

## Public finances – \$560.9 billion deficit in the PSBR up to October

December 1, 2021

www.banorte.com  
@analisis\_fundam

Juan Carlos Alderete, CFA  
Director of Economic Research  
juan.alderete.macal@banorte.com

Francisco Flores  
Senior Economist, Mexico  
francisco.flores.serrano@banorte.com

- The Ministry of Finance (MoF) released its public finance report for October
- Public sector borrowing requirements (Jan-Oct): \$560.9bn deficit (~US\$27.8bn)
- Public balance (Jan-Oct): \$351.0bn deficit (~US\$17.4bn)
- Primary balance (Jan-Oct): \$140.4bn surplus (~US\$7.0bn)
- Budget revenues increased 5.1% y/y in real terms, higher in oil (+64.3%) but with non-oil revenues lower (-1.8%). In the latter, we highlight the 0.1% increase in income tax, with VAT stronger at 11.5%
- Expenditures were up 5.0% y/y in real terms, with important growth in administrative branches (11.2%), along Pemex (23.7%) and CFE (11.8%)
- In October, revenues rose 0.6% y/y with strength in the oil component. Spending was lower by 1.8%, with a decline in administrative branches
- The *Historic Balance of Public Sector Borrowing Requirements* stood at \$12.6 trillion (~US\$625.2bn)

**PSBRs post a \$560.9 billion deficit in the first ten months of the year.** The Ministry of Finance released its public finance report for October, in which we highlight the \$560.9 billion deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance<sup>1</sup>–. This compares to the \$530.0 billion deficit seen in 2020. The ‘traditional’ public balance posted an \$351.0 billion deficit, better than expected by \$204.9 billion mainly due to higher revenues, but also lower expenditures. Finally, the primary surplus stood at \$140.4 billion.

**Total revenues up 5.1% y/y in real terms.** According to the MoF, revenues totaled \$4,756.7 billion, \$138.7 billion higher than projected. Oil-related income came in at \$776.6 billion, representing a 64.3% increase in real terms relative to 2020, mainly driven by higher crude prices. Meanwhile, tax revenues amounted to \$2,955.2 billion, lower than projections by \$2.2 billion. Inside, results were mixed in annual terms, highlighting to the downside excise taxes (-14.5%), dragged by higher fiscal stimulus to gasolines. To the upside we highlight VAT at +11.5%, import taxes at +18.5% and income tax collection at +0.1%, with the first two benefited by the economic recovery. Revenues from government-controlled entities (IMSS and ISSSTE) came in at \$381.0 billion, a 1.1% decrease, while those of CFE stood at \$317.8 billion (-8.3%). Finally, non-oil, non-tax revenues (‘other’ in the table below) posted a 20.7% decline, amounting to \$326.0 billion.

<sup>1</sup> 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 5.0% y/y.** Total spending reached \$5,137.6 billion, \$36.6 billion lower than budgeted. In this context, primary spending rose to \$4,638.0 billion, which implies a 6.4% y/y expansion, with financial costs at \$499.6 billion (-6.8%). Within the former, the programmable component grew 7.5%, amounting to \$3,862.7 billion. We highlight the 11.2% increase in administrative branches, with strong expansions in the Ministry of Tourism (256.3%) and Energy (228.8%), albeit with declines in the Ministry of Economy (-89.6%) and Labor (-25.2%). In addition, spending by Pemex increased 23.7%, with CFE also higher at 11.8%. Meanwhile, outlays from government-controlled entities (IMSS and ISSSTE) advanced 5.0%, driven by IMSS at +7.7%. Autonomous branches spending rose 3.9%. Inside, the advance is explained by INE (+100.5%), with declines in INEGI (-60.0%) and the Federal Tribunal for Administrative Justice (-14.8%). Lastly, non-programmable spending excluding debt financial costs rose 1.2% to \$775.3 billion, with participations –transfers to states under the federal tax collection agreement– up 3.5%.

Public finances: October 2021  
\$ billion

	October			January-October		
	2021	2020	% y/y real terms	2021	2020	% y/y real terms
Public Balance	11.0	-18.9	--	-351.0	-327.4	1.8
<i>Balance of entities under indirect budgetary control</i>	7.5	-12.4	--	29.8	23.4	20.7
Revenues	434.5	406.4	0.6	4,756.7	4,295.4	5.1
Oil	89.7	52.2	61.8	776.6	448.7	64.3
Non-oil	344.8	354.2	-8.4	3,980.1	3,846.6	-1.8
Tax collection	253.0	256.6	-7.2	2,955.2	2,761.6	1.6
Other	18.8	18.6	-4.7	326.0	390.3	-20.7
Government controlled entities	38.6	36.4	0.0	381.0	365.6	-1.1
CFE	34.3	42.7	-24.4	317.8	329.1	-8.3
Spending	431.0	412.9	-1.8	5,137.6	4,646.2	5.0
Primary spending	404.1	391.5	ND	4,638.0	4,137.5	6.4
Programmable spending	338.9	325.5	-2.0	3,862.7	3,410.2	7.5
Non-programmable spending	65.2	66.0	ND	775.3	727.2	1.2
Financial costs	26.9	21.5	17.9	499.6	508.7	-6.8
Primary balance	33.7	15.1	109.7	140.4	169.4	-21.4

Source: Ministry of Finance

**Modest advance in revenues, with spending lower in annual terms in October.** In the month, total revenues picked up 0.6% y/y in real terms. Inside, oil-related kept strong at 61.8%, boosted by the effect on prices. Tax revenues fell 7.2%. Specifically, both income tax collection and VAT declined, down 1.1% and 6.2%, respectively. Non-tax revenues fell 4.7%. Expenditures declined 1.8%. Programmable spending was lower by 2.0%, with administrative branches at -7.0% and autonomous at +3.6%. Within non-programmable spending, participations fell 4.9%.

**The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$12.6 trillion (~US\$625.2 billion).** Out of these, \$8.4 trillion are domestic debt (66.3% of the total outstanding), with the external component at US\$210.6 billion (\$4.3 trillion; 33.7% of the total). Net public-sector debt amounted to \$12.6 trillion (~US\$622.5 billion). Inside, net domestic debt reached \$8.2 trillion (65.6% of the total), while net foreign debt climbed to US\$214.2 billion (equivalent to \$4.3 trillion; 34.4% of the total).

## Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez and Gerardo Daniel Valle Trujillo, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

### Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

### Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

### Last-twelve-month activities of the business areas.

*Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.*

*Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.*

### Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

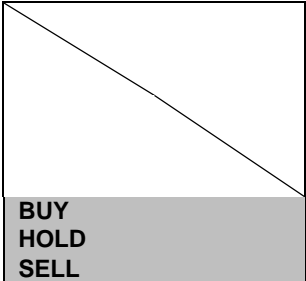
### Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1% of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

### Guide for investment recommendations.

	<b>Reference</b>
<b>BUY</b> <b>HOLD</b> <b>SELL</b>	When the share expected performance is greater than the MEXBOL estimated performance. When the share expected performance is similar to the MEXBOL estimated performance. When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

### Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V., since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katía Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalia Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Economic Studies			
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899