

## Economic adjustment, lower oil revenue and investor spending put pressure on public deficit

- During the first eight months of the year, budget revenue (-6.7% in real terms, without considering revenue in November for oil hedges) reflected the impact of the slowing economy and fewer oil exports: -13% and -22% for taxes and oil revenue respectively<sup>1</sup>
- Tax receipts fell 13% in real terms, as a result of fewer VAT collections and due to income tax. This fall was offset, at least partly, by non-recurrent receipts such as those resulting from Banxico's surplus and Fuel Price Stabilization Fund resources (+259% in non-tax receipts), as well as the accounting impact of the devaluation of the peso on oil revenue.
- As far as spending is concerned, net budget spending rose by 6.1% in real terms (with Pemex investment) between January and August. By component, projected spending (in particular capital) and financial spending recorded positive results, whereas federal spending recorded a negative result.
- Outlook: the pressure on income has been mostly offset by non-recurrent windfall profits, but a gradual curb in the falling rates can be expected in line with economic recovery. The adjustment of spending announced in July will allow the annual public deficit target to be achieved.

### Public Sector Overall Balance

	Jan-August 2009p		Real % growth	
	Unadjusted	Adjusted	Unadjusted	Adjusted
Public balance	-100.2	107.3	ns	-37.4
Budgetary balance	-107.5	100.0	ns	-40.2
Budget Revenues	1,790.0	1,854.4	-6.7	-3.3
Oil related	526.4	526.4	-22.3	-22.3
Non-oil related	1,263.5	1,328.0	1.9	7.1
Federal Government	993.1	1,057.6	5.5	12.3
Taxes	764.0	764.0	-13.0	-13.0
Non-tax	229.1	293.5	259.0	360.0
State-owned Companies	270.4	270.4	-9.5	-9.5
Net Budgetary Expenditures	1,897.5	1,754.4	6.1	0.2
Non-budgetary balance	7.3	7.3	76.8	76.8

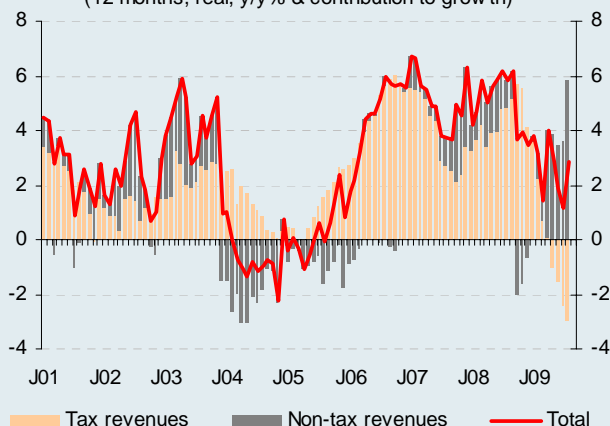
p = preliminary

<sup>1</sup> Excludes Pemex investment in 2008 and 2009. 2009 with hedging oil revenue that will be received in November.

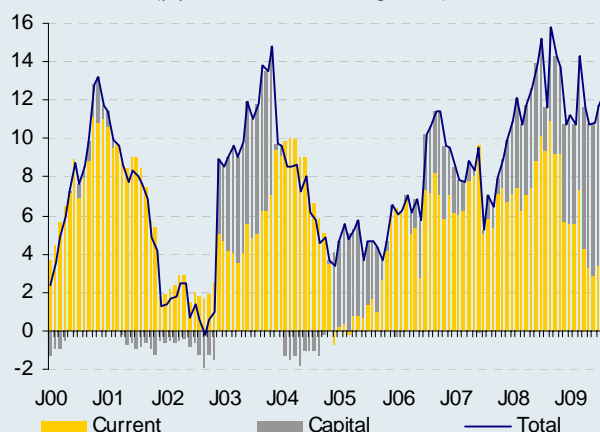
### Public Sector Revenues

	Jan-August 2009		Real % growth	
	Unadjusted	Adjusted	Unadjusted	Adjusted
Budgetary Revenues	1,790.0	1,854.4	-6.7	-3.3
Oil related	526.4	526.4	-22.3	-22.3
IEPS	17.8	17.8	ns	ns
Non-oil related	1,263.5	1,328.0	1.9	7.1
Federal Government	993.1	1,057.6	5.5	12.3
Tax	764.0	764.0	-13.0	-13.0
Income Tax and IETL	411.1	411.1	-9.9	-9.9
VAT	267.8	267.8	-19.5	-19.5
Others	85.2	85.2	-3.1	-3.1
Non-tax	229.1	293.5	259.0	360.0
State-owned Companies	270.4	270.4	-9.5	-9.5

**Federal Government, Non Oil Revenues**  
(12 months, real, y/y% & contribution to growth)



**Programmable Expenditures, 12 months**  
(y/y % & contribution to growth)



Source: BBVA Bancomer with SHCP data

<sup>1</sup> Public finances need to be evaluated in the context of changes in regulations and oil revenue hedges