



General Economic Policy Preliminary Guidelines for 2022 (GEPPG)

Update of economic outlook for 2021 and 2022

2021 and 2022 Outlook

	2021e	2022e
GDP growth (%)	5.3	3.6
Inflation, y/y (%)	3.8	3.0
Oil price (dpb)	55.0	53.1
Oil production (kbpd)	1,794	1,867
Average exchange rate (MXN/USD)	20.4	20.3
Interest rate (year end, %)	3.8	4.3

Economic Activity

- Growth will be supported by private consumption, and the manufacturing and mining sectors, as well as by the progress in the vaccination program that will facilitate the reopening of the lagging economic activities and the recovery of lost jobs.
- We also estimate an important boost from the USD 1.9 trillion fiscal stimulus in the U.S. which will lead to higher remittances, tourism, and exports for Mexico.
- Considering these, we revise upwards our GDP growth estimate for 2021 to 5.3%, 0.7 pp higher than our 2021 Economic Package estimate of 4.6%.
- For 2022 we update our growth estimate to 3.6% from 2.6%. This considers the complete recovery of the economy due to the end of the vaccination program, as well as the positive impact of higher private and public investment, higher financial inclusion, and the strengthening of the trade sector due to the USMCA.

2021 Estimates

Revenues (GEPPG 2022 vs 2021 budget*)

- **Total:** +174.3 bn pesos (+3.1%)
- **Tax:** +68.7 bn
- **Non-tax:** +16.2 bn
- **Oil:** +91.8 bn

Expenditure (GEPPG 2022 v.s. budget 2021**)

- **Total:** +174.3 bn pesos (+2.8%)
- **Programmable:** +173.4 bn
- **Non-programmable:** +0.9 bn

Balance

- **PSBR:** -3.3% of GDP
- **Public Balance:** -2.8%
- **Primary Balance:** 0.0%

* Federation Revenues Law of 2021.

** Federation Expenditure Budget of 2021.

Public Finances

- We forecast higher tax revenues in 2021 by 68.7 bn pesos due to a wider tax base (higher tax revenues in 2020 by 106.7 bn pesos than those estimated in the 2021 Budget) and a better economic outlook.
- Oil revenues are revised upwards by 91.8 bn pesos given higher oil prices (from 42.1 to 55 dpb) that more than compensate the expected decrease in oil production.
- In 2021, expenditure will continue to prioritize the economic recovery and productive investment while strengthening the healthcare system. We estimate higher expenditure by 174.3 bn pesos (+2.8%) in line with higher budgetary revenues.
- Considering the higher tax and oil revenues, in 2021 subnational governments will receive more non-earmarked transfers ("*participaciones*") by 18.9 bn pesos.
- We estimate a lower financing cost of 5.9 bn pesos due to the strategic management of public debt.
- Public Sector Borrowing Requirements (PSBR) are estimated at 3.3% of GDP, 0.6 pp below the 2020 figure.

2022 Estimates

Revenues (2022 level)

- **Total:** 6,039.4 bn pesos (+2.4% real annual)
- **Tax:** 3,907.9 bn
- **Non-tax:** 171.4 bn
- **Oil:** 1,062.2 bn





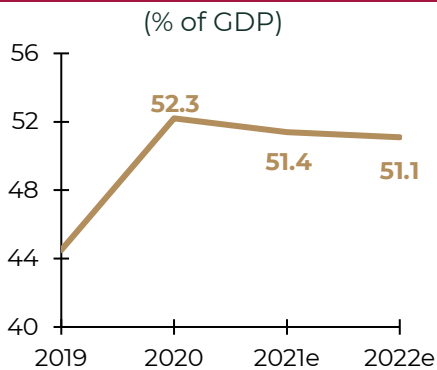
Expenditure (2022 level)

- **Total:** 6,697.0 bn pesos (+0.9% real annual)
- **Programmable:** 4,868.4 bn
- **Non-programmable:** 1,828.6 bn

Balance

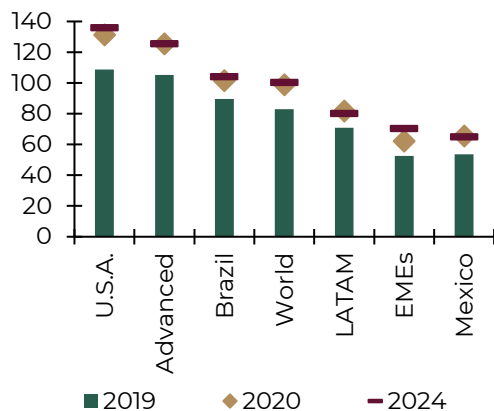
- **PSBR:** -2.9% del PIB
- **Public Balance:** -2.4 %
- **Primary Balance:** 0.4%

Historical Balance of the PSBR



Gross Debt

(% of GDP)



Source: IMF Fiscal Monitor.

- In 2022 we forecast PSBR at 2.9% of GDP. The decrease in deficits in 2021 and 2022 secures a downward trajectory for public debt in an international environment of increasing government deficits.

Support to State Productive Enterprises

- The State Productive Enterprises represent key assets for Mexico: 1) they provide an important amount of resources to public finances mainly through non-tax and oil revenues; and 2) they secure the supply of energy to cover the national demand of businesses and households.
- The oil revenues estimates consider the Presidential Decree that reduces the Share Utility Right (DUC) of Pemex for 73.3 bn pesos. The Government will also provide Pemex a capitalization of 96.7 bn pesos to cover amortization costs in 2021, of which 32.1 bn were transferred in February. These stimulus do not represent a trade-off for fiscal goals, which are maintained with a downward trend of deficit and debt.
- The support increases the available resources for investment for the company to increase its production. They also provide important returns to public revenues; for every peso invested into Pemex in 2019 and 2020, the government received 4.8 and 3.5 pesos back, respectively.
- Similarly, the Federal Government will provide additional support to CFE to compensate for the financial impact of February's natural gas shortage. The amount of the support will be based on the Federal Government's fiscal space.

Public Debt

- The strengthening of revenues in 2021 along with the efficient management of public finances will translate in lower deficits and debt, without reducing spending to boost the economy.
- The Historical Balance of the Public Sector Borrowing Requirements (HBPSBR) is projected at 51.4% of GDP in 2021, a reduction of 0.9 pp from 2020.
- In 2022, the HBPSBR will stand at 51.1% of GDP, maintaining its downward trend.





Annex

Macroeconomic Framework 2021-2022e/

	2021	2022
Gross Domestic Product		
Real growth % (range)	[4.3,6.3]	[2.6,4.6]
%	5.3	3.6
Nominal (billion pesos)*	25,257.9	27,026.0
GDP deflator (annual variation, % average)	3.7	3.2
Inflation (%)		
Dec. / dec.	3.8	3.0
Nominal exchange rate (pesos per dollar)		
End of period	20.2	20.4
Average	20.4	20.3
Interest rate (Cetes 28 days, %)		
Nominal (year-end)	3.8	4.3
Nominal (average)	4.0	4.0
Accumulated real	0.2	1.1
Current account		
Million dollars	-5,395	-8,774
% of GDP	-0.4	-0.7
<i>Support variables:</i>		
US GDP		
Real growth %	6.1	4.0
US Industrial Production		
Real growth %	6.6	4.1
US inflation (%)		
Average	2.4	2.2
International interest rate		
Libor 3 months (average)	0.2	0.3
FED Funds Rate (average)	0.1	0.1
Oil (mexican basket)		
Average price (dpc)	55.0	53.1
Total crude production platform (kbd)	1,794	1,867
Export platform (kbd)	1,097	996
Natural gas		
Average price (dollars/ MMBtu)	3.2	2.7

e/ Estimated figures.

* It corresponds to the punctual economic growth scenario proposed for the public finance estimations.

Source: Ministry of Finance.





Estimates of Public Finances for 2021

	Million current pesos			% of GDP		
	Approved */ (1)	Estimated (2)	Diff. (2-1)	Appr.*/ (3)	Est. (4)	Diff. (4-3)
PSBR	-842,406.3	-842,406.3	0.0	-3.4	-3.3	0.0
Public balance	-718,193.4	-718,193.4	0.0	-2.9	-2.8	0.0
Public balance excluding investment ^{1/}	-175,084.7	-175,084.7	0.0	-0.7	-0.7	0.0
Budgetary revenues	5,538,946.6	5,713,264.7	174,318.1	22.2	22.6	0.4
Oil	936,765.4	1,028,599.1	91,833.7	3.7	4.1	0.3
Federal Government	343,096.0	351,772.3	8,676.3	1.4	1.4	0.0
Pemex	593,669.4	676,826.9	83,157.5	2.4	2.7	0.3
Non-oil	4,602,181.2	4,684,665.6	82,484.4	18.4	18.5	0.1
Federal Government	3,737,122.8	3,821,995.9	84,873.1	15.0	15.1	0.2
Tax	3,532,974.1	3,601,661.3	68,687.2	14.1	14.3	0.1
Non-tax	204,148.7	220,334.6	16,185.9	0.8	0.9	0.1
Entities and enterprises	865,058.4	862,669.7	-2,388.7	3.5	3.4	0.0
Net budgetary expenditure	6,257,140.0	6,431,458.1	174,318.1	25.0	25.5	0.4
Programmable expenditure	4,579,742.7	4,753,146.6	173,403.9	18.3	18.8	0.5
Non-programmable	1,677,397.3	1,678,311.5	914.2	6.7	6.6	-0.1
Financial cost	723,898.5	717,961.9	-5,936.6	2.9	2.8	-0.1
Non-earmarked transfers to subnational governments	921,402.6	940,349.7	18,947.0	3.7	3.7	0.0
Debts of previous fiscal years	32,096.2	20,000.0	-12,096.2	0.1	0.1	0.0
Non-budgetary balance	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance	6,205.1	268.5	-5,936.6	0.0	0.0	0.0

* / It considers nominal GDP estimated in the 2021 Economic Policy Guidelines.

^{1/} Excludes up to 2.2% of the GDP of both State Productive Enterprises and Federal Government's physical investment, according to Article 1 of the 2021 Federal Revenues Law.

Source: Ministry of Finance.





Estimates of Public Finances, 2021-2022

	Million pesos			% of GDP			Real growth	
	2021		2022	2021		2022	2022 vs 2021	
	Approved	Estimated	Estimated	Appr.*/	Est.	Est.	Appr.	Est.
PSBR	-842,406.3	-842,406.3	-779,444.2	-3.4	-3.3	-2.9	-10.4	-10.4
Public balance	-718,193.4	-718,193.4	-657,600.0	-2.9	-2.8	-2.4	-11.3	-11.3
Public balance excluding investment ^{1/}	-175,084.7	-175,084.7	-117,081.0	-0.7	-0.7	-0.4	n.s.	-35.2
Non-budgetary balance	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.
Budgetary balance	-718,193.4	-718,193.4	-657,600.0	-2.9	-2.8	-2.4	-11.3	-11.3
Budgetary revenues	5,538,946.6	5,713,264.7	6,039,403.9	22.2	22.6	22.3	5.6	2.4
Oil	936,765.4	1,028,599.1	1,062,153.2	3.7	4.1	3.9	9.8	0.0
Non-oil	4,602,181.2	4,684,665.6	4,977,250.7	18.4	18.5	18.4	4.8	2.9
Federal Government	3,737,122.8	3,821,995.9	4,079,385.9	15.0	15.1	15.1	5.7	3.4
Tax	3,532,974.1	3,601,661.3	3,907,940.9	14.1	14.3	14.5	7.1	5.1
Non-tax	204,148.7	220,334.6	171,445.1	0.8	0.9	0.6	-18.7	-24.6
Entities and enterprises	865,058.4	862,669.7	897,864.8	3.5	3.4	3.3	0.5	0.8
Net expenditure	6,257,140.0	6,431,458.1	6,697,004.0	25.0	25.5	24.8	3.7	0.9
Programmable	4,579,742.7	4,753,146.6	4,868,358.0	18.3	18.8	18.0	3.0	-0.8
Deferral of payments	-38,596.2	-38,596.2	-39,845.3	-0.2	-0.2	-0.1	0.0	0.0
Programmable accrued	4,618,338.9	4,791,742.8	4,908,203.2	18.5	19.0	18.2	2.9	-0.8
Non-programmable	1,677,397.3	1,678,311.5	1,828,646.0	6.7	6.6	6.8	5.6	5.5
Financial cost	723,898.5	717,961.9	761,981.8	2.9	2.8	2.8	2.0	2.8
Non-earmarked transfers to subnational governments	921,402.6	940,349.7	1,026,818.9	3.7	3.7	3.8	7.9	5.8
Debits of previous fiscal years	32,096.2	20,000.0	39,845.3	0.1	0.1	0.1	20.3	93.0
Primary balance	6,205.1	268.5	104,881.8	0.0	0.0	0.4	n.s.	n.a

*/ It considers the estimated nominal GDP in the Economic Policy Guidelines (CGPE) 2021.

^{1/} Excludes up to 2.2% of the GDP of both State Productive Enterprises and Federal Government's physical investment, according to Article 1 of the 2021 Federal Revenues Law.

e:estimated; a:approved.

n.s: non-significant; n.a. not apply.

Source: Ministry of Finance

