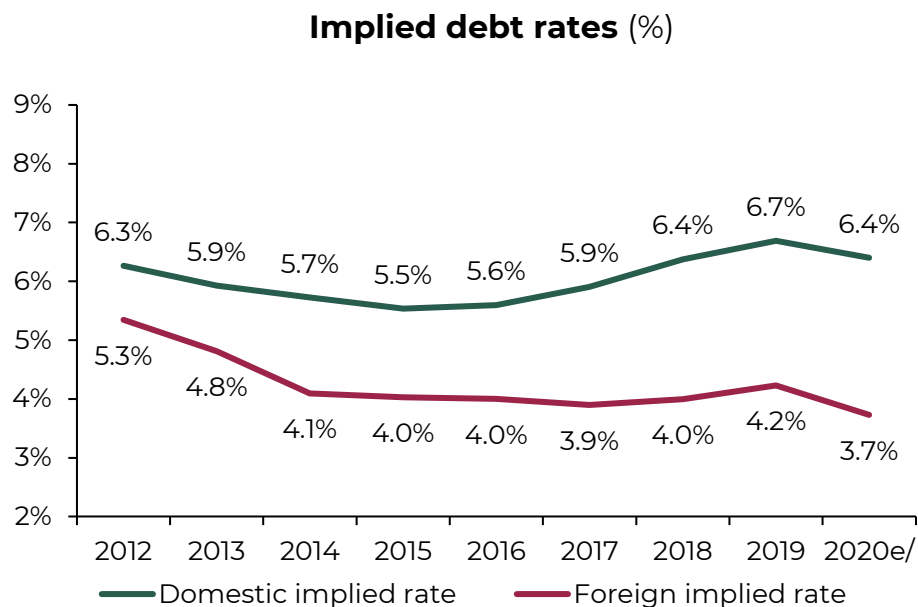
e/ End-of-year estimates for 2020 and 2021.

The numbers in this section are informative and could be adjusted in the course of the year, according to the evolution of market conditions and to each entity's strategy.

## II. 2019-2020 Public Debt Management Results (1/3)

### Cover financing needs at adequate cost levels

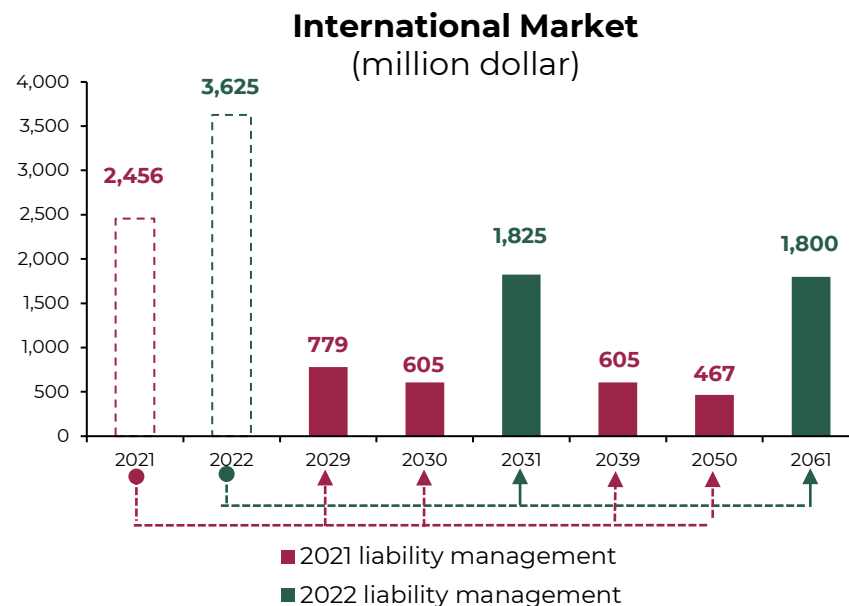
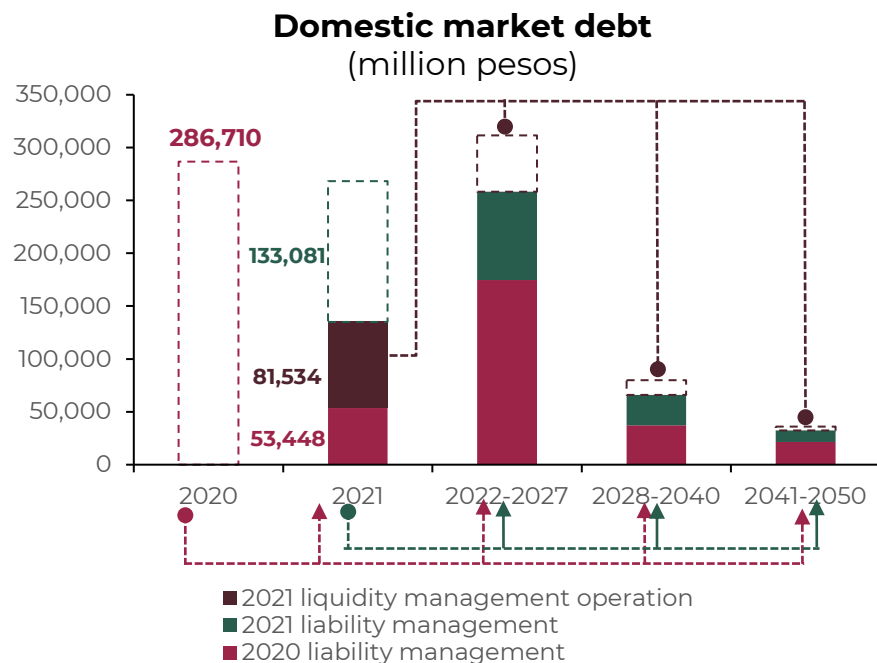
One of the main objectives of the debt management strategy is to cover Federal Government's financial needs at the **lowest possible cost and at a limited level of risk**, given public finances features and the prevailing market conditions.



## II. 2019-2020 Public Debt Management Results (2/3)

### Liability management operations

As a result of the liability management transactions in both, local and external markets, **short term maturities have decreased.**



## II. 2019-2020 Public Debt Management Results (3/3)

### Sustainable Bond

In 2020, the Federal Government issued the first sustainable sovereign bond, aligned with the Sustainable Development Goals (SDGs) and the first sustainable bond in the Americas.

Mexico is a precursor in financial innovation in sovereign international markets, reaffirming our leadership position in the world and, specifically, our commitment to use financing as a stimulus for inclusive economic development.

#### Objectives of the sustainable financing program of the Federal Government

Expand the pool of investors

Improve the price discovery process for other prospective SDG Mexican issuers

Reinforce the commitment of public policies aimed at promoting social development in the country

Offer investors greater transparency in public spending and monitoring in compliance with the SDGs

Reaffirms Mexico's leadership in the innovation of sustainable financial instruments as among Latam and emerging sovereign issuers



### III. Federal Government's Debt

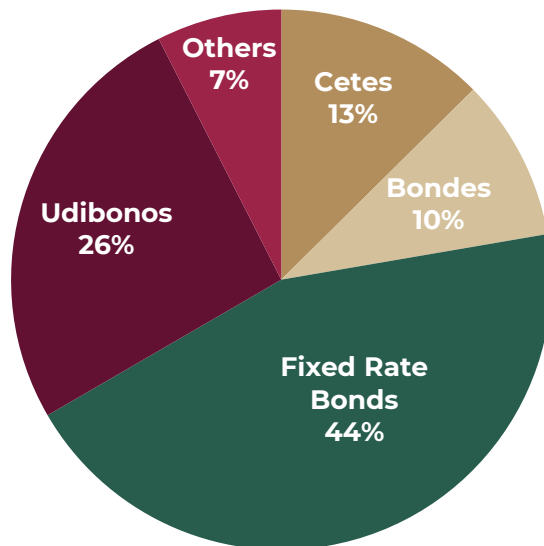
#### III.1 Federal Government's debt portfolio (1/3)

##### Portfolio Composition of Federal Government's Debt

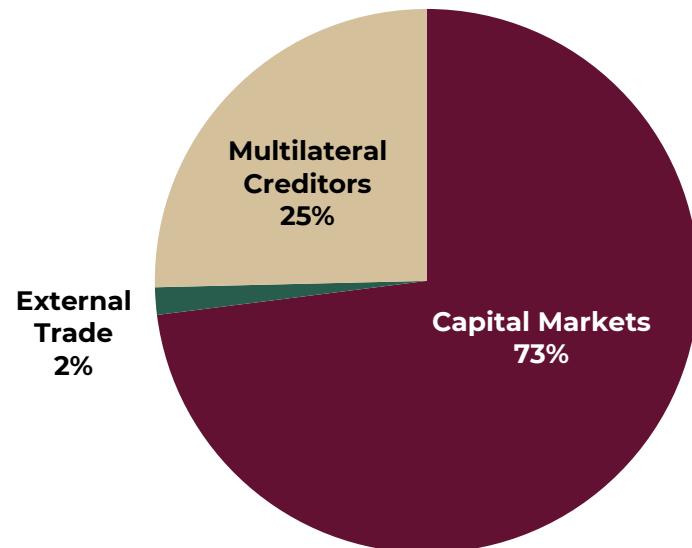
The **Federal Government gross domestic debt** is expected to be **32.5%** of GDP in 2020, while **external debt** to be **9.9%** of GDP.

Among **government's securities** issued in the **domestic market**, most are **fixed rate bonds** while most of the **external debt** corresponds to bonds issued in the **international markets**.

Federal Government's domestic debt structure (%)



Federal Government's external debt structure (%)



# III. Federal Government's Debt

## III.1 Federal Government's debt portfolio (2/3)

### Portfolio's diversification

**Portfolio composition of Federal Government's External Market Debt**

(% of total external market debt)

Currency	Dollar	Euro	Yen	Pound sterling	Swiss franc	TOTAL
<b>2018</b>	73.9%	18.0%	6.1%	2.0%	0.0%	<b>100%</b>
<b>2019</b>	65.4%	23.1%	7.6%	2.0%	2.0%	<b>100%</b>
<b>2020<sup>e</sup></b>	67.6%	23.0%	5.8%	1.7%	1.9%	<b>100%</b>

Note: Total figures may not add up due to rounding.  
e/: End-of-year estimates.

Given the Federal Government's **risk management strategy**, several **actions** have taken place **to reduce** the debt's portfolio **exchange rate risk exposure**, diversifying its structure.

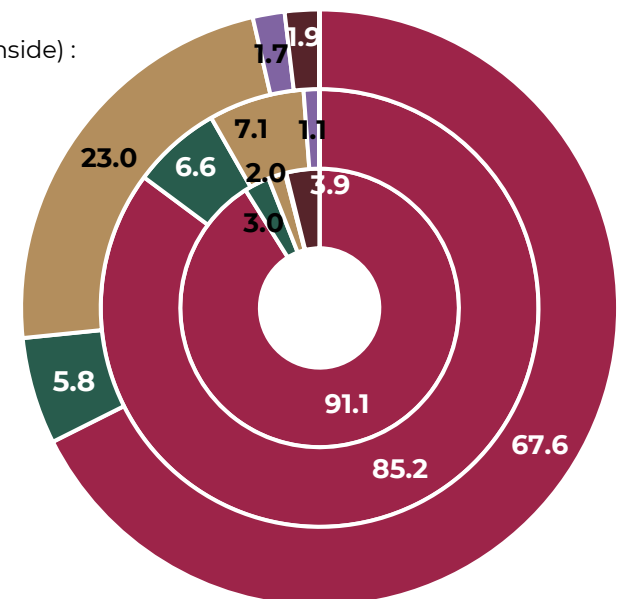
As of December 2020, **67.6%** of the Federal Government's gross external debt was denominated in **dollars** and **23.0% in euros**

**Federal Government's External Gross Debt structure, by currency**

(% of total external debt)

Year order (outside to inside):

-2020 e/  
-2012  
-2004



■ Dollar  
■ Yen  
■ Euro  
■ Sterling pound  
■ Swiss franc

Source: Ministry of Finance.

# III. Federal Government's Debt

## III.1 Federal Government's debt portfolio (3/3)

### Medium term horizon

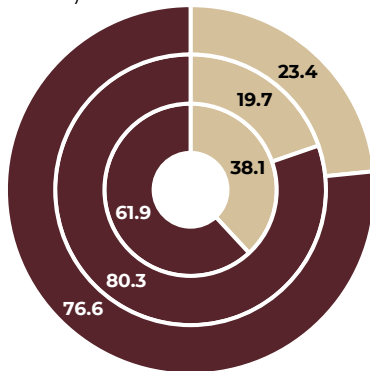
In order to strength the public debt portfolio and to reduce financing cost, given an adequate risk level, and **integral debt management strategy** will be implemented.

The figures show that, in the **short and medium term**, most of the portfolio will be held in **local debt, long term and fixed rate**.

**Debt portfolio composition**  
(% of total)

Year order  
(outside to inside):

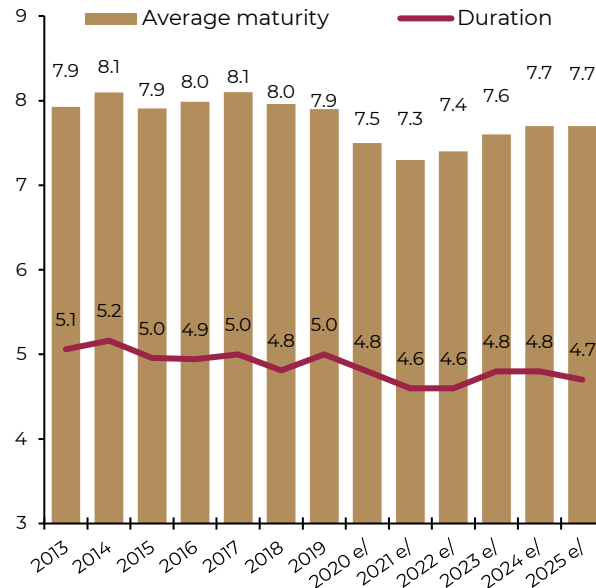
-2020 e/  
-2012  
-2004



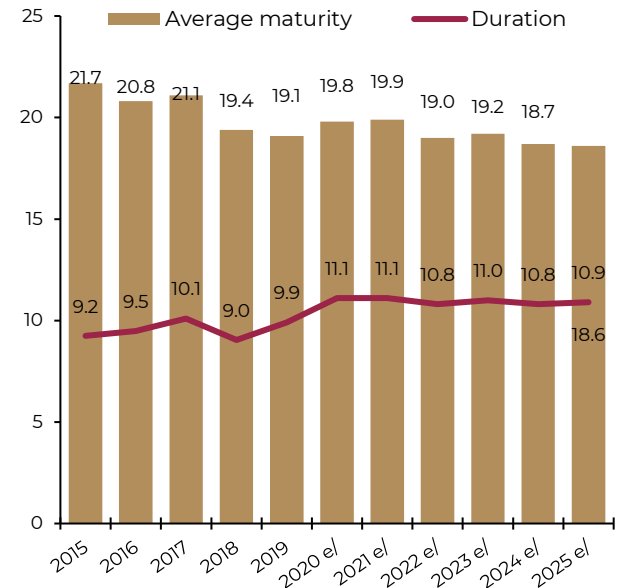
■ Foreign ■ Domestic

Source: Ministry of Finance.

**Average maturity and duration of Federal Government's securities**  
(years)



**Average maturity and duration of external market debt**  
(years)

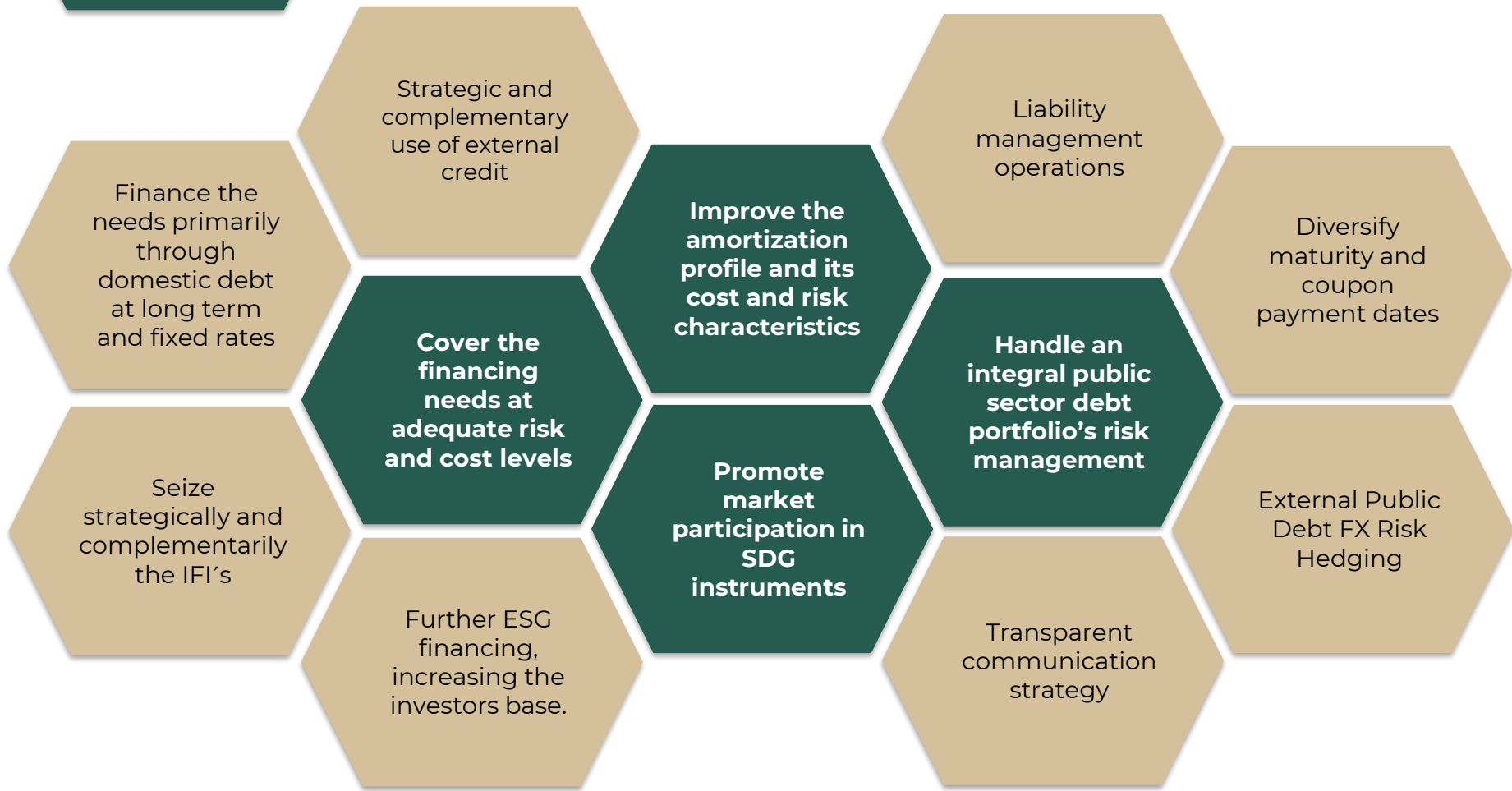


The numbers in this section are informative and could be adjusted in the course of the year, according to the evolution of market conditions.

# III. Federal Government's Debt

## III.2 Public Debt Policy General Guidelines

### Objectives



### Actions

# III. Federal Government's Debt

## III.3 Financing Needs for 2021

### Financing Needs

The Federal Government's **Financing Needs for 2021** amount to **9.3% of GDP**. This figure is a result of the following elements:

1. Federal Government's **deficit** of **2.8%** of GDP
2. **Debt amortizations** of **6.5% of GDP**,
  - **6.2% of GDP** for **domestic** debt amortizations
  - **0.3% of GDP** for **external** debt amortizations

#### Federal Government's Financing Needs

(Billion pesos and % of GDP)

	2020 <sup>e</sup>		2021 <sup>e</sup>		Change % GDP
	Bn pesos	% GDP	Bn pesos	% GDP	
<b>TOTAL (A + B)<sup>1/</sup></b>	<b>2,538.9</b>	<b>11.0</b>	<b>2,312.5</b>	<b>9.3</b>	<b>-1.7</b>
<b>A. Deficit</b>	<b>711.0</b>	<b>3.1</b>	<b>700.0</b>	<b>2.8</b>	<b>-0.3</b>
<b>B. Amortization</b>	<b>1,827.9</b>	<b>8.0</b>	<b>1,612.5</b>	<b>6.5</b>	<b>-1.5</b>
<b>Domestic</b>	<b>1,586.0</b>	<b>6.9</b>	<b>1,547.1</b>	<b>6.2</b>	<b>-0.7</b>
Securities	1,491.0	6.5	1,542.3	6.2	-0.3
Cetes	802.6	3.5	974.7	3.9	0.4
Bondes D	114.1	0.5	142.2	0.6	0.1
Bonds	363.6	1.6	425.4	1.7	0.1
Udibonos	210.7	0.9	0.1	0.0	-0.9
Others <sup>2/</sup>	94.9	0.4	4.8	0.0	-0.4
<b>External</b>	<b>242.0</b>	<b>1.1</b>	<b>65.4</b>	<b>0.3</b>	<b>-0.8</b>
Bonds	224.2	1.0	9.7	0.0	-0.9
IFIs	12.5	0.1	51.6	0.2	0.2
Other	5.3	0.0	4.1	0.0	0.0

<sup>1/</sup> Total figures may not add up due to rounding.

<sup>2/</sup> This item accounts for the net financing needs of the pension system (SAR).

e/ Estimates for 2020 and 2021.

Source: Ministry of Finance.

The numbers in this section are informative and could be adjusted in the course of the year, according to the evolution of market conditions and to each entity's strategy.

# III. Federal Government's Debt

## III.4 2021 Financial Strategy (1/3)

### Domestic debt

The **government securities auctions program** will maintain the flexibility to adapt to the prevailing conditions in financial markets.

The convenience of performing new syndicated auctions will be analyzed to introduce **new references** for **10-year Udibono**, as well as **short term bonds**.

Carrying out **liability management operations** will be considered when prevailing market conditions are appropriate.

The financial strategy considers continuing to strengthen the **Market Makers** Program with the objective of increasing liquidity in the local debt market.

Bonds linked **to new benchmark rates** are expected by year end.

Financial inclusion and education as well as savings culture will continue to be fostered through **Cetesdirecto** program.

# III. Federal Government's Debt

## III.4 2021 Financial Strategy (2/3)

### Domestic debt

#### Fixed-rate Bonds

The Federal Government will continue to place **3, 5, 10, 20 and 30-year fixed-rate** bonds with the same frequency it has done over the last years.

#### Inflation-linked Bonds

The inflation-linked bonds (**Udibonos**) will continue to be placed **every 4 weeks** for **3, 10 and 30-year terms**, to improve the real interest rate curve and its liquidity in the market.

#### Cetes

The Ministry will continue to announce quarterly the minimum and maximum amounts to be placed **every week** for **28, 91, 182, and 364-day Cetes**.

#### Bondes D

Auctions of **1, 3 and 5 year term Bondes D** will continue every 15 days. The amounts will be announced quarterly.

# III. Federal Government's Debt

## III.4 2021 Financial Strategy (3/3)

### External debt

The financing strategy will use **external credit complementarily**, whenever optimal financing conditions prevail.

### Financing targeting development

#### IFIs

International Financial Institutions will continue to be accessed as a complementary financing source in order to use the technical assistance and better international practices offered.

#### ECAs

Export Credit Agencies and other Bilateral Institutions will be considered as an alternative financing source to be used in investment programs.

#### Sustainable bonds

Investor's base will continue through new bonds related to SDGs. The Federal Government will continue this yield curve development.



## IV. Public Sector's Debt

To foster **more transparency in the debt policy** of the Public Entities, the ABP presents the main elements of the financing strategy of Public Sector institutions that recurrently access debt markets.

### State Owned Enterprises

- The financing needs are the sum of their deficit and debt amortizations for a given period of time.
- The financing needs are estimated to be **0.8% of GDP for 2021**.

### Development Banks

- The financing needs are estimated to be **2.7% of GDP for 2021**.
- In addition, it is expected an average portfolio expansion of 7.4% with respect to 2020.
- The financing strategy will be directed to keeping an adequate liability portfolio, in order to minimize balance sheet risk.

### Other Issuers

- The financing needs are estimated to be **1.2% of GDP for 2021**.
- The Funds and Trust Funds plan to execute their Business Plans, while the IPAB will continue with its strategy of paying the real component of its interest.

The numbers in this section are informative and could be adjusted in the course of the year, according to the evolution of market conditions and to each entity's strategy.

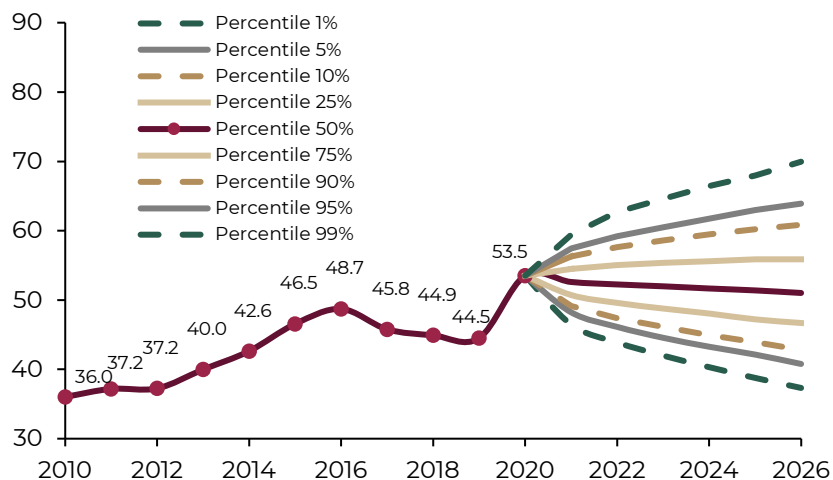
# V. Public Sector Debt Sustainability

## HBPSBR's path

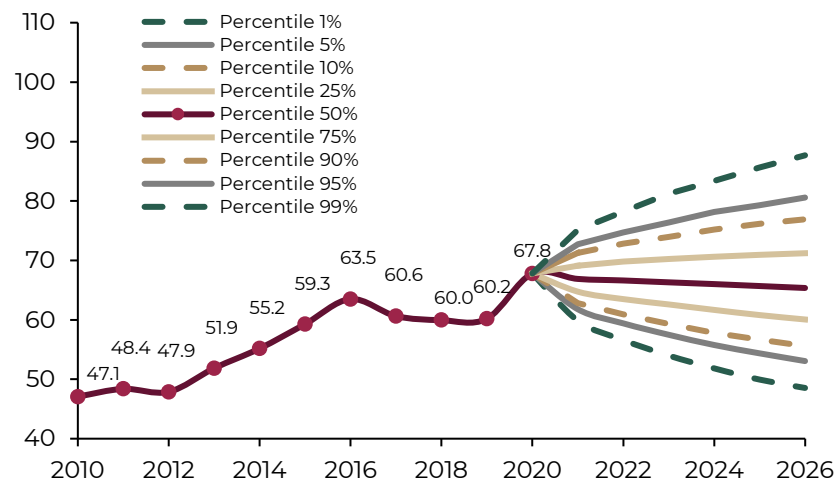
It is expected that at the end of 2020, the HBPSBR stood 53.5% of GDP. Moreover, It is expected that for 2021-2025 the **trajectory will decrease** as a result of the **indebtedness policy**, depending on the evolution of the macroeconomic variables.

The Federal Government will maintain a solid liability portfolio that will diminish the impact of external shocks on public finances.

HBPSBR's path (% GDP)



Gross debt path (% GDP)



The numbers in this section are informative and could be adjusted in the course of the year, according to the evolution of market conditions.

Source: Ministry of Finance.

# Annexes

# Annex I. Medium term indicatives

## Estimated scenario for the key Federal Government debt indicators

Indicator <sup>1/</sup>	2020 <sup>e</sup>	2021 <sup>e</sup>	2022 <sup>e</sup>	2023 <sup>e</sup>	2024 <sup>e</sup>	2024 <sup>e</sup>
Gross external market debt % of total	23.4	22.9	22.2	21.5	21.3	20.4
Gross domestic debt % of total	76.6	77.1	77.8	78.5	78.7	79.6
Debt that change interest rate during the next year (% of total)	28.7	30.4	32.9	29.6	27	27.2
Financing Cost of Federal Government (% GDP)	2.3	2.2	2.1	2.2	2.2	2.2
<b>Domestic debt in Long-term fixed-rate Government Securities</b>						
% nominal fixed and long-term rate	54.9	53.2	52.9	51.5	51	52.4
% fixed and long-term rate	80.7	81.2	79.9	79.4	81.7	82.5
Average maturity (years)	7.5	7.3	7.4	7.6	7.7	7.7
Average maturity without cetes (años)	8.6	8.5	8.7	9.1	9.1	8.8
Duration (years)	4.8	4.6	4.6	4.8	4.8	4.7
Duration without cetes (años)	5.4	5.3	5.4	5.6	5.6	5.4
<b>External market debt</b>						
% fixed rate	100	100	100	100	100	100
% long-term rate	99.4	94.6	94	97.1	95.5	95.4
Average maturity (years)	19.8	19.9	19	19.2	18.7	18.6
Duration (years)	11.1	11.1	10.8	11	10.8	10.9

<sup>1/</sup> Total figures may not add up due to rounding.

<sup>e/</sup> End of year estimates.

# Annex II. SOEs Debt

## Financing Needs of SOEs

	2020 <sup>e</sup>		2021 <sup>e</sup>		Change
	Bn pesos	% GDP	Bn pesos	% GDP	% GDP
<b>Total</b>	<b>240.1</b>	<b>1.0</b>	<b>211.2</b>	<b>0.8</b>	<b>-0.2</b>
<b>Pemex</b>	<b>202.4</b>	<b>0.9</b>	<b>211.5</b>	<b>0.9</b>	<b>0.0</b>
Deficit	62.6	0.3	92.7	0.4	0.1
Amortization	139.8	0.6	118.8	0.5	-0.1
<b>CFE</b>	<b>37.7</b>	<b>0.2</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.2</b>
Deficit	0	0.0	-28.5	-0.1	-0.1
Amortization	37.7	0.2	28.2	0.1	-0.1

Note: Total figures may not add up due to rounding.

e/ Estimates for 2020 and 2021.

Source: Pemex and CFE.

# Annex III. Development Bank Debt

## Financing Needs of Development Banks

	2020 <sup>e</sup>		2021 <sup>e</sup>		Change % GDP
	Bn pesos	% GDP	Bn pesos	% GDP	
<b>Total</b>	<b>624.4</b>	<b>2.7</b>	<b>674.5</b>	<b>2.7</b>	<b>0.0</b>
<b>NAFIN</b>	<b>146.4</b>	0.6	<b>164.4</b>	<b>0.7</b>	<b>0.0</b>
TNF <sup>1</sup>	19.1	0.1	30.6	0.1	0.0
Amortization	127.3	0.6	133.8	0.5	0.0
<b>Banobras</b>	<b>375.9</b>	1.6	<b>389</b>	<b>1.6</b>	<b>-0.1</b>
TNF	64.5	0.3	23.4	0.1	-0.2
Amortization	311.4	1.4	365.6	1.5	0.1
<b>Bancomext</b>	<b>64.7</b>	0.3	<b>80.4</b>	<b>0.3</b>	<b>0.0</b>
TNF	14	0.1	25.5	0.1	0.0
Amortization	50.7	0.2	54.9	0.2	0.0
<b>SHF</b>	<b>37.4</b>	0.2	<b>40.7</b>	<b>0.2</b>	<b>0.0</b>
TNF	2.2	0.0	2.2	0	0.0
Amortization	35.2	0.2	38.5	0.2	0.0

Note: Total figures may not add up due to rounding.

<sup>1</sup> Total Net Financing.

e/ Estimates for 2020 and 2021.

Source: Nafin, Banobras, Bancomext and SHF.

The numbers in this section are informative and could be adjusted in the course of the year, according to the evolution of market conditions and to each entity's strategy.

# Annex IV. Other Issues Debt

## Financing needs of Other Issues

	2020 <sup>e</sup>		2021 <sup>e</sup>		Change % GDP
	Bn pesos	% GDP	Bn pesos	% GDP	
<b>Total</b>	<b>288.7</b>	<b>1.3</b>	<b>291.9</b>	<b>1.2</b>	<b>-0.1</b>
<b>FIRA</b>	<b>50.8</b>	<b>0.2</b>	<b>58.1</b>	<b>0.2</b>	<b>0.0</b>
Deficit	31.8	0.1	16	0.1	-0.1
Amortization	19	0.1	42.1	0.2	0.1
<b>FONACOT</b>	<b>5.6</b>	<b>0.0</b>	<b>4.5</b>	<b>0</b>	<b>0.0</b>
Deficit	1.6	0.0	3.3	0	0.0
Amortization	4	0.0	1.2	0	0.0
<b>IPAB<sup>1</sup></b>	<b>232.3</b>	<b>1.0</b>	<b>229.3</b>	<b>0.9</b>	<b>-0.1</b>
Deficit	27.9	0.1	25.4	0.1	0.0
Amortization	203.5	0.9	212.7	0.9	0.0
(De) Accumulation	0.9	0.0	-8.8	0	0.0

Note: Total figures may not add up due to rounding.

<sup>1</sup> The total needs of the IPAB consider deficit, amortization and (de) accumulation of liquid resources.

e/ Estimates for 2020 and 2021.

Source: FIRA, Fonacot and IPAB.

The numbers in this section are informative and could be adjusted in the course of the year, according to the evolution of market conditions and to each entity's strategy.