

Public finance report – MXN45.9 bn surplus without taking into account Banxico’s operating surplus

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- **The Ministry of Finance (MoF) released its public finances report for the fourth month of 2017**
- **Public balance (Jan-Apr): MXN\$367.6 bn surplus (≈USD\$18.4 bn) while the deficit excluding Banxico’s operating surplus posted a MXN 45.9bn surplus (≈USD\$2.3 bn)**
- **Public sector borrowing requirements (Jan-Apr): MXN\$323.2 bn surplus (≈USD\$12.4 bn); excluding Banxico’s operating surplus: MXN\$1.5 bn (≈USD\$75.2 mn)**
- **Budget revenues increased 8.2% yoy. In addition, non-oil revenues increased 6.3% yoy in real terms, while oil revenues expanded 21%**
- **Budget expenses declined by 2.3% yoy, driven by the cutbacks in administrative sector costs, which decreased 20.7% yoy in real terms**
- **Net public debt amounted to MXN\$9.2 trillion (≈USD\$463.5 bn), while the historic balance of the public sector borrowing requirements stood at MXN\$9.8trillion (≈USD\$491.3 bn)**

According to the Ministry of Finance, public balance during the fourth month of the year posted a MXN\$367.6 billion surplus (≈USD\$18.4 bn). This figure represents a MXN\$190.5 bn increase over the figure seen in the same period of last year (MXN\$177.1 bn). Moreover, *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance– posted a MXN\$323.2 bn surplus (≈USD\$12.4 bn), 89.3% higher than that seen in 2016 (real terms). Looking at these figures without Banxico’s Operating Surplus (BOS), the PSBRs stood at MXN\$1.5 bn. Moreover, excluding the investment of high economic and social impact –such as investments made within Pemex and CFE–, the public balance showed a MXN\$482 billion surplus (vs. the MXN\$8.3 billion surplus observed in April 2016). In addition, the primary balance shows a MXN\$495.8 billion surplus vs. the MXN\$267.8 billion surplus observed in the same month last year.

Revenues increased 8.2% yoy. According to the MoF, during April, higher expected revenue was exceeded by MXN\$447.5 bn, totaling MXN\$1.9 tn. Taking a look at the breakdown, the 21% annual real increase in oil revenues was explained 65.8% annual increase in the price of the Mexican oil basket, as well as the 9.1% annual depreciation of the USD/MXN exchange rate. This growth was achieved despite de 9.8% decrease in oil production.

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Non-oil tax revenues increased 0.3% yoy in real terms. This comes on the back of a 3.1% increase in income tax collection, coupled with a 1% increase in

VAT revenues, and 4.6% higher collection on import taxes. However, collection on IEPS taxes decreased by 14.7%, but when excluding IEPS for fuel, they rose 12.2%. Non-oil non-tax revenues stood at MXN\$398.4 bn, which implies a 23.3% annual real growth, however it is worth mentioning that the BOS is accounted for in these figures. Excluding this surplus, the real annual growth was 7.2%.

Budget spending decreased 2.3% in April. With this decrease, spending reached MXN\$1,562.8 bn, MXN\$47.1 bn lower than expected. Primary spending, –which does not include the financial cost of debt– decreased by 4.7%, while the financial costs grew 37.4% yoy. Programmable spending decreased 7.8%, amounting to MXN\$1,140.9 bn in the fourth month of the year, mainly due to cuts in the administrative (-20.7% yoy), and autonomous (-0.2% yoy) sectors. Moreover, non-programmable spending, excluding the financial cost of debt, rose by 9.6%

Public Finances in April 2017
MXN\$bn

	Jan-Apr		% yoy
	2017	2016	in real terms
Balance	367.6	177.1	97.3
<i>ex. Pemex investments</i>	482.8	333.2	37.8
Revenues	1,919.8	1,686.6	8.2
Oil	286.5	225.2	21.0
Non-oil	1,633.3	1,416.3	6.3
Tax collection	1,013.4	960.8	0.3
Other	398.4	307.1	23.3
Government controlled enterprises	221.6	193.4	8.9
Spending	1,562.8	1,520.0	-2.3
Primary balance	495.8	267.8	76.0

Source: Ministry of Finance

Net domestic public sector debt amounted to MXN 9.2tn (≈USD\$463.5 bn).

In addition, net domestic debt reached MXN\$5.7 tn, while net foreign debt climbed to USD\$184.3 billion (equivalent to MXN\$3.5 tn). Moreover, the Historic Balance of the Public Sector Borrowing Requirements (HBPSBR) – which represent the broadest measure of public debt– stood at MXN\$9.3 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.

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