

January's public finance report continues to reflect Mexico's fiscal stability

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- **The Ministry of Finance (MoF) released its public finances report for the first month of 2017**
- **Public balance (January): MXN 29.6bn deficit (ex. high impact investments: MXN 8.3bn surplus)**
- **Budget revenues increased 6.4% yoy. In addition, non-oil revenues increased 2% yoy in real terms, while oil revenues expanded 30.3%**
- **Budget expenses came up by 1.6% yoy**
- **Net public debt amounted to MXN 9.8 trillion**
- **In our view, January's public finance report shows the efforts made by the Federal Government to consolidate its financial position**

According to the Ministry of Finance, public balance during the first month of the year posted a MXN 29.6billion deficit. However, excluding the investment of high economic and social impact –such as investments made within Pemex and CFE–, the public balance showed a MXN 8.3billion surplus (vs. the MXN 17.8billion deficit observed in January 2016). In addition, the primary balance shows a MXN 21.9billion surplus vs. the MXN 14.87billion deficit observed in the same month last year.

Oil revenues increased 30.3% yoy. According to the MoF, during January higher oil revenues were explained 49.1% annual increase in the price of the Mexican oil mix, as well as the 15.2% annual depreciation of the USD/MXN exchange rate.

Non-oil tax revenues increased 0.3% yoy in real terms. This comes on the back of a 7% increase in income tax collection, despite a 7.1% decrease in VAT revenues, 10.4% lower IEPS collection. However, collection on import taxes rose 11.4%. In addition, non-tax, non-oil revenues recorded a 13.7% yoy increase, as shown in the following table.

Public Finances in January 2017

MXNbn

	January		% yoy in real terms
	2017	2016	
Balance	-29.6	-48.2	
<i>ex. Pemex investments</i>	8.3	-17.8	
Revenues	405.70	364.2	6.4
Oil	77.3	56.6	30.3
Non-oil	328.4	307.6	2.0
Tax collection	257.0	244.7	0.3
Other	17.8	15.0	
Government controlled enterprises	28.2	26.1	3.1
State-owned productive companies	25.3	21.8	10.9
Spending	441.8	415.2	1.9
Primary balance	21.9	-14.8	

Source: Ministry of Finance

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Budget spending climbed 1.6% in January. Primary spending, which doesn't include the financial cost of debt, decreased by 3%, while the financial cost grew 54.1% yoy. Programmable spending decreased 5.4%, amounting to MXN 301.9bn in the first month of the year, mainly due to cuts in the administrative (-23.3% yoy), general (-7.1% yoy) and autonomous (-5.4% yoy) sectors. Moreover, non-programmable spending, excluding the financial cost of debt, rose by 6.7%

Net domestic public sector debt amounted to MXN 9.8tn. In addition, net domestic debt reached MXN 6tn, while net foreign debt climbed to USD 87.7 billion (equivalent to MXN 1.8tn). 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.

January's public finance report shows the efforts made by the Federal Government to consolidate its financial position. In our view, January's public finance report continues to reflect the will of the Federal Government to fulfill its fiscal deficit and public debt goals.

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