

Mexico City, March 30th, 2015

PUBLIC FINANCE AND PUBLIC DEBT REPORT AS OF FEBRUARY 2015

In line with the commitment of keeping sound public finances and a responsible use of public indebtedness assumed by President Enrique Peña Nieto's Administration, the Ministry of Finance releases the preliminary information of the financial situation and the debt of the public sector as of February 2015. The main results are the following:

- **In February, net budgetary expenditures increased 4.2% in real annual terms, compared to the increase of 18.1% observed in January. This trend reflects, among other factors, contributions to stabilization funds from the Mexican Oil Fund for Stabilization and Development in January, while equivalent payments in previous years were made throughout the year. Also, operating expenditures, including personal services, decreased 5% in real terms during January-February.**
- **Resources allocated towards states and municipalities through non-earmarked transfers, contributions and other transfers decreased 2.5% in real terms due to lower contributions for education payrolls and payment of non-earmarked transfers.**
- **During January-February, budgetary revenues of the public sector were 1.9% lower in real terms, excluding revenues from oil hedges that will be received in December if the average price of the Mexican oil mix is below 79 dollars per barrel.**
- **Tax revenues increased 20.1% in real terms with respect to the same period of 2014, while oil revenues decreased 46.3%.**
- **The public deficit as of February was Ps. 150.7 billion. Excluding productive investment to evaluate the balance objective, a deficit of Ps. 56.3 billion was observed. In January-February, public deficit increased Ps. 105 billion with respect to the same period of 2014. This is mainly explained by two temporary factors that took place in January and will be compensated throughout the year: contributions to stabilization funds**

and lower oil revenues which exclude benefits from oil hedges which will be received on December of the current year.

- **Public Sector Borrowing Requirements amounted to Ps. 140.6 billion. These results are consistent with the objectives approved by Congress for 2015. Likewise, revenues do not show benefits from the oil hedges.**
- **The stock of the federal public sector's domestic debt increased by Ps. 63.7 billion and the stock of external debt increased by USD 7.0 billion, both with respect to December 2014.**

Evolution of public finances

In January-February 2015, the public balance presented a deficit of Ps. 150.7 billion, while the primary balance presented a deficit of Ps. 113.3 billion. Excluding productive investment to assess the balance objective of 1.0% of GDP, in compliance with Article 1 of the Federation's Revenues Law for 2015, a deficit of Ps. 56.3 billion was observed in the public balance.

Public Sector Borrowing Requirements (PSBR) amounted to Ps. 140.6 billion. In compliance with the changes made on the Federal Budget and Fiscal Responsibility Law in 2014 and international guidelines, PSBR are measured as the difference between revenues and expenditures other than the net acquisition of financial assets and liabilities, including activities of the private and social sectors acting on behalf of Federal Government or entities. This measure includes the adjustment due to revenues from net sales of financial assets and net acquisition of liabilities other than public debt, eliminating non-recurring revenues category.

The results observed during the first two months of 2015 are consistent with the objectives approved for these variables for 2015 by Congress.

Public sector budgetary revenues

Public sector's budgetary revenues as of February 2015 were Ps. 654.5 billion, amount lower by 1.9% in real terms with respect to the one observed during the same period of 2014. The evolution of the main elements of budgetary revenues was the following:

- Oil revenues amounted to Ps. 106.6 billion, decreasing 46.3% in real terms with respect to the ones observed in January-February 2014. This result is mainly explained by a lower average price of the Mexican oil mix, 46.5 dollars per barrel (dpb) compared with 91.2 dpb observed during the same period of 2014, a lower oil production by 8.3% with respect to 2014; as well as a lower price of natural gas by 8.7% with respect to January-February 2014. These effects were partially offset with a higher natural gas production by 16.1% and the depreciation of the exchange rate. These results exclude the payment of oil hedges acquired by the Government. Under a scenario where the average price of the Mexican oil mix during 2015 is below 79 dpb, the payment of oil hedges will be made on December 2015.

- Non-oil tax revenues amounted to Ps. 414.6 billion, increasing 20.1% with respect to 2014. Collections from the excise tax, the import tax, the income tax and the Value Added Tax increased 272.7, 15.5, 5.9 and 5.5% in real terms, respectively. These favorable results are mainly explained by the implementation of measures within the fiscal and energy reforms, as well as the tax administration measures that were adopted.
- Revenues from CFE, IMSS and ISSSTE were Ps. 99.9 billion, which represent an increase of 0.9% in real terms with respect to 2014. This is mainly explained by higher social security contributions from IMSS, which resulted in an increase of 4.0% in real terms in the revenues of this entity.
- Non-tax revenues of the Federal Government were Ps. 33.4 billion, which is higher by 35.3% in real terms due to higher revenues from rights and fees.

Net public sector budgetary expenditures

During January-February 2015, net public sector budgetary expenditures amounted to Ps. 811 billion, which represented an 11.7% increase in real terms with respect to January-February 2014. Net budgetary expenditures increased 4.2% in real annual terms, compared to an increase of 18.1% observed in January. This trend reflects, among other factors, contributions to stabilization funds from the Mexican Oil Fund for Stabilization and Development in January, while equivalent payments in previous years were made throughout the year.

Within:

- Operating expenditures, including personal services, decreased 5% in real terms.
- Expenditures in physical investment increased 14.2% in real terms, while expenditures in subsidies, transfers and contributions increased 40.8% in real terms, both with respect to January-February 2014.
- During January-February, programmable expenditures amounted to Ps. 630.7 billion.
- Expenditures from Federal Government entities increased 16.7% in real terms, which is lower than the 58.1% increase observed in January.
- In January-February, resources allocated towards states and municipalities through non-earmarked transfers, contributions and other transfers decreased 2.5% in real terms. This decrease is due to lower contributions for education payrolls by 18.8% and lower non-earmarked transfers by 6%, due to the evolution of Federal Revenues Transfers.

Stock of public debt as of February

The stock of the Federal Government's net domestic debt as of February 2015 was Ps. 4,432.0 billion, amount higher by Ps. 107.8 billion than the one observed at the end of December 2014. The change in the stock is explained by a net indebtedness of Ps. 67.1 billion, upward accounting adjustments of Ps. 5.5 billion and a decrease in the Federal Government's financial assets of Ps. 35.2 billion.

The stock of the Federal Government's net external debt at the end of February was USD 78.0 billion, amount USD 0.6 billion higher than the one observed at the end of 2014. This result is explained by a net indebtedness of USD 2.4 billion, by downward accounting adjustments of USD 0.1 billion and by an increase of the Federal Government's financial assets of USD 1.6 billion.

The stock of the federal public sector's net domestic debt (Federal Government, public entities under direct budgetary control and development banks) at the end of February was Ps. 4,867.9 billion, which implies a Ps. 63.7 billion increase with respect to the stock registered at the end of 2014. This is due to a net domestic indebtedness of Ps. 95.6 billion during the period, upward accounting adjustments of Ps. 4.7 billion and an increase in domestic financial assets of the federal public sector of Ps. 36.7 billion.

The stock of the federal public sector's net external debt was USD 152.6 billion, amount USD 7.0 billion higher than the one registered at the end of 2014. This result is explained by a net indebtedness of USD 11.3 billion, downward accounting adjustments of USD 0.5 billion and by an increase in the federal public sector's financial assets of USD 3.8 billion.

The Historical Balance of the PSBR amounted to Ps. 7,662 billion, which represents an increase of Ps. 215 billion with respect to December 2014.

More details on public finance and public debt statistics can be retrieved from the Ministry of Finance's web page at: <http://bit.ly/1wzllgf>.

ANNEX 1

PUBLIC SECTOR BALANCE (Million pesos)

Concept	January-February		Real % Growth	Composition %	
	2014 ^{p./}	2015 ^{p./}		2014 ^{p./}	2015 ^{p./}
PUBLIC BALANCE	-45,727.6	-150,744.5	n.s.		
PUBLIC BALANCE EXCLUDING PRODUCTIVE INVESTMENT^{1./}	18,193.1	-56,323.8	n.s.		
Budgetary Balance	-56,678.4	-156,403.9	n.s.		
Budgetary Revenue	647,791.5	654,547.2	-1.9	100.0	100.0
Oil ^{2./}	192,554.6	106,556.7	-46.3	29.7	16.3
PEMEX	59,527.3	35,914.9	-41.4	9.2	5.5
Federal Government	133,027.3	70,641.8	-48.5	20.5	10.8
Non-oil	455,236.9	547,990.5	16.8	70.3	83.7
Federal Government	359,155.7	448,064.4	21.1	55.4	68.5
Tax	335,168.1	414,626.8	20.1	51.7	63.3
Non-tax	23,987.6	33,437.6	35.3	3.7	5.1
PEDBC	96,081.2	99,926.2	0.9	14.8	15.3
Net Budgetary Expenditures	704,469.9	810,951.2	11.7	100.0	100.0
Programmable	532,492.0	630,721.7	15.0	75.6	77.8
Non programmable	171,977.9	180,229.4	1.7	24.4	22.2
PEIBC	10,950.9	5,659.4	-49.8		
Primary Balance	-22,254.2	-113,316.6	n.s.		

Note: Figures may not add up due to rounding

p./ Preliminary figures.

n. s.: Not significant.

1./ PEMEX's and CFE's physical investment and high impact investments of the Federal Government are excluded.

2./ In 2014 includes revenues from PEMEX and rights on hydrocarbons. In 2015 includes revenues from PEMEX, transfers from the Mexican Oil Fund for Stabilization and Development and income tax on contractors and assignees for the extraction of hydrocarbons.

Source: Ministry of Finance and Public Credit.

PUBLIC SECTOR BUDGETARY REVENUES (Million pesos)

Concept	January-February		Real % Growth	Composition %	
	2014 ^{p./}	2015 ^{p./}		2014 ^{p./}	2015 ^{p./}
BUDGETARY REVENUES (I+II)	647,791.5	654,547.2	-1.9	100.0	100.0
I. Oil (a+b) ^{1./}	192,554.6	106,556.7	-46.3	29.7	16.3
a) PEMEX	59,527.3	35,914.9	-41.4	9.2	5.5
b) Federal Government	133,027.3	70,641.8	-48.5	20.5	10.8
Mexican Oil Fund	0.0	59,818.5	n.s.	0.0	9.1
Income tax from contractors and assignees	0.0	654.0	n.s.	0.0	0.1
Existing rights until 2014	133,027.3	10,169.2	-92.6	20.5	1.6
II. Non-oil (c+d)	455,236.9	547,990.5	16.8	70.3	83.7
c) Federal Government	359,155.7	448,064.4	21.1	55.4	68.5
Tax	335,168.1	414,626.8	20.1	51.7	63.3
Income Tax	184,995.4	201,945.9	5.9	28.6	30.9
Value Added Tax	122,868.1	133,528.5	5.5	19.0	20.4
Excise Tax	17,555.5	67,416.4	272.7	2.7	10.3
Import Tax	5,353.3	6,370.2	15.5	0.8	1.0
IAEEH ^{2./}	0.0	340.2	n.s.	0.0	0.1
Other ^{3./}	4,395.7	5,025.4	11.0	0.7	0.8
Non-tax	23,987.6	33,437.6	35.3	3.7	5.1
d) PEDBC ^{4./}	96,081.2	99,926.2	0.9	14.8	15.3

Note: Partial sums and variations may not add up due to rounding.

p./ Preliminary figures.

n. s.: not significant.

1./ In 2014 includes revenues from PEMEX and rights on hydrocarbons. In 2015 includes revenues from PEMEX, transfers from the Mexican Oil Fund for Stabilization and Development and income tax on contractors and assignees for the extraction of hydrocarbons.

2./ Tax on exploration and hydrocarbon extraction activities.

3./ Includes taxes on new vehicles, exports, oil returns and those not included in the aforementioned and accessories.

4./ Excludes Federal Government's transfers to ISSSTE.

Source: Ministry of Finance and Public Credit.

PUBLIC SECTOR NET EXPENDITURES (Million pesos)

Concept	January-February		Real % Growth	Composition %	
	2014 ^{p./}	2015 ^{p./}		2014 ^{p./}	2015 ^{p./}
TOTAL (I+II)	704,469.9	810,951.2	11.7	100.0	100.0
I. Primary expenditures (a+b)	677,057.1	772,356.4	10.7	96.1	95.2
a) Programmable	532,492.0	630,721.7	15.0	75.6	77.8
Autonomous Branches	9,315.7	13,234.0	37.9	1.3	1.6
Administrative Branches	140,109.1	192,170.1	33.1	19.9	23.7
General Branches	231,447.5	248,577.8	4.2	32.9	30.7
PEDBC	109,598.0	116,539.7	3.2	15.6	14.4
IMSS	69,694.7	68,276.5	-4.9	9.9	8.4
ISSSTE	39,903.4	48,263.1	17.4	5.7	6.0
State Productive Enterprises	137,157.1	163,276.3	15.5	19.5	20.1
PEMEX	96,405.0	116,690.1	17.5	13.7	14.4
CFE	40,752.1	46,586.2	11.0	5.8	5.7
(-) Compensated operations	95,135.4	103,076.2	5.2	13.5	12.7
b) Non programmable	144,565.1	141,634.7	-4.9	20.5	17.5
Non-earmarked transfers	112,769.0	109,254.2	-6.0	16.0	13.5
Adefas and other	31,796.1	32,380.5	-1.2	4.5	4.0
II. Financial cost ^{1./}	27,412.8	38,594.7	36.6	3.9	4.8

Note: Partial sums and variations may not add up due to rounding.

p./ Preliminary figures.

1./ Includes interests, commissions and other public debt expenditures, as well as expenditures for financial restructuring and to support savers and bank debtors.

Source: Ministry of Finance and Public Credit.

FEDERAL GOVERNMENT DOMESTIC DEBT, FEBRUARY ^{*_/}
(Million pesos)

Concept	Outstanding as of December 2014 ^{p_/}	Indebtedness			Adjustments ^{1_/}	Outstanding as of February 2015 ^{p_/}
		Originations	Amort.	Net		
1. Net Debt (3-2)	4,324,120.6					4,431,959.6
2. Assets ^{2_/}	222,499.0					187,322.0
3. Gross Domestic Debt	4,546,619.6	431,619.4	364,481.9	67,137.5	5,524.5	4,619,281.6
Government Securities	4,223,281.4	400,774.4	331,607.6	69,166.8	3,579.5	4,296,027.7
Cetes	678,684.4	265,787.5	287,612.4	-21,824.9	0.0	656,859.5
Bondes "D"	232,622.0	13,601.7	10,010.0	3,591.7	0.0	236,213.7
Fixed Rate Bonds	2,295,828.3	94,645.8	33,985.2	60,660.6	733.7	2,357,222.6
Udibonos	1,011,075.6	26,739.4	0.0	26,739.4	2,831.7	1,040,646.7
<i>Udibonos udi's</i>	191,841.6	5,060.5	0.0	5,060.5	0.0	196,902.1
Segregated Udibonos	5,071.1	0.0	0.0	0.0	14.1	5,085.2
<i>Segregated Udibonos udi's</i>	962.2	0.0	0.0	0.0	0.0	962.2
S.A.R.	98,018.4	29,583.0	27,280.2	2,302.8	1,296.5	101,617.7
Obligations by ISSSTE's Law	161,452.0	16.9	5,292.2	-5,275.3	470.7	156,647.4
Others	63,867.8	1,245.1	301.9	943.2	177.8	64,988.8

Note: Figures may not add up due to rounding.

*_/ Figures subject to revisions and methodological changes.

p_/ Preliminary figures.

1_/ Refers to adjustments for inflation. Fixed Rate Bonds include adjustments due to debt swap operations.

2_/ Represents the net balance, denominated in pesos, of the General Account of the Federal Treasury.

Source: Ministry of Finance and Public Credit.

FEDERAL GOVERNMENT EXTERNAL DEBT, FEBRUARY ^{*_/_}
(Million dollars)

Concept	Outstanding as of December 2014 ^{p_/_}	Indebtedness			Adjustments	Outstanding as of February 2015 ^{p_/_}
		Originations	Amort.	Net		
1. Net Debt (3-2)	77,352.4					77,988.4
2. Assets ^{1_/_}	1,221.0					2,788.0
3. Gross Debt	78,573.4	4,486.7	2,136.7	2,350.0	-147.0	80,776.4
Public Bonds	52,926.9	4,000.0	2,001.5	1,998.5	-76.4	54,849.0
International Financial Institutions (IFI's)	23,563.1	473.1	120.7	352.4	-1.0	23,914.5
Bilateral	2,083.4	13.6	14.5	-0.9	-69.6	2,012.9

Note: Figures may not add up due to rounding.

*_/_ Figures subject to revisions and methodological changes.

p_/_ Preliminary figures.

1_/_ Considers the net US Dollar denominated balance of the General Account of the Federal Treasury.

Source: Ministry of Finance and Public Credit.

PUBLIC SECTOR DOMESTIC DEBT, FEBRUARY * / 1 /
(Million pesos)

Concept	Outstanding as of December 2014 ^{p./}	Indebtedness			Adjustments	Outstanding as of February 2015 ^{p./}
		Originations	Amort.	Net		
1. Net Debt (3-2)	4,804,250.2					4,867,904.7
2. Assets ^{2./}	245,283.1					281,952.5
3. Gross Debt	5,049,533.3	544,658.6	449,026.6	95,632.0	4,691.9	5,149,857.2
By Term	5,049,533.3	544,658.6	449,026.6	95,632.0	4,691.9	5,149,857.2
Long-term	4,518,242.5	216,389.0	115,678.7	100,710.3	4,691.9	4,623,644.7
Short-term	531,290.8	328,269.6	333,347.9	-5,078.3	0.0	526,212.5
By User	5,049,533.3	544,658.6	449,026.6	95,632.0	4,691.9	5,149,857.2
Federal Government	4,546,619.6	431,619.4	364,481.9	67,137.5	5,524.5	4,619,281.6
Long-term	4,025,828.8	192,097.6	104,464.9	87,632.7	5,524.5	4,118,986.0
Short-term	520,790.8	239,521.8	260,017.0	-20,495.2	0.0	500,295.6
PEDBC's	396,402.7	41,804.8	10,123.7	31,681.1	-852.9	427,230.9
Long-term	396,402.7	24,291.0	8,709.8	15,581.2	-852.9	411,131.0
Short-term	0.0	17,513.8	1,413.9	16,099.9	0.0	16,099.9
Development Banks	106,511.0	71,234.4	74,421.0	-3,186.6	20.3	103,344.7
Long-term	96,011.0	0.4	2,504.0	-2,503.6	20.3	93,527.7
Short-term	10,500.0	71,234.0	71,917.0	-683.0	0.0	9,817.0
By Financing Source	5,049,533.3	544,658.6	449,026.6	95,632.0	4,691.9	5,149,857.2
Bonds Placed in Domestic Markets	4,581,547.3	425,065.4	339,567.4	85,498.0	3,697.4	4,670,742.7
SAR	98,018.4	29,583.0	27,280.2	2,302.8	1,296.5	101,617.7
Commercial Banks	123,929.7	7,000.4	3,254.0	3,746.4	18.6	127,694.7
ISSSTE's Law obligations	161,452.0	16.9	5,292.2	-5,275.3	470.7	156,647.4
Others	84,585.9	82,992.9	73,632.8	9,360.1	-791.3	93,154.7

Note: Figures may not add up due to rounding.

* / Figures subject to revisions and methodological changes.

p./ Preliminary figures.

1./ Includes Federal Government, PEDBC's and Development Banks debt.

2./ Includes the net balance, denominated in pesos, of the General Account of the Federal Treasury and assets from PEDBC's and Development Banks.

Source: Ministry of Finance and Public Credit.

PUBLIC SECTOR EXTERNAL DEBT, FEBRUARY *₁/₁
(Million dollars)

Concept	Outstanding as of December 2014 ^{p/}	Indebtedness			Adjustments	Outstanding as of February 2015 ^{p/}
		Originations	Amort.	Net		
1. Net Debt (3-2)	145,617.4					152,573.3
2. Financial Assets in Foreign Currency ^{2/}	2,048.4					5,808.0
3. Gross Debt	147,665.8	15,561.5	4,300.0	11,261.5	-546.0	158,381.3
By Term	147,665.8	15,561.5	4,300.0	11,261.5	-546.0	158,381.3
Long-term	142,869.2	13,167.8	2,403.7	10,764.1	205.3	153,838.6
Short-term	4,796.6	2,393.7	1,896.3	497.4	-751.3	4,542.7
By User	147,665.8	15,561.5	4,300.0	11,261.5	-546.0	158,381.3
Federal Government	78,573.4	4,486.7	2,136.7	2,350.0	-147.0	80,776.4
Long-term	78,573.4	4,486.7	2,136.7	2,350.0	-147.0	80,776.4
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
PEDBC's	59,563.1	8,814.3	256.9	8,557.4	-352.6	67,767.9
Long-term	58,863.1	8,621.1	242.1	8,379.0	347.4	67,589.5
Short-term	700.0	193.2	14.8	178.4	-700.0	178.4
Development Banks	9,529.3	2,260.5	1,906.4	354.1	-46.4	9,837.0
Long-term	5,432.7	60.0	24.9	35.1	4.9	5,472.7
Short-term	4,096.6	2,200.5	1,881.5	319.0	-51.3	4,364.3
By Financing Source	147,665.8	15,561.5	4,300.0	11,261.5	-546.0	158,381.3
Public Bonds	100,708.1	10,000.0	2,057.7	7,942.3	-541.8	108,108.6
International Financial Institutions (IFI's)	28,186.0	473.1	127.2	345.9	-44.9	28,487.0
Bilateral	9,044.7	137.3	195.9	-58.6	-66.8	8,919.3
Commercial Banks	9,533.8	4,757.9	1,904.4	2,853.5	-2.0	12,385.3
Pidiregas	193.2	193.2	14.8	178.4	109.5	481.1

Note: Figures may not add up due to rounding.

*_/ Figures subject to revisions and methodological changes.

p_/ Preliminary figures.

1_/ Includes the federal government, PEDBC's and Development Banks debt.

2_/ Considers the net US Dollar denominated balance of the federal treasury's General Account and assets held by PEDBC's and Development Banks.

Source: Ministry of Finance and Public Credit.

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