

MINISTRY OF FINANCE

September 3, 2004

Public Finances and Public Debt Report July, 2004

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

- Public finances registered a surplus of 0.2 billion pesos, this amount is consistent with the deficit target approved by Congress for the year.
- The primary balance, defined as total revenues minus expenditures other than financing costs, registered a surplus of 28.2 billion pesos.
- Budgetary revenues increased 1.6 percent in real annual terms, resulting from the real increase in oil related revenues and revenues of public entities other than Pemex of 9.6 and 4.3 percent, respectively.
- Net budgetary expenditures declined by 12.8 percent in real annual terms. The reduction resulted from a calendar effect, as the public sector teachers' vacation payment was made in June, while in 2003 it was carried out in July.
- The net external public debt balance declined by 0.7 billion dollars with respect to June 2004. In the same period, the net domestic debt balance of the Federal Government increased by 17.0 billion pesos.

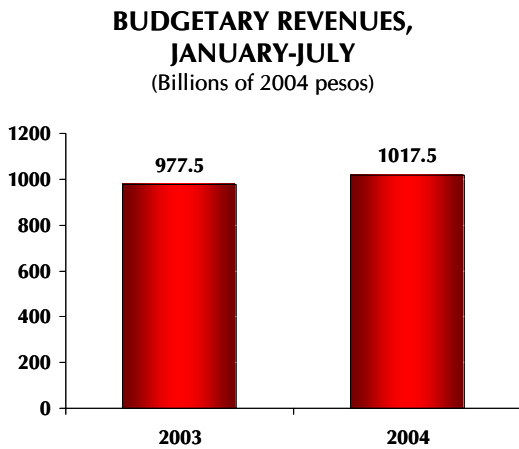
1. Public sector balance in January-July 2004

- At the end of July, the public sector balance registered a surplus of 57.0 billion pesos, this result favorably compares with the surplus of 35.7 billion pesos that was recorded in the same period of 2003.
- In the same period, the primary balance registered a surplus of 183.1 billion pesos, which is 8.8 percent higher in real terms than that recorded in the same period of the previous year.

1.1 Public Sector Budgetary Revenues in January-July 2004

- Budgetary revenues of the public sector for the period January-July were 1,017.5 billion pesos; this amount is 4.1 percent higher in real terms than the amount received in the same period of the previous year.
- Non-oil related tax revenues were 439.1 billion pesos, 1.8 percent higher in real terms compared to the same period of 2003. The increase is mainly attributable to the 5.4 percent real increase in VAT collections.
- Oil related revenues, which include Pemex's own revenues, oil related royalties and fees and excise tax

collection on gasoline and diesel, totaled 351.1 billion pesos. This amount is 13.3 percent higher in real terms, than that observed in the same period of 2003.

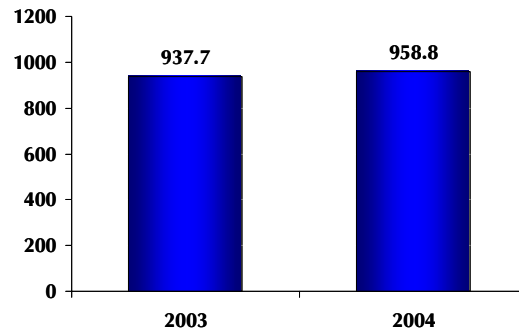


- Non-oil related non-tax revenues were 58.7 billion pesos, 10.9 percent lower in real terms than those registered the previous year. The decline is mainly attributable to the fall observed in non-recurrent revenues.
- Revenues of entities other than Pemex were 168.6 billion pesos, 0.8 percent lower in real terms than those received the same period of 2003.

1.2. Net Public Sector Expenditures during January-July 2004

- Net budgetary expenditures of the public sector during the period January-July were 958.8 billion pesos, 2.2 percent higher in real terms than that recorded in the previous year.

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



- Programmable expenditures totaled 664.5 billion pesos, representing a 2.4 percent increase over those carried out in the previous year.
- Federalized expenditures increased 4.8 percent in real annual terms. It is worth highlighting the following:
 - Revenue sharing to states and municipalities amounted to 150.4 billion pesos, which is 6.1 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 188.3 billion pesos, increasing 3.8 percent in real annual terms.
- The public sector’s financing costs were 116.8 billion pesos, which is 7.1 percent lower than that registered in the same period of the previous year.

2. Public Debt Update

- At the end of July the net external debt balance was US \$79.7 billion, this amount is US \$2.7 billion higher than that registered at the end of 2003. The increase is explained by a net decline in

indebtedness of US \$0.2 billion, upward accounting adjustments for 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 July was 933.2 billion pesos; this amount is 6.1 billion pesos higher than that registered at the end of 2003. The observed variation is explained by net

borrowings of 78.9 billion pesos, upward accounting adjustments to inflation indexed debt of 2.9 billion pesos, and an increase in the Federal Government's financial assets of 75.7 billion pesos.

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 %	
	2003	2004 ^{p./}		2003	2004 ^{p./}
Overall Public Balance (I+II)	35,743.2	56,956.9	52.7		
I. Budgetary Balance (a-b)	38,129.6	58,750.7	47.7		
a) Revenues	936,888.9	1,017,516.5	4.1	100.0	100.0
Federal Government	689,012.8	738,084.1	2.7	73.5	72.5
Tax	464,931.3	477,265.1	-1.6	49.6	46.9
Non-tax	224,081.5	260,819.0	11.6	23.9	25.6
PEDBC ^{1./}	247,876.1	279,432.4	8.1	26.5	27.5
Pemex	84,908.4	110,810.1	25.1	9.1	10.9
Others	162,967.7	168,622.3	-0.8	17.4	16.6
b) Expenditures	898,759.3	958,765.8	2.2	100.0	100.0
Programmable	622,020.3	664,539.8	2.4	69.2	69.3
Non programmable	276,739.0	294,226.0	1.9	30.8	30.7
II. PEIBC ^{2./}	-2,386.4	-1,793.8	-28.0		
Primary Balance	161,248.9	183,115.5	8.8		

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 %	
	2003	2004 ^{P./}		2003	2004 ^{P./}
Total (I+II)	936,888.9	1,017,516.5	4.1	100.0	100.0
I. Oil related	297,104.8	351,069.7	13.3	31.7	34.5
a) PEMEX	84,908.4	110,810.1	25.1	9.1	10.9
b) Federal Government	212,196.4	240,259.6	8.5	22.6	23.6
Rights and Royalties on oil related products	160,889.6	202,090.1	20.4	17.2	19.9
Excise taxes	51,306.8	38,169.6	-28.7	5.5	3.8
II. Non oil related	639,784.1	666,446.8	-0.2	68.3	65.5
c) Federal Government	476,816.5	497,824.5	0.1	50.9	48.9
Tax	413,624.5	439,095.6	1.8	44.1	43.2
Income tax	210,608.2	221,996.5	1.0	22.5	21.8
VAT	149,549.9	164,385.8	5.4	16.0	16.2
Excise taxes	17,833.8	18,775.9	0.9	1.9	1.8
Import taxes	14,762.9	15,254.4	-1.0	1.6	1.5
Others ^{1./}	20,869.8	18,683.0	-14.2	2.2	1.8
Non-tax	63,191.9	58,728.9	-10.9	6.7	5.8
Rights	12,782.8	11,475.2	-14.0	1.4	1.1
Fees	47,115.8	44,187.7	-10.1	5.0	4.3
Others	3,293.3	3,066.0	-10.8	0.4	0.3
d) PEDBC ^{2./}	162,967.7	168,622.3	-0.8	17.4	16.6
Memorandum items:					
Total tax related	464,931.3	477,265.1	-1.6	49.6	46.9
Total non-tax related	471,957.6	540,251.4	9.7	50.4	53.1

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 %	
	2003	2004 ^{p./}		2003	2004 ^{p./}
TOTAL (I+II)	898,759.3	958,765.8	2.2	100.0	100.0
I. Primary Expenditures (a+b)	778,296.0	842,013.6	3.7	86.6	87.8
a) Programmable	622,020.3	664,539.8	2.4	69.2	69.3
b) Non-programmable	156,275.7	177,473.8	8.9	17.4	18.5
II. Financing Costs ^{1./}	120,463.3	116,752.2	-7.1	13.4	12.2

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-July ^{*_/}

Millions of dollars

	Outstanding as of Dec-03	Indebtedness			Fx Adjustments	Outstanding as of Jul-04 ^{p_/}
		Originations	Amort.	Net		
Net external debt	77,052.4					79,723.9
Financial assets abroad ^{1_/}	-1,971.1					-375.3
Gross external debt	79,023.5	13,958.4	14,168.7	-210.3	1,286.0	80,099.2
Term structure	79,023.5	13,958.4	14,168.7	-210.3	1,286.0	80,099.2
Long term	77,335.7	8,401.5	10,574.1	-2,172.6	1,287.6	76,450.7
Short term	1,687.8	5,556.9	3,594.6	1,962.3	-1.6	3,648.5
Structure by user	79,023.5	13,958.4	14,168.7	-210.3	1,286.0	80,099.2
Federal Government ^{2_/}	58,358.3	5,399.4	5,320.0	79.4	637.7	59,075.4
PEDBC ^{3_/}	12,157.7	3,051.4	3,052.1	-0.7	708.9	12,865.9
Development banks	8,507.5	5,507.6	5,796.6	-289.0	-60.6	8,157.9
Gross external debt						
By financing source	79,023.5	13,958.4	14,168.7	-210.3	1,286.0	80,099.2
Restructured 1989 – 1990	387.7	0.0	77.8	-77.8	-0.2	309.7
Spanish bank bonds	76.5	0.0	0.0	0.0	0.0	76.5
New money 1990 – 1992	311.2	0.0	77.8	-77.8	-0.2	233.2
Non-restructured	4,310.2	3,372.8	4,817.1	-1,444.3	-0.8	2,865.1
Bilateral credit	5,283.6	1,990.3	2,130.1	-139.8	-63.3	5,080.5
Publicly placed bonds	48,806.2	5,178.5	4,886.0	292.5	656.9	49,755.6
IFIS	17,948.0	664.8	1,344.0	-679.2	-47.3	17,221.5
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	911.4	1,840.6	740.7	4,866.8

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 2003	Indebtedness			Adjustments ^{1_/}	Outstanding July 2004 ^{p_/}
		Originations	Amort.	Net		
Net domestic debt balance	927,097.1					933,175.3
Creditor accounts ^{2_/}	-84,792.1					-160,499.7
Gross domestic debt stock	1,011,889.2	605,324.2	526,416.6	78,907.6	2,878.2	1,093,675.0
Government Securities	956,657.0	558,437.2	480,792.7	77,644.5	1,462.6	1,035,764.1
Cetes	206,416.3	434,911.8	394,312.8	40,599.0	0.0	247,015.3
Bondes	354,720.4	27,500.0	50,918.7	-23,418.7	0.0	331,301.7
Fixed rate bonds	311,664.1	87,530.0	14,997.1	72,532.9	0.0	384,197.0
Udibonos	83,856.2	8,495.4	20,564.1	-12,068.7	1,462.6	73,250.1
<i>Udibonos udi's</i>	25,016.7	2,500.0	6,094.4	-3,594.4	0.0	21,422.3
S.A.R.	40,655.3	41,781.5	39,578.4	2,203.1	1,156.2	44,014.6
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	6,045.5	-940.0	259.4	13,896.0

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
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, 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