

# Public Finance and Public Debt Report, July 2007

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

The main results for July are the following:

- The public sector posted a Ps. 15.7 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. 27.6 billion surplus.
- Budgetary revenues registered a slight 1.0 percent decrease in real annual terms due mainly to lower oil tax revenues by 3.4 percent in real terms, while non oil tax revenues posted a 0.3 percent increase in real terms.
- Net budgetary expenditures registered a 5.8 percent decrease in real annual terms. Programmable and non programmable expenditures decreased by 4.8 and 9.3 percent in real annual terms. Within programmable expenditure, this result is mainly explained by the decrease in CFE's fuel payments to PEMEX. Excluding those transactions, programmable expenditures have maintained the same real annual level than the one registered in the previous year. On the other hand, the decrease in non programmable expenditures is due to lower resource requirements by the Institute for the Protection of Bank Savings (IPAB), and a lower cost of the domestic debt of the Federal Government.
- The Federal Government's net domestic debt increased Ps. 1.8 billion while its net external debt was higher by US\$ 0.2 billion, both with respect to June 2007.
- The public sector's net domestic debt increased Ps. 33.2 billion while its external debt decreased US\$ 1.3 billion, both with respect to June 2007.

## ***Evolution of the Public Finances during January – July***

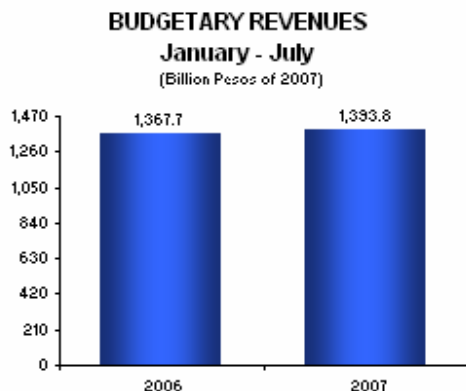
Up to July 2007, the public sector balance posted a surplus of Ps. 127.0 billion, Ps. 47.9 billion higher than the one registered in the same period of the previous year. The primary balance, defined as total revenues minus non-interest expenditures, posted a Ps. 267.6 billion surplus, Ps. 31.1 billion higher than

the one registered in the January-July period of 2006.

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

The public sector's budgetary revenues were Ps. 1,393.8 billion, amount which is 1.9 percent higher in real terms than that registered during the same period of the

previous year. This behavior is explained by the following:



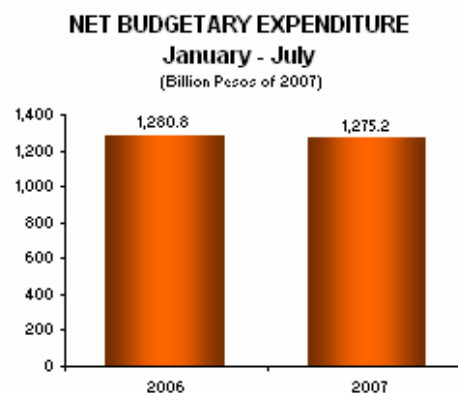
- Non-oil tax revenues amounted to Ps. 634.5 billion, 5.8 percent higher in real terms than those observed during the January-July period of the previous year. Worth noting are VAT and income tax increases of 5.1 and 7.1 percent in real terms, respectively.
- Oil related revenues (which include PEMEX's own revenues, royalties and fees, excise tax collection on gasoline and diesel, and the tax on oil returns) totaled Ps. 466.1 billion, amount that is 5.7 percent lower in real terms than those registered in the same period of the previous year. This figure is a result of the decrease, in annual terms, of the oil production platform, the reduction in the domestic price of natural gas in cash flow terms, and additional factors.
- Revenues from public entities under direct budgetary control other than PEMEX totaled Ps. 223.3 billion, 1.9 percent lower than those registered in the same seven-month 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 the ISSSTE's Law.<sup>1</sup>

- Non-tax non-oil revenues were Ps. 69.9 billion, amount that is 52.0 percent higher, in real terms, than 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 - July***

During the first seven months of the year, the net budgetary expenditures of the public sector totaled Ps. 1,275.2 billion, amount that is 0.4 percent lower in real terms than the one observed in the same January-July period of 2006



<sup>1</sup> If FOVISSSTE's revenues and expenditures transactions are excluded from the January-July 2006 figures, the revenues of public entities other than PEMEX would have observed a 3.3 percent increase in real terms.

Paid programmable expenditures totaled Ps. 911.5 billion, that is 3.8 percent higher in real terms than the one observed in the same period of the previous year. The higher expenditures in 2007 have been channeled to education and health services, security and social development, pensions and the PEDBC's operational and physical investment expenses.

Federalized spending, which includes revenue sharing allocated to Federal Entities and Municipalities, as well as resources transferred to these entities through wage and economic provisions, decentralized agreements and reallocations decreased 3.8 percent in real terms. Revenue sharing to States and Municipalities registered an 8.9 percent decrease in real terms. This reduction reflects the evolution of Federal Shareable Revenues and a negative adjustment in the third four-monthly adjustment of 2006. When adjusted by the third four-monthly adjustment and by the shareable federal collection from oil, shareable revenues would increase by 6.4 percent. The rest of the resources distributed to federal entities and Municipalities, registered a 0.5 percent increase in real terms, compared with those observed in the same period of the previous year. It is worth noting that in May, Ps. 0.9 billion were transferred to the federal entities corresponding to the first quarter revenues from the Extraordinary Right on Crude Oil Exports, resources which are generated once the oil price exceeds USD 42.8 per barrel.

The Public Sector's financial cost was Ps. 138.9 billion, amount that is 8.6 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.

### ***Public debt update to July***

The Federal Government's net domestic debt balance was Ps. 1,560.7 billion, amount that is Ps. 13.6 billion higher than the amount observed at the end of 2006. The difference of stocks during the year is explained by net indebtedness of Ps. 150.7 billion, upward adjustments to the inflation-indexed debt of Ps. 3.5 billion and an increase in the Federal Government's financial assets of Ps. 140.6 billion.

The balance of the Federal Government's net external debt at the end of July was US\$ 41.0 billion, US\$ 1.2 billion higher than the amount observed on December 31, 2006. The increase during 2007 is due to a reduction in net debt of US\$ 2.2 billion, upward accounting adjustments for US\$ 1.6 billion, and a decrease in financial assets abroad of US\$ 1.8 billion.

The balance of net domestic debt of the Federal Public Sector (Federal Government, PEDBC's and development banks) at the end of the seventh month of the year was Ps. 1,498.6 billion, which implies a Ps. 26.9 billion increase with respect to the closing balance of 2006. This is due to net domestic borrowing of Ps. 163.3 billion, downward accounting adjustments by Ps. 1.9 billion and an increase in the Public Sector's financial assets by Ps. 134.5 billion.

The net balance of the Federal Public Sector's external debt stood at US\$ 42.6 billion, amount that is lower than that

observed in December 2006 by US\$ 4.6 billion. This is due to an increase in net external debt of US\$ 0.3 billion, upward accounting adjustments by US\$ 3.0 billion and an increase in financial assets abroad by US\$ 7.9 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:

[www.apartados.hacienda.gob.mx/clon\\_estadisticas/index.html](http://www.apartados.hacienda.gob.mx/clon_estadisticas/index.html)

## ANNEX

### PUBLIC SECTOR OVERALL BALANCE (Million pesos)

Concept	January-July		Real. %	Composition %	
	2006 p./	2007p./	Growth	2006 p./	2007p./
<b>PUBLIC BALANCE</b>	79,115.8	127,032.1	54.3		
Budgetary Balance	83,551.4	118,581.1	36.4		
Budgetary Revenues	1,314,454.5	1,393,798.8	1.9	100.0	100.0
Oil Related	475,161.9	466,055.4	-5.7	36.1	33.4
Federal Government	384,751.0	293,741.9	-26.6	29.3	21.1
PEMEX	90,410.9	172,313.5	83.2	6.9	12.4
Non-oil related	839,292.6	927,743.4	6.2	63.9	66.6
Federal Government	620,498.8	704,422.5	9.1	47.2	50.5
Tax	576,291.8	634,529.3	5.8	43.8	45.5
Non-tax	44,207.0	69,893.1	52.0	3.4	5.0
PEDBC	218,793.8	223,321.0	-1.9	16.6	16.0
Net Budgetary Expenditures	1,230,903.1	1,275,217.7	-0.4	100.0	100.0
Programmable	844,143.0	911,521.4	3.8	68.6	71.5
Non programmable	386,760.1	363,696.3	-9.6	31.4	28.5
PEIBC	-4,435.6	8,451.0	n.s.		
<b>Primary Balance</b>	236,530.2	267,609.4	8.7		

Note: Figures may not add up due to rounding.

p./ Preliminary Figures

Source: Ministry of Finance and Public Credit

Mexico City, August 30<sup>th</sup> 2007.

**PUBLIC SECTOR REVENUES**  
**(Million pesos)**

Concept	January-July		Real. % Growth	Composition %	
	2006 <sup>p./</sup>	2007 <sup>p./</sup>		2006 <sup>p./</sup>	2007 <sup>p./</sup>
<b>Budgetary Revenues(I+II)</b>	<b>1,314,454.5</b>	<b>1,393,798.8</b>	<b>1.9</b>	<b>100.0</b>	<b>100.0</b>
I. Oil Related (a+b)	475,161.9	466,055.4	-5.7	36.1	33.4
a) PEMEX	90,410.9	172,313.5	83.2	6.9	12.4
b) Federal Government	384,751.0	293,741.9	-26.6	29.3	21.1
Rights and royalties	400,163.6	316,976.1	-23.9	30.4	22.7
Excise taxes <sup>1./</sup>	-17,821.9	-25,953.8	n.s.	-1.4	-1.9
Tax on Oil Returns	2,409.3	2,719.6	8.5	0.2	0.2
II. Non-oil related (c+d)	839,292.6	927,743.4	6.2	63.9	66.6
c) Federal Government	620,498.8	704,422.5	9.1	47.2	50.5
Tax	576,291.8	634,529.3	5.8	43.8	45.5
Income Tax	291,406.3	324,672.4	7.1	22.2	23.3
VAT	221,473.7	242,308.9	5.1	16.8	17.4
Excise taxes	21,861.8	23,835.4	4.8	1.7	1.7
Import taxes	17,461.5	17,011.5	-6.4	1.3	1.2
Others <sup>2./</sup>	24,088.4	26,701.2	6.5	1.8	1.9
Non-tax	44,207.0	69,893.1	52.0	3.4	5.0
Rights	13,004.6	17,309.0	27.9	1.0	1.2
Fees	27,368.2	48,482.5	70.3	2.1	3.5
Others	3,834.2	4,101.7	2.8	0.3	0.3
d) PEDBC <sup>3./</sup>	218,793.8	223,321.0	-1.9	16.6	16.0
Memorandum items:					
Total tax related	560,879.2	611,295.1	4.7	42.7	43.9
Total non-tax related	753,575.3	782,503.8	-0.2	57.3	56.1

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, August 30<sup>th</sup> 2007.

**PUBLIC SECTOR EXPENDITURES**

**(Million pesos)**

Concept	January-July		Real. % Growth	Composition %	
	2006 p./	2007 p./		2006 p./	2007 p./
<b>TOTAL (I+II)</b>	1,230,903.1	1,275,217.7	-0.4	100.0	100.0
<b>I. Primary Expenditures (a+b)</b>	1,084,841.0	1,136,349.7	0.7	88.1	89.1
a) Programmable	844,143.0	911,521.4	3.8	68.6	71.5
b) Non- programmable	240,698.0	224,828.3	-10.2	19.6	17.6
<b>II. Financing Costs <sup>1/</sup></b>	146,062.1	138,868.0	-8.6	11.9	10.9

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, August 30<sup>th</sup> 2007.

**FEDERAL GOVERNMENT DOMESTIC DEBT, JANUARY- JULY\*<sub>/</sub>**  
**(Million pesos)**

Concept	Outstanding as of December 2006 <sub>p<sub>/</sub></sub>	Indebtedness			Adjustments <sup>1<sub>/</sub></sup>	Outstanding as of July 2007 <sup>p<sub>/</sub></sup>
		Originations	Amort.	Net		
<b>Net Domestic debt balance</b>	<b>1,547,112.1</b>					<b>1,560,704.2</b>
Assets <sup>2<sub>/</sub></sup>	-125,670.3					-266,263.5
<b>Gross Domestic debt stock</b>	<b>1,672,782.4</b>	<b>882,405.5</b>	<b>731,680.7</b>	<b>150,724.8</b>	<b>3,460.5</b>	<b>1,826,967.7</b>
Government Securities	1,569,926.4	823,248.8	673,639.0	149,609.8	1,901.1	1,721,437.3
Cetes	346,004.6	584,650.0	588,014.5	-3,364.5	0.0	342,640.1
Bondes	214,822.0	0.0	46,900.9	-46,900.9	0.0	167,921.1
Bondes D	144,801.4	45,250.0	0.0	45,250.0	0.0	190,051.4
Fixed Rate Bonds	708,971.5	152,808.6	38,723.6	114,085.0	97.6	823,154.1
Udibonos	155,326.9	40,540.2	0.0	40,540.2	1,803.5	197,670.6
<i>Udibonos udi's</i>	<i>41,014.4</i>	<i>10,600.0</i>	<i>0.0</i>	<i>10,600.0</i>	<i>0.0</i>	<i>51,614.4</i>
S.A.R.	59,499.5	54,489.7	52,035.6	2,454.1	1,265.4	63,219.0
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	4,667.0	6,006.1	-1,339.1	294.0	42,311.2

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, August 30<sup>th</sup> 2007.

**FEDERAL GOVERNMENT EXTERNAL DEBT, JANUARY - JULY <sup>1/</sup>**  
**(Million Dollars)**

Concept	Outstanding as of December 2006 p <sub>1/</sub>	Indebtedness			Adjustments	Outstanding as of July 2007p <sub>1/</sub>
		Originations	Amort.	Net		
<b>Net Debt</b>	<b>39,806.6</b>					<b>41,045.0</b>
Assets <sup>1/</sup>	-2,129.7					-340.1
<b>Gross Debt</b>	<b>41,936.3</b>	<b>2,828.2</b>	<b>4,999.4</b>	<b>-2,171.2</b>	<b>1,620.0</b>	<b>41,385.1</b>
Privately Placed Bonds	36,212.5	2,266.6	4,645.7	-2,379.1	1,610.0	35,443.4
IFI's	5,389.2	561.6	287.9	273.7	5.2	5,668.1
Bilateral	203.2	0.0	11.2	-11.2	5.1	197.1
Restructured	131.4	0.0	54.6	-54.6	-0.3	76.5

Note: Figures may not add up due to rounding.

<sup>1/</sup> Figures subject to revisions.

p<sub>1/</sub> 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, August 30<sup>th</sup> 2007.

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

Concept	Outstanding as of December 2006 p_/_/	Indebtedness			Adjust.	Outstanding as of July 2007p_/_/
		Originations	Amort.	Net		
<b>Net Debt</b>	<b>1,471,714.9</b>					<b>1,498,608.3</b>
Assets <sup>1_/_/</sup>	-269,692.7					-404,189.7
<b>Gross Debt</b>	<b>1,741,407.6</b>	<b>926,017.7</b>	<b>762,701.4</b>	<b>163,316.3</b>	<b>-1,925.9</b>	<b>1,902,798.0</b>
<b>By Term</b>	<b>1,741,407.6</b>	<b>926,017.7</b>	<b>762,701.4</b>	<b>163,316.3</b>	<b>-1,925.9</b>	<b>1,902,798.0</b>
Long-term	1,460,601.5	341,817.6	183,312.3	158,505.3	-1,926.4	1,617,180.4
Short-term	280,806.1	584,200.1	579,389.1	4,811.0	0.5	285,617.6
<b>By User</b>	<b>1,741,407.6</b>	<b>926,017.7</b>	<b>762,701.4</b>	<b>163,316.3</b>	<b>-1,925.9</b>	<b>1,902,798.0</b>
Federal Government	1,672,782.4	882,405.5	731,680.7	150,724.8	3,460.5	1,826,967.7
Long-term	1,400,725.3	341,817.6	180,788.1	161,029.5	3,460.5	1,565,215.3
Short-term	272,057.1	540,587.9	550,892.6	-10,304.7	0.0	261,752.4
PEDBC's	19,353.0	19,312.2	2,728.6	16,583.6	-5,876.9	30,059.7
Long-term	19,353.0	0.0	113.3	-113.3	-5,876.9	13,362.8
Short-term	0.0	19,312.2	2,615.3	16,696.9	0.0	16,696.9
Development Banks	49,272.2	24,300.0	28,292.1	-3,992.1	490.5	45,770.6
Long-term	40,523.2	0.0	2,410.9	-2,410.9	490.0	38,602.3
Short-term	8,749.0	24,300.0	25,881.2	-1,581.2	0.5	7,168.3
<b>By Financing Source</b>	<b>1,741,407.6</b>	<b>926,017.7</b>	<b>762,701.4</b>	<b>163,316.3</b>	<b>-1,925.9</b>	<b>1,902,798.0</b>
Privately Placed Bonds	1,618,589.6	847,548.8	701,916.2	145,632.6	2,367.9	1,766,590.1
SAR	59,499.5	54,489.7	52,035.6	2,454.1	1,265.4	63,219.0
Commercial Banks	1,170.3	0.0	128.2	-128.2	23.7	1,065.8
Others	62,148.2	23,979.2	8,621.4	15,357.8	-5,582.9	71,923.1

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, August 30<sup>th</sup> 2007.

**PUBLIC SECTOR EXTERNAL DEBT, JANUARY-JULY<sup>\*\_/\_</sup>**  
(Million Dollars)

Concept	Outstanding as of December 2006 p_/_	Indebtedness			Adjust	Outstanding as of July 2007p_/_
		Originations	Amort.	Net		
<b>Net Debt</b>	<b>47,247.2</b>					<b>42,604.3</b>
Financial Assets in Foreign Currency <sup>1_/_</sup>	-7,519.1					-15,461.8
<b>Gross Debt</b>	<b>54,766.3</b>	<b>10,665.3</b>	<b>10,335.6</b>	<b>329.7</b>	<b>2,970.1</b>	<b>58,066.1</b>
<b>By Term</b>	<b>54,766.3</b>	<b>10,665.3</b>	<b>10,335.6</b>	<b>329.7</b>	<b>2,970.1</b>	<b>58,066.1</b>
Long-term	53,921.6	4,058.6	5,752.7	-1,694.1	2,948.5	55,176.0
Short-term	844.7	6,606.7	4,582.9	2,023.8	21.6	2,890.1
<b>By User</b>	<b>54,766.3</b>	<b>10,665.3</b>	<b>10,335.6</b>	<b>329.7</b>	<b>2,970.1</b>	<b>58,066.1</b>
Federal Government	41,936.3	2,828.2	4,999.4	-2,171.2	1,620.0	41,385.1
Long-term	41,936.3	2,828.2	4,999.4	-2,171.2	1,620.0	41,385.1
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
PEDBC's	7,212.0	4,740.0	2,061.6	2,678.4	1,330.4	11,220.8
Long-term	7,202.8	1,182.3	427.4	754.9	1,327.8	9,285.5
Short-term	9.2	3,557.7	1,634.2	1,923.5	2.6	1,935.3
Development Banks	5,618.0	3,097.1	3,274.6	-177.5	19.7	5,460.2
Long-term	4,782.5	48.1	325.9	-277.8	0.7	4,505.4
Short-term	835.5	3,049.0	2,948.7	100.3	19.0	954.8
<b>By Financing Source</b>	<b>54,766.3</b>	<b>10,665.3</b>	<b>10,335.6</b>	<b>329.7</b>	<b>2,970.1</b>	<b>58,066.1</b>
Privately Placed Bonds	38,558.0	2,266.6	4,712.3	-2,445.7	1,610.4	37,722.7
IFI's	8,255.4	594.1	554.4	39.7	4.9	8,300.0
Bilateral	3,139.2	792.9	787.7	5.2	10.1	3,154.5
Commercial Banks	1,578.0	3,481.4	2,683.6	797.8	18.8	2,394.6
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	3,530.3	1,597.6	1,932.7	1,325.9	6,417.8

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\_/\_ Considers direct debt due to Projects of Productive Infrastructure of Long-term (PIDIREGAS).

Source: Ministry of Finance and Public Credit

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