

Public Finance and Public Debt Report, May 2006

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

The main results for May are the following:

- The public sector posted a Ps. 21.3 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. 36.7 billion surplus.
- Budgetary revenues grew 17.8 per cent in real annual terms due mainly to increases of 22.5 and 17.3 per cent in oil-related and tax revenues, respectively.
- Net budgetary expenditures increased 17.5 per cent in real annual terms. Ps. 5.1 billion due to Duties on Oil Revenues (ARE) for crude prices above USD 27 dpb and the Oil Export Extraordinary Right were channelled to States and Municipalities through the States and Municipalities Infrastructure Trust Fund (FIES) and the States and Municipalities Revenue Stabilization Fund (FEIEF).
- The Federal Government's net domestic debt decreased Ps. 24.3 billion while its net external debt increased US\$ 0.3 billion, both with respect to April 2006.
- The public sector's net domestic debt decreased Ps. 42.2 billion while its net external debt increased US\$ 0.7 billion, both with respect to the previous month.

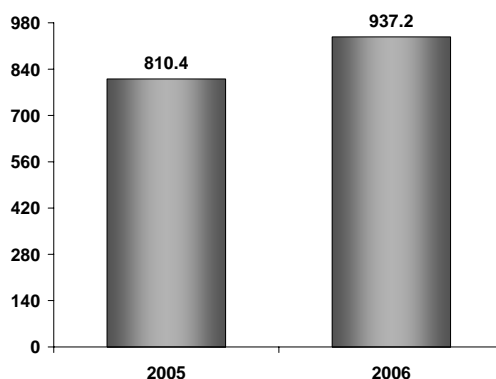
1. Public Sector Balance in January-May 2006

- Up to May 2006, the public sector posted a surplus of Ps. 107.7 billion, Ps. 34.9 billion higher than the one registered in the same five months of the previous year. The primary balance, defined as total revenues minus non-interest expenditures, posted a Ps. 203.4 billion surplus, 27.1 percent higher in real terms than the one registered in the same period of 2005.

1.1 Public Sector Budgetary Revenues in January-May 2006

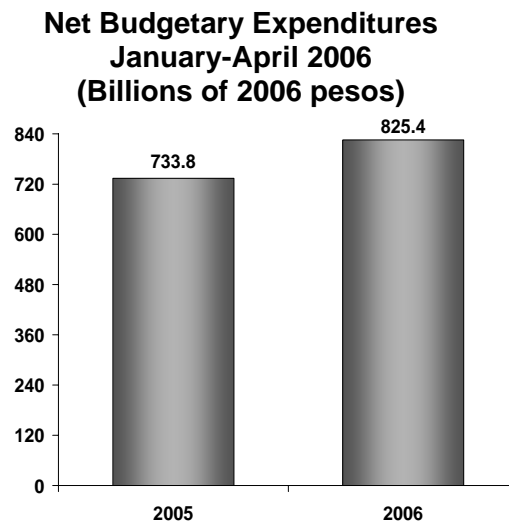
- The public sector's budgetary revenues stood at Ps. 937.2 billion during January-May 2006. This amount is 15.6 percent higher in real terms than that for the same period of 2005. The annual change is explained by the following:
 - Non-oil tax revenues amounted to Ps. 413.9 billion, 12.5 percent higher 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 16.7 and 10.4 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 in accordance with PEMEX's new fiscal regime, totaled Ps. 329.7 billion, 17.3 percent higher in real terms than that registered in the same five months of the previous year.
 - Revenues from public entities under direct budgetary control other than PEMEX totaled Ps. 156.8 billion, 14.5 percent higher than those registered in the same period of 2005. This is mainly due to higher energy sales and contributions to social security. 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, given the resolution that these resources are public sector workers' rights and they are not considered ISSSTE's capital.
 - Non-tax non-oil revenues were Ps. 36.8 billion. This amount is 50.2 percent higher than in the same five 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.

**Budgetary Revenues
January-May 2006
(Billions of 2006 pesos)**



1.2. Net Budgetary Public Sector Expenditures during January-May 2006

- Net budgetary expenditures of the public sector totaled Ps. 825.4 billion in the first five months of the year. This amount is 12.5 percent higher in real terms than that observed in the same period of 2005.
- Paid programmable expenditures amounted to Ps. 576.0 billion, 11.5 percent higher in real annual terms than that registered in the same months of 2005. This increase results from higher expenditures programmed for the January-May period of 2006 with respect to the same months a year earlier, especially in current subsidies for social programs, other operational expenditures, and subsidies and transfers for investment.



- 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 9.4 percent in real annual terms.
 - Revenue sharing to States and Municipalities was Ps. 148.9 billion, and increased 15.1 percent in real annual terms.
 - Total resources distributed through *Ramo 25*, *Ramo 33* and *Ramo 39* were Ps. 152.7 billion, 4.4 percent higher in real annual terms than those observed in the first five months of 2005.
- The Public Sector's financing costs during January-May 2006 totaled Ps. 87.2 billion. This amount was 8.4 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. 1,132.9 billion at the end of May 2006. This was Ps. 50.4 billion lower than the balance registered at the end of 2005. This is due to net borrowings of Ps. 104.2 billion, adjustments to the inflation-indexed debt for Ps. 2.6 billion, and an increase in the Federal Government's financial assets of Ps. 157.2 billion.
- At the end of May 2006 the Federal Government's net external debt's balance was US\$ 53.7 billion, US\$ 0.3 billion lower than in December 31st 2005. The decrease is due to net indebtedness of US\$ 2.2 billion, upward accounting adjustments for US\$ 0.5 billion, and a decrease of the financial assets abroad of US\$ 1.4 billion.
- The Public Sector's (Federal Government, PEDBC's and development banks) net domestic debt's balance was Ps. 1,232.4 billion at the end of May 2006. This was Ps. 17.6 billion lower than the balance registered at the end of 2005. This is due to net borrowings of Ps. 87.9 billion, accounting adjustments for Ps. 26.4 billion, and an increase in the Public Sector's financial assets of Ps. 131.9 billion.
- The net Federal Public Sector external debt's balance stood at US\$ 62.0 billion at the end of May 2006, US\$ 3.7 billion lower than in December 31st 2005. This is due to net indebtedness of US\$ 0.9 billion, accounting adjustments for US\$ 0.8 billion, and an increase of the financial assets abroad of US\$ 3.6 billion.

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

http://www.shcp.sse.gob.mx/contenidos/informacion_economica/temas/estadisticas_oportunas/english/html/comunicados.html

ANNEX A. PUBLIC FINANCES

PUBLIC SECTOR OVERALL BALANCE, JANUARY-MAY (Million pesos)					
Concept	January-May		Real % Growth	Composition %	
	2005	2006 p./		2005	2006 p./
OVERALL PUBLIC BALANCE (I+II)	72,872.5	107,747.3	42.9		
I. Budgetary Balance (a-b)	74,039.7	111,805.6	46.0		
a) Budgetary Revenues	783,332.5	937,170.3	15.6	100.0	100.0
Federal Government	576,380.1	719,110.4	20.6	73.6	76.7
Tax	368,358.4	407,609.6	7.0	47.0	43.5
Non-tax	208,021.6	311,500.7	44.7	26.6	33.2
PEDBC	206,952.5	218,059.9	1.8	26.4	23.3
PEMEX	74,567.0	61,262.5	-20.6	9.5	6.5
Others	132,385.5	156,797.4	14.5	16.9	16.7
b) Net Budgetary Expenditures	709,292.9	825,364.7	12.5	100.0	100.0
Programmable	499,307.6	576,045.5	11.5	70.4	69.8
Non programmable	209,985.3	249,319.1	14.8	29.6	30.2
II. PEIBC	-1,167.1	-4,058.3	236.1		
Primary Balance	154,705.4	203,396.7	27.1		

Note: Figures may not add up due to rounding

p./ Preliminary figures

Source: Ministry of Finance and Public Credit

A. PUBLIC FINANCES (Cont)

PUBLIC SECTOR REVENUES, JANUARY-MAY (Million pesos)					
Concept	January-May		Real % Growth	Composition %	
	2005	2006 p./		2005	2006 p./
TOTAL (I+II)	783,332.5	937,170.3	15.6	100.0	100.0
I. Oil related(a+b)	271,610.5	329,668.4	17.3	34.7	35.2
a) PEMEX	74,567.0	61,262.5	-20.6	9.5	6.5
b) Federal Government	197,043.5	268,405.9	31.7	25.2	28.6
Rights and royalties on oil products	184,348.5	274,717.7	44.0	23.5	29.3
Excise taxes	12,695.0	-8,336.2	n.s.	1.6	-0.9
Tax on Oil Returns	0.0	2,024.4	n.s.	0.0	0.2
II. Non-oil related(c+d)	511,722.1	607,501.9	14.7	65.3	64.8
c) Federal Government	379,336.6	450,704.5	14.8	48.4	48.1
Tax	355,663.5	413,921.5	12.5	45.4	44.2
Income tax	183,367.0	209,367.6	10.4	23.4	22.3
VAT	130,984.2	158,083.2	16.7	16.7	16.9
Excise taxes	13,922.1	15,196.5	5.5	1.8	1.6
Import taxes	10,242.8	12,098.3	14.2	1.3	1.3
Others ^{1/}	17,147.4	19,175.9	8.1	2.2	2.0
Non-tax	23,673.1	36,783.0	50.2	3.0	3.9
Rights	8,464.9	10,731.2	22.5	1.1	1.1
Fees	12,496.0	23,670.9	83.1	1.6	2.5
Others	2,712.1	2,380.9	-15.1	0.3	0.3
d) PEDBC ^{2/}	132,385.5	156,797.4	14.5	16.9	16.7
Memorandum items:					
Total tax related	368,358.4	407,609.6	7.0	47.0	43.5
Total non-tax related	414,974.1	529,560.7	23.3	53.0	56.5

Note: Figures may not add up due to rounding

p./ Preliminary figures

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

2./ 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-MAY (Million pesos)					
Concept	January-May		Real % Growth	Composition %	
	2005	2006 p_/		2005	2006 p_/
TOTAL (I+II)	709,292.9	825,364.7	12.5	100.0	100.0
I. Primary expenditures (a+b)	631,531.1	738,185.8	13.0	89.0	89.4
a) Programmable	499,307.6	576,045.5	11.5	70.4	69.8
b) Non-programmable	132,223.5	162,140.3	18.5	18.6	19.6
II. Financing costs ^{1/}	77,761.8	87,178.9	8.4	11.0	10.6

Note: Figures may not add up due to rounding

p_/ Preliminary figures

^{1/} 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-MAY * _/****(Million pesos)**

Concept	Outstanding		Indebtedness			Outstanding
	As of Dec-2005 ^{p./}	Originations	Amort.	Net	Adjustments ^{1./}	As of May 2006 ^{p./}
Net domestic debt balance	1,183,310.7					1,132,879.4
Assets ^{2./}	-58,843.4					-216,085.8
Gross domestic debt stock	1,242,154.1	558,397.9	454,236.0	104,161.9	2,649.2	1,348,965.2
Government Securities	1,173,307.4	492,357.9	418,937.3	73,420.6	1,344.1	1,248,072.1
Cetes	288,229.7	377,142.2	365,020.4	12,121.8	0.0	300,351.5
Bondes	287,559.8	0.0	27,078.0	-27,078.0	0.0	260,481.8
Fixed rate bonds	502,186.9	93,898.7	26,838.9	67,059.8	31.9	569,278.6
Udibonos	95,331.0	21,317.0	0.0	21,317.0	1,312.2	117,960.2
<i>Udibonos udi's</i>	<i>26,214.4</i>	<i>5,800.0</i>	<i>0.0</i>	<i>5,800.0</i>	<i>0.0</i>	<i>32,014.4</i>
S.A.R.	52,144.3	35,991.5	33,673.0	2,318.5	1,187.8	55,650.6
Siefores (pesos)	0.2	0.0	0.0	0.0	0.0	0.2
<i>Siefores udi's</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>
Others	16,702.2	30,048.5	1,625.7	28,422.8	117.3	45,242.3

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, June 30th, 2005.

FEDERAL GOVERNMENT EXTERNAL DEBT, JANUARY-MAY ^{1/}						
(Million Dollars)						
Concept	Outstanding as of Dec. 2005 ^{p/}	Indebtedness			Adjustments	Outstanding as of May 2006 ^{p/}
		Disp.	Amort.	Net		
Net Debt	53,970.6					53,673.7
Assets ^{1/}	-4,403.0					-3,016.2
Gross Debt	58,373.6	3,279.3	5,448.9	-2,169.6	485.9	56,689.9
Privately Placed Bonds	44,075.0	3,008.2	4,525.2	-1,517.0	412.9	42,970.9
IFI's	13,621.1	271.1	747.1	-476.0	56.4	13,201.5
Bilateral	256.1	0.0	30.8	-30.8	13.4	238.7
Commercial Banks	49.3	0.0	24.6	-24.6	0.0	24.7
Others	372.1	0.0	121.2	-121.2	3.2	254.1

Note: Figures may not add up due to rounding

^{1/} Figures subject to revisions.^{p/} Preliminary figures.^{1/} 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

Mexico City, June 30th, 2005.

PUBLIC SECTOR DOMESTIC DEBT, JANUARY-MAY *_/						
(Million Pesos)						
Concept	Outstanding as of Dec. 2005 ^{p_/}	Indebtedness			Adjustments	Outstanding as of May 2006 ^{p_/}
		Disp.	Amort.	Neto		
Net Debt	1,250,046.0					1,232,424.5
Assets ^{1_/}	-89,374.2					-221,287.1
Gross Debt	1,339,420.2	579,228.0	491,366.7	87,861.3	26,430.1	1,453,711.6
Structure by Term						
Long-Term	1,085,200.6	212,047.2	141,827.2	70,220.0	22,928.5	1,178,349.1
Federal Government	1,019,432.3	211,959.3	119,638.1	92,321.2	2,649.2	1,114,402.7
PEDBC	5,613.5	66.4	208.1	-141.7	11,249.9	16,721.7
Development Banks	60,154.8	21.5	21,981.0	-21,959.5	9,029.4	47,224.7
Short-Term	254,219.6	367,180.8	349,539.5	17,641.3	3,501.6	275,362.5
Federal Government	222,721.8	346,438.6	334,597.9	11,840.7	0.0	234,562.5
PEDBC	0.0	4,742.2	1,497.6	3,244.6	0.0	3,244.6
Development Banks	31,497.8	16,000.0	13,444.0	2,556.0	3,501.6	37,555.4
By Financing Source	1,339,420.2	579,228.0	491,366.7	87,861.3	26,430.1	1,453,711.6
Privately Placed Bonds	1,264,365.5	508,357.9	454,353.7	54,004.2	13,868.4	1,332,238.1
SAR	52,144.3	35,991.5	33,673.0	2,318.5	1,187.8	55,650.6
Commercial Banks	1,694.8	87.9	216.7	-128.8	16.1	1,582.1
Others	21,215.6	34,790.7	3,123.3	31,667.4	11,357.8	64,240.8

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.

Source: Ministry of Finance and Public Credit

ANNEX B. PUBLIC DEBT (Cont.)

PUBLIC SECTOR EXTERNAL DEBT, JANUARY-MAY *_/						
(Million dollars)						
Concept	Outstanding as of Dec. 2005 ^{p_/}	Indebtedness			Adjustments	Outstanding as of May 2006 ^{p_/}
		Originations	Amort.	Net		
Net Debt	65,722.5					62,004.4
Financial Assets in Foreign Currency ^{1/}	-5,952.0					-9,526.5
Gross Debt	71,674.5	9,406.8	10,320.6	-913.8	770.2	71,530.9
Structure by Term						
Long-Term	70,888.7	5,009.3	7,510.1	-2,500.8	753.9	69,141.8
Federal Government	58,373.6	3,279.3	5,448.9	-2,169.6	485.9	56,689.9
PEDBC	6,992.1	1,489.7	1,175.9	313.8	231.8	7,537.7
Development Banks	5,523.0	240.3	885.3	-645.0	36.2	4,914.2
Short-Term	785.8	4,397.5	2,810.5	1,587.0	16.3	2,389.1
Federal Government	0.0	0.0	0.0	0.0	0.0	0.0
PEDBC	6.3	2,419.4	858.9	1,560.5	5.5	1,572.3
Development Banks	779.5	1,978.1	1,951.6	26.5	10.8	816.8
By Financing Source						
Publicly Placed Bonds	46,462.3	3,008.2	4,633.5	-1,625.3	428.6	45,265.6
IFI's	16,827.7	333.1	973.3	-640.2	64.5	16,252.0
Commercial Banks	2,454.6	3,414.7	3,346.1	68.6	17.5	2,540.7
Bilateral	3,403.9	231.4	485.1	-253.7	71.2	3,221.4
Restructured 1989 - 1990	154.4	0.0	29.4	-29.4	0.0	125.0
Spanish Bank Bonds	76.5	0.0	0.0	0.0	0.0	76.5
New Money 1990 - 1992	77.9	0.0	29.4	-29.4	0.0	48.5
Others ^{2/}	2,371.6	2,419.4	853.2	1,566.2	188.4	4,126.2

Note: Figures may not add up due to rounding

*_/ Figures subject to revisions.

p_/ Preliminary figures.

1_/ 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.

2_/ Refers to PIDIREGAS debt.

Source: Ministry of Finance and Public Credit