

Public finance report – \$9.1 billion surplus at the start of 2020, above expectations

- The Ministry of Finance (MoF) released its public finances report for January 2020
- Public sector borrowing requirements (January): \$9.1bn surplus (~US\$487.6mn)
- Public balance (January): \$40.8bn surplus (~US\$2.2bn)
- Primary balance (January): \$100.2bn surplus (~US\$5.4bn)
- In the month, budget revenues increased 17.3% y/y in real terms, with an overall better performance and highlighting the 20.6% advance in oil related income
- Expenses edged-down 3.9% y/y in real terms, with a significant fall in spending by CFE (-48.5%) and Pemex (-7.4%). However, the rest of the components were mainly higher
- The *Historic Balance of Public Sector Borrowing Requirements* stood at \$10.8 trillion (~US\$579.2bn), with 65% of these corresponding to domestic debt

PSBRs post a \$9.1 billion surplus in the first month of 2020. The Ministry of Finance released its public finance report for January, in which we highlight the \$9.1 billion surplus in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance¹–. This figure was stronger than the \$17.1 billion deficit seen in the same period of 2019. In addition, the “traditional” public balance posted a \$40.8 billion surplus, \$76.7 billion above expectations, explained by both higher revenues and lower expenditures. When excluding investments in projects of high economic and social impact –such as those made by Pemex and CFE of up to 2% of GDP– the balance showed a \$92.7 billion surplus. In addition, the primary surplus stood at \$100.2 billion, better relative to the +\$26.7 billion forecasted balance.

Total revenues up 17.3% y/y in real terms. According to the MoF, revenues totaled \$540.2 billion, which was \$37.8 billion higher than projected. Oil-related income came in at \$55.3 billion, representing a 20.6% increase in real terms relative to the same period of 2019. Moreover, tax revenues amounted to \$364.2 billion, overshooting projections by \$22.4 billion. This translates into a 10.9% y/y increase in real terms. Inside, income tax collection edged-up 0.8%, while VAT revenues posted a better performance at +20.9%. Excise-tax collection increased 33.1%, partly explained by upward revisions to tariffs on some goods and despite higher fuel subsidies relative to the previous year. Revenues from government-controlled entities (IMSS and ISSSTE) increased 4.4%, while those of CFE posted a 7.2% contraction. Finally, non-oil, non-tax revenues surged 166.1%, amounting to \$56.8 billion.

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.

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Budget spending edged-down 3.9% y/y. Total spending amounted to \$504.1 billion, \$34.3 billion below budget. This is mainly explained by lower primary spending, undershooting the program by \$35.0 billion, while spending in financial costs (also known as debt servicing costs) surpassed the estimate by \$697 million. In the yearly comparison, primary spending fell 3.2%, while financial costs edged-down 8.0%. Within the former, the programmable component decreased 4.9%, amounting to \$360.0 billion. Main increases within this category were in administrative braches (+19.4%) and IMSS (+9.5%). In the former, we highlight the 230.5% increase in the Ministry of Transportation and Communication as well as the 57.7% decline in the Ministry of Health. Meanwhile, autonomous branches spending expanded 7.2%, with main changes in INEGI (48.6%) –remembering that the Census is carried out this year– and in the Attorney General's Office (-40.6%). Meanwhile, non-programmable spending excluding debt financial costs grew 5.0%, stemming from the 142.0% rise in ADEFAS, while participations –transfers to states under the federal tax collection agreement– fell 0.7%.

Public finance: January 2020

\$ billion

	January		% y/y in real terms
	2020	2019	
Public Balance	40.8	-42.7	--
<i>ex. Pemex and CFE investments</i>	92.7	16.4	448.7
Balance of entities under indirect budgetary control	4.7	19.2	-76.3
Revenues	540.3	446.0	17.3
Oil	55.3	44.5	20.6
Non-oil	484.9	401.5	17.0
Tax collection	364.6	318.5	10.9
Other	56.8	20.7	166.1
Government controlled entities	34.0	31.6	4.4
CFE	29.5	30.8	-7.2
Spending	504.1	507.9	-3.9
Primary spending	440.9	441.3	-3.2
Programmable spending	360.1	366.7	-4.9
Non-programmable spending	80.9	74.6	5.0
Financial costs	63.2	66.6	-8.0
Primary balance	100.2	9.8	--

Source: Ministry of Finance

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$10.8 trillion (~US\$579.2 billion). Out of these, \$7.0 trillion amount to domestic debt (65% of the amount outstanding), with the external component is at US\$202.4 billion (\$3.8 billion; 35% of the total). Moreover, net public-sector debt amounted to \$11.0 trillion (~US\$592.9 billion). Inside, net domestic debt reached \$7.2 trillion, while net foreign debt climbed to US\$207.8 billion (equivalent to \$3.9 trillion).

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