

Mexico City, April 28<sup>th</sup>, 2017

## **Reports on Economic Activity, Public Finances and Public Debt First quarter of 2017**

- **The revenues of the Public Sector increased 33.4 percent in real terms compared to the same period of 2016, and were higher than programmed by Ps. 403.335 billion pesos.**
- **Net budgetary expenditures were lower than anticipated in the program for the first quarter by Ps. 46.364 billion pesos, and were 0.9 percent higher (in real terms) than those of the same period of last year.**
- **The broadest measure of public balance, Public Sector Requirements, improved by shifting from a deficit of 0.3 percent of GDP in the first quarter of last year, to a surplus of 1.3 of GDP at this quarter.**
- **The primary surplus (which excludes financial costs) registered an improvement of 1.9 percentage points of GDP with respect to the same period of last year. This is consistent with the goal of achieving the first primary surplus in the past nine years.**
- **The evolution of the Historical Balance of the Public Sector Borrowing Requirements is consistent with a decrease from 50.2 percent of GDP at the close of the year 2016 to an estimate of 48.0 percent of GDP for the close of 2017**

Today, the Ministry of Finance delivered to the Congress the Reports on the Economic Situation, Public Finances, and Public Debt as of the first quarter of 2017, in compliance with the provisions of Article 107 of the Federal Budget and Fiscal Responsibility Law (LFPRH). The reports have also been made available to the public through the website of the Minister. Below we present the main aspects of these Reports.

### **I. Economic Outlook**

During the first quarter of 2017, the Mexican economy registered a positive performance, higher than the private sector's forecasts, in an external environment of high uncertainty. It is worth noting the positive evolution of consumption, sales and employment, the recovery of non-oil exports, and the stabilization of the financial markets. The 2.0 annual growth of the GDP proxy (IGAE) of the first two months of 2017 indicates that, with the available data, we have a resilient economy whose main driver of growth are solid domestic dynamics.

The last months have started to see worldwide synchronized growth after a period of moderate and heterogeneous growth observed after the Great Recession. Likewise, the volatility in the financial markets has decreased significantly. For instance, the International Monetary Fund increased its world economic growth prospect for 2017 at 3.5 percent, higher than the 3.1 growth recorded in 2016.<sup>1</sup> In particular, the growth projection of the Gross Domestic Product In the United States (US) stands at 2.2 percent (1.6 percent growth in 2016), while industrial production is estimated to increase 1.7 percent (during 2016 it decreased 1.2 percent).<sup>2</sup>

The improvement in the outlook for the global economy and the resilience of domestic demand to the adverse context (particularly that after the presidential election in the United States) has reflected in a positive evolution of the Mexican economy mainly driven by its internal demand. Hence, in the first quarter of 2017 the internal registered a moderately-favorable evolution. In particular, private consumption recorded an annual real growth of 3.8 percent in January and investment in machinery and national equipment grew at an annual real rate of 4.1 percent in the same month. The strength of the domestic market was also reflected in domestic sales, the first two months of the year observed a 4.3 annual growth for retail sales and a 7.4 annual growth for wholesales, and in the first quarter, car sales in the country grew at an annual growth rate of 8.9 percent.

The evolution of various sectors and variables during the first quarter of 2017 is described below.

### Output

In the first months of 2017 the world economy showed signs of more synchronized growth and the outlook for global growth was revised upwards. Meanwhile, volatility in the international financial markets decreased significantly. Despite this decrease, there is still uncertainty about the direction of the policies of the Administration of the United States. Additionally, geopolitical tensions have increase worldwide which poses downside risks to the Mexican Economy. In particular, there are concerns about: the possible outcome of the presidential elections in France, the bilateral relation between the United States and Syria, and the one with North Korea, and also the United Kingdom's process of exiting the European Union.

In the case of the United States, according to the Blue Chip Economic Indicators survey of April 2017, the projection of US GDP growth is 2.2 percent (2.3 percent in January 2017), while production Industrial sector is estimated to grow 1.7 percent (1.5 percent in January 2017). However, in the first quarter of 2017, GDP in the United States grew at an annualized rate of 0.7 percent, below market expectations. On the other hand, the IMF predicts that by 2017, the emerging economies as a whole will grow at 4.5 percent (as estimated in January 2017) and the global economy will do so at 3.5 percent (0.1 percentage points higher than the forecasts of January 2017).

The gradual recovery of the US manufacturing production generated a greater dynamism of non-oil exports of Mexico, compared with the previous quarters. Hence, during the first quarter of 2017, non-oil exports grew 9.2 percent year-over-year in nominal dollars, the highest growth rate since the first quarter of 2014. Excluding the seasonal factor, these exports grew at a quarterly rate of 1.5 percent.

At the same time, during the first quarter of 2017 the domestic demand registered a positive evolution, especially in the activities of private consumption, investment in machinery and national equipment.

<sup>1</sup> Source: International Monetary Fund, *World Economic Outlook* April 2017.

<sup>2</sup> Source: *Blue Chip Economic Indicators* Poll April 2017.

Among the factors that support the strengthening of the domestic market it is worth noting the creation of 377,694 formal jobs during the first quarter of 2017 –the highest for a similar period since 1983– , the 9.3 percent real annual expansion of current credit to the private sector granted by commercial during March, and the 3.5 percent reduction in the seasonally-adjusted unemployment rate of the first quarter of 2017 – the lowest for the same period since the second quarter of 2006– . The strength of the domestic market was reflected in the 4.3 percent annual growth of retail sales observed in the first two months of the year, and also in the 8.9 percent annual increase of car sales in the country of the first quarter of 2017.

### Employment

As of March 31, 2017, the number of workers affiliated to the Mexican Social Security Institute (IMSS) amounted to 18 million 994 thousand people, which implied an annual increase of 839 thousand jobs (4.6 percent). The job creation accumulated in 2017 (378 thousand jobs) is the largest creation of formal jobs for this period since 1983. With this result, 2 million 699 thousand 382 new formal jobs have been created in the current Administration. By type of contract, permanent affiliation of workers to the Institute increased by 224 thousand workers (59.3 percent of the total), while temporary affiliation increased by 154 thousand workers (40.7 percent of the total).

### Prices

During the first quarter of 2017, year-over-year headline inflation increased with respect to the observed levels of the fourth quarter of 2016, to around 5 percent. In March, annual inflation stood at 5.4 percent due to the gradual increase in the prices of merchandise, particularly of food. The latter is mainly due to the depreciation of the exchange rate and the observed increase of energy prices and government-authorized tariffs associated with the transitory effect of the liberalization of fuel prices.

In the first quarter of the year, the Mexican Stock Exchange's Index (IPyC) registered a positive performance, driven by a more conciliatory tone of the US Administration regarding the commercial relationship with Mexico and a more favorable international financial environment. In particular, the industrial and the financial sector recorded the best performance within the index. In this way, the IPyC closed the quarter at 48,541.6 units, a 6.4 percent increase with respect to the previous quarter. In addition, on March 28, the index recorded a historical maximum at by reaching 49,339.2 points.

Between January and March, the Mexican Peso to US Dollar exchange rate appreciated mainly because of better perceptions of the future trade negotiations between Mexico and the United States given the more conciliatory tone by the members of the US Cabinet, the confirmation of a gradual process of normalization of the US monetary policy, and the successful implementation by Banco de Mexico of a new exchange rate hedging mechanism. As a result, at the close of March 31 of 2017, the exchange rate stood at 18.73 pesos per dollar. This implied a 10.2 percent appreciation with respect to the close of December 30, 2016 (20.64 pesos per dollar).

### Credit

In March of 2017, the performing portfolio of total credit granted by commercial and development banks increased by 6.9 percent in real annual terms. In particular, the current credit to the private sector increased 9.5 percent in real annual terms. Within the latter item, the performing portfolios of credit to firms and individuals with business activity, to housing, and to consumption increased in 10.9, 6.9, and 5.9 percent, respectively, all at annual real rates.

## II. Public Finances

During the first quarter of 2017, the primary balance of the public sector improved with respect to 2016 by recording a surplus of Ps. 414.649 billion. This figure also compares positively to the expected deficit of Ps. 41.119 billion and it is consistent with the goal of achieving the first primary surplus since 2008.

Meanwhile, the Public Sector Borrowing Requirements (PSBRs), the broadest measure of public balance, decreased 511 percent in real terms. Hence, the PSBR recorded a surplus of Ps. 270.820 billion, an improvement of Ps. 333.587 billion with respect to the same period of the previous year. In particular, the cumulative balance of the public sector as of March registered a surplus of Ps. 309.069 billion, which contrasts with the Ps. 61.563 billion deficit of the same period last year, and that represents an improvement of Ps. 451.711 billion with respect to the deficit that was expected for this period. These results were achieved because the fiscal consolidation effort considered in the economic program of the year, the evolution of tax revenues, and to deposit of Ps. 321.653 billion Banco de México's Operating Surplus (BMOS) as indicated in Article 55 of the Law of the Bank of Mexico. If the BMOS is excluded, the PSBRs recorded a deficit of Ps. 50.833 billion, which represents an improvement of Ps. 11.934 billion with respect to 2016; likewise, the cumulative public sector balance registered a deficit of Ps. 12.584 billion pesos, for an improvement of Ps. 48.978 billion compared to 2016.

During the first quarter of 2017, the public balance without considering investments of high economic and social impact approved by the Congress, registered a surplus of Ps. 398.432 billion, a figure that compares favorably to the surplus of Ps. 56.377 billion of the same period of 2016. This level of balance is higher than Ps. 30.798 billion expected for this period.

Considering the deposit of the BMOS and the results of public finances as of March, we estimate that if there are no unexpected movements in the macroeconomic framework presented in the 2017 Economic Policy Preliminary Guidelines, the primary surplus at the close of 2017 will pass from 0.5 percent of GDP to a surplus of 1.6 of GDP, while the PSBRs go from 2.9 percent of GDP to 1.4 percent of GDP, a reduction of 1.5 points of GDP compared to the estimate considered in the 2017 Economic Package.

### Revenues

In first quarter of 2017, Public Sector's budgetary revenues stood at Ps. 1, 483.196 billion and they were Ps. 403.335 billion higher by than expected.<sup>3</sup> This amount is 33.4 percent higher in annual real terms than the one the the same period of 2016, and 4.5 percent higher if the entire 2017 deposit of the BMOS is excluded. These results are due to the good performance of tax collection and the receiving of non-recurring and earmarked resources, such as the BMOS. The evolution of the main revenue components was as follows:

- Oil revenues stood at Ps. 206.312 billion, Ps. 16.689 billion higher than approved, and 39.0 percent higher in real terms than observed in the first quarter of 2016. The latter is mainly explained by a 74.6 percent increase in the average export price of the Mexican oil mix, a 50.2 increase in the natural gas price, and by a 10.9 percent depreciation of the exchange rate, compared to the same period in 2016. However, the previous three effects were diminished by a 10.0 percent decrease of oil production during that period.

<sup>3</sup>As published in the agreement of the official gazette (Diario Oficial de la Federación) on December 7 of 2016, through which the monthly calendar of the forecasts of incomes contained in article 1 of the Federal Income Law for the exercise of 2017 is released, and it is consistent with the methodology for estimating those forecasts.

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- Tax revenues amounted Ps. 732.513 billion, Ps 31.731 billion higher than programmed and 5.5 percent lower in real terms than observed in 2016. Excluding the fuel excise tax (IEPS), tax collection decreased 1.9 percent in real terms compared to 2016. Within tax revenues: there is a 4.1 percent drop of the income tax system since in the last day of March of 2017 was a Friday which extends the deadline for business activity individuals filling taxes to April as established in the regulatory framework, and a drop in total IEPS of 15.0 percent in real terms mainly due to the fiscal stimulus to fuel IEPS, a 2.1 percent increase of the value added tax (VAT), and an 8.3 percent increase of the import tax.
- Non-tax revenues of the Federal Government increased to Ps. 380.339 billion and they were Ps. 345.876 billion higher than approved and 614.8 percent higher in real terms than those of 2016. These revenues include the accounting record of Ps. 321. 653 billion of the BOMS. Excluding BOMS, non-tax revenues grew 10.3 percent.
- Revenues from CFE stood at Ps. 79.198 billion and they were 15.6 percent higher than last year's. This increase is mainly explained by the evolution of the economic activity and the adjustment in electric tariffs for industrial and commercial use.
- IMSS and ISSSTE revenues stood at Ps. 84.835 billion. This amount was higher by 3.1 percent in real terms with respect to 2016 due to both higher contributions to the IMSS and higher financial products.

Finally, the balance of stabilization funds as the close of the first quarter of 2017 is of Ps. 157.867 billion

<b>BALANCE OF THE STABILIZATION FUNDS</b>	
<b>AS OF MARCH 31 of 2017</b>	
(Million pesos)	
<b>Total</b>	<b>157,867</b>
FEIP	120,490
FEIEF	37,377

Source: Ministry of Finance.

Expenditure

In the first quarter of 2017, net budgetary expenditure stood at Ps. 1.176 billion and they were Ps 46.166 billion lower than expected in the program<sup>4</sup> by and 0.9 percent higher in real terms with respect to 2016 due to the increase of financial costs and non-earmarked transfers to the states. Programmable expenditures stood at Ps. 851. 038 billion and they were 6.3 percent lower in real terms than in 2016.

When comparing the first quarter of 2017 to the previous years:

- A 1.2 percent real year-to-year increase in total net expenditures without considering financial investment, i.e. excluding those operations associated with savings in the Public Sector and that have a counterpart as revenues.
- Total net expenditure excluding financial investments, pensions, non-earmarked transfers, and financial costs declined 6.8 percent in real terms and current structural expenditures decreased 6.9 percent in real terms. Both indicators reveal the efforts on expenditure containment during the year.
- Expenditures on subsidies, transfers and current contributions were 11.3 percent lower in real terms.
- Pension and retirement payments increased 1.1 percent in real terms.

<sup>4</sup> As established in the Authorized Calendar Budgets for the fiscal exercise of 2017 which was published in the official gazette (DOF) on December 14 of 2017.

- Total operating expenditures grew 1.5 percent in real terms, mostly due to higher operation costs in CFE because of higher fuel prices for energy generation.
- Non-earmarked transfers increased 19.3 percent in real terms, while the total federal expenditure increased 5.4 percent in real terms mainly due to a favorable evolution of tax collection.
- Financial cost increased 44.3 percent in real terms, this is associated with the exchange rate and the interest rate behavior.

In the first quarter of 2017, net budgetary expenditure was Ps. 46.364 billion lower than expected. This was due to a lower programmable expenditure by Ps. 75.672 billion and lower financial cost by Ps. 1 thousand 368 which was partially offset by higher non-earmarked transfers to the states and municipalities for Ps. 28.111 billion, and higher Adefas and other expenses by Ps. 2.556 billion.

**Banco de México's operating surplus of fiscal year 2016**

On March 28 of 2017, Banco de Mexico deposited to the Federal Treasury Ps. 321.653 billion for the Banco de Mexico's Operating Surplus of the 2016 fiscal year. As per the LFPRH, at least 70 percent of the amount (Ps 225 thousand 157) will be used to: repay the public debt of the Federal Government contracted in previous fiscal years or to the reduction of the amount of financing needed to cover the Budgetary Deficit, or a combination of both concepts, the remaining amount will be used to strengthen the FEIP and to increase assets that strengthen the financial position of the Federal Government.

The aforementioned would imply the following estimates for public finances for the closed of the year:

Public Finances Estimate 2017 (% of GDP)			
	Approved	Estimate	
		Without BMOS	With BMOS
<b>1. PSBR</b>	<b>-2.9</b>	<b>-2.9</b>	<b>-1.4</b>
2. Economic balance	-2.4	-2.4	-1.3
3. Without high-impact investment	0.1	0.1	1.1
4. Primary balance	0.4	0.5	1.6
<b>HBPSBR</b>	50.2	49.5	48.0

Considering the operating surplus, we estimate the PSBRs to be at 1.4 percent of GDP. The non-investment balance –that excludes high-impact investment spending– and the primary balance –which excludes the financial cost of public debt– are estimated at 1.1 percent and 1.6 percent of GDP, respectively, representing a lower improvement to that of the PSBRs because 30 percent of the BMOS will be registered as financial investment expenditures.

**III. Public Debt**

To continue strengthening the macroeconomic fundamentals of the country, the Federal Government has committed to the multi-year fiscal consolidation plan aimed at reducing the public deficit and financing needs. The objective is to begin a downward trend of the public debt to GDP ratio from 2017 onwards.

In this context, the public debt policy for 2017 has been designed to accompany the fiscal consolidation strategy of the public sector, seeking to cover the Federal Government financing needs at reduced costs, considering a long-term horizon, and a low level of risk. And also, to direct the debt management actions of the Federal Government to improve the efficiency of the government's portfolio of liabilities, leading

to a better debt maturity profile and to adjust the portfolio to the financial conditions of the markets. As established in the Annual Financing Plan (PAF 2017), this strategy considers using mainly debt issued in the local market to finance the Federal Government deficit. In addition, and considering that foreign currency refinancing requirements for 2017 were covered during 2016, foreign credit would only be used under favorable conditions of the international markets. Due to the aforementioned, the schedules of placement of government securities in the domestic market for the current year were designed considering the possibility of replacing external financing by domestic financing if the external market conditions are not the best ones.

Thus, as of the first quarter of 2017 the Historical Balance Public Sector Borrowing Requirements (HBPSBR), the broadest measure of debt of the public sector, reached PS. 9 trillion 230 thousand 88.7, a reduction of 567.4 billion pesos. This figure is in line with the target value for the close of the year announced in the Economic Policy Preliminary Guidelines of 49.5 percent of GDP before considering the effect of the BMOS received in 2017 for Ps. 321.653 billion. In addition, when considering the BMOS, we anticipate that by the close of 2017 the balance will decrease from 50.2 percent of GDP at the close of 2016 (revised figure) to 48.0 percent of GDP demonstrating the fiscal consolidation efforts of the Federal Government and the solid commitment to the strength and stability of the public finances of the country.

In line with this, during the first quarter of 2017 the management of the public debt was directed to improve the efficiency of the public debt portfolio through actions that would improve the debt maturity profiles of the debt of the Federal Government, increase the efficiency of the yield curves, and decrease the financing needs in the upcoming years.

### Domestic debt

Regarding domestic debt management, it is worth noting that during March the Federal Government carried out a syndicated placement of a 30-year M Bond for an amount of Ps. 15 billion at a rate of return of 7.85 percent. The result of this auction was favorable despite the high volatility in international financial markets and the uncertainty associated with the behavior of the world economy. This showed the confidence from national and foreign investors in the economic fundamentals of the country.

In addition, during the current year six swap transactions have been carried out to improve the price formation in the yield curve and to smooth the maturity profile. On the one hand, in the first two months of the year, four M Bonds were exchanged for an amount of Ps. 20 billion to improve the price formation in the long part of the yield curve, exchanging Bonds M with maturities in 2031, 2034 and 2038 for M-Bonds maturing in 2042. On the other hand, to increase the outstanding balance of the new reference to the 30-year term issued on March 22, there was an exchange operation for Ps. 10.819 billion pesos in which M Bonds with maturities in 2031, 2034, 2038 and 2042 were exchanged for the new reference maturing in November of 2047.

Finally, in March, a swap transaction was carried out for an amount of Ps. 32.468 billion pesos to improve the maturity profile of the public debt of the upcoming years. This transaction exchanged M Bonds maturing in the next 3 years (between 2017 and 2019) for M Bonds maturing between 2020 and 2031.

External Debt

Regarding external debt, on March of 2017 a refinancing operation was carried out in the international markets. With this transaction (i) an advanced prepayment of the US dollar bond maturing in March 2019 was made, representing 30 percent of the Federal Government obligations denominated in foreign currency scheduled for that year; (ii) a repurchase in the open market of a US dollar bonds maturing in 2019 and onwards, and (iii) a withdraw of outstanding bonds maturing between 2020 and 2025 held by investors who were offered the possibility of exchanging their bonds for the new 10-year dollar reference maturing in 2027. The resources for the latter transaction were obtained from the issuance of a new 10-year dollar referenced bond maturing in March of 2027, for a total amount of USD 3.15 billion.

It should be noted that this liability refinancing operation, performed in international markets, allowed to improve the Federal Government foreign currency maturity profile without incurring additional indebtedness because all the resources obtained from the new issuance will be used in operations of liabilities management for the same amount.

Banco de Mexico's Operating Surplus

On March 28, the Bank of Mexico deposited Ps. 321.653.3 billion, approximately 1.5 percent of GDP, to the Federal Treasury for the concept of its operating surplus, corresponding to 2016 fiscal year. As per the fiscal responsibly law, 70 percent of the amount will be used to repay the public debt of the Federal Government contracted in previous fiscal years, or to the reduction of the amount of financing needed to cover the Budgetary Deficit, or a combination of both concepts. The remaining amount will be used to strengthen the FEIP and to increase assets that strengthen the financial position of the Federal Government. In this sense, and considering that the conditions of the national and international financial markets could change abruptly given the uncertainty prevailing in the global economy, the Federal Government will consider all the tools at its disposal to choose those that allow to use the BOMS to continue increasing the efficiency of the debt portfolio, improving the profile of maturities and the financial position of the Federal Government.

The receipt and use of the operating surplus will be reflected in a further improvement in the PSBRs and the HBPSBR for 2017 fiscal year, thereby accelerating the process of fiscal consolidation (see Pre-Criteria 2018).

Federal Government's net debt

At the close of the first quarter of 2017, the balance of the Federal Government net debt stood at Ps. 6,752.643 billion pesos. The structure of the Federal Government current debt portfolio keeps most of its liabilities denominated in domestic currency, representing, at March 31 of 2017, 76.2 percent of the Federal Government net debt balance.

The balance of the Federal Government net domestic debt at the close of the first quarter of 2017 amounted to Ps. 5, 147.4114 billion, while in December of 2016 it was of Ps.5, 396.3014 billion. On the other hand, the net external debt of the Federal Government amounted to USD 85.3429 billion, while in December of 2016 it was of USD 86.666 billion.

Federal Public Sector's net debt

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The net debt of the Federal Public Sector which includes the net debt of the Federal Government, that of the state productive enterprises, and that of the development banks, stood at Ps. 9, 173.4292 billion at the close of the first quarter of 2017.

The net internal debt of the Federal Public Sector stood at Ps. 5, 774.1851 billion, while in December of 2016 it was of Ps. 6, 009.4031 billion. Meanwhile, the net external debt of the Federal Public Sector stood at USD 180.7224 billion, while in December of 2016 it was of USD 177.6925 billion dollars.

*Historical Balance of the Public Sector Borrowing Requirements*

At the end of the first quarter of 2017, the HBPSBR, which includes public sector obligations in its broadest version, amounted to Ps. 9, 230.887 billion, while in December of 2016 it amounted to Ps. 9, 797.4396 billion. The internal component stood at Ps. 5, 924.2205 billion, while as of December of 2016 the internal balance was of Ps. 6, 217.5135 billion. On the other hand, the external component amounted to Ps. 3, 305.8682 million pesos, while in December of 2016 the balance was of Ps. 3,579.9261 billion.

ANNEX 1

**SUMMARY OF INDICATORS ON THE DEVELOPMENTS IN PUBLIC FINANCES**  
(Billion pesos)

Concept	January- March		Growth	Annual			Progress % with respect to:		
	2016 <sup>p_</sup>	2017 <sup>p_</sup>		% real	2016	2017		2016	2017
			Program <sup>1_</sup>			Observed	Program <sup>1_</sup>		Observed
1. Budgetary revenues	1,058.8	1,483.2	33.4	4,845.5	4,360.9	4,769.0	21.9	34.0	31.1
2. Tax revenues	723.1	732.5	-3.5	2,716.0	2,739.4	2,769.5	26.6	26.7	26.4
3. Tax revenues without fuels excise tax (IEPS)	660.3	680.1	-1.9	2,438.7	2,454.9	2,524.4	27.1	27.7	26.9
4. Total net expenditure without outlays on financial investments, pension payments, transfers and financial cost.	710.0	694.3	-6.8	3,115.7	2,803.2	2,879.6	22.8	24.8	24.1
5. Total net expenditure without outlays on financial investments, pension payments and transfers	776.1	794.5	-2.5	3,588.7	3,375.7	3,452.2	21.6	23.5	23.0
6. Total net expenditure without outlays on financial investments	1,094.9	1,163.3	1.2	4,931.1	4,838.4	4,924.9	22.2	24.0	23.6
7. Net total expenditure <sup>1_</sup>	1,110.3	1,176.3	0.9	5,347.8	4,855.8	5,038.7	20.8	24.2	23.3
8. Current structural expenditure	491.2	480.0	-6.9	2,227.4	2,061.3	2,373.2	22.1	23.3	20.2
9. Primary balance	21.6	414.6	- o -	-25.0	78.2	328.1	-86.4	530.3	126.4
10. PSBR	-62.8	270.8	n.s.	-556.6	-596.7	-291.1	11.3	-45.4	-93.0
11. HBPSBR	8,785.1	9,230.1	0.1	9,797.4	10,197.7	9,997.0	89.7	90.5	92.3
12. Public debt	8,422.5	9,173.4	3.7	9,693.2	9,828.9	10,010.1	86.9	93.3	91.6

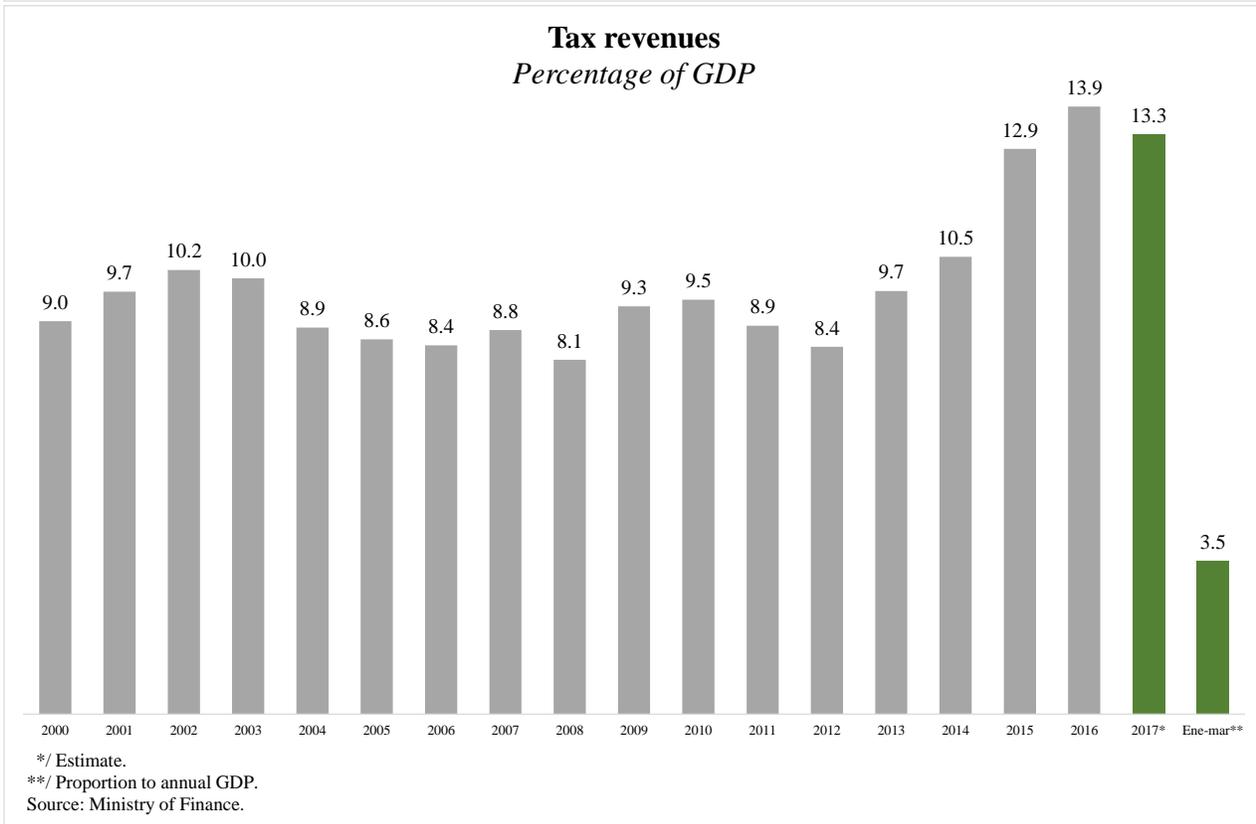
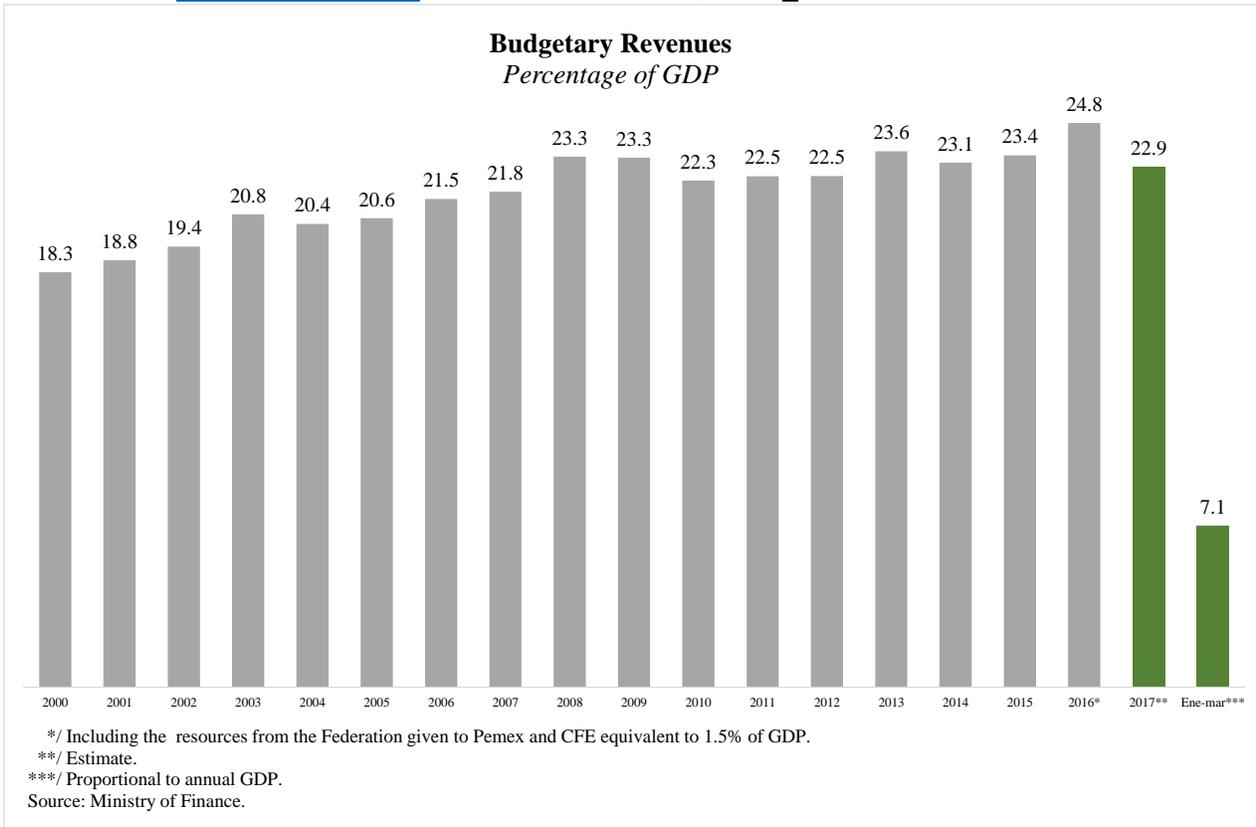
Note: Figures may not add up due to rounding..

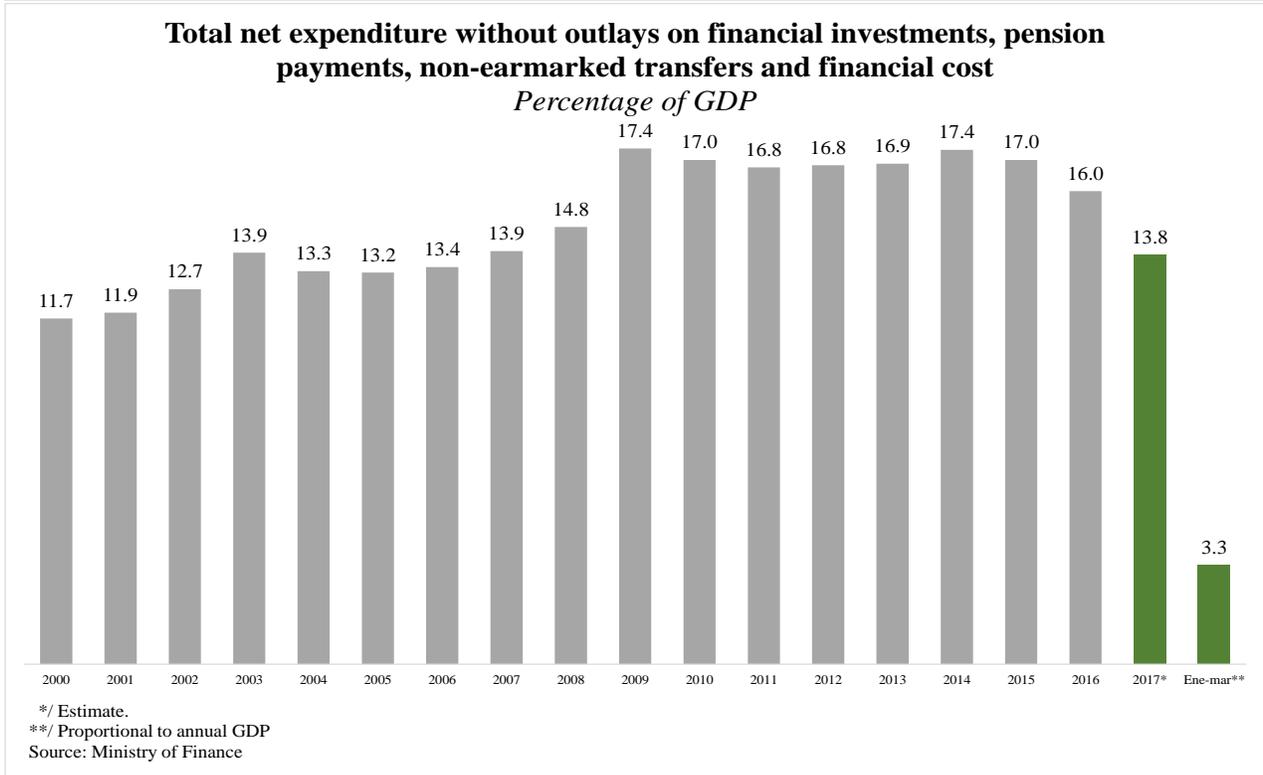
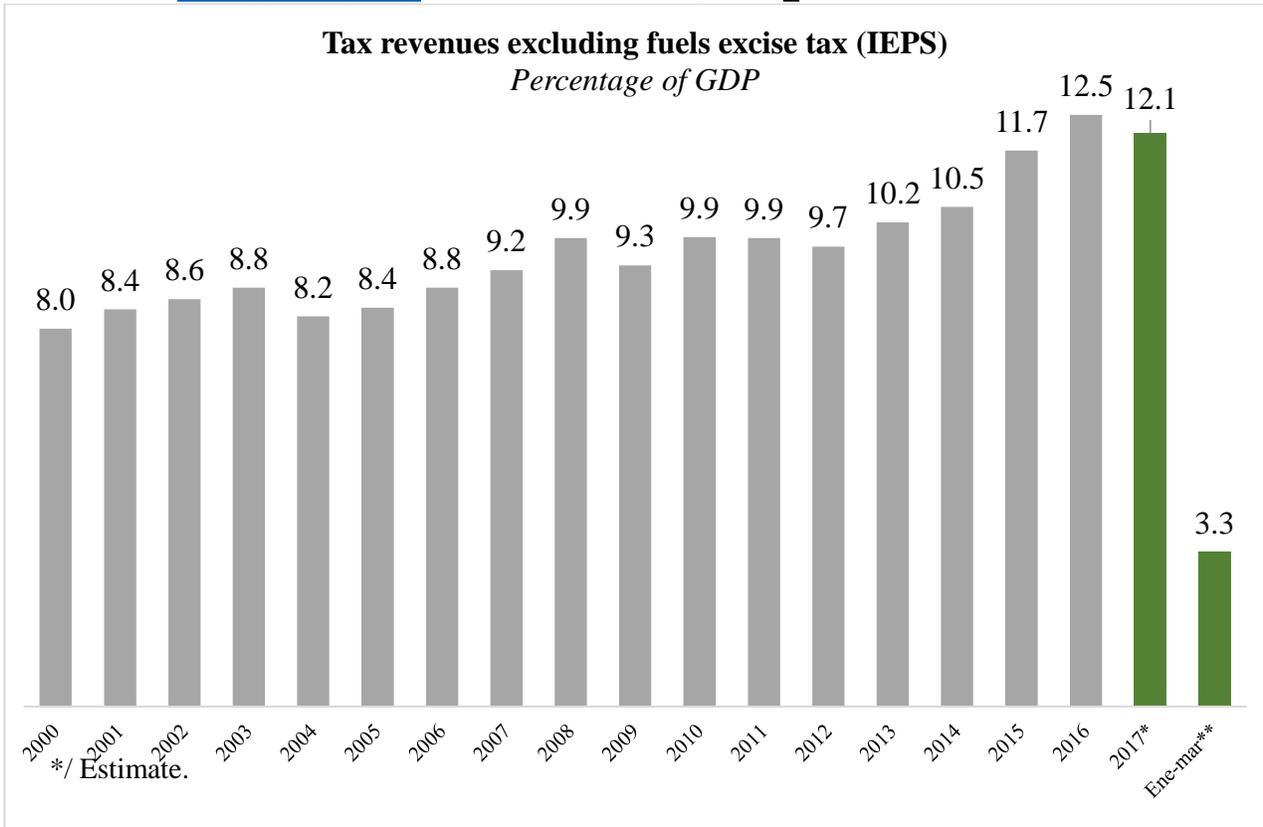
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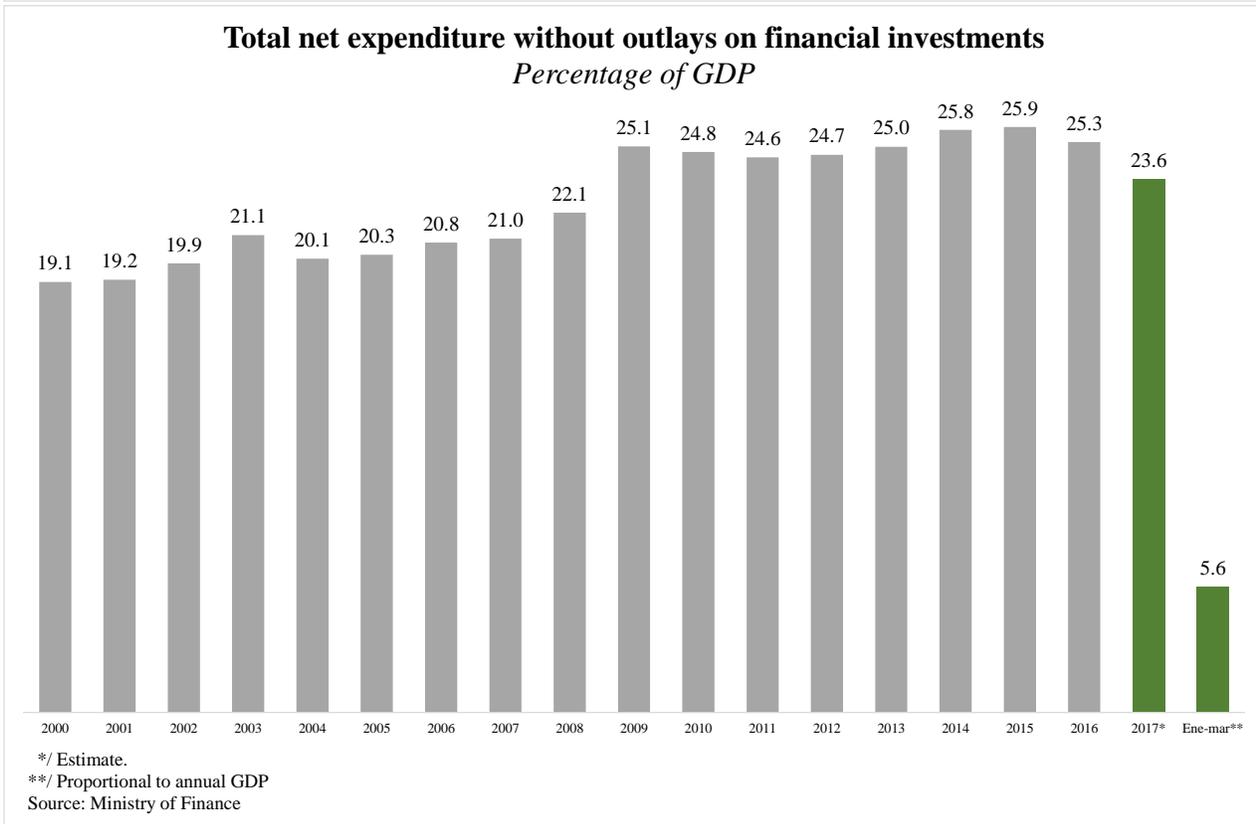
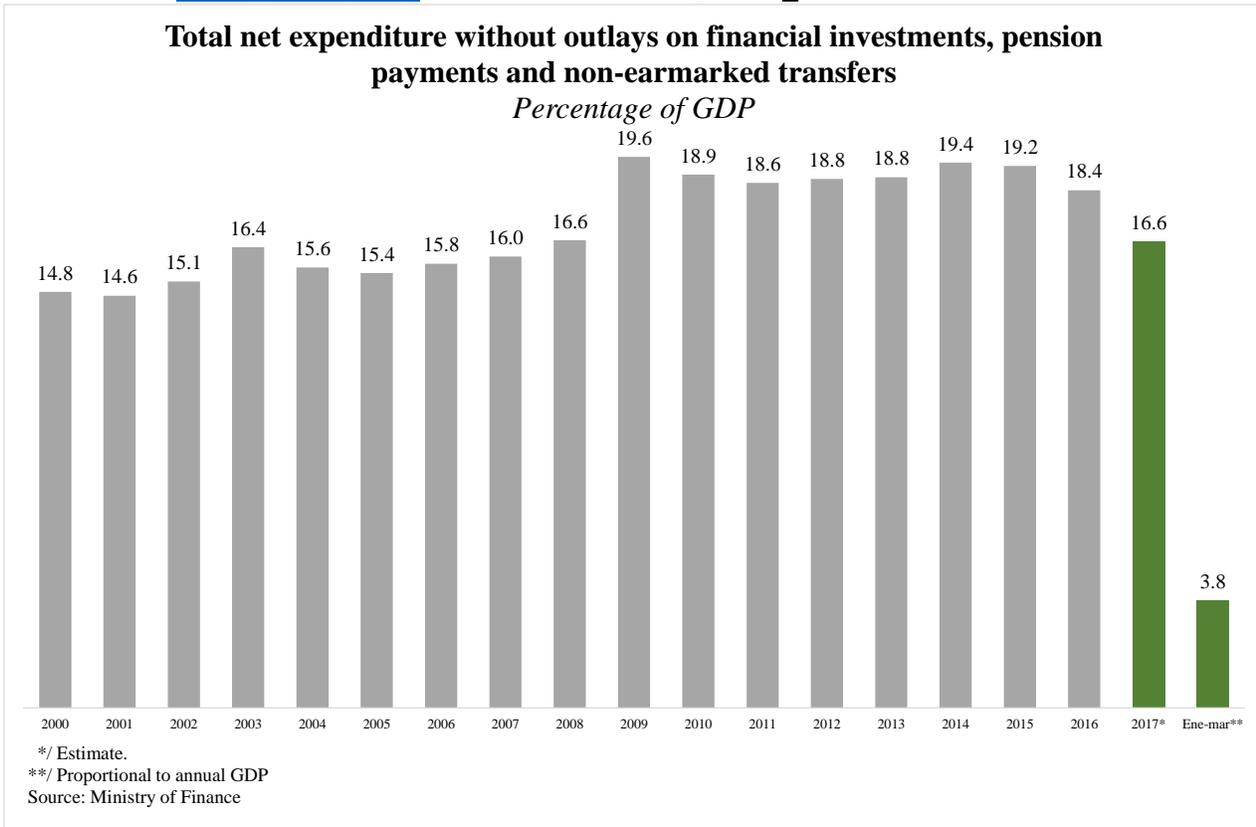
-o-: Greater than 500 percent.

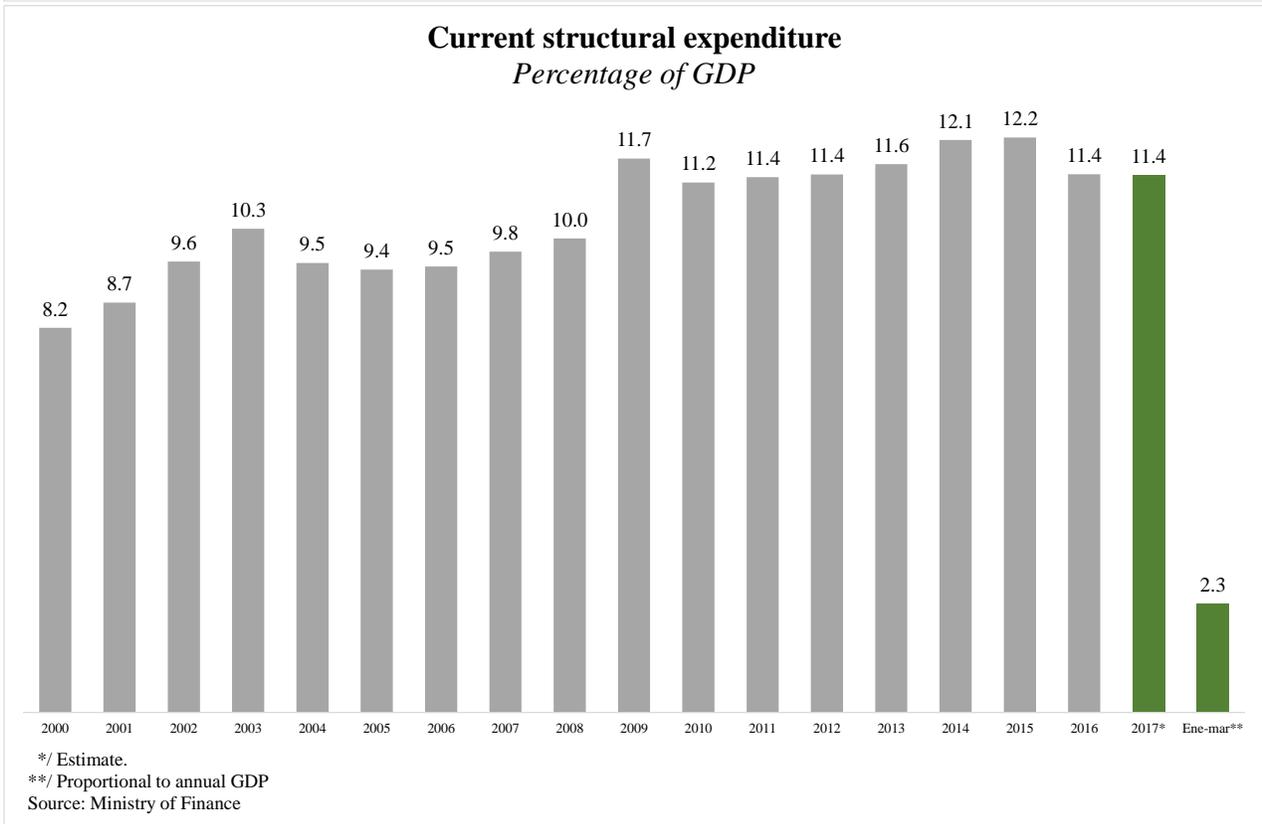
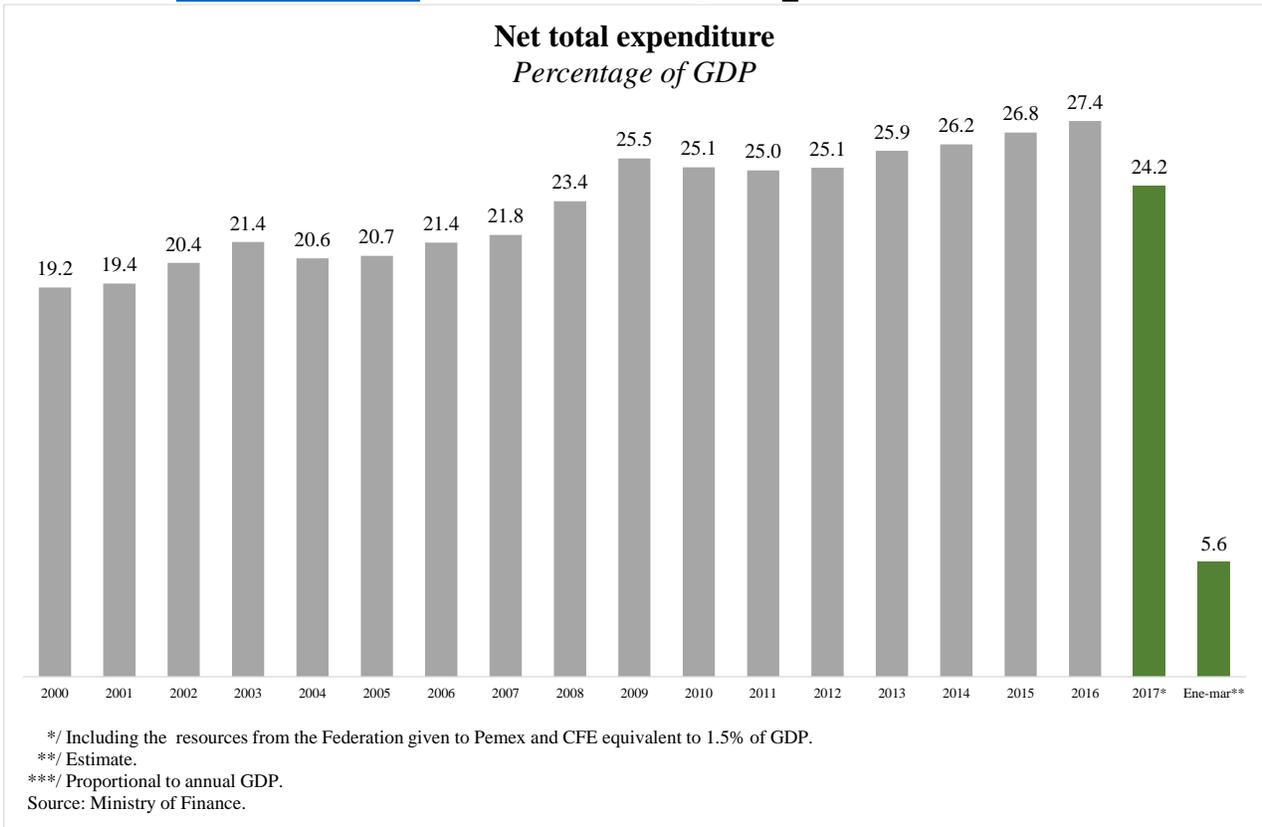
1\_/ Corresponds to the Federal Law on Income and Budget of Expenditures for the fiscal year 2017 approved by Congress.

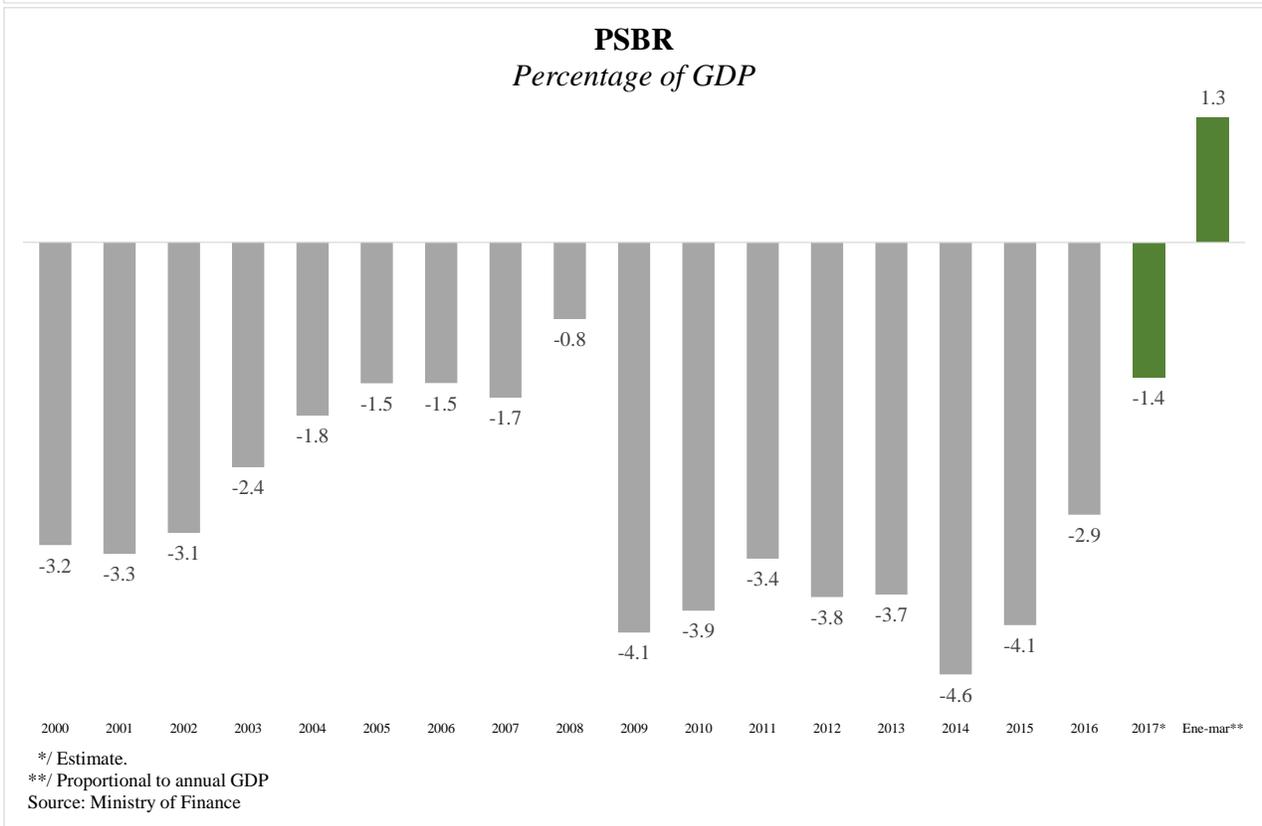
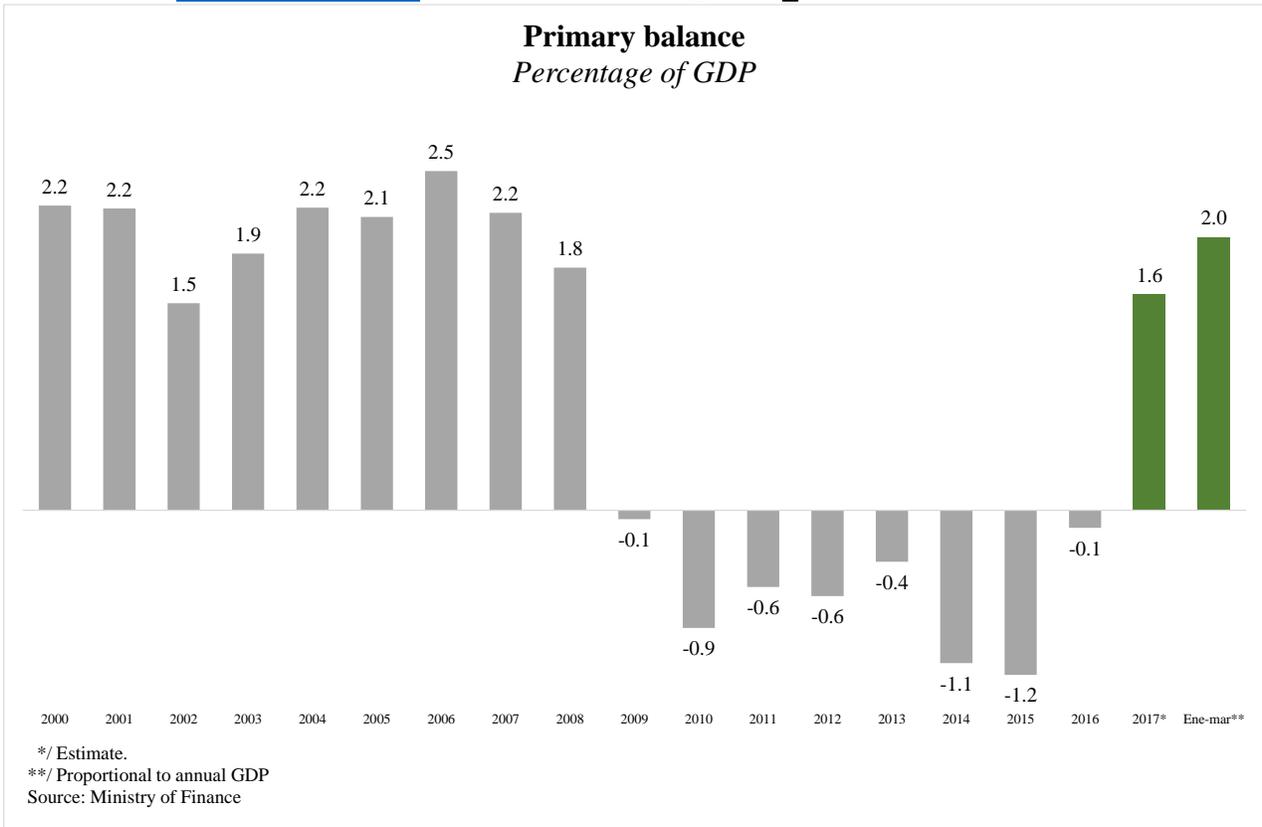
Source: Ministry of Finance

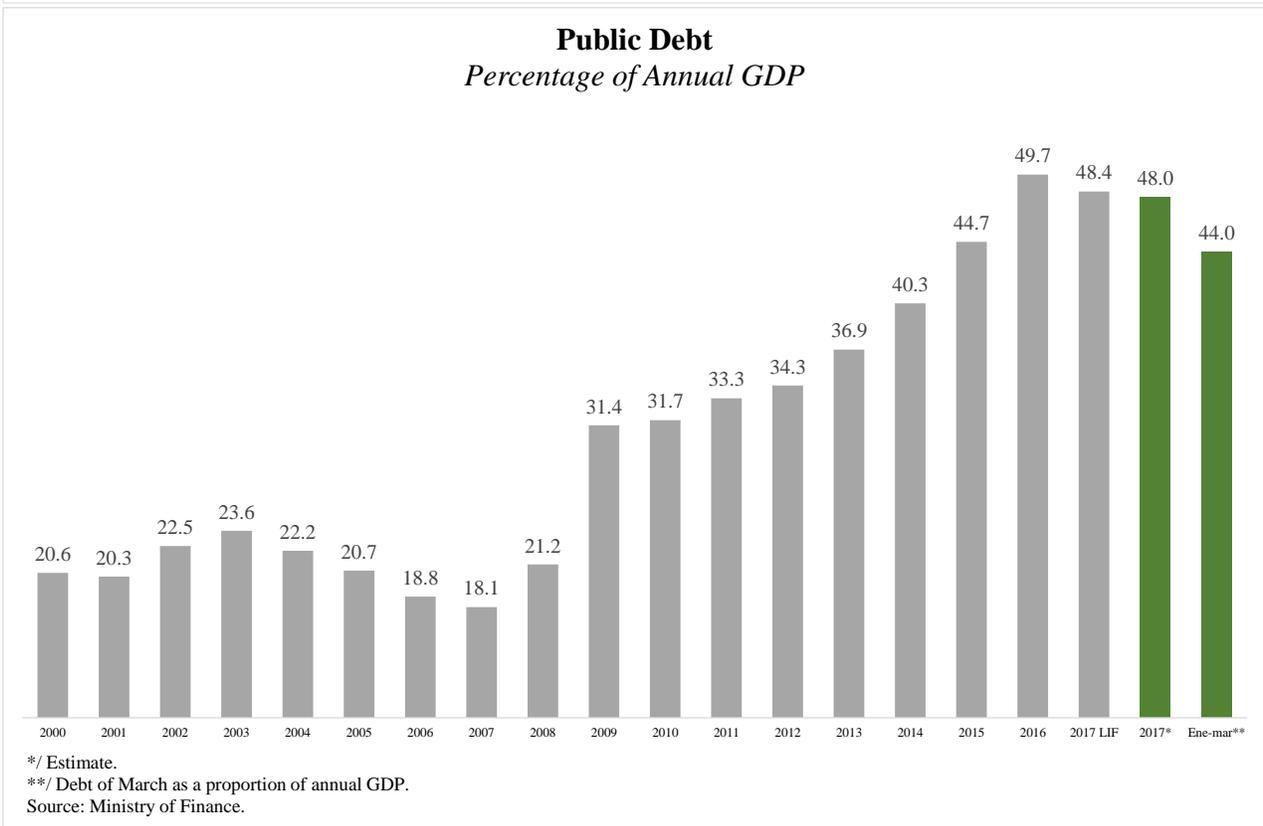
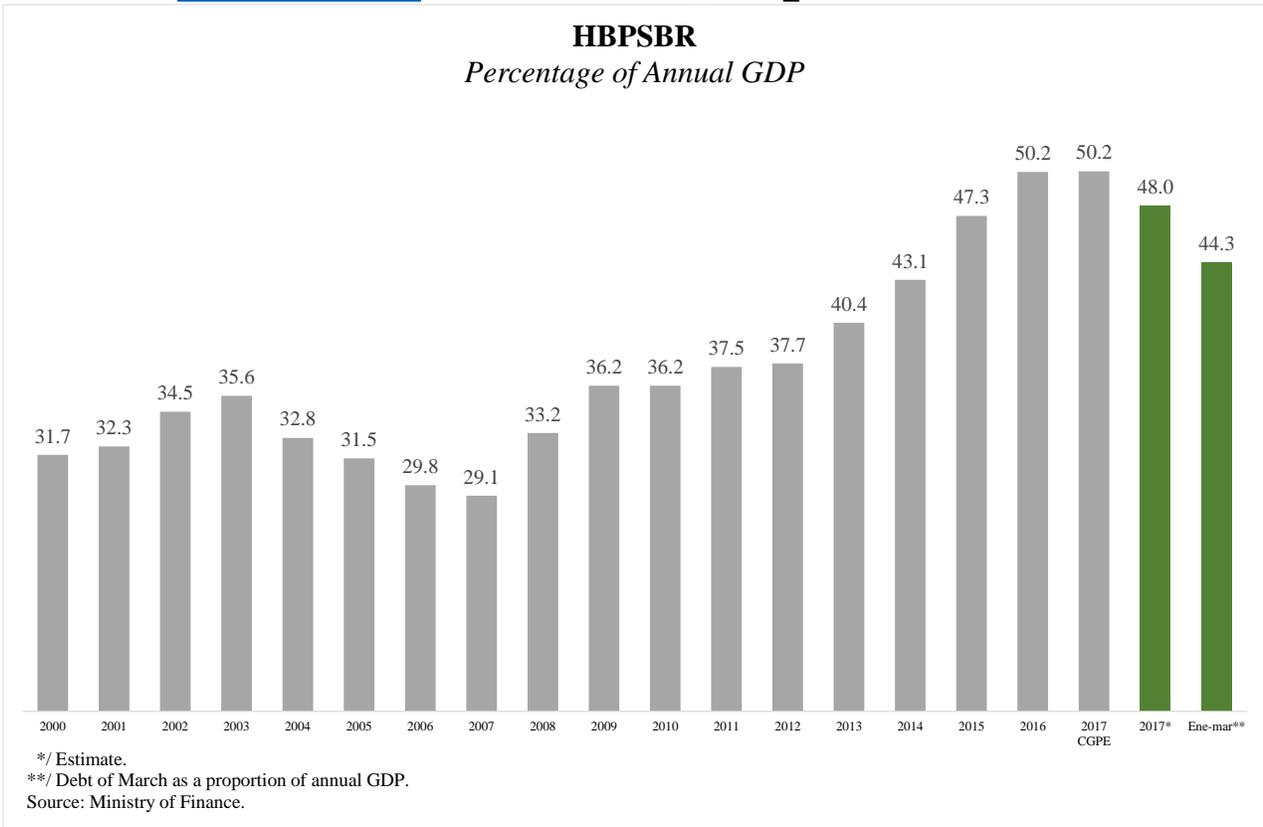












**PUBLIC SECTOR BALANCE**

(Million pesos)

Concept	January-March			Nominal Difference (3-2)	Growth % real (3/1)
	2017				
	2016 <sup>p./</sup> (1)	Program <sup>1./</sup> (2)	Observed <sup>p./</sup> (3)		
<b>PUBLIC BALANCE</b>	<b>-61,562.7</b>	<b>-142,642.6</b>	<b>309,068.8</b>	<b>451,711.3</b>	<b>n.s.</b>
<b>PUBLIC BALANCE EXCLUDING PRODUCTIVE INVESTMENT<sup>2./</sup></b>	<b>56,377.0</b>	<b>-30,798.1</b>	<b>398,432.4</b>	<b>429,230.5</b>	<b>-o-</b>
I. Budgetary Balance	-51,471.3	-142,792.6	306,906.0	449,698.6	n.s.
a) Budgetary Revenue	1,058,836.8	1,079,861.2	1,483,196.1	403,334.9	33.4
Oj <sup>3./</sup>	141,386.4	189,622.3	206,311.6	16,689.3	39.0
PEMEX	67,092.9	91,322.2	84,097.7	-7,224.5	19.4
Federal Government	74,293.6	98,300.1	122,213.9	23,913.8	56.7
Non-oil	917,450.4	890,238.9	1,276,884.6	386,645.6	32.6
Federal Government	773,812.1	735,244.4	1,112,851.5	377,607.1	37.0
Tax	723,124.4	700,781.5	732,512.5	31,731.0	-3.5
Non-tax	50,687.7	34,462.9	380,339.0	345,876.1	-o-
PEDBC <sup>4./</sup>	143,638.3	154,994.5	164,033.0	9,038.6	8.8
b) Net Budgetary Expenditures	1,110,308.1	1,222,653.8	1,176,290.2	-46,363.6	0.9
Programmable	865,199.0	926,710.2	851,038.2	-75,672.0	-6.3
Non-programmable	245,109.1	295,943.5	325,251.9	29,308.4	26.4
II. PEIBC <sup>5./</sup>	-10,091.4	150.0	2,162.8	2,012.8	n.s.
<b>PRIMARY BALANCE</b>	<b>21,600.5</b>	<b>-41,119.1</b>	<b>414,648.8</b>	<b>455,767.9</b>	<b>-o-</b>

Note: Figures may not add up due to rounding.

p./ Preliminary figures.

n. s.: Not significant; -o-: Greater than 500 percent.

1./ Corresponds to the calendars of the Law on Income and Expenditure Budget for fiscal year 2017 approved by the Congress and published in the Federal Official Gazette on December 7 and December 14 of 2016 respectively.

2./ Excludes the physical investment of Pemex, CFE and high impact investments of the Federal Government.

3./ Includes revenues from PEMEX, transfers from the Mexican Oil Fund for Stabilization and Development, the income tax on contractors and assignees for the extraction of hydrocarbons.

4./ PEDBC: Public Entities under Direct Budgetary Control.

5./ PEIBC: Public Entities under Indirect Budgetary Control

Source: Ministry of Finance

**PUBLIC SECTOR BUDGETARY REVENUES**

(Million pesos)

Concept	January-March			Nominal Difference (3-2)	Growth % real (3/1)
	2017				
	2016 <sup>p-/</sup> (1)	Program <sup>1-/</sup> (2)	Observed <sup>p-/</sup> (3)		
<b>BUDGETARY REVENUES (I+II)</b>	<b>1,058,836.8</b>	<b>1,079,861.2</b>	<b>1,483,196.1</b>	<b>403,334.9</b>	<b>33.4</b>
I. Oil (a+b) <sup>2/</sup>	141,386.4	189,622.3	206,311.6	16,689.3	39.0
a) PEMEX	67,092.9	91,322.2	84,097.7	-7,224.5	19.4
b) Federal Government	74,293.6	98,300.1	122,213.9	23,913.8	56.7
Mexican Oil Fund	74,293.6	98,300.1	122,211.6	23,911.5	56.7
Income tax from contractors and assignees	0.0	0.0	2.3	2.3	n.s.
Existing rights until 2014	0.0	0.0	0.0	0.0	n.s.
II. Non-oil (c+d+e)	917,450.4	890,238.9	1,276,884.6	386,645.6	32.6
c) Federal Government	773,812.1	735,244.4	1,112,851.5	377,607.1	37.0
Tax	723,124.4	700,781.5	732,512.5	31,731.0	-3.5
Income Tax	416,257.7	380,425.0	419,155.6	38,730.6	-4.1
Value Added Tax	187,190.3	194,777.0	200,633.5	5,856.5	2.1
Excise Tax	98,149.9	104,794.2	87,576.8	-17,217.5	-15.0
Import Tax	11,678.1	11,083.4	13,278.3	2,194.9	8.3
IAEEH <sup>3/</sup>	1,010.0	1,028.7	998.4	-30.3	-5.8
Other <sup>4/</sup>	8,838.3	8,673.2	10,870.0	2,196.8	17.2
Non-tax	50,687.7	34,462.9	380,339.0	345,876.1	-0-
Duties	22,302.2	14,899.3	25,744.4	10,845.1	10.0
Fees	25,070.0	17,946.5	351,982.3	334,035.8	-0-
Other	3,315.5	1,617.1	2,612.4	995.3	-24.9
d) PEDBC <sup>5/</sup>	78,358.7	81,437.8	84,835.4	3,397.6	3.1
IMSS	67,231.2	70,057.8	73,204.3	3,146.5	3.7
ISSSTE	11,127.5	11,380.0	11,631.1	251.1	-0.4
e) State Productive Enterprise (CFE)	65,279.6	73,556.7	79,197.6	5,641.0	15.6
<b>Memorandum items</b>					
Total tax-related	723,124.4	700,781.5	732,514.8	31,733.3	-3.5
Total non-tax related	335,712.4	379,079.7	750,681.3	371,601.7	113.0

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

p-/ Preliminary figures.

n. s.: not significant.

1-/ Corresponds to the calendars of the Law on Revenue for fiscal year 2017 approved by the Congress and published in the Federal Official Gazette on December 7, 2016.

2-/ Includes revenues from PEMEX, transfers from the Mexican Oil Fund for Stabilization and Development, the income tax on contractors and assignees for the extraction of hydrocarbons.

3-/ Tax on hydrocarbon exploration and extraction activities (Impuesto por la actividad de exploración y extracción de hidrocarburos in Spanish).

4-/ Includes taxes on new vehicles, exports, petroleum spread, not included in the aforementioned sections and accessories.

5-/ PEDBC: Public Entities under Direct Budgetary Control. Excludes Federal Government's transfers to ISSSTE

Source: Ministry of Finance.

**PUBLIC SECTOR BUDGETARY NET EXPENDITURES**

(Million pesos)

Concept	January-March			Nominal Difference (3-2)	Growth % real (3/1)
	2016 <sup>p./</sup>	2017			
		Program <sup>1./</sup>	Observed <sup>p./</sup>		
	(1)	(2)	(3)		
<b>TOTAL (I+II)</b>	<b>1,110,308.1</b>	<b>1,222,653.8</b>	<b>1,176,290.2</b>	<b>-46,363.6</b>	<b>0.9</b>
I. Primary expenditures	1,044,190.5	1,121,105.2	1,076,109.8	-44,995.4	-1.8
Programmable	865,199.0	926,710.2	851,038.2	-75,672.0	-6.3
Autonomous Branches	18,380.6	30,061.7	19,123.7	-10,938.0	-0.9
Administrative Branches	269,476.6	252,973.0	248,789.4	-4,183.6	-12.1
General Branches	367,293.6	404,536.0	374,292.9	-30,243.2	-2.9
PEDBC <sup>2./</sup>	177,681.3	207,995.8	193,933.5	-14,062.3	4.0
IMSS	109,579.8	127,517.7	119,257.1	-8,260.6	3.7
ISSSTE	68,101.5	80,478.1	74,676.4	-5,801.7	4.5
State Productive Enterprises	189,701.5	210,864.7	190,712.5	-20,152.2	-4.2
Pemex	120,450.9	136,546.7	103,576.0	-32,970.7	-18.1
CFE	69,250.6	74,318.0	87,136.4	12,818.4	19.9
(-)Compensated operations <sup>3./</sup>	157,334.6	179,721.1	175,813.8	-3,907.3	6.4
Non-programmable	178,991.4	194,394.9	225,071.6	30,676.7	19.8
Non-earmarked transfers	158,941.1	171,019.2	199,130.2	28,111.0	19.3
Adefas and other	20,050.4	23,375.7	25,941.3	2,565.7	23.2
II. Financial cost <sup>4./</sup>	66,117.7	101,548.6	100,180.4	-1,368.3	44.3

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

p./ Preliminary figures.

1./ Corresponds to the calendars of the Law on Revenue for fiscal year 2017 approved by the Congress and published in the Federal Official Gazette on December 14, 2016.

2./ PEDBC: Public Entities under direct budgetary control.

3./ Refers to transactions that represent a revenue for social security institutions and an expenditure for the Federal Government, which are eliminated to avoid double accounting of revenues and expenditure.

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

Source: Ministry of Finance.

**FEDERAL PUBLIC SECTOR DEBT BALANCES, MARCH \* \_/**

Concept	Outstanding as of			% of GDP			% of GDP			Structure (%)		
	dic-15	dic-16 <sup>p/_</sup>	mar-17 <sup>p/_</sup>	dic-15	dic-16	mar-17	Quarterly Annualized			dic-15	dic-16	mar-17
Domestic Debt:												
Net (Million pesos)	5,379,857.1	6,009,403.1	5,774,185.1	29.5	30.8	27.7	28.2	29.0	28.1	65.9	62.0	62.9
Gross (Million pesos)	5,639,503.9	6,182,250.7	6,251,285.3	30.9	31.7	30.0	29.6	29.8	30.5	66.9	62.2	64.0
External Debt:												
Net (Million USD)	161,609.5	177,692.5	180,722.4	15.2	18.9	16.3	14.6	17.8	16.6	34.1	38.0	37.1
Bruta (Million USD)	162,209.5	180,986.0	187,249.3	15.3	19.2	16.9	14.6	18.1	17.2	33.1	37.8	36.0
Total Debt: <sup>1/_</sup>												
Net (Million pesos)	8,160,589.9	9,693,217.5	9,173,429.2	44.7	49.7	44.0	42.8	46.8	44.7	100.0	100.0	100.0
(Million USD)	474,273.7	467,562.1	487,709.7									
Gross (Million pesos)	8,430,561.7	9,934,343.9	9,773,294.8	46.2	50.9	46.9	44.2	47.9	47.7	100.0	100.0	100.0
(Million USD)	489,963.8	479,193.1	519,601.8									

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

Net Debt results from subtracting the Federal Government's financial assets, assets from State Productive Enterprises and Development Banks from the Gross Debt.

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

p/\_ Preliminary figures.

1/\_ Includes liabilities from the Federal Government, State Productive Enterprises and Development Banks

Source: Ministry of Finance

**PUBLIC SECTOR DOMESTIC DEBT, JANUARY-MARCH\*\_/**  
(Million pesos)

Concept	Outstanding as of December 2016 <sup>p./</sup>	Indebtedness			Adjustments	Outstanding as of March 2017 <sup>p./</sup>
		Originations	Amort.	Net		
<b>1. Net Debt (3-2)</b>	<b>6,009,403.1</b>					<b>5,774,185.1</b>
2. Assets <sup>1./</sup>	172,847.6					477,100.2
<b>3. Gross Debt</b>	<b>6,182,250.7</b>	<b>941,882.2</b>	<b>924,022.9</b>	<b>17,859.3</b>	<b>51,175.3</b>	<b>6,251,285.3</b>
By Term	6,182,250.7	941,882.2	924,022.9	17,859.3	51,175.3	6,251,285.3
Long-term	5,552,529.1	360,967.0	231,940.5	129,026.5	51,271.4	5,732,827.0
Short-term	629,721.6	580,915.2	692,082.4	-111,167.2	-96.1	518,458.3
By User	6,182,250.7	941,882.2	924,022.9	17,859.3	51,175.3	6,251,285.3
Federal Government	5,620,345.4	780,589.3	726,948.6	53,640.7	46,024.3	5,720,010.4
Long-term	5,026,440.4	356,362.0	199,748.8	156,613.2	46,024.3	5,229,077.9
Short-term	593,905.0	424,227.3	527,199.8	-102,972.5	0.0	490,932.5
State Productive Enterprises <sup>2./</sup>	431,176.8	13,520.2	44,914.3	-31,394.1	5,379.9	405,162.6
Long-term	416,176.8	3,500.0	27,191.7	-23,691.7	5,379.9	397,865.0
Short-term	15,000.0	10,020.2	17,722.6	-7,702.4	0.0	7,297.6
Development Banks	130,728.5	147,772.7	152,160.0	-4,387.3	-228.9	126,112.3
Long-term	109,911.9	1,105.0	5,000.0	-3,895.0	-132.8	105,884.1
Short-term	20,816.6	146,667.7	147,160.0	-492.3	-96.1	20,228.2
By Financing Source	6,182,250.7	941,882.2	924,022.9	17,859.3	51,175.3	6,251,285.3
Bonds Placed in Domestic Markets	5,312,876.2	718,066.3	547,736.1	170,330.2	39,038.2	5,522,244.6
Savings Fund S.A.R	115,163.3	62,329.5	65,662.2	-3,332.7	3,391.7	115,222.3
Commercial Banks	142,087.0	5,002.8	47,165.9	-42,163.1	-246.2	99,677.7
ISSSTE's Law obligations <sup>3./</sup>	147,532.8	44.8	7,935.1	-7,890.3	4,243.0	143,885.5
PEMEX Pension Bonds <sup>4./</sup>	137,639.7	0.0	1,512.3	-1,512.3	0.0	136,127.4
CFE Pension Bonds <sup>5./</sup>	161,080.2	0.0	0.0	0.0	0.0	161,080.2
Others	165,871.5	156,438.8	254,011.3	-97,572.5	4,748.6	73,047.6

Note: Figures may not add up due to rounding.

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

p./ Preliminary figures..

1\_/ Includes the net balance, denominated in Mexican pesos, of the Federal Treasury's General Account and assets from State Productive Enterprises and Development Banks.

2\_/ Includes CFE and ISSSTE only.

3\_/ Obligations associated with the new ISSSTE law.

4\_/ Obligations associated with the financial support by the Federal Government to Pemex given the savings in their pension obligations, pursuant to the provisions of the

"Agreement on the general provisions concerning the Federal Government's assumption of Petroleos Mexicanos and its Subsidiary Productive Enterprises' pension and retirement obligations," published in the Federal Official Gazette on December 24, 2015.

5\_/ Obligations associated with the financial support by the Federal Government to CFE given the savings in their pension obligations, pursuant to the provisions of the

"Agreement on the general provisions concerning the Federal Government's assumption of the Federal Electricity Commission' pension and retirement obligations," published in the Federal Official Gazette on November 14, 2016.

Source: Ministry of Finance.

**PUBLIC SECTOR EXTERNAL DEBT, JANUARY-MARCH\*\_/**  
(Million dollars)

Concept	Outstanding as of December 2016 <sup>p_/_</sup>	Indebtedness			Adjustments	Outstanding as of March 2017 <sup>p_/_</sup>
		Originations	Amort.	Net		
<b>1. Net Debt (3-2)</b>	<b>177,692.5</b>					<b>180,722.4</b>
2. Financial Assets in Foreign Currency <sup>1_/_</sup>	3,293.5					6,526.9
<b>3. Gross Debt</b>	<b>180,986.0</b>	<b>16,094.8</b>	<b>10,568.5</b>	<b>5,526.3</b>	<b>737.0</b>	<b>187,249.3</b>
By Term	180,986.0	16,094.8	10,568.5	5,526.3	737.0	187,249.3
Long-term	177,892.8	10,791.2	5,474.5	5,316.7	733.6	183,943.1
Short-term	3,093.2	5,303.6	5,094.0	209.6	3.4	3,306.2
By User	180,986.0	16,094.8	10,568.5	5,526.3	737.0	187,249.3
Federal Government	88,157.0	3,820.2	1,900.9	1,919.3	437.6	90,513.9
Long-term	88,157.0	3,820.2	1,900.9	1,919.3	437.6	90,513.9
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
State Productive Enterprises <sup>2_/_</sup>	82,687.8	7,054.0	3,569.0	3,485.0	51.3	86,224.1
Long-term	82,687.8	6,864.1	3,534.8	3,329.3	51.3	86,068.4
Short-term	0.0	189.9	34.2	155.7	0.0	155.7
Development Banks	10,141.2	5,220.6	5,098.6	122.0	248.1	10,511.3
Long-term	7,048.0	106.9	38.8	68.1	244.7	7,360.8
Short-term	3,093.2	5,113.7	5,059.8	53.9	3.4	3,150.5
By Financing Source	180,986.0	16,094.8	10,568.5	5,526.3	737.0	187,249.3
Public Bonds	136,902.4	7,755.3	2,867.3	4,888.0	462.7	142,253.1
International Financial Institutions (IFI's)	28,601.6	669.8	178.3	491.5	230.1	29,323.2
Bilateral	7,279.4	131.6	238.6	-107.0	18.3	7,190.7
Commercial Banks	8,023.0	7,348.2	7,250.1	98.1	10.5	8,131.6
Pidiregas	179.6	189.9	34.2	155.7	15.4	350.7

Note: Figures may not add up due to rounding.

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

p\_/\_ Preliminary figures.

1\_/\_ Considers the net US Dollar denominated balance of the Federal Treasury's General Account and assets held by State Productive Enterprises and Development Banks.

2\_/\_ Includes PEMEX y CFE only.

Source: Ministry of Finance.

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