

## Public finance report – MXN\$71.5 bn surplus by April

May 31, 2019

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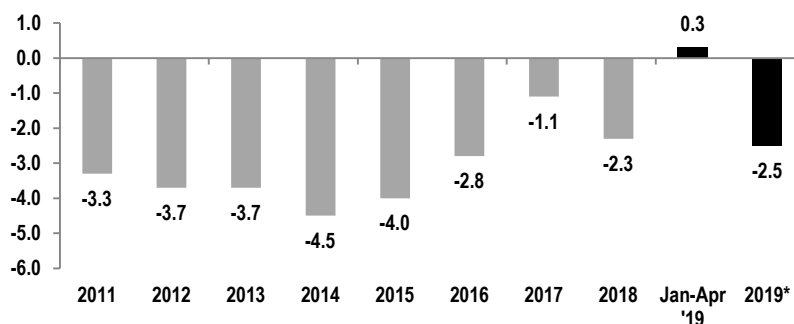
- The Ministry of Finance (MoF) released its public finances report for the fourth month of 2019
- Public sector borrowing requirements (Jan-Apr): MXN\$71.5bn surplus (~US\$-3.8bn)
- Public balance (Jan-Apr): MXN\$38.0bn surplus (~US\$-2.0bn)
- Primary balance (Jan-Apr): MXN\$208.5bn surplus (~US\$11.0bn)
- Budget revenues fell 0.1% yoy in real terms due to a strong contraction in oil related income (-21.8% yoy)
- Budget expenses edged-down 6.0% yoy in real terms, coming in MXN\$110.1bn below estimates
- The Historic Balance of the Public Sector Borrowing Requirements stood at MXN\$10.4 trillion (~US\$547.5bn)

**MXN\$71.5bn surplus in the PSBRs in the first four months of the year.** The Ministry of Finance released its public finance report for April, in which we highlight the surplus of MXN\$71.5bn of the *Public Sector Borrowing Requirements* (PSBR) –which is the broadest measure of the public balance<sup>1</sup>–, and equivalent to 0.3% of GDP. This was considerably better than the MXN\$16.6bn deficit during the same period of 2018.

In addition, the “traditional” public balance posted a MXN\$38.0bn surplus, above the MXN\$41.6bn budgeted deficit. Despite marginally lower income, cuts in spending more than compensated for the latter, resulting in a better than estimated balance during the period. Excluding investments in projects of high economic and social impact—such as those made in Pemex and CFE of up to 2% of GDP— the balance showed a MXN\$220.4bn surplus. In addition, the primary balance reached a MXN\$208.6 billion surplus, above the MXN\$157.1bn budgeted surplus.

### Public Sector Borrowing Requirements

% of GDP



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

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<sup>1</sup> 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 were down 0.1% yoy due to lower oil related income.** According to the MoF, revenues amounted to MXN\$1,786.5bn, which was MXN\$52.9bn lower than projected. This was mainly due to the sharp contraction in oil revenues, down 21.8% yoy, amounting only to MXN\$263.4 bn. In particular, oil output fell by 10.4% while the Mexican oil mix contracted 1.5%.

**Public finances: April 2019**

MXN\$bn

|   | January-April  |                | % yoy in real terms |
|---|----------------|----------------|---------------------|
|   | 2019           | 2018           |                     |
| <b>Public Balance</b>                                       | <b>38.0</b>    | <b>5.8</b>     | <b>--</b>           |
| <i>ex. Pemex investments</i>                                | 220.4          | 214.6          | -1.4                |
| <b>Balance of entities under indirect budgetary control</b> | <b>22.6</b>    | <b>97.4</b>    | <b>-77.7</b>        |
| <b>Revenues</b>   | <b>1,786.5</b> | <b>1,717.1</b> | <b>-0.1</b>         |
| Oil   | 263.4          | 323.1          | -21.8               |
| Non-oil   | 1,523.1        | 1,394.0        | 4.9                 |
| Tax collection  | 1,173.5        | 1,078.3        | 4.5                 |
| Other   | 88.5           | 77.4           | 9.7                 |
| Government controlled entities                              | 134.4          | 126.9          | 1.6                 |
| CFE   | 126.7          | 111.4          | 9.2                 |
| <b>Spending</b>   | <b>1,771.0</b> | <b>1,808.7</b> | <b>-6.0</b>         |
| Primary spending  | 1,588.4        | 1,641.4        | -7.1                |
| Programmable spending                                       | 1,267.7        | 1,296.0        | -6.1                |
| Non-programmable spending                                   | 320.7          | 345.4          | -10.9               |
| Financial costs   | 182.7          | 167.3          | 4.8                 |
| <b>Primary balance</b>                                      | <b>208.5</b>   | <b>175.6</b>   | <b>14.0</b>         |

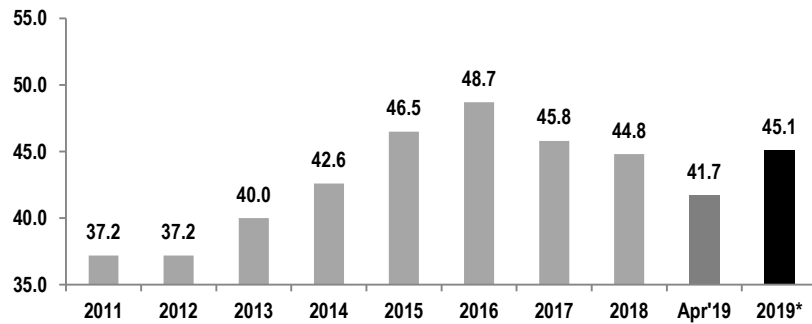
Source: Ministry of Finance

**Non-oil tax revenues increased 4.5% yoy in real terms, amounting to MXN\$1,173.5bn, MXN\$7.2bn below budget.** This comes on the back of a 2.4% real annual increase in income tax collection, coupled with a 30.3% expansion in excise taxes (IEPS). It should be noted that this is explained by the lack of fiscal stimulus to gasoline prices in January and February 2019, considering that in 2018 this policy was in effect. Nevertheless, this program restarted in early March, resulting in a lower annual rate of expansion in the last two months. Moreover, VAT revenues increased 2.4%, standing in positive territory for the first time in the year. In addition, import taxes increased 21.0% while Hydrocarbon E&P tax revenues grew 27.4% yoy. Non-oil, non-tax revenues stood at MXN\$88.5bn, which implies a 9.7% yoy expansion in real terms. Additionally, government-controlled entities (IMSS and ISSSTE) were up 1.6%, while CFE rose 9.2%.

**Budget spending edged-down 6.0%, reaching MXN\$1,771.0bn.** This was MXN\$110.1bn below budget. Primary spending –which does not include the debt financing costs–, fell 7.1% yoy while financing costs were up 4.8%. Programmable spending was down 6.1%, amounting to MXN\$1,267.7bn. The main increases in this branch were seen in ISSSTE (+6.8%) and IMSS (+4.2%). Nevertheless, spending by administrative branches fell 17.8%, which we believe was driven by austerity measures implemented by the Federal Government. Moreover, non-programmable spending excluding the financial cost of debt decreased 10.9%, stemming from the 86.2% reduction in ADEFAS.

**The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at MXN\$10.4tn (~US\$547.5bn), equivalent to 41.7% of GDP.** Moreover, net domestic public-sector debt amounted to MXN\$10.7tn (~US\$566.7bn). Net domestic debt reached MXN\$6.9tn, while net foreign debt climbed to US\$202.3 billion (equivalent to MXN\$3.8tn).

**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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| <b>SELL</b> | <i>When the share expected performance is lower than the MEXBOL estimated performance.</i>   |

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