



Mexico City, April 1st, 2019

The Federal Government, through the Ministry of Finance and Public Credit, submits the “General Economic Policy Preliminary Guidelines for 2020” to Congress

- In 2019, the fiscal targets approved by Congress are expected to be met. The Public Sector Borrowing Requirements (PSBRs) will be at 2.5% of GDP, and the primary balance will show a surplus of 1.0% of GDP. This implies that the Historical Balance of the PSBRs (HBPSBRs) will stand at 45.1% of GDP.

In compliance with the provisions in Article 42, section I, of the Federal Budget and Fiscal Responsibility Law and in line with the Mexican Government’s commitment to austerity, honesty, fight against corruption, and budgetary equilibrium, the Federal Government presents, through the Ministry of Finance and Public Credit, the “General Economic Policy Preliminary Guidelines (GEPPG)” for 2020. This document is the first step to establish a dialogue with Congress about the economic and public finances outlook that will conclude with the elaboration of the Economic Program for 2020.

The GEPPG 2020 are presented under a global economic outlook that shows clear signs of deceleration. The International Monetary Fund (IMF), in its “World Economic Perspectives” report on January 2019, revised downwards its world economic growth forecasts, from 3.7 to 3.5% real growth rate for 2019, and from 3.7 to 3.6% real growth rate for 2020.

In this context, during 2018 the uncertainty levels were high and the international financial conditions were tight. Consequently, the financial markets were characterized by high risk aversion that resulted in high volatility of financial variables. Nonetheless, financial markets have shown lower volatility given that, as a result of a possible deceleration in global growth, a slower rate of adjustment in advanced economies’ monetary policy is expected.



Given the world economic growth perspectives and its domestic evolution, the Mexican economy is expected to continue growing during 2019 and 2020. In 2019, GDP is expected to grow between 1.1 and 2.1% in real terms, and during 2020 it is expected to grow between 1.4 and 2.4%. These growth rate ranges differ from those anticipated in the General Economic Policy Guidelines (GEPG) 2019, which were published in December 2018. The latter is consequence of the low growth rate level observed in Mexico during the last quarter of 2018, which could continue in the first quarter of 2019. The public finances estimations use a real GDP growth rate point estimate of 1.6% for 2019 and of 1.9% for 2020. The latter correspond to the inertial estimates, meaning that these do not incorporate the growth effects that the administration's economic development strategy or other factors could have. Some of these factors are: a stronger domestic consumption as a consequence of the social programs implemented and of higher financial inclusion; a government-driven boost to private investment in infrastructure and other strategic sectors; higher public investment, and an increase in exports as a consequence of Mexico's strategic position in face of a global value chain reconfiguration.

Inflation in Mexico is expected to continue decreasing during 2019 and 2020, as the factors that originated its increase, namely a high exchange rate volatility and the high prices of energetics, continue to dissipate. According to its October-December 2018 Quarterly Report, Banco de Mexico anticipates an annual inflation of 3.4% for the last quarter of 2019. The average price of Mexican crude oil for exporting is estimated at 57 and 55 dollars per barrel (dpb) for 2019 and 2020, respectively, which represents a 2 dpb increase with respect to the price approved for 2019. Likewise, the average exchange rate is expected to be 19.5 pesos per dollar for 2019, which, in line with the peso's appreciation observed during 2019, is lower than the estimate of 20.0 pesos per dollar presented in the 2019 GEPG. For 2020, an exchange rate of 20.0 pesos per dollar is considered.

In terms of public finances, the targets approved by Congress for 2019 are expected to be met. This implies that the Public Sector Borrowing Requirements (PSBRs) will reach a level of 2.5% of GDP, while the primary balance will register a surplus of 1.0% of GDP. Accordingly, the Historical Balance of the PSBRs (HBPSBRs) will stand at 45.1% of GDP, a similar level to the 45.3% of GDP estimated in the 2019 GEPG.



The budgetary revenues in 2019 are expected to be lower in 121.2 billion pesos (equivalent to 0.5% of GDP) to those anticipated in the 2019 Federal Revenue Law. The latter can be explained by lower oil revenues, resulting from lower production of crude oil and natural gas, lower Pemex's revenues resulting from less crude oil processing in the National Refining System, and an appreciated exchange rate with respect to the one expected in the 2019 Federal Revenue Law, which was partially compensated with a higher than expected oil price. Non-oil revenues are expected to continue at 17.1% of GDP, the level anticipated in the 2019 Federal Revenue Law. With respect to net expenditure, a 121.2 billion pesos decrease (0.5% of GDP) is anticipated relative to the 2019 Budget, which is in line with the lower expected revenues. These modifications are consequence of the adjustments in the programmable expenditure that were required to sustain the 2019 targets approved for the public deficit and Pemex's balance.

In order to preserve a stable HBPSBR's trajectory as a percentage of GDP during 2020 (equivalent to 45.1% of GDP), the PSBR's will be lowered to 2.1% of GDP, which, given the financial cost estimated for that year, would require to reach a primary surplus of 1.3% of GDP and a public deficit of 1.6% of GDP, as well as maintaining a budgetary equilibrium in the public balance without physical investment of up to 1.6% of GDP of Pemex, CFE and the Federal Government. It is worth highlighting that the public finances' estimates consider a scenario with no modifications to the tax framework in 2020.

Budget revenues for 2020 are expected to fall 1.7% in real terms with respect to the amount estimated in the 2019 Federal Revenue Law, mainly as a consequence of lower oil revenues. Additionally, in order to meet the public balance target of a deficit of 1.6% of GDP, and given the lower income estimated, the net paid expenditure for 2020 is anticipated to decrease 3.0% in real terms with respect to the amount approved in the 2019 Economic Program.

In the 2019 GEPG, the Mexican Government assured that it will maintain fiscal discipline through an efficient and austere expenditure that is used as a tool to boost economic development. In this spirit, the public finances' estimations presented for the fiscal years of 2019 and 2020 and the programs that will be prioritized during 2020 reaffirm this commitment.



Annex I

Macroeconomic Framework, 2019-2020

	2019	2020
Gross Domestic Product		
Real growth %	1.1-2.1	1.4-2.4
Puntual	1.6	1.9
Nominal (billion pesos, puntual)*	24,873.8	26,178.0
GDP deflator	3.9	3.2
Inflation (%)		
Dec. / Dec.	3.4	3.0
Nominal Exchange Rate (pesos per dollar)		
End of period	19.9	20.1
Average	19.5	20.0
Interest Rate (CETES 28 days, %)		
Nominal end of period	8.0	7.6
Nominal average	8.0	7.8
Cumulative real	4.8	4.9
Current Account		
Million dollars	-22,718	-25,517
% of GDP	-1.8	-2.0
Other variables:		
USA GDP		
Real growth %	2.4	1.9
USA Industrial Production (%)		
Real growth %	2.8	1.8
USA Inflation (%)		
Average	1.8	2.2
International Interest Rate		
Libor 3 meses (average)	2.7	2.5
FED Funds Rate (average)	2.4	2.3
Oil (Mexican Basket)		
Average price (dollars/barrel)	57	55
Oil production platform (kbd)	1,783	1,916
Gas		
Average price (dollars/MMBtu)	2.9	2.7

* Corresponds to the punctual growth scenario for public finances estimates.



Annex II

Public Finances Estimates, 2019

	Million Current Pesos			% of GDP		
	Approved	Estimate	Diff.	Apr.	Est.	Diff.
	(1)	(2)	(2-1)	(3)	(4)	(4-3)
PSBR's	-628,998.3	-622,119.8	6,878.5	-2.5	-2.5	0.0
Public Balance Excluding Investment ^{1/}	0.0	0.0	0.0	0.0	0.0	0.0
Public Balance	-503,841.3	-503,841.3	0.0	-2.0	-2.0	0.0
Budgetary Revenues	5,298,188.3	5,177,036.0	-121,152.3	21.3	20.8	-0.5
Oil	1,044,956.8	929,847.8	-115,109.0	4.2	3.7	-0.5
Federal Government	520,665.2	504,449.5	-16,215.7	2.1	2.0	-0.1
Pemex	524,291.6	425,398.3	-98,893.3	2.1	1.7	-0.4
Non-oil	4,253,231.5	4,247,188.2	-6,043.3	17.1	17.1	0.0
Federal Government	3,431,692.2	3,422,654.1	-9,038.1	13.8	13.8	0.0
Tax	3,311,373.4	3,301,476.1	-9,897.3	13.3	13.3	0.0
Non-tax	120,318.8	121,178.0	859.2	0.5	0.5	0.0
Institutions and Enterprises	821,539.3	824,534.1	2,994.8	3.3	3.3	0.0
Net Paid Expenditures	5,802,029.6	5,680,877.3	-121,152.3	23.3	22.8	-0.5
Paid Programmable	4,111,392.7	3,998,669.4	-112,723.3	16.5	16.1	-0.5
Non-programmable	1,690,636.9	1,682,207.9	-8,429.0	6.8	6.8	0.0
Financial Cost	749,074.4	745,030.4	-4,044.0	3.0	3.0	0.0
Non-earmarked Transfers	919,817.4	915,432.4	-4,385.1	3.7	3.7	0.0
Adefas	21,745.1	21,745.1	0.0	0.1	0.1	0.0
Non-Budgetary Balance	0.0	0.0	0.0	0.0	0.0	0.0
Primary Balance	245,733.1	241,689.2	-4,044.0	1.0	1.0	0.0

Note: Figures may not add up due to rounding.

* / Figures were updated considering the nominal GDP revision.

^{1/} Excludes up to 2.0% of GDP of Pemex, CFE and Federal Government.

Source: Ministry of Finance



Annex III

Public Finances Estimates, 2019-2020

	Million Current Pesos			% del PIB			Real Growth	
	2019		2020	2019		2020	2020 vs 2019	
	Appr. */ (1)	Est. (2)	Est. (3)	Appr. Est. (4) (5)	Est. (6)	Appr. Est. (3/1) (3/2)		
PSBR'S	-628,998.3	-622,119.8	-558,330.3	-2.5	-2.5	-2.1	-14.0	-13.1
Public Balance	-503,841.3	-503,841.3	-428,431.7	-2.0	-2.0	-1.6	-17.6	-17.6
Excluding Investment ^{1/}	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.
Non-budgetary Balance	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.
Budgetary Balance	-503,841.3	-503,841.3	-428,431.7	-2.0	-2.0	-1.6	-17.6	-17.6
Budgetary Revenues	5,298,188.3	5,177,036.0	5,379,784.0	21.3	20.8	20.5	-1.7	0.6
Oil	1,044,956.8	929,847.8	962,475.7	4.2	3.7	3.7	-10.8	0.3
Federal Government	520,665.2	504,449.5	441,597.4	2.1	2.0	1.7	-17.9	-15.2
Pemex	524,291.6	425,398.3	520,878.3	2.1	1.7	2.0	-3.8	18.6
Non-oil	4,253,231.5	4,247,188.2	4,417,308.3	17.1	17.1	16.9	0.6	0.7
Federal Government	3,431,692.2	3,422,654.1	3,573,850.3	13.8	13.8	13.7	0.9	1.1
Tax	3,311,373.4	3,301,476.1	3,459,636.6	13.3	13.3	13.2	1.2	1.5
Non-tax	120,318.8	121,178.0	114,213.7	0.5	0.5	0.4	-8.1	-8.7
Institutions and Enterprises	821,539.3	824,534.1	843,458.0	3.3	3.3	3.2	-0.6	-0.9
Net Paid Expenditure	5,802,029.6	5,680,877.3	5,808,215.7	23.3	22.8	22.2	-3.0	-1.0
Paid Programmable	4,111,392.7	3,998,669.4	4,040,651.2	16.5	16.1	15.4	-4.8	-2.1
Payment Deferral	-36,030.1	-36,030.1	-37,199.4	-0.1	-0.1	-0.1	0.0	0.0
Accrued Programmable	4,147,422.8	4,034,699.5	4,077,850.6	16.7	16.2	15.6	-4.8	-2.1
Non-programmable	1,690,636.9	1,682,207.9	1,767,564.5	6.8	6.8	6.8	1.3	1.8
Financial Cost	749,074.4	745,030.4	771,695.7	3.0	3.0	2.9	-0.2	0.3
Non-Earmarked Transfers	919,817.4	915,432.4	958,669.4	3.7	3.7	3.7	0.9	1.4
Adefas	21,745.1	21,745.1	37,199.4	0.1	0.1	0.1	65.7	65.7
Primary Balance	245,233.1	241,689.2	343,764.0	1.0	1.0	1.3	35.8	37.8

Note: Figures may not add up due to rounding.

*/ Figures were updated considering the nominal GDP revision.

^{1/} For 2019, excludes up to 2.0% of GDP of Pemex, CFE and Federal Government investment based on the article 1st of the Revenue Law, for 2020 it excludes up to 1.6% of GDP of Pemex, CFE and Federal Government investment.