

Public finances 1Q17 – Surplus in PSBRs considering Banxico’s Operating Surplus

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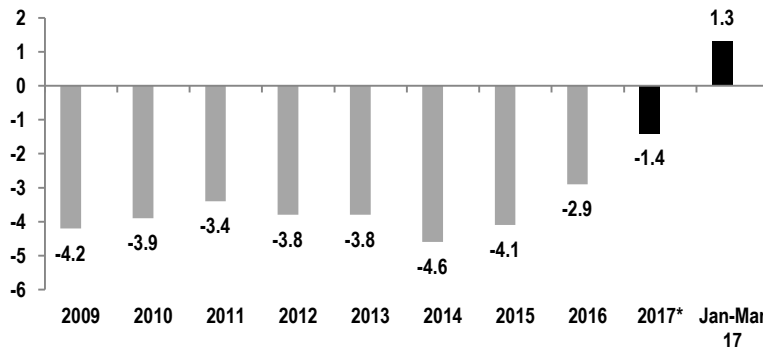
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- The Ministry of Finance (MoF) released its monthly public finances report for March
- Public balance (1Q17): MXN309.1 billion surplus (ex. high impact investments: MXN 398.4bn); USD15.2 bn or 1.5% of GDP
- Public Sector Borrowing Requirements (PSBR) in 1Q17: MXN\$270.8 billion surplus, around 1.3% of GDP; USD13.3 bn
- Budget revenues increased 33.4% yoy, non-oil revenues increased 32.6% yoy in real terms while oil revenues grew by 39% yoy
- Discretionary expenditures decreased by 6.3% yoy in real terms
- Net debt amounted 44% of Mexico’s GDP, while the Historic Balance of the Public Sectors Borrowing Requirements (HBPSBR) stood at 44.3% of GDP

According to the Ministry of Finance, public balance during 1Q17 posted a MXN309.1 billion surplus. Looking at PSBR, the balance stood at MXN\$270.8 billion, equivalent to 1.3% of GDP (~USD13.3 bn). It is worth mentioning that this figure includes Banxico’s Operational Surplus (BOS), which amounted to MXN321.7 bn, (1.5% of GDP; USD15.8 bn). Excluding this income, the PSBRs posted a MXN50.8 bn deficit. Excluding high-impact economic and social investments, the public balance showed a MXN398.7 bn surplus (vs. the MXN56.4 bn surplus observed in 2016). In addition, the primary balance shows a MXN414.6bn deficit vs. the MXN21.6bn surplus observed in the same period last year.

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Public Sector Borrowing Requirements
% of GDP



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

Public finances: 1T17

MXNbn

	1Q17	1Q16	% yoy real
Balance	309.1	-61.6	-
<i>ex. High impact investments</i>	398.4	56.4	over 500%
Revenues	1,483.2	1,058.8	33.4
Oil	206.3	141.4	39.0
Non-oil	1,276.9	917.5	32.6
Tax collection	732.5	723.1	-3.5
Other	380.3	50.7	over 500%
Government controlled enterprises	164.0	143.6	8.8
Spending	1,176.3	1,110.3	0.9
Programmable	851.0	865.2	-6.3
Non programmable	325.3	245.1	26.4
Primary balance	414.6	21.6	over 500%

Source: MoF

Oil revenues increased 39% yoy. According to the MoF, higher oil revenues were explained due to the increase in the price of the Mexican oil basket (+74.6%), the FX depreciation (-10.9%) and a higher price of natural gas (+50.2%), despite the decline in Mexico's oil production (-10%).

Non-oil tax revenues decreased 3.5% yoy in real terms. This comes on the back of a 4.1% yoy slowdown in income tax collection, despite a 2.1% increase in VAT revenues and the 8.3% increase in import taxes. Moreover, excise taxes decreased 15% yoy in real terms due to the fiscal stimulus applied to gasoline taxes.

Non-oil, non-tax revenue increased over 500% on the back of Banxico's Operating Surplus. The MXN321.7 bn, (1.5% of GDP; USD15.8 bn).transfer from the Central Bank to the MoF represented an increase of over 500% in the category. 70% of the BOS will be used to reduce debt issuance or for debt buyback, while the remaining 30% will be used for the *Stabilization Fund for Budget Revenue*. The outstanding sum of the Stabilization Funds at the end of March 2017 was MXN 157.9bn.

Stabilization funds

Amount outstanding on March, 31 2017, MXN billion

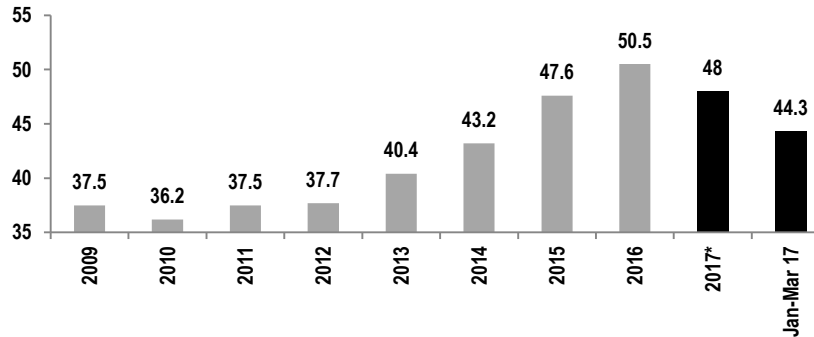
	157.9	140.4
Total		
Stabilization Fund for Budget Revenue	120.5	110.1
Stabilization Fund for State Revenue	37.4	30.3

Source: Ministry of Finance

Budget spending increased 0.9% yoy in real terms. Discretionary spending amounted to MXN851 bn during the quarter, which implies a 6.3% real yoy contraction. Taking a look at the breakdown, the biggest decreases were seen in the Administrative (-12.1%) and the State-owned enterprises (-4.2%), of which Pemex's spending decreased 18.1% yoy in real terms.

The Historic Balance of the Public Sectors Borrowing Requirements (HBPSBR) stood at 44.3% of GDP. Inside, the net amount of the public sector’s debt reached MXN9.2 tn (USD 451bn), amounting to 44% of GDP, of which 27.7% totals internal debt and 16.3% is external debt. Taking into account BOS, the Ministry of Finance expects debt to close year at 48% of GDP.

Historic Balance of the Public Sector Borrowing Requirements
% of GDP



Source: Ministry of Finance

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