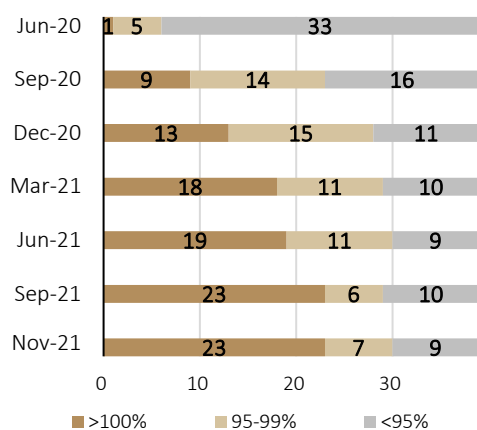


Report on the Public Finances and Public Debt – 4Q2021

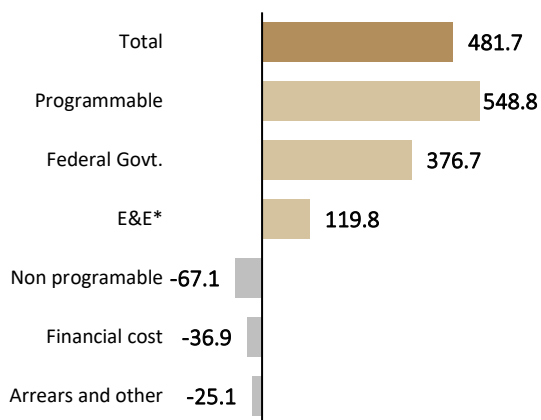
IGAE

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



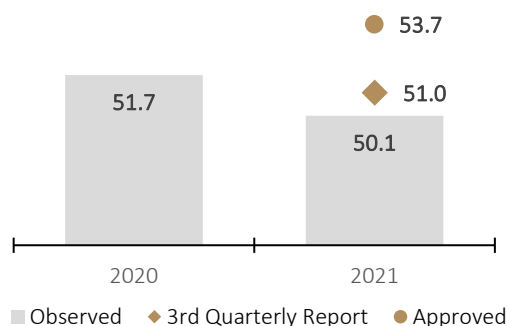
Source: INEGI.

Public Sector Expenditure Difference vs. program (As of Dec 2021, billion MXN)



*Entities and Enterprises (Pemex, CFE, IMSS and ISSSTE).

Historical Balance of Public Sector Borrowing Requirements (% of GDP)



Economic Activity

- In November's GDP proxy (IGAE), 23 of the 39 subsectors have rebounded to pre-pandemic levels (Dec 19-Feb 20). With this, there are 10 more subsectors fully recovery than in end-2020.
- In October, consumption rose 0.2% m/m s.a., increasing for the fourth consecutive month, and showing a cumulative growth of 4.7% s.a. between January and October. In 4Q2021, departmental retail sales increased 1.8% q/q s.a. and were 5.8% above its pre-pandemic levels (Feb 2020).
- In 2021, employment recovered relatively fast and surpassed 2019 levels. 873K jobs were created in 4Q compared to the previous quarter. In December, the number of employed people reached a historic high of 56.9 million.
- As of 4Q2021, the value of exports grew 6.0% q/q s.a. In 2021, total exports reached a record level of 494.2 billion dollars and grew 18.5% compared to 2020 and 7.3% with respect to 2019

Public Finances

- As of December 2021 Public Sector revenues were higher than expected with 422.0 billion (bn) pesos above the program (5.6% y/y in real terms). Tax collection, excluding fuels excise tax, were 162.5 bn pesos greater than the program (4.1% y/y in real terms).
- Programmable expenditure stood at 548.8 bn pesos above the program (9.0% y/y in real terms). Non-programmable expenditure was 67.1 bn pesos below the program (-1.4% y/y in real terms) due to lower financial cost and arrears.
- Taking into account the investment in the "Olmeca" Refinery in Dos Bocas, Tabasco, physical investment grew 9.0% y/y real and reached 3.1% of GDP.
- Public deficit reached 2.9% of GDP, in line with the fiscal goal approved for the year –in compliance with the Federal Budget and Fiscal Responsibility Law–, and the 2021 debt ceiling.
- The Public Sector Borrowing Requirements (PSBR) stood at 3.8% of GDP, lower than the 2020 figure (-0.2 percentage points) and the previous official year end estimate (-0.5 pp).

Public Debt

- Historical Balance of the Public Sector Borrowing Requirements, the broadest measure of debt, decreased from 51.7% in 2020 to 50.1% of GDP in 2021. This figure is 3.6 pp of GDP lower than programmed and brings forward the debt projection level expected to be reached until 2034, according to the medium-term fiscal framework presented in the 2021 Economic Program.
- In 2021, the Federal Government net debt amounted to 10.4 trillion pesos. The debt portfolio maintains a low and controlled risk exposure: 77.8% of debt is denominated in pesos and 78.2% is at a fixed rate and long-term maturity.
- In December, the Ministry of Finance presented the 2022 Annual Borrowing Plan, which prioritizes the bond placement in the local market and aims at continuing with the development of instruments linked to the ESG criteria.

Public Sector Financial Situation, January-December

(Billion pesos)

| Concept | 2020 | 2021 | | | Real Annual Growth (%) |
|---|---------------|---------------|-------------------------|--------------|------------------------|
| | | Program | Observed ^{p_/} | Difference | |
| | (1) | (2) | (3) | (3-2) | (3/1) |
| Public balance | -676.4 | -718.2 | -757.8 | -39.6 | 6.0 |
| Budgetary balance | -655.0 | -718.2 | -777.9 | -59.8 | 12.4 |
| Budgetary revenues | 5,340.0 | 5,538.9 | 5,960.9 | 422.0 | 5.6 |
| Net budgetary expenditure | 5,995.0 | 6,257.1 | 6,738.9 | 481.7 | 6.4 |
| Programmable expenditure | 4,450.4 | 4,579.7 | 5,128.6 | 548.8 | 9.0 |
| Non-programmable expenditure | 1,544.6 | 1,677.4 | 1,610.3 | -67.1 | -1.4 |
| Entities under indirect budgetary control | -21.4 | 0.0 | 20.2 | 20.2 | n.s. |
| Primary balance | 29.7 | 6.2 | -71.9 | -78.1 | n.s. |
| Public balance by entities | -676.4 | -718.2 | -757.8 | -39.6 | 6.0 |
| Budgetary balance | -655.0 | -718.2 | -777.9 | -59.8 | 12.4 |
| Federal Government balance | -593.7 | -703.6 | -824.3 | -120.7 | 31.4 |
| State productive enterprises | -110.9 | -64.2 | 4.8 | 69.0 | -104.1 |
| PEMEX | -110.9 | -92.7 | 65.3 | 158.0 | n.s. |
| CFE | 0.0 | 28.5 | -60.5 | -89.0 | n.s. |
| Entities under direct budgetary control | 49.5 | 49.6 | 41.6 | -8.0 | -20.6 |
| IMSS | 38.5 | 35.3 | 25.8 | -9.5 | -36.6 |
| ISSSTE | 11.0 | 14.2 | 15.7 | 1.5 | 35.3 |
| Entities under indirect budgetary control | -21.4 | 0.0 | 20.2 | 20.2 | n.s. |
| Memorandum items | | | | | |
| PSBR | -922.8 | | -996.7 | | n.s. |
| Primary PSBR | 57.8 | | 63.5 | | 3.9 |

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-December

(Billion pesos)

| Concept | 2020 | 2021 | | | Real Annual Growth (%) |
|----------------------------------|----------------|----------------|------------------------|--------------|------------------------|
| | | Program | Observed ^{p/} | Difference | |
| | (1) | (2) | (3) | (3-2) | (3/1) |
| Total | 5,340.0 | 5,538.9 | 5,960.9 | 422.0 | 5.6 |
| Oil | 605.9 | 936.8 | 1,156.5 | 219.8 | 80.6 |
| Pemex ^{1/} | 407.6 | 593.7 | 791.8 | 198.1 | 83.8 |
| Federal Government ^{2/} | 198.3 | 343.1 | 364.8 | 21.7 | 74.0 |
| Non-Oil | 4,734.1 | 4,602.2 | 4,804.4 | 202.2 | -4.0 |
| Federal Government | 3,890.2 | 3,737.1 | 3,952.2 | 215.1 | -3.9 |
| Tax | 3,338.9 | 3,533.0 | 3,566.7 | 33.8 | 1.1 |
| Non-Tax | 551.3 | 204.1 | 385.5 | 181.3 | -33.8 |
| IMSS | 390.2 | 411.4 | 421.3 | 9.9 | 2.2 |
| ISSSTE | 56.3 | 48.2 | 46.1 | -2.1 | -22.5 |
| CFE | 397.5 | 405.4 | 384.8 | -20.7 | -8.4 |

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-December

(Billion pesos)

| Concept | 2020 | 2021 | | | Real Annual Growth (%) |
|--|----------------|----------------|------------------------|--------------|------------------------|
| | | Program | Observed ^{p/} | Difference | |
| | (1) | (2) | (3) | (3-2) | (3/1) |
| Total | 5,995.0 | 6,257.1 | 6,738.9 | 481.7 | 6.4 |
| Programmable expenditure | 4,450.4 | 4,579.7 | 5,128.6 | 548.8 | 9.0 |
| <i>Payment's deferral</i> | 0.0 | -38.6 | 0.0 | 38.6 | 0.0 |
| Operating expenditure | 1,901.0 | 1,969.3 | 2,041.1 | 71.8 | 1.6 |
| Wages | 1,292.8 | 1,373.6 | 1,351.6 | -22.0 | -1.1 |
| Other operating expenditure | 608.3 | 595.7 | 689.5 | 93.9 | 7.3 |
| Pensions | 954.2 | 1064.1 | 1048.4 | -15.7 | 4.0 |
| Subsidies, transfers and contributions | 762.7 | 749.6 | 828.2 | 78.6 | 2.7 |
| Aid and other expenses | 40.7 | 6.6 | 45.6 | 39.1 | 6.1 |
| Physical investment | 653.2 | 721.6 | 691.8 | -29.8 | 0.2 |
| Financial investment | 138.6 | 107.2 | 473.5 | 366.2 | 223.1 |
| Non-programmable expenditure | 1,544.6 | 1,677.4 | 1,610.3 | -67.1 | -1.4 |
| Federal revenue sharing | 843.5 | 921.4 | 916.3 | -5.1 | 2.8 |
| Arrears (debits from previous years) | 14.9 | 32.1 | 7.0 | -25.1 | -55.9 |
| Financial cost | 686.1 | 723.9 | 687.0 | -36.9 | -5.3 |

Note: Figures may not add up due to rounding.

p_/ Preliminary figures.

Source: Ministry of Finance.

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

(Billion pesos)

| Concept | Balance Dec '20 ^{p_/} | Indebtedness | | | Adj. ^{2_/} | Balance Dec'21 ^{p_/} |
|--|-----------------------------------|----------------|----------------|--------------|---------------------|----------------------------------|
| | | Borrowing | Amort. | Net | | |
| 1. Net Debt (3-2) | 7,598.8 | | | | | 8,564.2 |
| 2. Assets ^{1_/} | 380.6 | | | | | 363.5 |
| 3. Gross Debt | 7,979.4 | 5,039.9 | 4,269.3 | 770.6 | 177.7 | 8,927.7 |
| By Term | 7,979.4 | 5,039.9 | 4,269.3 | 770.6 | 177.7 | 8,927.7 |
| Long-term | 7,404.3 | 2,597.3 | 1,823.6 | 773.7 | 176.6 | 8,354.6 |
| Short-term | 575.1 | 2,442.6 | 2,445.7 | -3.1 | 1.1 | 573.2 |
| By User | 7,979.4 | 5,039.9 | 4,269.3 | 770.6 | 177.7 | 8,927.7 |
| Federal Government | 7,461.2 | 4,186.9 | 3,485.8 | 701.1 | 172.3 | 8,334.5 |
| Long-term | 6,909.6 | 2,492.2 | 1,751.1 | 741.1 | 172.3 | 7,823.0 |
| Short-term | 551.5 | 1,694.7 | 1,734.7 | -40.0 | 0.0 | 511.5 |
| State productive enterprises ^{3_/} | 287.4 | 383.2 | 366.8 | 16.4 | 2.3 | 306.1 |
| Long-term | 275.9 | 20.5 | 43.9 | -23.4 | 1.1 | 253.6 |
| Short-term | 11.5 | 362.7 | 322.9 | 39.8 | 1.2 | 52.5 |
| Development banks | 230.8 | 469.8 | 416.7 | 53.1 | 3.2 | 287.1 |
| Long-term | 218.7 | 84.5 | 28.5 | 56.0 | 3.3 | 278.0 |
| Short-term | 12.1 | 385.2 | 388.2 | -2.9 | -0.1 | 9.1 |
| By Financing Source | 7,979.4 | 5,039.9 | 4,269.3 | 770.6 | 177.7 | 8,927.7 |
| Issuance of securities | 7,454.3 | 3,960.9 | 3,204.0 | 756.9 | 160.8 | 8,372.0 |
| Pension funds SAR | 152.7 | 316.3 | 314.2 | 2.1 | 9.6 | 164.3 |
| Commercial banks | 54.9 | 599.9 | 565.3 | 34.6 | 0.1 | 89.5 |
| ISSSTE's Obligations by Law ^{4_/} | 126.5 | 12.0 | 23.9 | -11.9 | 8.3 | 122.9 |
| CFE's Pension Bonds ^{5_/} | 157.3 | 0.0 | 2.4 | -2.4 | 0.0 | 154.9 |
| Others | 33.8 | 150.9 | 159.6 | -8.7 | -1.0 | 24.1 |

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 the debt swap operation, 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 February 14th, 2016.

Source: Ministry of Finance.

External Public Sector Debt Balances, January-December *_/
 (Billion dollars)

| Concept | Balance Dec '20 ^{p_/} | Indebtedness | | | Adj. ^{2_/} | Balance Dec '21 ^{p_/} |
|--|-----------------------------------|--------------|-------------|-------------|---------------------|-----------------------------------|
| | | Borrowing | Amort. | Net | | |
| 1. Net Debt (3-2) | 221.5 | | | | | 218.4 |
| 2. Assets ^{1_/} | 2.1 | | | | | 3.2 |
| 3. Gross Debt | 223.6 | 47.7 | 46.3 | 1.4 | -3.4 | 221.6 |
| By Term | 223.6 | 47.7 | 46.3 | 1.4 | -3.4 | 221.6 |
| Long-term | 217.6 | 27.1 | 28.1 | -1.0 | -3.2 | 213.3 |
| Short-term | 6.1 | 20.6 | 18.2 | 2.4 | -0.2 | 8.3 |
| By User | 223.6 | 47.7 | 46.3 | 1.4 | -3.4 | 221.6 |
| Federal Government | 112.3 | 14.1 | 9.6 | 4.6 | -2.1 | 114.8 |
| Long-term | 112.3 | 14.1 | 9.6 | 4.6 | -2.1 | 114.8 |
| Short-term | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| State productive enterprises ^{3_/} | 100.9 | 22.2 | 24.8 | -2.5 | -1.3 | 97.1 |
| Long-term | 97.1 | 12.3 | 17.3 | -4.9 | -1.1 | 91.1 |
| Short-term | 3.8 | 9.9 | 7.5 | 2.4 | -0.2 | 6.0 |
| Development banks | 10.4 | 11.4 | 12.0 | -0.6 | -0.1 | 9.7 |
| Long-term | 8.1 | 0.6 | 1.3 | -0.6 | -0.1 | 7.3 |
| Short-term | 2.3 | 10.7 | 10.7 | 0.0 | 0.0 | 2.3 |
| By Financing Source | 223.6 | 47.7 | 46.3 | 1.4 | -3.4 | 221.6 |
| Capital markets | 172.5 | 21.2 | 22.2 | -1.0 | -2.6 | 168.9 |
| International Financing Institutions | 32.8 | 2.4 | 2.9 | -0.5 | -0.6 | 31.6 |
| International trade | 6.1 | 1.4 | 1.1 | 0.4 | -0.1 | 6.4 |
| Commercial banks | 12.0 | 22.5 | 20.0 | 2.5 | 0.0 | 14.5 |
| Pidiregas | 0.3 | 0.3 | 0.3 | 0.0 | 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 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 only Pemex and CFE.

Source: Ministry of Finance.

Summary of the Main Indicators on Public Finances
(Billion pesos)

| Concept | Annual | | | | | | | % of GDP | | | | |
|--|----------|---------------------|--------------------------------|----------|---------------|------|--------------------|----------|---------------------|---------------------------------|------|-------|
| | 2020 | Prog. ^{1/} | 2021 ^{P/} | | Real growth % | 2020 | 2021 ^{P/} | | | | | |
| | | | Last est. (IIIQ) ^{2/} | Obs. | | | Difference | 2020 | Prog. ^{1/} | Last est. (IIITQ) ^{2/} | Obs. | Diff. |
| | | | | | Nominal | % | | | | | | |
| 1. Budgetary revenues | 5,340.0 | 5,538.9 | 5,768.7 | 5,960.9 | 192.2 | 3.3 | 5.6 | 22.9 | 22.2 | 22.1 | 22.8 | 0.7 |
| 2. Tax revenues | 3,338.9 | 3,533.0 | 3,549.6 | 3,566.7 | 17.1 | 0.5 | 1.1 | 14.3 | 14.1 | 13.6 | 13.6 | 0.0 |
| 3. Tax revenues without fuels excise tax (IEPS) | 3,039.3 | 3,181.4 | 3,320.0 | 3,343.9 | 23.9 | 0.7 | 4.1 | 13.0 | 12.7 | 12.7 | 12.8 | 0.1 |
| 4. Total net expenditure without outlays on financial investments, pension payments, non-earmarked transfers, and financial cost | 3,372.6 | 3,440.5 | 3,563.3 | 3,613.7 | 50.4 | 1.4 | 1.4 | 14.4 | 13.8 | 13.7 | 13.8 | 0.1 |
| 5. Total net expenditure without outlays on financial investments, pension payments and non-earmarked transfers | 4,058.7 | 4,164.4 | 4,268.7 | 4,300.7 | 32.0 | 0.7 | 0.3 | 17.4 | 16.7 | 16.4 | 16.4 | 0.0 |
| 6. Total net expenditure without outlays on financial investments | 5,856.4 | 6,149.9 | 6,258.3 | 6,265.4 | 7.2 | 0.1 | 1.2 | 25.1 | 24.6 | 24.0 | 23.9 | -0.1 |
| 7. Total net expenditure | 5,995.0 | 6,257.1 | 6,605.1 | 6,738.9 | 133.8 | 2.0 | 6.4 | 25.7 | 25.0 | 25.4 | 25.7 | 0.3 |
| 8. Current structural expenditure | 2,487.8 | 2,490.9 | 2,490.9 | 2,600.6 | 109.8 | 4.4 | -1.1 | 10.7 | 10.0 | 9.6 | 9.9 | 0.3 |
| 9. Primary balance | 29.7 | 6.2 | -130.4 | -71.9 | 58.5 | n.a. | n.a. | 0.1 | 0.0 | -0.5 | -0.3 | 0.2 |
| 10. PSBR | -922.8 | -842.4 | -1,112.1 | -996.7 | 115.5 | n.a. | n.a. | -4.0 | -3.4 | -4.3 | -3.8 | 0.5 |
| 11. HBPSBR | 12,082.8 | 13,404.7 | 13,280.4 | 13,114.8 | -165.6 | -1.2 | 2.7 | 51.7 | 53.7 | 51.0 | 50.1 | -0.9 |
| 12. Public debt | 12,017.9 | 13,101.1 | 12,994.7 | 13,060.1 | 65.4 | 0.5 | 2.8 | 51.5 | 52.4 | 49.9 | 49.9 | 0.0 |

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/infotrim/2021/ivt/01inf/itindc_202104.pdf