

## Public Finance and Public Debt Report, February 2007

The public finance and public debt preliminary results up to February 2007 were released today.

The main results for February are the following:

- The public sector posted a Ps. 28.6 billion surplus, which is in line with the fiscal balance authorized by Congress for 2007 as a whole.
- The primary balance, defined as total revenues minus non-interest expenditures, posted a Ps. 37.2 billion surplus.
- Budgetary revenues decreased 4.4 percent in real annual terms due mainly to lower revenues related to oil and from public entities under direct budgetary control other than PEMEX by 13.0 percent and 22.4 percent in real terms respectively, compared with those observed in 2006.<sup>1</sup> This effect was partially compensated with the real increases of 9.6 percent and 18.8 percent in VAT and income tax receipts, respectively.
- Net budgetary expenditures registered a 12.4 percent decrease in real annual terms. This result is explained mainly due to a decrease in ADEFAS payments and a reduction in the public sector financial costs.
- The Federal Government's net domestic debt decreased Ps. 5.4 billion while its net external debt increased US\$ 0.3 billion, both with respect to January 2007.
- On the other hand, the public sector's net domestic debt increased Ps. 7.5 billion and its net external debt decreased US\$ 1.3 billion, both with respect to the previous month.

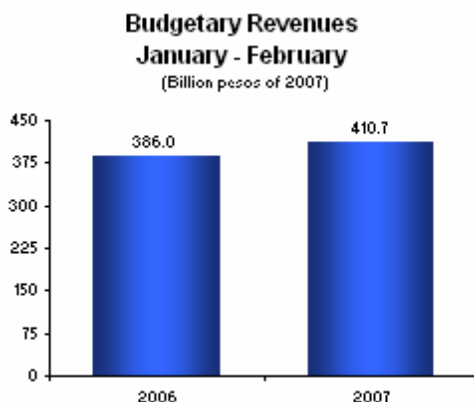
<sup>1</sup> If FOVISSSTES's revenues and expenditures transactions are excluded from the February 2006 figures, the revenues of public entities under direct budgetary control other than PEMEX would have observed a 4.4 percent increase in real terms.

### ***Evolution of the Public Finances during January - February***

Up to February 2007, the public sector balance posted a surplus of Ps. 80.2 billion, Ps. 55.7 billion higher than the one registered in the same two month period of the previous year. The primary balance, defined as total revenues minus non-interest expenditures, posted a Ps. 115.5 billion surplus, 73.9 percent higher in real terms than the one registered in the same period of 2006.

### ***Public Sector Budgetary Revenues during January - February***

The public sector's budgetary revenues were Ps. 410.7 billion, amount which is 6.4 percent higher in real terms than that registered during the same period of the previous year. This behavior is explained by the following:



- Non-oil tax revenues amounted to Ps. 186.6 billion, 11.6 percent higher in real terms than during the January – February period of the

previous year. VAT and income tax increases of 13.6 and 10.8 percent in real terms, respectively, stand out.

- 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. 124.3 billion, amount that is 7.8 percent lower in real terms than those registered in the same two months of the previous year. This figure is a result of the decrease of both the oil production platform and the crude oil price, as well as of the reduction in the domestic price of natural gas in cash flow terms.
- Revenues from public entities under direct budgetary control other than PEMEX totaled Ps. 62.3 billion, 12.6 percent lower than those registered in the same period of 2006. This is explained because, until February 2006, the public sector's revenues included the operations of the Housing Fund of ISSSTE, which since March 2006 were excluded according to the reform in article 174 of ISSSTE's Law. This reform removes the resources of the Fund from the Institute's assets as they are considered the property of the employees.<sup>2</sup>
- Non-tax non-oil revenues were Ps. 37.5 billion, amount that is 193.6 percent higher, in real terms, than

<sup>2</sup> If FOVISSSTE's revenues and expenditures transactions are excluded in the February 2006 figures, the revenues of public entities other than PEMEX would have observed a 4.0 percent increase in real terms.

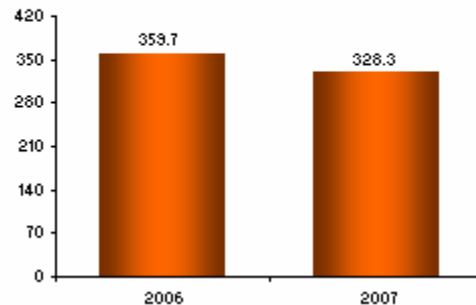
that observed in the previous year during the same period. This is explained by higher non-recurring revenues registered in 2007 from the sale of Grupo Aeroportuario Centro-Norte, the minimum Guaranteed Return from PEMEX and other fees.

### ***Net Budgetary Public Sector Expenditures during January - February***

During the first two months of the year, the net budgetary expenditures of the public sector totaled Ps. 328.3 billion, that is 8.7 percent lower in real terms compared with the amount observed in the same period of 2006. This result is explained by the non-programmable expenditure reduction of 25.1 percent in real terms.

Paid programmable expenditures totaled Ps. 235.5 billion, practically registering an equal level in real terms to the one observed in the same period of the previous year (-0.1 percent). It is worth noting that during the same period of the previous year non-recurrent expenditures were allocated to the Natural Disasters Trust Fund in 2006 to cover the damages from hurricanes observed in 2005, to construction works for the Second Terminal of the Mexico City International Airport and to the Federal Electoral Institute. Also, CFE made lower expenditures on financial services and energy generating costs (fuel consumption) with respect to the previous year.

**Net Budgetary Expenditures  
January - February**  
(Billion pesos of 2007)



Federalized spending, which includes revenue sharing allocated to Federal Entities and Municipalities, as well as resources transferred to these entities (Ramo 33)<sup>3</sup>, and provisions for basic, normal, technical and adult education (Ramo 25) registered a 5.9 percent decrease in real terms. Revenue sharing to States and Municipalities totaled Ps. 53.7 billion, which represents a decrease in real terms of 12.4 percent. This reduction reflects the evolution of the Federal Shareable Revenue according to the Fiscal Coordination Law.<sup>4</sup> Total resources distributed through Ramo 25 and Ramo 33 kept practically the same level, in real terms, as the one registered last year (-0.2 per cent) which is in line with the monthly program published in the Official Gazette.

<sup>3</sup> According to the Fiscal Coordination Law published on December 27th, 2006 in the Official Gazette of the Federation, the program for the financial strengthening of States (PAFEF) was transformed into a contributions fund in Ramo 33 starting this year. In order to facilitate comparison between years, PAFEF's 2006 data is included in Ramo 33.

<sup>4</sup> As reported in the January's 2007, Public Finance and Public Debt Report, the revenue sharing reduction of 20.4 percent in real terms during that month was transitory.

The Public Sector's financial cost was Ps. 31.2 billion, amount that is 16.0 percent lower in real terms than the one registered in the same period of last year. This is due to the smaller requirements of resources by the Institute for the Protection of Bank Savings (IPAB), as well as a smaller cost of the domestic debt of the Federal Government with respect to the same period in 2006.

#### ***Public Debt Update to February***

The Federal Government's net domestic debt balance was Ps. 1,508.7 billion, amount that is Ps. 34.8 billion lower than the amount observed at the end of 2006. The difference of stocks is explained by net indebtedness in Ps. 43.6 billion, upward adjustments to the inflation-indexed debt for Ps. 2.6 billion and an increase in the Federal Government's financial assets of Ps. 87.3 billion.

The balance of the Federal Government's net external debt at the end of February was US\$ 40.3 billion, US\$ 0.5 billion higher than the amount observed on December 31<sup>st</sup>, 2006. This increase is due to a reduction in net debt of US\$ 2.2 billion, upward accounting adjustments for US\$ 1.3 billion, and a decrease in financial assets abroad of US\$ 1.4 billion.

The balance of net domestic debt of the Federal Public Sector (Federal Government, PEDBC's and

development banks) at the end of the second month of the year was Ps. 1,454.6 billion by the end of the second month of the year, which implies a Ps. 17.2 billion reduction with respect to the closing balance of 2006. This is due to net domestic borrowing of Ps. 64.1 billion, downward accounting adjustments by Ps. 10.0 billion and an increase in the Public Sector's financial assets by Ps. 71.2 billion.

The net balance of the Federal Public Sector's external debt stood at US\$ 50.8 billion, amount that exceeded by US\$ 3.5 billion that observed in December 2006. This is due to an increase in net external debt of US\$ 1.7 billion, upward accounting adjustments by US\$ 2.4 billion and an increase in financial assets abroad by US\$ 0.6 billion.

It is worth noting that the increase of the net external debt is transitory and it will decrease gradually according to the profile of debt maturing in the following months, consistent with the financing program for this year and the upper limit of a net external debt decrease of US\$ 0.5 billion approved by Congress.

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

[http://www.apartados.hacienda.gob.mx/estadisticas\\_oportunas/index.html](http://www.apartados.hacienda.gob.mx/estadisticas_oportunas/index.html)

## ANNEX

### PUBLIC SECTOR OVERALL BALANCE (Million pesos)

Concept	January - February		Real. % Growth	Composition %	
	2006 p_/	2007 p_/		2006 p_/	2007 p_/
<b>PUBLIC BALANCE</b>	24,450.9	80,161.6	215.1		
<b>Budgetary Balance</b>	25,229.3	82,333.9	213.6		
<b>Budgetary Revenues</b>	370,952.2	410,665.7	6.4	100.0	100.0
Oil Related	129,576.3	124,345.4	-7.8	34.9	30.3
Federal Government	86,694.0	83,601.3	-7.3	23.4	20.4
PEMEX	42,882.3	40,744.1	-8.7	11.6	9.9
Non-oil related	241,375.9	286,320.3	14.0	65.1	69.7
Federal Government	172,915.3	224,043.1	24.5	46.6	54.6
Tax	160,650.0	186,572.5	11.6	43.3	45.4
Non-tax	12,265.2	37,470.7	193.6	3.3	9.1
PEDBC	68,460.7	62,277.2	-12.6	18.5	15.2
<b>Net Budgetary Expenditures</b>	345,722.9	328,331.8	-8.7	100.0	100.0
Programmable	226,636.8	235,491.4	-0.1	65.6	71.7
Non programmable	119,086.0	92,840.4	-25.1	34.4	28.3
PEIBC	-778.4	-2,172.3	168.2		
<b>Primary Balance</b>	63,846.4	115,540.5	73.9		

Note: Figures may not add up due to rounding.

p\_/ Preliminary Figures

Source: Ministry of Finance and Public Credit

Mexico City, March 30th, 2007

## PUBLIC SECTOR REVENUES

(Million pesos)

Concept	January - February		Real % Growth	Composition %	
	2006 p_/	2007 p_/		2006 p_/	2007 p_/
<b>Budgetary Revenues(I+II)</b>	<b>370,952.2</b>	<b>410,665.7</b>	<b>6.4</b>	<b>100.0</b>	<b>100.0</b>
I. Oil Related (a+b)	129,576.3	124,345.4	-7.8	34.9	30.3
a) PEMEX	42,882.3	40,744.1	-8.7	11.6	9.9
b) Federal Government	86,694.0	83,601.3	-7.3	23.4	20.4
Rights and royalties	88,588.5	90,773.0	-1.5	23.9	22.1
Excise taxes <sup>1/</sup>	-2,704.3	-7,576.6	169.3	-0.7	-1.8
Tax on Oil Returns	809.8	404.9	-51.9	0.2	0.1
II. Non-oil related (c+d)	241,375.9	286,320.3	14.0	65.1	69.7
c) Federal Government	172,915.3	224,043.1	24.5	46.6	54.6
Tax	160,650.0	186,572.5	11.6	43.3	45.4
Income Tax	76,517.5	88,188.1	10.8	20.6	21.5
VAT	66,463.1	78,574.8	13.6	17.9	19.1
Excise taxes	6,484.6	7,446.6	10.4	1.7	1.8
Import taxes	4,786.5	4,738.0	-4.9	1.3	1.2
Others <sup>2/</sup>	6,398.3	7,624.9	14.5	1.7	1.9
Non-tax	12,265.2	37,470.7	193.6	3.3	9.1
Rights	3,861.5	4,328.0	7.7	1.0	1.1
Fees	7,485.9	31,883.0	309.3	2.0	7.8
Others	917.8	1,259.6	31.9	0.2	0.3
d) PEDBC <sup>3/</sup>	68,460.7	62,277.2	-12.6	18.5	15.2
<b>Memorandum items:</b>					
Total tax related	158,755.5	179,400.7	8.6	42.8	43.7
Total non-tax related	212,196.7	231,264.9	4.7	57.2	56.3

Note: Figures may not add up due to rounding.

p\_/ Preliminary Figures

1\_/ The negative signs imply that compensations were greater than receipts.

2\_/ Includes new vehicle, vehicle ownership, luxury goods and services, exports and accessory taxes.

3\_/ Excludes Federal Government transfers to the ISSSTE.

Source: Ministry of Finance and Public Credit

Mexico City, March 30th, 2007

**PUBLIC SECTOR EXPENDITURES**  
**(Million pesos)**

Concept	January- February		Real. % Growth	Composition %	
	2006 p_/	2007 p_/		2006 p_/	2007 p_/
TOTAL (I+II)	345,722.9	328,331.8	-8.7	100.0	100.0
I. Primary Expenditures (a+b)	310,002.4	297,093.4	-7.9	89.7	90.5
a) Programmable	226,636.8	235,491.4	-0.1	65.6	71.7
b) Non- programmable	83,365.6	61,602.0	-29.0	24.1	18.8
II. Financing Costs <sup>1/</sup>	35,720.4	31,238.4	-16.0	10.3	9.5

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

Mexico City, March 30th, 2007

**FEDERAL GOVERNMENT DOMESTIC DEBT, JANUARY\*<sub>/</sub>**

(Million pesos)

Concept	Outstanding as of December 2006 <sup>p<sub>/</sub></sup>	Indebtedness			Adjustments <sup>1<sub>/</sub></sup>	Outstanding as of February 2007 <sup>p<sub>/</sub></sup>
		Originations.	Amort.	Net		
<b>Net Domestic debt balance</b>	<b>1,547,112.1</b>					<b>1,508,742.8</b>
Assets <sup>2<sub>/</sub></sup>	-125,670.3					-212,962.2
<b>Gross Domestic debt stock</b>	<b>1,672,782.4</b>	<b>227,791.4</b>	<b>181,462.4</b>	<b>46,329.0</b>	<b>2,593.6</b>	<b>1,721,705.0</b>
Government Securities	1,569,926.4	213,676.7	167,750.3	45,926.4	1,649.3	1,617,502.1
Cetes	346,004.6	159,590.1	153,232.2	6,357.9	0.0	352,362.5
Bondes	214,822.0	0.0	14,518.1	-14,518.1	0.0	200,303.9
Bondes D	144,801.4	9,850.0	0.0	9,850.0	0.0	154,651.4
Fixed Rate Bonds	708,971.5	34,725.0	0.0	34,725.0	0.0	743,696.5
Udibonos	155,326.9	9,511.6	0.0	9,511.6	1,649.3	166,487.8
<i>Udibonos udi's</i>	<i>41,014.4</i>	<i>2,500.0</i>	<i>0.0</i>	<i>2,500.0</i>	<i>0.0</i>	<i>43,514.4</i>
S.A.R.	59,499.5	14,029.9	13,590.4	439.5	678.3	60,617.3
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	43,356.3	84.8	121.7	-36.9	266.0	43,585.4

Note: Figures may not add up due to rounding.

\*<sub>/</sub> Figures subject to revisions and methodological changes.

p<sub>/</sub> Preliminary Figures

1<sub>/</sub> Refers to adjustment for inflation .Fixed Rate Bonds refers to the adjustment due to debt changes.

2<sub>/</sub> Represents the balance, denominated in pesos, of the General Account of the Federal Treasury and deposits in the national banking system .

Source: Ministry of Finance and Public Credit



Mexico City, March 30th, 2007

**FEDERAL GOVERNMENT EXTERNAL DEBT, JANUARY <sup>\*\_/</sup>**  
**(Million Dollars)**

Concept	Outstanding as of December 2006 p_/_/	Indebtedness			Adjustments	Outstanding as of February 2007p_/_/
		Disp.	Amort.	Net		
<b>Net Debt</b>	<b>39,806.6</b>					<b>40,329.4</b>
Assets <sup>1_/_/</sup>	-2,129.7					-691.6
<b>Gross Debt</b>	<b>41,936.3</b>	<b>2,478.5</b>	<b>4,721.1</b>	<b>-2,242.6</b>	<b>1,327.3</b>	<b>41,021.0</b>
Privately Placed Bonds	36,212.5	2,266.6	4,625.7	-2,359.1	1,329.2	35,182.6
IFI's	5,389.2	211.9	94.5	117.4	-2.5	5,504.1
Bilateral	203.2	0.0	0.9	-0.9	0.9	203.2
Restructured	131.4	0.0	0.0	0.0	-0.3	131.1

Note: Figures may not add up due to rounding.

\*\_/\_/ Figures subject to revisions.

p\_/\_/ Preliminary figures.

<sup>1\_/\_/</sup> Considers the US Dollar denominated balance of the Federal Treasury's General Account and other assets from PEDBC's and Development Banks.

Source: Ministry of Finance and Public Credit

Mexico City, March 30th, 2007

**PUBLIC SECTOR DOMESTIC DEBT, JANUARY <sup>\*\_/</sup>**  
**(Million Pesos)**

Concept	Outstanding as of December 2006 p_ /	Indebtedness			Adjust.	Outstanding as of February 2007p_ /
		Disp.	Amort.	Net		
<b>Net Debt</b>	<b>1,471,714.9</b>					<b>1,454,550.3</b>
Assets <sup>1_ /</sup>	-269,692.7					-340,910.5
<b>Gross Debt</b>	<b>1,741,407.6</b>	<b>256,180.1</b>	<b>192,126.4</b>	<b>64,053.7</b>	<b>-10,000.5</b>	<b>1,795,460.8</b>
<b>By Term</b>	<b>1,741,407.6</b>	<b>256,180.1</b>	<b>192,126.4</b>	<b>64,053.7</b>	<b>-10,000.5</b>	<b>1,795,460.8</b>
Long-term	1,460,601.5	80,689.3	40,819.7	39,869.6	-10,001.4	1,490,469.7
Short-term	280,806.1	175,490.8	151,306.7	24,184.1	0.9	304,991.1
<b>By User</b>	<b>1,741,407.6</b>	<b>256,180.1</b>	<b>192,126.4</b>	<b>64,053.7</b>	<b>-10,000.5</b>	<b>1,795,460.8</b>
Federal Government	1,672,782.4	227,791.4	181,462.4	46,329.0	2,593.6	1,721,705.0
Long-term	1,400,725.3	80,689.3	40,796.1	39,893.2	2,593.6	1,443,212.1
Short-term	272,057.1	147,102.1	140,666.3	6,435.8	0.0	278,492.9
PEDBC's	19,353.0	18,988.7	153.3	18,835.4	-12,696.6	25,491.8
Long-term	19,353.0	0.0	23.6	-23.6	-12,696.6	6,632.8
Short-term	0.0	18,988.7	129.7	18,859.0	0.0	18,859.0
Development Banks	49,272.2	9,400.0	10,510.7	-1,110.7	102.5	48,264.0
Long-term	40,523.2	0.0	0.0	0.0	101.6	40,624.8
Short-term	8,749.0	9,400.0	10,510.7	-1,110.7	0.9	7,639.2
<b>By Financing Source</b>	<b>1,741,407.6</b>	<b>256,180.1</b>	<b>192,126.4</b>	<b>64,053.7</b>	<b>-10,000.5</b>	<b>1,795,460.8</b>
Privately Placed Bonds	1,618,589.6	223,076.7	178,250.3	44,826.4	1,736.2	1,665,152.2
SAR	59,499.5	14,029.9	13,590.4	439.5	678.3	60,617.3
Commercial Banks	1,170.3	0.0	34.3	-34.3	15.6	1,151.6
Others	62,148.2	19,073.5	251.4	18,822.1	-12,430.6	68,539.7

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

Mexico City, March 30th, 2007

**PUBLIC SECTOR EXTERNAL DEBT, JANUARY\*<sub>1/</sub>**  
(Million Dollars)

Concept	Outstanding as of December 2006 p <sub>1/</sub>	Indebtedness			Adjust	Outstanding as of February 2007p <sub>1/</sub>
		Disp.	Amort.	Net		
<b>Net Debt</b>	<b>47,247.2</b>					<b>50,794.9</b>
Financial Assets in Foreign Currency <sup>1/</sup>	-7,519.1					-8,090.1
<b>Gross Debt</b>	<b>54,766.3</b>	<b>7,730.4</b>	<b>5,989.3</b>	<b>1,741.1</b>	<b>2,377.6</b>	<b>58,885.0</b>
<b>By Term</b>	<b>54,766.3</b>	<b>7,730.4</b>	<b>5,989.3</b>	<b>1,741.1</b>	<b>2,377.6</b>	<b>58,885.0</b>
Long-term	53,921.6	3,333.6	4,873.0	-1,539.4	2,372.5	54,754.7
Short-term	844.7	4,396.8	1,116.3	3,280.5	5.1	4,130.3
<b>By User</b>	<b>54,766.3</b>	<b>7,730.4</b>	<b>5,989.3</b>	<b>1,741.1</b>	<b>2,377.6</b>	<b>58,885.0</b>
Federal Government	41,936.3	2,478.5	4,721.1	-2,242.6	1,327.3	41,021.0
Long-term	41,936.3	2,478.5	4,721.1	-2,242.6	1,327.3	41,021.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
PEDBC's	7,212.0	4,071.7	400.3	3,671.4	1,044.9	11,928.3
Long-term	7,202.8	817.7	87.8	729.9	1,045.2	8,977.9
Short-term	9.2	3,254.0	312.5	2,941.5	-0.3	2,950.4
Development Banks	5,618.0	1,180.2	867.9	312.3	5.4	5,935.7
Long-term	4,782.5	37.4	64.1	-26.7	0.0	4,755.8
Short-term	835.5	1,142.8	803.8	339.0	5.4	1,179.9
<b>By Financing Source</b>	<b>54,766.3</b>	<b>7,730.4</b>	<b>5,989.3</b>	<b>1,741.1</b>	<b>2,377.6</b>	<b>58,885.0</b>
Privately Placed Bonds	38,558.0	2,266.6	4,625.7	-2,359.1	1,331.1	37,530.0
IFI's	8,255.4	244.4	144.7	99.7	-6.0	8,349.1
Bilateral	3,139.2	417.6	261.5	156.1	2.5	3,297.8
Commercial Banks	1,578.0	1,575.2	645.2	930.0	5.8	2,513.8
Restructured 1989 - 1990	76.5	0.0	0.0	0.0	0.0	76.5
Spanish Bank Bonds	76.5	0.0	0.0	0.0	0.0	76.5
Others <sup>2/</sup>	3,159.2	3,226.6	312.2	2,914.4	1,044.2	7,117.8

Note: Figures may not add up due to rounding

\*<sub>1/</sub> Figures subject to revisions.

p<sub>1/</sub> Preliminary Figures

1<sub>1/</sub> 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<sub>1/</sub> Considers direct debt due to Projects of Productive Infrastructure of Long-term (PIDIREGAS).

Source: Ministry of Finance and Public Credit