



HACIENDA

SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO

2020 Annual Borrowing Plan


Content




ABP 2020

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I. Executive Summary (1/2)



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



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) stood at **44.7%** of GDP in 2019.



For 2020, the HBPSBR is estimated to stay close to 2019's level, maintaining an **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 (2/2)

Public Sector Financing Needs

For 2020, Public Sector Financing Needs are estimated to be **11.8%** of GDP.

0.7 basis points of GDP lower than the estimate for 2019.

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

| | 2019 ^e | | 2020 ^e | | Change % GDP |
|----------------------------|-------------------|-------------|-------------------|-------------|-----------------|
| | Bn pesos | % GDP | Bn pesos | % GDP | |
| Total | 3,041.8 | 12.5 | 3,002.7 | 11.8 | -0.7 |
| Federal Government | 2,069.6 | 8.5 | 1,909.1 | 7.5 | -1.0 |
| Deficit | 497.4 | 2.0 | 532.3 | 2.1 | 0.0 |
| Amortization | 1,572.2 | 6.5 | 1,376.8 | 5.4 | -1.1 |
| SOEs¹ | 124.6 | 0.5 | 233.6 | 0.9 | 0.4 |
| Deficit | -32.4 | -0.1 | 62.6 | 0.2 | 0.4 |
| Amortization | 157.0 | 0.6 | 171.0 | 0.7 | 0.1 |
| DB² | 578.3 | 2.4 | 583.0 | 2.2 | -0.1 |
| TNF ³ | 65.7 | 0.3 | 45.7 | 0.2 | -0.1 |
| Amortization | 512.6 | 2.1 | 537.3 | 2.0 | -0.1 |
| Other^{4,5} | 269.3 | 1.1 | 277.0 | 1.1 | 0.0 |
| Deficit | 26.7 | 0.1 | 47.7 | 0.2 | 0.1 |
| Amortization | 242.6 | 1.0 | 229.3 | 0.9 | -0.1 |

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

1/ State Owned Enterprises (Pemex y CFE).

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

3/ Total Net Financing.

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

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

e/ End-of-year estimates for 2019 and 2020.

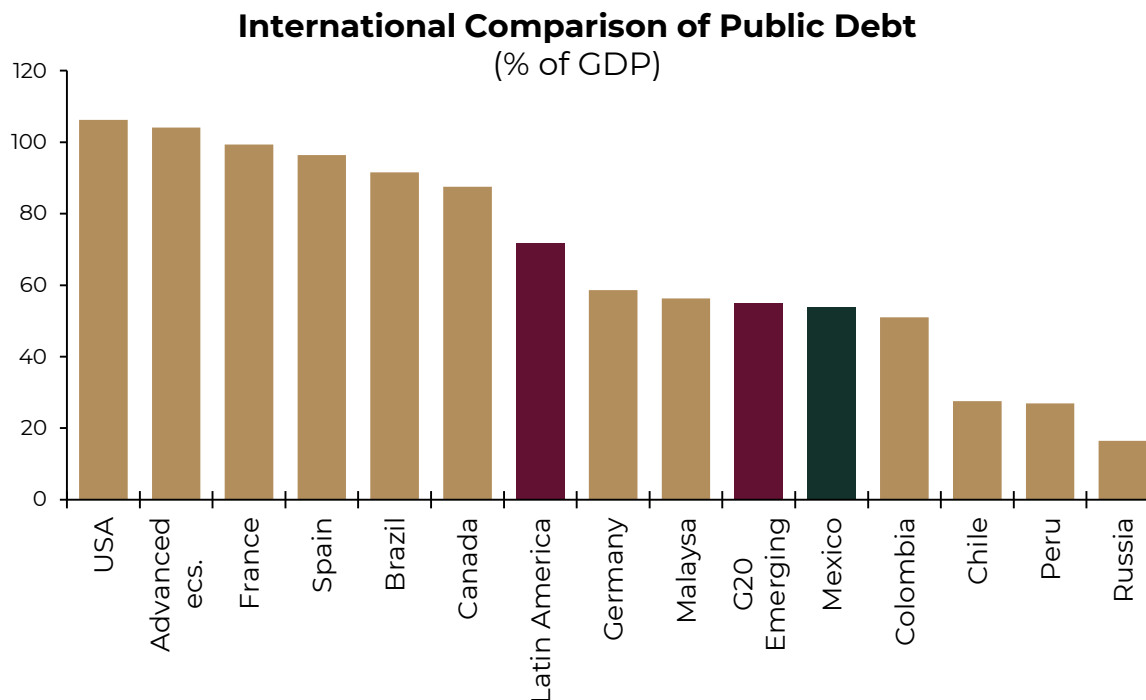
The numbers in this section are informative and could be adjusted in the course of the year, according to the evolution of market conditions and to each entities strategy.

II. Public Sector Debt Sustainability (1/2)

International Comparison

Public debt in Mexico compares favorably to other economies, both in advanced and emerging markets.

The level of the debt of public debt is close to emerging market average and lower than LatAm economies.



Source: Fiscal Monitor, IMF, October 2019.

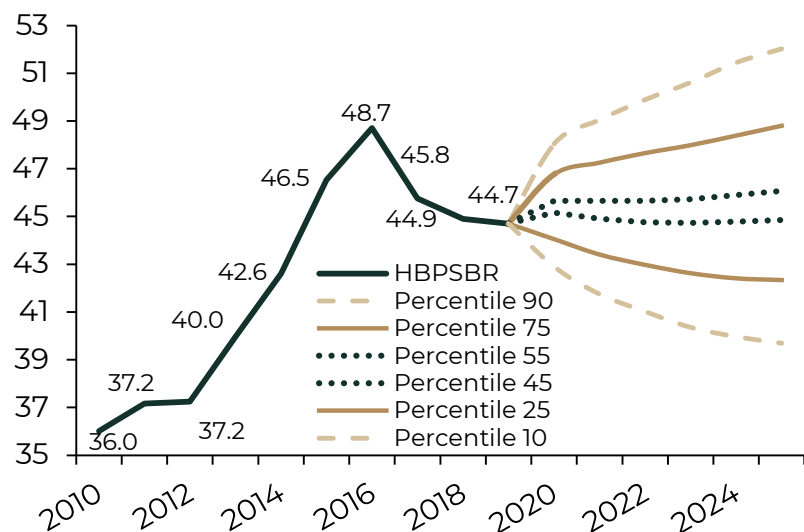
II. Public Sector Debt Sustainability (2/2)

HBPSBR's path

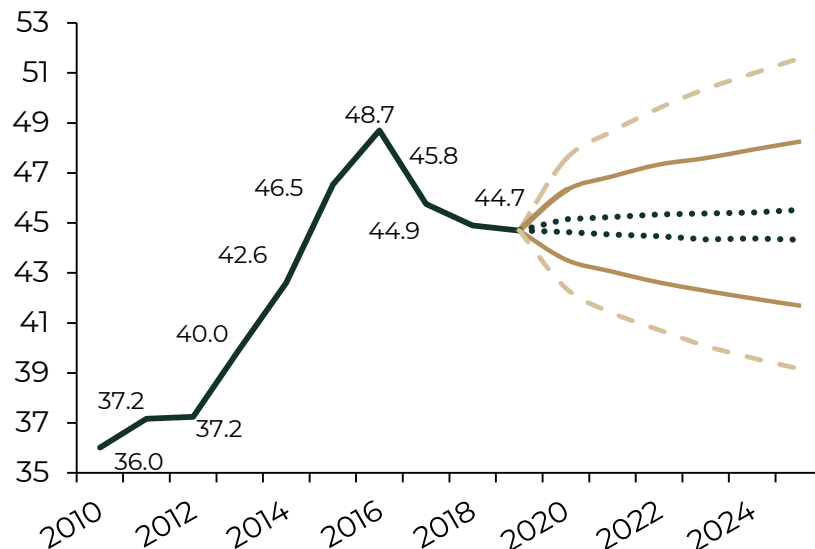
As of 2019, the HBPSBR stood at 44.7% of GDP. It is expected that for 2020-2024 it will maintain a stable and **sustainable level**, as a result of **indebtedness policy** and **fiscal discipline strategy**.

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

Scenario 1 (% GDP): Starts at 2019's debt level and uses the PSBR path consistent with the 2020 GEPG



Scenario 2 (% GDP): Considers an adjustment in the PSBR, obtaining a stable PSBR trajectory around 44.9% of 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 and to each entities strategy.

Source: Ministry of Finance.

III. Federal Government's Debt

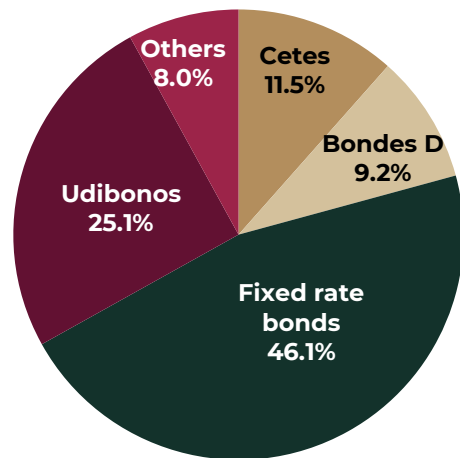
III.1 Federal Government's current debt portfolio (1/3)

Portfolio Composition of Federal Government's Debt

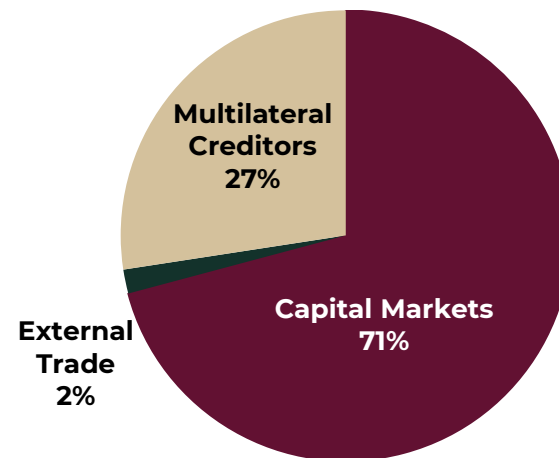
The **Federal Government gross domestic debt** was **28.6%** of GDP in 2019, while **external debt** was **7.7% of GDP**.

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 current 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 |
|-------------------------|--------|-------|------|----------------|-------------|-------------|
| 2018 | 73.9% | 18.0% | 6.1% | 2.0% | 0.0% | 100% |
| 2019^e | 65.4% | 23.1% | 7.6% | 2.0% | 2.0% | 100% |

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

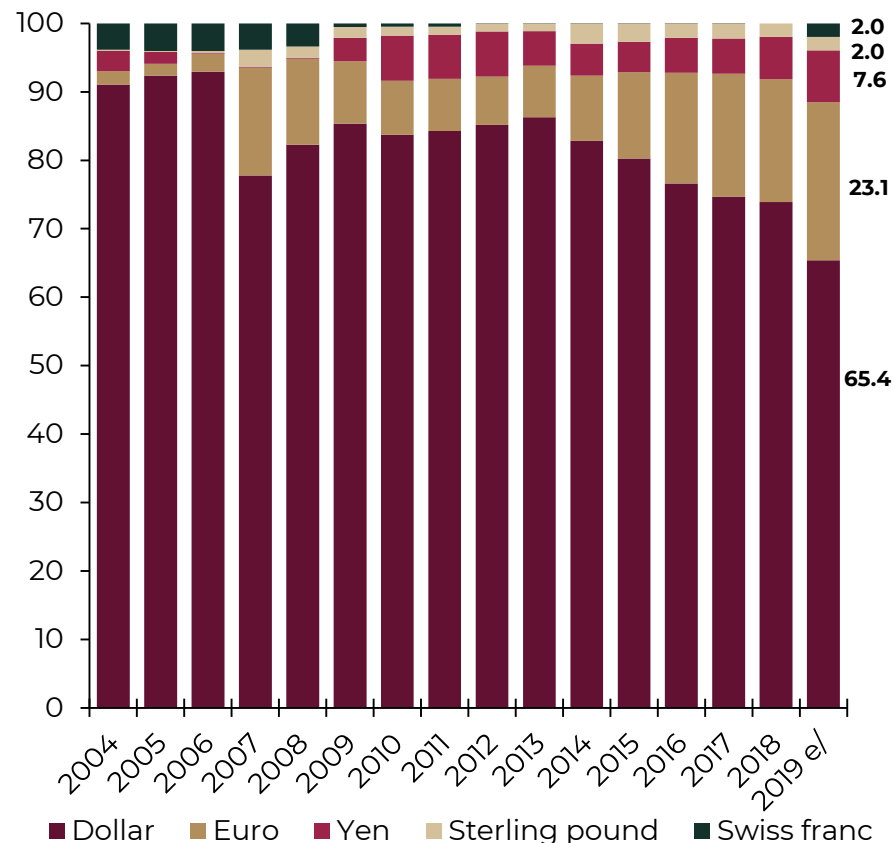
e/: End-of-year estimates for 2019.

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 2019, **65.4%** of the Federal Government's gross external debt was denominated in **dollars** and **23.1% in euros**.

Federal Government's External Gross Debt structure, by currency

(% of total external debt)



Source: Ministry of Finance.

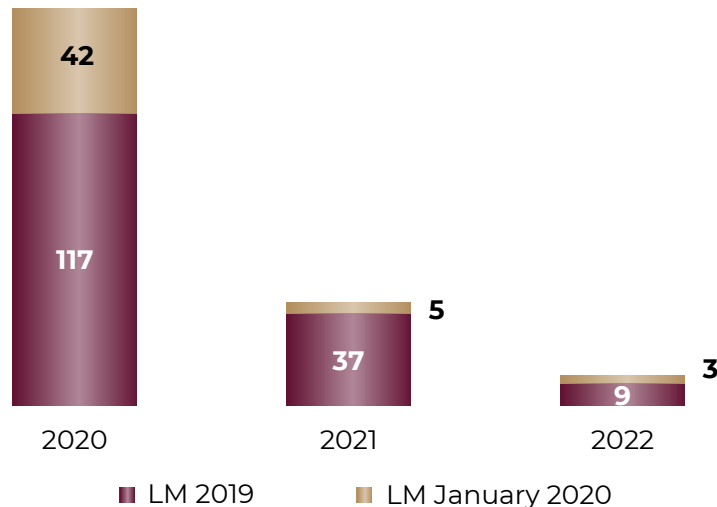
III. Federal Government's Debt

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

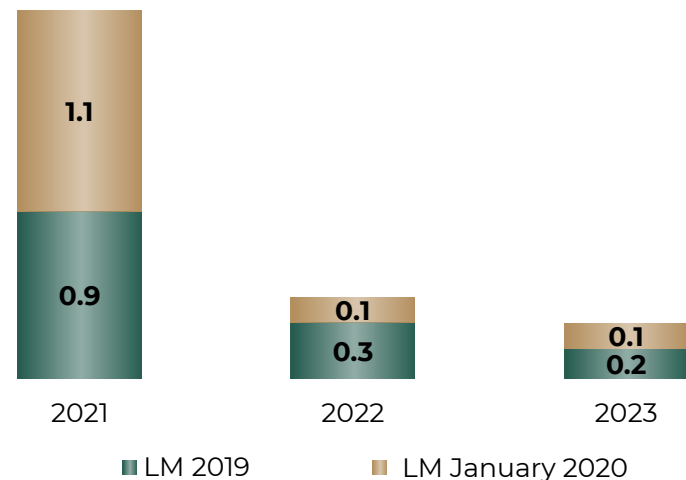
Liability management operations

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

Domestic market debt
(Billion pesos)



International Market
(Billion dollar)



LM means liability management operations.
Source: Ministry of Finance.

III. Federal Government's Debt

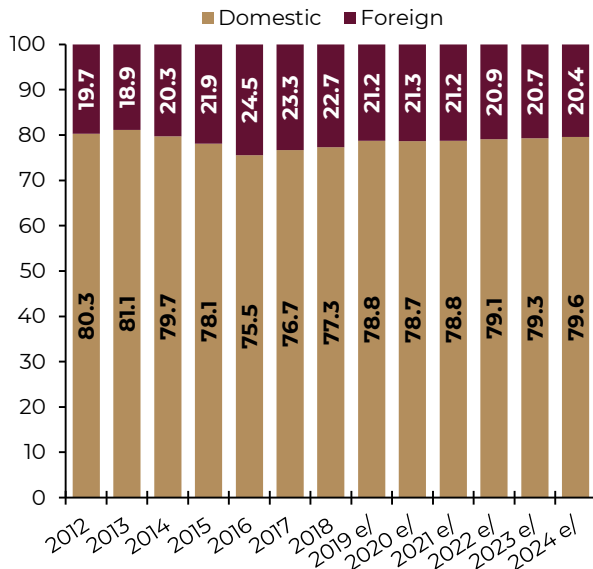
III.2 Estimated debt portfolio for 2020 - 2024

Medium term horizon

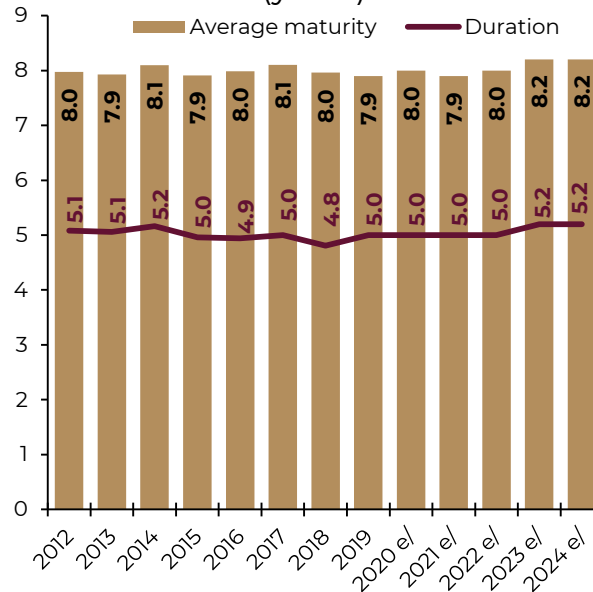
In order to strengthen the public debt portfolio and to reduce financing cost, given an adequate risk level, and **integral debt management strategy** will be implemented.

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**.

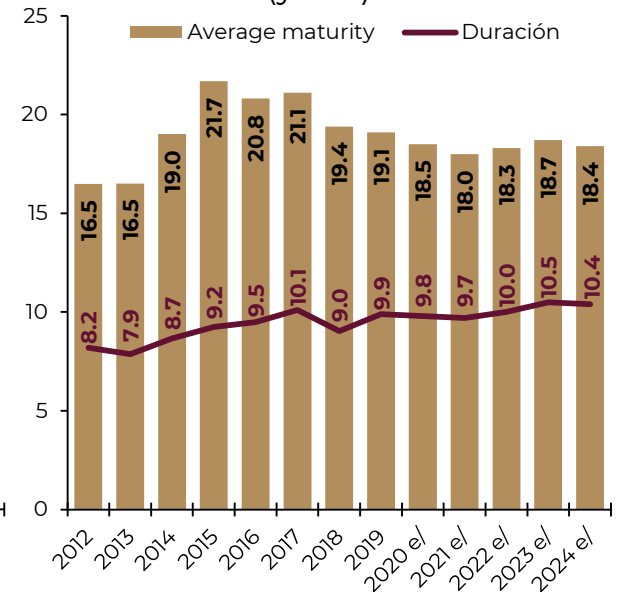
Debt portfolio composition
(% of total)



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



Average maturity and duration of external market debt
(years)

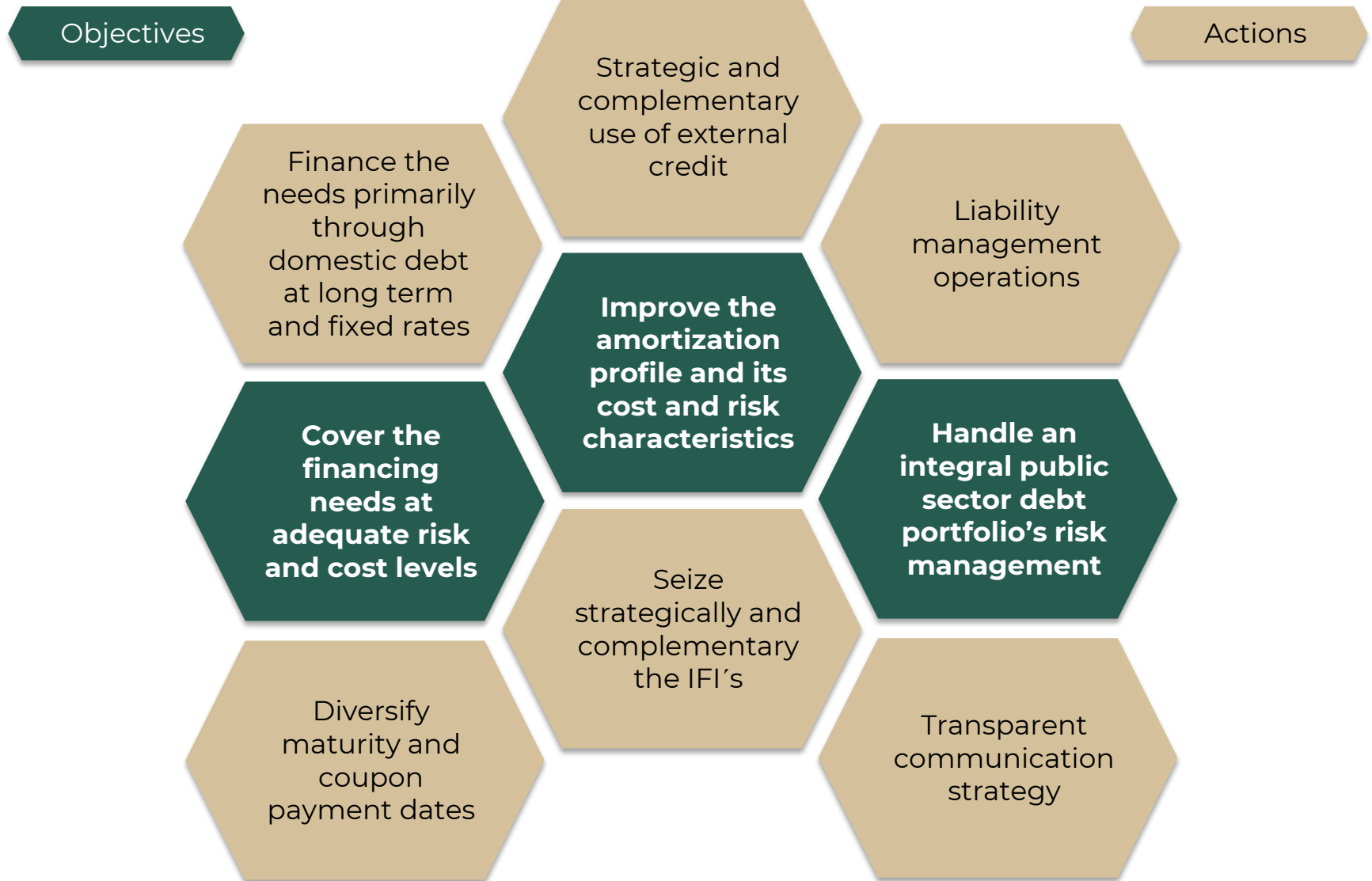


Source: Ministry of Finance.

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 entities strategy.

III. Federal Government's Debt

III.3 Public Debt Policy General Guidelines



III. Federal Government's Debt

III.4 Financing Needs for 2020

Financing Needs

The Federal Government's **Financing Needs for 2020** amount to **7.5% of GDP**. This figure is a result of the following elements:

1. Federal Government's **deficit** of **2.1%** of GDP
2. **Debt amortizations** of **5.4% of GDP**,
 - **5.2% of GDP** for **domestic** debt amortizations
 - **0.2% of GDP** for **external** debt amortizations

Federal Government's Financing Needs

(Billion pesos and % of GDP)

| | 2019 ^e | | 2020 ^e | | Change % GDP |
|-----------------------------------|-------------------|------------|-------------------|------------|-----------------|
| | Bn pesos | % GDP | Bn pesos | % GDP | |
| TOTAL (A + B)^{1/} | 2,069.6 | 8.5 | 1,909.1 | 7.5 | -1.0 |
| A. Deficit | 497.4 | 2.0 | 532.3 | 2.1 | 0.0 |
| B. Amortization | 1,572.2 | 6.5 | 1,376.8 | 5.4 | -1.1 |
| Domestic | 1,417.2 | 5.8 | 1,322.5 | 5.2 | -0.6 |
| Securities | 1,380.7 | 5.7 | 1,313.0 | 5.2 | -0.5 |
| Cetes | 734.5 | 3.0 | 802.6 | 3.1 | 0.1 |
| Bondes D | 91.2 | 0.4 | 114.1 | 0.4 | 0.1 |
| Bonds | 328.9 | 1.4 | 202.7 | 0.8 | -0.6 |
| Udibonos | 226.1 | 0.9 | 193.6 | 0.8 | -0.2 |
| Others ^{2/} | 36.6 | 0.2 | 9.6 | 0.0 | -0.1 |
| External | 155.0 | 0.6 | 54.3 | 0.2 | -0.4 |
| Bonds | 138.4 | 0.6 | 37.6 | 0.1 | -0.4 |
| IFIs | 12.9 | 0.1 | 12.7 | 0.0 | 0.0 |
| Other | 3.7 | 0.0 | 4.0 | 0.0 | 0.0 |

^{1/} Total figures may not add up due to rounding.

^{2/} This item accounts for the net financing needs of the pension system (SAR).

e/ Estimates for 2018 and 2019.

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.5 2020 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 **5, 10 and 30 year Bonds** and **10 year Ubibonos**, as well as the new **3 year** reference, introduced in January.

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.

The possibility of implementing **new benchmark rates** will be analyzed so that they reflect the market conditions for government securities operations.

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

III. Federal Government's Debt

III.5 2020 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.

Segregated Inflation-linked Bonds

30 year segregated inflation-linked bonds (**Udibonos**) will be auctioned when investors show there is interest to acquire such instruments.

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

For 2020, the Ministry will continue to auction **5 year term Bondes D** every 15 days. The new references will be opened with the same frequency as it has been done in previous years.

III. Federal Government's Debt

III.5 2020 Financial Strategy (3/3)

External debt

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

External Markets

New benchmark bonds issuances will be designed in order for them to have the required volume that ensures a useful, liquid and efficient yield curve, both for public and private Mexican issuers.

Carrying out liability management operations will be considered when favorable market conditions prevail.

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.

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 **0.9% of GDP for 2020**.

Development Banks

- The financing needs are estimated to be **2.2% of GDP for 2020**.
- In addition, it is expected an average portfolio expansion of 5% with respect to 2019.
- 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 **1.1% of GDP for 2020**.
- For 2019, 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 entities strategy.

Annexes

Annex I. Medium term indicatives

Estimated scenario for the key Federal Government debt indicators

| Indicator ^{1/} | 2019 ^e | 2020 ^e | 2021 ^e | 2022 ^e | 2023 ^e | 2024 ^e |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Gross external market debt % of total | 21.2 | 21.3 | 21.2 | 20.9 | 20.7 | 20.4 |
| Gross domestic debt % of total | 78.8 | 78.7 | 78.8 | 79.1 | 79.3 | 79.6 |
| Debt that change interest rate during the next year (% of total) | 28.5 | 27.6 | 27.2 | 27.2 | 24.0 | 24.9 |
| Financing Cost of Federal Government (% GDP) | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.2 |
| Domestic debt in Long-term fixed-rate Government Securities | | | | | | |
| % nominal fixed and long-term rate | 53.1 | 54.6 | 52.4 | 54.0 | 53.2 | 51.7 |
| % fixed and long-term rate | 80.3 | 82.1 | 82.1 | 82.4 | 83.0 | 83.8 |
| Average maturity (years) | 7.9 | 8.0 | 7.9 | 8.0 | 8.2 | 8.2 |
| Average maturity without cetes (años) | 9.0 | 8.9 | 8.7 | 8.8 | 9.0 | 9.0 |
| Duration (years) | 5.0 | 5.0 | 5.0 | 5.0 | 5.2 | 5.2 |
| Duration without cetes (años) | 5.7 | 5.5 | 5.5 | 5.5 | 5.6 | 5.6 |
| External market debt | | | | | | |
| % fixed rate | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| % long-term rate | 97.2 | 97.4 | 95.9 | 94.7 | 93.2 | 95.9 |
| Average maturity (years) | 19.1 | 18.5 | 18.0 | 18.3 | 18.7 | 18.4 |
| Duration (years) | 9.9 | 9.8 | 9.7 | 10.0 | 10.5 | 10.4 |

^{1/} Total figures may not add up due to rounding.

^{e/} End of year estimates for period 2019 to 2024.

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 entities strategy.

Annex II. SOEs Debt

Financing Needs of SOEs

| | 2019 ^e | | 2020 ^e | | Change 2020 vs 2019 |
|--------------|-------------------|------------|-------------------|------------|------------------------|
| | Bn pesos | % GDP | Bn pesos | % GDP | % GDP |
| Total | 124.6 | 0.5 | 233.6 | 0.9 | 0.4 |
| Pemex | 114.4 | 0.5 | 199.3 | 0.8 | 0.3 |
| Deficit | -26.4 | -0.1 | 62.6 | 0.2 | 0.4 |
| Amortization | 140.8 | 0.6 | 136.7 | 0.5 | 0.0 |
| CFE | 10.2 | 0.0 | 34.3 | 0.1 | 0.1 |
| Deficit | -6.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortization | 16.2 | 0.1 | 34.3 | 0.1 | 0.1 |

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

e/ Estimates for 2019 and 2020.

Source: Pemex y CFE.

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 entities strategy.

Annex III. Development Bank Debt

Financing Needs of Development Banks

| | 2019 ^e | | 2020 ^e | | Change % GDP |
|------------------|-------------------|------------|-------------------|------------|-----------------|
| | Bn pesos | % GDP | Bn pesos | % GDP | |
| Total | 578.3 | 2.4 | 583.0 | 2.3 | -0.1 |
| NAFIN | 133.0 | 0.5 | 146.4 | 0.6 | 0.0 |
| TNF ¹ | 16.0 | 0.1 | 19.1 | 0.1 | 0.0 |
| Amortization | 117.0 | 0.5 | 127.3 | 0.5 | 0.0 |
| Banobras | 345.5 | 1.4 | 326.3 | 1.3 | -0.1 |
| TNF | 42.6 | 0.2 | 14.8 | 0.1 | -0.1 |
| Amortization | 302.9 | 1.2 | 311.5 | 1.2 | 0.0 |
| Bancomext | 63.8 | 0.3 | 78.9 | 0.3 | 0.0 |
| TNF | 4.9 | 0.0 | 9.6 | 0.0 | 0.0 |
| Amortization | 58.9 | 0.2 | 69.3 | 0.3 | 0.0 |
| SHF | 36.0 | 0.1 | 31.4 | 0.1 | 0.0 |
| TNF | 2.2 | 0.0 | 2.2 | 0.0 | 0.0 |
| Amortization | 33.8 | 0.1 | 29.2 | 0.1 | 0.0 |

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

¹ Total Net Financing.

e/ Estimates for 2019 and 2020.

Source: Nafin, Banobras, Bancomext y 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 entities strategy.

Annex IV. Other Issues Debt

Financing needs of Other Issues

| | 2019 ^e | | 2020 ^e | | Change % GDP |
|-------------------------|-------------------|------------|-------------------|------------|-----------------|
| | Bn pesos | % GDP | Bn pesos | % GDP | |
| Total | 269.3 | 1.1 | 277.0 | 1.1 | 0.0 |
| FIRA | 29.4 | 0.1 | 38.7 | 0.1 | 0.0 |
| Deficit | -1.7 | 0.0 | 16.8 | 0.1 | 0.1 |
| Amortization | 31.1 | 0.1 | 21.9 | 0.1 | 0.0 |
| FONACOT | 2.0 | 0.0 | 6.0 | 0.0 | 0.0 |
| Deficit | 0.4 | 0.0 | 3.0 | 0.0 | 0.0 |
| Amortization | 1.6 | 0.0 | 3.0 | 0.0 | 0.0 |
| IPAB¹ | 237.9 | 1.0 | 232.3 | 0.9 | -0.1 |
| Deficit | 28.0 | 0.1 | 27.9 | 0.1 | 0.0 |
| Amortization | 206.7 | 0.8 | 203.5 | 0.8 | 0.1 |
| (De) Accumulation | 3.2 | 0.0 | 0.9 | 0.0 | 0.0 |

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

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

e/ Estimates for 2019 and 2020.

Source: FIRA, Fonacot y el 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 entities strategy.