

Public finances – \$185.0 billion deficit in the PSBRs up to February

- Yesterday, the Ministry of Finance (MoF) released its public finance report for February
- Public sector borrowing requirements (Jan-Feb): \$185.0bn deficit (~US\$9.0bn)
- Public balance (Jan-Feb): \$170.4bn deficit (~US\$8.3bn)
- Primary balance (Jan-Feb): \$72.9bn deficit (~US\$3.5bn)
- Budget revenues fell 0.7% y/y in real terms, higher in oil (+6.2%) but with non-oil revenues contracting (-1.9%). In the latter, we highlight the 10.4% expansion in income tax, with VAT weaker at -10.0%
- Expenditures were up 5.1% y/y in real terms, with important growth in IMSS (+17.2%) and CFE (+8.8%), while autonomous (-10.0%) and administrative branches (-1.2%) were lower
- In February, revenues backtracked 5.0% y/y with declines in practically all components. Spending was lower by 1.7%, with a contraction in autonomous and administrative branches
- The *Historic Balance of Public Sector Borrowing Requirements (HBPSBR)* stood at \$13.4 trillion (~US\$646.8bn)

PSBRs deficit of \$185.0 billion in the first two months of the year. The MoF released its public finance report for February, in which we highlight the \$185.0 billion deficit in *Public Sector Borrowing Requirements (PSBR)* –the broadest measure of the public balance¹–. This compares to the \$113.1 billion deficit seen in the same period of 2021. The ‘traditional’ public balance posted a \$170.4 billion deficit, lower than anticipated given more modest expenditures, despite revenues disappointing. Finally, the primary balance had a \$72.9 billion deficit (expected: -\$115.5 billion).

Total revenues down 0.7% y/y in real terms. Revenues reached \$986.8 billion in the month, \$75.3 billion below budget. Oil-related income came in at \$144.9 billion, +6.2% in real terms, mainly driven by higher oil prices albeit with a decline in exports. Meanwhile, tax revenues amounted to \$660.1 billion, lower than projections by \$35.0 billion. Inside, performance was mostly negative, highlighting VAT (-10.0%) and excise taxes (-30.7%) to the downside, with the latter impacted by the application of stimulus to fuels. Meanwhile, income tax revenues rose 10.4%. Income from government-controlled entities (IMSS and ISSSTE) came in at \$83.0 billion (7.8%), while those of CFE reached \$58.9 billion (-3.0%). Finally, non-tax revenues declined 27.6%, amounting to \$39.9 billion.

March 31, 2022

www.banorte.com
@ analisis_fundam

Francisco Flores
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com

Yazmín Pérez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com

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



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 5.1% y/y. Total spending reached \$1,162 billion, \$104.4 billion lower than budgeted. In this context, primary spending rose to \$1,067.6 billion, implying +12.9% y/y, with financial costs at \$94.5 billion (+4.3%). Within the former, the programmable component grew 2.6%, amounting to \$848.3 billion. Outlays from government-controlled entities (IMSS and ISSSTE) advanced 9.6%, driven by IMSS at +17.2%. In addition, spending by Pemex fell 1.5%, with CFE higher at 8.8%. We highlight the -1.2% in administrative branches, with strong declines in the Ministry of Finance (-68.5%) and the Agrarian and Urban Development Agency (-67.8%), albeit with increases in Welfare (156.5%) –likely reflecting payments from social programs being brought forward due to the electoral ban– and the Ministry of Labor (36.1%). Moreover, autonomous branches spending fell 10.0%. Inside, the decline is mostly explained by INE (-35.3%) and the Judicial Branch (-5.3%), although higher in the Federal Economic Competition Commission (9.9%) and General Attorney’s Office (7.5%). Lastly, non-programmable spending rose 16.3% to \$90.4 billion, with participations –transfers to states under the federal tax collection agreement– up 16.1%.

Public finances: February 2022
\$ billion

	February			January-February		
	2022	2021	% y/y real terms	2022	2021	% y/y real terms
Public Balance	-111.6	-91.0	14.3	-170.4	-99.0	60.6
<i>Balance of entities under indirect budgetary control</i>	8.8	8.5	-3.2	4.9	5.4	-16.6
Revenues	443.4	435.2	-5.0	986.8	927.7	-0.7
Oil	75.3	79.2	-11.3	144.9	127.2	6.2
Non-oil	368.1	356.1	-3.6	842.0	800.4	-1.9
Tax collection	280.3	265.0	-1.4	660.1	620.5	-0.7
Other	15.6	24.4	-40.4	39.9	51.4	-27.6
Government controlled entities	42.8	37.2	7.3	83.0	71.9	7.8
CFE	29.4	29.5	-7.2	58.9	56.7	-3.0
Spending	563.7	534.7	-1.7	1,162.1	1,032.1	5.1
Primary spending	528.7	501.3	ND	1,067.6	947.5	5.1
Programmable spending	399.5	397.8	-6.4	848.3	771.6	2.6
Non-programmable spending	129.2	103.4	ND	219.3	175.9	16.3
Financial costs	35.0	33.4	-2.4	94.5	84.6	4.3
Primary balance	-80.6	-63.9	17.6	-72.9	-13.9	388.9

Source: Ministry of Finance

Lower revenues and expenditures in February. In the month, total revenues fell 5.0% y/y in real terms. Inside, oil-related backtracked 11.3%, despite high prices. Tax revenues came in at -1.4%. Specifically, income tax collection climbed 10.3%, albeit with VAT and excise taxes down 11.0% and 41.8%, respectively. Expenditures declined 1.7%. Programmable spending was lower by 6.4%, with administrative branches at -13.1% and autonomous at -13.4%. Within non-programmable spending, participations rose 8.7%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$13.4 trillion (~US\$646.8 billion). Out of these, \$8.9 trillion are domestic debt (66.7% of the total outstanding), with the external component at US\$215.6 billion (\$4.5 trillion; 33.3% of the total). Net public-sector debt amounted to \$13.3 trillion. Inside, net domestic debt reached \$8.8 trillion, while net foreign debt totaled US\$219.1 billion (equivalent to \$4.5 trillion).

Analyst Certification

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 Enríquez, José Itzamna Espitia Hernández, Carlos Hernández García, David Alejandro Arenas Sánchez, Paola Soto Leal, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Daniela Olea Suárez, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia Orozco Vélez, Gerardo Daniel Valle Trujillo and Isaías 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.

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.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	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	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katlia Celina Goya Ostos	Director of Economic Research, Global	katlia.goya@banorte.com	(55) 1670 - 1821
Yazmin Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707

Market Strategy

Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
-------------------------	-----------------------------	----------------------------	------------------

Fixed income and FX Strategy

Leslie Thalia Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Analyst, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144

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
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
David Alejandro Arenas Sánchez	Senior Strategist, Equity	david.arenas.sanchez@banorte.com	(55) 1103 - 4000 x 2755
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Analyst	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746

Corporate Debt

Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Quantitative Analysis

Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suárez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	(55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	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.cebaldos@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
Oswaldo 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.roldan.ferrer@banorte.com	(55) 1670 - 1899