

## Fiscal Budget 2019 – Preliminary estimates for a new administration

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- The Ministry of Finance (MoF) submitted to Congress its updated assumptions for fiscal year 2018 and the preliminary ones for the 2019 budget
- For 2018, the MoF expects economic growth between 2% and 3%, unchanged from previous assumption
- Moreover, the government expects the price of the Mexican oil mix in the area of US\$53 per barrel; along with a production platform of around 1,983mbpd in 2018
- They still expect Public Sector Borrowing Requirements (PSBR) at 2.5% of GDP, along with a primary surplus of 0.8% of GDP by year-end 2018
- With this number, the Historical Balance of Public Sector Borrowing Requirements (HBPSBR) will represent 45.5% of GDP this year
- For 2019, they expect a primary surplus and a deficit in the PSBRs equivalent to 0.9% and 2.5% of GDP, respectively
- This would imply an MXN\$12.2bn reduction in programmable spending
- In terms of economic growth, the MoF is forecasting an economic expansion in the range of 2.5% - 3.5% and a USD/MXN18.4 average exchange rate in 2019

**Government updates assumptions for 2018 and presents 2019 guidelines for budget.** According to Article 42 of the *Federal Budget and Fiscal Responsibility Law*, The Ministry of Finance (MoF) submitted to Congress the document denominated *Fiscal year 2018 economic assumptions*. The document updates the economic criteria for 2018 and incorporates the fiscal and macroeconomic assumptions for 2019.

**Commitment with sound fiscal policy.** In this context, the MoF still expects economic growth between 2% and 3%. Moreover, the government expects the price of the Mexican oil mix oil in the area of US\$53 per barrel; along with a production platform of 1,983mbpd in 2018. In addition, they still expect PSBR equivalent to 2.5% of GDP, along with a primary surplus of 0.8% of GDP. With this number, HBPSBR will represent 45.5% of GDP. Moreover, the MoF also updated their estimations for inflation, which now expects at 3.5% yoy; the exchange rate for year-end at USD/MXN18.4 and nominal interest rates at around 7.5%.

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**Ministry of Finance public debt forecasts: 2018**

Concept	Approved	Updated estimates
1. Public Sector Borrowing Requirements	-2.5	-2.5
2. Fiscal deficit	-2.0	-2.0
3. Without PEMEX investment	0.0	0.0
4. Primary balance	0.8	0.8
5. Historical Balance of the Public Sector Borrowing Requirements	46.2	45.5

Source: Ministry of Finance

**Preliminary assumptions for next year.** Economic growth is expected to be in the range between 2.5-3.5%, with the price of the Mexican mix of oil at around US\$51/BBL and an output platform of 2,035 thousand barrels per day. With these numbers, they expect a primary surplus and a fiscal balance equivalent to 0.9% and 2% of GDP, respectively. PSBR will be equivalent to 2.5%, while HBPSBR will edge down to 45.2% of GDP from 45.5% expected in 2018. To achieve these targets, the government has to cut programmable spending by MXN12.2bn with respect to the budget approved for 2018. Nevertheless, non-programmable spending –which includes transfers to states and financial costs–, will increase MXN\$92.8bn.

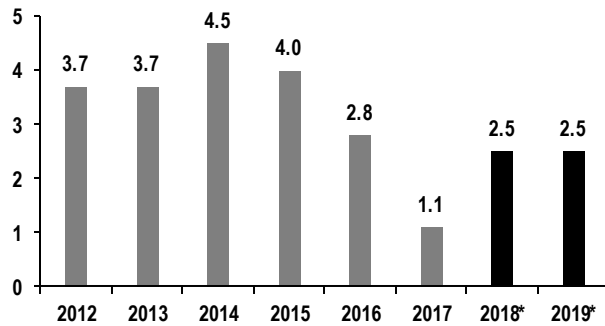
**Ministry of Finance economy overview 2018 – 2019**

	2018e	2019e
<b>GDP</b>		
%; GDP–real growth rate (range)	2.0 – 3.0	2.5 – 3.5
GDP Deflator	4.8	3.3
<b>Inflation</b>		
December / December	3.5	3.0
<b>Nominal exchange rate</b>		
End of period	18.40	18.40
Average	18.40	18.40
<b>Interest rate (CETES 28 días)</b>		
% Nominal end of period	7.5	6.8
% Nominal average	7.5	7.1
% Actual cumulative	4.0	4.2
<b>Current account balance</b>		
% of GDP	-1.9	-1.9
<b>Fiscal balance (% of GDP)</b>		
With high-impact investments	-2.0	-2.0
Without high-impact investments	0.0	0.0
<b>Mexican petroleum</b>		
Average price (US\$ BBL)	53	51
Average production platform	1,983	2,035
Average export platform	888	911

Source: MoF  
e = estimate data

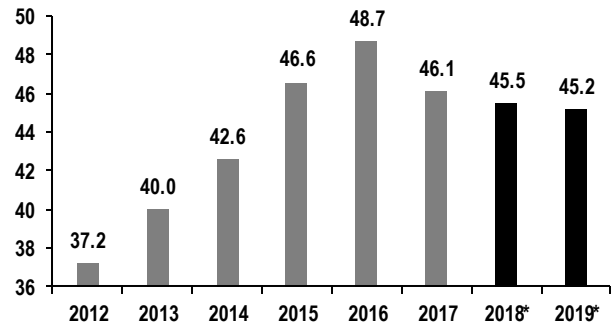
With these assumptions, the Ministry of Finance estimates that the HBPSBR will maintain a downward trend in the following years. We believe that the guidelines presented are consistent with the fiscal consolidation efforts that the government has undertaken. We highlight that the HBPSBR increased in recent years as a result of the significant depreciation of the Mexican currency, which impacted external debt balances.

**PBSR**  
% of GDP



Source: MoF

**HBPSBR**  
% GDP



Source: MoF

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