

Public finances – \$1.1 billion surplus in the PSBR at the start of the year

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- The Ministry of Finance (MoF) released its public finance report for January
- Public sector borrowing requirements (January): \$1.1bn surplus (~US\$56.1mn)
- Public balance (January): \$8.0bn deficit (~US\$393.6mn)
- Primary balance (January): \$51.0bn surplus (~US\$2.5bn)
- In the month, budget revenues fell 12.0% y/y in real terms, with a strong contraction in both oil (-16.0%) and non-oil (-11.5%) income, with a strong decline in non-tax revenues within the latter
- Expenditures were down 4.9% y/y in real terms, with relevant declines in autonomous branches (-13.0%) and CFE (-18.9%) contrasting with expansions in Pemex (6.3%) and IMSS (10.3%)
- The *Historic Balance of Public Sector Borrowing Requirements* stood at \$12.2 trillion (~US\$603.2bn)

PSBRs post a surplus of \$1.1 billion in the first month of the year. The Ministry of Finance released its public finance report for January, in which we highlight the \$1.1 billion surplus in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance¹–. This compares to the \$30.1 billion surplus seen in the previous year. The “traditional” public balance posted a \$8.0 billion deficit, \$108.8 billion better than expected, explained by lower spending, despite some shortcomings on revenues. Finally, the primary surplus stood at \$51.0 billion, positive relative to the -\$56.9 billion forecasted balance.

Total revenues down 12.0% y/y in real terms. According to the MoF, revenues totaled \$492.5 billion, \$14.9 billion lower than projected. Oil-related income came in at \$48.1 billion, representing a 16.0% decrease in real terms relative to 2019. This was explained by both lower output and a contraction in prices. Meanwhile, tax revenues amounted to \$355.6 billion, overshooting projections by \$1.9 billion. However, inside all categories were lower in annual terms, with income tax collection at -2.6% and VAT revenues at -1.4%. Excise-tax collection fell -21.2%. In our opinion, this is strongly skewed by the prevailing weakness in economic activity, expecting it to improve over the coming months as the base of comparison becomes less challenging. Revenues from government-controlled entities (IMSS and ISSSTE) came in at \$34.7 billion, a 1.7% decrease, while those of CFE fell 11.0% at \$27.2 billion. Finally, non-oil, non-tax revenues (‘other’ in the table below) posted the largest contraction at -54.2%, amounting to \$27.0 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.

Budget spending falls 4.9% y/y. Total spending reached \$496.9 billion, \$127.3 billion below budget. In this context, primary spending rose to \$445.8 billion, which implies a 2.5% y/y contraction, with financial costs at \$51.2 billion (-21.8%). Within the former, the programmable component posted a null growth in annual terms, amounting to \$373.4 billion. We highlight decreases in CFE, down 18.9%, as well as on autonomous branches at -13.0%. Inside we noted decreases in INEGI (-57.2%) and the General Attorney's Office (-41.3%). Meanwhile, spending in administrative branches edged down 0.4%, with strong reductions in the Public Security (-62.8%) and the Communications and Transportation (-60.7%) ministries, albeit with expansions in the Ministry of Finance (269.8%) and Labor (46.7%). Meanwhile, outlays from government-controlled entities (IMSS and ISSSTE) advanced 5.3%, driven mainly by IMSS at +10.3%. Pemex expenditures posted a considerable expansion at 6.3%. Lastly, non-programmable spending excluding debt financial costs fell 13.6% to \$72.4 billion, stemming from the 5.0% decline in participations –transfers to states under the federal tax collection agreement–, and -99.2% in ADEFAS.

Public finances: January 2021
\$ billion

	January		
	2021	2020	% y/y real terms
Public Balance	-8.0	40.8	--
<i>Balance of entities under indirect budgetary control</i>	-3.5	5.2	--
Revenues	492.5	540.3	-12.0
Oil	48.1	55.3	-16.0
Non-oil	444.4	485.0	-11.5
Tax collection	355.6	364.6	-5.8
Other	27.0	56.8	-54.2
Government controlled entities	34.7	34.1	-1.7
CFE	27.2	29.5	-11.0
Spending	496.9	504.7	-4.9
Primary spending	445.8	441.5	-2.5
Programmable spending	373.4	360.5	0.0
Non-programmable spending	72.4	81.0	-13.6
Financial costs	51.2	63.2	-21.8
Primary balance	51.0	100.3	-50.9

Source: Ministry of Finance

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$12.2 trillion (~US\$603.2 billion). Out of these, \$7.8 trillion are domestic debt (63.8% of the total outstanding), with the external component at US\$218.6 billion (\$4.4 trillion; 36.2% of the total). Net public-sector debt amounted to \$12.2 trillion (~US\$601.6 billion). Inside, net domestic debt reached \$7.6 trillion, while net foreign debt climbed to US\$223.5 billion (equivalent to \$4.5 trillion).

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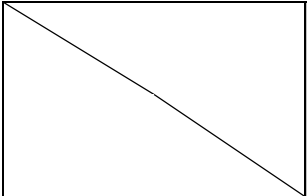
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