



**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 included<sup>1</sup>**

- 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	Adjusted <sup>1</sup>	Unadjusted	Adjusted <sup>1</sup>
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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<sup>1</sup> 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	Adjusted <sup>1</sup>	Unadjusted	Adjusted <sup>1</sup>
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