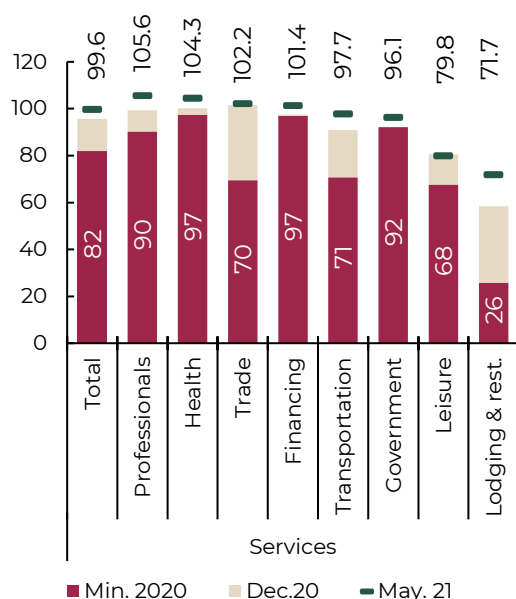


Reports on Public Finances and Public Debt – 2Q2021

Vaccination and strong public finances have been the key to economic recovery

IGAE Service Sector Index, Feb 2020=100



Source: INEGI. Seasonal adjusted figures.

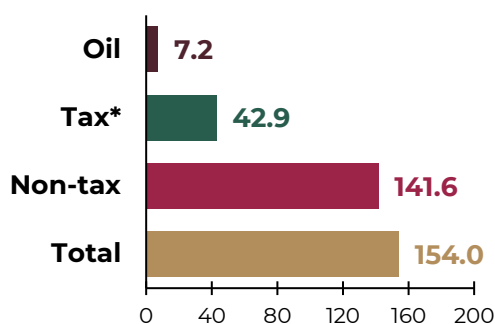
Economic activity

- The advanced estimate of second quarter GDP stood at 1.5% q/q S.A. This was better than the 0.8% q/q gain in the first quarter. Hence, the Mexican economy has accumulated four quarters of consecutive growth and a faster than expected recovery of its 4Q19 level (98.0%).
- In May, global economic activity index (IGAE) grew 0.6% m/m S.A. The increase came mainly from the expansion of 0.8 and 8.4% in the service and the agricultural sectors, respectively, as well as from the improvement in epidemiological and weather conditions. The industrial sector came at 0.1% m/m, boosted by mining (1.0% m/m) and the substantial expansion in construction (2.0% m/m).
- Twenty-two activities have fully recovered their pre-pandemic level, while seven are closing the gap and only ten stand below. The most notable increases in the month were in food and lodging (5.4% m/m), transportation and warehousing (2.2% m/m), and wholesale trade (1.9% m/m).
- As of June, 12.3 million jobs had been recovered out of the 13 million lost in April 2020, reaching 98.8% of pre-pandemic levels. The unemployment rate came at 4.0% vs. 5.5% in June 2020.

Public finances

- Public Sector revenues were 98.3 billion (bn) pesos higher than the program and 7.3% higher in real terms than those registered in the 1H2020. Tax revenues excluding fuel excise tax were 42.9 bn pesos above the program, 2.4% in real terms compared to the 1H2020, in line with the economic recovery and the increase in tax collection efficiency.
- Total net expenditure amounted to 3.2 trillion pesos, 4.1% higher compared to 1H2020. Programmable expenditure increased 7.7% in real terms. Non-programmable expenditure decreased 4.7%, thanks to the reductions of 10.1 and 85.8% in real terms, in financial cost and debits of previous years, respectively. This was compensated by an increase of 3.0% in real terms in non-earmarked transfers.
- The primary surplus stood at 104.2 bn pesos, higher by 69.5 bn pesos than the program and 70.9% higher than the one recorded in 1H2020. The public deficit was 111.6 bn pesos lower than programmed, a reduction of 24.9% in real terms compared to 1H2020.

Federal Government's revenues are better than expected Variation vs. program (billion pesos)



*Excluding fuel excise tax.

Debt portfolio's risk is controlled

Federal Government debt net composition	
National currency	77.3%
Fix rate and long-term	81.0%
Average maturity terms (years)	7.4
Foreign currency	22.7%

Public debt

- Public debt remained sustainable and below the debt ceilings approved by the Congress. The Public Sector's total debt stood at 47.9% of GDP and the Federal Government' debt was 37.4% of GDP.
- Total financing program of the Federal Government shows an advance of 50.2%. Regarding external debt, 44.5% of the authorized ceiling has been used, equivalent to 5.2 bn dollars.
- On July 6th, the second bond linked to the UN Sustainable Development Goals was placed with the lowest coupon rate in history for a bond denominated in euros with a 15-year term. This operation consolidates the sustainable yield curve and expands the investor base.

Public Sector Financial Situation, January-June

(Billion pesos)

Concept	2020	2021			Real Annual Growth (%)
		Program	Observed ^{p/}	Difference	
	(1)	(2)	(3)	(3-2)	(3/1)
Public balance	-293.3	-342.8	-231.2	111.6	-24.9
Budgetary balance	-318.7	-343.1	-261.8	81.3	-21.7
Budgetary revenues	2,603.1	2,832.9	2,931.2	98.3	7.3
Net budgetary expenditure	2,921.7	3,176.0	3,193.0	17.0	4.1
Programmable expenditure	2,073.6	2,286.2	2,345.0	58.7	7.7
Non-programmable expenditure	848.2	889.7	848.0	-41.7	-4.7
Entities under indirect budgetary control	25.4	0.3	30.6	30.3	14.5
Primary balance	58.1	34.7	104.2	69.5	70.9
Public balance by entities	-293.3	-342.8	-231.2	111.6	-24.9
Budgetary balance	-318.7	-343.1	-261.8	81.3	-21.7
Federal Government balance	-283.9	-398.6	-258.4	140.2	-13.3
State productive enterprises	-139.1	-27.9	-92.8	-64.9	-36.4
PEMEX	-160.6	-53.0	-91.1	-38.1	-45.9
CFE	21.5	25.1	-1.7	-26.8	n.s.
Entities under direct budgetary control	104.3	83.5	89.4	6.0	-18.3
IMSS	88.3	82.5	70.8	-11.7	-23.6
ISSSTE	16.0	1.0	18.6	17.7	11.0
Entities under indirect budgetary control	25.4	0.3	30.6	30.3	14.5
Memorandum items					
PSBR	-315.3		-396.8		n.s.
Primary PSBR	157.9		108.6		-34.5

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-June

(Billion pesos)

Concept	2020	2021			Real Annual Growth (%)
		Program	Observed ^{p./}	Difference	
	(1)	(2)	(3)	(3-2)	(3/1)
Total	2,603.1	2,832.9	2,931.2	98.3	7.3
Oil	249.8	465.4	427.1	-38.3	62.9
Pemex ^{1/}	134.8	311.5	266.0	-45.4	88.0
Federal Government ^{2/}	115.0	153.9	161.1	7.2	33.5
Non-Oil	2,353.3	2,367.5	2,504.1	136.6	1.4
Federal Government	1,943.4	1,953.5	2,100.3	146.8	3.0
Tax	1,748.8	1,851.1	1,856.3	5.2	1.1
Non-Tax	194.6	102.3	243.9	141.6	19.4
IMSS	191.0	198.9	202.3	3.4	0.9
ISSSTE	28.5	23.4	22.2	-1.2	-25.6
CFE	190.4	191.7	179.3	-12.4	-10.3

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-June

(Billion pesos)

Concept	2020	2021			Real Annual Growth (%)
		Program	Observed ^{p./}	Difference	
	(1)	(2)	(3)	(3-2)	(3/1)
Total	2,921.7	3,176.0	3,193.0	17.0	4.1
Programmable expenditure	2,073.6	2,286.2	2,345.0	58.7	7.7
<i>Payment's deferral</i>	0.0	0.0	0.0	0.0	0.0
Operating expenditure	813.4	910.9	905.0	-5.9	6.0
Wages	568.9	619.6	594.6	-25.0	-0.4
Other operating expenditure	244.4	291.3	310.4	19.1	21.0
Pensions	471.6	521.3	501.1	-20.1	1.2
Subsidies, transfers and contributions	370.6	395.6	434.6	39.0	11.7
Aid and other expenses	17.3	4.7	16.3	11.6	-10.4
Physical investment	326.1	361.5	314.0	-47.4	-8.3
Financial investment	74.5	92.2	173.9	81.7	122.4
Non-programmable expenditure	848.2	889.7	848.0	-41.7	-4.7
Non-earmarked transfers	454.8	480.1	491.8	11.7	3.0
Debits from previous years	18.7	32.1	2.8	-29.3	-85.8
Financial cost	374.7	377.5	353.4	-24.1	-10.1

Note: Figures may not add up due to rounding.

p./ Preliminary figures.

Source: Ministry of Finance.

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

(Billion pesos)

Concept	Balance Dec '20 ^{p_/}	Indebtedness			Adj. ^{2_/}	Balance June '21 ^{p_/}
		Borrowing	Amort.	Net		
1. Net Debt (3-2)	7,598.8					7,979.0
2. Assets ^{1_/}	380.6					418.1
3. Gross Debt	7,979.4	2,180.0	1,840.3	339.7	77.9	8,397.1
By Term	7,979.4	2,180.0	1,840.3	339.7	77.9	8,397.1
Long-term	7,404.3	1,010.5	723.4	287.1	78.2	7,769.6
Short-term	575.1	1,169.5	1,116.9	52.6	-0.3	627.5
By User	7,979.4	2,180.0	1,840.3	339.7	77.9	8,397.1
Federal Government	7,461.2	1,757.8	1,487.3	270.5	75.4	7,807.1
Long-term	6,909.6	974.0	690.7	283.2	75.4	7,268.3
Short-term	551.5	783.9	796.6	-12.7	0.0	538.8
State productive enterprises ^{3_/}	287.4	190.4	131.6	58.8	1.5	347.7
Long-term	275.9	10.0	8.9	1.1	1.5	278.5
Short-term	11.5	180.4	122.7	57.7	0.0	69.2
Development banks	230.8	231.7	221.3	10.4	1.0	242.2
Long-term	218.7	26.5	23.7	2.8	1.2	222.7
Short-term	12.1	205.2	197.6	7.6	-0.3	19.5
By Financing Source	7,979.4	2,180.0	1,840.3	339.7	77.9	8,397.1
Issuance of securities	7,454.3	1,639.0	1,345.9	293.1	69.2	7,816.7
Pension funds SAR	152.7	152.6	155.2	-2.6	4.8	154.9
Commercial banks	54.9	302.7	245.4	57.3	-0.1	112.0
ISSSTE's Obligations by Law ^{4_/}	126.5	0.1	11.6	-11.6	4.1	119.0
CFE's Pension Bonds ^{5_/}	157.3	0.0	0.0	0.0	0.0	157.3
Others	33.8	85.6	82.1	3.4	-0.1	37.2

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 national currency denominated net balance of the Federal Treasury's general account, as well as the State Productive Enterprises and development banks' availabilities.

^{2_/} It corresponds to debt swap operations, the inflationary effect and others.

^{3_/} It includes only Pemex and CFE.

^{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-June ^{*/}

(Billion dollars)

Concept	Balance Dec '20 ^{p/}	Indebtedness			Adj. ^{2/}	Balance Jun '21 ^{p/}
		Borrowing	Amort.	Net		
1. Net Debt (3-2)	221.5					221.4
2. Assets ^{1/}	2.1					5.4
3. Gross Debt	223.6	23.9	19.3	4.6	-1.4	226.8
By Term	223.6	23.9	19.3	4.6	-1.4	226.8
Long-term	217.6	13.7	10.8	2.8	-1.2	219.1
Short-term	6.1	10.2	8.4	1.8	-0.2	7.7
By User	223.6	23.9	19.3	4.6	-1.4	226.8
Federal Government	112.3	10.4	7.4	2.9	-0.8	114.5
Long-term	112.3	10.4	7.4	2.9	-0.8	114.5
Short-term						
State productive enterprises ^{3/}	100.9	7.2	4.7	2.5	-0.6	102.7
Long-term	97.1	3.3	3.2	0.1	-0.4	96.8
Short-term	3.8	3.9	1.6	2.4	-0.2	6.0
Development banks	10.4	6.3	7.1	-0.8	0.0	9.6
Long-term	8.1	0.0	0.2	-0.2	0.0	7.9
Short-term	2.3	6.3	6.8	-0.6	0.0	1.7
By Financing Source	223.6	23.9	19.3	4.6	-1.4	226.8
Capital markets	172.5	11.5	9.0	2.5	-1.0	174.0
International Financing Institutions	32.8	0.8	0.7	0.2	-0.4	32.6
International trade	6.1	0.6	0.6	-0.1	0.0	5.9
Commercial banks	12.0	10.7	8.8	1.9	0.0	13.9
Pidiregas	0.3	0.3	0.1	0.2	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 variation, debt repurchase operations and others.

^{3/} It includes only Pemex and CFE.

Source: Ministry of Finance.

Summary of the Main Indicators on Public Finances

(Billion pesos)

Concept	January-June		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	2,603.1	2,931.2	7.3	5,340.0	5,538.9	5,790.7	48.7	52.9	50.6
2. Tax revenues	1,748.8	1,856.3	1.1	3,338.9	3,533.0	3,597.1	52.4	52.5	51.6
3. Tax revenues without fuels excise tax (IEPS)	1,602.5	1,721.7	2.4	3,039.3	3,181.4	3,297.6	52.7	54.1	52.2
4. Total net expenditure without outlays on financial investments, pension payments, non-earmarked transfers, and financial cost	1,546.1	1,672.7	3.1	3,372.6	3,440.5	3,581.2	45.8	48.6	46.7
5. Total net expenditure without outlays on financial investments, pension payments and non-earmarked transfers	1,920.8	2,026.2	0.5	4,058.7	4,164.4	4,294.5	47.3	48.7	47.2
6. Total net expenditure without outlays on financial investments	2,847.2	3,019.1	1.0	5,856.4	6,149.9	6,305.0	48.6	49.1	47.9
7. Total net expenditure	2,921.7	3,193.0	4.1	5,995.0	6,257.1	6,508.9	48.7	51.0	49.1
8. Current structural expenditure	1,127.8	1,205.8	1.9	2,487.8	2,490.9	2,490.9	45.3	48.4	48.4
9. Primary balance	58.1	104.2	70.9	29.7	6.2	-4.4	195.9	-o-	-o-
10. PSBR	-315.3	-396.8	n.a.	-922.8	-842.4	-1,046.3	34.2	47.1	37.9
11. HBPSBR	12,071.9	12,402.9	-2.1	12,082.8	13,404.7	13,172.7	99.9	92.5	94.2
12. Public debt	12,335.9	12,364.3	-4.5	12,017.9	13,101.1	12,870.4	102.6	94.4	96.1

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 2020 approved by Congress.

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

Source: Ministry of Finance.