

MEXICO

INVESTOR RELATIONS OFFICE

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MINISTRY OF FINANCE

November 30, 2004

Public Finances and Public Debt Report October, 2004

The Ministry of Finance released the Public Finance and Public Debt results for October 2004. It is worth highlighting the following:

- The public sector balance registered a deficit of Ps. 9.7 billion, 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, recorded a surplus of Ps. 5.7 billion.
- Budgetary revenues posted a real annual increase of 1.7 percent. Oil-related revenues and revenues of public entities other than PEMEX grew 7.0 and 3.2 percent in real terms, respectively.
- Net budgetary expenditures increased 7.8 percent in real terms. The increase resulted from the second advance payment to the Trust for Infrastructure in States, derived from excess oil related revenues.
- The public sector net external debt balance declined by US\$1.4 billion, while the net domestic debt balance of the Federal Government increased by Ps. 5.8 billion, both figures with respect to September 2004.

1. Public Sector Balance in January-October 2004

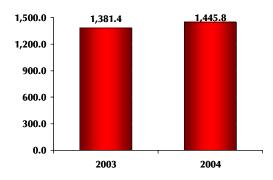
- The public sector surplus at the end of October amounted to Ps. 70.2 billion, this amount compares favorably with the surplus of Ps. 43.6 billion observed for the same period of 2003.
- In the same period, the primary surplus was Ps. 248.7 billion, which is 9.3 percent higher in real terms, than that observed a year earlier.

1.1 Public Sector Budgetary Revenues in January-October 2004

• The public sector's budgetary revenues for the period January-October 2004 were Ps. 1,445.8 billion, 4.7 percent higher in real terms than those received in the same period of 2003.

BUDGETARY REVENUES, IANUARY-OCTOBER

(Billions of 2004 pesos)



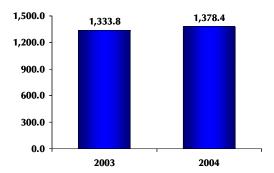
- Non-oil related tax revenues totaled Ps. 600.4 billion, 0.3 percent higher than those receive in January-October 2003. Within these revenues it is important to highlight that income tax collection declined by 1.8 percent, while value added tax collection increased 6.1 percent, both in real annual terms.
- Oil related revenues, which include PEMEX's own revenues, oil related royalties and fees, and excise tax collection on gasoline and diesel, totaled Ps. 513.3 billion, 13.2 percent higher than those collected in the first ten months of 2003.
- Non-tax non-oil related revenues were Ps. 80.6 billion, 0.5 percent lower in real terms than in the same period of 2003.
- Revenues of public entities under direct budgetary control other than PEMEX were Ps. 251.5 billion, which represents a 1.2 percent increase over the same period of 2003.

1.2. Net Public Sector Expenditures during January-October 2004

 Net budgetary expenditures of the public sector totaled Ps. 1,378.4 billion, 3.3 percent higher in real terms than those registered in the same period a year earlier. This result includes the advance payments to the Trust for Infrastructure in States (Ps. 12.2 billion), Fees for infrastructure works in PEMEX (Ps. 12.5 billion) and the oil stabilization fund (PS. 4.1 billion), based on the excess oil related revenues for the year.

NET BUDGETARY EXPENDITURES, JANUARY-OCTOBER

(Billions of 2004 pesos)



- Programmable expenditures totaled Ps. 975.5 billion, 3.3 percent higher in real terms than those carried out on the same period of 2003.
- Federalized expenditures increased 6.5 percent in real terms. It is worth highlighting the following:
 - O Revenue Sharing to States and Municipalities amounted to Ps. 202.3 billion, which is 5.4 percent higher than the amount registered in the same period of the previous year.
 - o The sum of transfers to States and Municipalities (Ramo 33), provisions for basic, traditional, technical, and adult education (Ramo 25), and resources directed towards the strengthening of States through PAFEF (Ramo 39) amounted to Ps. 263.9 billion, 7.4 percent higher in real terms than in the same period of 2003.
- The Public Sector's financing costs totaled Ps. 169.7 billion, 3.2 percent lower in real terms, compared to the same ten months of 2003.

2. Public Debt Update

- At the end of October, the net external public debt balance was US\$78.1 billion, US\$1.1 billion higher than that observed at the end of 2003. The result derives from a decline in indebtedness of US\$2.1 billion, upward accounting adjustments of US\$1.6 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 as approved by Congress.
- The net domestic debt balance of the Federal Government was Ps. 976.1 billion at the end of October, Ps. 49.0 billion higher than that recorded at the end of

2003. This change is the result of net borrowings of Ps. 61.6 billion, upward accounting adjustments to inflation indexed debt of PS. 4.9 billion, and an increase in the Federal Government's financial assets of Ps. 17.5 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-C | Real % | Composition % | | |
|-------------------------------|-------------|---------------------|---------------|-------|---------------------|
| | 2003 | 2004 ^{p_/} | growth | 2003 | 2004 ^{p_/} |
| Overall Public Balance (I+II) | 43,575.9 | 70,195.2 | 54.1 | | |
| I. Budgetary Balance (a-b) | 45,525.2 | 67,430.6 | 41.7 | | |
| a) Revenues | 1,321,104.8 | 1,445,828.1 | 4.7 | 100.0 | 100.0 |
| Federal Government | 949,621.6 | 1,039,013.3 | 4.6 | 71.9 | 71.9 |
| Tax | 645,514.8 | 648,929.5 | -3.9 | 48.9 | 44.9 |
| Non-tax | 304,106.7 | 390,083.8 | 22.7 | 23.0 | 27.0 |
| PEDBC 1_/ | 371,483.2 | 406,814.8 | 4.7 | 28.1 | 28.1 |
| Pemex | 133,680.0 | 155,282.8 | 11.1 | 10.1 | 10.7 |
| Others | 237,803.3 | 251,532.0 | 1.2 | 18.0 | 17.4 |
| b) Expenditures | 1,275,579.6 | 1,378,397.5 | 3.3 | 100.0 | 100.0 |
| Programmable | 903,200.8 | 975,460.2 | 3.3 | 70.8 | 70.8 |
| Non programmable | 372,378.9 | 402,937.4 | 3.5 | 29.2 | 29.2 |
| II. PEIBC ² | -1,949.3 | 2,764.6 | n.a. | | |
| Primary Balance | 217,669.9 | 248,696.5 | 9.3 | | |

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.

Annex A. Public Finances (Cont.)

Public Sector Revenues

Millions of pesos

| | January-October | | Real % | Composition % | |
|--|-----------------|---------------------|--------|---------------|---------------------|
| | 2003 | 2004 ^{p_/} | growth | 2003 | 2004 ^{p_/} |
| Total (I+II) | 1,321,104.8 | 1,445,828.1 | 4.7 | 100.0 | 100.0 |
| I. Oil related | 433,539.8 | 513,252.5 | 13.2 | 32.8 | 35.5 |
| a) PEMEX | 133,680.0 | 155,282.8 | 11.1 | 10.1 | 10.7 |
| b) Federal Government | 299,859.9 | 357,969.7 | 14.2 | 22.7 | 24.8 |
| Rights and Royalties on oil related products | 226,593.9 | 309,476.2 | 30.6 | 17.2 | 21.4 |
| Excise taxes | 73,266.0 | 48,493.4 | -36.7 | 5.5 | 3.4 |
| II. Non oil related | 887,565.0 | 932,575.6 | 0.5 | 67.2 | 64.5 |
| c) Federal Government | 649,761.7 | 681,043.6 | 0.2 | 49.2 | 47.1 |
| Tax | 572,248.8 | 600,436.0 | 0.3 | 43.3 | 41.5 |
| Income tax | 285,893.5 | 293,519.0 | -1.8 | 21.6 | 20.3 |
| VAT | 211,567.1 | 234,783.5 | 6.1 | 16.0 | 16.2 |
| Excise taxes | 25,521.3 | 26,568.4 | -0.4 | 1.9 | 1.8 |
| Import taxes | 22,132.9 | 23,520.1 | 1.6 | 1.7 | 1.6 |
| Others 1_/ | 27,134.2 | 22,045.0 | -22.3 | 2.1 | 1.5 |
| Non-tax | 77,512.9 | 80,607.6 | -0.5 | 5.9 | 5.6 |
| Rights | 17,183.0 | 14,580.6 | -18.8 | 1.3 | 1.0 |
| Fees | 55,917.4 | 61,337.0 | 4.9 | 4.2 | 4.2 |
| Others | 4,412.4 | 4,689.9 | 1.7 | 0.3 | 0.3 |
| d) PEDBC ² | 237,803.3 | 251,532.0 | 1.2 | 18.0 | 17.4 |
| Memorandum items: | | | | | |
| Total tax related | 645,514.8 | 648,929.5 | -3.9 | 48.9 | 44.9 |
| Total non-tax related | 675,590.0 | 796,898.7 | 12.8 | 51.1 | 55.1 |

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.

 $^{2\}_/ \ \text{Public entities under direct budgetary control. Excludes Federal Government transfers to the ISSSTE.}$

Annex A. Public Finances (Cont.)

Public Sector Expenditures

Millions of pesos

| | January-October | | Real % | Composition % | |
|------------------------------------|-----------------|---------------------|--------|---------------|---------------------|
| | 2003 | 2004 ^{p_/} | growth | 2003 | 2004 ^{p_/} |
| TOTAL (I+II) | 1,275,579.6 | 1,378,397.5 | 3.3 | 100.0 | 100.0 |
| I. Primary Expenditures (a+b) | 1,107,937.7 | 1,208,700.6 | 4.3 | 86.9 | 87.7 |
| a) Programmable | 903,200.8 | 975,460.2 | 3.3 | 70.8 | 70.8 |
| b) Non-programmable | 204,736.9 | 233,240.4 | 9.0 | 16.1 | 16.9 |
| II. Financing Costs ¹ / | 167,641.9 | 169,696.9 | -3.2 | 13.1 | 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.

Annex B. Public Debt

Public Sector External Debt, January-October *J

Millions of dollars

| | Outstanding | Inde | Indebtedness | | | Outstanding |
|--|-----------------|--------------|--------------|----------|-------------|--------------------------------|
| | as of Dec-03 | Originations | Amort. | Net | Adjustments | as of Oct-04 ^{p_/} |
| Net external debt | 77,052.4 | | | | | 78,130.6 |
| Financial assets abroad ^{1_/} | -1,971.1 | | | | | -385.4 |
| Gross external debt | 79,023.5 | 17,833.0 | 19,977.1 | -2,144.1 | 1,636.6 | 78,516.0 |
| Term structure | 79,023.5 | 17,833.0 | 19,977.1 | -2,144.1 | 1,636.6 | 78,516.0 |
| Long term | 77,335.7 | 11,200.5 | 14,411.4 | -3,210.9 | 1,636.5 | 75,761.3 |
| Short term | 1,687.8 | 6,632.5 | 5,565.7 | 1,066.8 | 0.1 | 2,754.7 |
| Structure by user | 79,023.5 | 17,833.0 | 19,977.1 | -2,144.1 | 1,636.6 | 78,516.0 |
| Federal Government 2_/ | 58,358.3 | 7,600.2 | 8,444.8 | -844.6 | 890.7 | 58,404.4 |
| PEDBC 3_/ | 12,157.7 | 3,310.6 | 4,273.5 | -962.9 | 766.7 | 11,961.5 |
| Development banks | 8,507.5 | 6,922.2 | 7,258.8 | -336.6 | -20.8 | 8,150.1 |
| Gross external debt | | | | | | |
| By financing source | 79,023.5 | 17,833.0 | 19,977.1 | -2,144.1 | 1,636.6 | 78,516.0 |
| Restructured 1989 – 1990 | 387.7 | 0.0 | 116.6 | -116.6 | 0.0 | 271.1 |
| Spanish bank bonds | 76.5 | 0.0 | 0.0 | 0.0 | 0.0 | 76.5 |
| New money 1990 – 1992 | 311.2 | 0.0 | 116.6 | -116.6 | 0.0 | 194.6 |
| Non-restructured | 4,310.2 | 4,008.7 | 5,488.0 | -1,479.3 | 5.7 | 2,836.6 |
| Bilateral credit | 5,283.6 | 2,994.7 | 3,155.7 | -161.0 | 17.3 | 5,139.9 |
| Publicly placed bonds | 48,806.2 | 7,178.5 | 6,828.4 | 350.1 | 857.6 | 50,013.9 |
| IFIS | 17,948.0 | 897.5 | 2,449.1 | -1,551.6 | 7.4 | 16,403.8 |
| Supplier credits to public sector entities | 2.3 | 0.0 | 2.3 | -2.3 | 0.0 | 0.0 |
| Others ^{4_/} | 2,285.5 | 2,753.6 | 1,937.0 | 816.6 | 748.6 | 3,850.7 |

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.

Annex B. Public Debt (Cont.)

Federal Government Domestic Debt, January-October *J

Millions of pesos

| | Outstanding | Inc | lebtedness | | Adjustments ^{1_/} | Outstanding |
|----------------------------------|------------------|--------------|------------|-----------|----------------------------|--------------------------------|
| | December 2003 | Originations | Amort. | Net | | October 2004 ^{p_/} |
| Net domestic debt balance | 927,097.1 | | | | | 976,112.7 |
| Creditor accounts ^{2_/} | -84,792.1 | | | | | -102,314.9 |
| Gross domestic debt stock | 1,011,889.2 | 857,778.2 | 796,204.6 | 61,573.6 | 4,964.8 | 1,078,427.6 |
| Government Securities | 956,657.0 | 796,318.5 | 735,589.5 | 60,729.0 | 2,853.0 | 1,020,239.0 |
| Cetes | 206,416.3 | 624,908.3 | 594,969.4 | 29,938.9 | 0.0 | 236,355.2 |
| Bondes | 354,720.4 | 34,500.0 | 82,700.8 | -48,200.8 | 0.0 | 306,519.6 |
| Fixed rate bonds | 311,664.1 | 123,240.0 | 37,355.2 | 85,884.8 | 0.0 | 397,548.9 |
| Udibonos | 83,856.2 | 13,670.2 | 20,564.1 | -6,893.9 | 2,853.0 | 79,815.3 |
| Udibonos udi's | 25,016.7 | 4,000.0 | 6,094.4 | -2,094.4 | 0.0 | 22,922.3 |
| S.A.R. | 40,655.3 | 56,304.3 | 53,514.1 | 2,790.2 | 1,630.9 | 45,076.4 |
| 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 | 5,155.4 | 7,101.0 | -1,945.6 | 480.9 | 13,111.9 |

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.

Annex C. Public Finance Indicators Calendar

Public Finance Publications Calendar

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