

Public Finance and Public Debt Report, August 2005

The public finances and public debt preliminary results up to August 2005 were released today.

The main results for August are the following:

- The public sector posted a Ps. 22.3 billion surplus, which is in line with the fiscal deficit authorized by Congress for 2005 as a whole.
- The primary balance, defined as total revenues minus non-interest expenditures, posted a Ps. 40.6 billion surplus.
- Non-oil tax revenues, oil-related revenues and revenue from public entities other than PEMEX grew 7.2, 5.6 and 6.9 percent in real annual terms, respectively. However, budgetary revenues decreased 0.2 per cent compared to those of August 2004 due to non-recurring road royalties of Ps. 10.2 billion received in this month of the previous year. If this effect is eliminated, budgetary revenues post a 7.1 percent increase in real terms.
- Net budgetary expenditures were 0.1 per cent lower in real terms than in the same month of 2004. This is mainly due to lower expenditures on saver and debtor support programs this year compared to the same month a year ago. This was partially compensated by increased contributions to States and Municipalities and an increase in programmable expenditure.
- The Federal Government's domestic debt net balance decreased by Ps. 1.1 billion with respect to July and the external debt's net balance fell US\$ 0.7 billion in the same period.

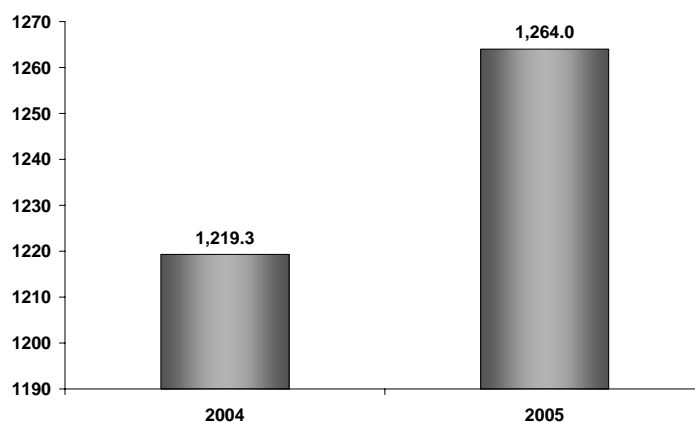
1. Public Sector Balance in January-August 2005

- The accumulated public sector surplus in the January-August period was Ps. 84.1 billion, Ps. 12.2 billion higher than that registered in the same period a year earlier.
- The accumulated primary balance posted a surplus of Ps. 238.5 billion, which is 2.1 per cent higher in real terms than that posted in January-August of 2004.

1.1 Public Sector Budgetary Revenues in January-August 2005

- The public sector's budgetary revenues accumulated in this period were Ps. 1,264.0 billion. This amount is 3.7 per cent higher in real terms than that for the same period of 2004. The annual change is explained by the following:
 - Non-oil tax revenues amounted to Ps. 542.0 billion, 5.3 per cent higher in real terms than in the same period of the previous year. VAT and income tax collection exceeded the figures observed a year earlier by 7.1 and 5.0 per cent in real terms, respectively.
 - Oil-related revenues, which include PEMEX's own revenues, royalties and fees, and the excise tax collection on gasoline and diesel, totaled Ps. 452.3 billion, 6.4 per cent higher in real terms than that registered a year earlier.
 - Non-tax non-oil revenues were Ps. 42.4 billion. This amount is 43.8 per cent lower than in the same period of 2004. The reduction in the annual comparison is due to the higher non-recurring revenues obtained last year, mainly from income associated to the recovery of the Brady bond's collateral (Ps. 13.9 billion), Banxico's operational surplus (Ps. 15.0 billion), and road royalties (Ps. 10.2 billion). For 2005, non-recurring revenues have been less than a quarter of the above-mentioned quantities.

Budgetary Revenues
January-August
 (Billions of 2005 pesos)

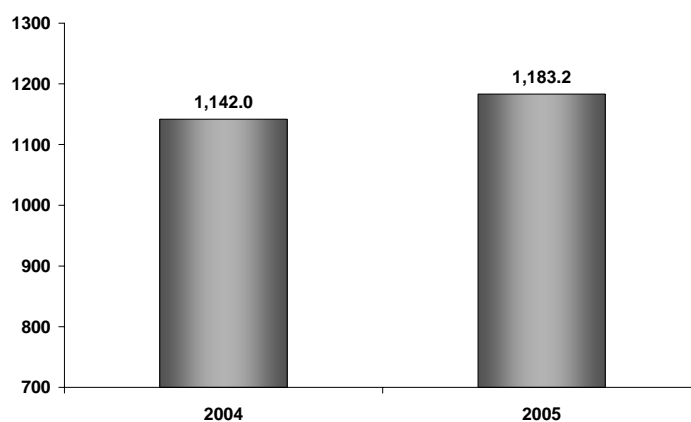


- Revenues of public entities other than PEMEX were Ps. 227.3 billion in 2005, up to the end of August, 11.3 per cent higher in real annual terms with respect to the same period a year earlier.

1.2. Net Budgetary Public Sector Expenditures during January-August 2005

- Net budgetary expenditures of the public sector totaled Ps. 1,183.2 billion in the first eight months of the year. This amount is 3.6 per cent higher in real terms than that observed a year earlier.
- Paid programmable expenditures amounted to Ps. 837.3 billion, 5.8 per cent higher in real annual terms than that registered in the same period a year earlier. This increase is the result of larger social security and energy sector expenses as compared to the first eight months of 2004.

Net Budgetary Expenditures January-August (Billions of 2005 pesos)



- Federalized spending, which includes revenue sharing to States and Municipalities, as well as resources transferred to these entities (*Ramo 33*), provisions for basic, normal, technical and adult education (*Ramo 25*), and the resources directed towards the financial strengthening of States through PAFEF (*Ramo 39*), registered an increase of 6.8 per cent in real annual terms.
 - Revenue sharing to States and Municipalities was Ps. 194.4 billion, and increased 10.8 per cent in real annual terms.
 - Total resources through *Ramo 25*, *Ramo 33* and *Ramo 39* increased 3.5 per cent in real terms.
- The Public Sector's financing costs during January-August 2005 totaled Ps. 145.8 billion. This amount was 0.8 per cent lower in real terms than that registered in the same period a year earlier.

2. Public Debt Update

- The Federal Government's net domestic debt's balance was Ps. 1,092.6 billion at the end of August 2005. This was Ps. 62.6 billion higher than the balance registered at the end of 2004. This is due to net borrowings of Ps. 90.6 billion, adjustments to the inflation-indexed debt for Ps. 2.0 billion, and an increase in the Federal Government's financial assets of Ps. 30.0 billion.
- At the end of August 2005 the net external debt's balance was US\$ 69.7 billion, US\$ 8.3 billion lower than in December 31st 2004. The decrease is due to net indebtedness of US\$ 4.1 billion, downward accounting adjustments for US\$ 0.6 billion, and an increase of the financial assets abroad of US\$ 3.6 billion.
- It should be pointed out that in July the Federal Government obtained the resources in foreign currency to cover all the external market debt payments due in 2006 and 2007 through the purchase of US dollars from Banco de México. This operation is in accordance to the general debt management strategy, outlined in the National Program to Finance Development 2002-2006 (PRONAFIDE), which intends to reduce the share of external debt in the Federal Government's total debt. It is also congruent with the external and domestic debt indebtedness ceilings approved by Congress for this year.

More details on Public Finance and Public Debt statistics can be obtained in the Ministry of Finance's web page at:

www.shcp.gob.mx/eofp/index.html.

Mexico, September 30, 2005.

ANNEX A. PUBLIC FINANCES
PUBLIC SECTOR OVERALL BALANCE, JANUARY-AUGUST
 (Millions of pesos)

Concept	January-August		Real % Growth	Composition %	
	2004	2005 p./		2004	2005 p./
OVERALL PUBLIC BALANCE (I+II)	71,911.0	84,077.5	12.0		
I. Budgetary Balance (a-b)	73,968.8	80,801.2	4.6		
a) Budgetary Revenues	1,167,960.9	1,263,991.4	3.7	100.0	100.0
Federal Government	844,428.4	915,607.1	3.9	72.3	72.4
Tax	535,377.2	557,222.2	-0.3	45.8	44.1
Non-tax	309,051.1	358,384.9	11.1	26.5	28.4
PEDBC	323,532.5	348,384.3	3.2	27.7	27.6
PEMEX	127,866.9	121,041.5	-9.3	10.9	9.6
Others	195,665.6	227,342.8	11.3	16.8	18.0
b) Net Budgetary Expenditures	1,093,992.1	1,183,190.2	3.6	100.0	100.0
Programmable	758,288.6	837,271.5	5.8	69.3	70.8
Non programmable	335,703.5	345,918.7	-1.3	30.7	29.2
II. PEIBC	-2,057.8	3,276.3	n.a.		
Primary Balance	223,749.1	238,523.1	2.1		

Note: Figures may not add up due to rounding

p./ Preliminary figures

Source: Ministry of Finance and Public Credit

A. PUBLIC FINANCES (Cont)

PUBLIC SECTOR REVENUES, JANUARY-AUGUST (Millions of pesos)					
Concept	January-August		Real % Growth	Composition %	
	2004	2005 p./		2004	2005 p./
TOTAL (I+II)	1,167,960.9	1,263,991.4	3.7	100.0	100.0
I. Oil related(a+b)	407,161.4	452,253.7	6.4	34.9	35.8
a) PEMEX	127,866.9	121,041.5	-9.3	10.9	9.6
b) Federal Government	279,294.5	331,212.1	13.6	23.9	26.2
Rights and royalties on oil products	236,786.7	315,961.5	27.8	20.3	25.0
Excise taxes	42,507.8	15,250.6	-65.6	3.6	1.2
II. Non-oil related(c+d)	760,799.5	811,737.7	2.2	65.1	64.2
c) Federal Government	565,133.9	584,395.0	-0.9	48.4	46.2
Tax	492,869.5	541,971.6	5.3	42.2	42.9
Income tax	245,546.7	269,081.6	5.0	21.0	21.3
VAT	188,055.4	210,172.4	7.1	16.1	16.6
Excise taxes	21,385.9	22,914.5	2.6	1.8	1.8
Import taxes	17,985.4	16,760.5	-10.7	1.5	1.3
Others ^{1/}	19,896.1	23,042.7	10.9	1.7	1.8
Non-tax	72,264.5	42,423.4	-43.8	6.2	3.4
Rights	12,510.1	14,267.2	9.3	1.1	1.1
Fees	56,375.0	22,813.9	-61.2	4.8	1.8
Others	3,379.4	5,342.2	51.4	0.3	0.4
d) PEDBC ^{2/}	195,665.6	227,342.8	11.3	16.8	18.0
Memorandum items:					
Total tax related	535,377.2	557,222.2	-0.3	45.8	44.1
Total non-tax related	632,583.6	706,769.2	7.0	54.2	55.9

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 budget control. Excludes Federal Government transfers to the ISSSTE.

Source: Ministry of Finance and Public Credit

ANNEX A. PUBLIC FINANCES (Cont)

PUBLIC SECTOR EXPENDITURES, JANUARY-AUGUST (Millions of pesos)					
Concept	January-August		Real % Growth	Composition %	
	2004	2005 p_1		2004	2005 p_1
TOTAL (I+II)	1,093,992.1	1,183,190.2	3.6	100.0	100.0
I. Primary expenditures (a+b)	953,115.2	1,037,352.4	4.3	87.1	87.7
a) Programmable	758,288.6	837,271.5	5.8	69.3	70.8
b) Non-programmable	194,826.6	200,080.9	-1.6	17.8	16.9
II. Financing costs ^{1/}	140,876.9	145,837.7	-0.8	12.9	12.3

Note: Figures may not add up due to rounding

p_1/ Preliminary figures

^{1/} Includes interests, commissions and other public debt expenditures associated to debtor support programs.

Source: Ministry of Finance and Public Credit

ANNEX B. PUBLIC DEBT

FEDERAL GOVERNMENT DOMESTIC DEBT, JANUARY-AUGUST ^{*/}						
(Millions of pesos)						
Concept	Outstanding	Indebtedness			Adjustments	Outstanding
	As of Dec-2004	Originations	Amort.	Net	^{1/}	As of Aug. 2005 ^{p/}
Net domestic debt balance	1,029,964.9					1,092,607.9
Creditor accounts ^{2/}	-69,241.4					-99,243.2
Gross domestic debt stock	1,099,206.3	721,275.4	630,655.1	90,620.3	2,024.5	1,191,851.1
Government Securities	1,039,314.1	667,616.0	578,755.9	88,860.1	975.7	1,129,149.9
Cetes	241,533.6	535,931.7	500,799.1	35,132.6	0.0	276,666.2
Bondes	310,519.6	15,600.0	35,339.2	-19,739.2	0.0	290,780.4
Fixed rate bonds	402,702.3	99,880.0	26,844.1	73,035.9	0.0	475,738.2
Udibonos	84,558.6	16,204.3	15,773.5	430.8	975.7	85,965.1
<i>Udibonos udi's</i>	23,922.3	4,553.0	4,460.9	92.1	0.0	24,014.4
S.A.R.	46,607.3	48,611.4	45,999.2	2,612.2	902.7	50,122.2
Siefores (pesos)	0.2	0.0	0.0	0.0	0.0	0.2
<i>Siefores udi's</i>	0.1	0.0	0.0	0.0	0.0	0.1
Others	13,284.7	5,048.0	5,900.0	-852.0	146.1	12,578.8

Note: Figures may not add up due to rounding

^{*/} Figures subject to revisions and methodological changes.

^{p/} Preliminary figures

^{1/} refers to adjustment 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 B. PUBLIC DEBT (Cont)

PUBLIC SECTOR EXTERNAL DEBT, JANUARY-AUGUST ^{1/}						
(Millions de dollars)						
Concepto	Outstanding	Indebtedness			Fx.	Outstanding
	As of Dec-2004	Originations	Amort.	Net	Adjustments	As of Aug. 2005 p./
Net external debt	77,990.2					69,681.4
Financial assets abroad ^{1/}	-1,235.6					-4,862.7
Gross external debt	79,225.8	9,970.8	14,072.5	-4,101.7	-580.0	74,544.1
Term structure	79,225.8	9,970.8	14,072.5	-4,101.7	-580.0	74,544.1
Long term	77,149.1	4,049.9	8,202.2	-4,152.3	-578.2	72,418.6
Short term	2,076.7	5,920.9	5,870.3	50.6	-1.8	2,125.5
Structure by user	79,225.8	9,970.8	14,072.5	-4,101.7	-580.0	74,544.1
Federal Government ^{2/}	60,084.2	2,481.7	3,588.6	-1,106.9	-68.3	58,909.0
PEDBC ^{3/}	11,003.4	3,912.6	5,825.4	-1,912.8	-441.0	8,649.6
Development banks	8,138.2	3,576.5	4,658.5	-1,082.0	-70.7	6,985.5
Gross external debt						
By financing source	79,225.8	9,970.8	14,072.5	-4,101.7	-580.0	74,544.1
Restructured 1989 – 1990	232.3	0.0	48.7	-48.7	-0.2	183.4
Spanish bank bonds	76.5	0.0	0.0	0.0	0.0	76.5
New Money 1990 – 1992	155.8	0.0	48.7	-48.7	-0.2	106.9
Non-restructured	2,681.9	2,729.6	2,447.6	282.0	-9.2	2,954.7
Bilateral credit	5,113.6	1,388.5	2,590.0	-1,201.5	-123.4	3,788.7
Publicly placed bonds	51,106.6	2,101.4	5,483.1	-3,381.7	165.3	47,890.2
IFIS	17,053.2	422.8	1,341.1	-918.3	-128.1	16,006.8
Others ^{4/}	3,038.2	3,328.5	2,162.0	1,166.5	-484.4	3,720.3

Note: Figures may not add up due to rounding

^{1/} Figures subject to revisions.

p./ Preliminary figures.

^{1/} Collateral is valued at market prices; includes 18 months 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