

## MINISTRY OF FINANCE

July 1, 2003

# Public Finances and Public Debt Report May, 2003

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

- The public sector overall balance registered a surplus of 1.5 billion pesos in May 2003.
- The primary balance, defined as total income minus expenditures other than interest payments, amounted to 14.1 billion pesos during the fifth month of the year.
- Public sector budgetary revenues increased at a real annual pace of 7.2 percent during May 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 positive evolution of value added tax (VAT) collection.
- Public sector budgetary expenditures increased at a real annual rate of 15.8 percent during May 2003. In particular, expenditures from the Federal Electoral Institute (IFE) increased by 187.0 percent in real annual terms, while transfers to states and municipalities (Ramo 33) and resources directed to the Program to Support the Strengthening of Federal Entities (PAFEF, Ramo 39) registered increases of 11.6 and 42.5 percent, respectively.
- Net external public sector debt decreased by 3.2 billion dollars, while net domestic public sector debt increased by 0.3 billion pesos, both with respect to April of the present year.

### 1. Public sector balance in January-May 2003

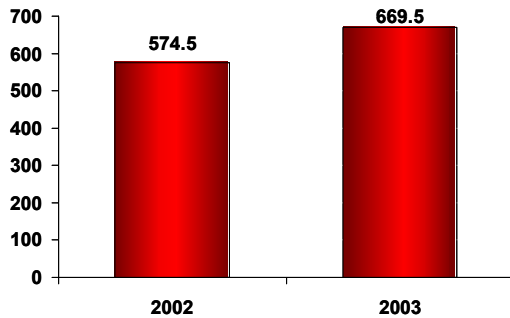
- During the first five months of the year, the public sector overall balance registered a surplus of 61.9 billion pesos, a favorable figure as compared to the surplus of 20.1 billion registered in the same period of the previous year (see Annex A).
- The primary balance amounted to 144.1 billion pesos, 38.6 percent higher in real

terms with respect to the first five months of 2002.

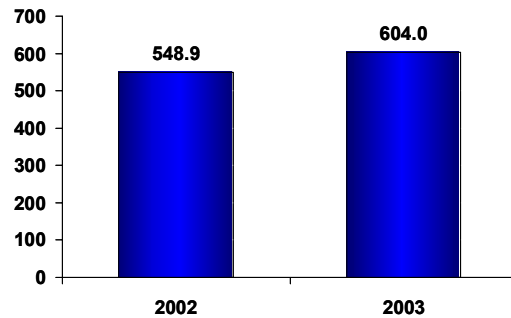
#### 1.1 Public Sector Budgetary Revenues in January-May 2003

- Public sector budgetary revenues amounted to 669.5 billion pesos during the first five months of 2003, 16.5 percent higher in real terms than in the same period of 2002 (see Annex A).

**BUDGETARY REVENUES,  
JANUARY-MAY**  
(Billions of 2003 pesos)



**NET BUDGETARY  
EXPENDITURES, JANUARY-MAY**  
(Billions of 2003 pesos)



- Non-oil tax revenues totaled 304.0 billion pesos, 7.0 percent higher in real terms than in the first five months of the previous year. In particular, VAT collection increased 14.8 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 totaled 202.3 billion pesos in the period January-May 2003, 26.0 percent higher in real terms as compared to the same period of last year.
- Non-oil non tax revenues totaled 52.0 billion pesos, 76.4 percent higher in real terms than in the first five 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.

**1.2. Net Public Sector Expenditures during January-May 2003**

- Net public sector expenditures totaled 604.0 billion pesos, 10.0 percent higher in real terms than in the same period of 2002 (see Annex A).

- Programmable expenditures amounted to 411.0 billion pesos during the first five months of 2003, a real annual increase of 8.4 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 PAFEF (Ramo 39) increased 4.9 percent in real annual terms.
- Revenue sharing to states and municipalities amounted to 98.7 billion pesos, 11.2 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 7.7 percent in real annual terms.
- Public sector financing costs totaled 76.6 billion pesos, 1.1 percent higher in real terms as compared to the first five months of the previous year.

**2. Public Debt Update**

- At the end of May, net external public sector debt totaled 77.4 billion dollars, 1.5 billion dollars higher than the outstanding balance recorded on December 31st, 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 an increase in net borrowings of 0.8 billion dollars, upward accounting adjustments 1.0 billion dollars and an increase of 0.3 billion dollars in external financial assets (see Annex B).

- Net domestic debt of the Federal Government amounted to 788.3 billion pesos, 33.0 billion pesos lower than the level registered at the end of 2002. This result is due to a net decrease in

indebtedness of 0.3 billion pesos, accounting adjustments to inflation-indexed debt of 2.5 billion pesos and an increase of 35.1 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-May		Real % growth	Composition %	
	2002	2003 <sup>p_/</sup>		2002	2003 <sup>p_/</sup>
Overall Public Balance (I+II)	20,072.3	61,947.4	193.2		
I. Budgetary Balance (a-b)	24,330.4	65,508.4	155.8		
a) Revenues	545,811.1	669,499.0	16.5	100.0	100.0
Federal Government	387,923.8	507,528.9	24.3	71.1	75.8
Tax	322,203.6	339,305.3	0.1	59.0	50.7
Non-tax	65,720.2	168,223.6	143.2	12.0	25.1
Other public entities and enterprises	157,887.3	161,970.2	-2.5	28.9	24.2
Pemex	62,614.5	50,802.4	-22.9	11.5	7.6
Others	95,272.8	111,167.8	10.9	17.5	16.6
b) Expenditures	521,480.8	603,990.6	10.0	100.0	100.0
Programmable	360,360.3	410,981.6	8.4	69.1	68.0
Non-programmable	161,120.4	193,009.0	13.8	30.9	32.0
II. Entities under indirect budgetary control	-4,258.1	-3,561.1	-20.5		
Primary Balance	98,757.0	144,104.1	38.6		

Note: Figures may not add up due to rounding.

p\_/ Preliminary figures.

Source: Ministry of Finance and Public Credit.

**Annex A. Public Finances (Cont.)****Public Sector Revenues**

Millions of pesos

	January-May		Real % growth	Composition %	
	2002	2003 <sup>p_/</sup>		2002	2003 <sup>p_/</sup>
<b>Budgetary Revenues (I+II)</b>	<b>545,811.1</b>	<b>669,499.0</b>	<b>16.5</b>	<b>100.0</b>	<b>100.0</b>
I. Oil related (a+b)	152,488.5	202,287.4	26.0	27.9	30.2
a) Pemex	62,614.5	50,802.4	-22.9	11.5	7.6
b) Federal Government	89,874.0	151,485.0	60.1	16.5	22.6
Rights and Royalties on oil related products	37,717.3	116,229.2	192.8	6.9	17.4
Excise taxes	52,156.7	35,255.8	-35.8	9.6	5.3
II. Non-oil (c+d)	393,322.7	467,211.7	12.9	72.1	69.8
c) Federal Government	298,049.8	356,043.9	13.5	54.6	53.2
Tax	270,046.9	304,049.5	7.0	49.5	45.4
Income tax	147,494.4	156,035.5	0.5	27.0	23.3
VAT	89,502.3	108,098.5	14.8	16.4	16.1
Excise taxes	8,629.7	12,650.4	39.3	1.6	1.9
Import taxes	9,949.9	10,710.4	2.3	1.8	1.6
Others <sup>1_/</sup>	14,470.7	16,554.7	8.7	2.7	2.5
Non-tax	28,002.9	51,994.4	76.4	5.1	7.8
Rights	8,014.6	8,453.8	0.2	1.5	1.3
Fees	18,285.2	41,149.3	113.8	3.4	6.1
Others	1,703.1	2,391.3	33.4	0.3	0.4
d) PEDBC <sup>2_/</sup>	95,272.8	111,167.8	10.9	17.5	16.6
Memorandum items:					
Total tax related	322,203.6	339,305.3	0.1	59.0	50.7
Total non-tax related	223,607.6	330,193.8	40.3	41.0	49.3

Note: Figures may not add up due to rounding.

p\_/ Preliminary figures.

1\_/ Includes new vehicle, vehicle ownership, luxury goods and service 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-May		Real % growth	Composition %	
	2002	2003 <sup>p_/</sup>		2002	2003 <sup>p_/</sup>
<b>TOTAL (I+II)</b>	<b>521,480.8</b>	<b>603,990.6</b>	<b>10.0</b>	<b>100.0</b>	<b>100.0</b>
I. Primary Expenditures (a+b)	449,546.1	527,432.8	11.5	86.2	87.3
a) Programmable	360,360.3	410,981.6	8.4	69.1	68.0
b) Non-programmable	89,185.8	116,451.2	24.1	17.1	19.3
II. Financing Costs <sup>1_/</sup>	71,934.6	76,557.8	1.1	13.8	12.7

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-May <sup>1/</sup>

Millions of dollars

	Outstanding as of Dec-02	Indebtedness			Fx Adjustments	Outstanding as of May-03 <sup>p/</sup>
		Originations	Amort.	Net		
<b>Net external debt</b>	75,934.8					77,422.9
Financial assets abroad <sup>1/</sup>	-2,883.3					-3,147.0
Gross external debt	78,818.1	11,955.4	11,181.3	774.1	977.7	80,569.9
Term structure	78,818.1	11,955.4	11,181.3	774.1	977.7	80,569.9
Long term	76,028.6	8,359.7	8,623.0	-263.3	972.9	76,738.2
Short term	2,789.5	3,595.7	2,558.3	1,037.4	4.8	3,831.7
Structure by user	78,818.1	11,955.4	11,181.3	774.1	977.7	80,569.9
Federal Government <sup>2/</sup>	57,879.1	7,362.0	6,086.5	1,275.5	630.8	59,785.4
PEDBC <sup>3/</sup>	12,338.3	2,465.6	2,425.8	39.8	372.4	12,750.5
Development banks	8,600.7	2,127.8	2,669.0	-541.2	-25.5	8,034.0
Gross external debt						
By financing source	78,818.1	11,955.4	11,181.3	774.1	977.7	80,569.9
Restructured 1989 – 1990	6,107.8	0.0	4,396.6	-4,396.6	57.3	1,768.5
Par bonds (Brady)	5,573.2	0.0	4,340.9	-4,340.9	57.0	1,289.3
Spanish bank bonds	76.5	0.0	0.0	0.0	0.0	76.5
New money 1990 – 1992	458.1	0.0	55.7	-55.7	0.3	402.7
Non-restructured	4,811.6	2,862.7	2,605.2	257.5	6.6	5,075.7
Bilateral credit	6,259.6	1,273.6	1,791.8	-518.2	41.5	5,782.9
Publicly placed bonds	42,668.3	5,500.0	856.6	4,643.4	475.3	47,787.0
IFIS	17,542.9	864.5	1,048.6	-184.1	44.1	17,402.9
Supplier credits to public sector entities	9.8	0.0	2.7	-2.7	0.0	7.1
Others <sup>4/</sup>	1,418.1	1,454.6	479.8	974.8	352.9	2,745.8

Note: Figures may not add up due to rounding.

<sup>\*/</sup> Figures subject to revisions.<sup>p/</sup> Preliminary figures.<sup>1/</sup> Collateral is valued at market prices; includes 18 months worth of interest payments for Brady Bonds and FAFEXT availabilities.<sup>2/</sup> Includes debt from item XXIV and FAFEXT.<sup>3/</sup> Public entities under direct budgetary control.<sup>4/</sup> Refers to PIDIREGAS debt.

Source: Ministry of Finance and Public Credit.

**Annex B. Public Debt (Cont.)****Federal Government Domestic Debt, January-May<sup>\*/</sup>****Millions of pesos**

	Outstanding as of Dec-02	Indebtedness			Adjustments <sup>1_/</sup>	Outstanding as of May-03 <sup>p_/</sup>
		Originations	Amort.	Net		
<b>Net domestic debt</b>	821,272.2					788,307.1
Creditor accounts <sup>2_/</sup>	-86,135.5					-121,266.0
<b>Gross domestic debt</b>	907,407.7	396,924.5	397,211.7	-287.2	2,452.6	909,573.1
Government Securities	793,760.7	368,720.0	321,215.2	47,504.8	1,286.1	842,551.6
Cetes	192,144.5	281,267.5	272,278.1	8,989.4	0.0	201,133.9
Bondes	305,295.6	36,309.1	12,176.8	24,132.3	0.0	329,427.9
Fixed-rate bonds	203,669.0	47,240.0	15,194.9	32,045.1	0.0	235,714.1
Udibonos	92,651.6	3,903.4	21,565.4	-17,662.0	1,286.1	76,275.7
Udibonos udi's	28,722.3	1,200.0	6,649.9	-5,449.9	0.0	23,272.4
S.A.R.	35,496.2	28,199.8	26,198.4	2,001.4	941.3	38,438.9
Siefores m/n	72.3	0.5	73.1	-72.6	0.7	0.4
Siefores udi's	22.4	0.1	22.4	-22.3	0.0	0.1
Others	78,078.5	4.2	49,725.0	-49,720.8	224.5	28,582.2

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. Includes deposits in the national banking system since December 2002.

Source: Ministry of Finance and Public Credit.



## **Annex C. Publication Calendar**

### **Public Finance Indicators Calendar**

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<b>Coverage Period</b>	<b>Release Date</b>
June, 2003	August 4, 2003
July, 2003	September 3, 2003
August, 2003	September 30, 2003
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