

Public finance report – MXN\$196.0bn deficit in the PSBRs at the end of October

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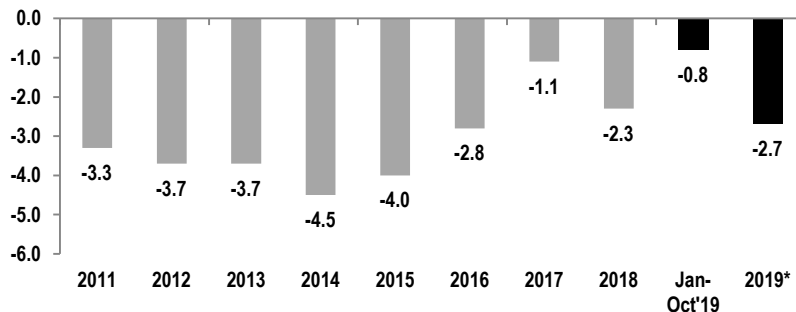
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- The Ministry of Finance (MoF) released its public finances report for the tenth month of 2019
- Public sector borrowing requirements (Jan-Oct): MXN\$196.0bn deficit (~US\$10.3bn)
- Public balance (Jan-Oct): MXN\$154.1bn deficit (~US\$8.1bn)
- Primary balance (Jan-Oct): MXN\$296.5bn surplus (~US\$15.5bn)
- Budget revenues decreased 0.3% yoy in real terms, impacted by the 8.3% fall in oil revenues
- Budget expenses edged-down 2.2% yoy in real terms, coming in MXN\$155.3bn below estimates
- In this respect and as observed throughout the year, the primary surplus remains higher than expected mainly because of lower spending, although to a lesser extent than in previous months
- The Historic Balance of the Public Sector Borrowing Requirements stood at MXN\$10.6 trillion (~US\$552.5bn), equivalent to 42.5% of GDP

MXN\$196.0bn deficit in the PSBRs in the first ten months of 2019. The Ministry of Finance released its public finance report for October, in which we highlight the MXN\$196.0bn deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance¹–, equivalent to 0.8% of GDP. This was considerably higher than the MXN\$303.2bn deficit during the same period of 2018. In addition, the “traditional” public balance posted a MXN\$154.1bn deficit, lower than the MXN\$334.2bn 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\$317.7bn surplus. In addition, the primary surplus stood at MXN\$296.5bn, above the MXN\$156.2bn 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.

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Total revenues went down 0.3% yoy. According to the MoF, revenues were MXN\$4,367.7bn, which was MXN\$33.0bn lower than projected. Inside, we highlight that oil revenues fell 8.3%, reaching MXN\$759.6bn. This is explained by the 9.1% fall in oil output coupled with the 7.6% decrease in the price of the Mexican oil mix.

Public finances: October 2019

MXN\$bn

	January-October		% yoy in real terms
	2019	2018	
Public Balance	-154.1	-275.2	--
<i>ex. Pemex and CFE investments</i>	317.7	195.2	56.8
Balance of entities under indirect budgetary control	57.9	15.9	251.7
Revenues	4,367.7	4,220.8	-0.3
Oil	759.6	798.0	-8.3
Non-oil	3,608.0	3,422.8	1.6
Tax collection	2,685.3	2,545.6	1.6
Other	227.7	226.2	-3.0
Government controlled entities	347.1	328.9	1.7
CFE	347.9	322.1	4.1
Spending	4,579.7	4,511.8	-2.2
Primary spending	4,096.7	4,073.5	-3.1
Programmable spending	3,344.3	3,297.9	-2.3
Non-programmable spending	752.4	775.6	-6.5
Financial costs	483.0	438.3	6.2
Primary balance	296.5	156.2	82.9

Source: Ministry of Finance

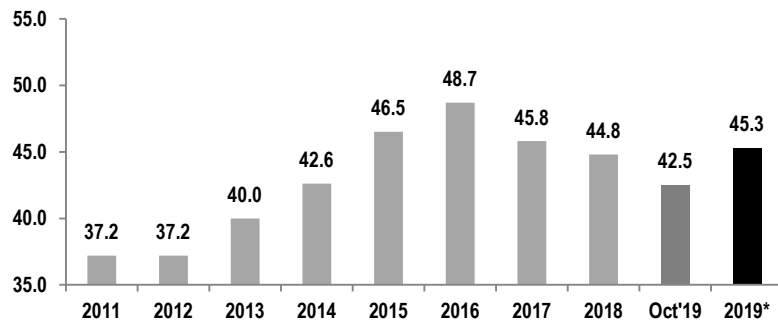
Non-oil tax collections increased 1.6% yoy in real terms, amounting to MXN\$2,685.3bn, MXN\$80.1bn below budget. We highlight the 1.2% contraction in income tax collection as well as the 3.2% fall in VAT revenues. In this respect, excise taxes (IEPS) were the main contributor to the overall result, as they grew 31.6%. Import taxes decreased 0.8%. Finally, Hydrocarbon E&P tax revenues grew 9.3% yoy. Non-oil, non-tax revenues stood at MXN\$227.7bn (-3.0% in real terms). Government-controlled entities (IMSS and ISSSTE) were up 1.7%, while CFE rose 4.1%.

Budget spending edged-down 2.2%, reaching MXN\$4,579.7bn. This was MXN\$155.3bn below budget. Primary spending –which does not include debt financing costs–, fell 3.1% yoy while financing costs were up 6.2%. Programmable spending was down 2.3%, amounting to MXN\$3,344.3bn. The only increases in this branch were in IMSS (+8.2%) and ISSSTE (+3.5%). Spending by administrative branches fell 2.3%, while expenditures in autonomous branches decreased 17.1%. Moreover, non-programmable spending excluding the financial cost of debt decreased 6.5%, stemming from the 83.5% reduction in ADEFAS, while Participations –transfers to states under the federal tax collection agreement– increased 0.7%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at MXN\$10.6tn (~US\$552.5bn), equivalent to 42.5% of GDP. Moreover, net public-sector debt amounted to MXN\$10.9bn (~US\$571.9bn). Net domestic debt reached MXN\$7.1tn, while net foreign debt climbed to US\$202.9 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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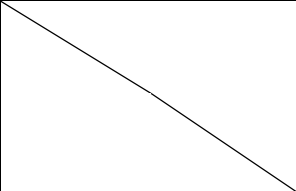
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