

Public finances – \$304.3 billion deficit in the PSBRs until July

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- Yesterday, the Ministry of Finance (MoF) released its public finance report for July
- Public sector borrowing requirements (Jan-Jul): \$304.3bn deficit (~US\$14.8bn)
- Public balance (Jan-Jul): \$254.1bn deficit (~US\$12.4bn)
- Primary balance (Jan-Jul): \$229.0bn surplus (~US\$11.2bn)
- Budget revenues rose 5.3% y/y in real terms, with an increase in oil (+39.3%), although non-oil revenues fell (-0.7%). In the latter, we highlight the 79.5% decrease in excise taxes and the +15.3% in income tax
- Expenditures were up 3.4% y/y in real terms, driven by non-programmable spending (8.5%). In programmable spending (1.6%), we highlight the increase in administrative branches (3.3%) and CFE (2.3%)
- In July, revenues grew 7.8% y/y, boosted by oil. Spending rose 11.8%, driven by financial costs and administrative branches
- The *Historic Balance of Public Sector Borrowing Requirements (HBPSBR)* stood at \$13.4 trillion (~US\$652.1bn), with 67.5% corresponding to domestic debt

PSBRs deficit of \$304.3 billion up to July. The MoF released its public finance report for July, in which we highlight the \$304.3 billion deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance¹–. This compares to the \$445.9 billion deficit seen in the same period of 2021. The ‘traditional’ public balance posted a \$254.2 billion deficit, lower than anticipated given higher revenues and lower-than-expected spending. Finally, the primary balance had a \$229.0 billion surplus (expected: \$345.2 million).

Total revenues increased 5.3% y/y in real terms. Revenues reached \$3,862.1 billion in the period, \$218.4 billion above budget. Oil-related income came in at \$761.0 billion, +39.3% in real terms, mainly driven by higher oil prices. Meanwhile, tax revenues amounted to \$2,341.4 billion, lower than projections by \$28.6 billion. Inside, results were mostly positive, highlighting income tax to the upside (15.3%), while excise taxes had the strongest fall (-79.5%) again impacted by the lack of collection of fuel taxes. Meanwhile, VAT income grew 4.0%. Income from government-controlled entities (IMSS and ISSSTE) came in at \$301.9 billion (+6.7%), while those of CFE moderated to \$231.4 billion (-0.1%). Finally, non-tax revenues declined 21.9%, amounting to \$226.3 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 3.4% y/y. Total spending reached \$4,108.6 billion, \$2.1 billion lower than budgeted. In this context, primary spending rose to \$3,653.8 billion, implying +3.1% y/y, with financial costs at \$454.8 billion (+6.3%). Within the former, the programmable component rose 1.6%, amounting to \$2,982.1 billion. Outlays from government-controlled entities (IMSS and ISSSTE) increased 1.4%, driven by IMSS (3.0%) albeit partially offset by a decline in ISSSTE (-2.0%). Spending by Pemex fell -0.1%, while the one from CFE increased by 4.7%. Administrative branches rose 3.3%, with strong increases in the Ministry of Tourism (155.7%) and in Welfare (47.1%), although with relevant declines in Economy (-52.6%) and Energy (-29.3%). On the other hand, autonomous branches spending fell 10.4%. Inside, this was mostly explained by INE (-41.0%) and the Federal Institute of Telecommunications (-13.3%), although higher in the Human Rights Commission (11.4%). Lastly, non-programmable spending rose 10.1% to \$671.7 billion, with participations –transfers to states under the federal tax collection agreement– up 9.4%.

Public finances: July 2022
\$ billion

	July			January-July		
	2022	2021	% y/y real terms	2022	2021	% y/y real terms
Public Balance	-49.3	-11.5	297.4	-254.2	-242.7	-2.7
<i>Balance of entities under indirect budgetary control</i>	-6.1	7.2	--	-7.6	39.4	--
Revenues	556.9	477.8	7.8	3,862.1	3,409.1	5.3
Oil	166.7	80.4	91.8	760.9	507.5	39.3
Non-oil	390.2	397.4	-9.2	3,101.1	2,901.6	-0.7
Tax collection	291.8	297.8	-9.4	2,341.4	2,154.2	1.0
Other	20.8	25.2	-23.6	226.3	269.1	-21.9
Government controlled entities	43.0	38.4	3.6	301.9	263.0	6.7
CFE	34.6	36.0	-11.2	231.4	215.3	-0.1
Spending	600.2	496.5	11.8	4,108.6	3,691.2	3.4
Primary spending	532.6	452.3	ND	3,653.8	3,293.5	3.1
Programmable spending	447.5	380.9	8.6	2,982.1	2,726.8	1.6
Non-programmable spending	85.1	71.4	ND	671.7	566.7	10.1
Financial costs	67.5	44.3	41.1	454.8	397.7	6.3
Primary balance	28.4	27.9	-6.0	229.0	130.7	62.7

Source: Ministry of Finance

Higher revenues and spending in July. In the month, total revenues grew 5.3% y/y in real terms. Inside, oil-related came in at +91.8%, due to high prices. Tax revenues came in at -9.4%. Specifically, income tax and VAT climbed 9.8% and 6.9%, respectively. Nevertheless, excise taxes implied spending of \$18.8 billion given the complementary stimulus to fuels. Expenditures rose 11.8%. Programmable spending increased 8.6%, with autonomous branches at -11.7% and administrative branches at +53.5%. Within non-programmable spending, financial costs rose 41.4%, while participations picked up 7.1%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$13.4 trillion (~US\$652.1 billion). Out of these, \$9.0 trillion are domestic debt (67.5% of the total outstanding), with the external component at US\$211.7 billion (\$4.3 trillion; 32.5% of the total). Net public-sector debt amounted to \$13.4 trillion. Inside, net domestic debt reached \$9.0 trillion, while net foreign debt totaled US\$215.3 billion (equivalent to \$4.4 trillion).

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