

Public finances – \$596.3 billion deficit in the PSBRs up to October

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- Yesterday, the Ministry of Finance (MoF) released its public finance report for October
- Public sector borrowing requirements (Jan-Oct): \$596.3bn deficit (~US\$30.1bn)
- Public balance (Jan-Oct): \$456.3bn deficit (~US\$23.0bn)
- Primary balance (Jan-Oct): \$195.8bn surplus (~US\$9.9bn)
- Budget revenues rose 5.0% y/y in real terms, with an increase in oil (+35.7%), but with non-oil revenues falling (-1.0%). In the latter, we highlight the 79.9% decrease in excise taxes and the 14.3% expansion in income taxes
- Expenditures were up 4.9% y/y in real terms, driven by non-programmable spending (+7.3%). In programmable spending (+3.6%), we highlight the increase in CFE (+11.2%) and the fall in autonomous branches (-7.8%)
- In October, revenues rose 7.2% y/y, driven by oil (+34.7%). Spending climbed 19.6%, driven by non-programmable spending (+22.9%)
- The *Historic Balance of Public Sector Borrowing Requirements (HBPSBR)* stood at \$13.5 trillion (~US\$680.4bn), with 69.0% corresponding to domestic debt

PSBR accumulate a deficit of \$596.3 billion so far in the year. The MoF released its public finance report for October, in which we highlight the \$596.3 billion deficit in *Public Sector Borrowing Requirements (PSBR)* –the broadest measure of the public balance¹–. This compares to the \$577.7 billion deficit seen in the same period of 2021. The ‘traditional’ public balance posted a \$456.3 billion deficit, lower than anticipated given higher revenues than expected. Finally, the primary balance had a \$195.8 billion surplus (expected: -\$20.0 million).

Total revenues increased 5.0% y/y in real terms. Revenues reached \$5,391.3 billion in the period, \$243.0 billion above budget. Oil-related income came in at \$1,137.4 billion, +35.7% in real terms, mainly driven by higher oil prices. Meanwhile, tax revenues amounted to \$3,168.5 billion, lower than projections by \$109.7 billion. Inside, results were mostly positive, highlighting income tax to the upside (14.3%), while excise taxes had the largest decline (-79.9%), again impacted by the lack of collection of fuel taxes. Meanwhile, VAT revenues grew 0.2%. Income from government-controlled entities (IMSS and ISSSTE) came in at \$437.1 billion (+6.3%), while those of CFE increased to \$349.7 billion (+2.0%). Finally, non-tax revenues declined 15.2%, amounting to \$298.5 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 4.9% y/y. Total spending reached \$5,817.1 billion, \$44.5 billion higher than budgeted. In this context, primary spending climbed to \$5,216.9 billion, implying +4.2% y/y, with financial costs at \$600.2 billion (+11.3%). Within the former, the programmable component rose 3.6%, amounting to \$4,318.1 billion. Outlays from government-controlled entities (IMSS and ISSSTE) increased 1.4%, driven by IMSS (+2.8%), albeit partially offset by a decline in ISSSTE (-1.7%). Spending by Pemex grew 4.3%, although with the one from CFE even higher at +11.2%. Administrative branches rose 5.3%, with strong increases in the Ministry of Tourism (+282.7%) and in Welfare (+47.2%), although with relevant declines in Economy (-39.4%) and Energy (-35.8%). On the other hand, autonomous branches spending fell 7.8%. Inside, this was mostly explained by INE (-39.9%) and the legislative branch (-5.5%), although higher in the Federal Institute of Telecommunications (+44.3%). Lastly, non-programmable spending rose 7.3% to \$898.8 billion, with participations –transfers to states under the federal tax collection agreement– up 7.3%.

Public finances: October 2022
\$ billion

	October			January-October		
	2022	2021	% y/y real terms	2022	2021	% y/y real terms
Public Balance	-60.0	11.0	--	-456.3	-351.0	20.5
<i>Balance of entities under indirect budgetary control</i>	-5.8	7.8	--	-30.5	31.6	--
Revenues	504.8	434.5	7.2	5,391.3	4,756.8	5.0
Oil	131.0	89.7	34.7	1,137.4	776.7	35.7
Non-oil	373.9	344.8	0.0	4,253.8	3,980.2	-1.0
Tax collection	269.4	253.0	-1.8	3,168.5	2,955.2	-0.6
Other	20.6	18.8	0.9	298.5	326.0	-15.2
Government controlled entities	44.9	38.7	7.2	437.1	381.0	6.3
CFE	39.0	34.3	4.8	349.7	317.8	2.0
Spending	559.1	431.4	19.6	5,817.1	5,139.4	4.9
Primary spending	520.4	404.5	ND	5,216.9	4,639.9	4.2
Programmable spending	452.1	339.2	22.9	4,318.1	3,863.6	3.6
Non-programmable spending	68.3	65.3	ND	898.8	776.2	7.3
Financial costs	38.7	26.9	32.6	600.2	499.6	11.3
Primary balance	-15.4	32.8	--	195.8	137.2	32.3

Source: Ministry of Finance

Higher revenues and an acceleration in spending in October. In the month, total revenues grew 7.2% y/y in real terms. Inside, oil-related came in at +34.7%, due to still high prices. Tax revenues came in at -1.8%. Specifically, income tax climbed 12.5%, with VAT at -16.2%. Excise taxes fell 51.0%. Expenditures rose 19.6%. Programmable spending advanced 22.9%, with CFE at +66.2% and administrative branches at +35.0%. Within non-programmable spending, participations fell by 1.9%. Lastly, financial costs rose 32.6%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$13.5 trillion (~US\$680.4 billion). Out of these, \$9.3 trillion are domestic debt (69.0% of the total outstanding), with the external component at US\$210.9 billion (\$4.2 trillion; 31.0% of the total). Net public-sector debt amounted to \$13.5 trillion. Inside, net domestic debt reached \$9.2 trillion, while net foreign debt totaled US\$214.1 billion (equivalent to \$4.2 trillion).

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