Annual Report

2008

BANCO DE MEXICO

APRIL 2009

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Annual Report
Submitted to the President and the Mexican Congress
according to Article 51, Section III, of Banco de México's Law

FOREWARNING

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Figures for 2008 are preliminary and subject to changes. Although data is consistent within each section, comparing figures from different sections may differ because they have been estimated according to different sources and methodologies.

Contents

I. Introduction 11

II. International Environment 13

III. Developments in the Mexican Economy: General Overview 24

III.1. Economic Activity 24
III.2. Employment, Earnings, and Productivity 32
III.3. External Sector 38
III.4. Public Finances 48
III.5. Monetary and Credit Aggregates 55
III.6. Inflation 68

IV. Monetary and Exchange Rate Policy 77

IV.1. Monetary Policy 77
IV.2. Exchange Rate Policy 84

V. Final Remarks 87

Appendices 88

Appendix 1 89

Mexico's Relationship with International Financial Institutions 89

Appendix 2 94

Public Sector Borrowing Requirements (PSBR) 94

Statistical Appendix 100

Balance Sheet 163

I. Introduction

The turmoil in international financial markets significantly affected the performance of the world economy in 2008. Despite the monetary and fiscal stimulus measures implemented by a large number of countries, global economic growth went down to 3.2 percent in 2008 from 5.2 percent in 2007. Moreover, the downturn in economic activity affected both emerging and advanced economies, though the slide was more pronounced in the latter countries. The U.S. economy fell into recession in December 2007 and continued to weaken throughout 2008. As a result, during the fourth quarter of the year, U.S. GDP registered an annualized quarterly contraction of 6.3 percent.

World inflationary pressures diminished considerably during 2008. This behavior partly responded to the downturn in world economic activity, although inflation was also influenced by commodity prices. In particular, the prices of these goods, which had continued to escalate during the first half of the year, decreased significantly during the second half. It is important to mention that the decline in inflation was more pronounced in advanced than emerging economies. In fact, several of the latter saw their margin of maneuver to implement counter-cyclical policies severely limited, partly as a result of the persistence of relatively high inflation rates.

Conditions in international financial markets worsened significantly during 2008. The higher levels of non-performing loans in the U.S. mortgage sector, first in the subprime sector and then in the sector as a whole, had a considerable impact on mortgage-backed assets. The lack of transparency regarding commercial banks' exposure to this type of instruments led to an increase in counterparty risk, which in turn gave rise to severe liquidity problems in the interbank market. The aforementioned problem together with high levels of indebtedness forced financial intermediaries to initiate a deleveraging process which pushed down the prices of some assets. In an environment of higher uncertainty, reduced liquidity, and the deterioration in asset prices, difficulties spread rapidly to other segments of the financial markets as well as to other countries.

Financial market problems worsened when Lehman Brothers filed for bankruptcy in September 2008. This event led to a substantial rise in global risk perceptions and increased uncertainty regarding the quality of some assets held by financial institutions. As a consequence, the cost of interbank lending rose sharply and liquidity in financial markets shrank further. The situation became more complicated due to the negative feedback loop between the financial and the real sector. Thus, besides the liquidity crisis, financial markets also faced a solvency problem which gave rise to the risk of collapse of the international financial system. In this context, capital flows to emerging economies contracted significantly, affecting many of these countries' exchange rates as well as their equity and debt markets.

In response to the rapid deterioration of global financial conditions, a large number of advanced and emerging economies implemented measures to reestablish confidence in their financial systems. These actions included loosening monetary policy, the creation of facilities to supply liquidity to financial markets, guarantees on new bank debt issues, an extension of savers' deposit protection limits, and initial efforts to bolster some institutions' capital. Moreover, authorities in several advanced countries implemented some of these measures in a coordinated manner in order to strengthen their impact. Although these actions reduced the risk of systemic collapse, uncertainty in financial markets continued until the end of 2008.

In response to the deepening of the international financial crisis from mid-September of 2008 and its increasing effects on emerging economies, Banco de México implemented several measures jointly with the Ministry of Finance to preserve the smooth functioning of domestic financial markets. On the one hand, the Foreign Exchange Commission decided to supply US dollar liquidity to the foreign exchange market through different mechanisms. On the other, preventive facilities were established to temporarily provide liquidity in domestic currency to commercial banks, while other measures designed to buoy liquidity in domestic debt markets were also adopted. Among the latter were: the modification of programs for government securities issuing in favor of short-term financial instruments; Bondes M and Udibono repo operations; and, interest rate swap auctions in which flows from long-term fixed interest rates were exchanged for those coming from short-term revisable rates. Finally, measures designed to foster a more orderly functioning of financial markets were introduced. Among these, Banco de México implemented a program to repurchase IPAB bonds; temporary regulatory facilities were introduced giving mutual funds greater flexibility to rebalance their portfolios; and, development banks established a program of guarantees on short-term private debt issuing.

As a result of the particularly adverse international environment, economic activity in Mexico lost momentum during 2008. During the first three months of the year, the economy slowed in response to the gradual deterioration of external demand, which basically affected the levels of activity in tradable goods sectors. Nevertheless, in the last few months of the year, the propagation of the external demand shock affected private domestic expenditure. The latter adversely affected GDP, which registered negative growth in the last quarter of 2008.

During 2008, the behavior of inflation in Mexico mainly responded to unprecedented rises in the international prices of food, metal and energy commodities, particularly during the first half of the year. These increases hit production cost structures in practically all sectors of the economy, as well as the pricing policy of federal government administered goods and services. Similarly, price behavior was also influenced towards the end of the year by the depreciation of the exchange rate which began in September. Thus, at the end of 2008, annual headline inflation was 6.53 percent, after having been 3.76 percent in December 2007.

The rise in inflation during 2008 did not significantly affect medium-term inflation expectations. This was mainly due to monetary policy actions designed to ensure that medium and long-term inflation expectations remained well "anchored". In light of the increase in inflation and the risks associated with it, Banco de México's Board of Governors raised the target for the Overnight Interbank Rate by 25 basis points in June, July and August. As a result of these measures, the target shifted from 7.50 to 8.25 percent. Afterwards, by taking into consideration that the smooth functioning of markets is essential for financial stability, the Board of Governors decided to leave its monetary policy stance unchanged after September.

II. International Environment

Conditions in international financial markets deteriorated significantly in 2008. Under such an environment, world economic growth slowed significantly to 3.2 percent, with lower growth being observed in both advanced and emerging and developing economies (Table 1). The U.S. economy grew significantly below its previous year figure as it fell into recession from December 2007 throughout 2008. The euro area and Japanese economies recorded robust growth at the start of the year; however, during the second quarter, they began to weaken and declined further during the second half of the year as the financial crisis worsened. Although emerging economies continued to grow substantially more than most advanced economies, they also expanded at slower rates than in 2007. Inflation fell in both advanced and emerging economies during the second half of the year in response to the decline in commodity prices, especially oil prices, and the economic downturn. Meanwhile, financial markets continued to be subject to substantial turmoil, which worsened after Lehman Brothers' collapse in September. Problems in financial markets spread around the world, leading to a marked widening in sovereign risk spreads in emerging market economies.

Table 1
GDP and World Trade
Annual change (percent)

	2004	2005	2006	2007	2008
World GDP	**4.9**	**4.5**	**5.1**	**5.2**	**3.2**
Advanced Economies 1/	3.2	2.6	3.0	2.7	0.9
U.S.	3.6	2.9	2.8	2.0	1.1
Euro Area	2.2	1.7	2.9	2.7	0.8
Japan	2.7	1.9	2.0	2.4	-0.6
Asian NICs 2/	5.9	4.7	5.6	5.7	1.5
Developing and Emerging Market Economies	7.5	7.1	8.0	8.3	6.1
Africa	6.7	5.8	6.1	6.2	5.2
Asia	8.6	9.0	9.8	10.6	7.7
Middle East	6.0	5.8	5.7	6.3	5.9
Latin America and the Caribbean	6.0	4.7	5.7	5.7	4.2
World Trade of Goods and Services	10.7	7.7	9.2	7.2	3.3

Source: World Economic Outlook, IMF, April 2009. U.S. figures drawn from the Bureau of Economic Analysis (BEA); Euro area figures drawn from Eurostat; and Japan figures from the CabinetOffice.
1/ Includes the U.S., Euro zone, Japan, United Kingdom, Canada, and other advanced economies.
2/ Includes Hong Kong, South Korea, Singapore, and Taiwan.

Commodity prices continued to rise during the first half of 2008, but this trend reverted in the second half of the year. After having been slightly below 100 US dollars per barrel at the start of the year, the price of the West Texas Intermediate (WTI) oil reached over 145 US dollars per barrel in July. Later, despite production cuts and geopolitical turmoil, this price followed a clear downward trend, ending the year at 45 US dollars per barrel. Prices of non-oil commodities followed an upward trajectory until the middle of the year after which they began to decline. According to the International Monetary Fund, the average prices of non-oil commodities rose 7.5 percent in 2008, i.e., almost half of that recorded during the previous year, while the average prices of metal and agricultural commodities decreased.

Economic activity in the U.S. grew only 1.1 percent in 2008, and even at a slower rate during the second half of the year, particularly during the last quarter, when GDP contracted at an annualized quarterly rate of 6.3 percent, its largest fall since 1982 (Table 2). The meager growth recorded during the year responded to the widespread weakness of domestic demand, resulting from the worsening of the financial problems which had began in 2007. Despite the implementation of fiscal and monetary stimulus measures, consumption contributed with only 0.16 percentage points to economic growth in 2008, figure far below its historical average of 2.3 percentage points recorded since 1947. Low consumption growth reflected losses in households' real and financial wealth due to falling asset prices, increased unemployment, reduced availability of credit, and a substantial drop in consumer confidence. Non-residential investment also contributed meagerly to economic growth (0.17 percentage points) mainly as a result of a reduction in investment in equipment and software. On the other hand, net exports, which continued to be driven by the depreciation of the US dollar in previous years as well as weak domestic demand, recorded their greatest contribution to GDP (1.40 percentage points) since 1980. Residential investment was affected by the contraction of home prices and the high levels of home inventories as compared with home sales. As a result, this component contributed negatively to economic growth for the third consecutive year. Government expenditure contributed 0.57 percentage points to GDP, thereby helping to offset the economic slowdown.

Table 2
U.S. Aggregate Supply and Demand
Annual and annualized quarterly change (percent)

	2006	2007	2008	2008 I	2008 II	2008 III	2008 IV
GDP	**2.8**	**2.0**	**1.1**	**0.9**	**2.8**	**-0.5**	**-6.3**
Domestic absorption 1/	2.6	1.7	-0.1	0.1	1.1	-2.3	-6.3
Private consumption	3.0	2.8	0.2	0.9	1.2	-3.8	-4.3
Fixed private investment	1.9	-3.1	-5.0	-5.6	-1.7	-5.3	-22.0
Non-residential	7.5	4.9	1.6	2.4	2.5	-1.7	-21.7
Residential	-7.1	-17.9	-20.8	-25.1	-13.3	-16.0	-22.8
Government expenditure	1.7	2.1	2.9	1.9	3.9	5.8	1.3
Exports of goods and services	9.1	8.4	6.2	5.1	12.3	3.0	-23.6
Imports of goods and services	6.0	2.2	-3.5	-0.8	-7.3	-3.5	-17.5

Source: Bureau of Economic Analysis (BEA).
1/ Excluding inventories.

Industrial production, a sector particularly vulnerable to credit restrictions, slid 2.2 percent during the year, mainly in response to sharp reductions in its automotive, construction materials and high technology branches.

The labor market was strongly affected by the financial crisis. During 2008, 257 thousand jobs were lost,[1] the largest annual contraction since 1945. The decline in employment was almost totally confined to the construction (57

[1] Refers to the average monthly change during the year.

thousand jobs), manufacturing (73 thousand), and services (131 thousand) sectors. The unemployment rate increased 1.2 percentage points as compared to 2007, reaching 5.8 percent, its highest level since 2003.

Despite the appreciation of the US dollar, the current account deficit contracted for the second consecutive year. This result mainly responded to a faster weakening of economic activity in the U.S. as compared with other countries, which caused the U.S. trade deficit to fall substantially. The current account deficit as a proportion of GDP thus shifted from 5.3 percent in 2007 to 4.7 percent in 2008, its lowest level since 2002.

Economic activity in other advanced economies mirrored the downturn in the U.S as they were affected by the financial strains and the decline of world trade. In all of these countries economic performance was much lower than in 2007. For the year as a whole, GDP grew 0.8, 0.7 and 0.5 percent, respectively, in the Euro zone, the U.K. and Canada, while it contracted 0.6 percent in Japan.

The economic downturn also spread to emerging economies due to the combination of weak external demand, tight credit conditions, and lower commodity prices. China continued to experience robust growth (9 percent) bolstered by measures implemented by its authorities to stimulate demand. Nevertheless, this growth was four percentage points below that observed during the previous year as a result of declining exports and the weakening real estate market. Although the Russian economy recorded solid growth during the first quarter in response to high oil prices and fiscal easing, it later slowed and the economy expanded only 5.6 percent during the year as a whole (as compared with 8.1 percent in 2007). India also grew at a slower rate in 2008 than during the previous year (7.3 percent as compared with 9.3 percent).

In Latin America and the Caribbean, GDP grew 5.4 percent in annual terms during the first half of 2008 (slightly below the figure observed during the same period of 2007), buoyed by the improved terms of trade resulting from higher commodity prices. However, after the second half of the year, the effects of deteriorating international financial conditions, falling world demand, and lower prices of primary goods had a considerable impact on economic activity in the region. For this reason, the IMF forecasts the region will grow 4.2 percent in 2008 (as compared with 5.7 percent in 2007).

During 2008, world inflation was mostly influenced by the trajectory of commodity prices and the economic downturn. In the U.S., annual headline CPI inflation was 3.8 percent (one percentage point higher than in the previous year) in response to the jump in commodity prices, particularly oil, during the first half of 2008. In July, when these prices were at historically high nominal levels, annual headline inflation reached 5.6 percent, its highest point since 1991. In the same way, the decline in commodity prices which started in July also contributed to a rapid fall in headline inflation, causing this index to register the largest monthly drops in its history during the last quarter. As a result, annual inflation was 0.1 percent at the end of 2008. Core inflation was not particularly affected by the behavior of commodity prices, remaining unchanged from the previous year at 2.3 percent. Nevertheless, the weakness of economic activity tended to push it downwards by the end of the year, and annual core inflation registered 1.8 percent in December.

Inflation in other advanced countries followed a similar pattern to that observed in the U.S. In June, headline CPI inflation in the Euro zone recorded its highest level (4 percent at an annual rate) since May 1992, although it started to fall as commodity prices declined, reaching 1.6 percent at the end of 2008. Annual headline inflation in Japan also rebounded briefly in the middle of the year, but ended 2008 at 0.4 percent, figure further outside the deflationary zone it had registered in 2007 (0.1 percent). Although inflation in the U.K. followed a downward path by the end of the year, it still remained above 3 percent. In Canada, annual inflation reached its maximum level during the year in August (3.5 percent), dropping rapidly from then on until it reached 1.2 percent in December.

In emerging economies, the inflationary outlook in 2008 was different across countries. The downturn in economic activity and lower commodity prices meant inflation grew at a slower pace in China and India. Annual headline consumer inflation in China declined from 8.7 percent in February to 1.2 percent in December, while in India the annual growth of wholesale prices, which had reached 12.5 percent in July, decreased to 5.9 percent in December. In contrast, CPI inflation in Russia ended the year at 13.3 percent (11.9 percent at an annual rate in December 2007). For most of the year, the behavior of inflation in Latin American countries continued to mirror the increase in international commodity prices which took place during the first half of the year. Thus, inflation in the region was at its highest level for the year in October (8.9 percent in annual terms), before declining gradually and ending the year at 8.1 percent.

Conditions in international financial markets deteriorated dramatically during 2008. Problems originated by the U.S. subprime mortgage sector spread rapidly to other sectors and other countries. The bursting of the real estate bubble led to tumbling property prices and to an increase in mortgage interest rates. This caused overdue loan portfolios to escalate, significantly affecting the demand for mortgage-backed securities (MBS).

Meanwhile, losses associated with investments in MBS caused risk aversion to increase due to the uncertainty surrounding the real value of these assets. The continuous fall in the value of the collateral backing these instruments, as well as their complexity, resulted in a substantial drop in the trading of MBS. At the same time, uncertainty arose concerning different institutions' exposure to toxic assets given that many of these instruments were not included in their balance sheets. The result was a sudden rise in counterparty risk which led to an increase in the cost of financing between financial institutions, their greater reluctance to grant new credit lines and, consequently, severe liquidity problems.

Under this environment, financial intermediaries who had accumulated high levels of indebtedness began a deleveraging process, putting pressure on a wide range of assets. This, along with continued losses in asset-backed instruments, caused a substantial contraction of credit flows to the economy in general. The difficulties faced by households and firms to refinance their debts also led to additional increases in overdue loan portfolios which further compounded financial institutions' losses. This vicious circle raised a large number of institutions' need to recapitalize.

The severe credit crunch which arose during the first half of 2008 worsened in September with Lehman Brothers' bankruptcy. This event substantially raised global risk perceptions and led to a significant revision of the value of financial institutions' assets. The cost of interbank financing soared and liquidity in the international financial system diminished sharply. This situation worsened due to the negative feedback loop between the financial and real sectors. As a result, solvency problems were added to those of liquidity, leading to the risk of collapse in the international financial system. Stock market indices also reflected this uncertainty and plummeted, followed by considerable withdrawals from money market mutual funds.

The generalized loss of confidence and elevated levels of uncertainty caused a huge flight of capital towards safer investment instruments, making various segments of the financial sector, such as the commercial paper market and other asset-backed financial instruments, remain practically frozen.

Under such an environment, yields on U.S. Treasury bills, which had increased during the first half of 2008, fell sharply during the second half of the year. In fact, the rapid reduction in appetite for risk together with expectations that the slowdown in the world economy and monetary policy easing would last long, pushed government bond yields down to historically low levels. In particular, interest rates on three-month U.S. Treasury bills, considered to be the most liquid risk-free assets, were at levels close to zero during the periods of greatest financial turmoil, even entering negative ground for a brief period. The US dollar stopped depreciating vis-à-vis other currencies as it had done since 2002 due to the higher demand for U.S. assets, which are generally considered to be lower risk during periods of global financial instability. Thus, during 2008, the nominal effective exchange rate of the US dollar appreciated 8.4 percent against the other major currencies and the broad exchange rate, 8.6 percent.[2]

In order to bolster confidence in financial markets and curb the decline of economic activity, advanced countries markedly loosened their monetary policy in 2008. In the U.S., the target for the federal funds rate was cut from 4.25 percent at the start of the year to between 0 and 0.25 percent. The European Central Bank reduced its policy rate on three occasions for a total of 175 basis points, taking it to a level of 2.5 percent by the end of the year. The Bank of England cut its reference interest rate to historically low levels (2 percent at the end of 2008), while the Bank of Japan reduced its policy rate to 0.1 percent. It is important to mention that as part of the efforts to reduce problems in the financial sector and recessive trends, the European Central Bank, the Bank of England, the Bank of Sweden, the Swiss National Bank, the Bank of Canada, and the Federal Reserve Bank announced a coordinated reduction in their policy rates in October 2008.

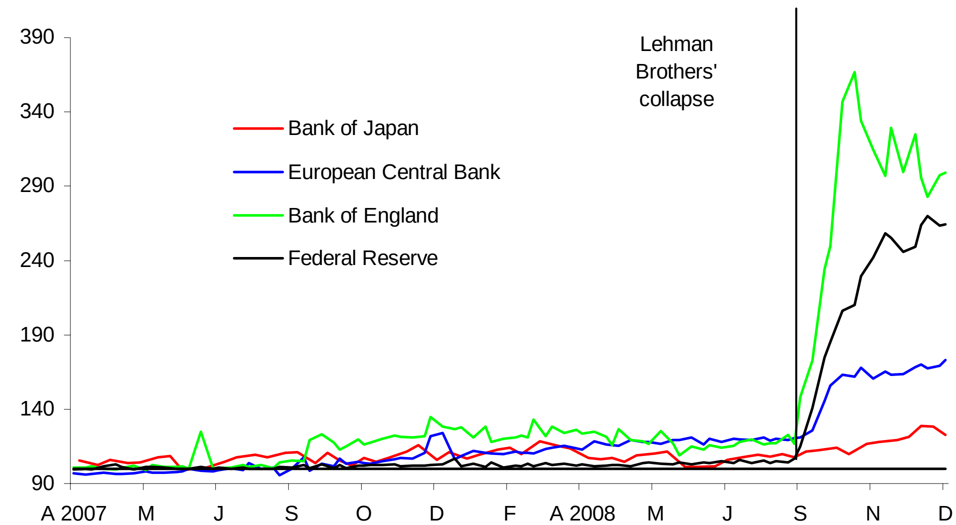
As the margin of maneuver for traditional monetary policy (i.e. the adjustment of policy interest rates) narrowed, the major central banks decided to use non-conventional measures to stimulate their economies and support their financial systems. As will be shown below, these measures included the creation of new financing facilities, currency swaps between different central banks, giving greater access to central bank financing to other types of borrowers and with a wider range of collateral categories, as well as direct purchases of financial

[2] The Federal Reserve's real effective exchange rate of the US dollar against other major currencies is an average of the dollar's value vis-à-vis the currencies of seven advanced economies. The broad index calculated by the Federal Reserve includes the currencies of 26 countries.

instruments. These actions led to a substantial growth in the balance sheets of the major advanced economies' central banks (Graph 1).

Although monetary policy loosened in a large number of emerging economies during 2008, it was implemented very differently from one country to another as compared with advanced economies. In particular, the margins of maneuver to implement counter cyclical monetary policies were limited in several emerging economies due to the persistence of relatively high inflation rates, lower capital inflows, and pressures on their currency's exchange rates.

Graph 1
Central Banks' Total Assets
End of June 2007 = 100



Source: Central banks.

As economic activity weakened further and the effectiveness of the monetary policy transmission mechanisms diminished, several countries turned to fiscal stimulus policies to boost demand. Besides allowing the use of fiscal stabilizers, a number of advanced economies announced discretionary measures, which included increasing public expenditure on infrastructure and raising the consumers and firms' disposable income by reducing taxes, as well as other incentives. Although these measures will mostly take effect in 2009 and 2010, the fiscal deficit of the main advanced economies rose in 2008, after several years of fiscal consolidation. The aforementioned, together with supports granted to the banking system, have raised the levels of public debt in these countries. In some advanced economies, there is little margin of maneuver for additional fiscal measures due to the upward pressure on government bond yields stemming from concerns regarding the long-term sustainability of public finances. Although various emerging economies also announced fiscal stimulus measures (both discretionary and through automatic stabilizers), they were generally of lesser magnitude than in advanced economies, with some notable exceptions such as China.

As mentioned above, due to the sharp deterioration of conditions in international financial markets, monetary authorities unveiled a series of measures designed to avoid a total collapse of the financial system. In particular, the Federal

Reserve Bank (Fed) boosted the programs introduced at the end of 2007 and created a new range of measures in 2008 which can be classified into three categories: 1) provision of short-term liquidity to sound financial institutions; 2) provision of direct liquidity to a wider sector of borrowers and investors in key segments of the financial system; and, 3) support to credit markets through the purchase of long-term securities.

In the first category is the Term Auction Facility (TAF, announced on December 12, 2007), through which credits for terms of up to three months can be auctioned to primary dealers (intermediaries which trade federal government securities directly with the Federal Reserve Bank of New York). Another program in this category is the Term Securities Lending Facility (TSLF, announced March 11, 2008), which allowed primary dealers to request loans in U.S. Treasury bonds secured by less liquid assets as collateral. Furthermore, the Fed created the Primary Dealer Credit Facility (PDCF, announced on March 16, 2008) to provide overnight funding to primary dealers at the same rate as the discount window rate.[3] This category also includes bilateral currency swap agreements between the Fed and 14 foreign central banks, facilitating the provision of US dollar liquidity on a global level.

Within the second category of special programs, the Federal Reserve implemented the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF, unveiled on September 19, 2008). The Federal Reserve also introduced the Commercial Paper Funding Facility (CPFF, unveiled on October 7, 2008), allowing it to purchase (through a special purpose vehicle created with Fed resources) three-month unsecured and asset-backed commercial paper directly from eligible issuers. On October 21, 2008, the Federal Reserve announced the creation of the Money Market Investor Funding Facility (MMIFF), to purchase US dollar denominated certificates of deposit and commercial paper issued by highly rated financial institutions from U.S. money market mutual funds. In addition, on November 25, 2008 the Term Asset-Backed Securities Loan Facility (TALF) was unveiled. The purpose of this program is to grant loans to holders of certain AAA-rated ABS collateralized by newly and recently granted consumer, car and student loans, as well as by commercial loans guaranteed by the U.S. Small Business Administration.[4]

Finally, the third category includes the program announced on November 25, 2008, to allow the direct purchase of debt (for up to 100 billion US dollars) from Government Sponsored Enterprises (GSEs), as well as the purchase of mortgage-backed instruments guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae (for up to 500 billion US dollars).[5]

On October 14, 2008, the U.S. Department of the Treasury, unveiled the Troubled Assets Relief Program (TARP), which had been approved by the U.S. Congress at the start of that month. The TARP had initially contemplated the purchase of up to 700 billion US dollars of illiquid assets held by financial institutions. However, as the crisis evolved, the Treasury had to channel up to 250

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[3] Loans through the discount window are traditionally channeled exclusively to eligible depository institutions for terms of 1 to 90 days.

[4] The U.S. Treasury Department granted credit protection to the Federal Reserve for up to 20 billion US dollars.

[5] Freddie Mac is the Federal Home Loan Mortgage Corporation, Fannie Mae is the Federal National Mortgage Association, and Ginnie Mae is the Government National Mortgage Association.

billion US dollars from the program to capitalizing qualifying U.S. controlled banks, credit unions, savings associations, and certain bank and savings and loan holding companies in exchange for senior preferred shares.

The Treasury Department later announced that the remaining funds approved in the TARP would not be used to purchase toxic assets. These resources would instead be used to raise the capitalization levels of banks and other eligible institutions as well as to foster credit by granting guarantees for the securitization of car, student and credit card loans. Solutions would also be sought through mortgage restructuring programs to reduce the number of homes lost to foreclosure.

Besides the abovementioned measures, the Federal Reserve and the U.S. Treasury Department announced support programs for specific institutions and sectors. Among the beneficiaries are the insurers AIG, which received a special credit line for 85 billion US dollars on September 16, 2008. An additional loan for approximately 40 billion US dollars was announced in October, while on November 10, it was decided that the amount of credit would increase to around 150 billion US dollars in exchange for a 80 percent stake in the company.

On November 23, the Treasury, the Fed and the Federal Deposit Insurance Corporation (FDIC) unveiled an aid package for Citigroup providing protection against the possibility of unusually large losses on an asset pool of approximately 306 billion US dollars. In addition, the Treasury would invest 20 billion US dollars in Citigroup in exchange for preferred stock.

At the end of December, the Automotive Industry Financing Program was announced to support General Motors and Chrysler with loans for 13.4 billion US dollars and 4 billion US dollars, respectively. In addition, a 5 billion US dollar investment in preferred stocks in General Motors financial arm, GMAC, was also announced together with a loan for 1 billion US dollars in order to transform GMAC into a bank holding company.

In response to the rapid deterioration of world financial conditions stemming from Lehman Brothers' collapse in September, other advanced and emerging economies introduced measures to restore confidence in the financial system. In October 2008, the advanced economies of Europe unveiled different measures to increase the protection of savers' deposits, provide guarantees on newly issued debt and the first initiative to bolster commercial banks' capital. These actions sought to reestablish interbank credit and prevent a widespread loss of confidence among the public.

During the same period, European and U.S. authorities announced various measures designed to provide a comprehensive and coordinated response to the financial crisis. As mentioned above, in a coordinated effort, several countries' central banks reduced their policy interest rates. In addition, the banking system recapitalization programs mentioned above were also implemented.

In emerging economies, the effects of the world financial crisis caused outflows of capital and a reduction in foreign banks' credit lines. As a result, some countries turned to programs to strengthen their local banking systems (the most notable case is that of Iceland, which nationalized the country's three largest banks), the search for external financing from international financial organizations (e.g. the International Monetary Fund's loans to Hungary, Pakistan and Ukraine), the implementation of programs to provide access to US dollar liquidity (such as in Brazil, Chile and Columbia, among others), interventions in the foreign exchange market (e.g. Argentina, Brazil, Chile, and Russia), and expanding central bank-eligible collateral and the granting of guarantees on financial institutions' debt (as in Korea).

The actions taken by the U.S. and other countries, mostly during the last quarter of 2008, succeeded in reducing both the risk of collapse in the international financial system and the uncertainty in some segments of financial markets. For instance, although it remained at low levels, liquidity in the interbank market rose significantly towards the end of the year. Conditions in the commercial paper market also improved at the end of the year. Nevertheless, concerns regarding the viability of some financial institutions and the effectiveness of support programs, mainly in the U.S., continued until the end of 2008.

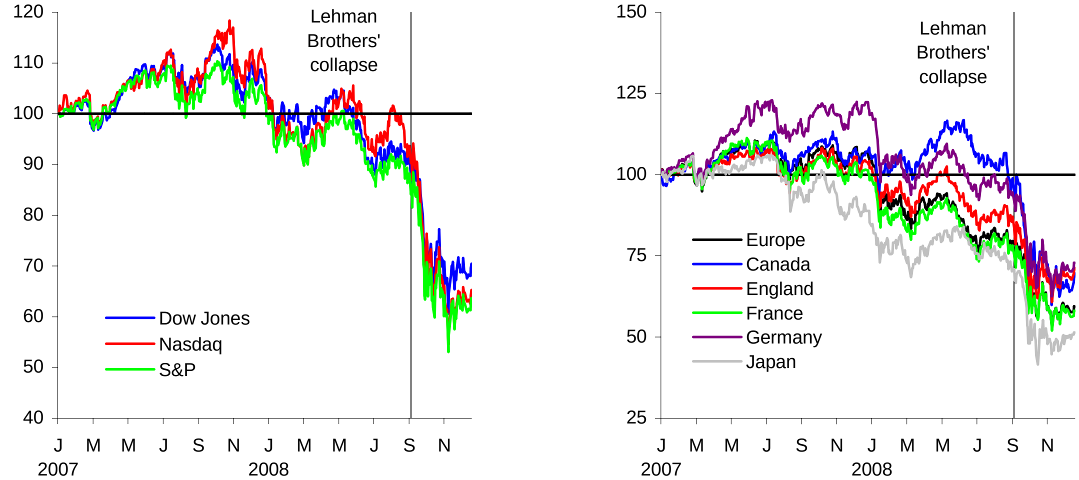
All of the world's stock markets fell significantly and registered high volatility throughout 2008, particularly after Lehman Brothers' collapse. The Standard and Poor's Index in the U.S. and the TSE-300 in Canada declined by 38 and 35 percent, respectively, while the DAX, the CAC-40 and the FTSE in Europe dropped 40, 43 and 31 percent, respectively. In Japan, the NIKKEI fell 42 percent (Graph 2). The stock markets of many emerging economies recorded even greater losses than those observed in advanced economies. Russia's RTSE and China's Shanghai-B lost 72 percent and 70 percent, respectively, while India's Bombay Stock Exchange fell 58 percent. In Latin America, the Argentina Merval and the Brazil Bovespa fell 50 and 41 percent, respectively (Graph 3).

As mentioned previously, the turmoil in international financial markets severely affected emerging economies, despite the soundness of many of these countries' economic fundamentals. Net capital flows to emerging economies declined significantly in 2008. According to the International Monetary Fund, net capital flows (including direct, portfolio, other investments and official flows) slid from 3.0 percent of GDP in 2007 to 0.2 percent of GDP in 2008. The exchange rates of emerging countries with floating exchange rate regimes registered substantial losses against the US dollar, especially after Lehman Brothers' bankruptcy in September. The rise in global risk perceptions, combined in some cases with the demand for foreign currency from firms which had incurred heavy losses due to derivatives operations, adversely affected the currencies of various emerging economies during the last months of the year (Graph 4).

Graph 2
Stock Exchanges of Different Advanced Economies

a) U.S. Stock Exchanges — 01/01/2007=100

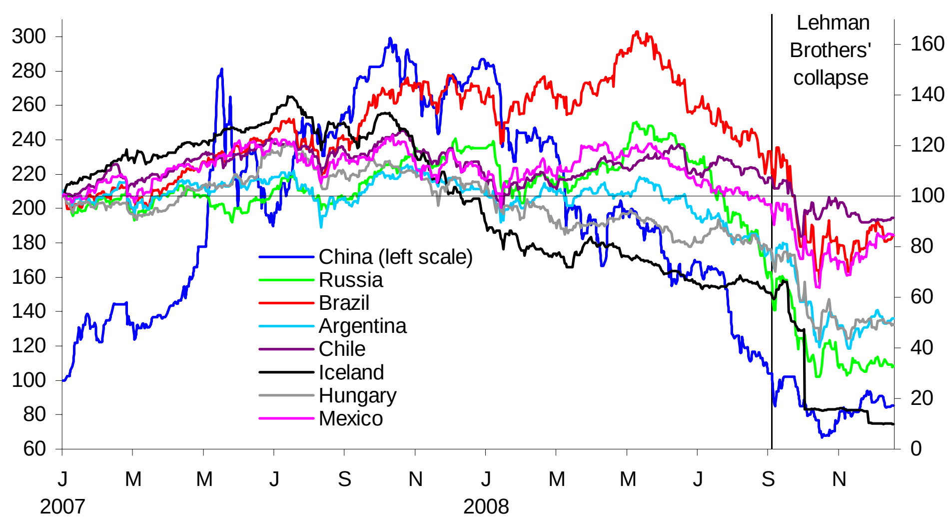
b) Stock Exchanges of other Advanced Economies — 01/01/2007=100



Source: Bloomberg.

Source: Bloomberg.

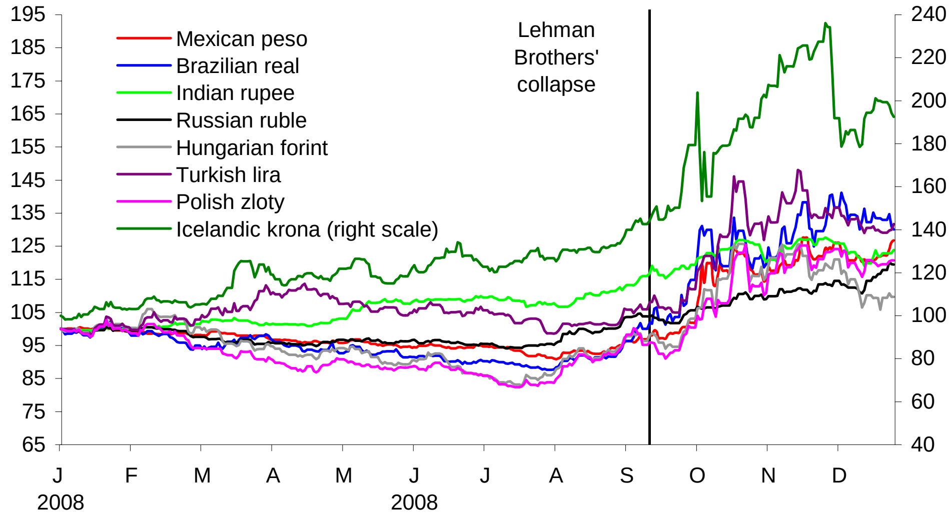
Graph 3
Stock Exchanges of Different Emerging Economies
31/12/2007 = 100



Source: Bloomberg.

Furthermore, this group of countries' sovereign debt spreads increased considerably during 2008. Even before Lehman Brothers' collapse, EMBI global sovereign debt and default risk spreads had risen by 103 and 108 basis points, respectively. From the middle of September, when the referred institution declared bankruptcy, to the end of the year, these indicators rose by 367 and 436 points, respectively. During 2008 the EMBI Global index increased by 470 basis points, while the default risk spread did so by 544 basis points (Graph 5). In general, the economies which suffered the greatest increases were those with less sound economic fundamentals.

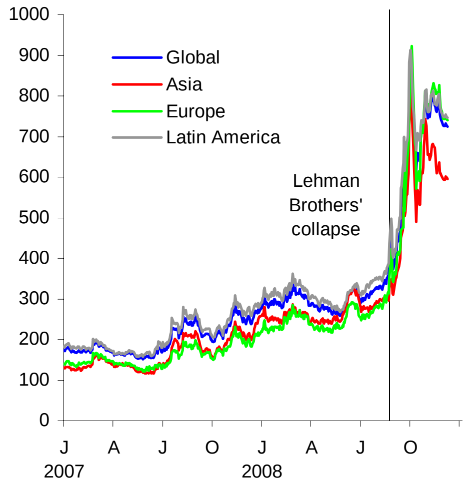
Graph 4
Foreign Exchange Rates in Emerging Economies
31/12/2007 = 100



Source: Bloomberg.

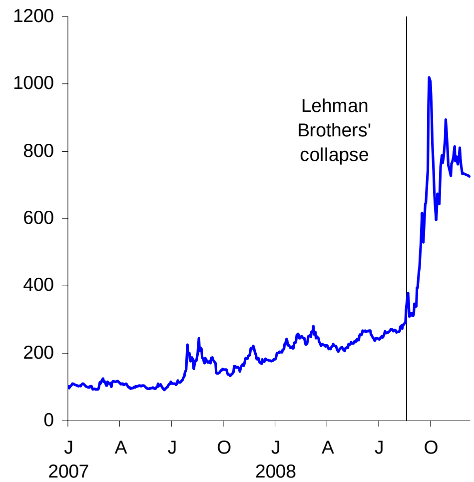
Graph 5
Sovereign Risk Spreads and Credit Default Swaps of Emerging Economies

a) Sovereign Risk Spreads of Emerging Economies (EMBI Global)
Basis points



Source: Bloomberg.

b) Credit Default Swaps (CDS) of Emerging Economies
Basis points



Source: Bloomberg.

III. Developments in the Mexican Economy: General Overview

III.1. Economic Activity

As a result of a particularly adverse international environment, economic activity in Mexico weakened throughout 2008. During the first three quarters of the year, the economy slowed mainly in response to the gradual deterioration of external demand, which mostly affected activity in sectors producing internationally traded goods. Nonetheless, in the last few months of the year the effects of the external shock spread to the private component of domestic expenditure, which in turn weakened non-tradable goods production, causing this sector to grow in negative terms during the last quarter. Thus, although during the first three quarters of the year GDP grew 2.4 percent in annual terms (as compared with 3.3 percent in 2007), this aggregate contracted 1.6 percent in annual terms during the last quarter of 2008. As a result, GDP grew 1.3 percent during the entire year.

In 2008, the performance of the Mexican economy was mainly characterized by the following:

a) Among the components of domestic demand, private expenditure followed a very different pattern than public expenditure. In particular, while private consumption and investment tended to weaken towards the end of the year, public expenditure, especially investment, remained positive.

b) Private consumption slowed gradually, exhibiting a negative annual variation in the last quarter of the year. This performance responded to several factors, including a lower rate of growth of consumer credit, the loss of strength of the real wage bill, and the decline in revenues from workers' remittances. Consumer confidence indicators also weakened.

c) Gross capital formation exhibited mixed results throughout the year. During the first half of 2008, it continued to follow the upward path it had exhibited since 2004, while in the third quarter it began to decline, mirroring the pattern followed by private investment. The fact that during the last quarter of the year public sector investment increased 30.5 percent in annual terms, while private sector investment fell 10.4 percent is noteworthy. Among other factors, this performance reflected the weakening of business climate indicators, the greater astringency in financial markets, and the deterioration of expectations regarding world economic activity.

d) Due to the reduced external demand from both the U.S. and Mexico's other trading partners, exports of goods and services began to grow at significantly lower rates in annual terms during the second quarter of 2008. In seasonally adjusted terms, the external component of aggregate demand fell 8.8 percent during the last quarter of 2008, clearly revealing the greater effect of the external shock towards the end of the year.

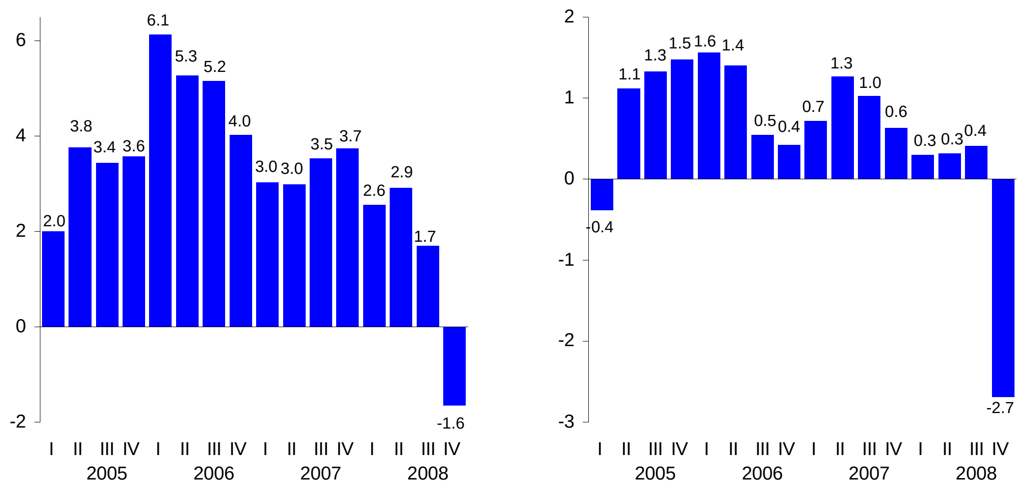
e) Annual GDP growth reflected falls in its tradable goods component and a slowdown in its non-tradable goods component. It is important to mention that even the latter recorded falls in activity during the fourth quarter.

According to the National Statistics Bureau (*Instituto Nacional de Estadística y Geografía,* INEGI), GDP rose 1.3 percent in annual terms at constant prices during 2008 (Graph 6). During the same year, aggregate supply and demand increased by 2.1 percent. On the supply side, this result stemmed from GDP growth and a 4.3 percent increase in merchandise and services imports. On the demand side, these results originated from the positive growth exhibited by consumption (1.4 percent), investment expenditure (4.9 percent), and exports of goods and services (1.4 percent; Table 3).

Graph 6
GDP Growth

a) Original Figures
Annual change (percent)

b) Seasonally Adjusted Figures
Quarterly change (percent)



Source: Mexico’s National Accounts, INEGI.

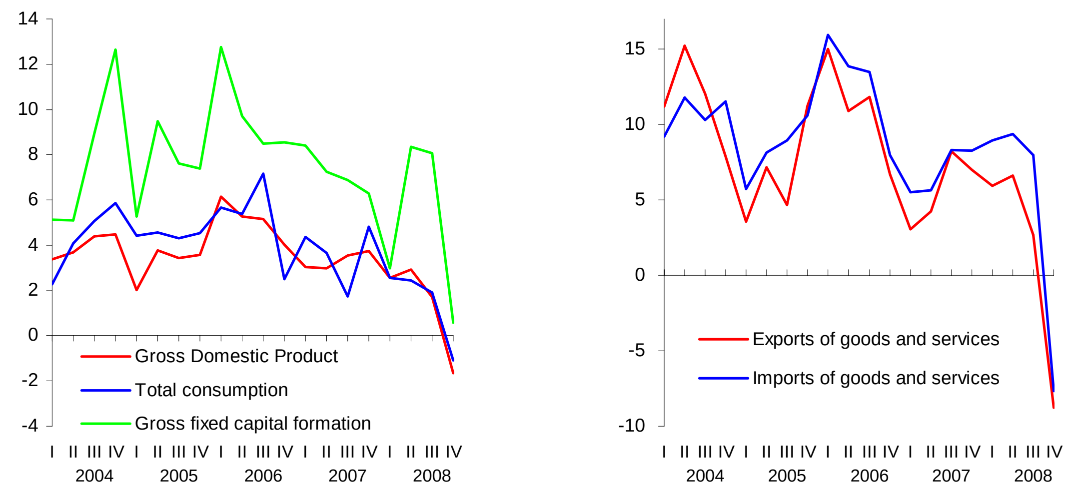
Table 3
Aggregate Supply and Demand
Annual change (percent) in relation to the same period of the previous year

	2005	2006	2007	2008				
				I	II	III	IV	Annual
Aggregate supply	4.4	6.8	4.2	4.1	4.5	3.3	-3.2	2.1
GDP	3.2	5.1	3.3	2.6	2.9	1.7	-1.6	1.3
Imports	8.5	12.6	7.0	8.9	9.4	8.0	-7.7	4.3
Aggregate demand	4.4	6.8	4.2	4.1	4.5	3.3	-3.2	2.1
Total consumption	4.5	5.1	3.6	2.6	2.5	1.9	-1.1	1.4
Private	4.8	5.7	3.9	2.8	2.7	2.2	-1.3	1.5
Public	2.4	1.7	2.1	0.9	1.1	0.3	0.1	0.6
Total investment	7.5	9.8	7.2	3.0	8.4	8.1	0.6	4.9
Private	7.1	13.0	5.8	2.9	10.0	5.7	-10.4	2.1
Public	8.7	-1.6	12.9	3.6	1.4	17.3	30.5	15.8
Exports	6.8	10.9	5.7	5.9	6.6	2.7	-8.8	1.4

Source: Mexico's National Accounts, INEGI.

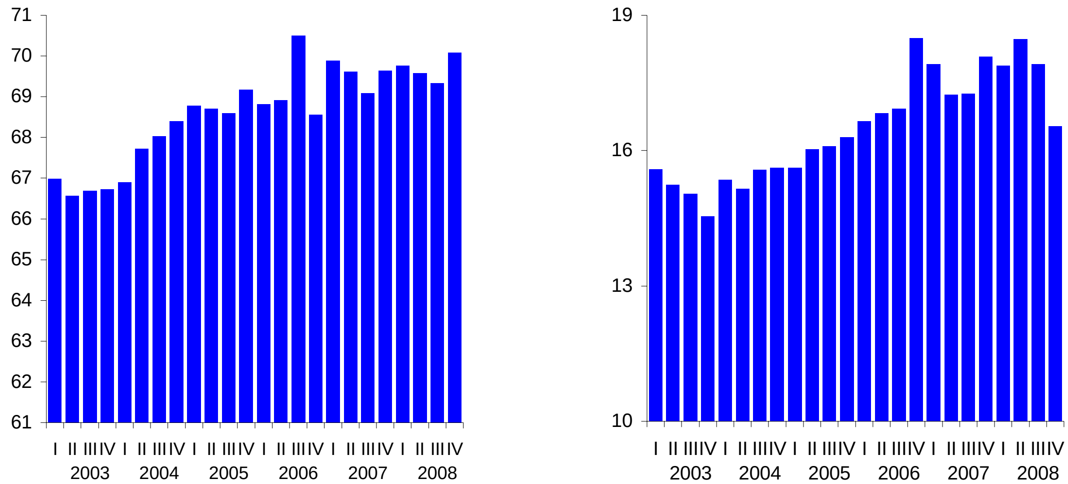
Both private sector consumption (1.5 percent) and public sector consumption (0.6 percent) contributed to the boost in consumption expenditure during 2008. Although total consumption slowed throughout the year, the deterioration observed during the last quarter, when it fell by 1.1 percent in annual terms, was noteworthy. This in turn reflected the contraction in private consumption during the same period (-1.3 percent). For the year as a whole, total consumption measured as a percentage of GDP was 80.1 percent at constant 2003 prices, figure similar to that observed in 2007 (80 percent). Private consumption's share in GDP shifted from 69.5 percent in 2007 to 69.7 percent in 2008 (Graph 8).

Graph 7
Aggregate Supply and Demand Components
Annual change (percent)



Source: Prepared by Banco de México with data from INEGI.

Graph 8
Private Consumption and Private Investment
Percent of GDP at constant prices (seasonally adjusted figures)
a) Private Consumption b) Private Investment



Source: Prepared by Banco de México with data from INEGI.

Sluggish private consumption growth in 2008 resulted, among other factors, from: slower job creation, which combined with lower real earnings implied a reduction in households' disposable income; the decline in consumer credit granted by banks and non-bank financial intermediaries; and, a reduction in revenues from workers' remittances.

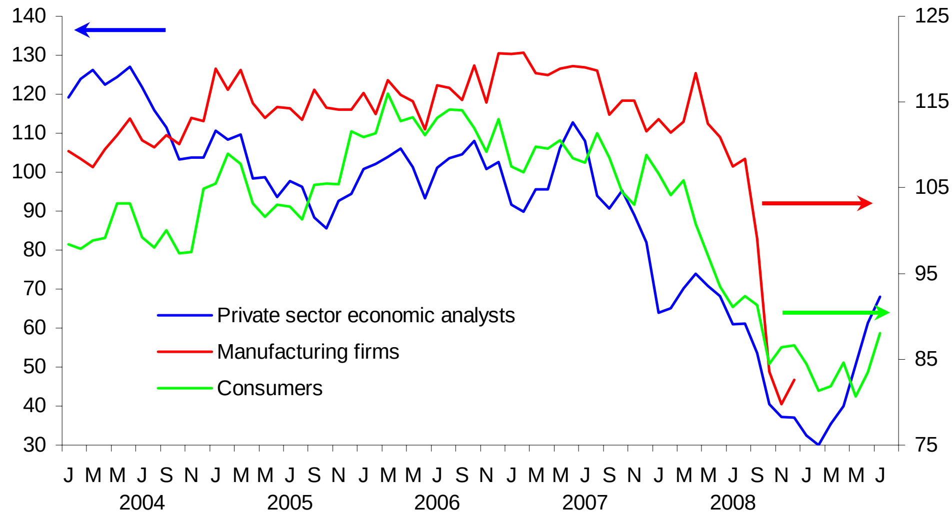
In 2008, gross fixed capital formation at constant prices rose 4.9 percent, figure below those observed during the four previous years. Investment in machinery and equipment grew 12.9 percent, mainly attributed to investment in imported and domestic machinery, which rose 15.7 percent and 6.1 percent, respectively. On the contrary, investment in construction declined by 0.4 percent.

According to figures from INEGI, during the first half of 2008, investment increased 5.7 percent in annual terms, while it contracted considerably during the second half and, especially, during the fourth quarter of the year. It is important to mention that public sector investment recorded significantly different results than private sector investment. In particular, while public investment grew 15.8 percent in 2008 (30.5 percent during the fourth quarter), private investment rose only 2.1 percent (-10.4 percent during the fourth quarter). In addition, during the second and third quarters, the higher levels of investment mainly reflected greater imports of capital goods by companies which were carrying out investment projects in some specific sectors. Nevertheless, even these companies' imports lost dynamism during the last few months of the year.

Among the most important factors which contributed to the slowing of gross fixed capital formation were: a larger decline in aggregate demand; a deterioration in business confidence and climate indicators; the slowing of financing granted to firms compounded by tighter conditions in external financial markets; and, a reduction in firms' profits, which affected the amount of funding available for investment projects. The latter is the case of non-financial firms listed on the Mexican Stock Exchange. These firms saw their profits decline as sales grew less than operating costs and expenditures, and in the last quarter of the year they were also affected by exchange rate losses associated with their liabilities in foreign currency.

As mentioned above, one of the main factors which influenced the change of pattern in investment was the level of confidence. In line with the deteriorating international environment, Mexico's Consumer Confidence, Business Confidence and Private Sector Economic Analysts' Confidence indices weakened during the year. In fact, at the end of 2008 these indicators were not only at levels lower than those posted in December 2007 (Graph 9), but also reached historically lows.

Graph 9
Consumer, Private Sector Economic Analysts and Manufacturing Firms' Confidence Indicators
January 2003=100



Source: Banco de México and INEGI.

In 2008, external demand from both the U.S. and non-U.S. trade partners slowed considerably. Exports of goods and services (at constant prices) grew 1.4 percent, as compared with 5.7 percent during 2007. The value of exports measured as a proportion of GDP at constant prices was 30.4 percent, figure similar to that observed in 2007 (30.3 percent). In 2008, Mexico's total foreign trade at constant prices accounted for 64.6 percent of GDP (63.6 percent in 2007).

Financing of gross capital formation measured as a proportion of GDP at current prices was 26.4 percent in 2008 (Table 4). Given that domestic saving equaled 24.9 percent of GDP during the same year (25.3 percent in 2007), the difference necessary to finance gross capital formation was covered with external savings, equaling 1.5 percentage points of GDP (the same figure as that for the current account deficit).

Table 4
Saving and Investment
Percent of GDP at current prices

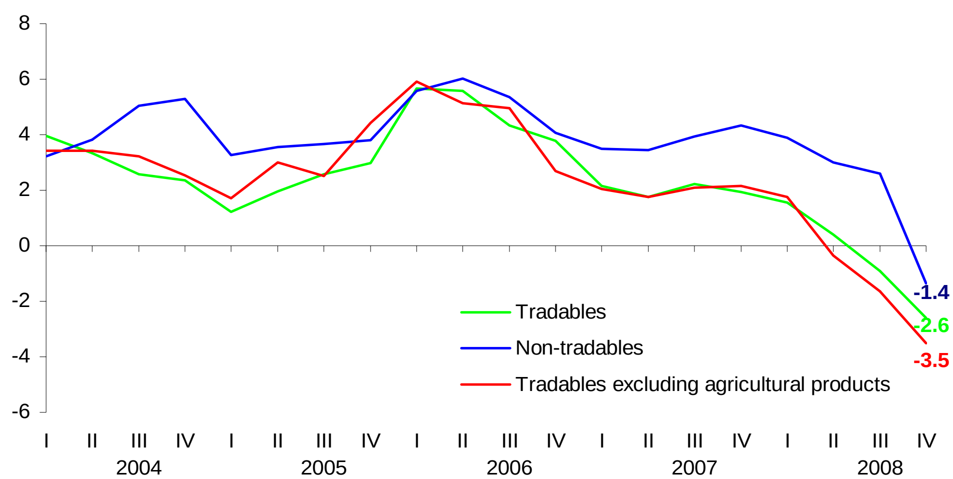
Item	2003	2004	2005	2006	2007	2008 p/
Financing of gross capital formation 1/	22.9	24.8	24.4	26.2	25.8	26.4
External saving	1.2	0.9	0.6	0.2	0.5	1.5
Domestic saving	21.7	23.9	23.7	25.9	25.3	24.9

Source: Prepared by Banco de México with data from Mexico's National Accounts (*Sistema de Cuentas Nacionales de México*) of INEGI, except for external saving figures, which are obtained from the balance of payments' current account measured in current pesos and as a proportion of GDP.
p/ Preliminary figures.
1/ Includes gross fixed capital formation plus changes in inventories.

By sector, GDP growth in 2008 (1.3 percent) resulted from a combination of growth in both services and agricultural GDP (2.1 and 3.2 percent, respectively) and contraction in industrial GDP (0.7 percent). The industrial sector's performance mainly reflected the weak external demand (Table 5), while the slower growth of services mostly responded to the deceleration of private consumption and a reduction in foreign trade services. The services sector weakened more markedly during the last quarter, by declining 0.9 percent in annual terms. This result contributed significantly to the slower growth of non-tradable goods and services observed at the end of 2008 (Graph 10).

Primary sector GDP, which includes agriculture, livestock, forestry, fishing and hunting, rose 3.2 percent in real terms during 2008. As for agriculture, the volume of seasonal crops (Autumn-Winter and Spring-Summer) grew 7.2 percent and that of perennial crops, 2 percent. Favorable weather conditions and attractive prices throughout most of the year allowed for higher volumes in the following crops: soy, sesame seed, barley, bean, wheat, sorghum, corn, water melon, melon, strawberry, avocado, green alfalfa, lemon, mango, orange, and banana. The livestock sector registered positive annual growth in the production of fresh milk, beef, poultry, and eggs.

Graph 10
Tradable and Non-Tradable GDP
Seasonally adjusted figures, annual change (percent)



Source: Prepared by Banco de México with data from INEGI.

Table 5
Real GDP
Annual change (percent)

	2005	2006	2007	2008 I	2008 II	2008 III	2008 IV	2008 Annual
Total	3.2	5.1	3.3	2.6	2.9	1.7	-1.6	1.3
Primary sector	-2.6	6.3	2.0	-1.1	6.5	3.9	3.3	3.2
Secondary sector	2.8	5.7	2.5	1.2	1.6	-1.2	-4.2	-0.7
Mining	-0.3	1.4	-0.6	-1.0	-4.4	-2.2	-1.7	-2.3
Electricity, water and natural gas	2.0	12.2	3.7	7.4	4.4	0.4	-2.8	2.2
Construction	3.9	7.6	4.4	0.7	2.0	-0.7	-4.4	-0.6
Manufacturing industries	3.6	5.9	2.6	1.5	3.0	-1.2	-4.9	-0.4
Tertiary sector	4.2	5.3	4.0	3.6	3.3	2.7	-0.9	2.1
Commerce	4.6	6.5	4.7	5.4	5.5	5.7	-4.8	2.8
Transport, mail and warehouse	3.6	5.6	3.7	3.8	1.9	0.7	-2.8	0.8
Mass media information	8.6	10.7	10.0	8.5	10.7	7.0	6.0	8.0
Financial and insurance-related services	22.9	16.7	11.1	4.6	2.0	-4.8	-6.0	-1.2
Real estate services and leasing	2.3	4.1	3.1	3.7	3.1	3.4	2.6	3.2
Professional, scientific, and technical services	3.9	3.2	3.2	0.0	1.1	4.6	2.7	2.2
Corporate and firms direction services	4.8	20.1	-3.1	3.2	2.4	2.6	8.8	4.2
Support services for businesses, wasre management, and remedial services	3.6	3.7	3.1	2.5	1.1	1.7	0.2	1.3
Educational services	2.1	0.1	2.2	0.5	2.4	0.7	0.1	0.9
Health and social assistance services	1.8	7.8	-0.5	-1.1	0.6	2.1	2.9	1.1
Cultural and sport services, and recreational services	0.6	2.3	3.3	1.8	-0.4	4.1	1.3	2.0
Temporary lodging services, and food and beverage related services	0.8	1.6	2.6	4.1	1.4	1.6	-3.3	1.0
Other services except for government-related services	2.2	3.3	3.9	2.6	3.0	1.2	0.6	1.8
Government activities	2.1	-0.3	1.2	1.4	-0.1	-0.3	-1.0	0.0
Financial intermediation services measured indirectly	19.5	20.3	7.7	5.2	0.8	-5.0	-7.4	-1.7

Source: Mexico's National Accounts (*Sistema de Cuentas Nacionales*), INEGI.

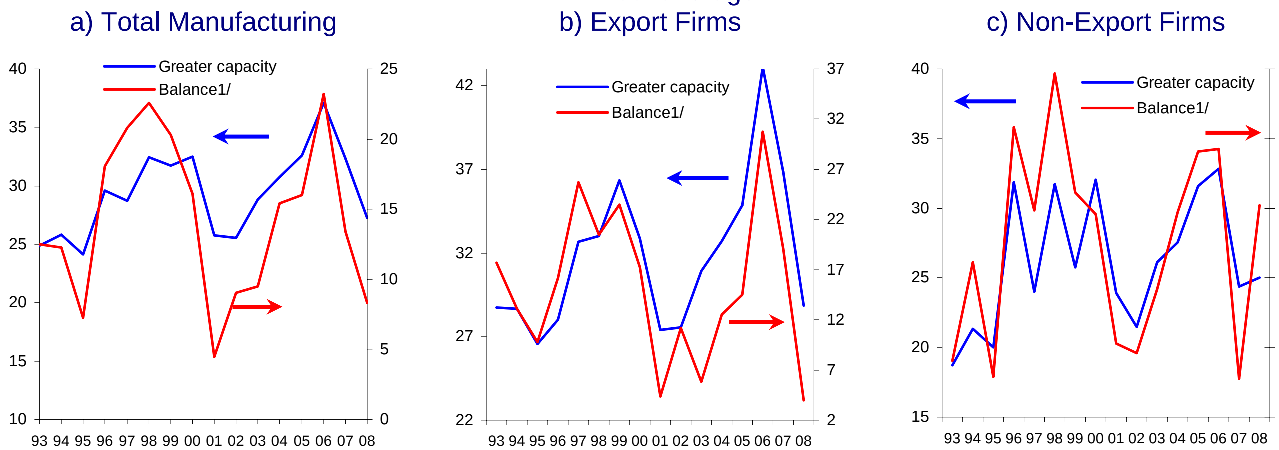
In 2008, the secondary (industrial) sector contracted 0.7 percent in response to an increase of 2.2 percent in the electricity sector and reductions of 2.3, 0.4, and 0.6 percent in the mining, manufacturing and construction sectors, respectively. Mining accumulated two consecutive years with negative annual growth due to both a significant decline in oil mining -in response to the declining volume of oil extraction- and modest growth in non-oil mining. Although the non-oil mining sector has received substantial investment over the last few years, it has been plagued by labor problems which have hampered its production growth and, more recently, by the weakening of international prices of these types of products.

In 2008, the contraction in manufacturing GDP was influenced by weaker exports resulting from the recession in the U.S. and in Mexico's other trading partners, as well as reduced domestic demand for Mexican products. Manufacturing exports to the U.S. market, which accounted for 80.4 percent of total exports in 2007, shrank considerably in the case of the automotive sector, while the rest of these exports declined by the end of the year, leading to a fall in their annual growth figures. Although exports of manufactured goods destined for the non-U.S. market continued to grow at positive annual rates during 2008, they grew at significantly lower rates during the fourth quarter.

Considering that the transport equipment subsector accounted for 18.8 percent of manufacturing production during 2008, it is clear that the performance of the automotive industry is key for the manufacturing sector. In the year analyzed in this Report, automotive production in Mexico increased 4 percent due to a 3.2 percent rise in the number of export units and a 6.9 percent increase in those destined for the domestic market. Nevertheless, it is important to mention that the growth of this sector was affected by increasingly weaker export markets during the second half of the year. Another factor which affected production in this industry was domestic car retail sales, which fell 6.8 percent in 2008 (11.8 percent during the second half of the year). Furthermore, domestic sales of new cars were affected by increased imports of used vehicles. In 2008, vehicle exports accounted for 76.6 percent of domestic production, while 59.2 percent of domestic demand was fulfilled with imported units.

In total, 13 of the 21 branches of manufacturing contracted in 2008. Among the sectors with highest annual declines were production of personal computers, communications, measurement and other equipment; textile inputs; textiles; apparel; and, the timber industry. In line with the deceleration of manufacturing production, only 27 percent of the manufacturing companies participating in Banco de México's Business Survey on Manufacturing Firms' Conditions in 2008 mentioned having increased their output capacity (32 percent in 2007), 10 points less than the highest level of 37 percent reached in 2006 (Graph 11).

Graph 11
Percentage of Manufacturing Firms that Expanded their Installed Productive Capacity
Weighted Percentages (Opinion)
Annual average



Source: Banco de México, Half-yearly Survey of Current Economic Conditions.
1/Refers to the percentage of firms mentioning to have had higher installed productive capacity during the reference semester minus those mentioning to have had lower installed productive capacity.

In 2008, services GDP grew 2.1 percent. This behavior mainly resulted from the vigorous growth exhibited by this sector during the first three quarters of the year and the fact that it contracted 0.9 percent at an annual rate during the fourth quarter. The latter mostly originated from the contraction of commerce stemming from smaller private consumption growth and the decline in foreign trade, as well as from weaker transport services due to the lower levels of industrial activity.

The most dynamic branch of the services sector (which grew 8 percent during 2008) was information within mass media, which includes mobile phone and satellite communication services. Other sectors which posted positive results were those related to corporate and company management (4.2 percent growth) and real estate and rental services (3.2 percent increase). As for the transport sector, mail and warehousing services grew only 0.8 percent during 2008, its road freight and courier service components posting the most significant increases. Commerce rose 2.8 percent during the year. However, of particular relevance in this sector was the slowdown of domestic retail sales. According to the National Retailers Association (*Asociación Nacional de Tiendas de Autoservicio y Departamentales*, ANTAD), total retail sales of this association rose 5.6 percent in real terms during 2008 (as compared with 9.6 percent in 2007), weakening sharply throughout the year (increases of 8.8 percent during the first half of the year and of 2.8 percent during the second half).

Neither aggregate demand nor economic activity growth in 2008 exerted pressure on Mexico's output capacity and therefore were not a source of inflationary pressures for prices. This conclusion can be made after taking into account the fact that the use of output capacity slowed considerably during the year, while GDP grew at modest rates in the first three quarters of 2008 and contracted in the last quarter. In this regard it is important to mention the following:

a) In 2008, aggregate demand decelerated as compared to the levels observed during the four previous years, particularly during the last quarter. Its behavior was therefore in line with the absence of pressures on output capacity.

b) Indicators for installed productive capacity in the manufacturing sector suggest that this weakened during the second half of the year. Furthermore, indicators prepared by Banco de México reveal there was no shortage of labor in the manufacturing industry during 2008, which might have put upward pressure on wages in that sector.

c) Finally, the modest deficit recorded by the balance of payments' current account in 2008 also implies that external accounts were not significantly affected by demand pressures.

III.2. Employment, Earnings, and Productivity

The slowdown of economic activity in 2008 led to a lower demand for labor, particularly in the formal sector, as well as to an increase in the national unemployment rate. In line with the development of economic activity during the year, the decline in the demand for labor and the increasing levels of unemployment became more noticeable in the last few months of 2008.

The most relevant aspects of the labor market during the year were:

a) Formal employment lost strength throughout the year, leading to a reduction in the number of workers insured by the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social*, IMSS) at the end of the year. Lower formal employment originated from a fall in permanent jobs and the growth of temporary jobs in urban areas.

b) The national unemployment rate was higher than in 2007.

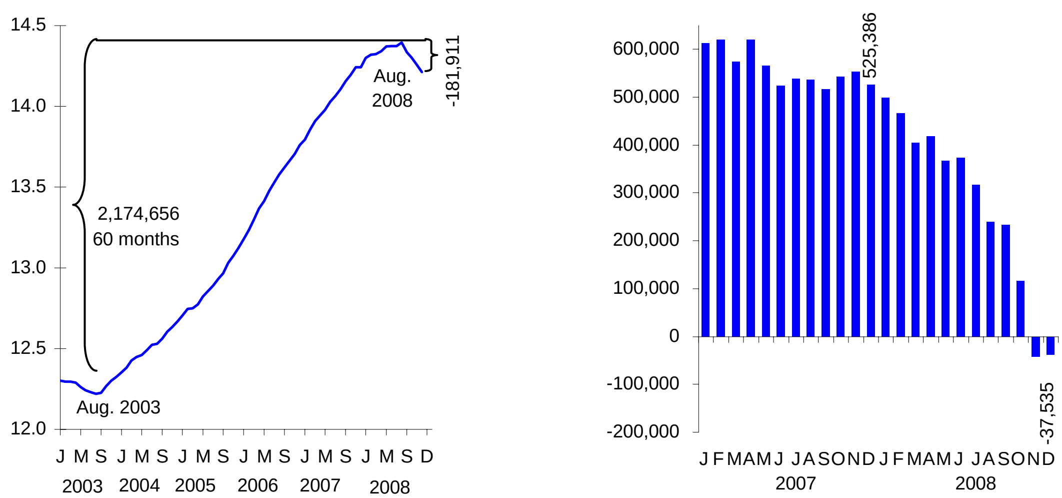
c) The proportion of the population in informal employment and the underemployment rate remained high throughout the year.

In 2008, 14,062,552 workers were insured by the IMSS, 37,535 less than at the end of 2007 (from December 2007 to December 2008), thus representing an annual contraction of 0.27 percent, as compared with the annual growth of 3.87 percent (525,386 workers) recorded at the end of 2007. The number of IMSS-insured permanent workers decreased by 59,324 (-0.5 percent), while that of temporary workers rose by 21,789 (1.5 percent). According to seasonally adjusted figures, at the end of 2008 formal employment registered 181,911 jobs less than its maximum level reached in August of the same year (Graph 12). Annual growth figures of the number of IMSS-insured workers reveal the gradual slowdown of formal employment throughout the year: first quarter (405,082 and 2.93 percent); second quarter (372,855 and 2.66 percent); third quarter (233,085 and 1.64 percent); and, fourth quarter (-37,535 workers and -0.27 percent).

Graph 12
IMSS Insured Workers: Permanent and Temporary in Urban Areas

a) Million Workers Insured
Seasonally adjusted figures

b) Number of IMSS-insured Workers
Annual change of original figures



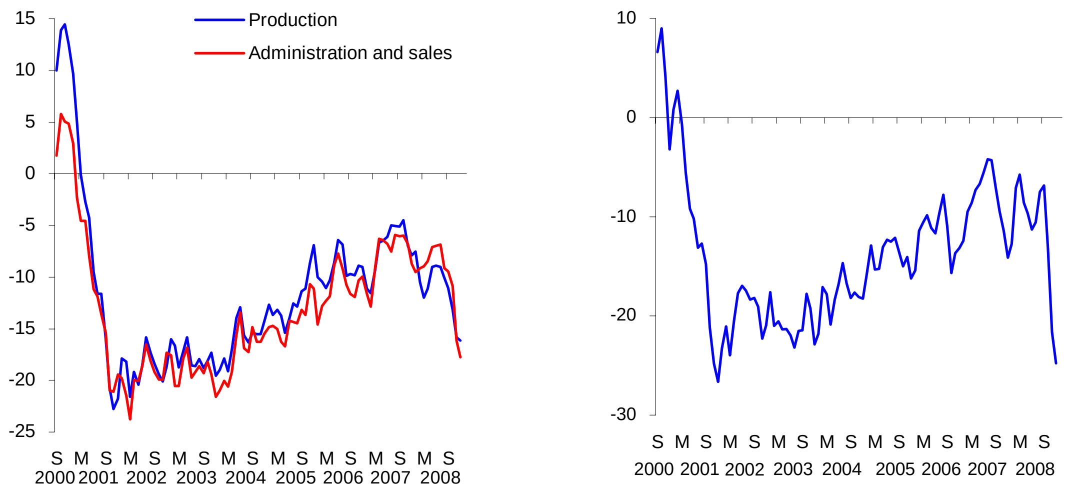
Source: IMSS. Seasonal adjustments by Banco de México.

The decline in formal employment (number of IMSS-insured workers) was mainly observed in northern border states such as Chihuahua (-55,757); Northern Baja California (-35,800); Coahuila (-19,316); Tamaulipas (-18,039); and, Sonora (-15,046). Employment did, however, increase in some states, such as: Veracruz (17,384); Nuevo León (14,146); Quintana Roo (12,400); Mexico City (the Federal District-D.F.; 11,236); and, Tabasco (11,212). The decline in formal employment mostly affected the manufacturing and construction sectors (-257,675 and -42,043 jobs, respectively). The number of IMSS-insured workers in the services sector grew positively in annual terms. The highest growth in this sector was observed in company services (135,601); commerce (70,226); and, social services (37,814).

Monthly indicators for the manufacturing sector prepared by Banco de México reveal that, throughout 2008, firms did not face any difficulties in hiring skilled labor for their production, administrative and sales areas (Graph 13).

Graph 13
Manufacturing Sector, Labor Shortage Indicators
2-month moving average of balance of responses

a) More Difficulties Among Firms to Hire Skilled Labor in Following Areas: b) Number of Workers that Quit their Jobs to be Hired by Other Firms



Source: Banco de México, Monthly Survey of Manufacturing Firms' Conditions. Balance of responses refers to the weighted percentage of firms that faced greater competition from other firms to hire skilled labor (or firms mentioning the number of workers that quit their jobs to be hired by other firms increased) minus those mentioning to have faced less competition.

Table 6
Employment Indicators

	2005	2006	2007	2008 I	2008 II	2008 III	2008 IV	2008 Nov.	2008 Dec.	2008 Annual
Workers Insured by IMSS				Annual change (percent)						
Total	3.09	4.60	4.16	3.32	2.77	1.86	0.08	-0.29	-0.27	1.99
Permanent	2.77	3.86	3.93	3.19	2.75	1.80	-0.02	-0.40	-0.47	1.92
Temporary in urban areas	6.03	11.21	6.07	4.36	2.87	2.35	0.94	0.59	1.48	2.60
Manufacturing	0.98	2.02	0.64	-0.44	-1.43	-2.99	-5.74	-5.98	-6.65	-2.65
Agriculture	1.68	-1.70	-0.73	1.48	2.20	-3.59	-0.79	-0.94	-1.14	-0.18
Extractive industry	4.08	5.46	8.71	13.23	16.00	17.45	13.74	13.47	13.99	15.12
Construction	5.23	11.09	6.23	3.11	1.70	0.43	-3.18	-3.73	-3.68	0.48
				Percent of economically active population						
National Unemployment Rate	3.60	3.59	3.72	3.92	3.47	4.18	4.30	4.47	4.32	3.97
Urban unemployment rate	4.73	4.61	4.82	4.89	4.34	5.21	5.25	5.34	5.54	4.92
				Percent of employed population						
Underemployment rate	7.51	6.85	7.18	6.64	6.87	6.75	7.13	7.58	7.31	6.85
Proportion of employed population in informal sector	28.13	27.06	27.04	27.44	27.50	27.13	26.99	N.A.	N.A.	27.26

Source: IMSS and National Employment Survey (*Encuesta Nacional de Ocupación y Empleo*, ENOE), INEGI.
N.A. Not available.

The fall in formal employment during 2008 was accompanied by an increase in Mexico's unemployment rate. According to INEGI's National

Employment Survey (*Encuesta Nacional de Ocupación y Empleo*, ENOE), the average unemployment rate was 3.97 percent in 2008, as compared with 3.72 percent in 2007 (Table 6). The percentage of the working population employed in informal-related activities declined slightly throughout the year to an average of 27 percent during the fourth quarter of 2008, while those who considered themselves as underemployed remained high.

Table 7
Causes for Unemployment
Percentage

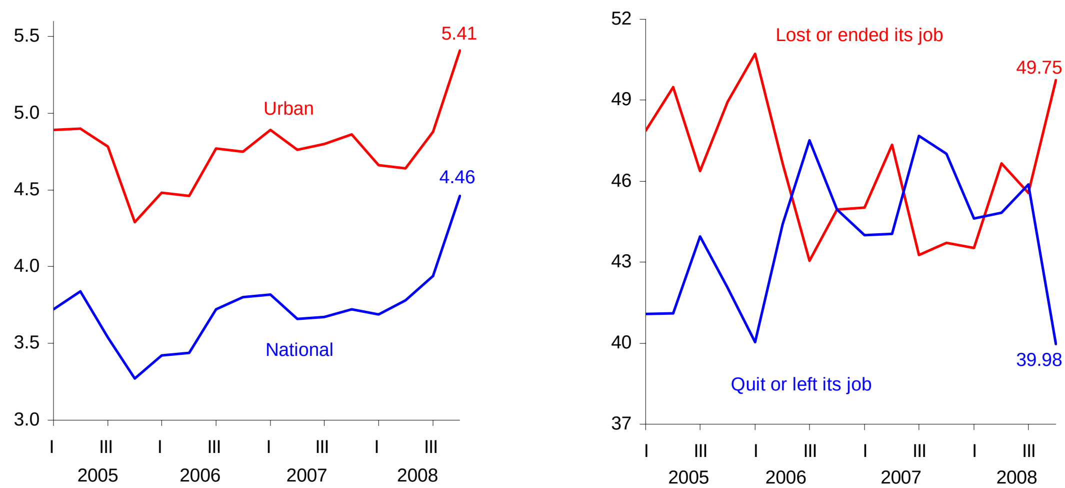
	2007					2008				
	I	II	III	IV	Annual	I	II	III	IV	Annual
Unemployed population	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
With previous work experience	89.7	88.4	86.9	90.1	88.8	90.7	87.7	89.0	91.1	89.6
Lost or ended its job	45.0	47.3	43.3	43.7	44.8	43.5	46.7	45.6	49.7	46.4
Quit or left its job	44.0	44.0	47.7	47.0	45.7	44.6	44.8	45.9	40.0	43.8
Abandoned or closed its own business	5.1	4.6	4.4	4.1	4.6	5.7	4.1	3.2	4.3	4.3
Other	5.8	4.0	4.7	5.2	4.9	6.1	4.4	5.3	6.0	5.5
With no previous work experience	10.3	11.6	13.1	9.9	11.2	9.3	12.3	11.0	8.9	10.4

Source: National Employment Survey (*Encuesta Nacional de Ocupación y Empleo*, ENOE), INEGI.

Graph 14
Labor Market Indicators

a) Unemployment Rate: National and in Urban Areas
Percentage in relation to economically active population (seasonally adjusted figures)

b) Causes for Unemployment (ENOE)
Percentage in relation to unemployed population with previous working experience



Source: National Employment Survey (*Encuesta Nacional de Ocupación y Empleo*, ENOE), INEGI.

Prevailing economic conditions affected the unemployment rate as well as some of its features. Information suggests that, at the end of 2008, the growth of unemployment was more associated with the gradually deteriorating economic environment than to increases in voluntary unemployment. In fact, during the fourth quarter of 2008, 49.7 percent of the unemployed in Mexico were individuals with previous work experience who had lost their jobs. This figure contrasts with those observed during the third quarter of 2008 (45.6 percent) and the fourth quarter of 2007 (43.7 percent). The percentage of workers who quit or left work in order to search for new jobs with better conditions accounted for 40 percent of the unemployed individuals with previous work experience during the last quarter of 2008 (as compared with 47 percent during the fourth quarter of 2007).

Some of the most important issues regarding earnings and output per worker during 2008 were:

a) The IMSS reference wage, which includes all workers insured by this institute and average contractual wages, grew similarly in annual terms to 2007.

b) The increase determined for the general minimum wage in 2009 was larger than that negotiated during the previous year.

c) Average output per worker calculated using information from the National Employment Survey (*Encuesta Nacional de Ocupación y Empleo*, ENOE) and Mexico's National Accounts grew at a lower rate than in 2007.

The IMSS reference wage, which measures earnings of formal sector workers, was 222.3 pesos per day on average in 2008, thus implying an annual nominal increase of 5.3 percent, 0.2 percentage points below 2007 figures. In all economic activities reported by the IMSS, this indicator recorded different results. Activities related to mining and processing industries registered the highest increases (11.7 and 6.5 percent, respectively), while the lowest were recorded in transportation and communications activities, and services provided to firms and individuals (Table 8).

Table 8
IMSS Average Reference Wage
Annual change (percent), pesos per day, and percentage structure of IMSS-insured permanent workers

Activity	Annual change (percent)			Pesos per day		Percentage structure of total IMSS-insured workers
	2007 (A)	2008 (B)	(B) - (A)	2007	2008	2008
Total	5.5	5.3	-0.2	211.0	222.3	100.0
Agriculture, forestry, hunting and fishing	8.3	4.8	-3.5	121.4	127.3	2.7
Mining industries	8.1	11.7	3.6	268.6	300.0	0.7
Transformation industries	6.0	6.5	0.5	217.7	231.9	27.9
Construction	6.5	5.4	-1.1	160.4	169.1	9.9
Electricity, and potable water supply services	8.0	6.0	-2.0	468.1	496.2	1.2
Commerce	5.5	5.0	-0.5	187.0	196.4	20.7
Transportation and communications	3.9	3.9	0.0	274.5	285.2	5.6
Services provided to firms and individuals	4.7	4.5	-0.2	218.3	228.0	24.5
Social services	5.1	5.8	0.7	222.7	235.5	6.8

Source: Calculations by Banco de México using data from the Social Security Institute (*Instituto Mexicano del Seguro Social*,IMSS).

As for workers in firms under federal jurisdiction, contractual wages recorded an average nominal increase of 4.4 percent during 2008, 0.2 percentage points above the level observed in the previous year (Table 9). By type of firm, weighted average wage increases negotiated by workers in privately and publicly-owned firms were 4.5 and 4.3 percent, respectively. In both cases these increases were 0.2 percentage points above those observed in 2007. It is important to mention that wage revisions negotiated in the hydrocarbons sector accounted for most of the wage increase negotiated in publicly-owned firms (Table 9).

Table 9
Contractual Wages in Firms under Federal Jurisdiction
Percentage change, weighted average of period 1/

	2004	2005	2006	2007	2008 I	2008 II	2008 III	2008 IV	2008 Annual
Total	4.1	4.4	4.1	4.2	4.4	4.4	4.8	4.2	4.4
Publicly-owned	3.5	4.0	3.8	4.1	4.3	4.3	4.8	4.0	4.3
Hydrocarbons	4.0	4.1	4.1	4.3	d.n.e.	d.n.e.	4.8	d.n.e.	4.8
Privately-owned	4.6	4.7	4.4	4.3	4.4	4.5	4.7	4.7	4.5
Manufacturing	4.6	4.7	4.4	4.4	4.5	4.7	4.9	4.7	4.7
Other sectors	3.9	4.2	4.0	4.1	4.3	4.3	4.7	4.1	4.3

d.n.e. Does not exist.There are no wage revisions in this sector during the period.
1/ Weighted average is calculated based on the number of workers benefited in each wage revision.
Source: Calculations by Banco de México using data from the Ministry of Labor.

By range of increase, 80.6 percent of workers in firms under federal jurisdiction were granted wage increases between 4.0 and 4.9 percent. This result was similar to the 78.3 percent increase recorded in 2007 (Table 10).

Table 10
Contractual Wage Revisions by Range of Increase
Percentage structure of total workers

Range of increase	2007	2008 I	2008 II	2008 III	2008 IV	2008 Average
Number of workers benefited						
0.0-3.9%	11.8	5.6	5.0	5.1	2.0	4.2
4.0- 4.9%	78.3	80.1	81.1	70.2	87.4	80.6
5.0- 5.9%	6.8	10.2	8.4	20.5	8.9	11.4
6.0% and higher	3.1	4.1	5.5	4.3	1.7	3.7
Number of contractual wage revisions						
0.0-3.9%	21.6	7.7	8.9	12.1	13.1	10.0
4.0- 4.9%	46.3	60.9	63.6	56.8	51.4	58.9
5.0- 5.9%	22.7	21.4	18.1	20.0	26.2	21.1
6.0% and higher	9.4	10.0	9.5	11.1	9.4	9.9

Source: Calculations by Banco de México using data from the Ministry of Labor.

In December 2008, Mexico's Minimum Wage Commission (*Consejo de Representantes de la Comisión Nacional de los Salarios Mínimos*, CONASAMI) determined an increase of 4.62 percent to the general minimum wage to take effect on January 1, 2009. This increase was 0.62 percentage points above that negotiated the previous year. The general minimum wage was 53.19 pesos per day. The determined increase was higher in Geographic Zone "C" (4.95 percent) than those negotiated in Areas "A" and "B" (4.20 and 4.51 percent, respectively). This agreement implied a return to the process of gradually standardizing minimum wages in the three geographic regions (Table 11).

Table 11
Nominal Minimum Wage
Pesos per day and annual change (percent)

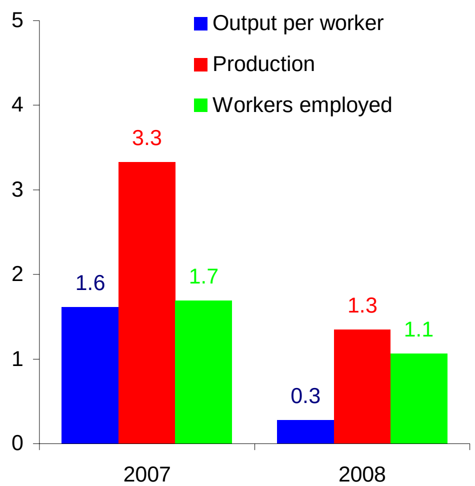
Period	Pesos per day				Annual change (percent)			
	General	Geographic Area			General	Geographic Area		
		A	B	C		A	B	C
2002	39.74	42.15	40.10	38.30	5.78	4.50	5.70	6.90
2003	41.53	43.65	41.85	40.30	4.50	3.56	4.36	5.22
2004	43.30	45.24	43.73	42.11	4.25	3.64	4.50	4.50
2005	45.24	46.80	45.35	44.05	4.50	3.50	3.70	4.60
2006	47.05	48.67	47.16	45.81	4.00	4.00	4.00	4.00
2007	48.88	50.57	49.00	47.60	3.90	3.90	3.90	3.90
2008	50.84	52.59	50.96	49.50	4.00	4.00	4.00	4.00
2009	53.19	54.80	53.26	51.95	4.62	4.20	4.51	4.95

Source: Prepared by Banco de México with data from CONASAMI.

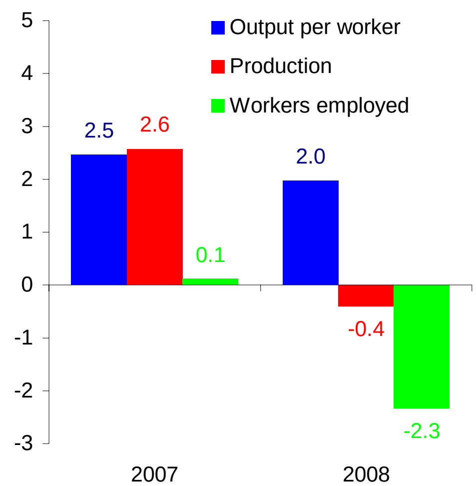
During 2008, labor productivity, calculated with information from the ENOE and Mexico's National Accounts, grew at an average annual rate of 0.3 percent, 1.3 percentage points below the previous year figure. This indicator also slowed in the manufacturing industry, by growing 2.0 percent on average in annual terms in 2008, as compared with 2.5 percent during 2007. Results obtained for both the total economy and the manufacturing industry were mainly influenced by their slower output growth (Graph 15).

Graph 15
Output per Worker: Total Economy and Manufacturing Industry[1/]
Average annual change (percent)

a) Total Economy



b) Manufacturing Industry



Source: Prepared by Banco de México with data from INEGI.
1/ To calculate the average output per worker, data on production from the National Accounts and on workers employed from the ENOE was considered.

III.3. External Sector

The fall in world economic activity and tighter credit conditions influenced the development of Mexico's external accounts during 2008. Such an environment contributed to the following: a decline in the rate of growth of non-oil exports; a slower growth rate of imports, particularly by the end of the year; a drop in revenues from workers' remittances; and, tighter conditions to access foreign financing.

In 2008, Mexico's external sector was characterized by the following:

a) The growth of non-oil exports slowed down throughout the year, resulting in a negative annual variation in the last quarter (-8 percent). This behavior responded to the deterioration in external demand, which affected both automotive and the rest of exports.

b) The value of oil exports reached unprecedented levels in response to high crude oil prices, which prevailed in international markets during the first half of 2008. Nonetheless, the annual growth of both the price and the volume of crude oil exports fell during the second half of the year. Although the strength of oil imports also weakened throughout the year, such decline was less pronounced than that of oil exports, implying a progressive reduction in the oil trade balance. In fact, this balance recorded deficit during the last quarter of 2008.

c) Merchandise imports continued to grow at high levels, although slightly below those observed during the previous year. However, the weakening of aggregate demand during the last quarter led to a reduction in imports of consumer and intermediate goods, while imports of capital goods slowed by the end of the year.

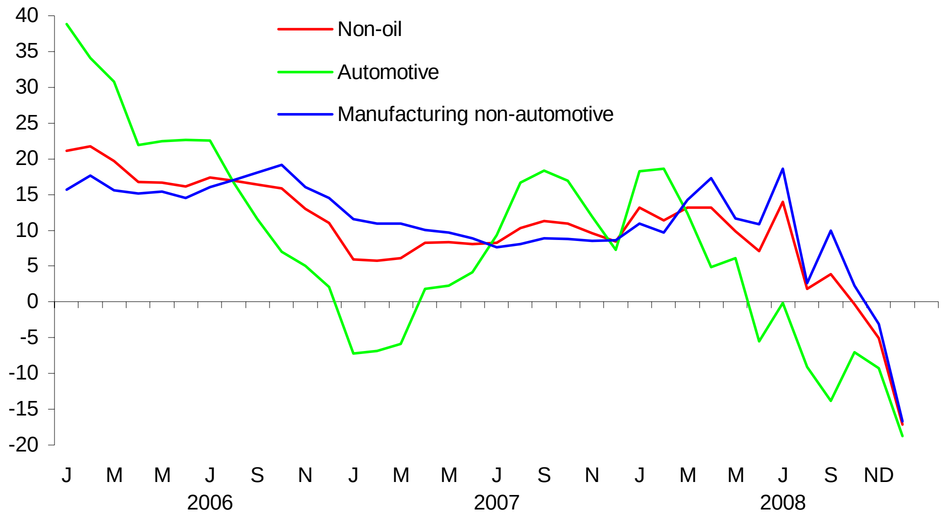
d) Revenues from workers' remittances fell in annual terms during 2008. The flow of remittances lost momentum throughout the year, particularly during the second half of the year. The weakness exhibited by remittances flows is the result of various factors, including: i) the slowdown of the U.S. economy, which has had a negative impact on Mexican workers' employment opportunities; ii) the additional difficulties for illegal immigrants to find work in the U.S. due to stricter official controls in workplaces and residential areas; and, iii) the greater obstacles faced by Mexican workers to migrate to the U.S. as a result of greater border surveillance in the U.S.

e) The capital account recorded surplus due to the net result of the following: inflows from foreign investment (both direct and in the money market), external financing channeled to the non-bank private sector and to investment projects known as Pidiregas; outflows associated to public sector and commercial banks' payments of foreign debt, withdrawals of foreign investment from the stock market; and increases in Mexican residents' assets abroad.

f) A 7,450 million US dollar increase in net international reserves. Thus, on December 31, 2008 such reserves amounted to 85,441 million US dollars.

The trade deficit was 17,261 million US dollars in 2008. Exports rose 7.2 percent in response to a 5.2 percent growth in non-oil exports and a 17.8 percent growth in oil exports (Table 12 and Graph 17). The increase in the former resulted from a 0.8 percent fall in automotive exports and a 7.1 percent rise in the remaining non-oil exports. During the analyzed year, non-oil exports to the U.S. market grew only 1.8 percent and declined 10.1 percent at an annual rate during the fourth quarter. In contrast, non-oil exports to the non-U.S. market grew 21.3 percent in 2008, although they increased only 0.8 percent during the last quarter.

Graph 16
Merchandise Exports
Annual change (percent) of seasonally adjusted figures



During 2008, the value of oil exports once again reached historically highs: 50,656 million US dollars (17.8 percent annual growth). The average price of the Mexican crude oil export mix accounted for these higher figures, by shifting from 61.64 US dollars per barrel in 2007 to 84.38 US dollars in 2008, while the volume of crude oil exports decreased from 1.686 million barrels per day (mbd) to 1.403 mbd. It is important to point out however, that both the price and volume of crude oil exports showed a decrease in annual terms during the second half of 2008. Furthermore, oil exports' growth was surpassed by oil imports' growth (41.3 percent). As a result of the aforementioned, Mexico's oil trade balance fell from 17.3 billion US dollars in 2007 to 14.4 billion in 2008, recording a deficit during the fourth quarter (359 million US dollars, as compared with surpluses of 11.516 and 3.225 billion US dollars during the first half and third quarter of the year, respectively).

Merchandise imports rose 9.5 percent in annual terms in 2008 (Table 12 and Graph 17). This result was influenced by the growth in oil imports (41.3 percent), which partly reflected the higher prices recorded by these products in international markets for most of the year. Merchandise imports excluding oil grew 6.3 percent (as compared with 8.6 percent in 2007), in line with the weakness of aggregate demand. In fact, during the fourth quarter of 2008, merchandise imports contracted at an annual rate of 6.4 percent (-7.4 percent for non-oil imports). By type of goods, consumer goods increased by 11.3 percent (0.04 percent for non-oil goods), intermediate goods did so by 7.9 percent (5.5 percent for non-oil inputs), and capital goods, by 16.4 percent.

Graph 17
Foreign Trade of Merchandise

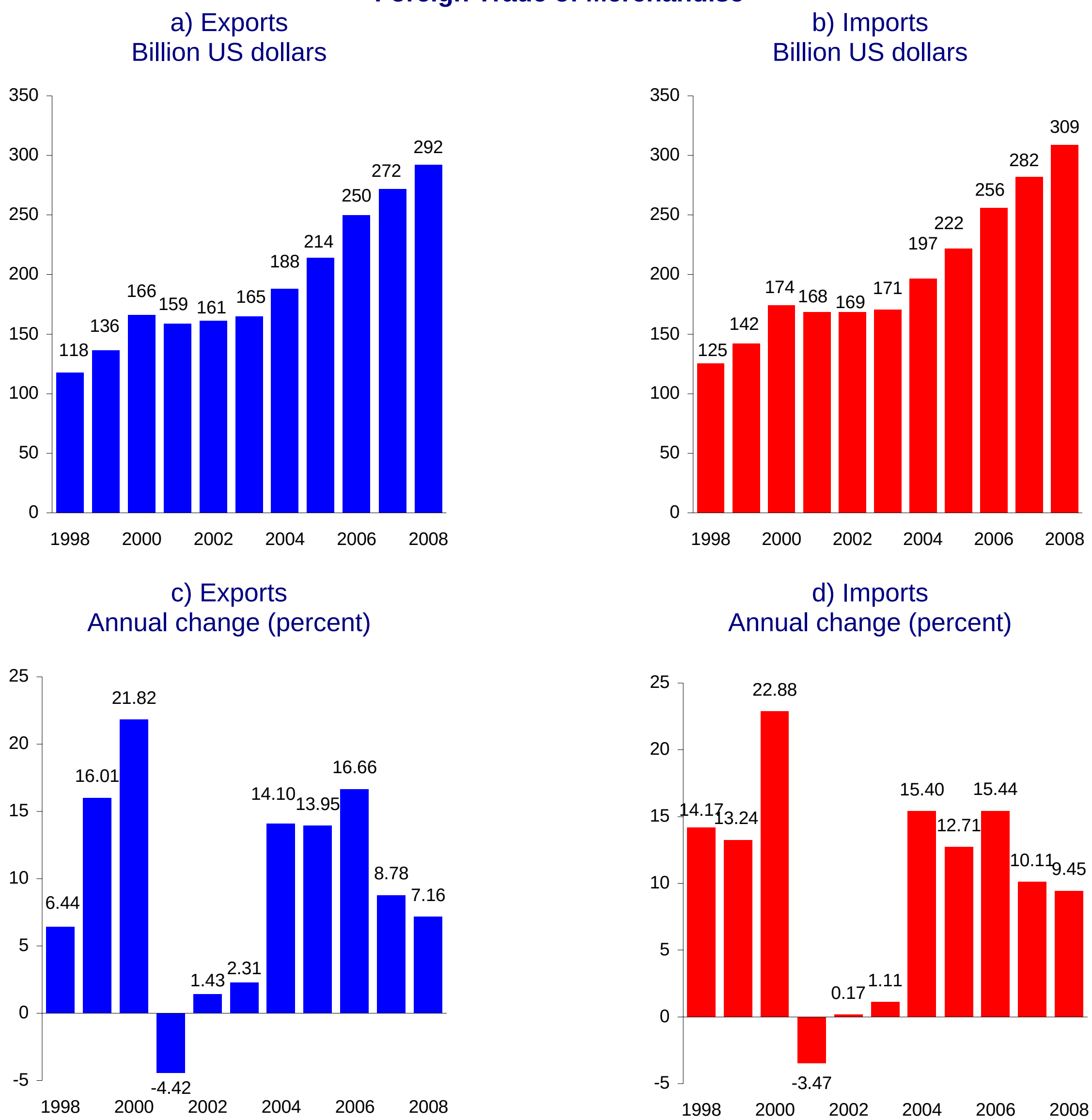


Table 12
Trade Balance
Million US dollars

ITEM	2006 (A)	2007 (B)	2008 (C)	Absolute Change in 2008	Annual Change (Percent) 2007 (B)/(A)	2008 (C)/(B)
Total exports	**249,925**	**271,875**	**291,343**	**19,467**	**8.8**	**7.2**
Oil-related	39,022	43,018	50,656	7,637	10.2	17.8
Non-oil	210,903	228,857	240,687	11,830	8.5	5.2
Agricultural	6,853	7,435	7,916	481	8.5	6.5
Extractive	1,317	1,737	1,931	194	31.9	11.2
Manufacturing	202,734	219,685	230,840	11,155	8.4	5.1
Total imports	**256,058**	**281,949**	**308,603**	**26,654**	**10.1**	**9.5**
Consumer goods	36,901	43,055	47,941	4,886	16.7	11.3
Intermediate goods	188,633	205,296	221,565	16,270	8.8	7.9
Capital goods	30,525	33,599	39,097	5,498	10.1	16.4
Total trade balance	**-6,133**	**-10,074**	**-17,261**	**-7,187**	**64.2**	**71.3**
Oil trade balance	19,005	17,341	14,382	-2,959	-8.8	-17.1
Non-oil trade balance	-25,138	-27,415	-31,642	-4,228	9.1	15.4

Note: Figures may not add up due to rounding.

From a regional perspective, the widening of Mexico's trade deficit during 2008 was due to: i) a smaller surplus with NAFTA trading partners; ii) a larger surplus with the rest of the countries in America; and, iii) larger deficit with other regions (Table 13). The higher deficit with Asia mainly resulted from trade with China. Although the growth of non-oil exports slowed in 2008, non-oil exports destined to markets other than the U.S. continued growing at a faster rate than those channeled to the U.S. Nevertheless, the annual fall of non-oil exports during the last quarter was due to both a contraction in those channeled to the U.S. and a sharp slowdown in those to the rest of the world (Table 14).

Table 13
Trade Balance by Region
Million US dollars

	2006 (A)	2007 (B)	2008 (C)	Absolute Change (C) - (B)	Change (Percent) Exports 2007	Exports 2008	Imports 2007	Imports 2008
Total	**-6,133**	**-10,074**	**-17,261**	**-7,187**	**8.8**	**7.2**	**10.1**	**9.5**
NAFTA	**79,288**	**82,194**	**79,847**	**-2,347**	**5.8**	**4.8**	**7.1**	**9.1**
U.S.	81,488	83,660	82,188	-1,472	5.4	4.7	7.0	8.5
Canada	-2,200	-1,466	-2,341	-875	25.4	9.4	7.9	18.7
Rest of the world	**-85,422**	**-92,268**	**-97,108**	**-4,840**	**28.2**	**20.0**	**13.6**	**9.9**
Rest of America	-1,228	2,363	6,289	3,926	28.2	21.2	2.8	-0.3
Europe	-20,585	-21,420	-24,255	-2,835	33.4	20.6	14.4	16.3
Asia	-62,508	-71,838	-77,585	-5,747	19.2	13.3	15.3	8.5
China	-22,750	-27,848	-32,645	-4,797	12.3	7.9	21.7	16.6
Rest	-39,758	-43,990	-44,940	-950	21.7	15.1	11.8	3.6
Other	-1,100	-1,372	-1,557	-185	27.5	37.0	26.1	24.7

Note: Figures may not add up due to rounding.

Table 14
Growth of Non-oil Exports to Different Markets
Percent

	Share		Annual Change (Percent)				
	2007	2008	I-Q	II-Q	III-Q	IV-Q	Annual
Total	**100.00**	**100.00**	**10.39**	**11.41**	**8.16**	**-8.04**	**5.17**
United States	**82.55**	**79.86**	**7.31**	**6.39**	**4.32**	**-10.05**	**1.75**
Automotive	20.41	18.57	8.11	-2.08	-10.68	-11.01	-4.32
Other	62.14	61.29	7.05	9.29	9.36	-9.75	3.74
Rest of the world	**17.45**	**20.14**	**25.74**	**36.65**	**25.77**	**0.82**	**21.34**
Automotive	4.11	4.57	38.25	38.22	9.28	-7.28	16.78
Other	13.34	15.57	22.21	36.20	31.35	3.43	22.74
Memo:							
Total automotive	**24.52**	**23.14**	**12.75**	**3.85**	**-7.08**	**-10.31**	**-0.78**
Other total	**75.48**	**76.86**	**9.65**	**13.93**	**13.28**	**-7.32**	**7.10**

In 2008, Mexican exports to the U.S. grew 2.5 percent, while total U.S. imports rose 7.3 percent (Table 15). As a result, the share of Mexican exports in U.S. imports declined from 10.8 percent in 2007 to 10.3 percent in 2008 (Graph 18). This result reflects reductions in the shares of both oil and non-oil exports in total U.S. imports.

Table 15
U.S. Imports
Percent

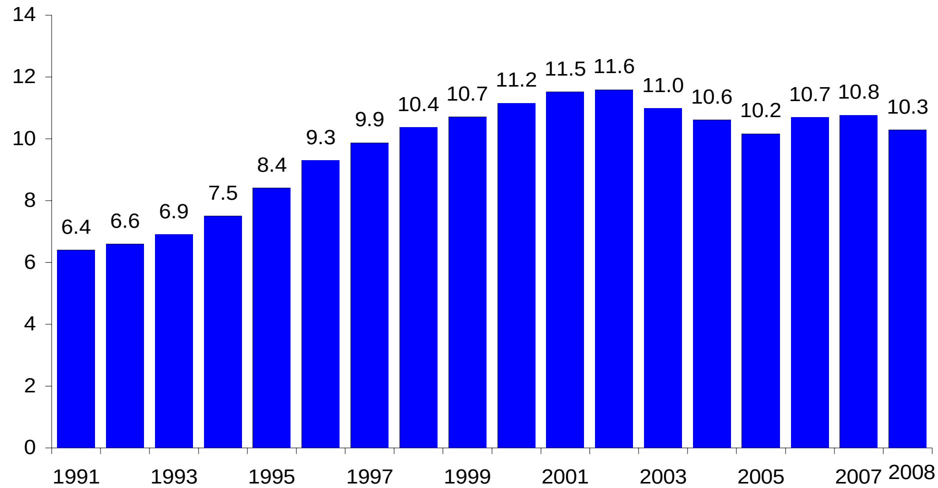
	Share		Annual Change (Percent) 2008				
	2007	2008	Total	Oil	Total excluding Oil	Automotive	Total excluding Oil and Automotive
Total	**100.00**	**100.00**	**7.32**	**44.16**	**2.23**	**-5.15**	**3.46**
Total excluding Mexico	**89.23**	**89.72**	**7.90**	**47.36**	**2.60**	**-5.62**	**3.79**
Total excluding Mexico and China	**72.81**	**73.63**	**8.54**	**47.22**	**1.97**	**-5.62**	**3.42**
1. China	**16.43**	**16.08**	**5.09**	**255.49**	**4.98**	**--**	**4.98**
2. Canada	16.20	15.98	5.83	64.94	-2.22	-18.54	2.82
3. Mexico	**10.77**	**10.28**	**2.47**	**22.31**	**-0.87**	**-3.31**	**0.07**
4. Japan	7.43	6.63	-4.27	--	-4.27	0.92	-7.45
5. Germany	4.81	4.65	3.60	--	3.60	5.89	2.79
6. United Kingdom	2.91	2.79	3.10	0.43	3.22	-5.19	4.16
7. Venezuela	2.04	2.45	28.79	34.79	10.60	--	10.60
8. South Korea	2.43	2.29	1.08	--	1.08	0.38	1.30
9. France	2.12	2.09	5.88	--	5.88	--	5.88
10. Taiwan	1.96	1.73	-5.10	--	-5.10	-0.74	-5.36

Source: Prepared by Banco de México with data from the U.S. Census Bureau.

The current account of the balance of payments recorded a 15,957 million US dollar deficit and accounted for 1.5 percent of GDP (Graph 19). It is important to mention that although this percentage is higher than those registered in recent years it is still below that observed in 1994. The current account balance originated from a deficit in the trade balance (17,261 million US dollars) together with deficit in the non-factor (7,005 million) and factor

(17,152 million) services balances, which more than offset the surplus in the transfers item (25,461 million) (Table 16).

Graph 18
Share of Mexican Exports in U.S. Imports
Percent



Source: Prepared by Banco de México with data from the U.S. Census Bureau.

Table 16
Current Account of the Balance of Payments
Million US dollars

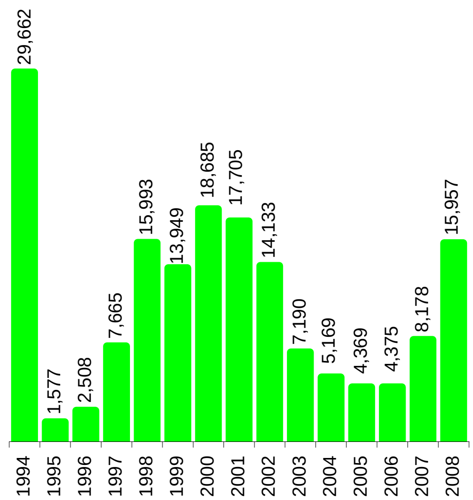
	2007 (A)	2008 (B)	Annual Change (B - A)
Current account	**-8,178**	**-15,957**	**-7,779**
Trade balance	-10,074	-17,261	-7,187
Exports	271,875	291,343	19,467
Imports	281,949	308,603	26,654
Non-factor services	-6,305	-7,005	-700
Factor services	-18,215	-17,152	1,063
Transfers	26,415	25,461	-954

Note: Figures may not add up due to rounding.

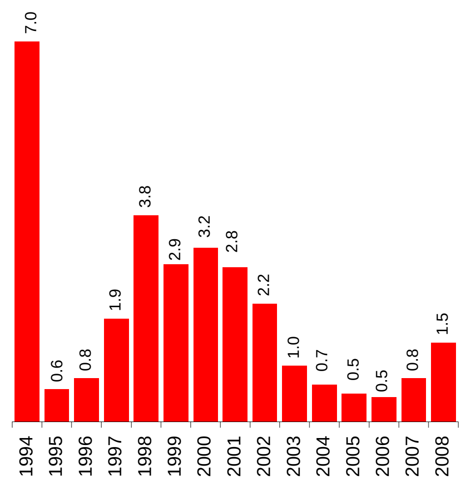
In 2008, the non-factor services deficit was 7,005 million US dollars, as a result of inflows totaling 18,196 million and outflows of 25,201 million US dollars. Within this balance, the international travelers item (tourists plus one day travelers) recorded a surplus of 4,763 million US dollars due to inflows from international travelers visiting Mexico totaling 13,289 million US dollars (3.4 percent growth) and outflows from Mexican residents traveling abroad amounting to 8,526 million (1.8 percent growth). During the fourth quarter, the slowing of the world economy and, in particular, of the U.S., together with the weakening of economic activity in Mexico had a negative impact on international traveler inflows and outflows, which declined by 3.8 and 2.8 percent, respectively. Meanwhile, the other components of the non-factor services balance registered a 11,768 million US dollar deficit, mainly due to expenditures associated with foreign trade.

Graph 19
Current Account Deficit of the Balance of Payments

a) Million USD

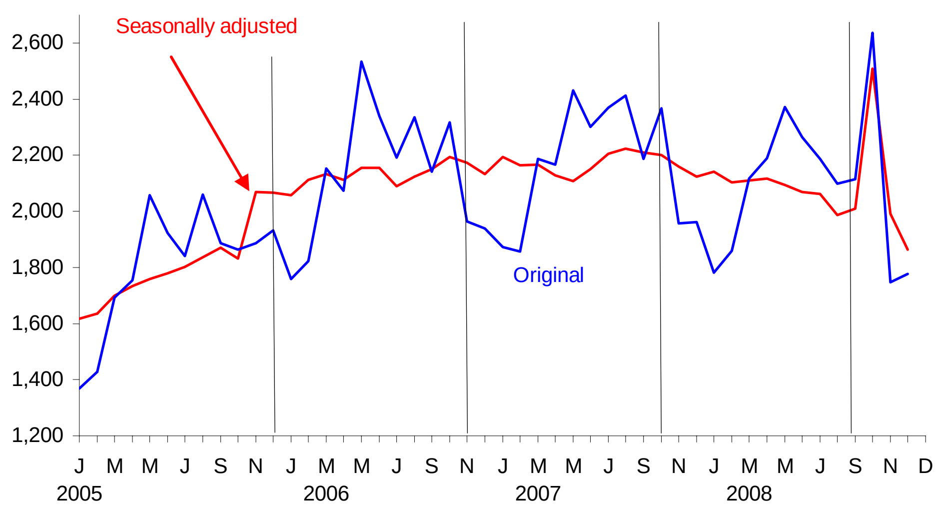


b) As a Proportion of GDP



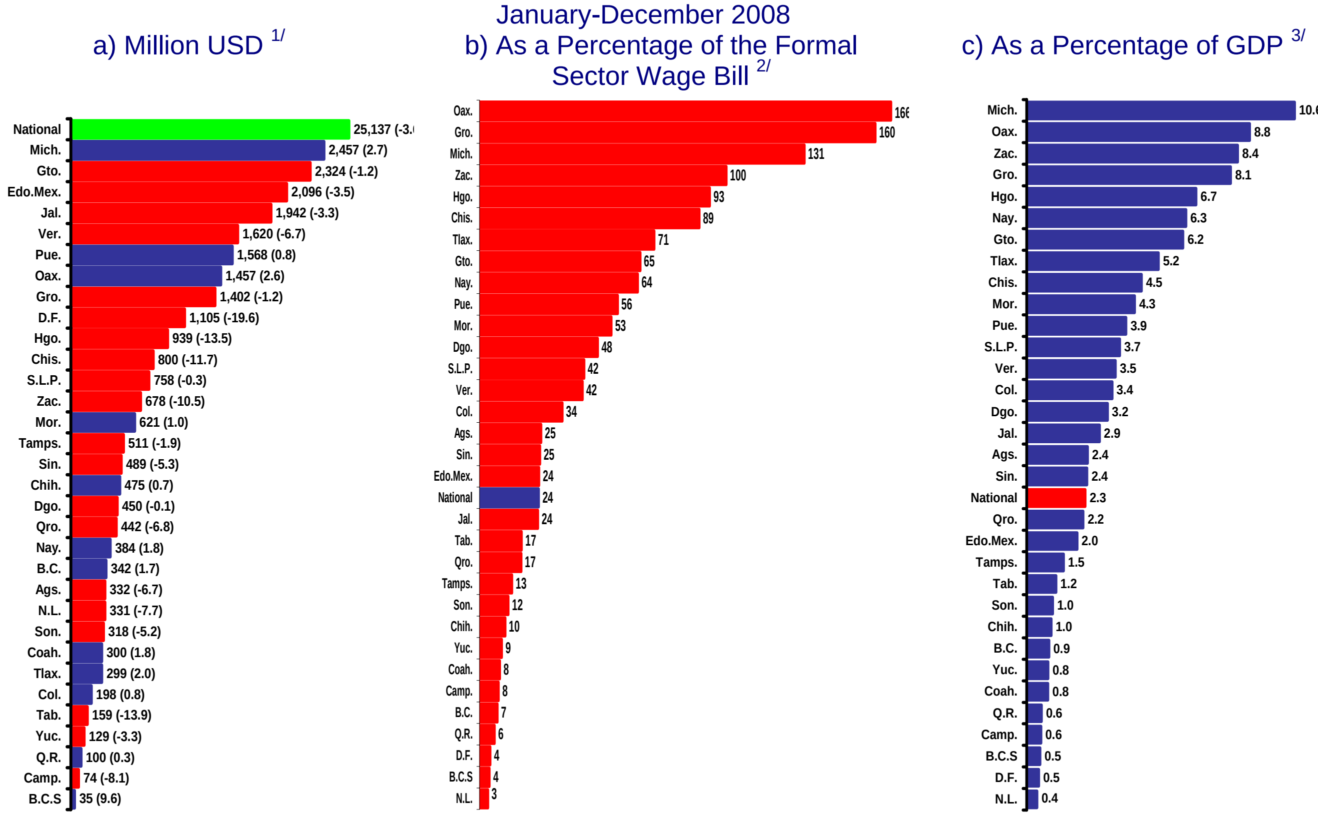
In 2008, the factor services deficit was 17,152 million US dollars as a result of revenues totaling 7,579 million and expenditures for 24,731 million. Net interest payments (expenditures less revenues) amounted to 8,686 million US dollars, 1.6 percent above those in 2007. The other items from the factor services balance accumulated a net deficit of 8,466 million US dollars, mainly from foreign direct investment firms' profits (remitted and reinvested) amounting to 10,083 million US dollars, of which 7,530 million were reinvested in Mexico. Worth mentioning is that reinvested profits are entered in the current account as factor service expenditures while in the capital account they are recorded as revenues from foreign direct investment.

Graph 20
Workers' Remittances
Million US dollars per month;
Original and seasonally-adjusted figures



In 2008, the transfers account recorded a surplus of 25,461 million US dollars. Its main component, workers' remittances, totaled 25,137 million US dollars, which represents an annual fall of 3.6 percent (as compared to a 2 percent increase in 2007). This figure resulted from 72.6 million transactions, for an average value of 346 US dollars each. The slowdown in revenues from remittances during 2008 included a large number of Mexican states, registering negative annual growth in 20 of them (Graph 21).

Graph 21
Workers' Remittances by State
January-December 2008



1/ Figures in parentheses correspond to each state's annual percentage change in remittances.
2/ Prepared by Banco de México with data from IMSS and CONASAMI.
3/ States' GDP is obtained by applying the composition of states' GDP of 2006 (at current prices and as reported by INEGI) to the figures for 2008.

The capital account of the balance of payments recorded a surplus of 21,438 million US dollars, mainly from foreign direct investment and investments in the money market; foreign financing to the non-financial private sector; and, foreign financing to Pidiregas projects. Outflows during the year stemmed from public sector and commercial banks' repayment of foreign debt, and from withdrawals of foreign capital invested in the Mexican stock market and an increase in Mexican residents' assets abroad (Table 17).

In 2008, foreign direct investment in Mexico amounted to 18,589 million US dollars (Graph 22a). As for its distribution, FDI was mostly channeled to manufacturing (33.1 percent), mining (22.9 percent), financial services (21.4 percent), and commerce (9.3 percent) (Graph 22b). Its breakdown by country of origin is as follows: U.S. (45.7 percent), Canada (11.8 percent), Spain (11.1 percent), the Virgin Islands (7.8 percent), and the U.K. (7.5 percent) (Graph 22c). Foreign portfolio investment totaled 3,223 million US dollars, as a result of inflows of 6,726 million to the money market and outflows of 3,503 million from the stock market. Foreign investment (direct and portfolio) in Mexico totaled 21,812 million US dollars in 2008.

Table 17
Balance of Payments
Million US dollars

	2007	2008
Current account	**-8,178**	**-15,957**
Capital account	**20,788**	**21,438**
Liabilities	50,820	29,799
Indebtedness	15,081	7,986
Development banks	-1,040	-496
Commercial banks	3,026	-1,181
Banco de México	0	0
Non-bank public sector	-5,908	-3,432
Non-bank private sector	5,778	242
Pidiregas	13,225	12,853
Foreign investment	35,739	21,812
Direct	27,167	18,589
Portfolio	8,572	3,223
Equity	-482	-3,503
Money market	9,054	6,726
Assets	-30,032	-8,360
Errors and omissions	**-2,324**	**1,957**
Change in net international reserves	**10,311**	**7,450**
Valuation adjustments	**-25**	**-12**

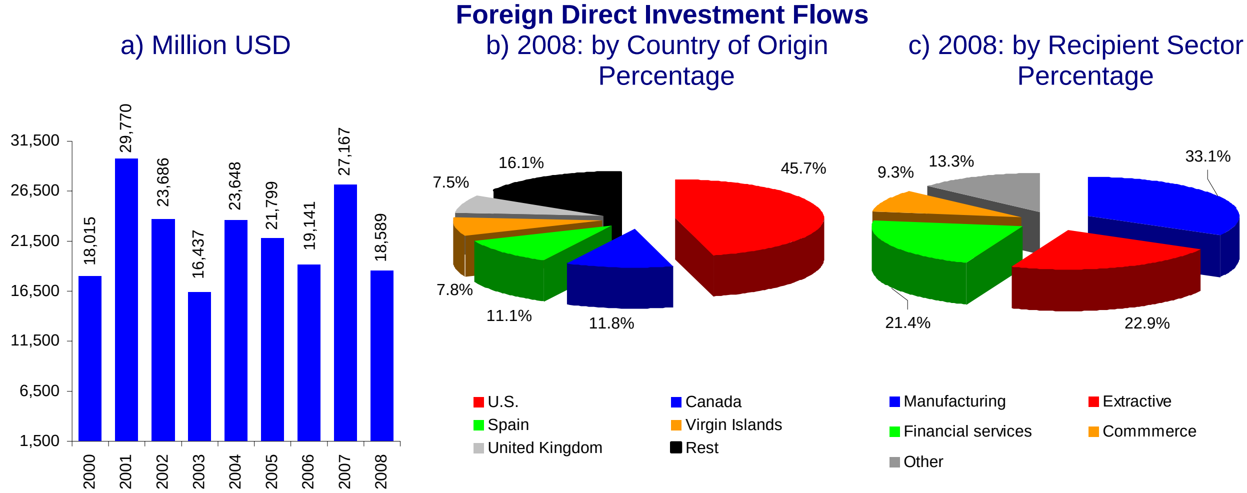
Note: Figures may not add up due to rounding.

In 2008, the public sector reduced its foreign financing by 3,928 million US dollars, as a result of 16,655 million in disbursements and 20,583 million in amortizations.[6] This reduction in public sector's debt originated from net amortizations by the Federal Government for 70 million, by non-financial public entities for 3,362 million, and by development banks for 496 million. Foreign financing for Pidiregas projects amounted to 12,853 million US dollars in 2008. Private sector reduced its foreign financing by 939 million US dollars, due to a combination of net disbursements of 242 million by the non-financial private sector and net amortizations of 1,181 million by commercial banks. Mexican residents' assets abroad increased by 8,360 million US dollars in 2008. This result mainly originated from an increase in banks' deposits abroad, a rise in public sector's assets abroad, and an increase in Mexican firms' (exporters and importers) deposits abroad, which they require for their external commercial and financial transactions.

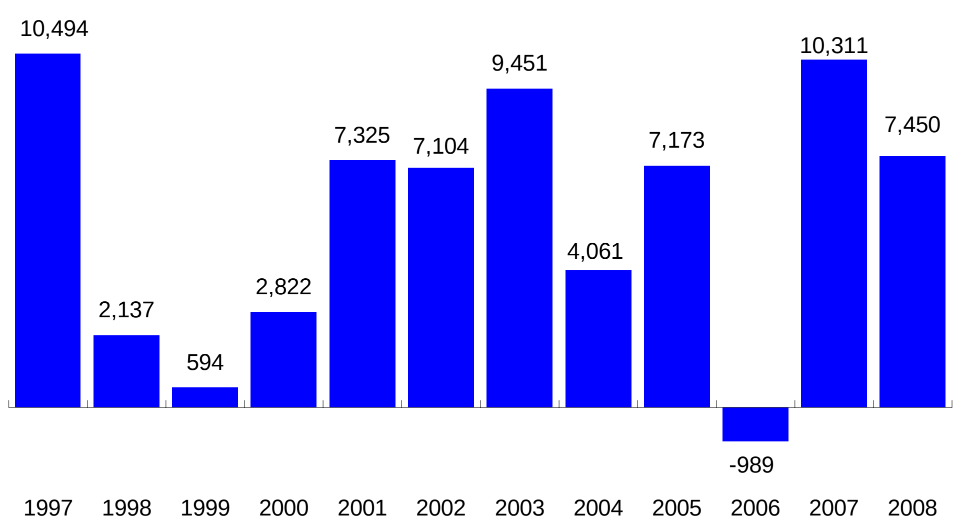
[6] Data on public sector's foreign debt as reported in the balance of payments differs from that reported by the Ministry of Finance. The balance of payments excludes certain public sector external debt transactions that are not considered as effective flow of resources.

Summing up, Mexico's balance of payments results in 2008 were as follows: a 15,957 million US dollar current account deficit; a 21,438 million US dollar capital account surplus; a 1,957 million US dollar net positive flow in errors and omissions, and a 7,450 million US dollar increase in Banco de México's international reserves (Graph 23). As a result, at the end of the year, international reserves totaled 85,441 million US dollars.

Graph 22
Foreign Direct Investment Flows



Graph 23
Change in Net International Reserves
Million US dollars



III.4. Public Finances

In 2008, public finances' results were in line with the goals established in the economic package approved by the Mexican Congress and there were excess revenues with respect to those originally considered in the Federal Revenues Law for 2008 (*Ley de Ingresos de la Federación 2008,* LIF-2008). These results were achieved despite the effects of both, the economic downturn and lower oil prices on public finances, particularly during the last quarter of the year. On the basis of its goal to maintain fiscal balance equilibrium, the public sector recorded a deficit equivalent to 0.1 percent of GDP.[7] This result excluded the fiscal cost of the ISSSTE Law reform, which at the time the economic package was approved, implied recognizing a contingent liability of unknown size because it depended on the number of workers that would decide to change to the new pension plan.[8] The fiscal cost of changing the ISSSTE's pension scheme amounted to 292 thousand million pesos, equivalent to 2.4 percent of GDP.[9] After including this cost, the public sector deficit totaled 2.5 percent of GDP (Table 18). It is important to mention that although this cost raised the public sector deficit and debt in 2008, the new pension scheme will reduce pension expenditure pressures on public finances in the medium term.

Table 18
Public Balance in 2006 - 2008[1/]

	Thousand million pesos 2008			Percent of GDP		
	2006	2007	2008	2006	2007	2008
Economic balance	**10.9**	**5.1**	**-9.6**	**0.1**	**0.0**	**-0.1**
Budgetary balance	**9.2**	**3.4**	**-8.1**	**0.1**	**0.0**	**-0.1**
Federal government	-197.5	-229.6	-195.5	-1.7	-1.9	-1.6
Public entities and enterprises	206.6	233.1	187.4	1.8	2.0	1.5
Pemex	163.3	178.3	144.1	1.4	1.5	1.2
Other	43.3	54.8	43.2	0.4	0.5	0.4
Non-budgetary balance	**1.7**	**1.6**	**-1.4**	**0.0**	**0.0**	**0.0**
Economic balance (including ISSSTE reform)	**d.n.a.**	**d.n.a.**	**-301.6**	**d.n.a.**	**d.n.a.**	**-2.5**
Primary balance	**284.5**	**259.7**	**222.0**	**2.5**	**2.2**	**1.8**
Primary balance (including ISSSTE reform)	**d.n.a.**	**d.n.a.**	**-70.0**	**d.n.a.**	**d.n.a.**	**-0.6**

Source: Ministry of Finance (SHCP).
1/ Deficit (-), Surplus (+).
d.n.a. does not apply.
Note: Figures may not add up due to rounding.

The primary surplus (defined as revenues less expenditures other than financial costs) accounted for 1.8 percent of GDP (a deficit of 0.6 percent of GDP if the cost of the reform of the ISSSTE Law is included).

In 2008, budgetary revenues amounted to 2,857.1 thousand million pesos (23.6 percent of GDP), implying a real increase compared to revenues recorded in 2007 and above those forecasted in the LIF-2008 (Graph 24). The latter mainly resulted from the higher oil prices observed during most of the year and from non-recurrent revenues.[10]

7 The economic balance reflects public sector's net financial position and is the indicator commonly used for evaluating the non-financial sector's budget exercise.

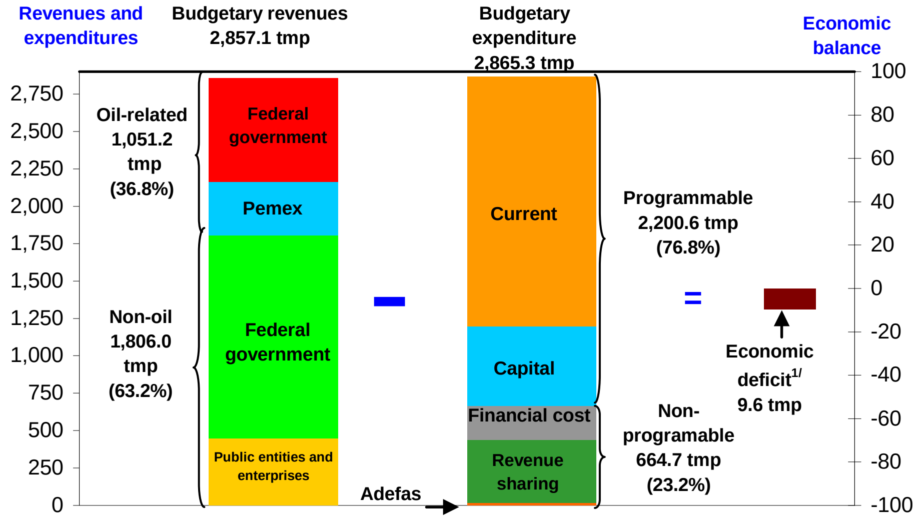
8 In line with the new ISSSTE law, federal public sector workers were given time (from January 1 to November 14, 2008) to choose between remaining in the previous pension scheme or changing to the new one. The difference between the two schemes is that the former consists of defined benefits while the new one includes defined contributions to individual accounts. The fiscal cost of the new ISSSTE law was covered in two parts. The first part consisted of a recognition bond and cash deposits totaling 221.1 thousand million pesos, deposited in the individual accounts of those workers opting for the new pension scheme. The second part comprised a transition bond for 70.9 thousand million pesos, which will cover the provisions necessary to meet pension expenditures for the next 4 years. These expenditures mainly come from an increase in federal government contributions, extraordinary transfers to ISSSTE, contributions lost after being deposited in the individual accounts, interest on liabilities assumed for the change of pension scheme, and workers' voluntary savings contributions.

9 Measurements of fiscal variables shown in this section are expressed as a percentage of GDP 2003 and therefore are not comparable with figures of previous Reports.

10 Among the main sources of non-recurrent revenues were disincorporations and interest from financial operations.

Budgetary revenues grew 9.3 percent in real terms as compared to 2007. This outcome stemmed from real increases in both oil (13.5 percent) and non-oil (7.0 percent) revenues.[11] Greater oil revenues resulted from the higher price of the Mexican crude oil export mix (30.4 dpb above that observed in 2007), although this was partly offset by lower crude oil extraction and reduced oil exports as well as increased imports of oil products.

Graph 24
Revenues, Expenditures and Economic Balance in 2008
Thousand million pesos



Source: Ministry of Finance (SHCP).
1/ Includes non-budgetary surplus (1.4 thousand million pesos). Does not include ISSSTE reform.
Note: Figures may not add up due to rounding.

As for tax revenues, the fiscal reform approved in 2007 and which came into force in 2008 boosted non-oil tax revenues. As a result, this component of revenues grew at a real annual rate of 9.8 percent and was equivalent to 10 percent of GDP. Income tax collection (from both the income tax-*Impuesto sobre la Renta*, ISR and the flat rate business tax-*Impuesto Empresarial a Tasa Única*, IETU) was particularly significant, growing 9.9 percent in real terms mainly due to the incorporation of the IETU as an ISR control tax.

In 2008, budgetary revenues were 311.7 thousand million pesos (2.6 percent of GDP) higher than those programmed in the LIF-2008 (Table 19). These excess revenues originated from:[12]

a) 59.5 percent from oil revenues, due mainly to a higher oil price than that set in the budget.[13]

[11] Oil revenues include Pemex revenues, oil duties and benefits, the tax on oil production plus the Excise tax (*Impuesto Especial sobre Produccion y Servicios*, IEPS) on gasoline and diesel.

[12] Non-oil taxes were not a source of excess revenues due to the fact that they were slightly below their programmed level (0.2 thousand million pesos), as a result of both a reduction in revenues from the ISR-IETU tax (due to slower economic growth) and higher revenues from the newly established tax on cash deposits (*Impuesto a los Depósitos en Efectivo*, IDE), import duties, and the value added tax, among others. In the case of the IDE, it refers to gross revenues, i.e., excluding the effect of tax payers' being refunded on this tax by deducting other fiscal contributions, such as income tax (*Impuesto sobre la Renta*, ISR).

b) 29.7 percent from non-tax non-oil revenues, mostly stemming from non-recurrent revenues.

c) 10.8 percent from entities and enterprises other than Pemex, mainly as a result of higher energy sales by the Federal Electricity Commission (*Comisión Federal de Electricidad*, CFE).

Table 19
Public Balance in 2007 and 2008 1/

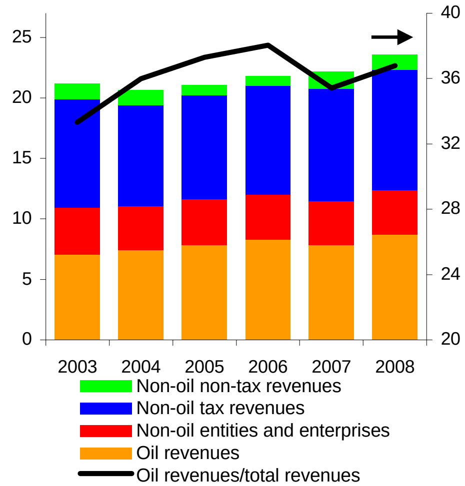
	Thousand million pesos				Real Growth %
	2007 Observed	2008 Approved	2008 Observed	Difference	%
	(1)	(2)	(3)	(3-2)	(3/1)
Economic balance	**4.8**	**0.0**	**-9.6**	**-9.6**	**d.n.a.**
Non-budgetary balance	1.5	0.0	-1.4	-1.4	d.n.a.
Budgetary balance	3.3	0.0	-8.1	-8.1	d.n.a.
Budgetary revenues	**2,485.8**	**2,545.5**	**2,857.1**	**311.7**	**9.3**
Oil	**880.7**	**865.7**	**1,051.2**	**185.5**	**13.5**
Federal government	505.9	521.0	692.1	171.0	30.1
Pemex	374.8	344.6	359.1	14.4	-8.9
Non-oil	**1,605.1**	**1,679.8**	**1,806.0**	**126.2**	**7.0**
Federal government	**1,205.4**	**1,264.8**	**1,357.2**	**92.4**	**7.1**
Tax revenues	1,047.3	1,208.4	1,208.3	-0.1	9.8
Income Tax (ISR)-flat rate business tax (IETU)	527.2	651.4	608.9	-42.5	9.9
ISR 2/	527.2	581.7	562.1	-19.6	1.4
IETU	d.n.a.	69.7	46.8	-22.9	d.n.a.
VAT	409.0	448.4	457.7	9.3	6.5
Excise tax (IEPS)	41.5	44.5	49.3	4.9	13.0
Tax on cash deposits (IDE)	d.n.a.	2.9	17.8	14.8	d.n.a.
Imports	32.2	24.3	35.8	11.4	5.8
Others	37.3	36.9	38.8	1.9	-1.0
Non-tax revenues	158.1	56.3	148.9	92.5	-10.4
Duties	24.8	12.1	28.5	16.5	9.2
Proceeds	6.8	6.3	6.4	0.2	-9.5
Benefits	126.5	38.0	113.9	75.9	-14.3
Public entities and enterprises	**399.7**	**415.0**	**448.8**	**33.8**	**6.8**
Net paid budgetary expenditures	**2,482.5**	**2,545.5**	**2,865.3**	**319.8**	**9.8**
Programmable	**1,895.0**	**1,875.9**	**2,200.6**	**324.7**	**10.5**
Deferred payments	d.n.a.	-24.0	d.n.a.	d.n.a.	d.n.a.
Programmable accrued expenditures	1,895.0	1,899.9	2,200.6	300.7	10.5
Current expenditures	1,490.0	1,509.0	1,670.0	161.1	6.6
Personal services	653.6	705.6	710.0	4.4	3.3
Other	836.4	803.3	960.0	156.7	9.2
Capital expenditures	405.0	390.9	530.6	139.6	24.6
Fixed investment	338.8	353.8	411.1	57.3	15.4
Financial investment	66.2	37.2	119.5	82.3	71.7
Non-programmable	**587.6**	**669.5**	**664.7**	**-4.8**	**7.6**
Financial cost	239.0	265.1	227.1	-38.0	-9.6
Federal government	160.7	200.0	170.1	-29.9	0.7
Public entities and enterprises	50.3	30.0	27.0	-3.0	-48.9
Debtor and savings support program	28.0	35.1	30.0	-5.1	2.0
Revenue sharing	332.8	400.2	423.5	23.3	21.1
Adefas and other	15.8	4.3	14.1	9.8	-15.4
Memo:					
Economic balance (including ISSSTE reform)	d.n.a.	d.n.a.	-301.6	d.n.a.	d.n.a.

Source: Ministry of Finance (SHCP).
1/ Deficit (-), Surplus (+).
2/ Includes tax on assets.
d.n.a. Does not apply.
Note: Figures may not add up due to rounding; real growth is estimated using yearly average inflation.

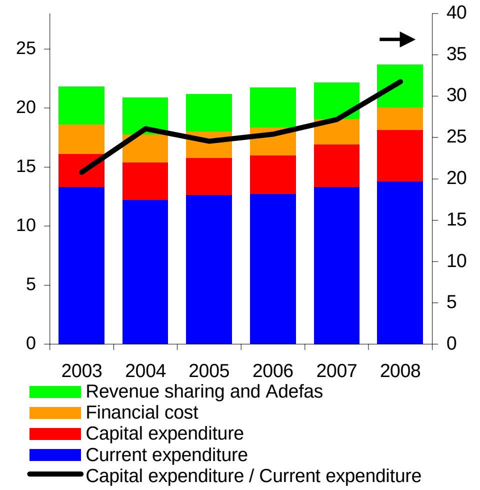
[13] In 2008, the average price of Mexico's crude oil export mix was 38.8 US dollars per barrel above the programmed level.

Graph 25
Public Sector Budgetary Revenues and Expenditures (2003- 2008)

a) Revenues (Percent of GDP) and Percent of Total



b) Expenditures (Percent of GDP) and Percent of Total



Source: Ministry of Finance (SHCP).

As a result of the greater fiscal revenues in 2008, public expenditure exceeded its programmed level and increased in real terms as compared to 2007 (Graph 25a). Excess revenues and the rules governing their use, defined in the Federal Budget and Fiscal Responsibility Law (*Ley Federal de Presupuesto y Responsabilidad Hacendaria*, LFPyRH) and in the LIF-2008 (art. 10 and 12), meant a significant amount of additional programmable outlays were channeled to capital expenditure (Graph 25b). The latter was due to the fact that these rules channel an important part of these excess revenues to physical investment (through earmarked revenues) and financial investment (by using these resources to capitalize revenue stabilization funds and public pension scheme restructuring funds).[14] In line with these rules, excess gross revenues obtained in 2008 (311.7 thousand million pesos) were channeled to public expenditure as follows (Graph 26):

a) 187.3 thousand million pesos were allocated to three pre-assigned uses: to finance expenditures of entities and enterprises under direct budgetary control (using excess self generated revenues), to finance investment in infrastructure (art. 10 and 12 of the LIF-2008), and to cover outlays of federal entities and states.

b) 25.4 thousand million pesos were used to meet authorized deductions to compensate for shortfalls in other revenue items (9.0 thousand million pesos), relieve damage caused by natural disasters which could not be covered by the Natural Disaster Fund (*Fondo de Desastres Naturales*, Fonden) (8.2 thousand million pesos), and to cover the higher cost of fuels by the CFE (8.3 thousand million pesos).

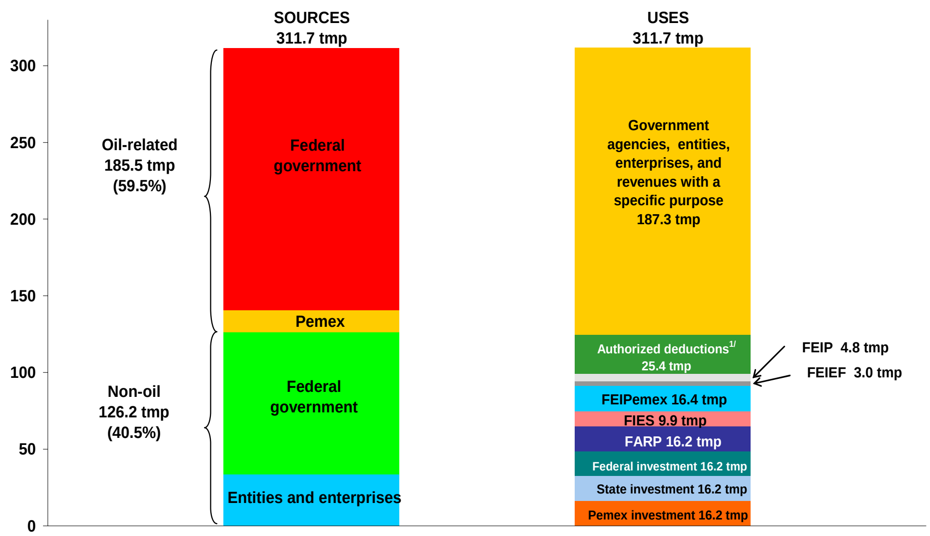
c) After the abovementioned deductions in sections a) and b), the remaining excess revenues (99 thousand million pesos) were used in two stages. First, 34.1 thousand million pesos were distributed to revenue stabilization funds (FEIP and FEIEF), and to Pemex

[14] Articles 10 and 12 of the LIF-2008 establish that revenues mainly from concessions, capital returns and disincorporations should be channeled to investment projects and infrastructure.

(FEIPemex) and state governments (FIES) investment funds. With these resources, these three funds reached their established levels of optimum reserves. The remaining excess revenues (64.9 thousand million pesos) were distributed in the second stage as follows: 48.7 thousand million pesos to physical investment (federal, state, and Pemex) and 16.2 thousand million pesos to financial investment (capitalization of the Pension Restructuring Support Fund (FARP).[15,16]

In 2008, budgetary expenditures totaled 2,865.3 thousand million pesos (23.7 percent of GDP). Public expenditure grew 9.8 percent in real terms compared to 2007 mainly due to an increase in programmable expenditures (10.5 percent at constant prices).

Graph 26
Sources and Uses of Excess Revenues in 2008
Thousand million pesos



Source: Ministry of Finance (SHCP).
1/ Includes compensations of missing revenue items that did not meet budget, as specified in the LIF 2008 (9.0 tmp), the greater cost of fuels in CFE (8.3 tmp), and natural disasters not covered by the Fund for Natural Disasters- *Fondo para Desastres Naturales*, Fonden (8.2 tmp).
Note: Stabilization Fund for Oil Resources (*Fondo de Estabilización para los Recursos Petroleros*, FEIP); Stabilization Fund for State Revenues (*Fondo de Estabilización de los Ingresos de las Entidades Federativas*, FEIEF); Stabilization Fund for Pemex Infrastructure (*Fondo de Estabilización en Infraestructura de Pemex*, FEIPemex); Trust Fund for State Infrastructure (*Fideicomiso para la Infraestructura en los Estados*, FIES); and, Support Fund for Pensions' Restructuring (*Fondo de Apoyo para la Reestructura de Pensiones*, FARP).

In 2008, capital expenditure grew at a real annual rate of 24.6 percent and accounted for 4.4 percent of GDP. As a result, the share of these outlays in programmable expenditures rose from 21.4 percent in 2007 to 24.1 percent in 2008. Noteworthy is the performance of the financial investment component of

15 The Oil Revenues Stabilization Fund (*Fondo de Estabilización de los Ingresos Petroleros*, FEIP); the State Revenues Stabilization Fund (*Fondo de Estabilización de los Ingresos de las Entidades Federativas*, FEIEF); the Pemex Infrastructure Stabilization Fund (*Fondo de Estabilización en Infraestructura de Pemex*, FEIPemex); the Trust Fund for State Infrastructure (*Fideicomiso para la Infraestructura en los Estados,* FIES); and, the Fund for the Restructuring of Pensions (*Fondo de Apoyo para la Reestructura de Pensiones*, FARP).

16 With these contributions, resources in the FEIP, FEIEF, FEIPemex and FARP totaled 85.8, 30.3, 29.2 and 63.7 thousand million pesos, respectively, in 2008.

capital expenditures, which grew 71.7 percent in real terms, mainly as a result of the capitalization of FEIP, FEIEF, FEIPemex, and FARP.

The growth of capital expenditure boosted fostered investment (*inversión impulsada*), which grew at a real annual rate of 10.5 percent as compared to 2007, and amounted to 4.6 percent of GDP.[17] This result responded to the growth of budgetary physical investment mostly channeled to the energy sector and to financing local government infrastructure projects. Despite the aforementioned, fostered investment was slightly below the goal of 4.8 percent of GDP established in the Federal Budget for 2008.

In 2008, current expenditure rose 6.6 percent in real terms as a result of larger outlays in personal services (3.3 percent growth in real terms); operational costs (6.8 percent growth in real terms); pensions and retirements (4.2 percent growth in real terms); and subsidies, transfers and aid (21.0 percent growth in real terms). The latter include federal government transfers to states and municipalities as well as to social and economic-development programs.

In 2008, non-programmable expenditure rose 7.6 percent at constant prices as compared to 2007, due to an increase in federal revenue sharing (21.1 percent) and lower financial costs (9.6 percent). The reduction in financial costs resulted from a change in the registry of interest paid by public entities and enterprises, which considers net interest paid (interest paid on liabilities less the interest received from this sector's financial assets) instead of only the interest paid.

In 2008, state governments mainly benefited from increased revenue sharing as a result of higher Shared Federal Tax Revenues (*Recaudación Federal Participable*, RFP).[18] The combination of the latter and a 5.6 percent real increase in revenue sharing allowed federalized expenditures (total federal funds channeled to state and municipal governments for direct spending) to grow 13 percent in real terms as compared to 2007.

During 2008, in response to the worsening of economic growth expectations and their possible impact on the Mexican economy, the federal government announced three fiscal programs designed to stave off the impact of the deteriorating world economic growth on the Mexican economy: in March the Economic Support Program (*Programa de Apoyo a la Economía*), in May the Household Economy Support Program (*Programa de Apoyo a la Economía Familiar*), and in October the Program to Boost Employment and Growth (*Programa para Impulsar el Crecimiento y el Empleo*, PICE). The first two programs mainly set out to reduce firms' costs and tax burdens and protect households' income and improve their access to basic food. These two programs did not generate pressures on public finances because they did not affect the annual public balance target.

[17] Fostered investment includes net budgetary physical investment (excluding capital amortizations to Pidiregas) and non-budgetary financed investment.

[18] As a result of the fiscal reform which came into force in 2008 (including that of Pemex fiscal regime), local governments also benefited from new sources of revenues from the Supervision Fund (*Fondo de Fiscalización*), the Hydrocarbon Extraction Fund (*Fondo de Extracción de Hidrocarburos*), the Compensation Fund (*Fondo de Compensación*), and the additional IEPS on gasoline and diesel (100 percent shareable). It is important to mention that as part of the approved measures, the percentage of Ordinary Duties on Hydrocarbons channeled to revenue sharing also increased in 2008.

The PICE was implemented in response to the greater deterioration of economic activity during the last quarter of 2008 and to expectations of lower economic growth for 2009. The program included measures to boost domestic demand through higher government investment in infrastructure and greater direct and induced financing by development banks. These measures were included in the economic program approved by the Mexican Congress for 2009, which modified the public balance target from traditional equilibrium to a 227.5 thousand million pesos deficit (1.8 percent of GDP).

Noteworthy are the changes made to the regulatory framework of public finances in 2008, particularly, those related to two main aspects of the LFPyRH. First, Pidiregas investment in Pemex was cancelled, meaning that as of 2009 its investment will be financed through own budgetary resources. Second, Pemex physical investment was excluded in order to achieve budgetary equilibrium. The latter allows a fiscal deficit for up to the same amount as this investment to be approved during the next years. This modification allowed that the measures outlined in the PICE could be included in the fiscal balance for 2009.

An additional change to the LFPyRH starting 2009 consisted of increasing the optimum levels of reserves of the FEIP, FEIEF and FEIPemex. This means these funds can have higher levels of capitalization and will allow accumulated funds to be used more freely to offset reductions in budgetary revenues.

Finally, it is important to mention that at the end of 2008, the Mexican government announced it had secured derivatives contracts to hedge oil exports using funds from the FEIP. These derivatives are designed to hedge net Mexican crude oil exports (330 million barrels per year) at an average price of 70 US dollars per barrel during 2009. With this measure, the government intends to offset the expected decline in oil revenues that could result from a fall in the oil price with respect to the one budgeted in the LIF-2009.

III.5. Monetary and Credit Aggregates

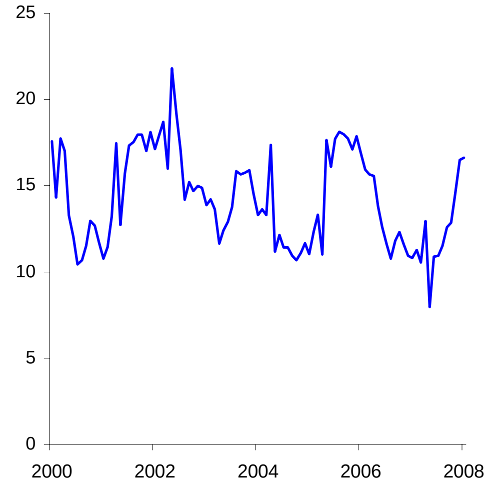
III.5.1. Monetary Base, Net Domestic Credit and Net International Assets

At the end of 2008, the monetary base was 577,543 thousand million pesos, 82,799 thousand million pesos above its level in December 2007. During this year, the monetary base grew, on average, 12.5 percent at an annual rate, figure similar to the 12.7 percent average growth observed in 2007 (Graph 27a).[19] The expansion of the monetary base increased towards the end of 2008. This behavior might have responded to a change in the composition of private sector's portfolio between cash and bank deposits as a result of the tax on cash deposits (*Impuesto a los Depósitos en Efectivo*, IDE) which came into effect in July 2008, as well as the increase in remittances valued in pesos after October 2008. These recent developments in the monetary base suggest that a remonetization process continued to take place during 2008 (Graph 27b).

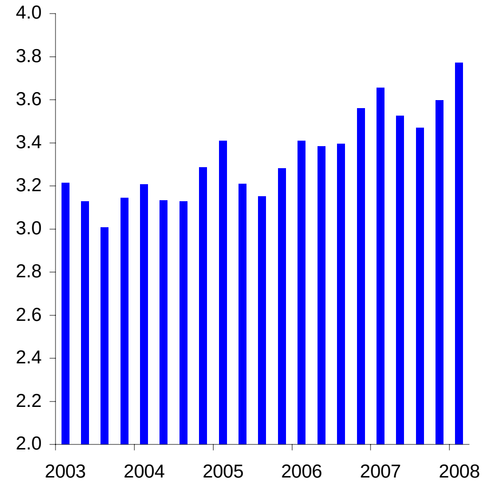
[19] Changes calculated based on the average of daily stocks.

Graph 27
Monetary Base

a) Monetary Base [1/]
a) Annual nominal change (percent)



b) Monetary Base [2/]
percent of GDP



1/ Monthly average of daily stocks.
2/ Quarterly average of daily stocks expressed as a percentage of nominal GDP.

At December 31, 2008, Banco de México's international reserves totaled 85,441 million US dollars, 7,450 million more than at the end of the previous year. Net international assets rose by 7,997 million US dollars, and thus amounted 95,232 million US dollars at the end of 2008. The behavior of these aggregates implied an increase in Banco de México's net domestic credit of 616 million pesos during the year (Table 20).

The accumulation of international reserves during 2008 was determined by several decisions taken by the Foreign Exchange Commission.[20] First, on July 25, 2008, the federal government purchased 8,000 million US dollars from the international reserves to service its foreign currency operation requirements during the following months. In order to offset the decline in international reserves, on August 1, 2008, the Foreign Exchange Commission suspended, until further notice, the mechanism to slow international reserves accumulation. [21,22] In 2008, Banco de México auctioned 3,496 million US dollars through this mechanism. Second, starting in October, the Foreign Exchange Commission provided liquidity to the foreign exchange market through daily auctions with announced minimum price and through extraordinary foreign currency auctions (see Section 111.5.2).

[20] As shown in Section IV-2, the Foreign Exchange Commission is composed of three officials from the Ministry of Finance (the Secretary and two Under Secretaries, one of which is directly appointed by the Secretary) and three from Banco de México (the Governor and two other Board members chosen by the Governor).
[21] US dollar auctions carried out according to Newsletter-Telefax 18/2003 and 18/2003 Bis.
[22] See Foreign Exchange Commission press release of July 25, 2008.

Table 20
Monetary Base, International Assets, and Net Domestic Credit
Millions

	Stocks at end of			Flows accumulated in		
	2006	2007	2008	2006	2007	2008
(A) Monetary base (Pesos)	449,821	494,743	577,543	69,788	44,922	82,799
(B) Net international assets (Pesos) 1/ 2/	824,967	952,227	1,317,292	25,941	118,484	82,183
Net international assets (USD) 2/	76,304	87,235	95,232	2,189	10,931	7,997
(C) Net domestic credit (Pesos) [(A)-(B)] 1/	-375,145	-457,484	-739,750	43,847	-73,562	616
(D) International reserves (USD) [(E)-(F)] 3/	67,680	77,991	85,441	-989	10,311	7,450
(E) Gross reserves (USD)	76,330	87,211	95,302	2,220	10,881	8,091
Pemex				26,698	12,899	22,754
Federal government				-20,192	-3,648	-4,772
Foreign exchange market operations 4/				-8,014	-4,240	-18,674
Others 5/				3,728	5,870	8,783
(F) Liabilities with less-than-six months to maturity (USD)	8,650	9,220	9,861	3,209	570	640

1/ Net international assets' cash flows in pesos are estimated using the exchange rate applied to each transaction.
2/ Net international assets are defined as gross reserves plus funding arrangements with foreign central banks with more than six months to maturity, minus total liabilities payable to the IMF and funding arrangements with foreign central banks with less than six months to maturity.
3/ As defined by Banco de México's Law.
4/ Corresponds to US dollars sold to commercial banks in this market through the following mechanisms: i) the mechanism to reduce international reserve accumulation (up to July 31); daily US dollar auctions carried out since October 9; and, iii) extraordinary US dollar auctions in October (see Foreign Exchange Commission press release of March 20, 2003, of July 25, 2008 and of October 8, 2008).
5/ Includes yields on net international assets and other transactions.

III.5.2. Measures to Ensure the Proper Functioning of Financial Markets in Mexico

Although up until the end of the third quarter of 2008 the international financial turmoil had mostly affected the advanced economies, prices of assets issued by most emerging economies and their stock markets had already started to deteriorate, and these economies began to experience greater difficulties to access financing in international financial markets. As mentioned above, the financial crisis worsened since mid September 2008 and its effects spread around the world. The extreme risk aversion prevailing in this highly uncertain environment led investors to search for safer financial assets; while the global deleveraging process intensified, resulting in the sale of positions in different financial markets. These two processes affected foreign exchange and other financial markets, particularly those of emerging countries. The exchange rates of these countries' depreciated significantly and became more volatile, while their sovereign and corporate debt spreads widened considerably and conditions of access to foreign financing tightened. Regarding emerging countries' domestic markets, as a result of these effects and the decomposition of portfolios towards safer and shorter-term assets, liquidity in medium and long-term security markets declined.

The substantial depreciation of the peso's exchange rate during October 2008 and the worsening of financial conditions in other domestic markets led Banco de México and the Ministry of Finance to adopt coordinated measures to preserve the orderly functioning of Mexico's financial markets.[23] These measures

[23] The peso exchange rate depreciated 24.2 percent from the end of September to October 24 (the Friday before Banco de México and the Ministry of Finance announced measures to improve the functioning of domestic financial markets).

were designed to inject liquidity to the foreign exchange market; ensure the supply of domestic liquidity to the banking system; improve liquidity conditions in securities markets; and, provide other measures to eliminate some of the obstacles to the orderly functioning of financial markets.

As for US dollar funding, two major measures were announced in the fourth quarter of 2008. First, just as in other emerging economies, the previously described liquidity pressures were also observed in Mexico's foreign exchange market due to the search for higher quality assets and the global deleveraging process. Furthermore, there was a large demand for US dollars from some firms that had to meet their positions in derivatives denominated in that currency. In order to counter these problems, the Foreign Exchange Commission decided to provide liquidity to the market through two types of auctions.[24] The mechanism to carry out daily US dollar auctions with announced minimum price was reintroduced on October 9, 2008.[25] Through this mechanism Banco de México tendered 400 million US dollars on a daily basis at a minimum exchange rate of 2 percent above the immediate previous working day exchange rate.[26] At the end of 2008, a total of 4,178 million US dollars had been auctioned through this mechanism. Meanwhile, in order to meet the exceptional demand for currency, in October, extraordinary auctions of US dollars were carried for a total of 11,000 million US dollars.[27] Thus, at the end of December 2008, 15,178 million US dollars had been sold through both types of auctions.

Second, on October 29, 2008, Banco de México established a temporary currency arrangement (swap line) with the U.S. Federal Reserve for up to 30 billion US dollars, initially effective until April 30, 2009.[28] This arrangement was established as a precautionary measure to supply US dollar liquidity to financial institutions in Mexico. The Federal Reserve established similar facilities with the central banks of several countries in order to improve global liquidity in international financial markets and mitigate the spread of difficulties to obtain U.S. dollar funding that well-managed and fundamentally sound economies could face.

Regarding domestic liquidity for the banking system, on October 2008, Banco de México decided to establish an additional temporary facility to provide liquidity to commercial banks. This preventive measure was based on the experience of other countries which have recently faced situations where banks have encountered difficulties in obtaining money market financing. This facility is additional to those traditionally used by commercial banks to access financing from Banco de México.[29]

Given the greater preference for shorter-term financial instruments as well as the decline in the demand and liquidity of medium and long-term securities, Banco de México and the Ministry of Finance announced different

24 Both types of auctions are only open to commercial banks and development banks in Mexico.
25 See Foreign Exchange Commission press release of October 8, 2008.
26 The mechanism to auction 400 million US dollars on a daily basis is similar to that implemented between February 19, 1997 and July 2, 2001 (See Newsletter-Telefax 10/97 and Newsletter-Telefax 18/2001).
27 Extraordinary auctions of US dollars were carried out on October 8, (998 million US dollars), October 9, (1,502 million US dollars), October 10, (6,000 million US dollars), October 16, (1,500 million US dollars) and finally for the last time in 2008 on October 23 (1,000 million US dollars).
28 See Banco de México press release of October 29, 2008.
29 Liquidity facilities are regulated by Banco de México's circulars 48/2008 and 49/2008 issued on October 13 and 17, 2008, respectively. The current conditions for financing through this liquidity facility are established in Banco de México's newsletters 61/2008 and 63/2008 issued on December 8 and 18, respectively.

measures to reduce liquidity problems.[30] First, both the Mexican government and the Bank Savings Protection Institute (*Instituto Bancario de Protección al Ahorro*, IPAB) modified their primary security placement program for the fourth quarter of 2008, increasing the amount of short-term placements and reducing issues of medium and long-term securities.

Second, the federal government held auctions to repurchase *Bonos M* and *Udibonos* for up to 40,000 million pesos.[31] Regarding Bonos M, two auctions were carried out for a total of 33,000 million pesos, with an allocation of 4,342.1 million pesos. In addition, an auction of Udibonos for 1,680 million UDIs took place, 712.6 million UDIs of which were sold.

Third, Banco de México carried out interest rate swap auctions, exchanging long-term fixed rates for short-term floating rates, allowing participants to reduce the sensitivity of their portfolios to yield curve fluctuations.[32] It is important to point out that of the 50,000 million pesos auctioned through this program, 4,400 million were allocated.

In order to remove certain obstacles to the orderly functioning of financial markets, the following actions were taken. Banco de México implemented a program to auction IPAB bonds for up to 150,000 million pesos. This program ended after the third auction, on November 18, 2008, with the purchase of IPAB bonds totaling 146,702 million pesos. These operations resulted in an increase in Banco de Mexico's securities holdings and, as a counterpart, in a reduction in its credit granted to financial intermediaries.[33]

Temporary regulatory facilities were also introduced, giving investment funds greater flexibility to restructure their portfolios.[34] The National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores,* CNBV*)* issued regulations temporarily allowing (six months from October 30, 2008) financial institutions to carry out the purchase and sale of government securities to investment funds within the same financial group.[35]

Finally, in order to encourage the renewal of security issues in the private debt market, in October 23, 2008, the National Development Banking Institution (*Nacional Financiera*, Nafin), and the Foreign Trade Bank (*Banco Nacional de Comercio Exterior*, Bancomext) implemented a program of guarantees for short-term securities for up to 50 percent of the amount issued, and up to 50,000 million pesos.[36] Short-term issues that used this program in 2008 amounted to 9.5 thousand million pesos. These securities accounted for 16 percent of total short-term debt issued in this market from the beginning of the program, until the end of 2008.

[30] See Banco de México and Ministry of Finance's joint press release of October 27, 2008, and Ministry of Finance press release of October 30, 2008.
[31] See Ministry of Finance press release of October 30, 2008.
[32] In these auctions Banco de México offered the 28-day Interbank Interest Rate as a floating rate, while auction participants determined the fixed rate they were willing to pay.
[33] See Banco de México's weekly balance sheet press release (*Boletín Semanal sobre el Estado de Cuenta del Banco de México)* of November 25, 2008.
[34] See Banco de México and Ministry of Finance's joint press release of October 27, 2008.
[35] See Mexico's Official Gazette (*Diario Oficial de la Federación*) October 30, 2008.
[36] See Nafin press release of October 22, 2008.

III.5.3. Monetary Aggregates and Financing to the Private Sector

In 2008, in a context of economic slowdown, the monetary aggregates grew, on average, below 2007 figures in annual terms. Monetary aggregates grew at slower rates during the first three quarters of 2008. Nevertheless, during the fourth quarter of the year, in response to increased uncertainty and higher risk aversion in financial markets, the composition of financial asset portfolios changed in favor of assets with safer nominal yields. This was reflected in the higher growth of bank deposits and in changes in holdings of short-term, floating rate government securities, which altogether led to a recovery in the domestic sources of financial funding for the economy. An additional factor explaining the recovery in the annual growth of the broad monetary aggregates (M2, M3 and M4) is the impact of the implementation of the new ISSSTE law, in December 2008, on private sector holding of domestic financial assets.[37]

In 2008, the monetary aggregate M1 recorded a nominal annual average variation of 8 percent, figure below the 9.7 percent observed in 2007.[38] The growth of the more liquid financial assets (narrow monetary aggregates) recovered at the end of 2008 as a consequence of the shift in private sector portfolios towards assets with safer nominal yields. Thus, this monetary aggregate registered a nominal annual average variation of 9.5 percent during the fourth quarter of 2008.

Table 21
Monetary Aggregate M1
Annual nominal change (percent) of average stocks

	2006	2007	2008	2008 Quarters I	II	III	IV
M1	15.6	9.7	8.0	9.7	8.1	4.9	9.5
Currency in circulation (banknotes and coins)	15.9	12.2	11.3	10.4	9.4	9.9	15.0
Checking accounts (pesos)	15.2	10.4	5.9	9.4	8.0	2.4	4.1
Current account deposits	20.0	13.5	9.1	8.4	9.5	6.1	12.1
Deposits in Savings and Loan Associations (SAPs)	29.3	22.1	6.8	12.3	5.5	8.2	1.5
Checking accounts (US dollars)	9.7	-7.7	5.4	10.5	1.2	-2.4	12.2

In 2008, the monetary aggregate M2 grew at a real annual average rate of 5.5 percent, while excluding the impact of the new ISSSTE law it grew on average at a real annual rate of 5.2 percent (6.3 percent in real annual terms in 2007). The average stock of bank term deposits increased, while holdings of government and private securities grew at a slower rate (Table 22).[39] Thus, in 2008, bank term deposits grew at a real annual average rate of 13.9 percent, while the average stock of government securities grew only 1.1 percent in real

[37] Implementation of the ISSSTE law implied a significant increase in private sector's holdings of financial assets, which affected the broad monetary aggregates in two ways. First, the federal government made deposits in its account at Banco de México in favor of workers who opted for the new ISSSTE pension scheme. These resources are managed by the Afores, mainly the Afore PENSIONISSSTE. Second, the federal government issued an ISSSTE pension bond (Bono de Pensión ISSSTE), which represents a liability of the federal government's domestic debt and an asset in favor of ISSSTE workers. The Afores register the Bono de Pensión ISSSTE in workers' individual accounts.

[38] M1 includes bills and coins held by the public plus Mexican residents' deposits in checking and current accounts.

[39] It is important to mention that the reduction was partly due to the decrease in the market value of some instruments, particularly medium and short-term securities.

terms, as compared with the real average annual growth rates of -1.5 and 10.1 percent, respectively, of the previous year.

Table 22
Broad Monetary Aggregates
Annual real change (percent) of average stocks

		2006	2007	2008	2008 Quarters I	II	III	IV
M2	(= M1 +)	10.5	6.3	5.5	6.7	5.8	3.7	5.9
	Bank deposits	3.5	-1.5	13.9	9.8	14.2	11.9	19.7
	Deposits in savings and loans companies	15.8	12.9	7.4	9.1	7.1	7.8	5.6
	Public securities	14.4	10.1	1.1	5.1	1.6	-0.7	-1.6
	Private securities	5.0	13.9	19.5	20.4	24.1	26.1	7.4
	Housing funds and others	9.4	3.7	8.7	3.2	6.5	6.5	18.5
M3		11.1	6.9	7.2	8.7	7.7	5.9	6.5
M4		11.1	7.2	7.3	9.0	7.7	5.9	6.6
	Memo:							
	Savings from SAR included in M2 1/	8.4	6.4	4.6	6.9	3.3	2.0	6.3
	Non-resident savings	27.2	25.3	48.0	72.5	57.0	52.7	19.5

1/ Excludes investment in foreign debt instruments and floating rate securities from total SAR resources.

During the first three quarters of the year, inflows of foreign investment in debt instruments totaled 104.9 thousand million pesos. These higher levels of investment are explained, among other factors, by the large spread between Mexican and U.S. interest rates. Although these spreads remained wide, growing risk aversion among investors during the fourth quarter of 2008 led to a decline in non-residents demand for Mexican financial assets. As a result, during this period, non-residents' holdings of Mexican financial assets decreased by 46.3 thousand million pesos, causing the real annual average growth of such investments to fall from 52.7 percent during the third quarter to 19.5 percent during the fourth (Table 22).

In 2008, the broad monetary aggregate M4 registered a real average annual variation of 7.3 percent; excluding the ISSSTE law's impact this monetary aggregate's real annual growth was 6.9 percent, as compared with 7.2 percent in 2007. Given the decrease in non-residents financial savings during the last quarter of 2008, the annual growth of the monetary aggregate M4 mostly responded to the pattern followed by Mexican residents' savings.[40]

The worsening of the international financial crisis in the last few months of 2008 led to conditions of extreme risk aversion and tighter liquidity in all financial markets. As a result, the supply of funding declined, while access to some financial markets diminished significantly. On the other hand, the slowdown in economic activity and the deterioration of the medium-term economic outlook have reduced private sector's demand for financing. These effects resulted in a decline in the growth of both foreign and domestic financing to the non-financial private sector, as well as in an increase in the cost of this type of credit through debt issue and credit granted by the financial system.

[40] M4 includes domestic financial assets (demand and term) and domestic private sector bank deposits plus deposits in Mexican banks' agencies abroad held by residents and non-residents.

The growth of total financing to the non-financial private sector deteriorated considerably during 2008, particularly towards the last quarter of the year. In December 2008, this financial aggregate grew at a real annual rate of 8.9 percent, as compared to a real annual rate of 10.6 percent during the same period of 2007. Thus, the total stock of financing to the non-financial private sector accounted for 30.7 percent of GDP in the last quarter of 2008 (Table 23). It is important to mention that in the last few months of 2008, total financing figures reflected the effect of the depreciation of the exchange rate on foreign-currency denominated debt.

Domestic financing to the non-financial private sector, mainly that granted by commercial banks including their Sofomes E.R. subsidiaries, grew at lower rates.[41] In December 2008, domestic financing grew at a real annual rate of 4.6 percent, figure below the 13.2 percent observed in December 2007. As a result, the stock of domestic financing accounted for 22.7 percent of GDP in 2008, figure slightly higher than the 22.1 percent observed in 2007 (Table 23).

Table 23
Total Financing to the Non-financial Private Sector

	Stocks in Thousand Million Pesos			Percent of GDP			Real Annual Change (Percent)	
	Dec-06	Dec-07	Dec-08	Dec-06	Dec-07	Dec-08	Dec.07-Dec.06	Dec.08-Dec.07
Total financing	**2,794.4**	**3,207.9**	**3,721.4**	**26.9**	**28.6**	**30.7**	**10.6**	**8.9**
By source								
Foreign	**690.7**	**736.5**	**966.9**	**6.7**	**6.6**	**8.0**	**2.8**	**23.2**
Foreign direct financing 1/	480.5	488.7	690.7	4.6	4.4	5.7	-2.0	32.7
Foreign debt issue 2/	210.2	247.7	276.3	2.0	2.2	2.3	13.6	4.7
Domestic	**2,103.7**	**2,471.4**	**2,754.4**	**20.3**	**22.1**	**22.7**	**13.2**	**4.6**
Commercial banks and their subsidiaries 3/	1,134.4	1,462.3	1,659.2	10.9	13.0	13.7	24.2	6.5
Developments banks	51.9	50.4	69.4	0.5	0.4	0.6	-6.4	29.2
Other intermediaries 4/	264.7	237.8	210.7	2.5	2.1	1.7	-13.4	-16.8
Debt issue	175.8	187.8	222.2	1.7	1.7	1.8	2.9	11.1
INFONAVIT 5/	476.8	533.2	592.9	4.6	4.8	4.9	7.8	4.4
By sector								
Households	**1,261.8**	**1,434.4**	**1,512.6**	**12.2**	**12.8**	**12.5**	**9.6**	**-1.0**
Consumption	429.1	526.7	531.4	4.1	4.7	4.4	18.3	-5.3
Housing	832.8	907.6	981.3	8.0	8.1	8.1	5.0	1.5
Firms 6/	**1,532.6**	**1,773.5**	**2,208.7**	**14.8**	**15.8**	**18.2**	**11.5**	**16.9**
Foreign financing	690.7	736.5	966.9	6.7	6.6	8.0	2.8	23.2
Domestic financing 7/	841.8	1,037.1	1,241.8	8.1	9.3	10.3	18.7	12.4

Note: Figures subject to revision. Stocks expressed as a percentage of annual average GDP. Stocks and figures as a percent of GDP may not add up due to rounding.
1/ Including firms' foreign suppliers, credit granted by foreign banks, and other creditors. Source: Balance of Payments. Does not include Pidiregas-Pemex.
2/ Commercial paper, bonds and issues placed abroad. Source: Balance of Payments. Does not include Pidiregas-Pemex.
3/ Including total credit portfolio and accrued interests, and portfolio related with debt-restructuring programs (UDIs and IPAB-Fobaproa and ADES). Credit granted by commercial banks is consolidated with that granted by their Regulated Entities (*Entidades Reguladas*, E.R.) Sofomes.
4/ Includes credit granted by financial factoring companies, financial leasing companies, credit unions, SAPS, and Special-purpose financial companies (*Sociedades Financieras de Objeto Limitado,* Sofoles), and Sofomes E.R. which are not subsidiaries of commercial banks. Excludes financial intermediaries that became Unregulated (*No Reguladas*, N.R.) Sofomes.
5/ Refers to performing and non-performing mortgage loans from the Public Housing Institute (*Instituto del Fondo Nacional de la Vivienda para los Trabajadores*, INFONAVIT).
6/ Including individuals with business activity.
7/ Domestic financing to firms includes total financing granted by financial factoring companies and credit unions.

Within financing to the non-financial private sector, credit to households was the type of credit that deteriorated the most. In December 2008, total

[41] As of March 2008, some commercial banks passed part of their consumer credit portfolios to their Sofomes E.R. subsidiaries. See Monetary Aggregates and Financial Activity press releases of October 31, 2008 and January 30, 2009.

financing to households contracted 1 percent in real annual terms, as compared with a 9.6 percent growth at the end of 2007 (Table 23).[42] Commercial banks, the financial intermediary with the largest share in the credit to households' market (52.9 percent in December 2008), was the one that contracted the most as a percentage of GDP (Graph 28a). As a result, total financing to households declined from 12.8 percentage points of GDP in December 2007 to 12.5 percentage points at the end of 2008.

During recent years, mortgage financing has remained relatively constant as a proportion of GDP, while consumer credit, which had exhibited greater dynamism in previous years, decelerated more in 2008. In December 2008, mortgage credit accounted for 8.1 percent of GDP, and consumer credit accounted for 4.4 percent of GDP (Graph 28b).

The real annual growth of consumer credit declined sharply in 2008. The tightening of credit conditions as a result of the widespread credit astringency in the last months of 2008 and the significant deterioration in the quality of this portfolio are factors that might have affected the supply of this type of credit. The reduction in the total wage bill and deteriorating consumer confidence are also factors which might have contributed to the slower rate of growth recorded by this type of financing. Thus, in December 2008, consumer credit fell at a real annual rate of 5.3 percent, as compared with an 18.3 percent growth during the same period of 2007 (Graph 28c).

The slowdown in the annual growth of mortgage financing resulted from commercial banks' tighter conditions for granting this type of credit, as well as the substantial slowdown in economic activity. At the end of 2008, mortgage loans grew at a real annual rate of 1.5 percent, figure below the 5 percent recorded in December 2007 (Graph 28c).

In December 2008, total financing to non-financial private firms grew at a real annual rate of 16.9 percent (as compared with 11.5 percent in 2007), and accounted for 18.2 percent of GDP in December of that year (Graph 29a and b). It is important to mention that the growth of this type of financing was affected by the depreciation of the peso's exchange rate observed during the last quarter of 2008.[43] A breakdown of the sources of this type of credit reveals that both foreign (expressed in US dollars) and domestic financing grew at slower rates.

In 2008, external financing to non-financial private firms expressed in US dollars grew 3.6 percent (as compared with 5.6 percent in 2007). In particular, in December 2008, securities placed in international financial markets decreased at a rate of 12 percent in annual terms (as compared with a 16.7 percent growth in December 2007).

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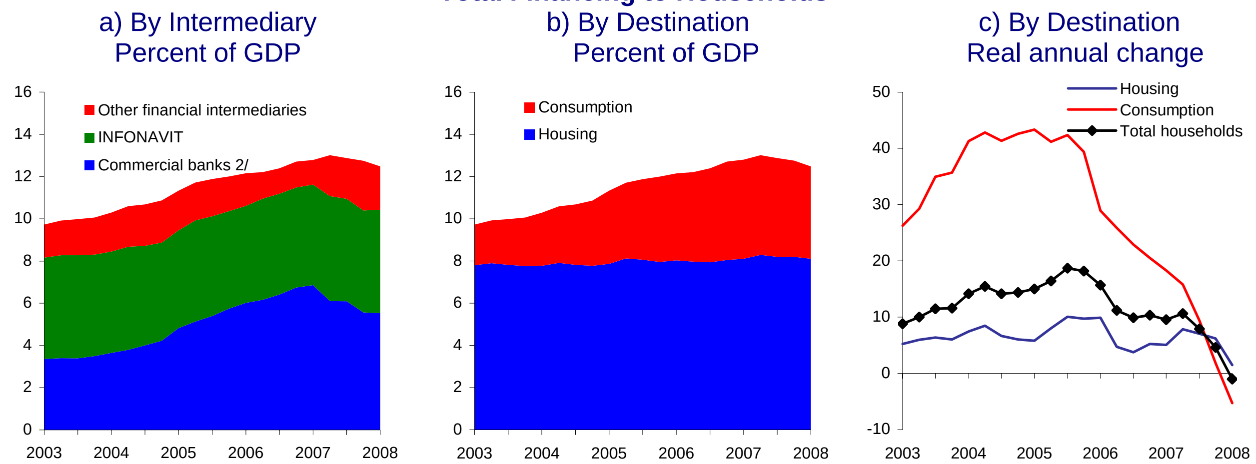
[42] Total credit, which includes performing and non-performing portfolios. Bank financing also includes direct portfolio and credit portfolio associated with restructuring programs.

[43] Financing to firms in domestic currency grew at a real annual rate of 3.2 percent in December 2008. Meanwhile, this type of financing in foreign currency (external and domestic financing in foreign currency), and expressed in US dollars, grew 4.2 percent in real annual terms during the same period.

Graph 28
Total Financing to Households

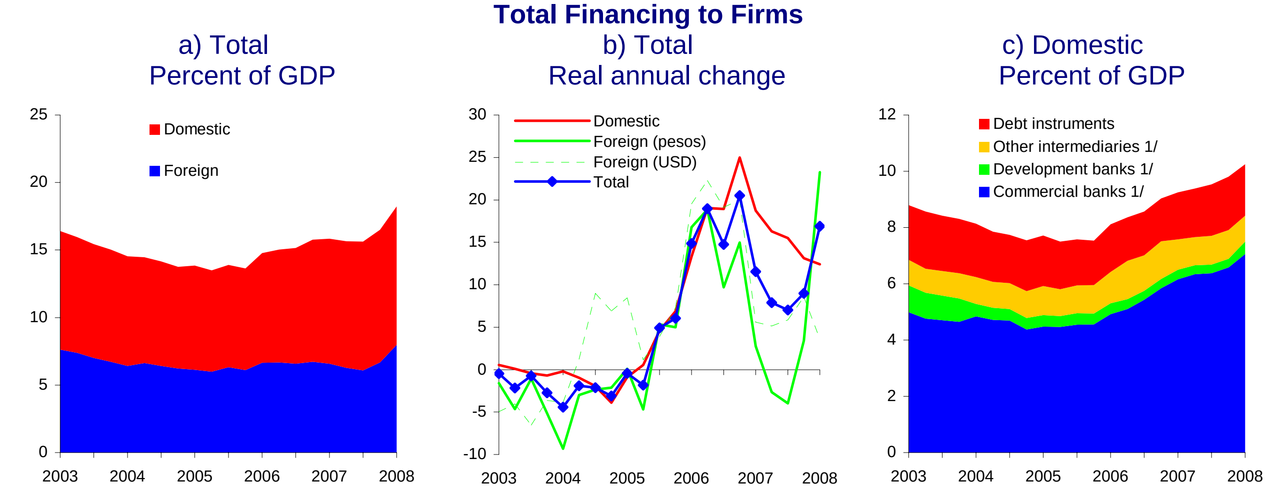


1/ Total credit. Includes performing and non-performing portfolio. Bank credit includes direct portfolio and credit portfolio associated with debt re-estructuring programs.
2/ Commercial bank credit includes credit granted by its subsidiaries Sofomes E.R.

As for domestic financing to the non-financial private sector, it also grew at slower rates during 2008 (Graph 29b). Domestic financing to non-financial private firms grew 12.4 percent in real annual terms, figure below the 18.7 percent observed in 2007.

Commercial banks were the main source of domestic financing to non-financial private firms during 2008. Credit granted to firms by these intermediaries slowed less than other sources of financing to firms. In December 2008, total commercial bank financing to non-financial private firms recorded a real annual average variation of 16.1 percent (as compared with 30.5 percent in 2007)[44] and accounted for 7.1 percent of GDP (Graph 29c).

Graph 29
Total Financing to Firms



1/ Total credit. Includes performing and non-performing portfolio. Bank credit includes direct portfolio and credit portfolio associated with debt re-estructuring programs.

[44] Total financing, including non-performing and performing loan portfolios as well as portfolio associated with debt-restructuring programs.

During the January-September period of 2008, the situation in international financial markets deteriorated considerably. As a result, the access conditions to these markets for issuing securities tightened significantly, implying a substantial increase in the cost of these instruments, particularly for emerging economies. The fact that growing uncertainty in international financial markets had not affected Mexico's debt market made it relatively more attractive to issue securities in Mexico. As a result, the debt market became an alternative source of financing for non-financial firms. During the first three quarters of 2008, the Mexican non-financial private firms' securities market grew at high rates. While between 2004 and 2007 this market had grown at a real annual average rate of 2.7 percent, during the first three quarters of 2008 it did so by 12.4, 17.2, and 28.3 percent, respectively. Nevertheless, after Lehman Brothers' collapse in the middle of September 2008, conditions in Mexico's financial markets deteriorated rapidly. This change in risk perception was characterized by the loss of liquidity in the Mexican debt market, which led to a sharp decline in the rate of growth of security placements, a reduction in their maturity, and higher interest rates.

During the fourth quarter of 2008, non-financial private firms' debt issues in Mexico grew at a real annual average rate of 17.9 percent and accounted for 1.8 percent of GDP at the end of the year (Table 23).

III.5.4. Flow of Funds

The flow of funds presents, in a summarized format, movements of financial resources among the different sectors of the economy (public, private, bank, and external) during the year, identifying them as net suppliers or net users of funds.[45] Flows equal net positions: a positive sign means a sector received financing, while a negative sign implies a creditor position, i.e., a sector granting financing.[46] The exercise uses a broad definition of the public and private sectors. The public sector corresponds to the definition of the Public Sector Borrowing Requirements (PSBR),[47] while the private sector includes the non-financial sector and non-bank financial intermediaries.

In 2008, the external sector was a significant source of funding for the Mexican economy, granting an amount of financing equivalent to 1.5 percent of GDP (line item 17 in Table 24). This amount corresponds to the balance of payments current account deficit and is superior to the external flows received in 2007 (0.8 percent of GDP) (Table 24). The sources of external saving changed in terms of investment composition. The increase in external saving resulted mainly from a reduction in the growth of Mexican residents' financial assets and from the level of international reserves, which offset the reduced flow of foreign financing.

In 2008, PSBR accounted for 1.8 percent of GDP (line item 17 in Table 24), figure above that recorded in 2007 (0.9 percent of GDP). PSBR were financed with domestic resources equal to 1.7 percent of GDP and mainly

[45] For a detailed description of the methodology used to prepare the flow of funds matrix, see Banco de México's Annual Report 1998, Appendix 6, p. 243.

[46] For a breakdown of the uses and sources of financial funds included in the matrix, see the Statistical appendix of this Report.

[47] For a definition of PSBR, see Appendix 2 of this Report. The flow of funds uses PSBR that includes non-recurrent revenues. The figure presented in the flow of funds matrix is prepared using Banco de México's methodology.

associated with the placement of securities. Net external financing, financing less the change in foreign-asset holdings, equaled 0.1 percent of GDP.

Table 24
Flow of Funds of Mexico's Financial System [1/]
Net financing received by sector
(Positive sign=debtor position, negative sign=creditor position)
Flows revalued as a percentage of GDP [2/]

	Private[3/]	Public[4/]	Bank[5/]	External	Private[3/]	Public[4/]	Bank[5/]	External
	2007				**2008**			
1. Change in domestic financial instruments (2 + 7 + 8 + 9)	-1.6	1.5	1.1	-0.9	**-3.5**	**1.7**	**1.7**	**0.0**
2. Financial instruments	-3.0	1.4	2.6	-1.0	**-5.0**	**1.7**	**3.6**	**-0.3**
3. Currency	-0.4		0.4		**-0.5**		**0.5**	
4. Checkable, time and savings deposits	-1.7	-0.1	2.1	-0.3	**-2.6**	**-0.1**	**2.7**	**0.0**
4.1 Non-financial enterprises and other institutions	-1.2	-0.1	1.5	-0.2	**-1.8**	**-0.1**	**2.0**	**-0.1**
4.2 Households	-0.6		0.6	0.0	**-0.8**		**0.8**	**0.1**
5. Securities issued [6/]	-0.8	1.5	0.1	-0.7	**-1.4**	**1.4**	**0.3**	**-0.3**
6. Retirement and housing funds [7/]	0.0	0.0			**-0.5**	**0.5**		
7. Loans	2.8	-0.9	-1.9		**1.3**	**0.3**	**-1.5**	
7.1 Enterprises and other entities [8/]	1.3	-0.9	-0.4		**2.0**	**0.3**	**-2.3**	
7.2 Households	1.5		-1.5		**-0.7**		**0.7**	
8. Shares and other equity	-0.1		0.0	0.0	**-0.2**		**-0.2**	**0.4**
9. Other financial system items [9/]	-1.4	1.0	0.4		**0.4**	**-0.3**	**-0.1**	
10. Change in foreign financial instruments (11 + 12 + 13 + 14 + 15)	1.6	-0.7	-1.1	0.1	**3.1**	**0.1**	**-1.7**	**-1.5**
11. Foreign direct investment	2.7			-2.7	**1.7**			**-1.7**
12. Foreign financing	0.7	0.7	-0.1	-1.4	**0.2**	**0.8**	**-0.1**	**-0.9**
13. Financial assets held abroad	-1.5	-1.4	0.0	2.9	**1.1**	**-0.7**	**-0.9**	**0.5**
14. Banco de México's international reserves			-1.0	1.0			**-0.7**	**0.7**
15. Errors and ommissions (balance of payments)	-0.2			0.2	**0.2**			**-0.2**
16. Statistical discrepancy [10/]	0.0			0.0	**0.0**			**0.0**
17. Total change in financial instruments (1+ 10 +16)	-0.1	0.9	0.0	-0.8 [11/]	**-0.3**	**1.8**	**0.0**	**-1.5** [11/]

1/ Preliminary figures. Figures may not add up due to rounding.
2/ Excludes the effect of Mexican peso's exchange rate fluctuations vis-à-vis other currencies.
3/ Private sector includes firms, households, and non-bank financial intermediaries.
4/ Public sector measured as Public Sector Borrowing Requirements (*Recursos Financieros del Sector Público*, RFSP), including non-recurrent revenues.
5/ Banking sector includes Banco de México, development and commercial banks (including the latter's agencies abroad). Given their condition as financial intermediaries, this sector has a total net position of zero (item 17). Consolidated financial flows from the banking sector were estimated using statistics on assets and liabilities from commercial and development banks, and Banco de México.
6/ Includes government securities, BPAs, BPATs, BREMs, private securities, and securities from states and municipalities. It also includes securities held by Siefores.
7/ Includes retirement funds from the Public Employees Social Security Institute (*Instituto de Seguridad y Servicios Sociales para los Trabajadores del Estado*, ISSSTE) and from the IMSS held by Banco de México, and housing funds.
8/ Private sector includes firms, credit unions, savings and loan companies, investment funds, financial leasing companies, financial factoring companies, special-purpose financial companies (*Sociedades Financieras de Objeto Limitado*, Sofoles), insurance companies, investment companies specialized in retirement savings (*Sociedades de Inversión Especializadas en Fondos para el Retiro*, Siefores), bonding companies, deposit warehouses, public funds and trusts, brokerage houses, states and municipalities, and securities associated with debt-restructuring programs. The public sector includes entities as defined by PSBR.
9/ Includes items such as non-classified assets, real estate assets and others, and banking sector's equity and profit and loss accounts.
10/ Difference between financial data and that obtained from the balance of payments.
11/ Drawn from the current account of the balance of payments. A negative figure means the domestic economy received foreign financing (external sector surplus), which equals Mexico's current account deficit.

In 2008, the private sector exhibited a total net creditor position of 0.3 percent of GDP (line item 17 in Table 24), figure slightly above that recorded in 2007 (0.1 percent of GDP). Although the private sector's financial position did not change significantly, net saving in domestic financial instruments rose and net external financing increased, mainly as a result of a reduction in financial assets held abroad.

Net external financing to the private sector increased from 1.6 percent of GDP in 2007 to 3.1 percent in 2008 (line item 10 in Table 24). This result was mostly due to a reduction in Mexican residents' assets abroad during 2008, which constituted an inflow of external funding equal to 1.1 percent of GDP, as compared with 1.5 percent of GDP during 2007. In contrast, direct external financing and Foreign Direct Investment (FDI) equaled 1.9 percent of GDP in 2008, as compared to 3.4 percent of GDP during the previous year.

Private sector's domestic balance was composed of net savings in domestic financial instruments equal to 3.5 percent of GDP (line item 1 in Table 24), figure substantially higher than the 1.6 percent of GDP observed in 2007.[48] This result stemmed from the combination of an increase in the holding of domestic financial instruments and a reduction in the flow of financing to that sector. Among the latter financing, the flow of credit to firms and other institutions accounted for 2 percent of GDP in 2008, figure 0.7 percentage points above that observed in 2007. Commercial banks' financing to households recorded a negative flow equivalent to -0.7 percent of GDP, 2.2 percentage points below the previous year's figure.[49,50]

III.5.5. Securities Markets

In 2008, developments in the Mexican capital market responded to the worsening crisis observed in most of the world's financial markets. The deteriorating outlook for world economic growth and the problems of several financial institutions in the U.S. affected international financial markets and that of Mexico during the third quarter of the year. After Lehman Brothers' bankruptcy in September 2008, confidence in world financial markets plummeted, leading to both increased risk aversion and uncertainty which sparked the massive sell off of financial assets. As a result, measured in US dollars, the yield of the Mexican Stock Exchange Main Benchmark Index (*Índice de Precios y Cotizaciones de la Bolsa Mexicana de Valores,* IPC) fell 28.3 percent during the fourth quarter of the year (Graph 30a).

Consequently, the IPC ended 2008 with an annual nominal yield of 24.2 percent, which measured in US dollars, represented a 39.2 percent loss. At the end of 2008, the capitalization value of the Mexican Stock Market accounted for 26.6 percent of GDP, a relatively low figure compared to those observed in other economies (Graph 30b). In addition, two initial public offerings took place during the year, meaning a total of 136 firms were listed in the Mexican Stock Market at the end of 2008.

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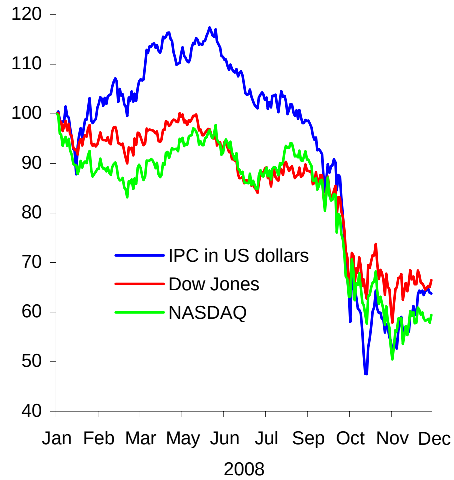
48 This section refers to financial saving and not total saving, which is reported in Section III.1 of this Report. The financial saving referred to in this section is therefore a component of total saving.

49 The group of firms and other institutions includes non-financial private firms, non-bank financial intermediaries, and states and municipalities.

50 In 2008, the negative flow of financing to households was influenced by some commercial banks' transfer of credit portfolio, mainly credit cards, to their Sofomes E.R. subsidiaries. The counterparty to this transfer was an increase in commercial banks' financing to Sofomes E.R. After excluding the effect of this operation, the flow of credit to households accounted for 0.3 percent of GDP in 2008, 1.1 percentage points below that observed in 2007, while financing to firms and other institutions in 2008 equaled 0.9 percent of GDP, 0.4 percentage points less than in the previous year.

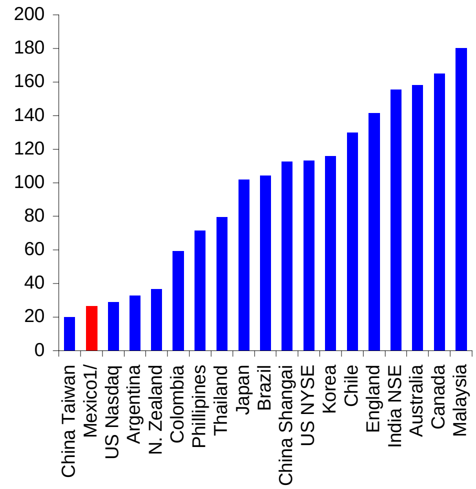
Graph 30
Mexican Stock Exchange Main Benchmark Stock Index
(*Índice de Precios y Cotizaciones de la Bolsa*, IPC)

a) Main Benchmark Stock Index in US dollars, U.S. Dow Jones and NASDAQ Indices
January 2, 2008=100



Source: Prepared with data from the Mexican Stock Exchange (*Bolsa Mexicana de Valores*, BMV) and Bloomberg.

b) Stock Market Capitalization Value, 2007
Percent of GDP



1/ In the case of Mexico, figures correspond to 2008, estimated with the annual average GDP base 2003.
Source: World Federation of Exchanges and World Bank.

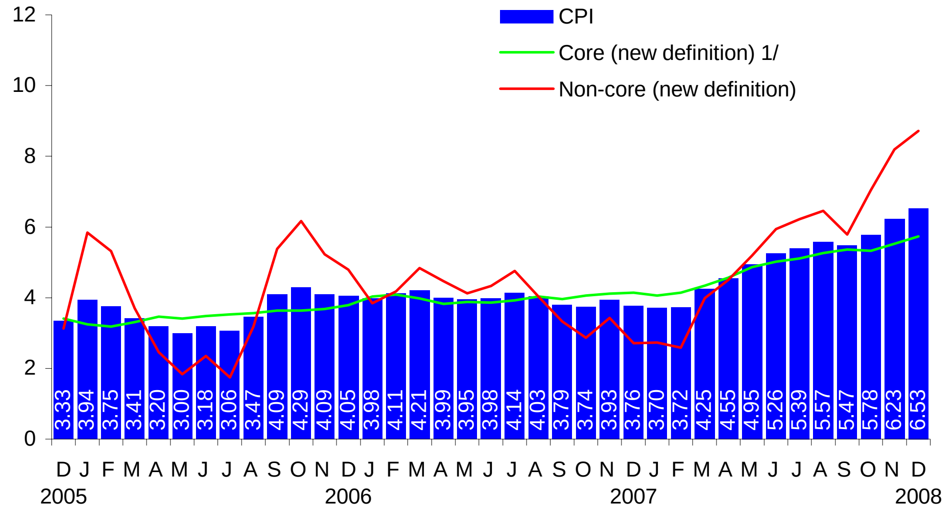
III.6. Inflation

At the end of 2008, annual headline inflation was 6.53 percent, 2.77 percentage points above the 3.76 percent observed in December 2007. Although average inflation was 3.89 percent during the first quarter of the year analyzed in this Report, in the three following quarters this indicator followed an upward trajectory, reaching 4.92, 5.48 and 6.18 percent, respectively (Graph 31). The performance of both core and non-core components of the Consumer Price Index (CPI) accounted for such a trend. The non-core index in particular exhibited higher rates of inflation after the second quarter, and grew even more rapidly during the last three months of the year.

In 2008, different events affected the supply of goods and services in Mexico. As a result of these supply shocks, inflation in Mexico remained above Banco de México's inflation target for most of the year. In this regard, worth mentioning first of all are the increases in the international prices of food, metal and energy commodities, particularly during the first half of the year. These increases had a significant impact on production cost structures in practically all sectors of the economy. Furthermore, prices were affected by exchange rate-related pressures, as the Mexican peso depreciated around 26 percent during the last quarter of the year. The flat rate business tax (*Impuesto Empresarial a Tasa Única*, IETU), which came into force in 2008, is also foreseen to have affected annual headline inflation.[51]

[51] See Inflation Report October-December 2008, Box 7.

Graph 31
Consumer Price Index
Annual change (percent)



1/ This indicator includes the Merchandise and Services price subindex. The Merchandise price subindex is made up of the following items: Processed Foodstuffs. Beverages, Tobacco and Other Merchandise. The Services price subindex is made up of the following items: Housing (homes), Education (school fees), and Other Services. For more details on these indicators' definitions, see Inflation Report July-September 2007, Appendix 1, pp.53-57.
Source: Banco de México.

The increase in the international price references of fuels during the first half of 2008 led to higher energy subsidies in the Mexican domestic market. In July, the Mexican government responded to this situation by raising the size and frequency of upward adjustments in the prices of Magna and Premium type gasoline, LP gas, and diesel. This measure was designed to reduce the gap between domestic and external energy prices.

As Table 25 shows, during 2008, the main CPI indices and subindices recorded higher levels of annual inflation than those during the previous year. Within core inflation, the price increases of processed foods were noteworthy. As for non-core inflation, prices of agricultural products as well as goods and services with administered and regulated prices had a significantly high incidence on annual headline inflation.

Annual core inflation reached 5.73 percent in December 2008, 1.59 percentage points higher than the figure observed at the end of 2007 (Graph 32). As for its components, the merchandise price subindex recorded an annual inflation of 6.45 percent in December 2008, as compared with 4.52 percent during the same month of the previous year. In particular, the annual inflation of processed food prices grew in response to increases in international commodity prices. For instance, the rise in the prices of corn-based and soy-based products as well as prepared/cooked foods and other groceries (rice, ham, frankfurters, and *chorizo* sausage, among others) was noteworthy. Prices of non-food merchandise were influenced upwards by the price increases of chemical and petro-chemical inputs as well as by the depreciation of the peso exchange rate. During the year analyzed in this Report, the prices of articles related to personal hygiene and household cleaning products, and pet food recorded the highest inflation (Graph 33).

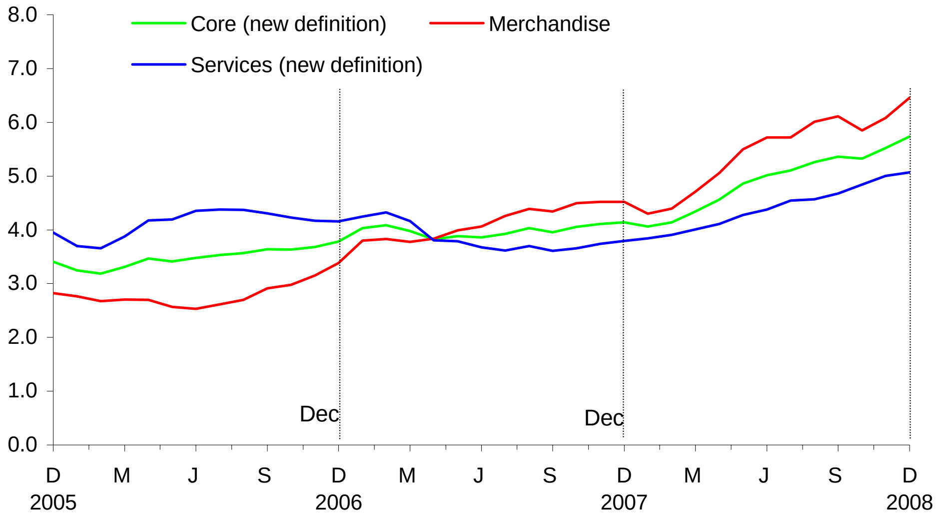
Table 25
Consumer Price Index
Annual change (percent)

	Annual Change (Percent)			Incidence (Percentage Points)				
	Dec-07	Jun-2008	Dec-08	Dec-07 (a)	Jun-2008 (b)	Dec-08 (c)	Difference (c-a)	Difference (c-b)
CPI	**3.76**	**5.26**	**6.53**	**3.76**	**5.26**	**6.53**	**2.77**	**1.27**
Core (new definition) 1/	**4.14**	**5.02**	**5.73**	**3.03**	**3.72**	**4.21**	**1.18**	**0.49**
Merchandise	**4.52**	**5.72**	**6.45**	**1.58**	**2.03**	**2.27**	**0.69**	**0.24**
Food products	7.52	9.59	9.46	1.13	1.48	1.47	0.34	-0.01
Corn products 2/	5.85	4.18	7.83	0.09	0.07	0.12	0.03	0.06
Soy products 3/	16.11	40.96	29.40	0.09	0.23	0.18	0.09	-0.05
Processed foods 4/	5.55	6.79	9.29	0.08	0.10	0.13	0.06	0.04
Other groceries 5/	3.67	11.00	18.12	0.07	0.21	0.34	0.27	0.13
Remaining food products	8.34	8.82	6.91	0.80	0.87	0.69	-0.11	-0.17
Remaining merchandise	2.26	2.74	4.07	0.45	0.55	0.80	0.35	0.25
Services (new definition)	**3.80**	**4.38**	**5.07**	**1.45**	**1.69**	**1.94**	**0.49**	**0.25**
Housing	3.01	3.80	4.22	0.52	0.67	0.73	0.20	0.06
Private education	5.68	5.63	5.76	0.35	0.35	0.36	0.01	0.01
Remaining services	3.94	4.53	5.77	0.58	0.68	0.85	0.27	0.17
Non-core (new definition)	**2.71**	**5.94**	**8.72**	**0.73**	**1.54**	**2.32**	**1.59**	**0.78**
Agricultural	**3.42**	**8.88**	**11.63**	**0.30**	**0.75**	**1.03**	**0.73**	**0.28**
Fruits and vegetables	**0.15**	**12.78**	**10.58**	**0.01**	**0.40**	**0.38**	**0.37**	**-0.02**
Tomato	4.64	26.75	10.33	0.03	0.10	0.06	0.04	-0.04
Onion	-51.14	9.32	24.51	-0.17	0.01	0.04	0.21	0.03
Green tomato	-47.74	54.95	110.96	-0.07	0.03	0.08	0.15	0.05
Remaining fruits and vegetables	8.20	9.95	7.18	0.22	0.26	0.20	-0.02	-0.06
Livestock	**5.77**	**6.58**	**12.34**	**0.30**	**0.35**	**0.65**	**0.35**	**0.30**
Administered and regulated	**2.37**	**4.52**	**7.27**	**0.43**	**0.79**	**1.29**	**0.87**	**0.50**
Administered	**3.41**	**5.84**	**8.03**	**0.32**	**0.51**	**0.74**	**0.43**	**0.24**
Electricity	3.00	9.90	9.45	0.09	0.23	0.29	0.20	0.06
Gas for residential use	1.76	5.14	10.72	0.05	0.13	0.27	0.22	0.14
Low-octane gasoline	4.79	3.52	4.91	0.15	0.11	0.16	0.01	0.04
High-octane gasoline	5.65	5.74	5.77	0.03	0.03	0.03	0.00	0.00
Regulated	**1.26**	**3.21**	**6.44**	**0.11**	**0.28**	**0.55**	**0.44**	**0.27**
Water service fees	5.37	13.44	14.83	0.04	0.11	0.12	0.07	0.01
Minibus	1.39	3.95	13.62	0.03	0.07	0.24	0.22	0.17
Urban bus	5.61	4.26	7.13	0.08	0.06	0.10	0.02	0.04
Remaining regulated	-0.67	0.94	2.06	-0.03	0.05	0.09	0.13	0.05
Core (previous definition)	**4.00**	**4.96**	**5.73**	**2.68**	**3.37**	**3.85**	**1.17**	**0.48**
Services (previous definition)	**3.43**	**4.14**	**4.93**	**1.10**	**1.34**	**1.58**	**0.48**	**0.23**
Non-core (previous definition)	**3.27**	**5.88**	**8.15**	**1.08**	**1.89**	**2.68**	**1.60**	**0.79**

1/ This indicator includes the Merchandise and Services price subindex. The Merchandise price subindex is made up of the following items: Processed Foods, Beverages, Tobacco and Other Merchandise. The Services price subindex is made up of the following items: Housing (homes), Education (School Fees), and Other Services. For more details on these indicators' definitions, see Inflation Report July-September 2007, Appendix 1, pp.53-57.
2/ CPI corn products are: Corn-tortilla; Corn flour and dough; and, Corn (maize).
3/ CPI soy products are: Edible Vegetable Oils and Fats; Fried chips and Similar Products; and, Mayonnaise and Mustard.
4/ CPI prepared/cooked food products are: Roasted Chicken; *Carnitas* (fried pork); *Barbacoa* (goat meat roasted in earth oven) or *Birria (*broth made out of goat meat*)*; Pizzas; and, Other Prepared/Cooked Foods.
5/ CPI grocery products are: Ham; Frankfurters; *Chorizo* (Mexican spiced pork sausage); Other Cold Meats; Dried Meat; Bacon; Canned Tuna and Sardines; Other Canned Fish and Sea Food; Other Dried Vegetables; Processed Chiles; Canned Vegetables; Tomato Paste and Canned Soups; Fruit and Vegetable Baby Food; Instant Coffee; Grain Coffee; Chicken and Salt Concentrates for Cooking; Other Seasoning; Soft Drink Concentrates; Powdered Gelatine; and, Rice.
Source: Banco de México.

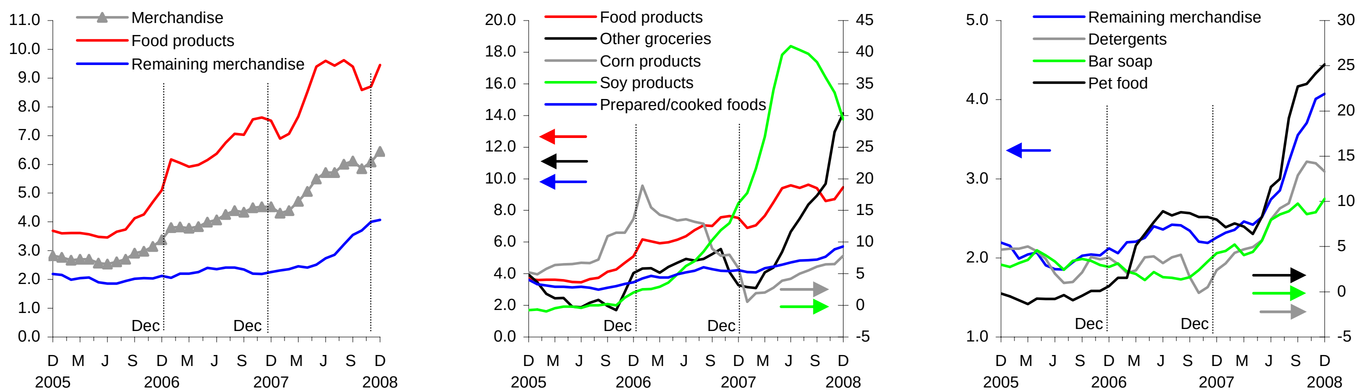
The annual inflation of the core services price subindex rose from 3.80 percent in December 2007 to 5.07 percent at the end of 2008 (Graph 34). Within this subindex, the price increases which had the greatest incidence on annual headline inflation were those of the remaining services. Thus, higher costs stemming from increases in the price quotes of energy and food inputs had an upward influence on the prices of small cafeterias and restaurants. The price increase of jet fuel, together with the reduction in the number of routes and participants in air travel services pushed air and travel package fares upwards. Moreover, the annual inflation of the core group of housing services was mainly affected by the rising prices of housing maintenance materials. The annual inflation of the latter was 9.19 percent at the end of 2008, as compared with 3.03 percent in December 2007.

Graph 32
Core Price Index
Annual change (percent)



Graph 33
Merchandise Price Subindex
Annual change (percent)

a) Merchandise b) Food Products c) Remaining Merchandise



The annual inflation of the private education price subindex remained stable throughout 2008, ending the year at 5.76 percent, 0.08 percentage points above that observed in December 2007 (5.68 percent, Graph 35a). It is important to point out that there was a slight increase in the annual variation of elementary and high school fees, while college fees remained practically unchanged (Graph 35b).

During the first few months of 2008, non-core inflation recorded modest annual growth, and was even below that registered by the core index. Nonetheless, after the second quarter, annual non-core inflation grew in a sustained pattern, reaching 8.72 percent at the end of 2008 (as compared with 2.71 percent in December of the previous year, Table 25 and Graph 31). The growth of this index responded to the pattern followed by agricultural product prices and goods and services with administered and regulated prices, which increased throughout the year (Table 25).

Table 26
Consumer Price Index
Annual change (percent)

Month	2007 CPI	2007 Core 1/	2007 Non-core	2008 CPI	2008 Core 1/	2008 Non-core
January	3.98	4.03	3.85	3.70	4.06	2.73
February	4.11	4.09	4.18	3.72	4.14	2.58
March	4.21	3.98	4.84	4.25	4.34	3.99
April	3.99	3.82	4.47	4.55	4.56	4.51
May	3.95	3.88	4.13	4.95	4.86	5.19
June	3.98	3.86	4.33	5.26	5.02	5.94
July	4.14	3.92	4.76	5.39	5.11	6.22
August	4.03	4.03	4.04	5.57	5.26	6.46
September	3.79	3.96	3.33	5.47	5.36	5.79
October	3.74	4.06	2.87	5.78	5.33	7.05
November	3.93	4.11	3.43	6.23	5.52	8.20
December	3.76	4.14	2.71	6.53	5.73	8.72

1/ This indicator includes the Merchandise and Services price subindex. The Merchandise price subindex is made up of the following items: Processed Foods, Beverages, Tobacco and Other Merchandise. The Services price subindex is made up of the following items: Housing (homes), Education (school fees), and Other Services. For more details on these indicators' definitions, see Inflation Report July-September 2007, Appendix 1, pp.53-57.
Source: Banco de México.

Graph 34
Services Price Subindex
Annual change (percent)

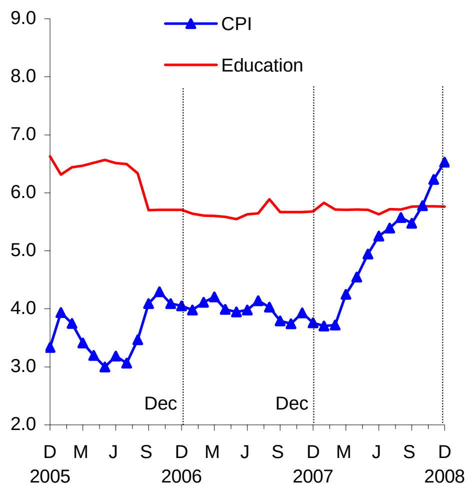
a) Services
b) Housing
c) Remaining services

The price subindex of agricultural products recorded an annual variation of 11.63 percent in December 2008, 8.21 percentage points above that observed at the end of the previous year (3.42 percent). This result was due to a rise in the annual inflation of fruits and vegetables prices and livestock product prices. The inflation of the former fluctuated during 2008, while prices of livestock products grew in a sustained pattern throughout the year (Graph 36 and Graph 37). Price inflation of fruits and vegetables was mainly attributed to the behavior of bean, green tomato, tomato, and onion prices. Thus, the annual inflation of agricultural prices rose from 0.15 percent at the end of 2007 to 10.58 percent in December 2008 (Table 25).

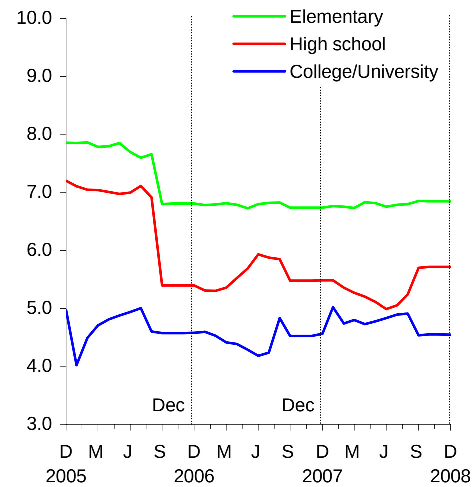
The annual inflation of the livestock products' price subindex rose from 5.77 percent in December 2007 to 12.34 percent at the end of 2008. The most noteworthy price increases within this subindex were those of eggs, as well as beef, pork and poultry, which were influenced by the higher prices of balanced animal feed. The latter, in turn, resulted from the higher international prices of energy and food inputs during the first half of the year (Graph 37). Although the international prices of the referred inputs declined significantly during the second half of 2008, this behavior was not reflected in the domestic prices of livestock products due to the depreciation of the peso's exchange rate during the last few months of the year.

Graph 35
Private Education Price Subindex
Annual change (percent)

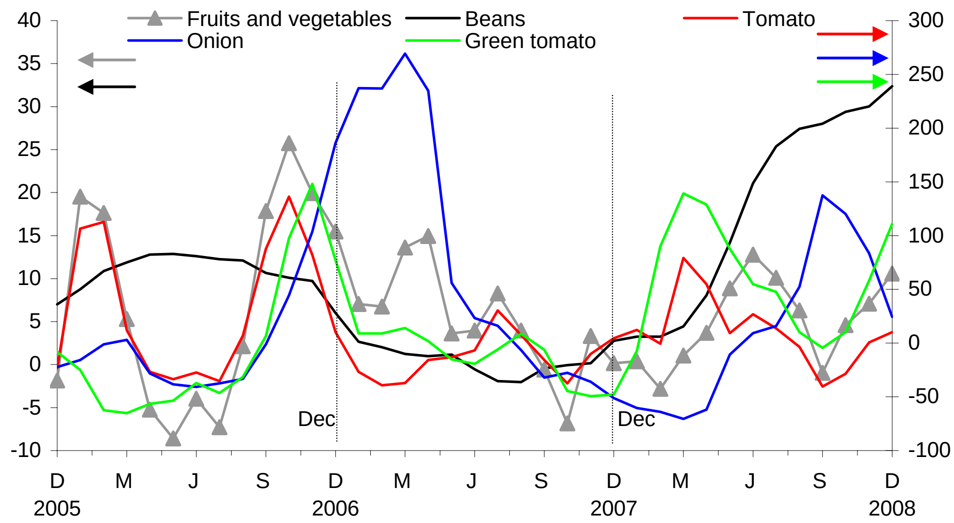
a) CPI and Education
Annual change (percent)



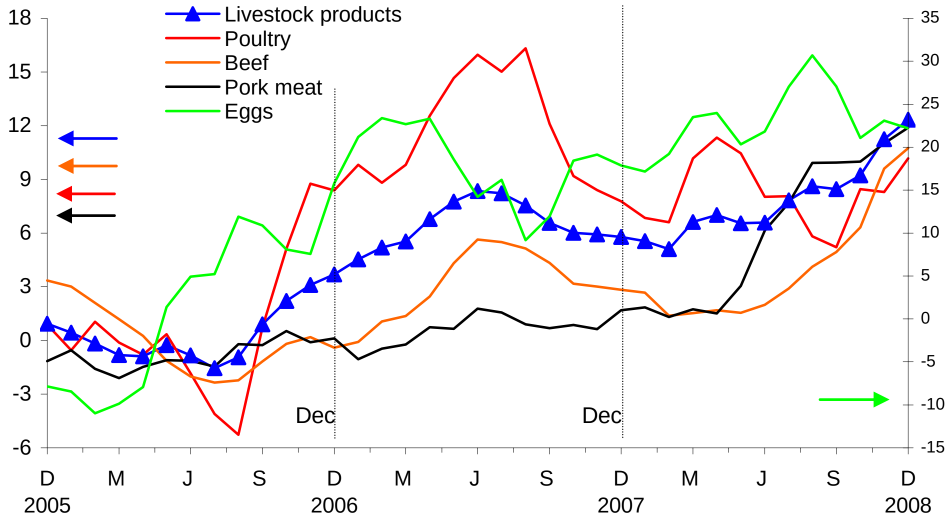
b) Education by Level
Annual change (percent)



Graph 36
Price Subindex of Fruits and Vegetables
Annual change (percent)



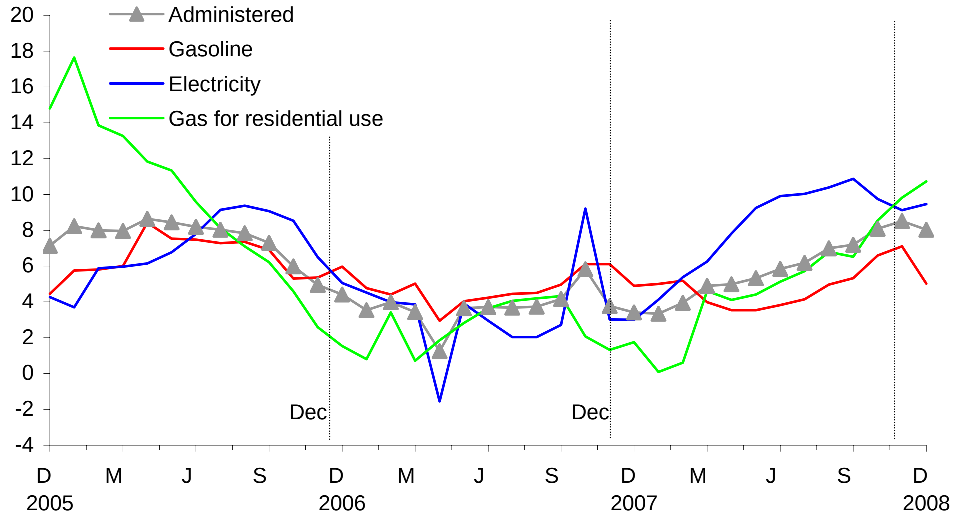
Graph 37
Livestock Products' Price Subindex
Annual change (percent)



The administered and regulated prices subindex posted an annual variation of 7.27 percent in December 2008, as compared with 2.37 percent at the end of 2007. It is important to mention that this subindex accounted for 1.29 percentage points of annual headline inflation, i.e., almost one fifth of the total, while its weight in the CPI basket is 17.17 percent (Table 25). The annual inflation of goods and services with administered prices shifted from 3.41 percent in December 2007 to 8.03 percent at the end of 2008 (Graph 38). The prices of several items included in this subindex (*Magna* and *Premium* type gasoline and gas for residential use) rose considerably throughout the year as a result of the historically high increases recorded in the international prices of energy commodities. As was announced at the time, the latter led to a change in federal government's pricing policy as it attempted to reduce the gap between domestic and external prices of these fuels.

During the first half of 2008, prices of *Magna* and *Premium* type gasoline were adjusted upwards by an average of 2.67 and 4.33 Mexican cents per liter per month, respectively. Starting in July a scheme of more frequent price adjustments was adopted, with changes finally being made on a weekly basis. Thus, during the second half of 2008, the average monthly adjustment of *Magna* type gasoline was 8.83 Mexican cents per liter, while for *Premium* type gasoline, 9.67 Mexican cents per liter. As for LP and natural gas, the average domestic prices of the former rose from 3.50 Mexican cents per liter during the first half of the year to 8.50 Mexican cents per liter during the second half. Meanwhile, average prices of natural gas mirrored the upward pattern followed by their international references until June, after which they slightly declined. Worth mentioning is that the decreases in external prices of this fuel were partly offset by the depreciation of the peso's exchange rate and price hedging. As a result, the annual variation of gas prices rose from 1.76 to 10.72 percent from December 2007 to the end of 2008. The annual price inflation of electricity was 9.45 percent at the end of 2008, 6.45 percentage points higher than that observed in December 2007 (3.00 percent). This result mainly stemmed from the growth of high consumption electricity tariffs (DAC, for their acronym in Spanish), which are affected by the behavior of various fuels and seven Producer Price Index (PPI) subindices, as all of the prices of these components rose during the analyzed year.[52]

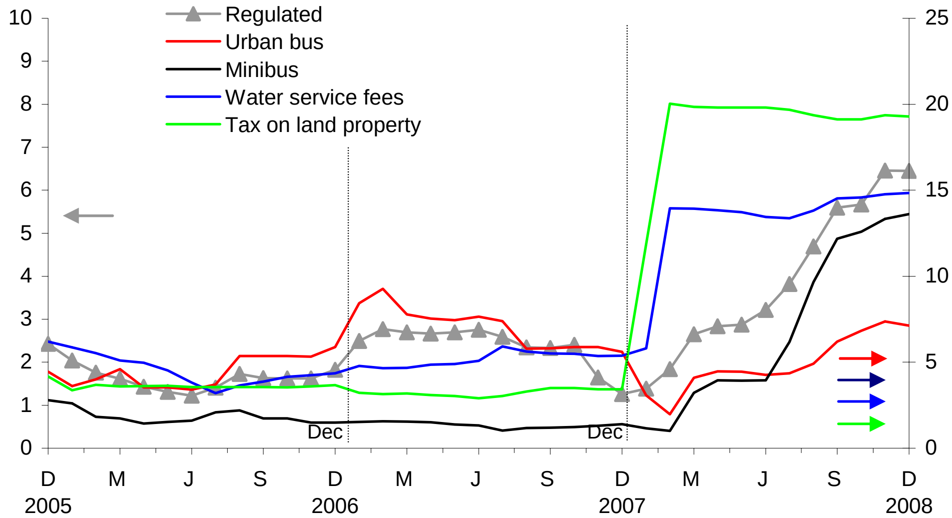
Graph 38
Subindex of Administered Prices
Annual change (percent)



The subindex of goods and services with regulated prices posted an annual variation of 6.44 percent in December 2008, as compared with 1.26 percent at the end of the previous year. It is important to mention that the increase in minibus and urban bus fares had a significant incidence on the inflation of this subindex, which could partly have responded to the higher prices of fuel. Other items which also had a significant influence on annual headline inflation were fees on water supply services and the tax on land property (Graph 39).

[52] The formula to calculate high consumption electricity tariffs is shown in the Inflation Report of January-March 2008. A description of the new formula to be used from January 2009 can be found in the Inflation Report of October-December 2008.

Graph 39
Subindex of Regulated Prices
Annual change (percent)

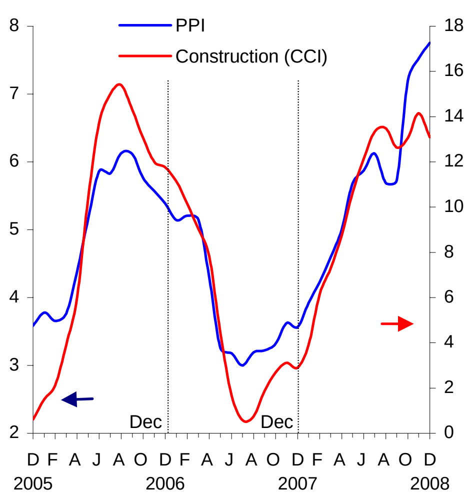


III.6.1. Producer Price Index (PPI)

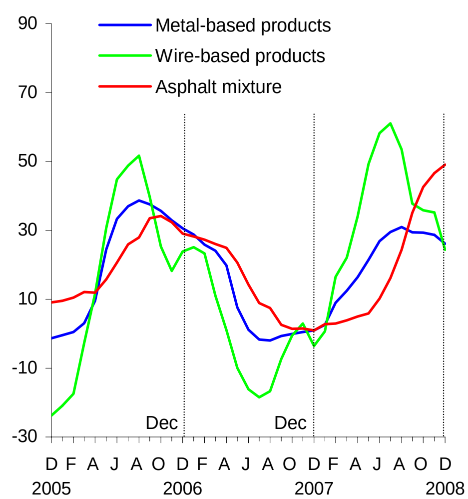
In December 2008, the Producer Price Index (PPI) excluding oil grew at an annual rate of 7.75 percent, as compared with 3.57 percent during the same month of 2007. This increase was mainly attributed to the price behavior of the Construction Cost Index (CCI), which shifted from 2.90 percent in December 2007 to 13.08 percent at the end of 2008. The upward adjustment in wire, metal products, and asphalt mix prices was particularly noteworthy (Graph 40).

Graph 40
Producer Price Index excluding Oil, Merchandise, and Finished Services
Annual change (percent)

a) PPI and Construction



b) Metal-based, Wire-based and Asphalt Mixture



IV. Monetary and Exchange Rate Policy

IV.1. Monetary Policy

IV.1.1. General Overview

Banco de México implements monetary policy under an inflation targeting framework. Among the most important elements of this framework are: i) the announcement of a CPI inflation target of 3 percent, with a variability interval of plus/minus one percentage point; ii) a systematic approach for identifying the sources and main elements characterizing inflation pressures; iii) a description of the instruments used by the central bank to attain its inflation target; and, iv) a communication policy that fosters monetary policy's transparency and facilitates the public's decision-making process.[53]

IV.1.2. Monetary Policy Actions

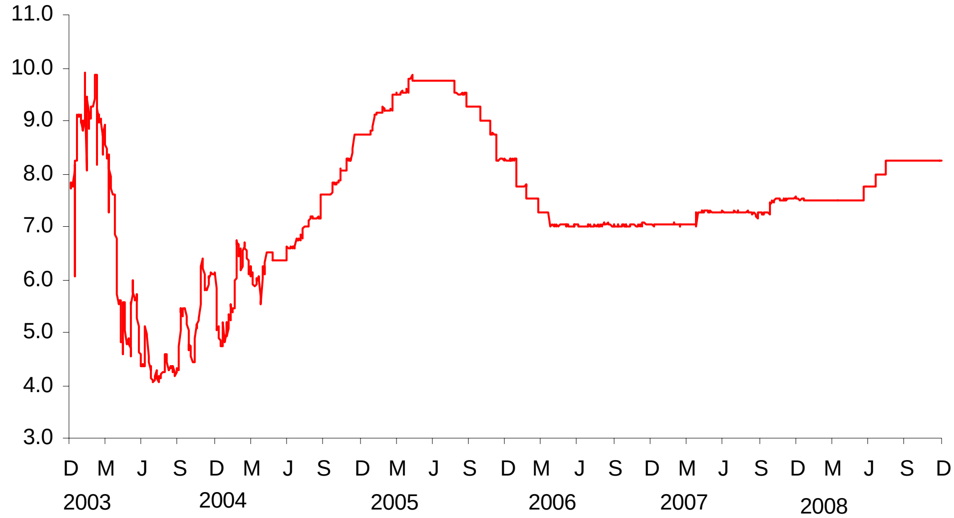
After having left the target for the Overnight Interbank Rate unchanged at 7.50 percent from January to May 2008, Banco de México's Board of Governors decided to raise it by 25 basis points on each occasion in June, July and August. As a result, the target rose from 7.50 to 8.25 percent (Graph 41). These actions aimed at preventing the rise in inflation (originated by the increase in commodity prices) from affecting the "anchorage" of medium-term inflation expectations and, thereby, the economy's price formation process.

Later, the substantial increase in risk aversion in international financial markets in September, October, and November translated into higher volatility in emerging economies' financial markets, including Mexico. Under this setting, and despite the worsening economic outlook, the Board of Governors decided to leave the target for the Overnight Interbank Rate unchanged at 8.25 percent from September onwards.

During the fourth quarter of 2008, Banco de México and the Ministry of Finance implemented several measures to preserve the well functioning of domestic capital markets (see Section III.5.2). If these actions had not been taken, the effects on economic activity in Mexico would have been extremely damaging.

[53] For further details, see "Inflation Report October-December 2007 and Monetary Program for 2008".

Graph 41
Overnight Interbank Rate[1/]
Annual percent



1/ The target for the Overnight Interbank Rate (Banco de México's operating target) is shown since January 21, 2008.

In order to put the abovementioned monetary policy actions into context, the factors that affected inflation during 2008 need to be analyzed. Among supply side factors are: i) the increases in international commodity prices during the first half of 2008; ii) the federal government's pricing policy for certain public goods and services. In particular, the freezing of fuel prices during the last quarter of 2007 together with the upward adjustment in the prices of these goods in the last quarter of 2008, led to considerable increases in the annual variations of these prices in the last few months of the year; and, iii) the possible pass-through effect of the depreciation of the peso's exchange rate to consumer prices by the end of the year. Due to their characteristics, these factors tend to affect firms' costs and therefore might influence economic agents' prospects for inflation.

In an environment where economic activity weakened throughout the year, no inflationary pressures from the demand-side were identified.

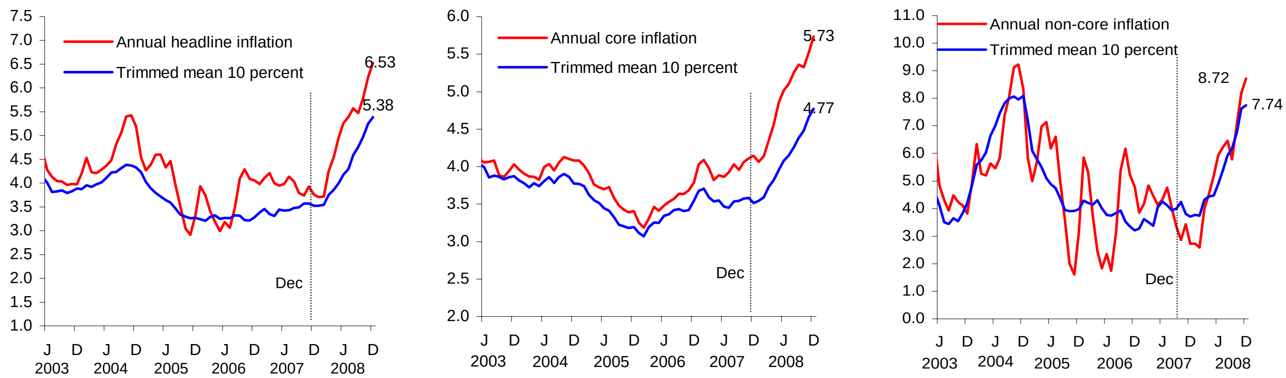
Under this setting, inflation followed an upward trajectory in 2008. As will be shown below, during the year this led to deterioration in various indicators which offer information on both the behavior and expectations on inflation.

Among the group of backward-looking indicators, the first to be analyzed is the trimmed means of inflation. Graph 42 shows the trimmed means of headline inflation, core inflation, and non-core inflation.[54] In the first two cases, the trimmed mean followed an upward trend during the year, although it remained at levels below those corresponding to its inflation indicators. This behavior illustrates the effect that the international price increases of several commodities during the first half of the year had on the prices of some products located in the center of the distribution. The trimmed mean of non-core inflation also followed an upward trend during the year.

[54] Refers to the new definition of core inflation, which includes the private education price subindex. Non-core inflation excludes this price subindex.

Graph 42
Headline Inflation and Inflation Indicators excluding the Contribution of Extreme Upper and Lower Variations Trimmed at 10 Percent 1/

a) Headline Inflation and Trimmed Mean Annual percent | b) Core Inflation and Trimmed Mean (New Definition) Annual percent | c) Non-core Inflation and Trimmed Mean (New Definition) Annual percent



1/ The trimmed mean excludes the contribution of extreme variations in certain items' prices from headline inflation. To strip these variations, the following calculations are done: i) monthly seasonally adjusted variations of CPI prices are arranged in descending order; ii) the items with the highest and lowest variation are excluded, considering up to 10 percent of the CPI basket, respectively, in each distribution tail; and, iii) with the remaining items, which, by construction, are located at the center of the distribution, the trimmed mean indicator is constructed.

A second set of indicators that offers information on the recent path of inflation is obtained by calculating the share of both CPI basket and core price subindex items whose annual price variations are below or equal to 2 percent, between 2 and 4 percent, and above or equal to 4 percent. Graph 43 shows that in the case of both the CPI and the core price subindex, the share of the basket with item prices growing in annual terms 4 percent or more (gray shaded area) rose during 2008. For the CPI, the share increased from 41.7 percent in December 2007 to 59.6 percent during the same month of 2008. Meanwhile, the share of the basket items with annual price variations of below or equal to 2 percent (blue shaded area) decreased from 24.6 to 15.2 percent during the same period. As in the previous exercise, these trends mainly reflect the effect of the increases in international commodity prices during the first half of the year on the prices of several products. Indicators for the core price subindex also recorded similar results during the year.

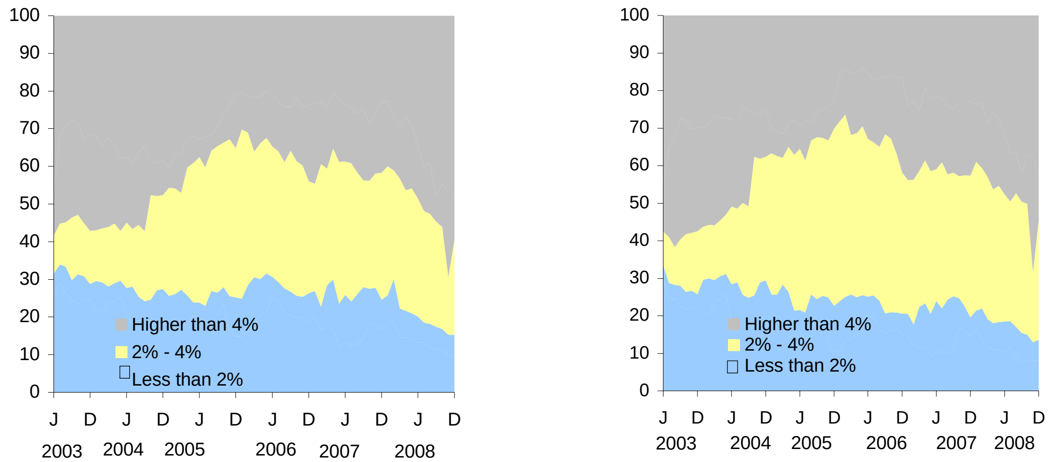
One indicator that compliments the above information and shows the increase in inflation during 2008 is the density function of annual changes in CPI product prices. Graph 44a shows that this indicator shifted to the right during the year (higher inflation). In fact, the prices of an increasingly larger number of CPI items recorded high levels of annual inflation throughout the year. The same behavior holds for items of the core price subindex (Graph 44b).

Summing up, the performance of backward-looking indicators shows that inflation as well as several of its components deteriorated in 2008. In this regard it is important to mention that the pass-through of increases in international commodity prices to consumer prices in Mexico is usually not immediate (lagged effect). For this reason, although these prices started to decline during the third quarter of the year, the impact of the previous increases were still reflected in the price increases of certain products in Mexico during the second half of the year.

Graph 43
Share of Products in the CPI and the Core Price Subindex with Annual Price Variations within a Range[1/]

a) CPI
Percent

b) Core Price Subindex
(New Definition)
Percent

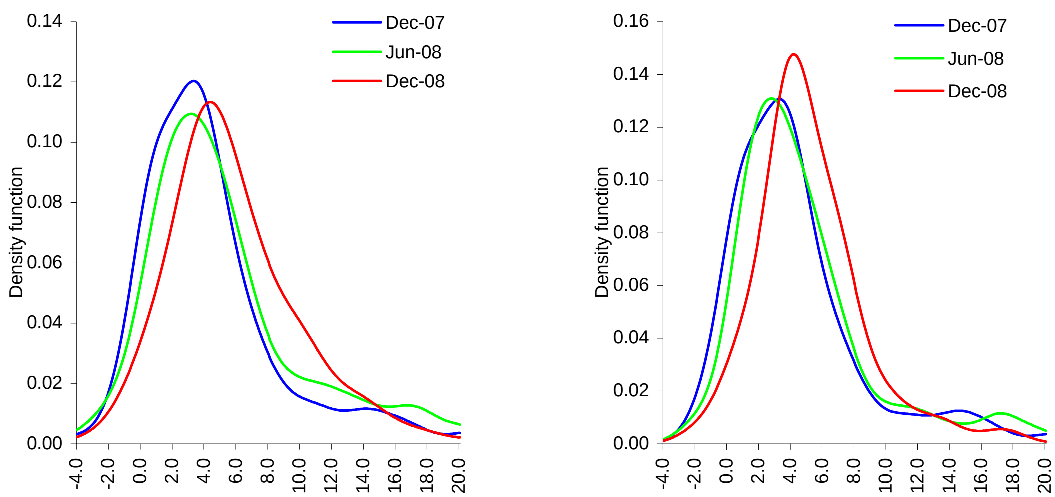


1/ The share of a price index's basket whose annual price variations fall within a range is calculated as follows: i) interest ranges are defined; ii) annual inflation of each of the items of the price index is calculated; iii) items are classified in the interest ranges according to their annual inflation; and, iv) the weights of the items in each range are added.

Graph 44
Density of Annual Price Variations of CPI and Core Subindex Items

a) CPI
Annual percent

b) Core Price Subindex
(New Definition)
Annual percent



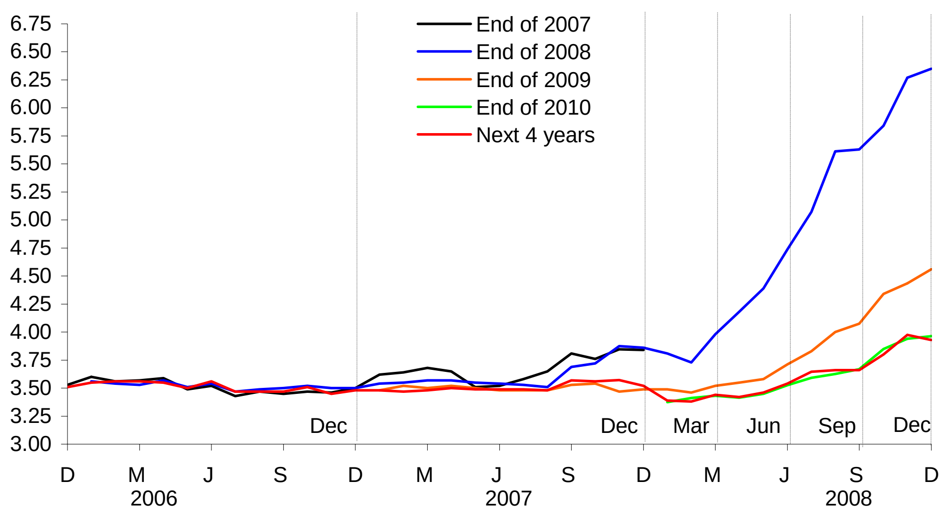
In order to complete the analysis of the environment faced by inflation in 2008, it is necessary to study another group of indicators which reveal information on economic agents' inflation expectations. These indicators are also useful to assess risks associated with the economy's price determination process. Among them are the inflation expectations obtained through Banco de México's monthly survey conducted among private sector economic analysts. Graph 45 shows that, as would be expected, the upward pattern followed by annual inflation during the year led to an upward revision in annual inflation expectations for the end of 2008 (their average rose from 3.86 percent in December 2007 to 4.74 percent in June 2008 and to 6.35 percent in December 2008). The average increase in inflation expectations for the end of 2009 was much lower. This indicator shifted from 3.49 percent in December 2007 to 3.71 percent in June 2008 and to 4.56 percent in December 2008. The density function of analysts' inflation expectations for 2009 shifted slightly to the right (inflation expectations were revised upwards) during the year and also exhibited a greater dispersion (Graph 46a).

As for medium-term expectations for annual headline inflation, Graph 45 shows that the mean of those corresponding to the average for the following 4 years increased during the second half of the year, from 3.52 percent at the end of 2007 to 3.54 percent in December 2008. The density function for these expectations shifted slightly to the right (higher inflation) and exhibited a greater dispersion as the year progressed (Graph 46b).

Summing up, the behavior of indicators which offer information on the outlook for inflation reveals that, as would be expected in an environment where inflation deteriorated during the year, inflation expectations for shorter terms rose. However, the increase in medium-term expectations was significantly lower.

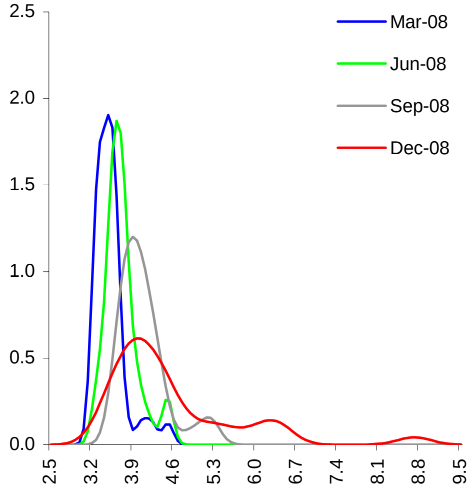
Taking the upward revision of inflation forecasts and the risks associated with these forecasts into consideration, Banco de México's Board of Governors decided to raise the target for the overnight interbank rate by 25 basis points on each occasion in June, July, and August 2008. As mentioned previously, these actions were taken to prevent the rebound in inflation from affecting the "anchorage" of medium-term inflation expectations and, thereby, the economy's price formation process.

Graph 45
Annual Headline Inflation Expectations: Banco de México Survey
Annual percent

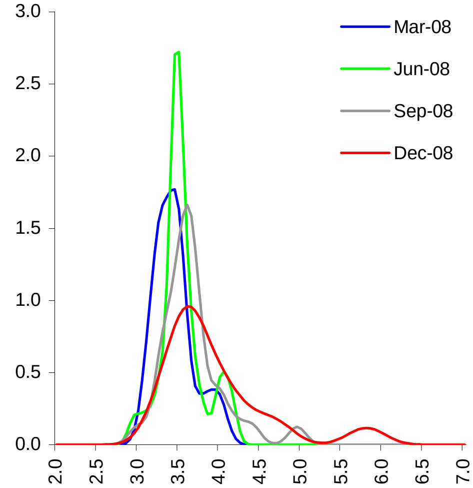


Graph 46
Annual Headline Inflation Expectations: Banco de México Survey

a) Density of Inflation Expectations for the End of 2009
Annual percent



b) Density of Inflation Expectations for the Average for the Next 4 Years
Annual percent

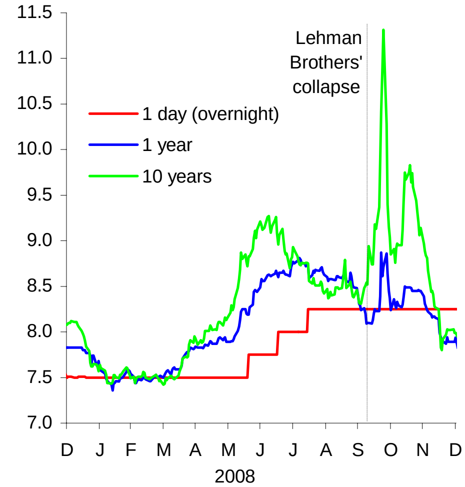


1/ The graphs represent density functions calculated to adjust inflation expectations' figures drawn from Banco de México's monthly survey on private sector economic analysts' expectations.

The events described above were reflected in the yield curve dynamics (Graph 47). Given the problems in U.S. financial markets that began since August 2007, investors' search for risk-free instruments during the first months of 2008 together with expectations of a slowdown in economic activity led to a reduction in interest rates for all terms in the U.S. Under these conditions, medium and long-term interest rates in Mexico decreased during the first quarter of the year, causing the yield curve to flatten (Graph 47b). Nonetheless, in response to risks of higher inflation in Mexico, longer-term interest rates began to rise during the second quarter of the year, causing the yield curve to steepen (Graph 47b). It is also possible that a significant part of the increase in interest rates has reflected investors' greater demand for inflationary risk premia. Later, during the third quarter, the yield curve flattened (Graph 47b). The previously mentioned monetary policy actions led to an increase in short-term yields. Meanwhile, longer-term interest rates declined mainly in response to the lower inflationary risk premia resulting from the decline in international commodity prices, which started in July, and the monetary policy actions described above.

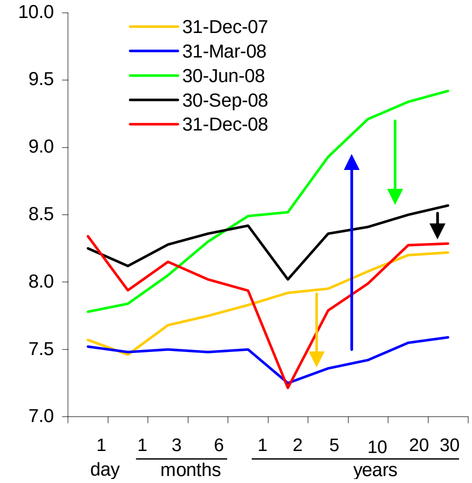
Graph 47
Interest Rates in Mexico

a) Interest Rates (Annual Percent)



Source: Bloomberg.

b) Yield Curve



Source: Bloomberg.

The behavior of interest rates in Mexico towards the end of the third quarter and the beginning of the fourth were influenced by factors affecting the conditions in international financial markets. The level and volatility of long-term interest rates in Mexico rose significantly during this period (Graph 47a). The latter took place in an environment where medium and long-term interest rates remained reasonably well "anchored". Thus, the significant steepening of the yield curve possibly reflected the increase in risk aversion which led many investors to offload their positions in emerging markets. This process, in turn, contributed to raise the volatility in these markets. In Mexico's case, during this period some investors sought safety by purchasing short-term government securities, leading to a fall in interest rates on these instruments. Meanwhile, they also reduced their exposure to risk by selling, among other instruments, long-term bonds. As mentioned previously, this led to an increase in longer-term interest rates, causing the yield curve to steepen considerably during the first weeks of October.

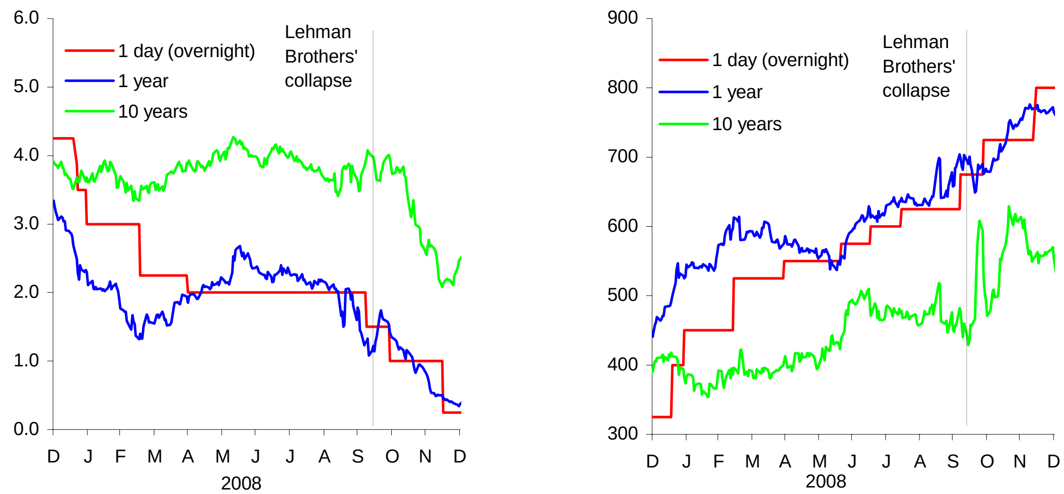
As the previously described actions to preserve the well functioning of Mexico's financial markets took effect, towards the end of the year the increase in longer-term interest rates that had been observed began to revert. Other factors which contributed to this decline were the deteriorating outlook for economic activity and the markets' perception (as reflected by the performance of the futures curve for the 28-day TIIE) of lower short-term interest rates in the foreseeable future.

The previously described performance of interest rates in Mexico together with the fall in interest rates for all terms in the U.S., significantly widened the interest rate spreads between both countries (Graph 48). Thus, the spread for overnight interest rates widened from 325 basis points in December 2007 to 800 basis points at the end of 2008. During the same period, the spread for 1-year interest rates widened from around 460 to 760 basis points, while for 10-year interest rates, from 400 to 500 basis points.

Graph 48
U.S. Interest Rates and Spread between Mexico and U.S. Interest Rates

a) U.S. Interest Rates
Annual percent

b) Yield Spread Between Mexico and U.S.
Basis points



Source: Bloomberg.

Source: Bloomberg.

IV.2. Exchange Rate Policy

The environment of global deleveraging and higher risk aversion that began in September 2008 led some investors to offload their positions in emerging markets. Furthermore, the sharp economic downturn in advanced economies also affected economic activity in emerging economies, while the international prices of commodities continued to decline and conditions in financial markets tightened. In this environment, most emerging countries' sovereign debt spreads increased considerably (Graph 49) and their currencies depreciated substantially (Graph 50). The foreign exchange markets of these countries also underwent significantly higher volatility after September (Graph 51).

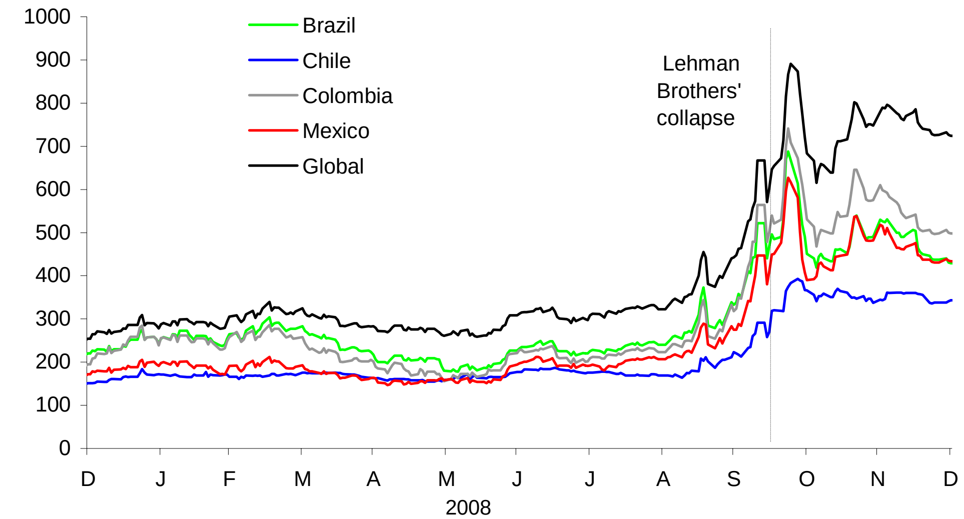
The foreign exchange market in Mexico (and in other economies like South Korea and Brazil) experienced a lack of liquidity on several occasions from October onwards. In some cases, this resulted from the extraordinary demand from some firms to meet their positions in foreign currency derivatives and which, later, recorded significant losses.

As mentioned in previous Inflation Reports, the Foreign Exchange Commission is responsible for conducting Mexico's foreign exchange policy. The Commission is composed of three officers from the Ministry of Finance (the Secretary and two Under Secretaries, one of which is directly appointed by the Secretary) and three from Banco de México (the Governor and two other Board members chosen by the Governor).

Taking into account the risks a highly volatile foreign exchange market implies for financial stability, the Foreign Exchange Commission implemented several measures to supply liquidity to the foreign exchange market, and, thereby, ensure its proper functioning. As mentioned in Section III.5.2, among these measures were: daily auctions offering up to 400 million US dollars at a minimum exchange rate of 2 percent above that on the previous business day;

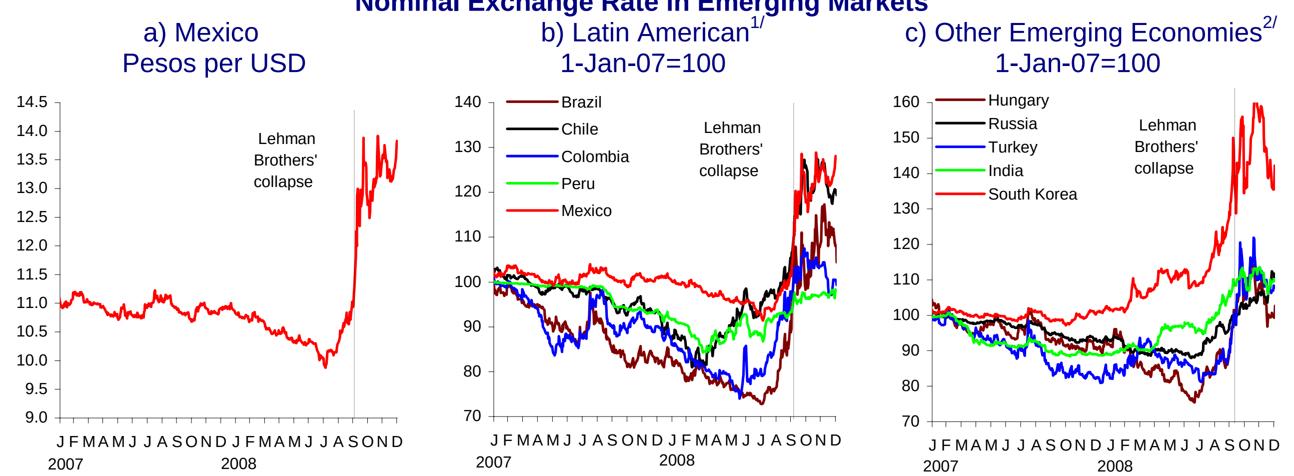
extraordinary auctions during October to meet the exceptional demand for foreign currency; and, the establishment of a temporary swap line with the US Federal Reserve for up to 30 billion US dollars effective from October 29, 2008, and originally valid until April 30, 2009.[55]

Graph 49
Sovereign Risk Spreads (EMBI)
Basis points



Source: JP Morgan.

Graph 50
Nominal Exchange Rate in Emerging Markets [1/]



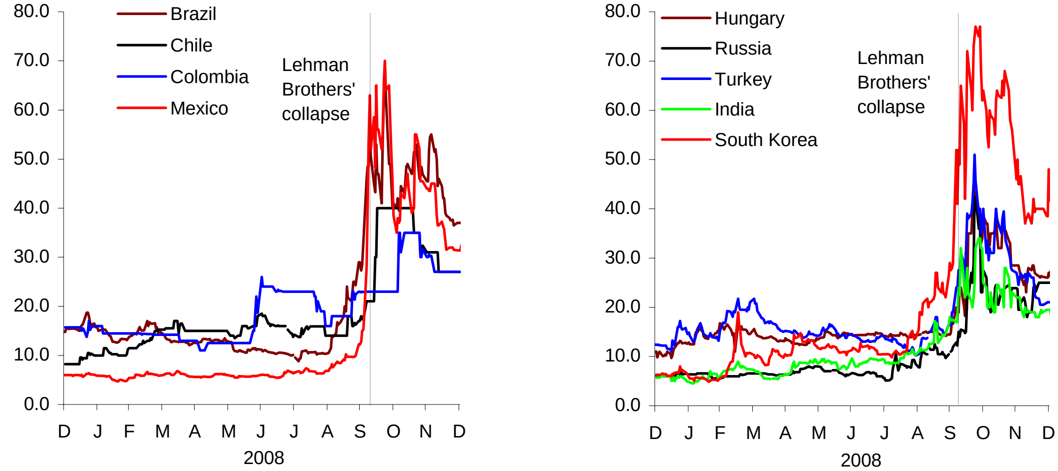
1/ Country's currency exchange rate against the US dollar. An increase equals depreciation.

2/ Country's currency exchange rate against the US dollar. An increase equals depreciation.

[55] As mentioned in Section III.5.2, only Mexican commercial banks and development banks can participate in these two types of US dollar auctions.

Graph 51
Volatility Implicit in 1-month Exchange Rate Options [1/]

a) Latin American Economies b) Other Emerging Economies



1/ Source: UBS.

The abovementioned actions, together with the additional measures described in Section III.5.2, helped prevent the episodes of volatility in international markets from affecting the stability of Mexico's financial markets and the high cost this could have in terms of economic activity and the economy's price determination process. Thus, conditions in the foreign exchange market improved by the end of 2008.

V. Final Remarks

In the context of an extraordinary uncertainty in international financial markets, the world economy weakened significantly during 2008. Although the economic downturn mostly affected advanced economies, GDP growth in emerging countries also slowed significantly.

On another front, the downturn in the world economy reduced demand-side pressures on output capacity. International commodity prices fell considerably since the second half of 2008 as well. As a result, after having followed an upward trend during the first half of the year, world inflation declined substantially during the remainder of 2008, especially in advanced economies.

Economic activity in Mexico lost momentum throughout 2008 due to the particularly adverse global environment. During the first three quarters of the year, economic weakness mainly resulted from the deterioration of external demand and, therefore, mostly affected those sectors producing tradable goods. However, at the end of the year the external shock spread to the rest of the economy, leading to a sharp contraction in GDP in the last quarter. The economic slowdown during 2008 was also reflected in the gradual deterioration of labor market indicators.

Headline inflation in Mexico increased during 2008. This trend was the result of a series of supply shocks mainly associated with significant increases in the international prices of different commodities. In particular, price increases of some grains affected the production costs of processed food and livestock products, which, in turn, also affected consumer prices of both of these types of goods. Moreover, prices of steel and copper rose significantly during 2008, affecting the cost of construction materials and therefore the housing price index. On the other hand, increases in international fuel prices partly affected domestic prices of these energy goods. However, it is important to mention that no considerable demand-side pressures were identified during 2008.

Although the growth in inflation during 2008 deteriorated short-term inflation expectations, medium and long-term expectations remained relatively well “anchored”. This behavior was mainly due to the monetary policy measures implemented by Banco de México. In particular, the Board of Governors’ decision to raise the target for the Overnight Interbank Rate by 25 basis points on each occasion in June, July, and August. Afterwards, in light of the high volatility financial markets were exhibiting, the Board decided to leave its monetary policy stance unchanged from September onwards.

Appendices

Appendix 1

Mexico's Relationship with International Financial Institutions

International Monetary Fund (IMF)

Mexico is a member of the International Monetary Fund (IMF) since its foundation in 1944. At the end of 2008, Mexico's quota in the institution was 3,152.8 million Special Drawing Rights (SDRs), accounting for 1.45 percent of the IMF's total quotas.[56] A member's quota reflects the relative position of its economy with respect to other member countries, determines its financial obligations with the IMF, its access to IMF funding, and its voting power in the institution.

Four issues regarding Mexico's relationship with the IMF were particularly relevant in 2008: the Article IV consultation under the Articles of Agreement, the proposal for an *ad hoc* increase of Mexico's quota in the organization, Mexico's participation in the IMF Financial Transactions Plan (FTP), and the publishing of the second Annual Observance Report of the Special Data Dissemination Standard (SDDS).

The consultation under Article IV of the IMF's Articles of Agreement is a process of surveillance and assessment carried out by the IMF with each of its member countries, whether or not they are currently under an IMF-supported financial or technical program. An IMF mission visits the member country, gathers and analyzes economic and financial data, and meets with the authorities to discuss the country's recent economic and financial developments, its outlook, and current economic policies. The IMF staff team then submits a report on the country to the Executive Board for discussion. Afterwards, the IMF informs the country's authorities of its findings and recommendations.

The last Article IV consultation for Mexico was discussed in the IMF Executive Board in December of 2008. The relevant documents and conclusions of this consultation are available to the public in accordance with the Mexican authorities' policy on information transparency.[57]

During the discussion of Mexico's report, the IMF's Executive Directors commended Mexico's significant improvements in its macroeconomic policy framework over the last decade, including the flexible exchange rate and rules-based fiscal and monetary policies, and in strengthened public, corporate and banking sector balance sheets. Directors noted that, as a result, the economy faces the current external crisis from a more robust position than in the past and for the first time the authorities can respond to a downturn with countercyclical policies, while maintaining stability and without jeopardizing medium-term sustainability.

[56] On December 31, 2008 one SDR was equivalent to 1.54027 US dollars.
[57] Available at http://www.banxico.org.mx http://www.shcp.gob.mx http://www.imf.org/external/index.htm

Directors agreed that the flexible exchange rate has been an important shock absorber, and viewed central bank intervention as having helped address liquidity shortages in the foreign exchange market, while preserving essential aspects of the flexible currency regime. The Board also concluded that the banking sector was well-capitalized, profitable, and supported by a robust regulatory framework.

Directors considered that acceleration of the reform agenda remained key to improving growth prospects over the medium term. They welcomed the recently approved reforms in the energy sector and import tariff reductions as positive steps forward. However, Directors noted that significant additional progress was needed, including product and labor market reform, improving infrastructure and education, and strengthening competition.

Regarding the *ad hoc* increase of Mexico's IMF quota, on April 28, 2008, the IMF Board of Governors approved resolution 63-2. The main purpose of this resolution is to enhance the participation and voice of emerging market and developing countries, and to realign members' shares with their relative weight and role in the global economy.[58] These far-reaching reforms are fundamental to improve IMF's governance and consist of three main components:

a) a second *ad hoc* increase in quotas, based on a new formula to determine them and which will imply an increase in the quotas for 54 of the 185 member countries.

b) an amendment to the Articles of Agreement tripling basic votes in order to enhance the voice and participation of low income countries.

c) an amendment to the Articles of Agreement allowing Executive Directors elected by 19 or more member countries to appoint two Alternate Directors.

On March 25, 2008, the Ministry of Finance formalized its request for an increase in Mexico's IMF quota. This increase will come into force when the referred resolution is approved by three fifths of IMF member countries, representing at least 85 percent of total votes. Mexico will benefit from an additional increase of 15 percent in this second round, meaning the new quota will amount to 3,625.7 million SDR and account for 1.52 percent of IMF's total quotas.

The Financial Transactions Plan (FTP) is the quarterly program which establishes the amounts and the currency to be used for granting loans as well as the distribution of payments on previous loans. The countries that participate in the FTP are those with economic fundamentals strong enough for the IMF to require them to provide financial funding to support the needs of member countries facing balance of payments problems.

[58] The Board of Governors, the IMF's highest decision-making body, consists of one governor and one alternate governor for each member country. The governor is appointed by the member country and is usually the minister of finance or the governor of the central bank.

Mexico began to participate in the FTP in June 2002, becoming a creditor to the IMF.[59] Since then, Mexico has contributed on sixteen occasions with its currency to the funding of IMF member countries. In September 2005, Mexico's creditor position with the IMF amounted to 631 million SDR, equal to 24.4 percent of its quota. During 2008, the Mexican peso was used in the FTP with 215 million SDR to finance the programs of Turkey, Georgia, and Pakistan. During the same period Mexico received reimbursements for 28.5 million SDR. Thus, Mexico's creditor position with the IMF rose from 69 million SDR in 2007 to 255.6 million SDR (8.1 percent of its quota) in 2008. Besides Mexico, there are only two other Latin American and Caribbean countries participating in the FTP, Chile and Trinidad and Tobago.

Mexico subscribed to the IMF Special Data Dissemination Standard (SDDS) in August 1996. The SDDS is a set of international guidelines on the coverage, periodicity, timelines and quality of economic and financial statistics. The SDDS encourages immediate and fair access to information, helps users of economic and financial statistics to assess data quality, and continues to ensure the objectivity and integrity in compiling and publishing them. The scope of the SDDS has widened in recent years to include indicators that help to identify the sources of external vulnerability. Currently, 64 countries participating actively in international financial markets have subscribed to the SDDS.[60]

The IMF began publishing its Annual Observance Report of the SDDS on its website in 2007. The report published in April 2008 recognized that Mexico exceeded requirements concerning the timely publication of its national accounts statistics, forward-looking indicators, producer price index, balance of payments, merchandise trade, and international investment position. Furthermore, figures for employment, unemployment, manufacturing wages, the consumer price index, federal government debt, international reserves and the central bank's balance, exceed both, periodicity and timeliness of SDDS requirements. The report also underlined the overall quality of Mexican statistics, which allow the IMF to carry out surveillance activities without delay during the consultations under Article IV.

Bank for International Settlements (BIS)

Banco de México is a member of the BIS since November 1996. The objectives of the BIS are to foster international monetary and financial cooperation and serve as a bank for central banks. The BIS fulfills its mandate by acting as: a forum to promote discussion and policy analysis among central banks and other authorities promoting financial stability; a center for economic and monetary research for central banks and other financial supervisory authorities; a prime counterparty for central banks in their financial transactions; and, as agent or trustee in international financial operations. The BIS head office is also home to different committees and organizations concerned with fostering financial stability. There are currently 55 central banks or monetary authorities with voting rights and representation in the BIS General Meetings.

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[59] Mexico's last stand-by agreement with the International Monetary Fund ended on November 30, 2000 and since August that year, when advanced settlement of the total debt was made, Mexico does not hold any liabilities with the IMF.

[60] All documents regarding Mexico's role in the SDDS are available at the following website: http://www.banxico.org.mx/eInfoFinanciera/infcarteleraelectronica/fmi.html

Banco de México holds 3,211 shares of the BIS third tranche of capital, which by December 31, 2008 represented 0.59 percent of the voting rights of BIS shareholders.

The main aspects of Banco de México's relationship with the BIS in 2008 were: 1) the work program developed by the Central Bank Governance Forum presided over by Banco de México's Governor; 2) participation in the meetings of the BIS Board of Directors, including the Banking and Risk Management Committee; 3) discussion of current economic and financial developments in the bimonthly meetings of central bank governors; 4) participation in the Irving Fisher Committee on Central Bank Statistics; and, 5) the formal creation of the Consultative Council for the Americas in May 2008.

The purpose of the Central Bank Governance Forum is to satisfy central banks' growing interest in accurate and timely information on the management and operations of central banks, as well as to provide in depth analysis of such issues in order to foster the good governance of central banks as public policy institutions. The Forum consists of the Central Bank Governance Group, the Central Bank Governance Network, and the Secretariat provided by the BIS. The Central Bank Governance Group includes up to nine BIS member central bank governors. In 2008 the group included the governors of the central banks of China, the United States, Israel, Malaysia, Mexico (Chairman), the United Kingdom, South Africa, Thailand, and the vice president of the European Central Bank. The Central Bank Governance Network is made up of 46 high level central bank or monetary authority representatives. Among the topics analyzed in the Central Bank Governance Group meetings during 2008 were: earnings principles and practices in central banks; the implementation of measures to support financial institutions facing liquidity problems; the implications of the financial crisis on central bank governance; and, the implications for central bank autonomy of measures adopted to face the financial crisis. During 2008 Banco de México also participated actively in the preparation of a document attempting to identify the keys to designing a modern central bank and a study on the functions of monetary policy committees, the results of which will be published in 2009.

The BIS Board of Directors is mainly responsible for determining the strategy and policy direction of the Bank, as well as supervising its management. The Board of Directors currently has 19 members, including six *ex officio* members (the Governors of the central banks of Germany, Belgium, France, Italy, and the United Kingdom and the Chairman of the Board of Governors of the US Federal Reserve System). Each ex officio member may appoint another member of the same nationality and the other members are elected.[61] The governors of the central banks of Canada, China, Japan, Mexico, the Netherlands, Sweden, Switzerland (Chairman of the Board), and the President of the European Central Bank were elected members at the end of 2008. Four advisory committees, made up of selected Board members, assist the Board in its work: the Administrative Committee, the Audit Committee, the Nomination Committee, and the Banking and Risk Management Committee. The Banking and Risk Management Committee was created in May 2007 with the aim of supporting the Board of Directors in the review and assessment of BIS banking operations, its banking

[61] A voluntary agreement exists between *ex officio* members that each of them give up one of their seats on the Administrative Board to the President of the European Central Bank. The BIS statutes also provide for having up to nine Governors of member central banks to be elected to the Board.

business model, and its internal control and risk management frameworks. The members of this Committee are the governors of the central banks of Sweden (President), Italy, Mexico, the Netherlands, and the president and chief executive officer of the Federal Reserve Bank of New York.

Since joining the BIS, Banco de México has actively participated in the meetings of governors and senior officials of member central banks. In the meetings held during 2008, the following issues were analyzed: challenges for major financial firms; decoupling emerging market economies from the U.S. economy and scenarios for rearranging world demand; the role of credit and monetary aggregates in monetary policy implementation; current financial imbalances: underlying causes and potential economic outcomes; calculating the costs and benefits of maintaining international reserves; central banks and liquidity in interbank markets; the balance between monetary and regulatory policies to ensure efficient market functioning; the financial turmoil and Basel II implementation from an emerging market economies' perspective; recent economic and financial developments in the main emerging market economies; money market interest rates and monetary policy's operational targets; and, foreign currency liquidity pressures, disarticulation in swap currency markets, and central bank responses.

In 2006, Banco de México accepted the invitation to be part of the Irving Fisher Committee on Central Bank Statistics (IFC). The committee is a forum of users and compilers of central bank statistics which is made up of 58 institutional members, 7 honorary members, and several associate individual members. Banco de México participated in the Committee's workshop "Challenges to improve global comparison of securities", which took place in Washington D.C. on March 4 and 5, 2008, and in the conference "Measuring Financial Innovation and its Impact", held in Basel, Switzerland on August 26 and 27, 2008, as well as in the activities promoted by the IFC during 2008.

At its meeting on May 5, 2008, the BIS Administrative Committee agreed to formally establish a Consultative Council for the Americas (CCA) as an advisory body to the Committee.[62] The CCA is made up of the governors of the BIS member central banks in the Americas region: Argentina –the first Chairman of the Council for a period of 2 years starting June 1, 2008- Brazil, Chile, Mexico, Canada, and the Federal Reserve System (U.S.). The CCA serves as a direct vehicle for communication between these banks and the BIS Administrative Committee and its Board on matters of interest to the central bank community in the region. Secretariat services in CCA meetings are provided by the BIS representative office for the Americas in Mexico City.

[62] The decision to establish a Consultative Council for the Americas was taken in November 2007 but formalized until May 2008.

Appendix 2

Public Sector Borrowing Requirements (PSBR) [63]

Public Sector Borrowing Requirements (PSBR), calculated by sources of funding and in accrued terms, are an indicator of the public sector's total financial needs, which include: a) the non-financial public sector (federal government and public entities and enterprises); b) financial intermediation by development banks and public funds and trusts; and, c) additional liabilities representing obligations guaranteed by the federal government. Additional liabilities included in the calculations of PSBR are: a) IPAB's net liabilities; b) financed investment projects (*proyectos de inversión financiada*, Pidiregas); c) liabilities, net of dispositions, from the toll road rescue program (*Fideicomiso de Apoyo para el Rescate de Autopistas Concesionadas*, FARAC); d) the interest rate swapping cost of programs for restructuring bank credits denominated in UDIs; and e) liabilities associated with debtor support programs.

At the end of 2008, total PSBR (excluding the fiscal cost of the new ISSSTE pension scheme) recorded a deficit of 220.8 thousand million pesos, representing 1.8 percentage points of GDP (as compared with 0.9 percent of GDP in 2007).[64] This deficit mainly resulted from greater financial intermediation by development banks and official trust funds, which accounted for 0.3 percent of GDP, and increased flows from financed investment projects (Pidiregas), which represented 1.1 percentage points of GDP.[65]

The new ISSSTE pension scheme implied the recognition of a preexisting liability with workers who decided to change to the system of individual retirement savings accounts. After including the fiscal cost of the change to the ISSSTE law (292.0 thousand million pesos), PSBR totaled 512.8 thousand million pesos and accounted for 4.2 percent of GDP in 2008 (Graph 52).[66]

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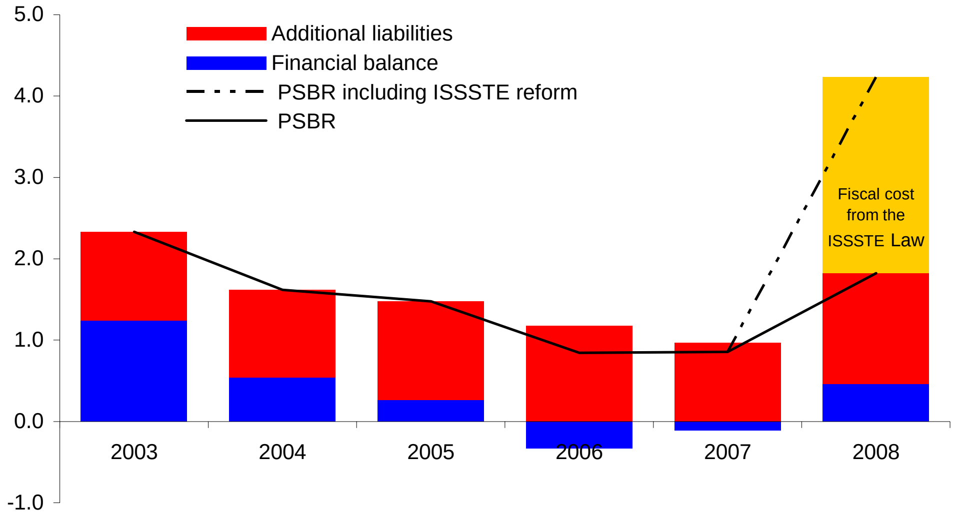
[63] PSBR reflect public sector's use of net financial funding, both domestic and external. Since 1977, Banco de México has calculated PSBR and published it in its Annual Reports. PSBR definition includes the Financial and Non-financial Public Sector and, since 2000, a number of additional items representing liabilities guaranteed by the public sector.

[64] The methodology for calculating the PSBR presented in this section is based on sources of financing (accrued deficit) and differs from that of the Ministry of Finance which is based on public sector's revenues and expenditures (cash flow). Other differences between these methodologies are: a) the value of assets (market value versus placement value), and b) the measurement of IPAB's financial requirements. In the case of the latter, Banco de México's methodology considers changes in IPAB's financial position, published in its Quarterly Reports on the Economic Situation, while the Ministry of Finance uses the inflationary component of IPAB liabilities.

[65] In 2008, PSBR non-recurrent revenues equaled 0.7 percent of GDP. Excluding these revenues, PSBR would account for 2.5 percentage points of GDP.

[66] The fiscal cost of the change to the ISSSTE law implied the recognition of federal government liabilities with the private sector.

Graph 52
Public Sector Borrowing Requirements
Percent of GDP



Note: By source of financing methodology, a (-) sign represents a surplus and a (+) sign a deficit.

In 2008, PSBR (excluding the cost of the ISSSTE Law reform) relied more on domestic financial funding (92.2 percent of total PSBR) than on foreign financing (7.8 percent). As a result, PSBR domestic financing totaled 203.5 thousand million pesos (1.7 percent of GDP), while net foreign financing, 17.3 thousand million pesos (0.1 percent of GDP). The latter resulted from a reduction in foreign financing for the federal government, public entities and enterprises, and development banks, amounting to 79.0 thousand million pesos, and net financing from financed investment projects (Pidiregas) for 96.3 thousand million pesos.

At the end of 2008, the structure of domestic financing was as follows: the public sector accumulated net financial assets at Banco de México (33.3 thousand million pesos); a reduction in net liabilities with commercial banks (16.8 thousand million pesos); an increase in net private sector financing through government securities (286.1 thousand million pesos); and a reduction in other liabilities with the private sector (32.5 thousand million pesos).[67]

In 2008, PSBR were used to finance the public sector's financial balance (composed of the economic balance and financial intermediation by development banks and public funds and trusts) of 55.9 thousand million pesos (0.5 percent of GDP) and public sector's additional liabilities for 164.9 thousand million pesos (1.4 percent of GDP). Additional liabilities were composed of: a net indebtedness of 133.9 thousand million pesos from financed investment projects (Pidiregas); a rise in IPAB's net liabilities (25.3 thousand million pesos); an increase in net liabilities associated with UDI restructuring programs (2.5 thousand million pesos); an increase in FARAC's net liabilities (2.9 thousand million pesos); and an increase in liabilities associated with debtor support programs (0.3 thousand million pesos) (Table 27).

[67] Includes private sector deposits in development banks and additional liabilities.

Table 27
Public Sector Borrowing Requirements in 2007 - 2008 1/

Item	2007		2008 p/	
	Thousand million pesos	Percent of GDP	Thousand million pesos	Percent of GDP
Sources:				
PSBR (excluding ISSSTE reform) 2/	95.6	0.9	220.8	1.8
Net external financing 3/	-79.7	-0.7	17.3	0.1
(Billion US dollars) 4/	-7.3		1.5	
Net domestic financing	175.3	1.6	203.5	1.7
Banco de México	-167.0	-1.5	-33.3	-0.3
Commercial banks	68.7	0.6	-16.8	-0.1
Government securities 5/	210.3	1.9	286.1	2.4
Other private sector financing 6/	63.4	0.6	-32.5	-0.3
Uses:				
PSBR (excluding ISSSTE reform)	95.6	0.9	220.8	1.8
Financial balance 7/	-12.4	-0.1	55.9	0.5
Additional liabilities	108.0	1.0	164.9	1.4
IPAB 8/	25.8	0.2	25.3	0.2
FARAC 9/	-18.8	-0.2	2.9	0.0
*UDIs r*estructuring programs	1.6	0.0	2.5	0.0
Pidiregas 10/	101.1	0.9	133.9	1.1
Debtor support programs 11/	-1.6	0.0	0.3	0.0
Memo:				
Non-recurrent revenues	-72.6	-0.6	-82.7	-0.7
PSBR excluding (non-recurrent revenues)	168.2	1.5	303.5	2.5
Fiscal cost ISSSTE reform			292.0	2.4
PSBR (including ISSSTE reform)			512.8	4.2

Source: Ministry of Finance and Banco de México.
p/ Preliminary figures.
1/ PSBR are calculated in accrued terms and include non-recurrent revenues. A (-) sign represents a surplus and a (+) sign represents a deficit.
2/ Excludes the effect of exchange rate fluctuations (peso/US dollar and US dollar/other currencies).
3/ Net foreign financing is calculated by subtracting redemptions and changes in financial assets' balances from total outlays.
4/ Includes both public sector's debt as well as the use of other foreign resources granted by Mexican banks' agencies abroad.
5/ Includes private sector securities only. Federal government securities held by banks are included in the item Net Financing by Commercial Banks. Government securities are registered at market value according to the IMF Government Finance Statistics Manual (2001).
6/ Includes private sector's bank deposits at developments banks and contingent liabilities.
7/ Public sector's financial balance includes the economic balance (federal government and public enterprises), and financial intermediation by development banks and public funds and trusts.
8/ Estimates based on the change in the Institute for the Protection of Bank Savings' (*Instituto de Protección al Ahorro Bancario*, IPAB) net liabilities as published in the Ministry of Finance's Public Debt Reports.
9/ Estimates based on the changes in federal government guaranteed liabilities from the toll road rescue program (*Fideicomiso de Apoyo al Rescate de Autopistas Concesionadas*, FARAC).
10/ Net investment in financed investment projects (*Proyectos de Infraestructura Productiva de Largo Plazo*, Pidiregas).
11/ Figure reported by commercial and development banks as credit granted to the federal government under these programs.

Public Sector Net Debt [68, 69]

In 2008, the federal government continued its policy to improve the public debt's payment conditions and its risk profile in terms of maturity, interest rate and currency composition. Actions were also taken to deal with liquidity problems in domestic markets through a program to repurchase medium and long-term government securities, as well as a program to place securities which include a higher share of short-term bond issues in their composition.

Table 28
Public Sector Total Net Debt
End of period outstanding stocks

	Stocks in Thousand Million Pesos		Percent of GDP			Real Annual Change	Percentage Structure	
	2007 p/	2008 p/	2007 p/	2008 p/	Difference	2008 - 2007	2007 p/	2008 p/
Public sector total net debt (a+b)	3,239.6	4,073.7	27.5	33.6	6.2	18.0	100.0	100.0
a. Net broad economic debt 1/	1,684.5	2,222.7	14.3	18.3	4.1	23.9	52.0	54.6
1. External	377.1	400.4	3.2	3.3	0.1	-0.3	11.6	9.8
2. Domestic	1,307.4	1,822.2	11.1	15.0	3.9	30.8	40.4	44.7
b. Additional liabilities	1,555.1	1,851.0	13.2	15.3	2.1	11.7	48.0	45.4
1. *IPAB* 2/	713.7	739.0	6.1	6.1	0.0	-2.8	22.0	18.1
2. *FARAC* 3/	141.9	144.8	1.2	1.2	0.0	-4.2	4.4	3.6
3. UDI restructuring programs 4/	34.8	37.3	0.3	0.3	0.0	0.6	1.1	0.9
4. Direct *Pidiregas* 5/	661.9	926.8	5.6	7.7	2.0	31.4	20.4	22.8
5. Debtor support programs 6/	2.8	3.1	0.0	0.0	0.0	3.9	0.1	0.1
Memo:								
Public sector total net debt (excluding liabilities from ISSSTE law)	3,239.6	3,803.2	27.5	31.4	3.9	10.2	100.0	100.0
Net broad economic debt (excluding liabilities from ISSSTE law)	1,684.5	1,952.2	14.3	16.1	1.8	8.8	52.0	51.3

Source: Ministry of Finance and Banco de México.
p/ Preliminary figures.
1/ The difference between the increase in the net broad economic debt and PSBR is due to the revaluation of debt flows in foreign currency; the exclusion of liquid assets held by public enterprises in investment funds; and, the fact that credit granted to the private sector is considered an asset and not a liability as with financial intermediation.
2/ Corresponds to the difference between IPAB's gross liabilities and total assets as reported in Appendix III from the Ministry of Finance Quarterly Report on Economic Situation, Public Finances and Public Debt up to the Fourth Quarter of 2008.
3/ FARAC liabilities guaranteed by the federal government.
4/ Difference between liabilities associated with special Cetes (issued by the federal government and banks) and debt restructured in UDIs.
5/ Debt balance for direct Pidiregas is based on investment flows.
6/ Credit granted by commercial banks to the federal government under the mentioned programs.

At the end of 2008, the public sector total net debt accounted for 33.6 percent of GDP, 6.2 percentage points above its level at the end of 2007. This

[68] The broad economic debt (*Deuda Económica Amplia*, DEAN) includes net liabilities of the federal government and non-financial public enterprises, as well as indebtedness and financial assets of official financial intermediaries (development banks and public funds and trusts). The net debt consolidated with Banco de México includes central bank's financial assets and liabilities with the private sector, commercial banks and the external sector. Under the latter definition, both assets and liabilities of Banco de México with the public sector are settled. Total net debt includes the broad economic debt plus additional liabilities from IPAB, FARAC, UDIs restructuring programs, Pidiregas, and debtor support programs. Since financing to the private sector by development banks is considered as a public sector asset and due to other similar methodology reasons for calculating the PSBR, public debt definitions are not the same as those used by the Ministry of Finance in its Quarterly Reports on the State of the Economy, Public Finances and Public Debt to the Mexican Congress.

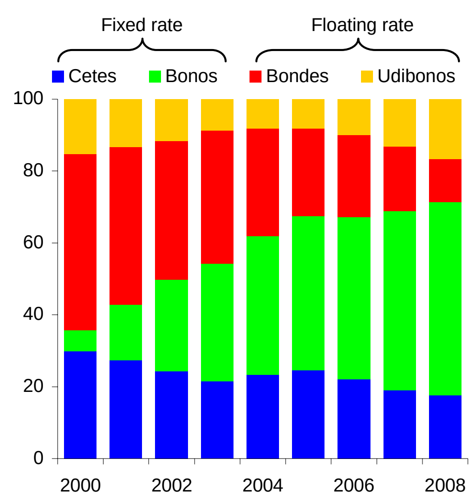
[69] Measurements of fiscal variables shown in this section are expressed as a percentage of GDP 2003 and therefore are not comparable with figures of previous Reports.

increase was a result of higher net domestic financing, which included the liabilities generated by the ISSSTE new pension scheme (2.2 percent of GDP) and an increase in additional liabilities (2.1 percent of GDP).[70] As for its composition, the net broad economic debt equaled 18.3 percentage points of GDP, while additional liabilities, 15.3 percentage points of GDP (Table 28).

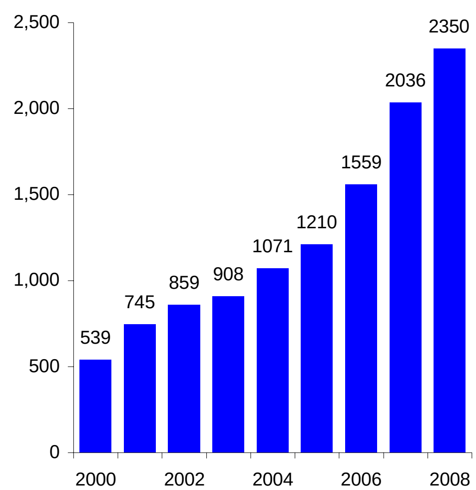
As for government's debt management, during the first three quarters of 2008 the federal government continued its strategy of favoring long-term peso denominated liabilities, improving the cost and maturity structure of the foreign debt, and reducing federal government's foreign financing. Among the actions to pursue this strategy were the two warrants carried out in October. The first of these consisted of exchanging (swapping) US dollar-denominated UMS bonds (832.5 million US dollars) and euro-denominated bonds (8.8 million Euros) for fixed interest peso-denominated *Bonos M*. The second exchanged US dollar-denominated UMS bonds (225.3 million US dollars) for Udibonos.[71] As an additional measure, and in order to improve global bond references, in January 2008 a bond with maturity in 2040 was placed for a total of 1.5 billion US dollars at an interest rate 170 basis points above that of U.S. Treasuries Bills. In December of the same year, a bond with maturity in 2019 was issued for 2 billion US dollars at an interest rate 390 basis points above that of U.S. Treasuries. With the latter operation, the federal government covered 32 percent of its external borrowing requirements for 2009.

Graph 53
Government Securities

a) Percentage Structure



b) Average Term to Maturity (Days) of Government Securities



Source: Ministry of Finance (SHCP) and Banco de México.

In the domestic market, during the first three quarters of 2008 the federal government continued to issue fixed-rate peso and UDI-denominated bonds (Graph 53a). However, issues of short-term instruments increased in the

[70] In the economic balance and the PSBR, the fiscal cost of the reform to the ISSSTE law amounts to 292.0 thousand million pesos, while in the public debt, 270.5 thousand million pesos. The difference is due to the fact that the first figure corresponds to the fiscal cost, while the second includes amortizations from pension bonds and changes in the deposits for December.

[71] The maturity date of warrants substituting foreign by domestic debt was October 9, 2008.

last quarter of the year (as compared with the amounts observed between January and September 2008). This change in the term structure of new issues aimed at reducing liquidity problems in domestic markets. As mentioned in section 3.1, the federal government also implemented a program to repurchase medium and long-term securities through auctions.[72] Despite these measures, the average weighted maturity of federal government securities rose from 2,036 days in December 2007 to 2,350 days at the end of 2008 (Graph 53b).[73]

At the end of 2008, the net debt consolidated with Banco de México (DNCBM, for its acronym in Spanish) equaled 17.3 percent of GDP, 2.8 percentage points above the figure observed in 2007 (Table 29). In 2008, the external creditor position of the public sector was significant (7.6 percent of GDP), by increasing 2.7 percentage points of GDP as compared with 2007. The latter figure resulted from the substitution of foreign for domestic debt mentioned above, as well as Banco de México's international reserve accumulation. Domestic debt consolidated with Banco de México rose 5.5 percentage points of GDP. Finally, the total public sector debt consolidated with Banco de México, including additional liabilities, equaled 32.6 percent of GDP, 4.9 percentage points above that registered in 2007.

Table 29
Public Sector Total Net Debt Consolidated with Banco de México
End of period outstanding stocks

	Stocks in Thousand Million Pesos		Percent of GDP			Real Annual Change	Percentage Structure	
	2007 p/	2008 p/	2007 p/	2008 p/	Difference	2008 - 2007	2007 p/	2008 p/
Public sector total net debt consolidated with Banco de México (a+b)	3,274.0	3,953.2	27.8	32.6	4.9	13.3	100.0	100.0
a. Net broad economic debt 1/	1,718.9	2,102.2	14.6	17.3	2.8	14.8	52.5	53.2
1. External	-577.2	-921.1	-4.9	-7.6	-2.7	49.8	-17.6	-23.3
2. Domestic	2,296.1	3,023.3	19.5	24.9	5.5	23.6	70.1	76.5
b. Additional liabilities	1,555.1	1,851.0	13.2	15.3	2.1	11.7	47.5	46.8
1. *IPAB* 2/	713.7	739.0	6.1	6.1	0.0	-2.8	21.8	18.7
2. *FARAC* 3/	141.9	144.8	1.2	1.2	0.0	-4.2	4.3	3.7
3. UDI restructuring programs 4/	34.8	37.3	0.3	0.3	0.0	0.6	1.1	0.9
4. Direct *Pidiregas* 5/	661.9	926.8	5.6	7.7	2.0	31.4	20.2	23.4
5. Debtor support programs 6/	2.8	3.1	0.0	0.0	0.0	3.9	0.1	0.1
Memo:								
Public sector total net debt consolidated with Banco de México (excluding liabilities from ISSSTE law)	3,274.0	3,682.7	27.8	30.4	2.6	5.6	100.0	100.0
Net broad economic debt consolidated with Banco de México (excluding liabilities from ISSSTE law)	1,718.9	1,831.7	14.6	15.1	0.5	0.0	52.5	49.7

Source: Ministry of Finance and Banco de México.
p/ Preliminary figures.
1/ The difference between the increase in this debt and PSBR is due to the revaluation of debt flows in foreign currency; the exclusion of liquid assets held by public enterprises in investment funds; and, the fact that credit granted to the private sector is considered an asset and not a liability as with financial intermediation.
2/ Corresponds to the difference between IPAB's gross liabilities and total assets as reported in Appendix III from the Ministry of Finance Quarterly Report on Economic Situation, Public Finances and Public Debt up to the Fourth Quarter of 2008.
3/ FARAC liabilities guaranteed by the federal government.
4/ Difference between liabilities associated with special Cetes (issued by the federal government and by banks) and debt restructured in UDIs.
5/ Debt balance for direct Pidiregas is based on investment flows.
6/ Credit granted by commercial banks to the federal government under the mentioned programs.

72 Repo operations of government securities included *Bonos M* and *Udibonos*. Of the 33.0 thousand million pesos of Bonos M offered, 4.3 thousand million were sold; while of the 1,680 million UDIs of Udibonos, 712.6 million were taken.

73 The average weighted maturity is defined as the total weight (compared to the nominal value of the amount in circulation) of the remaining maturities of all securities in circulation.

Statistical Appendix

Statistical Appendix

Contents

Basic Information **103**

Table A 1 Summary of Selected Indicators 103
Table A 2 Socio-demographic Indicators 104
Table A 3 Infrastructure 104
Table A 4 Mexican Financial System 105

Production and Employment **106**

Table A 5 Main Production Indicators 106
Table A 6 Gross Domestic Product 106
Table A 7 Aggregate Supply and Demand 106
Table A 8 Domestic Saving and Investment 107
Table A 9 Gross Domestic Product by Sector 107
Table A 10 Manufacturing Growth Rates 108
Table A 11 Crude Oil, Gas Production, and Crude Oil Reserves 109
Table A 12 Total Number of Workers Insured by the IMSS 110
Table A 13 Employment and Unemployment Indicators 111
Table A 14 Real Exchange Rate 112

Prices, Wages, and Productivity **113**

Table A 15 Main Price Indices 113
Table A 16 Consumer Price Index (CPI) 114
Table A 17 Consumer Price Index (CPI) by Type of Good 115
Table A 18 Headline and Core CPI Inflation, and Complementary CPI Subindices 116
Table A 19 Producer Price Index (PPI) Excluding Oil 117
Table A 20 Producer Price Index (PPI) Excluding Oil 118
Table A 21 Producer Price Index (PPI) Excluding Oil 118
Table A 22 Construction Cost Index 119
Table A 23 Contractual Wages 120
Table A 24 Nominal Earnings and Output per Worker (ENOE) 121
Table A 25 Minimum Wage 121

Monetary and Financial Indicators **122**

Table A 26 Main Monetary and Financial Indicators 122
Table A 27 Monetary Aggregates 123
Table A 28 Monetary Base 124
Table A 29 Monetary Aggregates M1, M2, M3 and M4 125
Table A 30 Credit Market Conditions Survey (Results up to Fourth Quarter of 2008) 126
Table A 31 Total Financing to the Non-financial Private Sector 127
Table A 32 Financial System Flow of Funds Matrix (January–December 2008) 1/ 128
Table A 33 Banco de México’s Three-year Bonds (Bondes D) 129
Table A 34 Banco de México’s Five-year Bonds (Bondes D) 130
Table A 35 Representative Interest Rates 131
Table A 36 Representative Interest Rates 133
Table A 37 Representative Exchange Rates 134
Table A 38 Dollar Auction 135
Table A 39 Daily Auction with Announced Minimum Price 136
Table A 40 Dollar Extraordinary Auctions 136
Table A 41 Mexican Stock Exchange Market Capitalization 137
Table A 42 Mexican Stock Exchange Main Benchmark Stock Index Index (*Indice de Precios y Cotizaciones de la Bolsa Mexicana de Valores*, IPC) 138

Public Finances **139**

Table A 43 Public Finance Indicators (2003-2008) 139

Table A 44 Public Sector Revenues, Expenditures and Balances in 2007 and 2008 ... 140
Table A 45 Public Sector Revenues, Expenditures and Balances (2003-2008) ... 141
Table A 46 Public Sector Budgetary Revenues (2003-2008) ... 142
Table A 47 Public Sector Budgetary Expenditures (2003-2008) ... 143
Table A 48 Public Sector Total Net Debt ... 144
Table A 49 Public Sector Total Net Debt ... 145
Table A 50 Non-financial Public Sector Net Debt ... 146
Table A 51 Federal Government Domestic Debt Securities ... 147
Table A 52 Federal Government Domestic Debt Securities ... 148

External Sector ... 149

Table A 53 Main External Sector Indicators ... 149
Table A 54 Balance of Payments ... 150
Table A 55 Foreign Trade ... 151
Table A 56 Exports by Sector of Origin ... 152
Table A 57 Imports by Sector of Origin ... 153
Table A 58 Regional Trade Balance ... 154
Table A 59 Main Traded Goods ... 155
Table A 60 International Travelers ... 156
Table A 61 Revenues from Workers' Remittances ... 157
Table A 62 Revenues from Workers' Remittances ... 158
Table A 63 Foreign Investment Flows ... 158
Table A 64 Foreign Investment in Government Securities ... 159
Table A 65 Foreign Investment in the Stock Market ... 160
Table A 66 Gross External Debt Position ... 161
Table A 67 Gross External Debt and Debt Service ... 162

Basic Information

Table A 1
Summary of Selected Indicators

	2004	2005	2006	2007	2008 p/
Social and demographic indicators					
Population (millions) 1/	103.0	103.9	104.9	105.8	106.7
Population annual growth rate 1/	0.9	0.9	0.9	0.9	0.8
Life expectancy at birth 1/	74.5	74.6	74.8	75.0	75.1
Production and prices					
Gross Domestic Product (thousand million pesos)	8,571	9,253	10,380	11,206	12,111
			Annual change (percent)		
GDP at constant prices	4.0	3.2	5.1	3.3	1.3
Consumer Price Index (Dec-Dec)	5.19	3.33	4.05	3.76	6.78
Money and finances					
Monetary aggregates 2/			Real annual change (percent)		
Monetary base	8.8	7.9	12.4	8.3	7.1
M1	8.8	6.9	11.5	5.5	2.8
M4	7.5	10.4	11.1	7.2	7.3
Interest rates 3/			Annual rates (percent)		
28-day Cetes	6.82	9.20	7.19	7.19	7.68
28-day TIIE (Interbank Equlibrium Interest Rate)	7.15	9.61	7.51	7.66	8.28
			Pesos per U.S. dollar		
Exchange rate (end of period) 4/	11.2648	10.7777	10.8810	10.8662	13.5383
Public finances			GDP (percent)		
Economic balance (cash flow) 5/	-0.2	-0.1	0.1	0.0	-0.1
Primary balance 5/	2.2	2.2	2.5	2.2	1.8
Net public debt 6/	18.0	16.2	15.8	14.3	18.3
External sector			GDP (percent)		
Trade balance	-1.2	-0.9	-0.6	-1.0	-1.6
Current account balance	-0.7	-0.5	-0.5	-0.8	-1.5
Capital account balance	1.7	1.7	-0.2	2.0	2.0
Total external debt	21.3	19.5	16.9	17.8	17.9
Interest paid	1.5	1.4	1.5	1.4	1.3
			Billion US dollars		
Net international reserves (end of period) 7/	61.5	68.7	67.7	78.0	85.4

Source: Annual Government Report 2008, Mexico's Presidency; Banco de México; Ministry of Finance (*Secretaría de Hacienda y Crédito Público*, SHCP); and, National Statistics Bureau (*Instituto Nacional de Estadística y Geografía,* INEGI),

p/ Preliminary figures.
1/ Estimates for 2008.
2/ Estimates based on the average of outstanding stocks at end of period.
3/ Average during the period.
4/ Used for settling liabilities in foreign currency.
5/ Based on the revenue-expenditure methodology.
6/ Refers to the broad economic debt, which includes net liabilities of the federal government, public entities and enterprises, and of official financial intermediaries (development banks, and trust funds).Outstanding stocks at end of period. Calculations by Banco de México.
7/ As defined in Article 19 of Banco de México's Law.

Table A 2
Socio-demographic Indicators

	2001	2002	2003	2004	2005	2006	2007	2008 p/
Population (millions)	99.7	100.9	102.0	103.0	103.9	104.9	105.8	106.7
Urban population 1/	68.7	69.1	69.5	69.9	71.2	71.6	71.8	72.1
Rural population1/	31.3	30.9	30.5	30.1	28.8	28.4	28.2	27.9
Population per sq.km 2/	50.7	51.3	51.9	52.4	52.9	53.4	53.9	54.3
Population annual growth rate	1.3	1.1	1.0	0.9	0.9	0.9	0.9	0.8
National unemployment rate 2/	2.8	3.0	3.4	3.9	3.6	3.6	3.7	4.0
Unemployment rate (urban areas) 3/	3.6	3.9	4.6	5.3	4.7	4.6	4.8	4.9
Life expectancy at birth (years)	74.3	74.4	74.5	74.5	74.6	74.8	75.0	75.1
Fertility rate 4/	2.6	2.5	2.3	2.3	2.2	2.2	2.1	2.1
Mortality rate (per thousand)	4.6	4.6	4.7	4.7	4.8	4.8	4.8	4.9
Infant mortality rate (per thousand live births)	15.7	16.8	15.9	16.1	16.8	16.2	15.7	15.2
Number of hospital beds (per 100,000 inhabitants) 5/	76.5	75.5	74.2	75.4	75.5	71.9	75.7	79.5
Iliteracy rate (population 15 years or over)	8.9	8.7	8.4	8.1	8.3	8.1	7.8	7.7
Number of students per teacher (grade school)	26.9	26.7	26.4	26.2	25.9	25.9	25.9	25.8
Population with access to drinking water 1/	89.0	89.2	89.4	89.5	89.5	89.6	89.9	90.8

Source: Annual Government Report 2008, Mexico’s Presidency (*Presidencia de la República*), and INEGI Occupation and Employment Survey (unemployment rates).
p/ Preliminary figures.
1/Percent of total population.
2/Ratio Open Unemployed Population to Economic Active Population. The Open Unemployed Population is made up of individuals that were not engaged in working activities during the reference week but were searching for work during the last month.
3/ Unemployment rate in 32 cities.
4/ At the end of women’s reproductive life.
5/ National Health System (*Sistema Nacional de Salud*).

Table A 3
Infrastructure

	2001	2002	2003	2004	2005	2006	2007	2008 p/
Roads (km)	330,005	337,168	349,037	352,078	355,796	355,945	360,075	360,352
Federal toll roads (km)	6,759	6,987	6,979	7,421	7,409	7,558	7,844	7,935
Federal non-toll roads (km)	41,645	41,537	41,454	41,158	40,953	40,761	40,631	40,817
Paved roads (km)	110,910	113,125	117,023	116,926	122,678	123,354	127,173	127,450
Railroad transportation								
Total railway network (km)	26,655	26,655	26,662	26,662	26,662	26,662	26,667	26,722
Passengers (million passengers/km)	67	69	78	74	73	76	84	147
Commercial cargo (million tons/km) 3/	55,147	59,195	64,413	69,926	72,185	73,726	77,169	78,872
Air transportation								
Number of international airports	57	57	56	56	56	59	58	59
Passengers (thousands)	33,673	33,190	35,287	39,422	42,176	45,406	52,221	55,377
Cargo (thousand tons)	351	389	410	467	529	544	572	617
Maritime transportation								
Number of ports (sea and river)	108	108	106	107	113	113	114	114
Sea freight (international and domestic cargo, thousand tons)	244,431	253,046	264,739	266,008	283,604	287,432	272,934	279,689
Communications								
Phones (thousand lines in service)	13,774	14,975	16,330	18,073	19,512	19,861	19,754	19,925
Cellular phones (thousand subscribers)	21,758	25,928	30,098	38,451	47,129	57,016	6,824	73,515
Telegraph services (number of offices)	1,609	1,568	1,555	1,550	1,543	1,563	1,575	1,579
Postal services (locations served)	29,216	16,029	14,942	17,609	17,994	18,704	17,368	17,665
Radio stations 1/	1,410	1,413	1,417	1,413	1,419	1,433	1,458	1,462
T.V. stations 1/	642	652	645	658	685	680	685	694
Lodging (number of rooms)	458,123	469,488	496,292	515,904	535,639	562,039	583,731	596,352
Energy								
Electric generation (gigawatts/hour) 2/	209,074	214,383	223,893	233,984	246,267	254,911	262,765	275,949
Oil reserves (million barrels) 4/	52,951	50,032	48,041	46,914	46,418	45,376	44,483	43,563

Source: Annual Government Report 2008 (*Presidencia de la República*) and PEMEX Activities Report (*Memorias de Labores e Indicadores Petroleros*).
p/ Preliminary figures.
1/ Includes broadcasting, concessions, and licenses.
2/ Includes Federal Electricity Commission (*Comisión Federal de Electricidad*, CFE) and Central Light and Power Company (*Luz y Fuerza del Centro*, LFC).
3/ Includes local freight, intermodal remitted freight, received freight, and in-transit freight.
4/ At December 31st of each year.

Table A 4
Mexican Financial System

REGULATORY AUTHORITIES

- **MINISTRY OF FINANCE** (*Secretaría de Hacienda y Crédito Público*, SHCP)
- **BANCO DE MÉXICO**
- **NATIONAL BANKING AND SECURITIES COMMISSION** (*Comisión Nacional Bancaria y de Valores*, CNBV)
- **NATIONAL INSURANCE AND BONDING COMMISSION** (*Comisión Nacional de Seguros y Fianzas*, CNSF)
- **NATIONAL COMMISSION FOR THE PROTECTION AND DEFENSE OF FINANCIAL SERVICE USERS** (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*, Condusef)
- **NATIONAL COMMISSION FOR THE RETIREMENT SAVINGS SYSTEM** (*Comisión Nacional de Seguro para el Retiro*, CONSAR)

FINANCIAL INSTITUTIONS

FINANCIAL GROUPS
- 30 Holding companies 1/

CREDIT INSTITUTIONS
- 43 Commercial banks
- 6 Development banks
- 3 Development trust funds

SECURITIES MARKET
- 1 Mexican Stock Exchange
- 34 Brokerage houses
- 522 Investment companies 2/
- 106 Investment companies specialized in retirement savings (*Sociedades de Inversión Especializadas en Fondos para el Retiro*, Siefores)
- **1 Derivatives Exchange**

OTHER FINANCIAL INTERMEDIARIES AND CREDIT INFORMATION COMPANIES
- 95 Insurance companies 3/
- 20 Deposit warehouses
- 6 Financial leasing companies
- 4 Savings and loans companies
- 27 Special purpose financial companies (*Sociedades Financieras de Objeto Limitado*, Sofoles)
- **15 Commercial banks' regulated entities (*Sociedades Financieras de Objeto Múltiple*, Sofomes E.R.)**
- 140 Credit unions
- 14 Bonding companies
- 14 Foreign exchange firms
- 74 Popular Savings and Credit Financial Entities
- 3 Financial factoring companies
- 2 Credit bureaus

1/ National Commission for the Protection of Financial Service Users (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*, Condusef).
2/ Includes stock investment funds, fixed-income investment funds for individuals and enterprises, equity investment funds, and, investment fund holdings.
3/ Includes insurance companies, insurance companies specialized in pensions, and health insurance companies. Information up to December 2008.

Production and Employment

Table A 5
Main Production Indicators
Annual change (percent)

	2004	2005	2006	2007	2008
Gross Domestic Product	4.0	3.2	5.1	3.3	1.3
Private consumption	5.6	4.8	5.7	3.9	1.5
Public consumption	-2.8	2.4	1.7	2.1	0.6
Private investment	6.1	7.1	13.0	5.8	2.1
Public investment	15.4	8.7	-1.6	12.9	15.8
Exports (goods and services)	11.5	6.8	10.9	5.7	1.4
Imports (goods and services)	10.7	8.5	12.6	7.0	4.3

Source: Mexico's National Accounts (*Sistema de Cuentas Nacionales de México*), INEGI.

Table A 6
Gross Domestic Product

	Million Pesos at Current Prices	Exchange Rate	Million USD
2003	7,555,803.8	10.789	700,324.8
2004	8,570,808.8	11.286	759,419.5
2005	9,252,641.3	10.898	849,022.0
2006	10,379,783.5	10.901	952,186.4
2007	11,206,069.8	10.932	1,025,070.4
2008	12,110,555.3	11.129	1,088,198.0

Source: Mexico's National Accounts (*Sistema de Cuentas Nacionales de México*), INEGI and Banco de México.

Table A 7
Aggregate Supply and Demand
2003 Prices

	Annual Change (Percent)					Percent of GDP	
	2004	2005	2006	2007	2008	2003	2008
Aggregate supply	5.4	4.4	6.8	4.2	2.1	126.8	134.2
GDP	4.0	3.2	5.1	3.3	1.3	100.0	100.0
Imports	10.7	8.5	12.6	7.0	4.3	26.8	34.2
Aggregate demand	5.4	4.4	6.8	4.2	2.1	126.8	134.2
Total consumption	4.4	4.5	5.1	3.6	1.4	78.6	80.1
Private	5.6	4.8	5.7	3.9	1.5	66.7	69.7
Public	-2.8	2.4	1.7	2.1	0.6	11.8	10.4
Total investment	8.0	7.5	9.8	7.2	4.9	18.9	23.0
Private	6.1	7.1	13.0	5.8	2.1	15.1	17.7
Public	15.4	8.7	-1.6	12.9	15.8	3.8	5.2
Exports	11.5	6.8	10.9	5.7	1.4	25.4	30.4

Source: Mexico's National Accounts (*Sistema de Cuentas Nacionales de México*), INEGI.

Table A 8
Domestic Saving and Investment
Percent of GDP at current prices

Item	2003	2004	2005	2006	2007	2008 p/
Gross Capital Formation 1/	22.9	24.8	24.4	26.2	25.8	26.4
Financed with External Saving	1.2	0.9	0.6	0.2	0.5	1.5
Financed with Domestic Saving	21.7	23.9	23.7	25.9	25.3	24.9

Source: Prepared by Banco de México with data from Mexico's National Accounts (*Sistema de Cuentas Nacionales de México*), INEGI, except for external saving figures, which are drawn from the current account balance measured in current pesos and as a proportion of GDP.
p/ Preliminary figures.
1/ Includes gross fixed investment plus change in inventories.

Table A 9
Gross Domestic Product by Sector
2003 Prices

	Annual Change (Percent)					Percent of GDP	
	2004	2005	2006	2007	2008 p/	2003	2008 p/
Total	4.0	3.2	5.1	3.3	1.3	100.0	100.0
Primary sector	2.5	-2.6	6.3	2.0	3.2	3.8	3.6
Secondary sector	3.7	2.8	5.7	2.5	-0.7	31.2	30.3
Mining	1.3	-0.3	1.4	-0.6	-2.3	5.9	4.9
Electricity, water supply, and pipeline gas supply	4.0	2.0	12.2	3.7	2.2	1.3	1.3
Construction	5.3	3.9	7.6	4.4	-0.6	6.2	6.4
Manufacturing industry	3.9	3.6	5.9	2.6	-0.4	17.8	17.6
Tertiary sector	4.5	4.2	5.3	4.0	2.1	61.5	63.3
Commerce	6.9	4.6	6.5	4.7	2.8	14.5	15.7
Transport, mail and warehousing services	5.4	3.6	5.6	3.7	0.8	6.8	7.0
Mass media services	11.7	8.6	10.7	10.0	8.0	2.6	3.6
Financial and insurance services	10.0	22.9	16.7	11.1	-1.2	2.6	3.8
Real estate and leasing services	3.9	2.3	4.1	3.1	3.2	10.5	10.5
Professional, scientific and technical services	3.4	3.9	3.2	3.2	2.2	3.4	3.4
Corporate and firm management services	7.1	4.8	20.1	-3.1	4.2	0.4	0.4
Business support services and waste management and remedial services	3.7	3.6	3.7	3.1	1.3	2.6	2.5
Education services	0.8	2.1	0.1	2.2	0.9	5.0	4.5
Health and social assistance services	0.3	1.8	7.8	-0.5	1.1	3.0	2.8
Cultural and sport services, and other recreational services	4.8	0.6	2.3	3.3	2.0	0.4	0.4
Temporary lodging services, and food and beverage related services	3.5	0.8	1.6	2.6	1.0	2.8	2.6
Other services except for government-related services	1.9	2.2	3.3	3.9	1.8	2.7	2.6
Government activity services	-1.3	2.1	-0.3	1.2	0.0	4.2	3.6
Financial intermediation services measured indirectly	12.8	19.5	20.3	7.7	-1.7	-1.6	-2.3

Source: Mexico's National Accounts (*Sistema de Cuentas Nacionales de México*), INEGI.
p/ Preliminary figures.

Table A 10
Manufacturing Growth Rates
2003 Prices

	Annual Change (Percent)					Percent of GDP	
	2004	2005	2006	2007	2008 p/	2003	2008 p/
Total	3.9	3.6	5.9	2.6	-0.4	17.8	17.6
Food industry	3.3	2.6	1.8	2.4	1.4	4.0	3.8
Beverage and tobacco industries	7.3	7.1	6.3	3.2	1.8	1.0	1.1
Textile input manufacturing	3.7	-5.5	1.1	-2.9	-9.5	0.2	0.2
Textile manufacturing (except for apparel)	6.5	-0.1	5.4	0.2	-9.0	0.1	0.1
Apparel industry	0.0	-4.0	-1.8	-4.7	-6.2	0.6	0.4
Leather product industry (except leather clothing)	1.0	2.3	3.8	-1.3	-4.2	0.3	0.2
Timber industry	-0.2	-1.1	1.4	2.6	-5.1	0.2	0.2
Paper industry	4.8	3.3	4.1	2.6	2.8	0.4	0.4
Printing and printing-related industries	-3.2	2.4	10.2	-0.5	3.5	0.2	0.2
Oil and coal by-product industries	11.3	-2.2	1.6	-2.1	1.3	0.5	0.5
Chemical industry	3.3	2.8	4.0	2.0	-1.3	1.8	1.7
Plastic and rubber industry	3.0	3.7	3.3	2.4	-2.4	0.5	0.5
Non-metal mineral product industry	4.8	6.3	6.9	2.7	-2.3	1.1	1.2
Basic metal industries	3.8	6.1	3.6	-1.5	-0.5	1.0	1.0
Metal product industry	10.7	8.6	6.5	0.2	-3.3	0.5	0.6
Machinery and equipment	7.7	6.9	6.8	-0.2	3.3	0.4	0.4
Measurement and other equipment, electronic components and accesories	-7.0	3.8	10.1	1.2	-13.6	1.0	0.8
Manufacturing of electricity-supply equipment and electric devices and accesories	7.8	1.6	11.6	2.1	0.8	0.6	0.6
Transport equipment	5.4	5.1	14.3	8.6	3.6	2.7	3.3
Manufacturing of furniture and furniture-related products	2.3	0.7	-1.2	0.6	-4.2	0.3	0.2
Other manufacturing industries	5.4	4.6	10.6	3.4	-2.2	0.4	0.4

Source: Mexico's National Accounts (*Sistema de Cuentas Nacionales de México*), INEGI.
p/ Preliminary figures.

Table A 11
Crude Oil, Gas Production, and Crude Oil Reserves

Year	Crude Oil (Million barrels)		Natural Gas (Million cubic feet per day)	Total Oil Reserves [1/] (Thousand million barrels)
	Total	Daily average	Total	Total
1989	917.2	2.513	3,572	66.5
1990	930.0	2.548	3,651	65.5
1991	976.7	2.676	3,634	65.0
1992	976.5	2.668	3,584	65.1
1993	975.6	2.673	3,576	64.5
1994	980.0	2.685	3,625	63.2
1995	955.2	2.617	3,759	62.1
1996	1,046.0	2.858	4,195	60.9
1997	1,103.1	3.022	4,467	60.2
1998	1,120.7	3.071	4,791	57.7
1999	1,060.7	2.906	4,791	58.2
2000	1,102.4	3.012	4,679	56.2
2001	1,141.4	3.127	4,511	53.0
2002	1,159.6	3.177	4,424	50.0
2003	1,230.4	3.371	4,498	48.0
2004	1,238.1	3.383	4,573	46.9
2005	1,216.7	3.333	4,818	46.4
2006	1,188.3	3.256	5,356	45.4
2007	1,122.7	3.076	6,058	44.5
2008 [p/]	1,021.9	2.792	6,919	43.6

Source: Pemex Activities Report (*Memorias de Labores*) and crude oil indicators (*Indicadores Petroleros*).
p/ Preliminary figures.
1/ At December 31 of each year.

Table A 12
Total Number of Workers Insured by the IMSS
Thousands

Year		Permanent	Temporary in Urban Areas	Total
2000		11,247	1,139	12,387
2001		11,050	1,061	12,111
2002		11,083	1,101	12,184
2003		11,079	1,124	12,203
2004		11,352	1,196	12,547
2005		11,685	1,287	12,971
2006		12,163	1,412	13,575
2007	Jan	12,233	1,441	13,674
	Feb	12,294	1,487	13,781
	Mar	12,359	1,490	13,848
	Apr	12,401	1,516	13,916
	May	12,459	1,511	13,970
	Jun	12,473	1,544	14,017
	Jul	12,538	1,546	14,085
	Aug	12,565	1,583	14,148
	Sep	12,633	1,575	14,208
	Oct	12,722	1,638	14,360
	Nov	12,820	1,630	14,450
	Dec	12,628	1,472	14,100
2008	Jan	12,653	1,520	14,173
	Feb	12,688	1,560	14,248
	Mar	12,723	1,530	14,253
	Apr	12,763	1,571	14,335
	May	12,783	1,556	14,338
	Jun	12,815	1,575	14,390
	Jul	12,817	1,584	14,402
	Aug	12,781	1,605	14,387
	Sep	12,816	1,624	14,441
	Oct	12,825	1,651	14,476
	Nov	12,769	1,639	14,408
	Dec	12,569	1,493	14,063

Source: Social Security Institute (*Instituto Mexicano del Seguro Social*, IMSS).

Table A 13
Employment and Unemployment Indicators
Percent

		In Relation to Economically Active Population			In Relation to Employed Population	
		National unemployment rate 1/	Unemployment rate in urban areas 2/	Temporary employment and unemployment 3/	Underemployment 4/	Informal employment 5/
2005		3.6	4.7	9.4	7.5	28.1
2006		3.6	4.6	9.4	6.8	27.1
2007		3.7	4.8	10.1	7.2	27.0
2008		4.0	4.9	10.2	6.8	27.3
2007	I	4.0	5.1	10.3	7.7	26.9
	II	3.4	4.5	9.7	6.9	27.1
	III	3.9	5.1	9.7	6.9	26.9
	IV	3.6	4.7	10.6	7.1	27.3
2008	I	3.9	4.9	10.4	6.6	27.4
	II	3.5	4.3	9.9	6.9	27.5
	III	4.2	5.2	10.0	6.8	27.1
	IV	4.3	5.2	10.4	7.1	27.0

Source: INEGI Quarterly National Employment Survey (*Encuesta Nacional de Ocupación y Empleo*, ENOE), except for the National and Urban Unemployment Rate, which are obtained from the monthly ENOE.

1/ Ratio Open Unemployed Population to Economic Active Population. The Open Unemployed Population is made up of individuals that were not engaged in working activities during the reference week but were searching for work during the last month.

2/ Unemployment rate in 32 cities.

3/ Percent of Economic Active Population (*Población Económicamente Activa*, PEA) that is not working, plus that working less than 15 hours during the reference week.

4/ Employed individuals needing to work more hours than those covered in their current jobs.

5/ Percent of non-farm employed population working in an economic unit operating with household funds, but not considered as an identified enterprise independent from that household. The operational criteria for determining the non-independent condition of production units in relation to households is given by the lack of conventional accounting practices tending to end in a lance of Assets and Liabilities. The fact that these practices are not carried out means that no distinction is made between household and enterprise wealth, and between enterprise and household's expenditures (for example, light and telephone expenditures, and vehicle use, among others).

Table A 14
Real Exchange Rate [1/]
1990 = 100

Year		Based on Consumer Prices [2/]	Annual Change (Percent)
1988		111.2	-17.2
1989		100.5	-9.6
1990		100.0	-0.5
1991		91.4	-8.6
1992		85.8	-6.1
1993		73.4	-14.4
1994		75.9	3.3
1995		117.1	54.4
1996		102.9	-12.1
1997		85.8	-16.6
1998		84.6	-1.5
1999		77.7	-8.1
2000		68.8	-11.4
2001		62.8	-8.8
2002		61.1	-2.7
2003		71.8	17.6
2004		77.3	7.6
2005		74.0	-4.3
2006		73.1	-1.2
2007		75.3	3.0
2008		78.5	4.3
2007	I	73.5	5.8
	II	74.7	-1.3
	III	76.0	2.3
	IV	76.8	5.5
2008	I	78.0	6.0
	II	76.9	2.9
	III	73.8	-2.8
	IV	85.2	10.9

Source: Banco de México, International Monetary Fund, and INEGI.
1/ Rate increases reflect peso depreciation.
2/ Real effective exchange rate estimated according to consumer prices in relation to a basket of 111 countries, weighted by each country's GDP.

Prices, Wages, and Productivity

Table A 15
Main Price Indices

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Prices	Annual change (percent)										
Consumer prices											
End-period	18.61	12.32	8.96	4.40	5.70	3.98	5.19	3.33	4.05	3.76	6.53
Annual average	15.93	16.59	9.49	6.37	5.03	4.55	4.69	3.99	3.63	3.97	5.12
Producer prices (merchandise excluding oil)											
End-period	19.41	8.66	7.38	2.61	6.29	6.24	7.97	2.46	7.12	3.69	10.48
Annual average	15.98	14.24	7.84	5.02	3.66	6.31	8.58	3.56	6.12	4.25	7.38
Producer prices (merchandise and services excluding oil)											
End-period	18.59	11.94	8.58	4.33	5.67	4.52	6.52	3.59	5.39	3.57	7.75
Annual average	16.01	15.98	9.42	6.14	4.87	4.90	6.43	4.22	5.12	3.83	5.79
Producer prices (merchandise and services including oil)											
End-period	17.60	13.71	8.06	3.67	7.05	4.83	6.57	4.01	5.50	4.40	6.50
Annual average	14.89	16.62	10.40	5.28	5.19	5.51	6.81	4.52	5.39	4.05	6.33
Construction Cost Index (Residential) 1/											
End-period	19.14	14.37	7.59	3.47	3.50	6.92	12.15	-0.39	8.50	3.04	9.57
Annual average	18.11	17.62	11.21	5.29	2.27	6.48	12.25	1.19	7.58	3.36	9.70

1/ Starting January 2004 this indicator replaced the Social Housing Construction Cost Index (*Índice Nacional del Costo de Edificación de Vivienda de Interés Social*, INCEVIS).

Table A 16
Consumer Price Index (CPI)

	Month	CPI 2ndweek Jun 2002	Annual Change (Percent) Annual	Annual 12-month Moving Average	Monthly
1993	Dec	26.721	8.01	9.75	
1994	Dec	28.605	7.05	6.97	
1995	Dec	43.471	51.97	35.00	
1996	Dec	55.514	27.70	34.38	
1997	Dec	64.240	15.72	20.63	
1998	Dec	76.195	18.61	15.93	
1999	Dec	85.581	12.32	16.59	
2000	Dec	93.248	8.96	9.49	
2001	Dec	97.354	4.40	6.37	
2002	Dec	102.904	5.70	5.03	
2003	Dec	106.996	3.98	4.55	
2004	Dec	112.550	5.19	4.69	
2005	Dec	116.301	3.33	3.99	
2006	Dec	121.015	4.05	3.63	
2007	Jan	121.640	3.98	3.63	0.52
	Feb	121.980	4.11	3.67	0.28
	Mar	122.244	4.21	3.73	0.22
	Apr	122.171	3.99	3.80	-0.06
	May	121.575	3.95	3.88	-0.49
	Jun	121.721	3.98	3.94	0.12
	Jul	122.238	4.14	4.03	0.42
	Aug	122.736	4.03	4.08	0.41
	Sep	123.689	3.79	4.05	0.78
	Oct	124.171	3.74	4.01	0.39
	Nov	125.047	3.93	3.99	0.71
	Dec	125.564	3.76	3.97	0.41
2008	Jan	126.146	3.70	3.94	0.46
	Feb	126.521	3.72	3.91	0.30
	Mar	127.438	4.25	3.92	0.72
	Apr	127.728	4.55	3.96	0.23
	May	127.590	4.95	4.05	-0.11
	Jun	128.118	5.26	4.15	0.41
	Jul	128.832	5.39	4.26	0.56
	Aug	129.576	5.57	4.39	0.58
	Sep	130.459	5.47	4.53	0.68
	Oct	131.348	5.78	4.70	0.68
	Nov	132.841	6.23	4.89	1.14
	Dec	133.761	6.53	5.12	0.69

Table A 17
Consumer Price Index (CPI) by Type of Good
Annual change (percent)

	Month	CPI	Food, Beverages and Tobacco	Apparel, Footwear and Accessories	Housing	Furniture and Household Goods	Medical and Personal Care	Transport	Education and Entertainment	Other Goods and Services
1994	Dec	7.05	6.94	4.76	8.04	5.69	9.78	6.94	8.64	5.12
1995	Dec	51.97	61.73	44.85	41.77	62.54	58.01	55.84	40.51	39.58
1996	Dec	27.70	29.12	28.65	26.00	26.77	24.68	33.48	20.19	24.46
1997	Dec	15.72	13.30	18.38	17.69	15.61	17.56	15.87	15.18	16.73
1998	Dec	18.61	22.02	16.56	14.10	16.37	20.18	19.86	17.13	18.27
1999	Dec	12.32	7.85	13.88	13.11	14.67	19.14	12.27	15.95	16.75
2000	Dec	8.96	8.06	8.46	10.50	4.69	9.03	8.08	12.78	10.65
2001	Dec	4.40	3.75	4.04	2.68	0.49	5.97	3.83	10.47	9.79
2002	Dec	5.70	5.45	2.19	9.54	-2.08	3.72	3.95	7.25	6.47
2003	Dec	3.98	4.31	0.32	4.20	0.16	4.35	2.47	6.35	5.88
2004	Dec	5.19	8.17	1.14	5.04	1.28	2.89	5.38	4.77	4.72
2005	Dec	3.33	2.24	1.26	3.60	1.87	3.87	3.50	5.09	4.46
2006	Dec	4.05	6.27	1.24	3.27	1.75	3.41	3.54	4.41	4.17
2007	Jan	3.98	5.94	0.94	3.22	1.49	3.56	3.42	4.47	4.70
	Feb	4.11	5.97	1.26	3.43	1.40	3.80	3.59	4.53	4.78
	Mar	4.21	6.91	1.32	3.02	1.34	3.64	3.73	4.59	4.49
	Apr	3.99	7.41	1.36	2.45	1.66	3.54	3.00	3.97	4.28
	May	3.95	6.15	1.36	2.98	1.98	3.59	3.19	4.42	4.31
	Jun	3.98	6.48	1.37	2.80	1.88	3.50	3.29	4.42	4.40
	Jul	4.14	7.28	1.46	2.74	2.03	3.58	3.28	4.13	4.49
	Aug	4.03	6.73	1.39	2.77	2.01	3.69	3.13	4.29	4.51
	Sep	3.79	5.71	1.37	2.90	1.55	3.86	3.14	4.05	4.28
	Oct	3.74	4.90	1.49	3.32	1.25	3.86	3.40	4.00	4.48
	Nov	3.93	6.61	1.51	2.44	1.37	3.93	3.40	3.94	4.70
	Dec	3.76	6.00	1.31	2.32	1.85	4.04	3.16	4.19	4.49
2008	Jan	3.70	5.61	1.33	2.55	2.08	4.14	2.96	4.23	4.13
	Feb	3.72	5.16	1.43	3.04	2.38	3.88	2.88	4.27	4.20
	Mar	4.25	6.45	1.57	3.57	2.87	3.81	3.12	4.28	4.52
	Apr	4.55	7.48	1.46	3.73	3.20	3.71	3.19	4.15	4.74
	May	4.95	8.69	1.62	3.96	3.34	3.97	3.28	4.16	4.81
	Jun	5.26	9.34	1.64	4.31	3.91	4.28	3.32	4.15	4.91
	Jul	5.39	9.18	1.57	4.50	4.18	4.32	3.71	4.56	5.08
	Aug	5.57	8.94	1.86	4.63	4.70	4.57	4.46	4.70	5.38
	Sep	5.47	7.64	1.99	4.65	5.43	4.85	5.07	5.00	5.72
	Oct	5.78	8.15	2.11	4.93	5.80	4.74	5.67	5.16	5.75
	Nov	6.23	9.02	2.17	5.34	6.19	4.90	5.98	5.38	6.25
	Dec	6.53	10.24	2.30	5.44	6.11	4.83	5.47	5.51	6.51

Table A 18
Headline and Core CPI Inflation, and Complementary CPI Subindices
Annual change (percent)

	Month	CPI	Core (New Definition) 1/	Merchandise	Services (New Definition)	Non-core (New Definition)	Agricultural	Administered and Regulated	Core (Previous Definition) 2/	Services (Previous Definition)	Non-core (Previous Definition)
1999	Dec	12.32	14.41	14.13	14.78	7.66	0.25	13.36	14.24	14.40	8.58
2000	Dec	8.96	7.86	6.68	9.44	11.56	10.07	12.58	7.52	8.77	11.91
2001	Dec	4.40	5.51	3.85	7.66	1.87	1.35	2.21	5.08	6.87	3.08
2002	Dec	5.70	4.24	1.95	6.84	9.85	8.65	10.96	3.77	6.23	10.05
2003	Dec	3.98	4.03	2.62	5.39	3.82	3.65	3.91	3.66	4.84	4.66
2004	Dec	5.19	4.08	3.87	4.28	8.35	10.11	7.51	3.80	3.72	8.20
2005	Dec	3.33	3.41	2.82	3.95	3.13	-0.18	4.76	3.12	3.46	3.76
2006	Dec	4.05	3.79	3.38	4.16	4.79	8.30	3.14	3.61	3.87	4.96
2007	Jan	3.98	4.03	3.80	4.25	3.85	5.55	3.03	3.89	3.98	4.17
	Feb	4.11	4.09	3.83	4.33	4.18	5.83	3.39	3.95	4.09	4.44
	Mar	4.21	3.98	3.78	4.16	4.84	8.67	3.07	3.83	3.89	4.98
	Apr	3.99	3.82	3.84	3.81	4.47	9.96	1.94	3.66	3.48	4.67
	May	3.95	3.88	3.99	3.79	4.13	6.15	3.16	3.73	3.46	4.40
	Jun	3.98	3.86	4.07	3.68	4.33	6.68	3.23	3.70	3.31	4.58
	Jul	4.14	3.92	4.26	3.62	4.76	8.25	3.13	3.77	3.24	4.93
	Aug	4.03	4.03	4.39	3.70	4.04	6.12	3.03	3.86	3.29	4.39
	Sep	3.79	3.96	4.34	3.61	3.33	3.52	3.23	3.80	3.21	3.78
	Oct	3.74	4.06	4.50	3.66	2.87	0.48	4.10	3.91	3.27	3.40
	Nov	3.93	4.11	4.52	3.74	3.43	4.85	2.73	3.97	3.37	3.85
	Dec	3.76	4.14	4.52	3.80	2.71	3.42	2.37	4.00	3.43	3.27
2008	Jan	3.70	4.06	4.30	3.84	2.73	3.42	2.39	3.90	3.46	3.30
	Feb	3.72	4.14	4.39	3.91	2.58	1.87	2.93	4.00	3.56	3.16
	Mar	4.25	4.34	4.71	4.01	3.99	4.36	3.80	4.22	3.69	4.31
	Apr	4.55	4.56	5.06	4.11	4.51	5.67	3.93	4.46	3.80	4.73
	May	4.95	4.86	5.50	4.28	5.19	7.44	4.09	4.79	4.01	5.29
	Jun	5.26	5.02	5.72	4.38	5.94	8.88	4.52	4.96	4.14	5.88
	Jul	5.39	5.11	5.72	4.54	6.22	8.71	5.00	5.05	4.32	6.12
	Aug	5.57	5.26	6.01	4.57	6.46	7.72	5.83	5.22	4.35	6.32
	Sep	5.47	5.36	6.11	4.67	5.79	4.61	6.39	5.32	4.46	5.78
	Oct	5.78	5.33	5.85	4.84	7.05	7.38	6.88	5.29	4.66	6.80
	Nov	6.23	5.52	6.08	5.01	8.20	9.57	7.52	5.50	4.86	7.73
	Dec	6.53	5.73	6.45	5.07	8.72	11.63	7.27	5.73	4.93	8.15

1/ This indicator includes the Merchandise and Services price subindices. The Merchandise price subindex is composed of the following items: Processed foods, beverages, tobacco and Other merchandise. The Services price subindex is composed of the items Housing (homes), Education (school fees), and Other services.
2/ This definition of Core inflation excludes the item Education (school fees).
For more details on the definition of these indicators, see Inflation Report July-September 2007, Appendix 1, pp. 48-53.

Table A 19
Producer Price Index (PPI) Excluding Oil
December 2003 = 100

Period	Merchandise			Services			Merchandise and Services		
	Index	Change (Percent)		Index	Change (Percent)		Index	Change (Percent)	
		Annual	Monthly		Annual	Monthly		Annual	Monthly
1996 Dec	54.501	24.76	2.58	50.468	28.04	3.59	52.272	26.55	3.11
1997 Dec	61.943	13.66	1.08	58.786	16.48	1.08	60.205	15.18	1.09
1998 Dec	73.966	19.41	1.61	69.218	17.75	2.51	71.399	18.59	2.08
1999 Dec	80.374	8.66	0.78	79.512	14.87	1.07	79.924	11.94	0.93
2000 Dec	86.305	7.38	0.57	87.146	9.60	1.03	86.781	8.58	0.82
2001 Dec	88.556	2.61	-0.32	92.178	5.77	0.37	90.541	4.33	0.06
2002 Dec	94.128	6.29	0.31	96.960	5.19	0.31	95.672	5.67	0.31
2003 Dec	100.000	6.24	0.85	100.000	3.13	0.27	100.000	4.52	0.53
2004 Dec	107.969	7.97	-0.29	105.254	5.25	0.41	106.524	6.52	0.08
2005 Dec	110.625	2.46	0.45	110.098	4.60	0.34	110.344	3.59	0.39
2006 Jan	111.465	3.15	0.76	110.387	4.34	0.26	110.891	3.78	0.50
Feb	111.915	2.94	0.40	110.688	4.30	0.27	111.262	3.66	0.33
Mar	112.665	3.29	0.67	111.013	4.19	0.29	111.786	3.76	0.47
Apr	114.047	4.13	1.23	111.734	4.60	0.65	112.816	4.38	0.92
May	115.518	6.07	1.29	111.961	4.36	0.20	113.625	5.17	0.72
Jun	116.779	7.88	1.09	112.222	4.08	0.23	114.354	5.86	0.64
Jul	116.950	7.46	0.15	113.323	4.39	0.98	115.019	5.83	0.58
Aug	117.690	8.18	0.63	113.443	4.32	0.11	115.430	6.13	0.36
Sep	118.234	8.21	0.46	113.752	4.27	0.27	115.848	6.11	0.36
Oct	118.218	7.71	-0.01	113.920	4.05	0.15	115.930	5.77	0.07
Nov	118.145	7.28	-0.06	114.185	4.06	0.23	116.038	5.57	0.09
Dec	118.502	7.12	0.30	114.341	3.85	0.14	116.287	5.39	0.21
2007 Jan	118.776	6.56	0.23	114.669	3.88	0.29	116.591	5.14	0.26
Feb	119.259	6.56	0.41	115.123	4.01	0.40	117.058	5.21	0.40
Mar	120.057	6.56	0.67	115.321	3.88	0.17	117.537	5.14	0.41
Apr	120.198	5.39	0.12	115.442	3.32	0.10	117.667	4.30	0.11
May	119.368	3.33	-0.69	115.522	3.18	0.07	117.321	3.25	-0.29
Jun	119.596	2.41	0.19	116.576	3.88	0.91	117.989	3.18	0.57
Jul	120.145	2.73	0.46	116.998	3.24	0.36	118.470	3.00	0.41
Aug	121.345	3.11	1.00	117.160	3.28	0.14	119.118	3.20	0.55
Sep	122.299	3.44	0.79	117.195	3.03	0.03	119.583	3.22	0.39
Oct	122.443	3.57	0.12	117.439	3.09	0.21	119.780	3.32	0.16
Nov	122.868	4.00	0.35	117.929	3.28	0.42	120.239	3.62	0.38
Dec	122.870	3.69	0.00	118.296	3.46	0.31	120.436	3.57	0.16
2008 Jan	123.907	4.32	0.84	118.744	3.55	0.38	121.160	3.92	0.60
Feb	125.284	5.05	1.11	119.133	3.48	0.33	122.011	4.23	0.70
Mar	126.575	5.43	1.03	119.736	3.83	0.51	122.936	4.59	0.76
Apr	127.512	6.08	0.74	120.086	4.02	0.29	123.560	5.01	0.51
May	128.064	7.29	0.43	120.405	4.23	0.27	123.988	5.68	0.35
Jun	128.829	7.72	0.60	121.479	4.21	0.89	124.918	5.87	0.75
Jul	130.002	8.20	0.91	121.962	4.24	0.40	125.723	6.12	0.64
Aug	130.085	7.20	0.06	122.216	4.32	0.21	125.897	5.69	0.14
Sep	130.787	6.94	0.54	122.604	4.62	0.32	126.433	5.73	0.43
Oct	134.145	9.56	2.57	123.358	5.04	0.61	128.405	7.20	1.56
Nov	135.297	10.12	0.86	123.996	5.14	0.52	129.283	7.52	0.68
Dec	135.749	10.48	0.33	124.521	5.26	0.42	129.774	7.75	0.38

Table A 20
Producer Price Index (PPI) Excluding Oil
Classified by end use
Annual change (percent) at December of each year

Item	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
PPI with merchandise and services	**11.94**	**8.58**	**4.33**	**5.67**	**4.52**	**6.52**	**3.59**	**5.39**	**3.57**	**7.75**
Domestic demand	12.88	8.96	4.89	5.31	4.11	6.67	3.99	5.25	3.67	7.24
Private consumption	12.78	9.01	4.90	5.53	3.79	5.56	4.56	4.03	3.70	6.24
Goverment consumption	14.61	11.70	9.02	5.53	4.41	4.93	5.26	5.38	5.13	5.36
Investment	12.59	7.68	3.19	4.35	5.30	12.85	0.82	10.77	2.81	12.55
Exports	3.94	5.07	-0.99	9.27	8.56	5.48	0.63	6.41	2.81	11.61
PPI goods (merchandise)	**8.66**	**7.38**	**2.61**	**6.29**	**6.24**	**7.97**	**2.46**	**7.12**	**3.69**	**10.48**
Domestic demand	9.71	7.85	3.42	5.81	5.79	8.61	3.21	7.16	3.90	10.07
Private consumption	9.05	8.15	3.61	6.26	5.25	6.00	4.84	4.94	4.60	8.42
Goverment consumption	9.79	8.35	2.59	4.19	5.71	9.82	4.22	6.64	4.81	8.96
Investment	11.07	7.22	3.06	4.93	6.92	13.03	0.56	10.91	2.75	12.77
Exports	0.36	3.31	-4.73	11.07	10.38	5.44	-0.58	6.94	2.79	12.25
PPI services	**14.87**	**9.60**	**5.77**	**5.19**	**3.13**	**5.25**	**4.60**	**3.85**	**3.46**	**5.26**
Domestic demand	15.72	9.90	6.11	4.91	2.73	5.23	4.59	3.81	3.49	5.04
Private consumption	15.54	9.61	5.79	5.04	2.80	5.32	4.41	3.53	3.20	5.03
Goverment consumption	14.95	11.92	9.44	5.61	4.33	4.58	5.34	5.29	5.15	5.09
Investment	19.42	9.60	3.75	1.99	-1.44	7.13	9.34	6.70	4.59	5.89
Exports	7.08	6.64	2.30	8.12	7.28	5.65	4.93	4.63	2.88	9.40

Table A 21
Producer Price Index (PPI) Excluding Oil
Classified by finished goods' origin
Annual change (percent) at December of each year

Item	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
PPI goods and services	**11.94**	**8.58**	**4.33**	**5.67**	**4.52**	**6.52**	**3.59**	**5.39**	**3.57**	**7.75**
Primary sector	-7.06	7.71	4.89	11.04	3.20	8.58	8.00	10.77	5.17	11.88
Agriculture, livestock, wood and fishing	-7.61	8.35	5.78	10.40	1.75	8.08	8.32	8.42	4.45	14.16
Mining	2.56	-2.24	-10.60	24.13	29.72	13.12	5.22	31.48	10.39	-3.82
Secondary sector	10.26	7.19	2.33	5.03	6.48	7.78	1.90	6.89	3.53	10.30
Manufacturing	9.55	6.57	1.80	5.00	6.21	5.10	2.46	4.81	3.82	9.03
Food, beverages and tobacco	11.01	6.51	4.76	4.06	6.30	7.27	3.85	5.33	6.08	8.44
Textiles, apparel and leather	8.05	6.37	1.47	3.87	4.12	2.88	2.73	3.25	1.50	5.11
Timber	9.56	6.67	6.45	1.37	4.77	8.68	3.31	5.93	2.17	5.21
Paper, printing and publishing	12.92	11.11	1.91	3.65	3.85	2.96	3.97	3.90	3.18	12.08
Chemicals, oil and plastics	15.57	11.80	-0.83	6.77	7.13	8.98	6.53	4.98	6.62	8.56
Non metalic minerals	7.80	6.70	1.36	2.55	5.07	1.59	0.90	7.36	3.52	8.20
Basic metal industries	-2.23	8.66	0.69	9.66	15.71	48.87	1.69	28.22	5.86	18.49
Metal products, machines and equipment	3.97	1.81	-0.46	5.33	6.07	1.43	-0.70	3.35	0.67	10.10
Other manufactures	4.66	4.25	2.47	7.37	4.38	2.68	-0.12	6.72	6.06	13.96
Construction	12.53	9.14	3.97	5.11	7.27	14.49	0.61	11.76	2.90	13.08
Terciary sector	14.88	9.69	5.77	5.76	3.23	5.44	4.60	3.88	3.48	5.47
Electricity and gas	12.37	13.09	4.90	33.64	7.87	11.32	4.41	4.60	4.07	11.70
Commerce, restaurants and hotels	16.54	9.80	3.44	3.41	0.73	5.22	3.94	3.83	3.96	6.02
Transportation and communications	11.75	8.04	3.90	4.95	3.96	8.23	5.94	2.87	2.73	6.07
Leasing	12.11	6.62	5.81	6.58	4.44	3.63	2.85	3.30	2.72	3.62
Community, personal and social services	16.14	11.90	10.70	7.17	5.30	4.04	4.76	4.88	4.21	5.27

Table A 22
Construction Cost Index 1/
Annual change (percent) and contributions

Item	General				Residential			
	Annual change		Incidence		Annual change		Incidence	
	Dec-07	Dec-08	Dec-07	Dec-08	Dec-07	Dec-08	Dec-07	Dec-08
	Dec-06	Dec-07	Dec-06	Dec-07	Dec-06	Dec-07	Dec-06	Dec-07
General index	2.90	13.05	2.90	13.05	3.04	9.57	3.04	9.57
Construction materials subindex	2.55	15.47	2.03	12.26	2.65	11.42	2.02	8.69
Non-metal minerals	4.88	7.78	0.34	0.54	5.16	8.02	0.43	0.68
Cement and concrete	4.71	8.72	0.69	1.30	4.88	9.09	0.96	1.81
Cementing materials	3.39	10.40	0.07	0.21	3.59	11.40	0.11	0.36
Clay materials	3.67	6.30	0.10	0.17	3.78	6.22	0.20	0.32
Concrete materials	3.18	5.06	0.09	0.15	3.10	4.87	0.18	0.28
Concrete structures	4.35	11.35	0.05	0.13	4.51	9.44	0.14	0.30
Other concrete materials	1.47	8.19	0.01	0.06	1.47	8.19	0.02	0.08
Other non-metal mineral products	0.53	7.77	0.01	0.08	0.57	7.73	0.00	0.05
Timber products	3.38	7.27	0.06	0.12	3.80	6.81	0.10	0.18
Paint and other similar materials	0.85	19.19	0.01	0.33	0.05	16.93	0.00	0.29
Plastic materials	-1.68	8.36	-0.02	0.08	-0.62	7.24	0.00	0.06
Other chemical products	0.98	49.01	0.04	1.96	0.98	49.01	0.00	0.14
Metal products	0.90	26.13	0.11	3.07	1.39	25.50	0.06	1.07
Wire materials	-3.55	24.34	-0.27	1.72	-3.76	24.71	-0.42	2.60
Electric equipment	6.04	15.68	0.52	1.39	6.59	15.72	0.05	0.11
Electric accessories	0.54	-4.09	0.02	-0.16	0.52	-4.73	0.02	-0.14
Furniture and accessories	4.56	11.52	0.03	0.08	4.60	12.07	0.08	0.20
Other materials and accessories	2.84	16.92	0.17	1.02	3.61	9.05	0.12	0.30
Rented machinery and equipment subindex	2.89	6.89	0.04	0.10	2.89	6.89	0.03	0.07
Worker earnings subindex	4.35	3.55	0.83	0.68	4.35	3.55	0.99	0.81

1/ This indicator, which began publishing in January 2004 and is based on December 2003=100, substituted the Social Housing Construction Cost Index (*Índice Nacional del Costo de Edificación de Vivienda de Interés Social*, INCEVIS).

Table A 23
Contractual Wages

Period		Contractual Wages: Total: Annual percentage increase	Total: Number of workers (thousands)	Total: Number of firms	Manufacturing: Annual percentage increase	Manufacturing: Number of workers (thousands)	Manufacturing: Number of firms
1999	Average	16.5	1,572	4,671	17.9	499	2,107
2000	Average	12.4	1,819	5,358	13.3	624	2,352
2001	Average	9.1	1,732	5,679	10.0	575	2,345
2002	Average	5.8	1,757	5,487	6.4	550	2,446
2003	Average	4.7	1,763	5,337	5.2	526	2,294
2004	Average	4.1	1,776	5,920	4.6	535	2,431
2005	Average	4.4	1,783	5,957	4.7	541	2,476
2006	Average	4.1	1,684	5,819	4.4	483	2,433
2007	Average	4.2	1,858	6,251	4.4	567	2,546
2008	Average	4.4	1,910	6,308	4.7	557	2,768
2006	Jan	4.4	185	519	4.8	54	244
	Feb	4.2	141	693	4.3	93	330
	Mar	4.2	180	791	4.4	71	371
	Apr	4.4	116	560	4.6	27	196
	May	4.2	164	502	4.4	44	222
	Jun	4.6	63	601	4.3	32	209
	Jul	4.9	38	272	4.9	22	122
	Aug	4.1	205	514	4.4	35	236
	Sep	4.3	72	367	4.3	49	188
	Oct	3.6	434	432	4.3	31	143
	Nov	4.0	68	313	4.6	16	109
	Dec	4.7	19	255	4.9	8	63
2007	Jan	4.0	228	576	4.4	90	239
	Feb	4.3	147	675	4.4	87	339
	Mar	4.3	155	813	4.5	63	364
	Apr	4.3	221	677	4.4	40	191
	May	4.3	103	566	4.7	35	241
	Jun	4.7	57	567	4.4	30	237
	Jul	4.4	190	296	5.6	19	108
	Aug	4.1	78	527	4.3	36	206
	Sep	4.2	81	405	4.2	62	181
	Oct	4.1	506	446	4.5	58	202
	Nov	4.4	68	403	4.3	34	146
	Dec	4.5	24	300	4.6	13	92
2008	Jan	4.4	188	611	4.4	49	258
	Feb	4.4	154	724	4.5	86	369
	Mar	4.4	172	642	4.4	61	326
	Apr	4.4	268	732	4.6	70	347
	May	4.7	85	525	4.9	42	241
	Jun	4.4	64	519	4.6	30	242
	Jul	4.8	199	343	5.2	21	146
	Aug	4.7	76	466	4.8	40	190
	Sep	4.8	105	476	4.8	62	229
	Oct	4.1	472	611	4.9	30	181
	Nov	4.6	77	347	4.6	55	124
	Dec	4.7	51	312	4.7	11	115

Source: Ministry of Labor (*Secretaría del Trabajo y Previsión Social*, STPS).

Note: Annual percentage wage increase figures correspond to weighted averages of monthly figures. Annual figures for number of workers and number of companies correspond to total monthly figures.

Table A 24
Nominal Earnings and Output per Worker (ENOE)
Annual change (percent)

Period		Nominal Earnings	Output per Worker	
			Total	Manufactures
2007	Average	5.3	1.6	2.5
2008	Average	2.4	0.3	2.0
2007	I	6.7	1.4	0.4
	II	7.0	1.3	1.4
	III	4.6	2.8	5.8
	IV	2.9	1.0	2.3
2008	I	4.6	0.4	3.6
	II	2.2	0.7	1.5
	III	0.6	0.0	1.3
	IV	2.0	0.1	1.6

Source: Prepared by Banco de México with data from INEGI.

Table A 25
Minimum Wage
Pesos per day

Period	National Average 1/	Geographic Region 2/		
		A	B	C
1991 November 11	12.08	13.33	12.32	11.12
1993 January 1	13.06	14.27	13.26	12.05
1994 January 1	13.97	15.27	14.19	12.89
1995 January 1	14.95	16.34	15.18	13.79
1995 April 1	16.74	18.30	17.00	15.44
1995 December 4	18.43	20.15	18.70	17.00
1996 April 1	20.66	22.60	20.95	19.05
1996 December 3	24.30	26.45	24.50	22.50
1998 January 1	27.99	30.20	28.00	26.05
1998 December 3	31.91	34.45	31.90	29.70
2000 January 1	35.12	37.90	35.10	32.70
2001 January 1	37.57	40.35	37.95	35.85
2002 January 1	39.74	42.15	40.10	38.30
2003 January 1	41.53	43.65	41.85	40.30
2004 January 1	43.30	45.24	43.73	42.11
2005 January 1	45.24	46.80	45.35	44.05
2006 January 1	47.05	48.67	47.16	45.81
2007 January 1	48.88	50.57	49.00	47.60
2008 January 1	50.84	52.59	50.96	49.50
2009 January 1	53.19	54.80	53.26	51.95

1/ Country's average weighted by number of minimum wage earners in each region.
2/ States and municipalities are classified by regions to show country's differing costs of living. For details on classification methodology see "Minimum Wages", Minimum Wage Commission (*Comisión Nacional de Salarios Mínimos*, CONASAMI).

Monetary and Financial Indicators

Table A 26
Main Monetary and Financial Indicators

	2005	2006	2007	2008
Monetary aggregates [1/]	Real annual change (percent)			
Monetary base	7.86	12.38	8.28	7.11
M1	6.93	11.53	5.48	2.77
M4	10.42	11.09	7.18	7.26
	Percent of GDP			
Monetary base	3.44	3.57	3.73	3.88
M1	10.04	10.35	10.51	10.51
M4	45.11	46.29	47.78	49.85
Nominal interest rates [2/]	Annual rates (percent)			
28-day TIIE	9.61	7.51	7.66	8.28
28-day Cetes	9.20	7.19	7.19	7.68
CPP	6.47	5.14	5.00	5.69
CCP	7.64	6.06	5.99	6.73
Exchange rate [3/]	Pesos per USD			
To settle liabilities denominated in foreign currency	10.7777	10.8810	10.8662	13.5383
Mexican Stock Exchange [3/]	Index base October 1978=100			
Stock Exchange Benchmark Index (*IPC*)	17,803	26,448	29,537	22,380

Source: Banco de México and Mexican Stock Exchange (*Bolsa Mexicana de Valores*, BMV).
1/ Average of stocks at end of month.
2/ Average of daily or weekly observations.
3/ At end of period.

Table A 27
Monetary Aggregates
Stocks in thousand million pesos

End of period		Monetary Base	M1	M2	M3	M4
		Nominal stocks				
1995		66.8	171.6	754.4	784.5	869.2
1996		84.0	245.3	995.2	1,025.8	1,116.1
1997		108.9	325.8	1,290.1	1,320.5	1,400.4
1998		131.5	388.2	1,663.2	1,689.8	1,775.6
1999		188.7	489.9	2,030.7	2,047.6	2,121.3
2000		208.9	565.0	2,331.1	2,359.4	2,415.8
2001		225.6	680.7	2,731.8	2,760.2	2,809.0
2002		263.9	766.5	3,027.9	3,053.1	3,096.9
2003		303.6	857.7	3,420.5	3,454.4	3,487.0
2004		340.2	946.6	3,777.2	3,866.4	3,905.4
2005		380.0	1,068.5	4,347.9	4,485.7	4,527.7
2006		449.8	1,218.5	4,941.3	5,118.6	5,170.4
2007		494.7	1,350.1	5,368.7	5,631.6	5,703.9
2008						
	Jan	459.7	1,268.1	5,419.1	5,718.7	5,790.4
	Feb	447.8	1,253.5	5,435.3	5,750.7	5,824.9
	Mar	447.7	1,231.5	5,468.4	5,789.0	5,859.2
	Apr	445.5	1,231.8	5,506.5	5,831.0	5,901.0
	May	451.3	1,235.7	5,569.3	5,888.4	5,955.9
	Jun	447.6	1,242.7	5,519.9	5,834.6	5,901.9
	Jul	463.3	1,233.0	5,583.1	5,932.8	6,000.6
	Aug	462.8	1,236.1	5,590.5	5,960.4	6,032.6
	Sep	458.6	1,240.3	5,676.3	6,044.4	6,122.8
	Oct	477.7	1,280.9	5,731.8	6,061.4	6,143.5
	Nov	505.1	1,337.4	5,830.7	6,143.3	6,228.0
	Dec	577.5	1,478.1	6,291.1	6,606.4	6,689.0
		Average stocks as a percentage of GDP 1/				
2003		3.30	9.71	41.81	42.28	42.76
2004		3.31	9.75	41.25	41.99	42.41
2005		3.44	10.04	43.38	44.68	45.11
2006		3.57	10.35	44.28	45.86	46.29
2007		3.73	10.51	45.34	47.21	47.78
2008		3.88	10.51	46.53	49.24	49.85

The monetary base includes banknotes and coins in circulation plus the net creditor balance of commercial and development banks' current accounts at Banco de México.

M1 includes banknotes and coins held by the public plus domestic private sector deposits in checking accounts and in current accounts where funds can be withdrawn with debit cards.

M2 includes M1 plus domestic private sector bank deposits (other than deposits in checking and current accounts) plus federal government and private sector securities held by the resident private sector, and retirement savings funds.

M3 includes M2 plus non-residents' demand and term deposits in banks, plus federal government securities held by non-residents.

M4 includes M3 plus deposits in Mexican banks' agencies abroad.

1/ GDP (base 2003) annual average.

Table A 28
Monetary Base
Stocks in thousand million pesos

End of period	Monetary base	Liabilities: Banknotes and coins in circulation [1/]	Liabilities: Bank deposits	Assets: Net domestic credit	Assets: Net international assets [2/]
1995	66.809	66.809	0.000	55.649	11.160
1996	83.991	83.991	0.000	34.307	49.684
1997	108.891	108.736	0.156	-51.049	159.940
1998	131.528	131.109	0.419	-100.836	232.364
1999	188.718	188.718	0.000	-71.350	260.068
2000	208.943	208.880	0.063	-133.443	342.386
2001	225.580	225.223	0.358	-185.735	411.315
2002	263.937	263.937	0.000	-265.566	529.503
2003	303.614	303.614	0.000	-360.043	663.657
2004	340.178	340.178	0.000	-375.992	716.170
2005	380.034	380.034	0.000	-408.133	788.167
2006					
2007					
Jan	409.948	409.948	0.000	-437.619	847.567
Feb	399.604	399.604	0.000	-457.021	856.624
Mar	409.814	409.814	0.000	-427.336	837.150
Apr	400.646	400.646	0.000	-447.405	848.051
May	407.228	407.228	0.000	-431.346	838.574
Jun	408.727	408.727	0.000	-432.532	841.259
Jul	408.167	408.167	0.000	-447.146	855.312
Aug	410.822	410.822	0.000	-466.856	877.678
Sep	412.441	412.441	0.000	-486.044	898.485
Oct	417.008	417.008	0.000	-479.383	896.390
Nov	431.863	431.863	0.000	-500.488	932.351
Dec	494.743	494.743	0.000	-457.484	952.227
2008					
Jan	459.689	459.689	0.000	-523.363	983.052
Feb	447.828	447.828	0.000	-521.439	969.267
Mar	447.711	447.711	0.000	-523.036	970.747
Apr	445.503	445.503	0.000	-530.101	975.605
May	451.314	451.302	0.012	-519.672	970.986
Jun	447.614	447.614	0.000	-522.025	969.639
Jul	463.303	463.303	0.000	-495.018	958.321
Aug	462.797	462.797	0.000	-535.686	998.483
Sep	458.616	458.615	0.000	-627.307	1085.923
Oct	477.702	477.702	0.000	-602.779	1080.482
Nov	505.084	504.671	0.413	-677.150	1182.234
Dec	577.543	577.542	0.000	-739.750	1317.293

1/ Banknotes and coins held by the public and in banks' vaults.
2/ Defined as gross reserves plus credit agreements with central banks with maturity of more than six months, minus total liabilities with the IMF and with foreign central banks with maturity of less than six months.

Table A 29
Monetary Aggregates M1, M2, M3 and M4
Stocks in thousand million pesos

	December					
	2003	2004	2005	2006	2007	2008
1. Banknotes and coins held by the public	263.6	301.2	336.2	389.6	430.1	494.4
2. Checking accounts (pesos)	396.0	408.7	471.7	532.7	604.8	623.4
3. Checking accounts (US dollars)	74.0	96.8	95.3	97.7	97.7	117.8
4. Current account deposits	122.6	138.1	163.0	195.7	214.2	239.3
5. Savings and loan companies' demand deposits	1.5	1.8	2.4	2.9	3.3	3.2
6. M1 = (1+2+3+4+5)	**857.7**	**946.6**	**1,068.5**	**1,218.5**	**1,350.1**	**1,478.1**
7. Resident bank deposits	725.5	798.6	858.6	859.8	982.5	1,240.3
8. Savings and loan companies' bank deposits	7.7	9.7	11.8	14.2	16.1	17.8
9. Public securities held by residents 1/	1,319.0	1,433.9	1,753.9	2,092.6	2,187.8	2,416.9
Federal government securities	829.7	728.5	838.7	1,212.9	1,326.5	1,602.6
Banco de México securities (BREMs)	138.0	195.3	213.1	82.9	11.8	1.0
IPAB securities	235.4	333.1	445.3	490.9	548.0	484.3
Other public securities	115.9	177.2	256.9	306.0	301.6	329.0
10. Private securities	176.5	206.0	218.0	256.3	306.8	332.9
11. Housing and other funds 2/	334.1	382.4	437.1	499.8	525.6	805.1
12. M2=(6+7+8+9+10+11)	**3,420.5**	**3,777.2**	**4,347.9**	**4,941.3**	**5,368.7**	**6,291.1**
13. Non-resident bank deposits	9.1	10.8	24.5	32.6	35.1	48.0
14. Public securities held by non-residents	24.8	78.4	113.2	144.8	227.7	267.4
15. M3=(12+13+14)	**3,454.4**	**3,866.4**	**4,485.7**	**5,118.6**	**5,631.6**	**6,606.4**
16. Resident deposits in Mexican bank agencies abroad	19.1	29.4	27.3	42.8	47.9	52.2
17. Non-resident deposits in Mexican bank agencies abroad	13.5	9.6	14.7	8.9	24.4	30.4
18. M4=(15+16+17)	**3,487.0**	**3,905.4**	**4,527.7**	**5,170.4**	**5,703.9**	**6,689.0**

Note: Stocks may not coincide with components' totals due to rounding.
1/ Includes holdings of Investment Companies Specialized in Retirement Savings (*Sociedades de Inversión Especializadas en Fondos para el Retiro*, Siefores).
2/ Includes public housing funds (National Employees' Housing Fund-*Instituto del Fondo Nacional de la Vivienda para los Trabajadores*, Infonavit and the Housing Fund-*Fondo de la Vivienda del ISSSTE*, Fovissste) and retirement funds other than Siefores, particularly those managed by Banco de México and the retirement savings' funds from the Public Sector Employees' Social Security Institute (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*, ISSSTE) and the Retirement Savings Fund for ISSSTE-insured workers (*Fondo Nacional de Pensiones de los Trabajadores al Servicio del Estado*, Pensionissste).

Table A 30
Credit Market Conditions Survey (Results up to Fourth Quarter of 2008)[1/]
Percentage of responses

I t e m	Total					4th Quarter 2008					
	2007	2008				By Size of Firm [2/]				By Type of Firm [3/]	
	4th	1st	2nd	3rd	4th	S	M	L	AAA	Exporter	Nonexporter
Sources of financing	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Suppliers	60.5	60.7	56.5	53.3	54.8	62.6	53.9	48.4	36.4	53.6	56.4
Commercial banks	17.5	16.5	18.2	22.4	22.8	22.3	22.8	23.4	22.7	22.3	23.5
Foreign banks	2.5	2.2	3.2	5.2	2.2	0.6	2.2	3.2	9.1	2.2	2.1
Other firms from the same corporate group	12.3	12.7	14.5	12.4	13.4	10.1	14.9	15.3	13.6	14.4	12.0
Development banks	1.7	2.1	1.2	1.0	1.4	0.6	2.2	0.8	4.5	0.9	2.1
Headquarters	3.3	3.9	4.8	3.6	3.6	2.8	3.5	4.8	4.5	4.7	2.1
Other liabilities	2.2	1.9	1.6	2.1	1.8	1.1	0.4	4.0	9.1	1.9	1.7
Firms using bank credit	**25.7**	**26.8**	**29.2**	**30.2**	**28.6**	**23.5**	**30.3**	**31.4**	**42.9**	**30.9**	**26.1**
Destined for:											
Working capital	63.3	68.5	70.2	68.2	57.1	56.1	56.9	57.9	60.0	58.1	55.9
Liability restructuring	10.2	11.0	7.6	7.8	13.6	19.5	10.8	10.5	20.0	12.8	14.7
Foreign trade transactions	5.4	4.7	3.1	2.6	8.4	7.3	7.7	10.5	10.0	9.3	7.4
Investment	16.9	13.4	16.0	20.1	18.8	17.1	23.1	15.8	10.0	17.4	20.6
Other purposes	4.2	2.4	3.1	1.3	1.9	0.0	1.5	5.3	0.0	2.3	1.5
Firms that did not use bank credit	**74.3**	**73.2**	**70.8**	**69.8**	**71.4**	**76.5**	**69.7**	**68.6**	**57.1**	**69.1**	**73.9**
Reason (response options from previous surveys):											
High interest rates	32.7	34.3	33.5	--	--	--	--	--	--	--	--
Low demand for their products	4.7	5.8	6.8	--	--	--	--	--	--	--	--
Banks refusal to lend	11.3	8.7	6.8	--	--	--	--	--	--	--	--
Uncertainty regarding the country's economic conditions	12.1	17.4	15.8	--	--	--	--	--	--	--	--
Financial restructuring problems	8.6	5.3	7.5	--	--	--	--	--	--	--	--
Non-approval of credit applications	11.3	9.2	9.8	--	--	--	--	--	--	--	--
Overdue loan portfolio	3.1	2.9	5.6	--	--	--	--	--	--	--	--
Market competition problems	5.4	9.2	7.5	--	--	--	--	--	--	--	--
Other	10.9	7.2	6.7	--	--	--	--	--	--	--	--
Reason (new response options, percentage of firms): [4/ 5/]											
Increase in interest rates from bank credit market	--	--	--	29.3	49.8	53.8	45.3	49.2	62.5	51.8	47.8
Greater restrictions to access bank credit	--	--	--	28.6	44.8	48.1	41.5	44.1	50.0	45.4	44.1
Increase in amounts set as collateral				--	15.9	10.6	17.9	22.0	12.5	14.2	17.6
Worsening of country's current / expected economic conditions	--	--	--	37.1	37.5	36.5	36.8	40.7	37.5	36.9	38.2
Decline in current and/or expected demand for products ands services	--	--	--	12.9	18.4	18.3	22.6	13.6	0.0	17.7	19.1
Greater difficulties to pay bank debt	--	--	--	6.1	8.3	12.5	6.6	5.1	0.0	10.6	5.9
Other	--	--	--	7.9	4.3	6.7	2.8	3.4	0.0	5.0	3.7
Firms granting financing	**84.2**	**83.8**	**81.3**	**77.8**	**81.7**	**81.6**	**85.5**	**75.6**	**78.6**	**88.2**	**74.5**
Destined for:											
Clients	72.0	71.4	71.0	73.2	76.0	81.3	76.1	70.4	58.3	79.0	72.4
Suppliers	14.8	14.1	16.4	15.2	10.2	7.0	12.9	11.1	0.0	8.4	12.4
Other firms from the same corporate group	12.6	13.9	12.4	11.1	13.5	10.9	11.0	18.5	41.7	12.6	14.7
Other	0.5	0.6	0.2	0.5	0.3	0.8	0.0	0.0	0.0	0.0	0.6
Average maturity of financing granted (days)											
Clients	62	59	53	66	70	62	57	99	171	53	92
Suppliers	48	48	42	45	43	35	49	37	0	39	46
Other firms from the same corporate group	87	83	97	58	74	88	61	48	162	64	86
Firms requesting credit in the following 3 months	**66.7**	**68.5**	**70.5**	**70.6**	**64.4**	**61.0**	**67.1**	**62.8**	**78.6**	**72.1**	**56.0**

1/ Nationwide sample of at least 500 firms. Responses are voluntary and confidential.
2/ Firms' size was determined based on total sales of 1997:

Size	Total sales value (1997):
Small =	1-100 million pesos
Medium =	101-500 million pesos
Large =	501-5000 million pesos
AAA =	More than 5000 million pesos

3/ Non-exporters are companies that only import goods and services and/or have no foreign trade activity.
4/ Total responses may be above 100 percent because this question allows to chose more than one option as an answer.
5/ From the press release of the third quarter of 2008 to date, the survey gives as an answer's option for *factors limiting the use of bank credit* either the change in overall market conditions or the change in firms' conditions. The results of this question are presented as a percentage of surveyed firms that did not receive bank credit during the period (see special note at the end of the press release of Financing to Private Sector Firms up to the Third Quarter of 2008).

Table A 31
Total Financing to the Non-financial Private Sector
Quarterly data
Stocks in million pesos

		External Financing		Domestic Financing				
	Total financing	Foreign direct 1/	Debt instruments placed abroad 2/	From commercial banks 3/	From development banks 3/	From non-bank intermediaries	Debt instruments issued	INFONAVIT 4/
2005								
Mar	2,191,897	373,400	205,457	744,521	47,690	237,908	156,051	426,871
Jun	2,214,705	366,647	204,847	776,260	47,336	245,858	153,310	420,448
Sep	2,237,463	365,212	199,460	781,227	47,726	256,756	164,271	422,811
Dec	2,330,540	362,760	205,634	860,228	48,940	257,674	166,152	429,152
2006								
Mar	2,399,680	372,911	197,714	913,509	47,478	250,388	161,393	456,288
Jun	2,533,123	416,033	205,121	977,228	51,359	258,229	161,508	463,644
Sep	2,594,219	418,835	198,320	1,042,630	49,661	257,156	160,073	467,545
Dec	2,794,402	480,523	210,222	1,134,434	51,888	264,674	175,837	476,824
2007								
Mar	2,884,628	482,358	224,306	1,191,188	49,291	266,347	163,488	507,651
Jun	2,963,479	476,166	232,406	1,274,042	46,652	253,413	167,005	513,793
Sep	3,117,031	504,254	232,296	1,377,412	48,068	269,286	167,209	518,508
Dec	3,207,921	488,742	247,732	1,459,259	50,412	240,818	187,779	533,178
2008								
Mar	3,280,977	479,225	237,862	1,423,986	50,018	324,478	196,794	568,613
Jun	3,350,683	489,085	227,056	1,464,424	50,605	334,717	214,611	570,186
Sep	3,518,225	565,803	237,527	1,460,998	51,645	392,451	229,049	580,753
Dec	3,721,355	690,668	276,275	1,524,586	69,371	345,286	222,244	592,926

Note: Figures subject to revision. Stocks may not coincide with components' totals due to rounding.
1/ Includes financing from foreign suppliers and from foreign banks and other creditors. Source: Balance of Payments (does not include Pidiregas-Pemex).
2/ Commercial paper, bonds and securities placed abroad. Source: Balance of Payments (does not include Pidiregas-Pemex).
3/ Includes total loan portfolio, accrued interests, and portfolio associated with debt-restructuring programs (UDIs and EPF, IPAB-Fobaproa, and ADES).
4/ Non-performing and performing mortgage portfolio from the National Employees' Housing Fund (*Instituto del Fondo Nacional de la Vivienda para los Trabajadores*, INFONAVIT). Source: INFONAVIT Financial Statements.

Table A 32
Financial System Flow of Funds Matrix (January–December 2008) [1/]
Flows revalued as a percentage of GDP [2/]

	Resident Private Sector [3/]			Public Sector [4/]			Banking Sector [5/]			External Sector		
	Use of funds (Assets)	Source of funds (Liabilities)	*Net financing received*	Use of funds (Assets)	Source of funds (Liabilities)	*Net financing received*	Use of funds (Assets)	Source of funds (Liabilities)	*Net financing received*	Use of funds (Assets)	Source of funds (Liabilities)	*Net financing received*
	a	b	c = b - a	d	e	f = e - d	g	h	i = h - g	j	k	l = k - j
1. Change in domestic financial instruments (2 + 7 + 8 + 9)	5.7	2.2	**-3.5**	1.6	3.3	**1.7**	1.2	2.9	**1.7**	0.0		**0.0**
2. Financial instruments	5.7	0.7	**-5.0**	0.1	1.9	**1.7**	-0.4	3.2	**3.6**	0.3		**-0.3**
3. Currency (banknotes and coins)	0.5		**-0.5**					0.5	**0.5**			
4. Checkable, time and savings deposits	2.6		**-2.6**	0.1		**-0.1**		2.7	**2.7**	0.0		**0.0**
4.1 Non-financial enterprises and other institutior	1.8		**-1.8**	0.1		**-0.1**		2.0	**2.0**	0.1		**-0.1**
4.2 Households	0.8		**-0.8**					0.8	**0.8**	-0.1		**0.1**
5. Securities issued [6/]	1.7	0.3	**-1.4**		1.4	**1.4**	-0.4	-0.1	**0.3**	0.3		**-0.3**
6. Retirement and housing funds [7/]	0.9	0.4	**-0.5**		0.5	**0.5**						
7. Financing		1.3	**1.3**	-0.2	0.0	**0.3**	1.3	-0.2	**-1.5**			
7.1 Non-financial enterprises and other institutions [8/]		2.0	**2.0**	-0.2	0.0	**0.3**	2.1	-0.2	**-2.3**			
7.2 Households		-0.7	**-0.7**				-0.7	0.0	**0.7**			
8. Shares and other equity		-0.2	**-0.2**				0.2		**-0.2**	-0.4		**0.4**
9. Other financial system items [9/]		0.4	**0.4**	1.7	1.4	**-0.3**	0.1		**-0.1**			
10. Change in external financial instruments (11 + 12 + 13 + 14 + 15)	-1.1	2.0	**3.1**	0.7	0.8	**0.1**	1.6	-0.1	**-1.7**	2.7	1.2	**-1.5**
11. Foreign direct investment		1.7	**1.7**							1.7		**-1.7**
12. External financing		0.2	**0.2**		0.8	**0.8**		-0.1	**-0.1**	0.9		**-0.9**
13. Financial assets held abroad	-1.1		**1.1**	0.7		**-0.7**	0.9		**-0.9**		0.5	**0.5**
14. Banco de México international reserves							0.7		**-0.7**		0.7	**0.7**
15. Errors and omissions (balance of payments)		0.2	**0.2**							0.2		**-0.2**
16. Statistical discrepancy [10/]		0.0	**0.0**							0.0		**0.0**
17. Total change in financial instruments (1+ 10 +16)	4.5	4.2	**-0.3**	2.4	4.2	**1.8**	2.8	2.8	**0.0**	2.7	1.2	**-1.5** [11/]

1/ Preliminary figures. Figures may not add up due to rounding.
2/ Excludes the effect of exchange rate fluctuations (peso vs. other currencies).
3/ Private sector includes firms, households and non-bank financial intermediaries.
4/ Public sector measured as Public Sector Borrowing Requirements (*Requerimientos Financieros del Sector Público*, RFSP) including non-recurrent revenues.
5/ Banking sector includes Banco de México, development banks excluding non-financial intermediaries, and commercial banks (including agencies abroad). By construction, the banking sector has a total net position of zero (line item 17). Statistics on assets and liabilities from commercial banks, development banks and from Banco de México were used to consolidate banking sector's financial flows.
6/ Includes government securities, BPAs, BPATs, BREMs, private securities, and securities held by Siefores.
7/ Includes retirement saving funds from both the Public Employees' Social Service Institute (*Instituto de Seguridad y Servicios Sociales para los Trabajadores del Estado*, ISSSTE) and the Social Security Institute (*Instituto Mexicano del Seguro Socia*l, IMSS) held by Banco de México, and housing funds.
8/ The private sector column includes firms, credit unions, savings and loan companies, investment funds, financial leasing companies, financial factoring companies, special-purpose financial companies (Sofoles), insurance companies, investment funds specialized in retirement savings (Siefores), bonding companies, deposit warehouses, public funds and trusts, brokerage houses, states and municipalities, and securities related with debt-restructuring programs. The public sector column includes institutions as defined in Public Sector Borrowing Requirements (*Requerimientos Financieros del Sector Público*, RFSP).
9/ Includes non-classified assets, real estate assets and others, as well as banking sector's capital accounts and balance sheets.
10/ Difference between financial data and data drawn from the balance of payments.
11/ Corresponds to the balance of payments' current account. A negative figure implies external financing to the domestic economy (external sector surplus), equal to Mexico's current account deficit.

Table A 33
Banco de México's Three-year Bonds (Bondes D)
Weekly auction results

	Maturity (days)	Amount in Million Pesos			Price			
		Offered	Alloted	Tendered	Weighted placement	Maximum	Minimum alloted	Minimum
03/01/2008	1064	1,000	1,000	37,622	99.77437	99.77437	99.77437	98.00000
10/01/2008	1057	1,000	1,000	13,730	99.79040	99.79040	99.79040	70.00000
17/01/2008	1050	1,000	1,000	7,233	99.79870	99.80585	99.79500	75.00000
24/01/2008	1043	1,000	1,000	12,800	99.81388	99.81388	99.81388	99.50000
31/01/2008	1036	1,000	1,000	14,248	99.81593	99.81593	99.81489	70.00000
07/02/2008	1092	1,000	1,000	10,477	99.80435	99.80436	99.79765	75.00000
14/02/2008	1085	1,000	1,000	34,340	99.80858	99.80000	99.80858	75.00000
21/02/2008	1078	1,000	1,000	10,827	99.81558	99.81596	99.81520	70.00000
28/02/2008	1071	1,000	1,000	17,799	99.82790	99.82790	99.82786	90.00000
06/03/2008	1064	1,000	1,000	13,111	99.83269	99.83270	99.83269	99.00000
13/03/2008	1057	1,000	1,000	4,332	99.83367	99.83368	99.83367	99.78620
19/03/2008	1051	1,000	1,000	13,365	99.81636	99.81723	99.81523	99.78991
27/03/2008	1043	1,000	1,000	4,739	99.84500	99.84500	99.84500	99.00000
03/04/2008	1092	1,000	1,000	14,276	99.82660	99.82660	99.82660	90.00000
10/04/2008	1085	1,000	1,000	12,503	99.82894	99.83219	99.82569	99.50000
17/04/2008	1078	1,000	1,000	8,588	99.83664	99.83664	99.83664	99.80000
24/04/2008	1071	1,000	1,000	14,398	99.83864	99.83864	99.83864	90.00000
30/04/2008	1065	1,000	1,000	7,320	99.81970	99.81999	99.81941	99.00000
08/05/2008	1057	1,000	1,000	9,668	99.79402	99.79402	99.78902	99.00000
15/05/2008	1050	1,000	1,000	17,177	99.78000	99.78000	99.77746	99.00000
22/05/2008	1043	1,000	1,000	12,061	99.77928	99.77928	99.77489	99.00000
29/05/2008	1036	1,000	1,000	21,810	99.78745	99.78800	99.78300	99.50000
05/06/2008	1092	1,000	1,000	16,536	99.78110	99.78270	99.77584	99.00000
12/06/2008	1085	1,000	1,000	5,300	99.74799	99.75000	99.72993	90.00000
19/06/2008	1078	1,000	1,000	5,200	99.73186	99.75036	99.70880	90.00001
26/06/2008	1071	1,000	1,000	35,142	99.66169	99.70737	99.64000	99.00000
03/07/2008	1064	1,000	1,000	33,000	99.65570	99.65632	99.65014	99.00000
10/07/2008	1057	1,000	1,000	24,250	99.59166	99.70000	99.57960	99.40000
17/07/2008	1050	1,000	1,000	4,300	99.54566	99.58213	99.54305	99.00000
24/07/2008	1043	1,000	1,000	4,250	99.60661	99.60661	99.60661	99.49000
31/07/2008	1092	1,000	1,000	86,500	99.60941	99.61000	99.60915	99.20000
07/08/2008	1085	1,000	1,000	5,547	99.54773	99.57124	99.54283	99.00000
14/08/2008	1078	1,000	1,000	4,939	99.52864	99.53648	99.52053	70.00000
21/08/2008	1071	1,000	1,000	6,049	99.58030	99.58030	99.58030	99.53817
28/08/2008	1064	1,000	1,000	11,850	99.60755	99.60755	99.60755	99.55650
04/09/2008	1057	1,000	1,000	16,880	99.66800	99.66800	99.66700	99.40000
11/09/2008	1050	1,000	1,000	5,198	99.69032	99.69114	99.68950	99.67844
18/09/2008	1043	1,000	1,000	29,858	99.64388	99.64388	99.63910	80.00000
25/09/2008	1036	1,000	1,000	31,254	99.66659	99.66661	99.66659	99.00000
02/10/2008	1092	1,000	1,000	11,200	99.64543	99.64546	99.64539	99.00000
09/10/2008	1085	1,000	1,000	21,399	99.64157	99.64165	99.56095	99.00000
16/10/2008	1078	1,000	1,000	5,099	99.64318	99.64318	99.64105	99.54756
23/10/2008	1071	1,000	0	7,900	0.00000	0.00000	0.00000	98.76476
30/10/2008	1064	1,000	1,000	11,592	99.55232	99.55232	99.55200	70.01000
06/11/2008	1057	1,000	1,000	11,489	99.58093	99.58093	99.58093	99.00000
13/11/2008	1050	1,000	999	1,399	99.53252	99.53252	99.53252	98.50000
20/11/2008	1043	1,000	0	200	0.00000	0.00000	0.00000	99.00000
27/11/2008	1092	1,000	1,000	17,538	99.46284	99.46284	99.46264	99.22206
04/12/2008	1085	1,000	1,000	5,088	99.51949	99.51950	99.51894	99.00000
11/12/2008	1078	1,000	1,000	18,056	99.49680	99.50000	99.49600	99.00000
18/12/2008	1071	1,000	1,000	2,350	99.54985	99.55020	99.54950	99.10000
24/12/2008	1065	1,000	1,000	7,047	99.57700	99.57700	99.57700	99.51308
31/12/2008	1058	1,000	1,000	4,397	99.56110	99.56110	99.56000	99.47905

Table A 34
Banco de México's Five-year Bonds (Bondes D)
Weekly auction results

	Maturity (days)	Amount in Million Pesos			Price			
		Offered	Alloted	Tendered	Weighted placement	Maximum	Minimum alloted	Minimum
03/01/2008	1792	1,000	1,000	18,750	99.55500	99.56000	99.55000	98.00000
10/01/2008	1785	1,000	1,000	16,518	99.57247	99.57256	99.57212	99.30000
17/01/2008	1778	1,000	1,000	4,400	99.59213	99.59213	99.59213	99.56660
24/01/2008	1771	1,000	1,000	18,410	99.61400	99.61400	99.61400	75.00000
31/01/2008	1764	1,000	1,000	11,500	99.62809	99.62875	99.62711	70.00000
07/02/2008	1820	1,000	1,000	9,452	99.62205	99.62358	99.62160	72.00000
14/02/2008	1813	1,000	1,000	13,090	99.62200	99.62200	99.62200	70.00000
21/02/2008	1806	1,000	1,000	11,827	99.63001	99.63003	99.63000	70.00000
28/02/2008	1799	1,000	1,000	8,600	99.63958	99.64008	99.63759	70.00000
06/03/2008	1792	1,000	1,000	12,379	99.64800	99.64800	99.64800	75.00000
13/03/2008	1785	1,000	1,000	28,744	99.65831	99.65832	99.65820	70.00000
19/03/2008	1779	1,000	1,000	8,929	99.66000	99.66000	99.66000	99.50000
27/03/2008	1771	1,000	1,000	27,850	99.67238	99.67300	99.67094	99.00000
03/04/2008	1819	1,000	1,000	7,799	99.68000	99.68000	99.68000	99.00000
10/04/2008	1812	1,000	1,000	11,648	99.69817	99.69899	99.69700	70.00000
17/04/2008	1805	1,000	1,000	6,600	99.70351	99.70570	99.70000	90.00000
24/04/2008	1798	1,000	1,000	25,606	99.69412	99.70253	99.68714	90.00000
30/04/2008	1792	1,000	1,000	12,000	99.64578	99.67120	99.63489	99.00000
08/05/2008	1784	1,000	1,000	17,700	99.61137	99.61287	99.61073	99.00000
15/05/2008	1777	1,000	1,000	6,499	99.59530	99.59530	99.59530	98.99000
22/05/2008	1770	1,000	1,000	10,200	99.59300	99.59500	99.59100	90.00000
29/05/2008	1763	1,000	1,000	10,299	99.61501	99.61502	99.61500	70.00000
05/06/2008	1820	1,000	1,000	69,973	99.62327	99.62327	99.62327	75.00000
12/06/2008	1813	1,000	1,000	3,100	99.62236	99.62236	99.62236	90.00000
19/06/2008	1806	1,000	1,000	5,700	99.38250	99.40000	99.36500	90.00001
26/06/2008	1799	1,000	1,000	7,849	99.40400	99.40400	99.40000	99.29649
03/07/2008	1792	1,000	1,000	12,700	99.40171	99.42341	99.38000	99.00000
10/07/2008	1785	1,000	1,000	41,860	99.25237	99.26000	99.21923	98.97388
17/07/2008	1778	1,000	1,000	3,900	99.22275	99.24250	99.20300	70.00000
24/07/2008	1771	1,000	1,000	8,999	99.55987	99.56014	99.28910	99.12739
31/07/2008	1820	1,000	1,000	5,599	99.29463	99.29803	99.28562	75.00000
07/08/2008	1813	1,000	1,000	19,441	99.22026	99.27339	99.19044	99.00000
14/08/2008	1806	1,000	1,000	36,572	99.17505	99.17909	99.17100	70.00000
21/08/2008	1799	1,000	1,000	7,103	99.29796	99.30055	99.29280	99.00000
28/08/2008	1792	1,000	1,000	12,912	99.32562	99.33104	99.31926	99.00000
04/09/2008	1785	1,000	1,000	22,200	99.39450	99.39500	99.39400	99.32940
11/09/2008	1778	1,000	1,000	13,937	99.43529	99.43598	99.43500	80.00000
18/09/2008	1771	1,000	1,000	14,177	99.37371	99.37373	99.35570	99.00000
25/09/2008	1764	1,000	1,000	6,491	99.33243	99.34348	99.33120	99.00000
02/10/2008	1820	1,000	1,000	3,700	99.32250	99.32250	99.32250	99.21901
09/10/2008	1813	1,000	1,000	7,099	99.28853	99.28857	99.25000	99.00000
16/10/2008	1806	1,000	1,000	4,099	99.29940	99.29940	99.29735	99.00000
23/10/2008	1799	1,000	1,000	1,000	99.27734	99.27734	99.27734	99.27734
30/10/2008	1792	1,000	1,000	2,200	99.22102	99.22103	99.22102	98.50000
06/11/2008	1785	1,000	1,000	1,200	99.26384	99.26384	99.26384	98.00000
13/11/2008	1778	1,000	1,000	1,399	99.26892	99.26900	99.18800	99.00000
20/11/2008	1771	1,000	1,000	14,700	99.06200	99.06200	99.06200	98.00000
27/11/2008	1820	1,000	1,000	21,816	99.08383	99.10000	99.07690	98.51787
04/12/2008	1813	1,000	1,000	45,193	99.17200	99.17362	99.17160	98.95000
11/12/2008	1806	1,000	1,000	4,388	99.10794	99.13000	99.10242	98.00000
18/12/2008	1799	1,000	1,000	37,841	99.18745	99.18750	99.18280	99.00000
24/12/2008	1793	1,000	1,000	1,799	99.12900	99.19000	99.12000	99.00000
31/12/2008	1786	1,000	1,000	1,799	99.07774	99.10826	99.06746	98.98737

Table A 35
Representative Interest Rates
Yields on Public Securities
Annual rates (percent) 1/

	Cetes 2/				Fixed-rate Bond					
	28 days	91 days	182 days	364 days	3 years (1092 days)	5 years (1820 days)	7 years (2520 days)	10 years (3640 days)	20 years (7280 days)	30 years (10800 days)
1997	19.80	21.26	21.88	22.45						
1998	24.76	26.18	21.55	22.38						
1999	21.41	22.38	23.31	24.13						
2000	15.24	16.15	16.56	16.94	15.81	15.37				
2001	11.31	12.24	13.10	13.79	13.14	12.98		10.76		
2002	7.09	7.46	8.08	8.54	9.51	9.84	10.19	10.13		
2003	6.23	6.51	6.92	7.37	7.83	8.18	8.80	8.98	8.39	
2004	6.82	7.10	7.38	7.74	8.25	8.75	9.30	9.54	10.45	
2005	9.20	9.33	9.30	9.28	9.11	9.14	9.34	9.42	9.81	
2006	7.19	7.30	7.41	7.51	7.71	7.86	8.19	8.39	8.55	8.08
2007	7.19	7.35	7.48	7.60	7.60	7.70		7.77	7.83	7.83
2008	7.68	7.89	8.02	8.09	8.00	8.24		8.36	8.55	8.44
2006										
Jan	7.88	7.80	7.70	7.70	7.45	7.86	7.85	8.25	8.44	
Feb	7.61	7.57	7.56	7.52	7.62	7.81	7.90	8.21	8.37	
Mar	7.37	7.38	7.49	7.57	7.64	7.87	8.20	8.25	8.43	
Apr	7.17	7.28	7.46	7.71	8.23	8.00	8.65	8.57	9.19	
May	7.02	7.12	7.29	7.44	7.84	8.07	8.45	8.81	8.68	
Jun	7.02	7.33	7.56	7.56	8.50	8.47	9.35	9.73	9.49	
Jul	7.03	7.18	7.35	7.51	7.94	7.91	8.35	8.69	8.84	
Aug	7.03	7.17	7.31	7.48	7.64	7.87	7.93	8.08	8.65	
Sep	7.06	7.18	7.35	7.53	7.48	7.79	8.01	8.23	8.47	
Oct	7.05	7.21	7.42	7.50	7.62	7.88	8.24	8.40		8.08
Nov	7.04	7.16	7.26	7.28	7.39	7.50	7.88	7.88	7.95	
Dec	7.04	7.16	7.20	7.27	7.18	7.28	7.41	7.56	7.57	
2007										
Jan	7.04	7.19	7.31	7.46	7.70	7.52		7.43	7.93	
Feb	7.04	7.19	7.34	7.38	7.47	7.70		7.96		7.71
Mar	7.04	7.21	7.38	7.52	7.52	7.69		7.82	7.99	
Apr	7.01	7.15	7.27	7.38	7.44	7.45		7.62	7.57	
May	7.24	7.41	7.53	7.60	7.56	7.64		7.70		7.73
Jun	7.20	7.38	7.45	7.58	7.59	7.73		7.56	7.56	
Jul	7.19	7.34	7.45	7.51	7.54	7.65		7.62	7.68	
Aug	7.20	7.38	7.51	7.63	7.59	7.81		7.90	7.89	7.71
Sep	7.21	7.36	7.53	7.70	7.55	7.77		7.88		7.85
Oct	7.20	7.43	7.56	7.65	7.64	7.76			7.86	7.90
Nov	7.44	7.60	7.70	7.88	7.75	7.86		7.93	8.13	
Dec	7.44	7.60	7.71	7.85	7.81	7.84		8.09		8.09
2008										
Jan	7.42	7.58	7.68	7.82	7.52	7.99		7.65	8.28	8.16
Feb	7.43	7.51	7.52	7.43	7.33	7.44			7.65	7.75
Mar	7.43	7.47	7.48	7.50	7.29	7.34		7.53	7.61	
Apr	7.44	7.54	7.61	7.60	7.46	7.62		7.72		7.67
May	7.44	7.59	7.75	7.85	7.86	7.98			7.95	8.19
Jun	7.56	7.79	8.01	7.89	8.14	8.74		8.25	8.90	
Jul	7.93	8.21	8.45	8.65	8.70	8.97		9.26	8.89	9.41
Aug	8.18	8.35	8.56	8.72	8.62	8.60		8.55		8.88
Sep	8.17	8.32	8.46	8.66	8.34	8.48			8.51	8.67
Oct	7.74	8.13	8.26	8.37	8.59	8.36		8.50	10.20	
Nov	7.43	7.96	8.28	8.51	8.65	9.07		9.82		8.80
Dec	8.02	8.20	8.18	8.07	7.55	8.28		7.99	8.96	8.40

1/ Simple average.
2/ Primary auction placement rate for 28, 91, 182 and 364 days, respectively.

Continues

Continues

Representative Interest Rates
Yields on Public Securities
Annual rates (percent) 1/

	Udibonos 2/				BPAs 3/ 4/	BPATs 3/ 5/	BPA 182 3/ 6/
	3 years (1092 days)	10 years (3640 days)	20 years (7280 days)	30 years (10800 days)	3 years (1092 days)	5 years (1820 days)	7 years (2548 days)
1997	6.34						
1998	6.96						
1999		6.93					
2000		6.74			1.11		
2001		6.63			0.82		
2002		5.52			0.73	0.84	
2003		4.59			0.60	0.69	
2004		4.79			0.38	0.40	0.38
2005		4.92			0.23	0.21	0.20
2006		4.17	4.34	4.41	0.20	0.20	0.20
2007	3.40	3.63	3.58	3.61	0.14	0.11	0.13
2008	3.48	4.04	3.75	4.21	0.22	0.18	0.19
2006							
Jan		4.09	4.25	4.40	0.22	0.22	0.22
Feb		4.09	4.19	4.24	0.19	0.22	0.22
Mar		4.06	4.20	4.28	0.18	0.22	0.24
Apr		4.25	4.65	4.68	0.19	0.21	0.23
May		4.40	4.72	4.74	0.20	0.20	0.22
Jun		5.00	5.13	5.19	0.25	0.20	0.23
Jul		4.47	4.69	4.85	0.22	0.19	0.22
Aug		4.04	4.33	4.39	0.20	0.19	0.19
Sep		4.00	4.08	4.10	0.19	0.19	0.18
Oct		4.04	4.15	4.23	0.18	0.18	0.18
Nov		3.95	3.99	4.04	0.17	0.17	0.16
Dec		3.66	3.75	3.80	0.18	0.16	0.16
2007							
Jan		3.54	3.58	3.67	0.18	0.16	0.16
Feb		3.80	3.81	3.90	0.17	0.14	0.16
Mar		3.71	3.70	3.69	0.16	0.11	0.14
Apr		3.52	3.42	3.42	0.13	0.10	0.13
May		3.57	3.48	3.45	0.13	0.10	0.14
Jun		3.58	3.43	3.42	0.14	0.10	0.13
Jul		3.43	3.48	3.47	0.17	0.10	0.12
Aug		3.65	3.50	3.50	0.17	0.11	0.12
Sep		3.63	3.57	3.63	0.13	0.11	0.12
Oct	3.40	3.73	3.60	3.72	0.11	0.11	0.12
Nov	3.40	3.71	3.70	3.72	0.11	0.10	0.12
Dec	3.40	3.70	3.65	3.68	0.13	0.10	0.12
2008							
Jan	3.44	3.80	3.75	3.88	0.14	0.09	0.11
Feb	3.39	3.65		3.63	0.13	0.10	0.10
Mar	3.55	3.52		3.69	0.11	0.10	0.10
Apr	3.44	3.60		3.62	0.10	0.10	0.10
May	3.47	3.81		3.81	0.12	0.12	0.13
Jun	3.55	4.19		4.05	0.16	0.13	0.15
Jul	3.39	4.22		4.48	0.19	0.17	0.15
Aug	3.11	3.94		4.13	0.18	0.19	0.20
Sep	3.03	4.03		4.21	0.15	0.18	0.17
Oct	3.83	4.35		5.27	0.30	0.30	0.33
Nov	4.10	4.89		5.39	0.62	0.32	0.34
Dec	3.40	4.44		4.33	0.49	0.40	0.44

1/ Simple average.
2/ Federal government development bonds denominated in UDIs paying a fixed real interest rate.
3/ Savings protection bonds issued by the Institute for the Protection of Bank Savings (*Instituto de Protección al Ahorro Bancario*, IPAB).
4/ Spread in percentage points over the coupon paying the 28-day Cetes primary auction interest rate.
5/ Spread in percentage points over the coupon paying the 91-day Cetes primary auction interest rate.
6/ Spread in percentage points over the coupon paying the 182-day Cetes primary auction interest rate.

Table A 36
Representative Interest Rates
Cost of Bank Deposits, Interbank Interest Rates, Overnight Interest Rate, and Commercial Paper
Annual rates (percent) 1/

	Operational Target (Target Rate) 2/	Weighted Funding		Interbank Rates			Bank Deposits					Short-term Private Securities 3/
		Interbank	Government	TIIE 28 days	TIIE 91 days	Mexibor 91 days 4/	CCP	CCP-USD	CCP-Udis	CPP	CCP Development banks	
1997		20.98	19.88	21.91	22.29		20.04	6.63	6.59	19.12		22.14
1998		24.93	23.70	26.89	27.14		22.39	6.41	5.77	21.09		26.36
1999		22.45	20.80	24.10	24.63		20.89	6.32	4.07	19.73		23.74
2000		16.16	15.34	16.96	17.23		14.59	6.77	4.06	13.69	17.69	16.93
2001		11.95	11.13	12.89	13.43	10.42	10.95	5.33	5.26	10.12	12.75	12.80
2002		7.15	7.00	8.17	8.45	8.09	6.17	3.30	5.82	5.36	7.72	8.21
2003		6.15	5.96	6.83	7.15	6.81	5.15	2.95	5.75	4.45	6.61	7.02
2004		6.75	6.57	7.15	7.44	7.26	5.41	2.91	4.88	4.62	6.95	7.44
2005		9.30	9.00	9.61	9.63	9.50	7.64	3.61	5.50	6.47	9.46	9.70
2006		7.23	7.07	7.51	7.69	7.38	6.06	4.05	5.45	5.14	7.55	7.51
2007		7.23	7.12	7.66	7.78	7.24	5.99	4.44	4.93	5.00	7.47	7.56
2008	7.84	7.82	7.67	8.28	8.35		6.73	3.27	4.74	5.69	7.94	8.71
2006												
Jan		8.20	8.06	8.41	8.16	8.26	6.89	4.03	5.40	5.73	8.57	8.23
Feb		7.73	7.56	7.97	7.93	7.87	6.56	3.95	5.43	5.57	8.07	7.94
Mar		7.45	7.15	7.68	7.78	7.55	6.41	3.65	5.43	5.50	7.78	7.68
Apr		7.18	6.91	7.51	7.72	7.33	6.21	3.73	5.46	5.22	7.67	7.60
May		7.02	6.73	7.32	7.59	7.17	6.05	3.81	5.48	5.09	7.31	7.32
Jun		7.02	6.78	7.33	7.68	7.17	5.93	4.01	5.73	5.08	7.30	7.34
Jul		7.01	6.85	7.31	7.57	7.15	5.81	4.11	6.59	4.95	7.31	7.28
Aug		7.01	6.88	7.30	7.48	7.15	5.81	4.16	5.21	4.97	7.32	7.35
Sep		7.03	6.96	7.31	7.50	7.17	5.71	4.19	5.15	4.89	7.32	7.31
Oct		7.01	6.95	7.31	7.65	7.27	5.77	4.29	5.15	4.92	7.30	7.36
Nov		7.02	6.98	7.30	7.62	7.20	5.76	4.38	5.12	4.94	7.30	7.34
Dec		7.05	7.04	7.34	7.60	7.21	5.78	4.28	5.25	4.82	7.32	7.40
2007												
Jan		7.02	6.98	7.41	7.67	7.23	5.81	4.26	5.34	4.83	7.32	7.44
Feb		7.02	6.96	7.46	7.67	7.24	5.82	4.43	5.24	4.82	7.33	7.44
Mar		7.02	6.92	7.46	7.68	7.27	5.85	4.42	5.25	4.92	7.31	7.41
Apr		7.04	6.92	7.47	7.61	7.22	5.84	4.41	5.10	4.86	7.32	7.32
May		7.28	7.16	7.70	7.83		5.97	4.45	5.11	4.92	7.48	7.59
Jun		7.27	7.14	7.70	7.82		5.98	4.51	4.80	5.01	7.51	7.52
Jul		7.27	7.15	7.70	7.78		5.97	4.46	4.77	5.03	7.52	7.57
Aug		7.26	7.15	7.71	7.79		6.02	4.54	4.75	5.05	7.52	7.49
Sep		7.24	7.08	7.70	7.77		6.04	4.57	4.75	5.08	7.50	7.60
Oct		7.29	7.14	7.73	7.78		6.09	4.44	4.71	5.14	7.53	7.67
Nov		7.50	7.40	7.93	8.01		6.22	4.40	4.66	5.26	7.65	7.82
Dec		7.52	7.45	7.93	8.00		6.24	4.34	4.64	5.13	7.67	7.86
2008												
Jan	7.50	7.51	7.43	7.93	7.99		6.29	4.21	4.63	5.20	7.67	7.90
Feb	7.50	7.50	7.41	7.93	7.93		6.41	3.84	4.63	5.39	7.71	7.94
Mar	7.50	7.50	7.40	7.93	7.94		6.43	3.53	4.66	5.41	7.69	7.90
Apr	7.50	7.51	7.34	7.94	7.96		6.44	3.33	4.68	5.45	7.69	7.97
May	7.50	7.51	7.32	7.93	7.96		6.48	3.20	4.70	5.48	7.71	7.91
Jun	7.58	7.60	7.45	8.00	8.10		6.54	3.10	4.71	5.53	7.75	7.92
Jul	7.86	7.87	7.79	8.28	8.49		6.70	3.00	4.78	5.69	7.95	8.30
Aug	8.13	8.13	8.04	8.56	8.71		6.91	2.96	4.80	5.85	8.19	8.57
Sep	8.25	8.26	8.19	8.66	8.74		7.05	3.07	4.81	5.99	8.32	8.71
Oct	8.25	7.99	7.71	8.68	8.76		7.14	3.02	4.81	6.09	8.12	9.68
Nov	8.25	8.13	7.85	8.73	8.83		7.17	3.02	4.83	6.17	8.19	10.98
Dec	8.25	8.27	8.15	8.74	8.82		7.20	2.94	4.83	6.02	8.34	10.69

1/ Simple average.
2/ Banco de México's operational target for the interest rate on overnight operations in the interbank funding market.
3/ 28-day interest rate calculated based on data from the Mexican Stock Exchange (*Bolsa Mexicana de Valores*, BMV).
3/ The Mexibor rate stopped being calculated since March 13, 2007 according to Nacional Financiera, S.N.C. release in Mexico's Official Gazette (*Diario Oficial de la Federación).*

Table A 37
Representative Exchange Rates
Pesos per US dollar

		Exchange Rate for Settling Liabilities Payable in Foreign Currency in Mexico [1/]		48-Hour Interbank Exchange Rate Closing References [2/]			
				Buy		Sell	
		End of period	Period average	End of period	Period average	End of period	Period average
2003		11.2360	10.7890	11.2285	10.7972	11.2320	10.8023
2004		11.2648	11.2860	11.1500	11.2859	11.1510	11.2893
2005		10.7777	10.8979	10.6255	10.8923	10.6271	10.8945
2006		10.8810	10.8992	10.7975	10.9025	10.8090	10.9049
2007		10.8662	10.9282	10.9180	10.9280	10.9195	10.9297
2008		13.5383	11.1297	13.8050	11.1504	13.8150	11.1545
2005							
	Jan	11.2991	11.2556	11.1770	11.2588	11.1800	11.2617
	Feb	11.0955	11.1502	11.1000	11.1339	11.1025	11.1360
	Mar	11.2942	11.1326	11.1650	11.1437	11.1670	11.1464
	Apr	11.1033	11.1262	11.0485	11.1121	11.0505	11.1143
	May	10.9030	10.9920	10.8660	10.9660	10.8700	10.9683
	Jun	10.8428	10.8340	10.7760	10.8179	10.7775	10.8200
	Jul	10.6430	10.6931	10.6020	10.6755	10.6040	10.6776
	Aug	10.8936	10.6703	10.7510	10.6895	10.7520	10.6916
	Sep	10.8495	10.7791	10.7610	10.7791	10.7635	10.7813
	Oct	10.9092	10.8312	10.7900	10.8391	10.7910	10.8410
	Nov	10.5670	10.6903	10.5565	10.6642	10.5585	10.6660
	Dec	10.7777	10.6201	10.6255	10.6277	10.6271	10.6303
2006							
	Jan	10.4598	10.5679	10.4525	10.5502	10.4540	10.5524
	Feb	10.4761	10.4813	10.4620	10.4906	10.4635	10.4924
	Mar	10.9510	10.7061	10.8985	10.7545	10.9010	10.7562
	Apr	11.1578	11.0206	11.0605	11.0489	11.0615	11.0513
	May	11.1303	11.0758	11.3340	11.0978	11.3370	11.1005
	Jun	11.3973	11.3864	11.3010	11.3961	11.3070	11.3993
	Jul	10.8968	11.0268	10.9470	10.9774	10.9485	10.9800
	Aug	10.9047	10.8739	10.9175	10.8752	10.9190	10.8774
	Sep	11.0152	10.9722	10.9900	10.9791	10.9925	10.9818
	Oct	10.7093	10.9201	10.7730	10.8955	10.7735	10.8974
	Nov	11.0454	10.8948	10.9800	10.9191	10.9825	10.9215
	Dec	10.8810	10.8650	10.7975	10.8453	10.8090	10.8481
2007							
	Jan	11.0855	10.9344	11.0234	10.9566	11.0249	10.9590
	Feb	11.0790	10.9880	11.1605	11.0002	11.1635	11.0024
	Mar	11.0813	11.1250	11.0425	11.1101	11.0440	11.1119
	Apr	10.9312	10.9924	10.9220	10.9770	10.9230	10.9784
	May	10.7873	10.8301	10.7465	10.8157	10.7480	10.8173
	Jun	10.8661	10.8338	10.8100	10.8310	10.8110	10.8326
	Jul	10.9973	10.7963	10.9410	10.8110	10.9445	10.8128
	Aug	11.1062	11.0363	11.0320	11.0480	11.0340	11.0500
	Sep	10.9243	11.0450	10.9240	11.0314	10.9260	11.0330
	Oct	10.7112	10.8418	10.6840	10.8187	10.6850	10.8199
	Nov	10.9345	10.8658	10.9055	10.8872	10.9070	10.8883
	Dec	10.8662	10.8494	10.9180	10.8496	10.9195	10.8507
2008							
	Jan	10.8444	10.9171	10.8300	10.9085	10.8320	10.9100
	Feb	10.7344	10.7794	10.7145	10.7624	10.7160	10.7640
	Mar	10.6962	10.7346	10.6400	10.7315	10.6420	10.7332
	Apr	10.4464	10.5295	10.5125	10.5151	10.5145	10.5166
	May	10.3447	10.4542	10.3300	10.4346	10.3310	10.4358
	Jun	10.2841	10.3305	10.3065	10.3292	10.3070	10.3305
	Jul	10.0610	10.2390	10.0425	10.2081	10.0440	10.2095
	Aug	10.1421	10.0906	10.2845	10.1094	10.2875	10.1107
	Sep	10.7919	10.5744	10.9450	10.6510	10.9490	10.6540
	Oct	12.9142	12.4738	12.8400	12.6233	12.8600	12.6352
	Nov	13.2117	13.0609	13.3800	13.1063	13.4200	13.1201
	Dec	13.5383	13.3726	13.8050	13.4257	13.8150	13.4348

1/ The FIX exchange rate is determined by Banco de México as an average of wholesale foreign exchange references for transactions payable in 48 hours. Published in Mexico's Official Gazette (*Diario Oficial de la Federación*) one banking business day after its determination date. It is used to settle liabilities denominated in foreign currency payable in Mexico on the next day.

2/ Representative exchange rate for wholesale transactions (between banks, securities firms, foreign exchange firms and other major financial and non-financial companies).Payable in two banking business days.

Table A 38
Dollar Auction [1/]
Millions

	Daily amount to be auctioned (US dollars)	Amount Auctioned during Month [2/] US dollars	Pesos	Alloted weighted exchange rate [3/]
2005				
May	15	330	3,621	10.9716
Jun	15	330	3,571	10.8204
Jul	15	315	3,364	10.6805
Aug	12	276	2,949	10.6850
Sep	12	252	2,715	10.7757
Oct	12	252	2,729	10.8309
Nov	18	396	4,224	10.6674
Dec	18	378	4,017	10.6279
2006				
Jan	18	396	4,176	10.5461
Feb	25	475	4,979	10.4827
Mar	25	550	5,907	10.7408
Apr	25	450	4,967	11.0386
May	25	550	6,097	11.0846
Jun	25	550	6,262	11.3863
Jul	25	525	5,764	10.9796
Aug	45	1,035	11,250	10.8694
Sep	45	945	10,379	10.9834
Oct	45	990	10,789	10.8980
Nov	42	840	9,169	10.9154
Dec	42	756	8,202	10.8493
2007				
Jan	42	924	10,119	10.9509
Feb	26	494	5,435	11.0020
Mar	26	546	6,067	11.1116
Apr	26	494	5,425	10.9813
May	21	462	4,996	10.8145
Jun	21	441	4,778	10.8341
Jul	21	462	4,993	10.8074
Aug				
Sep				
Oct				
Nov	9	180	1,960	10.8864
Dec	9	171	1,855	10.8477
2008				
Jan	9	198	2,160	10.9090
Feb	20	400	4,307	10.7664
Mar	20	360	3,863	10.7302
Apr	20	440	4,627	10.5148
May	32	672	7,013	10.4356
Jun	32	672	6,941	10.3282
Jul	32	736	7,517	10.2135

1/ Mechanism established by the Foreign Exchange Commission *(Comisión de Cambios*) to reduce the rate of international reserve accumulation via the auction of US dollars.
2/ Figures according to the day of auction.
3/ Figures weighted according to total amount of US dollars to be sold on the day of auction.

Table A 39
Daily Auction with Announced Minimum Price [1/]
Auctioned amount
Million US dollars

	Summary of Daily Auctions			
Date	Type of auction [2/]	Amount offered	Amount alloted	Weighted alloted exchange rate (pesos per USD)
10/10/2008	1	400	400	12.9599
15/10/2008	1	400	400	12.7800
16/10/2008	1	400	400	13.1888
21/10/2008	1	400	400	13.0414
22/10/2008	1	400	400	13.4355
23/10/2008	1	400	96	13.7069
06/11/2008	1	400	400	13.0518
11/11/2008	1	400	85	13.0419
20/11/2008	1	400	400	13.5218
21/11/2008	1	400	400	13.9000
01/12/2008	1	400	400	13.5959
15/12/2008	1	400	351	13.4799
29/12/2008	1	400	46	13.6210

1/ Daily sales of US dollars through the auction mechanism, according to the Foreign Exchange Commission's press release of October 8, 2008 and Banco de México's circular 47/2008.
2/ When the daily auction is interactive, number 1 is reported. When the auction is traditional, number 2 is reported.

Table A 40
Dollar Extraordinary Auctions[1/]
Auctioned amount
Million US dollars

	Summary of Daily Auctions			
Date	Type of auction [2/]	Amount offered	Amount alloted	Weighted alloted exchange rate (pesos per USD)
08/10/2008	1	2500	998	12.0159
09/10/2008	1	1502	1502	12.0794
10/10/2008	1	6000	6000	12.8092
16/10/2008	1	1500	1500	12.9565
23/10/2008	1	1000	1000	13.1877

1/ Daily sales of US dollars through the auction mechanism, according to the Foreign Exchange Commission's press release of the referred dates.
2/ When the daily auction is interactive, number 1 is reported. When the auction is traditional, number 2 is reported.

Table A 41
Mexican Stock Exchange Market Capitalization
Million pesos, according to last listed prices

		Overall Total	Mining	Manufacturing	Construction	Retail and Commerce	Transport and Communications	Services	Other 1/
2002		1,079,221	15,145	214,150	106,035	170,182	370,522	128,310	74,877
2003		1,376,927	45,134	197,027	161,935	226,695	500,344	144,949	100,843
2004		1,916,618	72,479	282,035	241,646	294,503	740,438	143,762	141,755
2005		2,543,771	89,036	362,336	368,992	399,823	953,698	168,316	201,570
2006		3,771,498	142,574	572,818	497,754	650,601	1,395,233	271,454	241,064
2007		4,340,886	273,841	586,815	453,355	644,805	1,772,050	390,211	219,810
2008		3,220,900	141,652	516,354	217,308	632,165	1,239,884	313,449	160,088
2005									
	Jan	1,950,473	72,109	282,547	257,633	293,385	740,644	163,061	141,093
	Feb	2,034,984	79,710	297,828	267,463	307,262	781,681	158,053	142,988
	Mar	1,894,099	75,407	276,451	246,149	294,549	703,802	161,897	141,093
	Apr	1,822,148	66,775	250,788	237,724	297,651	673,517	164,104	131,590
	May	1,929,210	67,245	279,185	249,663	306,653	723,250	167,213	136,002
	Jun	2,039,580	66,974	337,960	276,254	320,866	744,236	161,033	132,256
	Jul	2,114,616	68,165	360,324	299,810	338,058	734,389	175,162	138,708
	Aug	2,099,809	67,298	352,940	306,710	332,916	727,229	174,527	138,188
	Sep	2,338,213	75,634	372,228	336,341	376,227	841,831	168,939	167,012
	Oct	2,299,162	74,126	362,348	333,376	364,492	821,372	159,612	183,835
	Nov	2,703,939	83,575	367,583	626,910	387,711	885,208	164,852	188,100
	Dec	2,543,771	89,036	362,336	368,992	399,823	953,698	168,316	201,570
2006									
	Jan	2,686,271	105,049	378,986	400,536	414,581	999,180	171,210	216,728
	Feb	2,678,546	97,312	377,888	386,886	417,260	1,006,041	182,005	211,154
	Mar	2,740,873	115,288	403,424	415,690	403,120	1,032,169	185,131	186,051
	Apr	2,917,444	141,276	424,655	442,763	435,312	1,095,507	198,899	179,032
	May	2,700,275	114,808	406,808	392,830	426,855	999,467	194,585	164,924
	Jun	2,762,689	113,308	407,952	398,063	430,272	1,038,195	200,501	174,398
	Jul	2,884,495	127,211	438,957	396,519	464,693	1,071,702	205,934	179,479
	Aug	2,995,651	127,557	448,633	404,938	492,869	1,117,892	213,049	190,713
	Sep	3,128,026	123,381	471,729	425,211	504,196	1,181,740	224,431	197,337
	Oct	3,300,393	133,397	496,222	437,352	524,733	1,256,832	242,338	209,517
	Nov	3,566,711	142,695	541,933	468,820	567,588	1,355,421	269,721	220,534
	Dec	3,771,498	142,574	572,818	497,754	650,601	1,395,233	271,454	241,064
2007									
	Jan	3,913,893	159,576	584,392	523,214	686,725	1,445,725	272,927	241,333
	Feb	3,832,303	170,370	573,036	518,959	645,178	1,418,774	278,568	227,417
	Mar	4,114,981	184,568	584,043	518,859	702,902	1,570,875	304,561	249,173
	Apr	4,211,416	206,279	590,771	512,628	677,685	1,639,947	336,276	247,831
	May	4,553,781	216,700	621,506	579,198	675,223	1,842,954	360,116	258,083
	Jun	4,557,468	223,457	616,893	580,709	674,899	1,831,792	375,705	254,013
	Jul	4,500,724	259,809	609,272	550,394	682,319	1,753,651	400,414	244,866
	Aug	4,447,516	239,114	584,517	531,416	676,377	1,797,302	381,663	237,127
	Sep	4,442,831	278,613	584,392	506,299	679,080	1,802,060	363,185	229,201
	Oct	4,566,888	356,109	571,289	501,224	705,923	1,790,600	397,432	244,312
	Nov	4,370,523	305,970	539,076	468,501	668,734	1,778,275	390,350	219,617
	Dec	4,340,886	273,841	586,815	453,355	644,805	1,772,050	390,211	219,810
2008									
	Jan	4,215,720	268,704	555,655	461,093	638,710	1,701,257	375,152	215,150
	Feb	4,258,349	301,698	597,974	460,261	636,353	1,658,264	376,175	227,623
	Mar	4,483,960	315,522	605,295	441,826	705,025	1,778,918	402,917	234,456
	Apr	4,382,527	332,787	632,963	455,806	699,076	1,614,075	391,486	256,334
	May	4,619,520	344,048	670,331	490,154	760,944	1,696,804	412,462	244,777
	Jun	4,271,885	311,578	648,423	427,249	703,959	1,528,599	401,141	250,935
	Jul	4,009,636	260,837	629,652	375,043	703,719	1,425,274	386,785	228,326
	Aug	3,861,576	217,972	622,733	349,383	656,516	1,445,782	362,045	207,144
	Sep	3,653,418	154,185	580,825	311,390	640,870	1,411,917	356,567	197,664
	Oct	3,005,325	139,177	489,392	192,992	548,903	1,152,003	323,224	159,635
	Nov	2,981,598	116,986	478,424	181,339	605,936	1,142,233	313,258	143,423
	Dec	3,220,900	141,652	516,354	217,308	632,165	1,239,884	313,449	160,088

Source: Mexican Stock Exchange (*Bolsa Mexicana de Valores*, BMV).
1/ Mainly holding companies.

Table A 42
Mexican Stock Exchange Main Benchmark Stock Index Index (*Indice de Precios y Cotizaciones de la Bolsa Mexicana de Valores*, IPC)
End of period
October 1978=100

	Overall Total	Mining	Manufacturing	Construction	Retail and Commerce	Transport and Communications	Services	Other [1/]
2002	6,127	3,919	2,489	10,265	11,286	24,652	836	2,186
2003	8,795	10,390	2,948	14,635	15,325	36,721	1,103	3,198
2004	12,918	16,686	4,159	21,353	20,040	56,329	1,858	4,399
2005	17,803	20,214	4,611	30,743	27,731	80,359	2,144	5,406
2006	26,448	32,778	7,167	40,316	44,267	121,352	3,331	6,833
2007	29,537	62,127	7,604	34,786	44,610	155,119	4,128	7,094
2008	22,380	30,885	5,894	16,985	36,242	117,947	3,340	4,395
2005								
Jan	13,097	16,601	4,206	22,421	20,016	56,397	1,948	4,376
Feb	13,789	18,350	4,386	23,280	21,172	59,628	2,019	4,435
Mar	12,677	16,993	4,029	21,432	20,280	53,737	1,895	4,201
Apr	12,323	15,046	3,869	20,672	20,524	51,691	1,927	4,074
May	12,964	15,143	3,941	21,720	20,640	56,187	1,956	4,201
Jun	13,486	15,091	4,108	23,492	21,698	58,201	1,918	4,266
Jul	14,410	15,356	4,364	25,483	23,031	61,867	2,118	4,488
Aug	14,243	15,173	4,241	25,847	22,677	61,355	2,107	4,504
Sep	16,120	17,092	4,456	28,293	25,868	71,243	2,262	4,797
Oct	15,760	16,749	4,306	27,929	25,006	70,014	2,131	4,770
Nov	16,831	18,947	4,417	29,491	26,872	75,270	2,109	4,910
Dec	17,803	20,214	4,611	30,743	27,731	80,359	2,144	5,406
2006								
Jan	18,907	23,891	4,825	33,287	28,652	85,158	2,194	5,643
Feb	18,706	22,144	4,793	32,097	28,746	85,779	2,142	5,455
Mar	19,273	26,324	5,004	34,509	27,873	88,247	2,155	5,316
Apr	20,646	32,368	5,237	36,707	30,480	93,761	2,396	5,136
May	18,678	26,333	4,940	32,522	29,033	85,342	2,299	4,689
Jun	19,147	26,041	4,927	32,418	29,623	88,868	2,389	5,018
Jul	20,096	29,274	5,285	32,230	31,991	92,889	2,575	5,158
Aug	21,049	29,349	5,470	32,847	34,421	97,366	2,677	5,494
Sep	21,937	28,386	5,802	34,455	34,947	103,268	2,843	5,695
Oct	23,047	30,663	6,112	35,429	35,794	109,750	3,105	6,018
Nov	24,962	32,812	6,679	38,002	38,915	118,087	3,327	6,299
Dec	26,448	32,778	7,167	40,316	44,267	121,352	3,331	6,833
2007								
Jan	27,561	36,646	7,275	42,167	46,976	126,368	3,407	6,841
Feb	26,639	39,118	6,960	41,843	43,775	123,644	3,347	6,540
Mar	28,748	42,375	7,194	41,722	47,212	138,488	3,695	7,170
Apr	28,997	47,396	7,302	41,184	45,180	143,208	3,732	7,477
May	31,399	49,803	7,727	46,071	44,084	162,220	3,937	7,786
Jun	31,151	51,287	7,701	45,607	44,223	159,443	3,995	7,646
Jul	30,660	59,451	7,577	43,154	44,751	151,036	4,316	7,836
Aug	30,348	54,821	7,371	41,735	44,402	155,461	4,012	7,607
Sep	30,296	63,878	7,393	39,097	44,870	153,871	3,719	7,410
Oct	31,459	81,346	7,266	38,665	47,676	154,812	4,223	7,731
Nov	29,771	69,714	6,941	35,851	45,041	155,216	4,099	6,887
Dec	29,537	62,127	7,604	34,786	44,610	155,119	4,128	7,094
2008								
Jan	28,794	60,949	7,288	35,368	43,952	149,535	3,949	6,921
Feb	28,919	68,471	7,487	35,197	43,925	145,208	4,001	7,355
Mar	30,913	71,844	7,660	33,942	49,260	157,831	4,302	7,569
Apr	30,281	74,254	8,030	34,764	48,565	145,373	4,364	7,811
May	31,975	74,207	8,558	36,334	52,977	153,781	4,717	7,479
Jun	29,395	67,260	8,261	32,673	48,121	141,239	4,332	7,431
Jul	27,501	56,368	7,907	29,732	46,827	131,709	4,202	6,838
Aug	26,291	47,173	7,734	26,886	42,691	131,480	3,935	6,195
Sep	24,889	33,432	6,982	23,440	40,847	130,871	3,763	5,823
Oct	20,445	30,269	5,443	17,032	29,465	111,675	3,014	4,647
Nov	20,535	25,498	5,348	15,211	33,231	106,754	3,005	3,917
Dec	22,380	30,885	5,894	16,985	36,242	117,947	3,340	4,395

Source: Mexican Stock Exchange (*Bolsa Mexicana de Valores*, BMV).
1/ Mainly holding companies.

Public Finances

Table A 43
Public Finance Indicators (2003-2008)
Percent of GDP

Item	2003	2004	2005	2006	2007	2008
Budgetary revenues	21.2	20.7	21.1	21.8	22.2	23.6
Budgetary expenditures	21.8	20.9	21.2	21.7	22.2	23.7
Budgetary balance	-0.6	-0.2	-0.1	0.1	0.0	-0.1
Non-budgetary balance 1/	0.1	0.0	0.0	0.0	0.0	0.0
Economic balance on a cash basis	-0.6	-0.2	-0.1	0.1	0.0	-0.1
Primary balance on a cash basis 2/	1.9	2.2	2.2	2.5	2.2	1.8
Accrued operational balance 3/	-0.8	0.1	0.1	0.1	0.4	0.6
Public sector total net debt 4/	19.0	18.7	17.0	15.9	15.3	14.3
Budgetary sector financial cost 5/	2.5	2.4	2.3	2.4	2.1	1.9
Memo:						
Economic balance (including ISSSTE reform)	d.n.a.	d.n.a.	d.n.a.	d.n.a.	d.n.a.	-2.5
Primary balance (including ISSSTE reform)	d.n.a.	d.n.a.	d.n.a.	d.n.a.	d.n.a.	-0.6

Source: Ministry of Finance (SHCP).
1/ Includes statistical difference with sources of financing.
2/ Defined as public sector balance less the financial cost of budgetary and non-budgetary sectors.
3/ Defined as public sector accrued economic balance less the inflationary component of the financial cost. Measurements by Banco de México.
4/ Includes net liabilities of both the federal government, public entities and enterprises and official financial intermediaries (development banks and public funds and trusts). Average debt outstanding. Measurements by Banco de México.
5/ Excludes financial cost of public entities under indirect budgetary control.
d.n.a. Does not apply.
Note: Figures may not add up due to rounding.

Table A 44
Public Sector Revenues, Expenditures and Balances in 2007 and 2008

Item	2007 Observed Thousand million pesos	2007 Observed Percent of GDP	2008 Programmed Thousand million pesos	2008 Programmed Percent of GDP	2008 Observed Thousand million pesos	2008 Observed Percent of GDP	Real growth (%) 2008-2007
Budgetary revenues	**2,485.8**	**22.2**	**2,545.5**	**21.0**	**2,857.1**	**23.6**	**9.3**
Federal government	**1,711.2**	**15.3**	**1,785.8**	**14.7**	**2,049.2**	**16.9**	**13.9**
Tax revenues	1,002.7	8.9	1,225.9	10.1	995.1	8.2	-5.6
Income tax (*ISR*)/ Flat rate business tax (IETU)	527.2	4.7	651.4	5.4	608.9	5.0	9.9
Income tax [1/]	527.2	4.7	581.7	4.8	562.1	4.6	1.4
IETU	d.n.a	d.n.a	69.7	0.6	46.8	0.4	d.n.a
VAT	409.0	3.6	448.4	3.7	457.7	3.8	6.5
Excise tax (IEPS)	-6.8	-0.1	56.8	0.5	-168.3	-1.4	d.n.a
Tax on cash deposits (IDE)	d.n.a	d.n.a	2.9	0.0	17.8	0.1	d.n.a
Import duties	32.2	0.3	24.3	0.2	35.8	0.3	5.8
Tax on crude oil returns	3.7	0.0	5.0	0.0	4.4	0.0	13.0
Other	37.3	0.3	37.0	0.3	38.8	0.3	-1.0
Non tax revenues	708.6	6.3	559.9	4.6	1,054.1	8.7	41.5
Public entities and enterprises [2/]	**774.6**	**6.9**	**759.7**	**6.3**	**807.9**	**6.7**	**-0.8**
Pemex	374.8	3.3	344.6	2.8	359.1	3.0	-8.9
Other	399.7	3.6	415.0	3.4	448.8	3.7	6.8
Net paid budgetary expenditures	**2,482.5**	**22.2**	**2,545.5**	**21.0**	**2,865.3**	**23.7**	**9.8**
Programmable	**1,895.0**	**16.9**	**1,875.9**	**15.5**	**2,200.6**	**18.2**	**10.5**
Deferred payments	d.n.a	d.n.a	-24.0	-0.2	d.n.a	d.n.a	d.n.a
Programmable accrued expenditures	1,895.0	16.9	1,899.9	15.7	2,200.6	18.2	10.5
Current expenditures	1,490.0	13.3	1,509.0	12.5	1,670.0	13.8	6.6
Wages and salaries	653.6	5.8	705.6	5.8	710.0	5.9	3.3
Other current expenditures	836.4	7.5	803.3	6.6	960.0	7.9	9.2
Capital expenditures	405.0	3.6	390.9	3.2	530.6	4.4	24.6
Fixed investment	338.8	3.0	353.8	2.9	411.1	3.4	15.4
Financial investment	836.4	7.5	803.3	6.6	960.0	7.9	9.2
Non-programmable	**587.6**	**5.2**	**669.5**	**5.5**	**664.7**	**5.5**	**7.6**
Financial cost	239.0	2.1	265.1	2.2	227.1	1.9	-9.6
Federal government	160.7	1.4	200.0	1.7	170.1	1.4	0.7
Public entities and enterprises	50.3	0.4	35.1	0.3	27.0	0.2	-48.9
Debtor and saving support program	28.0	0.2	30.0	0.2	30.0	0.2	2.0
Revenue sharing	332.8	3.0	400.2	3.3	423.5	3.5	21.1
Adefas and other	15.8	0.1	4.3	0.0	14.1	0.1	-15.4
Budgetary balance	**3.3**	**0.0**	**0.0**	**0.0**	**-8.1**	**-0.1**	**d.n.a**
Non-budgetary balance	**1.5**	**0.0**	**0.0**	**0.0**	**-1.4**	**0.0**	**d.n.a**
Direct balance	4.7	0.0	0.0	0.0	3.1	0.0	-38.7
Difference with sources of financing methodology [3/]	-3.2	0.0	0.0	0.0	-4.5	0.0	32.7
Economic balance	**4.8**	**0.0**	**0.0**	**0.0**	**-9.6**	**-0.1**	**d.n.a**
Primary balance [4/]	**247.0**	**2.2**	**265.6**	**2.2**	**222.0**	**1.8**	**-14.5**
Memo:							
Eonomic balance (including ISSSTE reform)	**d.n.a**	**d.n.a**	**d.n.a**	**d.n.a**	**-301.6**	**-2.5**	**d.n.a**
Primary balance (including ISSSTE reform) [4/]	**d.n.a**	**d.n.a**	**d.n.a**	**d.n.a**	**-70.0**	**-0.6**	**d.n.a**

Source: Ministry of Finance (SHCP).
1/ Includes asset tax *(Impuesto al Activo*, IMPAC).
2/ Excludes contributions to the Public Sector Employees' Social Security Institute (*Instituto de Seguridad y Servicios Sociales para los Trabajadores del Estado*, ISSSTE).
3/ Difference between the public balance calculated with the revenue-expenditure methodology and that calculated according to the sources of financing methodology.
4/ Defined as public sector balance less interest paid by the budgetary and non-budgetary sectors.
d.n.a. Does not apply.
Note: Figures may not add up due to rounding.

Table A 45
Public Sector Revenues, Expenditures and Balances (2003-2008)
Percent of GDP

Item	2003	2004	2005	2006	2007	2008
Budgetary revenues	21.2	20.7	21.1	21.8	22.2	23.6
Federal government	15.0	14.8	15.3	15.0	15.3	16.9
Tax revenues	10.1	9.0	8.8	8.6	8.9	8.2
Non-tax revenues	4.8	5.8	6.5	6.4	6.3	8.7
Public enterprises and institutions 1/	6.2	5.8	5.8	6.8	6.9	6.7
Pemex	2.3	2.2	2.0	3.1	3.3	3.0
Other	3.9	3.6	3.8	3.7	3.6	3.7
Net paid budgetary expenditure	21.8	20.9	21.2	21.7	22.2	23.7
Programmable expenditures	16.1	15.4	15.8	16.0	16.9	18.2
Current expenditures	13.3	12.2	12.7	12.7	13.3	13.8
Capital expenditures	2.8	3.2	3.1	3.2	3.6	4.4
Non-programmable expenditures	5.7	5.5	5.4	5.8	5.2	5.5
Financial cost	2.5	2.4	2.3	2.4	2.1	1.9
Revenue sharing	3.0	2.8	3.0	3.2	3.0	3.5
Adefas and other 2/	0.2	0.3	0.1	0.2	0.1	0.1
Budgetary balance	-0.6	-0.2	-0.1	0.1	0.0	-0.1
Non-budgetary balance	0.1	0.0	0.0	0.0	0.0	0.0
Economic balance	-0.6	-0.2	-0.1	0.1	0.0	-0.1
Primary balance 3/	1.9	2.2	2.2	2.5	2.2	1.8
Memo:						
Eonomic balance (including ISSSTE reform)	d.n.a.	d.n.a.	d.n.a.	d.n.a.	d.n.a.	-2.5
Primary balance (including ISSSTE reform) 2/	d.n.a.	d.n.a.	d.n.a.	d.n.a.	d.n.a.	-0.6

Source: Ministry of Finance (SHCP).
1/ Excludes contributions to the Public Sector Employees' Social Security Institute (*Instituto de Seguridad y Servicios Sociales para los Trabajadores del Estado*, ISSSTE).
2/ Includes other net flows from the federal government.
3/ Defined as public sector balance less the financial cost of budgetary and non-budgetary sectors.
d.n.a. Does not apply.
Note: Figures may not add up due to rounding.

Table A 46
Public Sector Budgetary Revenues (2003-2008)
Percent of GDP

Item	2003	2004	2005	2006	2007	2008
Budgetary Revenues	**21.2**	**20.7**	**21.1**	**21.8**	**22.2**	**23.6**
Classification I						
Federal government	15.0	14.8	15.3	15.0	15.3	16.9
Tax revenues	10.1	9.0	8.8	8.6	8.9	8.2
Income tax *(ISR)*/Flat rate bussiness tax (IETU)	4.5	4.0	4.2	4.3	4.7	5.0
ISR [1/]	4.5	4.0	4.2	4.3	4.7	4.6
IETU	d.n.a.	d.n.a.	d.n.a.	d.n.a.	d.n.a.	0.4
VAT	3.4	3.3	3.4	3.7	3.6	3.8
Tax on cash deposits (IDE)	d.n.a.	d.n.a.	d.n.a.	d.n.a.	d.n.a.	0.1
IEPS	1.6	1.0	0.5	-0.1	-0.1	-1.4
Tax on crude-oil returns	n.a.	n.a.	0.0	0.0	0.0	0.0
Others	0.8	0.6	0.6	0.6	0.6	0.6
Non-tax revenues	4.8	5.8	6.5	6.4	6.3	8.7
Duties	3.6	4.3	5.3	5.8	5.1	7.7
Proceeds	0.1	0.1	0.1	0.1	0.1	0.1
Benefits	1.2	1.5	1.1	0.6	1.1	0.9
Public entities and enterprises	6.2	5.8	5.8	6.8	6.9	6.7
Pemex	2.3	2.2	2.0	3.1	3.3	3.0
Other [2/]	3.9	3.6	3.8	3.7	3.6	3.7
Classification II						
Oil revenues	7.1	7.4	7.9	8.3	7.9	10.9
Pemex	2.3	2.2	2.0	3.1	3.3	5.1
Exports	1.9	2.3	2.5	2.9	2.5	4.6
Domestic sales [3/]	4.1	4.5	5.3	5.9	5.9	8.1
(-) Taxes [4/]	3.6	4.6	5.7	5.7	5.0	7.6
Federal government [5/]	4.7	5.2	5.8	5.2	4.5	5.7
Non-oil revenues	14.1	13.2	13.2	13.5	14.3	14.9
Federal government	10.3	9.6	9.4	9.8	10.8	11.2
Tax revenues	9.0	8.4	8.6	9.0	9.3	10.0
ISR	4.5	4.0	4.2	4.3	4.7	4.6
IETU	d.n.a.	d.n.a.	d.n.a.	d.n.a.	d.n.a.	0.4
VAT	3.4	3.3	3.4	3.7	3.6	3.8
IEPS	0.4	0.4	0.4	0.4	0.4	0.4
IDE	d.n.a.	d.n.a.	d.n.a.	d.n.a.	d.n.a.	0.1
Other	0.8	0.6	0.6	0.6	0.6	0.6
Non-tax revenues	1.3	1.2	0.8	0.8	1.4	1.2
Duties	0.3	0.2	0.2	0.2	0.2	0.2
Proceeds	0.1	0.1	0.1	0.1	0.1	0.1
Benefits	1.0	1.0	0.6	0.6	1.1	0.9
Public entities and enterprises [2/]	3.9	3.6	3.8	3.7	3.6	3.7

Source: Ministry of Finance (SHCP).
1/ Includes asset tax (IMPAC, for its acronym in Spanish).
2/ Excludes contributions to the Public Sector Employees' Social Security Institute (*Instituto de Seguridad y Servicios Sociales para los Trabajadores del Estado*, ISSSTE).
2/ Includes other revenues.
3/ Excludes taxes paid on behalf of third parties (IVA and IEPS).
4/ Includes duties and benefits from oil extraction and the excise tax (IEPS) on gasoline and diesel.
d.n.a. does not apply.
Note: Figures may not add up due to rounding.

Table A 47
Public Sector Budgetary Expenditures (2003-2008)
Percent of GDP

Item	2003	2004	2005	2006	2007	2008
Budgetary expenditures	**21.8**	**20.9**	**21.2**	**21.7**	**22.2**	**23.7**
Programmable	16.1	15.4	15.8	16.0	16.9	18.2
Current expenditures	13.3	12.2	12.7	12.7	13.3	13.8
Wages and salaries	6.7	6.0	6.0	5.9	5.8	5.9
Direct	3.4	2.9	2.8	2.8	3.1	6.2
Indirect 1/	3.3	3.1	3.2	3.1	2.7	-0.3
Acquisitions	1.6	1.4	1.5	1.5	1.5	1.8
Other 2/	2.9	2.6	2.9	3.2	3.7	3.4
Subsidies and transfers 3/	2.1	2.1	2.2	2.2	2.3	2.7
Capital expenditures	2.8	3.2	3.1	3.2	3.6	4.4
Fixed investment	2.5	2.7	2.5	2.6	3.0	3.4
Direct	1.1	1.1	0.9	0.9	1.4	1.4
Indirect 4/	1.3	1.5	1.6	1.7	1.6	2.0
Financial investment and other 5/	0.3	0.5	0.6	0.6	0.6	1.0
Non-programmable	5.7	5.5	5.4	5.8	5.2	5.5
Financial cost	2.5	2.4	2.3	2.4	2.1	1.9
Federal government	1.7	1.5	1.6	1.5	1.4	1.4
Public entities and enterprises	0.4	0.4	0.4	0.6	0.4	0.2
Debtor and saving support program	0.4	0.5	0.3	0.4	0.2	0.2
Revenue sharing	3.0	2.8	3.0	3.2	3.0	3.5
Adefas and other 6/	0.2	0.3	0.1	0.2	0.1	0.1

Source: Ministry of Finance (SHCP).
1/ Includes contributions to state governments for basic education, and transfers for wages and salaries paid by non-budgetary entities.
2/ Expenditures by budgetary entities on behalf of third parties.
3/ Includes subsidies and transfers other than those paid for wages and salaries, and for capital expenditure. Transfers are included in the corresponding items (see notes 1, 4, and 5).
4/ Includes transfers to non-budgetary entities' fixed investment.
5/ Includes recoverable expenditures and transfers for non-budgetary entities' debt amortization and financial investment.
6/ Includes other net flows from the federal government.
Note: Figures may not add up due to rounding.

Table A 48
Public Sector Total Net Debt [1/]
Average outstanding stocks

Years		Broad Net Economic Debt 2/				Debt Consolidated with Banco de México 3/			
		Domestic	External		Total	Domestic	External		Total
		Thousand million pesos	Million USD	Thousand million pesos	Percent of GDP	Thousand million pesos	Million USD	Thousand million pesos	Percent of GDP
2003		623.1	72,041.3	809.5	19.0	1,172.7	18,729.0	210.5	18.3
2004		739.8	77,660.4	865.9	18.7	1,409.2	14,750.5	164.5	18.4
2005		785.3	73,949.5	786.4	17.0	1,550.0	5,089.3	54.1	17.3
2006		977.0	62,619.5	677.0	15.9	1,892.2	-17,870.5	-193.2	16.4
2007	Jan	1,160.4	52,344.0	577.8		2,047.8	-24,717.7	-272.8	
	Feb	1,166.4	51,413.9	574.2		2,049.8	-25,110.7	-280.4	
	Mar	1,182.3	50,661.3	558.9	16.5	2,060.6	-26,335.6	-290.5	16.7
	Apr	1,181.5	50,396.5	550.7		2,064.2	-27,346.8	-298.8	
	May	1,188.6	50,167.4	539.0		2,075.8	-28,731.4	-308.7	
	Jun	1,197.1	48,867.2	527.5	16.0	2,086.7	-29,602.1	-319.5	16.4
	Jul	1,204.1	47,429.2	518.3		2,094.6	-30,222.0	-330.2	
	Aug	1,212.5	46,195.5	509.9		2,106.8	-31,033.1	-342.5	
	Sep	1,218.8	45,883.4	501.6	15.7	2,118.8	-32,585.7	-356.2	16.1
	Oct	1,226.7	45,956.0	491.8		2,132.3	-34,574.1	-370.0	
	Nov	1,233.9	44,269.4	482.4		2,145.5	-35,429.0	-386.1	
	Dec	1,240.1	43,388.8	473.6	15.3	2,158.0	-36,826.8	-402.0	15.7
2008 p/	Jan	1,345.4	40,168.1	434.9		2,369.0	-50,823.7	-550.2	
	Feb	1,369.2	39,295.0	421.4		2,387.8	-51,914.0	-556.7	
	Mar	1,380.9	38,180.9	406.6	15.6	2,395.9	-53,500.2	-569.7	16.0
	Apr	1,376.3	38,195.7	401.4		2,398.9	-54,720.5	-575.1	
	May	1,380.0	38,032.7	392.9		2,410.2	-56,417.3	-582.8	
	Jun	1,371.4	37,256.9	384.0	14.9	2,407.1	-57,338.3	-591.0	15.5
	Jul	1,372.9	37,307.4	374.4		2,414.6	-59,642.2	-598.5	
	Aug	1,372.5	35,626.0	366.4		2,421.9	-59,316.5	-610.1	
	Sep	1,365.2	32,921.6	361.5	14.4	2,424.1	-57,127.5	-627.3	14.9
	Oct	1,359.7	28,063.0	356.8		2,412.0	-50,466.2	-641.6	
	Nov	1,355.4	26,629.3	354.8		2,416.8	-49,580.3	-660.5	
	Dec	1,394.3	25,922.6	358.6	14.5	2,467.4	-49,322.2	-682.2	14.7

Source: Banco de México and Ministry of Finance (SHCP).
p/ Preliminary figures.
1/ Present data may not match those previously published due to a methodological revision which included new items such as assets and liabilities from both Banco de México and commercial and development banks.
2/ The broad net economic debt includes net liabilities from the federal government and non-financial public entities and enterprises, as well as of official intermediaries (development banks and public funds and trusts).
3/ The net economic debt consolidated with Banco de México includes central bank's assets and liabilities and all sectors of the broad economic debt.
(-) Means financial assets are larger than gross debt stocks.

Table A 49
Public Sector Total Net Debt [1/]
End of period

Years		Broad Net Economic Debt 2/				Debt Consolidated with Banco de México 3/			
		Domestic	External		Total	Domestic	External		Total
		Thousand million pesos	Million USD	Thousand million pesos	Percent of GDP	Thousand million pesos	Million USD	Thousand million pesos	Percent of GDP
2003		745.6	74,722.7	839.7	20.0	1,345.5	15,424.3	173.3	19.1
2004		774.2	76,303.5	850.7	18.0	1,486.3	11,919.3	132.9	17.9
2005		836.5	69,500.8	739.1	16.2	1,691.9	-4,832.7	-51.4	16.9
2006		1,171.8	48,592.3	525.4	15.8	2,035.0	-27,951.9	-302.2	16.1
2007	Jan	1,160.4	52,344.0	577.8		2,047.8	-24,717.7	-272.8	
	Feb	1,172.4	51,093.1	570.6		2,051.8	-25,791.3	-288.0	
	Mar	1,214.2	47,888.4	528.3	16.4	2,082.0	-28,166.5	-310.7	16.7
	Apr	1,179.1	48,150.3	526.2		2,075.1	-29,625.7	-323.7	
	May	1,217.0	45,811.6	492.2		2,122.2	-32,403.3	-348.2	
	Jun	1,239.5	43,530.7	469.9	15.4	2,141.1	-34,622.7	-373.7	15.9
	Jul	1,246.0	42,361.4	462.9		2,141.9	-36,097.8	-394.5	
	Aug	1,271.1	40,883.3	451.3		2,192.3	-38,828.8	-428.6	
	Sep	1,269.5	39,793.1	435.0	15.1	2,214.7	-42,592.1	-465.6	15.5
	Oct	1,298.2	37,765.4	404.2		2,254.3	-46,189.8	-494.3	
	Nov	1,305.9	35,607.1	388.0		2,276.9	-50,148.4	-546.5	
	Dec	1,307.4	34,545.4	377.1	14.3	2,296.1	-52,877.8	-577.2	14.6
2008 p/	Jan	1,345.4	40,168.1	434.9		2,369.0	-50,823.7	-550.2	
	Feb	1,393.0	38,040.3	408.0		2,406.6	-52,521.4	-563.3	
	Mar	1,404.4	35,390.9	376.8	15.4	2,412.1	-55,930.5	-595.6	15.7
	Apr	1,362.3	36,728.4	386.0		2,407.7	-56,263.4	-591.3	
	May	1,394.7	34,734.8	358.8		2,455.6	-59,413.8	-613.8	
	Jun	1,328.4	32,940.6	339.5	13.5	2,391.6	-61,294.7	-631.8	14.3
	Jul	1,382.0	31,560.9	316.7		2,459.6	-64,154.5	-643.8	
	Aug	1,370.0	30,188.7	310.5		2,472.9	-67,160.6	-690.7	
	Sep	1,306.5	29,368.6	322.5	13.1	2,441.8	-69,722.1	-765.6	13.5
	Oct	1,310.6	24,683.2	313.8		2,303.3	-60,527.4	-769.5	
	Nov	1,312.5	25,141.2	334.9		2,465.2	-63,828.7	-850.4	
	Dec	1,822.2	28,948.6	400.4	18.3	3,023.3	-66,591.1	-921.1	17.3

Source: Banco de México and Ministry of Finance (SHCP).
p/ Preliminary figures.
1/ Present data may not match those previously published due to a methodological revision which included new items such as assets and liabilities from both Banco de México and commercial and development banks. Ratios to GDP are calculated using the GDP of the fourth quarter of the year.
2/ The broad net economic debt includes net liabilities from the federal government and non-financial public entities and enterprises, as well as of official intermediaries (development banks and public funds and trusts).
3/ The net economic debt consolidated with Banco de México includes central bank's assets and liabilities and all sectors of the broad economic debt.
(-) Means financial assets are larger than gross debt stocks.

Table A 50
Non-financial Public Sector Net Debt [1/]
Traditional methodology
Outstanding stocks at end of period

		Public Sector Non-financial Net Economic Debt			
		Domestic	External		Total Net Debt Percent of GDP
		Thousand million pesos	Million US dollars	Thousand million pesos	
2003		1,027.1	55,067	618.8	21.8
2004		1,001.3	58,880	656.5	19.3
2005		993.7	55,429	589.5	17.1
2006	Jan	1,111.0	58,931	615.4	
	Feb	1,133.3	56,480	590.6	
	Mar	1,100.1	56,662	617.2	17.5
	Apr	1,044.2	56,366	625.1	
	May	1,003.3	56,317	636.2	
	Jun	1,049.5	57,786	651.4	16.3
	Jul	1,058.2	54,759	597.9	
	Aug	1,099.2	54,137	590.3	
	Sep	1,031.1	53,604	589.3	15.4
	Oct	1,051.1	49,099	528.5	
	Nov	1,097.6	46,147	507.5	
	Dec	1,216.1	42,777	462.5	16.2
2007	Jan	1,207.0	46,742	515.9	
	Feb	1,207.3	45,054	503.2	
	Mar	1,258.6	42,459	468.4	16.2
	Apr	1,210.2	42,570	465.2	
	May	1,197.6	40,689	437.2	
	Jun	1,222.6	38,523	415.8	14.8
	Jul	1,233.2	37,499	409.8	
	Aug	1,267.5	35,879	396.0	
	Sep	1,261.2	35,465	387.7	14.6
	Oct	1,264.2	32,446	347.2	
	Nov	1,240.9	30,465	332.0	
	Dec	1,443.4	29,977	327.2	15.8
2008 p/	Jan	1,469.0	35,092	379.9	
	Feb	1,513.7	32,712	350.8	
	Mar	1,523.6	30,239	322.0	15.9
	Apr	1,482.1	31,665	332.8	
	May	1,502.5	30,188	311.9	
	Jun	1,440.9	27,969	288.3	14.0
	Jul	1,502.6	26,567	266.6	
	Aug	1,500.7	26,089	268.3	
	Sep	1,459.0	25,124	275.9	14.0
	Oct	1,453.8	21,199	269.5	
	Nov	1,451.9	20,536	273.6	
	Dec	2,190.5	23,955	331.4	20.8

Source: Banco de México.
p/ Preliminary figures.
1/ Non-financial public sector (federal government and public entities) net debt is computed on an accrued basis with data available from the banking sector. Federal government domestic securities are reported at market value and external debt is classified by debtor rather than by final user.
2/ Domestic debt includes the acceptance of net liabilities from the reform to the ISSSTE law, for 270.5 thousand million pesos.

Table A 51
Federal Government Domestic Debt Securities
Total circulation per instrument 1/
Current stocks in million pesos at market value

Outstanding Stocks at End of		Total Securities in Circulation	Cetes	Bondes	Udibonos	Fixed-rate Bonos	Bondes D
2003		1,024,457	212,913	355,994	94,651	360,899	
2004		1,084,463	251,498	316,299	89,800	426,867	
2005		1,259,775	300,028	294,786	101,607	563,353	
2006	Jan	1,285,275	304,624	280,394	106,990	593,266	
	Feb	1,324,471	312,848	280,093	112,243	619,287	
	Mar	1,294,315	303,891	265,357	116,366	608,701	
	Apr	1,324,839	311,720	265,342	119,855	627,923	
	May	1,342,972	309,469	265,502	121,916	646,084	
	Jun	1,355,484	324,953	249,339	127,020	654,171	
	Jul	1,383,940	318,552	248,823	134,156	682,410	
	Aug	1,535,789	320,898	233,189	142,815	694,724	
	Sep	1,592,826	332,081	233,334	149,637	721,559	
	Oct	1,659,448	336,667	233,305	156,695	761,436	
	Nov	1,749,641	359,416	218,933	162,767	819,086	
	Dec	1,767,910	358,824	219,215	170,705	814,660	204,506
2007	Jan	1,791,809	368,184	203,874	173,572	824,744	221,436
	Feb	1,835,452	369,334	203,563	181,731	842,110	238,714
	Mar	1,864,419	370,054	187,219	195,564	851,236	260,346
	Apr	1,915,510	365,947	186,792	202,958	880,480	279,333
	May	1,998,145	367,610	187,306	211,370	929,096	302,762
	Jun	1,976,000	353,997	171,556	212,668	915,966	321,813
	Jul	2,025,439	353,847	171,135	220,660	942,726	337,071
	Aug	1,995,415	350,301	155,510	226,567	947,690	315,347
	Sep	2,063,448	357,654	155,827	233,109	990,582	326,276
	Oct	2,106,536	356,408	139,954	241,607	1,037,286	331,281
	Nov	2,139,520	350,700	140,163	252,010	1,051,566	345,081
	Dec	2,082,398	352,644	140,668	258,124	975,812	355,150
2008 p/	Jan	2,129,425	342,116	122,925	267,679	1,032,042	364,662
	Feb	2,182,256	345,763	123,254	276,935	1,066,515	369,789
	Mar	2,200,078	333,547	106,848	285,102	1,098,415	376,167
	Apr	2,196,319	340,548	106,453	292,486	1,073,941	382,891
	May	2,203,113	334,580	89,947	296,695	1,093,858	388,033
	Jun	2,149,972	340,174	90,025	290,336	1,031,223	398,214
	Jul	2,200,989	336,145	73,777	304,281	1,075,819	410,966
	Aug	2,233,560	331,636	73,906	318,216	1,122,799	387,003
	Sep	2,268,277	336,421	74,417	325,392	1,134,969	397,078
	Oct	2,277,883	344,315	59,156	332,521	1,142,265	399,627
	Nov	2,332,200	362,996	59,513	329,609	1,162,003	418,079
	Dec	2,361,763	368,912	59,517	350,616	1,148,938	433,779

Source: Banco de México.
p/ Preliminary figures.
1/ Total circulation includes federal government securities and placements of monetary regulation bonds.

Table A 52
Federal Government Domestic Debt Securities
Total circulation per holding sector 1/
Current stocks in million pesos at market value

Outstanding Stocks at End of		Total Securities in Circulation	Private Firms and Individuals 2/ 3/	Non-bank Public Sector 3/	Development Banks	Commercial Banks	Repos
2003		1,024,457	862,037	72,765	13,488	76,168	0
2004		1,084,463	820,711	79,483	20,345	163,923	0
2005		1,259,775	948,369	108,636	20,494	141,174	41,102
2006	Jan	1,285,275	983,518	132,975	7,357	154,926	6,499
	Feb	1,324,471	1,017,257	117,060	35,512	113,213	41,431
	Mar	1,294,315	1,033,391	102,295	9,743	106,459	42,427
	Apr 4/	1,324,839	1,065,849	90,301	-213	111,451	57,450
	May	1,342,972	1,028,427	104,804	10,733	126,183	72,824
	Jun	1,355,484	1,054,692	91,612	10,772	142,386	56,022
	Jul	1,383,940	1,093,796	91,439	4,006	99,747	94,952
	Aug	1,535,789	1,257,406	100,315	22,650	96,199	59,218
	Sep	1,592,826	1,283,592	120,333	8,697	82,104	98,100
	Oct	1,659,448	1,287,224	144,707	8,814	100,324	118,379
	Nov	1,749,641	1,349,965	130,562	12,456	108,820	147,838
	Dec	1,767,910	1,376,954	126,560	38,669	98,851	126,877
2007	Jan	1,791,809	1,376,370	176,563	21,453	114,093	103,330
	Feb	1,835,452	1,431,417	184,088	7,885	101,274	110,789
	Mar	1,864,419	1,479,943	182,032	22,937	84,603	94,904
	Apr	1,915,510	1,469,735	183,054	22,129	139,043	101,549
	May	1,998,145	1,561,707	179,894	16,601	105,181	134,763
	Jun	1,976,000	1,500,859	191,135	26,851	114,163	142,992
	Jul	2,025,439	1,553,254	203,785	19,751	112,329	136,320
	Aug	1,995,415	1,624,037	173,499	12,652	51,662	133,566
	Sep	2,063,448	1,608,189	211,395	14,708	110,521	118,634
	Oct	2,106,536	1,638,369	186,288	11,918	118,535	151,426
	Nov	2,139,520	1,667,356	199,835	22,672	75,690	173,967
	Dec	2,082,398	1,573,869	211,260	37,164	119,892	140,214
2008 p/	Jan	2,129,425	1,686,914	191,208	21,479	114,929	114,894
	Feb	2,182,256	1,725,767	185,075	24,289	109,959	137,166
	Mar	2,200,078	1,757,953	177,939	20,764	107,406	136,017
	Apr	2,196,319	1,775,974	172,107	21,654	102,011	124,573
	May	2,203,113	1,796,666	152,189	22,901	115,998	115,359
	Jun	2,149,972	1,705,718	171,166	25,873	135,390	111,826
	Jul	2,200,989	1,778,233	147,467	42,315	131,561	101,414
	Aug	2,233,560	1,838,454	166,280	21,362	108,686	98,778
	Sep	2,268,277	1,837,963	194,692	40,312	82,626	112,683
	Oct	2,277,883	1,764,388	212,017	32,940	76,415	192,124
	Nov	2,332,200	1,833,751	236,614	40,026	65,398	156,410
	Dec	2,361,763	1,900,198	173,391	41,133	147,080	99,961

Source: Banco de México.
p/ Preliminary figures.
1/ Total circulation includes federal government securities and placement of monetary regulation bonds.
2/ Includes securities held by Siefores since 1997.
3/ Modified since 2000 due to methodological changes in the holding of securities by private enterprises and the non-bank public sector.
4/ Negative figures in April 2006 are attributed to the short position in development banks' government securities holdings. This position was temporary.

External Sector

Table A 53
Main External Sector Indicators

	2002	2003	2004	2005	2006	2007	2008 p/
Balance of payments				**Billion USD**			
Current account	-14.1	-7.2	-5.2	-4.4	-4.4	-8.2	-16.0
Trade balance	-7.6	-5.8	-8.8	-7.6	-6.1	-10.1	-17.3
Capital account	23.4	19.3	13.2	14.8	-2.1	20.8	21.4
Foreign direct investment	23.7	16.4	23.6	21.8	19.1	27.2	18.6
Change in net international reserves	7.1	9.5	4.1	7.2	-1.0	10.3	7.5
Stock of net international reserves	48.0	57.4	61.5	68.7	67.7	78.0	85.4
				Percent of GDP			
Current account	-2.2	-1.0	-0.7	-0.5	-0.5	-0.8	-1.5
Capital account	3.6	2.8	1.7	1.7	-0.2	2.0	2.0
Foreign trade				Annual change (percent)			
Exports	1.4	2.3	14.1	14.0	16.7	8.8	7.2
Oil	12.4	25.4	27.2	34.8	22.4	10.2	17.8
Non-oil	0.4	0.0	12.4	11.0	15.7	8.5	5.2
Manufactures	0.6	-0.7	12.2	11.0	15.7	8.4	5.1
Other	-5.2	20.7	19.0	9.0	13.8	12.3	7.4
Imports	0.2	1.1	15.4	12.7	15.4	10.1	9.5
Consumer goods	7.2	1.6	18.1	24.0	17.1	16.7	11.3
Intermediate goods	0.3	1.8	15.5	10.3	15.0	8.8	7.9
Capital goods	-6.7	-3.7	11.8	16.0	16.4	10.1	16.4
Gross external debt and interest paid				Percent of current account revenues			
Total external debt	82.6	80.2	71.4	64.2	53.9	56.2	56.6
Public sector 1/	41.9	40.1	35.0	27.8	18.3	17.1	16.6
Private sector	40.7	40.0	36.5	36.4	35.5	39.1	40.0
Interest 2/	6.4	5.9	5.0	4.8	4.7	4.6	4.2
				Percent of GDP			
Total external debt	23.9	22.5	21.3	19.5	16.9	17.8	17.9
Public sector 1/	12.1	11.3	10.4	8.4	5.8	5.4	5.2
Private sector	11.8	11.3	10.9	11.0	11.1	12.4	12.6
Interest 2/	1.8	1.7	1.5	1.4	1.5	1.4	1.3

Source: Banco de México and Ministry of Finance (SHCP).
1/ Includes Banco de México.
3/ Includes public and private sectors.
p/ Preliminary figures.
Note: Figures may not add up due to rounding.

Table A 54
Balance of Payments
Million US dollars

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 p/
Current account	**-13,949.3**	**-18,684.5**	**-17,704.6**	**-14,133.2**	**-7,190.4**	**-5,169.2**	**-4,368.8**	**-4,374.6**	**-8,178.5**	**-15,957.1**
Revenues	**158,910.5**	**192,875.8**	**186,166.4**	**188,139.8**	**196,780.9**	**226,504.1**	**257,923.7**	**298,760.2**	**323,882.8**	**342,706.5**
Merchandise exports	**136,361.8**	**166,120.7**	**158,779.7**	**161,046.0**	**164,766.4**	**187,998.5**	**214,233.0**	**249,925.1**	**271,875.3**	**291,342.6**
Non-factor services	**11,692.0**	**13,712.3**	**12,660.3**	**12,691.6**	**12,532.9**	**13,955.1**	**16,066.3**	**16,221.1**	**17,489.3**	**18,195.6**
Travel	7,222.9	8,294.2	8,400.6	8,858.0	9,361.7	10,795.6	11,803.4	12,176.6	12,851.9	13,289.0
Other	4,469.1	5,418.1	4,259.6	3,833.6	3,171.2	3,159.5	4,262.9	4,044.6	4,637.4	4,906.6
Factor services	**4,516.8**	**6,019.6**	**5,366.5**	**4,098.6**	**3,941.8**	**5,708.4**	**5,429.9**	**6,577.4**	**7,995.6**	**7,578.9**
Interest	3,735.7	5,024.5	4,074.7	2,835.3	2,342.8	2,211.3	3,010.6	5,096.7	6,311.8	5,845.0
Other	781.1	995.1	1,291.8	1,263.3	1,599.0	3,497.1	2,419.3	1,480.7	1,683.8	1,733.9
Transfers	**6,340.0**	**7,023.1**	**9,360.0**	**10,303.7**	**15,539.8**	**18,842.1**	**22,194.5**	**26,036.5**	**26,522.5**	**25,589.3**
Expenditures	**172,859.9**	**211,560.2**	**203,871.1**	**202,273.1**	**203,971.3**	**231,673.3**	**262,292.5**	**303,134.9**	**332,061.3**	**358,663.6**
Merchandise imports	**141,974.8**	**174,457.8**	**168,396.5**	**168,678.9**	**170,545.8**	**196,809.6**	**221,819.5**	**256,058.4**	**281,949.0**	**308,603.3**
Non-factor services	**13,490.6**	**16,035.7**	**16,217.9**	**16,739.7**	**17,133.7**	**18,561.9**	**20,779.4**	**21,956.9**	**23,794.2**	**25,201.7**
Insurance and freight	4,109.2	5,006.4	4,643.1	4,407.8	4,492.9	5,450.2	6,494.0	7,417.7	8,297.0	9,700.5
Travel	4,541.3	5,499.1	5,701.9	6,059.7	6,253.3	6,959.0	7,600.4	8,108.3	8,374.8	8,525.8
Other	4,840.2	5,530.2	5,872.9	6,272.3	6,387.5	6,152.7	6,685.0	6,430.9	7,122.5	6,975.4
Factor services	**17,367.6**	**21,037.3**	**19,234.8**	**16,819.3**	**16,254.7**	**16,221.7**	**19,637.0**	**25,032.0**	**26,210.3**	**24,730.4**
Interest	12,808.8	13,694.9	12,693.2	11,966.1	11,670.1	11,222.4	12,259.7	14,076.3	14,864.5	14,531.2
Other	4,558.8	7,342.4	6,541.6	4,853.2	4,584.6	4,999.3	7,377.3	10,955.7	11,345.8	10,199.2
Transfers	**26.9**	**29.4**	**21.9**	**35.2**	**37.1**	**80.0**	**56.6**	**87.7**	**107.7**	**128.2**
Capital account	**14,570.8**	**19,800.6**	**28,282.7**	**23,362.0**	**19,345.6**	**13,182.0**	**14,847.6**	**-2,130.0**	**20,787.8**	**21,438.4**
Liabilities	**18,575.5**	**12,701.6**	**32,117.3**	**19,518.5**	**15,881.4**	**24,947.2**	**29,040.2**	**15,784.4**	**50,819.9**	**29,798.8**
Indebtedness	**1,888.5**	**-5,714.3**	**1,255.9**	**-4,213.3**	**-1,334.4**	**-1,372.0**	**543.0**	**-9,833.6**	**15,081.3**	**7,986.3**
Development banks	-1,774.5	-185.7	-1,210.2	-1,244.2	-1,640.7	-2,680.2	-3,468.5	-7,959.2	-1,039.8	-496.4
Commercial banks	-1,723.2	-2,445.6	-3,133.4	-2,960.6	-529.2	-906.1	-2,279.8	446.4	3,025.6	-1,180.9
Banco de México	-3,684.7	-4,285.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-bank public sector	1,707.1	-6,573.3	-83.9	-3,220.2	-2,691.3	-1,759.3	-6,624.1	-14,068.2	-5,907.5	-3,431.5
Non-bank private sector	4,708.4	3,992.0	2,263.2	-2,060.6	-2,675.9	-1,975.0	4,166.4	4,721.8	5,778.0	242.0
Pidiregas	2,655.4	3,783.9	3,420.2	5,272.3	6,202.7	5,948.6	8,749.0	7,025.6	13,225.0	12,853.1
Foreign investment	**16,687.0**	**18,415.9**	**30,861.4**	**23,731.8**	**17,215.8**	**26,319.2**	**28,497.2**	**25,618.0**	**35,738.6**	**21,812.5**
Direct investment	13,834.8	18,014.9	29,769.7	23,685.7	16,436.9	23,648.0	21,798.5	19,140.6	27,166.8	18,589.3
Portfolio investment	2,852.2	401.0	1,091.8	46.0	778.9	2,671.2	6,698.7	6,477.4	8,571.8	3,223.2
Equity	3,769.2	446.8	151.0	-103.6	-123.3	-2,522.2	3,352.9	2,805.2	-482.1	-3,503.3
Money market	-917.0	-45.8	940.8	149.6	902.2	5,193.4	3,345.7	3,672.3	9,053.8	6,726.4
Assets	**-4,004.7**	**7,099.0**	**-3,834.6**	**3,843.6**	**3,464.2**	**-11,765.2**	**-14,192.6**	**-17,914.5**	**-30,032.1**	**-8,360.4**
Held by foreign banks	-3,037.0	3,549.7	-1,511.7	2,773.3	3,457.1	-5,579.3	-4,402.5	-6,148.3	-17,045.6	-2,667.9
Mexican direct investment	0.0	0.0	-4,404.0	-890.8	-1,253.5	-4,431.9	-6,474.0	-5,758.5	-8,256.3	-437.8
Credits granted abroad	425.0	412.5	0.0	190.0	46.0	0.0	0.0	0.0	0.0	0.0
External debt guarantees	-835.8	1,289.8	3,856.6	1,133.8	90.8	1,717.9	0.0	0.0	0.0	0.0
Other	-556.9	1,847.0	-1,775.6	637.3	1,123.8	-3,471.9	-3,316.1	-6,007.7	-4,730.2	-5,254.6
Errors and omissions	**-29.3**	**1,708.1**	**-3,253.0**	**-2,139.1**	**-2,717.5**	**-3,954.6**	**-3,314.3**	**5,501.8**	**-2,323.4**	**1,956.8**
Change in net international reserves	**593.6**	**2,821.5**	**7,325.0**	**7,104.1**	**9,450.9**	**4,061.4**	**7,172.6**	**-989.2**	**10,311.1**	**7,450.2**
Valuation adjustments	**-1.4**	**2.7**	**0.0**	**-14.4**	**-13.2**	**-3.2**	**-8.2**	**-13.7**	**-25.2**	**-12.1**

p/ Preliminary figures.
Note: Figures may not add up due to rounding.

Table A 55
Foreign Trade
Million US dollars

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008p/
Exports	**136,361.8**	**166,120.7**	**158,779.7**	**161,046.0**	**164,766.4**	**187,998.6**	**214,233.0**	**249,925.1**	**271,875.3**	**291,342.6**
Oil	**9,970.2**	**16,134.8**	**13,199.4**	**14,829.8**	**18,602.4**	**23,666.6**	**31,890.7**	**39,021.9**	**43,018.3**	**50,655.5**
Crude oil 1/	8,829.5	14,552.9	11,927.7	13,392.2	16,676.3	21,257.8	28,329.5	34,707.1	37,937.2	43,341.5
Other	1,140.6	1,581.9	1,271.7	1,437.6	1,926.1	2,408.8	3,561.2	4,314.8	5,081.1	7,314.0
Non-oil	**126,391.7**	**149,986.0**	**145,580.3**	**146,216.2**	**146,164.1**	**164,332.0**	**182,342.2**	**210,903.2**	**228,857.0**	**240,687.0**
Agriculture	4,456.0	4,765.5	4,446.3	4,214.5	5,035.6	5,683.9	6,008.3	6,852.8	7,435.3	7,916.1
Extractive	421.1	495.8	385.5	367.1	496.3	900.8	1,167.7	1,316.8	1,737.1	1,931.0
Manufacturing	121,514.5	144,724.7	140,748.5	141,634.5	140,632.1	157,747.3	175,166.2	202,733.6	219,684.7	230,840.0
Imports	**141,974.8**	**174,457.8**	**168,396.4**	**168,678.9**	**170,545.8**	**196,809.7**	**221,819.5**	**256,058.4**	**281,949.0**	**308,603.3**
Consumer goods	**12,175.0**	**16,690.5**	**19,752.0**	**21,178.4**	**21,509.0**	**25,409.0**	**31,512.9**	**36,901.0**	**43,054.5**	**47,940.7**
Intermediate goods	**109,269.6**	**133,637.3**	**126,148.8**	**126,508.1**	**128,831.5**	**148,803.7**	**164,091.1**	**188,632.5**	**205,295.5**	**221,565.4**
Capital goods	**20,530.1**	**24,129.9**	**22,495.7**	**20,992.5**	**20,205.3**	**22,597.0**	**26,215.5**	**30,524.9**	**33,599.0**	**39,097.1**
Trade balance	**-5,612.9**	**-8,337.1**	**-9,616.7**	**-7,632.9**	**-5,779.4**	**-8,811.1**	**-7,586.6**	**-6,133.2**	**-10,073.7**	**-17,260.7**
Oil trade balance	**5,101.1**	**8,138.9**	**5,513.0**	**7,913.1**	**9,864.9**	**12,138.7**	**14,972.4**	**19,004.8**	**17,341.0**	**14,381.7**
Non-oil trade balance	**-10,714.0**	**-16,476.0**	**-15,129.7**	**-15,546.0**	**-15,644.3**	**-20,949.8**	**-22,559.0**	**-25,138.1**	**-27,414.8**	**-31,642.4**

Source: Working group composed of officers from Banco de México, the National Bureau of Statistics (*Instituto Nacional de Estadística y Geografía*, INEGI), the Ministry of Finance's Tax Collection System (*Servicio de Administración Tributaria*, SAT), and the Ministry of the Economy.
Note: Figures may not add up due to rounding.
1/ Data provided by PMI Internacional, S.A. de C.V. (operation figures).
p/ Preliminary figures.

Table A 56
Exports by Sector of Origin
Million US dollars

Item	2002	2003	2004	2005	2006	2007	2008p/
Total	**161,045.8**	**164,766.4**	**187,998.6**	**214,232.8**	**249,925.1**	**271,875.3**	**291,342.6**
I. Agriculture and forestry	3,309.9	3,950.7	4,522.1	4,900.9	5,561.6	6,212.9	6,872.8
II. Livestock and fishing	904.6	1,084.9	1,161.8	1,107.4	1,291.2	1,222.4	1,043.3
III. Extractive industries	15,196.9	19,098.7	24,567.4	33,058.4	40,338.7	44,755.4	52,586.5
Crude oil 1/	13,392.2	16,676.3	21,257.8	28,329.5	34,707.1	37,937.2	43,341.5
Other	1,804.7	2,422.4	3,309.6	4,728.9	5,631.6	6,818.2	9,245.0
IV. Manufacturing	141,634.4	140,632.1	157,747.3	175,166.1	202,733.6	219,684.7	230,840.0
A. Food, beverages and tobacco	4,044.9	4,189.9	4,704.0	5,733.4	6,864.2	7,370.4	8,461.5
B. Textiles, apparel and leather products	10,896.0	10,307.2	10,461.3	10,391.4	9,326.8	8,213.4	7,684.5
C. Timber products	688.3	638.8	662.2	709.6	751.6	647.2	582.2
D. Paper, printing and publishing	1,273.8	1,279.7	1,409.4	1,714.8	1,862.8	1,920.8	1,944.8
E. Chemical industry	4,695.1	4,648.5	5,318.4	5,915.5	6,544.3	7,488.1	8,382.1
F. Plastic and rubber products	3,432.8	3,799.7	4,692.8	5,466.0	5,873.9	6,354.6	6,409.7
G. Non-metal mineral products	1,976.2	1,991.3	2,314.2	2,687.3	2,977.9	2,965.0	3,051.1
H. Iron and steel	2,923.5	3,115.2	4,528.1	5,487.1	6,263.7	7,016.4	8,728.4
I. Mining and metallurgy	2,068.1	2,048.3	2,605.5	3,467.1	6,009.7	7,666.3	8,686.8
J. Metallic products, machinery and equipment	105,536.6	104,942.7	116,918.1	128,192.4	150,633.1	163,704.4	169,410.3
1. For agriculture and stockbreading	107.0	207.2	306.8	371.8	415.7	391.6	463.1
2. For other transport and communications	39,724.3	39,191.9	42,010.0	47,022.9	54,727.2	58,398.2	58,168.2
Automotive Industry	38,712.7	38,479.3	41,122.6	45,787.0	53,094.0	56,117.8	55,681.0
3. Special machinery and equipment for different industries	21,173.2	22,445.8	25,133.1	24,917.8	27,800.1	28,684.3	27,894.3
4. Metallic products (domestic use)	1,587.8	1,394.5	1,667.0	1,538.5	2,499.8	2,788.0	3,344.6
5. Professional and scientific equipment	4,607.7	5,033.6	5,670.0	7,293.3	8,163.3	8,269.3	9,007.4
6. Electric and electronic equipment	37,585.1	35,963.4	41,420.9	46,511.3	56,346.6	64,560.0	70,090.9
7. Photographic & optical equipment, and watchmaking	751.6	706.3	710.4	537.0	680.3	612.9	441.9
K. Other industries	4,099.1	3,670.8	4,133.3	5,401.5	5,625.6	6,338.1	7,498.5

Source: Working group composed of officers from Banco de México, the National Bureau of Statistics (*Instituto Nacional de Estadística y Geografía*, INEGI), the Ministry of Finance's Tax Collection System (*Servicio de Administración Tributaria*, SAT), and the Ministry of the Economy.
Note: Figures may not add up due to rounding.
1/ Data provided by PMI Internacional, S.A. de C.V. (operation figures).
p/ Preliminary figures.

Table A 57
Imports by Sector of Origin
Million US dollars

Item	2001	2002	2003	2004	2005	2006	2007	2008p/
TOTAL	**168,396.1**	**168,678.7**	**170,545.7**	**196,809.7**	**221,819.6**	**256,058.5**	**281,949.0**	**308,603.3**
I. Agriculture and forestry	5,081.4	5,147.9	5,626.9	6,183.1	5,976.3	6,900.8	8,604.5	11,342.5
II. Livestock and fishing	247.5	252.3	202.8	236.3	310.4	367.9	462.3	546.4
III. Extractive industries	8,292.8	7,611.2	9,469.7	12,493.9	18,131.5	21,746.8	27,245.2	38,133.7
IV. Manufacturing	154,774.4	155,667.4	155,246.4	177,896.3	197,401.4	227,042.9	245,637.0	258,580.8
A. Food, beverages and tobacco	5,495.6	5,836.6	6,419.0	7,147.6	8,117.8	8,838.6	10,372.9	11,361.3
B. Textiles, apparel and leather products	10,435.2	10,624.4	10,311.4	10,384.2	10,715.9	10,609.4	10,144.5	9,947.6
C. Timber products	928.1	1,049.2	1,098.5	1,291.2	1,479.2	1,590.3	1,677.7	1,671.4
D. Paper, printing and publishing	4,595.8	4,647.3	4,712.7	5,127.8	5,522.2	6,134.9	6,485.7	6,700.8
E. Chemical industry	9,562.7	10,296.5	11,143.8	12,715.6	14,352.7	16,039.6	17,763.3	20,347.8
F. Plastic and rubber products	11,048.8	11,712.0	12,533.1	13,358.0	14,966.3	16,476.0	16,890.0	16,606.8
G. Non-metal mineral products	1,536.0	1,762.4	1,800.1	1,926.8	2,086.2	2,293.1	2,498.8	2,233.1
H. Iron and steel	7,117.0	6,977.8	7,103.9	9,246.0	10,696.1	12,718.1	13,000.8	15,118.4
I. Mining and metallurgy	4,472.1	4,061.0	4,135.7	5,148.5	5,707.2	7,851.5	8,558.6	8,520.1
J. Metallic products, machinery and equipment	96,474.2	94,995.4	92,457.8	106,920.3	118,103.0	136,937.9	148,645.9	155,547.4
1. For agriculture and stockbreading	449.6	519.1	509.0	550.3	599.5	641.9	738.3	877.3
2. For other transport and communications	23,126.5	24,383.5	22,943.4	25,080.2	29,207.2	32,940.8	35,839.6	36,119.3
Automotive Industry	22,271.0	23,583.4	21,985.9	23,866.1	27,778.8	31,303.2	33,332.9	33,993.1
3. Special machinery and equipment for different industries	24,883.1	25,096.3	26,190.9	30,830.7	32,650.1	36,257.4	38,619.7	40,850.7
4. Metallic products (domestic use)	534.3	572.0	585.9	641.8	758.8	964.1	1,064.6	1,008.4
5. Professional and scientific equipment	3,828.8	4,221.3	4,570.9	5,376.6	6,456.6	9,386.0	12,209.7	11,958.9
6. Electric and electronic equipment	42,673.7	39,292.1	36,796.1	43,647.3	47,665.9	55,947.0	59,393.1	63,983.9
7. Photographic & optical equipment, and watchmaking	978.2	911.1	861.7	793.3	765.0	800.8	781.0	749.0
K. Other industries	3,108.9	3,704.8	3,530.4	4,630.3	5,654.8	7,553.5	9,598.8	10,526.1

Source: Working group composed of officers from Banco de México, the National Bureau of Statistics (*Instituto Nacional de Estadística, Geografía e Informática*, INEGI), the Ministry of Finance's Tax Collection System (*Servicio de Administración Tributaria*, SAT), and the Ministry of the Economy.
Note: Figures may not add up due to rounding.
p/ Preliminary figures.

Table A 58
Regional Trade Balance
Million US dollars

	Exports				Imports			
	2005	2006	2007	2008 p/	2005	2006	2007	2008 p/
Total	**214,233**	**249,925**	**271,875**	**291,343**	**221,820**	**256,058**	**281,949**	**308,603**
America	199,234	231,238	247,915	262,795	137,981	153,178	163,358	176,656
North America	187,797	216,976	229,624	240,625	124,717	137,687	147,430	160,777
United States	183,563	211,799	223,133	233,523	118,547	130,311	139,473	151,335
Canada	4,234	5,176	6,491	7,102	6,169	7,376	7,957	9,443
Central America	2,864	3,416	4,304	4,923	1,514	1,472	1,655	1,847
Costa Rica	421	522	687	920	883	789	741	776
El Salvador	472	497	518	801	59	59	62	71
Guatemala	864	935	1,152	1,385	222	356	457	501
Panama	463	568	731	864	78	57	114	116
Other Central American countries	645	894	1,216	953	272	212	283	384
South America	5,847	7,978	10,909	13,840	10,588	12,403	12,463	12,065
Argentina	672	952	1,130	1,317	1,303	1,799	1,610	1,436
Brazil	890	1,147	2,010	3,367	5,214	5,558	5,575	5,183
Colombia	1,548	2,132	2,943	3,032	675	744	764	1,072
Chile	668	905	1,170	1,587	1,754	2,470	2,594	2,592
Peru	345	533	677	1,180	445	470	383	426
Venezuela	1,289	1,783	2,333	2,310	783	980	1,009	769
Other South American countries	435	525	647	1,047	413	383	528	588
Antilles	2,726	2,869	3,077	3,407	1,162	1,615	1,810	1,967
Europe	9,440	11,298	15,068	18,173	28,391	31,883	36,488	42,428
European Union	9,144	11,009	14,554	17,288	25,982	29,012	33,822	39,183
Germany	2,289	2,973	4,104	5,008	8,670	9,437	10,688	12,606
Belgium	534	687	840	789	839	805	761	884
Denmark	71	100	126	97	220	271	321	369
Spain	2,954	3,270	3,690	4,233	3,325	3,638	3,831	4,056
France	373	556	695	525	2,565	2,662	3,098	3,511
Netherlands	801	1,326	1,905	2,488	925	1,547	2,466	4,184
Italy	195	267	481	587	3,498	4,109	5,542	5,219
Portugal	270	282	276	126	305	345	325	439
United Kingdom	1,188	925	1,563	1,749	1,866	2,140	2,294	2,596
Other EU countries	468	623	874	1,686	3,769	4,059	4,498	5,320
Other European countries	296	289	514	885	2,410	2,871	2,665	3,245
Asia	4,779	6,386	7,613	8,626	53,654	68,893	79,451	86,211
China	1,136	1,688	1,895	2,045	17,696	24,438	29,744	34,690
South Korea	250	464	684	541	6,566	10,676	12,658	13,548
Philippines	41	58	75	66	1,323	1,232	1,198	1,238
Hong Kong	192	282	328	396	552	614	561	533
India	561	680	1,046	1,559	959	1,126	1,207	1,361
Indonesia	66	46	43	63	654	812	886	957
Israel	87	91	130	222	371	429	441	524
Japan	1,470	1,594	1,913	2,046	13,078	15,295	16,343	16,283
Malaysia	54	100	123	114	3,658	4,474	4,771	4,659
Singapore	327	254	336	427	2,226	1,955	2,087	1,698
Thailand	98	118	167	129	1,558	1,784	2,106	2,208
Taiwan	200	441	272	307	4,066	4,974	5,897	6,659
Other Asian countries	299	569	603	712	948	1,083	1,552	1,855
Africa	342	460	464	807	571	835	1,305	2,047
Oceania	364	469	608	743	1,195	1,246	1,330	1,230
Australia	341	439	561	671	802	897	785	807
New Zealand	21	28	33	57	385	340	511	417
Other Oceanian countries	2	2	15	15	8	10	34	7
Unidentified	74	75	208	199	27	23	18	31

Source: Working group composed of officers from Banco de México, the National Bureau of Statistics (*Instituto Nacional de Estadística y Geografía*, INEGI), the Ministry of Finance's Tax Collection System (*Servicio de Administración Tributaria*, SAT), and the Ministry of the Economy.
Note: Figures may not add up due to rounding.
p/ Preliminary figures.

Table A 59
Main Traded Goods

	Exports 2006	Exports 2007	Exports 2008 p/		Imports 2006	Imports 2007	Imports 2008 p/
Total (Million US dollars)	**249,925**	**271,875**	**291,343**	**Total (Million US dollars)**	**256,058**	**281,949**	**308,603**
		Percent of total				**Percent of total**	
Crude oil [1/]	13.9	14.0	14.9	Gasoline	2.5	3.5	4.7
T.V. sets	6.7	8.0	7.8	Automobile spare parts	4.6	4.5	4.3
Automobiles of the tourism kind	7.0	6.9	7.4	Telephone and telegraph electric devices	0.8	2.3	3.7
Telephone and telegraph electric devices	1.3	3.3	5.9	Spare parts for recorders and TV sets	3.5	3.0	3.0
Automobile spare parts	4.6	4.5	4.0	Microelectronic circuits	3.7	3.2	2.8
Insulating cables for electric installations	3.2	3.1	2.6	Automobiles of the tourism kind	3.6	3.3	2.7
Computers	3.8	3.3	2.5	LP gas	1.5	1.6	2.1
Trucks and cargo vehicles	3.4	3.3	2.5	Liquid crystal displays/devices	1.4	2.1	1.7
Oils other than crude oil	1.4	1.5	2.1	Computers	2.5	2.1	1.7
Medical or veterinarian devices	1.3	1.3	1.3	Devices for cutting or connecting electric circuits	1.7	1.6	1.5
Devices for cutting or connecting electric circuits	1.3	1.2	1.1	Insulating cables for electric installations	1.4	1.5	1.3
Seats and their parts	1.5	1.3	1.1	Diesel oil	0.6	0.9	1.2
Refrigerators	0.9	0.9	1.0	Trucks and cargo vehicles	1.0	1.1	1.0
Electric transformers	0.9	0.9	0.9	Printing machines and devices	0.1	0.5	1.0
Motor parts	1.0	1.0	0.9	Furniture, automobile and plastic clothing parts	1.3	1.1	1.0
Gold (crude, worked, and ground)	0.4	0.6	0.9	Office machine parts	1.9	1.4	0.9
Electric motors and generators	1.0	0.9	0.8	Electric transformers	0.9	0.9	0.8
Unaloyed intermediate iron or steel products	0.5	0.6	0.7	Medicines (retail)	0.9	0.8	0.8
Malt beer	0.7	0.7	0.6	Steel and iron bars and hooks	0.9	0.9	0.8
Electric condensators (fixed)	0.6	0.6	0.6	Corn	0.4	0.6	0.8
Silver (crude, worked, and ground)	0.5	0.5	0.6	Motor parts	0.7	0.7	0.8
Faucet or tap-related products	0.7	0.6	0.6	Plastic containers	1.0	0.9	0.7
Suits and pants (men and boys)	0.8	0.6	0.6	Diesel mototrs	0.7	0.6	0.7
Automatic-regulating instruments	0.9	0.7	0.6	Air and vacuum pumps	0.7	0.7	0.7
Gasoline motors	0.7	0.6	0.6	Faucet or tap-related products	0.7	0.7	0.7
Board games	0.1	0.4	0.5	Parts of radio/recording devices	0.7	0.7	0.6
Highway tractors	0.6	0.5	0.5	Board games	0.3	0.6	0.6
Centrifugates, filters, and purifiers	0.3	0.5	0.5	Polyethylenes	0.7	0.6	0.6
Turning lathe, jack and chain (hoist) parts	0.5	0.5	0.5	Printed circuit board assembly	0.8	0.7	0.6
Microphones and their support bases	0.5	0.5	0.5	Semiconductor devices	0.7	0.6	0.6
Fresh and refrigerated tomato	0.4	0.4	0.4	Soy broad beans	0.4	0.4	0.6
Radios	0.7	0.6	0.4	New rubber tires	0.6	0.6	0.6
Fresh and refrigerated legumes	0.5	0.4	0.4	TV sets	0.4	0.4	0.6
Air conditioners	0.6	0.5	0.4	Other mechanical devices w/independent functions	0.7	0.7	0.6
Liquid pumps	0.3	0.3	0.4	Cyclical hidrocarbons	0.5	0.6	0.6
Plastic containers	0.5	0.5	0.4	Gasoline motors	0.6	0.5	0.5
Lamps and neon signs	0.4	0.4	0.4	Screws, iron and steel bolts	0.6	0.6	0.5
Electric lighting devices	0.4	0.5	0.4	Medical or veterinarian devices	0.6	0.5	0.5
Electric machines and devices	0.3	0.3	0.4	Front and angling-type bulldozers	0.4	0.4	0.5
Medicines (retail)	0.4	0.4	0.4	Propeller shafts, bearings, and gear assemblies	0.6	0.5	0.5
Other	34.8	32.7	30.9	Other	52.4	51.1	50.0

Source: Working party composed of officers from Banco de México, INEGI, Ministry of Finance's Tax Collection System (*Servicio de Administración Tributaria*, SAT), and Ministry of the Economy.
p/ Preliminary figures.
1/ Data provided by PMI Comercio Internacional, S. A. de C.V. Daily operation figures. Subject to revisions.
Note: Figures may not add up due to rounding.

Table A 60
International Travelers

Item	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Balance (million US dollars)		**2,795.1**	**2,698.7**	**2,798.3**	**3,108.4**	**3,836.5**	**4,203.0**	**4,068.3**	**4,477.2**	**4,763.2**
				Incoming						
Revenues (million USD)	**7,222.9**	**8,294.2**	**8,400.6**	**8,858.0**	**9,361.7**	**10,795.6**	**11,803.4**	**12,176.6**	**12,851.9**	**13,289.0**
Tourists	5,061.7	5,816.2	5,941.4	6,083.7	6,680.1	7,783.5	8,502.4	8,954.6	9,716.5	10,115.8
In border areas	1,995.7	2,277.0	2,243.9	2,491.8	2,393.1	2,591.3	2,848.4	2,763.6	2,647.6	2,695.1
Overnight visitors	444.0	619.2	597.0	640.9	571.6	598.8	643.9	604.8	623.7	701.3
One-day visitors	1,551.7	1,657.7	1,646.9	1,850.9	1,821.5	1,992.5	2,204.5	2,158.8	2,023.9	1,993.8
Cruises	165.4	201.1	215.3	282.5	288.5	420.8	452.6	458.3	487.8	478.2
Number of travelers (thousands)	**99,869**	**105,673**	**100,719**	**100,153**	**92,330**	**99,250**	**103,146**	**97,701**	**92,179**	**91,462**
Tourists	10,214	10,591	10,151	9,883	10,353	11,553	12,534	12,608	12,956	13,299
In border areas	86,607	91,615	86,762	85,135	77,002	81,204	83,905	78,577	72,409	71,732
Overnight visitors	8,829	10,050	9,659	9,784	8,312	9,065	9,381	8,745	8,414	9,338
One-day visitors	77,778	81,565	77,103	75,352	68,690	72,139	74,524	69,832	63,995	62,394
Cruises	3,048	3,467	3,805	5,136	4,974	6,493	6,707	6,516	6,814	6,431
Average spending (USD)	**72.3**	**78.5**	**83.4**	**88.4**	**101.4**	**108.8**	**114.4**	**124.6**	**139.4**	**145.3**
Tourists	495.6	549.1	585.3	615.6	645.2	673.7	678.4	710.3	750.0	760.6
In border areas	23.0	24.9	25.9	29.3	31.1	31.9	33.9	35.2	36.6	37.6
Overnight visitors	50.3	61.6	61.8	65.5	68.8	66.1	68.6	69.2	74.1	75.1
One-day visitors	20.0	20.3	21.4	24.6	26.5	27.6	29.6	30.9	31.6	32.0
Cruises	54.3	58.0	56.6	55.0	58.0	64.8	67.5	70.3	71.6	74.4
				Outgoing						
Expenditures (million USD)	**4,541.3**	**5,499.1**	**5,701.9**	**6,059.7**	**6,253.3**	**6,959.0**	**7,600.4**	**8,108.3**	**8,374.8**	**8,525.8**
Tourists	1,690.8	2,163.9	2,399.5	2,429.1	2,565.3	2,910.9	3,313.7	3,805.4	4,285.7	4,524.6
In border areas	2,850.5	3,335.3	3,302.4	3,630.6	3,688.0	4,048.1	4,286.7	4,302.8	4,089.0	4,001.3
Overnight visitors	259.6	281.1	368.0	348.5	269.7	316.4	339.7	387.9	421.5	379.5
One-day visitors	2,590.9	3,054.2	2,934.4	3,282.0	3,418.3	3,731.7	3,946.9	3,914.9	3,667.6	3,621.8
Number of travelers (thousands)	**117,383**	**127,268**	**123,737**	**124,633**	**123,015**	**128,903**	**128,392**	**122,022**	**109,366**	**107,442**
Tourists	5,543	6,200	6,423	6,492	6,603	7,398	8,000	8,486	9,213	9,321
In border areas	111,840	121,068	117,309	118,141	116,412	121,505	120,392	113,536	100,153	98,122
Overnight visitors	4,809	4,879	5,652	5,456	4,441	5,096	5,305	5,516	5,870	5,129
One-day visitors	107,031	116,189	111,657	112,685	111,971	116,409	115,087	108,020	94,283	92,992
Average spending (USD)	**38.7**	**43.2**	**46.1**	**48.6**	**50.8**	**54.0**	**59.2**	**66.4**	**76.6**	**79.4**
Tourists	305.0	349.0	373.6	374.1	388.5	393.5	414.2	448.4	465.2	485.4
In border areas	25.5	27.5	28.2	30.7	31.7	33.3	35.6	37.9	40.8	40.8
Overnight visitors	54.0	57.6	65.1	63.9	60.7	62.1	64.0	70.3	71.8	74.0
One-day visitors	24.2	26.3	26.3	29.1	30.5	32.1	34.3	36.2	38.9	38.9

Note: Figures may not add up due to rounding.

Table A 61
Revenues from Workers' Remittances

	2004	2005	2006	2007	2008 p/
Total remittances (million USD)	**18,331.3**	**21,688.7**	**25,566.8**	**26,068.7**	**25,137.4**
Money orders	1,869.7	1,747.9	1,359.7	859.7	598.2
Electronic transfers	16,228.0	19,667.7	23,854.0	24,821.7	24,113.0
Cash and kind	233.6	273.2	353.2	387.3	426.2
Number of remittances (thousands)	**57,011.3**	**64,923.3**	**74,183.6**	**75,701.0**	**72,627.0**
Money orders	4,602.8	4,066.9	2,844.6	1,585.9	1,352.7
Electronic transfers	52,085.8	60,511.0	70,696.7	73,343.7	70,487.4
Cash and kind	322.7	345.4	642.3	771.0	787.0
Average remittance (USD)	**322**	**334**	**345**	**344**	**346**
Money orders	406	430	478	542	442
Electronic transfers	312	325	337	338	342
Cash and kind	724	791	550	502	541

p/ Preliminary figures.
Note: Figures may not add up due to rounding.

Table A 62
Revenues from Workers' Remittances
By state and country

Distribution by State

State	Ranking 1995	Ranking 2001	Ranking 2006	Ranking 2007	Ranking 2008	Percentage Structure 1995	Percentage Structure 2001	Percentage Structure 2006	Percentage Structure 2007	Percentage Structure 2008
Michoacán	1	1	1	1	1	16.25	11.69	9.86	9.18	9.77
Guanajuato	3	2	2	2	2	10.25	8.31	9.07	9.03	9.25
Estado de México	7	4	3	3	3	4.39	7.16	8.26	8.33	8.34
Jalisco	2	3	4	4	4	12.70	7.89	7.86	7.71	7.73
Veracruz	15	6	5	5	5	2.07	5.99	6.54	6.66	6.45
Puebla	6	9	7	6	6	4.84	3.97	5.58	5.97	6.24
Oaxaca	8	8	9	7	7	4.34	4.03	5.17	5.45	5.79
Guerrero	4	5	8	8	8	6.11	6.27	5.39	5.44	5.58
Distrito Federal	5	7	6	9	9	5.34	5.67	5.96	5.27	4.40
Hidalgo	16	10	10	10	10	1.95	3.89	3.70	4.16	3.74
Chiapas	27	15	11	11	11	0.54	2.51	3.69	3.48	3.18
San Luis Potosí	10	12	12	12	12	3.26	2.82	2.78	2.92	3.02
Zacatecas	11	17	13	13	13	3.12	2.10	2.62	2.91	2.70
Morelos	9	11	14	14	14	3.56	2.82	2.30	2.36	2.47
Tamaulipas	21	13	15	15	15	1.27	2.69	1.99	2.00	2.03
Sinaloa	13	14	16	16	16	2.99	2.62	1.98	1.98	1.95
Chihuahua	19	18	18	18	17	1.75	2.05	1.90	1.81	1.89
Durango	14	16	19	19	18	2.08	2.11	1.71	1.73	1.79
Querétaro	17	20	17	17	19	1.93	1.79	1.93	1.82	1.76
Nayarit	20	19	21	20	20	1.57	1.91	1.39	1.45	1.53
Baja California	23	23	24	23	21	0.85	1.64	1.21	1.29	1.36
Aguascalientes	12	25	20	22	22	3.11	1.24	1.49	1.36	1.32
Nuevo León	22	24	22	21	23	1.05	1.56	1.37	1.38	1.32
Sonora	24	22	23	24	24	0.76	1.67	1.31	1.29	1.27
Coahuila	18	21	25	25	25	1.84	1.69	1.10	1.13	1.19
Tlaxcala	26	27	26	26	26	0.60	0.75	1.05	1.13	1.19
Colima	25	26	28	27	27	0.75	1.15	0.73	0.75	0.79
Tabasco	32	28	27	28	28	0.09	0.70	0.75	0.71	0.63
Yucatán	28	29	29	29	29	0.31	0.42	0.47	0.51	0.51
Quintana Roo	29	30	30	30	30	0.13	0.37	0.40	0.38	0.40
Campeche	31	31	31	31	31	0.10	0.28	0.33	0.31	0.30
Baja California Sur	30	32	32	32	32	0.12	0.21	0.11	0.12	0.14
TOTAL						100.00	100.00	100.00	100.00	100.00

International Comparison: Selected Countries in 2007

Country	Million USD	As a Percentage of GDP
India[2/]	38,219	3.5
Mexico[2/]		
2005	21,689	2.6
2006	25,567	2.7
2007	26,069	2.5
2008	25,137	2.3
China[e/]	25,703	0.8
Philippines[2/]	13,266	9.2
Spain[1/]	7,281	0.5
Romania[1/]	6,835	4.1
Morocco[1/]	6,730	9.0
Bangladesh[1/]	6,553	8.9
Indonesia[1/]	6,004	1.4
Pakistan[1/]	5,992	4.2
Colombia[2/]	4,493	2.2
Poland[1/]	4,242	1.0
Guatemala[2/]	4,128	12.3
El Salvador[2/]	3,695	18.1
Portugal[1/]	3,552	1.6
Ecuador[2/]	3,088	6.7
Dominican Republic[2/]	3,046	7.4
Brazil[2/]	2,809	0.2
Honduras[2/]	2,561	20.9
Ukraine[1/]	2,292	1.6
Perú[2/]	2,131	2.0
Greece[1/]	1,980	0.6
Bosnia and Herzegovina[1/]	1,910	12.6
Tadzhikistan[1/]	1,685	45.4
Japan[1/]	1,261	0.0
Turkey[2/]	1,209	0.2
Azerbaijan[1/]	1,192	3.8
Lithuania[1/]	1,177.0	3.03
Russia[2/]	851.5	0.07
Uganda[1/]	848.6	7.20

Source: Banco de México and IMF Balance of Payments Division.
1/ Prepared with data from Banco de México (for Mexico) and from IMF Balance of Payments Division.
e/ Estimated figures from World Bank.

Table A 63
Foreign Investment Flows
Million US dollars

	2002	2003	2004	2005	2006	2007	2008 p/
Total	**23,731.7**	**17,215.8**	**26,319.2**	**28,497.2**	**25,618.0**	**35,738.5**	**21,812.4**
Direct investment	**23,685.7**	**16,436.9**	**23,648.0**	**21,798.5**	**19,140.6**	**27,166.8**	**18,589.3**
New investment	15,137.7	7,260.8	14,077.2	10,870.1	5,530.5	13,160.1	3,713.8
Reinvested earnings	2,469.0	2,082.2	2,488.7	3,883.4	7,693.2	8,024.1	7,530.4
Intercompany operations	6,078.9	7,093.9	7,082.1	7,045.0	5,916.8	5,982.7	7,345.1
Portfolio investment	**46.0**	**778.9**	**2,671.2**	**6,698.7**	**6,477.4**	**8,571.7**	**3,223.1**
Equity	-103.6	-123.3	-2,522.2	3,352.9	2,805.2	-482.1	-3,503.3
Money market	149.6	902.2	5,193.4	3,345.7	3,672.3	9,053.8	6,726.4

p/ Preliminary figures.
Note: Figures may not add up due to rounding.

Table A 64
Foreign Investment in Government Securities
End of period outstanding stocks at face value
Billion US dollars

		Cetes		Bondes		Udibonos		IPAB bonds 1/		Development bonds 2/			Total 2/	
		Stock	%	Stock	%	Stock	%	Stock	%	Stock	%	%	Stock	%
1997	Dec	3.0	90.3	0.3	7.7	0.1	0.0	n.e.	0.0	d.n.e		d.n.e	3.3	100.0
1998	Dec	2.1	91.5	0.2	7.2	0.0	0.1	n.e.	0.0	d.n.e		d.n.e	2.3	100.0
1999	Dec	1.0	88.7	0.1	9.5	0.0	0.0	n.e.	0.0	d.n.e		d.n.e	1.1	100.0
2000	Dec	0.7	72.0	0.1	9.7	0.0	0.2	n.e.	0.0	0.2		18.1	0.9	100.0
2001	Dec	0.7	37.0	*	0.9	0.0	2.5	0.1	7.2	0.9		52.4	1.8	100.0
2002	Dec	0.3	17.4	0.1	3.3	0.0	0.2	0.1	8.2	1.1		70.9	1.6	100.0
2003	Dec	0.4	18.0	0.5	21.9	0.0	0.4	0.0	2.1	1.2		57.5	2.1	100.0
2004	Dec	0.6	9.1	*	0.3	0.0	0.7	0.2	2.7	6.1		87.2	7.0	100.0
2005	Dec	0.3	3.2	0.2	2.3	0.3	2.6	0.5	4.7	8.8		87.2	10.1	100.0
2006	Dec	0.6	4.7	*	0.0	0.4	3.3	0.7	5.4	10.8		86.6	12.4	100.0
2007	Dec	0.9	4.3	*	0.0	0.5	2.4	0.1	0.5	18.8		92.8	20.2	100.0
2008	Dec	1.3	6.7	*	0.0	0.6	3.2	0.1	0.5	17.2		89.6	19.2	100.0
2006	Jan	0.5	4.3	*	0.4	0.3	2.9	0.4	4.0	9.7		88.5	11.0	100.0
	Feb	0.3	2.3	0.1	1.2	0.3	2.7	0.4	3.7	10.4		90.1	11.6	100.0
	Mar	0.3	2.7	*	0.3	0.4	3.5	0.4	3.1	10.9		90.4	12.0	100.0
	Apr	0.3	2.5	*	0.2	0.5	3.4	0.4	3.2	12.3		90.6	13.6	100.0
	May	0.3	2.6	*	0.2	0.5	3.9	0.4	3.1	11.8		90.1	13.1	100.0
	Jun	0.6	4.6	0.1	0.4	0.4	2.9	0.4	3.4	11.4		88.6	12.9	100.0
	Jul	0.8	6.6	*	0.2	0.4	3.4	0.3	2.2	10.4		87.6	11.9	100.0
	Aug	0.5	4.8	0.2	1.7	0.5	5.0	0.3	2.5	8.8		86.0	10.2	100.0
	Sep	0.7	6.5	*	0.2	0.5	5.0	0.1	1.0	9.0		87.2	10.3	100.0
	Oct	0.6	5.3	*	0.0	0.5	4.2	0.4	3.8	10.0		86.7	11.6	100.0
	Nov	0.6	4.7	*	0.0	0.5	3.8	0.3	2.5	10.7		88.9	12.0	100.0
	Dec	0.6	4.7	*	0.0	0.4	3.3	0.7	5.4	10.8		86.6	12.4	100.0
2007	Jan	0.6	4.7	0.1	0.6	0.4	2.8	0.3	2.0	12.0		89.8	13.4	100.0
	Feb	0.2	1.4	*	0.0	0.3	2.5	0.3	2.1	12.5		94.0	13.3	100.0
	Mar	0.7	5.4	*	0.1	0.3	1.9	0.5	3.5	11.8		89.1	13.3	100.0
	Apr	0.2	1.6	*	0.2	0.3	2.1	0.8	5.8	11.8		90.2	13.1	100.0
	May	0.5	3.0	*	0.1	0.3	1.8	0.1	0.8	14.3		94.3	15.1	100.0
	Jun	0.5	3.7	0.5	3.1	0.3	2.1	0.3	1.8	13.1		89.3	14.6	100.0
	Jul	0.3	2.1	*	0.0	0.3	1.9	0.1	0.6	14.3		95.4	15.0	100.0
	Aug	0.4	2.3	*	0.0	0.4	2.4	0.9	5.5	14.0		89.8	15.6	100.0
	Sep	0.3	2.0	*	0.0	0.4	2.4	1.0	5.8	15.2		89.8	16.9	100.0
	Oct	0.4	2.2	*	0.0	0.4	2.3	0.0	0.2	16.6		95.2	17.5	100.0
	Nov	0.7	3.6	*	0.0	0.5	2.4	0.2	1.1	18.1		92.8	19.5	100.0
	Dec	0.9	4.3	*	0.0	0.5	2.4	0.1	0.5	18.8		92.8	20.2	100.0
2008	Jan	2.0	8.7	*	0.0	0.6	2.6	0.1	0.2	20.7		88.5	23.4	100.0
	Feb	1.5	6.0	*	0.0	0.5	2.0	0.1	0.3	23.1		91.6	25.3	100.0
	Mar	1.2	4.6	*	0.0	0.8	3.3	0.3	1.0	23.3		91.1	25.5	100.0
	Apr	1.8	6.9	*	0.0	0.8	3.2	0.3	1.2	23.0		88.6	25.9	100.0
	May	1.9	7.2	*	0.0	1.0	3.7	0.6	2.1	22.6		87.0	26.0	100.0
	Jun	1.7	6.3	*	0.0	1.3	4.9	0.4	1.5	23.7		87.3	27.1	100.0
	Jul	2.4	7.7	*	0.0	1.3	4.2	0.3	0.9	27.7		87.2	31.7	100.0
	Aug	2.7	8.2	*	0.0	1.1	3.3	0.2	0.6	28.7		87.9	32.6	100.0
	Sep	2.6	8.7	*	0.0	1.1	3.7	0.1	0.4	25.8		87.2	29.6	100.0
	Oct	1.4	6.0	*	0.0	0.6	2.8	1.1	4.9	19.4		86.3	22.5	100.0
	Nov	1.1	5.4	*	0.0	0.7	3.2	0.1	0.3	18.7		91.0	20.6	100.0
	Dec	1.3	6.7	*	0.0	0.6	3.2	0.1	0.5	17.2		89.6	19.2	100.0

1/ Includes BREMs and, since August 2006,Bondes D:.
2/ Placement of this type of bonds began in January 2000.
3/ Includes Ajustabonos from 1996 to 1999 (when they were liquidated).
*/ Less than 50 million US dollars.
d.n.e. Does not exist.
Note: External sector securities' figures have been adjusted according to revised data on government securities held by sectors since 1998 (see Banco de México's press release no.105).

Table A 65
Foreign Investment in the Stock Market
End of period outstanding stocks at market value
Billion US dollars

	ADRs [1/]		Free Subscription		Neutral Fund		Mexico Fund		Total [2/]	
	Stock	%	Stock	%	Stock	%	Stock	%	Stock	%
1997 Dec	23.1	47.2	19.5	39.8	4.9	10.0	1.3	2.7	49.0	100.0
1998 Dec	18.6	57.1	10.3	31.3	2.9	8.9	0.8	2.4	32.6	100.0
1999 Dec	41.5	62.3	19.7	29.5	4.5	6.7	0.9	1.4	66.7	100.0
2000 Dec	32.1	61.8	16.8	32.3	2.2	4.2	0.9	1.7	51.9	100.0
2001 Dec	33.4	60.8	18.6	33.9	2.2	4.0	0.8	1.5	54.9	100.0
2002 Dec	28.0	62.8	14.7	33.0	1.6	3.6	0.3	0.7	44.6	100.0
2003 Dec	34.6	61.2	19.9	35.2	1.7	3.0	0.3	0.5	56.5	100.0
2004 Dec	48.3	65.3	22.4	30.2	2.9	3.9	0.4	0.6	74.0	100.0
2005 Dec	71.5	67.1	31.2	29.3	3.2	3.0	0.7	0.6	106.6	100.0
2006 Dec	99.5	64.5	49.3	32.0	4.6	3.0	0.7	0.5	154.2	100.0
2007 Dec	93.8	60.8	54.7	35.4	5.1	3.3	0.9	0.6	154.4	100.0
2008 Dec	110.0	74.0	36.1	24.3	2.4	1.6	0.2	0.1	148.7	100.0
2006 Jan	78.2	67.1	34.1	29.3	3.6	3.1	0.6	0.5	116.4	100.0
Feb	78.0	67.4	33.8	29.2	3.3	2.9	0.6	0.5	115.7	100.0
Mar	78.3	67.5	33.7	29.1	3.4	3.0	0.5	0.5	116.0	100.0
Apr	82.1	67.1	36.2	29.6	3.4	2.8	0.6	0.5	122.3	100.0
May	72.8	66.5	32.8	30.0	3.4	3.1	0.5	0.5	109.4	100.0
Jun	76.1	67.6	32.8	29.1	3.2	2.9	0.5	0.4	112.6	100.0
Jul	78.7	66.1	36.2	30.4	3.7	3.1	0.5	0.4	119.2	100.0
Aug	81.2	66.1	37.4	30.5	3.7	3.0	0.5	0.4	122.9	100.0
Sep	85.9	66.7	38.4	29.8	4.0	3.1	0.6	0.5	128.8	100.0
Oct	91.5	65.8	42.7	30.7	4.1	3.0	0.6	0.5	138.9	100.0
Nov	95.8	65.7	45.1	30.9	4.3	2.9	0.7	0.5	145.8	100.0
Dec	99.5	64.5	49.3	32.0	4.6	3.0	0.7	0.5	154.2	100.0
2007 Jan	96.0	62.6	51.9	33.9	4.7	3.1	0.7	0.4	153.3	100.0
Feb	87.7	62.3	48.1	34.2	4.3	3.1	0.7	0.5	140.7	100.0
Mar	92.7	62.3	50.7	34.1	4.8	3.2	0.7	0.4	148.9	100.0
Apr	98.3	62.9	52.4	33.6	4.7	3.0	0.7	0.5	156.1	100.0
May	108.9	63.6	56.5	33.0	5.0	2.9	0.7	0.4	171.1	100.0
Jun	108.5	63.5	56.5	33.1	5.0	2.9	0.8	0.4	170.8	100.0
Jul	101.9	61.9	57.0	34.6	5.0	3.0	0.7	0.5	164.6	100.0
Aug	98.3	62.7	53.2	33.9	4.7	3.0	0.7	0.4	156.9	100.0
Sep	101.4	62.6	54.4	33.6	5.1	3.1	0.9	0.6	161.8	100.0
Oct	101.5	60.7	59.4	35.5	5.3	3.2	1.0	0.6	167.2	100.0
Nov	93.2	60.7	54.7	35.6	4.9	3.2	0.9	0.6	153.6	100.0
Dec	93.8	60.8	54.7	35.4	5.1	3.3	0.9	0.6	154.4	100.0
2008 Jan	89.9	60.9	52.1	35.3	4.7	3.2	0.9	0.6	147.6	100.0
Feb	95.5	60.6	56.4	35.8	4.9	3.1	0.9	0.6	157.7	100.0
Mar	93.9	60.4	56.1	36.1	4.6	3.0	0.7	0.5	155.4	100.0
Apr	89.3	57.7	59.5	38.4	5.1	3.3	0.8	0.5	154.7	100.0
May	93.0	56.8	64.8	39.5	5.4	3.3	0.7	0.4	163.8	100.0
Jun	84.1	56.1	59.8	39.9	5.2	3.5	0.7	0.5	149.7	100.0
Jul	82.6	56.6	58.1	39.8	4.9	3.4	0.4	0.3	146.0	100.0
Aug	78.0	58.7	50.2	37.7	4.2	3.1	0.6	0.4	132.9	100.0
Sep	66.7	59.7	41.2	36.9	3.3	3.0	0.5	0.4	111.7	100.0
Oct	46.0	57.9	31.0	38.9	2.4	3.0	0.2	0.2	79.5	100.0
Nov	55.7	63.6	29.7	33.9	2.0	2.3	0.2	0.2	87.6	100.0
Dec	110.0	74.0	36.1	24.3	2.4	1.6	0.2	0.1	148.7	100.0

Source: Mexican Stock Exchange.
1/ Includes Global Depository Receipts (GDRs).
2/ Since1993 total foreign investment in the stock market includes warrants and investments in the intermediate market.

Table A 66
Gross External Debt Position
By residence criteria 1/
End of period outstanding stocks

	Million US dollars			Percent of GDP		
	2007 p/	2008 p/	Difference	2007 p/	2008 p/	Difference
TOTAL (I + II + III + IV)	124,432.5	125,228.9	796.4	12.52	14.29	1.77
TOTAL ADJUSTED (I + II +III + IV + V)	193,142.9	200,392.6	7,249.7	19.43	22.87	3.44
PUBLIC SECTOR (I + 3.3 + 4.2.1)	55,354.9	56,939.0	1,584.1	5.57	6.50	0.93
I. Federal government 2/	42,251.4	41,733.4	-518.0	4.25	4.76	0.51
II. Monetary authorities	0.0	0.0	0.0	0.00	0.00	0.00
III. Banking sector	10,021.6	9,119.9	-901.7	1.01	1.04	0.03
3.1 Commercial banks 3/	4,387.8	3,407.4	-980.4	0.44	0.39	-0.05
3.2 Other depository corporations 4/	387.7	375.0	-12.7	0.04	0.04	0.00
3.3 Development banks 2/	5,246.2	5,337.5	91.3	0.53	0.61	0.08
IV. Other sectors	72,159.5	74,375.6	2,216.1	7.26	8.49	1.23
4.1 Non-bank financial corporations 5/	0.0	0.0	0.0	0.00	0.00	0.00
4.2 Non-financial enterprises	72,159.5	74,375.6	2,216.1	7.26	8.49	1.23
4.2.1 Public enterprises and entities 2/	7,857.3	9,868.1	2,010.8	0.79	1.13	0.34
4.2.2 Private sector 6/	64,302.2	64,507.5	205.3	6.47	7.36	0.89
4.2.3 Deposit insurance entity 7/	0.0	0.0	0.0	0.00	0.00	0.00
V. Adjustments (5.1-5.2+5.3+5.4+5.5)	68,710.4	75,163.6	6,453.2	6.91	8.58	1.66
5.1 Non-residents' holdings of peso-denominated debt 8/	20,147.5	18,767.9	-1,379.6	2.03	2.14	0.11
5.2 Residents' holdings of foreign currency-denominated debt 9/	1,809.1	2,519.1	710.0	0.18	0.29	0.11
5.3 Agencies' claims on Mexican residents 10/	3,045.3	3,544.0	498.7	0.31	0.40	0.10
5.4 Pidiregas-Pemex 11/	47,197.9	55,262.0	8,064.1	4.75	6.31	1.56
5.5 Other debt liabilities with non-residents 12/	128.8	108.8	-20.0	0.01	0.01	0.00

Source: Ministry of Finance and Banco de México.
*/ Preliminary figures. Calculations based on GDP of the last quarter of the year and end of period FIX exchange rate.
1/ Gross external debt statistics are compiled by Banco de México and the Ministry of Finance (SHCP). In order to comply with IMF's "External Debt Statistics: Guide for Compilers and Users" (2003) and, at the same time, facilitate its comparison with official figures published by the Ministry of Finance (available at www.shcp.gob.mx), both official statistics on Mexico's public external debt and its corresponding adjustments are presented following IMF's Special Data Dissemination Standard (SDSS) for residence criteria.
2/ Public sector data (federal government, development banks and public enterprises and institutions) is classified according to "user" criteria.
3/ Unlike official statistics, the present figures do not include debt with other nonresident entities of Mexican commercial bank agencies' located abroad. The reason for this exclusion is that IMF's "External Debt Statistics: Guide for Compilers and Users (2003)" considers agencies as nonresidents. Figures include accrued interests.
4/ Includes financial leasing companies, financial factoring companies, limited purpose financial companies (*Sociedades Financieras de Objeto Limitado,* Sofoles), savings and loan companies, credit unions, and investment funds.
5/ Includes insurance companies, deposit warehouses, brokerage houses and bonding companies. Since official statistics do not include this item, it is reported as zero. However, liabilities of these financial auxiliaries with non-residents are considered in the adjustments section.
6/ Data on short and long-term loans is drawn from Banco de México's Survey "Outstanding Consolidated Claims on Mexico" on foreign creditor banks. Since official statistics for private sector's debt are based on debtor data, figures may not coincide with those published by the Ministry of Finance.
7/ Institute for the Protection of Bank's Savings (*Instituto para la Protección al Ahorro Bancario,* IPAB). Since official statistics do not include this item, it is reported as zero. However, IPAB's liabilities with non-residents are considered in the adjustments section.
8/ Defined as nonresidents' holdings of Treasury Bills (Cetes), federal government development bonds (Bondes); fixed-rate federal government development bonds (Bonos), federal government bonds denominated in investment units (Udibonos), monetary regulation bonds (BREMs) and savings protection bonds (BPAs and BPATs).
9/ Federal government bonds denominated in foreign currency held by Mexican residents.
10/ Corresponds to Mexican residents' liabilities with Mexican commercial banks' agencies abroad. Includes both agencies' direct loans to Mexican residents and agencies' holdings of bonds issued by Mexican residents.
11/ Pidiregas (*Proyectos de Infraestructura Productiva a Largo Plazo*) is a mechanism used since 1995 for financing strategic long-term investment projects for the oil, gas and energy industries. According to the applicable accounting procedures, this type of debt is assumed by the public sector two years prior to its due date and once the investment project has been concluded. This item does not include debt related with Pidiregas-CFE because this debt is assumed as part of the private sector. If this assumption were not correct, the Gross External Debt associated with Pidiregas would be underestimated.
12/ Includes deposits of both multilateral creditors and foreign central banks at Banco de México.
Note: This table has differences in relation to Table 16 of the Annual Report. While this table is based on IMF criteria, which present data in a more international comparable format, Table 16 is based on the criteria used for integrating the balance of payments for several years. For further details on these differences, see footnotes of both tables.

Table A 67
Gross External Debt and Debt Service
Billion US dollars at end of period

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 p/
Total external debt	**154.4**	**163.7**	**166.1**	**158.8**	**157.4**	**155.4**	**157.8**	**161.8**	**165.6**	**160.9**	**182.0**	**194.2**
Public debt 1/	88.3	92.3	92.3	84.6	80.3	78.8	79.0	79.2	71.7	54.8	55.3	56.9
Federal government	49.0	52.3	53.0	46.1	44.1	43.6	44.9	48.6	48.7	39.3	40.1	40.0
Public entities and enterprises	10.9	11.7	12.7	12.5	11.9	11.6	11.5	10.6	6.8	7.1	7.7	9.8
Development banks	28.4	28.3	26.6	26.0	24.3	23.6	22.6	20.0	16.2	8.4	7.5	7.2
Commercial banks 2/	16.7	15.8	14.8	12.4	9.3	6.3	5.8	6.7	4.4	5.6	8.7	6.9
Banco de México	9.1	8.4	4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-bank private sector 3/	40.3	47.2	54.5	61.8	67.6	70.3	73.0	75.9	89.5	100.5	118.0	130.4
External debt service 4/	**34.3**	**24.2**	**24.0**	**34.7**	**30.2**	**25.2**	**27.3**	**26.6**	**24.6**	**43.4**	**24.9**	**26.9**
Amortizations	21.9	11.7	11.1	21.0	17.5	13.2	15.6	15.4	12.3	29.3	10.0	12.4
Current amortizations 5/	12.4	11.7	11.1	10.6	11.7	11.0	10.0	15.4	12.3	17.0	10.0	11.7
Other 6/	9.5	0.0	0.0	10.4	5.8	2.2	5.6	0.0	0.0	12.3	0.0	0.7
Interest paid	12.4	12.5	12.9	13.7	12.7	12.0	11.7	11.2	12.3	14.1	14.9	14.5
Public sector	7.0	6.7	6.8	7.4	7.1	6.6	6.8	6.7	7.4	8.5	8.4	8.4
Commercial banks	1.5	1.5	1.3	1.2	0.8	0.4	0.3	0.3	0.4	0.6	0.8	0.6
Banco de México	0.5	0.4	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-bank private sector	3.4	3.9	4.5	5.0	4.8	5.0	4.6	4.2	4.5	5.0	5.7	5.5

Source: Banco de México and Ministry of Finance.

Note: This table has differences in relation to Table A67 of this Appendix. While this table is based on the criteria for integrating the balance of payments for several years, which allows for temporal comparisons, Table A67 is based on IMF criteria, which present data in a more international comparable format. For further details on these differences, see footnotes of both tables.

1/ Public sector data is classified according to “external debtor” criteria.
2/ Commercial banks’ debt includes external liabilities of its agencies and branches abroad.
3/ Includes debt not recognized by the Ministry of Finance, associated with long-term infrastructure investment projects (Pidiregas).
4/ Current amortizations including interest paid.
5/ Amortizations of long-term government liabilities. Excludes amortizations of Tesobonos and payments to the IMF.
6/ Includes early redemption of Brady Bonds and other prepayments of federal government debt.
p/ Preliminary figures.

Balance Sheet

BANCO DE MEXICO

5 DE MAYO NUM. 2 MEXICO 06059, D.F.

BALANCE SHEET AT DECEMBER 31, 2008

MILLION PESOS

ASSETS

INTERNATIONAL RESERVES	**$ 1,181,863**
INTERNATIONAL ASSETS	1,318,260
LIABILITIES TO BE DEDUCTED	-136,397
CREDIT GRANTED TO THE FEDERAL GOVERNMENT	**0**
GOVERNMENT SECURITIES	**145,672**
GOVERNMENT SECURITIES	0
IPAB SECURITIES	145,672
CREDIT GRANTED TO FINANCIAL INTERMEDIARIES AND DEBTORS FROM REPO OPERATIONS	**171,380**
CREDIT GRANTED TO PUBLIC ENTITIES	**0**
CREDIT GRANTED TO TRUST FUNDS	**12,526**
SHARES IN INTERNATIONAL FINANCIAL INSTITUTIONS	**10,168**
FIXED ASSETS, FURNISHING AND EQUIPMENT	**3,876**
OTHER ASSETS	**18,847**
TOTAL ASSETS	**$ 1,544,332**

LIABILITIES AND EQUITY

INTERNATIONAL MONETARY FUND	**$ 0**
MONETARY BASE	**577,543**
BANKNOTES AND COINS AND CIRCULATION	577,542
BANK CURRENT ACCOUNT DEPOSITS	1
MONETARY REGULATION BONDS	**1,240**
FEDERAL GOVERNMENT CURRENT ACCOUNT DEPOSITS	**112,502**
OTHER FEDERAL GOVERNMENT DEPOSITS	**159,628**
MONETARY REGULATION DEPOSITS	**528,397**
BANKS	280,000
GOVERNMENT SECURITIES	248,397
OTHER BANK DEPOSITS AND DEBTORS FROM REPO OPERATIONS	**4,100**
TRUST FUNDS' DEPOSITS	**0**
SPECIAL DRAWING RIGHTS	**6,179**
OTHER LIABILITIES	**52,926**
TOTAL LIABILITIES	**1,442,515**
CAPITAL	**6,817**
PREVIOUS YEAR OPERATIONAL SURPLUS	**0**
FISCAL YEARS' OPERATIONAL SURPLUS	**95,000**
INCOME STATEMENT	247,522
AMORTIZATION PAST FISCAL YEAR LOSSES	-77,197
AMORTIZATION IPAB LOANS	-63,570
RESERVES	-11,755
TOTAL EQUITY	**101,817**
TOTAL LIABILITIES AND EQUITY	**$ 1,544,332**

MEMORANDUM ACCOUNTS $15,327,036

The present Balance Sheet was prepared according to the rules and regulations set in the Law Governing Banco de México and Banco de México's Internal Bylaw, and to financial information standards, following adequate international central bank practices. According to article 38 of the referred Bylaw, International Reserves are defined as stated in article 19 of the Law Governing Banco de México; Government Securities are presented as net holdings and after deducting monetary regulation deposits, and do not include any securities purchased or transmitted via repo operations, and, if there is a creditor position, it is listed under line item Monetary Regulation Deposits; IPAB securities are instruments from the Bank Savings' Protection Institute (*Instituto para la Protección al Ahorro Bancario*, IPAB) acquired by Banco de México; Credit granted to Financial Intermediaries and Debtors via Repo Operations includes Commercial Banks, Development Banks and Official Trust Funds, as well as repo operations; Credit to Public Entities and Enterprises includes credit granted to IPAB; and line item Other Assets is presented as Net from both Capital Reserves for Exchange Rate Fluctuations and Net Revalued Assets, which, overall, total $45,333. Outstanding stocks denominated in foreign currency were valued at the daily exchange rate, and Equity reflects a surplus of $5,449 due to the revaluation of fixed assets and inventories.

DR. GUILLERMO ORTIZ MARTINEZ **GOVERNOR**	**LIC. ALEJANDRO ALEGRE RABIELA** **BUDGET AND PLANNING GENERAL DIRECTOR**	**C.P. GERARDO RUBEN ZUÑIGA VILLARCE** **ACCOUNTING AND BUDGET DIRECTOR**

External Auditor's Report

We have reviewed the Balance Sheet of Banco de México at December 31, 2008, its Profit and Loss Statement, as well as the corresponding Statements of Equity Variations and Changes in the Financial Position for the year ending on the aforementioned date. Our responsibility is to express an opinion of the above mentioned based on our audit. Our audit was carried out following the auditing standards commonly-accepted in Mexico, which require a planned and prepared audit to reasonably ensure financial statements do not have significant errors and are prepared according to the Law Governing Banco de México and Banco de México's Internal Bylaw. The audit is an assessment, based on selected tests, of evidence supporting all figures and financial statements. It includes an evaluation of the accounting practices used, the foremost estimations made by Banco de México's Administration, and Banco de México's financial statements. We believe this assessment provides sufficient evidence to support our opinion.

Financial statements have been prepared following the requirements for providing financial information set out by the Law Governing Banco de México and Banco de México's Internal Bylaw, according to best central bank practices.

In our opinion, these financial statements provide a reasonable depiction of Banco de México's financial position at December 31, 2008, its income statement, the variations in equity, and the changes in Banco de México's financial position for the year ending on such date, according to the aforementioned accounting requirements.

March 24, 2009

KPMG CARDENAS DOSAL, S.C.
C.P.C. José Carlos Rivera Nava