# Public finances – $451.6 billion deficit in the PSBR in the first eight months of the year

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- **The Ministry of Finance (MoF) released its public finance report for August**
- **Public sector borrowing requirements (Jan-Aug): $434.3bn deficit (~US$22.3bn)**
- **Public balance (Jan-Aug): $262.4bn deficit (~US$13.0bn)**
- **Primary balance (Jan-Aug): $179.1bn surplus (~US$7.4bn)**
- **Budget revenues increased 5.5% y/y in real terms, with a rise in oil (+66.4%) but a decline in non-oil (-1.2%) and a mixed performance inside tax-related income (+2.7%)**
- **Expenditures were up 4.5% y/y in real terms, with important growth in Pemex (+19.5%), CFE (+15.2%) and administrative branches (+10.7%), albeit with a more modest increase in autonomous branches (+3.4%)**
- **In August, revenues fell 10.3%, with spending rising 26.9%, with a strong expansion in administrative branches**
- **The *Historic Balance of Public Sector Borrowing Requirements* stood at $12.6 trillion (~US$621.0bn)**

**PSBRs post a $451.6 billion deficit in the first eight months of the year.** The Ministry of Finance released its public finance report for August, in which we highlight the $451.6 billion deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance[1]–. This compares to the $457.4 billion deficit seen in 2020. The 'traditional' public balance posted an $262.4 billion deficit, better than expected by $180.1 billion due to higher revenues, despite higher expenditures. Finally, the primary surplus stood at $179.1 billion.

**Total revenues up 5.5% y/y in real terms.** According to the MoF, revenues totaled $3,892.6 billion, $164.9 billion higher than projected. Oil-related income came in at $609.6 billion, representing a 66.4% increase in real terms relative to 2020. This is mainly explained by a more favorable base effect. Despite of this, they came in $7.6 billion below estimates. Meanwhile, tax revenues amounted to $2,443.4 billion, overshooting projections by $24.1 billion. Inside, almost all categories were stronger in annual terms except for income tax collection (-0.2%) and excise taxes (-10.3%), with the latter dragged by higher fiscal stimulus to gasolines. To the upside, we highlight VAT at +14.1% and import taxes at +15.2%, with both benefited by the economic recovery. Revenues from government-controlled entities (IMSS and ISSSTE) came in at $302.6 billion, a 2.0% decrease, while those of CFE stood at $249.6 billion (-6.6%). Finally, non-oil, non-tax revenues ('other' in the table below) posted an 21.9% decline, amounting to $287.4 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 4.5% y/y.** Total spending reached $4,183.1 billion, $12.5 billion higher than budgeted. In this context, primary spending rose to $3,760.6 billion, which implies a 6.4% y/y expansion, with financial costs at $422.4 billion (-9.2%). Within the former, the programmable component grew 7.3%, amounting to $3,121.0 billion. We highlight higher spending by Pemex (19.5%) and CFE (15.2%). Meanwhile, outlays from government-controlled entities (IMSS and ISSSTE) advanced 6.2%, driven by IMSS at +9.8%. Meanwhile, administrative branches grew by 10.7%, with strong expansions in the Ministry of Tourism (249.9%) and Energy (209.2%), albeit with declines in the Ministry of Economy (-91.1%) and for Public Security (-28.8%). Autonomous branches spending rose 3.4%. Inside, the advance is explained by INE (+113.3%), with declines in INEGI (--65.7%) and the Federal Tribunal for Administrative Justice (-14.9%). Lastly, non-programmable spending excluding debt financial costs increased 1.8% to $639.6 billion, with participations –transfers to states under the federal tax collection agreement– up 4.7%.

Public finances: August 2021
$ billion

| | August | | | January - August | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | % y/y real terms | 2021 | 2020 | % y/y real terms |
| Public Balance | -19.8 | 139.6 | -- | -262.4 | -275.0 | -9.3 |
| *Balance of entities under indirect budgetary control* | *-10.1* | *-2.6* | *267.7* | *28.0* | *21.7* | *23.1* |
| Revenues | 483.5 | 510.3 | -10.3 | 3,892.6 | 3,508.5 | 5.5 |
| Oil | 102.1 | 46.2 | 109.4 | 609.6 | 348.3 | 66.4 |
| Non-oil | 381.4 | 464.1 | -22.2 | 3,283.0 | 3,160.2 | -1.2 |
| Tax collection | 289.2 | 258.3 | 6.1 | 2,443.4 | 2,262.4 | 2.7 |
| Other | 18.3 | 133.7 | -87.0 | 287.4 | 349.9 | -21.9 |
| Government controlled entities | 39.6 | 39.4 | -4.8 | 302.6 | 293.6 | -2.0 |
| CFE | 34.3 | 32.7 | -0.7 | 249.6 | 254.3 | -6.6 |
| Spending | 493.1 | 368.1 | 26.9 | 4,183.1 | 3,805.2 | 4.5 |
| Primary spending | 468.4 | 347.7 | ND | 3,760.6 | 3,362.7 | 6.4 |
| Programmable spending | 394.8 | 285.9 | 30.8 | 3,121.0 | 2,764.9 | 7.3 |
| Non-programmable spending | 73.6 | 61.8 | ND | 639.6 | 597.7 | 1.8 |
| Financial costs | 24.7 | 20.3 | 15.1 | 422.4 | 442.5 | -9.2 |
| Primary balance | 16.5 | 163.8 | -90.5 | 149.2 | 151.7 | -6.4 |

Source: Ministry of Finance

**Lower revenues in August, with a substantial increase in spending.** In the month, total revenues declined 10.3% y/y in real terms. Inside, oil-related remained positive at +109.4%, aided by higher prices. Tax revenues rose 6.1%. Specifically, income tax collection climbed 3.8%, with VAT higher by 24.9%. Nevertheless, and explaining the decline, non-tax revenues plummeted 87.0%. Expenditures shot-up 26.9%. Programmable spending expanded 30.8%, with a 96.2% increase in administrative branches, with autonomous at +9.6%. Within non-programmable spending, participations showed some force at +12.8%.

**The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at $12.6 trillion (~US$621.0 billion).** Out of these, $8.2 trillion are domestic debt (65.2% of the total outstanding), with the external component at US$216.3 billion ($4.4 trillion; 34.8% of the total). Net public-sector debt amounted to $12.5 trillion (~US$618.3 billion). Inside, net domestic debt reached $8.0 trillion, while net foreign debt climbed to US$219.8 billion (equivalent to $4.5 trillion).

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