

Public finances – \$104.4 billion deficit in the PSBRs up to May

July 1, 2022

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- Yesterday, the Ministry of Finance (MoF) released its public finance report for May
- Public sector borrowing requirements (Jan-May): \$104.4bn deficit (~US\$5.3bn)
- Public balance (Jan-May): \$58.5bn deficit (~US\$3.0bn)
- Primary balance (Jan-May): \$178.1bn surplus (~US\$9.1bn)
- Budget revenues rose 4.0% y/y in real terms, with increases both in oil (+26.9%) and non-oil revenues (+0.1%). In the latter, we highlight the 15.5% expansion in income tax, with excise taxes falling 54.4%
- Expenditures were up 0.5% y/y in real terms, driven by non-programable spending (13.2%). In programable spending (-2.3%), we highlight declines in autonomous (-8.2%) and administrative branches (-1.4%), while also noting a fall in Pemex (-14.6%)
- In May, revenues declined 4.1% y/y with a mixed behavior in its components. Spending rose by 2.1%, with increases in financial costs and participations, among others
- The *Historic Balance of Public Sector Borrowing Requirements (HBPSBR)* stood at \$13.1 trillion (~US\$666.2bn), with 68.1% corresponding to domestic debt

PSBRs deficit of \$104.4 billion up to May. The MoF released its public finance report for May, in which we highlight the \$104.4 billion deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance¹–. This compares to the \$229.1 billion deficit seen in the same period of 2021. The ‘traditional’ public balance posted a \$ 58.5 billion deficit, lower than anticipated given more modest expenditures and higher revenues. Finally, the primary balance had a \$178.1 billion surplus (expected: \$10.4 billion).

Total revenues increased 4.0% y/y in real terms. Revenues reached \$2,745.5 billion in the period, \$98.4 billion above budget. Oil-related income came in at \$495.9 billion, +26.9% in real terms, mainly driven by higher oil prices. Meanwhile, tax revenues amounted to \$1,748.0 billion, higher than projections by \$20.9 billion. Inside, performance was mostly positive, highlighting income tax to the upside (15.5%), with the main decline in excise taxes (-54.4%), impacted by the application of fuel stimulus. Meanwhile, import taxes increased 25.6%. Income from government-controlled entities (IMSS and ISSSTE) came in at \$211.0 billion (+7.0%), while those of CFE reached \$157.6 billion (+0.4%). Finally, non-tax revenues declined 34.0%, amounting to \$133.0 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.

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Budget spending rises 0.5% y/y. Total spending reached \$2,792.6 billion, \$69.5 billion lower than budgeted. In this context, primary spending rose to \$2,580.5 billion, implying +0.4% y/y, with financial costs at \$212.2 billion (+1.3%). Within the former, the programmable component fell 2.3%, amounting to \$2,072.4 billion. Outlays from government-controlled entities (IMSS and ISSSTE) increased 2.2%, driven by IMSS (5.1%). In addition, spending by Pemex and CFE fell -14.6% and -4.5%, respectively. We highlight the -1.4% in administrative branches, with strong declines in the Ministry of Economy (-58.3%) and the Agrarian and Urban Development Agency (-43.9%), albeit with increases in Tourism (236.0%) and in Environment and Natural Resources (55.2%). Moreover, autonomous branches spending fell 8.2%. Inside, the decline is mostly explained by INE (-35.9%) and the Federal Institute of Telecommunications (-11.4%), although higher in the General Attorney's Office (10.6%) and in the Human Rights Commission (10.5%). Lastly, non-programmable spending rose 9.4% to \$720.3 billion, with participations –transfers to states under the federal tax collection agreement– up 13.5%.

Public finances: May 2022
\$ billion

	May			January-May		
	2022	2021	% y/y real terms	2022	2021	% y/y real terms
Public Balance	-45.4	-3.1	--	-58.5	-112.7	-51.7
<i>Balance of entities under indirect budgetary control</i>	-18.1	-5.9	185.8	-11.3	17.3	--
Revenues	471.1	456.5	-4.1	2,745.5	2,456.6	4.0
Oil	79.8	92.1	-19.5	495.9	363.7	26.9
Non-oil	391.3	364.4	-0.2	2,249.6	2,092.9	0.1
Tax collection	292.0	278.2	-2.5	1,748.0	1,575.8	3.3
Other	22.1	18.9	9.0	133.0	187.5	-34.0
Government controlled entities	42.4	36.1	9.1	211.0	183.5	7.0
CFE	34.8	31.3	3.4	157.6	146.2	0.4
Spending	498.5	453.7	2.1	2,792.6	2,586.6	0.5
Primary spending	475.3	435.1	ND	2,580.5	2,391.7	0.4
Programmable spending	388.4	364.2	-0.9	2,072.4	1,973.8	-2.3
Non-programmable spending	86.9	70.9	ND	508.1	417.9	13.2
Financial costs	23.2	18.6	16.0	212.2	194.9	1.3
Primary balance	-4.5	21.4	--	178.0	73.5	125.4

Source: Ministry of Finance

Decline in revenues and higher spending in May. In the month, total revenues fell 4.1% y/y in real terms. Inside, oil-related came in at -19.5%, despite high prices. Tax revenues came in at -2.5%. Specifically, VAT and income tax collection climbed 17.5% and 5.1%, respectively, albeit with excise taxes down 91.4%. Expenditures rose 2.1%. Programmable spending fell 0.9%, with autonomous branches at -12.0% and administrative branches at -0.7%. Within non-programmable spending, participations rose 15.0%. Lastly, financial costs increased 16.0%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$13.1 trillion (~US\$666.2 billion). Out of these, \$8.9 trillion are domestic debt (68.1% of the total outstanding), with the external component at US\$212.5 billion (\$4.2 trillion; 31.9% of the total). Net public-sector debt amounted to \$13.0 trillion. Inside, net domestic debt reached \$8.8 trillion, while net foreign debt totaled US\$216.6 billion (equivalent to \$4.2 trillion).

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