

Public finance report – Deficit of MXN\$45.8bn in the PSBRs in April

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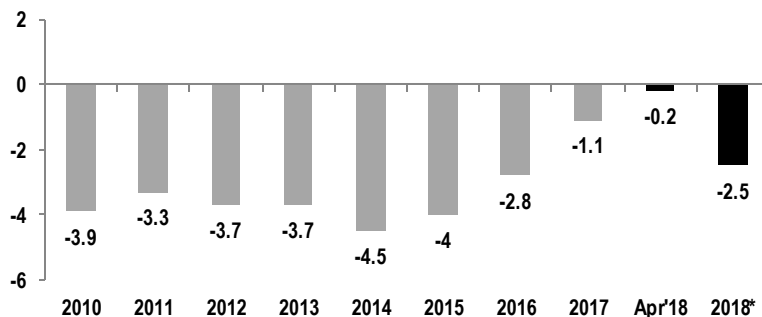
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- **The Ministry of Finance (MoF) released its public finances report for the fourth month of 2018**
- **Public sector borrowing requirements (Jan-Apr): MXN\$45.8bn deficit (~US\$-2.5bn)**
- **Public balance (Jan-Apr): MXN\$5.8bn surplus (~US\$312mn)**
- **Budget revenues increased 2.6% yoy in real terms when excluding Banxico’s Operational Surplus (including BOS: -14.6% yoy in real terms)**
- **Budget expenses grew 9.8% yoy in real terms**
- **The Historic Balance of the Public Sector Borrowing Requirements stood at MXN\$10 trillion (~US\$538bn)**

MXN\$45.8bn deficit in the PSBRs during the 1Q18. The Ministry of Finance released its public finance report for the fourth month of year, in which we highlight the deficit of MXN\$45.8bn of the *Public Sector Borrowing Requirements* (PSBR) –which is the broadest measure of the public balance¹– during the month. This stood above the MXN\$6.2bn deficit seen in 1Q17 when excluding Banxico’s Operational Surplus (BOS).

In addition, the “traditional” public balance posted a MXN\$5.8bn surplus, MXN\$147.1bn above 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\$214.6bn surplus. In addition, the primary balance shows a MXN\$172.3 billion surplus, standing above the MXN\$24.5bn 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.

Public Finances in April 2018

MXN bn

	January-April		% yoy in real terms
	2018	2017	
Public Balance	5.8	367.6	-98.5
<i>ex. Pemex investments</i>	214.6	482.1	-57.6
Balance of entities under indirect budgetary control	98.6	22.6	312.3
Revenues	1,715.5	1,911.5	-14.6
Oil	322.7	279.0	10.1
Non-oil	1,392.7	1,632.5	-18.8
Tax collection	1,078.5	1,012.8	1.3
Other	77.4	398.4	-81.5
Government controlled entities	125.4	113.0	5.6
CFE	111.4	108.4	-2.2
Spending	1,808.3	1,566.7	9.8
Primary spending	1,641.0	1,438.4	8.5
Programmable spending	1,294.0	1,145.5	7.5
Non-programmable spending	347.0	292.8	12.7
Financial costs	167.3	128.4	24.0
Primary balance	172.3	483.6	-66.1

Source: Ministry of Finance

Total revenues were up 2.6% yoy when excluding BOS in 2017. According to the MoF, revenues amounted to MXN\$1,715.5bn, MXN\$154.1bn above estimations. Taking a look at the breakdown, the 10.1% annual real increase in oil revenues was explained the increase in the price of the Mexican oil basket (+28% yoy) as well as the growth in natural gas prices (7.6% yoy). This advance took place despite the 6.5% yoy decrease in oil production as well as the appreciation of the Mexican currency.

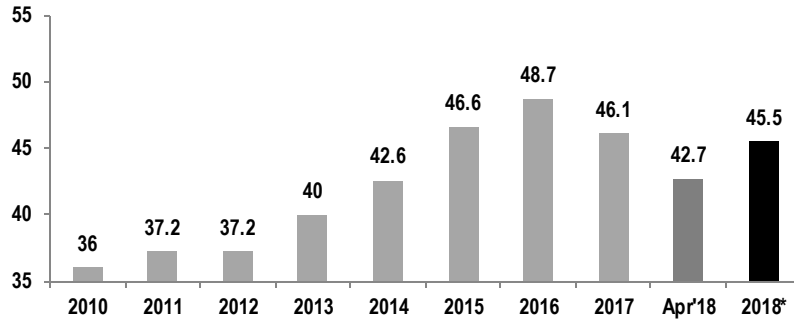
Non-oil tax revenues increased 1.3% yoy in real terms, amounting to MXN\$1,078.5bn, MXN\$69bn above budget. This comes on the back of a 0.2% real annual decrease in income tax collection, coupled with an 9.7% expansion in VAT revenues. Moreover, excise tax collection (IEPS) decreased by 10.7%. Excluding fuel IEPS, collection of this tax fell only 4%. In addition, import taxes fell 0.1% while Hydrocarbon E&P tax revenues grew 11.8% yoy.

Non-oil, non-tax revenues stood at MXN\$77.4bn, which implies a 81.5% annual real decrease, given that in March 2017, the MoF received Banxico's Operational Surplus which amounted to MXN\$321.7bn. When excluding for this effect, the revenues were down 4%. Moreover, government-controlled entities (IMSS and ISSSTE) revenues were up 5.6%, while CFE posted a 2.2% contraction in annual real terms.

Budget spending increased 9.8%, reaching MXN\$1,808.3bn, MXN\$105.4bn above what was budgeted. Primary spending –which does not include the financial cost of debt–, edged up 8.5% while the financial costs were up 24% yoy. Programmable spending grew 7.5%, amounting to MXN\$1,294bn, mainly due to increases in CFE spending (43.9% yoy), and autonomous branches (8.8% yoy). Moreover, non-programmable spending, excluding the financial cost of debt, rose by 12.7%.

The Historic Balance of the Public Sector Borrowing Requirements (HBPSBR) stood at MXN\$10tn (~US\$538bn). Moreover, net domestic public-sector debt amounted to MXN\$10,167.7bn (~US\$547.1bn). In addition, net domestic debt reached MXN\$6.4tn, while net foreign debt climbed to US\$197.8 billion (equivalent to MXN\$3.7tn).

Historic Balance of the Public Sector Borrowing Requirements
% of GDP



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

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