

## Public Finance and Public Debt Report, August 2006

The public finances and public debt preliminary results up to August 2006 were released today.

The main results for August are the following:

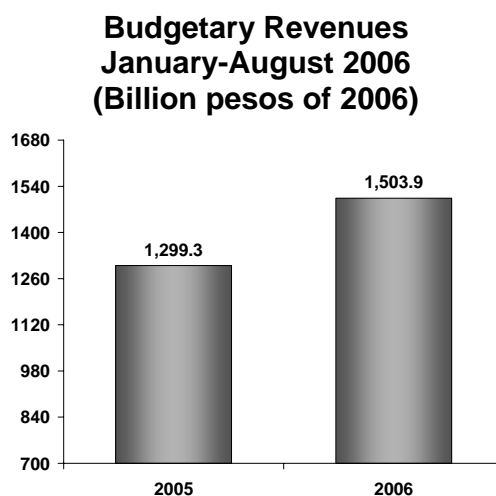
- The public sector posted a Ps. 33.5 billion surplus, which is in line with the fiscal balance authorized by Congress for 2006 as a whole.
- The primary balance, defined as total revenues minus non-interest expenditures, posted a Ps. 52.0 billion surplus.
- Budgetary revenues grew 14.0 percent in real annual terms due mainly to real increases of 20.5 and 13.2 percent in VAT and income tax receipts and increases of 9.1 and 5.3 percent, in real terms, in oil-related revenues and revenues from Public Entities Under Direct Budgetary Control (PEDBC's) other than PEMEX.
- Net budgetary expenditures increased 7.6 percent in real annual terms. During this month, Ps. 7.3 billion, pertaining to the Extraordinary Right on Crude Oil Exports and the Duty on Oil Revenues (ARE), were destined to states through the State Infrastructure Fund (FIES) and the State Revenue Stabilization Fund (FEIEF).
- In terms of public debt, the Federal Government placed BONDES D for Ps. 135 billion which were used to buy foreign reserves from Banco de Mexico in order to prepay credits from International Financial Institutions and bonds placed in international markets.
- As a result, the Federal Government's net domestic debt increased Ps. 117.7 billion while its net external debt decreased US\$ 12.7 billion, both with respect to July 2006.
- The public sector's net domestic debt increased Ps. 98.0 billion and its net external debt decreased US\$ 11.5 billion, both with respect to the previous month.

### 1. Public Sector Balance in January-August 2006

- Up to August 2006, the public sector posted a surplus of Ps. 112.6 billion, Ps. 28.5 billion higher than the one registered in the same eight months of the previous year. The primary balance, defined as total revenues minus non-interest expenditures, posted a Ps. 288.1 billion surplus, 17.1 percent higher in real terms than the one registered in the same period of 2005.

## 1.1 Public Sector Budgetary Revenues in January-August 2006

- The public sector's budgetary revenues stood at Ps. 1,503.9 billion during January-August 2006. This amount is 15.8 percent higher in real terms than that registered during the same period of 2005. The annual change is explained by the following:
  - Non-oil tax revenues amounted to Ps. 647.9 billion, 15.6 percent higher in real terms than in the same period of the previous year. VAT and income tax receipts stand out with increases, in real terms, of 16.5 and 16.4 percent, respectively.
  - Oil-related revenues, which include PEMEX's own revenues, royalties and fees, excise tax collection on gasoline and diesel, and the tax on oil returns, totaled Ps. 546.3 billion, 16.9 percent higher in real terms than that registered in the same eight months of the previous year.
  - Revenues from public entities under direct budgetary control other than PEMEX totaled Ps. 251.5 billion, 10.1 percent higher than those registered in the same period of 2005. This is mainly due to higher energy sales and contributions to social security.<sup>1</sup>
  - Non-tax non-oil revenues were Ps. 58.2 billion. This amount is 34.9 percent higher than in the same eight months of 2005. This is mainly explained by higher non-recurring revenues in 2006 due to the sale of *Grupo Aeroportuario Centro-Norte* and *del Pacifico* in 2006.

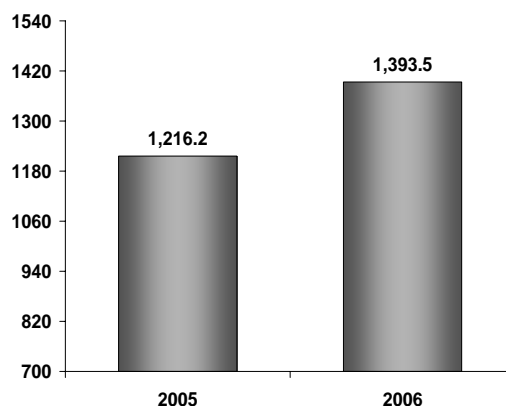


<sup>1</sup> It is important to note that as a result of the amendment to article 174 of ISSSTE's law approved by Congress, operations of the Housing Fund will not be registered in public sector records starting March 2006, given the resolution that these resources are public sector workers' rights and they are not considered ISSSTE's capital.

## 1.2. Net Budgetary Public Sector Expenditures during January-August 2006

- Net budgetary expenditures of the public sector totaled Ps. 1,393.5 billion in the first eight months of the year. This amount is 14.6 percent higher in real terms than that observed in the same period of 2005.
- Paid programmable expenditures amounted to Ps. 957.8 billion, 11.8 percent higher in real annual terms than that registered in the same months of 2005. Within, the increases to spending on education, health, social development, energy, transport and communications and the IFE stand out.

**Net Budgetary Expenditures  
January-August 2006  
(Billions pesos of 2006)**



- Federalized spending, which includes revenue sharing to States and Municipalities, as well as resources transferred to these entities (*Ramo 33*), provisions for basic, normal, technical and adult education (*Ramo 25*), and the resources directed towards the financial strengthening of States through PAFEF (*Ramo 39*), increased 15.3 percent in real annual terms.
  - Revenue sharing to States and Municipalities was Ps. 242.7 billion, and increased 20.7 percent in real annual terms.
  - Total resources distributed through *Ramo 25*, *Ramo 33* and *Ramo 39* were Ps. 254.3 billion, 10.6 percent higher in real annual terms than those observed in the first eight months of 2005.
  - A total of Ps. 12.4 billion have been destined to Federal Entities through the State Infrastructure Fund (FIES) and the State Revenue Stabilization Fund (FEIEF) pertaining to the Extraordinary Right on Crude Oil Exports and the Duty on Oil Revenues (ARE).
- The Public Sector's financing costs during January-August 2006 totaled Ps. 170.2 billion. This amount was 12.9 percent higher in real terms than that registered in the same period a year earlier.

## 2. Public Debt Update

- The Federal Government's net domestic debt's balance was Ps. 1,318.8 billion at the end of August 2006. This was Ps. 135.5 billion higher than the balance registered at the end of 2005. This is due to net borrowings of Ps. 287.7 billion, upward adjustments to the inflation-indexed debt for Ps. 3.2 billion, and an increase in the Federal Government's financial assets of Ps. 155.4 billion.
- At the end of August 2006 the Federal Government's net external debt's balance was US\$ 40.4 billion, US\$ 13.6 billion lower than in December 31<sup>st</sup> 2005. The decrease is due to a reduction in net debt of US\$ 6.4 billion, upward accounting adjustments for US\$ 0.9 billion, and an increase of financial assets abroad of US\$ 8.1 billion.
- The Public Sector's (Federal Government, PEDBC's and development banks) net domestic debt's balance was Ps. 1,354.0 billion at the end of August 2006. This was Ps. 104.0 billion higher than the balance registered at the end of 2005. This is due to net borrowings of Ps. 246.9 billion, upward accounting adjustments for Ps. 29.5 billion, and an increase in the Public Sector's financial assets of Ps. 172.4 billion.
- The net Federal Public Sector external debt's balance stood at US\$ 53.3 billion at the end of August 2006, US\$ 12.4 billion lower than in December 31<sup>st</sup> 2005. This is due to a reduction in net debt of US\$ 4.6 billion, upward accounting adjustments for US\$ 1.8 billion, and an increase of the financial assets abroad of US\$ 9.6 billion.

More details on Public Finance and Public Debt statistics can be obtained in the Ministry of Finance's web page at:

[http://www.hacienda.gob.mx/portada\\_english/ingles/zyx.html](http://www.hacienda.gob.mx/portada_english/ingles/zyx.html)

**ANNEX A. PUBLIC FINANCES**

<b>PUBLIC SECTOR OVERALL BALANCE</b>					
(Million pesos)					
Concept	January-August		Real % Growth	Composition %	
	2005	2006 p_/		2005	2006 p_/
<b>PUBLIC BALANCE (I+II)</b>	<b>84,077.5</b>	<b>112,606.4</b>	<b>29.6</b>		
I. Budgetary Balance (a-b)	80,398.2	110,405.7	32.8		
a) Budgetary Revenues	1,256,931.5	1,503,934.5	15.8	100.0	100.0
Oil related	452,210.1	546,332.7	16.9	36.0	36.3
Federal Government	331,405.1	436,263.1	27.3	26.4	29.0
PEMEX	120,805.0	110,069.6	-11.9	9.6	7.3
Non-oil related	804,721.3	957,601.8	15.1	64.0	63.7
Federal Government	583,781.2	706,117.4	17.0	46.4	47.0
Tax	542,033.8	647,893.8	15.6	43.1	43.1
Non-tax	41,747.4	58,223.5	34.9	3.3	3.9
PEDBC	220,940.1	251,484.4	10.1	17.6	16.7
b) Net Budgetary Expenditures	1,176,533.3	1,393,528.8	14.6	100.0	100.0
Programmable	829,135.2	957,835.8	11.8	70.5	68.7
Non programmable	347,398.1	435,692.9	21.3	29.5	31.3
II. PEIBC	3,679.3	2,200.7	-42.1		
Primary Balance	237,890.0	288,057.5	17.1		

Note: Figures may not add up due to rounding.

p\_/ Preliminary figures.

1\_/ Attempting to facilitate comparisons of tax and non-tax revenues between years, rights for Ps. 55.7 billion paid by PEMEX resulting from the fiscal regime applicable up to 2005 are registered as non-tax revenues. In the Revenues Law for 2006 these same resources are considered in article 1, fraction IV, contributions not comprised in the above fractions caused by previous fiscal years pending payment.

Source: Ministry of Finance and Public Credit.

**A. PUBLIC FINANCES (Cont)**

PUBLIC SECTOR REVENUES, JANUARY-AUGUST (Million pesos)					
Concept	January-August		Real % Growth	Composition %	
	2005	2006 p./		2005	2006 p./
<b>TOTAL (I+II)</b>	<b>1,256,931.5</b>	<b>1,503,934.5</b>	<b>15.8</b>	<b>100.0</b>	<b>100.0</b>
I. Oil related(a+b)	452,210.1	546,332.7	16.9	36.0	36.3
a) PEMEX	120,805.0	110,069.6	-11.9	9.6	7.3
b) Federal Government	331,405.1	436,263.1	27.3	26.4	29.0
Rights and royalties on oil products <sup>1/</sup>	313,643.6	455,565.9	40.5	25.0	30.3
Excise taxes <sup>2/</sup>	15,443.6	-22,627.0	n.a.	1.2	-1.5
Tax on Oil Returns	2,317.9	3,324.2	38.7	0.2	0.2
II. Non-oil related(c+d)	804,721.3	957,601.8	15.1	64.0	63.7
c) Federal Government	583,781.2	706,117.4	17.0	46.4	47.0
Tax	542,033.8	647,893.8	15.6	43.1	43.1
Income tax	269,108.3	323,802.1	16.4	21.4	21.5
VAT	210,176.2	253,065.0	16.5	16.7	16.8
Excise taxes	22,914.5	24,737.5	4.4	1.8	1.6
Import taxes	16,760.4	20,363.6	17.5	1.3	1.4
Others <sup>3/</sup>	23,074.4	25,925.6	8.7	1.8	1.7
Non-tax	41,747.4	58,223.5	34.9	3.3	3.9
Rights	14,068.9	17,064.4	17.3	1.1	1.1
Fees	22,774.8	36,297.5	54.2	1.8	2.4
Others	4,903.7	4,861.6	-4.1	0.4	0.3
d) PEDBC <sup>4/</sup>	220,940.1	251,484.4	10.1	17.6	16.7
Memorandum items:					
Total tax related	559,795.3	628,591.0	8.6	44.5	41.8
Total non-tax related	697,136.2	875,343.5	21.5	55.5	58.2

Note: Figures may not add up due to rounding

p./ Preliminary figures

1./ Includes Ps. 55.7 billion paid by PEMEX resulting from the fiscal regime applicable up to 2005. In the Revenues Law for 2006 these same resources are considered in article 1, fraction IV, contributions not comprised in the above fractions caused by previous fiscal years pending payment.

2./ The negative signs imply that compensations were greater than receipts.

3./ Includes new vehicle, vehicle ownership, luxury goods and services and accessory taxes.

4./ Public entities under direct budget control. Excludes Federal Government transfers to the ISSSTE.

Source: Ministry of Finance and Public Credit

**ANNEX A. PUBLIC FINANCES (Cont)**

PUBLIC SECTOR EXPENDITURES, JANUARY-AUGUST (Million pesos)					
Concept	January-August		Real % Growth	Composition %	
	2005	2006 p_1		2005	2006 p_1
<b>TOTAL (I+II)</b>	1,176,533.3	1,393,528.8	14.6	100.0	100.0
I. Primary expenditures (a+b)	1,030,745.7	1,223,362.9	14.8	87.6	87.8
a) Programmable	829,135.2	957,835.8	11.8	70.5	68.7
b) Non-programmable	201,610.6	265,527.1	27.4	17.1	19.1
II. Financing costs <sup>1/</sup>	145,787.5	170,165.8	12.9	12.4	12.2

Note: Figures may not add up due to rounding

p\_1/ Preliminary figures

<sup>1/</sup> Includes interests, commissions and other public debt expenditures associated to debtor support programs.

Source: Ministry of Finance and Public Credit

**ANNEX B. PUBLIC DEBT****FEDERAL GOVERNMENT DOMESTIC DEBT, JANUARY-AUGUST \* \_/****(Million pesos)**

Concept	Outstanding _____ Indebtedness _____					Outstanding As of August 2006 <sup>p/</sup>
	As of Dec-2005	Originations	Amort.	Net	Adjustments <sup>1/</sup>	
<b>Net domestic debt balance</b>	<b>1,183,310.7</b>					<b>1,318,794.5</b>
Assets <sup>2/</sup>	-58,843.4					-214,252.3
<b>Gross domestic debt stock</b>	<b>1,242,154.1</b>	<b>1,081,928.3</b>	<b>794,266.9</b>	<b>287,661.4</b>	<b>3,231.3</b>	<b>1,533,046.8</b>
Government Securities	1,173,307.4	972,637.4	724,759.1	247,878.3	1,709.9	1,422,895.6
Cetes	288,229.7	637,251.6	611,420.1	25,831.5	0.0	314,061.2
Bondes	287,559.8	0.0	58,167.5	-58,167.5	0.0	229,392.3
Bondes D	0.0	135,051.4	0.0	135,051.4	0.0	135,051.4
Fixed rate bonds	502,186.9	163,558.9	55,171.5	108,387.4	66.6	610,640.9
Udibonos	95,331.0	36,775.5	0.0	36,775.5	1,643.3	133,749.8
<i>Udibonos udi's</i>	26,214.4	10,000.0	0.0	10,000.0	0.0	36,214.4
S.A.R.	52,144.3	52,794.2	49,764.3	3,029.9	1,324.0	56,498.2
Siefores (pesos)	0.2	0.0	0.0	0.0	0.0	0.2
<i>Siefores udi's</i>	0.1	0.0	0.0	0.0	0.0	0.1
Others	16,702.2	56,496.7	19,743.5	36,753.2	197.4	53,652.8

Note: Figures may not add up due to rounding

\*\_/ Figures subject to revisions and methodological changes.

p\_/ Preliminary figures

1\_/ Refers to adjustment for inflation.

2\_/ Represents the balance, denominated in pesos, of the General Account of the Federal Treasury and deposits in the national banking system since December 2002.

Source: Ministry of Finance and Public Credit



Mexico City, September 29<sup>th</sup>, 2006

FEDERAL GOVERNMENT EXTERNAL DEBT, JANUARY-AUGUST <sup>1/</sup>						
(Million Dollars)						
Concept	Outstanding as of Dec. 2005	Indebtedness			Adjustments	Outstanding as of August 2006 <sup>p/</sup>
		Disp.	Amort.	Net		
<b>Net Debt</b>	<b>53,970.6</b>					<b>40,407.4</b>
Assets <sup>1/</sup>	-4,403.0					-12,528.0
<b>Gross Debt</b>	<b>58,373.6</b>	<b>4,292.4</b>	<b>10,656.1</b>	<b>-6,363.7</b>	<b>925.5</b>	<b>52,935.4</b>
Privately Placed Bonds	44,075.0	3,008.2	9,289.8	-6,281.6	864.6	38,658.0
IFI's	13,621.1	1,284.2	1,094.6	189.6	49.6	13,860.3
Bilateral	256.1	0.0	47.7	-47.7	10.3	218.7
Commercial Banks	49.3	0.0	36.9	-36.9	0.0	12.4
Others	372.1	0.0	187.1	-187.1	1.0	186.0

Note: Figures may not add up due to rounding

<sup>1/</sup> Figures subject to revisions.<sup>p/</sup> Preliminary figures.<sup>1/</sup> Considers the US Dollar denominated balance Of the Federal Treasury's General Account and other assets in foreign currency and assets from PEDBC's and Development Banks.

Source: Ministry of Finance and Public Credit

<b>PUBLIC SECTOR DOMESTIC DEBT, JANUARY -AUGUST<sup>* /</sup></b> <b>(Million Pesos)</b>						
Concept	Outstanding as of Dec. 2005	Indebtedness			Adjust.	Outstanding as of August 2006 <sup>p /</sup>
		Disp.	Amort.	Net		
<b>Net Debt</b>	<b>1,250,046.0</b>					<b>1,354,019.1</b>
Assets <sup>1 /</sup>	-89,374.2					-261,747.9
<b>Gross Debt</b>	<b>1,339,420.2</b>	<b>1,147,537.2</b>	<b>900,664.0</b>	<b>246,873.2</b>	<b>29,473.6</b>	<b>1,615,767.0</b>
By Term	1,339,420.2	1,147,537.2	900,664.0	246,873.2	29,473.6	1,615,767.0
Long-term	1,085,200.6	488,122.4	244,679.2	243,443.2	22,973.1	1,351,616.9
Short-term	254,219.6	659,414.8	655,984.8	3,430.0	6,500.5	264,150.1
By User	1,339,420.2	1,147,537.2	900,664.0	246,873.2	29,473.6	1,615,767.0
Federal Government	1,242,154.1	1,081,928.3	794,266.9	287,661.4	3,231.3	1,533,046.8
Long-term	1,019,432.3	482,372.5	216,079.7	266,292.8	3,231.3	1,288,956.4
Short-term	222,721.8	599,555.8	578,187.2	21,368.6	0.0	244,090.4
PEDBC's <sup>2 /</sup>	5,613.5	7,175.4	4,051.6	3,123.8	13,729.7	22,467.0
Long-term	5,613.5	66.4	363.2	-296.8	13,729.7	19,046.4
Short-term	0.0	7,109.0	3,688.4	3,420.6	0.0	3,420.6
Development Banks	91,652.6	58,433.5	102,345.5	-43,912.0	12,512.6	60,253.2
Long-term	60,154.8	5,683.5	28,236.3	-22,552.8	6,012.1	43,614.1
Short-term	31,497.8	52,750.0	74,109.2	-21,359.2	6,500.5	16,639.1
By Financing Source	<b>1,339,420.2</b>	<b>1,147,537.2</b>	<b>900,664.0</b>	<b>246,873.2</b>	<b>29,473.6</b>	<b>1,615,767.0</b>
Privately Placed Bonds	1,264,365.5	1,031,037.8	827,088.3	203,949.5	14,232.1	1,482,547.1
SAR	52,144.3	52,794.2	49,764.3	3,029.9	1,324.0	56,498.2
Commercial Banks	1,694.8	99.5	379.5	-280.0	-2.3	1,412.5
Others	21,215.6	63,605.7	23,431.9	40,173.8	13,919.8	75,309.2

Note: Figures may not add up due to rounding

\*\_/ Figures subject to revisions.

p\_/ Preliminary figures.

1\_/ Considers the domestic currency denominated balance of the Federal Treasury's General Account and other held by PEDBC's and Development Banks.

2\_/ Public Entities Under Direct Budgetary Control.

Source: Ministry of Finance and Public Credit

**ANNEX B. PUBLIC DEBT (Cont.)**

<b>PUBLIC SECTOR EXTERNAL DEBT, JANUARY -AUGUST<sup>*_j</sup></b> <b>(Million Dollars)</b>						
<b>Concept</b>	<b>Outstanding as of Dec. 2005</b>	<b>Indebtedness</b>			<b>Adjust.</b>	<b>Outstanding as of August 2006<sup>p_j</sup></b>
		<b>Disp.</b>	<b>Amort.</b>	<b>Net</b>		
<b>Net Debt</b>	<b>65,722.5</b>					<b>53,332.0</b>
Financial Assets in Foreign Currency <sup>1_j</sup>	-5,952.0					-15,519.3
<b>Gross Debt</b>	<b>71,674.5</b>	<b>14,568.0</b>	<b>19,142.5</b>	<b>-4,574.5</b>	<b>1,751.3</b>	<b>68,851.3</b>
By Term	71,674.5	14,568.0	19,142.5	-4,574.5	1,751.3	68,851.3
Long-term	70,888.7	8,784.4	14,273.7	-5,489.3	1,728.0	67,127.4
Short-term	785.8	5,783.6	4,868.8	914.8	23.3	1,723.9
By User	71,674.5	14,568.0	19,142.5	-4,574.5	1,751.3	68,851.3
Federal Government	58,373.6	4,292.4	10,656.1	-6,363.7	925.5	52,935.4
Long-term	58,373.6	4,292.4	10,656.1	-6,363.7	925.5	52,935.4
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
PEDBC's <sup>2_j</sup>	6,998.4	6,613.5	4,130.1	2,483.4	793.3	10,275.1
Long-term	6,992.1	4,045.0	2,543.6	1,501.4	789.2	9,282.7
Short-term	6.3	2,568.5	1,586.5	982.0	4.1	992.4
Development Banks	6,302.5	3,662.1	4,356.3	-694.2	32.5	5,640.8
Long-term	5,523.0	447.0	1,074.0	-627.0	13.3	4,909.3
Short-term	779.5	3,215.1	3,282.3	-67.2	19.2	731.5
By Financing Source	71,674.5	14,568.0	19,142.5	-4,574.5	1,751.3	68,851.3
Privately Placed Bonds	46,462.3	3,008.2	9,583.5	-6,575.3	866.7	40,753.7
IFI's	16,827.7	1,378.5	1,425.5	-47.0	57.2	16,837.9
Commercial Banks	2,454.6	7,305.5	5,662.5	1,643.0	-27.4	4,070.2
Bilateral	3,403.9	307.6	825.5	-517.9	90.3	2,976.3
Restructured 1989 - 1990	154.4	0.0	68.0	-68.0	0.0	86.4
Spanish Bank Bonds	76.5	0.0	0.0	0.0	0.0	76.5
New Money 1990 - 1992	77.9	0.0	68.0	-68.0	0.0	9.9
Others <sup>2_j</sup>	2,371.6	2,568.2	1,577.5	990.7	764.5	4,126.8

Note: Figures may not add up due to rounding

\*\_j Figures subject to revisions.

p\_j Preliminary figures.

1\_j Considers the US Dollar denominated balance of the Federal Treasury's General Account and other assets in foreign currency and assets from PEDBC's and Development Banks.

1\_j Considers the domestic currency denominated balance of the Federal Treasury's General Account and other held by PEDBC's and Development Banks.

2\_j Public Entities Under Direct Budgetary Control.

Source: Ministry of Finance and Public Credit