

# Public finance report – Deficit of MXN\$230.5bn in the PSBRs in the first half of 2018

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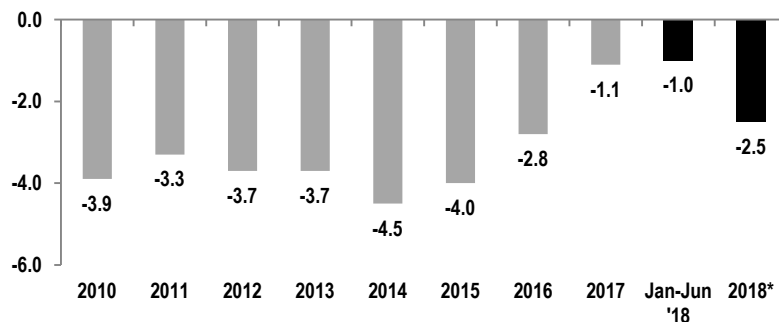
**Francisco Flores**  
Economist, Mexico  
francisco.flores.serrano@banorte.com

- **The Ministry of Finance (MoF) released its public finances report for the sixth month of 2018**
- **Public sector borrowing requirements (Jan-Jun): MXN\$230.5bn deficit (~US\$-11.5bn)**
- **Public balance (Jan-Jun): MXN\$206.7bn deficit (~US\$-10.3bn)**
- **Budget revenues increased 2.1% yoy in real terms when excluding Banxico’s Operational Surplus (including BOS: -10.3% yoy in real terms)**
- **Budget expenses grew 4.9% yoy in real terms**
- **The Historic Balance of the Public Sector Borrowing Requirements stood at MXN\$10.4 trillion (~US\$520bn)**

**MXN\$230.5bn deficit in the PSBRs during the first half of 2018.** The Ministry of Finance released its public finance report for the sixth month of year, in which we highlight the deficit of MXN\$230.5bn of the *Public Sector Borrowing Requirements* (PSBR) –which is the broadest measure of the public balance<sup>1</sup>– during the month. This stood above the MXN\$165.2bn 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\$156.4bn.

In addition, the “traditional” public balance posted a MXN\$206.7bn deficit, MXN\$127bn below 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\$107.1bn surplus. In addition, the primary balance shows a MXN\$121.5 billion surplus, standing above the MXN\$7.6bn budgeted surplus.

**Public Sector Borrowing Requirements**  
% of GDP



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

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<sup>1</sup> 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 June 2018

MXN bn

	January-June		% yoy in real terms
	2018	2017	
<b>Public Balance</b>	<b>-206.7</b>	<b>141.9</b>	<b>--</b>
<i>ex. Pemex investments</i>	107.1	318.4	-67.9
<b>Balance of entities under indirect budgetary control</b>	<b>83.4</b>	<b>21.2</b>	<b>275.7</b>
<b>Revenues</b>	<b>2,500.3</b>	<b>2,655.3</b>	<b>-10.3</b>
Oil	475.7	417.2	8.7
Non-oil	2,024.6	2,238.1	-13.8
Tax collection	1,558.1	1,468.9	1.1
Other	103.6	424.3	-76.7
Government controlled entities	191.7	174.8	4.5
CFE	171.3	170.1	-4.0
<b>Spending</b>	<b>2,790.4</b>	<b>2,534.6</b>	<b>4.9</b>
Primary spending	2,458.7	2,254.9	3.9
Programmable spending	1,956.3	1,819.6	2.5
Non-programmable spending	502.4	435.3	10.0
Financial costs	331.7	279.6	13.1
<b>Primary balance</b>	<b>121.1</b>	<b>412.9</b>	<b>-72.1</b>

Source: Ministry of Finance

**Total revenues were up 2.1% yoy when excluding BOS in 2017.** According to the MoF, revenues amounted to MXN\$2,500.3bn, MXN\$199.5bn above estimations. Taking a look at the breakdown, the 8.7% annual real increase in oil revenues was mainly explained the increase in the price of the Mexican oil basket. However, this was partially offset by the decrease in oil production as well as the appreciation of the Mexican currency.

**Non-oil tax revenues increased 1.1% yoy in real terms, amounting to MXN\$1,558.1bn, MXN\$92.2bn above budget.** This comes on the back of a 0.6% real annual increase in income tax collection, coupled with an 9.8% expansion in VAT revenues. Moreover, excise tax collection (IEPS) decreased by 17%. Excluding fuel IEPS, collection of this tax fell only 3.8%. In addition, import taxes increased 5.7% while Hydrocarbon E&P tax revenues grew 11.5% yoy.

Non-oil, non-tax revenues stood at MXN\$103.6bn, which implies a 76.7% 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 down 3.8%. Moreover, government-controlled entities (IMSS and ISSSTE) revenues were up 4.5%, while CFE posted a 4% contraction in annual real terms. In addition, the outstanding sum of the different stabilization funds at the end of 2Q18 stood at MXN\$346.9bn, which represents a MXN\$38.8bn increase vs December 2017.

### Stabilization funds

Amount outstanding on 2Q18, MXN billion

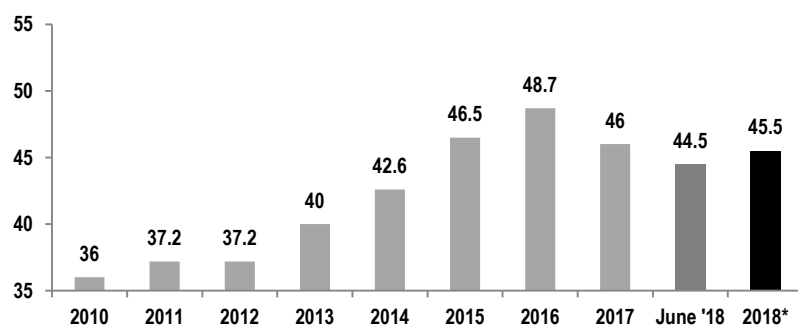
	2018	2017
<b>Total</b>	<b>346.9</b>	<b>350.7</b>
Stabilization Fund for Budget Revenue	252.5	259.3
Stabilization Fund for State Revenue	74.9	73.4
Mexican Petroleum Fund for Stabilization and Development	19.5	18.0

Source: Ministry of Finance

**Budget spending increased 4.9%, reaching MXN\$2,790.4bn, MXN\$155.6bn above what was budgeted.** Primary spending –which does not include the financial cost of debt–, edged up 3.9% while the financial costs were up 13.1% yoy. Programmable spending grew 2.5%, amounting to MXN\$1,956.3bn, mainly due to increases in CFE spending (33.1% yoy), and autonomous branches (14.9% yoy). Moreover, non-programmable spending, excluding the financial cost of debt, rose by 10%.

**The Historic Balance of the Public Sector Borrowing Requirements (HBPSBR) stood at MXN\$10.4tn (~US\$520bn).** Moreover, net domestic public-sector debt amounted to MXN\$10,578.1bn (~US\$527.5bn). In addition, net domestic debt reached MXN\$6.6tn, while net foreign debt climbed to US\$198 billion (equivalent to MXN\$4tn).

**Historic Balance of the Public Sector Borrowing Requirements**  
% of GDP



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

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**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**
**Research and Strategy**

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

**Economic Analysis**

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

**Fixed income and FX Strategy**

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

**Equity Strategy**

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

**Corporate Debt**

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

**Wholesale Banking**

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454