



Economic Activity Observatory

March 3, 2009

Public Finances in January: spending increases (+16.4% in real terms) but income is reduced (-9.9% in real terms)

- There was a budget deficit of 19bn pesos in the first month of the year. This becomes a surplus (9.8bn pesos) when adjusted for Pemex expenses and available oil hedges.¹
- Both oil and non-oil revenues fell compared with the previous year. Particularly striking was the decline in VAT income (17.2% in real terms).
- Budget spending saw a real annual increase of 16.4%, or 10.5% when "adjusted" (not including Pemex's physical investment).
- Primary spending was even more buoyant (19%) as financial spending saw a decline in real terms of 8.5%.
- Public sector foreign debt, not including Pidiregas, increased by 1.2bn dollars. The figure for foreign debt including Pidiregas presents data which was previously included in the Historic Balance of the Public Sector Financial Requirements.
- The high level of spending reflects the adjustment in the budget schedule announced by the government as part of the fiscal policy designed to counteract the impact of the external crisis. Over the coming months the main variable to monitor will be revenues.

Financial Situation of the Public Sector

(Billions of pesos)

	January 2009p		Real % change	
	Unadjusted	Adjusted 1	Unadjusted	Adjusted 1
Public balance	-19.0	9.8	ins.	-77.2
Budgetary balance	-13.2	15.5	ins.	-67.5
Budget revenues	225.3	239.1	-9.9	-4.4
Oil	55.7	69.4	-26.0	-7.7
Non-oil	169.7	169.7	-3.0	-3.0
Federal Government	133.8	133.8	-4.2	-4.2
Taxes	124.9	124.9	-4.8	-4.8
Non-tax	8.9	8.9	5.1	5.1
State-owned Companies	35.8	35.8	1.6	1.6
Net budgetary expenses	238.6	223.6	16.4	10.5
Programmed	173.5	158.5	16.7	8.4
Unprogrammed	65.1	65.1	15.8	15.8
Non-budgetary balance	-5.8	-5.8	ins.	ins.

p = Preliminary

1 Excludes Pemex investment in 2008 and 2009. 2009 includes oil revenues from hedges which will be generated in November.

Budget revenues from Public Sector

(Billions of pesos)

	Jan-09		Real % change	
	Unadjusted	Adjusted 1	Unadjusted	Adjusted 1
Budget revenues	225.3	239.1	-9.9	-4.4
Oil	55.7	69.4	-26.0	-7.7
IEPS	-2.0	-2.0	ins.	ins.
Non-oil	169.7	169.7	-3.0	-3.0
Federal Government	133.8	133.8	-4.2	-4.2
Taxes	124.9	124.9	-4.8	-4.8
ISR and IETU	63.0	63.0	0.6	0.6
VAT	45.7	45.7	-17.2	-17.2
Other	16.2	16.2	-8.0	-8.0
Non-tax	8.9	8.9	5.1	5.1
State-owned Companies	35.8	35.8	1.6	1.6

Total spending of budgeted public sector

(Billions of pesos)

	January		Real % change
	2008	2009	
Total	192,8	238,6	16,4
Primary spending	174,9	221,2	19,0
Programmable	139,9	173,5	16,7
Unprogrammable	35,0	47,7	28,2
Financial cost	17,8	17,3	-8,5

Public Sector foreign debt

(Millions of dollars)

	Balance at:	
	dic-08	ene-09
Net Debt (without Pidiregas)	24.319,4	25.565,3
Net Debt (with Pidiregas)	24.319,4	82.678,1
Financial assets in		
Foreign currency (1)	32.619,8	2.359,2
Gross Debt	56.939,2	85.037,3

1) Net balance in dollars of the General Accounts of the Federal Treasury

Source: BBVA Bancomer with data from SHCP

¹ Is necessary to evaluate the public finances in the change context of the definition framework and oil revenue insurance