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

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

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

- **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[1]–. 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.

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[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 0.2% y/y. 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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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 Godinez	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
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Luis Leopoldo López Salinas	Manager Global Economist	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			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, 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
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
Oscar Rodolfo Olivos Ortiz	Analyst	oscar.olivos@banorte.com	(55) 1103 - 4000
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
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Salvador Austria Valencia	Analyst, Quantitative Analysis	salvador.austria.valencia@banorte.com	(55) 1103 - 4000
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.ceballos@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.roldan.ferrer@banorte.com	(55) 1670 - 1899