SHCP
SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO

Mexico City, July 28th, 2017

Reports on Economic Activity, Public Finances and Public Debt Second quarter of 2017

- **The revenues of the Public Sector increased 7.6 percent in real terms, compared to the same period of 2016, and were higher than programmed by Ps. 477.2 billion, including Banco de Mexico's Operating Surplus (BMOS) of 321.7 billion.**

- **Total net budgetary expenditures were 2.7 percent lower in real terms relative to the end of the second quarter of 2016. Without considering the Ps. 80.0 billion contribution to the Budgetary Revenues Stabilization Fund (FEIP) from the BMOS resources, net expenditures were 3.0 percent lower real terms.**

- **Public Sector Borrowing Requirements (PSBRs), the broadest measure of fiscal balance, registered a Ps. 158.2 billion surplus, as opposed to the Ps. 47.3 billion deficit of the same period of 2016.**

- **The primary balance registered a Ps. 416.7 billion surplus, which implied an increase of 213.3 percent in real terms with respect to the same period of 2016.**

- **The evolution of the Historical Balance of the Public Sector Borrowing Requirements (HBPSBR) is consistent with a decrease from 50.1 percent of GDP[1] at the close of 2016, to an estimate of 48.0 percent of GDP for the close of 2017, this takes into account the effect of BMOS of approximately 1.5 percent of GDP.**

Today, the Ministry of Finance delivered to the Congress the Reports on the Economic Situation, Public Finances, and Public Debt as of the second quarter of 2017, in compliance with the provisions of Article 107 of the Federal Budget and Fiscal Responsibility Law (LFPRH). The reports have also been made available to the public through the website of the Ministry. The main aspects of these reports are presented below.

I. Economic Outlook

The Mexican economy has over performed relative to expectations during the second quarter of 2017, under an external environment that shows a clear recovery and a reduction of uncertainty regarding the United States (US) politics. It is worth noting the positive evolution of consumption, sales, and employment, the recovery of non-oil exports, and the Mexican peso appreciation. Also, the 2.6 percent annual (seasonally adjusted) growth of the GDP proxy (IGAE), for the period of April to March of 2017,

[1] The 2016 HBPSBR as percentage of GDP was updated from 50.2 percent (published in April, 2017), to 50.1 percent, due to the National Institute of Statistics and Geography´s (INEGI) revision of the year's nominal GDP in May.

indicates that, with the available data, the Mexican economy has a good dynamic and it is resilient to the external environment. During the last months, the stronger and more synchronized global growth trend has continued together with the lower volatility in the international financial markets.

The International Monetary Fund (IMF) forecasts a world economic growth of 3.5 percent for 2017. For the US, according to the Blue Chip Economic Indicators survey, GDP is projected to grow 2.2 percent in 2017, this figure is 0.6 percentage points higher than the observed in 2016. Also, estimate growth of US industrial production is 1.9 percent, implying an important acceleration compared to the 1.2 percent decline observed in 2016.

While global growth risks to seem to be balanced in the short-term, medium-term risks remain to the downside. In particular, uncertainty remains high due to factors like geopolitical risks that could affect trade and global growth.

In the first semester of 2017, economic activity has shown a good performance that has even outperformed private sector expectations. The gradual acceleration of US manufacturing production translated into increased dynamism in Mexico's non-oil exports, compared to previous quarters. Thus during the second quarter of 2017, non-oil exports in nominal US dollars grew at an annual rate of 9.7 percent, the highest since the first quarter of 2012. The strength of the internal market generated annual increases of 2.8 percent in retail sales in the period of April to May and of 2.6 percent in ANTAD-affiliated store sales in the period of April to June. These factors have resulted in revisions to the 2017 GDP growth estimates, with the current consensus at 2.0 percent (1.6 percent in January)[2]. The annual growth rate for the second quarter is expected to be lower relative to the first quarter mainly due to calendar and base effects. Nonetheless, the growth trend is consistent with the current forecast range and private sector forecasts (1.75 percent for the second quarter and 2.0 percent for the close of 2017).

The evolution of the main economic and financial variables, for both the internal and external sectors with information available as of July 28 , is described below.

Output

During the past few months, the trends of a higher synchronized global growth and a lower volatility in international financial markets continued. While short-term risks to global growth appear balanced in the , medium-term risks remain to the downside in the . Upside risks include stronger than expected growth in the United States (if expansionary fiscal measures are implemented) or in Europe (where political risk has diminished). On the other hand, monetary policy normalization in some advanced economies could lead to a faster than expected tightening of international financial conditions. Furthermore, uncertainty remains high due to factors like economic policy measures in the United States and geopolitical risks.

According to the *Blue Chip* survey, the US economy is projected to grow 2.2 percent in 2017, 0.6 percentage points above the observed growth rate in 2016. The IMF forecasts the emerging economies to grow 4.6 percent in 2017 (0.1 higher than its April 2017 estimate), Latin America and the Caribbean to grow 1.0 percent (0.1 percentage-points below the April 2017 projection) and the global economy to grow 3.5 percent (unchanged from the April 2017 forecast).

At the same time, in the first semester of 2017, the economic activity has been positive indicating that the effect of uncertainty on the real economy has been, if anything, low. The main drivers of the economic activity improvement are private consumption and investment on machinery and equipment, additionally, the external demand is now recovering. In the second quarter of 2017, non-oil exports in nominal dollars registered an annual increase of 9.7 percent, the largest since the first quarter of 2012. Adjusting for seasonal factors, these exports grew at a quarterly rate of 2.3 percent. The recovery of the economic environment generated a cumulative appreciation of exchange rate of 20.9 percent from January 19 to June 30.

[2] Source: Banco de Mexico's January and June 2017 Private Sector Survey of Economic Expectations.

Furthermore, the strength of the internal market is shown in the 2.8 percent annual increase of retail sales observed from April to May, the 2.6 percent increase of ANTAD-affiliated store sales between April and June, and the a 2.9 percent increase in automobile sales for the period of January to June. Some of the factors behind this good economic performance are the positive effects from the Structural Reforms, particularly the ones related to the Labor, Tax, and Financial reforms. In the first half of the year, more than 517 thousand formal jobs were created. Additionally, during the same period, unemployment rate stood at 3.4 percent, the lowest rate for a similar period since 2006. Furthermore, commercial banks' current credit to the private sector increased at a real annual rate of 7.7 percent in May.

In this sense, on July 18, Standard & Poor's, acknowledge the improvement in the government debt trajectory prospective and revised its outlook on Mexico's sovereign ratings. The outlook was revised to stable from negative and the long and short-term sovereign credit ratings in foreign currency and local currency were affirmed at 'BBB+', 'A-2', 'A', and 'A-1', respectively. The agency emphasized that "the change in outlook reflects diminishing risks that the government's direct debt burden, combined with our future assessment of potential contingent liabilities, could materially worsen our overall debt assessment over the next 24 months" and acknowledged the "prompt reaction of Mexican Government to recent negative shocks, such as the depreciation of the currency".

In spite all, economic growth in the second quarter is expected to be slower than in the first quarter due to calendar and base effects. Nonetheless, the projections are consistent with the current forecast range and analysts' projections (who anticipate a 1.75 percent growth in the second quarter and 2.0 percent for the close of 2017). In this regard, and based on data available for the second quarter of 2017, we keep the growth forecast range at 1.5 to 2.5 for 2017.

In an external environment where some uncertainty prevails, the government will continue to provide certainty through a consistent fiscal policy that further strengthens the solid fundamentals of the country and continues creating favorable conditions to achieve positive results as those observed during the second quarter of 2017.

Employment

As of June 30, the number of workers affiliated to the Mexican Social Security Institute (IMSS) amounted to 19 million 134 thousand people, which implied an annual increase of 808 thousand jobs (4.4 percent). The job creation accumulated in 2017 (517 thousand 434 jobs is the largest creation of formal jobs for a comparable period since this indicator started to be measured. With this result, 2 million 839 thousand 122 new formal jobs have been created in the current Administration. By type of contract, in the first half of the year, permanent affiliation of workers to IMSS increased by 417 thousand (80.7 percent of the total), while temporary affiliation increased by 100 thousand workers (19.3 percent of the total).

Prices

During the second quarter of 2017, year-over-year headline inflation increased with respect to the observed levels of the first quarter, to 6.3 percent in June The underlying component of inflation is the increase of relative prices of merchandises with respect to services, due to the cummulative depreciation of the national currency and indirect effects from the increase of energy prices at the beginning of the year. In addition, , the dynamic of non-underlying component was associated to the transitory effects from the liberalization of gasoline prices and also, , the increases in the prices of agricultural commodities and public transport tariffs in some cities.

In the second quarter of the year, the Mexican Stock Exchange's Index (IPyC) continued to show the positive evolution that began on the previous quarter. This is consistent with the evolution of the main world economies' stock markets and, with the better performance of the Mexican economy. Thus, the IPyC closed this quarter at 49,587.5 units, 2.7 percent higher than the close of the previous quarter. In addition, on May 9 2017, the index recorded a historical maximum at by reaching 49,939.5 points.

Between April and June, the Mexican Peso to US Dollar exchange rate appreciated mainly because of of better perceptions a favorable future trade negotiations between Mexico and the United States , Banco de Mexico's monetary policy actions, an external environment that favors the search for profits, and the Mexican authorities' commitment with the fiscal consolidation process. As a result, at the close of June 30 of 2017, the exchange rate stood at 18.14 pesos per dollar. This implied a 3.2 percent appreciation compared to the close of March 31, 2017 (18.73 pesos per dollar). It is important to emphasize that these factors have continued driving the appreciation trend of the Mexican Peso. Hence, as of July 27 of 2017, the exchange rate stood at 17.71 pesos per dollar, which implies an appreciation of the peso of 5.8 and 23.9 percent with respect to the close of the previous quarter and the maximum in January, respectively.*Credit*

In May of 2017, the performing portfolio of total credit granted by commercial and development banks increased 5.4 percent in real annual terms. In particular, the current credit to the private sector increased 7.5 percent in real annual terms. Within the latter, the performing portfolios of credit to firms and individuals with business activity, housing, and consumption increased 8.8, 4.6, and 4.6 percent, respectively, all at real annual rates.

II. Public Finances

During the first semester of 2017, the primary balance recorded a surplus of Ps. 416.7 billion, an increase of 213.3 percent in real terms compared to the same period of last year. This figure also compares positively to the expected deficit of Ps. 27.5 billion and it is consistent with the goal of achieving the first primary surplus since 2008.Meanwhile, the Public Sector Borrowing Requirements (PSBRs), the broadest measure of fiscal balance, registered a surplus of Ps. 158.2 billion, an improvement compared to the Ps. 47.3 billion deficit of the same period of 2016. In addition,, the cumulative balance of the public sector registered a surplus of Ps. 141.9 billion as of June, which compares favorably with the Ps. 116.6 billion deficit of the same period of last s year, and that represents an improvement of Ps. 461.1 billion with respect to the deficit that was expected for this period. These results reflect the fiscal consolidation efforts considered in the economic program for the year, the evolution of tax revenues, and Banco de México´s Operating Surplus (BMOS) of Ps. 321.7 billion, as stated in Article 55 of the Law of Banco de Mexico. If the BMOS of 2016 and 2017 are excluded, the PSBRs stood at Ps. 163.4 billion, which represents an improvement of Ps. 123.0 billion to the same period of 2016. Furthermore, the cumulative public sector balance registered a deficit of Ps. 179.8 billion, which represents an improvement of Ps. 175.9 billion compared to the deficit of the same period last year.

During the first half of 2017, the public balance without considering investments of high economic and social impact approved by the Congress, registered a surplus of Ps. 318.4 billion, a figure that compares positively to the surplus of Ps. 133.7 billion of the same period of 2016. This surplus also contrasts favorably with the Ps. 112.9 billion expected deficit for this period.Considering the BMOS and the results of public finances as of June, we estimate that if there are no unexpected movements in in the revised 2017 macroeconomic framework, the primary surplus at the close of 2017 will pass from 0.4 percent of GDP to 1.5 percent of GDP[3], while, the PSBRs go from 2.9 percent of GDP to 1.4 percent of GDP, a reduction of 1.5 points of GDP compared to the considered in the 2017 Economic Package.

Revenues

In the first half of 2017, Public Sector's budgetary revenues stood at Ps. 2.66 trillion, an they were Ps. 477.34 billion higher than expected[4]. This amount is 7.6 percent higher in annual real terms than the ones

[3] The estimate of the primary surplus as a share of GDP for 2017 was updated from 1.6 percent (published in April 2017) to 1.5 percent due to a decrease in the financial cost estimate. Since closing estimates are built considering the PSBRs target, the reduction in financial cost implies a higher primary expenditure estimate and a lower primary surplus.

[4] Corresponds to the Agreement that displays the monthly calendar for the revenues forecast contained in Article 1 of the 2017 Federal Revenue Law for the fiscal year 2017 and is based on the methodology used to make this forecast, published on December 7 of 2016 in the Federal Official Gazette (DOF).

of the first half of 2016, and 5.3 percent higher if he entire BMOS is excluded. These results are due to the good performance of tax collection, and the receiving of non-recurring and earmarked resources, such as the BMOS. The evolution of the main revenue components was as follows:

- Oil revenues stood at Ps. 413.8 billion, Ps. 30.976 billion higher than approved, and 24.5 percent higher in real terms than observed in the first half of 2016. The latter is mainly explained by a 49.9 percent increase in the average export price of the Mexican oil mix, and a 5.8 percent depreciation of the exchange rate, compared to the same period of 2016. However, these effects were diminished t by a 9.0 percent decrease in oil production during the period.
- Tax revenues amounted to Ps. 1.47 trillion, Ps 61.3 billion higher than programmed and 0.1 percent higher in real terms than observed in 2016. Excluding the fuel excise tax (IEPS), tax collection increased 3.3 percent in real terms compared to 2016. Within tax revenues, there is a a 3.6 percent increase in real terms of the income tax system, a 1.3 increase of value added tax (VAT), a 9.1 percent increase in the fuel excise tax (IEPS), and a 27.4 percent decrease in fuel IEPS revenues.Non-tax revenues of the Federal Government increased to Ps. 424.3 billion and they were Ps. 361.0 billion higher than approved and 20.7 percent higher in real terms than those of 2016. These revenues include the accounting record of Ps. 321.7 billion of the BMOS. Excluding the BMOS, non-tax revenues grew 3.6 percent compared to last year.Revenues from CFE stood at Ps. 170.5 billion and they were 17.4 percent higher in real terms than last year's. This increase is mainly explained by the evolution of the economic activity and the adjustment in electric tariffs associated to changes in the cost of production.
- IMSS and ISSSTE revenues stood at Ps. 174.9 billion. This amount was higher 3.3 percent in real terms compared to the same period of 2016 due to larger social security contributions.

Finally, the balance of stabilization funds at the close of the second quarter of 2017 is of Ps. 238.8 billion.

BALANCE OF THE STABILIZATION FUNDS
AS OF JUNE 30 of 2017
(Million pesos)

T o t a l	**238,808**
Budgetary Revenues Stabilization Fund (FEIP)	196,091
Federal Entities Revenues Stabilization Fund (FEIEF)	42,718

Source: Ministry of Finance.

Expenditures In the first semester of 2017, net budgetary expenditure stood at Ps. 2.53 trillion, and they were Ps 33.2 billion higher than expected in the program[5] and 2.7 percent lower in real terms with respect to 2016. In June, the Federal Government performed a resource transfer of Ps. 80.0 billion to the Budgetary Revenues Stabilization Fund (FEIP). Source of this income is the BMOS and the transfer constitutes a financial investment for the Federal Government. If this non-recurring operation is excluded, net budgetary expenditure between January and June would decrease 3.0 percent in real terms compared to 2016. Programmable spending stood at Ps 1.82 trillion and it was6.7 percent lower in real terms than that of 2016.

When comparing the first semester of 2017 with the same period in 2016:

- Total net expenditure excluding financial investment, pensions, non-earmarked transfers, and financial costs decreased 8.2 percent in real terms, and current structural expenditures declined 6.3 percent in real terms. Both indicators reveal the efforts on expenditure containment during the year.

[5] Corresponds to the Authorized Budget Calendar for 2017 Fiscal Year, published on December 14, 2016 in the Federal Official Gazette (DOF).

- Expenditures on subsidies, transfers and current contributions were 14.0 percent lower in real terms.
- Personal services payment decreased 1.9 percent in real terms.
- Pensions and retirement payments increased 1.1 percent in real terms.
- Total operating expenditure grew 1.8 percent in real terms, mostly due to higher operation costs in CFE because of higher fuel prices for energy generation Non-earmarked transfers increased 9.7 percent in real terms, while total federal expenditure increased 1.7 percent in real terms mainly due to a favorable evolution of tax collection and the third quarterly adjustment for 2016.

Financial cost increased 11.5 percent in real terms, mostly because of the exchange rate and interest rate evolution.On the other hand, the net budgetary expenditure as of June 2017 was higer than expected in the program mainly due to the following increases:: a Ps. 18.0 billion in programmable expenditure, a Ps. 26.654 billion in contributions to federal and municipal entities, a Ps. 827 million in Adefas and other expenses by. Still, this were partially offset by a Ps. 12.2 billion lower financial cost.

Banco de Mexico's 2016 operating surplus

On March 28, 2017, Banco de Mexico deposited the Federal Treasury Ps. 321.7 billion to for the Banco de Mexico's Operating Surplus of the 2016 fiscal year. As per the LFPRH, the strategy for the allocation of Banco de México's surplus in 2017 is to continue to increasing the efficiency of the government's debt portfolio, keep improving the debt maturity profile and carrying on with the strengthening of the Federal Government's financial position. In this sense, 70 percent of the total (Ps. 225.2 billion) will be used to repay the public debt of the Federal Government contracted in previous fiscal years or to reduce the amount of financing needed to cover the budgetary deficit.

The remaining 30 percent (Ps. 96.5 billion) will be used to increase assets that strengthen Federal Government's financial position, as follows:

- Ps. 80.0 billion to the Budgetary Revenues Stabilization Fund (FEIP),
- Ps. 13.6 billion to the Protection against Catastrophic Expenditures Fund (FPGC) of the System of Social Protection of Health , to guarantee financial protection of health services for those without an affiliation a social security institution in the next decade. The capitalization of this Trust, which has reflected a net annual accumulation of resources since its creation in 2005, is a long-term savings since we expect these resources to keep accruing in the next decade, in accordance with the mandate of the Federal Fiscal Responsibility Law of improving the long-term financial position of the Federal Government's, and
- Ps. 2.9 billion to pay contributions to international organizations in which Mexico is a member.

Only the first of these contributions was paid in the second quarter, hence the other two are not reflected in this report yet.

Since, as last year, the deposits are made mainly to the FEIP which can only be drawn in case of a revenue shortfall, or as in this year, to both the FEIP and FPGC whose mandates of savings are for even longer tems, the Federal Government financial position is furthermore strengthen.

The receiving and use of the BMOS will improve the public finance estimates. We estimate that if there are no unexpected. movements in the revised macroeconomic framework, the Public Sector's Borrowing Requirements (PSBR) will be of at 1.4 percent of GDP by year-end. Likewise, the non-investment balance –that excludes high-impact investment spending– and the primary balance –which excludes the financial cost of public debt– are estimated at 1.1 and 1.5 percent of GDP, respectively, representing a lower improvement to that of the PSBRs because 30 percent of the BMOS will be registered as financial investment expenditures.

III. Public Debt

At the end of the second quarter of 2017, the Historical Balance of the Public Sector Borrowing Requirements (HBPSBR), the broadest measure of debt of the public sector, reached Ps. 9,304.1 billion, down from the observed balance at the close of 2016 (Ps. 9.80 trillion). This figure is in line with fiscal consolidation process that aims to reduce the HBPSBR from 50.2 percent of GDP at the end of 2016 to 49.5 percent of GDP in 2017 without taking into account the effect of the 321.7 billion BMOS , and to 48.0 percent of GDP once this transfer is considered.

- During the second quarter the following liability management operations were conducted in the local market: In May, the Federal Government performed a Ps. 30.4 billion swap operation to improve the price discovery process in the middle part of the yield curve. In this operation, M-Bonds maturing in 2021, 2023 and 2024 were exchanged for the M-Bonds maturing in March 2026.
- In June, a swap operation of Ps. 40.6 billion was performed to smooth the Federal Government's maturity profile. Bonds maturing over the next 3 years (between 2017 and 2019) were exchanged for Bonds maturing between 2020 and 2042. This operation decreased the financial requirements for this and the next two years. On April 5th, the Federal Government placed a 10 years Udibono in the local debt markets for 3 billion UDIS (approximately Ps. 17.2 billion) with a maturity of.

These operations followed the public debt policy for 2017 designed to accompany the fiscal consolidation strategy, seeking to cover the Federal Government financing needs at reduced costs, considering a long-term horizon, and a low level of risk. And also, to direct the debt management actions of the Federal Government to improve the efficiency of the government's portfolio of liabilities, leading to a better debt maturity profile and to adjust the portfolio to the financial conditions of the markets.

On the other hand, following f the Federal Budget and Fiscal Responsibility Law, during the second quarter the Federal Government performed financial operations related to the use of BMOS that was received on March 28 and amounted to Ps. 321.7 billion and was.

Regarding the 70 percent of BMOS for the reduction of the Federal Government indebtedness (Ps. 225.2 billion) the following actions have been performed. On May 25, the Ministry of Finance bought back Ps. 40 billion government securities in the domestic market for an amount of to smooth the amortization profile of the Federal Government and to reduce gross public debt. The operation considered the buy-back of Fixed Rate Bonds with maturities between 2018 and 2019, which decreased financial requirements for those years.

Likewise, in June, the Federal Government announced a Ps. 5.6 billion decrease in the placement calendar of government securities for the third quarter of 2017. The Government also announced that part of the resources from BMOS would be used to cover the US 4 billion (equivalent to Ps 74.5 billion) which the Federal Government planned to place in international debt markets only if conditions were appropriate. Although the borrowing conditions in international markets turned out to be favorable for Mexico, the Ministry of Finance considered convenient not to perform deliveries on international financial markets in 2017 that would imply a higher net indebtedness for the Federal Government. Considering these three operations, as of the day of this report Ps. 120.1 billion have been used, leaving a reminder of Ps. 105.6 billion available for the reduction of the Federal Government indebtedness in 2017.

The remaining 30 percent of BMOS, Ps. 96.5 billion, was used as follows: i) a Ps. 80.0 billion contribution to the Budgetary Revenues Stabilization Fund (FEIP); ii) a Ps. 13.6 billion transfer to the National Health Protection System Trust to guarantee the financial protection of health services to the population with no affiliation to social security institutions in the next decade; and iii) Ps. 2.9 billion to international organizations in which Mexico is a member.

Federal Government net debt balance

At the close of the second quarter of 2017, the balance of the Federal Government net debt stood at Ps. 6,752.643 billion pesos. The structure of the Federal Government current debt portfolio keeps most of its liabilities denominated in domestic currency, representing 77.1 percent of the Federal Government's net debt balance as of June 30, 2017.

The balance of the Federal Government net domestic debt at the close of the second quarter of 2017 amounted toPs. 5.37 trillion, while in December of 2016 it was of Ps. 5.40 trillion. On the other hand, the net external debt of the Federal Government amounted to USD 89.38 billion, after the observed USD 86.67 billion of last December.

Federal Public Sector net debt balance

The net internal debt of the Federal Public Sector stood at Ps. 9.30 trillion at the close of the second quarter of 2017.

The net internal debt of the Federal Public Sector stood at Ps. 5.95 trillion, down from the Ps. 6.01 trillion registered in December 2016. On Meanwhile, the net external debt of the Federal Public Sector stood at USD 187.32 billion, while in December of 2016 it was of USD 177.69 billion.

Historical Balance of the Public Sector Borrowing Requirements

At the end of the second quarter of 2017, the HBPSBR, which includes public sector obligations in its broadest version, amounted to Ps. 9.30 trillion, after registering a 9.80 trillion balance in December 2016. The internal component stood at Ps. 6.03 trillion, below the 6.22 trillion recorded last December. On the other hand, the external component amounted to Ps. 3.27 trillion at the close of, down from the Ps. 3.58 trillion balance of December of 2016.

ANNEX 1

SUMMARY OF INDICATORS ON THE DEVELOPMENTS IN PUBLIC FINANCES (Billion pesos)									
Concept	January-June		Growth % real	Annual			Progress % with respect to:		
					2017			2017	
	2016p_/	2017p_/		2016	Program1_/	Estimated2_/	2016	Program1_/	Estimated2_/
1. Budgetary revenues3_/	2,338.9	2,655.6	7.6	4,845.5	4,360.9	4,832.8	48.3	60.9	55.0
2. Tax revenues	1,393.1	1,472.3	0.1	2,716.0	2,739.4	2,769.4	51.3	53.7	53.2
3. Tax revenues without fuels excise tax (IEPS)	1,249.5	1,362.2	3.3	2,438.7	2,454.9	2,551.6	51.2	55.5	53.4
4. Total net expenditure without outlays on financial investments, pension payments, transfers and financial cost.	1,442.5	1,398.2	-8.2	3,078.6	2,803.2	2,921.4	46.9	49.9	47.9
5. Total net expenditure without outlays on financial investments, pension payments and transfers	1,680.1	1,677.8	-5.4	3,551.6	3,375.7	3,498.5	47.3	49.7	48.0
6. Total net expenditure without outlays on financial investments	2,350.6	2,435.8	-1.8	4,893.9	4,838.4	4,988.6	48.0	50.3	48.8
7. Net total expenditure3_/	2,465.0	2,531.2	-2.7	5,347.8	4,855.8	5,102.5	46.1	52.1	49.6
8. Current structural expenditure	1,014.0	1,003.3	-6.3	2,227.4	2,061.3	2,373.2	45.5	48.7	42.3
9. Primary balance	126.0	416.7	213.3	-25.0	78.2	307.9	n.s.	-o-	135.4
10. PSBR	-47.3	158.2	n.s.	-556.6	-596.7	-296.9	n.s.	n.s.	n.s.
11. HBPSBR	8,850.2	9,304.1	-0.4	9,797.4	10,197.7	10,170.5	90.3	91.2	91.5
12. Public debt	8,729.4	9,300.5	1.0	9,693.2	9,828.9	10,183.9	90.1	94.6	91.3

Note: Figures may not add up due to rounding.

p_/ Preliminary Figures.

n. s.: Not significant: -o-: Greater than 500 percent.

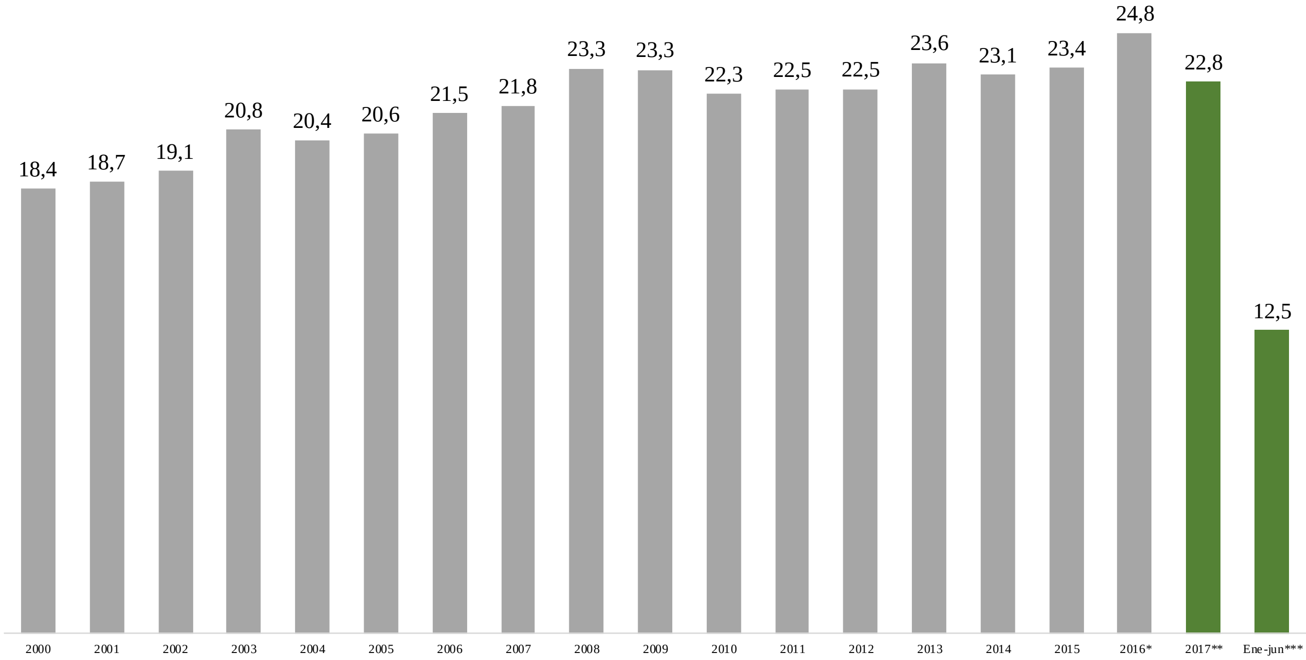
1_/ Corresponds to the Federal Law on Income and Budget of Expenditures for the fiscal year 2017 approved by Congress.

2_/ Corresponds to the review presented in Report on Economic Situation, Public Finances and Public Debt in the Second Quarter of 2017.

3_/ The 2016 annual data includes resources for the support of the Federal Government for pension payments of Pemex and CFE via non-earmarked transfers' contribution of 134,230.6 and 161,080.2 million pesos, respectively

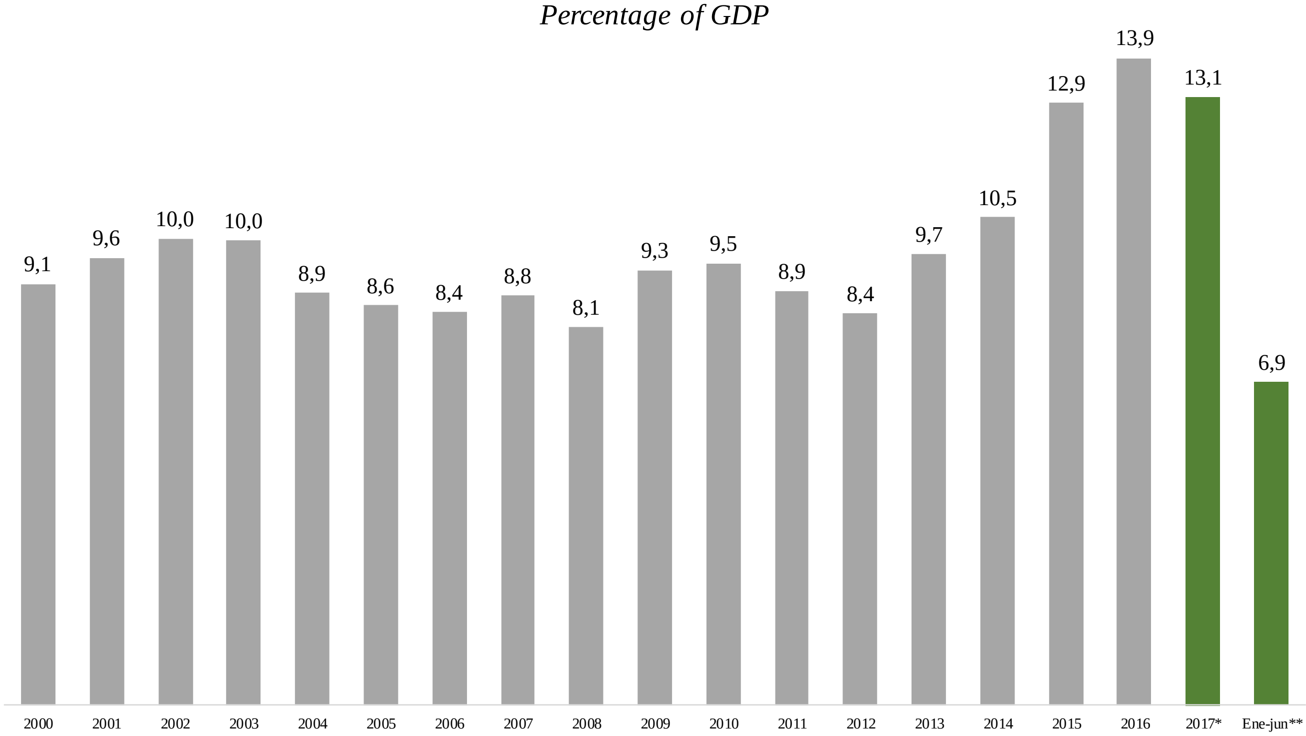
Source: Ministry of Finance

Budgetary Revenues
Percentage of GDP



*/ Including the resources from the Federation given to Pemex and CFE equivalent to 1.5% of GDP. .
**/ Estimated.
***/ Proportional to annual GDP.
Source: Ministry of Finance

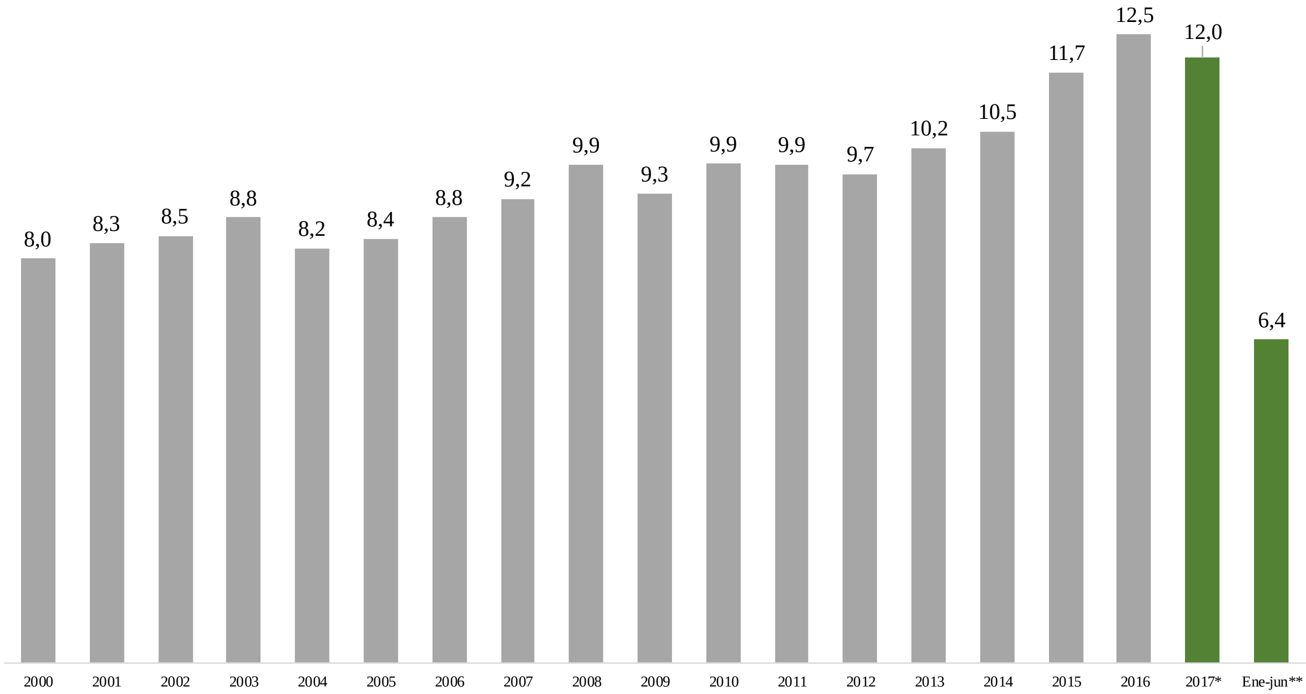
Tax Revenues
Percentage of GDP



*/ Estimated.
**/ Proportion to annual GDP.
Source: Ministry of Finance.

Tax revenues excluding fuels excise tax (IEPS)

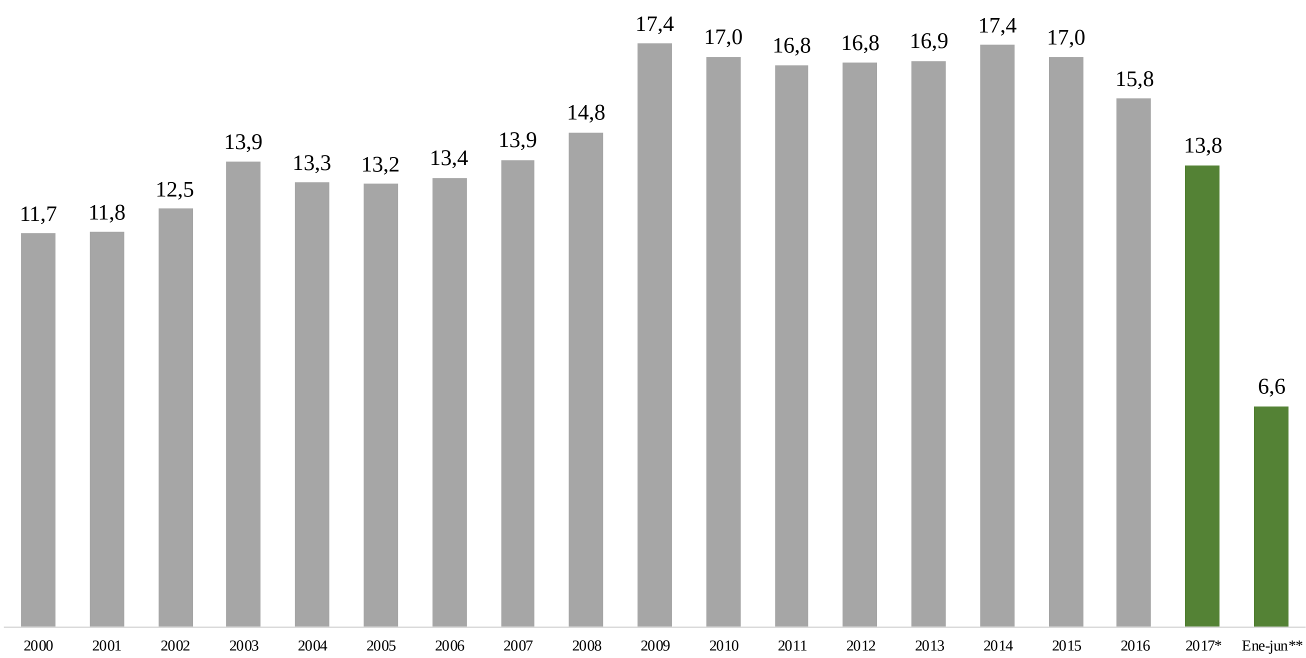
Percentage of GDP



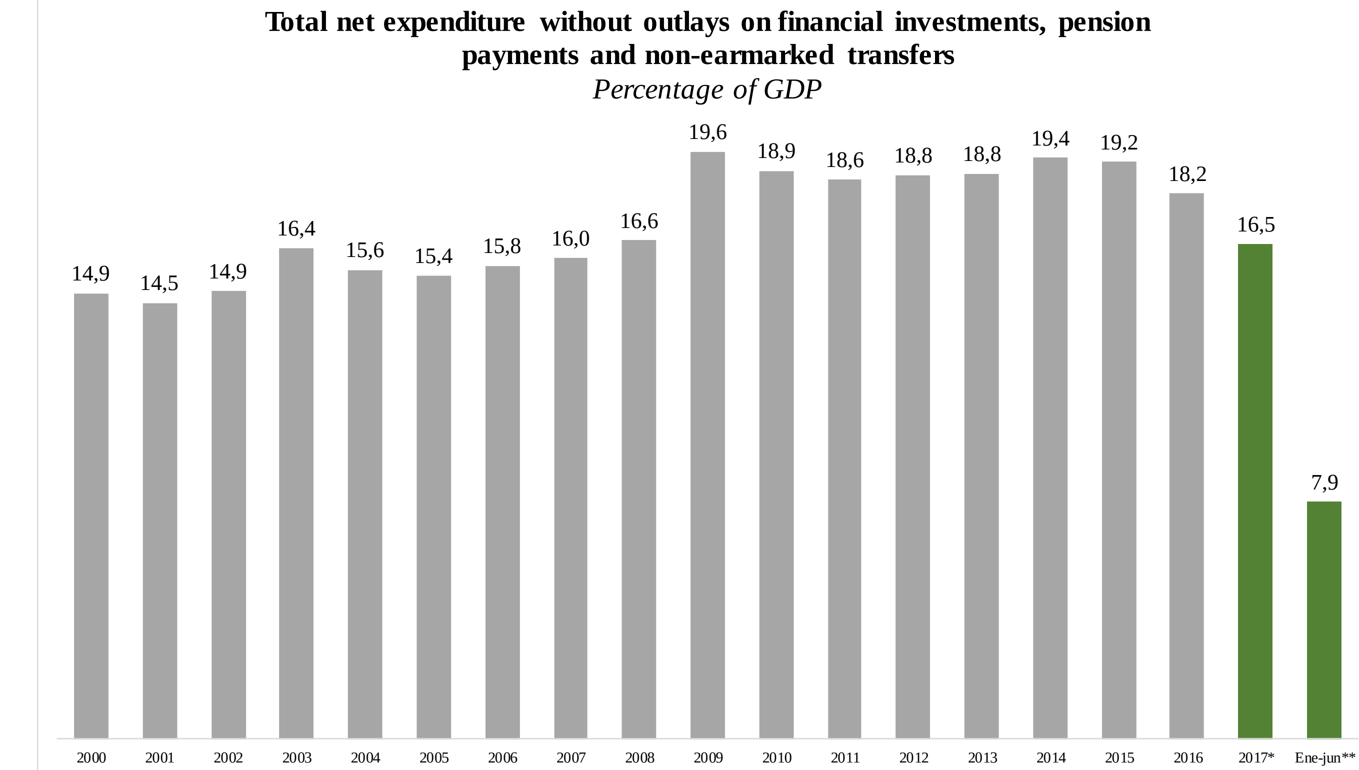
*/ Estimated.
**/ Proportional to annual GDP.
Source: Ministry of Finance

Total net expenditure without outlays on financial investments, pension payments and non-earmarked transfers and financial cost

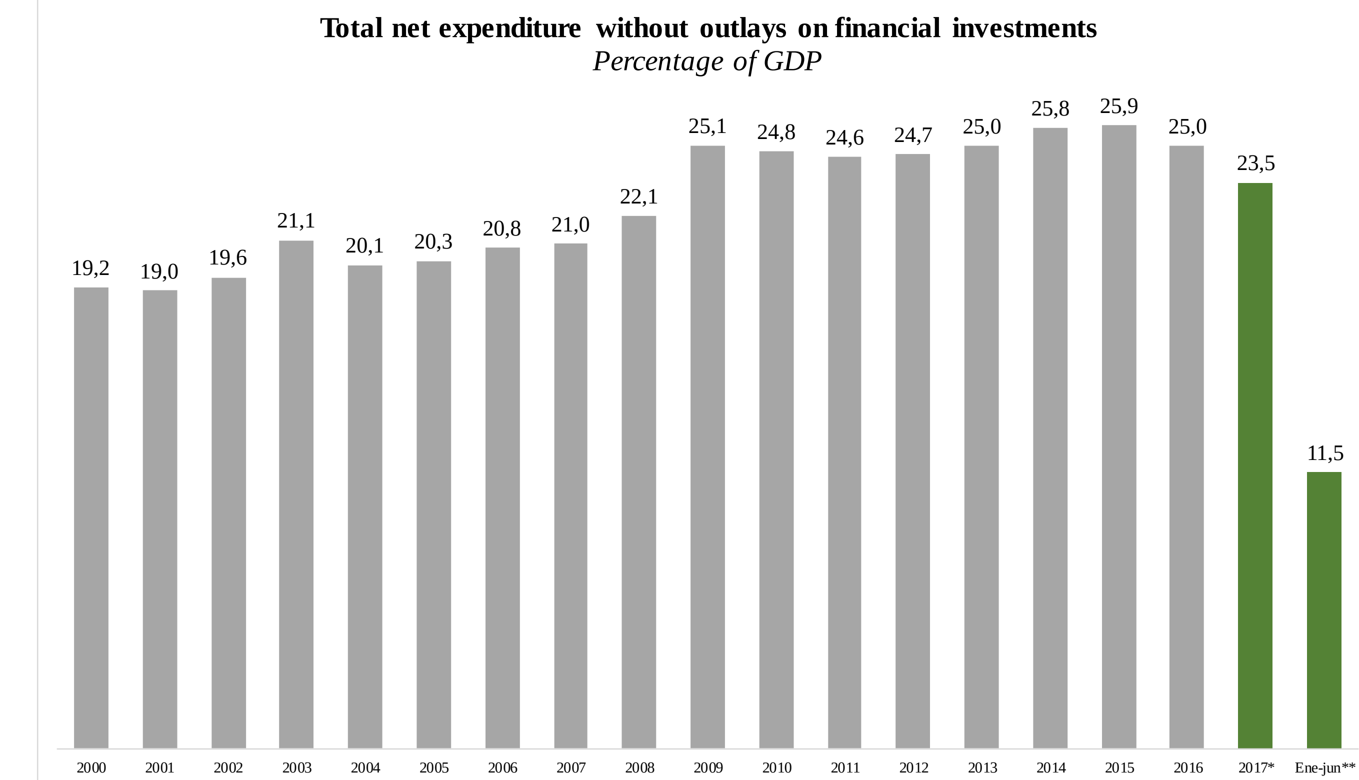
Percentage of GDP



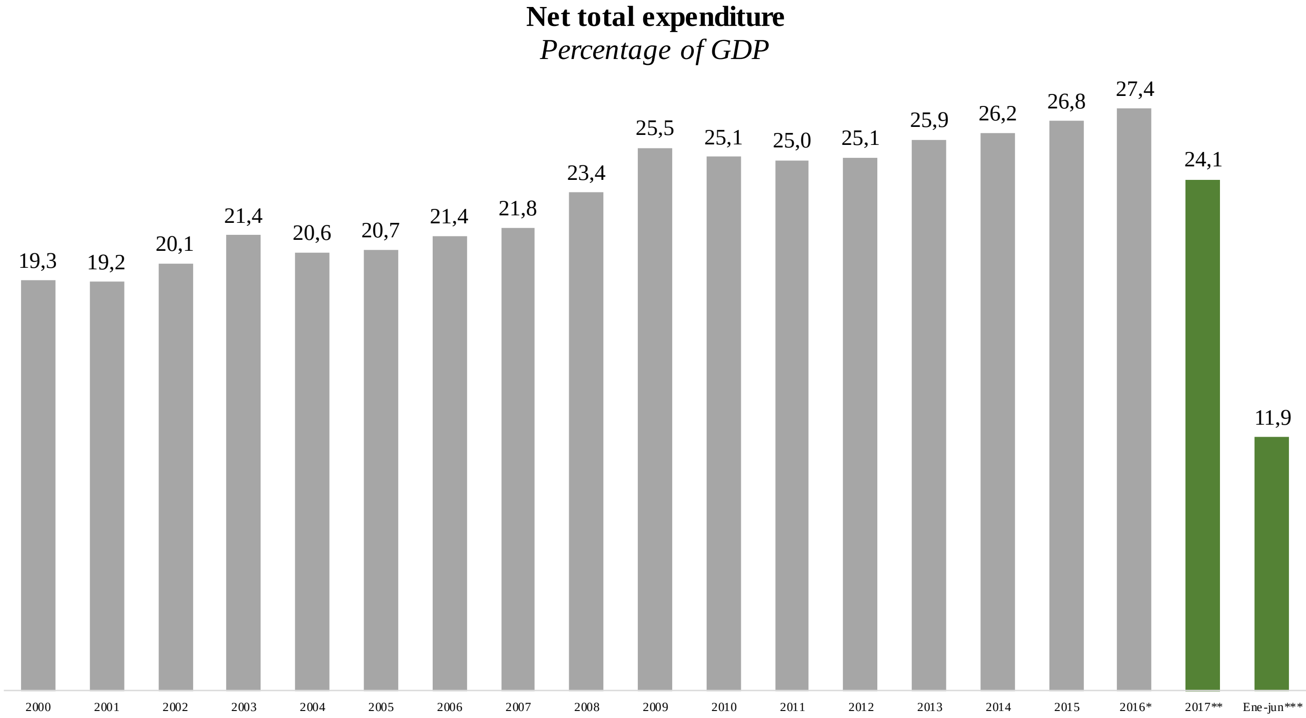
*/ Estimated.
**/ Proportional to annual GDP
Source: Ministry of Finance



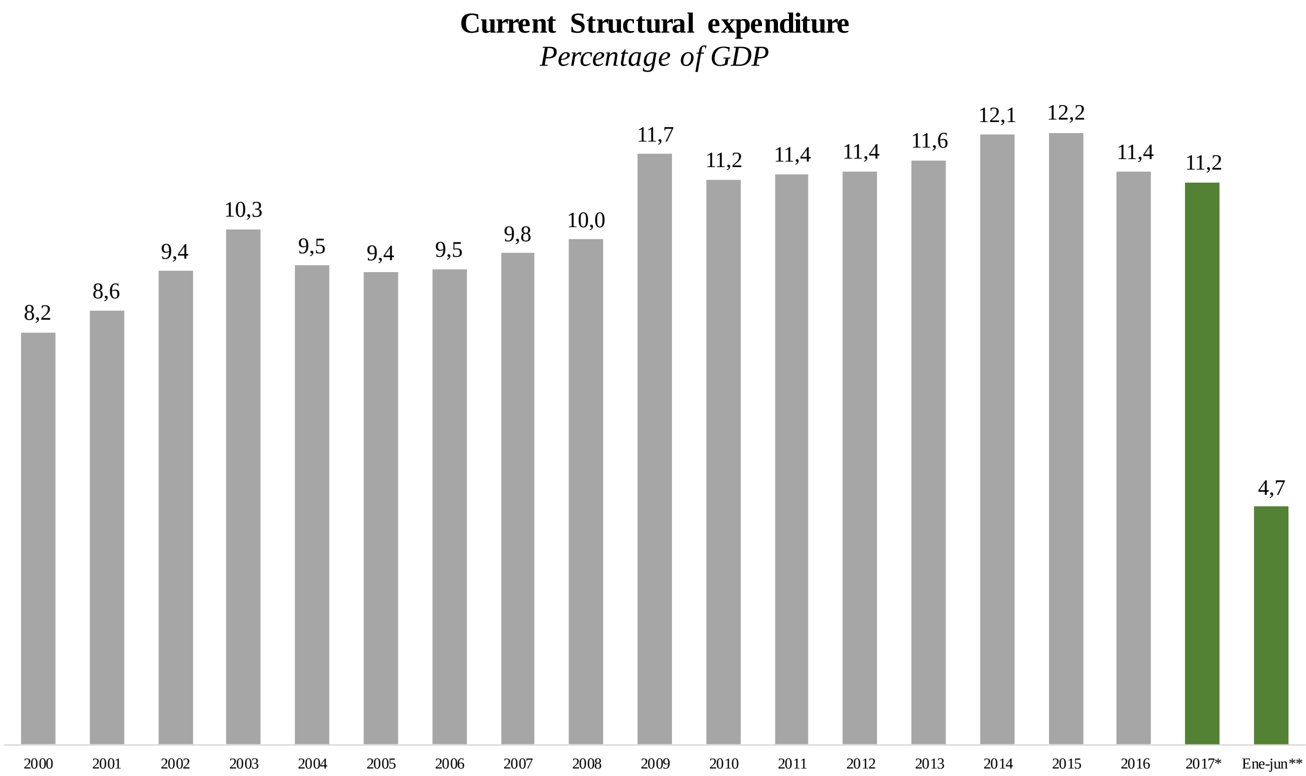
*/ Estimated.
**/ Proportional to annual GDP
Source: Ministry of Finance



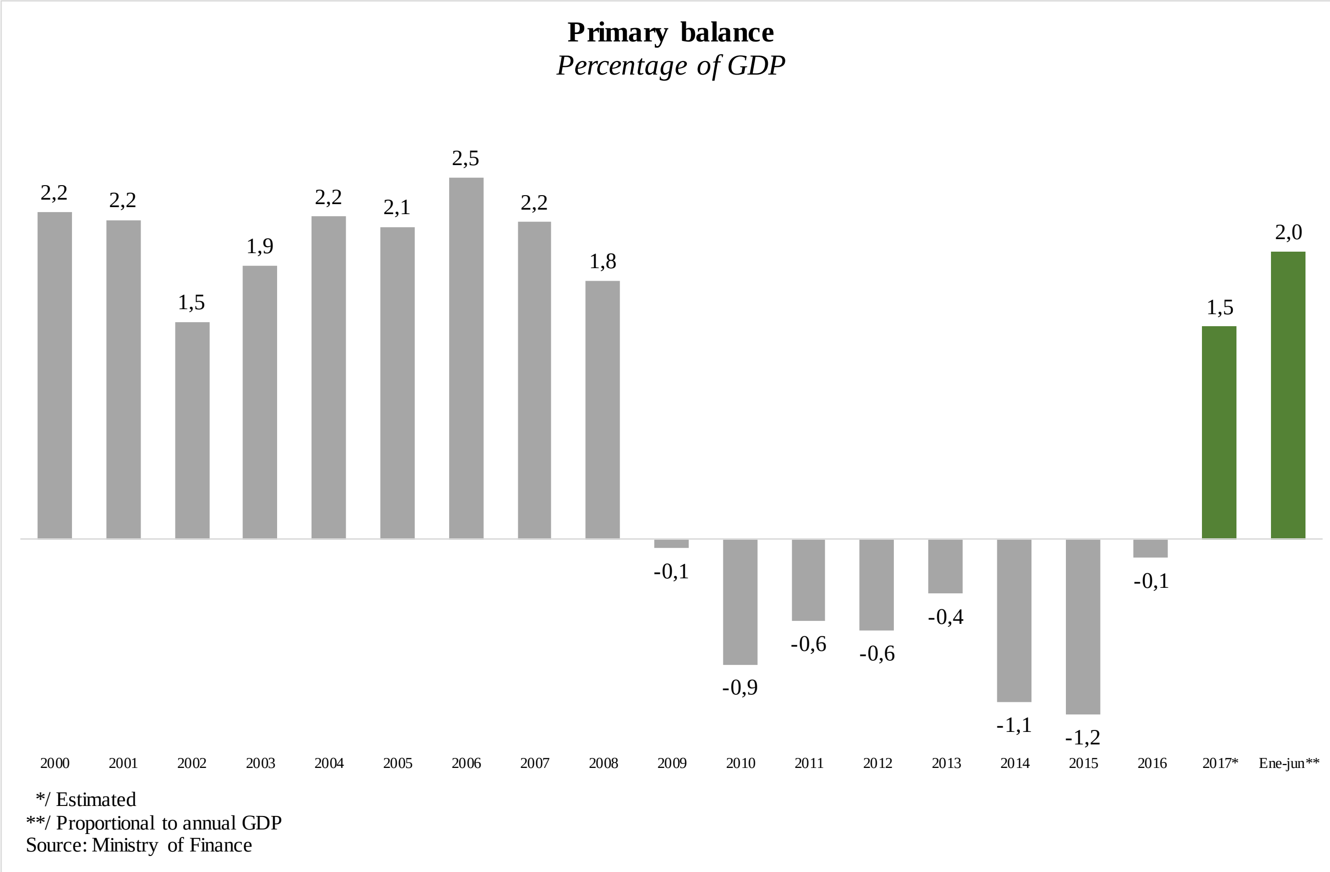
*/ Estimated.
**/ Proportional to annual GDP.
Source: Ministry of Finance

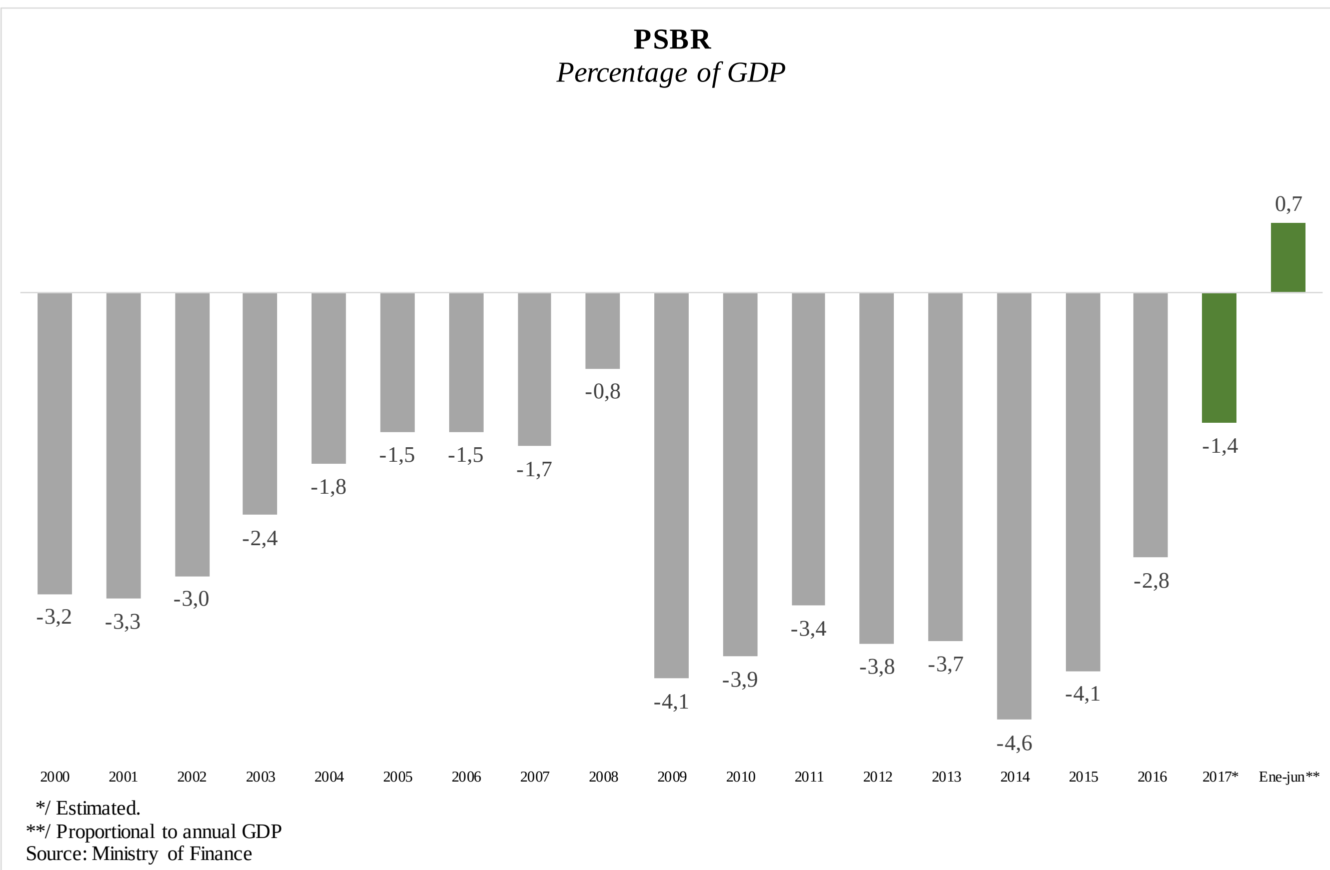


*/ Including the resources from the Federation given to Pemex and CFE equivalent to 1.5% of GDP
**/ Includes use up to 30% from BANXICO Remainders, registered in accounting as a expenditure, representing a saving in terms of economy, and upgrading in federation financial position.
***/ Proportional to annual GDP.
Fuente: SHCP.

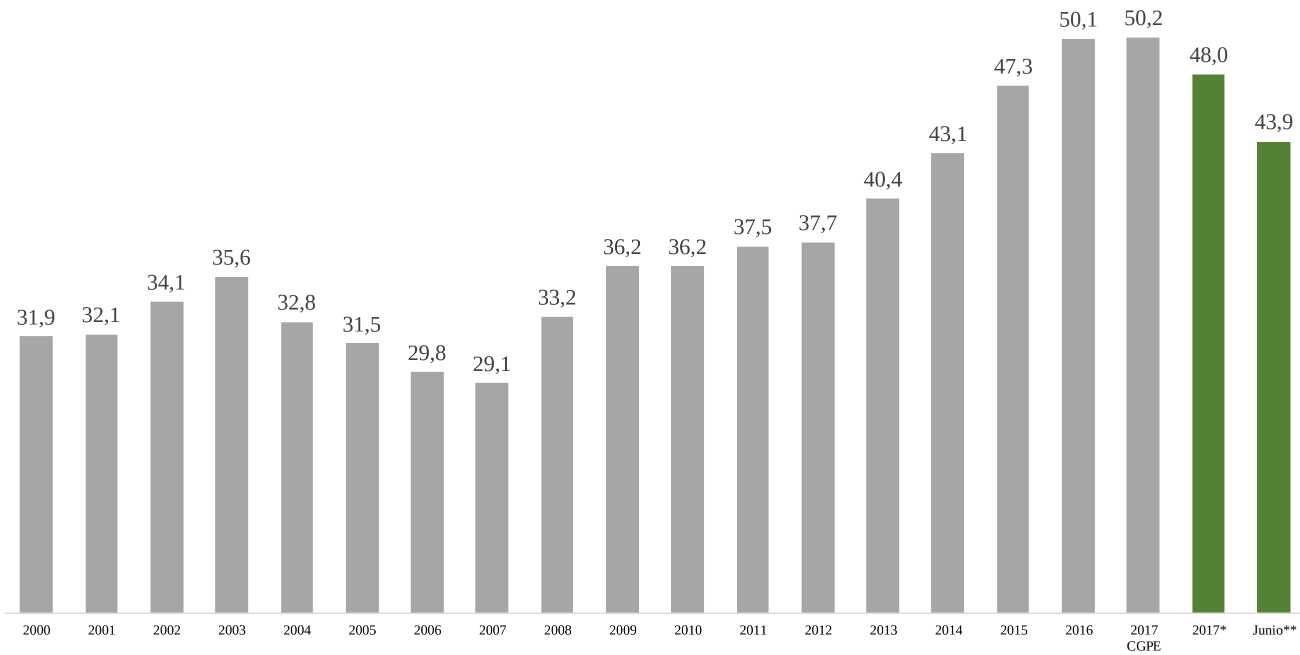


*/ Estimated.
**/ Proportional to annual GDP.
Source: Ministry of Finance


Primary balance
Percentage of GDP
2,2
2,2
1,5
1,9
2,2
2,1
2,5
2,2
1,8
-0,1
-0,9
-0,6
-0,6
-0,4
-1,1
-1,2
-0,1
1,5
2,0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017*
Ene-jun**
*/ Estimated
**/ Proportional to annual GDP
Source: Ministry of Finance

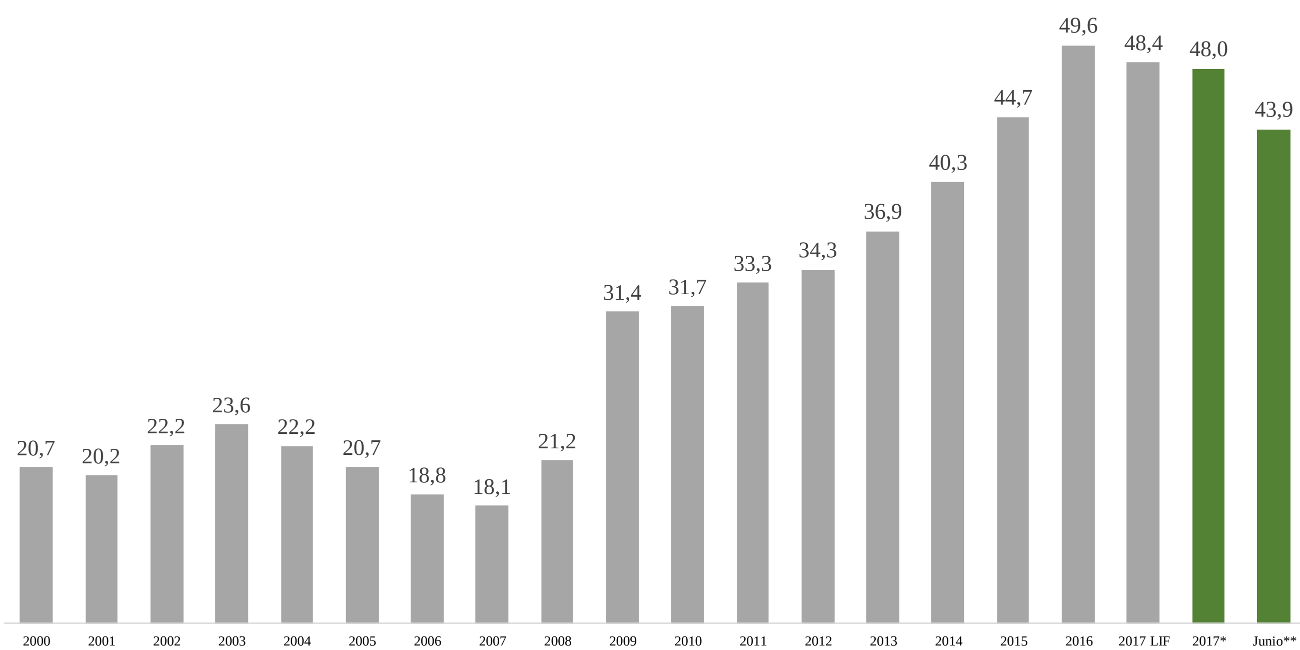

PSBR
Percentage of GDP
-3,2
-3,3
-3,0
-2,4
-1,8
-1,5
-1,5
-1,7
-0,8
-4,1
-3,9
-3,4
-3,8
-3,7
-4,6
-4,1
-2,8
-1,4
0,7
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017*
Ene-jun**
*/ Estimated.
**/ Proportional to annual GDP
Source: Ministry of Finance

HBPSBR
Percentage of GDP



*/ Estimated
**/ Proportional to annual GDP.
Source: Ministry of Finance

Public debt
Percentage of Annual GDP



*/ Estimated.
**/ Proportional to annual GDP.
Source: Ministry of Finance.

PUBLIC SECTOR BALANCE
(Million pesos)

Concept	January-June 2016p_/	2017 Program1_/	2017 Observedp_/	Nominal Difference	Growth% real
	(1)	(2)	(3)	(3-2)	(3/1)
PUBLIC BALANCE	**-116,593.5**	**-319,228.6**	**141,852.6**	**461,081.2**	**n.s.**
PUBLIC BALANCE EXCLUDING PRODUCTIVE INVESTMENT2_/	**133,743.3**	**-112,936.1**	**318,385.9**	**431,322.0**	**125.6**
I. Budgetary Balance	-126,102.6	-319,528.6	124,428.4	443,957.0	n.s.
a) Budhetary Revenue	2,338,933.9	2,178,446.6	2,655,649.9	477,203.3	7.6
Oil3_/	314,960.7	382,816.3	413,792.9	30,976.5	24.5
PEMEX	172,823.1	188,930.7	181,951.2	-6,979.5	-0.2
Federal Government	142,137.7	193,885.6	231,841.7	37,956.1	54.6
Non-oil	2,023,973.2	1,795,630.3	2,241,857.1	446,226.8	5.0
Federal Government	1,726,052.7	1,474,207.6	1,896,526.0	422,318.4	4.1
Tax	1,393,077.9	1,410,929.3	1,472,268.4	61,339.1	0.1
Non-tax	332,974.8	63,278.3	424,257.6	360,979.3	20.7
PEDBC	297,920.5	321,422.7	345,331.0	23,908.3	9.8
b) Net Budgetary Expenditures	2,465,036.5	2,497,975.2	2,531,221.5	33,246.3	-2.7
Programmable	1,844,090.8	1,798,482.9	1,816,447.0	17,964.1	-6.7
Non-programmable	620,945.7	699,492.3	714,774.5	15,282.2	9.1
II. PEIBC	9,509.1	300.0	17,424.2	17,124.2	73.6
PRIMARY BALANCE	**126,015.5**	**-27,463.2**	**416,691.1**	**444,154.3**	**213.3**

Note: Figures may not add up due to rounding.

p_/ Preliminary figures.

n. s.: Not significant.

1_/ Corresponds to the calendars of the Law on Income and Expenditure Budget for fiscal year 2017 approved by the Congress and published in the Federal Official Gazette on December 7 and December14 of 2016 respectively.

2_/ Excludes the physical investment of Pemex, CFE and high impact investments of the Federal Government.

3_/ Includes revenues from PEMEX, transfers from the Mexican Oil Fund for Stabilization and Development, the income tax on contractors and assignees for the extraction of hydrocarbons.

Source: Ministry of Finance

PUBLIC SECTOR BUDGETARY REVENUES

(Million pesos)

Concept	January-June 2016p_/ (1)	2017 Program1_/ (2)	2017 Observedp_/ (3)	Nominal Difference (3-2)	Growth% real (3/1)
BUDGETARY REVENUES (I+II)	**2,338,933.9**	**2,178,446.6**	**2,655,649.9**	**477,203.3**	**7.6**
I. Oil (a+b) 2_/	314,960.7	382,816.3	413,792.9	30,976.5	24.5
a) PEMEX	172,823.1	188,930.7	181,951.2	-6,979.5	-0.2
b) Federal Government	142,137.7	193,885.6	231,841.7	37,956.1	54.6
Mexican Oil Fund	142,108.9	193,885.6	235,198.4	41,312.8	56.8
Income tax from contractors and assignees	28.7	0.0	-3,356.7	-3,356.7	n.s.
Existing rights until 2014	0.0	0.0	0.0	0.0	n.s.
II. Non-oil (c+d+e)	2,023,973.2	1,795,630.3	2,241,857.1	446,226.8	5.0
c) Federal Government	1,726,052.7	1,474,207.6	1,896,526.0	422,318.4	4.1
Tax	1,393,077.9	1,410,929.3	1,472,268.4	61,339.1	0.1
Income Tax	762,768.5	767,217.5	834,124.6	66,907.1	3.6
Value Added Tax	374,262.8	388,308.7	399,955.2	11,646.5	1.3
Excise Tax	212,965.4	213,785.0	189,891.4	-23,893.6	-15.5
Import Tax	23,460.0	21,952.2	24,885.8	2,933.6	0.5
IAEEH 3_/	1,967.0	2,057.4	2,095.7	38.3	1.0
Other 4_/	17,654.1	17,608.5	21,315.6	3,707.1	14.4
Non-tax	332,974.8	63,278.3	424,257.6	360,979.3	20.7
Duties	34,144.5	24,471.0	38,835.0	14,364.0	7.8
Fees	294,202.4	35,592.4	381,342.6	345,750.2	22.8
Other	4,627.9	3,214.9	4,080.0	865.1	-16.5
d) PEDBC5_/	160,331.5	167,281.8	174,868.6	7,586.8	3.3
IMSS	138,084.7	144,010.3	151,393.6	7,383.3	3.9
ISSSTE	22,246.9	23,271.5	23,475.0	203.5	0.0
e) State Productive Enterprise (CFE)	137,589.0	154,140.9	170,462.4	16,321.6	17.4
Memorandum items					
Total tax-related	1,393,106.6	1,410,929.3	1,468,911.7	57,982.4	-0.1
Total non-tax related	945,827.3	767,517.3	1,186,738.2	419,220.9	18.9

Note: Partial sums and variations may not add up due to rounding.

p_/ Preliminary figures.

n. s.: not significant.

1_/ Corresponds to the calendars of the Law on Revenue for fiscal year 2017 approved by the Congress and published in the Federal Official Gazette on December 7, 2016.

2_/ Includes revenues from PEMEX, transfers from the Mexican Oil Fund for Stabilization and Development, the income tax on contractors and assignees for the extraction of hydrocarbons.

3_/ Tax on hydrocarbon exploration and extraction activities (Impuesto por la actividad de exploración y extracción de hidrocarburos in Spanish).

4_/ Includes taxes on new vehicles, exports, petroleum spread, not included in the aforementioned sections and accessories.

5_/ PEDBC: Public Entities under Direct Budgetary Control. Excludes Federal Government's transfers to ISSSTE

Source: Ministry of Finance.

PUBLIC SECTOR BUDGETARY NET EXPENDITURES (Million pesos)					
Concept	January-June			Nominal Difference	Growth% real
		2017			
	2016p_/	Program1_/	Observedp_/		
	(1)	(2)	(3)	(3-2)	(3/1)
TOTAL (I+II)	**2,465,036.5**	**2,497,975.2**	**2,531,221.5**	**33,246.3**	**-2.7**
I. Primary expenditures	2,227,452.8	2,206,159.4	2,251,604.3	45,444.9	-4.2
Programmable	1,844,090.8	1,798,482.9	1,816,447.0	17,964.1	-6.7
Autonomous Branches	40,439.7	57,863.3	42,673.5	-15,189.8	0.0
Administrative Branches	583,005.8	509,284.7	509,436.3	151.6	-17.2
General Branches	767,831.7	767,650.3	821,586.4	53,936.1	1.4
PEDBC2_/	358,273.3	408,467.2	396,682.2	-11,784.9	4.9
IMSS	231,833.4	266,512.4	257,647.4	-8,865.0	5.3
ISSSTE	126,440.0	141,954.7	139,034.8	-2,919.9	4.2
State Productive Enterprises	387,274.2	389,734.1	370,648.3	-19,085.8	-9.3
PEMEX	247,031.8	238,467.5	200,203.0	-38,264.5	-23.2
CFE	140,242.5	151,266.6	170,445.3	19,178.7	15.2
(-) Compensated operations3_/	292,733.9	334,516.6	324,579.7	-9,936.9	5.1
Non-programmable	383,362.0	407,676.5	435,157.3	27,480.9	7.6
Non-earmarked transfers	355,068.6	384,300.8	410,955.1	26,654.3	9.7
Adefas and other	28,293.4	23,375.7	24,202.3	826.6	-18.9
II. Financial Cost4_/	237,583.7	291,815.8	279,617.2	-12,198.7	11.5

Note: Partial sums and variations may not add up due to rounding.

p_/ Preliminary figures.

1_/ Corresponds to the calendars of the Law on Revenue for fiscal year 2017 approved by the Congress and published in the Federal Official Gazette on December 14, 2016.

2_/ PEDBC: Public Entities under direct budgetary control.

3_/ Refers to transactions that represent a revenue for social security institutions and an expenditure for the Federal Government, which are eliminated to avoid double accounting of revenues and expenditure.

4_/ Includes interests, commissions and other public debt expenditures, as well as expenditures for financial restructuring and to support bank savers and debtors.

Source: Ministry of Finance

FEDERAL PUBLIC SECTOR DEBT BALANCES, JUNE *_/

Concept	Balance as of			% of GDP			% of GDP Quarterly Annualized			Structure (%)		
	dec-15	dec-16 p_/	jun-17 p_/	dec-15	dec-16	jun-17	dec-15	dec-16	jun-17	dec-15	dec-16	jun-17
Domestic Debt:												
Net (Million pesos)	5,379,857.1	6,009,403.1	5,947,999.5	29.5	30.8	28.1	28.2	29.0	28.5	65.9	62.0	64.0
Gross (Million pesos)	5,639,503.9	6,182,250.7	6,327,931.1	30.9	31.6	29.8	29.5	29.8	30.3	66.9	62.2	65.2
External Debt:												
Net (Million USD)	161,609.5	177,692.5	187,317.9	15.2	18.8	15.8	14.5	17.7	16.0	34.1	38.0	36.0
Bruta (Million USD)	162,209.5	180,986.0	188,441.0	15.3	19.2	15.9	14.6	18.1	16.1	33.1	37.8	34.8
Total Debt: 1_/												
Net (Million pesos)	8,160,589.9	9,693,217.5	9,300,484.8	44.7	49.6	43.9	42.7	46.7	44.5	100.0	100.0	100.0
(Million USD)	474,273.7	467,562.1	519,658.5									
Gross (Million pesos)	8,430,561.7	9,934,343.9	9,700,516.2	46.2	50.8	45.7	44.1	47.9	46.4	100.0	100.0	100.0
(Million USD)	489,963.8	479,193.1	542,010.0									

Note: Figures may not add-up due to rounding.
Net Debt results from subtracting the Federal Government’s financial assets, assets from State Productive Enterprises and Development Banks from the Gross Debt.
*_/ Figures subject to revisions due to changes and methodological modifications.
p_/ Preliminary figures.
1_/ Includes liabilities from the Federal Government, State Productive Enterprises and Development Banks
Source: Ministry of Finance

PUBLIC SECTOR DOMESTIC DEBT, JANUARY-JUNE*_/

(Million pesos)

	Balance as of December 2016p_/	Indebtedness			Adjustments	Outstanding as of June 2017 p_/
		Originations	Amort.	Net		
1. Net Debt (3-2)	**6,009,403.1**					**5,947,999.5**
2. Assets 1_/	172,847.6					379,931.6
3. Gross Debt	**6,182,250.7**	**1,807,566.6**	**1,723,413.9**	**84,152.7**	**61,527.7**	**6,327,931.1**
By Term	6,182,250.7	1,807,566.6	1,723,413.9	84,152.7	61,527.7	6,327,931.1
Long-term	5,552,529.1	742,614.9	558,315.9	184,299.0	61,665.0	5,798,493.1
Short-term	629,721.6	1,064,951.7	1,165,098.0	-100,146.3	-137,3	529,438.0
By User	6,182,250.7	1,807,566.6	1,723,413.9	84,152.7	61,527.7	6,327,931.1
Federal Government	5,620,345.4	1,547,852.5	1,415,628.9	132,223.6	55,754.3	5,808,323.3
Long-term	5,026,440.4	701,705.6	486,787.5	214,918.1	55,754.3	5,297,112.8
Short-term	593,905.0	846,146.9	928,841.4	-82,694.5	0.0	511,210.5
State Productive Enterprises[2_/]	431,176.8	38,163.1	82,506.4	-44,343.3	6,102.4	392,935.9
Long-term	416,176.8	25,500,0	61,783.8	-36,283.8	6,102.4	385,995.4
Short-term	15,000.0	12,663.1	20,722.6	-8,059.5	0.0	6,940.5
Development Banks	130,728.5	221,551.0	225,278.6	-3,727.6	-329.0	126,671.9
Long-term	109,911.9	15,409.3	9,744.6	5,664.7	-191.7	115,384.9
Short-term	20,816.6	206,141.7	215,534.0	-9,392.3	-137.3	11,287.0
By Financing Source	6,182,250.7	1,807,566.6	1,723,413.9	84,152.7	61,527.7	6,327,931.1
Bonds Placed in Domestic Markets	5,312,876.2	1,447,320.5	1,188,399.8	258,920.7	46,714.8	5,618,511.7
Savings Fund S.A.R	115,163.3	113,622.5	117,424.1	-3,801.6	4,901.4	116,263.1
Commercial Banks	142,087.0	34,006.0	80,189.0	-46,183.0	-359.4	95,544.6
ISSSTE's Law obligations [3_/]	147,532.8	61.9	11,231.3	-11,169.4	4,921.7	141,285.1
PEMEX Pension Bonds[4_/]	137,639.7	0.0	1,512.3	-1,512.3	0.0	136,127.4
CFE Pension Bonds[5_/]	161,080.2	0.0	0.0	0.0	0.0	161,080.2
Others	165,871.5	212,555.7	324,657.4	-112,101.7	5,349.2	59,119.0

Note: Figures may not add up due to rounding.
*_/ Figures subject to revisions and methodological changes.
p_/ Preliminary figures.
1_/ Includes the net balance denominated in Mexican pesos, of the Federal Treasury's General Account and assets from State Productive Enterprises and Development Banks.
2_/ Includes CFE and ISSSTE only.
3 _ / Obligations associated with the new ISSSTE law.
4_ / Obligations associated with the financial support by the Federal Government to Pemex given the savings in their pension obligations, pursuant to the provisions of the "Agreement on the general provisions concerning the Federal Government's assumption of Petroleos Mexicanos and its Subsidiary Productive Enterprises' pension and retirement obligations," published in the Federal Official Gazette on December 24, 2015.
5_/ Obligations associated with the financial support by the Federal Government to CFE given the savings in their pension obligations, pursuant to the provisions of the "Agreement on the general provisions concerning the Federal Government's assumption of the Federal Electricity Commission' pension and retirement obligations," published in the Federal Official Gazette on November 14, 2016.
Source: Ministry of Finance.

PUBLIC SECTOR EXTERNAL DEBT, JANUARY-JUNE*_/
(Million dollars)

	Balance as of December 2016p_/	Indebtedness			Adjustments	Outstanding as of June 2017p_/
		Originations	Amort	Net		
1. Net Debt (3-2)	**177,692.5**					**187,317.9**
2. Financial Assets in Foreign Currency1_/	3,293.5					1,123.1
3. Gross Debt	**180,986.0**	**22,196.9**	**17,645.3**	**4,551.6**	**2,903.4**	**188,441.0**
By Term	180,986.0	22,196.9	17,645.3	4,551.6	2,903.4	188,441.0
Long-term	177,892.8	13,523.5	8,676.2	4,847.3	2,895.7	185,635.8
Short-term	3,093.2	8,673.4	8,969.1	-295.7	7.7	2,805.2
By User	180,986.0	22,196.9	17,645.3	4,551.6	2,903.4	188,441.0
Federal Government	88,157.0	3,994.9	4,227.5	-232.6	1,547.5	89,471.9
Long-term	88,157.0	3,994.9	4,227.5	-232.6	1,547.5	89,471.9
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
State Productive Enterprises 2_/	82,687.8	9,408.1	4,417.9	4,990.2	975.1	88,653.1
Long-term	82,687.8	9,215.9	4,337.5	4,878.4	975.1	88,541.3
Short-term	0.0	192.2	80.4	111.8	0.0	111.8
Development Banks	10,141.2	8,793.9	8,999.9	-206.0	380.8	10,316.0
Long-term	7,048.0	312.7	111.2	201.5	373.1	7,622.6
Short-term	3,093.2	8,481.2	8,888.7	-407.5	7.7	2,693.4
By Financing Source	180,986.0	22,196.9	17,645.3	4,551.6	2,903.4	188,441.0
Public Bonds	136,902.4	7,755.3	5,181.8	2,573.5	2,380.4	141,856.3
International Financial Institutions (IFI's)	28,601.6	839.9	463.4	376.5	361.2	29,339.3
Bilateral	7,279.4	342.1	759.9	-417.8	93.9	6,955.5
Commercial Banks	8,023.0	13,067.4	11,159.8	1,907.6	50.3	9,980.9
Pidiregas	179.6	192.2	80.4	111.8	17.6	309.0

Note: Figures may not add up due to rounding.
*_/ Figures subject to revisions and methodological changes.
p_/ Preliminary figures.
1_/ Considers the net US Dollar denominated balance of the Federal Treasury's General Account and assets held by State Productive Enterprises and Development Banks.
2_/ Includes PEMEX y CFE only.
Source: Ministry of Finance.

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