

Public finance report – Deficit of MXN\$49.5bn in the PSBRs in February

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- **The Ministry of Finance (MoF) released its public finances report for the second month of 2018**
- **Public sector borrowing requirements (Jan-Feb): MXN\$49.5bn surplus (~US\$-2.6bn)**
- **Public balance (Jan-Feb): MXN\$67.8bn deficit (~US\$-3.6bn)**
- **Budget revenues increased 6.9% yoy in real terms. In addition, non-oil revenues grew 7.4% yoy, while oil revenues advanced 4.8%**
- **Budget expenses rose by 11.9% yoy**
- **The Historic Balance of the Public Sector Borrowing Requirements stood at MXN\$9.93 trillion (~US\$530bn)**

MXN\$49.5bn deficit in the PSBRs during February. The Ministry of Finance released its public finance report for the second month of year, in which we highlight the deficit of MXN\$49.5bn of the *Public Sector Borrowing Requirements* (PSBR) –which is the broadest measure of the public balance¹– during the month. This represented a MXN\$2.7bn increase when compared to the figures for February 2017.

In addition, the “traditional” public balance posted a MXN\$67.8bn deficit, MXN\$68.2bn below 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\$8.8bn deficit (vs. the MXN\$30bn surplus observed in 2017). In addition, the primary balance shows a MXN\$9.5 billion surplus, standing below the MXN\$37.5bn seen in February 2017

Total revenues were up 6.9% yoy. According to the MoF, revenues amounted to MXN\$854.7bn, MXN\$119.4bn above estimations. Taking a look at the breakdown, the 4.8% annual real increase in oil revenues was explained the 27.2% annual increase in the price of the Mexican oil basket as well as the 2.9% annual growth in natural gas prices. This advance took place despite the 6.3% decrease in oil production as well as the appreciation of the Mexican currency.

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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.

Non-oil tax revenues increased 5.4% yoy in real terms, amounting to MXN\$536.6bn, MXN\$56.3bn above budget. This comes on the back of a 5.4% real annual increase in income tax collection, coupled with a 10.6% expansion in VAT revenues. Moreover, excise tax collection (IEPS) decreased by 4.5%. Excluding fuel IEPS, collection of this tax increased 20.9%. In addition, import taxes fell 2.4% while Hydrocarbon E&P tax revenues grew 12.7%.

Non-oil, non-tax revenues stood at MXN\$41.1bn, which implies a 25.1% annual real growth. Moreover, government-controlled entities (IMSS and ISSSTE) revenues were up 2.9% while CFE posted a 19.5% growth in annual real terms.

Budget spending increased 11.9%, reaching MXN\$933.1bn, MXN\$60.7bn above what was budgeted. Primary spending –which does not include the financial cost of debt–, edged up 10.9% while the financial costs were up 23.9% yoy. Programmable spending grew 7.3%, amounting to MXN\$638.7bn, mainly due to increases in the state-controlled entities (10% yoy), and state-owned companies (14.9% yoy). Moreover, non-programmable spending, excluding the financial cost of debt, rose by 23.4%.

Public Finances in February 2018

MXN bn

	January-February		% yoy in real terms
	2017	2016	
Balance	-67.8	-31.5	--
<i>ex. Pemex investments</i>	<i>-8.8</i>	<i>30.0</i>	<i>--</i>
Revenues	854.7	758.3	6.9
Oil	152.0	137.6	4.8
Non-oil	702.7	620.7	7.4
Tax collection	536.6	482.6	5.4
Other	41.1	31.2	25.1
Government controlled entities and companies	124.9	106.8	10.9
Spending	933.1	790.6	11.9
Primary spending	851.4	728.1	10.9
Programmable spending	638.7	564.6	7.3
Non-programmable spending	212.7	163.5	23.4
Financial costs	81.8	62.6	23.9
Primary balance	9.5	37.5	-76.0

Source: Ministry of Finance

The Historic Balance of the Public Sector Borrowing Requirements (HBPSBR) stood at MXN\$9.93tn (~US\$530bn). Moreover, net domestic public sector debt amounted to MXN\$9.89tn (US\$527.5bn). In addition, net domestic debt reached MXN\$6.3tn, while net foreign debt climbed to US\$192.3 billion (equivalent to MXN\$3.6tn).

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