

Public finance report – Deficit of MXN\$213.1bn in the PSBRs in the first seven months of 2018

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- The Ministry of Finance (MoF) released its public finances report for the seventh month of 2018
- Public sector borrowing requirements (Jan-Jul): MXN\$213.1bn deficit (~US\$-11bn)
- Public balance (Jan-Jul): MXN\$199.4bn deficit (~US\$-10.3bn)
- Budget revenues increased 4.4% yoy in real terms when excluding Banxico’s Operational Surplus (including BOS: -6.5% yoy in real terms)
- Budget expenses grew 3.4% yoy in real terms
- The Historic Balance of the Public Sector Borrowing Requirements stood at MXN\$10 trillion (~US\$518bn)

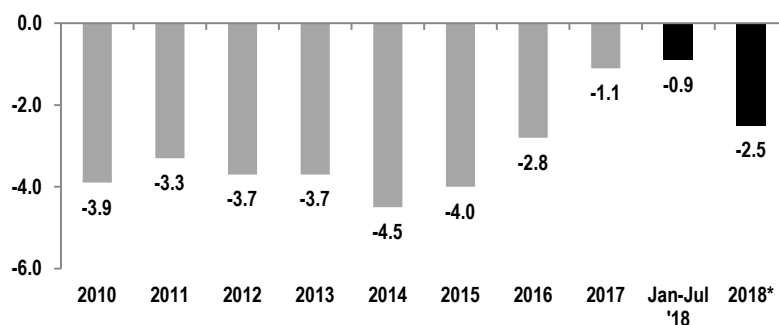
MXN\$213.1bn deficit in the PSBRs during the first seventh months of 2018.

The Ministry of Finance released its public finance report for July, in which we highlight the deficit of MXN\$213.1bn of the *Public Sector Borrowing Requirements* (PSBR) –which is the broadest measure of the public balance¹– during the month. This stood above the MXN\$173.6bn deficit seen in the same period of 2017 when excluding Banxico’s Operational Surplus (BOS). When including the BOS, the surplus in 2017 amounted to MXN\$148.1bn.

In addition, the “traditional” public balance posted a MXN\$199.4bn deficit, MXN\$163.9bn less than the budgeted deficit. Excluding the investment of high economic and social impact –such as investments made within Pemex and CFE of up to 2% of GDP– the balance showed a MXN\$165.2bn surplus. In addition, the primary balance shows a MXN\$162.6 billion surplus, standing above the MXN\$10.3bn budgeted surplus.

Public Sector Borrowing Requirements

% of GDP



Source: Ministry of Finance; *Note: MoF latest estimates

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¹ The PSBRs include the sum of the Public Balance, the financial requirements of the Mexican Bank Savings Protection Institute, financial requirements of deferred investment projects, adjustments to budget records, financial requirements of the National Infrastructure Funds, program of debtors and the expected gain or loss of development banks and development funds.

Public Finances in July 2018

MXN bn

	January-July		% yoy in real terms
	2018	2017	
Public Balance	-199.4	119.3	--
<i>ex. Pemex investments</i>	165.2	321.9	-51.1
Balance of entities under indirect budgetary control	14.4	21.2	-35.5
Revenues	3011.7	3070.4	-6.5
Oil	567.5	495.9	9.1
Non-oil	2444.1	2574.6	-9.5
Tax collection	1833.5	1722.2	1.5
Other	180.9	445.7	-61.3
Government controlled entities	225.1	205.4	4.5
CFE	204.7	201.2	-3.1
Spending	3225.4	2972.3	3.4
Primary spending	2861.0	2653.5	2.8
Programmable spending	2278.9	2153.7	0.9
Non-programmable spending	582.1	499.8	11.0
Financial costs	364.4	318.8	8.9
Primary balance	162.6	431.4	-64.1

Source: Ministry of Finance

Total revenues were up 4.4% yoy when excluding BOS in 2017. According to the MoF, revenues amounted to MXN\$3,011.7bn, MXN\$296.1bn above estimations. Taking a look at the breakdown, the 9.1% annual real increase in oil revenues was mainly explained the 35.7% yoy increase in the price of the Mexican oil basket. However, this was partially offset by the decrease in oil production (-7.6% yoy) as well as the appreciation of the Mexican currency (7.4% yoy).

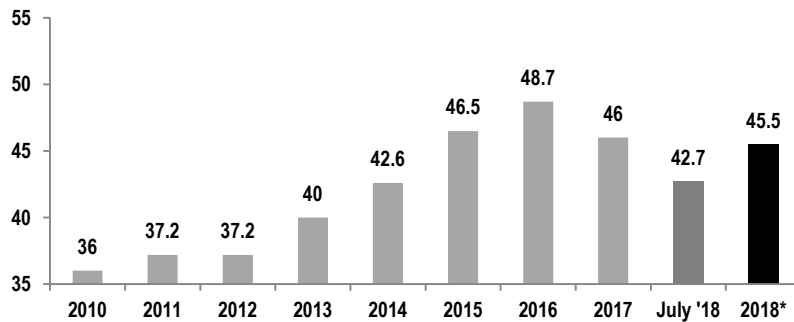
Non-oil tax revenues increased 1.5% yoy in real terms, amounting to MXN\$1,833.5bn, MXN\$106.4bn above budget. This comes on the back of a 0.6% real annual increase in income tax collection, coupled with an 9.5% expansion in VAT revenues. Moreover, excise tax collection (IEPS) decreased by 14.9%. Excluding fuel IEPS, collection of this tax advanced 5.2%. In addition, import taxes increased 10.7% while Hydrocarbon E&P tax revenues grew 13.9% yoy.

Non-oil, non-tax revenues stood at MXN\$180.9bn, which implies a 61.3% annual real decrease, given that in March 2017, the MoF received Banxico's Operational Surplus which amounted to MXN\$321.7bn. When excluding this effect, the revenues were up 38.9%. Moreover, government-controlled entities (IMSS and ISSSTE) revenues were up 4.5%, while CFE posted a 3.1% contraction in annual real terms.

Budget spending increased 3.4%, reaching MXN\$3,225.4bn, MXN\$146.3bn above what was budgeted. Primary spending –which does not include the financial cost of debt–, edged up 2.8% while the financial costs were up 8.9% yoy. Programmable spending grew 0.9%, amounting to MXN\$2,278.9bn, mainly due to increases in autonomous branches (17.2% yoy), and CFE spending (17.1% yoy). Moreover, non-programmable spending, excluding the financial cost of debt, rose by 11%.

The Historic Balance of the Public Sector Borrowing Requirements (HBPSBR) stood at MXN\$10tn (~US\$518bn). Moreover, net domestic public-sector debt amounted to MXN\$10,142.6bn (~US\$525.6bn). In addition, net domestic debt reached MXN\$6.3tn, while net foreign debt climbed to US\$192.3 billion (equivalent to MXN\$3.7tn).

Historic Balance of the Public Sector Borrowing Requirements
% of GDP



Source: Ministry of Finance; *Note: MoF latest estimates

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