

Public finances – \$64.5 billion deficit in the PSBRs in January

- Yesterday, the Ministry of Finance (MoF) released its public finance report for January
- **Public sector borrowing requirements (Jan): \$64.5bn deficit (~US\$3.1bn)**
- **Public balance (Jan): \$58.8bn deficit (~US\$2.8bn)**
- **Primary balance (Jan-Dec): \$7.2bn surplus (~US\$334.9mn)**
- **Budget revenues increased 3.1% y/y in real terms, higher in oil (+35.1%) but with non-oil revenues contracting (-0.4%). In the latter, we highlight the +10.5% in income tax, with VAT weaker at -9.2%**
- **Expenditures were up 12.4% y/y in real terms, with important growth in administrative branches (20.5%), along with IMSS (30.5%) and CFE (17.6%)**
- **The *Historic Balance of Public Sector Borrowing Requirements (HBPSBR)* stood at \$13.2 trillion (~US\$637.5bn)**

PSBRs deficit of \$64.5 billion at the start of the year. The MoF released its public finance report for January, in which we highlight the \$64.5 billion deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance¹–. This compares to the \$5.6 billion deficit seen in the same period of 2021. The ‘traditional’ public balance posted a \$58.8 billion deficit, lower than anticipated given more modest expenditures, but with revenues also below estimates. Finally, the primary balance had a \$7.2 billion surplus (expected: -\$23.7 billion).

Total revenues up 3.1% y/y in real terms. Revenues reached \$543.5 billion in the month, \$49.7 billion below budget. Oil-related income came in at \$69.6 billion, +35.1% in real terms, mainly driven by higher oil prices. Meanwhile, tax revenues amounted to \$379.8 billion, lower than projections by \$15.8 billion. Inside, performance was mixed, highlighting income tax to the upside (+10.5%), albeit with declines in VAT (-9.2%) and excise taxes (-23.9%), which despite adjustments at the start of the year, is impacted by the enforcement of stimulus to fuels. Income from government-controlled entities (IMSS and ISSSTE) came in at \$40.2 billion (8.4%), while those of CFE reached \$29.5 billion (1.6%). Finally, non-tax revenues declined 15.9%, amounting to \$24.3 billion.

Budget spending rises 12.4% y/y. Total spending reached \$598.8 billion, \$73.3 billion lower than budgeted. In this context, primary spending rose to \$539.3 billion, implying +12.9% y/y, with financial costs at \$55.2 billion (8.6%). Within the former, the programmable component grew 12.2%, amounting to \$448.8 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.

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Winners of the award for best economic forecasters for Mexico in 2021, granted by *Refinitiv*



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We highlight the +20.5% in administrative branches, with strong expansions in the Ministry of Energy (108.3%) and the Energy Regulatory Commission (79.3%), albeit with declines in the Agrarian and Urban Development Agency (-91.0%) and the Ministry of Finance (-83.8%). In addition, spending by Pemex increased 14.5%, with CFE also higher at 17.6%. Outlays from government-controlled entities (IMSS and ISSSTE) advanced 15.5%, driven by IMSS at +30.5%. In addition, autonomous branches spending fell 5.8%. Inside, the decline is mostly explained by INE (-30.0%), although higher in the National Human Rights Commission (44.8%) and General Attorney's Office (27.3%). Lastly, non-programmable spending rose 16.6% to \$90.4 billion, with participations –transfers to states under the federal tax collection agreement– up 26.2%.

Public finances: January 2022
\$ billion

| | January | | |
|-------------------------------------------------------------|---------|-------|------------------|
| | 2022 | 2021 | % y/y real terms |
| Public Balance | -58.8 | -8.0 | -- |
| <i>Balance of entities under indirect budgetary control</i> | -3.5 | -3.0 | -- |
| Revenues | 543.5 | 492.5 | 3.1 |
| Oil | 69.6 | 48.1 | 35.1 |
| Non-oil | 473.9 | 444.4 | -0.4 |
| Tax collection | 379.8 | 355.6 | -0.2 |
| Other | 24.3 | 27.0 | -15.9 |
| Government controlled entities | 40.2 | 34.7 | 8.4 |
| CFE | 29.5 | 27.2 | 1.6 |
| Spending | 598.8 | 497.4 | 12.4 |
| Primary spending | 539.3 | 446.2 | 12.9 |
| Programmable spending | 448.8 | 373.8 | 12.2 |
| Non-programmable spending | 90.5 | 72.5 | 16.6 |
| Financial costs | 59.5 | 51.2 | 8.6 |
| Primary balance | 7.2 | 50.0 | -86.6 |

Source: Ministry of Finance

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$13.2 trillion (~US\$637.5 billion). Out of these, \$8.8 trillion are domestic debt (66.3% of the total outstanding), with the external component at US\$214.7 billion (\$4.5 trillion; 33.7% of the total). Net public-sector debt amounted to \$13.2 trillion. Inside, net domestic debt amount to \$8.6 trillion, while net foreign debt climbed to US\$218.0 billion (equivalent to \$4.5 trillion).

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, José Luis García Casales, Yazmín Selene Pérez Enriquez, José Itzamna Espitia Hernández, Carlos Hernández García, Paola Soto Leal, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Daniela Olea Suárez, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo and Isaiás Rodríguez Sobrino, 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.

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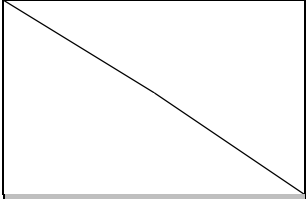
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