



### **Report on Public Finances and Public Debt Second Quarter of 2008**

- *Despite less favorable international conditions, the Mexican economy maintained a pace of growth similar to the one observed in the first quarter of 2008 mainly due to the favorable evolution of domestic demand and exports with non-U.S. destination.*
- *Close to 290,000 formal jobs were created with respect to the end of 2007.*
- *Direct bank credit and all its components continued growing at high rates.*
  - *Public Finances recorded a surplus.*
- *Government revenues grew 9.3 percent in real annual terms during the first semester of 2008, mainly due to oil-related and non-oil tax revenues.*
- *Programmable expenditures expanded 15.2 percent in real annual terms during the first semester of 2008. Significant increases in budgetary physical investment (30.3 percent), shared revenues allocated to Federal Entities (23.1 percent) and expenditures on economic development (28.3 per cent) were observed.*
- *By the end of the first semester of 2008, the Public Sector's net domestic debt was 16.8 percent of GDP, 0.6 percentage points lower than the one observed at the end of the previous year. The average maturity of the government's internal debt increased by 195 days.*

The results of the Report on Public Finances and Public Debt for the second quarter of 2008 were published today. The following results stand out:

- **GDP is estimated to have grown at an annual rate of close to 3.0 percent during the second quarter of the year, implying a positive expansion in seasonally adjusted terms.**
- **During the April-May period of 2008, primary activities, industrial production and services grew by 6.4, 2.1 and 4.5 percent, respectively.**
- **During the second quarter of the year, sales of the main departmental and supermarket stores grew by 6.6 percent in real annual terms and the nominal value of manufacturing exports grew by 11.6 percent in real annual terms. In April 2008, gross fixed capital investment increased by 12.9 percent in annual terms.**
- **By the end of June 2008 the number of workers registered at the IMSS was 14 million 389 thousand 961 people, which implies an annual increase of 2.7 percent (372 thousand 855 people). During 2008, close to 290 thousand formal jobs have been created.**



- **Direct bank credit to the private sector increased at a real annual rate of 18.5 percent in May 2008. Within, all its components continued growing at high rates.**
- **During the first semester of 2008, the public balance recorded a surplus of Ps. 85.4 billion.**
- **The Public Sector's Borrowing Requirements were Ps 17.2 billion, 0.1 percent of the estimated GDP for 2008.**
- **The Public Sector's revenues increased 9.3 percent in real annual terms with respect to 2007. Oil-related and non-oil tax revenues increased 13.9 and 10.5 percent in real annual terms, respectively.**
- **The increase in oil revenues derived from a higher oil price was partially compensated as result of lower oil production and exports, an increase in gasoline imports and the observed exchange rate appreciation.**
- **Within non-oil tax revenues, the Income Tax-Unique Rate Corporate Tax, Imports, and VAT collection stand out with annual increases of 13.9, 9.7 and 6.7 percent, respectively.**
- **Net budgetary expenditures of the public sector were 13.3 percent higher in real annual terms than those registered during the same period of 2007. Programmable expenditures expanded by 15.2 percent in real annual terms. Within them, those channeled to economic and social development posted a real annual increase of 28.3 and 9.4 percent, respectively, both with respect to those observed during the first semester of 2007.**
- **Physical investment fostered by the public sector increased 11.5 percent in real terms and physical budgetary investment grew 30.3 percent compared to the first semester of 2007.**
- **Up to June, Federal resources transferred to States and Municipalities increased 18.6 percent in real annual terms. In particular, shareable revenues increased 23.1 percent in real annual terms.**
- **The public sector's financial cost was 10.4 percent lower in real terms with respect to the first semester of 2007.**
- **By the end of the first quarter, the Public Sector's net debt, which includes the Federal Government's net debt, PEDBC's and development banks net debts, was 16.8 percent of GDP. Within, domestic debt was 14.0 percent of GDP, while external debt was 2.8 percent of GDP.<sup>1</sup>**

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<sup>1</sup> These GDP proportions are calculated using the series of GDP with a new base year (2003), published in April 2008 by the National Institute of Statistics, Geography and Informatics (INEGI).



### **Economic Outlook**

During the second quarter of 2008, the Mexican economy had a similar pace of expansion to the one observed in the first quarter, despite less favorable international conditions. Among the productive sectors that experienced a more robust performance, the generation of electricity, trade, telecommunications and financial services stand out. Within aggregate demand, households' consumption, public spending channeled to gross fixed capital investment and the strong expansion of Mexican exports with non-U.S. destination constituted the main pillars of growth.

GDP is estimated to have grown at an annual rate of close to 3.0 percent during the second quarter of the year, which implies a positive expansion in seasonally adjusted terms.

This estimation is based on the following results:

- During the April-May bimonthly period of 2008 the Global Economic Activity Index (IGAE), the GDP proxy, grew 3.6 percent in real annual terms. The evolution by sector was the following:
  - ✓ Primary activities increased at an annual rate of 6.4 percent.
  - ✓ Industrial production grew by 2.1 percent in real annual terms. Within:
    - Mining production decreased at an annual rate of 9.0 percent.
    - Manufacturing production registered an annual growth of 4.9 percent.
    - Construction increased at an annual rate of 1.9 percent.
    - The electricity, gas and water sector expanded 8.6 percent in annual terms.
  - ✓ The supply of services grew 4.5 percent in real annual terms.
- The components of aggregate demand kept growing at high rates:
  - ✓ During the second quarter of 2008, the real value sales of stores affiliated to ANTAD grew at a 6.6 percent annual rate.
  - ✓ In April 2008, gross fixed capital investment grew 12.9 percent in real annual terms.
  - ✓ During the second quarter of 2008, the nominal US dollar value of total exports grew by 17.3 percent in annual terms. Oil related exports expanded 49.7 percent, while primary activities, mining and manufacturing exports increased 9.8, 28.1 and 11.6 percent, respectively. Imports of goods posted an annual increase of 14.7 percent; capital, consumer and intermediate goods imports grew 20.4, 13.5 and 14.1 percent, respectively.

By the end of June 2008 the number of workers registered at the IMSS was 14 million 389 thousand 961 people, implying an expansion of 372 thousand 855 formal jobs (2.7 percent). During the year, 289,874 formal jobs have been created.



In June 2008, annual headline inflation was 5.26 percent, 1.01 percentage points higher than the one registered at the end of the first quarter of the year (4.25 percent). This increase is mainly due to the observed pressures arising from higher international prices of food, energy and metals.

During the second quarter of 2008, the stock market index (IPyC) maintained a downward trend due to the observed volatility in U.S. stock markets. In this context, during the second quarter the stock market index (IPyC) posted a 4.91 percent nominal decrease with respect to the closing value of March 2008, reaching 29,395 units.

The spot exchange rate was 10.31 pesos per USD on June 30th, which implied a nominal appreciation of 3.1 percent with respect to the closing value of March 2008.

Banking credit to households and firms posted an increase of 18.5 percent in real annual terms in May (a Ps. 300.5 billion expansion in flow terms). Within, credit for firms and individuals with entrepreneurial activities, for housing and for consumption grew 27.3, 18.1 and 10.0 percent in real annual terms, respectively.<sup>2</sup>

### **Public Finances**

During the first semester of 2008 the public balance recorded a surplus of Ps.85.4 billion, amount that is Ps. 30.9 billion lower than the amount observed during the same period of 2007. This result is consistent with the annual goal of a balanced budget. The primary surplus up to June was Ps. 207.5 billion, amount Ps. 47.6 billion lower than the one registered in 2007.

The public sector's budgetary revenues were Ps. 1,363.7 billion, 9.3 percent higher in real terms than the ones registered in the January-June period of 2007. With respect to the programmed calendar published on December 28, 2007 in the Official Gazette of the Federation, budgetary revenues were of Ps. 47.2 billion higher during the first semester of the year (3.6 percent).

Non-oil tax revenues grew by 10.5 percent in real annual terms with respect to the first semester of 2007. Worth noting are real growth rates of 13.9, 9.7 and 6.7 percent in the Income Tax-Unique Rate Corporate tax, Imports tax and VAT collection, respectively. Oil revenues increased 13.9 percent in real terms due to the increase in the price of oil by 73.4 percent which compensated for decreases in oil production and export platforms of 7.9 and 12.9 percent, respectively; the 54.7 percent real increase in the value of imports, and the observed exchange rate appreciation of 7.1 percent in real terms. Revenues from public entities under budgetary control other than PEMEX showed a real increase of 4.6 percent with respect to the previous year. The Federal Government's non-tax non-oil revenues were 18.5 percent lower, in real terms, than those observed in the same period of the previous year, mainly due to significantly higher non-recurrent revenues obtained in 2007.

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<sup>2</sup> Since March 2008, statistics of credit to consumption have been affected due to the transfer of the loan portfolio of Banamex credit cards to the SOFOM "Banamex cards". The reported growth rate is adjusted by this operation.



During the January-June period of 2008 the net budgetary expenditures of the public sector totaled Ps. 1,274.8 billion, 13.3 percent higher in real terms compared with the amount observed in the same period of 2007. Programmable expenditure was Ps. 913.2 billion, which implies a 15.2 percent increase with respect to the first semester of 2007. Regarding public sector expenditures during the first semester of 2008, the following elements are worth highlighting:

- Expenditures channeled to social development was 9.4 percent higher in real terms with respect to the same period of 2007; worth noting are the real increases of expenditures on social assistance, urbanization, housing and regional development and education (80.9, 20.4 and 11.1 percent in real terms, respectively).
- Expenditures on economic development increased 28.3 percent in real annual terms compared to the first semester of 2007.
- Budgetary physical investment expenditures increased at a real annual rate of 30.3 percent, and physical investment fostered by the public sector increased by 11.5 percent in real annual terms.
- Federal resources transferred to States and Municipalities through federal contributions, shareable revenues, wage and economic provisions, agreements of decentralization and reallocations increased 18.6 percent in real terms. In particular, shareable revenues increased 23.1 percent in real terms.
- Expenditures on personnel services increased 6.3 percent as a result of the increases in activities related with social security, order, security and justice, education and energy (38.1, 24.2, 10.4 and 7.4, respectively). Expenditures on other governmental activities did not register real increases.
- Pension expenditures registered a real increase of 8.9 percent with respect to the first semester of 2007.
- The public sector's financing cost decreased 10.4 percent in real terms compared with the same period of last year.

The National Infrastructure Fund began its operation in May 2008. It is worth noting that during the first meeting of the Technical Committee investments of more than Ps. 7 billion were approved, which will benefit close to seven million people through infrastructure projects in the areas of communications and transport, water, environment and tourism.

In addition, in May 2008, the Financing Program for Construction of Social Infrastructure in Municipalities Banobras-FAIS was announced, which will boost the development of social infrastructure in the country's municipalities, with special emphasis on the least developed ones. This financing program will allow the acceleration of the delivery of resources to municipalities by up to 25 percent of the Municipal Social Infrastructure Contributions Fund (FISM) with the aim of supporting the implementation of investment projects that will directly benefit the population in extreme poverty in the following areas:



- Drinkable water, sewerage, drainage, latrines, municipal urbanization, electrification of rural zones and poor neighborhoods, basic health infrastructure, basic educational infrastructure, housing improvement, rural roads and productive rural infrastructure.
- Actions and measures with regional or inter-municipal impact.

In the same month, the entities and ministries of the Federal Public Administration were informed of the Rationality and Savings Measures for the fiscal year 2008 in order to achieve the saving goals set by this Administration. The measures are the following:

- A one percent reduction in personal services expenditures.
- Freezing of vacancies from June 2008 until February 2009.
- A one percent reduction in operational expenditures, excluding personnel services; major programs in accordance to Annex 19 of the Budget Decree for 2008; and resources channeled to social programs and the provision of public goods and services.

The above measures are in accordance with the Medium-Term Program (MTP) as a strategy to promote higher efficiency and effectiveness of the Federal Public Administration through measures to modernize and improve public services, promote productivity in government entities and reduce operating expenses.

On May 2008, the Decree that reforms, incorporates and eliminates some dispositions from the Political Constitution of the United Mexican States was published in the Federation's Official Gazette. The Decree seeks to orient the exercise of public spending and the duties of the whole public administration, at the three levels of government, towards the delivery of clear and tangible results for the society. The measures are the following:

- The establishment of results-based budgeting in order to allocate resources to public programs in function of the needs of citizens and their observed results.
- A strengthening of auditing procedures of public resources by giving greater independence and technical competence to the audit organs of the legislative branch. New attributions will be given to these organs to ensure an efficient performance and to have a procedure to complete the revision of the Public Sector Account in a more timely and efficient manner.
- The obligation to manage public resources under the principle of transparency, giving clear and accountable results to the society about revenues and the use of the public resources.
- Giving the Congress the possibility to authorize, at a Federal level, resources for infrastructure projects beyond the duration of a fiscal year. With the multi-annual principle, greater certainty will be provided to public investment, due to the fact that the Federal Government may assure spending commitments during the full development of public projects.



### **Public Debt**

The central objective of the actions in terms of public debt management is to satisfy the funding needs of the Federal Government at the lowest possible cost, maintaining a level of risk consistent with the healthy evolution of public finances and the development of local financial markets. In line with this objective, the Public Debt strategy described in the Annual Financing Plan 2008 is based on two main guidelines: i) continue favoring the use of long term debt in pesos to finance the Federal Government's deficit and ii) implement a liabilities policy focused on improving the cost and term structure of external debt, setting a net dis-indebtedness target, except for the financing obtained from international financial organisms.

During the second quarter of 2008, actions in line with this objective were undertaken, such as the issue of Warrants during April in order to exchange foreign debt for domestic one as well as Bonos and Udibonos swap transactions.

By the end of the second quarter of 2008, the Federal Government's net debt balance was Ps. 2,179.6 billion. Within, 80.4 percent corresponds to domestic debt and 19.6 percent to external debt. As a percentage of GDP, the Federal Government's debt stood at 17.7 percent (14.2 percentage points of GDP corresponds to domestic debt and 3.5 percentage points to external debt), an amount lower than the 18.9 percent level observed at the end of 2007.

Domestic net debt of the Federal Government at the end of the second quarter amounted to Ps. 1,751.9 billion, a level lower by Ps. 36.4 billion than that at the end of 2007. This was the result of: a) Ps. 95.3 billion of net borrowing, b) an increase in Federal Government assets by Ps. 141.5 billion c) upward accounting adjustments by Ps. 10.3 billion pesos, derived from the inflationary impact in indexed domestic debt.

The share of long-term fixed-rate Government securities increased from 54.2 percent at the end of 2007 to 56.8 percent at the end of the second quarter of 2008 and the average maturity of domestic debt increased by 0.53 years (195 days), from 5.59 to 6.12 years.

At the end of the second quarter, the net external debt of the Federal Government stood at USD 41.6 billion, USD 0.3 billion higher than at the end of 2007. This was the result of: a) USD 1.3 billion of net indebtedness, b) upward accounting adjustments by USD 0.7 billion, reflecting both the dollar exchange rate adjustment against other currencies in which the debt is issued as well as the change of the market value of the liabilities, and c) a decrease in Federal Government assets in foreign currency by USD 0.86 billion.

At the end of the second quarter of 2008, 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 16.8 percent of GDP, 0.6 percentage points lower than the one at the end of 2007. Domestic debt stood at 14.0 of GDP, 0.2 percentage points lower than the one observed at the end of



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Press Release

Mexico City, July 30<sup>th</sup> 2008

2007. The ratio of net external debt to GDP was 2.8 percent, 0.4 percentage points lower than the one posted at the end of 2007.

At the end of the second quarter, the Historical Balance of the Public Sector's Borrowing Requirements, the broadest definition of the Public Sector's liabilities, was Ps. 3,509.2 billion, amount equivalent to 28.5 percent of GDP, which is 1.3 GDP percentage points lower than the one at the end of 2007.





## ANNEX

| PUBLIC SECTOR OVERALL BALANCE<br>(Million pesos) |                     |                     |                  |               |       |
|--|---------------------|---------------------|------------------|---------------|-------|
| Concept  | January-June        |                     | Real %<br>Growth | Composition % |       |
|  | 2007 <sup>p./</sup> | 2008 <sup>p./</sup> |                  | 2007          | 2008  |
| <b>PUBLIC BALANCE (I+II)</b>                     | <b>111,363.9</b>    | <b>85,372.2</b>     | <b>-26.6</b>     |               |       |
| I. Budgetary Balance (a-b)                       | 116,422.0           | 88,242.1            | -27.4            |               |       |
| a) Budgetary Revenues                            | 1,194,117.6         | 1,363,066.2         | 9.3              | 100.0         | 100.0 |
| Oil related                                      | 396,756.3           | 471,675.9           | 13.9             | 33.2          | 34.6  |
| Federal Government                               | 239,416.1           | 390,867.9           | 56.4             | 20.0          | 28.7  |
| PEMEX  | 157,340.2           | 80,808.0            | -50.8            | 13.2          | 5.9   |
| Non-oil related                                  | 797,361.3           | 891,390.3           | 7.1              | 66.8          | 65.4  |
| Federal Government                               | 608,285.1           | 684,968.7           | 7.9              | 50.9          | 50.3  |
| Tax  | 553,322.5           | 638,196.1           | 10.5             | 46.3          | 46.8  |
| Non-tax  | 54,962.7            | 46,772.6            | -18.5            | 4.6           | 3.4   |
| PEDBC  | 189,076.1           | 206,421.5           | 4.6              | 15.8          | 15.1  |
| b) Net Budgetary Expenditures                    | 1,077,695.6         | 1,274,824.1         | 13.3             | 100.0         | 100.0 |
| Programmable                                     | 759,136.3           | 913,219.9           | 15.2             | 70.4          | 71.6  |
| Non programmable                                 | 318,559.2           | 361,604.2           | 8.7              | 29.6          | 28.4  |
| II. PEIBC  | -5,058.1            | -2,869.9            | n.s.             |               |       |
| Primary Balance                                  | 244,331.0           | 207,514.3           | -18.6            |               |       |

Note: Figures may not add up due to rounding.

p./ Preliminary figures.

Source: Ministry of Finance and Public Credit.



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Mexico City, July 30<sup>th</sup> 2008

## PUBLIC SECTOR REVENUES (Million pesos)

| Concept                              | January- June       |                     | Real %<br>growth | Composition %       |                     |
|--------------------------------------|---------------------|---------------------|------------------|---------------------|---------------------|
|                                      | 2007 <sup>p./</sup> | 2008 <sup>p./</sup> |                  | 2007 <sup>p./</sup> | 2008 <sup>p./</sup> |
| <b>BUDGETARY REVENUES (I+II)</b>     | <b>1,194,117.6</b>  | <b>1,363,066.2</b>  | <b>9.3</b>       | <b>100.0</b>        | <b>100.0</b>        |
| I. Oil related (a+b)                 | 396,756.3           | 471,675.9           | 13.9             | 33.2                | 34.6                |
| a) PEMEX                             | 157,340.2           | 80,808.0            | -50.8            | 13.2                | 5.9                 |
| b) Federal Government                | 239,416.1           | 390,867.9           | 56.4             | 20.0                | 28.7                |
| Rights and royalties on oil products | 258,273.3           | 491,790.3           | 82.4             | 21.6                | 36.1                |
| Excise taxes                         | -21,354.4           | -103,907.6          | n.s.             | -1.8                | -7.6                |
| Tax on Downstream Returns            | 2,497.2             | 2,985.3             | 14.5             | 0.2                 | 0.2                 |
| II. Non-oil related (c+d)            | 797,361.3           | 891,390.3           | 7.1              | 66.8                | 65.4                |
| c) Federal Government                | 608,285.1           | 684,968.7           | 7.9              | 50.9                | 50.3                |
| Tax                                  | 553,322.5           | 638,196.1           | 10.5             | 46.3                | 46.8                |
| Income Tax and IETU                  | 285,161.4           | 339,060.1           | 13.9             | 23.9                | 24.9                |
| Income tax                           | 276,737.4           | 308,704.6           | 6.9              | 23.2                | 22.6                |
| IMPAC                                | 8,424.0             | 2,276.0             | -74.1            | 0.7                 | 0.2                 |
| IETU (Unique Rate Corporate Tax)     | 0.0                 | 28,079.5            | n.a.             | 0.0                 | 2.1                 |
| VAT                                  | 209,693.4           | 233,647.1           | 6.7              | 17.6                | 17.1                |
| Excise taxes                         | 20,394.7            | 23,147.0            | 8.7              | 1.7                 | 1.7                 |
| Import taxes                         | 14,266.9            | 16,334.6            | 9.7              | 1.2                 | 1.2                 |
| IDE (Tax on cash deposits)           | 0.0                 | 0.0                 | n.a.             | 0.0                 | 0.0                 |
| Others <sup>1/</sup>                 | 23,806.1            | 26,007.3            | 4.6              | 2.0                 | 1.9                 |
| Non-tax                              | 54,962.7            | 46,772.6            | -18.5            | 4.6                 | 3.4                 |
| Rights                               | 12,527.0            | 15,075.1            | 15.3             | 1.0                 | 1.1                 |
| Fees                                 | 38,998.8            | 28,421.5            | -30.2            | 3.3                 | 2.1                 |
| Others                               | 3,436.8             | 3,276.1             | -8.7             | 0.3                 | 0.2                 |
| d) PEDBC <sup>2/</sup>               | 189,076.1           | 206,421.5           | 4.6              | 15.8                | 15.1                |
| <b>Memorandum items:</b>             |                     |                     |                  |                     |                     |
| Total tax related                    | 534,465.3           | 537,273.7           | -3.7             | 44.8                | 39.4                |
| Total non-tax related                | 659,652.2           | 825,792.5           | 19.9             | 55.2                | 60.6                |

Note: Figures may not add up due to rounding.

p./ Preliminary figures.

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

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

Source: Ministry of Finance and Public Credit.



**BUDGETARY REVENUES, JANUARY-JUNE OF 2008**  
(Million Pesos)

|                                      | Programmed         | Observed <sup>p_/</sup> | Difference      |
|--------------------------------------|--------------------|-------------------------|-----------------|
| <b>TOTAL (I+II)</b>                  | <b>1,315,873.7</b> | <b>1,363,066.2</b>      | <b>47,192.5</b> |
| I. Oil related (a+b)                 | 439,799.1          | 471,675.9               | 31,876.8        |
| a) PEMEX                             | 139,927.0          | 80,808.0                | -59,119.0       |
| b) Federal Government                | 299,872.1          | 390,867.9               | 90,995.8        |
| Rights and royalties on oil products | 287,174.5          | 491,790.3               | 204,615.8       |
| Excise taxes                         | 10,204.4           | -103,907.6              | -114,112.0      |
| Tax on Downstream Returns            | 2,493.2            | 2,985.3                 | 492.1           |
| II. Non-oil related (c+d)            | 876,074.6          | 891,390.3               | 15,315.7        |
| c) Federal Government                | 678,262.6          | 684,968.7               | 6,706.1         |
| Tax                                  | 643,904.4          | 638,196.1               | -5,708.3        |
| Income Tax and IETU                  | 354,572.0          | 339,060.1               | -15,511.9       |
| Income tax                           | 322,228.8          | 308,704.6               | -13,524.2       |
| IMPAC                                | 741.5              | 2,276.0                 | 1,534.5         |
| IETU (Unique Rate Corporate Tax)     | 31,601.7           | 28,079.5                | -3,522.2        |
| VAT                                  | 230,954.3          | 233,647.1               | 2,692.8         |
| Excise taxes                         | 22,795.9           | 23,147.0                | 351.1           |
| Import taxes                         | 11,537.5           | 16,334.6                | 4,797.1         |
| IDE (Tax on cash deposits)           | 0.0                | 0.0                     | 0.0             |
| Others <sup>1_/</sup>                | 24,044.7           | 26,007.3                | 1,962.6         |
| Non-tax                              | 34,358.2           | 46,772.6                | 12,414.4        |
| Rights                               | 6,186.7            | 15,075.1                | 8,888.4         |
| Fees                                 | 25,488.7           | 28,421.5                | 2,932.8         |
| Others                               | 2,682.8            | 3,276.1                 | 593.3           |
| d) PEDBC <sup>2_/</sup>              | 197,812.0          | 206,421.5               | 8,609.5         |
| <b>Memorandum items:</b>             |                    |                         |                 |
| Total tax related                    | 656,602.0          | 537,273.7               | -119,328.3      |
| Total non-tax related                | 659,271.7          | 825,792.5               | 166,520.8       |

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.



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Mexico City, July 30<sup>th</sup> 2008

| PUBLIC SECTOR BUDGETARY EXPENDITURES |               |             |                  |               |          |
|--------------------------------------|---------------|-------------|------------------|---------------|----------|
| (Million pesos)                      |               |             |                  |               |          |
| Concept                              | January- June |             | Real %<br>Growth | Composition % |          |
|                                      | 2007p_/       | 2008 p_/    |                  | 2007p_/       | 2008 p_/ |
| <b>TOTAL (I+II)</b>                  | 1,077,695.6   | 1,274,824.1 | 13.3             | 100.0         | 100.0    |
| I. Primary expenditures (a+b)        | 958,833.1     | 1,163,604.3 | 16.2             | 89.0          | 91.3     |
| a) Programmable                      | 759,136.3     | 913,219.9   | 15.2             | 70.4          | 71.6     |
| b) Non-programmable                  | 199,696.8     | 250,384.4   | 20.1             | 18.5          | 19.6     |
| II. Financing Cost <sup>1_/</sup>    | 118,862.4     | 111,219.9   | -10.4            | 11.0          | 8.7      |

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.



Press Release

Mexico City, July 30<sup>th</sup> 2008

| <b>FEDERAL GOVERNMENT DEBT, JUNE <sup>*_/</sup></b> |                   |                 |                        |          |         |        |                 |        |         |
|---|-------------------|-----------------|------------------------|----------|---------|--------|-----------------|--------|---------|
| CONCEPT   | Outstanding as of |                 |                        | % of GDP |         |        | Structure ( % ) |        |         |
|   | Dec. 06           | Dec. 07         | Jun. 08 <sup>p_/</sup> | Dec. 06  | Dec. 07 | Jun 08 | Dec. 06         | Dec 07 | Jun. 08 |
| <b>DOMESTIC DEBT :</b>                              |                   |                 |                        |          |         |        |                 |        |         |
| NET (Mill. pesos)                                   | 1,547,112.<br>1   | 1,788,339.<br>0 | 1,751,916.<br>9        | 14.5     | 15.1    | 14.2   | 78.1            | 79.9   | 80.4    |
| GROSS (Mill. pesos)                                 | 1,672,782.<br>4   | 1,896,260.<br>8 | 2,001,315.<br>1        | 15.6     | 16.0    | 16.3   | 78.6            | 80.5   | 82.4    |
| <b>EXTERNAL DEBT:</b>                               |                   |                 |                        |          |         |        |                 |        |         |
| NET (Million USD)                                   | 39,806.6          | 41,281.4        | 41,583.0               | 4.0      | 3.8     | 3.5    | 21.9            | 20.1   | 19.6    |
| GROSS (Million USD)                                 | 41,936.3          | 42,251.4        | 41,692.5               | 4.3      | 3.9     | 3.5    | 21.4            | 19.5   | 17.6    |
| <b>TOTAL DEBT:</b>                                  |                   |                 |                        |          |         |        |                 |        |         |
| NET (Million pesos)                                 | 1,980,247.<br>7   | 2,236,910.<br>9 | 2,179,560.<br>6        | 18.5     | 18.9    | 17.7   | 100.0           | 100.0  | 100.0   |
| (Million USD)                                       | 181,991.3         | 205,859.5       | 211,935.0              |          |         |        |                 |        |         |
| GROSS (Million pesos)                               | 2,129,091.<br>3   | 2,355,373.<br>0 | 2,430,084.<br>9        | 19.9     | 19.9    | 19.8   | 100.0           | 100.0  | 100.0   |
| (Million USD)                                       | 195,670.6         | 216,761.4       | 236,295.3              |          |         |        |                 |        |         |

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

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

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

p\_/ Preliminary.

Source: Ministry of Finance and Public Credit.



| FEDERAL GOVERNMENT DOMESTIC DEBT, JANUARY-JUNE <sup>*_</sup> |                                 |                  |                      |                 |                           |   |
|--|---------------------------------|------------------|----------------------|-----------------|---------------------------|---|
| (Million pesos)  |                                 |                  |                      |                 |                           |   |
| Concept  | Outstanding<br>December<br>2007 | Disp.            | Indebtness<br>Amort. | Net             | Adjustments <sup>1_</sup> | Outstanding<br>June<br>2008 <sup>p_</sup> |
| <b>Net Domestic debt balance</b>                             | <b>1,788,339.0</b>              |                  |                      |                 |                           | <b>1,751,916.9</b>                        |
| Assets <sup>2_</sup>   | 107,921.8                       |                  |                      |                 |                           | 249,398.2                                 |
| <b>Gross Domestic debt balance</b>                           | <b>1,896,260.8</b>              | <b>799,674.8</b> | <b>704,647.0</b>     | <b>95,027.8</b> | <b>10,026.5</b>           | <b>2,001,315.1</b>                        |
| Government Securities  | 1,795,833.3                     | 692,876.7        | 602,869.7            | 90,007.0        | 7,601.4                   | 1,893,441.7                               |
| Cetes  | 340,453.7                       | 477,975.7        | 493,752.0            | -15,776.3       | 0.0                       | 324,677.4                                 |
| Bondes   | 137,509.1                       | 0.0              | 49,509.1             | -49,509.1       | 0.0                       | 88,000.0                                  |
| Bondes "D"   | 187,490.3                       | 13,700.0         | 0.0                  | 13,700.0        | 0.0                       | 201,190.3                                 |
| Fixed rate development bonds                                 | 895,052.9                       | 159,565.3        | 57,379.5             | 102,185.8       | 2,102.3                   | 999,341.0                                 |
| Udibonos   | 235,327.3                       | 41,635.7         | 2,229.1              | 39,406.6        | 5,499.1                   | 280,233.0                                 |
| Udibonos <i>udi's</i>  | 59,834.3                        | 10,459.9         | 562.5                | 9,897.4         | 60.9                      | 69,792.6                                  |
| S.A.R. saving funds  | 62,937.8                        | 104,130.9        | 97,616.2             | 6,514.7         | 1,884.9                   | 71,337.4                                  |
| Siefores (pesos)   | 879.2                           | 7.9              | 242.3                | -234.4          | 13.9                      | 658.7                                     |
| Siefores <i>udi's</i>  | 223.5                           | 2.0              | 61.4                 | -59.4           | 0.0                       | 164.1                                     |
| Others   | 36,610.5                        | 2,659.3          | 3,918.8              | -1,259.5        | 526.3                     | 35,877.3                                  |

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

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

p\_ / Preliminary.

1\_ / Adjustment for inflation.

2\_ / Includes 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.



Press Release

Mexico City, July 30<sup>th</sup> 2008

| FEDERAL GOVERNMENT EXTERNAL DEBT, JANUARY-JUNE <sup>*_</sup> |                                 |                |                |                 |              |   |
|--|---------------------------------|----------------|----------------|-----------------|--------------|---|
| (Million USD)  |                                 |                |                |                 |              |   |
| Concept  | Outstanding<br>December<br>2007 | Disp.          | Indebtness     |                 | Adjustments  | Outstanding<br>June<br>2008 <sup>p_</sup> |
|  |                                 |                | Amort.         | Net             |              |   |
| <b>Net Debt</b>  | <b>41,281.4</b>                 |                |                |                 |              | <b>41,583.0</b>                           |
| Assets <sup>1_</sup>   | 970.0                           |                |                |                 |              | 109.5                                     |
| <b>Gross Debt</b>  | <b>42,251.4</b>                 | <b>1,671.5</b> | <b>2,974.5</b> | <b>-1,303.0</b> | <b>744.1</b> | <b>41,692.5</b>                           |
| Capital Markets  | 35,352.3                        | 1,500.0        | 2,717.5        | -1,217.5        | 676.3        | 34,811.1                                  |
| IFI'S  | 6,622.7                         | 171.5          | 247.8          | -76.3           | 54.9         | 6,601.3                                   |
| Bilateral Credit   | 199.9                           | 0.0            | 9.2            | -9.2            | 12.9         | 203.6                                     |
| Others   | 76.5                            | 0.0            | 0.0            | 0.0             | 0.0          | 76.5                                      |

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 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, July 30<sup>th</sup> 2008

| <b>FEDERAL PUBLIC SECTOR DEBT, JUNE <sup>*_</sup></b> |                   |                 |                       |          |         |         |                 |         |         |
|---|-------------------|-----------------|-----------------------|----------|---------|---------|-----------------|---------|---------|
| CONCEPT   | Outstanding as of |                 |                       | % of GDP |         |         | Structure ( % ) |         |         |
|   | Dec. 06           | Dec. 07         | Jun. 08 <sup>P_</sup> | Dec. 06  | Dec. 07 | Jun. 08 | Dec. 06         | Dec. 07 | Jun. 08 |
| <b>DOMESTIC DEBT :</b>                                |                   |                 |                       |          |         |         |                 |         |         |
| NET (Mill. pesos)                                     | 1,471,714.<br>9   | 1,686,787.<br>0 | 1,732,178.<br>1       | 13.8     | 14.2    | 14.0    | 74.1            | 81.8    | 83.6    |
| GROSS (Mill. pesos)                                   | 1,741,407.<br>6   | 1,957,992.<br>3 | 2,096,064.<br>0       | 16.3     | 16.6    | 17.0    | 74.5            | 76.5    | 78.0    |
| <b>EXTERNAL DEBT:</b>                                 |                   |                 |                       |          |         |         |                 |         |         |
| NET (Mill. USD)                                       | 47,247.2          | 34,532.5        | 33,045.3              | 4.8      | 3.2     | 2.8     | 25.9            | 18.2    | 16.4    |
| GROSS (Mill. USD)                                     | 54,766.3          | 55,354.9        | 57,630.6              | 5.5      | 5.1     | 4.8     | 25.5            | 23.5    | 22.0    |
| <b>TOTAL DEBT: <sup>1_</sup></b>                      |                   |                 |                       |          |         |         |                 |         |         |
| NET (Million pesos)                                   | 1,985,812.<br>1   | 2,062,023.<br>8 | 2,072,019.<br>1       | 18.6     | 17.4    | 16.8    | 100.0           | 100.0   | 100.0   |
| (Million USD)   | 182,502.7         | 189,765.0       | 201,477.9             |          |         |         |                 |         |         |
| GROSS (Million pesos)                                 | 2,337,319.<br>7   | 2,559,489.<br>7 | 2,688,742.<br>9       | 21.8     | 21.7    | 21.8    | 100.0           | 100.0   | 100.0   |
| (Million USD)   | 214,807.4         | 235,546.0       | 261,446.6             |          |         |         |                 |         |         |

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

The Net Debt results from subtracting the Federal Government's financial assets from the Gross Debt., public entities and Development Banks assets.

\*\_ / 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, July 30<sup>th</sup> 2008

FEDERAL PUBLIC SECTOR DOMESTIC DEBT, JANUARY-JUNE 2008

(Million pesos\*)

| Concept                          | Outstanding<br>Dec-07 | Indebtedness     |                  |                  | Adjust.         | Outstanding<br>Jun-08 <sup>p./</sup> |
|----------------------------------|-----------------------|------------------|------------------|------------------|-----------------|--------------------------------------|
|                                  |                       | Disp.            | Amort.           | Net              |                 |                                      |
| <b>NET DEBT</b>                  | <b>1,686,787.0</b>    |                  |                  |                  |                 | <b>1,732,178.1</b>                   |
| Assets <sup>1/</sup>             | 271,205.3             |                  |                  |                  |                 | 363,885.9                            |
| <b>GROSS DEBT</b>                | <b>1,957,992.3</b>    | <b>933,007.3</b> | <b>811,632.5</b> | <b>121,374.8</b> | <b>16,696.9</b> | <b>2,096,064.0</b>                   |
| <b>STRUCTURE BY TERM</b>         | <b>1,957,992.3</b>    | <b>933,007.3</b> | <b>811,632.5</b> | <b>121,374.8</b> | <b>16,696.9</b> | <b>2,096,064.0</b>                   |
| Long-term                        | 1,690,521.3           | 366,011.3        | 252,829.4        | 113,181.9        | 7,691.4         | 1,811,394.6                          |
| Short-term                       | 267,471.0             | 566,996.0        | 558,803.1        | 8,192.9          | 9,005.5         | 284,669.4                            |
| <b>STRUCTURE BY USER</b>         | <b>1,957,992.3</b>    | <b>933,007.3</b> | <b>811,632.5</b> | <b>121,374.8</b> | <b>16,696.9</b> | <b>2,096,064.0</b>                   |
| Federal Government               | 1,896,260.8           | 799,674.8        | 704,647.0        | 95,027.8         | 10,026.5        | 2,001,315.1                          |
| Long-term                        | 1,634,957.6           | 357,299.6        | 249,281.2        | 108,018.4        | 10,026.5        | 1,753,002.5                          |
| Short-term                       | 261,303.2             | 442,375.2        | 455,365.8        | -12,990.6        | 0.0             | 248,312.6                            |
| PEDBC's                          | 21,120.1              | 29,912.8         | 6,524.5          | 23,388.3         | -1,948.7        | 42,559.7                             |
| Long-term                        | 21,120.1              | 0.0              | 90.0             | -90.0            | -1,948.7        | 19,081.4                             |
| Short-term                       | 0.0                   | 29,912.8         | 6,434.5          | 23,478.3         | 0.0             | 23,478.3                             |
| Development Banks                | 40,611.4              | 103,419.7        | 100,461.0        | 2,958.7          | 8,619.1         | 52,189.2                             |
| Long-term                        | 34,443.6              | 8,711.7          | 3,458.2          | 5,253.5          | -386.4          | 39,310.7                             |
| Short-term                       | 6,167.8               | 94,708.0         | 97,002.8         | -2,294.8         | 9,005.5         | 12,878.5                             |
| <b>STRUCTURE BY SOURCE</b>       | <b>1,957,992.3</b>    | <b>933,007.3</b> | <b>811,632.5</b> | <b>121,374.8</b> | <b>16,696.9</b> | <b>2,096,064.0</b>                   |
| Bonds placed in the local market | 1,835,828.8           | 796,284.7        | 703,320.3        | 92,964.4         | 16,251.3        | 1,945,044.5                          |
| SAR                              | 62,937.8              | 104,130.9        | 97,616.2         | 6,514.7          | 1,884.9         | 71,337.4                             |
| Commercial Banks                 | 974.5                 | 21,511.7         | 4,100.4          | 17,411.3         | -30.8           | 18,355.0                             |
| Others                           | 58,251.2              | 11,080.0         | 6,595.6          | 4,484.4          | -1,408.5        | 61,327.1                             |

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

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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, July 30<sup>th</sup> 2008

FEDERAL PUBLIC SECTOR EXTERNAL DEBT, JANUARY-JUNE 2008  
(Million Dollars\*)

| Concept   | Outstanding<br>Dec-07 | Indebtedness |          |          | Adjust. | Outstanding<br>Jun-08 <sup>p,1</sup> |
|---|-----------------------|--------------|----------|----------|---------|--------------------------------------|
|   |                       | Disp.        | Amort.   | Net      |         |                                      |
| NET DEBT  | 34,532.5              |              |          |          |         | 33,045.3                             |
| Financial Assets Denominated in Foreign Currency 1_/_ | 20,822.4              |              |          |          |         | 24,585.3                             |
| GROSS DEBT  | 55,354.9              | 11,961.9     | 10,961.3 | 1,000.6  | 1,275.1 | 57,630.6                             |
| STRUCTURE BY TERM                                     | 55,354.9              | 11,961.9     | 10,961.3 | 1,000.6  | 1,275.1 | 57,630.6                             |
| Long-term   | 54,435.0              | 5,488.8      | 6,497.1  | -1,008.3 | 1,261.5 | 54,688.2                             |
| Short-term  | 919.9                 | 6,473.1      | 4,464.2  | 2,008.9  | 13.6    | 2,942.4                              |
| STRUCTURE BY USER                                     | 55,354.9              | 11,961.9     | 10,961.3 | 1,000.6  | 1,275.1 | 57,630.6                             |
| Federal Government                                    | 42,251.4              | 1,671.5      | 2,974.5  | -1,303.0 | 744.1   | 41,692.5                             |
| Long-term   | 42,251.4              | 1,671.5      | 2,974.5  | -1,303.0 | 744.1   | 41,692.5                             |
| Short-term  | 0.0                   | 0.0          | 0.0      | 0.0      | 0.0     | 0.0                                  |
| PEDBC's   | 7,857.3               | 7,799.0      | 4,737.9  | 3,061.1  | 473.2   | 11,391.6                             |
| Long-term   | 7,857.3               | 3,674.8      | 2,573.7  | 1,101.1  | 469.6   | 9,428.0                              |
| Short-term  | 0.0                   | 4,124.2      | 2,164.2  | 1,960.0  | 3.6     | 1,963.6                              |
| Development Banks                                     | 5,246.2               | 2,491.4      | 3,248.9  | -757.5   | 57.8    | 4,546.5                              |
| Long-term   | 4,326.3               | 142.5        | 948.9    | -806.4   | 47.8    | 3,567.7                              |
| Short-term  | 919.9                 | 2,348.9      | 2,300.0  | 48.9     | 10.0    | 978.8                                |
| STRUCTURE BY SOURCE                                   | 55,354.9              | 11,961.9     | 10,961.3 | 1,000.6  | 1,275.1 | 57,630.6                             |
| Publicly Placed Bonds                                 | 36,964.0              | 1,500.0      | 2,860.0  | -1,360.0 | 694.4   | 36,298.4                             |
| IFI's   | 9,154.7               | 210.4        | 818.5    | -608.1   | 72.0    | 8,618.6                              |
| Commercial Banks                                      | 1,553.5               | 5,814.1      | 4,771.2  | 1,042.9  | 12.3    | 2,608.7                              |
| Bilateral   | 2,932.6               | 313.4        | 347.4    | -34.0    | 73.7    | 2,972.3                              |
| Restructured 1989-1990                                | 76.5                  | 0.0          | 0.0      | 0.0      | 0.0     | 76.5                                 |
| Pidiregas   | 4,673.6               | 4,124.0      | 2,164.2  | 1,959.8  | 422.7   | 7,056.1                              |

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