



Mexico City, September 8th, 2020

Ministry of Finance delivers the 2021 Economic Program

- **The Expenditures Budget Project (PPEF, by its Spanish acronym) 2021 is characterized by being sensitive to the challenges that the country and society face in the current situation, as well as being responsible in the management of public finances, and balanced in public expenditure, which will allow to achieve the economic recovery.**
- **The 2021 PPEF is adapted to the new reality imposed by COVID-19. The pace of reopening and economic growth considered in the 2021 PPEF consider the trajectory and evolution of the disease.**
- **The 2021 PPEF was built under the following criteria:**
 - 1) Not increasing taxes, only adjusting them in line with inflation, strengthening the sources of revenues, and the control mechanisms;**
 - 2) Guarantee the prudent use of public debt, contributing to a responsible level of indebtedness that favors macroeconomic stability;**
 - 3) Increase the efficiency and effectiveness of public expenditure, prioritizing public investment in health and infrastructure, shielding the social protection network, public security, and other sectors such as education and culture; and**
 - 4) Promote austere, effective, and efficient public expenditure.**

Today the Ministry of Finance submitted to Congress the 2021 Economic Program, formed by the General Economic Policy Guidelines (CGPE, by its Spanish acronym) for 2021, the Federation's Revenues Law Initiative (ILIF, by its Spanish acronym), the initiative to amend different tax provisions, and the Expenditures Budget Project (PPEF, by its Spanish acronym).

The 2021 PPEF is adapted to the health and economic situation derived from COVID-19, which has imposed extraordinary challenges on health system of Mexico and the world. For this reason, the capacity to provide health services has been expanded and expenditure aimed at strengthening the functions of economic and social development has been reinforced, in order to support the economy of households and businesses. The 2021 Economic Program recognizes this reality and incorporates it in the documents that were presented today.



Taking this context into account, the public finance projections for 2021 consider a punctual GDP growth rate of 4.6%, a figure that could be adjusted according to the aforementioned trajectory. The export price of the Mexican oil mix is expected to amount 42.1 dollars per barrel (dpb), with an oil production platform of 1 million 857 thousand barrels per day. Annual inflation of 3% is expected, in line with Banco de México's projections and target; an interest rate of 4%, which represents an additional reduction of 50 basis points during 2020, and an average exchange rate of 21.9 pesos per dollar.

The 2021 ILIF does not propose the creation of new taxes, nor the increase in current tax rates, except for inflation adjustments. The 2021 ILIF contains a series of measures aimed at facilitating compliance with the payment of existing taxes and closing spaces for tax evasion and avoidance.

For 2021, budgetary revenues are estimated to be lower in real terms by 3% with respect to the figure estimated for year-end 2020, but higher by 6.4% in real terms with respect to the year-end estimation excluding non-recurring non-tax revenues, which capture the use of extraordinary resources for facing the health and economic contingency.

The 2021 Economic Program guarantees a prudent and responsible level of indebtedness that favors macroeconomic stability and allows reducing the country's debt level, keeping it on a path of sustainability that does not impose costs on future generations.

The 2021 PPEF favors health expenditure to address the health emergency derived from the COVID-19 situation, as well as physical investment and infrastructure expenditure that will favor economic reactivation and job creation. In addition, it shields the social protection network for the most vulnerable groups of the population, and other sectors such as education, security, and culture that will reduce economic, social, and regional inequalities, and maintain social stability. Within, annual increases in the health-related expenditure of 9.1% in real terms and in public investment of 5.3% in real terms stand out.

Facing the COVID-19 pandemic has been an unprecedented challenge, both in health and financial terms. The highest cost, without a doubt, is the loss of human lives. For this reason, from the Ministry of Finance, we extend our greatest recognition and gratitude to all the health personnel who face this battle every day.