



MEXICO

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MINISTRY OF FINANCE

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Public Finances and Public Debt Report February, 2003

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

- The public sector overall balance registered a surplus of 3.6 billion pesos in February 2003.
- The primary balance, defined as total income minus expenditures other than interest payments, amounted to 16.0 billion pesos during the second month of the year.
- In accordance with Article 11 of the Revenue Law for 2003, the Federal Government collected from the Banco Nacional de Obras y Servicios Públicos (Banobras) a fee of 8.7 billion pesos associated with the Federal Government Guarantee of its liabilities, resources that were directed to the capitalization of Banobras. This operation did not have an impact on the overall public sector balance.
- Excluding the operation described in the previous paragraph, public sector budgetary revenues increased 19.9 percent in real annual terms, while total public sector expenditures grew at a real annual rate of 9.5 percent.
- The increase in revenues is attributable to higher oil-related rights and royalties. The increase in expenditures is transitory, due to the start of operations of the Sistema Integral de Administración Financiera Federal (SIAFF).
- Net external public sector debt decreased by 0.5 billion dollars, while net domestic public sector debt increased by 7.6 billion pesos, both with respect to January 2003.

1. Public sector balance in January-February 2003

- During the first two months of the year, the public sector overall balance registered a surplus of 13.2 billion pesos, a favorable figure as compared to the deficit recorded in the same period of 2002.
- The primary balance amounted to 49.4 billion pesos, 66.0 percent higher with respect to the first two months of 2002 (see Annex A).

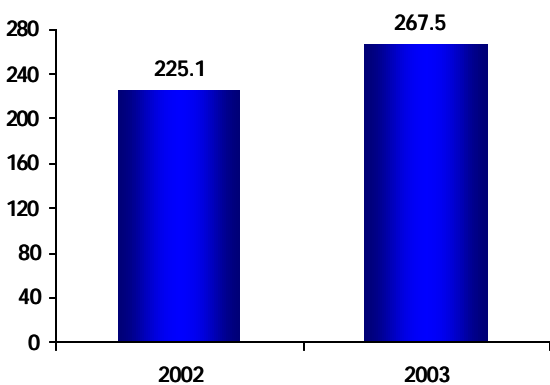
1.1. Public Sector Budgetary Revenues in January-February 2003

- Public sector budgetary revenues totaled 267.5 billion pesos during the first two months of the year, 18.8 percent higher in real terms than the level registered in the same period of the previous year. Excluding the operation with Banobras, budgetary revenues expanded at a real annual rate of 15.0 percent (see Annex A).
- Non-oil tax revenues amounted to 118.9 billion pesos, 1.0 percent higher in real terms than in the first two months of 2002.

- Within tax revenues, it is worth highlighting that collection from excise taxes (*impuestos sobre la producción y servicios* or "IEPS") and the value added tax increased 22.5 percent and 3.7 percent in real annual terms, respectively.
- In contrast, income tax collection declined 3.4 percent with respect to the first two months of 2002. This fall in income tax receipts is mainly attributable to the tax calendar modification introduced in May 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 totaled 80.4 billion pesos, 37.7 percent higher in real terms as compared to the corresponding period of last year.

BUDGETARY REVENUES, JANUARY-FEBRUARY

(Billions of 2003 pesos)

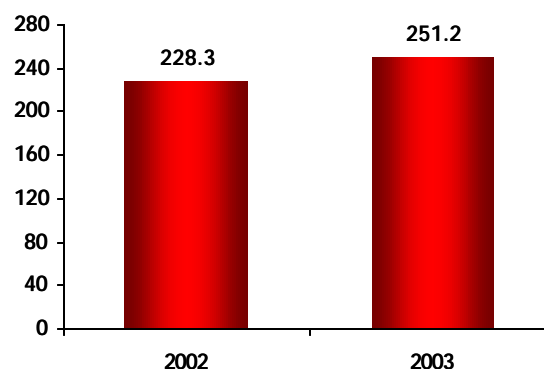


1.2. Net Public Sector Expenditures during January-February 2003

- Net public sector expenditures totaled 251.2 billion pesos during the first two months of the year, 10.1 percent higher in real terms than in the same period of the previous year. Excluding the operation with Banobras, public sector expenditures increased at a real annual rate of 6.3 percent during January-February 2003 (see Annex A).

NET BUDGETARY EXPENDITURES, JANUARY-FEBRUARY

(Billions of 2003 pesos)



- Programmable expenditures amounted to 164.4 billion pesos during the first two months of the year, a real annual increase of 7.4 percent. Adjusting for the operation with Banobras, programmable expenditures increased 1.7 percent in real annual terms.
- In particular, transfers to states and municipalities (Ramo 33), and provisions for basic, traditional, technological and adult education (Ramo 25)*, increased 1.5 percent in real annual terms.
- Revenue sharing to states and municipalities amounted to 40.6 billion pesos, 11.6 percent higher in real terms than in the first two month of 2002.
- As a result, federalized expenditures, which include revenue sharing and transfers to states and municipalities (Ramo 25 and Ramo 33), increased 6.3 percent in real annual terms.*
- Public sector financing costs totaled 33.3 billion pesos, 2.0 percent higher in real terms than the level registered during the first two months of the previous year.

* The Program to Support the Strengthening of Federal Entities (PAFEF) was excluded in order to make the information comparable. This is due to the fact that the second 2003 payment was registered on March 5, while the first 2002 payment was recorded at the end of February 2002.

2. Public Debt Update

- At the end of February, net external public sector debt totaled 77.9 billion dollars, 2.0 billion dollars higher than the outstanding balance recorded on December 31st, 2002. This transitory increase is consistent with the zero net external indebtedness ceiling approved by Congress for the year and is explained by an increase in net borrowings of 1.8 billion dollars, upward accounting adjustments of 0.2 billion dollars and an increase in external financial assets of 0.1 billion dollars (see Annex B).
- Net domestic debt of the Federal Government amounted to 822.7 billion pesos, 1.4 billion pesos higher than the level registered at the end of 2002. This

result is due to a net decrease in indebtedness of 54.6 billion pesos, accounting adjustments to inflation-indexed debt of 1.1 billion pesos and a decrease of 54.9 billion pesos in Federal Government's financial assets (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/index01.html>

Annex A. Public Finances**Public Sector Overall Balance**

Millions of pesos

	January-February		Real Growth (%)	Composition %	
	2002	2003 ^{p./}		2002	2003 ^{p./}
Overall Public Balance (I+II)	-2,744.1	13,246.7	n.a.		
I. Budgetary Balance (a-b)	-3,039.8	16,213.6	n.a.		
a) Revenues	213,676.7	267,458.8	18.8	100.0	100.0
Federal Government	153,836.3	204,049.6	25.9	72.0	76.3
Tax	133,846.2	136,132.8	-3.4	62.6	50.9
Non-tax	19,990.1	67,916.8	222.5	9.4	25.4
Other public entities and enterprises	59,840.4	63,409.2	0.6	28.0	23.7
Pemex	21,997.0	20,912.1	-9.8	10.3	7.8
Others	37,843.3	42,497.1	6.6	17.7	15.9
b) Expenditures	216,716.4	251,245.2	10.1	100.0	100.0
Programmable	145,257.5	164,366.3	7.4	67.0	65.4
Non-programmable	71,459.0	86,878.9	15.4	33.0	34.6
II. Entities under indirect budgetary control	295.6	-2,966.9	n.a.		
Primary Balance	28,269.9	49,443.4	66.0		

Note: Figures may not add up due to rounding.

p./ Preliminary figures.

n.a.: Not applicable.

Source: Ministry of Finance and Public Credit.

Annex A. Public Finances (Cont.)

Public Sector Revenues

Millions of pesos

	January-February		Real Growth (%)	Composition %	
	2002	2003 ^{p./}		2002	2003 ^{p./}
Budgetary Revenues	213,676.7	267,458.8	18.8	100.0	100.0
I. Oil related (a+b)	55,415.8	80,376.1	37.7	25.9	30.1
b) Pemex	21,997.0	20,912.1	-9.8	10.3	7.8
a) Federal Government	33,418.8	59,464.0	68.9	15.6	22.2
Rights and Royalties on oil related products	11,332.9	42,208.6	253.6	5.3	15.8
Excise taxes	22,085.9	17,255.4	-25.8	10.3	6.5
II. Non-oil (c+d)	158,260.8	187,082.7	12.2	74.1	69.9
c) Federal Government	120,417.5	144,585.6	14.0	56.4	54.1
Tax	111,760.4	118,877.4	1.0	52.3	44.4
Income Tax	60,774.0	61,819.4	-3.4	28.4	23.1
VAT	38,799.8	42,376.2	3.7	18.2	15.8
Excise taxes	3,994.7	5,156.6	22.5	1.9	1.9
Imports taxes	3,709.4	4,116.2	5.3	1.7	1.5
Other taxes ^{1/}	4,482.4	5,409.1	14.6	2.1	2.0
Non-tax	8,657.2	25,708.2	181.9	4.1	9.6
Rights	3,302.7	3,657.2	5.1	1.5	1.4
Fees (Aprovechamientos)	4,640.0	20,875.9	327.1	2.2	7.8
Others	714.5	1,175.1	56.1	0.3	0.4
d) PEDBC ^{2/}	37,843.3	42,497.1	6.6	17.7	15.9
Memorandum items:					
Total tax related	133,846.2	136,132.8	-3.4	62.6	50.9
Total non-tax related	79,830.4	131,326.0	56.2	37.4	49.1

Note: Figures may not add up due to rounding.

p./ Preliminary figures.

^{1/} Includes new vehicle, vehicle ownership, luxury goods 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-February		Real Growth %	Composition %	
	2002	2003 ^{p./}		2002	2003 ^{p./}
TOTAL (I+II)	216,716.4	251,245.2	10.1	100.0	100.0
I. Primary Expenditures (a+b)	185,685.2	217,918.4	11.4	85.7	86.7
a) Programmable	145,257.5	164,366.3	7.4	67.0	65.4
b) Non-programmable	40,427.8	53,552.1	25.7	18.7	21.3
II. Financing Costs^{1./}	31,031.2	33,326.8	2.0	14.3	13.3

Note: Figures may not add up due to rounding.

p./ Preliminary figures.

1./ Includes interests, commissions and other public debt expenditures associated with debtor support programs.

Source: Ministry of Finance and Public Credit.

Annex B. Public Debt

Public Sector External Debt, January-February ^{1/} Millions of dollars

	Outstanding as of Dec-02	Indebtedness			FX Adjustments	Outstanding as of Feb-03 ^{p/}
		Originations	Amort.	Net		
Net external debt	75,934.8					77,892.9
Financial assets abroad ^{1/}	-2,883.3					-2,965.8
Gross external debt	78,818.1	4,862.1	3,014.4	1,847.7	192.9	80,858.7
Term structure	78,818.1	4,862.1	3,014.4	1,847.7	192.9	80,858.7
Long term	76,028.6	2,366.9	1,876.6	490.3	187.7	76,706.6
Short term	2,789.5	2,495.2	1,137.8	1,357.4	5.2	4,152.1
Structure by user	78,818.1	4,862.1	3,014.4	1,847.7	192.9	80,858.7
Federal Government ^{2/}	57,879.1	2,098.9	1,235.5	863.4	-86.0	58,656.5
PEDBC ^{3/}	12,338.3	2,264.1	867.4	1,396.7	316.4	14,051.4
Development banks	8,600.7	499.1	911.5	-412.4	-37.5	8,150.8
Gross external debt						
By financing source	78,818.1	4,862.1	3,014.4	1,847.7	192.9	80,858.7
Restructured 1989 – 1990	6,107.8	0.0	18.8	-18.8	13.1	6,102.1
Par bonds (Brady)	5,573.2	0.0	0.0	0.0	13.0	5,586.2
Spanish bank bonds	76.5	0.0	0.0	0.0	0.0	76.5
New money 1990 – 1992	458.1	0.0	18.8	-18.8	0.1	439.4
Non-restructured	4,811.6	985.8	1,036.0	-50.2	5.0	4,766.4
Bilateral credit	6,259.6	355.5	606.1	-250.6	16.2	6,025.2
Publicly placed bonds	42,668.3	2,000.0	829.8	1,170.2	-188.3	43,650.2
IFIS's	17,542.9	102.6	329.7	-227.1	39.6	17,355.4
Supplier credits to public sector entities	9.8	0.0	2.7	-2.7	0.0	7.1
Others ^{4/}	1,418.1	1,418.2	191.3	1,226.9	307.3	2,952.3

Note: Figures may not add up due to rounding.

^{1/} 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-February *_/

Millions of pesos

	Outstanding as of Dec-02	Indebtedness			Adjustments ^{1/}	Outstanding as of Feb-03 ^{2/}
		Originations	Amort.	Net		
Net domestic debt	821,272.2					822,697.9
Creditor accounts ^{2/}	-86,135.5					-31,264.3
Gross domestic debt	907,407.7	159,389.5	213,955.2	-54,565.7	1,120.2	853,962.2
Government Securities	793,760.7	149,340.8	155,498.8	-6,158.0	574.8	788,177.5
Cetes	192,144.5	113,379.2	113,148.3	230.9	0.0	192,375.4
Bondes	305,295.6	13,200.0	9,560.9	3,639.1	0.0	308,934.7
Fixed-rate bonds	203,669.0	20,820.0	15,194.9	5,625.1	0.0	209,294.1
Udibonos	92,651.6	1,941.6	17,594.7	-15,653.1	574.8	77,573.3
Udibonos udi's	28,722.3	600.0	5,434.0	-4,834.0	0.0	23,888.3
S.A.R.	35,496.2	10,048.4	9,548.0	500.4	449.9	36,446.5
Siefores m/n	72.3	0.3	0.0	0.3	0.4	73.0
Siefores udi's	22.4	0.1	0.0	0.1	0.0	22.5
Others	78,078.5	0.0	48,908.4	-48,908.4	95.1	29,265.2

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

Public Finance Indicators Calendar

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

Source: Ministry of Finance and Public Credit.