

# 3Q17 Public finance report – MXN73.3bn surplus in the PSBRs

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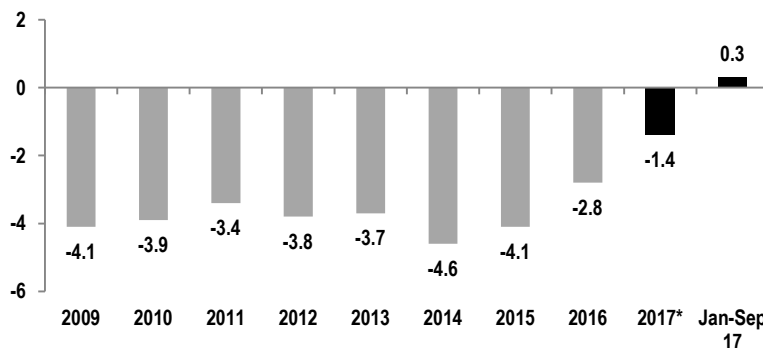
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- **The Ministry of Finance (MoF) released its public finances report for the ninth month of 2017**
- **Public sector borrowing requirements (Jan-Sep): MXN73.3bn surplus (~US\$3.9bn)**
- **Public balance (Jan-Sep): MXN63.2bn surplus (~US\$3.3bn)**
- **Budget revenues increased 1.8% yoy. In addition, non-oil revenues increased 4.6% yoy in real terms, while oil revenues decreased 11% yoy**
- **Budget expenses declined by 6.4% yoy, driven by the cutbacks in administrative sector costs, which decreased 27.9% yoy in real terms**
- **The Historic Balance of the Public Sector Borrowing Requirements stood at MXN9.5 trillion (~US\$500.5 bn), representing around 44.5% of GDP**

**Public sector balance shows a surplus in August.** The Ministry of Finance just released its public finance report for the eighth month of year, in which we highlight the MXN73.3bn surplus in *Public Sector Borrowing Requirements* (PSBR) –which is the broadest measure of the public balance<sup>1</sup>–, above last year’s MXN207.7bn deficit. In addition, the public balance posted a MXN63.2bn surplus, above the MXN251.3bn deficit in 2016. Furthermore, the balance was MXN452.7bn above the budgeted figure. Excluding the investment of high economic and social impact –such as investments made by Pemex and CFE–, the surplus amounted to MXN319.9bn (vs. the MXN129.9bn surplus observed in September 2016). In addition, the primary balance shows a MXN4161 billion surplus.

**Public Sector Borrowing Requirements**  
% of GDP



Source: Ministry of Finance; \*Note: For 2017 MoF estimates are used including Banxico’s Operational Surplus

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**Total revenues were up 1.8% yoy.** According to the MoF, revenues added to MXN3.8bn, MXN516.9bn above estimations. Taking a look at the breakdown,

<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.

the 11% annual real decrease in oil revenues was explained by the MXN160.7bn transfer from the Federal Government to Pemex in 2016, which increased the base of comparison. Excluding this effect, revenues were up 20%, as a result of the 34.6% annual increase in the price of the Mexican mix of oil, as well as the 0.5% yoy depreciation of the USD/MXN exchange rate, offset by a 8.8% decrease in oil production.

**Non-oil tax revenues increased 1% yoy in real terms, amounting to MXN2.2tn, MXN 101.7bn above budget.** This comes on the back of a 5.3% increase in income tax collection, coupled with a 2.8% increase in VAT revenues. However, excise tax collection (IEPS) decreased 17.3%. Excluding fuel IEPS, collection of this tax increased 4.4%. Non-oil, non-tax revenues stood at MXN473.9 bn, which implies a 19.2% annual real growth, however it is worth mentioning that Banxico's operating surplus is accounted for in these figures. Excluding this surplus, the real annual growth was 5.5%. Moreover, the *Stabilization Fund for Budget Revenue* outstanding sum at the end of September 2017 was MXN 226.2bn.

#### Stabilization funds

Amount outstanding on September 30, 2017, MXN billion

Total	226.2	238.8	157.9	140.4
Stabilization Fund for Budget Revenue	181.2	196.1	120.5	110.1
Stabilization Fund for State Revenue	45.3	42.7	37.4	30.3

Source: Ministry of Finance

**Budget spending decreased 6.4%, amounting to MXN3.7tn, MXN85.1bn above what was budgeted.** Primary spending –which does not include the financial cost of debt–, edged down 7.9% while the financial costs were up 11.2% yoy. Programmable spending decreased 10.7%, amounting to MXN2.7tn, mainly due to cuts in the administrative sector (-27.9% yoy), and state-owned companies (-8.1% yoy). Moreover, non-programmable spending, excluding the financial cost of debt, rose by 6.6%, given the 7.9% increase in participation to states.

#### Public Finances in September 2017

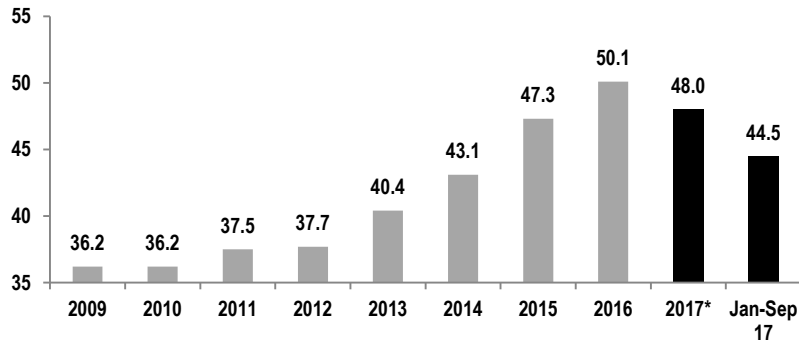
MXNbn

	Jan-Sep		% yoy in real terms
	2017	2016	
<b>Balance</b>	<b>63.2</b>	<b>-251.3</b>	
<i>ex. Pemex investments</i>	319.9	129.9	132.7
<b>Revenues</b>	<b>3,773.0</b>	<b>3,501.2</b>	<b>1.8</b>
Oil	584.9	621.1	-11
Non-oil	3,188.1	2,880.2	4.6
Tax collection	2,182.7	2,041.5	1.0
Other	473.9	375.4	19.2
Government controlled enterprises	531.6	463.2	8.4
<b>Spending</b>	<b>3,731.0</b>	<b>3,764.1</b>	<b>-6.4</b>
Primary spending	3,371.7	3,459.0	-7.9
Programmable spending	2,744.5	2,903.0	-10.7
Non-programmable spending	627.2	556.0	6.6
Financial costs	359.3	305.1	11.1
Primary balance	416.0	59.1	

Source: Ministry of Finance

**Finally, the Historic Balance of the Public Sector Borrowing Requirements (HBPSBR) stood at MXN9.5 tn.** Moreover, net domestic public sector debt amounted to MXN 9.4tn (US\$497 bn). In addition, net domestic debt reached MXN5.9 tn, while net foreign debt climbed to US\$191.8 billion (equivalent to MXN3.5 tn). Public debt has shown a significant growth in the last two years, as a result of the depreciation of the Mexican currency, which has caused a sharp increase in the nominal domestic value of gross foreign debt.

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



Source: Ministry of Finance

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