

Senate approves the Revenue Law for 2018

October 27, 2017

- With 90 votes in favor and 29 against, the Mexican Senate approved the Revenue Law for the fiscal year of 2018 (LIF2018)
- This also implies the approval of the economic policy assumptions for next year (CGPE)
- Now the Lower House has to debate on the spending budget and has until mid-November to approve it
- The LIF2018 includes tax collection for MXN5,279.7bn (~US\$286.9bn), from which MXN3,585bn (~US\$194.8bn) are revenues for Federal Government, MXN1,193.4bn (~US\$64.9bn) for government agencies and companies and another MXN501.4bn (~US\$27.3bn) are resources derived from financing
- This implies a collection destined for federal transfers amounting to MXN2,902.7bn (~US\$157.8bn)
- Among other macroeconomic assumptions, revenues were estimated taking a Mexican exchange rate of USD/MXN18.4, up from the USD/MXN18.1 proposed by the government
- In addition, they assumed a price for the Mexican mix of oil of 48.5dpb, also up from the 46dpb initially used
- Congress authorized a net domestic indebtedness of MXN470bn and a net external indebtedness amounting to US\$5.5bn, which includes borrowing from IFI's
- For Mexico City, net indebtedness approved amounted to MXN5.5bn
- The LIF2018 stipulates that the economic support received by households for the reconstruction or repairs in the areas affected by earthquakes that took place in September shall not be considered income for the purposes of the income tax when they come from corporates or trusts authorized to receive deductible donations
- As expected, no taxes were created nor was there an increase in existing ones

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Economic Policy Assumptions 2018

	CGPE*	Consensus**
GDP (% yoy in real terms)	2.0 - 3.0	2.2
Inflation	3.0	3.8
USD/MXN average	18.10-18.40	18.05
28-day CETES (%)	7.00	--
Public Sector Borrowing Requirements (%GDP)	-2.5	--
Excluding Pemex & CFE (% GDP)	2.0	--
Primary balance (% GDP)	+0.9	--
Mexican mix of oil (dpb)	46.0 48.5	--
Oil platform (thousands barrels per day)		
Output	1,983	--
Exports	888	--

Source: MoF

*Base on the CGPE2018 presented by the government

**Consensus according to last Banamex survey (October 20, 2017)

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