

Public finances – \$219.4 billion deficit in the PSBR up to April

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- The Ministry of Finance (MoF) released its public finance report for April
- Public sector borrowing requirements (Jan-Apr): \$219.4bn deficit (~US\$11.0bn)
- Public balance (Jan-Apr): \$109.7bn deficit (~US\$5.5bn)
- Primary balance (Jan-Apr): \$64.2bn surplus (~US\$2.6bn)
- Budget revenues increased 2.4% y/y in real terms, with a strong expansion in oil (64.8%), given a more favorable base, albeit with non-oil lower (-3.4%), with tax-related income declining (-2.8%)
- Expenditures were up 4.2% y/y in real terms, with a relevant expansion in administrative branches (20.3%) as well as in Pemex (19.6%) and CFE (17.4%), partly offset by a decline in autonomous branches (-8.7%)
- In April, revenues increased 1.1%, with oil leading the charge. Meanwhile, spending contracted 7.3%, with a strong decline in administrative branches
- The *Historic Balance of Public Sector Borrowing Requirements* stood at \$12.3 trillion (~US\$617.4bn)

PSBRs post a \$219.4 billion deficit in the first four months of the year. The Ministry of Finance released its public finance report for April, in which we highlight the \$219.4 billion deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance¹–. This compares to the \$83.3 billion deficit seen in the previous year. The ‘traditional’ public balance posted a \$109.7 billion deficit, better than expected by \$105.7 billion, due to both higher revenues and lower expenditures. Finally, the primary surplus stood at \$52.9 billion (estimate; -\$16.4 billion).

Total revenues up 2.4% y/y in real terms. According to the MoF, revenues totaled \$2,000.1 billion, \$55.6 billion higher than projected. Oil-related income came in at \$271.6 billion, representing a 64.8% increase in real terms relative to 2020. This is mainly explained by a more favorable base effect in prices, albeit also in volumes, remembering that these declined last year due to the COVID-19 pandemic. Despite this, they came in \$41.5 below estimates. Meanwhile, tax revenues amounted to \$1,297.6 billion, overshooting projections by \$4.2 billion, albeit falling 2.8%. Inside, almost all categories were lower in annual terms except for import taxes (7.7%). To the downside, we highlight income tax collection (-1.8%), VAT (-0.2%) and excise-tax collection (-13.2%), with the latter dragged by those related to gasoline, reflecting the effects of fiscal stimulus to moderate price increases.

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.

Revenues from government-controlled entities (IMSS and ISSSTE) came in at \$147.4 billion, a 1.5% decrease, while those of CFE fell 17.5% at \$114.9 billion. Finally, non-oil, non-tax revenues ('other' in the table below) posted a 2.4% expansion, amounting to \$168.6 billion.

Budget spending rises 4.2% y/y. Total spending reached \$2,131.9 billion, \$28.1 billion lower than budgeted. In this context, primary spending rose to \$1,955.6 billion, which implies a 6.5% y/y expansion, with financial costs at \$176.3 billion (-15.9%). Within the former, the programmable component grew 9.7%, amounting to \$1,608.7 billion. We highlight the 20.3% increase in administrative branches, with strong expansions in the Ministry of Agrarian and Urban Development (367.4%) and Energy (128.6%), albeit with declines in the Ministry for Public Security (-49.2%) and Economy (-26.3%). In addition, spending by Pemex increased 19.6%, with CFE also higher at 17.4%. Meanwhile, outlays from government-controlled entities (IMSS and ISSSTE) advanced 4.8%, driven by IMSS at +70.8%. On the contrary, autonomous branches fell 8.7%. Inside, we note declines in INEGI (-78.0%) and the Federal Tribunal for Administrative Justice (-14.3%). Lastly, non-programmable spending excluding debt financial costs fell 6.5% to \$346.9 billion, stemming from the 2.2% decline in participations –transfers to states under the federal tax collection agreement–, and -88.2% in ADEFAS.

Public finances: April 2021
\$ billion

	April			January-April		
	2021	2020	% y/y real terms	2021	2020	% y/y real terms
Public Balance	-26.6	-100.9	--	-109.7	-73.9	--
<i>Balance of entities under indirect budgetary control</i>	6.3	-30.5	--	22.2	14.4	47.2
Revenues	436.0	406.3	1.1	2,000.1	1,869.3	2.4
Oil	67.1	22.6	179.8	271.6	157.7	64.8
Non-oil	368.9	383.7	-9.4	1,728.5	1,711.6	-3.4
Tax collection	273.5	273.1	-5.6	1,297.6	1,277.8	-2.8
Other	28.1	38.6	-31.3	168.6	157.5	2.4
Government controlled entities	37.7	35.0	1.5	147.4	143.1	-1.5
CFE	29.6	37.1	-24.7	114.9	133.1	-17.5
Spending	468.9	476.7	-7.3	2,131.9	1,957.6	4.2
Primary spending	437.7	424.5	ND	1,955.6	1,757.8	6.5
Programmable spending	335.3	328.0	-3.6	1,608.7	1,402.8	9.7
Non-programmable spending	102.4	96.5	ND	346.9	355.0	-6.5
Financial costs	31.2	52.2	-43.6	176.3	199.8	-15.6
Primary balance	-0.7	-21.2	-97.1	52.9	114.7	-55.9

Source: Ministry of Finance

Marginal pick-up in revenues with relevant declines in spending given an important skew from the pandemic. In April, total revenues picked up 1.1% y/y in real terms. Inside, oil-related income shot-up 179.8%, with the base effect mentioned previously much clearer this month. Moreover, tax revenues fell 5.6%. Specifically, income tax collection declined 16.1% with VAT higher by 12.2%. Non-tax revenues contracted 31.3%. Expenditures were lower by 7.3%. Programmable spending declined 3.6%, with a 15.9% fall in administrative branches and autonomous at +4.4%. Within non-programmable spending, participations only fell 0.2%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$12.3 trillion (~US\$617.4 billion). Out of these, \$7.9 trillion are domestic debt (64.3% of the total outstanding), with the external component at US\$220.3 billion (\$4.4 trillion; 35.7% of the total). Net public-sector debt amounted to \$12.3 trillion (~US\$615.7 billion). Inside, net domestic debt reached \$7.8 trillion, while net foreign debt climbed to US\$224.9 billion (equivalent to \$4.5 trillion).

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