

Public finances – \$434.3 billion deficit in the PSBR in the first seven months of the year

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- The Ministry of Finance (MoF) released its public finance report for July
- Public sector borrowing requirements (Jan-Jul): \$434.3bn deficit (~US\$21.8bn)
- Public balance (Jan-Jul): \$242.7bn deficit (~US\$12.2bn)
- Primary balance (Jan-Jul): \$132.9bn surplus (~US\$6.7bn)
- Budget revenues increased 8.2% y/y in real terms, higher both in oil (+59.8%) as well as non-oil (+2.4%), with a relevant expansion in VAT collection within the latter (+12.6%)
- Expenditures were up 2.1% y/y in real terms, with important growth in Pemex (17.9%) and CFE (8.4%), albeit with more modest increases in autonomous (2.3%) and administrative branches (3.8%)
- In July, revenues grew 14.3%, with a positive base effect. Meanwhile, spending fell 9.0%, with a strong decline in administrative branches
- The *Historic Balance of Public Sector Borrowing Requirements* stood at \$12.5 trillion (~US\$626.4bn)

PSBRs post a \$434.3 billion deficit in the first seven months of the year. The Ministry of Finance released its public finance report for July, in which we highlight the \$434.3 billion deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance¹–. This compares to the \$464.8 billion deficit seen in the previous year. The ‘traditional’ public balance posted an \$242.7 billion deficit, better than expected mainly due to higher revenues, but also on lower expenditures. Finally, the primary surplus stood at \$132.9 billion.

Total revenues up 8.2% y/y in real terms. According to the MoF, revenues totaled \$3,409.1 billion, \$124.4 billion higher than projected. Oil-related income came in at \$507.5 billion, representing a 59.8% increase in real terms relative to 2020. This is mainly explained by a more favorable base effect. Despite of this, they came in \$32.4 billion below estimates. Meanwhile, tax revenues amounted to \$2,154.1 billion, overshooting projections by \$11.3 billion. Inside, almost all categories were stronger in annual terms except for income tax collection (-0.7%) and excise taxes (-8.3%), with the latter dragged by higher fiscal stimulus to gasolines. To the upside, we highlight VAT at +12.6% and import taxes at +13.8%, with both benefited by the economic recovery. Revenues from government-controlled entities (IMSS and ISSSTE) came in at \$263.0 billion, a 1.5% decrease, while those of CFE stood at \$215.3 billion (-7.5%). Finally, non-oil, non-tax revenues (‘other’ in the table below) posted an 18.5% expansion, amounting to \$269.1 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 rises 2.1% y/y. Total spending reached \$3,689.6 billion, \$43.3 billion lower than budgeted. In this context, primary spending rose to \$3,291.9 billion, which implies a 3.9% y/y expansion, with financial costs at \$397.7 billion (-10.4%). Within the former, the programmable component grew 4.6%, amounting to \$2,725.9 billion. We highlight higher spending by Pemex (17.9%) and CFE (8.4%). Meanwhile, outlays from government-controlled entities (IMSS and ISSSTE) advanced 6.2%, driven by IMSS at +10.2%. Meanwhile, administrative branches grew by 3.8%, with strong expansions in the Ministry of Tourism (285.6%) and Energy (131.4%), albeit with declines in the Ministry of Economy (-91.3%) and for Public Security (-34.2%). Autonomous branches spending rose 2.3%. Inside, the advance is explained by INE (+114.3%), with declines in INEGI (-67.5%) and the Federal Tribunal for Administrative Justice (-14.6%). Lastly, non-programmable spending excluding debt financial costs increased 0.5% to \$566.0 billion, with participations –transfers to states under the federal tax collection agreement– up 3.8%.

Public finances: July 2021
\$ billion

	July			January - July		
	2021	2020	% y/y real terms	2021	2020	% y/y real terms
Public Balance	-11.5	-121.4	-91.1	-242.7	-414.6	-44.3
<i>Balance of entities under indirect budgetary control</i>	7.0	-1.2	--	37.8	24.3	48.4
Revenues	477.8	395.2	14.3	3,409.1	2,998.2	8.2
Oil	80.4	52.4	45.0	507.5	302.2	59.8
Non-oil	397.4	342.8	9.6	2,901.6	2,696.0	2.4
Tax collection	297.8	255.4	10.2	2,154.2	2,004.2	2.3
Other	25.2	21.6	10.2	269.1	216.2	18.5
Government controlled entities	38.4	34.7	4.6	263.0	254.1	-1.5
CFE	36.0	31.2	9.4	215.3	221.6	-7.5
Spending	496.3	515.4	-9.0	3,689.6	3,437.1	2.1
Primary spending	452.0	467.9	ND	3,291.9	3,014.9	3.9
Programmable spending	380.6	405.5	-11.3	2,725.9	2,479.0	4.6
Non-programmable spending	71.3	62.5	ND	566.0	535.9	0.5
Financial costs	44.3	47.5	-11.8	397.7	422.2	-10.4
Primary balance	29.2	-70.3	--	132.9	-12.2	--

Source: Ministry of Finance

Strong increase in revenues in July, with a substantial contraction in spending. This is the mirror image of what happened last year, during the still acute phase of the COVID-19 pandemic. In the month, total revenues picked up 14.3% y/y in real terms. Inside, oil-related returned to positive territory at +45.0%, aided by higher prices. Tax revenues rose 10.2%. Specifically, income tax collection climbed 1.2%, with VAT higher by 36.7%. Non-tax revenues expanded 10.2%. Expenditures fell 9.0%. Programmable spending declined 11.3%, with a 43.5% decrease in administrative branches, with autonomous at +10.7%. Within non-programmable spending, participations shot up 9.1%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$12.5 trillion (~US\$626.4 billion). Out of these, \$8.1 trillion are domestic debt (65.2% of the total outstanding), with the external component at US\$218.0 billion (\$4.3 trillion; 34.8% of the total). Net public-sector debt amounted to \$12.4 trillion (~US\$622.9 billion). Inside, net domestic debt reached \$8.0 trillion, while net foreign debt climbed to US\$222.3 billion (equivalent to \$4.4 trillion).

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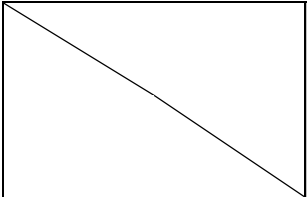
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