



Economic Activity Observatory

30 March 2009

There was an 8.1 billion peso public sector deficit in the first two months of the year, which equates to a 41.8 billion peso surplus when Pemex investment is stripped out and revenue from oil price hedges is included¹

- In real terms, Public Sector budget revenue -adjusted for Pemex investment and oil price hedges- contracted by 1.2% in the first two months of the year as a result of a 3.6% decrease in oil revenue and 0% change in non-oil revenue.
- In terms of non-oil revenue, tax revenue contracted by 9.1%, which was offset by a 118.9% increase in non-tax revenue.
- Tax revenues from both ISR-IETU (income tax and flat rate tax on business operation) and VAT reflect the weakness in economic activity.
- Total expenditure increased by 7% in real terms: 6.7% in primary expenditures and 10.3% in financial costs. Changes in expenditure were focused on the Federal Government, the federalized expenditure increased 1.1% and shared revenues decrease 17%
- The public sector's external deficit without Pidiregas increased by 3.3 billion pesos.
- Forecasts: Oil price hedges will have a favorable effect on public finances in the current year, but the weakness of economic activity will continue to affect tax revenue.

Financial Situation of the Public Sector

(Billions of pesos)

	Jan-feb 2009p		Real % change	
	Unadjusted	Adjusted1	Unadjusted	Adjusted1
Public balance	-8.1	41.8	n.s.	-39.4
Budgetary balance	-6.3	43.6	n.s.	-38.1
Budget revenues	440.7	467.1	-6.7	-1.2
Oil	116.5	142.9	-21.4	-3.6
Non-oil	324.2	324.2	0.0	0.0
Federal Government	254.1	254.1	-0.2	-0.2
Taxes	215.4	215.4	-9.1	-9.1
Non-tax	38.7	38.7	118.9	118.9
State-owned Companies	70.1	70.1	0.6	0.6
Net budgetary expenses	447.0	423.5	7.0	5.3
Non-budgetary balance	-1.7	-1.7	n.s.	n.s.

p = Preliminar

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¹ Excludes investment in Pemex in 2008 and 2009. 2009 with oil revenue from hedges which will be received in November.

Total spending of budgeted public sector

(Billions of pesos)

	Jan - feb 2009		Real % Change
	2008	2009	
Total	393.4	447.0	7.0
Primary spending	367.3	416.4	6.7
Programmable	277.9	336.9	14.1
Unprogrammable	89.3	79.6	-16.2
Financial cost	26.1	30.6	10.3

Budget revenues from Public Sector

(Billions of pesos)

	Jan-feb 2009		Real % change	
	Unadjusted	Adjusted1	Unadjusted	Adjusted1
Budget revenues	440.7	467.1	-6.7	-1.2
Oil	116.5	142.9	-21.4	-3.6
IEPS	5.2	5.2	ns	ns
Non-oil	324.2	324.2	0.0	0.0
Federal Government	254.1	254.1	-0.2	-0.2
Taxes	215.4	215.4	-9.1	-9.1
ISR and IETU	109.8	109.8	-5.6	-5.6
VAT	75.5	75.5	-21.9	-21.9
Other	30.2	30.2	-8.0	-8.0
Non-tax	38.7	38.7	118.9	118.9
State-owned Companies	70.1	70.1	0.6	0.6

Public Sector foreign debt

(Millions of dollars)

	Balance at:	
	Dec 2008	Feb 2009
Net Debt (without Pidiregas)	24,319.4	27,656.0
Net Debt (wit Pidiregas)	24,319.4	83,649.1
Financial assets in:		
Foreign currency (1)	32,619.8	2,241.5
Gross Debt	56,939.2	85,890.6

1) Net balance in USD of the Fed. Treasury General accounts

¹ Public finances need to be evaluated in the context of changes in the regulatory framework and oil revenue hedges

Source: BBVA Bancomer with SHCP data