

Report on Public Finance and Public Debt Fourth Quarter of 2006

- *Mexico's real GDP growth in 2006 is estimated at 4.8%, the highest rate of the past six years.*
- *During the year 879,533 formal jobs were created, the highest annual increase on record.*
- *The stock of direct bank credit increased at an annual rate of 30.2% in November of 2006 with respect to the same month of the previous year, equivalent to Ps. 288 billion.*
- *Public finances were further strengthened and a surplus of 0.23 percent of GDP was achieved. This had not happened since 1996.*
- *Public sector revenues increased in real terms mainly due to higher oil and tax revenues. Public revenues reached 24.5% of GDP, the highest level since 1992.*
- *Non-oil tax revenues increased 13.1% in real terms. Worth highlighting are the annual increases of 15.1%, 14.0% and 12.4% in receipts from VAT, import and income taxes, respectively.*
- *Social expenditures increased considerably (10.0%), as did public investment (14.3%) and federal resources channeled to federal entities (8.0%).*
- *The Federal Public Sector's net debt decreased 1.4 percentage points of GDP with respect to its level at the end of 2005.*
- *The Federal Government undertook several prepayment and internal-for-external debt exchange operations. Therefore, the Federal Public Sector's net external debt at the end of 2006 was 5.3% of GDP, 2.5 percentage points lower than at the end of 2005.*
- *The domestic debt's average maturity increased 0.95 years with respect to 2005.*
- *Worth noting is the issuance in October of the first 30 year bond denominated in Pesos with a fixed nominal interest rate.*

The results of the Report on Public Finances and Public Debt for the fourth quarter of 2006 were published today. The following results are stand out:

- **It is estimated that during the fourth quarter of 2006 the economy grew at an annual rate above 4.3%. If this growth forecast materializes, the Mexican economy will have grown at an annual rate of 4.8%, the highest of the past six years.**

- **During the quarter, 43,941 formal jobs were created. This implies an annual growth rate of 6.72%, equivalent to 879,533 jobs created during 2006, the largest annual increase on record.**
- **During October-November, growth in all economic sectors was balanced. Agricultural production grew at an annual rate of 14.5% while industrial production and services grew at rates of 4.6% and 4.4%, respectively.**
- **Annual headline and core inflation closed the year at 4.05% and 3.68%, respectively. Headline inflation decreased 4 basis points with respect to the 4.09% rate registered at the end of the third quarter of 2006. This change is mainly due to a 1.2 percentage point decrease in the inflation of administered prices of goods and services which was partially compensated by a 0.47 percentage point increase in merchandise inflation.**
- **Direct banking credit to the private sector increased at an annual rate of 30.2% in November of 2006, equivalent to Ps. 288 billion. The most dynamic components were housing credit which grew 63.1% and credit for consumption which grew 39.5%, both in real annual terms. Banking credit to businesses expanded at a rate of 18.3% annually in the same period, which compares favorably to the 10.6% annual growth observed on November of 2005.**
- **The public balance recorded a surplus of Ps. 21.6 billion, which represents 0.23% of the estimated GDP and is higher than the fiscal balance established in the Federation's Budget for 2006 (PEF2006). This is due to the application of the rules for the allocation of excess revenues established in the Budget. Considering the Labor Relation Conclusion Program (CRL), the surplus was Ps. 9.8 billion (0.11% of estimated GDP). A fiscal surplus had not been reached since 1996.**
- **The public sector's borrowing requirements (PSBR) posted a surplus of Ps. 80.9 billion, 0.9 percentage points (pp) of the estimated GDP for 2006 and 0.8 percentage points of GDP lower than what was originally established. This is due to the public surplus and lower financial intermediation by Development Banks and by development Funds and Trusts due to a better operational result and portfolio recovery. This is the lowest level since 1992.**
- **Public sector revenues increased 12.1% in real terms during 2006, reflecting the dynamism of both oil and non-oil related revenues which**

grew 14.3% and 10.8%, respectively. Within the non-oil tax revenues, VAT, import, and income tax collection stand out with annual increases of 15.1%, 14.0% and 12.4%, respectively.

- With respect to those expected in the Revenues Law for 2006, actual budgetary revenues were Ps. 309.6 billion (15.9%) higher. Of this increase, 37.3% is due to non-oil tax receipts, 35.0% is due to oil revenues, 16.7% to non-tax Federal Government Revenues and 10.9% to increased revenues from public entities under direct budgetary control (PEDBC's) other than PEMEX.
- It is worth mentioning that Ps. 23.8 billion have been channeled to projects and programs for investment in infrastructure and improvements in federal entities corresponding to the Duty on Excess Oil Revenues (ARE) and the Extraordinary Right on Crude Oil Exports (DEEP) for prices above 36.5 USD per barrel, in accordance with Article 24 of the Federation's Expenditures Budget for 2006.
- A total of Ps. 147.3 billion were distributed according to what is established in item "n" of Article 25 of the PEF2006: Ps. 45.6 billion for investment by PEMEX, Ps. 22.8 billion for the Oil Stabilization Fund (FEIP), Ps. 13.8 billion in additional expenses to cover natural disasters, Ps. 32.7 billion to cover higher non-programmable expenditures with respect to the budget, Ps. 989 million to cover higher fuel costs for CFE that are not recovered through subsidized tariffs, and Ps. 8.6 billion to compensate for reductions in other revenues.
- All other excess revenues were destined to the PEDBC's that generated them.
- Programmable expenditure channeled to social development posted a real increase of 10.0% with respect to 2005. Within, the real increases of expenditure on social assistance activities, drinking water, social security and housing (42.5%, 32.8%, 11.4% and 10.8%, respectively in real terms) stand out.
- Budgetary investment and investment fostered by the public sector increased at real annual rates of 12.6% and 14.3%, respectively, against 2005.
- Expenditures destined to personnel services during 2006 increased 5.5% due mainly to increases of 6.6%, 5.7% and 4.1%, respectively, in

expenditures related to security, energy and social development functions and to the combined increase of 14.6% in expenditures by the Judicial and Legislative Branches and autonomous entities. In contrast, expenditures in administrative and government functions decreased 5.2%.

- **Federal resources transferred to States and Municipalities through federal contributions, shared revenue and the Federal Program for the Strengthening of Entities (PAFEF) increased by 8.0% in real terms. The 13.9% increase in participations to States stands out.**
- **The Federal Government's net debt to GDP ratio stood at 20.2% at the end of the fourth quarter. The Public Sector's net debt, which includes the net debt of the Federal Government, Public Entities under Direct Budgetary Control (PEDBC) and Development Banks stood at 20.3% of GDP. This level is lower than the 21.7% registered at the end of 2005.**
- **The results of the internal-for-external debt exchange warrants were obtained in October and November and the prepayment operation announced in June 2006 was finalized. Therefore, the Public Sector's net external debt stands at 5.3% of GDP, 2.5 percentage points less than its level at the end of 2005.**
- **The first placement of a 30-year bond denominated in Pesos with a fixed nominal interest rate was held in October. It is the first time an instrument with these characteristics is placed in Mexico.**
- **With respect to the domestic debt, its average maturity increased 0.95 years (348 days) from 3.32 years at the end of 2005 to 4.27 years at the end of the fourth quarter of 2006.**
- **At the end of the fourth quarter, the Historical Balance of the Public Sector Borrowing Requirements, which constitutes the broadest version of public sector liabilities, represented 34.3% of GDP, 1.8 percentage points lower than its level at the end of 2005.**

Economic Outlook

Available information suggests that during the fourth quarter of 2006 the Mexican economy grew at an annual rate of 4.3% which would imply a quarterly growth of 0.4% according to seasonally adjusted figures. This expectation is based on the balanced dynamism shown by all sectors of the economy: agricultural, industrial

and services.¹ If this growth forecast materializes, the Mexican economy will have grown at an annual rate of 4.8%, the highest of the past six years.

These estimations rest on the following results:

- In October-November, the Global Economic Activity Index (IGAE), the GDP proxy, grew 5.0% in real annual terms. Within, the productive sectors behaved according to the following:

In this same period, agricultural production increased at an annual rate of 14.5%. Increases in the production of wheat, beans, barley, coffee, alfalfa, bananas, and corn, amongst others, contributed to this. Also, part of this growth is due to a low comparison base as a consequence of Hurricane Stan.

During the same period, the real value of industrial production grew at an annual rate of 4.6%. Within, the results are the following:

- ✓ Mining production grew at an annual rate of 3.0%.
- ✓ Manufacturing production increased at an annual rate of 4.2%.
- ✓ Construction and the electricity, gas and water sector expanded at annual rates of 6.8% and 5.2%, respectively.

In October-November, the real value of services grew 4.4% annually supported by an increase of 3.3% in services provided by businesses, restaurants and hotels while other services grew 4.9%.

Aggregate demand continued favoring economic growth. Within, the following stands out:

- During the fourth quarter of 2006, ANTAD's sales grew 12.7% annually while the real value of Wal-Mart's sales grew at an annual rate of 16.4%. During the whole year these expansions were 15.9% and 13.2%, respectively. According to INEGI, wholesale sales grew at a bimonthly annual rate of 6.7% in October-November while retail sales grew 2.1% in the same period.
- In October, fixed capital investment grew 13.7% in real annual terms. Within, construction and investment in domestic machinery and equipment grew at annual rates of 7.3% and 3.0%, respectively. Investments in imported

¹ This projection considers that the fourth quarter of 2006 had less working-days than the same quarter of 2005 (74 vs. 78).

machinery and equipment grew 27.5%. Therefore, investment accumulated an 11.1% annual growth during the first ten months of 2006.

- During the fourth quarter of 2006, the nominal US dollar value of total exports grew at an annual rate of 8.7%. Within these, manufacturing exports grew at an annual rate of 11.4% while oil exports decreased 5.9% annually. Throughout the year as a whole exports grew 16.8% annually while oil and manufacturing exports grew 22.7% and 15.8%, respectively. Additionally, imports increased 9.9% in the fourth quarter due mainly to increases of 4.1%, 9.6% and 13.2% in consumption, intermediate and capital imports, in that order. In 2006 as a whole, imports increased at an annual rate of 15.5%; consumption, intermediate and capital imports grew 17.3%, 15.0% and 16.4%, respectively.

During the fourth quarter of 2006, the economy's dynamism allowed the number of employees registered at IMSS to grow by 43,941. Therefore, at the end of 2006, the number of workers insured by IMSS stood at 13 million 965 thousand 558, which implies the highest annual growth on record (879,533).

Annual headline and core inflation were 4.05% and 3.83% at the end of 2006. The 4 basis points decrease with respect to the headline inflation in September is due to a decrease in administered prices of goods and services which was partially compensated by an increase in merchandise inflation.

During the fourth quarter, the international financial markets reflected a softer landing in the US than what was previously expected, which resulted in an important expansion of US stock markets. Additionally, a decrease in inflation expectations in the US allowed for lower interest rates in that country and, therefore, a decrease in the spreads paid by emerging market sovereign debt in the main economies of Latin America and Emerging Europe. At the end of the year, 5 and 10-year Treasury bonds decreased 14 and 20 basis points, respectively against their average yield. This helped increase investor's appetite for international assets.

During this quarter, Banxico maintained the same monetary conditions that have been present since May of 2006 (the "*tasa de fondeo*" at 7% and the "*corto*" at Ps. 79 million). Although the Central Bank foresaw pressures from energy and commodity prices as temporary, it was careful amidst the revision to short term inflation expectations and the high volatility shown by agricultural prices, supported by the fact that core inflation remained within the medium-term objective. Additionally, Banxico considered that perspectives for the world economy in 2007 will remain positive, although a moderation in growth is expected.

The stock market index continued its upward trend reaching a new historical high on December 29th, and closing the fourth quarter with a nominal gain of 20.6% with respect to the end of the third quarter. The exchange rate was 10.81 pesos per dollar at December 29th. This entails a 1.67% appreciation with respect to the end of September, and a 1.7% depreciation with respect to the end of 2005.

The stable macroeconomic environment has favored the strong growth rate of outstanding direct bank credit to the private sector, posting a 30.2% annual growth rate in November of 2006; equivalent to Ps. 288 billion. Within this item, credit for housing was the most dynamic component growing 63.1% annually during the period, followed by credit for consumption which grew 39.5% in real annual terms. Direct credit to businesses grew 18.3% annually, which shows an acceleration from the 10.6% growth registered in the same month of 2005.

Public Finances

The public balance recorded a surplus of Ps. 21.6 billion, which represents 0.23% of the estimated GDP and is higher than the fiscal balance established in the PEF2006. This is due to the application of the rules for the distribution of excess revenues established in the Budget. Considering the Labor Relation Conclusion Program (CRL), the surplus was Ps. 9.8 billion (0.11% of estimated GDP). A fiscal surplus had not been reached since 1996.

According to the dispositions approved in Articles 3 and 25 of the PEF2006, the adjusted public balance objective for 2006 is Ps. 10.9 billion. This results from adding to the originally approved balance 25% of excess revenues net of item "n" (Ps. 22.8 billion) and subtracting expenditures for the CRL (Ps. 11.9 billion).

Public Balance, 2006 (Million pesos)	
I. Originally approved balanced budget	0.0
II. 25% of excess revenues net of item "n"	22,806.3
III. Expenditures for CRL	11,880.3
IV. Adjusted public balance objective for 2006 (I+II-III)	10,926.0
V. Actual public balance in 2006	9,766.8
VI. Difference (V-IV)	-1,159.1

The Ps. 1.2 billion difference between the actual public balance and the adjusted objective represents 0.1% of total revenues and total net expenditures. This difference is mainly due to the fact that IMSS did not reach the primary balance objective approved by its technical council (an approved surplus of Ps. 17.5 billion compared to the actual surplus of Ps. 16.7 billion).

In 2006 the primary surplus totaled Ps. 261.2 billion, 0.4 percentage points of GDP higher than the one registered in 2005.

The public sector's budgetary revenues were Ps. 2.26 trillion, 12.1% higher in real terms than those of 2005. Budgetary revenues were Ps. 309.6 billion (15.9%) higher than those considered for this period in the Revenues Law for 2006. Of this increase, 37.3% is due to non-oil tax receipts, 35.0% is due to oil revenues, 16.7% to non-tax Federal Government Revenues and 10.9% to increased revenues from public entities under direct budgetary control (PEDBC's) other than PEMEX.

Excess Revenues, 2006			
(Million pesos)			
	Program	Actual	Difference
Total	1,469,356.8	1,674,499.4	205,142.6
Oil related	752,396.4	860,758.8	108,362.4
Non-Oil Related	1,201,103.6	1,402,387.7	201,284.1
Tax	813,454.1	929,094.7	115,640.6
Non-tax	34,300.6	86,121.3	51,820.7
PEDBC's other than Pemex	353,348.9	387,171.8	33,822.9

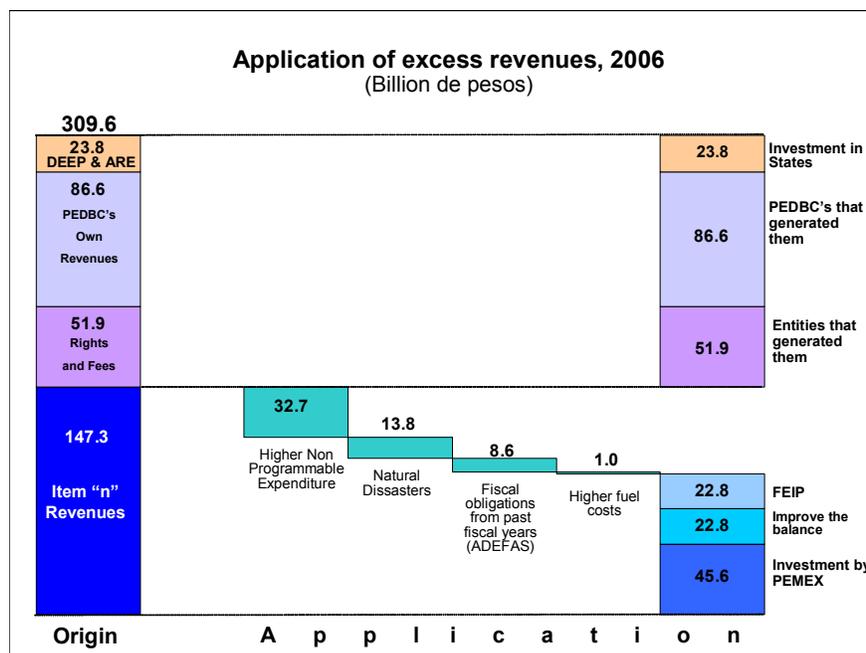
Oil revenues grew 14.3% in real terms, due mainly to higher oil prices. Non-oil tax revenues increased 13.1% in real annual terms. Within these, VAT, import, and income tax collection stand out with annual increases of 15.1%, 14.0% and 12.4%, respectively. The Federal Government's non-tax revenues increased 5.9% in real terms due to higher non-recurring revenues. Additionally, resources from PEDBC's other than PEMEX increased 6.8% in real annual terms.

According to the Federation's Expenditure Budget for 2006, excess revenues were allocated as follows:

- Ps. 23.8 billion have been channeled to projects and programs for investment in infrastructure and improvements in federal entities corresponding to the first three quarters of the Duty on Excess Oil Revenues (ARE) and the Extraordinary Right on Crude Oil Exports (DEEP) for prices above 36.5 USD per barrel (Ps. 19.5 billion), and from the estimated advance for the fourth quarter (Ps. 4.3 billion).
- A total of Ps. 147.3 billion were distributed according to what is established in item "n" of Article 25 of the PEF2006: Ps. 45.6 billion for investment by PEMEX, Ps. 22.8 billion for the Oil Stabilization Fund (FEIP), Ps. 13.8 billion in additional expenses to cover natural disasters, Ps. 1.0 billion to cover higher

fuel costs for CFE that are not recovered through subsidized tariffs, Ps. 8.6 billion to compensate for reductions in other revenues and Ps. 32.7 billion to cover higher non-programmable expenditures with respect to the budget.

- Ps. 86.6 billion from revenues generated by PEDBC's which are destined to themselves.
- Ps. 51.9 billion of non-tax revenues that were destined to the entities that generated them.



During 2006, the level of public expenditures was consistent with the resources available and with the purpose of reaching the balanced budget approved by Congress. At the same time, public spending was oriented towards government actions that benefit the quality of life of the population in areas such as education, health, social security, poverty reduction, public security, justice, fostering economic activities and employment generation, according to the policies and programs included in the Budget, as well as towards contributing to macroeconomic fortitude and stability.

Consequently, during 2006, total public budgetary expenditures reached Ps. 2.26 trillion, in real terms this is 11.1% more than in 2005. Primary expenditure, defined as total expenditure net of financing costs, increased 10.7% in real terms with respect to 2005 and reached Ps. 2.0 trillion. In relation to public expenditures during 2006, the following is worth noting:

- Programmable expenditure channeled to social development posted a real increase of 10.0% with respect to 2005. Within, the real increases of expenditure on social assistance activities, drinking water, social security and housing (42.5%, 32.8%, 11.4% and 10.8%, respectively) stand out.
- Social investment grew 8.8% in real terms with respect to the previous year.²
- Budgetary investment and the investment fostered by the public sector increased at real annual rates of 12.6% and 14.3%, respectively, against 2005.
- Federal resources transferred to States and Municipalities through federal contributions, shared revenue and the Federal Program for the Strengthening of Entities (PAFEF) increased by 8.0% in real terms. The 13.9% increase in participations to States stands out.
- Expenditures destined to personnel services during 2006 increased 5.5% due mainly to increases of 6.6%, 5.7% and 4.1%, respectively, in expenditures related to security, energy and social development functions and to the combined increase of 14.6% in expenditures by the Judicial and Legislative Branches and autonomous entities. In contrast, expenditures in administrative and government functions decreased 5.2%.

Finally, the public sector's financing cost during 2006 increased 14.8% in real terms compared to the same period of last year. This was primarily due to higher expenditures on lenders and borrowers support programs and on interest payments related to financed investment projects (PIDIREGAS) according to the approved Budget.

Public Debt

The public debt management strategy has maintained its main objective of satisfying the public sector's financing needs at the lowest financial cost possible and with a prudent degree of risk. Particularly, public debt policy followed three guidelines that have been in place for the last years: 1) the public deficit was covered entirely by internal debt, and even more, external debt registered a decrease; 2) internal borrowing was done primarily through long-term fixed nominal interest rate instruments; 3) improvements were made in terms of the profile of external debt. These actions have allowed a better composition of debt between domestic and external sources.

² This concept includes programmable expenditures of the public sector branches and entities destined to strengthen the society's human and physical capital. It also includes expenditures devoted to improve the quality of public services such as the salaries of personnel dedicated to social development and security: teachers, doctors, nurses, policemen and the armed forces.

Amongst the most important public debt operations undertaken during 2006, the following stand out: the prepayment of sovereign bonds placed in international markets; the prepayment of loans with international financial organisms, and the results of the internal-for-external debt exchange warrants. Domestically, the regular placing of 3 and 5-year Bondes D's stands out, which has been used to refinance the Bondes D's placed in the initial operation and continue the internal-for-external debt substitution. The Banco de México has begun using these instruments for monetary regulation purposes instead of the BREMS which will expire gradually according to their maturity profile. The first placement of a 30-year bond denominated in Pesos with a fixed nominal interest rate was held in October. It is the first time an instrument with these characteristics is placed in Mexico. In its first auction this bond was well received by investors. With this, the efforts to extend the local market's curve yielded successful results.

At the end of the fourth quarter, the Federal Government's net debt stood at Ps. 1.98 trillion. Of this, domestic debt makes up 78.1% while external debt makes up the remaining 21.9%. The debt to GDP ratio stood at 20.2% of which 15.8% of GDP is domestic debt and 4.4% of GDP is external debt.

At the end of 2006, the Federal Government's outstanding net domestic debt was Ps. 1.55 trillion. The percentage of fixed nominal interest rate instruments with maturities equal to or greater than one year in total domestic public debt went from 48.4 percent at the end of 2005 to 49.9 percent at the end of 2006. The domestic debt's average maturity increased 0.95 years (348 days), from 3.32 years in December 2005 to 4.27 years at the end of December 2006.

By the end of 2006, the Federal Government's net external debt was USD 39.8 billion, USD 14.2 billion less than that posted at the end of 2005.

At the end of the fourth quarter of 2006, the Public Sector's net debt, which includes the net debt of the Federal Government, PEDBC's and Development Banks stood at 20.3 percent of GDP, 1.4 percentage points lower than at the end of 2005. As a percentage of GDP, internal debt reached 15.0%, 1.2 percentage points higher than at the end of 2005, while external debt was 5.3%, 2.6 percentage points lower than the level posted at the end of last year.

At the end of the fourth quarter, the Historical Balance of the Public Sector Borrowing Requirements, which constitutes the broadest version of public sector liabilities, represented 34.3% of GDP, 1.8 percentage points lower than its level at the end of 2005.

ANNEX
PUBLIC SECTOR OVERALL BALANCE
(Million pesos)

Concept	January-December		Real % Growth	Composition %	
	2005	2006 p_/		2005	2006 p_/
PUBLIC BALANCE (I+II)	-10,125.3	9,766.8	n.a.		
I. Budgetary Balance (a-b)	-10,195.9	8,022.3	n.a.		
a) Budgetary Revenues	1,947,816.2	2,263,146.5	12.1	100.0	100.0
Oil related	726,536.6	860,758.8	14.3	37.3	38.0
Federal Government	541,007.5	543,633.5	-3.0	27.8	24.0
PEMEX	185,529.2	317,125.3	64.9	9.5	14.0
Non-oil related	1,221,279.6	1,402,387.7	10.8	62.7	62.0
Federal Government	871,497.5	1,015,215.9	12.4	44.7	44.9
Tax	793,006.6	929,094.7	13.1	40.7	41.1
Non-tax	78,490.9	86,121.3	5.9	4.0	3.8
PEDBC	349,782.1	387,171.8	6.8	18.0	17.1
b) Net Budgetary Expenditures	1,958,012.1	2,255,124.3	11.1	100.0	100.0
Programmable	1,458,540.1	1,656,807.1	9.6	74.5	73.5
Non programmable	499,472.0	598,317.2	15.6	25.5	26.5
II. PEIBC	70.6	1,744.5	-0-		
Primary Balance	201,564.0	261,183.0	25.0		

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-December		Real % Growth	Composition %	
	2005	2006 p./		2005	2006 p./
TOTAL (I+II)	1,947,816.2	2,263,146.5	12.1	100.0	100.0
I. Oil related (a+b)	726,536.6	860,758.8	14.3	37.3	38.0
a) PEMEX	185,529.2	317,125.3	64.9	9.5	14.0
b) Federal Government	541,007.5	543,633.5	-3.0	27.8	24.0
Rights and royalties on oil products	523,503.2	584,254.7	7.7	26.9	25.8
Excise taxes	15,186.4	-42,230.5	n.a.	0.8	-1.9
Tax on Oil Returns	2,317.9	1,609.3	-33.0	0.1	0.1
II. Non-oil related (c+d)	1,221,279.6	1,402,387.7	10.8	62.7	62.0
c) Federal Government	871,497.5	1,015,215.9	12.4	44.7	44.9
Tax	793,006.6	929,094.7	13.1	40.7	41.1
Income tax	384,521.9	448,065.9	12.4	19.7	19.8
VAT	318,432.0	379,861.0	15.1	16.3	16.8
Excise taxes	34,440.7	36,862.3	3.3	1.8	1.6
Import taxes	26,820.5	31,675.3	14.0	1.4	1.4
Others ^{1./}	28,791.5	32,630.2	9.4	1.5	1.4
Non-tax	78,490.9	86,121.3	5.9	4.0	3.8
Rights	19,858.9	22,450.6	9.1	1.0	1.0
Fees	51,268.2	56,625.3	6.6	2.6	2.5
Others	7,363.7	7,045.4	-7.7	0.4	0.3
d) PEDBC ^{2./}	349,782.1	387,171.8	6.8	18.0	17.1
Memorandum items:					
Total tax related	810,510.9	888,473.4	5.8	41.6	39.3
Total non-tax related	1,137,305.3	1,374,673.1	16.6	58.4	60.7

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-DECEMBER OF 2006 (Million pesos)

	Programmed	Observed ^{p./}	Difference
TOTAL (I+II)	1,953,500.0	2,263,146.5	309,646.5
I. Oil related (a+b)	752,396.4	860,758.8	108,362.4
a) PEMEX	260,364.0	317,125.3	56,761.3
b) Federal Government	492,032.4	543,633.5	51,601.1
Rights and royalties on oil products	468,624.2	584,254.7	115,630.5
Excise taxes	18,569.7	-42,230.5	-60,800.2
Tax on Oil Returns	4,838.5	1,609.3	-3,229.2
II. Non-oil related (c+d)	1,201,103.6	1,402,387.7	201,284.1
c) Federal Government	847,754.7	1,015,215.9	167,461.2
Tax	813,454.1	929,094.7	115,640.6
Income tax	388,336.0	448,065.9	59,729.9
VAT	335,746.8	379,861.0	44,114.2
Excise taxes	37,589.2	36,862.3	-726.9
Import taxes	21,701.7	31,675.3	9,973.6
Others ^{1./}	30,080.4	32,630.2	2,549.8
Non-tax	34,300.6	86,121.3	51,820.7
Rights	12,251.3	22,450.6	10,199.3
Fees	15,755.2	56,625.3	40,870.1
Others	6,294.1	7,045.4	751.3
d) PEDBC ^{2./}	353,348.9	387,171.8	33,822.9
Memorandum items:			
Total tax related	836,862.3	888,473.4	51,611.1
Total non-tax related	1,116,637.7	1,374,673.1	258,035.4

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.

PUBLIC SECTOR BUDGETARY EXPENDITURES

(Million pesos)

Concept	January- December		Real % Growth	Composition %	
	2005	2006 p./		2005	2006 p./
TOTAL (I+II)	1,958,012.1	2,255,124.3	11.1	100.0	100.0
I. Primary expenditures (a+b)	1,747,825.8	2,005,060.4	10.7	89.3	88.9
a) Programmable	1,458,540.1	1,656,807.1	9.6	74.5	73.5
b) Non-programmable	289,285.7	348,253.2	16.2	14.8	15.4
II. Financing Cost ^{1/}	210,186.3	250,063.9	14.8	10.7	11.1

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 DEBT*									
Concept	Outstanding as of			% of GDP			Structure (%)		
	Dec-04	Dec-05	Dec-06 ^{p./}	Dec-04	Dec-05	Dec-06 ^{p./}	Dec-04	Dec-05	Dec-06 ^{p./}
INTERNAL DEBT :									
NET (Million Pesos) ^{1./}	1,029,964.9	1,183,310.7	1,547,112.1	12.4	13.1	15.8	60.9	67.0	78.1
GROSS (Million Pesos)	1,099,206.3	1,242,154.1	1,672,782.4	13.2	13.8	17.1	61.9	66.4	78.6
EXTERNAL DEBT:									
NET (Million USD) ^{1./}	58,616.5	53,970.6	39,806.6	7.9	6.5	4.4	39.1	33.0	21.9
GROSS (Million USD)	60,084.2	58,373.6	41,936.3	8.1	7.0	4.7	38.1	33.6	21.4
TOTAL DEBT:									
NET (Million Pesos) ^{1./}	1,690,268.1	1,764,989.6	1,980,247.7	20.3	19.6	20.2	100.0	100.0	100.0
(Million USD) ^{1./}	150,048.7	163,763.1	181,991.3						
GROSS (Million Pesos)	1,776,042.8	1,871,287.2	2,129,091.3	21.3	20.8	21.8	100.0	100.0	100.0
(Million USD)	157,663.1	173,625.8	195,670.6						

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: Secretaría de Hacienda y Crédito Público.

FEDERAL GOVERNMENT DOMESTIC DEBT FOURTH QUARTER 2006 (Million Pesos*)						
Concept	Outstanding Dec-05	Indebtedness			Adjustments	Outstanding Dec-06 ^{p./}
		Disp.	Amort.	Net		
NET DOMESTIC DEBT BALANCE	1,183,310.7					1,547,112.1
ASSETS ^{1./}	-58,843.4					-125,670.3
GROSS DOMESTIC DEBT BALANCE	1,242,154.1	1,593,417.8	1,171,628.5	421,789.3	8,839.0	1,672,782.4
Government Securities	1,173,307.4	1,455,822.4	1,064,524.4	391,298.0	5,321.0	1,569,926.4
Cetes	288,229.7	970,985.8	913,210.9	57,774.9	0.0	346,004.6
Bondes	287,559.8	0.0	72,737.8	-72,737.8	0.0	214,822.0
Bondes "D"	0.0	144,801.4	0.0	144,801.4	0.0	144,801.4
Fixed Rate Development Bonds	502,186.9	285,279.5	78,575.7	206,703.8	80.8	708,971.5
Udibonos	95,331.0	54,755.7	0.0	54,755.7	5,240.2	155,326.9
Udibonos (million UDI's)	26,214.4	14,800.0	0.0	14,800.0	0.0	41,014.4
SAR	52,144.3	81,097.1	76,379.3	4,717.8	2,637.4	59,499.5
Siefores (Pesos)	0.2	0.0	0.0	0.0	0.0	0.2
Siefores UDI's	0.1	0.0	0.0	0.0	0.0	0.1
Others	16,702.2	56,498.3	30,724.8	25,773.5	880.6	43,356.3

*./ 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: Secretaría de Hacienda y Crédito Público.

FEDERAL GOVERNMENT EXTERNAL DEBT
FOURTH QUARTER 2006
 (Million USD*)

Concept	Outstanding Dec-05	Indebtedness			Adjustments	Outstanding Dec-06 ^{p/_}
		Disp.	Amort.	Net		
Net Debt	53,970.6					39,806.6
Assets ^{1/_}	-4,403.0					-2,129.7
Gross Debt	58,373.6	4,995.3	23,143.7	-18,148.4	1,711.1	41,936.3
Publicly placed Bonds	44,075.0	3,008.2	12,523.9	-9,515.7	1,653.2	36,212.5
IFI's	13,621.1	1,987.1	10,263.4	-8,276.3	44.4	5,389.2
Bilateral Credit	256.1	0.0	65.5	-65.5	12.6	203.2
Comercial Banks	49.3	0.0	49.2	-49.2	-0.1	0.0
Others	372.1	0.0	241.7	-241.7	1.0	131.4

*_/_ 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: Secretaría de Hacienda y Crédito Público.

FEDERAL PUBLIC SECTOR DEBT* ^{1/_}

Concept	Outstanding as of			% of GDP			Structure (%)		
	Dec-04	Dec-05	Dec-06 ^{p/_}	Dec-04	Dec-05	Dec-06 ^{p/_}	Dec-04	Dec-05	Dec-06 ^{p/_}
INTERNAL DEBT :									
NET (Million Pesos) ^{2/_}	1,075,824.2	1,250,046.0	1,471,632.6	12.9	13.9	15.0	55.8	63.8	74.1
GROSS (Million Pesos)	1,181,311.4	1,339,420.2	1,741,407.6	14.2	14.8	17.8	57.0	63.4	74.5
EXTERNAL DEBT:									
NET (Million USD) ^{2/_}	75,713.1	65,722.5	47,247.3	10.3	7.8	5.3	44.2	36.2	25.9
GROSS (Million USD)	79,225.8	71,674.5	54,766.3	10.7	8.6	6.1	43.0	36.6	25.5
TOTAL DEBT:									
NET (Million Pesos) ^{2/_}	1,928,716.6	1,958,383.1	1,985,730.0	23.2	21.7	20.3	100.0	100.0	100.0
(Million USD) ^{2/_}	171,216.2	181,707.0	182,495.2						
GROSS (Million Pesos)	2,073,774.2	2,111,906.5	2,337,319.7	24.9	23.4	23.9	100.0	100.0	100.0
(Million USD)	184,093.3	195,951.5	214,807.4						

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: Secretaría de Hacienda y Crédito Público.

FEDERAL PUBLIC SECTOR DOMESTIC DEBT, JANUARY-DECEMBER 2006
 (Million pesos*)

Concept	Outstanding Dec-05	Indebtedness			Adjust.	Outstanding Dec-06 ^{p./}
		Disp.	Amort.	Net		
NET DEBT	1,250,046.0					1,471,632.6
Assets ^{1/}	-89,374.2					-269,775.0
GROSS DEBT	1,339,420.2	1,694,483.8	1,328,181.7	366,302.1	35,685.3	1,741,407.6
STRUCTURE BY TERM	1,339,420.2	1,694,483.8	1,328,181.7	366,302.1	35,685.3	1,741,407.6
Long-term	1,085,200.6	691,959.7	345,743.6	346,216.1	29,184.8	1,460,601.5
Short-term	254,219.6	1,002,524.1	982,438.1	20,086.0	6,500.5	280,806.1
STRUCTURE BY USER	1,339,420.2	1,694,483.8	1,328,181.7	366,302.1	35,685.3	1,741,407.6
Federal Government	1,242,154.1	1,593,417.8	1,171,628.5	421,789.3	8,839.0	1,672,782.4
Long-term	1,019,432.3	684,199.9	311,745.9	372,454.0	8,839.0	1,400,725.3
Short-term	222,721.8	909,217.9	859,882.6	49,335.3	0.0	272,057.1
PEDBC's	5,613.5	7,262.6	7,809.8	-547.2	14,286.7	19,353.0
Long-term	5,613.5	66.4	613.6	-547.2	14,286.7	19,353.0
Short-term	0.0	7,196.2	7,196.2	0.0	0.0	0.0
Development Banks	91,652.6	93,803.4	148,743.4	-54,940.0	12,559.6	49,272.2
Long-term	60,154.8	7,693.4	33,384.1	-25,690.7	6,059.1	40,523.2
Short-term	31,497.8	86,110.0	115,359.3	-29,249.3	6,500.5	8,749.0
STRUCTURE BY SOURCE	1,339,420.2	1,694,483.8	1,328,181.7	366,302.1	35,685.3	1,741,407.6
Bonds placed in the local market	1,264,365.5	1,549,582.8	1,213,250.2	336,332.6	17,891.5	1,618,589.6
SAR	52,144.3	81,097.1	76,379.3	4,717.8	2,637.4	59,499.5
Commercial Banks	1,694.8	109.4	631.2	-521.8	-2.7	1,170.3
Others	21,215.6	63,694.5	37,921.0	25,773.5	15,159.1	62,148.2

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: Secretaría de Hacienda y Crédito Público.

Press Release

Mexico City, January 30th 2007.
FEDERAL PUBLIC SECTOR EXTERNAL DEBT, JANUARY-DECEMBER 2006
 (Million Dollars*)

Concept	Indebtedness				Adjust.	Outstanding Dec-06 ^{p./}
	Outstanding Dec-05	Disp.	Amort.	Net		
NET DEBT	65,722.5					47,247.3
Financial Assets Denominated in Foreign Currency 1_/	-5,952.0					-7,519.0
GROSS DEBT	71,674.5	17,506.2	36,975.2	-19,469.0	2,560.8	54,766.3
STRUCTURE BY TERM	71,674.5	17,506.2	36,975.2	-19,469.0	2,560.8	54,766.3
Long-term	70,888.7	9,825.0	29,319.4	-19,494.4	2,527.3	53,921.6
Short-term	785.8	7,681.2	7,655.8	25.4	33.5	844.7
STRUCTURE BY USER	71,674.5	17,506.2	36,975.2	-19,469.0	2,560.8	54,766.3
Federal Government	58,373.6	4,995.3	23,143.7	-18,148.4	1,711.1	41,936.3
Long-term	58,373.6	4,995.3	23,143.7	-18,148.4	1,711.1	41,936.3
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
PEDBC's	6,998.4	6,908.8	7,509.0	-600.2	813.8	7,212.0
Long-term	6,992.1	4,341.2	4,941.6	-600.4	811.1	7,202.8
Short-term	6.3	2,567.6	2,567.4	0.2	2.7	9.2
Development Banks	6,302.5	5,602.1	6,322.5	-720.4	35.9	5,618.0
Long-term	5,523.0	488.5	1,234.1	-745.6	5.1	4,782.5
Short-term	779.5	5,113.6	5,088.4	25.2	30.8	835.5
STRUCTURE BY SOURCE	71,674.5	17,506.2	36,975.2	-19,469.0	2,560.8	54,766.3
Publicly Placed Bonds	46,462.3	3,263.2	12,817.6	-9,554.4	1,650.1	38,558.0
IFI's	16,827.7	2,110.2	10,732.3	-8,622.1	49.8	8,255.4
Commercial Banks	2,454.6	8,912.9	9,772.5	-859.6	-17.0	1,578.0
Bilateral	3,403.9	661.5	1,016.4	-354.9	90.2	3,139.2
Restructured 1989-1990	154.4	0.0	78.0	-78.0	0.1	76.5
Spanish Bank Bonds	76.5	0.0	0.0	0.0	0.0	76.5
New Money 1990-1992	77.9	0.0	78.0	-78.0	0.1	0.0
Other 2_/	2,371.6	2,558.4	2,558.4	0.0	787.6	3,159.2

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.

2_/ Refers to movements of direct debt associated to the PIDIREGA projects.

Source: Secretaría de Hacienda y Crédito Público.