

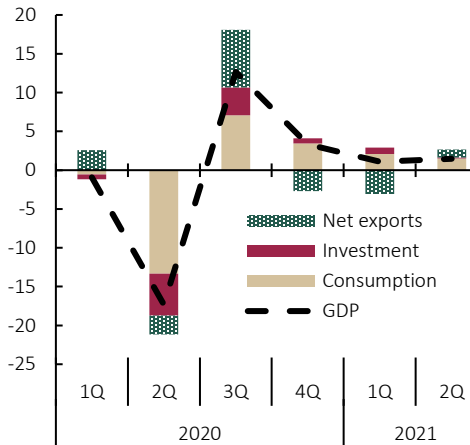


Report on the Public Finances and Public Debt – August 2021

Public Finances remain stable and solid in line with the economic recovery

Aggregate demand

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



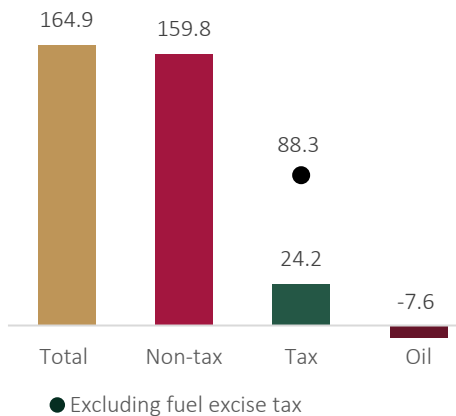
Source: INEGI. Seasonal adjusted figures.

Economic Activity

- Consumption came at 1.9% q/q s.a. in 2Q21, supported by progress on the COVID-19 vaccination and more favorable epidemiological conditions, resulting in four consecutive quarters of growth and a recovery of 98.3% of its 4Q19 level. Investment showed an increase of 0.5% q/q s.a., also its fourth consecutive quarter of growth.
- July's Global Indicator of Economic Activity grew 0.5% m/m s.a. Particularly, the services sector rose 0.3%, with three activities outperforming: recreation (6.4% m/m s.a.), retail (5.9%) and wholesale trade (3.2%).
- In addition, the industrial sector increased 1.1% m/m s.a. and all activities but one grew with respect to June. Manufacturing activities showed a solid performance, advancing 1.4% m/m s.a. Of these activities, particularly strong growth was observed in finished products, excluding clothing (6.9% m/m s.a.) as well as electric hardware (5.9%), oil and carbon related products (5.7%), and beverages and tobacco (4.1%).
- Moreover, 22 activities have fully recovered pre-pandemic levels, while ten are bridging the gap and only seven stand below.

Public Sector's revenues

are better than expected
Variation vs. program (bn pesos)



Public Finances

- In January-August, Public Sector's revenues were better-than-expected by 164.9 billion (bn) pesos and grew 5.5% in real terms with respect to the same period of 2020, in line with the figures presented in the 2022 General Economic Policy Guidelines.
- Tax revenues excluding excise taxes on fuels recorded four consecutive months of growth in August, and cumulatively were 88.3 bn pesos above the program and grew 4.7% in real terms.
- Total net expenditure amounted to 4.2 trillion pesos, 4.5% higher in real terms compared to January-August of 2020. Programmable spending was higher than the program by 72.7 bn pesos.
- Non-programmable expenditure was lower-than-expected by 60.2 bn pesos, due to the decrease of financial cost and debits of previous years by 30.6 and 33.8 bn pesos, respectively. On the other hand, non-earmarked transfers to States were higher by 4.1 bn pesos and grew 4.7%, with respect to January-August of 2020 in real terms.
- The primary balance stood at 149.2 bn pesos, higher by 138.7 bn pesos than the calendar. Besides that, public deficit was 262.4 bn pesos, which compares favorably with the programmed deficit of 442.5 bn pesos.

Non-programmable expenditure

January-August 2021

| | Diff vs program (bn pesos) | Real growth* (%) |
|--------------------------|----------------------------|------------------|
| Financial cost | -30.6 | -9.7% |
| Debits of previous years | -33.8 | n.s. |
| Non- earmarked transfers | +4.1 | 4.7% |

* Real annual variation compared to January-August period of 2020.

n.s. not significant.

Public Debt

- The composition of the Federal Government's debt portfolio is solid and robust: 77.0% is denominated in domestic currency and 79.9% stood at a fixed and long-term rate.
- On August 18, the rating agency R&I affirmed Mexico's BBB+ sovereign rating, highlighting the results of the strengthening of the tax framework and their expectation that debt will decrease from 2021 onwards. This action concluded the first rating review period of the year, and Mexico's sovereign credit rating was ratified by all agencies.



Public Sector Financial Situation, January-August

(Billion pesos)

| Concept | 2020 | 2021 | | | Real Annual Growth (%) |
|---|---------------|---------------|------------------------|--------------|------------------------|
| | | Program | Observed ^{p/} | Difference | |
| | (1) | (2) | (3) | (3-2) | (3/1) |
| Public balance | -275.0 | -442.5 | -262.4 | 180.1 | -9.3 |
| Budgetary balance | -296.7 | -442.8 | -290.5 | 152.4 | -6.9 |
| Budgetary revenues | 3,508.5 | 3,727.7 | 3,892.6 | 164.9 | 5.5 |
| Net budgetary expenditure | 3,805.2 | 4,170.5 | 4,183.1 | 12.5 | 4.5 |
| Programmable expenditure | 2,764.9 | 3,048.3 | 3,121.0 | 72.7 | 7.3 |
| Non-programmable expenditure | 1,040.2 | 1,122.2 | 1,062.0 | -60.2 | -2.9 |
| Entities under indirect budgetary control | 21.7 | 0.3 | 28.0 | 27.7 | 23.1 |
| Primary balance | 151.7 | 10.5 | 149.2 | 138.7 | -6.4 |
| Public balance by entities | -275.0 | -442.5 | -262.4 | 180.1 | -9.3 |
| Budgetary balance | -296.7 | -442.8 | -290.5 | 152.4 | -6.9 |
| Federal Government balance | -235.1 | -461.0 | -285.4 | 175.6 | 15.4 |
| State productive enterprises | -163.5 | -58.4 | -77.9 | -19.5 | -54.7 |
| PEMEX | -196.7 | -97.1 | -68.0 | 29.2 | -67.1 |
| CFE | 33.2 | 38.8 | -9.9 | -48.7 | n.s. |
| Entities under direct budgetary control | 101.9 | 76.6 | 72.8 | -3.8 | -32.1 |
| IMSS | 81.0 | 73.1 | 56.1 | -17.0 | -34.0 |
| ISSSTE | 20.9 | 3.4 | 16.6 | 13.2 | -24.4 |
| Entities under indirect budgetary control | 21.7 | 0.3 | 28.0 | 27.7 | 23.1 |
| Memorandum items | | | | | |
| PSBR | -457.5 | | -451.6 | | n.s. |
| Primary PSBR | 147.4 | | 179.1 | | 15.5 |

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-August

(Billion pesos)

| Concept | 2020 | 2021 | | | Real Annual Growth (%) |
|-----------------------------------|----------------|----------------|-------------------------|--------------|------------------------|
| | | Program | Observed ^{p_/} | Difference | |
| | (1) | (2) | (3) | (3-2) | (3/1) |
| Total | 3,508.5 | 3,727.7 | 3,892.6 | 164.9 | 5.5 |
| Oil | 348.3 | 617.2 | 609.6 | -7.6 | 66.4 |
| Pemex ^{1_/} | 203.1 | 402.4 | 419.1 | 16.7 | 96.2 |
| Federal Government ^{2_/} | 145.2 | 214.8 | 190.5 | -24.3 | 24.8 |
| Non-Oil | 3,160.2 | 3,110.5 | 3,283.0 | 172.5 | -1.2 |
| Federal Government | 2,612.3 | 2,546.9 | 2,730.8 | 184.0 | -0.6 |
| Tax | 2,262.4 | 2,419.3 | 2,443.4 | 24.2 | 2.7 |
| Non-Tax | 349.9 | 127.6 | 287.4 | 159.8 | -21.9 |
| IMSS | 253.9 | 265.6 | 272.7 | 7.1 | 2.1 |
| ISSSTE | 39.7 | 31.5 | 29.9 | -1.7 | -28.4 |
| CFE | 254.3 | 266.5 | 249.6 | -16.9 | -6.6 |

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-August

(Billion pesos)

| Concept | 2020 | 2021 | | | Real Annual Growth (%) |
|--|----------------|----------------|-------------------------|--------------|------------------------|
| | | Program | Observed ^{p_/} | Difference | |
| | (1) | (2) | (3) | (3-2) | (3/1) |
| Total | 3,805.2 | 4,170.5 | 4,183.1 | 12.5 | 4.5 |
| Programmable expenditure | 2,764.9 | 3,048.3 | 3,121.0 | 72.7 | 7.3 |
| <i>Payment's deferral</i> | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating expenditure | 1,121.1 | 1,241.5 | 1,239.8 | -1.6 | 5.2 |
| Wages | 778.0 | 844.2 | 812.7 | -31.5 | -0.7 |
| Other operating expenditure | 343.2 | 397.3 | 427.2 | 29.9 | 18.4 |
| Pensions | 620.5 | 693.9 | 672.7 | -21.2 | 3.1 |
| Subsidies, transfers and contributions | 505.6 | 514.7 | 522.7 | 8.0 | -1.7 |
| Aid and other expenses | 23.1 | 6.2 | 18.0 | 11.7 | -26.0 |
| Physical investment | 420.1 | 494.5 | 429.9 | -64.6 | -2.7 |
| Financial investment | 74.5 | 97.4 | 237.9 | 140.4 | 203.7 |
| Non-programmable expenditure | 1,040.2 | 1,122.2 | 1,062.0 | -60.2 | -2.9 |
| Non-earmarked transfers | 582.2 | 637.1 | 641.3 | 4.1 | 4.7 |
| Debits from previous years | 15.5 | 32.1 | -1.7 | -33.8 | n.s. |
| Financial cost | 442.5 | 453.0 | 422.4 | -30.6 | -9.2 |

Note: Figures may not add up due to rounding.

p_/ Preliminary figures.

Source: Ministry of Finance.



Domestic Public Sector Debt Balances, January- August ^{*_/_1_/_}

(Billion pesos)

| Concept | Balance Dec '20 ^{p_/_} | Indebtedness | | | Adj. ^{2_/_} | Balance August '21 ^{p_/_} |
|---|------------------------------------|----------------|----------------|--------------|----------------------|---------------------------------------|
| | | Borrowing | Amort. | Net | | |
| 1. Net Debt (3-2) | 7,598.8 | | | | | 8,061.9 |
| 2. Assets ^{3_/_} | 380.6 | | | | | 558.2 |
| 3. Gross Debt | 7,979.4 | 3,046.5 | 2,509.7 | 536.9 | 103.9 | 8,620.1 |
| By Term | 7,979.4 | 3,046.5 | 2,509.7 | 536.9 | 103.9 | 8,620.1 |
| Long-term | 7,404.3 | 1,422.5 | 941.6 | 480.9 | 104.0 | 7,989.1 |
| Short-term | 575.1 | 1,624.0 | 1,568.0 | 56.0 | -0.1 | 631.0 |
| By User | 7,979.4 | 3,046.5 | 2,509.7 | 536.9 | 103.9 | 8,620.1 |
| Federal Government | 7,461.2 | 2,486.1 | 2,030.6 | 455.5 | 100.1 | 8,016.8 |
| Long-term | 6,909.6 | 1,373.0 | 905.4 | 467.6 | 100.1 | 7,477.4 |
| Short-term | 551.5 | 1,113.1 | 1,125.2 | -12.1 | 0.0 | 539.4 |
| State productive enterprises | 287.4 | 230.9 | 170.5 | 60.5 | 2.2 | 350.1 |
| Long-term | 275.9 | 10.0 | 10.6 | -0.6 | 2.2 | 277.6 |
| Short-term | 11.5 | 220.9 | 159.9 | 61.0 | 0.0 | 72.5 |
| Development banks | 230.8 | 329.5 | 308.6 | 20.9 | 1.5 | 253.3 |
| Long-term | 218.7 | 39.5 | 25.7 | 13.9 | 1.6 | 234.2 |
| Short-term | 12.1 | 290.0 | 282.9 | 7.1 | -0.1 | 19.1 |
| By Financing Source | 7,979.4 | 3,046.5 | 2,509.7 | 536.9 | 103.9 | 8,620.1 |
| Issuance of securities | 7,454.3 | 2,333.4 | 1,843.7 | 489.7 | 92.5 | 8,036.5 |
| Pension funds SAR | 152.7 | 199.5 | 201.5 | -2.1 | 6.0 | 156.6 |
| Commercial banks | 54.9 | 404.5 | 344.9 | 59.6 | 0.0 | 114.5 |
| ISSSTE's Obligations by Law ^{4_/_} | 126.5 | 0.1 | 11.7 | -11.7 | 5.3 | 120.1 |
| CFE's Pension Bonds ^{5_/_} | 157.3 | 0.0 | 0.0 | 0.0 | 0.0 | 157.3 |
| Others | 33.8 | 109.1 | 107.8 | 1.3 | 0.1 | 35.2 |

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 Federal Government, State Productive Enterprises and Development Bank's debt.

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, January-August ^{*_1_}
(Billion dollars)

| Concept | Balance Dec '20 ^{p_} | Indebtedness | | | Adj. ^{2_} | Balance August '21 ^{p_} |
|--------------------------------------|----------------------------------|--------------|-------------|-------------|--------------------|-------------------------------------|
| | | Borrowing | Amort. | Net | | |
| 1. Net Debt (3-2) | 221.5 | | | | | 219.8 |
| 2. Assets ^{3_} | 2.1 | | | | | 7.0 |
| 3. Gross Debt | 223.6 | 30.9 | 26.2 | 4.7 | -1.6 | 226.8 |
| By Term | 223.6 | 30.9 | 26.2 | 4.7 | -1.6 | 226.8 |
| Long-term | 217.6 | 17.6 | 14.4 | 3.2 | -1.4 | 219.4 |
| Short-term | 6.1 | 13.3 | 11.8 | 1.5 | -0.2 | 7.4 |
| By User | 223.6 | 30.9 | 26.2 | 4.7 | -1.6 | 226.8 |
| Federal Government | 112.3 | 11.8 | 7.5 | 4.3 | -0.8 | 115.8 |
| Long-term | 112.3 | 11.8 | 7.5 | 4.3 | -0.8 | 115.8 |
| Short-term | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| State productive enterprises | 100.9 | 10.5 | 8.7 | 1.8 | -0.7 | 102.0 |
| Long-term | 97.1 | 5.2 | 5.8 | -0.6 | -0.5 | 96.0 |
| Short-term | 3.8 | 5.3 | 2.9 | 2.4 | -0.2 | 6.0 |
| Development banks | 10.4 | 8.6 | 10.0 | -1.4 | -0.1 | 8.9 |
| Long-term | 8.1 | 0.5 | 1.0 | -0.5 | -0.1 | 7.5 |
| Short-term | 2.3 | 8.0 | 9.0 | -0.9 | 0.0 | 1.4 |
| By Financing Source | 223.6 | 30.9 | 26.2 | 4.7 | -1.6 | 226.8 |
| Capital markets | 172.5 | 14.4 | 11.9 | 2.5 | -1.1 | 173.9 |
| International Financing Institutions | 32.8 | 0.8 | 0.8 | 0.0 | -0.4 | 32.4 |
| International trade | 6.1 | 0.6 | 0.7 | -0.2 | -0.1 | 5.8 |
| Commercial banks | 12.0 | 14.9 | 12.6 | 2.2 | 0.0 | 14.2 |
| Pidiregas | 0.3 | 0.3 | 0.2 | 0.1 | 0.0 | 0.4 |

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 USD denominated net balance of the Federal Treasury's general account as well Pemex, CFE and Development Banks' availabilities

2_ It corresponds mainly to the effect of the exchange rate variation, debt repurchase operations and others.

3_ It includes USD denominated net balance of the Federal Treasury's general account, as well as the State Productive Enterprises and Development Banks' availabilities.

Source: Ministry of Finance.

Summary of the Main Indicators on Public Finances

(Billion pesos)

| Concept | Jan-Aug | | 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 | 3,508.5 | 3,892.6 | 5.5 | 5,340.0 | 5,538.9 | 5,875.5 | 65.7 | 70.3 | 66.3 |
| 2. Tax revenues | 2,262.4 | 2,443.4 | 2.7 | 3,338.9 | 3,533.0 | 3,575.1 | 67.8 | 69.2 | 68.3 |
| 3. Tax revenues without fuels excise tax (IEPS) | 2,064.9 | 2,273.8 | 4.7 | 3,039.3 | 3,181.4 | 3,339.7 | 67.9 | 71.5 | 68.1 |
| 4. Total net expenditure without outlays on financial investments, pension payments, non-earmarked transfers, and financial cost | 2,085.4 | 2,208.8 | 0.7 | 3,372.6 | 3,440.5 | 3,628.7 | 61.8 | 64.2 | 60.9 |
| 5. Total net expenditure without outlays on financial investments, pension payments and non-earmarked transfers | 2,528.0 | 2,631.2 | -1.0 | 4,058.7 | 4,164.4 | 4,342.0 | 62.3 | 63.2 | 60.6 |
| 6. Total net expenditure without outlays on financial investments | 3,730.7 | 3,945.2 | 0.6 | 5,856.4 | 6,149.9 | 6,349.7 | 63.7 | 64.1 | 62.1 |
| 7. Total net expenditure | 3,805.2 | 4,183.1 | 4.5 | 5,995.0 | 6,257.1 | 6,696.6 | 63.5 | 66.9 | 62.5 |
| 8. Current structural expenditure | 1,540.8 | 1,586.9 | -2.1 | 2,487.8 | 2,490.9 | 2,490.9 | 61.9 | 63.7 | 63.7 |
| 9. Primary balance | 151.7 | 149.2 | -6.4 | 29.7 | 6.2 | -107.3 | 511.5 | -o- | -139.1 |
| 10. PSBR | -457.5 | -451.6 | n.a. | -922.8 | -842.4 | -1,107.2 | 49.6 | 53.6 | 40.8 |
| 11. HBPSBR | 12,030.9 | 12,562.0 | -0.7 | 12,082.8 | 13,404.7 | 13,275.4 | 99.6 | 93.7 | 94.6 |
| 12. Public debt | 12,175.6 | 12,508.3 | -2.3 | 12,017.9 | 13,101.1 | 12,957.5 | 101.3 | 95.5 | 96.5 |

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

p_/ Preliminary figures.

n.a.: does not apply; -o-: greater than 500 percent.

1_/ Corresponds to the Federal Revenues Law and the Federal Budget for the fiscal year 2021 approved by Congress.

2_/ Corresponds to the update of the 2021 public finance estimates.

Source: Ministry of Finance.