Public finances – PSBR deficit of $135.1 billion up to February

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- **Yesterday, the Ministry of Finance (MoF) released its public finance report for February**
- **Public sector borrowing requirements (Jan-Feb): $135.1bn deficit (~US$7.3bn)**
- **Public balance (Jan-Feb): $101.3bn deficit (~US$5.7bn)**
- **Primary balance (Jan-Feb): $63.4bn surplus (~US$3.4bn)**
- **Budget revenues increased 4.4% y/y in real terms, with both oil (+2.4%) non-oil higher (+4.7%). On the latter, we highlight the 8.2% increase in income tax, while excise tax collections fell 1.3%**
- **Expenditures declined 3.5% y/y in real terms, with reductions in administrative branches (-16.4%), Pemex (-21.0%) and CFE (-16.7%), among others**
- **In February, revenues rose 2.0% y/y, driven by non-oil (+3.6%). Spending fell 6.0%, helped by non-programmable outlays (-10.4%)**
- **The *Historic Balance of Public Sector Borrowing Requirements* stood at $14.0 trillion (~US$762.3bn)**

PSBRs post a $135.1 billion deficit in the first two months of 2023. The Ministry of Finance released its public finance report for February, in which we highlight the $135.1 billion deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance[1]. This compares with the $185.0 billion deficit seen in the same period of 2022. The 'traditional' public balance posted a $101.3 billion deficit, lower than anticipated due to more modest expenditures than budgeted, even despite being partially offset by less revenues. Finally, the primary surplus stood at $63.4 billion.

Total revenues up 4.4% y/y in real terms. Revenues reached $1.1 trillion in the period, $87.5 billion lower than expected. Oil-related income came in at $159.6 billion, +2.4% in real terms, driven by higher crude exports and natural gas prices. Meanwhile, tax revenues were $741.5 billion, lower than projections by $31.7 billion. Performance was mixed, highlighting +8.2% in income tax revenues. Meanwhile, the decline centered in VAT (-0.1%) and excise taxes (-3.2%), with the latter still impacted by stimulus to fuels. Income from government-controlled entities (IMSS and ISSSTE) came in at $94.4 billion (+5.5%), while those of CFE reached $67.1 billion (+5.7%). Finally, non-tax revenues rose 9.7%, amounting to $47.1 billion.

Budget spending down 3.5% y/y. Total spending reached $1.2 trillion, $204.9 billion lower than budgeted. In this context, primary spending rose to $1.1 trillion, which implies -8.0% y/y, with financial costs at $150.1 billion (+47.4%).

[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.

Within the former, the programmable component fell by 10.6%, amounting to $820.0 billion. Outlays from government-controlled entities (IMSS and ISSSTE) declined 8.2%, dragged by IMSS (-12.6%) and with ISSSTE more moderate (-0.4%). Spending by Pemex declined 21.0%, with CFE at -16.7%. Administrative branches fell 16.4%, with significant declines in Energy (-79.0%) and Tourism (-69.7%), albeit with strong growth in Agriculture and Rural Development (+68.4%) and Agrarian, Territorial and Urban Development (31.3%). Moreover, autonomous branches spending fell 0.6%. Inside, the decline is mostly explained by the Federal Telecommunications Institute (-10.6%) and the Human Rights Commission (-9.9%), although higher in the Tribunal for Administrative Justice (+29.4%) and the Legislative Power (+4.8%). Lastly, non-programmable spending rose 1.9% to $240.9 billion, with participations at -6.8%.

Public finances: February 2023
$ billion

	February			January-February		
	2023	2022	% y/y real terms	2023	2022	% y/y real terms
Public Balance	-74.4	-105.4	-34.4	-105.5	-159.2	-38.5
Balance of entities under indirect budgetary control	*12.0*	*17.5*	*-36.0*	*-4.2*	*18.9*	--
Revenues	486.7	443.4	2.0	1,109.8	986.7	4.4
Oil	76.4	75.4	-5.8	159.6	144.7	2.4
Non-oil	410.3	368.1	3.6	950.1	841.9	4.7
Tax collection	309.1	280.3	2.5	741.5	660.1	4.2
Other	18.8	15.6	11.9	47.1	39.9	9.7
Government controlled entities	49.4	42.8	7.2	94.4	83.0	5.5
CFE	33.0	29.4	4.4	67.1	58.9	5.7
Spending	573.1	566.3	-6.0	1,211.0	1,164.7	-3.5
Primary spending	511.0	531.3	ND	1,060.9	1,070.2	-8.0
Programmable spending	387.4	401.9	-10.4	820.0	850.8	-10.6
Non-programmable spending	123.6	129.4	ND	240.9	219.5	1.9
Financial costs	62.1	35.0	64.8	150.1	94.5	47.4
Primary balance	-15.7	-83.2	-82.5	63.4	-75.7	--

Source: Ministry of Finance

Progress in revenues, but with spending lower in February. In the month, total revenues grew 2.0% y/y in real terms. Inside, oil-related came in at -5.8%, with the effect from prices being negative. Tax revenues rose 2.5%, mainly on income tax (+6.0%) and excise tax (+3.9%) . Expenditures declined 6.0%. Programmable spending was lower by 10.4%, with contractions in administrative (-27.9%) and autonomous branches (-1.4%). On the contrary, outlays by Pemex rose 17.9%. Within non-programmable spending, participations fell 8.4%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at $14.0 trillion. Out of these, $10.1 trillion are domestic debt (71.8% of the total outstanding), with the external component at US$215.0 billion ($4.0 trillion; 28.2% of the total). Net public-sector debt amounted to $14.1 trillion. Inside, net domestic debt reached $10.0 trillion, while net foreign debt totaled US$218.7 billion (equivalent to $4.1 trillion).

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