

Public finances – PSBR deficit of \$115.9 billion up to April

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- Yesterday, the Ministry of Finance (MoF) released its public finance report for April
- Public sector borrowing requirements (Jan-Apr): \$115.9bn deficit (~US\$6.4bn)
- Public balance (Jan-Apr): \$39.4bn deficit (~US\$2.2bn)
- Primary balance (Jan-Apr): \$276.3bn surplus (~US\$15.3bn)
- Budget revenues decreased 3.1% y/y in real terms, impacted by oil (-28.8%) with non-oil slightly positive (2.7%). On the latter, we highlight the +3.8% in income taxes and +27.7% in excise taxes
- Expenditures declined 2.1% y/y in real terms, with reductions in administrative branches (-14.0%), Pemex (-6.9%) and CFE (-23.8%), among others
- In April, revenues climbed 4.5% y/y, boosted by non-oil (21.3%). Spending expanded 3.8%, with a substantial increase in financial costs (85.4%)
- The Historic Balance of Public Sector Borrowing Requirements stood at \$13.9 trillion (~US\$768.8bn)

PSBRs post a \$115.9 billion deficit in the first four months of 2023. The Ministry of Finance released its public finance report for April, in which we highlight the \$115.9 billion deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance¹. This compares with the \$99.9 billion deficit seen in the same period of 2022. The public balance posted a \$39.4 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 \$276.3 billion.

Total revenues down 3.1% y/y in real terms. Revenues reached \$2.4 trillion in the period, \$155.9 billion lower than expected. Oil-related income came in at \$317.5 billion, -28.8% in real terms, impacted by lower energy prices and a stronger MXN. Meanwhile, tax revenues reached \$1.6 trillion, lower than projections by \$41.1 billion. Performance was mixed, noting progress in income tax (3.8%) and excise tax revenues (27.7%) –with a favorable base of comparison in the latter given the application of additional fuel taxes in 2022. Nevertheless, revenues from VAT fell 3.4%. Income from government-controlled entities (IMSS and ISSSTE) came in at \$190.5 billion (+5.4%), while those of CFE reached \$138.6 billion (+5.4%). Finally, non-tax revenues fell 3.9%, amounting to \$114.8 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.

Budget spending fell 2.1% y/y. Total spending reached \$2.4 trillion, \$316.2 billion lower than budgeted. In this context, primary spending rose to \$2.1 trillion, which implies -7.3% y/y, with financial costs at \$326.7 billion (+53.2%). Within the former, the programmable component fell by 8.1%, amounting to \$1.7 trillion. Outlays from government-controlled entities (IMSS and ISSSTE) declined 4.3%, dragged by IMSS (-5.3%) and with ISSSTE more moderate (-2.5%). Spending by Pemex declined 6.9%, with CFE at -23.8%. Administrative branches fell 14.0%, while autonomous branches spending backtracked 3.3%. Lastly, non-programmable spending declined 4.1% to \$432.8 billion, with participations at -8.3%.

Public finances: April 2023
\$ billion

	April			January - April		
	2023	2022	% y/y in real terms	2023	2022	% y/y in real terms
Public Balance	58.6	61.4	-10.2	-39.4	2.9	--
Balance of entities under indirect budgetary control	-0.2	11.8	--	25.1	40.9	-42.8
Budget Balance	58.8	49.6	11.5	-64.4	-37.9	58.5
Revenues	618.8	557.2	4.5	2,361.7	2,274.4	-3.1
Oil	62.3	125.4	-53.3	317.5	416.1	-28.8
Non-oil	556.5	431.8	21.3	2,044.3	1,858.3	2.7
Tax collection	448.2	336.4	25.4	1,601.0	1,456.0	2.6
Other	22.6	19.6	8.8	114.2	110.8	-3.9
Government controlled entities	49.5	43.3	7.6	190.5	168.7	5.4
CFE	36.2	32.5	4.8	138.6	122.7	5.4
Spending	560.0	507.6	3.8	2,426.1	2,312.3	-2.1
Primary spending	491.6	472.9	ND	2,099.5	2,113.3	-7.3
Programmable spending	382.3	350.7	2.6	1,666.7	1,692.1	-8.1
Non-programmable spending	109.3	122.2	ND	432.8	421.2	-4.1
Financial costs	68.4	34.7	85.4	326.7	199.0	53.2
Primary balance	127.0	86.0	38.9	276.3	173.2	48.9

Source: Ministry of Finance

Increases in revenues and spending in April. In the month, total revenues climbed 4.5% y/y in real terms. Inside, oil-related came in at -53.3%, with the effect from prices being the main drag. Tax revenues rose 25.4%, driven by income (32.2%) and excise taxes (116.0%), albeit with VAT up just 4.9%. Expenditures grew 3.8%. Programmable spending was higher by 2.6%. Within non-programmable spending, participations fell 14.6%. Finally, financial costs grew 85.4%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$13.9 trillion. Out of these, \$10.0 trillion are domestic debt (71.9% of the total outstanding), with the external component at US\$215.8 billion (\$3.9 trillion; 28.1% of the total). Net public-sector debt amounted to \$14.0 trillion. Inside, net domestic debt reached \$10.0 trillion, while net foreign debt totaled US\$218.9 billion (equivalent to \$4.0 trillion).

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