

Public finance report – MXN\$172.5bn deficit in the PSBRs at the end of 3Q19

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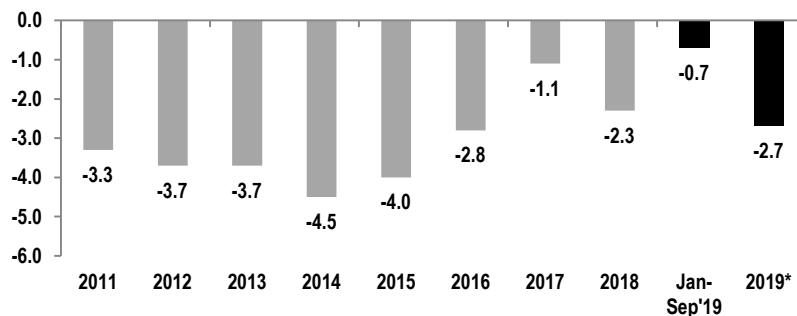
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- The Ministry of Finance (MoF) released its public finances report for the ninth month of 2019
- Public sector borrowing requirements (Jan-Sep): MXN\$172.5bn deficit (~US\$8.8bn)
- Public balance (Jan-Sep): MXN\$160.2bn deficit (~US\$8.2bn)
- Primary balance (Jan-Sep): MXN\$279.9bn surplus (~US\$14.3bn)
- Budget revenues increased 1.0% yoy in real terms, favorably impacted by the 2.4% rise in tax revenues
- Budget expenses edged-down 1.9% yoy in real terms, coming in MXN\$151.3bn below estimates
- In this respect, the primary surplus is still higher than expected, mainly because of lower spending albeit to a lesser extent than in previous months
- The Historic Balance of the Public Sector Borrowing Requirements stood at MXN\$10.7 trillion (~US\$544.4bn), equivalent to 43.0% of GDP

MXN\$172.5bn deficit in the PSBRs in the first nine months of 2019. The Ministry of Finance released its public finance report for August, in which we highlight the MXN\$172.5bn deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance¹–, equivalent to 0.7% of GDP. This was considerably higher than the MXN\$304.6bn deficit during the same period of 2018. In addition, the “traditional” public balance posted a MXN\$160.2bn deficit, lower than the MXN\$349.5bn budgeted deficit. In this regard, spending cuts have driven the better-than-estimated result for the period. Excluding investments in projects of high economic and social impact –such as those in Pemex and CFE of up to 2% of GDP– the balance showed a MXN\$260.7bn surplus. In addition, the primary surplus stood at MXN\$279.9bn, above the MXN\$153.1bn budgeted surplus.

Public Sector Borrowing Requirements

% of GDP



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

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 went up 1.0% yoy. According to the MoF, revenues were MXN\$3,976.5bn, which was MXN\$12.0bn lower than projected. Inside, we highlight that oil revenues improved relative to last month's figures. However, this is explained by the MXN\$97.1bn (~US\$4.9bn) capital contribution by the Federal Government to Pemex, which was announced on September 11th. Despite of the latter these revenues were still down in annual terms, falling 4.6% and amounting to MXN\$707.6 bn.

Public finances: September 2019

MXN\$bn

	January-September		% yoy in real terms
	2019	2018	
Public Balance	-160.2	-311.0	--
<i>ex. Pemex and CFE investments</i>	159.3	260.7	57.5
Balance of entities under indirect budgetary control	50.3	8.1	497.0
Revenues	3,976.5	3,791.5	1.0
Oil	707.6	713.9	-4.6
Non-oil	3,268.9	3,077.6	2.3
Tax collection	2,445.5	2,299.3	2.4
Other	203.6	204.1	-4.0
Government controlled entities	312.0	294.3	2.1
CFE	307.8	279.9	5.9
Spending	4,187.0	4,110.6	-1.9
Primary spending	3,722.1	3,689.3	-2.9
Programmable spending	3,016.9	2,967.0	-2.1
Non-programmable spending	705.2	722.4	-6.0
Financial costs	464.9	421.3	6.2
Primary balance	114.2	279.9	135.9

Source: Ministry of Finance

Non-oil tax collections increased 2.4% yoy in real terms, amounting to MXN\$2,445.5bn, MXN\$68.1bn below budget. We highlight the 0.6% contraction on income tax collection as well as the 2.6% fall in VAT revenues. In this respect, excise taxes (IEPS) were the main contributor to the overall result as they grew 32.6%. Import taxes increased 1.7%. Finally, Hydrocarbon E&P tax revenues grew 7.4% yoy. Non-oil, non-tax revenues stood at MXN\$203.6bn (-4.0% in real terms). Government-controlled entities (IMSS and ISSSTE) were up 2.1%, while CFE rose 5.9%.

Moreover, the outstanding sum of the different stabilization funds at the end of September 2019 stood at MXN\$373.0bn (~US\$19.0bn), which represents a MXN\$15.8bn decrease vs December 2018. In particular, the only one lower was the Stabilization Fund for Budget Revenues (also known as FEIP), subtracting MXN\$19.6bn in the period, as shown in the table below. This is in line with the announcement from the MoF to access fund resources to compensate for income shortfalls.

Stabilization funds

MXN\$bn

	Sep-19	Dec-18	Difference
Total	373.0	388.8	-15.8
Stabilization Fund for Budget Revenues	260.2	279.8	-19.6
Stabilization Fund for State Revenues	92.2	88.7	3.5
Mexican Petroleum Fund for Stabilization and Development	20.6	20.3	0.3

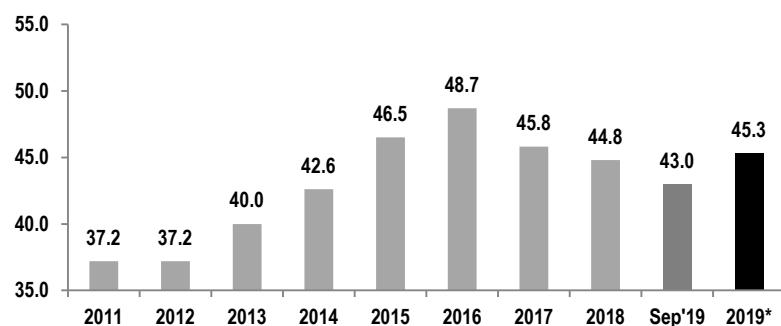
Source: Ministry of Finance

Budget spending edged-down 1.9%, reaching MXN\$4,187.0bn. This was MXN\$151.3bn below budget. Primary spending –which does not include debt financing costs–, fell 2.9% yoy while financing costs were up 6.2%. Programmable spending was down 2.1%, amounting to MXN\$3,016.9bn. The main increases in this branch were in IMSS (+7.1%) and ISSSTE (+4.8%). Spending by administrative branches fell 0.8%, while expenditures in autonomous branches decreased 16.4%. Moreover, non-programmable spending excluding the financial cost of debt decreased 6.0%, stemming from the 81.8% reduction in ADEFAS, while Participations –transfers to states under the federal tax collection agreement– increased 2.1%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at MXN\$10.7tn (~US\$544.4bn), equivalent to 43.0% of GDP. Moreover, net public-sector debt amounted to MXN\$11.0n (~US\$561.9bn). Net domestic debt reached MXN\$7.0tn, while net foreign debt climbed to US\$203.1 billion (equivalent to MXN\$4.0tn).

Historic Balance of the Public Sector Borrowing Requirements

% of GDP



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

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