

Mexico City, January 30th, 2018

Reports on Economic Activity, Public Finances and Public Debt Fourth quarter of 2017

- **In the fourth quarter of 2017, economic activity in Mexico had an expansion as a result of manufacturing and services sectors growth, and as the effects of the natural disasters that occurred in the previous quarter began to reverse. The external environment showed an improvement and the outlook for global growth was revised upwards, although downside risks persist.**
- **In 2017, the Public Sector Borrowing Requirements (PSBRs), the broadest measure of fiscal balance, registered a Ps. 233.7 billion deficit, equivalent to 1.1 percent of Gross Domestic Product (GDP). This result represents an improvement compared to the amount observed in 2016, which was of 2.8 percent of GDP, and with respect to the target of 2.9 percent of GDP. Excluding the resources from Banco de Mexico's Operating Surplus (BMOS), PSBRs in 2017 were 2.6 percent of GDP, a level still below relative to both the one observed in 2016 and the target for 2017 ¹**
- **In 2017, the traditional public deficit stood at Ps. 238.5 billion (1.1 percent of GDP), Ps. 256.4 billion lower than the authorized by Congress, and with a reduction of Ps. 265.3 billion compared to 2016.**
- **Primary Balance registered a Ps. 310.2 billion surplus, which is equivalent to 1.4 percent of GDP. This implies that for the first time since 2008 a primary surplus is achieved.**
- **Budgetary Revenues decreased 3.7 percent in real terms compared to 2016, and were higher than programmed by Ps. 586.2 billion if BMOS is included, which amounts to Ps. 321.7 billion. Without considering BMOS in both years and the equity contributions from the Federal Government to PEMEX and CFE in 2016, revenues increased 1.8 percent in real terms, and were higher than programmed by Ps. 264.6 billion.**
- **Extraordinary revenues from BMOS were allocated as follows: Ps. 225.2 billion (70 percent) to the amortization and lower issuance of Federal Government debt, and Ps. 96.5 billion (30 percent) to increase the assets of the Federal Government**

¹ To facilitate the comparison, 2016 GDP percentages were made with the 2013 GDP base year and the 2017 percentages for the original program and the one observed with the revision of the 2013 GDP base estimate, which may differ from those presented in other documents.

- **As a result of the appropriate management of the budgetary policy, and within the framework of the fiscal consolidation strategy, total net budgetary expenditures were 8.7 percent lower in real terms relative to the end of 2016, and were higher than programmed by Ps. 321.8 billion. If the acquisition of financial assets with BMOS resources for both years and the equity contributions of the Federal Government to PEMEX and CFE in 2016 are excluded, net paid expenditures were 3.3 percent lower in real terms compared to the same period in 2016, and Ps. 225.3 billion higher than programmed.**

- **In accordance with the provisions of the multi-year fiscal consolidation program, at the end of 2017 the upward trend of the public debt was reversed. The Historical Balance of the Public Sector Borrowing Requirements (HBPSBRs) at the end of 2017 stood at 46.2 percent of GDP, less than the 48.7 percent of GDP at the end of 2016. For the first time in 10 years, the public sector broadest debt measure has decreased as a percentage of GDP.**

Today, the Ministry of Finance delivered to the Congress the Reports on the Economic Situation, Public Finances, and Public Debt as of the fourth 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 Ministry. The main aspects of these reports are presented below:

I. Economic Outlook

During the fourth quarter of 2017, economic activity in Mexico registered an expansion as a result of manufacturing and services growth, and as the effects of the natural disasters of the previous quarter began to reverse. The external environment showed an improvement and the outlook for global growth was revised upwards, although downside risks persist. Sustained consumption and employment growth stand out, as well as the expansion of non-oil exports.

The results recorded in 2017 and the improved prospects for the external environment have translated into upward revisions to Mexican GDP growth forecasts for 2018 and 2019; In particular, between October 2017 and January 2018 the IMF increased its projections: from 1.9 to 2.3 percent for 2018, and from 2.3 to 3.0 percent for 2019.

According to the flash GDP estimate released by INEGI, in the fourth quarter of 2017, GDP registered an annual growth of 1.8 percent. When using seasonally adjusted figures, GDP increased at an annual rate of 1.7 percent and a quarterly rate of 1.0 percent.

The evolution of the main economic and financial variables is described below, both for the internal and external sectors with data available at the moment of publication of this document.

Output

The acceleration of manufacturing production in the United States improved the dynamics of non-oil exports from Mexico relative to 2016. During the fourth quarter of 2017, non-oil exports in nominal dollars registered an annual expansion of 8.6 percent. When using seasonally adjusted figures, these exports grew at a quarterly rate of 2.7 percent, accumulating seven consecutive increases for the first time since the second quarter of 2012.

The strength of the domestic market is reflected in the 3.2 percent annual growth of private consumption during the January-October period. One of the factors supporting this growth was the creation of 802 thousand formal jobs in 2017 and the unemployment rate of 3.4 percent of the Economically Active Population (EAP), the lowest in the history of this indicator (starting in 2005). In addition, the current credit from the commercial banking to the private sector recorded a real annual increase of 3.7 percent in November.

Employment

As of December 31st 2017, the number of workers affiliated to the Mexican Social Security Institute (IMSS) amounted to 19.42 million people, which implied an annual increase of 802 thousand jobs (4.3 percent). Total job creation in the current Administration is 3.12 million, 2.3 times more than that of the same period of the previous administration, and even greater than that generated during the six full years of any of the past administrations. By type of contract, in 2017, permanent affiliation of workers to IMSS increased by 645 thousand (80.4 percent of the total), while temporary affiliation increased by 157 thousand workers (19.6 percent of the total).

Prices

During the fourth quarter of 2017, annual headline inflation increased compared to the levels observed at the end of the third quarter, recording a 6.77 percent growth during December. This result is mainly due to the evolution of the non-core component.

In the fourth quarter of the year, the Mexican Stock Exchange's Index (IPyC) registered a slight setback, affected by episodes of international volatility. Thus, the IPyC closed this quarter at 49,354.4 units, 2.0 percent lower than the close of the previous quarter. Compared to the close of 2016, the IPyC recorded an increase of 8.1 percent.

Between October and December, the Mexican Peso to US Dollar exchange rate depreciated due to a strong position of the US Dollar against most of the world's currencies, mainly associated with the increase in US interest rates and the approval of the fiscal reform. Hence, as of December 29 of 2017, the exchange rate stood at 18.66 pesos per dollar, implying a depreciation of the peso of 7.5 percent with respect to the close of September 29 of 2017 (18.18 pesos per dollar) and an appreciation of 5.0 percent compared to the close of 2016 (20.64 pesos per dollar).

Credit

In November of 2017, the performing portfolio of total credit granted by commercial and development banks increased 1.5 percent in real annual terms. In particular, the current credit to the private sector increased 2.6 percent in real annual terms. Within the latter, performing portfolios of credit to firms and individuals with business activity and housing increased 3.3 and 2.7 percent, respectively, both at real annual rates

II. Public Finances

During 2017, Public Sector Borrowing Requirements (PSBRs), the broadest measure of fiscal balance, registered a Ps. 233.7 billion deficit, equivalent to 1.1 percent of GDP, which compares favorably with the 2.8 percent of GDP observed in 2016 and the target of 2.9 percent of GDP for 2017. Excluding Banco de Mexico's Operating Surplus (BMOS), PSBRs in 2017 stood at 2.6 percent of GDP, still below the observed in 2016 and to the target for 2017.

In 2017, the traditional public deficit stood at Ps. 238.5 billion (1.1 percent of GDP), Ps. 256.4 billion less than the approved by the Congress and Ps. 265.3 billion lower with respect to the previous year.

Primary balance registered a Ps. 310.2 billion surplus, equivalent to 1.4 percent of GDP. This implies that a primary surplus is achieved for the first time since 2008.

Revenues

In 2017 the public sector budgetary revenues amounted to Ps. 4.9 trillion. Excluding BMOS in both years and the Federal Government's equity contributions to Pemex and CFE in 2016, budgetary revenues increased by 1.8 percent in real terms. This result is due to the good performance of tax collection, oil revenues, and the receiving of non-recurring and earmarked resources, such as the BMOS. Including these operations in both years, revenues decreased 3.7 percent in real terms relative to 2016 and were higher than programmed by Ps. 586.2 billion. This is mainly explained by: an increase of non-tax revenues, mainly due to BMOS resources of Ps. 407.9 billion; a Ps. 115.4 billion increase of tax revenues, particularly of the income tax system, which more than compensated the reduction of fuels excise tax (IEPS) revenues, and a Ps. 39.9 billion increase of oil revenues. The use of this surplus was made as per the Federal Budget and Fiscal Responsibility Law, emphasizing the deposit of BMOS resources into the stabilization funds, the increase of non-earmarked transfers, the higher cost of fuels for CFE, and the expenses to the attention of natural disasters. The evolution of the main components of revenues was as follows:

- Oil revenues stood at Ps. 827.3 billion, Ps. 39.9 billion higher than approved by Congress, and 1.1 percent lower in real terms than those observed in 2016. The latter is mainly explained by the equity contribution made by the Federal Government to PEMEX in 2016 by Ps. 160.7 billion. Excluding this operation, oil revenues were 24.1 percent higher in real terms due to a 32.7 percent increase in the average export price of the Mexican oil mix, a growth of 37.6 percent in the price of natural gas, and an exchange rate depreciation of 3.7 percent relative to 2016. These effects were partially offset by a 9.7 percent decrease in oil production.
- Tax revenues amounted to Ps. 2.9 trillion, Ps. 115.4 billion higher than programmed and 0.9 percent lower in real terms than those observed in 2016. Excluding the fuels excise tax (IEPS), tax collection increased by 2.0 in real terms relative to 2016. Within, the income tax system increased 4.3 percent in real terms, tax on new car sales and fuel excise tax increased by 9.7 and 6.4 percent, respectively, while fuels excise tax and value added tax (VAT) decreased 26.4 and 2.8 percent, in each case.
- Non-tax revenues stood at Ps. 545.4 billion and were Ps. 407.9 billion higher than approved (Ps 321.6 billion from the BMOS) and 6.0 percent lower than those observed in the previous year.
- CFE revenues amounted to 357.8 billion and were 27.3 percent lower in real terms than those of 2016 due the Federal Government equity contribution in 2016 aimed at improving CFE's pension regime. Excluding this operation, revenues increased 11.3 percent in real terms.
- IMSS and ISSSTE revenues stood at Ps. 361.9 billion. This figure is 3.8 percent higher in real terms relative to the same period of 2016 due to larger social security contributions

Finally, the stabilization funds at the end of December 2017 registered a Ps. 308.08 billion balance, which implies an increase of Ps. 167.7 billion with respect to the end of 2016.

BALANCE OF THE STABILIZATION FUNDS

AS OF DECEMBER 31 2017

(Million pesos)

Total	308,077
Budgetary Revenues Stabilization Fund (FEIP)	220,972
Federal Entities Revenues Stabilization Fund (FEIEF)	59,924
Mexican Petroleum Fund for Stabilization and Development	27,182

Source: Ministry of Finance

Expenditures

In 2017, net budgetary expenditures stood at Ps. 5.18 trillion, 321.8 billion higher than approved and 8.7 percent lower in real terms with respect to 2016. This increase was mainly explained by the following: Ps. 96.5 billion for the acquisition of assets that improve the Federal Government financial position using the BMOS resources, 83.4 billion deposited into the stabilization funds, CFE's higher expenditures, the transfers to the Natural Disasters Fund that were covered with a Ps. 40.2 billion from larger revenues, Ps. 29.6 billion for the payment of non-earmarked transfers, and the rest for specific purposes established by current legislation.

When comparing the year-end of 2017 relative to 2016, the following is observed:

- Total net expenditures excluding financial investment, pensions, non-earmarked transfers and financial costs decreased 9.9 percent in real terms, and current structural expenditures declined 6.9 percent in real terms. Both indicators show the effort regarding public expenditures containment made throughout 2017.
- Subsidies, transfers and earmarked transfers were 13.3 percent lower in real terms.
- Personal services payment decreased 2.6 percent in real terms.
- Pensions and retirement payments increased 2.7 percent in real terms

- Non-earmarked transfers increased 5.0 percent in real terms due to the favorable evolution of both tax collection and oil revenues.
- Financial cost increased 6.3 percent in real terms due to the evolution of the exchange rate and interest rates

III. Public Debt

During 2017 the public debt policy accompanied the fiscal consolidation strategy. According to the Annual Borrowing Plan, the debt policy was focused on satisfying the Federal Government borrowing needs at accurate levels of risk and cost, in spite of the environment of high volatility in the domestic and international financial markets. Debt transactions were carried out focusing in reducing management risks and improving the maturity profile of public liabilities for the forthcoming years.

Domestic debt

Regarding domestic debt management, actions were aimed at achieving most of the Federal Government borrowing needs through the placement of government securities, taking into account investors' demand and to ensure the proper functioning of the domestic debt market.

- On March 28, 2017, Banco de Mexico deposited into the Federal Treasury Ps. 321.7 billion as its operating surplus for fiscal year 2016. As per the Federal Budget and Fiscal Responsibility Law (LFPRH), the Federal Government used 70 percent of these resources to buyback public debt contracted by the Federal Government, as well as to reduce the amount of debt placements, both in the domestic and external markets. The remaining 30 percent (Ps. 96.5 billion) was used for strengthening the Budgetary Revenues Stabilization Fund (FEIP), to make a transfer to the Social Security Protection System Trust, and for the payment of contributions to international organizations of which Mexico is a member.
- Regarding the placement of debt in the domestic market, calendars were designed considering the market conditions, the demand for different types of instruments and seeking for flexibility to have a more efficient liquidity management. In this sense, throughout the year some adjustment were made in the amounts to be auctioned off for different types of instruments considering their demand. In addition, adjustments were made to the calendars in order to reduce the placement of government securities by Ps 11.49 billion, of which an amount of Ps. 11.48 billion was covered with BMOS resources.
- On the other hand, buyback operations were performed to improve the amortization profile of the Federal Government's debt using resources from BMOS. Thus, in order to improve the Federal Government maturity profile, in October, the Ministry of Finance bought back M-Bonds maturing in 2018 and 2021 and the inflation-linked bond (Udibono) maturing in 2019 for a total of Ps. 65.8 billion, meanwhile in November, similar operations were performed for Ps. 34.9 billion.

External debt

External debt operations in 2017 were aimed at improving the terms and conditions of the external market debt and its maturity profile, as well as to foster the liquidity of the Federal Government benchmark bonds.

- On October, the Federal Government conducted a liability refinancing operation on international markets by issuing USD 1.9 billion through a new 30 years benchmark. With this operation, 51 percent of the external debt amortizations of the Federal Government scheduled for 2020 were covered in advance without incurring in further indebtedness.

- Finally, it is also important to mention the external debt actions performed in January of 2018, even though they do not correspond to the period referred in this report, detailing them is considered relevant for maintaining transparency regarding the management of public debt. In this sense, on January two issuances were performed on international markets, the first one for USD 3.2 billion, included operations of liabilities management by USD 600 million, and the second one amounted EUR 1.8 billion. These issuances allow to cover in advance all the obligations in foreign currency of the Federal Government in 2018 in terms of debt amortization and financial cost.

Federal Government net debt balance

At the end of the fourth quarter of 2017, the Federal Government net debt balance stood at Ps. 7.5 trillion. The structure of the Federal Government current debt portfolio keeps most of its liabilities denominated in domestic currency, representing a 76.1 percent share of the Federal Government net debt balance as of the end of December.

The Federal Government net domestic debt balance amounted Ps. 5.7 trillion at the end of the fourth quarter of 2017. On the other hand, the Federal Government net external debt balance amounted USD 90.6 billion.

Federal Public Sector net debt balance

Regarding the Federal Public Sector net debt balance, which includes the net debt of the Federal Government, State productive enterprises and development banks, stood at Ps. 10.88 trillion at the end of the fourth quarter of 2017.

The Federal Public Sector net domestic debt stood at Ps. 6.3 trillion. Meanwhile, the Federal Public Sector net external debt stood at USD 192.4 billion.

Historical Balance of the Public Sector Borrowing Requirements

At the end of 2017, the upward trend of the public debt was reversed in accordance with the provisions established in the multi-year fiscal consolidation program. At the end of the fourth quarter of 2017, the HBPSBR, which includes public sector obligations in its broadest measure, amounted to Ps. 10.031 trillion. The domestic component stood at Ps. 6.326 trillion, while the external component amounted to Ps. 3.7 trillion.

This result is consistent with the responsible management of public debt as a fundamental element of the fiscal consolidation strategy implemented by Federal Government and places Mexico at the forefront of the fiscal space recovery among emerging economies, providing it with a solid position in spite of the context of volatility and uncertainty in international financial markets

Progress in the use of Banco de Mexico's Operating Surplus

On March 28, 2017, Banco de Mexico deposited into the Federal Treasury Ps. 321.7 billion as its operating surplus for fiscal year 2016, which represents approximately 1.5 per cent of GDP.

As per the Federal Budget and Fiscal Responsibility Law (LFPRH), the Federal Government used 70 percent of the BMOS resources, equivalent to Ps. 225.2 billion, for the amortization of the public debt contracted in previous years and for the reduction of the Federal Government indebtedness in 2017. On the other hand, the remaining 30 percent was used to strengthen the Budgetary Revenues Stabilization Fund (FEIP).

The main aspects of the use of BMOS resources are presented below:

70% share of Banco de Mexico's Operating Surplus aimed at reducing the Federal Government indebtedness.
(Million pesos)

Concept	Amount
Buyback operation of May 25. ^{1/}	39,071
Reduction in Placement Program as of the 3Q 2017. ^{2/}	5,618
No External Indebtedness in 2017.	74,480
Buyback operation of October 26. ^{3/}	65,489
Reduction in Placement Program as of the 4Q 2017.	5,870
Buyback operation of November 16. ^{4/}	34,629
Total (70 per cent of BMOS)	225,157

^{1/} Although a total of Ps. 40 billion in debt were written off, for the use of BMOS it is consider the buyback price for securities priced below par and the nominal value (Ps. 100) for buyback securities above par. Thus, the total amount from BMOS resources used in this operation amounted Ps. 39.071 billion.

^{2/} On June 29, 2017, the Federal Government announced in the third quarter auction program a downward adjustment in the total amount of placement by approximately Ps. 5.62 billion relative to the amount of indebtedness originally expected in the absence of BMOS

^{3/} Although a total of Ps. 65.85 billion in debt were written off, for the use of BMOS it is consider the buyback price for securities priced below par and the nominal value (Ps. 100) for the buyback securities above par. Thus, the total amount from BMOS resources used in this operation amounted Ps. 65.5 billion

^{4/} Although a total of Ps. 34.9 billion in debt were written off, for the use of BMOS it is consider only those available before the buyback operation, which amounted to Ps. 34.6billion, since the difference was covered with resources from the Federal Government's Treasury

The remaining 30.0 percent of the BMOS (Ps. 96.5 billion) was used as follows: i) a Ps. 80.03 billion transfer to the Budgetary Revenues Stabilization Fund (FEIP), ii) a Ps. 13.63 billion transfer to the Social Security Protection System Fund, to guarantee financial protection of health services for those without affiliation to social security institutions in the next decade, and iii) a Ps. 2.9 billion contribution to international organizations of which Mexico is a member.

Annual Borrowing Plan

On December 19, the Ministry of Finance released the 2018 Annual Borrowing Plan (PAF), which contains the key elements of the Federal Government public debt policy. In addition, for the first time, the Annual Borrowing Plan included the main components of the Public Sector entities debt policy, in particular State Productive Enterprises (Pemex and CFE), Development Banks and other Public Sector issuers.

As established in the 2018 PAF, the strategy for public debt management will be matched with the fiscal consolidation plan, strengthening the public debt portfolio in order to deal in the best possible way with volatility events that might occur in financial markets. Debt policy actions will be oriented to reduce any associated risks by strategically using the placement programs in both internal and external markets, and using all available tools to improve the profile of public liabilities portfolio and to reduce the financial cost.

In particular, the Federal Government public debt policy for 2018 will continue with a proactive and flexible strategy considering the following elements: i) covering the Federal Government financing needs at reduced costs, considering a long-term horizon and a low level of risk; ii) preserving the diversity of access to credit in different markets; and, iii) promoting the development of liquid and deep markets with yield curves that facilitate access to financing for a wide range of public and private economic agents.

In order to continue strengthening the Federal Government's debt portfolio, frequent liability management operations will be considered, which will allow the Federal Government to adjust the use of different instruments relative to the prevailing conditions in the financial markets.

ANNEX 1

SUMMARY OF INDICATORS ON THE DEVELOPMENTS IN PUBLIC FINANCE

(Billion pesos)

Concept	Annual						% of GDP				
	2016	2017 ^{p_}		Difference		Growth % real	2016	2017 ^{p_}			
		Last Est. (III-IT) ^{1_}	Obs.	Nominal	%			Last Est. (III-IT) ^{1_}	Obs.	Difference	
1. Budgetary revenues ^{2_}	4,845.5	4,876.5	4,947.2	70.7	1.4	-3.7	24.1	22.3	22.8	0.5	
2. Tax revenues	2,716.0	2,794.1	2,854.8	60.7	2.2	-0.9	13.5	12.8	13.2	0.4	
3. Tax revenues without fuels excise tax (IEPS)	2,438.7	2,579.6	2,638.3	58.7	2.3	2.0	12.1	11.8	12.2	0.4	
4. Total net expenditure without outlays on financial investments, pension payments, transfers and financial cost	3,078.7	2,931.4	2,942.4	10.9	0.4	-9.9	15.3	13.4	13.6	0.2	
5. Total net expenditure without outlays on financial investments, pension payments and transfers	3,551.8	3,492.6	3,475.7	-16.9	-0.5	-7.7	17.7	16.0	16.0	0.0	
6. Total net expenditure without outlays on financial investments	4,894.2	4,995.3	4,954.0	-41.3	-0.8	-4.5	24.3	22.8	22.8	0.0	
7. Total net expenditure ^{2_}	5,347.8	5,146.2	5,177.6	31.4	0.6	-8.7	26.6	23.5	23.9	0.4	
8. Current structural expenditure	2,205.8	2,373.2	2,177.1	-196.1	-8.3	-6.9	11.0	10.9	10.0	-0.9	
9. Primary balance	-25.0	292.0	310.2	18.2	6.2	n.a.	-0.1	1.3	1.4	0.1	
10. PSBR	-559.4	-306.2	-233.7	72.5	-23.7	n.a.	-2.8	-1.4	-1.1	0.3	
11. HBPSBR	9,797.4	10,203.4	10,031.7	-171.7	-1.7	-3.4	48.7	46.7	46.2	-0.4	
12. Public Debt	9,693.2	10,178.2	10,089.0	-89.2	-0.9	-1.8	48.2	46.5	46.5	0.0	

Note: Figures may not add up due to rounding

p_ / Preliminary figures.

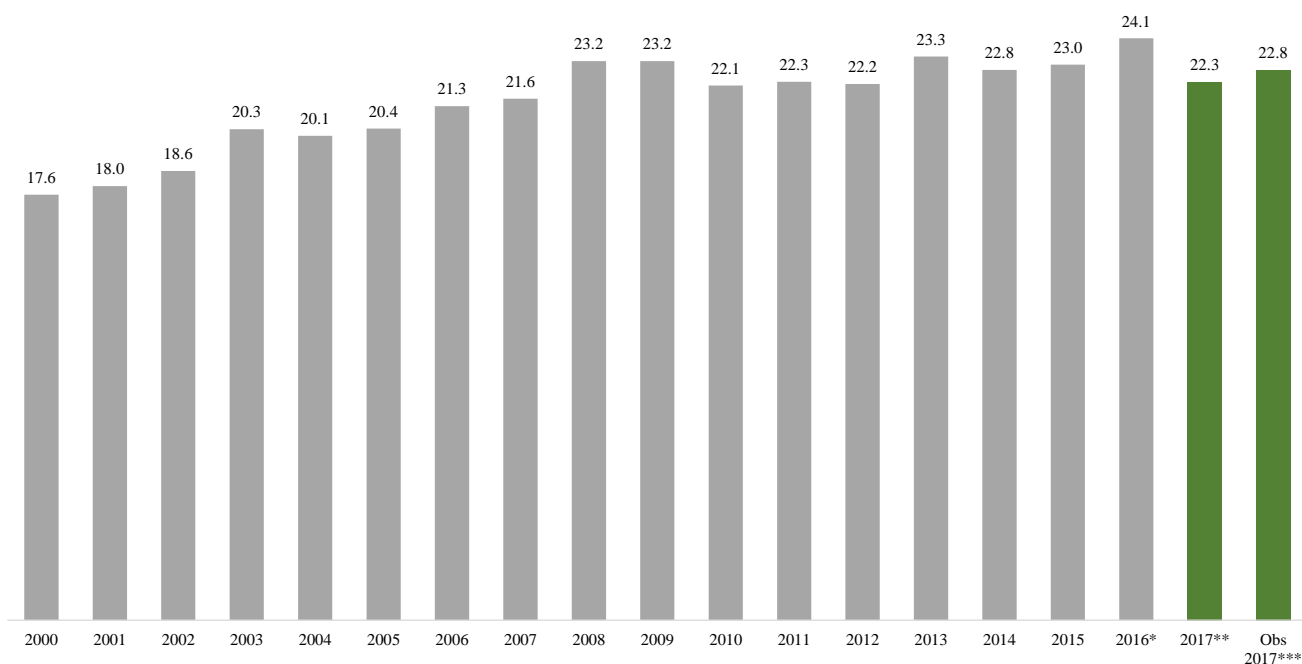
n. s.: not significant

1_ / Corresponds to the review presented in Report on Economic Situation, Public Finances and Public Debt in the Second Quarter of 2017.

2_ / The 2016 annual data includes resources for the support of the Federal Government for pension payments of Pemex and CFE via non-earmarked transfers' contribution of 134,230.2 and 161,080.2 million pesos, respectively.

Source: Ministry of Finance.

Budgetary Revenues Percentage of GDP



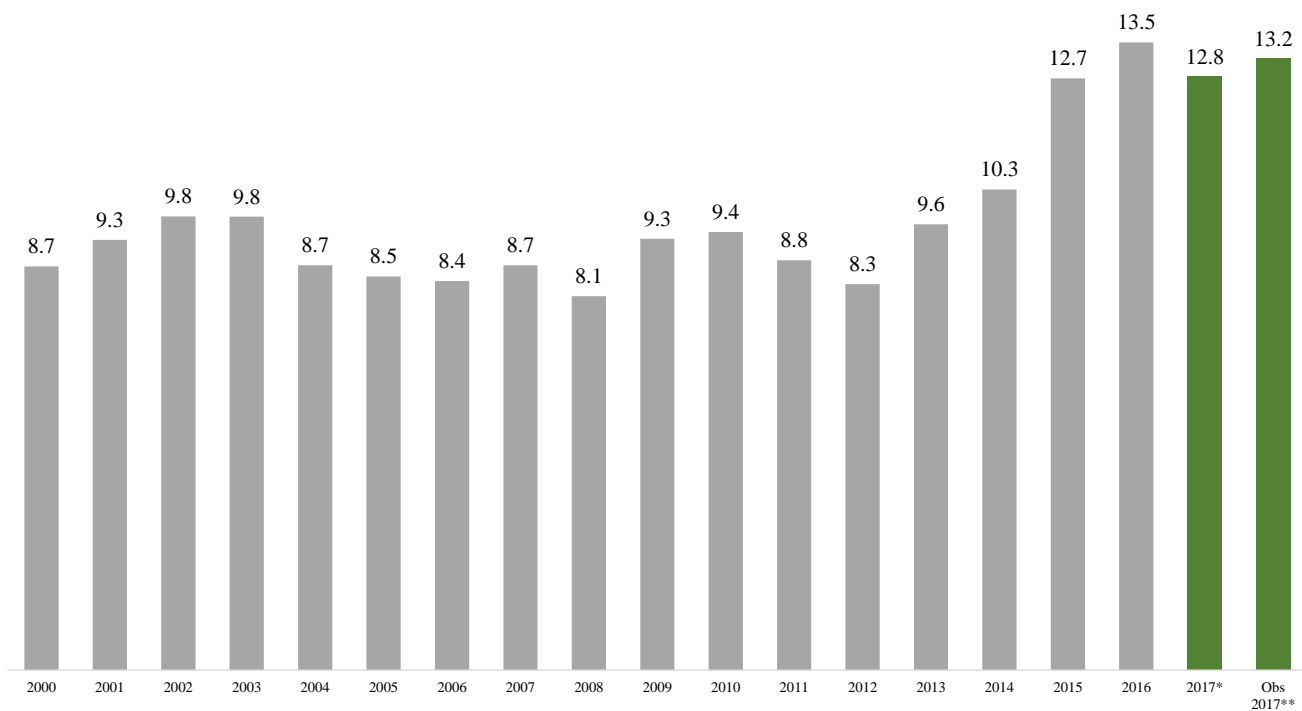
*/ Including the resources from the Federation given to Pemex and CFE equivalent to 1.5% of GDP.

**/ Estimated.

*** / Proportional to annual GDP.

Source: Ministry of Finance

Tax Revenues Percentage of GDP

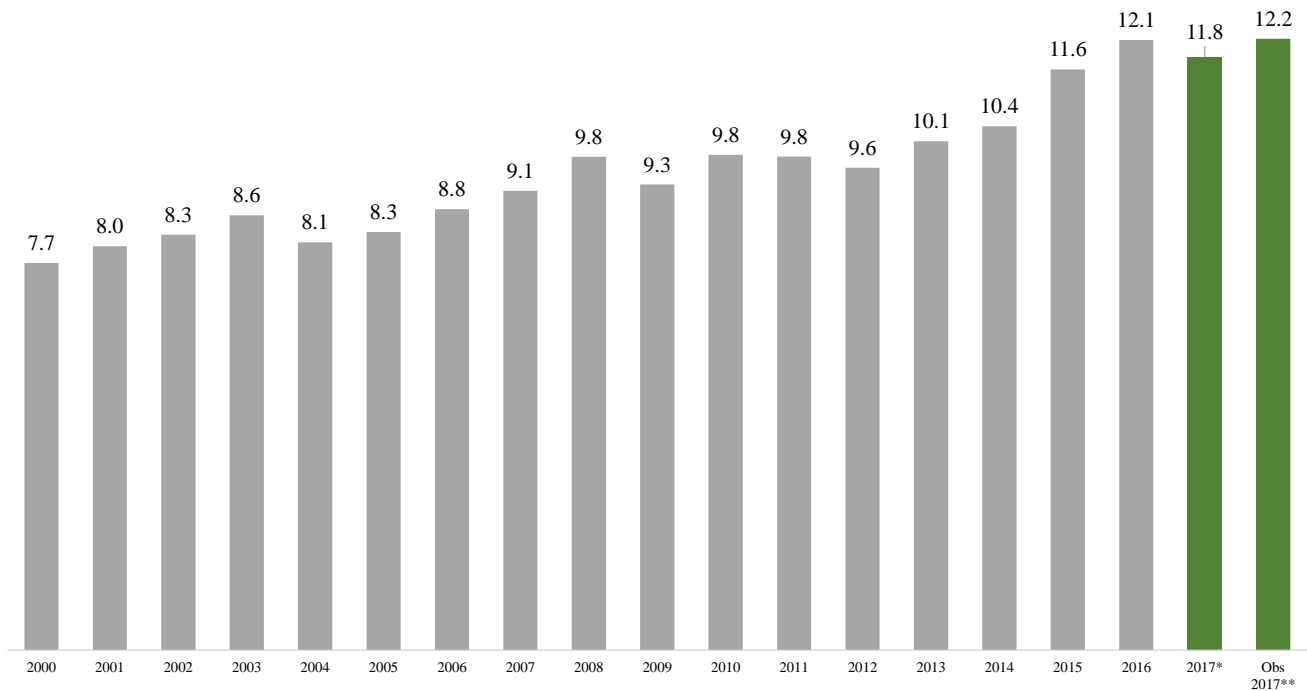


*/ Estimated.

**/ Proportion to annual GDP.

Source: Ministry of Finance

Tax revenues excluding fuel excise tax (IEPS)
Percentage of GDP

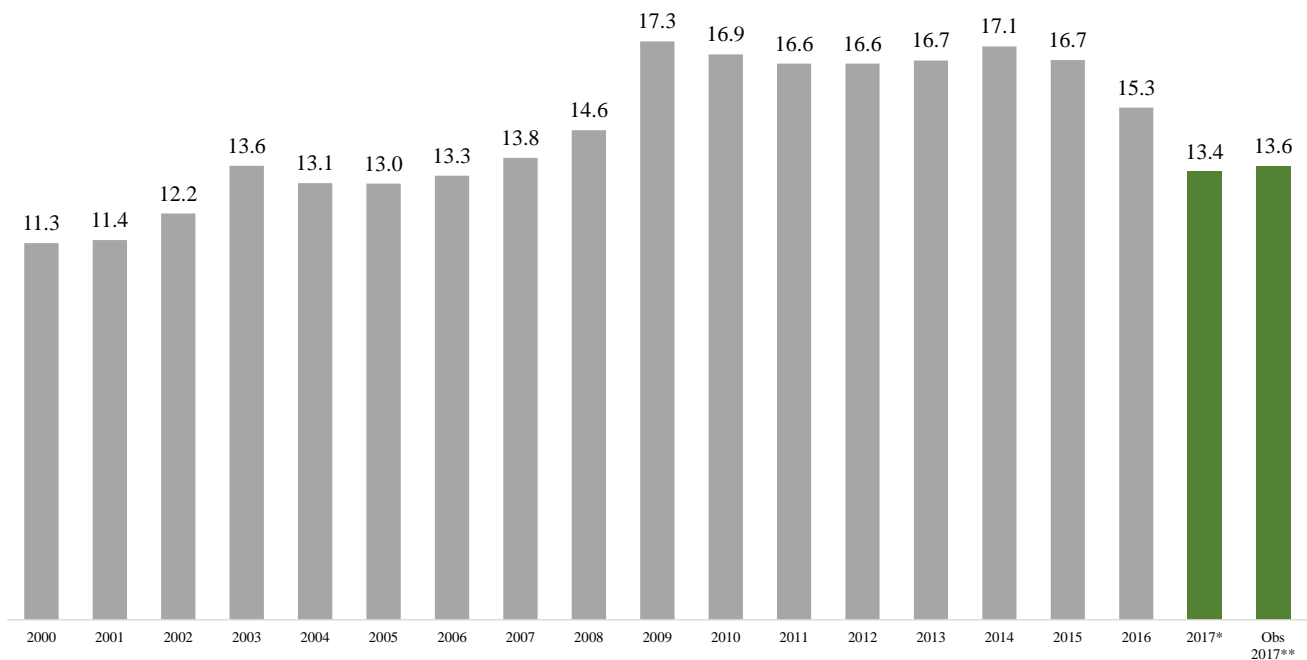


*/ Estimated.

**/ Proportional to annual GDP.

Source: Ministry of Finance.

Total net expenditure without outlays on financial investments, pensions payments and non-earmarked transfers and financial cost
Percentage of GDP

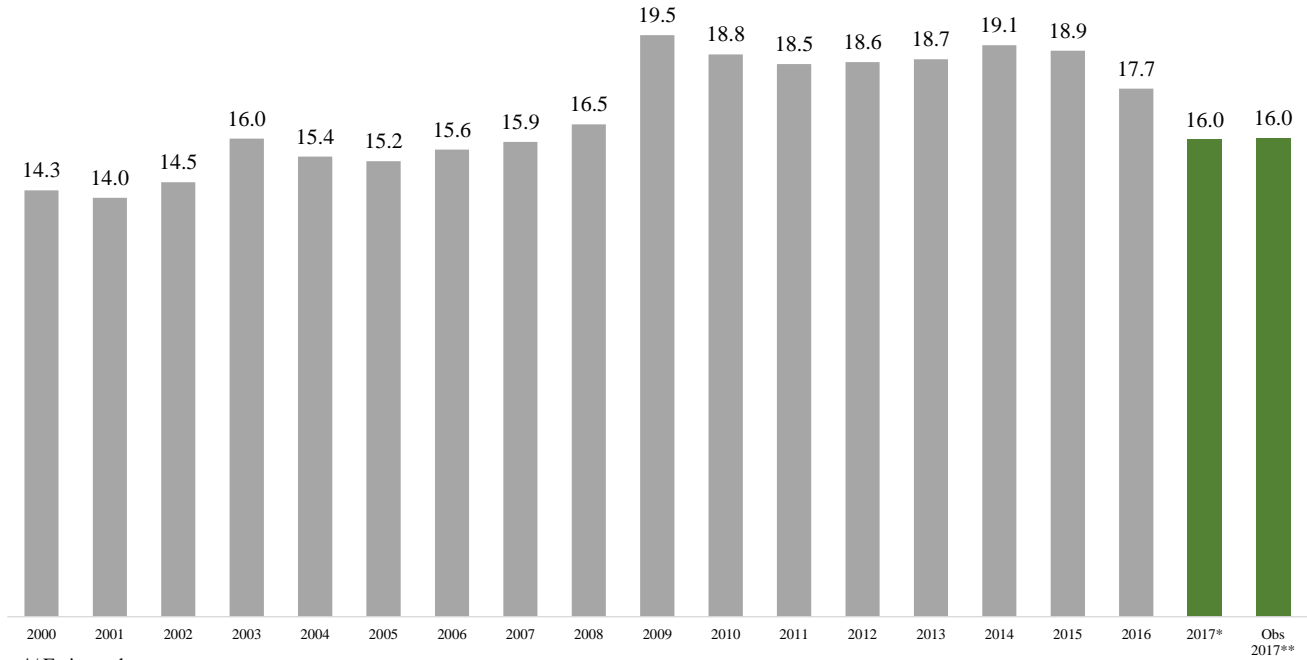


*/ Estimated.

**/ Proportional to annual GDP.

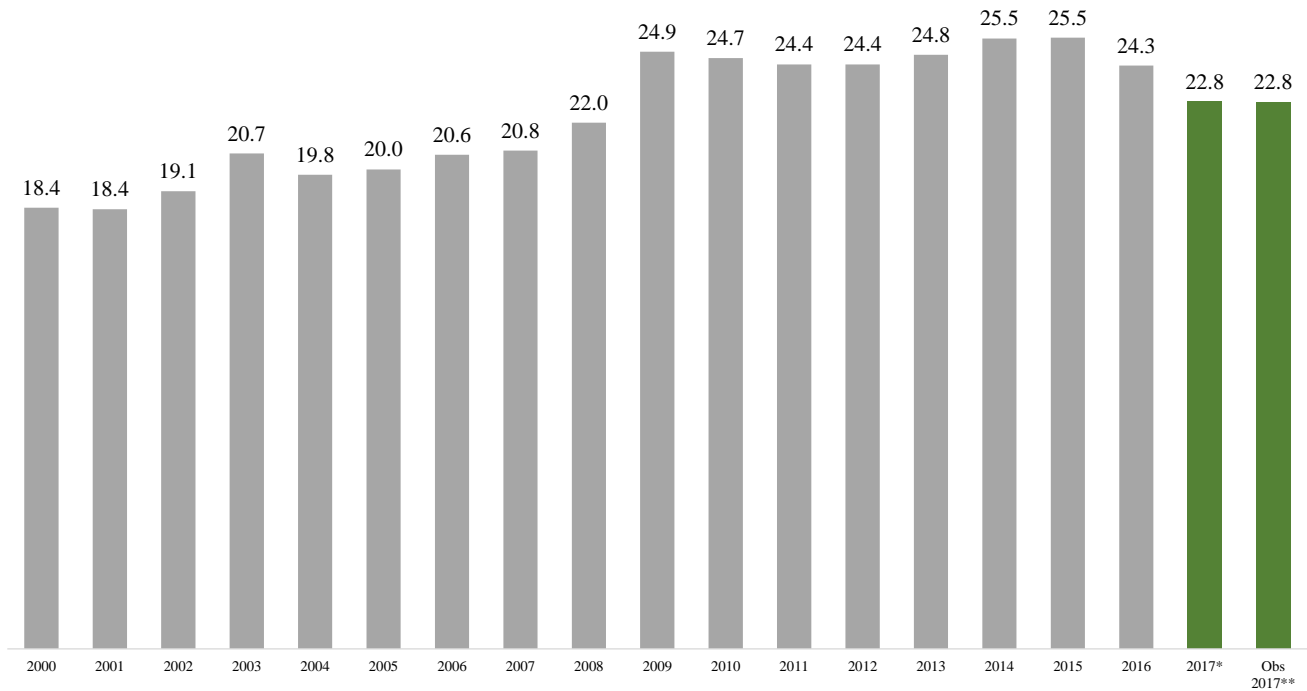
Source: Ministry of Finance.

Total net expenditure without outlays on financial investments, pension payments and non-earmarked transfers
Percentage of GDP



*/ Estimated.
 **/ Proportional to annual GDP.
 Source: Ministry of Finance.

Total net expenditure without outlays on financial investments
Percentage of GDP



*/ Estimated.
 **/ Proportional to annual GDP.
 Source: Ministry of Finance.

Net Total Expenditure Percentage of GDP



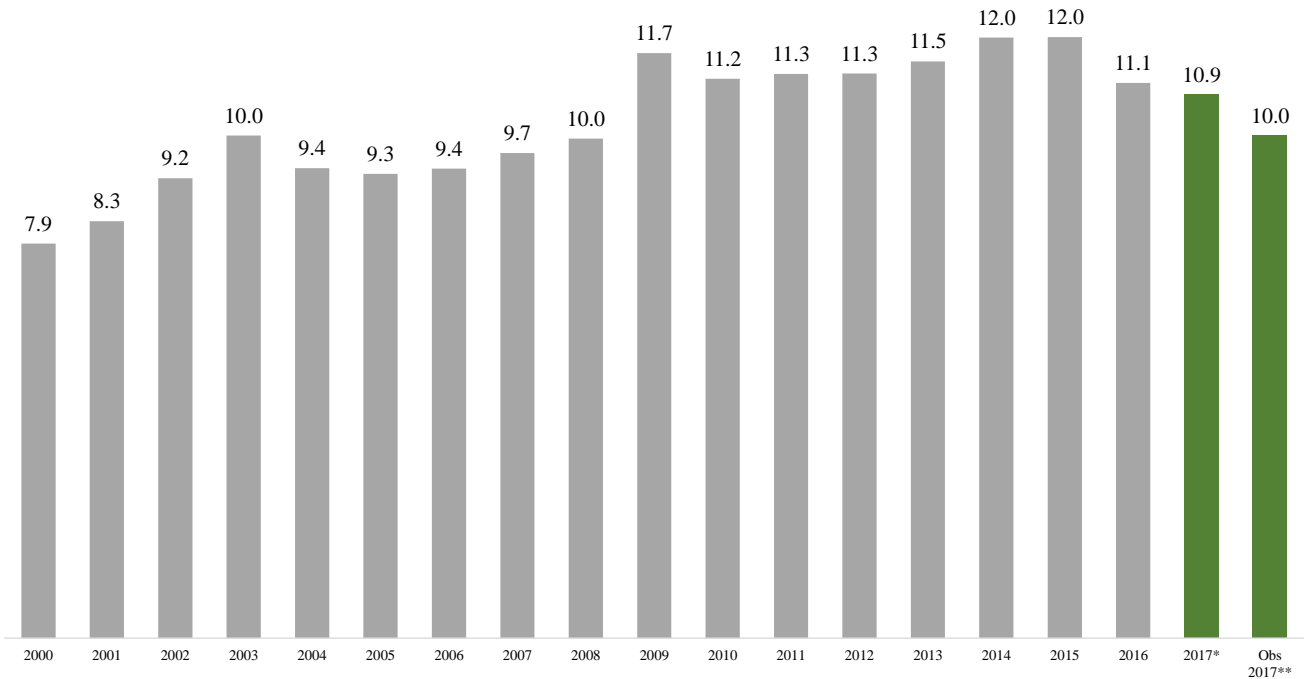
*/ Including the resources from the Federation given to Pemex and CFE equivalent to 1.5% of GDP

**/ Including the use of BMOS, registered in terms of accounting as an expenditure, but represents a saving and an improvement on the Federal Government financial position.

***/ Proportional to annual GDP.

Source: Ministry of Finance.

Current Structural Expenditure Percentage of GDP

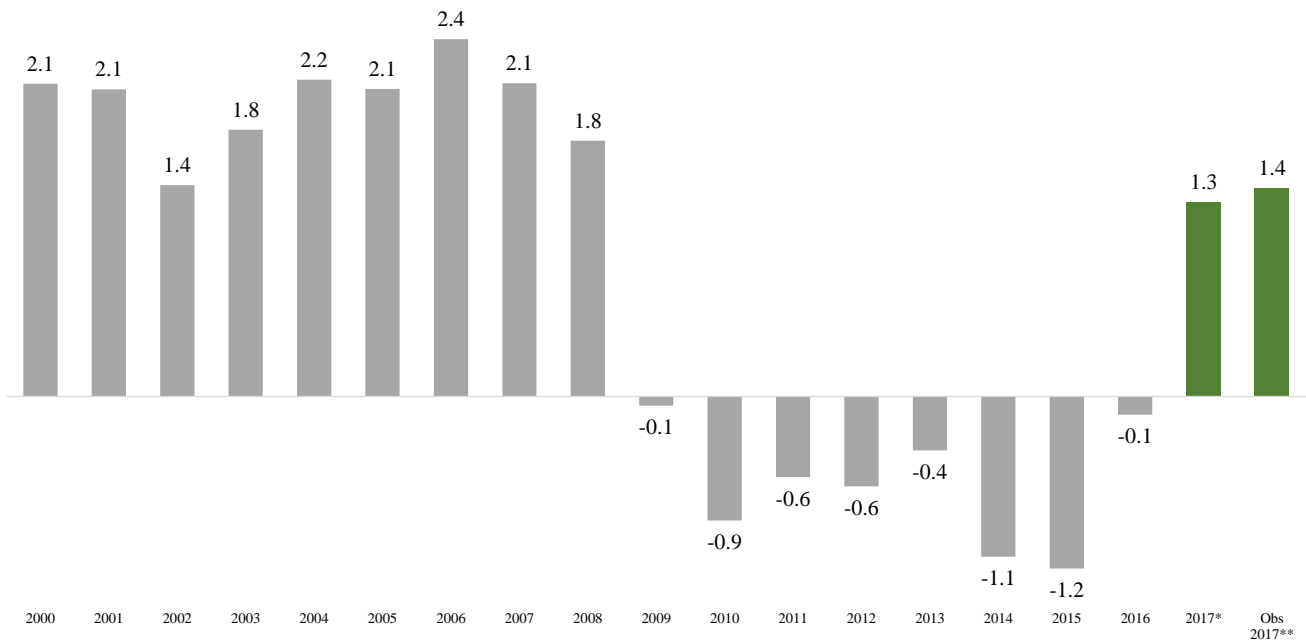


*/ Estimated.

**/ Proportional to annual GDP.

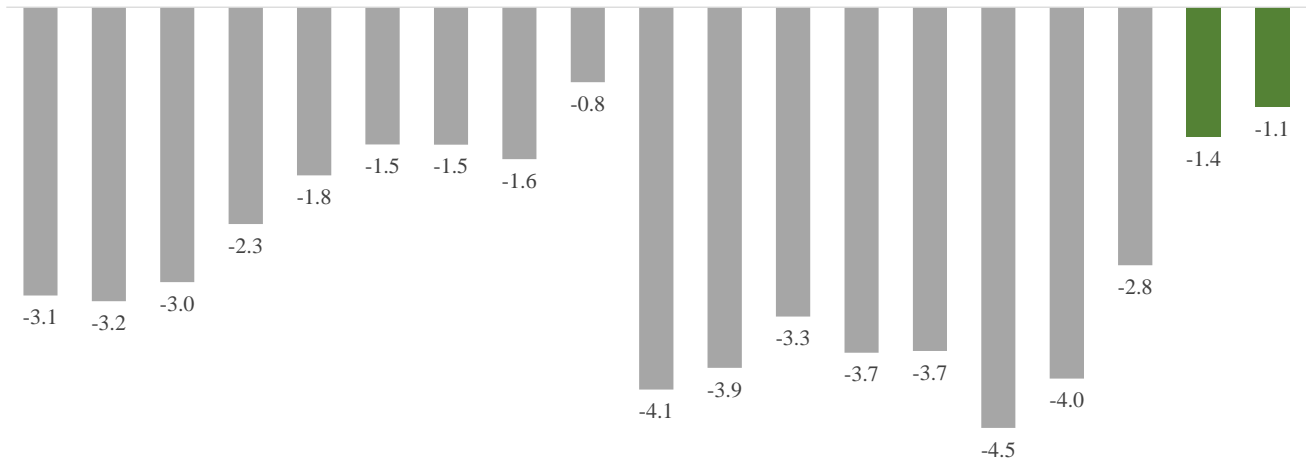
Source: Ministry of Finance

Primary Balance
Percentage of GDP



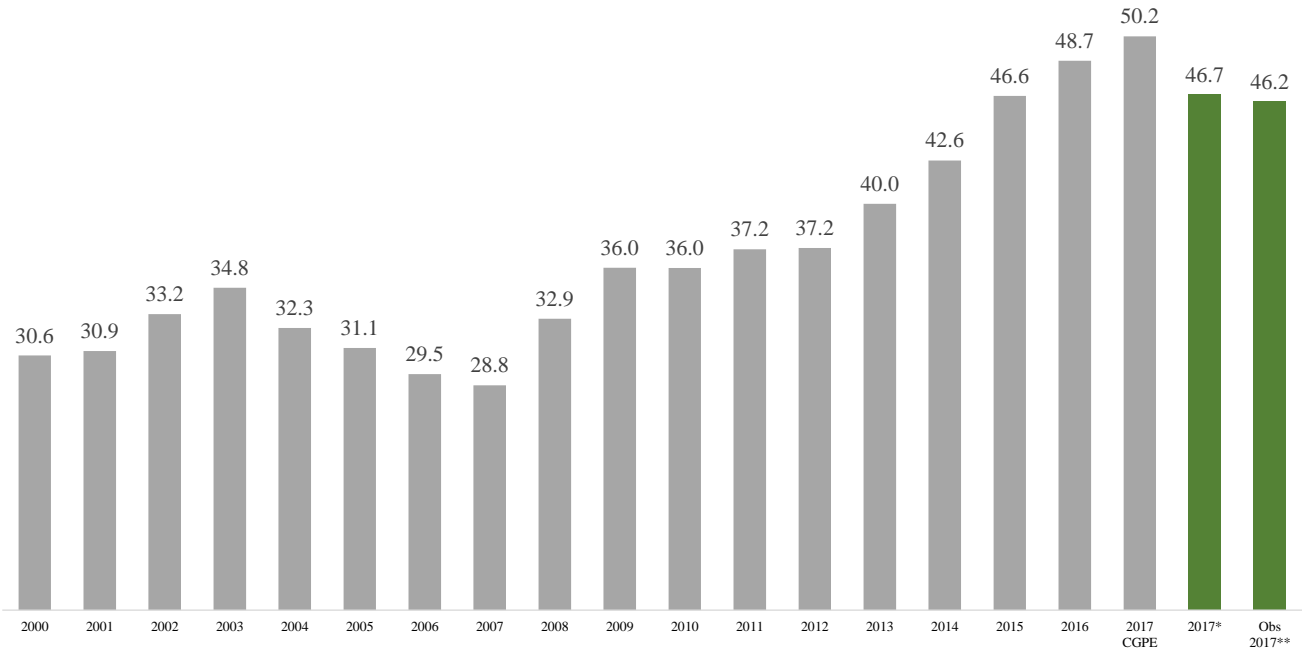
*/ Estimated.
 **/ Proportional to annual GDP.
 Source: Ministry of Finance.

PSBR
Percentage of GDP



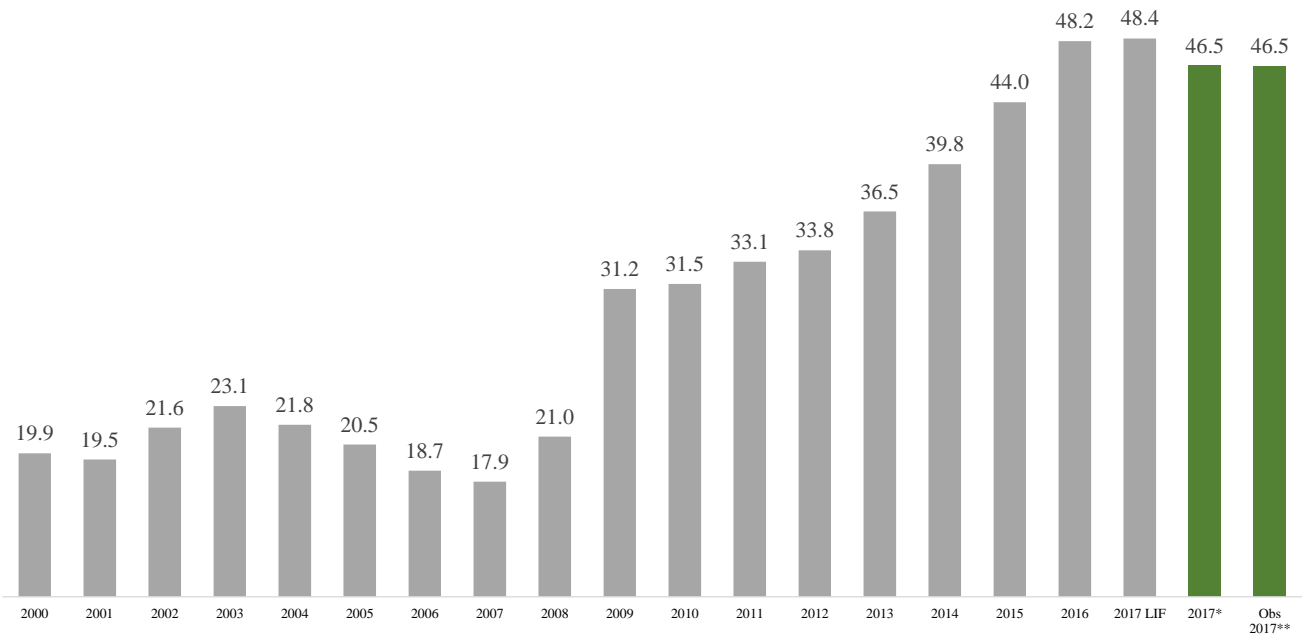
*/ Estimated.
 **/ Proportional to annual GDP.
 Source: Ministry of Finance.

HBPSBR
Percentage of GDP



*/ Estimated.
 **/ Proportional to annual GDP.
 Source: Ministry of Finance.

Public Debt
Percentage of GDP



*/ Estimated.
 **/ Proportional to annual GDP.
 Source: Ministry of Finance.

PUBLIC SECTOR BALANCE

(Million pesos)

Concept	January-December			Nominal Difference	Growth % real
	2016 ^{p_/}	2017			
		Program ^{1_/}	Observed ^{p_/}		
	(1)	(2)	(3)	(3-2)	(3/1)
PUBLIC BALANCE	-503,808.4	-494,872.5	-238,472.4	256,400.2	n.s.
<i>PUBLIC BALANCE EXCLUDING PRODUCTIVE INVESTMENT^{2_/}</i>	-4,657.5	12,634.7	99,875.0	87,240.3	n.s.
I. Budgetary Balance	-502,224.2	-494,872.5	-230,436.6	264,435.9	n.s.
a) Budgetary Revenue	4,845,530.3	4,360,913.8	4,947,160.2	586,246.4	-3.7
Oil ^{3_/}	789,148.0	787,317.3	827,259.6	39,942.3	-1.1
PEMEX	481,006.4	400,415.5	389,912.8	-10,502.7	-23.6
Federal Government	308,141.6	386,901.8	437,346.8	50,445.0	33.8
Non-oil	4,056,382.3	3,573,596.5	4,119,900.6	546,304.2	-4.2
Federal Government	3,263,139.7	2,876,854.4	3,400,237.9	523,383.5	-1.7
Tax	2,715,998.0	2,739,366.8	2,854,799.3	115,432.5	-0.9
Non-tax	547,141.7	137,487.6	545,438.6	407,951.0	-6.0
PEDBC	793,242.7	696,742.1	719,662.7	22,920.7	-14.4
b) Net Budgetary Expenditures	5,347,754.6	4,855,786.3	5,177,596.8	321,810.5	-8.7
Programmable	4,159,335.5	3,517,281.4	3,852,330.0	335,048.7	-12.7
Non-programmable	1,188,419.0	1,338,504.9	1,325,266.8	-13,238.1	5.2
II. PEIBC	-1,584.2	0.0	-8,035.8	-8,035.8	n.s.
PRIMARY BALANCE	-24,986.9	78,190.5	310,151.1	231,960.6	n.s.

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

p_/ Preliminary figures.

n. s.: not significant

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.

Source: Ministry of Finance.

PUBLIC SECTOR BUDGETARY REVENUES

(Million pesos)

Concept	January- December			Nominal Difference (3-2)	Growth % real (3/1)
	2017		Observed ^{p_/}		
	2016 ^{p_/}	Program ^{1/}			
	(1)	(2)	(3)		
BUDGETARY REVENUES (I+II)	4,845,530.3	4,360,913.8	4,947,160.2	586,246.5	-3.7
I. Oil (a+b) ^{2/}	789,148.0	787,317.3	827,259.6	39,942.3	-1.1
a) Pemex	481,006.4	400,415.5	389,912.8	-10,502.7	-23.6
b) Federal Government	308,141.6	386,901.8	437,346.8	50,445.0	33.8
Mexican Oil Fund	307,920.4	386,901.8	442,874.5	55,972.7	35.6
Income tax from contractors and assignees	221.1	0.0	-5,527.8	-5,527.8	n.s.
Existing rights until 2014	0.0	0.0	0.0	0.0	n.s.
II. Non-oil (c+d+e)	4,056,382.3	3,573,596.5	4,119,900.6	546,304.2	-4.2
c) Federal Government	3,263,139.7	2,876,854.4	3,400,237.9	523,383.5	-1.7
Tax	2,715,998.0	2,739,366.8	2,854,799.3	115,432.5	-0.9
Income tax	1,420,493.4	1,422,680.3	1,571,204.8	148,524.5	4.3
Value Added Tax	791,700.2	797,653.9	816,039.1	18,385.2	-2.8
Excise Tax	411,389.6	433,890.4	367,834.4	-66,056.0	-15.7
Import Tax	50,553.4	45,842.1	52,330.1	6,488.0	-2.4
IAEEH ^{3/}	3,993.8	4,114.7	4,329.6	214.9	2.2
Other ^{4/}	37,867.5	35,185.4	43,061.3	7,875.9	7.2
Non tax	547,141.7	137,487.6	545,438.6	407,951.0	-6.0
Duties	55,605.9	44,757.3	61,283.2	16,525.9	3.9
Fees	483,776.0	86,712.9	476,274.1	389,561.2	-7.2
Others	7,759.8	6,017.4	7,881.3	1,863.9	-4.2
d) PEDBC ^{5/}	328,904.0	357,788.1	361,888.2	4,100.0	3.8
IMSS	282,854.1	309,253.4	312,638.2	3,384.8	4.2
ISSSTE	46,050.0	48,534.7	49,249.9	715.2	0.9
e) State Productive Enterprise (CFE)	464,338.7	338,953.9	357,774.6	18,820.6	-27.3
Memorandum Items					
Total tax-related	2,716,219.1	2,739,366.8	2,849,271.5	109,904.7	-1.1
Total non-tax related	2,129,311.2	1,621,547.0	2,097,888.7	476,341.7	-7.1

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

p_/ Preliminary figures.

n.s.: Not significant.

1_/ Corresponds to the calendar 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-December			Nominal Difference	Growth % real
	2017		Observed ^{p_/}		
	2016 ^{p_/}	Program ^{1_/}			
(1)	(2)	(3)	(3-2)	(3/1)	
TOTAL (I+II)	5,347,754.6	4,888,892.5	5,177,596.8	288,704.3	-8.7
I. Primary expenditures	4,874,734.9	4,316,329.5	4,644,245.7	327,916.2	-10.2
Programmable	4,159,335.5	3,550,387.6	3,852,330.0	301,942.5	-12.7
Autonomous Branches	101,996.6	114,939.6	103,331.5	-11,608.1	-4.5
Administrative Branches	1,496,730.3	978,730.3	1,076,146.2	97,415.9	-32.2
General Branches	1,495,883.5	1,477,722.6	1,682,719.3	204,996.7	6.1
PEDBC	800,233.5	886,271.9	874,596.3	-11,675.6	3.1
IMSS	556,372.9	622,682.6	612,100.4	-10,582.1	3.7
ISSSTE	243,860.6	263,589.3	262,495.9	-1,093.4	1.5
State Productive Enterprises	812,994.3	724,400.2	746,997.0	22,596.9	-13.4
Pemex	495,743.6	391,946.2	382,401.3	-9,544.9	-27.3
CFE	317,250.7	332,454.0	364,595.8	32,141.8	8.4
(-) Compensated operations ^{2_/}	548,502.8	631,677.0	631,460.4	-216.7	8.6
Non programmable	715,399.4	765,941.9	791,915.7	25,973.8	4.4
Non-earmarked transfers	693,777.6	742,566.2	772,122.3	29,556.1	5.0
Adefas and others	21,621.8	23,375.7	19,793.4	-3,582.3	-13.7
II. Financial Costs ^{3_/}	473,019.7	572,563.0	533,351.1	-39,211.9	6.3

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_/ 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.

3_/ 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, DECEMBER *_/

Concept	Outstanding as of			% of GDP ^{2_}			% of GDP Quarterly Annualized ^{3_}			Structure (%)		
	dic-15	dic-16	dic-17 p_	dic-15	dic-16	dic-17	dic-15	dic-16	dic-17	dic-15	dic-16	dic-17
Domestic Debt:												
Net (Million pesos)	5,379,857.1	6,009,403.1	6,283,058.4	29.0	29.9	29.0	27.9	28.2	28.0	65.9	62.0	62.3
Gross (Million pesos)	5,639,503.9	6,182,250.7	6,448,500.8	30.4	30.7	29.7	29.2	29.0	28.7	66.9	62.2	62.7
External Debt:												
Net (Million USD)	161,609.5	177,692.5	192,347.5	15.0	18.3	17.5	14.4	17.3	16.9	34.1	38.0	37.7
Gross (Million USD)	162,209.5	180,986.0	193,981.2	15.1	18.7	17.7	14.5	17.6	17.1	33.1	37.8	37.3
Total Debt: ^{1_}												
Net (Million pesos)	8,160,589.9	9,693,217.5	10,088,979.7	44.0	48.2	46.5	42.3	45.5	44.9	100.0	100.0	100.0
(Million USD)	474,273.7	467,562.1	509,886.9									
Gross (Million pesos)	8,430,561.7	9,934,343.9	10,286,748.6	45.5	49.4	47.4	43.7	46.6	45.8	100.0	100.0	100.0
(Million USD)	489,963.8	479,193.1	519,882.0									

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.

2_/ The average annual GDP was used for fiscal years 2015 and 2016; while for 2017, the estimated annual GDP was used, published in the General Economic Policy Guidelines (CGPE) for fiscal year 2018.

3_/ Quarterly annualized GDP according to the previous quarterly reports.

Source: Ministry of Finance

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

	Outstanding as of December 2016	Indebtedness January-December 2017			Adjustments	Outstanding as of December 2017 ^{p./}
		Originations	Amort.	Net		
1. Net Debt (3-2)	6,009,403.1					6,283,058.4
2. Assets ^{1./}	172,847.6					165,442.4
3. Gross Debt	6,182,250.7	3,438,602.5	3,289,035.1	149,567.4	116,682.7	6,448,500.8
By Term	6,182,250.7	3,438,602.5	3,289,035.1	149,567.4	116,682.7	6,448,500.8
Long-term	5,552,529.1	1,360,104.2	1,126,281.4	233,822.8	116,802.1	5,903,154.0
Short-term	629,721.6	2,078,498.3	2,162,753.7	-84,255.4	-119.4	545,346.8
By User	6,182,250.7	3,438,602.5	3,289,035.1	149,567.4	116,682.7	6,448,500.8
Federal Government	5,620,345.4	2,995,274.5	2,803,703.3	191,571.2	108,250.2	5,920,166.8
Long-term	5,026,440.4	1,263,878.0	1,009,020.7	254,857.3	108,250.2	5,389,547.9
Short-term	593,905.0	1,731,396.5	1,794,682.6	-63,286.1	0.0	530,618.9
State Productive Enterprises ^{2./}	431,176.8	78,674.9	136,834.9	-58,160.0	8,538.4	381,555.2
Long-term	416,176.8	58,508.9	101,668.9	-43,160.0	8,538.4	381,555.2
Short-term	15,000.0	20,166.0	35,166.0	-15,000.0	0.0	0.0
Development Banks	130,728.5	364,653.1	348,496.9	16,156.2	-105.9	146,778.8
Long-term	109,911.9	37,717.3	15,591.8	22,125.5	13.5	132,050.9
Short-term	20,816.6	326,935.8	332,905.1	-5,969.3	-119.4	14,727.9
By Financial Source	6,182,250.7	3,438,602.5	3,289,035.1	149,567.4	116,682.7	6,448,500.8
Bonds Placed in Domestic Markets	5,312,876.2	2,800,596.9	2,465,058.9	335,538.0	93,918.5	5,742,332.7
Saving Fund S.A.R.	115,163.3	235,803.1	230,838.0	4,965.1	7,304.5	127,432.9
Commercial Banks	142,087.0	65,414.0	121,062.5	-55,648.5	-229.3	86,209.2
ISSSTE's Law Obligations ^{3./}	147,532.8	9,035.8	20,472.9	-11,437.1	9,041.7	145,137.4
PEMEX's Pension Bonds ^{4./}	137,639.7	0.0	1,512.3	-1,512.3	0.0	136,127.4
CFE Pension Bonds ^{5./}	161,080.2	0.0	0.0	0.0	0.0	161,080.2
Others	165,871.5	327,752.7	450,090.5	-122,337.8	6,647.3	50,181.0

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 PEMEX 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-DECEMBER* _/
(Million dollars)

	Outstanding of December 2016	Indebtedness January-September 2017			Adjustments	Outstanding of December 2017 ^{p/_}
		Originations	Amort.	Net		
1. Net Debt (3-2)	177,692.5					192,347.5
2. Financial Assets in Foreign Currency ^{1/_}	3,293.5					1,633.7
3. Gross Debt	180,986.0	43,769.7	35,270.7	8,499.0	4,496.2	193,981.2
By term	180,986.0	43,769.7	35,270.7	8,499.0	4,496.2	193,981.2
Long-term	177,892.8	27,641.5	19,283.6	8,357.9	4,478.0	190,728.7
Short-term	3,093.2	16,128.2	15,987.1	141.1	18.2	3,252.5
By User	180,986.0	43,769.7	35,270.7	8,499.0	4,496.2	193,981.2
Federal Government	88,157.0	7,042.1	6,685.1	357.0	2,558.2	91,072.2
Long-term	88,157.0	7,042.1	6,685.1	357.0	2,558.2	91,072.2
Short-term	0.0	0.0	0.0	0.0	0.0	0.0
State Productive Enterprises ^{2/_}	82,687.8	19,853.5	12,562.5	7,291.0	1,801.2	91,780.0
Long-term	82,687.8	19,641.3	12,350.3	7,291.0	1,801.2	91,780.0
Short-term	0.0	212.2	212.2	0.0	0.0	0.0
Development Banks	10,141.2	16,874.1	16,023.1	851.0	136.8	11,129.0
Long-term	7,048.0	958.1	248.2	709.9	118.6	7,876.5
Short-term	3,093.2	15,916.0	15,774.9	141.1	18.2	3,252.5
By Financing Source	180,986.0	43,769.7	35,270.7	8,499.0	4,496.2	193,981.2
Public Bonds	136,902.4	15,452.7	9,384.7	6,068.0	4,063.6	147,034.0
International Financial Institutions (IFI'S)	28,601.6	2,182.1	925.5	1,256.6	106.2	29,964.4
Bilateral	7,279.4	970.5	1,632.4	-661.9	155.4	6,772.9
Commercial Banks	8,023.0	24,952.2	23,115.9	1,836.3	90.9	9,950.2
Pidiregas	179.6	212.2	212.2	0.0	80.1	259.7

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 PEMES and CFE only.

Source: Ministry of Finance.

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