

Public finance report – Deficit of MXN\$84.5bn in the PSBRs in May

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@analisis_fundam

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

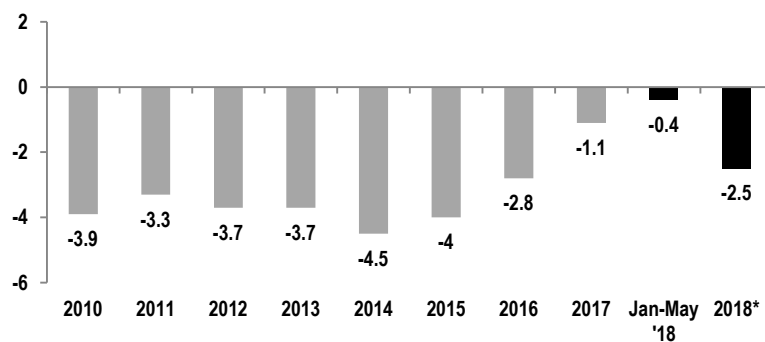
- The Ministry of Finance (MoF) released its public finances report for the fifth month of 2018
- Public sector borrowing requirements (Jan-May): MXN\$84.5bn deficit (~US\$-4.3bn)
- Public balance (Jan-May): MXN\$36.9bn deficit (~US\$-1.9bn)
- Budget revenues increased 1.8% yoy in real terms when excluding Banxico’s Operational Surplus (including BOS: -12.5% yoy in real terms)
- Budget expenses grew 9.7% yoy in real terms
- The Historic Balance of the Public Sector Borrowing Requirements stood at MXN\$10.2 trillion (~US\$514.1bn)

MXN\$84.5bn deficit in the PSBRs during the first five months of 2018. The Ministry of Finance released its public finance report for the fifth month of year, in which we highlight the deficit of MXN\$84.5bn of the *Public Sector Borrowing Requirements* (PSBR) –which is the broadest measure of the public balance¹– during the month. This stood above the MXN\$8.5bn 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\$313.2bn.

In addition, the “traditional” public balance posted a MXN\$36.9bn deficit, MXN\$129.5bn 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\$220bn surplus. In addition, the primary balance shows a MXN\$132 billion surplus, standing above the MXN\$16.2bn 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 May 2018

MXN bn

	January-May		% yoy in real terms
	2018	2017	
Public Balance	-36.9	381.7	--
<i>ex. Pemex investments</i>	220.0	523.7	-60.0
Balance of entities under indirect budgetary control	92.6	32.0	175.3
Revenues	2,093.0	2,279.0	-12.5
Oil	396.3	350.5	7.7
Non-oil	1,696.7	1,928.5	-16.2
Tax collection	1,306.7	1,235.6	0.7
Other	92.4	411.0	-78.6
Government controlled entities	158.3	142.8	5.5
CFE	139.3	139.1	-4.6
Spending	2,222.4	1,929.3	9.7
Primary spending	2,040.7	1,786.24	8.8
Programmable spending	1,620.3	1,425.6	8.3
Non-programmable spending	420.4	360.7	11.0
Financial costs	181.7	143.1	21.0
Primary balance	132.0	504.5	-75.1

Source: Ministry of Finance

Total revenues were up 1.8% yoy when excluding BOS in 2017. According to the MoF, revenues amounted to MXN\$2,093bn, MXN\$173.7bn above estimations. Taking a look at the breakdown, the 7.7% annual real increase in oil revenues was mainly explained the increase in the price of the Mexican oil basket (30.1% yoy). However, this was partially offset by the 6.5% yoy decrease in oil production as well as the appreciation of the Mexican currency.

Non-oil tax revenues increased 0.7% yoy in real terms, amounting to MXN\$1,306.7bn, MXN\$78.8bn above budget. This comes on the back of a 0.4% real annual decrease in income tax collection, coupled with an 9.2% expansion in VAT revenues. Moreover, excise tax collection (IEPS) decreased by 13.3%. Excluding fuel IEPS, collection of this tax fell only 2.8%. In addition, import taxes increased 0.8% while Hydrocarbon E&P tax revenues grew 10.2% yoy.

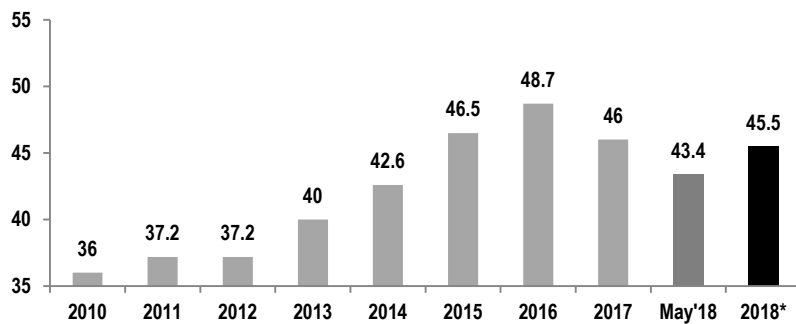
Non-oil, non-tax revenues stood at MXN\$92.4bn, which implies a 78.6% annual real decrease, given that in March 2017, the MoF received Banxico's Operational Surplus which amounted to MXN\$321.7bn. When excluding this effect, the revenues were down 1.5%. Moreover, government-controlled entities (IMSS and ISSSTE) revenues were up 5.5%, while CFE posted a 4.6% contraction in annual real terms.

Budget spending increased 9.7%, reaching MXN\$2,222.4bn, MXN\$136.5bn above what was budgeted. Primary spending –which does not include the

financial cost of debt–, edged up 8.8% while the financial costs were up 21% yoy. Programmable spending grew 8.3%, amounting to MXN\$1,620.3bn, mainly due to increases in CFE spending (45.6% yoy), and autonomous branches (11.9% 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\$10.2tn (~US\$514.1bn). Moreover, net domestic public-sector debt amounted to MXN\$10,351.1bn (~US\$524bn). In addition, net domestic debt reached MXN\$6.4tn, while net foreign debt climbed to US\$199.5 billion (equivalent to MXN\$3.9tn).

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