

## **Report on Public Finances and Public Debt Third Quarter of 2007**

- ***The pace of economic growth accelerated. All the components of aggregate supply had a better performance than in previous quarters.***
- ***During the first nine months of the year, close to 754,000 formal jobs were created.***
- ***Direct bank credit and all its components continued growing at high rates.***
- ***The Public Finance Reform Package was approved by Congress.***
  - ***Public Finances recorded a surplus. Public sector revenues registered a real increase mainly due to non-oil tax collection. In addition, a significant increase in social expenditure was observed.***
- ***The Federal Government's net domestic debt was 21.1 percent of GDP. The average maturity of the government's debt increased.***
  - ***Fitch Ratings and Standard & Poor's increased Mexico's sovereign debt ratings.***

The results of the Report on Public Finances and Public Debt for the third quarter of 2007 were published today. The following results stand out:

- **During the third quarter of 2007, the rate of expansion of economic activity in Mexico accelerated as consequence of the higher dynamism of all the components of aggregate supply, as well as the favorable evolution of aggregate demand.**
- **The economy is estimated to have grown at an annual rate of close to 4.0 percent during the third quarter of the year. In this case, the economy would have expanded by a quarterly rate of approximately 1.5 percent considering seasonally adjusted data. This result is consistent with an anticipated growth rate of 3.0 percent for 2007.**

- **During July-August 2007, agricultural production and services increased 8.4 and 5.3 percent in real annual terms, respectively. Industrial production increased by 2.4 percent.**
- **During the third quarter of the year, the real value of the sales of the main departmental and supermarket stores grew at annual rates above 9.0 percent in real terms; in July investment increased at an annual rate of 7.8, percent and the nominal value of manufacturing exports grew at an annual rate of 10.8 percent during the quarter.**
- **During the quarter, 283,601 formal jobs were created, which implies an annual increase of workers registered in IMSS close to 800,000. During the year 753,936 jobs were created.**
- **Annual inflation was 3.79 percent in September 2007, 19 basis points lower than the one registered in June 2007 (3.98 percent).**
- **Direct bank credit to the private sector increased at an annual rate of 28.4 percent in August 2007. Within, housing credit, consumption credit and banking credit to businesses and people with entrepreneurial activities expanded 25.2, 25.9 and 33.1 percent, respectively, all in real annual terms.**
- **On September 14<sup>th</sup>, the Public Finance Reform Package was approved by Congress (See Ministry of Finance Press Release 81/2007).**
- **Fitch Ratings and Standard & Poor's increased the rating of Mexico's sovereign debt, both for foreign and domestic currency denominated debt.**
- **Up to the third quarter of 2007, the public balance recorded a surplus of Ps. 138.2 billion, amount that is Ps. 6.5 billion lower than the one registered in the same period of the previous year. The Public Sector's Borrowing Requirements recorded a surplus of Ps 66.27 billion, 0.7 percent of the estimated GDP for 2007.**
- **The Public Sector's revenues increased 2.4 percent in real terms with respect to the third quarter of 2006, reflecting the expansion of non-oil tax revenues (5.9 percent in real terms). Within them, the income tax, the Special Production and Services Tax (IEPS), vehicle property tax and VAT**

collection, stand out with annual increases of 8.7, 8.7, 6.1 and 3.7 percent, respectively. Oil-related revenues decreased 4.6 percent in real terms as a result of lower oil exports and production, as well as the decrease in domestic prices of natural gas, fuel oil and petrochemicals.

- Net budgetary expenditures of the public sector were 2.7 percent higher in real terms compared with the amount observed in the same period of 2006. Primary expenditures, defined as total expenditure net of financing costs, posted an increase of 4.4 percent in real terms with respect to the one observed in same period of the previous year. Programmable expenditures expanded 6.8 percent in real terms. Within them, those channeled to social development posted a real increase of 4.1 percent with respect to the one observed in the third quarter of 2006. Worth noting is that social security and education expenditures increased 9.4 and 3.9 percent in real terms, respectively.
- Federal resources transferred to States and Municipalities were lower by 2.4 percent in real terms. Shareable revenues to Federal Entities and Municipalities decreased 7.4 percent due to the real reduction in Federal Shareable Revenues and due to the third four-monthly negative adjustment of 2006. When adjusted by the third four-monthly adjustment and by the shareable federal collection from oil, the shareable revenue would increase by 5.0 percent. The resources allocated through contributions, wage and economic provisions, decentralized agreements and reallocations increased by 1.9 percent in real terms.
- By the end of the quarter the Public Sector's net debt was 20.4 percent of GDP, 0.8 percent lower than that at the end of 2006. The Federal Government's debt was 21.1 percent of GDP, similar level to the one observed at the end of the previous year. The average maturity of the Federal Government's domestic debt increased by 0.98 years (359 days) in this period increasing from 4.27 years at the end of 2006 to 5.25 years by the end of the third quarter.
- At the end of the third quarter of 2007, the Historical Balance of the Public Sector's Borrowing Requirements, which constitutes the broadest definition of the public sector's liabilities, reached 35.1 percent of GDP, amount lower by 0.8 percentage points of GDP than the one observed at the end of 2006.

## **Economic Outlook**

During the third quarter of 2007, the rate of growth of the Mexican economy accelerated. It is estimated that during the third quarter of 2007 the Mexican economy will grow at an annual rate of close to 4.0 percent. In this case, the economy would have grown at a quarterly rate of approximately 1.5 percent in seasonally adjusted terms.

These estimations are based on the following results:

- During the bimonthly period July-August of 2007, the Global Economic Activity Index (IGAE), the GDP proxy, grew 4.6 percent in real annual terms, which implies a bimonthly increase of 1.3 percent considering seasonally adjusted data. Within, the different productive sectors behaved according to the following:
  - ✓ Primary activities increased at an annual rate of 8.4 percent. Considering seasonally adjusted data, it expanded at a bimonthly rate of 2.2 percent.
  - ✓ The real value of industrial production increased at an annual rate of 2.4 percent, which implies a bimonthly increase of 1.2 percent according to seasonally adjusted data. Within, the results are the following:
    - Mining production decreased at an annual rate of 1.2 percent.
    - Manufacturing production registered annual growth of 2.7 percent.
    - Construction increased at an annual rate of 2.2 percent.
    - The electricity, gas and water sector expanded 2.0 percent in annual terms.
  - ✓ The supply of services grew 5.3 percent in real annual terms, which in seasonally adjusted data implies a 1.3 percent bimonthly increase.
- Domestic aggregate demand components maintained a favorable performance:
  - ✓ During the third quarter of 2007, household consumption continued growing at high rates. The real sales value of the main retail and departmental stores grew at 9.3 percent annual rates compared with a 9.1 percent increase observed during the second quarter.
  - ✓ In July 2007, fixed capital investment grew 7.8 percent in real annual terms, which is higher than the 5.9 percent growth rate observed during the first semester of the year. In terms of seasonally adjusted data, investment had a 1.0 percent monthly increase.

- ✓ During the third quarter of 2007, the nominal US dollar value of total exports grew at an annual rate of 11.1 percent in comparison with 6.0 percent growth in the second quarter. Imports increased at an annual rate of 10.7 percent, while during the April-June period they grew 9.7 percent.

During September of 2007, the number of employees registered at IMSS grew to 14 million 719 thousand 494, implying a quarterly increase of 283 thousand 601 formal jobs and an expansion during the year of 753 thousand 936 formal jobs. In annual terms, the number of employees affiliated to the IMSS grew by 797 thousand 877 people (5.7 percent).

Annual headline inflation was 3.79 percent at the end of the third quarter of 2007, 19 basis points lower than that the one registered in June 2007 (3.98 percent). This result is mainly explained by the observed decrease in the inflation rate of fruits and vegetables, meat and eggs' prices and in services' prices.

Fitch Ratings and Standard & Poor's increased their ratings of Mexican sovereign debt, both domestic and foreign currency denominated. Both agencies noted that among the factors behind the rating improvement of the sovereign debt are the Mexican economy's stability in spite of an unfavorable external environment, as well as its prudent debt management policy, which has strengthened local capital markets.

After the stock market index (IPyC) reached a historical maximum of 32,411 units on July 6th, international stock markets recorded a period of high volatility derived from the problems in U.S. mortgage markets and their implications on financial intermediaries. In this context, during the third quarter the stock market index (IPyC) posted a 2.7 percent nominal decrease with respect to the closing of June, reaching 30,296 units. During the first nine months of 2007 the market posted a 14.5 percent nominal increase.

The exchange rate of the peso against the dollar registered a slight depreciation due to the volatility that was observed in the international financial markets. The spot exchange rate was 10.93 pesos per USD on September 28<sup>th</sup>, which implied a nominal depreciation of 1.06 percent with respect to the closing value of June 2007.

Bank and non-bank credit to households and firms posted an increase of 28.4 percent in real annual terms in August of 2007, a Ps. 337.0 billion expansion. Within,

housing, consumption and credit to firms and people with entrepreneurial activities grew 25.2, 25.9 and 33.1 percent in real annual terms, respectively.

### **Public Finances**

During the third quarter of 2007, the public balance recorded a surplus of Ps.138.2 billion, an amount Ps. 6.6 billion lower than that observed in the same period of 2006. The accumulated primary surplus in September was Ps. 318.7 billion, Ps. 21.3 billion lower than the one registered in the same period of 2006.

The public sector's budgetary revenues were Ps. 1,777.5 billion, 2.4 percent higher in real terms than the ones registered in the January-September period of 2006. With respect to the programmed calendar published on January 17, 2007 in the Official Gazette of the Federation, budgetary revenues registered an increase of Ps. 87.6 billion (5.2 percent).

Non-oil tax revenues grew by 5.9 percent in real annual terms with respect to the third quarter of 2006. Worth noting are real growth rates of 8.7, 6.1, 8.7 and 3.7 percent in the income tax, vehicle property tax collection, the Special Production and Services Tax (IEPS) and VAT, all compared to the figures of the same period of 2006. The Federal Government non-tax revenues increased 44.1 percent in real terms due to higher non-recurring revenues from the sale of Grupo Aeroportuario Centro-Norte and the minimum Guaranteed Return from PEMEX, among others. On the other hand, revenues from public entities under budgetary control other than PEMEX showed a similar real level with respect to the same period of the previous year. 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, the revenues of public entities other than PEMEX would have observed a 4.0 percent increase in real terms. Oil revenues posted a 4.6 percent decrease in real terms as result of both lower oil production and exports, as well as the decrease in domestic prices of natural gas, fuel oil and petrochemicals.

During the third quarter of 2007, the level of public expenditures was consistent with the availability of resources and with the objective of a balanced budget approved by Congress. At the same time, public spending was oriented towards government programs for reducing poverty, promoting employment creation and public security.

In addition, the austerity and spending discipline measures established in the Federal Budget and Fiscal Responsibility Law and the Austerity Decree of December 2006, have led to savings by Ps. 500 million in addition to the savings goal of Ps. 25.5 billion saving goal established for 2007.

During the January-September period of 2007, the net budgetary expenditures of the public sector totaled Ps. 1,640.1 billion, 2.7 percent higher in real terms compared with the amount observed in the same period of 2006. Primary expenditure, defined as total expenditure net of financing costs, was higher by 4.4 percent in real terms with respect to the ones observed in the same period of the previous year. Programmable expenditures grew by 6.8 percent in real terms. With respect to public expenditures up to September 2007, the following stand out:

- Programmable expenditures channeled to social development posted a real increase of 4.1 percent with respect to 2006. Worth noting are the real increases of expenditure on social security and education (9.4 and 3.9 percent, respectively).
- Capital expenditure increased 15.0 percent in real annual terms. In particular, physical investment increased at a real annual rate of 2.5 percent while physical investment fostered by the public sector showed a slight decrease.
- Federal resources transferred to States and Municipalities through federal contributions, shareable revenues, wage and economic provisions, agreements of decentralization and reassignments decreased 2.4 percent in real terms. Shareable revenues decreased 7.4 percent in real terms due to the real reduction in the Federal Shareable Revenue collection and because of a negative 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 show an increase of 5.0 percent. The rest of the resources transferred to the Federal Entities and municipalities increased 1.9 percent in real terms. It is worth noting that up to September, Ps. 4.16 billion were transferred to the federal entities from the Extraordinary Right on Crude Oil Exports, resources which are generated once the oil price exceeds USD 42.8 per barrel, with Ps. 3.2 billion being channeled to infrastructure and equipment expenditure and Ps. 0.95 billion to Federal Entities Revenues Stabilization Fund (FEIEF). In addition, they received Ps. 2.87 billion derived from excess revenues, with Ps. 2.21 billion allocated to the FEIEF and Ps. 0.7 billion to investment.
- A Ps. 19.5 billion contribution to the Oil Revenues Stabilization Fund (FEIP) was made, derived from the Right on Hydrocarbons for the Oil Revenues Stabilization Fund, according to the 2007 Budgetary and Financial Responsibility Law and the

Federal Revenues Law. Also, Ps. 3.5 billion were transferred to the FEIP derived from excess revenues.

- PEMEX's Investment and Infrastructure Stabilization Fund received a Ps. 2.2 billion transfer derived from excess revenue.
- Expenditures on personnel services during the period January-September 2007 increased 2.3 percent due mainly to increases in expenditures related to sovereignty, education and energy. In contrast, expenditures on administrative and government functional activities decreased 7.2 percent in real terms.
- Pension expenditures registered a real increase of 11.1 percent.
- The public sector's financing cost decreased 9.8 percent in real terms compared to the same period of last year.

Since 2007 the Federal Executive, through the Ministry of Finance, designed and established an information electronic system by which local governments inform Congress about the execution, allocation and results obtained with federal budgetary resources (related to federal contributions, coordination agreements for decentralization or reassignments and subsidies). This is in accordance to the Fiscal Law of Coordination and the Budget Decree for 2007.

### **Public Debt**

Public debt management in the third quarter of 2007 continued to be focused on strengthening the Federal Government's liabilities structure and improving domestic and external debt financial conditions.

During the third quarter, the reopening of Global fixed-rate bonds in the international capital markets operation stands out. This resulted in, among other things, an improvement in external debt terms and conditions as well as the expansion and diversification of the investor base. In addition, the expiration of warrants in September led to positive results for the exchange of foreign debt denominated in euros into domestic debt, which led to further improvements in the mix between domestic and external debt.

As of September 30<sup>th</sup> 2007, the net Federal Government's debt balance was Ps. 2,034.0 billion. Of this amount, 78 percent was domestic debt and the rest 22 percent was external. As a percentage of GDP, the Federal Government debt stood at 21.1 percent, a similar level to the one observed at the end of 2006. Within, 16.5 percent of GDP corresponds to domestic debt and 4.6 percent of GDP to external debt.



Domestic net debt of the Federal Government at the end of the third quarter amounted Ps. 1,586.7 billion, a level greater by Ps. 39.6 billion than to that at the end of 2006. This was a joint result of: a) Ps. 169.3 billion of net borrowing, b) an increase in the federal government assets by Ps. 135.3 billion c) upward accounting adjustments by Ps. 5.8 billion pesos, derived from the inflationary impact of indexed domestic debt.

The share of long-term fixed-rate Government securities increased from 49.9 percent at the end of 2006 to 54.9 percent at the end of the third quarter of 2007 and the average maturity of domestic debt increased by 0.98 years (359 days), increasing from 4.27 to 5.25 years in the same period.

At the end of the third quarter, external net debt stood at USD 40.9 billion, USD 1.1 billion higher than at the end of 2006. It is worth noting that this result is due to the timing of debt placements over the year and it is consistent with the Annual Financing Plan 2007 and the General Economic Policy Guidelines 2007, which establish a reduction in the share of external debt by the end of the year.

At the end of September, the Federal Public Sector's net debt -which includes debt from the Federal Government, Public Entities under Direct Budgetary Control and the Development Banks- stood at 20.4 percent of GDP, 0.8 percentage points lower than the one at the end of 2006. Domestic Debt stood at 15.9 of GDP, 0.2 percentage points lower than the one observed at the end of 2006. Net external debt was 4.5 percent of GDP, 1.0 percentage point lower than the one posted at the end of 2006.

At the end of the third quarter the Historical Balance of the Public Sector's Borrowing Requirements, the broadest definition of the Public Sector's liabilities, was Ps. 3,384.6 billion, which represents 35.1 percent of GDP, amount which is 0.8 percentage points of GDP lower than the one observed at the end of 2006.

## ANNEX

PUBLIC SECTOR OVERALL BALANCE					
(Million pesos)					
Concept	January-September		Real % Growth	Composition %	
	2006 p./	2007 p./		2006	2007
<b>PUBLIC BALANCE (I+II)</b>	<b>139,167.9</b>	<b>138,205.7</b>	<b>-4.5</b>		
I. Budgetary Balance (a-b)	134,595.0	137,400.2	-1.9		
a) Budgetary Revenues	1,669,325.5	1,777,547.1	2.4	100.0	100.0
Oil related	612,320.1	607,780.8	-4.6	36.7	34.2
Federal Government	476,347.5	372,377.7	-24.8	28.5	20.9
PEMEX	135,972.6	235,403.1	66.4	8.1	13.2
Non-oil related	1,057,005.4	1,169,766.2	6.4	63.3	65.8
Federal Government	773,707.5	875,001.5	8.7	46.3	49.2
Tax	717,504.4	790,738.0	5.9	43.0	44.5
Non-tax	56,203.1	84,263.5	44.1	3.4	4.7
PEDBC	283,297.9	294,764.7	0.0	17.0	16.6
b) Net Budgetary Expenditures	1,534,730.5	1,640,146.9	2.7	100.0	100.0
Programmable	1,076,832.3	1,196,077.9	6.8	70.2	72.9
Non programmable	457,898.2	444,069.0	-6.8	29.8	27.1
II. PEIBC	4,572.9	805.5	-83.1		
Primary Balance	326,823.2	318,709.3	-6.3		

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-Septmeber		Real % Growth	Composition %	
	2006p_/	2007 p_/		2006_p/	2007 p_/
<b>TOTAL (I+II)</b>	<b>1,669,325.5</b>	<b>1,777,547.1</b>	<b>2.4</b>	<b>100.0</b>	<b>100.0</b>
I. Oil related (a+b)	612,320.1	607,780.8	-4.6	36.7	34.2
a) PEMEX	135,972.6	235,403.1	66.4	8.1	13.2
b) Federal Government	476,347.5	372,377.7	-24.8	28.5	20.9
Rights and royalties on oil products	502,358.7	404,227.8	-22.6	30.1	22.7
Excise taxes	-28,420.5	-34,951.3	n.s.	-1.7	-2.0
Tax on Oil Returns	2,409.3	3,101.2	23.7	0.1	0.2
II. Non-oil related (c+d)	1,057,005.4	1,169,766.2	6.4	63.3	65.8
c) Federal Government	773,707.5	875,001.5	8.7	46.3	49.2
Tax	717,504.4	790,738.0	5.9	43.0	44.5
Income tax	354,006.7	400,439.6	8.7	21.2	22.5
VAT	284,487.4	306,953.7	3.7	17.0	17.3
Excise taxes	27,688.1	31,296.2	8.7	1.7	1.8
Import taxes	23,362.3	22,975.2	-5.5	1.4	1.3
Others <sup>1/</sup>	27,959.9	29,073.3	0.0	1.7	1.6
Non-tax	56,203.1	84,263.5	44.1	3.4	4.7
Rights	15,061.4	20,750.7	32.4	0.9	1.2
Fees	35,774.5	58,364.5	56.8	2.1	3.3
Others	5,367.2	5,148.3	-7.8	0.3	0.3
d) PEDBC <sup>2/</sup>	283,297.9	294,764.7	0.0	17.0	16.6
Memorandum items:					
Total tax related	691,493.2	758,887.9	5.5	41.4	42.7
Total non-tax related	977,832.2	1,018,659.2	0.1	58.6	57.3

Note: Figures may not add up due to rounding.

p\_/ Preliminary figures.

<sup>1/</sup> Includes new vehicle, vehicle ownership, luxury goods and services and accessory taxes.

<sup>2/</sup> Public entities under direct budgetary control. Excludes Federal Government transfers to ISSSTE.

Source: Ministry of Finance and Public Credit.

## BUDGETARY REVENUES, JANUARY-SEPTEMBER OF 2007

(Million pesos)

	Programmed	Observed <sup>p./</sup>	Difference
<b>TOTAL (I+II)</b>	<b>1,689,923.0</b>	<b>1,777,547.1</b>	<b>87,624.1</b>
I. Oil related (a+b)	609,177.9	607,780.8	-1,397.1
a) PEMEX	251,794.3	235,403.1	-16,391.2
b) Federal Government	357,383.6	372,377.7	14,994.1
Rights and royalties on oil products	346,854.8	404,227.8	57,373.0
Excise taxes	8,716.9	-34,951.3	-43,668.2
Tax on Oil Returns	1,811.9	3,101.2	1,289.3
II. Non-oil related (c+d)	1,080,745.1	1,169,766.2	89,021.1
c) Federal Government	793,217.3	875,001.5	81,784.2
Tax	752,992.7	790,738.0	37,745.3
Income tax	349,495.9	400,439.6	50,943.7
VAT	321,081.2	306,953.7	-14,127.5
Excise taxes	33,088.2	31,296.2	-1,792.0
Import taxes	20,520.0	22,975.2	2,455.2
Others <sup>1./</sup>	28,807.4	29,073.3	265.9
Non-tax	40,224.6	84,263.5	44,038.9
Rights	10,189.9	20,750.7	10,560.8
Fees	23,712.3	58,364.5	34,652.2
Others	6,322.4	5,148.3	-1,174.1
d) PEDBC <sup>2./</sup>	287,527.8	294,764.7	7,236.9
Memorandum items:			
Total tax related	763,521.5	758,887.9	-4,633.6
Total non-tax related	926,401.5	1,018,659.2	92,257.7

Note: Figures may not add up due to rounding.

p./ Preliminary figures.

1./ Includes new vehicle, vehicle property, luxury goods and services and other.

2./ Public entities under direct budgetary control. Excludes Federal Government transfers to ISSSTE.

Source: Ministry of Finance and Public Credit.

PUBLIC SECTOR BUDGETARY EXPENDITURES					
(Million pesos)					
Concept	January- September		Real % Growth	Composition %	
	2006p_/	2007 p_/		2006p_/	2007 p_/
<b>TOTAL (I+II)</b>	1,534,730.5	1,640,146.9	2.7	100.0	100.0
I. Primary expenditures (a+b)	1,353,223.7	1,469,899.9	4.4	88.2	89.6
a) Programmable	1,076,832.3	1,196,077.9	6.8	70.2	72.9
b) Non-programmable	276,391.4	273,822.0	-4.8	18.0	16.7
II. Financing Cost <sup>1/</sup>	181,506.8	170,246.9	-9.8	11.8	10.4

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 debt support programs.

Source: Ministry of Finance and Public Credit

FEDERAL GOVERNMENT DEBT*									
Concept	Outstanding as of			% of GDP			Structure (%)		
	Dec-05	Dec-06	Sep-07 <sup>p./</sup>	Dec-05	Dec-06	Sep-07 <sup>p./</sup>	Dec-05	Dec-06	Sep-07 <sup>p./</sup>
<b>INTERNAL DEBT :</b>									
NET (Million Pesos) <sup>1./</sup>	1,183,310.7	1,547,112.1	1,586,680.8	13.2	16.5	16.5	67.0	78.1	78.0
GROSS (Million Pesos)	1,242,154.1	1,672,782.4	1,847,655.4	13.8	17.8	19.2	66.4	78.6	80.0
<b>EXTERNAL DEBT:</b>									
NET (Million USD) <sup>1./</sup>	53,970.6	39,806.6	40,943.5	6.5	4.6	4.6	33.0	21.9	22.0
GROSS (Million USD)	58,373.6	41,936.3	42,321.6	7.0	4.9	4.8	33.6	21.4	20.0
<b>TOTAL DEBT:</b>									
NET (Million Pesos) <sup>1./</sup>	1,764,989.6	1,980,247.7	2,033,959.9	19.7	21.1	21.1	100.0	100.0	100.0
(Million USD) <sup>1./</sup>	163,763.1	181,991.3	186,186.7						
GROSS (Million Pesos)	1,871,287.2	2,129,091.3	2,309,989.3	20.8	22.7	24.0	100.0	100.0	100.0
(Million USD)	173,625.8	195,670.6	211,454.2						

Note: Figures may not add-up due to rounding.

\*./ Figures subject to revisions due to changes and methodological modifications.

p./ Preliminary.

1./ The Net Debt results from subtracting the Federal Government's financial assets from the Gross Debt.

Source: Ministry of Finance and Public Credit.

Press Release

Mexico City, October 30<sup>th</sup> 2007.
**FEDERAL GOVERNMENT DOMESTIC DEBT**  
**JANUARY - SEPTEMBER 2007**  
 (Million Pesos\*)

Concept	Outstanding Dec-06	Indebtedness			Adjustments	Outstanding Sep.-07 <sup>p./</sup>
		Disp.	Amort.	Net		
<b>NET DOMESTIC DEBT BALANCE</b>	<b>1,547,112.1</b>					<b>1,586,680.8</b>
ASSETS 1 <sub>/</sub>	-125,670.3					-260,974.6
<b>GROSS DOMESTIC DEBT BALANCE</b>	<b>1,672,782.4</b>	<b>1,159,854.4</b>	<b>990,828.0</b>	<b>169,026.4</b>	<b>5,846.6</b>	<b>1,847,655.4</b>
<b>Government Securities</b>	<b>1,569,926.4</b>	<b>1,085,191.6</b>	<b>917,880.5</b>	<b>167,311.1</b>	<b>3,706.7</b>	<b>1,740,944.2</b>
Cetes	346,004.6	764,731.0	777,129.6	-12,398.6	0.0	333,606.0
Bondes	214,822.0	0.0	62,027.3	-60,027.3	0.0	152,794.7
Bondes "D"	144,801.4	60,550.0	40,000.0	20,550.0	0.0	165,351.4
Fixed Rate Development Bonds	708,971.5	208,981.7	38,723.6	170,258.1	97.6	879,327.2
Udibonos	155,326.9	50,928.9	0.0	50,928.9	3,609.1	209,864.9
<i>Udibonos (million UDI's)</i>	41,014.4	13,300.0	0.0	13,300.0	0.0	54,314.4
<b>SAR</b>	<b>59,499.5</b>	<b>69,995.8</b>	<b>66,809.7</b>	<b>3,186.1</b>	<b>1,612.9</b>	<b>64,298.5</b>
<b>Siefores (Pesos)</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>
<b>Siefores UDI's</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>
<b>Others</b>	<b>43,356.3</b>	<b>4,667.0</b>	<b>6,137.8</b>	<b>-1,470.8</b>	<b>527.0</b>	<b>42,412.5</b>

\*\_/ Figures subject to revisions due to changes and methodological modifications.

p./ Preliminary.

1\_/ Includes the balance, denominated in pesos, of the General Account of the Federal Treasury and deposits in the national banking system

2\_/ Adjustment for debt exchange

3\_/ Adjustment for inflation

Source: Ministry of Finance and Public Credit

Press Release

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

**FEDERAL GOVERNMENT EXTERNAL DEBT**  
**THIRD QUARTER 2007**  
(Million USD\*)

Concept	Outstanding Dec-06	Indebtedness			Adjustments	Outstanding Sep-07 <sup>p_/</sup>
		Disp.	Amort.	Net		
<b>Net Debt</b>	<b>39,806.6</b>					<b>40,943.5</b>
Assets <sup>1_/</sup>	-2,129.7					-1,378.1
<b>Gross Debt</b>	<b>41,936.3</b>	<b>4,244.2</b>	<b>5,805.6</b>	<b>-1,561.4</b>	<b>1,946.7</b>	<b>42,321.6</b>
Publicly placed Bonds	36,212.5	3,266.6	5,359.1	-2,092.5	1,903.0	36,023.0
IFI's	5,389.2	977.6	377.8	599.8	32.1	6,021.1
Bilateral Credit	203.2	0.0	14.1	-14.1	11.9	201.0
Others	131.4	0.0	0.0	-54.6	-0.3	76.5

\*\_/ Figures subject to revisions due to changes and methodological modifications.

p\_/ Preliminary.

1\_/ Includes the balance, denominated in USD, of the General Account of the Federal Treasury and other assets denominated in foreign currency.

Source: Ministry of Finance and Public Credit



Press Release

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

FEDERAL PUBLIC SECTOR DEBT* 1/									
Concept	Outstanding as of			% of GDP			Structure (%)		
	Dec-05	Dec-06	Sep-07 <sup>p/</sup>	Dec-05	Dec-06	Sep-07 <sup>p/</sup>	Dec-05	Dec-06	Sep-07 <sup>p/</sup>
<b>INTERNAL DEBT :</b>									
NET (Million Pesos) <sup>2/</sup>	1,250,046.0	1,471,714.9	1,535,167.2	13.9	15.7	15.9	63.8	74.1	78.1
GROSS (Million Pesos)	1,339,420.2	1,741,407.6	1,929,776.4	14.9	18.6	20.0	63.4	74.5	75.6
<b>EXTERNAL DEBT:</b>									
NET (Million USD) <sup>2/</sup>	65,722.5	47,247.2	39,424.3	7.9	5.5	4.5	36.2	25.9	21.9
GROSS (Million USD)	71,674.5	54,766.3	57,127.9	8.6	6.3	6.5	36.6	25.5	24.4
<b>TOTAL DEBT:</b>									
NET (Million Pesos) <sup>2/</sup>	1,958,383.1	1,985,812.1	1,965,849.8	21.8	21.2	20.4	100.0	100.0	100.0
(Million USD) <sup>2/</sup>	181,707.0	182,502.7	179,952.1	0.0	0.0	0.0	0.0	0.0	0.0
GROSS (Million Pesos)	2,111,906.5	2,337,319.7	2,553,858.7	23.5	24.9	26.5	100.0	100.0	100.0
(Million USD)	195,951.5	214,807.4	233,777.8	0.0	0.0	0.0	0.0	0.0	0.0

Note: Figures may not add-up due to rounding.

\*\_/ Figures subject to revisions due to changes and methodological modifications.

p\_/ Preliminary.

1\_/ Includes the Liabilities of of the Federal Government, PEDBC's and Development Banks.

2\_/ The Net Debt results from subtracting the financial assets of the Federal Government, PEDBC's and Development Banks from the Gross Debt.

Source: Ministry of Finance and Public Credit

## FEDERAL PUBLIC SECTOR DOMESTIC DEBT, JANUARY-SEPTEMBER 2007

(Million pesos\*)

Concept	Outstanding Dec-06	Indebtedness			Adjust.	Outstanding Sep-07 <sup>P/J</sup>
		Disp.	Amort.	Net		
<b>NET DEBT</b>	<b>1,471,714.9</b>					<b>1,535,167.2</b>
Assets <sup>1/</sup>	-269,692.7					-394,609.2
<b>GROSS DEBT</b>	<b>1,741,407.6</b>	<b>1,221,829.8</b>	<b>1,038,825.4</b>	<b>183,004.4</b>	<b>5,364.4</b>	<b>1,929,776.4</b>
<b>STRUCTURE BY TERM</b>	<b>1,741,407.6</b>	<b>1,221,829.8</b>	<b>1,038,825.4</b>	<b>183,004.4</b>	<b>5,364.4</b>	<b>1,929,776.4</b>
Long-term	1,460,601.5	457,749.9	280,247.9	177,502.0	5,364.2	1,643,467.7
Short-term	280,806.1	764,079.9	758,577.5	5,502.4	0.2	286,308.7
<b>STRUCTURE BY USER</b>	<b>1,741,407.6</b>	<b>1,221,829.8</b>	<b>1,038,825.4</b>	<b>183,004.4</b>	<b>5,364.4</b>	<b>1,929,776.4</b>
Federal Government	1,672,782.4	1,159,854.4	990,828.0	169,026.4	5,846.6	1,847,655.4
Long-term	1,400,725.3	457,749.9	274,506.8	183,243.1	5,846.6	1,589,815.0
Short-term	272,057.1	702,104.5	716,321.2	-14,216.7	0.0	257,840.4
PEDBC's	19,353.0	21,175.4	3,520.6	17,654.8	-757.2	36,250.6
Long-term	19,353.0	0.0	145.5	-145.5	-757.2	18,450.3
Short-term	0.0	21,175.4	3,375.1	17,800.3	0.0	17,800.3
Development Banks	49,272.2	40,800.0	44,476.8	-3,676.8	275.0	45,870.4
Long-term	40,523.2	0.0	5,595.6	-5,595.6	274.8	35,202.4
Short-term	8,749.0	40,800.0	38,881.2	1,918.8	0.2	10,668.0
<b>STRUCTURE BY SOURCE</b>	<b>1,741,407.6</b>	<b>1,221,829.8</b>	<b>1,038,825.4</b>	<b>183,004.4</b>	<b>5,364.4</b>	<b>1,929,776.4</b>
Bonds placed in the local market	1,618,589.6	1,125,991.6	962,334.5	163,657.1	3,956.5	1,786,203.2
SAR	59,499.5	69,995.8	66,809.7	3,186.1	1,612.9	64,298.5
Commercial Banks	1,170.3	0.0	168.3	-168.3	25.2	1,027.2
Others	62,148.2	25,842.4	9,512.9	16,329.5	-230.2	78,247.5

Note: Figures may not add-up due to rounding.

\*\_/ Figures subject to revisions due to changes and methodological modifications.

p\_/ Preliminary.

1\_/ Includes the balance, denominated in pesos, of the General Account of the Federal Treasury and deposits in the national banking system as well as assets from PEDBC's and Development Banks.

Source: Ministry of Finance and Public Credit

Press Release

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

## FEDERAL PUBLIC SECTOR EXTERNAL DEBT, JANUARY-SEPTEMBER 2007

(Million Dollars\*)

Concept	Outstanding Dec-06	Indebtedness			Adjust.	Outstanding Sep-07 <sup>p./</sup>
		Disp.	Amort.	Net		
NET DEBT	47,247.2					39,424.3
Financial Assets Denominated in Foreign Currency <sup>1./</sup>	-7,519.1					-17,703.6
GROSS DEBT	54,766.3	12,950.6	14,035.2	-1,084.6	3,446.2	57,127.9
STRUCTURE BY TERM	54,766.3	12,950.6	14,035.2	-1,084.6	3,446.2	57,127.9
Long-term	53,921.6	5,528.8	7,439.2	-1,910.4	3,417.5	55,428.7
Short-term	844.7	7,421.8	6,596.0	825.8	28.7	1,699.2
STRUCTURE BY USER	54,766.3	12,950.6	14,035.2	-1,084.6	3,446.2	57,127.9
Federal Government	41,936.3	4,244.2	5,805.6	-1,561.4	1,946.7	42,321.6
Long-term	41,936.3	4,244.2	5,805.6	-1,561.4	1,946.7	42,321.6
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
PEDBC's	7,212.0	4,858.3	4,110.0	748.3	1,449.8	9,410.1
Long-term	7,202.8	1,225.2	1,154.4	70.8	1,446.4	8,720.0
Short-term	9.2	3,633.1	2,955.6	677.5	3.4	690.1
Development Banks	5,618.0	3,848.1	4,119.6	-271.5	49.7	5,396.2
Long-term	4,782.5	59.4	479.2	-419.8	24.4	4,387.1
Short-term	835.5	3,788.7	3,640.4	148.3	25.3	1,009.1
STRUCTURE BY SOURCE	54,766.3	12,950.6	14,035.2	-1,084.6	3,446.2	57,127.9
Publicly Placed Bonds	38,558.0	3,266.6	6,109.5	-2,842.9	1,914.5	37,629.6
IFI's	8,255.4	1,019.4	754.6	264.8	37.1	8,557.3
Commercial Banks	1,578.0	4,221.1	3,398.0	823.1	27.0	2,428.1
Bilateral	3,139.2	837.8	854.1	-16.3	45.0	3,167.9
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
Other <sup>2./</sup>	3,159.2	3,605.7	2,919.0	686.7	1,422.6	5,268.5

Note: Figures may not add-up due to rounding.

\*./ Figures subject to revisions due to changes and methodological modifications.

p./ Preliminary.

<sup>1./</sup> Includes the balance, denominated in pesos, of the General Account of the Federal Treasury and deposits in the national banking system as well as assets from PEDBC's and Development Banks.

<sup>2./</sup> Refers to movements of direct debt associated to the PIDIREGA projects.

Source: Ministry of Finance and Public Credit