

Public finance report –MXN\$270.5bn deficit in the PSBRs in the first eight months of 2018

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- The Ministry of Finance (MoF) released its public finances report for the eighth month of 2018
- Public sector borrowing requirements (Jan-Aug): MXN\$270.5bn deficit (~US\$-14.2bn)
- Public balance (Jan-Aug): MXN\$230.8bn deficit (~US\$-12.1bn)
- Budget revenues increased 4.3% yoy in real terms when excluding Banxico’s Operational Surplus (including BOS: -5.5% yoy in real terms)
- Budget expenses grew 4% yoy in real terms
- The Historic Balance of the Public Sector Borrowing Requirements stood at MXN\$10.1 trillion (~US\$533.2bn)

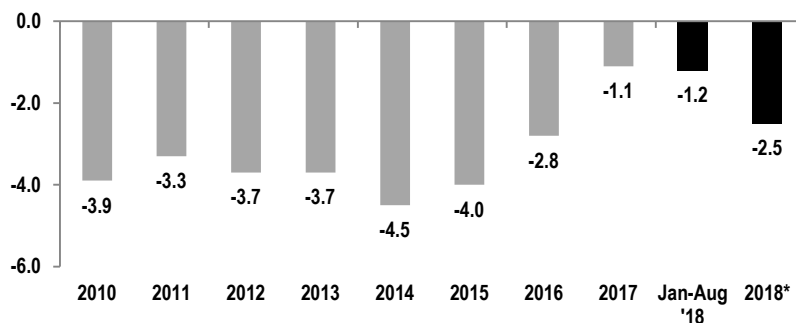
MXN\$270.5bn deficit in the PSBRs during the first eight months of 2018.

The Ministry of Finance released its public finance report for August, in which we highlight the deficit of MXN\$270.5bn of the *Public Sector Borrowing Requirements* (PSBR) –which is the broadest measure of the public balance¹–. This stood above the MXN\$196.5bn deficit seen in the same period of 2017 when excluding Banxico’s Operational Surplus (BOS). When including the BOS, the surplus in 2017 amounted to MXN\$125.2bn.

In addition, the “traditional” public balance posted a MXN\$230.8bn deficit, MXN\$138.5bn less than the budgeted deficit. 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\$189.3bn surplus. In addition, the primary balance shows a MXN\$151.4 billion surplus, standing above the MXN\$24.7bn budgeted surplus.

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 August 2018

MXN bn

	January-August		% yoy in real terms
	2018	2017	
Public Balance	-230.8	105.4	--
<i>ex. Pemex investments</i>	331.4	189.3	-45.5
Balance of entities under indirect budgetary control	17.2	19.1	-14.2
Revenues	3,411.1	3,439.2	-5.5
Oil	650.3	558.7	10.9
Non-oil	2,760.7	2,880.5	-8.6
Tax collection	2,067.8	1,953.8	0.9
Other	193.7	458.7	-59.7
Government controlled entities	257.9	235.2	4.5
CFE	241.3	232.9	-1.2
Spending	3,659.1	3,352.9	4.0
Primary spending	3,270.1	3,023.2	3.1
Programmable spending	2,610.2	2,457.6	1.2
Non-programmable spending	660.0	565.6	11.2
Financial costs	389.0	329.8	12.4
Primary balance	432.6	151.4	-66.6

Source: Ministry of Finance

Total revenues were up 4.3% yoy when excluding BOS in 2017. According to the MoF, revenues amounted to MXN\$3,411.1bn, MXN\$304.9bn above estimations. Taking a look at the breakdown, the 10.9% annual real increase in oil revenues was mainly explained the 37.5% yoy increase in the price of the Mexican oil basket. However, this was partially offset by the decrease in oil production (-7.7% yoy) as well as the appreciation of the Mexican currency (6.2% yoy).

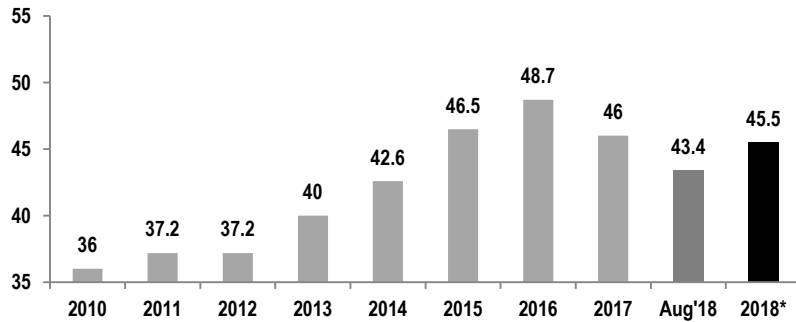
Non-oil tax revenues increased 0.9% yoy in real terms, amounting to MXN\$2,067.8bn, MXN\$99.3bn above budget. This comes on the back of a 1.1% real annual increase in income tax collection, coupled with an 7.1% expansion in VAT revenues. Moreover, excise tax collection (IEPS) decreased by 15.9%. Excluding fuel IEPS, collection of this tax advanced 0.2%. In addition, import taxes increased 13.7% while Hydrocarbon E&P tax revenues grew 15.9% yoy.

Non-oil, non-tax revenues stood at MXN\$193.7bn, which implies a 59.7% annual real decrease, given that in March 2017, the MoF received Banxico's Operational Surplus which amounted to MXN\$321.7bn. When excluding this effect, the revenues were up 34.8%. Moreover, government-controlled entities (IMSS and ISSSTE) revenues were up 4.5%, while CFE posted a 1.2% contraction in annual real terms.

Budget spending increased 4%, reaching MXN\$3,659.1bn, MXN\$183.3bn above what was budgeted. Primary spending –which does not include the financial cost of debt–, edged up 3.1% while the financial costs were up 12.4% yoy. Programmable spending grew 1.2%, amounting to MXN\$2,610.2bn, mainly due to increases in CFE spending (17.4% yoy), and autonomous branches (16.1% yoy). Moreover, non-programmable spending, excluding the financial cost of debt, rose by 11.2%.

The Historic Balance of the Public Sector Borrowing Requirements (HBPSBR) stood at MXN\$10.2tn (~US\$533.2bn). Moreover, net domestic public-sector debt amounted to MXN\$10,310.6bn (~US\$540.8bn). In addition, net domestic debt reached MXN\$6.5tn, while net foreign debt climbed to US\$197.3 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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