

Public Finance and Public Debt Report, October 2007

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

The main results for October are the following:

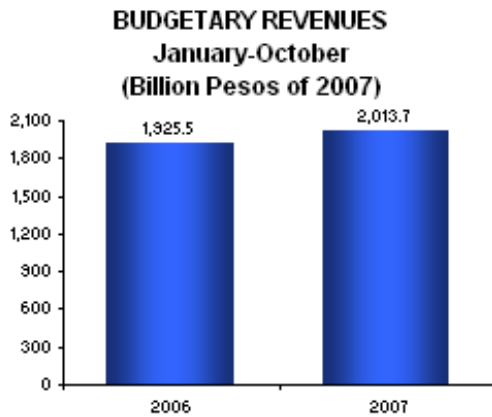
- The public sector posted a Ps. 50.3 billion surplus, which is in line with the fiscal balance authorized by Congress for 2007 as a whole.
- The primary balance, defined as total revenues minus non-interest expenditures, posted a Ps. 58.6 billion surplus.
- Budgetary revenues registered a 24.9 percent increase in real annual terms, due to increases of income tax revenues, oil tax revenues, public entities under direct budgetary control other than PEMEX, as well as on other revenues and royalties.
- Net budgetary expenditures registered an 11.7 percent increase in real annual terms, worth noting is the programmable expenditure increase channeled to pensions as well as education and social development programs.
- The Federal Government's net domestic debt decreased by Ps. 18.6 billion while its net external debt did so by US\$ 0.3 billion, both with respect to September 2007.
- The public sector's net domestic debt decreased by Ps. 26.9 billion while its external debt decreased US\$ 1.8 billion, both with respect to September 2007.

Evolution of the Public Finances during January – October

Up to October 2007, the public sector balance posted a surplus of Ps. 188.5 billion, Ps. 31.7 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. 377.9 billion surplus, Ps. 20.7 billion higher than the one registered in the January-October period of 2006.

Public Sector Budgetary Revenues during January - October

The public sector's budgetary revenues were Ps. 2,013.7 billion, amount which is 4.6 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. 864.7 billion, 5.4 percent higher in real terms than those observed during the January-October period of the previous year. Worth noting are income tax, excise taxes and VAT increases of 9.2, 7.6 and 2.1 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. 680.0 billion, amount that is 3.7 percent lower in real terms than those registered in the same period of the previous year. This is mainly a result of the decrease, in annual terms, of the oil production and export platform and the reduction in the domestic price of natural gas.
- Revenues of public entities under direct budgetary control other than PEMEX totaled Ps. 330.5 billion, which represents an increase of 0.5 percent with respect to those registered in the same tenth-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. If FOVISSSTE's revenues and expenditures transactions are excluded from the figures, the revenues of public entities other than PEMEX would have observed a 4.1 percent increase in real terms.

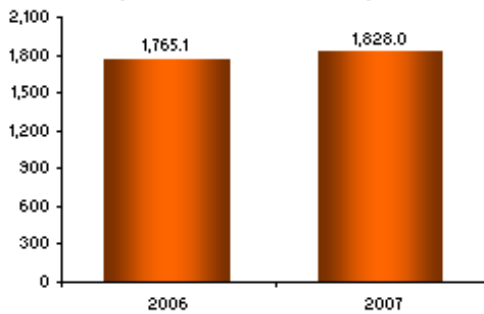
- Non-tax non-oil revenues were Ps. 138.6 billion, amount that is 97.2 percent higher, in real terms, than that observed in the same period of the previous year. This is explained by higher non-recurring revenues registered in 2007 from the sale of Grupo Aeroportuario Centro-Norte, the minimum Guaranteed Return from PEMEX and royalty revenues from highway concessions as well as other royalties.

Net Budgetary Public Sector Expenditures during January - October

During the first ten months of the year, the net budgetary expenditures of the public sector totaled Ps. 1,828.0 billion, amount that is 3.6 percent higher in real terms than the one observed in the same January-October period of 2006.

Paid programmable expenditures totaled Ps. 1,349.0 billion, which is 8.1 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, social development, environment and defense and safety programs; as well as PEDBC's pensions and PEMEX physical investment expenditures.

**NET BUDGETARY EXPENDITURE
January-October
(Billion Pesos of 2007)**



Federalized spending, which includes shared revenues allocated to Federal Entities and Municipalities, as well as resources transferred to these entities through wage and economic provisions, decentralization agreements and reallocations decreased 2.1 percent in real terms. Shared revenues with States and Municipalities registered a 6.7 percent decrease in real terms. This reduction reflects the Federal Oil Shareable Revenues reduction 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 4.5 percent. The rest of the resources distributed to Federal Entities and Municipalities, registered a 1.7 percent increase in real terms, compared with those observed in the same period of the previous year.

The Public Sector's financial cost was Ps. 179.8 billion, amount that is 10.8 percent lower in real terms than the one registered in the same period of last year. This is due to the lower requirements of resources by the Institute for the Protection of Bank Savings (IPAB), as

well as a smaller cost of the external debt of the Federal Government.

Public debt update to October

The Federal Government's net domestic debt balance was Ps. 1,568.1 billion, amount that is Ps. 21.0 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. 191.2 billion, upward adjustments to the inflation-indexed debt of Ps. 7.9 billion and an increase in the Federal Government's financial assets of Ps. 178.1 billion.

The balance of the Federal Government's net external debt at the end of October was US\$ 40.7 billion, US\$ 0.9 billion higher than the amount observed on December 31, 2006. The increase during 2007 is due to a reduction in net debt of US\$ 2.3 billion, upward accounting adjustments by US\$ 2.2 billion, and a decrease in financial assets in foreign currency of US\$ 1.0 billion.

The balance of net domestic debt of the Federal Public Sector (Federal Government, PEDBC's and development banks) at the end of the tenth month of the year was Ps. 1,491.8 billion, which implies a Ps. 20.1 billion increase with respect to the closing balance of 2006. This is due to net domestic borrowing of Ps. 190.2 billion, upward accounting adjustments by Ps. 7.4 billion and an increase in the Public Sector's financial assets by Ps. 177.5 billion.

The net balance of the Federal Public Sector's external debt stood at US\$ 37.7 billion, amount that is lower than that observed in December 2006 by US\$ 9.6



billion. This is due to a reduction in net external debt of US\$ 2.0 billion during 2007, upward accounting adjustments by US\$ 3.7 billion and an increase in financial assets abroad by US\$ 11.3 billion.

It is worth noting that these figures are 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

ANNEX

PUBLIC SECTOR OVERALL BALANCE (Million pesos)

| Concept | January-October | | Real. % Growth | Composition % | |
|----------------------------|-----------------|-------------|-------------------|---------------|---------|
| | 2006 p./ | 2007p./ | | 2006 p./ | 2007p./ |
| PUBLIC BALANCE | 156,825.7 | 188,506.3 | 15.6 | | |
| Budgetary Balance | 154,250.3 | 185,682.4 | 15.8 | | |
| Budgetary Revenues | 1,851,591.0 | 2,013,730.0 | 4.6 | 100.0 | 100.0 |
| Oil Related | 679,042.6 | 679,974.9 | -3.7 | 36.7 | 33.8 |
| Federal Government | 510,962.2 | 434,492.8 | -18.2 | 27.6 | 21.6 |
| PEMEX | 168,080.4 | 245,482.1 | 40.4 | 9.1 | 12.2 |
| Non-oil related | 1,172,548.4 | 1,333,755.1 | 9.4 | 63.3 | 66.2 |
| Federal Government | 856,411.4 | 1,003,235.9 | 12.6 | 46.3 | 49.8 |
| Tax | 788,838.5 | 864,685.0 | 5.4 | 42.6 | 42.9 |
| Non-tax | 67,572.8 | 138,550.8 | 97.2 | 3.6 | 6.9 |
| PEDBC | 316,137.0 | 330,519.2 | 0.5 | 17.1 | 16.4 |
| Net Budgetary Expenditures | 1,697,340.7 | 1,828,047.6 | 3.6 | 100.0 | 100.0 |
| Programmable | 1,199,549.1 | 1,349,040.4 | 8.1 | 70.7 | 73.8 |
| Non programmable | 497,791.6 | 479,007.1 | -7.5 | 29.3 | 26.2 |
| PEIBC | 2,575.4 | 2,823.9 | 5.4 | | |
| Primary Balance | 357,187.0 | 377,893.1 | 1.7 | | |

Note: Figures may not add up due to rounding.

p./ Preliminary Figures

Source: Ministry of Finance and Public Credit

PUBLIC SECTOR REVENUES
(Million pesos)

| Concept | January-October | | Real. % Growth | Composition % | |
|---------------------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| | 2006 ^{p./} | 2007 ^{p./} | | 2006 ^{p./} | 2007 ^{p./} |
| Budgetary Revenues(I+II) | 1,851,591.0 | 2,013,730.0 | 4.6 | 100.0 | 100.0 |
| I. Oil Related (a+b) | 679,042.6 | 679,974.9 | -3.7 | 36.7 | 33.8 |
| a) PEMEX | 168,080.4 | 245,482.1 | 40.4 | 9.1 | 12.2 |
| b) Federal Government | 510,962.2 | 434,492.8 | -18.2 | 27.6 | 21.6 |
| Rights and royalties | 542,787.5 | 470,852.7 | -16.6 | 29.3 | 23.4 |
| Excise taxes ^{1./} | -34,234.6 | -39,686.8 | n.s. | -1.8 | -2.0 |
| Tax on Oil Returns | 2,409.3 | 3,326.9 | 32.8 | 0.1 | 0.2 |
| II. Non-oil related (c+d) | 1,172,548.4 | 1,333,755.1 | 9.4 | 63.3 | 66.2 |
| c) Federal Government | 856,411.4 | 1,003,235.9 | 12.6 | 46.3 | 49.8 |
| Tax | 788,838.5 | 864,685.0 | 5.4 | 42.6 | 42.9 |
| Income Tax | 383,061.6 | 434,855.4 | 9.2 | 20.7 | 21.6 |
| VAT | 318,457.3 | 338,263.5 | 2.1 | 17.2 | 16.8 |
| Excise taxes | 30,855.3 | 34,513.8 | 7.6 | 1.7 | 1.7 |
| Import taxes | 26,485.6 | 26,194.4 | -4.9 | 1.4 | 1.3 |
| Others ^{2./} | 29,978.7 | 30,857.9 | -1.0 | 1.6 | 1.5 |
| Non-tax | 67,572.8 | 138,550.8 | 97.2 | 3.6 | 6.9 |
| Rights | 17,417.4 | 23,980.6 | 32.4 | 0.9 | 1.2 |
| Fees | 44,290.2 | 108,767.9 | 136.2 | 2.4 | 5.4 |
| Others | 5,865.3 | 5,802.3 | -4.9 | 0.3 | 0.3 |
| d) PEDBC ^{3./} | 316,137.0 | 330,519.2 | 0.5 | 17.1 | 16.4 |
| Memorandum items: | | | | | |
| Total tax related | 757,013.2 | 828,325.2 | 5.2 | 40.9 | 41.1 |
| Total non-tax related | 1,094,577.8 | 1,185,404.8 | 4.1 | 59.1 | 58.9 |

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, exports, those which do not belong to these concepts and accessory taxes.

3./ Excludes Federal Government transfers to the ISSSTE.

Source: Ministry of Finance and Public Credit

PUBLIC SECTOR EXPENDITURES

(Million pesos)

| Concept | January-October | | Real. % Growth | Composition % | |
|--|-----------------|-------------|-------------------|---------------|----------|
| | 2006 p./ | 2007 p./ | | 2006 p./ | 2007 p./ |
| TOTAL (I+II) | 1,697,340.7 | 1,828,047.6 | 3.6 | 100.0 | 100.0 |
| I. Primary Expenditures (a+b) | 1,503,533.1 | 1,648,215.5 | 5.4 | 88.6 | 90.2 |
| a) Programmable | 1,199,549.1 | 1,349,040.4 | 8.1 | 70.7 | 73.8 |
| b) Non- programmable | 303,984.0 | 299,175.1 | -5.4 | 17.9 | 16.4 |
| II. Financing Costs ^{1/} | 193,807.6 | 179,832.0 | -10.8 | 11.4 | 9.8 |

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

FEDERAL GOVERNMENT DOMESTIC DEBT, JANUARY- OCTOBER*_/
(Million pesos)

| Concept | Outstanding as of December 2006 ^{p_/} | Indebtedness | | | Adjustments ^{1_/} | Outstanding as of October 2007 ^{p_/} |
|----------------------------------|---|--------------------|--------------------|------------------|--------------------------------------|--|
| | | Originations | Amort. | Net | | |
| Net Domestic debt balance | 1,547,112.1 | | | | | 1,568,088.9 |
| Assets ^{2_/} | -125,670.3 | | | | | -303,731.5 |
| Gross Domestic debt stock | 1,672,782.4 | 1,273,757.4 | 1,082,584.9 | 191,172.5 | 7,865.5 | 1,871,820.4 |
| Government Securities | 1,569,926.4 | 1,195,237.6 | 1,004,400.6 | 190,837.0 | 5,267.8 | 1,766,031.2 |
| Cetes | 346,004.6 | 837,374.3 | 848,364.1 | -10,989.8 | 0.0 | 335,014.8 |
| Bondes | 214,822.0 | 0.0 | 77,312.9 | -77,312.9 | 0.0 | 137,509.1 |
| Bondes D | 144,801.4 | 67,350.0 | 40,000.0 | 27,350.0 | 0.0 | 172,151.4 |
| Fixed Rate Bonds | 708,971.5 | 233,176.8 | 38,723.6 | 194,453.2 | 97.6 | 903,522.3 |
| Udibonos | 155,326.9 | 57,336.5 | 0.0 | 57,336.5 | 5,170.2 | 217,833.6 |
| <i>Udibonos udi's</i> | <i>41,014.4</i> | <i>14,950.0</i> | <i>0.0</i> | <i>14,950.0</i> | <i>0.0</i> | <i>55,964.4</i> |
| S.A.R. | 59,499.5 | 73,852.8 | 70,926.7 | 2,926.1 | 1,883.8 | 64,309.4 |
| 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 | 7,257.6 | -2,590.6 | 713.9 | 41,479.6 |

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 .Fixed Rate Bonds refers to the adjustment due to debt changes.

2_/ 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

FEDERAL GOVERNMENT EXTERNAL DEBT, JANUARY - OCTOBER ^{*_/}

(Million Dollars)

| Concept | Outstanding as of December 2006 ^{p_/} | Indebtedness | | | Adjustments | Outstanding as of October 2007 ^{p_/} |
|------------------------|---|----------------|----------------|-----------------|----------------|--|
| | | Originations | Amort. | Net | | |
| Net Debt | 39,806.6 | | | | | 40,667.9 |
| Assets ^{1_/} | -2,129.7 | | | | | -1,158.8 |
| Gross Debt | 41,936.3 | 4,395.6 | 6,734.0 | -2,338.4 | 2,228.8 | 41,826.7 |
| Privately Placed Bonds | 36,212.5 | 3,266.6 | 6,238.1 | -2,971.5 | 2,175.4 | 35,416.4 |
| IFI's | 5,389.2 | 1,129.0 | 424.9 | 704.1 | 39.9 | 6,133.2 |
| Bilateral | 203.2 | 0.0 | 16.4 | -16.4 | 13.8 | 200.6 |
| 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

PUBLIC SECTOR DOMESTIC DEBT, JANUARY-OCTOBER ^{*_/}
(Million Pesos)

| Concept | Outstanding as of December 2006 ^{p_/} | Indebtedness | | | Adjust. | Outstanding as of October 2007 ^{p_/} |
|----------------------------|---|--------------------|--------------------|------------------|----------------|--|
| | | Originations | Amort. | Net | | |
| Net Debt | 1,471,714.9 | | | | | 1,491,820.5 |
| Assets ^{1_/} | -269,692.7 | | | | | -447,212.0 |
| Gross Debt | 1,741,407.6 | 1,343,762.9 | 1,153,573.3 | 190,189.6 | 7,435.3 | 1,939,032.5 |
| By Term | 1,741,407.6 | 1,343,762.9 | 1,153,573.3 | 190,189.6 | 7,435.3 | 1,939,032.5 |
| Long-term | 1,460,601.5 | 504,485.9 | 301,576.1 | 202,909.8 | 7,435.8 | 1,670,947.1 |
| Short-term | 280,806.1 | 839,277.0 | 851,997.2 | -12,720.2 | -0.5 | 268,085.4 |
| By User | 1,741,407.6 | 1,343,762.9 | 1,153,573.3 | 190,189.6 | 7,435.3 | 1,939,032.5 |
| Federal Government | 1,672,782.4 | 1,273,757.4 | 1,082,584.9 | 191,172.5 | 7,865.5 | 1,871,820.4 |
| Long-term | 1,400,725.3 | 504,485.9 | 295,022.0 | 209,463.9 | 7,865.5 | 1,618,054.7 |
| Short-term | 272,057.1 | 769,271.5 | 787,562.9 | -18,291.4 | 0.0 | 253,765.7 |
| PEDBC's | 19,353.0 | 21,205.5 | 17,718.4 | 3,487.1 | -696.8 | 22,143.3 |
| Long-term | 19,353.0 | 0.0 | 165.3 | -165.3 | -696.8 | 18,490.9 |
| Short-term | 0.0 | 21,205.5 | 17,553.1 | 3,652.4 | 0.0 | 3,652.4 |
| Development Banks | 49,272.2 | 48,800.0 | 53,270.0 | -4,470.0 | 266.6 | 45,068.8 |
| Long-term | 40,523.2 | 0.0 | 6,388.8 | -6,388.8 | 267.1 | 34,401.5 |
| Short-term | 8,749.0 | 48,800.0 | 46,881.2 | 1,918.8 | -0.5 | 10,667.3 |
| By Financing Source | 1,741,407.6 | 1,343,762.9 | 1,153,573.3 | 190,189.6 | 7,435.3 | 1,939,032.5 |
| Privately Placed Bonds | 1,618,589.6 | 1,244,037.6 | 1,057,647.8 | 186,389.8 | 5,517.7 | 1,810,497.1 |
| SAR | 59,499.5 | 73,852.8 | 70,926.7 | 2,926.1 | 1,883.8 | 64,309.4 |
| Commercial Banks | 1,170.3 | 0.0 | 188.1 | -188.1 | 16.7 | 998.9 |
| Others | 62,148.2 | 25,872.5 | 24,810.7 | 1,061.8 | 17.1 | 63,227.1 |

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

PUBLIC SECTOR EXTERNAL DEBT, JANUARY-OCTOBER^{*_/}
(Million Dollars)

| Concept | Outstanding as of December 2006 ^{p_/} | Indebtedness | | | Adjust | Outstanding as of October 2007 ^{p_/} |
|---|---|-----------------|-----------------|-----------------|----------------|--|
| | | Originations | Amort. | Net | | |
| Net Debt | 47,247.2 | | | | | 37,663.5 |
| Financial Assets in Foreign Currency ^{1_/} | -7,519.1 | | | | | -18,844.6 |
| Gross Debt | 54,766.3 | 13,570.6 | 15,563.2 | -1,992.6 | 3,734.4 | 56,508.1 |
| By Term | 54,766.3 | 13,570.6 | 15,563.2 | -1,992.6 | 3,734.4 | 56,508.1 |
| Long-term | 53,921.6 | 5,692.9 | 8,454.3 | -2,761.4 | 3,702.5 | 54,862.7 |
| Short-term | 844.7 | 7,877.7 | 7,108.9 | 768.8 | 31.9 | 1,645.4 |
| By User | 54,766.3 | 13,570.6 | 15,563.2 | -1,992.6 | 3,734.4 | 56,508.1 |
| Federal Government | 41,936.3 | 4,395.6 | 6,734.0 | -2,338.4 | 2,228.8 | 41,826.7 |
| Long-term | 41,936.3 | 4,395.6 | 6,734.0 | -2,338.4 | 2,228.8 | 41,826.7 |
| Short-term | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PEDBC's | 7,212.0 | 4,868.6 | 4,208.1 | 660.5 | 1,451.2 | 9,323.7 |
| Long-term | 7,202.8 | 1,235.5 | 1,183.4 | 52.1 | 1,447.9 | 8,702.8 |
| Short-term | 9.2 | 3,633.1 | 3,024.7 | 608.4 | 3.3 | 620.9 |
| Development Banks | 5,618.0 | 4,306.4 | 4,621.1 | -314.7 | 54.4 | 5,357.7 |
| Long-term | 4,782.5 | 61.8 | 536.9 | -475.1 | 25.8 | 4,333.2 |
| Short-term | 835.5 | 4,244.6 | 4,084.2 | 160.4 | 28.6 | 1,024.5 |
| By Financing Source | 54,766.3 | 13,570.6 | 15,563.2 | -1,992.6 | 3,734.4 | 56,508.1 |
| Privately Placed Bonds | 38,558.0 | 3,266.6 | 6,988.5 | -3,721.9 | 2,185.8 | 37,021.9 |
| IFI's | 8,255.4 | 1,170.8 | 829.3 | 341.5 | 47.1 | 8,644.0 |
| Bilateral | 3,139.2 | 850.5 | 914.3 | -63.8 | 49.1 | 3,124.5 |
| Commercial Banks | 1,578.0 | 4,677.0 | 3,843.0 | 834.0 | 30.1 | 2,442.1 |
| 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 ^{2_/} | 3,159.2 | 3,605.7 | 2,988.1 | 617.6 | 1,422.3 | 5,199.1 |

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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