

MINISTRY OF FINANCE

September 30, 2004

Public Finances and Public Debt Report August, 2004

Today, the Ministry of Finance released the public finance and debt results corresponding to August 2004. Among these results, it is worth highlighting the following:

- The public sector balance recorded a surplus of PS. 15.0 billion; this result is in line with the deficit target authorized by Congress for the year.
- The primary balance, defined as total revenues minus expenditures other than financing costs, registered a surplus of Ps. 39.9 billion.
- Budgetary revenues increased 13.0 percent, as a result of the real increases in oil related revenues and revenues of public entities under direct budgetary control other than PEMEX of 16.9 and 7.5 percent, respectively. Furthermore, revenues from royalties related to road concessions through the FARAC were also received.
- Net budgetary expenditures increased 9.3 percent in real annual terms. The above is largely explained by the fulfillment of part of the debtor payments programmed for the year, as well as the second advance payment to the FIEs (Trust for Infrastructure in States), based on the higher than expected oil related revenues.
- The public sector net external debt stock increased by US \$0.2 billion with respect to July 2004. In the same period, the net domestic debt balance of the Federal Government declined by PS. 3.3 billion.

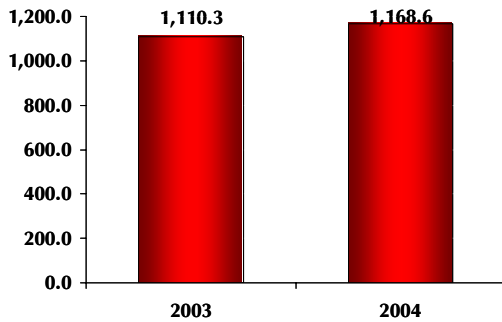
1. Public sector balance in January-August 2004

- The public sector balance for the period January-August registered a surplus of Ps. 71.9 billion, which is greater than the surplus of Ps. 46.6 billion recorded in the same period of 2003.
- For the same period, the primary balance was Ps. 222.8 billion, 13.1 percent higher, in real terms than that registered a year earlier.

1.1 Public Sector Budgetary Revenues in January-August 2004

- Public sector budgetary revenues for the January-August period were Ps. 1,168.6 billion, 5.3 percent higher in real terms than those registered in the same period of the previous year.

**BUDGETARY REVENUES,
JANUARY-AUGUST**
(Billions of 2004 pesos)



- Non-oil tax revenues totaled Ps. 492.8 billion, which is 1.2 percent higher in real terms than those registered in January-August of 2003. Within non-oil tax revenues it is important to highlight the 5.9 percent real increase in VAT collection, which was partly offset by a 0.6 percent decline in income tax collection.
- Oil related revenues, which include PEMEX's own revenues, oil related royalties and fees and excise tax collection on gasoline and diesel, totaled Ps. 407.2 billion, 13.9 percent higher in real terms than those received in the same period of 2003.
- Non-oil non-tax revenues were Ps. 72.4 billion, 2.7 percent higher in real terms than those recorded in the period January-August of 2003.
- Revenues of public entities under direct budgetary control other than PEMEX totaled Ps. 196.2 billion; this amount is 0.5 percent higher in real terms than that registered in the same period of the previous year.

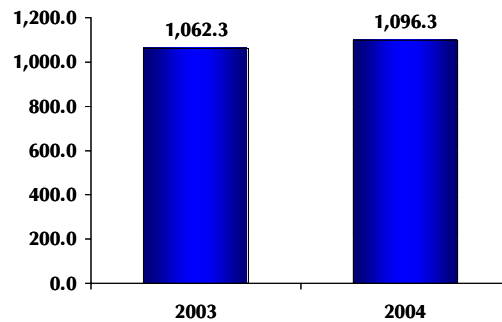
1.2. Net Public Sector Expenditures during January-August 2004

- Net budgetary expenditures of the public sector totaled Ps 1,096.3 billion in the January-August period; this figure is 3.2

percent higher in real terms than that reported for the same period of 2003.

- The net budgetary expenditure figures include the advance payment to the FIEs (Trust for Infrastructure in States) that totaled Ps. 8,179.8 million, as well as payments of Ps. 4,089.9 million into the Oil Stabilization Fund. These payments were made based upon estimated oil related excess revenues for the year.

**NET BUDGETARY
EXPENDITURES, JANUARY-AUGUST**
(Billions of 2004 pesos)



- Programmable expenditures were Ps. 759.7 billion, which represents a 2.8 percent real annual increase.
- Federalized expenditures increased 5.5 percent in real terms. It is worth highlighting the following:
 - Revenue sharing to states and municipalities amounted to 168.0 billion pesos, which is 5.7 percent higher in real terms than that registered in the same period of the previous year.
 - The sum of transfers to States and Municipalities (Ramo 33), provisions for basic, traditional, technical and adult education (Ramo 25), and resources directed towards strengthening of States through PAFEF (Ramo 39) amounted to Ps. 206.0 billion pesos, increasing 5.4 percent in real annual terms.

- The public sector's financing costs were Ps. 141.5 billion pesos, which is 1.7 percent lower than that registered in the same period of the previous year.

2. Public Debt Update

- At the end of August, the net external public debt balance was US \$80.0 billion, US \$2.9 billion higher than the level observed at the end of 2003. This result is explained by upward accounting adjustments of US \$1.3 billion, and a decline in financial assets abroad of US \$1.6 billion. It is important to highlight that the result is consistent with the target of reducing net external debt by US \$500 million by the end of the year that was approved by Congress.

- The net domestic debt balance of the Federal Government at the end of August was Ps. 929.9 billion; Ps. 2.8 billion higher than the amount reported at the end of 2003. The difference is explained by net indebtedness of Ps. 81.2 billion, accounting adjustments to inflation indexed debt of Ps. 3.2 billion, and an increase in the Federal Government's financial assets of Ps. 81.6 billion.

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-August		Real % growth	Composition %	
	2003	2004 ^{p/}		2003	2004 ^{p/}
Overall Public Balance (I+II)	46,577.4	71,911.0	47.9		
I. Budgetary Balance (a-b)	45,965.7	72,321.3	50.7		
a) Revenues	1,063,614.6	1,168,640.1	5.3	100.0	100.0
Federal Government	771,390.5	844,532.7	4.9	72.5	72.3
Tax	525,803.1	535,336.0	-2.5	49.4	45.8
Non-tax	245,587.4	309,196.7	20.6	23.1	26.5
PEDBC ^{1/}	292,224.1	324,107.4	6.2	27.5	27.7
Pemex	105,224.1	127,874.2	16.4	9.9	10.9
Others	187,000.0	196,233.2	0.5	17.6	16.8
b) Expenditures	1,017,648.9	1,096,318.8	3.2	100.0	100.0
Programmable	708,005.5	759,699.3	2.8	69.6	69.3
Non programmable	309,643.5	336,619.5	4.1	30.4	30.7
II. PEIBC ^{2/}	611.7	-410.3	n.a.		
Primary Balance	188,618.1	222,768.3	13.1		

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.)

	January-August		Real % growth	Composition %	
	2003	2004 ^{P_1}		2003	2004 ^{P_1}
	Millions of pesos				
Total (I+II)	1,063,614.6	1,168,640.1	5.3	100.0	100.0
I. Oil related	342,426.4	407,168.6	13.9	32.2	34.8
a) PEMEX	105,224.1	127,874.2	16.4	9.9	10.9
b) Federal Government	237,202.3	279,294.4	12.8	22.3	23.9
Rights and Royalties on oil related products	178,017.9	236,786.6	27.4	16.7	20.3
Excise taxes	59,184.4	42,507.8	-31.2	5.6	3.6
II. Non oil related	721,188.2	761,471.5	1.1	67.8	65.2
c) Federal Government	534,188.2	565,238.2	1.4	50.2	48.4
Tax	466,618.8	492,828.1	1.2	43.9	42.2
Income tax	236,564.1	245,522.2	-0.6	22.2	21.0
VAT	170,142.3	188,051.5	5.9	16.0	16.1
Excise taxes	20,291.9	21,386.5	1.0	1.9	1.8
Import taxes	16,917.6	17,980.0	1.8	1.6	1.5
Others ^{1_1}	22,702.8	19,888.0	-16.1	2.1	1.7
Non-tax	67,569.4	72,410.1	2.7	6.4	6.2
Rights	13,746.4	12,602.1	-12.2	1.3	1.1
Fees	50,224.9	56,309.9	7.4	4.7	4.8
Others	3,598.1	3,498.0	-6.9	0.3	0.3
d) PEDBC ^{2_1}	187,000.0	196,233.2	0.5	17.6	16.8
Memorandum items:					
Total tax related	525,803.1	535,336.0	-2.5	49.4	45.8
Total non-tax related	537,811.5	633,304.2	12.8	50.6	54.2

Note: Figures may not add up due to rounding.

p_1/ Preliminary figures.

1_1/ Includes new vehicle, vehicle ownership, luxury goods and services and accessory taxes.

2_1/ 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 %	
	2003	2004 ^{p./}		2003	2004 ^{p./}
TOTAL (I+II)	1,017,648.9	1,096,318.8	3.2	100.0	100.0
I. Primary Expenditures (a+b)	879,802.8	954,829.0	4.0	86.5	87.1
a) Programmable	708,005.5	759,699.3	2.8	69.6	69.3
b) Non-programmable	171,797.3	195,129.7	8.8	16.9	17.8
II. Financing Costs ^{1./}	137,846.1	141,489.8	-1.7	13.5	12.9

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.

Source: Ministry of Finance and Public Credit.

Annex B. Public Debt

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

Millions of dollars

	Outstanding as of Dec-03	Indebtedness			Fx Adjustments	Outstanding as of Aug-04 ^{p_/}
		Originations	Amort.	Net		
Net external debt	77,052.4					79,957.8
Financial assets abroad ^{1_/}	-1,971.1					-376.7
Gross external debt	79,023.5	15,096.4	15,135.3	-38.9	1,349.9	80,334.5
Term structure	79,023.5	15,096.4	15,135.3	-38.9	1,349.9	80,334.5
Long term	77,335.7	9,210.0	10,995.1	-1,785.1	1,351.0	76,901.6
Short term	1,687.8	5,886.4	4,140.2	1,746.2	-1.1	3,432.9
Structure by user	79,023.5	15,096.4	15,135.3	-38.9	1,349.9	80,334.5
Federal Government ^{2_/}	58,358.3	5,975.2	5,607.2	368.0	678.3	59,404.6
PEDBC ^{3_/}	12,157.7	3,077.1	3,228.8	-151.7	722.1	12,728.1
Development banks	8,507.5	6,044.1	6,299.3	-255.2	-50.5	8,201.8
Gross external debt						
By financing source	79,023.5	15,096.4	15,135.3	-38.9	1,349.9	80,334.5
Restructured 1989 – 1990	387.7	0.0	97.6	-97.6	-0.1	290.0
Spanish bank bonds	76.5	0.0	0.0	0.0	0.0	76.5
New money 1990 – 1992	311.2	0.0	97.6	-97.6	-0.1	213.5
Non-restructured	4,310.2	3,634.1	4,991.5	-1,357.4	1.2	2,954.0
Bilateral credit	5,283.6	2,271.6	2,539.4	-267.8	-41.9	4,973.9
Publicly placed bonds	48,806.2	5,678.5	4,886.0	792.5	690.8	50,289.5
IFIS	17,948.0	760.2	1,551.5	-791.3	-42.3	17,114.4
Supplier credits to public sector entities	2.3	0.0	2.3	-2.3	0.0	0.0
Others ^{4_/}	2,285.5	2,752.0	1,067.0	1,685.0	742.2	4,712.7

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 2003	Indebtedness			Adjustments ^{1_/}	Outstanding August 2004 ^{p_/}
		Originations	Amort.	Net		
Net domestic debt balance	927,097.1					929,916.4
Creditor accounts ^{2_/}	-84,792.1					-166,397.3
Gross domestic debt stock	1,011,889.2	680,188.2	599,022.5	81,165.7	3,258.8	1,096,313.7
Government Securities	956,657.0	630,655.7	550,667.3	79,988.4	1,726.3	1,038,371.7
Cetes	206,416.3	492,198.6	447,382.1	44,816.5	0.0	251,232.8
Bondes	354,720.4	29,500.0	67,724.0	-38,224.0	0.0	316,496.4
Fixed rate bonds	311,664.1	98,750.0	14,997.1	83,752.9	0.0	395,417.0
Udibonos	83,856.2	10,207.1	20,564.1	-10,357.0	1,726.3	75,225.5
<i>Udibonos udi's</i>	25,016.7	3,000.0	6,094.4	-3,094.4	0.0	21,922.3
S.A.R.	40,655.3	44,427.0	42,309.0	2,118.0	1,228.9	44,002.2
Siefores m/n	0.3	0.0	0.0	0.0	0.0	0.3
<i>Siefores udi's</i>	0.1	0.0	0.0	0.0	0.0	0.1
Others	14,576.6	5,105.5	6,046.2	-940.7	303.6	13,939.5

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.

Source: Ministry of Finance and Public Credit.

Annex C. Public Finance Indicators Calendar

Public Finance Publications Calendar

Coverage Period:	Release Date
September, 2004	November 4, 2004
October, 2004	November 30, 2004
November, 2004	December 30, 2004
December, 2004	February 4, 2005
January, 2005	March 4, 2005
February, 2005	April 1, 2005
March, 2005	May 4, 2005
April, 2005	May 31, 2005
May, 2005	June 30, 2005
June, 2005	August 4, 2005
July, 2005	September 2, 2005
August, 2005	September 30, 2005