



2022 GENERAL ECONOMIC POLICY GUIDELINES (GEPG)
Macroeconomic and fiscal frameworks for 2022

Economic Activity

- The Mexican economy is in a sustained recovery, having grown four consecutive quarters by 2Q-21 to reach 97.8% of its 4Q-19 level, and having fully recovered the 13 million jobs lost during April 2020's lockdown and having created 650 thousand additional jobs, as of July 2021.
- This is explained by an effective vaccination program (population immunized with at least 1 dose: 65%); the positive impact on domestic demand of infrastructure investment, labor policy and social policy; the macroeconomic stability and investor confidence brought about by fiscal responsibility; and the impulse to demand and investment due to the reinforced integration to global value chains that came with the USMCA.
- Considering the above, the 2021 GDP growth estimate is increased to 6.3% from the 5.3% forecast presented in April.
- The conclusion of the vaccination program by 1Q-22 will help consolidate economic recovery. Domestic demand is expected to continue strengthening along with wage and labor conditions. In the first 31 months of the administration the wage bill has increased 14.2% in real terms, higher than the -1.6% and the -5.3% observed during the past two administrations for a similar period.
- Additionally, for 2022 we expect higher investment in dynamic sectors fostered by the USMCA, nearshoring strategies, and the expansion of e-commerce. The soundness of Mexico's financial and banking systems provides fertile ground to boost investment. Finally, U.S. economic and industrial growth estimates were revised upwards to 4.5 and 4.3%, respectively.
- In line with the above, the 2022 GDP growth estimate is updated upwards to 4.1% from the 3.6% presented in the 2022 GEPPG.

	Forecast 2021	Forecast 2022
Gross Domestic Product (growth)	6.3	4.1
Inflation Dec / Dec (%)	5.7	3.4
Nominal exchange rate (pesos per dollar)	20.1	20.3
Interest rate (Cetes 28 days, %)	4.3	5.0
Average oil price (dollars / barrel)	60.6	55.1
Total oil production platform (kb/d)	1,753	1,826
USA GDP (growth, %)	6.0	4.5
USA industrial production (growth, %)	5.8	4.3





Public Finances and Debt for 2021

- We anticipate higher budgetary revenues in 2021 by 336.5 bn pesos vs 2021 program due to an increase in oil, non-tax, and tax revenues by 139.4, 150.0, and 42.1 bn pesos, respectively.
- Programmable expenditure increases by 448.1 bn pesos (1.7% of 2021 GDP), due to the above plus net savings of 8.7 bn pesos in non-programmable expenditure and an additional fiscal stimulus of 102.9 bn pesos to boost the recovery.
- The public deficit and the Public Sector Borrowing Requirements (PSBR) are expected to end at 3.2 and 4.2% of GDP, respectively. The additional increase in the latter is explained by inflation-linked debt and by the use of funds and other assets to fund spending.
- Accordingly, the 2021 Historical Balance of PSBR (HBPSBR) is expected to end at 51.0% of GDP, 1.4 pp below the 2020 figure and 2.7 pp below the 2021 GEPG estimate.

The 2022 Economic Package

- Reinforcing the track record of fiscal responsibility, the 2022 GEPG presents a public deficit and PSBR of 3.1 and 3.5% of GDP, respectively, to stabilize the HBPSBR at 51.0% of GDP and set it on a sustainable path.
- Additionally, Pemex's tax burden is structurally reduced via a decrease in its profit-sharing duty (DUC) to 40% from 54%. This is in line with the strategy of decreasing revenues' oil dependence and strengthening the firm's financial position so it can generate additional revenues in the long-term, at the same time that tax revenues, spending efficiency, and debt management are strengthened so as to preserve the public sector's robust financial position.
- The 2022 Miscellaneous tax bill presents tax simplification measures to foster compliance and enrollment by small and medium size firms (SMEs), increasing revenue collection directly and indirectly via increased invoicing towards big firms. Together with enhanced measures against evasion and elusion, the changes proposed are expected to result in 3.94 trillion pesos in tax revenues, the highest on record.
- Finally, the 2022 Budget Bill devotes additional resources to fight the COVID-19 pandemic and overcome its effects, as well as to lay the foundations of long-term development and growth. Compared to the 2021 budget, total health expenditure increases 15.2% in real terms, infrastructure investment grows 17.7% real, social protection spending increases 12.8% real, and expenditures related to economic development grow 11.4% in real terms.
- In addition, spending via subnational governments grows 4.7% real vs the 2021 program, enhancing their capacity to fight the effects of the pandemics through their own projects.
- Finally, the efficient management of debt and spending allows financial cost and arrears to remain essentially constant as a share of GDP, standing at 2.8 and 0.1%, respectively.





Macroeconomic Framework, 2021-2027

(Estimated figures)

	2020	2021	2022	2023	2024	2025	2026	2027
Gross Domestic Product								
Real growth % (punctual)*/		[5.8,6.8]	[3.6,4.6]	[2.9,3.9]	[2.3,3.3]	[2.0,3.0]	[2.0,3.0]	[2.0,3.0]
Punctual*	-8.3	6.3	4.1	3.4	2.8	2.5	2.5	2.5
Nominal (billion pesos)	23,073.70	26,055.30	28,129.30	30,115.40	32,016.00	33,974.50	36,046.50	38,242.00
GDP deflator (average)	2.9	6.2	3.7	3.5	3.5	3.5	3.5	3.5
Inflation								
Dec. / dec.	3.2	5.7	3.4	3	3	3	3	3
Average	3.4	5.3	4.1	3.2	3	3	3	3
Nominal exchange rate								
End of period (informative)	20	20.2	20.4	20.6	20.8	20.9	21.1	21.3
Average	21.5	20.1	20.3	20.5	20.7	20.9	21	21.2
Interest rate (Cetes 28 days)								
Nominal (year-end), %*/	4.2	4.8	5.3	5.3	5.5	5.5	5.5	5.5
Nominal (average), %	5.3	4.3	5	5.3	5.4	5.5	5.5	5.5
Accumulated real, %	2.2	-1.2	1.7	2.3	2.4	2.6	2.6	2.6
Real end of period, %	1.1	-0.9	1.8	2.2	2.4	2.4	2.4	2.4
Real average, %	1.9	-0.9	0.9	2	2.3	2.4	2.4	2.4
Current account								
Million dollars*/	26,122	670	-6,133	-15,010	-19,695	-19,730	-20,197	-21,059
% of GDP	2.4	0.1	-0.4	-1	-1.3	-1.2	-1.2	-1.2
Support variables:								
US GDP (Annual variation)								
Real growth %	-3.4	6	4.5	2.1	2	2	2	2
US industrial Production								
Real growth %	-7.2	5.8	4.3	2.3	2.2	2.2	2.2	2.2
US inflation								
Average	1.2	3.8	2.7	2.2	2.2	2.2	2.2	2.2
International interest rate								
Libor 3 months (average)	0.7	0.2	0.2	0.5	0.8	1	1.1	1.2
FED Funds Rate (average, informative)	0.4	0.1	0.3	0.7	1.4	2.2	2.7	3.1
Oil (mexican basket)								
Average price (dpb)	35.8	60.6	55.1	60.2	58.3	57	56.3	56
Average production platform (kbd)	1,726	1,753	1,826	1,905	2,010	2,072	2,134	2,198
Average export platform (kbd)	1,120	997	979	864	886	896	908	923
Average private platform (kbd)	21	39	51	66	90	123	175	229
Gas								
Average price (dollars/MMBtu)*/	2	3.6	3.6	3.1	2.8	2.8	2.7	2.8

*/ For estimates of public finances.

Source: Ministry of Finance.





Estimate of Public Finances, 2021-2022

	Million pesos		% of GDP		Real growth (%)
	2021 Approved*/	2022 Estimated	2021 Approved*/	2022	
PSBR	-842,406.30	-996,568.80	-3.4	-3.5	14.1
Economic balance	-718,193.40	-875,570.50	-2.9	-3.1	17.6
Public balance excluding investment ^{1/}	-175,084.70	0	-0.7	0	-100
Non-budgetary balance	0	0	0	0	n.a.
Budgetary balance	-718,193.40	-875,570.50	-2.9	-3.1	17.6
Budgetary revenues	5,538,946.60	6,172,635.10	22.2	21.9	7.5
Oil	936,765.40	1,087,072.20	3.7	3.9	11.9
Non-oil	4,602,181.20	5,085,562.90	18.4	18.1	6.6
Federal Government	3,737,122.80	4,184,473.30	15	14.9	8
Tax	3,532,974.10	3,944,463.70	14.1	14	7.7
Non-tax	204,148.70	240,009.60	0.8	0.9	13.4
Entities and enterprises ^{2/}	865,058.40	901,089.60	3.5	3.2	0.4
Net expenditure	6,257,140.00	7,048,205.60	25	25.1	8.6
Programmable	4,579,742.70	5,207,251.70	18.3	18.5	9.6
Deferral of payments	-38,596.20	-40,044.70	-0.2	-0.1	0
Programmable accrued	4,618,338.90	5,247,296.40	18.5	18.7	9.6
Non-programmable	1,677,397.30	1,840,953.90	6.7	6.5	5.8
Financial cost	723,898.50	791,463.80	2.9	2.8	5.4
Non-earmarked transfers to subnational governments	921,402.60	1,019,490.00	3.7	3.6	6.7
Debits of previous fiscal years	32,096.20	30,000.00	0.1	0.1	-9.9
Primary balance	6,205.10	-83,606.60	0	-0.3	n.a.

Note: Partial sums may not total due to rounding.

*/ The estimated nominal GDP in CGPE 2021 is considered.

^{1/} Excludes 2.2 and 3.1% of GDP from budgetary investment in accordance with article 1 of the LIF 2021 and ILIF 2022, respectively.

^{2/} Includes CFE, IMSS and ISSSTE.

Source: SHCP estimates.





Estimates of public finances, 2021-2022

	Current million pesos		% del PIB		Real growth (%)
	2021 Estimated */	2022 Estimated	2021 Estimated*/	2022	
PSBR	-1,107,188.30	-996,568.80	-4.2	-3.5	-13.2
Economic balance	-821,101.30	-875,570.50	-3.2	-3.1	2.8
Public balance excluding investment 1/	-277,992.60	0	-1.1	0	n.a.
Non-budgetary balance	0	0	0	0	n.a.
Budgetary balance	-821,101.30	-875,570.50	-3.2	-3.1	2.8
Budgetary revenues	5,875,455.40	6,172,635.10	22.5	21.9	1.3
Oil	1,076,158.40	1,087,072.20	4.1	3.9	-2.6
Non-oil	4,799,297.00	5,085,562.90	18.4	18.1	2.2
Federal Government	3,929,200.20	4,184,473.30	15.1	14.9	2.7
Tax	3,575,051.50	3,944,463.70	13.7	14	6.4
Non-tax	354,148.70	240,009.60	1.4	0.9	-34.7
Entities and enterprises 2/	870,096.80	901,089.60	3.3	3.2	-0.1
Net expenditure	6,696,556.70	7,048,205.60	25.7	25.1	1.5
Programmable	5,027,828.50	5,207,251.70	19.3	18.5	-0.1
Deferral of payments	-38,596.20	-40,044.70	-0.1	-0.1	0
Programmable accrued	5,066,424.70	5,247,296.40	19.4	18.7	-0.1
Non-programmable	1,668,728.20	1,840,953.90	6.4	6.5	6.4
Financial cost	713,316.60	791,463.80	2.7	2.8	7
Non-earmarked transfers to subnational governments	947,507.90	1,019,490.00	3.6	3.6	3.7
Debits of previous fiscal years	7,903.70	30,000.00	0	0.1	266
Primary balance	-107,284.70	-83,606.60	-0.4	-0.3	-24.9

Note: Partial sums may not total due to rounding.

*/ Figures were updated considering the revision of nominal GDP.

1/ Excludes 2.2 and 3.1% of GDP from budgetary investment in accordance with article 1 of the LIF 2021 and ILIF 2022, respectively.

2/ Includes CFE, IMSS and ISSSTE.

Source: SHCP estimates.

