MEF Macro Bulletin – January 27, 2022

- **Public Finance:** 2021 fiscal deficit
- **Activity:** Third-quarter 2021 real GDP growth and full year growth projections
- **External sector:** 2021 international reserves' balance

Public Finance

Preliminary results show that the central government's deficit (including financing of oil derivatives) reached $3.7bn, or 3.5% of GDP, in 2021. This was $0.4bn narrower than the target deficit of $4.1bn originally expected, and markedly narrower than the $7.1bn (7.2% of GDP) deficit in 2020. The main drivers of a narrower deficit relative to 2020 were stronger tax collections ($1.3bn), stronger oil revenues ($2.1bn), and control measures for public expenditures implemented, reflected in a lower wage bill ($0.4bn) and purchases of goods and services.

Preliminary results of the government's 2021 budget (including oil derivatives financing, CFDD)
(US$ mn)

	2020	2021
Total revenues	**18,578**	**23,665**
Oil revenues	**3,808**	**7,400**
PGE	556	2,684
CFDD	3,252	4,716
Non-oil revenues	**14,770**	**16,265**
Taxes	12,366	13,633
Transfers	493	538
Other	1,911	2,095
Total expenditures	**25,683**	**27,401**
Permanent expenditures	**20,576**	**20,135**
Salaries	8,592	8,217
Goods and Services	4,851	6,164
PGE	1,688	1,665
CFDD	3,163	4,500
Interests	3,297	1,938
Transfers and others	3,836	3,815
Non-permanent expenditures	**5,107**	**7,266**
Global balance	**-7,105**	**-3,736**
Primary balance	**-3,808**	**-1,798**

A narrower deficit in 2021 sets favorable initial conditions for 2022. We have published our revised financing plan for 2022, with a projected deficit of $2.3bn, which already incorporates the prospective revenues from the fiscal reform approved in 2021, the impact on oil revenues from the oil-pipeline shutdown during December, and slightly higher oil prices than those projected in the 2022 budget bill. This projection is lower than the scenarios presented in our 2022 budget bill of a $3.6bn deficit which did not include the proceeds of the fiscal reform, and a $2.6bn deficit when assuming such revenues materialized.

Total financing needs of the Treasury for 2022 are estimated at $11.2bn, including the projected deficit, internal and external debt amortizations, and accounts payables and arrears. On the funding side, the main strategy will be to continue to prioritize maximizing multilateral lending, deepen domestic markets, and reduce the stock of accounts of payables and arrears as much as possible with cash management operations. Funding sources for 2022 also include $1.35bn in private financing, which may change depending on the execution of the main strategy mentioned above, as we are continuously working on increasing multilateral and bilateral lending further.

Financing Plan of the Treasury

2022

In millions of USD

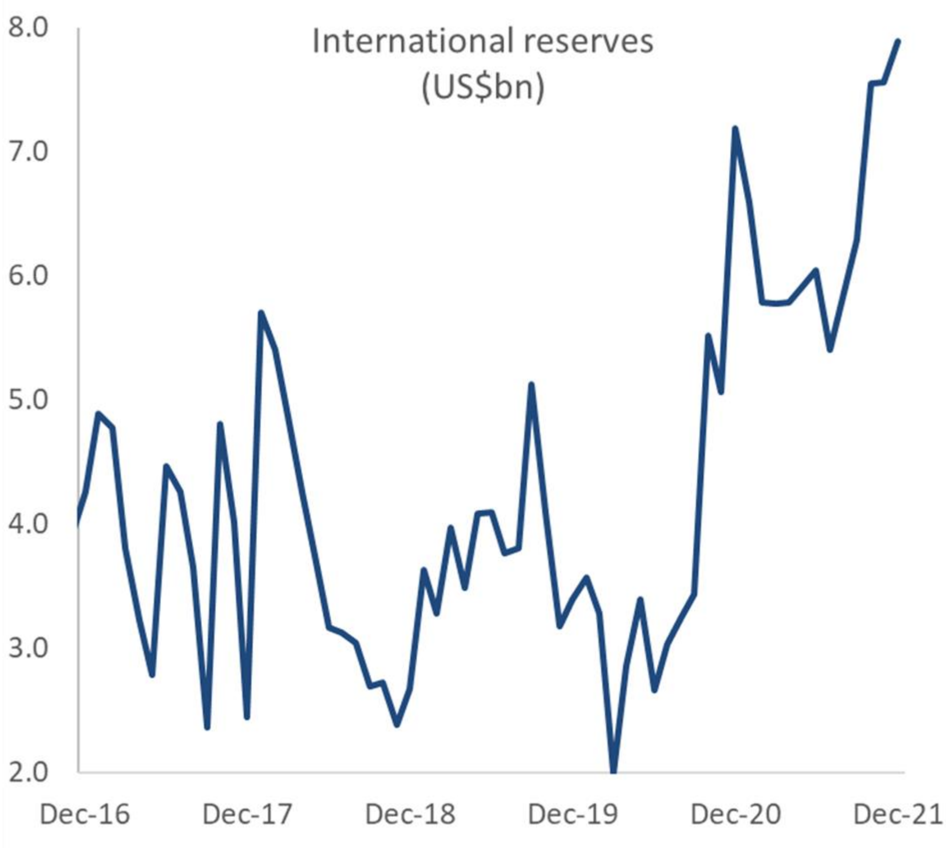
Sources		Uses	
Initial availability	**823**	**Deficit**	**2,302**
Domestic debt	**2,501**	**Domestic amortizations**	**2,154**
Bonds	*2,501*	*Bonds*	*2,154*
External Ddbt	**5,522**	**External amortizations**	**2,458**
Multilaterals	*3,792*	*Multilaterals*	*1,000*
Bilaterals	*380*	*Bilaterals*	*1,232*
Private	*1,350*	*Private*	*227*
Other	**2,410**	**Other**	**4,256**
Accounts payable	*1,610*	*Accounts payable*	*2,363*
Liquidity management	*800*	*Accounts payable (other inst)*	*1,000*
		Liquidity management	*700*
		Other	*193*
		Final availability	**86**
Total Sources	**11,256**	**Total Uses**	**11,256**

Activity

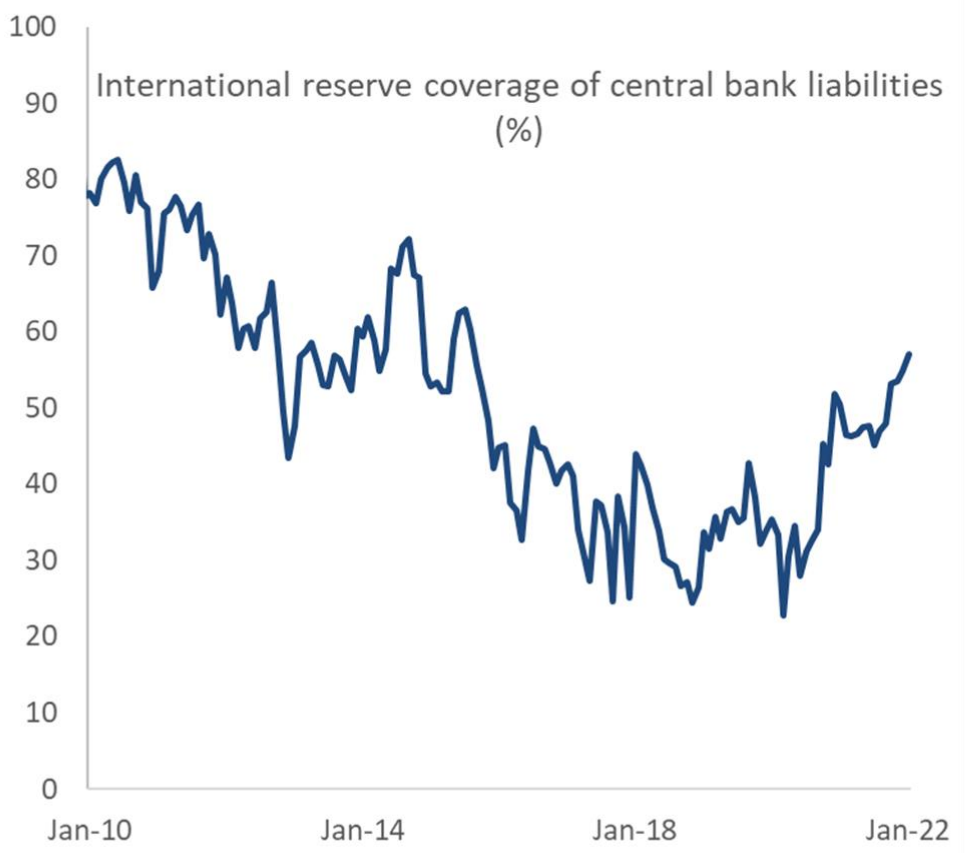
Meanwhile, the central bank published Q3 real GDP data, which showed sequential growth of 0.5% relative to Q2 (seasonally adjusted, non-annualized). This result suggests that real GDP growth for the year could reach 4.1% in 2021 if sequential growth in the fourth quarter is zero.

External sector

International reserves ended 2021 at $7.9bn, up from $7.2bn in 2020 and $3.4bn in 2019. The coverage ratio over the deposits held at the central bank by private depositary institutions ended 2021 at 134%, and averaged 123% throughout the year, up from an average coverage of 90% in 2020, and higher than the 2016-2019 average of 116%.



International reserves increased further during the first three weeks of 2021, to US$8.4b and cover 57% of private and public sector liabilities at the central bank, up from the most recent lows of 23% in March 2020, when the pandemic begun. At this level, international reserves surpass the deposits of other depositary institutions, central bank titles, other private sector deposits, and coins, as well as those of other financial institutions, which include public banks. As public debt held at the Central Bank continues to amortize, the relationship between international reserves and the deposits held by the Non-Financial Public Sector and Social Security should continue improving as well.



Please find below the relevant links to this publication

- 2022 Financing plan
- Q3 real GDP bulletin
- Weekly monetary bulletin

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