2021 Economic Program

Macroeconomic Framework

	2020	2021	
Economic growth	-8.0%	4.6%	• **Ongoing reopening** after the Great Lockdown. • **Base effect** and **rebound** lower to previous economic downturns. (1995: -6.3% / 1996: +6.8% | 2009: -5.3% / 2010: +5.1%). • USMCA entry into force will increase certainty in trade and investment. • Joint efforts with the private sector to **boost investment**.
Oil price	34.6 dollars per barrel	42.1 dollars per barrel	• In line with the expected gradual economic recovery (more mobility and oil demand) and the prospects of a COVID-19 vaccine.
Oil platform	1,744 kbpd	1,857 kbpd	• **1,796** kbpd from **Pemex** | **+5.0%** vs expected average in 2020 (1,710 kbpd), in line with the Jan-August 20 avg. production: 1,691 kbpd. • **61 kbpd** from **privates** | **+79%** vs expected average in 2020 (34 kbpd), in line with their plans of exploration and development.

Main Fiscal Indicators

Mexico's Government reaffirms its commitment to **strong macroeconomic fundamentals.**

Fiscal Indicators
(% of GDP)

	2020e*	2021
Primary Balance	0.2	0.0
Public Balance	-2.9	-2.9
Public Sector Borrowing Requeriments (PSBRs)[1]	-4.7	-3.4
Net Debt[2]	54.7	53.7

*Figures were updated considering nominal GDP revision.
e: Estimate

[1/] The broadest and most robust balance measure of the Public Sector.
[2/] Historical Balance Public Sector Borrowing Requirements (HBPSBR), broadest definition of debt that measures the contracted net stock obligations.

Banco de Mexico's Operating Surplus

In case of having operating surplus in 2020, Banco de México will transfer to the Federal Government in April 2021. We estimate to be around 1% of GDP.

The use is regulated by article 19 Bis of the Fiscal Responsibility and Budget Law.

- At least **70%** shall be used to **pay Federal Government debt.**
- Up to **30%** to **capitalize the Budgetary Revenues Stabilization Fund (FEIP)** or to increase assets that strengthen the Federal Government's financial position.

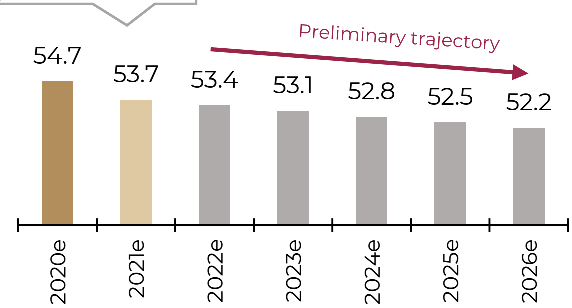
Composition of the PSBRs
(% of GDP)

	2020e	2021
1. Budgetary revenue	23.3	22.2
Recurrent revenues	21.7	22.0
Non-recurrent revenues	1.6	0.2
2. Net paid expenditure	26.2	25.0
3. Public balance (1-2)	-2.9	-2.9
4. Out-of-budget financing needs	-1.8	-0.5
5. PSBRs (3+4)	**-4.7**	**-3.4**

Note: Figures may not add up due to rounding.

For 2021, the **decrease on PSBRs** will allow to **reduce debt by 1.0% of GDP**

Net debt (HBPSBR)
(% of GDP)



e: Estimate

2021 Economic Program

Revenues

The 2021 Revenues Law does **not contemplate new taxes nor increase current rate**.

2021 Projections

Budgetary revenues

+6.4% than the 2020 estimations, excluding non-recurring non-tax revenues such as trusts and other assets.

Tax revenues
+ 5.7% vs 2020e

Mainly explained by the expected **economic recovery** and **improvements in tax collection.**

Oil revenues
+13.0% vs 2020e

Explained by **higher production platform (+6.5%)** and **oil-price (+21.7%)**, as well as an increase in **the price of natural gas** for 2021.

e: Estimate

Tax Collection Strategies

- **Continue fighting tax avoidance and evasion.**
- **Continue with enhancements of the tax framework and closing loopholes.**
- **Administrative changes to facilitate compliance.** In 2021, most tax procedures will be done online.

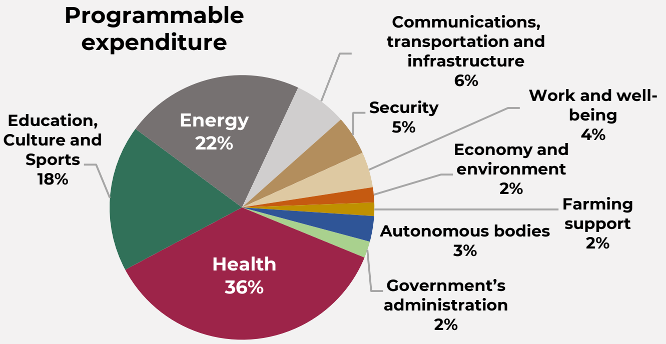
Expenditure

Spending policy is focused on efficiency while prioritizing spending with economic and social impact.

The 2021 budgetary expenditure remains constant in real terms with respect to the 2020 year-end estimation

Total expenditure
- 73% Programmable expenditure
- 27% Non-programmable expenditure

Programmable expenditure



General guidelines:

- **Strengthen** the human and physical resources of the **health system**, essential for economic recovery **(+9.1%)***
- Promote a rapid and sustained **reestablishment of employment and economic activity**
- **Strengthen the social protection** network of the most disadvantaged groups
- **Promote investment in infrastructure** for a more equitable and lasting development **(+5.3%)***

*In real terms, compared to the 2020 Economic Program.

Social programs:

- **Universal pension for the elderly** (+1.0% in real terms).
- **Disability benefits** (+5.3% in real terms).
- **Stipend for high school students** (+10.6% in real terms).

Physical investment

+8.0% YoY in real terms compared to the 2020 Economic Program.

Federalized Expenditure

Corresponds to the **30%** of 2021 total net expenditure.

In case of a non-earmarked transfer shortfall, subnational governments have the **FEIEF***.

In addition, Congress is discussing a reform to the Financial Discipline Law,** which will allow subnational governments to restructure short-term debt to extend the established settlement date and schedule payments based on their revenues.

Good subnational fiscal stance → Subnational debt amounted 2.5% of GDP as of 4Q-2019.

Subnational governments' level of indebtedness 2019

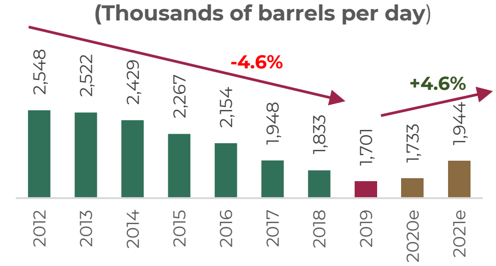
- **84% have a sustainable debt level.**
- **16% have an under observation debt level.**

*FEIEF: Subnational Revenue Stabilization Fund.
** Approved by the Lower Chamber on Oct. 19, 2020.

Pemex

Pemex is a valuable and sustainable asset and has the **Government's support** to strengthen its financial position.

Pemex's Crude Oil Production*
(Thousands of barrels per day)



*Considers oil and condensates, includes partners.

PEMEX operates with profitability levels in line with the industry average.

- In 3Q, the **EBITDA margin** was 23%, similar to Equinor (29%) and Chevron (22%).

Pemex is focusing on profitable wells:

- Average extraction cost is 12 dpb, 14.7% less than that of 2019.

2021 Support of MXN 64.1 bn	
Budgetary contribution	**45.1**
DUC rate from 58% to 54%	**19**

2021 Estimated transfers to the Federal Gov't (MXN bn)	
Duties (DUC, DEXT, DEXP)*	**317.6**

*Excludes payments of Fuel Excise Tax, PIT and VAT