

Public finances – \$362.1 billion deficit in the PSBRs until August

- Yesterday, the Ministry of Finance (MoF) released its public finance report for August
- Public sector borrowing requirements (Jan-Aug): \$362.1bn deficit (~US\$18.1bn)
- Public balance (Jan-Aug): \$285.1bn deficit (~US\$14.3bn)
- Primary balance (Jan-Aug): \$244.3bn surplus (~US\$12.2bn)
- Budget revenues rose 4.4% y/y in real terms, with an increase in oil (+35.8%), although with non-oil revenues falling (-1.4%). In the latter, we highlight the 85.5% decrease in excise taxes and the 14.8% expansion in income taxes
- Expenditures were up 3.2% y/y in real terms, driven by non-programmable spending (+8.8%). In programmable spending (+1.4%), we highlight the increase in CFE (+5.2%) and the fall in autonomous branches (-9.3%)
- In August, revenues declined 1.3% y/y, dragged by non-oil (-6.5%), albeit with oil still positive (+18.3%). Spending rose 1.0%, driven by non-programmable spending (+8.9%)
- The *Historic Balance of Public Sector Borrowing Requirements (HBPSBR)* stood at \$13.3 trillion (~US\$665.5bn), with 68.3% corresponding to domestic debt

PSBR accumulate a deficit of \$362.1 billion up to August. The MoF released its public finance report for August, in which we highlight the \$362.1 billion deficit in *Public Sector Borrowing Requirements (PSBR)* –the broadest measure of the public balance¹–. This compares to the \$469.9 billion deficit seen in the same period of 2021. The ‘traditional’ public balance posted a \$285.1 billion deficit, lower than anticipated given higher revenues and lower-than-expected spending. Finally, the primary balance had a \$244.3 billion surplus (expected: -\$18.4 million).

Total revenues increased 4.4% y/y in real terms. Revenues reached \$4,380.8 billion in the period, \$247.5 billion above budget. Oil-related income came in at \$892.2 billion, +35.8% in real terms, mainly driven by higher oil prices. Meanwhile, tax revenues amounted to \$2,621.7 billion, lower than projections by \$61.4 billion. Inside, results were mostly positive, highlighting income tax to the upside (14.8%), while excise taxes had the largest decline (-85.5%), again impacted by the lack of collection of fuel taxes. Meanwhile, VAT revenues grew 2.7%. Income from government-controlled entities (IMSS and ISSSTE) came in at \$347.0 billion (+6.4%), while those of CFE increased to \$271.9 billion (1.1%). Finally, non-tax revenues declined 19.9%, amounting to \$248.1 billion.

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



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Budget spending rises 3.2% y/y. Total spending reached \$4,652.2 billion, \$3.6 billion lower than budgeted. In this context, primary spending climbed to \$4,160.3 billion, implying +2.6% y/y, with financial costs at \$491.9 billion (+8.1%). Within the former, the programmable component rose 1.4%, amounting to \$3,409.4 billion. Outlays from government-controlled entities (IMSS and ISSSTE) increased 1.5%, driven by IMSS (+2.9%), albeit partially offset by a decline in ISSSTE (-1.8%). Spending by Pemex grew 1.8%, although with the one from CFE even higher at +5.2%. Administrative branches rose 0.6%, with strong increases in the Ministry of Tourism (+234.6%) and in Welfare (+34.0%), although with relevant declines in Economy (-48.3%) and Energy (-43.9%). On the other hand, autonomous branches spending fell 9.3%. Inside, this was mostly explained by INE (-41.4%) and the legislative branch (-5.3%), although higher in the Federal Institute of Telecommunications (51.9%). Lastly, non-programmable spending rose 8.8% to \$750.9 billion, with participations –transfers to states under the federal tax collection agreement– up 8.1%.

Public finances: August 2022
\$ billion

	August			January-August		
	2022	2021	% y/y real terms	2022	2021	% y/y real terms
Public Balance	-30.9	-19.8	43.8	-285.1	-262.4	0.8
<i>Balance of entities under indirect budgetary control</i>	-7.8	-9.7	-26.1	-13.7	29.7	--
Revenues	518.8	483.5	-1.3	4,380.8	3,892.6	4.4
Oil	131.2	102.1	18.3	892.2	609.6	35.8
Non-oil	387.6	381.4	-6.5	3,488.7	3,283.0	-1.4
Tax collection	280.2	289.2	-10.9	2,621.7	2,443.4	-0.4
Other	21.8	18.3	9.7	248.1	287.4	-19.9
Government controlled entities	45.1	39.6	4.6	347.0	302.6	6.4
CFE	40.4	34.3	8.5	271.9	249.6	1.1
Spending	541.9	493.6	1.0	4,652.2	4,184.8	3.2
Primary spending	504.8	468.9	ND	4,160.3	3,762.3	2.6
Programmable spending	425.4	395.1	-1.0	3,409.4	3,121.9	1.4
Non-programmable spending	79.4	73.7	ND	750.9	640.4	8.8
Financial costs	37.1	24.7	38.0	491.9	422.4	8.1
Primary balance	17.0	16.5	-4.9	244.3	147.2	54.0

Source: Ministry of Finance

Lower revenues and higher spending in August. In the month, total revenues fell by 1.3% y/y in real terms. Inside, oil-related came in at +18.3%, due to still high prices. Tax revenues came in at -10.9%. Specifically, income tax climbed 10.4%, with VAT at -5.1%. Excise taxes implied spending of \$11.5 billion given the complementary stimulus to fuels. Expenditures rose 1.0%. Programmable spending decreased 1.0%, with autonomous branches at -3.9% and administrative branches at -17.2%. Within non-programmable spending, participations fell by 1.6%. Lastly, financial costs rose 38.0%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$13.3 trillion (~US\$665.5 billion). Out of these, \$9.1 trillion are domestic debt (68.3% of the total outstanding), with the external component at US\$210.9 billion (\$4.2 trillion; 31.7% of the total). Net public-sector debt amounted to \$13.3 trillion. Inside, net domestic debt reached \$9.0 trillion, while net foreign debt totaled US\$214.0 billion (equivalent to \$4.3 trillion).

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