

MINISTRY OF FINANCE

April 1, 2004

Public Finances and Public Debt Report February, 2004

The Federal Government released preliminary information on public finances and public debt for February 2004.

- In February, the public sector balance registered a surplus of Ps. 8.1 billion pesos, which is consistent with the deficit target approved by Congress for the year.
- The primary balance for February, defined as total revenues minus expenditures other than financing costs of the public sector, registered a surplus of Ps. 20.0 billion.
- Budgetary revenues declined 5.7 percent in real annual terms during February. The reduction is due to the increase in revenues reported February 2003 when a fee associated with the Federal Government's Guarantee was collected from BANOBRAS. Excluding this effect, budgetary revenues increased 1.5 percent in real terms. Within budgetary revenues in February it is worth noting an increase in real tax revenues of 5.3 per cent.
- VAT collection increased 19.7 percent in real terms in February. This high VAT growth is explained by a delay of the payments related to this tax by PEMEX last year.
- Net budgetary expenditures declined 7.3 percent in real annual terms in February. The reduction is explained by the payment that the Federal Government carried out for the capitalization of BANOBRAS. The resources for the capitalization were those that the Federal Government received from the institution in the fee mentioned above. Excluding the impact of the transaction, net budgetary expenditures for the month remained constant with respect to February 2003.
- The net external public debt balance was US \$ 81.8 billion in February. This level is similar to that recorded at the end of January. The net domestic debt balance of the Federal Government declined 8.6 billion pesos with respect to the end of the previous month.

1. Public sector balance in January-February 2004

- The public sector balance registered a surplus of Ps. 34.0 billion pesos in the first two months of 2004. The observed balance compares favorably with the surplus of Ps. 13.2 billion that was recorded on the same period of 2003.

- The primary balance registered a surplus of Ps. 68.6 billion, which is 15.7 percent higher in real terms to that accumulated at the end of February 2003.

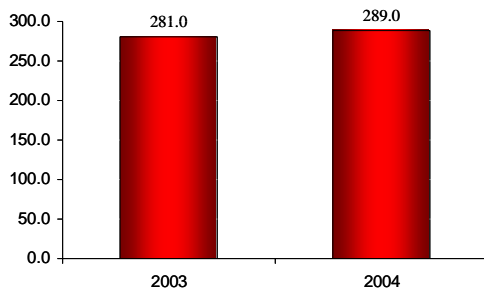
1.1 Public Sector Budgetary Revenues in January-February 2004

- Budgetary revenues of the public sector accumulated at the end of

February amounted to Ps. 289.0 billion, which was 2.9 percent higher in real terms those received during the same period of 2003.

- Non-oil tax revenues were Ps. 129.4 billion, 4.3 percent higher in real terms than those obtained in the same period of the previous year. It is important to highlight the 7.9 percent real increase in value added tax collection, and the 2.9 percent real increase 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, amounted to Ps. 94.7 billion, which is 8.5 percent higher in real terms than those received in the same period of 2003.

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

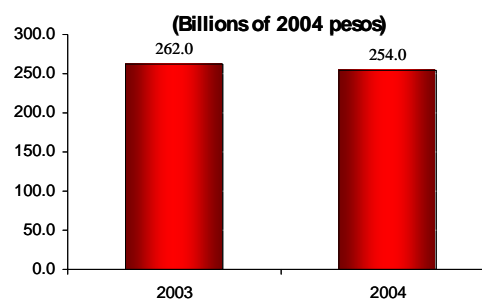


- Non-oil non-tax revenues were Ps. 22.3 billion, which is 10.5 percent lower in real terms than those recorded in the same period of 2003. The change is explained, to an important degree, by the fee collected from BANOBRAS that was associated with the Federal Government's Guarantee of its liabilities.
- Revenues of public entities other than PEMEX were Ps. 42.7 billion, which represents a 4.5 percent real decline with respect to the same period of 2003.

1.2. Net Public Sector Expenditures during January-February 2004

- Net budgetary expenditures of the public sector for the period January-February were Ps. 254.0 billion, 3.0 percent lower in real terms than those carried out in the same period of 2003. Excluding the effect of the BANOBRAS capitalization, net budgetary expenditures registered a 0.4 percent real increase over the same period of 2003.

**NET BUDGETARY EXPENDITURES,
JANUARY - FEBRUARY**



- Programmable expenditures carried out during the period were Ps. 168.8 billion, similar in real terms to the same period of the previous year.
- Federalized expenditures increased 5.2 percent in real terms. Within them it is worth highlighting:
 - Transfers to federal entities and municipalities were Ps. 44.2 billion, which represents a 4.4 real increase over the same period of 2003.
 - The sum of federalized expenditures which include 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 5.8 percent in real

annual terms, amounting to Ps. 53,332.3 million pesos.

- Public sector financing costs were Ps. 31.3 billion pesos, 18.0 percent lower than that registered in the same period of the previous year.

2. Public Debt Update

- At the end of February, the net external debt balance was US \$81.8 billion, US \$4.5 billion higher to that registered on December 31st, 2003. This increase is the result of net indebtedness of US \$3.1 billion and downward accounting adjustments for US \$0.2 billion. At the same time, financial assets abroad decreased by US \$1.6 billion. It is important to highlight the transitory nature of the increase, and that it will gradually decline in the coming months as those resources are used to cover the amortizations due in on the coming months, in accordance with the financing program established for the

year, and consistent with the target of reducing net external debt by US \$500 million during the year which was approved by Congress.

- The net domestic debt balance of the Federal Government at the end of February was Ps. 909.0 billion, Ps. 18.1 billion lower than that recorded at the end of 2003. The change is explained by a decline in borrowings of Ps. 2.3 billion, accounting adjustments to inflation indexed debt of Ps. 1.5 billion and an increase of the Federal Government's financial assets of Ps. 17.3 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-February		Real % growth	Composition %	
	2003	2004 ^{p./}		2003	2004 ^{p./}
Overall Public Balance (I+II)	13,249.7	33,978.1	145.7		
I. Budgetary Balance (a-b)	18,168.4	34,998.5	84.6		
a) Revenues	269,194.0	289,028.1	2.9	100.0	100.0
Federal Government	202,258.5	221,943.7	5.1	75.1	76.8
Tax	136,170.7	142,059.8	0.0	50.6	49.2
Non-tax	66,087.7	79,883.9	15.8	24.6	27.6
PEDBC ^{1./}	66,935.5	67,084.4	-4.0	24.9	23.2
Pemex	24,152.7	24,429.4	-3.1	9.0	8.5
Others	42,782.8	42,654.9	-4.5	15.9	14.8
b) Expenditures	251,025.6	254,029.6	-3.0	100.0	100.0
Programmable	161,740.2	168,833.6	0.0	64.4	66.5
Non programmable	89,285.4	85,196.0	-8.6	35.6	33.5
II. PEIBC ^{2./}	-4,918.7	-1,020.4	-80.1		
Primary Balance	56,809.1	68,575.4	15.7		

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-February		Real % growth	Composition %	
	2003	2004 ^{p./}		2003	2004 ^{p./}
Total (I+II)	269,194.0	289,028.1	2.9	100.0	100.0
I. Oil related	83,616.7	94,654.4	8.5	31.1	32.7
a) PEMEX	24,152.7	24,429.4	-3.1	9.0	8.5
b) Federal Government	59,464.0	70,225.0	13.2	22.1	24.3
Rights and Royalties on oil related products	42,208.6	57,570.0	30.7	15.7	19.9
Excise taxes	17,255.4	12,654.9	-29.7	6.4	4.4
II. Non oil related	185,577.3	194,373.7	0.4	68.9	67.3
c) Federal Government	142,794.5	151,718.8	1.8	53.0	52.5
Tax	118,915.3	129,404.9	4.3	44.2	44.8
Income tax	61,824.3	66,413.7	2.9	23.0	23.0
VAT	42,370.1	47,703.3	7.9	15.7	16.5
Excise taxes	5,156.6	5,526.1	2.7	1.9	1.9
Import taxes	4,149.6	3,837.2	-11.4	1.5	1.3
Others ^{1./}	5,414.8	5,924.7	4.8	2.0	2.0
Non-tax	23,879.2	22,313.9	-10.5	8.9	7.7
Rights	3,429.5	3,561.7	-0.5	1.3	1.2
Fees	19,426.3	17,793.9	-12.2	7.2	6.2
Others	1,023.4	958.3	-10.3	0.4	0.3
d) PEDBC ^{2./}	42,782.8	42,654.9	-4.5	15.9	14.8
Memorandum items:					
Total tax related	136,170.7	142,059.8	0.0	50.6	49.2
Total non-tax related	133,023.2	146,968.2	5.9	49.4	50.8

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_February		Real % growth	Composition %	
	2003	2004 ^{p./}		2003	2004 ^{p./}
TOTAL (I+II)	251,025.6	254,029.6	-3.0	100.0	100.0
I. Primary Expenditures (a+b)	214,389.0	222,686.5	-0.5	85.4	87.7
a) Programmable	161,740.2	168,833.6	0.0	64.4	66.5
b) Non-programmable	52,648.8	53,853.0	-2.0	21.0	21.2
II. Financing Costs ^{1./}	36,636.6	31,343.1	-18.0	14.6	12.3

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. In PEMEX, costs related to exchange rate hedging and financial derivatives, which were subtracted from various revenues are now included in financing costs.

Source: Ministry of Finance and Public Credit.

Annex B. Public Debt

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

Millions of dollars

	Outstanding as of Dec-03	Indebtedness			Fx Adjustments	Outstanding as of Feb-04 ^{p/}
		Originations	Amort.	Net		
Net external debt	77,303.4					81,814.7
Financial assets abroad ^{1/}	-1,971.1					-400.9
Gross external debt	79,274.5	6,505.5	3,356.1	3,149.4	-208.3	82,215.6
Term structure	79,274.5	6,505.5	3,356.1	3,149.4	-208.3	82,215.6
Long term	77,586.7	2,928.5	2,108.8	819.7	-210.5	78,195.9
Short term	1,687.8	3,577.0	1,247.3	2,329.7	2.2	4,019.7
Structure by user	79,274.5	6,505.5	3,356.1	3,149.4	-208.3	82,215.6
Federal Government ^{2/}	58,358.3	2,093.0	422.5	1,670.5	-28.5	60,000.3
PEDBC ^{3/}	12,408.7	2,589.5	915.6	1,673.9	-126.4	13,956.2
Development banks	8,507.5	1,823.0	2,018.0	-195.0	-53.4	8,259.1
Gross external debt						
By financing source	79,274.5	6,505.5	3,356.1	3,149.4	-208.3	82,215.6
Restructured 1989 – 1990	387.7	0.0	19.9	-19.9	-0.1	367.7
Spanish bank bonds	76.5	0.0	0.0	0.0	0.0	76.5
New money 1990 – 1992	311.2	0.0	19.9	-19.9	-0.1	291.2
Non-restructured	4,310.2	640.3	1,331.9	-691.6	0.0	3,618.6
Bilateral credit	5,283.6	814.7	630.1	184.6	-32.8	5,435.4
Publicly placed bonds	48,806.2	2,328.4	820.0	1,508.4	-45.3	50,269.3
IFIS	17,948.0	175.6	356.4	-180.8	-18.8	17,748.4
Supplier credits to public sector entities	2.3	0.0	0.0	0.0	0.0	2.3
Others ^{4/}	2,536.5	2,546.5	197.8	2,348.7	-111.3	4,773.9

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-February ^{*_/}

Millions of pesos

	Outstanding December 2003	Indebtedness ^{*_/}			Adjustments ^{1_/}	Outstanding February 2004 ^{p_/}
		Originations	Amort.	Net		
Net domestic debt balance	927,097.1					908,990.6
Creditor accounts ^{2_/}	-84,792.1					-102,083.5
Gross domestic debt stock	1,011,889.2	160,787.0	163,094.6	-2,307.6	1,492.5	1,011,074.1
Government Securities	956,657.0	151,856.6	154,635.2	-2,778.6	826.7	954,705.1
Cetes	206,416.3	117,802.8	103,159.5	14,643.3	0.0	221,059.6
Bondes	354,720.4	8,400.0	18,400.0	-10,000.0	0.0	344,720.4
Fixed rate bonds	311,664.1	22,280.0	14,997.1	7,282.9	0.0	318,947.0
Udibonos	83,856.2	3,373.8	18,078.6	-14,704.8	826.7	69,978.1
<i>Udibonos udi's</i>	25,016.7	1,000.0	5,367.4	-4,367.4	0.0	20,649.3
S.A.R.	40,655.3	8,922.8	8,427.8	495.0	522.2	41,672.5
Siefores m/n	0.3	0.0	0.0	0.0	0.0	0.3
Siefores udi's	0.1	0.0	0.0	0.0	0.0	0.1
Others	14,576.6	7.6	31.6	-24.0	143.6	14,696.2

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 Publications Calendar

Coverage Period:	Release Date
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
September, 2004	November 4, 2004
October, 2004	November 30, 2004
November, 2004	December 30, 2004
December, 2004	February 4, 2005
January, 2004	March 4, 2005
February 2004	April 1, 2005