

Public finance report – Deficit of MXN\$83.4bn in the PSBRs in 1Q18

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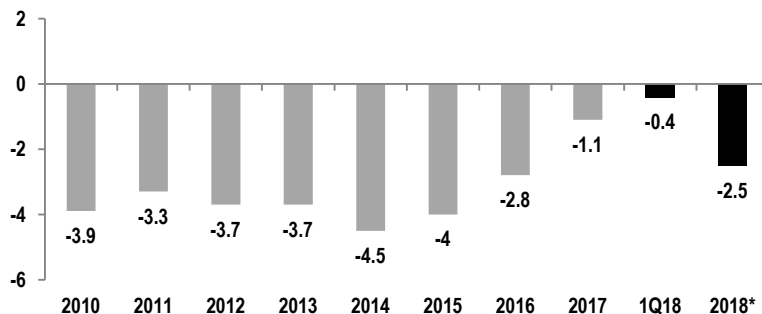
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- The Ministry of Finance (MoF) released its public finances report for the third month of 2018
- Public sector borrowing requirements (Jan-Mar): MXN\$83.4bn deficit (~US\$-4.5bn)
- Public balance (Jan-Mar): MXN\$91.9bn deficit (~US\$-5bn)
- Budget revenues increased 3.6% yoy in real terms when excluding Banxico’s Operational Surplus (including BOS: -18.9% 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\$9.93 trillion, around 42.4% of GDP (~US\$541.6bn)

MXN\$83.4bn deficit in the PSBRs during the 1Q18. The Ministry of Finance released its public finance report for the third month of year, in which we highlight the deficit of MXN\$83.4bn of the *Public Sector Borrowing Requirements* (PSBR) –which is the broadest measure of the public balance¹– during the month. This stood above the MXN\$59.3bn deficit seen in 1Q17 when excluding Banxico’s Operational Surplus (BOS).

In addition, the “traditional” public balance posted a MXN\$91.9bn deficit, MXN\$67.9bn below the budgeted figure. 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\$62.8bn surplus. In addition, the primary balance shows a MXN\$41.9 billion surplus, standing above the MXN\$36.3bn budgeted deficit.

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.

Total revenues were up 3.6% yoy when excluding BOS in 2017. According to the MoF, revenues amounted to MXN\$1,261.3bn, MXN\$123.3bn above estimations. Taking a look at the breakdown, the 8.6% annual real increase in oil revenues was explained the increase in the price of the Mexican oil basket as well as the growth in natural gas prices. This advance took place despite the decrease in oil production as well as the appreciation of the Mexican currency.

Non-oil tax revenues increased 1.7% yoy in real terms, amounting to MXN\$784.4bn, MXN\$60.1bn above budget. This comes on the back of a 0.8% real annual decrease in income tax collection, coupled with an 11% expansion in VAT revenues. Moreover, excise tax collection (IEPS) decreased by 5.1%. Excluding fuel IEPS, collection of this tax increased 19.8%. In addition, import taxes fell 2.9% while Hydrocarbon E&P tax revenues grew 13.2%.

Non-oil, non-tax revenues stood at MXN\$66.9bn, which implies a 83.3% annual real decrease, given that in March 2017, the MoF received Banxico's Operational Surplus which amounted to MXN\$321.7bn. Moreover, government-controlled entities (IMSS and ISSSTE) revenues were up 5%, while CFE posted a 3.7% growth in annual real terms. In addition, the outstanding sum of the different stabilization funds at the end of the 1Q18 stood at MXN\$350.7bn, which represents a MXN\$42.67bn increase vs December 2017.

Stabilization funds

Amount outstanding on March 31, 2018, MXN billion

Total	350.7
Stabilization Fund for Budget Revenue	259.3
Stabilization Fund for State Revenue	73.4
Mexican Petroleum Fund for Stabilization and Development	18.0

Source: Ministry of Finance

Budget spending increased 9.7%, reaching MXN\$1,374.8bn, MXN\$76.8bn above what was budgeted. Primary spending –which does not include the financial cost of debt–, edged up 9% while the financial costs were up 17.4% yoy. Programmable spending grew 6.8%, amounting to MXN\$970.3bn, mainly due to increases in general spending (9.6% yoy), and state-controlled entities (7.2% yoy). Moreover, non-programmable spending, excluding the financial cost of debt, rose by 17.7%.

Public Finances in March 2018

MXN bn

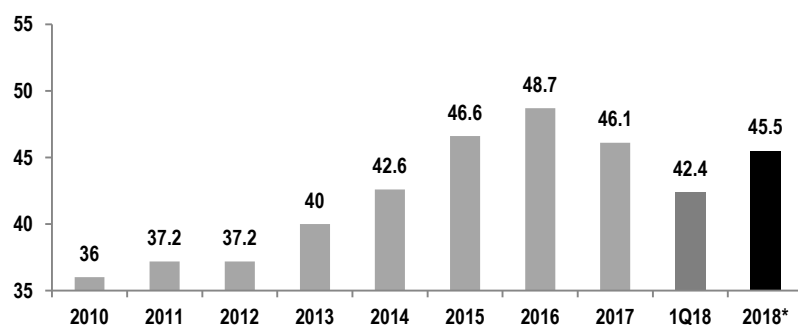
	January-March		% yoy in real terms
	2018	2017	
Public Balance	-91.9	309.1	--
<i>ex. Pemex investments</i>	62.8	398.4	-85.0
Revenues	1,261.3	1,477.6	-18.9
Oil	230.0	201.0	8.6
Non-oil	1,031.3	1,276.5	-23.3
Tax collection	784.4	732.3	1.7
Other	66.9	380.4	-83.3
Government controlled entities	93.7	84.8	5.0
CFE	86.4	79.1	3.7
Spending	1,374.8	1,189.6	9.7
Primary spending	1,249.2	1,087.9	9.0
Programmable spending	970.3	863.0	6.8
Non-programmable spending	278.8	225.0	17.7
Financial costs	125.7	101.7	17.4
Primary balance	41.9	397.3	-90.0

Source: Ministry of Finance

The Historic Balance of the Public Sector Borrowing Requirements (HBPSBR) stood at MXN\$9.93tn (~US\$541.6bn). Moreover, net domestic public-sector debt amounted to MXN\$10,058.8tn (US\$548.7bn). In addition, net domestic debt reached MXN\$6.4tn, while net foreign debt climbed to US\$199.1 billion (equivalent to MXN\$3.6tn).

Historic Balance of the Public Sector Borrowing Requirements

% of GDP



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

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