

MINISTRY OF FINANCE

September 30, 2003

Public Finances and Public Debt Report August, 2003

Today, the Federal Government releases preliminary information on public finances and public debt for August 2003.

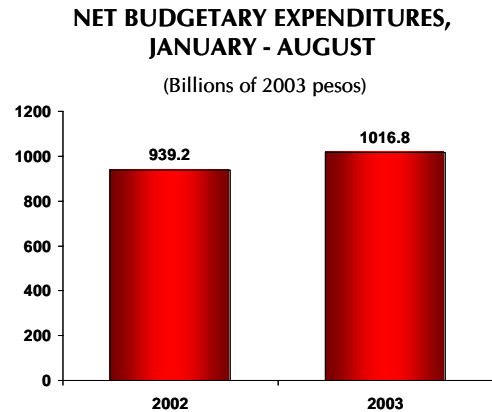
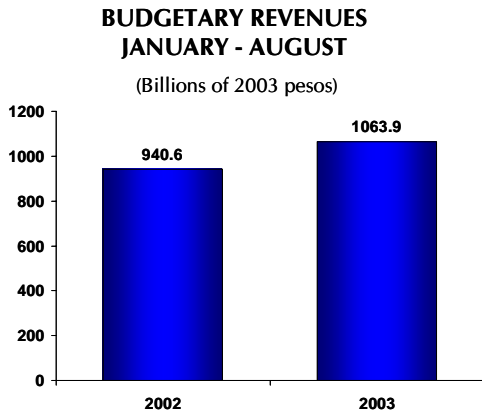
- The public sector overall balance registered a surplus of 10.8 billion pesos. The figure is consistent with the fiscal target approved by Congress for the year.
- The primary balance, defined as total income minus expenditures other than interest payments, registered a surplus of 27.9 billion pesos.
- Public sector budgetary revenues increased at a real annual pace of 9.9 percent during August 2003. This result is mainly attributable to the following factors: a) the favorable evolution of revenues from public entities other than Pemex, b) the higher than expected oil related revenues, and c) the better than expected evolution of value added tax (VAT) collection.
- Net public sector budgetary expenditures increased 5.5 percent in real annual terms.
- Net external public sector debt decreased by 0.2 billion dollars, while net domestic public sector debt increased by 8.5 billion pesos, both with respect to July of the present year.

1. Public sector balance in January-August 2003

- During the first eight months of the year the public sector overall balance registered a surplus of 45.9 billion pesos, a favorable figure as compared to the surplus of 3.9 billion pesos accumulated during the same interval of the previous year (see Annex A).
- The primary surplus amounted to 189.6 billion pesos, 26.9 percent higher in real terms to that registered in the same period of 2002.

1.1 Public Sector Budgetary Revenues in January-August 2003

- Public sector budgetary revenues amounted to 1,063.9 billion pesos during the period January-August 2003, which is 13.1 percent greater in real annual terms to that registered in the same period of 2002 (see Annex A).
- Non-oil tax revenues totaled 466.3 billions pesos, 6.0 percent higher in real terms than in the first eight months of the previous year. In particular, VAT collection increased 13.4 percent in real terms with respect to the same period of 2002.



- Oil related revenues, defined as the sum of Pemex's own revenues, oil royalties and duties paid to the Federal Government and excise taxes (IEPS) on gasoline and diesel during the January-August period totaled 342.8 billion pesos, 25.0 percent higher in real terms than that recorded during the same period of the previous year.
- Non-oil non tax revenues were 67.7 billion pesos, 14.6 percent higher in real terms with respect to January-August 2002. The increase is mainly explained by the registry of the operational surplus at the Bank of Mexico and the collection fee from the Banco Nacional de Obras y Servicios Públicos (Banobras) associated with the guarantee that the Federal Government grants to its liabilities.
- Revenues of federal entities other than Pemex were 187.0 billion pesos, 11.6 percent higher in real terms to those registered during the same period of 2002.

1.2. Net Public Sector Expenditures during January-August 2003

- Net public sector expenditures during the period January-August totaled 1,016.8 billion pesos, 8.3 percent higher in real annual terms to that registered during the same period of 2002 (see Annex A).

- Programmable expenditures amounted to 707.5 billion pesos during the first eight months of the year, a real annual increase of 9.0 percent.
- In particular, transfers to States and Municipalities (Ramo 33), provisions for basic, traditional, technological and adult education (Ramo 25) and resources directed towards financial strengthening of States through PAFEF (Ramo 39) increased 4.3 percent in real terms.
 - Revenue sharing to states and municipalities amounted to 152.3 billion pesos, 4.7 percent higher in real terms with respect to the same period of 2002.
 - As a result, federalized expenditures, which include revenue sharing and transfers to states and municipalities (Ramo 25, Ramo 33 and Ramo 39) increased 3.9 percent in real annual terms.
- Public sector financing costs totaled 137.8 billion pesos, 1.9 percent lower in real terms as compared to the first eight months of the previous year.

2. Public Debt Update

- At the end of August, net external public sector debt totaled 75.9 billion dollars, 0.1 billion dollars lower than the outstanding amount on December 31, 2002. This decrease is consistent with the zero net

external indebtedness ceiling approved by Congress in the year and is explained by a decrease in net borrowings of 1.8 billion dollars and upward accounting adjustments of 1.2 billion dollars. Net international assets abroad decreased by 0.5 billion dollars. (see Annex B).

- Net domestic debt of the Federal Government amounted to 840.7 billion pesos, 19.5 billion pesos higher than the level registered at the end of 2002. The change is explained by net indebtedness

of 51.4 billion pesos, accounting adjustments to inflation-indexed debt of 2.5 billion pesos and an increase of the Federal Government's financial assets of 34.4 billion pesos (see Annex B).

For more details on Public Finance and Public Debt statistics, please visit the Ministry of Finance's web page at:

<http://www.hacienda.gob.mx/eofp/index.html>.

Annex A. Public Finances

Public Sector Overall Balance Millions of pesos

| | January-August | | Real % growth | Composition % | |
|--------------------------------------|----------------|---------------------|------------------|---------------|---------------------|
| | 2002 | 2003 ^{p/_} | | 2002 | 2003 ^{p/_} |
| Overall Public Balance (I+II) | 3,930.1 | 45,877.4 | -o- | | |
| I. Budgetary Balance (a-b) | 1,348.3 | 47,084.2 | -o- | | |
| a) Revenues | 897,266.5 | 1,063,880.2 | 13.1 | 100.0 | 100.0 |
| Federal Government | 635,425.2 | 771,512.0 | 15.8 | 70.8 | 72.5 |
| Tax | 498,958.1 | 525,515.3 | 0.5 | 55.6 | 49.4 |
| Non-tax | 136,467.1 | 245,996.7 | 72.0 | 15.2 | 23.1 |
| PEDBC ^{1/_} | 261,841.3 | 292,368.2 | 6.5 | 29.2 | 27.5 |
| Pemex | 102,002.1 | 105,328.8 | -1.5 | 11.4 | 9.9 |
| Others | 159,839.1 | 187,039.4 | 11.6 | 17.8 | 17.6 |
| b) Expenditures | 895,918.2 | 1,016,796.0 | 8.3 | 100.0 | 100.0 |
| Programmable | 619,175.9 | 707,484.7 | 9.0 | 69.1 | 69.6 |
| Non programmable | 276,742.3 | 309,311.3 | 6.6 | 30.9 | 30.4 |
| II. PEIBC ^{2/_} | 2,581.8 | -1,206.9 | n.a. | | |
| Primary Balance | 142,536.8 | 189,550.4 | 26.9 | | |

Note: Figures may not add up due to rounding.

n.a. not available

1/_ Public entities under direct budgetary control.

2/_ Public entities under indirect budgetary control.

p/_ Preliminary figures.

Source: Ministry of Finance and Public Credit.

Annex A. Public Finances (Cont.)

Public Sector Revenues

Millions of pesos

| | January-August | | Real % growth | Composition % | |
|--|----------------|--------------------|------------------|---------------|--------------------|
| | 2002 | 2003 ^{p/} | | 2002 | 2003 ^{p/} |
| Total (I+II) | 897,266.5 | 1,063,880.2 | 13.1 | 100.0 | 100.0 |
| I. Oil related | 261,601.2 | 342,831.8 | 25.0 | 29.2 | 32.2 |
| a) PEMEX | 102,002.1 | 105,328.8 | -1.5 | 11.4 | 9.9 |
| b) Federal Government | 159,599.1 | 237,503.0 | 42.0 | 17.8 | 22.3 |
| Rights and Royalties on oil related products | 80,116.2 | 178,296.5 | 112.3 | 8.9 | 16.8 |
| Excise taxes | 79,482.9 | 59,206.5 | -28.9 | 8.9 | 5.6 |
| II. Non oil related | 635,665.3 | 721,048.3 | 8.2 | 70.8 | 67.8 |
| c) Federal Government | 475,826.2 | 534,009.0 | 7.1 | 53.0 | 50.2 |
| Tax | 419,475.3 | 466,308.8 | 6.0 | 46.8 | 43.8 |
| Income tax | 225,107.1 | 236,207.3 | 0.1 | 25.1 | 22.2 |
| VAT | 143,095.6 | 170,095.0 | 13.4 | 15.9 | 16.0 |
| Excise taxes | 14,811.5 | 20,291.4 | 30.7 | 1.7 | 1.9 |
| Import taxes | 16,643.0 | 17,016.7 | -2.5 | 1.9 | 1.6 |
| Others ^{1/} | 19,818.0 | 22,698.3 | 9.3 | 2.2 | 2.1 |
| Non-tax | 56,350.9 | 67,700.1 | 14.6 | 6.3 | 6.4 |
| Rights | 12,958.6 | 12,966.6 | -4.5 | 1.4 | 1.2 |
| Fees | 40,699.3 | 51,078.9 | 19.7 | 4.5 | 4.8 |
| Others | 2,693.1 | 3,654.6 | 29.5 | 0.3 | 0.3 |
| d) PEDBC ^{2/} | 159,839.1 | 187,039.4 | 11.6 | 17.8 | 17.6 |
| Memorandum items: | | | | | |
| Total tax related | 498,958.1 | 525,515.3 | 0.5 | 55.6 | 49.4 |
| Total non-tax related | 398,308.4 | 538,364.9 | 28.9 | 44.4 | 50.6 |

Note: Figures may not add up due to rounding.

p_/ Preliminary figures.

1_/ Includes new vehicle, vehicle ownership, luxury goods and services and accessory taxes.

2_/ Public entities under direct budgetary control. Excludes Federal Government transfers to the ISSSTE.

Source: Ministry of Finance and Public Credit.

Annex A. Public Finances (Cont.)**Public Sector Expenditures** **Millions of pesos**

| | January-August | | Real % growth | Composition % | |
|------------------------------------|----------------|---------------------|------------------|---------------|---------------------|
| | 2002 | 2003 ^{p./} | | 2002 | 2003 ^{p./} |
| TOTAL (I+II) | 895,918.2 | 1,016,796.0 | 8.3 | 100.0 | 100.0 |
| I. Primary Expenditures (a+b) | 761,926.6 | 878,950.1 | 10.0 | 85.0 | 86.4 |
| a) Programmable | 619,175.9 | 707,484.7 | 9.0 | 69.1 | 69.6 |
| b) Non-programmable | 142,750.7 | 171,465.4 | 14.6 | 15.9 | 16.9 |
| II. Financing Costs ^{1./} | 133,991.6 | 137,845.9 | -1.9 | 15.0 | 13.6 |

Note: Figures may not add up due to rounding.

p./ Preliminary figures.

1./ Includes interest, commissions, and other public debt expenditures associated with debtor support programs. Due to methodological changes, Pemex's expenditures now include financial costs that were previously subtracted from total revenues.

Source: Ministry of Finance and Public Credit.

Annex B. Public Debt

Public Sector External Debt, January-August ^{*_/}

Millions of dollars

| | Outstanding as of Dec-02 | Indebtedness | | | Fx Adjustments | Outstanding as of Aug-03 ^{p_/} |
|--|--------------------------------|--------------|----------|----------|-------------------|---|
| | | Originations | Amort. | Net | | |
| Net external debt | 75,934.8 | | | | | 75,851.1 |
| Financial assets abroad ^{1_/} | -2,883.3 | | | | | -2,398.4 |
| Gross external debt | 78,818.1 | 15,178.3 | 16,939.5 | -1,761.2 | 1,192.6 | 78,249.5 |
| Term structure | 78,818.1 | 15,178.3 | 16,939.5 | -1,761.2 | 1,192.6 | 78,249.5 |
| Long term | 76,028.6 | 10,556.4 | 11,887.7 | -1,331.3 | -174.5 | 74,522.8 |
| Short term | 2,789.5 | 4,621.9 | 5,051.8 | -429.9 | 1,367.1 | 3,726.7 |
| Structure by user | 78,818.1 | 15,178.3 | 16,939.5 | -1,761.2 | 1,192.6 | 78,249.5 |
| Federal Government ^{2_/} | 57,879.1 | 8,540.6 | 9,791.7 | -1,251.1 | 705.3 | 57,333.3 |
| PEDBC ^{3_/} | 12,338.3 | 2,700.3 | 3,147.4 | -447.1 | 513.6 | 12,404.8 |
| Development banks | 8,600.7 | 3,937.4 | 4,000.4 | -63.0 | -26.3 | 8,511.4 |
| Gross external debt | | | | | | |
| By financing source | 78,818.1 | 15,178.3 | 16,939.5 | -1,761.2 | 1,192.6 | 78,249.5 |
| Restructured 1989 – 1990 | 6,107.8 | 0.0 | 5,700.2 | -5,700.2 | 34.6 | 442.2 |
| Par bonds (Brady) | 5,573.2 | 0.0 | 5,607.6 | -5,607.6 | 34.4 | 0.0 |
| Spanish bank bonds | 76.5 | 0.0 | 0.0 | 0.0 | 0.0 | 76.5 |
| New money 1990 – 1992 | 458.1 | 0.0 | 92.6 | -92.6 | 0.2 | 365.7 |
| Non-restructured | 4,811.6 | 3,998.3 | 5,062.2 | -1,063.9 | 7.6 | 3,755.3 |
| Bilateral credit | 6,259.6 | 1,993.7 | 2,422.0 | -428.3 | 29.8 | 5,861.1 |
| Publicly placed bonds | 42,668.3 | 6,356.7 | 1,329.3 | 5,027.4 | 572.6 | 48,268.3 |
| IFIS | 17,542.9 | 1,232.0 | 1,544.5 | -312.5 | 47.2 | 17,277.6 |
| Supplier credits to public sector entities | 9.8 | 0.0 | 5.1 | -5.1 | 0.0 | 4.7 |
| Others ^{4_/} | 1,418.1 | 1,597.6 | 876.2 | 721.4 | 500.8 | 2,640.3 |

Note: Figures may not add up due to rounding.

*_/ Figures subject to revisions.

p_/ Preliminary figures.

1_/ Collateral is valued at market prices; includes 18 months worth of interest payments for Brady Bonds and FAFEXT availabilities.

2_/ Includes debt from item XXIV and FAFEXT.

3_/ Public entities under direct budgetary control.

4_/ Refers to PIDIREGAS debt.

Source: Ministry of Finance and Public Credit.

Annex B. Public Debt (Cont.)**Federal Government Domestic Debt, January-August ^{*_/}****Millions of pesos**

| | Outstanding December 2002 ^{p_/} | Indebtedness ^{*_/} | | | Adjustments ^{1_/} | Outstanding August 2003 ^{p_/} |
|----------------------------------|--|-----------------------------|-----------|-----------|----------------------------|--|
| | | Originations | Amort. | Net | | |
| Net domestic debt balance | 821,272.2 | | | | | 840,738.5 |
| Creditor accounts ^{2_/} | -86,135.5 | | | | | -120,550.4 |
| Gross domestic debt stock | 907,407.7 | 634,157.5 | 582,772.3 | 51,385.2 | 2,496.0 | 961,288.9 |
| Government Securities | 793,760.7 | 588,029.6 | 489,366.3 | 98,663.3 | 1,337.6 | 893,761.6 |
| Cetes | 192,144.5 | 449,005.9 | 439,919.4 | 9,086.5 | 0.0 | 201,231.0 |
| Bondes | 305,295.6 | 56,109.1 | 12,176.8 | 43,932.3 | 0.0 | 349,227.9 |
| Fixed rate bonds | 203,669.0 | 76,720.0 | 15,194.9 | 61,525.1 | 0.0 | 265,194.1 |
| Udibonos | 92,651.6 | 6,194.6 | 22,075.2 | -15,880.6 | 1,337.6 | 78,108.6 |
| Udibonos udi's | 28,722.3 | 1,900.0 | 6,805.6 | -4,905.6 | 0.0 | 23,816.7 |
| S.A.R. | 35,496.2 | 41,343.5 | 38,796.0 | 2,547.5 | 924.8 | 38,968.5 |
| Siefores m/n | 72.3 | 0.5 | 73.1 | -72.6 | 0.6 | 0.3 |
| Siefores udi's | 22.4 | 0.1 | 22.4 | -22.3 | 0.0 | 0.1 |
| Others | 78,078.5 | 4,783.9 | 54,536.9 | -49,753.0 | 233.0 | 28,558.5 |

Note: Figures may not add up due to rounding.

*_/ Figures subject to revisions.

p_/ Preliminary figures.

1_/ Refers to adjustments for inflation.

2_/ Represents the balance, denominated in pesos, of the General Account of the Federal Treasury and deposits in the national banking system since December 2002.

Source: Ministry of Finance and Public Credit.

Annex C. Public Finance Indicators Calendar

Monthly Publications Calendar

| Coverage Period | Release Date |
|------------------------|---------------------|
| September, 2003 | November 4, 2003 |
| October 2003 | December 2, 2003 |
| November, 2003 | December, 30, 2003 |
| December, 2003 | February 4, 2004 |
| January, 2004 | March 4, 2004 |
| February, 2004 | April 1, 2004 |
| March, 2004 | May 4, 2004 |
| April, 2004 | June 1, 2004 |
| May, 2004 | June 30, 2004 |
| June, 2004 | August 4, 2004 |
| July, 2004 | September 3, 2004 |
| August, 2004 | September 30, 2004 |