



# HACIENDA

SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO

## 2022 Annual Borrowing Plan

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# Content

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## ABP 2022


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# I. Executive Summary (1/3)


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The Annual Borrowing Plan (ABP) 2022 presents the main objectives and strategies of the **Public Debt Policy** of the Federal Government and the main **Public Sector** debt issuers.




Issuing in the local market remains a priority for the Federal Government, as well as the ESG instruments development both on local and foreign markets.



**For the first time**, there is a section dedicated to Assets and Liabilities Management of the Federal Government. It aligns the objectives and actions of Public Debt Policy with a wide vision of public balance to fortify the financial position of the Public Sector.



There is an overview of the Public Debt actions held in 2021, including refinancing operations, liability management and Federal Government risk management.



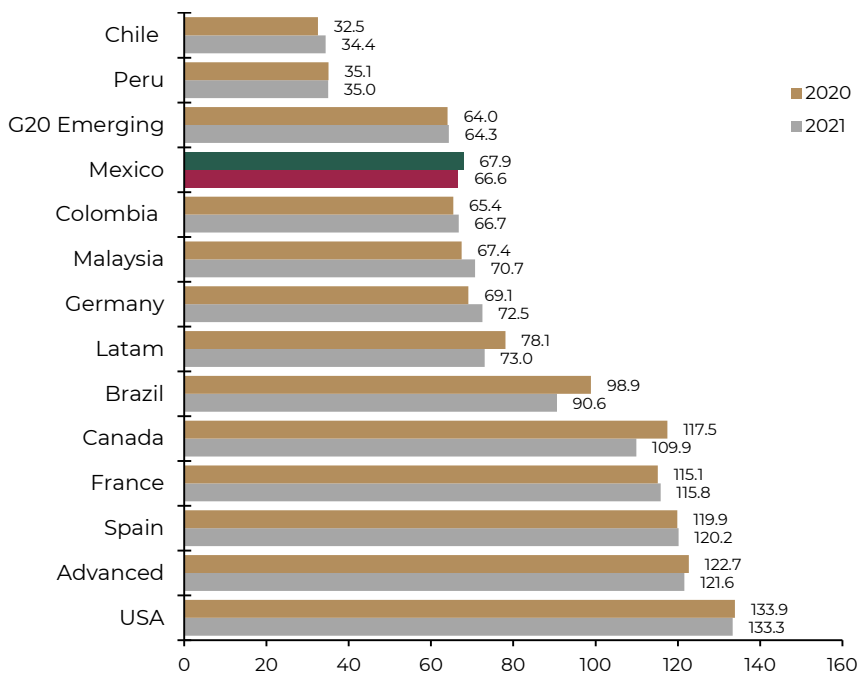
Moreover, there is also an overview of the actions held to encourage the participation of the market on instruments aligned to SGDs, along with an Impact Report.

# I. Executive Summary (2/3)

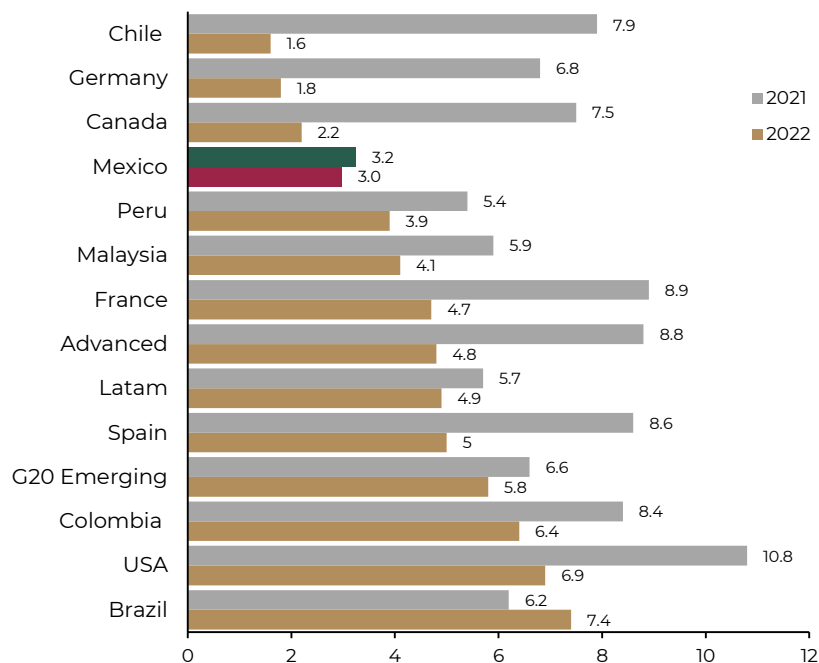
## International Comparison

During 2021 the Mexican economy continued facing effects from the Pandemic; nevertheless, the economic recovery remained supported by a responsible public finances management, the vaccination process and an efficient debt management.

**Public Debt Comparison, 2020 (% GDP)**



**Public Deficit Comparison 2021 - 2022 (% GDP)**



Source: MoF & IMF, Fiscal Monitor, October 2021.

Note: For Mexico the Gross HBPSBR is used. Latam are emerging and middle income countries.

Source: MoF & IMF, Fiscal Monitor, October 2021.

Note: Estimated amounts.

# I. Executive Summary (3/3)

## Public Sector Financing Needs

For 2022, Public Sector Financing Needs are estimated to be **13.2%** of GDP.

**2.1 basis points of GDP lower than the estimate for 2021.**

Mainly due to **liabilities management strategies carried out in domestic and foreign market.**

| Public Sector Financing Needs |                    |             |                    |             |                 |  |
|-------------------------------|--------------------|-------------|--------------------|-------------|-----------------|--|
| (Billion Pesos)               |                    |             |                    |             |                 |  |
|                               | 2021 <sup>e/</sup> |             | 2022 <sup>e/</sup> |             | Change<br>% GDP |  |
|                               | Bn                 | % GDP       | Bn                 | % GDP       |                 |  |
| <b>Total</b>                  | <b>4,028.7</b>     | <b>15.3</b> | <b>3,764.5</b>     | <b>13.2</b> | <b>-2.1</b>     |  |
| <b>Federal Government</b>     | <b>2,901.9</b>     | <b>11.0</b> | <b>2,550.7</b>     | <b>8.9</b>  | <b>-2.1</b>     |  |
| Deficit                       | 857.0              | 3.2         | 850.0              | 3.0         | <b>-0.3</b>     |  |
| Amortization                  | 2,044.9            | 7.8         | 1,700.7            | 6.0         | <b>-1.8</b>     |  |
| <b>SOEs<sup>1/</sup></b>      | <b>280.7</b>       | <b>1.1</b>  | <b>217.4</b>       | <b>0.8</b>  | <b>-0.3</b>     |  |
| Deficit                       | 64.2               | 0.2         | 62.8               | 0.2         | 0.0             |  |
| Amortization                  | 216.5              | 0.8         | 154.7              | 0.5         | -0.3            |  |
| <b>NDB<sup>2/</sup></b>       | <b>573.5</b>       | <b>2.2</b>  | <b>708.2</b>       | <b>2.5</b>  | <b>0.3</b>      |  |
| FNT <sup>3/</sup>             | 75.6               | 0.3         | 223.6              | 0.8         | 0.5             |  |
| Amortization                  | 497.9              | 1.9         | 484.6              | 1.7         | -0.2            |  |
| <b>Others<sup>4,5/</sup></b>  | <b>272.6</b>       | <b>1.0</b>  | <b>288.1</b>       | <b>1.1</b>  | <b>0.1</b>      |  |
| Deficit                       | 24.4               | 0.1         | 47.4               | 0.2         | 0.1             |  |
| Amortization                  | 248.2              | 0.9         | 240.7              | 0.9         | 0.0             |  |

Source: Ministry of Finance, State Owned Enterprises, National Development Bank and other issuers.

Note: Total figures may not add up due to rounding.

1/ State Owned Enterprises (Pemex and CFE).

2/ National Development Banks (Nafin, Banobras, Bancomext and SHF).

3/ Total Net Financing.

4/ Other Issuers (FIRA, FONACOT and IPAB).

5/ The total needs of the IPAB in this chart consider a net liquid resource decumulation deficit amortizations.

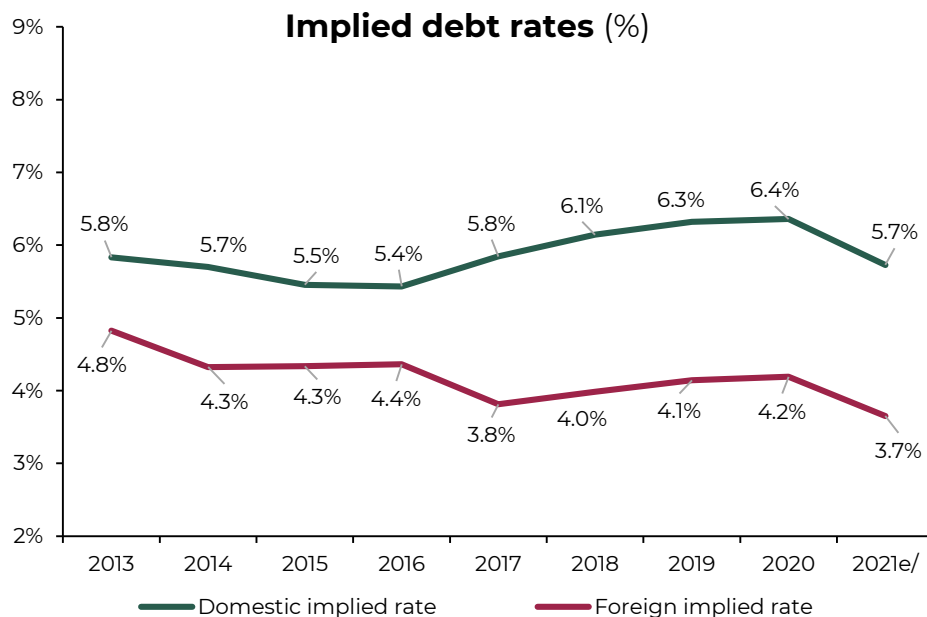
e/ Estimated.

The numbers in this section are informative and could be adjusted in the course of the year, according to the evolution of market conditions and to each entity's strategy.

## II. 2021 Public Debt Management Results (1/3)

### Cover Financing Needs at Adequate Cost Levels

During 2021, the debt portfolio kept an adequate risk balance with a stable cost, which can be observed in the implied debt rates.

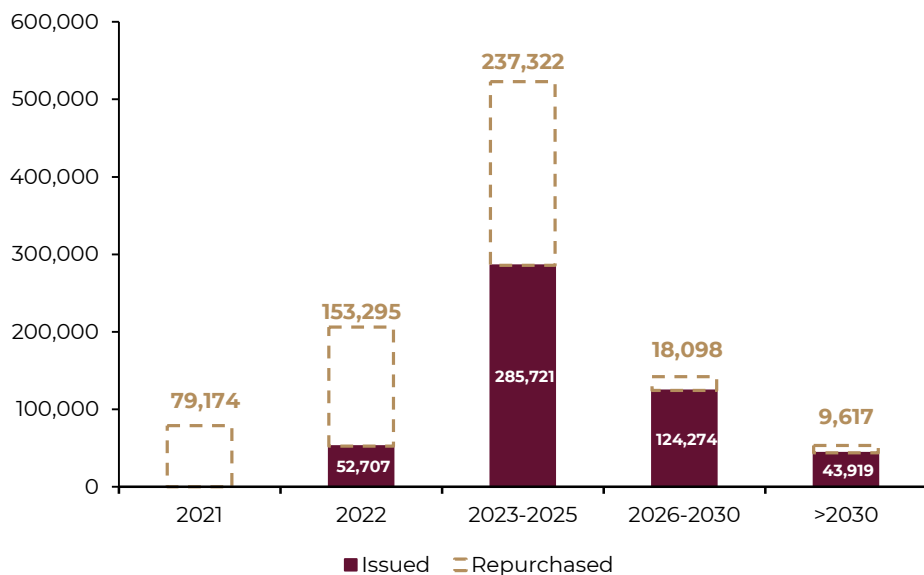


## II. 2021 Public Debt Management Results (2/3)

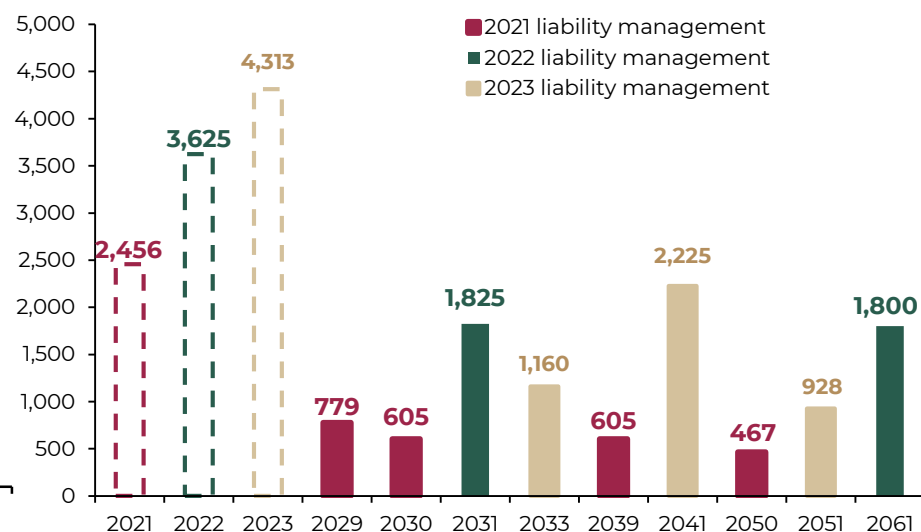
### Liability Management Operations

Successful liability management operations in both, local and external markets were held during 2021, improving the maturity profile.

**Domestic market debt**  
(million pesos)



**International Market**  
(million dollar)



Source: Ministry of Finance.

## II. 2021 Public Debt Management Results (3/3)

### Sustainable Bond

In 2021 the Federal Government continued its Debt Policy by consolidating the sustainable bonds curve, issuing its second bond aligned with the Sustainable Development Goals (SDGs).

Moreover, the Ministry of Finance presented its Impact Report on the First Sovereign Bond aligned to SDG issued in 2020.

#### Objectives of the sustainable financing program of the Federal Government

Reinforce the commitment of public policies and budget allocations aimed at promoting social development in the country

Improve the price discovery process for other prospective SDG Mexican issuers

Offer investors greater transparency in public spending and monitoring in compliance with the SDGs

Expand the pool of investors

Reaffirms Mexico's leadership as issuer in the innovation of sustainable financial instruments among Latam and emerging sovereign issuers



# III. Federal Government's Debt

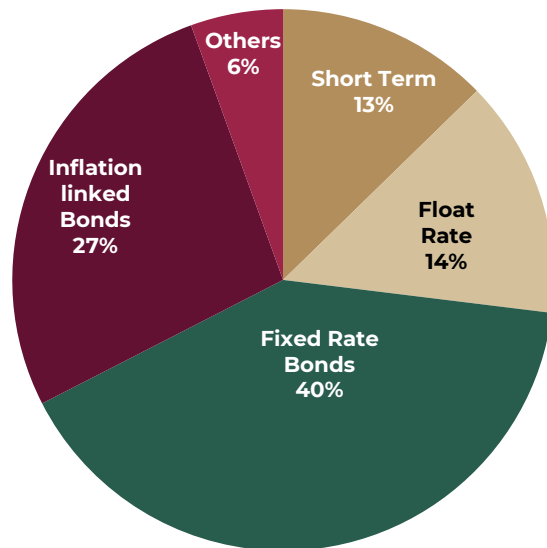
## III.1 Federal Government's Debt Portfolio (1/3)

### Portfolio Composition of Federal Government's Debt

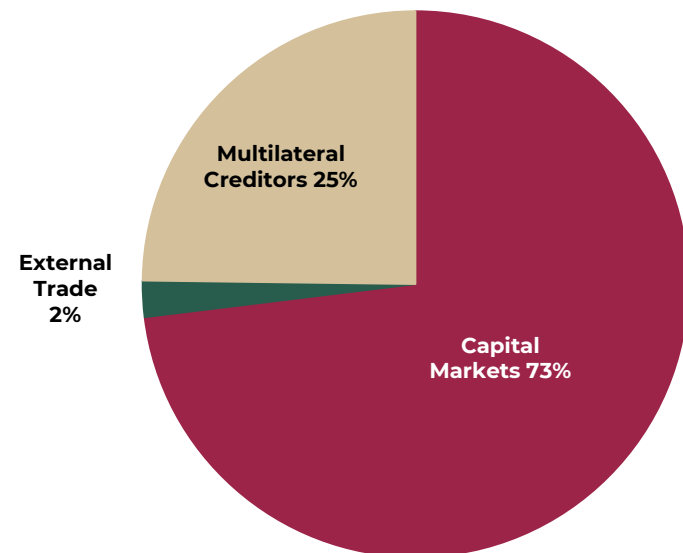
The **Federal Government gross domestic debt** is expected to be **31.4%** of GDP in 2021, while **external debt is estimated to be 9.1% of GDP.**

Among **government's securities** issued in the **domestic market**, most are **fixed rate bonds** while most of the **external debt** are bonds issued in the **international markets.**

Federal Government's domestic debt structure (%)



Federal Government's external debt structure (%)



# III. Federal Government's Debt

## III.1 Federal Government's Debt Portfolio (2/3)

### Portfolio's diversification

Portfolio composition of Federal Government's External Market Debt

(% of total external market debt)

| Currency           | Dollar | Euro  | Yen  | Pound Sterling | Swiss Franc | Other | TOTAL |
|--------------------|--------|-------|------|----------------|-------------|-------|-------|
| 2018               | 73.9%  | 18.0% | 6.1% | 2.0%           | 0.0%        | 0.0%  | 100%  |
| 2019               | 65.4%  | 23.1% | 7.6% | 2.0%           | 2.0%        | 0.0%  | 100%  |
| 2020               | 68.4%  | 22.1% | 5.8% | 1.8%           | 1.9%        | 0.0%  | 100%  |
| 2021 <sup>e/</sup> | 68.5%  | 21.6% | 5.9% | 1.7%           | 1.8%        | 0.5%  | 100%  |

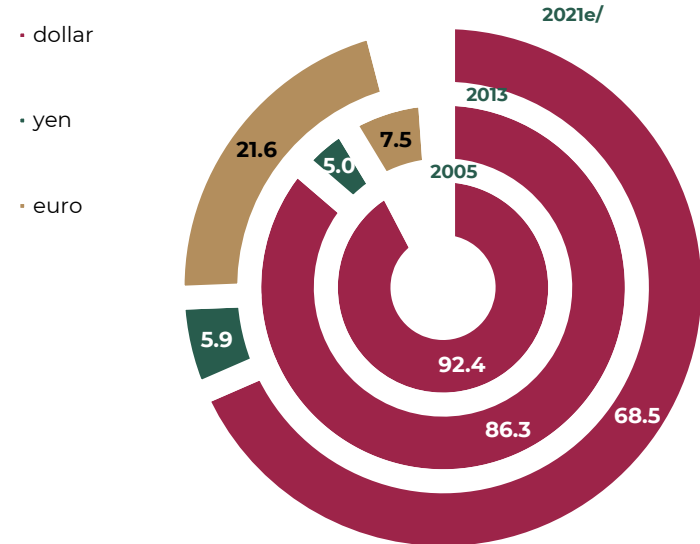
Note: Total figures may not add up due to rounding.

e/ Estimation.

Given the Federal Government's **risk management strategy**, several **actions** have taken place **to reduce** the debt's portfolio **exchange rate risk exposure**, diversifying its structure.

Federal Government's External Gross Debt structure, by currency

(% of total external debt)



Source: Ministry of Finance.

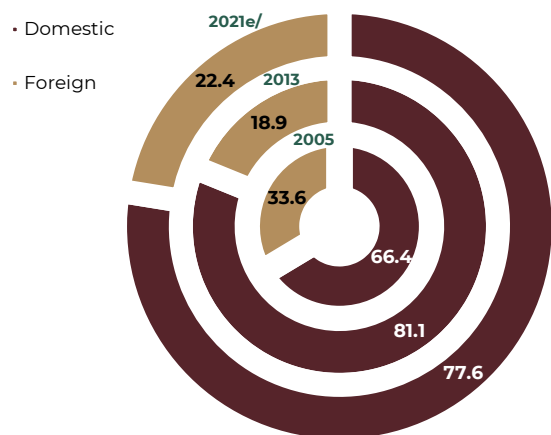
# III. Federal Government's Debt

## III.1 Federal Government's Debt portfolio (3/3)

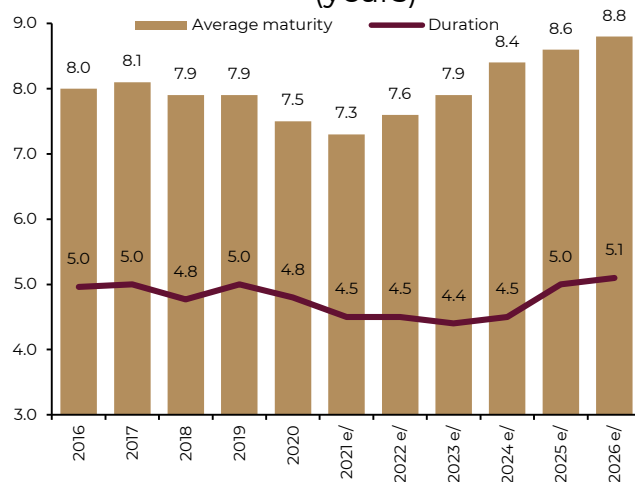
### Medium Term Horizon

The objectives remain to maintain a resilient debt portfolio to refinancing, interest rate, and exchange rate risks.

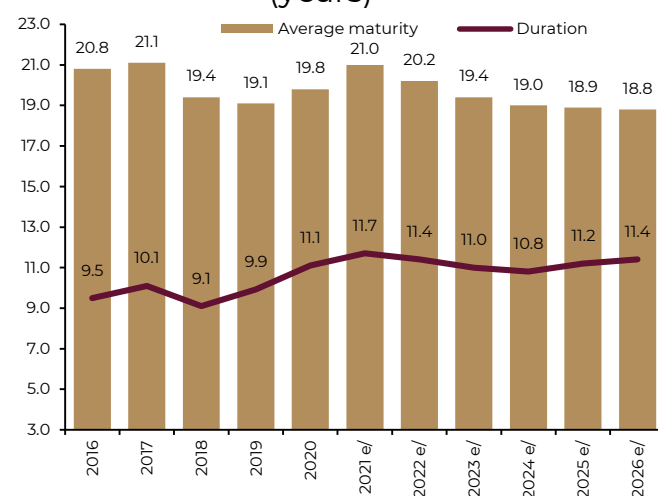
**Debt portfolio composition**  
(% of total)



**Average maturity and duration of Federal Government's securities**  
(years)



**Average maturity and duration of external market debt**  
(years)



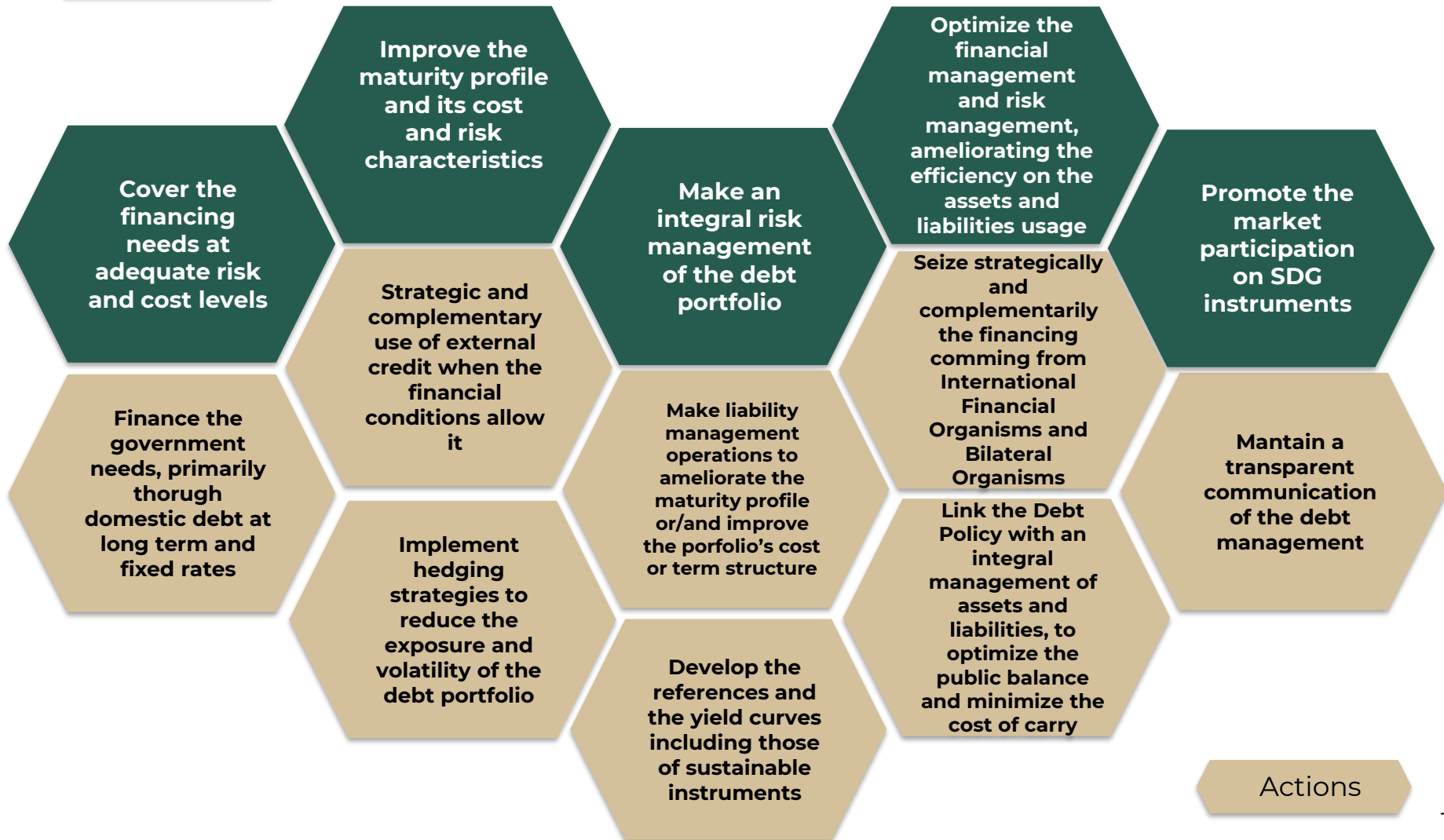
Source: Ministry of Finance.

The numbers in this section are informative and could be adjusted in the course of the year, according to the evolution of market conditions.

# III. Federal Government's Debt

## III.2 Public Debt Policy General Guidelines

### Objetives



# III. Federal Government's Debt

## III.2 Public Debt Policy General Guidelines

### Assets and Liabilities Management

Assets and Liabilities Management Policy will focus on the implementation of a general framework for a **global management of assets and liabilities of the Federal Government.** This will allow the Ministry of Finance to implement a Debt Policy that considers the possible effects that may affect the stability of the public finances.

**This will offer a framework of principles that could be applied progressively to all assets in the Public Sector and therefore optimize the financial management and risk management in Mexico.**

# III. Federal Government's Debt

## III.3 Financing Needs for 2022

### Financing Needs

The Federal Government's **Financing Needs for 2022** amount to **8.9% of GDP**. This figure is a result of the following elements:

1. Federal Government's **deficit** of **3.0%** of GDP
2. **Debt amortizations** of **6.0% of GDP**,
  - **5.8% of GDP** for **domestic** debt amortizations
  - **0.2% of GDP** for **external** debt amortizations

#### Financing Needs of the Federal Government

(Billion pesos and % of GDP)

|                                    | 2021 <sup>e/</sup> |             | 2022 <sup>e/</sup> |            | Change<br>% GDP |
|------------------------------------|--------------------|-------------|--------------------|------------|-----------------|
|                                    | Bn                 | % GDP       | Bn                 | % GDP      |                 |
| <b>TOTAL (A + B) <sup>1/</sup></b> | <b>2,901.9</b>     | <b>11.0</b> | <b>2,550.7</b>     | <b>8.9</b> | <b>-2.1</b>     |
| <b>A. Deficit</b>                  | <b>857.0</b>       | <b>3.2</b>  | <b>850.0</b>       | <b>3.0</b> | <b>-0.3</b>     |
| <b>B. Amortizations</b>            | <b>2,044.9</b>     | <b>7.8</b>  | <b>1,700.7</b>     | <b>6.0</b> | <b>-1.8</b>     |
| <b>Domestic</b>                    | <b>1,850.0</b>     | <b>7.0</b>  | <b>1,652.6</b>     | <b>5.8</b> | <b>-1.2</b>     |
| Securities                         | 1,845.1            | 7.0         | 1,649.2            | 5.8        | -1.2            |
| Cetes                              | 1,052.0            | 4.0         | 918.9              | 3.2        | -0.8            |
| Bondes                             | 139.7              | 0.5         | 233.4              | 0.8        | 0.3             |
| Bonds                              | 603.8              | 2.3         | 224.7              | 0.8        | -1.5            |
| Udibonos                           | 49.6               | 0.2         | 272.1              | 1.0        | 0.8             |
| Others <sup>2/</sup>               | 4.9                | 0.0         | 3.4                | 0.0        | 0.0             |
| <b>External</b>                    | <b>194.9</b>       | <b>0.7</b>  | <b>48.0</b>        | <b>0.2</b> | <b>-0.6</b>     |
| Bonds                              | 137.6              | 0.5         | 25.6               | 0.1        | -0.4            |
| IFIs                               | 53.1               | 0.2         | 18.2               | 0.1        | -0.1            |
| Other                              | 4.2                | 0.0         | 4.2                | 0.0        | 0.0             |

<sup>1/</sup> Total Figures may not add up due to round up.

<sup>2/</sup> This item accounts for the net financing needs of the pension system (SAR).

<sup>e/</sup> Estimates for 2021 and 2022.

Source: Ministry of Finance.

The numbers in this section are informative and could be adjusted in the course of the year, according to the evolution of market conditions and to each entity's strategy.

# III. Federal Government's Debt

## III.4 2022 Financial Strategy (1/3)

### Domestic debt

The **government securities auctions program** will maintain the flexibility to adapt to the prevailing conditions in financial markets.

The convenience of performing **syndicated auctions** will be analyzed to update the references. These operations will consider the current market conditions.

If it is considered useful, **tap issuances** will be held based on the syndicated auctions conditions.

Carrying out liability management operations will be considered: switch tender offer operations, buy back operations, and joint operations of buy back and additional issuance.

The financial strategy considers continuing to strengthen the **Market Makers** program with the objective of increasing liquidity in the local debt market.

The Federal Government will maintain a close communication with participants to improve the performance of the debt market.

# III. Federal Government's Debt

## III.4 2022 Financial Strategy (2/3)

### Domestic debt

#### Fixed-Rate Bonds

The Federal Government will continue to place **3, 5, 10, 20 and 30-year fixed-rate** bonds. Reducing the frequency of issuance of 3 and 5 year bonds and increasing that of 10, 20 and 30 year bonds. Every instrument will be at auction every 5 weeks.

#### Inflation-linked Bonds

The inflation-linked bonds (**Udibonos**) will continue to be placed **every 4 weeks** for **3, 10, 20 and 30-year terms**.

#### Cetes

The Ministry will continue to announce quarterly the minimum and maximum amounts to be placed **every week** for **28, 91, 182, and 365-day Cetes**.

#### Bondes F

Auctions of **1, 2, 3, 5 and 7 year term Bondes F** will be held. The creation of new year-terms bonds will be analyzed if necessary.



# III. Federal Government's Debt

## III.4 2022 Financial Strategy (3/3)

### External Debt

The Federal Government will remain as an active issuer in international financial markets. The financing strategy will use **external credit complementarily**, whenever favorable cost and risk conditions prevail.

### Targeted Development Financing

#### Sustainable Bonds

The Federal Government has the compromise to continue the issuance of bonds linked to SDGs and it will analyze the possibility to develop a domestic bond curve.

#### ECAs

During 2022, the Federal Government will keep identifying and following the programs that the Export Credit Agencies and other Bilateral Institutions offer in European countries, Asian and North America.

#### IFIs

International Financial Institutions Financing will continue to be accessed whenever the financial conditions are favorable. This financing will focus on different sectors.

## IV. Public Sector's Debt

To foster **more transparency in the Debt Policy** of the Public Entities, the ABP presents the main elements of the financing strategy of Public Sector institutions that recurrently access debt markets.

### State Owned Enterprises

- The financing needs are the sum of their deficit and debt amortizations for a given period of time.
- The financing needs are estimated to be **0.8% of GDP for 2021**.

### Development Banks

- The financing needs are estimated to be **2.5% of GDP for 2022**.
- The financing strategy will be flexible and dynamic to fortify the main financial and capital indicators.

### Other Issuers

- The financing needs are estimated to be **1.1% of GDP for 2022**.
- The Funds and Trust Funds plan to execute their Business Plans, while the IPAB will continue with its strategy of paying the real component of its interest.

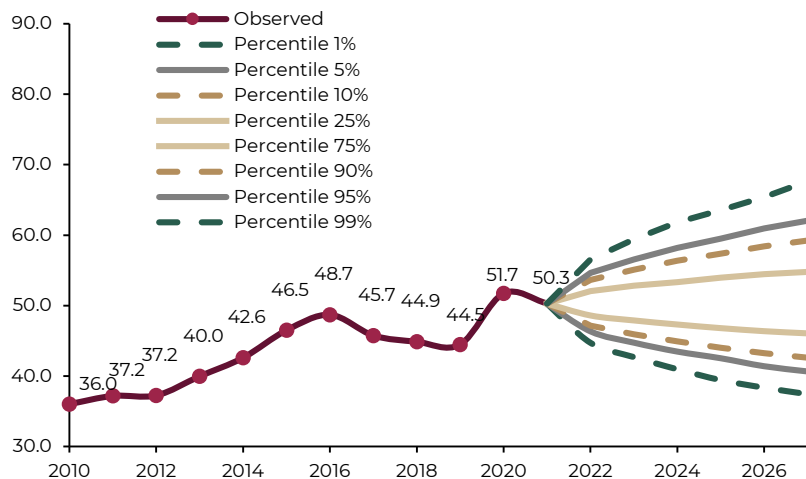
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# V. Public Sector Debt Sustainability

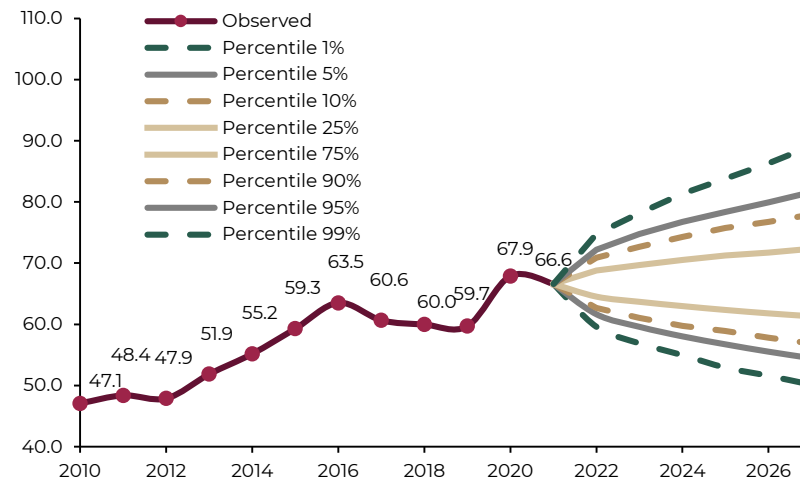
## HBPSBR's Path

It is expected that at the end of 2021, the HBPSBR stands at 50.3% of GDP close to 13 trillion. Moreover, it is expected to follow a stable path for the following years. COVID-19 had an impact on debt, nonetheless, this is sustainable for the following years.

**HBPSBR's path (% GDP)**



**Gross debt path (% GDP)**



The numbers in this section are informative and could be adjusted in the course of the year, according to the evolution of market conditions.

Source: Ministry of Finance.

# Annexes

# Annex I. Medium term indicatives

## Estimated scenario for the key Federal Government debt indicators

| Indicator <sup>1/</sup>  | 2021 <sup>e/</sup> | 2022 <sup>e/</sup> | 2023 <sup>e/</sup> | 2024 <sup>e/</sup> | 2025 <sup>e/</sup> | 2026 <sup>e/</sup> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Gross external market debt % of total                              | 22.4               | 21.4               | 20.0               | 18.9               | 18.0               | 17.5               |
| Gross domestic debt % of total                                     | 77.6               | 78.6               | 80.0               | 81.1               | 82.0               | 82.5               |
| Debt that change interest rate during the next year (% of total)   | 32.4               | 34.1               | 32.6               | 29.6               | 29.8               | 25.2               |
| Financing Cost of Federal Government (% GDP)                       | 1.7                | 1.8                | 2.1                | 2.2                | 2.2                | 2.2                |
| <b>Domestic debt in Long-term fixed-rate Government Securities</b> |                    |                    |                    |                    |                    |                    |
| % nominal fixed and long-term rate                                 | 50.0               | 46.3               | 47.4               | 46.5               | 48.8               | 47.9               |
| % fixed and long-term rate   | 78.6               | 75.5               | 78.2               | 81.4               | 84.5               | 84.9               |
| Average maturity (years)   | 7.3                | 7.6                | 7.9                | 8.4                | 8.6                | 8.8                |
| Average maturity without cetes (years)                             | 8.4                | 8.5                | 9.0                | 9.4                | 9.7                | 10.0               |
| Duration (years)   | 4.5                | 4.5                | 4.4                | 4.5                | 5.0                | 5.1                |
| Duration without cetes (years)                                     | 5.2                | 5.0                | 5.0                | 5.1                | 5.5                | 5.7                |
| <b>External market debt</b>  |                    |                    |                    |                    |                    |                    |
| % fixed rate   | 100                | 100                | 100                | 100                | 100                | 100                |
| % long-term rate   | 98.0               | 97.1               | 96.1               | 92.5               | 94.1               | 94.4               |
| Average maturity (years)   | 21.0               | 20.2               | 19.4               | 19                 | 18.9               | 18.8               |
| Duration (years)   | 11.7               | 11.4               | 11.0               | 10.8               | 11.2               | 11.4               |

<sup>1/</sup> Total figures may not add up due to rounding.

<sup>e/</sup> End of year estimates.