

Economic Research

# Public finances – \$54.5 billion deficit in the PSBRs up to April

- Yesterday, the Ministry of Finance (MoF) released its public finance report for April
- Public sector borrowing requirements (Jan-Apr): \$54.5bn deficit (~US\$2.7bn)
- Public balance (Jan-Apr): \$13.0bn deficit (~US\$637.0mn)
- Primary balance (Jan-Apr): \$182.8bn deficit (~US\$8.9bn)
- Budget revenues rose 5.9% y/y in real terms, with increases both in oil (+42.7%) and non-oil revenues (+0.1%). In the latter, we highlight the 17.7% expansion in income tax, with excise taxes fell at -45.8%
- Expenditures were up 0.2% y/y in real terms, with declines in administrative (-1.5%) and autonomous branches (-7.2%), also noting a decline in CFE (-18.9%)
- In April, revenues increased 19.0% y/y with rises in practically all components. Spending was lower by 2.1%, with a contraction in autonomous and general branches
- The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$13.1 trillion (~US\$641.2bn), with 67.0% corresponding to domestic debt

**PSBRs deficit of \$54.5 billion up to April.** The MoF released its public finance report for April, in which we highlight the \$54.5 billion deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance<sup>1</sup>–. This compares to the \$225.7 billion deficit seen in the same period of 2021. The 'traditional' public balance posted a \$13.0 billion deficit, lower than anticipated given more modest expenditures and higher revenues. Finally, the primary balance had a \$182.8 billion surplus (expected: -\$33.6 billion).

**Total revenues increased 5.9% y/y in real terms.** Revenues reached \$2,274.4 billion in the period, \$114.9 billion above budget. Oil-related income came in at \$416.1 billion, +42.7% in real terms, mainly driven by higher oil prices. Meanwhile, tax revenues amounted to \$1,456.0 billion, higher than projections by \$39.8 billion. Inside, performance was mostly positive, highlighting income tax (17.7%), with the main decline in excise taxes (-45.8%), which has been impacted by the application of fuel stimulus. Meanwhile, VAT revenues declined 3.8%. Income from government-controlled entities (IMSS and ISSSTE) came in at \$168.6 billion (+6.5%), while those of CFE reached \$122.7 billion (-0.5%). Finally, non-tax revenues declined 38.8%, amounting to \$110.8 billion.

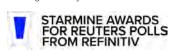
May 31, 2022

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



<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.

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Budget spending rises 0.2% v/v. Total spending reached \$2,294.1 billion, \$100.6 billion lower than budgeted. In this context, primary spending rose to \$2,105.1 billion, implying +0.2\% y/y, with financial costs at \$189.0 billion (-0.2%). Within the former, the programmable component grew 2.6%, amounting to \$1,684.0 billion. Outlays from government-controlled entities (IMSS and ISSSTE) increased 5.8%, mainly driven by IMSS (8.4%). In addition, spending by CFE and Pemex fell 18.9% and 11.7%, respectively. We highlight the -1.5% in administrative branches, with strong declines in the Ministry of Economy (-64.9%) and the Agrarian and Urban Development Agency (-48.7%), albeit with increases in Tourism (207.0%) and Welfare (44.8%). Moreover, autonomous branches spending fell 7.2%. Inside, the decline is mostly explained by INE (-32.3%) and the Federal Institute of Telecommunications (-10.1%), although higher in the General Attorney's Office (13.2%) and in the Human Rights Commission (11.3%). Lastly, non-programmable spending rose 13.0% to \$421.2 billion, with participations -transfers to states under the federal tax collection agreement- up 13.2%.

Public finances: April 2022

\$ billion

	April			January-April		
	2022	2021	% y/y real terms	2022	2021	% y/y real terms
Public Balance	53.4	-26.6		-13.0	-109.7	-88.9
Balance of entities under indirect budgetary control	-10.4	7.1		6.6	23.2	-73.3
Revenues	558.6	435.8	19.0	2,274.4	2,000.1	5.9
Oil	126.9	66.8	76.3	416.1	271.6	42.7
Non-oil	431.8	368.9	8.7	1,858.3	1,728.5	0.1
Tax collection	336.4	273.5	14.2	1,456.0	1,297.6	4.5
Other	19.6	28.1	-35.3	110.8	168.6	-38.8
Government controlled entities	43.3	37.7	6.6	168.7	147.5	6.5
CFE	32.5	29.6	1.9	122.7	114.9	-0.5
Spending	494.8	469.5	-2.1	2,294.1	2,132.9	0.2
Primary spending	470.1	438.3	NA	2,105.1	1,956.6	0.2
Programmable spending	348.0	335.8	-3.8	1,684.0	1,609.6	-2.6
Non-programmable spending	122.1	102.5	NA	421.2	347.0	13.0
Financial costs	24.7	31.2	-26.5	189.0	176.4	-0.2
Primary balance	90.7	-1.1		182.8	52.2	226.3

Source: Ministry of Finance

Increases in revenues but with a decline in spending in April. In the month, total revenues grew 19.0% y/y in real terms. Inside, oil-related resulted at +76.3%, as a result of high prices. Tax revenues came in at +14.2%. Specifically, income tax collection and VAT climbed 35.3% and 14.8%, respectively, albeit with excise taxes down 68.3%. Expenditures declined 2.1%. Programmable spending was lower by 3.8%, with administrative branches at -6.7% and generals at -7.4%. Within non-programmable spending, participations rose 11.4%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$13.1 trillion (~US\$641.2 billion). Out of these, \$8.8 trillion are domestic debt (67.0% of the total outstanding), with the external component at US\$211.3 billion (\$4.3 trillion; 33.3% of the total). Net public-sector debt amounted to \$13.1 trillion. Inside, net domestic debt reached \$8.7 trillion, while net foreign debt totaled US\$215.1 billion (equivalent to \$4.4 trillion).



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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Oscar Rodolfo Olivos Ortiz, Daniel Sebastián Sosa Aguilar and Salvador Austria Valencia 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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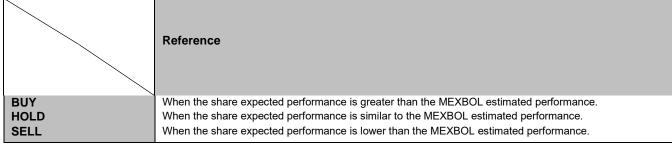
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