

# Public Finance and Public Debt Report, May 2007

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

The main results for May are the following:

- The public sector posted a Ps. 13.8 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. 19.8 billion surplus.
- Budgetary revenues registered a 7.0 percent decrease in real annual terms due mainly to smaller non oil tax revenues by 16.4 percent in real terms compared with those observed in May 2006.
- Net budgetary expenditures registered a 0.4 percent increase in real annual terms. This result is mainly due to higher physical investment, pension expenditures, an increase in PEDBCs operational expenses and higher subsidies and resources transferred to social development.
- In May Ps. 4.4 billion were transferred to the Oil Revenues Stabilization Fund and Ps. 0.9 billion to the Income Stabilization of Federal Entities Fund, collected from the Right on Hydrocarbons for the Oil Revenues Stabilization Fund and the Extraordinary Right on Crude Oil Exports.
- The Federal Government's net domestic debt increased Ps. 4.6 billion while its net external debt decreased US\$ 0.1 billion, both with respect to April 2007.
- The public sector's net domestic debt increased Ps. 2.4 billion and its external debt decreased US\$ 2.5 billion, both with respect to April 2007.

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

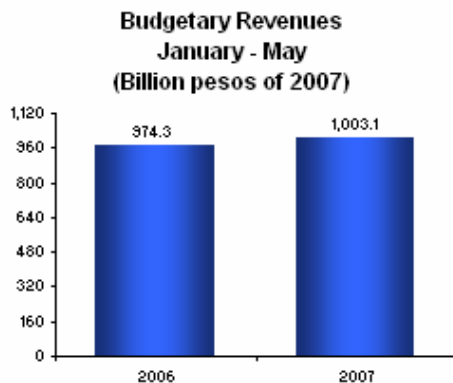
Up to May 2007, the public sector balance posted a surplus of Ps. 151.9 billion, Ps. 43.9 billion higher than the one registered in the same period of the previous year. The primary balance, defined as total revenues minus non-interest expenditures, posted a Ps. 226.3 billion surplus, Ps. 22.5 billion higher than

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

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

The public sector's budgetary revenues were Ps. 1,003.1 billion, amount which is 3.0 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. 467.8 billion, 8.4 percent higher in real terms than those observed during the January-May period of the previous year. Worth noting are VAT and income tax increases of 6.9 and 10.5 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. 327.4 billion, amount that is 4.5 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 both the oil production platform and the crude oil price with respect to the same period of last year, 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. 156.8 billion, 3.9 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 the ISSSTE's Law.<sup>1</sup>

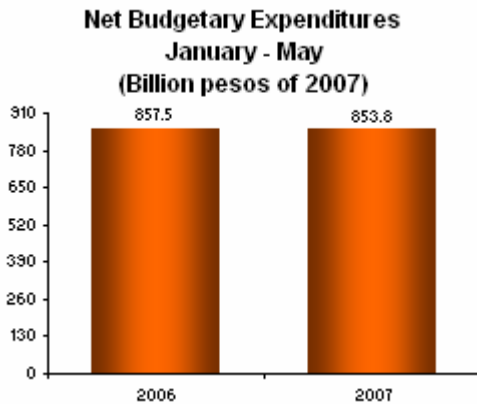
- Non-tax non-oil revenues were Ps. 51.1 billion, amount that is 39.2 percent higher, in real terms, than that observed in the previous year during the same period. This is explained by higher non-recurring revenues registered in 2007 from the sale of Grupo Aeroportuario Centro-Norte, the minimum Guaranteed Return from PEMEX and other fees.

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

During the first five months of the year, the net budgetary expenditures of the public sector totaled Ps. 853.8 billion, that is 0.4 percent lower in real terms compared with the amount observed in the same period of 2006.

Paid programmable expenditures totaled Ps. 626.4 billion, that is 6.4 percent higher in real terms to the one observed in the same period of the previous year. The higher expenditures in 2007 have been channeled to education and health services, pensions and the PEDBCs operational and physical investment expenses.

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



Federalized spending, which includes revenue sharing allocated to Federal Entities and Municipalities, as well as resources transferred to these entities (Ramo 33)<sup>2</sup>, provisions for Basic, Normal, Technical and Adult education (Ramo 25) and Wage and Economic Provisions (Ramo 23) registered a 2.5 percent decrease in real terms. Revenue sharing to States and Municipalities totaled Ps. 141.6 billion, which represents a decrease in real terms of 8.6 percent. This reduction reflects the evolution of Federal Shareable Revenues and a negative adjustment in the third four-month adjustment of 2006. Total resources distributed through Ramo 23, 25 and 33 all together, registered a 3.4 percent increase in real terms, compared

<sup>2</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 earmarked revenues fund in Ramo 33 starting this year. In order to facilitate comparison between years, PAFEF's 2006 data is included in Ramo 33. On the other hand, the resources of the Trust Fund for the Infrastructure in the States (FIES) and of the Stabilization Revenue Fund of Federal Entities (FEIEF) is included in Ramo 23 Wage and Economic Provisions; it is worth noting that in January-May of 2007 resources by Ps. 0.9 billion were contributed to the FEIEF.

with the one observed in the same period of the previous year.

The Public Sector's financial cost was Ps. 70.2 billion, amount that is 22.6 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 with respect to the same period in 2006.

### ***Public debt update to May***

The Federal Government's net domestic debt balance was Ps. 1,487.3 billion, amount that is Ps. 59.8 billion lower than the amount observed at the end of 2006. The difference of stocks is explained by net indebtedness in Ps. 113.8 billion, upward adjustments to the inflation-indexed debt for Ps. 3.6 billion and an increase in the Federal Government's financial assets of Ps. 177.2 billion.

The balance of the Federal Government's net external debt at the end of May was US\$ 40.8 billion, US\$ 1.0 billion higher than the amount observed on December 31, 2006. This increase is due to a reduction in net debt of US\$ 2.2 billion, upward accounting adjustments for US\$ 1.5 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 fourth month of the year was Ps. 1,428.0 billion, which implies a Ps. 43.7 billion reduction with respect to the closing balance of 2006. This is due to net domestic borrowing of

Pes. 125.3 billion, downward accounting adjustments by Pes. 8.5 billion and an increase in the Public Sector's financial assets by Pes. 160.5 billion.

The net balance of the Federal Public Sector's external debt stood at US\$ 45.9 billion, amount that is under that observed in December 2006 by US\$ 1.4 billion. This is due to an increase in net external debt of US\$ 1.0 billion, upward accounting adjustments by US\$ 2.5 billion and an increase in financial assets abroad by US\$ 4.9 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\\_e\\_stadisticas/index.html](http://www.apartados.hacienda.gob.mx/clon_e_stadisticas/index.html)

## ANNEX

### PUBLIC SECTOR OVERALL BALANCE (Million pesos)

Concept	January-May		Real. %	Composition %	
	2006 p./	2007p./	Growth	2006 p./	2007p./
<b>PUBLIC BALANCE</b>	108,086.3	151,943.9	35.1		
Budgetary Balance	112,238.1	149,350.1	27.9		
Budgetary Revenues	936,356.9	1,003,101.8	3.0	100.0	100.0
Oil Related	329,629.8	327,393.2	-4.5	35.2	32.6
Federal Government	268,405.9	209,223.6	-25.1	28.7	20.9
PEMEX	61,223.9	118,169.6	85.5	6.5	11.8
Non-oil related	606,727.1	675,708.6	7.0	64.8	67.4
Federal Government	449,929.1	518,907.4	10.8	48.1	51.7
Tax	414,645.7	467,788.6	8.4	44.3	46.6
Non-tax	35,283.4	51,118.8	39.2	3.8	5.1
PEDBC	156,798.0	156,801.1	-3.9	16.7	15.6
Net Budgetary Expenditures	824,118.8	853,751.6	-0.4	100.0	100.0
Programmable	565,680.6	626,416.6	6.4	68.6	73.4
Non programmable	258,438.2	227,335.0	-15.5	31.4	26.6
PEIBC	-4,151.8	2,593.8	n.s.		
<b>Primary Balance</b>	203,775.0	226,313.7	6.7		

Note: Figures may not add up due to rounding.

p./ Preliminary Figures

Source: Ministry of Finance and Public Credit

Mexico City, June 29th, 2007.

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

Concept	January-May		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>936,356.9</b>	<b>1,003,101.8</b>	<b>3.0</b>	<b>100.0</b>	<b>100.0</b>
I. Oil Related (a+b)	329,629.8	327,393.2	-4.5	35.2	32.6
a) PEMEX	61,223.9	118,169.6	85.5	6.5	11.8
b) Federal Government	268,405.9	209,223.6	-25.1	28.7	20.9
Rights and royalties	274,717.7	223,356.8	-21.9	29.3	22.3
Excise taxes <sup>1./</sup>	-8,336.2	-16,441.3	n.s.	-0.9	-1.6
Tax on Oil Returns	2,024.4	2,308.1	9.6	0.2	0.2
II. Non-oil related (c+d)	606,727.1	675,708.6	7.0	64.8	67.4
c) Federal Government	449,929.1	518,907.4	10.8	48.1	51.7
Tax	414,645.7	467,788.6	8.4	44.3	46.6
Income Tax	209,640.2	241,112.9	10.5	22.4	24.0
VAT	158,253.0	175,946.6	6.9	16.9	17.5
Excise taxes	15,159.2	17,032.8	8.0	1.6	1.7
Import taxes	12,100.3	11,852.8	-5.9	1.3	1.2
Others <sup>2./</sup>	19,493.0	21,843.5	7.7	2.1	2.2
Non-tax	35,283.4	51,118.8	39.2	3.8	5.1
Rights	9,217.7	9,593.4	0.0	1.0	1.0
Fees	23,698.7	38,566.4	56.4	2.5	3.8
Others	2,367.0	2,959.0	20.1	0.3	0.3
d) PEDBC <sup>3./</sup>	156,798.0	156,801.1	-3.9	16.7	15.6
Memorandum items:					
Total tax related	408,333.8	453,655.4	6.8	43.6	45.2
Total non-tax related	528,023.1	549,446.4	0.0	56.4	54.8

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, June 29th, 2007.

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

Concept	January-May		Real. % Growth	Composition %	
	2006 p./	2007 p./		2006 p./	2007 p./
<b>TOTAL (I+II)</b>	824,118.8	853,751.6	-0.4	100.0	100.0
<b>I. Primary Expenditures (a+b)</b>	737,012.9	783,585.4	2.2	89.4	91.8
a) Programmable	565,680.6	626,416.6	6.4	68.6	73.4
b) Non- programmable	171,332.3	157,168.8	-11.8	20.8	18.4
<b>II. Financing Costs <sup>1/</sup></b>	87,105.9	70,166.2	-22.6	10.6	8.2

Note: Figures may not add up due to rounding

p./ 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

Mexico City, June 29th, 2007.

**FEDERAL GOVERNMENT DOMESTIC DEBT, JANUARY- MAY\*<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 May 2007 <sup>p<sub>/</sub></sup>
		Originations	Amort.	Net		
<b>Net Domestic debt balance</b>	1,547,112.1					<b>1,487,319.7</b>
Assets <sup>2<sub>/</sub></sup>	-125,670.3					-302,823.5
<b>Gross Domestic debt stock</b>	<b>1,672,782.4</b>	<b>647,042.0</b>	<b>533,272.9</b>	<b>113,769.1</b>	<b>3,591.7</b>	<b>1,790,143.2</b>
Government Securities	1,569,926.4	607,309.9	494,358.5	112,951.4	1,974.9	1,684,852.7
Cetes	346,004.6	435,553.5	428,645.4	6,908.1	0.0	352,912.7
Bondes	214,822.0	0.0	31,026.3	-31,026.3	0.0	183,795.7
Bondes D	144,801.4	31,650.0	0.0	31,650.0	0.0	176,451.4
Fixed Rate Bonds	708,971.5	109,885.3	34,686.8	75,198.5	60.8	784,230.8
Udibonos	155,326.9	30,221.1	0.0	30,221.1	1,914.1	187,462.1
<i>Udibonos udi's</i>	41,014.4	7,900.0	0.0	7,900.0	0.0	48,914.4
S.A.R.	59,499.5	39,647.3	37,574.1	2,073.2	1,304.3	62,877.0
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	43,356.3	84.8	1,340.3	-1,255.5	312.5	42,413.3

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, June 29th, 2007.

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

Concept	Outstanding as of December 2006 p_/_	Indebtedness			Adjustments	Outstanding as of May 2007p_/_
		Originations	Amort.	Net		
<b>Net Debt</b>	<b>39,806.6</b>					<b>40,827.7</b>
Assets <sup>1_/_</sup>	-2,129.7					-371.6
<b>Gross Debt</b>	<b>41,936.3</b>	<b>2,701.7</b>	<b>4,897.5</b>	<b>-2,195.8</b>	<b>1,458.8</b>	<b>41,199.3</b>
Privately Placed Bonds	36,212.5	2,266.6	4,645.7	-2,379.1	1,458.5	35,291.9
IFI's	5,389.2	435.1	188.1	247.0	-1.2	5,635.0
Bilateral	203.2	0.0	9.1	-9.1	1.8	195.9
Restructured	131.4	0.0	54.6	-54.6	-0.3	76.5

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 from PEDBC's and Development Banks.

Source: Ministry of Finance and Public Credit

Mexico City, June 29th, 2007.

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

Concept	Outstanding as of December 2006 p_/_	Indebtedness			Adjust.	Outstanding as of May 2007p_/_
		Originations	Amort.	Net		
<b>Net Debt</b>	<b>1,471,714.9</b>					<b>1,428,029.5</b>
Assets <sup>1_/_</sup>	-269,692.7					-430,211.7
<b>Gross Debt</b>	<b>1,741,407.6</b>	<b>683,416.5</b>	<b>558,101.4</b>	<b>125,315.1</b>	<b>-8,481.5</b>	<b>1,858,241.2</b>
<b>By Term</b>	<b>1,741,407.6</b>	<b>683,416.5</b>	<b>558,101.4</b>	<b>125,315.1</b>	<b>-8,481.5</b>	<b>1,858,241.2</b>
Long-term	1,460,601.5	244,323.5	130,898.0	113,425.5	-8,481.2	1,565,545.8
Short-term	280,806.1	439,093.0	427,203.4	11,889.6	-0.3	292,695.4
<b>By User</b>	<b>1,741,407.6</b>	<b>683,416.5</b>	<b>558,101.4</b>	<b>125,315.1</b>	<b>-8,481.5</b>	<b>1,858,241.2</b>
Federal Government	1,672,782.4	647,042.0	533,272.9	113,769.1	3,591.7	1,790,143.2
Long-term	1,400,725.3	244,323.5	130,026.5	114,297.0	3,591.7	1,518,614.0
Short-term	272,057.1	402,718.5	403,246.4	-527.9	0.0	271,529.2
PEDBC's	19,353.0	19,074.5	2,525.2	16,549.3	-12,550.6	23,351.7
Long-term	19,353.0	0.0	78.9	-78.9	-12,550.6	6,723.5
Short-term	0.0	19,074.5	2,446.3	16,628.2	0.0	16,628.2
Development Banks	49,272.2	17,300.0	22,303.3	-5,003.3	477.4	44,746.3
Long-term	40,523.2	0.0	792.6	-792.6	477.7	40,208.3
Short-term	8,749.0	17,300.0	21,510.7	-4,210.7	-0.3	4,538.0
<b>By Financing Source</b>	<b>1,741,407.6</b>	<b>683,416.5</b>	<b>558,101.4</b>	<b>125,315.1</b>	<b>-8,481.5</b>	<b>1,858,241.2</b>
Privately Placed Bonds	1,618,589.6	624,609.9	516,649.8	107,960.1	2,444.8	1,728,994.5
SAR	59,499.5	39,647.3	37,574.1	2,073.2	1,304.3	62,877.0
Commercial Banks	1,170.3	0.0	90.9	-90.9	7.5	1,086.9
Others	62,148.2	19,159.3	3,786.6	15,372.7	-12,238.1	65,282.8

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

Mexico City, June 29th, 2007.

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

Concept	Outstanding as of December 2006 p <sub>/</sub>	Indebtedness			Adjust	Outstanding as of May 2007p <sub>/</sub>
		Originations	Amort.	Net		
<b>Net Debt</b>	<b>47,247.2</b>					<b>45,868.8</b>
Financial Assets in Foreign Currency <sup>1/</sup>	-7,519.1					-12,428.2
<b>Gross Debt</b>	<b>54,766.3</b>	<b>9,300.7</b>	<b>8,280.1</b>	<b>1,020.6</b>	<b>2,510.1</b>	<b>58,297.0</b>
<b>By Term</b>	<b>54,766.3</b>	<b>9,300.7</b>	<b>8,280.1</b>	<b>1,020.6</b>	<b>2,510.1</b>	<b>58,297.0</b>
Long-term	53,921.6	3,916.0	5,313.5	-1,397.5	2,497.9	55,022.0
Short-term	844.7	5,384.7	2,966.6	2,418.1	12.2	3,275.0
<b>By User</b>	<b>54,766.3</b>	<b>9,300.7</b>	<b>8,280.1</b>	<b>1,020.6</b>	<b>2,510.1</b>	<b>58,297.0</b>
Federal Government	41,936.3	2,701.7	4,897.5	-2,195.8	1,458.8	41,199.3
Long-term	41,936.3	2,701.7	4,897.5	-2,195.8	1,458.8	41,199.3
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
PEDBC's	7,212.0	4,439.7	1,062.7	3,377.0	1,048.7	11,637.7
Long-term	7,202.8	1,175.2	166.7	1,008.5	1,048.2	9,259.5
Short-term	9.2	3,264.5	896.0	2,368.5	0.5	2,378.2
Development Banks	5,618.0	2,159.3	2,319.9	-160.6	2.6	5,460.0
Long-term	4,782.5	39.1	249.3	-210.2	-9.1	4,563.2
Short-term	835.5	2,120.2	2,070.6	49.6	11.7	896.8
<b>By Financing Source</b>	<b>54,766.3</b>	<b>9,300.7</b>	<b>8,280.1</b>	<b>1,020.6</b>	<b>2,510.1</b>	<b>58,297.0</b>
Privately Placed Bonds	38,558.0	2,266.6	4,645.7	-2,379.1	1,451.9	37,630.8
IFI's	8,255.4	467.6	407.1	60.5	-0.6	8,315.3
Bilateral	3,139.2	776.8	653.2	123.6	-9.6	3,253.2
Commercial Banks	1,578.0	2,552.6	1,678.4	874.2	10.5	2,462.7
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	3,237.1	895.7	2,341.4	1,057.9	6,558.5

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