

Public finances – \$228.0 billion deficit in the PSBRs up to May

- On Friday, the Ministry of Finance (MoF) released its public finance report for May
- **Public sector borrowing requirements (Jan-May): \$228.0bn deficit (~US\$13.0bn)**
- **Public balance (Jan-May): \$143.6bn deficit (~US\$8.2bn)**
- **Primary balance (Jan-May): \$218.7bn surplus (~US\$12.5bn)**
- **Budget revenues decreased 0.4% y/y in real terms, impacted by oil (-24.2%) with non-oil climbing (4.9%). On the latter, we highlight the +3.1% in income taxes and +58.0% in excise taxes**
- **Expenditures climbed 2.5% y/y in real terms, with increases in general branches (4.8%), but with decreases in CFE (-29.2%) and IMSS (-2.4%), among others**
- **In May, revenues climbed 11.7% y/y, boosted by non-oil (14.1%). Spending expanded 24.2%, with a substantial increase in programmable spending (27.6%) and in financial costs (14.5%)**
- **The Historic Balance of Public Sector Borrowing Requirements stood at \$13.9 trillion (~US\$790.6bn)**

PSBRs post a \$228.0 billion deficit in the first five months of 2023. The Ministry of Finance released its public finance report for May, in which we highlight the \$228.0 billion deficit in *Public Sector Borrowing Requirements* (PSBR) –the broadest measure of the public balance¹. This compares with the \$154.9 billion deficit seen in the same period of 2022. The public balance posted a \$143.6 billion deficit, lower than anticipated due to more modest expenditures than budgeted, even despite being partially offset by fewer revenues. Finally, the primary surplus stood at \$218.7 billion.

Total revenues down 0.4% y/y in real terms. Revenues reached \$2.9 trillion in the period, \$156.8 billion lower than expected. Oil-related income came in at \$401.8 billion, -24.2% in real terms, impacted by lower energy prices and a stronger MXN. Meanwhile, tax revenues reached \$1.9 trillion, lower than projections by \$67.6 billion. Performance was mixed, noting progress in income tax (3.1%) and excise tax revenues (58.0%) –with a favorable base of comparison in the latter given the application of additional fuel taxes in 2022. Nevertheless, revenues from VAT fell 5.2%. Income from government-controlled entities (IMSS and ISSSTE) came in at \$239.3 billion (+6.1%), while those of CFE reached \$181.3 billion (+7.6%). Finally, non-tax revenues increased 24.8%, amounting to \$177.4 billion.

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Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com

Winners of the 2023 award for best Mexico economic forecasters, granted by *Focus Economics*



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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 climbed 2.5% y/y. Total spending reached \$3.1 trillion, \$246.4 billion lower than budgeted. In this context, primary spending rose to \$2.7 trillion, which implies -1.5% y/y, with financial costs at \$354.8 billion (+49.4%). Within the former, the programmable component fell by 1.6%, amounting to \$2.2 trillion. Outlays from government-controlled entities (IMSS and ISSSTE) declined 1.7%, dragged by IMSS (-2.4%) and with ISSSTE more stable (-0.2%). Spending by Pemex declined 0.2%, with CFE at -29.2%. General branches increased 4.8%, while autonomous branches spending backtracked 2.6%. Lastly, non-programmable spending declined 1.4% to \$535.8 billion, with participations (resources to states) at -4.9%.

Public finances: May 2023
\$ billion

	May			January - May		
	2023	2022	% y/y in real terms	2023	2022	% y/y in real terms
Public Balance	-104.3	-35.3	178.7	-143.6	-32.4	314.7
Balance of entities under indirect budgetary control	-8.0	-9.3	-18.7	10.5	31.5	-68.7
Budget Balance	-96.2	-26.0	249.7	-154.2	-63.9	125.6
Revenues	557.0	471.1	11.7	2,923.8	2,745.5	-0.4
Oil	84.4	79.8	-0.1	401.8	495.9	-24.2
Non-oil	472.6	391.3	14.1	2,522.0	2,249.6	4.9
Tax collection	323.1	292.0	4.6	1,924.0	1,748.0	3.0
Other	63.2	22.1	169.5	177.4	133.0	24.8
Government controlled entities	48.8	42.3	9.0	239.3	211.0	6.1
CFE	37.6	34.8	1.9	181.3	157.6	7.6
Spending	653.2	497.1	24.2	3,077.9	2,809.4	2.5
Primary spending	625.1	473.9	ND	2,723.2	2,587.2	-1.5
Programmable spending	522.4	386.9	27.6	2,187.4	2,079.1	-1.6
Non-programmable spending	102.7	86.9	ND	535.8	508.1	-1.4
Financial costs	28.1	23.2	14.5	354.8	222.2	49.4
Primary balance	-64.2	-3.3	-0-	218.7	169.9	20.4

Source: Ministry of Finance

Relevant increases in revenues and spending in May. In the month, total revenues climbed 11.7% y/y in real terms. Inside, oil-related came in at -0.1%. Tax revenues rose 4.6%, driven by excise taxes (6.1%), albeit with VAT and income tax declining 11.9% and 1.4%, respectively. Expenditures grew 24.2%. Programmable spending was higher by 27.6%. Within non-programmable spending, participations climbed 11.1%. Finally, financial costs grew 14.5%.

The Historic Balance of Public Sector Borrowing Requirements (HBPSBR) stood at \$13.9 trillion (~US\$790.6 billion). Out of these, \$10.1 trillion correspond to domestic debt (72.9% of the total outstanding), with the external component at US\$214.5 billion (\$3.8 trillion; 27.1% of the total). Net public-sector debt amounted to \$14.0 trillion. Inside, net domestic debt reached \$10.2 trillion, while net foreign debt totaled US\$217.0 billion (equivalent to \$3.8 trillion).

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enriquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmin Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Juan Carlos Mercado Garduño	Strategist, Equity	juan.mercado.garduno@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Senior Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Jazmin Daniela Cuautencos Mora	Strategist, Quantitative Analysis	jazmin.cuautencos.mora@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899