

Public finances – \$15.9 billion deficit in the PSBRs in January

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- Yesterday, the Ministry of Finance (MoF) released its public finance report for January
- Public sector borrowing requirements (Jan): \$15.9bn deficit (~US\$844.6mn)
- Public balance (Jan): \$33.5bn deficit (~US\$1.8bn)
- Primary balance (Jan): \$76.3bn surplus (~US\$4.1bn)
- Budget revenues rose 6.3% y/y in real terms, with both oil (+11.2%) and non-oil revenues (+5.6%) higher. In the latter, we highlight the 40.7% decrease in excise taxes and the 9.8% expansion in income taxes
- Expenditures decreased 0.9% y/y in real terms, despite the relevant expansion in the non-programmable spending (+20.7%). In the programmable branch (-10.2%), we highlight the decrease in IMSS outlays (-32.4%)
- The *Historic Balance of Public Sector Borrowing Requirements (HBPSBR)* stood at \$14.0 trillion (~US\$745.3bn)

PSBRs accumulate a deficit of \$15.9 billion at the start of the year. The MoF released its public finance report for January, in which we highlight the \$15.9 billion deficit in *Public Sector Borrowing Requirements (PSBR)* –the broadest measure of the public balance¹–. This compares to the \$65.3 billion deficit seen in the same period of 2022. The ‘traditional’ public balance posted a \$33.5 billion deficit, lower than anticipated given lower expenditures than expected. Finally, the primary balance had a \$76.3 billion surplus (expected: -\$7.7 million).

Total revenues increased 6.3% y/y in real terms. Revenues reached \$623.0 billion in the period, \$35.5 billion below budget. Oil-related income came in at \$83.2 billion, +11.2% in real terms, mainly driven by higher oil prices. Meanwhile, tax revenues amounted to \$432.4 billion, lower than projections by \$5.4 billion. Inside, results were mostly positive, highlighting income tax to the upside (9.8%), while excise taxes had the largest decline (-40.7%), again impacted by the lack of collection of fuel taxes. Meanwhile, VAT revenues grew 1.8%. Income from government-controlled entities (IMSS and ISSSTE) came in at \$45.0 billion (+3.6%), while those of CFE increased to \$34.1 billion (+7.0%). Finally, non-tax revenues rose 8.2%, amounting to \$28.4 billion.

Budget spending declines 0.9% y/y. Total spending reached \$640.1 billion, \$116.7 billion lower than budgeted. In this context, primary spending stood at \$552.1 billion, implying -5.1% y/y, with financial costs at \$88.0 billion (+37.1%). Within the former, the programmable component declined 10.2%, amounting to \$434.9 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.

Outlays from government-controlled entities (IMSS and ISSSTE) fell 19.6%, dragged by IMSS (-32.4%). Spending by Pemex declined 44.8%, partially offset by the increase of 14.0% in CFE. Administrative branches fell 1.1%, with strong decreases in the Ministry of Energy (-93.8%) and in Labor (-41.0%), although with relevant increases in Public Security (+140.8%) and Education (+60.2%). On the other hand, autonomous branches spending rose marginally by 0.4%. Inside, we highlight increases at Federal Court of Administrative Justice (+56.5%) and Federal Commission for Economic Competition (+22.2%). Lastly, non-programmable spending rose 20.7% to \$117.3 billion, with participations falling 4.8%.

Public finances: January 2023

\$ billion

	January		
	2023	2022	% y/y real terms
Public Balance	-33.5	-53.8	-42.3
<i>Balance of entities under indirect budgetary control</i>	-16.4	1.4	--
Revenues	623.0	543.2	6.3
Oil	83.2	69.4	11.2
Non-oil	539.8	473.9	5.6
Tax collection	432.4	379.8	5.5
Other	28.4	24.3	8.2
Government controlled entities	45.0	40.2	3.6
CFE	34.1	29.5	7.0
Spending	640.1	598.4	-0.9
Primary spending	552.1	538.9	ND
Programmable spending	434.8	448.9	-10.2
Non-programmable spending	117.3	90.1	NA
Financial costs	88.0	59.5	37.1
Primary balance	76.3	7.4	-0-

Source: Ministry of Finance

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$14.0 trillion (~US\$745.3 billion). Out of these, \$10.0 trillion are domestic debt (71.3% of the total outstanding), with the external component at US\$213.6 billion (\$4.0 trillion; 28.7% of the total). Net public-sector debt also amounted to \$14.0 trillion. Inside, net domestic debt reached \$9.9 trillion, while foreign debt totaled US\$217.3 billion (equivalent to \$4.1 trillion).

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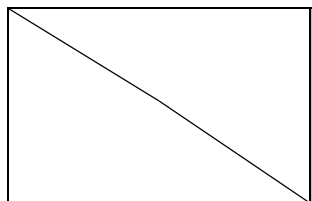
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