



HACIENDA

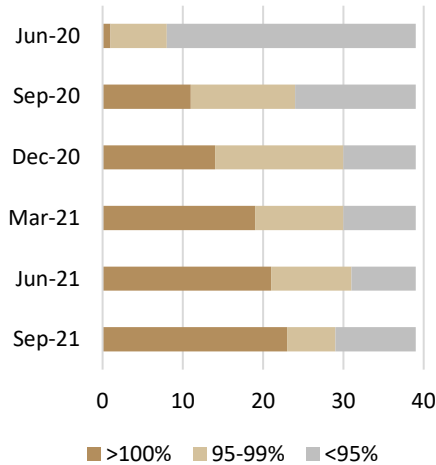
SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO

Report on the Public Finances and Public Debt – October 2021

The IMF and Fitch Ratings recognized the fiscal robustness and public debt stability

IGAE

(Recovery of sectors with respect to their pre-pandemic levels, Dec 19-Feb 20=100)



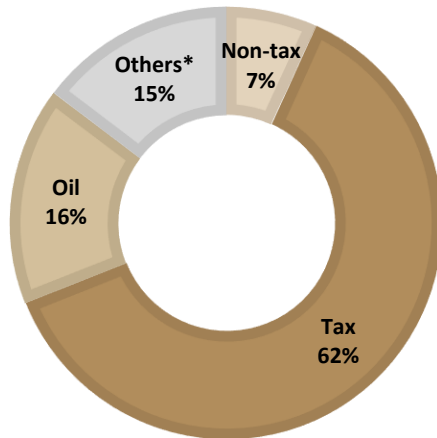
Source: INEGI. Seasonally adjusted figures.

Economic Activity

- GDP fell by 0.4% q/q s.a. in the third quarter of the year, impacted by a third wave of cases and supply-chain disruptions in the manufacturing sector. The q/q decline was driven by the service sector, which contracted 0.9% q/q s.a. due to the third wave of pandemic and a one-off effect from changes to outsourcing regulations in that activity. Agricultural and industrial sector grew 1.3 and 0.3% q/q s.a., respectively.
- Industrial sector grew for a 5th consecutive quarter: 0.3% q/q s.a. in 3Q21. Quarterly growth remained strong in categories including: civil engineering +8.6% and residential building construction +12.2%. In the services sector, wholesale trade increased +2.9% q/q, retail +1.9%, entertainment and recreation 1.1%, and food and lodging +4.8%.
- According to September's monthly economic activity indicator (IGAE), 23 activities have fully recovered their pre-pandemic level (Feb20), 6 are closing the gap, and 10 stand below, such as leisure, food and lodging, as well as some manufacturing subsectors.
- In August, gross fixed investment came in at 1.1% m/m s.a. led by a 3.2% m/m increase in construction and a 5.9% m/m growth in imported transportation equipment, with national machinery and equipment down by 0.7% m/m.
- In October, formal employment stood at 20.8M, 154Kk higher than Feb20. Hiring in manufacturing and transportation showed a strong performance, 274k and 111k higher than pre-pandemic levels while enterprise and household services are still down by 441k jobs.

Public Sector revenues

(Composition, January-October 2021)



*It includes state productive enterprises and entities under budgetary control.

Public Finances

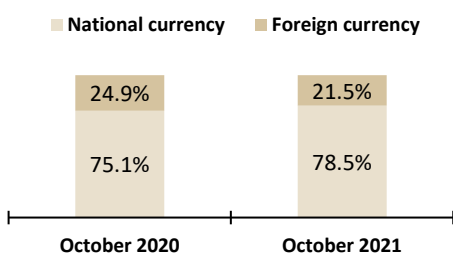
- YTD Public Sector Revenues grew for the 8th time in a row, they were 5.1% higher in real terms with respect to Jan-Oct 2020, and stood 138.7 billion above the program.
- Tax revenues excluding fuel excise tax were 93.9 bn pesos above the program and 4.1% higher in real terms compared to Jan-Oct 2020. Within, VAT collection increased 11.4% in Jan-Oct 2021 with respect to the same period in 2020, due to the strengthening of consumption.
- Between January and October 2021, total net expenditure increased 5.0% in real terms compared to the same 10-month period in 2020. Particularly, non-programmable expenditure decreased 2.1% in real terms with respect to the first ten months of the last year due to lower financial cost and arrears.
- Furthermore, as of October, public deficit was 351.0 bn pesos, comparing favorably with the programmed deficit of 555.9 bn pesos. Public Sector Borrowing Requirements (PSBR) recorded a deficit of 560.9 bn pesos, in line with the administration's commitment to use debt prudently.

Public Debt

- Financial cost of public debt was 42.4 bn pesos lower than the program and decreased 6.8% in real terms compared to January-October 2020 as of result of a strategic debt refinancing.
- Historical Balance of the PSBR, the broadest definition of debt, amounted to 12 trillion (tn) pesos 624.9 bn pesos.
- In November, Fitch Ratings ratified Mexico's sovereign rating at BBB- with a stable outlook, and the IMF renewed a \$50 billion Flexible Credit Line, both based on the robustness of public finances, the stability of public debt in the medium term, and Mexico's sound macroeconomic policy framework.
- On November 17th, Mexico received the Bonds & Loans Liability Management Deal of the Year's award for achieving the largest refinancing operation in history (6,600 million dollars) carried out in November 2020.

Federal Government Net Debt

(Composition by currency)





Public Sector Financial Situation, January-October

(Billion pesos)

Concept	2020	2021			Real Annual Growth (%)
		Program	Observed p_/	Difference	
	(1)	(2)	(3)	(3-2)	(3/1)
Public balance	-327.4	-555.9	-351.0	204.9	1.8
Budgetary balance	-350.8	-556.1	-380.8	175.3	3.0
Budgetary revenues	4,295.4	4,618.0	4,756.7	138.7	5.1
Net budgetary expenditure	4,646.2	5,174.1	5,137.6	-36.6	5.0
Programmable expenditure	3,410.2	3,822.3	3,862.7	40.4	7.5
Non-programmable expenditure	1,235.9	1,351.8	1,274.9	-76.9	-2.1
Entities under indirect budgetary control	23.4	0.2	29.8	29.6	20.7
Primary balance	169.4	-13.7	140.4	154.1	-21.4
Public balance by entities	-327.4	-555.9	-351.0	204.9	1.8
Budgetary balance	-350.8	-556.1	-380.8	175.3	3.0
Federal Government balance	-336.6	-624.5	-418.3	206.2	18.0
State productive enterprises	-156.5	-47.4	-87.0	-39.6	-47.2
PEMEX	-208.8	-99.1	-71.7	27.4	-67.4
CFE	52.4	51.7	-15.3	-67.0	n.s.
Entities under direct budgetary control	142.2	115.8	124.5	8.7	-16.9
IMSS	108.9	110.1	95.3	-14.8	-16.9
ISSSTE	33.3	5.7	29.1	23.5	-17.0
Entities under indirect budgetary control	23.4	0.2	29.8	29.6	20.7
Memorandum items					
PSBR	-530.0		-560.9		n.s.
Primary PSBR	189.0		203.1		2.0

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-October

(Billion pesos)

Concept	2020	2021			Real Annual Growth (%)
		Program	Observed ^{p/}	Difference	
	(1)	(2)	(3)	(3-2)	(3/1)
Total	4,295.4	4,618.0	4,756.7	138.7	5.1
Oil	448.7	774.3	776.6	2.3	64.3
Pemex ^{1/}	267.6	495.5	522.4	27.0	85.3
Federal Government ^{2/}	181.2	278.9	254.2	-24.7	33.2
Non-Oil	3,846.6	3,843.7	3,980.1	136.4	-1.8
Federal Government	3,151.9	3,128.5	3,281.3	152.8	-1.2
Tax	2,761.6	2,957.4	2,955.2	-2.2	1.6
Non-Tax	390.3	171.1	326.0	155.0	-20.7
IMSS	318.5	335.6	343.9	8.3	2.5
ISSSTE	47.0	40.0	37.1	-2.9	-25.2
CFE	329.1	339.7	317.8	-21.8	-8.3

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-October

(Billion pesos)

Concept	2020	2021			Real Annual Growth (%)
		Program	Observed ^{p/}	Difference	
	(1)	(2)	(3)	(3-2)	(3/1)
Total	4,646.2	5,174.1	5,137.6	-36.6	5.0
Programmable expenditure	3,410.2	3,822.3	3,862.7	40.4	7.5
<i>Payment's deferral</i>	0.0	0.0	0.0	0.0	0.0
Operating expenditure	1,415.5	1,555.2	1,551.9	-3.3	4.1
Wages	968.5	1,055.6	1,009.4	-46.2	-1.1
Other operating expenditure	447.0	499.6	542.5	42.9	15.2
Pensions	770.5	875.7	844.0	-31.7	4.0
Subsidies, transfers and contributions	609.0	659.5	638.5	-21.0	-0.5
Aid and other expenses	27.4	7.3	20.9	13.6	-27.7
Physical investment	512.3	621.9	543.5	-78.4	0.7
Financial investment	75.5	102.8	263.9	161.1	231.9
Non-programmable expenditure	1,235.9	1,351.8	1,274.9	-76.9	-2.1
Federal revenue sharing	712.1	777.8	776.3	-1.5	3.5
Arrears (debits from previous years)	15.1	32.1	-0.9	-33.0	n.s.
Financial cost	508.7	541.9	499.6	-42.4	-6.8

Note: Figures may not add up due to rounding.

p_/ Preliminary figures.

Source: Ministry of Finance.



Domestic Public Sector Debt Balances, January- October *_/ 1_/

(Billion pesos)

Concept	Balance Dec '20 ^{p_/}	Indebtedness			Adj. ^{2_/}	Balance Oct '21 ^{p_/}
		Borrowing	Amort.	Net		
1. Net Debt (3-2)	7,598.8					8,246.0
2. Assets ^{3_/}	380.6					675.6
3. Gross Debt	7,979.4	4,082.7	3,267.8	815.0	127.2	8,921.5
By Term	7,979.4	4,082.7	3,267.8	815.0	127.2	8,921.5
Long-term	7,404.3	2,011.9	1,301.7	710.2	127.3	8,241.8
Short-term	575.1	2,070.8	1,966.1	104.7	-0.1	679.7
By User	7,979.4	4,082.7	3,267.8	815.0	127.2	8,921.5
Federal Government	7,461.2	3,370.1	2,659.8	710.3	123.8	8,295.2
Long-term	6,909.6	1,934.4	1,259.7	674.6	123.8	7,708.0
Short-term	551.5	1,435.7	1,400.1	35.7	0.0	587.2
State productive enterprises	287.4	299.2	240.2	59.0	0.9	347.4
Long-term	275.9	10.0	15.9	-5.9	0.9	271.0
Short-term	11.5	289.2	224.3	64.9	0.0	76.4
Development banks	230.8	413.5	367.8	45.7	2.5	279.0
Long-term	218.7	67.5	26.0	41.5	2.6	262.8
Short-term	12.1	345.9	341.8	4.2	-0.1	16.2
By Financing Source	7,979.4	4,082.7	3,267.8	815.0	127.2	8,921.5
Issuance of securities	7,454.3	3,183.8	2,416.4	767.4	115.3	8,337.0
Pension funds SAR	152.7	261.1	261.3	-0.2	7.2	159.7
Commercial banks	54.9	506.1	448.3	57.8	0.0	112.6
ISSSTE's Obligations by Law ^{4_/}	126.5	0.1	11.9	-11.8	6.4	121.0
CFE's Pension Bonds ^{5_/}	157.3	0.0	0.0	0.0	0.0	157.3
Others	33.8	131.7	129.9	1.9	-1.8	33.9

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 Federal Government, the State Productive Enterprises and Development Banks.

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-October *_/ 1_/ (Billion dollars)

Concept	Balance Dec '20 ^{p_/}	Indebtedness			Adj. ^{2_/}	Balance Oct '21 ^{p_/}
		Borrowing	Amort.	Net		
1. Net Debt (3-2)	221.5					214.2
2. Assets ^{3_/}	2.1					12.3
3. Gross Debt	223.6	34.7	29.3	5.4	-2.6	226.5
By Term	223.6	34.7	29.3	5.4	-2.6	226.5
Long-term	217.6	18.4	15.3	3.1	-2.4	218.3
Short-term	6.1	16.3	13.9	2.3	-0.2	8.2
By User	223.6	34.7	29.3	5.4	-2.6	226.5
Federal Government	112.3	12.6	7.6	5.0	-1.5	115.8
Long-term	112.3	12.6	7.6	5.0	-1.5	115.8
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
State productive enterprises	100.9	12.4	10.8	1.6	-1.0	101.5
Long-term	97.1	5.2	6.6	-1.3	-0.8	95.0
Short-term	3.8	7.2	4.2	3.0	-0.2	6.6
Development banks	10.4	9.7	10.9	-1.2	-0.1	9.1
Long-term	8.1	0.6	1.2	-0.6	-0.1	7.5
Short-term	2.3	9.1	9.7	-0.6	0.0	1.7
By Financing Source	223.6	34.7	29.3	5.4	-2.6	226.5
Capital markets	172.5	14.4	11.9	2.5	-2.0	173.0
International Financing Institutions	32.8	1.6	0.9	0.7	-0.5	32.9
International trade	6.1	0.7	0.8	-0.2	-0.1	5.8
Commercial banks	12.0	17.8	15.4	2.4	0.0	14.4
Pidiregas	0.3	0.3	0.2	0.1	0.0	0.3

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 Federal Government, the State Productive Enterprises and Development Banks.

2_/ It corresponds mainly to the effect of the exchange rate 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-October		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	4,295.4	4,756.7	5.1	5,340.0	5,538.9	5,768.7	80.4	85.9	82.5
2. Tax revenues	2,761.6	2,955.2	1.6	3,338.9	3,533.0	3,549.6	82.7	83.6	83.3
3. Tax revenues without fuels excise tax (IEPS)	2,514.4	2,758.7	4.1	3,039.3	3,181.4	3,320.0	82.7	86.7	83.1
4. Total net expenditure without outlays on financial investments, pension payments, non-earmarked transfers, and financial cost	2,579.4	2,753.8	1.3	3,372.6	3,440.5	3,563.3	76.5	80.0	77.3
5. Total net expenditure without outlays on financial investments, pension payments and non-earmarked transfers	3,088.1	3,253.4	0.0	4,058.7	4,164.4	4,268.7	76.1	78.1	76.2
6. Total net expenditure without outlays on financial investments	4,570.7	4,873.7	1.2	5,856.4	6,149.9	6,258.3	78.0	79.2	77.9
7. Total net expenditure	4,646.2	5,137.6	5.0	5,995.0	6,257.1	6,605.1	77.5	82.1	77.8
8. Current structural expenditure	1,907.8	1,977.0	-1.6	2,487.8	2,490.9	2,490.9	76.7	79.4	79.4
9. Primary balance	169.4	140.4	-21.4	29.7	6.2	-130.4	-o-	-o-	-107.6
10. PSBR	-530.0	-560.9	n.a.	-922.8	-842.4	-1,112.1	57.4	66.6	50.4
11. HBPSBR	11,955.6	12,624.9	0.2	12,082.8	13,404.7	13,280.4	98.9	94.2	95.1
12. Public debt	12,058.4	12,570.8	-1.0	12,017.9	13,101.1	12,994.7	100.3	96.0	96.7

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.

Consult full document here:

https://www.finanzaspublicas.hacienda.gob.mx/work/models/Finanzas_Publicas/docs/congreso/fp/2021/FP_202110.pdf