

MINISTRY OF FINANCE

September 3, 2003

Public Finances and Public Debt Report July, 2003

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

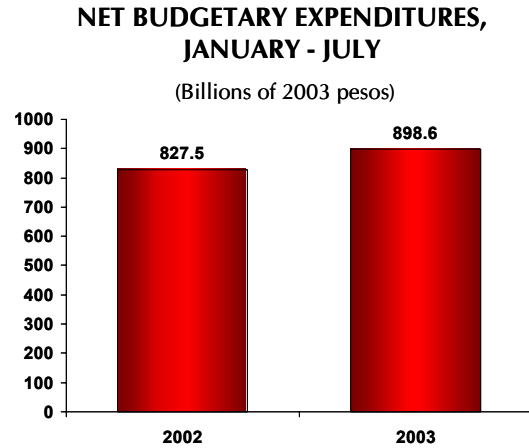
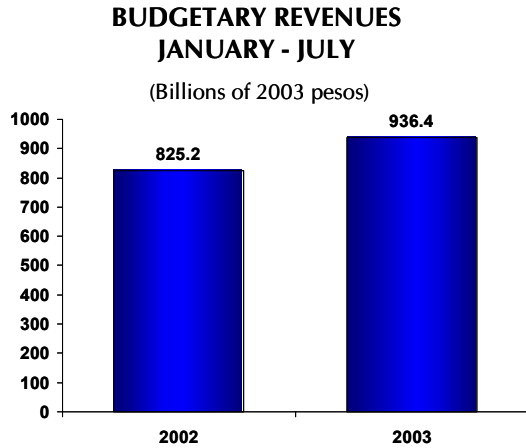
- The public sector overall balance registered a deficit of 27.2 billion pesos. This result, which is consistent with the deficit target for the year, is largely due to the high seasonality of spending driven by the traditional 45 day lump sum vacation payment to teachers.
- The primary balance, defined as total income minus expenditures other than interest payments, registered a deficit of 1.8 billion pesos.
- Public sector budgetary revenues increased at a real annual pace of 8.7 percent in July 2003. This result is mainly attributable to the following factors: a) the higher than expected oil related revenues, b) the favorable evolution of revenues from public entities other than Pemex, and c) the positive evolution of value added tax (VAT) collection and of excise taxes (IEPS) other than gasoline and diesel.
- Net public sector budgetary expenditures increased 4.2 percent in real annual terms.
- Net external public sector debt decreased by 0.9 billion dollars, while net domestic public sector debt increased by 36.1 billion pesos, both with respect to June of the present year.

1. Public sector balance in January-July 2003

- During the first seven months of the year, the public sector overall balance registered a surplus of 35.0 billion pesos, a favorable figure as compared to the deficit of 2.6 billion pesos recorded during the same period of the previous year (see Annex A).
- The primary surplus amounted to 161.7 billion pesos, 33.1 percent higher in real terms with respect to the first seven months of 2002.

1.1 Public Sector Budgetary Revenues in January-July 2003

- Public sector budgetary revenues amounted to 936.4 billion pesos during the period January-July 2003, 13.5 percent higher in real terms than in the same period of 2002 (see Annex A).
- Non-oil tax revenues totaled 413.6 billions pesos, 6.3 percent higher in real terms than in the first seven months of the previous year. In particular, VAT collection increased 13.7 percent in real annual terms.



- Oil related revenues, defined as the sum of Pemex's own revenues, oil royalties and duties paid to the Federal Government and IEPS on gasoline and diesel totaled 297.1 billion pesos in the January-July 2003 period, 26.4 percent higher in real terms with respect to the same period of the previous year.
- Non-oil non tax revenues amounted to 62.7 billion pesos, 11.5 percent higher in real terms than in the first seven months of 2002. This 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 totaled 163.0 billion pesos during the period January-July 2003, 12.3 percent higher in real terms as compared to the same period of 2002.

1.2 Net Public Sector Expenditures during January-July 2003

- Public sector budgetary expenditures during the period January-July totaled 898.6 billion pesos, 8.6 percent higher in real terms than in the same period of 2002 (see Annex A).

- Programmable expenditures amounted to 622.0 billion pesos during the first seven 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 to the Program to Support the Strengthening of Federal Entities (PAFEF, Ramo 39) increased 3.3 percent in real annual terms.
- Revenue sharing to states and municipalities amounted to 135.8 billion pesos, 5.6 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 4.3 percent in real annual terms.
- Public sector financing costs totaled 120.5 billion pesos, 1.3 percent higher in real terms as compared to the first seven months of the previous year.

2. Public Debt Update

- At the end of July, net external public sector debt totaled 76.1 billion dollars, 0.2 billion dollars higher than the outstanding balance recorded on December 31, 2002. This transitory increase in debt is consistent with the zero net external indebtedness ceiling approved by Congress for the year and is explained by a decrease in net borrowings of 1.4 billion dollars, upward accounting adjustments of 1.1 billion dollars, and a decrease of 0.5 billion dollars in external financial assets (see Annex B).
- Net domestic debt of the Federal Government amounted to 832.3 billion pesos, 10.9 billion pesos higher than the level registered at the end of 2002. This result is due to an increase in net

indebtedness of 38.0 billion pesos, accounting adjustments to inflation-indexed debt of 2.3 billion pesos and an increase of 29.4 billion pesos in the Federal Government's financial assets.

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

<http://shcp.gob.mx/english/index.html>

Annex A. Public Finances

	Public Sector Overall Balance		Millions of pesos		
	January-July		Real % growth	Composition %	
	2002	2003 ^{p_/}		2002	2003 ^{p_/}
Overall Public Balance (I+II)	-2,604.0	35,043.2	n.a.		
I. Budgetary Balance (a-b)	-2,140.9	37,856.0	n.a.		
a) Revenues	786,323.1	936,431.7	13.5	100.0	100.0
Federal Government	561,312.5	688,450.4	16.9	71.4	73.5
Tax	440,748.7	464,941.9	0.5	56.1	49.7
Non-tax	120,563.9	223,508.5	76.6	15.3	23.9
PEDBC ^{1_/}	225,010.5	247,981.3	5.0	28.6	26.5
Pemex	86,747.0	84,993.6	-6.6	11.0	9.1
Others	138,263.5	162,987.6	12.3	17.6	17.4
b) Expenditures	788,464.0	898,575.7	8.6	100.0	100.0
Programmable	543,626.2	621,982.9	9.0	68.9	69.2
Non programmable	244,837.8	276,592.8	7.6	31.1	30.8
II. PEIBC ^{2_/}	-463.1	-2,812.8	478.7		
Primary Balance	115,744.8	161,718.6	33.1		

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-July		Real % growth	Composition %	
	2002	2003 ^{p_/_}		2002	2003 ^{p_/_}
Total (I+II)	786,323.1	936,431.7	13.5	100.0	100.0
I. Oil related	223,888.0	297,116.6	26.4	28.5	31.7
a) PEMEX	86,747.0	84,993.6	-6.6	11.0	9.1
b) Federal Government	137,141.0	212,123.0	47.4	17.4	22.7
Rights and Royalties on oil related products	66,983.8	160,794.4	128.7	8.5	17.2
Excise taxes	70,157.3	51,328.6	-30.3	8.9	5.5
II. Non oil related	562,435.1	639,315.1	8.3	71.5	68.3
c) Federal Government	424,171.5	476,327.5	7.0	53.9	50.9
Tax	370,591.4	413,613.3	6.3	47.1	44.2
Income tax	200,320.3	210,603.5	0.2	25.5	22.5
VAT	125,288.8	149,477.5	13.7	15.9	16.0
Excise taxes	12,465.7	17,833.1	36.3	1.6	1.9
Import taxes	14,260.8	14,839.7	-0.8	1.8	1.6
Others ^{1_/_}	18,255.8	20,859.5	8.9	2.3	2.2
Non-tax	53,580.1	62,714.2	11.5	6.8	6.7
Rights	11,811.9	11,469.4	-7.5	1.5	1.2
Fees	39,527.6	47,951.5	15.6	5.0	5.1
Others	2,240.7	3,293.3	40.0	0.3	0.4
d) PEDBC ^{2_/_}	138,263.5	162,987.6	12.3	17.6	17.4
Memorandum items:	440,748.7	464,941.9	0.5	56.1	49.7
Total tax related	345,574.4	471,489.8	30.0	43.9	50.3
Total non-tax related					

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-July		Real % growth	Composition %	
	2002	2003 ^{p./}		2002	2003 ^{p./}
TOTAL (I+II)	788,464.0	898,575.7	8.6	100.0	100.0
I. Primary Expenditures (a+b)	675,110.4	778,051.7	9.8	85.6	86.6
a) Programmable	543,626.2	621,982.9	9.0	68.9	69.2
b) Non-programmable	131,484.2	156,068.8	13.1	16.7	17.4
II. Financing Costs ^{1./}	113,353.6	120,524.0	1.3	14.4	13.4

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-July ^{*_/}

Millions of dollars

	Outstanding as of Dec-02	Indebtedness			Fx Adjustments	Outstanding as of July-03 ^{p_/}
		Originations	Amort.	Net		
Net external debt	75,934.8					76,085.8
Financial assets abroad ^{1_/}	-2,883.3					-2,374.1
Gross external debt	78,818.1	14,047.1	15,509.9	-1,462.8	1,104.6	78,459.9
Term structure	78,818.1	14,047.1	15,509.9	-1,462.8	1,104.6	78,459.9
Long term	76,028.6	10,014.3	11,232.3	-1,218.0	-261.8	74,548.8
Short term	2,789.5	4,032.8	4,277.6	-244.8	1,366.4	3,911.1
Structure by user	78,818.1	14,047.1	15,509.9	-1,462.8	1,104.6	78,459.9
Federal Government ^{2_/}	57,879.1	8,531.1	8,976.4	-445.3	638.5	58,072.3
PEDBC ^{3_/}	12,338.3	2,688.1	2,996.5	-308.4	493.2	12,523.1
Development banks	8,600.7	2,827.9	3,537.0	-709.1	-27.1	7,864.5
Gross external debt						
By financing source	78,818.1	14,047.1	15,509.9	-1,462.8	1,104.6	78,459.9
Restructured 1989 – 1990	6,107.8	0.0	5,681.4	-5,681.4	34.7	461.1
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	73.8	-73.8	0.3	384.6
Non-restructured	4,811.6	3,421.6	4,130.9	-709.3	7.6	4,109.9
Bilateral credit	6,259.6	1,485.2	2,289.4	-804.2	3.8	5,459.2
Publicly placed bonds	42,668.3	6,356.7	1,329.3	5,027.4	504.9	48,200.6
IFIS	17,542.9	1,186.0	1,330.9	-144.9	57.5	17,455.5
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	742.9	854.7	496.1	2,768.9

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-July ^{*_/}****Millions of pesos**

	Outstanding December 2002 ^{p_/}	Indebtedness			Adjustments ^{1_/}	Outstanding July 2003 ^{p_/}
		Originations	Amort.	Net		
Net domestic debt balance	821,272.2					832,259.5
Creditor accounts ^{2_/}	-86,135.5					-115,520.3
Gross domestic debt stock	907,407.7	564,106.4	526,079.2	38,027.2	2,344.9	947,779.8
Government Securities	793,760.7	518,776.0	433,591.0	85,185.0	1,237.4	880,183.1
Cetes	192,144.5	395,612.3	384,144.1	11,468.2	0.0	203,612.7
Bondes	305,295.6	49,509.1	12,176.8	37,332.3	0.0	342,627.9
Fixed rate bonds	203,669.0	67,460.0	15,194.9	52,265.1	0.0	255,934.1
Udibonos	92,651.6	6,194.6	22,075.2	-15,880.6	1,237.4	78,008.4
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	40,546.0	37,878.8	2,667.2	891.4	39,054.8
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	54,536.3	-49,752.4	215.5	28,541.6

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

Coverage Period	Release Date
August, 2003	September 30, 2003
July, 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