



Mexico City, October 30th, 2020

**Reports on Economic Activity, Public Finances, and Public Debt
as of the Third Quarter of 2020**

- **The economic recovery, which began last June, is underway. To date, 7.8 million jobs have been recovered, nearly two out of three jobs lost in April. In addition, GDP rose by 12.0% in the third quarter.**
- **Economic growth was due, among other factors, to the increase in investment (20.8% in June-July compared to the previous bimester), consumption (7.4% in the same period), exports (50.2% in the third quarter vs the second quarter), industrial production (18.0%) and wholesale (11.0%) and retail (11.2%) sales.**
- **During this quarter, the Government of Mexico, through the Ministry of Finance, carried out actions to promote economic recovery, such as 1) the announcement of investment in infrastructure for 297.3 billion pesos, equivalent to 1.3% of GDP, 2) the loan restructuring program, and 3) the issuance of the first bond linked to the UN Sustainable Development Goals.**
- **The economic recovery has been accompanied by a robust and well-capitalized financial sector. The banking system has a capital adequacy ratio (CAR) of 17.2%, higher than the international standard of 10.5%, and a stable default rate.**
- **The economic recovery is conditioned on the evolution of COVID-19 and the containment measures. In this regard, the Ministry of Finance is working with the Ministry of Foreign Affairs to provide a vaccine to all the population to control the virus.**
- **In order to address the health and economic emergency, health and social protection expenditures increased 2.5% and 5.6% in real annual terms, in January-September, respectively. At the same time, operating expenditures decreased 3.3% in real terms, a sign of greater efficiency in public spending.**
- **Tax collection has remained sound, with a real annual variation of -0.9% in January-September, due to improvements in the tax framework to increase compliance among taxpayers. Tax collection efforts and the shielding of public finances allowed the non-oil revenues of the Federal Government to increase at an annual rate of 5.1% in real terms.**
- **As of today, 73% of the financing program approved by Congress in the 2020 Economic Program has been fulfilled. Regarding debt issuances in external markets, 100% of them have been successfully completed,**





showing that, despite the current situation, Mexico has broad access to international financial markets.

Executive summary

- The results of the global economic activity during the third quarter were better than anticipated, as a result of this, growth estimates have been adjusted upwards. The IMF improved its 2020 growth projections for the world economy from -4.9 to -4.4% in its October's update.
- Along these lines, global financial markets have continued to stabilize, while risk aversion has decreased. The U.S. Dollar Index (DXY) fell 8.7% from its peak on March 20, and the Emerging Markets Bond Index (EMBI) fell 264 basis points (bp) from March 23, its highest level of the year.
- Similarly, the Mexican economy showed sustained signs of recovery during the third quarter: primary activities increased 7.4% compared to the previous quarter, while secondary and tertiary activities were higher by 22.0% and 8.6%, respectively, with seasonally adjusted figures.
- In this regard, several financial variables showed improvements between the maximum levels of volatility and uncertainty reached on March 23 and those registered at the end of September: the exchange rate appreciated 14.7% against the U.S. dollar; the EMBI+ for Mexico decreased 158 bp, and the premium on corporate bonds in U.S. dollars of Mexican companies fell 236 bp.
- In this context, public finances have remained sound and balanced. At the end of the third quarter, the primary balance of the Public Sector registered a surplus of 156.7 billion pesos, higher than the originally expected surplus of 87.9 billion pesos. In addition, the balance of the Public Sector presented a deficit lower than programmed in 109.5 billion pesos.
- Tax revenues remain robust, highlighting an annual increase in income tax and accessories of 0.1% and 42.0%, respectively, in real terms, which reflects the effort to combat tax avoidance and evasion. The good performance of tax collection has contributed to face the health and economic contingency derived from the pandemic.
- During the same period, the Federal Government non-tax revenues were higher by 76.7% in real terms as a result of the use of financial assets, avoiding additional indebtedness that would compromise the resources allocated to programs that benefit households and firms.
- The Federal Government programmable expenditure increased by 5.1% in real annual terms, without considering the capital contribution to Pemex for 97.1 billion pesos made in September 2019. In particular, the Federal





Government expenditure on subsidies, transfers and contributions increased by 6.1% in real terms, thereby continuing supporting households and companies affected by the pandemic.

- Subnational governments have received 32.7 billion pesos from the Federal Entities Revenues Stabilization Fund (FEIEF), in order to compensate for the annual decrease of 9.6% in real terms in the non-earmarked transfers to the states.
- The public debt policy has helped to the proper functioning of the local debt market and has made it possible to meet the financing needs of the Federal Government under favorable conditions, without resorting to additional debt.
- On September 14th, the Government of Mexico issued the first sovereign bond linked to the UN's Sustainable Development Goals in the world, for 750 million euros. The operation reached a demand of 6.4 times the amount placed, registering the second lowest coupon rate for bonds in euros of the Federal Government and reaffirming the confidence of investors in the economic and development policies of the Government of Mexico.
- At the end of the third quarter of 2020 the Federal Government's net debt stood at 9 trillion 252.4 billion pesos, of which 73.8% was denominated in pesos, which shows the solid portfolio that has been preserved during this exceptionally complex period. Regarding the Public Sector net debt, it amounted to 12 trillion 281.4 billion pesos at the end of the third quarter.
- Finally, the Public Sector Borrowing Requirements stood at 12 trillion 163.8 billion pesos, where 55.3% of the variation compared to the end of 2019 was due to an increase in the exchange rate of the peso against the U.S. dollar.





ANNEX 1

PUBLIC SECTOR FINANCIAL SITUATION (Million pesos)

Concept	January-September			Nominal difference (3-2)	Growth % real (3/1)
	2019 (1)	2020 Program (2)	2020 Observed ^{p_} / ₁ (3)		
Public balance	-160,226.3	-417,953.6	-308,450.0	109,503.6	n.s.
Public balance excluding investment^{1_}	260,683.4	90,406.6	153,940.5	63,533.9	-42.9
Budgetary balance	-211,360.3	-418,253.6	-344,342.2	73,911.4	n.s.
Budgetary revenues	3,976,254.1	4,125,073.8	3,889,301.4	-235,772.5	-5.4
Net budgetary expenditure	4,187,614.5	4,543,327.5	4,233,643.6	-309,683.9	-2.2
Programmable expenditure	3,018,902.6	3,287,386.6	3,084,828.1	-202,558.4	-1.1
Non-programmable expenditure	1,168,711.9	1,255,940.9	1,148,815.5	-107,125.5	-4.9
Entities under indirect budgetary control	51,134.0	300.0	35,892.1	35,592.1	-32.1
Primary balance	277,768.1	87,934.6	156,684.4	68,749.8	-45.4
Public balance by entity	-160,226.3	-417,953.6	-308,450.0	109,503.6	n.s.
Budgetary balance	-211,360.3	-418,253.6	-344,342.2	73,911.4	n.s.
Federal Government balance	-278,517.7	-418,317.8	-264,121.5	154,196.3	n.s.
State Productive Enterprises	-34,756.9	-85,441.4	-183,241.3	-97,799.9	n.s.
Pemex	-9,921.2	-105,039.6	-216,876.5	-111,836.8	n.s.
CFE	-24,835.7	19,598.2	33,635.1	14,036.9	n.s.
Entities under direct budgetary control	101,914.2	85,505.6	103,020.7	17,515.1	-2.2
IMSS	88,465.8	81,656.4	82,753.1	1,096.6	-9.5
ISSSTE	13,448.5	3,849.2	20,267.6	16,418.5	45.8
Entities under indirect budgetary control	51,134.0	300.0	35,892.1	35,592.1	-32.1
Memorandum items					
PSBR	-175,473.6		-542,054.2		n.s.
Primary PSBR	497,274.5		141,955.2		-72.4

Note: Figures may not add up due to rounding.

p_/_ Preliminary figures.

n.s.: not significant.

1_/_ Excludes up to 2.0 percent of the GDP of both State Productive Enterprises and Federal Government's physical investment as per the Article 1 of the 2020 Federal Income Law.

Source: Ministry of Finance.



PUBLIC SECTOR BUDGETARY REVENUES
(Million pesos)

Concept	January-September			Nominal difference (3-2)	Growth % real (3/1)
	2019 (1)	2020			
		Program (2)	Observed ^{p_} / (3)		
Total	3,976,254.1	4,125,073.9	3,889,301.4	-235,772.5	-5.4
Oil	707,351.5	705,165.6	396,959.0	-308,206.6	-45.7
State Productive Enterprise (Pemex) ^{1_} /	377,837.4	403,958.7	233,273.8	-170,684.9	-40.3
Federal Government ^{2_} /	329,514.1	301,206.9	163,685.2	-137,521.7	-51.9
Mexican Oil Fund	329,471.8	301,206.9	163,610.7	-137,596.2	-52.0
Income tax from contractors and assignees	42.3	0.0	74.6	74.6	70.5
Non-oil	3,268,902.7	3,419,908.3	3,492,342.4	72,434.1	3.4
Federal Government	2,649,016.2	2,786,055.5	2,876,787.6	90,732.1	5.1
Tax	2,445,465.5	2,657,508.6	2,505,076.7	-152,431.9	-0.9
Income tax	1,298,010.5	1,408,355.5	1,343,033.5	-65,322.0	0.1
Value added tax	710,774.8	765,818.9	719,942.7	-45,876.2	-2.0
Excise tax	344,690.3	387,147.1	343,110.0	-44,037.1	-3.7
Imports	49,134.8	52,067.9	42,855.4	-9,212.5	-15.6
Tax on hydrocarbon exploration and extraction activities	4,422.7	5,133.7	5,255.0	121.3	15.0
Others	38,432.5	38,985.5	50,880.2	11,894.7	28.1
Non-tax	203,550.6	128,546.9	371,710.9	243,164.0	76.7
Entities under direct budgetary control	312,044.0	327,617.7	329,127.9	1,510.2	2.1
IMSS	279,619.3	295,487.6	286,548.4	-8,939.3	-0.8
ISSSTE	32,424.7	32,130.1	42,579.6	10,449.5	27.1
State Productive Enterprise (CFE)	307,842.5	306,235.0	286,426.8	-19,808.2	-10.0
Memorandum items					
Tax revenues excluding fuels excise tax	2,226,521.5	2,403,542.4	2,282,136.0	-121,406.4	-0.8

Note: Partial sums and variation may not add up due to rounding.

p_ / Preliminary figures.

1_ / Pemex's own revenues include net revenues from domestic and external sales, as well as miscellaneous revenues derived from services and equity contributions, among others.

2_ / Includes revenues received by the government through the Mexican Oil Fund and the collection of the income tax from new contracts and allocations in the field of hydrocarbons.

Source: Ministry of Finance.



PUBLIC SECTOR TOTAL BUDGETARY EXPENDITURES
(Million pesos)

Concept	January-September			Nominal difference (3-2)	Growth % real (3/1)
	2019 (1)	2020 Program (2)	2020 Observed ^{p_/} (3)		
Total	4,187,614.5	4,543,327.5	4,233,643.6	-309,683.9	-2.2
Primary expenditure	3,722,727.7	4,037,513.7	3,746,381.1	-291,132.6	-2.6
Programmable	3,018,902.6	3,287,386.6	3,084,828.1	-202,558.4	-1.1
Federal Government	2,205,051.1	2,362,690.2	2,288,820.8	-73,869.4	0.4
Autonomous branches	78,432.4	102,891.1	84,001.0	-18,890.1	3.6
Administrative branches	892,229.8	871,502.2	880,090.9	8,588.7	-4.6
General branches	1,234,388.9	1,388,297.0	1,324,728.9	-63,568.0	3.8
Entities under direct budgetary control	762,215.3	851,084.2	828,152.1	-22,932.1	5.1
IMSS	513,579.5	574,608.8	562,188.2	-12,420.6	5.9
ISSSTE	248,635.8	276,475.3	265,963.8	-10,511.5	3.5
State Productive Enterprises	645,390.4	745,584.2	632,900.1	-112,684.2	-5.1
Pemex	290,557.8	418,268.9	335,973.9	-82,295.1	11.9
CFE	354,832.6	327,315.3	296,926.2	-30,389.1	-19.0
(-) Compensated operations	593,754.2	671,972.0	665,044.8	-6,927.2	8.4
Non-programmable	703,825.1	750,127.1	661,553.0	-88,574.1	-9.1
Non-earmarked transfers	692,192.0	728,627.0	646,514.5	-82,112.5	-9.6
Debits of previous fiscal years (Adefas)	11,633.1	21,500.2	15,038.5	-6,461.7	25.1
Financial cost	464,886.8	505,813.8	487,262.5	-18,551.3	1.4
Memorandum items					
Total net expenditure without outlays on financial investments, pension payments, non-earmarked transfers, and financial cost	2,248,102.9	2,493,774.0	2,332,603.8	-161,170.3	0.4
Total net expenditure without outlays on financial investments, pension payments and non-earmarked transfers	2,712,989.7	2,999,587.8	2,819,866.2	-179,721.6	0.6
Total net expenditure without outlays on financial investments	4,042,556.1	4,440,314.7	4,157,663.2	-282,651.5	-0.5
Current structural expenditure	1,613,994.7	1,774,641.8	1,714,894.8	-59,747.0	2.8

Note: Partial sums and variation may not add up due to rounding.

p_/ Preliminary figures.

Source: Ministry of Finance.



BALANCE OF THE STABILIZATION FUNDS, 2019-2020
(Million pesos)

	Dec-19	Sept-20	Diferencia
Total	239,765	114,670	-125,095
Budgetary Revenues Stabilization Fund (FEIP)	158,544	59,038	-99,505
Federal Entities Revenues Stabilization Fund (FEIEF)	60,461	30,549	-29,912
Mexican Oil Fund for Stabilization and Development (FMP)	20,760	25,083	4,322

Source: Ministry of Finance.

FEDERAL PUBLIC SECTOR DEBT BALANCES, SEPTEMBER 2020 *-/

Concept	Balance			% of anual GDP ^{2_/}			% of GDP QoQ annualized ^{3_/}			Percentage structure (%)		
	dec-18	dec-19	sep-20 p_/_	dec-18	dec-19	sep-20	dec-18	dec-19	sep-20	dec-18	dec-19	sep-20
Domestic debt:												
Net (Million pesos)	6,867,594.7	7,188,473.0	7,346,426.4	29.2	29.7	31.8	28.2	29.1	32.0	63.4	65.2	59.8
Gross (Million pesos)	7,036,273.2	7,570,648.4	7,891,506.2	29.9	31.2	34.2	28.8	30.7	34.4	63.9	66.2	61.0
External debt:												
Net (Million dollars)	201,307.3	203,708.2	219,751.2	16.8	15.8	21.4	16.3	15.6	21.5	36.6	34.8	40.2
Gross (Million dollars)	202,355.3	204,684.3	224,360.3	16.9	15.9	21.8	16.4	15.6	21.9	36.1	33.8	39.0
Total Debt: ^{1_/}												
Net (Million pesos)	10,829,906.6	11,027,395.3	12,281,444.8	46.0	45.5	53.2	44.5	44.7	53.5	100.0	100.0	100.0
(Million dollars)	550,219.1	585,156.7	546,879.8									
Gross (Million pesos)	11,019,212.3	11,427,965.0	12,930,032.8	46.8	47.1	56.0	45.2	46.3	56.3	100.0	100.0	100.0
(Million dollars)	559,836.8	606,412.5	575,760.8									

Note: Partial sums and variations may not add up due to rounding.

The concept of Net Debt is obtained by subtracting from the Gross Debt Balance the financial assets of the Federal Government, and the availabilities of both State Productive Enterprises and Development Banks.

*_/_ Figures subject to revisions and methodological changes.

p_/_ Preliminary figures.

^{1_/_} Includes liabilities from the Federal Government, State Productive Enterprises and Development Banks.

^{2_/_} For 2020, the annual GDP estimated by the Ministry of Finance for the year was used.

^{3_/_} For 2020, second quarter GDP was used according to Ministry of finance estimates

Source: Ministry of Finance.



FEDERAL PUBLIC SECTOR DOMESTIC DEBT, SEPTEMBER ^{*-/1-/}
(Million pesos)

Concept	Balance as of December 2019	Indebtedness			Adjust ^{2-/}	Balance as of September 2020 ^{p-/}
		Disp.	Amort.	Net		
1. Net debt (3-2)	7,188,473.0					7,346,426.4
2. Assets ^{3-/}	382,175.4					545,079.8
3. Gross debt	7,570,648.4	3,035,865.5	2,778,271.7	257,593.8	63,264.0	7,891,506.2
Structure by term	7,570,648.4	3,035,865.5	2,778,271.7	257,593.8	63,264.0	7,891,506.2
Long-term	6,885,271.4	1,222,345.6	894,710.3	327,635.3	62,746.5	7,275,653.2
Short-term	685,377.0	1,813,519.9	1,883,561.4	-70,041.5	517.5	615,853.0
Structure by user	7,570,648.4	3,035,865.5	2,778,271.7	257,593.8	63,264.0	7,891,506.2
Federal Government	6,955,385.1	2,600,525.8	2,271,712.1	328,813.7	60,031.4	7,344,230.2
Long-term	6,339,559.8	1,213,399.5	838,661.9	374,737.6	60,031.4	6,774,328.8
Short-term	615,825.3	1,387,126.3	1,433,050.2	-45,923.9	0.0	569,901.4
State Productive Enterprises	369,714.2	139,940.8	172,370.8	-32,430.0	1,266.8	338,551.0
Long-term	318,214.2	0.0	24,299.0	-24,299.0	1,266.8	295,182.0
Short-term	51,500.0	139,940.8	148,071.8	-8,131.0	0.0	43,369.0
Development banks	245,549.1	295,398.9	334,188.8	-38,789.9	1,965.8	208,725.0
Long-term	227,497.4	8,946.1	31,749.4	-22,803.3	1,448.3	206,142.4
Short-term	18,051.7	286,452.8	302,439.4	-15,986.6	517.5	2,582.6
Structure by source of financing	7,570,648.4	3,035,865.5	2,778,271.7	257,593.8	63,264.0	7,891,506.2
Issuance of securities	6,880,137.6	2,376,787.0	2,076,669.6	300,117.4	53,581.1	7,233,836.1
Savings fund SAR	142,186.5	228,580.0	221,271.0	7,309.0	5,595.7	155,091.2
Commercial banks	117,143.6	332,414.2	358,313.6	-25,899.4	770.8	92,015.0
ISSSTE's Law obligations ^{4-/}	134,347.9	69.2	11,362.0	-11,292.8	3,031.3	126,086.4
PEMEX pension bonds ^{5-/}	101,501.6	0.0	4,080.5	-4,080.5	0.0	97,421.1
CFE pension bonds ^{6-/}	158,993.0	0.0	0.0	0.0	0.0	158,993.0
Others	36,338.2	98,015.1	106,575.0	-8,559.9	285.1	28,063.4

Note: Figures may not add up due to rounding

*-/ Figures subject to revisions and methodological changes.

p-/ Preliminary figures.

1-/ Includes the Federal Government, Productive Enterprises of the State, and the development banks.

2-/ It corresponds to debt swap operations, inflationary effect, and others.

3-/ Includes only Pemex and ISSSTE.

4-/ Obligations associated with the new ISSSTE law.

5-/ Obligations associated with the financial support from the Federal Government to Pemex given the savings in their pension obligations, according to the "Agreement on the general provisions concerning the Federal Government's assumption of Pemex and its Subsidiary Productive Enterprises' pensions and retirement obligations", published in the Federal Official Gazette on December 24th, 2015.

6-/ Obligations associated with the financial support from the Federal Government to CFE given the savings in their pension obligations, according to the "Agreement on the general provisions concerning the Federal Government's assumption of the Federal Electricity Commission's pension and retirement obligations" published in the Federal Official Gazette on November 14th, 2016.

Source: Ministry of Finance.



FEDERAL PUBLIC SECTOR EXTERNAL DEBT, SEPTEMBER ¹/₁/₁
(Million dollars)

Concepto	Balance as of December 2019	Indebtedness			Adjust ¹ / ₁ / ₁	Balance as of September 2020 ^p / ₁ / ₁
		Disp.	Amort.	Net		
1. Net debt (3-2)	203,708.2					219,751.2
2. Financial assets in foreign	976.1					4,609.1
3. Gross debt	204,684.3	39,195.5	21,272.2	17,923.3	1,752.7	224,360.3
Structure by term	204,684.3	39,195.5	21,272.2	17,923.3	1,752.7	224,360.3
Long-term	200,969.9	22,118.5	9,346.5	12,772.0	1,883.5	215,625.4
Short-term	3,714.4	17,077.0	11,925.7	5,151.3	-130.8	8,734.9
Structure by user	204,684.3	39,195.5	21,272.2	17,923.3	1,752.7	224,360.3
Federal Government	99,573.7	13,949.0	3,785.6	10,163.4	1,469.0	111,206.1
Long-term	99,573.7	13,892.2	3,728.8	10,163.4	1,469.0	111,206.1
Short-term	0.0	56.8 ⁴ / ₁ / ₁	56.8	0.0	0.0	0.0
State Productive Enterprises	93,705.7	18,625.0	8,795.6	9,829.4	653.5	104,188.6
Long-term	93,035.7	8,225.2	5,239.1	2,986.1	653.5	96,675.3
Short-term	670.0	10,399.8	3,556.5	6,843.3	0.0	7,513.3
Development banks	11,404.9	6,621.5	8,691.0	-2,069.5	-369.8	8,965.6
Long-term	8,360.5	1.1	378.6	-377.5	-239.0	7,744.0
Short-term	3,044.4	6,620.4	8,312.4	-1,692.0	-130.8	1,221.6
Structure by source of	204,684.3	39,195.5	21,272.2	17,923.3	-1,752.7	224,360.3
Capital markets	157,581.9	20,287.3	7,429.2	12,858.1	1,721.7	172,161.7
International Financing	31,453.7	932.3	757.9	174.4	-68.6	31,559.5
International trade	5,365.8	681.6	614.2	67.4	73.6	5,506.8
Commercial banks	10,013.8	16,967.7	12,207.6	4,760.1	34.5	14,808.4
Pidiregas	269.1	269.8	206.5	63.3	-8.5	323.9
Others	0.0	56.8 ⁴ / ₁ / ₁	56.8	0.0	0.0	0.0

Note: Figures may not add up due to rounding.

¹/₁/₁ Figures subject to revisions and methodological changes.

^p/₁/₁ Preliminary figures

¹/₁/₁ Includes the Federal Government, Productive Enterprises of the State, and the development banks.

²/₁/₁ It corresponds mainly to the effect of the exchange variation; debt repurchase operations and others.

³/₁/₁ Considers the net US dollar denominated balance of the general account of the Federal Treasury as well as the availabilities of the State Productive Enterprises and the development banks.

⁴/₁/₁ Corresponds to an acknowledgment of debt from the Federal Government from previous years.

Source: Ministry of Finance.

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