



Public Finance and Public Debt Report, May 2008

The public finance and public debt preliminary results as of May 2008 were released today.

The main results for the January-May period are the following:

- The public sector posted a Ps. 112.6 billion surplus, which is in line with the fiscal balance authorized by Congress for 2008 as a whole.
- Budgetary revenues registered a 7.7 percent increase in real annual terms with respect to the same period of last year, due mainly to non oil tax revenues and revenues from oil related activities, which registered an 11.0 and 11.2 percent increase in real annual terms, respectively.
- Income tax collection, which includes the Unique Rate Corporate Tax, posted a 15.5 percent real increase; while Import taxes, Excise taxes and VAT revenues posted increases in real annual terms of 12.6, 7.9 and 5.7 percent, respectively.
- Programmable expenditures registered a 14.1 percent increase in real annual terms with respect to the same period of previous year. Worth noting is the dynamism of higher expenditures channeled to physical investment, pensions and social development programs.
- Federalized spending increased 22.3 percent in real annual terms with respect to 2007. Shared revenues registered a 30.9 percent increase in real terms.
- The public sector's net domestic debt decreased by Ps. 31.5 billion while its external debt increased US\$ 1.0 billion, both with respect to December 2007. The increase in external indebtedness is transitory and will gradually decrease as debt is amortized in the coming months.

Evolution of the Public Finances during January-May

Up to May 2008, the public sector's balance posted a surplus of Ps. 112.6 billion, Ps. 39.3 billion lower than the one registered in the same period of the previous year. The primary balance, defined as total revenues minus non-interest expenditures, posted a Ps. 184.3 billion surplus, Ps. 47.9 billion lower than

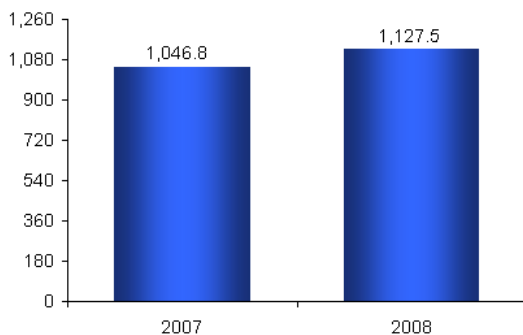
the one registered during the January-May period of 2007. These figures are in line with the fiscal balance authorized by Congress for 2008.

Public Sector Budgetary Revenues during January-May

The public sector's budgetary revenues were Ps. 1,127.5 billion, amount which is

7.7 percent higher in real terms than the one registered during the same period of the previous year. The evolution of the main components of budgetary revenues is the following:

**BUDGETARY REVENUES,
JANUARY-MAY**
(Billion Pesos of 2008)



- Non-oil tax revenues amounted to Ps. 541.6 billion, 11.0 percent higher in real terms than those observed during the January-May 2007 period. Worth noting are the Income Tax-Unique Rate Corporate tax increase in real annual terms of 15.5 percent, as well as Import taxes, Excise taxes and VAT revenues increases of 12.6, 7.9 and 5.7 percent, respectively.
- Oil related revenues (which include PEMEX's own revenues, royalties and fees, excise tax collection on gasoline and diesel, and the tax on oil returns) totaled Ps. 381.3 billion, amount that is 11.2 percent higher in real terms than those registered in the same period of the previous year. This result is explained by the higher price of Mexican oil exports (84.83 dpb compared with 49.35 dpb observed in the same period last year, which implies a 71.9 percent increase). This compensated for the decrease in the oil export platform of

11.0 percent, the 63.8 percent real increase in the value of imports of retired products and the observed exchange rate appreciation of 6.6 percent in real terms, all these with respect to the same period of the previous year.

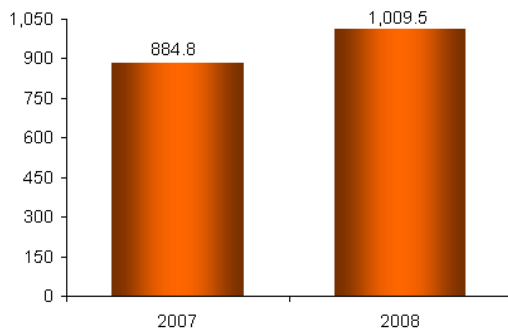
- Revenues of public entities under direct budgetary control other than PEMEX totaled Ps. 169.0 billion, which represents an increase of 3.8 percent with respect to those registered in the same period of 2007. This figure is explained by higher revenues of CFE, higher contributions to IMSS and revenues in ISSSTE, which compensated for the negative effects from the new ISSSTE Law which modifies the frequency of pension contributions from a biweekly to a bimonthly period, and the fact that CFE will report its financial cost using the same accounting criteria as the Federal Government (interest payments on financial liabilities less received interests on available financial assets).
- Non-tax non-oil revenues were Ps.35.6 billion, amount that is 32.8 percent lower, in real terms, than that observed in the same period of the previous year. This result is mainly due to higher non-recurrent revenues obtained in 2007.

Net Budgetary Public Sector Expenditures during January-May

During the first five months of the year, the net budgetary expenditures of the public sector totaled Ps. 1,009.5 billion, amount that is 14.1 percent higher in real

terms than the one observed in the same period of 2007.

**NET BUDGETARY EXPENDITURE,
JANUARY-MAY**
(Billion Pesos of 2008)



Paid programmable expenditures totaled Ps. 741.9 billion, which is 14.1 percent higher in real terms than the one observed in the same period of the previous year. The higher expenditures have been channeled to social development programs such as education, health, urbanization, housing and regional development; pensions; national and public security and farming development; and productive activities, among them higher investment expenditures in CFE and PEMEX and programs of the Ministries of Transport and Communications, SEMARNAT and Economy, as well as the increase in CFE's operating expenses due to the higher cost of fuel used for the generation of energy.

Federalized spending, which includes shared revenues allocated to Federal Entities and Municipalities, as well as resources transferred to these entities through wage and economic provisions, decentralization agreements and reallocations increased 22.3 percent in real terms. Shared revenues registered a 30.9 percent increase in real terms, due

to a higher collection of Federal shareable revenues while the rest of the resources distributed to Federal Entities and Municipalities registered a 15.7 percent increase in real terms. On May, Ps. 6.2 billion were transferred to the Federal Entities Revenues Stabilization Fund (FEIEF), derived from the Extraordinary Right on Crude Oil Exports.

The Public Sector's financial cost was Ps. 58.7 billion, amount that is 19.7 percent lower in real terms than the one registered in the same period of last year. It is worth noting that in the Federation's Expenditure Budget for 2008 the reporting methodology of the financial cost of PEDBC's was adjusted to use the same accounting criteria for that of the Federal Government (interest payments on financial liabilities less received interests on available financial assets). After adjusting for the effect of this measure, which does not alter the results of public finances only their presentation, the financial cost would decrease by 6.1 percent.

Public debt update to May

At the end of May, the Federal Government's net domestic debt was Ps. 1,702.5 billion, amount that is Ps. 85.8 billion lower than the amount observed at the end of 2007. The change in the stock is explained by net indebtedness of Ps. 63.6 billion, upward adjustments to the inflation-indexed debt by Ps. 9.6 billion and an increase in the Federal Government's financial assets of Ps. 159.0 billion.

The stock of the Federal Government's net external debt at the end of May was US\$ 41.5 billion, US\$ 0.3 billion higher than the amount observed on December



31, 2007. The increase is due to net amortizations by US\$ 1.3 billion, upward accounting adjustments by US\$ 0.6 billion, and a reduction in financial assets in foreign currency of US\$ 0.9 billion.

The net domestic debt of the Federal Public Sector (Federal Government, PEDBC's and development banks) at the end of the fifth month of the year was Ps. 1,655.3 billion, which implies a Ps. 31.5 billion decrease with respect to the closing balance of 2007. This is due to net domestic borrowing of Ps. 90.1 billion, upward accounting adjustments by Ps. 16.3 billion and an increase in the Public Sector's financial assets by Ps. 137.8 billion.

The Federal Public Sector's net external debt stood at US\$ 35.5 billion, amount

that is higher than that observed in December 2007 by US\$ 1.0 billion. This is due to net external indebtedness by US\$ 2.0 billion, upward accounting adjustments by US\$ 1.4 billion and an increase in financial assets abroad by US\$ 2.4 billion.

It is worth noting that the increase in external indebtedness is transitory and will gradually decrease as debt is amortized in the coming months, which is consistent with the financing program for this year and the net external debt decrease approved by Congress.

More details on Public Finance and Public Debt statistics can be obtained in the Ministry of Finance's web page at:

www.apartados.hacienda.gob.mx/clon_estadisticas/index.html

ANNEX

PUBLIC SECTOR OVERALL BALANCE (Million pesos)

Concept	January-May		Real. % Growth	Composition %	
	2007 ^{p./}	2008 ^{p./}		2007/ ^{p./}	2008 ^{p./}
PUBLIC BALANCE	151,943.9	112,635.2	-28.9		
Budgetary Balance	155,359.1	117,961.6	-27.2		
Budgetary Revenues	1,004,239.0	1,127,488.1	7.7	100.0	100.0
Oil Related	328,999.5	381,269.3	11.2	32.8	33.8
Federal Government	209,197.3	329,228.2	51.0	20.8	29.2
PEMEX	119,802.2	52,041.1	-58.3	11.9	4.6
Non-oil related	675,239.5	746,218.8	6.0	67.2	66.2
Federal Government	519,098.0	577,214.4	6.7	51.7	51.2
Tax	468,279.2	541,606.1	11.0	46.6	48.0
Non-tax	50,818.8	35,608.3	-32.8	5.1	3.2
PEDBC	156,141.5	169,004.5	3.8	15.5	15.0
Net Budgetary Expenditures	848,879.9	1,009,526.6	14.1	100.0	100.0
Programmable	624,104.7	741,906.2	14.1	73.5	73.5
Non programmable	224,775.2	267,620.4	14.2	26.5	26.5
PEIBC	-3,415.2	-5,326.4	n.s.		
Primary Balance	232,235.8	184,319.0	-23.9		

Note: Figures may not add up due to rounding.

p./ Preliminary Figures

n.s. no significant

Source: Ministry of Finance and Public Credit

PUBLIC SECTOR REVENUES

(Million pesos)

Concept	January-May		Real. % Growth	Composition %	
	2007 ^{p./}	2008 [/]		2007 ^{p./}	2008 ^{p./}
Budgetary Revenues(I+II)	1,004,239.0	1,127,488.1	7.7	100.0	100.0
I. Oil Related (a+b)	328,999.5	381,269.3	11.2	32.8	33.8
a) PEMEX	119,802.2	52,041.1	-58.3	11.9	4.6
b) Federal Government	209,197.3	329,228.2	51.0	20.8	29.2
Rights and royalties	223,330.5	411,498.3	76.8	22.2	36.5
Excise taxes ^{1./}	-16,441.3	-85,080.4	n.s.	-1.6	-7.5
Tax on Downstream Returns	2,308.1	2,810.3	16.8	0.2	0.2
II. Non-oil related (c+d)	675,239.5	746,218.8	6.0	67.2	66.2
c) Federal Government	519,098.0	577,214.4	6.7	51.7	51.2
Tax	468,279.2	541,606.1	11.0	46.6	48.0
Income Tax and IETU	241,680.1	291,024.4	15.5	24.1	25.8
Income Tax	234,531.3	263,632.8	7.8	23.4	23.4
IMPAC	7,148.8	2,833.9	-62.0	0.7	0.3
IETU (Unique Rate Corporate Tax)	0.0	24,557.7	n.a.	0.0	2.2
VAT	176,740.4	194,692.2	5.7	17.6	17.3
Excise taxes	16,875.3	18,987.2	7.9	1.7	1.7
Import taxes	11,856.0	13,911.5	12.6	1.2	1.2
IDE (Tax on Cash Deposits)	0.0	0.0	n.a.	0.0	0.0
Others ^{2./}	21,127.4	22,990.8	4.4	2.1	2.0
Non-tax	50,818.8	35,608.3	-32.8	5.1	3.2
Rights	10,440.6	11,591.1	6.5	1.0	1.0
Fees	37,602.1	21,007.1	-46.4	3.7	1.9
Others	2,776.1	3,010.1	4.0	0.3	0.3
d) PEDBC ^{3./}	156,141.5	169,004.5	3.8	15.5	15.0
Memorandum items:					
Total tax related	454,146.0	459,336.0	-3.0	45.2	40.7
Total non-tax related	550,093.0	668,152.2	16.5	54.8	59.3

Note: Figures may not add up due to rounding.

p./ Preliminary Figures

n.s no significant

1./ The negative signs imply that compensations were greater than receipts.

2./ Includes new vehicle, vehicle ownership, exports, those which do not belong to these concepts and accessory taxes.

3./ Excludes Federal Government transfers to the ISSSTE.

Source: Ministry of Finance and Public Credit

PUBLIC SECTOR EXPENDITURES

(Million pesos)

Concept	January-May		Real. % Growth	Composition %	
	2007 ^{p./}	2008 ^{p./}		2007 ^{p./}	2008 ^{p./}
TOTAL (I+II)	848,879.9	1,009,526.6	14.1	100.0	100.0
I. Primary Expenditures (a+b)	778,713.7	950,789.4	17.1	91.7	94.2
a) Programmable	624,104.7	741,906.2	14.1	73.5	73.5
b) Non- programmable	154,609.1	208,883.3	29.6	18.2	20.7
II. Financing Costs ^{1/}	70,166.2	58,737.1	-19.7	8.3	5.8

Note: Figures may not add up due to rounding

p./ Preliminary Figures

1_/ Includes interests, commissions and other public debt expenditures associated to debtor support programs.

Source: Ministry of Finance and Public Credit

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

Concept	Outstanding as of December 2007 ^{p_/_}	Indebtedness			Adjustments ^{1_/_}	Outstanding as of May ^{1_/_} 2008 ^{p_/_}
		Originations	Amort.	Net		
Net Domestic debt balance	1,788,339.0					1,702,512.5
Assets ^{2_/_}	107,921.8					266,950.8
Gross Domestic debt stock	1,896,260.8	692,542.5	628,937.6	63,604.9	9,597.6	1,969,463.3
Government Securities	1,795,833.3	591,894.7	533,467.9	58,426.8	7,358.0	1,861,618.1
Cetes	340,453.7	406,069.4	424,350.2	-18,280.8	0.0	322,172.9
Bondes	137,509.1	0.0	49,509.1	-49,509.1	0.0	88,000.0
Bondes D	187,490.3	11,700.0	0.0	11,700.0	0.0	199,190.3
Fixed Rate Bonds	895,052.9	138,502.8	57,379.5	81,123.3	2,102.3	978,278.5
Udibonos	235,327.3	35,622.5	2,229.1	33,393.4	5,255.7	273,976.4
<i>Udibonos udi's</i>	<i>59,834.3</i>	<i>8,959.9</i>	<i>562.5</i>	<i>8,397.4</i>	<i>60.9</i>	<i>68,292.6</i>
S.A.R.	62,937.8	100,549.4	93,924.9	6,624.5	1,721.3	71,283.6
Siefos (pesos)	879.2	6.8	242.3	-235.5	13.3	657.0
<i>Siefos udi's</i>	<i>223.5</i>	<i>1.7</i>	<i>61.4</i>	<i>-59.7</i>	<i>0.0</i>	<i>163.8</i>
Others	36,610.5	91.6	1,302.5	-1,210.9	505.0	35,904.6

Note: Figures may not add up due to rounding.

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

p_/_ Preliminary Figures

1_/_ Refers to adjustment for inflation. For Fixed Rate Bonds it refers to the adjustment due to debt exchanges.

2_/_ Represents the balance, denominated in pesos, of the General Account of the Federal Treasury and deposits in the national banking system .

Source: Ministry of Finance and Public Credit

FEDERAL GOVERNMENT EXTERNAL DEBT, MAY^{*_/}
(Million Dollars)

Concept	Outstanding as of December 2007 ^{p_/_}	Indebtedness			Adjustments	Outstanding as of May 2008 ^{p_/_}
		Originations	Amort.	Net		
Net Debt	41,281.4					41,546.5
Assets ^{1_/_}	970.0					72.8
Gross Debt	42,251.4	1,646.5	2,917.1	-1,270.6	638.5	41,619.3
Public Bonds	35,352.3	1,500.0	2,717.5	-1,217.5	574.2	34,709.0
IFI's	6,622.7	146.5	192.9	-46.4	53.1	6,629.4
Bilateral	199.9	0.0	6.7	-6.7	11.2	204.4
Restructured	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.

p_/_ Preliminary figures.

1_/_ Considers the US Dollar denominated balance of the Federal Treasury's General Account and other assets from PEDBC's and Development Banks.

Source: Ministry of Finance and Public Credit



Press Release

Mexico City, June 30th, 2008.

PUBLIC SECTOR DOMESTIC DEBT, MAY ^{*_/}
(Million Pesos)

Concept	Outstanding as of December 2007 ^{p_/_/}	Indebtedness			Adjust.	Outstanding as of May 2008 ^{p_/_/}
		Originations	Amort.	Net		
Net Debt	1,686,787.0					1,655,262.5
Assets ^{1_/_/}	271,205.3					409,037.1
Gross Debt	1,957,992.3	805,959.2	715,908.8	90,050.4	16,256.9	2,064,299.6
By Term	1,957,992.3	805,959.2	715,908.8	90,050.4	16,256.9	2,064,299.6
Long-term	1,690,521.3	319,619.6	246,102.7	73,516.9	7,251.1	1,771,289.3
Short-term	267,471.0	486,339.6	469,806.1	16,533.5	9,005.8	293,010.3
By User	1,957,992.3	805,959.2	715,908.8	90,050.4	16,256.9	2,064,299.6
Federal Government	1,896,260.8	692,542.5	628,937.6	63,604.9	9,597.6	1,969,463.3
Long-term	1,634,957.6	316,609.4	242,981.2	73,628.2	9,597.6	1,718,183.4
Short-term	261,303.2	375,933.1	385,956.4	-10,023.3	0.0	251,279.9
PEDBC's	21,120.1	25,906.5	2,414.4	23,492.1	-1,961.3	42,650.9
Long-term	21,120.1	0.0	67.5	-67.5	-1,961.3	19,091.3
Short-term	0.0	25,906.5	2,346.9	23,559.6	0.0	23,559.6
Development Banks	40,611.4	87,510.2	84,556.8	2,953.4	8,620.6	52,185.4
Long-term	34,443.6	3,010.2	3,054.0	-43.8	-385.2	34,014.6
Short-term	6,167.8	84,500.0	81,502.8	2,997.2	9,005.8	18,170.8
By Financing Source	1,957,992.3	805,959.2	715,908.8	90,050.4	16,256.9	2,064,299.6
Bonds Placed in Domestic Markets	1,835,828.8	679,394.7	618,014.3	61,380.4	16,006.1	1,913,215.3
SAR	62,937.8	100,549.4	93,924.9	6,624.5	1,721.3	71,283.6
Commercial Banks	974.5	17,510.2	77.9	17,432.3	-27.5	18,379.3
Others	58,251.2	8,504.9	3,891.7	4,613.2	-1,443.0	61,421.4

Note: Figures may not add up due to rounding.

*_/_/ Figures subject to revisions.

p_/_/ Preliminary Figures

1_/_/ Considers the domestic currency denominated balance of the Federal Treasury's General Account and other held by PEDBC's and Development Banks..

Source: Ministry of Finance and Public Credit

PUBLIC SECTOR EXTERNAL DEBT, MAY^{1/}
(Million Dollars)

Concept	Outstanding as of December 2007 ^{p/}	Indebtedness			Adjust	Outstanding as of May 2008 ^{p/}
		Originations	Amort.	Net		
Net Debt	34,532.5					35,485.2
Financial Assets in Foreign Currency ^{1/}	20,822.4					23,262.4
Gross Debt	55,354.9	9,948.1	7,964.1	1,984.0	1,408.7	58,747.6
By Term	55,354.9	9,948.1	7,964.1	1,984.0	1,408.7	58,747.6
Long-term	54,435.0	3,709.5	4,169.7	-460.2	1,397.1	55,371.9
Short-term	919.9	6,238.6	3,794.4	2,444.2	11.6	3,375.7
By User	55,354.9	9,948.1	7,964.1	1,984.0	1,408.7	58,747.6
Federal Government	42,251.4	1,646.5	2,917.1	-1,270.6	638.5	41,619.3
Long-term	42,251.4	1,646.5	2,917.1	-1,270.6	638.5	41,619.3
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
PEDBC's	7,857.3	6,077.9	2,071.7	4,006.2	715.2	12,578.7
Long-term	7,857.3	1,959.7	323.4	1,636.3	711.5	10,205.1
Short-term	0.0	4,118.2	1,748.3	2,369.9	3.7	2,373.6
Development Banks	5,246.2	2,223.7	2,975.3	-751.6	55.0	4,549.6
Long-term	4,326.3	103.3	929.2	-825.9	47.1	3,547.5
Short-term	919.9	2,120.4	2,046.1	74.3	7.9	1,002.1
By Financing Source	55,354.9	9,948.1	7,964.1	1,984.0	1,408.7	58,747.6
Public Bonds	36,964.0	1,500.0	2,855.7	-1,355.7	593.4	36,201.7
IFI's	9,154.7	146.5	745.1	-598.6	68.7	8,624.8
Bilateral	2,932.6	298.0	309.1	-11.1	65.7	2,987.2
Commercial Banks	1,553.5	3,885.4	2,305.9	1,579.5	10.3	3,143.3
Restructured 1989 - 1990	76.5	0.0	0.0	0.0	0.0	76.5
Others ^{2/}	4,673.6	4,118.2	1,748.3	2,369.9	670.6	7,714.1

Note: Figures may not add up due to rounding

^{*/} Figures subject to revisions.

^{p/} Preliminary Figures

^{1/} Considers the US Dollar denominated balance of the Federal Treasury's General Account and other assets in foreign currency and assets from PEDBC's and Development Banks.

^{2/} Considers direct debt due to Projects of Productive Infrastructure of Long-term (PIDIREGAS).

Source: Ministry of Finance and Public Credit